



FY 2018 Audited Financial Results

#1 Russian specialized children's goods retailer

March 2019

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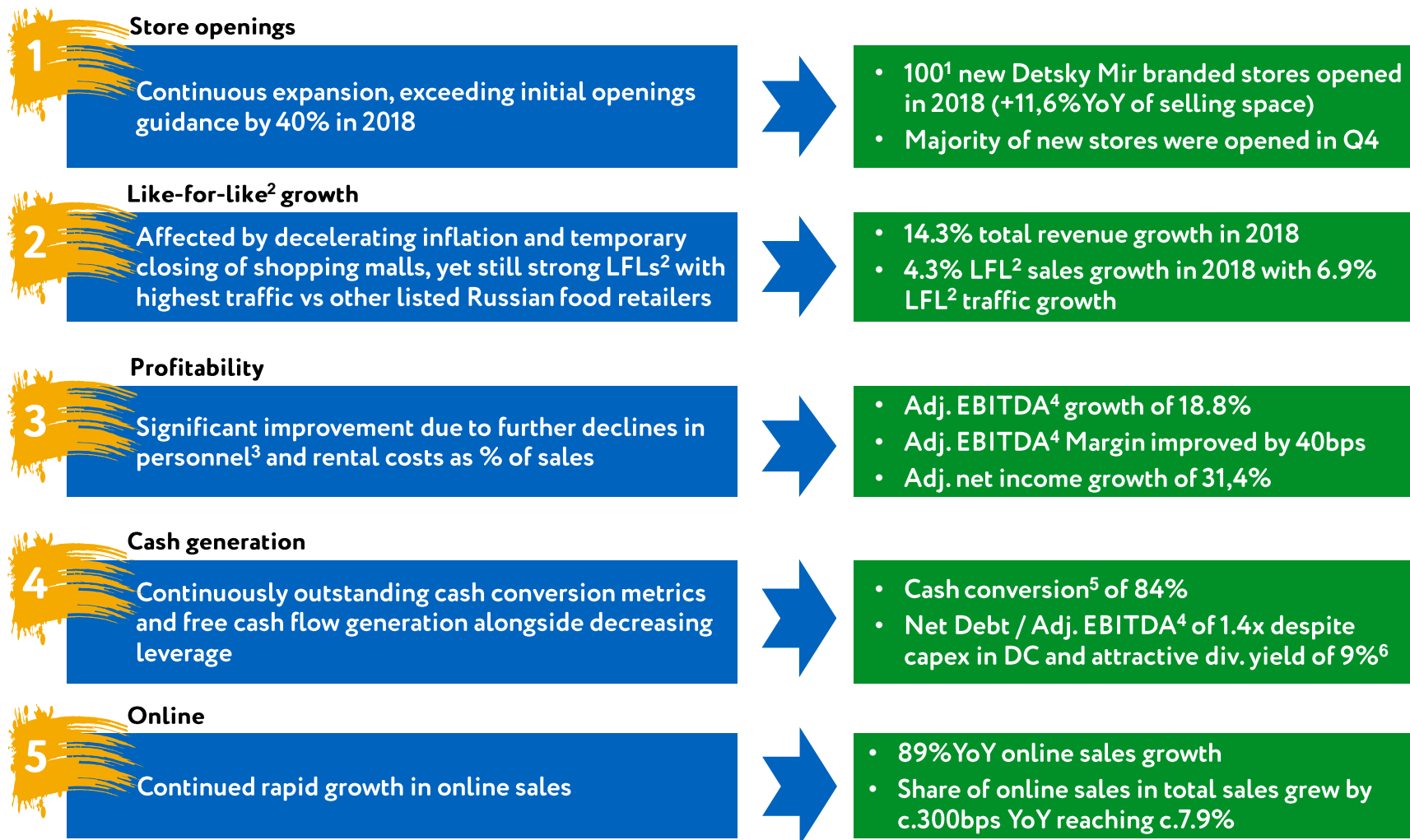
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FY 2018 Financial Highlights



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, unless specified otherwise.

¹ In 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 - Capex adjusted on new DC "Bekasovo-2") / 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

Key 2018-2019 Business Initiatives

Increase Share of Private Labels and Direct Imports

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

Share of Private Labels & Direct Imports in Sales by Category

	2017	2018	
Toys	18.1%	22.9%	 Mobicaro
Newborns	1.6%	2.9%	 Baby Go
Fashion	91.2%	93.7%	 Tombi
Large Items	64.5%	64.5%	
Other Goods	31.7%	33.4%	

Geographical Expansion

- Entering in Belarus, with first opened store in February 2019 and long-term goal to gain 20% share of this RUB 40bn children's goods market (35 new stores in mid-term)
- Continued regional expansion:
 - Opened five stores in Russia's Far East Federal District in 2018 (20 new stores in mid-term)
 - Expand to new cities in Kazakhstan (+30% LFL & 2x sales growth)

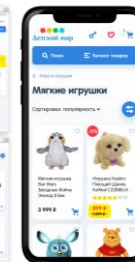
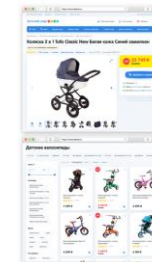
Our Key Strengths for Belarus Expansion

- ✓ 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

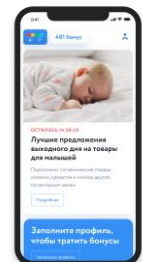
Continued Upgrades to e-Commerce Platform and Customer Offering

- Improve functionality and customer service KPIs of in-store pickups to reach 77% of online sales in 2018, drive overall LFL sales growth and stimulate cross sales (~20% of online sales)
- Home deliveries out of stores in remoted cities (mid-term target 2-3 hours): piloting in 15 locations in 2018, full rollout in 2019
- Full website redesign: mobile friendly product listings (+10% in CR)
- Two-phase launch of mobile app: i) loyalty program app launched in Q4 2018, ii) full-feature mobile app store in 2019

