

**JOINT STOCK COMPANY  
“DOROGOBUZH”**

**International Financial Reporting Standards  
Condensed Consolidated Interim Financial  
Statements for 6 months ended  
30 June 2006**

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**Joint Stock Company Dorogobuzh**  
**Condensed Consolidated Interim Balance Sheet at 30 June 2006**  
*(in thousands of Russian Roubles, excluding per share data)*



	Note	30 June 2006	31 December 2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	2,868,086	2,453,823
Investment available for sale	11	2,643,960	2,548,887
Long-term loans receivable	9	57,500	57,500
<b>Total non-current assets</b>		<b>5,569,546</b>	<b>5,060,210</b>
<b>Current assets</b>			
Inventory		821,456	758,696
Other current assets, net		16,670	21,232
Short-term loans receivable	9	40,000	25,000
Accounts receivable		641,456	713,253
Cash and cash equivalents	8	250,291	347,032
<b>Total current assets</b>		<b>1,769,873</b>	<b>1,865,213</b>
<b>Total assets</b>		<b>7,339,419</b>	<b>6,925,423</b>
<b>EQUITY</b>			
<b>Share capital</b>			
Charter capital	13	1,735,359	1,735,359
Paid-in capital	13	93,794	93,794
Share revaluation reserve	13	1,983,302	1,910,258
Retained earnings		840,164	623,941
<b>Total Equity</b>		<b>4,652,619</b>	<b>4,363,352</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	12	54,158	100,739
Other long-term liabilities		59,160	59,160
Deferred tax liability		911,914	860,888
<b>Total non-current liabilities</b>		<b>1,025,232</b>	<b>1,020,787</b>
<b>Current liabilities</b>			
Accounts payable		318,860	259,554
Current income tax payable		300	9,057
Other taxes payable		51,455	100,963
Short-term borrowings	12	1,236,073	904,255
Advances received		54,880	267,455
<b>Total current liabilities</b>		<b>1,661,568</b>	<b>1,541,284</b>
<b>Total liabilities</b>		<b>2,686,800</b>	<b>2,562,071</b>
<b>Total liabilities and equity</b>		<b>7,339,419</b>	<b>6,925,423</b>

Approved for issue and signed on behalf of the Board of Directors on September 27, 2006.

\_\_\_\_\_  
I.N.Antonov  
President

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N.I.Sluzhenikina  
Chief Accountant

The accompanying notes on pages 6 to 16 are an integral part of the condensed consolidated interim financial statements.

**Joint Stock Company Dorogobuzh**  
**Condensed Consolidated Interim Income Statement**  
**for 6 months ended 30 June 2006**  
*(in thousands of Russian Roubles, excluding per share data)*



	Note	6 months of 2006
Revenue	6	2,872,143
Cost of sales		(1,834,991)
<b>Gross profit</b>		<b>1,037,152</b>
Transportation services		(142,398)
Sales, general and administrative expenses		(283,487)
Taxes other than income tax		(16,863)
Loss on disposal of property, plant and equipment, net		(5,665)
Other operating expenses		(32,958)
Gain on interest in other companies		42,331
Other expenses		(2,752)
Financial expenses		(58,755)
<b>Profit before taxation</b>		<b>536,605</b>
Income tax expense	14	(174,142)
<b>Profit for the year</b>		<b>362,463</b>
Weighted average number of ordinary shares outstanding in the accounting period		721,182,860
Weighted average number of privileged shares outstanding in the accounting period		154,256,400
<b>Earnings per ordinary share, basic and diluted (in Russian Roubles per share)</b>	15	0.41
<b>Earnings per privileged share, basic and diluted (in Russian Roubles per share)</b>	15	0.45

The accompanying notes on pages 6 to 16 are an integral part of the condensed consolidated interim financial statements.



