

APPROVED
by the Board of Directors of Open Joint-Stock Company Concern "KALINA"
Minutes No. 20 dd. May 11, 2005

QUARTERLY REPORT

Open Joint-Stock Company Concern "KALINA"

Issuer's code

3 0 3 0 6 - D

for the 1st quarter of year 2005

*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: May 11, 2005

Issuer's chief accountant

_____ T.G. Babina
Signature
L.S.

Date: May 11, 2005

Contact person: **Dmitry A. Argunov, head of the corporate finance department**

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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*](mailto:cfininet@kalina.org)

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

[*www.kalina.org*](http://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: *Jan Dewijngaert*

Born: *1959*

Name, Patronymic, Surname: *Alexander Yurievich Petrov*

Born: *1973*

Name, Patronymic, Surname: *Nikolai Arkadievich Geller*

Born: *1966*

Name, Patronymic, Surname: *Casper Heijsteeg*

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.

№	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	40702810400100010698	settlement	30101810300000000780 BIK 046577780
2			40702840300120009908	current	
3			40702978700100009908	current	
4			40819978900001309908	special R2	
5			40702840000129009908	transit	
6			40702978400109009908	transit	
7	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
8			40702978300700573095	current	
9			40702810600700573028	settlement	
10			40702840900700573125	current	
11			40702840400700573052	transit	
12			40702978500700537109	transit	
13			42102840203700573051	deposit	
14			42102840503700573078	deposit	
15			42102840703700573108	deposit	
16			40819840500001300801	special R2	
17			40819978800001312801	special R2	
18	Close Joint-Stock Company "Raiffeisenbank Austria" CJSC "Raiffeisenbank Austria" INN 7744000302	17/1, Troitskaya St., Moscow, Russia	40702810900001401011	settlement	correspondent account 30101810200000000700 BIK 044525700
19			40702810200002401011	settlement	
20			40702840500002401011	current	
21			40702978800001401011	current	
22			40702840200001401011	current	
23			40702840800003401011	transit	
24			40702978500000401011	transit	
25			40702840900000401011	transit	
26			42104840500000343094	deposit	
27	Open Joint-Stock Company "Deutsche Bank" OJSC "Deutsche Bank" BLZ 5000700010	4, Schepkina St., Moscow, Russia	40702810700000000230	settlement	correspondent account 30101810100000000101 BIK 044525101
28			40702840300000000406	current	
29			40702978400000000223	current	
30			40702840200000000409	transit	
31			40702978700000000224	transit	
32			42102978000011004407	deposit	
33			40819978200001300002	special P2	
34	Close Joint-Stock Company Nonbank Commercial Organization "Ural Clearing House" CJSC Nonbank Commercial Organization "Ural Clearing House" INN 6659027340	32, Tekhnicheskaya St., Ekaterinburg, Russia	30214810800000001594	account of payments participant	correspondent account 30103810800000000301 BIK 046577301
35			30218810000000001594	clearing account	
36	Close Joint-Stock Company "International Moscow Bank" CJSC "IMB" INN 7710030411	9, Prechistenskaya emb., Moscow, Russia	40702810900010251781	settlement	correspondent account 30101103000000000545 BIK 044525545
37	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
38	Close Joint-Stock Company "Moscow International Trade Bank" CJSC "Moscow International Trade Bank"	40, Butlerova St., Moscow, Russia	40702810600080000174	settlement	
39	Open Joint-Stock Company Joint-Stock Commercial Bank "SBS-Agro" OJSC JSCB "SBS-Agro"	20, bldn. 2, Derbenevskaya St., Moscow, Moscow, Russia	40702810800190000746	settlement	correspondent account 30101810200000000056 BIK 044525056
40	Commercial Bank "National Credit Partnership" CB "National Credit Partnership" INN 7725009490	7-1, 2 nd kozhevnikhesky av., Moscow, Russia	40702810700000000251	settlement	correspondent account 30101810800000000353 BIK 044585353
41	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
42	Open Joint-Stock Company Commercial	42 # 21b, 5 th	40702840100000001457	current	correspondent account

43	Bank First City Bank / OJSC CB First City Bank	Donskoy pass., Moscow, Russia	4070281080000001457	settlement	30101810400000000739 BIK 044552739
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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, 2000, 2001, 2002, 2003, 2004.***

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 companies performing production activities;

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***

Telephone: ***+7 (095) 737-86-30***

Fax: ***+7 (095) 737-86-32***

INN: ***7706024711***

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 said 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 said 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	2000	2001	2002	2003	2004	1st qr. 2005
Net asset value of JSC Concern "KALINA", in RUR	853,579,000	1,592,849,000	2,017,624,000	2,552,487,000	3,781,991,000	4,018,330,000
Ratio of attracted funds to capital and reserves, % *	147.3	72.0	79.3	43.6	28.03	31.5
Ratio of short-term liabilities to capital and reserves, % *	147.3	71.7	51.8	20.6	19.68	23.01
Cover of payments for servicing loans, times *	0.4	0.2	0.3	1.1	0.7	1.0
Percentage of debts overdue, %*	4.5	-	-	-	-	-
Net assets turnover, times *	3.8	2.3	1.9	1.8	1.4	1.6
Payable turnover, times *	2.6	2.2	2.2	5.0	3.8	3.3
Receivable turnover, times *	3.9	3.7	2.6	3.5	4.1	3.9
Part of the income tax in the income before taxation, % *	37.9	26.7	26.5	22.9	25.4	26.5

** Turnover indexes for 2005 are equaled to yearly values in accordance with the following system:*

income statement for the 1st quarter of 2005 was equaled to yearly values based on actual proportion of indexes for 3 months of 2004 and full year 2004.

Data of the balance sheet for the 1st quarter of 2005 were taken without changes.

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.

Description of the method(s) of defining market capitalization of JSC Concern "KALINA".

As of the end of 2004, Company market capitalization was 4,657,266,110 RUR.

As of the end of the 1st quarter of 2005, market capitalization is 6,826,617,700 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 1st quarter of 2005.

Year	2000	2001	2002	2003	1st qr. 2004	2004	1st qr. 2005
Amount of accounts payable, in RUR	1,257,647,000	1,147,431,000	1,380,823,000	1,085,891,000	607,180,000	693,438,000	754,096,000
Amount of accounts payable overdue	113,221,000	0	0	0	0	0	0

The said accounts overdue as of the end of 2000 are debts to suppliers and contractors. They occurred in the course of trade relations with individual counteragents and were cleared within the periods agreed by the parties.

Description of the Accounts Payable As of March 1, 2004	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
Short-term and long-term liabilities, in RUR	197,998,160	241,615,242	38,970,200	467,642,400		319,415,000
Total accounts payable, in RUR	168,679,360	189,040,790	30,490,450	365,885,400	-	-
Including:	-	-	-	-	-	-
To suppliers and contractors, in RUR	24,392,360	189,040,790	30,490,450	365,885,400	-	-
Promissory notes payable, in RUR						-
To affiliated persons of the Issuer, in RUR	-	-	-	-	-	-
In remuneration of labor, in RUR	35,143,000	-	-	-	-	-
Debts to the budget and off-budget funds, in RUR	101,937,000					
Other accounts payable, in RUR	7,207,000				-	-
Total credits, in RUR	-	-	-	-	-	319,415,000
Total loans, in RUR Including:	6,783,800	52,574,450	8,479,750	101,757,000	-	-
Bonded debts, in RUR	-	-	-	-	-	-
Other liabilities, in RUR	22,535,000	-	-	-	-	-

As of April 1, 2005

Accounts payable overdue, total, in RUR	-
Including: to the budget and off-budget funds, in RUR	-
Overdue debts on credits, in RUR	-
Overdue debts on loans, in 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 last five fiscal years that ended and for the last reporting period that ended are registered.

At present, there is a below-described situation with payments to the budget and off-budget funds:

In addition to the amount of the restructured debt to the budget specified in the Company financial statements prepared in accordance with the Russian accounting standards as of March 31, 2004; the Company registered restructuring of fines and penalties for taxes and levies. According to the debt repayment schedules under restructuring agreement, the total amount of the outstanding debt on fines and penalties as of March 31, 2004 was 94 mln. RUR. According to the Resolution of the Russian Government No. 1002 dd. September 3, 1999, if the Company follows the restructuring schedule of the principal debt and its repayment within four years, the debt on fines and penalties shall be removed. The Company is consistent with and follows the repayment schedule of the restructured debt. According to the approach approved at the enterprise, fines and penalties to be paid to the tax authorities are charged when they are transferred. Accordingly, accrued penalties and fines are not included into the Company financial statements and, in the Company leaders' considered opinion, will be removed after repayment of the principal debt.

As of January 17, 2005, restructured penalties and fines in the amount of 85 mln. RUR were removed.

As of April 1, 2005, the debts on restructured payments total 4,505 ths. RUR, the amount of restructured penalties on them equals 25,442 ths. RUR.

No other obligations not fulfilled by JSC Concern "KALINA" as of the expiry date of the reporting period that ended, with their amount totaling 5 or more percent of the carrying value of JSC Concern "KALINA" assets as of the date of the last reporting quarter 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.

Provision	Amount in RUR
Pledge of finished products under the Loan agreement with CJSC "Raiffeisenbank Austria"	90,485,560.11
Pledge of finished products under the Loan agreement with CJSC «International Moscow Bank»	175,000,000.00
Chattel mortgage under the Loan agreement with European Bank for Reconstruction and Development	95,718,539.46

2.3.4. Other Liabilities of JSC Concern "KALINA"

On December 19, 2002, JSC Concern "KALINA" and European Bank for Reconstruction and Development have concluded a Loan agreement. The total amount of credit line facilities to be provided under the agreement is 20 mln. US dollars up to year 2008. By now, the Company received 13.5 mln. US dollars under the loan agreement. If the Company takes the rest 6.5 mln. US dollars stipulated by the Loan agreement, Company liabilities will grow by this amount and interest payments will increase.

The Company aspiration to have a wide range of sources of finance and obtain long-term funds at low interest rate to finance long-term investments and its current demands in the floating capital accounts for conclusion of the said loan agreement.

If the Company does not use the money to be provided under the loan agreement, it could sustain losses in the amount up to 0.5 % of the unused sum of the loan annually.

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 1st quarter of 2005, no Company securities issue is in the process of placement. In the 2nd 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:

more than 65 % of the attracted funds are planned to be invested 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;

about 20 % of the funds will be allocated to expansion and increase of Company products distribution in the CIS markets;

15 % of funds will be invested in expansion and upgrading of the 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 available. 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 80 % 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 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 80 % of the JSC Concern "KALINA" total volume of production is sold within the territory of the Russian Federation. Although more than 60 % 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 Russian 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 %. 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 recognizability 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. Additionally, each region may impose sales tax in the amount up to 5 % of the volume of goods and services purchased by individuals.

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 on January 1, 2002, dividends within Russia are taxable at 6 %, 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 lose 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 2005-2008 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.

100 % of the Company products are manufactured at the Russian factories, in 2004 fiscal year, about 79 % 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 late December 2004, Russian regulation bodies had several applications for approval of 69 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 Концепт "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-Type 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:
13 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", men's series "Ultimatum", 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 2004 was 183 mln. US dollars (according of US GAAP standards). Net profit of the Company for 2003 totaled the amount of 10.79 mln. US dollars. Further growth of sales is planned for 2005.

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, Moscow International Bank, "Severnaya Kazna" bank and Uralvneshstorgbank as well as bonds issues for the total amount of about 17 mln. US dollars.

Level of Company corporate management increased a lot when European Bank for Reconstruction and Development became a Company shareholder, with two representatives becoming members of the Company Board of Directors. At present, the Company Board of Directors includes four executive members including two independent directors. An independent director is the 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 yearly.

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 Market (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.

*In the 1st quarter 2005, JSC Concern "KALINA" acquired more than 30 % 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 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.*

**** In April 2005, the Company increased its share in Dr. Scheller Cosmetics AG to 59.3 %.*

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

Fax: +7 (343) 262 22 32

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.

Profits from principal economic activity of the Company, in ths. RUR	2000	2001	2002	2003	2004	1 st qr. 2005
Production of perfumery and cosmetic products	3,225,720	3,632,903	3,909,195	4,845,444	5,196,060	1,649,097
Profits growth rates, in %	54.4	12.6	7.6	23.9	7.2	-

Changes in the amount of JSC Concern "KALINA" profits from principal economic activity by 10 and more percent in comparison with the previous reporting period and reasons for such changes:

In 1999, Company volume of sales increased in comparison with 1998 by 338.6 %. It is connected, first of all, with considerable weakening of competition in the market because of withdrawal of multinational corporations after the crisis of 1998. It should be noted that the Company was able to use that market situation to full extent and equipped the potential accumulated in 1996-1998 to get a competitive advantage. High quality of products, well adjusted internal business processes, wide coverage of distribution network became a base for further Company development. In 2000, the Company continued to receive dividends from high competitive situation in the market and increased its sales by 54.4 % in comparison with 1999. The Company fortified its positions in Russia and launched its products to CIS markets where distribution network was created by analogy with internal Russian network. The policy of concentration on strong brands with high marginal profitability was continued. In 2001, sales growth by 12.6 % in comparison with 2000 was provided by active launch of novelties, increase of advertising efforts and further increase of distribution network effectiveness. In 2003, sales growth by 23.9 % is connected with expansion of dealers' network including in CIS countries, increase of advertising expenses, 80 % of which is TV advertising including sponsorship of TV programs. The same factors and increase of brands' share in sales helped sales growth by 7.2 % in 2004.

Analysis of JSC Concern "KALINA" profits changes in the current reporting period in comparison with the previous reporting period.

	2003	2004	4 th qr. 2004	1 st qr. 2005
Proceeds from sale, in ths. RUR	4,845,444	5,196,060	1,436,219	1,649,097
Change, in ths. RUR	-	-	-	-
%	-	7.2	-	14.8

Growth of Company sales volume in the 1st quarter 2005 in comparison with the 4th quarter 2004 was due to considerable improvement of Company products distribution, effective advertising campaign of winter 2004-2005 (connected both with general increase of advertising expenses and with increase of effectiveness of advertising itself).

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 last five fiscal years that ended is given below:

No.	Year 1999	Volume of output, in pieces	Average annual price for products, in RUR	Volume of proceeds from sale of products (works, services), in ths. RUR	Share in the total volume of proceeds, %	Respective price index, %
1	2	3	4	5	6	7
1	Skin care	124,031,737	6.14	695,606.00	34.30	153.9
2	Perfumery	11,264,146	17.89	188,233.00	9.28	106.3
3	Hair care	23,457,693	10.84	266,173.00	13.13	138.4
4	Oral care	87,718,755	3.29	266,665.00	13.15	130.6
5	Detergents and soap	144,566,073	3.40	453,714.00	22.38	108.3
6	Other	24,600,623	7.39	157,341.00	7.76	459.0
	Total	415,639,027	5.31	2,027,732.00	100.00	130.4

No.	Year 2000	Volume of output, in pieces	Average annual price for products, in RUR	Volume of proceeds from sale of products (works, services), in ths. RUR	Share in the total volume of proceeds, %	Respective price index, %
1	2	3	4	5	6	7
1	Skin care	150,518,607	7.89	1,145,740.00	36.24	128.5
2	Perfumery	11,736,123	20.30	292,066.00	9.24	113.5
3	Hair care	26,854,795	13.17	299,473.00	9.47	121.5
4	Oral care	115,647,205	5.11	519,886.00	16.44	155.3
5	Detergents	167,712,000	3.67	571,015.00	18.06	107.9
6	Hygiene products	941,718	35.53	38,820.00	1.23	-
7	Other	21,257,121	9.84	294,895.00	9.33	133.2
	Total	494,667,569	6.71	3,161,895.00	100.00	126.4

No.	Year 2001	Volume of output, in pieces	Average annual price for products, in RUR	Volume of proceeds from sale of products (works, services), in ths. RUR	Share in the total volume of proceeds, %	Respective price index, %
1	2	3	4	5	6	7
1	Skin care	144,394,427	9.83	1,329,360.00	37.17	124.6
2	Perfumery	10,014,800	23.76	257,939.00	7.21	117.0
3	Hair care	15,959,476	14.17	257,724.00	7.21	107.6
4	Oral care	104,881,335	6.40	682,918.00	19.09	125.3

5	Detergents	188,684,733	3.76	627,078.00	17.53	102.5
6	Hygiene products	383,056	43.10	17,337.00	0.48	121.3
7	Other	33,366,231	13.39	404,456.00	11.31	136.1
	Total	497,684,058	7.62	3,576,812.00	100.00	113.5

No.	Year 2002	Volume of output, in pieces	Average annual price for products, in RUR	Volume of proceeds from sale of products (works, services), in ths. RUR	Share in the total volume of proceeds, %	Respective price index, %
1	2	3	4	5	6	7
1	Perfumery	6,385,765	32.33	195,292.20	5.01	136.1
2	Skin care	137,574,014	12.23	1,609,735.20	41.27	124.4
3	Hair care	15,493,641	15.50	248,900.60	6.38	109.4
4	Oral care	96,126,852	7.47	699,753.80	17.94	116.7
5	Detergents and soap	154,786,246	3.82	621,476.40	15.93	101.6
6	Household chemicals	9,033,812	8.58	74,945.20	1.92	-
7	Men's grooming products	8,748,411	11.15	88,151.80	2.26	-
8	Other	20,218,399	16.15	362,326.00	9.29	120.6
	Total	448,367,140	8.69	3,900,581.20	100.00	114.0

No.	Year 2003	Volume of output, in pieces	Average annual price for products, in RUR	Volume of proceeds from sale of products (works, services), in ths. RUR	Share in the total volume of proceeds, %	Respective price index, %
1	2	3	4	5	6	7
1	Skin care	151,719,992	14.25	2,162,120	41.49	116.52
2	Perfumery	3,103,676	43.26	134,257	2.58	133.81
3	Hair care	25,177,963	19.75	497,343	9.54	127.42
4	Oral care	92,909,172	8.93	830,028	15.93	119.54
5	Detergents and soap	205,518,895	4.00	822,465	15.78	104.71
6	Household chemicals	10,944,351	9.80	107,247	2.06	114.22
7	Men's grooming products	13,119,690	15.30	200,789	3.85	137.22
8	Other	19,727,822	11.71	457,553	8.78	72.51
	Total	522,221,563	9.98	5,211,800	100.00	114.84

No.	Year 2004	Volume of output, in pieces	Average annual price for products, in RUR	Volume of proceeds from sale of products (works, services), in ths. RUR	Share in the total volume of proceeds, %	Respective price index, %
1	2	3	4	5	6	7
1	Skin care	158,552,337	15.98	2,533,059,016	67.76	112.1
2	Perfumery	3,391,818	36.48	123,744,253.46	2.24	84.3
3	Hair care	31,587,136	19.77	624,567,918.62	11.42	100.1
4	Oral care	75,848,559	10.47	794,510,420.55	12.16	117.2
5	Detergents and soap	149,342,458	4.14	617,574,411.02	-2.22	103.5
6	Household chemicals	8,978,518	9.74	87,438,754.35	1.21	100.6
7	Men's grooming products	11,688,722	13.66	159,698,153.59	4.69	112.0

8	Other (+ production under contracts)	27,846,276	13.63	379417127.8	2.73	116.7
	Total	467,235,824	11.39	5,320,010,055.70	100.00	114.1

No.	1 st qr. 2005	Volume of output, in pieces	Average annual price for products, in RUR	Volume of proceeds from sale of products (works, services), in ths. RUR	Share in the total volume of proceeds, %	Respective price index, %
1	2	3	4	5	6	7
1	Skin care	49,572,365	17.55	869,772,506.29	51.81	109.82
2	Perfumery	988,708	46.86	46,327,806.46	2.76	128.45
3	Hair care	9,068,296	20.33	184,329,470.37	10.98	102.83
4	Oral care	16,400,552	11.30	185,305,919.46	11.04	107.92
5	Detergents and soap	34,285,180	4.13	141,479,180.62	8.43	99.75
6	Household chemicals	2,012,238	10.00	20,124,369.65	1.20	102.67
7	Men's grooming products	3,613,019	16.35	59,076,919.36	3.52	119.69
8	Other (+ production under contracts)	6,509,145	26.46	172,263,340.02	10.26	194.13
	Total	122,449,502	13.71	1,678,679,512.24	100.00	120.37

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:

	1999	2000	2001	2002	2003	2004	1 st qr. 2005
Skin care	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
including dealers	64.0 %	71.0 %	87.0 %	82.0 %	83.0 %	90.0 %	98.2 %
wholesale customers	35.4 %	28.2 %	12.0 %	16.5 %	15.9 %	9.3 %	1.2 %
Own trading network	0.6 %	0.8 %	1.0 %	1.5 %	1.1 %	0.7 %	0.6 %
Oral care	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
including dealers	64.0 %	71.0 %	87.0 %	82.0 %	83.0 %	90.0 %	98.2 %
wholesale customers	35.4 %	28.2 %	12.0 %	16.5 %	15.9 %	9.3 %	1.2 %
trading network	0.6 %	0.8 %	1.0 %	1.5 %	1.1 %	0.7 %	0.6 %
Hair care	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
including dealers	64.0 %	71.0 %	87.0 %	82.0 %	83.0 %	95.5 %	98.2 %
wholesale customers	35.4 %	28.2 %	12.0 %	16.5 %	15.9 %	4 %	1.2 %
trading network	0.6 %	0.8 %	1.0 %	1.5 %	1.1 %	0.5 %	0.6 %
Perfumery	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
including dealers	64.0 %	71.0 %	87.0 %	82.0 %	83.0 %	90.0 %	98.2 %
wholesale customers	9.0 %	5.8 %	6.6 %	8.7 %	24.2 %	9.3 %	1.2 %
trading network	0.6 %	0.8 %	1.0 %	1.5 %	1.1 %	0.7 %	0.6 %
Detergents	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
including dealers	0.0 %	0.0 %	71.0 %	93.0 %	88.0 %	90.0 %	98.2 %
wholesale customers	99.4 %	99.2 %	28.0 %	5.5 %	10.9 %	9.3 %	1.2 %
trading network	0.6 %	0.8 %	1.0 %	1.5 %	1.1 %	0.7 %	0.6 %
Men's grooming products	-	-	-	100.0 %	100.0 %	100.0 %	100.0 %
including dealers	-	-	-	82.0 %	83.0 %	95.5 %	98.2 %
wholesale customers	-	-	-	16.5 %	15.9 %	4 %	1.2 %
trading network	-	-	-	1.5 %	1.1 %	0.5 %	0.6 %
Household chemicals	-	-	-	100.0 %	100.0 %	100.0 %	100.0 %
including dealers	-	-	-	82.0 %	83.0 %	90.0 %	98.2 %
wholesale customers	-	-	-	16.5 %	15.9 %	9.3 %	1.2 %
trading network	-	-	-	1.5 %	1.1 %	0.7 %	0.6 %
Hygiene products	-	100.0 %	100.0 %	-	-	100.0 %	100.0 %
including dealers	-	71.0 %	87.0 %	-	-	90.0 %	98.2 %
wholesale customers	-	28.2 %	12.0 %	-	-	9.3 %	1.2 %
trading network	-	0.8 %	1.0 %	-	-	0.7 %	0.6 %

Other	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100 %	100.0 %
including dealers	64.0 %	71.0 %	87.0 %	82.0 %	83.0 %	90.0 %	98.2 %
wholesale customers	35.4 %	28.2 %	12.0 %	16.5 %	15.9 %	9.3 %	1.2 %
trading network	0.6 %	0.8 %	1.0 %	1.5 %	1.1 %	0.7 %	0.6 %
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
including dealers	49.7 %	58.2 %	84.2 %	83.8 %	83.8 %	90.0 %	98.2 %
wholesale customers	47.2 %	38.9 %	14.4 %	14.4 %	15.4 %	9.3 %	1.2 %
trading network	0.6 %	0.8 %	1.0 %	1.5 %	1.1 %	0.7 %	0.6 %

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 2004

No.	Supplier	Amount	Share in Supplies
1	OJSC Gammakhim	135,385,524.2	12.98
2	OJSC Sredneural'sk Copper Smeltery	33,290,905	3.19
3	Rokett	33,186,021.54	3.18
4	Cognis Deutschland	20,289,527.84	1.95
5	Symrise	20,077,293.81	1.93
6	Huber	19,522,223.29	1.87
7	Alyanskhimtrade Ltd.	16,744,111.99	1.61
8	PE Kirishineftetorgsintez Ltd.	16,577,344.42	1.59
9	FSUE Moscow Experimental Plant of Fragrance Compounds	13,842,398.1	1.33
10	Incotrade Ltd.	13,825,816.2	1.33

1st quarter 2005

No.	Supplier	Volume of Supplies, in RUR	Share in The total Volume
1	OJSC Gammakhim	62,070,855.36	20.09
2	CJSC Khimtek	9,728,995.68	3.15
3	OJSC Vyazma Plant of Synthetic Products	8,581,592.39	2.78
4	Huber	8,272,619.69	2.68
5	OJSC Sredneural'sk Copper Smeltery	7,524,450.00	2.44
6	Symrise	6,074,857.87	1.97
7	Rokett	5,935,213.96	1.92
8	Vet-M Ltd.	5,213,084.75	1.69
9	Alyanskhimtrade Ltd.	5,095,253.97	1.65

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	12 months 2004 Stores		1 st qr. 2005 Stores	
	In RUR	In %	In RUR	In %
Russian suppliers	600,287,462	57.56 %	190,720,505	30.86 %
Foreign suppliers	442,555,632	42.44 %	427,276,697	69.14 %

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 80 % 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 80 % 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 60 % 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 190 dealers: 139 in Russia, 51 in CIS countries. Company products are sold in 76,786 sales outlets in 217 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 the 1st quarter 2005, the Company had no customer whose share accounts for more than 10 % of Company sales.

