

Detsky Mir Group Adjusted EBITDA Increased by 15.2% YoY in 2020

Moscow, Russia, 1 March 2021 – Detsky Mir Group (the “Group”, “Detsky Mir” or the “Company”, MOEX: DSKY), the largest children’s goods retailer in Russia and Kazakhstan, announces its audited financial results in accordance with International Financial Reporting Standards (IFRS) for the fourth quarter and twelve months ended 31 December 2020.

Q4 2020 Financial Highlights¹

- Group consolidated revenue increased by 14.3% year-on-year to RUB 44.5 bn, compared to RUB 38.9 bn in Q4 2019.
- Online revenue² increased 2.2x year-on-year to RUB 12.7 bn.
 - The share of online sales in total revenue of Detsky Mir in Russia increased 1.9x year-on-year to 29.7%.
 - The share of in-store pick-up service amounted to 83.4%.
- Revenue in Kazakhstan increased by 21.0% year-on-year to RUB 1.4 bn.
- Like-for-like sales³ at Detsky Mir stores in Russia and Kazakhstan grew by 5.9%. The number of tickets increased by 1.2%, while the average ticket grew 4.7%.
- Like-for-like sales at Detsky Mir stores in Russia grew by 5.7%. The number of tickets increased by 1.4%, while the average ticket grew by 4.3%.
- Detsky Mir opened 41 new branded stores⁴ in Q4 2020, as well as 11 new Detmir Pickup stores and 7 new Zoolavr stores. The Group had 868 stores⁵ as of 31 December 2020.
- Total selling space increased by 6.4% year-on-year to approximately 897,000 sq. m.
- The total number of Detsky Mir loyalty cards issued increased by 11.4% year-on-year to 26.8 m, while the number of active loyalty card holders⁶ was 10.7 m. Transactions involving a loyalty card accounted for 84.2% of total sales.
- Gross profit increased by 4.5% year-on-year to RUB 13.8 bn. The gross margin decreased by 3.0 p.p. year-on-year to 31.1%.
- SG&A as a percentage of revenue⁷ decreased by 2.7 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA⁸ increased by 14.2% year-on-year to RUB 5.9 bn; the adjusted EBITDA margin remained nearly flat year-on-year to 13.4%. EBITDA⁹ totaled RUB 5.6 bn (+18.7% year-on-year).
- Adjusted net profit¹⁰ amounted to RUB 4.6 bn (+47.0% year-on-year). Net profit totaled RUB 4.3 bn (+57.7% year-on-year).
- The net debt¹¹ increased by 2.7% year-on-year to 18.0 bn. The net debt/adjusted EBITDA ratio improved to 1.1x as of 31 December 2020 vs 1.2x as of 31 December 2019.

(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 in Russia.

(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 Q4 2020, Detsky Mir closed one store.

(5) Including 16 Detmir Pickup stores as well as 20 Zoolavr stores.

(6) Cardholders who made at least one purchase at Detsky Mir during the last 12 months to 31 December 2020 are considered active.

(7) 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.

(8) 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.

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

(10) 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.

(11) 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.

FY 2020 Financial Highlights

- Group audited consolidated revenue increased by 11.0% year-on-year to RUB 142.9 bn, compared to RUB 128.7 bn in 2019.
- Online revenue increased 2.4x year-on-year to RUB 34.8 bn.
 - The share of online sales in total net revenue of Detsky Mir in Russia increased 2.2x year-on-year to 25.2%.
 - The share of in-store pick-up service amounted to 82.2%.
- Revenue in Kazakhstan increased by 1.6% year-on-year to RUB 3.8 bn.
- Like-for-like sales at Detsky Mir stores in Russia and Kazakhstan grew 3.9%. The number of tickets decreased 1.5%, while the average ticket grew 5.5%.
- Like-for-like sales at Detsky Mir stores in Russia grew 4.0%. The number of tickets decreased 1.4%, while the average ticket grew 5.4%.
- Detsky Mir opened 71 new branded stores¹² in 2020, as well as 12 new Detmir Pickup stores and 10 new Zozavr stores.
- Gross profit increased by 5.9% year-on-year to RUB 44.0 bn, with a gross margin of 30.8%.
- SG&A as a percentage of revenue decreased by 1.9 p.p. year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA increased by 15.2% year-on-year to RUB 17.0 bn; the adjusted EBITDA margin improved by 0.5 p.p. to 11.9%. EBITDA totaled RUB 16.2 bn (+17.3% year-on-year).
- Adjusted net profit amounted to RUB 8.4 bn (+4.2% year-on-year). Net profit totaled RUB 7.8 bn (+6.3% year-on-year).

