



## **DETSKY MIR GROUP ANNOUNCES AUDITED FINANCIAL RESULTS FOR THE FULL YEAR 2015**

**1 March 2015. Russia, Moscow.** Detsky Mir Group ("Detsky Mir" or "the Group"), Russia's largest children's goods retailer, announces its audited financial results under IFRS for the full year ended 31 December 2015.

### **KEY FINANCIAL RESULTS FOR FY 2015**

- The Group's revenue increased by 33.2% to RUB 60.5bn, vs RUB 45.5bn for FY 2014;
- Detsky Mir's like-for-like sales improved 12.4%<sup>1</sup> year-on-year (with the number of checks growing by 3.7%, and the average check growing by 8.4%);
- Gross profit increased by 26.9% year-on-year to RUB 21.9bn, with a gross margin of 36.2%;
- Selling, general and administrative expenses<sup>2</sup> as a share of revenue decreased by 2 pp to 27.7%, compared with 29.8% a year earlier;
- Adjusted OIBDA<sup>3</sup> increased by 38.6% year-on-year to RUB 6.2bn, compared to RUB 4.5bn in 2014 (OIBDA margin reached 10.2%). Unadjusted OIBDA amounted to RUB 5.1bn.;
- Adjusted net income<sup>4</sup> increased by 29.9% year-on-year to RUB 2.2bn compared to 2014. Unadjusted Net income amounted to RUB 1.0bn;
- The Group paid RUB 3.0bn in dividends to its shareholders in 2015 (compared to RUB 2.5bn<sup>5</sup> in 2014).

### **OTHER 2015 HIGHLIGHTS**

- The Group's total number of stores increased to 425, with total retail space of 491 th. sq. m. In 2015 the Group opened 104 new stores, including 103 new Detsky Mir stores and one ELC store;
- The Group reported a net income in the first quarter of the year, as opposed to the seasonal loss traditionally seen in that period;
- In June 2015, an in-store pick-up service was implemented in all Detsky Mir retail locations;
- In August 2015, Detsky Mir launched its 72,000 sq. m. distribution centre in the Moscow region (Bekasovo). This is the largest specialised logistics terminal for children's goods in Russia;
- In December 2015, the sale of 23.1% of Detsky Mir to the Russia-China Investment Fund was completed for a total consideration of RUB 9.75bn.

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(1) LFL and average check are hereinafter specified as year-on-year in Russian roubles in comparative periods

(2) Selling, general and administrative expenses are calculated without Depreciation and Amortisation

(3) Adjusted OIBDA is calculated as follows: Operating income before depreciation and amortization. FY 2014: excluding one-off effects related to disposal of Yakimanka building and LTI-bonus for CEO; FY 2015: excluding additional bonus payments under the LTI program (in relation to Sistema JSFC's completion of the sale of 23.1% of Detsky Mir to the Russia-China Investment Fund)

(4) Adjusted Net income - FY 2014 net income, excluding one-off costs related to disposal of Yakimanka building and LTI-bonus for CEO; FY 2015 net income, excluding additional bonus payments under the LTI program (in relation to Sistema JSFC's completion of the sale of 23.1% of Detsky Mir to the Russia-China Investment Fund) and other non-operating one-off costs

(5)The amount taking into account dividends paid to CJSC "DM-Finance"

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

*“In terms of business growth and efficiency improvements, 2015 was a key year for the Group. Detskiy Mir adapted to the new economic realities while maintaining its rapid growth rates, enabling it to strengthen its leading position in the children’s goods market.*

*The Group continued to implement its expansion programme, opening 104 new stores, a Company record. The total number of stores increased to 425 in 2015. We continued to expand in Kazakhstan, with the opening of a new store in Astana.*

*The Group's revenue increased by 33.2% year-on-year. The main driver of revenue came from existing stores, which is reflected in a 12.4% year-on-year rise in like-for-like sales, while the like-for-like increase in the number of purchases made (number of checks) was 3.7% year-on-year.*

