

JSC Seventh Continent

Consolidated Interim Financial Statements,
prepared in accordance with International
Financial Reporting Standards (IFRS)
as at 30 June 2007



BDO Unicon
Auditors and Consultants

Closed joint-stock company

125, Warshavskoye shosse,
Moscow, 117545, Russia
Tel.: +7 (495) 797 5665
Fax: +7 (495) 797 5660
e-mail: reception@bdo.ru
www.bdo.ru

Report on review of financial statements

To the Shareholders of JSC Seventh Continent

We have reviewed the accompanying interim consolidated balance sheet of JSC Seventh Continent and its subsidiaries (hereinafter – the Group) as of 30 June 2007, and the related interim consolidated statements of income, cash flows and changes in equity for 6 months ended 30 June 2007. These interim consolidated financial statements are the responsibility of the Group's management. Our responsibility is to prepare the report on these interim consolidated financial statements on the basis of conducted review.

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

This standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim condensed financial information is free of material misstatement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information has not been properly prepared in accordance with International Financial Reporting Standards.

Irina B. Smirnova
Partner

BDO Unicon Inc.

Section 11, build.1, 125 Warshavskoye Shosse, Moscow, 117545, Russian Federation

	Note	30 June 2007	31 December 2006
ASSETS			
Current assets			
Cash and cash equivalents	4	2 701 036	1 348 500
Short-term financial investments	5	4 685 858	1 384 615
Short-term receivables and prepayments	6	1 347 028	1 598 261
Inventories	7	1 794 662	2 100 986
Total current assets		10 528 584	6 432 362
Non-current assets			
Property, plant and equipment	9	11 801 353	6 168 485
Long-term prepayments and other non-current receivables	8	4 978 461	6 876 892
Goodwill	3	176 433	176 433
Other non-current assets	10	38 865	30 704
Deferred tax asset	14	21 199	31 213
Total non-current assets		17 016 311	13 283 727
Total assets		27 544 895	19 716 089
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		3 096 306	3 955 660
Other accounts payable	11	565 424	520 102
Taxes payable	12	245 726	294 180
Short-term loans	13	958 656	927 429
Total current liabilities		4 866 112	5 697 371
Non-current liabilities			
Long-term loans	13	7 362 227	406 514
Deferred tax liability	14	744 753	25 673
Total non-current liabilities		8 106 980	432 187
Total liabilities		12 973 092	6 129 558
Equity			
Share capital	15	102 169	102 169
Share premium	15	8 972 256	8 972 256
Retained earnings		4 821 056	3 860 650
Translation loss		(6 378)	(42)
Total parent company shareholders funds		13 889 103	12 935 033
Minority interest		682 700	651 498
Total equity		14 571 803	13 586 531
Total liabilities and equity		27 544 895	19 716 089

General Director

21 August 2007



Galina Ilyashenko

**CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS,
ENDED 30 JUNE 2007***(in thousands of Russian Roubles, unless otherwise stated)*

	Note	Six months ended 30 June 2007	Six months ended 30 June 2006
Sales	16	15 467 046	12 471 161
Cost of sales	17	(10 707 508)	(8 578 133)
Gross profit		4 759 538	3 893 028
General, selling and distribution expenses	18	(3 493 828)	(2 803 504)
Other operating income (expenses) net	19	(155 068)	23 925
Operating income		1 110 642	1 113 449
Interest expense		(45 166)	(90 903)
Interest income		192 571	159 543
Other non-operating income, net	20	481 995	32 165
Profit before taxation		1 740 042	1 214 254
Income tax expense	14	(373 434)	(319 984)
Profit after taxation		1 366 608	894 270
Minority interest		(31 202)	(14 086)
Net profit		1 335 406	880 184
Earnings per share (expressed in Russian Roubles per share) - basic		17.81	11.74

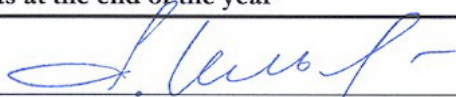
General Director

21 August 2007

Galina Ilyashenko

JSC Seventh Continent**CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE SIX MONTHS,
ENDED 30 JUNE 2007***(in thousands of Russian Roubles, unless otherwise stated)*

	Six months ended 30 June 2007	Six months ended 30 June 2006
Cash flows from operating activities		
Profit before taxation and minority interest	1 740 042	1 214 254
Adjustments for:		
Fixed and intangible assets depreciation	420 800	376 392
Excess recognized of the acquirer's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination	(399 042)	-
Change in provision for impairment of receivables and receivable write-off	142 989	5 465
Interest expenses	45 166	90 904
Loss on disposal of property, plant and equipment	13 093	889
Exchange difference	15 812	-
Provision for deferred tax assets	8 108	-
Interest income	(192 571)	(156 188)
Gain on resale of securities	(184 335)	-
Derecognition of accounts payable	(52 117)	(288)
Other non-cash items	26 676	9
Operating cash flows before working capital changes	1 584 621	1 531 437
Decrease in accounts receivable and prepayments	151 254	511 351
Decrease/ (increase) in inventories	303 856	(419 988)
Decrease in long-term prepayments and other receivables	1 818	42 577
Decrease in accounts payable and accruals	(859 354)	(980 208)
Decrease in taxes payable	(33 398)	(109 720)
Increase in other payables	16 827	279 629
Cash generated from operations	1 165 624	855 078
Income taxes paid	(488 180)	(403 383)
Interest paid	(54 067)	(94 692)
Interest received	130 001	133 777
Net cash generated from operating activities	753 378	490 780
Cash flows from investing activities		
Acquisition of subsidiaries, net cash outflow	-	(703 550)
Cash obtained upon subsidiary's acquisition	11 048	-
Purchase of property, plant and equipment and prepayments for property, plant and equipment	(1 876 716)	(894 484)
Proceeds from sale of property, plant and equipment	40	172
Purchase of securities and other financial assets	(9 902 120)	(250 000)
Proceeds from sale of securities and other financial assets	10 167 326	-
Increase in loans given	(4 494 368)	(509 166)
Net cash used in investing activities	(6 094 790)	(2 357 028)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares, net	-	6 595 458
Dividends paid	(299 404)	-
Payments of costs incurred related to initial public offering	-	(12 420)
Proceeds from borrowings	10 988 372	60 000
Repayment of borrowings	(3 995 020)	(60 000)
Net cash generated from financing activities	6 693 948	6 583 038
Net increase in cash and cash equivalents	1 352 536	4 716 790
Cash and cash equivalents at the beginning of the year	1 348 500	1 886 902
Cash and cash equivalents at the end of the year	2 701 036	6 603 692

General Director
21 August 2007


Galina Ilyashenko

The accompanying notes on pages 5 to 23 are an integral part of these consolidated financial statements

3

TRANSLATION FROM THE ORIGINAL IN RUSSIAN

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS, ENDED 30 JUNE 2007

(in thousands of Russian Roubles, unless otherwise stated)

	Attributable to equity holders of the Group				Total shareholders' equity	Minority interest	Total equity
	Share capital	Share premium	Retained earnings	Effect of translation to presentation currency			
Balance as at 31 December 2006	102 169	8 972 256	3 860 650	(42)	12 935 033	651 498	13 586 531
Dividends	-	-	(375 000)	-	(375 000)	-	(375 000)
Net profit for the six months ended 30 June 2007	-	-	1 335 406	(6 336)	1 329 070	31 202	1 360 272
Balance as at 30 June 2007	102 169	8 972 256	4 821 056	(6 378)	13 889 103	682 700	14 571 803

General Director

21 August 2007

Galina Ilyashenko