

APPROVED
by the Board of Directors of Open Joint-Stock Company Concern "KALINA"
Minutes No. 4 dd. August 14, 2006

QUARTERLY REPORT

Open Joint-Stock Company Concern "KALINA"

Issuer's code

3 0 3 0 6 – D

for the 2nd quarter of year 2006

*Location of the Issuer: 80, Komsomolskaya St.,
Yekaterinburg, 620138*

Information in the present quarterly report shall be disclosed in conformity with the Russian laws on the securities

Chief Executive Officer

T.R. Goryayev
Signature

Date: August 14, 2006

Issuer's chief accountant

T.G. Babina
Signature
L.S.

Date: August 14, 2006

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where the information of the present quarterly report is disclosed

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Introduction

a. Full/Abridged Trade Name of the Issuer.

Open Joint-Stock Company Concern "KALINA" / JSC Concern "KALINA"

b. Location, Postal Address of the Issuer.

Location: ***80, Komsomolskaya St., Ekaterinburg, 620138 Russian Federation***

Postal address: ***80, Komsomolskaya St., Ekaterinburg, 620138 Russian Federation***

c. Contact phone numbers and electronic mail of the Issuer.

Telephone: ***+7 (343) 262-22-36;***

+7 (343) 262-06-81;

+7 (343) 262-09-86

Fax: ***+7 (343) 262-22-32***

E-mail: ***cfininet@kalina.org***

d. Web-sites where full text of the Issuer's quarterly report is published.

www.kalina.org

e. Basic information of the securities placed:

Information of JSC Concern "Kalina" shares.

Kind, category (type) of the securities: ***ordinary non-documentary registered shares***

Number of the securities actually placed in accordance with the registered report on the issue results: ***1,387,403***

Face value of each security of the issue: ***70 RUR***

Total amount of the issue: ***97,118,210 RUR***

Order of placement:

Method of placement: ***public offering***

Period of placement: ***from April 26, 2004 to April 30, 2004***

Price of placement when shareholders were exercising their pre-emptive right for acquisition of the securities: ***525 RUR***

Price of placement at Moscow Interbank Currency Exchange (MMVB): ***550.62 RUR***

Current state of the issue: ***in circulation***

Kind, category (type) of the securities: ***ordinary non-documentary registered shares***

Number of the securities actually placed in accordance with the registered report on the issue results: ***9,020,701***

Face value of each security of the issue: ***70 RUR***

Total amount of the issue: ***631,449,070 RUR***

Order of placement:

Method of placement: ***conversion***

Period of placement: ***from September 5, 2001 to September 5, 2001***

Price of placement: ***70 RUR***

Current state of the issue: ***part of the issued securities is redeemed (cancelled)***

Number of the issued securities in circulation: ***8,364,908***

Number of the redeemed (cancelled) securities of the issue: ***655,793***

Kind, category (type) of the securities: ***ordinary non-documentary registered shares***

Number of the securities actually placed in accordance with the registered report on the issue results: ***1,735,030***

Face value of each security of the issue: ***10 RUR***

Total amount of the issue: ***17,350,300 RUR***

Order of placement:

Method of placement: ***public offering***

Period of placement: ***from October 11, 2000 to October 11, 2000***

Price of placement: ***10 RUR***

Current state of the issue: ***all the issued securities are redeemed (cancelled)***

Kind, category (type) of the securities: *ordinary non-documentary registered shares*
Number of the securities actually placed in accordance with the registered report on the issue results: *10,408,104*
Face value of each security of the issue: *10 RUR*
Total amount of the issue: *104,081,040 RUR*
Order of placement:
Method of placement: *conversion*
Period of placement: *from March 30, 2000 to March 31, 2000*
Price of placement: *10 RUR*
Current state of the issue: *all the issued securities are redeemed (cancelled)*

Kind, category (type) of the securities: *ordinary non-documentary registered shares*
Number of the securities actually placed in accordance with the registered report on the issue results: *1,156,456*
Face value of each security of the issue: *90 RUR*
Total amount of the issue: *104,081,040 RUR*
Order of placement:
Method of placement: *conversion*
Period of placement: *from August 10, 1999 to August 11, 1999*
Price of placement: *90 RUR*
Current state of the issue: *all the issued securities are redeemed (cancelled)*

Kind, category (type) of the securities: *ordinary non-documentary registered shares*
Number of the securities actually placed in accordance with the registered report on the issue results: *1,156,456*
Face value of each security of the issue: *45 RUR*
Total amount of the issue: *52,040,520 RUR*
Order of placement:
Method of placement: *conversion*
Period of placement: *from January 13, 1999 to January 14, 1999*
Price of placement: *45 RUR*
Current state of the issue: *all the issued securities are redeemed (cancelled)*

Kind, category (type) of the securities: *ordinary non-documentary registered shares*
Number of the securities actually placed in accordance with the registered report on the issue results: *144,577*
Face value of each security of the issue: *1 RUR*
Total amount of the issue: *144,557 RUR*
Order of placement:
Method of placement: *distribution among shareholders*
Period of placement: *from December 23, 1992 to October 1, 1993*
Price of placement: *1 RUR*
Current state of the issue: *all the issued securities are redeemed (cancelled)*

Basic information of the securities being placed:

No information registered.

f. Other information

The present quarterly report contains estimates and forecasts of the Issuer's authorized managerial bodies concerning future events and/or actions, trade development prospects in the sphere where the Issuer performs its principal activities, and the results of the Issuer's activities including Issuer's plans, possibility of certain events and actions. Investors should not fully rely upon estimates and forecasts of the Issuer's managerial bodies as actual results of the Issuer's activities in the future may differ from the results forecast for many reasons. Acquisition of Issuer's securities is connected with the risks described in the present quarterly report.

1. Short Information of the Persons in Issuer's Managerial Bodies, Information of Bank Accounts, of the Auditor, the Appraiser and of the Issuer's Financial Consultant, as well as of Other Persons who Signed the Quarterly Report

1.1. Persons in JSC Concern "KALINA" Managerial Bodies

Managerial bodies of Open Joint-Stock Company Concern "KALINA" (hereinafter in the Report referred to as "the Issuer" and "the Company") are: the General Shareholders Meeting, the Board of Directors of the joint-stock company and the Chief Executive Officer. The General Shareholders Meeting is the Issuer's supreme managerial body and is held not less than once a year. The Board of Directors of the joint-stock company is a permanent managerial body. It performs its work in the form of meetings held usually not less than once a month. The Company Board of Directors is accountable to the General Shareholders Meeting and is the supreme managerial body of the Company between the meetings.

The Company Chief Executive Officer is the executive body of the Company, who performs daily management of the Company current activities. In his work, the Chief Executive Officer follows the Russian laws, decisions of general meetings and the Company Board of Directors, as well as relevant Regulation approved by the Company Board of Directors.

Members of the JSC Concern "KALINA" Board of Directors:
Chairman of the Board of Directors:

Name, Patronymic, Surname: ***Johan Grietsen Hendrik Vreeman***
Born: ***1945***

Members of the Board of Directors:

Name, Patronymic, Surname: ***Timur Rafkatovich Goryayev***
Born: ***1967***

Name, Patronymic, Surname: ***Mikhail Borisovich Vasiliev***
Born: ***1954***

Name, Patronymic, Surname: ***Alexander Yurievich Petrov***
Born: ***1973***

Name, Patronymic, Surname: ***Nikolai Arkadievich Geller***
Born: ***1966***

Name, Patronymic, Surname: ***Christophe Clave***
Born: ***1970***

Name, Patronymic, Surname: ***Reinhold Schlensok***
Born: ***1962***

The person fulfilling the functions of the Issuer's sole executive body (the Chief Executive Officer):

Name, Patronymic, Surname: ***Timur Rafkatovich Goryayev***
Born: ***1967***

1.2. Information of JSC Concern "KALINA" Bank Accounts

Full and abridged trade names, location, taxpayer's identification number (INN) of each lending agency in which JSC Concern "KALINA" has its settlement and other accounts, number and types of such accounts as well as BIK and the number of the correspondent account of the lending agency.

Register of accounts of JSC Concern "KALINA" as of July 1, 2006

№	Full/abridged name of the bank, INN	Location	Account No.	Account type	Correspondent account, BIK
1	Open Joint-Stock Company "Ural Commercial Bank of Foreign Trade" OJSC "Uralvneshtorgbank" INN 6608000044	4B, Chebysheva St., Ekaterinburg, Russia	40702810100000014078	settlement	30101810300000000780 BIK 046577780
			40702840300120009908	current	
			40702978700100009908	current	
2	Close Joint-Stock Company Commercial Bank "Citibank" CJSC CB "Citibank" INN 7710401987	8-10, Gasheka St., Moscow, Russia	40702840600700573001	current	correspondent account 30101810300000000202 BIK 044525202
			40702978300700573095	current	
			40702810600700573028	settlement	
			40702840900700573125	current	
			42102840203700573051	deposit	
			42102840503700573078	deposit	
3	Close Joint-Stock Company "Raiffeisenbank Austria" CJSC "Raiffeisenbank Austria" INN 7744000302	17/1, Troitskaya St., Moscow, Russia	40702810900001401011	settlement	correspondent account 30101810200000000700 BIK 044525700
			40702810200002401011	settlement	
			40702840500002401011	current	
			40702978800001401011	current	
			40702840200001401011	current	
4	Open Joint-Stock Company "Deutsche Bank" OJSC "Deutsche Bank" BLZ 5000700010	4, Schepkina St., Moscow, Russia	40702810700000000230	settlement	correspondent account 30101810100000000101 BIK 044525101
			40702840300000000406	current	
			40702978400000000223	current	
5	Close Joint-Stock Company "International Moscow Bank" CJSC "IMB" INN 7710030411	9, Prechistsenskaya emb., Moscow, Russia	40702810900010251781	settlement	correspondent account 30101103000000000545 BIK 044525545
6	Open Joint-Stock Company "Savings Bank of the Russian Federation" Omsk Branch No. 8634/Additional office No. 8634/0234 OJSC SB RF Omsk Branch No. 8634 Additional office No. 8634/0234 INN 7707083893	9, Zhukova St., Omsk, Russia	40702810045390100675	settlement	correspondent account 301018109000000000673 BIK 045209673
7	Close Joint-Stock Company "Moscow International Trade Bank" CJSC "Moscow International Trade Bank"	40, Butlerova St., Moscow, Russia	40702810600080000174	settlement	
8	Close Joint-Stock Company "Bank of Foreign Trade" (Branch in Ekaterinburg)/ CJSC "Vneshtorgbank" (Branch in Ekaterinburg) INN 7702070139	16, Stepana Razina St., Ekaterinburg, Russia	40702810228000000307	settlement	correspondent account 301018104000000000951 BIK 046577952
9	Open joint stock company Commercial Bank First City Bank/ JSC CB First City Bank (license withdrawn)	Russia, Moscow 5 Donskoj proezd, 21b-42	40702810800000001457	settlement	Cor acc 30101810400000000739 BIK 044552739
			40702840100000001457	current	

1.3. Information of the JSC Concern "KALINA" Auditor(s)

Audit of financial statements prepared in accordance with the Russian accounting standards approved in 1999-2004 was performed by:

Full trade name: **Close Joint-Stock Company Audit Center "Ural-Audit";**

Abridged trade name: **CJSC Audit Center "Ural-Audit";**

Location: **office 547, 101, Malysheva St., Ekaterinburg, 620095**

Telephone, fax and e-mail:

Telephone: +7 (343) 359-83-59;

Fax: +7 (343) 359-83-59;

E-mail: Audit@Happytown.ru

License No. for auditing activity: **No. E 000646**

Date of license issue: **June 25, 2002**

License valid till: **June 25, 2007**

Issuing authority: **Ministry of Finance of the Russian Federation**

Fiscal year on which the auditor performed the independent inspection of JSC Concern "KALINA" accounts prepared in accordance with the Russian Accounting Standards (RAS): **years 1999-2005.**

Factors, which can influence auditor's independence from JSC Concern "KALINA" and measures taken by JSC Concern "KALINA" and the auditor in order to reduce the influence of the said factors:

No factors, which can influence auditor's independence from JSC Concern "KALINA», are registered.

Order of auditor selection by JSC Concern "KALINA":

In order to select the auditor the Company analyses offers from organizations specializing in audit services in the sphere of Russian business accounting.

Selection is made by the following criteria:

methods of auditing;

period of auditing;

place of auditing;

experience of the audit company in auditing of manufacturing companies;

cost of services.

After preliminary estimates of all offers, the issue is considered by the Company Board of Directors who recommends one of the companies to the General Shareholders Meeting. The General Shareholders Meeting selects the Company auditor under the conditions contained in the presented offers and taking into account the recommendation of the Company Board of Directors:

Information of the work performed by the auditor within special auditing tasks: the auditors' duty is to express their opinion on reliability in all material respects of all Issuer's financial statements and on correspondence of Company business accounting to the Russian laws.

Information of presence of material interests connecting the auditor (auditor's officials) with JSC Concern "KALINA" (officials of JSC Concern "KALINA"):

No material interests connecting the auditor (auditor's officials) with JSC Concern "KALINA" (officials of JSC Concern "KALINA") are registered.

Presence of the auditor's (auditor's officials) participating interest in the charter capital of JSC Concern "KALINA":

No auditors (auditor's officials) participating interest in the charter capital of JSC Concern "KALINA" is registered.

Borrowing funds to the auditor (auditor's officials) by JSC Concern "KALINA":

No borrowing funds to the auditor (auditor's officials) by JSC Concern "KALINA" are registered.

Presence of close business relations (participation in promotion of JSC Concern "KALINA" products (services), participation in joint business etc.), as well as family relations:

No close business relations (participation in promotion of JSC Concern "KALINA" products (services), participation in joint business etc.), as well as no family relations, are registered.

Information of JSC Concern "KALINA" officials being the auditor (officials of the auditor) at the same time:

No JSC Concern "KALINA" officials are the auditor (officials of the auditor) at the same time.

Order of defining the amount of remuneration to the auditor as well as information of current deferred and late payments for the services rendered by the auditor:

The maximum amount of the auditor remuneration is agreed by negotiations during the auditor selection. The amount of remuneration is to be approved by the Board of Directors based on cost calculations presented by the auditors taking into account actual costs (no more than the fixed limit). No late payments for rendered auditing services are registered.

1.4. Information of the JSC Concern "KALINA" Appraiser

JSC Concern "KALINA" recruited the qualified appraiser(s) in order to determine the market value of the securities being placed.

Name of the appraiser: **Limited Liability Company "A-Kapital-Otsenka"**

Date of foundation: **April 28, 1995**

Legal address: **office 24/5, 8 Marta St., Ekaterinburg, 620085**

Postal address: **office 318, 36 Malysheva St., Ekaterinburg, 620014**

Telephone: **+7 (343) 371-02-21**

INN: **6672091189**

License: **No. 001276 for all kinds of evaluating activities issued by the Ministry of Property Relations of the Russian Federation on September 20, 2001, valid until September 20, 2004.**

1.5. Information of the JSC Concern "KALINA" Consultants

1. Full and abridged trade names (for noncommercial organization – name), location of the consultant – legal entity, or surname, name and patronymic of the consultant – the individual, telephone and fax number:

Full name: **Open Joint-Stock Company "Federal Stock Corporation"**

Abridged name: **OJSC "FSC"**

Location: **25, Ostozhenka St., Moscow, 119034**

Postal address: **25, Ostozhenka St., Moscow, 119034**

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2. Web-site, which the financial consultant uses to disclose information of JSC Concern "KALINA" in accordance with the requirements of the standard acts of the Federal Commission of Securities Market (hereinafter referred to as "FKZB") of the Russian Federation: **www.fscorp.ru**

3. No., date of issue and validity period of the license for professional activities in the securities market, the authority issuing the mentioned license (for consultants being professional securities market participants):

License for brokerage of a professional securities market participant No. 077-06174-100000 dd. August 29, 2003 with no validity period limited.

Authority, issuing the said license: FKZB of Russia

License for dealer activities of a professional securities market participant No. 077-06178-010000 dd. August 29, 2003 with no validity period limited.

Authority, issuing the indicated license: FKZB of Russia

4. Services being rendered (rendered) by the consultant:

Functions of the consultant:

- **rendering assistance to the Issuer with preparation of the Offering Circular;**
- **validating and examining all information in the Offering Circular except for that part to be approved by the auditor and/or the appraiser;**
- **approving the Offering Circular as well as documents which may be necessary to the Issuer to organize circulation and, if possible, shares placement at market organizers;**
- **advising on issues connected with preparation of the issue, offering circular, report on the results of the shares issue, other documents regarding the issue, placement, organization of shares circulation as well as on current issues during the shares issue.**

1.6. Information of Other Persons who Signed the Quarterly Report

No other persons who sign the Quarterly Report of the Issuer are registered.

2. Basic Information of Financial and Economic Position of the Issuer

2.1. Indexes of Financial and Economic Activities of JSC Concern "KALINA"

Index Description	2005	6 months 2006
Net assets value of JSC Concern "KALINA", in RUR	4,151,772,000	4,357,162,000

Ratio of borrowings to capital and reserves, % *	55.5	39.1
Ratio of short-term liabilities to capital and reserves, % *	44.0	30.2
Debt service coverage ratio , times *	30.0	55.6
Percentage of debts overdue, %*	-	-
Accounts receivable turnover, times	4.0	4.1
Labor productivity, RUR/employee	759.2	15318
Dividends to net income, %	1.5	-
Amortization to sales,%	0.75	2.00

* *Turnover indexes for 2006 are equaled to yearly values in accordance with the following system: Income statements for the 2^d quarter of 2006 was equaled to yearly values based on actual proportion of indexes for 6 months of 2005 and full year 2005.*

Data of the balance sheet for the 2nd quarter of 2006 were taken without changes.

In the second quarter of the year 2006 Company net assets increased by 5 % over the previous reporting period. Ratio of borrowings to capital and reserves as well as short-term liabilities to capital and reserves decreased by 30% and 31% respectively. Debt service index showed two-times growth. Due to successful implementation of technical modernization in 2005, labor productivity increased two times.

Analysis of the above mentioned indexes, including decrease in leverage ratios, testify to enhancing Company solvency and independence from external financing sources.

2.2. Market Capitalization of JSC Concern "KALINA"

Information of market capitalization of JSC Concern "KALINA" for last five fiscal years that ended with information of market capitalization as of the date of each fiscal year that ended and as of the expiry date of the last reporting period that ended.

As of the end of the second quarter 2006 market capitalization of the Company amounted to 9,771,028,610 RUR.

As of the end of the year 2005, market capitalization of the Company amounted to 10,458,646,512 RUR.

As of the end of the 2004, market capitalization amounted to 4,657,266,110 RUR

2.3. Liabilities of JSC Concern "KALINA"

2.3.1. Accounts Payable

Information of the total amount of JSC Concern "KALINA" accounts payable with the separate total amount of accounts payable overdue for last five fiscal years that ended and for the corresponding accounting period.

Description of the Accounts Payable	Maturity Period					
	under 30 days	from 30 to 60 days	from 60 to 90 days	from 90 to 180 days	from 180 days to 1 year	more than 1 year
As of July 1, 2006						
Short-term and long-term liabilities, in RUR thousand	354, 966	340, 484	255, 363	403, 854	0	347, 754
Total accounts payable, in RUR	178, 998	86, 684	94, 623	107, 754	-	-
Including:	-	-	-	-	-	-
To suppliers and contractors	98, 784	86, 684	94, 623	107, 754	-	-
Promissory notes payable						-
To affiliated persons of the Issuer, in RUR	-	-	-	-	-	-

In remuneration of labor	34,796	-	-	-	-	-
Debts to the budget and off-budget funds	27,598					
Other accounts payable	17,820				-	-
Total credits	135,360	253,800	160,740	296,100	-	-
Total loans, Including:	-	-	-	-	-	347,754
Bonded debts	-	-	-	-	-	-
Other liabilities	40,608	-	-	-	-	-

Accounts payable overdue, total, RUR	-
Including debts to budget and non-budget funds, RUR	-
Credits overdue, RUR	-
Loans overdue, total RUR	-

Presence of creditors whose share in the total amount of JSC Concern "KALINA" accounts payable is not less than 10 percent for last five fiscal years that ended and for the last reporting period that ended.

No creditors among suppliers and contractors whose share in the total amount of JSC Concern "KALINA" accounts payable is not less than 10 percent for the last reporting period that ended are registered.

2.3.2. Credit History of JSC Concern "KALINA"

This paragraph describes Issuer's fulfillments of his obligations under previous loan agreements and/or contracts of debt or those in force as of the expiry date of the reporting quarter, if the principal debt under these contracts totals 10 and more percent of the Issuer's net asset value as of the date of the last ended reporting quarter preceding conclusion of the said agreement/contract.

No such obligations are registered.

2.3.3. Issuer's Liabilities from Provisions Granted to Third Parties

This paragraph discloses information of the total amount of Issuer's liabilities from provisions and the total amount of liabilities of the third parties for which the Issuer provided the third parties including in the form of pledge or guarantee for the respective reporting period.

Security type	Amount in RUR	Amount of Loan Agreement	Term of fulfilling issuer's obligation
Pledge of finished products under the Loan agreement with CJSC "Raiffeisenbank Austria"	75,889,841.60	2,000,000 USD	29.09.06
Pledge of finished products under the Loan agreement with CJSC "Raiffeisenbank Austria"	256,146,721.20	7,000,000 USD	23.05.07
Pledge of finished products under the Loan agreement with CJSC "Raiffeisenbank Austria"	231,999,584.70	6,000,000 USD	29.09.06
Pledge of finished products under the Loan agreement with CJSC «International Moscow Bank»	100,000,000.00	200,000,000 RUB	08.11.06
Pledge of finished products under the Loan agreement with CJSC	75,000,000.00	150,000,000	15.12.06

«International Moscow Bank»		USD	
Chattel mortgage under the Loan agreement with European Bank for Reconstruction and Development	446,946,446.00	20,000,000 USD	20.07.08

2.3.4. Other Liabilities of JSC Concern "KALINA"

On May 26, 2005, JSC Concern "KALINA" entered into Loan agreement with the Black Sea Trade and Development Bank. The total amount of credit line facilities is up to 30 mln. US dollars for a seven-year- period. The reason for entering into this Loan Agreement is Company's aspiration to have a wide range of sources of finance and obtain long-term funds at a low interest rate to finance long-term investments and its current demands in the floating capital accounts. As of the date of approval of the present quarterly report the Company has not yet taken an advantage of this source of financing.

2.4. Purposes of the Issue and Application of Funds Obtained as a Result of Placement of the Issued Securities

As of the end of the 2nd quarter of 2006, none of the Company securities issue is in the process of placement. In the 4th quarter of 2004, placement of additional issue of Issuer's shares was completed.

The Company is planning to use the funds attracted as a result of placement of additional shares in the following primary spheres:

- to invest in the purchase of brands of perfumery, cosmetics, household chemicals and detergents markets which have strong market positions and growth potential as well as in active promotion of its current brands;*
- to expand and increase Company products distribution in the CIS markets;*
- to expand and upgrade Company production capacities.*

2.5. Risks Associated with Acquisition of the Securities Placed (Being Placed)

2.5.1. Branch Risks

1) Economic recessions could result in JSC Concern "KALINA" production cutback and have considerable adverse effect on its profits.

Demand for JSC Concern "KALINA" (hereinafter "the Company" or "the Issuer") products and, in particular, for consumers expenditures on perfumery and cosmetic products depend on general economic situation and real income of population. During the periods of economic uncertainty, consumers usually try to cut down expenses, in this connection the results of operating activities of companies producing perfumery and cosmetic products could suffer. Reduction of perfumery and cosmetic consumption in any of the markets (both domestic and foreign) could result in decline in sales and profitability of JSC Concern "KALINA".

JSC Concern "KALINA" dependence on foreign markets is insignificant, as more than 82% of the total volume of production is sold within the territory of the Russian Federation. However, because of growing globalization of world economy, considerable world economic downturn could result in large-scale economic recession in Russia followed by sales slowdown in perfumery and cosmetic products.

2) JSC Concern "KALINA" depends on outside suppliers in provision of raw materials and packing pieces for some primary lines of products.

Despite the fact that the Issuer purchases raw materials and packing pieces from a wide circle of suppliers, the Issuer depends on production capacities of some suppliers in delivery of some special packing pieces ordered by the Issuer per special samples. The Issuer also depends on deliveries of specific kinds of raw materials by sole suppliers. Consequently, the Issuer bears the risk of disruption of production if such suppliers have financial difficulties and cannot produce enough raw materials and definite ingredients for primary products of the Issuer or for some other reasons do not provide the Issuer with necessary volume of such products. In the past, JSC Concern "KALINA" faced with irregular deliveries and if suppliers' difficulties result in irregular deliveries, these can affect JSC Concern "KALINA" ability to deliver its products in volumes demanded by the market as well as have negative effect on the financial results of Company operating activities.

JSC Concern "KALINA" policy is aimed at diversification of the raw materials sources: only one Company supplier (ZAO "Kargill") takes more than 10 % of the total amount of raw materials deliveries. In case of interruptions in

delivery of these or those components, the Company is able to replace these components by similar materials purchased from other suppliers in the shortest possible time.
The same steps will be taken if any of the suppliers raise prices for their products.

In addition, the Company makes considerable investments in innovation programs which allow, among them, finding alternative variants of these or those raw components and looking for the ways of product components standardization and packing unification which in its turn allows reducing dependence (including price one) on definite suppliers of raw materials.

3) As a whole, reduction of prices for Company products could affect the total volume of income received by the Company and consequently affect the amount of the dividends paid by the Company as well as capitalization of the Company. However, part of Company products is the products of mass consumption, which are included in the basket of essential commodities that means that regardless of the economic situation Company products will, in a varying degree, be in demand. Diversification of the manufactured goods into many market segments will help balance cash flows at the expense of redistribution of the products output among different kinds of products.

2.5.2. Country and Regional Risks

About 82 % of the JSC Concern "KALINA" total volume of production is sold within the territory of the Russian Federation. Although more than 68 % of sales in foreign markets fall on Ukraine, Kazakhstan and Uzbekistan, Company dependence on foreign markets is insignificant. Thus, basic country risks, which influence the Company, are those of the Russian Federation and to a lesser degree of the CIS countries.

1) Political instability in Russia can have negative influence on investments value in Russia as well as on the value of Company shares.

Since 1991, Russia has been reformed from one-party state with centralized planned economy into pluralistic democracy with market economy. As a result of large-scale reforms as well as failures of some reforms, Russian political system is still vulnerable to people resentment and disturbances among some social and ethnic groups. High political instability can have considerable adverse influence on the value of foreign investments in Russia including the value of Company shares.

2) Economic instability in Russia can have adverse effect on customers' demand, especially on the products in the "premium" category, which will influence Company plans for expansion of its business.

Since the collapse of the Soviet Union, the Russian economy has experienced:

considerable decrease of the gross domestic product;

hyperinflation;

currency instability;

high level of public debt in relation to the gross domestic product;

weakness of the banking system, which provides Russian enterprises with limited liquidity indexes;

high rate of unprofitable enterprise, which continue their activities due to the lack of effective bankruptcy procedure;

wide use of barter and illiquid promissory notes in payments for commercial transactions;

wide practice of tax evasion;

growth of shadow economy;

stable flow-out of capitals;

high level of corruption and penetration of organized crime into economy;

considerable increase of full and underemployment;

impoverishment of a considerable part of Russian population.

The Russian economy underwent several dramatic recessions. In particular, in the face of dramatic worsening of the economic situation on August 17, 1998, Russian government renounced obligations on its ruble bonds. Central Bank of the Russian Federation stopped supporting ruble and declared temporary moratorium on certain currency transactions. These actions resulted in immediate and serious ruble devaluation, in dramatic acceleration of inflation, in tremendous drop of quotations of Russian shares and bonds as well as in inability of Russian issuers to attract funds at international markets of capitals.

These problems were worsened by almost complete collapse of the Russian bank sector after August 17, 1998, which is confirmed by withdrawal of bank licenses from some largest Russian banks. Such a situation brought down chances of the bank sector for stable submission of liquidity to Russian companies even greater and in some cases resulted in loss of bank deposits.

No one can guarantee that recent trends of the Russian economy including increase of gross domestic product, relative stability of ruble and reduction of inflation rates will last out in the future. In addition, recent fluctuations of world oil and gas prices, stabilization of ruble in real terms in relation to US dollar as well as consequences of weakening of monetary and credit policies and other factors can have adverse effect on the Russian economy and Company business in the future, especially Company plans for business expansion.

3) Physical infrastructure of Russia is in extremely poor state, which can result in interruptions in normal financial and business activities.

Physical infrastructure of Russia was primarily created in the Soviet period and in recent decades did not receive enough financing and maintenance. The depressed sectors principal for the economy included rail and car roads, production and electric-power transmission, communication systems, stock of buildings and constructions. For instance, in winter 2000-2001, electric power and heat deficit in Primorsky krai in the Russian Far East resulted in serious troubles to the economy of these regions. Condition of roads in all Russia is poor, many roads not corresponding minimal requirements to of safety standards.

Worsening of condition of physical infrastructure in Russia damages the economy, violates goods and cargo transportation, increases costs of business in Russia and can result in interruptions in financial and business activities thus having considerable adverse effect on Company business and shares value.

4) Fluctuations of world economy can have negative influence on the Russian economy by restricting Company access to capital and having negative influence on purchasing capacity of consumers of Company products.

The Russian economy is not protected from market recessions and slowdowns of economic development in other countries of the world. As it happened in the past, financial problems or feeling of investing risks in the countries with developing economies could reduce volume of foreign investments in Russia and have negative effect on the Russian economy. In addition, since Russia produces and exports large volumes of natural gas and oil, the Russian economy is vulnerable to changes in world prices for natural gas and oil; reduction of natural gas and oil prices slow down or shake development of the Russian economy. These events could seriously restrict Company access to capital and have adverse effect on purchasing capacity of consumers of Company products.

5) Social instability could cause expansion of support of resumed state centralism, nationalism or violence thus having considerable adverse influence on opportunities of the Company in effective business activity.

Non-payment of salaries in full and in the fixed time intervals by the state and many private companies, and lagging of salaries and allowances behind rapidly growing cost of life in the past as a whole resulted and could result in future in labor and social disorders. For instance, in 1998, miners in some regions of Russia requiring payment of debts on salaries resorted to strikes, blocking trunk railways. Such labor and social disorders could result in political, social and economic consequences including growth of support of resumed centralism, growth of nationalism, restrictions of foreigners' participation in the Russian economy as well as in growth of violence. Any of these events could result in restrictions of Company activities and loss of profits having serious adverse effect on the Company.

6) Weakness of the Russian legal system and the Russian laws creates uncertain environment for investing and business activities.

Russia still elaborates legal system necessary for market economy. Some key laws have come into force only recently. Essence of previous Russian laws, inadequate consensus in respect to volume, content and terms of economic and political reforms, rapid development of Russian legal system which not always coincides with market development questioned feasibility and constitutionality of the laws and appeared in their ambiguity, disagreement and inconsistency. Additionally, Russian laws often stipulate requirements, which were not published yet, thus making material gaps in the regulating infrastructure. Among risks of the Russian legal system currently in force are: since 1991 Soviet laws were primarily but not in full replaced by new legal system created by Constitution of 1993, Civil Law of 1995 and other federal laws, decrees, orders and resolutions of the president, government and federal ministries, which in their turn were added with regional and local rules and instructions. These legal standards overlap and contradict each other. In addition some important laws are not still passed; legal and administrative experience is inadequate in interpretation of the Russian laws; legal system is corrupt; judges do not have enough experience in interpretation of the Russian laws; high level of arbitrary judgments made by some state officials; bankruptcy procedure is not elaborated enough and applied for abuse.

All these drawbacks could affect Company opportunities to exercise its rights both for intellectual property and under contracts, as well as ability to protect itself from claims of third parties. In addition, the Company cannot guarantee that regulating and judicial bodies as well as third parties will not challenge requirements of the laws, decrees and regulating instructions being fulfilled by the Company.

2.5.3. Financial Risks

- 1) Inflation could result in increase of Company expenses and reduction of operating margin.

The Russian economy is characterized by high inflation, up to 84.4 % in 1998, though according to the data of Central Bank of the Russian Federation in 2004, inflation rate decreased to 11.7 %, in 2005 - to 10.9%. If inflation rates causing increase of actual ruble rate in relation to US dollar exceed devaluation rates, the Company may face with increase of expenses caused by inflation in dollar terms in some liabilities accounts, for instance, in salaries, which is sensitive to increase of the total level of prices in Russia. In such a situation taking into account competitive pressure, the Company may be unable to increase prices for its products enough in order to keep its operating margin. Respectively, high inflation rates in Russia in comparison with devaluation rates could result in increase of Company expenses and reduction of its operating margin.

In order to reduce inflation pressure the Company will take actions directed to reduction of currency component in the volume of raw materials purchases and as far as possible switch to Russian suppliers of raw materials and accessories. At the same time, the Company will take actions for increase of sales of its products outside Russia, which will allow increasing inflow of currency. For this, in the future the Company plans to expand its dealer network within territories of foreign states as well as take actions for developing some specific segments of product markets, in particular, segment of Russian-speaking people constantly residing in the territories of some European countries, including former republics of the USSR.

- 2) Changes in foreign exchange rates could result in increase of Company expenses, reduction of the value of cash assets in rubles, prevent the Company from payment of debts or result in intensification of competition with foreign manufacturers.

In recent years, there were sharp fluctuations of ruble in relation to US dollar, with ruble rate reducing in the vast majority of cases. Central Bank of the Russian Federation periodically imposed different restrictions on currency transactions trying to support the Russian ruble. Ability of Russian Government and Central Bank to support stability of the ruble depends on many political and economic factors. These include their ability to finance budget deficits without resorting to banknotes issue, ability to control inflation and accumulate enough foreign currency reserves to support the ruble.

A considerable part of expenses and costs of the Company including expenses for package and some other raw materials also including capital investments and borrowed funds are given in US dollars or euros or closely connected to these currencies, though almost all profits of the Company are given in Russian rubles. As a result, ruble exchange rate decline in relation to US dollar or euro could have negative effect on the Company increasing ruble equivalent of Company expenses born in US dollars or euros. If because of competitive pressure, the Company will not be able to increase its ruble prices in accordance with ruble devaluation it will result in loss of profits and income in US dollars. In addition, price dynamics lagging behind ruble decline rates, the Company could have difficulties with covering expenses expressed in dollars or euros as well as with repayment of debts expressed in US dollars or euros.

Ruble devaluation also results in decline of the value of ruble cash assets including ruble deposits and accounts receivable.

Ruble decline in relation to US dollar also reduces dollar value of tax savings, which is provided at the expense of tax benefits for capital investments as well as at the expenses of depreciation of buildings and equipment as taxable basis of these positions is defined in rubles as of the date of respective investment or acquisition. Increase of tax liabilities would result in increase of cumulative expenses of the Company.

In order to reduce currency risks the Company could switch to purchase of raw materials from Russian suppliers of similar raw materials, which were previously delivered by foreign suppliers. The Company also expands its sales in foreign countries and strengthens its trading network, which will allow increasing inflow of currency proceeds. It also should be noted that ruble devaluation in addition to definitely negative effects results in increase of price

competitiveness of Russian goods and makes Company products more preferred for domestic consumers in comparison with the ones manufactured abroad.

On the other hand, strengthening of ruble results in relative reduction of prices for imported products as well as strengthening of ruble in real values (even with falling foreign exchange rate in face value). Ruble strengthening in nominal or real values increases Company ability to import raw materials, cover its expenses expressed in US dollars or connected with US dollars as well as to repay its dollar debts. However, it also increases chances of foreign manufacturers who export their products to Russia for effective competition with us in the Russian market that could result in intensification of competition and finally have adverse influence on market positions of the Company.

The Company actively promotes its brands to the markets and positions them as products in quality and consumer properties comparable with products of multinational corporations. Measures are taken in order to increase recognition of the Company brands and customers' loyalty to them. In addition, the Company has one of the widest distribution networks, which allows it hoping for successful competition with western manufacturers.

3) Limitations on amounts of investments outside Russia as well as on investments in currency instruments in Russia put cash reserves of the Company to risk of devaluation.

Although Company opportunities in placement of currency deposits in Russian banks are not limited, rules of currency regulation approved by Central Bank of the Russian Federation restrict investing by Russian companies outside Russia as well as investing in the majority of currency instruments within Russia, with only limited number of ruble instruments, in which the Company could invest its surplus of cash. Presence of ruble amounts could result in losses if ruble exchange rates decline in relation to US dollar. In addition, default in ruble investments could result in considerable losses for the Company.

The Company follows active policy of assets management. The Company does not aim at support of a considerable balance of cash at settlement accounts and prefers investing this cash to production and marketing.

4) Some consumers of Company products and other debtors could default in payments for received goods or default to fulfill terms and conditions of their agreements with the Company, which could adversely influence the results of Company operating activity.

Insufficient experience of Russia in the sphere of market economy in comparison with more developed countries creates many risks, which could prevent the Company from performing its activities. For instance, among Russian enterprises and the state non-fulfillment of their obligations is in common practice. In addition, it is difficult to estimate creditworthiness of some Company clients, as there are no reliable methods for estimation of their financial positions, for instance, reliable credit reports or databases. Consequently, the Company faces with the risk that some clients or other debtors could default in payments or not fulfill terms and conditions of their agreements with the Company, which could adversely influence the results of Company operating activity.

All consumers of Company products pass several stages where they have to confirm their solvency and adherence to fair performance before they have a chance to buy products with deferred payment or conclude a dealer agreement. The Company has permanent control over accounts receivable and managerial bodies hope that single cases of buyers' non-fulfillment of their obligations will not have considerable influence on the results of Company activities.

5) Continuation or toughening of restrictions on rubles conversion into hard currency in Russia could result in increase of Company expenses when making payments to suppliers and creditors in convertible currency and could also result in non-fulfillment of Company obligations to them.

Ruble is not a convertible means of payment outside CIS countries. Within Russia, Company opportunities in ruble conversion into foreign currencies are determined by rules and procedures, which limit legal end use of means conversion and payments in foreign currency. In addition, because of insufficient development of Russian currency market the Company could face with difficulties when converting rubles into other currencies.

Any delays or other difficulties when converting rubles into foreign currency for payments as well as delays or restrictions when transferring foreign currency could limit Company chances in making payments and repaying debts which could result in loss of suppliers, demands to repay debts earlier as well as in cross default.

In order to reduce currency risks the Company could switch to purchase of raw materials from Russian suppliers of similar raw materials, which were previously delivered by foreign suppliers. The Company also expands its sales in foreign countries and strengthens its trading network, which will allow increasing inflow of currency proceeds.

6) The Company can perform banking operations only with limited number of creditworthy and reliable Russian banks, as Russian banking system is not formed in full yet.

Russian banking system and other financial systems are not developed and regulated in full. The Russian laws concerning banks and banking accounts are interpreted in different ways and applied inconsistently. Financial crisis of 1998 resulted in bankruptcy and liquidation of many Russian banks. The majority of reliable Russian banks are situated in Moscow.

Despite the fact that the Company aims to reduce the risk by making settlements and placing funds in different Russian banks including divisions of foreign banks in Russia, beginning of a long financial crisis in Russia or insolvency of one of the banks could adversely influence Company business and its chances to perform banking operations in Russia.

7) Vagueness of the laws on rules of transfer pricing as well as absence of reliable information on market prices could adversely influence the financial results of Company activities.

The Russian laws on rules of transfer pricing entered in force in 1999 stipulate that tax authorities can make allowance for transfer pricing and accrue additional taxes in the case of discrepancy of the price with market price of more than 20 %. Transactions between subsidiaries and dependent legal entities as well as certain transactions between independent parties such as international trade transactions and transactions with significant (more than 20 %) fluctuations in the price are acknowledged as “transactions under control”. As the Russian laws on rules of transfer pricing are quite vague there is a space for wide interpretation by Russian tax authorities and arbitration courts. In connection with vague interpretation of rules of transfer pricing tax authorities may try to challenge prices in Company transactions and in a respective way adjust accrued taxes. If such price changes are made and their validity is confirmed by Russian arbitration courts, it could have negative effect on future financial results of the Company. In addition, the Company may bear considerable financial losses in the estimated amount of earlier underpaid taxes and respective interests and penalties, which could have negative effect on financial state, and results of financial operations of the Company.

8) Changes in Russian taxation system could have considerable negative influence on attractiveness of investing into Company shares.

Russian companies make considerable tax payments under many taxes. These taxes, in particular, include:
income tax;
value-added tax;
excise-duties;
social and pension payments;
property tax.

All these taxes may be changed.

Taxes regulating these laws do not have a long history of application in comparison with economies of developed markets and thus government regulation is often ambiguous or does not exist at all. At present, there is few number of judiciary interpretations of the tax laws. Often different ministries and authorities, for example, Ministry of Taxation and separate inspections have different opinions concerning interpretation of the tax laws; by this, they cause vagueness and opportunities for conflict. Tax returns and some other legal documents, for instance: customs materials according to the laws may be checked by different inspectors, who have the right to impose fines, penalties and interests for late payments. Tax returns remain open to review for three years. Fact of tax return checking for any year does not exclude possibility of checking the same tax return again within a three-year period. These factors create Russian tax risks, which are much higher than usual risks in countries with more developed tax systems.

Tax system in Russia changes often and is inconsistently executed on the federal, regional and local levels. In some cases, new tax rules receive retroactive force. In addition to current tax burden, these circumstances complicate tax planning and making respective decisions. For instance, if tax rules are not clear enough in respect of charging certain expenses on net profits, the Company could take aggressive position in respect of these expenses, which, in our opinion, corresponds to the laws currently in force. Vagueness of the laws puts the Company on risk of payment of considerable fines and penalties, despite Company aspiration to correspond with the laws and could result in increase of tax burden. At present, system of tax collection is relatively ineffective and the government has to introduce new taxes often in order to increase its profits. These factors increase the risk of imposing unexpected and arbitrary taxes.

There is a risk of imposing new taxes, which could have negative effect on the value of Company shares. In 2000, 2001 and 2002, the governments reviewed Russian tax system and promoted enforcement of some laws reforming tax system. New laws reduced number of taxes and total tax burden on business as well as simplified tax laws. Nevertheless new tax laws still give large space for actions of local tax authorities and leave many problems unsolved. Many issues associated with practical application of new laws are not clear which complicates tax planning and making respective decisions. This vagueness creates risk of payment of fines and penalties. Even further reforms of Tax Law could not result in considerable reduction of tax burden in Russia and passing more effective tax system; quite the contrary: new measures could be taken to guarantee tax collection. Respectively, the Company could have to pay much higher taxes, which could have considerable negative influence on Company business.

Financial statements of Russian companies for tax accounts are non-consolidated. Thus, each Russian legal entity pays Russian taxes separately and cannot use losses of other companies in the group as a tax shield. In conformity with the laws entered in force in 2005, dividends within Russia are taxable at 9 %, but in case of dividends payment in multilevel corporate structures, the amount of payments at each level could be reduced.

9) Changes in interest rates. Growth of interest rates will increase expenses on attraction of credit resources, which will increase costs and result in increase of the Company capital value.

