



detsky mir

Investor Presentation

Leading specialized children's goods retailer in Russia

March 2020

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Detsky Mir at a glance

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Appendix

1

Detsky Mir at a glance

Russia's children goods retail market leader with strong growth and attractive shareholder returns

Key facts

Undisputed #1 player
with 67% share of specialized children's goods retail market and 26% share of total children's goods market in Russia in 2019

Iconic brand
with 99% prompted awareness¹

842 branded stores in 293 cities
in Russia, Kazakhstan and Belarus, of which 766 Detsky Mir, 62 ELC & ABC, 10 Zoozavr stores and 4 Detmir.ru²

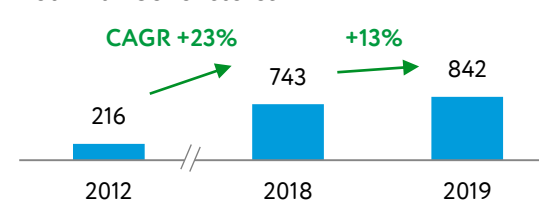
Prime locations in modern shopping malls with average store selling space of ~1,100 sqm

Top-3 online children's goods retailer
19% market share in online children's retail in 2019

Publicly listed
on the Moscow Stock Exchange since February 2017 with current free-float of 57.62%

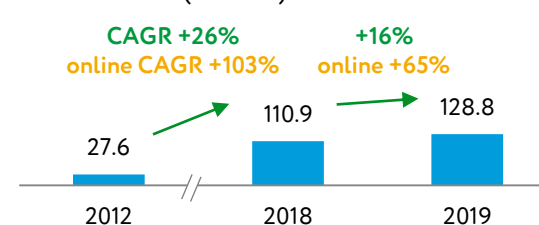
Strong operational and financial results⁵

Total number of stores



+101
New store openings in 2019

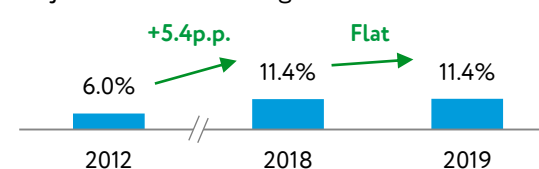
Total revenue (RUB bn)



+7.2%
LFL in 2019 (Russia and Kazakhstan)

15.7%
Share of online revenue in Russia Q4-19

Adjusted EBITDA⁴ margin



76%
Cash conversion³ 2019

c.10%
Dividend yield⁶ (+23% YoY in 2020⁷)

Revenue breakdown, 2019



1.2x
Net debt/adj. EBITDA 2019

Source: Company data, Ipsos Comcon

¹ "Children Goods Market in Russia" report by Ipsos Comcon ("Ipsos Comcon report"). Consumer survey conducted in December 2017

² As of 31 December 2019

³ Calculated as (Adj. EBITDA - Capex) / Adj. EBITDA

⁴ Adjusted for the one-off effect relating to additional bonus accruals and Income received from partial termination of employees' right to receive shares under the LTI program

⁵ Under IAS 17

⁶ Calculated as dividend per share announced in the last 12 months (RUB 4.45 for 2018 and RUB 5.06 interim dividend for 9M 2019) / share price as of the record dates

⁷ Management will announce its recommendation on the final dividends for 4Q19 in 2020

⁸ Including large items, stationery, sports and seasonal goods

Unlocking new growth horizons

2019 key achievements and significant future upside

2019 highlights

eCommerce Development

- Last mile delivery with same-day and next-day options
- Ideal in-store service with 95% online pick-up orders ready within 60 min
- New integrated mobile app
- Successfully piloting marketplace (+5,000 SKU)

White Space Expansion

- 101 Detsky Mir stores opened
- Continued growth in Kazakhstan with 38 stores (1.5x sales growth)
- Entry in Belarus with 8 stores (EBITDA breakeven level achieved)

Customer Traffic Generation

- Increased share of private label / direct imports by 570bps YoY to 41.6% in 2019
- Loyalty program promotion – 24m loyalty cards holders, generating 78% of revenue in 2019
- New CRM platform

New Categories

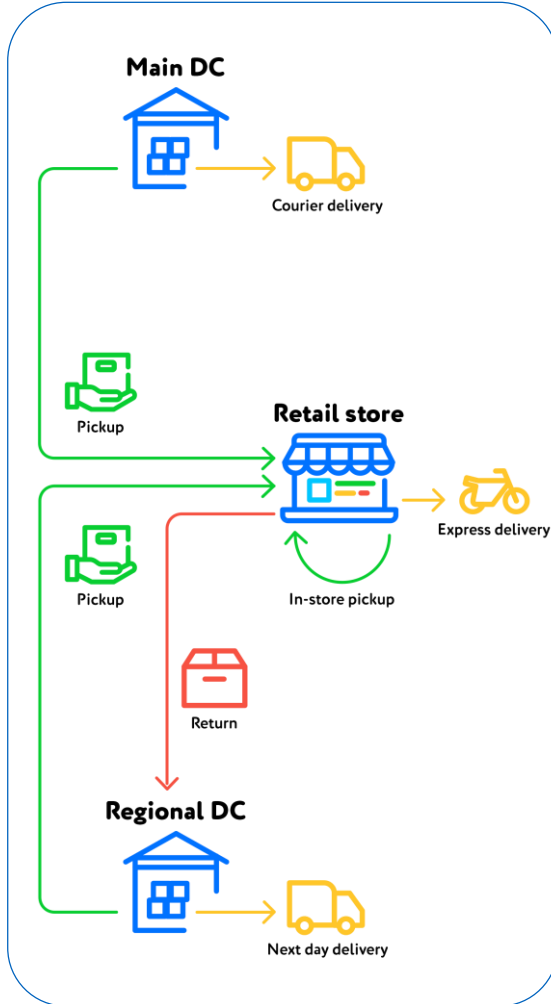
- Pilot Zouzavr pet supplies stores

Drivers of future upside

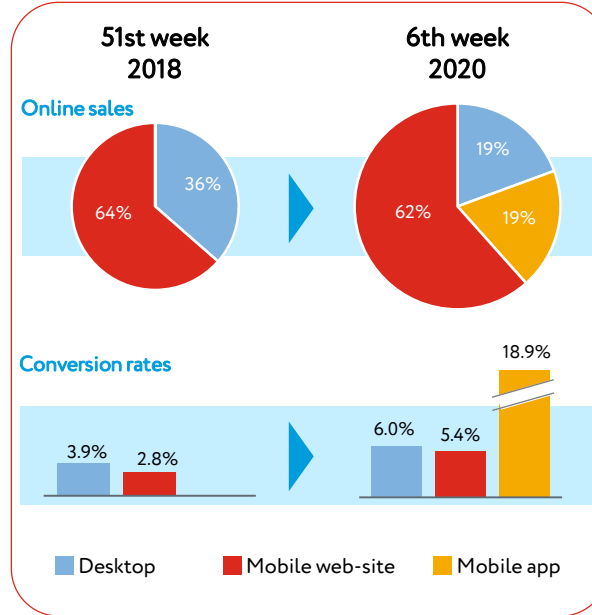
- Last mile delivery promotion and development (**New Regional DCs**)
- “**Mobile first concept**”
- Full scale rollout of children’s goods marketplace – **Fashion and FMCG**
- **~300 Detsky Mir core format stores in 2020-23 (Russia, Kazakhstan and Belarus)**
- **New Detmir.ru format (~2,000 stores)**
- **CIS expansion**
- **Mid-term target share of private label / direct imports of 60%**
- **Launching of private label Manu diapers (affordable premium Japanese quality)**
- **CRM personalization and segmentation**
- **Full rollout of Zouzavr concept**

Major enhancements completed to drive market-leading omni-channel proposition

Omni-channel delivery platform



"Mobile first" concept – new Detsky Mir mobile app



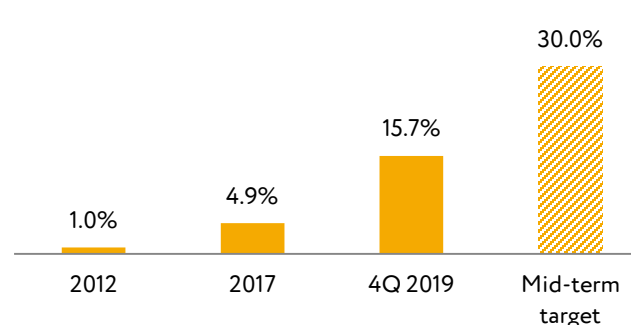
1.5 million
downloads²

#40 **#10**
App ranking in Shopping category¹

#36 **#13**
App ranking in Shopping category¹

Targeting doubling the share of online sales in the medium term

Share of online sales⁽³⁾



- Fully-equipped to capture online opportunity
- Unmatched intensity of customer engagement through omni-channel outreach
- No margin erosion given limited marketing expenses and optimized supply chain

Source: Company data, AppAnnie

¹ As of 21 February 2020 vs. 24 November 2019 based on AppAnnie data

² Number of downloads in 6th week of 2020

³ As % of total revenue in Russia

2

New growth initiatives

New Pilot: New Detmir.ru compact store format

Unlocking smaller cities and rural areas + supporting the online sales as pick-up points

c. 2,000 new stores opportunity (decision on roll-out in Q2'2020)
30%+ addition to the addressable market (~RUB700bn total market size)



1,800 – 2,000 SKUs



150-200 sqm total area
130-170 sqm selling space



Limited assortment focused on goods for newborns and toys



Showroom functionality



Targeting c. 50/50 online/offline sales split

- Assortment focused on diapers, baby food, toys
- Pick up location for online orders (full assortment)
- Average target annual revenue/store: RUB20-25m
- Cover catchment area at 600m walking distance radius with no fewer than 2,000 inhabitants
- Significant expansion potential for DM beyond its current geographic coverage
 - 1,000 stores in cities and towns with 10-50k population
 - Another 1,000 stores in locations not accessible by core DM format stores



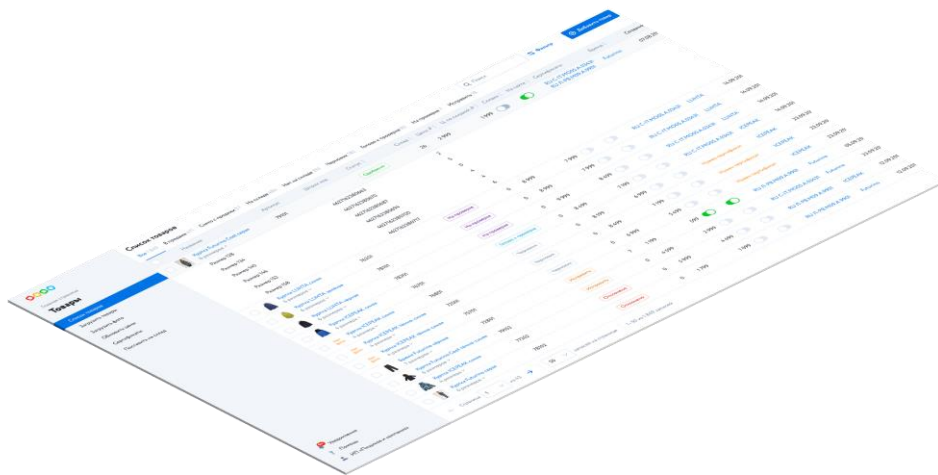
New Pilot: 3P marketplace – landmark extension of the business model creating the new layer of growth

Imminent launch in the Fashion segment with potential for roll-out in other verticals

