



**DIXY GROUP**






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

**Moscow, Russia, September 8, 2008**






**Dixy Group – one of the leading Russian food retailers announces consolidated unaudited IFRS results for the 1<sup>ST</sup> Half of 2008 (1H 2008).**

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

### ***In RUR***

-  Total Revenues increased 37% to RUR 23,091 mln.
-  Gross Profit increased 44% to RUR 5,622 mln.
-  Gross Profit Margin improved from 23.2% in 1H 2007 to 24.3%.
-  EBITDA increased 90% to RUR 1,244 mln.
-  Net Profit increased to RUR 274.53 mln.

### ***In USD***

-  Total Revenues increased 49.2% to USD 964.39 mln.
-  Gross Profit increased 56% to USD 234.79 mln.
-  Gross Profit Margin improved from 23.2% in 1H 2007 to 24.3%.
-  EBITDA increased 107% to USD 51.97 mln.
-  Net Profit increased to USD 11.47 mln.

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

“1H 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 improvement in the performance indicators of our Company. For the first half 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 one of the leading companies in the Russian food retail sector.”

Total Revenues in 1H of 2008 totaled RUR 23,091 mln., a 37% increase over 1H of 2007 (Total Revenues in USD totaled 964.4 mln., a 49% increase over 1H of 2007). The increase in Total Revenues was due to a 17.2% increase in the like-for-like sales<sup>1</sup> and a net addition of 56 stores<sup>2</sup>.

<sup>1</sup> For detailed discussion on 1H 2008 retail sales dynamics including LFL and new stores performance please refer to Trading Update dated July 29th, 2008.

<sup>2</sup> Corresponds to the opening of 62 new stores and closing of 6 stores during the 12-month period, from July 1, 2007 – June 30 2008, including a net addition of 15 stores in the 1H of 2008.



**Key Figures (unaudited)**

*In thousands of RUR*

	<b>1 half 2008</b>	<b>1 half 2007</b>	Growth(%)
Revenue	23,091,297	16,867,663	36.9%
Gross Profit	5,621,722	3,916,171	43.6%
EBITDAR	2,090,844	1,321,080	58.3%
EBITDA	1,244,474	656,562	89.5%
Net Profit	274,525	-129,333	--

	<b>30 June 2008</b>	<b>31 December 2007</b>	
Net debt	5,395,800	4,011,169	34.5%

*In thousands of USD\**

	<b>1 half 2008</b>	<b>1 half 2007</b>	Growth(%)
Revenue	964,388	646,699	49.1%
Gross Profit	234,786	150,144	56.4%
EBITDAR	87,322	50,650	72.4%
EBITDA	51,974	25,172	106.5%
Net Profit	11,465	-4,959	--

	<b>30 June 2008</b>	<b>31 December 2007</b>	
Net debt	230,026	163,413	40.8%

*Average RUR / USD	23.9440	26.0827	
RUR / USD at the closing date	23.4573	24.5462	*

EBITDAR<sup>3</sup> totaled RUR 2,091 mln. (USD 87.3 mln.), reflecting growth of 58.3% in RUR terms, or 72.4% in USD terms. EBITDAR margin grew from 8.8% to 9.2%.

EBITDA<sup>4</sup> grew by 89.5% in RUR terms (106.5% in USD terms), to RUR 1,244 mln. (USD 52.0 mln.). EBITDA margin grew from 4.9% in 1H 2007 to 5.6% in 1H 2008. Increase in EBITDAR and EBITDA is attributed to growth in Gross Profit.

*As a % Total Revenue*

	<b>1 half 2008</b>	<b>1 half 2007</b>
Gross Profit Margin	24.35%	23.22%
EBITDAR	9.05%	7.83%
EBITDA	5.39%	3.89%
Net Profit	1.19%	-0.77%

Gross Profit for 1H 2008 amounted to RUR 5,622 mln., which is a 43.6% increase compared to 1H 2007 (Gross Profit in USD terms increased 56.4% to 234.8 mln.). Gross Margin increased from 23.2% in 1H 2007 to 24.3% in 1H 2008, due to improvements in our SKU assortment, changes in the pricing policy and better execution at the logistics' functions level.