10) Payments on Company securities are not connected with changes in the inflation rates. Despite that fact that inflation (growth of prices by more than 50 %) could have negative effect on the Russian market as a whole, the Company could not only reduce but also increase its profits at the expense of getting advantage over its western competitors and increase its profits being paid minimizing inflation influence on them.

11) The most sensitive to influence of the risks described above are indexes of proceeds, costs and net income of the Company.

Risks	Degree of influence	Probability of risk occurrence
Branch risks		
Economic recessions	Medium	Medium
Dependence on suppliers	High	Medium
Reduction of prices for Company products	High	Medium
Country and regional risks		Medium
Political instability	Medium	Medium
Economic instability	Medium	High
Deterioration of physical infrastructure	Medium	High
Fluctuations of world economy	Medium	High
Social instability	Low	Medium
Weakness of legal system	Medium	High
Financial risks		
Inflation	High	High
Currency risks	High	High
Risks of currency regulations	Medium	High
Risks of banking sector	Medium	High
Default to fulfill obligations by contracting parties	High	Medium
Risks of antimonopoly laws	Medium	Medium
Risks of changes in taxation system	High	High

2.5.4. Legal Risks

1) If drawbacks or ambiguities in the law on privatization are successfully used with purpose to challenge Company ownership of any privatized company, and the Company is not able to repulse such a complaint, it risks to loose its part of ownership in such a company or its assets, that can have significant adverse influence on its production capacities, market share and results of its production activity.

Company business includes some privatized companies and/or assets in Russia and other countries of the former USSR; strategy of acquisitions will possibly include acquisition of additional privatized companies and/or assets. As the laws on privatization were vague, contradictory and did not correspond to other laws including conflicts between federal and local laws on privatization, we can assert that most part if not all transactions on privatization were made with violations and therefore are vulnerable to possible attacks. For instance, some presidential decrees issued in

1991 and 1992 who gave Moscow Government the right to pass its own order of privatization were later acknowledged invalid by decisions of the Constitutional Court of the Russian Federation in 1993, in particular, the Court deciding the presidential decrees in respect to issues being the subject of the federal laws. Although, in theory, this court decision does not require passing special documents for its implementation, these presidential decrees were officially cancelled only by other presidential decree in 2000. If one of Company privatized companies and/or assets become the object of an attack as privatized with violations, and the Company is not able to repulse such a complaint it risks to lose its part of ownership in such a company and/or its assets, which can have significant adverse influence on the Company production capacities, market share and results of its operating activity.

2) If the Ministry of Antimonopoly Policy and Support of Entrepreneurship comes to conclusion that the Company acquired or established a new company with violation of the antimonopoly law, it will be able to apply administrative sanctions and require such transactions to be cancelled, which will have adverse effect on Company strategy in acquisition of assets and on the results of its operating activity.

Company business grows primarily at the expense of acquisition and establishment of companies many of whom require preliminary sanction or subsequent notification of the Russian Ministry of Antimonopoly Policy and Support of Entrepreneurship. In particular, respective laws restrict acquisition and establishment of companies by groups of companies or by collectively acting individuals without such a permission and notification. If the Ministry of Antimonopoly Policy and Support of Entrepreneurship comes to conclusion that the Company acquired or established a new company with violation of the respective law, it can apply administrative sanctions and require such transactions to be cancelled, which will have adverse effect on Company strategy in acquisition of assets and on the results of its operating activity.

3) Some transactions with participation of enterprises of the group could be acknowledged as transactions with interested persons. Such transactions may include sales contracts for finished products, for acquisition of shares, for rendering services. If such transactions or existing permissions for them are successfully challenged or in future reception of permissions by the Company subsidiaries, which require a special permission in conformity with the Russian laws, is cancelled, it can restrict Company flexibility in operating issues and have adverse effect on the results of its operating activity.

4) In practice, minority shareholders have minimal chances to influence the companies, management and directors.

In practice standards of corporate management in many Russian companies are on a low level, minority shareholders of these companies can have difficulties with using their legal rights and bear losses. Although Federal Law "On Stock Market" gives the shareholders who own not less than 1 % of the company placed shares the right to lodge a complaint against managers who caused losses to the company, Russian courts do not have enough experience of work with such complaints. Accordingly, actual chances of an investor to receive compensation from the Company may be limited and as a result, protection of minority shareholders interests is also limited.

5) Shareholders' responsibility in conformity with the Russian laws could result in that fact that the Company will be liable for obligations of its subsidiaries.

Civil Law and Federal Law "On Joint-Stock Companies" stipulate that shareholders of joint-stock companies shall not be liable for its obligations and bear only risk of loss of their investments. However, if bankruptcy of a legal entity happened as result of his fulfillment of direct instructions of its participant (shareholder), such a participant (shareholder) shall bear subsidiary liability in respect to the legal entity to creditors of the bankrupted legal entity. Accordingly, being a parent company to Company subsidiaries, in which it directly or indirectly owns more than 50 % of the charter capital, the Company could be liable for their obligations in cases described above. Responsibility for obligations of subsidiaries could have considerable negative influence on the Company.

6) Securing rights of shareholders in conformity with the Russian laws could result in additional expenses, which could result in lowering of financial indexes.

According to the Russian laws, shareholders who voted against or did not participate in the voting on some issues have the right to sell their stock to the Company at market value in conformity with the Russian laws. Such a right emerges when voting on the following issues:

reorganization;

approval by shareholders of a "large transaction" – usually a transaction volume of which exceeds 50 % of the book value of assets in conformity with Russian accounting standards – irrespective of the fact if the transaction was concluded;

change in the charter restricting shareholders' rights.

Company obligations for shares repayment restricted by the amount of 10 % of the Company net assets in conformity with Russian accounting standards as of the date of voting could have considerable negative influence on Company cash flows and its ability to service the loans.

7) Risks (including legal ones) associated with JSC Concern "KALINA" activities, connected with changes in currency regulation are described in clauses 2 and 3 and clause 3.4.3. of the Quarterly Report.

8) Risks (including legal ones) associate with JSC Concern "KALINA" activities, connected with changes in the tax laws are described in clauses 7 and 3.4.3. of the Quarterly Report.

9) Legal risks associated with JSC Concern "KALINA" activities (for domestic and foreign markets separately) connected with changes in rules of customs control and duties.

There is a risk connected with changes in rules of customs control and duties in the Russian Federation and, especially in CIS countries, namely in Ukraine, Kazakhstan and Uzbekistan to which most part of Company foreign sales fall. Toughening of customs laws in these countries, protectionism policy performed by governments of these countries in relation to producers of consumer goods could have considerable negative influence on profits of the Company. In case of emergence (toughening) of such rules, the Company will direct its efforts towards finding alternative sources of raw materials and components within territory of Russia.

10) Risks connected with changes in requirements to licensing of JSC Concern "KALINA" principal activities or licensing of rights of using objects, circulation of which is limited (including natural resources).

There is uncertainty in relation to possibility of JSC Concern "KALINA" licenses to be prolonged, validity of which expires in different time within a range of 2007-2008 and which may be prolonged after presenting application to respective licensing bodies. The Issuer has no guarantees that after expiration of the validity period, licenses will be prolonged and there will not be increase of obligations and/or reduction of rights under conditions of prolonged licenses, which will be connected with increase of expenses and possible restriction in the range of the products being manufactured. If the Issuer will not be able to prolong licenses currently in force or obtain renewed licenses on conditions comparable to current ones, he will have to reduce volume of the products manufactured which will cause reduction of turnover and result in reduction of profits. For instance, with no opportunity to prolong validity period of JSC Concern "KALINA" license for using alcohol in production of perfumery and cosmetic products, JSC Concern "KALINA" will have to stop production and sale of products which contain alcohol. However, licensing procedure evidences that the Company has no any obstacles to obtaining respective licenses.

2.5.5. Risks Associated with JSC Concern "KALINA" Activities

1) Failure of strategy of geographic expansion could damage further growth and Company profitability.

Company strategy aimed at business expansion in Moscow and St. Petersburg regions as well as in CIS countries depends partly on financing of growth in current and new markets, on the Company ability to find out attractive opportunities in the markets of expected growth, on the ability to introduce its products and distribution system in such markets and on the ability to manage operating activities of acquired or newly established enterprises. With growth slowdown in the current markets, absence of expected growth in the markets where the Company has recently acquired or established enterprises or absence of growth in the markets where the Company is going to expand its activities in the future, the strategy of geographic expansion could become useless and Company business and profitability can be damaged.

2) Company growth strategy is based upon acquisition and establishing new brands, with future growth and results of operating activity of the Company being the subject to adverse influence, if the Company cannot reveal and use proper chances. In addition, creating new brands could weaken current brands or otherwise damage current business.

The Company is planning to acquire and create new brands in the separate markets. Growth rates of the Company would suffer if it cannot perform its strategy of increasing the number of brands being unable to reveal and use proper chances, or for any other reasons. Company investments bear the following risks:
new projects could damage current business and distract management attention;
the Company could become unable to integrate successfully its concept and branded range of products into its activities;

the Company would have to borrow funds or to issue promissory notes or shares that could result in dissipation of the stock of current shareholders;
the Company could not receive expected profits and lose funds up to the amount of investments.

3) The Company could become unable to integrate recently acquired companies into its operating activity.

Following its growth strategy in last five years the Company made several strategic acquisitions in Russian and CIS markets that provided both geographic expansion and a wide range of products. With further expansion of the Company activities, the task of managing this growth would become more and more complex. It is not possible to guarantee that the Company would successfully integrate these companies into its current activity. Inability to integrate these companies by the Company could have considerable adverse effect on the results of Company operating activities.

4) Markets where the Company works are competitive ones and further intensification of competition could adversely influence the results of its operating activity.

Markets where the Company works, in particular, perfumery and cosmetics branch, have high degree of competition and are subject to fast changes in customers' preferences and branch trends. It is the customers who make decisions to buy the Company products taking into account many factors including brand awareness, quality and price of the products as well as degree of their knowledge of the products advantages. Advertising, promotion, merchandising, package as well as speed and time of launching new products to the market and expansion of the range of products also have considerable influence on customers' decisions to buy.

The Company competes with a number of local and multinational companies. With increased purchasing power and consumer expenditures as well as with decreased susceptibility to the price, the level of competition has recently increased.

Many Company competitors including L'Oreal and Procter & Gamble are large multinational companies and have more resources in comparison with the Company. Some products of Company competitors benefit from more brand awareness and customers loyalty compared with the Company products. Some foreign competitors started investing into production enterprises in Russia thus reducing competitive advantages of the Company in comparison with foreign competitors not having production capacities in this country. In addition, the Company cannot exclude the possibility of some companies (including multinationals with more financial and other resources and who are not present in the Company markets or future Company markets) aggressively entering these markets by acquisition of local competitors or in some other way.

If the said trend continues, the Company would lose its present material advantage as a Russian manufacturer in comparison with foreign competitors that can adversely influence the Company market share and the results of its operating activity. These factors as well as demographic trends, economic situation and strategy of discount pricing could result in further intensification of competition and considerable adverse effect on business, financial position and the results of Company operating activities.

5) Failure to develop new brands, kinds and categories of products could hold in Company growth and profitability in the future.

The Company strategies of businesses expansion stipulates for its entering new categories of products, development of new products as well as launching new brands within current range of products. The purpose of this strategy is to expand the Company market share at the expense of increasing customers demand in the current markets as well as at the expense of entering new market segments. Success of this strategy partly depends on the Company ability to foresee customers' tastes and habits and offer products meeting their requirements. If new Company products are not accepted by the market, do not meet restrictions of the standard acts or have problems with quality, this could damage the results of the Company operating activity. The factors, which can influence the Company ability to introduce further kinds of products, additionally include state regulations, possible flow-out of key personnel, competitors' measures for property protection that can limit the Company ability of offering similar products as well as inability to foresee changes in customers' tastes and preferences. Inability to foresee, reveal or respond to changes in customers' preferences and resulting inability to develop new brands, kinds and categories of products can have considerable negative influence on expansion strategy and have considerable adverse effect on Company profits.

6) Expenses on observation of the environmental laws and responsibility for its violation can adversely influence the Company financial position.

Production capacities and property of the Company are the subject of regulation by more and more rigid laws and standard acts on environmental protection including waste discharge and treatment, recycling of wastes. These laws and standard acts envisage fines and other sanctions for their violation and require alterations to the manufacturing process in order to restrict discharge of contaminants and/or reduce the possibility of accidental discharges of hazardous substances. Company operating activities and its property shall comply with these laws and take into account changes in the laws.

In its operating activity the Company does not use and does not produce hazardous substances and wastes, at that, its factories have complex systems controlling the water pollution level and wastes discharge. Besides, some production lines use a closed cycle of water supply. Though, in the Company opinion, it observes applied laws and standard acts of environmental protection; new laws and standard acts, more rigid enforcement of laws and standard acts currently in force, revelation of previously unknown cases of pollution or new requirements to pollution elimination could require expenses from the Company or could become a basis for new or increased obligations with considerable adverse effect on business, financial position or results of the Company operating activity.

7) The Company depends on its factories in Russia. Any delays in the production activities of these factories could have negative effect on Company business and operating activities.

84% of the Company products are manufactured at the Russian factories, contract production accounts for 14% of the total production volume in 2005 fiscal year, besides, 2% of products sold by concern in Russia and in the CIS countries is produced by the German cosmetics manufacturer Dr. Scheller Cosmetics AG. About 82% of the Company profits came from its activities in Russia. Long-term unexpected delays at Russian factories connected with break-ups of equipment, interruptions of power supplies, acts of God and any other reasons could have adverse effect on the results of the Company operating activity and financial position. The Company having insurance coverage, it is not insured against stoppage of its financial and economic activities. It cannot be guaranteed that the Company would have no losses above the total amount of coverage or losses uncovered by insurance policies.

8) If the Company does not reserve its position as an effective manufacturer in the very competitive environment, especially in the sphere of purchases of package and raw materials as well as concerning expenses for advertising and marketing, the results of its operating activity would also be damaged.

The Company success is partly dependent on its ability to reserve its status of an effective manufacturer in a highly competitive sphere. If the Company cannot control costs at the expense of increasing productivity or at the expense of liquidation of redundant costs by the results of assets acquisition, the results of its operating activity will be damaged. In particular, negative influence on the results of its operating activity can be caused by increase of prices as well as deficit of package and raw materials. Success of the Company also depends on its activities in further effective advertising in the market where the prices for advertising in the leading national channels grew by 25 % in 2004. Considerable growth of prices in any of the above said positions, which the Company will not be able to charge on customers at the expense of increased prices, could have considerable adverse effect on its financial position and the results of its operating activity.

9) The Company can become unable to expand its range of products and increase its production capacities in more dynamic and profitable categories of products.

Growth potential of household chemicals, perfumery and cosmetics branch is restrained by the population, whose number is decreased in Russia. The Company success is partly dependent of its opportunity to expand its business faster than the population growth in its markets or despite the population reduction in these markets. One of the methods for achieving such growth is strengthening the portfolio at the expense of expanded range of products and increasing production capacities in the most dynamic and profitable market segments. If the Company does not succeed in progressing, the results of its operating activity can be damaged.

10) Dependence on dealers and wholesalers when distributing Company products could result in reduction of turnover and competitive powers of the Company.

The Company sells its products both directly to dealers and to independent distributors who resell it to retail enterprises. The Company believes that selling to dealers and independent distributors would still be the largest part of its profits. The Company operating activity as well as expenses for distribution can be influenced by strengthened consolidation of these organizations especially when these clients acquire business experience and try to reduce purchasing prices and expand programs of active promotion.

The Company also competes with other brands for places on the shelves of retail shops and for attention of independent distributors who also offer other kinds of products directly competitive with the Company ones. If

independent distributors prefer other brands and buy less of the Company products, totally refuse from its products, ask for considerable discounts or give little support to the Company brands in promotion, this could have considerable adverse influence on the turnover and reduce competitive powers and profitability of the Company.

11) Claims associated with manufacturer's obligations could damage the Company business.

The Company could receive claims to compensate for losses or infliction of health hazard allegedly caused by the Company products. The Company has insurance policies covering such claims but if it is found out that any of the Company products caused health hazard or damage, such responsibility could be considerable and the insurance coverage would be insufficient to indemnify for this health hazard or damage. In addition, customers' claims against the Company could damage its goodwill, reduce the cost of trademarks and reduce the market share.

12) Withdrawal of products could damage the Company business.

Development, manufacture, testing and selling of the Company products are connected with considerable risk of their withdrawal. Usage and abuse of its products could in some cases of coincidences cause negative effect on customers' health. Unexpected by-effects caused by usage or abuse of the products or by defective products sold by the Company could cause health problems, diseases or even death of a customer. Such an event could result in the suit of civil responsibility and/or withdrawal one or several kinds of products.

Unsuccessful outcome of the suit against the Company as well as withdrawals of its products could in the future result in considerable adverse effect on the Company business, results of operating activity, goodwill as well as on Company ability to attract or hold its customers' loyalty.

13) System errors and delays could damage the Company work.

The Company manages its storehouse and logistic operations, inventories and production activity using some electronic means of information transmission, including Internet, networked PC's and automatic systems of inventories management. These activities are largely dependent on reliability of their basis systems. The systems and their activities are subject to damage or break-ups caused by human factor, acts of God, powers supplies shutdowns, computer viruses, deliberate acts of vandalism and similar events. No one can guarantee that in the future there will be no significant system errors and delays. Significant system errors and delays can cause unexpected interruptions in service, lower level of client service, customers' dissatisfaction and damage to the goodwill of the Company, which can result in the loss of customers, increase of operating expenses and financial losses.

14) The Company products market considerably depends on the brand awareness and intangible cost of trademarks and trade names. Business could be damaged if brand awareness is damaged or if the Company cannot sufficiently defend its rights for intellectual property.

Taking into account brand awareness the Company makes all efforts to protect its portfolio of intellectual property rights including trademarks registration. Nevertheless, the Company cannot be sure that these measures are sufficient and the third parties will not violate its property rights and will not illegally take this property. In addition, in Russia and CIS countries where the Company acts, the level of intellectual property protection is, as a rule, lower than that in Western Europe and North America. To avoid further violations the Company will have to take respective steps of legal character. Pleading cases of such suits could take long time, success of any of such cases not guaranteed. In addition, the Company also relies, largely, on different materials for promotion, including packages, slogans, posters and publications, most part of which is not protected by the laws on the intellectual property rights and thus can be imitated causing losses to the Company and it will not be able to defend its rights effectively. If the Company cannot protect its property rights from violation or illegal appropriation, it can cause material damage to its future financial results as well as to the possibilities of its own business development.

15) Non-reception of trademarks protection for some trade names and images, which are now under registration as trademarks, could have considerable influence on Company plans of marketing, causing increase of the advertising expenses and having negative effect on its financial results.

As of the end of the second quarter 2006, Russian regulation bodies had several applications for approval of 32 trademarks of the Company. If trademarks in the applications on approval are not registered, the Company will have very limited changes for protection of these trade names or images from their usage by other parties. It will considerably reduce effectiveness of advertising with these trade names and images. It will have repercussions on products marketing where these trade names and images are used as well as can require another approach to marketing of these products from the Company, which will cause growth of expenses for advertising and adversely influence business, financial position and results of its operating activity.

16) If the Company cannot attract enough funds it will possibly have to limit its operating activity considerably which will result in negative effect on its operating activity and loss of the market share.

The Company is planning to make some capital placements connected with investing into new brands, expansion of the current activity as well as modernization of current units and systems of internal information and additionally refinance part of its debts on credits and loans.

To cover its needs in funds the Company would possibly attract additional joint stock or debt finances. Acquiring debt finances in Russia especially attraction of long-term debt finances on commercially suitable conditions could be difficult, in particular, because of risk of interest rates increase, and joint stock finances could result in considerable dissipation of shareholders' investments. If the Company cannot attract enough funds to cover its needs in capital, it will possibly have to limit its operating activity considerably that could have negative effect on its market share and results of its operating activity.

17) Fast growth could result in excessive tension in managerial, production and financial resources.

The Company is now passing the stage of fast expansion, which, in the Company opinion, will continue in the near future. As a result of this expansion, difficulty of business from the operating point of view increased as well as responsibility of the managerial staff, all that cause substantial tension in managerial, production and financial resources. As a result, the Company will have to further improve its production and financial systems as well as measures of control and management procedures. It will also need to keep close contact among its employees in the sphere of production, logistics, technology, business accounting, financing, marketing, sales and promotion of the products. If the Company is unable to reach any of the goals this could have considerable adverse effect on Company business, results of its operating activity and financial position.

18) Loss of any of the key employees or inability to recruit and motivate qualified personnel could have considerable adverse effect on Company business.

During quite a short period, the Company passed a stage of quick growth and development. Management of such growth required, and would possibly require in future, considerable managerial and production resources. Future results of its operating activity are considerably dependent on further participation in the work of principal officers from the senior management. Loss of one or several principal officers could have considerable adverse effect on business, results of operating activity and financial position.

In addition, growth management requires:
further development of financial and managerial systems;
strengthening of marketing activity;
recruiting and training of new employees.

Besides, in future, Company success would partly depend on the ability of recruiting, keeping and motivating qualified staff. Because of small amount of qualified staff in Russia, there is a hard competitive battle for employees with necessary experience. The Company seeks to restructure its indemnities packages to make them corresponding to changing standards of the Russian labor market.

19) Risks peculiar exclusively for JSC Concern "KALINA" and connected with current legal processes in which JSC Concern "Kalina" participates, are assessed by JSC Concern "KALINA" as insignificant.

20) Risks connected with impossibility of prolonging Company licenses. JSC Concern "KALINA" observes all the requirements of licensing bodies and estimates the risk connected with impossibility of prolonging licenses as minimal.

21) There is a risk of non-execution by the third parties of their obligations, for provision of which JSC Concern "KALINA" has concluded contracts of guarantee with further claims on these obligations by JSC Concern "KALINA".

3. Detailed Information of JSC Concern "KALINA"

3.1. History of Foundation and Development of JSC Concern "KALINA"

3.1.1. Information of the Trade Name of JSC Concern "KALINA"

Full trade name:

Open Joint Stock Company Concern "KALINA"

Abridged name:

ОАО Концерн "КАЛИНА"

JSC Concern "KALINA"

Trade name – Concern "KALINA" and different combinations of words in the trade name are registered as trademarks:

Name	Certificate No.	Priority date	Protection valid till
KALINA	202109	November 11, 1999	November 11, 2009
KALINA	206291	June 3, 1999	June 3, 2009
Concern KALINA	215610	March 31, 2000	March 31, 2010
Concern KALINA (colored pictorial trademark)	215611	March 31, 2000	March 31, 2010
3D trademark of "KALINA" logo	225551	March 31, 2000	March 31, 2010

Information of changes in the name and organizational and legal status of the Issuer.

Open Joint-Stock Company "Uralskiye Samotsveti"

OTJSC "Uralskiye Samotsveti"

Effective from: **November 16, 1992**

Open Joint-Stock Company "Uralskiye Samotsveti"

JSC "Uralskiye Samotsveti"

Effective from: **June 8, 1996**

Change was made because of alterations of the laws on joint-stock companies.

Trade name "Uralskiye Samotsveti" and different combinations of words in the trade name are registered as trademarks:

Name	Certificate No.	Priority date	Protection valid till
Uralskiye Samotsveti	168902	December 23, 1996	December 23, 2006
Perfumery and Cosmetics Factory "Uralskiye Samotsveti"	183179	April 21, 1998	April 21, 2008

Open Joint-Stock Company Concern "KALINA"

JSC Concern "KALINA"

Effective from: **November 30, 1999**

Change was made on the basis of the decision of the Extraordinary Shareholders Meeting of JSC "Uralskiye Samotsveti" dd. November 19, 1999 (Minutes No. 2 dd. November 19, 1999).

3.1.2. Information of State Registration of JSC Concern "KALINA"

Information of state registration of the Issuer and his possession of licenses:

Date of state registration of the Issuer: **November 27, 1992**

No. of the certificate of state registration: **00550-2 series 1-EH**

State registration authority: **Department of State Registration of Ekaterinburg**

Information of Company registration in the Single State Register of Legal Entities:

Principal state registration No.: **1026605387665**

Date of registration: **July 18, 2002**

Registration authority: **Inspection of Russian Ministry of Taxation in the Oktyabrsky district of Ekaterinburg**

3.1.3. Information of Foundation and Development of JSC Concern "KALINA"

Period of JSC Concern "KALINA" existence since the date of its state registration:

14 years

The date until which JSC Concern "KALINA" will exist: JSC Concern "KALINA" was founded for an uncertain period of time.

Mission of JSC Concern "KALINA":

Creation of leading brands in the cosmetics, perfumery and household chemicals markets.

Company values:

leadership

honesty

effectiveness

Today the Company is one of the largest manufacturers of perfumery and cosmetic products in Russia. The range of goods has more than 300 products and includes perfumes, cosmetics for face and body, shampoos, conditioners, masks for hair, makeup, toothpastes, soap, washing powders and household chemicals. The most famous brands of the Company include: cosmetic series "Black Pearl", "Clean Line", "MIA", "Little Fairy", "100 Recipes of Beauty", "Velvet hands", toothpastes "32 Norma" and "Forest Balm", perfume "Angelika Varum".

Popularity of JSC Concern "KALINA" brands, successful marketing policy and high quality of the products made the Company one of the leaders in the national cosmetics market. The Company has the widest distribution network in its sphere; this network includes all regions of Russia and CIS. The Company has its own research and production center whose experts develop new products and technologies. The main production capacities of the Company are in Ekaterinburg, Omsk and contain modern equipment maintained by professionals.

Consolidated volume of Company sales in 2005 was 8150, 5 mln. roubles (according of IFRS). Net profit of the Company for 2005 totaled the amount of 668 mln. roubles. In 2006 sales keep growing.

The Company has a long credit history, which certifies its undoubted fulfillment of all obligations to trade and financial creditors. There were no registered cases of Company refusal from assumed financial obligations. In different periods the Company obtained and serviced loans of European Bank for Reconstruction and Development, Citibank, Alpha-bank, Raiffeisnbank, Moscow International Bank, "Severnaya Kazna" bank and Uralvneshtorgbank as well as bonds issues for the total amount of about 17 mln. US dollars.

Level of Company corporate governance has lately increased a lot. At present, the Company Board of Directors includes two independent directors. An independent director is Chairman of the Board of Directors. In the 4th quarter 2004, the Company approved Code of Corporate Management of JSC Concern "KALINA".

Short description of history of foundation and development of JSC Concern "KALINA".

The Company was founded in 1942 on the base of Novaya Zarya factory that was evacuated from Moscow. During the Soviet period the Company (in 1974 it was named Perfumery and Cosmetics Factory "Uralskiye Samotsveti") was of the most effective enterprises of Concern "Soyuzparfumerprom".

In 1992, state enterprise "Uralskiye Samotsveti" was transferred into an open joint-stock company in the process of privatization (second variant).

When in 1996 Timur Gorayev acquired a controlling stake of Company shares, managers' team was changed. Now the Company is lead by young ambitious managers who replaced old soviet staff and it won the leading position in the Russian and CIS markets. In 1998, the Company became the largest Russian manufacturer of perfumery and cosmetic products in the volume of sales.

In 1999, Company changed its trade name to Concern "KALINA".

Further development of the Company was connected with a range of acquisitions of production facilities in Russia and abroad. In 1998, JSC Concern "KALINA" acquired Omsk Synthetic Detergents Plant which helped products diversification of business and expansion of current brands' line of the Company. In 1999, to overcome tax and customs barriers the Company acquired in Ukraine a controlling stake of Nikolaev Perfumery and Cosmetics Industrial Complex (NPCIC) "Alye Parusa". In 2000, continuing its geographic expansion to CIS markets the Company acquired Almalyk Household Chemicals Plant (Uzbekistan)** and in 2001 acquired Perfumery and Cosmetics Factory "Lola Atir Upa" (Uzbekistan)**.*

In 1999, the Company obtained ISO-9001 international quality certificate. This certification is confirmed annually.

In 2000, European Bank for Reconstruction and Development acquired shares of Company additional issue and became a holder of 19.24 % (together with its venture funds GIMV Corpeq Urals Fund and Rabo Black Earth) of JSC Concern "KALINA" stock. (EBRD share was reduced to 11.5 % as a result of sale of part of its stock at IPO in April 2004).

In April 2004, the Company placed additional shares issue at Moscow Interbank Currency Exchange (MMVB) and increased free-float in its share to about 33 % from its charter capital.

In October 2004, shares of JSC Concern "KALINA" were included into the quoted list "B" of the RTS stock exchange.

In the end 2004, the Company launched a level 1 "OTC" American Depositary Receipts (ADR) program for its shares with support of Deutsche Bank Trust Company Americas.

At the beginning of the 2nd quarter 2005, JSC Concern "KALINA" acquired more than 58,4 % of shares of a German perfumery and cosmetics manufacturer Dr. Scheller Cosmetics AG through a public offering of shares acquisition to shareholders of the German company.

At the end of the year 2005 Mr. Goryayev sold a share of his holding which resulted in increasing Company's free-float up to almost 67%. Mr. Goryayev's share now amounts to 30,003% of company's charter capital.

At the beginning of the first quarter 2006 the Company founded a subsidiary in Switzerland named kalian International SA.

In spring 2006 KALINA acquired 14,84% more of the German perfumery and cosmetics manufacturer Dr. Scheller Cosmetics AG having increased its share in the charter capital of the company up to 73,24%.

At present, the Company concentrates on the perfumery and cosmetics market and uses its key advantages to hold its market positions.

Company development is performed by acquisition of strong existing brands and creation of own brands with high growth potential.

** In mid-2003, the Company sold its stock of JSC NPCIC Alye Parusa. It is connected with lowering of tax and customs laws in Ukraine. At present, Company products in Ukraine are promoted by a specially established company "Pallada Ukraine".*

*** In June 2004, the Company concluded an agreement of sale of its stock in SC "Pallada Vostok" (which consolidates Almalyk Plant of Household Chemicals and JSC "Lola Atir Upa"). The reason is the same as with "Alye Parusa" in Ukraine – lowering of customs barriers and stabilization of foreign exchange rates in Uzbekistan. At present, Company products are sold through an extensive network of independent dealers.*

3.1.4. Contact Information

Location of JSC Concern "KALINA", telephone and fax number, e-mail, web site(s) where information of JSC Concern "KALINA" is available, securities issued and/or being issued by the Company.

Location: 80, Komsomolskaya St., Ekaterinburg, 620138 Russian Federation
Postal address: 80, Komsomolskaya St., Ekaterinburg, 620138 Russian Federation
Telephone: +7 (343) 262 09 86
Fax: +7 (343) 262 22 32
E-mail: cfininet@kalina.org
Web site: www.kalina.org

Location, telephone and fax number, e-mail, web site(s) of a special division of JSC Concern "KALINA" (third party) dealing with shareholders and investors of JSC Concern "KALINA" (if available).

Department of corporate finance of JSC Concern "KALINA"

Location: 80, Komsomolskaya St., Ekaterinburg, 620138 Russian Federation
Postal address: 80, Komsomolskaya St., Ekaterinburg, 620138 Russian Federation
Telephone: +7 (343) 262 26 85
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E-mail: cfininet@kalina.org
Web site: www.kalina.org

3.1.5. Taxpayer's Identification Number

Taxpayer's Identification Number (INN) given to JSC Concern "KALINA" by tax authorities.

INN 6608000083

3.1.6. Branches and Representative Offices of JSC Concern "KALINA"

Names, dates of foundation, locations of all branches and representative offices of JSC Concern "KALINA" in conformity with its Charter (constituent documents) as well as surnames, names and patronymics of heads of all branches and representative offices of JSC Concern "KALINA", as well as validity periods of powers of attorney given to them by JSC Concern "KALINA".

No branches and representative offices of JSC Concern "KALINA" are registered.

3.2. Principal Economic Activities of JSC Concern "KALINA"

3.2.1. Industry Identification of JSC Concern "KALINA"

Codes of primary industrial directions of JSC Concern "KALINA" according to OKVED.

24.52, 24.51, 51.45, 51.44.4, 52.33, 52.48.31, 73.10, 71.34, 74.14, 55.51, 93.02

3.2.2. Principal Economic Activities of JSC Concern "KALINA"

Principal, i.e. predominant and priority economic activities for JSC Concern "KALINA", share of JSC Concern "KALINA" profits from such principal economic activities and share of these profits in the total profits of JSC Concern "KALINA" for last five fiscal years that ended, as well as for the last reporting period that ended.

Principal economic activities of the Company is production and sale of perfumery and cosmetic products, detergents and household chemicals.

Share of Company profits from this type of activity is 100 % during all period of Company existence.

	<i>1 half 2006</i>	<i>1st half 2005</i>
<i>Revenue from principal economic activity of the Company, in ths. RUR</i>	<i>3,619,529</i>	<i>3,085,377</i>
<i>Profits growth rates, in %</i>	<i>-</i>	<i>17.3</i>

3.2.3. Primary Types of Products (Works, Services)

Types of products (works, services), which provided not less than 10 percent of sales (proceeds) volume of JSC Concern "KALINA" for last five fiscal years that ended, as well as for the last reporting period that ended.

The Company deals with development, production and sale of a wide range of skin care products (creams, lotions, gels, tonics etc.), hair care products (shampoos, conditioners), oral care products (toothpastes), perfumery, detergents (washing powders, soaps) and some other products within territory of Russia and CIS countries.

Information of sales structure of the Company by basic commodity groups for the first half of the year 2006 and preceding financial year is given below:

<i>№ п/п</i>	<i>1 half 2006</i>	<i>Production volume, items</i>	<i>Average annual price, RUR</i>	<i>Proceeds from sales, RUR.</i>	<i>Share in the total sales, %</i>	<i>Respective price index</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
<i>1</i>	<i>Dr.Scheller</i>	<i>757 727</i>	<i>87,11</i>	<i>66 008 677</i>	<i>1,80%</i>	<i>100,53</i>
<i>2</i>	<i>Household chemicals</i>	<i>4 467 692</i>	<i>11,01</i>	<i>49 181 065</i>	<i>1,34%</i>	<i>106,69</i>
<i>3</i>	<i>Contract production</i>	<i>20 715 447</i>	<i>21,03</i>	<i>435 587 838</i>	<i>11,87%</i>	<i>105,17</i>
<i>4</i>	<i>Male grooming products</i>	<i>5 356 945</i>	<i>14,45</i>	<i>77 395 841</i>	<i>2,11%</i>	<i>88,83</i>
<i>5</i>	<i>Perfumery</i>	<i>1 230 523</i>	<i>48,51</i>	<i>59 697 143</i>	<i>1,63%</i>	<i>79,68</i>
<i>6</i>	<i>Other</i>	<i>10 830 875</i>	<i>13,37</i>	<i>144 769 968</i>	<i>3,95%</i>	<i>102,74</i>
<i>7</i>	<i>Detergents and soap</i>	<i>65 888 605</i>	<i>4,14</i>	<i>272 601 632</i>	<i>7,43%</i>	<i>99,27</i>
<i>8</i>	<i>Oral care products</i>	<i>36 037 525</i>	<i>11,97</i>	<i>431 222 187</i>	<i>11,75%</i>	<i>104,74</i>

9	Hair care products	20 500 855	21,56	442 074 345	12,05%	113,54
10	Skin care products	90 030 433	18,78	1 690 543 416	46,08%	104,20
11	Total	255 816 627	14,34	3 669 082 110	100,00%	111,12

	2005	Production volume, items	Average annual price, RUR	Proceeds form sales, RUR	Share in the total sales, %	Respective price index, %
1	2	3	4	5	6	7
1	Skin care products	166 526 695	18,02	3 000 883 172	41,81	116,4
2	Perfumery	1 942 067	60,88	118 238 649	1,65	166,9
3	Hair care products	40 502 372	18,99	769 202 937	10,72	96,1
4	Oral care products	79 750 040	11,42	911 121 345	12,69	109,1
5	Detergents and soap	157 318 252	7,64	655 634 655	16,74	184,5
6	Household chemicals	8 833 730	10,32	91 142 272	1,27	302,6
7	Male grooming	13 240 664	16,26	215 359 148	3,00	119,1
8	Other (+ contract production)	44 601 794	5,05	225 148 261	3,14	37,0
	Total	513 868 871	13,26	6 632 412 108	100,00	110,5

Sales system for last five fiscal years that ended and for the last reporting period that ended on each of the specified primary types of products (works, services) of JSC Concern "KALINA" in percents from the volume of products (works, services) sales:

	2001	2002	2003	2004	2005	1 half 2006
Skin care	100.0 %	100.0 %	100.0 %	100.0 %	100,0%	100,0%
including dealers	87.0 %	82.0 %	83.0 %	90.0 %	97,8%	95,0
wholesale customers	12.0 %	16.5 %	15.9 %	9.3 %	1,8%	4,6
Own trading network	1.0 %	1.5 %	1.1 %	0.7 %	0,4%	0,4
Oral care	100.0 %	100.0 %	100.0 %	100.0 %	100,0%	100,0%
including dealers	87.0 %	82.0 %	83.0 %	90.0 %	97,8%	95,0
wholesale customers	12.0 %	16.5 %	15.9 %	9.3 %	1,8%	4,6
trading network	1.0 %	1.5 %	1.1 %	0.7 %	0,4%	0,4
Hair care	100.0 %	100.0 %	100.0 %	100.0 %	100,0%	100,0%
including dealers	87.0 %	82.0 %	83.0 %	95.5 %	97,8%	95,0
wholesale customers	12.0 %	16.5 %	15.9 %	4 %	1,8%	4,6
trading network	1.0 %	1.5 %	1.1 %	0.5 %	0,4%	0,4
Perfumery	100.0 %	100.0 %	100.0 %	100.0 %	100,0%	100,0%
including dealers	87.0 %	82.0 %	83.0 %	90.0 %	97,8%	95,0
wholesale customers	6.6 %	8.7 %	24.2 %	9.3 %	1,8%	4,6
trading network	1.0 %	1.5 %	1.1 %	0.7 %	0,4%	0,4
Detergents	100.0 %	100.0 %	100.0 %	100.0 %	100,0%	100,0%
including dealers	71.0 %	93.0 %	88.0 %	90.0 %	97,8%	95,0
wholesale customers	28.0 %	5.5 %	10.9 %	9.3 %	1,8%	4,6
trading network	1.0 %	1.5 %	1.1 %	0.7 %	0,4%	0,4
Men's grooming products	-	100.0 %	100.0 %	100.0 %	100,0%	100,0%
including dealers	-	82.0 %	83.0 %	95.5 %	97,8%	95,0
wholesale customers	-	16.5 %	15.9 %	4 %	1,8%	4,6
trading network	-	1.5 %	1.1 %	0.5 %	0.4 %	0,4
Household chemicals	-	100.0 %	100.0 %	100.0 %	100,0%	100,0%
including dealers	-	82.0 %	83.0 %	90.0 %	97,8%	95,0
wholesale customers	-	16.5 %	15.9 %	9.3 %	1,8%	4,6
trading network	-	1.5 %	1.1 %	0.7 %	0,4%	0,4

Hygiene products	100.0 %	-	-	100.0 %	100,0%	100,0%
including dealers	87.0 %	-	-	90.0 %	97,8%	95,0
wholesale customers	12.0 %	-	-	9.3 %	1,8%	4,6
trading network	1.0 %	-	-	0.7 %	0,4%	0,4
Other	100.0 %	100.0 %	100.0 %	100 %	100,0%	100,0%
including dealers	87.0 %	82.0 %	83.0 %	90.0 %	97,8%	95,0
wholesale customers	12.0 %	16.5 %	15.9 %	9.3 %	1,8%	4,6
trading network	1.0 %	1.5 %	1.1 %	0.7 %	0,4%	0,4
Total	100.0 %	100.0 %	100.0 %	100.0 %	100,0%	100,0%
including dealers	84.2 %	83.8 %	83.8 %	90.0 %	97,8%	95,0
wholesale customers	14.4 %	14.4 %	15.4 %	9.3 %	1,8%	4,6
trading network	1.0 %	1.5 %	1.1 %	0.7 %	0,4%	0,4

3.2.4. Issuer's Suppliers Who Have 10 or More Percent of All Supplies of Inventories with Their Share in the Total Volume of Supplies Specified

Full trade names of JSC Concern "KALINA" suppliers who have not less than 10 percent of all supplies of inventories with their share in the total volume of supplies:

Year 2005

No.	Supplier	Amount	Share in Supplies
1	OJSC Gammakhim	203 275 735.80	15.49
2	Symrise	124 881 513.50	9.52
3	Huber	53 317 998.85	4.06
4	OJSC Sredneuralsk Copper Smeltery	40 447 468.80	3.08
5	Rokett	36 402 921.54	2.77
6	Alyanskhimtrade Ltd.	33 448 148.97	2.55
7	JSC Vyasemskiy plant of synthetic products	23 591 151.31	1.80
8	Vet-M LLC	22 508 240.52	1.72
9	PE Kirishineftetorgsintez Ltd.	21 584 624.50	1.64
10	Sibmanagement Group LLC	21 544 252.85	1.64

1 half 2006

№ п/п	Supplier	Amount, RUR	Share in supplies
1	ZAO Kargill A.O.	77719002,82	18,72
2	OOO Alianskhimtrade	22923146,13	5,52
3	OAD Gammakhim	17515939,37	4,22
4	Man Fis	12900779,78	3,11
5	Cognis Deutschland	12597254,06	3,03
6	Quest International Limited	11296572,04	2,72
7	OAD Vyazemskiy plant of synthetic products	10377472,83	2,50
8	OOO Bio Khim	10148773,62	2,44
9	ZAO Chimtech	9233867,28	2,22
10	ZAO Basf	7579436,44	1,83

Share of import in JSC Concern "KALINA" supplies. Forecasts of JSC Concern "KALINA" in relation to availability of these sources in the future and to possible alternative sources:

Suppliers	1 half 2006 Raw materials	
	In RUR	In %
Russian suppliers	285,265,737	69%
Foreign suppliers	129,939,060	31 %

Despite a considerable share of foreign sources of raw materials, Company management believes risks associated with these facts to be unimportant. It is conditioned, first of all, by low dependence of the Company on each supplier taken separately. Second, alternative suppliers are found almost for every kind of raw materials being supplied. It also should be taken into account that primary suppliers of raw materials deliver their products to almost all manufacturers in this industry and change in prices for raw materials they supply will have respective influence on expenses of all manufacturers.

3.2.5. Product Markets of JSC Concern "KALINA"

Primary markets where JSC Concern "KALINA" performs its activities. Customers whose turnover covers not less than 10 percent of the total income from sale of JSC Concern "KALINA" products (works, services) and their shares in the total volume of sales.

Possible factors, which could adversely influence JSC Concern "KALINA" sales of its products (works, services) and possible actions of JSC Concern "KALINA" for reducing such influence:

The Company sales could be adversely influenced by intense competition of multinational corporations, change in customers' preferences, change in taxation methods, currency and customs laws of those countries where the Company exports its products. The Company follows active marketing policy: novelties are constantly created and launched to the market, advertising support of key brands is strengthened. Measures directed growth of customers' loyalty to Company brands are taken in order to increase Company products awareness. Most Company sales fall on Russia (about 82 % of all sales), the rest of sales is geographically diversified and negative changes in sector regulation in one of the countries will not cause considerable reduction of Company sales.

