



Detsky Mir Group Adjusted EBITDA Increased by 24.2% YoY in Q3 2020

Moscow, Russia, 2 November 2020 – Detsky Mir Group (“Detsky Mir”, the “Group” or the “Company”, MOEX: DSKY), Russia’s largest specialized children’s goods retailer, announces its unaudited financial results in accordance with International Financial Reporting Standards (IFRS) for the third quarter and the nine months ended 30 September 2020.

Q3 2020 Financial 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 26.7% year-on-year to RUB 780 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.
- Gross profit increased by 13.8% year-on-year to RUB 12.2 bn. The gross margin improved by 0.1 p.p. year-on-year to 31.6%.
- SG&A as a percentage of revenue⁶ decreased by 1.2 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA⁷ increased by 24.2% year-on-year to RUB 5.2 bn; the adjusted EBITDA margin improved by 1.2 p.p. year-on-year to 13.5%. EBITDA⁸ totaled RUB 5.2bn (+26.7% year-on-year).
- Adjusted net profit⁹ amounted to RUB 2.4 bn (-3.9% year-on-year). Net profit totaled RUB 2.3 bn (-1.5% year-on-year).
- The net debt¹⁰/adjusted EBITDA LTM ratio improved to 1.1x as of 30 September 2020.

9M 2020 Financial 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.

(1) Hereinafter 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) Hereinafter, selling, general and administrative expenses is calculated as selling, general and administrative expenses adjusted for depreciation and amortization expenses, additional share-based compensation expense and cash bonuses under the LTI program.

(7) Hereinafter, adjusted EBITDA is calculated as profit for the period before income tax expense, foreign exchange (loss)/gain, gain on acquisition of controlling interest in associate, finance expense, finance income, depreciation and amortization, adjusted for share-based compensation expense and cash bonuses under the LTI program. See Attachment A.

(8) Hereinafter, see Attachment A for definitions and reconciliation of EBITDA to IFRS financial measures.

(9) Hereinafter, adjusted net profit is calculated as profit for the period adjusted for the share-based compensation expense and cash bonuses under the LTI program. See Attachment A.

(10) Hereinafter, net debt is calculated as total borrowings (defined as long term loans and borrowings and short-term loans and borrowings and current portion of long-term loans and borrowings) less cash and cash equivalents. Lease liabilities are not included in the calculation of net debt. Adj. EBITDA LTM is calculated as adj. EBITDA for the last 12-months period.

- 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 stores¹¹ in 9M 2020, as well as one new Detmir Pickup store and three new Zoozavr stores.
- Gross profit increased by 6.5% year-on-year to RUB 30.1 bn, with a gross margin of 30.6%.
- SG&A as a percentage of revenue decreased by 1.5 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA increased by 15.8% year-on-year to RUB 11.0 bn; the adjusted EBITDA margin improved by 0.6 p.p. to 11.2%. EBITDA totaled RUB 10.6 bn (+16.6% year-on-year).
- Adjusted net profit amounted to RUB 3.8 bn (-23.2% year-on-year). Net profit totaled RUB 3.4 bn (-24.7% year-on-year).

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](#).
- The Detsky Mir Charitable Foundation donated humanitarian aid totaling about RUB 24 m to boarding schools and medical institutions of the eight Russian regions. In July, the Zoozavr retail chain successfully held the Comfort in a Shelter campaign aimed at helping homeless animals: one whole ton of feed were collected in total. The Company held the Uchastvuyte campaign to collect the goods for disadvantaged children: more than 1.5 million participants donated more than 1.8 million items.
- The Company held a campaign for the collection of post-consumer household appliances at the head office – about 70 kg of equipment, as well as 1.5 tons of waste paper were collected and sent for recycling.

