

**CONSOLIDATED BALANCE SHEET
OF JSC DOROGOBUZH
FOR 2005**

Verkhnedneprovsky settlement, 2006

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CONSOLIDATED BALANCE SHEET OF JSC DOROGOBUZH
as of December 31 200 5

Measurement unit: thousand roubles

Form No. 1 according to OKUD

0710001

ASSETS	Code	Beginning of the accounting year	End of the accounting year
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets	110	574	556
<i>including, goodwill of subsidiaries</i>	<i>111</i>	-	-
Fixed assets	120	938 456	985 329
Construction in progress	130	78 499	49 838
Income-bearing investments in tangible assets	135	-	-
Long-term financial investments	140	67 676	122 792
Deferred tax assets	145	1 436	1 373
Other non-current assets	150	-	-
TOTAL for section I	190	1 086 641	1 159 888
II. CURRENT ASSETS			
Inventories	210	798 692	878 977
<i>including:</i>			
<i>raw materials, other materials and similar assets</i>	<i>211</i>	<i>615 755</i>	<i>644 410</i>
<i>rearsers and fatteners</i>	<i>212</i>	<i>13 882</i>	<i>17 256</i>
<i>expenditures on work in progress</i>	<i>213</i>	<i>49 516</i>	<i>55 587</i>
<i>finished goods and goods for resale</i>	<i>214</i>	<i>89 799</i>	<i>136 352</i>
<i>goods dispatched</i>	<i>215</i>	<i>16 132</i>	<i>13 153</i>
<i>prepaid expenses</i>	<i>216</i>	<i>13 608</i>	<i>12 219</i>
<i>other inventories and expenditures</i>	<i>217</i>	-	-
Input VAT	220	69 738	70 502
Accounts receivable (payments in respect of which are expected more that 12 months after the balance sheet date)	230	699	681
<i>including, trade receivables</i>	<i>231</i>	<i>699</i>	<i>681</i>
Accounts receivable (payments in respect of which are expected within 12 months after the balance sheet date)	240	455 371	917 507
<i>including, trade receivables</i>	<i>241</i>	<i>186 709</i>	<i>197 177</i>
Short-term financial investments	250	20 847	28 034
Cash	260	269 964	355 862
Other current assets	270	84 664	89 012
TOTAL for section II	290	1 699 975	2 340 575
BALANCE	300	2 786 616	3 500 463

LIABILITIES	Code	Beginning of the accounting year	End of the accounting period
1	2	3	4
III. CAPITAL AND RESERVES			
Charter capital	410	218 860	218 860
Treasure shares	411	-	-
Additional capital	420	721 497	716 461
Reserve capital	430	26 324	32 878
<i>including:</i>			
<i>reserves formed in accordance with the law</i>	431	10 943	10 943
<i>reserves formed in accordance with incorporation documents</i>	432	15 381	21 935
Retained earnings (loss)	470	252 669	772 518
TOTAL for section III	490	1 219 350	1 740 717
Minority interest		7 184	5 439
Goodwill of subsidiaries		4 793	4 793
IV. LONG-TERM LIABILITIES			
Loans and credits	510	60 000	1 000 739
Deferred tax liabilities	515	19 999	43 229
Other long-term liabilities	520	470	235
TOTAL for section IV	590	80 469	1 044 203
V. SHORT-TERM LIABILITIES			
Loans and credits	610	888 763	23 946
Accounts payable	620	579 807	545 613
<i>including:</i>			
<i>trade payable</i>	621	90 694	86 253
<i>payroll payable</i>	622	23 657	33 115
<i>payable to state non-budgetary funds</i>	623	4 827	9 885
<i>taxes payable</i>	624	33 815	56 089
<i>other credits</i>	625	426 814	360 271
Payables to participants (founders) in respect of income payment	630	333	97 744
Deferred income	640	5 917	5 343
Reserves for future expenses	650	-	-
Other short-term liabilities	660	-	32 665
TOTAL for section V	690	1 474 820	705 311
BALANCE	700	2 786 616	3 500 463
Assets recorded on off-balance sheet			
Rented fixed assets	910	294 332	279 212
<i>including, under lease</i>	911	-	-
Material assets accepted in custody	920	-	-
Goods accepted on commission	930	-	-
Indebtedness of insolvent debtors written off to losses	940	7 069	4 126
Guarantees received for obligations and payments	950	-	-
Guarantees issued for obligations and payments	960	1 139 943	-
Depreciation of housing facilities	970	382	518
Depreciation of outside services and utilities and other similar facilities	980	-	-
Intangible assets received for use	990	-	-