<sup>3</sup> EBITDAR is earnings before interest, tax, depreciation and amortization and rent (operating lease expenses)

<sup>4</sup> EBITDA is earnings before interest, tax, depreciation and amortization.



**Key operational figures for 1H 2008-2007**

	<b>1 half 2008</b>	<b>1 half 2007</b>	<b>Growth(%)</b>
Number of stores	403	347	16.1%
Number of employees	15,417	12,621	22.2%
Total space, sq.m.	362,768	300,392	20.8%
Total owned space sq.m.	134,671	98,489	36.7%
DIXY	131,080	114,221	14.8%
V-MART	641	191	235.3%
MEGAMART	20,865	15,902	31.2%
MINIMART	4,930	3,704	33.1%
<b>Net selling area sq.m.</b>	<b>157,514</b>	<b>134,019</b>	<b>17.5%</b>

We have continued to maintain a double digit, organic, growth when measured by store space and human resources, increasing both the owned and leased selling spaces and expanding our workforce to match the business requirements. Our share of owned property in Total Space as of June 30<sup>th</sup>, 2008 amounted to 37% compared with 32.8% in 2007. A total of 23,500 sq. m. was added in terms of net selling space including over 15,000 sq. m. for Dixy format alone.

**Selling, General & Administrative Expenses**

(in thousands of RUR)

	<b>1 half 2008</b>	<b>1 half 2007</b>	<b>Growth(%)</b>
Salaries	2,313,366	1,710,780	35.2%
Lease Expense	846,370	664,518	27.4%
D&A	482,051	340,462	41.6%
Utilities	195,534	127,140	53.8%
Other Expenses	1,021,978	757,171	35.0%
	<b>4,859,299</b>	<b>3,600,071</b>	<b>35.0%</b>

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

	<b>1 half 2008</b>	<b>1 half 2007</b>
Salaries	10.0%	10.1%
Lease Expense	3.7%	3.9%
D&A	2.1%	2.0%
Utilities	0.8%	0.8%
Other Expenses	4.4%	4.5%
	<b>21.0%</b>	<b>21.3%</b>

Salaries expense in 1H 2008 in comparison to 1H 2007 increased by 35.2% in absolute terms, reflecting general Russian wage inflation and a 22.2% increase in the our workforce. Nevertheless, the salary expense remained stable as a percentage of Total Revenues.

Lease expense in 1H 2008 in comparison to 1H 2007, increased by 27.4% in absolute terms to RUR 846 mln. due to rent inflation and new store roll-outs. Lease expense as a percentage of Total Revenue decreased from 3.9% to 3.7%, reflecting an increase in the like-for-like sales.

The increase of Depreciation & Amortization in 1H 2008 by 41.6% to RUR 482 mln. reflects the 37.6% increase in owned space and the associated increases of fixed, amortizable, assets.



### Total Revenue by Format

*In thousands of RUB*

	<b>1H 2008</b>	<b>1H 2007</b>	<b>Growth(%)</b>
<b>DIXY</b>	19,904,566	15,009,322	32.6%
<b>V-MART</b>	96,213	21,305	351.6%
<b>MEGAMART</b>	2,255,877	1,338,226	68.6%
<b>MINIMART</b>	834,641	498,810	67.3%
	<b>23,091,297</b>	<b>16,867,663</b>	<b>36.9%</b>

*In thousands of USD*

	<b>1H 2008</b>	<b>1H 2007</b>	<b>Growth(%)</b>
<b>DIXY</b>	831,297	575,451	44.5%
<b>V-MART</b>	4,018	817	391.9%
<b>MEGAMART</b>	94,215	51,307	83.6%
<b>MINIMART</b>	34,858	19,124	82.3%
	<b>964,388</b>	<b>646,699</b>	<b>49.1%</b>

All of our formats showed a very healthy growth this period, resulting in the Net Profit of RUR 274,5 mln. (USD 11.5 mln.) in comparison with a net loss in the 1H of 2007 and a Net Profit of RUR 428.8 mln. (USD 16.8 mln.) for the 12 months of 2007. Increase in the year-to-year profit reflects both the increase in our operating income and a reduction in our debt service costs following the IPO in May 2007.

