

ДИКСИ

DIXY GROUP

Press release



DIXY GROUP ANNOUNCES CONSOLIDATED UNAUDITED IFRS RESULTS FOR THE FIRST 3 MONTHS OF 2009

Moscow, Russia, June 01, 2009

Dixy Group – one of the leading Russian food retailers - announces consolidated unaudited IFRS results for the first 3 months of 2009.

Key P&L figures for first 3 months of 2009 in comparison to the first 3 months of 2008 results

In RUR

- Total Revenues increased 19.2% to RUR 13,281 mln.
- Gross Profit increased 27.6% to RUR 3,403 mln.
- Gross Profit Margin increased from 23.9% during 3 months 2008 to 25.6%.
- EBITDA decreased 23.6% to RUR 472 mln.
- Net Loss totaled RUR 789,7 mln.

In USD

- Total Revenues decreased 14.8% to USD 391,4 mln.
- Gross Profit decreased 8.8% to USD 100,3 mln.
- EBITDA decreased 45.5% to USD 13.9 mln.
- Net Loss totaled to USD 23.3 mln.

Commenting on Group performance during the 3 months of 2009, the President of the Company Ilya Yakubson said:

“The result of the Q1 2009 operations is mainly due to the decreasing efficiency of the logistics function in Central Region, which, in combination, with a natural negative propensity of the purchasing power, has led to unsatisfactory levels of retail sales for the reporting period. Optimization of the logistics function, unification of the IT platforms and reduction in shrinkage, are our main priorities today. We expect to see an increase in store service levels and a reversal in sales growth dynamic starting from the third quarter of 2009.”

Revenue for the first three months of 2009 totaled RUR 13,281 mln., a 19.2% increase over the first three months of 2008. In USD, revenue totaled 391 mln., a 14.8% decrease over the Q1 2008 revenue. The decrease in USD based revenue was due to a faster pace of RUR depreciation compared to the pace of sales growth.

Key unaudited financial indicators

In thousands of RUR

	Q1 2009	Q1 2008	Growth (%)
Net Sales	13,281,083	11,142,688	19.2%
Gross Profit	3,403,408	2,667,899	27.6%
EBITDAR	1,046,990	1,007,448	3.9%
EBITDA	472,236	618,372	-23.6%
Net Profit	-789,735	166,149	---

In thousands of USD

	Q1 2009	Q1 2008	Growth (%)
Net Sales	391,417	459,301	-14.8%
Gross Profit	100,304	109,971	-8.8%
EBITDAR	30,857	41,527	-25.7%
EBITDA	13,918	25,489	-45.4%
Net Profit	-23,275	6,849	---

% of Net Sales

	Q1 2009	Q1 2008
Gross Profit	25.6%	23.9%
EBITDAR	7.9%	9.0%
EBITDA	3.6%	5.5%
Net Profit	-5.9%	1.5%

Net debt as of March 31, 2009 amounted to RUR 8,892,723 K or USD 261,448 K.

Gross Profit for the first three months of 2009 amounted to RUR 3,403 mln. (USD 100 mln.) which is a 27.6% increase compared to the first 3 months of 2008 (9% decrease in USD terms). Gross Margin increased from 23.9% during 3 months 2008 to 25.6% during the three months of 2009. One of the highest Gross margin levels in our segment for the period was achieved by effective changes in the assortment, increase in the sales of Private Label products to 8% from on average 7% in 2008 and 6% in Q1 2008, and further improvement in purchasing terms from suppliers due to further centralization of the purchasing and logistics functions.

EBITDAR¹ reached RUR 1,047 mln. (USD 31 mln.), a growth of 4% in RUR terms, or 25.7% decline in USD. EBITDAR margin decreased from 9% in Q1 2008 to 8% in Q1 2009. The decrease in EBITDAR margin is primarily due to the slower sales growth coupled with a significant increase in fixed costs and shrinkage expense. In particular, we experienced a significant growth in Salary Expense, Utilities, and Maintenance expenses.

Salary Expense: for Q1 2009 amounted to RUR 1 398 mln. versus RUR 1 108 mln. in Q1 2008. This 26% increase is due to the 22% increase in Group's staff and wage inflation. The salary expense in Q1 2009 is almost identical to Salary Expense in Q1 2008 (grew by less than 2% due to the uneven amortization of the Social tax expense throughout the year, where higher expense is incurred at the beginning of the year). Excluding the social tax from Salary Expense calculation yields a 2.5% decline in Q1 2009 Salary Expense versus Q4 2008.

Utilities and maintenance expenses: 50% growth in utilities and maintenance expense in Q1 2009 versus Q1 2008 is due to a 24% growth in gross selling space and an over 50% growth in warehousing areas, following the opening of the 35 thousand sq. m. facility in the Serpukhov region of Moscow in Q4 2008. Buildings', equipment's and trucks' fixed assets, excluding accumulated amortization, grew 54% from Q1 2008.