Chief executive I.N. Antonov
(signature) (signature deciphering)

Chief accountant N.I. Slouzhenikina
(signature) (signature deciphering)

April 4 200 6

CONSOLIDATED PROFIT AND LOSS STATEMENT of JSC DOROGOBUZH
for _____ **200 5**

Measurement unit: thousand roubles

Form No. 2 according to OKUD

0710002

Index		Accounting period	Corresponding period of the previous year
name	code		
1	2	3	4
Income and expenses relating to ordinary activities			
Sales revenue, net (less value added tax, excise duties and similar compulsory payments)	010	6 010 680	4 580 849
Prime cost of sales	020	(3 181 432)	(2 905 072)
Gross profit	029	2 829 248	1 675 777
Selling expenses	030	(695 196)	(556 878)
Management expenses	040	(565 013)	(470 301)
Profit (loss) from sales	050	1 569 039	648 598
Other income and expenses			
Interests receivable	060	4 473	484
Interest payable	070	(108 196)	(117 311)
Income from participation in other entities	080	107 061	3 232
Other operating income	090	3 153 725	3 254 136
Other operating expenses	100	(3 144 325)	(3 247 928)
Non-operating income	120	65 738	142 850
Non-operating expenses	130	(253 046)	(192 606)
Capitalized gain (loss)		(4 064)	(97)
Profit (loss) before taxation	140	1 390 405	491 358
Deferred tax assets	141	(63)	(158)
Deferred tax liabilities	142	(23 228)	(9 332)
Current profit tax	150	(325 310)	(144 649)
Net profit (loss) of accounting period	190	1 041 804	337 219
Minority interest		1 702	1 897
Net profit (loss) of accounting period less minority interest		1 043 506	339 116
FOR REFERENCE			
Permanent tax liabilities (assets)	200	11 856	32 787
Basic earnings (loss) per share	201		
Diluted earnings (loss) per share	202		

BREAKDOWN OF PARTICULAR PROFIT AND LOSS ITEMS

Index		Accounting period		Corresponding period of the previous year	
name	code	profit	loss	profit	loss
1	2	3	4	5	6
Fines, penalties and forfeitures acknowledged or for which court (arbitration court) decisions on their recovery have been received	210	-	21 044	248	11 899
Profit (loss) of previous year	220	2 340	2 540	2 411	5 140
Compensation for losses caused by non-fulfilment or undue fulfilment of obligations	230	-	-	-	-
Exchange rate differences relating to foreign currency operations	240	50 015	62 011	68 623	31 777
Deductions to evaluation reserves	250	X	-	X	-
Write-off of accounts receivable and accounts payable for which limitation period has expired	260	871	50	2 056	1 176

Chief executive I.N. Antonov
(signature) (signature deciphering)

Chief accountant N.I. Slouzhenikina
(signature) (signature deciphering)

April 4 200 6

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
OF JSC DOROGOBUZH FOR 2005**

(RUR, thousand)