	Note	6 months of 2006
<b>Cash flows from operation activities</b>		
Profit before taxation		536,605
Adjustments for:		
Depreciation of property, plant and equipment	10	91,113
Provision for / (reversal of) bad debts		(9,966)
(Reversal of) / increase in provision for partial write-down of inventory		2,126
Loss on disposal of property, plant and equipment		5,665
Financial expenses		58,755
Other income		(39,579)
<b>Operating cash flows before working capital changes</b>		<b>644,719</b>
(Increase) / decrease in trade receivables		81,763
Increase in inventories		(64,886)
(Decrease) / increase in payables		59,306
(Decrease) / increase in advances from customers		(212,575)
Decrease in other current assets		8,386
Increase in other current liabilities		(58,265)
<b>Cash generated from operations</b>		<b>458,448</b>
Income taxes paid		(168,831)
Interest paid		(54,718)
<b>Net cash generation from operating activities</b>		<b>234,899</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment		(512,322)
Sale of property, plant and equipment		1,281
Loans provided, net	9	(15,000)
Interest received		318
Dividends received		42,331
Purchase of investments		(1,765)
Sale of investments		475
<b>Net cash generated from / (used in) investing activities</b>		<b>(484,682)</b>
<b>Cash flows from financing activities</b>		
Dividends paid		(132,195)
Increase / (decrease) in short-term borrowings	12	331,818
Increase / (decrease) in long-term borrowings	12	(46,581)
<b>Net cash used in financing activities</b>		<b>153,042</b>
<b>Net increase in cash and cash equivalents</b>		<b>(96,741)</b>
<b>Cash and cash equivalents as of the beginning of the year</b>		<b>347,032</b>
<b>Cash and cash equivalents as of the end of the year</b>		<b>250,291</b>

**Joint Stock Company Dorogobuzh**  
**Condensed Consolidated Interim Statement of Changes in Shareholders' Equity**  
**for 6 months ended 30 June 2006**

*(in thousands of Russian Roubles, excluding per share data)*



	Note	Charter capital	Paid-in capital	Revaluation reserve	Retained earnings	Total shareholders' equity
<b>Balance as of 31 December 2005</b>		<b>1,735,359</b>	<b>93,794</b>	-	<b>2,534,199</b>	<b>4,363,352</b>
Reserve for revaluation of available-for-sale investments		-	-	1,910,258	(1,910,258)	-
<b>Adjusted as of 1 January 2006</b>		<b>1,735,359</b>	<b>93,794</b>	<b>1,910,258</b>	<b>623,941</b>	<b>4,363,352</b>
Profit for 6 months of 2006		-	-		362,463	362,463
Dividends		-	-		(146,240)	(146,240)
Revaluation of available for sale investments at fair value		-	-	73,044	-	73,044
<b>Balance as of 30 June 2006</b>		<b>1,735,359</b>	<b>93,794</b>	<b>1,983,302</b>	<b>840,164</b>	<b>4,652,619</b>

The accompanying notes on pages 6 to 16 are an integral part of the condensed consolidated interim financial statements.



## **1 Dorogobuzh Group and its operations**

The principal activities of Joint Stock Company “Dorogobuzh” (hereinafter referred to as the “Company” or “Dorogobuzh”) and its subsidiaries (together referred to as the “Group” or “Dorogobuzh Group”) include the manufacture, distribution and sales of chemical fertilizers and related by-products. The Group's manufacturing facilities are primarily based in the Smolenskaya oblast of Russia. Dorogobuzh was incorporated as a joint stock company on 27 July 1994. On that date the majority of assets and liabilities previously managed by the state were transferred to the Company. The transfer of assets and liabilities was made in accordance with Decree No. 721 on the privatization of state companies approved on 1 July 1992.

The Group's immediate major shareholders as of 30 June 2006 are Joint Stock Company “Acron” (hereinafter referred to as Parent company), ZAO “Nordic Rus Holding”, Refco Holdings Limited and ZAO “Granit”, holding 59.79%, 14.28%, 6.62% and 10.86% of voting share capital, respectively. The remaining 8.45% belong to shareholders each holding less than 5% of the Group's shares.

The Company's registered office is Verkhnedneprovsky Settlement, Dorogobuzh District, Smolensk Region, 215753, Russian Federation.

## **2 Basis of Financial Statements Preparation**

This condensed interim financial information for six months ended 30 June 2006 has been prepared in accordance with IAS 34 *Interim financial reporting*. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

## **3 Accounting Policies**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, as described in the annual financial statements for the year ended 31 December 2005.

## **4 Adoption of New or Revised Standards and Interpretations**

Listed below are new or amended standards or interpretations which are obligatory for the financial year ended 31 December 2006:

**IAS 19 (Amendment) – Employee Benefits (effective from 1 January 2006).** This amendment does not have any impact on the Group's statements.

