



Investor Presentation

#1 Russian specialized children's goods retailer

July 2019

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Agenda

1 Overview and Key Updates

2 Our Investment Story

3 Recent Financial Performance

4 Appendix

1

Overview and Key Updates

Russia's Children Goods Retail Market Leader With Strong Growth and Shareholder Returns

Key Facts



Detsky Mir is the undisputed #1 player in the specialized children's goods market in Russia



"Detsky Mir" is an iconic brand with 99% prompted awareness¹



688 Detsky Mir branded stores in 258 cities in Russia, Kazakhstan and Belarus, as well as 66 ELC & ABC stores and six Zoozavr stores as of 30 June 2019



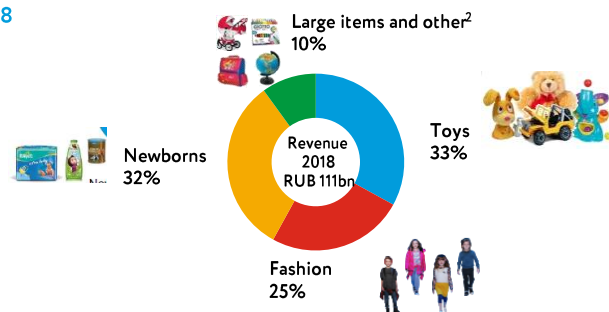
Average store selling space of c.1,100 sqm, located in modern shopping malls with product range of 20,000–30,000 SKUs



"Detmir.ru" is the leading online children's goods retailer and a top online retailer in Russia

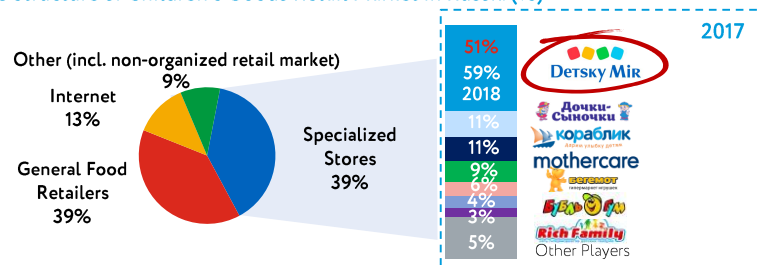
Diversified Product Portfolio²

2018



Leading Market Position

2018 Structure of Children's Goods Retail Market in Russia (%)



Source: Company data, Ipsos Comcon

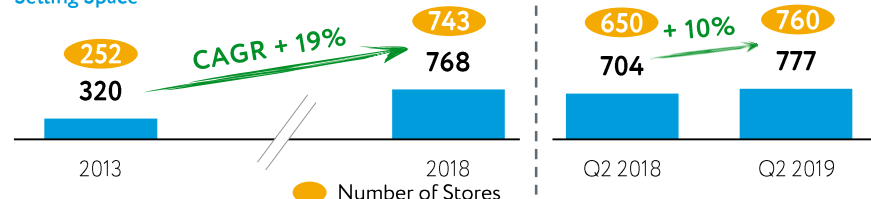
¹ Source: "Children Goods Market in Russia" report by Ipsos Comcon ("Ipsos Comcon report"). Poll was conducted in December 2017

² Including large items, stationery, sports and seasonal goods

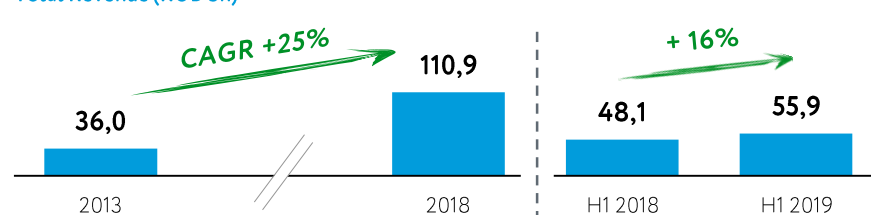
³ The Group's consolidated financial statements for 2013 under US GAAP, 2014–2019 under IFRS presented without taking into account the new accounting standards IFRS 16 – Leases, if it is not specified. For the line items and the years presented, there was no difference between the calculation of numbers or presentation under US GAAP and IFRS

Strong Operating and Financial Results³

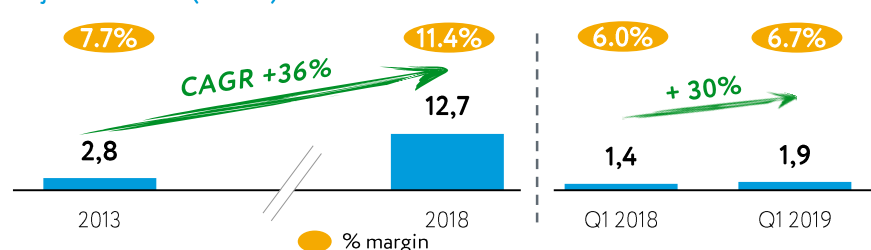
Selling Space



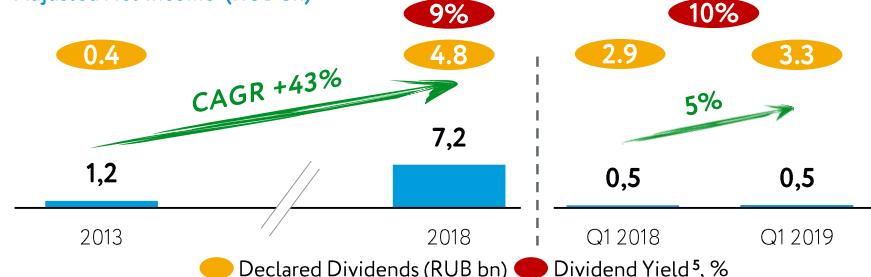
Total Revenue (RUB bn)



Adjusted EBITDA⁴ (RUB bn)



Adjusted Net Income⁴ (RUB bn)



Declared Dividends (RUB bn) Dividend Yield⁵, %

⁴ 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

⁵ Calculated as dividend per share divided by average share price for at least 12 full calendar months

Key 2018-2019 Business Initiatives

Increase Share of Private Labels and Direct Imports

- Growing the share of private labels and direct imports across our four main product categories
- Share in total revenue increased from 33.3% to 36.1% in 2018 (39.9% in H1 2019)
- Main focus on toys as our key margin- and traffic-driving category, with medium term private label/direct imports share target of 30%
- Successfully rolled out our BabyGo private label line of affordable diapers (5% of sales in 2018) with share target of 15% in mid-term
- Introducing fashion private brand with fully in-house design to gain expertise in manufacturing and improve quality via tendering

Geographical Expansion

- Entering in Belarus, with first opened store in February 2019 and long-term goal to gain 20% share of this RUB 40bn children's goods market (35 new stores in mid-term)
- Continued regional expansion:
 - Opened five stores in Russia's Far East Federal District in 2018 (20 new stores in mid-term)
 - Expand to new cities in Kazakhstan (+37% LFL & 1.5x sales growth)




Continued Upgrades to e-Commerce Platform and Customer Offering

- Improve functionality and customer service KPIs of in-store pickups to reach 77% of online sales in 2018 (85% in H1 2019), drive overall LFL sales growth and stimulate cross sales (~30% of online sales)
- Home deliveries out of stores in remoted cities (mid-term target 2-3 hours): piloting in 15 locations in 2018, full rollout in 2019
- Full website redesign: mobile friendly product listings (+10% in CR)
- Two-phase launch of mobile app: i) loyalty program app launched in Q4 2018, ii) full-feature mobile app store in 2019

Launch of New Business Line - Pet Supplies

- Begin opening Zoozavr branded stores in 4Q 2018: ~200 sqm stores (continued piloting in 2019)
- Full-feature high-touch online pet goods store linked to "Detmir.ru", with a combined shopping cart and pickups at both Retail chains
- Leverage our experience in a comparable, but highly fragmented >RUB 200bn market, as well as synergies in combined logistics and high omni-channel traffic

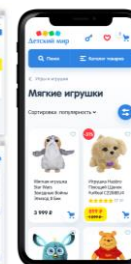
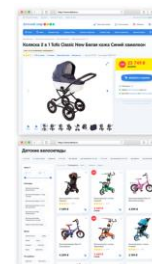
Share of Private Labels & Direct Imports in Sales by Category

	H1'19	H1'18	
Toys	27.5%	19.8%	 Mobicaro
Newborns	5.2%	2.3%	 Baby Go
Fashion	96.2%	95.9%	 Tombi
Large Items	69.3%	66.8%	
Other Goods	40.3%	33.1%	

