**DETSKY MIR GROUP NET PROFIT INCREASES BY 36.3%**
**TO RUB 6.6BN IN 2018**

**Moscow, Russia, 1 March 2019 –** 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 audited financial results in accordance with International Financial Reporting Standards (IFRS) for the fourth quarter and twelve months ended 31 December 2018.

## Q4 2018 FINANCIAL HIGHLIGHTS[1]

- Group audited revenue increased by 13.0% year-on-year to RUB 34.3 bn
    - Online revenue[2] improved by 82% year-on-year to RUB 3.6 bn.
    - Revenue in Kazakhstan rose by 68% year-on-year to RUB 823m.
- Like-for-like sales[3] at Detsky Mir stores in Russia grew by 3.0%. The number of tickets grew by 5.4% while the average ticket price decreased by 2.3%.
- Like-for-like sales[4] at Detsky Mir stores in Kazakhstan increased by 31%.
- Detsky Mir opened 63 new branded stores in Q4 2018. The Group had 743 stores as of 31 December 2018.[5]
- Total selling space increased by 11.6% year-on-year to c. 768,000 sq. m.
- Gross profit increased by 9.8% year-on-year to RUB 11.8 bn, with a gross margin of 34.4%.
- SG&A as a percentage of revenue[6] decreased by 60 bps year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA[7] increased by 8.0% year-on-year to RUB 4.6 bn; the adjusted EBITDA margin was 13.5%. EBITDA[8] totaled RUB 4.3 bn (+2.4% year-on-year).
- Adjusted net profit[9] increased by 8.8% year-on-year to RUB 2.9 bn. Net profit totaled RUB 2.6 bn (+1.4% year-on-year).
- The net debt /adjusted EBITDA ratio stood at 1.4x as of 31 December 2018.

## FY 2018 FINANCIAL HIGHLIGHTS[1]

- Group audited revenue increased by 14.3% year-on-year to RUB 110.9 bn
    - Online revenue[2] almost doubled year-on-year to RUB 8.8 bn.
    - Revenue in Kazakhstan almost doubled year-on-year to RUB 2.5 bn.
- Like-for-like sales[3] at Detsky Mir stores in Russia grew by 4.3%. The number of tickets grew by 6.9% while the average ticket price decreased by 2.4%.
- Like-for-like sales at Detsky Mir stores in Kazakhstan increased by 30%.
- Detsky Mir opened 100 new branded stores[10] in 2018.
- Gross profit increased by 12.3% year-on-year to RUB 36.8 bn, with a gross margin of 33.2%.
- SG&A as a percentage of revenue decreased by 100 bps year-on-year, driven by increased operational efficiency.
- Adjusted EBITDA increased by 18.8% year-on-year to RUB 12.7; the adjusted EBITDA margin grew by 40 bps year-on-year to 11.4%. EBITDA totaled RUB 11.9 bn (+20.7% year-on-year);
- Adjusted net profit rose by 31.4% year-on-year to RUB 7.2 bn. Net profit totaled RUB 6.6 bn (+36.3% year-on-year).

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*(1) Excluding the effect of 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) 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.*
*(5) Including 66 ELC and ABC stores, as well as four Zoozavr stores.*
*(6) Hereinafter, selling, general and administrative expenses exclude D&A expenses and adjusted for share-based compensation and cash bonuses under the LTI program*
*(7) 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.*
*(8) Hereinafter, see Attachment A for definitions and reconciliation of EBITDA to IFRS financial measures.*
*(9) Hereinafter, adjusted for additional bonus accruals under the LTI program (together with related tax effects). See Attachment A.*
*(10) In 2018, Detsky Mir closed five stores.*

## EVENTS AFTER THE REPORTING PERIOD

- In February 2019, Detsky Mir Group opened its first store in the Belarusian capital Minsk, with total selling space of 1,690 sq m. Detsky Mir Group entered the Belarusian market under the Detmir brand, in line with its website's domain name (detmir.ru in Russia and detmir.by in Belarus).

