



Detsky Mir's Total Sales Growth Accelerated to 13.5% in Q3

Moscow, Russia, 14 October 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 third quarter ended 30 September 2020.

Q3 2020 Operating Highlights¹

- Group unaudited consolidated revenue increased by 13.5% year-on-year to RUB 38.5 bn, compared to RUB 34 bn in Q3 2019.
- Online revenue² increased 2.4x year-on-year to RUB 8.0 bn.
 - The share of online sales in total revenue of Detsky Mir in Russia increased 2.1x year-on-year to 21.4%.
 - The share of in-store pick-up service amounted to 83%.
- Revenue in Kazakhstan decreased by 26.8% year-on-year to RUB 779 m.
- Like-for-like sales³ at Detsky Mir stores in Russia and Kazakhstan grew by 3.9%. The number of tickets decreased by 2.1%, while the average ticket grew 6.0%.
- Like-for-like sales at Detsky Mir stores in Russia grew by 4.4%. The number of tickets decreased by 1.5%, while the average ticket grew by 5.9%.
- Detsky Mir opened 10 new branded stores⁴ in Q3 2020, as well as two new Zoozavr stores. The Group had 810 stores⁵ as of 30 September 2020:
- Total selling space increased by 8.1% year-on-year to approximately 858,000 sq. m.
- The total number of Detsky Mir loyalty cards issued increased by 12.8% year-on-year to 25.9 m, while the number of active loyalty card holders⁶ was 10.6 m. Transactions involving a loyalty card accounted for 83% of total sales.

9M 2020 Operating Highlights

- Group unaudited consolidated revenue increased by 9.5% year-on-year to RUB 98.4 bn, compared to RUB 89.8 bn in 9M 2019.
- Online revenue increased 2.5x year-on-year to RUB 22.1 bn.
 - The share of online sales in total net revenue of Detsky Mir in Russia increased 2.3x year-on-year to 23.3%.
 - The share of in-store pick-up service amounted to 81%.
- Revenue in Kazakhstan decreased by 7.2% year-on-year to RUB 2.4 bn.
- Like-for-like sales at Detsky Mir stores in Russia and Kazakhstan grew 3.0%. The number of tickets decreased 2.7%, while the average ticket grew 5.8%.
- Like-for-like sales at Detsky Mir stores in Russia grew 3.2%. The number of tickets decreased 2.5%, while the average ticket grew 5.8%.
- Detsky Mir opened 30 new branded stores⁷ in 9M 2020, as well as one new Detmir Pickup store and three new Zoozavr stores.

(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 RUB sales growth, like-for-like number of tickets growth and like-for-like average ticket growth are based on stores in operation for at least 12 full calendar months. A 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 Q3 2020, in order to improve profitability on the back of the accelerated opening of the compact-format Detmir Pickup stores, the Group decided to close ELC and ABC branded stores, the share of which in the total revenue of the Group comprised less than 0.5% in 1H 2020.

(5) Including five Detmir Pickup stores as well as thirteen Zoozavr stores.

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

(7) In 9M 2020, Detsky Mir closed four stores.

Q3 2020 Key Events

- In September 2020, the Company started to accept payments via the Faster Payments System (FPS) across its retail stores. Detsky Mir customers are now able to pay for their purchases using a QR code via the FPS across all of Detsky Mir retail stores in Russia.
- In September 2020, the Extraordinary General Meeting of Shareholders approved a final dividend payment of the remaining undistributed profit for Q4 2019 totaling RUB 1.8 bn, or RUB 2.5 per ordinary share.
- In September 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 185 million existing shares in Detsky Mir, representing 25% of Detsky Mir's issued share capital. Through this offering, Detsky Mir became the first Russian company with a 100% free float. Sistema and RCIF ceased to hold any ownership interest in the Company.
- In July 2020, the Company launched its first regional distribution center in PNK Park Rostov-on-Don, a Class A+ industrial park developed by PNK Group. Detsky Mir leased 6,000 sq. m of warehousing space for seven years with the option to expand. The project's CAPEX totals around RUB 100 m.
- Despite the repeated closures of most of Detsky Mir stores in Kazakhstan due to the spread of the coronavirus (COVID-19), the Company promptly launched pickup points for online orders at its retail outlets, which helped maintain its revenue generation and deliver positive financial results.
- Detsky Mir updated its mid-term growth strategy. The Company primarily plans to strengthen its leadership in the children's goods market while maintaining double-digit growth in total sales via the further rollout of its omnichannel business model. At the same time, the Company sees a solid upside in family digital services, as well as in the pet supplies market. A recording of the online conference where the updated strategy was discussed is available here: [Medium-term Strategy](#).

