



**DIXY GROUP**

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**DIXY GROUP ANNOUNCES CONSOLIDATED UNAUDITED IFRS  
RESULTS FOR THE 1ST QUARTER OF 2008**

**Moscow, 2 of June, 2008**

**Dixy Group – one of the leading companies in Russian food retail market has published its 1st Quarter 2008 unaudited consolidated IFRS results.**

Key figures for 1Q 2008 in comparison to 1Q 2007:

- Net Sales rose 48.6% to USD 459 mln.
- Gross Profit rose 60% to USD 110 mln.
- Gross Margin rose to 23.9% (growth of 7.7%)
- EBITDA grew 131 % to USD 24.5 mln.
- LFL Sales in USD rose to 30.2% (20% in RUR)
- Net Income rose to over USD 6.8 mln. compared with a loss of 780 thousand USD a year ago

Commenting on Group performance in the 1 Quarter of 2008, President of the Company Vitaly Klyuchnikov said:

“1Q 2008 results confirm the effectiveness of our strategy, which is set not only for expansion of the Dixy Group chain of stores, but also for the increase of performance indicators of our Company. For the first quarter of this year we have simultaneously boosted our sales and profit figures together with the profitability margins of our business. These results confirm the status of our Company as of one of the fastest growing and attractive for investors companies in Russian retail sector. It is our intention to continue on the path of intensive organic growth. We plan to open around 100 new stores in 2008.”

Net Sales in 2007 totaled 11,143 mln. RUR, which is 37% higher then in 1Q 2007 (Net Sales in USD totaled 459 mln., which is 48.6% higher then in 1Q 2007). Increase in Sales was due to an impressive increase in LFL Sales of 20% (in RUR) and successful openings of new stores (6 new stores opened in 1Q 2008).



### **Sales by Format**

*In thousands of RUR*

	<b>1Q 2008</b>	<b>1Q 2007</b>	<b>Growth (%)</b>
<b>DIXY</b>	9,648,377	7,250,359	33.1%
<b>V-MART</b>	41,532	5,878	606.6%
<b>MEGAMART</b>	1,059,196	642,650	64.8%
<b>MINIMART</b>	393,583	232,629	69.2%
	<b>11,142,688</b>	<b>8,131,516</b>	<b>37.0%</b>

*In thousands of USD*

	<b>1Q 2008</b>	<b>1Q 2007</b>	<b>Growth (%)</b>
<b>DIXY</b>	397,706	275,614	44.3%
<b>V-MART</b>	1,712	223	666.2%
<b>MEGAMART</b>	43,660	24,430	78.7%
<b>MINIMART</b>	16,223	8,843	83.5%
	<b>459,301</b>	<b>309,110</b>	<b>48.6%</b>

Gross Profit for 1Q 2008 amounted to 2,668 mln. RUR, which is 47.6% more than a year before (Gross Profit in USD rose 60% to 109.8 mln.). Gross Margin rose from 22.2% in 1Q 2007 to 23.9% in 1Q 2008, due to changes in assortment and pricing policies, and, also, due to increase in sales of private label goods to 8%.



### Key unaudited financial indicators

*In thousands of RUR*

	<b>1Q 2008</b>	<b>1Q 2007</b>	Growth (%)
<b>Net Sales</b>	11,142,688	8,131,516	37.0%
<b>Gross Profit</b>	2,667,899	1,807,630	47.6%
<b>EBITDAR</b>	1,007,474	614,253	64.0%
<b>EBITDA</b>	595,790	279,598	113.1%
<b>Net Profit</b>	166,149	-20,510	

	<b>31 March 2008</b>	<b>31 December 2007</b>	
<b>Net Debt</b>	5,173,054	4,303,440	20.2%

*In thousands of USD*

	<b>1Q 2008</b>	<b>1Q 2007</b>	Growth (%)
<b>Net Sales</b>	459,301	309,110	48.6%
<b>Gross Profit</b>	109,971	68,715	60.0%
<b>EBITDAR</b>	41,528	23,350	77.8%
<b>EBITDA</b>	24,558	10,629	131.1%
<b>Net Profit</b>	6,849	-780	

