



DIXY GROUP

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**DIXY GROUP ANNOUNCES 2007 CONSOLIDATED AUDITED IFRS
RESULTS**

Moscow, 26 of May, 2008

DIXY Group – one of the leading companies on Russian food retail market has published its audited consolidated IFRS results for 2007.

Key figures for 2007 in comparison to 2006:

- Net Sales rose 43.7% to USD 1.43 bln.
- Gross Margin rose to 24.3% (21.1% в 2006)
- EBITDA grew 70.3% to USD 75.7 mln.
- Net Income rose 87.5% to USD 16.8 mln.
- Net Debt to EBITDA ratio = 2.5 (in USD as of 31.12.2007)

Commenting on Group performance in 2007, President of the Company Vitaly Klyuchnikov said:

“The Company will continue on the course of increasing of the effectiveness indicators taken in 2006. Carefully-planned organic growth with a conservative consideration of every new store to be opened powers the steady growth of our Company. Continuation of day-to-day work of assortment optimization and development of private label and also new technological solutions in logistics, propel the further improvement of financial results of the Company. During the current year we will continue working in our traditional four formats making them even more attractive for our customer audience.”

Net Sales in 2007 totaled 36,651 mln. RUR, which is 35.2% higher than in 2006 (Net Sales in USD totaled 1,433 bln., which is 43.7% higher than in 2006). Increase in Sales was due to successful openings of new stores (65 new stores opened in 2007), which amounted to 18% growth in selling space and 14% increase in Sales.

Gross Margin rose from 21.1% in 2006 to 24.3% in 2007, due to changes in assortment and pricing policies, and, also, due to increase in sales of private label goods to 8%.

EBITDAR¹ in 2007 totaled 3,367 mln. RUR (131,7 mln. USD), which translates into growth of 47.5% in RUR, or 56.7% in USD. EBITDAR Margin grew from 8.4% in 2006 to 9.2% in 2007.

EBITDA² grew to 60.2% in RUR (70.3% in USD), to 1,937 mln. RUR (75.7 mln. USD). EBITDA Margin grew from 4.5% in 2006 to 5.3% in 2007. 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 from 31.5% to 34.6% (based on Total Space figures).

Net Profit totaled 429,1 mln. RUR (16.8 mln. USD); in comparison to 2006 a growth of 76.4% (in RUR terms). During 2007 the Company managed to decrease dramatically its debt and debt service costs, and also to optimize the corporate juridical structure.

Assets of the Company grew from 12,830 mln. RUR (487.3 mln. USD) to 16,918 mln. RUR (689.2 mln. USD), which is a result of dynamic growth of business. Property, Plant & Equipment item of the Balance Sheet increased by 42.3% in RUR (52.7% in USD) because of the rise in owned property.

Share Capital of the Company increased by 3.3 times in RUR (3.5 times in USD) and amounted to 5,573 mln. RUR (227.1 mln. USD), because of the 3,444 mln. RUR (140.3 mln. USD) worth of additional issue of shares sold during May, 2007 IPO.

Net Debt³ of the Company decreased from 6,276 mln. RUR (238 mln. USD) to 4,699 mln. RUR (191 mln. USD) for the period from 31.12.2006 to 31.12.2007. In June of 2007 the significant part the debt was repaid from the IPO proceeds. As of 31.12.2007 the Net Debt to EBITDA ratio was equal to 2.5.

Free Cashflows from operations grew by 48% in RUR (57.4% in USD) and by the end of year 2007 this figure amounted to 1,407 mln. RUR (55 mln. USD).

During 2007 the Company opened 65 new stores (3 were closed).

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 31.12.2007 amounted to 34.6%.

In the middle of November of 2007 the Company launched new distribution center in Ryazan Region with the total space of 15,000 sq.m. The new distribution center in Moscow Region with the total space of 35,000 sq.m. is in line for launch in 2008 with a view to materially optimize logistics costs and to increase the effectiveness of purchasing and movement of goods policies.

