



Detsky Mir

Investor Presentation

#1 Russian specialized children's goods retailer

September 2018

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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



575 Detsky Mir branded stores in 212 Russian cities, 24 stores in 13 cities in Kazakhstan and 51 Early Learning Center ("ELC") stores as of 30 June 2018



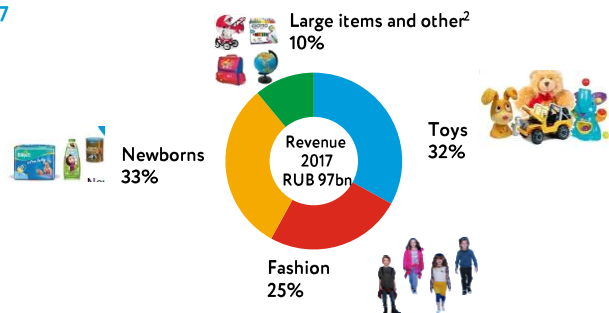
Average store size of c.1,400 sqm, located in modern shopping malls with product range of 20,000–30,000 SKUs



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

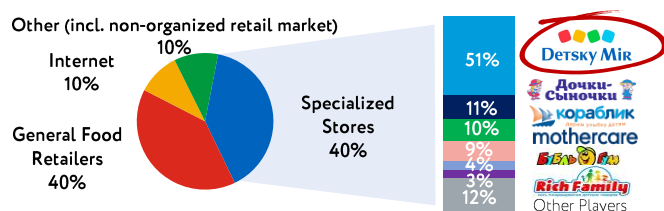
Diversified Product Portfolio²

2017



Leading Market Position

2017 Structure of Children's Goods Retail Market in Russia (%)



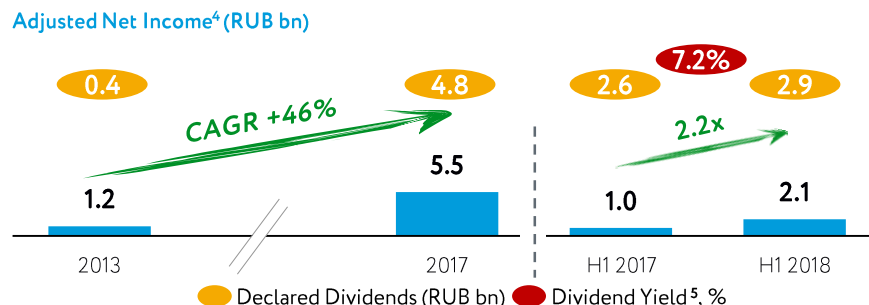
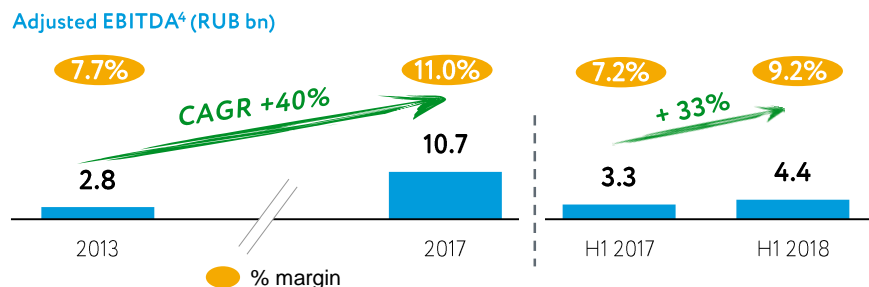
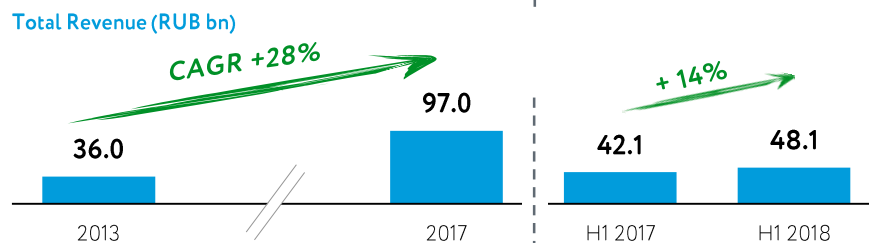
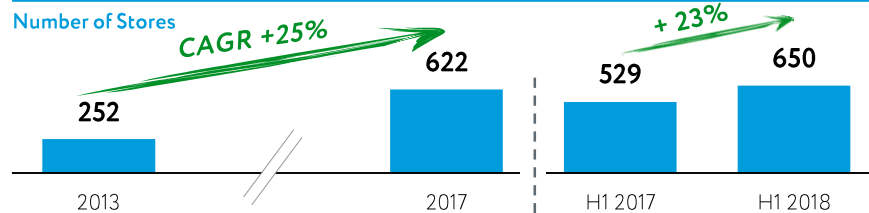
Source: Company data, Ipsos Comcon

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, 2014–2018 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



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 based on total dividends declared for FY 2017 results of RUB 5.1bn and shares outstanding of 738.6m, divided by average share price for at least 12 full calendar months

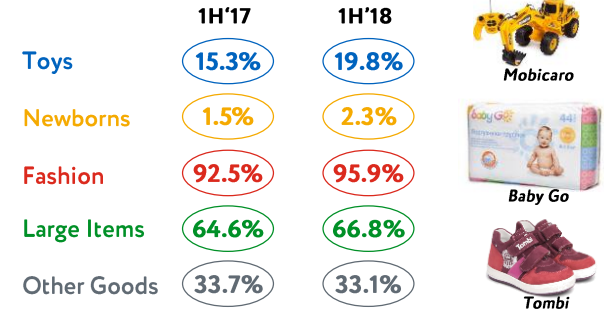


Key 2018 Business Initiatives

Increase Share of Private Labels and Direct Imports

- Growing private labels + direct imports share across our four main categories
- Share in total revenue increased from 31.7% to 34.1% in 1H'17 / 1H'18
- **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
- Introducing fashion private brand with **fully in-house design** to gain expertise in manufacturing and improve quality via tendering

Share of Private Labels & Direct Imports in Sales by Category



Geographical Expansion

- Plan to enter **Belarus**, with first store set to open in 2019 and long-term goal to gain 20% share of this RUB 40bn children's goods market
- Continued regional expansion in 2018:
 - Start opening stores in **Russia's Far East Federal District**
 - Expand to new cities in **Kazakhstan (+33% LFL & 2x sales growth)**

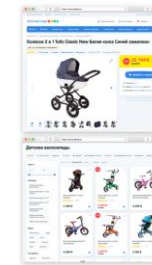
Our Key Strengths for Belarus Expansion

- ✓ **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**

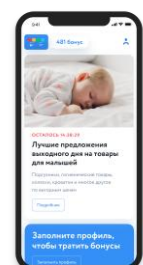
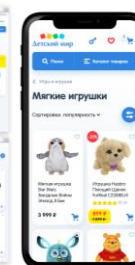
Continued Upgrades to e-Commerce Platform and Customer Offering

- home deliveries out of stores in remote cities (mid-term target 2-3 hours): piloting in 10 locations now, full rollout in 2019
- Improve functionality and customer service KPIs of in-store pickups to reach 70% of online sales in 1H18, drive overall LFL sales growth and stimulate cross sales (~15% of online sales)
- Full website redesign: mobile friendly product listings with added reviews and ratings
- Two-phase launch of mobile app: i) loyalty program app in Q4 2018, ii) full-feature mobile app store in 2019

Website Redesign



Mobile App



Launch Into New Product Categories – Pet Supplies

- Begin opening specialized pet products stores in 4Q 2018: ~200 sqm stores located in same shopping malls as Detsky Mir
- Full-feature high-touch online pet goods store linked to "Detmir.ru", with a combined shopping cart and pickups at both Detsky Mir and Pets stores
- Leverage our experience in a comparable, but highly fragmented >RUB 200bn market, as well as synergies in combined logistics and high omni-channel traffic



2

Our Investment Story

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

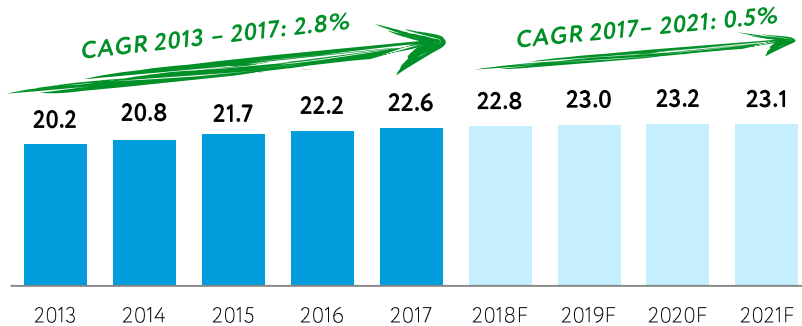


1 #1 Player in a Large, Fragmented Market with Solid Fundamentals



Sizeable Children's Population in Russia

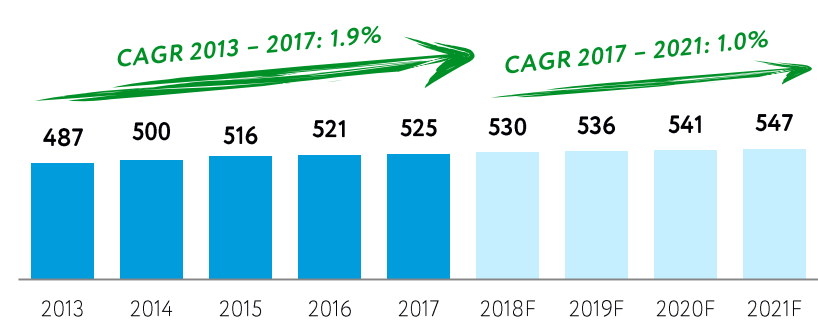
Number of Children Under 12 in Russia (m)



Source: Ipsos Comcon report

Russian Children's Goods Market Continues Its Steady Growth

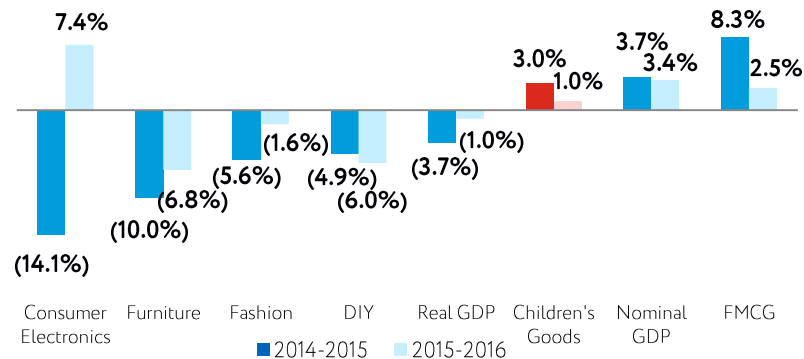
Children's Goods Retail Sales in Russia in Nominal Prices (RUB bn)