Events after the Reporting Period

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

- As of 2 November 2020, all Detsky Mir stores¹² remained open to customers.
- In October 2020, the Company signed a preliminary agreement to open a distribution center in Kazan based on Russian Post's fulfillment center at Kazan International Airport with an area of 8,000 square meters. The distribution center is expected to be launched in Q2 2021.
- In October 2020, Detsky Mir announced the full-scale launch of its own marketplace. A personal account functionality has been added to the online platform, offering all necessary features – assortment creation and management, analytical reporting, price management, etc. The Company plans to further expand the marketplace functionality by adding a promotion management system, financial reporting and operational analytics. In the medium term, the assortment is expected to grow to 2.4 million SKUs. The Company has already established long-term partnerships with a number of local and foreign brands
- In October 2020, the Company 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 the website. Moreover, a good number of deliveries in Moscow are fulfilled by own courier service.
- In October 2020, the Company continued to enhance the UX of the detmir.ru online store by launching a new personal account, optimizing the shopping cart and by adding Apple Pay and Google Pay to the mobile application. Preliminary results of A/B testing show that revenue per user increased by 15%.
- The Detsky Mir Charitable Foundation donated humanitarian aid totaling about RUB 1 m to children's social institutions in Udmurtia. The fund also provided support to large families in the three Russian regions with aid totaling over RUB 5 m.
- Detsky Mir is running a campaign to collect and recycle clothes and shoes across the retail chain and at its head office.
- Detsky Mir is observing all necessary epidemiological safety measures in retail stores: the health of all personnel is monitored, personal protective equipment for employees (masks, gloves, hand sanitizers) 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. The Company constantly monitors the decrees of regional leaders and fulfills their instructions for transferring employees to remote work. Employees who work at the head office in Moscow are regularly tested for COVID by PCR.

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

"Q3 results once again proved Detsky Mir's high resilience in the face of the crisis. We managed to quickly return to the trajectory of double-digit business growth and strengthen our leadership in the children's goods segment. In October, we also expect a high total sales growth over 16%, as the online channel grew by 2.4 times year-on-year."

"We continuously focus on execution excellence by optimizing costs and improving the efficiency of business processes, thanks to which we achieved a solid operating income growth. As a result, adjusted EBITDA margin increased by 1.2 p.p. year-on-year to 13.5%."

"In addition, we continue to generate strong cash flow thanks to low capital requirements and the efficient optimization of debt capital. It is critical to highlight that the accumulated FX losses of RUB 2.6 bn, which significantly diminished net profit under IFRS, are mainly non-cash in nature due to the revaluation of foreign currency payables from suppliers. Cash FX losses amounted therefore to RUB 504 m for 9M 2020."

"Given our strong financial position, the Company's management team will recommend the BoD and shareholders to pay out our entire net income as an interim dividend for 9M 2020. Thus, the total amount of paid dividends in 2020 would increase by 11% year-on-year to RUB 7.8 bn, corresponding to around RUB 10.6 per ordinary share."

"Given that Detsky Mir has become the first Russian company with a free float of 100%, process has been initiated to refresh the Board of Directors to achieve majority of independent directors. The BoD launched the formal search to nominate four new independent directors, including a new Chairman. The Company will place a heavy focus on candidates with a background in e-commerce and digital transformation. We fully expect that new candidates will be presented to our shareholders before year-end 2020."

"Looking ahead, we will continue to consolidate the children's goods retail market in Russia and the CIS thanks to our unique and diversified product range, affordable prices and a well-developed online sales channel. Our team will do our best to ensure that the shareholders get a high return on their investment in Detsky Mir."

⁽¹²⁾ The Company temporarily closed one store, in which a fire occurred on November 1, 2020. The store is located in the Zhemchuzhina Sibiri shopping center (Tobolsk city).

Operating Results

	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%

Russian Ruble (RUB), million	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Revenue of Detsky Mir in Russia	37,234	32,504	+14.6%	94,694	86,425	+9.6%
Revenue of Detsky Mir in Kazakhstan	780	1,064	-26.7%	2,388	2,573	-7.2%
Other revenue ¹³	523	382	+37.1%	1,311	851	+54.0%
Total Revenue	38,538	33,950	+13.5%	98,394	89,850	+9.5%

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.

As of the end of the reporting period, Detsky Mir Group had 810 retail outlets: 792 Detsky Mir branded stores in 306 cities across Russia, Kazakhstan and Belarus, five Detmir Pickup stores, as well as 13 Zoozavr pet supplies stores. The Group's total selling space was 858,000 sq. m (+8.1% year-on-year).