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

*"In 2018, Detsky Mir Group further strengthened its leading position in the children's goods market and improved its operational efficiency. Despite the stagnation of the children's goods market in Russia, our Company grew at a fast pace and increased revenues 14.3% to RUB 110.9bn. The key achievements of last year include the opening of 100 new stores, the doubling of online sales and a 36.3% increase in net profit.*

*"The key strategic goal of Detsky Mir is consolidation of the children's goods market in Russia, Kazakhstan and Belarus. We aim to achieve this by expanding the chain, developing omni-channel sales and offering affordable and diverse products, including store brands. Detsky Mir retail chain has considerable growth potential, which is why we plan to open at least 300 more stores in the medium term.*

*"Our team will continue to make every effort to increase the Company's market capitalisation and dividend payments. In Q4 2018, Detsky Mir's net profit under RAS may amount to RUB 3.3bn, which gives grounds for the Company's management to recommend distributing all net profit as annual dividends."*

## OPERATING HIGHLIGHTS

| | 2018 | 2017 | *Change* |
|---|---|---|---|
| **Number of stores** | **743** | **622** | ***19.5%*** |
| Detsky Mir | 673 | 578 | *16.4%* |
| ELC & ABC | 66 | 44 | *50.0%* |
| Zoozavr | 4 | - | - |
| **Selling space ('000, sq.m.)** | **768** | **688** | ***11.6%*** |

| Russian Ruble (RUB), million | Q4 2018 | Q4 2017 | *Change* | FY 2018 | FY 2017 | *Change* |
|---|---|---|---|---|---|---|
| Detsky Mir in Russia | 33,101 | 29,524 | *12.1%* | 107,428 | 94,734 | *13.4%* |
| Detsky Mir in Kazakhstan | 823 | 490 | *68.2%* | 2,513 | 1,350 | *86.1%* |
| ELC & ABC[11] | 384 | 341 | *12.6%* | 933 | 919 | *1.5%* |
| **Total Revenue** | **34,308** | **30,354** | ***13.0%*** | **110,874** | **97,003** | ***14.3%*** |

| Detsky Mir in Russia | Q4 2018 | Q4 2017 | *Change* | FY 2018 | FY 2017 | *Change* |
|---|---|---|---|---|---|---|
| ***Like-for-like revenue growth*** | **3.0%** | **7.2%** | *(4.2 p.p.)* | **4.3%** | **7.2%** | *(2.9 p.p.)* |
| *Like-for-like number of tickets growth* | 5.4% | 14.1% | *(8.7 p.p.)* | 6.9% | 12.2% | *(5.3 p.p.)* |
| *Like-for-like average ticket growth* | -2.3% | -6.0% | *3.7 p.p.* | -2.4% | -4.4% | *2.0 p.p.* |

In 2018, the Company fulfilled its plans to expand the retail chain. 100 new Detsky Mir stores were launched, more than half of them during the last quarter. In addition, Detsky Mir continued its active regional and international expansion. In 2018, 33 debut stores opened in new cities Russia and Kazakhstan. The Company entered a new region, the Far East, with stores opening in Blagoveshchensk, Vladivostok and Khabarovsk.

At the end of the reporting year, Detsky Mir Group included 743 stores: 673 Detsky Mir stores in 252 cities of Russia and Kazakhstan and 66 ELC and ABC stores. As part of Company's strategy to enter a new market, four pilot pet stores called Zoozavr were launched in December 2018. Total selling space across all the Group's stores is 768,000 sq m (+11.6% YoY).

Consolidated revenues grew 14.3% to RUB 110.9bn. Revenue growth was driven by the large number of new stores opened in 2018, high growth of like-for-like (LFL) sales at Detsky Mir stores in Russia (4.3%) and more intensive utilisation of stores

*(11) This segment includes Zoozavr performance.*

opened in 2017. The Detsky Mir chain in Kazakhstan also made a significant contribution to the Group's sales growth, almost doubling revenue and increasing LFL sales by 30% YoY.

Toys continue to be a key category, with high growth of LFL sales. The share of this category in total sales at Detsky Mir's chain in Russia was 33% in 2018. Other important categories include products for newborns (32%) and clothing & footwear (25%).

In 2018, the online channel's revenue amounted to RUB 8.8bn, almost twice as much as in 2017. The online store accounted for 7.9% of total revenue. One of the key drivers of online revenue growth in the reporting year was the In-Store Pickup service. Revenue from online orders collected at Detsky Mir retail outlets increased to 77% of the online store's total revenue.