Source: Ipsos Comcon report

Proven Resilience During Economic Downturns Relative to Many Other Retail Segments

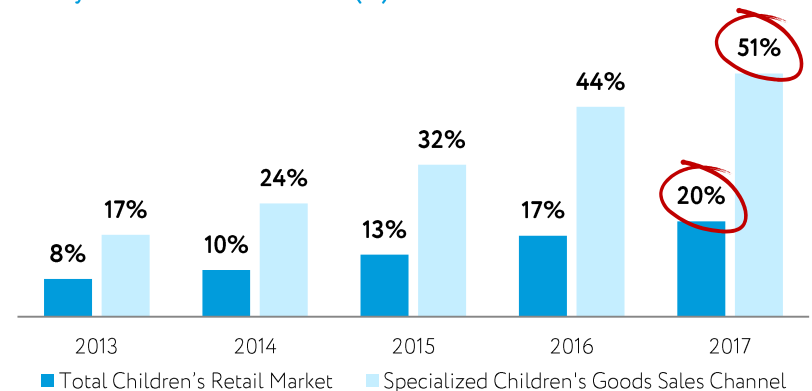
Nominal Y-o-Y Growth in RUB Terms (%)



Source: Rosstat, Ipsos Comcon report

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

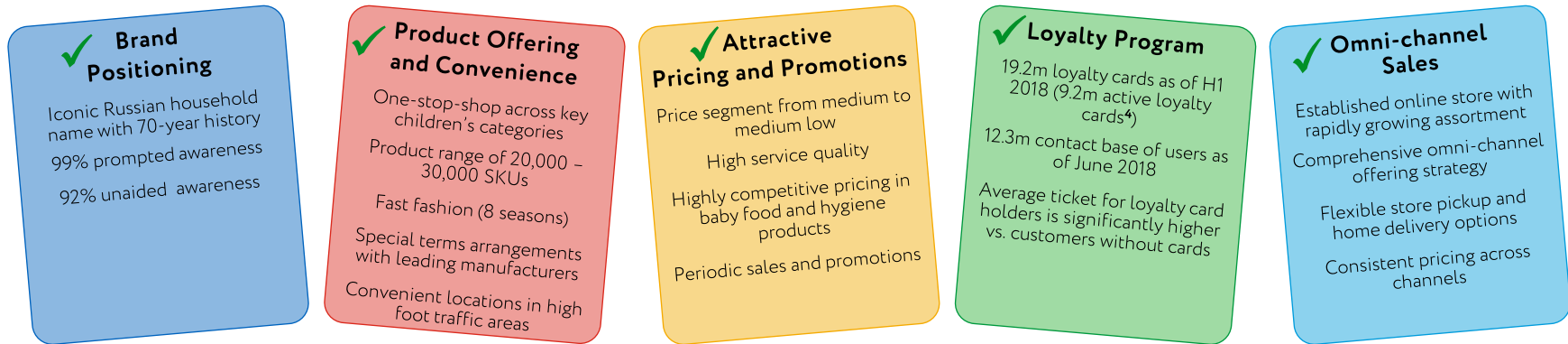
Detsky Mir's Market Share in Russia (%)



Source: Company data, Ipsos Comcon report

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 (H1 2018)	Net Store Openings (H1 2018)	Stores in Moscow and Moscow Region (H1 2018)	Stores in Other Regions (H1 2018)	Average Selling Space per Store (ths. sqm)	Poll: Unaided Brand Awareness (Dec-17)
	575	#1 211 ²	#1 173 ²	#1 402 ^{1,2}	1.4 ³	92%
	208	4	149	59	0.7	39%
	169	8	53	116	1.2	64%
	113	4	56	57	0.5	9%
	43	-13	1	42	1.0	8%

Source: Company data, Ipsos Comcon report

¹ Excluding Kazakhstan

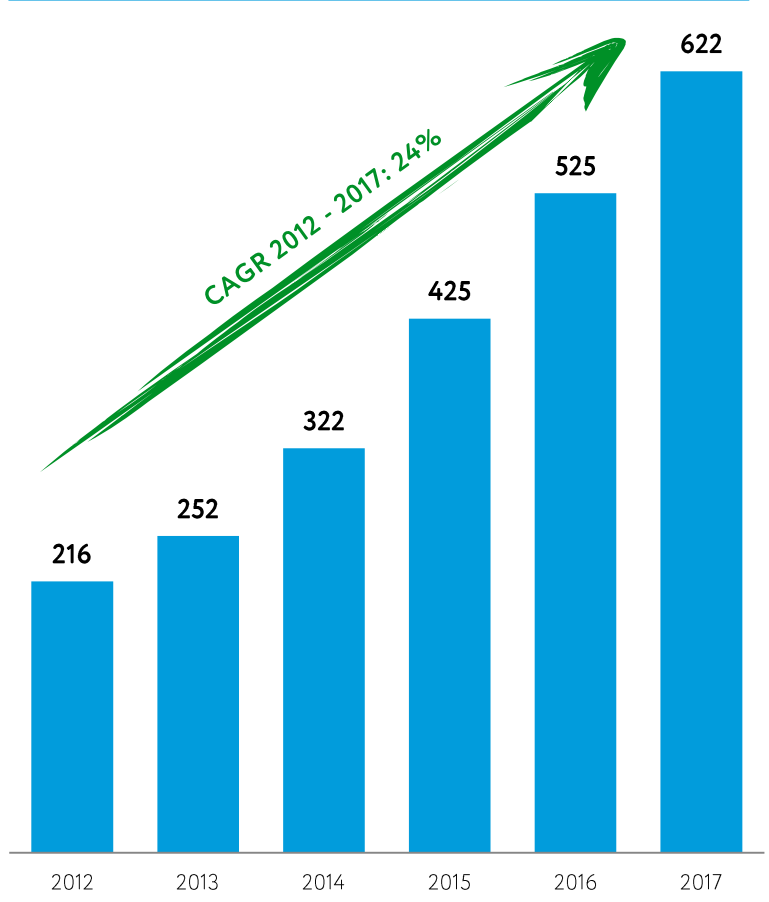
² Excluding ELC stores

³ New store roll-out: gross space

⁴ Cardholders who made at least one purchase during the last 12 months are considered active

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

Number of Stores (incl. ELC)



Source: Company data

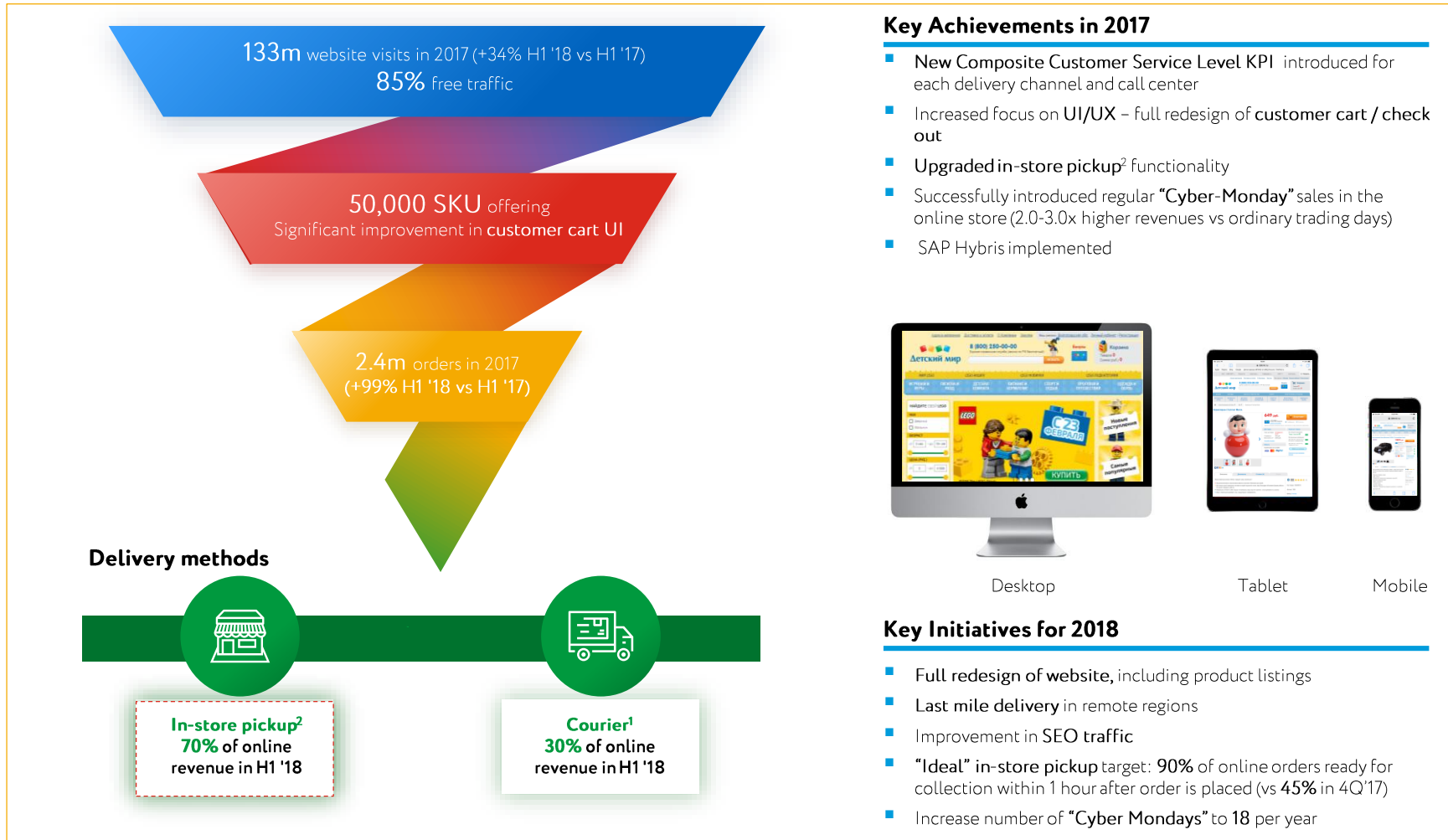
Visible Expansion Pipeline

- 578¹ DM stores
- 120 Cities with no DM Presence (50k -100k inhabitants)
- 75 Malls identified as priority locations for DM (in the cities of presence)
- 80 Replacing competitors (specialized stores)
- 25 Medium-term target locations in Kazakhstan
- Launching expansion in 2019



