DETSKY MIR GROUP NET PROFIT INCREASED BY 74.5%
TO RUB 4.0BN IN 9M 2018

Moscow, 29 October 2018 – Detsky Mir Group ("Detsky Mir", "the Group" or "the Company", MOEX: DSKY), Russia's largest specialized children's goods retailer and a Sistema Group company (LSE: SSA, MOEX: AFKS) announces its unaudited financial results in accordance with International Financial Reporting Standards (IFRS) for the third quarter and the nine months ended 30 September 2018.

Q3 2018 FINANCIAL HIGHLIGHTS[1]

- Group unaudited revenue increased by 15.9% year-on-year to RUB 28.4 bn.
  - Online revenue[2] more than doubled year-on-year to RUB 2.1 bn.
- Like-for-like sales[3] at Detsky Mir stores in Russia grew by 3.7%. The number of tickets grew by 5.2% while the average ticket decreased by 1.5%.
- Detsky Mir opened 12 new branded stores in Q3 2018. Total Group stores[4] stood at 666 as of 30 September 2018.
- Gross profit increased by 14.6% year-on-year to RUB 9.5 bn, with a gross margin of 33.4%;
- SG&A as a percentage of revenue[5] decreased by 70 bps year-on-year, driven by increased operational efficiency;
- Adjusted EBITDA[6] increased by 18.5% year-on-year to RUB 3.6 bn; the adjusted EBITDA margin grew by 30 bps year-on-year to 12.7%. EBITDA[7] amounted to RUB 3.5 bn (+29.8% year-on-year);
- Adjusted net profit[8] increased by 17.4% year-on-year to RUB 2.2 bn. Net profit amounted to RUB 2.1 bn (+32.3% year-on-year);
- The net debt /adjusted LTM EBITDA ratio decreased to 1.3x as of Q3 2018 from 1.4x as of 30 September 2017.

9M 2018 FINANCIAL HIGHLIGHTS[1]

- Group unaudited revenue increased by 14.9% year-on-year to RUB 76.6 bn
  - Online revenue[2] increased by 94.7% year-on-year to RUB 5.1 bn.
- Like-for-like sales[3] at Detsky Mir stores in Russia grew by 4.9%. The number of tickets grew by 7.5% while the average ticket decreased by 2.4%.
- Detsky Mir opened 37 new branded stores[9] in 9M 2018.
- Gross profit increased by 13.5% year-on-year to RUB 25.0 bn, with a gross margin of 32.7%;
- SG&A as a percentage of revenue decreased by 130 bps year-on-year, driven by increased operational efficiency;
- Adjusted EBITDA increased by 26.0% year-on-year to RUB 8.0; the adjusted EBITDA margin grew by 90 bps year-on-year to 10.5%. EBITDA amounted to RUB 7.6 bn (+34.2% year-on-year);
- Adjusted net profit rose by half year-on-year to RUB 4.4 bn. Net profit amounted to RUB 4.0 bn (+74.5% year-on-year).

(1) The figures presented do not account for the new IFRS 16 "Lease" accounting standards.
(2) Hereinafter this channel includes online orders at www.detmir.ru, including in-store pick-up.
(3) Hereinafter like-for-like average growth, like-for-like number of tickets growth and like-for-like revenue growth based on stores in operation for at least 12 full calendar months.
(4) The number of ELC and ABC stores amounted to 56.
(5) Hereinafter, selling, general and administrative expenses exclude D&A expenses and adjusted for share-based compensation and cash bonuses under the LTI program
(6) Hereinafter, adjusted EBITDA is calculated as profit for the period before income tax, FX loss, net finance expense, D&A; adjusted for share-based compensation and cash bonuses under the LTI program. See Attachment A.
(7) Hereinafter, see Attachment A for definitions and reconciliation of EBITDA to IFRS financial measures.
(8) Hereinafter, adjusted for additional bonus accruals under the LTI program (together with related tax effects). See Attachment A.
(9) In 9M 2018, Detsky Mir closed five stores.

Vladimir Chirakhov, PJSC Detsky Mir Chief Executive Officer, said:

"Our results for 9M 2018 confirm Detsky Mir's status as a leading player in the children's goods market in Russia and Kazakhstan. The key achievement is high sales growth in all business segments despite deteriorating consumer sentiment in Russia.