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

\*Net debt is calculated as bank loans and bonds less cash and cash equivalents. We are modifying our definition of Net Debt to exclude from the calculation the following items: (1) accrued interest on credit facilities and money market instruments; (2) financial lease obligations; and (3) borrowings from related parties. These changes were made in order to more closely conform our definition of Net Debt / EBITDA ratio to prevailing market practice.



**DIXY GROUP**  
*Press release*

**OJSC DIXY Group (RTS, MICEX: DIXY)** is one of the leading Russian companies operating in the food retail market.

The first DIXY store opened in 1999 in Moscow. As of September 5, 2008 the Group operated 413 stores, including 387 Dixy (discounter) stores, 11 Megamart (compact hypermarket) stores, 7 Minimart (supermarket) stores and 8 VMart (on-the-go convenience) stores 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 (51%) is owned by the Mercury Group of Companies.

In 2007, DIXY's total revenue reached RUR 36,651 mln. RUR, (USD 1.433 bln.). Total revenue for the 1H of 2008 was RUR 23,097 mln. (USD 964 million). As of 30 June 2008, the Company had a total of 157,514 sq.m. of net selling space and employed 15,417 people.

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## Appendix

### Unaudited financial statements for H1 2008-2007

We used the following RUR/USD exchange rate:

	<u>30 June 2008</u>	<u>31 December 2007</u>	<u>30 June 2007</u>
Exchange rate at the end of the period	23.4573	24.5462	25.8162
	<b>1H 2008</b>	<b>1H 2007</b>	
Average USD rate per period	23.9440	26.0827	

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

#### *FINAL Unaudited*

<i>In thousands of Russian Roubles</i>	<b>30 June 2008</b>	<b>31 December 2007</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	9,548,252	8,503,172
Capital advances	1,953,871	1,512,406
Goodwill	404,603	404,603
Other intangible assets	609,236	642,761
Loans	252	3,176
Initial lease costs	399,412	496,525
Deferred tax assets	32,513	62,019
	<b>12,948,139</b>	<b>11,624,662</b>
<b>Current assets</b>		
Inventories	2,159,119	2,404,832
Taxes recoverable and prepayments	866,372	778,093
Trade and other receivables	395,463	659,752
Initial lease costs	90,079	82,564
Loans	137,775	111,317
Cash and cash equivalents	714,273	1,257,037
	<b>4,363,081</b>	<b>5,293,595</b>
<b>TOTAL ASSETS</b>	<b>17,311,220</b>	<b>16,918,257</b>

**EQUITY AND LIABILITIES****Equity attributable to equity holders of the Parent**

Share capital	600	600
Additional paid-in capital	3,473,447	3,473,447
Retained earnings	2,385,024	2,094,878
	<b>5,859,071</b>	<b>5,568,925</b>
<b>Minority interest</b>	<b>4,442</b>	<b>4,431</b>
<b>TOTAL EQUITY</b>	<b>5,863,513</b>	<b>5,573,356</b>
<b>Non-current liabilities</b>		
Bank loans	1,558,926	1,854,858
Bonds	3,000,000	3,000,000
Finance leases	107,267	161,419
Deferred tax liability	386,745	457,474
	<b>5,052,938</b>	<b>5,473,751</b>
<b>Current liabilities</b>		
Trade and other payables	4,097,502	4,546,505
Bank loans	1,553,521	434,329
Borrowings from ultimate shareholder and parties under common control	305,971	318,442
Current portion of Bonds	79,823	77,542
Finance leases	124,177	109,871
Advances from customers	85,094	78,889
Provisions for liabilities and charges	72,466	184,455
Income taxes payable	76,216	121,117
<b>Total current liabilities</b>	<b>6,394,770</b>	<b>5,871,150</b>
<b>Total liabilities</b>	<b>11,447,708</b>	<b>11,344,901</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,311,221</b>	<b>16,918,257</b>

