

**DETSKY MIR GROUP ANNOUNCES
OPERATING RESULTS FOR 3Q AND 9M 2018**

17 October 2018. Moscow, Russia. – Detsky Mir Group (“Detsky Mir”, “the Group” or “the Company”), Russia’s largest specialized children’s goods retailer and a PJSC Sistema company, announces its operating results for the third quarter and the nine months ended 30 September 2018.

Q3 2018 OPERATING HIGHLIGHTS¹

- Group unaudited revenue increased by 15.9% year-on-year to RUB 28.4 bn.
 - Online revenue² more than doubled year-on-year to RUB 2.1 bn.
- Like-for-like sales³ at Detsky Mir stores in Russia grew by 3.7%. The number of tickets grew by 5.2% while the average ticket price decreased by 1.5%.
- Detsky Mir opened 12 new branded stores in Q3 2018. The Group had 666 stores as of 30 September 2018.⁴
- Total selling space increased by 13.2% to c. 714,000 sq. m.
- The number of issued Detsky Mir loyalty cards increased by 17% year-on-year to 19.9 mln, while the number of active loyalty cardholders⁵ was 9.9 mln. Transactions using the loyalty card accounted for 73% of total sales.

9M 2018 OPERATING HIGHLIGHTS

- Group unaudited revenue increased by 14.9% year-on-year to RUB 76.6 bn
 - Online revenue² increased by 93.9% year-on-year to RUB 5.1 bn.
- Like-for-like sales³ at Detsky Mir stores in Russia grew by 4.9%. The number of tickets grew by 7.5% while the average ticket price decreased by 2.4%.
- Detsky Mir opened 37 new branded stores⁶ in 9M 2018.

Q3 2018 KEY EVENTS

- Detsky Mir Group and PNK Group signed an agreement for the construction of a distribution center (DC) at PNK Park Bekasovo, in the Naro-Fominsk district of Moscow region. Total investment is estimated at RUB 2.5bn, while the total area of the facility will be 62,000 sq m. Construction is scheduled for completion in late 2018.
- As part of its long-term incentive programme (LTIP), Detsky Mir repurchased 1,082,820 ordinary shares of Detsky Mir for RUB 100 mln, representing 0.15% of the share capital of the Company.
- Detsky Mir PJSC registered a subsidiary, Detmir BEL LLC, in Belarus. Detsky Mir PJSC owns 100% of the subsidiary. Strategic and financial management of Detsky Mir’s Belarusian retail chain will be executed by the Company’s head office in Moscow.

	Q3 2018	Q3 2017	Change
Number of stores	666	557	19.6%
Detsky Mir	610	516	18.2%
ELC	56	41	36.6%
Selling space ('000, sq.m.)	714	631	13.2%

(1) Hereinafter the figures are presented excluding the effect of the new IFRS 16 accounting standards (“Lease”)

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

(3) Like-for-like average growth, like-for-like number of tickets growth and like-for-like revenue growth based on stores in operation for at least 12 full calendar months.

(4) Including 56 ELC and ABC stores.

(5) Cardholders who made at least one purchases at Detsky Mir during the last 12 months to 30 September 2018 are considered active

(6) In 9M 2018, Detsky Mir closed five stores.

	Q3 2018	Q3 2017	Change	9M 2018	9M 2017	Change
Like-for-Like revenue growth⁷	3.7%	6.1%	<i>(2.4 p.p.)</i>	4.9%	7.2%	<i>(2.3 p.p.)</i>
<i>Like-for-Like number of tickets growth⁷</i>	5.2%	10.5%	<i>(5.3 p.p.)</i>	7.5%	11.4%	<i>(3.9 p.p.)</i>
<i>Like-for-Like average ticket growth⁷</i>	-1.5%	-4.0%	<i>2.5 p.p.</i>	-2.4%	-3.8%	<i>1.4 p.p.</i>

Vladimir Chirakhov, CEO of PJSC Detsky Mir, said:

“In Q3 2018, Detsky Mir Group continued its consolidation of the children’s goods market, with revenue growing significantly faster than the market. Despite the continued slump in purchasing power and a challenging demographic situation, Detsky Mir has been growing at an impressive rate. At the same time, we are focusing on improving operational efficiency, and expect EBITDA to increase by at least 32% year-on-year for the first nine months of 2018.

“The Company’s consolidated unaudited revenue grew by 15.9% to RUB 28.4bn in the third quarter of 2018. Like-for-like sales growth in Russia was 3.7%. The Company continues to attract new customers mostly as a result of the weaker positions of other market players, as underscored by a 5.2% increase in the number of tickets. We made successful preparations for the 2018 back-to-school season, which significantly boosted the Company’s turnover. Moreover, toys traditionally remain one of the key categories demonstrating high growth in like-for-like sales.

“Detsky Mir Group is pursuing its organic growth strategy. We have opened 37 new stores since the start of the year, including 13 stores in the Moscow region and two stores in Kazakhstan. By the end of the year we expect to open at least 100 stores, most of which will traditionally be launched in the New Year season of high sales.

“In Q3, Detsky Mir’s online sales more than doubled year-on-year, while revenue amounted to RUB 5.1bn in the first nine months of 2018. We remain focused on developing an omni-channel business model by making the most of our logistical and IT infrastructure to achieve strong results in the online segment and offer our customers a convenient and affordable service. In August, we launched a pilot project for delivering online orders from retail stores, which is expected to significantly reduce the time from order placement to delivery.

“Searching for new value growth opportunities and entry into new markets is one of the key elements of the Company’s strategy. In September, management took a strategic decision to enter the pet products market. This is a promising market in terms of volumes, expected growth rates and high level of fragmentation, as well as the opportunities it offers for management to leverage their experience in the children’s goods market.”

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

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Detsky Mir Group (MOEX: DSKY) is Russia’s largest specialized children’s goods retailer. The company operates a network of 666 stores, including 610 Detsky Mir stores in Russia and Kazakhstan located in 228 cities, as well as 56 ELC (Early Learning Centre) and ABC stores in Russia. The total selling space as of 30 September 2018 was approximately 714,000 square meters.

In accordance with the audited Financial Statements under IFRS Group revenue amounted to RUB 97.0 bn for FY 2017. Adjusted EBITDA totaled RUB 10.7 bn and adjusted profit for the period amounted to RUB 5.5 bn for FY 2017.

Detsky Mir Group’s shareholder structure as of the date of this announcement 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%.

(7) 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.

(8) Sistema PJSC 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.

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.

(9) RCIF, an equity fund established by the Russian Direct Investment Fund (RDIF) and China Investment Corporation (CIC), holds its stake in PJSC Detsky Mir through its funds: FLOETTE HOLDINGS LIMITED and EXARZO HOLDINGS LIMITED.