Our Key Strengths for Belarus Expansion

- ✓ Strong brand awareness in CIS
- ✓ Aggressive price positioning
- ✓ Biggest purchasing power in CIS
- ✓ Effective business model (>40% IRR)
- ✓ Efficient supply chain: no customs barriers, adjacent infrastructure, short 2-4 day logistics leg

Website Redesign



Mobile App



2

Our Investment Story

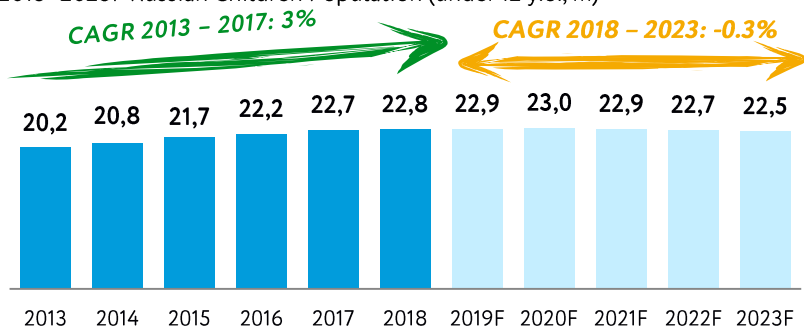
Detsky Mir - Leading the Solid Russian Children's Goods Retailing Sector



1 #1 Player in a Large and Fragmented Market

Stable Children Population

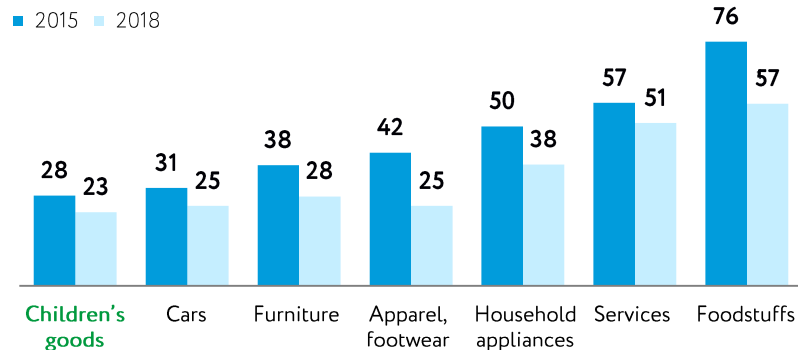
2013–2023F Russian Children Population (under 12 y.o., m)



Source: Ipsos Comcon report

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

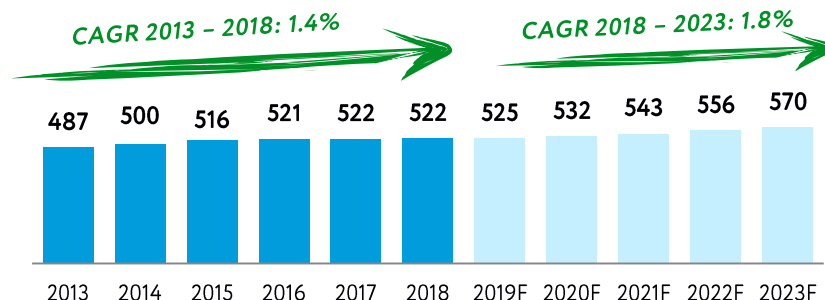
stopped or postponed purchasing, started to purchase less or started to purchase less expensive goods in this category (%)



Source: Russian Target Group Index, 2015 - 2018 Ipsos Comcon

Large and Stable Market

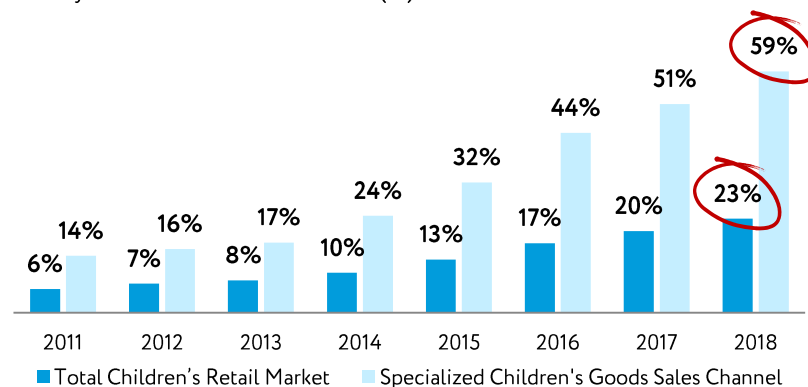
2013–2023F Russian Children's Goods Market (Nominal Prices, RUBbn)



Source: Ipsos Comcon report

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

Detsky Mir Market Shares in Russia (%)






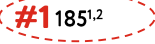














Source: Company data, Ipsos Comcon report

2 Iconic Category-Defining Brand with Attractive Multi-Category Customer Proposition

Leading Customer Proposition



Bigger, Better and More Recognizable Than the Competition

	Total Number of Stores (Q2 2019) ^{1,2}	Net Store Openings (Q2 2019) ^{1,2}	Stores in Moscow and Moscow Region (Q2 2019) ^{1,2}	Stores in Other Regions (Q2 2019) ^{1,2}	Average Selling Space per Store (ths. sqm)	Poll: Unaided Brand Awareness (Dec-17)
	 654	 #1 11 ^{1,2}	 #1 185 ^{1,2}	 #1 469 ^{1,2}	1.1 ³	 92%
	 206	-9	146	60	0.7	 39%
	 184	-4	59	125	1.2	 64%
	 120	-1	58	62	0.5	 9%
	 42	-	-	42	2.0	 4%

Source: Company data, Ipsos Comcon report

¹ Excluding Kazakhstan and Belarus

² Excluding ELC & ABC and Zoozavr stores

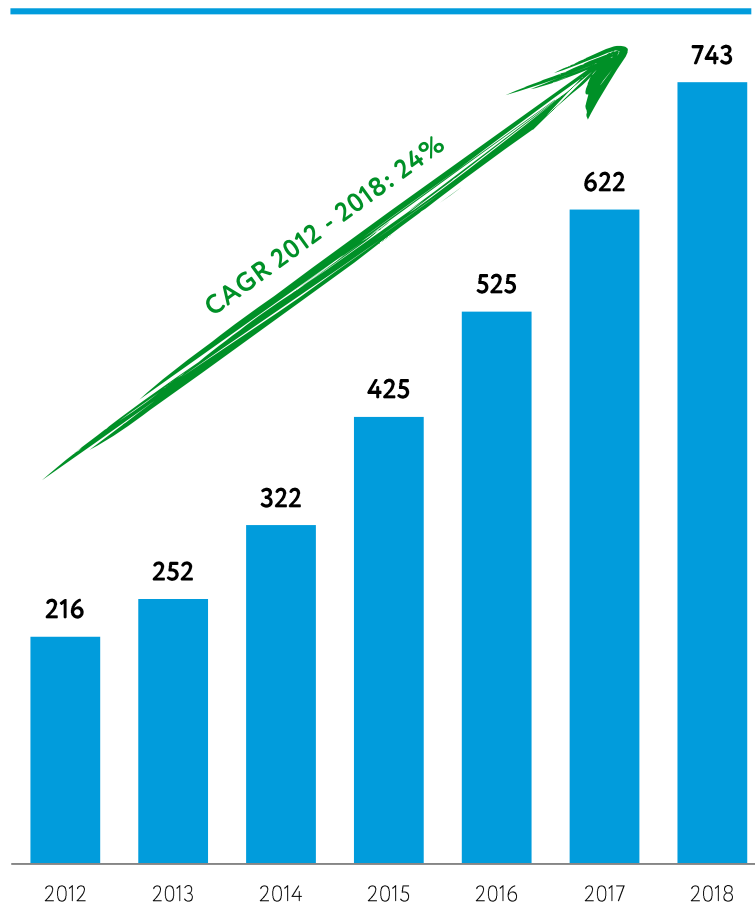
³ New store roll-out: gross space

⁴ Cardholders who made at least one purchase at Detsky Mir during the last 12 months to 30 June 2019 are considered active.