Q4 2020 Key Events

- In December 2020, Detsky Mir paid out the entire net profit for 9M 2020 as an interim dividend, to a total of RUB 3.8 bn, or RUB 5.08 per ordinary share, bringing the total dividend payout in 2020 to RUB 7.8 bn, or RUB 10.58 per ordinary share, up 11.1% year-on-year.
- In December 2020, Gulf Investments Limited (Altus Capital) acquired a 25.0% stake in Detsky Mir.
- In December 2020, the Company's Board of Directors resolved to convene an Extraordinary General Meeting of Shareholders on 12 March 2021, and following the recommendation of the Nomination and Remuneration Committee proposed that the Extraordinary General Meeting considered the [following candidates](#) to the new Board of Directors.
- Furthermore, Detsky Mir opened its [second flagship hypermarket](#) in December 2020. Located in Moscow's MEGA Teply Stan mall, the new store is designed as a shopping and entertainment space for both children and parents.
- In December 2020, Detsky Mir signed an agreement with the developer PNK Group for the construction of a third federal distribution center outside Yekaterinburg. The site measures 63,200 sq. m and is slated for commissioning in Q1 2022.
- In December 2020, Detsky Mir appointed Nikolay Ermakov as its new Chief Technical Officer and member of the Company's Management Board. Mr. Ermakov brings more than 16 years of experience in information technology, digital transformation and product development (X5 Retail Group, Gett and Rambler & Co).
- In November 2020, Detsky Mir took the top spot among Russian retailers on Russia's 50 Best Employers 2020 List released by Forbes.
- In October 2020, the Company signed a preliminary agreement to open an 8,000 sq. m regional distribution center in Kazan, based on Russian Post's fulfillment center and scheduled for commissioning in Q2 2021.
- In October 2020, Detsky Mir announced the full-scale launch of its own marketplace, which offers suppliers a new personal account functionality with all the necessary features, and has grown the total online assortment 2.5x to 250,000 SKUs.

(12) In 2020, Detsky Mir closed five stores. 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 0.3% in 2020.

- In October 2020, the Company launched a super-express delivery service from Detsky Mir stores. Customers in 280 cities across Russia can now receive their orders within two hours of placing them on the website, and 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 adding Apple Pay and Google Pay to the mobile application, with results of A/B testing showing that revenue per user increased by 15%.
- Detsky Mir was included in the annual Corporate Philanthropy Leaders ranking under the Good Practice category.

Events after the Reporting Period

- In February 2021, Detsky Mir's Board of Directors approved a final list of candidates to the new Board of Directors, set to be voted upon at the Extraordinary General Meeting of Shareholders on 12 March 2021. Information on the candidates is available on the Company's website at ir.detmir.ru.
- In January 2021, Detsky Mir continued to expand its network of partner pickup points: we partnered with the largest tech retailer Svyaznoy (3,000 points of sale in 1,200 cities across Russia) and with the TelePort network of automated parcel lockers located in the lobbies of residential buildings and in convenience stores (about 10 new lockers are added to TelePort's network every week).
- Thanks to a strong Cyber Monday campaign, held from 25 to 29 January 2021, the Company's online sales increased 2.3x year-on-year and continued to show one of the highest growth rates in the Russian e-commerce segment. On 25 January, Cyber Monday itself, online sales hit a peak at 40.1% of Detsky Mir's total sales in Russia, with the share of orders made via the Company's mobile app during the campaign reaching 73.5%.

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

"In 2020, Detsky Mir clearly consolidated its leadership of the children's goods markets in Russia and Kazakhstan, and continued aggressively growing its business in the Belarusian market. At the same time, we delivered a strong set of financial results and launched new strategic initiatives.

"Online sales are becoming more popular with each passing year, a trend that was intensified in the reporting year due to the pandemic. Our omnichannel approach allowed us to cope with the increased demand and consolidate our position as one of the largest and fastest-growing e-commerce players in the Children's category.

"Detsky Mir's double-digit revenue growth over the reporting period was driven by a string of landmark achievements, including a 140% increase in online sales, the online channel making up 30% of total sales in Q4, the full-scale launch of our own marketplace, and the launch of our two-hour super-express delivery service from Detsky Mir stores. Keeping up the pace, in the first two months of 2021 we showed a growth rate in total revenue similar to that seen in Q4 2020.

"Our team's strong focus on driving continuous improvements in operational efficiency and cost optimizations has enabled us to deliver an impressive operating profit growth rate and set a new record in operating margins in 2020. Adjusted EBITDA increased by 15.2% year-on-year to RUB 17.0 bn, and adjusted EBITDA margin was 11.9%, up 0.5 p.p. year-on-year.

"Detsky Mir's financial position remains consistently strong, thanks to strict discipline and the Company's ability to generate substantial operating cash flow. We successfully reduced our net debt/adjusted EBITDA ratio to 1.1x as of year-end 2020, while continuing to fully deliver on our investment and dividend programs.

"Detsky Mir is a unique growth story in the Russian equity market, combining double-digit business growth and high dividends. Despite the COVID-19 induced turbulence, restrictions and economic difficulties, we continued to pay dividends equal to the Company's total net profit according to Russian Accounting Standards. As a result, total dividend payments increased by 11.1% year-on-year to RUB 7.8 bn, pushing total shareholder return for the year to greater than 45%, an outstanding figure.

"Our team will maintain its strong focus on increasing the Company's market capitalization and dividends. With this said, PJSC Detsky Mir's net profit for Q4 2020 under Russian Accounting Standards is expected to have reached around RUB 4.5 bn (+10% year-on-year). We will recommend to the Board of Directors and our Shareholders that the full net profit be distributed as a final dividend for the year.