## FINANCIAL HIGHLIGHTS

### Income Statement Highlights[12]

| Russian Ruble (RUB), million | IAS 17 | | *Change* | IFRS 16 |
|---|---|---|---|---|
| | **Q4 2018** | **Q4 2017** | | **Q4 2018** |
| **Revenue** | **34,308** | **30,354** | ***13.0%*** | **34,308** |
| Online store | 3,641 | 2,002 | *81.9%* | 3,641 |
| **Gross profit** | **11 805** | **10,751** | ***9.8%*** | **11,805** |
| *Gross profit margin,%* | *34.4%* | *35,4%* | *-1.0%* | *34.4%* |
| **SG&A** | (7,148) | (6,483) | *10.3%* | (5,411) |
| *% of revenue* | *-20.8%* | *-21.4%* | *0.6%* | *-15.8%* |
| Other operating expenses | (24) | 23 | *-202.1%* | (23) |
| **EBITDA** | **4,268** | **4,170** | ***2.4%*** | **6,007** |
| *EBITDA margin, %* | *12.4%* | *13.7%* | *-1.3%* | *17,5%* |
| **Adjusted EBITDA** | **4,633** | **4,291** | ***8.0%*** | **6,372** |
| *Adjusted EBITDA margin, %* | 13.5% | 14.1% | *-0.6%* | 18.6% |
| **Profit for the period** | **2,567** | **2,532** | ***1.4%*** | **3,427** |
| *Profit margin, %* | *7.5%* | *8.3%* | *-0.8%* | *10.0%* |
| **Adjusted profit for the period** | **2,859** | **2,628** | ***8.8%*** | **3,719** |
| *Adjusted profit margin, %* | 8.3% | 8.7% | *-0.4%* | 10.8% |

| Russian Ruble (RUB), million | IAS 17 | | *Change* | IFRS 16 |
|---|---|---|---|---|
| | **FY 2018** | **FY 2017** | | **FY 2018** |
| **Revenue** | **110,874** | **97,003** | ***14.3%*** | **110,874** |
| Online store | 8,771 | 4,637 | *89.2%* | 8,771 |
| **Gross profit** | **36,829** | **32,798** | ***12.3%*** | **36,829** |
| *Gross profit margin,%* | *33.2%* | *33.8%* | *-0.6%* | *33.2%* |
| **SG&A** | (24,116) | (22,127) | *9.0%* | (15,668) |
| *% of revenue* | *-21.8%* | *-22.8%* | *1.0%* | *-14.1%* |
| Other operating expenses | (48) | (8) | *509.6%* | (47) |
| **EBITDA** | **11,883** | **9,843** | ***20.7%*** | **20,332** |
| *EBITDA margin, %* | *10.7%* | *10.1%* | *0.6%* | *18.3%* |

*(12) 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.*

| | | | | |
|---|---|---|---|---|
| **Adjusted EBITDA** | **12,665** | **10,663** | ***18.8%*** | **21,114** |
| *Adjusted EBITDA margin, %* | 11.4% | 11.0% | *0.4%* | 19.0% |
| **Profit for the period** | **6,603** | **4,844** | ***36.3%*** | **5,694** |
| *Profit margin, %* | *6.0%* | *5.0%* | *1.0%* | *5.1%* |
| **Adjusted profit for the period** | **7,229** | **5,501** | ***31.4%*** | **6,320** |
| *Adjusted profit margin, %* | 6.5% | 5.7% | *0.8%* | 5.7% |
| **Net debt** | **18,135** | **10,436** | | **18,135** |
| **Lease liabilities** | **-** | **-** | | **30,545** |
| *Net debt / EBITDA* | *1.5* | *1.1* | | |
| *Net Debt / adjusted EBITDA* | *1.4* | *1.0* | | |

Detsky Mir's profit grew substantially in 2018. Rapid revenue growth, combined with optimisation of purchasing prices, effective product mix management and increased operating efficiency, drove an increase in adjusted EBITDA of 18.8% YoY to RUB 12.7bn and pushed the EBITDA margin up 40 bps YoY to 11.4%.

In 2018, the Company continued to invest in prices to attract new customers from competing retailers. As a result, gross margin declined by 60 bps YoY to 33.2%. At the same time, development of private labels and transition to direct contracts allowed the Company to offer popular products at the best prices in the market, while maintaining high sales margins. Private brands and direct imports as a proportion of total sales increased to 36.1% (+280 bps YoY).

The Company constantly seeks to improve operating efficiency, i.e., reduce operating costs, primarily rental and personnel costs, through optimising labour productivity and improving commercial terms with lessors. In 2018, rental and personnel costs (net of LTI payments) as a percentage of revenue decreased by 60 bps and 10 bps YoY, respectively. Digitalisation of leaflets and newspapers optimised marketing expenses as a percentage of revenue by 30 bps YOY.

Adjusted selling, general and administrative expenses, excluding depreciation and amortisation expenses and payments under the LTI program, as a percentage of revenue decreased in 2018 by 100 bps YoY to 21.8%.

