LLC “Trade House “KOPEYKA”

Consolidated Financial Statements

Year ended 31 December 2004
with Report of Independent Auditors

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Consolidated Financial Statements

Year ended 31 December 2004

Contents

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Report of Independent Auditors

To the participants of LLC "Trade House "Kopeyka":

1. We have audited the accompanying consolidated balance sheet of LLC "Trade House "Kopeyka" (hereinafter referred to as the "Company" and together with its subsidiaries as the "Group"), a limited liability company, as of 31 December 2004, and the related consolidated income statement, statements of changes in net assets attributable to participants and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Except as discussed in the following paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As described in Note 3, the Company recorded its investment in subsidiaries acquired as a result of Group formation in the amounts equal to the nominal value of participants' interests as stated in the charter. At the date of transition to International Financial Reporting Standards (IFRS) the Company determined deemed cost of goodwill arising on acquisition of these subsidiaries as a difference between the cost of investment and its interest in the subsidiaries' net assets. We were unable to satisfy ourselves as to the cost of investment and, accordingly, the carrying amount of goodwill.

4. In our opinion, except for the effect on the financial statements of such adjustments, if any, that might have been determined to be necessary had we been able to satisfy ourselves as to the carrying amount of goodwill as noted in paragraph 3, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of LLC "Trade House "Kopeyka" as of 31 December 2004, and the consolidated results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Ernst & Young LLC

29 April 2005

LLC “Trade House “Kopeyka”

Consolidated Balance Sheets

(In thousands of US Dollars)

	Notes	31 December 2004	31 December 2003
ASSETS			
Non-current assets			
Property and equipment, net	**10**	**$ 97,246**	$ 55,216
Goodwill	**12**	**45,810**	43,157
Other intangible assets, net	**11**	**1,623**	1,312
Deferred income tax asset	**24**	**158**	106
Other non-current assets	**15**	**1,587**	726
		146,424	100,517
Current assets			
Inventories, net	**5**	**20,980**	10,970
Trade receivables, net	**6**	**2,466**	1,634
Advances paid	**7**	**2,522**	649
Taxes receivable	**8**	**11,294**	5,962
Cash and cash equivalents	**4**	**18,489**	2,927
Other current assets	**9**	**743**	1,090
		56,494	23,232
TOTAL ASSETS		**$ 202,918**	$ 123,749
LIABILITIES			
Non-current liabilities excluding net assets attributable to participants			
Deferred income tax liability	**24**	**$ 4,288**	$ 3,065
Other non-current liabilities	**15**	**1,007**	–
		5,295	3,065
Net assets, attributable to participants			
Charter capital	**18**	**106,644**	100,468
Translation difference		**344**	101
Cumulative surplus of net assets		**8,945**	2,430
Total net assets attributable to participants		**115,933**	102,999
Current liabilities			
Trade payables	**13**	**27,999**	14,537
Taxes payable	**14**	**1,515**	2,397
Short term debts	**16**	**50,844**	–
Other current liabilities	**17**	**1,332**	751
		81,690	17,685
TOTAL LIABILITIES		**$ 202,918**	$ 123,749

A.V. Samonov, President of the Company
29 April 2005

V. I. Shlepov, Finance Director
29 April 2005

The accompanying notes are an integral part of these financial statements.

LLC "Trade House "Kopeyka"

Consolidated Income Statements

Years ended 31 December 2004 and 2003

(In thousands of US Dollars)

	Notes	2004	2003
Revenues			
Retail sales		**$ 336,793**	$ 199,171
Wholesale sales		**27,344**	14,499
Other revenues	**21**	**8,093**	4,184
Total revenues		**372,230**	217,854
Cost of goods sold	**20**	**(294,159)**	(174,988)
Gross profit		**78,071**	42,866
Selling, general and administrative expenses	**22**	**(57,078)**	(33,536)
Other operating expenses		**(279)**	(460)
Profit from operating activities		**20,714**	8,870
Foreign exchange gain		**1,923**	–
Financial income/(expense), net	**23**	**(1,779)**	633
Profit before income taxes		**20,858**	9,503
Income tax expense	**24**	**(5,641)**	(2,634)
Net profit attributable to participants		**$ 15,217**	$ 6,869

The accompanying notes are an integral part of these financial statements.

LLC “Trade House “Kopeyka”

Consolidated Statements of Changes in Net Assets Attributable to Participants

Years ended 31 December 2004 and 2003

(In thousands of US Dollars)

	Charter capital (Note 18)	Cumulative surplus/(deficit) of net assets	Translation difference	Total net assets attributable to participants
At 31 December 2002	$ 94,044	$ (2,658)	–	$ 91,386
Redemption of participant’s interest (Note 18)	(974)	(205)	–	(1,179)
Net profit attributable to participants	–	6,869	–	6,869
Dividends (Note 19)	–	(1,481)	–	(1,481)
Effect of exchange rate changes	7,398	(95)	101	7,404
At 31 December 2003	$ 100,468	$ 2,430	$ 101	$ 102,999
Net profit attributable to participants	**–**	**15,217**	**–**	**15,217**
Dividends (Note 19)	**–**	**(8,860)**	**–**	**(8,860)**
Effect of exchange rate changes	**6,176**	**158**	**243**	**6,577**
At 31 December 2004	**$ 106,644**	**$ 8,945**	**$ 344**	**$ 115,933**

The accompanying notes are an integral part of these financial statements.

