Q1 2019 Unaudited Financial Results

#1 Russian specialized children's goods retailer

April 2019

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Q1 2019 Financial Highlights

Detsky Mir

1 Store Openings

Continuous expansion, will be opened not less than new 80 stores in 2019

- 6[1] new Detsky Mir branded stores opened in Q1 2019 (+12,1% YoY of selling space)
- Majority of new stores will be opened in H2

2 Like-For-Like[2] Growth

Accelerating LFL[2] sales growth due to low price competition as well as high traffic

- 16.1% total revenue growth in Q1 2019
- 6.6% LFL[2] sales growth in Q1 2019 with 7.5% LFL[2] traffic growth

3 Profitability

Significant improvement due to further declines in personnel[3] and rental costs as % of sales

- Adj. EBITDA[4] growth of 30.1%
- Adj. EBITDA[4] margin improved by 70bps

4 Cash Generation

Continuously outstanding cash conversion metrics and free cash flow generation

- Cash conversion[5] of 81%
- Net debt / adj. EBITDA[4] of 1.8x despite capex in DC and dividend pay out ratio[6] of 100%

5 Online

Continued rapid growth in online sales

- 74.1% YoY online sales growth
- Share of online sales in total sales grew by c.300bps YoY reaching c.9.3%

Source: Company data. Note: The Company's consolidated financial statements for 2017-2019 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise.

[1] In Q1 2019, Detsky Mir closed five stores.

[2] LfL growth includes only DM stores in Russia hat have been in operation for at least 12 full calendar months

[3] Excluding share-based compensation and cash bonuses under the LTI program

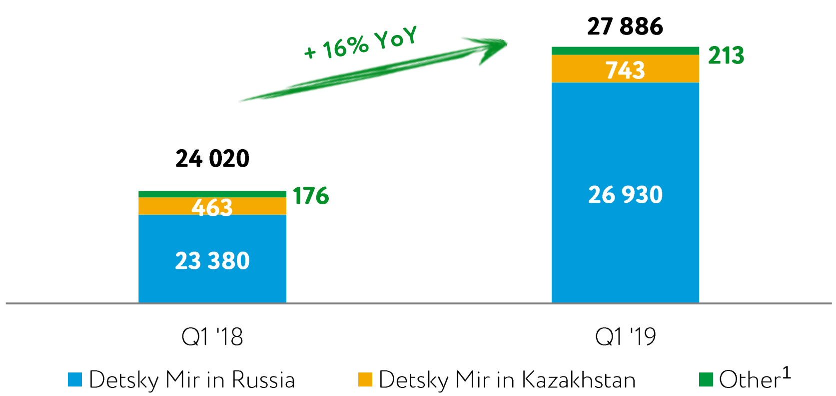
[4] Adj. EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain on acquisition of controlling interest in associate, impairment of goodwill, net finance expense, D&A, as well as share-based compensation and cash bonuses under the LTI program

[5] Calculated as (Adjusted EBITDA – Adjusted Capex) / Adjusted EBITDA

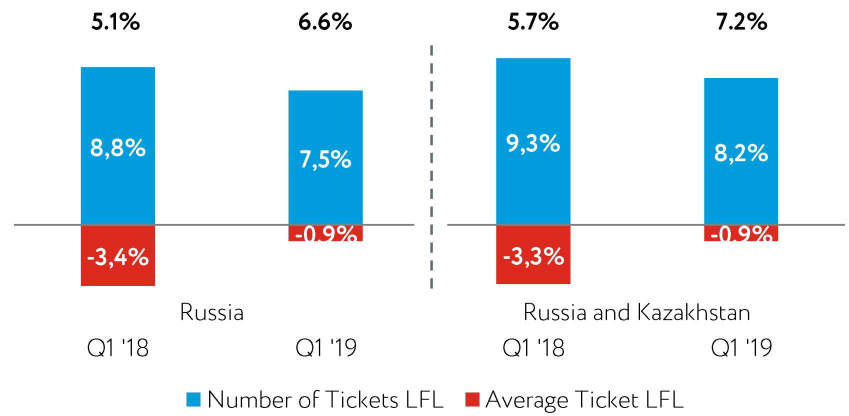
[6] Based on Russian Account Standards

Continued Solid Top-Line Growth

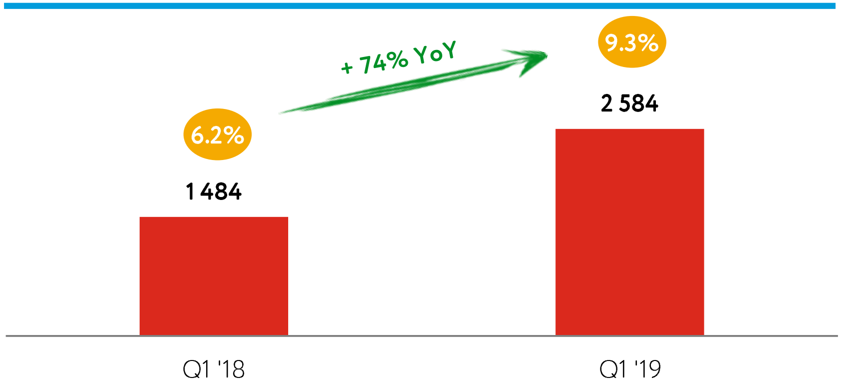
Total Revenue (RUBm)



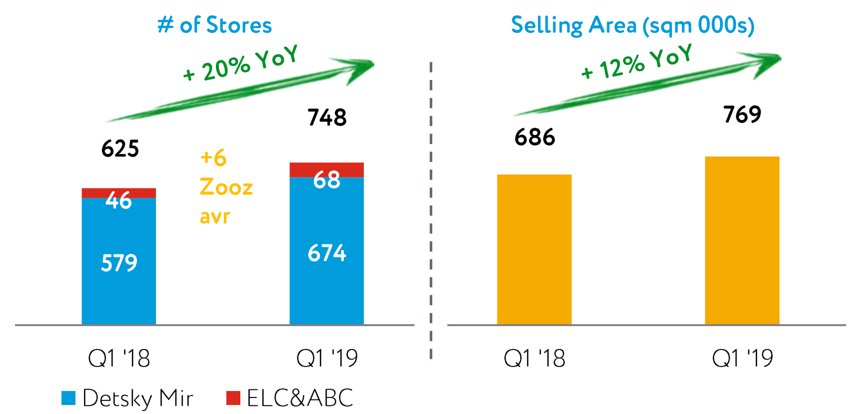
Like For Like Sales Growth[2]



