WIMM BILL DANN FOODS OJSC
Form 6-K
June 27, 2005

FORM 6-K

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
June 20, 2005

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Commission file number: 333-14278

WIMM-BILL-DANN FOODS OJSC

(Exact name of Registrant as specified in its charter*)*

Russian Federation

(Jurisdiction of incorporation or organization)

16, Yauzsky Boulevard

Moscow 109028

Russian Federation

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ý Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No ý

Q U A R T E R L Y R E P O R T

of Issuer of Emissive Securities

for the first quarter of 2005

OPEN JOINT STOCK COMPANY
WIMM-BILL-DANN FOODS

Issuer s code 0 6 0 0 5 – A

Location: 109028, Moscow, Yauzsky Boulevard, 16/15, office 306
Postal address: 109028, Moscow, Yauzsky Boulevard, 16/15, office 306

Information contained in the present Quarterly Report is subject to disclosure in conformity with the legislation of Russian Federation relating to securities.

Representative by power of attorney
dated 01.07.2004 No 01/07 /s/ S.V. Styazhkin

14 May 2005 S.V. Styazhkin

Chief Accountant
/s/ I.V. Plekhanova
14 May 2005 I.V. Plekhanova

(place for stamp)

Contact person: ***Kolesnikov Ilya Mikhailovich***

Legal adviser

Tel.: ***(095) 733-9727***
Fax: ***(095) 733-9736***

E-mail: **KolesnikovIM@wbd.ru**

Internet page(s) displaying information contained in this quarterly report:
htpp:**//www.wbd.ru/wbd/quarterly_report/**

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Introduction

INTRODUCTION

Issuer s full proprietary name.

Open Joint Stock Company Wimm-Bill-Dann Foods

Issuer s abbreviated name

WBD Foods

Data on Issuer s contact tel. numbers and email

Tel (095) 105-58-05

Fax (095) 733-97-36

Email: KolesnikovIM@WBD.ru

Data on the Issuer s Shares.

Issue Number: ***1***

Category: ***Common***

Form of Shares: ***Registered, uncertificated***

Nominal Price of One Issue Share: ***20***

Quantity of Issue Shares: ***35,000,000***

Total Issue Amount (RUR): ***700,000,000***

Data on the Issue State Registration:

Date of Registration: ***15.06.2001***

Registration Number: ***1-01-06005-A***

Body of State Registration: ***Regional Office of the Federal Commission for Securities Market of Russia in the Central Federal Region***

Issue Number: ***2***

Category: ***Common***

Form of Shares: ***Registered, uncertificated***

Nominal Price of One Issue Share: ***20***

Quantity of Issue Shares: ***9,000,000***

Total Issue Amount (RUR): ***180,000,000***

Data on the Issue State Registration:

Date of Registration: ***30.10.2001***

Registration Number: ***1-02-06005-A***

Body of State Registration: ***Federal Commission for Securities Market of Russia***

On February 6, 2004, FCSM of Russia consolidated the two aforementioned issuances of WBD Foods OJSC securities; as a result, Registration Number 1-02-06005-A dated October 30, 2001, assigned to the 2nd issue of ordinary registered uncertified shares of the issue, was cancelled.

The single consolidated issuance of ***ordinary registered uncertified shares of Wimm-Bill-Dann Foods OJSC was assigned the following uniform state registration number: 1-01-06005-A dated February 6, 2004.***

Data on Issuer s bonds

Issue Number: **-**

Type: **interest-bearing**

Category: **nonconvertible bearer bonds**

Form of Securities: ***Certificated***

Nominal Price of One Security of the issue: ***1000 rubles***

Quantity of Issue Securities: ***1 500 000***

Total Issue Amount (RUR): ***1 500 000 000***

Data on the Issue State Registration:

Date of Registration: ***March 25 2003***

Registration Number***: 4-01-06005-A***

Body of State Registration: ***Federal Securities Commission of Russia***

Other Material Information on the Issuer s Securities.

None

This quarterly report contains evaluations and forecasts of the Issuer s authorized executive bodies regarding the future events and/or actions, perspective development in the industry branch where the Issuer carries out its principal business, and the results of the Issuer s activities, including the Issuer s plans, probability of certain events and certain actions to be undertaken. Investors should not fully rely on the evaluations and forecasts made by the Issuer s executive bodies, as the actual results of its activities in future might differ from those forecast due to various reasons. Acquisition of the Issuer s securities is associated with risks described in this quarterly report.

I BRIEF DATA ON THE PERSONS, MEMBERS OF THE ISSUER S EXECUTIVE BODIES, INFORMATION ON BANK ACCOUNTS, THE AUDITOR, THE APPRAISER AND THE ISSUER S FINANCIAL CONSULTANT, AS WELL AS ON OTHER PERSONS, HAVING SIGNED THE QUARTERLY REPORT.

