



DIXY GROUP

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DIXY GROUP ANNOUNCES 1ST HALF 2007 CONSOLIDATED UNAUDITED IFRS RESULTS

Moscow, 22th of August 2007

Dixy Group – one of the leading companies in Russian food retail market has published its 6 months 2007 unaudited consolidated results.

First half 2007 Net sales (including marketing and other revenue) were 17,010 million RUB, higher by 35% YoY (44% in USD, amounting 652 million USD). The growth is a result of successful new openings of Dixy, Minimart and Megamart stores (from end of June 2006 to end of June 2007 company has by 106 stores), which led to trade area growth of the Company by 45%.

Gross Profit YoY higher by 61% in RUB, amounting 3,931 million RUB (71% growth in USD, amounting 151 million USD). Company's gross margin growing from 19.4% in first half 2006 to 23.1% in first half 2007 as a result of changes made to pricing and assortment policies and growth of private label share in Company's sales.

EBITDAR¹ has grown by 59% in RUB, being 1,475 million RUB (69% in USD being 57 million USD) with EBITDAR margin rising from 7.4% in first half 2006 to 8.7% in first half 2007.

EBITDA² has grown by 63% in RUB, being 816 million RUB (73% in USD, being 31 million USD) with EBITDA margin rising from 4.0% in first half 2006 to 4.8% in first half 2007.

The increase of EBITDAR and EBITDA was also due to significant Gross Margin growth due to improvements made in pricing and assortment policies, as well as improvement in purchasing terms.

Net profit has increased by 3% in RUB to 65 million RUB (9% in USD to 2,5 million USD) respectively. Net profit was growing slower due to pressure of accrued interest from debt in the first six months of the year (after IPO debt size has decreased).

Net Debt³ has decreased from the year end 2006 from 6,276 million RUB (238 million USD) to 3,822 million RUB (148 million USD) at the end of first half 2007. Net Debt has greatly decreased in June 2007 after receipt of IPO proceeds and is at the optimal level.

Oleg Leonov, Chairman of the Dixy Group board has commented:

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



“We had a very positive first half of the year – primarily due to successful IPO of the company, which allowed to speed up the financing of the development and to decrease our leverage. The first half of the year created this great potential, which should be realized in the second half of the year. Still, the management keeps as its main priority assortment optimization, development of own private labels, and of course, launch of new distribution centers. In July we have opened new distribution center in Leningrad Oblast (North-Western Division) with overall area of 8,000 m², we are planning to open another one in Ryazan by the end of the year, with overall area of 15,000m², and we are continuing to construct a big distribution center in Serpukhov region of Moscow Oblast (Central Division) with overall size of 35,000 m². All of these initiatives are aimed at improving the efficiencies of store operations, and as a result – marginal growth of the business.

In general, we feel optimistic with the results achieved and decided not to undergo store rebranding. We will continue to develop our current brands according to our plans. In the nearest future, we will continue to improve the infrastructure of the stores without closing them. As for the new formats, we decided not to develop hypermarkets and concentrate on our optimal store size (from 100 to 3,000 m²), what will allow us to optimize logistical expenditure and efficiently control the purchases and the assortment”.

Key operational data for the first 6 months is as follows:

	1H06	1H07	<i>Growth</i>
Overall q-ty of stores	241	347	
Store openings	27	23	
Dixy	26	23	
Megamart			
Minimart	1		
Overall trade area, m ²	92 664	134 019	45%

Please also see attached Unaudited Financial Statements for the 6 months ended 2007.