LLC “Trade House “Kopeyka”

Consolidated Statements of Cash Flows

Years ended 31 December 2004 and 2003

(In thousands of US Dollars)

	2004	2003
Cash flow from operating activities		
Profit before income taxes	**$ 20,858**	$ 9,503
Adjustments for:		
Interest income	**(113)**	(693)
Interest expense	**1,892**	61
Depreciation and amortization	**5,554**	3,384
Loss from fixed assets disposal	**41**	175
Foreign exchange gain	**(1,923)**	–
Operating cash flow before working capital changes	**26,309**	12,430
Increase in trade receivable and advances paid	**(2,469)**	5,157
Increase in inventories	**(8,990)**	(2,718)
Increase in taxes receivable	**(3,777)**	(3,779)
Increase in trade and other accounts payable	**9,165**	2,034
Increase / (decrease) in taxes payable	**(230)**	–
Decrease / (increase) in other assets	**816**	(192)
Cash generated from operations	**20,824**	12,932
Interest paid	**(678)**	(61)
Income taxes paid	**(6,411)**	(1,801)
Net cash flows from operating activities	**13,735**	11,070
Cash flows from investing activities		
Purchases of property, plant and equipment	**(38,097)**	(17,313)
Proceeds from the sale of property and equipment	**37**	136
Purchases of intangible assets	**(576)**	(791)
Interest received	**113**	693
Net cash used in investing activities	**(38,523)**	(17,275)
Cash flow from financing activities		
Redemption of participant’s interest	**–**	(1,179)
Proceeds from Drezdner Bank AG loan, net of mandatory restricted deposit and loan origination costs (Note 16)	**38,245**	–
Proceeds from / (repayment of) other short-term borrowings	**10,000**	(8,344)
Repayment of other non-current liability	**(481)**	–
Dividends paid	**(8,860)**	(1,481)
Net cash provided by / (used) in financing activities	**38,904**	(11,004)
Effect of exchange rate changes on cash and cash equivalents	**1,446**	808
Net increase / (decrease) in cash and cash equivalents	**15,562**	(16,401)
Cash and cash equivalents at beginning of year	**2,927**	19,328
Cash and cash equivalents at end of year	**$ 18,489**	$ 2,927

Refer Note 10 for non-cash acquisitions of property, plant and equipment.

The accompanying notes are an integral part of these financial statements.

1. Description of Business

LLC “Trade House “Kopeyka” (further referred to as the “Company”, or, together with its subsidiaries, the “Group”) is a limited liability company incorporated in Russia on 16 May 2002. The consolidated financial statements for the year ended 31 December 2004 were authorized for issue by the President of the Company on 29 April 2005.

The Group’s principal activity is food retailing. As of 31 December 2004, the Group operated 27 stores and supermarkets on own premises and 24 stores on leased premises in Moscow and the Moscow region, Russia. The Company also granted franchise rights to another 17 store operators. As of 31 December 2004 the Group employed approximately 2,800 employees (2003 - 2,500 employees, including personnel provided by third parties under several outsourcing service contracts).

The head office of the Company is located at Petrovsko-Razumovsky proezd, 28, Moscow, Russia.

2. Group Formation

The Company was formed by three individual shareholders and ZAO “Yukos-M” in May 2002. Upon formation, the individual shareholders contributed their ownership interests in the following entities: LLC “Felma” (80% interest), LLC “Trigger” (100% interest) and LLC “Nex” (100% interest) (collectively referred to as “predecessor entities”) in exchange for 49.5% share in the capital of the Company. ZAO “Yukos-M” contributed its 20% ownership interest in LLC “Felma” and cash in the amount of $35,840 (1,108,100 thousand rubles) in exchange for 50.5% share in the capital of the Company.

As a result of foundation agreement between the Company’s participants, the control over the predecessor entities was effectively transferred from their former shareholders to ZAO “Yukos-M”. Therefore, the Company accounted for acquired ownership interests in the predecessor entities as business combinations.

3. Summary of Significant Accounting Policies

Basis of Presentation

The Company has transitioned to IFRS at the beginning of the earliest period presented in these financial statements (1 January 2003) using the provisions of IFRS 1, “First-time Adoption of International Financial Reporting Standards”, which is effective for periods starting on or after 1 January 2004. IFRS 1 applies to first-time adopters of IFRS including companies that previously applied some, but not all IFRS, and disclosed this fact in their most recent previous financial statements. The Company's previous financial statements disclosed that management made certain estimates and assumptions to account for Group formation and acquisition of subsidiaries, which did not comply with IFRS 3, “Business combinations”.

3. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

The Company has applied an exemption permitted by IFRS 1 which allows an entity that did not prepare consolidated financial statements under its previously adopted accounting standards prior to the date of transition of IFRS not to apply purchase accounting to past business combinations. Accordingly, the Company determined the deemed cost of goodwill arising on acquisition of subsidiaries that is described in Note 2 as a difference at the date of transition to IFRS between the parent’s interest in the net assets of subsidiaries and the cost in the parent’s separate financial statements of its investments in the respective subsidiaries. Assets and liabilities of the subsidiaries at 1 January 2003 were adjusted to present them in accordance with IFRS. Since at the time of the Company’s formation no independent appraisal of the fair value of exchanged ownership interests was performed, the cost of investments in the parent’s separate financial statements was recorded in the amounts equal to the nominal values of participants interests as stated in the Company’s charter.

The Company has also applied an exemption permitted by IFRS 1 which allows an entity to measure property, plant, and equipment at the date of transition to IFRS at fair value and use that fair value as deemed cost. This exemption was applied to buildings with the carrying amount of $15,146 at 1 January 2003 that were recorded at the appraised value that management considered to be comparable to the fair value.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies in this Note.

The Company and its subsidiaries report to the Russian state authorities in rubles and maintain statutory accounting records in that currency. The accompanying financial statements have been prepared from the accounting records which are maintained in accordance with the Russian legislation. The accompanying financial statements differ from the financial statements prepared for statutory purposes in Russia in that they reflect certain adjustments, not recorded in the Company's Russian statutory accounting records, which are appropriate to present the financial position, results of operations, and cash flows in accordance with IFRS. The principal adjustments relate to business combinations, property and equipment valuation and depreciation and consolidation accounting.

3. Summary of Significant Accounting Policies (continued)

Reconciliation of Net assets attributable to participants and Net profit reported under Previous GAAP and under IFRS

Net assets attributable to participants and net profit are reconciled between previous GAAP and IFRS as follows:

	Total net assets attributable to participants at 1 January 2003	Net profit for the year ended 31 December 2003	Total net assets attributable to participants at 31 December 2003
Previous GAAP	$ 78,970	$ 5,087	$ 87,746
Adjustments of goodwill and goodwill amortization	10,697	1,556	13,164
Effect of application of IAS 29 to historical cost of fixed assets	2,256	(626)	1,783
Capitalization of leasehold improvements	–	1,029	1,072
Other adjustments	–	(107)	(112)
Tax effect of all adjustments	(537)	(70)	(654)
International Financial Reporting Standards	**$ 91,386**	**$ 6,869**	**$ 102,999**

The previous GAAP refers to the Company's prior year financial statements, in which the Company applied some, but not all, IFRS as described above. Capitalization of leasehold improvements represents a prior period adjustment to correct an error in the prior year financial statements discovered in 2004.

Measurement Currency

Based on the economic substance of the underlying events and circumstances relevant to the Group the measurement currency of Group has been determined to be the Russian Ruble, which is the national currency of the Russian Federation.

Presentation Currency

The accompanying financial statements are presented in US dollars. Such presentation is considered to be more convenient for certain users of the financial statements.

Assets and liabilities as of 31 December 2003 and 2004 have been translated into US dollars at the exchange rate existing at the balance sheet date. Income and expense items have been translated at the average rate for the twelve-month period ended 31 December 2003 and 2004. Net assets attributable to participants other than net profit for the period have been translated into US dollars at the exchange rate as of 31 December 2003 and 2004. All exchange differences resulting from translation have been recognized as a component of net assets attributable to participants.

3. Summary of Significant Accounting Policies (continued)

Presentation Currency (continued)

The Russian ruble is not a fully convertible currency outside the territory of the Russian Federation. Within the Russian Federation, official exchange rates are determined daily by the Central Bank of the Russian Federation (the "CBR"). Market rates may differ from the official rates but the differences are, generally, within narrow parameters monitored by the CBR. As of 31 December 2003 and 2004 the official rate of exchange was 29.4545 and 27.7487 rubles to US$1, respectively, and the average exchange rate for 2003 and 2004 was 30.6877 and 28.8150 rubles to US$1 respectively. Any translation of ruble amounts to US dollars should not be construed as a representation that such ruble amounts have been or will be convered into US dollars at the exchange rates shown.

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the measurement currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the measurement currency rate of exchange ruling at the balance sheet date. All resulting differences are taken to the consolidated income statement as foreign exchange gains (losses). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of LLC "Trade House "Kopeyka" and its subsidiaries drawn up to 31 December 2004 after elimination of all material inter-company transactions.

The following wholly owned subsidiaries were consolidated:
- LLC "Kopeyka Moscow",
- LLC "Kopeyka Development",
- LLC "Sovtranscargo",
- LLC "Kopeyka Samara",
- LLC "Kopeyka Development Samara",
- LLC "Kopeyka Moscow Region",
- LLC "Kopeyka Investment",
- LLC "Kopeyka Tula",
- LLC "Kopeyka Kaluga", and
- LLC "Kopeyka Riasan".

LLC "Kopeyka Moscow" is a retail operator for all of the Group's stores.

LLC "Kopeyka Development" is engaged in the development and management of commercial property in Moscow and the Moscow region, where the Group's stores are located.

LLC "Sovtranscargo" is a transport company providing services to LLC "Kopeyka Moscow" as well as certain external customers.

