



DETSKY MIR GROUP ANNOUNCES UNAUDITED FINANCIAL RESULTS FOR 3rd QUARTER & 9 MONTHS 2017

30 October 2017. Moscow, Russia. – 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 third quarter and nine months ended 30 September 2017.

3Q 2017 FINANCIAL HIGHLIGHTS

- Group unaudited revenue increased by 19.8% year-on-year to RUB 24.6 bn;
- In accordance with the methodology of calculation of like-for-like comparisons, which would be closer to methodologies used in operating and financial reporting of publicly traded food retailers in Russia, like-for-like sales at Detsky Mir stores in Russia grew by 6.1%¹, with the number of tickets growing by 10.5% and decline in the average ticket price by 4.0%.
- Gross profit increased by 20.5% year-on-year to RUB 8.3 bn, with a gross margin of 33.7%;
- Selling, general and administrative expenses as a share of revenue² decreased year-on-year from 22.1% to 21.3% driven by increased operational efficiency;
- Adjusted EBITDA³ increased by 30.5% to RUB 3.0 bn for 3Q 2017 vs RUB 2.3 bn for 3Q 2016; Adjusted EBITDA margin reached 12.4%. EBITDA⁴ amounted to RUB 2.7 bn;
- Adjusted profit for the period⁵ rose by more than a half year-on-year to RUB 1.9 bn; Profit for the period amounted to RUB 1.6 bn;
- Net debt /Adjusted EBITDA LTM ratio was 1.4x as of 30 September 2017.

9M 2017 FINANCIAL HIGHLIGHTS

- Group unaudited revenue increased by 22.9% year-on-year to RUB 66.6 bn;
- In accordance with the methodology of calculation of like-for-like comparisons, which would be closer to methodologies used in operating and financial reporting of publicly traded food retailers in Russia, like-for-like sales at Detsky Mir stores in Russia grew by 7.2%¹, with the number of tickets growing by 11.4% and decline in the average ticket price by 3.8%.
- Gross profit increased by 22.0% year-on-year to RUB 22.0 bn, with a gross margin of 33.1%;
- Selling, general and administrative expenses as a share of revenue² decreased year-on-year from 24.6% to 23.5% driven by increased operational efficiency;
- Adjusted EBITDA³ increased by 35.3% to RUB 6.4 bn for 9M 2017 vs RUB 4.7 bn for 9M 2016; Adjusted EBITDA margin reached 9.6%. EBITDA⁴ amounted to RUB 5.7 bn;
- Adjusted profit for the period⁵ rose by more than a half year-on-year to RUB 2.9 bn; Profit for the period amounted to RUB 2.3 bn;

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

“Due to significant revenue growth and further expansion of the retail chain, Detsky Mir Group has strengthened its position as a leader in the children's goods market.

(1) Alternative like-for-like average ticket growth, like-for-like number of tickets growth and like-for-like revenue growth based on the stores that have been in operations for at least 12 full calendar months.

(2) Selling, general and administrative expenses exclude D&A expenses and adjusted for share-based compensation and cash bonuses under the LTI program

(3) Adjusted EBITDA is calculated as profit for the period before income tax, FX loss, net finance expense, D&A; adjusted for share-based compensation and cash bonuses under the LTI program. See Attachment A.

(4) See Attachment A for definitions and reconciliation of EBITDA to IFRS financial measures.

(5) Adjusted for additional bonus accruals under the LTI program (together with related tax effects). See Attachment A.

Despite the difficult social and economic conditions, Detsky Mir continues to attract new customers and consolidate the market, achieving a double-digit like-for-like growth in the number of tickets in the 9 months of 2017. As a result of ramp ups of stores opened a year earlier and the growth of like-for-like sales, the Company's revenue increased by 22.9%.

The fundamental element of the strategy of Detsky Mir Group is still the improvement of operational efficiency and, as a result, an increase in the profitability of the business. Due to a reduction of SG&A expenses as a percentage of revenue by 1.2 percentage points, the Company managed to improve the EBITDA margin by 0.9 percentage points to 9.6%.