1.1 Persons, members of the Issuer s executive bodies

Board of Directors

Chairman: ***David Iakobachvili***

Born: ***1957***

Members of Board of Directors:

Dubinin, Mikhail Vladimirovich

Born: ***1969***

<u>Orlov, Alexander Sergeevich</u>

Born: ***1948***

<u>Plastinin, Sergei Arkadievich</u>

Born: ***1968***

<u>Scherbak, Vladimir Nikolaevich</u>

Born: ***1939***

<u>Tutelyan, Victor Alexandrovich</u>

Born: ***1942***

<u>Yasin, Eugeny Grigorievich</u>

Born: ***1934***

<u>Guy de Selliers</u>

Born: ***1952***

<u>Michael A. O Neill</u>

Born: ***1945***

<u>Ernest Linwood Tipton</u>

Born: ***1934***

Issuer s individual and collective administrative/managerial staff.

Individual executive body and members of collective executive body:

Chairman of the Management board

<u>Plastinin, Sergei Arkadievich</u>

Born: ***1968***

Members of the Management Board

Preobrazhensky, Vladimir Vladimirovich

***Born:* 1961**

Malyutin, Aleksandr Evgenyevich

Born:* *1977

Yadegardjam Djamshid

Born: 1965

<u>Kagan Marina Gennadyevna</u>

Born: 1968

<u>Ioffe Jacques Zelikovich</u>

Born: 1947

Giuffredi Francesco

Born: 1943

Person performing the functions of individual executive body of the Issuer:

Sergei Arkadievich Plastinin

Born: 1968

1.2 Information on the Issuer s bank accounts

INFORMATION ON RUBLE ACCOUNTS WITH BANKS AND OTHER CREDIT INSTITUTIONS OPERATING IN THE RUSSIAN FEDERATION as of March 31, 2005

No. 1	Type of Account 2	Account Number 3	Name and Location of the Bank 4
1	settlement	Settlement A/C No. 40702 810 1 00700 883 027 Correspondent A/C No. 30101810300000000202 BIC 044252202	COMMERCIAL BANK CITIBANK CJSC 125047 Moscow, Gashek Str. 8-10
2	settlement	Settlement A/C No. 40702 810 4 00000 030 108 Correspondent A/C No. 30101810900000000460 BIC 044585460	COMMERCIAL BANK EXPOBANK Moscow, Leontyevsky Per. 21/1, Bldg 1
3	settlement	Settlement A/C No. 40702 810 4 00070 027 130 Correspondent A/C No. 30101810900000000466 BIC 044525466	MDM-BANK OJSC 113035 Moscow, Sadovnicheskaya Str. 3
4	settlement	Settlement A/C No. 40702 810 7 00070 000 569 Correspondent A/C No. 30101810500000000219 BIC 044525219	BANK OF MOSCOW OJSC 107996 Moscow, Kuznetsky Most Str. 15
5	settlement	Settlement A/C No. 40702 810 2 01500 000 016 Correspondent A/C No. 30101810200000000593 BIC 044525593	ALPHA-BANK OJSC 117049 Moscow, Mytnaya Str. 1, Bldg 1
6	settlement	Settlement A/C No. 40702 810 9 38000 110 483 Correspondent A/C No. 30101810400000000225 BIC 044525225	SBERBANK OF RUSSIA 117997 Moscow, Vavilov Str. 19

7	settlement	Settlement A/C No. 40702 810 6 38360 104 497 Correspondent A/C No. 30101810400000000225 BIC 044525225	SBERBANK OF RUSSIA 117997 Moscow, Vavilov Str. 19
8	brokerage	Settlement A/C No. 30601 810 5 00009 004 435 Correspondent A/C No. 30101810200000000593 BIC 044525593	ALPHA-BANK OJSC 117049 Moscow, Mytnaya Str. 1, Bldg 1
9	settlement	Settlement A/C No. 40702 810 6 00090 020 670 Correspondent A/C No. 30101810700000000187 BIC 044525187	Vneshtorgbank OJSC 107996 Moscow, Kuznetsky Most Str. 16
10	deposit	Settlement A/C No. 42102 810 9 00700 883 026 Correspondent A/C No. 30101810300000000202 BIC 044252202	COMMERCIAL BANK CITIBANK CJSC 125047 Moscow, Gashek Str. 8-10
11	settlement	Settlement A/C No. 40702 810 4 00010 544 422 Correspondent A/C No. 30101810300000000545 BIC 044525545	International bank of Moscow CJSC 119034 Moscow, Prechistenskaya nab., 9
12	special	Settlement A/C No. 30227810200700883108 Correspondent A/C No. 30101810300000000202 BIC 044252202	COMMERCIAL BANK CITIBANK CJSC 125047 Moscow, Gashek Str. 8-10
13	loan	Settlement A/C No. 45205 810 1 03700 883 034 Correspondent A/C No. 30101810300000000202 BIC 044252202	COMMERCIAL BANK CITIBANK CJSC 125047 Moscow, Gashek Str. 8-10
14	settlement	Settlement A/C No. 40702 810 4 00001 401 757 Correspondent A/C No. 30101810200000000700 BIC 044525700	Raiffeisenbank Austria CJSC 129090 Moscow, Troitskaya Str. 17/1