**Selling, General and Administrative (SG&A) Expenses**

| **Russian Ruble (RUB), million** | **IAS 17** | | *Change* | **IFRS 16** |
|---|---|---|---|---|
| | **Q4 2018** | **Q4 2017** | | **Q4 2018** |
| Payroll | **2,540** | **2,342** | ***8.4%*** | **2,540** |
| *% of revenue* | 7.4% | 7.7% | *-0.3%* | 7.4% |
| Rent & Utility | **2,880** | **2,613** | ***10.2%*** | **989** |
| *% of revenue* | 8.4% | 8.6% | *-0.2%* | 2.9% |
| Advertising & Marketing | **593** | **598** | ***-0.8%*** | **593** |
| *% of revenue* | 1.7% | 2.0% | *-0.3%* | 1.7% |
| Other | **1,135** | **931** | ***22.0%*** | **1,289** |
| *% of revenue* | 3.3% | 3.1% | *0.2%* | 3.8% |
| **SG&A (excl. D&A and LTI)** | **7,148** | **6,483** | ***10.3%*** | **5,411** |
| *% of revenue* | 20.8% | 21.4% | *-0.4%* | 15.8% |
| **Depreciation and amortisation** | **1,576** | **1.331** | ***18.4%*** | **1,194** |
| *% of revenue* | 4.6% | 4.4% | *0.2%* | 3.5% |
| **Additional bonus accruals under the LTI program** | **365** | **121** | ***202.4%*** | **365** |
| *% of revenue* | 1.1% | 0.4% | *0.7%* | 1.1% |

| **Russian Ruble (RUB), million** | **IAS 17** | | *Change* | **IFRS 16** |
|---|---|---|---|---|
| | **FY 2018** | **FY 2017** | | **FY 2018** |
| Payroll | **8,827** | **7,843** | ***12.5%*** | **8,827** |
| *% of revenue* | 8.0% | 8.1% | *-0.1%* | 8.0% |
| Rent & Utility | **10,186** | **9,538** | ***6.8%*** | **1,595** |
| *% of revenue* | 9.2% | 9.8% | *-0,6%* | 1.4% |
| Advertising & Marketing | **1,494** | **1.552** | ***-3.7%*** | **1,494** |
| *% of revenue* | 1.3% | 1.6% | *-0.3%* | 1.3% |

| | | | | |
|---|---|---|---|---|
| Other | **3,609** | **3,194** | ***13.0%*** | **3,752** |
| *% of revenue* | 3.3% | 3.3% | *0.0%* | 3.4% |
| **SG&A (excl. D&A and LTI)** | **24,116** | **22 127** | ***9.0%*** | **15,668** |
| *% of revenue* | 21.8% | 22,8% | *-1.0%* | 14.1% |
| **Depreciation and amortisation** | **2,113** | **1 818** | ***16.2%*** | **9,100** |
| *% of revenue* | 1.9% | 1,9% | *0.0%* | 8.2% |
| **Additional bonus accruals under the LTI program** | 783 | 821 | ***-4.7%*** | 783 |
| *% of revenue* | 0.7% | 0,8% | *-0.1%* | 0.7% |

Net interest expenses as a percentage of revenue decreased in 2018 by 30 bps YoY, despite the growth in total debt, as a result of reduced interest rates in Russia's capital markets and Detsky Mir's debt refinancing efforts. The weighted average cost of the Company's debt at the end of the reporting period decreased to 9.3% (-100 bps YoY).

The effective income tax rate remained almost unchanged at 18.1% in the reporting period. Offsetting income tax on investments in Bekasovo-1 distribution centre helped keep the rate lower than the established rate of income tax. Depreciation and amortisation costs as a percentage of revenue also remained unchanged in 2018, at 1.9%. The company made a foreign exchange profit of RUB 106m against a loss in 2017.

Adjusted net profit increased in 2018 by 31.4% and amounted to RUB 7.2bn, while net profit growth was 36.3%. This result was due to an increase in EBITDA and a decrease in the effective income tax rate. The adjusted net profit margin increased to 6.5% (+80 bps YoY).