¹Only Detsky Mir branded stores as of 31-Dec-17

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



Source: Company data

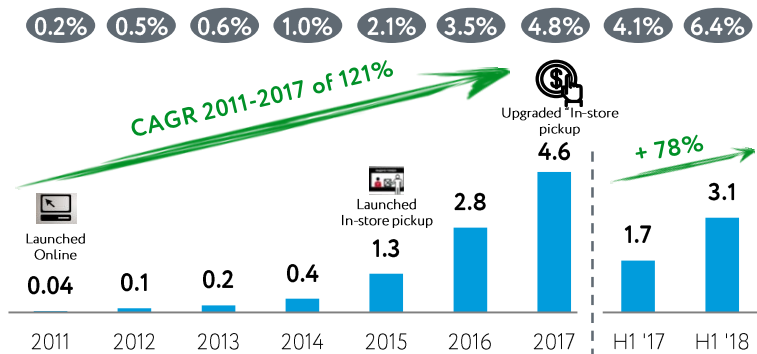
¹ Includes delivery to specified address and to pick-up point

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

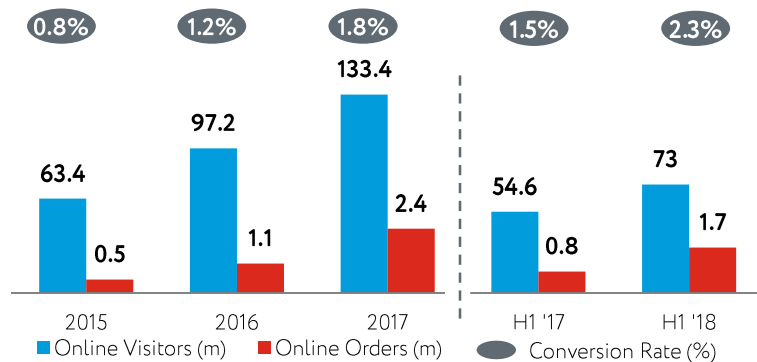
3 Well-Defined Four-Pillar Growth Strategy

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

Accelerated Online Revenue Growth

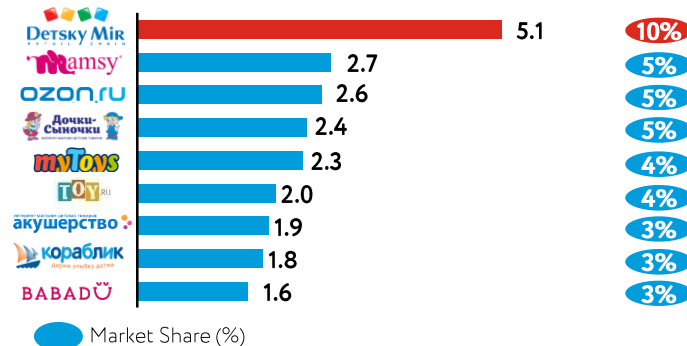


Continued Growth in Traffic and, in Particular, Improvement in Conversion Rates...



We Are Now Double the Size of Our Nearest Online Competitor

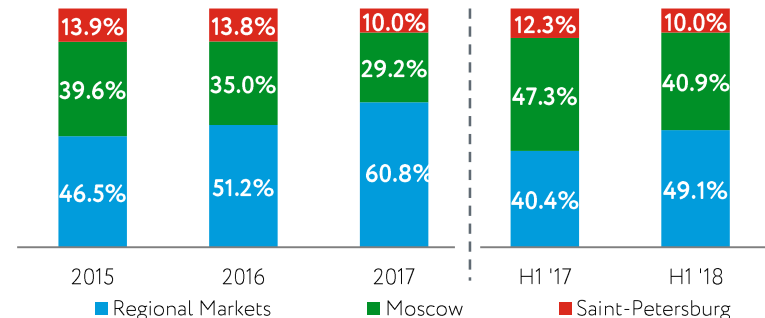
2017 Online Sales Including VAT (RUB bn)



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, 2014-2018 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

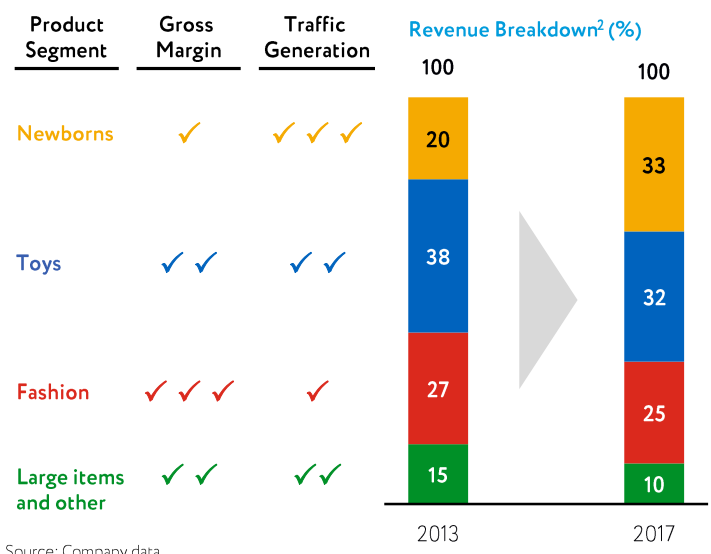
C Competitive Pricing and Effective Merchandising with Focus on Traffic Generating Categories Drive Strong LFL Sales Growth and Growing Gross Profit per sqm

Competitive Pricing

- ✓ Medium to medium-low prices
- ✓ Highly competitive pricing in traffic-generating categories
- ✓ Discounts and loyalty programmes

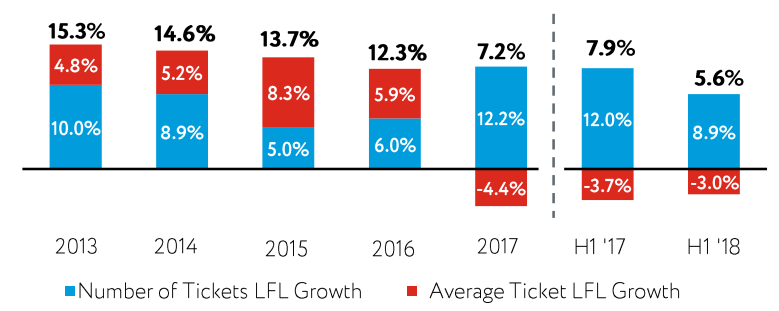
Effective Marketing and Merchandising

- ✓ Innovative store concepts based on highly interactive formats
- ✓ Focus on best-in-class customer experience
- ✓ Powerful CRM driving marketing efforts

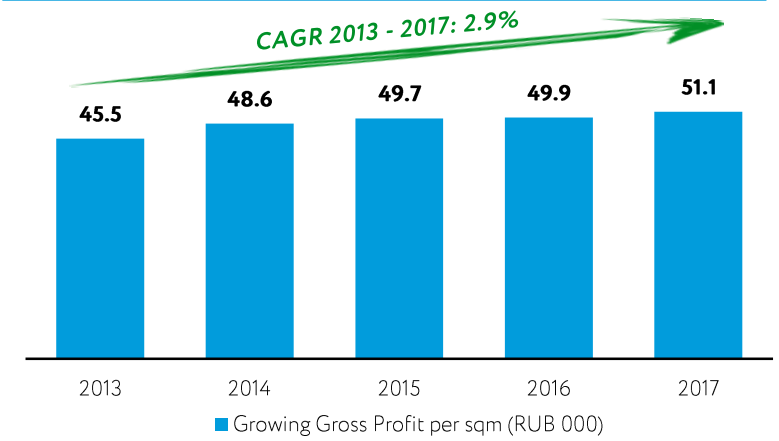


Source: Company data

Strong Traffic Growth¹ (%)



Growing Gross Profit per sqm³



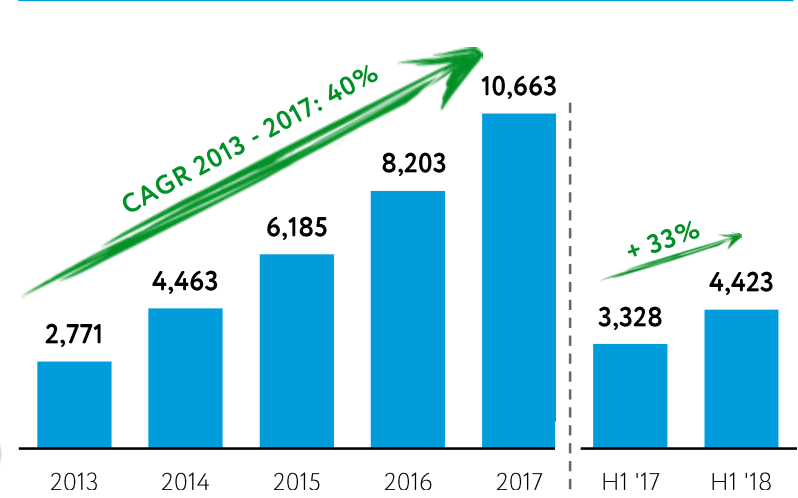
¹ LFL growth includes only DM stores in Russia that have been in operations for at least 12 full calendar months. Revenue of each store included in LFL comparison represents retail revenue of the store (incl. VAT, excluding plastic bags) for respective period but excludes store revenue for those months in which the store was not operating for 3 days or more.
² Retail revenue only
³ Calculated by dividing gross profit for the period by average selling space for the period (calculated in thousands of square metres as simple average of selling space as of the beginning and as of the end of the period)

