



## **OJSC DETSKY MIR INCREASED NET INCOME BY 7.2% TO RUB 657 MLN FOR 9 MONTHS 2015**

**18 November 2015. Russia, Moscow.** OJSC Detsky Mir (hereinafter referred to as "Detsky Mir" or "the Company"), Russia's largest children's goods retailer, announces its unaudited financial results under US GAAP for 9M 2015 ended on 30 September 2015.

### **KEY UNAUDITED FINANCIAL AND OPERATING RESULTS FOR 9M 2015**

- **OIBDA<sup>1</sup> increased from RUB 2 263 mln in the first 9 months of 2014 to RUB 2 940 mln in 9 months of 2015, and OIBDA margin amounted to 7.4%**
- Revenue grew by 34.1% compared to 9M 2014, and reached RUB 40.0bn
- The Company opened 49 new stores, including 48 Detsky Mir stores and 1 ELC store
- Selling space reached 435,000 sq m in 9M 2015
- Like-for-like sales gained 13.8%<sup>2</sup> (with the number of checks growing by 4.3%, and the average check growing by 9.1%)
- Gross profit grew by 26.7% in 9M 2015 to RUB 13.8bn; gross margin amounted to 34.6%
- Selling, general and administrative expenses to revenue ratio fell from 29.1% to 27.3% due to increased operating efficiency and measures taken to reduce costs
- Net income grew by 7.2% to RUB 657 mln compared to the same period of the last year
- The Company's net debt totaled RUB 16.5 bn as of 30 September 2015. The increase in net debt from the beginning of 2015 is due to the active development of the company's retail chain, the construction of a new distribution center and other investment projects

### **KEY UNAUDITED RESULTS FOR THE 12 MONTHS ENDED SEPTEMBER 2015.**

- **OIBDA increased by 36.6% to RUB 5.6bn; OIBDA margin grew from 9.8% to 10.0%**
- Revenue grew by 33.3% YoY to RUB 55.6bn
- The Company opened 74 new stores, including 71 DM stores and 3 ELC stores
- Selling space grew by 20.2%, from 362,000 sq m to 435,000 sq m
- Gross Profit increased by 26.3% to RUB 20.2bn; gross margin declined slightly from 38.3% to 36.3%
- Net income increased by 20.8% to RUB 2.1bn; net income margin amounted to 3.8%

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<sup>1</sup> OIBDA is a non-GAAP measure, which is calculated on the basis of the US GAAP financial statements. OIBDA is defined as total revenue minus cost of sales and selling, research and administrative costs

<sup>2</sup> LFL measures is calculated on the basis of operations of Detsky mir branded stores only. The Detsky Mir stores that are included in like-for-like comparisons are those stores that have been open during the entirety of the two years for which the like-to-like comparison is being made. For example, the like-for-like comparison of retail sales between 9 months 2015 and 9 months 2014 would include revenue of all Detsky Mir stores that were opened during the course of 2013 and that were in operation during the entirety of 2014 and 9 months 2015. Like-for-like revenue is calculated on the basis of store revenue in roubles (including VAT but excluding returns)

**Vladimir Chirakhov, CEO of Detsky Mir said:**

*"Despite the decline in consumer demand in the country, Detsky Mir keep high growth rates of key performance indicators of business.*

*The Company's revenue increased by more than 34,1% compared to the same period of last year. The main factor of high dynamics of revenue was a boost in sales in existing stores, which is reflected in a like-for-like growth of 13.8%. The significant growth of like-for-like sales is caused by increasing of the average check by 9.1%, while the number of purchases made (number of checks) in like-for-like stores increased by 4.3%.*

*OIBDA demonstrated an increase of 30% to RUB 2 940 mln. This result was obtained including by the operational improvements implemented by the Company's management. Improving the efficiency of business processes, optimising the product matrix, and revising the retail concept, and the transition to a single SAP platform reduced the share of sales, general and administrative costs as a percentage of revenue from 29% to 27%.*

*The Group continued to develop dynamically, opening new stores. For 9 months of 2015, we opened 48 DM stores and 1 store ELC, 19 of them - in the Moscow region. At the end of September 2015, DM stores are represented in 136 cities of Russia and Kazakhstan. One hundred stores will be opened in dozens of cities across the country in FY 2015.*

*E-commerce has a significant impact on business development of Detsky Mir. Revenue of e-commerce without in store- pick up increased by 2 times compared to the same period of last year and amounted to RUB 496 mln. For 9 months of 2015 OIBDA amounted to RUB 2.8 mln compared to the loss of RUB 15.0 mln in the last year.*