3 Well-Defined Four-Pillar Growth Strategy

A Taking over Whitespace in Large and Small Cities, as Well as International Markets

Number of Stores (incl. ELC, ABC and Zoozavr)



Source: Company data

Visible Expansion Pipeline

- 673¹ DM stores
- 115 Cities with no DM Presence (40k -100k inhabitants)
- 20 New stores in Russia's Far East Federal District
- 35 Malls identified as priority locations for DM (in the large cities of presence)
- 70 Replacing competitors (specialized stores)
- 25 Medium-term target stores in Kazakhstan
- 35 Medium-term target stores in Belarus

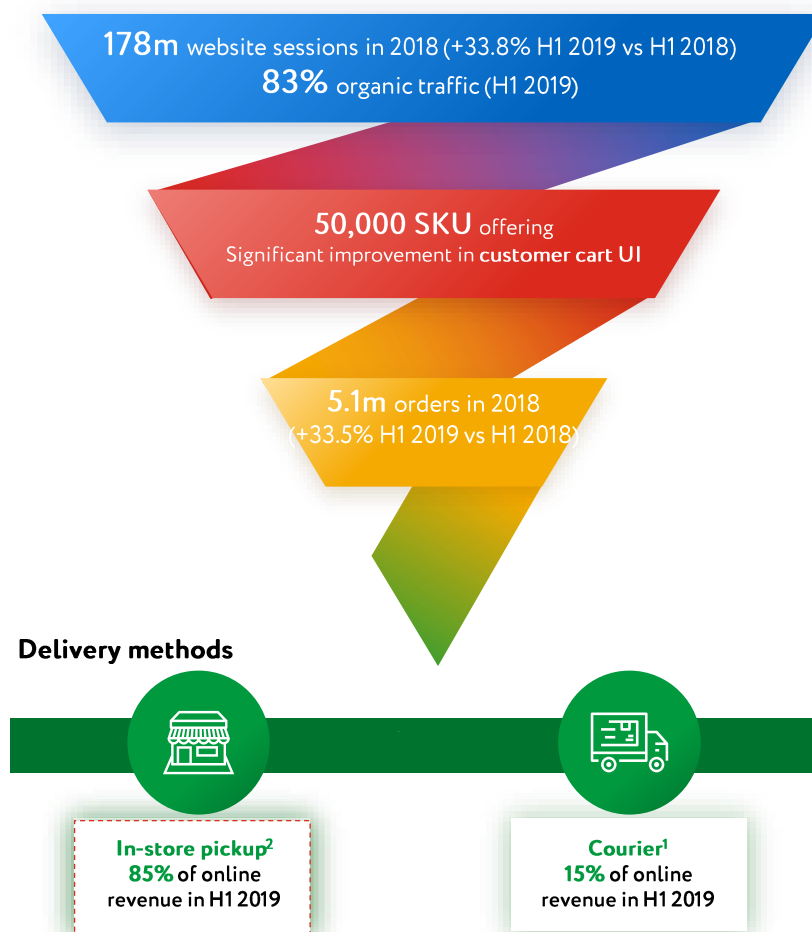
At least 300 new stores in 2019-2022 (IRR >40%)



¹ Only Detsky Mir branded stores as of 31-Dec-18

3 Well-Defined Four-Pillar Growth Strategy

B Continuous Development of Our e-Commerce Platform...

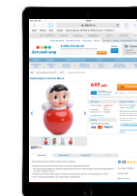


Key Achievements in 2018

- 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

Key Initiatives in 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

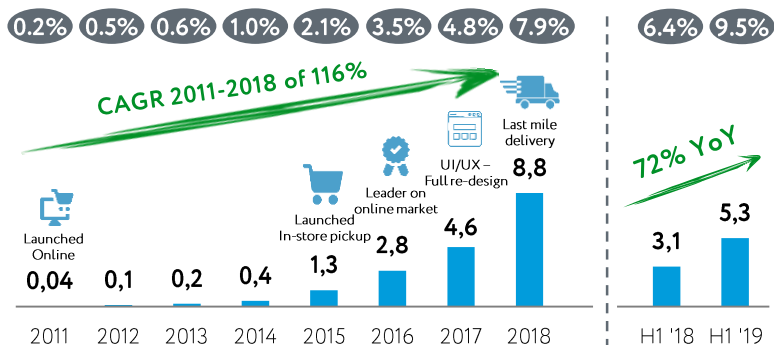
¹ Includes delivery to specified address and to pick-up point

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

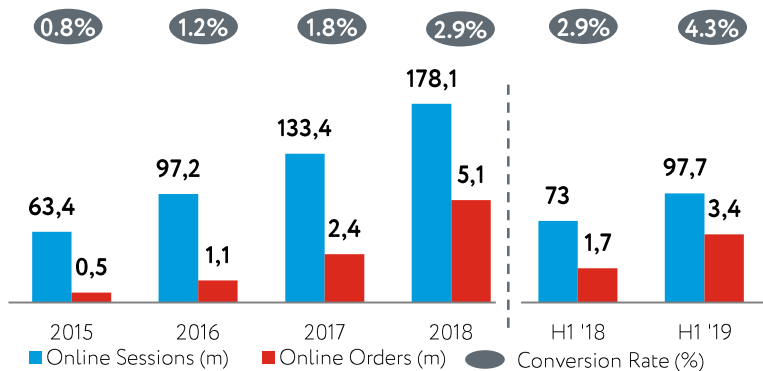
3 Well-Defined Four-Pillar Growth Strategy

B ...Resulting in Exponential Growth Across All Key Metrics

Accelerated Online Revenue Growth

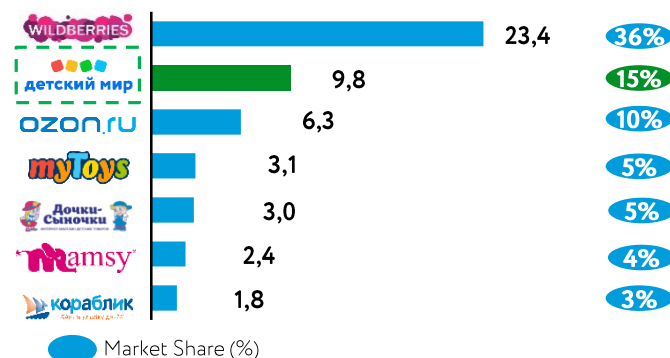


Continued Growth in Traffic and, in Particular, Improvement in Conversion Rates...



Top online players in children's retail

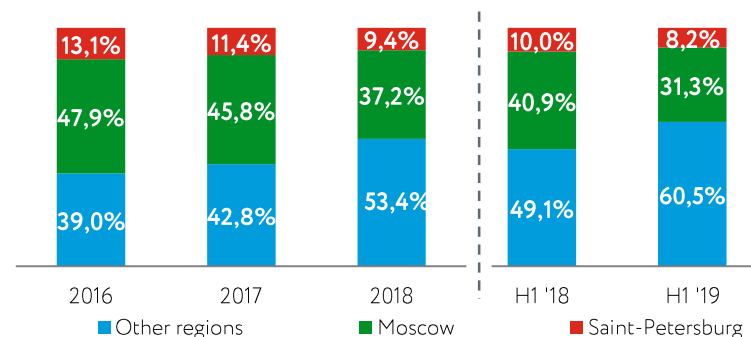
2018 Online Sales Including VAT (RUB bn)



Source: Ipsos Comcon, Datainsight

... Driven by an Increasing Share of Regional Sales

Share of Value of Online Orders (%)