INFORMATION ON FOREIGN EXCHANGE ACCOUNTS WITH BANKS AND OTHER CREDIT INSTITUTIONS
OPERATING IN THE RUSSIAN FEDERATION AND ABROAD as of March 31, 2005

No. 1	Type of Account 2	Foreign Exchange Account Number 3	Name and Location of the Bank (zip code, address, telephone) 4
1	current F/X	No. 40702 840 9 00700 883 019	COMMERCIAL BANK CITIBANK CJSC 125047 Moscow, Gashek Str. 8-10 Telephone: 725-69-35
2	transit	No. 40702 840 9 00700 883 035	COMMERCIAL BANK CITIBANK CJSC 125047 Moscow, Gashek Str. 8-10 Telephone: 725-69-35
3	special	No. 40819 840 1 00001 311 601	COMMERCIAL BANK CITIBANK CJSC 125047 Moscow, Gashek Str. 8-10 Telephone: 725-69-35
4	loan	No. 45201 840 2 01700 883 007	COMMERCIAL BANK CITIBANK CJSC 125047 Moscow, Gashek Str. 8-10 Telephone: 725-69-35
5	current F/X	No. 40702 978 5 00700 883 051	COMMERCIAL BANK CITIBANK CJSC 125047 Moscow, Gashek Str. 8-10 Telephone: 725-69-35
6	transit	No. 40702 978 8 00700 883 078	COMMERCIAL BANK CITIBANK CJSC 125047 Moscow, Gashek Str. 8-10 Telephone: 725-69-35
7	current F/X	No. 40702 840 4 00150 027 130	MDM-BANK OJSC 113035 Moscow, Sadovnicheskaya Str. 3 Telephone: 797-95-00

8	transit	No. 40702 840 7 00151 027 130	MDM-BANK OJSC 113035 Moscow, Sadovnicheskaya Str. 3 Telephone: 797-95-00
9	current F/X	No. 40702 840 8 01500 000 004	ALPHA-BANK OJSC 117049 Moscow, Mytnaya Str. 1, Bldg 1 Telephone: 786-22-82
10	transit	No. 40702 840 7 01503 000 004	ALPHA-BANK OJSC 117049 Moscow, Mytnaya Str. 1, Bldg 1 Telephone: 786-22-82
11	current F/X	No. 40702 840 2 38000 110 483	SBERBANK OF RUSSIA 117997 Moscow, Vavilov Str. 19 Telephone: 785-44-30
12	transit	No. 40702 840 1 38000 210 483	SBERBANK OF RUSSIA 117997 Moscow, Vavilov Str. 19 Telephone: 785-44-30
13	current F/X	No. 40702 978 6 00002 401 757	Raiffeisenbank Austria CJSC 129090 Moscow, Troitskaya Str. 17/1
14	transit	No. 40702 978 9 00003 401 757	Raiffeisenbank Austria CJSC 129090 Moscow, Troitskaya Str. 17/1
15	loan	No. 45207 978 6 99911 401 757	Raiffeisenbank Austria CJSC 129090 Moscow, Troitskaya Str. 17/1
16	loan	No. 45207 840 0 99911 401 757	Raiffeisenbank Austria CJSC 129090 Moscow, Troitskaya Str. 17/1
17	current F/X	No. 40702 840 7 00000 012 592	ROSBANK JSCB 107078 Moscow, Masha Poryvayeva Str. 11
18	transit	No. 40702 840 6 00003 012 592	ROSBANK JSCB 107078 Moscow, Masha Poryvayeva Str. 11
19	current F/X	No. 40702 840 0 00070 000 569	AK MMB BANK OF MOSCOW OJSC 107996 Moscow, Kuznetsky Most Str. 15
20	transit	No. 40702 840 3 00071 000 569	AK MMB BANK OF MOSCOW OJSC 107996 Moscow, Kuznetsky Most Str. 15
21	current F/X	No. 40702 978 3 00001 401 757	Raiffeisenbank Austria CJSC 129090 Moscow, Troitskaya Str. 17/1
22	transit	No. 40702 978 0 00000 401 757	Raiffeisenbank Austria CJSC 129090 Moscow, Troitskaya Str. 17/1
23	current F/X	No. 40702 978 5 00090 020 670	VNESHTORGBANK OJSC 107996 Moscow, Kuznetsky Most Str. 16
24	transit	No. 40702 978 1 00092 020 670	VNESHTORGBANK OJSC 107996 Moscow, Kuznetsky Most Str. 16
25	special transit	No. 40702 978 8 00091 020 670	VNESHTORGBANK OJSC 107996 Moscow, Kuznetsky Most Str. 16
26	current F/X	No. 40702 840 7 00001 401 757	Raiffeisenbank Austria CJSC 129090 Moscow, Troitskaya Str. 17/1
27	transit	No. 40702 840 4 00000 401 757	Raiffeisenbank Austria CJSC 129090 Moscow, Troitskaya Str. 17/1
28	current F/X	No. 40702 840 0 00002 401 757	Raiffeisenbank Austria CJSC 129090 Moscow, Troitskaya Str. 17/1
29	transit	No. 40702 840 3 00003 401 757	Raiffeisenbank Austria CJSC 129090 Moscow, Troitskaya Str. 17/1
30	current F/X	No. 40702 840 3 00000 000 199	Standart Bank CJSC Moscow, Vozdvighenka 4/7, str.2