USD/RUB exchange rates used were:

	<i>6 months 2007</i>	<i>6 months 2006</i>
<i>6 months mean</i>	26.0827	27.6799
<i>June closing</i>	25.8162	27.0789



Unaudited IFRS Financial Statements for the 6 months ended 30 June, 2007 and 2006
Balance Sheet in thousands of US Dollars

ASSETS	30 June 2007	30 June 2006
Non-current assets:		
Property, plant and equipment	265,298	156,676
Goodwill	15,673	14,871
Other Intangible assets	25,478	19,976
Loans given	1,274	51
Capital advances	54,940	60,346
Initial Lease costs	21,092	6,877
Total non-current assets	383,755	258,797
Current assets:		
Inventories	58,354	36,597
Trade and other receivables	38,874	31,520
Loans given	14,818	30,068
Cash and cash equivalents	20,159	19,643
Total current assets	132,205	117,828
TOTAL ASSETS	515,960	376,625
EQUITY		
Share capital	19	18
Additional paid-in capital	134,551	1,073
Retained earnings	66,711	48,937
Minority interest	181	172
TOTAL EQUITY	201,462	50,200
LIABILITIES		
Non-current liabilities:		
Bank Loans	19,459	6,744
Borrowings from ultimate shareholder and parties under common control	-	-
Bonds	116,206	110,787
Finance lease liabilities	6,614	2,204
Deferred tax liability	12,304	9,407
Total non-current liabilities	154,583	129,142
Current liabilities:		
Bank Loans	5,458	64,796
Borrowings from ultimate shareholder and parties under common control	14,630	19,639
Bonds (interest)	2,945	2,773
Finance lease liabilities	2,894	707
Trade payable and other payables	120,271	82,939
Provisions for liabilities and charges	10,370	23,062
Income taxes payable	3,347	3,367
Total current liabilities	159,915	197,283
TOTAL LIABILITIES	314,498	326,425
TOTAL LIABILITIES AND EQUITY	515,960	376,625



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Unaudited IFRS Financial Statements for the 6 months ended 30 June, 2007 and 2006
Income Statement in thousands of US Dollars

	6 months 2007	6 months 2006
<i>Continuing operations:</i>		
Revenue	652,146	454,579
Cost of goods sold	(501,431)	(366,324)
Gross profit	150,715	88,255
General and administrative expenses	(132,717)	(76,612)
Operating profit	17,998	11,643
Finance income	1,234	3,012
Finance costs	(14,939)	(7,304)
Profit before income tax	4,293	7,351
Income tax expense	(1,798)	(459)
Profit for the year from continuing operations	2,495	6,892
<i>Discontinued operations:</i>		
Loss from and gain on disposal of discontinued operations	-	(4,603)
Profit for the year	2,495	2,289
Profit is attributable to:		
Equity holders of the Company	2,495	2,289
Profit for the year	2,495	2,289



Unaudited IFRS Financial Statements for the 6 months ended 30 June, 2007 and 2006
Cash Flow Statement in thousands of US Dollars

	6 months 2007	6 months 2006
Cash flows from operating activities		
Profit before income tax from continuing operations	4,292	7,351
<i>Adjustments for:</i>	-	-
Depreciation of property, plant and equipment	11,751	6,104
Amortisation of intangible assets	1,526	307
Operating lease from initial lease costs	1,339	96
Gains less losses on disposals of property, plant and equipment and intangible assets	155	280
Increase in provision for inventory obsolescence	(24)	(69)
(Decrease) / Increase in provision for liabilities and charges	(3,599)	(772)
Interest expense on borrowings	14,752	7,304
Interest income on loans given and cash deposits	(869)	(1,146)
Forgiveness of loan payable to ultimate shareholder	-	(1,002)
Unrealised foreign exchange losses less gains on borrowings	122	(1,499)
Operating cash flows before working capital changes	29,445	16,954
Increase in trade and other receivables	4,371	(4,339)
Increase in inventories	5,240	6,621
Increase in trade and other payables	(10,206)	5,437
Cash generated from operations	28,850	24,673
Income taxes paid	(2,179)	(1,078)
Interest paid	(13,067)	(5,124)
Net cash from operating activities – continuing operations	13,604	18,471
Net cash (used in) / from operating activities – discontinued operations	-	(1,173)
Net cash from operating activities	13,604	17,298
Cash flows from investing activities		
Purchase of property, plant and equipment	(45,763)	(84,202)
Proceeds from sale of property, plant and equipment	1,630	195
Proceeds from sale of subsidiaries	-	742
Initial Lease costs paid	-	(3,847)
Purchases of businesses from parties under common control, net of cash acquired	(333)	(6,834)
Loans provided returned	2,311	
Loans provided	(625)	(27,295)
Purchases of intangible assets	(367)	(467)
Net cash used in investing activities – continuing operations	(43,147)	(121,708)
Net cash provided from investing activities – discontinued operations	-	365
Net cash used in investing activities	(43,147)	(121,343)
Cash flows from financing activities		
Proceeds from borrowings	8,908	124,818
Repayment of borrowings	(116,398)	(31,611)
Buy-out of minorities	-	(1,662)
Proceeds from new issuance of shares	133,425	-
Finance lease payments	(2,530)	(666)



