



DETSKY MIR GROUP ACCELERATED REVENUE GROWTH TO 19.3% IN Q3 2019

Moscow, Russia, 16 October 2019 – Detsky Mir Group (“Detsky Mir”, “the Group” or “the Company”, MOEX: DSKY), Russia’s largest specialized children’s goods retailer and a Sistema company (LSE: SSA, MOEX: AFKS), announces its operating results for the third quarter and the nine months ended 30 September 2019.

Q3 2019 OPERATING HIGHLIGHTS¹

- Group unaudited revenue increased by 19.3% year-on-year to RUB 34 bn.
 - Online revenue² increased by 62.8% year-on-year to RUB 3.3 bn.
 - Revenue in Kazakhstan rose by 51.2% year-on-year to RUB 1.1 bn.
- Like-for-like sales³ at Detsky Mir stores in Russia and Kazakhstan grew by 10.7%. The number of tickets grew by 9.6%, while the average ticket increased by 1.0%.
- Like-for-like sales at Detsky Mir stores in Russia grew by 10.2%. The number of tickets grew by 9.1%, while the average ticket increased by 1.0%.
- Like-for-like sales⁴ at Detsky Mir stores in Kazakhstan increased by 42.2%.
- Detsky Mir opened 22 new branded stores in Q3 2019. The Group had 780 stores as of 30 September 2019.⁵
- Total selling space increased by 11.2% year-on-year to approximately 794,000 sq. m.
- The total number of issued Detsky Mir loyalty cards increased by 14.4% year-on-year to 23 mn, while the number of active loyalty cardholders⁶ was 10.4 mn. Transactions using the loyalty card accounted for 78.2% of total sales.

9M 2019 OPERATING HIGHLIGHTS¹

- Group unaudited revenue increased by 17.3% year-on-year to RUB 89.8 bn.
 - Online revenue increased by 68.6% year-on-year to RUB 8.6 bn.
 - Revenue in Kazakhstan rose by 52.3% year-on-year to RUB 2.6 bn.
- Like-for-like sales at Detsky Mir stores in Russia and Kazakhstan grew by 8.2%. The number of tickets grew by 8.8%, while the average ticket decreased by 0.5%.
- Like-for-like sales at Detsky Mir stores in Russia grew by 7.7%. The number of tickets grew by 8.1%, while the average ticket decreased by 0.4%.
- Like-for-like sales at Detsky Mir stores in Kazakhstan increased by 39.4%.
- Detsky Mir opened 45 new branded stores⁷ in 9M 2019.

Q3 2019 KEY EVENTS

- In August 2019, the Company launched express delivery service (last mile delivery) for a charge of RUB 99 for orders placed via Detsky Mir’s online store. Today this service is available in Moscow, St. Petersburg and 15 other major cities in Russia, while the time of delivery to the customer has been reduced to just several hours.
- In August 2019, Detsky Mir launched in-store pickup in the Republic of Kazakhstan. Online customers will be able to pick up orders at any retail store in Kazakhstan 60 minutes after placing an order.
- In August 2019, the Company signed a direct contract with the world’s fourth largest toy producer, MGA Entertainment (creator of toys such as LOL and Poopsie). The first shipments have already been distributed to the retail chain and sales are underway at Detsky Mir stores.

(1) Excluding the effect of the new IFRS 16 (“Lease”) accounting standards.

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

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

(4) Calculated in the national currency of Kazakhstan (tenge).

(5) Including 62 ELC and ABC stores, as well as eight Zoozavr stores.

(6) Cardholders who made at least one purchase at Detsky Mir during the last 12 months to 30 September 2019 are considered active.

(7) In 9M 2019, Detsky Mir closed eight stores.

- In September 2019, the Company tested and refined the IT systems for accepting QR code payments as part of the Quick Payment System. During October, this service will be launched in test mode at Detsky Mir pilot stores in Moscow. The customer – a client of a bank included in the Quick Payment System – will be able to make a purchase by scanning the QR code at checkout and approving the operation in the application. On the basis of the results of the pilot program, the Company plans to complete the roll out of the new payment service throughout the retail chain, as well as to launch payment with a QR code in the online store www.detmir.ru.