Biggest dealers of the Company by the results of the 1st quarter 2005:

1st qr. 2005

No.	Dealer	City	Total	% from Sales
1	Avant Ltd.	Ekaterinburg	52,974	3.27
2	CJSC Parfyum	Saint Petersburg	32,198	1.99
3	TS Gradient Ltd.	Moscow	29,719	1.83
4	Mak Dak Ltd.	Moscow	26,013	1.61
5	ODO Shibumi RB	Minsk	24,642	1.52
6	Forpost-parfyum Ltd.	Chelyabinsk	24,374	1.50
7	CJSC TD Era	Saint Petersburg	23,047	1.42
8	Tornado Cosmetic Ltd.	Krasnoyarsk	19,899	1.23
9	CJSC Parfyum-Novosibirsk	Novosibirsk	19,344	1.19
10	VSTK-Primoriye Ltd.	Vladivostok	19,241	1.19

Year 2004

No.	Dealer	City	Total	% from Total Sales
1	Avant Ltd.	Sverdlovsk oblast	154,449	2.51
2	ODO Shibumi RB	Minsk	107,518	1.75
3	CJSC Parfyum	Saint Petersburg	104,426	1.70
4	TS Gradient Ltd.	Moscow	91,158	1.48

5	Koktem Ltd.	Almaty	89,537	1.46
6	Osoo Sofii Ltd Co.	Bishkek	87,848	1.43
7	CJSC TD Era	Saint Petersburg	84,337	1.37
8	Forpost-parfyum Ltd.	Chelyabinsk	84,061	1.37
9	Russky Stil-97 Ltd.	Krasnodar	80,123	1.30
10	PKF Tsimus Ltd.	Kemerovo	74,327	1.21

Year 2003

No.	Dealer	Region, Oblast	Total	% from Total Sales
1	Avant Ltd.	Sverdlovsk oblast	118,005	2 %
2	SE Feschenko A.N.	Chelyabinsk	89,418	2 %
3	CJSC TD Era	Saint Petersburg	85,708	1 %
4	Tornado Cosmetic Ltd.	Krasnoyarsk	84,722	1 %
5	CJSC Parfyum-Novosibirsk	Novosibirsk	83,577	1 %
6	CJSC Tander	Krasnodar	81,447	1 %
7	ODO Shibumi RB	Minsk	75,821	1 %
8	PKF Tsimus Ltd.	Kemerovo	75,744	1 %
9	VSTK-Primoriye Ltd.	Vladivostok	71,911	1 %
10	CJSC Parfyum	Saint Petersburg	71,060	1 %

	Dealer	1999		2000		2001		2002	
		RUR	% from sales	RUR	% from sales	RUR	% from sales	RUR	% from sales
1	RIF Ltd.	23,097,500	4.85	51,342,920	2.46	37,697,890	1.17	39,568,800	1.01
2	CJSC Kermek	0.00	0	0.00	0	30,417,500	0.94	47,388,330	1.21
3	CJSC Parfyum	19,442,500	4.08	42,503,010	2.04	15,441,250	0.48	12,501,670	0.32
4	Savva Evrolot Ltd.	0.00	0	0.00	0	23,014,750	0.71	41,375,830	1.06
5	Universal Trade Ltd.	12,015,000	2.52	29,271,330	1.40	19,826,420	0.62	20,576,670	0.53
6	OMEK Ltd.	7,543,330	1.58	19,368,660	0.93	23,594,170	0.73	26,685,000	0.68
7	CJSC Distribution Holding	0.00	0	0.00	0	33,317,520	1.03	34,962,330	0.89
8	Galant Holding Ltd.	5,759,170	1.21	14,090,100	0.67	0.00	0	0.00	0
9	CJSC TD Era	0.00	0	0.00	0	0.00	0	0.00	0
10	Mastis Ltd.	10,984,170	2.31	29,715,000	1.42	0.00	0	0.00	0

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 80 % 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:

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

Buyers and customers 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.

	1998	1999	2000	2001	2002	2003	2004	1 st qr. 2005
receivable ratio, in days*	114	83	93	99	140	98	90	92
buyers and customers ratio, in days*	112	72	77	76	49	38	46	42
payable ratio, in days*	178	159	143	102	164	72	94	86
suppliers and contractors ratio, in days*	94	110	108	68	119	56	75	70
raw materials turnover ratio, in days*	87	70	53	55	97	88	79	71
finished products turnover ratio, in days*	33	62	50	71	90	69	77	84

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

** Turnover indexes for 2005 are equaled to yearly values in accordance with the following system:*

income statement for the 1st quarter of 2005 was equaled to yearly values based on actual proportion of indexes for the 1st quarter 2004 and full year 2004.

Data of the balance sheet for the 1st quarter of 2005 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			
		2004, in RUR	2004, in %	Supplier	Supplying Country
1	Palm stearin, refined, deodorized	98,111,893.3	9.41	OJSC Gammakhim	RUSSIA
2	Sodium tripolyphosphate, industrial	33,290,905	3.19	OJSC Sredneuralsk Copper Smeltery	RUSSIA
3	Sorbitol	33,186,021.54	3.18	Rokett	FRANCE
4	Palm oil, refined, deodorized decolorized	22,035,389.03	2.11	OJSC Gammakhim	RUSSIA
5	Sodium lauryl sulfate, oxyethylated	20,289,527.84	1.95	Cognis Deutschland	GERMANY
6	Aloe Vera Gel	20,077,293.81	1.93	Symrise	AUSTRIA
7	Silica dioxide (Zeodent 113)	19,522,223.29	1.87	Huber	FINLAND
8	Sodium lauryl sulfate, oxyethylated	16,744,111.99	1.61	Alyankhimtrade Ltd.	RUSSIA

9	Alkyl benzene sulphacid	16,577,344.42	1.59	PE Kirishineftorgsintez Ltd.	RUSSIA
10	Crude coconut oil (fatty acids equivalent)	15,238,241.94	1.46	OJSC Gammakhim	RUSSIA
11	Emulsion wax	13,842,398.1	1.33	FSUE Moscow Experimental Plant of Fragrance Compounds	RUSSIA
12	Sodium sulfate, industrial	13,825,816.2	1.33	Incotrade Ltd.	RUSSIA
13	Fatty acids of coconut oil	11,891,233.47	1.14	MashKomTorg Ltd.	RUSSIA
14	Diethyl toluamide	10,914,387.77	1.05	Reily Chemicals S.A.	BELGIUM
15	Glycerin distilled	10,803,848.9	1.04	VostokKhimSintez Ltd.	RUSSIA
16	Composition-base Cotillon E_9826534	10,775,616.57	1.03	Man Fis	FRANCE
17	Aromatizer Breath mint E_0207267	10,492,075.02	1.01	Man Fis	FRANCE
18	Microsol E	10,048,375.5	0.96	Symrise	AUSTRIA
19	Perfumery oil	9,970,974.9	0.96	Roskhimsnab Ltd.	RUSSIA
20	Animal fat, industrial (fatty acids equivalent)	9,342,060.16	0.90	MashKomTorg Ltd.	RUSSIA

No.	Description of Raw Material	Volume of Supplies			
		1 st qr. 2005, in RUR	1 st qr. 2005, in %	Supplier	Supplying Country
1	Palm stearin, refined, deodorized, decolorized, fatty acids equivalent	42,029,286.10	13.60	OJSC Gammakhim	RUSSIA
2	Diethyltoluamide	9,728,995.68	3.15	CJSC Khimtek	RUSSIA
3	Emulsion wax	8,581,592.39	2.78	OJSC Vyazma Plant of Synthetic Products	RUSSIA
4	Silica dioxide (Zeodent 113)	8,272,619.69	2.68	Huber	FINLAND
5	Sodium tripolyphosphate, industrial	7,524,450.00	2.44	OJSC Sredneuralsk Copper Smeltery	RUSSIA
6	Palm oil, refined, deodorized, decolorized	7,057,665.35	2.28	OJSC Gammakhim	RUSSIA
7	Crude coconut oil (fatty acids equivalent)	6,848,931.54	2.22	OJSC Gammakhim	RUSSIA
8	Animal fat, alimentary (fatty acids equivalent)	6,134,972.37	1.99	OJSC Gammakhim	RUSSIA
9	Aloe Vera Gel	6,074,857.87	1.97	Symrise	AUSTRIA
10	Sorbitol	5,935,213.96	1.92	Rokett	FRANCE
11	Liposomes 2395170	4,176,009.57	1.35	Symrise	AUSTRIA
12	Silica dioxide (Zeodent 163)	4,131,016.03	1.34	Huber	FINLAND
13	Agent for texturizing CP4-7051	3,912,621.48	1.27	Grace	GERMANY
14	1,2-propylene glycol	3,663,986.00	1.19	CJSC Polikhim	RUSSIA
15	Composition-base Cotillon E_9826534	3,546,137.54	1.15	Man Fis	FRANCE
16	Sodium sulfate, industrial	3,417,915.22	1.11	Incotrade Ltd.	RUSSIA
17	Neonol	2,939,233.72	0.95	OJSC Nizhnekamskneftekhim	RUSSIA
18	Soyabean oil, refined, deodorized	2,915,880.14	0.94	TD Uralmasloprodukt Ltd.	RUSSIA
19	Germaben	2,906,700.27	0.94	ISP	SWITZERLAND

20	Ethanol, denaturated equivalent converted to 100 %	2,723,214.85	0.88	Talitsa Alcohol Plant Ltd.	RUSSIA
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Indexes of price change for primary raw materials*

No.	Description of Raw Material	2003	2004		1 st qr. 2005	
		(100 %)	Price, in RUR	Price, in RUR	Index	Price, in RUR
1	Aluminum roundels (for tube A30x145)	71.4	75.55	105.81	90.93	127.35
2	Sodium tripolyphosphate, industrial	11.63	17.09	146.95	17.07	146.78
3	Palm stearin, refined, deodorized, decolorized (fatty acids equivalent)	18.47	19.32	104.60	15.72	85.11
4	Animal fat, alimentary (fatty acids equivalent)	20.25	19.32	95.40	17.08	84.35
5	Alkyl benzene sulphacid (converted to 100 %)	23.5	26.82	114.13	26.82	114.13
6	Aluminum roundels (for tube A25x125)	71.4	75.55	105.81	90.93	127.35
7	Corrugated carton, class "T"	6.81	7.69	112.92	7.69	112.92
8	Sodium lauryl sulfate, 100- % oxyethylated	39.63	37.60	94.88	31.91	80.52
9	Silica dioxide (Zeodent 113)	44.54	46.32	104.00	46.32	104.00
10	Crude coconut oil (fatty acids equivalent)	20.4	26.16	128.24	24.62	120.69
11	Capped jar LIMAPOL50 Черный жемчуг (Black Pearl)	2.25	7.59	337.3	8.10	360.00
12	Pivuan 138078	930.73	931.16	100.05	931.16	100.05
13	Aloe Vera Gel	1,008.15	975.30	96.74	975.30	96.74
14	Emulsion wax	75.48	99.44	131.74	100.96	151.43
15	Cotillon E-9826534	890.76	873.45	98.06	873.45	98.06

*Price index in year 2002 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.

N o.	Name	Country of Incorporation	Volume of Products Sold, in mln. USD					Share in the Market, %				
			2001*	2002*	2003*	2004*	1 st qr. 2005**	2001*	2002*	2003*	2004*	1 st qr. 2005**
1	JSC KALINA**	Russia	183.93	207.67	243.55	318.84	72.13	4.30	4.27	4.30	4.95	3.48
2	Procter&Gamble	USA	239.33	268.53	311.64	350.65	114.06	5.59	5.52	5.50	5.44	5.50
3	L'Oreal Group	France	187.16	269.11	328.79	388.59	145.22	4.37	5.54	5.80	6.03	7.00
4	Beiersdorf AG	Germany	169.03	216.15	210.61	207.74	62.24	3.95	4.45	3.72	3.22	3.00
5	Colgate-Palmolive JSC	Russia	80.40	98.53	116.46	135.83	44.70	1.88	2.03	2.05	2.11	2.15
6	Nevskaya Kosmetika CJSC	Russia	119.54	148.18	173.53	200.82	66.00	2.79	3.05	3.06	3.12	3.18
7	Unilever SNG		150.94	172.14	194.73	221.09	72.45	3.53	3.54	3.44	3.43	3.49
8	Novaya Zarya	Russia	50.04	53.48	59.81	64.01	21.30	1.17	1.10	1.06	0.99	1.03
9	Coty	France	26.73	30.24	36.41	40.59	12.80	0.62	0.62	0.64	0.63	0.62
10	Gillette	USA	141.71	171.26	201.90	230.31	70.95	3.31	3.52	3.56	3.57	3.42
11	Evyap	Turkey	49.94	52.95	56.54	62.57	5.80	1.17	1.09	1.00	0.97	0.28
13	Arnest	Russia	14.61	16.18	17.56	19.43	5.34	0.34	0.33	0.31	0.30	0.26

15	Schwarzkopf & Henkel Cosmetics	Germany	176.20	212.43	253.41	291.34	95.80	4.12	4.37	4.47	4.52	4.62
16	Oriflame	Sweden	170.55	188.34	308.99	364.09	104.68	3.98	3.87	5.45	5.65	5.05
17	Avon	USA	102.32	180.14	300.15	379.15	109.00	2.39	3.71	5.30	5.88	5.25
18	Other	USA	2417.33	2575.25	2853.72	3167.86	1072.06	56.48	52.98	50.35	49.17	51.68
	Total, mln. USD*		4 279.8	4 860.6	5 667.8	6 442.9	2074.51	100.0	100.0	100.0	100.0	100.00

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

- 1. Presence of strong brands with leading positions in the market. Marketing policy of Company efforts and resources focusing on key brands.*
- 2. One of leading distribution area coverage is provided by effective trade policy.*
- 3. Considerable share in advertising influence, which provides growth of key brands awareness.*
- 4. Qualified managerial team and effective system of marketing control, sales management and production control.*

Evaluation of factors' efficiency:

- 1. 40 %*
- 2. 35 %*
- 3. 15 %*
- 4. 10 %*

SWOT-analysis of the Company competitive position

<p>Strengths:</p> <ol style="list-style-type: none"> <i>1. Leader in the market share (on the basis of quantities) in skin care products;</i> <i>2. Strong loyalty of Company partners;</i> <i>3. Well balanced brand portfolio;</i> <i>4. Price-Quality correlation attractive for consumers;</i> <i>5. Wide and highly effective distribution network;</i> <i>6. Marketing control using brand management and not commodity groups;</i> <i>7. High consumers' awareness and loyalty to Company trademarks.</i> 	<p>Weaknesses:</p> <ol style="list-style-type: none"> <i>1. Weakness in hair care products, perfumery, makeup and household chemicals (focusing attempts on cosmetic products only with high attractiveness of the household chemicals market);</i> <i>2. Lagging position in novelties launching, no innovations (Development period of a novelty does not correspond to westerns standards);</i> <i>3. Representation of Company range of products in the networks is lower than representation in the market.</i>
<p>Opportunities:</p> <ol style="list-style-type: none"> <i>1. To occupy market share being cleared as weaker Russian competitor are put out;</i> <i>2. To gain advantage over Russian competitors in Ukraine, Kazakhstan and Uzbekistan, in other CIS markets;</i> <i>3. To create strong brands in segments of makeup, men's grooming products, household chemicals;</i> <i>4. To develop contract production.</i> 	<p>Threats:</p> <ol style="list-style-type: none"> <i>1. Expansion of multinational corporations to average-price market segment;</i> <i>2. Continuing trend to multinational merger, increase of multinational influence on the situation;</i> <i>3. Price reduction for multinationals products because of manufacture of their main products in Russia;</i> <i>4. Growth of influence of retail networks on promotion, package and products placement methods;</i> <i>5. Increase of multinationals advertising budgets;</i> <i>6. Growth of loyalty to imported trademarks in skin care products.</i>

Main trends of perfumery and cosmetics market in the 1st quarter 2005:

- 1. Price reduction for cosmetic products of western manufacturers;*
- 2. Elimination of the line between cosmetology and medicine (development of cosmeceutics);*
- 3. Deeper division of market segments, narrower specialized market segments and more specialized products are launched;*
- 4. Complex universal skin care products are launched;*
- 5. Consumer group of anti-ageing cosmetics is rapidly growing younger (start of using anti-ageing products from 25 years of age).*

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-ТО-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: **June 18, 2002**

Valid till: **June 18, 2005**

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

Sphere of activity: **production, storage and supplies of manufactured alcohol-based nonfoods (perfumery and cosmetics)**

No.: **63-PT/2172**

Date of issue: **August 6, 2002**

Valid till: **August 26, 2005**

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

Sphere of activity: **operating and maintenance of lifts**

3.2.10. Collective Activities of JSC Concern "KALINA"

For 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 creating 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 compounding, 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 in quality can be compared with multinational brands 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.*

In 2004, JSC Concern "KALINA" launched more than 100 novelties. The Company considers projects on acquisition of current brands. In 2003, such famous brands as "Sekunda" and "Mashenka" with, in JSC Concern "KALINA" opinion, high growth potential were acquired. In 2004, the process of brands acquisition was continued.

In the 1st quarter 2005, the Company acquired more than 30 % of German cosmetics manufacturer Dr. Scheller Cosmetics AG (in April 2005, the Company increased its share to 59.3 %). The Company considers this acquisition as, first of all, investing into such brands as Manhattan (makeup) and Apotheker Scheller (skin care products of premium class) which belong to the German company.

We are planning to increase considerably the effectiveness of logistic processes. 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. 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 Eisligen, Deutschland**
 Postal address: **Schillerstrasse 21-27, D-73054 Eisligen, Deutschland**
 Ground for the organization to be acknowledged as a subsidiary or dependent to the Company: **JSC Concern "KALINA" has acquired 30.3 % of Dr. Scheller Cosmetics AG share***
 Issuer's share in the charter capital of the legal entity: **30.3 %**
 Share of Dr. Scheller Cosmetics AG in the charter capital of JSC Concern "KALINA": **0 %**

** In April 2005, the share was increased to 59.3 %.*

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.

1st quarter 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	462,762,414	434,260,431

2	Constructions	44,581,037	27,904,263
3	Machinery and Equipment	311,219,648	152,849,612
4	Transport Vehicles	23,394,465	13,162,634
5	Production Tools	47,800,552	26,049,544
6	Housing facilities	1,013,108	818,591
7	Land	12,003,487	12,003,487
	Total in RUR:	902,774,711	667,048,562

Year 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	258,934,012	233,336,942
2	Constructions	44,350,848	2,813,633
3	Machinery and Equipment	301,532,209	145,876,974
4	Transport Vehicles	23,552,966	13,813,128
5	Production Tools	49,753,602	30,597,342
6	Housing facilities	1,944,588	1,539,000
7	Land	12,003,487	12,003,487
	Total in RUR:	692,071,712	465,303,203

Year 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	1,545,56,000	120,617,000
2	Constructions	146,727,000	121,291,000
3	Machinery and Equipment	278,335,000	157,559,000
4	Transport Vehicles	16,955,000	9,024,000
5	Production Tools	27,354,000	18,737,000
6	Housing facilities	1,945,000	1,539,000
7	Land	12,003,000	12,003,000
	Total in RUR:	637,875,000	440,770,000

Year 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	76,139,000	45,520,000
2.	Constructions	140,924,000	119,341,000
3.	Machinery and Equipment	289,669,000	1,715,640,000
4.	Transport Vehicles	16,744,000	103,350,000
5.	Production Tools	21,998,000	11,080,000
6.	Housing facilities	1,945,000	1,539,000
7.	Land	1,2003,000	12,003,000
	Total in RUR:	559,422,000	371,382,000

Year 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	74,359,000	44,541,000
2.	Constructions	33,883,000	20,330,000
3.	Machinery and Equipment	254,542,000	154,391,000
4.	Transport Vehicles	14,203,000	8,521,000
5.	Production Tools	19,700,000	7,880,000
6.	Housing facilities	1,945,000	1,539,000
7.	Land	12,003,000	12,003,000
	Total in RUR:	410,635,000	249,205,000

Year 2000

No.	Name of Group of Fixed Assets	Overall Value before Revaluation, in RUR	Net Book Value (Less Depreciation) before Revaluation, in RUR
1.	Buildings	61,250,000	39,516,000
2.	Constructions	32,601,000	9,666,000
3.	Machinery and Equipment	204,496,000	113,592,000
4.	Transport Vehicles	6,328,000	3,196,000
5.	Production Tools	4,584,000	1,957,000
6.	Housing facilities	1,945,000	1,539,000
7.	Land	12,003,000	12,003,000
Total in RUR:		323,207,000	181,469,000

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 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).

The Company is planning to invest about 15 mln. US dollars 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*

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

	Fixed Assets	Original Value	Depreciation
1 st qr. 2005	Buildings	462,762,414	28,501,983
	Constructions	44,581,037	16,676,774
	Total	897,022,845	45,178,757
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 last five fiscal years that ended.

Index Description	1999	2000	2001	2002	2003	2004	1st qr. 2005
Proceeds, in RUR	2,089,671,000	3,225,720,000	3,632,903,000	3,909,195,000	4,845,444,000	5,196,060,000	1,649,097,000
Gross profit, in RUR	695,795,000	827,670,000	1,130,990,000	1,803,452,000	2,226,080,000	2,500,002,000	852,832,000
Net profit (retained earnings) (uncovered loss), in RUR	440,941,000	284,854,000	455,319,000	470,847,000	590,503,000	549,517,000	234,571,000
Labor productivity, RUR per person*	1,132,000	759,172	542,872	1,219,337	1,519,424	2,094,341	2,811,760
Capital productivity, % *	1,474	1,778	1,458	1,052	1,099	1,117	989
Assets productivity, % *	36	13.5	16.6	13	16	14	22
Return on stockholders' capital, %*	71.5	33.5	28.8	23	23	15	23
Profitability of products (sales), %*	30	19.9	20.9	22.4	26.5	20.4	25
Amount of uncovered loss as of the reporting date, in RUR	-	-	-	-	-	-	-
Ratio of uncovered loss as of the reporting date and balance currency	-	-	-	-	-	-	-

** Turnover indexes for 2005 are equaled to yearly values in accordance with the following system:*

income statement for the 1st quarter of 2005 was equaled to yearly values based on actual proportion of indexes for 3 months of 2004 and full year 2004.

Data of the balance sheet for the 1st quarter of 2005 were taken without changes.

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

Company activities for last five fiscal years that ended were profitable.

Proceeds grew 2.5 times in 2004 in comparison with 1999. Rapid sales growth in 1999-2000 accounted for by the effect of crisis of 1998 was replaced by less uneven growth in 2001-2004 based on internal factors of the Company work.

Gross profit also grew constantly and increased in 2004 almost 4 times in comparison with 1999. Net profits also presented growth except for year 2000 when due to considerable growth of advertising expenses and products promotion, volume of net profits and sales profitability reduced somehow. However, due to efforts made by the Company in 2001 and in the 1st quarter 2005 it was able to show much better results and increase sales profitability.

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.

By the end of 1998, JSC Concern "KALINA" created a considerable production basis, renewed most its production lines. A wide dealers' network was adjusted, this network covers all regions of Russia and CIS countries. Firm relations were set both with Russian and foreign raw materials suppliers. Development and launch of own brands were started, aimed at mass Russian consumers. The work of bringing all Company business processes in conformity with world standards of quality was started.

The work done on increase of the Company effectiveness allowed using advantages which crisis of 1998 gave to consumers sector-oriented Russian enterprises to full extent.

The Company not only overcame crisis consequences, and what is more, that considerable weakening of competition allowed it to occupy dominating positions in some market segments (e.g., skin and oral care products).

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 2004 and 1st quarter 2005, 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.

During 1999-2000, reduction of Company sales profitability was noted. First of all, it was connected with growth of advertising expenses.

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 last five fiscal years that ended.

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	1999	2000	2001	2002	2003	2004
<i>External factors</i>	35 %	26 %	25 %	25 %	24 %	26 %
Inflation	10 %	6 %	5 %	4 %	4 %	4 %
Changes in foreign exchanges rates	13 %	5 %	4 %	4 %	5 %	4 %
Decisions of state authorities	5 %	5 %	4 %	3 %	2 %	3 %
Actions of competitors	7 %	10 %	12 %	14 %	13 %	15 %
<i>Internal factors</i>	65 %	74 %	75 %	75 %	76 %	74 %

In 1998, most material influence of external factors on Company activities was noted. It is, first of all, connected with default in Russian public debts and subsequent inflation jump. Multinational corporations almost left the market. Material fluctuations of foreign exchange rates did not have important influence on the results of Company activities in 1998 owing to the fact that most part of the raw materials necessary for production in the end of 1998 was purchased before the crisis. This factor had influence that was more important in 1999.

In respect to internal factors, the Company was fully ready to economic changes occurred – a wide distribution network was created, strong and recognized brands were launched to the market, main production equipment was renewed, quality of products was continuously improved. In the following years, further work on business effectiveness increase stipulated for the growth of financial results of Company activities.

Since 2000 multinational manufacturers have started to return to the market and now, in Company opinion, this factor has a considerable restrictive influence on JSC Concern "KALINA" sales growth.

4.2. Liquidity of JSC Concern "KALINA"

Dynamics of indexes which characterize JSC Concern "KALINA" liquidity for last five fiscal years that ended.