**Consolidated Cash Flow Statement Highlights**

| **Russian Ruble (RUB), million** | **IAS 17** | | ***Change*** | **IFRS 16** |
|---|---|---|---|---|
| | **Q4 2018** | **Q4 2017** | | **Q4 2018** |
| **Adjusted EBITDA** | **4,633** | **4,291** | ***8.0%*** | **6,372** |
| *Add / (deduct):* | | | | |
| Change in working capital | (198) | 2,040 | *-109.7%* | (386) |
| Net interest and income tax paid | (980) | (1,008) | *-2.8%* | (991) |
| Other operating cash flows | 340 | 361 | *-6.0%* | 482 |
| **Net cash flows generated from operating activities** | **3,795** | **5,684** | ***-33.2%*** | **5,477** |
| **Net cash used in investing activities** | **(2,510)** | **(1,201)** | ***108.9%*** | **(2,510)** |
| **Net cash generated from financing activities** | **571** | **(2,571)** | ***-122.2%*** | **(1,111)** |
| **Net increase/(decrease) in cash & cash equivalents** | **1,857** | **1,911** | ***-2.9%*** | **1,857** |

| **Russian Ruble (RUB), million** | **IAS 17** | | ***Change*** | **IFRS 16** |
|---|---|---|---|---|
| | **FY 2018** | **FY 2017** | | **FY 2018** |
| **Adjusted EBITDA** | **12,665** | **10,663** | ***18.8%*** | **21,114** |
| *Add / (deduct):* | | | | |
| Change in working capital | (7,156) | (1,123) | *537.0%* | (7,021) |
| Net interest and income tax paid | (2,707) | (3,168) | *-14.5%* | (5,311) |
| Other operating cash flows | 688 | 708 | *-2.9%* | 830 |
| **Net cash flows generated from operating activities** | **3,489** | **7,080** | ***-50.7%*** | **9,613** |
| **Net cash used in investing activities** | **(3,793)** | **(1,370)** | ***176.9%*** | **(3,793)** |
| **Net cash generated from financing activities** | **483** | **(5,001)** | ***-109.7%*** | **(5,640)** |
| **Net increase/(decrease) in cash & cash equivalents** | **180** | **710** | ***-74.7%*** | **180** |

In 2018, operating cash flow before changes in working capital increased 18.8% YoY and amounted to RUB 12.7bn. Working capital changes in 2018 decreased to RUB 7.2bn compared to RUB 1.1bn in 2017, mainly due to an increase in receivables because of a change in the calendar of marketing activities vs 2017, as well as significant growth in the share of retro-bonuses from suppliers in December (21.0% in 2018 vs 12.7% in 2017). The net effect of the growth of this investment in working capital amounted to RUB 2.0bn. Additional goods purchased to mitigate potential FX risks had a significant impact on inventories, which ultimately resulted in additional investments in working capital of about RUB 1.6bn. The sum of net interest expenses and income tax in 2018 decreased 14.5% to RUB 2.7bn.

As a result, cash from operations amounted to RUB 3.5bn in 2018 compared to RUB 7.1bn in 2017.

The amount of cash used in investing activities (mainly for acquiring fixed assets) increased to RUB 3.8bn in 2018 compared to RUB 1.4bn in 2017, which was due to the opening of Detsky Mir's Bekasovo-2 distribution centre in the Moscow region. Investments in the opening of the new warehouse amounted to RUB 1.8bn (net of VAT) in 2018. The total area of the logistics complex is 62,000 sq m. Also in February 2017, PJSC DM-Finance (a subsidiary of Sistema PJSFC) fully repaid a loan issued by Detsky Mir in the amount of RUB 1.1bn. Capex for the expansion of the retail chain amounted to RUB 1.0bn (-12.3% YoY).

Cash from financial activities in 2018 amounted to RUB 483m vs an outflow of RUB 5.0bn in 2017. The growth of this indicator is due to the drawdown of cash on opened credit facilities to finance the Company's investment programme and pay dividends.

As of 31 December 2018, the Company's total debt amounted to RUB 21.5bn, including short-term (41.6%) and long-term (58.4%) debt. Net debt is RUB 18.1bn. All of the company's liabilities are in roubles. As of 31 December 2018, the undrawn credit limits on the Company's credit facilities opened with the largest Russian and international banks amounted to RUB 23.2bn. Net debt/adjusted EBITDA increased to 1.4x largely due to investments in opening the Bekasovo-2 distribution centre, as well as due to postponement of the date of payment of interim dividends of RUB 1.1.bn for 9M 2017 to the company's majority shareholder, Sistema PJSFC.