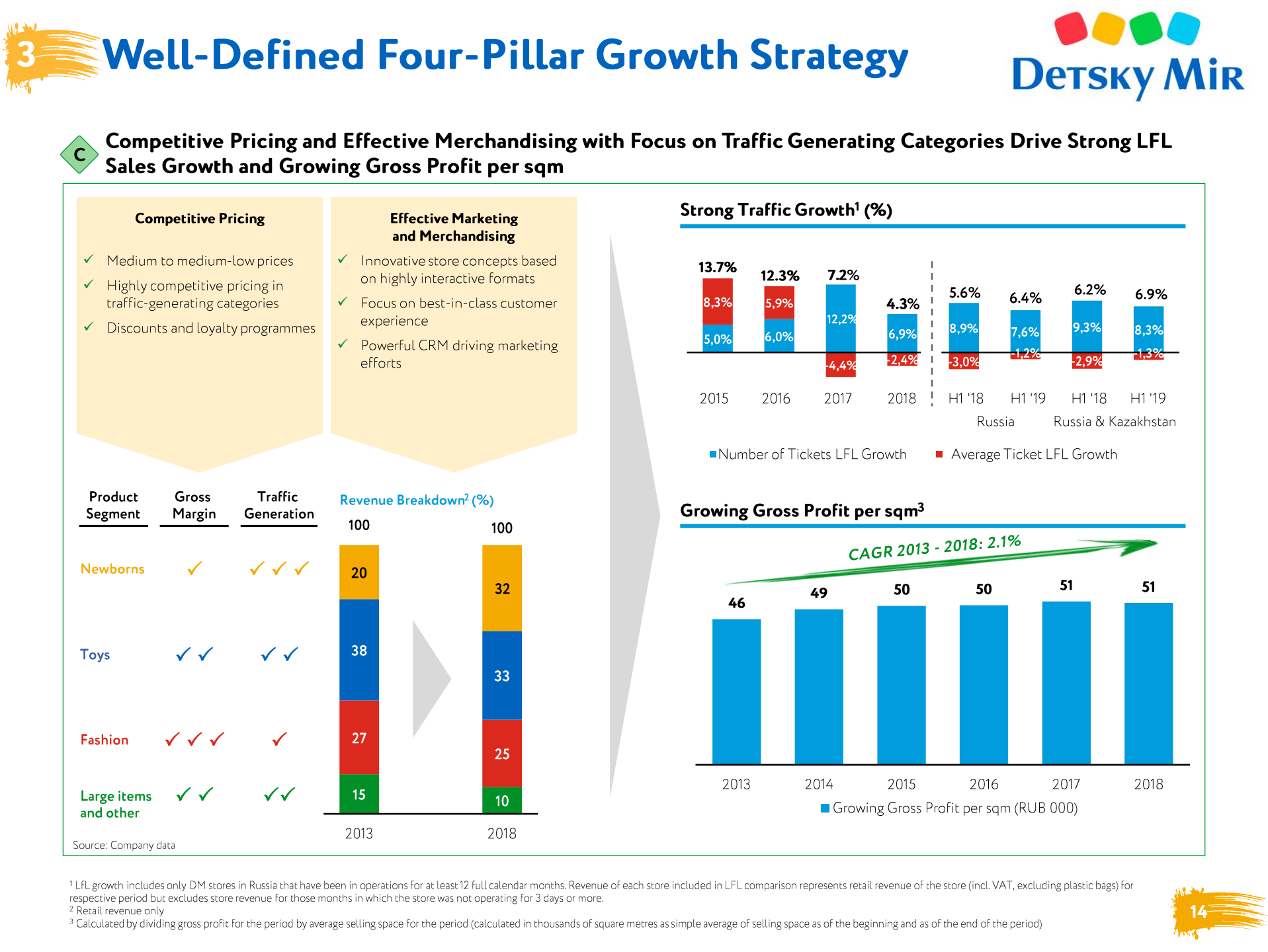


Company data

¹ The Group's consolidated financial statements for 2011-2013 under US GAAP, 2014-2019 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



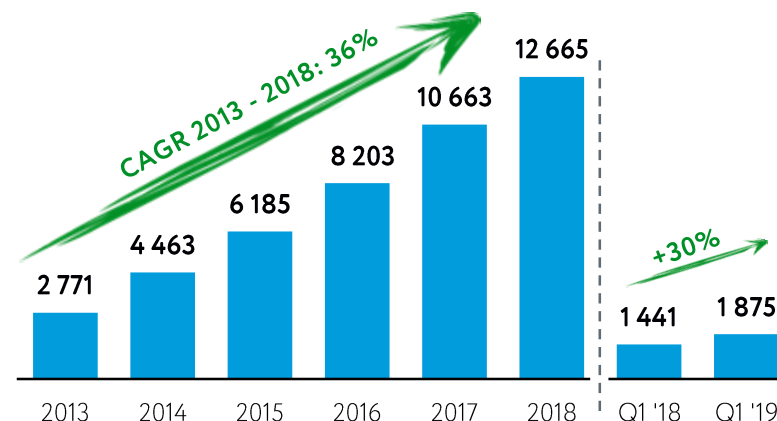
3 Well-Defined Four-Pillar Growth Strategy

D Focus on Execution Excellence to Achieve Superior Operating Margins

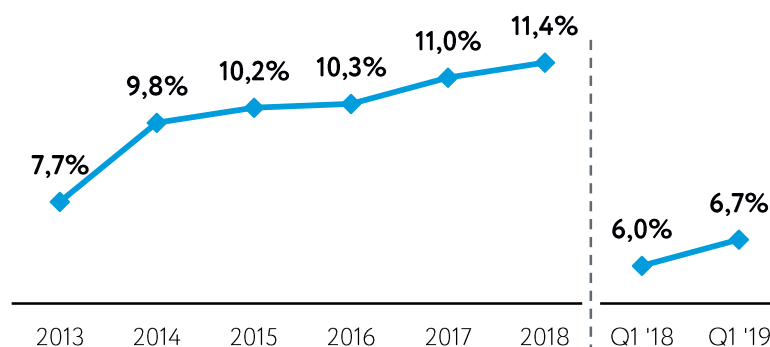
Improvement of 370bps in adj. EBITDA¹ margin since 2013 driven by:

- ✓ Store operation improvements
- ✓ Optimization of IT platforms and personnel
- ✓ Reduction in adjusted SG&A² as % of revenue by over 920bps over 2013-2018

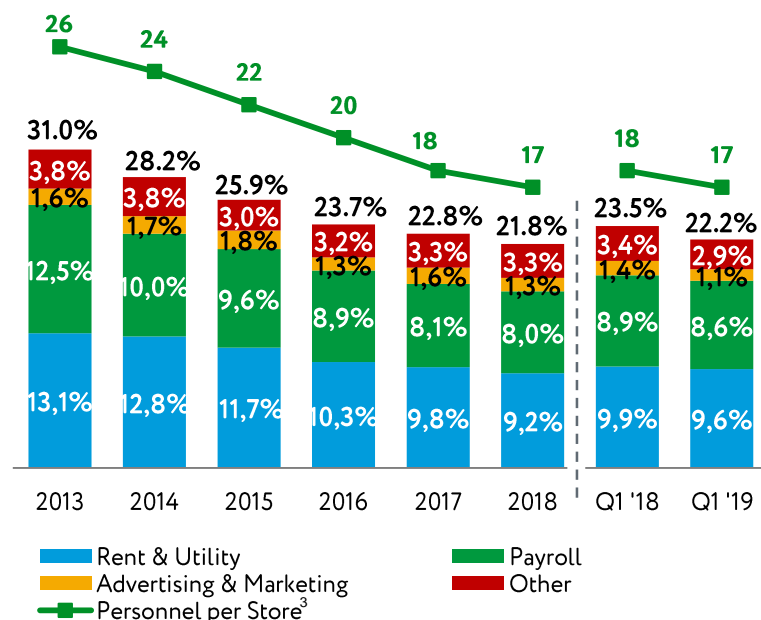
Adjusted EBITDA¹ (RUBm)



Adjusted EBITDA Margin (%)



Adjusted SG&A Expenses as % of Sales² and Personnel per Store³



Source: Group consolidated financial statements for 2013 under US GAAP and 2014-2018 under IFRS. For the line items and the periods presented, there was no difference between the calculation of numbers or presentation under US GAAP and IFRS

¹ 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

² Adjusted SG&A expenses are calculated excluding Depreciation and Amortisation and additional bonus payments under the LTI program

³ Excluding personnel in headquarters

Expansion Platform Geared Up to Future Growth

Detsky Mir

Strong Infrastructure Backbone

Store Management and Rollout

- Strict investment hurdles for store openings:
 - Focus on high-traffic shopping centres
 - Opportunistically consider standalone locations
- Flexible approach to store formats with size ranging from 500 to 2,000+ sqm
- Limited Capex per sqm due to asset-light business model with only 4 owned stores, including DM store on Prospect Vernadskogo (Moscow)

Distribution & Logistics

- Well-established import trade competencies and in-house customs department:
 - Direct import contracts accounted for c.25% of 2017 revenue
- 2 modern DC in Moscow region of approximately 70,000 and 20,000 sqm
 - Target centralization level¹ of 75%² is achieved
- Increasing importance of e-Commerce as part of the omni-channel sales strategy
- In Q4 2018 new DC was launched at PNK Park Bekasovo, in the Naro-Fominsk district of the Moscow region. Total investment in the DC amounted to RUB 2.5bn, while the total area of the facility is 62,000 sq m.

IT Infrastructure

- Set-up SAP system manages on-stock balances
- IT-infrastructure is able to support up to 800 stores with in-store pickup function
- SAP Hybris (e-commerce platform) implemented in 2017

Detsky Mir Network of 760 Stores² Across Russia, Kazakhstan and Belarus



¹ Centralization level measured as ratio of cost of goods delivered to DM stores directly from DM's DCs to the total cost of goods delivered to DM stores

² As of 30 June 2019 (incl. ELC, ABC and Zoozavr stores)

Sustainable Asset-Light Business Model Generating Attractive Shareholder Returns

A

Attractive New Store Economics and Disciplined Roll-Out...

- Capex of c. RUB 13m per 1 standard DM store
- Strict investment criteria
 - IRR hurdle rate of 40% on 7-year cash flows (not accounting for terminal value)
- Total maturity period – 18-24 months
- Targeted EBITDA breakeven in 4 months after a store opening
- Payback period of 2.5-3.0 years

B

...Supported by Well-Controlled Rental Costs...

