



Detsky Mir Sales Grew by Almost a Third in Q2

Detsky Mir Group (the “Group”, “Detsky Mir” or the “Company”, MOEX: DSKY), the largest omnichannel children’s goods retailer in Russia and Kazakhstan, announces its operating results for the second quarter and the first half ended 30 June 2021.

Q2 2021 Operating Highlights¹

- **The Group’s gross merchandise value (GMV)²** increased by 32.2% to RUB 41.9 bn (incl. VAT).
- **Total online sales in Russia³** increased by 20.1% to RUB 11.7 bn (incl. VAT):
 - **Online share in Russia** amounted to 29.3%.
- **Sales of private labels and direct imports in Russia⁴** grew by 31.2%, accounting for 48.0% of total sales (+1.2 p.p. year-on-year).
- **Detsky Mir opened 49 new stores:** 19 Detsky Mir stores, 27 Detmir Pickup stores and three Zoozavr stores.
- **The total number of Group stores** amounted to 929 stores (+9.3% year-on-year), across 378 cities and towns in Russia, Kazakhstan and Belarus.
- **The Group’s selling space** increased by 8.4% to 922,000 sq. m, the total space of the retail chains amounted to 1,148,000 sq. m.

1H 2021 Operating Highlights

- **The Group’s gross merchandise value (GMV)** increased by 23.6% to RUB 81.5 bn (incl. VAT).
- **Total online sales in Russia** increased by 42.4% to RUB 22.5 bn (incl. VAT):
 - **Online share in Russia** amounted to 28.9%.
- **Sales of private labels and direct imports in Russia** grew by 25.3%, accounting for 44.3% of total sales (+1.5 p.p. year-on-year).
- **Detsky Mir opened 61 new stores:** 27 Detsky Mir stores, 29 Detmir Pickup stores and five Zoozavr stores.
- **The total number of partner pickup points and parcel lockers** increased 3.5x to 20,800 year-to-date.
- **The total warehouse space** was 146,000 sq. m.

Q2 2021 Key Events

- Detsky Mir’s shareholders approved the distribution of the entire net profit for Q4 2020 as a final dividend, totaling RUB 4.5 bn or RUB 6.07 per ordinary share. The total value of paid dividends for 2020 amounts to RUB 8.2 bn or RUB 11.15 per ordinary share.
- Detsky Mir’s shareholders elected a new Board of Directors, including the new independent director David Rönnerberg, four incumbent independent directors and five incumbent non-executive directors. More information on the members of the Board and its committees is available on the [Company website](#).
- The Company launched its second regional distribution center – an 8,000 sq. m facility in Kazan operating from Russian Post’s fulfillment center. The distribution center’s throughput will reach up to 250,000 orders per month.
- Andrey Osokin was appointed as Marketing Director and Member of the Management Board at the Company. Mr. Osokin boasts an over 14-year track record in marketing and e-commerce at companies such as Goods.ru, Otto Group Russia and Baon-Desam.

Sustainability Achievements (ESG)

- Detsky Mir has approved its [Policy on Chemicals and Environmental Protection](#), which aims to ensure that chemicals are used responsibly in the production of goods purchased by the Company. In line with this policy, Detsky Mir suppliers are required to comply with an approved list of chemicals that may not be used to produce products purchased by the Company.

- Detsky Mir has developed a methodology and set of standards for auditing suppliers for compliance with sustainability principles. The goal for 2021 is to carry out the first ESG audit of the Russian manufacturers that produce Detsky Mir's private label goods.
- The Detsky Mir Charitable Foundation donated more than 2.7 m gifts to disadvantaged children, along with one tonne of pet food to animal shelters.
- Detsky Mir Group was awarded a prize in the Social Responsibility category of the Retail Week Awards 2021, while the Detsky Mir Charitable Foundation won the Best Russian Social Project 2021 award.
- All Detsky Mir Group stores comply with all COVID-19 protocols, with couriers delivering online orders provided with necessary personal protective equipment.