"Looking ahead to 2021, we will continue to drive the digital transformation of our business, the development of our logistics and distribution networks, as well as the expansion of the product assortment on our marketplace. Our ambition is to double total sales and increase the share of online sales to 45% in 2024."

Operating Results

	2020	2019	Change
Number of stores	868	842	+3.1%
Detsky Mir	832	766	+8.6%
ELC & ABC	-	62	-
Zoozavr	20	10	+100%
Detmir Pickup	16	4	+300%
Selling space ('000, sq. m)	897	843	+6.4%

Russian Ruble (RUB), million	Q4 2020	Q4 2019	Change	2020	2019	Change
Revenue of Detsky Mir in Russia	42,623	37,101	+14.9%	137,317	123,526	+11.2%
Revenue of Detsky Mir in Kazakhstan	1,410	1,166	+20.9%	3,798	3,739	+1.6%
Other revenue ¹³	456	649	-29.7%	1,767	1,500	+17.8%
Total Revenue	44,488	38,915	+14.3%	142,882	128,765	+11.0%

Like-for-like Russia and Kazakhstan	Q4 2020	Q4 2019	Change	FY 2020	FY 2019	Change
Like-for-like revenue growth	5.9%	5.0%	+0.9 p.p.	3.9%	7.2%	-3.3 p.p.
Like-for-like number of tickets growth	1.2%	7.9%	-6.7 p.p.	-1.5%	8.5%	-10 p.p.
Like-for-like average ticket growth	4.7%	-2.7%	+7.4 p.p.	5.5%	-1.2%	+6.7 p.p.

Like-for-like Russia	Q4 2020	Q4 2019	Change	FY 2020	FY 2019	Change
Like-for-like revenue growth	5.7%	4.7%	+1.0 p.p.	4.0%	6.8%	-2.8 p.p.
Like-for-like number of tickets growth	1.4%	7.4%	-6.0 p.p.	-1.4%	7.9%	-9.3 p.p.
Like-for-like average ticket growth	4.3%	-2.5%	+6.8 p.p.	5.4%	-1.0%	+6.4 p.p.

As of the end of the reporting year, the Detsky Mir Group retail chain comprised 868 stores: 832 Detsky Mir branded stores in 331 cities across Russia, Kazakhstan and Belarus, 16 Detmir Pickup stores, and 20 Zoozavr stores. Total Group selling space was 897,000 sq. m (+6.4% year-on-year). The Company's distribution network also comprises 5,700 partner pickup points.

Detsky Mir opened 59 new stores in Q4 2020: 41 Detsky Mir branded stores, 11 Detmir Pickup stores, and 7 Zoozavr stores. Overall, the Company opened 71 Detsky Mir branded stores, along with 12 Detmir Pickup stores and 10 Zoozavr stores in 2020.

In spite of the challenging economic and epidemiological situation both in Russia and globally, Detsky Mir accelerated its business growth in Q4: consolidated revenue rose by 14.3% year-on-year to RUB 44.5 bn.

Like-for-like (LFL) sales in Russia and Kazakhstan rose by 5.9% year-on-year in the reporting quarter, thanks to effective pricing initiatives and an expanded product assortment. At the same time, the Company succeeded in attracting new customers, demonstrating a 1.2% increase in LFL number of tickets in Detsky Mir stores.

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

The holiday season was a huge success. High-margin categories such as Toys and Apparel and Footwear continued to lead the growth in Q4 with a 65.5% share in the Company's total revenue.

Detsky Mir continued its private-label push across these categories, with the share of private labels in Toys sales increasing by 2.2 p.p. year-on-year to 19.2%, and in Apparel and Footwear by 2.4 p.p. year-on-year to 88.3%. As a result, the share of private labels and direct imports in total annual sales increased by 2.9 p.p. year-on-year to 44.5%.

In the reporting quarter, the Company maintained high growth rates in the online segment (+117.7%) and increased the segment's share in its total sales in Russia to almost 30%. The strong online performance was led by the following categories: Stationery, Books and Multimedia (up 261%), Food (up 219%), Apparel and Footwear (up 184%), and Toys (up 131%). The highest levels of customer activity came from Moscow, Saint Petersburg, Nizhny Novgorod, Yekaterinburg and Perm.

Pickups from retail stores still account for the majority of online sales (83.2%). At the same time, the Company is actively developing direct delivery of online orders. In October, a super-express delivery service from over 700 Detsky Mir stores was launched, now allowing customers in 280 cities across Russia to receive their orders within two hours of placing them on the website.

Detsky Mir's own courier service was successfully tested in Moscow in Q4: in December 2020, Detsky Mir's own couriers from 25 Moscow stores delivered 4,500 orders. In 2021, the Company intends to boost the number of stores offering this service to 100.

The proprietary Detsky Mir mobile app also enjoys high demand among online shoppers. In December, the Detsky Mir app ranked among the top 10 Russian apps in the Shopping category, with an average score of 4.7 on the App Store and 4.8 on Google Play.

More than 17.4 million orders were placed through the Company's mobile app in 2020, while the number of downloads exceeded 6 million. In the first two months of 2021, over 70% of all online purchases were made through the mobile app.