1.3. Data on Issuer s public accountant / auditor.

Name: ***CJSC Ernst and Young Vneshaudit***

Location: ***105062, Moscow, Podsosensky per., d.29/12, str. 1-1a***

Taxpayer ID: ***7717025097***

Postal address: ***115035, Moscow, Sadovnicheskaya naberegnaya, d.77, str.1***

Tel.: ***(095) 755-9700,*** Fax: ***(095) 755-9701***

E-mail: Oksana.Krupnova@ru.ey.com

Information on auditor s license

License number: ***E 003246***

Date of issue of license: ***January 17, 2003***

Period of validity: ***January 17, 2008***

Organization that issued the license: ***RF Ministry of Finance***

1.4 Information on the Issuer s appraiser

The appraiser has not been employed in the accounting quarter.

1.5 Information on the Issuer s consultants

Financial consultants for the purpose of the preparation and signing of the securities prospectus issue and this report have not been employed.

1.6 Information on other persons having signed the quarterly report

In relation to other persons having signed the quarterly report and not indicated in the previous articles of this section:

Irina V. Plekhanova
Tel: (095) 105 5805
Fax: (095) 105 5805 (ext. 10-85)

II BASIC INFORMATION ON THE ISSUER S FINANCIAL AND ECONOMIC STATUS

2.1 Indicators of the Issuer s financial and economic activities

No	Indicator	2001	2002	2003	2004	1 quarter 2005
1	Value of issuer s net assets, thou. rubles	699 085	6 090 133	6 184 396	6 301 649	6 267 954
2	Ratio of attracted funds to capital and reserves, %	3,44	0,16	98,32	92,62	94,80
3	Ratio of short-term liabilities to capital and reserves, %	3,44	0,16	1,32	2,77	4,28
4	Coverage of debt service payments, rubles	0,002	25,39	0,22	0,65	0,37
5	Level of overdue debt, %	0	0	0	0	0
6	Net assets turnover, times	0,0031	0,00087	0,076	0,068	0,019
7	Payables turnover, times	0,0004	0,002	0,365	0,069	0,038
8	Receivables turnover, times	0,54	0,014	0,91	0,94	0,23
9	Profits tax as percentage of profits before taxes, %	0	27,01	38,11	33,72	0

2.2 Issuer s market capitalization

The arranger of the sales at the equity market is the New York Stock Exchange (NYSE). The Issuer s market capitalization calculated as the derivation of the number of shares expressed in ADRs, and the price of one share (ADR), amounts to:

As of 31.12.2001	RUR 699 085 000 (as of the present date the issue s market capitalization is calculated as the equivalent of the issue net assets value).
As of 31.12.2002	US$17.95 x 44,000,000 = US$789,800,000
As of 31.12.2003	US$17.00 x 44,000,000 = US$748,000,000
As of 31.12.2004	US$14.31 x 44,000,000 = US$629,640,000
As of 31.03.2005	US$19.33 x 44,000,000 = US$850,520,000

The price of one share (ADR) corresponds to the price of the recent transactions contracted as at the last date of the accounting period.