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

³ 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

Selling, General & Administrative Expense

(in thousands of RUR)

	2007	2006	% Growth
Salaries	3,687,454	2,598,631	41.9%
Lease Expense	1,431,241	1,074,983	33.1%
D & A	744,924	442,007	68.5%
Utilities	275,876	157,139	75.6%
Other Expenses	1,585,147	678,165	133.7%
	7,724,642	4,950,925	56.0%

(% of Sales)

	2007 год	2006 год	Рост (в %)
Зарплата	10.1%	9.6%	5.0%
Аренда	3.9%	4.0%	-1.5%
Амортизация	2.0%	1.6%	24.7%
Коммунальные расходы	0.8%	0.6%	29.8%
Прочие расходы	4.3%	2.5%	72.9%
	21.1%	18.3%	15.3%

Salary Expense in 2007 in comparison to 2006 rose by 5% and totaled 10.1% of Net Sales, which is due to the fact of wage inflation.

Lease Expense in 2007 in comparison to 2006 went up by 33.1% to 3.9% of Net Sales due to the change in property structure of the Company.

Increase of Depreciation & Amortization Expense in 2007 by 68.5% to 744.9 mln. RUR is attributed to the fact of fulfillment of expansion plans by the Company, which translates in increase of selling and distribution space.

The audit of DIXY Group's IFRS financial statements was performed by Ernst & Young LLC.

Audited financial statements for 2006-2007 can be found in the Appendix to this press-release and on the Companies' website at http://www.dixy.ru/en_invest-report/.

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 April 30, 2008 the Group operated 396 stores, including 375 Dixy (discounter) stores, 9 Megamart (compact hypermarkets), 7 Minimart (supermarkets) stores and 5 VMart 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 Selling Space of all DIXY's stores reached 150,991 square meters as of December 31, 2007. As of December 31, 2007 the Company employed 15,246 people.

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Appendix

Audited financial statements for 2006-2007

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Exchange rate on the end of the year	24.5462	26.3311	28.7825
Exchange rate average for the year	25.5770	27.1852	28.2864

Balance Sheet (in thousands of RUR)

	<u>31 December 2007</u>	<u>31 December 2006</u>
ASSETS		
Non-current assets:		
Property, plant and equipment	8,503,172	5,975,406
Capital advances	1,512,406	1,237,274
Goodwill	404,603	404,603
Other Intangible assets	642,761	701,071
Loans given	3,176	187,559
Initial Lease costs	496,525	563,141
Deferred tax asset	62,019	32,319
Total non-current assets	11,624,662	9,101,373
Current assets:		
Inventories	2,404,832	1,641,130
Trade and other receivables	1,437,845	1,144,032
Initial Lease costs	82,564	76,853
Loans given	111,317	188,186
Cash and cash equivalents	1,257,037	678,904
Total current assets	5,293,595	3,729,105
TOTAL ASSETS	16,918,257	12,830,478
EQUITY		
Share capital	600	500

Additional paid-in capital	3,473,447	29,047
Retained earnings	2,094,878	1,665,809
	5,568,925	1,695,356
Minority interest	4,431	4,668
TOTAL EQUITY	5,573,356	1,700,024
LIABILITIES		
Non-current liabilities:		
Bank Loans	1,854,858	430,324
Bonds	3,000,000	3,000,000
Finance leases	161,419	92,055
Deferred tax liability	457,474	366,091
Total non-current liabilities	5,473,751	3,888,470
Current liabilities:		
Trade and other payables	4,625,394	3,373,135
Bank Loans	434,329	2,944,091
Borrowings from ultimate shareholder and parties under common control	318,442	377,926
Current portion of Bonds	77,542	76,782
Finance leases	109,871	33,542
Provisions for liabilities and charges	184,455	336,759
Income taxes payable	121,117	99,749
Total current liabilities	5,871,150	7,241,984
TOTAL LIABILITIES	11,344,901	11,130,454
TOTAL LIABILITIES AND EQUITY	16,918,257	12,830,478

Profit & Loss Statement (in thousands of RUR)