In October 2020, Detsky Mir rolled out a marketplace covering all categories, including apparel and footwear, toys and games, products for newborns, and pet supplies. As a result, the Company's overall product assortment expanded 2.5x to 250,000 SKUs versus 2019-end. In Q4, the marketplace accounted for 2.4% of total online sales and became one of the Company's fastest-growing segments.

Financial Results

Income Statement Highlights¹⁴

Russian Ruble (RUB), million	IAS 17			IFRS 16	
	Q4 2020	Q4 2019	Change	Q4 2020	Q4 2019
Revenue	44,489	38,915	+14.3%	44,489	38,915
Online store	12,661	5,817	+117.7%	12,743	5,817
Gross profit	13,845	13,255	+4.5%	13,845	13,255
Gross profit margin, %	31.1%	34.1%	-3.0 p.p.	31.1%	34.1%
SG&A	(7,997)	(8,046)	-0.6%	(5,540)	(5,725)
% of revenue	-18.0%	-20.7%	+2.7 p.p.	-12.5%	-14.7%
Other operating income	102	0.3	-	104	0.3
EBITDA	5,626	4,739	+18.7%	8,085	7,060
EBITDA margin, %	12.6%	12.2%	+0.4 p.p.	18.2%	18.1%
Adjusted EBITDA	5,950	5,210	+14.2%	8,409	7,531
Adjusted EBITDA margin, %	13.4%	13.4%	-	18.9%	19.4%
Profit for the period	4,338	2,751	+57.7%	4,327	2,461
Profit margin, %	9.8%	7.1%	+2.7 p.p.	9.7%	6.3%
Adjusted profit for the period	4,597	3,127	+47.0%	4,586	2,837

(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.

Adjusted profit margin, %	10.3%	8.0%	+2.3 p.p.	10.3%	7.3%
Net debt	17,956	17,481	+2.7%	17,956	17,481
Lease liabilities	-	-		36,846	34,780
Net debt / EBITDA	1.1	1.3			
Net Debt / adjusted EBITDA LTM	1.1	1.2			

Russian Ruble (RUB), million	IAS 17		Change	IFRS 16	
	2020	2019		2020	2019
Revenue	142,882	128,764	+11.0%	142,882	128,764
Online store	34,767	14,489	+140.0%	34,767	14,489
Gross profit	43,973	41,532	+5.9%	43,973	41,532
Gross profit margin, %	30.8%	32.3%	-1.5 p.p.	30.8%	32.3%
SG&A	(27,063)	(26,799)	+1.0%	(18,337)	(17,727)
% of revenue	-18.9%	-20.8%	1.9 p.p.	-12.8%	-13.8%
Other operating income / (expenses)	53	(8)	-	82	(8)
EBITDA	16,224	13,826	+17.3%	24,979	22,898
EBITDA margin, %	11.4%	10.7%	+0.7 p.p.	17.5%	17.8%
Adjusted EBITDA	16,964	14,725	+15.2%	25,719	23,797
Adjusted EBITDA margin, %	11.9%	11.4%	+0.5 p.p.	18.0%	18.5%
Profit for the year	7,765	7,303	+6.3%	6,749	6,543
Profit margin, %	5.4%	5.7%	-0.3 p.p.	4.7%	5.1%
Adjusted profit for the year	8,357	8,022	+4.2%	7,342	7,262
Adjusted profit margin, %	5.8%	6.2%	-0.4 p.p.	5.1%	5.6%

In Q4 2020, strong revenue growth combined with increased operational efficiency enabled the Company to boost adjusted EBITDA by 14.2% year-on-year to RUB 5.9 bn. Adjusted EBITDA margin remained flat year-on-year at 13.4%.

In Q4 2020, gross profit margin fell 3.0 p.p. year-on-year to 31.1%, mainly driven by two key factors: a reduction in recognized supplier bonuses as some marketing activities were shifted to early 2021 (-2.1 p.p. year-on-year), as well as higher transportation costs amid an increase in the share of direct online deliveries (-0.5 p.p. year-on-year).

Detsky Mir is committed to the continuous enhancement of operational efficiency by reducing operating costs. In Q4 2020, rental expenses as a percentage of revenue decreased by 1.2 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 decreased in Q4 2020 to 18.0%, down 2.7 p.p. from the same period last year.

Selling, General and Administrative (SG&A) Expenses

Russian Ruble (RUB), million	IAS 17		Change	IFRS 16	
	Q4 2020	Q4 2019		Q4 2020	Q4 2019
Payroll	3,243	3,046	+6.5%	3,243	3,046
% of revenue	7.3%	7.8%	-0.5 p.p.	7.3%	7.8%
Rent & Utilities	3,025	3,098	-2.4%	562	712
% of revenue	6.8%	8.0%	-1.2 p.p.	1.3%	1.8%
Advertising & Marketing	368	576	-36.0%	368	576
% of revenue	0.8%	1.5%	-0.7 p.p.	0.8%	1.5%
Other	1,361	1,325	+2.7%	1,367	1,390
% of revenue	3.1%	3.4%	-0.3 p.p.	3.1%	3.6%