E-Commerce Revenue (RUBm)



Store Network



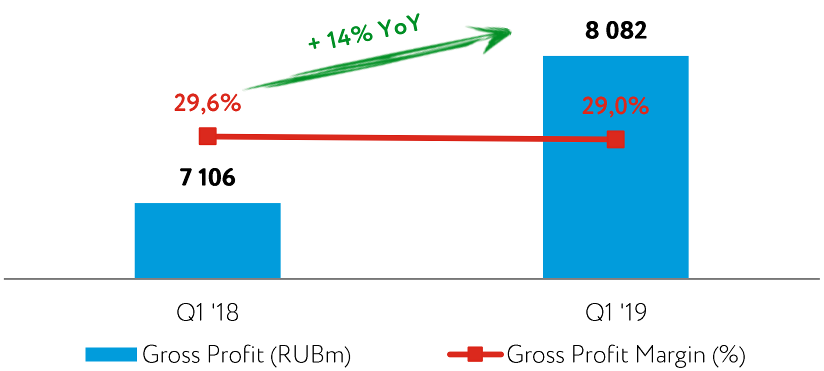
Note: Company's consolidated financial statements for 2017-2019 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise.

[1] This segment includes performance of ELC, ABC, Zoozavr stores as well as Detmir retail chain in Belarus

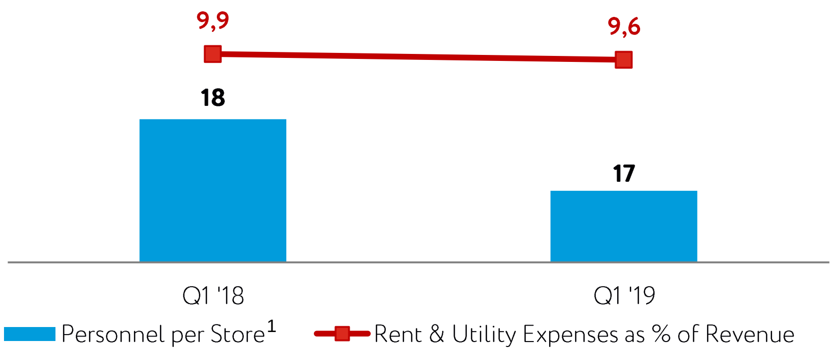
[2] Includes only Detsky Mir branded stores LFL growth includes only DM stores that have been in operation for at least 12 full calendar months

Growing Profitability

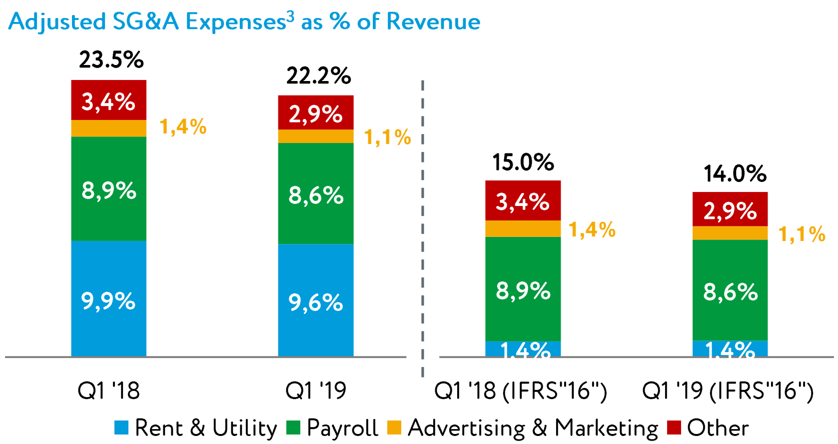
Growing Gross Profit



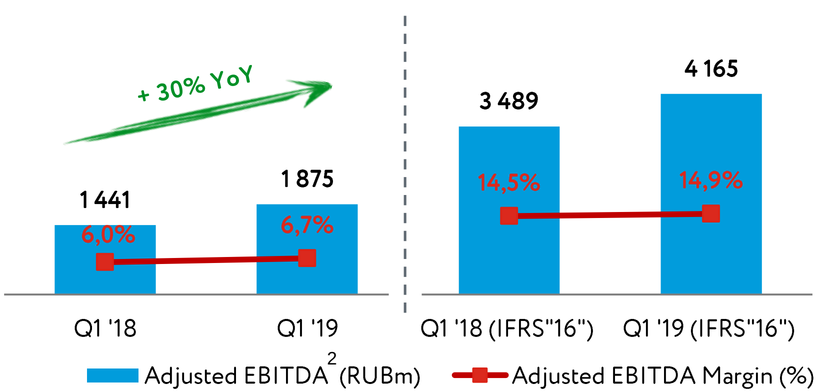
Personnel per Store and Reduction of Rent Costs



Strong Operating Leverage Effect[3]



Significant Margin Expansion with Scale Benefits



Source: The Company's consolidated financial statements for 2017-2019 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise.

[1] Excluding personnel in headquarters

[2] Adj. EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain on acquisition of controlling interest in associate, impairment of goodwill, net finance expense, D&A, as well as share-based compensation and cash bonuses under the LTI program

[3] SG&A expenses exclude D&A expenses and adjusted for LTI bonuses, as well as Income received from partial termination of employees' right to receive shares under the LTI program

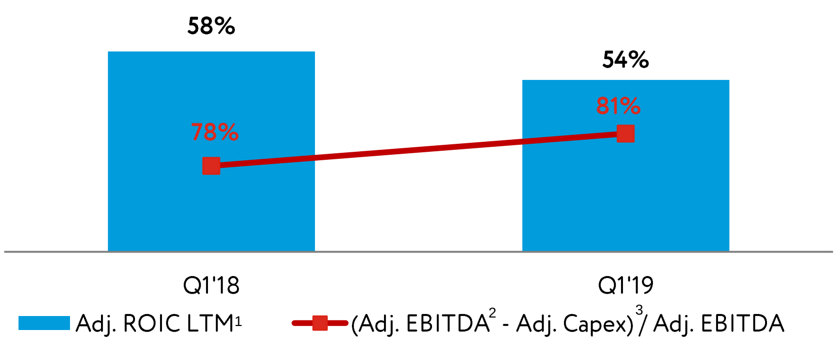
Strong Cash Flow Conversion

DETSKY MIR

Comments

- Cash conversion (Adj. EBITDA- Adj. Capex/ Adj. EBITDA) improved with high level of ROIC
- Investment in NWC (primarily decline in payables) significantly affected the Operating Cash flow:
  - Q4 is high season and most of the goods purchased in Q4 are paid in Q1 of the following year, which had such a significant impact on NWC
  - Rescheduling of payments was affected by the reduction of local suppliers with terms of payment after sales due to the growth in the share of PL and direct imports in inventories
- Increase in financing expense on the back of leveraging and the seasonality of the business
- Disciplined capex focused on store openings and selective investments in IT and infrastructure; limited maintenance capex requirements