D Focus on Execution Excellence to Achieve Superior Operating Margins

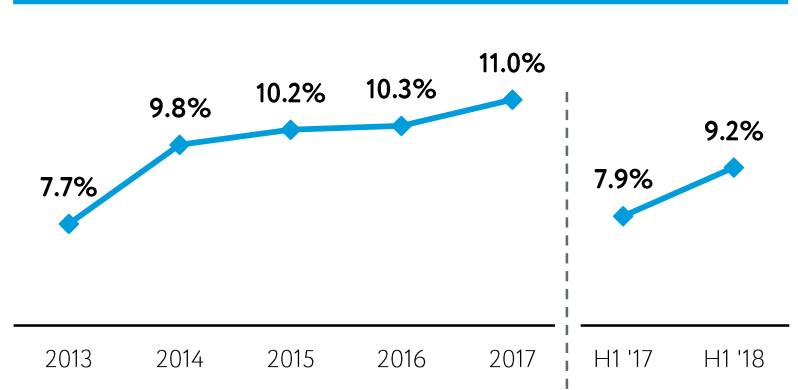
Improvement of 330bps in adj. EBITDA¹ margin since 2013 driven by:

- ✓ Store operation improvements
- ✓ Optimization of IT platforms and personnel
- ✓ Reduction in adjusted SG&A² as % of revenue by over 820bps over 2013-2017

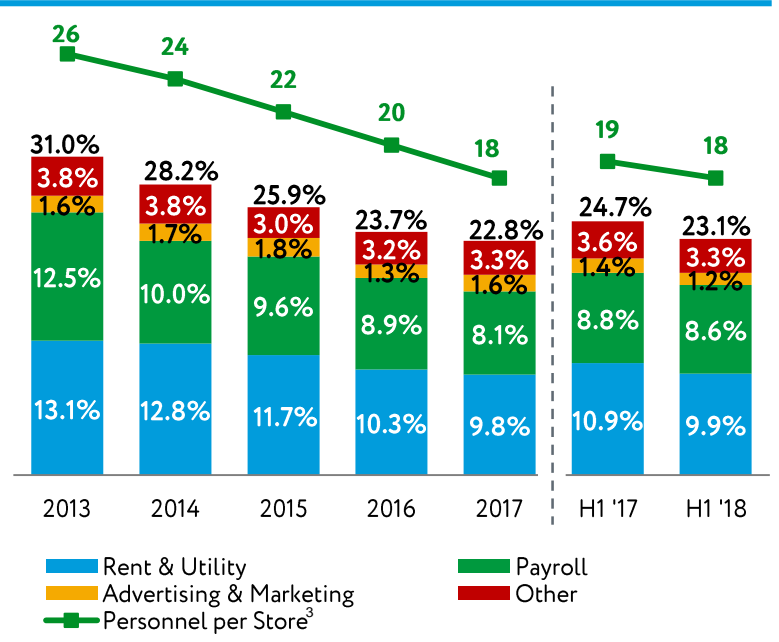
Adjusted EBITDA¹ (RUBm)



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

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 September 2017 Detsky Mir signed a preliminary rent agreement for a 46,000 sqm class A DC in Ural (Chelyabinsk region) for 10 years, likely to be launched in 2018
- New DC in Moscow region being considered for a 2019 launch

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 and ELC Network of 625 Stores² Across Russia and Kazakhstan



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 31 March 2018

Sustainable Asset-Light Business Model Generating Attractive Shareholder Returns

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

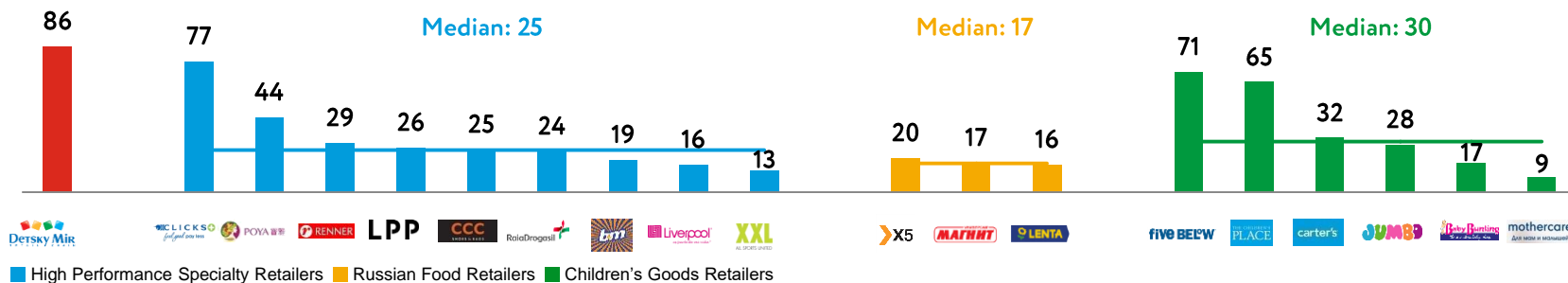
- Capex of c. RUB 13m per 1 standard DM store
- Strict investment criteria
 - IRR hurdle rate of 40% on 7-year cash flows (not accounting for terminal value)
- Total maturity period – 18-24 months
- Targeted EBITDA breakeven in 4 months after a store opening
- Payback period of 2.5-3.0 years

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

CY2017 (%)



C ...Resulting in Strong Returns¹...

	2013	2014	2015	2016	2017	H1 '17	H1 '18
Revenue Growth	30%	26%	33%	31%	22%	25%	14%
Selling Space Growth	10%	22%	26%	21%	15%	18%	16%
Adj. EBITDA ² , RUBbn	2.8	4.5	6.2	8.2	10.7	3,328	4,423
Capex, RUBbn	(0.8)	(1.9)	(5.3)	(1.7)	(2.5)	(0,6)	(0,7)
Dividends, RUBbn	(0.4)	(1.9)	(3.0)	(4.4)	(4.8)	-	(2,9)
Adj. Net Debt ³ / Adj. EBITDA LTM ²	1.8x	0.6x	1.7x	1.4x	1.0x	1.7x	1.6x
Adjusted ROIC LTM ^{4,5}	56%	88%	78%	61%	86%	62%	64%

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). Operating profit is adjusted for LTI expense

⁶ Calendarized to December year end

Experienced Management Team With Well-Established Governance

Highly Experienced Management...



Vladimir Chirakhov
Chief Executive Officer

- Joined in 2012
- Held senior positions at Korablik, M.video



Anna Garmanova
Chief Financial Officer

- Joined in 2008
- Held senior positions at Podruzhka, Understanding and Reconciliation Fund



Farid Kamalov
Chief Operating Officer

- Joined in 2012
- Held senior positions at MediaMarkt, Korablik, M.video



Pavel Pischikov
E-Commerce Director

- Joined in 2017
- Previously E-Commerce Director at Dochki-synochki



Maria Davydova
Deputy CEO for Commercial Affairs

- Joined in 2013
- Held senior positions at Enter, Svyaznoy, MDK, Arbat Prestige



Maria Volodina
Apparel and Footwear Commercial Director

- Joined in 2011
- Held senior positions at Sela, Reebok Rus, Kira, Plastinina, TJ Collection



Tatiana Mudretsova
Marketing Director

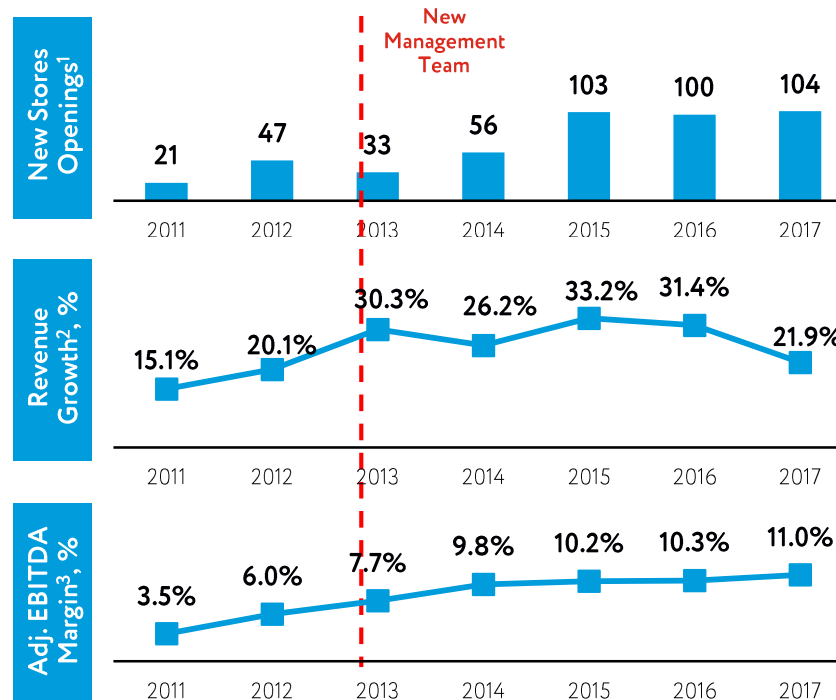
- Joined in 2014
- Held senior positions at Osnova Telecom, Beeline, DDB and Publicis



Vyacheslav Mikhnenko
Head of Logistics

- Joined in 2012
- Previously Operational Logistics Director at X5 and Chief Logistics Officer at Kopeyka

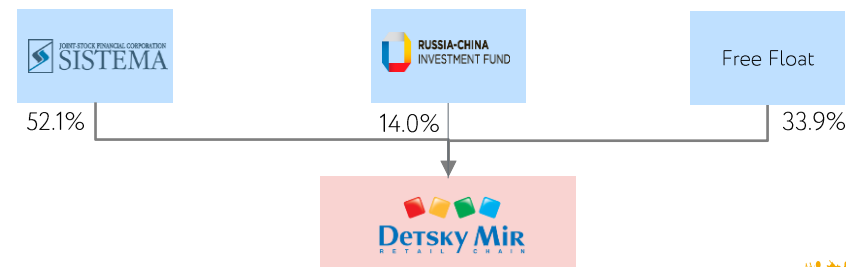
...With a Strong Track Record...



...Supported by a Strong Governance Framework...