"Consolidated revenue grew by 14.9% to RUB 76.6bn. The key driver was the high growth rate of like-for-like sales at Detsky Mir stores in Russia, at 4.9%, and an increase in the ramp-up of stores opened in 2017. Detsky Mir's chain in Kazakhstan also made a significant contribution to Group revenue growth, doubling revenue and increasing like-for-like sales by 30%.

"The online store www.detmir.ru is one of the fastest growing e-commerce websites in Russia, with revenue growing by 94.7%. The main advantage of our online channel is its unique logistics system, which allows customers to receive their orders in retail stores in any city where the chain is present within an hour of placing the order. In-store pick-ups as a proportion of online sales reached 74%, while the entire online segment increased its share of total revenue to 6.7%. The customer-friendly pick-up service not only improves the customer experience, but also allows us to significantly reduce logistical costs and increase the profitability of the online business at the Group level.

"The company continues to improve operating efficiency, mainly due to increased labour productivity and lower rental costs. As a result, in 9M 2018 Detsky Mir reduced the share of SG&A (excluding long-term bonus payments to management) as a percentage of revenue by 130 p.p. YoY. This allowed us to further invest in prices, growing like-for-like customer traffic by 7.5%, and at the same time increase EBITDA by 34.2% YoY.

"In addition, strict investment discipline and efficient implementation of our growth programme with its lease-based business model made it possible to increase ROIC to 69% in the reporting period. The Group's net profit increased by 74.5% YoY.

"In 9M 2018, Detsky Mir's net profit under RAS amounted to RUB 3.3bn, which enables management to recommend that all net profit be distributed as interim dividends.

"Detsky Mir's growth plan – to open at least 100 stores in 2018 – remains fully on track. Since the beginning of the year, 37 new stores have been opened, and the rest will be opened in the last quarter in the peak sales season. Detsky Mir also confirms its plans to entre the Belarusian market – the first store is expected to open in the first quarter of next year. The Company has also set the goal of entering the pet products market with an annual volume of more than RUB 200bn under the Zoozavr brand by opening its first retail stores and online store by the end of the year."

KEY FINANCIAL & OPERATING HIGHLIGHTS

Key Operating Highlights

	Q3 2018	Q3 2017	*Change*
Number of stores	**666**	**557**	***19.6%***
Detsky Mir	610	516	*18.2%*
ELC	56	41	*36.6%*
Selling space ('000, sq.m.)	**714**	**631**	***13.2%***

	Q3 2018	Q3 2017	*Change*	9M 2018	9M 2017	*Change*
Like-for-Like revenue growth	**3.7%**	**6.1%**	*(2.4 p.p.)*	**4.9%**	**7.2%**	*(2.3 p.p.)*
Like-for-Like number of tickets growth	5.2%	10.5%	*(5.3 p.p.)*	7.5%	11.4%	*(3.9 p.p.)*
Like-for-Like average ticket growth	-1.5%	-4.0%	*2.5 p.p.*	-2.4%	-3.8%	*1.4 p.p.*

Key Financial Highlights[10]

Russian Ruble (RUB), million	IAS 17		*Change*	IFRS 16
	Q3 2018	**Q3 2017**		**Q3 2018**
Revenue	**28,449**	**24,554**	***15.9%***	**28,449**
Online store	2,053	909	*125.7%*	2,053
Gross profit	**9,488**	**8,277**	***14.6%***	**9,488**
Gross profit margin,%	*33.4%*	*33.7%*	*(0.3 p.p.)*	*33.4%*
SG&A	(5,868)	(5,231)	*12.2%*	(3,217)
% of revenue	*-20.6%*	*-21.3%*	*(0.7 p.p.)*	*-11.3%*
Other operating expenses	(11)	(1)	*1375.7%*	(11)
EBITDA	**3,486**	**2,686**	***29.8%***	**6,137**
EBITDA margin, %	*12.3%*	*10.9%*	*1.4 p.p.*	*21.6%*
Adjusted EBITDA	**3,609**	**3,045**	***18.5%***	**6,260**
Adjusted EBITDA margin, %	12.7%	12.4%	*0.3 p.p.*	22.0%
Profit for the period	**2,126**	**1,607**	***32.3%***	**1,236**
Profit margin, %	*7.5%*	*6.5%*	*1.0 p.p.*	*4.3%*
Adjusted profit for the period	**2,224**	**1,895**	***17.4%***	**1,334**
Adjusted profit margin, %	7.8%	7.7%	*0.1 p.p.*	4.7%
Net debt	**16,139**	**13,784**		**16,139**
Lease liabilities	**-**	**-**		**38,567**
Net debt / EBITDA	*1.4*	*1.5*		
Net Debt / adjusted EBITDA	*1.3*	*1.4*		