	<b>31 March 2008</b>	<b>31 December 2007</b>	
<b>Net Debt</b>	219,984	175,320	25.5%

**% of Sales**

	<b>1Q 2008</b>	<b>1Q 2007</b>	Growth (%)
<b>Gross Margin</b>	23.9%	22.2%	7.7%
<b>EBITDAR</b>	9.0%	7.6%	19.7%
<b>EBITDA</b>	5.3%	3.4%	55.5%
<b>Net Profit</b>	1.5%	-0.3%	

EBITDAR<sup>1</sup> in 1Q 2008 totaled 1,007 mln. RUR (41.5 mln. USD), which translates into growth of 64% in RUR, or 77.8% in USD. EBITDAR Margin grew from 7.6% in 1Q 2007 to 9% in 1Q 2008.

EBITDA<sup>2</sup> grew to 113% in RUR (131% in USD), to 595.8 mln. RUR (24.6 mln. USD). EBITDA Margin grew from 3.4% in 1Q 2007 to 5.3% in 1Q 2008. Increase in EBITDAR and EBITDA is attributed to growth in Gross Profit due to positive changes in assortment and pricing policies, and, also, due to increase in owned property.

Net Profit totaled 166 mln. RUR (6.9 mln. USD) in comparison to 1Q 2007 loss of 20.5 mln. RUR (770 thousand USD). During 2007 the Company managed to decrease dramatically its debt and debt service costs, and also to optimize the corporate juridical structure.

<sup>1</sup> EBITDAR is earnings before interest, tax, depreciation and amortization and rent (operating lease expenses)

<sup>2</sup> EBITDA is earnings before interest, tax, depreciation and amortization



### **Net Debt**

	<b>31 March 2008</b>	<b>31 December 2007</b>
<b>Net Debt (mln.USD)</b>	<b>220</b>	<b>175</b>
<b>Long-Term</b>	<b>82%</b>	<b>84%</b>
<b>Short-Term</b>	<b>18%</b>	<b>16%</b>

Net Debt<sup>3</sup> of the Company increased from 4,303 mln. RUR (175 mln. USD) to 5,173 mln. RUR (220 mln. USD) for the period from 31.12.2007 to 31.03.2008.

### **LFL Sales in RUR & USD**

During 1Q 2008 the Company managed to reach high figures in Like-for-Like Sales due to constant internal work of raising the effectiveness of retail formats, increased attractiveness of various formats for customers, and, as a result, the higher average check size. The Company plans to maintain the reached level of LFL Sales in all of 2008.

For the purposes of internal reporting and planning we include in like-for-like store base only those stores which were open twelve months before the beginning of the start of the comparison period thus giving the stores time to achieve maturity. We view this calculation as the most conservative and prudent as it reflects the performance of the mature stores. We include in this base stores opened before 01.01.06

For the purposes of comparison of our results with those published by our peer group in Russia, we also present dynamic like-for-like store base calculation. We include in this base stores, which were opened before 01.03.07. Note that the latter calculation shows not just the performance of mature stores in our definition, but also the results of stores, which were opened during 01.01.2006 and 01.03.2007, which are getting to maturity.

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<sup>3</sup> Net Debt was calculated as bank loans plus bonds and accrued interest plus finance lease liabilities plus borrowings from related parties minus cash and cash equivalents



	<i>before 01.01.06*</i>			<i>On stores opened</i>			<i>до 01.03.07**</i>		
	<b>TOTAL</b>	receipt q-ty	ave. receipt	<b>TOTAL</b>	receipt q-ty	ave. receipt	<b>TOTAL</b>	receipt q-ty	ave. receipt
<b>DIXY</b>									
Central Fed. Distr.	<b>14.27%</b>	-1.65%	15.93%	<b>18.33%</b>	1.77%	16.56%			
North - West. FD	<b>21.21%</b>	5.91%	15.30%	<b>24.78%</b>	8.21%	16.58%			
Urals FD	<b>10.54%</b>	-4.43%	14.98%	<b>18.44%</b>	0.99%	17.45%			
<b>TOTAL Dixy:</b>	<b>16.10%</b>	<b>0.54%</b>	<b>15.56%</b>	<b>20.27%</b>	<b>3.68%</b>	<b>16.59%</b>			
Megamarts (Urals)	<b>5.90%</b>	-2.25%	8.15%	<b>13.12%</b>	2.42%	10.70%			
Minimarts (Urals)	<b>14.15%</b>	-1.39%	15.54%	<b>38.00%</b>	9.65%	28.35%			
<b>TOTAL GROUP (RUB):</b>	<b>14.91%</b>	<b>0.40%</b>	<b>14.51%</b>	<b>20.05%</b>	<b>3.73%</b>	<b>16.32%</b>			
<b>TOTAL GROUP (USD)</b>	24.61%	0.40%	24.20%	30.17%	3.73%	26.45%			

