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DIXY GROUP

Press release



DIXY GROUP ANNOUNCES CONSOLIDATED UNAUDITED IFRS RESULTS FOR THE FIRST 9 MONTHS OF 2009

Moscow, Russia, December 2, 2009

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

Key P&L figures for first 9 months of 2009 in comparison to the first 9 months of 2008 results

In RUR

- Total Revenues increased 14.5% to RUR 39,622 mln.
- Gross Profit increased 22.9% to RUR 10,613 mln.
- Gross Profit Margin increased from 25.0% for the first 9 months of 2008 to 26.8%.
- EBITDA increased 12.3% to RUR 2,124 mln.
- Net Loss totaled RUR 102.0 mln.
- Net operating cash flow increased by 19.7% to RUR 302,8 mln.

In USD

- Total Revenues decreased 15.2% to USD 1,219.8 mln.
- Gross Profit decreased 9.0% to USD 326.7 mln.
- EBITDA decreased 16.8% to USD 65.4 mln.
- Net Loss totaled USD 3.1 mln.
- Net operating cash flow declined by 11.4% to USD 9.3 mln.

Commenting on Group performance during the first 9 months of 2009, the President of the Company **Илья Якубсон** said:

“All-in-all, our nine months 2009 results are fully consistent with our plans and expectations. In the third quarter we started to implement a set of measures aimed at stimulating sales, including changes in pricing policies, special marketing campaigns, which allowed us to increase the number of purchases in our Dixy stores. The gross profit margin declined from 28.6% in the second to 26.1% in the third quarter of 2009. We will continue to push forward in this direction, expanding our advertising and promo activities, optimizing our assortment matrix, in order to drive-up the average check. At the end of October, we successfully completed the rollout of our IT platform, ALDATA GOLD for all business units of the Company including stores, warehouses and offices.”



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Key unaudited financial indicators

In thousands of RUR

	9M 2009	9M 2008	Growth (%)
Net Sales	39 621 662	34 593 724	14.5%
Gross Profit	10 612 742	8 632 014	22.9%
EBITDAR	3 789 623	3 147 568	20.4%
EBITDA	2 123 932	1 890 717	12.3%
Net Profit	-101 952	242 745	NA
Net Operating cash flow	302 799	252 880	19.7%

In thousands of USD

	9M 2009	9M 2008	Growth (%)
Net Sales	1 219 826	1 438 684	-15.2%
Gross Profit	326 733	358 988	-9.0%
EBITDAR	116 671	130 901	-10.9%
EBITDA	65 389	78 631	-16.8%
Net Profit	-3 139	10 095	NA
Net Operating cash flow	9 322	10 517	-11.4%

	9M 2009	9M 2008
Gross Profit	26.8%	25.0%
EBITDAR	9.6%	9.1%
EBITDA	5.4%	5.5%
Net Profit	-0.3%	0.7%

Net Sales as of the first 9 months of 2009 amounted to RUR 39 622 mln., representing a 14.5% increase over the first 9 months of 2008 results. Falling short of our retail sales targets is due to natural propensity of lower retail spending due to adverse economic environment, while also due to low efficiency in the execution at the level of our logistics function. Sales in USD amounted to USD 1 219.8 mln., representing a decrease of 15.2% from the same period last year. The decrease in USD revenue is due to USD appreciation against the RUR, exceeding the RUB sales growth during the period. While in the third quarter, there is a further decline in sales growth rate, we notice a positive trend in traffic growth, which we believe is primarily due to the substantial increase in our marketing and promotional activity.

Gross profit for the first nine months of 2009 amounted to RUR 10 613 mln. (USD 326.7 mln.), demonstrating growth of 22.9% in RUR (-9.0% in USD) from the first 9 months of 2008 result. Gross margin increased from 25.0% in the first nine months of 2008 to 26.8% over the same period in 2009, declining in Q3 to 26.1% from 28.6% in Q2 2009. The decline is due to a more aggressive pricing policy, and to deep-discount type promotional campaigns, which while helping to pump-up traffic, fail to stimulate ticket growth, generating mostly low marginal.

SG&A Expenses

Thous. RUR

	9M 2009	9M 2008	Growth (%)
Salaries	3 997 784	3 531 570	13.2%
Lease Expense	1 665 691	1 256 851	32.5%
D&A	1 165 308	810 549	43.8%
Utilities	453 635	293 446	54.6%
Other Expenses (shrinkage, transport, bank charges, advertising costs etc.)	2 371 700	1 659 430	42.9%
	9 654 118	7 551 846	27.8%
<u>SG&A Expense % revenue</u>			
	9M 2009	9M 2008	
Salaries	10.1%	10.2%	
Lease Expense	4.2%	3.6%	
D&A	2.9%	2.3%	
Utilities	1.1%	0.8%	
Other Expenses (shrinkage, transport, bank charges, advertising costs etc.)	6.0%	4.8%	
	24.4%	21.8%	

Salary Expense, in 9M 2009 amounted to RUR 3 998 mln. versus RUR 3 532 mln. for the 9M 2008. Demonstrating a 13.2% year-on-year growth and a 5.9% quarter-on-quarter decline. Further reduction of salary expense in Q3 to 9.7% of Sales is due to optimization of wages and reduction of total headcount.

