



DIXY GROUP

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DIXY GROUP ANNOUNCES 2007 CONSOLIDATED UNAUDITED IFRS RESULTS

Moscow, 2nd of April, 2008

Dixy Group – one of the leading companies in Russian food retail market has published its 2007 unaudited consolidated results.

Key figures for 2007 in comparison to 2006:

- Net Sales rose 43.7% to USD 1.43 bln.
- Gross Profit rose 64.5% to USD 346 mln.
- Gross Margin rose to 24.1%
- EBITDA grew 68.5% to USD 74.9 mln.
- LFL Sales in USD rose to 28.5% (21% in RUR)
- Net Income rose 86.2% to USD 16.7 mln.
- Net Debt to EBITDA ratio = 2.4 (as of 31.12.2007)

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

“The Company’s 2007 results are quite impressive. Our efforts aimed at expansion of customer base and development of retail formats, enabled us to increase the effectiveness of operations and profitability of our business. As of today our Company is one of the leaders in most of the key indicators of effectiveness in the industry. We are continuing the work of optimization of assortment of goods and development of private label, at the same time increasing the effectiveness of our logistics. During 2008 we plan to open around 100 new stores and to increase our Sales up to 35-40%, simultaneously working on growth of basic indicators of effectiveness – Gross Margin, EBITDAR and EBITDA Margins.”

Net Sales in 2007 totaled 36,660 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. LFL Sales increased to an impressive 21% (in RUR).

Total Sales per format

in thousands of RUR

	4Q 2007	4Q 2006	% Change	2007	2006	% Change
DIXY	9,486,766	7,094,389	33.7%	32,159,041	24,027,224	33.8%
V-MART	34,054	0		72,186	0	
MEGAMART	1,138,492	885,751	28.5%	3,243,936	2,588,243	25.3%
MINIMART	391,739	222,233	76.3%	1,184,979	501,496	136.3%
	11,051,051	8,202,373	34.7%	36,660,142	27,116,963	35.2%

in thousands of USD

	4Q 2007	4Q 2006	% Change	2007	2006	% Change
DIXY	384,912	266,822	44.3%	1,257,342	883,835	42.3%
V-MART	1,382	0		2,822	0	
MEGAMART	46,193	33,313	38.7%	126,830	95,208	33.2%
MINIMART	15,894	8,358	90.2%	46,330	18,447	151.1%
	448,381	308,493	45.3%	1,433,324	997,490	43.7%

LFL Sales in RUR & USD

During 2007 the Company managed to reach high figures in Like-for-Like Sales due to constant internal work of raising the effectiveness of retail formats, increased attractiveness of various formats for customers, and, as a result, the higher average check size. The Company plans to maintain the reached level of LFL Sales in 2008.

For the purposes of internal reporting and planning we include in like-for-like store base only those stores which were open twelve months before the beginning of the start of the comparison period thus giving the stores time to achieve maturity. We view this calculation as the most conservative and prudent as it reflects the performance of the mature stores. We include in this base stores opened before 01.01.05

For the purposes of comparison of our results with those published by our peer group in Russia, we also present dynamic like-for-like store base calculation. We include in this base stores, which were opened before 01.12.06. Note that the latter calculation shows not just the performance of mature stores in our definition, but also the results of stores, which were opened during 01.01.2005 and 01.12.2006, which are getting to maturity.

	<i>On stores opened</i>					
	<i>Before 01.01.05*</i>			<i>Before 01.12.06**</i>		
	TOTAL	Receipt quantity	Average receipt	TOTAL	Receipt quantity	Average receipt
DIXY						
Central Fed. District	4,39%	-4,36%	8,76%	19,64%	8,70%	10,94%
North-West FD	8,99%	-1,37%	10,36%	21,83%	10,86%	10,96%
Urals FD	11,73%	-0,61%	12,34%	27,45%	12,42%	15,03%
TOTAL DIXY:	6,74%	-2,66%	9,41%	20,92%	9,77%	11,14%
MEGAMART (Urals)	-6,47%	-10,87%	4,40%	8,97%	10,28%	-1,30%
MINIMART (Urals)				87,12%	72,31%	14,81%
TOTAL GROUP (RUB):	4,45%	-3,17%	7,62%	21,02%	10,53%	10,49%
TOTAL GROUP (USD):	11,02%	-3,17%	14,19%	28,63%	10,53%	18,10%

* LFL Block includes 86 “DIXY” stores and 3 “MEGAMART” stores

** LFL Block includes 294 “DIXY” stores, 5 “MEGAMART” stores and 5 “MINIMART” stores

Gross Profit for 2007 amounted to 8,851 mln. RUR, which is 54.8% more than a year before (Gross Profit in USD rose 64.5% to 346 mln.). Gross Margin rose from 21.1% in 2006 to 24.1% 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 3,319 mln. RUR (129,8 mln. USD), which translates into growth of 45.3% in RUR, or 54.4% in USD. EBITDAR Margin grew from 8.4% in 2006 to 9.1% in 2007.