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Unaudited Cash flow statement for six months ended 30 June, 2007 and 2006 in thousands of USD - continued

	6 months 2007	6 months 2006
Net cash provided from financing activities – continuing operations	23,405	90,879
Net cash from / (used in) financing activities – discontinued operations	-	(284)
Net cash provided from financing activities	23,405	90,595
Net increase in cash and cash equivalents	(6,138)	(13,450)
Cash and cash equivalents at the beginning of the year	26,297	33,093
Cash and cash equivalents at the end of the year	20,159	19,643



Unaudited IFRS Financial Statements for the 6 months ended 30 June, 2007 and 2006
Balance Sheet in thousands rubles

ASSETS	30 June 2007	30 June 2006
Non-current assets:		
Property, plant and equipment	6,848,982	4,242,619
Goodwill	404,603	402,710
Other Intangible assets	657,752	540,919
Loans given	32,901	1,385
Capital advances	1,418,331	1,634,093
Initial Lease costs	544,507	186,234
Total non-current assets	9,907,076	7,007,960
Current assets:		
Inventories	1,506,466	990,995
Trade and other receivables	1,003,571	853,520
Loans given	382,553	814,199
Cash and cash equivalents	520,428	531,916
Total current assets	3,413,018	3,190,630
TOTAL ASSETS	13,320,094	10,198,590
EQUITY		
Share capital	500	500
Additional paid-in capital	3,473,583	29,047
Other reserves	-	-
Retained earnings	1,722,218	1,325,164
Minority interest	4,668	4,668
TOTAL EQUITY	5,200,969	1,359,379
LIABILITIES		
Non-current liabilities:		
Bank Loans	502,359	182,620
Borrowings from ultimate shareholder and parties under common control		
Bonds	3,000,000	3,000,000
Finance lease liabilities	170,757	59,670
Deferred tax liability	317,635	254,721
Total non-current liabilities	3,990,751	3,497,011
Current liabilities:		
Bank Loans	140,894	1,754,596
Borrowings from ultimate shareholder and parties under common control	377,692	531,806
Bonds (interest)	76,022	75,079
Finance lease liabilities	74,715	19,148
Trade payable and other payables	3,104,943	2,245,908
Provisions for liabilities and charges	267,706	624,485
Income taxes payable	86,402	91,178
Total current liabilities	4,128,374	5,342,200
TOTAL LIABILITIES	8,119,125	8,839,211
TOTAL LIABILITIES AND EQUITY	13,320,094	10,198,590



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Unaudited IFRS Financial Statements for the 6 months ended 30 June, 2007 and 2006
Income Statement in thousands rubles