The Company sells its products in the markets of Russia, CIS countries, Baltic States as well as to remote foreign countries. Sales in Russia account for about 82 % of Company sales. Almost all non-Russian sales of the Company are focused in CIS countries. Key markets among CIS countries for the Company are Ukrainian, Uzbekistan and Kazakhstan markets, sales in which account for about 68 % of non-Russian sales of the Company.

JSC Concern "KALINA" has one of the strongest and most effective distribution networks in the Russian consumer market. It includes 205 dealers: 143 in Russia, 31 in CIS countries and 31 dealers in the Ukraine. Company products are sold in 75,618 sales outlets in 220 cities and towns of Russia and CIS countries. All dealers are independent companies; they were carefully chosen and obtained the right to conclude dealer agreement only after several years of impeccable work with the Company.

During 2005, the Company had no customer whose share accounts for more than 10 % of Company sales.

Biggest dealers of the Company as of the second quarter 2006

№ п/п	Dealer	City	Sales thousand RUR	% in total sales
1	ООО Mc Duck	Moscow	91,890	2.50
2	ЗАО Парфум	Saint Petersburg	72,880	1.99
3	ООО ТД Yurves	Moscow	66,367	1.81
4	ООО ТГ Alians	Sverdlovsk region.	56,225	1.53
5	ТОО Koktem	Almaty	56,116	1.53
6	ОДО Shibumi RB	Minsk	54,710	1.49
7	ООО Era HPC Distribution	Saint-Petersburg	40,881	1.11
8	ООО Fortpost-parfum	Chelyabinsk	39,049	1.06
9	ООО OPORK Prime	Moscow	38,181	1.04
10	ТОО Bostan	Almaty	37,910	1.03

3.2.6. Practice in Relation to Floating Capital and Reserves

JSC Concern "KALINA" policy in relation to the floating capital and reserves including raw materials turnover ratio and methods of its calculation.

Company policy in relation to the floating capital is the following:

support of optimal level of the floating capital, which corresponds with the Company strategic aims; actual level of raw stock, finished products, accounts receivable and payable corresponds with the Company standards approved by the Board of Directors.

Level of the floating capital is an important Company resource and accounts for up to 70 % of balance currency. Continuous control for correspondence of actual availability of raw stock and finished products with the data in the financial statements and control for safety of raw materials and finished products is performed in the sphere of raw materials. Supply Chain System is introduced in the Company in the sphere of finished products management. With this system, finished products are delivered and kept at consignment storehouses under dealers' management. As finished products are being sold, they are replenished at consignment storehouses. The data of finished products sale are transferred in real-time mode by Supply Management System. With this system, the Company has information of situation with accounts receivable and level of finished products at consignment storehouses in real time. Respectively, this allows equal loading of production capacities and manufacture products whose level of stock requires to be replenished. Supply Chain System provides minimum level of accounts receivable overdue.

Flow of raw materials, finished products and accounts receivable is performed with the help of information system "Concord", in which these business processes are fulfilled. Fundamental differences of information system Concord from traditional accounting program lie in that fact that it enables business processes fulfillment and seeing status of a business process in real time.

Company policy in the sphere of accounts payable lie in that fact that its level should not threaten financial and economic safety of the Company. Accounts payable should not exceed the amount of accounts receivable, finished products and raw materials.

Method of calculation of turnover ratio:

Receivables turnover in days equals the ratio of accounts receivable to sales and multiplied by 365*

Buyers and customers receivables ratio in days equals the ratio of buyers and customers accounts receivable to sales and multiplied by 365

Payable ratio in days equals the ratio of accounts payable to cost of sales and multiplied by 365

Suppliers and contractors ratio in days equals the ratio of suppliers and contractors accounts payable to cost of sales and multiplied by 365

Raw materials turnover ratio equals the ratio of raw stock to cost of sales and multiplied by 365

Finished products turnover ratio equals the ratio of finished products stock to cost of sales and multiplied by 365.

	2000	2001	2002	2003	2004	1 half 2006
receivable ratio, in days*	93	99	140	98	97	90
buyers and customers ratio, in days*	77	76	49	38	50	48
payable ratio, in days*	143	102	164	72	92	45
suppliers and contractors ratio, in days*	108	68	119	56	85	38
raw materials turnover ratio, in days*	53	55	97	88	94	59
finished products turnover ratio, in days*	50	71	90	69	111	74

*Sales – line 010, cost of products sold – line 020 of the Income Statement

* Turnover indexes for 2006 are equaled to yearly values in accordance with the following system:

income statement for the 6 months of 2006 was equaled to annual values based on actual proportion of indexes for the 6months 2005 and full year 2005.

Data of the balance sheet for the 6 months of 2006 were taken without changes.

3.2.7. Raw Materials

Sources of raw materials for principal economic activity of JSC Concern "KALINA" including information of changes in prices for primary raw materials or of absence of such changes.

No.	Description of Raw Material	Volume of Supplies			
		1 half 2006, in RUR	2006, in %	Supplier	Supplying Country
1	Animal fat, alimentary (fatty acids equivalent)	22,110,193.41	5.33	ZAO Kargill	RUSSIA
2	Palm stearin, refined, deodorized, decolorized, fatty acids equivalent	15,560,288.27	3.75	OJSC Gammakhim	RUSSIA
3	Natrium lauryl sulfate oxyethylated	22,923,146.13	5.52	Alianskhimtrade	RUSSIA
4	Diethyltoluamide	9,233,867.28	2.22	CJSC Khimtek	RUSSIA
5	Natrium caustic technical	11,776,723.24	2.84	Sibmanagement Group LLC	RUSSIA
6	Emulsion wax	9,735,801.83	2.34	OJSC Vyazma Plant of Synthetic Products	RUSSIA
7	Animal fat, technical (fatty acids equivalent)	5,957,288.55	1.43	Kuban protein LLC	RUSSIA
8	Crude coconut oil (fatty acids equivalent)	7,517,065.37	1.81	ZAO Kargill	RUSSIA
9	Natrium sulphate technical	3,793,230.63	0.91	Incotrade LLC	RUSSIA
10	Fatty acids of coconut oil	5,812,844.49	1.40	MashKomTorg LLC	
11	Palm oil, refined, deodorized, decolorized	6,008,274.21	1.45	ZAO Kargill A.O.	RUSSIA
12	Tall colophony (fatty acids equivalents)	2,171,567.66	0.52	Adamas LLC	RUSSIA
13	Conditioner Ucare (TM) Polymer LR-30M	2,223,673.73	0.54	Bio-Khim LLC	RUSSIA
14	Perfume oil	2,211,785.85	0.53	PVH-impex LLC	RUSSIA

*Indexes of price change for primary raw materials**

No.	Description of Raw Material	2 ND quarter 2006
		Index
1	Aluminum roundels (for tube A30x145)	106.20
2	Sodium tripolyphosphate, industrial	104.08
3	Palm stearin, refined, deodorized, decolorized (fatty acids equivalent)	98.49
4	Animal fat, alimentary (fatty acids equivalent)	98.54
5	Alkyl benzene sulphacid (converted to 100 %)	100.00
6	Aluminum roundels (for tube A25x125)	109.99
7	Corrugated carton, class "T"	95.78
8	Sodium lauryl sulfate, 100- % oxyethylated	99.75

9	Silica dioxide (Zeodent 113)	99.75
10	Crude coconut oil (fatty acids equivalent)	98.50
11	Capped jar LIMAPOL50 Черный жемчуг (Black Pearl)	118.18
12	Pivuan 138078	99.75
13	Emulsion wax	100.00
14	Cotillon E-9826534	99.75

**Price index in year 2003 was taken as 100, for subsequent years price growth rates are given in relation to the previous year.*

3.2.8. Main Competitors

Competitive conditions of JSC Concern "KALINA" activities including specific markets where JSC Concern "KALINA" performs or plans to perform its activities, main current and prospective competitors of JSC Concern "KALINA" including competitors abroad.

П / П	Company name	Country	Volumes of goods sold, mln USD						Market share, %					
			2001*	2002**	2003	2004**	2005	1 п.2006	2001*	2002**	2003	2004	2005**	1 п.2006
1	JSC Concern KALINA**	Russia	130,0	132,0	165,8	294,97	374,7	195,9	2,98	2,85	3,10	4,90	5,2	5,3
2	Procter&Gamble TOO	USA	242,2	271,4	315,5	350,7	428,0	270,3	5,85	5,86	5,77	5,44	6,0	7,3
3	L'Oreal Groupe	France	220,7	315,2	392,0	367,21	429,6	242,9	5,28	6,74	7,33	6,10	6,0	6,6
4	Beiersdorf AG	Germany	126,6	162,0	276,0	274,40	251,4	167,1	4,40	4,80	5,16	4,24	3,5	4,5
5	Colgate-Palmolive AO	Russia	64,5	82,3	98,2	135,30	202,4	135,2	1,54	1,76	1,84	2,10	2,8	3,7
6	Nevskaya Kosmetika ZAO	Russia	80,0	97,0	110,0	199,73	174,1	81,1	1,92	2,07	2,06	3,10	2,4	2,2
7	Unilever SNG		149,9	170,9	193,9	221,10	308,7	146,0	3,59	3,65	3,63	3,40	4,3	3,9
8	Novaya zarya	Russia	15,0	15,0	17,3	64,0	77,7	41,0	0,36	0,32	0,32	1,00	1,1	1,1
9	Gillette	USA	121,6	145,1	168,7	191,49	269,7	134,3	2,79	3,14	3,16	3,18	3,8	3,6
10	Evyap	Turkey	10,4	11,6	13,5	15,66	17,4	9,4	0,24	0,25	0,25	0,26	0,2	0,3
11	Arnest	Russia	37,9	47,0	55,8	45,00	58,2	33,6	0,60	0,70	1,05	0,90	0,8	0,9
12	Schwarzkopf & Henkel Cosmetics	Germany	164,4	193,7	223,3	291,30	410,4	200,5	3,94	4,14	4,18	4,50	5,7	5,4
13	Oriflame AO	Sweden	113,5	157,4	254,0	364,10	437,4	238,4	3,13	4,18	4,75	5,65	6,1	6,4
14	Avon	USA	100,5	185,3	240,0	379,20	405,7	236,2	2,40	4,00*	4,50*	5,88	5,7	6,4
	Bcero, mln. USD*		4 365,5	4 629,6	5 348	6 020	7 103,5	3 702	39,0	40,5	42,6	50,7	53,69	57,58

* Euromonitor data - sales in retail prices

** Kalina statistics data

*** expert assessment of Kalina marketing group

Today in the heart of Concern "KALINA" competitive position lie:

1. **Leading distribution level on the Russian market.**
2. **Concentration on developing major brands.**
3. **Considerable share in advertising influence,**
4. **Active position on the key CIS markets (Ukraine, Kazakhstan, Belarus).**
5. **Qualified managerial team.**

Evaluation of factors' efficiency:

1. **30 %**
2. **20 %**

3. 15 %
4. 20%
5. 15%

SWOT–analysis of the Company competitive position

<p>Strengths:</p> <ol style="list-style-type: none"> 1. <i>Leader in the market share in skin care products;</i> 2. <i>Strong loyalty of Company partners;</i> 3. <i>Wide and highly effective distribution network;</i> 4. <i>Price-Quality correlation attractive for consumers;</i> 5. <i>Marketing control using brand management - not commodity groups;</i> 	<p>Weaknesses:</p> <ol style="list-style-type: none"> 1. <i>Weak positions on the growing men's grooming and body care markets.</i> 2. <i>Weak positions on the market of household chemicals;</i> 3. <i>Lagging position in novelties launching, (Development period of a novelty does not correspond to western standards);</i>
<p>Opportunities:</p> <ol style="list-style-type: none"> 1. <i>To occupy market share of the weaker Russian competitors;</i> 2. <i>to raise distribution quality through more effective work with retail and trading networks;</i> 3. <i>To create strong brands in segments of men's grooming products;</i> 4. <i>To develop contract production.</i> 	<p>Threats:</p> <ol style="list-style-type: none"> 1. <i>Increase of multinationals advertising budgets;</i> 2. <i>Price reduction for multinationals products because of manufacture of their main products in Russia;</i> 3. <i>Advertising legislation becoming more stringent on the territory of Russian Federation and CIS countries.</i> 4. <i>Growth of influence of retail networks on category sales.</i> 5. <i>Competitors' creating brands using Roman letters.</i>

Main trends of perfumery and cosmetics market in the first six months 2006:

1. *Increase of network distribution sales.*
2. *Price reduction for cosmetic products of western manufacturers;*
3. *Elimination of the borders between cosmetology and medicine (development of cosmeceutics);*
4. *Increase in cosmetics sales through drug-stores;*
5. *Deeper division of market segments, narrower specialized market segments and more specialized products are launched;*
6. *Auditory of the "anti-age cosmetics" is rapidly becoming younger(usage of anti- age products from 25 years old:*
7. *Increase of the aggregate advertising pressure.*
8. *Increase in the segment of skin care products for men:*
9. *Realization of cosmetic effect through other market categories (soap, household chemicals, deodorants, etc).*
10. *Decrease in TV advertising effectiveness due to media inflation.*

3.2.9. Information of Licenses of JSC Concern "KALINA"

No., date and validity period of a special permission (license) and the issuing authority of the license, on the basis of which JSC Concern "KALINA" performs some of its activities, which are permitted only in accordance with the Russian laws and on the basis of a special permission (license), as well as forecast of JSC Concern "KALINA" concerning probability of this special permission (license) to be extended.

No.: **63–ЭБ-000177**

Date of issue: **June 10, 2003**

Valid till: **June 10, 2008**

Issuing authority: **Federal Mining and Industrial Inspectorate of Russia**

Sphere of activity: **Operating explosive production facilities**

No.: **002229**

Date of issue: **August 27, 2003**

Valid till: **February 7, 2008**

Issuing authority: **Ural Division of State Municipal Engineering Inspectorate of Russia**

Sphere of activity: *transportation of hazardous substances at hazardous production works including loading and unloading; operating access railroads used for transporting hazardous substances.*

No.: **63-TO-263**

Date of issue: **February 7, 2002**

Valid till: **February 7, 2007**

Issuing authority: **Ural Division of State Municipal Engineering Inspectorate of Russia**

Sphere of activity: *transportation of hazardous substances at hazardous production works including loading and unloading; operating access railroads used for transporting hazardous substances.*

No.: **series CBE No. 00696**

Date of issue: **November 22, 2004**

Valid till: **November 22, 2007**

Issuing authority: **Nizhneobsk Water and Basin Department**

Sphere of activity: *water use (surface water bodies)*

No.: **2740**

Date of issue: **October 3, 2002**

Valid till: **October 3, 2007**

Issuing authority: **Ministry of General and Professional Education of the Sverdlovsk Oblast**

Sphere of activity: *educational activities*

No. **50058**

Date of issue: **18.06.2002**

Valid till: **18.06.2008**

Issuing authority: **Ministry of Taxes and Duties of the Russian Federation**

Sphere of activity: *production, storage and delivery of produced spirit- containing non food products (perfumery and cosmetic)*

No.: **35-EK-004569**

Date of issue: **November 16, 2001**

Valid till: **November 16, 2006**

Issuing authority: **Rostekhnadzor**

Sphere of activity: *exploitation of hazardous industrial objects*

No.: **license no 92**

Date of issue: **March 10, 2005**

Valid till: **March 10, 2010**

Issuing authority: **Administration for technological and ecological control**

Sphere of activity: *emission of contaminants to the air*

No.: **license no 1-927**

Date of issue: **March 13, 2006**

Valid till: **March 13, 2011**

Issuing authority: **Administration for technological and ecological control**

Sphere of activity: *disposal of wastes*

No.: **OMS 00239 VE**

Date of issue: **February 2, 2004**

Valid till: **January 1, 2024**

Issuing authority: **Ministry of natural resources of Russian Federation local agency for subsurface usage,**

Sphere of activity: *production of subterranean technical water for technological watering of an industrial object*

3.2.10. Collective Activities of JSC Concern "KALINA"

For the last five fiscal years, the Company did not perform any collective activities with other organizations and did not establish any subsidiaries with participation of third parties.

3.4. Plans of Future Activities of the Issuer

The main strategic focus of JSC Concern "KALINA" is developing and promoting high quality brands in the perfumery and cosmetics market, which offer very high quality and satisfaction for the customers. Performing this strategy the Company is a leader of the Russian manufacturers of perfumery and cosmetics.

JSC Concern "KALINA" shall make all efforts to create products to be a match to multinational brands promoted in Russia and outperform products of Russian rivals as for their consumer properties. The consumer properties mean first of all product properties including its formula, design and package, effectiveness of the products and consumer's satisfaction. JSC Concern "KALINA" will follow its current price policy and support stable prices or fix a moderate bonus to the prices of other Russian brands and provide customers with the products, which can be compared with multinational brands in quality but at a more competitive price.

JSC Concern "KALINA" plans further reduction of non-brand share in its range of products and will concentrate on several key brands with high marginal cost.

For successful performance of the chosen strategy, in the near future JSC Concern "KALINA" will invest funds in the following principal directions:

*acquisition of strong current brands as well as purchase and creation of brands with high growth perspectives;
expansion and increase of effectiveness of its distribution network in CIS countries;;
modernization of production capacities.*

During the first half of 2006, JSC Concern "KALINA" launched more than 75 novelties. The Company considers projects on acquisition of current brands.

In the 1st half 2005, the Company acquired 58,4 % of German cosmetics manufacturer Dr. Scheller Cosmetics AG. The Company considers this acquisition as, first of all, investing into such brands as Manhattan (makeup) and Apotheke Scheller (skin care products of premium class) which belong to the German company.

In spring 2006 Kalina acquired more 14, 84% shares of a German cosmetics and perfumery manufacturer Dr. Scheller Cosmetics AG, having increased its share holding to 73,24% of the company's charter capital.

We are planning to increase the effectiveness of logistic processes considerably. In 2004, construction of a new storehouse complex was completed. This complex will allow considerable reduction of overhead expenses connected with transportation of inventories and reduction to minimum of dependence on leased storehouses. In 2005 construction of the new warehouse for finished goods was finished. JSC Concern "KALINA" works on unification of its products package and increasing its productive efficiency.

3.5. Participation of JSC Concern "KALINA" in Industrial, Banking and Financial Groups, Holdings, Concerns and Associations

Industrial, banking, financial groups, holdings, concerns, associations, in which JSC Concern "KALINA" participates, role (place), functions and period of JSC Concern "KALINA" participation in these organizations.

Organization: *Russian Perfumery and Cosmetics Association*

Place and functions of the Issuer in the organization: *JSC Concern "KALINA" is a member of this organization.*

Principal function is to elaborate recommendations on the industry development.

JSC Concern "KALINA" has been member of Russian Perfumery and Cosmetics Association since 1997.

Organization: *Association of Manufacturers of Soap and Fat-and-Oil Products*

Place and functions of the Issuer in the organization: *JSC Concern "KALINA" is a member of this organization.*

Principal function is to elaborate recommendations on the industry development.

Concern "KALINA" has been member of Association of Manufacturers of Soap and Fat-and-Oil Products since 1998.

3.6. Subsidiaries and Dependent Companies of JSC Concern "KALINA"

Legal entities being subsidiaries or dependent companies of JSC Concern "KALINA"

Full name: *Kalina Overseas Holding B.V.*

Abridged name: *Kalina Overseas Holding B.V.*

Location: *Strawinskylaan 3105, 1077ZX Amsterdam, the Netherlands*

Postal address: *Strawinskylaan 3105, 1077ZX Amsterdam, the Netherlands*

Ground for the organization to be acknowledged as a subsidiary or dependent to the Company: **JSC Concern "KALINA" is the sole founder of Kalina Overseas Holding B.V.**

Issuer's share in the charter capital of the legal entity: **100 %**

Share of Kalina Overseas Holding B.V. in the charter capital of JSC Concern "KALINA": **0 %**

Description of the legal entity's principal activity: **commercial operations**

Kalina Overseas Holding B.V. was founded for promotion of Company products to Western European markets.

Full name: **subsidiary "Pallada Vostok"***

Abridged name: **SC "Pallada Vostok"**

Location: **6, Primkulova St., the town of Almalyk, Tashkent oblast, 702400, the Republic of Uzbekistan**

Postal address: **6, Primkulova St., the town of Almalyk, Tashkent oblast, 702400, the Republic of Uzbekistan**

Ground for the organization to be acknowledged as a subsidiary or dependent to the Company: **JSC Concern "KALINA" is the sole founder of subsidiary "Pallada Vostok"**

Issuer's share in the charter capital of the legal entity: **100 %**

Share of SC "Pallada Vostok" in the charter capital of JSC Concern "KALINA": **0 %**

Description of the legal entity's principal activity: **production of perfumery and cosmetic products, household chemicals, detergents**

Activity of SC "Pallada Vostok" is aimed at promotion of Company products in the Central Asian markets.

*** In June 2004, the Company concluded an agreement of sale of its stock in SC "Pallada Vostok" (which consolidates Almalyk Plant of Household Chemicals and JSC "Lola Atir Upa"). The reason is the same as with "Alye Parusa" in Ukraine – lowering of customs barriers and stabilization of foreign exchange rates in Uzbekistan. At present, company products are sold through an extensive network of independent dealers.**

Full name: **subsidiary "Pallada Ukraine"**

Abridged name: **SC "Pallada Ukraine"**

Location: **18a, M.Vovchok St., Kiev, Ukraine, 254073**

Postal address: **18a, M.Vovchok St., Kiev, Ukraine, 254073**

Ground for the organization to be acknowledged as a subsidiary or dependent to the Company: **JSC Concern "KALINA" is the sole founder of SC "Pallada Ukraine"**

Issuer's share in the charter capital of the legal entity: **100 %**

Share of SC "Pallada Ukraine" in the charter capital of JSC Concern "KALINA": **0 %**

Description of the legal entity's principal activity: **trade and purchase**

Activity of SC "Pallada Ukraine" is aimed at promotion of Company products in the Ukrainian market.

Full name: **limited liability company "Zavod NOVOPLAST"**

Abridged name: **"Zavod NOVOPLAST" Ltd.**

Location: **80, Komsomolskaya St., Ekaterinburg, 620138 Russian Federation**

Postal address: **80, Komsomolskaya St., Ekaterinburg, 620138 Russian Federation**

Ground for the organization to be acknowledged as a subsidiary or dependent to the Company: **JSC Concern "KALINA" is the sole founder of "Zavod NOVOPLAST" Ltd.**

Issuer's share in the charter capital of the legal entity: **100 %**

Share of "Zavod NOVOPLAST" Ltd. in the charter capital of JSC Concern "KALINA": **0 %**

Description of the legal entity's principal activity: **production of plastic articles**

"Zavod NOVOPLAST" Ltd. produces plastic containers and packages

Full name: **Dr. Scheller Cosmetics AG**

Abridged name: **Dr.Scheller Cosmetics AG**

Location: **Schillerstrasse 21-27, D-73054 Eislingen, Deutschland**

Postal address: **Schillerstrasse 21-27, D-73054 Eislingen, Deutschland**

Ground for the organization to be acknowledged as a subsidiary or dependent to the Company: **JSC Concern "KALINA" has acquired 73,24 % of Dr. Scheller Cosmetics AG share**

Issuer's share in the charter capital of the legal entity: **73,24%**

Share of Dr. Scheller Cosmetics AG in the charter capital of JSC Concern "KALINA": **0 %**

Full name: **Kalina International SA**

Abridged name: **Kalina International**

Location: *Avenue de L'Avant-poste 4, CH-1005 Lausanne, Switzerland*

Ground for the organization to be acknowledged as a subsidiary or dependent to the Company: *JSC Concern "KALINA" is the sole founder of Kalina International*

Issuer's share in the charter capital of the legal entity: *100%*

Share of Dr. Scheller Cosmetics AG in the charter capital of JSC Concern "KALINA": *commercial operations*

3.7. Composition, Structure and Value of JSC Concern "KALINA" Fixed Assets, Information of Plans for Acquisition, Replacement, Retirement of Fixed Assets, as well as of All Facts of Charges on Fixed Assets of JSC Concern "KALINA"

3.7.1. Fixed Assets

Information of original (replacement) value of fixed assets and the amount of accrued depreciation.

Results of recent revaluation of fixed assets and long-term leased fixed assets for last five fiscal years that ended with indication of the date of revaluation, full and net (less depreciation) book value of fixed assets before revaluation and full and net (less depreciation) book replacement value of fixed assets taking into account this revaluation.

1 half 2006

No.	Name of Group of Fixed Assets	Overall Value before Revaluation, in RUR	Net Book Value (Less Depreciation) before Revaluation, in RUR
1	Buildings	498478182	454361307
2	Constructions	46210451	26993652
3	Machinery and Equipment	671877250	452473264
4	Transport Vehicles	35065168	21098108
5	Production Tools	151737836	105079195
6	Housing facilities	1013108	818591
7	Land	12003487	12003487
	Total in RUR:	1416385482	1072827604

2005

No.	Name of Group of Fixed Assets	Overall Value before Revaluation, in RUR	Net Book Value (Less Depreciation) before Revaluation, in RUR
1	Buildings	471783054	434108483
2	Constructions	45827716	27499982
3	Machinery and Equipment	610493925	439177462
4	Transport Vehicles	26575945	14102706
5	Production Tools	125208408	93633170
6	Housing facilities	1013108	818591
7	Land	12003487	12003487
	Total in RUR:	1292905643	1021343881

2004

No.	Name of Group of Fixed Assets	Overall Value before Revaluation, in RUR	Net Book Value (Less Depreciation) before Revaluation, in RUR
1	Buildings	258934012	233336942
2	Constructions	44350848	2813633
3	Machinery and Equipment	301532209	145876974
4	Transport Vehicles	23552966	13813128
5	Production Tools	49753602	30597342
6	Housing facilities	1944588	1539000

7	Land	12003487	12003487
	Total in RUR:	692071712	465303203

2003

No.	Name of Group of Fixed Assets	Overall Value before Revaluation, in RUR	Net Book Value (Less Depreciation) before Revaluation, in RUR
1	Buildings	154556000	120617000
2	Constructions	146727000	121291000
3	Machinery and Equipment	278335000	157559000
4	Transport Vehicles	16955000	9024000
5	Production Tools	27354000	18737000
6	Housing facilities	1945000	1539000
7	Land	12003000	12003000
	Total in RUR:	637875000	440770000

2002

No.	Name of Group of Fixed Assets	Overall Value before Revaluation, in RUR	Net Book Value (Less Depreciation) before Revaluation, in RUR
1	Buildings	76139000	45520000
2	Constructions	140924000	119341000
3	Machinery and Equipment	289669000	1715640000
4	Transport Vehicles	16744000	103350000
5	Production Tools	21998000	11080000
6	Housing facilities	1945000	1539000
7	Land	12003000	12003000
	Total in RUR:	559422000	371382000

2001

No.	Name of Group of Fixed Assets	Overall Value before Revaluation, in RUR	Net Book Value (Less Depreciation) before Revaluation, in RUR
1	Buildings	74359000	44541000
2	Constructions	33883000	20330000
3	Machinery and Equipment	254542000	154391000
4	Transport Vehicles	14203000	8521000
5	Production Tools	19700000	7880000
6	Housing facilities	1945000	1539000
7	Land	12003000	12003000
	Total in RUR:	410635000	249205000

Method of fixed assets revaluation (by indexes of the State Committee for Statistics of the Russian Federation: according to market value of respective fixed assets confirmed by documents or expert conclusions). With expert conclusion available, it is necessary to indicate the method of evaluation.

No revaluation of fixed assets was performed for the last five years and the reporting period.

Information of plans for acquisition, replacement, retirement of fixed assets, value of which is 10 and more percent of the value of JSC Concern "KALINA" fixed assets and other JSC Concern "KALINA" fixed assets, as well as information of all facts of charges on JSC Concern "KALINA" fixed assets (with indication of the nature of charge, date of the charge, its duration and other conditions at JSC Concern "KALINA" discretion).

During the year 2005 the Company invested about 15 mln Euro in acquisition and modernization of its fixed assets in 2005.

The Company has no plans for retirement of fixed assets, value of which is more than 10 % of the value of all JSC Concern "KALINA" assets.

In compliance with Loan agreement dd. December 19, 2002 concluded between JSC Concern "KALINA" and European Bank for Reconstruction and Development, Company movable property is pledged in favor of EBRD.

Nature of charge: *pledge*

Date of charge: *February 27, 2004*

Duration of charge: *end of Loan agreement validity period*

In compliance with the loan agreement with the Black Sea Trade and Development Bank dated May 26, 2005 a part of company's real estate is pledged in favor of BSTDB.

Nature of charge: *pledge*

Date of charge: *13.12.2005*

Duration of charge: *Loan Agreement termination*

3.7.2. Value of Immovable Property of JSC Concern "KALINA"

	Fixed Assets	Original Value	Depreciation
1 half 2006	Buildings	498,478,182	44,116,875
	Constructions	46,210,451	19,216,799
	Total	544,688,633	63,333,674
2005	Buildings	471,783,054	37,674,571
	Constructions	45,827,716	18,327,734
	Total	517,610,770	56,002,305
2004	Buildings	258,934,012	25,597,070
	Constructions	44,350,848	41,537,215
	Total	303,284,860	67,134,285
2003	Buildings	154,556,000	33,939,000
	Constructions	146,727,000	25,436,000
	Total	301,283,000	59,375,000
2002	Buildings	76,139,000	30,619,000
	Constructions	140,924,000	21,830,000
	Total	217,063,000	52,449,000
2001	Buildings	74,359,000	29,818,000
	Constructions	33,883,000	13,553,000
	Total	108,242,000	43,371,000
2000	Buildings	61,250,000	21,734,000
	Constructions	32,601,000	22,935,000
	Total	93,851,000	44,669,000

No revaluation of immovable property was performed for last five years.

4. Information of Financial and Economic Activities of JSC Concern "KALINA"

4.1. Results of Financial and Economic Activities of JSC Concern "KALINA"

4.1.1. Profits and Losses

Dynamics of indexes, which characterize JSC Concern "KALINA" profitability and unprofitableness for the last five fiscal years that ended.

Index Description	1 half 2006	2005
Revenue, in RUR	3, 619, 529, 000	6, 339, 138, 000
Gross profit, in RUR	1, 735, 862, 000	2, 975, 240, 000

Net profit (retained earnings) (uncovered loss), in RUR	324, 573, 000	512, 251, 000
Return on stockholders' capital, %*	14.9%	12.3%
Return on assets, %*	17.2%	11.7%
Coefficient of net profitability%*	9.0%	8.0%
Return on sales, %	21.9%	16.1%
Ratio of capital turnover*	3.0%	2.5%
Amount of uncovered loss as of the reporting date, in RUR	-	-
Ratio of uncovered loss as of the reporting date and balance currency	-	-

** Indexes for the first half 2006 are equaled to annual values in accordance with the following system:*

Income statement for the 1st half of 2006 was equaled to annual values based on actual proportion of indexes for 6 months of 2005 and full year 2005.

Data of the balance sheet for the 1st half of 2006 were taken without changes.

Economic analysis of JSC Concern "KALINA" profitability / unprofitableness taking into account the dynamics of indexes indicated.

Information of reasons, which in JSC Concern «KALINA» managerial bodies opinion, resulted in losses/profits of JSC Concern «KALINA» presented in the financial statements for last five fiscal years that ended.

Gross profit in the first half of the year 2006 increased by 17.3% as compared to the same period in 2005, return on sales shoed growth of 36% over the last financial year , return on assets increased 1,5 times. Coefficient of net profitability grew 1%.

Recognized brands, high quality of products, the widest and most effective in Russia distribution network, effective policy in the sphere of floating capital management, careful selection of suppliers and professionalism of managerial team contributed to Company growth in the following years. In the beginning of 2000-s, Company growth rate reduced. It is connected, first of all, with changes in the logistics system and stock management made in 2001-2002. Supply Chain Management System at the stage of introduction required time for adjustment of inventories and information flows. The system was fully introduced by the end of 2002 and, according to the results of 2005 and 1st half 2006, it contributes to a considerable growth of Company sales at the expense of more flexible responding to changes in the market demand and increase of logistic processes effectiveness.

Since 2001, the Company has focused on production of brands with high marginal profitability. All these as well as flexible advertising policy (when a considerable by Russian standards advertising budget was directed to support of Company key brands), increase of quality and effectiveness of the production processes, improvement of distribution and entering new markets, continuous process of expenses optimization allowed the Company increasing business profitability year by year.

4.1.2. Factors, which Influenced Changes in the Amount of Proceeds from Sales of JSC Concern "KALINA" Products, Works, Services and Profits (Losses) of JSC Concern "KALINA" from Principal Activities

Factors (influence of inflation, changes in foreign exchange rates, decisions of state authorities, other economic, financial, political and similar factors), which in JSC Concern "KALINA" managerial bodies opinion had influence on the amount of proceeds from sales of JSC Concern "KALINA" products, works, services and profits (losses) from principal activities for the last reporting period.

Factors which influenced change in the amount of proceeds from sales and profits of JSC Concern "KALINA" for last five fiscal years that ended could be divided into two categories: internal and external.

Internal factors include development of the distribution network, creation of brands, launch of novelties to the market, increase of products quality, etc.

External factors include influence of inflation, foreign exchange rates, decisions of state bodies, actions of competitors, etc.

In JSC Concern "KALINA" managerial bodies' opinion, degree of these factors influence on the results of Company activities changes year by year in the following way:

Factor	2001	2002	2003	2004	2005	1 h 2006
<i>External factors</i>	25 %	25 %	24 %	26 %	25%	25%
Inflation	5 %	4 %	4 %	4 %	3%	3%
Changes in foreign exchanges rates	4 %	4 %	5 %	4 %	5%	3%
Decisions of state authorities	4 %	3 %	2 %	3 %	2%	7%
Actions of competitors	12 %	14 %	13 %	15 %	18%	12%
<i>Internal factors</i>	75 %	75 %	76 %	74 %	75%	75%

4.2. Liquidity of JSC Concern "KALINA"

Dynamics of indexes which characterize JSC Concern "KALINA" liquidity for the corresponding reporting period.

Index Description	1 st h 2006
Own floating funds, in RUR	2,062,790,000
Index of constant assets	0.53
Current liquidity ratio	2.86
Cash ratio	1.50
Ratio of own funds independence	0.72

In the first half of the year 2006 increase in company sales continued and amounted to 17,3% over the same period in 2005, raising company's need in working capital. During the reporting period there was a decrease in own working funds by 11% as compared to 2005 caused by growth of company fixed assets. Despite this, the coefficient of company's funds independence remained the same as it was in the first quarter 2006 and accounted for 0.72.

In the second quarter 2006 current liquidity ratio increased by 65% over the first quarter 2006 due to growth of cash and reduction of current liabilities.

As of the end of the second quarter 2006 Kalina has and absolute financial stability effectively managing its own and borrowed funds which comply with company strategic objectives.

Company working funds significantly exceeding its current liabilities provide concern with sufficient financial strength.

4.3. Amount, Structure and Adequacy of the Capital and Floating Funds of JSC Concern "KALINA"

4.3.1. Amount and Structure of the Capital and Floating Funds of JSC Concern "KALINA"*

	1 half 2006
Amount of the charter capital, in RUR	682,662,000
Cost of own repaid shares, in RUR	-
<i>Percent from the charter capital, %</i>	-
Amount of the capital reserve, in RUR	109,382,000
Amount of the additional capital, in RUR	841,625,000
Amount of retained net earnings, in RUR	2,723,445,000
Amount of funds to target financing, in RUR	-
Capital and reserves, in RUR	4,357,114,000

The amount of the Company charter capital for each of these periods fully corresponds (corresponded) to the Company constituent documents in force in those periods.

Analysis of changes in the said indexes of the amount and structure of the capital and floating funds of JSC Concern "KALINA" with indication of the importance which in JSC Concern "KALINA" managerial bodies opinion these changes have for indexes of capital adequacy and floating funds of JSC Concern "KALINA" as well as reasons and factors which in JSC Concern "KALINA" managerial bodies opinion resulted in such a change.

Dynamics of changes in the Company charter capital is stipulated by some changes in the capital stock.

In such a way initially distributed in the process of privatization 144,557 ordinary shares at a par value of 1 RUR (denominated) at the check auction dd. October 1, 1993 were divided with coefficient 8, as a result of which the capital stock became to consist of 1,156,456 ordinary shares at a par value of 12.5 kopecks (denominated).

In 1999, face value of shares was increased at the expense of retained earnings firstly to 45 RUR per share, then to 90 RUR per share.

In 2000, firstly division of shares with coefficient 9 without change in the charter capital was performed, which resulted in the capital stock consisting of 10,408,104 ordinary shares at a par value of 10 RUR per share. Then part of the shares issue, namely 3,122,433 shares were repaid from shareholders by decision of the General Shareholders Meeting and redeemed. After that, additional shares were issued with their sale to a strategic investor– European Bank for Reconstruction and Development. As of the end of 2000, this operation was not yet presented in the financial statements as change in the charter capital since respective changes in the Company Charter were registered only in the beginning of 2001.

In 2001, increase of the Company charter capital was made by increase of face value of shares at the expense of retained earnings and funds received from EBRD for payment for shares for the amount over their face value. The capital stock became to consist of 9,202,701 ordinary shares at a par value of 70 RUR.

In 2002, 655,793 shares repaid by the Company earlier by decision of the General Shareholders Meeting were redeemed in accordance with the Russian laws as 1 year from the date of their acquisition expired. The charter capital was reduced to 585,543,560 RUR and became to consist of 8,364,908 shares at a par value of 70 RUR.

In 2003, additional shares issue was registered in the amount of declared but not placed shares. Face value of issuing securities being placed: 70 (seventy) rubles per ordinary share. Number of securities of the issue: 1,387,403 (one million three hundred eighty-seven thousand four hundred and three) ordinary shares. Volume of issue at face value: 97,118,210 (ninety-seven million one hundred eighteen thousand two hundred and ten) RUR. In the 2nd quarter 2004, additional shares issue was placed through a public offering at MMVB, which resulted in increase of the charter and additional capital.

Value of shares repaid in 2001 increased because of increase of face value of Company shares from 10 to 70 RUR per ordinary share. In 2002, repaid shares were redeemed in accordance with the Russian laws currently in force. Share of repaid shares on Company balance in 2001 reduced in comparison with 2000 as in the end of 2000 the Company placed (sold to EBRD) additional shares issue which resulted in the watering of the charter capital.

The amount of the Company Capital Reserve was changing in accordance with requirements of the Company Charter depending on the amount of the charter capital.

The amount of the Company additional capital was changing depending on changes in face value of shares and value of fixed assets.

The amount of retained net earnings of the Company was growing as it was accumulated.

Structure and amount of JSC Concern "KALINA" floating funds in accordance with the JSC Concern "KALINA" financial statements.

Floating funds and their Sources of Finance*

	2005		1 half 2006	
	RUR	%	RUR	%
Floating funds				
Reserves	2,076,365,000	47.37	1,463,405,000	38.87
VAT on acquired		11.08	333,115,000	8.85

values	485,500,000			
Accounts receivable	1,581,203,000	36.07	1,776,923,000	47.19
Short-term financial investments	-	0	0	0
Cash	162,383,000	3.70	141,369,000	3.75
Other floating funds	78,173,000	1.78	50,351,000	1.34
3.45 Total floating funds	4,383,624,000	100	3,765,163	100

Sources of JSC Concern "KALINA" floating funds financing (own sources, loans, credits). JSC Concern "KALINA" policy in financing floating funds as well as factors, which can result in changes in policy of floating funds financing and assessing the possibility of such factors occurrence.

	2005		1 half 2006	
	RUR	%	RUR	%
Stockholders' capital (capital and reserves less non-current assets)	2,080,832,000	47.82	2,062,742,000	55.38
Long-term borrowed funds	443,559,000	10.19	347,754,000	9.34
Short-term borrowed funds	855,000,000	19.65	846,000,000	22.71
Accounts payable	971,625,000	22.34	468,059,000	12.57
Total sources of finance	4,351,016,000	100	3,724,555,000	100

The Company follows a conservative policy in the sphere of liability management. In 2001-2002, two bonds issues were placed for the total amount of 20 mln. dollars, which allowed reducing the share of floating funds financing since 2002 at the expense of short-term credits, by respective increase of financing at the expense of more long-term instruments.

The Company is planning to continue such a policy in financing floating funds. At the beginning of 2004, the Company bonds became mature. Part of debts was refinanced at the expense of attracting short-term loans, the rest of the amount was repaid at the expense of Company own funds.

During 2004 and 2005, the Company received 20 mln. - dollar credit facility from European Bank for Reconstruction and Development.

In 2006 the company intends to use the long-term credit facility of the Black Sea Trade and Development Bank according to the loan Agreement entered in May 2006.

4.3.2. Adequacy of the Capital and Floating Funds of JSC Concern "KALINA"

Information of adequacy of the stockholders' capital of JSC Concern "KALINA" for fulfilling short-term obligations and covering current operating expenses of JSC Concern "KALINA".

As of the end of the first half 2006 the amount of the stockholders' capital of JSC Concern "KALINA" was 2,062,742 thousand rubles.

The amount of daily average operating expenses of JSC Concern "KALINA" for the last quarter that ended and adequacy of JSC Concern "KALINA" floating funds to cover its current operating expenses.

The amount of average daily operating expenses for the first half 2006, in RUR: 16,287,789

The amount of floating funds for the first half 2006, in RUR: 43,765,163,000

The average amount of own floating funds for the 1st half 2006, in RUR: 2,062,790,000

The above-given data characterize the amount of Company floating funds as adequate to cover its current operating expenses.

4.3.3. Cash

JSC Concern "KALINA" need for cash for the next quarter, year and prospective sources of these funds.

Needs for cash in 2006

In 2006, the Company is planning to continue investing about in purchase of existing brands with high growth potential in Company target markets and in creation of own strong brands, development of distribution network, promotion of its existing brands.

It is expected that the need for cash will be kept at the level of the year 2005.

The Company will use its own profit and bank credit facilities to finance its need in cash.

In May 2005 Kalina entered into Loan Agreement with the Black Sea Trade and Development Bank for the sum of up to 30 mln US Dollars until 2012.

Information of balances at arrested bank accounts, of the amount of the balance at such accounts, names of banks, reasons and time intervals of the arrest.

No arrested bank accounts are registered.

Information of JSC Concern "KALINA" accounts payable accumulated in the bank's records.

No records on Company bank accounts are registered.

4.3.4. Financial Investments of JSC Concern "KALINA"

List of financial investments of JSC Concern "KALINA", which are 10 and more percent of all its financial investments as of the end of the last fiscal year. This list is given separately in issuing securities, non-issuing securities and other financial investments of JSC Concern "KALINA" (investments to charter capitals of limited liability companies etc.).

JSC Concern "KALINA" financial investments, which are 10 and more percent of all its financial investments as of July 1, 2006.

	As of July 1, 2006
Long-term financial investments, in RUR	1,003,504,000
Short-term financial investments, in RUR	0
Total financial investments, in RUR	1,003,504,000
10 % of the amount of financial investments, in RUR	100,350,400

Investments in securities.

