



DIXY GROUP

DIXY GROUP ANNOUNCES CONSOLIDATED UNAUDITED IFRS RESULTS FOR THE 9 MONTHS OF 2008

Moscow, Russia, December 11, 2008

Dixy Group – one of the leading Russian food retailers announces consolidated unaudited IFRS results for the 9 months 2008.

Key P&L figures for 9 months of 2008 in comparison to 9 months of 2007 results
(figures for both periods are shown properly restated for comparison purposes):

In RUR

- Total Revenues increased 35% to RUR 34,594 mln.
- Gross Profit increased 43% to RUR 8,632 mln.
- Gross Profit Margin improved from 23.6% during 9 months 2007 to 25%.
- EBITDA increased 79% to RUR 1,890 mln.
- Net Profit increased 207% to RUR 242.8 mln.

In USD

- Total Revenues increased 45.5% to USD 1,439 mln.
- Gross Profit increased 54% to USD 359 mln.
- Gross Profit Margin improved from 23.6% during 9 months 2007 to 25%.
- EBITDA increased 93% to USD 78.6 mln.
- Net Profit increased 231% to USD 10.1 mln.

Commenting on Group performance during the 9 months of 2008, the President of the Company Vitaly Klyuchnikov said:

“During 9 months of 2008 our Company demonstrated a robust sales growth and increased efficiency across all business functions, which contributed to a significant growth in profitability. Simultaneous expansion of Dixy Group’s chain of stores and continuous efforts on the store-level aimed at increasing our effectiveness, remain the core elements of our Company’s strategy. Our conservative approach to growth not only enabled our Company to accumulate a well performing portfolio of retail assets but to do so while maintaining comfortable debt burden levels - one of the best in the retail industry.”

Net Sales during the 9 months of 2008 totaled RUR 34,594 mln., a 35% increase over 9 months of 2007 (Net Sales in USD totaled 1,439 mln., a 45.5% increase over 9 months of 2007). The increase in Net Sales was due to a 17% increase in the like-for-like sales¹ and a net addition of 62 stores (net of 37 new stores during 9 months 2008 and 25 during 4Q of 2008).

Key figures (unaudited)*

In thousands of RUR

	9 months 2008	9 months 2007	Growth(%)
Net Sales	34,593,724	25,605,555	35.1%
Gross Profit	8,632,014	6,042,664	42.9%
EBITDAR	3,147,568	2,032,868	54.8%
EBITDA	1,890,717	1,056,230	79.0%
Net Profit	242,745	79,077	207.0%

30 September 2008 **31 December 2007**
(transformed)

Net debt	7,234,440	4,011,169	80.4%
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In thousands of USD

	9 months 2008	9 months 2007	Growth(%)
Net Sales	1,438,684	988,994	45.5%
Gross Profit	358,988	233,393	53.8%
EBITDAR	130,901	78,518	66.7%
EBITDA	78,631	40,796	92.7%
Net Profit	10,095	3,054	230.5%

30 September 2008 **31 December 2007**
(transformed)

Net debt	286,553	163,413	75.4%
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* Net debt is calculated as bank loans, bonds and financial lease obligations less cash and cash equivalents. We are modifying our definition of Net Debt to exclude from the calculation the following items: (1) accrued interest on credit facilities, money market instruments; and financial lease obligations; (2) borrowings from related parties. These changes were made in order to more closely conform to our definition of Net Debt / EBITDA ratio to the prevailing market practice.

¹ For detailed discussion on 9 months 2008 retail sales dynamics including LFL and new stores performance please refer to Trading Update dated October 28, 2008: [28102008_DIXY_RELEASE_ENG_sales_9_mo](#)

EBITDAR² totaled RUR 3,148 mln. (USD 130.9 mln.), reflecting growth of 55% in RUR terms, or 67% in USD terms. EBITDAR margin grew from 7.9% to 9.1%.

EBITDA³ grew by 79% in RUR terms (92.7% in USD terms), to RUR 1,890 mln. (USD 78.6 mln.). EBITDA margin grew from 4.1% during 9 months 2007 to 5.5% during 9 months 2008. Increase in EBITDAR and EBITDA is attributed to growth in Gross Profit.