Website Redesign



Mobile App



Launch of New Business Line - Pet Supplies

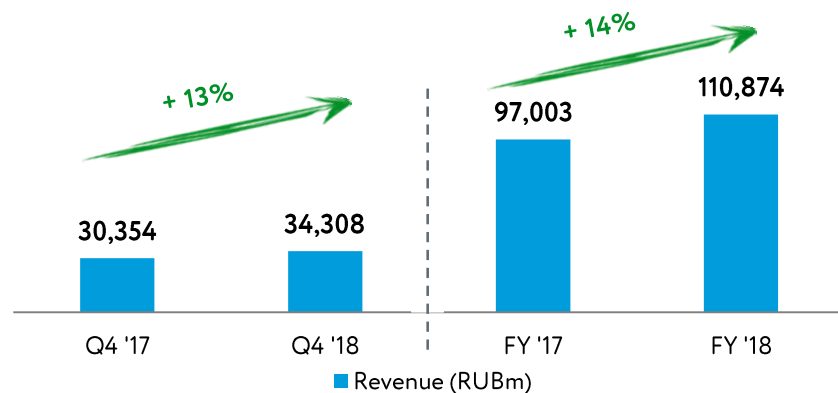
- Begin opening Zoozavr branded stores in 4Q 2018: ~200 sqm stores (continued piloting in 2019)
- Full-feature high-touch online pet goods store linked to "Detmir.ru", with a combined shopping cart and pickups at both Retail chains
- Leverage our experience in a comparable, but highly fragmented >RUB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



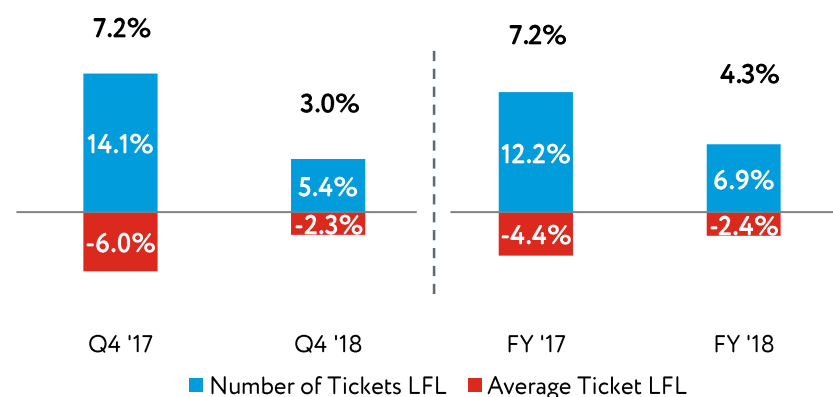


Continued Solid Top-Line Growth

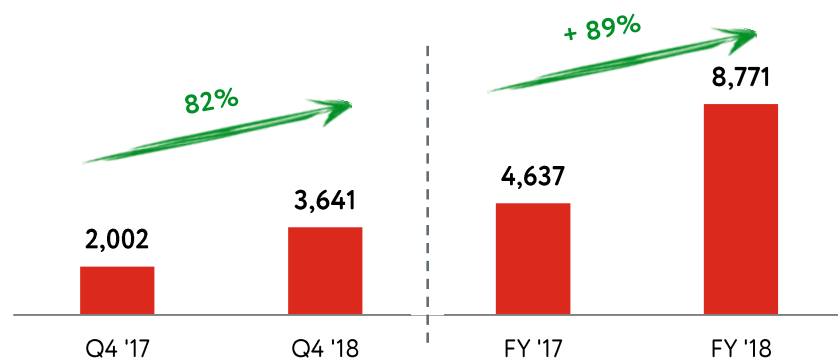
Total Revenue (RUBm)



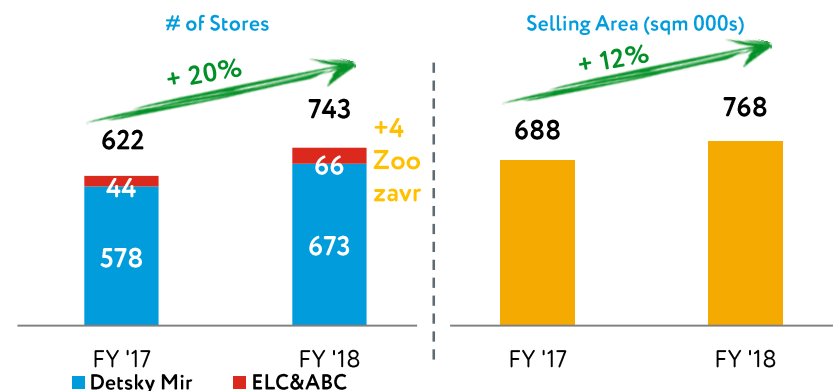
Like For Like Growth¹



E-Commerce Revenue (RUBm)



Store Network



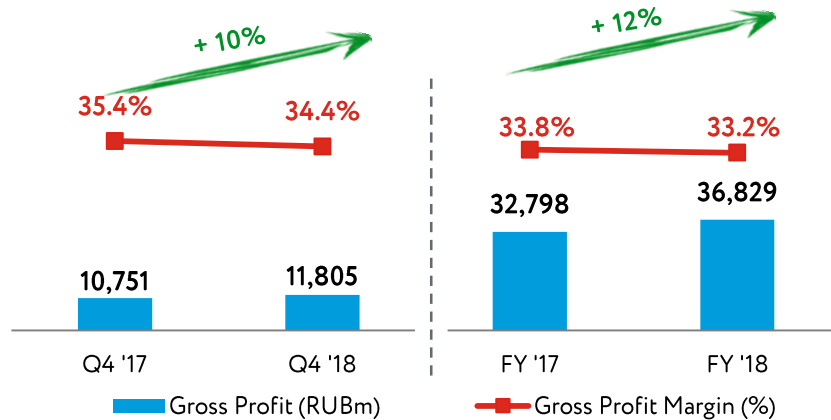
Note: Company's consolidated financial statements for 2017-2018 under IFRS are presented without reference to the application of IFRS 16, unless specified otherwise.
¹ Includes only Detsky Mir branded stores in Russia. LFL growth includes only DM stores in Russia that have been in operation for at least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



