Investor Presentation

#1 Russian specialized children’s goods retailer

November 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

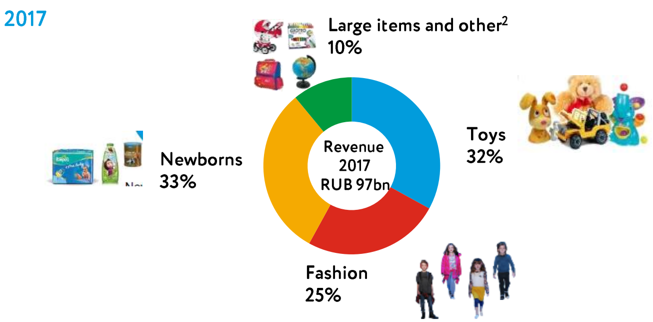
Russia's Children Goods Retail Market Leader With Strong Growth and Shareholder Returns

Detsky Mir

Key Facts

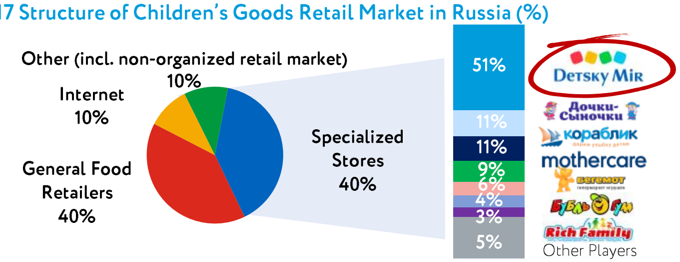
- Detsky Mir is the undisputed #1 player in the specialized children's goods market in Russia
- "Detsky Mir" is an iconic brand with 99% prompted awareness[1]
- 586 Detsky Mir branded stores in 215 Russian cities, 24 stores in 13 cities in Kazakhstan, as well as 56 Early Learning Center ("ELC") stores as of 30 September 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 Portfolio[3]

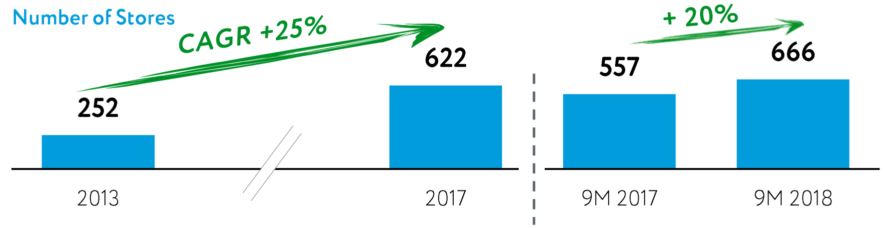


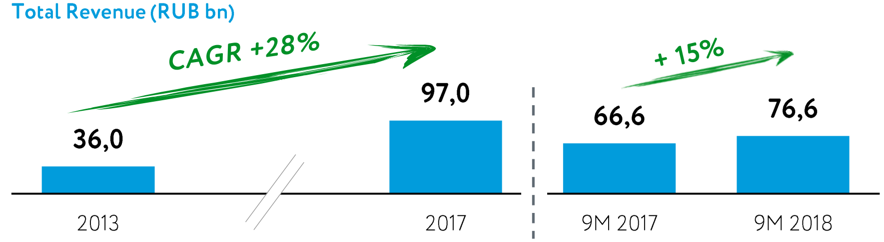
Leading Market Position

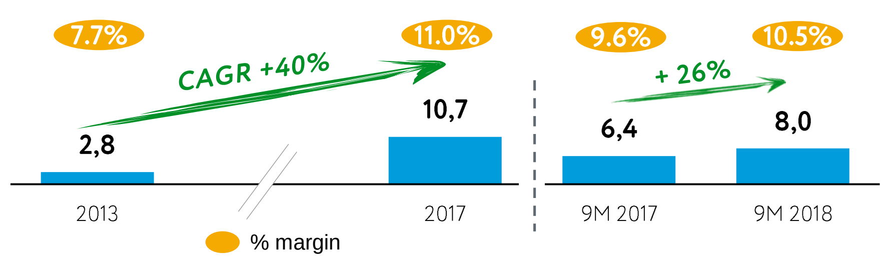
2017 Structure of Children's Goods Retail Market in Russia (%)

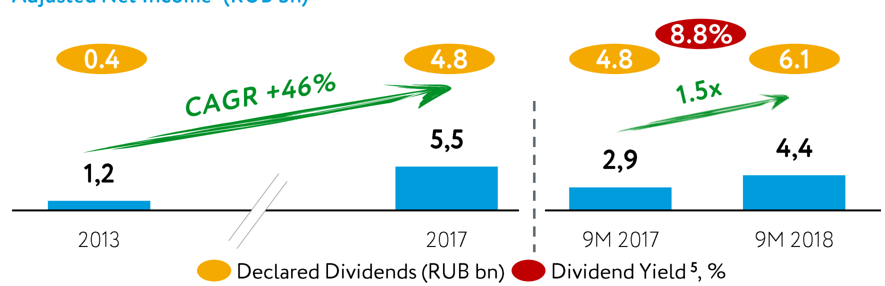


Strong Operating and Financial Results[3]









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

[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 (RUB 8.27 declared in 2018) divided by average share price for at least 12 full calendar months

Key 2018 Business Initiatives

Detsky Mir

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 33.7% to 36.2% in 9M'17 / 9M'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

	9M'17	9M'18
Toys	16.6%	20.7%
Newborns	1.7%	2.4%
Fashion	89.8%	92.9%
Large Items	64.6%	65.2%
Other Goods	33.5%	34.3%


Mobicaro


Baby Go


Tombi

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 (+30% LFL & 2x sales growth)

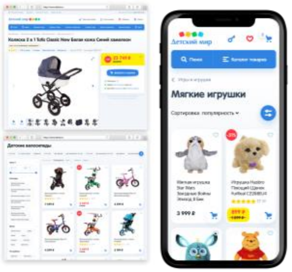
Our Key Strengths for Belarus Expansion

- ✓ 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

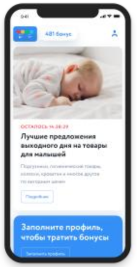
Continued Upgrades to e-Commerce Platform and Customer Offering

- 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 74% of online sales in 9M18, 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 of New Business Line - Pet Supplies

- Begin opening Zoozavr branded 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 Zoozavr 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

ЗООЗАВР
сеть зоомагазинов

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

2 Iconic category-defining brand with attractive multi-category customer proposition

3 Well-defined four-pillar growth strategy: (A) taking over whitespace; (B) growing e-Commerce platform; (C) focus on traffic generation and (D) execution excellence

4 Expansion platform geared up for future growth

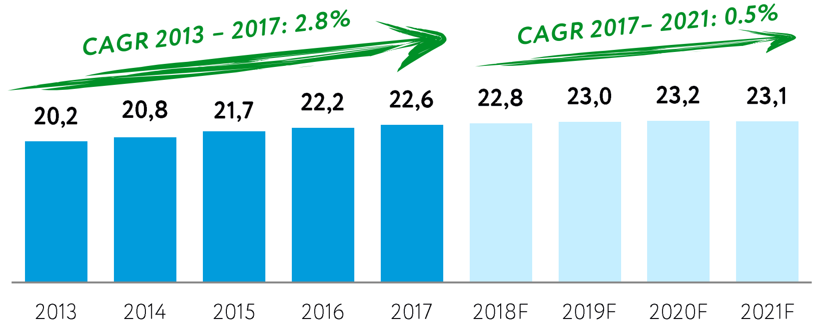
5 Sustainable asset-light business model generating attractive shareholder returns

6 Experienced management team with well-established governance and supportive shareholders

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

Sizeable Children's Population in Russia

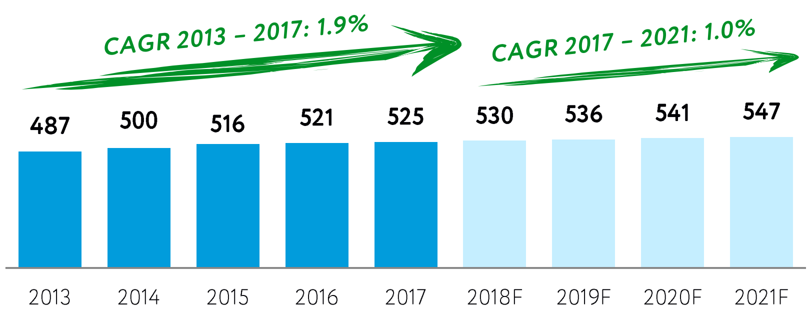
Number of Children Under 12 in Russia (m)