**IAS 39 (Amendment) The Fair Value Option (effective from 1 January 2006).** The Group reclassified certain financial assets classified until 1 January 2006 as recordable at fair value through profit and loss into available for sale category.

**IAS 21 (Amendment) Net Investment in a Foreign Operation (effective from 1 January 2006).** This amendment does not have any effect on the Group's statements.

**IAS 39 (Amendment) Cash Flow Hedges of Forecast Intragroup Transactions (effective from 1 January 2006).** This amendment does not have any impact on the Group's statements.

**IAS 39 (Amendment) and IFRS 4 (Amendment) Financial Guarantee Contracts (effective from 1 January 2006).** These amendments do not have any impact on the Group's statements.

**IFRS 6 Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006).** This Standard does not have any impact on the Group's statements.



## **Adoption of New or Revised Standards and Interpretations (continued)**

**IFRIC 4 Determining whether an Arrangement Contains a Lease (effective from 1 January 2006).** The Group performed analysis of its contracts. Some of them are to be recorded as lease contracts in accordance with IAS 17 Leases. However, such lease contracts are operational lease contracts, and their reclassification does not have any impact on the expenses, disclosed in connection therewith.

**IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds (effective from 1 January 2006).** This Interpretation does not have any impact on the Group's statements.

**IFRIC 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 January 2006).** This Interpretation does not have any impact on the Group's statements.

## **5 New Accounting Pronouncements**

Certain new standards, amendments and interpretations have been published that are not mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods and which the entity has not early adopted:

**IFRIC 7 Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006).** The management does not expect this interpretation to have any impact on the Group's statements.

**IFRIC 8 Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006).** The Group is in process of assessing the effect of IFRIC 8 on the disclosures in the Group's financial statements.

**IFRIC 9 Reassessment of Embedded Derivatives (effective for periods beginning on or after 1 June 2006).** This Interpretation is not relevant for the Group.

**IFRIC 10 Interim Financial Reporting and Impairment (effective for periods beginning on or after 1 November 2006).** The Group is in process of assessing the effect of IFRIC 10 on the disclosures in the Group's financial statements.

**IFRS 7 Financial Instruments: Disclosures and Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (effective for reporting years beginning on or after 1 January 2007).** The Group has assessed the impact of IFRS 7 and Amendment to IAS 1 and concluded that the key additional information to be disclosed relates to market risk sensitivity analysis and capital disclosures. The Group will start applying IFRS 7 and Amendment to IAS 1 from the accounting year beginning on 1 January 2007.

## **6 Segment Information**

The Group has one reportable segment, which is manufacturing and sale of chemical fertilizers which have similar risks and rewards. The Group evaluates performance and makes investment and strategic decisions based upon review of profitability for the Group as a whole. Its secondary reporting format is determined to be the geographical segments: Russia and CIS countries, and other counties.

Sales are based on the geographical area in which the customer is located. There are no sales or other transactions between the segments. Production and all assets and liabilities of the Group are located in the Russian Federation.





## 6 Segment Information (continued)

Revenue	6 months of 2006
Overseas	688,933
Russia and CIS countries	2,183,210
	<b>2,872,143</b>

Sales made in Russia are subject to seasonal fluctuations with peak sales of mineral fertilizers in the domestic market of the Russian Federation in spring months. There will be a greater share of mineral fertilizer export sales in the second half of the year.

The key buyers of the export goods during six months of 2006 were:

- Agronitrogen Logistics, Ltd - 47% of export sales;
- NPKHemical Trading, Inc - 17% of export sales.

The sales to the above entities are included in the overseas segment as risks and returns on them are similar to other overseas sales.

## 7 Balances and Transactions with Related Parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding as 30 June 2006 and 31 December 2005 is detailed below. Transactions were entered into with related parties during the ordinary course of business on normal commercial terms.