Ten new Detsky Mir chain stores were opened in Q3 2020, as we traditionally open most new stores in Q4. In 2020, the Company plans to open at least 70 Detsky Mir stores, as well as at least 10 Detmir Pickup stores and 10 Zoozavr stores.

Despite the challenging economic and epidemiological situation both in Russia and globally, Detsky Mir has accelerated business growth: consolidated unaudited revenue rose by 13.5% year-on-year to RUB 38.5 bn. At the same time, like-for-like sales across the Detsky Mir chain in Russia were up 4.4% year-on-year thanks to effective pricing policy and assortment.

The Company had a successful back-to-school season, which significantly boosted 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. The Company has 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.

(13) Includes performance of ELC, ABC, Zoozavr stores as well as Detmir retail chain in Belarus

Given the high volatility in consumer behavior, our omnichannel proposition drives steady sales growth for the Detsky Mir retail chain and its online store. In Q3, the Company 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. The mobile app has also been increasingly gaining traction with customers since its launch in late 2019, already generating over 60% of total online sales.

Detsky Mir continues to expand its logistics infrastructure to match the growth in the online channel. In July, our first regional distribution center was opened 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 Q3. The Company 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 the website. Moreover, a good number of deliveries in Moscow are fulfilled by own courier service.

Financial Results

Income Statement Highlights¹⁴

Russian Ruble (RUB), million	IAS 17			IFRS 16	
	Q3 2020	Q3 2019	Change	Q3 2020	Q3 2019
Revenue	38,538	33,950	+13.5%	38,538	33,950
Online store	7,970	3,369	+136.6%	7,970	3,369
Gross profit	12,162	10,685	+13.8%	12,162	10,685
Gross profit margin, %	31.6%	31.5%	+0.1 p.p.	31.6%	31.5%
SG&A	(6,912)	(6,494)	+6.4%	(4,765)	(4,326)
% of revenue	-17.9%	-19.1%	-1.2 p.p.	-12.4%	-12.7%
Other operating expenses	(56)	(10)	+433.1%	(60)	(10)
EBITDA	5,162	4,074	+26.7%	7,304	6,242
EBITDA margin, %	13.4%	12.0%	+1.4 p.p.	19.0%	18.4%
Adjusted EBITDA	5,194	4,180	+24.2%	7,336	6,349
Adjusted EBITDA margin, %	13.5%	12.3%	+1.2 p.p.	19.0%	18.7%
Profit for the period	2,325	2,360	-1.5%	2,039	2,148
Profit margin, %	6.0%	7.0%	-1.0 p.p.	5.3%	6.3%
Adjusted profit for the period	2,351	2,445	-3.9%	2,064	2,233
Adjusted profit margin, %	6.1%	7.2%	-1.1 p.p.	5.4%	6.6%
Net debt	18,242	20,188	-9.6%	18,242	20,188
Lease liabilities	-	-		35,064	31,710
Net debt / EBITDA	1.2	1.5			
Net Debt / adjusted EBITDA LTM	1.1	1.4			

Russian Ruble (RUB), million	IAS 17			IFRS 16	
	9M 2020	9M 2019	Change	9M 2020	9M 2019
Revenue	98,394	89,850	+9.5%	98,394	89,850

(14) The Company has applied IFRS 16 "Leases" for its audited financial results beginning on January 1, 2018. However, this table provides a comparison of key financial indicators on an IAS 17 basis, as in management's opinion, this approach allows the Company to more accurately assess the trends and dynamics of its business growth. This table also provides our financial results on an IFRS 16 basis.

Online store	22,103	8,672	+154.9%	22,103	8,672
Gross profit	30,128	28,277	+6.5%	30,128	28,277
Gross profit margin, %	30.6%	31.5%	-0.9 p.p.	30.6%	31.5%
SG&A	(19,066)	(18,753)	+1.7%	(12,797)	(12,002)
% of revenue	-19.4%	-20.9%	-1.5 p.p.	-13.0%	-13.4%
Other operating income	(49)	(8)	+474.5%	(22)	(8)
EBITDA	10,598	9,087	+16.6%	16,894	15,838
EBITDA margin, %	10.8%	10.1%	+0.7 p.p.	17.2%	17.6%
Adjusted EBITDA	11,014	9,515	+15.8%	17,310	16,266
Adjusted EBITDA margin, %	11.2%	10.6%	+0.6 p.p.	17.6%	18.1%
Profit for the period	3,427	4,552	-24.7%	2,423	4,082
Profit margin, %	3.5%	5.1%	-1.6 p.p.	2.5%	4.5%
Adjusted profit for the period	3,760	4,895	-23.2%	2,756	4,425
Adjusted profit margin, %	3.8%	5.4%	-1.6 p.p.	2.8%	4.9%