- BoD of 10 members including 4 INEDs
- Established Audit, Strategy and Nomination and Remuneration committees
 - at least 3 INEDs are members of each of the key committees

...and a Prominent Shareholder Base



¹ Doesn't include ELC stores

² The Group's consolidated financial statements for 2011 – 2013 under US GAAP, 2014–2017 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

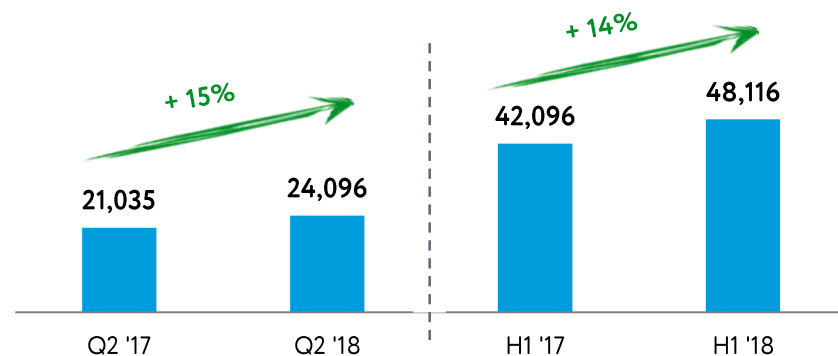
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3 Recent Financial Performance

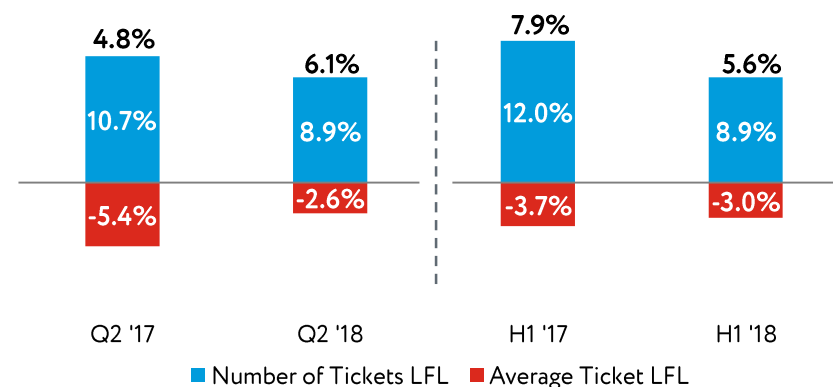


Continued Solid Top-Line Growth

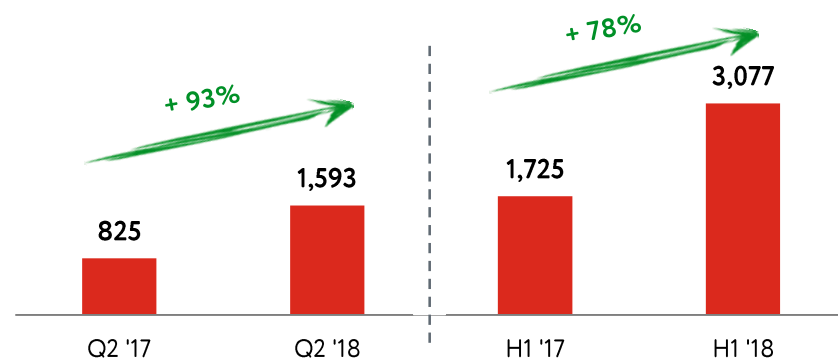
Total Revenue (RUBm)



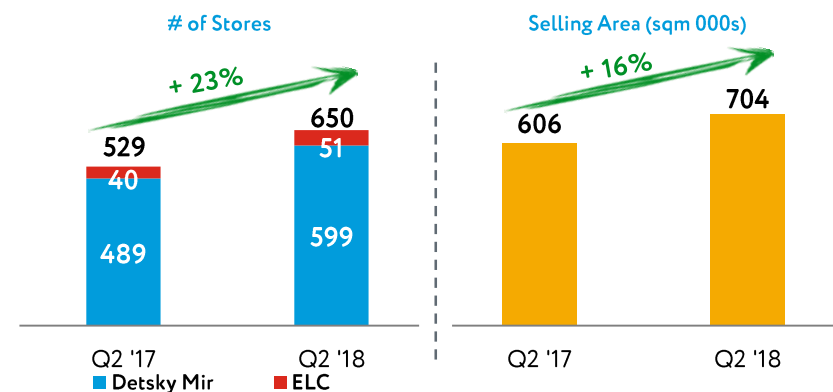
Like For Like Growth¹



E-Commerce Revenue (RUBm)



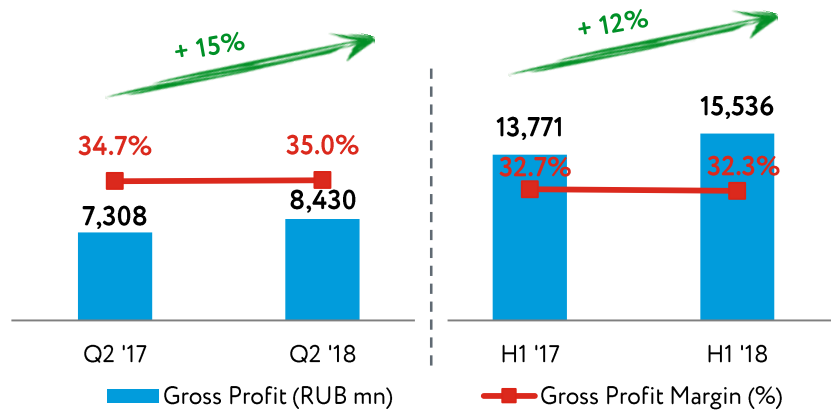
Store Network



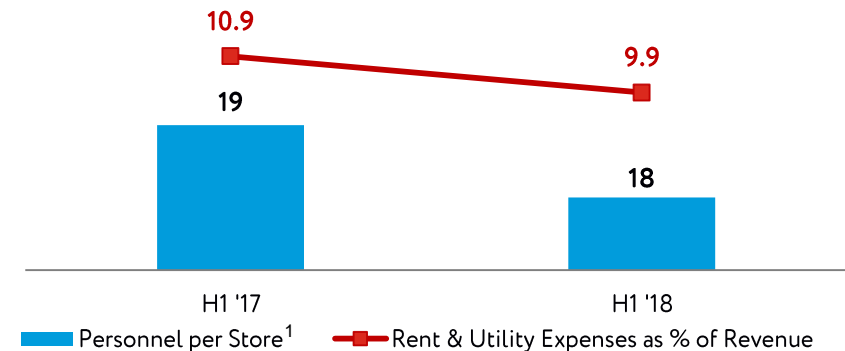
Note: Company's consolidated financial statements for 2017-2018 under IFRS are presented without reference to the application of IFRS 16, if it is not specified.
¹ Includes only Detsky Mir branded stores in Russia. LFL growth includes only DM stores in Russia that have been in operation for at least 12 full calendar months

Growing Profitability

Growing Gross Profit

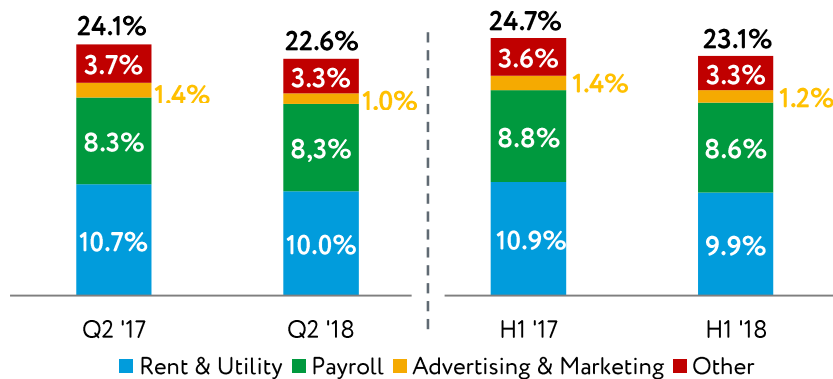


Personnel per Store and Rent Costs Reductions

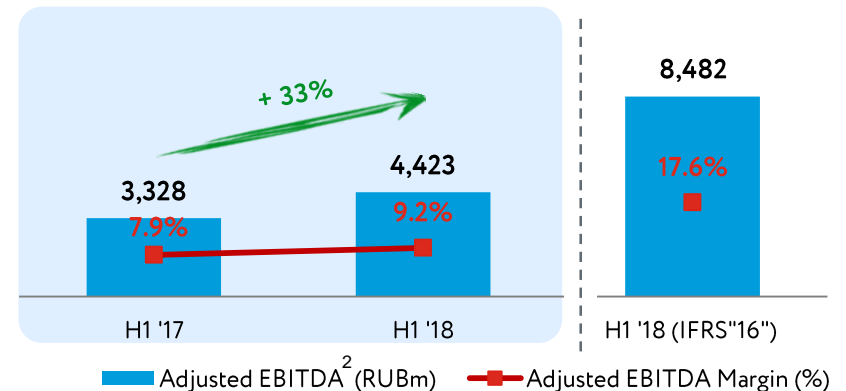


Strong Operating Leverage Effect³

Adjusted SG&A Expenses³ as % of Revenue



Significant Margin Expansion with Scale Benefits



Source: The Company's consolidated financial statements for 2017-2018 under IFRS are presented without reference to the application of IFRS 16, if it is not specified.

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



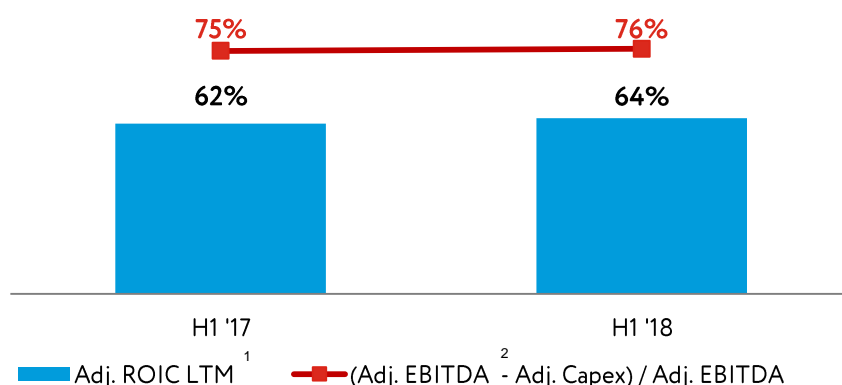
Strong Cash Flow Conversion

Detsky Mir

Comments

- Cash conversion (EBITDA-capex/EBITDA) remains stable at very high levels with improvement in ROIC LTM
- Increase in NWC significantly affected the decline in the Operating Cash flow due to the seasonality of the business
- Q4 is the highest sales season, and most of the goods purchased in Q4 are paid for in Q1 of the following year, which has a meaningful impact on NWC in H1
- Optimizing financing expense on the back of deleveraging and decreasing interest rates
- 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)

	2016	2017	H1 '17	H1 '18	H1 '18 IFRS 16
Adjusted EBITDA ²	8,203	10,663	3,328	4,423	8,482
Changes in NWC	(405)	(1,123)	(5,620)	(7,134)	(6,754)
Cash Income Taxes Paid	(1,468)	(1,523)	(679)	(394)	(394)
Net Finance Expense Paid	(1,813)	(1,645)	(820)	(754)	(2,246)
Other Operating Cash Flow	1,285	708	368	179	179
Operating Cash Flow	5,801	7,080	(3,424)	(3,680)	(732)
CAPEX	(1,747)	(2,468)	(563)	(730)	(730)
Free Cash Flow	4,054	4,612	(3,987)	(4,410)	(1,462)
Investment cash flow	3,165	(1,370)	511	(730)	(730)
Financial cash flow	(8,455)	(5,001)	1,011	2,039	(908)
Change in Cash	512	710	(1,901)	(2,370)	(2,370)

Source: The Company's consolidated financial statements for 2016-2018 under IFRS are presented without reference to the application of IFRS 16, if it is not specified.