I. Changes in the shareholder's equity

Index		Charter capital	Additional capital	Reserve capital	Retained earnings (retained loss)	Total
name	code					
1	2	3	4	5	6	7
Balance as of December 31 of the year, preceding the previous year	010	218 860	760 015	9 331	(92 466)	895 740
200 4 (previous year)						
Changes in the accounting policy	011	X	X	X		
Result of fixed assets revaluation	012	X		X		
		X				
Balance as of January 1 of the previous year	020	218 860	760 015	9 331	(92 466)	895 740
Result of foreign currency translation	023	X		X	X	
Net profit	025	X	X	X	345 746	345 746
Dividends	026	X	X	X	(22 136)	(22 136)
Deductions to reserve fund	030	X	X	16 993	(16 993)	-
Increase in shareholders' equity resulting from:						
additional share issue	041		X	X	X	
increase in par value	042		X	X	X	
reorganization of legal entity	043		X	X		
amount of the revaluation of written-off fixed assets	045				38 518	38 518
Decrease in shareholders' equity resulting from:						
decrease in par value	051		X	X	X	
decrease in number of shares	052		X	X	X	
reorganization of legal entity	053		X	X		
amount of the revaluation of written-off fixed assets	055		(38 518)			(38 518)
Balance as of December 31 of the previous year	060	218 860	721 497	26 324	252 669	1 219 350
200 5 r. (accounting year)						
Changes in the accounting policy	061	X	X	X		
Result of fixed assets revaluation	062	X		X		
		X				
Balance as of January 1 of the accounting year	100	218 860	721 497	26 324	252 669	1 219 350
Result of foreign currency translation	103	X		X	X	
Net profit	105	X	X	X	1 043 506	1 043 506
Dividends	106	X	X	X	(522 139)	(522 139)

1	2	3	4	5	6	7
Deductions to reserve fund	110	X	X	6 554	(6 554)	-
Increase in shareholders' equity resulting from:						
additional share issue	121		X	X	X	
increase in par share	122		X	X	X	
reorganization of legal entity	123		X	X		
amount of the revaluation of written-off fixed assets	125				5 036	5 036
Decrease in shareholders' equity resulting from:						
decrease in par value	131		X	X	X	
decrease in number of shares	132		X	X	X	
reorganization of legal entity	133		X	X		
amount of the revaluation of written-off fixed assets			(5 036)			(5 036)
Balance as of December 31 of the accounting year	140	218 860	716 461	32 878	772 518	1 740 717

II. Reserves

Index		Balance	Received	Used	Balance
name	code				
1	2	3	4	5	6
Reserves formed in accordance with the law:					
Reserve capital					
(name of the reserve)					
data of the previous year		9 282	1 661		10 943
data of the accounting year		10 943			10 943
(name of the reserve)					
data of the previous year					
data of the accounting year					
Reserves formed in accordance with the incorporation documents:					
Reserve capital					
(name of the reserve)					
data of the previous year		49	15 331		15 380
data of the accounting year		15 380	6 555		21 935
(name of the reserve)					
data of the previous year					
data of the accounting year					
Assessed assets:					
(name of the reserve)					
data of the previous year					
data of the accounting year					
(name of the reserve)					
data of the previous year					
data of the accounting year					
(name of the reserve)					
data of the previous year					
data of the accounting year					

1	2	3	4	5	6
Reserves for future expenses:					
(name of the reserve)					
data of the previous year		3 049		(3 049)	-
data of the accounting year		-			-
(name of the reserve)					
data of the previous year					
data of the accounting year					

Reference information

Index		Accounting year opening balance		Accounting period ending balance	
name	code				
1	2	3	4	4	
1) Net assets					
		From the budget		From extrabudgetary funds	
		accounting year	previous year	accounting year	previous year
		3	4	5	6
2) Received for:					
expenses on ordinary activities - total					
including:					
capital investments in non-current assets					
including:					

General Director of JSC Dorogobuzh

I.N. Antonov

Chief accountant of JSC Dorogobuzh

N.I. Slouzhenikina

April 4, 2006

**Consolidated Cash Flow Statement
of JSC Dorogobuzh for 2005**

(RUR, thousand)

