



**DIXY GROUP**

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## **DIXY GROUP ANNOUNCES 2007 CONSOLIDATED UNAUDITED IFRS RESULTS**

**Moscow, 2<sup>nd</sup> 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

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

in thousands of USD

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

## **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>		
	<b>TOTAL</b>	receipt q-ty	ave. receipt	<b>TOTAL</b>	receipt q-ty	ave. receipt
<b>DIXY</b>						
Central Fed. Distr.	<b>4.39%</b>	-4.36%	8.76%	<b>19.64%</b>	8.70%	10.94%
North - West. FD	<b>8.99%</b>	-1.37%	10.36%	<b>21.83%</b>	10.86%	10.96%
Urals FD	<b>11.73%</b>	-0.61%	12.34%	<b>27.45%</b>	12.42%	15.03%
<b>TOTAL Dixy:</b>	<b>6.74%</b>	<b>-2.66%</b>	<b>9.41%</b>	<b>20.92%</b>	<b>9.77%</b>	<b>11.14%</b>
Megamarts (Urals)	<b>-6.47%</b>	-10.87%	4.40%	<b>8.97%</b>	10.28%	-1.30%
Minimarts (Urals)				<b>87.12%</b>	72.31%	14.81%
<b>TOTAL GROUP (RUB):</b>	<b>4.45%</b>	<b>-3.17%</b>	<b>7.62%</b>	<b>21.04%</b>	<b>14.84%</b>	<b>6.20%</b>
<b>TOTAL GROUP (USD)</b>	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%.

EBITDAR<sup>1</sup> 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.

EBITDA<sup>2</sup> 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%.

Net Debt<sup>3</sup> 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

<sup>1</sup> EBITDAR is earnings before interest, tax, depreciation and amortization and rent (operating lease expenses)

<sup>2</sup> EBITDA is earnings before interest, tax, depreciation and amortization

<sup>3</sup> 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

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**

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

## Selling, General & Administrative Expenses (SG&A)

in thousands of RUR

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

in thousands of USD, % from Sales

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

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>
<b>Average check size:</b>	<b>170</b>	<b>168</b>	<b>5.4%</b>
And per format, RUR			
DIXY	159	156	1.8%
V-MART	94		
MEGAMART	446	475	-6.0%
MINIMART	282	259	8.6%
<b>Average check size:</b>	<b>6.7</b>	<b>6.2</b>	<b>8.0%</b>
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
<b>ASSETS</b>		
<b>Non-current assets:</b>		
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
<b>Total non-current assets</b>	<b>12,003,781</b>	<b>9,571,375</b>
<b>Current assets:</b>		
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
<b>Total current assets</b>	<b>5,205,797</b>	<b>3,652,252</b>
<b>TOTAL ASSETS</b>	<b>17,209,578</b>	<b>13,223,627</b>
<b>EQUITY</b>		
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	<b>5,556,839</b>	<b>1,686,729</b>
<b>Minority interest</b>	<b>4,668</b>	<b>4,668</b>
<b>TOTAL EQUITY</b>	<b>5,561,507</b>	<b>1,691,397</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities:</b>		
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
<b>Total non-current liabilities</b>	<b>5,794,073</b>	<b>4,281,619</b>
<b>Current liabilities:</b>		
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
<b>Total current liabilities</b>	<b>5,853,998</b>	<b>7,250,611</b>
<b>TOTAL LIABILITIES</b>	<b>11,648,071</b>	<b>11,532,230</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>17,209,578</b>	<b>13,223,627</b>

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



## Cash-flow Statement (in thousands of RUR)

	2007	2006
<b>Cash flows from operating activities</b>		
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)
<b>Operating cash flows before working capital changes</b>	<b>1,827,341</b>	<b>1,018,828</b>
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
<b>Cash generated from operations</b>	<b>2,421,166</b>	<b>1,398,747</b>
Income taxes paid	(203,307)	(68,018)
Interest paid	(659,566)	(334,664)
<b>Net cash from operating activities – continuing operations</b>	<b>1,558,293</b>	<b>996,065</b>
Net cash (used in) / from operating activities – discontinued operations	-	(45,416)
<b>Net cash from operating activities</b>	<b>1,558,293</b>	<b>950,649</b>
<b>Cash flows from investing activities</b>		
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)
<b>Net cash used in investing activities – continuing operations</b>	<b>(3,146,929)</b>	<b>(4,623,530)</b>
Net cash provided from investing activities – discontinued operations	-	9,883
<b>Net cash used in investing activities</b>	<b>(3,146,929)</b>	<b>(4,613,647)</b>
<b>Cash flows from financing activities</b>		
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)
<b>Net cash provided from financing activities – continuing operations</b>	<b>2,166,769</b>	<b>3,429,791</b>
Net cash from / (used in) financing activities – discontinued operations	-	15,982
<b>Net cash provided from financing activities</b>	<b>2,166,769</b>	<b>3,445,773</b>
Net increase in cash and cash equivalents	578,133	(217,225)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>678,904</b>	<b>896,129</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,257,037</b>	<b>678,904</b>

**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 29<sup>th</sup> 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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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.

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