3. Summary of Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Other regional subsidiaries were established by the Company in 2003 and 2004 to expand its retail operations outside Moscow.

The financial statements of subsidiaries are prepared for the same reporting period as the financial statements of the parent company based on unified accounting policies.

Hyper-inflation

Prior to 1 January 2003, the characteristics of the economic environment of the Russian Federation indicated the existence of hyperinflation. Non-monetary assets and liabilities acquired by the Group prior to 31 December 2002 and share capital transactions occurring before 31 December 2002, which are not stated at current cost at the IFRS transition date of 1 January 2003, have been restated in accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies” by applying the relevant conversion factors to the historical cost through 31 December 2002.

Effective 1 January 2003, Russia ceased to be a hyperinflationary economy as defined by IAS 29 “Financial Reporting in Hyperinflationary Economies”.

Management Estimates

The preparation of financial statements in accordance with IFRS requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates with regard to those financial statements relate to the valuation and useful lives of fixed assets and deferred taxation.

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and at the Company's bank accounts and short-term investments with original maturity not exceeding three months.

Receivables

Receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for uncollectible amounts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for on a weighted average costing basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

3. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at purchase or construction cost less accumulated depreciation and any impairment in value. For certain fixed assets acquired prior to 1 January 2003, fair values as at 1 January 2003 have been used as deemed cost in accordance with the exemption provided in IFRS 1. Other fixed assets acquired prior to 1 January 2003 were restated in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" by applying the relevant conversion factors to the historical cost through 31 December 2002.

Depreciation is provided on a straight-line basis over the following estimated useful economic lives of the assets:

Asset Category	Depreciation Period
Buildings	30 years
Trade equipment	7 years
IT equipment	4 years
Vehicles	5-7 years
Fixtures and office equipment	3-5 years
Leasehold improvements	Term of lease

The carrying values of property and equipment are periodically reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use.

Construction in progress is recorded as the total of actual expenses incurred by the Company from the beginning of construction to the balance sheet date. Accrual of depreciation begins when fixed assets are put into operation.

The cost of maintenance, repairs and replacement of minor items of property is charged to maintenance expense. Renewals and betterments are capitalized. Upon the sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the determination of net income.

3. Summary of Significant Accounting Policies (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on an acquisition of a subsidiary is included in intangible assets. Goodwill is not amortized but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that carrying amount may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operations within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Employee Benefits – unified social taxes

Social contributions (including contributions to the state pension fund) are made through a unified social tax ("UST"), calculated by the Group through the application of a regressive rate from 35,6% to approximately 18% to the annual gross remuneration of each employee. The Group allocated the UST to three social funds (state pension fund, social and medical insurance funds), where the rate of contribution to the pension fund vary from 28% to 14% depending on the annual gross salary of each employee.

The Company's contributions relating to the UST are expensed when incurred.

Borrowings

Borrowings are initially recognized at cost, being the fair value of the consideration received, net of transaction costs incurred. In subsequent periods, borrowings are measured at amortized cost using the effective interest rate method; any difference between the fair value of the consideration received (net of transaction costs) and the redemption amount is recognized as interest expense over the period of the borrowings.

Borrowing costs are expensed as incurred.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3. Summary of Significant Accounting Policies (continued)

Revenues and Expenses

Revenues and expenses are recognized in the period when revenue is earned and expense is incurred. Revenue is recognized when the title to goods and risks of ownership are transferred to customer, provided that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

Revenues consisted of sales through food retail supermarkets and stores, wholesale sales and service fees.

Leases

Finance leases of equipment that transfer substantially all the risks and rewards incidental to ownership of the leased item to the Company are capitalized at the inception of the lease at the market value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to interest expense.

Capitalized leased assets are depreciated using the straight-line method over the estimated useful life of the asset like other fixed assets within the same class, with consideration of the contractual terms under which the assets can be used.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of operations on a straight-line basis over the lease term.

Income Taxes

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Summary of Significant Accounting Policies (continued)

Financial Instruments and Risk Management Polices

The Company’s financial instruments comprised primarily cash and various other financial instruments such as accounts receivable and payable, which arise directly from its activities. These instruments are carried at cost which approximates fair value due to their short maturities.

Throughout the reporting period it was the Company’s policy that no investment is made in other financial instruments. The main risks arising from the Company’s financial instruments are interest rate risk and credit risk.

The Company’s exposure to market risk for changes in the interest rates is limited as it is related primarily to the short-term bank deposits and borrowings.

In connection with its wholesale activities, the Company is exposed to the credit risk. The Company minimizes the risk through dealing only with recognized creditworthy third parties. Management reviews the trade receivable balances on an ongoing basis in addition to reviewing the financial position of the main customers and their compliance with the contract terms. As a result management believes that the Company’s exposure to bad debts is not significant.

4. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of 31 December:

	2004	2003
Petty cash	**$ 701**	$ 273
Cash at bank	**14,853**	2,036
Bank deposits	**698**	–
Cash to be deposited with banks	**2,237**	618
Total cash and cash equivalents	**$ 18,489**	$ 2,927

The Group deposited $411 in AB “Gazprombank” ZAO and $288 at LLC “Mosckovsky creditny bank” at 1.4% and 2% annual interest, respectively, till January 2005. Except for the above USD deposit, all other cash amounts are denominated in Russian rubles.