Index		Accounting period	Corresponding period of the previous year
name	code		
1	2	3	4
Opening cash balance of the accounting year	010	269 964	69 485
Cash flow from current activities			
Receipts from purchasers and customers	020	6 576 962	5 210 474
Other income	050	2 898 025	3 494 025
Cash allocated for:			
payment for acquired goods, works, services, raw materials and other current assets	150	(4 553 513)	(3 875 183)
payroll payment	160	(570 720)	(439 620)
payment of dividends and interest	170	(549 073)	(137 024)
taxes payable	180	(642 751)	(512 324)
other expenses	190	(3 043 530)	(3 120 125)
Net cash flows from current activities	200	115 400	620 223
Cash flow from investment activities			
Proceeds from sales of fixed assets and other non-current assets	210	6 624	3 971
Proceeds from sales of securities and other financial investments	220	58 389	29 805
Dividends received	230	79 436	3 247
Interests received	240	3 962	3 104
Proceeds from repayment of loans issued to other entities	250	308 176	40 000
Acquisition of subsidiaries	280		
Acquisition of fixed assets, income-bearing investments in tangible assets and intangible assets	290	(222 159)	(113 938)
Acquisition of securities and other financial investments	300	(2 452)	(35 984)
Loans issued to other entities	310	(353 800)	(200 310)
Net cash flows from investment activities	340	(121 824)	(270 105)
Cash flow from financial activities			
Proceeds from issue of shares and other equity securities	350		
Proceeds from loans and credits issued to other entities	360	1 624 369	1 355 435

1	2	3	4
Other proceeds			265
Repayment of loans and credits (net of interest)	390	(1 540 088)	(1 510 471)
Repayment of financial lease obligations	400		
Other expenses			
Net cash flows from financial activities	410	84 281	(154 771)
Net increase (decrease) in cash and cash equivalents	420	77 857	195 347
Accounting period ending cash balance	430	355 862	269 964
Effect of changes in foreign currency/rouble exchange rate	440	8 041	5 132

General Director of JSC Dorogobuzh

I.N. Antonov

Chief accountant of JSC Dorogobuzh

N.I.Slouzhenikina

April 4, 2006

**Appendix to Consolidated Balance Sheet
of JSC Dorogobuzh for 2005**

(thousand roubles)

Intangible assets

Index		Beginning of the accounting year	Received	Disposed of	End of the accounting period
name	code				
1	2	3	4	5	6
Items of intellectual property (exclusive rights to items of intellectual property)	010	605	50		655
including: holder of patent on an invention, industrial sample, utility model	011				
copyright holder of software programmes, databases	012				
copyright holder of integrated- circuit layouts	013				
holder of a trademark, service mark, name of the place of origin of goods	014	605	50		655
holder of a patent on selection achievements	015				
Organizational expenses	020				
Goodwill	030				
Other	040				

Index		Beginning of the accounting year	End of the accounting period
name	code		
1	2	3	4
Amortization of intangible assets - total	050	31	99
including:			

Fixed assets

Index		Beginning of the accounting year	Received	Disposed of	End of the accounting period
name	code				
1	2	3	4	5	6
Buildings	061	741 212	17 133	(6 761)	751 584
Installations and transmission devices	062	428 983	17 025	(6 968)	439 040
Plant and machinery	063	1 118 061	83 101	(7 272)	1 193 890
Vehicles	064	97 568	11 755	(3 797)	105 526
Production and domestic implements	065	15 455	5 020	(3 076)	17 399
Working livestock	066	7			7
Producing livestock	067	769		(600)	169
Perennial plantations	068				
Other fixed assets	069	17 719	5 005	(2 562)	20 162
Land plots and objects of the use of nature	070	1 222	22	(49)	1 195
Capital investments in reclamation	071				
Total	072	2 420 996	139 061	(31 085)	2 528 972