	Q3 2019	Q3 2018	Change
Number of stores	780	666	+17.1%
Detsky Mir	710	610	+16.4%
ELC & ABC	62	56	+10.7%
Zoozavr	8	-	-
Selling space ('000, sq.m.)	794	714	+11.2%

Detsky Mir in Russia and Kazakhstan	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Like-for-like revenue growth	10.7%	4.1%	+6.6 p.p.	8.2%	5.2%	+3.0 p.p.
Like-for-like number of tickets growth	9.6%	5.4%	+4.2 p.p.	8.8%	7.7%	+1.1 p.p.
Like-for-like average ticket growth	1.0%	-1.3%	+2.3 p.p.	-0.5%	-2.3%	+1.8 p.p.

Detsky Mir in Russia	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Like-for-like revenue growth	10.2%	3.7%	+6.5 p.p.	7.7%	4.9%	+2.8 p.p.
Like-for-like number of tickets growth	9.1%	5.2%	+3.9 p.p.	8.1%	7.5%	+0.6 p.p.
Like-for-like average ticket growth	1.0%	-1.5%	+2.5 p.p.	-0.4%	-2.4%	+2.0 p.p.

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

“Despite weak consumer demand overall, we delivered a strong business growth rate in the third quarter of 2019. Consolidated unaudited revenue grew 19.3% YoY to RUB 34bn.

“Traditionally, we accelerate the pace of the retail chain's expansion in the second half of the year. Detsky Mir opened 22 new stores in the third quarter, including four stores in Kazakhstan and Belarus. The company opened its first stores in Beloretsk (Republic of Bashkortostan), Chistopol (Republic of Tatarstan), Azov (Rostov region), Uray (Khanty-Mansi Autonomous District) and Kanevskaya (Krasnodar region). We plan to open at least 45 Detsky Mir stores in the fourth quarter.

“Against the background of significant growth of our selling space in the reporting quarter, we managed to ensure a double-digit growth rate of like-for-like sales in Russia and Kazakhstan (+10.7% YoY). We continued to generate significant customer traffic, which allowed us to increase the number of transactions in these stores by 9.6%. The results of the first five Detsky Mir stores in Belarus exceeded our expectations in terms of both accelerating revenue and profitability.

“We successfully completed the back-to-school season, which significantly boosted the Company's sales. Clothing and footwear remained the key categories in terms of growth rates and volumes during this season. In the third quarter of 2019, the share of these products in Detsky Mir's total revenue in Russia rose 2.2p.p. YoY to 34%. We also achieved excellent results in the category of stationery, including by doubling the number of private labels, while the share of private labels in sales of this category increased by 3 p.p. YoY to 26% in the reporting quarter.

“Along with the active development of the retail chain, we managed to achieve excellent results in online sales growth. The online store (www.detmir.ru) generated RUB 3.3bn in Q3 revenue, up 62.8% YoY, and its share in Detsky Mir's total revenue in September was 11.6%. About 90% of our online orders are picked up at retail stores, which confirms high customer demand for this service. At the same time, we have developed a service providing express delivery from stores, leveraging our retail chain. Now our customers in large Russian cities can receive their orders within a few hours of making a purchase on our website.

“We also made a strategic decision to increase the number of SKUs available through the online store from 50,000 to 250,000 in the medium term. As part of this initiative, next year we plan to launch a pilot version of the marketplace for the clothing and footwear category. Based on the results of the pilot, we plan to scale up the marketplace to other product categories.”

Additional information is available on the Company’s website, <https://ir.detmir.ru/>

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Detsky Mir Group (MOEX: DSKY) is a multi-format retailer and Russia’s largest specialized children’s goods retailer. The Group comprises the Detsky Mir retail chain, ELC (Early Learning Centre in Russia) and the ABC retail chains, as well as the Zoozavr pet supplies retail chain. The company operates a network of 710 Detsky Mir stores located in 266 cities in Russia, Kazakhstan and Belarus, as well as 48 ELC and 14 ABC stores as of 30 September 2019. The Zoozavr retail chain comprises eight stores. Total selling space was approximately 794,000 square meters.

In accordance with the audited Financial Statements under IFRS, Group revenue amounted to RUB 110.9 bn for FY 2018, adjusted EBITDA totaled RUB 12.7 bn and adjusted profit amounted to RUB 7.2 bn.

Detsky Mir Group’s shareholder structure as of the date of this announcement is as follows: PJSFC 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, elc-russia.ru, ir.detmir.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) Sistema PJSFC 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.

(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.