Investment in securities which make 10% or more of all financial investment JSC Concern "KALINA" as of July 1, 2006.

Share in the authorized capital of the German company Dr. Scheller Cosmetics AG

Type of securities: **bearer shares without face value**

Full and abridged trade name of the issuer, its location: **Dr. Scheller Cosmetics AG (Dr. Scheller), Deutschland, D-73054, Eislingen, Schillerstrasse, 21-27**

State registration numbers of the issued securities and dates of state registration, registration bodies who registered the issue of securities: **ISIN DE0007201303, WKN 720130**

Number of shares in Company's ownership: **4,760,662**

The amount of investment in percents of the charter capital: **73, 24%**

The amount of investment in RUR: **843,922,758.4**

Other financial investments.

1. Share in the charter capital of a legal entity established in the form of a subsidiary in conformity with the laws of the Republic of Uzbekistan.

Full trade name: **Subsidiary "Pallada Vostok"**

Abridged trade name: **SC "Pallada Vostok"**

Location: **6, Primkulova St., the town of Almalyk, Tashkent oblast, 702400, the Republic of Uzbekistan**

INN: **no**

The amount of investment: **48,108,158.44 RUR**

The amount of investment in percents of the charter capital: **100 %**

The amount of return on investment: *In 2002, dividends for 2001 were received in the amount of 300 thousand US dollars.*

The amount of prospective loss from bankruptcy of this legal entity does not exceed 110 mln. RUR

** In June 2004, the Company concluded an agreement of sale of its stock in SC "Pallada Vostok" (which consolidates Almalyk Plant of Household Chemicals and JSC "Lola Atir Upa").*

Allowance for securities depreciation: *no such allowance was made by the Issuer.*

All calculations in the present item are made in conformity with accounting standards approved in the Russian Federation.

4.3.5. Intangible Assets of JSC Concern "KALINA"

Information of intangible assets, their original (replacement) value and the amount of accrued depreciation if these data were not presented in the Issuer's financial statements for the respective period.

1 half 2006

No.	Name of Group of Intangible Assets,	Overall Value	Amount of Depreciation Accrued
1.	Trademarks	11,825,263.47	1,478,319.87
2.	Patents	106,243.87	12,821.5
3.	National film	13,812,840.80	1,427,326.67
Total, in RUR:		15,006,317.88	25,744,348.14

2005

No.	Name of Group of Intangible Assets, 2005	Overall Value	Amount of Depreciation Accrued
1.	Trademarks	11,825,263.47	1,237,204.94
2.	Patents	106,243.9	9,397.6
3.	National film	13,812,840.87	1,289,198.27
Total, in RUR:		15,006,317.88	25,744,348.24

Information of intangible assets is given on the basis of Russian accounting standards.

4.4. Information of JSC Concern "KALINA" Policy and Expenses in the Sphere of Scientific and Technical Development in Respect of Licenses and Patents, Innovations and Research

Information of Issuer's policy in the sphere of scientific and research development for the respective reporting period preceding the date of the end of last reporting quarter including disclosure of expenses for scientific and research activities at the expense of Issuer's own funds in this reporting period.

Creation of new products is directly connected with those trends of changes in the market. Marketing department of the Company on the basis of analysis of such trends forms an idea of new products which the Company can launch. JSC Concern "KALINA" has its own Scientific and Research Center, which deals with development, creation and testing of recipes of new products based on information received from the marketing department.

Majority of ingredients used when creating new products are purchased from world leading suppliers of raw materials (e.g., Symrise, BASF). Scientific and Research Center of the Company occupies area of 350 sq.m. and uses in its work 17 units of modern laboratory equipment manufactured by leading international companies.

All 18 employees of the Scientific and Research Center have higher special education and possess ten-ears (in average) working experience in this sphere. In average each of the Company SRC employees developed 18 absolutely new products for last three years.

In 2004, SCR developed 135 new products, which made the Company one of the leaders in its branch by this index. As a whole, 609 new products were launched to the market in the period 2000-2005.

In 2005, 175 new products were launched.

Company expenses budget for last five year was 886 thousand US dollars, of which:

Year 2000 – 37 ths. US dollars;

Year 2001 – 135 ths. US dollars;

Year 2002 – 140 ths. US dollars;

Year 2003 – 230 ths. US dollars;

Year 2004 – 344 ths. US dollars;

Year 2005 – 465 ths. US dollars;

1 half 2006 – 1,077 ths. US dollars.

Company scientific and research center was established in the end of 2000 – beginning 2001.

All expenses connected with scientific and research activities are performed at the expense of own funds of the enterprise.

Information of creation and reception by JSC Concern "KALINA" of legal protection of main objects of intellectual property (including information of the date of issue and validity periods of patents for inventions, useful models and industrial models, of state registration of trademarks and service marks, names of the product country of origin), of principal directions and results of using main objects of intellectual property for JSC Concern "KALINA".

Risk factors connected with possibility of expiration of validity periods of principal for JSC Concern "KALINA" patents, licenses for usage of trademarks are shown separately.

Name	No. of certificate/patent	Period of validity
trademarks		
1. Фторомед-Ftoromed	187872	10.11.2008
2. Полюшко (Polyushko)	187873	10.11.2008
3. Ultima	162096	14.11.2006
4. Мистер Президент (Mr. President)	162142	23.12.2006
5. Эледент-Eledent	162144	23.12.2006
6. Черный жемчуг (Chyorniy Zhemchug)	163270	23.12.2006
7. Ночной дождь (Nochnoi Dozhd)	163271	23.12.2006
8. Маленькая фея, словесный (Malenkaya Feya, verbal)	166033	21.04.2007
9. Fantamed	166417	13.07.2007
10. Дикая ягода (Dikaya Yagoda)	187184	10.11.2008
11. Знак лилии, изобразит. (Lily mark, figurative)	62926	21.03.2008
12. Angelika Varum	158808	23.03.2007
13. Анжелика Варум	157398	23.03.2007
14. Ultima-Ratio	155147	14.11.2006
15. Ультима Рацио (Ultima Ratio)	153333	14.11.2006
16. Чистая линия (Chistaya Linia)	159943	23.12.2006
17. Локон (Lokon)	168227	23.12.2006
18. Комарэкс-интенсив (Comarex-intensive)	167481	21.04.2007
19. Норд-ост (Nord-Ost)	167171	23.12.2006
20. Комарэкс (Comarex)	166629	21.04.2007
21. Бархатные ручки (Barkhatnye Ruchki)	166490	05.06.2007
22. Фантамед (fantamed)	166418	13.02.2007
23. Розовый жемчуг (Rosoviy Zhemchug)	160703	22.03.2006
24. Ультима (Ultima)	162095	06.03.2008
25. Уральские самоцветы (Uralskie samotsvety)	168902	23.12.2006
26. Кросс-Cross	169922	23.12.2006

27. Демон-Demon	170232	23.12.2006
28. Дракоша (Drakosha)	171227	07.10.2007
29. Морозко (Morosko)	176343	24.12.2007
30. НоктюРН (Nocturn)	175802	18.11.2007
31. Василек (Vasilyok)	175653	23.11.2007
32. Айсберг (Iceberg)	175053	22.07.2007
33. Тайный советник (Tainiy Sovetnik)	172521	21.04.2007
34. Каре-Carre	171300	23.12.2006
35. Солнечная система (Solnechnaya sistema)	177654	03.03.2008
36. Фитофреш (Fitofresh)	178641	04.06.2008
37. Соло (Solo)	181543	22.03.2009
38. Хрустальный букет (khrustalnyi Bereg)	181547	21.05.2009
39. Локон-люкс (Lokon-Lyuks)	181827	18.11.2007
40. 1999	188622	15.02.2009
41. Биодент (Biodent)	191145	04.06.2008
42. Каранузик (Karapusik)	190665	23.06.2009
43. Версия (Versia)	190890	15.12.2008
44. Чистая линия комбинированное, ч/б (Chistaya Linia combined, black and white)	190509	15.12.2008
45. Царская ванна (Tsarskaya vanna)	191609	10.11.2008
46. Тропикана-Тропикана	191610	10.11.2008
47. Метелица (Metelitsa)	192351	20.11.2008
48. Золотая линия (Zoolotaya Linia)	183775	20.04.2009
49. Парфюмерно-косметическая фабрика «Уральские самоцветы» (Perfumery and cosmetics factory “Uralskie Samotsvety”)	183179	21.04.2008
50. 32-норма мята комбинированный (32-norm peppermint combined)	184855	12.07.2009
51. Вишневый сад (Vishnyoviy Sad)	184827	12.10.2008
52. 32-норма двойная мята объемный (32- norm double mint T-D)	184854	28.06.2009
53. Локон (Lokon)	184901	18.11.2007
54. Сонет (Sonet)	185684	08.02.2009
55. Золотое яблоко (Zolotoe yabloko)	192935	15.12.2008
56.Окей-о key	193168	10.11.2008
57. Лесной бальзам (Lesnoy Balsam)	193169	10.11.2008
58. Ева (Eva)	192941	18.02.2009
59. Эдерлайн (Ederline)	192979	24.05.2009
60. Амадей (Amadey)	193327	22.03.2009
61. Colden Line	193703	13.05.1999
62. Артемия (Artemia)	193705	24.05.2009
63. Фреш-минт (fresh-mint)	193846	04.06.2008
64 Biodent	193848	04.06.2008
65. Голубая лагуна (Golubaya laguna)	193861	23.03.2009
66. Ederline	194389	24.05.2009
67. Цветы луговые (Tsvety Lugovye)	194535	10.11.2008
68. Тайная любовь (Tainaya Lubov)	194790	08.02.2009
69. Золушка (Zolushka)	189739	10.11.2008
70. Лунный свет (Lunniy Svet)	195560	08.02.2009
71. Фтородент (Ftorodent)	162143	23.12.2006
72. Спелая клубника (Spelaya klubnika)	197795	12.10.2008

73. Карпуз (Karapuz)	190889	10.11.2008
74. Артемия (Artemia)	197069	24.05.2009
75. Акварель (Akvarel)	190898	08.02.2009
76. Тот (Tot)	199531	08.02.2009
77. Дары природы (Dary prirody)	199186	15.02.2009
78. Ассоль (Assol)	198278	26.10.2009
79. Баня (Banya)	199187	22.03.2009
80. Да (Da)	201611	03.06.2009
81. Эффект (Effect)	201607	16.02.2009
82. Трайдент (Trydent)	199538	03.06.2009
83. Семь дней (Sem dnei)	201106	03.06.2009
84. Женьшень, комбинир. (Zhenshen combined)	200439	23.06.2009
85. КАЛИНА (KALINA)	202109	11.11.2009
86. Вальс цветов (Vals tsvetov)	202809	18.11.2009
87. Рифей (Rifey)	202807	11.11.2009
88. Садко (Sadko)	203849	18.11.2009
89. Фактор-24 (Factor-24)	205517	03.06.2009
90. Рецепты красоты объемный (Retsepty krasoty T-D)	204373	23.06.2009
91. Silverline	197065	13.05.2009
92. Навигатор (Navigatir)	199242	22.03.2009
93. Калинка (Kalinka)	206291	03.06.2009
94. De-Stress	206290	24.04.2009
95. Лель (Lel)	206304	23.12.2009
96. Летний коктейль (letniy cocktail)	206303	18.11.2009
97. Gold Line	198694	13.05.2009
98. Фтор-и-Фреш (Ftor-n-Fresh)	207187	10.11.2008
99. Яблоневый цвет (Yablonevyi tsvet)	206671	12.10.2008
100. Серебряная линия (Serebryannaya Linia)	207474	20.04.2009
101. Паллада (Palada)	208230	16.09.2009
102. Лесной бальзам (цв. изобр.) (Lesnoy balsam colored figurative)	210856	10.05.2010
103. 32-Норма (объемный знак) (32-Norm T-D mark)	210855	10.05.2010
104. Калина логотип, ч/б изобразит. (Kalina logo, black and white figurative)	210894	31.03.2010
105. Алые паруса (Alye parusa)	212499	19.04.2010
106. Эледент (Eledent)	213271	10.05.2010
107. Объемный знак флакон РЕЦЕПТЫ КРАСОТЫ (сочетание белый, светло-зеленый) (axometric mark boottle retsepty krasoty (combination of white, light-green)	213269	10.05.2010
108.Черный жемчуг (комбинированный) (Chyorniy Zhemchug combined)	213272	10.05.2010
109. Черный жемчуг (chyorniy Zhemchug)	213268	27.04.2010
110. Маленькая фея, словесный, стандартный шрифт (malenkaya Feya verbal, normal script)	213266	19.04.2010
111. 32-Норма фрукт. Гель объемный (32-norm fruit, gel, axometric)	213307	09.08.2010
112.Серебряная линия (Serebryannaya Linia)	202408	10.08.2009
113. Фруктовая линия (Fruktovaya Linia)	213721	15.02.2009

114. Локон (объемный знак) (Lokon T-D mark)	213741	10.05.2010
115. Велюр (Velyur)	215577	09.08.2010
116. Лесная аптека (Lesnaya Apteka)	215586	07.09.2010
117. Развертка футляра в цветн. Изображен. (case scanning colored)	215602	26.06.2012
118. BONUS	215606	18.11.2009
119. КАЛИНА концерн (KALINA kontsern)	215610	31.03.2010
120. КАЛИНА логотип, комбинир. в цвете (KALINA logo, combined colored)	215611	31.03.2010
121. Лолита (Lolita)	215612	06.04.2010
122. Комарэкс, комбинир. (Comarex comined)	215617	10.05.2010
123. Чистая линия комбинир. темно-красный (Chistaya Linia combined, dark red)	215618	10.05.2010
124. Флакон Анжелика Варум (Angelika Varum bootle)	215622	19.05.2010
125. Союз (Soyuz)	215623	05.06.2010
126. С легким паром (S legkim parom)	215630	04.07.2010
127. Лимпопо	219094	07.12.2010
128. Объемный знак «Алые паруса» (T-D mark“Аlye parusa”)	219086	27.10.2010
129. Новый велюр (Noviy Velour)	219081	07.09.2010
130. Velours	219079	09.08.2010
131. Чистолин (Chistolin)	219076	04.07.2010
132. Баночка (большая) для крема Золотая линия» (Cream jar (big) Zolotaya linia)	219072	10.05.2010
133. Объемный знак «Visage» (T-D mark “Visage”)	219069	10.05.2010
134. Объемный знак баночка гель ЗОЛОТАЯ ЛИНИЯ (Gel-jar Zolotaya Linia T-D mark)	219071	10.05.2010
135. Объемный знак флакон РЕЦЕПТЫ КРАСОТЫ (сочетание белый, бежевый) (T-D mark jar Retsepty Krasoty combination of white and beige)	219070	10.05.2010
136. Система «День-офис» (Sistema “Day-office”)	223633	19.02.2011
137. МИА (MIA)	223634	19.02.2011
138. Маримба (Marimba)	223635	21.02.2011
139. Marimba	223636	21.02.2011
140. Поппинсы (Poppinsy)	223637	12.04.2011
141. MARIMBA	223638	12.04.2011
142. Cool Boy	223626	27.10.2010
143. Черный жемчуг комбинированный (Chyorniy Zhemchug combined)	223627	21.10.2010
144. Эктоин (Ektoin)	223629	13.12.2010
145. Лимпопо (Limporo)	223630	07.12.2010
146. Сангель (Sungel)	223631	16.01.2011
147. Витэктоин (Vitektoin)	223632	16.01.2011
148. Poppins	223620	27.04.2010
149. Poppin S	223621	27.04.2010
150. Поппинс (Poppins)	223622	27.04.2010
151. Флакон «Золотая линия» (Bottle “Zolotaya Linia”)	223623	10.05.2010
152. «Союз Аполлон» (“Soyuz Apollo”)	223624	05.06.2010
153. Объемный знак «Серебряная линия» (T-D mark “Serebryannaya Linia”)	223625	18.07.2010

154. FORSAN		223616	18.11.2009
155. Акватон (Aquaton)		223617	18.11.2009
156. Колибри (Kolibri)		223618	18.11.2009
157. Дракоша (Drakosha)		223619	11.04.2010
158. «32-норма- мята» – объемный знак (32-Norm mint) – T-D mark		223628	17.11.2010
159. «32-комплекс» – объемный знак (“32—complex”-T-D mark)		224432	09.08.2010
160. FINE HAIR, комбинир.(FINE HAIR combined)		224732	13.12.2010
161. Drakosha and company		224733	22.01.2011
162. SKINDREAM		225554	27.10.2010
163. Изобразительный знак логотипа «Калина» (Figurative mark of the logo “Kalina’)		225551	31.03.2010
164. Райский сад (Raiskiy Sad)		225552	07.09.2010
165. NEW VELOURS		225553	07.09.2010
166. Drakosha		232491	13.09.2011
167. Drakosha & Co		232079	22.01.2011
168. Маргарола (Margarola)		232080	13.06.2011
169. Правильон (Prvilion)		232081	06.07.2011
170. Изобразительный знак Дракоша (Figurative mark Drakosha)		232082	13.09.2011
171. Изобразительный знак Дракоша (Figuarative mark Drakosha)		232083	13.09.2011
172. Фиксант (Fixant)		233351	28.04.2011
173. Вкусолат (Vkusolat)		233352	13.06.2011
174. Margarola		233353	13.06.2011
175. Статский советник (Statskiy Sovetnik)		233354	06.07.2011
176. Дракоша (Drakosha)		233355	13.09.2011
177. Fixant		233418	28.04.2011
178. Finchair		233345	27.10.2010
179. Кул Бой (Cool Boy)		233346	27.10.2010
180. Sungel		233347	16.01.2011
181. Дракоша и К (Drakosha and Co)		233348	22.01.2011
182. Крем питательный Миа, словесный (Nourishing cream Mia, verbal)		233349	19.02.2011
183. Маленькая фея, изобразительный в цветовом сочетании (malenkaya feya figurative in colored combination)		233350	27.02.2011
184. Виотин В+ (Viotin B+)		235164	31.10.2011
185. Анжелика Врум Нота сердца (Angelika Varum Heart Tone)		233485	31.10.2011
186. Дракоша и К (Drakosha and Co)		233486	13.09.2011
187. Drakosha & Ko		233487	13.09.2001
188. Дракоша, словесный шрифт желтый (Drakosha verbal green script)		233488	13.09.2011
189. Шантаж (Shantazh)		235163	13.07.2011
190. CHANTAGE		233484	13.07.2011
191. Виотин Би Плюс (Viotin B plus)		246376	01.11.2011
192. Pravilion		246242	06.07.2011
193. МИА (MIA)		246312	18.12.2011
194. VIOTIN B+		246373	31.10.2011
195. TUFSKIN		246384	28.11.2011

196. ТУФСКИН (TUFSKIN)	246385	28.11.2011
197. АКБАБАЛАНС (AQUABALANCE)	246387	29.11.2011
198. Aqua Balance	246388	29.11.2011
199. Развертка ТЕТ-А-ТЕТ (scanning TET-A-TET)	251174	20.07.2011
200. ДИ-СТРЕСС (DESTRESS)	202403	24.05.2009
201. Маленькая фея (междунар.) (Malenkaya Feya intern.)	802303 мадр	01.04.2013
202. Дракоша (междунар.) (Drakosha intern.)	802557 мадр	01.04.2013
203. Лесной бальзам (междунар.) (Lesnoy balsam intern.)	802738 мадр	27.03.2013
204. Золотая линия (междунар.) (Zolotaya Linia interm.)	802579 мадр	27.03.2013
205. Серебряная линия (междунар, 3, 5 кл.) (Serebryannaya Linia cl.3,5 intern.)	802736 мадр	27.03.2013
206. Серебряная линия (междунар, 16, 21 кл.) (Serebryannaya Linia intern. 16,21 cl.)	802508 мадр	28.03.2013
207. «32» (междунар.) (“32” intern.)	802578 мадр	01.04.2013
208. Черный жемчуг (междунар.) (Chyorniy Zhemchug intern.)	802739 мадр	27.03.2013
209. Чистая линия (междунар.) (Chistaya Linia intern.)	803099 мадр	27.03.2013
210. Чистая линия / Chistaya liniya (Uzbekistan)	MGU 10762 узб	10.09.2011
211. Черный жемчуг / Cherniy Zhemchug (Uzbekistan)	MGU 10763 узб	10.09.2011
212. Viotin B+ (Uzbekistan)	MGU 10764 узб	10.09.2011
213. СТЕП / СТЕП (Uzbekistan)	MGU 10765 узб	10.09.2011
214. САНГЕЛЬ (Sungel) (Uzbekistan)	MGU 11003 узб	23.01.2011
215. ЧИСТОЛИН (Chistolin) (Uzbekistan)	MGU 11004 узб	23.01.2011
216. ЛЕБЕДЬ (Lebed) (Uzbekistan)	MGU 11017 узб	22.03.2011
217. КАЛИНА концерн (KALINA kontsern) (Uzbekistan)	MGU 11059 узб	19.02.2012
218. МЕЧТА (Mechta) (Uzbekistan)	MGU 11066 узб	22.03.2011
219. ЛИМПОПО (Limpopo)(Uzbekistan)	MGU 11067 узб	22.03.2011
220. ДРАКОША (Drakosha) (Uzbekistan)	MGU 11068 узб	22.03.2011
221. РАЙСКИЙ САД (Raiskiy Sad) (Uzbekistan)	MGU 11116 узб	22.03.2011
222. МАРИМБА / МАРИМБА (Uzbekistan)	MGU 11245 узб	18.07.2011
223. ОРТО / ORTO (Uzbekistan)	MGU 11271 узб	22.03.2011
224. BLACK PEARL (Uzbekistan)	MGU 11415 узб	10.09.2011
225. QORA MARVARID (Uzbekistan)	MGU 11416 узб	10.09.2011
226. ТИНИQ ИЗ (Uzbekistan)	MGU 11417 узб	10.09.2011
227. Виотин Би Плюс (Viotin B Plus) (Uzbekistan)	MGU 11418 узб	10.09.2011
228. Виотин В+ (Viotin B+)(Uzbekistan)	MGU 11419 узб	10.09.2011
229. CLEAN LINE (Uzbekistan)	MGU 11420 узб	10.09.2011

230. ДЕНТА МЕД комплекс, комбин ир. (Denta Med complex combined) (Uzbekistan)	MGU 11421 узб	15.04.2012
231. ДЕНТА МЕД лечебные травы, комбинир. (Узбекистан) (DENTA MED medical hebs combined Uzbekistan)	MGU 11422 узб	15.04.2012
232. ДЕНТА МЕД фруктовая свежесть, комбинир. (Узбекистан) DENTA MED fruity freshness combined Uzbekistan	MGU 11423 узб	15.04.2012
233. ДЕНТА МЕД сильно освежающая, комбинир. (Узбекистан) (DENTA MED super refreshing combined Uzbekistan)	MGU 11424 узб	15.04.2012
234. ДЕНТАМЕД, словесный (Узбекистан) (DENTAMED verbal Uzbekistan)	MGU 11427 узб	24.06.2012
235. ФТОРОМЕД, словесный (Узбекистан) (FTOROMED verbal Uzbekistan)	MGU 11540 узб	23.01.2011
236. iodbar, словесный (Узбекистан) (odbar verbal Uzbekistan)	MGU 11898 узб	19.12.2012
237. ЛАВИНА СВЕЖЕСТИ (LAVINA SVEZHESTI)	254180	11.09.2012
238. БЕТАЕЛАСТИЛ	254182	10.11.2012
239. БЭТАЭЛАСТИЛ (BETAELASTIL)	254183	10.11.2012
240. SERGEI ZVEREV, комбинированный (RGEI ZVEREV combined)	254532	16.07.2012
241. MIA	254294	18.12.2011
242. EVERFRESH	254354	11.09.2012
243. Маленькая фея, комбинированный ч/б (malenkaya feya combined black and white)	254534	16.07.2012
244. Маленькая фея, комбинированный цветной (Malenkaya Feya combined colored)	254533	16.07.2012
245. Рисунок Дракоша с зубной щеткой, изобразит. (Drakosha image with a toothbrush figurative)	254579	13.09.2011
246. Дракоша и компания, словесный (Drakosha and Co verbal)	254578	13.09.2011
247. WWW.BORODA.NET	254576	05.11.2011
248. BORODA.NET	254573	12.11.2011
249. ФРОСТ (FROST)	254564	13.05.2012
250. FROST	254563	13.05.2012
251. ЭВЕРФРЕШ (EVERFRESH)	256706	11.09.2012
252. АКВАСОМЫ (AQUASOMY)	256731	10.11.2012
253. Маленькая Фея, изобразительный (Malenkaya Feya figurative)	256762	16.07.2012
254. АНЖЕЛИКА ВАРУМ (междунар.) (ANGELIKA VARUM intern.)	809611 мадр	01.04.2013
255. ANGELIKA VARUM (междунар.) (ANGELIKA VARUM intern.)	809690 мадр	01.04.2013
256. Золотая линия, словесный (Zolotaya Linia verbal)	34526 Эстония	24.08.2011
257. Черный жемчуг, словесный (Chyornyi Zhemchug verbal)	34531 Эстония	24.08.2011
258. Чистая линия, словесный (Chistaya Lkinia verbal)	34527 Эстония	24.08.2011
259. Логотип Концерн, изобразительный (Kontsern's logo)	36741 Эстония	16.08.2012
260. КАРАПУЗ, словесный (Karapuz verbal)	183951, РФ	04.04.2008
261. AQUASOMES, словесный (AQUASOMES verbal)	259808, РФ	10.11.2012
262. Маленькая фея, словесный (междунар.) (Malenkaya Feya verbal intern.)	815289 мадр	04.06.2013

263. МАШЕНЬКА, словесный (MASHENKA verbal)	141648+прил.№1	24.01.2005
264. Сергей Зверев словесный (Sergey Zverev verbal)	265020	11.04.2012
265. Sergei Zverev словесный (Sergei Zverev verbal)	265499	11.04.2012
266. Белоснежная улыбка,словесный (Snow-white smile verbal)	266305	04.11.2012
267. Кедровый бальзам,словесный (Узбекистан) (Kedroviiy balsam verbal Uzbekistan)	MGU 12562	18.06.2013
268. Логотип Чистая линия,межд. 13 стран (Chistaya Liniya logo intern. 13 countries)	820456 мадр	21.01.2014
269. Лесной бальзам словесный (Lesnoy Balsam verbal)	264732	07.05.2013
270. Kumush Iz, комбинир, Узбекистан (Kumush Iz combined Uzbekistan)	MGU 11956	20.05.2012
271. Серебряная Линия комбинир, Узбекистан (Serebryannaya Liniya combined Uzbekistan)	MGU 11957	20.05.2012
272. Serebryanaya liniya комбинир, Узбекистан (Serebryanaya liniya combined Uzbekistan)	MGU 11958	20.05.2012
273. Золотая Линия комбинир, Узбекистан (Zolotaya Liniya combined Uzbekistan)	MGU 11959	20.05.2012
274. Zolotaya Liniya комбинир, Узбекистан (Zolotaya Liniya combined Uzbekistan)	MGU 11960	20.05.2012
275. Tilla Iz комбинир, Узбекистан (Tilla Iz combined Uzbekistan)	MGU 11961	20.05.2012
276. Gold Line комбинир, Узбекистан (Gold Line combined Uzbekistan)	MGU 11962	20.05.2012
277. Velur Велур словесный, Узбекистан (Velur verbal Uzbekistan)	MGU 11963	20.05.2012
278. Gold Line словесный, Узбекистан (Gold Line verbal Uzbekistan)	MGU 11964	20.05.2012
279. Go'zallik Resepti комбинир, Узбекистан (Go'zallik Resepti combined Uzbekistan)	MGU 11965	20.05.2012
280. Tiniq Iz, Лого комбинир, Узбекистан (Tiniq Iz logo combined Uzbekistan)	MGU 11966	20.05.2012
281. MIA, Лого комбинир, Узбекистан (MIA logo combined Uzbekistan)	MGU 11967	20.05.2012
282. MIA, Лого комбинир, Узбекистан (MIA logo combined Uzbekistan)	MGU 11968	20.05.2012
283. Silver Line, Лого комбинир, Узбекистан (Silver Line, logo combined Uzbekistan)	MGU 11969	20.05.2012
284. Velur комбинир, Узбекистан (Velur combined Uzbekistan)	MGU 11970	20.05.2012
285. Go'zallik Resepti словесный, Узбекистан (Go'zallik Resepti verbal Uzbekistan)	MGU 11971	20.05.2012
286. Рецепты Красоты (Retseptu Karsoty)	MGU 11972	20.05.2012
287. Silver Line словесный, Узбекистан (Silver Line verbal Uzbekistan)	MGU 11973	20.05.2012
288. Kumush Iz словесный, Узбекистан (Kumush Iz verbal Uzbekistan)	MGU 11974	20.05.2012
289. Tilla Iz словесный, Узбекистан (Tilla Iz verbal Uzbekistan)	MGU 11975	20.05.2012
290. Бархатный ручки словесный, Узбекистан (Barkhatnye Ruchki verbal Uzbekistan)	MGU 11976	20.02.2012
291. Mayin qo'llar словесный, Узбекистан (Mayin qo'llar verbal Uzbekistan)	MGU 11977	20.05.2012

292. Бархатные ручки словесный, Узбекистан (Barkhatnye Ruchki verbal Uzbekistan)	MGU 11987	20.05.2012
293. Mayin qo'llar словесный, Узбекистан (Mayin qo'llar verbal Uzbekistan)	MGU 11980	20.05.2012
394. MIA MIA словесный, Узбекистан (MIA verbal Uzbekistan)	MGU 11982	20.05.2012
295. Чистая линия, Лого комбинир, Узбекистан (Chistaya linia logo Uzbekistan)	MGU 11983	20.05.2012
296. Серебряная линия Serebryannaya liniya словесный, Узбекистан (serebryannaya Linia verbal Uzbekistan)	MGU 11984	20.05.2012
297. 32, лого, зеленый комбинир. Узбекистан (32 logo green combined Uzbekistan)	MGU 11985	20.05.2012
298. 32, лого, синий комбинир. Узбекистан (32 logo blue combined Uzbekistan)	MGU 11986	20.05.2012
299. 32 норма 32 norma словесный, Узбекистан (32 norma verbal Uzbekistan)	MGU 11987	20.05.2012
300. Chernyi zhemchug, лого комбинир, Узбекистан (Chernyi zhemchug, logo combined Uzbekistan)	MGU 11990	18.04.2012
301. Black Pearl, Лого комбинир, Узбекистан (Black Pearl logo combined Uzbekistan)	MGU 11991	18.04.2012
302. Qora Marvarid, Лого комбинир, Узбекистан (Qora Marvarid, logo combined Uzbekistan)	MGU 11993	18.04.2012
303. Черный жемчуг, Лого комбинир, Узбекистан (Chyorniy Zhemchug logo combined Uzbekistan)	MGU 11994	18.04.2012
304. Жемчужина и линия, изобразит, Узбекистан (Zhemchuzhina and linia figurative Uzbekistan)	MGU 11995	18.04.2012
305. Clean Line, Лого комбинир, Узбекистан (Clean Line, logo combined Uzbekistan)	MGU 11996	18.04.2012
306. Золотая линия Zolotaya Liniya словесный, Узбекистан (Zolotaya linia verbal Uzbekistan)	MGU 11998	20.05.2012
307. Черный жемчуг, комбинир, Узбекистан (Chyorniy Zhemchug combined Uzbekistan)	MGU 11999	18.04.2012
308. Qora Marvarid, комбинир, Узбекистан (Qora Marvarid combined Uzbekistan)	MGU 12000	18.04.2012
309. Chernyi Zhemchug, комбинир, Узбекистан (Chernyi Zhemchug combined Uzbekistan)	MGU 12001	18.04.2012
310. Black Pearl комбинир, Узбекистан (Black Pearl combined Uzbekistan)	MGU 12002	18.04.2012
311. Chistaya Liniya, Лого комбинир, Узбекистан (Chistaya Liniya logo combined Uzbekistan)	MGU 12003	18.04.2012
312. Развертка футляра Чистая линия, комбинир., цвет. Сочетание (Chistaya Linia case scanning combined color combination)	270390	24.06.2013
313. Black Pearl, слов. Украина (Black Pearl verbal Ukraine)	36822+Д	21.09.2011
314. Клинар, слов. Украина (klnar verbal Ukraine)	34885+Д	21.09.2011
315. Klnar, слов. Украина (Klnar,verbal Ukraine)	34886+Д	21.09.2011
316. Clinar, слов.Украина (Clinar verbal Ukraine)	34887+Д	21.09.2011
317. Cleanr, слов. Украина (Cleanr verbal Ukraine)	36823+Д	21.09.2011
318. Чиста лінія, слов.Украина (Чиста лінія Ukraine)	34888+Д	21.09.2011
319. Чистая линия, слов. Украина (Chistaya linia Ukraine)	34889+Д	21.09.2011
320. Clean line, слов. Украина (Clean line verbal Unraine)	34890+Д	21.09.2011
321. Виотин В+, слов. Украина (viotin B+ verbal Ukraine)	34891+Д	21.09.2011
322. Виотин Би Плюс (Viotin B Plus)	34892+Д	21.09.2011
323. Viotin B+, слов. Украина (Viotin B+ Ukraine)	34893+Д	21.09.2011
324. Срібна лінія, слов. Украина (Срібна лінія verbal Ukraine)	37603+Д	22.02.2012
325. Серебряная линия,лого, комб. Украина (Serebryannaya Linia logo combined Ukraine)	37604+Д	22.02.2012

326. Silver line, лого, комб. Украина (Silver line logo combined Ukraine)	37605+Д		22.02.2012
327. Serebryanaya liniya, лого, комб. Украина (Serebryanaya liniya logo combined Ukraine)	37606+Д		22.02.2012
328. Изображение жемчужины, изобр. Украина (Pearl image figurative Ukraine)	37607+Д		22.02.2012
329. Рецепты красоты, слов. Украина (Retsepty krasoty verbal Ukraine)	38268+Д		22.02.2012
330. Я сам, слов. Украина (Ya sam verbal Ukraine)	38269+Д		22.02.2012
331. Дракоша, слов. Украина (Drakosha verbal Ukraine)	38270+Д		22.02.2012
332. Маленькая фея, слов. Украина (Malenkaya feya verbal Ukraine)	38271+Д		22.02.2012
333. Лимпопо, слов. Украина (Limporo verbal Ukraine)	38272+Д		22.02.2012
334. МИА, слов. Украина (MIA verbal Ukraine)	38273+Д		22.02.2012
335. МИА, слов. Украина (MIA verbal Ukraine)	38274+Д		22.02.2012
336. Чорні перли, слов. Украина (Чорні перли verbal Ukraine)	38746+Д		21.09.2011
337. Чорна перлина, слов. Украина (Чорна Перлина verbal Ukraine)	37850+Д		21.09.2011
338. Черный жемчуг, слов. Украина (Chyorniy Zhemchug verbal Ukraine)	37851+Д		21.09.2011
339. Бархатные ручки слов. Украина (Barkhatnye ruchki verbal Ukraine)	34608 + Д		21.09.2011
340. Чистая линия, логотип цветной (Chistaya Linia logo colored)	272258		12.05.2013
341. Лесной бальзам, слов. Узбекистан (Lesnoy balsam verbal Uzbekistan)	MGU 11662		08.05.2012
342. Ультиматум Ultimatum, слов. (Ultimatum verbal)	242301/1		15.05.2012
343. Мистер президент, комбинир. (Mister President combined)	272789		14.10.2013
344. Сто рецептов красоты, словесный (Sto retseptov krasoty verbal)	272799		18.08.2013
345. Inspector, словесный (Inspector verbal)	272803		04.09.2013
346. Черный жемчуг (междунар) (Chyorniy zhemchug intern.)	829364 мадр		05.06.2013
347. Травяной бальзам СТЗ Азербайджан (Travyanoi balsam STZ Azerbaijan)	20040248		25.06.2013
348. Лесной бальзам СТЗ Азербайджан (Lesnoy balsam STZ Azerbaijan)	20040249		25.06.2013
349. Кедровый бальзам СТЗ Азербайджан (Kedroviy balsam STZ Azerbaijan)	20040250		25.06.2013
350. Пародонтол СТЗ Азербайджан (Parodontol STZ Azerbaijan)	20040251		25.06.2013
351. Пародонтол СТЗ Узбекистан (Parodontol STZ Uzbekistan)	MGU 12647		25.07.2013
352. Травяной бальзам СТЗ Узбекистан (Travyanoi balsam STZ Uzbekistan)	MGU 12648		25.07.2013
353. Лесная аптека СТЗ Азербайджан (Lesnaya apteka STZ Azerbaijan)	20040371		14.08.2013
354. Бархатные ручки междунар (Barkhatnye ruchki intern.)	833804		08.08.2013
355. Clean Line	280778		22.01.2014
356. Черный жемчуг, логотип Украина (Chyorniy zhemchug logo Ukraine)	42954		22.02.2012
357. Chernyi Zhemchug Украина (ТОЛЬКО ПРИЛОЖЕНИЕ) (Chernyi Zhemchug Ukraine addendum only)	40309		21.09.2011
358. УЛЬТИМАТУМ, словесный (ULTIMATUM, verbal)	283527		12.01.2014
359. Черный жемчуг, баночка, объемный (Chyorniy zhemchug jar T-D)	286527		29.12.2013
360. Лесной бальзам, лицевая сторона, изобразительный (Lesnoy balsam face, figurative)	286509		16.08.2014
361. Lauren Defo, словесный (Lauren Defo, verbal)	286480		07.10.2013
362. Чистая линия, словесный (Chistaya linia verbal)	286992		22.01.2014
363. Чистая линия, логотип, ч/б, комбинированный (Chistaya linia logo black and white combined)		286993	22.01.2014
364. Chistaya Liniya, словесный (Chistaya Liniya, verbal)		286994	22.01.2014
365. Velvet Hands, словесный (Velvet Hands verbal)		286228	12.08.2013

366. EVERfresh Система длительной свежести (EVERfresh system of long freshness)	287906	16.06.2014
367. Баночка «Золотой жемчуг», объемный (Jar "Zolotoy zhemchug")	290102	09.11.2014
368. Логотип Frost, изобразит. Без текста (Logo Frost, figurative)	290113	16.07.2014
369. «32» логотип со стрелкой в цвете ("32" logo with an arrow colored)	290139	16.06.2014
370. Уверенность в каждом поцелуе, словесный (Confidence in every kiss, verbal)	290141	17.06.2014
371. Черный жемчуг словесный Беларусь (Chyorniy zhemchug Belarus)	14768 Беларусь	30.08.2011
372. ВЕЛЮР, словесный междунар. (VELOUR, verbal intern.)	837282 между	05.09.2013
373. Wissen Aus Solingen, словесный (Wissen Aus Solingen, verbal)	272311	09.06.2013
374. Маленькая фея. Изображение № 1 (malenkaya feya. Image No.1)	292906	30.08.2014
375. Chistaya Liniya, словесный (Chistaya Liniya, verbal)	292964	27.07.2014
376. Чистая линия, словесный (Chistaya linia, verbal)	292965	27.07.2014
377. Уверенность в каждом вдохе и выдохе, словесный (confidence in every breath, verbal)	292990	17.06.2014
378. Perfect Eyes, словесный (Perfect Eyes, verbal)	293287	28.09.2014
379. Ultimatum, логотип комбинированный (Ultimatum logo combined)	293387	04.08.2014
380. Маленькая фея. Изображение № 2 (malenkaya feya. Image no.2)	293393	30.08.2014
381. ULTIMATUM Словесный (ULTIMATUM verbal)	294532	12.01.2014
382. Зеленый кусок мыла Чистая линия, объемный (Green piece of soap Chistaya linia, T-D)	294361	13.09.2014
383. Желтый кусок мыла Чистая линия, объемный (Yellow piece of soap Chistaya linia T-D)	294362	13.09.2014
384. Fruity Kiss, словесный (Fruity Kiss, verbal)	294735	29.09.2014
385. Discoshine, словесный (Discoshine, verbal)	294736	29.09.2014
386. Frost, словесный (Frost, verbal)	295342	16.07.2014
387. Frost, комбинированный логотип (Frost combined logo)	295621	16.07.2014
389. MIA логотип цветной (MIA colored logo)	296614	14.04.2014
390. Логотип Чистая Линия, изобразительный (Logo Chistaya linia figurative)	296617	06.05.2014
391. Morning Sun, словесный (Morning Sun, verbal)	297422	28.09.2014
392. CANDYGIRL, словесный (CANDYGIRL, verbal)	297423	29.29.2014
393. Пародонтол, словесный Казахстан (Parodontol, verbal Kazakhstan)	17899 каз	25.07.2013
394. TARA, словесный Казахстан (TARA, verbal Kazakhstan)	17920 каз	14.08.2013
395. Кусок мыла «Чистая линия», красный объемный (red piece of soap Chistaya linia, T-D)	297751	13.09.2014
396. PERFECT LIPS	299909	29.09.2014
397. MIA международная рег. Базовая 254294 (MIA international reg. Basic 254294)	872020	17.11.2014
398. Сто рецептов красоты логотип (Sto retseptov krasoty logo)	301764	23.07.2014
399. Сто рецептов красоты фронт (Sto retseptov krasoty front)	301765	23.07.2014
400. Кусок мыла «Чистая линия», объемный (Piese of soap Chistaya linia T-D)	302043	13.09.2014
401. Back to school, словесный (Back to school, verbal)	303110	14.02.2015
402. Черный жемчуг, логотип (Chyorniy zhemchug logo)	304057	04.08.2014
403. Черный жемчуг (СТЗ) (Chyorniy zhemchug STZ)	304922	28.07.2014
404. MagicShine (СТЗ) (MagicShine STZ)	304927	28.09.2014
405. Машенька (СТЗ) (Mashenka STZ)	306539	15.06.2014
406. Секунда авто (СТЗ) (Sekunda auto STZ)	306547	15.06.2014
407. Норд-Ост, словесный, Украина (Nord-Ost verbal Ukraine)	57995	16.01.2014
408. Wissen Aus Solingen, словесный, Украина (Wissen Aus Solingen, verbal Ukraine)	57996	16.01.2014

409. Комарэкс, словесный, Украина (Comarex verbal Ukraine)	57997	16.01.2014
410. Фрост, словесный, Украина (Frost verbal Ukraine)	57999	16.01.2014
411. Локон, словесный, Украина (Lokon verbal Ukraine)	58000	16.01.2014
412. Уральские самоцветы, словесный, Украина (Uralskie samotsvety verbal Ukraine)	57998	16.01.2014
413. Лесная аптека, словесный, Белоруссия (Lesnaya apteka verbal Belarus)	21824	30.06.2013
414. Норма 32 Norma	50913	25.02.2012
415. Dessert	310161	14.02.2015
416. Чистая линия банка Chistaya linia jar	310116	15.06.2014
Industrial samples		
1. Jar for a cosmetic product	48627	08.08.2006
2. Tube for a cosmetic product.	48654	08.08.2006
3. Bottle for a kid shampoo.	48922	13.08.2006
4. Bottle for a cosmetic product Serebryannaya linia, 2 variants.	48921	08.08.2006
5. Diapers pack.	49043	13.08.2006
6. Cosmetic product package, 3 variants.	49195	08.08.2006

The Company assesses risks connected with expiration of principal patents, licenses for trademarks, as insignificant in the medium term.