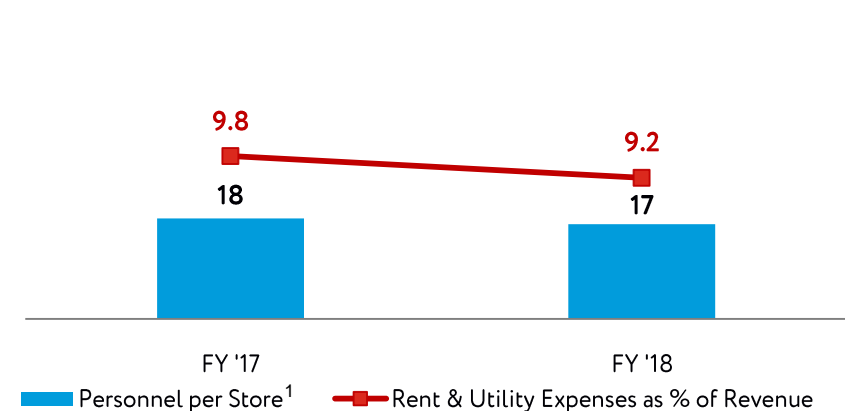
Growing Profitability

Detsky Mir

Growing Gross Profit

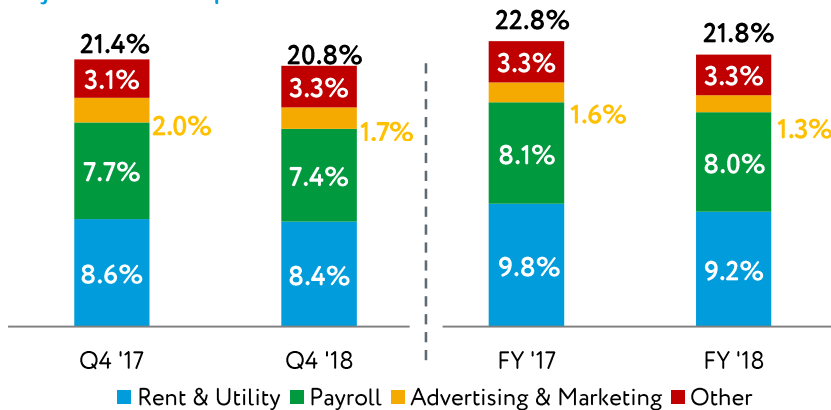


Personnel per Store and Reduction of Rent Costs

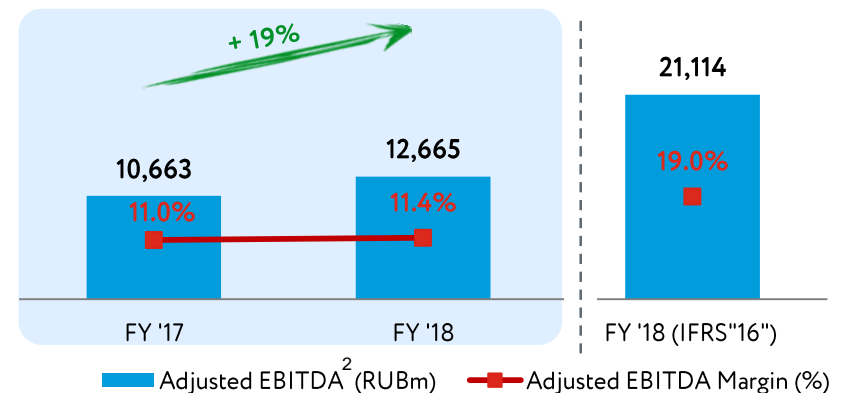


Strong Operating Leverage Effect³

Adjusted SG&A Expenses³ as % of Revenue



Significant Margin Expansion with Scale Benefits



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



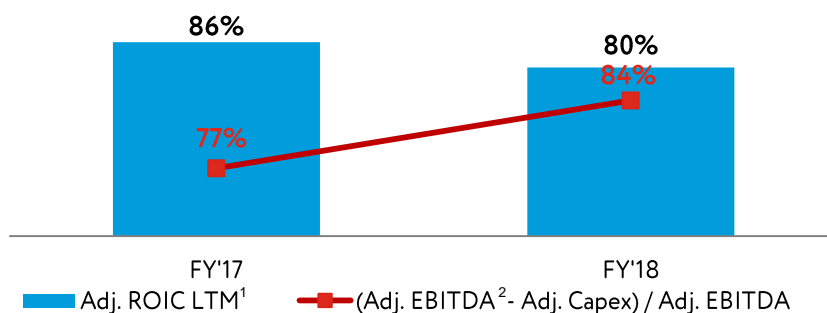
Strong Cash Flow Conversion

Detsky Mir

Comments

- Cash conversion (Adj. EBITDA- Adj. Capex/ Adj. EBITDA) improved with high level of ROIC
- Increase in NWC significantly affected the decline in the Operating Cash flow (normalized changes in NWC amounted to RUB 2.4 bn):
 - Increase in receivables was affected by shift in marketing activities vs 2017, as well as a significant increase in the share of suppliers bonuses in December (21.0% in 2018 vs 12.7% in 2017), with net effect of RUB 2.0bn on NWC
 - Net effect of postponement of the payment of interim dividends for 9M 2017 to our majority shareholder Sistema PJSC on other current liabilities was RUB 1.1bn
 - Additional goods purchased to mitigate potential FX risks with net effect of RUB 1.6 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



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" and, for the year ended 31 December 2018, the net book value of the building occupied by the "Bekasovo-2" distribution centre and its equipment (which was completed in Q4 2018, but was not operational for most of 2018).

Cash Flow (RUBm)

	2015	2016	2017	2018	2018 IFRS 16
Adjusted EBITDA²	6,185	8,203	10,663	12,665	21,114
Changes in NWC	(4,300)	(405)	(1,123)	(7,156)	(7,021)
Cash Income Taxes Paid	(1,190)	(1,468)	(1,523)	(1,083)	(1,083)
Net Finance Expense Paid	(1,879)	(1,813)	(1,645)	(1,624)	(4,228)
Other Operating Cash Flow	505	1,285	708	688	830
Operating Cash Flow	(679)⁵	5,801	7,080	3,489	9,613
CAPEX	(5,308)	(1,747)	(2,468)	(3,793)	(3,793)
DC Construction	(2,842)	-	-	(1,825)	(1,825)
Store Openings, IT & Maintenance	(2,465)	(1,747)	(2,468)	(1,968)	(1,968)
Free Cash Flow	(5,987)	4,054	4,612	(303)	5,820
Investment cash flow	(5,218)	3,165	(1,370)	(3,793)	(3,793)
Financial cash flow	6,160	(8,455)	(5,001)	483	(5,640)
Change in Cash	264	512	710	180	180

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

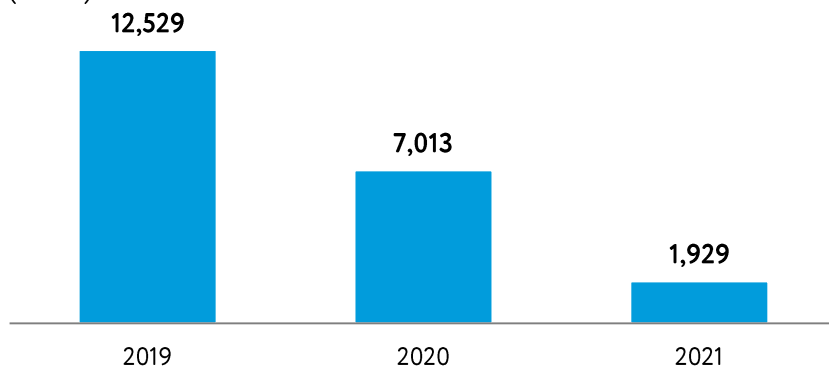
Conservative Financial Policy

Comments

- Commitment to a conservative financial policy
 - Fully RUB-denominated debt to match RUB revenue
 - Relationships with multiple Russian and international banks
- Leverage^{1,2} as of 31 December 2018 is 1.4x of vs. 4.0x average covenant level across the loan portfolio
 - Increased due to investments in own DC Bekasovo-2 (RUB 1.8bn), as well as due to a shift in the date of payment of interim dividends to Sistema for 9M 2017 in the amount of RUB 1.1bn
- Weighted average interest rate³ – 9.3% (as of Q4 2018)
- Most of the debt has fixed interest rate
- No contingent off-balance sheet liabilities