Net Profit for 9 months of 2008 totaled RUR 242,7 mln.(USD 10,1 mln.), compared to Net Profit of RUR 79,1 mln. (USD 3.1 mln.) for the same period of 2007, which translates into 207% growth in RUR terms and 230.5% growth in USD. Growth in Net Profit during 9 months of 2008 compared to the same period in 2007 is attributed to growth in profit from operations. Furthermore, if exclude unrealized FX losses - resulting from reevaluation in RUR of our USD denominated liabilities at a prevailing exchange rate - our Net Income for the period would amount to RUR 480 mln. (USD 20 mln.)

Vital Financial Ratios

% of Net Sales

	9 months 2008	9 months 2007	Growth (%)
Gross Margin	25.0%	23.6%	5.7%
EBITDAR	9.1%	7.9%	14.6%
EBITDA	5.5%	4.1%	32.5%
Net Profit	0.7%	0.3%	127.2%

Gross Profit for 9 months 2008 amounted to RUR 8,632 mln., which is a 43% increase compared to 9 months 2007 (Gross Profit in USD terms increased 54% to 359 mln.). Gross Margin increased from 23.6% during 9 months 2007 to 25% during 9 months 2008, due to improvements in our SKU assortment, changes in the pricing policy and better execution at the logistics' functions level.

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

³ EBITDA is earnings before interest, tax, depreciation and amortization.

Retail Sales figures by Format

<i>In thousands of RUR</i>	9 months 2008	9 months 2007	Growth(%)
DIXY	29,377,137	22,464,981	30.8%
V-MART	158,869	38,127	316.7%
MEGAMART	3,482,829	2,062,079	68.9%
MINIMART	1,259,986	793,240	58.8%
Total Retail Sales	34,278,821	25,358,428	35.2%
Other Revenue *	314,903	247,127	27.4%
Total Sales	34,593,724	25,605,555	35.1%

<i>In thousands of USD</i>	9 months 2008	9 months 2007	Growth(%)
DIXY	1,221,736	867,692	40.8%
V-MART	6,607	1,473	348.7%
MEGAMART	144,844	79,646	81.9%
MINIMART	52,400	30,638	71.0%
Total Retail Sales	1,425,587	979,449	45.5%
Other Revenue *	13,096	9,545	37.2%
Total Sales	1,438,684	988,994	45.5%

* Other Revenue is marketing revenue, sublease income and wholesale revenue

All of our formats showed a very healthy growth this period, resulting in the healthy aggregate growth of 35% in RUR (45.5% in USD) by all formats, with Megamart compact hypermarkets gaining the most by 68% in RUR (82% in USD). 300+% growth in V-Mart on-the-go convenience format is attributed to growth in the new stores.

Key operational figures for 9 months 2008-2007

Key operational figures

	9 months 2008	9 months 2007	Growth(%)
Quantity of stores	425	363	17.1%
Quantity of employees	15,854	14,904	6.4%
Total space owned, sq.m.	152,005	112,965	34.6%
Total space, sq.m.	387,342	324,223	19.5%
Selling space, sq.m., and by format	166,823	144,362	15.6%
DIXY	136,224	121,982	11.7%
V-MART	915	290	215.6%
MEGAMART	24,755	17,059	45.1%
MINIMART *	4,930	5,031	-2.0%

* Selling space was adjusted

We have continued to maintain a double digit, organic growth when measured by store space and human resources, increasing both the owned and leased selling spaces and expanding our workforce to match the business requirements. Our share of owned property in Total Space as of September 30, 2008 amounted to 37% compared with 35% in 2007. A total of 22,400 sq. m. was added in terms of net selling space including over 14,000 sq. m. for Dixy format alone.

Selling, General & Administrative Expenses

In thousands of RUR

	9 months 2008	9 months 2007	Growth(%)
Salaries	3,531,570	2,642,702	33.6%
Lease Expense	1,256,851	976,638	28.7%
D&A	810,549	572,426	41.6%
Utilities	293,446	186,981	56.9%
Other Expenses	1,659,430	1,180,114	40.6%
	7,551,846	5,558,861	35.9%

Selling, General & Administrative Expenses, % of Sales

	9 months 2008	9 months 2007	Growth(%)
Salaries	10.2%	10.3%	-1.1%
Lease Expense	3.6%	3.8%	-4.7%
D&A	2.3%	2.2%	4.8%
Utilities	0.8%	0.7%	16.2%
Other Expenses	4.8%	4.6%	4.1%
	21.8%	21.7%	0.6%

Salaries expense during 9 months 2008 in comparison to 9 months 2007 increased by 33.6% in absolute terms, reflecting general Russian wage inflation and a 6.4% increase in our workforce. Salary expense slightly fell as a percentage of Total Revenues.

