



Detsky Mir's Total Sales Increased by 22.1% in June 2020

Moscow, Russia, 16 July 2020 – Detsky Mir Group (the “Group”, “Detsky Mir” or the “Company”, MOEX: DSKY), the largest specialized children’s goods retailer in Russia and Kazakhstan, announces its operating results for the second quarter ended 30 June 2020.

Q2 2020 Operating Highlights¹

- Group unaudited consolidated revenue increased by 2.9% year-on-year to RUB 28.8 bn, compared to RUB 28 bn in Q2 2019.
- Online revenue² increased 3.2x year-on-year to RUB 8.7 bn.
 - The share of online sales in total revenue of Detsky Mir in Russia increased 3.1x year-on-year to 31.1%.
 - The share of courier delivery service grew by 10.8 p.p. year-on-year to 23%.
- Revenue in Kazakhstan decreased by 18.2% year-on-year to RUB 627 m.
- Like-for-like sales³ at Detsky Mir stores in Russia and Kazakhstan grew by 0.8%. The number of tickets decreased by 11.3%, while the average ticket grew 13.7%.
- Like-for-like sales at Detsky Mir stores in Russia grew by 1.1%. The number of tickets decreased by 11.0%, while the average ticket grew by 13.5%.
- Detsky Mir opened 12 new branded stores⁴ in Q2 2020. The Group had 850 stores⁵ as of 30 June 2020:
 - Three Detsky Mir stores have been temporarily closed in Russia. The Belarusian retail chain Detmir and Kazakhstan’s Detsky Mir remained open.
- Total selling space increased by 10.1% year-on-year to approximately 855,000 sq. m.
- The total number of Detsky Mir loyalty cards issued increased by 12.9% year-on-year to 25.1 m, while the number of active loyalty card holders⁶ was 10.5 m. Transactions involving a loyalty card accounted for 86% of total sales.

1H 2020 Operating Highlights

- Group unaudited consolidated revenue increased by 7% year-on-year to RUB 59.8 bn, compared to RUB 55.9 bn in 1H 2019.
- Online revenue increased 2.7x year-on-year to RUB 14.1 bn.
 - The share of online sales in total net revenue of Detsky Mir in Russia increased 2.5x year-on-year to 24.5%.
 - The share of courier delivery service grew by 4.6 p.p. year-on-year to 19.9%.
- Revenue in Kazakhstan decreased by 6.1% year-on-year to RUB 1,601 m.
- Like-for-like sales at Detsky Mir stores in Russia and Kazakhstan grew 2.5%. The number of tickets decreased 3.0%, while the average ticket grew 5.7%.
- Like-for-like sales at Detsky Mir stores in Russia grew 2.4%. The number of tickets decreased 3.1%, while the average ticket grew 5.7%.
- Detsky Mir opened 20 new branded stores⁷ in 1H 2020, as well as one new Detmir Pickup store and one new Zozavr store.

Q2 2020 Key Events

(1) The Company’s consolidated financial measures for 2019–2020 and related interim periods are based on proforma financial information prepared as if IFRS 16 “Leases” had not been adopted, and thus do not represent IFRS measures.

(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. The store is included in the calculation of the monthly like-for-like, if the difference between the worked periods in comparable months does not exceed three business days.

(4) In Q2 2020, Detsky Mir closed two stores.

(5) Including 52 ELC and ABC stores, five Detmir Pickup stores as well as eleven Zozavr stores.

(6) Cardholders who made at least one purchase at Detsky Mir during the last 12 months to 30 June 2020 are considered active.

(7) In 1H 2020, Detsky Mir closed four stores.

- In June 2020, the Annual General Meeting of Shareholders approved a final dividend for 2019 totaling RUB 2.2 bn, or RUB 3.0 per ordinary share.
- In June 2020, PJSFC Sistema (the majority shareholder of the Company), and the Russia-China Investment Fund (RCIF) successfully priced the offering of Detsky Mir shares. The offering size was 118 million existing shares in Detsky Mir, representing 15.9% of Detsky Mir's issued share capital. The offering increased the Company's free float to 75%. PJSFC Sistema has a remaining ownership interest of 20.38% and RCIF has a remaining interest of 4.62% in the Company.
- As of 31 May 2020, 38 Detsky Mir stores in Russia, as well as all 58 ELC and ABC stores were temporarily closed due to the spread of the coronavirus (COVID-19).
- As of 30 April 2020, 83 Detsky Mir stores in Russia, as well as all 58 ELC and ABC stores were temporarily closed due to the spread of the coronavirus (COVID-19). In Kazakhstan, 36 stores were temporarily closed, although pickup points for online orders were set up at most of the closed locations.
- In April 2020, Detsky Mir successfully issued its series BO-06 exchange-traded bond with a nominal value of RUB 3 bn, a coupon of 7.0% p.a. and a 3-year put option.

Events after the Reporting Period

- As of 15 July 2020, 38 Detsky Mir stores in Kazakhstan were temporarily closed due to the tightening of measures to stop the spread of the coronavirus (COVID-19), although pickup points for online orders were set up at most of the closed locations.
- In July 2020, Denis Gurov was appointed as Logistics Director and a member of the Company's Management Board. Denis has over 16 years of retail and logistics experience (DIXY Group, Pharmacy Chain 36.6, DHL). As Logistics Director at Detsky Mir Group, Denis will be responsible for further expanding the Group's logistics capacity by launching regional distribution centers across a series of large Russian cities, as well as for developing delivery services.
- In June 2020, the number of downloads of the Detsky Mir mobile application exceeded three million and more than 15 million application launches on mobile devices were recorded. Half of all online orders are now completed through the mobile application. The application has one of the highest ratings among all free applications in Russia, boasting a rating of 4.6 on the App Store and 4.7 on Google Play.
- The Company continued to implement projects aimed at increasing the speed of express delivery and the last-mile increased the Company's Boxberry, PickPoint and Yandex.Taxi.

