



DIXY GROUP ANNOUNCES 2008 CONSOLIDATED AUDITED IFRS RESULTS

Moscow, 20 of May, 2008

DIXY Group – one of the leading companies on Russian food retail market - has published its audited consolidated IFRS results for 2008.

Key figures for 2008 in comparison to 2007:

- Revenue rose 31.8 % to 48,325 mln. RUR (USD 1,944 mln., 35.7% growth)
- Gross Profit rose 40.7% to 12 541 mln. RUR, which is 26% of Revenue (24.3% in 2007). Gross Profit in USD rose 44.7% to 504.6 mln.
- EBITDA grew 37.6% to RUR 2,811 mln. (113 mln. USD, 41.6% growth)
- Net Loss amounted to 324 mln. RUR (USD 13 mln.)
- Net cash from operating activities amounted to 1,422 mln. RUR in 2008 vs. 1,416 mln. RUR in 2007
- Capex in 2008 amounted to 4,995 mln. RUR vs. 3,736 mln. in 2007
- Net Debt to EBITDA ratio as of 31.12.2008 according to auditors' methodology was 2.9

The growth in Sales was due to successful openings of new stores and achieving target sales levels for the stores opened in 2007. Growth in the average ticket also contributed to growth of Sales. During 2008 the Group opened 111 new stores that also contributed to the 2008 turnover. These openings were distributed in time the following way:

- During Q1: 6 new stores were opened with a combined selling space of 2 900 sq.m., including one Megamart hypermarket in Tyumen in March, 2008.
- During Q2: 14 new stores were opened with a combined 4 700 sq.m. of selling space, including 2 VMart stores in St.Petersburg.
- During Q3: 23 new stores were opened with a combined 9 600 sq.m. selling space, including 2 Megamarts hypermarkets in Ekaterinburg and Nizhniy Tagil opened in August, 2008, and also 3 VMarts in St.Petersburg.
- During Q4: 68 stores were opened with a combined selling space of 24 600 sq.m. including 2 Megamarts in Novouralsk and Chelyabinsk opened in December of 2008.

Total Revenue of DIXY format stores for the year 2008 reached 41,080 RUR (w/o VAT) (1,653 mln. USD), which is 28% more than in 2007 (31.5% in USD). Operating profit of this format grew 21% and amounted to 1,540 mln. RUR. The lower growth in operating profit is explained by the growing lease expense in 2008. Selling space of the DIXY format grew 27%, of which 20% was in the second half of the year, while lease expense grew 26%, which demonstrates a considerable growth in lease expense for the period.



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Total Sales of Megamart format amounted to 5 223 mln. RUR (210 mln. USD), which is 61% more than in 2007 (66% in RUR). Operating profit for this format grew 125% to 313 mln. RUR. Growth in operating profit in this format is due to growth in Sales and in the Gross Margin of this format.

Total Sales of Minimart format amounted to 1 777 mln. RUR (72 mln. USD), which is 50% more than in 2007 (54% in RUR). Operating profit in this format grew 160% to 197 mln. RUR. Growth in operating profit in this format is due to growth in Sales and in the Gross Margin of this format.

Total Sales of VMart format amounted to 246 mln. RUR (9.9 mln. USD). Operating loss in this format amounted to 68 mln. RUR, resulting in the decision to discontinue the format. All 12 stores of this format were closed at the beginning of 2009.

Commenting on the growth of Sales and Gross Margin during 2008, the **President of the DIXY Group of Companies Ilya Yakubson** said:

“During 2008 we managed to strengthen our market position and to show healthy growth, we also delivered on our promise made at the beginning of 2008 to open at least 100 new stores. The Company continues to increase its operational efficiency, and as a result achieved a level of EBITDA margin of 5.8% in 2008. Still, the main achievement for 2008 and focal point of Company’s efforts were the measures pertaining to organizational centralization of the Company. Centralized organizational structure is the foundation of our ambitious strategic goal to becoming the most effective Company in the industry. Successfully, accumulated throughout the years operational experience across the regions and business units was long overdue for a more rigid set of operating procedures, centralized control mechanisms, and a unified technological platform.”