Reduction in Shrinkage: for the Q1 2009 shrinkage expense amounted RUR 255 mln. versus RUR 143 mln. in Q1 2008 and RUB 369 mln. in Q4 2008. As a percentage of Revenue, shrinkage expense corresponded to 1.9% of Sales in Q1 2009, in comparison to respectively, 1,3% and 2.7% in Q1 and Q4 last year.

EBITDA² decreased by 24% in RUR terms (45% in USD terms), to RUR 472 mln. (USD 14 mln.). EBITDA margin decreased from 5.5% in Q1 2008 to 3.6% in Q1 2009. Decrease in EBITDA is due to a very low growth in EBITDAR and a 28.8% increase in gross leased area from March 31, 2008.

Because of the low EBITDA margin, a 62% increase in amortization (due to the increase in Fixed Assets), and an over RUR 840 mln. in FX losses sustained during the period, Net Loss before tax in Q1 amounted to RUR 979 mln. (USD 29 mln.). Net loss after tax amounted to RUR 790 mln. or USD 23 mln.

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

² EBITDA is earnings before interest, tax, depreciation and amortization.

Revenue by format

<i>Thous. RUR</i>	Q1 2009	Q1 2008	Growth (%)
DIXY	11,159,215	9,568,009	16.6%
V-MART	64,310	41,532	54.8%
MEGAMART	1,452,725	1,041,823	39.4%
MINIMART	474,897	392,045	21.1%
Other Revenue	129,937	99,278	
	13,281,084	11,142,687	19.2%

<i>Thous. USD</i>	Q1 2009	Q1 2008	Growth (%)
DIXY	328,882	394,393	-16.6%
V-MART	1,895	1,712	10.7%
MEGAMART	42,814	42,944	-0.3%
MINIMART	13,996	16,160	-13.4%
	387,587	455,209	-14.9%

Average ticket by format

<i>RUR</i>	Q1 2009	Q1 2008	Growth (%)
DIXY	192,79	177,58	8,57%
MEGAMART	461,54	453,35	1,81%
MINIMART	336,68	319,71	5,30%

Key operating statistics Q1 2008 – 2009

	Q1 2009	Q1 2008	Growth (%)
Number of stores	495	393	26.0%
Number of employees	17,756	14,576	21.8%
Total Space owned, sq.m.	164,918	128,096	28.7%
Total Space, sq.m.	448,943	360,955	24.4%
Selling Spac, sq.m. by format:	193,709	153,922	25.8%
DIXY	157,446	127,656	24.6%
V-MART	487	471	3.4%
MEGAMART	28,525	20,865	36.7%
MINIMART	5,620	4,930	14.0%

SG&A Expenses

Thous. RUR

	Q1 2009	Q1 2008	Growth (%)
Salaries	1,398,434	1,107,738	26.2%
Lease Expense	574,754	389,076	47.7%
D&A	392,859	241,639	62.6%
Utilities	146,749	97,681	50.2%
Other Expenses	811,234	455,032	78.3%
	3,324,030	2,291,166	45.1%

SG&A, expense % revenue

	Q1 2009	Q1 2008
Salaries	10.5%	9.9%
Lease Expense	4.3%	3.5%
D&A	3.0%	2.2%
Utilities	1.1%	0.9%
Other Expenses	6.1%	4.1%
	6.9%	6.3%

Exchange rates

	31 March 2009	31December 2008
RUR / USD eop	34,0134	29,3804
	Q1 2009	Q1 2008
RUR / USD average	33,9308	24,2601

Unaudited IFRS financial statements for first 3 months 2009 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 operating in the food retail and FMCG market.

The first DIXY store opened in 1999 in Moscow. As of May 31st, 2009, the Group operated 489 stores, including 468 Dixy (discounter) stores, 13 Megamart (compact hypermarket) stores, 8 Minimart (supermarket) stores and in three Federal Districts of Russia: Central, Northwest and Urals.

In May 2007 the Company completed an IPO on RTS and MICEX, in which it raised USD 360 million. The controlling stake of OJSC DIXY Group is owned by the Mercury Group of Companies.

In 2008, DIXY's total revenue reached USD 1.94 billion (USD 1.43 billion in 2007). As of May 31st, 2009 the Company had a total of 191 K sq.m. of net selling space and employed 17 653 people.