In Q3 2020, Detsky Mir significantly increased its operating income. Strong revenue growth combined with increased operational efficiency enabled the Company to boost adjusted EBITDA by 24.2% year-on-year to RUB 5.2 bn. Adjusted EBITDA margin rose by 1.2 p.p. year-on-year to 13.5%.

In Q3 2020, our gross profit margin increased by 0.1 p.p. year-on-year to 31.6%, mainly thanks to an increase in the share of sales of high-margin goods and the optimization of promos. The Company also managed to significantly improve commercial terms with domestic and foreign suppliers.

Detsky Mir is committed to the continuous enhancement of operational efficiency by reducing operating costs, primarily rental and personnel costs, and through the improvement of commercial lease terms and staff schedule. In Q3 2020, rental expenses as a percentage of revenue decreased by 0.7 p.p. year-on-year. The company cut personnel costs as a percentage of revenue by 0.5 p.p. year-on-year.

Adjusted SG&A less amortization, depreciation and LTI expenses as a percentage of revenue in Q3 2020 decreased to 17.9%, down 1.2 p.p. from the same period last year.

Selling, General and Administrative (SG&A) Expenses

Russian Ruble (RUB), million	IAS 17			IFRS 16	
	Q3 2020	Q3 2019	Change	Q3 2020	Q3 2019
Payroll	2,534	2,418	+4.8%	2,534	2,418
% of revenue	6.6%	7.1%	-0.5 p.p.	6.6%	7.1%
Rent & Utilities	2,794	2,691	+3.8%	646	473
% of revenue	7.2%	7.9%	-0.7 p.p.	1.7%	1.4%
Advertising & Marketing	345	335	+3.0%	345	335
% of revenue	0.9%	1.0%	-0.1 p.p.	0.9%	1.0%
Other	1,240	1,050	+18.1%	1,240	1,099
% of revenue	3.2%	3.1%	+0.1 p.p.	3.2%	3.2%
SG&A (excl. D&A and LTI)	6,912	6,494	+6.4%	4,765	4,326
% of revenue	17.9%	19.1%	-1.2 p.p.	12.4%	12.7%
Depreciation and amortization	678	661	+2.6%	2,607	2,556
% of revenue	1.8%	1.9%	-0.1 p.p.	6.8%	7.5%
Additional bonus accruals under the LTI program	32	107	-70.0%	32	107
% of revenue	0.1%	0.3%	-0.2 p.p.	0.1%	0.3%

Russian Ruble (RUB), million	IAS 17			IFRS 16	
	9M 2020	9M 2019	Change	9M 2020	9M 2019
Payroll	7,348	7,209	+1.9%	7,348	7,209
% of revenue	7.5%	8.0%	-0.5 p.p.	7.5%	8.0%
Rent & Utilities	7,682	7,929	-3.1%	1,424	1,178
% of revenue	7.8%	8.8%	-1.0 p.p.	1.4%	1.3%
Advertising & Marketing	772	823	-6.2%	772	823
% of revenue	0.8%	0.9%	-0.1 p.p.	0.8%	0.9%
Other	3,264	2,792	+16.9%	3,253	2,792
% of revenue	3.3%	3.1%	+0.2 p.p.	3.3%	3.1%
SG&A (excl. D&A and LTI)	19,066	18,753	+1.7%	12,797	12,002
% of revenue	19.4%	20.9%	-1.5 p.p.	13.0%	13.4%
Depreciation and amortization	2,078	1,886	+10.2%	7,827	7,431
% of revenue	2.1%	2.1%	-	8.0%	8.3%
Additional bonus accruals under the LTI program	416	429	-2.9%	416	429
% of revenue	0.4%	0.5%	-0.1 p.p.	0.4%	0.5%

Net interest expenses as a percentage of revenue decreased by 0.5 p.p. year-on-year on the back of the decrease in net debt and interest rate. Detsky Mir's average weighted cost of debt as of the end of the reporting period declined by 1.0 p.p. year-on-year to 7.4%.

