

Detsky Mir Group's GMV Increased by 16.4% in Q3 2021

Moscow, Russia, 14 October 2021. Detsky Mir Group ("Detsky Mir" or the "Company", MOEX: DSKY), a multi-vertical digital retailer and the leader in the children's goods sector in Russia and Kazakhstan, announces its operating results for the third quarter and nine months ended 30 September 2021.

Q3 2021 Operating Highlights¹

- **The Group's gross merchandise value (GMV)²** increased by 16.4% to RUB 49.5 bn (incl. VAT).
- **Total online sales volume³** in Russia increased by 43.7% to RUB 12.7 bn (incl. VAT):
 - **The share of online sales** in Russia reached 27.0%.
- **The Group's net revenue** increased by 14.0% to RUB 43.9 bn.
- **Sales of private labels and direct imports** in Russia⁴ totaled a record 53.0% of total sales (+4.0 p.p. year-on-year).
- **The Company opened** 85 new stores: 19 Detsky Mir branded stores in Russia, 2 Detsky Mir stores in Kazakhstan, 3 Detmir stores in Belarus, 34 Detmir mini stores, and 27 Zoozavr stores.
- **The total number of Group stores** amounted to 1,014 (+25.2% year-on-year), across 418 cities and towns in Russia, Kazakhstan and Belarus.
- **The Group's total selling space** increased by 10.3% to 947,000 sq. m, **while the total floor space of stores** amounted to 1,179,000 sq. m.

9M 2021 Operating Highlights

- **The Group's GMV** increased by 20.7% to RUB 131.0 bn (incl. VAT).
- **Total online sales volume** in Russia increased by 42.7% to RUB 35.2 bn (incl. VAT):
 - **The share of online sales** in Russia reached 28.2%.
- **The Group's net revenue** increased by 18.9% to RUB 117.0 bn.
- **Sales of private labels and direct imports** in Russia totaled 47.5% of total sales (+3.7 p.p. year-on-year).
- **The Company opened** 146 new stores: 48 Detsky Mir and Detmir stores (Russia, Kazakhstan, Belarus), 67 Detmir mini stores and 31 Zoozavr stores.
- **Total warehouse space** was 175,000 sq. m.

Q3 2021 Key Events

- Detsky Mir made a decision to strengthen its C-suite team, driven by the fast pace at which the Company's new ambitious strategy, business verticals and digital transformation are being implemented and deployed. Anna Garmanova, Chief Financial Officer (CFO) at Detsky Mir, left the Company effective 1 August 2021. Andrey Spivak took up the roles of CFO and Member of the Management Board from 16 August. Mr. Spivak has over 19 years of experience in retail and FMCG (Magnit, X5 Retail Group, Wrigley Ukraine, and Wrigley Russia). Sergey Li was appointed Chief Operating Officer (COO) and Member of the Management Board from 15 July. Mr. Li has over 17 years of experience in retail (M.Video–Eldorado, M.Video, Sulpak (Kazakhstan), and Philips). Another appointment was Mikhail Makhyanov, starting as Head of Investor Relations from 16 August. Mr. Makhyanov has more than seven years of experience working at public companies and in capital markets (Polyus and Renaissance Capital).
- Maria Davydova ranked among the top three CEOs according to the updated ranking by Institutional Investor, a leading global financial periodical. The Detsky Mir team came second in both the overall ranking of management teams and among IR teams.
- Detsky Mir and PinUp Production released a Cozy Autumn with Detsky Mir! – a hygge style promotional video to support the new autumn collection. A large-scale advertising campaign was launched on TV and in digital channels on 23 August, running until 29 September.

Key Events After the Reporting Date

- Detsky Mir's marketplace was recognized as the best niche marketplace according to ECOM AWARDS 2021, an e-commerce and retail professional award launched this year.

- The Company launched its third regional distribution center in the Novosibirsk Region. The fulfillment center, hosted by Russian Post, will ensure next-day delivery of at least 80% of online orders to Detsky Mir customers in the Siberian Federal District. At the fulfillment warehouse, Russian Post will be able to store simultaneously up to 200,000 SKUs from Detsky Mir's product assortment, while shipping up to 90,000 online orders per month. The center will be able to handle goods of all categories, from diapers and toys to children's furniture, strollers and pet supplies.