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Balance Sheet

<i>In thousands of Russian Roubles</i>	31 March 2009	31 December 2008
ASSETS		
Non-current assets		
Property, plant and equipment	12 177 243	12 067 845
Capital advances	886 854	981 505
Goodwill	404 603	404 603
Other Intangible assets	727 600	727 433
Loans	491	17 876
Initial lease costs	345 073	368 943
Other receivables	78 046	76 505
Deferred tax asset	474 643	161 108
	15 094 553	14 805 818
Current assets		
Inventories	2 662 448	3 272 828
Taxes recoverable and prepayments	1 101 219	1 102 235
Trade and other receivables	561 667	844 942
Initial lease costs	102 212	96 067
Loans	161 318	133 111
Cash and cash equivalents	691 867	1 289 799
	5 280 731	6 738 982
Assets classified as held for sale	40 170	40 170
	5 320 901	6 779 152
TOTAL ASSETS	20 415 454	21 584 970
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Parent		
Share capital	860	860
Additional paid-in capital	4 119 422	4 119 422
Retained earnings	981 032	1 770 766
	5 101 314	5 891 048
Minority interest	3 460	3 430
TOTAL EQUITY	5 104 774	5 894 478
Non-current liabilities		
Bank loans	4 681 611	4 098 224
Bonds	3 000 000	3 000 000
Finance leases	341 419	353 962
Deferred tax liability	224 115	250 053
	8 247 145	7 702 239
Current liabilities		
Trade and other payables	4 873 777	5 845 356
Bank loans	1 287 774	1 236 026
Borrowings from ultimate shareholder and related parties	450 387	386 840
Current portion of Bonds	9 123	79 063
Finance leases	237 660	242 622
Advances from customers	58 793	87 540
Provisions for liabilities and charges	33 004	33 004
Income taxes payable	113 017	77 802
	7 063 535	7 988 253
	15 310 680	15 690 492



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TOTAL EQUITY AND LIABILITIES

20 415 454

21 584 970

Income Statement

<i>In thousands of Russian Roubles</i>	Q1 2009	Q1 2008
Continuing operations		
Revenue	13 281 083	11 142 688
Cost of sales	(9 877 675)	(8 474 789)
Gross profit	3 403 408	2 667 899
General and administrative expenses	(3 324 030)	(2 291 166)
Operating profit	79 378	376 733
Finance income	7 695	15 472
Finance costs	(225 972)	(107 059)
Foreign exchange (loss)/gain, net	(840 437)	6 768
Profit before income tax	(979 336)	291 914
Income tax expense	189 634	(125 754)
Profit for the year from continuing operations	(789 702)	166 160
Discontinued operations		
Loss after tax for the year from a discontinued operation	-	-
Profit for the year	(789 702)	166 160
Attributable to:		
Equity holders of the Parent	(789 734)	166 149
Minority interests	32	11
Profit for the year	(789 702)	166 160

Cashflow Statement

<i>In thousands of Russian Roubles</i>	Q1 2009	Q1 2008
Cash flows from operating activities :		
Profit before income tax from continuing operations	(979 336)	291 914
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	340 290	201 018
Amortization of intangible assets	27 535	18 013
Amortization of initial lease costs	25 034	22 608
Gain less losses on disposals of property, plant, equipment, intangible assets	(855)	(28 937)
Increase/(decrease) in provision for impairment of taxes recoverable prepayments	17 502	(410)
Increase in provision for impairment of trade and other receivables	9 812	1 814
Increase/(decrease) in provision for inventory obsolescence	(14 202)	5 700
(Decrease) in provision for liabilities and charges	-	(30 965)
(Decrease)/increase in provision for income tax liability	6 847	(3 501)
Finance costs	225 972	100 291
Interest income on loans and cash deposits	(7 695)	(8 704)
Unrealized foreign exchange gains less losses on borrowings	840 437	(6 768)
Operating cash flows before working capital changes	491 341	562 073
(Increase)/decrease in trade and other receivables	321 387	1 791
Decrease in inventories	624 582	303 439
Decrease/(increase) in taxes recoverable and prepayments	17 387	(28 230)
(Decrease)/increase in trade and other payables	(1 197 096)	(468 119)
(Decrease)/increase in tax liabilities other than income tax	225 519	120 182
(Decrease)/increase in advances from customers	(28 747)	(1 040)
Cash generated from operations	454 373	490 096
Income taxes paid	(151 635)	(120 389)
Interest paid	(375 043)	(193 514)
Net cash from operating activities-continuing operations	(72 305)	176 193
Net cash from operating activities	-72 305	176 193
Cash flows from investing activities:		
Purchase of property, plant and equipment	(365 260)	(1 056 365)
Proceeds from sale of property, plant and equipment	2 565	30 528
Initial Lease costs paid	(7 309)	-
Loans repaid	151 458	63 699
Disbursement of loans	(145 000)	(63 219)
Interest received	851	7 457
Purchases of intangible assets	(28 508)	(148)
Net cash used in investing activities-continuing operations	(391 203)	(1 018 048)
Net cash used in investing activities-discontinued operations		
Net cash used in investing activities	(391 203)	(1 018 048)
Cash flows from financing activities		
Proceeds from loans and borrowings	376 796	876 503
Repayment of loans and borrowings	(453 879)	(716 681)
Finance lease payments	(57 343)	(43 185)
Net cash from financing activities-continuing operations	(134 426)	116 637



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Net cash from financing activities	-134 426	116 637
Net increase in cash and cash equivalents	(597 932)	(725 218)
Cash and cash equivalents at the beginning of the year	1 289 799	1 257 037
Cash and cash equivalents at the end of the year	691 867	531 819