Index Description	1999	2000	2001	2002	2003	2004	1 st qr. 2005
Own floating funds, in RUR	451,422,000	624,866,000	1,123,465,000	1,346,244,000	1,929,594,000	2,947,176,000	3,029,379,000
Ratio of financial dependence	1.00	1.48	0.73	0.79	0.43	0.28	0.31
Ratio of own funds independence	0.50	0.40	0.58	0.56	0.70	0.78	0.76
Provision for reserves by own floating funds	0.83	0.86	1.26	1.21	1.63	2.48	2.18
Index of constant assets	0.27	0.27	0.29	0.33	0.24	0.22	0.25
Current liquidity ratio	1.73	1.50	2.00	2.82	5.76	5.38	4.64
Quick ratio	0.83	0.91	1.12	1.45	2.97	3.39	2.76

Economic analysis of JSC Concern "KALINA" liquidity and solvency based on economic analysis of the dynamics of indexes indicated. If values of any shown index changed in comparison with the previous reporting period by 10 or more percent, it is necessary to describe factors, which in JSC Concern "KALINA" managerial bodies' opinion caused such a change.

Analysis of change concerning the amount of own floating funds.

As it is seen from the table, the amount of Company own floating funds grew gradually, increased by 571 % by 2004 in comparison with 1999. The most notable growth of own floating funds was in 2001 in comparison with 2000 (by 80 %) and in 2004 in comparison with 2003 (by 53 %).

In 2001, growth of the amount of own funds was connected first of all with attraction of 10 mln. US dollars received from European Bank for Reconstruction and Development for payment of Company shares acquired by European Bank for Reconstruction and Development (share of this factor in growth of own floating funds is about 53 %). Company profits growth also continued (profits were reinvested in production) and sales increased that contributed to growth of own floating funds in the following years (degree of this factor influence is about 47 %).

In 2004, the Company increased its charter capital by placement of additional shares issue at first public placement at MMVB. Sales and profits reinvestment growth were also continued. This contributed to respective growth of own floating funds.

Dynamics of ratios of financial dependence, independence of own funds and adequate provision for own floating funds, index of constant assets.

Considerable sales growth caused growth of demand for floating capital. This resulted in some worsening of these indexes in 1998-2000 as considerable part of floating funds was financed by attraction of short-term bank credits and at the expense of spontaneous crediting for effective management of the floating capital and optimal usage of the effect of financial instruments. Growth of short-term borrowed funds, which exceeded growth of the stockholders' floating capital, resulted in worsening of the indexes in 1999-2000.

Since 2001, under influence of market factors, sales growth became slower and needs for floating funds partly were covered at the expense of funds obtained from sale of shares and accumulated retained earnings of the Company. It should also be noted that, first of all, in the end of 1990-s the Company invested considerable funds in new production lines of foreign manufacture and by 2001 need for renewal of production facilities was satisfied, secondly, in 1999-2001 the Company acquired four production enterprises in Russia and abroad (in Omsk, in Ukraine and Uzbekistan). Since the second half of 2001, the Company finished the process of acquisition of production facilities and started serious optimization of its floating capital, which is presented by dynamics of changes in these indexes. In 2001, attraction of investments from European Bank for Reconstruction and Development and growth of Company retained earnings resulted in more than 10 % growth of the stockholders' floating capital and, as a consequence, to improvement of the index of own floating funds adequacy. This also had favorable influence on indexes of financial dependence and independence of floating funds.

Liquidity ratios.

Dynamics of these indexes in many respects responds to those changes in the Company activities, which are described above. An addition, it should be noted that since 2001 the Company has performed purposeful policy of replacement of a short-term bank financing of its operating activity for long-term debts in the form of corporate

bonds. In 2001-2002, the Company placed two bonds issues at the stock market for the total amount about 20 mln. US dollars and repaid all its debts on short-term banking credits which resulted in considerable (more than 10 %) improvement of liquidity ratios.

In addition, in the end of 2002, a loan agreement was concluded with European Bank for Reconstruction and Development. The total amount of credit line facilities to be provided under the agreement is 20 mln. US dollars up to year 2008, credit limit for the amount of 30 mln. US dollars was opened for the Company by Black Sea Trade and Development Bank. The latter opportunity of financing was not yet used by the Company.

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"

	1999	2000	2001	2002	2003	2004	1 st qr. 2005
Amount of the charter capital, in RUR	104,081,040	72,856,710	631,449,070	585,543,560	585,543,560	682,662,000	682,662,000
Cost of own repaid shares, in RUR	-	2,797,000	10,242,000	-	-	-	-
Percent from the charter capital, %	-	3,8	1,6	-	-	-	-
Amount of the capital reserve, in RUR	16,652,000	7,821,000	7,821,000	29,380,000	56,258,000	83,770,000	83,770,000
Amount of the additional capital, in RUR	87,193,000	136,847,000	136,847,000	176,232,000	176,232,000	841,625,000	841,625,000
Amount of retained net earnings, in RUR	408,942,000	636,054,000	816,732,000	1,226,468,000	1,734,453,000	2,173,880,000	2,410,219,000
Amount of funds to target financing, in RUR	-	-	-	-	-	-	-
Capital and reserves, in RUR	616,868,040	853,578,710	1,592,849,070	2,017,623,560	2,552,486,560	3,781,937,000	4,018,276,000

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

	2000		2001		2002		2003		2004		1 st qr. 2005	
	RUR	%	RUR	%	RUR	%	RUR	%	RUR	%	RUR	%
Floating funds												
Reserves	727,284,000	38.6	893,947,000	39.2	1,041,012,000	38.2	1,181,294,000	39.17	1,187,207,000	29.63	1,390,091,000	32.36
VAT on acquired values	15,796,000	0.8	108,060,000	4.7	318,040,000	11.7	277,784,000	9.21	296,005,000	7.39	349,838,000	8.15
Accounts receivable	819,159,000	43.5	988,710,000	43.3	1,343,128,000	49.3	1,309,186,000	43.41	1,276,121,000	31.84	1,663,269,000	38.72
Short-term financial investments	10,549,000	0.6	35,684,000	1.6	8,473,000	0.3	28,059,000	0.93	2,923,000	0.07	0	0
Cash	312,522,000	16.5	254,737,000	11.2	16,414,000	0.6	219,265,000	7.27	1,112,562,000	27.76	765,155,000	17.82
Other floating funds	-	-	-	-	-	-	-	-	132,538,000	3.31	126,613,000	2.95
Total floating funds	1,885,310,000	100	2,281,138,000	100	2,727,067,000	100	3,015,588,000	100	4,007,356,000	100	4,294,966,000	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.

	2000		2001		2002		2003		2004		1 st qr. 2005	
	RUR	%	RUR	%	RUR	%	RUR	%	RUR	%	RUR	%
Sources of Finance												
Stockholders' capital (capital and reserves less non-current assets)	627,663,000	33.3	1,133,707,000	49.7	1,346,244,000	47.6	1,649,985,000	60.3	2,947,122,000	73.84	3,029,325,000	70.90
Long-term borrowed funds	-	-	5,151,000	0.2	555,134,000	19.6	562,041,000	20.5	300,611,000	7.53	319,415,000	7.48
Short-term borrowed funds	316,111,000	16.8	440,880,000	19.3	101,275,000	3.6	-	-	50,000,000	1.25	169,595,000	3.97
Accounts payable	941,536,000	49.9	701,400,000	30.8	825,689,000	29.2	523,953,000	19.2	693,438,000	17.38	754,096,000	17.65
Total sources of finance	1,885,310,000	100	2,281,138,000	100	2,828,342,000	100	2,735,979,000	100	3,991,171,000	100	4,272,431,000	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 1st quarter 2005, the Company received 13.5 mln. dollars of the credit from European Bank for Reconstruction and Development.

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 1st quarter 2005 the amount of the stockholders' capital of JSC Concern "KALINA" was 3,029,325 thousand rubles.

The amount of average daily 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 1st quarter 2005, in RUR: 644,444

The amount of floating funds for the 1st quarter 2005, in RUR: 4,294,966

The amount of own floating funds, average for the 1st quarter 2005, in RUR: 3,029,379,000

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 2005.

In 2005, the Company is planning to invest about 15 mln. US dollars in purchase of existing brands with high growth potential in Company target markets and in creation of own strong brands.

The Company is also going to invest about 5 mln. US dollars in development of its trading network in CIS countries.

Possible sources of finance of this need:

The Company expects to gain proceeds from sale of products at the level of 114.3 mln. US dollars as of the end of the 2nd quarter 2005.

In the 2nd quarter 2004, the Company placed additional shares issue through a public offering at MMVB. Net proceeds from placement were about 25 mln. US dollars.

In the end of 2002, the Company concluded a loan agreement with European Bank for Reconstruction and Development. The total amount of credit line facilities to be provided under the agreement is 20 mln. US dollars for the period of five years. The Company can take full sum or part of the sum stipulated by the agreement at any time till July 1, 2005. As of the date of approval of the quarterly report the Company had this source of finance to the amount of 13.5 mln. US dollars.

The Company has a credit limit opened for the amount of 30 mln. US dollars by Black Sea Trade and Development Bank. Preliminary agreements were reached concerning possibility of granting of a long-term credit for the said amount.

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 April 1, 2005.

	As of April 1, 2005
Long-term financial investments, in RUR	148,332,000
Short-term financial investments, in RUR	0
Total financial investments, in RUR	148,332,000
10 % of the amount of financial investments, in RUR	14,833,200

Investments to securities.

No investments to securities, which are 10 and more percent of all JSC Concern "KALINA" financial investments as of the end of the 1st quarter 2005 are registered.

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 100 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.

No.	Name of Group of Intangible Assets, 2004	Overall Value	Amount of Depreciation Accrued
1.	Trademarks	1,173,182.29	54,866.55
2.	Patents	20,294.72	1,784.52
3.	National film	13,812,840.87	276,256.80
Total, in RUR:		15,006,317.88	332,907.87

No.	Name of Group of Intangible Assets, 1 st qr. 2005	Overall Value	Amount of Depreciation Accrued
1.	Trademarks	1,173,182.29	11,229.69
2.	Patents	20,294.72	446.13
3.	National film	13,812,840.87	69,064.20
Total, in RUR:		15,006,317.88	80,740.02

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, 434 new products were launched to the market in the period 2000-2004.

For the 1st quarter 2005, 36 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;

1st qr. 2005 – 31 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.

PORTFOLIO OF OBJECTS OF INTELLECTUAL PROPERTY OF JSC Concern "KALINA"

as of April 1, 2005

<i>Description of Object</i>	<i>No. of certificate patent</i>	<i>Priority date (dd/mm/yyyy)</i>	<i>Protection valid till (dd/mm/yyyy)</i>
BRANDS			
1. Фторомед-Ftoromed	187872	10.11.1998	10.11.2008
2. Полюшко (Little Field)	187873	10.11.1998	10.11.2008
3. Ultima	162096	14.11.1996	14.11.2006
4. Мистер Президент (Mister President)	162142	23.12.1996	23.12.2006
5. Эледент-Eledent	162144	23.12.1996	23.12.2006
6. Черный жемчуг (Black Pearl)	163270	23.12.1996	23.12.2006
7. Ночной дождь (Night Rain)	163271	23.12.1996	23.12.2006
8. Маленькая фея (Little Fairy), oral	166033	21.04.1997	21.04.2007
9. Fantamed	166417	13.02.1997	13.07.2007
10. Дикая ягода (Wild Berry)	187184	10.11.1998	10.11.2008

11. Знак лилии (symbol of lily), graphic	62926	21.03.1978	21.03.2008
12. Микки (Mikki)	117515	15.06.1992	15.06.2002
13. Кокосовый крем (Coconut cream)	158610	22.03.1996	22.03.2006
14. Angelika Varum	158808	23.03.1997	23.03.2007
15. Анжелика Варум (Angelika Varum)	157398	23.03.1997	23.03.2007
16. Розовый жемчуг (Pink Pearl), combined	158609	22.03.1996	22.03.2006
17. Ultima-Ratio	155147	14.11.1996	14.11.2006
18. Микки (Mikki), combined	154951	29.11.1995	29.11.2005
19. Ульгима Рацио (Ultima-Ratio)	153333	14.11.1996	14.11.2006
20. Чистая линия (Clean Line)	159943	23.12.1996	23.12.2006
21. Локон (Curl)	168227	23.12.1996	23.12.2006
22. Комарэкс-интенсив (Komarex-intensive)	167481	21.04.1997	21.04.2007
23. Норд-ост (North-East)	167171	23.12.1996	23.12.2006
24. Комарэкс (Komarex)	166629	21.04.1997	21.04.2007
25. Бархатные ручки (Velvet Hands)	166490	05.06.1997	05.06.2007
26. Фангамед (Fantamed)	166418	13.02.1997	13.02.2007
27. Розовый жемчуг (Pink Pearl)	160703	22.03.1996	22.03.2006
28. Ульгима (Ultima)	162095	06.03.1998	06.03.2008
29. Уральские самоцветы (Uralskiye Samotsveti)	168902	23.12.1996	23.12.2006
30. Кросс-Cross	169922	23.12.1996	23.12.2006
31. Демон-Demon	170232	23.12.1996	23.12.2006
32. Дракоша (Drakosha)	171227	07.10.1997	07.10.2007
33. Морозко (Morozko)	176343	24.12.1997	24.12.2007
34. Ноктюрн (Nocturne)	175802	18.11.1997	18.11.2007
35. Василек (Cornflower)	175653	23.12.1997	23.11.2007
36. Айсберг (Iceberg)	175053	22.07.1997	22.07.2007
37. Тайный советник (Privy Councilor)	172521	21.04.1997	21.04.2007
38. Каре-Carre	171300	23.12.1996	23.12.2006
39. Солнечная система (Solar System)	177654	03.03.1998	03.03.2008
40. Фитофреш (Fitofresh)	178641	04.06.1998	04.06.2008
41. Соло (Solo)	181543	22.03.1999	22.03.2009
42. Хрустальный букет (Crystal Bouquet)	181547	21.05.1999	21.05.2009
43. Локон-люкс (Curl-lux)	181827	18.11.1997	18.11.2007
44. 1999	188622	15.02.1999	15.02.2009
45. Биодент (Biodent)	191145	04.06.1998	04.06.2008
46. Карапузик (Cabby)	190665	23.06.1999	23.06.2009
47. Версия (Version)	190890	15.12.1998	15.12.2008
48. Чистая линия (Clean Line) combined, black-and-white	190509	15.12.1998	15.12.2008
49. Велюр-Velours	191272	23.12.1996	23.12.2006
50. Царская ванна (Royal Bath)	191609	10.11.1998	10.11.2008
51. Тропикана-Tropikana	191610	10.11.1998	10.11.2008
52. Мегелица (Snowstorm)	192351	20.11.1998	20.11.2008
53. Золотая линия (Gold Line)	183775	20.04.1999	20.04.2009
54. Парфюмерно-косметическая фабрика «Уральские самоцветы» (Perfumery and Cosmetics Factory "Uralskiye Samotsveti")	183179	21.04.1998	21.04.2008
55. 32-норма мята (32-norm mint) combined	184855	12.07.1999	12.07.2009
56. Вишневый сад (Cherry Orchard)	184827	12.10.1998	12.10.2008
57. 32-норма двойная мята (32-norm double mint), 3D	184854	28.06.1999	28.06.2009
58. Локон (Curl)	184901	18.11.1997	18.11.2007
59. Сонет (Sonnet)	185684	08.02.1999	08.02.2009
60. Золотое яблоко (Golden Apple)	192935	15.12.1998	15.12.2008
61. Окей-о key	193168	10.11.1998	10.11.2008
62. Лесной бальзам (Forest Balm)	193169	10.11.1998	10.11.2008
63. Ева (Eve)	192941	18.02.1999	18.02.2009
64. Эдерлайн (Ederline)	192979	24.05.1999	24.05.2009
65. Амадей (Amadeus)	193327	22.03.1999	22.03.2009
66. Colden Line	193703	13.05.1999	13.05.1999
67. Артемия (Artemia)	193705	24.05.1999	24.05.2009
68. Фреш-минт (Fresh-mint)	193846	04.06.1998	04.06.2008
69. Biodent	193848	04.06.1998	04.06.2008
70. Голубая лагуна (Blue lagoon)	193861	23.03.1999	23.03.2009
71. Ederline	194389	24.05.1999	24.05.2009
72. Цветы луговые (Meadow Flowers)	194535	10.11.1998	10.11.2008
73. Тайная любовь (Secret Love)	194790	08.02.1999	08.02.2009
74. Золушка (Cinderella)	189739	10.11.1998	10.11.2008
75. Лунный свет (Moonlight)	195560	08.02.1999	08.02.2009

76. Фтородент (Ftorodent)	162143	23.12.1996	23.12.2006
77. Спелая клубника (Ripe Strawberry)	197795	12.10.1998	12.10.2008
78. Карапуз (Cabby)	190889	10.11.1998	10.11.2008
79. Артемия (Artemia)	197069	24.05.1999	24.05.2009
80. Акварель (Aquarelle)	190898	08.02.1999	08.02.2009
81. Тот (Tot)	199531	08.02.1999	08.02.2009
82. Дары природы (Gifts of Nature)	199186	15.02.1999	15.02.2009
83. Ассоль (Assol)	198278	26.10.1999	26.10.2009
84. Баня (Bathhouse)	199187	22.03.1999	22.03.2009
85. Да (Yes)	201611	03.06.1999	03.06.2009
86. Эффект (Effect)	201607	16.02.1999	16.02.2009
87. Трайидент (Trident)	199538	03.06.1999	03.06.2009
88. Семь дней (Seven Days)	201106	03.06.1999	03.06.2009
89. Женьшень (Ginseng), combined	200439	23.06.1999	23.06.2009
90. КАЛИНА (KALINA)	202109	11.11.1999	11.11.2009
91. Вальс цветов (Waltz of Flowers)	202809	18.11.1999	18.11.2009
92. Рифей (Riphey)	202807	11.11.1999	11.11.2009
93. Садко (Sadko)	203849	18.11.1999	18.11.2009
94. Фактор-24 (Factor-24)	205517	03.06.1999	03.06.2009
95. Рецепты красоты (Recipes of Beauty), 3D	204373	23.06.1999	23.06.2009
96. Silverline	197065	13.05.1999	13.05.2009
97. Навигатор (Navigator)	199242	22.03.1999	22.03.2009
98. Калинка (Kalinka)	206291	03.06.1999	03.06.2009
99. De-Stress	206290	24.05.1999	24.04.2009
100. Лель (Lel)	206304	23.12.1999	23.12.2009
101. Летний коктейль (Summer Cocktail)	206303	18.11.1999	18.11.2009
102. Gold Line	198694	13.05.1999	13.05.2009
103. Фтор-и-Фреш (Ftor-and-Fresh)	207187	10.11.1998	10.11.2008
104. Яблоневый цвет (Apple Blossom)	206671	12.10.1998	12.10.2008
105. Серебряная линия (Silver Line)	207474	20.04.1999	20.04.2009
106. Паллада (Pallada)	208230	16.09.1999	16.09.2009
107. Лесной бальзам (Forest Balm) (colored)	210856	10.05.2000	10.05.2010
108. 32-Норма (32-norm), 3D	210855	10.05.2000	10.05.2010
109. Калина логотип (Kalina logo) black-and-white, graphic	210894	31.03.2000	31.03.2010
110. Алые паруса (Red Sails)	212499	19.04.2000	19.04.2010
111. Эледент (Eledent)	213271	10.05.2000	10.05.2010
112. 3D mark of small bottle РЕЦЕПТЫ КРАСОТЫ (Recipes of Beauty) (combination of white and chlorine)	213269	10.05.2000	10.05.2010
113. Черный жемчуг (Black Pearl), combined	213272	10.05.2000	10.05.2010
114. Черный жемчуг (Black Pearl)	213268	27.04.2000	27.04.2010
115. Маленькая фея (Little Fairy), oral, standard font	213266	19.04.2000	19.04.2010
116. 32-Норма фрукт. гель (32-norm fruit gel), 3D	213307	09.08.2000	09.08.2010
117. Серебряная линия (Silver Line)	202408	10.08.1999	10.08.2009
118. Фруктовая линия (Fruit Line)	213721	15.02.1999	15.02.2009
119. Локон (Curl), 3D	213741	10.05.2000	10.05.2010
120. Велюр (Velours)	215577	09.08.2000	09.08.2010
121. Лесная аптека (Forest Drugstore)	215586	07.09.2000	07.09.2010
122. Case layout in colored graphic	215602	26.06.2002	26.06.2012
123. BONUS	215606	18.11.1999	18.11.2009
124. КАЛИНА концерт (Concern KALINA)	215610	31.03.2000	31.03.2010
125. КАЛИНА логотип, (KALINA logo), combined in color	215611	31.03.2000	31.03.2010
126. Лолита (Lolita)	215612	06.04.2000	06.04.2010
127. Комарэкс (Komarex) combined	215617	10.05.2000	10.05.2010
128. Чистая линия (Clean Line) combined dark-red	215618	10.05.2000	10.05.2010
129. EDT Bottle Анжелика Варум (Angelika Varum)	215622	19.05.2000	19.05.2010
130. Союз (Union)	215623	05.06.2000	05.06.2010
131. С легким паром (Bath Enjoy)	215630	04.07.2000	04.07.2010
132. Limpopo	219094	07.12.2000	07.12.2010
133. 3D mark «Алые паруса» (Red Sails)	219086	27.10.2000	27.10.2010
134. Новый велюр (New Velours)	219081	07.09.2000	07.09.2010
135. Velours	219079	09.08.2000	09.08.2010
136. Чистолин (Cleanline)	219076	04.07.2000	04.07.2010
137. Jar (big) for cream «Золотая	219072	10.05.2000	10.05.2010

линия» (Gold Line)			
138. 3D mark «Visage»	219069	10.05.2000	10.05.2010
139. 3D mark – jar for gel ЗОЛОТАЯ ЛИНИЯ (Gold Line)	219071	10.05.2000	10.05.2010
140. 3D mark – bottle РЕЦЕПТЫ КРАСОТЫ (Recipes of Beauty) (combination – white, beige)	219070	10.05.2000	10.05.2010
141. System «День-офис» (Day-Office)	223633	19.02.2001	19.02.2011
142. МИА (MIA)	223634	19.02.2001	19.02.2011
143. Маримба (Marimba)	223635	21.02.2001	21.02.2011
144. Marimba	223636	21.02.2001	21.02.2011
145. Поппинсы (Poppins)	223637	12.04.2001	12.04.2011
146. MARIMBA	223638	12.04.2001	12.04.2011
147. Cool Boy	223626	27.10.2000	27.10.2010
148. Черный жемчуг (Black Pearl), combined	223627	27.10.2000	21.10.2010
149. Эктоин (Ektoin)	223629	13.12.2000	13.12.2010
150. Лимпоно (Limporo)	223630	07.12.2000	07.12.2010
151. Сангель (Sangel)	223631	16.01.2001	16.01.2011
152. Витэктоин (Vitektoin)	223632	16.01.2001	16.01.2011
153. Poppins	223620	27.04.2000	27.04.2010
154. Poppin S	223621	27.04.2000	27.04.2010
155. Поппинс (Poppins)	223622	27.04.2000	27.04.2010
156. Bottle «Золотая линия» (Gold Line)	223623	10.05.000	10.05.2010
157. «Союз Аполлон» (Soyuz-Apollo)	223624	05.06.2000	05.06.2010
158. 3D mark «Серебряная линия» (Silver Line)	223625	18.07.2000	18.07.2010
159. FORSAN	223616	18.11.1999	18.11.2009
160. Акватон (Aquatone)	223617	18.11.1999	18.11.2009
161. Колибри (Hummingbird)	223618	18.11.1999	18.11.2009
162. Дракоша (Drakosha)	223619	11.04.2000	11.04.2010
163. «32-норма-мята» (32-norm mint) 3D mark	223628	17.11.2000	17.11.2010
164. «32-комплекс» (32-complex) 3D mark	224432	09.08.2000	09.08.2010
165. FINE HAIR, combined	224732	13.12.2000	13.12.2010
166. Drakosha and company	224733	22.01.2001	22.01.2011
167. SKINDREAM	225554	27.10.2000	27.10.2010
168. Graphic mark of «Калина» (Kalina) logo	225551	31.03.2000	31.03.2010
169. Райский сад (Eden orchard)	225552	07.09.2000	07.09.2010
170. NEW VELOURS	225553	07.09.2000	07.09.2010
171. Drakosha	232491	13.09.2001	13.09.2011
172. Drakosha & Co	232079	22.01.2001	22.01.2011
173. Маргарола (Margarola)	232080	13.06.2001	13.06.2011
174. Правильон (Pravilion)	232081	06.07.2001	06.07.2011
175. Graphic mark Дракоша (Drakosha)	232082	13.09.2001	13.09.2011
176. Graphic mark Дракоша (Drakosha)	232083	13.09.2001	13.09.2011
177. Фиксанти (Fixant)	233351	28.04.2001	28.04.2011
178. Вкусолат (Vkusolat)	233352	13.06.2001	13.06.2011
179. Margarola	233353	13.06.2001	13.06.2011
180. Статский советник (State Councilor)	233354	06.07.2001	06.07.2011
181. Дракоша (Drakosha)	233355	13.09.2001	13.09.2011
182. Fixant	233418	28.04.2001	28.04.2011
183. Finehair	233345	27.10.2000	27.10.2010
184. Кул Бой (Cool Boy)	233346	27.10.2000	27.10.2010
185. Sangel	233347	16.01.2001	16.01.2011
186. Дракоша и К (Drakosha and company)	233348	22.01.2001	22.01.2011
187. Nourishing cream Миа (Mia), oral	233349	19.02.2001	19.02.2011
188. Маленькая фея (Little Fairy), graphic in color	233350	27.02.2001	27.02.2011
189. Витин В+ (Viotin B+)	235164	31.10.2001	31.10.2011
190. Анжелика Варум Нота сердца (Angelika Varum Heart Note)	233485	12.09.2001	31.10.2011
191. Дракоша и К (Drakosha and company)	233486	13.09.2001	13.09.2011
192. Drakosha & Ko (Drakosha and company)	233487	13.09.2001	13.09.2001
193. Дракоша (Drakosha), oral, yellow font	233488	13.09.2001	13.09.2011
194. Шантаж (Chantage)	235163	13.07.2001	13.07.2011
195. SHANTAGE	233484	13.07.2001	13.07.2011
196. Витин Би Плюс (Viotin B+)	246376	01.11.2001	01.11.2011
197. Pravilion	246242	06.07.2001	06.07.2011