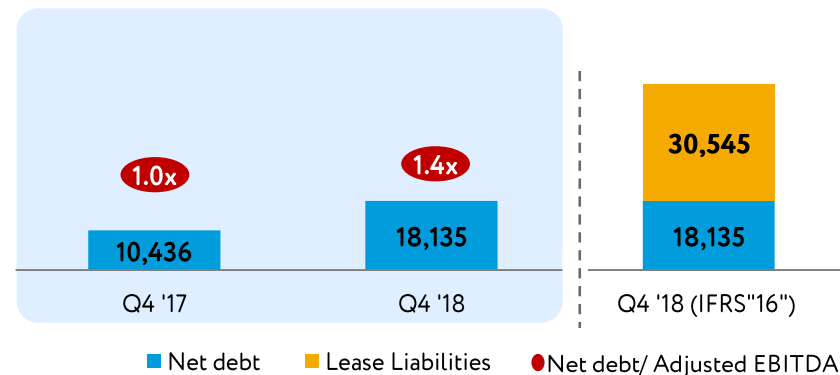
31-December-18 Debt Repayment Schedule

(RUBm)

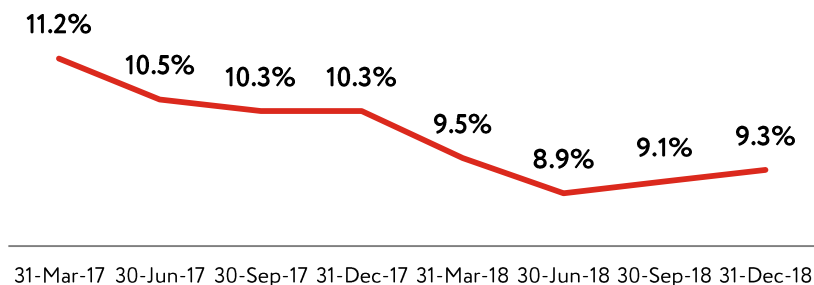


Leverage^{1,2} dynamics

- Total debt – RUB 24.5bn



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, unless specified otherwise.

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

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

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

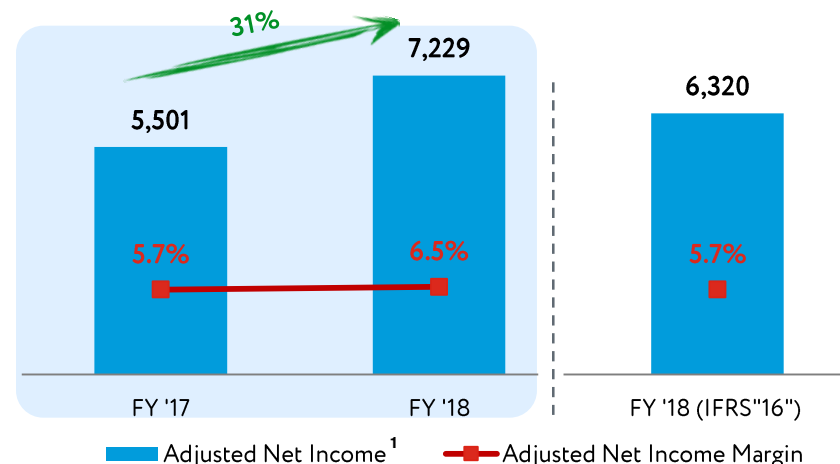


Sustainably High Returns to Shareholders

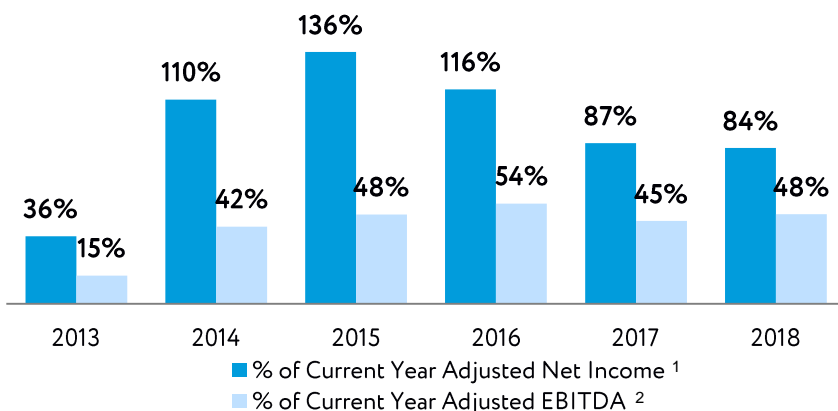
Comments

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

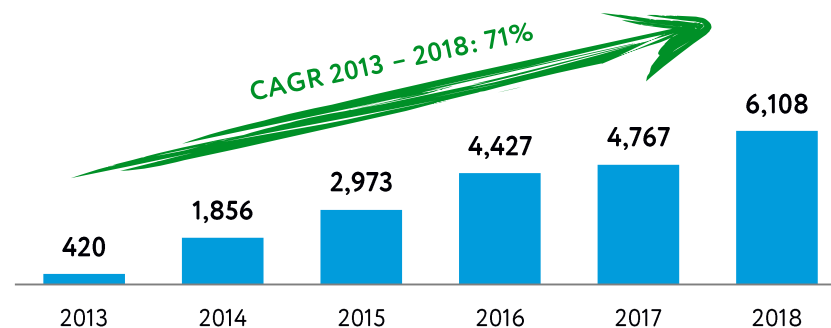
Adjusted Net Income (RUBm)¹



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 IFRS16, unless specified otherwise.

