



**DIXY GROUP ANNOUNCES CONSOLIDATED UNAUDITED IFRS RESULTS
FOR THE FIRST QUARTER OF 2011**

Moscow, May 25, 2011

DIXY Group – one of Russia’s leading retailers of foods and everyday products - announces consolidated unaudited IFRS results for the first quarter of 2011.

Key figures for the first quarter of 2011 in comparison with the same period of 2010 results:

- Revenue increased 20.8% to RUR 18,106 mln. or 23.3% in USD to USD 619 mln. The top line growth was due to a 11.7% (24,027 square meters) increase in selling space as well as to a 7.6% increase of like-for-like sales.
- Gross Profit increased 24.7% to RUR 4,322 mln., in USD Gross Profit increased by 27.4% to 148 mln. Gross Margin increased by 80 bp year-on-year to 23.9% compared to 23.1% for the first quarter of 2010. Effective 2011, the Gross Profit calculation methodology has been changed in accordance with the industry best practices as follows: Transportation expenses related to movement of goods and Shrinkage expenses (including Inventory Allowance) are transferred to the cost of sales. Without these changes under this methodology of calculating financial results, the Gross Margin in the first quarter of 2011 would have amounted to 26%. For the purposes of correct comparison of financial results, Gross Profit for the first quarter of 2010 is adjusted correspondingly.
- EBITDA increased 28.0% to RUR 1,005 mln. In USD EBITDA grew 30.7% to USD 34 mln. EBITDA margin increased by 40 bp year-on-year to the level of 5.6% from 5.2% in the first quarter of 2010.
- Net Profit increased by 26.9% year-on-year and amounted to RUR 164 mln. for a Net Margin of 0.9%. In USD Net Profit increased by 29.6% to USD 5.6 mln.
- Net cash from operating activities increased by 126.7% over the same period of 2010 to RUR 680 mln. (USD 23 mln).



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Key financial performance indicators as per unaudited 1st quarter of 2011 financial results

| | 1Q 2011 | 1Q 2010 | Δ% |
|---|------------|------------|--------|
| <i>In thousands of RUR</i> | | | |
| Net Sales | 18,106,057 | 14,990,042 | 20.8% |
| Gross Profit¹ | 4,321,991 | 3,465,592 | 24.7% |
| EBITDAR | 1,742,337 | 1,380,964 | 26.2% |
| EBITDA | 1,005,426 | 785,335 | 28.0% |
| Net Profit | 164,125 | 129,289 | 26.9% |
| Net Cash from Operating Activities | 680,468 | 300,185 | 126.7% |

| | March 31, 2011 | December 31, 2010 | |
|-----------------------------|----------------|-------------------|-------|
| Net Debt¹ | 7,478,110 | 7,808,697 | -4.2% |

| | 1Q 2011 | 1Q 2010 | Δ% |
|---|---------|---------|--------|
| <i>In thousands of USD</i> | | | |
| Net Sales | 618,592 | 501,502 | 23.3% |
| Gross Profit¹ | 147,660 | 115,944 | 27.4% |
| EBITDAR | 59,527 | 46,201 | 28.8% |
| EBITDA | 34,350 | 26,274 | 30.7% |
| Net Profit | 5,607 | 4,325 | 29.6% |
| Net Cash from Operating Activities | 23,248 | 10,043 | 131.5% |

| | March 31, 2011 | December 31, 2010 | |
|-----------------------------|----------------|-------------------|------|
| Net Debt² | 263,045 | 256,217 | 2.7% |

| <i>% of Sales</i> | 1Q 2011 | 1Q 2010 | |
|---------------------|---------|---------|--|
| Gross Margin | 23.9% | 23.1% | |
| EBITDAR | 9.6% | 9.2% | |
| EBITDA | 5.6% | 5.2% | |
| Net Profit | 0.9% | 0.9% | |

¹ Net debt calculation excludes related parties and accrued interest. Net Debt as at 31 March 2011 including bank loans, financial lease liabilities and accrued interest, less cash & equivalent would stand at RUR 7,478,110 thousand.