Strong Cash Conversion and Financial Returns



Cash Flow (RUBm)

	2017	2018	Q1 '17	Q1 '18	Q1 '19	Q1 '18 IFRS 16	Q1 '19 IFRS 16
Adjusted EBITDA[2]	**10,663**	**12,665**	**1,109**	**1,441**	**1,875**	**3,489**	**4,165**
Changes in NWC	(1,123)	(7,156)	(4,463)	(5,103)	(4,943)	(5,103)	(4,743)
Cash Income Taxes Paid	(1,523)	(1,083)	(600)	(522)	(657)	(522)	(657)
Net Finance Expense Paid	(1,645)	(1,624)	430	(280)	(437)	(280)	(1,446)
Other Operating Cash Flow	708	688	(905)	64	186	64	186
Operating Cash Flow	**7,080**	**3,489**	**(4,429)**	**(4,400)**	**(3,976)**	**(2,353)**	**(2,495)**
CAPEX	(2,468)	(3,793)	(253)	(318)	(863)	(318)	(863)
DC Construction	-	(1,825)	-	-	(194)	-	(194)
Store Openings, IT & Maintenance[4]	(2,468)	(1,968)	(253)	(318)	(669)	(318)	(669)
Free Cash Flow	**4,612**	**(303)**	**(4,682)**	**(4,718)**	**(4,839)**	**(2,671)**	**(3,357)**
Investment cash flow	**(1,370)**	**(3,793)**	**821**	**(318)**	**(855)**	**(318)**	**(855)**
Financial cash flow	**(5,001)**	**483**	**1,687**	**2,527**	**2,836**	**480**	**1,354**
Change in Cash	**710**	**180**	**(1,921)**	**(2,191)**	**(1,996)**	**(2,191)**	**(1,996)**

Source: The Company's consolidated financial statements for 2016-2019 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise.

[1] Calculated as operating profit LTM, LTI bonus payments, including. income received from partial termination of employees' right to receive shares under the LTI program, divided by average capital invested. Capital invested is calculated as net debt plus total equity/(deficit) minus amounts receivable under a loan granted to CJSC "DM-Finance" and, for the year ended 31 December 2018, the net book value of the building occupied by the "Bekasovo-2" distribution centre and its equipment (which was completed in Q4 2018, but was not operational for most of 2018).

[2] Adj. EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain on acquisition of controlling interest in associate, impairment of goodwill, net finance expense, D&A, as well as share-based compensation and cash bonuses under the LTI program

[3] Adjusted on investment in DC "Bekasovo-2" and commercial premises for a flagship store in Moscow (will be opened in H2 2019)

[4] Including acquiring commercial premises for a flagship store in Moscow (Valdai shopping mall - RUB 306 m)

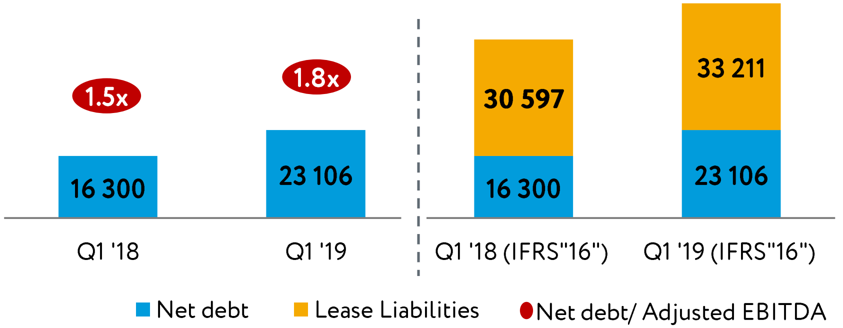
Conservative Financial Policy

Comments

- Commitment to a conservative financial policy
  - Fully RUB-denominated debt to match RUB revenue
  - Relationships with multiple Russian and international banks
- Leverage[1,2] as of 31 March 2019 is 1.8x of vs. 4.0x average covenant level across the loan portfolio
  - Increased due to investments in own DC Bekasovo-2 (RUB 2.3bn)
- Weighted average interest rate [3] – 9.03% (as of Q1 2019)
- Most of the debt has fixed interest rate
- No contingent off-balance sheet liabilities

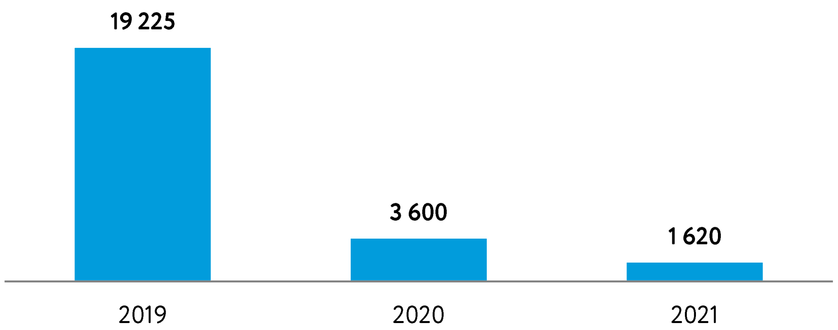
Leverage[1,2] dynamics

- Q1 2019 total debt – RUB 24.4bn

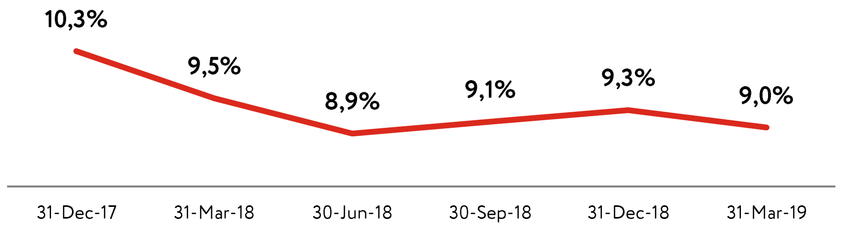


31-March-19 Debt Repayment Schedule

(RUBm)



Weighted average interest rate[3] dynamics (%)



Source: The Company's consolidated financial statements for 2017-2019 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise..