2.3 Issuer s obligations

2.3.1. Accounts Payable, thou.rubles

		By due date					
Liability	**Total, thou. rubles**	**up to 30 days**	**30-60 days**	**60-90 days**	**90-180 days**	**180 days to 1 year**	**more than 1 year**
Short-term and long-term liabilities	5 942 081	61 176	187 883			19 182	5 673 840
Accounts payable including:	61 176	61 176					
To suppliers and contractors, including:	20 253	20 253					
to affiliates of issuer	0						
Bills of exchange payable	0						
Wages and salaries	25 672	25 672					
Amounts owed to budget and extrabudgetary funds	14 486	14 486					
Other accounts payable, including:	765	765					
to affiliates of issuer	294	294					
Credits, total	4 302 485		128 645				4 173 840
Loans, total including:	1 559 238		59 238				1 500 000
bonded loans	1 500 000						
Other liabilities	19 182					19 182	
Overdue accounts payable including:	0						
	0						

to budget and extrabudgetary funds	
Overdue credit debt	0
Overdue loan debt	0

Of WBD Foods accounts payable as at April 1, 2005, Lianozovo Dairy OJSC accounted for 14,070 thousand rubles, or 23% of total accounts payable (61,176 thousand rubles).

2.3.2 Issuer s credit history

The Issuer s performance of its obligations under credit agreements and loan agreements in effect prior to and at the end of the reporting quarter, under which the principal represents 10% or more of the value of the Issuer s net assets at the date of the last completed reporting quarter preceding the date of the agreement, is being described below.

Obligation	Creditor	Amount of the principal sum	Maturity date Planned	Actual	Interest rate, %
	Alfa-Bank OAO	2,920,00	17.04.2003	17.04.2003	4.75
Short-term dollar loan	Alfa-Bank OAO	974,000	07.05.2003	07.05.2003	4.75
Long-term dollar loan	UBS LUXEMBURG AG	150,000,000	2008		8.50
Bonded loan, thousand rubles	Arranger of the placement Troika-Dialog Investment Company ZAO, Moscow International Bank payment agent	1,500,000	2006		12.9% and 64.32 rubles on the first coupon 11.98% - on the second coupon 9.38%-on the third coupon, 8.48% - on the fourth coupon

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2.3.3 Issuer s obligations from security granted to third parties

Agreements on granted sureties	*Date of agreement*		*Amount of agreement*	*Currency of agreement*	*Sum in thousand rubles as at 01.01.05*
Sine numero	***27.12.2004***	***International bank of Moscow CJSC***	***145 000***	***Rubles***	***145 000***
1035/p	***03.06.2004***	***Vneshtorgbank OJSC***	***3 832 742***	***Euros***	***138 195***
06/02-2005	***18.02.2005***	***Dairy OAO, Timashevsk***	***1 415 998.82***	***Euros***	***46 727***
P/43	***14.05.2002***	***Dairy OAO, Timashevsk***	***2 949 180***	***Euros***	***53 168***
43/05	***18.05.2004***	***Dairy OAO, Timashevsk***	***369 791***	***Euros***	***8 333***
90/10	***01.10.2004***	***Labinov V.V.***	***58 000***	***USD***	***1 410***
P/45	***05.06.2002***	***LMK OAO***	***12 348 476***	***Euros***	***42 339***
P/48	***09.09.2002***	***LMK OAO***	***779 250***	***Euros***	***2 318***
P/46	***10.06.2002***	***TsMK OAO***	***1 017 596***	***Euros***	***3 057***
P/49	***28.10.2002***	***Siberian Milk OAO***	***2 510 160***	***Euros***	***49 779***
35/04	***21.04.2004***	***ZDMP OAO***	***691 372***	***Euros***	***18 696***
Total					***509 022***

2.3.4 Other Issuer s obligations

There are no other Issuer s obligations.

2.4 Objectives of the issue and spheres where funds received from securities issue shall be used

No securities have been issued and no funds have been attracted in the reporting period.

2.5. Risks associated with acquisition of placed securities (securities to be placed)

We have described the risks and uncertainties that our management believes are material, but these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties, including those we currently do not know or deem immaterial, may also result in deceased revenues, increased expenses or other events that could result in a decline in the price of our ADSs and/or notes.

Due to the specifics of the Issuer s principal business, its risks, which might lead to reduction of the securities price, are conditional, to a greater extent, on the consolidated risks of the companies controlled by the Issuer directly or indirectly. For the purposes of this section the terms Company , our Company shall mean both the Issuer separately, and together with the companies it controls.

2.5.1. Risks Relating to Industry

If we do not continue to be an efficient producer in a highly competitive environment, particularly in relation to purchases of our packaging and raw materials, or an effective advertiser in a highly inflationary media environment, our results of operations will suffer.

Our success depends, in part, on our continued ability to be an efficient producer in a highly competitive industry. If we cannot continue to control costs through productivity gains or by eliminating redundant costs resulting from acquisitions, our results of operations will suffer. In particular, price increases and shortages of packaging and raw materials could have a material adverse effect on our results of operations. For example, our results of operations may be affected by the availability and pricing of packaging materials, principally cardboard and plastic containers, and raw materials, principally raw milk and juice concentrate. We are substantially dependent upon a single supplier of packaging materials, Tetra Pak, which may make us more vulnerable to changes in global supply and demand and their effect on price and availability of these materials. Additionally, weather conditions and other factors beyond our control significantly influence the price and availability of our raw materials. A number of our raw materials, such as juice concentrate and sugar, are international commodities and are subject to international price fluctuations, and we experienced significant increases in raw milk prices during 2003.