198. МИА (MIA)	246312	18.12.2001	18.12.2011
199. VIOTIN B+	246373	31.10.2001	31.10.2011
200. TUFSKIN	246384	28.11.2001	28.11.2011
201. ТУФСКИН (TUFSKIN)	246385	28.11.2001	28.11.2011
202. АКВАБАЛАНС (AQUABALANCE)	246387	29.11.2001	29.11.2011
203. Aqua Balance	246388	29.11.2001	29.11.2011
204. Cleanser СЕКУНДА (SECOND)	162373	15.07.1996	15.07.2006
205. Layout ТЕТ-А-ТЕТ (TWSOME)	251174	20.07.2001	20.07.2011
206. ДИ-СТРЕСС (DI-STRESS)	202403	24.05.1999	24.05.2009
207. Маленькая фея (Little Fairy), international	802303 madr	01.04.2003	01.04.2013
208. Дракоша (Drakosha), international	802557 madr	01.04.2003	01.04.2013
209. Лесной бальзам (Forest Balm), international	802738 madr	27.03.2003	27.03.2013
210. Золотая линия (Gold Line), international	802579 madr	27.03.2003	27.03.2013
211. Серебряная линия (Silver Line), international, class 3, 5	802736 madr	27.03.2003	27.03.2013
212. Серебряная линия (Silver Line), international, class 1b, 21	802508 madr	28.03.2003	28.03.2013
213. «32» (international)	802578 madr	01.04.2003	01.04.2013
214. Черный жемчуг (Black Pearl), international	802739 madr	27.03.2003	27.03.2013
215. Чистая линия (Clean Line) international	803099 madr	27.03.2003	27.03.2013
216. Чистая линия / Chistaya liniya (Clean Line) (Uzbekistan)	MGU 10762 uzb	10.09.2001	10.09.2011
217. Черный жемчуг / Chernyi Zhemchug (Black Pearl) (Uzbekistan)	MGU 10763 uzb	10.09.2001	10.09.2011
218. Viotin B+ (Uzbekistan)	MGU 10764 uzb	10.09.2001	10.09.2011
219. СТЕП / СТЕП (Uzbekistan)	MGU 10765 uzb	10.09.2001	10.09.2011
220. САНГЕЛЬ (SANGEL) (Uzbekistan)	MGU 11003 uzb	23.01.2001	23.01.2011
221. ЧИСТОЛИНИ (CLEANLINE) (Uzbekistan)	MGU 11004 uzb	23.01.2001	23.01.2011
222. ЛЕБЕДЬ (SWAN) (Uzbekistan)	MGU 11017 uzb	22.03.2001	22.03.2011
223. КАЛИНА (KALINA) Concern (Uzbekistan)	MGU 11059 uzb	19.02.2002	19.02.2012
224. МЕЧТА (DREAM) (Uzbekistan)	MGU 11066 uzb	22.03.2001	22.03.2011
225. ЛИМПОПО (LIMPOPO) (Uzbekistan)	MGU 11067 uzb	22.03.2001	22.03.2011
226. ДРАКОША (DRAKOSHA) (Uzbekistan)	MGU 11068 uzb	22.03.2001	22.03.2011
227. РАЙСКИЙ САД (EDEN) (Uzbekistan)	MGU 11116 uzb	22.03.2001	22.03.2011
228. МАРИМБА / МАРИМБА (Uzbekistan)	MGU 11245 uzb	18.07.2001	18.07.2011
229. ОРТО / ORTO (Uzbekistan)	MGU 11271 uzb	22.03.2001	22.03.2011
230. BLACK PEARL (Uzbekistan)	MGU 11415 uzb	10.09.2001	10.09.2011
231. QORA MARVARID (Uzbekistan)	MGU 11416 uzb	10.09.2001	10.09.2011
232. TINIQ IZ (Uzbekistan)	MGU 11417 uzb	10.09.2001	10.09.2011
233. Виотин Би Плюс (Viotin B+) (Uzbekistan)	MGU 11418 uzb	10.09.2001	10.09.2011
234. Виотин B+ (Viotin B+) (Uzbekistan)	MGU 11419 uzb	10.09.2001	10.09.2011
235. CLEAN LINE (Uzbekistan)	MGU 11420 uzb	10.09.2001	10.09.2011
236. ДЕНТА МЕД (DENTA MED) complex, combined. (Uzbekistan)	MGU 11421 uzb	15.04.2002	15.04.2012
237. ДЕНТА МЕД (DENTA MED) herbs, combined. (Uzbekistan)	MGU 11422 uzb	15.04.2002	15.04.2012
238. ДЕНТА МЕД (DENTA MED) fruit freshness, combined. (Uzbekistan)	MGU 11423 uzb	15.04.2002	15.04.2012
239. ДЕНТА МЕД (DENTA MED) strong freshness, combined. (Uzbekistan)	MGU 11424 uzb	15.04.2002	15.04.2012
240. ДЕНТАМЕД (DENTAMED), oral (Uzbekistan)	MGU 11427 uzb	24.06.2002	24.06.2012
241. ФТОРОМЕД (FTOROMED), oral (Uzbekistan)	MGU 11540 uzb	23.01.2001	23.01.2011
242. Iodbar, oral (Uzbekistan)	MGU 11898 uzb	19.12.2002	19.12.2012
243. ЛАВИНА СВЕЖЕСТИ (AVALANCHE OF FRESHNESS)	254180	11.09.2002	11.09.2012
244. БЕТАЕЛАСТИЛ	254182	10.11.2002	10.11.2012
245. БЭТАЭЛАСТИЛ (BETAELASTIL)	254183	10.11.2002	10.11.2012
246. SERGEI ZVEREV, combined	254532	16.07.2002	16.07.2012
247. MIA	254294	18.12.2001	18.12.2011
248. EVERFRESH	254354	11.09.2002	11.09.2012
249. Маленькая фея (Little Fairy), combined, black-and-white	254534	16.07.2002	16.07.2012

250. Маленькая фея (Little Fairy), combined, colored	254533	16.07.2002	16.07.2012
251. Picture Дракоша (Drakosha) with a toothbrush, graphic	254579	13.09.2001	13.09.2011
252. Дракоша и компания (Drakosha and company), oral	254578	13.09.2001	13.09.2011
253. WWW.BORODA.NET	254576	05.11.2001	05.11.2011
254. BORODA.NET	254573	12.11.2001	12.11.2011
255. ФРОСТ (FROST)	254564	13.05.2002	13.05.2012
256. FROST	254563	13.05.2002	13.05.2012
257. ЭВЕРФРЕШ (EVERFRESH)	256706	11.09.2002	11.09.2012
258. АКВАСОМЫ (AQUASOMES)	256731	10.11.2002	10.11.2012
259. Маленькая Фея (Little Fairy), graphic	256762	16.07.2002	16.07.2012
260. АНЖЕЛИКА ВАРУМ (ANGELIKA VARUM) (international)	809611 madr	01.04.2003	01.04.2013
261. ANGELIKA VARUM (international)	809690 madr	01.04.2003	01.04.2013
262. Золотая линия (Gold Line), oral	34526 Estonia	12.07.2000	24.08.2011
263. Черный жемчуг (Black Pearl), oral	34531 Estonia	12.07.2000	24.08.2011
264. Чистая линия (Clean Line), oral	34527 Estonia	12.07.2000	24.08.2011
265. Concern logo, graphic	36741 Estonia	14.09.2001	16.08.2012
266. КАРАПУЗ (CADDY), oral	183951, RF	04.02.1998	04.04.2008
267. AQUASOMES, oral	259808, RF	10.11.2002	10.11.2012
268. Маленькая фея (Little Fairy), oral, international	815289 madr	04.06.2003	04.06.2013
269. МАШЕНЬКА (MASHENKA), oral	141648+ app. 1	24.01.1995	24.01.2005
270. Сергей Зверев (Sergei Zverev), oral	265020	11.04.2002	11.04.2012
271. Sergei Zverev, oral	265499	11.04.2002	11.04.2012
272. Белоснежная улыбка (Snow-white Smile), oral	266305	04.11.2002	04.11.2012
273. Кедровый бальзам (Cedar Balm), oral (Uzbekistan)	MGU 12562	18.06.2003	18.06.2013
274. logo Чистая линия (Clean Line), international, 13 countries	820456	21.01.2004	21.01.2014
275. Лесной бальзам (Forest Balm), oral	264732	07.05.2003	07.05.2013
276. Kumush Iz, combined, Uzbekistan	MGU 11956	20.05.2002	20.05.2012
277. Серебряная Линия (Silver Line), combined, Uzbekistan	MGU 11957	20.05.2002	20.05.2012
278. Serebryanaya liniya, (Silver Line), combined, Uzbekistan	MGU 11958	20.05.2003	20.05.2012
279. Золотая Линия, (Gold Line), combined, Uzbekistan	MGU 11959	20.05.2002	20.05.2012
280. Zolotaya Liniya, (Gold Line), combined, Uzbekistan	MGU 11960	20.05.2002	20.05.2012
281. Tilla Iz., combined, Uzbekistan	MGU 11961	20.05.2002	20.05.2012
282. Gold Line, combined, Uzbekistan	MGU 11962	20.05.2002	20.05.2012
283. Velur Велур (Velours), combined, Uzbekistan	MGU 11963	20.05.2002	20.05.2012
284. Gold Line, combined, Uzbekistan	MGU 11964	20.05.2002	20.05.2012
285. Go'zallik Resepti (Gozallik Recipes), combined, Uzbekistan	MGU 11965	20.05.2002	20.05.2012
286. logo Tiniq Iz, combined, Uzbekistan	MGU 11966	20.05.2002	20.05.2012
287. logo MIA, combined, Uzbekistan	MGU 11967	20.05.2002	20.05.2012
288. logo MIA (MIA), combined, Uzbekistan	MGU 11968	20.05.2002	20.05.2012
289. logo Silver Line, combined, Uzbekistan	MGU 11969	20.05.2002	20.05.2012
290. Velur (Velours), combined, Uzbekistan	MGU 11970	20.05.2002	20.05.2012
291. Go'zallik Resepti, (Gozallik Recipes), oral, Uzbekistan	MGU 11971	20.05.2002	20.05.2012
292. Рецепты Красоты (Recipes of Beauty)	MGU 11972	20.05.2002	20.05.2012
293. Silver Line, oral, Uzbekistan	MGU 11973	20.05.2002	20.05.2012
294. Kumush Iz., oral, Uzbekistan	MGU 11974	20.05.2002	20.05.2012
295. Tilla Iz., oral, Uzbekistan	MGU 11975	20.05.2002	20.05.2012
296. Бархатные ручки (Velvet Hands), oral, Uzbekistan	MGU 11976	20.05.2002	20.02.2012
297. Mayin qo'llar, oral, Uzbekistan	MGU 11977	20.05.2002	20.05.2012
298. Бархатные ручки, (Velvet Hands), oral, Uzbekistan	MGU 11987	20.05.2002	20.05.2012
299. Mayin qo'llar, oral, Uzbekistan	MGU 11980	20.05.2002	20.05.2012

300. МІА МІА, oral, Uzbekistan	MGU 11982	20.05.2002	20.05.2012
301. logo Чистая линия (Clean Line), combined, Uzbekistan	MGU 11983	20.05.2002	20.05.2012
302. Серебряная линия Serebryanaya liniya (Silver Line), oral, Uzbekistan	MGU 11984	20.05.2002	20.05.2012
303. logo 32, green, combined, Uzbekistan	MGU 11985	20.05.2002	20.05.2012
304. logo 32, blue, combined, Uzbekistan	MGU 11986	20.05.2002	20.05.2012
305. 32 норма 32 norma (32-norm), oral, Uzbekistan	MGU 11987	20.05.2002	20.05.2012
306. logo Chernyi zhemchug (Black Pearl), combined, Uzbekistan	MGU 11990	18.04.2002	18.04.2012
307. logo Black Pearl, combined, Uzbekistan	MGU 11991	18.04.2002	18.04.2012
308. logo Qora Marvarid, combined, Uzbekistan	MGU 11993	18.04.2002	18.04.2012
309. logo Черный жемчуг (Black Pearl), combined, Uzbekistan	MGU 11994	18.04.2002	18.04.2012
310. Pearl and Line, graphic, Uzbekistan	MGU 11995	18.04.2002	18.04.2012
311. logo Clean Line, combined, Uzbekistan	MGU 11996	18.04.2002	18.04.2012
312. Золотая линия Zolotaya Liniya (Gold Line), oral, Uzbekistan	MGU 11998	20.05.2002	20.05.2012
313. Черный жемчуг (Black Pearl), combined, Uzbekistan	MGU 11999	18.04.2002	18.04.2012
314. Qora Marvarid, combined, Uzbekistan	MGU 12000	18.04.2002	18.04.2012
315. Chernyi Zhemchug (Black Pearl), combined, Uzbekistan	MGU 12001	18.04.2002	18.04.2012
316. Black Pearl, combined, Uzbekistan	MGU 12002	18.04.2002	18.04.2012
317. logo Chistaya Liniya (Clean Line), combined, Uzbekistan	MGU 12003	18.04.2002	18.04.2012
318. Layout of case Чистая линия (Clean Line), combined color combination	270390	24.06.2003 г.	24.06.2013
319. Black Pearl, oral, Ukraine	36822+D	21.09.2001	21.09.2011
320. Клинар (Cleanar), oral, Ukraine	34885+D	21.09.2001	21.09.2011
321. Kliner (Cleanar), oral, Ukraine	34886+D	21.09.2001	21.09.2011
322. Cliner (Cleanar), oral, Ukraine	34887+D	21.09.2001	21.09.2011
323. Cleanar, oral, Ukraine	36823+D	21.09.2001	21.09.2011
324. Чиста лінія (Clean Line), oral, Ukraine	34888+D	21.09.2001	21.09.2011
325. Чистая линия (Clean Line), oral, Ukraine	34889+D	21.09.2001	21.09.2011
326. Clean line, oral, Ukraine	34890+D	21.09.2001	21.09.2011
327. Виотин В+ (Viotin B+), oral, Ukraine	34891+D	21.09.2001	21.09.2011
328. Виотин Би Плюс (Viotin B+)	34892+D	21.09.2001	21.09.2011
329. Viotin B+, oral, Ukraine	34893+D	21.09.2001	21.09.2011
330. Срібна лінія (Silver Line), oral, Ukraine	37603+D	22.02.2002	22.02.2012
331. logo Серебряная линия (Silver Line), combined, Ukraine	37604+D	22.02.2002	22.02.2012
332. logo Silver line, combined, Ukraine	37605+D	22.02.2002	22.02.2012
333. logo Serebryanaya liniya (Silver Line), combined, Ukraine	37606+D	22.02.2002	22.02.2012
334. Picture of Pearls, graphic, Ukraine	37607+D	22.02.2002	22.02.2012
335. Рецепты красоты (Recipes of Beauty), oral, Ukraine	38268+D	22.02.2002	22.02.2012
336. Я сам (I myself), oral, Ukraine	38269+D	22.02.2002	22.02.2012
337. Дракоша (Drakosha), oral, Ukraine	38270+D	22.02.2002	22.02.2012
338. Маленькая фея (Little Fairy), oral, Ukraine	38271+D	22.02.2002	22.02.2012
339. Лимполо (Limporo), oral, Ukraine	38272+D	22.02.2002	22.02.2012
340. МІА (MIA), oral, Ukraine	38273+D	22.02.2002	22.02.2012
341. MIA, oral, Ukraine	38274+D	22.02.2002	22.02.2012
342. Чорні перли (Black Pearl), oral, Ukraine	38746+D	21.09.2001	21.09.2011
343. Чорна перлина (Black Pearl), oral, Ukraine	37850+D	21.09.2001	21.09.2011
344. Черный жемчуг (Black Pearl), oral, Ukraine	37851+D	21.09.2001	21.09.2011
345. Бархатные ручки (Velvet Hands), oral, Ukraine	34608 +D	21.09.2001	21.09.2011
346. logo Чистая линия (Clean Line), color	272258	12.05.2003	12.05.2013
347. Лесной бальзам (Forest Balm),	MGU 11662	08.05.2002	08.05.2012

oral, Uzbekistan			
348. Ультиматум Ultimatum, oral	242301/1	15.05.2002	15.05.2012
349. Мистер президент (Mister President), combined	272789	14.10.2003	14.10.2013
350. Сто рецептов красоты (100 Recipes of Beauty), oral	272799	18.08.2003	18.08.2013
351. Inspector, oral	272803	04.09.2003	04.09.2013
352. Черный жемчуг (Black Pearl), international	829364 madr	05.06.2003	05.06.2013
353. Травяной бальзам (Herb Balm), STZ Azerbaijan	20040248	25.06.2003	25.06.2013
354. Лесной бальзам (Forest Balm), STZ Azerbaijan	20040249	25.06.2003	25.06.2013
355. Кедровый бальзам (Cedar Balm), STZ Azerbaijan	20040250	25.06.2003	25.06.2013
356. Пародонтол (Parodontol), STZ Azerbaijan	20040251	25.06.2003	25.06.2013
357. Пародонтол (Parodontol), STZ Uzbekistan	MGU 12647	25.07.2003	25.07.2013
358. Травяной бальзам (Herb Balm), STZ Uzbekistan	MGU 12648	25.07.2003	25.07.2013
359. Лесная аптека (Forest Drugstore), STZ Azerbaijan	20040371	14.08.2003	14.08.2013
360. Бархатные ручки (Velvet Hands), international	833804	08.08.2003	08.08.2013
361. Clean Line	280778	22.01.2004	22.01.2014
362. logo Черный жемчуг (Black Pearl), Ukraine	42954	22.02.2002	22.02.2012
363. Chernyi Zhemchug (Black Pearl), Ukraine (APPLICATION ONLY)	40309	21.09.2001	21.09.2011
364. УЛЬТИМАТУМ (ULTIMATUM), oral	283527	12.01.2004	12.01.2014
INVENTIONS			
1. Facial foaming cleanser	2111739	09.02.1996	10.12.2005
2. Skin care cream	2115409	13.02.1996	14.12.2005
3. Foot gel	2109505	09.02.1996	10.12.2005
4. Hair washing compound	2115406	11.04.1996	12.02.2005
5. Foaming washing cleanser	2122398	11.04.1996	12.02.2005
PRODUCTION MODELS			
1. Cosmetic jar	48627	07.09.1999	08.08.2005
2. Cosmetic tube	48654	07.10.1999	08.08.2005
3. Bottle for children shampoo	48922	12.10.1999	13.08.2005
4. Bottle for cosmetic "Silver Line", two variants	48921	07.10.1999	08.08.2005
5. Package for diapers	49043	12.10.1999	13.08.2005
6. Package for a cosmetic, three variants	49195	07.10.1999	08.08.2005
7. Package for a foot deodorant jar	51454	22.03.2001	23.01.2005
8. Cosmetic jar	51446	06.12.2000	07.10.2005
9. Toothpaste tube	51605	06.10.2000	07.10.2005
10. Package for "Poppins" diapers	51720	18.05.2001	19.03.2005
11. Bottle	51707	06.10.2000	07.10.2005
12. Jar for foot deodorant	52032	22.03.2001	23.01.2005
13. Bottle for Marimba shampoo	52919	29.12.2001	30.10.2005
14. Package for Forest Balm toothpaste	53882	29.07.2002	30.05.2005
15. Package of «Неженка» (Milksop) soap	55632	20.01.2003	21.11.2005
USEFUL MODELS			
1. Post card	17304	07.12.2000	
2. Case for a lipstick	19031	05.04.2001	06.02.2005
3. Lid for a cosmetic	21288	12.09.2001	13.07.2005
4. Soap package (variants)	42513	12.08.2004	

Total documents of the rights for objects of intellectual property: 388.

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 for the 1st quarter 2005

Market trends:

- 1. Price reduction for cosmetic products of western manufacturers;*
- 2. Elimination of the line between cosmetology and medicine - development of cosmeceutics market;*
- 3. Deeper division of market segments, narrower specialized market segments and more specialized products are launched;*
- 4. Complex universal skin care products are launched;*
- 5. Consumer group of anti-ageing cosmetics is rapidly growing younger (start of using anti-ageing products from 25 years of age).*

Changes in competition:

- 1. Reduction of share of domestic manufacturers. More considerable reduction rates – in monetary terms;*
- 2. No new large players appear, the market is divided primarily among multinational corporations;*
- 3. Activation of direct sales companies (Oriflame, Avon, and Faberlic). Increase of the number of companies dealing with direct sales;*
- 4. Transfer of production to Russia by some multinationals (construction and purchase of plants in Russia) in order to reduce costs and logistics simplification;*
- 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 directed to increase brand loyalties.*

In the sales system:

*Increase of the share of household and personal care (HPC) products 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 of sales volumes 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 skin care products.

The Company share in this market as of the end of 2004 is 38.3 %. Shares of the largest competitors are as follows: "Nevskaya kosmetika" - 6.72 %, "Beiersdorf" - 3.16 %, "Svoboda" – 6.28 %. 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 the end of 2004 is 4.2 %. Market shares of the largest competitors are as follows: "Procter & Gamble" – 28.2 %, "Schwarzkopf/Henkel" - 9.0 %, "Fratti" - 5.2 %, "Unilever" -12.6 %, "L'Oreal" – 5.9 %. 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 the end of 2004 is 12.7 %. Market shares of the largest competitors are as follows: "Procter & Gamble" – 20.7 %, "Colgate" – 19.6 %, "Nevskaya kosmetika" – 15.2 %. Market share was calculated taking into account market capacity based on quantities.

Market of synthetic detergents.

The Company share in the market of synthetic detergents as of the end of 2004 is 6.60 %. Market shares of the largest competitors are as follows: "Aist" – 8.29 %, "Nefis" – 11.83 %, CJSC "Nevskaya kosmetika" – 3.97 %, OJSC "Vesna" – 4.88 %. 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 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 and annexes 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) election of Inspection commission members of the Company and pre-term termination of their powers;*
- 6) approval of the Company auditor;*
- 7) approval of annual reports, balance sheets, income statements of the Company, allocation of its profits and losses;*
- 8) identifying maximum number of announced shares;*
- 9) reduction of the Company charter capital by reducing face value of shares, by purchasing a certain part of shares by the Company in order to reduce their total number or redeem shares that have not been paid up in full in conformity with Article 29 of Federal Law "On Joint Stock Companies", or by redemption of shares that have been acquired or repaid by the Company in conformity with Article 72, clause 3 and Article 76, second paragraph in clause 6 of Federal Law "On Joint Stock Companies";*
- 10) procedures of chairing the General Shareholders Meeting;*
- 11) appointment of the counting board;*
- 12) identifying the format in which the Company will communicate materials (information) to its shareholders, identifying press media, if the message will be communicated as a publication;*
- 13) splitting and consolidation of shares;*

- 14) conclusion of transactions acknowledged as transactions of interest (Article 81 of Federal Law "On Joint Stock Companies", when the issue falls under the competence of the General Shareholders Meeting as stipulated by the Russian laws currently in force;
- 15) conclusion of large transactions regarding property being purchased or alienated by the Company as stipulated by the Russian laws currently in force;
- 16) acquisition and repayment of placed shares by the Company as stipulated by the Russian laws currently in force;
- 17) appointment of the sole executive body of the Company, pre-term termination of his powers, approval of terms and conditions of any contracts and decisions dealing with employment, dismissal and indemnities paid to the CEO of the Company;
- 18) other issues that fall under the competence of the General Shareholders Meeting as stipulated by the Russian laws currently in force.

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;
- 3) approval of the agenda for the General Shareholders Meeting;
- 4) organizing preparation for the meeting and the process of holding the General Shareholders Meeting, control over preparation and the process of holding the general meeting, fixing the date of preparing the list of shareholders with the right to participate in the general meeting;
- 5) raising issues covered by the Charter, clause 13.1. subclauses 2, 11-15, to be considered by the General Shareholders Meeting;
- 6) placement of Company bonds and other securities by the Company;
- 7) determining market value of Company property, including property handed over to the Company as payment for Company's shares;
- 8) acquiring shares, bonds and other securities placed by the Company;
- 9) advice on the amount of remuneration and indemnities paid to members of the Inspection Commission, and determining pay rates for auditor's services;
- 10) 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) establishing branches and representative offices;
- 14) making decisions on participation of the Company in other organizations, establishing subsidiaries of the Company;
- 15) conclusion of large transactions regarding property being purchased or alienated by the Company as stipulated by the Russian laws currently in force;
- 16) 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;
- 17) approval of the annual budget and investment plan of the Company;
- 18) approval of any investments that exceed 1,000,000.00 (one million) USD and fall outside the limits of the approved annual investment plan;
- 19) conclusion of transactions associated with leasing or renting fixed assets or production capacities, if the value of these assets exceeds 1,000,000.00 (one million) USD and/or the said transactions fall outside the limits of the approved annual investment plan, or if lease payments or future revenues resulting from such lease exceed 1,000,000.00 (one million) USD;
- 20) conclusion of transactions regarding sales of any fixed funds and intangible assets of the Company, if the amount of such a transaction exceeds 1,000,000.00 (one million) USD;
- 21) conclusion of transactions regarding pledge or any other charge on assets of the Company, if the amount of such a transaction exceeds the value indicated in the annual budget;
- 22) conclusion of transactions regarding acquisition of shares, bonds, promissory notes and other securities issued by third parties, save financial instruments used by the Company to repay its ordinary financial obligations;
- 23) conclusion of contracts of debt and loan agreements, if they fall outside the limits of borrowing fixed in the annual budget of the Company;
- 24) alterations in accounting policies and procedures of business accounting;
- 25) selection of organization keeping the register of the Company;
- 26) selection of organization auditing the Company;

- 27) *increase of the Company charter capital by increasing face value of its shares or by placing additional shares, if not stipulated otherwise by the Russian laws currently in force;*
- 28) *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;*
- 29) *any other issues as stipulated by the laws currently in force.*

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 Management.