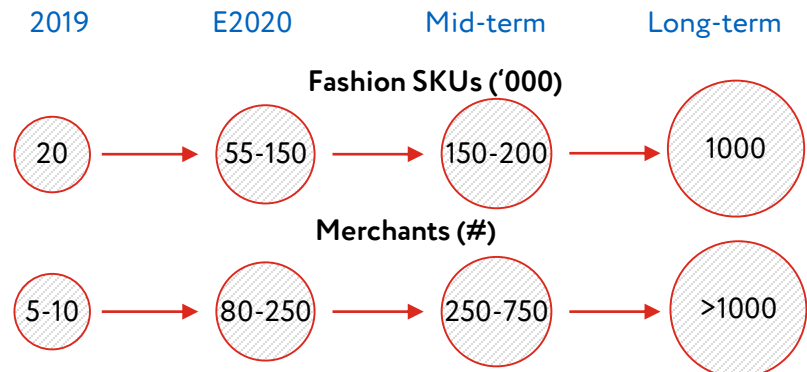
Platform description



Strategic relevance



Targeting 30% share in fashion category in mid-term



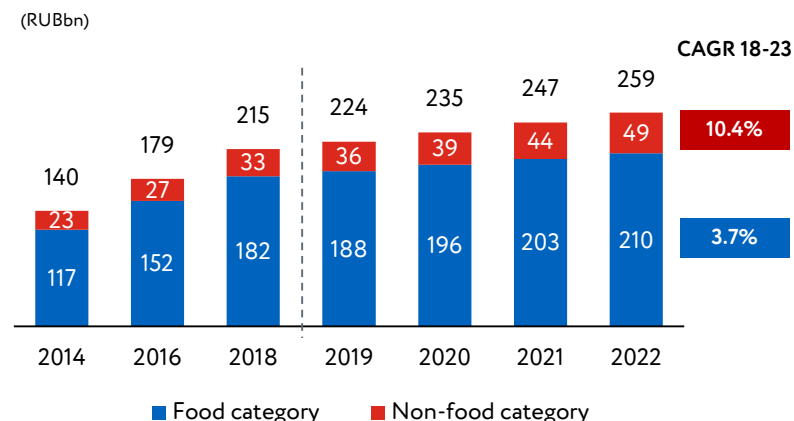
New Pilot: Zoozavr specialized pet supplies stores

Targeting large and growing market with weak and fragmented competition

Market opportunity

- Pet supplies is a large RUB215bn (2018) market in Russia
- Solid growth outlook
 - People tend to have fewer kids but more pets
 - Same elasticity to macro conditions as children's goods
 - Driven by rising pet ownership rate
 - Expected 4% CAGR in 2018-23, outpacing children's goods
- High fragmentation with weak competition
 - Specialized retailers account for just under 40% of market
 - Top 5 players - only 12% market share
 - No highly recognized brand or large, well-funded and efficient player
- Large overlap with children's goods' target customers and suppliers

Russia pet supplies retail market size and forecast



Strategy

10 stores opened in 2019
+ 10 stores to be opened in H1 2020;
decision on broader roll-out by 2020 YE

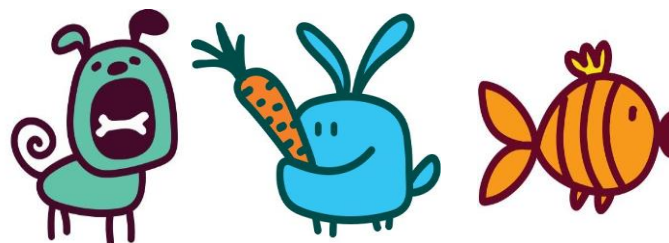
Comprehensive assortment:
c. 6.5k SKUs

Asset-light and profitable store format

Joint supply chain, pickup / delivery, online ordering and loyalty program with Detsky Mir

Store Format

- 200sqm total/170sqm selling area
- At shopping center or street retail, close to a chain food retailer
- Store capex of RUB3.6m



3

Our investment story

Detsky Mir – leading specialized children's goods retailer in Russia



Undisputed market leader in children's goods retail market in Russia with significant growth potential in online

1



Category-defining brand with highly popular customer proposition

2



Omni-channel model enhanced by strong infrastructure backbone geared up for future growth

3



Well-defined growth strategy diversified across multiple avenues
a) e-Commerce; b) whitespace c) LFL / traffic generation

4



Asset-light cash-generative business model providing for strong returns on capital and consistent dividend payments

5



Strong management team with well-established public market-oriented governance practices

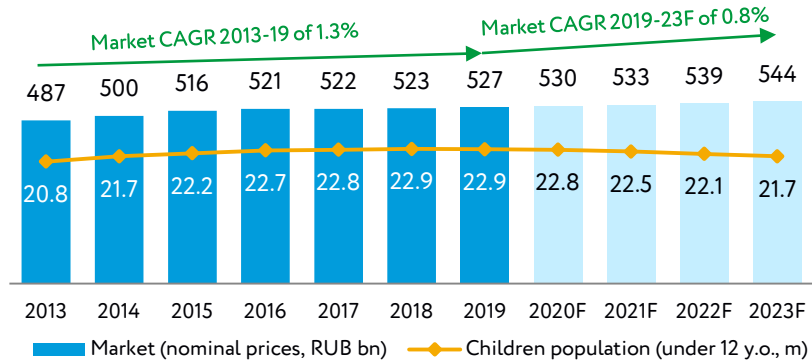
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Undisputed market leader in children's goods retail market in Russia with significant growth potential in online



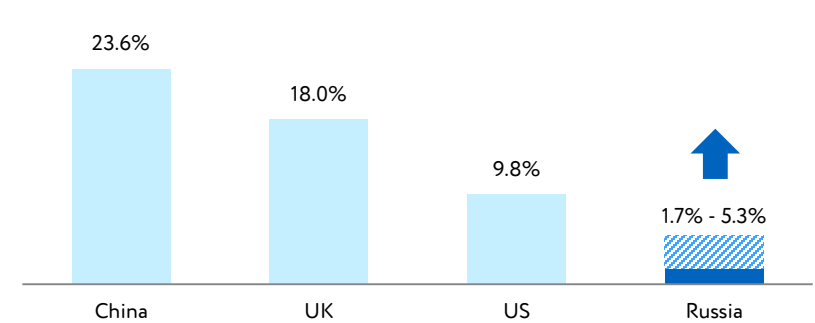
Large and stable market

Russian children's goods market and children population¹



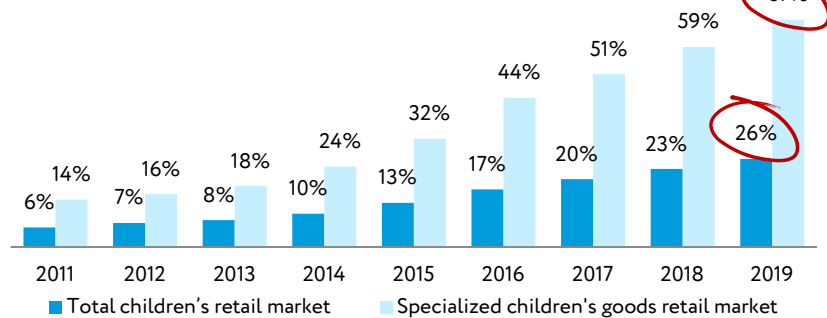
Low penetration of online retail driving future growth

Share of online sales in total retail market in 2018 (%)



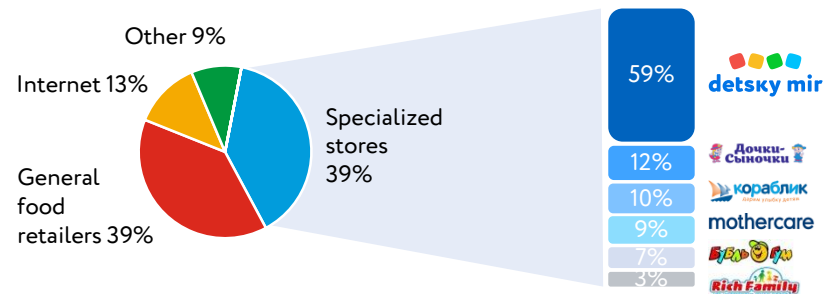
Detsky Mir has been building on its market leadership ...

Detsky Mir market shares in Russia (%)¹



... and has potential to further consolidate this fragmented market

Structure of children's goods retail market in Russia in 2018 (%)¹



Source: Company data, Ipsos Comcon report, National statistical institutes of China, the UK and the USA, Rosstat, AKIT
¹Market size calculated as sales in retail prices (including VAT) in the Russian Federation in cities with over 100k population.

Category-defining brand with highly popular customer proposition

Leading customer proposition

Brand positioning

Iconic Russian household name with 70-year history
99% prompted awareness¹
92% unprompted awareness¹

Product offering and convenience

One-stop-shop across key children's categories
Product offering of ~20,000 SKUs for a typical store and ~50,000 SKUs for online
Fast fashion (8 seasons)
Full omni-channel model with convenient delivery options
Convenient locations in high foot traffic areas

Attractive pricing and promotions

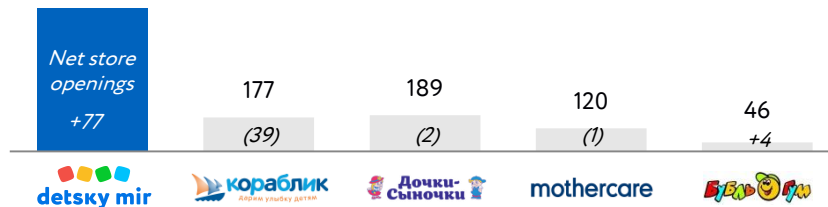
Price segment from medium to medium-low
We aim to offer highly competitive pricing in baby food and hygiene products
Periodic sales and promotions

Loyalty program

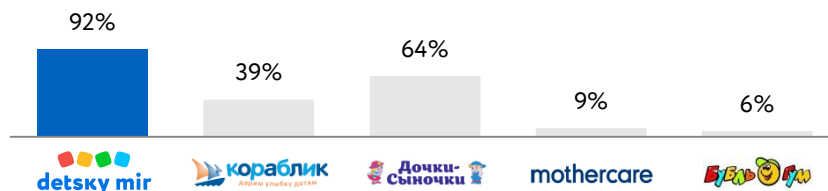
c.24m loyalty cards (c.10.6m active loyalty cards²)
c.14.6m contact base of users as of December 2019
Average ticket for loyalty card holders is significantly higher vs. customers without cards

Bigger, better and more recognizable than the competition

Number of stores (Q4 2019)³
750



Brand recognition (unprompted, December 2017)



Source: Detsky Mir for Company and peers data; Ipsos Comcon for brand recognition metrics

¹ Based on consumer survey conducted in December 2017

² Cardholders who made at least one purchase at Detsky Mir during the last 12 months to 31 December 2019 are considered active

³ Excluding Kazakhstan and Belarus; excluding ELC&ABC and Zozavr stores

⁴ Retail revenue only

Well-balanced product mix across traffic generators and high-margin products

Product segment	Gross margin	Traffic generation	Revenue breakdown ⁴ (2019)
Newborns	✓	✓ ✓ ✓	31%
Toys	✓ ✓	✓ ✓	32%
Fashion	✓ ✓ ✓	✓	27%
Large items and other	✓ ✓	✓ ✓	10%

Omni-channel model enhanced by strong infrastructure backbone geared up for future growth



Multi-regional network with diverse set of store formats

- 842 stores located in 293 cities across Russia, Kazakhstan and Belarus as of 31-Dec-19
- Various Detsky Mir store formats (from 600 sqm to over 2,000 sqm) allowing flexible roll-out
- Pilot phase of a new compact format Detmir.ru (150 sqm) that combines an offline store and a pick-up point



E-commerce platform with multiple client touchpoints

- Access to online store via website (desktop, tablet, mobile) and full-feature mobile app
- #1 web-site in the world in Childcare category
- In-store pick-up service (90% of online orders) and courier delivery (10%)



Developed distribution infrastructure

- Two modern DCs located in Moscow region with total area of 132.5k sqm
- Launch of new DC in South Federal District to support last-mile delivery roll-out
- New c.60k sqm DC to be launched in Ural region in 2021