Index		Beginning of the accounting year	End of the accounting period
name	code		
1	2	3	4
Amortization of fixed assets	140	1 482 540	1 543 643
including:			
buildings and installations	141	574 866	589 937
plant, machinery, vehicles	142	899 747	944 583
other	143	7 927	9 123
Fixed assets leased out - total	150	264 421	278 595
including:			
buildings	151	170 694	169 325
installations	152	26 785	93 012
other	153	66 942	16 258
Fixed assets mothballed	160	20 727	16 258
Fixed assets taken on lease - total	161	294 332	279 212
including:			
Immovable assets accepted into operation and undergoing State registration	164		
For reference	code	Beginning of the accounting year	Beginning of the previous year
	2	3	4
Result from revaluation of fixed assets	171		
historical (replacement) cost	172		
amortisation	173		
	code	Beginning of the accounting year	Beginning of the accounting period
	2	3	4
Change in the fixed assets value as a result of additional construction, additional equipping, reconstruction, partial liquidation	180	219 606	247 732

Income-bearing investments in tangible assets

Index		Beginning of the accounting year	Received	Disposed of	End of the accounting period
name	code				
1	2	3	4	5	6
Assets to be transferred under lease	190			()	
Assets to be provided under rent agreement	200			()	
Other	210			()	
Total	220			()	
	code	Beginning of the accounting year	End of the accounting period		
1	2	3	4		
Amortisation of income-bearing investments in tangible assets	230				

Expenses on research, development and engineering

Types of work		Beginning of the accounting year	Received	Written off	End of the accounting period
name	code				
1	2	3	4	5	6
Total	310			()	
including:				()	
				()	
				()	
For reference		code	Beginning of the accounting year	End of the accounting period	
Amount of expenses for incomplete research, development and engineering		2	3	4	
		320			
		code	Accounting period	Corresponding period of the previous year	
Amount of negative expenses for research, development and engineering posted to non-operating expenses		2	3	4	
		330			

Expenses for development of natural resources

Index		Accounting period opening balance	Received	Written off	Accounting period ending balance
name	code				
1	2	3	4	5	6
Expenses for development of natural resources - total	410			()	
including:				()	
				()	
				()	
For reference		code	Beginning of the accounting year	End of the accounting period	
Amount of expenses for subsoil plots which have not been completed by prospecting and evaluation of deposits, exploration and/or hydrogeology surveying and other similar work		2	3	4	
Amount of expenses for development of natural resources posted in the accounting period to non-operating expenses as negative expenses					

Financial investments

Index		Long-term		Short-term	
		Beginning of the accounting year	End of the accounting period	Beginning of the accounting year	End of the accounting period
name	code				
1	2	3	4	5	6
Contributions to the charter (share) capital of other entities - total	510	67 676	122 792		
including subsidiaries and associates	511	9 796	5 630		
State and municipal securities	515				
Securities of other entities - total	520				
including debt securities (bonds and bills of exchange)	521				
Loans issued	525			847	26 582
Deposits	530				
Other	535			20 000	1 452
Total	540	67 676	122 792	20 847	28 034
Of the total amount, financial investments which have current market value:					
Contributions to the charter (share) capital of other entities - total	550	33 972	93 361		
including subsidiaries and associates	551				
State and municipal securities	555				
Securities of other entities - total	560				
including debt securities (bonds and bills of exchange)	561				
Other	565				
Total	570	33 972	93 361		
For reference					
For financial investments which have current market value, change in value as a result of adjusted valuation	580	33 786	93 175		
For debt securities, difference between historical cost and nominal value is posted to financial result of the accounting period	590				