The effective income tax rate was 19.4% against 18.2% over the same period last year. Costs related to the depreciation of fixed assets and amortization of intangible assets as a percentage of revenue decreased by 0.1 p.p. to 1.8% due to high sales growth.

During the same reporting period, Detsky Mir experienced FX losses totaling RUB 1,088 m, compared to RUB 92 m of income in Q3 2019. The main reason for this is the revaluation of foreign currency liabilities (accounts payable to suppliers of goods), as well as the result of executing previously opened forwards and revaluing new ones.

Adjusted net profit declined by 3.9% year-on-year to RUB 2.4 bn. Adjusted net profit margin was 6.1% (-1.1 p.p. year-on-year).

Consolidated Cash Flow Statement Highlights

Russian Ruble (RUB), million	IAS 17			IFRS 16	
	Q3 2020	Q3 2019	Change	Q3 2020	Q3 2019
Adjusted EBITDA	5,194	4,180	+24.2%	7,336	6,349
Add / (deduct):					
Change in working capital	4,004	3,078	+30.1%	4,120	2,929
Net interest and income tax paid	(502)	(703)	-28.5%	(1,076)	(1,243)
Other operating cash flows	720	377	+91.1%	725	425
Net cash generated from operating activities	9,415	6,932	+35.8%	11,105	8,460
Net cash used in investing activities	(545)	(949)	-42.6%	(545)	(949)
Net cash used in financing activities	(10,306)	(6,584)	+56.5%	(11,996)	(8,112)
Net decrease in cash & cash equivalents	(1,436)	(601)	+138.9%	(1,436)	(601)

Russian Ruble (RUB), million	IAS 17			IFRS 16	
	9M 2020	9M 2019	Change	9M 2020	9M 2019
Adjusted EBITDA	11,014	9,515	+15.8%	17,310	16,266

Add / (deduct):					
Change in working capital	(7,124)	(3,815)	+86.7%	(7,079)	(3,752)
Net interest and income tax paid	(2,320)	(2,350)	-1.3%	(4,125)	(4,147)
Other operating cash flows	1,156	520	+122.3%	1,118	520
Net cash generated from operating activities	2,726	3,870	-29.6%	7,224	8,887
Net cash used in investing activities	(1,192)	(2,545)	-53.1%	(1,192)	(2,545)
Net cash used in from financing activities	(1,807)	(3,943)	-54.2%	(6,305)	(8,961)
Net decrease in cash & cash equivalents	(273)	(2,618)	-89.6%	(273)	(2,618)

In Q3 2020, operating cash flows before changes in working capital (adjusted EBITDA) grew by 24.2% year-on-year, reaching RUB 5.2 bn. The Company improved changes in working capital by 30.1% year-on-year to RUB 4 bn. This was driven by faster inventory turnover on the back of high sales growth. Net interest expenses and income tax in the reporting period decreased by 28.5% year-on-year, reaching RUB 502 m. As a result, operating cash flow increased by 35.8% to RUB 9.4 bn.

In Q3 2020, cash used to finance investment activities and acquire fixed and intangible assets decreased by 42.6% year-on-year to RUB 545 m, thanks to a less aggressive store expansion strategy, as well as the absence of one-off capital expenses that were made in 2019. CAPEX for the expansion of the retail chain totaled RUB 93 m. Meanwhile, the Company's investment in IT development amounted to RUB 344 m.

Net cash generated from financing activities in the reporting period amounted to RUB 10.3 bn, versus RUB 6.6 bn in Q3 2019, driven by a decrease in our cash position following the repayment of our credit lines.

As of 30 September 2020, Detsky Mir's total debt was RUB 19.7 bn, of which short-term loans accounted for 44.3% and long-term loans 55.7%. Net debt decreased by 9.6% year-on-year to RUB 18.2 bn. All of the Company's debt is denominated in Russian rubles. As of 30 September, the Company's available undrawn credit limit with leading Russian and international banks totaled RUB 30 bn. Net debt/adjusted EBITDA declined to 1.1x.