SG&A (excl. D&A and LTI)	7,997	8,046	-0.6%	5,540	5,725
% of revenue	18.0%	20.7%	-2.7 p.p.	12.5%	14.7%
Depreciation and amortization	616	663	-7.1%	2,586	2,573
% of revenue	1.4%	1.7%	-0.3 p.p.	5.8%	6.6%
Additional bonus accruals under the LTI program	324	470	-31.2%	324	470
% of revenue	0.7%	1.2%	-0.5 p.p.	0.7%	1.2%

Russian Ruble (RUB), million	IAS 17			IFRS 16	
	2020	2019	Change	2020	2019
Payroll	10,591	10,255	+3.3%	10,591	10,255
% of revenue	7.4%	8.0%	-0.6 p.p.	7.4%	8.0%
Rent & Utilities	10,707	11,028	-2.9%	1,985	1,891
% of revenue	7.5%	8.6%	-1.1 p.p.	1.4%	1.5%
Advertising & Marketing	1,141	1,399	-18.5%	1,141	1,399
% of revenue	0.8%	1.1%	-0.3 p.p.	0.8%	1.1%
Other	4,564	4,117	+12.3%	4,619	4,182
% of revenue	3.2%	3.2%	-	3.2%	3.2%
SG&A (excl. D&A and LTI)	27,063	26,799	+1.0%	18,336	17,727
% of revenue	18.9%	20.8%	-1.9 p.p.	12.8%	13.8%
Depreciation and amortization	2,694	2,549	+5.7%	10,413	10,005
% of revenue	1.9%	2.0%	-0.1 p.p.	7.3%	7.8%
Additional bonus accruals under the LTI program	740	899	-17.7%	740	899
% of revenue	0.5%	0.7%	-0.2 p.p.	0.5%	0.7%

Net interest expenses as a percentage of revenue decreased in Q4 2020 by 0.4 p.p. year-on-year on the back of the decrease in interest rates. Detsky Mir's average weighted cost of debt as at the end of the reporting period declined by 1.3 p.p. year-on-year to 6.7%.

The effective income tax rate was 14.3% against 24.2% over the same period last year. The decrease in the effective income tax rate was due to a change in the methodology used to account for inventory write-down and defective inventory provisions in income tax, as well as the filing of an amended income tax return for 2019.

Costs related to the depreciation of fixed assets and the amortization of intangible assets as a percentage of revenue decreased by 0.3 p.p. to 1.4% in Q4 2020 due to high sales growth.

During the reporting period, Detsky Mir's FX gains totaled RUB 466 m, compared to a gain of RUB 71 m in the same period last year. The key drivers included 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.

The FX losses of RUB 2.1 bn for 2020, which significantly impacted net profit, are mainly non-cash in nature due to the revaluation of foreign currency payables. Cash FX losses amounted therefore to RUB 634 m.

Adjusted net profit for the reporting period rose by 47.0% year-on-year to RUB 4.6 bn. Adjusted net profit margin was 10.3% (+2.3 p.p. year-on-year).

Consolidated Cash Flow Statement Highlights

Russian Ruble (RUB), million	IAS 17			IFRS 16	
	Q4 2020	Q4 2019	Change	Q4 2020	Q4 2019
Adjusted EBITDA	5,950	5,210	14.2%	8,409	7,531
Add / (deduct):					
Change in working capital	2,321	3,690	-37.1%	2,232	3,650

Net interest and income tax paid	(1,570)	(1,369)	+14.7%	(2,073)	(2,143)
Other operating cash flows	420	(171)	-	424	(105)
Net cash generated from operating activities	7,121	7,360	-3.2%	8,992	8,933
Net cash used in investing activities	(1,166)	(923)	+26.3%	(1,166)	(923)
Net cash used in financing activities	(5,495)	(5,379)	+2.2%	(7,366)	(6,952)
Net increase in cash & cash equivalents	460	1,058	-56.5%	460	1,058
Effect of changes in foreign exchange rates	(130)	(6)	+2 066.3%	(130)	(6)

Russian Ruble (RUB), million	IAS 17			IFRS 16	
	2020	2019	Change	2020	2019
Adjusted EBITDA	16,964	14,725	+15.2%	25,719	23,797
Add / (deduct):					
Change in working capital	(4,298)	283	-	(4,340)	308
Net interest and income tax paid	(3,891)	(3,719)	+4.6%	(6,200)	(6,292)
Other operating cash flows	1 576	348	+352.6%	1 543	413
Net cash generated from operating activities	10,351	11,638	-11.1%	16,720	18,226
Net cash used in investing activities	(2,358)	(3,467)	-32.0%	(2,358)	(3,467)
Net cash used in from financing activities	(7,302)	(9,322)	-21.7%	(13,671)	(15,910)
Net increase \ (decrease) in cash & cash equivalents	692	(1,152)	-	691	(1,151)
Effect of changes in foreign exchange rates	(634)	(415)	+52.9%	(634)	(415)

In Q4 2020, operating cash flow before changes in working capital (adjusted EBITDA) grew by 14.2% year-on-year, reaching RUB 5.9 bn. Cash inflow from changes in working capital decreased by 37.1% year-on-year to RUB 2.3 bn, driven mainly by slower payables turnover as a result of a higher share of goods with a short-term payment deferral in total sales (private labels and direct imports).