Maria Davydova, CEO of PJSC Detsky Mir:

"1H 2021 was one of the most successful periods seen in the last few years: the Group's total sales increased by 23.6% to RUB 81.5 billion, and we were able to restore sales in the retail sector, all while maintaining a high growth momentum in the online segment. We also expect a marked increase in operating income (adjusted EBITDA) for the period of at least 25%."

"Our key strategic priority is to further consolidate the children's goods market by digitizing sales, expanding the selection of private labels and growing our marketplace, improving the customer experience, launching new services, and strengthening our logistics and retail infrastructure."

"We will press ahead with transforming the Company into a leading, multi-vertical digital retailer, and driving up share-of-wallet among Russian customers. To achieve these ambitious goals, our team plans to accelerate the development of the Zoozavr brand in the pet supplies market and explore new verticals for growth."

"Detsky Mir is in a stable financial position, consistently generating sufficient cash flow to achieve its strategic goals and maintain its dividend policy. The combination of double-digit growth and strong dividends is one of Detsky Mir's key drivers of additional shareholder value; in line with this, we distributed the entire net profit for 2020 – RUB 8.2 billion – as dividends."

Detsky Mir Group's Gross Merchandise Value (GMV) & Revenue

GMV, RUB m (incl. VAT)	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Russia	39,902	30,738	+29.8%	77,790	63,744	+22.0%
Kazakhstan	1,522	704	+116.2%	2,901	1,792	+61.9%
Belarus	438	218	+100.9%	814	410	+98.5%
Group	41,861	31,660	+32.2%	81,504	65,945	+23.6%

Total online sales, RUB m (incl. VAT)	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Russia	11,695	9,741	+20.1%	22,519	15,814	+42.4%
Kazakhstan	159	84	+88.7%	274	122	+124.0%
Belarus	-	-	-	-	-	-
Group	11,854	9,825	+20.6%	22,793	15,937	+43.0%

Online share in total sales	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Russia	29.3%	31.7%	(2.4 p.p.)	28.9%	24.8%	+4.1 p.p.
Kazakhstan	10.4%	12.0%	(1.6 p.p.)	9.4%	6.8%	+2.6 p.p.
Belarus	-	-	-	-	-	-
Group	28.3%	31.0%	(2.7 p.p.)	28.0%	24.2%	+3.8 p.p.

Revenue ⁵ , RUB m	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Detsky Mir in Russia	35,486	27,855	+27.4%	69,487	57,460	+20.9%
Detsky Mir in Kazakhstan	1,360	634	+114.6%	2,593	1,608	+61.2%
Detmir in Belarus	377	196	+92.0%	703	366	+91.8%

Zoozavr	155	78	+98.5%	268	146	+84.0%
Other		72	-	-	276	-
Group	37,378	28,836	+29.6%	73,051	59,856	+22.0%

Detsky Mir accelerated its growth rate in Q2 2021, with the Group's gross merchandise value (GMV) increasing 32.2% year-on-year to RUB 41.9 bn.

The key drivers of this growth included: (1) a normalization in customer traffic at Detsky Mir's mature stores vs. the same period in 2020; (2) a full ramp-up of stores opened in 2019 and 2020; (3) an expansion of selling space; (4) growth in online sales, including due to faster picking and delivery times; (5) the development of an exclusive assortment of private labels and direct imports; (6) price leadership across all categories.

Despite a high base effect from the spike in demand for online shopping in April and May 2020, the Company's online segment continued its double-digit growth. In Q2 2021, total online sales in Russia rose 20.1%, while the sales growth rate for the same period in 2020 stood at 221.0%. The share of online sales in Russia reached 29.3%.

Stores in Kazakhstan and Belarus have continued to demonstrate one of the highest sales growth rates in the Company's retail segment, already accounting for around 5% of Group GMV. With an almost 2x growth year-on-year, the Company is boosting its online sales in Kazakhstan. Detmir Pickup and Zoozavr, our new retail chains, also secured significant revenue growth, posting 338.4% and 98.5%, respectively.

