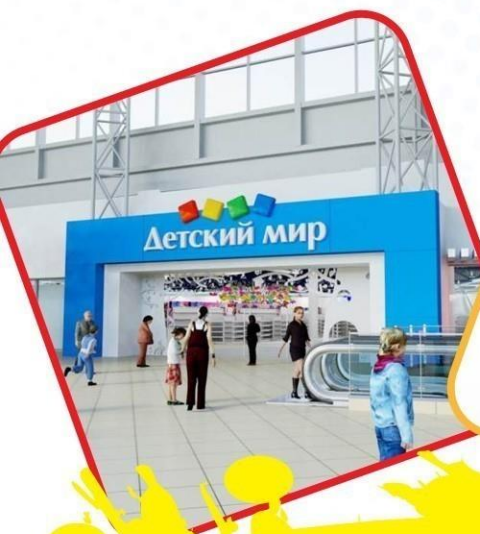




МАРКА №1  
В РОССИИ



**Detsky Mir**  
RETAIL CHAIN



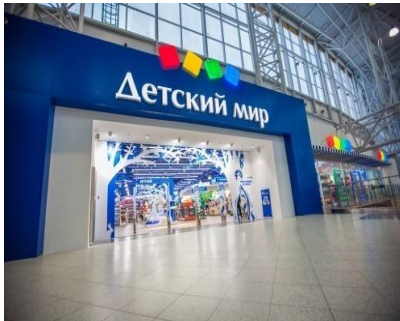
# Detsky Mir announces its financial results for the 1<sup>st</sup> half of 2015

25 August 2015



Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of Detsky Mir Group. You can identify forward-looking statements by terms such as “expect,” “believe,” “anticipate,” “continue,” “estimate,” “intend,” “will,” “could,” “would,” “should,” “may” or “might”, the negative of such terms or other similar expressions. These statements are only predictions and actual events or results may differ materially. We do 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 our projections or forward-looking statements, including, among others, general economic conditions, our competitive environment, as well as many other risks specifically related to Detsky Mir Group and its operations.

# Key financial and operating results in 1<sup>st</sup> half of 2015



- **Total space increased** by 21 k sq m: from 390 k sq m in 2014 to 411 k sq m in the 1<sup>st</sup> half of 2015 driven by 26 new store openings (25 Detsky Mir branded stores and 1 ELC branded store)
- **Revenue increased** by 36.6% compared to the respective period of 2014: from RUR18.1 bn in the 1<sup>st</sup> half 2014 to RUR 24.7 bn in the 1st half 2015
  - LFL<sup>1</sup> Detsky Mir revenue growth is 15.8% in the 1<sup>st</sup> half 2015 (average ticket growth is 9.8% and traffic growth is 5.5%)
- **Gross profit increased** by 33.5% compared to the previous year: from RUR6.3 bn in the 1<sup>st</sup> half 2014 to RUR8.4 bn in the 1<sup>st</sup> half 2015
  - Gross margin in the 1<sup>st</sup> half 2015 is 34.1%
- **Selling, research and administrative costs (SG&A)** (as % of revenue) **went down** from 31% in the 1<sup>st</sup> half 2014 to 28.8% in the 1<sup>st</sup> half 2015 driven by operational improvements, focused on raising operating margins
- **OIBDA<sup>2</sup> increased** by 88.4%: from RUR699 mln in the 1<sup>st</sup> half 2014 to RUR1.317 bn in the 1<sup>st</sup> half 2015
  - OIBDA LTM<sup>3</sup> for the last twelve months increased by 52.3% compared to the respective period of 2014
- **Net income in the 1<sup>st</sup> half 2015** became positive (RUR368 mln) on the back of negative result in the 1<sup>st</sup> half 2014 – minus RUR315 mln
  - Net income LTM<sup>3</sup> for the last 12 months increased by 93.7% compared to the respective period of 2014

## Notes:

<sup>1</sup> LFL measure is calculated on the basis of operations of Detsky Mir branded stores only. The Detsky Mir stores that are included in like-for-like comparisons are those stores that have been open during the entirety of the two years for which the like-to-like comparison is being made. For example, the like-for-like comparison of retail sales between 1<sup>st</sup> half 2015 and 1<sup>st</sup> half 2014 would include revenue of all Detsky Mir stores that were opened during the course of 2013 and that were in operation during the entirety of 2014 and 1<sup>st</sup> half 2015. Like-for-like revenue is calculated on the basis of store revenue in roubles (including VAT but excluding returns)

<sup>2</sup> OIBDA is a non-GAAP measure, which is calculated on the basis of the US GAAP financial statements. OIBDA is defined as total revenue minus cost of sales and selling, research and administrative costs

<sup>3</sup> OIBDA LTM and Net income LTM is calculated on the basis of last twelve months results: for 2015 LTM this period includes 3-4 quarters 2014 and 1st half 2015.