Net interest expenses and income tax in the reporting period increased by 14.7% year-on-year, reaching RUB 1.6 bn. The Company's other operating cash income was RUB 420 m, versus losses of RUB 172 m in the same period last year. The growth in other operating cash income is linked to changes in non-cash items (provisions for inventory write-downs and depreciation of fixed assets, LTI expenses, etc.).

As a result, cash generated from operating activities decreased by 3.2% year-on-year to RUB 7.1 bn in Q4 2020.

Cash used to finance investment activity and to acquire fixed and intangible assets increased by 26.3% year-on-year to RUB 1.2 bn in Q4 2020. Higher CAPEX was due to an advance payment for the construction of our third federal distribution center, located in the Urals. CAPEX for the retail chain expansion totaled RUB 539 m in Q4 2020. Investment in IT development amounted to RUB 247 m.

Cash used in financing activities in the reporting period amounted to RUB 5.5 bn, versus RUB 5.4 bn in the same period of last year. The increase was driven by debt repayments.

As of 31 December 2020, Detsky Mir's total debt was RUB 19.8 bn, of which short-term loans accounted for 38.3% and long-term loans 61.7%. Net debt increased by 2.7% year-on-year to RUB 18.0 bn. All of the Company's debt is denominated in Russian rubles. As of 31 December 2020, the Company's available undrawn credit limit with leading Russian and international banks totaled RUB 34.3 bn. Net debt/adjusted EBITDA declined to 1.1x.

Guidance

Detsky Mir expects to double its sales over the next four years by developing its omnichannel business model, with the share of online sales growing from 25% in 2020 to 45% by 2024 in the Children's category. The Company's goal is to consolidate its leadership in the children's goods market. In 2021, Detsky Mir plans to further accelerate its business growth.

One of the Company's top priorities is to grow the Detsky Mir marketplace (launched in October 2020) into a leading marketplace for the whole family, offering the best product assortment and prices. The Company aims to expand its product assortment to 1 m SKUs in 2021 and onwards to 2.4 m in the medium term.

The Company's management reiterates its store opening guidance, with at least 230 stores in the Detsky Mir chain's traditional format on the horizon in Russia, Kazakhstan and Belarus by 2023. The Group also plans to open 800 Detmir Pickup stores – our new compact store format – along with 500 Zoozavr pet supplies stores by 2024. The Company's plans for 2021 include the launch of at least 70 new Detsky Mir stores, 100 Detmir Pickup points and 70 Zoozavr stores.

Detsky Mir also plans to digitize most of its existing stores: (1) bring all service zones into a single customer service center for online customers, (2) introduce separate warehousing space to store online orders, (3) adapt all the technological processes around order fulfillment and storage, including for prepaid and marketplace goods.

The upgraded stores will have advertising and point of sales materials that link with Detsky Mir's website and digital services, as well as interactive terminals to provide shoppers access to the full product assortment of Detsky Mir's marketplace, thus contributing to sales growth.

Detsky Mir also plans to expand its network of partner pickup points from 5,700 at 2020-end to 12,000 in 2021. The Company will continue to build out its logistics network to support the fast and cheap delivery of online orders. Between 2021 and 2022, Detsky Mir expects to launch four new distribution centers: three leased regional centers and one Company-owned, federal-level center. Another federal distribution center will open in 2024.

Detsky Mir is constantly improving its customer experience across all sales channels, with a medium-term target of achieving an overall NPS score of 70% and gaining user experience leadership over online peers. Furthermore, the Company will take a decision in 2021 on a full-scale launch of digital services and other non-children's product categories.

The Group will continue to improve its operational efficiency to maintain its double-digit adjusted EBITDA margin (excluding the impact of IFRS 16 Leases) in the medium term.

Management consistently prioritizes regular dividends of 100% of net profit under Russian Accounting Standards (RAS). At the same time, Detsky Mir expects its financial year-end net debt/adjusted EBITDA ratio to stay below 2x throughout the entire forecast period.

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 FY 2020 audited 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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Detsky Mir Group (MOEX: DSKY) is a multi-format digital retailer and the leader in the children's goods sector in Russia and Kazakhstan, as well as a significant player in Belarus. The Group comprises the Detsky Mir and the Detmir Pickup retail chains, the detmir.ru online store and marketplace, as well as the Zoozavr pet supplies retail chain. The Company operates a retail chain of 834 Detsky Mir stores located in 331 cities in Russia, Kazakhstan and Belarus, 16 Detmir Pickup stores, as well as 21 Zoozavr stores as of 1 March 2021. The total selling space was approximately 899,000 square meters.

Detsky Mir's shareholder structure: Gulf Investments Limited (Altus Capital) – 25%; Free-float¹⁵ – 75%.