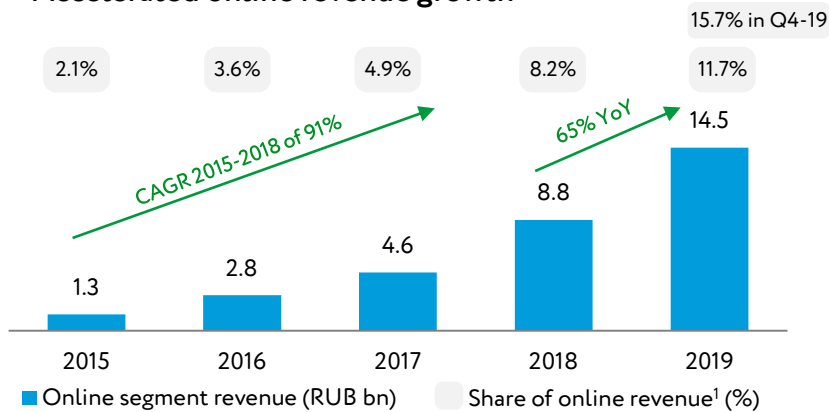


Integrated IT system

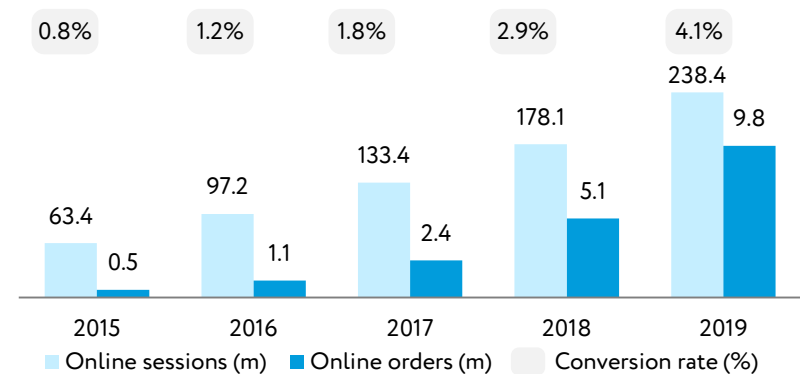
- Established SAP system managing inventory balances
- IT infrastructure is able to support up to 1,200 Detsky Mir stores with in-store pick-up function

e-Commerce: continuous growth and improved conversion underpinned by superior customer proposition

Accelerated online revenue growth









Continued growth in traffic and substantial improvement in conversion rates...



Market position and growth

Direct delivery²

	Market share in total children's goods retail in Russia (% , 2019)	Online revenue growth (% , 2019)	Market share in online children's goods retail in Russia (% , 2019)	Price (RUB)	Time	Free of charge in-store click and collect
	 detsky mir	26%	64%	19%	99 / 99	6 h. / 1 day ³ 1 hour 90% of orders
2018	 Дочки-Сыночки	5%	25%	5%	199	1 day 1 hour
	 WILDBERRIES	8% ⁴	81%	51%	200	3 days na
2018	 кораблик	4%	0%	3%	na	na 1 hour
	 OZON	2% ⁴	115%	15%	249	1 day na
2018	 myToys	1% ⁴	35%	5%	360	2 days na

Source: Company data for Detsky Mir, Ipsos Comcon data for peers and Detsky Mir market shares, companies websites for direct delivery and in-store pick-up terms

¹ As % of total revenue in Russia

² Delivery terms in selected city in Russia with population of 1.0-1.5m for diapers set in price range of RUB 1,500-2,000 as indicated on each website during 2-3pm Moscow time on 31-Oct-19

³ Same-day (up to 6 hours) delivery is provided in 17 major cities in Russia (c.50% of covered geographies by product turnover), next-day delivery is provided in 30 major cities in Russia (c.80% of covered geographies by product turnover)

⁴ Estimated as share of online sales volume in total size of children's goods retail market

e-Commerce: executing ongoing upgrades across all functional pillars



Completed initiatives



Ongoing projects



Assortment

- ✓ Successfully piloting **marketplace (+5,000 SKUs)**
- ✓ Launch of full-feature **mobile app**

- Launch and development of online marketplace with target **250k SKUs in Fashion (add FMCG in H2'20)**



Marketing

- ✓ Increasing share of **promos** 32%  60%
- ✓ CRM Mindbox 2018 2019

- Further **increase in promos**
- CRM **personalization and segmentation**




Last-mile Delivery

- ✓ **Express-delivery pilots in 17 cities**
- ✓ Launch of **next-day delivery in 30 cities**

- **90% service level and cost reduction in express delivery**
- **Next-day delivery promotion and development in 30 cities**



Warehouses

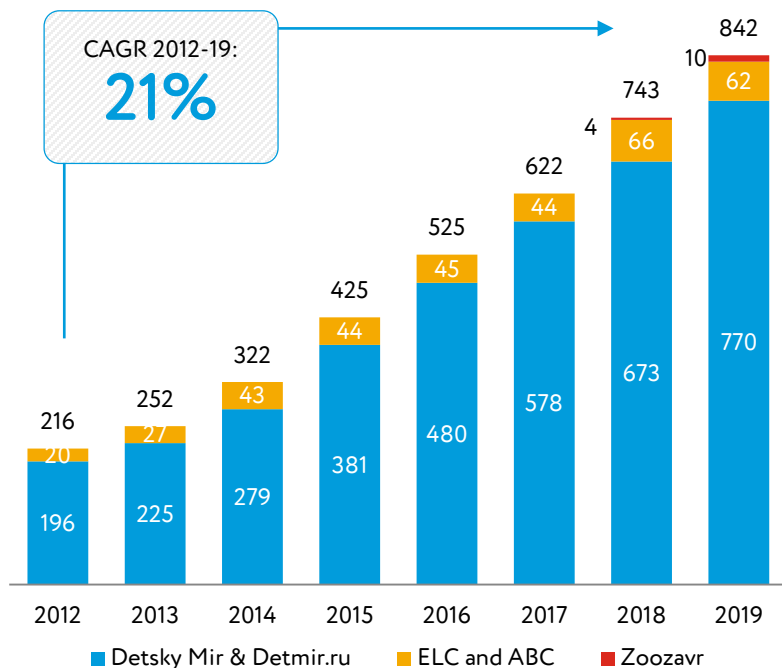
- ✓ **Reduction in fulfilment costs since 2017**  2.5x
- ✓ **Convergence of offline and online DCs**

- New Regional DCs and dark stores as logistics backbone for **next-day delivery roll-out**

Whitespace potential: major opportunity in smaller cities, CIS expansion and new formats

Taking over whitespace in large and small cities as well as international markets

Number of stores (incl. ELC, ABC and Zoozavr)



Active international expansion in CIS countries

- Successfully entered Belarus with 8 stores opened
- Expanded to new cities in Kazakhstan (+36% y-o-y LFL sales in 2019)
- Entering the Kyrgyz market in 2020

Continued regional expansion

- Opened 10 stores in Russia's Far East

Source: Company data

¹ Only Detsky Mir branded stores as of 31-Dec-19

At least 300 new DM stores in 2020-23 with IRR >40%

Visible expansion pipeline (number of stores)



New Detmir.ru store format with total market capacity of **2,000** stores

Well-defined growth strategy diversified across multiple avenues: **focus on traffic generation**

Invest purchasing power into competitive pricing and effective merchandising with focus on traffic generating categories and private labels to drive strong LFL sales growth and growing gross profit per sqm

Competitive pricing

- ✓ "Mid" to "mid-" prices
- ✓ Highly competitive pricing in traffic-generating categories
- ✓ Discounts and loyalty programs

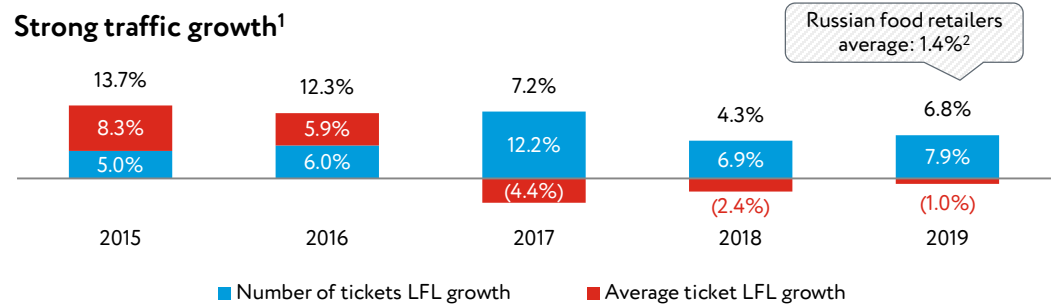
Active development of private label

- ✓ Growing the share of private labels and direct imports across all main product categories
- ✓ Focus on toys as key margin-driving category, with mid-term private label/direct imports share target of 30%

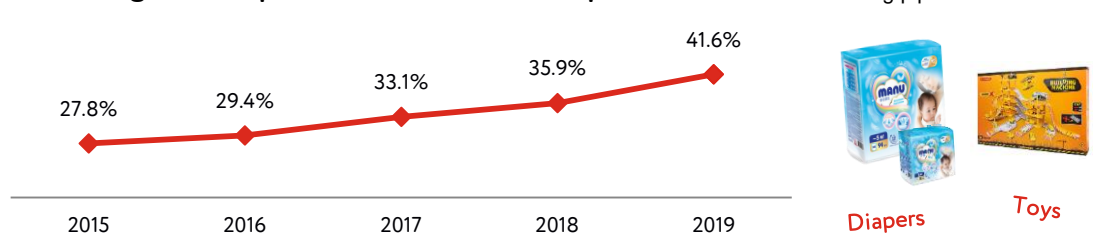
Effective marketing and merchandising

- ✓ Innovative store concepts based on highly interactive formats
- ✓ Focus on best-in-class customer experience

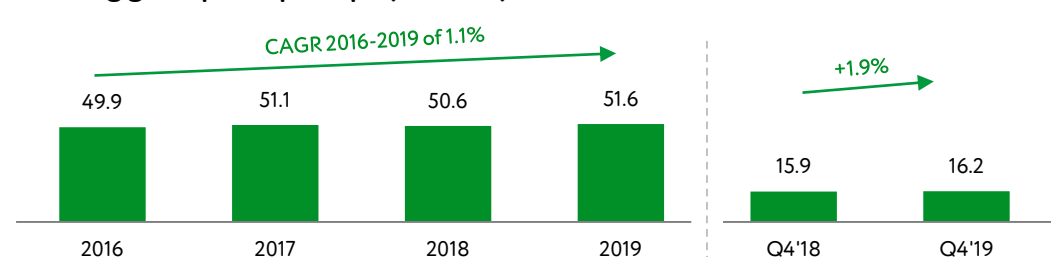
Strong traffic growth¹



Increasing share of private label and direct imports in revenue



Growing gross profit per sqm (RUB ths)³



Source: Company data

¹ LFL growth includes only DM stores in Russia that have been in operation for at least 12 full calendar months. Revenue of each store included in LFL comparison represents retail revenue of the store (incl. VAT, excluding plastic bags) for respective period, but excludes store revenue for those months in which the store was not operating for 3 days or more

² Average LFL y-o-y growth in 2019 for X5, Magnit, Lenta, O'Key

³ Calculated by dividing gross profit for the period by average selling space for the period (calculated in thousands of square metres as simple average of selling space as of the beginning and as of the end of the period)