# 1<sup>st</sup> Half-year 2015 financial performance review

## Key indicators for the 1<sup>st</sup> half 2015 on the 1<sup>st</sup> half 2014 (in RUR mln, if not indicated otherwise)

	1 H 2014	1 H 2015	HoH, change %
<b>Number of stores, units</b>	<b>264</b>	<b>347</b>	<b>31.4%</b>
Detsky Mir stores <sup>1</sup>	232	303	30.6%
ELC stores	32	44	37.5%
<b>Selling space (ksqm)</b>	<b>328</b>	<b>411</b>	<b>25.3%</b>
<b>Revenue</b>	<b>18 115</b>	<b>24 744</b>	<b>36.6%</b>
% LFL revenue growth <sup>2</sup>	18.1%	15.8%	
<b>Gross profit</b>	<b>6 321</b>	<b>8 439</b>	<b>33.5%</b>
Gross margin, %	34.9%	34.1%	
<b>SG&amp;A</b>	<b>5 620</b>	<b>7 124</b>	<b>26.8%</b>
% of revenue	31.0%	28.8%	
<b>OIBDA<sup>3</sup></b>	<b>699</b>	<b>1 317</b>	<b>88.4%</b>
Margin, %	3.9%	5.3%	
<b>Net income</b>	<b>-315</b>	<b>368</b>	-
Margin, %	-1.7%	1.5%	

## Key LTM<sup>4</sup> indicators: June 2015 LTM on June 2014 LTM (in RUR mln, if not indicated otherwise)<sup>5</sup>

	LTM`14	LTM`15	Change, %
<b>Number of stores, units</b>	<b>264</b>	<b>347</b>	<b>31,4%</b>
Detsky Mir stores <sup>1</sup>	232	303	30,6%
ELC stores	32	44	37,5%
<b>Selling space (ksqm)</b>	<b>328</b>	<b>411</b>	<b>25,3%</b>
<b>Revenue</b>	<b>39 825</b>	<b>52 076</b>	<b>30.8%</b>
<b>Gross profit</b>	<b>15 161</b>	<b>19 381</b>	<b>27.8%</b>
Gross margin, %	38.1%	37,2%	
<b>SG&amp;A</b>	<b>11 539</b>	<b>13 862</b>	<b>20.1%</b>
% of revenue	29.0%	26,6%	
<b>OIBDA<sup>4</sup></b>	<b>3 630</b>	<b>5 528</b>	<b>52.3%</b>
Margin, %	9.1%	10,6%	
<b>Net income<sup>4</sup></b>	<b>1 408</b>	<b>2 727</b>	<b>93.7%</b>
Margin, %	3.5%	5,2%	

Source: Unaudited financial statements based on US GAAP for the 1<sup>st</sup> Half 2015

<sup>1</sup> Including Detsky Mir branded stores, but excluding "Yakimanka Children's Gallery" as of 30 June 2014 and 30 June 2015

<sup>2</sup> LFL measures is calculated on the basis of operations of Detsky mir branded stores only. The Detsky Mir stores that are included in like-for-like comparisons are those stores that have been open during the entirety of the two years for which the like-to-like comparison is being made. For example, the like-for-like comparison of retail sales between 1<sup>st</sup> half 2015 and 1<sup>st</sup> half 2014 would include revenue of all Detsky Mir stores that were opened during the course of 2013 and that were in operation during the entirety of 2014 and 1<sup>st</sup> half 2015. Like-for-like revenue is calculated on the basis of store revenue in roubles (including VAT but excluding returns)

## Key facts

### Network growth + 26 stores

- In the 1<sup>st</sup> half 2015 store chain increased by 26 new stores :
  - 25 new Detsky Mir branded stores
  - 1 new ELC branded store

### Revenue growth +36.6%

- In the 1<sup>st</sup> half 2015 revenue growth of 36.6% was driven by:
  - High like-for-like growth rate of 15.8%
  - Maturity of the stores opened in 2013 and 2014

### OIBDA growth +88.4%

- In the 1<sup>st</sup> half 2015 OIBDA growth of 88.4% was driven by:
  - SG&A expenses decrease by 2.2 p.p.

### Revenue growth +30.8%

- LTM Revenue growth was driven by :
  - High like-for-like growth rates of 13.6% and 15.8% in 2014 and 1<sup>st</sup> half 2015
  - An all-time high number of stores opened in 2014 (56 new Detsky Mir stores)
  - Increasing maturity of stores opened last year

### OIBDA growth +52.3%

- LTM OIBDA growth by 52.3% is a result of SG&A costs decrease as % of revenue that was driven by the effects from implemented operational improvements

### Net income growth +93.7%

- LTM net income growth is a result of high revenue growth as well as of the business efficiency improvement

<sup>3</sup> OIBDA is a non-GAAP measure, which is calculated on the basis of the US GAAP financial statements.