Toys were the fastest-growing category across all channels in Q2, with sales up 42.6% to make up 25.7% of the Company's total sales (a 2.8 p.p. increase year-on-year). Meanwhile, apparel and footwear also posted strong results on the back of the successful launch of our private labels' spring and summer collections: sales grew 28.8% to account for 31.3% of the Company's total sales (up 0.5 p.p. year-on-year).

Detsky Mir was also able to lessen the impact of the ruble depreciation on the cost of goods and curb retail price inflation through an effective procurement campaign at the end of 2020.

Detsky Mir continued to grow its assortment of private labels and switch to direct contracts with manufacturers, securing the best prices on the market. Sales of private labels and direct imports in Russia grew by 31.2%, accounting for 48.0% of total sales (up 1.2 p.p. year-on-year). Toys and large-size products were the highest-growing categories.

Online Performance

Online metrics	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Online visits, m	136.0	106.1	+28.1%	277.6	183.9	+50.9%
Online orders, m	8.0	5.8	+38.4%	15.4	9.6	+60.4%
Conversion rate	5.9%	5.4%	+0.5 p.p.	5.5%	5.2%	+0.3 p.p.

Marketplace metrics (Russia)	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Marketplace sales, RUB m (incl. VAT)	592	78	+660.8%	991	103	+864.0%
Share of total online sales, %	5.0%	0.8%	+4.2 p.p.	4.4%	0.6%	+3,8 p.p.
Online assortment ⁶ , SKUs	422	115	+267.0%	422	115	+267.0%

Online order pickup options (Russia), %	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Click & collect	87.2%	78.9%	+8.3 p.p.	86.5%	81.7%	+4.8 p.p.
Courier delivery	12.8%	21.1%	(8.3 p.p.)	13.5%	18.3%	(4.8 p.p.)

Online orders by platform (Russia), %	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Mobile platform	81.7%	56.6%	+25.1 p.p.	78.0%	39.8%	+38.2 p.p.
Web platform	18.3%	43.4%	(25.1 p.p.)	22.0%	60.2%	(38.2 p.p.)

Mobile app metrics (Russia)	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Installations ⁷ , m	9.8	4.4	+123.4%	9.8	4.4	+123.4%
MAU ⁸ , m	3.1	1.4	+118.5%	3.0	1.1	+163.8%

Online sales continued to grow throughout Q2 2021 following an increase in conversions and web traffic. Around 136.0 m visits to the website and mobile app were recorded, which translated to a 38.4% increase in online orders to 8.0 m.

In-store pickup from chain stores remains the most popular delivery option in the online segment. This channel's share in total online sales increased to 87.2% over the quarter, vs. 78.9% for the same period in 2020. This significant increase is due to the low base from April and May 2020, when courier delivery was more in-demand amid lockdown.

Detsky Mir customers prefer the pickup option primarily because it is faster and more convenient: 97% of online orders picked in-store are handed to the customer at checkout within 60 minutes of the online purchase. In addition to this, a good number of customers who come in-store to collect their order also make additional purchases.

Following its April 2020 launch, the express delivery service (made available from chain stores in partnership with Yandex.Taxi) is also gaining traction in Russia's largest cities. In Moscow and the Moscow Region, sales volumes via this channel saw an almost 4x increase.

The Detsky Mir mobile app is now our main customer touch point, with the share of online orders placed on the app doubling to 81.7% in Q2 2021. Since launch, the app has been downloaded almost 9.8 m times. The monthly active users (MAU) of the mobile platform grew 118.5% to 3.1 m. The mobile app launched in Kazakhstan in early 2021 is also starting to take off, with around 40% of all online orders placed via this channel.

The choice of sales channel directly impacts our sales mix. The online channel's share in the total sales of products for newborns is one of the highest, accounting for over 55% of diaper sales and over 45% of food sales. As a result, products for newborns comprise almost half of sales in the Group's entire online segment; in brick-and-mortar stores, this category makes up around 30% of total retail sales. With a 109.5% increase, pet supplies posted the highest growth rate of online sales.