ESG Highlights

- Three thousand customers of the Zoozavr chain took part in a campaign to help homeless pets. More than 890 kg of pet food and treats for dogs and cats were collected, as well as over 150 items of essential goods, including hygiene products, toys and pads.
- The Detsky Mir Charitable Foundation donated over RUB 1 million worth of warm outerwear, mattresses and diapers, as well as toys, books, stationery and arts and crafts supplies to large families in Russia.
- Detsky Mir supported the Time for Good Deeds annual charity campaign. A donation worth about RUB 9 million included goods that children need: apparel, footwear, hygiene products, toys, books, and stationery.
- The Detsky Mir Charitable Foundation helped disadvantaged children to get ready to go back to school, collecting and donating more than 1.8 million goods through a charity campaign – stationery, exercise books, apparel, footwear, and kits for first-graders. Assistance was provided to more than 650,000 children in difficult life situations.
- The Detsky Mir Charitable Foundation supported social projects run by non-profit organizations and social institutions in eight Russian regions. A donation worth over RUB 2.2 million was distributed among several social institutions for children, non-profit and charitable organizations, families in difficult life situations, as well as organizations supporting homeless pets.
- Detsky Mir sent almost two tonnes of clothing and shoes for recycling in the first half of 2021.

Maria Davydova, CEO of PJSC Detsky Mir:

"Over 9M 2021, Detsky Mir has confirmed its status as the leading player in the children's goods markets in Russia and Kazakhstan. Our standout success was the strong growth in online sales: in the third quarter, total online sales in Russia grew 43.7%, while the share of online sales reached 27%. We had a bumper back-to-school season, with apparel and footwear posting a record 36% share of total sales. We also saw strong demand for our private labels, with sales of private labels and direct imports in Russia growing to 53%.

We will continue to further develop our omnichannel proposition and new business verticals by fully leveraging our logistics, retail and digital infrastructure to deliver strong results both offline and online, and by offering our customers an enormous range of products and an advanced customer experience."

Detsky Mir Group's GMV & Revenue

| GMV, RUB m (incl. VAT) | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
|--|----------------|----------------|------------------|----------------|----------------|------------------|
| Group | 49,524 | 42,549 | +16.4% | 130,983 | 108,495 | +20.7% |
| Russia | 47,081 | 41,359 | +13.8% | 124,826 | 105,103 | +18.8% |
| Kazakhstan | 1,835 | 880 | +108.6% | 4,736 | 2,672 | +77.3% |
| Belarus | 608 | 310 | +95.9% | 1,421 | 720 | +97.4% |
| Total online sales, RUB m (incl. VAT) | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
| Group | 12,971 | 8,941 | +45.1% | 35,707 | 24,882 | +43.5% |
| Russia | 12,730 | 8,859 | +43.7% | 35,199 | 24,674 | +42.7% |
| Kazakhstan | 237 | 82 | +189.7% | 505 | 208 | +142.9% |
| Belarus | 4 | – | – | 4 | – | – |
| Share of online sales | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
| Group | 26.2% | 21.0% | +5.2 p.p. | 27.3% | 22.9% | +4.3 p.p. |
| Russia | 27.0% | 21.4% | +5.6 p.p. | 28.2% | 23.5% | +4.7 p.p. |
| Kazakhstan | 12.9% | 9.3% | +3.6 p.p. | 10.7% | 7.8% | +2.9 p.p. |
| Belarus | 0.6% | – | – | 0.3% | – | – |

| Revenue, RUB m | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
|--------------------------|---------------|---------------|---------------|----------------|---------------|---------------|
| Group | 43,942 | 38,538 | +14.0% | 117,008 | 98,394 | +18.9% |
| Detsky Mir in Russia | 41,517 | 37,235 | +11.5% | 111,007 | 94,694 | +17.2% |
| Detsky Mir in Kazakhstan | 1,643 | 780 | +110.6% | 4,240 | 2,388 | +77.5% |
| Detmir in Belarus | 524 | 279 | +87.9% | 1,235 | 645 | +91.5% |
| Zoozavr | 258 | 90 | +186.7% | 526 | 236 | +123.2% |
| Other | 0 | 154 | (100.0)% | 0 | 430 | (100.0)% |

Detsky Mir accelerated its growth rate in Q3 2021, with the Group's GMV increasing 16.4% year-on-year to RUB 49.5 bn.

The Group's total sales in the third quarter grew as traffic stabilized year-on-year following the lifting of COVID-19 restrictions and new stores that opened in 2019 and 2020 fully ramped up. Another contributing factor was the stronger seasonal demand (back-to-school preparations) for our exclusive brands (including private labels and direct imports) and one-off social benefits paid out in advance of the school year.

Despite a high base effect from the spike in demand for online shopping last year, the Company's online segment continued its double-digit growth. In the third quarter, our total online sales in Russia grew 43.7%, with their share in total sales in Russia standing at 27.0%.

The Company has launched an online store in Belarus, which currently only offers the in-store pickup option. The Company is increasing sales in its online segment in Kazakhstan, which continues to grow at a double-digit pace.

The Company delivered a strong performance in the third quarter through the successful launch of its school apparel and footwear collections. In Q3 2021, apparel and footwear accounted for 36% of total sales in Russia (up 3.0% year-on-year) while stationery, books and multimedia stood at 7% of total sales (up 0.1% year-on-year). The share of private labels in apparel and footwear is 98%. Other best-selling categories included toys (25%) and products for newborns (28%).