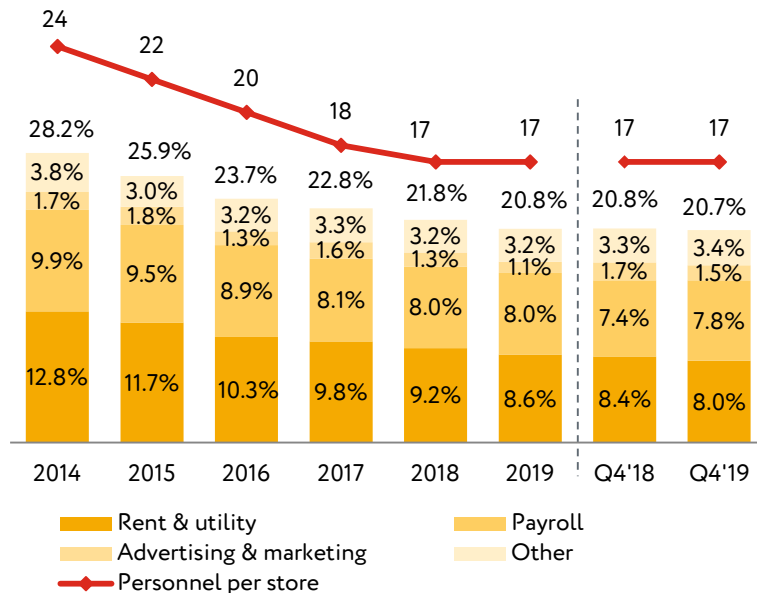
Focus on execution excellence to achieve superior operating margins

Improvement of 160bps in adjusted EBITDA¹ margin since 2014 driven by:

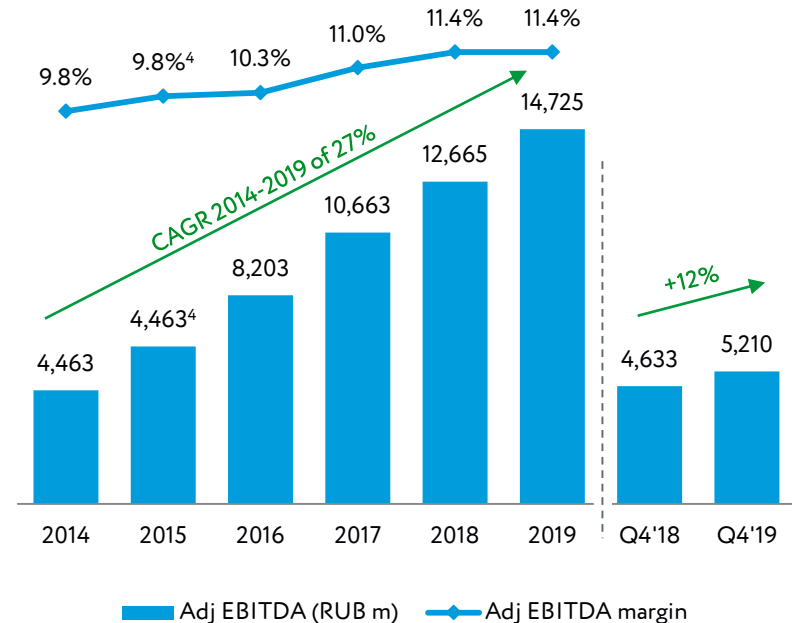
- ✓ Reduction of average personnel per store from 24 in 2014 to 17 in 2019 enabled by greater business processes automation and adoption of advanced software, resulting in reduced time and effort required per transaction
- ✓ Decline in rental costs as % of sales driven by improving sales density and negotiation of favorable rental terms with landlords, supported by our status of "anchor" traffic generator for shopping malls
- ✓ Reduction in adjusted SG&A² as % of revenue by over 740bps over 2014-2019



Adjusted SG&A expenses² as % of sales and personnel per store³



Adjusted EBITDA¹



Source: Company data

Note: The Group's consolidated financial statements for 2013 under US GAAP and for 2014-2019 under IFRS and as restated according to IAS 17 for 2018-19. For the line items and the periods presented, there was no difference between the figures under US GAAP and IFRS

¹ Adjusted EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain on acquisition of controlling interest in associate, net finance expense, D&A, adjusted for the one-off effect relating to disposal of the Yakimanka building in 2014, as well as share-based compensation and cash bonuses under the LTI program

² Adjusted SG&A expenses are calculated excluding depreciation and amortisation and additional bonus payments under the LTI program

³ Excluding personnel in headquarters

⁴ Less one-off RUB 1,164m net gain from disposal of Yakimanka store

Asset-light cash-generative business model providing for strong returns on capital and consistent dividend payments



Attractive new store economics and disciplined roll-out ...

- Capex of c. RUB 13m per 1 standard DM store
- Strict investment criteria: IRR hurdle rate of 40% on 7-year cash flows (not accounting for terminal value)
- Total maturity period – 18-24 months
- Targeted EBITDA breakeven in 6 months after a store opening
- Payback period of 2.5-3.0 years



... supported by well-controlled rental costs

- Prime locations in high-traffic modern shopping malls
- Most rental agreements with right to lease for more than 5 years and fixed annual increases
- Unilateral termination rights for Detsky Mir (with reasonable notice periods)
- Limited currency risk for leased properties (denominated in respective local currencies in Russia, Kazakhstan and Belarus, or with fixed caps for USD and EUR exchange rates)



Resulting in strong returns ...

	2014	2015	2016	2017	2018	2019
Revenue growth	26%	33%	31%	22%	14%	16%
Selling space growth	22%	26%	21%	15%	12%	10%
Adj. EBITDA ¹ , RUB bn	4.5 ²	6.2	8.2	10.7	12.7	14.7
Capex, RUB bn	(1.9)	(5.3)	(1.7)	(2.5)	(3.8)	(3.5)
Dividends, RUB bn	(1.9)	(3.0)	(4.4)	(4.8)	(6.1)	(7.0)
Adj. net debt ³ / Adj. EBITDA LTM ¹	0.6x	1.7x	1.4x	1.0x	1.4x	1.2x
ROIC LTM^{4,5}	71%	62%	71%	78%	70%	63%

Source: Companies' disclosure and reporting

Note: The Group's consolidated financial statements for 2013 under US GAAP and 2014–2018 under IFRS (before IFRS16). For the line items and the years presented, there was no difference between the calculation of numbers or presentation under US GAAP and IFRS

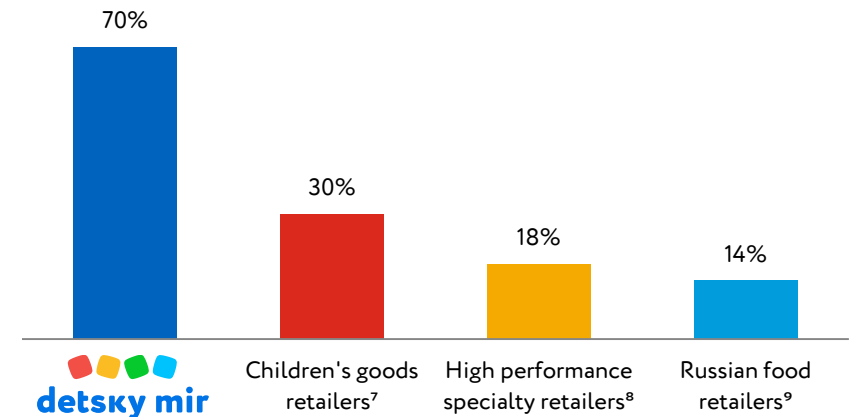
¹ Adj. EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain on acquisition of controlling interest in associate, impairment of goodwill, net finance expense, D&A, adjusted for the one-off effect relating to disposal of the Yakimanka building in 2014, as well as share-based compensation and cash bonuses under the LTI program

² Less RUB 1,164m net gain from disposal of Yakimanka store

³ Adj. Net Debt is calculated as total borrowings (long term borrowings and short-term borrowings and current portion of long-term borrowings) less cash and cash equivalents adjusted for amounts receivable under the loan issued to CJSC "DM-Finance" (RUB 5.2bn in 2014, RUB 5.8bn in 2015 and RUB 1.1bn in 2016)

... and a leading ROIC⁴ in global retail context

CY 2018⁶, median values for respective peer groups



⁴ Calculated as operating profit divided by average capital invested (simple average of capital invested as at respective dates). Capital invested is calculated as net debt plus total equity/(equity deficit)

⁵ Adjusted for amounts receivable under the loan issued to CJSC "DM-Finance" in 2014, 2015 and 2016; as well as for net book value of the building occupied by the Bekasovo distribution center of RUB 3.1bn (for 2015 only, given it was completed in 2015, but was not operational for the most of 2015)

⁶ Calendarized to December year-end

⁷ Five Below, Children's Place, Carters, Jumbo and Baby Bunting

⁸ Clicks, Lojas Renner, LPP, CCC, Raia Drogasil, B&M, Liverpool and XXL

⁹ X5, Magnit and Lenta

Strong management team with well-established public market-oriented governance practices

Highly experienced management



18 7

Vladimir Chirakhov
CEO

Held senior positions at Korablik, M.video



13 12

Anna Garmanova
CFO

Held senior positions at Podruzhka, Understanding and Reconciliation Fund



16 7

Farid Kamalov
COO

Held senior positions at MediaMarkt, Korablik, M.Video



13 6

Maria Davydova
*Deputy CEO –
Commercial Director*

Held senior positions at Enter Svyaznoy, Arbat Prestige



14 5

Tatyana Mudretsova
Marketing Director

Held senior positions at Osnova Telecom, Beeline, DDB and Publicis



19 8

Maria Volodina
*Commercial Director –
Apparel and Footwear*

Held senior positions at Sela, Reebok Rus, Kira Platinina, TJ Collection



23 3

Pavel Pischikov
E-Commerce Director



Held senior positions at Dochki-Sinochki ("Daughters and Sonnies") and X5 Retail Group



20 7

Vyacheslav Mikhnenko
Logistics Director

Previously Operational Logistics Director at X5 and Chief Logistics Officer at Kopeika

 Years of sector experience  Years with Detsky Mir

Management incentive programs

- IPO LTI program completed in Feb 2020
- New LTI program adopted by the Board for the period of 2020-2023
- New programme based on the same principles – c. 20 key employees; payout up to 4.6% of total shareholder return (growth in market capitalization + dividends) over the life of the programme