	6 months 2007	6 months 2006
<i>Continuing operations:</i>		
Revenue	17,009,719	12,582,709
Cost of goods sold	(13,078,681)	(10,139,803)
Gross profit	3,931,038	2,442,906
General and administrative expenses	(3,461,629)	(2,120,624)
Operating profit	469,409	322,282
Finance income	32,196	83,375
Finance costs	(389,658)	(202,187)
	(357,462)	(118,812)
Profit before income tax	111,947	203,470
Income tax expense	(46,903)	(12,711)
Profit for the year from continuing operations	65,044	190,759
<i>Discontinued operations:</i>		
Loss from and gain on disposal of discontinued operations	-	(127,410)
Profit for the year	65,044	63,349
Profit is attributable to:		
Equity holders of the Company	65,044	63,349
Profit for the year	65,044	63,349



Unaudited IFRS Financial Statements for the 6 months ended 30 June, 2007 and 2006
Cash Flow Statement in thousands rubles

	6 months 2007	6 months 2006
Cash flows from operating activities		
Profit before income tax from continuing operations	111,947	203,470
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	306,491	168,964
Amortisation of intangible assets	39,793	8,499
Operating lease from initial lease costs	34,917	2,657
Gains less losses on disposals of property, plant and equipment and intangible assets	4,048	7,738
Increase in provision for inventory obsolescence	(623)	(1,909)
(Decrease) / Increase in provision for liabilities and charges	(93,884)	(21,377)
Interest expense on borrowings	384,760	202,187
Interest income on loans given and cash deposits	(22,671)	(31,719)
Forgiveness of loan payable to ultimate shareholder	-	(27,749)
Unrealised foreign exchange losses less gains on borrowings	(4,627)	(51,655)
Operating cash flows before working capital changes	760,151	459,106
Increase in trade and other receivables	112,838	(117,494)
Increase in inventories	135,289	179,286
Increase in trade and other payables	(263,488)	147,230
Cash generated from operations	744,790	668,128
Income taxes paid	(56,259)	(29,186)
Interest paid	(337,342)	(138,759)
Net cash from operating activities – continuing operations	351,189	500,183
Net cash (used in) / from operating activities – discontinued operations	-	(31,776)
Net cash from operating activities	351,189	468,407
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,181,434)	(2,280,107)
Proceeds from sale of property, plant and equipment	42,068	5,286
Proceeds from sale of subsidiaries	-	20,064
Initial Lease costs paid	-	(104,183)
Purchases of businesses from parties under common control, net of cash acquired	(8,597)	(185,050)
Loans provided returned	59,659	
Loans provided	(16,127)	(739,073)
Purchases of intangible assets	(9,475)	(12,648)
Net cash used in investing activities – continuing operations	(1,113,906)	(3,295,711)
Net cash provided from investing activities – discontinued operations	-	9,883
Net cash used in investing activities	(1,113,906)	(3,285,828)
Cash flows from financing activities		
Proceeds from borrowings	229,969	3,379,946
Repayment of borrowings	(3,004,955)	(855,999)
Buy-out of minorities	-	(45,000)
Proceeds from new issuance of shares	3,444,536	-
Finance lease payments	(65,309)	(18,045)



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Unaudited Cash flow statement for six months ended 30 June, 2007 and 2006 in thousands of RUB - continued

	6 months 2007	6 months 2006
Net cash provided from financing activities – continuing operations	604,241	2,460,902
Net cash from / (used in) financing activities – discontinued operations	-	(7,694)
Net cash provided from financing activities	604,241	2,453,208
Net increase in cash and cash equivalents	(158,476)	(364,213)
Cash and cash equivalents at the beginning of the year	678,904	896,129
Cash and cash equivalents at the end of the year	520,428	531,916



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Dixy Group is one of the leaders of Russian food retail market . The first Dixy store was opened in 1999 in Moscow and by 1st of July 2007 the Group has already operated 347 stores, including 336 Dixy (discounter) stores, 5 Megamarts (compact hypermarkets) and 6 Minimarkets (supermarkets) in three Federal Districts of Russia. Groups consolidated revenue in 2006 was 1,009mil\$.

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Forward Looking Statements

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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