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

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

Guidance Update

	Near Term guidance after IPO (5-March-2018)	2018 Actual	Mid- to Long-Term guidance after IPO (5-March-2018)	Updated guidance (1-March-2019)
Store Count	<ul style="list-style-type: none"> ~70 new stores 	100 new stores opened ¹	<ul style="list-style-type: none"> ~250 new stores in 2018-2021 (increased to 300 in Q3 2018) 	<ul style="list-style-type: none"> >80 new stores in 2019 At least 300 new stores in 2019-2022
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 	<ul style="list-style-type: none"> No change in guidance
LFL Revenue Growth	<ul style="list-style-type: none"> Single-digit growth outperforming the market, positive traffic growth, below inflation ticket growth, plus effect of new store ramp ups 	4.3% LFL growth, outperforming the market	<ul style="list-style-type: none"> Single-digit growth outperforming the market, positive traffic growth, below inflation ticket growth, plus effect of new store ramp ups 	<ul style="list-style-type: none"> No change in guidance
Gross Margin	<ul style="list-style-type: none"> Stable 	Continued investing in prices to attract traffic (-60 bps)	<ul style="list-style-type: none"> Stable 	<ul style="list-style-type: none"> Continued investing in prices to attract traffic, slightly declining to stable as % of revenue
Rent & Utility Expenses	<ul style="list-style-type: none"> Rents/sqm rise initially slightly above inflation then in line with inflation, so stable as % of revenue 	Continued decline in as % of revenue (-60 bps)	<ul style="list-style-type: none"> Rents/sqm rise initially slightly above inflation then in line with inflation, so stable as % of revenue 	<ul style="list-style-type: none"> Slightly declining to stable as % of revenue
Personnel Expenses²	<ul style="list-style-type: none"> Slightly declining to stable as % of revenue 	Continued decline in as % of revenue (-10 bps)	<ul style="list-style-type: none"> Slightly declining to stable as % of revenue 	<ul style="list-style-type: none"> No change in guidance
Adjusted EBITDA Margin	<ul style="list-style-type: none"> Double-digit 	Improved by 40bps	<ul style="list-style-type: none"> Double-digit 	<ul style="list-style-type: none"> No change in guidance

Source: Company data

The guidance presented do not account for the new IFRS 16 "Lease" accounting standards.

¹ In 2018, Detsky Mir closed five stores

² Adjusted for share-based compensation and cash bonuses under the LTI program

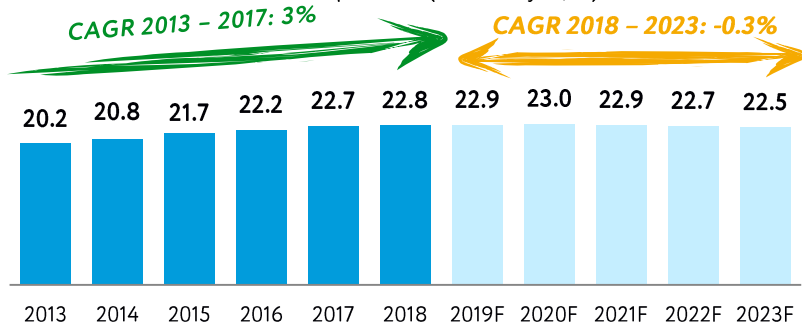


Appendix

#1 Player in a Large and Fragmented Market

Stable Children Population

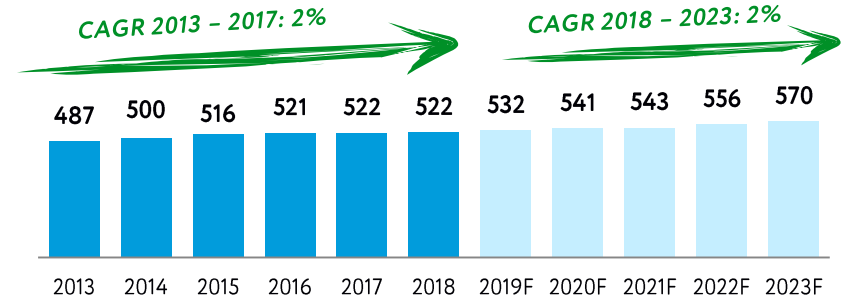
2013–2023F Russian Children Population (under 12 y.o., m)



Source: Ipsos Comcon report

Large and Growing Addressable Market

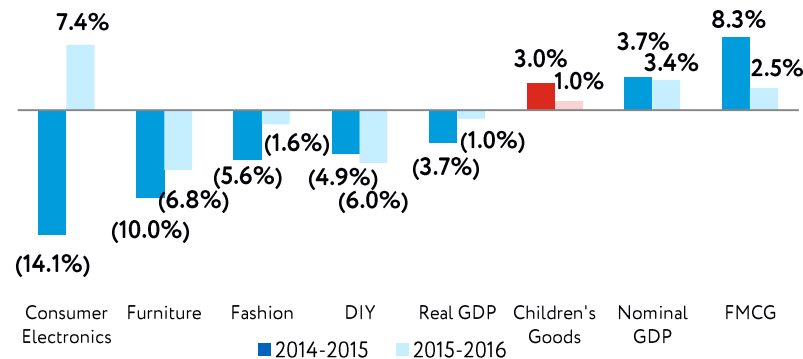
2013–2023F Russian Children's Goods Market (Nominal Prices, RUBbn)



Source: Ipsos Comcon report

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

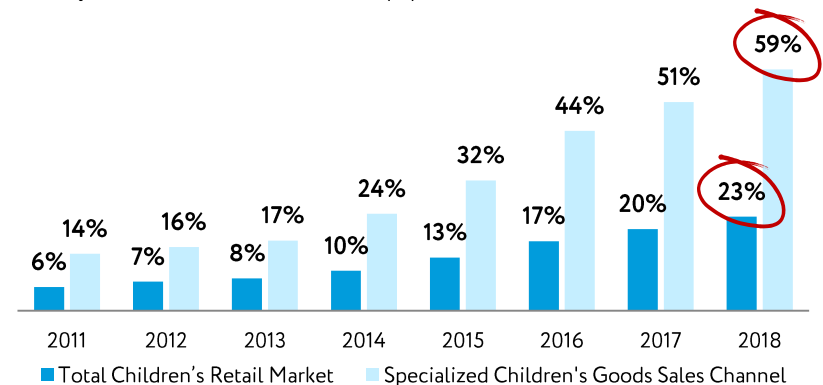
YoY, Nominal Growth in RUB terms (%)