5. Inventories

Inventories as of 31 December were comprised as follows:

	2004	2003
Goods for resale	**$ 21,253**	$ 11,108
Other inventories	**348**	226
Allowance for obsolescence and inventory losses	**(621)**	(364)
Total inventories, net	**$ 20,980**	$ 10,970

5. Inventories (continued)

Goods for resale consisted of stocks in the retail outlets and warehouses. Provision for physical losses was estimated on the basis the results of periodic stock-takes. Provision for obsolescence reflected the reduction in the net realizable value due to the goods being damaged, or wholly or partially obsolete.

As of 31 December 2004 the Group had goods for resale with the carrying amount of $9,266 pledged to secure repayment of the loan obtained by the Group from AKB “Moskommertzbank” in April 2004 (see Note 16).

6. Trade Receivables

Trade receivables consisted of the following as of 31 December:

	2004	2003
Trade receivables	**$ 2,475**	$ 1,645
Allowance for doubtful accounts	**(9)**	(11)
Total trade receivables, net	**$ 2,466**	$ 1,634

Trade receivables included wholesale trade receivables and receivable from other debtors and franchisees.

7. Advances Paid

Advances paid consisted of the following as of 31 December:

	2004	2003
Advances to suppliers	**$ 1,494**	$ 391
Rent prepaids	**889**	163
Other	**139**	95
Total advances paid, net	**$ 2,522**	$ 649

8. Taxes Receivable

Taxes receivable consisted of the following as of 31 December:

	2004	2003
Input VAT and VAT recoverable	**$ 9,907**	$ 5,647
Income and other taxes receivable	**1,387**	315
Total taxes receivable	**$ 11,294**	$ 5,962

Majority of input Value Added Tax (VAT) and VAT recoverable represented amounts paid in relation to acquisition of fixed assets to be commissioned, construction in progress and the purchase of goods for resale, which will be off-set against VAT on sale of goods to customers. The Company believes that amounts are fully recoverable within a year.

9. Other Current Assets

Other current assets consisted of the following as of 31 December:

	2004	2003
Short-term loans granted	$ **525**	$ –
Promissory note of LLC "Exploration"	–	1,056
Other current assets	**218**	34
Total other current assets	**$ 743**	$ 1,090

The short-term promissory note of LLC "Exploration" is stated at cost, which is equal to face value, and bears no interest. In January 2004 the Group received the face value of the note through the arbitration in full.

In 2004, the Group granted a short-term loan to OOO "Polius" in a total amount of $ 404 at 24% interest maturing in 2005. As of 31 December 2004, $ 377 of the loan principal and $3 of accrued interest remained outstanding.

As of 31 December 2004 the Group had $145 of short-term loan receivable from OOO "Moskoviya Lux" bearing no interest and maturing in April 2005.

The above loans are denominated in rubles and stated at cost that approximates their fair value due to short maturity.

10. Property and Equipment

The analysis of activity in property and equipment is as follows:

	Buildings	Trade equipment	Vehicles	Other	Construction in progress and advances to contractors	Leasehold improvements	Total
Cost							
Balance as of 1 January 2003	$ 14,344	$ 8,220	$ 1,043	$ 1,392	$ 15,795	$ –	$ 40,794
Additions	–	–	–	–	16,162	1,192	17,354
Transfers	23,479	4,251	426	1,156	(29,312)	–	–
Disposals	–	(238)	(108)	(109)	–	–	(455)
Translation difference	2,118	819	95	154	698	50	3,934
31 December 2003	**$ 39,941**	**$ 13,052**	**$ 1,456**	**$ 2,593**	**$ 3,343**	**$ 1,242**	**$ 61,627**
Accumulated depreciation							
Balance as of 1 January 2003	$ (308)	$ (2,247)	$ (171)	$ (301)	$ –	$ –	$ (3,027)
Depreciation for the year	(791)	(1,691)	(238)	(279)	–	(163)	(3,162)
Disposals	–	101	30	13	–	–	144
Translation difference	(57)	(244)	(23)	(35)	–	(7)	(366)
Balance as of 31 December 2003	**$ (1,156)**	**$ (4,081)**	**$ (402)**	**$ (602)**	**$ –**	**$ (170)**	**$ (6,411)**
Net book value	**$ 38,785**	**$ 8,971**	**$ 1,054**	**$ 1,991**	**$ 3,343**	**$ 1,072**	**$ 55,216**