- Primarily locations in high-traffic modern shopping malls
- Mostly more than 5-year rental agreements with fixed annual increases
- Unilateral termination rights for Detsky Mir (with reasonable notice periods)

D

...and a Leading ROIC⁵ in Global Retail Context

CY2018(%)



C

...Resulting in Strong Returns¹...

	2013	2014	2015	2016	2017	2018
Revenue Growth	30%	26%	33%	31%	22%	14%
Selling Space Growth	10%	22%	26%	21%	15%	12%
Adj. EBITDA ² , RUBbn	2.8	4.5	6.2	8.2	10.7	12.7
Capex, RUBbn	(0.8)	(1.9)	(5.3)	(1.7)	(2.5)	(4.1)
Dividends, RUBbn	(0.4)	(1.9)	(3.0)	(4.4)	(4.8)	(6.1)
Adj. Net Debt ³ / Adj. EBITDA LTM ²	1.8x	0.6x	1.7x	1.4x	1.0x	1.4x
Adjusted ROIC LTM ^{4,5}	56%	88%	78%	61%	86%	80%

Source: Companies disclosures and reporting

¹ The Group's consolidated financial statements for 2013 under US GAAP and 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 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

³ Adj. Net Debt is calculated as total borrowings (long term borrowings and short-term borrowings and current portion of long-term borrowings) less cash and cash equivalents adjusted for amounts receivable under the loan issued to CJSC "DM-Finance"

⁴ Calculated as operating profit divided by average capital invested (simple average of capital invested as at the respective dates). Capital invested is calculated as net debt plus total equity (deficit)

⁵ Invested capital is adjusted for amounts receivable under a loan granted to CJSC "DM-Finance", carrying amount of Yakimanka building and, for the year ended 31 December 2015, the net book value of the building occupied by the Bekasovo distribution center and its equipment (which was completed in 2015, but was not operational for most of 2015), 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).

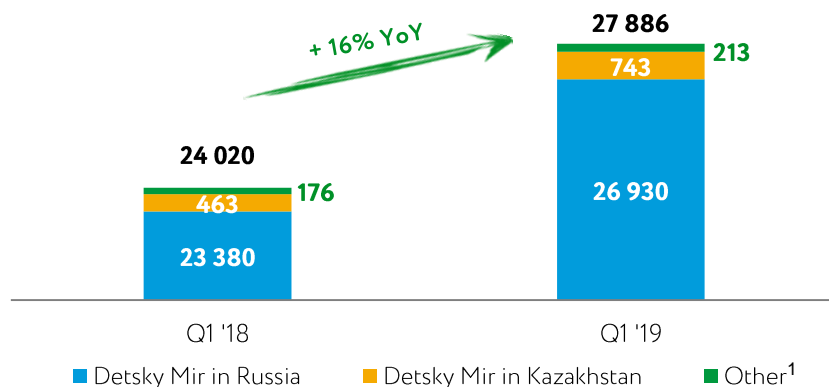
Operating profit is adjusted for LTI expense

⁶ Calendarized to December year end

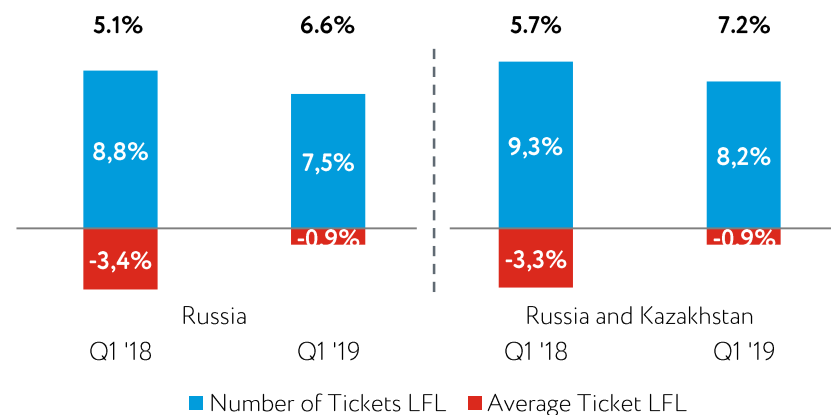
3 Recent Financial Performance

Continued Solid Top-Line Growth

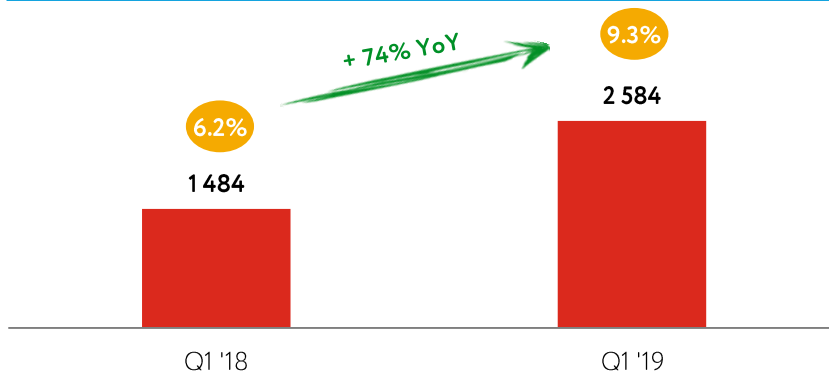
Total Revenue (RUBm)



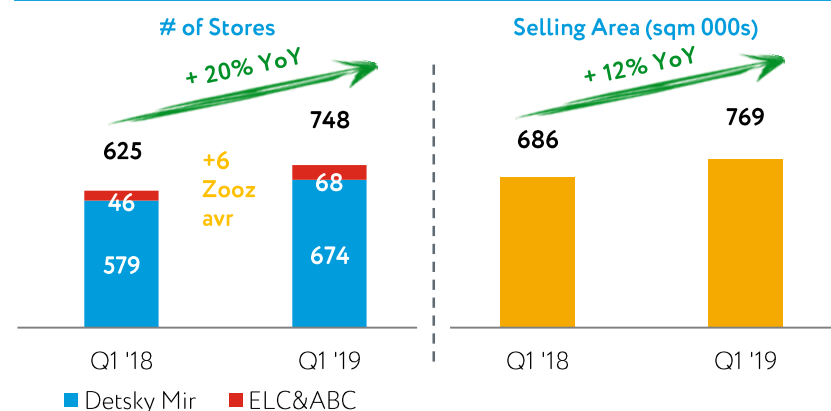
Like For Like Sales Growth²



E-Commerce Revenue (RUBm)



Store Network



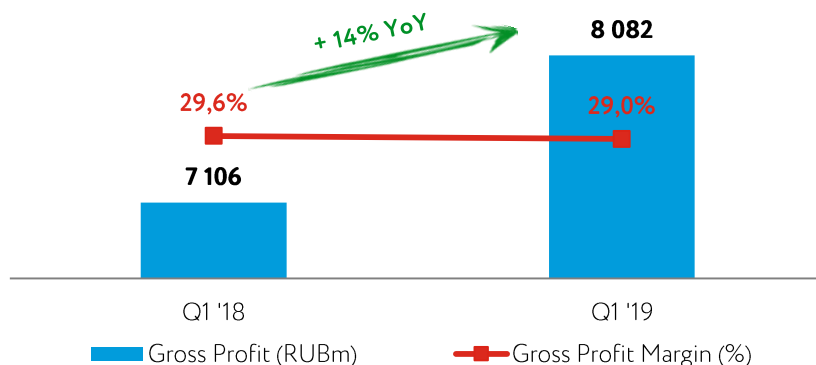
Note: Company's consolidated financial statements for 2017-2019 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise.