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Revenue by Format

| <i>In thousands RUR</i> | 1Q 2011 | 1Q 2010 | Δ% |
|-------------------------|-------------------|-------------------|--------------|
| DIXY | 15,483,274 | 12,671,900 | 22.2% |
| MEGAMART | 1,835,746 | 1,677,561 | 9.4% |
| MINIMART | 547,432 | 499,661 | 9.6% |
| Other Revenue | 239,605 | 140,920 | 70.0% |
| | 18,106,057 | 14,990,042 | 20.8% |

| <i>In thousands USD</i> | 1Q 2011 | 1Q 2010 | Δ% |
|-------------------------|----------------|----------------|--------------|
| DIXY | 528,985 | 423,947 | 24.8% |
| MEGAMART | 62,718 | 56,124 | 11.7% |
| MINIMART | 18,703 | 16,716 | 11.9% |
| Other Revenue | 8,186 | 4,715 | 73.6% |
| | 618,592 | 501,502 | 23.3% |

Average Basket Size by Format

| <i>In RUR</i> | 1Q 2011 | 1Q 2010 | Δ% |
|-----------------|----------------|----------------|-----------|
| DIXY | 217 | 208 | 4.3% |
| MEGAMART | 513 | 537 | -4.5% |
| MINIMART | 369 | 370 | -0.3% |

During the first quarter of 2011, 26 new DIXY stores were opened compared to 10 new stores opened during the same period last year. All new stores were opened in the Central and North-Western Federal Districts through long-term lease agreements.

During the first quarter of 2011, DIXY Group LFL sales grew by 7.6%, and DIXY format LFL sales – by 7.3%.

Improved customer service, and more aggressive promo and advertising activities allowed to increase sales per square meter of selling space on the Group level by 7.8% over the same period last year. The highest 9.6% year-on year sales growth per square meter of selling space was achieved at MINIMART stores. MEGAMART format stores sales per square meter have grown by 9.4%, DIXY format stores – by 7.1%.

The efficiency of the Company's promotional activities targeting LFL growth was made possible also by means of the increase in levels of centralization of deliveries and logistical service (success of delivery rate). DIXY format centralization rate of deliveries through own distribution centers has reached 83% in the first quarter of 2011 (85% in the Central Federal District), and general logistics service level in the first quarter of 2011 has reached 88%.



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Gross Profit grew 24.7% to RUR 4,322 mln. or by 27.4% in USD to 148 mln. Gross Margin increased by 80 bp from 23.1% for the same period of 2010 to 23.9% for the first quarter of 2011. This increase was, among other, driven by a reduction of cost of goods sold, as well as a 30 bp decrease in Shrinkage year-on-year to 2.1% of Revenue and reduction in the first quarter of 2011 of Transportation expenses related to deliveries from warehouse to store by 10 bp year-on-year to 0.4% of sales in the first quarter of 2011.

Effective 2011, the Gross Profit calculation methodology has been changed in accordance with the industry best practices as follows: Transportation expenses related to movement of goods and Shrinkage expenses (including Inventory Allowance) are transferred to the cost of sales. Without these changes under this methodology of calculating financial results, the Gross Margin in the first quarter of 2011 would have amounted to 26%. For the purposes of correct comparison of financial results, Gross Profit for the first quarter of 2010 is adjusted correspondingly.

Cost of sales

| | <u>1Q 2011</u> | <u>1Q 2010</u> | <u>Δ%</u> |
|---|-------------------|-------------------|--------------|
| Cost of goods sold | 13,338,120 | 11,090,211 | 20.3% |
| Transportation costs | 68,123 | 67,982 | 0.2% |
| Shrinkage of inventories (including Inventory Allowance) | 377,823 | 366,257 | 3.2% |
| | 13,784,066 | 11,524,450 | 19.6% |

Cost of sales, % of sales

| | <u>1Q 2011</u> | <u>1Q 2010</u> |
|---|----------------|----------------|
| Cost of goods sold | 73.7% | 74.0% |
| Transportation costs | 0.4% | 0.5% |
| Shrinkage of inventories (including Inventory Allowance) | 2.1% | 2.4% |
| | 76.1% | 76.9% |