10. Property and Equipment (continued)

	Buildings	Trade equipment	Vehicles	Other	Construction in progress and advances to contractors	Leasehold improvements	Total
Cost							
Balance as of 1 January 2004	$ 39,941	$ 13,052	$ 1,456	$ 2,593	$ 3,343	$ 1,242	$ 61,627
Additions	–	–	–	–	41,447	1,037	42,484
Transfers	2,949	7,420	752	389	(11,510)	–	–
Disposals	–	(64)	(15)	(34)	–	–	(113)
Translation difference	2,569	1,084	118	174	1,356	117	5,418
31 December 2004	**$ 45,459**	**$ 21,492**	**$ 2,311**	**$ 3,122**	**$ 34,636**	**$ 2,396**	**$ 109,416**
Accumulated depreciation							
Balance as of 1 January 2004	$ (1,156)	$ (4,081)	$ (402)	$ (602)	$ –	$ (170)	$ (6,411)
Depreciation for the year	(1,382)	(2,685)	(311)	(399)	–	(422)	(5,199)
Disposals	–	30	3	2	–	–	35
Translation difference	(125)	(353)	(36)	(54)	–	(27)	(595)
Balance as of 31 December 2004	**$ (2,663)**	**$ (7,089)**	**$ (746)**	**$ (1,053)**	**$ –**	**$ (619)**	**$ (12,170)**
Net book value	**$ 42,796**	**$ 14,403**	**$ 1,565**	**$ 2,069**	**$ 34,636**	**$ 1,777**	**$ 97,246**

Trade equipment with the carrying amount of $10,669 was pledged to secure repayment of the loan obtained by the Group from AKB “Moskommertzbank” in April 2004 (see Note 16).

In 2004, the Group acquired IT equipment in the amount of $1,673 on credit terms (see Note 15).

11. Other Intangible Assets

The analysis of activity in intangible assets was as follows:

	2004	2003
Cost		
Balance at 1 January	**$ 1,761**	$ 868
Additions	**576**	791
Translation difference	**130**	102
Balance at 31 December	**2,467**	1,761
Accumulated amortization		
Balance at 1 January	**(449)**	(202)
Amortization for the year	**(355)**	(231)
Translation difference	**(40)**	(16)
Balance at 31 December	**(844)**	(449)
Net intangible assets	**$ 1,623**	$ 1,312

11. Other Intangible Assets (continued)

The intangible assets included purchased software, licenses and trademarks. Amortization is provided on a straight line basis over the estimated useful lives of the respective assets that averaged 5 years.

12. Goodwill

As described in Note 3, goodwill represented the difference between the net assets of the subsidiaries acquired upon the Group formation in May 2002 and the carrying amount of the respective investments in the Company’s books.

13. Trade Accounts Payable

Trade payables represented current payables to suppliers for goods and services.

14. Taxes Payable

Taxes payable consisted of the following as of 31 December:

	2004	2003
Sales tax	**$ –**	$ 1,168
Value added tax payable	**950**	–
Income tax	**167**	896
Property tax	**276**	270
Other taxes	**122**	63
	$ 1,515	$ 2,397

15. Other Non-Current Assets and Other Non-Current Liabilities

Other non-current assets primarily consisted of the following as of 31 December:

	2004	2003
Restricted deposit (Note 16)	**$ 1,264**	$ –
Long-term rent deposits	**300**	433
Other	**23**	293
Total	**$ 1,587**	$ 726

15. Other Non-Current Assets and Other Non-Current Liabilities (continued)

Other long-term liabilities included long term portion of the payables in relation to the IT equipment acquired on credit terms (Note 10) and stated at the fair value based on cash flows discounted using the borrowings rate of 12% as at 31 December 2004. Repayments are denominated in U.S. dollars and scheduled as follows:

2005	$ 804
2006	804
2007	297
Total payments	**1,905**
Less interest	(253)
Carrying amount of liability	**1,652**
Less short-term portion	(681)
Long term portion	**$ 971**

16. Short-term Debt

Short-term debt consisted of the following as of 31 December:

	2004	2003
Loan from Dresdner Bank AG	**$ 40,000**	$ –
Loan from AKB "Moskommerzbank"	**10,000**	–
Loan from a related party (Note 25)	**72**	–
Interest payable	**1,261**	–
Unamortized loan origination cost	**(489)**	–
Total	**$ 50,844**	$ –

In September 2004, the Group entered into a loan agreement with Drezdner Bank AG for $ 40 million bearing 12% annual interest maturing on 30 March 2006. The loan was funded by credit-linked notes issued by Drezdner Bank AG to a group of investors who are granted a put option on the notes that can be exercised in one year from the date of issuance. As of 31 December 2004, the Group had $41,227 payable to Drezdner Bank AG, including $40,000 of loan principal and $1,227 of accrued interest. Under the currency control regulation enacted in Russia, the Group deposited $1,200 in Gazprombank, representing 3% of the loan principal until repayment of the loan. The loan origination costs incurred by the Group in a total amount of $555 are amortized over the loan term using the effective interest rate method. The loan agreement contains certain restrictive covenants including limitation on payment of dividends by the Company's subsidiaries.

In April 2004 the Group obtained a loan of $ 10 million from AKB "Moskommertzbank" for the acquisition and reconstruction of retail property at 11.25% annual interest maturing on 14 May 2005. The loan is secured by the Group's trade equipment and goods-for-resale. As of 31 December 2004 the Group had an outstanding principal of $10,000 and $34 of interest accrued in relation to this loan.