\* LFL Block includes 158 “DIXY” stores, 4 “MEGAMART” stores and 1 “MINIMART” store

\*\* LFL Block includes 313 “DIXY” stores, 6 “MEGAMART” stores and 5 “MINIMART” stores

### Key operational figures for 1Q 2008-2007

	<b>1Q 2008</b>	<b>1Q 2007</b>	<b>Growth (%)</b>
<b>Quantity of stores</b>	<b>393</b>	<b>335</b>	17.3%
<b>Quantity of employees</b>	<b>14,576</b>	<b>13,777</b>	5.8%
<b>Total Space owned, sq.m.</b>	<b>128,096</b>	<b>101,003</b>	26.8%
<b>Total Space, sq.m.</b>	<b>360,955</b>	<b>290,244</b>	24.4%
<b>Selling Space, sq.m., and per format:</b>	<b>153,922</b>	<b>121,811</b>	26.4%
<b>DIXY</b>	<b>127,656</b>	<b>105,958</b>	20.5%
<b>V-MART</b>	<b>471</b>	<b>191</b>	146.6%
<b>MEGAMART</b>	<b>20,865</b>	<b>11,289</b>	84.8%
<b>MINIMART</b>	<b>4,930</b>	<b>4,374</b>	12.7%

In 2008 the Company plans to open at least 100 new stores due to the organic growth (from leases, acquisition or building the new properties). Selling space will grow by 30% to 200 000 square meters. The Company plans to increase the share of owned property in Total Space to 35-40%. The ratio of owned property in Total Space as of 31.03.2008 amounted to 35.6%. During 1Q 2008 the Company opened 6 new stores.



### **Selling, General & Administrative Expenses**

*In thousands of RUR*

	<b>1Q 2008</b>	<b>1Q 2007</b>	<b>Growth (%)</b>
<b>Salaries</b>	1,107,738	829,136	33.6%
<b>Lease Expense</b>	411,684	334,655	23.0%
<b>D&amp;A</b>	219,031	135,876	61.2%
<b>Utilities</b>	97,681	65,954	48.1%
<b>Other Expenses</b>	455,006	298,287	52.5%
	<b>2,291,140</b>	<b>1,663,908</b>	<b>37.7%</b>

### **Selling, General & Administrative Expenses, % of Sales**

	<b>1Q 2008</b>	<b>1Q 2007</b>	<b>Growth (%)</b>
<b>Salaries</b>	9.9%	10.2%	-2.5%
<b>Lease Expense</b>	3.7%	4.1%	-10.2%
<b>D&amp;A</b>	2.0%	1.7%	17.6%
<b>Utilities</b>	0.9%	0.8%	8.1%
<b>Other Expenses</b>	4.1%	3.7%	11.3%
	<b>20.6%</b>	<b>20.5%</b>	<b>0.5%</b>

Salary Expense in 1Q 2008 in comparison to 1Q 2007 rose by 33.6% and totaled around 10% of Net Sales, which is a due to the fact of wage inflation. In percentage terms to Net Sales Salaries Expense decreased in 1Q 2008 in comparison to 1Q 2007 by 2.5%, which is due to the fact of decrease in number of Employees because of the optimization of the structure of the Company.

Lease Expense in 1Q 2008 in comparison to 1Q 2007 went down by 10.2% to 3.7% of Net Sales due to the change in property structure of the Company.

Increase of Depreciation & Amortization Expense in 1Q 2008 by 61.2% to 219 mln. RUR is attributed to the fact of fulfillment of expansion plans by the Company, which translates in increase of selling and distribution space.



