

JSC Seventh Continent

Consolidated Financial Statements,
prepared in accordance with International
Financial Reporting Standards (IFRS)
as at 31 December 2006



BDO Unicon
Auditors and Consultants



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Closed joint-stock company

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Independent Auditor's Report

To the Shareholders of JSC Seventh Continent

We have audited the accompanying consolidated financial statements of JSC Seventh Continent and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Irina B. Smirnova


Audit Director

21 February 2007



BDO Unicon
Auditors and Consultants

*JSC Seventh Continent*CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006
(in thousands of Russian Roubles, unless otherwise stated)

	Note	31 December 2006	31 December 2005
ASSETS			
Current assets			
Cash and cash equivalents	5	1 348 500	1 886 902
Short-term financial investments	6	1 384 615	66 987
Short-term receivables and prepayments	7	1 598 261	838 439
Inventories	8	2 100 986	1 576 319
Total current assets		6 432 362	4 368 647
Non-current assets			
Property, plant and equipment	10	6 168 485	3 844 415
Long-term prepayments and other non-current receivables	9	6 876 892	2 581 792
Goodwill	4	176 433	1 525
Other non-current assets	11	30 704	11 795
Deferred tax asset	15	31 213	-
Total non-current assets		13 283 727	6 439 527
Total assets		19 716 089	10 808 174
LIABILITIES			
Current liabilities			
Trade payables		3 955 660	2 805 966
Other accounts payable	12	520 102	463 493
Taxes payable	13	294 180	215 266
Short-term loans	14	927 429	2 640 507
Total current liabilities		5 697 371	6 125 232
Non-current liabilities			
Long-term loans	14	406 514	-
Deferred tax liability	15	25 673	23 897
Total non-current liabilities		432 187	23 897
Total liabilities		6 129 558	6 149 129
Equity			
Share capital	16	102 169	96 929
Share premium	16	8 972 256	2 389 122
Fair value reserve	11	-	496
Retained earnings		3 860 650	2 172 498
Minority interest	4	651 498	-
Translation loss		(42)	-
Total equity		13 586 531	4 659 045
Total liabilities and equity		19 716 089	10 808 174
General Director		Galina Ilyashenko	
20 February 2007			

JSC Seventh Continent

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

(in thousands of Russian Roubles, unless otherwise stated)

	Note	2006	2005
Sales	17	26 034 263	20 157 629
Cost of goods sold	18	(17 935 311)	(13 676 110)
Gross profit		8 098 952	6 481 519
General, selling and distribution expenses	19	(5 872 234)	(4 752 470)
Other operating income/(expenses)	20	(94 732)	1 825
Operating income		2 131 986	1 730 874
Interest expense		(149 900)	(47 192)
Interest income		457 756	125 456
Other non-operating income	21	71 834	2 247
Profit before taxation		2 511 676	1 811 385
Income tax expense	15	(674 817)	(478 992)
Profit after taxation		1 836 859	1 332 393
Minority interest	4	1 293	-
Net profit		1 838 152	1 332 393
Earnings per share (expressed in Russian Roubles per share)			
- basic	22	25.49	20.65

General Director

20 February 2007




Galina Ilyashenko

*JSC Seventh Continent*CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006
(in thousands of Russian Rubles, unless otherwise stated)

	2006	2005
Cash flows from operating activities		
Profit before taxation and minority interest	2 511 676	1 811 385
Adjustments for:		
Depreciation	714 213	380 800
Change in provision for impairment of receivables and receivable write-off	116 228	(1 609)
Derecognition of accounts payable	(96 299)	(2 547)
Loss on disposal of property, plant and equipment	19 334	1 738
Gain on resale of securities	(175 630)	-
Interest expenses	149 900	47 192
Interest income	(457 756)	(125 456)
Exchange difference	(43 865)	-
Other non-cash items	4 174	(17)
Operating cash flows before working capital changes	2 741 975	2 111 486
Increase in accounts receivable and prepayments	(103 304)	(216 822)
Decrease in inventories	(435 805)	(596 564)
Increase in long-term prepayments and other non-current receivables	(2 084 421)	(299 927)
Increase in accounts payable and accruals	890 144	666 467
Decrease/(increase) in taxes payable	68 315	20 267
Increase in other payables	139 781	346 652
Cash generated from operations	1 216 685	2 031 559
Income taxes paid	(520 467)	(437 194)
Interest paid	(186 458)	(12 672)
Interest received	127 575	127 058
Net cash generated from operating activities	637 335	1 708 751
Cash flows from investing activities		
Acquisition of subsidiaries, net cash outflow	(782 311)	-
Purchase of property, plant and equipment	(4 294 523)	(4 516 090)
Proceeds from sale of property, plant and equipment	938	16 966
Purchase of securities and other financial assets	(8 528 454)	-
Proceeds from sale of securities and other financial assets	8 519 655	-
(Decrease)/increase in loans given	(579 783)	8 891
Bank deposits	(700 000)	-
Cash flows from other investing activities	27	15
Net cash used in investing activities	(6 364 451)	(4 490 218)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares, net	6 595 458	-
Dividends paid	(150 000)	(64 519)
Payments of costs incurred related to initial public offering	(12 059)	(3 136)
Proceeds from borrowings	2 686 418	7 499 266
Repayment of borrowings	(3 790 929)	(4 925 359)
Net cash generated from financing activities	5 328 888	2 506 252
Net decrease in cash and cash equivalents	(398 228)	(275 215)
Cash and cash equivalents at the beginning of the year	1 886 902	2 174 042
Effect of exchange rate changes on cash and cash equivalents	(140 174)	(11 925)
Cash and cash equivalents at the end of the year	1 348 500	1 886 902

General Director

20 February 2007



Galina Ilyashenko

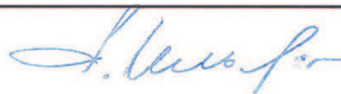
JSC Seventh Continent

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

(in thousands of Russian Roubles, unless otherwise stated)

	Attributable to equity holders of the Group					Total equity	Minority interest	Total equity
	Share capital	Share premium	Fair value reserve	Retained earnings	Translation gain/loss			
Balance as at 31 December 2004	96 929	2 392 257	396	904 724	-	3 394 306	-	3 394 306
Costs of issuing shares (net of tax of 990)	-	(3 135)	-	-	-	(3 135)	-	(3 135)
Fair value gain (net of tax of 31)	-	-	100	-	-	100	-	100
Net profit for 2005	-	-	-	1 332 393	-	1 332 393	-	1 332 393
Dividends	-	-	-	(64 619)	-	(64 619)	-	(64 619)
Balance as at 31 December 2005	96 929	2 389 122	496	2 172 498	-	4 659 045	-	4 659 045
Costs of issuing shares (net of tax of 2 894)	-	(9 165)	-	-	-	(9 165)	-	(9 165)
Issue of share capital	5 240	6 592 299	-	-	-	6 597 539	-	6 597 539
Acquisition of subsidiary	-	-	-	-	-	-	651 498	651 498
Equity investments disposal (net of tax of 154)	-	-	(496)	-	-	(496)	-	(496)
Net profit for 2006	-	-	-	1 838 152	(42)	1 838 110	-	1 838 110
Dividends	-	-	-	(150 000)	-	(150 000)	-	(150 000)
Balance as at 31 December 2006	102 169	8 972 256	-	3 860 650	(42)	12 935 033	651 498	13 586 531

General Director
20 February 2007



Galina Ilyashenko