[1] Net debt is calculated as total borrowings less cash and cash equivalent

[2] Adj. EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain on acquisition of controlling interest in associate, impairment of goodwill, net finance expense, D&A, as well as share-based compensation and cash bonuses under the LTI program

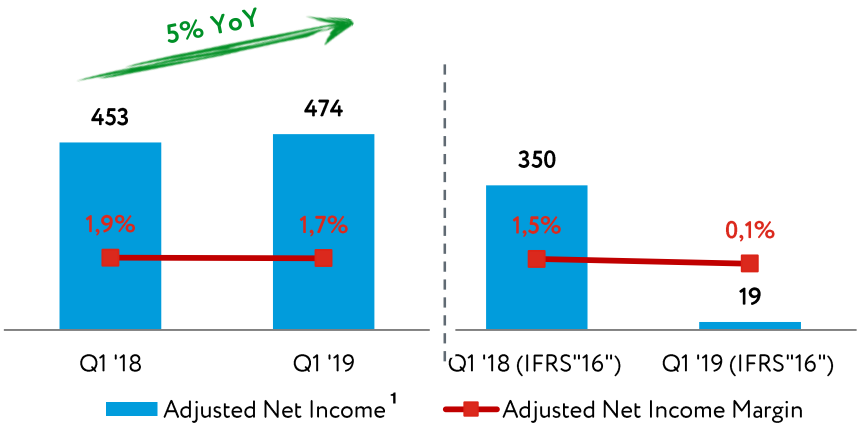
[3] Calculated on the basis of the weighted interest rates applying to the specified indebtedness (weighted by the principal amount of such indebtedness) as of the dates specified.

Sustainably High Returns to Shareholders

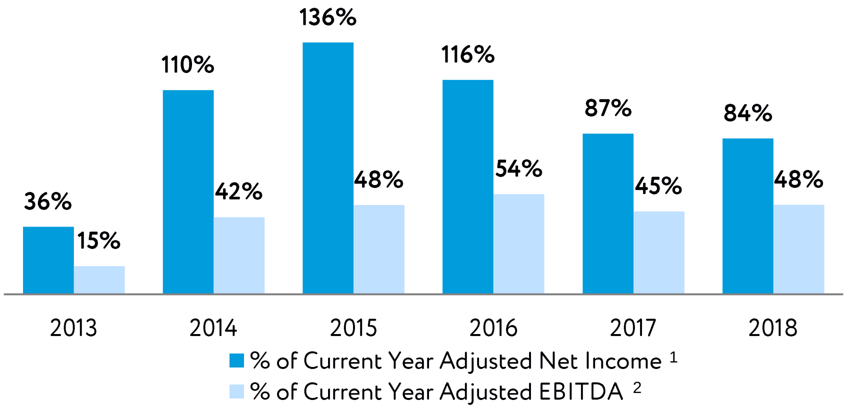
Comments

- Asset-light cash generative model underpins significant dividend paying capacity
  - Dividends as major differentiator from the majority of Russian high-growth food retailers
  - Ability to consistently maintain sound leverage levels despite significant dividend payout
- Dividend policy: payout ratio of *at least* 50% of consolidated IFRS net income for the previous year
  - Historically, up to 100% of net income under RAS paid out
  - Typically two dividend payments per year (9M interim and full year)
- Detsky Mir paid out the final dividend for FY2017 of RUB 2.9bn in Q2 2018, as well as interim dividends for 9M 2018 of RUB 3.2bn in Q4 2018
- BoD recommended to pay out a final dividend for 4Q 2018 of RUB 3.3bn

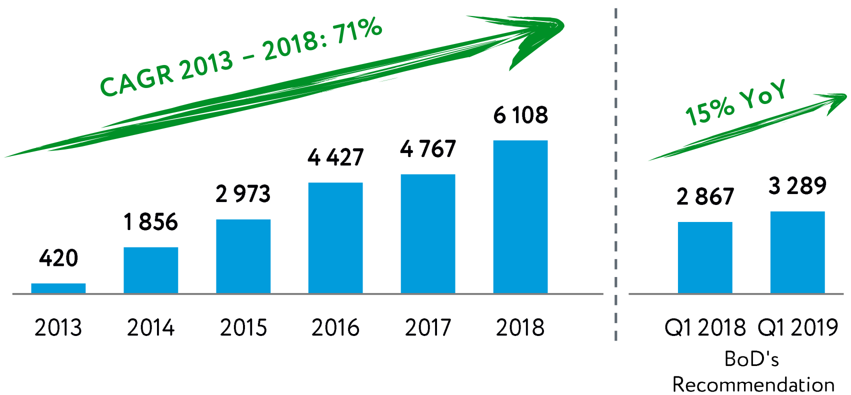
Adjusted Net Income (RUBm)[1]



Dividends as % of Adjusted EBITDA and Adjusted Net Income



History of Declared Dividends (RUBm)



Source: Company's consolidated financial statements for 2017-2019 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise.
[1] Adjusted for the one-off effect relating to additional bonus accruals and Income received from partial termination of employees' right to receive shares under the LTI program
[2] Adj. EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain on acquisition of controlling interest in associate, impairment of goodwill, net finance expense, D&A, adjusted for the one-off effect relating to disposal of the Yakimanka building in 2014, as well as share-based compensation and cash bonuses under the LTI program

Guidance Update

	Near Term guidance after IPO (5-March-2018)	2018 Actual	Mid- to Long-Term guidance after IPO (5-March-2018)	Updated guidance (1-March-2019)
Store Count	~70 new stores	100 new stores opened [1]	~250new stores in 2018-2021 (increased to 300 in Q3 2018)	>80 new stores in 2019 At least 300 new stores in 2019-2022
Revenue	Driven by store openings, LFL & ramp ups	✓	Driven by store openings, LFL & ramp ups	No change in guidance
LFL Revenue Growth	Single-digit growth outperforming the market, positive traffic growth, below inflation ticket growth, plus effect of new store ramp ups	4.3% LFL growth, outperforming the market	Single-digit growth outperforming the market, positive traffic growth, below inflation ticket growth, plus effect of new store ramp ups	No change in guidance
Gross Margin	Stable	Continued investing in prices to attract traffic (-60 bps)	Stable	Continued investing in prices to attract traffic , slightly declining to stable as % of revenue
Rent & Utility Expenses	Rents/sqm rise initially slightly above inflation then in line with inflation, so stable as % of revenue	Continued decline in as % of revenue (-60 bps)	Rents/sqm rise initially slightly above inflation then in line with inflation, so stable as % of revenue	Slightly declining to stable as % of revenue
Personnel Expenses[2]	Slightly declining to stable as % of revenue	Continued decline in as % of revenue (-10 bps)	Slightly declining to stable as % of revenue	No change in guidance
Adjusted EBITDA Margin	Double-digit	Improved by 40bps	Double-digit	No change in guidance