Selling, General & Administrative Expenses (in thousands of RUR)

| | <u>1Q 2011</u> | <u>1Q 2010</u> | <u>Δ%</u> |
|--|------------------|------------------|--------------|
| Salaries | 1,830,970 | 1,432,739 | 27.8% |
| Lease Expenses | 736,911 | 595,629 | 23.7% |
| D&A | 460,960 | 424,439 | 8.6% |
| Utilities, Repair and Maintenance Expenses | 332,713 | 258,053 | 28.9% |
| Transportation and Handling Expenses | 15,569 | 10,799 | 44.2% |
| Advertising Expenses | 55,162 | 53,072 | 3.9% |
| Other Expenses (decreased by Inventory Allowance) | 345,240 | 329,965 | 4.6% |
| | 3,777,525 | 3,104,696 | 21.7% |

Selling, General & Administrative Expenses (as % of Sales)

| | 1Q 2011 | 1Q 2010 |
|--|--------------|--------------|
| Salaries | 10.1% | 9.6% |
| Lease Expenses | 4.1% | 4.0% |
| D&A | 2.5% | 2.8% |
| Utilities, Repair and Maintenance Expenses | 1.8% | 1.7% |
| Transportation and Handling Expenses | 0.1% | 0.1% |
| Advertising Expenses | 0.3% | 0.4% |
| Other Expenses (decreased by Inventory Allowance) | 1.9% | 2.2% |
| | 20.9% | 20.7% |

Selling, General & Administrative Expenses for the first quarter of 2011 increased by 21.7% year-on-year, while increasing as a percentage of Revenue by 20 bp over the same period of 2010 from 20.7% to 20.9% of Revenue for the first quarter of 2011. **Salaries** expense was the main driver of the increase. During the first quarter of 2011 Salaries expense increased by 50 bp year-on-year to 10.1% of Revenue compared to 9.6% of Revenue for the same period last year, largely due to increase in social tax. **Lease Expenses** for the first quarter of 2011 increased by 23.7%, while increasing by 10 bp over the same period last year to 4.1% of Revenue. Also **Utilities, Repair & Maintenance Expenses** increased by 10 bp in the first quarter of 2011, largely due to increases in electrical power tariffs.

However, the increase in separate items of SGNA was offset by a positive dynamics of decreasing expenses. **Depreciation and Amortization** decreased by 30 bp over the same period last year to 2.5% of Revenue. Also, **Other Expenses** (less stock reserves) decreased by 30 bp to 1.9% of Revenue. **Advertising Expenses** decreased by 10 bp to 0.3% of Revenue.

EBITDAR² increased by 26.2% in RUR (28.8% in USD) and amounted to RUR 1,742 mln. (USD 59.5 mln.). EBITDAR margin increased by 40 bp year-on-year to 9.6% of Revenue.

EBITDA³ grew by 28.0% to RUR 1,005 mln. or by 30.7% in USD to USD 59.5 mln. EBITDA margin increased by 40 bp year-on-year to the level of 5.6% of Revenue primarily due to the increase in Gross Margin over the same period last year.

Net Profit amounted to RUR 164 mln. (5.6 mln.USD), including net FX loss of RUR 1.3 mln. from import operations.

² EBITDAR is earnings before interest, tax, depreciation and amortization and rent (operating lease expenses)

³ EBITDA is earnings before interest, tax, depreciation and amortization



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Key operating statistics for the first 3 months 2011-2010

| | 1Q 2011 | 1Q 2010 | Δ% |
|--|----------------|----------------|-----------|
| Number of stores | 664 | 542 | 22.5% |
| Number of employees (without outsourcing) | 17,735 | 17,051 | 4.0% |
| Total Space, sqm | 551 612 | 498 403 | 10,7% |
| Selling Space, sqm | 230,079 | 206,052 | 11.7% |
| <i>by format</i> | | | |
| DIXY | 194,472 | 170,445 | 14.1% |
| MEGAMART | 30,121 | 30,121 | -- |
| MINIMART | 5,486 | 5,486 | -- |

Exchange rates

| | 31 March 2011 | 31 December 2010 |
|-------------------|----------------------|-------------------------|
| RUR / USD eop | 28.4290 | 30.4769 |
| | 3 mo 2011 | 3 mo 2010 |
| RUR / USD average | 29.2698 | 29.8903 |



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

The first DIXY store opened in 1999 in Moscow. As of April 30, 2011, the Group operated 679 stores, including 656 neighborhood stores under DIXY brand, 15 MEGAMART (compact hypermarket) stores and 8 MINIMART (supermarket) stores in three Federal Districts of Russia: Central, Northwest and Urals.