Lease expense in 9 months 2008 in comparison to 9 months 2007, increased by 28.7% in absolute terms to RUR 1,257 mln. due to rent inflation and new store roll-outs. Lease expense as a percentage of Total Revenue decreased from 3.8% to 3.6%, reflecting an increase in the like-for-like sales and a larger share of owned vs. leased selling space in our real-estate portfolio.

The increase of Depreciation & Amortization during 9 months 2008 by 41.6% to RUR 810 mln. reflects the increase in owned space and the associated increases of fixed, amortizable, assets.

Average Check *

	9 months 2008	9 months 2007	Growth(%)
Average check size, and by format, RUR	194.2	163.3	18.9%
DIXY	180.1	152.8	17.9%
V-MART	83.1	90.8	-8.5%
MEGAMART	457.4	428	6.9%
MINIMART	330	269.1	22.6%
Average check size, and by format, USD	8.1	6.3	28.0%
DIXY	7.5	5.9	26.9%
V-MART	3.46	3.51	-1.5%
MEGAMART	19.0	16.5	15.1%
MINIMART	13.7	10.4	32.0%

* Based on retail sales figures

Debt Position

	30 September 2008	31 December 2007
Net Debt (USD mln.)	287	163
Long-term Debt	81%	84%
Short-term Debt	19%	16%

Key Debt Indicators (over 12-month period)

Total Debt to EBITDA	2.98
Net Debt to EBITDA	2.83
EBITDA to Interest Expense	5.28

Unaudited IFRS financial statements for 9 months 2008-2007 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 in the food retail and FMCG market.

The first DIXY store opened in 1999 in Moscow. As of December 10, 2008, the Group operated 462 stores, including 432 Dixy (discounter) stores, 11 Megamart (compact hypermarket) stores, 8 Minimart (supermarket) stores and 11 VMart (on-the-go convenience) 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 (51%) is owned by the Mercury Group of Companies.

In 2007, DIXY's total revenue reached USD 1.43 billion (USD 1.00 billion in 2006). Total revenue for the 9 months of 2008 was USD 1 439 million. As of September 30, 2008, the Company had a total of 166,823 sq.m. of net selling space and employed 15,854 people.

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Appendix

Unaudited financial statements for 9 months of 2008-2007

We used the following RUR/USD exchange rate:

	30 September 2008	31 December 2007
USD Rate as of date	25.2464	24.5462
Average USD Rate	24.0454	25.8905

Balance Sheet (in thousands of RUR)

<i>In thousands of Russian Roubles</i>	30 September 2008	31 December 2007 (transformed)
ASSETS		
Non-current assets		
Property, plant and equipment	10,987,851	8,503,172
Capital advances	1,455,870	1,512,406
Goodwill	404,603	404,603
Other Intangible assets	1,091,604	1,221,850
Other non-current assets	91,676	-
Loans	897	3,176
Initial lease costs		
Deferred tax asset	109,876	62,019
	14,142,377	11,707,226
Current assets		
Inventories	2,177,601	2,404,832
Taxes recoverable and prepayments	1,009,646	778,093
Trade and other receivables	533,628	659,752
Initial lease costs		
Loans	112,528	111,317



DIXY GROUP

Press release

Cash and cash equivalents	406,736	1,257,037
	4,240,139	5,211,031
TOTAL ASSETS	18,382,516	16,918,257
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Parent		
Share capital	600	600
Additional paid-in capital	3,117,964	3,473,447
Retained earnings	2,337,624	2,094,878
	5,456,188	5,568,925
Minority interest	4,415	4,431
TOTAL EQUITY	5,460,603	5,573,356
Non-current liabilities		
Bank loans	3,581,961	1,854,858
Bonds	3,000,000	3,000,000
Finance leases	212,886	161,419
Deferred tax liability	321,761	457,474
	7,116,608	5,473,751
Current liabilities		
Trade and other payables	3,814,348	4,462,985
Bank loans	1,083,405	434,329
Borrowings from ultimate shareholder and parties under common control	330,696	318,442
Current portion of Bonds	9,123	77,542
Finance leases	163,466	109,871
Advances from customers	126,731	78,889
Provisions for liabilities and charges	74,383	184,455
Tax liabilities other than income tax	134,927	83,520
Income taxes payable	68,226	121,117