*Selling, general and administrative expenses as a share of revenue dropped by 2 pp, which we achieved primarily as a result of a number of operational efficiency initiatives. Launching our own DC in Bekasovo (Moscow region) was one of the key efficiency projects. Our own warehouse will enable us to reduce logistics costs, increase centralisation and improve inventory management, which will lead to higher turnover.*

*Detsky Mir Group paid record dividends in 2015 of RUB 3.0 billion, demonstrating once again our commitment to shareholder value.*

*Detsky Mir Group is the largest employer in the children's goods segment. In 2015, we created around 1,500 new jobs in dozens of regions around country and our average headcount increased by more than 20% year-on-year to 8,517 employees.*

*We are absolutely confident that 2016 will bring new opportunities for growth and efficiency improvements. We intend to continue implementing our retail chain development programme, and we intend to open at least 50 new stores in 2016.”*

## FINANCIAL RESULTS FOR 2011-2015

	2011	2012	2013	2014	2015	2014-2015, % change
<b>Number of stores</b>	<b>150</b>	<b>216</b>	<b>252</b>	<b>322</b>	<b>425</b>	<b>32%</b>
Detsky Mir stores	149	195	224	278	381	37%
ELC stores	0	20	27	43	44	2%
<b>Selling space (K sq m)</b>	<b>236</b>	<b>291</b>	<b>320</b>	<b>390</b>	<b>491</b>	<b>26%</b>
<b>Revenue</b>	<b>23,007</b>	<b>27,624</b>	<b>36,001</b>	<b>45,446</b>	<b>60,544</b>	<b>33%</b>
<i>% of LFL sales growth</i>	<i>14.9%</i>	<i>5.6%</i>	<i>13.4%</i>	<i>13.6%</i>	<i>12.4%</i>	
<i>Revenue per sq m<sup>6</sup> (RUB thousand /sq. m)</i>	<i>102</i>	<i>105</i>	<i>118</i>	<i>128</i>	<i>137</i>	<i>7%</i>
Online sales <sup>7</sup>	40	127	227	443	1,260	184%
<i>Share of online sales</i>	<i>0.2%</i>	<i>0.5%</i>	<i>0.6%</i>	<i>1.0%</i>	<i>2.1%</i>	
COGS	14,235	16,681	22,093	28,183	38,640	37%
<i>% of revenue</i>	<i>61.9%</i>	<i>60.4%</i>	<i>61.4%</i>	<i>62.0%</i>	<i>63.8%</i>	
<b>Gross income</b>	<b>8,772</b>	<b>10,943</b>	<b>13,908</b>	<b>17,263</b>	<b>21,904</b>	<b>27%</b>
<i>Margin, %</i>	<i>38.1%</i>	<i>39.6%</i>	<i>38.6%</i>	<i>38.0%</i>	<i>36.2%</i>	
<i>Gross income per sq m<sup>6</sup> (RUB thousand /sq m)</i>	<i>39</i>	<i>42</i>	<i>46</i>	<i>48</i>	<i>50</i>	<i>4%</i>
<b>SG&amp;A<sup>8</sup></b>	<b>8,026</b>	<b>9,326</b>	<b>11,155</b>	<b>13,523</b>	<b>16,771</b>	<b>24%</b>
<i>% of revenue</i>	<i>34.9%</i>	<i>33.8%</i>	<i>31.0%</i>	<i>29.8%</i>	<i>27.7%</i>	
<b>Adjusted OIBDA<sup>9</sup></b>	<b>806</b>	<b>1,655</b>	<b>2,771</b>	<b>4,463</b>	<b>6,185</b>	<b>39%</b>
<i>Margin, %</i>	<i>3.5%</i>	<i>6.0%</i>	<i>7.7%</i>	<i>9.8%</i>	<i>10.2%</i>	
<b>OIBDA</b>	<b>806</b>	<b>1,655</b>	<b>2,771</b>	<b>4,910</b>	<b>5,122</b>	<b>4%</b>
<i>Margin, %</i>	<i>3.5%</i>	<i>6.0%</i>	<i>7.7%</i>	<i>10.8%</i>	<i>8.5%</i>	
<b>Adjusted Net income<sup>10</sup></b>	<b>-217</b>	<b>428</b>	<b>1,153</b>	<b>1,685</b>	<b>2,189</b>	<b>30%</b>
<i>Margin, %</i>	<i>-0.9%</i>	<i>1.5%</i>	<i>3.2%</i>	<i>3.7%</i>	<i>4.0%</i>	
<b>Net income</b>	<b>-217</b>	<b>428</b>	<b>1,153</b>	<b>2,043</b>	<b>976</b>	<b>-52%</b>
<i>Margin, %</i>	<i>-0.9%</i>	<i>1.5%</i>	<i>3.2%</i>	<i>4.5%</i>	<i>1.6%</i>	
<b>TOTAL Debt</b>	<b>4,039</b>	<b>2,998</b>	<b>5,922</b>	<b>9,716</b>	<b>18,359</b>	<b>89%</b>
Cash and cash equivalents	2,423	1,631	860	1,670	1,934	16%
<b>Adjusted Net Debt<sup>11</sup></b>	<b>1,616</b>	<b>1,366</b>	<b>5,062</b>	<b>8,046</b>	<b>11,550</b>	<b>44%</b>
<b>Net debt</b>	<b>1,616</b>	<b>1,366</b>	<b>5,062</b>	<b>8,046</b>	<b>16,425</b>	<b>104%</b>
<i>Adjusted Net Debt / Adjusted OIBDA</i>	<i>2,0x</i>	<i>0,8x</i>	<i>1,8x</i>	<i>1.8x</i>	<i>1.9x</i>	
<i>Net debt/ OIBDA</i>	<i>2,0x</i>	<i>0,8x</i>	<i>1,8x</i>	<i>1.6x</i>	<i>3.2x</i>	