Key indicators as per audited 2008 financial results

<i>In thousands of RUR</i>	2008	2007	Growth (%)
Net Sales	48 325 088	36 651 629	31.8%
Gross Profit	12 541 515	8 916 359	40.7%
EBITDAR	4 589 023	3 473 940	32.1%
EBITDA	2 811 451	2 042 701	37.6%
Net Profit	-324 113	429 068	----
Net Cash from Operations	2 682 776	1 922 173	39.6%
Capex	4 995 354	3 736 165	33.7%

<i>In thousands of USD</i>	December 31, 2008	December 31, 2007	
Net Debt	8 106 938	4 699 424	72.5%
	2008	2007	Growth (%)
Net Sales	1 944 257	1 432 992	35.7%
Gross Profit	504 581	348 608	44.7%
EBITDAR	184 630	135 823	35.9%
EBITDA	113 113	79 865	41.6%
Net Profit	-13 040	16 776	----
Net Cash from Operations	107 936	75 152	43.6%



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Capex	170 023	152 210	11.7%
	December 31, 2008	December 31, 2007	
Net Debt	275 930	191 452	44.1%
	2008	2007	
Gross Profit	26.0%	24.3%	
EBITDAR	9.5%	9.5%	
EBITDA	5.8%	5.6%	
Net Profit	-0.7%	1.2%	

EBITDAR¹ in 2008 totaled 4,589 mln. RUR (184,6 mln. USD), which translates into growth of 32.1% in RUR, or 35.9% in USD. EBITDA² grew to 37.6% in RUR (41.6% in USD), to 2,811 mln. RUR (113 mln. USD). EBITDA Margin grew from 5.6% in 2007 to 5.8% in 2008. Increase in EBITDAR and EBITDA is attributed to growth in Gross Profit due to positive changes in assortment and pricing policies, and to better purchasing terms from the suppliers.

Net Loss for 2008 totaled 324,1 mln. RUR (13 mln. USD). Net Loss was a result of a 1,068 mln. RUR unrealized FX loss and Income Tax of 219 mln. RUR. FX loss was incurred (but not realized) as a result of appreciation of the USD denominated debt in our credit portfolio. Income tax incurred during the period includes a deferred tax asset that can be applied to reduce future tax payments. More detailed breakdown and explanation are available in the note 21 to the audited Financial Report.

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

	2008	2007	Growth (%)
Salaries	4,905,469	3,687,454	33.0%
Lease Expenses	1,777,573	1,325,182	34.1%
D&A	1,082,793	744,925	45.4%
Utilities	440,848	275,876	59.8%
Other Expenses (w/o shrinkage)	2,004,810	1,347,553	48.8%
Shrinkage	814,624	343,652	137%
	11,026,117	7,724,642	42.7%

(as % of Sales)

	2008	2007
Salaries	10.2%	10.2%
Lease Expenses	3.7%	3.6%
D&A	2.2%	2.1%
Utilities	0.9%	0.8%
Other Expenses (w/o shrinkage)	4.1%	3.7%
Shrinkage	1.7%	0.9%
	22.8%	21.3%

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

Salary Expense in 2008 in comparison to 2007 rose by 33% to 10.2% of Revenue, which is due to general wage inflation and a 3,000 people increase in our labor force. During 2008 the Company took measures to combat rising Salary Expense, including consolidation of regional administrative personnel under the auspices of the Holding Company and wage reductions across administrative personnel. As a result, Salary Expense for the year grew 33% vs. 33.6% for the nine months of 2008.

Lease Expense in 2008 in comparison to 2007 went up by 34.1% to 3.7% of Net Sales, due to changes in retail asset portfolio composition of the Company. Of the 111 new stores opened in 2008, 95 were opened via long-term lease contracts. In the prevailing environment of liquidity constraint and high cost of capital, the Company will continue prefer lease versus “purchase” or “construct” options.

Increase of Depreciation & Amortization Expense in 2008 by 45.4% to 1,083 mln. RUR is attributed to the fact of fulfillment of our expansion plans which include the increase of selling and warehousing space. Detailed report on D&A can be found in notes 5 and 7 of the audited Financial Report.

Other Expenses of 2,819 mln. RUR are comprised of: (a) inventory shrinkage: 814 mln. RUR (vs. 344 mln. RUR in 2007), (b) repair, maintenance expenses and store servicing of 377 mln. RUR, (c) transportation expense of 299 mln. RUR, (d) supplies and materials expense of 250 mln. RUR and (e) banking expense of 220 mln. RUR.