Utilities and maintenance expenses: 54.6% growth in utilities and maintenance expense to RUR 454 mln. for the 9M 2009 versus RUR 293 mln. for the 9M 2008 is due to a 19.5% growth in total selling space and an over 50% growth in warehousing areas, following the opening of the 35,000 sq. m. DC in Serpukhov, Moscow region, in Q4 2008 and a 7,500 sq. m. DC in Chelyabinsk in Q2 2009.

Shrinkage for the first nine months of 2009 amounted to RUR 728 mln. In Q3 shrinkage expense slightly decreased to RUR 230 mln. from RUR 243 mln. in Q2 and RUR 255 mln. in Q1 2009. For 9M 2009, Shrinkage Expense remains at 1.8% of Sales, down from 1.92% in Q1 to 1.79% in Q3, which remains one of the highest levels in our sector. Reduction of shrinkage is one of the key priorities for the management.

EBITDAR amounted to RUR 3 790 mln. (USD 116.7 mln.), which represents a 20.4% growth in RUR (10.9% decline in USD). EBITDAR margin increased from 9,1% for the first nine months of 2008 to 9,6% over the same period in 2009. EBITDAR growth is primarily due to the increase in Gross Profit for the Company during the period.

Lease Expense for the 9M 2009 amounted to RUR 1 666 mln. a 32.5% increase from RUR 1 257 mln. for the 9M 2008. During the 12 months period preceding the end of the Q3 2009 the Group opened 91 Dixy stores on leased basis with a total selling space of over 25 thousand sq. m. increasing by 33.5% format's leased selling space. Quarter on quarter the lease expense continues to declines, from RUR 575 mln. in Q1 to RUR 554 mln. in Q2 to RUR 538 mln. in Q3. These reductions were achieved by further



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successful efforts to renegotiate lease agreements and by continuous optimization of the retail assets portfolio. Lease expense as a percentage of revenue increased to 4.2% from 3.6% for the 2008 first nine months period, due primarily to slower revenue growth and predominately lease based expansion.

EBITDA increased by 12.3% in RUR terms (a 16.8% decline in USD), to RUR 2 124 mln. (USD 65.4 mln.). EBITDA margin of 5.4% was slightly lower than 5.5% for the 9M 2008. Lower Salary Expense was offset by higher Leasing Expense, Maintenance and Utilities charges, and a 45% growth in Shrinkage from RUR 504 mln. for the first nine months of 2008 to RUR 728 mln. for the same period in 2009.

Net Loss: in 9M 2009 the Group recorded a Net Loss of RUR 102 mln. (USD 3.1 mln.) primarily due to RUR 163 mln. in FX translational losses sustained during the period and to RUR 290 mln. in accrued profit taxes for the nine months period, including RUR 254 mln. accrued in Q3 2009.

Net debt including outstanding obligations under the leasing agreements as of September 30, 2009 amounted to RUR 8,525 mln. or USD 283,3 mln.

Key operating statistics 9M 2008 – 2009

	9M 2009	9M 2008	Growth (%)
Number of stores	509	425	19.8%
Number of employees	16,085	15,854	1.5%
Total Space owned, sq.m.	169,199	152,005	11.3%
Total Space, sq.m.	463,032	387,342	19.5%
Selling Space, sq.m. by format:	197,425	166,823	18.3%
DIXY	161,500	136,224	18.6%
V-MART	--	915	
MEGAMART	30,305	24,755	22.4%
MINIMART	5,620	4,930	14.0%

Revenue by format

<i>Thous. RUR</i>	9M 2009	9M 2008	Growth (%)
DIXY	33 088 352	29 377 137	12.6%
V-MART	68 034	158 869	-57.2%
MEGAMART	4 483 396	3 482 829	28.7%
MINIMART	1 476 071	1 259 986	17.1%
OTHER REVENUE	505 809	314 903	60.6%
	39 621 662	34 593 724	14.5%

<i>Thous. USD</i>	9M 2009	9M 2008	Growth (%)
DIXY	1 018 686	1 221 736	-16.6%
V-MART	2 095	6 607	-68.3%
MEGAMART	138 030	144 844	-4.7%
MINIMART	45 444	52 400	-13.3%
OTHER REVENUE	15 572	13 096	18.9%
	1 219 826	1 438 684	-15.2%



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Average ticket by format

<u>RUR</u>	<u>9M 2009</u>	<u>9M 2008</u>	<u>Growth (%)</u>
DIXY	207,70	203,42	2.11%
MEGAMART	527,61	524,28	0.63%
MINIMART	378.75	376,03	0.74%

Exchange rates

	30 September 2009	31 December 2008
RUR / USD eop	30,0922	29,3804
	9M 2009	9M 2008
RUR / USD average	32,4814	24,0454

Unaudited IFRS financial statements for first 9 months 2009 can be found in the Appendix to this press-release



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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 November 30, 2009, the Group operated 527 stores, including 504 Dixy (discounter) stores, 15 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 September 30, 2009 the Company had a total of 197,425 sq.m. of selling space and employed 16,085 people.