The adjusted net profit grew by more than a half year-on-year, including through the optimisation of the debt portfolio.

The Republic of Kazakhstan remains one of the most promising geographic areas for the development of the Group's business. The growth in like-for-like sales in 9M 2017 was 25%. Detsky Mir Group has opened 3 stores in Kazakhstan since the beginning of the year. Thus, the chain is represented by 15 stores in 8 cities of the country. We plan to open at least 5 Detsky Mir stores in Kazakhstan by the end of 2017."

KEY FINANCIAL & OPERATING HIGHLIGHTS FOR 3Q & 9M 2017 VS 2016 (UNAUDITED)

Key Operating Highlights

Indicator	30.09.2017	30.09.2016	Δ, %
Number of stores	557	464	20.0%
Detsky Mir	516	420	22.9%
ELC	41	44	(6.8%)
Selling space ('000, sq.m.)	631	533	18.4%

Alternative Like-for-Like	3Q 2017	3Q 2016	Δ, %	9M 2017	9M 2016	Δ, %
Like-for-Like revenue growth⁶	6.1%	14.4%	(8.3 p.p.)	7.2%	14.0%	(6.8 p.p.)
Like-for-Like number of tickets growth ⁶	10.5%	11.0%	(0.5 p.p.)	11.4%	5.5%	5.9 p.p.
Like-for-Like average ticket growth ⁶	-4.0%	3.0%	(7.0 p.p.)	-3.8%	8.0%	(11.8 p.p.)

Like-for-Like	3Q 2017	3Q 2016	Δ, %	9M 2017	9M 2016	Δ, %
Like-for-Like revenue growth⁷	5.1%	12.5%	(7.4 p.p.)	6.8%	13.0%	(6.2 p.p.)
Like-for-Like number of tickets growth ⁷	9.5%	9.2%	0.3 p.p.	10.9%	4.4%	6.5 p.p.
Like-for-Like average ticket growth ⁷	-4.0%	3.0%	(7.0 p.p.)	-3.8%	8.1%	(11.9 p.p.)

(6) Alternative like-for-like average growth, like-for-like number of tickets growth and like-for-like revenue growth based on the stores that have been in operations for at least 12 full calendar months.

(7) LfL growth includes only DM stores in Russia that were in operations for one full prior calendar year. For example, the like-for-like comparison of retail sales between 9M 2017 and 9M 2016 would include revenue of all Detsky Mir stores that were opened prior to 31 December 2015 and that were in operation during the entirety of 2016 and 9M 2017

Key Financial Highlights

Russian Ruble (RUB), million (mln)	3Q 2017	3Q 2016	Δ, %	9M 2017	9M 2016	Δ, %
Revenue	24,554	20,490	19.8%	66,649	54,226	22.9%
Online store	910	605	50.4%	2,635	1,661	58.6%
Gross Profit	8,277	6,868	20.5%	22,048	18,075	22.0%
<i>Gross Profit Margin, %</i>	33.7%	33.5%	0.2%	33.1%	33.3%	-0.3%
SG&A	(5,231)	(4,530)	15.5%	(15,644)	(13,354)	17.1%
<i>% of revenue</i>	-21.3%	-22.1%	0.8%	-23.5%	-24.6%	1.2%
EBITDA	2,686	2,212	21.4%	5,673	4,623	22.7%
<i>EBITDA Margin, %</i>	10.9%	10.8%	0.1%	8.5%	8.5%	0.0%
Adjusted EBITDA	3,045	2,333	30.5%	6,373	4,711	35.3%
<i>Adjusted EBITDA Margin, %</i>	12.4%	11.4%	1.0%	9.6%	8.7%	0.9%
Profit for the period	1,607	1,058	51.9%	2,313	1,685	37.3%
<i>Profit Margin, %</i>	6.5%	5.2%	1.4%	3.5%	3.1%	0.4%
Adjusted profit for the period	1,895	1,154	64.2%	2,873	1,755	63.7%
<i>Adjusted profit Margin, %</i>	7.7%	5.6%	2.1%	4.3%	3.2%	1.1%
Net Debt	13,784	12,547		13,784	12,547	
<i>Net Debt / EBITDA</i>	1.5	1.6		1.5	1.6	
Adjusted Net Debt	13,784	11,498		13,784	11,498	
<i>Adjusted Net Debt / Adjusted EBITDA</i>	1.4	1.5		1.4	1.5	

Additional information is available on the Company's corporate website www.corp.detmir.ru

Conference Call Information

Detsky Mir's management will host a conference call today at 17:00 (Moscow time) / 14:00 (London time) / 10:00 (New York time) to discuss 3Q & 9M 2017 Unaudited IFRS Financial Results.