(6) Calculated per average space for the period

(7) The indicator includes all online orders on the website - www.detsky-mir.ru, including home delivery to customers and in store pick-up

(8) Selling, general and administrative expenses are calculated without Depreciation and Amortisation

(9) Adjusted OIBDA is calculated as follows: Operating income before depreciation and amortization. FY 2014: excluding one-off effects related to disposal of Yakimanka building and LTI-bonus for CEO; FY 2015: excluding additional bonus payments under the LTI program (in relation to Sistema JSFC's completion of the sale of 23.1% of Detsky Mir to the Russia-China Investment Fund)

(10) Adjusted Net income - FY 2014 net income, excluding one-off effects related to disposal of Yakimanka building and LTI-bonus for CEO; FY 2015 net income, excluding additional bonus payments under the LTI program (in relation to Sistema JSFC's completion of the sale of 23.1% of Detsky Mir to the Russia-China Investment Fund) and other non-operating one-off costs

(11) The ratio is adjusted for the repayment under the loan agreement №381-FZ dated 03.07.2013 to CJSC "DM-Finance" (Sistema) at the end of January 2016. Cash was directed on repayment of the part of Detsky Mir's revolving debt

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**For additional information contact:**

**Nadezhda Kiseleva**

Head of PR

+7 (495) 781-08-08, ext. 2041

Cell: +7 (903) 969-00-86

[nkiseleva@detmir.ru](mailto:nkiseleva@detmir.ru)

**Sergey Levitskiy**

Head of M&A and Business Valuation

+7 (495) 781-08-08, ext. 2315

Cell: + 7 903 971 43 65

[slevitskiy@detmir.ru](mailto:slevitskiy@detmir.ru)

**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 31 December 2015, Detsky Mir's chain is represented by 381 stores in Russia and Kazakhstan, the ELC retail chain is represented by 44 stores in Russia. The total retail floorspace of the chain is 491 th sq.m. Detsky Mir's principal shareholder is Sistema JSFC. Websites: [www.detmir.ru](http://www.detmir.ru), [corp.detmir.ru](http://corp.detmir.ru)

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*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", "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.*