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

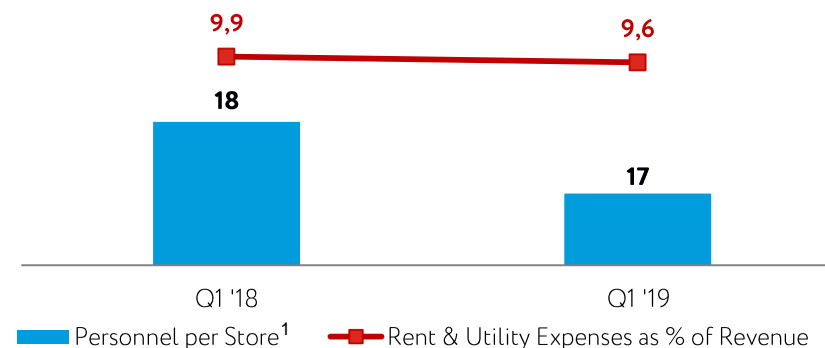
² Includes only Detsky Mir branded stores LFL growth includes only DM stores that have been in operation for at least 12 full calendar months

Growing Profitability

Growing Gross Profit

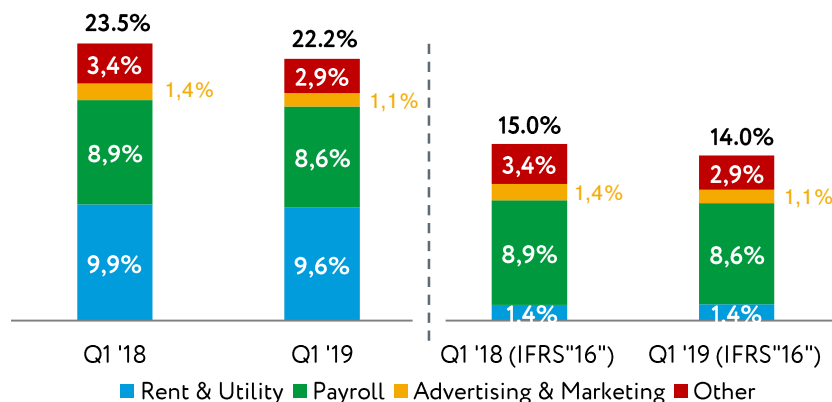


Personnel per Store and Reduction of Rent Costs

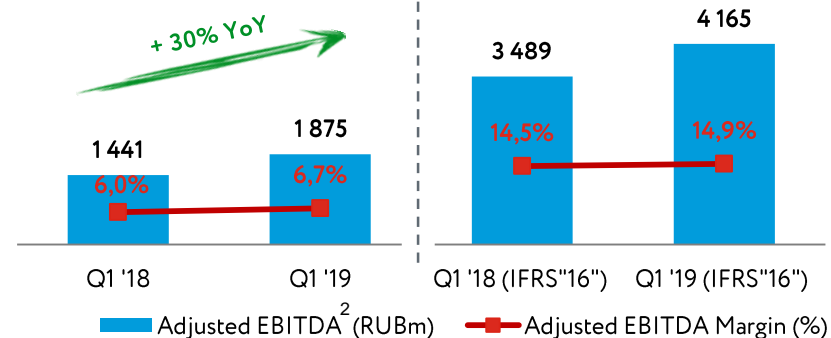


Strong Operating Leverage Effect³

Adjusted SG&A Expenses³ as % of Revenue



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

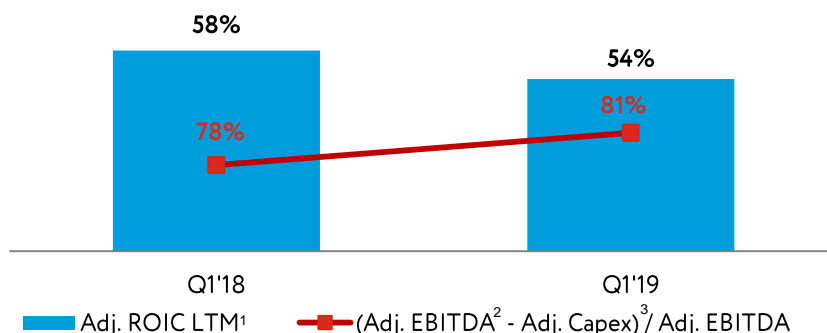
³ SG&A expenses exclude D&A expenses and adjusted for LTI bonuses, as well as Income received from partial termination of employees' right to receive shares under the LTI program

Strong Cash Flow Conversion

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



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).

Cash Flow (RUBm)

	2017	2018	Q1 '17	Q1 '18	Q1 '19	Q1 '18 IFRS 16	Q1 '19 IFRS 16
Adjusted EBITDA²	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)

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)

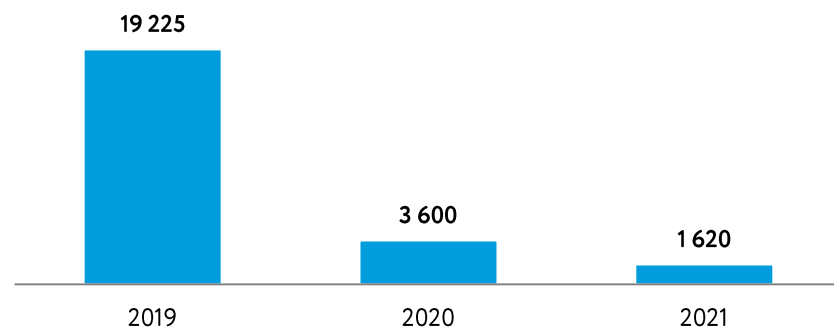
Conservative Financial Policy

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 rate³ – 9.03% (as of Q1 2019)
- Most of the debt has fixed interest rate
- No contingent off-balance sheet liabilities

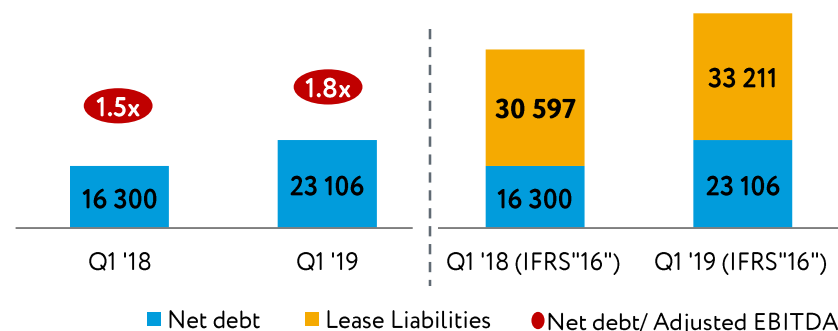
31-March-19 Debt Repayment Schedule

(RUBm)

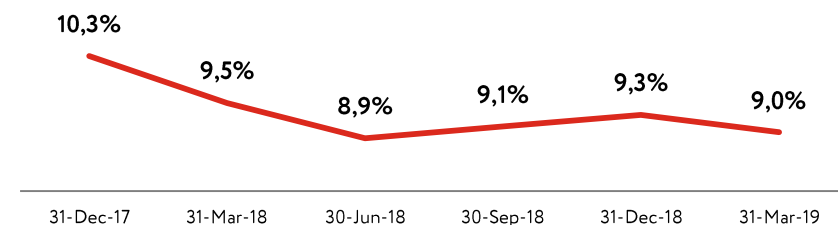


Leverage^{1,2} dynamics

- Q1 2019 total debt – RUB 24.4bn



Weighted average interest rate³ 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

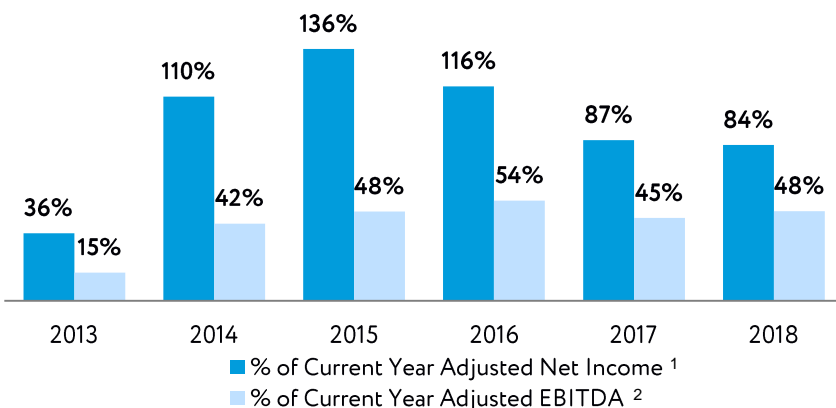
³ Calculated on the basis of the weighted interest rates applying to the specified indebtedness (weighted by the principal amount of such indebtedness) as of the dates specified.