Source: Ipsos Comcon report

Russian Children's Goods Market Continues Its Steady Growth

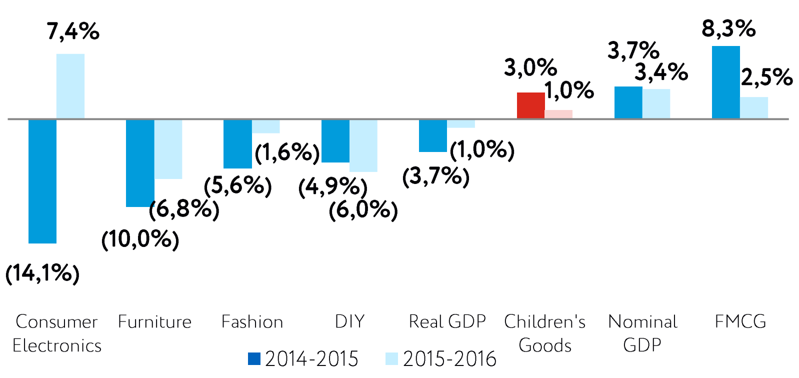
Children's Goods Retail Sales in Russia in Nominal Prices (RUB bn)



Source: Ipsos Comcon report

Proven Resilience During Economic Downturns Relative to Many Other Retail Segments

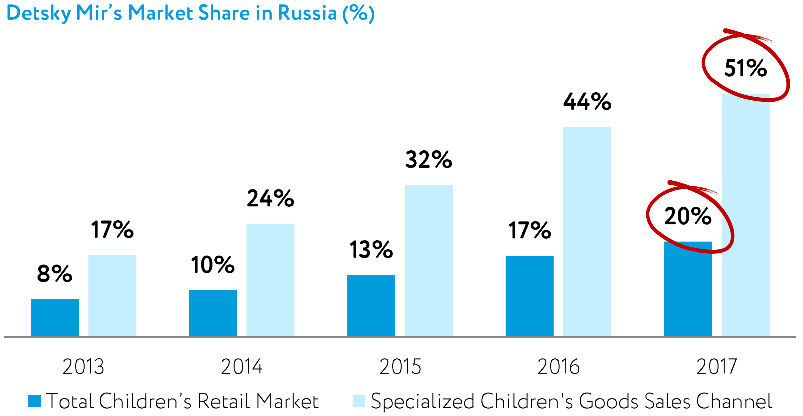
Nominal Y-o-Y Growth in RUB Terms (%)



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

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

Detsky Mir

Leading Customer Proposition

Brand Positioning
- Iconic Russian household name with 70-year history
- 99% prompted awareness
- 92% unaided awareness

Product Offering and Convenience
- One-stop-shop across key children's categories
- Product range of 20,000 – 30,000 SKUs
- Fast fashion (8 seasons)
- Special terms arrangements with leading manufacturers
- Convenient locations in high foot traffic areas

Attractive Pricing and Promotions
- Price segment from medium to medium low
- High service quality
- Highly competitive pricing in baby food and hygiene products
- Periodic sales and promotions

Loyalty Program
- 19.9m loyalty cards as of 9M 2018 (9.9m active loyalty cards[4])
- 12.5m contact base of users as of September 2018
- Average ticket for loyalty card holders is significantly higher vs. customers without cards

Omni-channel Sales
- Established online store with rapidly growing assortment
- Comprehensive omni-channel offering strategy
- Flexible store pickup and home delivery options
- Consistent pricing across channels

Bigger, Better and More Recognizable Than the Competition

	Total Number of Stores (9M 2018)	Net Store Openings (9M 2018)	Stores in Moscow and Moscow Region (9M 2018)	Stores in Other Regions (9M 2018)	Average Selling Space per Store (ths. sqm)	Poll: Unaided Brand Awareness (Dec-17)
Detsky Mir	610	#1 32[1,2]	#1 178[2]	#1 432[1,2]	1.4[3]	92%
Кораблик	211	7	149	62	0.7	39%
Дочки-Сыночки	177	16	57	120	1.2	64%
mothercare	122	13	61	61	0.5	9%
Бегемот	42	-14	1	41	1.0	8%

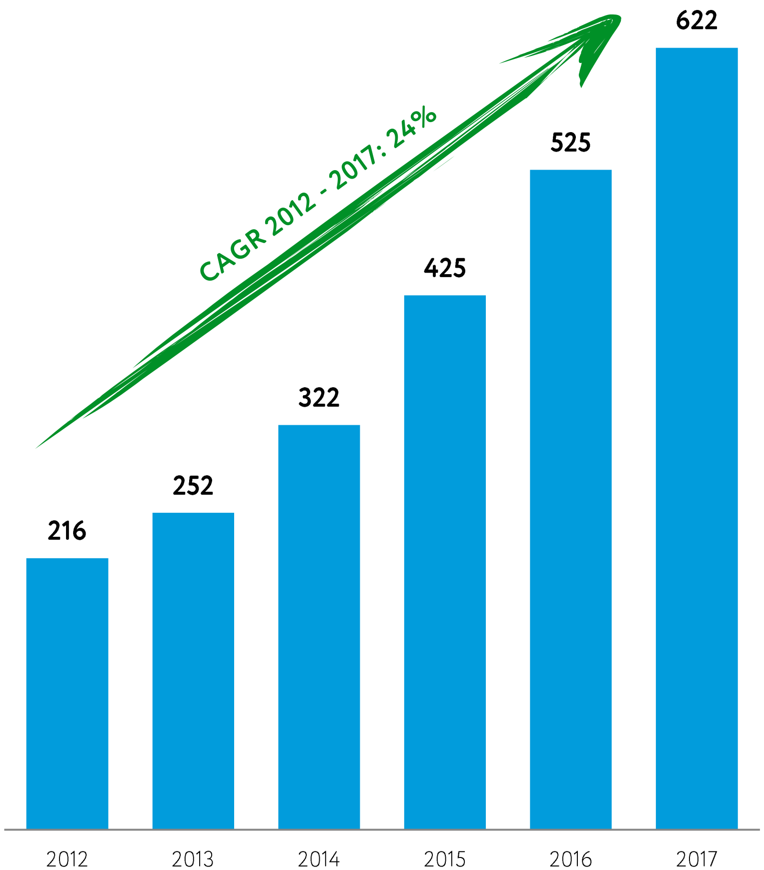
Source: Company data, Ipsos Comcon report

[1] Excluding Kazakhstan
[2] Excluding ELC stores
[3] New store roll-out: gross space
[4] Cardholders who made at least one purchases at Detsky Mir during the last 12 months to 30 September 2018 are considered active

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)



Source: Company data

Visible Expansion Pipeline

- 578[1] 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

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

3 Well-Defined Four-Pillar Growth Strategy

DETSKY MIR

B Continuous Development of Our e-Commerce Platform…

133m website visits in 2017 (+32.6% 9M'18 vs 9M'17)
78% free traffic (9M 2018)

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

2.4m orders in 2017
(+100% 9M'18 vs 9M'17)

Delivery methods

In-store pickup[2]
76% of online revenue in 9M '18

Courier[1]
24% of online revenue in 9M '18

Key Achievements in 2017

- **New Composite Customer Service Level KPI** introduced for each delivery channel and call center
- Increased focus on **UI/UX** – full redesign of **customer cart / check out**
- **Upgraded in-store pickup[2]** functionality
- Successfully introduced regular **"Cyber-Monday"** sales in the online store (2.0-3.0x higher revenues vs ordinary trading days)
- SAP Hybris implemented

Desktop Tablet Mobile

Key Initiatives for 2018

- **Full redesign of website,** including product listings
- **Last mile delivery** in remote regions
- Improvement in **SEO traffic**
- **"Ideal" in-store pickup** target: **90%** of online orders ready for collection within 1 hour after order is placed (vs **45%** in 4Q'17)
- Increase number of **"Cyber Mondays"** to **18** per year

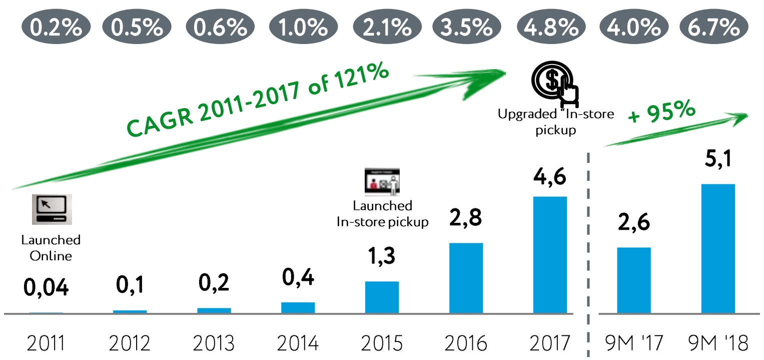
Source: Company data
[1] Includes delivery to specified address and to pick-up point
[2] Includes online orders for assortment that is not presented in offline stores but dispatched from Detsky Mir warehouse and delivered via the Company's logistics system to any store of the chain preferred by customer.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