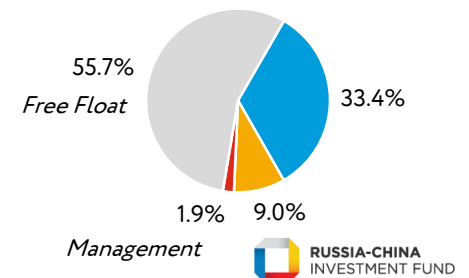
Strong governance framework

BoD of 10 members
including 3 INEDs

Audit, Strategy, and Nomination and
Remuneration committees

Audit, as well as Nomination and
Remuneration committees are
chaired by INEDs

Prominent shareholder base

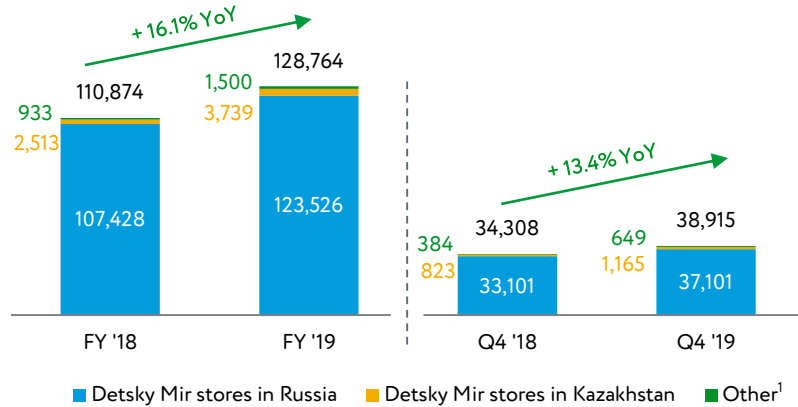


4

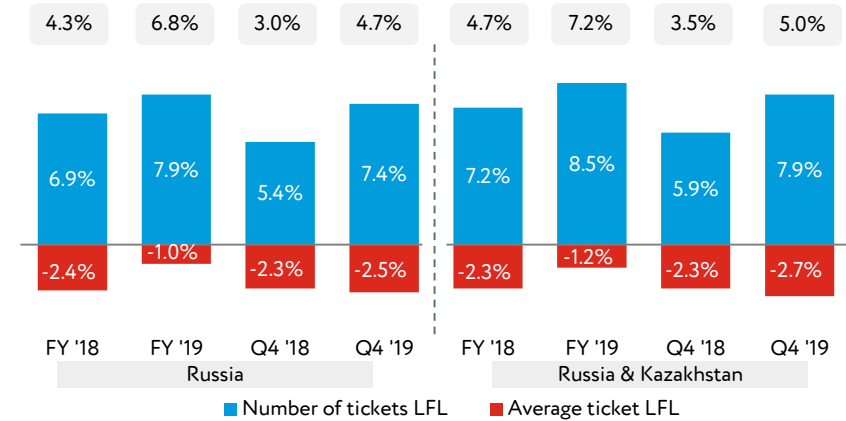
Recent financial performance

Continued solid top-line growth

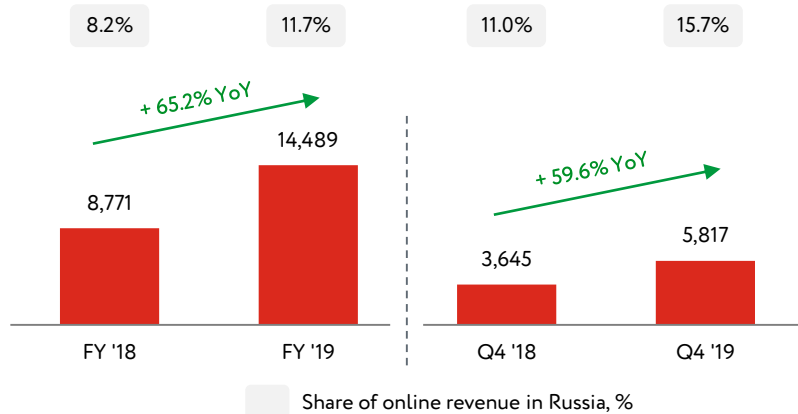
Total revenue (RUB m)



Like-for-like sales growth



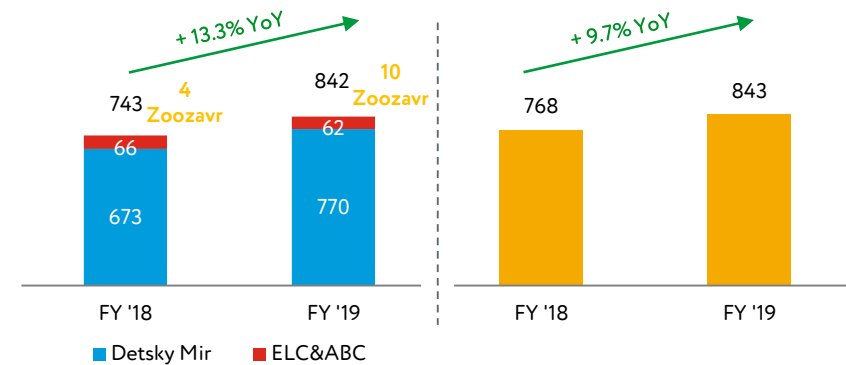
E-commerce revenue (RUB m)



Retail chain

of stores

Selling area (sqm 000s)



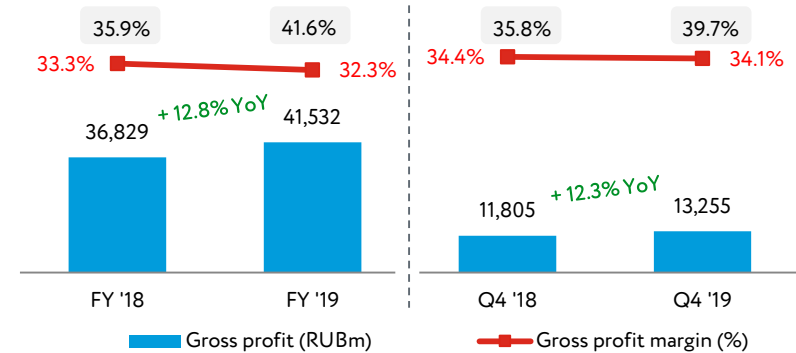
Source: Company data. The Company's consolidated financial measures for 2018-2019 and related interim periods are based on proforma financial information prepared as if IFRS 16 'Leases' had not been adopted, and thus do not represent IFRS measures.

¹ This segment includes performance of ELC, ABC, Zoozavr stores as well as Detsky Mir retail chain in Belarus (8 stores)

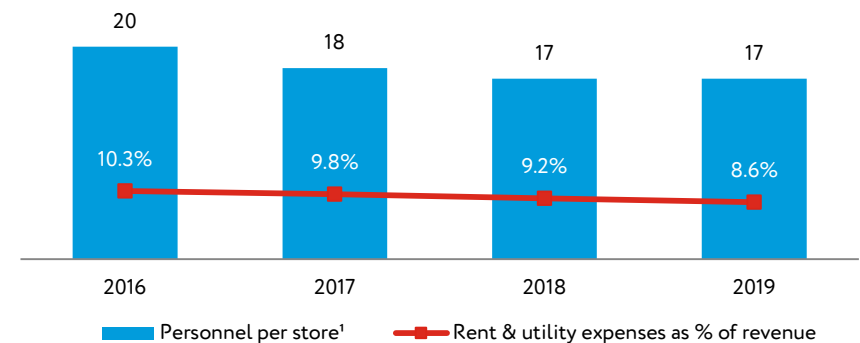
Consistently strong profitability

Strategic investment of margin in price leadership ...

Private label a& direct imports, % of Revenue

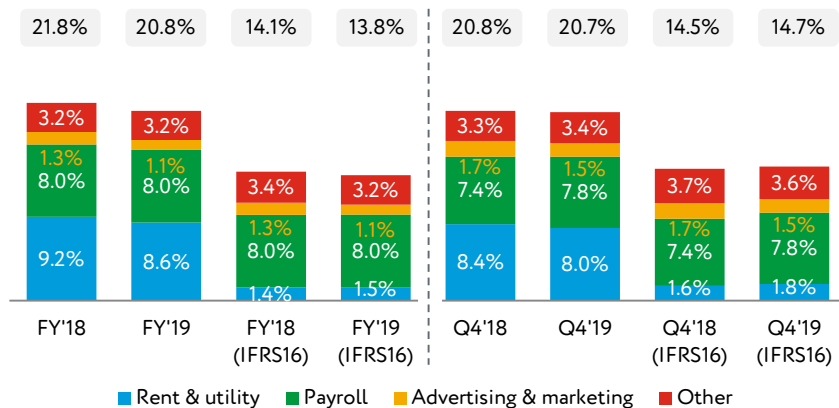


... is offset by gradual optimization of store personnel and reduction in rental costs ...

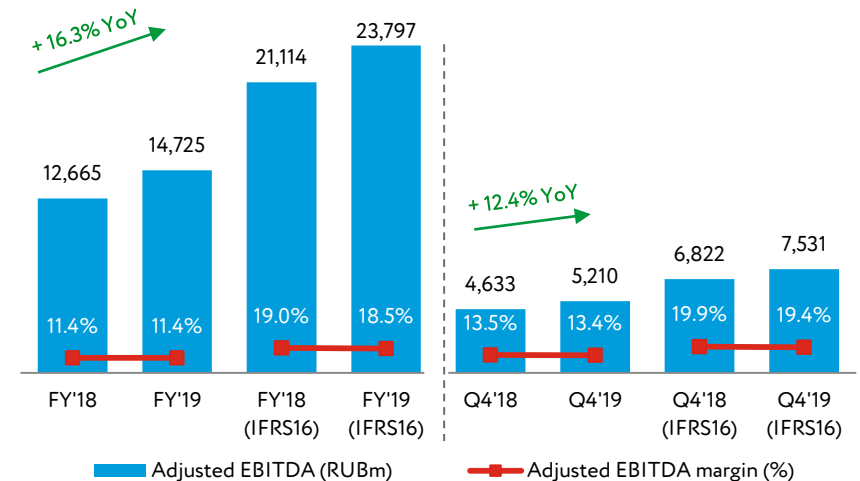


... along with consistently declining SG&A expenses (as % of revenue) ...

Adjusted SG&A Expenses² as % of Revenue



... resulting in consistently strong profitability



Source: Company data. 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.

¹ Excluding personnel in headquarters

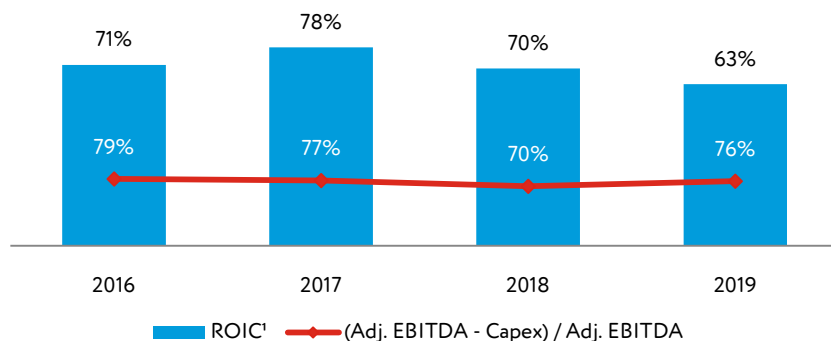
² Hereinafter, adjusted selling, general and administrative expenses is calculated as selling, general and administrative expenses adjusted for depreciation and amortization expenses, additional share-based compensation expense and cash bonuses under the LTI program.

Strong cash flow conversion

Comments

- Strong cash conversion (Adj. EBITDA - Capex / Adj. EBITDA) driven by high level of ROIC
- Significant reduction in investment in NWC supporting Operating Cash flow:
 - Improved inventories turnover due to stock optimization
 - Normalized receivables turnover thanks to collection of supplier bonuses
- Increase in financing expense on the back of high debt at the beginning of the year and the seasonality of the business
- Disciplined capex focused on store openings and selective investments in IT and infrastructure; limited maintenance capex requirements

Strong cash conversion and financial returns



Source: Company data

Note: 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

¹ Calculated as operating profit for the past 12-months period, divided by average capital invested (simple average of the balance of capital invested at the end of respective periods). Capital invested is calculated as net debt plus total equity/(equity deficit); adjusted for amounts receivable under the loan issued to CJSC "DM-Finance" in 2015-16, as well as for net book value of the building occupied by the Bekasovo distribution center in 2015

² In 2019, the increase in capital expenses was driven by a RUB 844m payment (net of VAT) for the acquisition of premises for the Company's new flagship store in Moscow

Cash flow (RUB m)