4.5. Analysis of Development Trends in the Sphere of JSC Concern "KALINA" Principal Activities

General industry development:

Market of perfumery and cosmetic products, household chemicals and hygiene products could be called mass products market. It is connected with products consumption cycle of short duration and relatively small packages of the products.

Researches indicated that with any level of income a person spends on care products not less than 4 % of his/her income. Such a figure supposes quite a large value of market capacity. In 1999, market capacity was about 3 bln. dollars. Capacity of perfumery and cosmetics market (together with detergents and toothpastes market) in 2004 according to Euromonitor forecasts was 6,020 mln. dollars and by 2007 market capacity will grow to more than 7 bln. dollars. .

Growth of market capacity first of all is connected with growth of consumption culture of perfumes, cosmetics, household chemicals and hygiene products, growth of incomes and living standards of the population, growth of the so-called middle class. The following markets have most capacity:

- Perfumery;*
- Skin care products;*
- Hair care products;*
- Oral care products;*
- Synthetic detergents;*
- Hygiene products.*

Income growth of population will cause expansion of market size in monetary terms. Together with strengthened trend of increasing advertising expenses by principal manufacturers, it will result in growth of brand consumption, transfer of consumers to more expensive "image" trademarks. Consequently, competition will become more intense which will result in displacement of small and local manufacturers from the market.

Trends in industry development:

Main trends in perfumery and cosmetic market in the first half 2006

Market trends:

- 1. Increase of sales through distribution network.***
- 2. Price reduction for cosmetic products of western manufacturers;***
- 3. Elimination of the line between cosmetology and medicine - development of cosmeceutics market;***

4. *Increasing sales of cosmetic products in pharmacies*
5. *Deeper market segmentation, more specialized products and segments appear;*
6. *Consumer group of anti-ageing cosmetics is rapidly growing younger (start of using anti-ageing products from 25 years of age).*
7. *Increase of aggregate advertising pressure.*
8. *Increase in segment of skin care products for men.*
9. *Realization of cosmetic effect in other market categories (soap, household chemicals, deodorants, etc.).*
10. *Decrease in TV advertising effectiveness due to media inflation.*

Changes in competition:

1. *Reduction of share of domestic manufacturers. More considerable reduction rates – in value terms;*
2. *No new large players appear, the market is divided primarily among multinational corporations;*
3. *Direct sales companies become more active (Oriflame, Avon, and Faberlic). Increase of the number of companies dealing with direct sales;*
4. *Some multinationals transfer their production to Russia (they construct and purchase production facilities in Russia) in order to reduce costs and simplify logistics;*
5. *Growth of advertising expenses. Multinationals launches account for 60-90 % A/S (advertising/sales);*
6. *Active growth of alternative promotion instruments (in contrast to ordinary advertising). Many BTL- actions, gifts and other measures are targeted at increasing brands loyalty.*

In the sales system:

*Increase in consumer goods sales share in total sales through trading networks;
Sales reduction in open markets;
Increase of sales share through direct sales;
Increase of expenses for trade marketing.*

In the world:

*Continuation of market growth stabilization;
Increase in sales of most multinational corporations;
Merger of large companies (e.g., Wella and P&G);
Growth of segment of anti-ageing products;
Growth of segments of ethnic cosmetics.*

Comparative data presenting JSC Concern "KALINA" activities in this industry.

Market of face care products.

The Company share in this market as of March-April 2006 is 43.5 % (item share). Shares of the largest competitors are as follows: "Nevskaya kosmetika" – 5.7%, "Beiersdorf" – 1.6 %, "Svoboda" – 11.6%, L'Oreal & Garnier – 4.9%. Market share was calculated taking into account market capacity based on quantities.

Market of skin care products.

The Company share in this market segment is 29.9 %. Shares of the largest competitors are as follows: "Nevskaya kosmetika"-8.7%,"Svoboda" –7.9%,"Beiersdorf" -5.2%, "Avanta" – 6.1%. Market share was calculated taking into account market capacity based on quantities

Market of hair care products.

The Company share in the market of hair care products as of March-April is 2.1 %. Market shares of the largest competitors are as follows: "Procter & Gamble" – 6.2 %, "Schwarzkopf/Henkel" – 11.5 %, "Bielita" – 25.6 %, "Unilever" -19.2 %, "L'Oreal" – 11.4 %. Market share was calculated taking into account market capacity based on quantities.

Market of oral care products.

The Company share in the market of oral care products as of November-December 2005 is 12.2 %. Market shares of the largest competitors are as follows: "Procter & Gamble" – 19.7 %, "Colgate" – 30.0 %, "Nevskaya kosmetika" – 14.1 %. Market share was calculated taking into account market capacity based on quantities.

Men's grooming market

The Company share in the market of the men's grooming products as of November-December 2005 is 6.8%. Market shares of the largest competitors are as follows: "Gillete"- 26.7%, "Beiersdorf"- 11.6%, "Svoboda"- 7.2%, "Colgate-Palmolive"- 3.6%, "Aroma"- 1.9%, "Nevskaya Kosmetika"- 0.5%. Market share was calculated taking into account market capacity based on quantities.

Market of decorative cosmetics

The Company share on the market of decorative cosmetics as of November-December 2005 is 2.0%. Market shares of the largest competitors are as follows: L'Oreal – 6.4%, Bourjois – 3.5%, Max Factor – 4.4%, Maybelline – 9.3%, Ruby Rose – 2.0%.

Market of synthetic detergents.

The Company share in the market of synthetic detergents as of the end of the first half 2006 according to the expert assessment of the marketing group JSC Concern "KALINA" is 5.0 %. Market shares of the largest competitors are as follows: "Aist" – 6.0 %, "Nefis" – 7.0 %, CJSC "Nevskaya kosmetika" – 7.0 %, OJSC "Vesna" – 9.0 %, "Procter&Gamble"-26.0%, "Unilever"-8.0%, "Evyap"- 9.0%, . Market share was calculated taking into account market capacity based on quantities.

The principal advantages of the Company over its domestic producing competitors are wide sales network (the widest one among domestic manufacturers), high and stable quality of products and services of the Company, active advertising policy. Due to continuous promotion of the Company brands, they have high brand awareness that is they are well known to the country's population, and continuous work on improvement of the products quality stimulates repeated purchases thus creating a continuous demand for the products.

The principal advantages of the Company products over its foreign manufacturers are lower price for the products and high quality corresponding to that of the world standards. One of the positive factors is Company closeness to the customers that allows obtaining data of consumption and behavior peculiarities, and responding quickly to the changes in the market.

The Company is waiting for continuation of the said factors and trends at least in the medium run (the next 2-3 years). Following the changes in competitive conditions, the Company performs active marketing policy: development and launching new products in the market, strengthening advertising support of key brands. The Company performs arrangements aimed at increase of customers' loyalty to the Company brands, increase of Company brands awareness.

The results of the Company activities can be adversely influenced by increased competition from multinationals, change in customers' preferences, changes in taxation methods, currency and customs laws of those countries where the Company imports its products. These results can also be affected by economic situation in Russia,, in particular, fluctuations of foreign exchange rates (nearly a quarter of the Company expenses in relation to the costs of manufacture are nominated in foreign currency), inflation and levels of interest rates. The Company estimates the possibility of such factors connected with high competition as high; possibility of negative changes in the laws and economy situation in Russia and CIS as medium.

Stable political situation in the Russian Federation and CIS countries, economic growth and creation of legislative basis aimed at improvement of market conditions, economic liberalization in such countries as Uzbekistan, further decrease of the inflation rate and interest rates, increase of the customers' loyalty to domestic brands are seen by the Company as factors able to improve the results of its activities. The possibility of such factors is estimated by the Company as rather high and their duration (if occur) shall last rather long (more than 3-5 years).

Note:

ACNielsen report is the source of information of the Company shares and its competitors. All the shares are given based on quantities (in items) by separate market segments. Shares are calculated by methods used by ACNielsen for estimation of the total capacity of each market segment (not from the number of companies taken as 100 %).

5. Detailed Information of Persons in Managerial Bodies of JSC Concern "KALINA", Bodies of JSC Concern "KALINA" which Control its Financial and Economic Activities, and Profiles of Employees (Staff) of JSC Concern "KALINA"

5.1. Information of the Structure and Competence of Managerial Bodies of JSC Concern "KALINA"

Full description of the structure of JSC Concern "KALINA" managerial bodies and their competence in accordance with the charter (constituent instruments) of JSC Concern "KALINA".

Managerial bodies of JSC Concern "KALINA" include: the General Shareholders Meeting, the Board of Directors of the joint stock company and the Chief Executive Officer. The General Shareholders Meeting is the supreme managerial body of the Company and is held at least once a year. The Board of Directors of the joint stock company is a standing managerial body. Its activity takes the form of meetings that are generally held at least once a month. The Board of Directors of the Company is accountable to the General Shareholders Meeting and is the supreme managerial body of the joint stock company during time intervals between the meetings. The CEO of the joint stock company is the sole executive body of the joint-stock company. The CEO is elected by the General Shareholders Meeting for a period of 3 years. The CEO acts by virtue of the contract concluded between the CEO and the Company. The Chairman of the Board of Directors signs the said contract on behalf of the Company. The contract concluded with the CEO determines his/her rights and duties, terms and conditions under which the CEO should perform his functions associated with issues that fall under his/her competence according to the Charter, and responsibility of the CEO. In its activity the executive body follows the laws currently in force, resolutions adopted at general meetings and by the Board of Directors of the joint stock company, as well as appropriate Regulations approved by the Board of Directors. Financial and economic activities of the Company are controlled by the Inspection Commission of three (3) members elected by the General Shareholders Meeting of the Company. The Company following the decision of the General Shareholders Meeting approves an auditor or an auditing organization, which examines financial and economic activities of the Company in the order stipulated by the Russian laws currently in force. Auditing financial and economic activities of the Company is performed by the auditor or the auditing organization on the basis of the contract between the Company and the auditor (auditing organization).

Competence of the General Shareholders Meeting of JSC Concern "KALINA" in conformity with the Company Charter:

The General Shareholders Meeting is the supreme managerial body. The following issues fall under the competence of the general meeting:

- 1) making amendments to the Company Charter, approval of new revisions of the Company Charter;*
- 2) reorganization of the Company;*
- 3) liquidation of the Company, appointment of a liquidation commission and approval of interim and final liquidation balance sheets;*
- 4) identifying the quantity of the Company Board of Directors, election of its members and pre-term termination of their powers;*
- 5) determination of quantity, par value, category of shares declared and rights they grant;*
- 6) increase of charter capital of the company by rising shares' par value;*
- 7) decrease of charter capital by reducing shares' par value, by repurchasing part of its stock in order to cut down the total quantity of shares as well as by paying off the purchased or repurchased by the company shares;*
- 8) election of Inspection commission members of the Company and pre-term termination of their powers;*
- 9) approval of the Company auditor;*
- 10) approval of annual reports, balance sheets, income statements of the Company, allocation of its profits and losses;*
- 11) procedures of chairing the General Shareholders Meeting;*
- 12) appointment of the counting board prescheduled termination of its powers;*
- 13) splitting and consolidation of shares;*
- 14) taking resolutions on transactions approval stipulated by Article 83 of the Federal Act "On joint stock companies";*
- 15) taking resolutions on approval large-scale transactions in cases stipulated by Article 79 of the Federal act "On joint stock companies";*
- 16) acquisition and repayment of placed shares by the Company as stipulated by the Russian laws currently in force;*

- 17) *taking resolutions on participating in holding companies, financial-industrial groups, associations and other commercial unions;*
- 18) *approval of company's internal documents, regulating its operation;*
- 18) *other issues that fall under the competence of the General Shareholders Meeting as stipulated by the Federal Act "On joint stock companies".*

Competence of the Board of Directors of JSC Concern "KALINA" in conformity with the Company Charter:

The Company Board of Directors performs general management of Company activities and makes decisions on all issues, save issues that exclusively fall under the competence of the General Shareholders Meeting. The following issues exclusively fall under the competence of the Company Board of Directors:

- 1) *identifying priority directions of Company activities;*
- 2) *calling annual and extraordinary General Shareholders Meetings of the Company except in those cases stipulated by paragraph 8 Article 55 of the federal Act "On joint stock companies";*
- 3) *approval of the agenda for the General Shareholders Meeting;*
- 4) *determination of the dates of register closing and other issues under board of directors' competence in accordance with Chapter VII of the Federal Act "On joint stock companies" regarding preparation and running General Shareholders' Meeting;*
- 5) *increase of charter capital by placing additional issue within the limits of quantity and categories of shares declare;*
- 6) *placement of Company bonds and other securities by the Company in cases stipulated in the Federal Act "On joint stock companies";*
- 7) *determining market value of Company property, price of placement and repurchase of securities issued in cases stipulated by the federal Act "On joint stock companies" ;*
- 8) *acquiring shares, bonds and other securities placed by the Company in cases stipulated by the federal Act "On joint stock companies";*
- 9) *establishing the sole executive body of the company, prescheduled termination of its powers, approval of any agreements and resolutions regarding hiring, dismissing and remunerating the General Director of the company;*
- 10) *advice on the amount of remuneration and indemnities paid to members of the Inspection Commission, and determining pay rates for auditor's services;*
- 11) *advice on the amount of dividends on shares and procedure of dividend payment;*
- 11) *use of the reserve and other funds of the Company;*
- 12) *approval of inside documents of the Company, which determine operational procedures for managerial bodies of the Company;*
- 13) *approval of company's internal documents excluding those under competence of the General Shareholders' Meeting according to the Federal Act "On joint stock companies" as well as other internal documents of the Company to be approved by executive bodies according to company's Charter;*
- 14) *establishing branches and representative offices;*
- 15) *making decisions on participation of the Company in other organizations, establishing subsidiaries of the Company;*
- 16) *approval of large transactions stipulated by chapter X of the Federal Act "On joint stock companies";*
- 17) *conclusion of transactions acknowledged as transactions of interest (Article 81, federal law "On Joint Stock Companies"), when such transactions do not fall under the competence of the General Shareholders Meeting of the Company as stipulated by the Russian laws currently in force;*
- 18) *approval of the annual budget and investment plan of the Company;*
- 19) *selection of organization keeping the register of the Company;*
- 20) *selection of organization auditing the Company;*
- 21) *approval of decisions to issue Company's securities, approval of Company's offering circulars, reports on results of issue of Company's securities, which should be presented to the Federal Securities Market Commission of the Russian Federation (its local department) or any other government authority, as stipulated by the Russian laws currently in force, to perform state registration of issues of Company's securities and/or reports on results of issue of Company's securities;*
- 22) *defining the way and format of Company's informing its shareholders including approving publication organ in case notifications should be published;*
- 29) *any other issues as stipulated by the laws currently in force and the charter. Issues falling under exclusive competence of the Board of directors cannot be transferred to approval by General Shareholders Meeting or executive body of the Company.*

Competence of the sole executive body of JSC Concern "KALINA" in conformity with the Company Charter:

Chief Executive Officer is the sole executive body of the Company.

The CEO manages day-to-day operations of the Company, thus he/she:

- 1) effectively manages day-to-day operations of the Company;*
- 2) acts on behalf of the Company without any power of attorney, represents the Company in all institutions, companies and organizations within the Russian Federation and abroad;*
- 3) concludes transactions and takes other legal actions on behalf of the Company;*
- 4) issues proxies, opens settlement accounts and other accounts of the Company in banks;*
- 5) appoints staff, employs and dismisses employees of the Company;*
- 6) issues orders and regulations that must be observed by all employees of the Company;*
- 7) prepares information, materials and proposes issues to be considered by the Board of Directors and the General Shareholders Meeting of the Company, and ensures execution of the decisions adopted.*

Information of an internal document of JSC Concern "KALINA" stipulating the rules of corporate behavior of the Issuer.

On November 3, 2004, the Board of Directors of JSC Concern "KALINA" made a decision and approved the Company Code of Corporate Governance.

You can read the JSC Concern "KALINA" Charter, Code of Corporate Governance and other internal documents at the Company web site: www.kalina.org

5.2. Information of Persons in the Managerial Bodies of JSC Concern "KALINA"

The person who fulfills the functions of the sole executive body of the Issuer: ***Goryayev, Timur Rafkatovich***

The Board of Directors of JSC Concern "KALINA"
Chairman: ***Johan Grietsen Hendrik Vreeman***

Members of the Board of Directors:

Goryayev, Timur Rafkatovich
Born: ***1967***

Positions held for last five years:

Period: ***2001 – till present time***

Organization: ***JSC Concern "KALINA"***

Sphere of activity: ***production and sale of perfumery and cosmetic products, soap and detergents***

Position: ***Chief Executive Officer***

Period: ***2001– till present time***

Organization: ***JSC Concern "KALINA"***

Sphere of activity: ***management***

Position: ***member of the Board of Directors***

Period: ***2001– till present time***

Organization: ***"KIT-Capital" LLC***

Sphere of activity: ***management***

Position: ***member of the Board of Directors***

Share in the Issuer's charter capital: ***30.003 %***

Share of Issuer's ordinary shares: ***30.003 %***

Shares in Issuer's subsidiaries/dependent companies: ***no such shares***

Number of Issuer's shares of each category (type) which could be acquired by the given person as the result of execution of rights on Issuer's options owned by him: ***0***

Share of ordinary shares of Issuer's subsidiaries/dependent companies: ***0 pieces***

Number of shares of Issuer's subsidiaries/dependent companies of each category (type) which can be acquired by the given person as the result of execution of rights on options of Issuer's subsidiaries/dependent companies owned by him: ***0 pieces***

Education: ***higher***

Character of any family relations with other persons included into managerial bodies of JSC Concern "KALINA" and/or bodies, which control financial and economic activities of JSC Concern "KALINA": **no such family relations**

Petrov, Alexander Yurievich

Born: 1973

Positions held for last five years:

Period: **2001– till present time**

Organization: **JSC Concern "KALINA"**

Sphere of activity: **production and sale of perfumery and cosmetic products, soap and detergents**

Position: **Director for economics and finance**

Period: **2001 – till present time**

Organization: **JSC Concern "KALINA"**

Sphere of activity: **management**

Position: **member of the Board of Directors**

Share in the Issuer's charter capital: **0.38 %**

Share of Issuer's ordinary shares: **0.38 %**

Shares in Issuer's subsidiaries/dependent companies: **no such shares**

Number of Issuer's shares of each category (type) which could be acquired by the given person as the result of execution of rights on Issuer's options owned by him:

Share of ordinary shares of Issuer's subsidiaries/dependent companies: **0 pieces**

Number of shares of Issuer's subsidiaries/dependent companies of each category (type) which can be acquired by the given person as the result of execution of rights on options of Issuer's subsidiaries/dependent companies owned by him: **0 pieces**

Education: **higher**

Character of any family relations with other persons included into managerial bodies of JSC Concern "KALINA" and/or bodies which control financial and economic activities of JSC Concern "KALINA": **no such family relations**

Vasiliev Mikhail Borisovich

Born: 1964

Positions held for last five years:

Period: **present time**

Organization: **JSC Concern "KALINA"**

Sphere of activity: **management**

Position: **member of the Board of Directors**

Period: **2001-present time**

Organization: **NCH Advisors Inc, representative office in S. Petersburg**

Sphere of activity: **consulting**

Position: **Head of representative office**

Period: **2001-2004**

Organization: **Abrasive plant "Iljich" LLC**

Sphere of activity: **production of abrasive instruments, cubic boron nitride, synthetic diamonds**

Position: **member of the Board of Directors**

Period: **2001- 2005**

Organization: **JSC "Arkhenargo"**

Sphere of activity: **production and transmission of thermal and electric energy**

Position: **member of the Board of Directors**

Period: **2005**

Organization: **JSC "Arkhangelsk generating company"**

Sphere of activity: **production and delivery (sales) of thermal and electric energy**

Position: **member of the Board of directors**

Period: **2001 -2005**

Organization: **JSC “Bolshoi Gostinnyi Dvor”**

Sphere of activity: **retail sales of industrial products and foodstuffs**

Position: **member of the Board of directors**

Period: **2004 -2005**

Organization: **JSC “Vladimirskaya energy-selling company”**

Sphere of activity: **purchase and sales of electric energy on wholesale and retail electricity markets**

Position: **member of the Board of directors**

Period: **2001 -2002**

Organization: **JSC “Electrosvyaz” Vologodskaya district**

Sphere of activity: **communication service**

Position: **member of the Board of directors**

Period: **2005**

Organization: **JSC “Kirovenergo”**

Sphere of activity: **purchase and sales of electric energy on wholesale and retail electricity markets**

Position: **member of the Board of directors**

Period: **2004-2005**

Organization: **JSC “Kirovenergosbyt”**

Sphere of activity: **purchase and sales of electric energy on wholesale and retail electricity markets**

Position: **member of the Board of directors**

Period: **2000-2002**

Organization: **JSC “Electrosvyaz” Kostromskaya district**

Sphere of activity: **communication service**

Position: **member of the Board of directors**

Period: **2000-2003**

Organization: **JSC “A. Radistcheva Tannery”**

Sphere of activity: **production of leather products**

Position: **member of the Board of directors**

Period: **2000-2002**

Organization: **JSC “Electrosvyaz” Ryazanskaya district**

Sphere of activity: **communication service**

Position: **member of the Board of directors**

Period: **2004-2000**

Organization: **JSC “Pensenskaya energosbytovaya kompaniya”**

Sphere of activity: **purchase and sales of electric energy on wholesale and retail electricity markets**

Position: **member of the Board of directors**

Period: **2004-2005**

Organization: **JSC “Smolenskaya Hydro- electric station”**

Sphere of activity: **production and delivery (sales) of thermal and electric energy**

Position: **member of the Board of directors**

Period: **2000-2002**

Organization: **JSC “Saratov electrosvyaz”**

Sphere of activity: **communication services**

Position: **member of the Board of directors**

Period: **2000-2002**

Organization: **JSC “Tambovskaya electrosvyaz”**

Sphere of activity: **communication services**

Position: **member of the Board of directors**

Period: **2005**
Organization: **JSC “Territorial generating company - 5”**
Sphere of activity: **implementing executive bodies’ authorities in joint stock and other companies**
Position: **member of the Board of directors**

Period: **2001-2002**
Organization: **JSC “telecommunication networks” of Udmurtskaya Republic**
Sphere of activity: **communication services**
Position: **member of the Board of directors**

Period: **2000-present time**
Organization: **JSC “Plant of high-volt equipment “Electroapparat”**
Sphere of activity: **production of gas cut-outs, gas and phase transformers, spare parts and protective devices**
Position: **member of the Board of directors**

Period: **2003-2005**
Organization: **JSC “Southern telecommunication Company”**
Sphere of activity: **communication services**
Position: **member of the Board of directors**

Period: **2000-2002**
Organization: **JSC “Yarenergo”**
Sphere of activity: **production and delivery (sales) of thermal and electric energy**
Position: **member of the Board of directors**

Share in the Issuer's charter capital: **no shares**
Share of Issuer's ordinary shares: **no such shares**
Shares in Issuer’s subsidiaries/dependent companies: **no such shares**
Number of Issuer's shares of each category (type) which could be acquired by the given person as the result of execution of rights on Issuer's options owned by him:
Share of ordinary shares of Issuer’s subsidiaries/dependent companies: **0 pieces**
Number of shares of Issuer’s subsidiaries/dependent companies of each category (type) which can be acquired by the given person as the result of execution of rights on options of Issuer’s subsidiaries/dependent companies owned by him: **0 pieces**
Education: **higher**
Character of any family relations with other persons included into managerial bodies of JSC Concern “KALINA” and/or bodies which control financial and economic activities of JSC Concern "KALINA": **no such family relations**

Christophe Clave
Year of birth: **1968**

Positions for the last five years:

Period: **2006**
Organization: **JSC Concern “KALINA”**
Sphere of activity: **production and realization of perfumery and cosmetic products**
Position: **member of the Board**

Period: **2006**
Organization: **Kalina International SA**
Sphere of activity: **representation**
Position: **executive director**

Period: **2004-2005**
Organization: **SKF Actuation**
Sphere of activity: **ball-bearing production**
Position: **director**

Period: **2000-2003**
Organization: **SKF Actuation Systems**
Sphere of activity: **ball-bearing production**
Position: **executive director**

Share in the Issuer's charter capital: **0,031%**
Share of Issuer's ordinary shares: **0,031%**
Shares in Issuer's subsidiaries/dependent companies: **0,046%**
Number of Issuer's shares of each category (type) which could be acquired by the given person as the result of execution of rights on Issuer's options owned by him:
Share of ordinary shares of Issuer's subsidiaries/dependent companies: **0 pieces**
Number of shares of Issuer's subsidiaries/dependent companies of each category (type) which can be acquired by the given person as the result of execution of rights on options of Issuer's subsidiaries/dependent companies owned by him: **0 pieces**
Education: **higher**
Character of any family relations with other persons included into managerial bodies of JSC Concern "KALINA" and/or bodies which control financial and economic activities of JSC Concern "KALINA": **no such family relations**

Johan Grietsen Hendrik Vreeman
Born: **1945**

Positions held for last five years:
Period: **2001 – 2002**
Organization: **Rabo Black Earth**
Sphere of activity: **financial**
Position: **executive director**

Period: **2001-2003**
Organization: **Close Joint-Stock Company "Polipack"**
Sphere of activity: **manufacture of packing materials**
Position: **Member of the Board of Directors**

Period: **2001-2003**
Organization: **Open Joint-Stock Company "Lipetsk Khladkombinat"**
Sphere of activity: **production of food products**
Position: **Member of the Board of Directors**

Period: **2002-2003**
Organization: **Open Joint-Stock Company "Stroidetal"**
Sphere of activity: **production of construction materials**
Position: **Member of the Board of Directors**

Period: **2002-2003**
Organization: **Open Joint-Stock Company "Confectionary factory TAKF"**
Sphere of activity: **production of confectionaries**
Position: **Member of the Board of Directors**

Period: **2002**
Organization: **Close Joint-Stock Company "Kodotel"**
Sphere of activity: **provision of mobile communication services**
Position: **Member of the Board of Directors**

Period: **2002-2003**
Organization: **Open Joint-Stock Company "Kreker"**
Sphere of activity: **production of confectionaries**
Position: **Member of the Board of Directors**

Period: **2002-2003**
Organization: **Open Joint-Stock Company "Liubiatovo"**
Sphere of activity: **production of confectionaries**

Position: *Member of the Board of Directors*

Period: *2000-2003*

Organization: *Close Joint-Stock Company "Industrial Group Metran"*

Sphere of activity: *manufacture of measuring equipment*

Position: *Member of the Board of Directors*

Period: *2002-2003*

Organization: *Open Joint-Stock Company "Amstar"*

Sphere of activity: *beer production*

Position: *Member of the Board of Directors*

Positions held for last five years:

Period: *2000 - till present time*

Organization: *JSC Concern "KALINA"*

Sphere of activity: *management*

Position: *Member of the Board of Directors*

Share in the Issuer's charter capital: *no shares*

Share of Issuer's ordinary shares: *no such shares*

Shares in Issuer's subsidiaries/dependent companies: *no such shares*

Number of Issuer's shares of each category (type) which could be acquired by the given person as the result of execution of rights on Issuer's options owned by him:

Share of ordinary shares of Issuer's subsidiaries/dependent companies: *0 pieces*

Number of shares of Issuer's subsidiaries/dependent companies of each category (type) which can be acquired by the given person as the result of execution of rights on options of Issuer's subsidiaries/dependent companies owned by him: *0 pieces*

Education: *higher*

Character of any family relations with other persons included into managerial bodies of JSC Concern "KALINA" and/or bodies which control financial and economic activities of JSC Concern "KALINA": *no such family relations*

Reinhold Schlensok

Born: *1962*

Period: *2004*

Organization: *JSC Concern "KALINA"*

Sphere of activity: *production and sale of perfumery and cosmetic products, soap and detergents*

Position: *Member of the Board of Directors*

Period *2003- present days*

Organization: *Dr, Scheller Cosmetics AG*

Sphere of activity: *production and sale of perfumery and cosmetic products*

Position: *member of the Management Board*

Period: *2001-2003*

Organization: *Eckes Granini AG*

Sphere of activity: *production of fruit beverages*

Position: *member of Management Board*

Period: *2001-1993*

Organization: *Procter&Gamble*

Sphere of activity: *production of perfumery and cosmetics*

Position: *marketing manager*

Share in the Issuer's charter capital: *no shares*

Share of Issuer's ordinary shares: *no such shares*

Shares in Issuer's subsidiaries/dependent companies: *no such shares*

Number of Issuer's shares of each category (type) which could be acquired by the given person as the result of execution of rights on Issuer's options owned by him:

Share of ordinary shares of Issuer's subsidiaries/dependent companies: **0 pieces**

Number of shares of Issuer's subsidiaries/dependent companies of each category (type) which can be acquired by the given person as the result of execution of rights on options of Issuer's subsidiaries/dependent companies owned by him: **0 pieces**

Education: **higher**

Character of any family relations with other persons included into managerial bodies of JSC Concern "KALINA" and/or bodies which control financial and economic activities of JSC Concern "KALINA": **no such family relations**

Geller, Nikolai Arkadievich

Born: **1966**

Period: **2001- till present time**

Organization: **JSC Concern "KALINA"**

Sphere of activity: **production and sale of perfumery and cosmetic products, soap and detergents**

Position: **director for development**

Positions held for last five years:

Period: **2001 - till present time**

Organization: **JSC Concern "KALINA"**

Sphere of activity: **management**

Position: **Member of the Board of Directors**

Share in the Issuer's charter capital: **0.46 %**

Share of Issuer's ordinary shares: **0.46 %**

Shares in Issuer's subsidiaries/dependent companies: **no such shares**

Number of Issuer's shares of each category (type) which could be acquired by the given person as the result of execution of rights on Issuer's options owned by him:

Share of ordinary shares of Issuer's subsidiaries/dependent companies: **0 pieces**

Number of shares of Issuer's subsidiaries/dependent companies of each category (type) which can be acquired by the given person as the result of execution of rights on options of Issuer's subsidiaries/dependent companies owned by him: **0 pieces**

Education: **higher**

Character of any family relations with other persons included into managerial bodies of JSC Concern "KALINA" and/or bodies which control financial and economic activities of JSC Concern "KALINA": **no such family relations**

5.3. Information of the Amount of Remuneration, Benefits and/or Indemnities for Expenses Paid to Each Managerial Body of JSC Concern "KALINA"

The amount of remuneration, benefits and/or indemnities for expenses paid to members of the Board of Directors of JSC Concern "KALINA" in 2002, for 12 months of 2005 and the 1st half of 2006:

Description of payment	2005	1 half 2006
Salary of members of the Board of Directors, in RUR	0.00	0.00
Salary of persons which are simultaneously members of the Board of Directors and Company employees, at principal place of business, in RUR	24,085,502	4,496,559
Bonuses paid to members of the Board of Directors on the basis of the results of Company performance, in RUR	0	0

All sums of remuneration indicated in this item were paid to members of the Board of Directors exclusively for the performance by members of the Board of Directors, employees of JSC Concern "KALINA", of their duties at the principal place of business, remuneration to members of the Board of Directors for functions performed by the Board of Directors was not paid.

Indemnities for expenses, benefits and other property remuneration were not paid.

Plans for remuneration payment to members of the Board of Directors in the third quarter 2006:

No information of such plans as of the date of approval of the quarterly report.

5.4. Information of the Structure and Competence of the Bodies Which Control Financial and Economic Activities of JSC Concern "KALINA"

Full description of the structure of the bodies, which control financial and economic activities of JSC Concern "KALINA" and their competence in accordance with the charter (constituent instruments) of JSC Concern "KALINA".

Bodies, which control financial and economic activities of JSC Concern «KALINA», include: the Inspection Commission.

The Inspection Commission:

Financial and economic activities of the Company are controlled by the Inspection Commission of three (3) members elected by the General Shareholders Meeting of the Company.

Competence of the Inspection Commission includes control over financial and economic activities of the Company as well as control over business accounting and financial statements of the Company.

The Inspection Commission has the right to:

demand presentation of all necessary materials, accounting and other documents and personal explanations of Company financial and economic activities from managerial bodies and officials of the Company;

send a demand of calling the Extraordinary General Shareholders Meeting of the Company to the Board of Directors and send its representatives for participation in the General Meeting;

demand calling the Company Board of Directors meeting and send its representatives for participation in the said meetings;

make conclusions on annual reports and balance sheets of the Company before they are approved by the Company General Meeting or published.

Members of the Company Board of Directors as well as persons holding other positions in the Company managerial bodies cannot be elected members of the Inspection Commission.

Shareholders should make proposals, including self-proposals, for election to the Inspection Commission in the written form.

Proposals for election to the Inspection Commission should be sent by shareholders within 30 days after the end of the Company fiscal year.

Proposals sent in compliance with the procedure stipulated by the present clause shall be included for consideration to the agenda of the Company General Shareholders Meeting by the Board of Directors.

Election of members of the Company Inspection Commission is held by the General Shareholders Meeting.

Information of an internal document of JSC Concern "KALINA" stipulating the rules for prevention of using insider information.

No internal document of JSC Concern "KALINA" stipulating the rules for prevention of using insider information is registered.

The Issuer has no internal audit service.

5.5. Information of Persons in the Bodies Which Control Financial and Economic Activities of JSC Concern "KALINA"

Information of the inspector or of the composition of the Inspection Commission in persons and other bodies of JSC Concern "KALINA" which control its financial and economic activities.

Surname, Name, Patronymic: ***Kudin, Dmitry Petrovich***
Born: ***1973***

Education: **1994, higher, Sverdlovsk Institute of National Economy**

Positions held by the member of the Inspection Commission for last five years and at present:

Period: **2001**

Organization: **JSC Concern "KALINA"**

Sphere of activity: **production and sale of perfumery and cosmetic products, soap and detergents**

Position: **head of the economics department**

Period: **2001 – June 2006**

Organization: **JSC Concern "KALINA"**

Sphere of activity: **production and sale of perfumery and cosmetic products, soap and detergents**

Position: **brand-director**

Period: **2001 – till present time**

Organization: **JSC Concern "KALINA"**

Sphere of activity: **production and sale of perfumery and cosmetic products, soap and detergents**

Position: **member of the Inspection Commission**

Share in the Issuer's charter capital: **0 %**

Share of Issuer's ordinary shares: **0 %**

Number of Issuer's shares of each category (type) which could be acquired by the given person as the result of execution of rights on Issuer's options owned by him: **0 pieces**

Share of ordinary shares of Issuer's subsidiaries/dependent companies: **0 %**

Number of shares of Issuer's subsidiaries/dependent companies of each category (type) which can be acquired by the given person as the result of execution of rights on options of Issuer's subsidiaries/dependent companies owned by him: **0 pieces**

Shares in Issuer's subsidiaries/dependent companies: **no such shares**

Any family relations with other members of the managerial bodies of JSC Concern "KALINA": **no such family relations**

Surname, Name, Patronymic: **Fyodorova Olga Viktorovna**

Born: **1967**

Education: **higher, The Ural State University**

Positions held by the member of the Inspection Commission for last five years and at present:

Period: **2000-2005**

Organization: **JSC Concern "KALINA"**

Sphere of activity: **production and sale of perfumery and cosmetic products, soap and detergents**

Position: **auditor-accountant of the department for internal control**

Period: **April 2005**

Organization: **JSC Concern "KALINA"**

Sphere of activity: **production and sale of perfumery and cosmetic products, soap and detergents**

Position: **member of the Inspection Commission**

Share in the Issuer's charter capital: **0 %**

Share of Issuer's ordinary shares: **0 %**

Number of Issuer's shares of each category (type) which could be acquired by the given person as the result of execution of rights on Issuer's options owned by him: **0 pieces**

Share of ordinary shares of Issuer's subsidiaries/dependent companies: **0 %**

Number of shares of Issuer's subsidiaries/dependent companies of each category (type) which can be acquired by the given person as the result of execution of rights on options of Issuer's subsidiaries/dependent companies owned by him: **0 pieces**

Shares in Issuer's subsidiaries/dependent companies: **no such shares**

Any family relations with other members of the managerial bodies of JSC Concern "KALINA": **no such family relations**

Surname, Name, Patronymic: **Mikhailov Oleg Valerievich**

Born: **1978**

Education: **2001, the Ural State technical University, Ekaterinburg**

Positions held by the member of the Inspection Commission for last five years and at present:

Period: **2005- present time**

Organization: **JSC Concern "KALINA"**

Sphere of activity: **production and sale of perfumery and cosmetic products, soap and detergents**

Position: **member of the Inspection Commission**

Period: **2005- present time**

Organization: **JSC Concern "KALINA"**

Sphere of activity: **production and sale of perfumery and cosmetic products, soap and detergents**

Position: **financial controller**

Period: **2004-2005**

Organization: **JSC "Alvis" tobacco factory**

Sphere of activity: **production and sale of tobacco goods**

Position: **head of economic department**

Period: **2001-2003**

Organization: **consulting company "Lend"**

Sphere of activity: **consulting**

Position: **chief accountant**

Share in the Issuer's charter capital: **0 %**

Share of Issuer's ordinary shares: **0 %**

Number of Issuer's shares of each category (type) which could be acquired by the given person as the result of execution of rights on Issuer's options owned by him: **0 pieces**

Share of ordinary shares of Issuer's subsidiaries/dependent companies: **0 %**

Number of shares of Issuer's subsidiaries/dependent companies of each category (type) which can be acquired by the given person as the result of execution of rights on options of Issuer's subsidiaries/dependent companies owned by him: **0 pieces**

Shares in Issuer's subsidiaries/dependent companies: **no such shares**

Any family relations with other members of the managerial bodies of JSC Concern "KALINA": **no such family relations**

5.6. Information of the Amount of Remuneration, Benefits and/or Indemnities for Expenses Paid to Bodies which Control Financial and Economic Activities of JSC Concern "KALINA"

The amount of remuneration, benefits and/or indemnities for expenses paid to members of the Inspection Commission of JSC Concern "KALINA" in 2002, for 12 months of 2003 and 2004 and of 2005:

Description of payment	2005	1 half 2006
Salary of members of the Inspection Commission, in RUR	0.00	0.00
Salary of persons which are simultaneously members of the Inspection Commission and Company employees, at principal place of business, in RUR	1,379,777	937,653
Bonuses paid to members of the Inspection Commission on the basis of the results of Company performance, in RUR	0	0

All sums of remuneration indicated in this item were paid to members of the Inspection Commission exclusively for the performance by members of the Inspection Commission, employees of JSC Concern "KALINA", of their duties at the principal place of business, remuneration to members of the Inspection Commission for functions performed by the Inspection Commission was not paid.

Indemnities for expenses, benefits and other property remuneration were not paid.

Plans for remuneration payment to members of the Inspection Commission in the third quarter 2006:

No information of plans for remuneration payment to members of the Inspection Commission in the third quarter 2006 as of the date of approval of the quarterly report.

5.7. Information of the Number and Summarized Data on Education and Composition of the Employees (Staff) of the Issuer, as well as on Changes in the Number of Employees (Staff) of the Issuer

Average number of employees (staff) of the Issuer in the records, including employees (staff) working in its branches and representative offices, as well as the amount of assignments for salaries and social benefits.

Description of the item	2005	1 st h 2006
Average number of employees in the records, in persons	2329	2363
Amount of cash assigned for remuneration of labor, in RUR	524,332,756	248,630,496
Amount of cash assigned for social benefits, in RUR	15,655,798	9,763,117
Total amount of cash spent, in RUR	539,988,554	258,393,612

Factors, which in the JSC Concern "KALINA" opinion, caused changes in the number of employees (staff) of JSC Concern "KALINA" in the period under consideration, as well as consequences of such changes for financial and economic activities of JSC Concern "KALINA".

<u>Information of the Company employees by their age and education as of the end of the first half 2006</u>		
Name of the item	reporting period	2005
Employees (staff) – under 25 years of age, %	13.48	19.13
Employees (staff) – from 25 to 35 years of age, %	40.05	37.39
Employees (staff) – from 35 to 55 years of age, %	43.04	41.23
Employees (staff) – over 55 years of age, %	3.43	2.26
Total:	100.0	100.0
of these:		
with secondary and/or full general education, %	47.12	50.55
with elementary and/or secondary professional education, %	18.26	18.45
with higher professional education, %	34.62	30.99
with postgraduate professional education, %	0.0	0.0
Total:	100.0	100.0

5.8. Information of Any Obligations of JSC Concern "KALINA" to its Employees (Staff) Regarding their Chances to Participate in the Charter Capital of JSC Concern "KALINA"

Agreements and obligations of JSC Concern "KALINA" regarding chances for employees (staff) of JSC Concern "KALINA" to participate in its charter capital, as well as share of participation in the charter capital of JSC Concern "KALINA" (number of ordinary shares) which could be acquired by employees (staff) of JSC Concern "KALINA" under such agreements and obligations.

No such agreements, obligations and/or options are registered.

6. Information of Shareholders of JSC Concern "KALINA" and of Transactions Concluded by JSC Concern "KALINA" and Acknowledged as Transactions of Interest

6.1. Information of the Total Number of Shareholders of JSC Concern "KALINA"

The total number of persons included in the JSC Concern "KALINA" Shareholders Register as of the expiry date of the reporting quarter. If these persons in the JSC Concern "KALINA" Shareholders Register include nominal holders of JSC Concern "KALINA" shares, it is necessary to specify the total number of nominal holders of JSC Concern "KALINA" shares.