3 Well-Defined Four-Pillar Growth Strategy

Detsky Mir

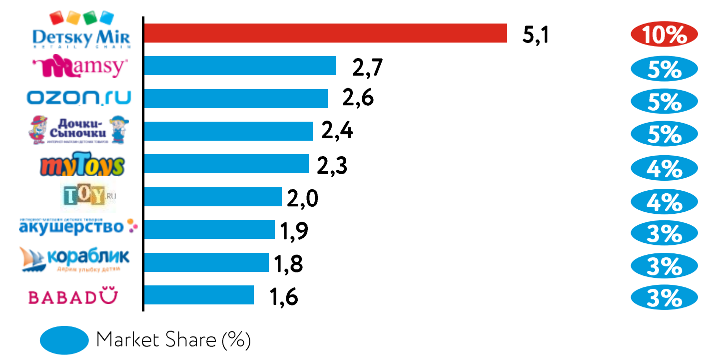
B ...Resulting in Exponential Growth Across All Key Metrics

Accelerated Online Revenue Growth



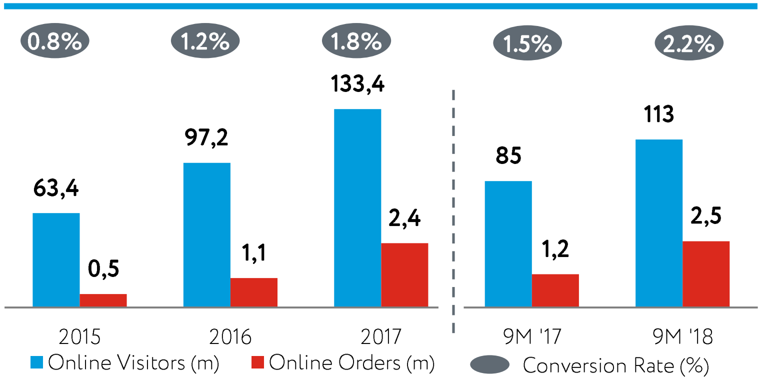
We Are Now Double the Size of Our Nearest Online Competitor

2017 Online Sales Including VAT (RUB bn)



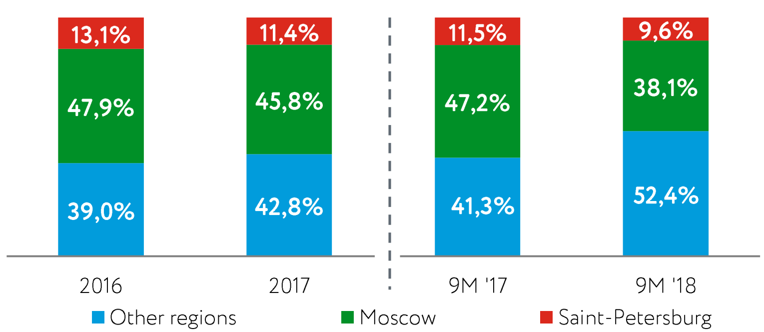
Source: Ipsos Comcon, Datainsight

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



... 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

3 Well-Defined Four-Pillar Growth Strategy

Detsky Mir

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

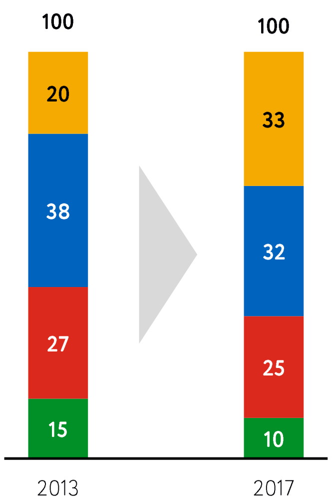
- ✓ Medium to medium-low prices
- ✓ Highly competitive pricing in traffic-generating categories
- ✓ Discounts and loyalty programmes

Effective Marketing and Merchandising

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

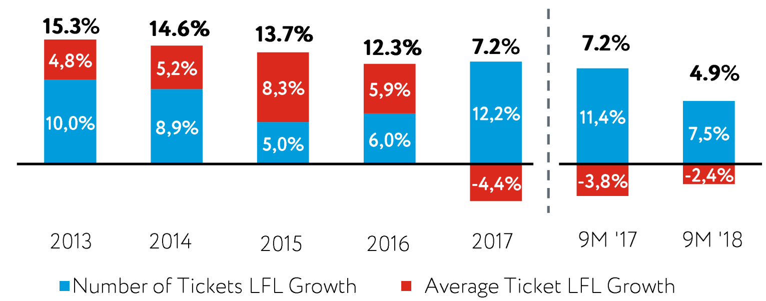
Product Segment	Gross Margin	Traffic Generation
Newborns	✓	✓✓✓
Toys	✓✓	✓✓
Fashion	✓✓✓	✓
Large items and other	✓✓	✓✓

Revenue Breakdown[2] (%)

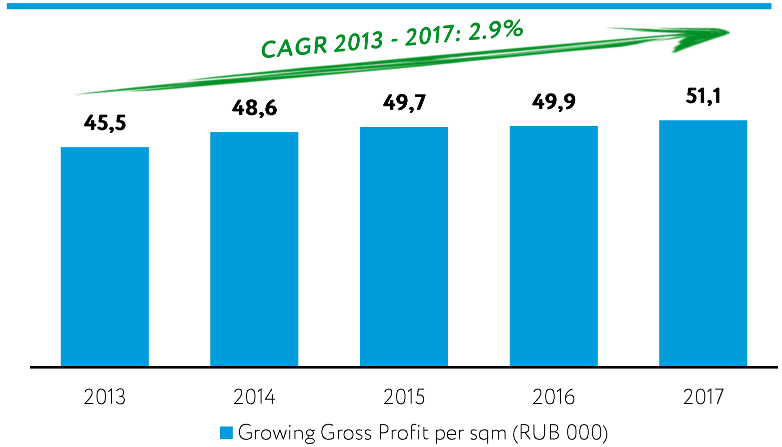


Source: Company data

Strong Traffic Growth[1] (%)



Growing Gross Profit per sqm[3]



[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)

Well-Defined Four-Pillar Growth Strategy

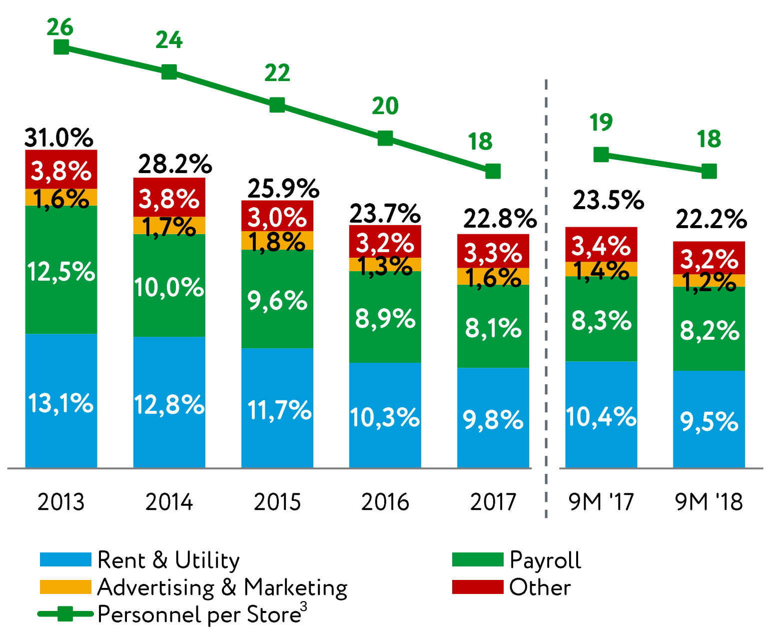
Detsky Mir

D Focus on Execution Excellence to Achieve Superior Operating Margins

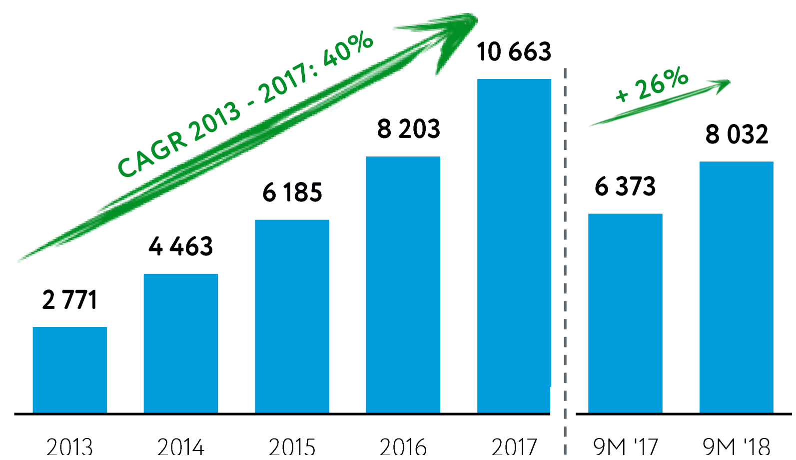
Improvement of 330bps in adj. EBITDA[1] margin since 2013 driven by:

- ✓ Store operation improvements
- ✓ Optimization of IT platforms and personnel
- ✓ Reduction in adjusted SG&A[2] as % of revenue by over 820bps over 2013-2017

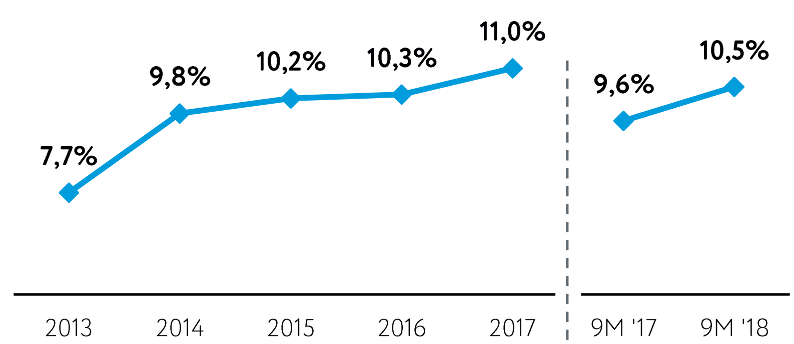
Adjusted SG&A Expenses as % of Sales[2] and Personnel per Store[3]



Adjusted EBITDA[1] (RUBm)



Adjusted EBITDA Margin (%)



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

4

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 level[1] 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 will be launched in 2019

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 Stores[2] 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

5

Detsky Mir

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…

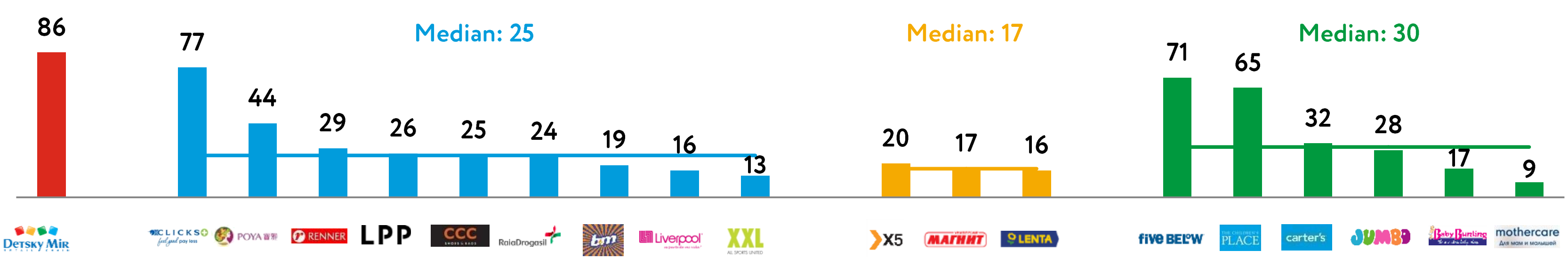
- Primarily locations in high-traffic modern shopping malls
- Mostly more than 5-year rental agreements with fixed annual increases
- Unilateral termination rights for Detsky Mir (with reasonable notice periods)

C …Resulting in Strong Returns[1]…

	2013	2014	2015	2016	2017	9M '17	9M '18
Revenue Growth	30%	26%	33%	31%	22%	23%	15%
Selling Space Growth	10%	22%	26%	21%	15%	18%	13%
Adj. EBITDA[2], RUBbn	2.8	4.5	6.2	8.2	10.7	6,373	8,032
Capex, RUBbn	(0.8)	(1.9)	(5.3)	(1.7)	(2.5)	(1,3)	(1,3)
Dividends, RUBbn	(0.4)	(1.9)	(3.0)	(4.4)	(4.8)	(4,8)	(6,1)
Adj. Net Debt[3] / Adj. EBITDA LTM[2]	1.8x	0.6x	1.7x	1.4x	1.0x	1.4x	1.3x
Adjusted ROIC LTM[4,5]	56%	88%	78%	61%	86%	65%	69%

D …and a Leading ROIC[5] in Global Retail Context

CY2017 (%)



High Performance Specialty Retailers Russian Food Retailers Children's Goods Retailers

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

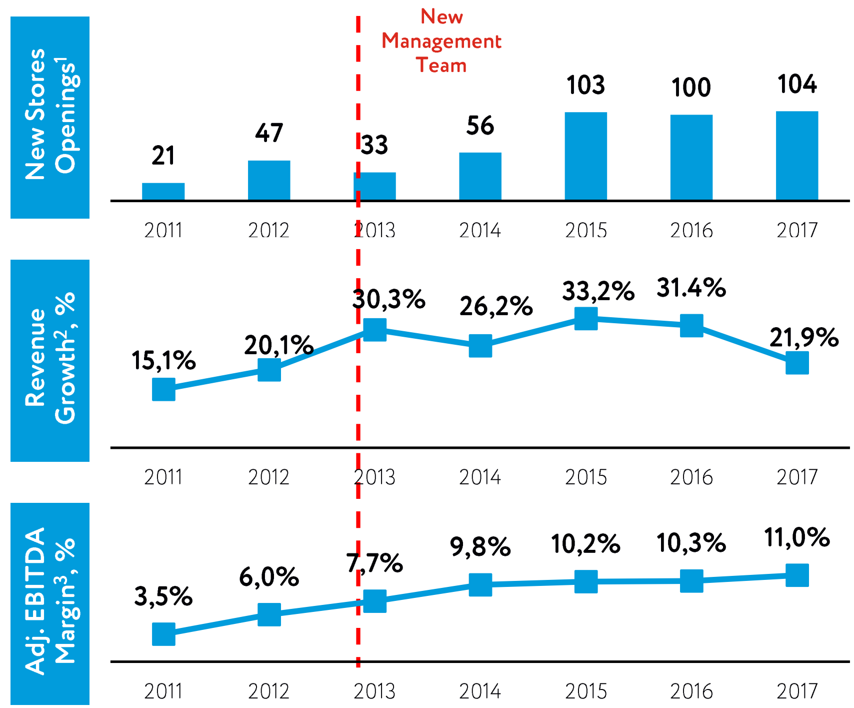
Tatiana Mudretsova
Marketing Director

- 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 3 INEDs
- Established Audit, Strategy and Nomination and Remuneration committees
  - at least 2 INEDs are members of each of the key committees

...and a Prominent Shareholder Base

Sistema	52.1%
Russia-China Investment Fund	14.0%
Free Float	33.9%

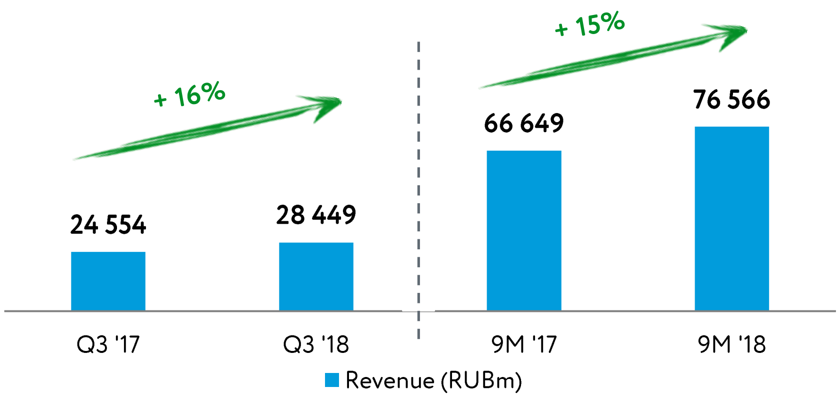
Detsky Mir Retail Chain

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
³ 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