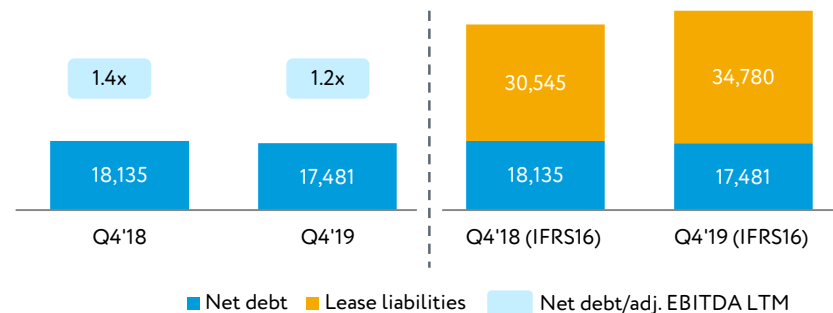
	2016	2017	2018	2019	FY'18 IFRS 16	FY'19 IFRS 16
Adjusted EBITDA	8,203	10,663	12,666	14,725	21,114	23,797
Changes in NWC	(405)	(1,123)	(7,156)	(132)	(7,021)	(107)
Cash income taxes paid	(1,468)	(1,523)	(1,083)	(1,696)	(1,083)	(1,696)
Net finance expense paid	(1,813)	(1,645)	(1,624)	(2,023)	(4,228)	(4,596)
Other operating cash flow	1,285	708	688	348	830	413
Operating cash flow	5,801	7,080	3,489	11,222	9,613	17,812
CAPEX	(1,747)	(2,468)	(3,793)	(3,507)	(3,793)	(3,507)
DC construction	-	-	(1,825)	(449)	(1,825)	(449)
Store openings, IT & maintenance ²	(1,747)	(2,468)	(1,968)	(3,058)	(1,968)	(3,058)
Free cash flow	4,054	4,612	(303)	7,715	5,820	14,305
Investment cash flow	3,165	(1,370)	(3,794)	(3,467)	(3,794)	(3,467)
Financial cash flow	(8,455)	(5,000)	483	(9,322)	(5,640)	(15,911)
Change in cash	512	710	180	(1,567)	180	(1,567)

Comments

- Commitment to a conservative financial policy
 - Fully RUB-denominated debt to match RUB revenue
 - Relationships with multiple Russian and international banks
- Net debt / adj. EBITDA ratio as of 31 December 2019 is 1.2 vs. 4.0x average covenant level across the loan portfolio (before IFRS16)
 - Decreased YoY thanks to NWC optimization
- Weighted average interest rate¹ – 8.0% per annum (as of 2019)
- Most of the debt has fixed interest rate
- No contingent off-balance sheet liabilities
- Available undrawn credit limit of RUB 34.4bn for refinancing of the current credit portfolio aiming at its further diversification and cost reduction

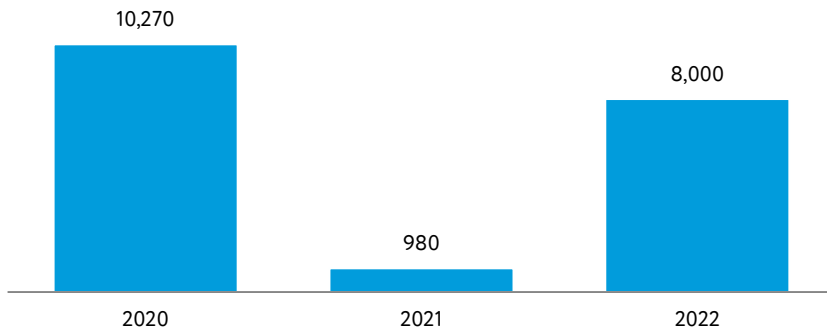
Leverage

- Q4 2019 total debt – RUB 19.3bn

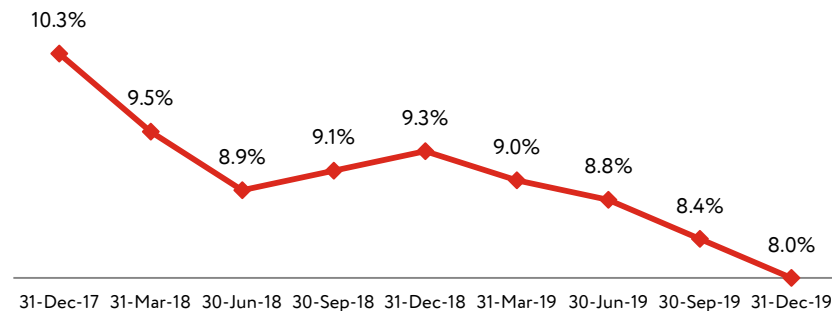


Debt maturities (31 December 2019)

(RUB m)



Weighted average interest rate¹ (%)



Source: Company data

Note: 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

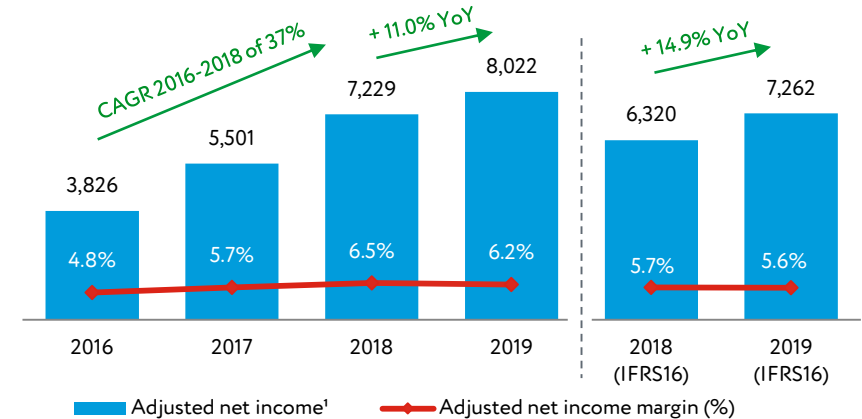
¹ Calculated on the basis of the weighted interest rates applying to the specified indebtedness (weighted by the principal amount of such indebtedness) as of the dates specified

Sustainably high returns to shareholders

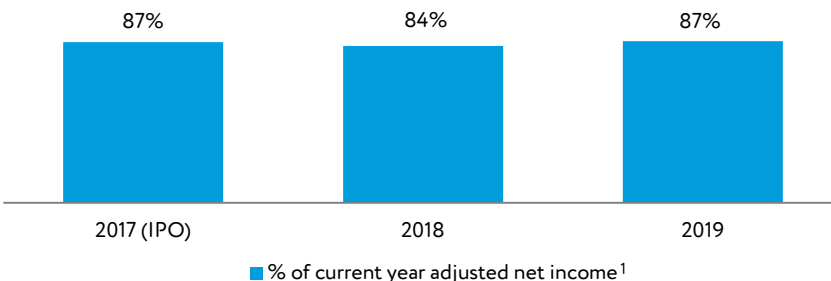
Comments

- Asset-light cash generative model underpins significant dividend paying capacity
 - Dividends as major differentiator from the majority of Russian high-growth food retailers
 - Ability to consistently maintain sound leverage levels despite significant dividend payout
- Dividend policy: payout ratio of at least 50% of consolidated IFRS net income for the previous year
 - Historically, up to 100% of net income under RAS paid out
 - Typically two dividend payments per year (9m interim and full year)
- Detsky Mir paid out the final dividend for FY2018 of RUB 3.3bn in Q2 2019, as well as interim dividends for 9m 2019 of RUB 3.7bn in Q4 2019
- Executive Team will recommend to pay out final dividend for Q4 2019 of c.RUB 4.1bn (+23% YoY) in 2020

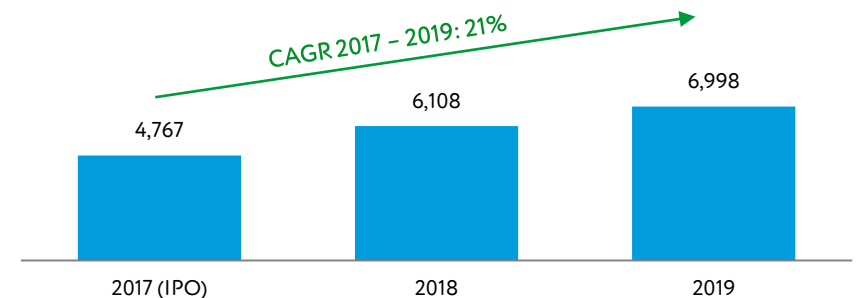
Adjusted net income (RUB m)¹



Dividends as % of adjusted net income



History of declared dividends (RUB m)



Source: Company data

Note: 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

¹ 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

	Previous guidance (5 March 2018, updated 7 November 2019)	2019 actual	New guidance
Store count	<ul style="list-style-type: none"> At least 100 new stores in 2019 At least 300 stores in 2020-23 	<ul style="list-style-type: none"> 101 new stores 	<ul style="list-style-type: none"> 80 stores in 2020 At least 300 stores in 2020-23
Revenue	<ul style="list-style-type: none"> Single-digit LFL growth ahead of the market, positive traffic, below inflation ticket, puts new store ramp-up effects Online revenue to increase to 30% of total revenue 	<ul style="list-style-type: none"> 7.2% total LFL growth, 8.5% ticket 16.1% total revenue growth Share of online sales at 11.2% 	<ul style="list-style-type: none"> Same guidance
Gross margin	<ul style="list-style-type: none"> Slightly declining to stable reflecting investment in prices to drive traffic 	<ul style="list-style-type: none"> 32.3% vs 33.2% in 2018 	<ul style="list-style-type: none"> Same guidance
Rent, utility & personnel expenses	<ul style="list-style-type: none"> Slightly declining to stable as % of revenue 	<ul style="list-style-type: none"> Rent & utility expenses of 8.6% vs 9.2% in 2018 Personnel expenses margin unchanged since 2018 (at 8.0%) 	<ul style="list-style-type: none"> Same guidance
Adjusted EBITDA margin	<ul style="list-style-type: none"> Double-digit under IAS17 	<ul style="list-style-type: none"> 18.5% vs 19.0% in 2018 under IFRS16 11.4% vs 11.4% in 2018 under IAS17 	<ul style="list-style-type: none"> Upper-teens under IFRS16 Double-digit under IAS17