Conference Call Information

Detsky Mir's management will host a conference call today at 17:00 (Moscow time) / 14:00 (London time) / 9:00 (New York time) to discuss the Company's Q3 2020 unaudited IFRS Financial Results.

The dial-in numbers for the conference call are:

Russia

+7 495 283 98 58

UK

+44 203 984 98 44

USA

+1 718 866 46 14

PIN

288 543#

Online presentation

[Web dial-in and Presentation](#)

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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 float¹⁵ – 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 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.

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

Attachment A

EBITDA is calculated as profit for the period before income tax expense, foreign exchange (loss)/gain, gain on acquisition of controlling interest in associate, finance expense, finance income, depreciation and amortization. *EBITDA margin* is calculated as *EBITDA* for a given period divided by revenue for the same period expressed as a percentage. Our *EBITDA* may not be similar to *EBITDA* measures of other companies; is not a measurement under accounting principles generally accepted under IFRS and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of profit and loss. We believe that *EBITDA* provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of businesses and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under IFRS, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. *EBITDA* is commonly used as one of the bases for investors and analysts to evaluate and compare the periodic and future operating performance and value of companies.

Adjusted EBITDA and Adjusted profit for the period are used to evaluate the financial performance of the Group. This represents an underlying financial measure adjusted for one-off gains and losses. We believe that adjusted measures provide investors with additional useful information to measure our underlying financial performance, particularly from period to period, because these measures are exclusive of certain one-off gains and losses.

EBITDA and Adjusted EBITDA of the third quarter can be reconciled to our consolidated statements of profit and loss as follows:

RUB m	IAS 17		IFRS 16	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Profit for the period	2,325	2,360	2,039	2,148
<i>Add / (deduct):</i>				
Finance income	(8)	(1)	(10)	(2)
Finance expense	519	621	1,092	1,161
Foreign exchange loss / (income)	1,088	(92)	1,088	(92)
Income tax expense	560	524	488	471
Depreciation and amortization	678	661	2,607	2,556
EBITDA	5,162	4,074	7 304	6 242
<i>Reverse effect of:</i>				
Additional bonus accruals under the LTI program \ (Income received from partial termination of employees' right to receive shares under the LTI program)	32	107	32	107
Adjusted EBITDA	5,194	4,180	7,336	6,349

Adjusted profit for the period of the third quarter can be reconciled to our consolidated statements of profit and loss as follows:

RUB m	IAS 17		IFRS 16	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Profit for the period	2,325	2,360	2,039	2,148
<i>Reverse effect of:</i>				
Additional bonus accruals under the LTI program \ (Income received from partial termination of employees' right to receive shares under the LTI program) with related tax effects	26	85	26	85
Adjusted profit for the period	2,351	2,445	2,064	2,233

EBITDA and Adjusted EBITDA of the nine months can be reconciled to our consolidated statements of profit and loss as follows:

RUB m	IAS 17		IFRS 16	
	9M 2020	9M 2019	9M 2020	9M 2019
Profit for the period	3,427	4,552	2,423	4,082
<i>Add/(deduct):</i>				
Finance income	(74)	(4)	(76)	(8)
Finance expense	1,769	1,785	3,573	3,583
Foreign exchange loss	2,559	194	2,559	194
Income tax expense	838	673	587	555
Depreciation and amortization	2,078	1,886	7,827	7,431
EBITDA	10,598	9,087	16,894	15,838
<i>Reverse effect of:</i>				
Additional bonus accruals under the LTI program \ (Income received from partial termination of employees' right to receive shares under the LTI program)	416	429	416	429
Adjusted EBITDA	11,014	9,515	17,310	16,266

Adjusted profit for the period of the nine months can be reconciled to our consolidated statements of profit and loss as follows:

RUB m	IAS 17		IFRS 16	
	9M 2020	9M 2019	9M 2020	9M 2019
Profit for the period	3,427	4,552	2,423	4,082
<i>Reverse effect of:</i>				
Additional bonus accruals under the LTI program \ (Income received from partial termination of employees' right to receive shares under the LTI program) with related tax effects	333	343	333	343
Adjusted profit for the period	3,760	4,895	2,756	4,425

