



## DETSKY MIR GROUP'S NET INCOME MORE THAN DOUBLED TO RUB 1.7BN FOR 9 MONTHS 2016

**24 November 2016. Moscow, Russia.** Detsky Mir Group ("Detsky Mir" or "the Group"), Russia's largest children's goods retailer, announces its unaudited financial results under International Financial Reporting Standards (IFRS) for the nine months ended 30 September 2016.

### **KEY FINANCIAL RESULTS FOR 9 MONTHS 2016 (UNAUDITED)**

- **OIBDA<sup>1</sup> increased by 58.6% to RUB 4.6bn for 9M 2016 vs RUB 2.9bn for 9M 2015, OIBDA margin<sup>2</sup> reached 8.5%;**
- Group revenue increased by 35.7% to RUB 54.2bn for 9M 2016 vs. RUB 40.0bn for 9M 2015;
- Like-for-like sales at Detsky Mir stores in Russia grew by 12.7%<sup>3</sup>, with the number of ticket price growing by 4.2% and the average ticket price increasing by 8.2%;
- Gross profit increased by 31.2% year-on-year to RUB 18.1bn for 9M 2016 vs. RUB 13.8bn for 9M 2015; gross margin reached 33.3%;
- Selling, administrative and other operating expenses<sup>4</sup> as a share of revenue decreased by almost 2.5p.p. to 24.8% compared to 27.3% for 9M 2015, driven by increased operational efficiency;
- Net income more than doubled to RUB 1.7bn;
- Net debt<sup>5</sup>/adjusted OIBDA LTM ratio<sup>6</sup> as of 30 September 2016 improved to 1.6x vs 3.2x at the end of 9M 2015.

### **Vladimir Chirakhov, CEO of “Detsky Mir” PJSC, said:**

*“Detsky Mir Group has strengthened its leadership of the children's goods market thanks to revenue growth and continued improvements to operational efficiency. Consolidated revenue increased by 35.7% to RUB 54.2 billion. The main driver behind revenue growth was a double-digit increase in like-for-like sales of Detsky Mir stores in Russia of 12.7% and all stores opened in 2014-2015 operating at full capacity.*

*In 9M 2016, Detsky Mir increased OIBDA by 58.6% year-on-year, and significantly increased profitability while continuing to restrain price growth in order to attract customers. Operational efficiency played a key role in achieving these successful financial results. The Company's management team is continuing to implement and introduce international best practices in IT and the development of logistical infrastructure. As a result, SG&A costs as a percentage of revenue declined by almost 2.5 p.p. Net profit more than doubled year-on-year.*

*Detsky Mir Group is continuing to roll out its geographical expansion programme. In August of 2016 the Company opened its first store in Chita, which is now the easternmost city where we have a presence in Russia.*

(1) OIBDA is calculated based on the financial statements under IFRS by adding depreciation and amortization costs to operating income.

(2) OIBDA margin is OIBDA divided by total revenue

(3) Here and elsewhere, like-for-like (LFL) sales and average ticket price are calculated in Russian roubles. Trends are presented for the comparative period (9M 2016 to 9M 2015) and include only Detsky Mir stores in Russia.

(4) Selling, general and administrative expenses and other operating expenses are calculated without depreciation and amortization.

(5) Net debt is calculated as total borrowings less cash and cash equivalent

(6) Adjusted OIBDA LTM excludes one-off effects related to the disposal of the Yakimanka building and payments under the long-term incentive scheme.

Kazakhstan remains a key region for future network expansion. Detsky Mir Group has opened its first store in Aktobe. As of the end of the period, Detsky Mir had nine stores in five cities across Kazakhstan.

Detsky Mir remains on track to deliver planned network growth of opening at least 90 stores during 2016. Since the start of the year we have opened 40 new stores, and the rest will be opened during peak sales season in 4Q.”