	Q2 2020	Q2 2019	Change
Number of stores	850	760	+11.8%
Detsky Mir	782	688	+13.7%
ELC & ABC	52	66	-21.2%
Zoozavr	11	6	+83.3%
Detmir Pickup	5	-	-
Selling space ('000, sq. m)	855	777	+10.1%

Like-for-like Russia and Kazakhstan	Q2 2020	Q2 2019	Change	1H 2020	1H 2019	Change
Like-for-like revenue growth	0.8%	6.7%	-5.9 p.p.	2.5%	6.9%	-4.4 p.p.
Like-for-like number of tickets growth	-11.3%	8.5%	-19.8 p.p.	-3.0%	8.3%	-11.3 p.p.
Like-for-like average ticket growth	13.7%	-1.7%	+15.4 p.p.	5.7%	-1.3%	+7.0 p.p.

Like-for-like Russia	Q2 2020	Q2 2019	Change	1H 2020	1H 2019	Change
Like-for-like revenue growth	1.1%	6.2%	-5.1 p.p.	2.4%	6.4%	-4.0 p.p.
Like-for-like number of tickets growth	-11.0%	7.8%	-18.8 p.p.	-3.1%	7.6%	-10.7 p.p.
Like-for-like average ticket growth	13.5%	-1.4%	+14.9 p.p.	5.7%	-1.2%	+6.9 p.p.

Alternative Like-for-like Russia and Kazakhstan ⁸	Q2 2020	Q2 2019	Change
Like-for-like revenue growth	-11.9%	6.7%	-18.6 p.p.
Like-for-like number of tickets growth	-21.8%	8.5%	-30.3 p.p.
Like-for-like average ticket growth	12.7%	-1.7%	+14.4 p.p.

Alternative Like-for-like Russia	Q2 2020	Q2 2019	Change
Like-for-like revenue growth	-11.3%	6.2%	-17.5 p.p.
Like-for-like number of tickets growth	-21.1%	7.8%	-28.9 p.p.
Like-for-like average ticket growth	12.3%	-1.4%	+13.7 p.p.

Maria Davydova, PJSC Detsky Mir Chief Executive Officer, said:

"Detsky Mir's Q2 results clearly confirm the high level of efficiency and professionalism within our team. We succeeded in boosting sales growth to 22.1% and maintaining high margins in June, which allowed us to offset the losses in revenue caused by the coronavirus pandemic in April. We fully expect the Q2 adjusted EBITDA to be higher year-on-year.

Our key priority now is the further rollout of the online channel. Thanks to our omnichannel approach, we were able to meet the increased demand in remote sales, which is evidenced by sharp growth in online sales. The share of online sales in Detsky Mir's total revenue more than tripled year-on-year to RUB 8.7 billion in Q2 2020, reaching 31.1% of the Detsky Mir chain's total revenue in Russia.

During lockdown, customer preferences shifted to online shopping, but since the lifting of lockdown in June, Russian citizens have been getting back to their normal way of life, driving a 16.5% increase in LFL sales in Russia and Kazakhstan, along with a 4.2% LFL average ticket growth. Over the first 12 days of July, we were able to maintain a strong level of total sales growth at 24%.

Throughout Q2, we also witnessed mixed dynamics in individual product groups. Essentials like baby food and diapers were the fastest growing categories in April, increasing their share in the chain's total revenue by 5.9 p.p. year-on-year to 41%. At the same time, apparel and footwear demonstrated explosive growth in May and June on the back of pent-up demand and the approaching summer season, with a 6.5 p.p. year-on-year increase in the share of this category in total sales (to 32.7%).

We have continued successfully pushing private labels across all categories, gradually transitioning to direct import contracts to provide a best price guarantee to our customers. The share of private labels and direct contracts in total sales has grown by 5.7 p.p. year-on-year to 47.9% over Q2. In diapers, the Baby Go and Manu private labels demonstrated positive dynamics, with a 1.8 p.p. year-on-year increase in the share of sales in this product group (to 7.7%).

Right now, we see an excellent opportunity to consolidate the children's goods market, thanks in part to the upcoming completion of projects to develop our logistics infrastructure, expand our product assortment and improve our customer service and user experience."

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The Detsky Mir Group of Companies (MOEX: DSKY) is a multi-format retailer and the leader in the children's goods sector in Russia. The Group comprises the Detsky Mir and the Detmir Pickup retail chains, the ELC (Early Learning Centre in Russia) and the ABC retail chains, as well as the Zoozavr pet supplies retail chain. The Company operates a retail chain of 782 Detsky Mir stores located in 302 cities in Russia, Kazakhstan and Belarus, five Detmir Pickup stores, as well as 43 ELC, 9 ABC and eleven Zoozavr stores as of 30 June 2020. The total selling space was approximately 855,000 square meters.

(8) Hereinafter alternative like-for-like average growth, like-for-like number of tickets growth and like-for-like revenue growth includes the performance of the stores which were temporarily closed due to the spread of the coronavirus (COVID-19).