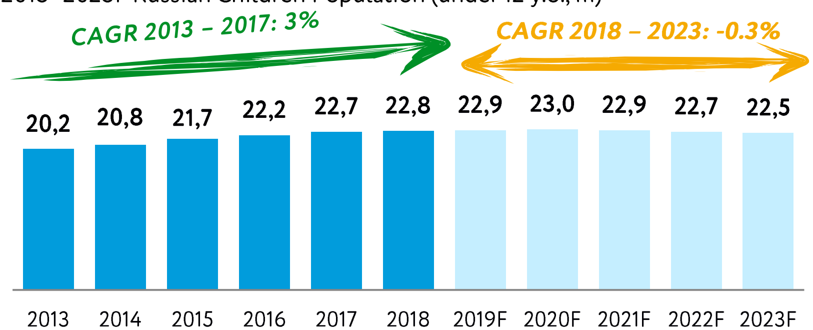
Source: Company data
The guidance presented do not account for the new IFRS 16 "Lease" accounting standards.
[1] In 2018, Detsky Mir closed five stores
[2] Adjusted for share-based compensation and cash bonuses under the LTI program

Appendix

#1 Player in a Large and Fragmented Market

Stable Children Population

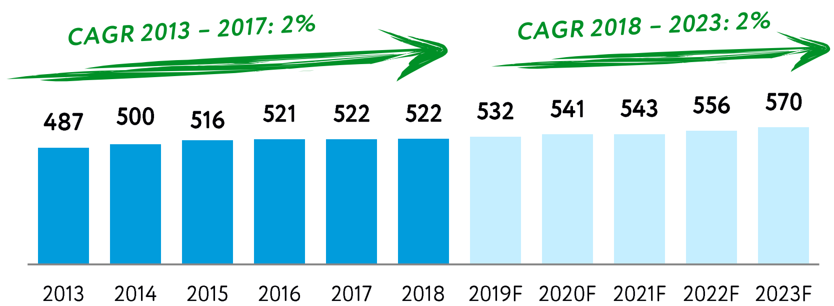
2013–2023F Russian Children Population (under 12 y.o., m)



Source: Ipsos Comcon report

Large and Growing Addressable Market

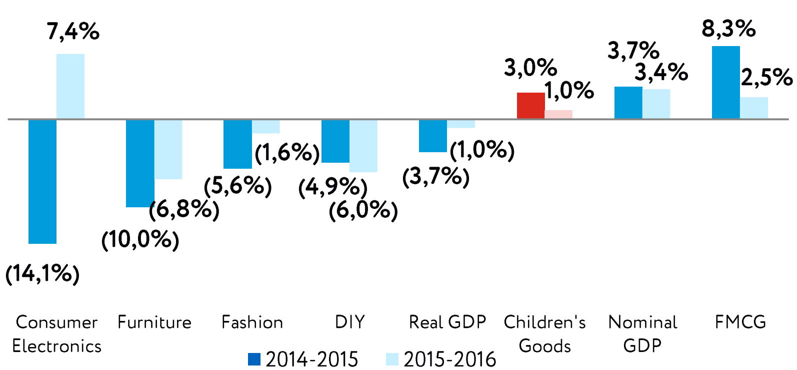
2013–2023F Russian Children's Goods Market (Nominal Prices, RUBbn)



Source: Ipsos Comcon report

With Proven Resilience in Downturn Times Compared to Many Other Retail Segments

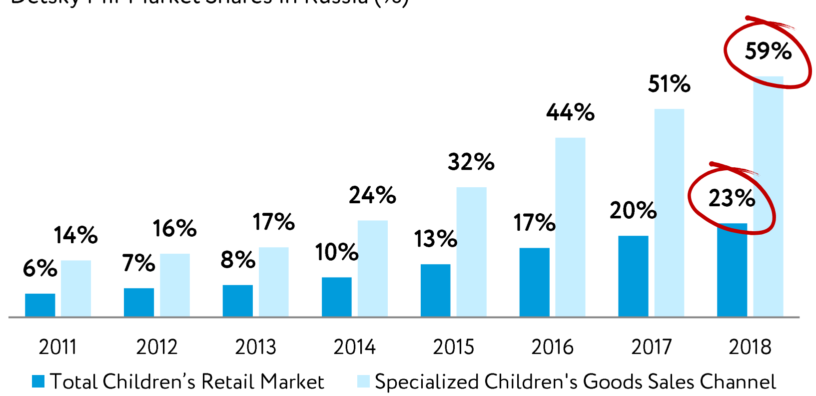
YoY, Nominal Growth in RUB terms (%)



Source: Rosstat, Ipsos Comcon report

Destky Mir is The Largest Specialty Children Goods Retailer with Rapidly Growing Market Share

Detsky Mir Market Shares in Russia (%)



Source: Company data, Ipsos Comcon report

Continuous Development of Our Online Platform

178m website visits in 2018 (+28% 1Q2019 vs 1Q2018)
91% free traffic (1Q2019)

>50,000 SKU offering
Significant improvement in **customer cart UI**

5.1m orders in 2018
(+28% 1Q2019 vs 1Q2018)

Key achievements in 2018

- Increased focus on **UI/UX** – full re-design of website interface, incl. product listing (pilot launch)
- **Exceeding "Ideal Instore" target** (91% in 4Q'18) of online orders to be ready for collection within 1 hour of order being placed (vs **45%** in 4Q'17)
- **Last mile delivery** in remote regions (pilot launch in 15 cities with delivery on next day)
- Number of **"Cyber Mondays"** increased to **18**