Sustainably High Returns to Shareholders

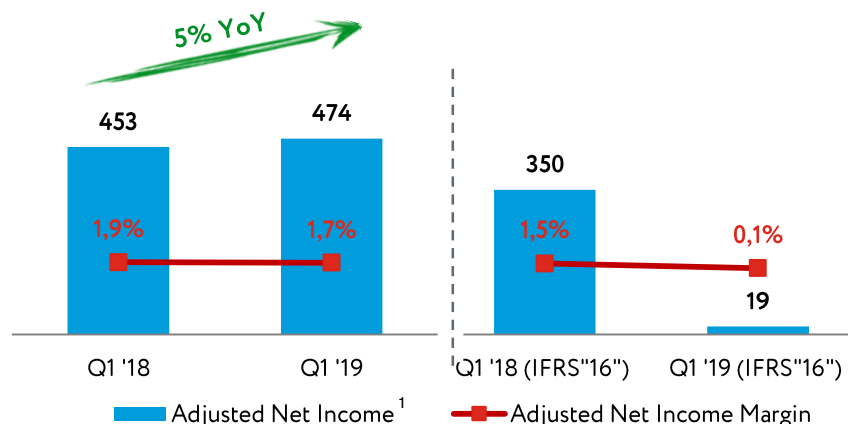
Comments

- 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

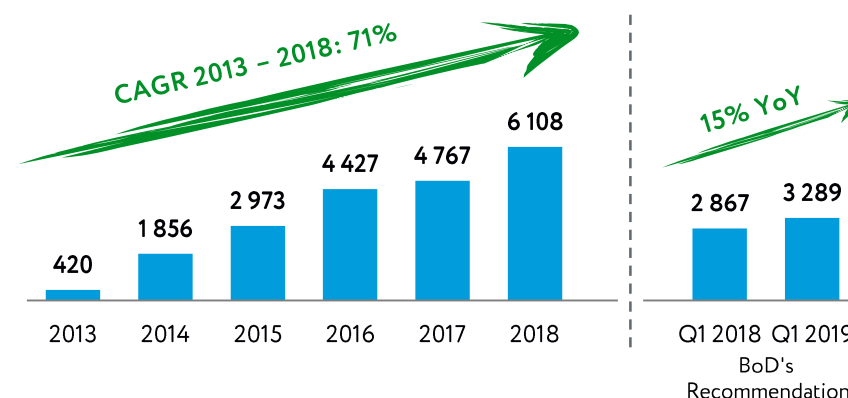
Dividends as % of Adjusted EBITDA and Adjusted Net Income



Adjusted Net Income (RUBm)¹



History of Declared Dividends (RUBm)



Source: Company's consolidated financial statements for 2017-2019 under IFRS are presented without reference to the application of IFRS16, 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	<ul style="list-style-type: none"> ~70 new stores 	100 new stores opened ¹	<ul style="list-style-type: none"> ~250 new stores in 2018-2021 (increased to 300 in Q3 2018) 	<p>>80 new stores in 2019</p> <p>At least 300 new stores in 2019-2022</p>
Revenue	<ul style="list-style-type: none"> Driven by store openings, LFL & ramp ups 	✓	<ul style="list-style-type: none"> Driven by store openings, LFL & ramp ups 	No change in guidance
LFL Revenue Growth	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Stable 	Continued investing in prices to attract traffic (-60 bps)	<ul style="list-style-type: none"> Stable 	Continued investing in prices to attract traffic, slightly declining to stable as % of revenue
Rent & Utility Expenses	<ul style="list-style-type: none"> 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)	<ul style="list-style-type: none"> 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 Expenses²	<ul style="list-style-type: none"> Slightly declining to stable as % of revenue 	Continued decline in as % of revenue (-10 bps)	<ul style="list-style-type: none"> Slightly declining to stable as % of revenue 	No change in guidance
Adjusted EBITDA Margin	<ul style="list-style-type: none"> Double-digit 	Improved by 40bps	<ul style="list-style-type: none"> 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

Top Management Compensation Structure Overview

Annual Compensation Structure

		CEO	«CEO-1»	«CEO-2»
Fixed		50%	50% - 80%	70% - 85%
Variable	Total	50%	20% - 50%	15% - 30%
	<i>incl. Financial¹</i>	25%	4% -15%	3% -9%
	<i>Incl. Functional²</i>	25%	14% -40%	10.5% - 24%

Last LTI Programme

Pre-IPO liquidity event	At IPO
<ul style="list-style-type: none"> ■ 2015 award - triggered by RCIF transaction; %-based payment linked to valuation increase ■ Vesting at liquidity event; payable over 3 years (last tranche to be paid in June 2017) ■ Accruals and payments fully disclosed in IFRS accounts 	<ul style="list-style-type: none"> ■ %-based payment linked to valuation increase at IPO ■ Amount calculated as 3% from the differential between new liquidity event (i.e. IPO) price and RCIF price in 2015 ■ 50%/50% cash and share based payments (via purchases of shares in the open market)

New Equity-Based Compensation Programme

After IPO
<ul style="list-style-type: none"> ■ Approved by the Board of Directors in August 2017 ■ Covers the 3-year period to February 2020, the third anniversary of the Company's IPO, senior management in continuing employment by the Company as of that anniversary will be eligible for share grants from a share pool equivalent in value to up to 4.6% of the increase in the Company's stock market value (including dividend payments) over the period. ■ The LTIP also provides for cash payments expected to total around RUB 500 million (plus any social taxes); of this amount, around RUB 250 million was paid in January 2018, while payment of the balance remains approved by BoD and will be paid on the first workday of January 2019

Incentive program to cement management long-term focus on shareholder value creation

¹ Financial KPIs – EBITDA, net income, revenues

² Functional KPIs – specific operational KPIs, individual for each role

Q1 2019 Financial Highlights

1 Store Openings

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



- 6¹ 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-Like² Growth

Accelerating LFL² sales growth due to low price competition as well as high traffic



- 16.1% total revenue growth in Q1 2019
- 6.6% LFL² sales growth in Q1 2019 with 7.5% LFL² traffic growth

3 Profitability

Significant improvement due to further declines in personnel³ and rental costs as % of sales



- Adj. EBITDA⁴ growth of 30.1%
- Adj. EBITDA⁴ margin improved by 70bps

4 Cash Generation

Continuously outstanding cash conversion metrics and free cash flow generation



- Cash conversion⁵ of 81%
- Net debt / adj. EBITDA⁴ of 1.8x despite capex in DC and dividend pay out ratio⁶ 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 that have been in operation for at least 12 full calendar months

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

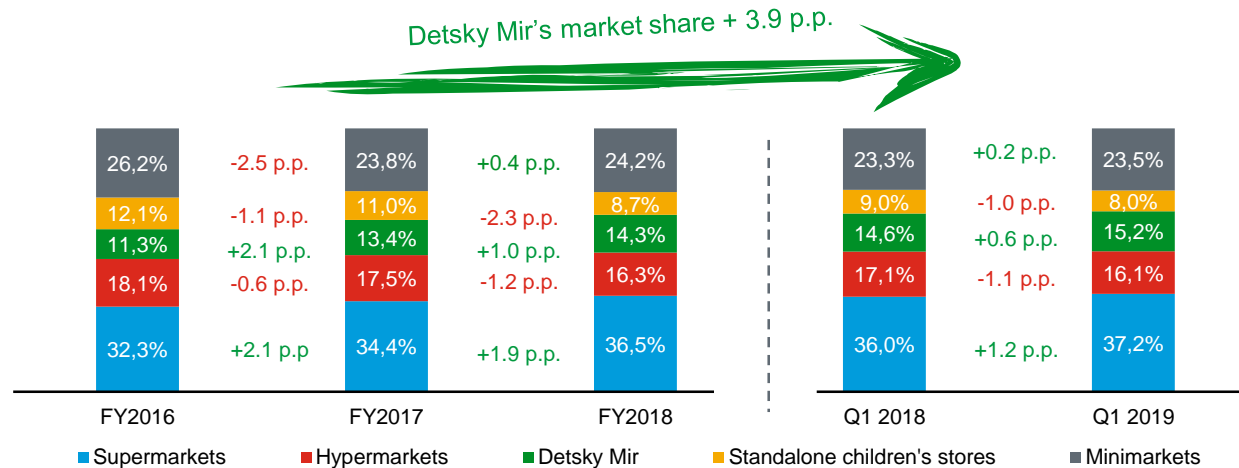
⁴ Adj. EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain on acquisition of controlling interest in associate, impairment of goodwill, net finance expense, D&A, as well as share-based compensation and cash bonuses under the LTI program