**Average check**

*	<b>1Q 2008</b>	<b>1Q 2007</b>	<b>Growth (%)</b>
<b>Average check size: and per format, RUR</b>	<b>191</b>	<b>164</b>	<b>16.2%</b>
<b>DIXY</b>	178	154	15.3%
<b>V-MART</b>	87	97	-10.4%
<b>MEGAMART</b>	307	248	23.5%
<b>MINIMART</b>	449	418	7.4%
<b>Average check size: and per format, USD</b>	<b>7.9</b>	<b>6.2</b>	<b>26.0%</b>
<b>DIXY</b>	7.3	5.9	25.0%
<b>V-MART</b>	3.6	3.7	-2.8%
<b>MEGAMART</b>	12.6	9.4	33.9%
<b>MINIMART</b>	18.5	15.9	16.5%

\* Based on retail sales figures

**Unaudited financial statements for 1Q 2008-2007 can be found in the Appendix to this press-release**



**DIXY GROUP**  
*Press release*

**OJSC DIXY Group (RTS, MICEX: DIXY)** is one of the leading Russian companies on the food retail and FMCG markets.

The first DIXY store was opened in 1999 in the city of Moscow. By May 31, 2008 the Group operated 401 stores, including 379 Dixy (discounter) stores, 9 Megamart (compact hypermarkets), 7 Minimart (supermarkets) stores and 6 VMart (on-the-go convenience) stores in three Federal Districts of Russia: Central, North-West and Urals.

In May, 2007, the Company had an IPO on the RTS and MICEX exchanges, during which it raised USD 360 mln. The controlling stake of OJSC DIXY Group (51%) is owned by Mercury Group of Companies.

In 2007, DIXY's net sales reached \$1.43 billion (\$1 billion in 2006). Net sales for the 1<sup>st</sup> Quarter of 2008 reached \$459 mln. USD. As of March 31, 2008 the Company employed 14,576 people.

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**Forward Looking Statements**

This announcement includes statements that are, or may be deemed to be, “forward-looking statements”.

These forward-looking statements can be identified by the fact that they do not only relate to historical or current events. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “expected”, “plan”, “goal” “believe”, or other words of similar meaning.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, a number of which are beyond Dixy Group's control. As a result, actual future results may differ materially from the plans, goals and expectations set out in these forward looking statements.

Any forward-looking statements made by or on behalf of Dixy Group speak only as at the date of this announcement. Save as required by any applicable laws or regulations, Dixy Group undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.



## Appendix

### Unaudited financial statements for 1Q 2008-2007

We used the following RUR/USD exchange rate:

	<u>31 March</u> <u>2008</u>	<u>31</u> <u>December</u> <u>2007</u>
	<u>1Q 2008</u>	<u>1Q 2007</u>
<u>Exchange rate (as of date) USD</u>	23.5156	24.5462
<u>Exchange rate (average) USD</u>	24.2601	26.3062

### **Balance Sheet (in thousands of RUR)**

	<b>31 March</b> <b>2008</b>	<b>31 December</b> <b>2007</b>
<b>ASSETS</b>		
<b>Non-current assets:</b>		
Property, plant and equipment	9,167,784	8,503,172
Capital advances	1,783,727	1,512,406
Goodwill	404,603	404,603
Other Intangible assets	626,250	642,761
Loans given	250	3,176
Initial lease costs	399,225	496,525
Deferred tax asset	29,128	62,019
<b>Total non-current assets</b>	<b>12,410,967</b>	<b>11,624,662</b>
<b>Current assets:</b>		
Inventories	2,095,693	2,404,832
Trade and other receivables	1,478,678	1,437,845
Initial lease costs	111,896	82,564
Loans given	112,392	111,317
Cash and cash equivalents	531,819	1,257,037
<b>Total current assets</b>	<b>4,330,478</b>	<b>5,293,595</b>
<b>TOTAL ASSETS</b>	<b>16,741,445</b>	<b>16,918,257</b>
<b>EQUITY</b>		
Share capital	600	600
Additional paid-in capital	3,473,447	3,473,447
Retained earnings	2,261,028	2,094,878
<b>Equity attributable to the equity holders of the Parent</b>	<b>5,735,075</b>	<b>5,568,925</b>
<b>Minority interest</b>	<b>4,442</b>	<b>4,431</b>