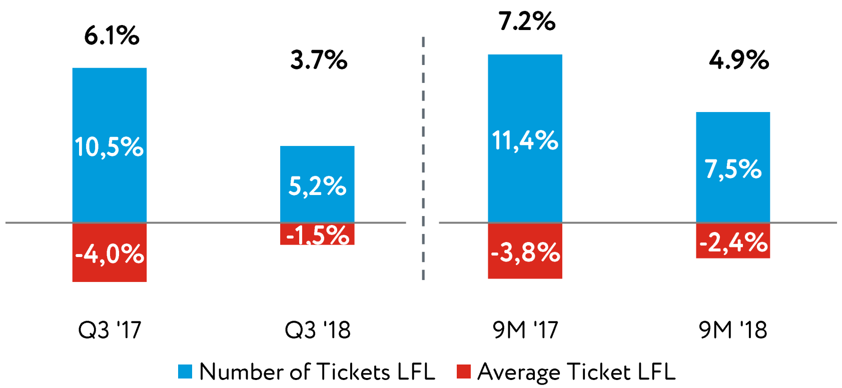
3 Recent Financial Performance

Continued Solid Top-Line Growth

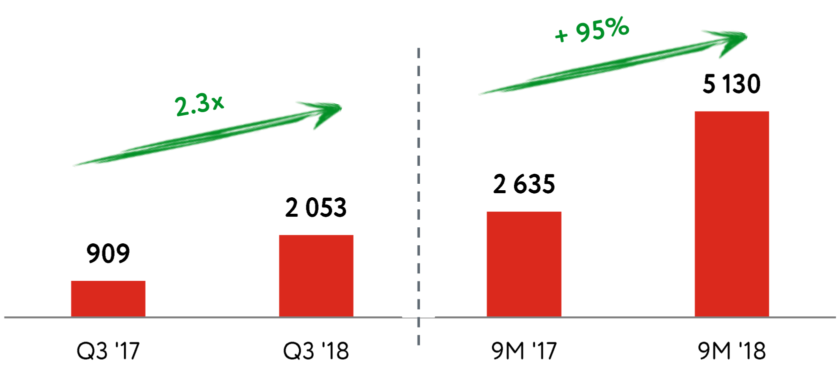
Total Revenue (RUBm)



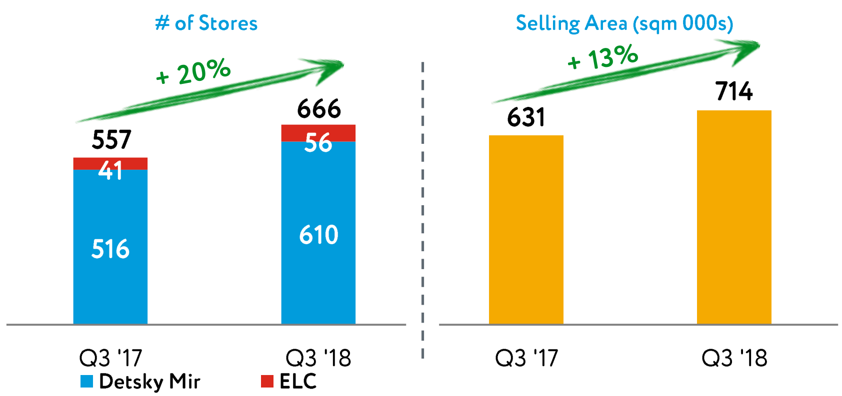
Like For Like Growth[1]



E-Commerce Revenue (RUBm)



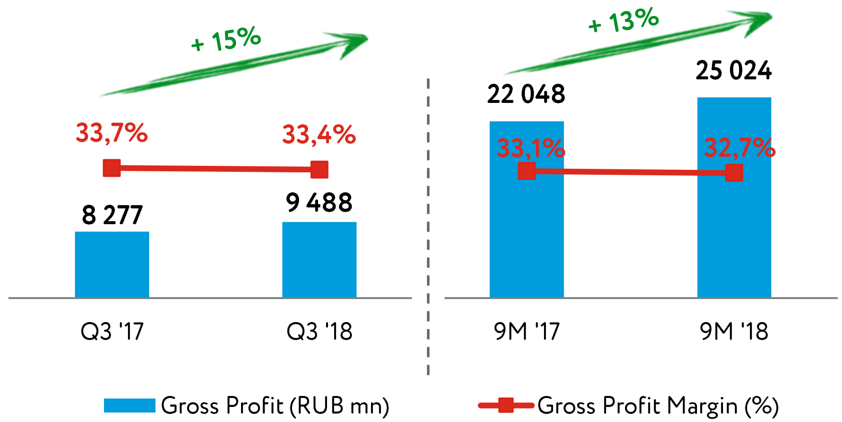
Store Network



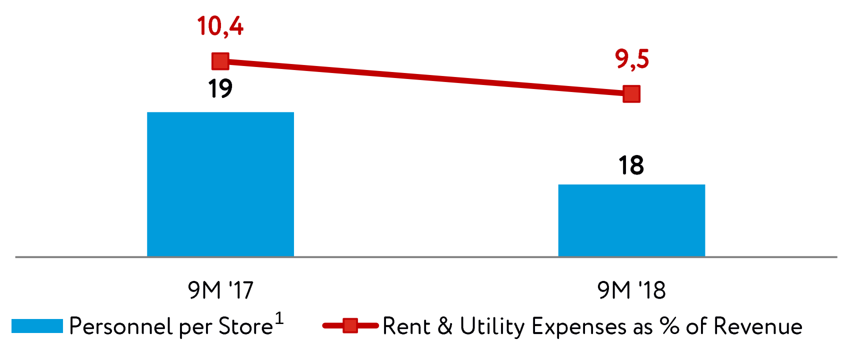
Note: Company's consolidated financial statements for 2017-2018 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise.
[1] Includes only Detsky Mir branded stores in Russia. LFL growth includes only DM stores in Russia that have been in operation for at least 12 full calendar months

Growing Profitability

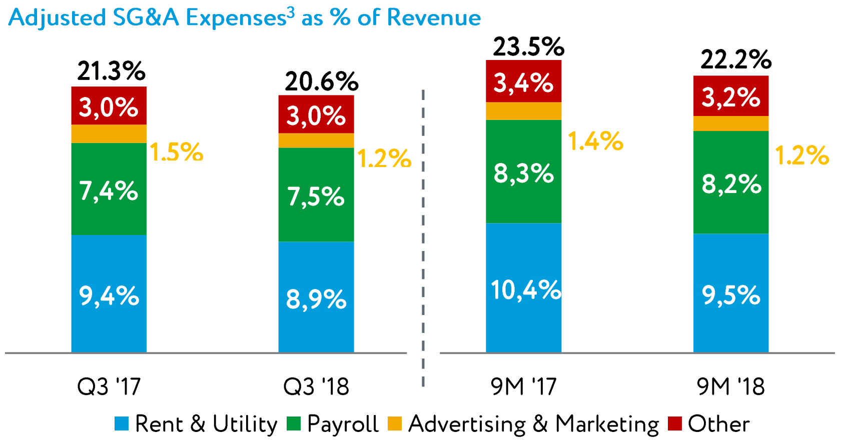
Growing Gross Profit



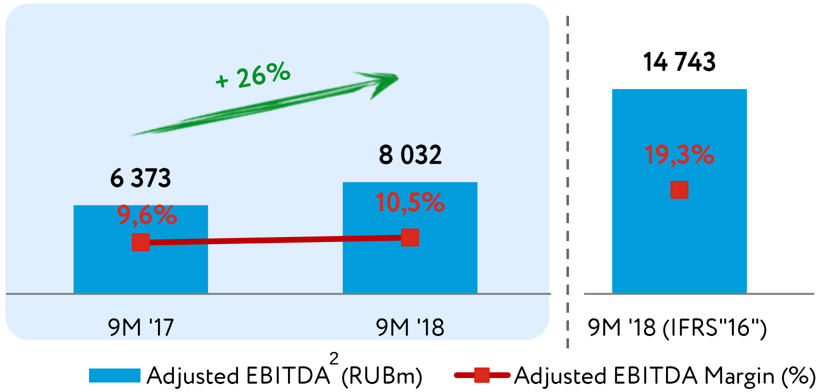
Personnel per Store and Reduction of Rent Costs



Strong Operating Leverage Effect[3]