You can read the JSC Concern "KALINA" Charter, Code of Corporate Management 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: ***Gorayev, Timur Rafkatovich***

The Board of Directors of JSC Concern "KALINA"

Chairman: ***Johan Grietsen Hendrik Vreeman***

Members of the Board of Directors:

Gorayev, Timur Rafkatovich

Born: ***1967***

Positions held for last five years:

Period: ***1998 – 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***

Positions held for last five years:

Period: ***1994 – 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: ***50.18 %***

Share of Issuer's ordinary shares: ***50.18 %***

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**

Petrov, Alexander Yurievich

Born: **1973**

Positions held for last five years:

Period: **1998 – 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**

Positions held for last five years:

Period: **1998 – 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**

Jan Dewijngaert

Born: **1959**

Positions held for last five years:

Period: **1998 – till present time**

Organization: **Eagle Venture Partners**

Sphere of activity: **finance, investment**

Position: **Managing Director**

Period: **1998 – till present time**

Organization: **GIMV Czech Partners**

Sphere of activity: **finance, investment**

Position: **Managing Director**

Period: **2002 – till present time**

Organization: **Close Joint-Stock Company "Tamak"**

Sphere of activity: **manufacture of construction materials**

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

Period: **2002 – till present time**

Organization: **Close Joint-Stock Company "Izorok"**

Sphere of activity: **manufacture of heat-insulating materials**

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

Period: **2002 – till present time**

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

Sphere of activity: *manufacture of glass containers*
Position: *Member of the Board of Directors*

Period: *2003 – till present time*
Organization: *Close Joint-Stock Company "Industrial Group Metran"*
Sphere of activity: *production of perfumery and cosmetic products*
Position: *Member of the Board of Directors*

Period: *2001-2003*
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: *2003 - 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*

Casper Heijsteeg
Born: *1970*

Positions held for last five years:
Period: *1998-1999*
Organization: *Rabo Chernozemie B.V.*
Sphere of activity: *finance*
Position: *investment manager*

Period: *April 2000 - May 2004-11*
Organization: *GIMV/Korpek Urals Fund (the Netherlands) representative office in Ekaterinburg*
Sphere of activity: *finance*
Position: *fund manager, chief of representative office*

Period: *April 2000 - May 2004*
Organization: *Eagle Venture Partners B.V. (the Netherlands), representative offices in Ekaterinburg and Moscow*
Sphere of activity: *finance*
Position: *deputy Head of Representative Office, senior fund manager*

Period: *July 2004 - till present time*
Organization: *Eagle Venture Partners B.V. (the Netherlands), representative office in Moscow*
Sphere of activity: *finance*
Position: *Head of Representative Office*

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**

Johan Grietsen Hendrik Vreeman

Born: **1945**

Positions held for last five years:

Period: **1998 – 2002**

Organization: **Rabo Black Earth**

Sphere of activity: **financial**

Position: **executive director**

Period: **1998-2003**

Organization: **Close Joint-Stock Company "Polipack"**

Sphere of activity: **manufacture of packing materials**

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

Period: **1999-2003**

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: **1994-2003**
Organization: **Eckes Granini AG**
Sphere of activity: **production of fruit beverages**
Position: **member of Management Board**

Period: **1989-1993**
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: **1998 - 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: **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: **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**

Chief Executive Officer of JSC Concern "KALINA"

Goryayev, Timur Rafkatovich

Born: **1967**

Positions held for last five years:

Period: **1998 – 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**

Positions held for last five years:

Period: **1994 – 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: **50.18 %**

Share of Issuer's ordinary shares: **50.18 %**

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 2003 and 2004 and the 1st quarter of 2005:

Description of payment	2002	2003	2004	1 st qr. 2005
Salary of members of the Board of Directors, in RUR	0.00	0.00	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	7,915,402	14,887,940	15,814,557	1,929,578
Bonuses paid to members of the Board of Directors on the basis of the results of Company performance, in RUR	8,448,000	0	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 2005:
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: **1998-1999**

Organization: **State Tax Agency of the Zheleznodorozhny district of Ekaterinburg**

Sphere of activity: **public official, Tax Inspection**

Position: **chief state tax officer of the division of taxation of enterprises incomes**

Period: **1999-2001**

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 – till present time**

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: **Sevastianova, Natalia Vladimirovna**

Born: **1974**

Education: **1996, higher, Kurgan Engineering Institute**

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

Period: **1998-2002**

Organization: **JSC Concern "KALINA"**

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

Position: **economist on costs in the economics department**

Period: **September 2002 – October 2003**

Organization: **JSC Concern "KALINA"**

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

Position: **deputy head of the economics department**

Period: **October 2003 – till present time**

Organization: **JSC Concern "KALINA"**

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

Position: **chief economist**

Period: **2003- 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: **Uzberg, Vadim Evgenievich**

Born: **1977**

Education: **1999, higher, Voronezh State University, faculty of economics**

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

Period: **1999-2000**

Organization: **Eagle Venture Partners – Venture Fund of EBRD**

Sphere of activity: **finances and credit**

Position: **junior financial analyst**

Period: **2000–2001**

Organization: **Eagle Venture Partners – Venture Fund of EBRD**

Sphere of activity: **finances and credit**

Position: **financial analyst**

Period: **2001-2002**

Organization: **Eagle Venture Partners – Venture Fund of EBRD**

Sphere of activity: **finances and credit**

Position: **investment manager**

Period: **2002-2004**

Organization: **Eagle Venture Partners – Venture Fund of EBRD**

Sphere of activity: **finances and credit**

Position: **chief financial officer**

Period: **2004**

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**

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 the 1st quarter of 2005:

Description of payment	2002	2003	2004	1 st qr. 2005
Salary of members of the Inspection Commission, in RUR	0.00	0.00	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	888,430	2,376,366	1,457,142	289,800
Bonuses paid to members of the Inspection Commission on the basis of the results of Company performance, in RUR	0	0	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 2005:

No information of plans for remuneration payment to members of the Inspection Commission in 2005 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	1999	2000	2001	2002	2003	2004	1 st qr. 2005
Average number of employees in the records, in persons	1,846	4,249	6,692	3,206	2,714	2481	2346
Amount of cash assigned for remuneration of labor, in RUR	96,934,000	195,884,000	297,348,000	259,031,000	470,185,000	498,183,000	109,500,646
Amount of cash assigned for social benefits, in RUR	36,808,000	74,526,000	83,791,000	103,435,000	116,576,000	117,823,000	3,637,225
Total amount of cash spent, in RUR	133,742,000	270,410,000	381,139,000	362,466,000	586,761,000	616,006,000	113,137,871

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".

Increase in the number of employees in 2000-2001 is determined by jobs creation for physically challenged persons for the purpose of taxation optimization. It should be noted that all the employees of the said category were in fact engaged in different production and administrative divisions of the Company and got their salaries.

Reduction in the number of employees in 2002-2003 is connected with changes in the tax laws that made recruitment of physically challenged persons unprofitable. Such employees were dismissed by the Company, who followed the principles of Labor Law of the Russian Federation and met all its obligations in respect of such employees.

Information of the Company employees by their age and education as of April 1, 2005						
Name of the item	reporting period	2004	2003	2002	2001	2000
	Employees (staff) – under 25 years of age, %	13.3	14.6	13.3	16.9	17.7
Employees (staff) – from 25 to 35 years of age, %	36.3	36.1	40.1	37.1	36.3	35.9
Employees (staff) – from 35 to 55 years of age, %	45.4	47.24	44.6	44.5	44.8	46.9

Employees (staff) – over 55 years of age, %	2.0	1.98	2.0	1.5	1.2	1.2
Total:	100.0	100.0	100.0	100.0	100.0	100.0
of these:						
with secondary and/or full general education, %	53.1	44.4	49.4	48.7	48.2	49.8
with elementary and/or secondary professional education, %	20.7	34.3	25.5	25.9	25.5	25.6
with higher professional education, %	26.3	21.25	25.1	25.4	26.3	24.6
with postgraduate professional education, %	n/a	n/a	n/a	n/a	n/a	n/a
Total:	100.0	100.0	100.0	100.0	100.0	100.0

Employees of JSC Concern "KALINA" having material influence on financial and economic activities of JSC Concern "KALINA" (key employees).

Chief Executive Officer of JSC Concern "KALINA" - Gorayev, Timur Rafkatovich is a controlling shareholder of the Company and member of its Board of Directors. He owns 50.18 % of the Company charter capital.

The following employees of the Company are members of its Board of Directors:

Geller, Nikolai Arkadievich, director for development of JSC Concern "KALINA", is also a shareholder of the Company (share in the charter capital – 0.46 %)

Petrov, Alexander Yurievich, director for economics and finance of JSC Concern "KALINA", is Chairman of the Company Board of Directors and shareholder of the Company (share in the charter capital – 0.38 %)

Trade union established by employees (staff) of JSC Concern "KALINA".

No trade union established by employees (staff) of JSC Concern "KALINA" is registered.

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 JSC Concern "KALINA" shareholders as of the expiry date of the reporting period.

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 the end of the 1st quarter of 2005: 208

Including nominal holders: 11

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: ***Gorayev, Timur Rafkatovich***
INN: ***667105865584***
Share in the charter capital of JSC Concern "KALINA": ***50.18 %***
Share of Issuer's ordinary shares: ***50.18 %***

Full name: ***European Bank for Reconstruction and Development***
Abridged name: ***EBRD***
INN: ***7738143430***
Location: ***One Exchange Square, London, EC2A 2JN, UK***
Postal address: ***44, Kuibysheva St., Ekaterinburg, 620026 Russia***
Share in the charter capital of JSC Concern "KALINA": ***5.92 %***
Share of Issuer's ordinary shares: ***5.92 %***

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"***
INN:
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": ***6.93 %***
Share of Issuer's ordinary shares: ***6.93 %***

Full name: ***ING Bank (Eurasia) CJSC (Close Joint-Stock Company)***
Abridged name: ***ING BANK (Eurasia), CJSC***
INN:
Location: ***31, Krasnaya Presnya St., Moscow, 123022***
Postal address: ***31, Krasnaya Presnya St., Moscow, 123022***
Share in the charter capital of JSC Concern "KALINA": ***6.72 %***
Share of Issuer's ordinary shares: ***6.72 %***

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": ***56.67 %***
Share of Issuer's ordinary shares: ***56.67 %***
****CJSC CB "Citibank" is a nominal holder of JSC Concern "KALINA" shares, which belong to several individuals and legal entities, including Mr. T.R. Gorayev***

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": ***7.58 %***
Share of Issuer's ordinary shares: ***7.58 %***

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": ***6.27 %***
Share of Issuer's ordinary shares: ***6.27 %***

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.

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 3, 1999: February 17, 1999

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of February 17, 1999:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Gorayev, Timur Rafkatovich	52.74	52.74
Selyukov, Alexey Albertovich	25.33	25.33

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 November 19, 1999.

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 November 19, 1999: October 12, 1999.

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of October 12, 1999:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Gorayev, Timur Rafkatovich	52.74	52.74
Selyukov, Alexey Albertovich	25.33	25.33

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 April 10, 2000.

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 April 10, 2000: February 23, 2000.

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of February 23, 2000:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Gorayev, Timur Rafkatovich	52.74	52.74
Selyukov, Alexey Albertovich	25.33	25.33

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, 2000.

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, 2000: April 12, 2000.

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of April 12, 2000:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Gorayev, Timur Rafkatovich	52.74	52.74

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 17, 2000.

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 17, 2000: June 5, 2000.

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of June 5, 2000:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Gorayev, Timur Rafkatovich	75.34	75.34
Open Joint-Stock Company "RIKAP-Fond" OJSC "RIKAP-Fond"	5.11	5.11

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 28, 2000.

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 28, 2000: July 14, 2000.

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of July 14, 2000:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Gorayev, Timur Rafkatovich	75.34	75.34
Open Joint-Stock Company "RIKAP-Fond" OJSC "RIKAP-Fond"	5.11	5.11

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 November 3, 2000.

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 November 3, 2000: September 27, 2000.

Shareholders who owned not less than 5 percent of the charter capital of JSC Concern "KALINA" as of September 27, 2000:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
Gorayev, Timur Rafkatovich	75.34	75.34
Kuzmin, Yuri Anatolievich	5.81	5.81
Open Joint-Stock Company "RIKAP-Fond" OJSC "RIKAP-Fond"	5.11	5.11

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, %
Gorayev, 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, %
Gorayev, 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, %
Gorayev, Timur Rafkatovich	66.01	66.01

European Bank for Reconstruction and Development/ EBRD	19.23	19.23
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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, %
Gorayev, 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, %
Gorayev, 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, %
Gorayev, 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, %
Gorayev, 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	Share in the charter
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	ordinary shares owned by the said person, %	capital, %
Gorayev, 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 ordinary shares owned by the said person, %	Share in the charter 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 March 3, 2005:

Name / Surname, Name, Patronymic	Share of Company ordinary shares owned by the said person, %	Share in the charter capital, %
CJSC Commercial Bank "Citibank"	56.67	56.67
CJSC "Depositary-Clearing Company"	12.63	12.63
Commercial Bank "J.P. Morgan Bank International" (Ltd)	7.58	7.58
ING Bank (Eurasia) CJSC	6.72	6.72
"Deutsche Bank", limited liability company	6.27	6.27
European Bank for Reconstruction and Development	5.92	5.92

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.

	2000	2001	2002	2003	2004	1 st qr. 2005
Sum of transactions acknowledged as transactions of interest, in RUR	2,490,600.00	0.00	8,448,000.00	0.00	0.00	0.00
Cost of transactions in relation to carrying value of assets, %	0.17	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 January 1, 2005

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	230,254,868.53	76,378,302.14	12,411,221.45	3,762,321.10	-60,599.27	25,360,824.99
promissory notes receivable, in RUR						
debts of subsidiaries and dependent companies, in RUR	41,175,675.39	49,016,434.18	30,384,876.39	48,061,222.69	0	142,440,357.15

Total, in RUR:	271,430,543.92	125,394,736.32	42,796,097.84	51,823,543.79	-60,599.27	167,801,182.14
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The total amount of accounts receivable as of January 1, 2005 is **659,185,504.74 RUR**

Debtors Whose Share is not Less Than 10 % of the Total Amount of Accounts Receivable as of January 1, 2005

Full and Abridged Names	Location	Amount of Accounts Receivable, in RUR
SC "Pallada Ukraine"	Ukraine, 03164 Kiev, Generala Naumova St., 23-B	168,638,208.58
JSC NPCIC "Alye Parusa"	Ukraine, 54002 Nikolaev, M.Morskaya St., 106	97,643,832.42

Information of the Amount of Accounts Receivable as of April 1, 2005

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	306,912,953.30	51,364,814.90	4,931,544.70	6,014,328.36	57,147.73	25,209,492.73
promissory notes receivable, in RUR						
debts of subsidiaries and dependent companies, in RUR	73,139,999.21	42,909,717.26	38,660,290.85	56,482,059.13	-	142,440,357.15
Total, in RUR:	380,052,952.51	94,274,532.16	43,591,835.55	62,496,387.49	57,147.73	167,649,849.88

The total amount of accounts receivable as of April 1, 2005 is **748,122,705.32 RUR**

Debtors Whose Share is not Less Than 10 % of the Total Amount of Accounts Receivable as of April 1, 2005

Full and Abridged Names	Location	Amount of Accounts Receivable, in RUR
SC "Pallada Ukraine"	Ukraine, 03164 Kiev, Generala Naumova St., 23-B	213,692,066.38
JSC NPCIC "Alye Parusa"	Ukraine, 54002 Nikolaev, M.Morskaya St., 106	97,643,832.42

Years	2000	2001	2002	2003	2004	1 st qr. 2005
Amount of accounts receivable, in RUR	819,159,000	988,710,000	1,343,128,000	1,309,186,000	659,185,505	748,122,705
Amount of accounts receivable overdue	56,065,000	88,968,000	86,353,000	0	0	0

7. Financial Statements of JSC Concern "KALINA" and Other Financial Information

7.1. Annual Financial Statements of JSC Concern "KALINA"

Annual Financial Statements for 2004:

- accounting policies of JSC Concern "KALINA" for 2004;
- form 1 "Balance Sheet" for 2004;
- form 2 "Income Statement" for 2004;
- form 3 "Statement of Changes in Capital" for 2004;
- form 4 "Statement of Cash Flows" for 2004;
- form 5 "Appendix to Balance Sheet" for 2004;
- Auditor's conclusion on the Financial Statements for 2004.

7.2. Quarterly Financial Statements of JSC Concern "KALINA" for the Last Reporting Quarter that Ended

Financial Statements for the 1st quarter 2005:

- accounting policies of JSC Concern "KALINA" for 2005;
- form 1 "Balance Sheet" for the 1st quarter 2005;

- form 2 "Income Statement" for the 1st quarter 2005;

7.3. Consolidated Financial Statements of JSC Concern "KALINA" for Last Three Fiscal Years that Ended

Yearly audited consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States of America for year 2004 (auditor's report of "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 qr. 2005	307,584 ths. RUR or 19.59 %
2004	1,112,376 ths. RUR or 22.26 %
2003	481,621 ths. RUR or 18.92 %
2002	746,005 ths. RUR or 19.18 %

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.

After the date of the end of the last year that ended the following material changes in JSC Concern "KALINA" property occurred:

In January 2005, new storehouse in Khrustalnaya St. was put into operation. Carrying value of the storehouse is 203,828,402 RUR.

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"

No such legal processes in the reporting quarter are registered.

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 preferred 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"

	2000	2001	2002	2003	2004	1 st qr. 2005
Amount of the charter capital, in RUR	72,856,710	631,449,070	585,543,560	585,543,560	682,661,770	682,661,770
Number of registered shares in circulation, pieces including ordinary preferred	7,285,671 -	9,020,701 -	8,364,908 -	8,364,908 -	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 April 1, 2005 the reserve fund was 83,770,000.00 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

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 20 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: ***Arifdzhonov, Ravshan Rakhimdzhonovich***

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 Almayk 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: *30.34 % (in April 2005, the share was increased to 59.3 %)*

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 %*

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 quarter 2005 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 BBB+

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 preferred 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 quarter 2004, 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.

- *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 Forgiving 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. ГКПН-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	6 %	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.	<i>Categories of Securities Owners</i>	
	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	6 %	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.	<i>Categories of Securities Owners</i>	
	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 % go to the federal budget, 16 % go to budgets of subjects of the Russian Federation, 2 % go to local budgets. Legislative bodies of subjects of the Russian Federation have the right to reduce tax rates for certain categories of taxpayers in the part of tax sums transferred to budgets of subjects of the Russian Federation to 10.5 %.	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.	

<p>5. Peculiarities of taxation order for this category of securities owners</p>	<p>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.</p>	<p>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. **</p>
<p>6. Legal and standard acts which regulate taxation order of the said income</p>	<p>Chapter 23 of Tax Law of the Russian Federation "Tax on Individuals' Incomes" (with alterations and amendments)</p>	

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: **Money**

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: **Money**

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: ***Money***

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: ***Money***

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: ***Money***

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: ***Money***

Reporting period for which the dividends are paid: ***first half year of 2003***

Year 2004Category 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: **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: **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: **Money**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: **Money**Reporting period for which the dividends are paid: **first half years of 2004****The total amount of dividends paid for each reporting period**

	1997	1998	1999	2000	2001	2002	2003	1 st half year 2004
Amount of dividends paid, in RUR	269,246.50	2,602,026.00	3,501,535.50	4,182,454.00	8,634,908.00	16,729,816.00	62,736,810.00	33,694,608.25

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 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	07.03.01-05.06.01	5.06.2001	20 %	4.93	86,500	426,445.00	426,445.00	Money
2	06.06.01-04.09.01	4.09.2001	20 %	4.93	700,000	3,451,000.00	3,451,000.00	Money
3	05.09.01-04.12.01	4.12.2001	20 %	4.99	51,340	256,186.60	256,186.60	Money
4	04.12.01-06.03.02	6.03.2002	20 %	4.99	51,340	256,186.60	256,186.60	Money
5	07.03.02-05.06.02	5.06.2002	18.4 %	4.74	51,340	243,351.60	243,351.60	Money
6	06.06.02-04.09.02	4.09.2002	16.8 %	4.46	51,340	228,976.40	228,976.40	Money
7	05.09.02-03.12.02	3.12.2002	16.8 %	4.19	51,340	215,114.60	215,114.60	Money
8	04.12.02-06.03.03	6.03.2003	14.4 %	4.08	51,340	209,467.20	209,467.20	Money
9	07.03.03-05.06.03	5.06.2003	14.4 %	3.59	47,540	170,668.60	170,668.60	Money
10	06.06.03-04.09.03	4.09.2003	12.8 %	3.26	47,540	154,980.40	154,980.40	Money
11	05.09.03-04.12.03	4.12.2003	12.8 %	3.19	47,540	151,652.6	151,652.6	Money

12	05.12.03-05.03.04	5.03.2004	11.9 %	2.97	47,540	141,193.0	141,193.0	Money
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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	Money
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	Money
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	Money
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	Money
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	Money
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	Money
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	Money
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	Money

All payments were made in time.

8.10. Other Information

No other information is registered.

APPENDIX

*Financial Statements
for year 2004*

OF

OPEN JOINT-STOCK COMPANY CONCERN "KALINA"

APPROVED
Chief Executive Officer
T. R. Gorayev
“ ____ ” _____ 2003

REGULATIONS
ON ACCOUNTING POLICIES OF JSC Concern "KALINA"
for 2004

GENERAL PROVISIONS

1.1 Organization, form and methods of accounting practice of the basis of the following standard acts currently in force: Federal Law of the Russian Federation “On Accounting Practice”, Regulations on Accounting Practice and Business Accounting of the Russian Federation (approved by order of the Ministry of Finance of the Russian Federation No. 34Н dd. July 29, 1998), Regulations on Accounting “Accounting Policies of an Organization” (approved by order of the Ministry of Finance of the Russian Federation No. 60Н dd. December 9, 1998), Chart of Accounts of Business Accounting of Financial and Economic Activities of an Organization and Instructions for its Application (approved by order of the Ministry of Finance of the Russian Federation No. 94Н dd. October 31, 2000). Tax Law of the Russian Federation (part II).

1.2 Business accounting is performed by the accounts department as an organization department headed by the Chief Accountant.

1.3 Records and order method of accounting information processing in factories, workshops, divisions with partial automation of the central accounts department.

A work plan of accounts and control accounts of business accounting is applied in the enterprise and its divisions in accordance with Appendix 1 to the present Regulations.

1.4 Financial statements of the enterprise for the reporting period are to be prepared by centralized accounts department.

The reporting period is understood as: 1 quarter, 6 months, 9 months, and 1 year;

The taxable period: from January 1 to December 31.

Yearly financial statements are to be presented to:

- founders (shareholders) as stipulated by the constituent documents;
- authority of state tax inspection;
- authority of state statistical report.

Yearly statements and auditor’s report are to be approved by the annual general shareholders meeting and subject to obligatory publication in the press media fixed by the shareholders meeting.

1.5 Standard forms of basic accounting documents and forms determined by standards for enterprises are to be applied for performing financial operations.

1.6 Standard forms are applied for financial statements.

1.7 The schedule of documents circulation is as stipulated by Appendix 2 and Appendix 3.

APPROVED ACCOUNTING METHODS

2.1 Useful life of objects of fixed assets is determined as stipulated by the Russian Government Regulations No. 1 dd. January 1, 2002, by the working group (И-04-01-2004), at the date of registration.

2.2 Depreciation of objects of fixed assets is charged using the straight-line method.

The basic standard of fixed assets depreciation being the subject of leasing is multiplied by 3.

2.3 Expenses for repairs of fixed assets are charged directly to products cost at a time in the reporting period when they took place.

2.4 Objects with useful life of more than 12 months but with cost less than 10,000 RUR inclusive as of the date of accounting are accounted in tangible assets in full amount as put into operation. Subscription publications, legal literature and books are not considered as fixed assets and are recognized as period expenses.

2.5 Useful life of objects of intangible assets is determined by the brand-manager.

2.6 Original value of trademarks is written off in proportion to the volume of output, for other objects of intangible assets depreciation is charged using the straight-line method. Depreciation is charged using account 05 “Depreciation of Intangible Assets”.