<b>TOTAL EQUITY</b>	<b>5,739,517</b>	<b>5,573,356</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities:</b>		
Bank loans	1,798,834	1,854,858
Bonds	3,000,000	3,000,000
Finance leases	133,718	161,419
Deferred tax liability	430,032	457,474
<b>Total non-current liabilities</b>	<b>5,362,584</b>	<b>5,473,751</b>
<b>Current liabilities:</b>		
Trade and other payables	4,267,751	4,625,394
Bank loans	656,253	434,329
Borrowings from ultimate shareholder and parties under common control	304,942	318,442
Current portion of Bonds	10,643	77,542
Finance leases	116,068	109,871
Provisions for liabilities and charges	153,490	184,455
Income taxes payable	130,197	121,117
<b>Total current liabilities</b>	<b>5,639,344</b>	<b>5,871,150</b>
<b>TOTAL LIABILITIES</b>	<b>11,001,928</b>	<b>11,344,901</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,741,445</b>	<b>16,918,257</b>



### Profit & Loss Statement (in thousands of RUR)

	3 months 2008	3 months 2007
<b>Continuing operations:</b>		
Revenue	11,142,688	8,131,516
Cost of sales	(8,474,789)	(6,323,886)
<b>Gross profit</b>	<b>2,667,899</b>	<b>1,807,630</b>
General and administrative expenses	(2,291,166)	(1,663,908)
Share of profit of and gain on disposal of associate		
<b>Operating profit</b>	<b>376,733</b>	<b>143,722</b>
Finance income	15,472	15,687
Finance costs	(100,291)	(165,130)
<b>Profit before income tax</b>	<b>291,914</b>	<b>(5,721)</b>
Income tax expense	(125,754)	(14,789)
<b>Profit for the year from continuing operations</b>	<b>166,160</b>	<b>(20,510)</b>
<b>Discontinued operations:</b>		
Loss after tax for the year of a discontinued operation	-	-
<b>Profit for the year</b>	<b>166,160</b>	<b>(20,510)</b>
<b>Attributable to:</b>		
Equity holders of the Parent	166,149	(20,510)
Minority interests	11	-
<b>Profit for the year</b>	<b>166,160</b>	<b>(20,510)</b>



## Cash-flow Statement (in thousands of RUR)

	3 months 2008	3 months 2007
<b>Cash flows from operating activities</b>		
Profit before income tax from continuing operations	291,914	(5,721)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	201,018	125,261
Amortisation of intangible assets	18,013	10,615
Amortisation of initial lease costs	67,968	26,615
(Decrease) / Increase in provision for liabilities and charges	(34,466)	(37,580)
Finance costs	100,291	165,130
Interest income on loans given and cash deposits	(8,704)	(14,705)
Other income	(30,005)	(9,198)
<b>Operating cash flows before working capital changes</b>	<b>606,029</b>	<b>260,417</b>
Increase in trade and other receivables	(61,725)	(103,410)
Increase in inventories	303,439	134,215
Increase in trade and other payables	(357,646)	286,580
<b>Cash generated from operations</b>	<b>490,097</b>	<b>577,802</b>
Income taxes paid	(120,389)	(38,424)
Interest paid	(193,514)	(236,995)
<b>Net cash from operating activities</b>	<b>176,194</b>	<b>302,383</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,056,514)	(921,843)
Proceeds from sale of property, plant and equipment	30,528	21,716
Loans returned	63,699	48,487
Loans provided	(63,219)	(2,570)
Interest received	7,457	11,809
<b>Net cash used in investing activities</b>	<b>(1,018,049)</b>	<b>(842,402)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	876,503	257,291
Repayment of borrowings	(716,681)	(58,158)
Finance lease payments	(43,185)	(4,838)
<b>Net cash provided from financing activities</b>	<b>116,637</b>	<b>194,295</b>
<b>Net increase in cash and cash equivalents</b>	<b>(725,218)</b>	<b>(345,724)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,257,037</b>	<b>678,904</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>531,819</b>	<b>333,180</b>