### i Balances with related parties:

Balance Sheet Caption	Note	Nature of relations	30 June 2006	31 December 2005
Trade receivables, gross		Parent Company	18,749	2,040
		Companies under common control	160,264	137,581
Provision for impairment of trade receivables		Companies under common control	(64,151)	(92,136)
Prepayments		Companies under common control	32,572	50,057
Loans issued	9	Companies under common control	97,500	67,500
Trade payables		Companies under common control	6,376	5,692
		Parent Company	155	109
		Companies under common control	15,343	12,687
Dividends payable to founders		Parent Company	64,309	53,180
		Companies under common control	2,178	2,702
Advances from customers		Companies under common control	2,178	2,702



## 7 Balances and Transactions with Related Parties (continued)

### ii Transactions with related parties:

Income Statement Caption	Note	Nature of relations	6 months of 2006
Revenue		Parent Company	21,952
		Companies under common control	838,383
Gains on interests in associates		Parent Company	42,101
Purchases		Parent Company	(19,595)
		Companies under common control	(10,419)
Transportations services		Companies under common control	(197,961)
Security services		Companies under common control	(33,620)
Caption of Statement of Changes in Shareholders' Equity	Note	Nature of relations	6 months of 2006
Accrued dividends		Parent Company	(69,049)
		Companies under common control	(16,474)

### iii Loans issued to Related Parties

As of 30 June 2006 and 31 December 2005 short-term loans denominated in Russian Roubles totalled RR 40,000 and RR 10,000, respectively, at interest rate of 10%. The loans are unsecured.

In six months of 2006, the Group accrued interest income of RR 4,418 thousand.

As of 30 June 2006 and 31 December 2005 long-term loan denominated in Russian Roubles totalled RR 57,500 at interest rate of 10.5%. The loan was unsecured.

## 8 Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	June 30, 2006	31 December 2005
RR denominated cash on hand and balances with banks	65,570	131,278
Foreign currency denominated balances with bank	184,721	215,754
	<b>250,291</b>	<b>347,032</b>

## 9 Loans Receivable

	30 June 2006	31 December 2005
<b>Short-term loans receivable</b>		
Loans issued to third parties	-	15,000
Loans issued to related parties (refer to Note 7)	40,000	10,000
	<b>40,000</b>	<b>25,000</b>

**Joint Stock Company Dorogobuzh**  
**Selected Notes to Condensed Consolidated Interim Financial Statements**  
**for 6 months ended 30 June 2006**

*(in thousands of Russian Roubles, excluding per share data)*



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**Long-term loans receivable**

Loans issued to related parties (refer to Note 7)	57,500	57,500
	<b>57,500</b>	<b>57,500</b>

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## 9 Loans Receivables (continued)

As of 30 June 2006 and 31 December 2005 short-term loans denominated in Russian Roubles totalled RR 40,000 and RR 25,000, respectively, at interest rate of 10%. The loans were unsecured.

In six months of 2006, the Group accrued interest income of RR 4,296.

As of 30 June 2006 and 31 December 2005 long-term loan denominated in Russian Roubles totalled RR 57,500 at interest rate of 10.5%. The loan was unsecured.

## 10 Property, Plant and Equipment

Property, plant and equipment and accumulated amortization comprise the following:

	Property, Plant and Equipment	Assets under Construction	Total
<b>Cost</b>			
Balance as of 1 January 2006	8,102,863	179,594	8,282,457
Additions	-	507,767	507,767
Transfers	39,022	(39,022)	-
Disposals	(35,765)	-	(35,765)
<b>Balance as of 30 June 2006</b>	<b>8,106,120</b>	<b>648,339</b>	<b>8,754,459</b>
<b>Accumulated Amortization</b>			
Balance as of 1 January 2006	5,828,634		5,828,634
Depreciation charge	91,113		91,113
Disposals	(33,374)		(33,374)
<b>Balance as of 30 June 2006</b>	<b>5,886,373</b>		<b>5,886,373</b>
<b>Net Book Value</b>			
Balance as of 1 January 2006	2,274,229	179,594	2,453,823
<b>Balance as of 30 June 2006</b>	<b>2,219,747</b>	<b>648,339</b>	<b>2,868,086</b>

## 11 Available-for-Sale Investments

	6 months of 2006
Balance as of 1 January 2006	2,548,887
Additions	-
Fair value gain	96,113
Disposals	(1,040)
<b>Balance as of 30 June 2006</b>	<b>2,643,960</b>

Investments previously classified as Investments at fair value through profit or loss were designated by the Group as available-for-sale investments in line with requirements of IAS 39 (revised) effective from 1 January 2006. These investments comprise principally equity securities, which are listed on the RTS but which are not actively traded and hence are not considered to be quoted in an active market in line with requirements of IAS 39. For these investments, fair value is estimated by using valuation techniques based on application guidance of IAS 39 (revised). Applied multipliers of enterprise value to sales and EBIT were 2.5 and 9.7 respectively. Applied discounts for lack of control and lack of marketability were 15% and 35% respectively. For other investments traded in active markets, fair value is determined by reference to the current market value at the close of business on the last date of the reporting period.