Websites: detmir.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) Including quasi-treasury shares and shares held by management and directors (0.7% 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 fourth quarter can be reconciled to our consolidated statements of profit and loss as follows:

RUB m	IAS 17		IFRS 16	
	Q4 2020	Q4 2019	Q4 2020	Q4 2019
Profit for the period	4,338	2,751	4,327	2,461
<i>Add/(deduct):</i>				
Finance income	(6)	(1)	(7)	(3)
Finance expense	418	520	923	1,295
Foreign exchange income	(466)	(71)	(466)	(71)
Income tax expense	725	877	722	805
Depreciation and amortization	616	663	2,586	2,573
EBITDA	5,626	4,739	8,085	7,060
<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)	324	470	324	470
Adjusted EBITDA	5,950	5,210	8,409	7,531

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

RUB m	IAS 17		IFRS 16	
	Q4 2020	Q4 2019	Q4 2020	Q4 2019
Profit for the period	4,338	2,751	4,327	2,461
<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	259	376	259	376
Adjusted profit for the period	4,597	3,127	4,586	2,837

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

RUB m	IAS 17		IFRS 16	
	2020	2019	2020	2019
Profit for the year	7,765	7,303	6,749	6,542
<i>Add/(deduct):</i>				
Finance income	(79)	(5)	(82)	(11)
Finance expense	2,188	2,305	4,496	4,878
Foreign exchange loss	2,093	124	2,093	124
Income tax expense	1,563	1,550	1 309	1,360
Depreciation and amortization	2,694	2,549	10,413	10,005
EBITDA	16,224	13,826	24,979	22,898
<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)	740	899	740	899
Adjusted EBITDA	16,964	14,725	25,719	23,797

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

RUB m	IAS 17		IFRS 16	
	2020	2019	2020	2019
Profit for the year	7,765	7,303	6,749	6,542
<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	592	719	592	719
Adjusted profit for the year	8,357	8,022	7,342	7,262

Attachment B

Detsky Mir Group

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

	<u>2020</u>	<u>2019</u>
Revenue	142,882	128,764
Cost of sales	(98,909)	(87,232)
Gross profit	<u>43,973</u>	<u>41,532</u>
Selling, general and administrative expenses	(29,490)	(28,631)
Other operating income/(expenses), net	82	(8)
Operating profit	<u>14,565</u>	<u>12,893</u>
Finance income	82	11
Finance expenses	(4,496)	(4,878)
Foreign exchange loss, net	(2,093)	(124)
Profit before tax	<u>8,058</u>	<u>7,902</u>
Income tax expense	(1,309)	(1,360)
Profit for the year	<u>6,749</u>	<u>6,542</u>
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss		
Effect of translation to presentation currency	(35)	74
Total comprehensive income for the year	<u>6,714</u>	<u>6,616</u>

Detsky Mir Group

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

	31 December 2020	31 December 2019
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	9,274	9,755
Intangible assets	1,524	1,464
Right-of-use assets	33,726	32,988
Deferred tax assets	2,811	2,415
Other non-current assets	124	138
Total non-current assets	47,459	46,760
CURRENT ASSETS		
Inventories	42,494	38,636
Trade receivables	3,670	4,048
Advances paid and other receivables	1,535	1,435
Prepaid income tax	10	13
Cash and cash equivalents	1,826	1,769
Total current assets	49,535	45,901
TOTAL ASSETS	96,994	92,661
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1	1
Treasury shares	(407)	(317)
Additional paid-in capital	5,793	5,793
Accumulated deficit	(8,145)	(7,305)
Currency translation reserve	126	161
Total equity deficit	(2,632)	(1,667)
NON-CURRENT LIABILITIES		
Lease liabilities	28,619	27,635
Long-term loans and borrowings	12,200	8,980
Deferred tax liabilities	92	104
Total non-current liabilities	40,911	36,719
CURRENT LIABILITIES		
Trade payables	35,770	32,911
Short-term loans and borrowings and current portion of long-term loans and borrowings	7,582	10,270
Lease liabilities	8,227	7,145
Advances received, other payables and accrued expenses	5,975	6,042
Deferred revenue	527	436
Income tax payable	634	805
Total current liabilities	58,715	57,609
Total liabilities	99,626	94,328
TOTAL EQUITY AND LIABILITIES	96,994	92,661

Detsky Mir Group

Audited Consolidated Statement of Cash Flows with application of IFRS 16 "Leases" (in millions of Russian Rubles)

	2020	2019 (restated) ¹⁶
Operating activities:		
Profit for the year	6,749	6,542
Adjustments for:		
Depreciation and amortization expense	10,413	10,005
Finance expenses	4,496	4,878
Foreign exchange loss, net	2,093	124
Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value	2,081	1,270
Income tax expense recognized in profit or loss	1,309	1,360
Expense on equity-settled share-based compensation	188	8
Finance income	(82)	(11)
Other	12	34
Changes in working capital:		
Decrease in trade receivables	373	200
(Increase)/decrease in advances paid and other receivables	(132)	226
Increase in inventories	(5,912)	(4,818)
Increase in trade payables	1,507	3,819
(Decrease)/increase in advances received, other payables and accrued expenses	(267)	1,164
Increase/(decrease) in deferred revenue	91	(284)
Cash generated by operations	22,919	24,517
Interest paid	(4,297)	(4,599)
Interest received	78	4
Income tax paid	(1,980)	(1,696)
Net cash generated by operating activities	16,720	18,226
Investing activities:		
Payments for property, plant and equipment	(1,705)	(2,789)
Payments for intangible assets	(695)	(718)
Proceeds from sale of property, plant and equipment	42	40
Net cash used in investing activities	(2,358)	(3,467)
Financing activities:		
Purchase of treasury shares	(90)	(139)
Sale of treasury shares	-	36
Repayment of loans and borrowings	(63,315)	(72,522)
Dividends paid	(7,775)	(6,998)
Lease payments	(6,369)	(6,589)
Proceeds from loans and borrowings	63,878	70,302
Net cash used in financing activities	(13,671)	(15,910)
Net increase/(decrease) in cash and cash equivalents	691	(1,151)
Cash and cash equivalents, beginning of the year	1,769	3,335
Effect of changes in foreign exchange rates on cash and cash equivalents	(634)	(415) (415)
Cash and cash equivalents, end of the year	1,826	1,769