In May 2007 the Company raised USD 360 million in its IPO on RTS and MICEX. The controlling stake in OJSC DIXY Group (63.37%) is owned by the Mercury Group of Companies, a diversified holding company.

During the first three month of 2011, DIXY's total revenue reached RUR 64.8 billion. As of April 30, 2011, the Company had a total of 232,437 square meters of selling space. The Company employs close to 18 thousand people.

The Russian business magazine «Expert» rates DIXY Group as one of the Top-100 largest Russian companies.

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BALANCE SHEET

| <i>In thousands of Russian Roubles</i> | 31 March 2011 | 31 December 2010 |
|--|----------------------|-------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 13 102 423 | 12 835 446 |
| Capital advances | 970 905 | 942 112 |
| Goodwill | 358 478 | 358 478 |
| Other Intangible Assets | 279 047 | 298 851 |
| Initial lease costs | 136 309 | 144 205 |
| Loans | 3 459 | 5 047 |
| Trade and other receivables | - | 2 724 |
| Deferred tax asset | 424 224 | 397 482 |
| | 15 274 845 | 14 984 345 |
| Current assets | | |
| Inventories | 3 411 378 | 3 873 123 |
| Trade and other receivables | 1 875 666 | 1 514 900 |
| Taxes recoverable and prepayments | 1 122 095 | 1 113 736 |
| Loans | 442 635 | 134 066 |
| Initial lease costs | 39 500 | 45 446 |
| Cash and cash equivalents | 1 071 701 | 1 596 680 |
| | 7 962 975 | 8 277 951 |
| TOTAL ASSETS | 23 237 820 | 23 262 296 |
| EQUITY AND LIABILITIES | | |
| Share capital | 860 | 860 |
| Additional paid-in capital | 5 289 122 | 4 111 405 |
| Retained earnings | 2 080 271 | 1 916 147 |
| | 7 370 253 | 6 028 412 |
| Non-controlling interest | - | - |
| TOTAL EQUITY | 7 370 253 | 6 028 412 |
| Non-current liabilities | | |
| Bonds | - | - |
| Borrowings | 8 034 259 | 6 038 938 |
| Finance leases | 182 632 | 242 377 |
| Deferred tax liability | 228 654 | 234 733 |
| | 8 445 545 | 6 516 048 |
| Current liabilities | | |
| Trade and other payables | 6 505 658 | 7 208 994 |
| Borrowings | 210 427 | 6 442 |
| Current portion of Bonds | - | 2 929 452 |
| Finance leases | 152 871 | 161 878 |
| Advances from customers | 64 816 | 69 270 |
| Tax liability, other than income taxes | 463 651 | 278 217 |
| Income taxes payable | 23 391 | 62 375 |
| Provisions for liabilities and charges | 1 208 | 1 208 |
| | 7 422 022 | 10 717 836 |
| | 15 867 567 | 17 233 884 |
| TOTAL EQUITY AND LIABILITIES | 23 237 820 | 23 262 296 |



