

OJSC Dixy Group

Pro-forma Interim Financial Statements

For the Year Ended 30 June 2011

OJSC Dixy Group
Pro-forma Interim Financial Statements
For the Year Ended 30 June 2011

Contents

Financial Statements

Pro-forma Interim Statement of Financial Position.....	2
Pro-forma Interim Statement of Comprehensive Income.....	3
Pro-forma Interim Statement of Cash Flows.....	4
Description of the basis of Pro-forma Interim Financial Statements	6

OJSC Dixy Group

Pro-forma Interim Statement of Financial Position at 30 June 2011

(in thousands Russian roubles, unless otherwise indicated)

	30 June 2011 (unaudited)	31 December 2010
Assets		
Non-current assets		
Property, plant and equipment	22,322,132	12,835,446
Capital advances	1,096,794	942,112
Goodwill	14,826,401	358,478
Other intangible assets	5,802,295	298,851
Initial lease costs	124,477	144,205
Loans	4,725	5,047
Trade and other receivables	—	2,724
Deferred tax asset	599,240	397,482
	44,776,064	14,984,345
Current assets		
Inventories	5,709,371	3,873,123
Trade and other receivables	2,401,427	1,514,900
Taxes recoverable and prepayments	1,542,801	1,113,736
Loans	913,597	134,066
Initial lease costs	37,502	45,446
Cash and cash equivalents	1,917,901	1,596,680
	12,522,599	8,277,951
Total assets	57,298,663	23,262,296
Equity and liabilities		
Equity attributable to equity holders of the Parent		
Share capital	1,248	860
Additional paid-in capital	20,437,555	4,111,405
Retained earnings	2,689,443	1,916,147
Total equity	23,128,246	6,028,412
Non-current liabilities		
Borrowings	12,907,578	6,038,938
Finance leases	152,974	242,377
Unfavourable operating lease commitments	143,200	—
Deferred tax liability	2,168,108	234,733
	15,371,860	6,516,048
Current liabilities		
Trade and other payables	11,233,979	7,208,994
Contingent consideration payable	1,000,000	—
Borrowings	5,078,468	6,442
Current portion of Bonds	—	2,929,452
Finance leases	150,396	161,878
Advances from customers	157,953	69,270
Tax liability, other than income tax	850,217	278,217
Income taxes payable	255,055	62,375
Unfavourable operating lease commitments	54,748	—
Provisions for liabilities and charges	17,741	1,208
	18,798,557	10,717,836
Total equity and liabilities	57,298,663	23,262,296

Signed and authorized for release on behalf of the Board of Directors of OJSC Dixy Group on 15 September 2011

Fedor Rybasov,
General Director

Irina Kobyakina,
Head of IFRS Reporting

OJSC Dixy Group

Pro-forma Statement of Comprehensive Income

For the six months ended 30 June 2011

(in thousands of Russian roubles, unless otherwise indicated)

	For the six months ended 30 June	
	2011 (unaudited)	2010
Revenue	58,817,936	30,691,996
Cost of sales	(42,856,916)	(23,421,526)
Gross profit	15,961,020	7,270,470
Selling, general and administrative expenses	(13,913,184)	(6,370,932)
Operating profit	2,047,836	899,538
Finance income	61,288	18,995
Finance costs	(651,068)	(359,048)
Foreign exchange loss, net	(67,401)	(94,960)
Profit before income tax	1,390,655	464,525
Income tax expense	(617,359)	(338,285)
Profit for the period	773,296	126,240
Total comprehensive income for the period	773,296	126,240

OJSC Dixy Group

Pro-forma Interim Statement of Cash Flows

For the six months ended 30 June 2011

(in thousands of Russian roubles, unless otherwise indicated)