detsky mir

Appendix



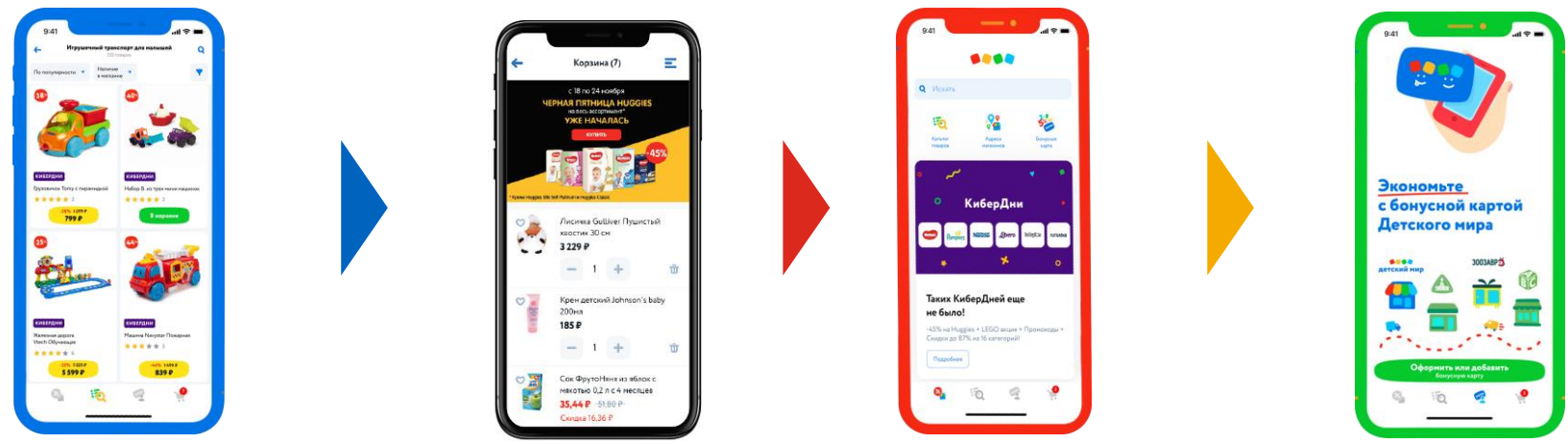
“Mobile First” concept

All of Detsky Mir in your phone

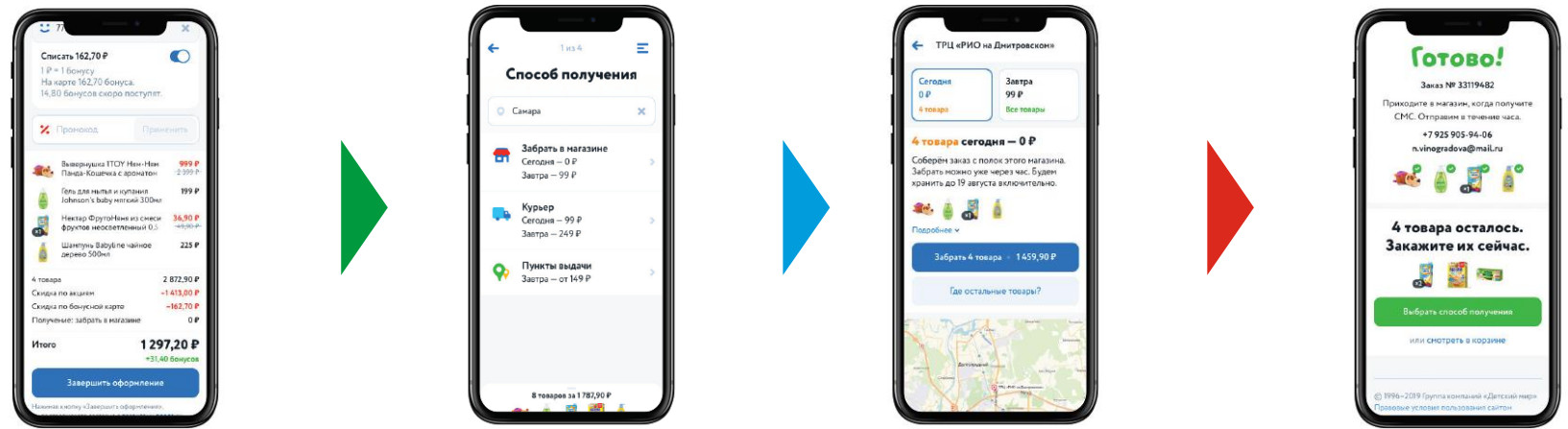


Search & Select

Promos & Bonuses

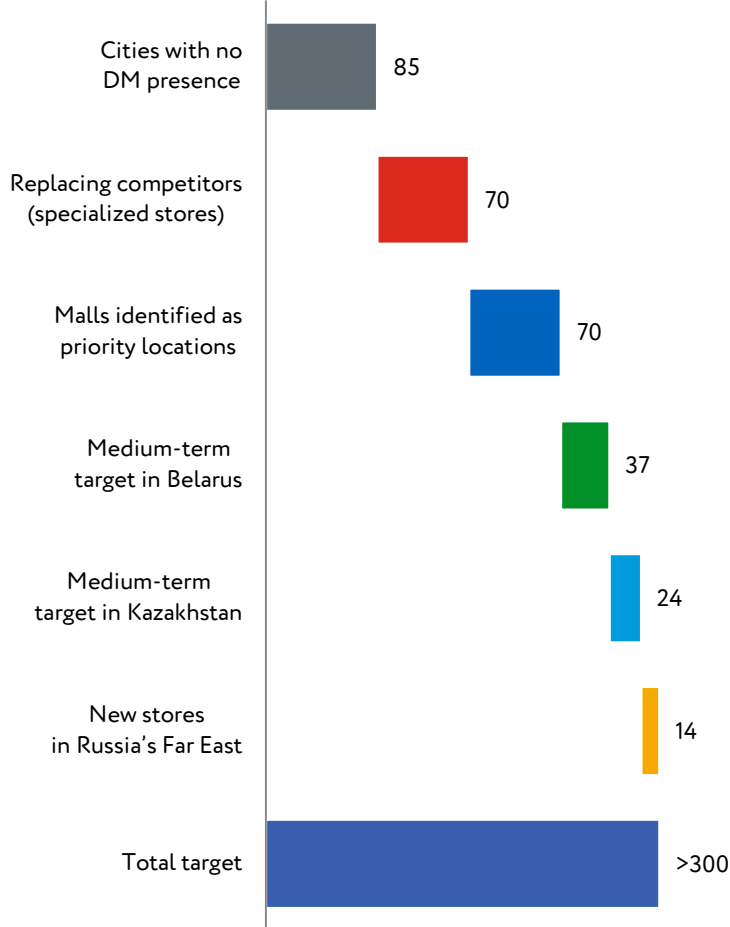


Ordering & Delivery



Detsky Mir stores expansion pipeline

Target store rollout for 2020-2023 (based on 40% IRR target)



Geographical location

- 766¹ Existing DM stores
- 85 Cities with no DM Presence (40k -100k inhabitants)
- 70 Replacing competitors (specialized stores)
- 70 Cities with DM Presence (>100k inhabitants)
- 37 Medium-term target stores in Belarus
- 24 Medium-term target stores in Kazakhstan
- 14 New stores in Russia's Far East Federal District

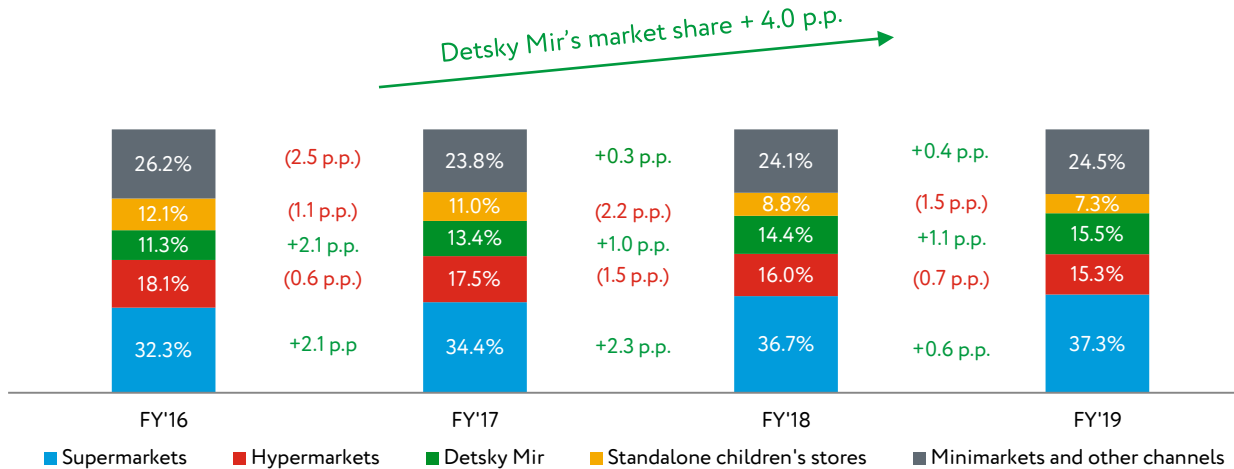


Source: Company data

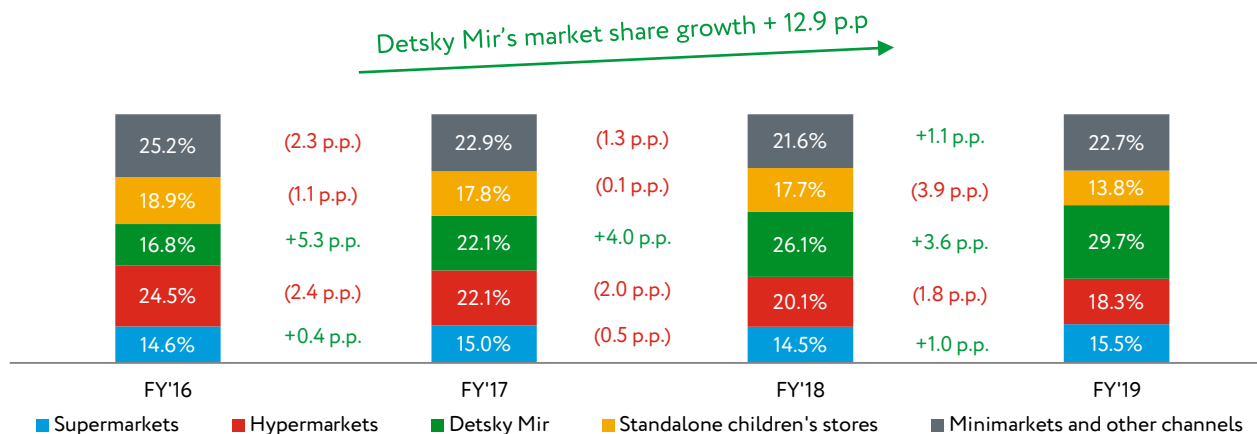
¹ Only Detsky Mir branded stores as of 31-Dec-19

Case study: gaining market share in baby food and diapers sales

Baby food sales by channel in Russia



Diapers sales by channel in Russia



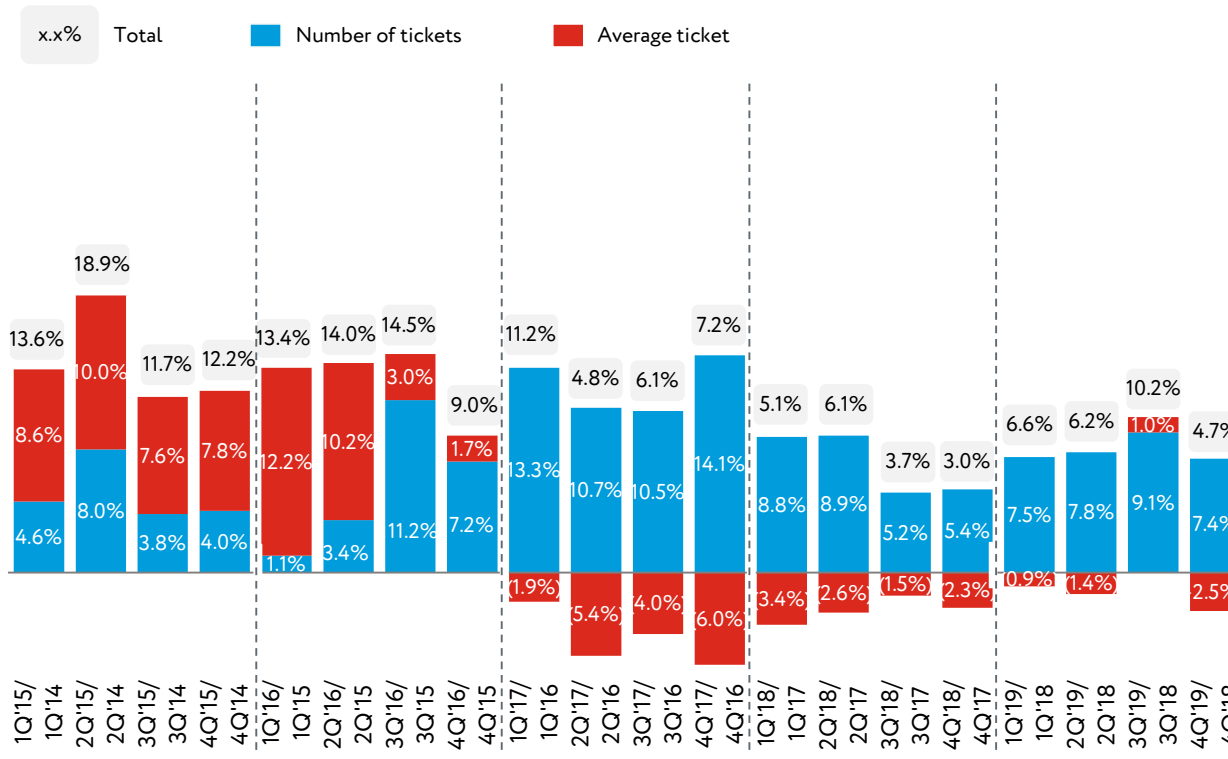
Comments

- Baby food and diapers remain key traffic-generating categories for children's goods stores
- Only stores specialized in children's goods offer a full range of baby food and diapers products unlike hypermarkets, which are focused on "bestseller" SKUs
- Detsky Mir took market share away from other channels in these categories
- Notably, Detsky Mir has outperformed food retailers, which have been the largest sales channel for baby food historically
- Detsky Mir's baby food market share increased by 110bps YoY to 15.5% in 2019
- Detsky Mir's diapers market share increased by 360bps YoY to 29.7% in 2019