Our success also depends on our continued ability to be an effective advertiser in a market where media inflation on leading national television channels exceeded 50% in 2003. A substantial increase in the prices of any of the foregoing, which we may not be able to pass on to customers through price increases, or a protracted interruption in supply with respect to packaging or raw materials, could have a material adverse effect on our financial condition and results of operations.

Economic downturns could hurt our turnover and materially adversely affect our strategy to increase our sales of premium brands.

Demand for dairy and juice products, as well as bottled water, depends primarily on demographic factors and consumer preferences as well as factors relating to discretionary consumer spending, including the general condition of the economy and general levels of consumer confidence. The willingness of consumers to purchase branded food and beverage products depends, in part, on local economic conditions. In periods of economic

uncertainty, consumers tend to purchase more economy brands and, to the extent that our business strategy depends on the expansion of the sales of premium brands and value-added products, our results of operations could suffer. Reduced consumption of our products in any of our key markets could reduce our turnover and profitability.

Increased competition and consumer preference for low-price juice products primarily in the regions outside of Moscow and St. Petersburg have caused our sales volumes in our juice segment to decline, which have adversely affected and may continue to adversely affect our results of operations.

Although juice consumption in Russia is increasing, our juice product sales volume remained relatively flat in 2003, decreasing 0.6%, due to vigorous market competition from domestic and foreign producers and to consumer preference for low-price juice products primarily in the regions outside of Moscow and St. Petersburg where per capita household incomes are generally lower. These factors put downward pressure on juice prices in all price categories in 2002 and on our sales volumes in 2003. A continuation of these trends may cause a decline in our juice prices, profit margins and sales volumes and, consequently, have a negative effect on our results of operations.

Independent distributors may export our products to countries where such products do not meet the requirements of applicable legislation. The consequent recalls of our products and the associated negative publicity may adversely affect our reputation in the Russian Federation, the Commonwealth of Independent States, or CIS, and abroad, and adversely affect our results of operations.

In exporting our products, we attempt to meet the standards and requirements of applicable legislation governing the import of food products into the importing country. Independent distributors have, in some cases, attempted to export our products to countries where such products did not meet the requirements of applicable legislation.

Possible implementation of new federal or local government policies, or selective application of existing policies, affecting the food industry could substantially and negatively affect our turnover and operating margin.

Possible implementation of new federal or local government policies, or selective application of existing policies, affecting the food industry could have a significant impact on our business. For example, the federal and local governments have been known to implement trade barriers, subsidies and other policies favoring certain producers. Additionally, customs regulations in Russia are unclear, subject to frequent change and are applied inconsistently. The imposition of higher customs duties on products we import would increase the costs of our products and reduce our turnover, while the implementation of price controls on products we produce would reduce our operating margin. For example, federal customs regulations enacted during 2001 subject juice concentrate imports to the highest level of customs duties allowed for that particular category of imports. In addition, federal customs regulations enacted during 2002 stipulate minimum declaration amounts for imported goods. As a result of such regulations, we may be forced to declare a higher value for imported goods than the amount actually paid and, consequently, pay a higher tariff on such goods.

Another example of a government regulation that has affected us is Government Regulation No. 988, which requires food producers intending to develop and offer a new food product to the public to file an application for the product s state registration and incorporation into the State Register of Permitted Food Products. Although this regulation became effective as of January 1, 2004, its application is delayed pending the adoption of implementing procedures. The implementation of this regulation may cause delays in the introduction of our new products and result in increased production costs.

Increased domestic production by our foreign competitors could reduce our competitive advantages against them, which would have a material adverse effect on our market share and results of operations.

A number of our foreign competitors, such as Danone, Parmalat, Campina, Ehrmann, Onken, and Pascuale, have begun to invest in domestic production facilities, reducing the competitive advantages that we have over foreign competitors without domestic production capability. A continuation of this trend may result in increased competition for qualified personnel and higher labor costs, and would have a material adverse effect on our market share and results of operations.

2.5.2. Political risks

Political and governmental instability could adversely affect the value of our securities.