EBITDA² grew to 58.6% in RUR (68.5% in USD), to 1.917 mln. RUR (74.9 mln. USD). EBITDA Margin grew from 4.5% in 2006 to 5.2% 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 426,1 mln. RUR (16.7 mln. USD); in comparison to 2006 a growth of 75.2% (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. Effective rate on profit tax amounted to 27%.

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

Net Debt³ of the Company decreased from 6,276 mln. RUR (231 mln. USD) to 4,691 mln. RUR (183 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 ratio Net Debt to EBITDA was equal to 2.4.

Key operational figures for 2007-2006

	2007	2006	% Change
Quantity of stores	388	326	19%
Quantity of employees	15,205	13,777	10%
Total space owned, sq.m.	122,568	89,037	38%
Total space, sq.m.	353,842	283 098	25%
Selling space, sq.m., and per format:	150,991	128,138	18%
DIXY	126,670	112,033	13%
V-MART	471	0	
MEGAMART	18,819	12,100	56%
MINIMART	5,031	4,005	26%

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 2006 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.

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 Expenses (SG&A)

in thousands of RUR

	4Q 2007	4Q 2006	% Change	2007	2006	% Change
Salaries	1,026,354	844,248	21.6%	3,658,149	2,598,631	40.8%
Lease Expense	386,681	380,910	1.5%	1,401,931	1,074,983	30.4%
D&A	250,806	158,506	58.2%	785,826	442,008	77.8%
Utilities	86,617	50,792	70.5%	273,598	157,139	74.1%
Other Expenses	488,580	168,930	189.2%	1,600,303	678,165	136.0%
	2,239,038	1,603,386	39.6%	7,719,807	4,950,926	55.9%

in thousands of USD, % from Sales

	4Q 2007	4Q 2006	% Change	2007	2006	% Change
Salaries	9.3%	10.3%	-9.8%	10.0%	9.6%	4.1%
Lease Expense	3.5%	4.6%	-24.7%	3.8%	4.0%	-3.5%
D&A	2.3%	1.9%	17.4%	2.1%	1.6%	31.5%
Utilities	0.8%	0.6%	26.6%	0.7%	0.6%	28.8%
Other Expenses	4.4%	2.1%	114.7%	4.4%	2.5%	74.5%
	20.3%	19.5%	3.6%	21.1%	18.3%	15.3%

Salary Expense in 2007 in comparison to 2006 rose by 4.1% and totaled 10% of Net Sales, which is a due to the fact of wage inflation.

Lease Expense in 2007 in comparison to 2006 went down by 3.5% to 3.8% of Net Sales due to the change in property structure of the Company.

Increase of Depreciation & Amortization Expense in 2007 by 77.8% to 785.8 mln. RUR is attributed to the fact of fulfillment of expansion plans by the Company, which translates in increase of selling and distribution space.

Average check

	<u>2007*</u>	<u>2006*</u>	<u>% Change</u>
Average check size:	170	168	5.4%
And per format, RUR			
DIXY	159	156	1.8%
V-MART	94		
MEGAMART	446	475	-6.0%
MINIMART	282	259	8.6%
Average check size:	6.7	6.2	8.0%
And per format, USD			
DIXY	6.2	5.7	8.2%
V-MART	3.7		
MEGAMART	17.4	17.5	-0.1%
MINIMART	11.0	9.5	15.4%

* Based on retail sales figures

Unaudited financial statements for 2006-2007 can be found in the Appendix to this press-release

We used the following RUR/USD exchange rate:

	<i>2007</i>	<i>2006</i>
Average for 12 months	25.577	27.1852
Average for 4Q	24.6466	26.5885

Appendix

Unaudited financial statements for 2006-2007

Balance Sheet (in thousands of RUR)

	31 December 2007	31 December 2006
ASSETS		
Non-current assets:		
Property, plant and equipment	8,379,252	5,975,406
Goodwill	404,603	404,603
Other Intangible assets	620,203	701,071
Loans given	8,178	187,559
Capital advances	1,539,667	1,237,274
Initial Lease costs	520,004	639,994
Deferred tax asset	531,874	425,468
Total non-current assets	12,003,781	9,571,375
Current assets:		
Inventories	2,344,031	1,641,130
Trade and other receivables	1,502,604	1,144,032
Loans given	102,125	188,186
Cash and cash equivalents	1,257,037	678,904
Total current assets	5,205,797	3,652,252
TOTAL ASSETS	17,209,578	13,223,627
EQUITY		
Share capital	600	500
Additional paid-in capital	3,472,917	29,047
Other reserves	15,286	15,286
Retained earnings	2,068,036	1,641,896
Equity attributable to the Company's equity	5,556,839	1,686,729
Minority interest	4,668	4,668
TOTAL EQUITY	5,561,507	1,691,397
LIABILITIES		
Non-current liabilities:		
Bank Loans	1,854,858	430,324
Bonds	3,000,000	3,000,000
Finance lease liabilities	157,075	92,055
Deferred tax liability	782,140	759,240
Total non-current liabilities	5,794,073	4,281,619
Current liabilities:		
Bank Loans	434,329	2,944,091
Borrowings from ultimate shareholder and parties under common control	318,442	377,926