Desktop Tablet Mobile

Delivery methods

In-store pickup[2]
82% of online revenue in Q1 2019

Courier[1]
18% of online revenue in Q1 2018

Key initiatives for 2019

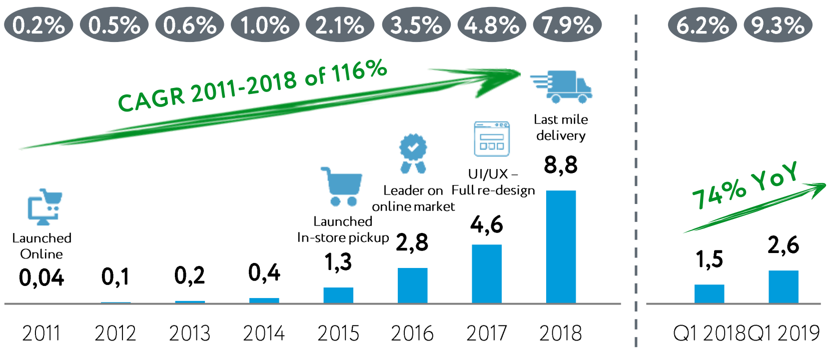
- **Full roll-out of new website** (100% traffic)
- **Launching online store in Kazakhstan** (In-store pickup)
- **Two-phase launch of mobile app**: i) loyalty program app in Q4 2018, ii) full-feature mobile app store in 2019
- **Full roll-out of last mile delivery** in remote regions (with same-day and next-day deliveries)
- **Improvement in SEO traffic** through the upgraded functionality of filters in product listing (growth landing pages, as well as web usability)
- **Implementation CRM-system** (expansion marketing coverage, as well as lengthen LTV)

Source: Company data
[1] Includes delivery to specified address and to pick-up point
[2] Includes online orders for assortment that is not presented in offline stores but dispatched from Detsky Mir warehouse and delivered via the Company's logistics system to any store of the chain preferred by customer. Implemented in Oct- 2017

Resulting in Exponential Growth Across All Key Metrics

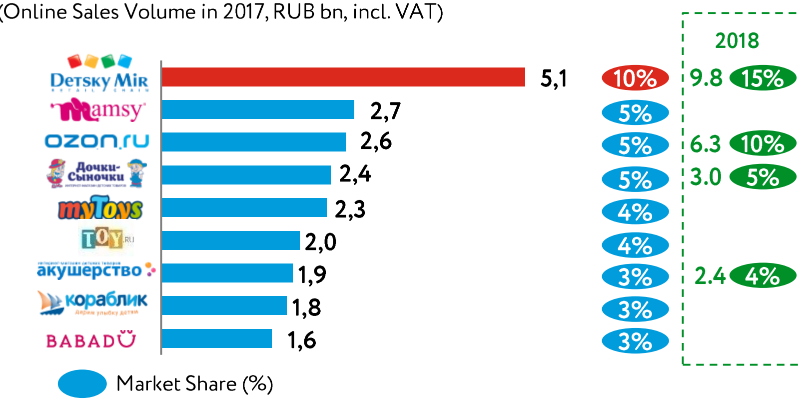
Accelerated Online Revenue Growth

(RUB bn)[1,2]



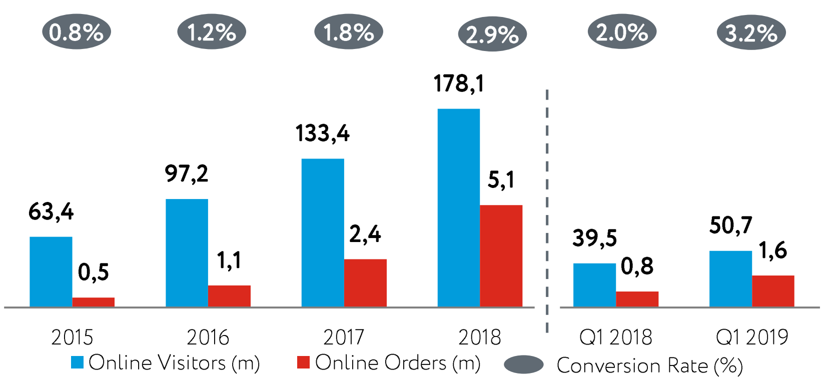
Russian Top Online Children's Goods Stores

(Online Sales Volume in 2017, RUB bn, incl. VAT)



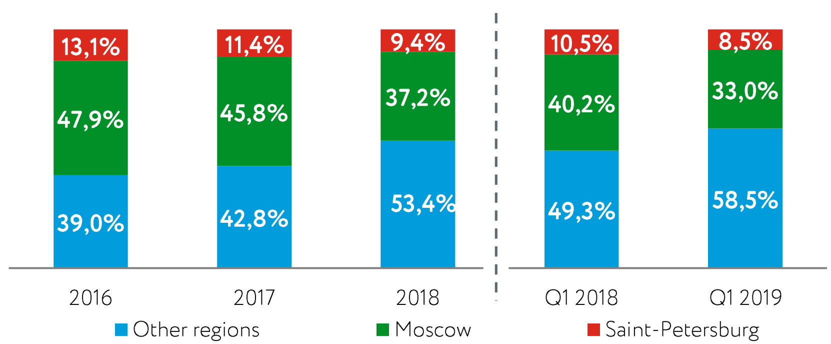
Source: Ipsos Comcon

Continuous growth in traffic and in particular improving conversion...



... driven by the increasing share of regional sales

Share of Value of Online Orders (%)