	Q3 2020	Q3 2019	Change
Number of stores	810	780	+3.8%
Detsky Mir	792	710	+11.5%
ELC & ABC	-	62	-
Zoozavr	13	8	+62.5%
Detmir Pickup	5	-	-
Selling space ('000, sq. m)	858	794	+8.1%

Like-for-like Russia and Kazakhstan	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Like-for-like revenue growth	3.9%	10.7%	-6.8 p.p.	3.0%	8.2%	-5.2 p.p.
Like-for-like number of tickets growth	-2.1%	9.6%	-11.7 p.p.	-2.7%	8.8%	-11.5 p.p.
Like-for-like average ticket growth	6.0%	1.0%	+5.0 p.p.	5.8%	-0.5%	+6.3 p.p.

Like-for-like Russia	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Like-for-like revenue growth	4.4%	10.2%	-5.8 p.p.	3.2%	7.7%	-4.5 p.p.
Like-for-like number of tickets growth	-1.5%	9.1%	-10.6 p.p.	-2.5%	8.1%	-10.6 p.p.
Like-for-like average ticket growth	5.9%	1.0%	+4.9 p.p.	5.8%	-0.4%	+6.2 p.p.

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

"Detsky Mir has once again proved its high resilience in the face of crisis. We managed to avoid losses in revenue during the active phase of the COVID-19 pandemic in Q2, as well as significantly accelerate sales growth in Q3 2020. In the reporting period, consolidated unaudited revenue increased by 13.5% year-on-year to RUB 38.5 bn. At the same time, we achieved a significant reduction in operating costs, which allows us to expect adjusted EBITDA increase by at least 20% year-on-year in Q3.

"We had a successful back-to-school season, which significantly boosted Company sales. As a result, total sales of back-to-school supplies were up 16.1% year-on-year in Q3 2020. In addition, the share of high-margin categories such as Toys and Fashion products in the total sales of the Detsky Mir chain in Russia increased by 1.3 p.p. year-on-year to 60.7% driven by pent-up demand and effective promotions. We have continued to successfully push private labels across all categories while gradually transitioning to direct import contracts to provide an exclusive and affordable assortment on our shelves. The share of private labels and direct contracts in total sales grew by 2.9 p.p. year-on-year to 49.4% over Q3.

"Given high volatility in consumer behavior, our omnichannel proposition drives steady sales growth for our retail chain and online store. In Q3, we managed to maintain strong growth in online sales: sales via the Detsky Mir online store and mobile app increased 2.4 times year-on-year with a 21.4% share of total sales in Russia. The top online performer was back-to-school supplies (+239%). Toys also demonstrated solid growth, with online sales in this category up almost 2.4 times year-on-year.

"Approximately 80% of online revenue came from in-store pickup at Detsky Mir retail stores, confirming the popularity of this service with our customers. Our new mobile app has also been increasingly gaining traction with our customers since its launch in late 2019, already generating over 60% of the total online sales.

"We continue to expand our logistics infrastructure to match the growth in our online channel. In July, we opened our first regional distribution center in Rostov-on-Don, which has already achieved a daily production rate of 1,000 orders and met its profitability targets by the end of the third quarter. We also launched a super-express delivery service from Detsky Mir stores. Customers in 250 cities across Russia can now receive their order within two hours of placing it on our website. Moreover, a good number of deliveries in Moscow are fulfilled by our own courier service.

"The successful secondary public offering (SPO) of PJSC Detsky Mir was another key highlight of the year. We highly appreciate the positive response to our Business from the global stock market, and are pleased that this offering will allow better stock liquidity and a more geographically diversified investor base. In accordance with the Company's new profile, we expect that independent directors will take up most of the seats on the Board, unlocking additional growth in the Company's value in the interests of all shareholders.

"Our Company quickly responds to the new challenges associated with the spread of the coronavirus (COVID-19). All necessary epidemiological safety measures are observed in retail stores: the health of all personnel is monitored, personal protective equipment for employees (masks, gloves, antiseptics) have been purchased, special markings have been applied to help our customers maintain social distancing, disinfection efforts have been stepped up across all our sales areas and buildings, and hand sanitizers are available to customers at store entrances. Online store couriers and distribution center employees are also equipped with all necessary personal protective equipment. As of 14 October 2020, all Detsky Mir stores have continued normal operation."

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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, as well as the Zoozavr pet supplies retail chain. The Company operates a retail chain of 792 Detsky Mir stores located in 306 cities in Russia, Kazakhstan and Belarus, five Detmir Pickup stores, as well as 13 Zoozavr stores as of 30 September 2020. The total selling space was approximately 858,000 square meters.

Detsky Mir Group's shareholder structure as of the date of this announcement is as follows: Detsky Mir Group's shareholder structure as of the date of this announcement is as follows: Free float⁸ – 100%.

Websites: 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

(8) Excluding quasi-treasury shares and shares held by management and directors (0.8% of total shares).

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, impact of COVID-19 pandemic on macroeconomic situation on the markets of presence and financial results of Detsky Mir and its subsidiaries, as well as many other risks specifically related to Detsky Mir and its operations.