Since 1991, Russia has sought to transform itself from a one-party state with a centrally-planned economy to a democracy with a market-oriented economy. As a result of the sweeping nature of the reforms, and the failure of some of them, the Russian political system remains vulnerable to popular dissatisfaction, including dissatisfaction with the results of privatizations in the 1990s, as well as to demands for autonomy from particular regional and ethnic groups. Moreover, the composition of the Russian government the prime minister and the other heads of federal ministries has at times been highly unstable. For example, six different prime ministers headed governments between March 1998 and May 2000. On December 31, 1999, President Yeltsin unexpectedly resigned. Vladimir Putin was subsequently elected president in March 2000, and reelected for a second term in March 2004. While President Putin maintained governmental stability and even accelerated the reform process during his first term, he may adopt a different approach over time. In February 2004, for example, President Putin dismissed his entire cabinet, including the prime minister. This was followed in March 2004 by President Putin s announcement of a far-reaching restructuring of the Russian government, with the stated aim of making the government more transparent and efficient. The changes included, for example, reducing the number of ministries from 30 to 14 and dividing the government into three levels: ministries, services and agencies. The new structure is not yet finalized and implemented.

Future changes in government, major policy shifts or lack of consensus between President Putin, the prime minister, Russia s parliament and powerful economic groups could disrupt or reverse economic and regulatory reforms. Any disruption or reversal of the reform policies, recurrence of political or governmental instability or occurrence of conflicts with powerful economic groups could have a material adverse effect on our business and the value of investments in Russia, including our securities.

Conflict between central and regional authorities and other conflicts could create an uncertain operating environment, hindering our long-term planning ability and could negatively affect the value of investments in Russia.

The Russian Federation is a federation of 89 sub-federal political units, consisting of republics, territories, regions, cities of federal importance and autonomous regions and districts. The delineation of authority and jurisdiction among the members of the Russian Federation and the federal government is, in many instances, unclear and remains contested. Lack of consensus between the federal government and local or regional authorities often results in the enactment of conflicting legislation at various levels and may lead to further political instability. In particular, conflicting laws have been enacted in the areas of privatization, securities, corporate legislation and licensing. Some of these laws and governmental and administrative decisions implementing them, as well as certain transactions consummated pursuant to them, have in the past been challenged in the courts, and such challenges may occur in the future. This lack of consensus hinders our long-term planning efforts and creates uncertainties in our operating environment, both of which may prevent us from effectively and efficiently implementing our business strategy.

Additionally, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict, such as the continuing conflict in Chechnya, which has brought normal economic activity within Chechnya to a halt and disrupted the economies of neighboring regions. Various armed groups in Chechnya have regularly engaged in guerrilla attacks in that area, and recently, other parts of Russia have experienced violence related to the Chechen conflict. Violence and attacks relating to this conflict have also spread to other parts of Russia, and several terrorist attacks have been carried out by Chechen terrorists in Moscow. The further intensification of violence, including terrorist attacks and suicide bombings, or its spread to other parts of Russia, could have significant political consequences, including the imposition of a state of emergency in some or all of Russia. Moreover, any terrorist attacks and the resulting heightened security measures are likely to cause disruptions to domestic commerce and exports from Russia, and could materially adversely affect our business and the value of investments in Russia, including the value of our securities.

Economic instability in Russia could adversely affect consumer demand, particularly for premium products, materially adversely affecting our expansion plans.

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

significant declines in gross domestic product;

hyperinflation;

an unstable currency;

high government debt relative to gross domestic product;

a weak banking system providing limited liquidity to Russian enterprises;

high levels of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings;

significant use of barter transactions and illiquid promissory notes to settle commercial transactions;

widespread tax evasion;

growth of a black and grey market economy;

pervasive capital flight;

high levels of corruption and the penetration of organized crime into the economy;

significant increases in unemployment and underemployment; and

the impoverishment of a large portion of the Russian population.

The Russian economy has been subject to abrupt downturns. In particular, on August 17, 1998, in the face of a rapidly deteriorating economic situation, the Russian government defaulted on its ruble-denominated securities, the Central Bank of the Russian Federation stopped its support of the ruble and a temporary moratorium was imposed on certain hard currency payments. These actions resulted in an immediate and severe devaluation of the ruble and a sharp increase in the rate of inflation, a dramatic decline in the prices of Russian debt and equity securities and an inability of Russian Issuers to raise funds in the international capital markets.

These problems were aggravated by the near collapse of the Russian banking sector after the events of August 17, 1998, as evidenced by the termination of the banking licenses of a number of major Russian banks. This further impaired the ability of the banking sector to act as a consistent source of liquidity to Russian companies, and resulted in the losses of bank deposits in some cases.

Recently, the Russian economy has experienced positive trends, such as the increase in the gross domestic product, a relatively stable ruble, and a reduced rate of inflation; however, these trends may not continue or may be abruptly reversed.

Russia s physical infrastructure is in very poor condition, which could disrupt normal business activity.