Number of persons included in the Shareholders Register as of June 22, 2006: 179

Including nominal holders: 8

6.2. Information of Shareholders of JSC Concern "KALINA" Owning not Less Than 5 Percent of its Charter Capital or not Less Than 5 Percent of its Ordinary Shares, as well as Information of Shareholders of Such Persons Owning not Less Than 20 Percent of the Charter Capital or not Less Than 20 Percent of their Ordinary Shares

Shareholders (participants) owning not less than 5 percent of the Issuer's charter capital:

Surname, Name, Patronymic: *Goryayev, Timur Rafkatovich*

INN: *667105865584*

Share in the charter capital of JSC Concern "KALINA": *30.0031%*

Share of Issuer's ordinary shares: *30.0031 %*

In the JSC Concern "KALINA" Register " Issuer's shares amount to not less than 5 percent in the Issuer's charter capital or not less than 5 percent on ordinary shares registered in the name of the following nominal holders:

Full name: *Close Joint-Stock Company "Depositary-Clearing Company"*

Abridged name: *CJSC "DCC"*

Location: *bldn. B 31, Shabolovka St., Moscow, 115162 Russian Federation*

Postal address: *bldn. B 31, Shabolovka St., Moscow, 115162*

Share in the charter capital of JSC Concern "KALINA": *11.7422 %*

Share of Issuer's ordinary shares: *11.7422 %*

Full name: *ING Bank (Eurasia) CJSC (Close Joint-Stock Company)*

Abridged name: *ING BANK (Eurasia), CJSC*

Location: *31, Krasnaya Presnya St., Moscow, 123022*

Postal address: *31, Krasnaya Presnya St., Moscow, 123022*

Share in the charter capital of JSC Concern "KALINA": *48.2594 %*

Share of Issuer's ordinary shares: **48.2594 %**

Full name: ***Close Joint-Stock Company Commercial Bank "Citibank"****

Abridged name: ***CJSC "Citibank"***

Location: ***8-10, Gasheka St., Moscow, 125047***

Postal address: ***8-10, Gasheka St., Moscow, 125047***

Share in the charter capital of JSC Concern "KALINA": **8.6475%**

Share of Issuer's ordinary shares: **8.6475%**

Full name: ***Commercial bank "J.P. Morgan Bank International" (Ltd)***

Abridged name: ***Commercial bank "J.P. Morgan Bank International"***

Location: ***bldn. 1, 2, Paveletskaya sq., Moscow, 115054 Russian Federation***

Postal address: ***bldn. 1, 2, Paveletskaya sq., Moscow, 115054 Russian Federation***

Share in the charter capital of JSC Concern "KALINA": **8.2297%**

Share of Issuer's ordinary shares: **8.2297%**

Full name: ***"Deutsche Bank", limited liability company***

Abridged name: ***"Deutsche Bank" Ltd***

Location: ***4, Schepkina St., Moscow, 129090***

Postal address: ***4, Schepkina St., Moscow, 129090***

Share in the charter capital of JSC Concern "KALINA": **16.9162 %**

Share of Issuer's ordinary shares: **16.9162 %**

Shareholders (participants) owning not less than 20 percent of the charter capital of a JSC Concern "KALINA" shareholder (participant): ***no such holders***

6.3. Information of a Participating Share of the State or Municipal Authority in the Charter Capital of JSC Concern "KALINA", Presence of a Special Right ("Golden Share")

Information of share of the state (municipal authority) in the charter capital of JSC Concern "KALINA".

No share of the state or municipal authority, "golden share" in the charter capital of JSC Concern "KALINA" is registered.

6.4. Information of Restrictions on Participation in the Charter Capital of JSC Concern "KALINA"

Restrictions on the number of shares owned by one shareholder and/or on their total face value and/or on maximum number of votes given to one shareholder specified in the JSC Concern "KALINA" Charter .

No Restrictions on the number of shares owned by one shareholder, and/or on their total face value, and/or on maximum number of votes given to one shareholder specified in the JSC Concern "KALINA" Charter are registered.

6.5. Information of Changes in the Composition and the Share of Participation of JSC Concern "KALINA" Shareholders Owning not Less Than 5 Percent of its Charter Capital or not Less Than 5 Percent of its Ordinary Shares

Compositions of JSC Concern "KALINA" shareholders, who owned not less than 5 percent of the charter capital of JSC Concern "KALINA", as well as not less than 5 percent of JSC Concern "KALINA" ordinary shares, defined as of the date of the register of persons with the right to participate in each General Shareholders Meeting of JSC Concern "KALINA" held during last five fiscal years that ended, according to the data of the registers of persons, who had the right to participate in each of such meetings.

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" according to the register of persons who had the right to participate in the Annual General Shareholders Meeting of JSC Concern "KALINA" on April 25, 2001.

The date of preparing the register of persons who had the right to participate in the Annual General Shareholders Meeting of JSC Concern "KALINA" on April 25, 2001: March 11, 2001.

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of March 11, 2001:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Goryayev, Timur Rafkatovich	61.24	61.24
European Bank for Reconstruction and Development/ EBRD	17.84	17.84

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" according to the register of persons who had the right to participate in the Annual General Shareholders Meeting of JSC Concern "KALINA" on May 27, 2002.

The date of preparing the register of persons who had the right to participate in the Annual General Shareholders Meeting of JSC Concern "KALINA" on May 27, 2002: April 10, 2002.

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of April 10, 2002:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Goryayev, Timur Rafkatovich	61.24	61.24
European Bank for Reconstruction and Development/ EBRD	17.84	17.84

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" according to the register of persons who had the right to participate in the Annual General Shareholders Meeting of JSC Concern "KALINA" on April 25, 2003.

The date of preparing the register of persons who had the right to participate in the Annual General Shareholders Meeting of JSC Concern "KALINA" on April 25, 2003: March 28, 2003.

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of March 28, 2003:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Goryayev, Timur Rafkatovich	66.01	66.01
European Bank for Reconstruction and Development/ EBRD	19.23	19.23

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" according to the register of persons who had the right to participate in the Extraordinary General Shareholders Meeting of JSC Concern "KALINA" on July 15, 2003.

The date of preparing the register of persons who had the right to participate in the Extraordinary General Shareholders Meeting of JSC Concern "KALINA" on July 15, 2003: May 13, 2003.

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of May 13, 2003:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Goryayev, Timur Rafkatovich	66.01	66.01
European Bank for Reconstruction and Development/ EBRD	19.23	19.23

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" according to the register of persons who had the right to participate in the Extraordinary General Shareholders Meeting of JSC Concern "KALINA" on August 25, 2003.

The date of preparing the register of persons who had the right to participate in the Extraordinary General Shareholders Meeting of JSC Concern "KALINA" on August 25, 2003: July 21, 2003.

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of July 21, 2003:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Goryayev, Timur Rafkatovich	66.01	66.01
European Bank for Reconstruction and Development/ EBRD	19.23	19.23

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" according to the register of persons who had the pre-emptive right.

The date of preparing the register of persons who had the pre-emptive right: September 23, 2003.

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Goryayev, Timur Rafkatovich	66.01	66.01
European Bank for Reconstruction and Development/ EBRD	19.23	19.23

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of February 11, 2004:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Goryayev, Timur Rafkatovich	66.01	66.01
European Bank for Reconstruction and Development/ EBRD	19.23	19.23

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of March 15, 2004:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Goryayev, Timur Rafkatovich	66.01	66.01
European Bank for Reconstruction and Development/ EBRD	19.23	19.23

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of June 10, 2004:

Name / Surname, Name, Patronymic	Share of Company	Share in the charter
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	ordinary shares owned by the said person, %	capital, %
CJSC Commercial Bank "Citibank"	55.62	55.62
ING Bank (Eurasia) CJSC	5.15	5.15
CJSC "Depositary-Clearing Company"	12.63	12.63
European Bank for Reconstruction and Development	10.67	10.67

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of June 22, 2005:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
CJSC Commercial Bank "Citibank"	59.37	59.37
CJSC "Depositary-Clearing Company"	8.32	8.32
Commercial Bank "J.P. Morgan Bank International" (Ltd)	6.89	6.89
ING Bank (Eurasia) CJSC	6.17	6.17
"Deutsche Bank", limited liability company	10.41	10.41

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of November 8, 2005:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
CJSC Commercial Bank "Citibank"	8,5849	8,5849
CJSC "Depositary-Clearing Company"	32,8534	32,8534
Commercial Bank "J.P. Morgan Bank International" (Ltd)	6,2818	6,2818
ING Bank (Eurasia) CJSC	36,8468	36,8468
"Deutsche Bank", limited liability company	8,9920	8,9920

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of February 17, 2006:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
CJSC Commercial Bank "Citibank"	10.4107	10.4107
CJSC "Depositary-Clearing Company"	10.8462	10.8462
Commercial Bank "J.P. Morgan Bank International" (Ltd)	6.9192	6.9192
ING Bank (Eurasia) CJSC	53.7232	53.7232
"Deutsche Bank", limited liability company	12.9322	12.9322

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of June 22, 2006:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
CJSC Commercial Bank "Citibank"	8.6475	8.6475
CJSC "Depositary-Clearing Company"	11.7422	11.7422
Commercial Bank "J.P. Morgan Bank International" (Ltd)	8.2297	8.2297
ING Bank (Eurasia) CJSC	48.2594	48.2594
"Deutsche Bank", limited liability company	16.9162	16.9162

6.6. Information of Transactions Concluded by JSC Concern "KALINA" and Acknowledged as Transactions of Interest

The total sum of transactions acknowledged as transactions of interest and approved by each managerial body of JSC Concern "KALINA" by the results of each fiscal year for last five fiscal years that ended.

	2001	2002	2003	2004	2005	1 half 2006
Sum of transactions acknowledged as transactions of interest, in RUR	0.00	8,448,000.00	0.00	0.00	0.00	0.00
Cost of transactions in relation to carrying value of assets, %	0.00	0.29	-	-	-	-

No transaction, cost of which exceeds 5 % of the carrying value of JSC Concern "KALINA" assets as of the end of the reporting quarter, and defined according to the data in its financial statements as of the last reporting date before concluding that transaction, is registered.

6.7. Information of the Amount of Accounts Receivable

Information of the Amount of Accounts Receivable as of July 1, 2006

Description of the accounts receivable	Maturity Period					
	under 30 days	from 30 to 60 days	from 60 to 90 days	from 90 to 180 days	from 180 days to 1 year	more than 1 year
Accounts receivable, total, in RUR including:						
overdue, in RUR						
buyers and customers, in RUR	385,267,230.38	87,426,574.21	52,680,025.45	15,145,564.89	1,410,488.94	23,455,110.45
promissory notes receivable, in RUR						
debts of subsidiaries and dependent companies, in RUR	43,071,312.09	29,402,373.10	44,008,272.20	145,946,540.94	1,113,335.20	142,028,947.15
Total, in RUR:	428,338,542.47	116,828,947.31	96,688,297.65	161,092,105.83	2,253,824.14	165,484,057.60

The total amount of accounts receivable as of July 1, 2006 is **970,955,755.00 RUR**

Debtors Whose Share is not Less Than 10 % of the Total Amount of Accounts Receivable as of July1, 2006

Full and Abridged Names	Location	Amount of Accounts Receivable, in RUR
SC "Pallada Ukraine"	Ukraine, 03164 Kiev, Generala Naumova St., 23-B	262.427,590.00
JSC NPCIC "Alye Parusa"	Ukraine, 54002 Nikolaev, M.Morskaya St., 106	97,643,832.42

7. Financial Statements of JSC Concern "KALINA" and Other Financial Information

7.1. Annual Financial Statements of JSC Concern "KALINA"

Annual financial statements are not disclosed in the quarterly report for the second quarter.

7.2. Quarterly Financial Statements of JSC Concern "KALINA" for the Last Reporting Quarter that Ended

Financial statements for the second quarter 2006:

- Form 1 "Balance Sheet" for the second quarter 2006;
- Form 2 "Profit and Losses Statements" for the second quarter 2006.

7.3. Consolidated Financial Statements of JSC Concern "KALINA" for Last Fiscal Year that Ended

Annual audited consolidated financial statements prepared in accordance with IFRS for the year 2005(Independent auditors' report by Deloitte&Touche).

7.4. Information of the General Amount of Export and Share of Export in the General Volume of Sales

JSC Concern "KALINA" exports perfumery and cosmetic products and detergents both to close foreign countries (CIS countries) and remote foreign countries (Latvia, Estonia, Lithuania, Germany, Turkey, Mongolia, USA). Sale of export products in monetary and percentage terms from sales of finished products in general (without VAT) was respectively:

1 st h 2006	701,002 ths. RUR or 19.37 %
2005	1,463,192 ths. RUR or 19.33 %

7.5. Information of Material Changes Occurred in JSC Concern "KALINA" Property after the Date of the Last Fiscal Year that Ended

Information of any changes in JSC Concern "KALINA" immovable property as well as information of any acquisition and retirement of any other JSC Concern "KALINA" property on any grounds, if carrying value of such property exceeds 5 percent of carrying value of JSC Concern "KALINA" assets, as well as information of any other material changes occurred in JSC Concern "KALINA" property after the date of the end of the last fiscal year that ended before the end of the reporting quarter.

No changes in Company immovable property whose value is more than 5 % of its assets in the said period are registered.

7.6. Information of JSC Concern "KALINA" Participation in Legal Processes if such Participation Could Have Material Influence on Financial and Economic Activities of JSC Concern "KALINA"

Plaintiff: *OJSC Nefis Cosmetics*

Defendants: *JSC Concern "KALINA", "Transauto LLC"*

Claim: *to call to account solidary 95,376,025.78 RUR of losses, 1,000,000,000 RUR for spreading information discrediting business reputation through launching of the washing powder Trimax*

Legal authority: *arbitrage court of the Republic of Tatarstan*

Execution: *under consideration*

8. Additional Information of the Issuer and of Securities Being Placed by Him

8.1. Additional Information of the Issuer

8.1.1. Information of the Amount and Structure of the Charter (Stockholders') Capital (Union Fund) of the Issuer

The amount of the charter capital of JSC Concern "KALINA" as of the date of approval of the quarterly report is 682,661,770 RUR.

The charter capital of JSC Concern "KALINA" consists of 9,752,311 ordinary registered shares at a par value of 70 RUR per share.

No preference shares are registered.

Part of the Issuer's shares is allowed for circulation outside the territory of the Russian Federation by means of circulation in conformity with foreign laws on securities of foreign Issuers, which certify the rights for Issuer's shares:

Category (type) of shares circulating outside the Russian Federation: **ordinary registered non-documentary**

Share of shares circulating outside the Russian Federation from the total number of shares of the respective category (type): **19.99 %**

Name, place of the foreign Issuer, whose securities certify the rights for the Issuer's shares of the respective category (type): **Deutsche Bank Trust Company Americas, 60 Wall Street, New York, New York 10005, USA**

Short description of the program (type of program) of issue of foreign Issuer's securities which certify the rights for the shares of the respective category (type): **level 1 "OTC" American Depositary Receipts (ADR)**

Information of permission granted by the Federal Commission for admission of Issuer's shares of the respective category (type) for circulation outside the Russian Federation (if applicable): **order No. 04-1329/n3-u dd. December 23, 2004 of the Federal Commission of Stock Market of Russia.**

Name of the foreign trade organizer(s) through whom foreign Issuer's securities circulate which certify the rights for the Issuer's shares (if such circulation exists): **Issuer's shares do not circulate through foreign trade organizers.**

Other information of Issuer's shares circulation outside the Russian Federation given at the Issuer's discretion: **no other information of Issuer's shares circulation outside the Russian Federation is registered.**

8.1.2. Information of Changes in the Charter Capital of JSC Concern "KALINA"

	2001	2002	2003	2004	2005	1 half 2006
Amount of the charter capital, in RUR	631,449,070	585,543,560	585,543,560	682,661,770	682,661,770	682,661,770
Number of registered shares in circulation, pieces including ordinary preferred	9,020,701 -	8,364,908 -	8,364,908 -	9,752,311	9,752,311 -	9,752,311 -

History of changes in the charter capital of JSC Concern "KALINA":

Year 2000

By decision of the General Shareholders Meeting (Minutes No. 2 dd. November 19, 1999) Company ordinary shares were divided with coefficient 9 without increase of the charter capital as a result of which the charter capital consisted of 10,408,104 ordinary registered shares at a par value of 10 RUR per share. Changes in the Charter were registered in the beginning of 2000, after that changes in the financial statements were made.

By decision of the General Shareholders Meeting of reduction of the Company charter capital (Minutes No. 3 dd. April 10, 2000) by purchase of the part of shares, 3,122,433 placed ordinary registered shares of the Company were repaid by the Company and redeemed (cancelled) as a result of which the charter capital became to consist of 7,285,671 shares at a par value of 10 RUR per share.

Year 2001

According to decision of the General Shareholders Meeting (Minutes No. 2 dd. July 17, 2000) the number of declared but not placed Company shares was increased. The number of declared shares was 3,122,433 ordinary registered shares.

In accordance with decision of the Company Board of Directors (Minutes No. 7 dd. July 19, 2000) and General Shareholders Meeting (Minutes No. 4 dd. November 3, 2000) the Company charter capital was increased by placement of additional ordinary registered shares in the number of 1,735,030 pieces (shares were actually sold – reregistered in the Company shareholders register – in the end of 2000 but changes to the Company Charter passed state registration and were presented in the financial statements in the beginning of 2001).

According to decision of the General Shareholders Meeting (Minutes No. 1 dd. April 25, 2001) the Company charter capital was increased by increase of face value of shares to 70 RUR per ordinary registered share at the expense of retained earnings of the Company and funds in the additional capital (share premium obtained from selling Company stock to European Bank for Reconstruction and Development in 2000).

Year 2002

By decision of the General Shareholders Meeting of reduction of the Company charter capital (Minutes No. 1 dd. May 27, 2002), 655,793 placed ordinary shares of the Company repaid from shareholders earlier were redeemed (cancelled) as a result of which the charter capital became to consist of 8,364,908 shares at a par value of 70 RUR per share.

Year 2004

In accordance with decision of the Company Board of Directors (Minutes No. 7 dd. September 23, 2003) the Company charter capital in the 2nd quarter was increased by placement of an additional shares issue in the number of 1,387,403 pieces.

8.1.3. Information of Setting-up and Using the Reserve Fund as well as Other Funds of JSC Concern "KALINA"

Information of the reserve fund as well as any other fund of JSC Concern "KALINA" set up at the expense of its net profit for last five fiscal years that ended preceding the date of approval of the quarterly report.

In accordance with clause 6.6. Article 6 of the Issuer's Charter, the Company sets up the reserve fund in the amount of 25 % of its charter capital. The reserve fund is set up by annual remittance of 5 % of Company net profit until the fixed amount of the fund is reached. The Company reserve fund is intended for covering its losses as well as for redeeming Company bonds and repaying Company shares if no other resources are available.

April 22, 1999 – The reserve fund was set up in the amount of 7,820,533.00 RUR

As of December 31, 1999 the reserve fund was 7,820,533.00 RUR

Resources of the reserve fund were not used.

As of December 31, 2000 the reserve fund was 7,820,533.00 RUR

Resources of the reserve fund were not used.

As of December 31, 2001 the reserve fund was 7,820,533.00 RUR

Resources of the reserve fund were not used.

As of December 31, 2002 the reserve fund was 29,380,000.00 RUR

Resources of the reserve fund were not used.

As of December 31, 2003 the reserve fund was 56,258,000.00 RUR

Resources of the reserve fund were not used.

As of December 31, 2004 the reserve fund was 83,770,000.00 RUR

Resources of the reserve fund were not used.

As of July 1, 2005 the reserve fund was 83,770,000.00 RUR

Resources of the reserve fund were not used.

As of October 1, 2005 the reserve fund was 83,770,000.00 RUR

Resources of the reserve fund were not used.

As of January 1, 2006 the reserve fund was 109,382,000.00 RUR.

Resources of the reserve fund were not used.

As of July 1, 2006 the reserve fund was 109,382,000.00 RUR.

Resources of the reserve fund were not used.

Remittances to the Reserve Fund were made in the following way (the amount of remittances in years):

in 1999 – 0 RUR

in 1999 – 7,820,553 RUR

in 2000 – 0 RUR

in 2001 – 0 RUR

in 2002 – 21,559,467 RUR

in 2003 – 26,878,000 RUR

in 2005 – 25,612,000 RUR

8.1.4. Information of the Order of Calling and Holding the Meeting (Sitting) of the Supreme Managerial Body of JSC Concern "KALINA"

Name of the supreme managerial body of JSC Concern "KALINA".

The General Shareholders Meeting of the Company is its supreme managerial body.

Order of shareholders notification of the meeting (sitting) of the supreme managerial body of JSC Concern "KALINA".

The Company shall inform its shareholders of the Annual General Shareholders Meeting by sending them a written notification not later than 30 days before the date of the General Shareholders Meeting except for cases stipulated by Federal Law "On Joint-Stock Companies".

Written notifications are to be sent by registered mail.

The notification of the General Shareholders Meeting shall contain:

- *full trade name and location of the Company;*
- *form of holding the General Shareholders Meeting (meeting or absentee voting);*
- *date, time and place of the General Shareholders Meeting, postal address at which filled out ballots can be sent in cases when it is stipulated by the Russian laws, the last date of voting ballots acceptance if the General Shareholders Meeting is to be held in the form of absentee voting;*
- *date of preparing the list of shareholders with the right to participate in the General Shareholders Meeting;*
- *agenda of the General Shareholders Meeting;*
- *order of shareholders familiarizing with information (materials) subject to presentation to shareholders when preparing to the General Shareholders Meeting and address(es) at which shareholders can familiarize with this information;*
- *time of registration of persons participating in the General Shareholders Meeting;*
- *person to whom a shareholder could apply if the Company violates the registration order.*

Order of familiarization with information (materials) subject to presentation to shareholders when preparing the General Shareholders Meeting, address(es) at which one can familiarize with the information (materials).

Shareholders can familiarize with materials for the General Meeting at the Company location: 80, Komsomolskaya St., Ekaterinburg, 620138, within 30 days preceding the date of the Meeting. In addition, shareholders can receive materials for the General Meeting by mail or e-mail by making the appropriate demand to the Company Board of Directors.

Persons (bodies) which can call (demand holding) the extraordinary meeting (sitting) of the supreme managerial body of JSC Concern "KALINA" as well as order of sending (presentation) of such demands.

An Extraordinary General Shareholders Meeting shall be held by the Company Board of Directors at its own initiative and by the demand of:

- *the Company Inspection Commission;*
- *the Company auditor;*
- *shareholder(s) owning not less than 10 percent of the Company voting shares as of the date of making the demand.*

Order of fixing the date of holding the meeting (sitting) of the supreme managerial body of JSC Concern "KALINA".

1) Annual General Shareholders Meeting shall be held not earlier than 2 months and not later than 6 months after the end of the Company fiscal year.

When preparing the General Shareholders Meeting the Company Board of Directors shall determine:

- *form of holding the General Shareholders Meeting (meeting or absentee voting);*
- *date, time and place of the General Shareholders Meeting, postal address at which filled out ballots can be sent in cases when it is stipulated by clause 3 Article 60 of Federal Law "On Joint-Stock Companies", the last date of voting ballots acceptance if the General Shareholders Meeting is to be held in the form of absentee voting;*
- *agenda of the General Shareholders Meeting;*
- *date of preparing the list of shareholders with the right to participate in the General Shareholders Meeting;*
- *order of shareholders notification of the General Shareholders Meeting;*
- *list of information (materials) to be presented to shareholders when preparing to the General Shareholders Meeting and order of its presentation;*
- *form and text of the voting ballot;*

2) Demand of calling an extraordinary General Shareholders Meeting shall be considered by the Board of Directors within five days after which they shall make a decision of calling the extraordinary General Shareholders Meeting or of refusal from calling.

The decision of refusal from calling the extraordinary General Shareholders Meeting could be made by the Board of Directors in cases when:

- *stipulated order of making demands of calling the extraordinary General Shareholders Meeting is violated;*
- *shareholder(s) who demand calling the extraordinary General Shareholders Meeting do(es) not own 10 percent of Company ordinary shares;*

- *no issue offered for the agenda of the extraordinary General Shareholders Meeting of the Company falls under its competence and/or corresponds demands of the Russian laws currently in force;*

The decision of the Board of Directors of calling the extraordinary General Shareholders Meeting or reasoned decision of refusal from its calling shall be sent to persons who demanded calling the extraordinary General Shareholders Meeting within three days after the date of such a decision.

In cases when in conformity with articles 68-70 of Federal Law "On Joint-Stock Companies" the Company Board of Directors must make a decision of holding the extraordinary General Shareholders Meeting, such General Shareholders Meeting shall be held within 40 days from the date of the demand of holding the extraordinary General Shareholders Meeting.

If the agenda offered for the extraordinary General Shareholders Meeting contains issue of election of members of the Company Board of Directors who are to be elected by collective vote, such a General Shareholders Meeting shall be held within 70 days from the date of making the demand of holding the extraordinary General Shareholders Meeting.

Persons who have the right to make proposals to the agenda of the meeting (sitting) of the supreme managerial body of JSC Concern "KALINA" and order of making such proposals.

Agenda of the General Shareholders Meeting is determined by the Company Board of Directors of issues proposed by Company managerial bodies or its shareholders who collectively own not less than 2 percent of the Company ordinary shares.

Proposals to the agenda of the General Shareholders Meeting and proposals of shareholders and candidates' nominations are to be made in the written form and indicate the name(s) of shareholder(s) who proposed them, number and category (type) of shares they own and must be signed by the shareholder(s).

Proposals to the agenda of the Annual General Shareholders Meeting and Extraordinary General Shareholders Meeting shall be made within the time intervals, as stipulated by Federal Law "On Joint-Stock Companies".

Persons who have the right to familiarize with information (materials) presented for preparation and holding the meeting (sitting) of the supreme managerial body of JSC Concern "KALINA" as well as the order of familiarization with this information (materials).

Persons included in the list of persons with the right to participate in the General Shareholders Meeting shall have the right to familiarize with information (materials) presented for preparation and holding the meeting (sitting) of the supreme managerial body of JSC Concern "KALINA". Shareholders can familiarize with information (materials) for the General Meeting at the Company location: 80, Komsomolskaya St., Ekaterinburg, 620138, within 30 days preceding the date of the Meeting. In addition, shareholders can receive materials for the General Meeting by mail or e-mail by making the appropriate demand to the Company Board of Directors.

8.1.5. Information of Commercial Organizations in Which the Issuer Owns not Less Than 5 Percent of the Charter (Stockholders') Capital (Union Fund) or not Less Than 5 Percent of Ordinary Shares

List of commercial organization in which JSC Concern "KALINA" owns not less than 5 percent of the charter capital or not less than 5 percent of ordinary shares as of the date of approval of the quarterly report.

Legal entities, in which JSC Concern "KALINA" owns not less than 5 percent of the charter capital.

Name: ***Kalina Overseas Holding B.V., (no abridged name)***

Location: ***Strawinskylaan 3105, 1077ZX Amsterdam, the Netherlands***

Postal address: ***Strawinskylaan 3105, 1077ZX Amsterdam, the Netherlands***

Share of JSC Concern "KALINA" in the charter capital of the legal entity: ***100 %***

Share of the legal entity in the charter capital of JSC Concern "KALINA": ***0 %***

Share of JSC Concern "KALINA" ordinary shares which belongs to the legal entity: ***0 %***

Functions of the executive body are imposed on the management company

Name of the management company: ***ABN AMRO TRUST (Nederland) B.V. (no abridged name)***

Location of the management company: ***Strawinskylaan 3105-7 etage, 1077zx, Amsterdam***

Share of JSC Concern "KALINA" ordinary shares / Share of the JSC Concern "KALINA" charter capital which belongs to the said person: ***0 %***

Full name: *subsidiary “Pallada Vostok”* (SC “Pallada Vostok”)*

Abridged name: *SC “Pallada Vostok”*

Location: *6, Primkulova St., the town of Almalyk, Tashkent oblast, 702400, the Republic of Uzbekistan*

Postal address: *6, Primkulova St., the town of Almalyk, Tashkent oblast, 702400, the Republic of Uzbekistan*

Share of JSC Concern "KALINA" in the charter capital of the legal entity: *100 %*

Share of the legal entity in the charter capital of JSC Concern "KALINA": *0 %*

Share of JSC Concern "KALINA" ordinary shares which belongs to the legal entity: *0 %*

The executive body: *acting chief executive officer*

Surname, name, patronymic: *Arifdzhanov, Ravshan Rakhimdzhanovich*

Born: *1970*

Share of JSC Concern "KALINA" ordinary shares / Share of the JSC Concern "KALINA" charter capital which belongs to the said person: *0 %*

The Board of Directors and collective executive body are not stipulated by the charter.

** In June 2004, the Company concluded an agreement of sale of its stock in SC “Pallada Vostok” (which consolidates Almalyk Plant of Household Chemicals and JSC “Lola Atir Upa”).*

Full name: *subsidiary “Pallada Ukraine” (SC “Pallada Ukraine”)*

Location: *18a, M.Vovchok St., Kiev, Ukraine, 254073*

Postal address: *18a, M.Vovchok St., Kiev, Ukraine, 254073*

Share of JSC Concern "KALINA" in the charter capital of the legal entity: *100 %*

Share of the legal entity in the charter capital of JSC Concern "KALINA": *0 %*

Share of JSC Concern "KALINA" ordinary shares which belongs to the legal entity: *0 %*

The executive body: *director*

Surname, name, patronymic: *Khristich, Alexey Anatolievich*

Born: *1967*

Share of JSC Concern "KALINA" ordinary shares / Share of the JSC Concern "KALINA" charter capital which belongs to the said person: *0 %*

The Board of Directors and collective executive body are not stipulated by the company charter.

Full name: *Limited Liability Company “Zavod NOVOPLAST” (“Zavod NOVOPLAST” Ltd.)*

Location: *80, Komsomolskaya St., Ekaterinburg, 620138 Russian Federation*

Postal address: *80, Komsomolskaya St., Ekaterinburg, 620138 Russian Federation*

Share of JSC Concern "KALINA" in the charter capital of the legal entity: *100 %*

Share of the legal entity in the charter capital of JSC Concern "KALINA": *0 %*

Share of JSC Concern "KALINA" ordinary shares which belongs to the legal entity: *0 %*

The executive body: *director*

Surname, name, patronymic: *Rakhimov, Sergey Razimovich*

Born: *1967*

Share of JSC Concern "KALINA" ordinary shares / Share of the JSC Concern "KALINA" charter capital which belongs to the said persons: *0 %*

The Board of Directors and collective executive body are not stipulated by the company charter.

Full name: *Dr. Scheller Cosmetics AG*

Location: *Schillerstrasse 21-27, D-73054 Eislingen, Deutschland*

Postal address: *Schillerstrasse 21-27, D-73054 Eislingen, Deutschland*

Share of JSC Concern "KALINA" in the charter capital of the legal entity: *73.24%*

Share of the legal entity in the charter capital of JSC Concern "KALINA": *0 %*

The executive body: *Supervisory Board*

Name, surname: *Hartmut Herrlinger*

Name, surname: *Manfred Holzwarth,*

Name, surname: *Peter Cerovsky*

Managerial body: *Management Board*

Name, surname: *Dr. Hans Ulrich Scheller,*

Born: *1942*

Name, surname: *Reinhold Schlensok,*

Born: *1962*

Name, surname: *Dr. Sebastian Feichtmair*

Born: *1957*

Share of JSC Concern "KALINA" ordinary shares / Share of the JSC Concern "KALINA" charter capital which belongs to the said persons: **0 %**

Full name: **Kalina International SA**

Location: **Switzerland, Avenue de l'Avant –Poste 4, CH-1005 Lausanne**

Postal address: **Switzerland, Avenue de l'Avant –Poste 4, CH-1005 Lausanne**

Share of JSC Concern "KALINA" in the charter capital of the legal entity: **100 %**

Share of the legal entity in the charter capital of JSC Concern "KALINA": **0 %**

Share of JSC Concern "KALINA" ordinary shares which belongs to the legal entity: **0 %**

The executive body: **director**

Surname, name, patronymic: **Christophe Clave**

Born: **1970**

Share of JSC Concern "KALINA" ordinary shares / Share of the JSC Concern "KALINA" charter capital which belongs to the said persons: **0.031 %**

8.1.6. Information of Large Transactions Concluded by JSC Concern "KALINA"

Information of each large transaction (group of associated transactions) concluded by JSC Concern "KALINA", the amount of obligations under which is 10 and more percent of the carrying value of JSC Concern "KALINA" assets according to the data in its financial statements for last five fiscal years that ended.

No large transactions in the 1st half 2006 are registered.

Date of the transaction: **February 12, 2002**

Subject and other material terms and conditions of the transaction: **issue of documentary interest-bearing registered bonds series 002 (state registration No. 4-02-30306-D) in the number of 550,000 pieces at a par value of 1,000 RUR per bond.**

Price of the transaction: **550,000,000 RUR**

Price of the transaction in percents from the carrying value of assets as of January 1, 2002: **20.07 %**

The term to maturity of the transaction:

1) bonds redemption - February 10, 2004

2) payment of coupon income – quarterly

Obligations on payment of coupon income on the first six coupon periods are fulfilled in time and in full.

Obligations on payment of the 7th and 8th coupons will arise on November 11, 2003 and February 10, 2004 respectively.

This transaction is not a large one in conformity with Clause 1 Article 78 of Federal Law “On Joint-Stock Companies”.

Date of the transaction: **April 25, 2001**

Subject and other essential terms and conditions of the transaction: **by decision of the General Shareholders Meeting of JSC Concern "KALINA" dd. April 25, 2001 the Company charter capital was increased by increase of face value of the shares to 70 RUR per ordinary share at the expense of the additional capital and retained earnings without change in the number of shares – conversion into shares of higher face value.**

Price of the transaction: **541,242,060 RUR**

Price of the transaction in percents from the carrying value of assets as of March 31, 2001: **24.08 %**

The term to maturity of the transaction: **conversion date – September 5, 2001**

Obligations on the transaction are fulfilled in time and in full.

This transaction is not a large one in conformity with Clause 1 Article 78 of Federal Law “On Joint-Stock Companies”.

8.1.7. Information of Credit Ratings of JSC Concern "KALINA"

Information of each of known JSC Concern "KALINA" credit rating for last five fiscal years that ended:

JSC Concern "KALINA" and documentary interest-bearing registered bonds series 002 of JSC Concern "KALINA" (date of state registration November 15, 2001, state registration No. 4-02-30306-D).

Index of credit rating as of the date of approval of the quarterly report.

ru A-

History of changes in indexes of credit ratings for last five fiscal years that ended preceding the date of approval of the quarterly report with indication of the index of credit rating and date of giving (changing) the index of credit rating.

First granting of the rating was on February 11, 2002. Rating of the Company and its bonds of the second issue was set at ruBB+ in the national scale by Standard&Poor's.

On March 31, 2003, the rating was reviewed towards increase and set at the level of ruBBB-.

On November 20, 2003, the rating was reviewed towards increase and set at the level of ruBBB.

On June 30, 2004, the credit rating was set «ruBBB+» as a result of stable operating activity, improved financial characteristics and successful placement of shares.

Full and abridged trade names (for non-profit organization – name), location of the organization which set the credit rating.

Company:

Moscow Representative Office of Standard&Poor's International Corporation Services Inc.

Address: bldn. 2, 4/7, Vozdvizhenskaya St., Moscow, 125009

INN 7738176499.

Short description of the method of credit rating setting.

You can familiarize with the method of credit rating setting by S&P in the national scale at the Russian web-site of S&P: www.standardandpoors.ru.

Other information of the credit rating given by JSC Concern "KALINA" at its discretion.

The rating was set for documentary interest-bearing bearer's bonds series 002 of JSC Concern "KALINA". The same rating was set for JSC Concern "KALINA" as a whole.

State registration No. of issue of the securities, date of state registration.

Date of state registration of bearer's bonds series 002: ***November 15, 2001;***

State registration No.: ***4-02-30306-D.***

8.2. Information of Each Category (Type) of JSC Concern "KALINA" Shares

Information of each category (type) of JSC Concern "KALINA" shares

Category of shares: ***ordinary***

Form of securities: ***registered non-documentary***

Face value of one share, in RUR: ***70***

Number of shares in circulation: ***9,752,311 pieces***

Number of additional shares being placed: ***0 pieces***

Number of declared shares: ***0 pieces***

Number of shares on the balance of JSC Concern "KALINA": ***0 pieces***

Number of additional shares, which could be placed as a result of conversion of placed securities convertible into shares, or as a result of fulfilling obligations under JSC Concern "KALINA" options: ***0 pieces***

State registration number of the shares issue: ***1-05-30306-D***

Date of state registration: ***October 21, 2003***

Rights granted to holders by their shares:

Shareholders – holders of Company ordinary shares have the right to receive declared dividends of the Company when they are included into the list of persons with the right to participate in the General Shareholders Meeting at which the dividends were declared.

Shareholders – holders of Company ordinary shares have the right to participate in the General Shareholders Meeting with the right to vote on all issues falling under its competence if they are included into the list of persons with the right to participate in the General Shareholders Meeting in conformity with RF Federal Law “On Joint-Stock Companies” and JSC Concern “KALINA” Charter.

Shareholders – holders of the Company ordinary shares shall have the right for part of Company property in the amount proportionate to their share in the Company charter capital in case of the Company liquidation in conformity with RF Federal Law “On Joint-Stock Companies” and JSC Concern “KALINA” Charter.

No preferred shares are registered.

8.3. Information of Previous Issues of JSC Concern “KALINA” Securities Except for JSC Concern “KALINA” Shares

8.3.1. Information of Issues, All Securities of Which are Redeemed (Cancelled)

Securities issues, except for JSC Concern “KALINA” shares, which are fully redeemed (cancelled) as of the date of approval of the present quarterly report:

As of the date of approval of the present quarterly report, first issue of JSC Concern “KALINA” bonds (registered non-documentary interest-bearing bonds with variable coupon series 001, registration No. 4-01-30306-D, date of state registration February 8, 2001) is redeemed in full. The maturity date was on March 5, 2004.

All securities of the second bonds issue were redeemed in full too. The maturity date was on February 10, 2004. Registration No. of the issue: 4-02-30306D, date of state registration: November 15, 2001. Number of the securities issued: 550,000,000; face value of each bond is 1,000 RUR

8.3.2. Information of the Issues Whose Securities are in Circulation

Category of shares: *ordinary*

Form of securities: *registered non-documentary*

Face value of one share, in RUR: *70*

Number of shares in circulation: *9,752,311 pieces*

Number of shares on the balance of JSC Concern “KALINA”: *0 pieces*

Number of additional shares, which could be placed as a result of conversion of placed securities convertible into shares, or as a result of fulfilling obligations under JSC Concern “KALINA” options: *0 pieces*

State registration number of the shares issue: *1-05-30306-D*

Date of state registration: *August 22, 2001*

Additional shares issue

Category of shares: *ordinary*

Form of securities: *registered non-documentary*

Face value of one share, in RUR: *70*

Rights granted to holders by their shares:

Shareholders – holders of the Company ordinary shares have the right to receive declared dividends of the Company when they are included into the list of persons with the right to participate in the General Shareholders Meeting at which the dividends were declared.

Shareholders – holders of the Company ordinary shares have the right to participate in the General Shareholders Meeting with the right to vote on all issues falling under its competence if they are included into the list of persons with the right to participate in the General Shareholders Meeting in conformity with the RF Federal Law “On Joint-Stock Companies” and JSC Concern “KALINA” Charter.

Shareholders – holders of the Company ordinary shares shall have the right for part of Company property in the amount proportionate to their share in the Company charter capital in case of the Company liquidation in conformity with RF Federal Law “On Joint-Stock Companies” and JSC Concern “KALINA” Charter.

No preference shares are registered.

Each ordinary share of the Company gives its shareholder (owner) equal rights.

Company ordinary shares are those shares which give their holders the right to participate in the General Shareholders Meeting with the right to vote on all issues falling under its competence, as well as the right to receive dividends and in case of Company liquidation the right for part of Company property.

Each shareholder – holder of shares of specified categories (types), which the Company decided to purchase, shall have the right to sell the said shares and the Company shall purchase them. If the total number of shares, which interested shareholders offered to sell, is more than the number of shares, which can be purchased by the Company, shares shall be acquired from shareholders proportionate to presented offers.

A Company shareholder shall have the right to sell his stock in the Company or perform alienation by any other method as stipulated by the Russian laws currently in force or by method not contradicting the Russian laws currently in force.

Entries into the Register of Company shareholders are made by demand of a shareholder within three days from the date of presentation of all necessary documents to a qualified registrar if other time interval is not stipulated by Russian legal acts.

By demand of a shareholder or nominal holder, the Registrar shall confirm his rights for shares by issuing the extract from the Register of Company shareholders.

The Company shall notify its shareholders of the General Shareholders Meeting by sending them a written notification not less than 20 days before the date of the General Shareholders Meeting except for cases stipulated by Federal Law “On Joint-Stock Companies”. The written notification shall be sent by registered mail.

Shareholders have the right to participate in the General Shareholders Meeting both in person and through their representatives. A shareholder’s representative at the General Shareholders Meeting shall act on the basis of the power of attorney. The power of attorney for voting shall be certified in conformity with requirements of clauses 4 and 5 Article 185 of Civil Law of the Russian Federation or by the Notary Public and contain information of the shareholder and the representative (name, address or location, passport data).

Shareholder shall have the right to replace his/her representative at any time at the General Shareholders Meeting or participate in person in the General Shareholders Meeting.

If the Company share is in collective property of several persons then powers of voting at the General Shareholders Meeting shall be fulfilled at their discretion by one of the participants of the collective property or by their collective representative. Powers of each of the said persons shall be certified in the stipulated order.

Members of the Company Board of Directors, as well as persons holding other positions in Company managerial bodies, cannot be elected members of the Inspection Commission. Proposals of candidates’ nomination to the Inspection Commission including self-nomination shall be made by shareholders in the written form.

Proposals of candidates’ nomination to the Inspection Commission shall be sent by shareholders within 30 days after the end of the Company fiscal year.

Proposals, which follow the order and terms stipulated by the present item shall be included in the agenda of the General Shareholders Meeting by the Company Board of Directors and offered for consideration at the meeting. Election of members of the Company Inspection Commission shall be made by the General Shareholders Meeting.

After settlements with creditors, the rest of Company property shall be distributed by the liquidation commission among shareholders in the following order:

- *first, payments are made on shares which are to be repaid by demand of Company shareholders, as stipulated by the Russian laws currently in force;*
- *second, payments of accrued but not paid dividends on preferred shares and their liquidation value are made;*
- *third, distribution of the Company property among shareholders – owners of ordinary and preferred shares.*

Distribution of property of each turn is made after full distribution of property of the preceding turn.

The Charter also stipulates some rights of shareholders who have a certain number of Company shares:

Agenda of the General Shareholders Meeting is determined by the Board of Directors of issues included by Company managerial bodies or its shareholders who collectively own not less than 2 percent of Company ordinary shares.

Proposals to the agenda of the General Shareholders Meeting and proposals of candidates' nominations are to be made in the written form and indicate the name(s) of shareholder(s) who proposed them, number and category (type) of shares they own and must be signed by the shareholder(s).

Proposals to the agenda of the Annual General Shareholders Meeting and Extraordinary General Shareholders Meeting shall be made within the time intervals, as stipulated by Federal Law "On Joint-Stock Companies".

An Extraordinary General Shareholders Meeting shall be held by the Company Board of Directors at its own initiative and by the demand of:

- *the Company Inspection Commission;*
- *the Company auditor;*
- *shareholder(s) owning not less than 10 percent of the Company voting shares as of the date of making the demand.*

Proposals of candidates' nomination to the Company Board of Directors including self-nomination shall be made only by shareholders who collectively own not less than 2 percent of the Company voting shares. Such proposals are to be made in the written form and indicate:

- *surnames, names and patronymics of candidates;*
- *number and category of shares owned by the candidate if the candidate is a shareholder;*
- *name of the shareholders who nominated the candidates and categories of shares owned by him/her.*

8.3.3. Information of Issues and Obligations on Securities which are not Met (Default)

No issues of securities, obligations on which are not met (defaults) are registered.

8.4. Information of Person(s) Who Made Provision for Bonds of the Issue

Information of person(s) who made provision for placed bonds with JSC Concern "KALINA" provision, obligations on which are not still met.

No person(s) who made provision for placed bonds with JSC Concern "KALINA" provision, obligations on which are still not met are registered.

8.5. Conditions of Guarantee to Meet Obligations on Bonds of the Issue

Obligations on Company bonds, both the first and the second issues, are not provided for.