Detsky Mir's online assortment has increased almost 1.5x to 422,000 SKUs year-to-date, with more than 1,400 new brands now available to customers. The marketplace's contribution to Group GMV reached RUB 1 bn in 1H 2021, representing almost 4.4% of the Company's total online sales in Russia.

Like-For-Like Sales Growth at Detsky Mir Stores⁹

Like-for-like growth (Russia, Kazakhstan and Belarus)	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Like-for-like sales	13.5%	0.8%	+12.7 p.p.	10.6%	2.5%	+8.1 p.p.
Like-for-like number of tickets	24.9%	(11.3%)	+36.2 p.p.	13.5%	(3.0%)	+16.5 p.p.
Like-for-like average ticket	(9.1%)	13.7%	(22.8 p.p.)	(2.6%)	5.7%	(8.3 p.p.)

Like-for-like growth (Russia)	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Like-for-like sales	12.8%	1.1%	+11.7 p.p.	9.9%	2.4%	+7.5 p.p.
Like-for-like number of tickets	24.5%	(11.0%)	+35.5 p.p.	13.0%	(3.1%)	+16.1 p.p.
Like-for-like average ticket	(9.4%)	13.5%	(22.9 p.p.)	(2.7%)	5.7%	(8.4 p.p.)

Like-for-like growth (Kazakhstan)	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Like-for-like sales	55.0%	(22.1%)	+77.1 p.p.	29.0%	10.4%	+18.6 p.p.
Like-for-like number of tickets	63.0%	(37.0%)	+100.0 p.p.	22.0%	1.7%	+20.3 p.p.
Like-for-like average ticket	(5.0%)	23.6%	(28.6 p.p.)	5.8%	8.6%	(2.8 p.p.)

Like-for-like growth (Belarus)	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Like-for-like sales	29.3%	-	-	35.4%	-	-
Like-for-like number of tickets	24.0%	-	-	25.4%	-	-
Like-for-like average ticket	4.3%	-	-	8.0%	-	-

In Q2 2021, total like-for-like sales in all countries across our footprint increased by 13.5% due to the COVID-19-driven low base from last year, as well as smart pricing and an increase in the share of high-margin categories. Detsky Mir was also able to significantly boost the influx of new customers into the chain's like-for-like stores, driving a 24.9% increase in the number of tickets.

The greatest growth in like-for-like sales (55.0%) came from Kazakhstan. This is, in many respects, down to the low base effect: most of our stores in Kazakhstan were forced to temporarily close in Q2 2020 to curb the spread of COVID-19. The same metric hit 29.3% in Belarus, due to low competition and a high share of immature stores, which were opened only in 2019.

Group's Retail Chain Expansion¹⁰

Number of stores	Q2 2021	Q2 2020	Change
Group	929	846	+9.3%
Detsky Mir in Russia	798	735	+8.6%
Detsky Mir in Kazakhstan	41	39	+5.1%
Detmir in Belarus	17	8	+112.5%
ELC & ABC	-	52	-
Zoozavr	24	11	+118.2%
Detmir Pickup	49	5	+880.0%
Selling space ('000, sq. m)	922	850	+8.4%
Total space ('000, sq. m)	1,148	1,064	+7.3%

As at Q2-end, the total number of Group stores had increased by 9.3% year-on-year to 929, spread across 378 cities and towns in Russia, Kazakhstan and Belarus. Detsky Mir opened 49 new stores in Q2 2021: 19 Detsky Mir branded stores, 27 Detmir Pickup stores and 3 Zoozavr stores.

The Group's total selling space increased by 8.4% to 922,000 sq. m, while the total space of stores amounted to 1,148,000 sq. m. The Company's distribution network also includes partner pickup points and parcel lockers, the number of which has increased 3.5x to 20,800 year to date.

The Company operates two federal distribution centers in the Moscow Region and two regional warehouses in the Rostov Region and the Kazan Region. Total warehouse space was 146,000 sq. m.