Detsky Mir's share of the diapers market increased by 1.8x over several years

Robust like-for-like performance

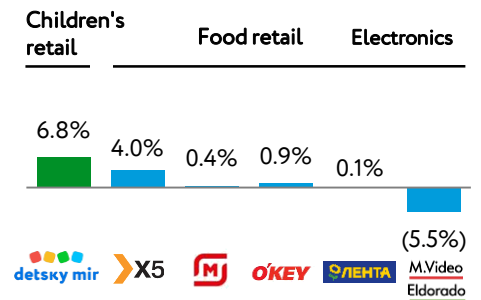
Like-for-like revenue growth



Comments

- Strong growth of like-for-like sales was a result of a competitive pricing policy, marketing activities and improvements in merchandising
- Focus on attracting new customers, resulting in high single digit LFL number of tickets growth
- New openings under new store concept, attractive loyalty program and competitive prices are key factors supporting further like-for-like growth

Like-for-like revenue growth in 2019



LFL growth

	LFL growth 2016	LFL growth 2017	LFL growth 2018	LFL growth 2019
Total	12.3%	7.2%	4.3%	6.8%
Average ticket	5.9%	(4.4%)	(2.4%)	(1.0%)
Number of tickets	6.0%	12.2%	6.9%	7.9%

Detsky Mir (Russia) demonstrated attractive LFL revenue growth rate (+6.8%) in 2019

Source: Company data, publicly available data with respect to other companies

*LFL growth in RUB terms. LFL growth includes only DM stores in Russia that have been in operations for at least 12 full calendar months

Top management compensation structure overview

Annual compensation structure

		CEO	«CEO-1»	«CEO-2»
Fixed		50%	50% - 80%	70% - 85%
Variable	Total	50%	20% - 50%	15% - 30%
	<i>incl. Financial¹</i>	25%	4% - 15%	3% - 9%
	<i>incl. Functional²</i>	25%	16% - 35%	10.5% - 24%

Last LTI programme

At IPO

- %-based payment linked to valuation increase at IPO
- Amount calculated as 3% from the differential between new liquidity event (i.e. IPO) price and RCIF price in 2015
- 50%/50% cash and share based payments (via purchases of shares in the open market)

After IPO

- Approved by the Board of Directors in August 2017
- Covers the 3-year period to February 2020, the third anniversary of the Company's IPO, senior management in continuing employment by the Company as of that anniversary will be eligible for cash payments from a pool equivalent in value to up to 4.6% of the increase in the Company's stock market value (including dividend payments) over the period
- The LTIP also provides for additional cash payments expected to total around RUB 500m (plus any social taxes)

New equity-based compensation programme

The new 3-year LTIP

- Approved by the Board of Directors in October 2019
- Covers the 3-year period from the end date of the previous program (Feb 8, 2020) to February 7, 2023
- Senior management team in continuing employment by the Company and in program membership as of April 30, 2024 will be eligible for the Company's share grants and cash payments from a bonus fund valued at up to 4.6% of the increase in the Company's stock market value (incl. dividend payments) over the period. The new LTIP includes more than 20 key employees of the Company

Incentive program to cement the management's long-term focus on shareholder value creation

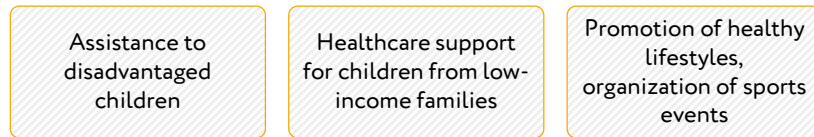
¹ Financial KPIs – EBITDA, net income, revenues

² Functional KPIs – specific operational KPIs, individual for each role

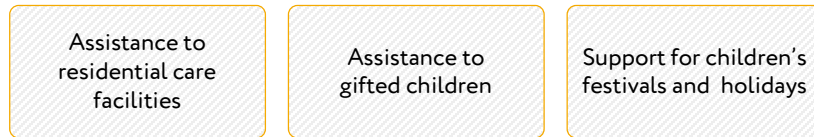
Sustainable development: focus on social and environmental responsibility

Charitable activities

Priority charity areas



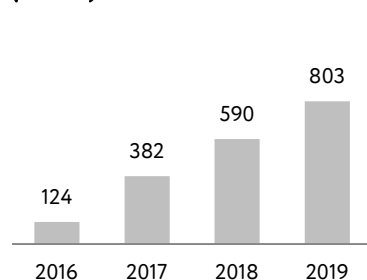
Cooperation with 1,146 welfare organizations in Russia, Kazakhstan and Belarus (2019)



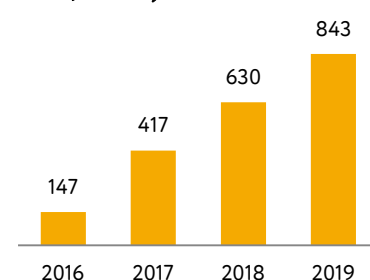
Charity fund

- Our social activity is implemented by the Detsky Mir Charity Fund (www.bf.detmir.ru) established in 2004
- Charitable activities are financed from voluntary donations received by the fund, as well as funds allocated from the Company's budget
 - In 2019, DM visitors donated goods of RUB 757m to the fund (Charity Program "Participate!")

Goods donated to the fund (RUB m)



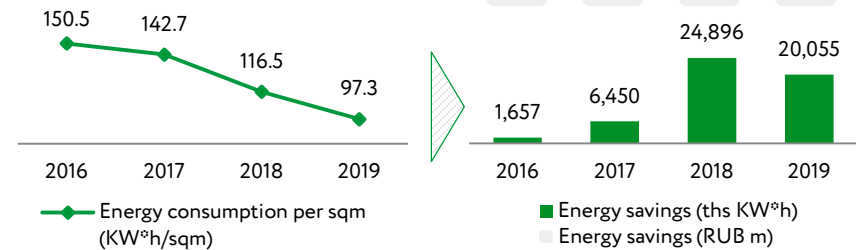
Charity spending (raised and own funds, RUB m)



Source: Company data

Environmental responsibility

Energy savings



Ecological consumer packaging

- Sale of paper bags in Moscow and the Moscow Region stores was launched in December 2015 and afterwards scaled up across the entire chain in 2016
 - In 2019, 433 ths (+79% YoY) pieces of paper bags were sold
- Eco-friendly consumer packaging is expected to gradually replace plastic bags, significantly reducing adverse environmental impact



Waste management




- Since 2014, waste paper and polyethylene packaging films are collected from warehouses
 - Waste is sorted separately and transferred to a specialized organization for further recycling
- In 2015, we introduced projects to collect of waste for recycling from stores
 - In 2019, 370 stores participated in these projects

Collection of waste for recycling (2018)




2,485t cardboard from distribution centers
1,800t cardboard from stores

New Government measures to support birth rates and boost disposable income for families with children

Illustrative impact on the disposable income for families with children

Allowance per child	Before changes	After changes
1 st child 	–	RUB 467k
2 nd child 	RUB 467k	RUB 150k
3 rd child 	–	RUB 450k



1 st child 	0.5m	Based on E2020 birth rates and 2018A breakdown
2 nd child 	0.6m	
3 rd child 	0.2m	



Total program	c.RUB 260bn	c.RUB 440bn
Cumulative incremental funds available	c.RUB 180bn	

Key highlights and relevance for the children's goods market

- New measures announced in the President's address to the nation on 15 January 2020
 - Approved by the State Duma and the Federation Council on 20 February 2020 and 26 February 2020, respectively
- Strictly defined use of proceeds, overwhelmingly linked to purchases of housing and compensation of mortgage payments
- Nonetheless, significant indirect benefit for the children's market given extension of overall funds available to families
 - Incremental funds available = c. 1/3 of the total children's good market size
- Russian Government expects substantial positive impact of the new measures on the actual birth rates
 - Supporting demographics remains of paramount importance for the Government

Product key features and future plans

- ✓ Joint private label with largest Japanese diapers producer
- ✓ Premium Japanese quality, mid-price segment
- ✓ Markets: Russia, Kazakhstan, Belarus
- ✓ 10 SKUs
5 sizes: from Newborn to XL
- ✓ Active promotion campaign through promos and TV ads
- ✓ Plans to add "diapers-panties" in product range in E2020



Financial performance summary

(RUB m, unless specified otherwise)¹

	2016	2017	2018	2019
Number of stores	525	622	743	842
Detsky Mir and Detmir.ru stores	480	578	673	770
ELC, ABC, Zoozavr stores	45	44	70	72
Selling space (k sqm)	596	688	768	843
Revenue	79,547	97,003	110,874	128,764
% total sales growth	31.4%	21.9%	14.3%	16.1%
% LFL sales growth	12.3%	7.2%	4.9%	7.2%
Revenue per sqm ² (RUB thousand / sqm)	146	151	152	160
Online sales ⁴	2,776	4,637	8,771	14,489
Share of online sales in Russia	3.6%	4.9%	8.2%	11.7%
Gross profit	27,108	32,798	36,829	41,532
Margin, %	34.1%	33.8%	33.2%	32.3%
Gross profit per sqm ² (RUB thousand / sqm)	50	51	51	52
Adjusted SG&A	18,884	22,127	24,116	26,799
% of revenue	23.7%	22.8%	21.8%	20.8%
Adjusted EBITDA	8,203	10,663	12,666	14,725
Margin, %	10.3%	11.0%	11.4%	11.4%
Adjusted profit for the period	3,826	5,501	7,229	8,022
Margin, %	4.8%	5.7%	6.5%	6.2%
Total debt	14,638	13,591	21,470	19,925
Cash and cash equivalents	(2,445)	(3,155)	(3,335)	(1,769)
Adjusted net debt⁴	11,133	10,436	18,135	17,481
Adjusted net debt / LTM Adjusted EBITDA	1.4x	1.0x	1.4x	1.2x
Capex	(1,747)	(2,468)	(3,794)	(3,507)
% of revenue	2.2%	2.5%	3.4%	2.7%
Dividends declared	4,427	4,767	6,108	6,998

Source: Company data

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 Calculated per average space for the period

³ Online sales (including sales via "in-store pickup" service)

Comments

Sales Growth

- Strong support from both network expansion and LFL
- Solid LFL Sales growth rates
- High rate of new openings in 2019 (101 stores⁵)

Improved Operating Efficiency

- Slightly declining gross margin due to investment in price leadership to support traffic and LFL growth
- Over 400bps improvement in SG&A as % of sales from 2015 to 2019 (-100bps 2019 vs 2018)

Superior EBITDA Margin

- Major SG&A optimisation measures implemented by the new management team since 2013
- Over 120bps margin increase from 2015 to 2019
- Double-digit EBITDA margin achieved in 2015 and improved in 2016-2019, expected to be maintained in mid-term

Capex

- Asset-light business model allows to achieve superior cash flow generation

Conservative Financial Policy

- Net debt / adj. EBITDA as of 31-December-2019 is 1.2x vs. 4.0x average leverage covenant level across the loan portfolio

Attractive Returns for Shareholders

- Continuous dividend payout track record

⁴ Adjusted Net Debt is calculated as net debt adjusted for amounts receivable under the loan issued to CJSC "DM-Finance" (Sistema's subsidiary), fully repaid on February 27, 2017

⁵ In 2019, Detsky Mir closed eight stores

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