**Guidance**

The Company's management team expects to open at least 300 new Detsky Mir stores with IRR of ~40% in the next four years. The Company currently expects that like-for-like sales in Russia may grow faster than the children's goods market as a whole, and remain at single digits due to an increase in the number of cheques in 2019. Another key strategic goal of the Group is boosting operational efficiency and maintaining the adjusted EBITDA margin at double-digit levels in the medium term.

In accordance with the Russian Accounting Standards (RAS), the Company's management will recommend distributing all net profit for 2018 as dividends.

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) / 8:00 (New York time) to discuss the Company's FY 2018 Audited 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:**
62 435 204#

The conference call title: "Detsky Mir Group – FY 2018 Audited IFRS Financial Results".

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**Detsky Mir Group** (MOEX: DSKY) is a multi-format retailer and Russia's largest specialized children's goods retailer. The Group comprises the Detsky Mir retail chain, ELC (Early Learning Centre in Russia) and the ABC retail chains, as well as the Zoozavr pet supplies retail chain. The company operates a network of 673 Detsky Mir stores in Russia and Kazakhstan located in 237 cities in Russia and 15 cities in Kazakhstan, as well as 57 ELC and nine ABC stores as of 31 December 2018. The Zoozavr retail chain comprises four stores. Total selling space was approximately 768,000 square meters.

In accordance with the audited Financial Statements under IFRS, Group revenue amounted to RUB 110.9 bn for FY 2017, adjusted EBITDA totaled RUB 12.7 bn and adjusted profit amounted to RUB 7.2 bn.

Detsky Mir Group's shareholder structure as of the date of this announcement is as follows: PJSC Sistema[13] - 52.10%, Russia-China Investment Fund (RCIF) [14] - 14.03%, other shareholders owning less than 5% of the shares - 33.87%.

Lear more at www.detmir.ru, corp.detmir.ru, 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.

*(13) 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.*
*(14) RCIF, an equity fund established by the Russian Direct Investment Fund (RDIF) and China Investment Corporation (CIC), holds its stake in PJSC Detsky Mir through its funds: FLOETTE HOLDINGS LIMITED and EXARZO HOLDINGS LIMITED.*

**Приложение А**

*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 fourth quarter can be reconciled to our consolidated statements of profit and loss as follows:

| **RUB mln** | **IAS 17** | | **IFRS 16** |
|---|---|---|---|
| | **Q4 2018** | **Q4 2017** | **Q4 2018** |
| **Profit for the period** | **2,567** | **2,532** | **3,427** |
| *Add / (deduct):* | | | |
| Finance income | (2) | (2) | (8) |
| Finance expense | 520 | 438 | 531 |
| Profit from taking control in the subsidiary | - | - | - |
| Foreign exchange loss | 69 | 89 | 69 |
| Income tax expense | 578 | 625 | 793 |
| Depreciation and amortisation | 536 | 488 | 1,194 |
| **EBITDA** | **4,268** | **4,170** | **6,007** |
| *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) | 365 | 121 | 365 |
| **Adjusted EBITDA** | **4,633** | **4,291** | **6,372** |

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

| **RUB mln** | **IAS 17** | | **IFRS 16** |
|---|---|---|---|
| | **Q4 2018** | **Q4 2017** | **Q4 2018** |
| **Profit for the period** | **2,567** | **2,532** | **3,427** |
| *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 | 292 | 97 | 292 |
| **Adjusted profit for the period** | **2,859** | **2,628** | **3,719** |

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

| RUB mln | IAS 17 | | IFRS 16 |
|---|---|---|---|
| | FY 2018 | FY 2017 | FY 2018 |
| **Profit for the period** | **6,603** | **4,844** | **5,694** |
| *Add / (deduct):* | | | |
| Finance income | (5) | (28) | (10) |
| Finance expense | 1,824 | 1,866 | 4,427 |
| Profit from taking control in the subsidiary | - | - | - |
| Foreign exchange loss | (106) | 306 | (106) |
| Income tax expense | 1,454 | 1,036 | 1,227 |
| Depreciation and amortisation | 2,113 | 1,818 | 9,100 |
| **EBITDA** | **11,883** | **9,843** | **20,332** |
| *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) | 783 | 821 | 783 |
| **Adjusted EBITDA** | **12,665** | **10,663** | **21,114** |

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

| RUB mln | IAS 17 | | IFRS 16 |
|---|---|---|---|
| | FY 2018 | FY 2017 | FY 2018 |
| **Profit for the period** | **6,603** | **4,844** | **5,694** |
| *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 | 626 | 657 | 626 |
| **Adjusted profit for the period** | **7,229** | **5,501** | **6,320** |