Accounts receivable and accounts payable

Index		Accounting year opening balance	Accounting year ending balance
name	code		
1	2	3	4
Accounts receivable:			
short-term - total	610	455 371	917 507
including:			
trade account receivable	611	186 709	197 177
advances issued	612	173 155	370 801
other	613	95 507	349 529
long-term - total	620	699	681
including:			
trade account receivable	621	699	681
advances issued	622		
other	623		
Total	630	456 070	918 188
Accounts payable			
short-term - total	640	1 468 570	569 559
including:			
trade account receivable	641	90 694	86 253
advances received	642	408 854	362 444
taxes payable	643	38 642	64 682
credits	644	880 225	20 955
loans	645	8 538	2 991
other	646	41 617	32 234
long-term - total	650	60 471	1 000 974
including:			
credits	651	60 000	1 000 739
loans	652		
other	653	471	235
Total	660	1 529 041	1 570 533

Expenses for ordinary activities (by expenditure item)

Index		Accounting year	Previous year
name	code		
1	2	3	4
Material expenditures	710	2 804 665	2 435 146
Payroll expenditures	720	685 264	512 728
Social contributions	730	157 721	149 568
Amortisation	740	70 319	60 493
other expenditures	750	836 980	762 916
Total for expenditure items	760	4 554 949	3 920 851
Change in balances (increase [+], decrease [-]) of:			
work in progress	765	6 071	20 314
prepaid expenses	766	-1 389	6 502
provisions for future expenses	767	-	-3 049

Securities

Index		Accounting year opening balance	Accounting period ending balance
name	code		
1	2	3	4
Received - total	810		
including:			
bills of exchange			
Assets pledged	820		
of which:			
fixed assets			
securities and other financial investments			
other			
Issued - total	830	1 139 943	
including:			
bills of exchange			
Assets transferred in pledge	840	33 592	
of which:			
fixed assets	841		
securities and other financial investments	842		
other	843	33 592	

Government assistance

Index		Accounting period		Corresponding period of the previous year	
name	code				
1	2	3	4	5	6
Budget resources received in the accounting year - total	910				
including:					
		Beginning of the accounting year	Received in the accounting period	Repaid in the accounting period	End of the accounting period
Budgetary credits - total	920				
including:					

General Director of Dorogobuzh

I. N. Antonov

Chief accountant of JSC Dorogobuzh

N. I. Slouzhenikina

April 4, 2006

EXPLANATORY NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS OF JSC DOROGOBUZH FOR 2005

These consolidated financial statements have been prepared as required by the Statute Concerning Accounting and Reporting in the Russian Federation, as approved by Order No. 34 n of the Russian Finance Ministry dated July 29, 1998, and have been compiled in accordance with the Methodological Recommendations Concerning the Compilation and Presentation of Consolidated Financial Statements, as approved by Order No. 112 of the Russian Finance Ministry dated December 30, 1996 (hereinafter, "the Methodological Recommendations").

In accordance with the Methodological Recommendations, a subsidiary is consolidated if:

- 1) the parent entity holds more than fifty percent of voting shares in a joint stock company or an equity interest of more than fifty percent in a limited liability company;
- 2) the parent entity is able to govern decision-making at the subsidiary, in accordance with an agreement entered into by and between the parent entity and the subsidiary;
- 3) the parent entity has other means available to govern decision-making at the subsidiary.

Below is a list of subsidiaries which have been consolidated, as required by the Methodological Recommendations, and associates, individual information of which are also stated in the financial statements.

LIST OF JSC DOROGOBUZH SUBSIDIARIES

Entity – LLC Private Security Agency Phoenix

Address: 215753, Verkhnedneprovsky settlement, Dorogobuzh district, Smolensk region, Russia

JSC Dorogobuzh relies on its **100%** interest to exercise influence over decision-making at LLC Private Security Agency Phoenix.

Entity – LLC Elegant

Address: 215750, 5, Molodezhnaya Street, Verkhnedneprovsky settlement, Dorogobuzh district, Smolensk region, Russia

JSC Dorogobuzh relies on its **100%** interest to exercise influence over decision-making at LLC Elegant.

Entity – LLC Dnepr

Address: 215710, Novo-Mikhailovskoye village, Dorogobuzh district, Smolensk region, Russia

JSC Dorogobuzh relies on its **100%** interest to exercise influence over decision-making at LLC Dnepr.

