



**DIXY GROUP ANNOUNCES CONSOLIDATED UNAUDITED IFRS RESULTS FOR THE FIRST QUARTER OF 2010**

**Moscow, May 28, 2010**

**DIXY Group – one of the leading food retailers in Russia - announces consolidated unaudited IFRS results for the first three months of 2010.**

Key figures for the first 3 months of 2010 in comparison with the first 3 months of 2009 results:

- Revenue rose 12.9% to RUR 14 990 mln. or 28.1% in USD to 501.5 mln.
- Gross Profit rose 14.6% to RUR 3 900 mln., representing a 0.4% year-on-year Gross Margin increase to 26.0%. In USD Gross Profit increased by 30.1% to 130.5 mln.
- EBITDA grew 66.3% to RUR 785 mln. In USD EBITDA grew 88.8% to USD 26.3 mln. EBITDA margin grew 1.6% year-on-year to 5.2%.
- Net Profit amounted to RUR 129 mln. (USD 4.3 mln.) versus the Net Loss of RUR 790 mln. (USD 23.3 mln.) in Q1 2009.
- Net cash from operating activities increased to RUR 300 mln. (USD 10.0 mln.).

## Key financial performance indicators as per unaudited Q1 2010 financial results

<i>In thousands of RUR</i>	<b>Q1 2010</b>	<b>Q1 2009</b>	<b>Δ%</b>
Net Sales	14,990,042	13,281,083	12.9%
Gross Profit	3,899,831	3,403,408	14.6%
EBITDAR	1,380,964	1,046,990	31.9%
EBITDA	785,335	472,236	66.3%
Net Profit	129,289	-789,735	--
Net Cash from Operating Activities	300,185	-72,304	515.2%

	<b>31 March 2010</b>	<b>31 December 2009</b>	<b>Δ%</b>
Net Debt <sup>1</sup>	7,209,614	7,275,780	-0.9%

<i>In thousands of USD</i>	<b>3M2010</b>	<b>3M2009</b>	<b>Δ%</b>
Net Sales	501,501.9	391,416.7	28.1%
Gross Profit	130,471.5	100,304.4	30.1%
EBITDAR	46,201.1	30,856.6	49.7%
EBITDA	26,273.9	13,917.6	88.8%
Net Profit	4,325.5	-23,274.9	--
Net Cash from Operating Activities	10,042.9	-2,130.9	571.3%

	<b>31 March 2010</b>	<b>31 December 2009</b>	<b>Δ%</b>
Net Debt	245,527.3	240,567.8	2.1%

<b>% of Sales</b>	<b>Q1 2010</b>	<b>Q1 2009</b>	
Gross Margin	26.0%	25.6%	
EBITDAR	9.2%	7.9%	
EBITDA	5.2%	3.6%	
Net Profit	0.9%	-5.9%	

### Revenue by format

<i>Thous. RUR</i>	<b>Q1 2010</b>	<b>Q1 2009</b>	<b>Δ%</b>
DIXY	12,671,900	11,159,215	13.6%
MEGAMART	1,677,561	1,452,725	15.5%
MINIMART	499,661	474,897	5.2%
Other Revenue	140,920	129,936	8.5%
<b>TOTAL</b>	<b>14,990,042</b>	<b>13,281,083</b>	<b>12.9%</b>

<sup>1</sup> Net debt calculation excludes related parties and accrued interest. Net Debt including bonds, bank loans, financial lease liabilities and accrued interest, less cash & equivalent would stand at RUR7,602,033 K.

During the first quarter of 2010 10 new Dixy stores were opened compared to 9 stores during the same period last year. All new stores were opened in the Central and North-West Federal Districts through long-term lease agreements. Company expects that the total number of opening for the year will exceed 100 new stores.

Successful realization of the initiatives to tighten control over multiple cost-centers and business processes and to increase the efficiency of the overall operation, allowed reducing SGA costs as a percentage of Revenue by 1.4% to 23.6% in Q1 2010.

During the first quarter, LFL sales grew 4% mainly on the back of the 3% increase in traffic. During the period, on the Group level, sales per square meter of selling space grew by 3.4%, and Dixy's sales per meter demonstrated in Q1 a 4.4% year-on-year growth. Positive LFL dynamic is primarily the result of higher levels of customer service, and more aggressive promo and advertising activity in 2009 and Q1 2010. The strengthening of Company's the promotional ability was made possible by the increase in Dixy's format levels of logistical service (success of delivery rate) and centralization of deliveries to 87% and 78% respectively.

In Q1 2010, **Gross Profit** grew 14.6% to RUR 3,900 mln. or by 30.1% in USD to 130.5 mln. Gross Margin increased from 25.6% as of the Q1 2009 to 26.0% in Q1 2010. This increase was mainly driven by an over twofold increase in suppliers' bonuses year-on-year, which itself was made possible by increase in the level of centralization of deliveries.