- 2.7 Inventories accounting is performed by actual expenses for acquisition.
- 2.8 Accounting of valuable property acquisitions is made with use of account 15 "Deviation in the Value of Valuable Property".
- 2.9 In order to provide control and safety, valuable property accounting is performed at places of storage and by a responsible person.
- 2.10 Determination of actual cost of material resources charged to production is performed at average cost of one item.
- 2.11 Goods for sale are presented at the value of their acquisition.
- 2.12 Order of charging expenses of auxiliary production: expenses accumulated on account 23 "Auxiliary Production" are charged to account 26 "General Expenses" (except for expenses of the steam-power workshop which is charged to account 25 "General Production Expenses").
- 2.13 Order of charging general (overhead) expenses: expenses accumulated during the reporting period on account 26 "General Expenses" are charged to debit of account 90 "Sales".
- 2.14 On account 25 "General Production Expenses" direct expenses are taken into account (depreciation, fuel, water, electricity, production works) and are to be charged in the end of the month to account 20 "Principal Production" in proportion to the cost of basic and auxiliary raw materials and funds of remuneration of labor (FRL) of principal operating personnel.
- 2.15 Order of charging expenses for sales: expenses for sales accounted on account 44 are recognized in the cost of sales in the reporting period and are to be charged to debit of account 90 "Sales".
- 2.16 Order of charging expenses for service production: expenses accumulated during the reporting period on account 29 "Service Production" are charged to debit of account 90 "Sales".
- 2.17 Conventional calculation variant of accounting production expenses is used to classify production expenses, calculate cost of the products and form production results.
- 2.18 Work in progress is presented at the value of raw materials and semi-finished goods.
- 2.19 Unit of finished products is article.
- 2.20 Finished products are presented in the financial statements at standard production cost with separate accounting of deviations from actual cost on account 40 "Products Output" and are taken as expenses of the period with allocation to account 90 "Sales".
- 2.21 Expenses in the reporting period but related to the next reporting periods are presented evenly as pre-paid expenses.
- 2.22 For long-term works and services financial results are calculated after total completion of works under the contract or the object as a whole.
- 2.23 Difference between sum of actual expenses for acquisition of securities and their face value is accounted on the date of their redemption or selling.
- 2.24 Loans in the long-term liabilities on the date of reception are transferred to short-term liabilities if there are not less than 365 days left till the loan repayment as of the reporting date.
- 2.25 Additional expenses and interests connected with reception and service of loans are included into operative expenses in that reporting period when they were made.
- 2.26 Exchange differences on transactions in foreign currency are charged directly to the financial results of the company activities (account 91 "Other Profits and Losses) as these transactions are concluded and as of the end of each month.
- 2.27 When placing promissory notes (bonds) to obtain a loan in monetary funds, the amount of interests or discount due to a note-holder are included into operative expenses without preliminary account as pre-paid expenses.
- 2.28 Differences of amounts are recognized when accounting:
- profits (losses) from principal activities arisen within the taxable period;
 - extraordinary profits (expenses) arisen outside the taxable period.
- 2.29. No allowance for valuable property depreciation at the expense of Company financial results was made.
- 2.30 No provision for doubtful accounts for settlements with other companies and institutions at the expense of financial results was made. Accounts receivable and accounts payable overdue more than 3 years are charged to the results of financial activity by results of stock-taking approved by the director order.
- 2.31 No allowance for depreciation of investments to listed securities at the expense of Company financial results.
- 2.32 In order to ensure reliable bookkeeping and accounting data, inventory of property and financial obligations shall be made in the periods determined in the director order.
- 2.33 Funds for business needs are paid out on account for the period of 30 days.

2.34 Unified standards of traveling expenses for all employees of the Company are stipulated by Appendix D.

During the reporting period standards of traveling expenses could be changed by special resolution of the Company director.

2.35 Profits from leasing (subleasing) property and from granting the rights for results of the intellectual property are included into operative expenses.

TAX POLICY

3.1 Calculation of taxes is made by the accounts department as an organization department headed by the Chief Accountant.

Registers of financial statements are the basis for taxable profits calculation, basic documents of financial statements are simultaneously basic accounting records of tax accounting.

Tax accounting to determine the taxable profits is kept in the electronic form.

3.2 Date when VAT payment obligations occur is determined as funds from customers arrive.

3.2.1 Production expenses for export products are determined from the total expenses in proportion to the volume of export shipments of that reporting period when they were made according to Appendix 5.

3.2.2 VAT payment and presentation of tax return in VAT is made monthly by the head enterprise at its place of performance;

3.2.3 The following officials have the right to sign the invoices:
chief accountant;

deputy chief accountant;

manager-analyst of the sales department;

heads of regional groups;

managers of the sales department under power of attorney.

3.3 Profits and losses when calculating income tax by the method of accrual.

3.3.1 Income tax payment is made by the parent enterprise:

- to the Federal budget at its place of performance,

- to subjects of the Russian Federation at the place of performance of the organization department.

3.3.2 Monthly advance payment of the income tax are made in equal parts in the amount of one-third of the quarterly advance payment due to be paid for the quarter preceding the quarter in which payment of monthly advance payments of income tax is made.

3.3.3 Calculation of the amount of income tax due to be paid at the place of performance of each organization department in conformity with Article 288 of Tax Law of the Russian Federation, is made using index of average number of employees in the records.

3.3.4 Distribution of depreciated objects by depreciation groups is performed taking into account useful life determined in accordance with technical conditions of operation.

Depreciation of objects of fixed assets is charged using the straight-line method.

The fixed assets depreciation being the subject of leasing is multiplied by 3.

In passenger cars and passenger minibuses with original value more than 300,000 and 400,000 RUR respectively, basic standard of depreciation is used with coefficient 0.5.

Calculation of depreciation is made in a special tax register.

3.3.5 Calculation of direct expenses falls at balance of work in progress, finished products in stock and products shipped but not sold is made in a separate tax register as a whole in all manufacture of products.

Balance of work in progress is assessed taking into account direct expenses in the value of products.

3.3.6 When selling and disposing of securities, price of acquisition of each item is charged to expenses.

3.3.7 Profits from property granted on lease (sublease) and from granting rights for results of the intellectual property are included into extraordinary profits.

3.5 Payment of local taxes, single social tax and income tax of individuals is made by parent enterprise at the place of performance of the organization department.

3.6 Adjustments and additions to tax returns during the reporting period are made only by parent enterprise without adjustments for organization departments.

Adjustments and additions to tax returns taking into account adjustments for organization departments are made by results of the taxable period.

Chief accountant

_____ T.G. Babina

Approved by decision of the Board of
Directors
Minutes No. ____
dd. “ ____ ” _____ 2003

BALANCE SHEET

	Form No. 1 - classifier of management documents (OKUD)	Codes
as of January 1, 2005	Date (day, month, year)	0710001
Organization: Open Joint-Stock Company Concern "Kalina"	classifier of enterprises and organizations (OKPO)	14 03 20 05
Identification Taxpayer's Number	taxpayer's individual number (INN)	00333859
Sphere of activity: production	classifier of economic activities (OKVED)	6608000083
Organizational and legal form: open joint stock company	classifiers of organizational and legal forms (OKOPF) / of property forms (OKFS)	24.52
Units: thousand RUR	classifier of units of measure (OKEI)	47/34
		384

ASSETS	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets	110	14 148	13815
Fixed assets	120	440770	465303
Construction in progress	130	87 675	143199
Long-term financial investment (06,82)	140	80 300	161773
Deferred tax asset	145	0	50725
TOTAL for section I	190	622893	834815
II. CURRENT ASSETS			
Inventories	210	1 181 294	1187207
raw materials, materials and other similar assets	211	632 483	581319
work-in-progress costs	213	13 978	20230
finished products and goods for resale	214	495447	569699
pre-paid expenses	216	39 386	15959
Acquired values Value Added Tax	220	277 784	296005
Accounts receivable (payments expected within 12 months after the reporting date)	240	1237503	1276121
buyers and customers	241	504 189	649503
Short term financial investments	250	28 059	2923
Cash	260	219 265	1112562
Other current assets	270	71683	132538
TOTAL for section II	290	3 015 588	4007356
BALANCE	300	3 638 481	4842171

LIABILITIES	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	2	3	4
III. CAPITAL AND RESERVES			
Charter capital	410	585 544	682662
Additional capital	420	176 232	841625
Capital reserve	430	56258	83770
reserve funds set up in conformity with the law	431	0	0
reserves set up according to constituent documents	432	56258	83770
Retained earnings of the reporting year	470	1 734 453	2173880
TOTAL for section III	490	2 552 487	3781937
IV. LONG-TERM LIABILITIES			
Loans and credits	510	554 754	300611
Deferred tax liability	515	7287	15179
TOTAL for section IV	590	562 041	315790
V. SHORT TERM LIABILITIES			
Loans and credits	610	0	50000
Accounts payable	620	523511	693438

debts to suppliers and contractors	621	402 842	552867
debts on wages and salaries to the company personnel	622	31 383	55367
debts to state off-budget funds	623	3 009	5956
debts on dues and taxes	624	64 343	68894
other creditors	625	21628	10354
Debts to participants (founders) on incomes payment	630	442	952
Incomes of future periods	640	306	54
TOTAL for section V	690	523953	744444
BALANCE (sum of lines 490 + 590 + 690)	700	3638481	4842171

NOTE ON
ASSETS ON OFF-BALANCE ACCOUNTS

Index Description	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	2	3	4
Rented fixes assets	910	32221	29318
including leasing	911	32221	29318
Liabilities of insolvent debtors charged to losses	940	11532	19017
Received provisions for liabilities and payments	950	4566	9191
Depreciation of housing facilities	970	93	109

INCOME STATEMENT

For year 2004

Form No. 2 - OKUD
Date (day, month, year)

Codes		
0710002		
14	03	2005
00333859		
6608000083		
24.52		
47/34		
384		

Organization: **Open Joint-Stock Company Concern "Kalina"**
 Identification Taxpayer's Number
 Sphere of activity: **production**
 Organizational and legal form: **open joint stock company**
 Units: **thousand RUR**

OKPO
INN
OKVED
OKOPF / OKFS
OKEI

on shipment

Index Description	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
I. Revenues and expenses from ordinary activities			
Total revenue (net) from products, works and services sold (less VAT, excises and other similar payments)	010	5196060	4845444
Cost of goods, products, works, services sold	020	(2696058)	(2619364)
Gross profit	029	2500002	2226080
Selling expenses	030	(856843)	(503402)
Administrative expenses	040	(583349)	441 783
Profit (loss) from sales	050	1059810	985302
Other revenues and expenses			
Interest receivable	060	7543	4879
Interest payable	070	(9776)	(2187)
Other operating income	090	30397	81385
Other operating expenses	100	(235947)	(220426)
Extraordinary income	120	116521	52526
Extraordinary expenses	130	(212791)	(126562)
Profit (loss) before tax	140	755757	774917
Deferred tax asset	141	0	0
Deferred tax liability	142	(7891)	(7287)
Current Income tax	150	(192220)	(177127)
Mandatory payments	180	(6129)	0
Net income (retained earnings/loss of the reporting period)	190	549517	590503
NOTES:	200	18729	4871
Constant tax liability (asset)			
Base profit (loss) per share	201	59.8	0
Watered profit (loss) per share	202	59.8	0

NOTES ON SOME PROFITS AND LOSSES

Index Description	Line code	For the reporting period		For the same period of the previous year	
		profit	loss	profit	loss
1	2	3	4	5	6
Fines, penalties and forfeits acknowledged or to be collected by court (arbitration court) decision	210	4407	196	4944	1032
Income /loss of previous years	220	1679	148342	0	69635
Reimbursement of losses caused by non-fulfillment of obligations or improper fulfillment of obligations	230	4043	0	0	0
Exchange rates difference on transactions in foreign currency	240	80970	53323	17457	42445
Removed accounts payable and accounts receivable which limitation of action is terminated	260	4625	7489	4588	11604

STATEMENT OF CHANGES IN CAPITAL

For year 2004

Form No. 3 - **OKUD**
Date (day, month, year)

Organization: **Open Joint-Stock Company Concern "Kalina"**
Identification Taxpayer's Number
Sphere of activity: **production**
Organizational and legal form: **open joint stock company**
Units: **thousand RUR**

OKPO
INN
OKVED
OKOPF / OKFS
OKEI

Codes		
0710003		
26	3	20 04
333859		
6608000083		
18131		
47/34		
384		

Index	Charter capital	Additional capital	Capital reserve	Retained earnings	Total	Share premium	Repeated valuation of assets	
Description	Code							
1	2	3	4	5	6	7	8	
Balance as of December 31 of the year preceding the previous one	10	585544	176232	56258	1734453	2550487	0	0
<u>Year 2003</u> <u>Changes in the accounting policies</u>	20	X	X	X	0	0	X	X
Results of revaluation of fixed assets	30	X	0	X	0	0	0	0
	31	X	0	0	0	0	0	0
	31	X	0	0	0	0	0	0
Balance as of January 1 of the previous year	40	585544	176232	29380	1226468	2017624	0	0
Result of revaluation of foreign currencies	50	X	0	X	X	0	0	0
Net income	60	X	X	X	541445	541445	X	X
Dividends	70	X	X	X	0	0	X	X
Remittances to reserve funds	80	X	X	26878	0	26878	X	X
Increase of the amount of capital at the expense of: additional shares issue	90	0	X	X	X	0	X	X
increase of the face value of shares	100	0	X	X	X	0	X	X
reorganization of a legal entity	110	0	X	X	0	0	X	X
Acquisition of fixed assets	111	0	0	0	0	0	0	0
Reduction of the amount of capital at the expense of: reduction of the face value of shares	120	0	X	X	X	0	X	0
reduction of the number of shares	130	0	X	X	X	0	X	X
reorganization of a legal entity	140	0	X	X	0	0	X	X
The amounts spent	141	0	0	0	33460	33460	0	0
Balance as of December 31 of the previous year	150	585 544	176 232	56258	1734453	2552487	0	0
<u>Year 2004</u> <u>Changes in the accounting policies</u>	160	X	X	X	0	0	X	X
Results of revaluation of fixed assets	170	X	0	X	0	0	0	0
Balance as of January 1 of the reporting year	180	585544	176232	56258	1734453	2552487	0	0
Result of revaluation of foreign currencies	190	X	0	X	X	0	0	0
Net income	200	X	X	X	549517	549517	X	X
Dividends	210	X	X	X	0	0	X	X
Remittances to reserve funds	220	X	X	27512	0	27512	X	X
Increase of the amount of capital at the expense of: additional shares issue	230	97118	X	X	X	97118	X	X
increase of the face value of shares	240	0	X	X	X	0	X	X
reorganization of a legal entity	250	0	X	X	0	0	X	X
Share premium from shares placement	251	0	665393	0	0	665393	0	0
Reduction of the amount of capital at the expense of: reduction of the face value of shares	260	0	X	X	X	0	X	X
reduction of the number of shares	270	0	X	X	X	0	X	X
reorganization of a legal entity	280	0	X	X	0	0	X	X
Spent	281	0	0	0	110090	110090	0	0
Balance as of December 31 of the reporting year	290	682662	841624	83770	2173880	3781937	0	0

II Reserves

Index Description	Line code	Balance	Received	Spent	Balance
1	2	3	4	5	6
Reserve funds set up in conformity with the law:					
	300	0	0	0	0
(Name of the reserve) data of the previous year	310	0	0	0	0
Data of the reporting year	320	0	0	0	0
Reserves set up in conformity with constituent documents:					
	330	0	0	0	0
(Name of the reserve) data of the previous year	340	29380	26878	0	56258
Data of the reporting year	350	56258	27812	0	83770
Estimated reserves:					
	360	0	0	0	0
(Name of the reserve) data of the previous year	370	0	0	0	0
Data of the reporting year	380	0	0	0	0
Provision for future expenses:					
	390	0	0	0	0
(Name of the reserve) data of the previous year	400	0	0	0	0
Data of the reporting year	410	0	0	0	0

NOTES

Index Description	Line code	Balance as of the beginning of the year		Balance as of the end of the year	
1	2	3		4	
1) Net assets	420	2552		3782	
		From budget		From off-budget funds	
		For the reporting year	For the previous year	For the reporting year	For the previous year
		3	4	5	6
2) Received for:					
expenses for ordinary activities – total	430	0	0	0	0
Including:					
	440	0	0	0	0
Capital investments to non-current assets	450	0	0	0	0
Including:					
	460	0	0	0	0

STATEMENT OF CASH FLOWS

For year 2004

Organization: **Open Joint-Stock Company Concern "Kalina"**

Identification Taxpayer's Number

Sphere of activity: **production**

Organizational and legal form: **open joint stock company**

Units: **thousand RUR**

Form No. 4 - **OKUD**

Date (day, month, year)

OKPO

INN

classifier of economic activities, products and services (OKDP)

OKOPF / OKFS

OKEI

Codes
0710004
333859
6608000083
18131
47/34

Index Description	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
1. Balance of cash as of the beginning of the year	010	219,265	16,414
Cash flows from current activities			
Cash received from buyers, customers	020	5,813,135	5,713,343
		0	0
Other profits	050	5,723,937	1,145,736
Cash sent to:			
Payment for purchased goods, works, services, raw materials and other current assets	150	4,151,720	4,155,402
Payment of wages, salaries	160	401,038	393,731
Payment of dividends, interests	170	106,345	139,934
Payment of taxes and levies	180	511,299	673,226
Payment to off-budget funds	185	107,292	123,519
Payment of accountable amounts	186	9,240	15,769
Purchase and sales of currency	187	5,686,938	1,144,891
Other expenses	188	54,868	12,884
		0	0
Net cash provided by current activities	200	508,332	199,723
Cash flows from investing activities	210	14,138	53,642
Proceeds from sale of objects of fixed assets and other non-current assets			
Proceeds from sale of securities and other financial investments	220	2,158	134,062
Dividends received	230	0	5,398
Interest received	240	7,543	4,879
Proceeds from repaid loans granted to other organizations	250	0	0
Shares placement	260	762,434	0
Acquisition of subsidiaries	280	75,202	0
		0	0
Acquisition of objects of fixed assets, income investments to valuable property and intangible assets	290	116,884	65,921
Acquisition of securities and other financial investments	300	5,080	28,815
Loans granted to other organizations	310	0	0
		0	0
Net cash provided by investing activities	340	589,107	103,245
Cash flows from financing activities			0
Proceeds from shares issue and other share securities			
Proceeds from loans and credits granted to other organizations	360	1,171,346	100,113
Repayment of loans and credits (without interest)	390	749,393	200,230
Repayment of obligations on bonds	400	626,095	0
Net cash provided by financial activities	410	0	0
Net increase (reduction) of cash and equivalents	420	-204,142	-100,117
Balance of cash as of the end of the reporting period	430	1,112,562	219,265

Influence of currency rates changes in relation to the Russian ruble.	440	0	0

APPENDIX TO THE BALANCE SHEET

For year 2004

Organization: **Open Joint-Stock Company Concern "Kalina"**

Identification Taxpayer's Number

Sphere of activity: **production**

Organizational and legal form: **open joint stock company**

Units: **thousand RUR**

Form No. 5 - **OKUD**

Date (day, month, year)

OKPO

INN

OKDP

OKOPF / OKFS

OKEI

Codes
0710005
333859
6608000083
18131
47/34

I. INTANGIBLE ASSETS

Index Description	Line code	Availability as of the beginning of the reporting year	Received	Retired	Availability as of the end of the reporting year
1	2	3	4	5	6
Objects of intellectual property (exclusive rights for the results of intellectual property)	10	0	0	0	0
including:	11	0	0	0	0
of patentholder for the invention, industrial model	12	0	0	0	0
of patentholder for software, databases	13	0	0	0	0
of patentholder for integrated circuit layout	14	1193	0	0	1193
of owner for trademark and service mark, name of the goods origination	15	0	0	0	0
of patentholder for selection achievement	20	0	0	0	0
Organization expenses	30	13813	0	0	13813
Business standing	40	0	0	0	0
Other	50	13813	0	0	13813

Index	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	2	3	4
Depreciation of intangible assets – total	60	858	1191
Including:			
Trademarks	61	121	178
Other	61	737	1013
		0	0

II. FIXED ASSETS

Index Description	Line code	Availability as of the beginning of the reporting year	Received	Retired	Availability as of the end of the reporting year
Buildings	70	156501	2270	(1275)	157496
Constructions and transfer mechanisms	80	146727	1237	(50)	147914
Machinery and equipment	90	278335	27812	(4795)	301352
Transport vehicles	100	16955	8376	(1778)	23553
Industrial stock and household equipment	110	27354	23596	(1196)	49754
Draught livestock	120	0	0	0	0
Productive livestock	130	0	0	0	0
Perennial plants	140	0	0	0	0
Other fixed assets	150	0	0	0	0
Land and natural resources used	160	12003	0	0	12003
Capital investments to radical	170	0	0	0	0

improvement of lands					
TOTAL	180	637875	63291	(9094)	692072

Income Investments to Valuable Property

Index	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	2	3	4
Depreciation of fixed assets – total	190	197105	226769
Including:			
Buildings and constructions	191	58189	65362
Machinery, equipment and transport vehicles	192	127474	142251
Other	193	11442	19156
Objects of fixed assets granted on lease – total	200	614	15831
Including:	201	0	0
Buildings			
constructions	202	0	0
Machinery and equipment	203	460	15132
Industrial stock and household equipment	203	154	699
Objects of fixed assets temporarily closed-down	210	3333	4388
Objects of fixed assets temporarily held on lease – total	220	32221	29318
Including:			
Equipment	221	32221	29318
Objects of immovable property taken into use and being in the process of state registration	230	0	0
Notes:	240	0	0
Results of revaluation of objects of fixed assets:			
original value (replacement value)	241	0	0
wear	242	0	0
Change in the value of objects of fixed assets as a result of completion, final equipping, reconstruction, partial liquidation	250	108948	114554

Index Description	Line code	Availability as of the beginning of the reporting year	Received	Retired	Availability as of the end of the reporting year
Property to be granted on lease	260	0	0	0	0
Property granted under the contract of rent	270	0	0	0	0
	280	0	0	0	0
Other	290	0	0	0	0
Total	300	0	0	0	0
	code	As of the beginning of the reporting year	As of the end of the reporting year		
1	2	3	4		
Depreciation of income investments to valuable property	310	0	0		

Expenses on Research and Development Activities

Index Description	Line code	Availability as of the beginning of the reporting year	Received	Removed	Availability as of the end of the reporting year
1	2	3	4	5	6
Total	320	0	93	(93)	0
Including:					
	321	0	0	0	0

			code	As of the beginning of the reporting year	As of the end of the reporting year
			2	3	4
Notes:			330	0	0
The amount of expenses on research and development activities in progress referred to extraordinary expenses				For the reporting period	To the same period of the previous year
			2	3	4
The amount of expenses on research and development activities with negative results referred to extraordinary expenses			340	0	0

Expenses on Natural Resources Development

Index Description	Line code	Availability as of the beginning of the reporting year	Received	Removed	Availability as of the end of the reporting year
1	2	3	4	5	6
Expenses on natural resources development – total	350	0	0	0	0
Including:					
	351	0	0	0	0
			code	As of the beginning of the reporting year	As of the end of the reporting year
			2	3	4
Notes:			360	0	0
The amount of expenses on subsurface resources development, unfinished prospecting and evaluation of deposits, exploration and/or hydrogeological surveys and other similar works					
The amount of expenses on ineffective natural resources development referred to extraordinary expenses in the reporting period			370	0	0

Financial Investments

Index Description	Line code	long-term		short-term	
		As of the beginning of the reporting year	As of the end of the reporting year	As of the beginning of the reporting year	As of the end of the reporting year
1	2	3	4	5	6
Investments to charter (stockholders' capitals of other organizations) – total	380	80076	161549	0	0
Including subsidiaries and dependent companies	381	80076	161549	0	0
State and municipal securities	390	0	0	0	0
Securities of other organizations – total	400	11	11	28058	2923
Including debt securities (bonds, promissory notes)	401	0	0	28058	2923
Loans granted	410	0	0	0	0
Deposits	420	0	0	0	0
Other	430	213	213	1	0
total	440	80300	161773	28059	2923
Of the total amount financial investments having current market value:	450	0	0	0	0
Contributions to charter (stockholders') capitals of other organizations – total					
Including subsidiaries and dependent economic companies	451	0	0	0	0
State and municipal securities	460	0	0	0	0
Securities of other organizations – total	470	0	0	0	0
Including debt securities (bonds, promissory notes)	471	0	0	0	0
Other	480	0	0	0	0
total	490	0	0	0	0
Notes:	500	0	0	0	0

For financial investments having current market value, change in value as a result of evaluation adjustment					
For debt securities difference between original value and face value is referred to the financial result of the reporting period	510	0	0	0	0

III. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Index Description	Line code	Balance as of the beginning of the reporting year	Liabilities arisen
1	2	3	4
Accounts receivable:			
Short-term - total	520	1237503	1276121
Including:	521	504189	649503
Settlements with buyers and customers			
Advance payments made	522	703455	623935
Other	523	29859	2683
Long-term – total	530	0	0
Including:	531	0	0
Settlements with buyers and customers			
Advance payments made	532	0	0-
Other	533	0	0
Total	540	1237503	1276121
Accounts payable:	550	523511	743438
Short-term - total			
Including:	551	402842	552867
Settlements with suppliers and contractors			
Advance payments received	552	11453	9651
Settlements for taxes and charges	553	64343	68894
Credits	554	0	0
Loans	555	0	50000
Other	556	44873	62026
Long-term – total	560	562041	315790
Including:	561	0	0
Credits			
Loans	562	554754	300611
Taxes deferred	563	7287	15179
Total	570	1085552	1059228

Expenses on Ordinary Activities (by Cost Items)

Index Description	Line code	For the reporting year	For the previous year
1	2	3	4
Materials cost	580	2514034	2326447
Expenses on remuneration of labor	590	498183	470185
Remittances to social needs	600	117323	116576
Depreciation	610	33234	30241
Other expenses	620	967224	936701
Total for cost items	630	4129998	3880150
Change in balance (growth {+}, reduction {-}):	640	6252	(6595)
Work in progress			
Pre-paid expenses	650	(23427)	31935
Provision for future expenses	660	0	0

Provisions

Index Description	Line code	Balance as of the beginning of the reporting year	Balance as of the end of the reporting year
1	2	3	4
Receivables – total	670	0	0
Including:	671	0	0
promissory notes			
Property in pledge	680	0	0
of it:	681	0	0

objects of fixed assets			
Securities and other financial investments	682	0	0
Other	683	0	0
	684		
Provided - total	690	0	0
Including: promissory notes	691	0	0
Property given in pledge	700	0	0
of it: objects of fixed assets	701	0	0
Securities and other financial investments	702	0	0
other	703	0	0
	704	0	0

National Assistance

Index Description	Line code	For the reporting period		For the same period of the previous year	
		3		4	
1	2				
Received budget funds in the reporting year	710	0		0	
Including:	711	0		0	
		As of the beginning of the reporting period	Received during the reporting period	Returned during the reporting period	As of the end of the reporting period
Budget credits – total	720	0	0	0	0
Including:					
	721				

Chief Executive Officer _____ Gorayev, Timur Rafkatovich

Chief Accountant _____ Babina, Tatiana Gennadievna

AUDITOR'S CONCLUSION
on financial (accounting) statements

Addressee: to shareholders of Open Joint-Stock Company
Concern "Kalina"

Auditor:

Name: Close Joint-Stock Company Auditing Center
"Ural Audit"; INN 6661011186

- location: office 547, 101, Malysheva St., Ekaterinburg 620095;
- state license for performing auditing activity in the sphere of general audit No. E 000646 issued by the Ministry of Finance of the Russian Federation (order No. 123 dd. June 25, 2002) valid till June 25, 2007;
- state license for performing works using information of state secret, series Б 303014, registration No. 992 dd. October 4, 2004, issued by the Ural Federal Security Service (UFSB) of the Russian Federation in the Sverdlovsk Oblast, valid till December 19, 2006;

Audit of financial (accounting) statements of JSC Concern "KALINA" was performed for the period from January 1 till December 31, 2004 inclusive.