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"

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



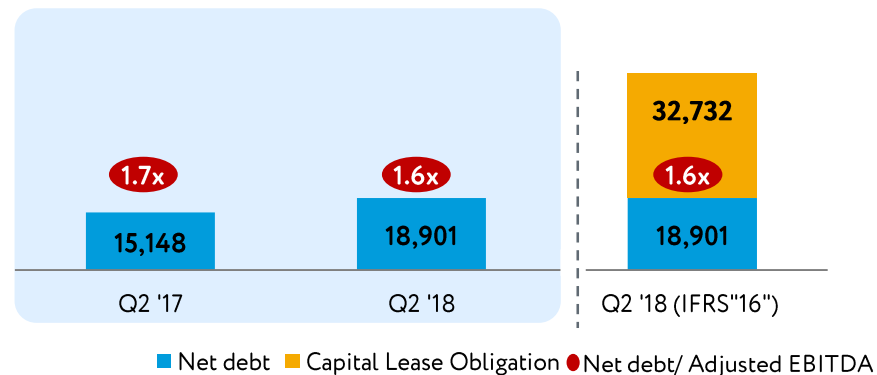
Conservative Financial Policy and Stable Leverage

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 30-June-2018 is 1.6x of vs. 4.0x average covenant level across the loan portfolio
- The weighted average interest rate³ – 8.9% (as of 30 June 2018)
- Most of the debt has fixed interest rate
- No contingent off-balance sheet liabilities

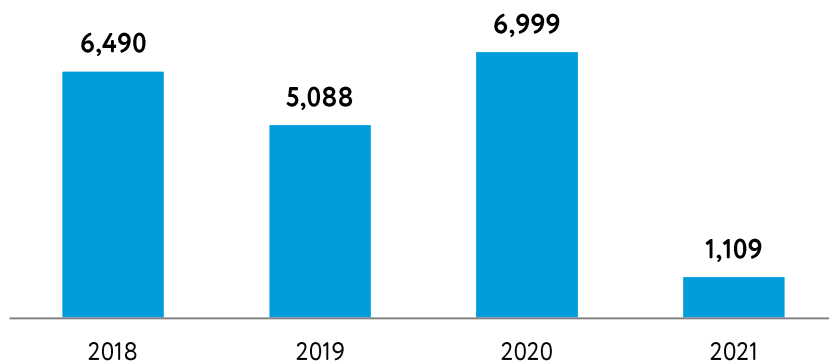
Leverage^{1,2} dynamics

- Total debt – RUB 19.7bn

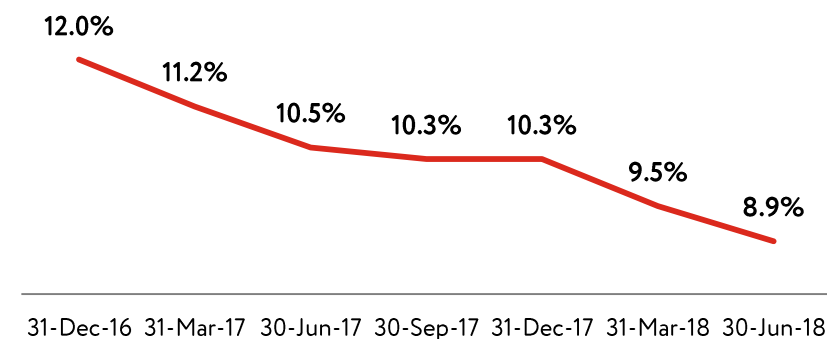


30-June-18 Debt Repayment Schedule

(RUBm)



Weighted average interest rate³ dynamics (%)



Source: The Company's consolidated financial statements for 2017-2018 under IFRS are presented without reference to the application of IFRS 16, if it is not specified.

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.

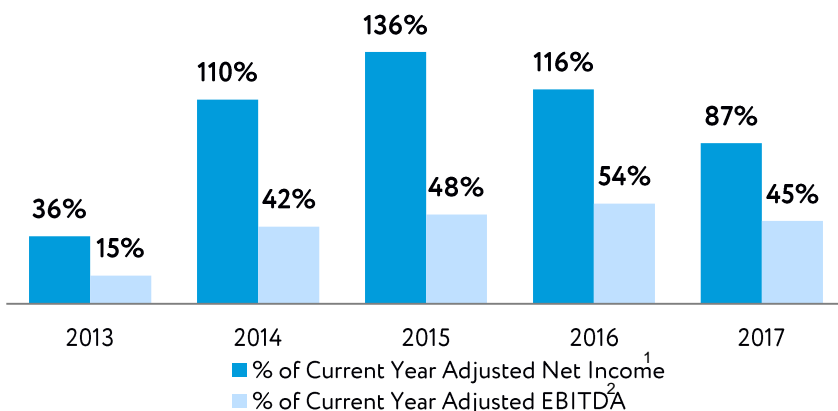


Sustainably High Returns to Shareholders

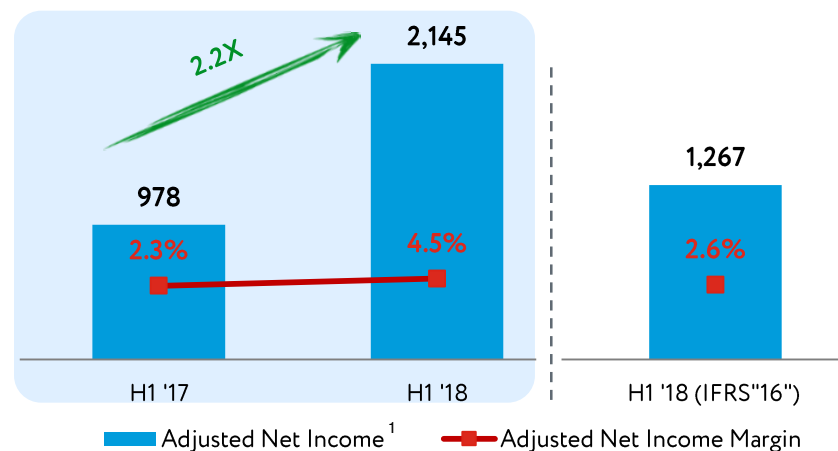
Comments

- Asset-light cash generative model underpinning 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)
- 4.8bn RUB distributed in dividends in 2017 with respect to Q4 2016 and 9m 2017
- Detsky Mir paid out the final dividend for FY2017 of RUB 2.9bn in Q2

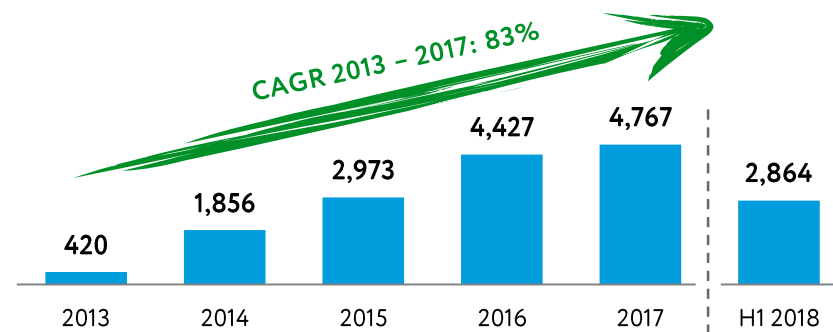
Dividends as % of Adjusted EBITDA and Adjusted Net Income



Adjusted Net Income (RUBm)¹



History of Dividends Declared (RUBm)



Source: Company's consolidated financial statements for 2017-2018 under IFRS are presented without reference to the application of IFRS16, if it is not specified.

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 at IPO	2017 fact	Mid- to Long-Term guidance at IPO	Updated guidance
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 2017-2020 (increased to 300 in Nov-17) 	<ul style="list-style-type: none"> ~100 new stores in 2018 At least 300 new stores in 2018-2021
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 	
LFL Revenue Growth	<ul style="list-style-type: none"> Low double-digit growth below 2016, including effect of new store ramp-ups and 103 new stores entering LFL panel in 2017 	7.2% LFL growth, outperforming the market	<ul style="list-style-type: none"> Slightly positive traffic growth, below inflation ticket growth, plus effect of new store ramp ups 	Single-digit growth, outperforming the market
Gross Margin	<ul style="list-style-type: none"> Decline, but by less than 2016 vs 2015, as process of offline price reductions to match online is complete 	✓	<ul style="list-style-type: none"> Stable 	No change in guidance
Rent & Utility Expenses	<ul style="list-style-type: none"> Further meaningful decline as % of revenue vs 2016, with virtually no rise in rent/sqm in a continued soft rentals market 	✓	<ul style="list-style-type: none"> Rents/sqm rise first slightly above inflation then in line with inflation, so stable as % of revenue 	No change in guidance
Personnel Expenses²	<ul style="list-style-type: none"> Further meaningful decline as % of revenue vs 2016, on operating leverage 	✓	<ul style="list-style-type: none"> Stable to slightly declining as % of revenue 	No change in guidance
Adjusted EBITDA Margin	<ul style="list-style-type: none"> Double-digit supported by expectations of SG&A efficiency gains and new store ramp-ups more than offsetting the effect of lower gross margins 	✓	<ul style="list-style-type: none"> Double-digit 	No change in guidance

Source: Company data

¹ In 2017, Detsky Mir closed six stores as part of the Company's ongoing rationalization program

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»	Department Heads
Fixed		50%	50% - 80%	70% - 85%
Variable	Total	50%	20% - 50%	15% - 30%
	<i>incl. Financial¹</i>	25%	6% -17%	3% -9%
	<i>Incl. Functional²</i>	25%	14% -33%	10.5% - 21%