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

	<b>Q1 2010</b>	<b>Q1 2009</b>
<b>Salaries</b>	9.6%	10.5%
<b>Lease Expenses</b>	4.0%	4.3%
<b>D&amp;A</b>	2.8%	3.0%
<b>Shrinkage</b>	2.5%	2.0%
<b>Utilities, Repair and Maintenance Expenses</b>	1.7%	1.9%
<b>Transportation and Handling Expenses</b>	0.5%	0.4%
<b>Advertising Expenses</b>	0.4%	0.3%
<b>Other Expenses</b>	2.1%	2.6%
	<b>23.6%</b>	<b>25.0%</b>

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

	<b>Q1 2010</b>	<b>Q12009</b>	<b>Δ%</b>
<b>Salaries</b>	1,432,739	1,398,434	2.5%
<b>Lease Expenses</b>	595,629	574,754	3.6%
<b>D&amp;A</b>	424,439	392,859	8.0%
<b>Shrinkage</b>	377,499	269,079	40.3%
<b>Utilities, Repair and Maintenance Expenses</b>	258,053	254,699	1.3%
<b>Transportation and Handling Expenses</b>	78,781	53,894	46.2%
<b>Advertising Expenses</b>	53,072	37,866	40.2%
<b>Other Expenses</b>	318,723	342,445	-6.9%
	<b>3,538,935</b>	<b>3,324,030</b>	<b>6.5%</b>

**Salary Expense** in Q1 2010 declined to 9.6% of Revenue, corresponding to a 0.9% improvement over the Q1 2009 result. Reducing the average personnel per Dixy store, and undertaking initiatives to increase labor productivity results in a continuous optimization of Salary expense.

Utilities and repair & maintenance costs rose 1.3% to RUR 258 mln. as a result of a 27.7% growth in **Utilities expenses** and an offsetting decline in **Repair and Maintenance costs** from RUR 108 mln. in Q1 2009 to RUR 71 mln. in Q1 2010.

**Transportation and Handling Expenses** increased by 46.2% to RUR 79 mln. While the costs of maintaining Company's growing commercial truck fleet have increased, the expenses related to a third-party transportation and handling expenses were reduced by 10%.

**Advertising Expenses** increased by 40.2% to 0.4% of Sales. The increase in the advertising expense is due to a change in Company's advertising policy and a more extensive use of Federal media channels for promotion.

**EBITDAR<sup>2</sup>** reached RUR 1 381 mln. (USD 46.2 mln.), corresponding to a 31.9% growth in RUR, or a 49.7% USD growth. As a percentage of Sales EBITDAR increased 1.3% thanks to a 0.4% increase in Gross Margin and to a relative decline of salary, utilities and repair & maintenance, and other SGA expenses. EBITDAR growth was significantly offset by a year-on-year 0.5% increase in Shrinkage as a percentage of Revenue.

**Leasing Expense** for 2009 increased by 3.6%, while declining from 4.3% in Q1 2009 to 4.0% in Q1 2010 as a percentage of Revenue.

**EBITDA<sup>3</sup>** grew 66.3% to RUR 785 mln. or 88.8% in USD to 26.3 mln. Growth in the EBITDA margin from 3.6% for the Q1 2009 to 5.2% in Q1 2010 is due to strong EBITDAR growth coupled with a decline of leasing expenses as a percentage of Revenue.

For the first quarter of 2010 Dixy Group recorded **net profit of RUR 129 mln. (4.3 mln.USD)**. This profit includes the FX gain of RUR 140 mln., most of which is translational (non-realized). Excluding the FX loss Group's Net Profit would amount to RUR 17 mln.

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

<sup>3</sup> EBITDA is earnings before interest, tax, depreciation and amortization



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**Key operating statistics Q1 2010 – Q1 2009**

	<b>Q1 2010</b>	<b>Q1 2009</b>	<b>Δ%</b>
<b>Number of stores</b>	542	495	<b>9.5%</b>
<b>Number of employees</b>	16,880	17,756	<b>-4.9%</b>
<b>Total Space owned, sq.m.</b>	173,101	164,918	<b>5.0%</b>
<b>Total Space, sq.m.</b>	488,544	448,943	<b>8.8%</b>
<b>Selling Spac, sq.m. by format:</b>	206,052	193,709	<b>6.4%</b>
<b>DIXY</b>	170,445	157,446	<b>8.3%</b>
<b>MEGAMART</b>	30,121	28,525	<b>5.6%</b>
<b>MINIMART</b>	5,486	5,620	<b>--</b>

**Exchange rates**

	<b>31.03.2010</b>	<b>31.03.2009</b>
RUR / USD eop	29.3638	30.2442
	<b>Q1 2010</b>	<b>Q1 2009</b>
RUR / USD average	29.8903	33.9308

**Unaudited IFRS financial statements for first 3 months 2010 can be found in the Appendix to this press-release.**



**DIXY GROUP**

*Press-release*

**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, 2010, the Group operated 552 stores, including 529 Dixy (discounter) stores, 15 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 2009, DIXY's total revenue reached RUR 54.2 billion. As of April 30, 2010, the Company had a total of 208,675 square meters of selling space and employed 16,950 people.