Financial (accounting) statements of JSC Concern "KALINA" consist of:

- balance sheet (form No. 1);
- income statement (form No. 2);
- statement of changes in capital (form No. 3);
- statement of cash flows (form No. 4);
- appendix to balance sheet (form No. 5);
- notes on annual balance sheet.

Executive body of JSC Concern "KALINA" is responsible for preparation and presentation of these financial (accounting) statements.

Auditors' duty is to express their opinion on reliability in all material respects of these statements and on correspondence of the order of business accounting to the Russian laws on the basis of the audit performed.

Audit was performed in compliance with:

Federal Law "On Auditing Activity" No. 119-ФЗ dd. August 7, 2001 (in the revised editions of Federal Laws No. 164-ФЗ dd. December 14, 2001 and No. 196-ФЗ dd. December 30, 2001);

Federal rules (standards) of auditing activity approved by the resolution of the Russian Government No. 696 dd. September 23, 2002 (in the revised editions of resolutions of the Russian Government No. 405 dd. July 4, 2003 and No. 532 dd. October 7, 2004);

Audit was planned and performed in order to obtain reasonable assurance about whether the financial (accounting) statements are free of material misstatement.

An Audit included examining on a test basis, evidence supporting the amounts in the financial (accounting) statements and disclosures of information of financial and business activities, assessing business accounting principles and rules used when preparing financial (accounting) statements as well as evaluating overall presentation of financial (accounting) statements.

Audit performed presents fairly, in all material respects, the financial (accounting) statements in conformity with the Russian laws on business accounting principles.

In our opinion, the financial (accounting) statements of JSC Concern "KALINA" present fairly, in all material respects, the financial position as of December 31, 2004 and 2003 and the results of its financial and business activities for the period from January 1 till December 31, 2004 inclusive, in conformity with requirements of the Russian laws on preparation of financial (accounting) statements: Federal Law "On Business Accounting" No. 129-ФЗ dd. November 21, 1996. Regulations on business accounting "Accounting Statements of an Organization" ИБВ 4/99 approved by Order of the Ministry of Finance of the Russian Federation No. 43Н dd. July 6, 1999 and other regulations on business accounting, Instructions on order of compilation and presentation of accounting statements approved by Order of the Ministry of Finance of the Russian Federation No. 67Н dd. July 22, 2003.

March 15, 2005

Director General
(qualified certificate of auditor for
performing general audit No. K 012577
dd. January 24, 1995 with unlimited period of validity)

L.I. Mochalova

Head of audit
(qualified certificate of auditor for
performing general audit No. K 008500
dd. October 24, 1994 with unlimited period of validity)

N.N. Verbitskaya

APPENDIX

*Financial Statements
for the 1st quarter of year 2005*

*OF
OPEN JOINT-STOCK COMPANY CONCERN "KALINA"*

APPROVED
Chief Executive Officer
T. R. Gorayev
“ _____ ” _____ 2004

**ACCOUNTING POLICIES OF JSC Concern "KALINA"
for 2005**

GENERAL PROVISIONS

1.1 Organization, form and methods of accounting practice of the basis of the following standard acts currently in force: Federal Law of the Russian Federation “On Accounting Practice”, Regulations on Accounting Practice and Business Accounting of the Russian Federation (approved by order of the Ministry of Finance of the Russian Federation No. 34Н dd. July 29, 1998), Regulations on Accounting “Accounting Policies of an Organization” (approved by order of the Ministry of Finance of the Russian Federation No. 60Н dd. December 9, 1998), Chart of Accounts of Business Accounting of Financial and Economic Activities of an Organization and Instructions for its Application (approved by order of the Ministry of Finance of the Russian Federation No. 94Н dd. October 31, 2000). Tax Law of the Russian Federation (part II).

1.2 Business accounting is performed by the accounts department as an organization department headed by the Chief Accountant.

1.3 Records and order method of accounting information processing in factories, workshops, divisions with partial automation of the central accounts department.

A work plan of accounts and control accounts of business accounting is applied in the enterprise and its divisions in accordance with Appendix 1 to the present Regulations.

1.4 Financial statements of the enterprise for the reporting period are to be prepared by centralized accounts department.

The reporting period is understood as: 1 quarter, 6 months, 9 months, and 1 year;

The taxable period: from January 1 to December 31.

Yearly financial statements are to be presented to:

- founders (shareholders) as stipulated by the constituent documents;
- authority of state tax inspection;
- authority of state statistical report.

Yearly statements and auditor’s report are approved by the annual general shareholders meeting and subject to obligatory publication in the press media fixed by the shareholders meeting.

1.5 Standard forms of basic accounting documents and forms determined by STP-20-05-2003 dd. April 4, 2003 “Management of Documents and Records” are to be applied for performing financial operations.

1.6 Standard forms are applied for financial statements.

In order to provide control for presentation of business operations the schedule of documents circulation is determined as stipulated by Appendix D and Appendix C.

1.7 Flow of inventories is executed as stipulated by Appendix E.

1.8 Change in the accounting policies is made in the following cases:

- change in the Russian Federation laws or standards acts for business accounting;
- material change in activities conditions.

Change in accounting policies is to be made from January 1 of the year (beginning of a fiscal year) following the year of its approval.

APPROVED ACCOUNTING METHODS

2.1 Useful life use of objects of fixed assets is determined as stipulated by the Russian Government Regulations No. 1 dd. January 1, 2002, by the working group (И-04-01-2004), at the date of registration.

In respect of object acquired before January 1, 2002, depreciation is to be accrued as stipulated by the USSR Soviet Ministers Regulations No. 1072 dd. October 22, 1990.

2.2 Depreciation of objects of fixed assets is charged using the straight-line method.

2.3 Expenses for repairs of fixed assets are charged directly to products cost at a time in the reporting period when they took place.

2.4 Objects with useful life of more than 12 months but with cost less than 10,000 RUR inclusive as of the date of accounting are accounted in tangible assets in full amount as put into operation. Subscription

publications, legal literature and books are not considered as fixed assets and are recognized as period expenses.

2.5 Useful life of objects of intangible assets is determined by the brand-manager.

2.6 Original value of trademarks is written off in proportion to the volume of output, for other objects of intangible assets depreciation is charged using the straight-line method. Depreciation is charged using account 05 "Depreciation of Intangible Assets".

2.7 Inventories accounting is performed by actual expenses for acquisition.

2.8 Accounting of valuable property acquisitions is made with use of account 15 "Deviation in the Value of Valuable Property".

2.9 In order to provide control and safety, valuable property accounting is performed at places of storage and by a responsible person.

2.10 Determination of actual cost of material resources charged to production is performed at average cost of one item.

2.11 Goods for sale (except for goods in the canteen) are presented at the value of their acquisition.

Goods accounting in the canteen is performed by selling prices with use of account 42 "Trade Extra Charge".

2.12 Order of charging expenses of auxiliary production: expenses accumulated on account 23 "Auxiliary Production" are charged to account 26 "General Expenses" (except for expenses of the steam-power workshop which are charged to account 25 "General Production Expenses").

2.13 Order of charging general (overhead) expenses: expenses accumulated during the reporting period on account 26 "General Expenses" are charged to debit of account 90 "Sales".

2.14 On account 25 "General Production Expenses" direct expenses are taken into account (depreciation, fuel, water, electricity, production works) and are to be charged in the end of the month to account 20 "Principal Production" in proportion to the cost of basic and auxiliary raw materials and funds of remuneration of labor (FRL) of principal operating personnel.

2.15 Order of charging expenses for sales: expenses for sales accounted on account 44 are recognized in the cost of sales in the reporting period and are to be charged to debit of account 90 "Sales".

2.16 Order of charging expenses for service production: expenses accumulated during the reporting period on account 29 "Service Production" are charged to debit of account 90 "Sales".

2.17 Conventional calculation variant of accounting production expenses is used to classify production expenses, calculate cost of the products and form production results.

2.18 Work in progress is presented at the value of raw materials and semi-finished goods.

2.19 Unit of finished products is article.

2.20 Finished products are presented in the financial statements at standard production cost with separate accounting of deviations from actual cost on account 40 "Products Output" and are taken as expenses of the period with allocation to account 90 "Sales".

2.21 Expenses in the reporting period but related to the next reporting periods are presented evenly as pre-paid expenses.

2.22 For long-term works and services financial results are calculated after total completion of works under the contract or the object as a whole.

2.23 Difference between sum of actual expenses for acquisition of securities and their face value is accounted on the date of their redemption or selling.

2.24 Loans in the long-term liabilities on the date of reception are transferred to short-term liabilities if there are not less than 365 days left till the loan repayment as of the reporting date.

2.25 Additional expenses and interests connected with reception and service of loans are included into operative expenses in that reporting period when they were made.

2.26 Exchange difference on transactions in foreign currency is charged directly to the financial results of the company activity (account 91 "Other Profits and Losses) as these transactions are concluded and as of the end of each month.

2.27 When placing promissory notes (bonds) to obtain a loan in monetary funds, the amount of interests or discount due to a note-holder are included into operative expenses without preliminary account as pre-paid expenses.

2.28 Differences of amounts are recognized when accounting:

- profits (losses) from principal activities arisen within the taxable period;
- extraordinary profits (expenses) arisen outside the taxable period.

2.29. No allowance for valuable property depreciation at the expense of Company financial results was made.

2.30 No provision for doubtful accounts for settlements with other companies and institutions at the expense of financial results was made. Accounts receivable and accounts payable overdue more than 3 years are charged to the results of financial activity by results of stock-taking approved by the director order.

2.31 No allowance for depreciation of investments to listed securities at the expense of Company financial results.

2.32 In order to ensure reliable bookkeeping and accounting data, inventory of property and financial obligations shall be made in the periods determined in the director order.

2.33 Funds for business needs are paid out on account for the period of 30 days.

By the end of the fixed period the employee shall account for the expenses made within three working days or handle surplus of funds to the cash desk of the enterprise.

2.34 Unified standards of traveling expenses for all employees of the Company are stipulated by Appendix D.

During the reporting period standards of traveling expenses could be changed by special resolution of the Company director.

2.35 Profits from leasing (subleasing) property and from granting the rights for results of the intellectual property are included into operative expenses.

APPROVED METHODS OF TAXATION DIFFERENT FROM BUSINESS ACCOUNTING

3.1 Calculation of taxes is made by the accounts department as an organization department headed by the Chief Accountant.

Registers of financial statements are the basis for taxable profits calculation, basic documents of financial statements are simultaneously basic accounting records of tax accounting.

Tax accounting to determine the taxable profits is kept in the electronic form.

3.2 Date when VAT payment obligations occur is determined as funds from customers arrive.

3.2.1 Sum of VAT payable for production of export products is determined in proportion to the volume of export shipments from the total amount of shipment of that reporting (taxable) period when they were made according to Appendix E.

3.2.2 VAT payment and presentation of tax return in VAT is made monthly by the head enterprise at its place of performance.

3.2.3 The following officials have the right to sign the invoices:

- chief accountant;
- deputy chief accountant;
- manager-analyst of the sales department;
- heads of regional groups;
- managers of the sales department under power of attorney.

3.3 Profits and losses when calculating income tax by the method of accrual.

3.3.1 Income tax payment is made by the parent enterprise:

- to the Federal budget at its place of performance,
- to subjects of the Russian Federation at the place of performance of the organization departments.

3.3.2 Monthly advance payment of the income tax are made in equal parts in the amount of one-third of the quarterly advance payment due to be paid for the quarter preceding the quarter in which payment of monthly advance payments of income tax is made.

3.3.3 Calculation of the amount of income tax due to be paid at the place of performance of each organization department in conformity with Article 288 of Tax Law of the Russian Federation, is made using index of average number of employees in the records.

3.3.4 Distribution of depreciated objects by depreciation groups is performed taking into account useful life determined in accordance with technical conditions of operation.

Depreciation of objects of fixed assets is charged using the straight-line method.

The fixed assets depreciation being the subject of leasing is multiplied by 3.

In passenger cars and passenger minibuses with original value more than 300,000 and 400,000 RUR respectively, basic standard of depreciation is used with coefficient 0.5.

Calculation of depreciation is made in a special tax register.

3.3.5 Calculation of direct expenses falls at balance of work in progress, finished products in stock and products shipped but not sold is made in a separate tax register as a whole in all manufacture of products.

Balance of work in progress is assessed taking into account share of direct expenses in the value of products.

3.3.6 When selling and disposing of securities, price of acquisition of each item is charged to expenses.

3.3.7 Profits from property granted on lease (sublease) and from granting rights for results of the intellectual property are included into extraordinary profits.

3.5 Payment of local taxes, single social tax and income tax of individuals is made by parent enterprise at the place of performance of the organization department.

3.6 Adjustments and additions to tax returns during the reporting period are made only by parent enterprise without adjustments for organization department.

Adjustments and additions to tax returns taking into account adjustments for organization departments are made by results of the taxable period.

Chief accountant

_____ T.G. Babina

BALANCE SHEET

as of **April 1, 2005**

Form No. 1 - **OKUD**
Date (day, month, year)

Organization: **Open Joint-Stock Company Concern "Kalina"**
Identification Taxpayer's Number
Sphere of activity: **production**
Organizational and legal form: **open joint stock company**
Units: **thousand RUR**

OKPO
INN
OKDP
OKOPF / OKFS
OKEI

Codes		
0710001		
14	03	20 05
00333859		
6608000083		
24.52		
47/34		
384		

ASSETS	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets	110	13815	13734
Fixed assets	120	465303	667048
Construction in progress	130	143199	109112
Income investment to valuable property	135	0	0
Long-term financial investment (06,82)	140	161773	148332
Deferred tax asset	145	50725	50725
TOTAL for section I	190	622893	834815
II. CURRENT ASSETS			
Inventories	210	1187207	1390091
raw materials, materials and other similar assets	211	581319	621518
work-in-progress costs	213	20230	18609
finished products and goods for resale	214	569699	734260
pre-paid expenses	216	15959	15704
Acquired values Value Added Tax	220	296005	349838
Accounts receivable (payments expected no sooner than after 12 months after the reporting date)	230	0	0
Including buyers and customers	231	0	0
Accounts receivable (payments expected within 12 months after the reporting date)	240	1276121	1663269
buyers and customers	241	649504	759052
Short term financial investments	250	2923	0
Cash assets	260	1112562	765155
Other current assets	270	132538	126613
Other current assets	271	0	0
TOTAL for section II	290	4007356	4294966
BALANCE	300	4842171	5283917

LIABILITIES	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	2	3	4
III. CAPITAL AND RESERVES			
Charter capital	410	682662	682662
Own shares repaid from shareholders	411	0	0
Additional capital	420	841625	841625
Capital reserve	430	83770	83770
reserve funds set up in conformity with the law	431	0	0
reserves set up according to constituent documents	432	83770	83770
Retained earnings (uncovered loss)	470	2173880	2410219
TOTAL for section III	490	3781937	4018276
IV. LONG-TERM LIABILITIES			
Loans and credits	510	300611	319415
Deferred tax liability	515	15179	21529
Other long-term liabilities	520	0	0
	521	0	0
TOTAL for section IV	590	315790	340944
V. SHORT TERM LIABILITIES			
Loans and credits	610	50000	169595
Accounts payable	620	6934381	754096

debts to suppliers and contractors	621	552897	609809
debts on wages and salaries to the company personnel	622	55367	35143
debts to state off-budget funds	623	5956	8961
debts on dues and taxes	624	68894	92976
other creditors	625	10354	7207
Debts to participants (founders) on incomes payment	630	952	952
Incomes of future periods	640	54	54
Provision for future expenses	650	0	0
Other short-term liabilities	660	0	0
TOTAL for section V	690	744444	924697
BALANCE (sum of lines 490 + 590 + 690)	700	4842171	5283917

NOTE ON
ASSETS ON OFF-BALANCE ACCOUNTS

Index Description	Line code	As of the beginning of the reporting period	As of the end of the reporting period
1	2	3	4
Rented fixes assets	910	29318	29318
including leasing	911	29138	29318
Liabilities of insolvent debtors charged to losses	940	19017	19017
Received provisions for liabilities and payments	950	9191	9191
Granted provisions for liabilities and payments	960	0	0
Depreciation of housing facilities	970	109	112

INCOME STATEMENT

For the 1st quarter of 2005

Form No. 2 - **OKUD**

Date (day, month, year)

Organization: **Open Joint-Stock Company Concern "Kalina"**

Identification Taxpayer's Number

Sphere of activity: **production**

Organizational and legal form: **open joint stock company**

Units: **thousand RUR**

OKPO

INN

OKDP

OKOPF / OKFS

OKEI

Codes		
0710002		
14	03	200
		5
00333859		
6608000083		
24.52		
47/34		
384		

on shipment

Index Description	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
I. Revenues and expenses from ordinary activities			
Total revenue (net) from products, works and services sold (less VAT, excises and other similar payments)	010	1649097	1445932
	011	0	0
Cost of goods, products, works, services sold	020	(796265)	(715601)
	021	0	0
Gross profit	029	852832	730331
Selling expenses	030	(277190)	(182735)
Administrative expenses	040	(155358)	(142386)
Profit (loss) from sales	050	420284	405210
Other revenues and expenses			
Interest receivable	060	4122	2119
Interest payable	070	(12697)	(5312)
	080	0	0
Other operating income	090	6665	9268
	091	0	0
Other operating expenses	100	(35785)	(55602)
	110	0	0
Extraordinary income	120	35176	19149
	121	0	0
Extraordinary expenses	130	(107140)	(98365)
	131	0	0
Profit (loss) before tax	140	310625	276467
Deferred tax asset	141	0	0
Deferred tax liability	142	6351	(7959)
Current Income tax	150	(82405)	(62632)
Mandatory payments	180	0	0
Net income (retained earnings/loss of the reporting period)	190	234571	205876
NOTES:	200	1504	0
Constant tax liability (asset)			
Base profit (loss) per share	201	0,00	0
Watered profit (loss) per share	202	0,00	0

NOTES ON SOME PROFITS AND LOSSES

Index Description	Line code	For the reporting period		For the same period of the previous year	
		profit	loss	profit	loss
1	2	3	4	5	6
Fines, penalties and forfeits acknowledged or to be collected by court (arbitration court) decision	210	111	174	1710	108
Income /loss of previous years	220	9555	43594	0	97678
Reimbursement of losses caused by non-fulfillment of obligations or improper fulfillment of obligations	230	0	0	0	0
Exchange rates difference on transactions in foreign currency	240	23737	62115	13359	456
Remittances to evaluation reserves	250	X	0	X	0
Removed accounts payable and accounts receivable which limitation of	260	0	8	0	0

action is terminated					
	270	0	0	0	0

Chief Executive Officer _____ Goryayev, Timur Rafkatovich

Chief Accountant _____ Babina, Tatiana Gennadievna

April 28, 2005

APPENDIX 2

Consolidated US GAAP financial statements for the year 2004

OF THE OPEN JOINT STOCK COMPANY CONCERN “KALINA”

OAO Concern “Kalina” and subsidiaries

Independent Auditors’ Report

Consolidated Financial Statements

Years Ended December 31, 2004 and 2003

OAO CONCERN “KALINA” AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of OAO Concern "Kalina":

We have audited the accompanying consolidated balance sheets of OAO Concern "Kalina" and subsidiaries (the "Group") as of December 31, 2004 and 2003 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2004 and 2003 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

April 15, 2005

OAo CONCERN "KALINA" AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2004 AND 2003 (in US dollars and in thousands)

	Notes	2004	2003
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	\$ 40,373	\$ 7,717
Accounts receivable, net	4	14,408	12,872
Advances to suppliers and prepaid expenses	5	10,374	12,809
Inventories, net	6	40,036	36,224
Taxes recoverable	7	11,375	11,889
Investments	8	2,967	953
Assets associated with discontinued operations	16	7,882	6,145
Deferred tax asset	15	1,725	1,689
Total current assets		<u>129,140</u>	<u>90,298</u>
PROPERTY, PLANT AND EQUIPMENT, net	9	36,351	31,263
INTANGIBLE ASSETS, net		544	422
TOTAL ASSETS		<u>\$ 166,035</u>	<u>\$ 121,983</u>
COMMITMENTS AND CONTINGENCIES			
	20		
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	10	\$ 21,862	\$ 16,174
Short-term debt	11	5,059	20,841
Accrued liabilities		226	349
Taxes payable	7	3,643	4,151
Liabilities associated with discontinued operations	16	11,397	7,970
Total current liabilities		<u>42,187</u>	<u>49,485</u>
LONG-TERM DEBT	12	7,875	183
NON-CURRENT TAXES PAYABLE	7	917	3,878
NON-CURRENT DEFERRED TAX LIABILITY	15	2,008	1,247
TOTAL LIABILITIES		<u>52,987</u>	<u>54,793</u>
STOCKHOLDERS' EQUITY:			
Capital stock	17	23,596	20,243
Additional paid in capital	17	24,203	1,233
Other Accumulated Comprehensive Income		3,954	2,141
Retained earnings		61,295	43,573
Total stockholders' equity		<u>113,048</u>	<u>67,190</u>
TOTAL LIABILITIES AND STOCKOLDERS' EQUITY		<u>\$ 166,035</u>	<u>\$ 121,983</u>

See notes to the consolidated financial statements on pages 6-18.

OAo CONCERN "KALINA" AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (in US dollars and in thousands)

	Notes	2004	2003
NET SALES		\$ 182,603	\$ 157,059
COST OF SALES		<u>(91,793)</u>	<u>(85,395)</u>
GROSS PROFIT		90,810	71,664
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	13	<u>(59,543)</u>	<u>(50,680)</u>
OPERATING INCOME		31,267	20,984
OTHER INCOME/EXPENSES:			
Interest income/(expense), net		40	(2,876)
Foreign currency exchange gains/(losses), net		750	(432)
Gain from sale of investments		-	2,165
Other expenses, net	14	<u>(3,469)</u>	<u>(557)</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE		28,588	19,284
INCOME TAX EXPENSE	15	<u>(8,007)</u>	<u>(5,163)</u>
NET INCOME FROM CONTINUING OPERATIONS		20,581	14,121
DISCONTINUED OPERATIONS			
Loss from operations of subsidiary JSC Alye Parusa	16	-	(241)
Loss from operations of subsidiary LLC Pallada Vostok	16	(1,541)	(1,408)
Loss on disposal of JSC Alye Parusa	16	-	(1,682)
NET INCOME		<u>\$ 19,040</u>	<u>\$ 10,790</u>

See notes to the consolidated financial statements on pages 6-18.

OAO CONCERN “KALINA” AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (in US dollars and in thousands)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 19,040	\$ 10,790
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,078	1,940
Impairment loss on property, plant and equipment	-	516
(Gain)/loss on disposal of property, plant and equipment	224	(915)
(Gain) on disposal of investment	-	(2,165)
Deferred tax benefit	-	(793)
Interest income, net	(40)	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(776)	13,280
Accounts payable and accruals	5,072	(4,239)
Inventories, net	(1,586)	642
Advances to suppliers and prepaid expenses	3,219	(4,510)
Taxes receivable	911	(1,609)
Taxes payable	(3,831)	(2,507)
Discontinued operations	1,579	776
	25,890	11,206
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant, equipment and intangible assets	(3,622)	(6,960)
Proceeds from sale of property, plant and equipment	68	1,670
Purchase of securities	(3,688)	(3,902)
Proceeds from sale of securities	-	7,162
Proceeds from sale of subsidiary	-	36
	(7,242)	(1,994)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term debt	25,150	5,205
Repayment of short-term debt	(43,340)	(7,032)
Proceeds from long-term debt	11,500	183
Repayment of long-term debt	(667)	(13)
Dividends declared and paid	(4,484)	(568)
Proceeds from stock issue	26,323	-
Foreign exchange on opening cash balance	(474)	-
	14,008	(2,225)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	32,656	6,987
CASH AND CASH EQUIVALENTS, beginning of period	7,717	730
CASH AND CASH EQUIVALENTS, end of period	\$ 40,373	\$ 7,717
CASH PAID DURING THE PERIOD FOR:		
Income tax	6,476	8,423

See notes to the consolidated financial statements on pages 6-18.

