

**DETSKY MIR GROUP ANNOUNCES
OPERATING RESULTS FOR 3rd QUARTER & 9 MONTHS 2017**

23 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 operating results for the third quarter and nine months ended 30 September 2017.

3Q 2017 OPERATING HIGHLIGHTS

- Group unaudited revenue increased by 19.8% year-on-year to RUB 24.6 bn.
 - Online revenue¹ increased by 50.3% year-on-year to RUB 0.9 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%², with the number of tickets growing by 10.5% and decline in the average ticket price by 4.0%.
- Detsky Mir opened 29³ new branded stores in the 3rd quarter 2017. Group stores amounted to 557⁴ as of 30 September 2017.
- Total selling space increased by 18.4% to c. 631,000 sq. m.
- The number of active Detsky Mir loyalty program cardholders increased by 28% year-on-year to 17.3 mln with c.77% of total sales made using the loyalty card.

9M 2017 OPERATING HIGHLIGHTS

- Group unaudited revenue increased by 22.9% to RUB 66.6 bn vs. RUB 54.2 bn for 9 months of 2016.
 - Online revenue¹ increased by 58.6% year-on-year to RUB 2.6 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%², with the number of tickets growing by 11.4% and a decline in the average ticket price by 3.8%.
- Detsky Mir opened 41⁵ new branded stores for 9 months 2017.

MATERIAL EVENTS IN THE 3rd QUARTER 2017

- In June 2017, Detsky Mir paid dividends of RUB 2.6 bn on the result of 2016.
- In August 2017, the Board of Directors of Detsky Mir approved the Long Term Incentive Plan (LTIP) for the senior management of Detsky Mir based on the best market practices with a view to further encouragement of continuing focus on creation of sustainable value for all shareholders.
- In September 2017, the Company signed preliminary rent agreement for an A-class distribution centre with an area of 46,000 sq.m., which is located in the transport and logistics complex (TLC) "Yuzhnouralsky" in the Chelyabinsk region. The agreement will be valid for 10 years. In accordance with the agreement, the leased area can be expanded to 82,000 sq.m. Launch of the logistic centre is scheduled for the 2nd quarter 2018.
- Detsky Mir launched a loyalty program for customers in Kazakhstan. From now, customers receive a bonus accrued on their bonus cards for each purchase: 5% for clothes, and 2% for other categories. Subsequently, these accumulated bonuses are available for spending on any product in Kazakhstan stores, covering up to 100% of the purchase price.
- Acting under the LTIP, Detsky Mir implemented buyback of 2,566,380 Detsky Mir ordinary shares for RUB 265 mln, which comprises 0.35% share capital of the Company.

(1) This channel includes online orders at www.detmir.ru, including in-store pick-up.

(2) 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.

(3) In Q3 2017, Detsky Mir closed one store as part of the Company's ongoing rationalisation programme.

(4) The number of ELC stores amounted to 41 due to the relocation of retail properties. The new openings are scheduled for Q4 2017.

(5) In 9M 2017, Detsky Mir closed five stores as part of the Company's ongoing rationalisation programme.

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.)

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

«In Q3, Detsky Mir Group significantly increased its turnover after a successful back-to-school season. The company's consolidated unaudited revenue grew by 19.8% to RUB 24.6 bn.

Detsky Mir's key objective is attracting new customers. Detsky Mir achieved double-digit like-for-like growth in the number of tickets, which reached 10.5% in the reporting period. At the same time, the high base effect caused by an early winter in September 2016, and a fall in birth rate in 2017, had a negative impact on like-for-like sales growth.

Detsky Mir continues improving its business model, which is focused on developing omni-channel sales. For example, a pick-up service was launched enabling customers to collect the goods ordered online at any supermarket of the chain, which had a positive impact on turnover in the reporting period. As a result, we significantly expanded the range of products covered by the pick-up service: from 20,000-30,000 in the retail store to 40,000 in the online store. In the reporting quarter, the revenue of the online segment rose by 50.3% year-on-year and reached RUB 909m.

Detsky Mir is pursuing an organic growth strategy and continues expanding its retail chain. In Q3, Detsky Mir opened 29 new stores, including seven stores in the Moscow region and two stores in Kazakhstan. The chain's first stores were opened in such cities as Gudermes, Salsk, Kaspiysk etc.

The company's stable financial position and availability of quality retail space enabled the management to adjust its plan for geographical expansion: Detsky Mir is going to open at least 90 supermarkets instead of the initially planned 70 stores.»

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(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

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.