Entity – JSC Catalyst

Address: 215753, Verkhnedneprovsky settlement, Dorogobuzh district, Smolensk region, Russia

JSC Dorogobuzh relies on its **100%** voting interest to exercise influence over decision-making at JSC Catalyst.

Entity – CJSC Agrofirma Vysokye Tekhnologyi

Address: 399202, Livenskaya village, Zadonsk district, Lipetsk region, Russia

JSC Dorogobuzh relies on its **69.8%** voting interest to exercise influence over decision-making at CJSC Agrofirma Vysokye Tekhnologyi.

For consolidated financial reporting purposes, the minority interest is **30.2%**.

Entity – CJSC Acronagrotrading

Address: 173012, JSC Acron site, Veliky Novgorod, Russia

JSC Dorogobuzh relies on its **51%** voting interest to exercise influence over decision-making at CJSC Acronagrotrading.

For consolidated financial reporting purposes, the minority interest is **49%**.

Entity – CJSC Shebekinoagronova

Address: 309261, 1A, Polevaya Street, Rzhevka village, Shebekino district, Belgorod region, Russia

JSC Dorogobuzh relies on its **50.1%** voting interest to exercise influence over decision-making at CJSC Shebekinoagronova.

For consolidated financial reporting purposes, the minority interest is **49.9%**.

Entity – JSC Shebekinoagrokhimservice

Address: 309261, 1A, Polevaya street, Rzhevka village, Shebekino district, Belgorod region, Russia

JSC Dorogobuzh relies on its **50.1%** voting interest to exercise influence over decision-making at JSC Shebekinoagrokhimservice.

For consolidated financial reporting purposes, the minority interest is **74.9%**.

LIST OF JSC DOROGOBUZH ASSOCIATES

Entity – JSC Niva Chernozemya

Address: 302035, 35, Oktyabrskaya Street, Orel, Russia

JSC Dorogobuzh relies on its **46%** voting interest to exercise influence over decision-making at JSC Niva Chernozemya.

For consolidated financial reporting purposes, the minority interest is **54%**.

Entity – LLC Private Security Agency Krona

Address: 109017, 41/24, Bolshaya Ordynka Street, bldg. 3, Moscow, Russia

JSC Dorogobuzh relies on its **25%** interest to exercise influence over decision-making at LLC Private Security Agency Krona.

For consolidated financial reporting purposes, the minority interest is **75%**.

These consolidated financial statements have been compiled through the consolidation of the financial statements of the parent entity, its subsidiaries and necessary information about its associates and reflect the financial position of a group of related entities (hereinafter, "the Group") at the balance sheet date and the results of its operations for the accounting period.

As required by Order No. 112 of the Russian Finance Ministry dated December 30, 1996, the consolidated financial statements have been compiled by means of aggregating relevant indicators of the financial statements of each Group entity, subject to adjustments if necessary.

In particular:

accounts receivable and accounts payable are shown less mutual debts of Group entities;

financial investments are shown less the parent company's equity investments in subsidiaries;

shareholders' equity and provisions are shown less the parent company's equity investments in subsidiaries and minority interest;

sales revenue and expenses for current activities are shown less intercompany (Group entity) balances;

interest receivable and payable, operating and non-operating income and expenses are shown less intercompany income and expenses.

In accordance with section 5.1 of the Methodological Recommendations, the explanatory notes to the consolidated balance sheet and consolidated profit and loss statement must disclose an estimate of the effects of the acquisitions and disposals of subsidiaries and associates on the financial position of the Group as of the balance sheet date and on the results of its operations of the accounting period.

There were no other changes in the composition of JSC Dorogobuzh subsidiaries and associates during 2005.

General Director of JSC Dorogobuzh

I.N. Antonov

Chief accountant of JSC Dorogobuzh

N.I. Slouzhenikina