OAo CONCERN "KALINA" AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (in US dollars and in thousands)

	Capital Stock	Additional Paid In Capital	Other Accumulated Comprehensive Income	Retained Earnings	Total Stockholders' Equity
Balance December 31, 2002	\$ 20,243	\$ 1,233	\$ -	\$ 33,351	\$ 54,827
Translation adjustment	-	-	4,302	-	4,302
Income tax effect of changes in functional currency	-	-	(2,161)	-	(2,161)
Dividends declared	-	-	-	(568)	(568)
Net Income	-	-	-	10,790	10,790
Balance December 31, 2003	<u>\$ 20,243</u>	<u>\$ 1,233</u>	<u>\$ 2,141</u>	<u>\$ 43,573</u>	<u>\$ 67,190</u>
Translation adjustment	-	-	1,813	-	1,813
New stock issue	3,353	22,970	-	-	26,323
Net Income	-	-	-	19,040	19,040
Dividends declared	-	-	-	(1,318)	(1,318)
Balance December 31, 2004	<u>\$ 23,596</u>	<u>\$ 24,203</u>	<u>\$ 3,954</u>	<u>\$ 61,295</u>	<u>\$ 113,048</u>

See notes to the consolidated financial statements on pages 6-18.

OAD CONCERN “KALINA” AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

DESCRIPTION OF BUSINESS

OAD Concern “Kalina” (hereinafter the “Company”), a Russian Open Joint Stock Company, was incorporated on December 12, 1992 as OAO “Uralskiye Samotsveti” under the laws of the Russian Federation (“RF”) 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”).

<u>Operating subsidiary</u>	<u>Share of ownership</u>	<u>Place of incorporation</u>	<u>Principal activity</u>
LLC Pallada Vostok	100%	Uzbekistan	Manufacturing
LLC 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	100%	Germany	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 for the countries forming part of the Commonwealth of Independent States (“CIS”).

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 periods ended December 31, 2004 and 2003 are presented as assets, liabilities, cash flows and financial results associated with discontinued operations (Notes 14).

During 2004 the Group exchanged its 100% share in LLC Torzhok (Ukraine) for a 12.17% stake in the construction contract development company, LLC KIT-Capital, incorporated in Russia (Note 8).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”).

The accounts of the Company are prepared in accordance with Russian Federation accounting laws and accounting regulations in Russian roubles (“RUR”) and then converted to accounting principles that are generally accepted in the United States of America (“US GAAP”). The accounts of the Operating Subsidiaries are prepared in accordance with local laws and accounting regulations and then converted to accounting principles that are generally accepted in the United States of America (“US GAAP”).

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its operating subsidiaries after the elimination of significant intercompany transactions and balances.

Business Combinations – For business combinations that have been accounted for under the purchase method of accounting, the financial statements of the Company include the results of operations of the acquired businesses from the date of acquisition. The excess of the fair value of identifiable tangible and intangible net assets acquired over the purchase price (negative goodwill) is used to reduce the fair value of long-term non-monetary assets acquired.

Use of Estimates – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses of the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk – Financial instruments that potentially expose the Group to concentration of credit risk consist primarily of cash, cash equivalents and accounts receivable.

The carrying amount of financial instruments, including cash and cash equivalents and short-term obligations, approximates fair value due to the short-term maturity of the instruments.

Foreign Currency Translation – The Group follows a translation policy in accordance with SFAS No. 52, “Foreign Currency Translation”. Starting from January 1, 2003, the Russian economy ceased to be considered highly inflationary for accounting purposes. Management has determined that for the fiscal year beginning January 1, 2003, the functional currency of the Group is the Russian rouble. Accordingly, US dollar amounts were translated into Russian roubles at the exchange rate current at January 1, 2003. These amounts became the new accounting basis for non-monetary assets and liabilities.

The Group retained the US dollar as its reporting currency and translated its functional currency financial statements into US dollars. Assets and liabilities are translated at period-end exchange rates, while income and expense items are translated at average rates of exchange prevailing during the period. The resulting cumulative translation adjustment is recorded as a separate component of other comprehensive income (loss).

The Russian rouble (RUR), Uzbek soum (UZS) and Ukrainian hrivna (UAH) are not fully convertible currencies outside the territory of Russian Federation, Uzbekistan and Ukraine, respectively. The translation of rouble, soum and hrivna denominated

assets and liabilities into US dollars for the purpose of these financial statements does not indicate that the Company and its Operating Subsidiaries could realize or settle in US dollars the reported values of the assets and liabilities. Likewise, it does not indicate that the Group could return or distribute the reported US dollar values of capital and retained earnings to its shareholders.

The official rates of exchange were as follows:

Exchange rate	As of December 31, 2004	Average for 2004	As of December 31, 2003	Average for 2003
Russian rouble / US dollar	27.75	28.81	29.45	30.69
Uzbek soum / US dollar	1,058.00	1,019.09	980.00	975.08
Ukrainian hryvna / US dollar	5.31	5.32	5.33	5.33

Cash and Cash Equivalents – Includes cash on hand and bank deposits. Cash equivalents include financial instruments with a maturity of less than ninety days when purchased.

Accounts Receivable – Accounts receivable are stated at their net realizable value after deducting a provision for doubtful accounts. Such provision reflects either specific cases or estimates based on evidence of recoverability.

Investments – Investments in marketable securities consist primarily of “not trading” securities and, accordingly, are carried on the balance sheet at cost.

Inventories – Inventories are stated at the lower of cost, determined by the first-in first-out method for raw materials and weighted average for finished goods, or market value.

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. Significant renewals and betterment, that extend an asset’s estimated useful life, are capitalized.

The overall useful economic lives of the assets for depreciation purposes are as follows:

Description	Useful Life (years)
Buildings	50
Machinery and equipment	10-15
Vehicles	5
Office equipment and other assets	5

Property, plant and equipment held and used by the Group are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may have been impaired. Management considers that no impairment has occurred relating to the Group's investments in property, plant and equipment as of December 31, 2004.

Sales Recognition – Sales are recognized when products are shipped to the customer, net of discounts.

Income Taxes – Income taxes payable have been computed in accordance with the laws of the Russian Federation, Ukraine and Uzbekistan. 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.

Borrowing Costs – The Group expenses interest on borrowings as incurred. Debt issue costs are amortized to expense over the term to maturity.

Presentation – For comparative purposes certain items in the Consolidated statement of operations for year 2003 were reclassified.

New Accounting Pronouncements – In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151 (SFAS 151), *Inventory Costs an amendment of ARB No. 43, Chapter 4*. SFAS 151 covers the general principles applicable to the pricing of inventory. Paragraph 5 of ARB 43, Chapter 4 provides guidance on allocating certain costs to inventory. This new statement amends ARB 43, Chapter 4, to clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current period expenses. In addition, this statement requires that allocation of

fixed production overhead to the costs of conversion be based on the normal capacity of production facilities. This standard will be adopted from 1 January 2006.

In December 2004, the FASB issued Statement of Financial Accounting Standard No. 153 (SFAS 153), *Exchanges of Non-monetary Assets – an amendment of APB Opinion No. 29*. SFAS addresses the measurement of exchanges of nonmonetary assets. It eliminates the exception to fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21 (b) of APB Opinion No. 29 *Accounting for Non-monetary Transactions* and replaces it with an exception for exchanges that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. As required by SFAS 153, the Group will adopt this new accounting standard effective 1 July 2005. The adoption of SFAS 153 is not expected to have a material impact on the financial statements.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R (SFAS 123R) *Share-Based Payment*. SFAS 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. SFAS 123R also established fair value as the measurement method in accounting for share-based payments to employees. As required by SFAS 123R, the Group will adopt this new accounting standard effective 1 July 2005. The adoption of SFAS 123R is not expected to have a material impact on the financial statements as no such plan exists at the Group.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Cash on hand – RUR	\$ 8	\$ 7
Cash in bank – RUR accounts	1,633	2,312
Cash in bank – USD accounts	244	-
Bank deposits – RUR accounts	-	5,138
Bank deposit – EUR accounts	37,199	-
Restricted cash – USD accounts	1,092	-
Other – EUR euro, UAH, UZS accounts	197	260
Total	\$ <u>40,373</u>	\$ <u>7,717</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.

ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Accounts receivable – trade	\$ 14,139	\$ 16,539
Other accounts receivable	1,188	468
Bad debt allowance	(919)	(918)
Bad debt allowance for accounts receivable relating to discontinued operations	-	(3,217)
Total	\$ <u>14,408</u>	\$ <u>12,872</u>

ADVANCES TO SUPPLIERS AND PREPAID EXPENSES

Advances to suppliers and prepaid expenses consisted of the following at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Advances to suppliers	\$ 10,267	\$ 12,546
Prepaid expenses	107	263
Total	\$ <u>10,374</u>	\$ <u>12,809</u>

INVENTORIES, NET

Inventories consisted of the following at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Raw materials	\$ 26,519	\$ 23,943
Work in process	759	482
Finished goods	17,563	15,177
Allowance for obsolescence	(4,805)	(3,378)
Total	\$ <u>40,036</u>	\$ <u>36,224</u>

TAXES RECOVERABLE AND PAYABLE

Current taxes recoverable consisted of the following at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
VAT	\$ 10,854	\$ 10,977
Other taxes	521	912
Total	\$ <u>11,375</u>	\$ <u>11,889</u>

Current taxes payable consisted of the following at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Income tax	\$ 1,608	\$ 1,366
Advertising tax	419	301
Other taxes	1,616	2,484
Total	\$ <u>3,643</u>	\$ <u>4,151</u>

Non-current taxes payable consist of fines and interest payables that have been disputed with the tax authorities since 1998. The Company has made an accrual in respect of this liability based on information available to management as of the respective reporting dates. The Company accrued a liability in the amount of 114.3 mln RUR (3,878 thousand US dollars) as of December 31, 2003. In 2004, a restructuring agreement was signed with the tax authorities which fixed the disputed liability at 25.4 mln RUR (917 thousand US dollars). This liability is payable as follows (in thousands):

Due in 2006	\$	172
Due in 2007		229
Due in 2008		229
Due in 2009		229
Due in 2010		58
Total	\$	<u>917</u>

INVESTMENTS

Investments consisted of the following at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Investments in LLC KIT-Capital – 12.17%	2,862	-
Other short-term investments	<u>105</u>	<u>953</u>
Total	\$ <u>2,967</u>	\$ <u>953</u>

In 2003 the entire investment in JSC “Zhirovoy Kombinat” (Yekaterinburg) was sold for 117 mln. RUR (3,972 thousand US dollars).

On April 26, 2004 the Group increased the share capital of LLC Torzhok (a 100% subsidiary) by 75,183 thousand RUR (2,597 thousand USD) to 97,725 thousand RUR (3,305 thousand USD).

On June 30, 2004 the Group exchanged its share in LLC Torzhok for a 12.17% share in the construction project development company, LLC KIT-Capital (Note 1). The main activities of LLC Torzhok were construction works. During 2003 and 2004 the Subsidiary developed one construction site of trade-mall center in Nikolaev (Ukraine).

KIT-Capital is a construction site development company. The exchange of 100% stock in LLC Torzhok for 12.17% of KIT-Capital represents an exchange transaction of assets and in accordance with APB 29 “Accounting for Nonmonetary Transactions”, Par. 22 is classified as an exchange of similar assets. The exchange transaction did not result in the recognition of any financial gain or loss in the financial statements of the Group.

The value of the new investment in LLC KIT-Capital is represented by the value of the monetary consideration transferred to LLC Torzhok as share capital contributions less any accumulated losses generated by the Subsidiary up to the date of the exchange transaction. The value thus formed is the cost of the new investment and is shown as such on the face of the consolidated balance sheet.

PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Land	\$ 491	\$ 463
Buildings	27,011	26,521
Machinery and equipment	53,445	51,239
Vehicles	1,843	2,699
Office equipment and other assets	2,297	2,125
Construction in progress	11,786	8,425
Less: accumulated depreciation	(60,522)	(60,209)
Total	\$ <u>36,351</u>	\$ <u>31,263</u>

In the second half of 2002, the Company entered into a financial lease agreement of production equipment. The net book value of the leased assets as of December 31, 2004 and 2003 was 607 thousand US dollars and 569 thousand US dollars, respectively (see Note 12).

The Company concluded 7 finance lease agreements within years 2002 and 2003. LLC “Raiffeisen Leasing” was the lessor in four of them, the remaining three were signed with JSC “Service ETM” as the Lessor for various production equipment. The effective rate for the contracts with LLC “Raiffeisen Leasing” is 13%, for contracts with JSC “Service ETM” – 6%.

In October 2004 the Company terminated one of the contracts with LLC “Raiffeisen Leasing” – after the provider of the equipment had breached the contract.

ACCOUNTS PAYABLE

Accounts payable consisted of the following at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Accounts payable – trade	\$ 19,265	\$ 14,323
Accrued interest	358	389
Other payables	2,239	1,462
Total	\$ 21,862	\$ 16,174

SHORT-TERM DEBT

Outstanding short-term credit facilities of the Group as of December 31, 2004 and 2003 consisted of the following (in thousands):

	<u>Interest rate</u>	<u>2004</u>	<u>2003</u>
EBRD loan (USD)	LIBOR+4.75%	\$ 2,994	\$ -
Citibank loan (RUR)	23%	-	1,677
Raiffeisenbank Austria loan (USD)	LIBOR+4%	1,802	-
Other loans in RUR, USD, SUM, UAH	19-23%	-	10
Bonds – first issue (RUR)	14%	-	161
Bonds – second issue (RUR)	14%	-	18,673
Financial lease		-	-
Current portions of liability on financial lease (RUR)	13%	263	320
Total		\$ 5,059	\$ 20,841

In 2004, the Group entered into a short-term credit line agreement with Raiffeisenbank Austria. The total amount of credit line facilities to be provided under the contract is 2 mln. US dollars with an annual interest rate of LIBOR plus 4%. As of December 31, 2004 the Group had received 1,802 thousand USD.

In 2001 and 2002 the Group made two bond issues. The face value of the first and the second issues was 100 RUR (3.33 US dollars) and 1,000 RUR (31.44 US dollars) respectively. The number of bonds issued was 51,340 and 550,000 respectively. The bonds were issued at face value. Coupon income on the bonds is accrued at the rate of 80% of the official Central Bank of the Russian Federation refinancing rate effective during the period and is paid quarterly. Bonds of the first and the second issue were repaid on March 5, 2004 and February 2, 2004 respectively.

The effective Central Bank of Russian Federation refinancing rate was as follows:

Date of coupon accrual	CB refinancing rate
August 7, 2002- February 16, 2003	21%
February 17, 2003 – June 20, 2003	18%
June 21, 2003 – January 14, 2004	16%
January 15, 2004 – June 14, 2004	14%
June 15, 2004 – December 31, 2004	13%

Coupon income on the bonds of the second issue was accrued at the weighted average rate of return of the Bonds of the Ministry of Finance of Russian Federation (OFZ). The effective weighted average rate of return on OFZ was as follows:

Date of coupon accrual	Weighted average rate of return
November 13, 2002 – February 11, 2003	22%
February 12, 2003 – May 13, 2003	20%
May 14, 2003 – July 18, 2003	15%
July 19, 2003 – February 2, 2004	14%

As of December 31, 2003 the maturity period of the bonds was shorter than one year, and they are shown as short-term on the face of the Group's balance sheet.

LONG-TERM DEBT

Long-term debt consisted of the following as of December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Long-term bank loans		
EBRD loan (USD)	\$ 7,839	\$ -
Financial lease		
Long-term portion of financial lease liability (RUR)	36	183
Total long-term debt	<u>\$ 7,875</u>	<u>\$ 183</u>

In 2003, the Group entered into a long-term credit line agreement with a related party (Note 16) – 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%. As of December 31, 2004 the Group had received 10,833 thousand USD of which 2,994 thousand USD is payable within 12 months commencing December 31, 2004 (Note 11).

In the second half of 2002 the Company entered into a financial lease agreement of production equipment (see Note 9).

Future minimum lease payments due under non-cancelable leases at December 31, 2004 were (in thousands):

Financial lease commitments as lessee:		
Due within 12 months	\$	186
Due during the second year		38
Total minimum lease payments:		<u>224</u>
Less amount, representing interest		(16)
Present value of minimum lease payments	\$	<u><u>208</u></u>

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Total selling, general and administrative expenses consisted of the following at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Advertising expenses	\$ 18,651	\$ 13,432
Salaries	12,252	9,493
Transportation expenses	6,145	6,167
Raw materials obsolescence expenses	4,434	3,109
Consulting expenses	3,148	1,634
Social taxes on salaries	2,601	2,879
Other	12,312	13,966
Total	\$ <u>59,543</u>	\$ <u>50,680</u>

OTHER EXPENSES

Total other expenses (net) consisted of the following at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Expenses related to new stock issue	\$ 3,062	\$ -
Other	407	557
Total	\$ <u>3,469</u>	\$ <u>557</u>

TAXES

Total tax expense consisted of the following at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>
Current tax expense	\$ 8,007	\$ 6,088
Deferred tax benefit	-	(925)
Total	\$ <u>8,007</u>	\$ <u>5,163</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 US GAAP. The Group was subject to a tax rate of 24% in Russia, 25% in Ukraine, and 26% in Uzbekistan in 2004 and 24% in Russia, 30% in Ukraine, and 26% in Uzbekistan in 2003.

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 operations:

	<u>2004</u>	<u>2003</u>
Income tax expense at statutory rates	\$ 6,861	\$ 4,628
Adjustments due to:		
Tax penalties	-	178
Discontinued operations	10	-
Other permanent differences	1,136	357
Income tax expense	<u>\$ 8,007</u>	<u>\$ 5,163</u>

The tax effects of temporary differences that give rise to deferred tax assets and liabilities at December 31, 2004 and 2003 are as follows (in thousands):

	<u>2004</u>	<u>2003</u>
Current deferred tax assets:		
Accrued expenses	\$ 2,000	\$ 1,932
Valuation of investments	-	-
Valuation of closing stock of work in progress and finished goods	(275)	(243)
	<u>\$ 1,725</u>	<u>\$ 1,689</u>
Non-current deferred tax liabilities:		
Provisions and allowances	(2)	835
Valuation of non-current assets	-	-
Depreciation expense	(2,006)	(2,082)
	<u>\$ (2,008)</u>	<u>\$ (1,247)</u>

As more fully described in Note 2, starting from January 1, 2003, the Russian economy ceased to be considered highly inflationary for accounting purposes. The amount of the adjustment to the deferred tax asset opening balance, resulting from the change in accounting policies was 2,161 thousand US dollars.

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.

Major assets and liabilities of the subsidiary as of December 31, 2004 and 2003 were as follows (in thousands):

	<u>2004</u>	<u>2003</u>
Assets associated with discontinued operations:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 18	\$ 172
Accounts receivable, net	179	114
Advances to suppliers and prepaid expenses	757	553
Inventories	2,495	2,300
Taxes recoverable	101	64
Investments	25	-
Total current assets	<u>3,575</u>	<u>3,203</u>
PROPERTY, PLANT AND EQUIPMENT, net	4,307	2,942
Total assets associated with discontinued operations	<u>\$ 7,882</u>	<u>\$ 6,145</u>
Liabilities associated with discontinued operations:		
CURRENT LIABILITIES:		
Accounts payable	\$ 9,885	\$ 6,913
Accrued liabilities	-	77
Short-term debt	301	-
Taxes payable	57	231
Total current liabilities	<u>10,243</u>	<u>7,221</u>
LONG-TERM DEBT	962	620

	2004	2003
MINORITY INTEREST	192	129

Total liabilities associated with discontinued operations: \$ 11,397 \$ 7,970
At December 31, 2004 LLC Pallada Vostok was indebted to the rest of the Group in the amount of 5,934 thousand US dollars, represented by 2,042 thousand US dollars in trade payables and 3,524 US dollars received as advances from the rest of the Group.

Revenues and (net loss) of LLC Pallada Vostok for the years 2004 and 2003 were 2,988 and (1,541) thousand dollars and 6,276 and (1,408) thousand US dollars, respectively.

Alye Parusa (Ukraine)

In June 2003, the Group management decided to sell its 65% stake in a Ukrainian based subsidiary – JSC Alye Parusa. JSC Alye Parusa was engaged in production of a wide range of cosmetics brands sold on the Ukrainian market.

Major assets and liabilities of JSC Alye Parusa at the date of disposal, August 5, 2003 were as follows (in thousands):

	August 5, 2003
CURRENT ASSETS:	
Cash and cash equivalents	\$ 16
Accounts receivable, net	979
Advances to suppliers and prepaid expenses	178
Inventories	909
Taxes recoverable	72
Investments	4
Total current assets	<u>2,158</u>
PROPERTY, PLANT AND EQUIPMENT	529
INTANGIBLE ASSETS, NET	11
Total assets associated with discontinued operations	<u>\$ 2,698</u>
CURRENT LIABILITIES:	
Accounts payable	\$ 3,593
Short-term debt	104
Accrued liabilities	39
Taxes payable	89
Total current liabilities	<u>3,825</u>
LONG-TERM DEBT	446
Total liabilities associated with discontinued operations:	<u>\$ 4,271</u>
Attributable goodwill	74
Allowance for accounts receivable from JSC Alye Parusa	<u>(3,217)</u>

August 5, 2003

Loss on disposal	<u>1,682</u>
Total Consideration satisfied by cash	36

Amounts due to the Company by JSC Alye Parusa at August 5, 2003 have been restructured for payments over the period of 2005-2009. The recoverability of the entire balance is considered doubtful and has thus been provided for in full. In accordance with APB 30 «Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions» the adjustment of carrying value of accounts receivable, resulting from the disposal of JSC Alye Parusa is included in financial result of the subsidiary disposal.

Revenues and (net loss) of the subsidiary for the period of 2003 until the date of disposal were 2,264 and (241) thousand US dollars, respectively.

The investment was sold to the subsidiary's chief operating officer on August 5, 2003 realizing a loss of 1,682 US dollars (see Note 19).

As of December 31, 2004 the amount of accounts payable due from JSC Alye Parusa to the rest of the Group was 3,518 thousand US dollars.

CAPITAL STOCK

As of December 31, 2004 and 2003 the Group had 9,752,311 and 8,364,908 authorised and issued ordinary shares at RUR 70 per share.

In April 2004 the Group issued 1,387,403 new common shares at a par value of 70 RUR per share. Shares were placed at 525 RUR against shareholders pre-emptive rights and 550.62 RUR per share through a public offering.

As of December 31, 2004 dividends for the second half of 2003 in the amount of 46,007 thousand RUR (1,585 thousand US dollars) were declared and paid in full.

In 2004 interim dividends for the first 6 months were declared of the amount of 36,571 thousand RUR (1,318 thousand US dollars). 2004 interim dividends were paid in the amount 32 399 thousand RUR (1,168 thousand US dollars), for the rest of the declared amount cash resources for dividends payment have been reserved to the full extent. The interim dividends per share were 3.75 RUR (0.135 US dollars).

The Company is owned 50.18% by an individual, 10.67% by EBRD, 7.28% by OOO JP Morgan International (nominal shareholder), 7.07% by ZAO Deposit-Clearing Hall (Palata) (nominal shareholder) and 24.8% by other shareholders (among those

nominal shareholders are ZAO Citibank, ZAO ING Bank (Eurasia), ZAO Bransweek UBS Nominees), as of December 31, 2004.

RELATED PARTY TRANSACTIONS

The Group has one party related by means of common control – LLC “Soyuzspezstroy”.

Advances to related parties as of December 31, 2004 and 2003 were as follows (in thousands):

	<u>2004</u>	<u>2003</u>
LLC “Soyuzspezstroy”	\$ 992	\$ 169
Total	\$ 992	\$ 169

Sales to related parties for the years ended December 31, 2004 and 2003 were as follows (in thousands):

	<u>2004</u>	<u>2003</u>
LLC “Soyuzspezstroy”		
Sales of third party shares	\$ -	\$ 2
Total	\$ -	\$ 2

Purchases from related parties for the years ended December 31, 2004 and 2003 were as follows (in thousands):

	<u>2004</u>	<u>2003</u>
LLC “Soyuzspezstroy”		
Purchase of services	\$ 423	\$ 3,248
Total	\$ 423	\$ 3,248

POST RETIREMENT BENEFITS

Employees of the Group are beneficiaries of state-administered defined contribution pension programs. The Group remits a required percentage of the aggregate employees' salaries to the statutory Pension Funds. As at December 31, 2004 and 2003 the Group was not liable for any supplementary pensions, post retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

COMMITMENTS AND CONTINGENCIES

Operating Environment – The Group's principal business activities are within the Russian Federation and CIS countries. 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.

Tax Environment – Due to the presence in Russian, Ukrainian and Uzbek commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment on business activities, if a particular treatment based on Management's judgment of the Group's business activities was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest. Tax years remain open to review by the tax authorities for three years.

SUBSEQUENT EVENTS

In April 2005 the Group acquired 59.3191% of Dr. Scheller Cosmetics AG – German perfume manufacturer and distributor.

In January 2005 the Group announced the launch of a level 1 "OTC" American Depositary Receipts (ADR) program in respect of the ordinary shares of the Group administered by Deutsche Bank Trust Company Americas, as depositary bank. ADRs can be issued in respect of up to 19.99% of the issued and outstanding share capital of the Group.

In April 2005 the Group declared dividends for the second half of year 2004 as of amount of 83.967 kRUR (3,026 thousand US dollars). The dividends per share declared as of 8.61 RUR (0.31 US dollar) per common share.