17. Other Current Liabilities

	2004	2003
Wages and social taxes	**$ 474**	$ 81
Commission payable	**489**	408
Other payables	**369**	262
Total other current liabilities	**$ 1,332**	$ 751

18. Charter Capital

As a Russian limited liability company, the Company has no share capital; rather, it has registered capital contributed by the participants in the amounts specified in the charter that represent each participant's ownership interest. As such, no earnings per share are presented in these financial statements.

In accordance with the charter, the Company is obliged to distribute 25% of net profits determined as per the statutory accounts as dividends. Each participant has a right to a dividend distribution proportional to its ownership interest. When a participant decides to exit the Company, the Company is obliged to repay the actual value of the participant's interest that is determined as its proportional share of net assets reported in the statutory accounts.

At the moment of the state registration, the Company's authorized capital amounted to $86,605 (2,752,673 thousand rubles) and was distributed between participants as follows: $43,735 (50.5%) – ZAO "Yukos-M"; $25,722 (29.7%) – A. V. Samonov; $8,574 (9.9%) – S. A. Lomakin; $8,574 (9.9%) – A. K. Khachatryan. These amounts were fully paid in 2002 through cash and in-kind contribution by participants.

In October 2003, ZAO "Yukos-M" sold its interest to LLC "Aktiv-Holding" (16.5%), ZAO "Kalina" (16.5%), ZAO "Korall" (16.5%) and LLC "Kopeyka Development" (1%), a wholly owned subsidiary of the Company. Subsequently, the Company registered a reduction of its authorized capital for the amount of interest purchased by LLC "Kopeyka Development". The difference between nominal value of this interest ($897) and amount paid by LLC "Kopeyka Development" to ZAO "Yukos-M" ($1,179) was charged to equity as a redemption of participant's interest. Accordingly, as of 31 December 2003, the authorized capital amounted to $92,520 (2,725,146 thousand rubles) and was distributed as follows: $15,420 (16⅔%) – LLC "Aktiv-Holding"; $15,420 (16⅔%) –ZAO "Kalina"; $15,420 (16⅔%) – ZAO "Korall"; $27,756 (30%) – A. V. Samonov; $9,252 (10%) – S. A. Lomakin; $9,252 (10%) – A. K. Khachatryan.

In 2004 LLC "Aktiv-Holding", ZAO "Kalina" and ZAO "Korall" sold 100% of their ownership interest to Eckleton Ltd, a BVI legal entity.

19. Dividends Paid

In October 2004, the Company declared dividend distribution to its participants in the amount of $8,860. Dividends were paid in 2004.

In September 2003, the Company declared and paid dividends to its participants in amount of $1,481.

20. Cost of Goods Sold

Cost of goods sold for the year ended 31 December was comprised of the following:

	2004	2003
Goods for resale - retail sales	**$ 268,703**	$ 161,538
Goods for resale - wholesale sales	**25,456**	13,450
Total cost of goods sold	**$ 294,159**	$ 174,988

21. Other Revenues

Other revenues for the year ended 31 December comprised the following:

	2004	2003
Marketing services	**$ 6,290**	$ 2,944
Rent	**1,599**	562
Repair services	**–**	519
Other	**204**	159
Total other revenues	**$ 8,093**	$ 4,184

22. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended 31 December comprised the following:

	2004	2003
Personnel	**$ 19,705**	$ 12,249
Materials and supplies	**6,724**	1,945
Rent	**6,388**	4,844
Depreciation and amortization	**5,554**	3,384
Commissions	**5,249**	641
Marketing and advertising	**3,537**	2,237
Shortage and obsolescence of goods	**3,510**	3,238
Utilities	**1,386**	593
Repair and maintenance	**1,271**	1,448
Audit, consulting and legal fees	**1,054**	276
Taxes other than income tax	**894**	921
Bank charges	**636**	314
Security	**504**	213
Communication costs	**429**	345
Transportation	**129**	262
Insurance	**64**	216
Other	**44**	410
Total selling, general and administrative expenses	**$ 57,078**	$ 33,536

23. Financial Income/(Expense)

Financial income and expenses for the years ended 31 December was comprised as follows:

	2004	2003
Interest income	**$ 113**	$ 694
Interest expense	**(1,892)**	(61)
Total finance income/(expense), net	**$ (1,779)**	$ 633

24. Income Taxes

Each group entity was subject to profit taxation on its income. Income tax expense consisted of the following amounts during 2004 and 2003:

	2004	2003
Current income tax expense	**$ 4,259**	$ 1,878
Tax on intra-group dividends	**429**	89
Deferred income tax expense	**953**	667
Total income tax expense	**$ 5,641**	$ 2,634

24. Income Taxes (continued)

Reconciliation between the income tax expense reported in the accompanying income statement and income before taxes multiplied by the statutory tax rate of 24% is as follows:

	2004	2003
Tax expense computed on income before taxes at the statutory tax rate of 24%	**$ 5,006**	$ 2,281
Tax on intra - group dividends	**428**	89
Effect of non-deductible expenses	**207**	264
Income tax expense	**$ 5,641**	$ 2,634

The deferred tax balances were calculated by applying the statutory tax rate of 24% in effect at the respective balance sheet date to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the accompanying balance sheet, and are comprised of the following:

	2004	2003
Effect of temporary differences resulting in deferred tax asset:		
Difference in valuation of goods for resale	**$ 149**	$ 87
Difference in valuation of accounts receivable	**9**	19
Total deferred tax asset	**158**	106
Effect of temporary differences resulting in deferred tax liability:		
Difference in property, plant and equipment valuation	**3,654**	2,708
Difference in intangible assets valuation	**634**	357
Total deferred tax liability	**4,288**	3,065
Net deferred tax liability	**$ 4,130**	$ 2,959

25. Related Party Transactions

The Group companies entered into transactions with related parties who are not members of the Group. In the opinion of management, these transactions were conducted on normal commercial terms. The transactions along with related balances included as at 31 December and for the years then ended are presented in the following table and the notes below.