Significant Margin Expansion with Scale Benefits



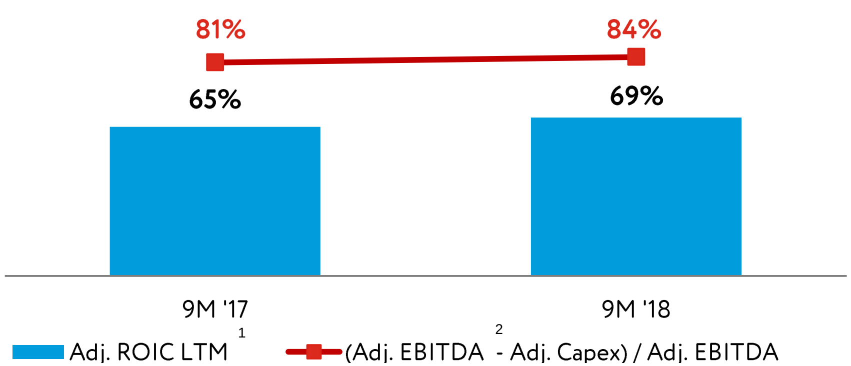
Source: The Company's consolidated financial statements for 2017-2018 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise.
[1] Excluding personnel in headquarters
[2] Adj. EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain 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 (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 (expect normalization in Q4):
  - Additional goods purchased to mitigate FX risks (RUB depreciation in Q3) with net effect of RUB 1 bn on NWC
  - Rescheduling of payments between quarters which 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 with net effect of RUB 2 bn on NWC
- 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	9M '17	9M '18	9M'18 IFRS 16
Adjusted EBITDA[2]	**8,203**	**10,663**	**6,373**	**8 032**	**14,743**
Changes in NWC	(405)	(1,123)	(3,163)	(6,958)	(6,635)
Cash Income Taxes Paid	(1,468)	(1,523)	(974)	(618)	(618)
Net Finance Expense Paid	(1,813)	(1,645)	(1,185)	(1,110)	(3,703)
Other Operating Cash Flow	1,285	708	347	348	348
Operating Cash Flow	**5,801**	**7,080**	**1,397**	**(306)**	**4,135**
CAPEX	(1,747)	(2,468)	(1,242)	(1,283)	(1,283)
Free Cash Flow	**4,054**	**4,612**	**154**	**(1,589)**	**2,853**
Investment cash flow	3,165	(1,370)	(168)	(1,283)	(1,283)
Financial cash flow	(8,455)	(5,001)	(2,429)	(88)	(4,529)
Change in Cash	**512**	**710**	**(1,201)**	**(1,677)**	**(1,677)**

Source: The Company's consolidated financial statements for 2016-2018 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"

[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

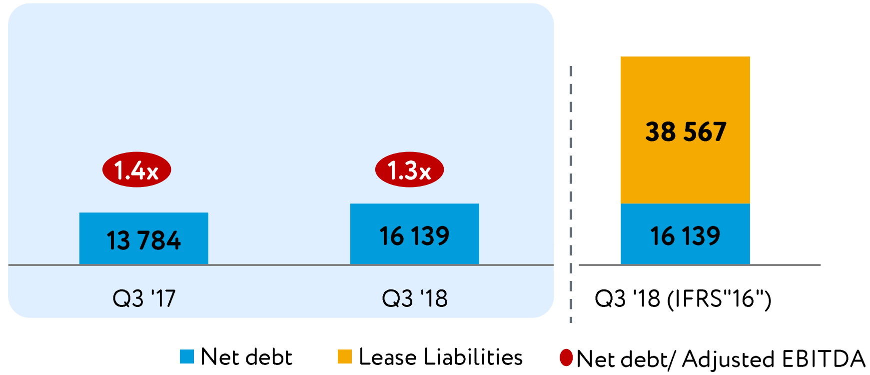
DETSKY MIR

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 September 2018 is 1.3x of vs. 4.0x average covenant level across the loan portfolio
- Weighted average interest rate [3] – 9.1% (as of Q3 2018)
- Most of the debt has fixed interest rate
- No contingent off-balance sheet liabilities

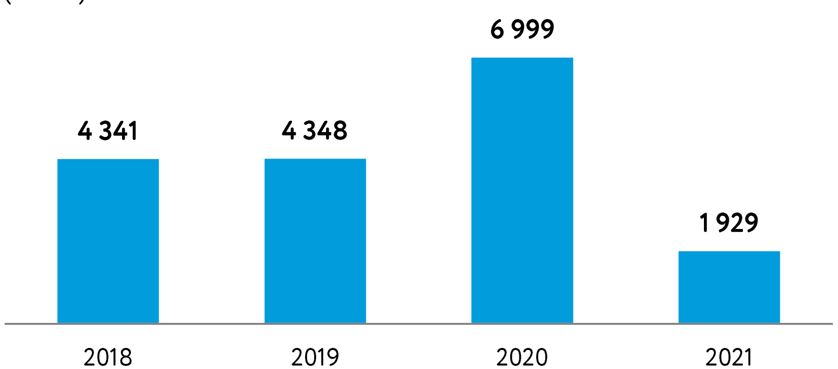
Leverage[1,2] dynamics

- Total debt – RUB 17.6bn

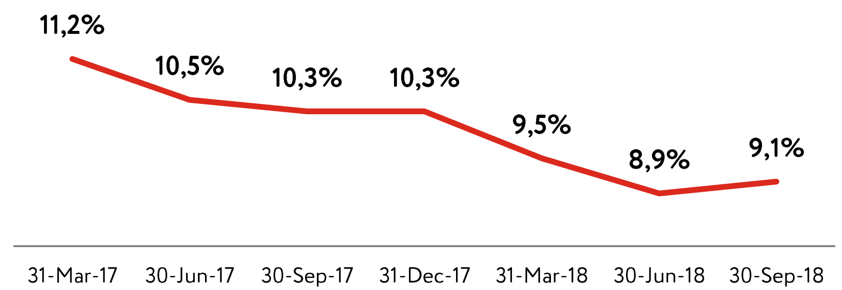


30-September-18 Debt Repayment Schedule

(RUBm)



Weighted average interest rate[3] dynamics (%)



Source: The Company's consolidated financial statements for 2017-2018 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.

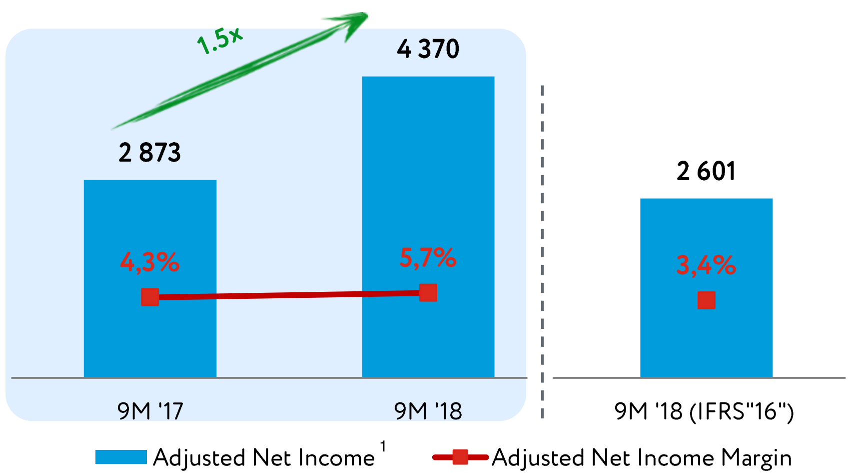
Sustainably High Returns to Shareholders

Detsky Mir

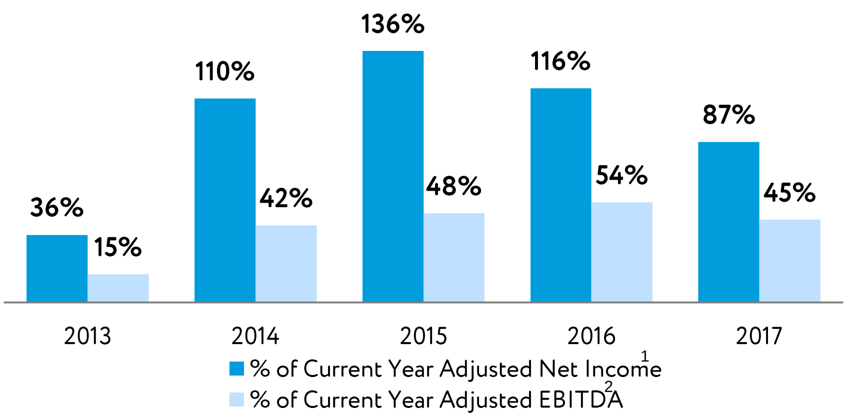
Comments

- 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)
- 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 2018

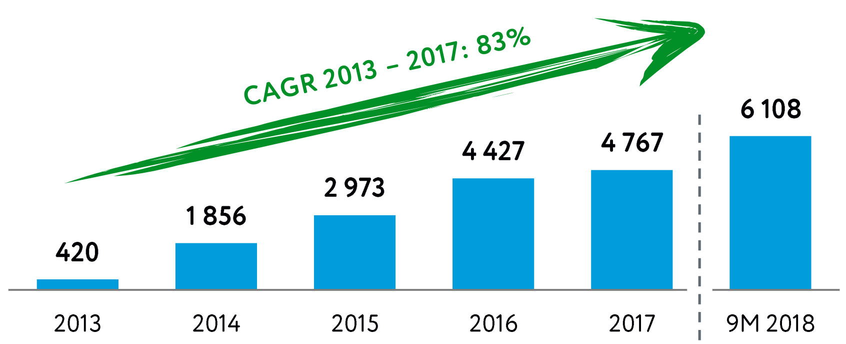
Adjusted Net Income (RUBm)[1]



Dividends as % of Adjusted EBITDA and Adjusted Net Income



History of Declared Dividends (RUBm)



Source: Company's consolidated financial statements for 2017-2018 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise.