Commenting the key indicators of the Group performance in 2008, **President of the Company Ilya Yakubson**, said:

“At the end of 2008 the Company faced significant temporary operational issues arising as a result of rechanneling goods flow in the Central Region through our newly constructed distribution center in Serpukhov, Moscow region. Delays in launching the operation, operating inefficiencies, and failures of the supporting IT system led to breakdowns in the supply chain, and as a result lower sales growth during the first four month of 2009. In 2009, the logistics team was strengthened by some of the best people in the industry, and every effort was made on the top-management part in Q1 of this year to increase the service level quality and break the negative sales growth trend by June 2009.”

In 2009, our main focus is to realize a range of initiatives in the frames of our program to increase efficiency of our operations. This program involves business process reorganization, optimization of the logistics and sales functions, and loss prevention. With regard to our expansion plans, in 2009 we intent to open from 80 to 100 new stores, while closing some of the existing stores whose KPI's are not at par with our expectation.

The economic downturn, helped us to be, starting from the third quarter last year, more aggressive in reducing our HR and rental expenses. All these measures we are currently undertaking and will continue to realize throughout 2009, will enable the Company to enter 2010 with an optimized set of operating procedures, lower logistics costs and minimized losses, thus considerably improving our operational effectiveness and allowing to achieve the best performance indicators in the industry.”

Analysis of dynamics of the Balance Sheet items

Assets of the Company grew from 16,918 mln. RUR to 21,585 mln. RUR, which is a result of dynamic growth of business. Property, Plant & Equipment item of the Balance Sheet increased by 42% to 4,487 RUR, because of the rise in owned store, and due to reduction of capital in construction in progress. In 2008 the Company spent 4,403 mln. RUR on construction, 677 mln. RUR on modernization and repair of the existing facilities, and 1,394 mln. RUR on the purchase of selling and storage equipment.

Share Capital of the Company increased by 5.8% in RUR to 5,895 mln. RUR compared to 5,573 mln. RUR in 2007. In November 2008, the Company raised 1,355 mln. RUR in additional equity capital. In August and October of 2008 the Company purchased 1,932,083 shares from shareholders for 367 RUR per share in the frames of a mandatory buy-back. As a result, as of December 31, 2008 the Company had 709 mln. RUR worth of Treasury stock.

Net Debt³ of the Company increased by 72.5% from 4,699 mln. RUR (191 mln. USD) as of December 31, 2007 to 8,107 mln. RUR (276 mln. USD) as of 31.12.2008. After the change of controlling shareholder in the January of 2008, because of the clause of the credit agreement the Company had to make an early repayment the HSBC Bank credit facility, drawn until 2010. In Q2, the Company closed a 135 mln. USD syndicated credit transaction organized by Citibank N.A. Additional 32 mln. USD one-year bilateral credit facility was negotiated with Unicredit Bank. As of December 31, 2008, Company's Net Debt to EBITDA ratio is 2.9 in RUR. Company has no liquidity issues and is not planning to increase its debt load in the near future. 2009 investments will be financed using Company's own cash flow. The Company will keep Debt to EBITDA ratio at below 3.5.

Commenting on the financial situation of the Company, **Vice President of the Group, Fedor Rybasov**, said:

“In 2008 we managed to close a couple of large transactions that enabled our Company to enter 2009 in a sound financial shape with an optimal credit portfolio structure and comfortable liquidity position. During the first month of financial crisis we were able to get the large syndicated loan and to sell the additional issue of shares, gaining the financial support for our current capital investment needs. In the beginning of 2009, we reached the agreement with VTB and Alfa Bank for the provision of 2.6 bln. RUR worth of credit lines with the time length of 12 months. Right now the Company has more than 100 mln. USD of available credit lines.”

The audit of DIXY Group's IFRS financial statements was performed by Ernst & Young LLC. Audited financial statements for 2008 can be found on the Company's website at http://www.dixy.ru/en_invest-report

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



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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, 2009, the Group operated 492 stores, including 471 Dixy (discounter) stores, 13 Megamart (compact hypermarket) stores, 8 Minimart (supermarket) 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 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 March 31, 2008, the Company had a total of 193,708 sq.m. of net selling space and employed 17,756 people.

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