8.6. Information of Organizations Who Keep Records of the Rights for Issued Securities of JSC Concern "KALINA"

The person who keeps the register of owners of registered securities of JSC Concern "KALINA".

Registrar:

Full name: *Open Joint-Stock Company "Central Moscow Depository"*

Abridged name: *OJSC "CMD"*

Location: *3-B, Orlikov In., Moscow, 107078 Russian Federation*

Postal address: *180, Soni Morozovoy St., Ekaterinburg, 620026 Russian Federation*

Tel.: +7 (343) 224-97-98, 224-05-09, 224-20-68 Fax: +7 (343) 224-20-68

E-mail: *mcd@mail.utk.ru*

License:

License No.: *10-000-1-00255*

Date of issue: *September 13, 2002*

Valid till: *not fixed*

Issuing authority: *FKZB RF*

Date when the said registrar started to keep the register of Issuer's registered securities: *September 11, 2001*

Depository who performs centralized keeping of Issuer's securities:

Full name: *Open Joint-Stock Company "Central Moscow Depository"*

Abridged name: *OJSC "CMD"*

Location: *3-B, Orlikov In., Moscow, 107078 Russian Federation*

Postal address: *180, Soni Morozovoy St., Ekaterinburg, 620026 Russian Federation*

Tel.: +7 (343) 224-97-98, 224-05-09, 224-20-68 Fax: +7 (343) 224-20-68

E-mail: *mcd@mail.utk.ru*

Full name: *Non-profit Partnership "National Depository Center"*

Abridged name: *NDC*

Location: *12, Zhitnaya St., Moscow, 117049*

Postal address: *1/13, Sredny Kislovsky all., Moscow 103009*

Tel.: +7 (095) 956-2789; +7 (095) 956-2790; +7 (095) 956-2791 Fax: +7 (095) 956-2792

E-mail: *info@ndc.ru*

License:

License No.: *177-03431-000100*

Date of issue: *December 4, 2000*

Valid till: *not fixed*

Issuing authority: *FKZB of Russia*

Date of the activity started: *December 12, 2002*

8.7. Information of Legal Acts Which Regulate Import and Export of Capital and Which Could Influence Dividends, Interest and Other Payments to Non-Residents

List of names and details of legal acts of the Russian Federation in force as of the date of the end of the 1st half 2006, which regulate issues of import and export of capital and which could influence dividends, interest and other payments to non-residents on JSC Concern "KALINA" shares; if JSC Concern "KALINA" has other securities in circulation – interest and other payments due to non-residents – holders of such securities.

- *Instruction of the Central Bank of Russian Federation No.1675-U dated 29.03.2006 "On amending Instruction of the Central bank RF No. 1577-U "On establishing requirements for reservation of funds while implementing by residents transfer of funds to their accounts (deposits) opened in banks outside Russian Federation"*

- *Instruction of the central Bank RF No.1674-U dated “On amending Instruction of the Central Bank No. 1465-U dated 29.06.2004 “On establishing requirements for reservation while depositing special bank accounts as well as writing funds off special bank accounts”*
- *Instruction of the Central Bank RF No.1676-U dated 29.03.2006 “On amending Instruction No. 111-I “On compulsory sale of a part of currency proceeds on internal currency market RF”*
- *Government regulation No. 623 dated 17.10.2005 “On approval of principles of preliminary registration of accounts to be opened in banks outside RF ”*
- *Government regulation No.302 dated 16.05.2005 “On the order of setting payments and transfers between residents and non-residents while granting by residents commercial credits to non-residents for the period exceeding 180 calendar days in a form of advance payment in the process of foreign trade ”*
- *Instruction of the Central bank No.1577-U dated 06.05.05 “On setting requirements to reserve funds by residents while transferring them to their accounts (deposits opened in banks outside RF)”*
- *Instruction of the Central Bank No.1540-U dated 29.12.2004 “On amending Instruction of the Central Bank No. 1465-U dated 29.06.2004 “On setting requirements to reserve funds while transferring them to special accounts and writing them off special accounts”*
- *RF Government regulationNo.204 dated 11.04.2005 “On the order of setting payments and transfers while acquiring by residents shares in property, charter or stock capital, or investment funds of non-resident legal entities while paying up a contribution according to agreements of joint adventure with non-residents ”*
- *Instruction of the Central Bank No.1529-U dated 16.12.2004 “On amending instruction of the central bank RF dated 07.07.2004 No.116-I”*
- *Instruction No. 116-I dated 07.07.2004 “On types pf special accounts of residents and non-residents”*
- *Instruction of the central bank No. 114-I dated 01.06.2004 “On the order of reserving and reserving the funds in currency transactions”*
- *Law of the RF No. 173-Φ3 “On Currency Regulation and Currency Control” dd. December 10, 2003;*
- *Law of the RF No. 3615-1 “On Currency Regulation and Currency Control” dd. October 9, 1992 (with alterations and amendments dd. December 29, 1998, July 5, 1999, May 31, August 8, December 30, 2001, December 31, 2002, February 27, July 7, 2003);*
- *Decree of the RF President No. 1184 “On Improvement of Work of the Banking System of the Russian Federation” dd. June 10, 1994 (with alterations and amendments dd. April 27, 1995);*
- *Decree of the RF President No. 1924 “On Activity of Foreign Banks with Participation of Non-Residents’ Funds in the Russian Federation” dd. November 17, 1993;*
- *Regulations of Central Bank of the Russian Federation (CB RF) No. 214-II “On Order of Settlements Between Legal Entities – Residents with Non-Residents in International Contracts which Stipulate Acquisition and Then Sale of Goods Abroad without Their Import to the Customs Territory of the Russian Federation” dd. January 29, 2003;*
- *Regulations of CB RF No. 157-II “On Order of Settlements Between Residents and Non-Residents under Contracts of Works, Services or Transfer of the Results of Intellectual Activity” dd. October 24, 2001;*
- *Regulations of CB RF No. 134-II “On Order of Settlements in Foreign Currency Based on Offsetting of Claims between Residents who Perform Fishery and Non-Residents who Perform their Business Assistance” dd. February 20, 2001;*
- *Instruction of CB RF No. 96-II “On Special Type “C” Accounts of Non-Residents Type “C” dd. December 28, 2003 (with alterations and amendments dd. February 25 and August 13, 2003);*

- *Order of Funds Transfer from Special Type “C” (Investment) Accounts of Non-Residents to Special Type “C” (Conversion) Accounts of Non-Residents (Appendix 3 to Instruction of CB RF No. 96-II dd. December 28, 2003 (in revised edition of Directive of CB RF No. 1253-Y dd. February 25, 2003));*
- *Instruction of CB RF No. 93-II “On Order of Opening Accounts of Non-Residents by Authorized Banks in the Currency of the Russian Federation and Performing Operations in these Accounts” dd. October 12, 2000;*
- *Regulations of CB RF and State Trade Commission No. 105-II, 01-100/1 “On Order of Export of Foreign Currency in Cash by Individuals from the Russian Federation” dd. January 12, 2000;*
- *Regulations of CB RF No. 93-II “On Order of Performing Separate Foreign Currency Transactions” dd. October 14, 1999;*
- *Regulations of CB RF No. 503 “On Cessation of Settlements in Foreign Currency for Goods (Works, Services) Sold by Individuals in the Russian Federation” dd. August 15, 1997 (with alterations and amendments dd. October 12, 2000 and July 20, 2001);*
- *Order of CB RF No. 02-94 “On Approval of Regulations on Order of Some Foreign Currency Transactions in the Russian Federation and on Accounting and Reporting on Some Foreign Currency Transactions” dd. April 24, 1996 (with alterations and amendments dd. February 3, August 27, 1997, October 12, 2000, September 17, 2001, August 20, 2002);*
- *Directive of CB RF No. 991-Y “On List of Securities, Operations with which are Performed by Non-Residents with Special Type “C” Accounts of Non-Residents” dd. July 2, 2001;*
- *Directive of CB RF No. 924-Y “On Presentation of Documents by Foreign Banks to Authorized Bank when Opening Accounts in Currency of the Russian Federation” dd. February 28, 2001;*
- *Directive of CB RF No. 660-Y “On Order of Foreign Currency Transactions Connected with Attraction and Return of Foreign Investment” dd. October 8, 1999;*
- *Directive of CB RF No. 638-Y “On Settlements of Authorized Banks in Operations of Non-Residents at the Securities Market (ORCB)” dd. September 15, 1999 (with alterations and amendments dd. January 12, 2000 and June 27, 2001);*
- *Directive of CB RF No. 611-Y “On Foreign Currency Transactions Connected with Granting and Forgoing Debts” dd. July 21, 1999;*
- *Regulations of CB RF No. 68-II “On Peculiarities of Transactions Conclusion by Non-Residents with Securities of Russian Issuers in the Currency of the Russian Federation and Performing Conversion Transactions” dd. March 23, 1999 (with alterations and amendments dd. May 18, 1999 and June 27, 2001);*
- *Directive of CB RF No. 344-Y “On Suspension of Payments by Residents to Non-Residents on Fixed-Term Foreign Currency Contracts” dd. September 4, 1998;*
- *Information Letter of CB RF No. 24 “Generalization of Practice of Application of Regulations of CB RF No. 214-II “On Order of Settlements Between Legal Entities – Residents with Non-Residents in International Contracts which Stipulate Acquisition and Then Sale of Goods Abroad without Their Import to the Customs Territory of the Russian Federation” dd. January 29, 2003” dd. June 27, 2003;*
- *Information Letter of CB RF No. 23 “Generalization of Practice of Application of Standard Acts of the Bank of Russia on Issues of Foreign Currency Regulation and Control” dd. May 16, 2003;*
- *Information Letter of CB RF No. 21 “Generalization of Practice of Application of Standard Acts of the Bank of Russia on Issues of Foreign Currency Regulation and Control” dd. December 27, 2002;*
- *Letter of the State Trade Commission of the Russian Federation No. 01-30/25671 “On Customs Control of Foreign Currency Imported by Individuals” dd. June 29, 2001;*

- *Generalization of Practice of Application of Standard Acts of the Bank of Russia on Issues of Foreign Currency Regulation “Issues on Application of Instruction of the Bank of Russia No. 16 “On Order of Opening Accounts of Non-Residents by Authorized Banks in the Currency of the Russian Federation and Performing Operations in these Accounts” dd. October 12, 2000” dd. July 16, 1993 (hereinafter referred to as “Instruction of the Bank of Russia No. 16”);*
- *Generalization of Practice of Application of Standard Acts of the Bank of Russia on Issues of Foreign Currency Regulation “Issues on Application of Directive of the Bank of Russia No. 660-Y “On Order of Foreign Currency Transactions Connected with Attraction and Return of Foreign Investment” dd. October 8, 1999 (hereinafter referred to as “Directive of the Bank of Russia No. 660-Y”);*
- *Generalization of Practice of Application of Standard Acts of CB RF on Issues of Foreign Currency Regulation “Issues on Application of Instruction of the Bank of Russia No. 16 “On Order of Opening Accounts of Non-Residents by Authorized Banks in the Currency of the Russian Federation and Performing Operations in these Accounts” dd. July 16, 1993, clause 2;*
- *Generalization of Practice of Application of Standard Acts of CB RF on Issues of Foreign Currency Regulation “Issues on Application of Regulations of the Bank of Russia No. 39 “On Change in Order of Some Foreign Currency Transactions in the Russian Federation” dd. April 24, 1996;*
- *Decision of the Bank of Russia Board of Directors “On Suspension of Payments by Residents to Non-Residents Contracts” dd. August 17, 1998;*
- *Letter of CB RF No. 12-526 “Explanation on Issues of Foreign Currency Regulation” dd. August 13, 1996;*
- *Letter of CB RF No. 88 “On Order of Operations with Gold Certificates of the Ministry of Finance of the Russian Federation issued in 1993 in the territory of the Russian Federation” dd. April 13, 1994 (with alterations and amendments dd. November 29, 2000);*
- *Decision of the Supreme Court of the RF No. ГКIII-00-1386 dd. January 29, 2001 “Claim of Admitting Non-Correspondence of “Order of Foreign Exchange Transfers from the Russian Federation and to the Russian Federation without Opening Current Foreign Currency Accounts No. 508 dd. August 27, 1997 approved by Order of the Bank of Russia No. 02-371 dd. August 27, 1997 to the Law” to be left unsecured”.*

8.8. Description of the Taxation Order of Incomes on JSC Concern "KALINA" Issuing Securities Placed and Being Placed

Taxation order of incomes on JSC Concern "KALINA" issuing securities placed and being placed including respective tax rates for different categories of securities owners (individuals, legal entities, residents, and non-residents), order and time of payments.

Taxation of Legal Entities’ Incomes from Securities Placed and Being Placed in the Form of Dividends as Stipulated by the Laws in Force from January 1, 2002.

No.	Categories of Securities Owners	
	Legal entities – tax residents of the Russian Federation	Foreign legal entities – (non-residents), who receive profits from sources in the Russian Federation
1. Description of income on securities being placed	Dividends	
2. Description of tax on income on securities	Income tax	
3. Tax rate	9 %	15 %

4. Order and time of tax payment	Taxes on incomes in the form of dividends are collected from the source of this income payment and transferred to the federal budget by the fiscal agent who made the payment within 10 days after the date of income payment.	Sum of tax deducted from incomes of foreign organization is transferred by the fiscal agent to the federal budget simultaneously with income payment either in the currency of this income payment or in the currency of the Russian Federation at the official exchange rate of Central Bank of the Russian Federation (CB RF) as of the date of tax transfer.
5. Peculiarities of taxation order for this category of securities owners	The total sum of tax from the sum of dividends is determined from the difference between the sum of dividends to be distributed among shareholders-residents and sum of dividends received by the fiscal agent itself for the reporting period. If the difference is negative then no obligation to pay tax arises and no compensation from the budget is paid. Sum of tax to be collected from income of the taxpayer – recipient of dividends is calculated taking into account the total sum of tax and share of each taxpayer in the total sum of dividends.	Elimination of double taxation. To be released from taxation or application of preferential tax treatment, the taxpayer (foreign organization) must present to the fiscal agent who pays the income, before the date of income payment, confirmation of the fact that he/she is a resident of the state with which the Russian Federation has international treaty (agreement) which regulates issues of taxation. Such a confirmation is to be certified by the competent authority of the respective foreign state. If the taxpayer does not present the confirmation before the date of income payment, the fiscal agent must collect tax on incomes of a foreign organization. In conformity with clause 2 article 312 of Tax Law, foreign recipient of the income has the right to have the collected tax on income paid to him/her earlier returned within three years from the date of the end of the taxation period during which income was paid, provided foreign tax recipient presents respective documents to a tax authority at the place of registration of the fiscal agent (the list is given in Article 312 of Tax Law of the Russian Federation). Return of tax earlier collected and paid is made within a month from the date of presentation of the application and the said documents.
6. Legal and standard acts which regulate taxation order of the said income	Chapter 25 of Tax Law of the Russian Federation “Tax on Organizations’ Income”	

Taxation of Individuals’ Incomes on Securities Placed and Being Placed in the Form of Dividends as Stipulated by the Laws in Force from January 1, 2002

No.	Categories of Securities Owners	
	Individuals – tax residents of the Russian Federation	Individuals who receive income from sources in the Russian Federation and who are not fiscal residents of the Russian Federation.
1. Description of income on securities being placed	Dividends	
2. Description of tax on income on securities	Income tax on individuals	
3. Tax rate	9%	30 %
4. Order and time of tax payment	Obligation to collect the sum of tax from taxpayer’s income and pay it to the respective budget is imposed on the Russian organization being the source of taxpayer’s income in the form of dividends (fiscal agent). The accrued sum of tax is collected directly from taxpayer’s income when it is actually paid. Fiscal agents must transfer sums of accrued and collected taxes within 1 day of actual reception of funds for income payment in the bank and the day of income transfer from accounts of fiscal agents in the bank to accounts of a taxpayer, or by his/her instruction to accounts of the third parties in banks.	

5. Peculiarities of taxation order for this category of securities owners	The total sum of tax from the sum of dividends is determined from the difference between the sum of dividends to be distributed among shareholders-residents and sum of dividends received by the fiscal agent itself for the reporting period. If the difference is negative then no obligation to pay tax arises and no compensation from the budget is paid. Sum of tax to be collected from income of the taxpayer – recipient of dividends is calculated taking into account the total sum of tax and share of each taxpayer in the total sum of dividends.	Elimination of double taxation. To be released from taxation, reception of tax deductions or other preferential tax treatment, the taxpayer must present to the bodies of the Ministry of Taxation of the Russian Federation an official confirmation of the fact that he/she is a resident of the state with which the Russian Federation has international treaty (agreement) during the respective taxable period (or its part) in order to avoid double taxation. Such a confirmation could be presented both before tax payment and within one year after the end of that taxable period by results of which the taxpayer lays claim to be released from taxation, reception of tax deductions or preferences.
6. Legal and standard acts which regulate taxation order of the said income	Tax Law of the Russian Federation Part 2 Chapter 23 “Tax on Individuals’ Incomes” (with alterations and amendments) Article 275 of Tax Law of the Russian Federation.	

Taxation of Legal Entities’ Incomes from Sale of Securities Placed and Being Placed as well as Interests on Issuer’s Bonds as Stipulated by the Laws in Force from January 1, 2002

No.	Categories of Securities Owners	
	Legal entities – tax residents of the Russian Federation	Foreign legal entities – (non-residents) who receive income from sources in the Russian Federation
1. Description of income on securities being placed	Income from operations on sale of securities as well as interests on Issuer’s bonds	Income from sale of shares of a Russian organization, more than 50 % of assets of which consist of immovable property in the Russian Federation as well as interests on Issuer’s bonds
2. Description of tax on income on securities	Income tax	
3. Tax rate	24 %: from which 6,5 % go to the federal budget, 17.5 % go to budgets of subjects of the Russian Federation.	20 %
4. Order and time of tax payment	Tax payable after the end of the taxable period shall be paid not later than on March 28 of the year following the taxable period that ended. Quarterly advance payments are to be made within 28 days from the date of respective reporting period that ended. Monthly advance payments are to be made not later than on the 28 th of each month of this reporting period. Taxpayers who calculate monthly advance payments by actual proceeds shall make advance payments not later than of the 28 th of the month following the reporting period that ended. By the results of the reporting (taxable) period sums of monthly advance payments made during the reporting (taxable) period are credited when making advance payments by results of the reporting period. Advance payments by results of the reporting period are credited on account of tax payment by results of the taxable period.	The tax is calculated and collected by the Russian organization who pays income to a foreign organization when making each income payment and transferred by the fiscal agent to the federal budget simultaneously in the currency of this income payment or in the currency of the Russian Federation at the official exchange rate of CB RF as of the date of tax transfer.

5. Peculiarities of taxation order for this category of securities owners		When a foreign organization presents a confirmation that this foreign organization has permanent location in the state with which the Russian Federation has international treaty which regulates issues of taxation concerning the income for which this international treaty stipulates a preferential tax treatment in the Russian Federation, to the fiscal agent before the date of income payment, the source of income payment is released from taxation or tax is collected at lower rates.
6. Legal and standard acts which regulate taxation order of the said income	Chapter 25 of Tax Law of the Russian Federation "Tax on Organizations' Incomes"	

Taxation of Individuals' Incomes Sale of Securities Being Placed as well as Interests on Issuer's Bonds as Stipulated by the Laws in Force in 2002

No.	Categories of Securities Owners	
	Individuals – tax residents of the Russian Federation	Individuals who receive income from sources in the Russian Federation and who are not fiscal residents of the Russian Federation.
1. Description of income on securities being placed	Incomes from sources in the Russian Federation include: interests from Russian organizations as well as interests from Russian sole proprietors and/or foreign organization in connection with activities of its permanent representative office in the Russian Federation; income from sale in the Russian Federation of shares and other securities as well as share of participation in organizations' charter capitals. Income (loss) from sale of securities determined as difference between sums of incomes received from sale of securities and documented expenses for purchase, sale and storage of securities actually incurred by the taxpayer or between property deductions accepted for reduction of incomes from sale-purchase transactions.	
2. Description of tax on income on securities	Income tax on individuals	
3. Tax rate	13 %	30 %
4. Order and time of tax payment	Tax calculations and payments are made by the fiscal agents after the taxable period (calendar year) that ended or when they receive taxpayer's funds before the end of the next taxable period. When paying funds before the end of the next taxable period, the tax is to be paid from the share of income, which corresponds, to actual sum of funds being paid.	
5. Peculiarities of taxation order for this category of securities owners	If an individual has no documented expenses from January 1, 2002, he/she has the right to use the property tax deduction in the amount received from sale of securities but no more than 125,000 RUR. When selling securities owned by the taxpayer for more than three years, property tax deduction is granted in the amount received by the taxpayer when he sold these securities.	Elimination of double taxation. To be released from taxation, reception of tax deductions or other preferential tax treatment, the taxpayer must present to the bodies of the Ministry of Taxation of the Russian Federation an official confirmation of the fact that he/she is a resident of the state with which the Russian Federation has international treaty (agreement) during the respective taxable period (or its part) in order to avoid double taxation. Such a confirmation could be presented both before tax payment and within one year after the end of that taxable period by results of which the taxpayer lays claim to be released from taxation, reception of tax deductions or preferences. **
6. Legal and standard acts which regulate taxation order of the said income	Chapter 23 of Tax Law of the Russian Federation "Tax on Individuals' Incomes" (with alterations and amendments)	

If standard acts of the tax laws, other governmental regulations and instructions of state agencies, which significantly change or add the effective laws on taxation of incomes from placed securities come in force, and these

acts are not known and published at present, the Issuer is not responsible for consequences, which cannot be foreseen by him in view of the above-said circumstances.

**** In addition to confirmation, Article 232 of Tax Law of the Russian Federation binds the taxpayer to present a document of the income received and of the tax paid outside the Russian Federation certified by the tax agency of the respective foreign state. However, for individuals who are not tax residents of the Russian Federation, income from sources in the Russian Federation is recognized as the object of taxation.**

8.9. Information of Dividends Declared (Accrued) and Paid on JSC Concern "KALINA" Shares as well as of Income on JSC Concern "KALINA" Bonds

History of dividends payment by JSC Concern "KALINA" for last five fiscal years that ended.

Year 1999

Category of shares: **ordinary registered shares**

The amount of dividends declared on JSC Concern "KALINA" shares, per share in RUR: **2.25**

The amount of dividends declared on JSC Concern "KALINA" shares in aggregate on all shares of this category, in RUR: **2,602,026.00 RUR**

Body, which made a decision of dividends payment: **Annual General Shareholders Meeting of JSC Concern "KALINA"**

Date of holding the Annual General Shareholders Meeting of JSC Concern "KALINA", which made a decision of dividends payment: **April 3, 1999**

Date of making up and number of the minutes of the General Shareholders Meeting: **Minutes No. 1 dd. April 3, 1999**

Period given for dividends payment: **30 days from the date of declaration at the meeting**

Form of dividends payment: **Cash**

Reporting period for which the dividends are paid: **year 1998**

The total amount of dividends paid on all Issuer's shares of this category. If the declared dividends are not paid or paid by the Issuer not in full, reasons for declared dividends nonpayment should be explained.

Year 2000

Category of shares: **ordinary registered shares**

The amount of dividends declared on JSC Concern "KALINA" shares, per share in RUR: **0.50**

The amount of dividends declared on JSC Concern "KALINA" shares in aggregate on all shares of this category, in RUR: **3,501,535.50 RUR**

Body, which made a decision of dividends payment: **Annual General Shareholders Meeting of JSC Concern "KALINA"**

Date of holding the Annual General Shareholders Meeting of JSC Concern "KALINA", which made a decision of dividends payment: **May 27, 2000**

Date of making up and number of the minutes of the General Shareholders Meeting: **Minutes No. 1 dd. May 27, 2000**

Period given for dividends payment: **30 days from the date of declaration at the meeting**

Form of dividends payment: **Cash**

Reporting period for which the dividends are paid: **year 1999**

The total amount of dividends paid on all Issuer's shares of this category. If the declared dividends are not paid or paid by the Issuer not in full, reasons for declared dividends nonpayment should be explained.

Year 2001

Category of shares: **ordinary registered shares**

The amount of dividends declared on JSC Concern "KALINA" shares, per share in RUR: **0.5**

The amount of dividends declared on JSC Concern "KALINA" shares in aggregate on all shares of this category, in RUR: **4,182,454.00 RUR**

Body, which made a decision of dividends payment: **Annual General Shareholders Meeting of JSC Concern "KALINA"**

Date of holding the Annual General Shareholders Meeting of JSC Concern "KALINA" which made a decision of dividends payment: **April 25, 2001**

Date of making up and number of the minutes of the General Shareholders Meeting: **Minutes No. 1 dd. April 25, 2001**

Period given for dividends payment: **30 days from the date of declaration at the meeting**

Form of dividends payment: **Cash**

Reporting period for which the dividends are paid: **year 2000**

Years 2002

Category of shares: **ordinary registered shares**

The amount of dividends declared on JSC Concern "KALINA" shares, per share in RUR: **1**

The amount of dividends declared on JSC Concern "KALINA" shares in aggregate on all shares of this category, in RUR: **8,634,908.00 RUR**

Body, which made a decision of dividends payment: **Annual General Shareholders Meeting of JSC Concern "KALINA"**

Date of holding the Annual General Shareholders Meeting of JSC Concern "KALINA" which made a decision of dividends payment: **May 27, 2002**

Date of making up and number of the minutes of the General Shareholders Meeting: **Minutes No. 1 dd. May 27, 2002**

Period given for dividends payment: **30 days from the date of declaration at the meeting**

Form of dividends payment: **Cash**

Reporting period for which the dividends are paid: **year 2001**

Year 2003

Category of shares: **ordinary registered shares**

The amount of dividends declared on JSC Concern "KALINA" shares, per share in RUR: **2**

The amount of dividends declared on JSC Concern "KALINA" shares in aggregate on all shares of this category, in RUR: **16,729,816.00 RUR**

Body, which made a decision of dividends payment: **Annual General Shareholders Meeting of JSC Concern "KALINA"**

Date of holding the Annual General Shareholders Meeting of JSC Concern "KALINA" which made a decision of dividends payment: **April 25, 2003**

Date of making up and number of the minutes of the General Shareholders Meeting: **Minutes No. 1 dd. April 25, 2003**

Period given for dividends payment: **30 days from the date of declaration at the meeting**

Form of dividends payment: **Cash**

Reporting period for which the dividends are paid: **year 2002**

Year 2003

Category of shares: **ordinary registered shares**

The amount of dividends declared on JSC Concern "KALINA" shares, per share in RUR: **2**

The amount of dividends declared on JSC Concern "KALINA" shares in aggregate on all shares of this category, in RUR: **16,729,816.00 RUR**

Body, which made a decision of dividends payment: **Extraordinary General Shareholders Meeting of JSC Concern "KALINA"**

Date of holding the Extraordinary General Shareholders Meeting of JSC Concern "KALINA" which made a decision of dividends payment: **August 25, 2003**

Date of making up and number of the minutes of the General Shareholders Meeting: **Minutes No. 3 dd. August 25, 2003**

Period given for dividends payment: **30 days from the date of declaration at the meeting**

Form of dividends payment: **Cash**

Reporting period for which the dividends are paid: **first half year of 2003**

Year 2004

Category of shares: **ordinary registered shares**

The amount of dividends declared on JSC Concern "KALINA" shares, per share in RUR: **5.50**

The amount of dividends declared on JSC Concern "KALINA" shares in aggregate on all shares of this category, in RUR: **46,006,994**

Body, which made a decision of dividends payment: **Annual General Shareholders Meeting of JSC Concern "KALINA"**

Date of holding the Annual General Shareholders Meeting of JSC Concern "KALINA" which made a decision of dividends payment: **April 18, 2004**

Date of making up and number of the minutes of the General Shareholders Meeting: **Minutes No. 1 dd. April 18, 2004**

Period given for dividends payment: **30 days from the date of declaration at the meeting**

Form of dividends payment: **Cash**

Reporting period for which the dividends are paid: **second half year of 2003**

Year 2004

Category of shares: **ordinary registered shares**

The amount of dividends declared on JSC Concern "KALINA" shares, per share in RUR: **3.75**

The amount of dividends declared on JSC Concern "KALINA" shares in aggregate on all shares of this category, in RUR: **36,571,166.25**

Body, which made a decision of dividends payment: **Extraordinary General Shareholders Meeting of JSC Concern "KALINA"**

Date of holding the Extraordinary General Shareholders Meeting of JSC Concern "KALINA" which made a decision of dividends payment: **August 10, 2004**

Date of making up and number of the minutes of the General Shareholders Meeting: **Minutes No. 1 dd. August 10, 2004**

Period given for dividends payment: **30 days from the date of declaration at the meeting**

Form of dividends payment: **Cash**

Reporting period for which the dividends are paid: **first half years of 2004**

2005

Category of shares: **ordinary registered shares**

The amount of dividends declared on JSC Concern "KALINA" shares, per share in RUR: **8.61**

The amount of dividends declared on JSC Concern "KALINA" shares in aggregate on all shares of this category, in RUR: **83,967,397.71**

Body, which made a decision of dividends payment: **Annual General Shareholders Meeting of JSC Concern "KALINA"**

Date of holding the Annual General Shareholders Meeting of JSC Concern "KALINA" which made a decision of dividends payment: **April 20, 2005**

Date of making up and number of the minutes of the General Shareholders Meeting: **Minutes No 1 dd April 20, 2005**

Period given for dividends payment: **30 days from the date of declaration at the meeting**

Form of dividends payment: **Cash**

Reporting period for which the dividends are paid: **second half of the year 2004**

2005

Category of shares: **ordinary registered shares**

The amount of dividends declared on JSC Concern "KALINA" shares, per share in RUR: **6.18**

The amount of dividends declared on JSC Concern "KALINA" shares in aggregate on all shares of this category, in RUR: **60,269,281.98**

Body, which made a decision of dividends payment: **Extraordinary General Shareholders Meeting of JSC Concern "KALINA"**

Date of holding the Extraordinary General Shareholders Meeting of JSC Concern "KALINA" which made a decision of dividends payment: **August 11, 2005**

Date of making up and number of the minutes of the General Shareholders Meeting: **Minutes No 2 dd August 11, 2005**

Period given for dividends payment: **30 days from the date of declaration at the meeting**

Form of dividends payment: **Cash**

Reporting period for which the dividends are paid: **first half of the year 2005**

The total amount of dividends paid for each reporting period

	2001	2002	2003	2004	2005
Amount of dividends paid, in RUR	8,634,908.00	16,729,816.00	62,736,810.00	120,538,563.96	60,269,281.98

History of interest payments on JSC Concern "KALINA" bonds for last five fiscal years that ended

No. of coupon payment	Period for which payment was	Date of payment (dd/mm/yyyy)	Interest rate	Amount per one bond, in	Number of bonds in circulation	Income payable on bonds, in	Total amount of payments, in RUR	Form of payment
-----------------------	------------------------------	------------------------------	---------------	-------------------------	--------------------------------	-----------------------------	----------------------------------	-----------------

	made			RUR		RUR		
1	07.03.01-05.06.01	5.06.2001	20 %	4.93	86,500	426,445.00	426,445.00	Cash
2	06.06.01-04.09.01	4.09.2001	20 %	4.93	700,000	3,451,000.00	3,451,000.00	Cash
3	05.09.01-04.12.01	4.12.2001	20 %	4.99	51,340	256,186.60	256,186.60	Cash
4	04.12.01-06.03.02	6.03.2002	20 %	4.99	51,340	256,186.60	256,186.60	Cash
5	07.03.02-05.06.02	5.06.2002	18.4 %	4.74	51,340	243,351.60	243,351.60	Cash
6	06.06.02-04.09.02	4.09.2002	16.8 %	4.46	51,340	228,976.40	228,976.40	Cash
7	05.09.02-03.12.02	3.12.2002	16.8 %	4.19	51,340	215,114.60	215,114.60	Cash
8	04.12.02-06.03.03	6.03.2003	14.4 %	4.08	51,340	209,467.20	209,467.20	Cash
9	07.03.03-05.06.03	5.06.2003	14.4 %	3.59	47,540	170,668.60	170,668.60	Cash
10	06.06.03-04.09.03	4.09.2003	12.8 %	3.26	47,540	154,980.40	154,980.40	Cash
11	05.09.03-04.12.03	4.12.2003	12.8 %	3.19	47,540	151,652.6	151,652.6	Cash
12	05.12.03-05.03.04	5.03.2004	11.9 %	2.97	47,540	141,193.0	141,193.0	Cash

Kind of the securities, series, form: registered non-documentary coupon bonds series 001 with variable coupon

State registration number of the issue: **4-01-30306-D**

Date of state registration: **February 8, 2001**

Number of bonds of the issue: **700,000**

Face value of each bond of the issue: **100 RUR**

Volume of the issue at face value: **70,000,000 RUR**

Type of income: **coupon (interest) income**

Payments of coupon income on bonds of the first issue.

All payments were made in time.

Payment for the first period was made before the end of bonds placement – as of the date of preparing the register of bondholders with the right to receive coupon income for the first coupon period, number of bonds placed was 86,500 pieces.

The Company made a public offering for pre-term repayment of bonds from bondholders after 6 months from the date of placement commencement. Part of bondholders accepted this offer and their bonds were repaid on the date of coupon income payment for the second coupon period and then redeemed. As the result, coupon income payment for periods 3-8 was made on 47,540 bonds of the issue.

Offering circular for bonds of the issue stipulated the opportunity of pre-term redemption of bonds of the issue on the date of the 4th and 8th coupon payments. Some bondholders took advantage of that opportunity and their bonds were repaid on the date of the 8th coupon income payment and then redeemed. Payments for the 9th and 10th coupons were made on 47,540 bonds of the issue.

Number of bonds of the issue in circulation as of the present time: 47,540

Kind of the securities, series, form: documentary interest-bearing bonds to bearer series 002

State registration number of the issue: **4-02-30306-D**

Date of state registration: **November 15, 2001**

Number of bonds of the issue: **550,000**

Face value of each bond of the issue: **1,000 RUR**

Volume of the issue at face value: **550,000,000 RUR**

Type of income: **coupon (interest) income**

Payments of coupon income on bonds of the second issue.

No. of coupon payment	Period for which payment was made	Date of payment (dd/mm/yyyy)	Interest rate	Amount per one bond, in RUR	Number of bonds in circulation	Income payable on bonds, in RUR	Total amount of payments, in RUR	Form of payment
1	12.02.02-13.05.02	14.05.2002	22.5 %	56.10	550,000	30,855,000.0 0	30,855,000.0 0	Cash
2	14.05.02-12.08.02	13.08.2002	24.62 %	61.38	550,000	33,759,000.0 0	33,759,000.0 0	Cash
3	13.08.02-11.11.02	12.11.2002	22.58 %	56.30	550,000	30,965,000.0 0	30,965,000.0 0	Cash
4	12.11.02-10.02.03	11.02.2003	22.42 %	55.90	550,000	30,745,000.0 0	30,745,000.0 0	Cash
5	11.02.03-12.05.03	13.05.2003	19.56 %	49.02	550,000	26,961,600.0 0	26,961,600.0 0	Cash
6	13.05.03-11.08.03	12.08.2003	14.79 %	36.87	550,000	20,278,500.0 0	20,278,500.0 0	Cash
7	12.08.03-10.11.03	11.11.2003	13.64 %	34.01	550,000	18,705,500.0 0	18,705,500.0 0	Cash
8	11.11.03-10.02.04	10.02.2004	13.85 %	34.53	550,000	18,991,500.0 0	18,991,500.0 0	Cash

All payments were made in time.

8.10. Other Information

No other information is registered.

Appendix 1

RAS Financial Statements JSC Concern “KALINA” for the second quarter 2006

BALANCE SHEET

as of **01/07/2006**

Organisation: **Open Joint stock company CONCERN “KALINA”**

Industry: **manufacturing**

Type of juridical status: **joint stock company**

Unit of measure: **thousand roubles**

ASSETS	Code of line	As at the beginning of the accounting period	As at the end of the accounting period
1	2	3	4
I. Fixed ASSETS			
Intangible assets	110	23,208	22,826

Fixed assets	120	1,041,823	1,072,828
Work- in- progress	130	188,255	144,489
Investments in tangible assets	135	0	0
Long term investments	140	766,875	1,003,504
tax assets deferred	145	50,725	50,725
Other fixed assets	150	0	0
Total section I	190	2,07,886	2,294,372
II. CURRENT ASSETS			
Inventories	210	2,076,365	1,463,405
including			
raw materials, materials and other similar assets (10,15,16)	211	876,603	610,284
Animals in breeding and fattening	212	0	-
unfinished production expenses	213	34,206	44,362
finished products and goods for resale	214	1,132,037	768,133
shipped goods	215	0	0
future periods expenses (31)	216	33,519	40,626
Other reserves and costs	217	0	0
Acquired values Value Added Tax (19)	220	485,500	333,115
Notes receivable (period of payment exceeds 12 months after accounting date)	230	0	0
including			
buyers and customers	231	0	0
Notes receivable (payments are expected within 12 month after accounting date)	240	1,581,203	1,776,923
including			
buyers and customers	241	1,080,609	953,479
Short term investments (56,58,82)	250	0	0
Cash assets:	260	162,383	141,369
Other current assets	270	78,173	50,351
Total section II	290	4,383,624	3,765,163
BALANCE (sum of lines 190+290+390)	300	6,454,510	6,059,535

EQUITY AND LIABILITIES	Code of line	As at the beginning of the accounting period	As at the end of the accounting period
1	2	3	4
III. TOTAL CAPITAL AND RESERVS			
Total equity	410	682,662	682,662
Shares redeemed from shareholders	411	-	-
Paid-in capital	420	841,625	841,625
Reserve assets	430	109,382	109,382
including			
reserve funds, created in accordance with Russian Legislation	431	0	0
reserves, created in accordance with constituent documents	432	109,382	109,382
Retained earnings	470	2,518,049	2,723,445
Total section III	490	4,151,718	4,357,114
IV. LONG TERM LIABILITIES			
Loans and credits	510	443,559	347,754
Taxes deferred	515	30,712	39,575
Other long term liabilities	520	-	-
Total section V	590	474,271	387,329
V. SHORT TERM LIABILITIES			
Loans and credits	610	855,000	846,000
Notes payable	620	971,625	468,059
including			

suppliers and contractors	621	862,916	387,845
wages and salaries	622	79,335	34,796
state off-budget funds liabilities	623	7,014	5,934
dues and taxes	624	13,723	21,664
other creditors	625	8,637	17,820
Dividends paid	630	1,842	985
Future periods incomes	640	54	48
Forthcoming expenses and payments reserves	650	-	-
Other short term liabilities	660	-	-
Total section V	690	<i>1,828,521</i>	<i>1,315,092</i>
BALANCE	700	6,454,510	6,059,535
Note on assets on ex-balance accounts			
rented fixes assets	910	21,857	2,835
including leasing	911	21,857	2,835
Inventory holdings accepted for responsible storage	920	0	0
Goods taken on sale	930	0	0
written off liabilities of insolvent debtors	940	32,708	33,211
liability securities received	950	11,067	11,067
liability securities paid	960	0	0
depreciation of housing facilities	970	64	68
depreciation of the objects of external, improvement and other similar objects	980	0	0
Intangible assets got in use	990	0	0
	1000	-	-

INCOME STATEMENT

Accounting period: **first half 2006**
 Organisation: **Joint stock company CONCERN "KALINA"**
 Industry: **manufacturing**
 Type of juridical status: **joint stock company**
 Unit of measure: **thousand roubles**

Showing	Code of line	For the accounting period	For the similar period of the previous year
1	2	3	4
I. Revenues and expenses from ordinary activities			
Total revenue (net) from sales of products, works and services (less VAT, excises and other similar compulsory payments)	010	3,619,529	3,085,377
Cost of goods sold	020	(1,883,667)	(1,566,94)
	021	-	-
Gross margin	029	1,735,862	1,518,428
Selling expenses	030	(606,903)	(523,970)
Administrative expenses	040	(338,058)	(322,741)
Profit (loss) from sales (lines(010 – 020 - 030 - 040))	050	790,901	671,717
Other revenues and expenses			
Interest receivable	060	1,057	4,939
Interest payable	070	(57,364)	(14,640)
Profit from sharing in other organizations	080	0	0
Other operational gains	090	7,604	27,615
Other operational expenses	100	(103,174)	(81,687)
Non operational gains	120	80,293	58,402
Non operational expenses	130	(269,809)	(155,602)
Profit (loss) before tax	140	449,508	510,744
tax assets deferred	141	0	0
tax liabilities deferred	142	(8,862)	(9,169)
current Income tax	150	(116,073)	(123,392)
mandatory payments	180	0	(10,464)
Net income (retained profit (loss) of the accounting period)	190	324,573	367,719
Reference	200		
Constant tax assets		35,102	9,982
Basic income (loss) per share	201	0	0
Watered income (loss) per share	202	0	0

Notes on some incomes and losses

Showing	Code of line	For the accounting period		For the similar period of the previous year	
		profit	loss	profit	loss
1	2	3	4	5	6
Fines, penalties	210	661	838	111	174
Profit (loss) of previous periods	220	24,343	49,654	9,555	43,594
Recovery of damages caused by non-execution or improper execution of liabilities	230	0	0	0	0
Currency difference	240	46,493	21,214	23,737	62,115
Deduction to evaluation reserves	250	X	0	X	0
Writing off notes payable and notes receivable which limitation of action is terminated	260	0	630	0	8

Chief Executive Officer
JSC Concern "KALINA"

Goryayev Timur Rafkatovich

Chief Accountant

Babina Tatiana Gennadievna

July 28, 2006

Appendix 2
Annual audited consolidated financial statements JSC
Concern “KALINA”
Year ended December 31, 2005

**Open Joint Stock
Company Concern
“Kalina” and
subsidiaries**

Independent Auditors' Report

Consolidated Financial Statements
Year Ended December 31, 2005

OPEN JOINT STOCK COMPANY CONCERN "KALINA" AND SUBSIDIARIES

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OPEN JOINT STOCK COMPANY CONCERN "KALINA" AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditor's audit report set out on page 3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements Open Joint Stock Company Concern "Kalina" and subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group at December 31, 2005 and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

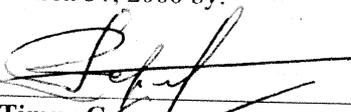
In preparing the consolidated financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

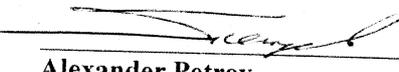
Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended December 31, 2005 were approved on March 31, 2006 by:



Timur Goryaev
Chief Executive Officer



Alexander Petrov
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of OJSC Concern "Kalina":

We have audited the accompanying consolidated balance sheet of OJSC Concern "Kalina" and subsidiaries (the "Group") as of December 31, 2005 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the year then ended (the "financial statements"). These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2005 and the results of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards.