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

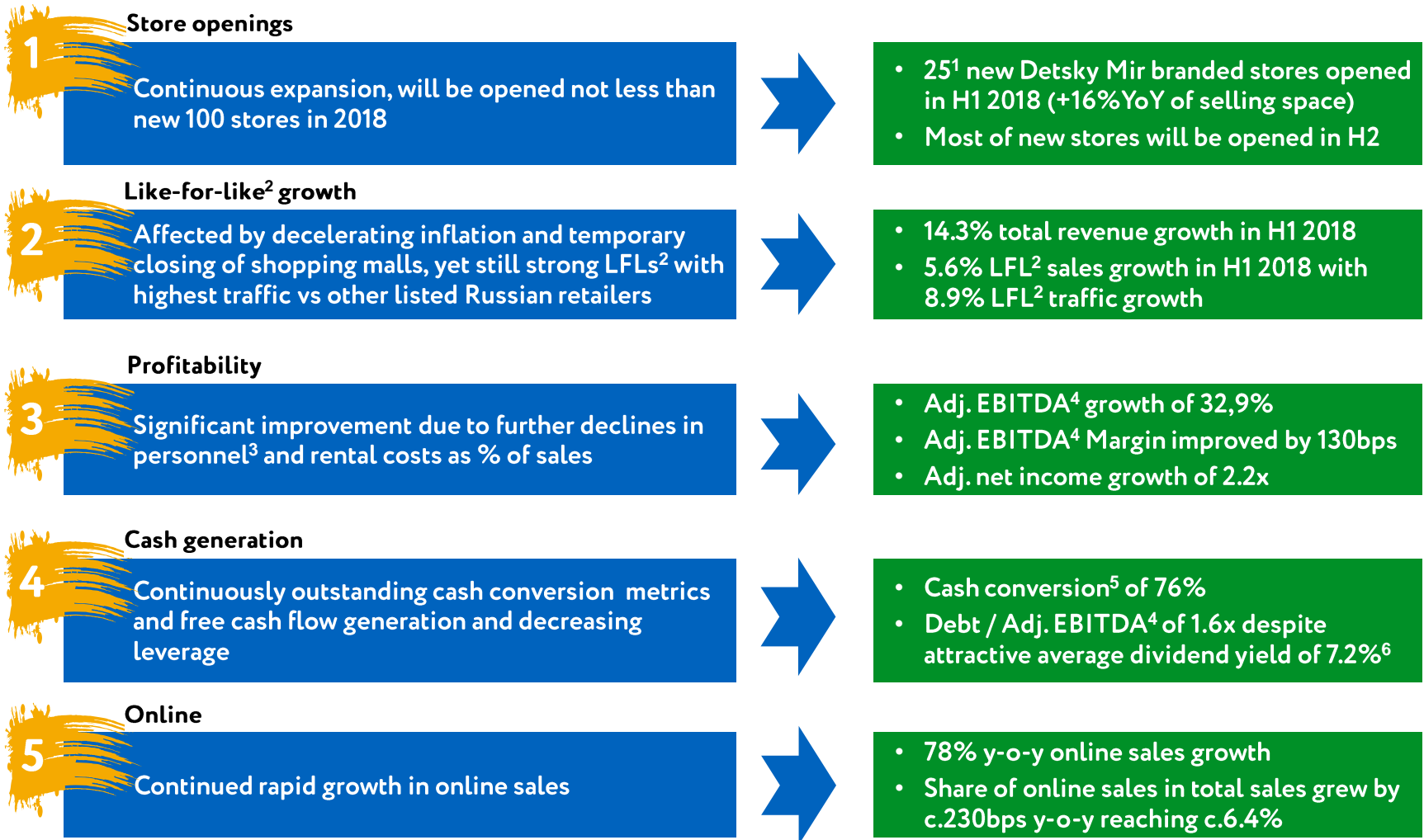
After IPO
<ul style="list-style-type: none"> Approved by the Board of Directors in August 2017 Covers the 3-year period to February 2020, the third anniversary of the Company's IPO, senior management in continuing employment by the Company as of that anniversary will be eligible for share grants from a share pool equivalent in value to up to 2% 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

H1 2018 Financial Highlights



Source: Company data. Note: The Company's consolidated financial statements for 2017-2018 under IFRS are presented without reference to the application of IFRS 16, if it is not specified.

¹ In H1 2018, Detsky Mir closed four stores, including two stores in which a fire occurred.

² LFL growth includes only DM stores in Russia that have been in operations 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

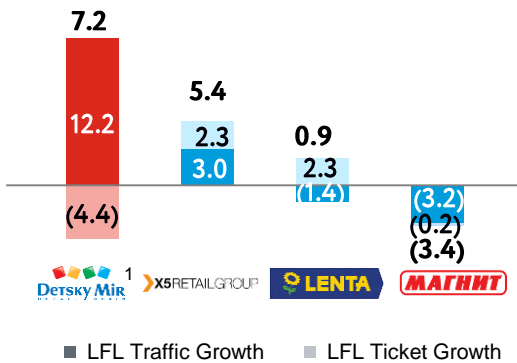
⁵ Calculated as (Adjusted EBITDA LTM - Adjusted Capex) / Adjusted EBITDA LTM

⁶ Calculated as dividend per share based on total dividends paid out for FY 2017 of RUB 5.1bn and shares outstanding of 738.6m, divided by average share price for at least 12 full calendar months

Sustainable Profitable Growth Translating into Strong Cash Generation and Returns

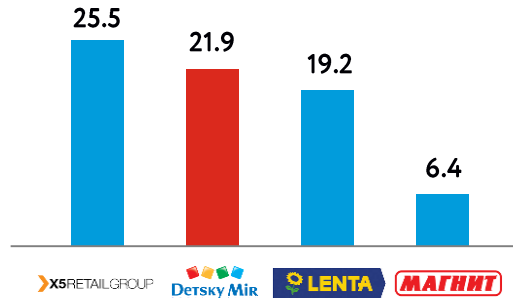
Market Leading LFL Growth...

2017 (%)



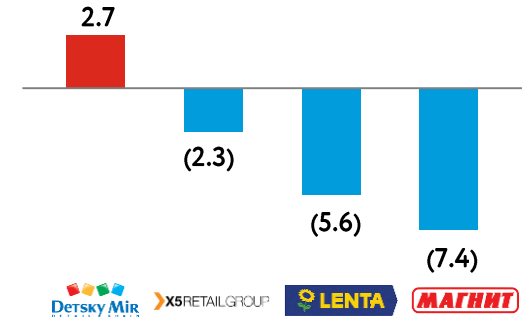
...As Well As Total Revenue Growth ...

2017 (%)



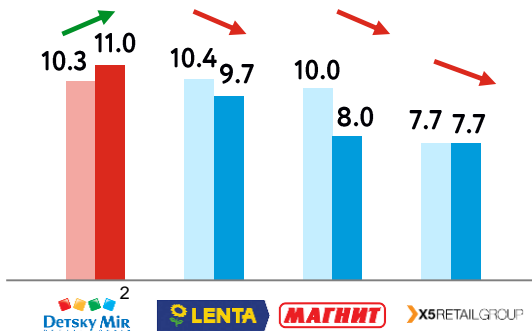
...Growing Sales Density...

Sales per sqm YoY Growth, 2017, %



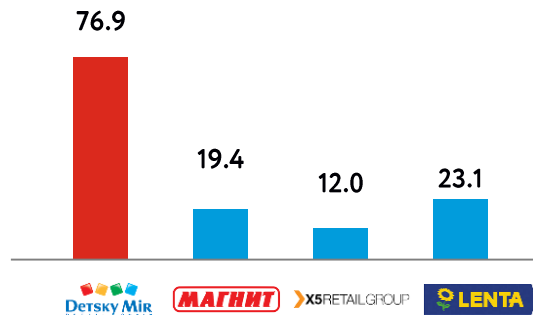
...Growing Adj.EBITDA Margin...

2017 (%)



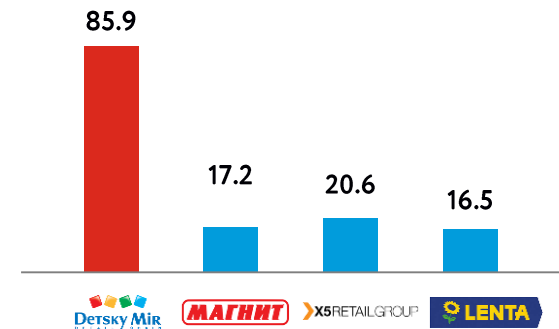
...Superior Cash Conversion³...

2017 (%)



...And Unmatched ROIC⁴

2017 (%)



Source: Public reports of companies

Based on the most recent available consolidated financial statements for other companies. Financial measures of other companies shown on this slide may be calculated differently and may not be directly comparable

¹ LFL growth in RUB terms. LFL growth includes only Detsky Mir stores in Russia that have been in operation for at least 12 full calendar months. Revenue of each store included in LFL comparison represents retail revenue of the store (incl. VAT, excluding plastic bags) for respective period but excludes store revenue for those months in which the store was not operating for 3 days or more.

² Adjusted EBITDA as per Detsky Mir disclosure

³ Calculated as (Adjusted EBITDA LTM - Adjusted Capex LTM) / Adjusted EBITDA LTM

⁴ Calculated as EBIT / Average Invested Capital. For Detsky Mir Invested capital is adjusted for amounts receivable under a loan granted to CJSC "DM-Finance". Operating profit is adjusted for LTI expense.

Why Detsky Mir Is Very Different from the Food Retail?