Detsky Mir continues to strengthen its position in private labels and switch to direct contracts with manufacturers. Sales of private labels and direct imports in Russia grew to a record 53% (up 4.0 p.p. year-on-year). This growth was primarily driven by an increase in the share of apparel and footwear sales, as well as in the share of private labels in stationery, books and multimedia and in large-size products.

Online Performance

| Online metrics (website and mobile app) | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Online visits, m | 170.5 | 107.6 | +58.5% | 451.6 | 291.6 | +54.9% |
| Online orders, m | 8.4 | 5.8 | +46.0% | 23.3 | 15.3 | +51.8% |
| Conversion rate | 4.9% | 5.3% | (0.4) p.p. | 5.2% | 5.3% | (0.1) p.p. |
| Marketplace metrics (Russia) | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
| Marketplace sales, RUB m (incl. VAT) | 919 | 116 | +692.6% | 1,901 | 465 | +308.9% |
| Share of total online sales | 7.1% | 1.3% | +5.8 p.p. | 5.3% | 1.9% | +3.5 p.p. |
| Online assortment, '000 SKUs | 480 | 91 | +427.5% | 480 | 91 | +427.5% |
| Online orders by pickup option (Russia) | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
| In-store pickup | 87.1% | 85.7% | +1.4 p.p. | 86.8% | 83.3% | +3.5 p.p. |
| Courier delivery | 12.9% | 14.3% | (1.4) p.p. | 13.2% | 16.7% | (3.5) p.p. |
| Online orders by platform (Russia) | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
| Mobile app | 79.4% | 67.5% | +11.9 p.p. | 78.5% | 63.5% | +15.1 p.p. |
| Website | 20.6% | 32.6% | (11.9) p.p. | 21.5% | 36.5% | (15.1) p.p. |
| Mobile app metrics (Russia) | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
| Installations, ⁸ m | 11.4 | 5.7 | +100.7% | 11.4 | 5.7 | +100.7% |
| MAU, ⁹ m | 3.5 | 2.0 | +75.0% | 3.2 | 2.0 | +60.0% |

Online sales continued to grow throughout the third quarter following an increase in web traffic, primarily via the mobile app. The number of online visitors increased by 58.5% in Q3 2021 to 170.5 million. The share of online orders grew by 46.0% to 8.4%. Conversion rate reduced by 0.4 p.p. in Q3 to 4.9%, but remained virtually unchanged year-on-year in 9M 2021 at 5.2%.

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 87.1% over the quarter, vs. 85.7% for the same period in 2020. This increase is due to the low base from 2020, when courier delivery was more in-demand amid lockdown.

The mobile app continues to gain popularity among our customers, with the share of online orders placed on the app growing to 79.4% in Q3 2021. Since launch, the app has been downloaded almost 11.4 million times. The monthly active users (MAU) of the mobile platform grew by 75% to 3.5 million.

Detsky Mir's online assortment has increased more than 1.5x to 480,000 SKUs year-to-date. In Q3 2021, the marketplace's contribution to the Group's GMV amounted to 7.1% of the Company's total online sales in Russia.

Like-For-Like (LFL) Sales Growth at Detsky Mir Stores⁹

| Detsky Mir Russia, Kazakhstan and Belarus | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
|---|---------|---------|-------------|---------|---------|-------------|
| Like-for-like sales | 6.3% | 3.9% | +2.4 p.p. | 8.9% | 3.0% | +5.9 p.p. |
| Like-for-like number of tickets | 4.1% | (2.1)% | +6.2 p.p. | 9.1% | (2.7)% | +11.8 p.p. |
| Like-for-like average ticket | 2.2% | 6.0% | (3.8) p.p. | (0.2)% | 5.8% | (6.0) p.p. |
| Detsky Mir (Russia) | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
| Like-for-like sales | 5.9% | 4.4% | +1.5 p.p. | 8.4% | 3.2% | +5.2 p.p. |
| Like-for-like number of tickets | 1.7% | (1.5)% | +3.2 p.p. | 8.7% | (2.5)% | +11.2 p.p. |
| Like-for-like average ticket | 4.1% | 5.9% | (1.8) p.p. | (0.3)% | 5.8% | (6.1) p.p. |
| Detsky Mir (Kazakhstan) | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
| Like-for-like sales | 98.3% | (45.3)% | +143.6 p.p. | 40.4% | (5.3)% | +45.7 p.p. |
| Like-for-like number of tickets | 101.9% | (52.2)% | +154.1 p.p. | 33.4% | (12.3)% | +45.7 p.p. |
| Like-for-like average ticket | (1.8)% | 14.6% | (16.4) p.p. | 5.2% | 7.9% | (2.7) p.p. |
| Detsky Mir (Belarus) | Q3 2021 | Q3 2020 | Change | 9M 2021 | 9M 2020 | Change |
| Like-for-like sales | 12.4% | 59.6% | (47.2) p.p. | 23.4% | 70.9% | (47.5) p.p. |
| Like-for-like number of tickets | 1.0% | 48.0% | (47.0) p.p. | 15.2% | 52.5% | (37.3) p.p. |
| Like-for-like average ticket | 11.3% | 7.8% | +3.5 p.p. | 7.1% | 12.0% | (4.9) p.p. |