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

[2] Adj. EBITDA is calculated as profit for the year before income tax, FX gain/loss, gain on acquisition of controlling interest in associate, impairment of goodwill, net finance expense, D&A, adjusted for the one-off effect relating to disposal of the Yakimanka building in 2014, as well as share-based compensation and cash bonuses under the LTI program

Guidance Update

	Near Term guidance at IPO (8-February-2018)	2017 Actual	Mid- to Long-Term guidance at IPO	Updated guidance
Store Count	~70 new stores	>100 new stores opened [1]	~250 new stores in 2017-2020 (increased to 300 in Nov-17)	~100 new stores in 2018 At least 300 new stores in 2018-2021
Revenue	Driven by store openings, LFL & ramp ups		Driven by store openings, LFL & ramp ups	
LFL Revenue Growth	Low double-digit growth below 2016 levels, including effect of new store ramp-ups and 103 new stores entering LFL panel in 2017	7.2% LFL growth, outperforming the market	Slightly positive traffic growth, below inflation ticket growth, plus effect of new store ramp ups	Single-digit growth, outperforming the market
Gross Margin	Decline, but by less than 2016 vs 2015, as process of offline price reductions to match online is complete	✓	Stable	No change in guidance
Rent & Utility Expenses	Further meaningful decline as % of revenue vs 2016, with virtually no rise in rent/sqm in a continued soft rentals market	✓	Rents/sqm rise initially slightly above inflation then in line with inflation, so stable as % of revenue	No change in guidance
Personnel Expenses[2]	Further meaningful decline as % of revenue vs 2016, on operating leverage	✓	Stable to slightly declining as % of revenue	No change in guidance
Adjusted EBITDA Margin	Double-digit supported by expectations of SG&A efficiency gains and new store ramp-ups more than offsetting the effect of lower gross margins	✓	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

Detsky Mir

Annual Compensation Structure

		CEO	«CEO-1»	Department Heads
Fixed		50%	50% - 80%	70% - 85%
Variable	Total	50%	20% - 50%	15% - 30%
	incl. Financial[1]	25%	6% -17%	3% -9%
	Incl. Functional[2]	25%	14% -33%	10.5% - 21%

Last LTI Programme

Pre-IPO liquidity event

- 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

At IPO

- %-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

- 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

9M 2018 Financial Highlights

1 Store openings

Continuous expansion, no fewer than 100 new stores to be opened in 2018

- 37[1] new Detsky Mir branded stores opened in 9M 2018 (+13% YoY of selling space)
- Majority of new stores will be opened in Q4

2 Like-for-like[2] growth

Affected by decelerating inflation and temporary closing of shopping malls, yet still strong LFLs[2] with highest traffic vs other listed Russian retailers

- 14.9% total revenue growth in 9M 2018
- 4.9% LFL[2] sales growth in 9M 2018 with 7.5% LFL[2] traffic growth

3 Profitability

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

- Adj. EBITDA[4] growth of 26.0%
- Adj. EBITDA[4] Margin improved by 90bps
- Adj. net income growth of 1.5x

4 Cash generation

Continuously outstanding cash conversion metrics and free cash flow generation alongside decreasing leverage

- Cash conversion[5] of 84%
- Debt / Adj. EBITDA[4] of 1.3x despite attractive average dividend yield of 8.8%[6]

5 Online

Continued rapid growth in online sales

- 95% YoY online sales growth
- Share of online sales in total sales grew by c.275bps YoY reaching c.6.7%

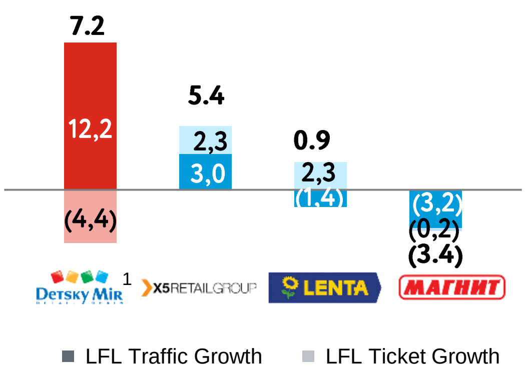
Source: Company data. Note: The Company's consolidated financial statements for 2017-2018 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise.

[1] In 9M 2018, Detsky Mir closed five stores, including two stores in which a fire occurred.
[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 LTM – Adjusted Capex) / Adjusted EBITDA LTM
[6] Calculated as dividend per share (RUB 8.27 declared in 2018) divided by average share price for at least 12 full calendar months

Sustainable Profitable Growth Translating into Strong Cash Generation and Returns

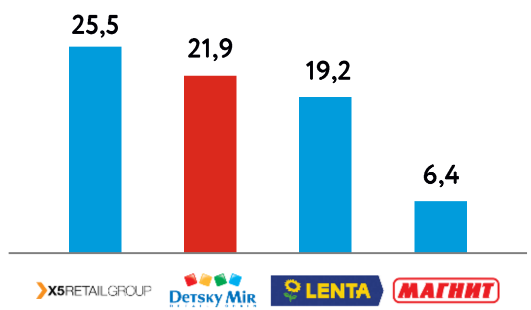
Market Leading LFL Growth…

2017 (%)



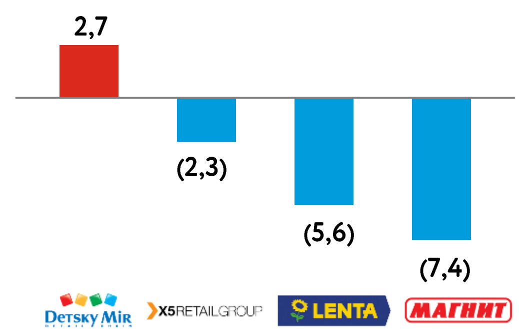
…As Well As Total Revenue Growth …

2017 (%)



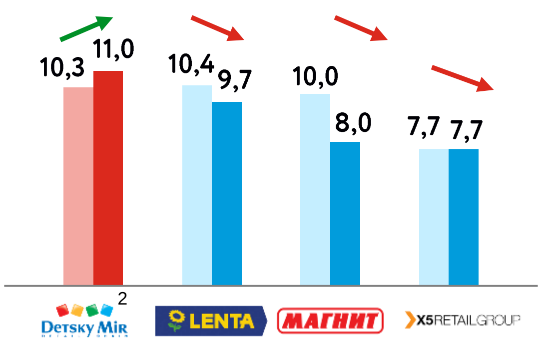
…Growing Sales Density…

Sales per sqm YoY Growth, 2017, %



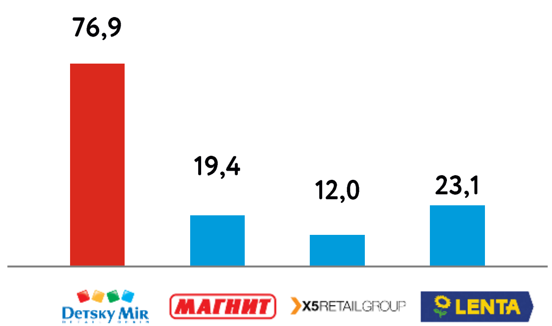
…Growing Adj.EBITDA Margin…

2017 (%)



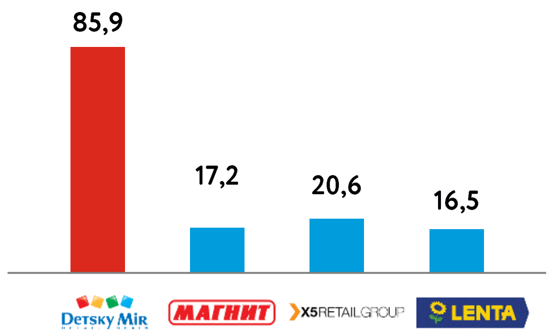
…Superior Cash Conversion[3]…

2017 (%)



…And Unmatched ROIC[4]

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 Ditsy 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.