Leading Russian food retailers

Market structure	Market share	2017	20%	9.5% (#1)
	Competition for new locations		Low	High
	Gap #1 to #2 (Revenue 2017)		4.6x	1.3x
	ROIC 2017		86% ¹	17-21% ²
	Average dividend yield 2017 (cash flow basis)		6.8% ³	0-3.0% ⁴

Source: Company data, Infoline, companies' disclosures and reports

² Invested capital is adjusted for amounts receivable under a loan granted to CJSC "DM-Finance". Operating profit is adjusted for LTI expense

³ Calculated as dividend per share paid in 2017 (based on total dividends paid in 2017 of RUB4,767m, shares outstanding of 738.6m) divided by average share price in 2017

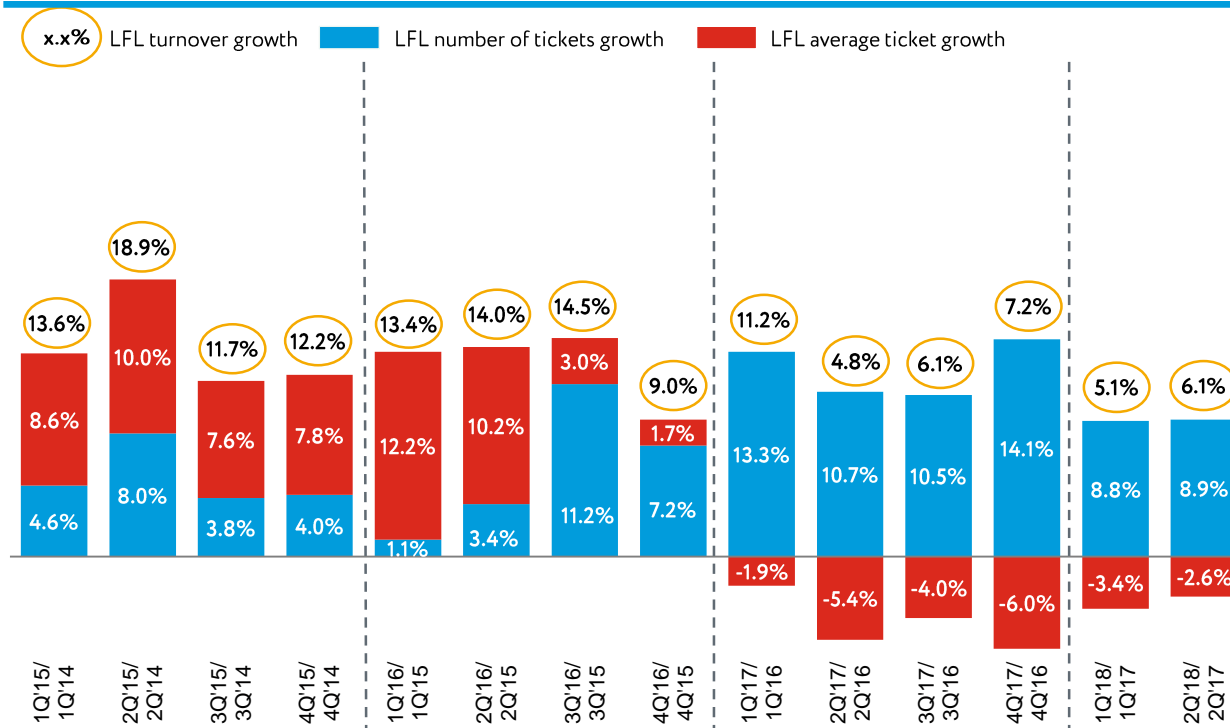
⁴ Includes Magnit, Lenta, X5



Robust Like-for-Like Performance

Detsky Mir

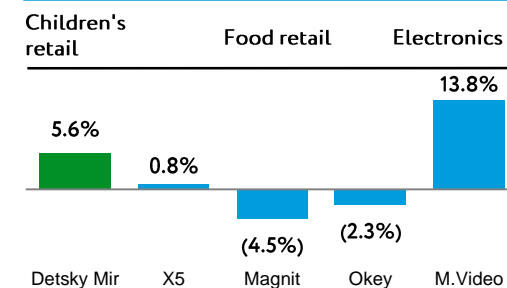
Like-for-like revenue (in RUB)



Comments

- Strong growth of like-for-like sales was a result of competitive pricing, marketing activities and improvements in merchandising
- High single-digit LFL number of tickets growth in H1 2018 thanks to our focus on attracting new customers
- 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 for H1 '18



LFL growth

Total
Average ticket
Number of tickets

LFL growth 2015

13.7%
8.3%
5.0%

LFL growth 2016

12.3%
5.9%
6.0%

LFL growth 2017

7.2%
(4.4%)
12.2%

LFL growth H1 2018

5.6%
(3.0%)
8.9%

Detsky Mir demonstrated a highly attractive revenue growth rate (LFL +5.6%) for H1 2018

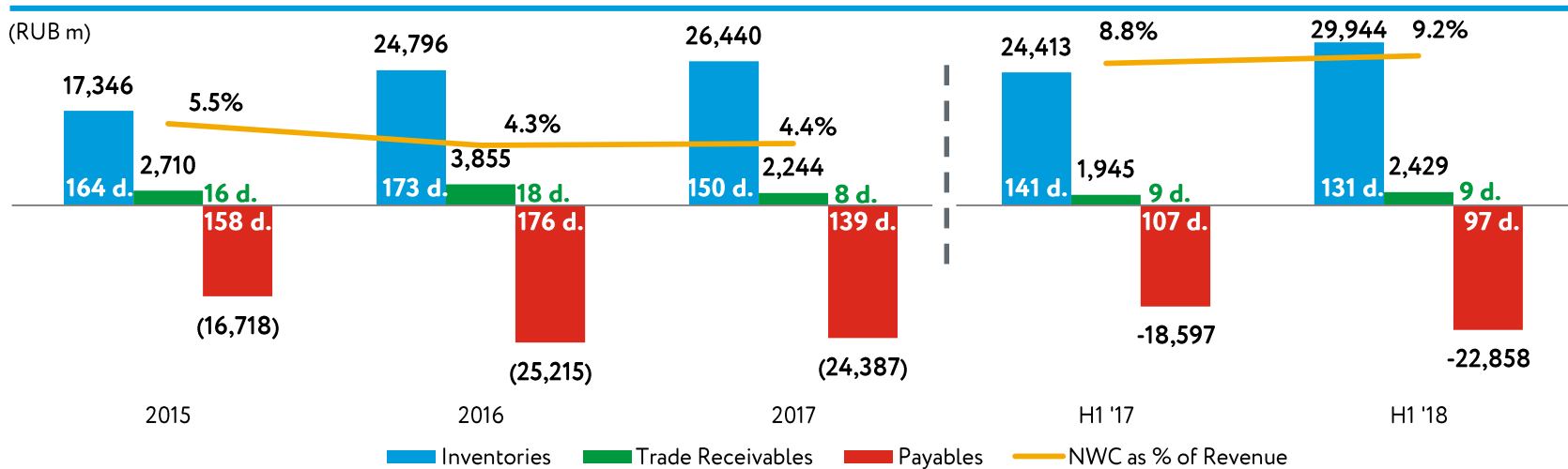
Source: Company data, publicly available data with respect to other companies

*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

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 H1 '18 mainly driven by
 - Increase in NWC occurred due to the seasonality of the business.
 - Most of the goods purchased and sold in the 4th quarter are paid in the 1st half of the following year, which had such a significant impact on NWC in H1 '18.
 - Decline in accounts payable turnover ratio is 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
 - Nevertheless substantially improved Inventories Turnover Ratios

Source: Company data.

Note: The Company's consolidated financial statements 2015-2018 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

(RUBm, unless specified otherwise)¹

	2015	2016	2017	H1 '17	H1 '18
Number of stores	425	525	622	529	650
Detsky Mir stores	381	480	578	489	599
ELC stores	44	45	44	40	51
Selling space (k sqm)	491	596	688	606	704
Revenue	60,544	79,547	97,003	42,096	48,116
% total sales growth	33.2%	31.4%	21.9%	24.8%	14.3%
% LFL sales growth ²	13.7%	12.3%	7.2%	7.9%	5.6%
Revenue per sqm ³ (RUB thousand / sqm)	137	146	151	70	69
Online sales ⁴	1,260	2,776	4,637	1,725	3,077
Share of online sales	2.1%	3.5%	4.8%	4.1%	6.4%
Gross profit	21,904	27,108	32,798	13,771	15,536
Margin, %	36.2%	34.1%	33.8%	32.7%	32.3%
Gross profit per sqm³ (RUB thousand / sqm)	50	50	51	23	22
Adjusted SG&A ⁵	15,708	18,885	22,127	(10,413)	(11,100)
% of revenue	25.9%	23.7%	22.8%	24.7%	23.1%
Adjusted EBITDA⁶	6,185	8,203	10,663	3,328	4,423
Margin, %	10.2%	10.3%	11.0%	7.9%	9.2%
Adjusted Profit for the period⁷	2,189	3,827	5,501	978	2,145
Margin, %	3.6%	4.8%	5.7%	4.5%	2.3%
Total Debt	18,359	14,638	13,592	15,693	19,686
Cash and cash equivalents	(1,934)	(2,445)	(3,155)	545	785
Adjusted Net Debt⁸	10,618	11,133	10,436	15,148	18,901
Adjusted Net Debt / Adjusted EBITDA	1.7x	1.4x	1.0x	1.7x	1.6x
Capex	(5,308)	(1,747)	(2,468)	(563)	(730)
% of revenue	8.8%	2.2%	2.5%	1.3%	1.5%
Dividends declared	(2,973)	(4,427)	(4,767)	(2,572)	(2,864)

Source: Company data

¹ The Group's consolidated financial statements for 2015–2018 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
- Accelerated rate of new openings in 2017 (+104 stores⁹)

Improved Operating Efficiency

- Slightly declining gross margin due to investment in price leadership to support traffic and LFL growth
- Over 800bps improvement in SG&A as % of sales over five years (-170bps H1 '18 vs H1 '17)

Superior EBITDA Margin

- Major SG&A optimisation measures implemented by the new management team since 2013
- Over 320bps margin increase over five years (+130bps H1 '18 vs H1 '17)
- Double-digit EBITDA margin achieved in 2015 and maintained in 2016 - 2017, expected to be maintained in 2018

Capex

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

Conservative Financial Policy

- Leverage⁸ as of 30-June-2018 is 1.6x 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 10-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 2017, Detsky Mir closed six stores as part of the Company's ongoing rationalization program

Contact Information




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The business card features a white background with a thin black border. It includes the Detsky Mir logo (four colored squares: red, orange, green, blue) and the name 'Sergey Levitskiy' in a large, bold, black font. Below the name is the title 'Head of Investor Relations', the email address 'slevitskiy@detmir.ru', and the phone number '+7 903 971-43-65'. At the bottom left, it says 'Detsky mir' and '+7 495 781-08-08, ext. 2315'. At the bottom right, it says 'detmir.ru'. The card is decorated with faint, light gray line-art icons of various geometric shapes like a star, a triangle, a circle, and a zigzag.