March 31, 2006

OPEN JOINT STOCK COMPANY CONCERN "KALINA" AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2005

(in Roubles and in thousands)

	Notes	2005 '000 RUB	2004 '000 RUB
ASSETS			
NON-CURRENT ASSETS:			
Goodwill	10	71,062	-
Other intangible assets	11	363,646	12,561
Property, plant and equipment, net	12	2,692,380	852,380
Long-term investments	13	69,158	79,420
Deferred tax asset	7	121,830	47,370
CURRENT ASSETS:			
Inventories, net	14	2,410,314	1,148,120
Trade accounts receivable, net	15	1,125,336	366,847
Taxes recoverable	16	515,997	315,628
Advances paid to suppliers and prepaid expenses, net	17	323,964	446,197
Other receivables	15	84,568	32,966
Short-term investments		2,860	2,923
Cash and cash equivalents	18	193,365	1,120,316
ASSETS CLASSIFIED AS HELD FOR SALE	8	143,991	166,533
TOTAL ASSETS		8,118,471	4,591,261
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY:			
Share capital	23	851,843	851,843
Additional Paid In Capital	23	661,378	661,378
Translation reserve		(49,588)	-
Retained earnings		2,090,633	1,584,261
Equity attributable to equity holders of the parent		3,554,266	3,097,482
Minority interest		345,573	-
Total equity		3,899,839	3,097,482
NON-CURRENT LIABILITIES:			
Long-term loans	19	472,853	217,530
Retirement benefits obligations	20	173,694	-
Long-term obligations under finance lease	19	35,894	1,009
Deferred tax liability	7	306,667	55,719
CURRENT LIABILITIES:			
Trade accounts payable (third parties)		1,001,415	558,013
Other payables and accrued expenses	21	520,112	78,330
Taxes payable	16	103,480	126,548
Short-term obligations under finance lease	22	34,269	7,306
Short-term bank loans	22	1,246,079	133,081
LIABILITIES CLASSIFIED AS HELD FOR SALE	8	324,169	316,243
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		8,118,471	4,591,261

The notes on pages 7 to 29 form an integral part of these consolidated financial statements.

OPEN JOINT STOCK COMPANY CONCERN "KALINA" AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2005 (in Roubles and in thousands)

	Notes	2005 '000 RUB	2004 '000 RUB
REVENUE	4	8,150,535	5,237,636
COST OF SALES		<u>(4,336,697)</u>	<u>(2,583,641)</u>
GROSS PROFIT		3,813,838	2,653,995
Selling, general and administrative expenses	5	<u>(2,908,280)</u>	<u>(1,871,900)</u>
OPERATING PROFIT		905,558	782,095
Finance costs, net	6	(67,717)	6,308
Other expense		(1,895)	(4,739)
Foreign exchange (loss) gain		<u>(42,605)</u>	<u>21,602</u>
PROFIT BEFORE INCOME TAX AND MINORITY INTEREST		793,341	805,266
INCOME TAX	7	<u>(85,704)</u>	<u>(230,667)</u>
PROFIT FROM CONTINUING OPERATIONS		707,637	574,599
Loss for the period from discontinued operations	8	<u>(39,616)</u>	<u>(44,399)</u>
PROFIT FOR THE YEAR		<u>668,021</u>	<u>530,200</u>
Attributable to:			
Equity holders of the parent		650,610	530,200
Minority interest		<u>17,411</u>	<u>-</u>
		<u>668,021</u>	<u>530,200</u>
Earnings per share	Notes	2005 RUB	2004 RUB
From continuing operations			
Basic and diluted	9	<u>73</u>	<u>63</u>
From continuing and discontinued operations			
Basic and diluted	9	<u>68</u>	<u>58</u>

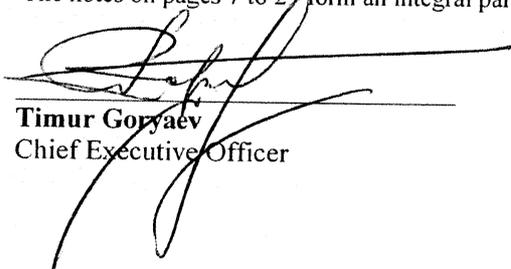
The notes on pages 7 to 29 form an integral part of these consolidated financial statements.

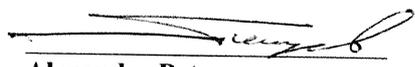
OPEN JOINT STOCK COMPANY CONCERN "KALINA" AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005 (in Roubles and in thousands)

	Share Capital '000 RUB	Additional Paid In Capital '000 RUB	Translation Reserve '000 RUB	Retained Earnings '000 RUB	Total Stockholders' Equity '000 RUB
Balance December 31, 2003	754,724	-	-	1,136,639	1,891,363
Net income	-	-	-	530,200	530,200
New stock issue	97,119	661,378	-	-	758,497
Dividends declared	-	-	-	(82,578)	(82,578)
Balance December 31, 2004	851,843	661,378	-	1,584,261	3,097,482
Exchange difference arising from translation of foreign operations	-	-	(49,588)	-	(49,588)
Net income	-	-	-	650,610	650,610
Dividends declared	-	-	-	(144,238)	(144,238)
Balance December 31, 2005	851,843	661,378	(49,588)	2,090,633	3,554,266

The notes on pages 7 to 29 form an integral part of these consolidated financial statements.


Timur Goryaev
Chief Executive Officer


Alexander Petrov
Chief Financial Officer

OPEN JOINT STOCK COMPANY CONCERN "KALINA" AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2005 (in Roubles and in thousands)

	2005 '000 RUB	2004 '000 RUB
OPERATING ACTIVITIES:		
Profit before income tax	793,341	805,266
Adjustments for:		
Depreciation of property, plant and equipment and amortization of intangible assets	183,821	60,198
Loss on disposal of property, plant and equipment	42,980	6,455
Gain on disposal of long-term investment	(4,626)	-
Finance costs, net	67,717	(1,153)
Operating cash flow before movements in working capital	1,083,233	870,766
Increase in inventories	(890,508)	(93,204)
Increase in trade accounts receivable	(810,089)	(58,467)
(Increase) decrease in taxes receivable	(2,435)	26,250
Decrease in other receivables	122,233	50,489
Decrease in retirement benefits obligations	(8,139)	-
Increase in trade accounts payable	473,112	166,166
Increase (decrease) in tax liability	24,789	(110,390)
Net cash (used by) provided by operations:	(7,804)	851,610
Income tax paid	(189,529)	(186,606)
Interest paid	(89,278)	(2,813)
Net cash (used by) provided by operating activities	(286,611)	662,191
INVESTING ACTIVITIES:		
Purchase of property, plant, equipment	(884,343)	(104,368)
Proceeds from disposal of property, plant and equipment	1,141	1,959
Acquisition of Dr. Scheller – net of cash acquired (Note 10)	(473,309)	-
Purchase of investment in Kit-Capital	-	(106,270)
Proceeds from part disposal of investment in Kit-Capital	14,888	-
Purchase of short-term investments	(9,259)	-
Proceeds from disposal of short-term investments	12,182	-
Net cash used in investing activities	(1,338,700)	(208,679)
FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	-	758,497
Dividends paid	(144,237)	(82,578)
Proceeds from short-term borrowings	2,657,697	724,572
Repayment of short-term borrowings	(1,852,697)	(1,248,625)
Proceeds from long-term borrowings	262,228	331,315
Repayment of long-term borrowings	(119,280)	(19,216)
Repayment of capital lease obligations	(56,095)	(10,804)
Net cash from financing activities	747,616	453,161
Effect of foreign exchange rate changes	(49,256)	(13,657)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(926,951)	893,016
CASH AND CASH EQUIVALENTS, beginning of period	1,120,316	227,300
CASH AND CASH EQUIVALENTS, end of period	193,365	1,120,316

The notes on pages 7 to 29 form an integral part of these consolidated financial statements.

OPEN JOINT STOCK COMPANY CONCERN "KALINA" AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

1. DESCRIPTION OF BUSINESS

OJSC Concern "Kalina" (hereinafter the "Company"), a Russian Open Joint Stock Company, was incorporated on December 12, 1992 as OJSC "Uralskiye Samotsveti" under the laws of the Russian Federation and renamed OAO Concern "Kalina" on November 30, 1999. The consolidated financial statements presented herein include the financial statements of the Company and its subsidiaries (hereinafter referred to jointly as "Operating Subsidiaries" or separately as "Operating Subsidiary" and, together with the Company, the "Group").

<u>Operating subsidiary</u>	<u>Share of ownership</u>	<u>Place of incorporation</u>	<u>Principal activity</u>
LLC Pallada Vostok	100%	Uzbekistan	Manufacturing
JSC Lola Atir Upa	56%	Uzbekistan	Manufacturing
LLC Pallada Ukraina	100%	Ukraine	Trading
LLC Zavod Novoplast	100%	Russia	Manufacturing
Kalina Overseas Holding B.V.	100%	Netherlands	Trading
Kosmetik und Rasierwaren Solingen GmbH	61.37%	Germany	Trading
Dr. Scheller Cosmetics AG	61.37%	Germany	Trading
Dr. Scheller DuroDont GmbH	61.37%	Germany	Trading
Lady Manhattan Cosmetics GmbH	61.37%	Germany	Trading
Apotheker Scheller Naturmittel GmbH	61.37%	Germany	Trading
Premium Cosmetics GmbH	61.37%	Germany	Trading
Lady Manhattan Cosmetics GmbH	61.37%	Austria	Trading
Dr. Scheller Cosmetics Polska Sp. zo.o.	61.37%	Poland	Trading
Lady Manhattan Ltd.	61.37%	UK	Trading

The Company and its Operating Subsidiaries (collectively referred to as the "Group") manufacture and sell a wide range of perfume, cosmetics and household products, primarily for the countries forming part of the Commonwealth of Independent States ("CIS"), and Western Europe.

As discussed further in Note 10, during April 2005, the Group completed the acquisition of a controlling interest in Dr. Scheller Cosmetics AG (Scheller), a German perfume manufacturer and distributor.

In June and December 2003 the Group management made a decision to dispose of its 65% share in JSC Alye Parusa (Ukraine) and its wholly owned subsidiary LLC Pallada Vostok (Uzbekistan) respectively, therefore their assets, liabilities as well as cash flows and financial results for the reporting period ended December 31, 2005 are presented as assets, liabilities, cash flows and financial results associated with discontinued operations (Note 8).

2. PRESENTATION OF FINANCIAL STATEMENTS

Basis of presentation – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the first time. The Group's transition date for the purpose of its application of IFRS 1 – "First Time Adoption of International Reporting Standards" – is January 1, 2004. The term IFRS includes standards and interpretations approved by the International Accounting Standards Board ("IASB"), including International Accounting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB. Note 26 sets out significant balance sheet adjustments made by the Group in the process of transition to IFRS.

The consolidated financial statements of the Group are prepared on the historical cost basis, except for:

- Valuation of the certain items of property, plant and equipment, originating before 1998, to arrive at deemed cost as allowed by IFRS 1;
- Revaluation of certain financial instruments.

Use of estimates and assumptions – The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

Functional and presentation currency – The functional currency of the Company is the Russian rouble (RUB). The RUB is also the presentational currency of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Segment reporting – The Group's business operations relate primarily to the production and marketing of cosmetics, toothpaste, and household chemical goods. The operations of the Group are located in Russia and Germany.

Revenue recognition – Sales are recognized when goods are delivered and the title has transferred.

Revenue is measured at fair value at the consideration received and represent amounts receivable for goods provided in the normal course of business, net of discounts and value added tax.

Property, plant and equipment – Property, plant and equipment is carried at cost less accumulated depreciation. Depreciation is charged using the straight-line method over the asset's estimated useful lives. When assets are retired or otherwise disposed of, the cost and the accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statement of operations. The cost of maintenance and repairs is charged to the statement of operations as incurred.

The overall useful economic lives of the assets for depreciation purposes are as follows:

Description	<u>Useful Life (years)</u>
Buildings	50
Machinery and equipment	10-15
Office equipment and other assets	5

Goodwill – Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible non-current assets – Intangible assets are carried out at cost, being its fair value at the date of the acquisition as a part of business combination less any subsequent accumulated amortization and any subsequent accumulated impairment losses.

Intangible assets are primarily comprised of trademarks, which have arisen following the acquisition of Dr. Scheller Cosmetics AG and were included at fair value on acquisition of Dr. Scheller Cosmetics AG, as at March 31, 2005.

Impairment of tangible and intangible assets, excluding goodwill – At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Investments – In accordance with IAS 39, the Group’s investments are classified into the following categories: held-to-maturity, trading, available-for-sale and loans and receivables originated by enterprise. Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Group are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower. All other investments are classified as available-for-sale.

Held-to-maturity investments, loans and receivables originated by the Group are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date. All purchases and sales of investments are recognized on the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. Estimation of fair values of financial instruments is made in accordance with the requirements of IAS 32 “Financial Instruments: disclosure and presentation” and IAS 39 “Financial instruments: Recognition and Measurement”. As no readily available market exists for a

large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented in the consolidated financial statements are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of after initial recognition its full holdings of a particular instrument. Investments in non-marketable equity instruments for which fair value could not be estimated reliably are measured at cost less any provision for impairment.

Available-for-sale and trading investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date. For unquoted securities fair value is determined by reference to market prices of securities with similar credit risk and/or maturity and in other cases by reference to the share in estimated equity capital of an investee.

Held-to-maturity investments are carried at amortized cost calculated using the effective interest rate method, less any provision for impairment or permanent diminution in value.

Loans granted by the Group at interest rates that are below the market are discounted to fair value using the effective interest method.

Non-current assets classified as held for sale – Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. This time period may be extended if there are delays in completion of the sale beyond management's control.

Inventories – Inventories are stated at the lower of cost (which includes direct overhead allocation), determined by the first-in first-out method for raw materials and weighted average for finished goods and net realisable value.

Accounts receivable – Accounts receivable are stated at original cost after deducting provisions for doubtful accounts. Such provision reflects either specific cases or estimates based on evidence of recoverability.

Cash – Cash include petty cash and cash held on current bank accounts.

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Retirement benefit costs – Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are only deferred to the extent that the deferred balance is less than the "corridor" (10% of the opening present value of the retirement benefit obligations).

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Leases – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Leased assets are depreciated over their estimated useful economic lives or over the term of the lease, if shorter. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset. Rents paid under operating leases are charged to the income statement as incurred.

Value added tax on purchases and sales – Value added taxes (VAT) related to sales is payable to the tax authorities upon collection of receivables from customers. Input VAT is reclaimable against sales VAT upon payment for purchases. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date (VAT deferred) is recognized in the balance sheet on a gross basis. Where provision has been made against debtors deemed to be uncollectible, a bad debt expense is recorded for the gross amount of the debtor, including VAT.

Income taxes – Income taxes payable have been computed in accordance with the laws of the Russian Federation, Ukraine, Uzbekistan and Germany (taxes payable in the United Kingdom and Austria are not material to the group). The Group accounts for deferred taxes on income using the asset and liability method wherein material deferred tax assets and liabilities are recognized based on the future consequences of temporary differences between the financial reporting carrying amounts and tax bases of assets and liabilities using the current enacted income tax rates.

Deferred tax adjustments resulting from the elimination of unrealised profit on intercompany transactions are calculated by reference to the statutory tax rates in place in the country of the selling entity.

4. REVENUE

Revenue consisted of the following for the years ended December 31, 2005 and 2004:

	2005 '000 RUB	2004 '000 RUB
Cosmetics	5,966,522	3,669,744
Tooth-paste	1,075,647	775,426
Household chemical goods	1,029,922	722,495
Other	78,444	69,971
Total	8,150,535	5,237,636

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Total selling, general and administrative expenses consisted of the following for the years ended December 31, 2005 and 2004:

	<u>2005</u> <u>'000 RUB</u>	<u>2004</u> <u>'000 RUB</u>
Advertising expenses	1,154,923	537,457
Salaries and related taxes	818,161	428,011
Transportation expenses	215,607	177,084
Raw materials obsolescence expenses	167,951	156,690
Depreciation charge	161,181	16,719
Loss on disposal of fixed assets	42,980	6,455
Consulting expenses	41,021	94,430
Taxes, other than income tax	39,291	46,439
Other	267,165	408,615
Total	<u>2,908,280</u>	<u>1,871,900</u>

6. FINANCE COSTS

Finance costs consisted of the following for the years ended December 31, 2005 and 2004:

	<u>2005</u> <u>'000 RUB</u>	<u>2004</u> <u>'000 RUB</u>
Interest expense	89,278	3,368
Interest income	(16,936)	(4,516)
Other	(4,625)	(5,160)
Total	<u>67,717</u>	<u>(6,308)</u>

7. INCOME TAXES

Total income tax expense consisted of the following for the years ended December 31, 2005 and 2004:

	<u>2005</u> <u>'000 RUB</u>	<u>2004</u> <u>'000 RUB</u>
Current tax expense	157,823	202,036
Deferred tax (benefit) / expense	(72,119)	28,631
Total	<u>85,704</u>	<u>230,667</u>

The Group provides for current taxes based on statutory financial statements maintained and prepared in local currencies and in accordance with local statutory regulations which differ significantly from IFRS. The Group was subject to a tax rate of 24% in Russia, 25% in Ukraine, 26% in Uzbekistan and 38% in Germany in 2005 and 2004 (taxes payable in the United Kingdom and Austria are not material to the Group).

The provision for income taxes is different from that which would be obtained by applying the statutory income tax rates to income before income taxes. Below is a reconciliation of theoretical income tax to the actual amount of tax expense recorded in the Group's statement of income:

	<u>2005</u> <u>'000 RUB</u>	<u>2004</u> <u>'000 RUB</u>
Income tax expense at the Company's statutory rates	190,402	193,264
Adjustments due to:		
Application of different statutory rates for foreign entities	(4,017)	(2,880)
Other permanent differences	(100,681)	40,283
Income tax expense	<u>85,704</u>	<u>230,667</u>

The tax effects of temporary differences that give rise to deferred tax assets and liabilities at December 31, 2005 and 2004 are as follows:

	<u>2005</u> <u>'000 RUB</u>	<u>2004</u> <u>'000 RUB</u>
Non-current deferred tax assets:		
Accrued expenses	88,008	55,497
Valuation of investments	33,822	-
Valuation of closing stock of work in progress and finished goods	-	(8,127)
	<u>121,830</u>	<u>47,370</u>
Non-current deferred tax liabilities:		
Provisions and allowances	-	55
Valuation of non-current assets	180,644	-
Depreciation of PPE	126,023	55,664
	<u>306,667</u>	<u>55,719</u>

The movement for the year in the Group's deferred tax position is as follows:

	<u>2005</u> <u>'000 RUB</u>
Net liability at December 31, 2004	8,349
Released to income for the year	(72,119)
Acquisition of Dr. Scheller	239,763
Exchange differences	8,844
Net liability at December 31, 2005	<u>184,837</u>

8. DISCONTINUED OPERATIONS

Pallada Vostok (Uzbekistan)

In December 2003 Group management made a decision to dispose of its wholly owned subsidiary LLC Pallada Vostok based in Uzbekistan. The subsidiary was engaged in the production of a wide range of cosmetic brands sold on the Uzbekistan market.

The contract on sale was signed, subject to the title transfers to the customer after 100% payment of the contract amount, as of December 31, 2005 the customer had paid out 50% of the contract amount. Negotiations on the payment terms are in process.

Major assets and liabilities of the subsidiary as of December 31, 2005 and 2004 were as follows:

	2005	2004
	'000 RUB	'000 RUB
Assets associated with discontinued operations:		
Cash and cash equivalents	1,023	490
Accounts receivable, net	983	384
Advances to suppliers and prepaid expenses	5,220	5,999
Inventories	39,321	54,237
Taxes recoverable	-	2,791
Investments	-	703
Property, plant and equipment, net	97,444	101,929
Total assets classified as held for sale	143,991	166,533
Liabilities associated with discontinued operations:		
Accounts payable	303,770	274,061
Short-term debt	20,399	8,346
Taxes payable	-	11,024
Long-term debt	-	22,812
Total liabilities classified as held for sale	324,169	316,243

At December 31, 2005 LLC Pallada Vostok was indebted to the rest of the Group in the amount of RUB 149,453 thousand, represented by RUB 44,797 thousand in trade payables and RUB 104,656 thousand received as advances from the rest of the Group.

Revenues of LLC Pallada Vostok for the year 2005 were RUB 11.5 million (2004: RUB 86.1 million). Net losses of LLC Pallada Vostok for the year 2005 were RUB 27.5 million (2004: RUB 44.4 million).

9. EARNINGS PER SHARE

	2005	2004
	'000 RUB	'000 RUB
Earnings		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	668,021	530,200
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	9,752,311	9,174,226

10. ACQUISITION OF DR. SCHELLER

During April 2005, the Group completed the acquisition of 61.37% shares (as a percentage of the number of shares outstanding) of Dr. Scheller Cosmetics AG (Scheller) for a purchase price of RUB 609,427 thousand in cash. Dr. Scheller Cosmetics AG is a German perfume manufacturer and distributor.

Total number of shares of Dr. Scheller as at March 31, 2005 was 6,500,000; number of treasury shares as at March 31, 2005 was 315,319; number of shares outstanding as at March 31, 2005 was 6,184,681. Number of shares acquired by Group is 3,795,740.

The acquisition was accounted for under the purchase accounting method, and accordingly, Scheller's results of operations have been included in these consolidated financial statements from April 2005. At the date of issuing this report, the purchase price allocation had not been finalized. Preliminary purchase price allocation is as follows:

	Book value	Fair value adjustments	Fair value
	<u>'000 RUB</u>	<u>'000 RUB</u>	<u>'000 RUB</u>
Net assets acquired			
Current assets	756,028	-	756,028
Purchased plant and equipment	1,056,750	259,558	1,316,308
Intangible assets	24,067	318,535	342,602
Deferred tax liability	(24,134)	(215,629)	(239,763)
Current liabilities	(625,015)	-	(625,015)
Non-current liabilities	(672,962)	-	(672,962)
	<u>514,734</u>	<u>362,464</u>	<u>877,198</u>
Goodwill			71,062
Total consideration satisfied by cash			609,428
Net cash outflow arising on acquisition:			
Cash consideration			609,428
Cash and cash equivalents acquired			<u>(136,119)</u>
Total consideration net of cash acquired			<u><u>473,309</u></u>

11. OTHER INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2005 and 2004:

	Trademarks and other intangible assets	Licensed software	Total
	<u>'000 RUB</u>	<u>'000 RUB</u>	<u>'000 RUB</u>
Cost			
At December 31, 2004	3,119	13,036	16,155
Additions	9,308	2,147	11,454
Disposals	(120)	-	(120)
Acquired on acquisition of subsidiary	342,602	-	342,602
At December 31, 2005	<u>354,909</u>	<u>15,183</u>	<u>370,091</u>
Amortization			
At December 31, 2004	761	2,833	3,593
Charge for the year	832	2,031	2,863
Disposals	(11)	-	(11)
At December 31, 2005	<u>1,582</u>	<u>4,864</u>	<u>6,445</u>
Carrying amount			
At December 31, 2004	<u>2,358</u>	<u>10,203</u>	<u>12,561</u>
At December 31, 2005	<u><u>353,327</u></u>	<u><u>10,319</u></u>	<u><u>363,646</u></u>

The useful life for Dr. Scheller trademarks is currently assessed as indefinite, and the carrying amount of trademarks is subject to annual impairment review.

12. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following at December 31, 2005 and 2004:

	CIP*	Land	Buildings	Machinery & Equipment	Fixtures & Fittings	Total
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 RUB
Cost						
At December 31, 2004	55,709	17,288	647,303	804,103	89,461	1,613,864
Additions to CIP	881,646	-	-	-	-	881,646
Transfers from CIP	(847,211)	-	320,858	442,830	83,523	-
Acquisition of subsidiary	-	-	839,565	1,156,725	4,786	2,001,076
Disposals	-	-	(4,184)	(258,838)	(6,404)	(269,426)
At December 31, 2005	<u>90,144</u>	<u>17,288</u>	<u>1,803,542</u>	<u>2,144,820</u>	<u>171,366</u>	<u>4,227,160</u>
Depreciation						
At December 31, 2004	-	-	180,158	531,896	49,430	761,484
Charge for the year	-	-	47,016	109,367	24,920	181,303
Acquisition of subsidiary	-	-	87,502	757,585	-	845,087
Disposals	-	-	(38,270)	(209,698)	(5,126)	(253,094)
At December 31, 2005	<u>-</u>	<u>-</u>	<u>276,406</u>	<u>1,189,150</u>	<u>69,224</u>	<u>1,534,780</u>
Net book value						
At December 31, 2004	<u>55,709</u>	<u>17,288</u>	<u>467,145</u>	<u>272,207</u>	<u>40,031</u>	<u>852,380</u>
At December 31, 2005	<u>90,144</u>	<u>17,288</u>	<u>1,527,136</u>	<u>955,670</u>	<u>102,142</u>	<u>2,692,380</u>

*CIP = Construction in progress

At December 31, 2005, property, plant and equipment with approximate carrying value of RUB 120.2 million was pledged to secure credit line facilities provided by the European Bank For Reconstruction and Development ("EBRD").

Borrowing costs of RUB 27.5 million attributable to the purchase of machinery and equipment were capitalised in 2005.

13. LONG TERM INVESTMENTS

Investments consisted of the following at December 31, 2005 and 2004:

	2005	2004
	'000 RUB	'000 RUB
Investments in LLC Kit-Capital (Russia) – 10.59% (2004: 12.17%)	69,158	79,420
Total	<u>69,158</u>	<u>79,420</u>

LLC KIT-Capital is a construction site development company. 1.57% of the shares were disposed of during the period January to March 2005.

14. INVENTORIES, NET

Inventories consisted of the following at December 31, 2005 and 2004:

	<u>2005</u> <u>'000 RUB</u>	<u>2004</u> <u>'000 RUB</u>
Raw materials	1,116,728	735,869
Work in progress	75,553	21,068
Finished goods	1,361,069	524,504
Allowance for obsolescence	(143,036)	(133,321)
Total	<u>2,410,314</u>	<u>1,148,120</u>

15. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivable (net) consisted of the following at December 31, 2005 and 2004:

	<u>2005</u> <u>'000 RUB</u>	<u>2004</u> <u>'000 RUB</u>
Accounts receivable – trade	1,247,042	489,991
Bad debt allowance	(121,706)	(123,144)
Total	<u>1,125,336</u>	<u>366,847</u>

16. TAXES RECOVERABLE AND PAYABLE

Current taxes recoverable consisted of the following at December 31, 2005 and 2004:

	<u>2005</u> <u>'000 RUB</u>	<u>2004</u> <u>'000 RUB</u>
Value Added Tax (“VAT”)	485,500	296,410
Allowance for non-recoverable VAT	(8,830)	-
Other taxes	39,327	19,218
Total	<u>515,997</u>	<u>315,628</u>

Taxes payable consisted of the following at December 31, 2005 and 2004:

	<u>2005</u> <u>'000 RUB</u>	<u>2004</u> <u>'000 RUB</u>
Income tax	-	1,768
Advertising tax	-	11,639
VAT	54,831	14,607
Provision for roads users tax	-	48,224
Other taxes	48,649	50,310
Total	<u>103,480</u>	<u>126,548</u>

17. ADVANCES TO SUPPLIERS AND PREPAID EXPENSES

Advances to suppliers, net, and prepaid expenses consisted of the following at December 31, 2005 and 2004:

	<u>2005</u> <u>'000 RUB</u>	<u>2004</u> <u>'000 RUB</u>
Advances to suppliers	389,642	481,208
Bad debt allowance	(72,266)	(37,975)
Prepaid expenses	6,588	2,964
Total	<u>323,964</u>	<u>446,197</u>

18. CASH

Cash consisted of the following at December 31, 2005 and 2004:

	<u>2005</u> <u>'000 RUB</u>	<u>2004</u> <u>'000 RUB</u>
Cash on hand – RUB	370	236
Cash in bank – RUB accounts	84,093	46,115
Cash in bank – USD accounts	23,092	5,969
Bank deposits – RUB accounts	-	-
Bank deposit – EUR accounts	-	1,032,228
Restricted cash – USD accounts	78,871	30,302
Other – EUR euro, UAH, UZS accounts	6,939	5,466
Total	<u>193,365</u>	<u>1,120,316</u>

The restricted cash is presented by the amounts reserved on Citibank accounts accordingly to loan agreement between the Company and European Bank for Reconstruction and Development for interest and principal debt repayments.

19. LONG-TERM LOANS

Long-term loans consisted of the following as of December 31, 2005 and 2004:

	<u>2005</u> <u>'000 RUB</u>	<u>2004</u> <u>'000 RUB</u>
EBRD loan (USD)	295,706	217,530
Baden-Wuerttembergische bank loan (EUR)	177,147	-
Long-term portion of financial lease liability (RUB)	35,894	1,009
Total long-term debt	<u>508,747</u>	<u>218,539</u>

In 2003, the Group entered into a long-term credit line agreement with the European Bank for Reconstruction and Development (EBRD). The total amount of credit line facilities to be provided under the contract is 20 mln. US dollars with an annual interest rate of LIBOR plus 4.75%. The facilities are collateralized by pledge of equipment (Note 12) and deposit in Citibank (Note 18) as of December 31, 2005.

The increase in financial lease liability is attributable to the acquisition of Dr Scheller. Future minimum lease payments due under non-cancellable leases at December 31, 2005 were as follows:

	<u>'000 RUB</u>
Financial lease commitments as lessee:	
Due within 12 months	34,269
Due after more than 12 months	35,894
Present value of minimum lease payments	<u>70,163</u>

20. RETIREMENT BENEFITS OBLIGATIONS

Employees of the Group in Russia, Ukraine and Uzbekistan are generally beneficiaries of state-administered defined contribution pension programs. The Group remits a required percentage of the aggregate employees' salaries to the statutory pension Funds.

In addition, a number of employees (291 as of December 31, 2005) of the Dr. Scheller subsidiary are enrolled in an unfunded defined benefit pension plan. The granting of a pension requires the fulfilment of a waiting period of 15 years of pensionable time of service.

Dr. Scheller utilizes actuarial methods to account for the pension plan. Inherent in the application of these actuarial methods are the following key assumptions:

Discount rate	4% per annum
Expected rate of salary increases	1.5% per annum
Pension increase	1.5% per annum

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2005 by Kern&Mauch Kollegen Gmh (the Firm of actuaries, registered in Germany). The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	<u>Year ended 2005 '000 RUB</u>
Current service cost	2,377
Interest cost	7,327

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	December 31, 2005 '000 RUB	December 31, 2004 '000 RUB
Present value of defined benefit obligations	181,105	-
Fair value of scheme assets	-	-
Deficit in scheme	181,105	-
Unrecognised loss	(7,411)	-
Liability recognized in the balance sheet	173,694	-

Movements in the present value of defined benefit obligations in the current period were as follows:

	2005 '000 RUB	2004 '000 RUB
Acquisition of Dr. Scheller	180,379	-
Service cost	1,835	-
Interest cost	9,035	-
Actuarial loss	8,901	-
Benefits paid	(9,330)	-
Effect of exchange rate movements	(9,716)	-

Other than the defined benefit scheme liability outlined above, the Group was not liable for any supplementary pensions, post retirement health care, insurance benefits, or retirement indemnities to its current or former employees, as at December 31, 2005 and 2004.

21. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses consisted of the following at December 31, 2005 and 2004:

	2005 '000 RUB	2004 '000 RUB
Accrued interest	21,244	9,931
Other payables	498,868	68,399
Total	520,112	78,330

22. SHORT-TERM LOANS

Outstanding short-term credit facilities of the Group as of December 31, 2005 and 2004 consisted of the following:

	<u>Annual Interest rate</u>	<u>2005 ‘000 RUB</u>	<u>2004 ‘000 RUB</u>
EBRD loan (USD)	LIBOR*+4.75%	147,853	83,080
Raiffeisenbank Austria loan (USD)	LIBOR+4%	428,000	50,001
Dresdner Bank Göppingen	EONIA**+0.75%	80,950	-
Deutsche Bank – Money market loan	3,85%	68,370	-
Other loans in RUB, USD, EUR, SUM, UAH	19-23%	93,906	-
Financial lease			
Current portions of liability on financial lease (RUB)	13%	34,269	7,305
Total		<u><u>1,280,348</u></u>	<u><u>140,386</u></u>

* LIBOR = London interbank offered rate

** EONIA = Euro Overnight Index Average.

23. SHARE CAPITAL

As of December 31, 2005 the Group had 9,752,311 authorised and issued ordinary shares at RUB 70 per share.

In April 2004 the Group issued 1,387,403 new common shares at a par value of RUB 70 per share. Shares were placed at RUB 525 against shareholders pre-emptive rights and RUB 550.62 per share through a public offering.

As of December 31, 2005 dividends for the second half of 2004 in the amount of RUB 83,968 thousand were declared and paid in full.

In 2005 interim dividends for the first 6 months were declared in the amount of RUB 60,270 thousand. The interim dividends per share were RUB 6.18 (USD 0.22).

As of December 31, 2005, the Company was owned 30% by Mr Goryaev (Chief Executive Officer of the Group), 12.93% by Deutsche Bank Trust Company Americas, USA, 6.58% by Skandinaviska Enskilda Banken AB, Sweden, 6.63% by State Street Bank and Trust Company, USA, 4.55% by The Bank of New York, USA, and 39.31% by other shareholders.

24. RELATED PARTY TRANSACTIONS

Trading transactions

The Group has one party related by means of common ownership– LLC “Soyuzspezstroy”.

Advances to related parties as of December 31, 2005 and 2004 were as follows:

	2005 '000 RUB	2004 '000 RUB
LLC “Soyuzspezstroy”	37,031	37,570
Total	37,031	37,570

Purchases from related parties for the years ended December 31, 2005 and 2004 were as follows:

	2005 '000 RUB	2004 '000 RUB
LLC “Soyuzspezstroy”		
Purchase of services	93,644	11,966
Total	93,644	11,966

Advance to LLC “Soyuzspecstroy” is the advance for building services.

Remuneration of key management personnel

	2005 '000 RUB	2004 '000 RUB
Short-term employee benefits	50,206	37,649
Total	50,206	37,649

25. SEGMENT REPORTING

2005 Primary

	<u>Cosmetics '000 RUB</u>	<u>Tooth-paste '000 RUB</u>	<u>Household chemical goods '000 RUB</u>	<u>Other '000 RUB</u>	<u>Consolidated '000 RUB</u>
Revenue					
External sales from continuing operations	5,533,272	1,065,378	716,431	835,454	8,150,535
Result					
Segment result from continuing operations	2,851,768	542,129	127,671	292,270	3,813,838
Unallocated corporate expense					<u>(2,908,280)</u>
Operating profit from continuing operations					905,558
Investment revenues					21,561
Other gains and losses					(44,500)
Finance costs					<u>(89,278)</u>
Profit before tax					793,341
Income taxes expense					<u>(85,704)</u>
Profit for the year from continuing operations					707,637
Segment result from discontinued operations					<u>(39,616)</u>
Profit					<u>668,021</u>
Other Information					
	<u>Cosmetics '000 RUB</u>	<u>Tooth-paste '000 RUB</u>	<u>Household chemical goods '000 RUB</u>	<u>Consolidated '000 RUB</u>	
Segment assets	1,673,439	279,611	88,785	2,041,836	
Unallocated corporate assets				650,544	
Consolidated total assets				<u>2,692,380</u>	
		<u>Cosmetics '000 RUB</u>	<u>Tooth-paste '000 RUB</u>	<u>Household chemical goods '000 RUB</u>	
Depreciation		8,119	16,215	5,960	

Secondary

'000 RUB	Sales Revenue by Geographical Market		Carrying Amount of Segment Assets	Additions to PPE and Intangible assets
	'000 RUB		'000 RUB	'000 RUB
CIS	6,138,115	CIS	1,395,718	795,382
Europe (primarily Germany)	1,787,507	Germany	1,296,662	87,035
Other (primarily USA and Mongolia)	224,913	Other	-	-
	8,150,535		2,692,380	882,417

RUB 5.8bn of CIS revenues were achieved in Russia.

2004

Primary

	Cosmetics '000 RUB	Tooth-paste '000 RUB	Household chemical goods '000 RUB	Other '000 RUB	Consolidated '000 RUB
Revenue					
External sales from continuing operations	3,669,744	775,426	722,495	69,971	5,237,636
Result					
Segment result from continuing operations	2,057,929	429,340	140,092	26,634	2,653,995
Unallocated corporate expense					(1,871,900)
Operating profit from continuing operations					782,095
Investment revenues					9,676
Other gains and losses					16,863
Finance costs					(3,368)
Profit before tax					805,266
Income taxes expense					(230,667)
Profit for the year from continuing operations					574,599
Segment result from discontinued operations					(44,399)
Profit					530,200

Other Information

	Cosmetics '000 RUB	Tooth-paste '000 RUB	Household chemical goods '000 RUB	Consolidated '000 RUB
Segment assets	529,793	88,522	28,109	646,424
Unallocated corporate assets				205,956
Consolidated total assets				852,380

	Cosmetics '000 RUB	Tooth-paste '000 RUB	Household chemical goods '000 RUB
Depreciation	7,654	8,414	8,464

Secondary

'000 RUB	Sales Revenue by Geographical Market 2005		Carrying Amount of Segment Assets '000 RUB	Additions to PPE and Intangible assets '000 RUB
CIS	5,154,544	CIS	852,380	369,684
Other (primarily USA and Mongolia)	83,092	Other	-	-
	5,237,636		852,380	369,684

RUB 4.1bn of CIS revenues were achieved in Russia.

26. EXPLANATION OF TRANSITIONS TO IFRSS

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under US GAAP were for the year ended December 31, 2004 and the date of transition to IFRS was therefore January 1, 2004.

Reconciliation of equity at December 31, 2004 (the end of the latest period presented under other GAAP):

Note	US GAAP	Effect of transition to IFRSs	IFRSs
Property, plant and equipment	821,207	31,173	852,380
Intangible Assets	15,103	(2,542)	12,561
Financial Assets	2,923	-	2,923
Total non-current assets	839,233	28,631	867,864
Trade and other receivables	366,847	-	366,847
Inventories	1,110,971	37,149	1,148,120
Other receivables	1,169,895	(81,780)	1,088,114
Cash and cash equivalents	1,120,316	-	1,120,316
Total current assets	3,768,029	(44,631)	3,723,398
Total assets	4,607,262	(16,000)	4,591,262
Interest bearing loan	350,611	-	350,611
Trade and other payables	937,458	23,444	960,902
Current tax liabilities	126,548	-	126,548
Deferred tax liabilities	55,719	-	55,719
Total liabilities	1,470,336	23,444	1,493,780
Total assets less total liabilities	3,136,926	(39,444)	3,097,482
Total equity	3,136,926	(39,444)	3,097,482

Property, plant and equipment – Property, plant and equipment purchased before December 31, 2002 when the Russian economy was considered to be hyperinflationary, were revalued in accordance with IAS 29 “Financial reporting in Hyperinflationary Economies”.

Inventory, other receivables, trade and other payables – Differences result from various reclassifications between these balance sheet groups, as required under IFRS. Differences are also accounted for by prior year errors, the net impact of which was to increase net assets by RUB 8,003 thousand.

Equity – A number of reclassifications were operated in reserves, in accordance with IFRS:

- Indexation of share capital up to 2005, in line with IAS29 “Financial reporting in Hyperinflationary Economies”;
- Transfers from capital reserves to retained earnings;
- Transfer from other accumulated comprehensive income to retained earnings.

Reconciliation of equity at January 1, 2004 (the date of transition to IFRS):

Note	US GAAP	Effect of transition to IFRSs	IFRSs
Property, plant and equipment	920,836	(90,227)	830,609
Intangible Assets	12,430	2,542	14,972
Financial Assets	28,070	-	28,070
Total non-current assets	961,336	(87,685)	873,651
Trade and other receivables	379,138	-	379,138
Inventories	1,066,960	-	1,066,960
Other receivables	958,214	-	958,214
Cash and cash equivalents	227,300	-	227,300
Total current assets	2,631,612	-	2,631,612
Total assets	3,592,948	(87,685)	3,505,263
Interest bearing loan	619,250	-	619,250
Trade and other payables	835,654	-	835,654
Current tax liabilities	122,266	-	122,266
Deferred tax liabilities	36,730	-	36,730
Total liabilities	1,613,900	-	1,613,900
Total assets less total liabilities	1,979,048	(87,685)	1,891,363
Total equity	1,979,048	(87,685)	1,891,363

Property, plant and equipment – Property, plant and equipment purchased before December 31, 2002 when the Russian economy was considered to be Hyperinflationary, were revalued in accordance with IAS 29 “Financial reporting in Hyperinflationary Economies”.

Equity – A number of reclassifications were operated in reserves, in accordance with IFRS:

- Indexation of share capital up to 2005, in line with IAS29 “Financial reporting in Hyperinflationary economies”;
- Transfers from capital reserves to retained earnings;
- Transfer from other accumulated comprehensive income to retained earnings.

Reconciliation of profit and loss for 2004:

Note	US GAAP	Effect of transition to IFRSs	IFRSs
Revenue	5,262,013	(24,377)	5,237,636
Cost of sales	(2,645,168)	61,527	(2,583,641)
Gross profit	2,616,845	37,149	2,653,995
Administrative expenses	(1,715,840)	(55,132)	(1,770,972)
Finance income	4,516	-	4,516
Finance cost	(3,368)	-	(3,368)
Other income and expenses	(100,506)	-	(100,506)
Foreign exchange movements	21,602	-	21,602
Profit before tax	823,249	(17,983)	805,266
Tax expenses	(230,181)	(486)	(230,667)
Net profit (loss)	593,068	(18,469)	574,599

The differences between Profit and Loss for 2004 under US GAAP and IFRS are the result of various reclassifications between these balance sheet groups, as required under IFRS, and the correction of prior year errors with a net impact of RUB 8,003 thousand. In addition, differences in depreciation charges result from changes in the valuation of fixed assets.

27. CONTINGENCIES AND OPERATING ENVIRONMENT

Operating environment – The Group’s principal business activities are within the Russian Federation, CIS, and Germany. Laws and regulations affecting businesses operating in the Russian Federation and CIS countries are subject to rapid changes and the Group’s assets and operations could be at risk due to negative changes in the political and business environment.

Litigation – Legal proceedings were launched by the company Nefis-Cosmetics against the Company. Nefis-Cosmetics is claiming that the Company has made unauthorised commercial use of the “Trimax” trademark, and are seeking compensation of RUB 74.5million as a result. No provisions were made by the Group in respect of this claim; management believe that such claims are without merit, and are unlikely to be successful under Russian law.

Taxation – Tax laws in Russia are subject to frequent changes and varying interpretations. Management’s interpretation of such legislation in applying it to business transactions of the Group may be challenged by the relevant regional and federal authorities enabled by law to impose fines and penalties. 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 the transactions that have not been challenged in the past may be challenged. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three calendar years preceding the year of tax review. Under certain circumstances reviews may cover longer periods. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group.

28. RISK MANAGEMENT POLICIES

Management of risk is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit risk exposures, market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

Credit risk – The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one customer, or groups of customers. In addition, the ageing of receivables is monitored periodically by Management.

Currency risk – Currency risk is that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group is exposed to currency risk in respect of its loans outstanding, which are denominated in several currencies.

Interest rate risk – The Group is exposed to some interest rate risk since some of its borrowings and bonds provide for variable interest calculations.