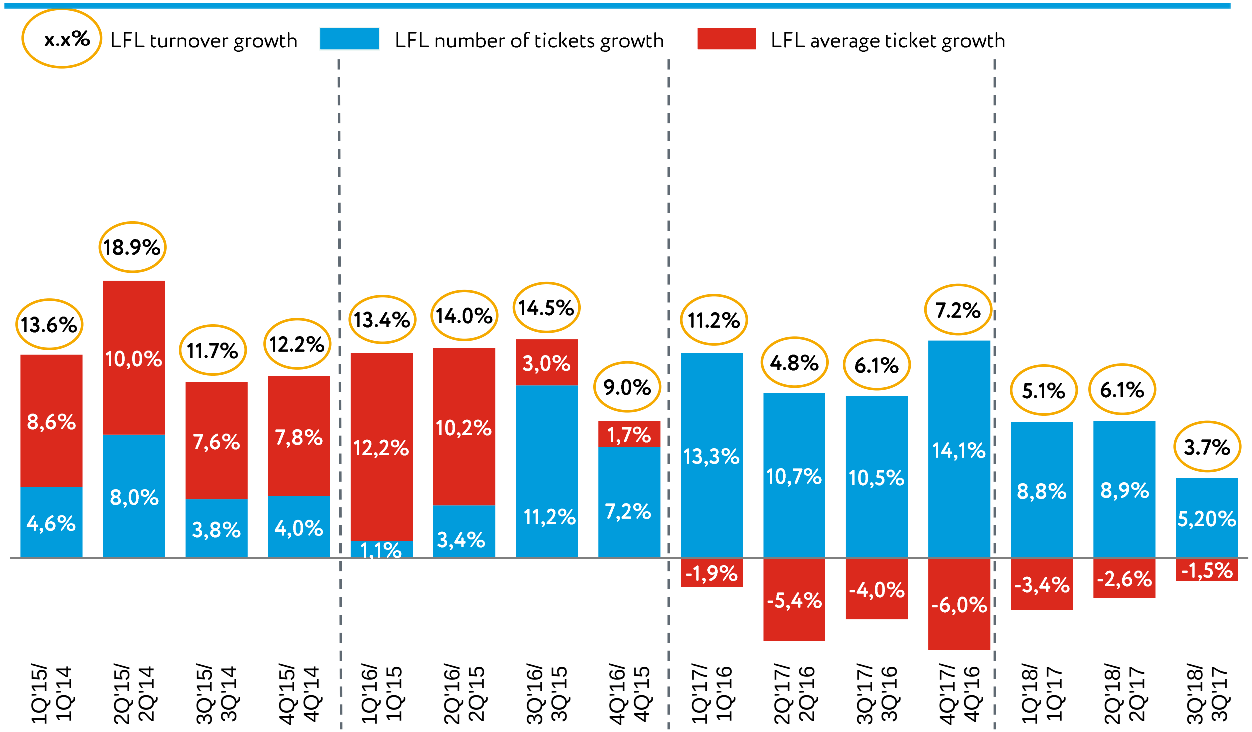
Why Detsky Mir Is Very Different from the Food Retail?

Market structure		Detsky Mir	Leading Russian food retailers
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

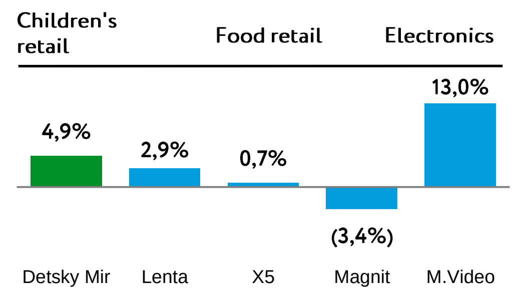
Like-for-like revenue (in RUB)



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 in 9M 2018
- 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 9M '18



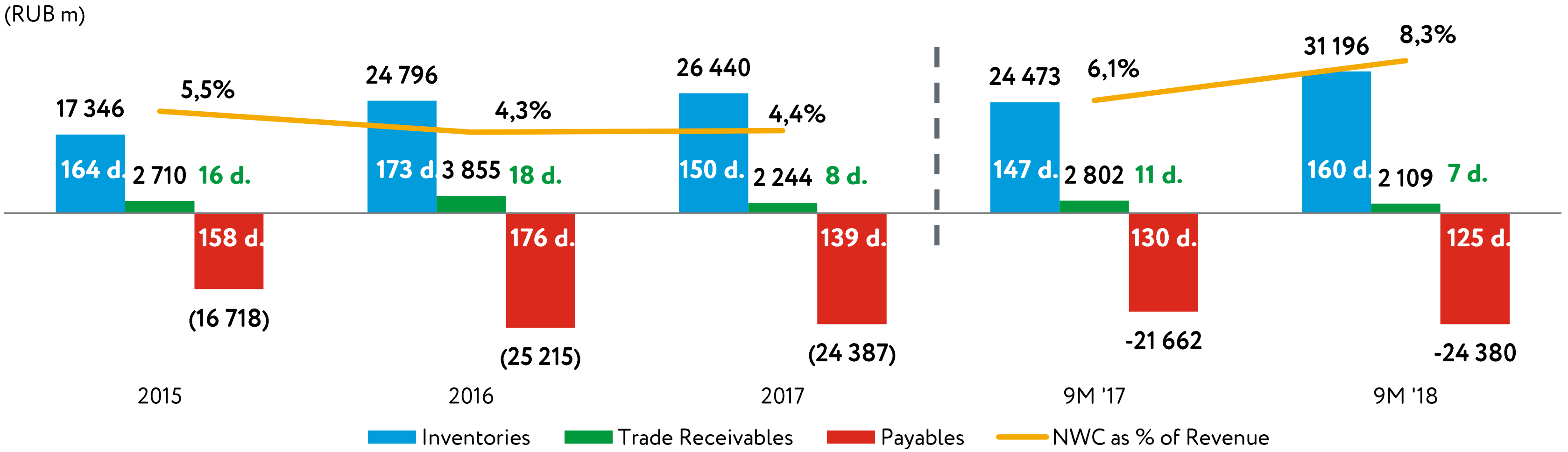
LFL growth	LFL growth 2015	LFL growth 2016	LFL growth 2017	LFL growth 9M 2018
Total	**13.7%**	**12.3%**	**7.2%**	**4.9%**
Average ticket	8.3%	5.9%	(4.4%)	(2.4%)
Number of tickets	5.0%	6.0%	12.2%	7.5%

Detsky Mir demonstrated an attractive revenue growth rate (LFL +4.9%) in 9M 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 9M '18 mainly driven by
  - Additional goods purchased to mitigate FX risks (RUB depreciation in Q3) with net effect of RUB 1 bn on NWC
  - Rescheduling of payments between quarters which 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 with net effect of RUB 2 bn on NWC

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

Detsky Mir

(RUBm, unless specified otherwise)[1]

	2015	2016	2017	9M '17	9M '18
Number of stores	425	525	622	557	666
Detsky Mir stores	381	480	578	516	610
ELC stores	44	45	44	41	56
Selling space (k sqm)	491	596	688	631	714
Revenue	60,544	79,547	97,003	66,649	76,566
% total sales growth	*33.2%*	*31.4%*	*21.9%*	*22.9%*	*14.9%*
% LFL sales growth[2]	*13.7%*	*12.3%*	*7.2%*	*7.2%*	*4.9%*
Revenue per sqm[3] *(RUB thousand / sqm)*	*137*	*146*	*151*	*109*	*109*
Online sales[4]	1,260	2,776	4,637	2,635	5,130
Share of online sales	*2.1%*	*3.5%*	*4.8%*	*4.0%*	*6.7%*
Gross profit	21,904	27,108	32,798	22,048	25,024
Margin, %	*36.2%*	*34.1%*	*33.8%*	*33.1%*	*32.7%*
Gross profit per sqm[3] ***(RUB thousand / sqm)***	***50***	***50***	***51***	***36***	***36***
Adjusted SG&A[5]	15,708	18,885	22,127	(15,644)	(16,968)
% of revenue	*25.9%*	*23.7%*	*22.8%*	*23.5%*	*22.2%*
Adjusted EBITDA[6]	6,185	8,203	10,663	6,373	8,032
Margin, %	*10.2%*	*10.3%*	*11.0%*	*9.6%*	*10.5%*
Adjusted Profit for the period[7]	2,189	3,827	5,501	2,873	4,370
Margin, %	*3.6%*	*4.8%*	*5.7%*	*4.3%*	*5.7%*
Total Debt	18,359	14,638	13,592	15,029	17,617
Cash and cash equivalents	(1,934)	(2,445)	(3,155)	1,244	1,479
Adjusted Net Debt[8]	10,618	11,133	10,436	13,784	16,139
Adjusted Net Debt / Adjusted EBITDA	*1.7x*	*1.4x*	*1.0x*	*1.4x*	*1.3x*
Capex	(5,308)	(1,747)	(2,468)	(1,242)	(1,283)
% of revenue	*8.8%*	*2.2%*	*2.5%*	*1,9%*	*1.7%*
Dividends declared	(2,973)	(4,427)	(4,767)	(4,767)	(6,108)

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 stores[9])

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 (-130bps 9M '18 vs 9M '17)

Superior EBITDA Margin
- Major SG&A optimisation measures implemented by the new management team since 2013
- Over 320bps margin increase over five years (+90bps 9M '18 vs 9M '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
- Leverage[8] as of 30-Septmber-2018 is 1.3x 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 rationalisation programme

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