The dial-in numbers for the conference call are:

Russia

+7 495 221 6523

UK

+44 203 043 24 40

USA

+1 877 887 41 63

PIN: 79 48 90 57#

The conference title: "Detsky Mir Group – 9M 2017 Unaudited IFRS Financial Results".

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Detsky Mir Group (MOEX: DSKY) is Russia's largest specialized children's goods retailer. The company operates a network of 557 stores, including 516 Detsky Mir stores in Russia and 13 in Kazakhstan located in 183 different cities, as well as 41 ELC (Early Learning Centre) stores in Russia. The total selling space as of 30 September 2017 was approximately 631,000 square meters.

In accordance with the audited Financial Statements under IFRS Group revenue amounted to RUB 79.5 bn for the full year 2016. Adjusted EBITDA totaled RUB 8.2 bn and Adjusted profit for the period amounted to RUB 3.8 bn for 2016.

Detsky Mir Group's shareholder structure is as follows: PJSC Sistema⁸ - 52.10%; Russia-China Investment Fund (RCIF)⁹ - 14.03%; Other shareholders owning less than 5% of the shares - 33.87%.

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

Disclaimer

Some of the information in these materials may contain projections or other forward-looking statements regarding future events or the future financial performance of Detsky Mir. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could," "may" or "might" the negative of such terms or other similar expressions. Detsky Mir wishes to caution you that these statements are only predictions and that actual events or results may differ materially. Detsky Mir does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of Detsky Mir, including, among others, general economic conditions, the competitive environment, risks associated with operating in the Russian Federation, rapid technological and market change in the industries Detsky Mir operates in, as well as many other risks specifically related to Detsky Mir and its operations.

(8) PJSC Sistema is a publicly-traded diversified Russian holding company serving over 100 million customers in the sectors of telecommunications, high technology, pulp and paper, radio and space technology, banking, retail, mass media, tourism and healthcare services. Founded in 1993. Sistema's global depositary receipts are listed under the symbol SSA on the London Stock Exchange. Sistema's ordinary shares are listed under the ticker AFKS on Moscow Exchange.

(9) RCIF is an equity fund established by the Russian Direct Investment Fund (RDIF) and China Investment Corporation (CIC), hold 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, finance expense, finance income, depreciation and amortisation. *EBITDA margin* is calculated as *EBITDA* for a given period divided by revenue for such 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 financial performance of the Group. This represents an underlying financial measure adjusted for a 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 can be reconciled to our consolidated statements of profit and loss as follows:

RUB mln	3Q 2017	3Q 2016	9M 2017	9M 2017
Profit for the period	1,607	1,058	2,313	1,685
<i>Add / (deduct):</i>				
Finance income	(4)	(31)	(26)	(148)
Finance expense	468	453	1,427	1,418
Profit from taking control in the subsidiary	-	(16)	-	(16)
Foreign exchange loss	98	55	217	10
Income tax expense	60	289	410	498
Depreciation and Amortisation	457	405	1,331	1,176
EBITDA	2,686	2,212	5,673	4,623
<i>Reverse effect of:</i>				
Additional bonus accruals under the LTI program \ (Income received from partial termination of employees' right to receive shares under the LTI program)	359	120	700	88
Adjusted EBITDA	3,045	2,333	6,373	4,711

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

RUB mln	3Q 2017	3Q 2016	9M 2017	9M 2017
Profit for the period	1,607	1,058	2,313	1,685
<i>Reverse effect of:</i>				
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	287	96	560	70
Adjusted profit for the period	1,894	1,154	2,873	1,755