## 12 Borrowings

Borrowings consist of the following:

	30 June 2006	31 December 2005
Bonds issued	903,906	904,255
Borrowings	386,325	100,739
	<b>1,290,231</b>	<b>1,004,994</b>

In June 2005 the Group issued 900 thousand non-convertible three year Russian Rouble denominated bonds (at par value 1,000 roubles each) totalling 900 thousand Russian Roubles with semi-annual coupon payments of 9.9% per annum for the first, second and third coupons. Simultaneously with approving the starting date of the bonds offering, the Board of Directors approved the decision to redeem the bonds at the end of the third coupon period, which obliges the Group to ensure the bonds holders' rights to request the Group to redeem the bonds at the end of the third coupon period. Hence, the above bonds are disclosed in these financial statements as short-term bonds. The entire issue has been guaranteed by the parent company.

The Group's borrowings mature as follows:

	30 June 2006	31 December 2005
Borrowings due:		
- within 1 year	1,236,073	904,255
- between 1 and 5 years	54,158	100,739
	<b>1,290,231</b>	<b>1,004,994</b>

The Group's borrowings mature as follows:

	30 June 2006	31 December 2005
Borrowings denominated in		
- Russian Roubles	1,154,146	904,255
- US Dollars	136,085	100,739
	<b>1,290,231</b>	<b>1,004,994</b>

Interests rates effective as of the accounting date are summarized below:

<i>Per cent per annum</i>	30 June 2006		31 December 2005	
	Russian Roubles	US Dollars	Russian Roubles	US Dollars
Bonds	9.9%	-	9.9%	-
Loans	7%	7.5-9%	-	7.5%

The details of the significant short-term loan balances are summarized below (amounts denominated in US Dollars are presented in US Dollars):

Short-term loans from Sberbank-Moscow denominated in Russian Roubles totalled RR 250,000 as of 30 June 2006 (31 December 2005: RR Nil) at interest rate of 7%. The loan maturity is 2<sup>nd</sup> quarter of 2007.

Short-term loan from Commerzbank denominated in foreign currency totalled USD 3,000,000 as of 30 June 2006 (31 December 2005: USD Nil) at interest rates LIBOR+3.75%. The loan maturity period is 1<sup>st</sup> quarter of 2007.

The details of the significant long-term loan balances are summarized below (amounts denominated in US Dollars are presented in US Dollars):

Long-term loan from Moscow International Bank denominated in foreign currency totalled USD 2,000,000 as of 30 June 2006 (31 December 2005 – USD Nil) at interest rate LIBOR+2.75%-3.75%. The loan maturity is 2<sup>nd</sup> quarter of 2009.

**Joint Stock Company Dorogobuzh**  
**Selected Notes to Condensed Consolidated Interim Financial Statements**  
**for 6 months ended 30 June 2006**

(in thousands of Russian Roubles, excluding per share data)



The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

The carrying amounts of borrowings do not materially differ from their fair values.

### 13 Shareholders' Equity

The following table reflects the total number of outstanding shares:

	Ordinary shares			Privileged shares		
	Authorized paid shares	Shareholders' equity	Share premium	Authorized paid shares	Shareholder's equity	
Остаток на 31 декабря 2005 г.	721,182,860	1,379,569	93,794	154,256,400	355,790	
<b>Остаток на 30 июня 2006 г.</b>	<b>721,182,860</b>	<b>1,379,569</b>	<b>93,794</b>	<b>154,256,400</b>	<b>355,790</b>	

The Company's shares are divided into two classes: A class privileged shares and ordinary shares. Par value of shares of both classes is 0.25 Roubles per share. Company's Board of Directors is authorized to issue shares of both classes at its own discretion.