Attachment B

Detsky Mir Group

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income with application of IFRS 16 "Leases" (in millions of Russian Rubles)

	For the nine months ended 30 September,	
	2020	2019
Revenue	98,394	89,850
Cost of sales	(68,266)	(61,573)
Gross profit	30,128	28,277
Selling, general and administrative expenses	(21,040)	(19,863)
Other operating income, net	(22)	(8)
Operating profit	9,066	8,406
Finance income	76	8
Finance expenses	(3,573)	(3,583)
Foreign exchange loss, net	(2,559)	(194)
Profit before tax	3,010	4,637
Income tax expense	(587)	(555)
Profit for the period	2,423	4,082
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Effect of translation to presentation currency	(67)	41
Total comprehensive income for the period	2,356	4,123

Detsky Mir Group

Unaudited Consolidated Statement of Financial Position with application of IFRS 16 "Leases"
(in millions of Russian Rubles)

	At 30 September 2020	At 30 September 2019
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	8,836	9,580
Intangible assets	1,452	1,422
Right-of-use assets	31,983	30,258
Deferred tax assets	2,497	1,812
Other non-current assets	118	118
Total non-current assets	44,886	43,190
CURRENT ASSETS		
Inventories	38,259	35,233
Trade receivables	2,805	3,729
Other current assets	1,119	1,067
Cash and cash equivalents	1,496	717
Total current assets	43,679	40,746
TOTAL ASSETS	88,565	83,936
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1	1
Treasury shares	(407)	(319)
Additional paid-in capital	5,793	5,793
Accumulated deficit	(8,893)	(5,554)
Currency translation reserve	95	128
Total (equity deficit) / equity	(3,411)	49
NON-CURRENT LIABILITIES		
Lease liabilities	27,640	25,274
Long-term loans and borrowings	11,000	5,980
Deferred tax liabilities	101	100
Total non-current liabilities	38,741	31,354
CURRENT LIABILITIES		
Trade payables	28,630	26,452
Short-term loans and borrowings and current portion of long-term loans and borrowings	8,738	14,926
Lease liabilities	7,424	6,436
Other current liabilities	8,443	4,719
Total current liabilities	53,235	52,533
Total liabilities	91,976	83,887
TOTAL EQUITY AND LIABILITIES	88,565	83,936

Unaudited Consolidated Statement of Cash Flows with application of IFRS 16 “Leases”
(in millions of Russian Rubles)

	For the nine months ended 30 September	
	2020	2019
Operating activities:		
Profit for the year	2,423	4,082
Adjustments for:		
Depreciation and amortization expense	7,827	7,431
Finance expenses	3,573	3,583
Foreign exchange loss, net	2,559	194
Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value	1,541	760
Income tax expense recognized in profit or loss	587	555
Expense on equity-settled share-based compensation	34	247
Bad debts written-off and change in loss allowance for doubtful receivables on advances paid and other receivables	3	(38)
Gain on disposal of non-current assets	(5)	(21)
Finance income	(76)	(8)
Other	(38)	-
Changes in working capital:		
Decrease in trade receivables	1,237	744
Decrease in other current assets	358	746
Increase in inventories	(1,147)	(913)
Decrease in trade payables	(6,843)	(3,256)
Decrease in other current liabilities	(683)	(1,072)
Cash generated by operations	11,350	13,034
Interest paid	(3,213)	(3,194)
Interest received	72	3
Income tax paid	(985)	(957)
Net cash generated by operating activities	7,224	8,886
Investing activities:		
Payments for property, plant and equipment	(771)	(2,027)
Payments for intangible assets	(449)	(539)
Proceeds from sale of property, plant and equipment	28	22
Net cash used in investing activities	(1,192)	(2,544)
Financing activities:		
Purchase of treasury shares	(90)	(139)
Sale of treasury shares	-	34
Repayment of loans and borrowings	(54,922)	(50,754)
Lease payments	(4,498)	(5,017)
Dividends paid	(2,205)	(3,274)
Proceeds from loans and borrowings	55,410	50,190
Net cash used in financing activities	(6,305)	(8,960)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(273)	(2,618)
CASH AND CASH EQUIVALENTS, beginning of the period	1,769	3,335
CASH AND CASH EQUIVALENTS, end of the period	1,496	717