(16) Hereinafter, in order to improve the presentation of certain lines in the consolidated statements of cash flows the Group made some presentation changes of the effect of changes in foreign exchange rates for the year ended 31 December 2019: increase in trade payables line was increased by RUB 415 million, whereas effect of changes in foreign exchange rates line was changed for the respective amount.

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)

	<u>2020</u>	<u>2019</u>
Revenue	142,882	128,764
Cost of sales	(98,909)	(87,232)
Gross profit	<u>43,973</u>	<u>41,532</u>
Selling, general and administrative expenses	(30,497)	(30,247)
Other operating income/(expenses), net	53	(8)
Operating profit	<u>13,529</u>	<u>11,277</u>
Finance income	79	5
Finance expenses	(2,188)	(2,305)
Foreign exchange loss, net	(2,093)	(124)
Profit before tax	<u>9,327</u>	<u>8,853</u>
Income tax expense	(1,563)	(1,550)
Profit for the year	<u>7,764</u>	<u>7,303</u>
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss		
Effect of translation to presentation currency	<u>(3)</u>	<u>12</u>
Total comprehensive income for the year	<u>7,761</u>	<u>7,315</u>

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)

	31 December 2020	31 December 2019
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	9,274	9,755
Intangible assets	1,524	1,464
Deferred tax assets	2,140	1,998
Other non-current assets	219	241
Total non-current assets	13,157	13,458
CURRENT ASSETS		
Inventories	42,494	38,636
Trade receivables	3,670	4,048
Advances paid and other receivables	1,812	1,756
Prepaid income tax	10	13
Cash and cash equivalents	1,826	1,769
Total current assets	49,812	46,222
TOTAL ASSETS	62,969	59,680
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1	1
Treasury shares	(407)	(317)
Additional paid-in capital	5,793	5,793
Accumulated deficit	(5,462)	(5,637)
Currency translation reserve	127	130
Total equity/ (equity deficit)	52	(30)
NON-CURRENT LIABILITIES		
Long-term loans and borrowings	12,200	8,980
Deferred tax liabilities	92	104
Total non-current liabilities	12,292	9,084
CURRENT LIABILITIES		
Trade payables	35,770	32,911
Short-term loans and borrowings and current portion of long-term loans and borrowings	7,582	10,270
Advances received, other payables and accrued expenses	6,112	6,204
Deferred revenue	527	436
Income tax payable	634	805
Total current liabilities	50,625	50,626
Total liabilities	62,917	59,710
TOTAL EQUITY AND LIABILITIES	62,969	59,680

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)

	2020	2019 (restated)
Operating activities:		
Profit for the year	7,764	7,303
Adjustments for:		
Depreciation and amortization expense	2,694	2,549
Finance expenses	2,187	2,305
Foreign exchange loss, net	2,093	124
Write-offs of merchandise inventories relating to shrinkage and write-down to net realizable value	2,081	1,270
Income tax expense recognized in profit or loss	1,563	1,550
Expense on equity-settled share-based compensation	188	8
Finance income	(79)	(5)
Other	47	(31)
Changes in working capital:		
Decrease in trade receivables	373	200
(Increase)/decrease in advances paid and other receivables	(88)	194
Increase in inventories	(5,912)	(4,818)
Increase in trade payables	1,507	3,819
(Decrease)/increase in advances received, other payables and accrued expenses	(267)	1,172
Increase/(decrease) in deferred revenue	91	(284)
Cash generated by operations	14,242	15,356
Interest paid	(1,989)	(2,027)
Interest received	78	4
Income tax paid	(1,980)	(1,696)
Net cash generated by operating activities	10,351	11,637
Investing activities:		
Payments for property, plant and equipment	(1,705)	(2,789)
Payments for intangible assets	(695)	(718)
Proceeds from sale of property, plant and equipment	42	40
Net cash used in investing activities	(2,358)	(3,467)
Financing activities:		
Purchase of treasury shares	(90)	(139)
Sale of treasury shares	-	36
Proceeds from loans and borrowings	63,878	70,302
Repayment of loans and borrowings	(63,315)	(72,522)
Dividends paid	(7,775)	(6,998)
Net cash used in financing activities	(7,302)	(9,321)
Net increase/(decrease) in cash and cash equivalents	691	(1,151)
Cash and cash equivalents, beginning of the year	1,769	3,335
Effect of changes in foreign exchange rates on cash and cash equivalents	(634)	(415)
Cash and cash equivalents, end of the year	1,826	1,769