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

⁶ Based on Russian Account Standards

Case Study: Gaining Market Share in Baby Food and Diapers Sales

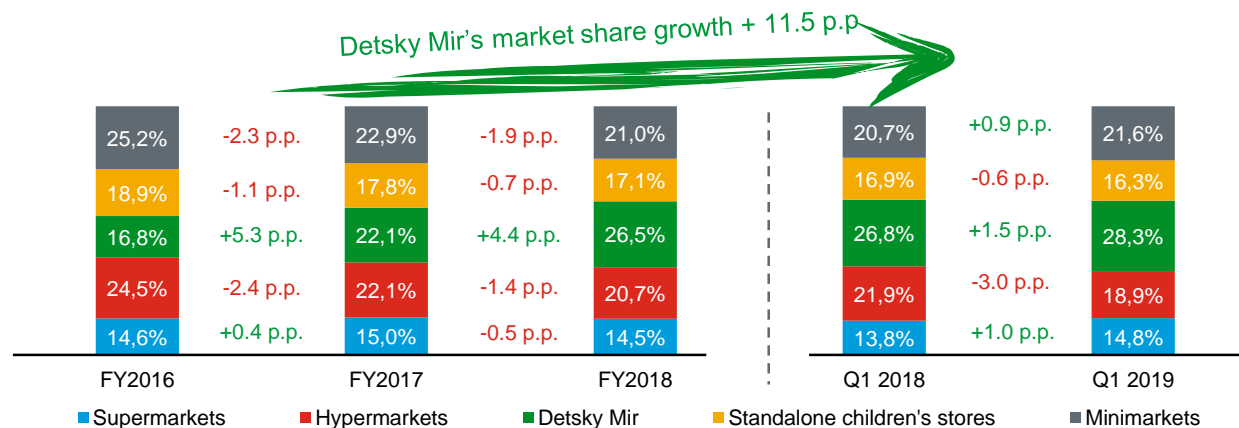
Baby Food Sales by Channel in Russia



Comments

- Baby food and Diapers remain key categories for children's goods stores as traffic generators
- Only children's goods specialized stores offer a full range of Baby Food and Diapers products unlike hypermarkets which are focused on "bestsellers" SKU
- Detsky Mir gained market share away from other channels
- Notably, Detsky Mir has outperformed food retailers which have been the largest sales channel for baby food historically
- Detsky Mir's Baby Food market share increased by 35% to 15.2% in Q1 2019 (vs 2016)
- Detsky Mir's Diapers market share increased by 1.7x to 28.3% in Q1 2019 (vs 2016)

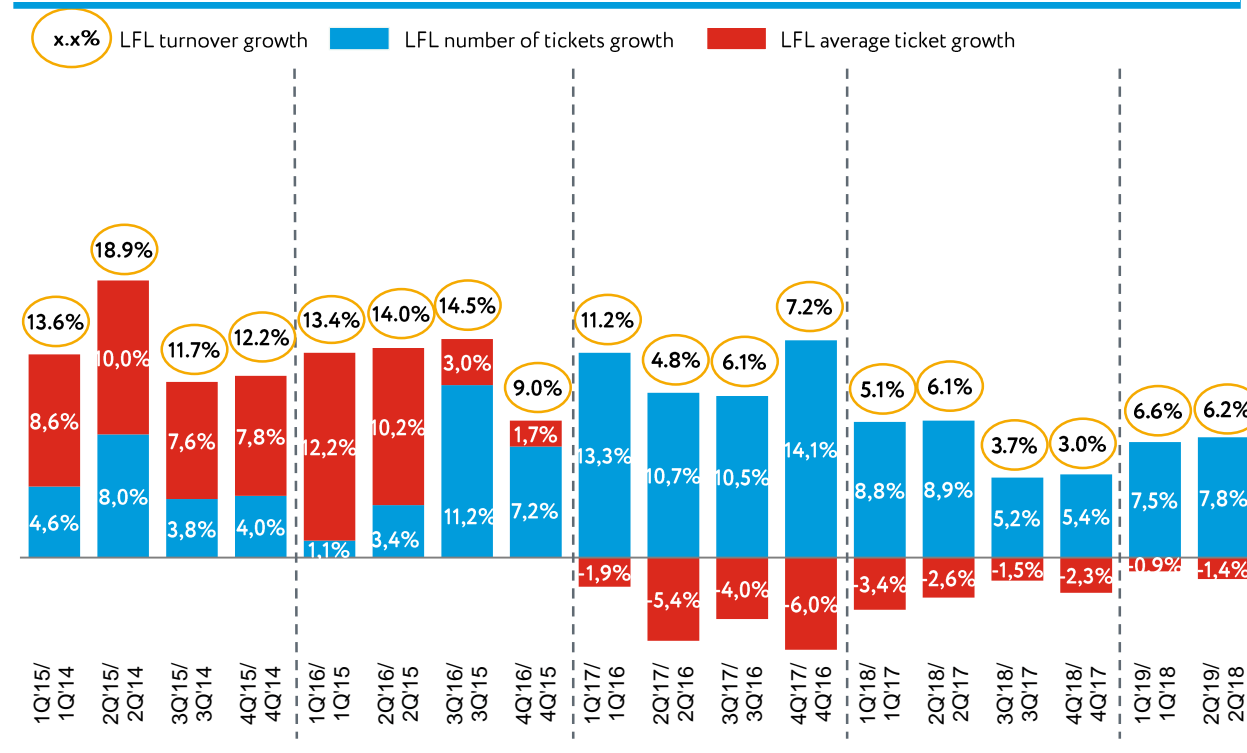
Diapers Sales by Channel in Russia



Detsky Mir's shares in the diapers markets increased by 1.7x over several years

Robust Like-for-Like Performance

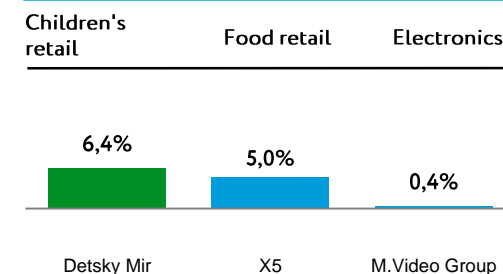
Like-for-like revenue (in RUB)



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 H1 '19



LFL growth

Total
Average ticket
Number of tickets

LFL growth 2016

12.3%
5.9%
6.0%

LFL growth 2017

7.2%
(4.4%)
12.2%

LFL growth 2018

4.3%
(2.4%)
6.9%

LFL growth H1 2019

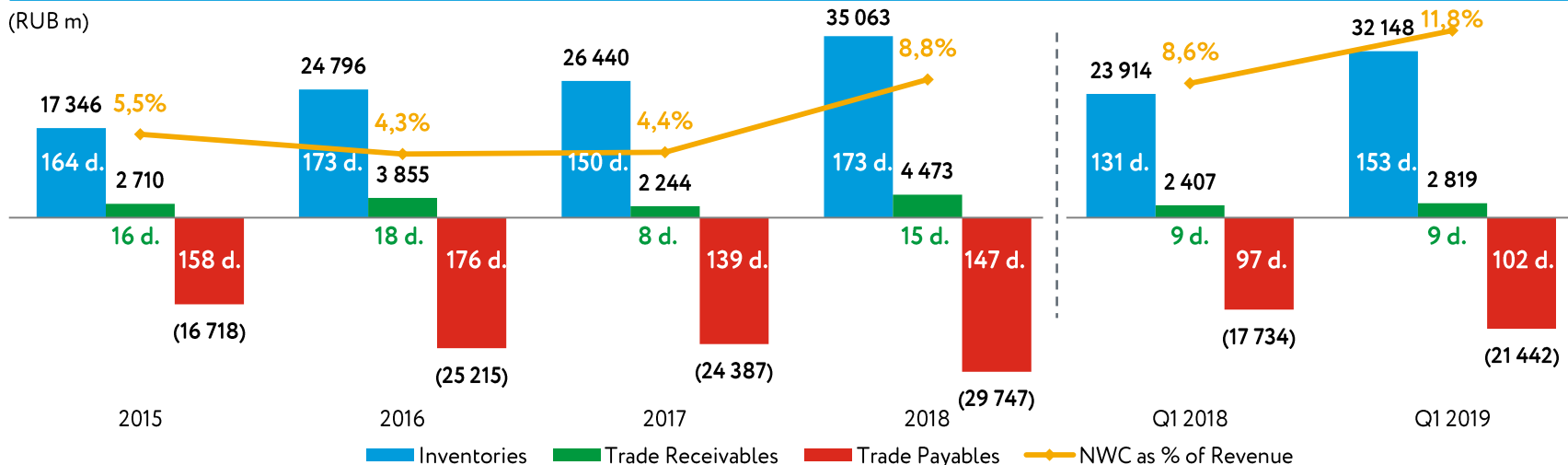
6.4%
(1.2%)
7.6%

Detsky Mir demonstrated an attractive revenue growth rate (LFL +6.4%) in H1 2019



Net Trade Working Capital Overview

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 EBITDA⁶	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 period⁷	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 Debt⁸	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)	(2,867)	(3,289)

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 stores⁹)

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

- Leverage⁸ 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



Sergey Levitskiy

Head of Investor Relations

slevitskiy@detmir.ru

+7 903 971-43-65

Detsky mir

+7 495 781-08-08, ext. 2315

detmir.ru