Company data

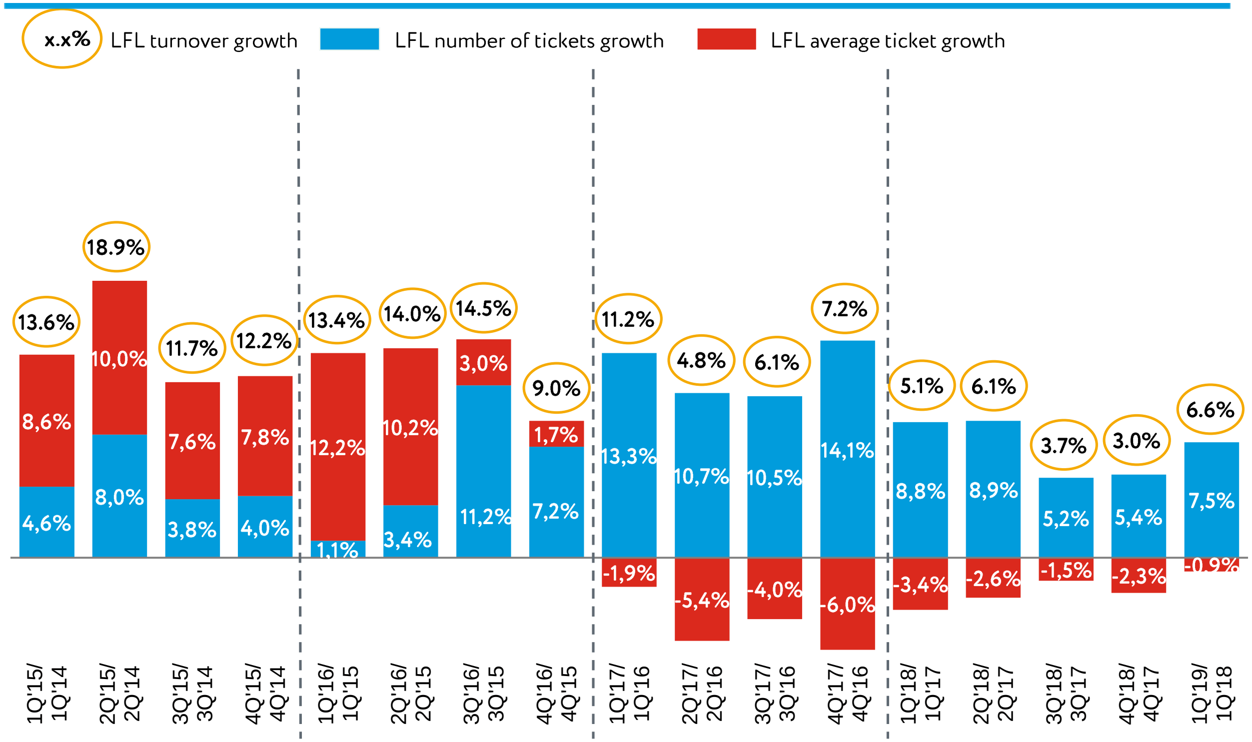
[1] The Group's consolidated financial statements for 2011-2013 under US GAAP, 2014–2018 under IFRS. For the line items and the years presented, there was no difference between the calculation of numbers or presentation under US GAAP and IFRS

[2] Including in-store pickup

[3] Based on preliminarily Detsky Mir sales in Russia

Robust Like-for-Like Performance

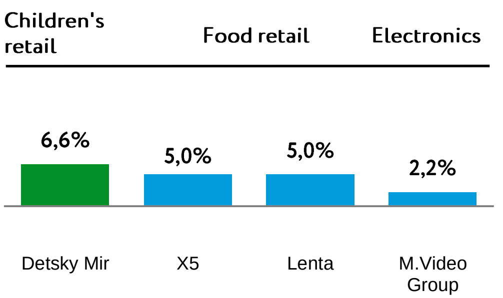
Like-for-like revenue (in RUB)



Comments

- Strong growth of like-for-like sales was a result of a competitive pricing policy, marketing activities and improvements in merchandising
- Focus on attracting new customers, resulting in high single digit LFL number of tickets growth
- New openings under new store concept, attractive loyalty program and competitive prices are key factors supporting further like-for-like growth

Like-for-like revenue growth in Q1 '19



LFL growth	LFL growth 2016	LFL growth 2017	LFL growth 2018	LFL growth Q1 2019
Total	12.3%	7.2%	4.3%	6.6%
Average ticket	5.9%	(4.4%)	(2.4%)	(0.9%)
Number of tickets	6.0%	12.2%	6.9%	7.5%

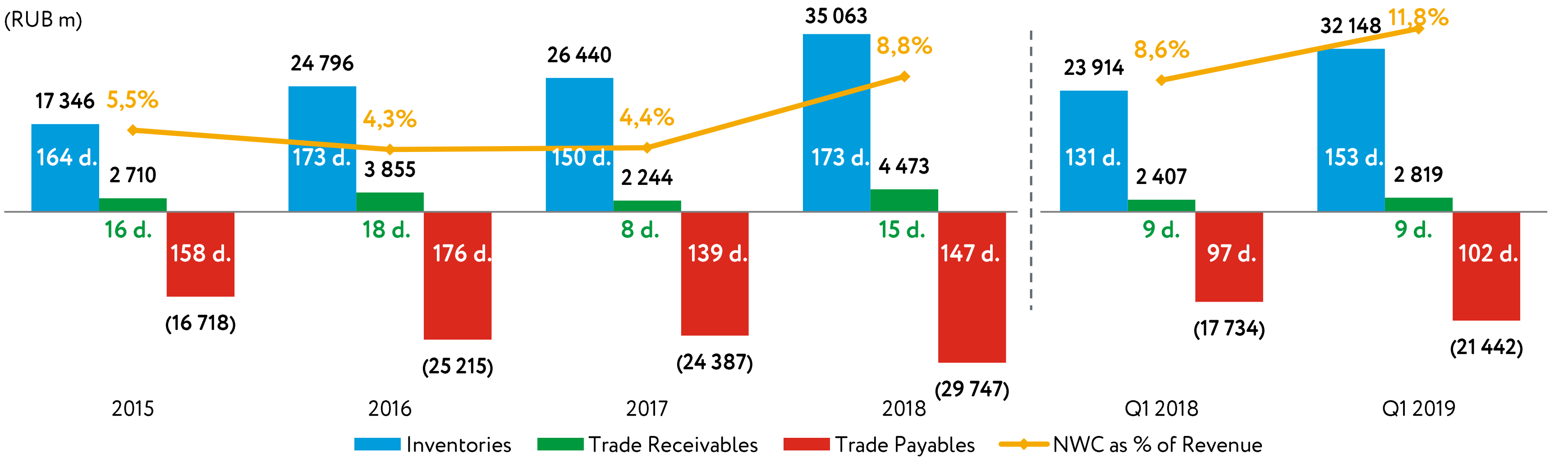
Detsky Mir demonstrated an attractive revenue growth rate (LFL +6.6%) in Q1 2019

Source: Company data, publicly available data with respect to other companies
*LFL growth in RUB terms. LfL growth includes only DM stores in Russia that have been in operations for at least 12 full calendar months.