Russian Ruble (RUB), million	IAS 17		*Change*	IFRS 16
	9M 2018	**9M 2017**		**9M 2018**
Revenue	**76,566**	**66,649**	***14.9%***	**76,566**
Online store	5,130	2,635	*94.7%*	5,130
Gross profit	**25,024**	**22,048**	***13.5%***	**25,024**
Gross profit margin,%	*32.7%*	*33.1%*	*(0.4 p.p.)*	*32.7%*
SG&A	(16,968)	(15,644)	*8.5%*	(10,257)
% of revenue	*-22.2%*	*-23.5%*	*(1.3 p.p.)*	*-13.4%*
Other operating expenses	(24)	(31)	*-23.0%*	(24)
EBITDA	**7,614**	**5,673**	***34.2%***	**14,325**
EBITDA margin, %	*9.9%*	*8.5%*	*1.4 p.p.*	*18.7%*
Adjusted EBITDA	**8,032**	**6,373**	***26.0%***	**14,743**
Adjusted EBITDA margin, %	10,5%	9.6%	*0.9 p.p.*	19.3%
Profit for the period	**4,036**	**2,313**	***74.5%***	**2,267**
Profit margin, %	*5,3%*	*3.5%*	*1.8 p.p.*	*3.0%*
Adjusted profit for the period	**4,370**	**2,873**	***52.1%***	**2,601**
Adjusted profit margin, %	5,7%	4.3%	*1.4 p.p.*	3.4%
Net debt	**16,139**	**13,784**		**16,139**
Lease liabilities	**-**	**-**		**38,567**
Net debt / EBITDA	*1.4*	*1.5*		
Net Debt / adjusted EBITDA	*1.3*	*1.4*		

(10) Although the Company has applied IFRS 16 "Lease" as of January 1, 2018, the comparison of key financial indicators of unaudited financial statements is provided without reference to the application of IFRS 16. In the transition to the new standard, the comparative figures were not reconciled for 2017.

Additional information is available on the Company's corporate website, www.corp.detmir.ru.

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Conference Call Information

Detsky Mir's management will host a conference call today at 16:00 (Moscow time) / 13:00 (London time) / 9:00 (New York time) to discuss the Company's 9M 2018 Unaudited IFRS Financial Results.

The dial-in numbers for the conference call are:

Russia
+7495 646 93 15
8 800 500 98 63 (toll-free)

UK
+44 207 194 37 59
0800 376 61 83 (toll-free)

USA
+1 646 722 49 16
8442 860 643 (toll-free)

PIN
65 201 791#

The conference call title: "Detsky Mir Group – 9M 2018 Unaudited IFRS Financial Results".

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Detsky Mir Group (MOEX: DSKY) is Russia's largest specialized children's goods retailer. The company operates a network of 666 stores, including 610 Detsky Mir stores in Russia and Kazakhstan located in 228 cities, as well as 56 ELC (Early Learning Centre) and ABC stores in Russia. The total selling space as of 30 September 2018 was approximately 714,000 square meters.

In accordance with the audited Financial Statements under IFRS for FY 2017, Group revenue amounted to RUB 97.0 bn., adjusted EBITDA totaled RUB 10.7 bn and adjusted profit amounted to RUB 5.5 bn..

Detsky Mir Group's shareholder structure as of the date of this announcement is as follows: PJSC Sistema[11] - 52.10%, Russia-China Investment Fund (RCIF) [12] - 14.03%, other shareholders owning less than 5% of the shares - 33.87%.

Learn more at www.detmir.ru, corp.detmir.ru and elc-russia.ru.

Disclaimer

Some of the information in these materials may contain projections or other forward-looking statements regarding future events or the future financial performance of Detsky Mir. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could," "may" or "might" the negative of such terms or other similar expressions. Detsky Mir wishes to caution you that these statements are only predictions and that actual events or results may differ materially. Detsky Mir does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of Detsky Mir, including, among others, general economic conditions, the competitive environment, risks associated with operating in the Russian Federation, rapid technological and market change in the industries Detsky Mir operates in, as well as many other risks specifically related to Detsky Mir and its operations.