Bonds	77,542	76,782
Finance lease liabilities	105,757	33,542
Trade payable and other payables	4,652,539	3,381,762
Provisions for liabilities and charges	173,795	336,759
Income taxes payable	91,594	99,749
Total current liabilities	5,853,998	7,250,611
TOTAL LIABILITIES	11,648,071	11,532,230
TOTAL LIABILITIES AND EQUITY	17,209,578	13,223,627

Profit & Loss Statement (in thousands of RUR)

	2007	2006
<i>Continuing operations:</i>		
Revenue	36,660,142	27,116,963
Cost of goods sold	(27,809,182)	(21,399,049)
Gross profit	8,850,960	5,717,914
General and administrative expenses	(7,719,807)	(4,950,925)
Share in results of and gain on disposal of associate		4,539
Operating profit	1,131,153	771,528
Finance income	102,621	135,720
Finance costs	(648,326)	(513,182)
	(545,705)	(377,462)
Profit before income tax	585,448	394,066
Income tax expense	(159,718)	(108,452)
Profit for the year from continuing operations	425,730	285,614
<i>Discontinued operations:</i>		
Profit from and gain on disposal of discontinued operations	410	(42,347)
Profit for the year	426,140	243,267

Cash-flow Statement (in thousands of RUR)

	2007	2006
Cash flows from operating activities		
Profit before income tax from continuing operations	585,446	394,066
<i>Adjustments for:</i>		-
Depreciation of property, plant and equipment	705,820	399,555
Amortisation of intangible assets	80,007	42,452
Operating lease from initial lease costs	59,434	30,440
Gains less losses on disposals of property, plant and equipment and intangible assets	(10,356)	(7,368)
Increase in provision for inventory obsolescence	16,274	3,104
(Decrease) / Increase in provision for liabilities and charges	(223,835)	(203,881)
Interest expense on borrowings	717,172	513,182
Interest income on loans given and cash deposits	(71,430)	(87,584)
Share-based compensation of Group's director	-	15,286
Share in results of and gain on disposal of associate	-	(4,539)
Forgiveness of loan payable to ultimate shareholder	-	(27,749)
Unrealised foreign exchange losses less gains on borrowings	(31,191)	(48,136)
Operating cash flows before working capital changes	1,827,341	1,018,828
Increase in trade and other receivables	10,434	(458,151)
Increase in inventories	(719,173)	(555,399)
Increase in trade and other payables	1,302,564	1,393,469
Cash generated from operations	2,421,166	1,398,747
Income taxes paid	(203,307)	(68,018)
Interest paid	(659,566)	(334,664)
Net cash from operating activities – continuing operations	1,558,293	996,065
Net cash (used in) / from operating activities – discontinued operations	-	(45,416)
Net cash from operating activities	1,558,293	950,649
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,164,979)	(3,876,770)
Proceeds from sale of property, plant and equipment	24,856	73,052
Proceeds from sale of associate	-	54,539
Proceeds from sale of subsidiaries	-	22,389
Initial Lease costs paid	-	(642,083)
Purchases of businesses from parties under common control, net of cash acquired	(8,216)	(187,449)
Loans returned	37,219	346,478
Loans provided	(35,058)	(408,155)
Interest received	-	3,222
Purchases of intangible assets	(751)	(8,753)
Net cash used in investing activities – continuing operations	(3,146,929)	(4,623,530)
Net cash provided from investing activities – discontinued operations	-	9,883
Net cash used in investing activities	(3,146,929)	(4,613,647)
Cash flows from financing activities		
Proceeds from borrowings	4,154,262	9,586,574

Repayment of borrowings	(5,331,700)	(6,005,974)
Buy-out of minorities	-	(45,000)
Proceeds from new issuance of shares	3,443,970	
Finance lease payments	(99,763)	(105,809)
Net cash provided from financing activities – continuing operations	2,166,769	3,429,791
Net cash from / (used in) financing activities – discontinued operations	-	15,982
Net cash provided from financing activities	2,166,769	3,445,773
Net increase 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

Dixy Group (RTS, MICEX: DIXY) is one of the leading Russian companies on food and FMCG retail market. The first Dixy store was opened in 1999 in Moscow city and by 29th of February 2008 the Group has already operated 393 stores, including 372 Dixy (discounter) stores, 9 Megamart (compact hypermarkets), 7 Minimart (supermarkets) stores and 5 V-mart convenience stores in three Federal Districts of Russia: Central, North-West and Urals.

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