Detsky Mir Group

Had the Group continued applying IAS 17 instead of IFRS 16, Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income would have been as follows:

(in millions of Russian Rubles)

	For the nine months ended 30 September,	
	2020	2019
Revenue	98,394	89,850
Cost of sales	(68,266)	(61,573)
Gross profit	30,128	28,277
Selling, general and administrative expenses	(21,560)	(21,069)
Other operating income, net	(49)	(8)
Operating profit	8,519	7,200
Finance income	74	4
Finance expenses	(1,769)	(1,785)
Foreign exchange loss, net	(2,559)	(194)
Profit before tax	4,265	5,225
Income tax expense	(838)	(673)
Profit for the period	3,427	4,552
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Effect of translation to presentation currency	7	8
Total comprehensive income for the period	3,434	4,560

Detsky Mir Group

Had the Group continued applying IAS 17 instead of IFRS 16, Unaudited Consolidated Statement of Financial Position would have been as follows:

(in millions of Russian Rubles)

	At 30 September 2020	At 30 September 2019
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	8,836	9,580
Intangible assets	1,452	1,422
Deferred tax assets	1,829	1,467
Other non-current assets	215	220
Total non-current assets	12,332	12,689
CURRENT ASSETS		
Inventories	38,259	35,233
Trade receivables	2,805	3,729
Other current assets	1,406	1,420
Cash and cash equivalents	1,496	717
Total current assets	43,966	41,099
TOTAL ASSETS	56,298	53,788
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1	1
Treasury shares	(407)	(319)
Additional paid-in capital	5,793	5,793
Accumulated deficit	(6,221)	(4,176)
Currency translation reserve	136	126
Total (equity deficit) / equity	(698)	1,425
NON-CURRENT LIABILITIES		
Long-term loans and borrowings	11,000	5,980
Deferred tax liabilities	101	100
Total non-current liabilities	11,101	6,080
CURRENT LIABILITIES		
Trade payables	28,630	26,452
Short-term loans and borrowings and current portion of long-term loans and borrowings	8,738	14,926
Other current liabilities	8,527	4,905
Total current liabilities	45,895	46,283
Total liabilities	56,996	52,363
TOTAL EQUITY AND LIABILITIES	56,298	53,788

Detsky Mir Group

Had the Group continued applying IAS 17 instead of IFRS 16, Unaudited Consolidated Statement of Cash Flows would have been as follows:

(in millions of Russian Rubles)

	For the nine months ended 30 September,	
	2020	2019
Operating activities:		
Profit for the year	3,427	4,552
Adjustments for:		
Foreign exchange loss, net	2,559	194
Depreciation and amortization expense	2,078	1,886
Finance expenses	1,769	1,785
Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value	1,541	760
Income tax expense recognized in profit or loss	838	673
Expense on equity-settled share-based compensation	34	247
Bad debts written-off and change in loss allowance for doubtful receivables on advances paid and other receivables	3	(38)
Gain on disposal of non-current assets	(5)	(21)
Finance income	(74)	(4)
Changes in working capital:		
Decrease in trade receivables	1,237	744
Decrease in other current assets	393	684
Increase in inventories	(1,147)	(913)
Decrease in trade payables	(6,843)	(3,256)
Decrease in other current liabilities	(763)	(1,074)
Cash generated by operations	5,047	6,219
Interest paid	(1,408)	(1,396)
Interest received	72	3
Income tax paid	(985)	(957)
Net cash generated by operating activities	2,726	3,869
Investing activities:		
Payments for property, plant and equipment	(771)	(2,027)
Payments for intangible assets	(449)	(539)
Proceeds from sale of property, plant and equipment	28	22
Net cash used in investing activities	(1,192)	(2,544)
Financing activities:		
Purchase of treasury shares	(90)	(139)
Sale of treasury shares	-	34
Proceeds from loans and borrowings	55,410	50,190
Repayment of loans and borrowings	(54,922)	(50,754)
Dividends paid	(2,205)	(3,274)
Net cash used in financing activities	(1,807)	(3,943)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(273)	(2,618)
CASH AND CASH EQUIVALENTS, beginning of the period	1,769	3,335
CASH AND CASH EQUIVALENTS, end of the period	1,496	717