In the third quarter, Detsky Mir's total like-for-like sales grew 6.3% year-on-year across all countries of operation, driven by stronger consumer demand amid stabilized footfall vs. last year following the easing of COVID-19 restrictions, the one-off payment of social benefits by the Russian government for the back-to-school season and stronger sales in apparel and footwear and in stationery.

The greatest growth in like-for-like sales 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 Q3 2020 to curb the spread of COVID-19.

In Belarus, we see footfall stabilizing as the new stores that opened in 2019 and 2020 fully ramped up.

Group Retail Chain Expansion¹⁰

| Retail chain | Number of stores | | | Selling space ('000 sq. m.) | | |
|---------------------------------|------------------|--------------|---------------|-----------------------------|------------|---------------|
| | Q3 2021 | Q3 2020 | Change | Q3 2021 | Q3 2020 | Change |
| Group | 1,014 | 810 | +25.2% | 947 | 858 | +10.3% |
| Detsky Mir in Russia | 817 | 744 | +9.8% | 874 | 811 | +7.7% |
| Detsky Mir in Kazakhstan | 43 | 39 | +10.3% | 40 | 37 | +8.7% |
| Detmir in Belarus | 20 | 9 | +122.2% | 17 | 8 | +121.3% |
| Detmir mini | 83 | 5 | +1 560.0% | 11 | 1 | +1 000.0% |
| Zoozavr | 51 | 13 | +292.3% | 5 | 2 | +150.0% |
| Total space ('000 sq. m) | 1,179 | 1,050 | +12.3% | | | |

As at Q3-end, the total number of Group stores had increased 25.2% year-on-year to 1,014, spread across 418 cities and towns in Russia, Kazakhstan and Belarus. The relatively strong year-on-year increase in store count was organic growth, as well as due to the effect of closure of ABC and ELC stores in Q3 2020. In Q3 2021, the Company opened 85 new stores: 19 Detsky Mir branded stores in Russia, 2 Detsky Mir stores in Kazakhstan, 3 Detmir stores in Belarus, 34 Detmir Pickup stores and 27 Zoozavr stores.

The Group's total selling space increased 10.3% to 947,000 sq. m, while the total floor space of stores amounted to 1,179,000 sq. m.

The Company continues to expand its logistics infrastructure, including by adding new partner pickup points and automated parcel lockers, the number of which has quadrupled to 25,000 since the start of 2021.

The Company operates two federal distribution centers in the Moscow Region and three regional warehouses in the Rostov, Kazan and Novosibirsk Regions. Total warehouse space was 175,000 sq. m.

Loyalty Program¹¹

| Detsky Mir's loyalty program (Russia) | Q3 2021 | Q3 2020 | Change |
|--|---------|---------|-----------|
| Total loyalty card holders, m | 28.8 | 26.0 | +10.9% |
| Share of loyalty card holders in total sales | 86.4% | 83.0% | +3.4 p.p. |
| Active loyalty card holders, m | 11.3 | 10.7 | +5.6% |
| Active digital loyalty card holders, m | 4.1 | 2.8 | +45.1% |
| Share of active digital loyalty card holders | 36.1% | 26.2% | +9.8 p.p. |

The number of loyalty program members in Russia is constantly growing, with 28.8 m cardholders as at September-end 2021 (an increase of 2.8 million cards year-on-year). The share of purchases made by loyalty card holders amounted to 86.4% of total tickets (+ 3.4 p.p. year-on-year).

There are now 11.3 million active loyalty card holders. The number of active digital loyalty card holders increased by 45.1% to 4.1 million, which represents 36.1% of the total number of active cards.

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

Notes:

(1) The data on comparative dynamics are given year-on-year and exclude the effect of the new IFRS 16 – Leases accounting standard. The Company’s consolidated financial metrics for 2020 and 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) GMV 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 canceled orders during the reporting period.

(3) 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 canceled orders during the reporting period.

(4) 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) Net 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 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 9M 2021 financial results.

(6) Includes all merchandise featured on the Company website and mobile app.

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

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

(9) 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 LFL 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) Cardholders who made at least one purchase at Detsky Mir during the last 12 months are considered active. Digital 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.