A-class privileged shares confer on their holders the right to participate in general shareholders' meeting without the voting right, as well as the right to receive annual dividends in the amount of at least 10% of the Company's net profit according to financial statements prepared in compliance with Russian accounting standards. In case of the Company's liquidation privileged shares shall have priority over ordinary shares; however, privileged shares do not confer the voting right, excluding in relation to resolutions regarding the Company's reorganization and liquidation, revision of the amount of dividend payable on privileged shares, as well as the additional issue of privileged shares. Privileged shares do not confer on their holders the right to request the shares redemption or their conversion. The shareholders' equity is reflected as the total of initial contributions, adjusted for the inflation rate for the period from the privatization date until 31 December 2002.

Russian legislation identifies the basis of distribution as the net profit for the respective year. For six months of 2006, the current year net statutory profit for the Company as reported in the published annual statutory reporting forms was RR 423,576. However, this legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable reserves in these financial statements.

In May 2006 dividends for year 2006 were declared on ordinary and privileged shares in the amount of RR 0.55 per ordinary share and RR 0.69 per privileged share (2005: dividend for year 2004 in the amount of RR 0.18 per ordinary share and RR 0.23 per privileged share).

### 14 Income taxes

	6 months of 2006
Income tax expense – current	146,245
Deferred tax charge/(credit) – origination and reversal of temporary differences	27,897
<b>Income tax charge</b>	<b>174,142</b>

Profit before taxation for financial reporting purposes is reconciled to tax expense / (credit) as follows:

	6 months of 2006
<b>Profit before taxation</b>	536,605
Theoretical tax charge at statutory rate of 24%	128,785
Tax effect of items which are not deductible or assessable for taxation purposes:	
Income not taxable	(10,159)

**Joint Stock Company Dorogobuzh**  
**Selected Notes to Condensed Consolidated Interim Financial Statements**  
**for 6 months ended 30 June 2006**

(in thousands of Russian Roubles, excluding per share data)



Other non-deductible expenses 55,516

**Income tax charge 174,142**

In the first half of year 2006 the rate of 24% applied to the taxable profit of the Group companies. Deferred tax assets/liabilities as of 30 June 2006 are calculated at the rate of 24%. Net effect of the changes in the balance of deferred taxes as of 30 June 2006 is reflected in the Income Statement for six months ended 30 June 2006.

	31 December 2005	Differences recognition and decrease	31 December 2005
<b>Tax effect of taxable temporary differences</b>			
Plant, property and equipment	331,922	41,810	373,732
Investments	594,786	(10,367)	584,419
Inventories	6,866	266	7,132
Other temporary differences	2,477	(2,332)	145
<b>Tax effect of deductible temporary differences</b>			
Accounts receivable	(44,381)	14,891	(29,490)
Accounts payable	(16,584)	6,758	(9,826)
Employee benefit obligation	(14,198)	-	(14,198)
<b>Total net deferred tax liabilities</b>	<b>860,888</b>	<b>51,026</b>	<b>911,914</b>
Including:			
Long-term deferred tax liabilities	912,510		943,953
Long-term deferred tax assets	(51,622)		(32,039)

The main deferred tax liabilities reflected in the table above are expected to be realized in the period exceeding 12 months after the accounting date.

## 15 Earnings per share

Earnings per share are calculated by dividing net profit attributable to equity holders of the Company by the weighted average number of ordinary and privileged shares outstanding during the accounting year, excluding weighted average number of ordinary or privileged treasury shares

	6 months of 2006
Weighted average number of ordinary shares outstanding	721,182,860
Weighted average number of privileged shares outstanding	154,256,400
Dividends on ordinary shares	115,390
Dividends on privileged shares	30,851
<b>Total dividends</b>	<b>146,241</b>
Profit attributable to ordinary share holders	293,513
Profit attributable to privileged share holders	68,950
<b>Profit per year</b>	<b>362,463</b>
<b>Basic and diluted profit per ordinary share (in Russian Roubles)</b>	<b>0.41</b>
<b>Basic and diluted profit per privileged share (in Russian Roubles)</b>	<b>0.45</b>

## 16 Significant Non-Cash Transactions

**Joint Stock Company Dorogobuzh**  
**Selected Notes to Condensed Consolidated Interim Financial Statements**  
**for 6 months ended 30 June 2006**

*(in thousands of Russian Roubles, excluding per share data)*

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Included in sales for 6 months of year 2006 are non-cash transactions amounting to RR 36,816. The transactions represent cancellation of mutual balances with customers and suppliers within the operating cycle. Non-cash transactions were excluded from the consolidated statements of cash flows.