**FINANCIAL PERFORMANCE**  
**9M 2016 VS. 9M 2015 (UNAUDITED)**

<i>RUB bn</i>	9M 2015	9M 2016	Change, YoY (%)
<b>Number of stores (units)</b>	<b>370</b>	<b>464</b>	<b>25.4%</b>
<i>Detsky Mir<sup>7</sup></i>	326	420	28.8%
<i>ELC</i>	44	44	-
<b>Selling space (thousand sq m )</b>	<b>435</b>	<b>533</b>	<b>22.5%</b>
<b>Revenue</b>	<b>40.0</b>	<b>54.2</b>	<b>35.7%</b>
<b>Gross profit</b>	<b>13.8</b>	<b>18.1</b>	<b>31.2%</b>
<i>Gross margin (%)</i>	34.6%	33.3%	-1.3 b.p.
<b>Selling, administrative and other operating expenses<sup>8</sup></b>	<b>10.9</b>	<b>13.5</b>	<b>23.9%</b>
<i>% of revenue</i>	27.3%	24.8%	-2.5 b.p.
<b>OIBDA</b>	<b>2.9</b>	<b>4.6</b>	<b>58.6%</b>
<i>OIBDA margin (%)</i>	7.4%	8.5%	1.2 b.p.
<b>Net income</b>	<b>0.7</b>	<b>1.7</b>	<b>142.9%</b>
<i>Net profit margin (%)</i>	1.6%	3.1%	1.5 b.p.

**FINANCIAL PERFORMANCE**  
**IN 12 MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)**

<i>RUB bn</i>	LTM as of September 2015	LTM as of September 2016	Change YoY,%
<b>Revenue</b>	<b>55.6</b>	<b>74.8</b>	<b>34.5%</b>
<b>Gross profit</b>	<b>20.2</b>	<b>26.1</b>	<b>29.2%</b>
<i>Gross margin (%)</i>	36.3%	34.9%	-1.3 b.p.
<b>Adjusted selling, administrative and other operating expenses<sup>9</sup></b>	<b>15.0</b>	<b>18.3</b>	<b>22.0%</b>
<i>% of revenue</i>	27.0%	24.4%	-2.6 b.p.
<b>Adjusted OIBDA<sup>10</sup></b>	<b>5.1</b>	<b>7.9</b>	<b>54.9%</b>
<i>OIBDA margin (%)</i>	9.2%	10.5%	1.3 b.p.
<b>Adjusted Net income<sup>11</sup></b>	<b>1.7</b>	<b>3.2</b>	<b>88.2%</b>
<i>Net profit margin (%)</i>	3.1%	4.3%	1.2 b.p.

(7) Net chain growth since the beginning of 2016 amounted to 39 stores including relocations

(8) Excluding depreciation and amortization (D&A)

(9) Excluding D&A, as well as one-off effects related to the disposal of the Yakimanka building and payment of bonuses under the long-term incentive scheme

(10) Excluding one-off effects related to the disposal of the Yakimanka building and payment of bonuses under the long-term incentive scheme

(11) Excluding one-off effects related to the disposal of the Yakimanka building, payment of bonuses under the long-term incentive scheme and other non-operating one-off costs

<b>Net debt</b>	<b>16.5</b>	<b>12.5</b>
<i>Net debt / Adjusted OIBDA (x)</i>	<i>3.2x</i>	<i>1.6x</i>

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**Detsky Mir Group** is the largest children's goods retailer in Russia. The Group includes the nationwide retail chain Detsky Mir, the Early Learning Centre (ELC) retail chain, and two online stores (Detsky Mir and ELC). As of 30 September 2016, Detsky Mir had 420 stores in Russia and Kazakhstan, while the ELC retail chain consisted of 44 stores in Russia. The total retail floorspace of the chain is 533 thousand sq.m. Detsky Mir's principal shareholders are Sistema JSFC (72.6%) and the Russia-China Investment Fund (23.1%). Websites: [www.detmir.ru](http://www.detmir.ru), [corp.detmir.ru](http://corp.detmir.ru), [elc-russia.ru](http://elc-russia.ru)

**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, the company reported revenues of RUB 708.6 billion for 2015 and total assets of RUB 1.3 trillion as of December 31, 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 ticker AFKS on Moscow 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 PJSFC. Such statements contain phrases like "expected", "estimated", "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 PJSFC 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 PJSFC and their activities.*