(8) Sistema PJSFC is a publicly-traded diversified Russian holding company serving over 150 million customers in the sectors of telecommunications, children's goods retail, paper and packaging, healthcare services, agriculture, high technology, banking, real estate, pharmaceuticals and hospitality.
(9) RCIF is an equity fund established by the Russian Direct Investment Fund (RDIF) and China Investment Corporation (CIC), hold its stake in PJSC Detsky Mir through its funds: FLOETTE HOLDINGS LIMITED and EXARZO HOLDINGS LIMITED.

Attachment A

EBITDA is calculated as profit for the period before income tax expense, foreign exchange loss, finance expense, finance income, depreciation and amortisation, as well as profit from taking control in the subsidiary. *EBITDA margin* is calculated as *EBITDA* for a given period divided by revenue for the same period expressed as a percentage. Our *EBITDA* may not be similar to *EBITDA* measures of other companies; is not a measurement under accounting principles generally accepted under IFRS and should be considered in addition to, but not as a substitute for, the information contained in our consolidated statement of profit and loss. We believe that *EBITDA* provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions of businesses and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under IFRS, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. *EBITDA* is commonly used as one of the bases for investors and analysts to evaluate and compare the periodic and future operating performance and value of companies.

Adjusted EBITDA and Adjusted profit for the period are used to evaluate the financial performance of the Group. This represents an underlying financial measure adjusted for one-off gains and losses. We believe that adjusted measures provide investors with additional useful information to measure our underlying financial performance, particularly from period to period, because these measures are exclusive of certain one-off gains and losses.

EBITDA and Adjusted EBITDA of the third quarter can be reconciled to our consolidated statements of profit and loss as follows:

RUB mln	**IAS 17**		**IFRS 16**
	Q3 2018	**Q3 2017**	**Q3 2018**
Profit for the period	**2,126**	**1,607**	**1,236**
Add / (deduct):			
Finance income	(1)	(4)	(1)
Finance expense	458	468	1,559
Profit from taking control in the subsidiary	-	-	-
Foreign exchange loss	(32)	98	(32)
Income tax expense	387	60	165
Depreciation and amortisation	548	457	3,211
EBITDA	**3,486**	**2,686**	**6,137**
Reverse effect of:	-	-	-
Additional bonus accruals under the LTI program \ (Income received from partial termination of employees’ right to receive shares under the LTI program)	123	359	123
Adjusted EBITDA	**3,609**	**3,045**	**6,260**

Adjusted profit for the period of the third quarter can be reconciled to our consolidated statements of profit and loss as follows:

RUB mln	**IAS 17**		**IFRS 16**
	Q3 2018	**Q3 2017**	**Q3 2018**
Profit for the period	**2,126**	**1,607**	**1,236**
Reverse effect of:			
Additional bonus accruals under the LTI program \ (Income received from partial termination of employees’ right to receive shares under the LTI program) with related tax effects	98	287	98
Adjusted profit for the period	**2,224**	**1,895**	**1,334**

EBITDA and Adjusted EBITDA of the nine months can be reconciled to our consolidated statements of profit and loss as follows:

RUB mln	IAS 17		IFRS 16
	9M 2018	**9M 2017**	**9M 2018**
Profit for the period	**4,036**	**2,313**	**2,267**
Add / (deduct):			
Finance income	(2)	(26)	(2)
Finance expense	1,303	1,427	3,896
Profit from taking control in the subsidiary	-	-	-
Foreign exchange loss	(175)	217	(175)
Income tax expense	876	410	434
Depreciation and amortisation	1,576	1,331	7,906
EBITDA	**7,614**	**5,673**	**14,325**
Reverse effect of:			
Additional bonus accruals under the LTI program \ (Income received from partial termination of employees' right to receive shares under the LTI program)	417	700	417
Adjusted EBITDA	**8,032**	**6,373**	**14,743**

Adjusted profit for the period of the nine months can be reconciled to our consolidated statements of profit and loss as follows:

RUB mln	IAS 17		IFRS 16
	9M 2018	**9M 2017**	**9M 2018**
Profit for the period	**4,036**	**2,313**	**2,267**
Reverse effect of:			
Additional bonus accruals under the LTI program \ (Income received from partial termination of employees' right to receive shares under the LTI program) with related tax effects	334	560	334
Adjusted profit for the period	**4,370**	**2,873**	**2,601**