DIXY GROUP

Press release

	5,805,305	5,871,150
	12,921,913	11,344,901
TOTAL EQUITY AND LIABILITIES	18,382,516	16,918,257

Profit & Loss Statement (in thousands of RUR)

<i>In thousands of Russian Roubles</i>	9 months 2008	9 months 2007
Continuing operations		
Revenue	34,593,724	25,605,555
Cost of sales	(25,961,710)	(19,562,891)
Gross profit	8,632,014	6,042,664
General and administrative expenses	(7,551,846)	(5,558,861)
Share of profit of and gain on disposal of associate		
Operating profit	1,080,168	483,803
Finance income	18,199	47,346
Finance costs	(645,008)	(385,553)
Profit before income tax	453,359	145,596
Income tax expense	(210,631)	(66,681)
Profit for the year from continuing operations	242,728	78,915
Discontinued operations		
Loss after tax for the year from a discontinued operation	-	-
Profit for the year	242,728	78,915
Attributable to:		
Equity holders of the Parent	242,745	79,075
Minority interests	(17)	(160)
Profit for the year	242,728	78,915

Cashflow Statement (in thousands of RUR)

<i>In thousands of Russian Roubles</i>	9 months 2008	9 months 2007
Cash flows from operating activities :		
Profit before income tax from continuing operations	453,359	145,596
Net cash from operating activities - discontinued operations		
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	692,211	458,484
Depreciation of property, plant and equipment from discontinued operations	-	-
Amortisation and impairment of other intangible assets	118,338	113,942
Amortisation of initial lease costs	-	-
Gain less losses on disposals of property, plant and equipment and intangible assets	(20,319)	(7,100)
Increase in provision for impairment of taxes recoverable and prepayments	3,090	21,187
Increase in provision for impairment of trade and other receivables	23,254	3,147
Increase in provision for inventory obsolescence	(2,010)	9,050
Decrease in provision for liabilities and charges	(110,072)	19,267
(Decrease)/increase in provision for income tax liability	22,910	20,326
Finance costs	407,842	423,093
Interest income on loans and cash deposits	(18,199)	(47,346)
Share-based compensation of Group's director		
Share of profit and gain on disposal of associate		
Forgiveness of loan payable to ultimate shareholder		
Unrealised foreign exchange gains less losses on borrowings	237,166	(37,540)
Operating cash flows before working capital changes	1,807,570	1,122,106
(Increase)/decrease in trade and other receivables	(1,017)	(115,410)
Decrease in inventories	229,241	27,681
Decrease/(increase) in taxes recoverable and prepayments	(122,845)	40,950
Increase in trade and other payables	(639,663)	(9,223)
(Decrease)/increase in tax liabilities other than income tax	51,407	35,559
(Decrease)/increase in advances from customers	47,842	49,179
Cash generated from operations	1,372,535	1,150,842
Income taxes paid	(586,259)	(190,995)
Interest paid	(533,396)	(600,933)
Net cash from operating activities-continuing operations	252,880	358,914
Net cash from operating activities-discontinued operations		
Net cash from operating activities	252,880	358,914
Cash flows from investing activities:		
Purchase of property, plant and equipment	(2,849,334)	(1,914,047)
Proceeds from sale of property, plant and equipment	48,054	15,496
Proceeds from sale of associate		-

Proceeds from sale of subsidiaries		-
Initial Lease costs paid		-
Purchases of business from parties under common control, net of cash acquired		(8,630)
Loans repaid	308,161	160,024
Disbursement of loans	(299,814)	(109,721)
Interest received	13,039	42,287
Purchases of intangible assets	(2,783)	(95,061)
Net cash used in investing activities-continuing operations	(2,782,678)	(1,909,652)
Net cash used in investing activities-discontinued operations		
Net cash used in investing activities	(2,782,678)	(1,909,652)
Cash flows from financing activities		
Proceeds from loans and borrowings	9,324,241	5,445,288
Repayment of loans and borrowings	(7,181,624)	(7,408,839)
Buy-out of shares	(355,483)	-
Proceeds from new issuance of shares		3,444,500
Finance lease payments	(107,638)	(82,806)
Net cash from financing activities-continuing operations	1,679,496	1,398,144
Net cash from financing activities-discontinued operations		
Net cash from financing activities	1,679,496	1,398,144
Net increase in cash and cash equivalents	(850,301)	(152,594)
Cash and cash equivalents at the beginning of the year	1,257,037	678,904
Cash and cash equivalents at the end of the year	406,736	526,310