Net Trade Working Capital Overview

DETSKY MIR

Focus on Constant Improvement & Optimization of NWC[1,2]



- Improvements in 2016 achieved via
  - Improved logistics processes efficiency
  - Improved AR: retro-bonuses are calculated and received on a monthly basis instead of quarterly effective beginning of 2016

- Improvements in 2017 achieved via
  - Improved Inventories turnover on the back of optimization of current stock as well as purchases of new goods (positively affected gross margin) and additional promotions agreed with and compensated by suppliers
- Changes in Payables turnover due to an increase in imports and private label purchases (positive effect on gross margin) and better turnover of goods sold with "on being sold" payment condition

- Increase in trade working capital in 2018 mainly driven by
  - Increase in receivables was affected by shift in marketing activities vs 2017, as well as a significant increase in the share of suppliers bonuses in December (21.0% in 2018 vs 12.7% in 2017), with net effect of RUB 2.0bn on NWC
  - Additional goods purchased to mitigate potential FX risks with net effect of RUB 1.6 bn on NWC

- Increase in trade working capital in Q1 '19 mainly driven by
  - Q4 is high season and most of the goods purchased in Q4 are paid in Q1 of the following year, which had such a significant impact on NWC
  - Increase in inventory turnover ratio was affected by a large opening balance due to additional goods purchased in Q4 '18 to mitigate potential FX risks (expected to be fully normalized in H1 '19)
  - Receivables turnover ratio (suppliers bonuses) was normalized

Source: Company data.
Note: The Company's consolidated financial statements 2015-2019 under IFRS are presented without reference to the application of IFRS 16. In the transition to the new standard, the comparative figures were not reconciled for 2017.
[1] Net trade working capital calculated as Receivables + Inventories – Payables
[2] Days of Inventories / Receivables / Payables turnover calculated as corresponding metric divided by COGS / Revenue / COGS multiplied by 365 for FY numbers.

Financial Performance Summary

Detsky Mir

(RUBm, unless specified otherwise)[1]

	2016	2017	2018	Q1 '18	Q1 '19
Number of stores	**525**	**622**	**743**	**625**	**748**
Detsky Mir stores	480	578	**673**	**579**	**674**
ELC, ABC, Zoozavr stores	45	44	**70**	**46**	**74**
Selling space (k sqm)	**596**	**688**	**768**	**686**	**769**
Revenue	**79,547**	**97,003**	**110,874**	**24,020**	**27,886**
% total sales growth	*31.4%*	*21.9%*	*14.3%*	*14.0%*	*16.1%*
% LFL sales growth[2]	*12.3%*	*7.2%*	*4.3%*	*5.1%*	*6.6%*
Revenue per sqm[3] (RUB thousand / sqm)	*146*	*151*	*152*	*35*	*36*
Online sales[4]	2,776	4,637	8,771	1,484	2,584
Share of online sales	*3.5%*	*4.8%*	*7.9%*	*6.2%*	*9.3%*
Gross profit	**27,108**	**32,798**	**36,829**	**7,106**	**8,082**
Margin, %	*34.1%*	*33.8%*	*33.2%*	*29.6%*	*29.0%*
Gross profit per sqm[3] (RUB thousand / sqm)	***50***	***51***	***51***	***10***	***11***
Adjusted SG&A[5]	18,885	22,127	24,116	5,655	6,205
% of revenue	*23.7%*	*22.8%*	*21.8%*	*23.5%*	*22.2%*
Adjusted EBITDA[6]	**8,203**	**10,663**	**12,665**	**1,441**	**1,875**
Margin, %	*10.3%*	*11.0%*	*11.4%*	*6.0%*	*6.7%*
Adjusted Profit for the period[7]	**3,827**	**5,501**	**7,229**	**453**	**474**
Margin, %	*4.8%*	*5.7%*	*6.5%*	*1.9%*	*1.7%*
Total Debt	**14,638**	**13,592**	**21,470**	**17,264**	**24,445**
Cash and cash equivalents	(2,445)	(3,155)	(3,335)	965	1,339
Adjusted Net Debt[8]	**11,133**	**10,436**	**18,135**	**16,300**	**23,106**
Adjusted Net Debt / Adjusted EBITDA	*1.4x*	*1.0x*	*1.4x*	*1.5x*	*1.8x*
Capex	**(1,747)**	**(2,468)**	**(3,793)**	**(318)**	**(863)**
% of revenue	*2.2%*	*2.5%*	*3.4%*	*1.3%*	*3.1%*
Dividends declared	**(4,427)**	**(4,767)**	**(6,108)**	-	-

Source: Company data

[1] The Group's consolidated financial statements for 2015–2019 under IFRS are presented without reference to the application of IFRS 16. In the transition to the new standard, the comparative figures were not reconciled for 2017.

[2] LfL growth in RUB terms. LfL growth includes only DM stores in Russia that have been in operation for at least 12 full calendar months

[3] Calculated per average space for the period

[4] Including in-store pickup

[5] Adjusted SG&A expenses are calculated excluding Depreciation and Amortisation, as well as additional bonus payments and Income received from partial termination of employees' right to receive shares under the LTI program

Comments

Sales Growth

- Strong support from both network expansion and LFL
- Solid LFL Sales growth rates
- High rate of new openings in 2018 (100 stores[9])

Improved Operating Efficiency

- Slightly declining gross margin due to investment in price leadership to support traffic and LFL growth
- Over 400bps improvement in SG&A as % of sales over four years (-130bps Q1 '19 vs Q1 '18)

Superior EBITDA Margin

- Major SG&A optimisation measures implemented by the new management team since 2013
- Over 120bps margin increase over four years (+70bps Q1 '19 vs Q1 '18)
- Double-digit EBITDA margin achieved in 2015 and improved in 2016 - 2018, expected to be maintained in mid-term

Capex

- Asset-light business model allows to achieve superior cash flow generation

Conservative Financial Policy

- Leverage[8] as of 31-March-2019 is 1.8x vs. 4.0x average leverage covenant level across the loan portfolio

Attractive Returns for Shareholders

- Continuous dividend payout pattern
- Yearly dividend payments increased more than 14-fold from 2013

[6] Calculated as EBITDA, as well as additional share-based compensation expense and Income received from partial termination of employees' right to receive shares under the LTI program

[7] Adjusted for the one-off effect relating to additional bonus accruals and Income received from partial termination of employees' right to receive shares under the LTI program

[8] Adjusted Net Debt is calculated as Net Debt adjusted for amounts receivable under the loan issued to CJSC "DM-Finance" (Sistema's subsidiary), fully repaid on February 27, 2017.

[9] In 2018, Detsky Mir closed five stores

Contact Information