Source: Rosstat, Ipsos Comcon report

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

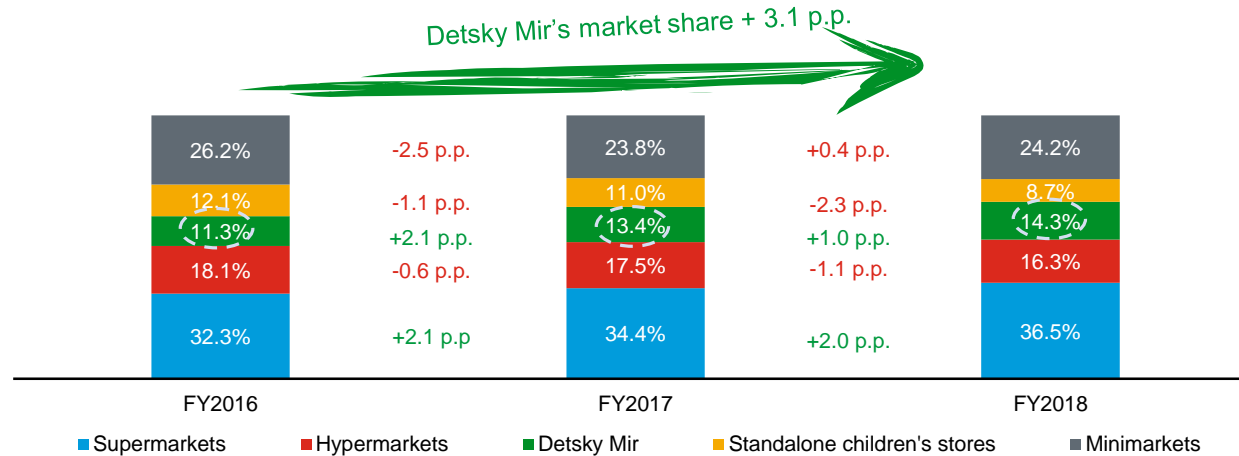
Detsky Mir Market Shares in Russia (%)



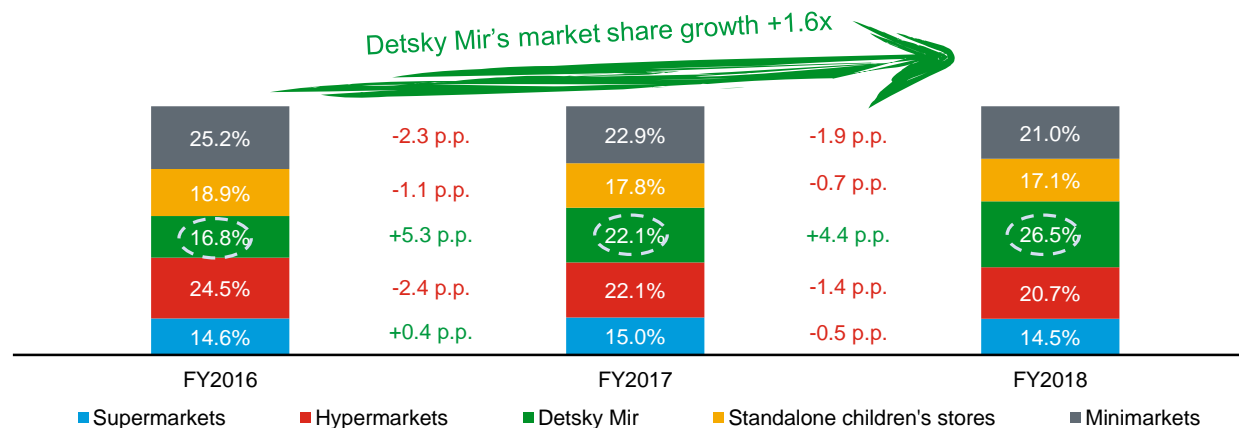
Source: Company data, Ipsos Comcon report

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

Baby Food Sales by Channel in Russia



Diapers Sales by Channel in Russia



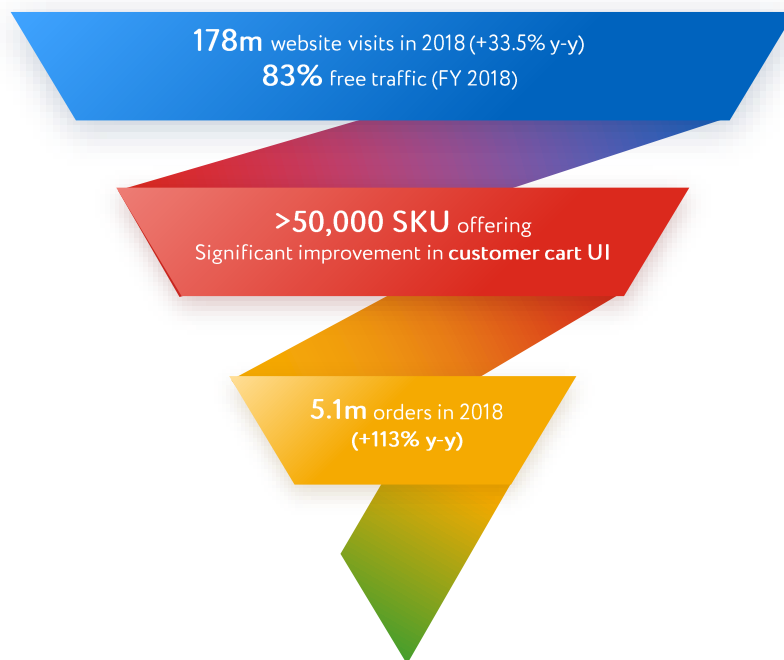
Comments

- Baby food and Diapers remain key categories for children's goods stores as traffic generators
- Only children's goods specialized stores offer a full range of Baby Food and Diapers products unlike hypermarkets which are focused on "bestsellers" SKU
- Detsky Mir gained market share away from other channels
- Notably, Detsky Mir has outperformed food retailers which have been the largest sales channel for baby food historically
- Detsky Mir's Baby Food market share increased by 27% to 14.3% in 2018 (vs 2016)
- Detsky Mir's Diapers market share increased by 1.6x to 26.5% in 2018 (vs 2016)

Detsky Mir's shares in the diapers markets increased by 160 bps over several years



Continuous Development of Our Online Platform



Delivery methods



Key achievements in 2018

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



Desktop



Tablet



Mobile

Key initiatives for 2019

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

Source: Company data

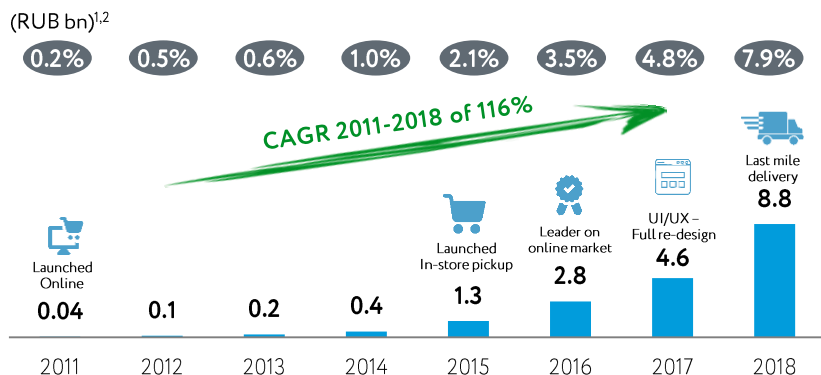
¹ Includes delivery to specified address and to pick-up point

