



TRANSLATION FROM THE ORIGINAL IN ENGLISH

REPORT ON REVIEW OF FINANCIAL STATEMENTS

To the Shareholders of JSC Seventh Continent

We have reviewed the accompanying consolidated interim balance sheet of JSC Seventh Continent (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2006, and the related consolidated interim statements of income, of cash flows, of changes in shareholders’ equity for the six months then ended and the related notes to the interim financial statements. These consolidated interim financial statements are the responsibility of the Group’s management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim financial statements are free of material misstatement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provides 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 statements are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards.

Andrey Baliakin

/signature/

Deputy General Director

10 August 2006

	30 June 2006	31 December 2005
ASSETS		
Current assets:		
Cash and cash equivalents	6 603 692	1 886 902
Short-term Investments	1 007 668	66 987
Accounts receivable and prepayments	1 032 080	838 439
Inventories	1 156 094	1 576 319
Total current assets	9 799 534	4 368 647
Non-current assets		
Property, plant and equipment	5 002 268	3 844 415
Long-term prepayments and other non-current receivables	2 375 681	2 581 792
Goodwill	177 391	1 525
Other non-current assets	261 702	11 795
Total non-current assets	7 817 042	6 439 527
Total assets	17 616 576	10 808 174
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade payables	1 825 759	2 805 965
Other payables	663 036	463 493
Taxes payable	105 546	215 266
Loans	2 484 218	2 640 507
Total current liabilities	5 078 559	6 125 231
Non-current liabilities:		
Deferred tax liability	28 259	23 897
Total non-current liabilities	28 259	23 897
Total liabilities	5 106 818	6 149 128
Shareholders' equity:		
Share capital	102 169	96 929
Share premium	8 971 982	2 389 122
Fair value reserve	555	496
Retained earnings	2 902 682	2 172 499
Minority Interests	532 370	-
Total shareholders' equity	12 509 758	4 659 046
Total liabilities and shareholders' equity	17 616 576	10 808 174

General Director

Galina I. Ilyashenko

9 August 2006

JSC Seventh Continent
CONSOLIDATED INTERIM STATEMENT OF INCOME
AS AT 30 JUNE 2006
(in thousands of Russian Roubles)

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	Half-year 2006	Half-year 2005
Sales	12 471 161	9 182 010
Cost of goods sold	(8 578 133)	(6 218 884)
Gross profit	3 893 028	2 963 126
General, selling and distribution expenses	(2 821 326)	(2 259 880)
Other operating income and expenses (net)	41 747	2 798
Operating income	1 113 449	706 044
Interest expense	(90 903)	(3)
Interest income	159 543	72 958
Other non-operating income / expenses, net	32 165	6 333
Profit before taxation	1 214 254	785 332
Income tax expense	(319 984)	(174 312)
Profit for the period	894 270	611 020
Minority Interests	(14 086)	-
Net income	880 184	611 020
Earnings per share (expressed in Russian Roubles per share)		
- basic and diluted	11,74	9,47

General Director

Galina I. Ilyashenko

9 August 2006

JSC Seventh Continent
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2006
(in thousands of Russian Roubles)

Translation from the original in English

	Half-year 2006	Half-year 2005
Cash flow from operating activities		
Income before taxation	1 214 254	785 331
The sum of adjustments of profit before taxation, not including changes in a working capital	317 183	188 972
The sum of changes in working capital	(637 275)	(576 756)
Income taxes paid	(403 383)	(212 811)
Net cash generated from operating activities	490 779	184 736
Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets	(894 483)	(734 550)
Proceeds from sale of property, plant and equipment	172	1 074
Increase in loans given	(509 166)	(40 263)
Purchase of affiliated company	(703 550)	-
Purchase of bonds	(250 000)	-
Cash flow from other investing activities	-	(118)
Net cash used in investing activities	(2 357 027)	(773 857)
Cash flow from financing activities		
Proceeds from issuance of ordinary shares, net	6 595 458	-
Payments of costs incurred related to initial public offering	(12 420)	(3 038)
Proceeds from borrowings	60 000	-
Repayment of borrowings	(60 000)	-
Net cash generated from financing activities	6 583 038	(3 038)
Net (decrease)/increase in cash and cash equivalents	4 716 790	(592 159)
Cash and cash equivalents at the beginning of the year	1 886 902	2 174 042
Cash and cash equivalents at the end of the year	6 603 692	1 581 883

General Director

Galina I. Ilyashenko

9 August 2006

JSC Seventh Continent**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY****FOR THE SIX MONTHS ENDED 30 JUNE 2006***(in thousands of Russian Roubles, unless otherwise stated)***Translation from the original in English**

	Attributable to equity holders of the Group				Total shareholders' equity	Minority Interest	Total equity
	Share capital	Share premium	Fair value reserve	Retained earnings			
Balance as at 31 December 2005	96 929	2 389 122	496	2 172 497	4 659 044	-	4 659 044
Costs of issuing shares (net of tax RR 2981)	-	(9 439)	-	-	(9 439)	-	(9 439)
Issue of share capital	5 240	6 592 299	-	-	6 597 539	-	6 597 539
Purchase of affiliated company	-	-	-	-	-	518 284	518 284
Fair value gain	-	-	59	-	59	-	59
Dividends	-	-	-	(150 000)	(150 000)	-	(150 000)
Net income for the period	-	-	-	880 184	880 184	14 086	894 270
Balance as at 30 June 2006	102 169	8 971 982	555	2 902 682	11 977 388	532 370	12 509 758

General Director

Galina I. Ilyashenko

9 August 2006