	Amounts due from/(to)	
	2004	2003
LLC "TD Ryabina"	**$ 174**	$ 115
ZAO ChOP "Goodwill-Garant"	**(47)**	(21)
LLC "Strek"	**20**	20
ZAO "Kofeinaya fabrika "Select"	**$ (122)**	$ (157)

25. Related Party Transactions (continued)

LLC “Torgovy Dom “Ryabina” operates a retail food store in the Moscow region under the franchise agreement. Owners of LLC “Torgovy Dom “Ryabina” transferred their ownership interests into a trust management to the Company who is acting as a trustee. Receivable balances of $115 and $174 were included in trade receivables as of 31 December 2003 and 2004, respectively. Total volume of retail sales through LLC “Torgovy Dom “Ryabina” were $481 and $6,933 in 2003 and 2004, respectively. Repair works performed by the Group at the respective store amounted to $24 in 2003 and $433 in 2004.

LLC “ChOP Goodwill-Garant”, LLC “Strek” and ZAO “Kofeinaya fabrika “Select” are controlled by the Company’s participants. The balances due to these entities were accounted for within other current liabilities. The 2003 and 2004 activities with these companies included receiving of rent, security and other services necessary for day-to-day business activities.

LLC “ChOP Goodwill-Garant” provided security services to the Group for $504 and $213 in total in 2004 and 2003, respectively.

Receivable from LLC “Strek” represented prepayments made by the Group for fixed assets in 2004.

LLC “Kofeinaya fabrika “Select” provided the Group with retail floor space for rent in the amount of $429 and $91 in 2003 and 2004, respectively, which was accounted for within trade accounts payable. In 2004, part of rented properties was subsequently acquired by the Group for $601. On 28 December 2004, LLC “Kofeinaya fabrika “Select” provided the Group with a loan of $72 bearing 13% annual interest with a maturity date of 27 December 2005.

26. Commitments and Contingencies

General Contingencies

The Russian economy while deemed to be of market status beginning in 2002, continues to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets, and the existence of currency controls, which cause the national currency to be illiquid outside of Russia. The continued success and stability of the Russian economy will be significantly impacted by the government’s continued actions with regard to supervisory, legal, and economic reforms.

26. Commitments and Contingencies (continued)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavorable outcome. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2004 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained.

The Group’s policy is to accrue for tax provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable. Because of the uncertainties associated with the Russian tax and legal systems, the ultimate amount of taxes, penalties and interest assessed, if any, may be in excess of the amount expensed to date and accrued as of 31 December 2004.

The management’s estimate of the amount of possible liabilities, including fines, that could be incurred in case the tax authorities disagree with the Group’s position on certain tax matters and certain tax practices used by the Group is approximately $8,400 at 31 December 2004. Management believes that it is not probable that the ultimate outcome, of such matters would result in a liability. Therefore, no provision for these contingencies was recorded in the accompanying financial statements.

Legal Proceedings

In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

26. Commitments and Contingencies (continued)

Purchase and Lease Commitments

As of 31 December 2004, the Group had a number of outstanding cancelable and non-cancelable long-term lease contracts priced in US dollars with lease terms varying from three to 10 years. The rent is paid when incurred on a monthly basis. Future minimum rentals payable under the non-cancelable operating leases were as follows as at 31 December 2004:

Within one year	**$ 5,735**
After one year but not more than five years	**20,612**
More than five years	**13,108**

As of 31 December 2004, the Group had unfulfilled purchase commitments for trade equipment and store fittings amounting to $1,221. The equipment is ordered where and when required.

27. Subsequent Events

Following a VAT review performed by the Tax Inspectorate in 2004, in 2005 the Group received a tax claim in a total amount of $3,316, including $1,331 of fines and penalties. This claim relates to the application of Constitutional court decision on deductibility of input VAT paid from the borrowed funds. In March 2005 the Group paid $3,017 of the tax claim and penalties. The Group disputes this tax claim in court. Management believes that a successful outcome of the matter is probable.

Under the loan agreement with OAO AKB “AVTOBANK - NIKOIL” of 12 December 2004 for a credit line facility of up to $25 million with 13.5% interest, in 2005 the Group obtained a first tranche of $5 million. The credit line facility is available till 25 September 2005.

On 30 March 2005 the Company’s participants approved the issuance of 1.2 billion rubles ($43,245) of interest bearing bonds with a three-year maturity term.