**Profit & Loss Statement (in thousands of RUR)***Unaudited*

<i>In thousands of Russian Roubles</i>	<b>Note</b>	<b>1 half 2008</b>	<b>1 half 2007</b>
<b>Continuing operations</b>			
Revenue	22	23,091,297	16,867,663
Cost of sales	2	(17,469,575)	(12,951,492)
<b>Gross profit</b>		<b>5,621,722</b>	<b>3,916,171</b>
General and administrative expenses	23	(4,859,299)	(3,600,071)
Share of profit of and gain on disposal of associate	11		
<b>Operating profit</b>		<b>762,423</b>	<b>316,100</b>
Finance income	24	12,346	50,415
Finance costs	25	(249,897)	(348,941)
<b>Profit before income tax</b>		<b>524,872</b>	<b>17,574</b>
Income tax expense	26	(250,336)	(146,992)
<b>Profit for the year from continuing operations</b>		<b>274,536</b>	<b>(129,418)</b>
<b>Discontinued operations</b>			
Loss after tax for the year from a discontinued operation	27	-	-
<b>Profit for the year</b>		<b>274,536</b>	<b>(129,418)</b>

**FINAL Unaudited**

<i>In thousands of Russian Roubles</i>	<b>1 half 2008</b>	<b>1 half 2007</b>
<b>Cash flows from operating activities :</b>		
Profit before income tax from continuing operations	524,872	17,574
Net cash from operating activities - discontinued operations		
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	447,335	314,377
Depreciation of property, plant and equipment from discontinued operations	-	-
Amortisation and impairment of other intangible assets	34,716	26,085
Amortisation of initial lease costs	54,798	63,523
Gain less losses on disposals of property, plant and equipment and intangible assets	(18,734)	(505)
Increase in provision for impairment of taxes recoverable and prepayments	11,320	14,505



Increase in provision for impairment of trade and other receivables	16,474	4,467
Increase in provision for inventory obsolescence	(445)	5,561
Decrease in provision for liabilities and charges	(110,782)	15,306
(Decrease)/increase in provision for income tax liability	13,348	6,160
Finance costs	249,898	348,941
Interest income on loans and cash deposits	(10,447)	(30,539)
Share-based compensation of Group's director		
Share of profit and gain on disposal of associate		
Forgiveness of loan payable to ultimate shareholder		
Unrealised foreign exchange gains less losses on borrowings	(1,899)	(19,875)
<b>Operating cash flows before working capital changes</b>	<b>1,210,454</b>	<b>765,580</b>
(Increase)/decrease in trade and other receivables	140,465	(46,130)
Decrease in inventories	246,158	95,319
Decrease/(increase) in taxes recoverable and prepayments	(35,258)	227,216
Increase in trade and other payables	(472,272)	(316,106)
(Decrease)/increase in advances from customers	19,218	73,854
<b>Cash generated from operations</b>	<b>1,108,765</b>	<b>799,733</b>
Income taxes paid	(431,297)	(101,040)
Interest paid	(301,280)	(390,634)
<b>Net cash from operating activities-continuing operations</b>	<b>376,188</b>	<b>308,059</b>
Net cash from operating activities-discontinued operations		
<b>Net cash from operating activities</b>	<b>376,188</b>	<b>308,059</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(1,866,998)	(1,046,318)
Proceeds from sale of property, plant and equipment	151,994	8,292
Proceeds from sale of associate		-
Proceeds from sale of subsidiaries		-
Initial Lease costs paid		(31,601)
Purchases of business from parties under common control, net of cash acquired		(8,630)
Loans repaid	176,698	110,955
Disbursement of loans	(164,247)	(107,466)
Interest received	6,159	38,461
Purchases of intangible assets	(558)	(1,136)
<b>Net cash used in investing activities-continuing operations</b>	<b>(1,696,952)</b>	<b>(1,037,443)</b>
Net cash used in investing activities-discontinued operations		
<b>Net cash used in investing activities</b>	<b>(1,696,952)</b>	<b>(1,037,443)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings	4,477,671	3,340,783
Repayment of loans and borrowings	(3,644,584)	(6,141,475)
Buy-out of minorities		-
Proceeds from new issuance of shares		3,444,500
Finance lease payments	(55,087)	(65,309)
<b>Net cash from financing activities-continuing operations</b>	<b>778,000</b>	<b>578,499</b>
Net cash from financing activities-discontinued operations		
<b>Net cash from financing activities</b>	<b>778,000</b>	<b>578,499</b>
Net increase in cash and cash equivalents	(542,764)	(150,885)
Cash and cash equivalents at the beginning of the year	1,257,037	678,904
<b>Cash and cash equivalents at the end of the year</b>	<b>714,273</b>	<b>528,019</b>