² Includes online orders for assortment that is not presented in offline stores but dispatched from Detsky Mir warehouse and delivered via the Company’s logistics system to any store of the chain preferred by customer. Implemented in Oct- 2017



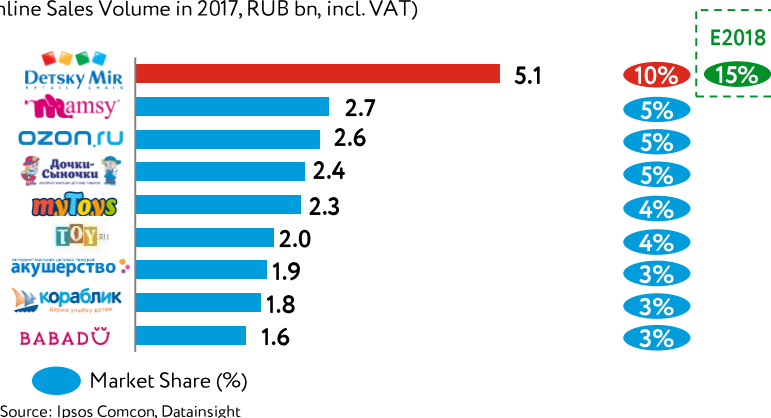
Resulting in Exponential Growth Across All Key Metrics

Accelerated Online Revenue Growth

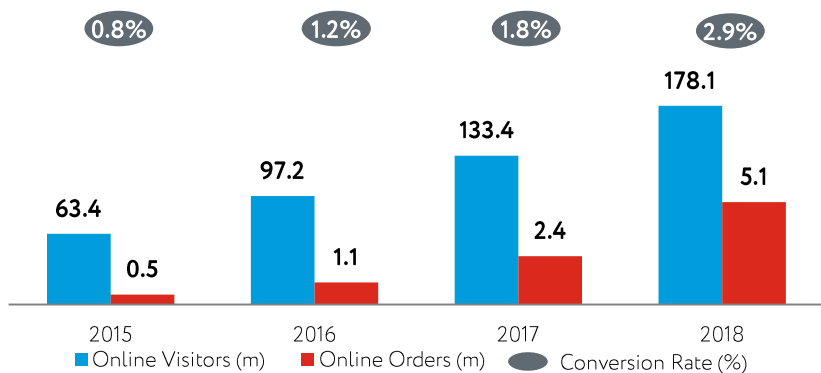


Russian Top Online Children's Goods Stores

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

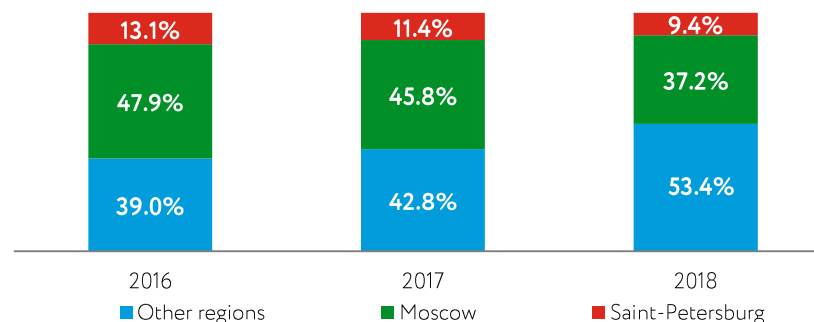


Continuous growth in traffic and in particular improving conversion...



... driven by the increasing share of regional sales

Share of Value of Online Orders (%)



Company data

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

² Including in-store pickup

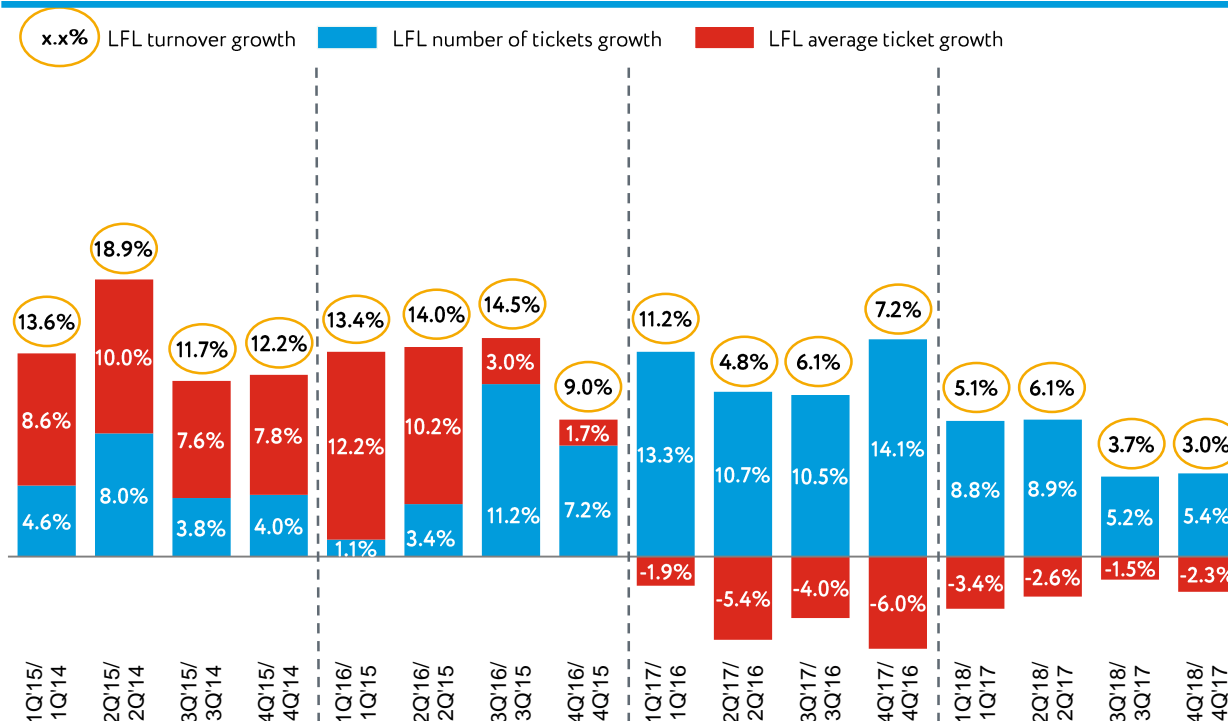
³ Based on preliminarily Detsky Mir sales in Russia