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Balance Sheet

In thousands of Russian Roubles

30 September 2009

31 December 2008

ASSETS

Non-current assets

Property, plant and equipment	12 547 846	12 067 845
Capital advances	679 848	981 505
Goodwill	404 603	404 603
Other Intangible assets	479 060	727 433
Loans	12 233	17 876
Initial lease costs	264 407	368 943
Other receivables	51 617	76 505
Deferred tax asset	162 423	161 108

14 602 037

14 805 818

Current assets

Inventories	2 590 577	3 272 828
Taxes recoverable and prepayments	1 049 450	1 102 235
Trade and other receivables	1 125 359	844 942
Initial lease costs	92 074	96 067
Loans	137 532	133 111
Cash and cash equivalents	425 279	1 289 799
Assets classified as held for sale	40 170	40 170

5 460 441

6 779 152

TOTAL ASSETS

20 062 478

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	1 668 814	1 770 766

Minority interest

3 177

3 430

TOTAL EQUITY

5 792 273

5 894 478

Non-current liabilities

Bank loans	-	4 098 224
Bonds	3 000 000	3 000 000
Finance leases	272 620	353 962
Deferred tax liability	160 531	250 053

3 433 151

7 702 239

Current liabilities

Trade and other payables	4 630 334	5 845 356
Bank loans	5 499 410	1 236 026
Borrowings from ultimate shareholder and parties under common control	403 045	386 840
Current portion of Bonds	9 883	79 063
Finance leases	159 902	242 622
Advances from customers	68 799	87 540
Provisions for liabilities and charges	33 004	33 004
Income taxes payable	32 677	77 802

10 837 054

7 988 253

14 270 205

15 690 492

TOTAL EQUITY AND LIABILITIES

20 062 478

21 584 970



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Income Statement

In thousands of Russian Roubles

	9M2009	9M2008
Continuing operations		
Revenue	39 621 662	34 593 724
Cost of sales	(29 008 920)	(25 961 710)
Gross profit	10 612 742	8 632 014
General and administrative expenses	(9 654 118)	(7 551 846)
Operating profit	958 624	1 080 168
Finance income	21 871	18 199
Finance costs	(629 797)	(407 842)
Foreign exchange (loss)/gain, net	(162 831)	(237 166)
Profit before income tax	187 867	453 359
Income tax expense	(290 071)	(210 631)
Profit for the year	(102 204)	242 728
Attributable to:		
Equity holders of the Parent	(101 952)	242 745
Minority interests	(252)	(17)
Profit for the year	(102 204)	242 728



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CASH FLOW STATEMENT

<i>In thousands of Russian Roubles</i>	9M2009	9M2008
Cash flows from operating activities :		
Profit before income tax from continuing operations	187 867	453 359
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	1 031 003	692 211
Amortisation of intangible assets	59 370	54 295
Amortisation of initial lease costs	74 935	64 043
Gain less losses on disposals of property, plant and equipment and intangible assets	39 822	(20 319)
Increase/(decrease) in provision for impairment of taxes recoverable and prepayments	24 937	3 090
Increase in provision for impairment of trade and other receivables	32 952	23 254
Decrease in provision for inventory obsolescence	(13 814)	(2 010)
Decrease in provision for liabilities and charges	-	(110 072)
Increase in provision for income tax liability	7 125	22 910
Finance costs	629 797	407 842
Interest income on loans and cash deposits	(21 871)	(18 199)
Unrealised foreign exchange gains less losses on borrowings	162 833	237 166
Operating cash flows before working capital changes	2 214 956	1 807 570
Decrease in trade and other receivables	(242 409)	(1 017)
Decrease in inventories	696 065	229 241
Increase in taxes recoverable and prepayments	114 064	(122 845)
Decrease in trade and other payables	(1 341 262)	(639 663)
Increase in tax liabilities other than income tax (Decrease)/increase in advances from customers	126 880 (18 741)	51 407 47 842
Cash generated from operations	1 549 553	1 372 535
Income taxes paid	(485 564)	(586 259)
Interest paid	(761 191)	(533 396)
Net cash from operating activities	302 799	252 880
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1 123 295)	(2 839 537)
Proceeds from sale of property, plant and equipment	104 882	48 054
Initial Lease costs paid	(6 576)	(9 798)
Loans repaid	397 726	308 161
Disbursement of loans	(370 610)	(299 814)
Interest received	4 412	13 039
Purchases of intangible assets	(31 376)	(2 783)
Net cash used in investing activities-continuing operations	(1 024 836)	(2 782 678)
Net cash used in investing activities	(1 024 836)	(2 782 678)
Cash flows from financing activities		
Proceeds from loans and borrowings	3 632 590	9 324 241
Repayment of loans and borrowings	(3 580 504)	(7 181 624)
Buy-out of shares	-	(355 483)
Finance lease payments	(194 568)	(107 638)
Net cash from financing activities-continuing operations	(142 482)	1 679 496
Net cash from financing activities	(142 482)	1 679 496
Net decrease in cash and cash equivalents	(864 520)	(850 301)
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	425 279	406 736

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