## UNAUDITED FINANCIAL AND OPERATING RESULTS FOR 9 months 2015<sup>3</sup>

	In RUR mln		
	9 M 2014	9 M 2015	% change
<b>Number of stores, units</b>	<b>296</b>	<b>370</b>	<b>25,0%</b>
Detsky Mir stores	255	326	27,8%
ELC stores	<b>41</b>	<b>44</b>	<b>7,3%</b>
<b>Selling space (ksqm)</b>	362	435	20,2%
<b>Revenue</b>	<b>29 794</b>	<b>39 967</b>	<b>34,1%</b>
<i>% LFL revenue growth</i>	14,2%	13,8%	
<b>Gross profit</b>	<b>10 923</b>	<b>13 842</b>	<b>26,7%</b>
<i>Gross margin,%</i>	36,7%	34,6%	
<b>SG&amp;A</b>	<b>8 665</b>	<b>10 896</b>	<b>25,8%</b>
<i>% of revenue</i>	29,1%	27,3%	
<b>OIBDA</b>	<b>2 263</b>	<b>2 940</b>	<b>29,9%</b>
<i>Margin, %</i>	7,6%	7,4%	
<b>Net income</b>	<b>613</b>	<b>657</b>	<b>7,2%</b>
<i>Margin,%</i>	2,1%	1,6%	

<sup>3</sup> The number of stores is made for Detsky Mir stores excluding Yakimanka Children's Gallery

## UNAUDITED FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED SEPTMEBER 2015<sup>4</sup>

	In RUS mln		
	LTM-SEP'14	LTM-SEP'15	% change
<b>Number of stores, units</b>	<b>296</b>	<b>370</b>	<b>25,0%</b>
Detsky Mir stores	255	326	27,8%
ELC stores	<b>41</b>	<b>44</b>	<b>7,3%</b>
<b>Selling space (ksqm)</b>	362	435	20,2%
<b>Revenue</b>	<b>41 719</b>	<b>55 619</b>	<b>33,3%</b>
<i>% LFL revenue growth</i>			
<b>Gross profit</b>	<b>15 982</b>	<b>20 182</b>	<b>26,3%</b>
<i>Gross margin, %</i>	38,3%	36,3%	
<b>SG&amp;A</b>	<b>11 891</b>	<b>14 590</b>	<b>22,7%</b>
<i>% of revenue</i>	28,5%	26,2%	
<b>OIBDA</b>	<b>4 089</b>	<b>5 587</b>	<b>36,6%</b>
<i>Margin, %</i>	9,8%	10,0%	
<b>Net income</b>	<b>1 728</b>	<b>2 087</b>	<b>20,8%</b>
<i>Margin, %</i>	4,1%	3,8%	

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**The Detsky Mir Group** is the largest children's goods retailer in Russia. The Group includes the national-wide retail chain Detsky Mir, the ELC retail chain, and two online stores (DM and ELC). As of 30 September 2015, Detsky Mir's chain is represented by 326 stores in Russia and Kazakhstan. The total selling space of the chain is 435 K sq.m. Detsky Mir's principal shareholder is Sistema JSFC. Websites: [www.detmir.ru](http://www.detmir.ru), [www.corp.detmir.ru](http://www.corp.detmir.ru).

**Sistema** is a publicly-traded diversified Russian holding company serving over 100 million customers in the sectors of telecommunications, high technology, radio and space technology, banking, retail, mass media, tourism and healthcare services. Founded in 1993, the company reported revenues of RUB 164 billion for IIQ 2015 and total assets of RUB 1.2 trillion as June 30, 2015. Sistema's global depository receipts are listed under the symbol "SSA" on the London Stock Exchange. Sistema's ordinary shares are listed under the "AFKS" ticker on the Moscow Stock Exchange. Website: [www.sistema.com](http://www.sistema.com).

*Some of the information in this document may contain projections or other forward-looking statements regarding future events of the Detsky Mir Group and Sistema JSFC. Such statements contain phrases like "expected", "estimated",*

<sup>4</sup> The number of stores is made for Detsky Mir stores excluding Yakimanka Children's Gallery; Financial results are presented, including of disposal of Yakimanka building in 2014

*"intended", "will", "could", negatives of such statements, and other similar expressions. We would like to warn you that such statements are assumptions only and the actual course of events and their results may differ significantly from such statements. We do not intend to revise such statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Due to numerous factors, the actual results of the Detsky Mir Group and Sistema JSFC may differ significantly from those stated in our assumptions and projections. Such factors may include general economic conditions, competitive environment in which we operate, risks related to the operations in Russia, rapid technological or market changes in our sphere of business, and many other risks directly related to the Detsky Mir Group and Sistema JSFC and their activities.*

***Foreign Currency Translation***

*The Company follows a translation policy in accordance with ASC 830, Foreign Currency Matters. Management has determined that the functional currency of the Company and its Russian subsidiaries is the Russian Ruble ("RUB"). The functional currencies of the Company's German and Kazakhstan subsidiaries are the Euro and Tenge, respectively.*