	2007	2006
<i>Continuing operations:</i>		
Revenue	36,651,629	27,116,963
Cost of goods sold	(27,735,270)	(21,399,049)
Gross profit	8,916,359	5,717,914
General and administrative expenses	(7,724,642)	(4,950,925)
Share in results of and gain on disposal of associate		4,539
Operating profit	1,191,717	771,528
Finance income	100,292	135,720
Finance costs	(528,747)	(513,182)
Profit before income tax	763,262	394,066
Income tax expense	(334,430)	(108,452)
Profit for the year from continuing operations	428,832	285,614
<i>Discontinued operations:</i>		
Profit from and gain on disposal of discontinued operations	-	(42,347)
Profit for the year	428,832	243,267
Attributable to:		
Equity holders of the Parent	429,069	243,267
Minority interests	(237)	
Profit for the year	428,832	243,267

Cash-flow Statement (in thousands of RUR)

	2007	2006
Cash flows from operating activities		
Profit before income tax from continuing operations	763,262	394,066
<i>Adjustments for:</i>		-
Depreciation of property, plant and equipment	686,502	399,555
Amortisation of intangible assets	58,423	42,452
Amortisation of initial lease costs	106,059	30,440
Gains less losses on disposals of property, plant and equipment and intangible assets	(1,100)	(7,368)
Increase in provision for impairment of trade and other receivables	41,765	342
Increase in provision for inventory obsolescence	22,459	3,104
Decrease in provision for liabilities and charges	(152,304)	(203,883)
(Decrease)/increase in provision for income tax liability	(31,348)	5,756
Finance costs	528,747	513,182
Interest income on loans given and cash deposits	(69,101)	(87,584)
Share-based compensation of Group's director	-	15,286
Share on profit of and gain on disposal of associate	-	(4,539)
Forgiveness of loan payable to ultimate shareholder	-	(27,749)
Unrealised foreign exchange gains less losses on borrowings	(31,191)	(48,136)
Operating cash flows before working capital changes	1,922,173	1,024,924
Increase in trade and other receivables	(149,617)	(458,491)
Increase in inventories	(786,161)	(555,399)
Increase in trade and other payables	1,284,055	1,393,469
Cash generated from operations	2,270,450	1,404,503
Income taxes paid	(232,830)	(73,774)
Interest paid	(621,650)	(334,664)
Net cash from operating activities – continuing operations	1,415,970	996,065
Net cash (used in) / from operating activities – discontinued operations	-	(45,416)
Net cash from operating activities	1,415,970	950,649
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,043,901)	(3,876,770)
Proceeds from sale of property, plant and equipment	22,390	90,882
Proceeds from sale of associate	-	54,539
Proceeds from sale of subsidiaries	-	4,559
Initial Lease costs paid	(46,065)	(642,083)
Purchases of businesses from parties under common control, net of cash acquired	(8,630)	(187,449)
Loans repaid	193,947	346,478
Disbursement of loans	(111,027)	(408,155)
Interest received	47,235	3,222
Purchases of intangible assets	(58,460)	(8,753)
Net cash used in investing activities – continuing operations	(3,004,511)	(4,623,530)
Net cash provided from investing activities – discontinued operations	-	9,883
Net cash used in investing activities	(3,004,511)	(4,613,647)

Cash flows from financing activities		
Proceeds from loans and borrowings	8,824,355	9,586,574
Repayment of loans and borrowings	(9,983,887)	(6,005,974)
Buy-out of minorities	-	(45,000)
Proceeds from new issuance of shares	3,444,500	
Finance lease payments	(118,294)	(105,809)
Net cash provided from financing activities – continuing operations	2,166,674	3,429,791
Net cash from / (used in) financing activities – discontinued operations	-	15,982
Net cash provided from financing activities	2,166,674	3,445,773
Net increase/(decrease) in cash and cash equivalents	578,133	(217,225)
Cash and cash equivalents at the beginning of the year	678,904	896,129
Cash and cash equivalents at the end of the year	1,257,037	678,904

Important Information:

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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.