Loyalty Program¹¹

Detsky Mir's loyalty program (Russia)	Q2 2021	Q2 2020	Change	1H 2021	1H 2020	Change
Total loyalty card holders, m	28.0	25.2	+11.3%	28.0	25.2	+11.3%
Share of loyalty card holders in total sales, %	87.0%	85.2%	+1.8 p.p.	86.4%	83.2%	+3.2 p.p.
Active loyalty card holders, m	11.1	10.6	+5.6%	11.1	10.6	+5.6%
Online active loyalty card holders, m	3.8	2.4	+56.5%	3.8	2.4	+56.5%
Share of online active loyalty card holders, %	34.0%	23.0%	+11.0 p.p.	34.0%	23.0%	+11.0 p.p.

The number of loyalty program members in Russia is constantly growing, with 28.0 m cardholders as at June-end 2021 (an increase of 2.8 m cards year-on-year). The share of purchases made by loyalty card holders amounted to 87.0% of total tickets (up 1.8% year-on-year). The average ticket among loyalty card holders is 80% higher than non-cardholder tickets.

There are now 11.1 m active loyalty card holders. The number of active online loyalty card holders increased by 56.5% to 3.8 m people, which represents 34.0% of the total number of active cards.

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Detsky Mir Group (MOEX: DSKY) is a multi-vertical 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. Detsky Mir Group operates 929 stores located in 378 cities and towns in Russia, Kazakhstan and Belarus as of 30 June 2021. The total space of the retail chains was approximately 1,148,000 sq. m. The total warehouse space was 146,000 sq. m.

Detsky Mir's shareholder structure: Gulf Investments Limited (Altus Capital) – 29.9%; Free-float – 70.1% (incl. quasi-treasury shares and shares held by management and directors – 0.3% of total shares).

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.

Notes:

(1) Hereinafter, the data on comparative dynamics are given year-on-year, the Company's consolidated financial measures for 2020–2021 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) Hereinafter, GMV (gross merchandise value) or total sales includes purchases at the Group's retail stores and goods and services sold through the website and mobile application, which may be own or third-party goods and services. GMV includes value added tax, net of discounts given to customers and net of returns and cancelled orders during the reporting period.

(3) Hereinafter, total online sales include all sales through the Company website and mobile app, including home delivery and in-store pickup. It includes value added tax, net of discounts given to customers and net of returns and cancelled orders during the reporting period.

(4) Hereinafter, sales of private labels and direct imports in Russia include sales of all children's goods in Russia, including through the Company website and mobile application.

(5) Revenue is net of value added tax and includes revenue from the sale of goods as well as fees charged by the Group to third-party sellers for selling their goods through the Group marketplace. Detsky Mir in Russia includes all sales of children's goods in Russia, as well as the sales results of the Detmir Pickup chain. Zoozavr includes all sales of pet products, including sales made via the Company website and mobile app. Other includes the results of ELC and ABC stores. Data is based on preliminary analytical reporting; final data will be published along with 1H 2021 financial results.

(6) Hereinafter, includes all merchandise featured on the Company website and mobile app.

(7) Hereinafter, reflects the total number of app installations between its launch (December 2019) and the end of the reporting period.

(8) Hereinafter, MAU – monthly active users – the average number of active mobile app users in a month.

(9) Hereinafter, LFL sales growth, LFL number of tickets growth and LFL average ticket growth are based on stores in operation for at least 12 full calendar months preceding the reporting date. A store is considered comparable and is included in the calculation of the monthly like-for-like if the difference between the number of days worked in comparable months does not exceed three working days.

(10) In order to improve margins by accelerating the opening of our small-format Detmir Pickup stores, the Group decided to close its ELC and ABC stores in Q3 2020, which accounted for less than 0.8% of total Group revenue in 2019.

(11) Hereinafter, cardholders who made at least one purchase at Detsky Mir during the last 12 months are considered active. Online loyalty card holders who made at least one online purchase through the Company website or mobile application within the last 12 months are considered active cardholders.