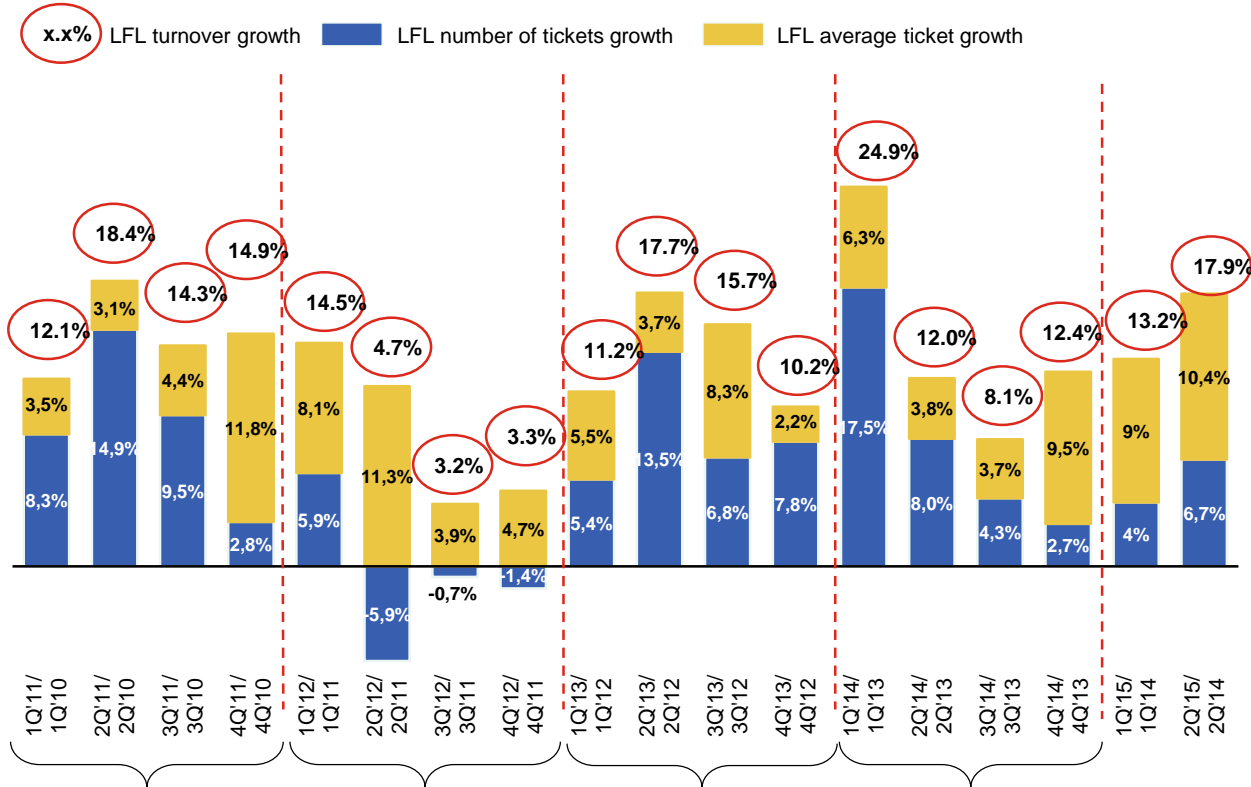
OIBDA is defined as total revenue minus cost of sales and selling, research and administrative costs

<sup>4</sup> OIBDA LTM and Net income LTM is calculated on the basis of last twelve months results: for 2015 LTM this period includes 3-4 quarters 2014 and 1st half 2015.

<sup>5</sup> Financial results are presented, including of disposal of Yakimanka building in 2014

# Robust like-for-like performance

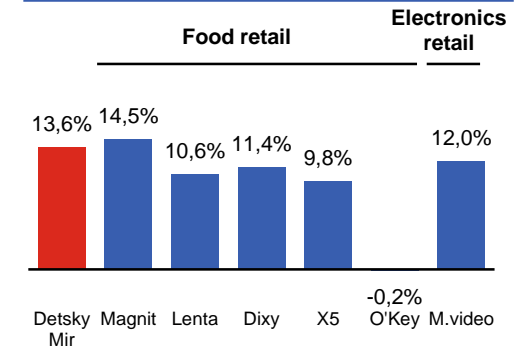
## Like-for-like sales (in RUR)



## Comments

- Double-digit growth of the like-for-like sales was a result of competitive pricing policy, marketing activities and improvements in merchandising
- Key driver of the like-for-like sales is an increase in traffic
- New openings under new store concept, attractive loyalty program, and competitive prices will be supportive for like-for-like growth in the future

## Like-for-like sales growth for FY 2014



### LFL growth in 2011

### LFL growth in 2012

### LFL growth 2013

### LFL growth 2014

### LFL growth in the 1st half 2015

	LFL growth in 2011	LFL growth in 2012	LFL growth 2013	LFL growth 2014	LFL growth in the 1st half 2015
<b>Total</b>	<b>14.9%</b>	<b>5.6%</b>	<b>13.4%</b>	<b>13.6%</b>	<b>15.8%</b>
Average ticket	6.1%	6.4%	4.8%	5.1%	9.8%
Traffic (# of tickets)	8.3%	(0.7%)	8.2%	8.1%	5.5%

Source: Company data

**In 2015 Detsky Mir continues to demonstrate attractive growth rates (LFL +16%)**

\* LFL base for 2014 – 176 stores; 2015 – 210

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