Robust Like-for-Like Performance

Detsky Mir

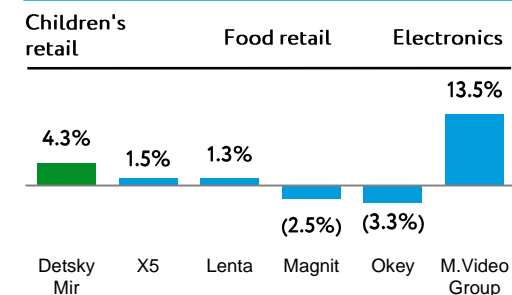
Like-for-like revenue (in RUB)



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 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 FY '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 2018

4.3%
(2.4%)
6.9%

Detsky Mir demonstrated an attractive revenue growth rate (LFL +4.3%) in 2018

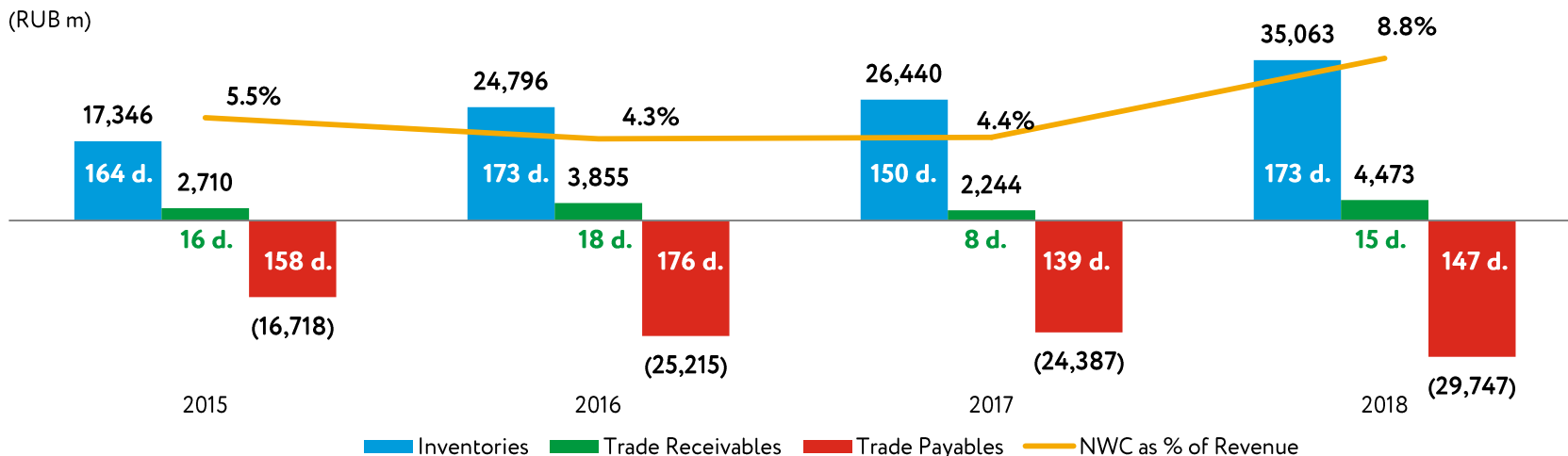
Source: Company data, publicly available data with respect to other companies

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

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	2018
Number of stores	425	525	622	743
Detsky Mir stores	381	480	578	673
ELC stores	44	45	44	66
Selling space (k sqm)	491	596	688	768
Revenue	60,544	79,547	97,003	110,874
% total sales growth	33.2%	31.4%	21.9%	14.3%
% LFL sales growth ²	13.7%	12.3%	7.2%	4.3%
Revenue per sqm ³ (RUB thousand / sqm)	137	146	151	152
Online sales ⁴	1,260	2,776	4,637	8,771
Share of online sales	2.1%	3.5%	4.8%	7.9%
Gross profit	21,904	27,108	32,798	36,829
Margin, %	36.2%	34.1%	33.8%	33.2%
Gross profit per sqm³ (RUB thousand / sqm)	50	50	51	51
Adjusted SG&A ⁵	15,708	18,885	22,127	24,116
% of revenue	25.9%	23.7%	22.8%	21.8%
Adjusted EBITDA⁶	6,185	8,203	10,663	12,665
Margin, %	10.2%	10.3%	11.0%	11.4%
Adjusted Profit for the period⁷	2,189	3,827	5,501	7,229
Margin, %	3.6%	4.8%	5.7%	6.5%
Total Debt	18,359	14,638	13,592	21,470
Cash and cash equivalents	(1,934)	(2,445)	(3,155)	(3,335)
Adjusted Net Debt⁸	10,618	11,133	10,436	18,135
Adjusted Net Debt / Adjusted EBITDA	1.7x	1.4x	1.0x	1.4x
Capex	(5,308)	(1,747)	(2,468)	(3,793)
% of revenue	8.8%	2.2%	2.5%	3.4%
Dividends declared	(2,973)	(4,427)	(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
- High rate of new openings in 2018 (100 stores⁹)

Improved Operating Efficiency

- Slightly declining gross margin due to investment in price leadership to support traffic and LFL growth
- Over 400bps improvement in SG&A as % of sales over four years (-100bps 2018 vs 2017)

Superior EBITDA Margin

- Major SG&A optimisation measures implemented by the new management team since 2013
- Over 120bps margin increase over four years (+40bps 2018 vs 2017)
- Double-digit EBITDA margin achieved in 2015 and improved in 2016 - 2018, expected to be maintained in mid-term

Capex

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

Conservative Financial Policy

- Leverage⁸ as of 31-December-2018 is 1.4x vs. 4.0x average leverage covenant level across the loan portfolio

Attractive Returns for Shareholders

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

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

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

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

⁹ In 2018, Detsky Mir closed five stores

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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) in the top left. The name 'Sergey Levitskiy' is in a large, bold, black font. Below it, the title 'Head of Investor Relations' is in a smaller, bold, black font. The email 'slevitskiy@detmir.ru' and phone number '+7 903 971-43-65' are listed. At the bottom left, 'Detsky mir' and '+7 495 781-08-08, ext. 2315' are shown. At the bottom right, 'detmir.ru' is displayed. The card is decorated with faint, light gray geometric shapes: a crescent moon, a star, a triangle, a zigzag line, and a square.