

OAO Concern “Kalina” and subsidiaries

**Consolidated Interim Balance Sheets and
Statements of operations**

Six Months Ended June 30, 2005 and 2004

(Not audited or reviewed)

OAO CONCERN “KALINA” AND SUBSIDIARIES

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OA0 CONCERN "KALINA" AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (NOT AUDITED OR REVIEWED)

JUNE 30, 2005 AND 2004

(in US dollars and in thousands)

	Notes	2005	2004
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	3	\$ 3,651	29,496
Accounts receivable, net	4	29,105	9,815
Advances to suppliers and prepaid expenses	5	12,894	10,652
Inventories, net	6	71,004	33,518
Taxes recoverable	7	19,124	10,112
Investments	8	2,538	2,736
Assets associated with discontinued operations	15	7,729	7,745
Deferred tax asset	14	5,262	2,645
Total current assets		<u>151,307</u>	<u>106,719</u>
PROPERTY, PLANT AND EQUIPMENT, net	9	82,738	32,506
INTANGIBLE ASSETS, net	10	17,544	482
TOTAL ASSETS		<u>\$ 251,589</u>	<u>139,707</u>
COMMITMENTS AND CONTINGENCIES			
	19		
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	11	\$ 30,112	12,959
Bank overdrafts		9,369	-
Short-term debt	12	14,803	1,772
Accrued liabilities		9,660	58
Taxes payable	7	3,099	2,859
Liabilities associated with discontinued operations	15	12,741	9,976
Total current liabilities		<u>79,784</u>	<u>27,624</u>
LONG-TERM DEBT	13	24,975	4,752
NON-CURRENT TAXES PAYABLE	7	-	3,935
NON-CURRENT DEFERRED TAX LIABILITY	14	4,470	2,016
OTHER LONG TERM LIABILITIES (Pensions)		6,079	-
Total liabilities		<u>115,308</u>	<u>38,327</u>
MINORITY INTERESTS		13,451	-
STOCKHOLDERS' EQUITY:			
Capital stock	16	23,596	23,596
Additional paid in capital		24,203	24,203
Retained earnings		75,031	53,581
Total stockholders' equity		<u>136,281</u>	<u>101,380</u>
TOTAL LIABILITIES AND STOCKOLDERS' EQUITY		<u>\$ 251,589</u>	<u>139,707</u>

OAO CONCERN "KALINA" AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (NOT AUDITED OR REVIEWED) FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004 (in US dollars and in thousands)

	Notes	2005	2004
NET SALES		\$ 133,084	91,245
COST OF SALES		<u>(67,438)</u>	<u>(46,005)</u>
GROSS PROFIT		65,646	45,240
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		<u>(39,901)</u>	<u>(29,232)</u>
OPERATING INCOME		25,745	16,008
OTHER INCOME/EXPENSES:			
Interest expense, net		(969)	(493)
Foreign currency exchange (losses)/gains, net		(1,885)	(834)
Other expenses, net		<u>(469)</u>	<u>(1,819)</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE AND MINORITY INTEREST		<u>22,422</u>	<u>12,862</u>
Minority interest		<u>113.6</u>	<u>-</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE		22,535	12,862
INCOME TAX EXPENSE	14	<u>(3,228)</u>	<u>(3,874)</u>
NET INCOME FROM CONTINUING OPERATIONS		<u>19,308</u>	<u>8,988</u>
DISCONTINUED OPERATIONS			
Loss from operations of subsidiary JSC Pallada Vostok	15	(1,651)	(385)
NET INCOME		<u>\$ 17,657</u>	<u>8,603</u>