	For the six months ended 30 June	
	2011 (unaudited)	2010
Cash flows from operating activities:		
Profit before income tax	1,390,655	464,525
Adjustments for:		
Depreciation of property, plant and equipment	1,293,683	779,139
Amortisation of intangible assets	423,019	40,453
Amortisation of initial lease costs	31,471	49,060
Amortisation of unfavorable lease commitments	(33,690)	—
Gains less losses on disposals of property, plant and equipment and intangible assets	9,297	(27,807)
Provision for impairment of assets under construction	113,662	—
Increase in provision for impairment of taxes recoverable and prepayments	249	5,112
Increase in provision for impairment of trade and other receivables	885	5,433
Reversal of write-down of inventory to net realizable value	(13,497)	(11,983)
Finance costs	651,068	359,048
Finance income	(61,288)	(18,995)
Unrealised foreign exchange losses on borrowings	67,401	94,960
Operating cash flows before working capital changes	3,872,915	1,738,945
Decrease in trade and other receivables	131,530	86,645
Decrease in inventories	416,042	402,580
Increase in taxes recoverable and prepayments	(88,723)	(18,318)
Decrease in trade and other payables	(1,448,916)	(660,116)
Increase in tax liability other than income tax	179,484	83,314
Increase / (Decrease) in advances from customers	88,682	(34,924)
Cash generated from operations	3,151,014	1,598,126
Income tax paid	(744,581)	(418,770)
Interest paid	(689,240)	(377,790)
Net cash from operating activities	1,717,193	801,566
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	(12,649,724)	—
Purchase of property, plant and equipment	(2,346,753)	(632,943)
Proceeds from sale of property, plant and equipment	95,791	42,418
Initial lease costs paid	(3,799)	(3,959)
Loans repaid	633,398	378,061
Disbursement of loans	(759,800)	(380,595)
Interest received	55,621	11,957
Purchases of intangible assets	(43,481)	(12,910)
Net cash used in investing activities	(15,018,747)	(597,971)

OJSC Dixy Group

Pro-forma Interim Statement of Cash Flows (continued)

For the six months ended 30 June 2011

(in thousands of Russian roubles, unless otherwise indicated)

	For the six months ended 30 June	
	2011 (unaudited)	2010
Cash flows from financing activities:		
Proceeds from loans and borrowings	7,155,313	5,092,634
Repayment of loans and borrowings	(314,011)	(6,027,637)
Repayment of bonds	(2,852,822)	—
Buy-out of shares	(411,010)	—
Proceeds from sales of treasury shares	1,220,897	—
Contribution from shareholders	392,258	—
Proceeds from new issuance of shares	8,734,892	—
Dividends paid to former shareholders of OJSC GK Victoria	(197,973)	—
Finance lease payments	(104,769)	(65,829)
Net cash used in financing activities	13,622,775	(1,000,832)
Net increase / (Decrease) in cash and cash equivalents	321,221	(797,237)
Cash and cash equivalents at the beginning of the year	1,596,680	1,331,856
Cash and cash equivalents at the end of the year	1,917,901	534,619

OJSC Dixy Group

Description of the basis of Pro-forma Interim Financial Statements

For the six months ended 30 June 2011

(in thousands of Russian roubles, unless otherwise indicated)

Description of the basis of pro-forma

CJSC "Company Uniland Holding" (the "Company") was incorporated in January 2003 in Moscow, Russian Federation for the purpose of consolidation and reorganization of entities under common control. In March 2007, the Company was reorganized into an Open Joint Stock Company and renamed to "Dixy Group".

As at 30 June 2011 and 31 December 2010 the OJSC Dixy Group and its subsidiaries ("the Group") were controlled by Dixy Holding Limited (Cyprus), which as at 30 June 2011 owned 54.42% (31 December 2010: 61.09%) in OJSC Dixy Group.

On 15 June 2011, the Group acquired a 100% equity interest in OJSC GK Victoria, a holding company that operates the neighbourhood store, supermarket and cash&carry formats. As at 15 June 2011 OJSC GK Victoria and its subsidiaries had 251 stores with total space of over 277,242 thousand square meters in Moscow, St. Petersburg and also in Kaliningrad and Tula regions. The purpose of this transaction is increase in concentration in Moscow and St. Petersburg and extension of the Group operations to Kaliningrad and Tula regions.

The Group decided to prepare its pro-forma financial statements for the six months ended 30 June 2011 as if OJSC GK Victoria was acquired on 1 January 2011 for the same consideration as it actually occurred on 15 June 2011. The Group assigned provisional values to net assets acquired based on estimates of the independent appraiser. The Group will finalize the purchase price allocation within 12 months from the acquisition date.

For the purpose of consolidation of OJSC GK Victoria in the pro-forma interim financial statements the Group made decision to recognise sales through agent agreements existed in Kaliningrad region in the amount of 1,531,633 on gross basis after making analysis of criteria established by IAS 18 for determination of gross versus net basis for recognition of revenue arrangements. The Group also recognised inventory obtained through these agent agreements and related payables in the amount of 130,293. Because results of criteria analysis are mixed this is subject to ones judgement whether to recognise these sales on gross or net basis. Historically OJSC GK Victoria decided to account for such revenue on net basis and continued to apply this judgement for its stand alone financial statements.

These pro-forma interim financial statements should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010 and interim condensed financial statements for six months ended 30 June 2011.

The pro-forma interim consolidated financial statements are presented in Russian Rouble and all values are rounded to the nearest thousand except when otherwise indicated.