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INCOME STATEMENT

In thousands of Russian Roubles

| | 1 Q 2011 | 1Q 2010 |
|--|------------------|------------------|
| Continuing operations | | |
| Revenue | 18 106 057 | 14 990 042 |
| Cost of sales | (13 784 066) | (11 524 450) |
| <i>Cost of goods sold</i> | (13 338 120) | (11 090 211) |
| <i>Transportation costs</i> | (68 123) | (67 982) |
| <i>Shrinkage of inventories</i> | (377 823) | (366 257) |
| Gross profit | 4 321 991 | 3 465 592 |
| General and administrative expenses | (3 777 525) | (3 104 696) |
| Operating profit | 544 466 | 360 896 |
| Finance income | 9 966 | 9 785 |
| Finance costs | (221 480) | (191 626) |
| Foreign exchange (loss)/gain, net | (1 276) | 140 453 |
| Profit/ (loss) before income tax | 331 676 | 319 508 |
| Income tax expense | (167 551) | (190 362) |
| Loss for the year | 164 125 | 129 146 |
| Total comprehensive loss for the year | 164 125 | 129 146 |
| Attributable to: | | |
| Equity holders of the Parent | 164 125 | 129 289 |
| Equity holders of the non-controlling interest | - | (143) |
| | 164 125 | 129 146 |



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CASH FLOW STATEMENT

| <i>In thousands of Russian Roubles</i> | 1Q 2011 | 1Q 2010 |
|--|--------------------|------------------|
| Cash flows from operating activities : | | |
| Profit/(loss) before income tax | 331 676 | 319 508 |
| <u>Adjustments for:</u> | | |
| Depreciation of property, plant and equipment | 427 539 | 377 694 |
| Amortisation of intangible assets | 15 840 | 22 008 |
| Amortisation of initial lease costs | 17 581 | 24 737 |
| Gain less losses on disposals of property, plant and equipment and intangible assets | 4 645 | (12 761) |
| Increase in provision for impairment of taxes recoverable and prepayments | 11 404 | 16 422 |
| Increase in provision for impairment of trade and other receivables | 14 259 | 3 303 |
| Reversal of write-down/ (write down) of inventory to net realizable value | (8 073) | (11 242) |
| Finance costs | 221 480 | 191 626 |
| Interest income on loans and cash deposits | (9 966) | (9 785) |
| Unrealised foreign exchange gains less losses on borrowings | 1 276 | (140 453) |
| Operating cash flows before working capital changes | 1 027 661 | 781 057 |
| (Increase) in trade and other receivables | 122 643 | (3 623) |
| (Increase) in inventories | 469 818 | 456 274 |
| (Increase)/decrease in taxes recoverable and prepayments | (16 727) | 38 103 |
| Increase in trade and other payables | (703 341) | (731 604) |
| Increase in tax liabilities other than income tax | 185 433 | 220 344 |
| (Decrease)/increase in advances from customers | (4 454) | (19 720) |
| Cash generated from operations | 1 081 033 | 740 831 |
| Income taxes paid | (246 783) | (144 073) |
| Interest paid | (153 782) | (296 573) |
| Net cash from operating activities-continuing operations | 680 468 | 300 185 |
| Net cash from operating activities-discontinued operations | | |
| Net cash from operating activities | 680 468 | 300 185 |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (739 766) | (199 249) |
| Proceeds from sale of property, plant and equipment | 25 058 | 20 290 |
| Initial Lease costs paid | (3 739) | (1 180) |
| Loans repaid | 15 788 | 173 069 |
| Disbursement of loans | (326 000) | (374 130) |
| Interest received | 6 007 | 2 633 |
| Purchases of intangible assets | (3 636) | - |
| Net cash used in investing activities-continuing operations | (1 026 288) | (378 567) |
| Net cash used in investing activities | (1 026 288) | (378 567) |
| Cash flows from financing activities | | |
| Proceeds from loans and borrowings | 2 056 075 | 480 419 |
| Repayment of loans and borrowings | (2 347) | (1 193 932) |
| Repayment of bonds | (2 852 822) | - |
| Buy-out of shares | 294 952 | - |



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| | | |
|---|------------------|------------------|
| Finance lease payments | 392 258 | |
| Net cash from financing activities-continuing operations | (67 275) | (40 933) |
| Net cash from financing activities | (179 159) | (754 446) |
| Net decrease in cash and cash equivalents | (524 979) | (832 829) |
| Cash and cash equivalents at the beginning of the year | 1 596 680 | 1 331 856 |
| Cash and cash equivalents at the end of the year | 1 071 701 | 499 027 |