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**TOTAL EQUITY AND LIABILITIES**

**20 451 173**

**21 901 632**

***Income statement***

*In thousands of Russian Roubles*

**2010Q1**

**2009Q1**

***Continuing operations***

Revenue 14 990 042 13 281 083

Cost of sales (11 090 211) (9 877 675)

**Gross profit 3 899 831 3 403 408**

General and administrative expenses (3 538 935) (3 324 030)

**Operating profit 360 896 79 378**

Finance income 9 785 7 695

Finance costs (191 626) (225 972)

Foreign exchange (loss)/gain, net 140 453 (840 437)

**Profit/ (loss) before income tax 319 508 (979 336)**

Income tax expense (190 362) 189 634

**Profit for the period 129 146 (789 702)**

**Total comprehensive loss for the year 129 146 (789 702)**

**Attributable to:**

Equity holders of the Parent 129 288 (789 734)

Equity holders of the non-controlling interest (142) 32

**129 146**

**(789 702)**



### Cash flow statement

In thousands of Russian Roubles

	2010Q1	2009Q1
<b>Cash flows from operating activities :</b>		
Profit/(loss) before income tax	319 508	(979 336)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	377 694	340 290
Amortisation of intangible assets	22 008	27 535
Amortisation of initial lease costs	24 737	25 034
Gain less losses on disposals of property, plant and equipment and intangible assets	(12 761)	(855)
Increase in provision for impairment of taxes recoverable and prepayments	16 422	17 502
Increase in provision for impairment of trade and other receivables	3 303	9 812
Reversal of write-down/ (write down) of inventory to net realizable value	(11 242)	(14 202)
Decrease in income tax provision	-	6 847
Finance costs	191 626	225 972
Interest income on loans and cash deposits	(9 785)	(7 695)
Unrealised foreign exchange gains less losses on borrowings	(140 453)	840 438
<b>Operating cash flows before working capital changes</b>	<b>781 057</b>	<b>491 342</b>
(Increase)/decrease in trade and other receivables	(3 623)	321 387
Decrease in inventories	456 274	624 582
Decrease in taxes recoverable and prepayments	38 103	17 387
(Decrease) in trade and other payables	(731 604)	(1 197 096)
Increase in tax liabilities other than income tax	220 344	225 519
(Decrease) in advances from customers	(19 720)	(28 747)
<b>Cash generated from operations</b>	<b>740 831</b>	<b>454 374</b>
Income taxes paid	(144 073)	(151 635)
Interest paid	(296 573)	(375 043)
<b>Net cash from operating activities-continuing operations</b>	<b>300 185</b>	<b>(72 304)</b>
Net cash from operating activities-discontinued operations		
<b>Net cash from operating activities</b>	<b>300 185</b>	<b>(72 304)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(199 249)	(365 260)
Proceeds from sale of property, plant and equipment	20 290	2 565
Initial Lease costs paid	(1 180)	(7 309)
Loans repaid	173 069	151 458
Disbursement of loans	(374 130)	(145 000)
Interest received	2 633	851
Purchases of intangible assets	-	(28 508)
<b>Net cash used in investing activities-continuing operations</b>	<b>(378 567)</b>	<b>(391 203)</b>
Net cash used in investing activities-discontinued operations		
<b>Net cash used in investing activities</b>	<b>(378 567)</b>	<b>(391 203)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings	480 419	376 796
Repayment of loans and borrowings	(1 193 932)	(453 879)
Finance lease payments	(40 933)	(57 343)
<b>Net cash from financing activities-continuing operations</b>	<b>(754 446)</b>	<b>(134 426)</b>
Net cash from financing activities-discontinued operations		
<b>Net cash from financing activities</b>	<b>(754 446)</b>	<b>(134 426)</b>
Net decrease in cash and cash equivalents	(832 829)	(597 932)
Cash and cash equivalents at the beginning of the year	1 331 856	1 289 799
<b>Cash and cash equivalents at the end of the year</b>	<b>499 027</b>	<b>691 867</b>

**ДИКСИ**

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