Russia s physical infrastructure largely dates back to Soviet times and has not been adequately funded and maintained over the past decade. Particularly affected are the rail and road networks, power generation and transmission, communication systems and building stock. For example, in August 2000, a fire at the main communications tower in Moscow interrupted television and radio broadcasting and the operation of mobile phones for weeks. Road conditions throughout Russia are poor, with many roads not meeting minimum requirements for use and safety. The federal government is actively considering plans to reorganize the nation s rail, electricity and telephone systems. Any

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such reorganization may result in increased charges and tariffs while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. Russia s poor physical infrastructure disrupts the transportation of goods and supplies and adds costs to doing business in Russia, and further deterioration in the physical infrastructure could have a material adverse effect on our business. In addition, there are a number of nuclear and other dangerous installations in Russia where safety systems to contain ecological risks may not be sufficiently effective. The occurrence of accidents in these installations, as well as the generally unfavorable ecological situation in Russia, may also have a material adverse effect on our business.

Fluctuations in the global economy may adversely affect Russia s economy, limiting our access to capital and adversely affecting the purchasing power of our customers and thus our business.

Russia s economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia, and Russian businesses could face severe liquidity constraints, further adversely affecting the Russian economy. Additionally, because Russia produces and exports large amounts of natural gas and oil, the Russian economy is especially vulnerable to the price of natural gas and oil on the world markets and a decline in the price of natural gas and oil could slow or disrupt the Russian economy. Recent military conflicts and international terrorist activity have also significantly impacted oil and gas prices, and pose additional risks to the Russian economy.

2.5.3. Risks Relating to Our Financial Condition

Inflation could increase our costs and decrease our operating margins.

The Russian economy has been characterized by high rates of inflation, including a rate of 84.4% in 1998, although, according to Goskomstat, it subsided to 12% during 2003. When the rate of inflation rises, we can experience inflation-driven increases in certain of our costs, such as salaries, which are sensitive to rises in the general price levels in Russia. In this situation, due to competitive pressures, we may not be able to raise the prices for our products sufficiently to preserve operating margins. Accordingly, high rates of inflation in Russia could increase our costs and decrease our operating margins.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

We have a substantial amount of outstanding indebtedness, primarily consisting of the obligations we entered into in connection with our $150 million loan participation notes due 2008, our ruble bonds, bank loans and obligations under equipment financing. As at December 31, 2003, our consolidated total debt was approximately $283.4 million, of which $50.2 million was secured by equipment or inventory.

Our ability to make payments on and to refinance our indebtedness, and to fund planned capital expenditures and research and development efforts, will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general

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2.5. Risks associated with acquisition of placed securities (securities tobe placed) economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In addition, the Central Bank of the Russian Federation can from time to time impose various currency-trading and transfer restrictions in attempts to support the ruble, which may negatively affect our ability to repay our foreign currency-denominated debt. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, we may default under the terms of our indebtedness, thereby allowing the holders of our indebtedness to accelerate the maturity of such indebtedness, and potentially causing cross-defaults under our other indebtedness.

Our business may not generate sufficient cash flow from operations, currently anticipated cost savings and operating improvements may not be realized on schedule and future borrowings may not be available to us in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including our $150 million loan participation notes due 2008, on or before maturity, sell assets, reduce or delay capital expenditures or seek additional capital. Refinancing or additional financing may not be available on commercially reasonable terms, and we may not be able to sell our assets or, if sold, the proceeds there from may not be sufficient to meet our debt service obligations. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance debt on commercially reasonable terms, would have a material adverse effect on our business, financial condition, results of operations and prospects.

Covenants in our debt agreements restrict our ability to borrow and invest, which could impair our ability to expand or finance our future operations.

Our short-term and long-term debt agreements, including the loan agreement relating to our $150 million loan participation notes due 2008, contain covenants that impose operating and financial restrictions on us and our subsidiaries. These restrictions significantly limit, and in some cases prohibit, among other things, our and certain of our subsidiaries ability to incur additional debt, provide guarantees, create liens on assets or enter into business combinations. Failure to comply with these restrictions would constitute a default under our debt agreements, including the loan agreement relating to our $150 million loan participation notes due 2008, and any of our other senior debt containing cross default provisions could become immediately due and payable. In addition, some of our debt agreements contain provisions which permit our lenders to require us to repay our debt to them in the event of a deterioration in our financial condition.

We may not have the ability to raise the funds necessary to finance a prepayment of certain of our outstanding indebtedness in case of a change of control event.

The terms of the loan agreement relating to our $150 million loan participation notes due 2008 and some of our other debt agreements require that we prepay the debt upon the occurrence of certain change of control events. A change of control event will generally be triggered at such time as any person or entity (excluding several of our major shareholders acting individually or as a group): (i) is or becomes interested, directly or indirectly, in the aggregate of more than 50% of our capital stock with voting power, or (ii) has or acquires the right to appoint or remove a majority of our Board of Directors, or (iii) has or acquires control of a majority of our voting rights, in each case, in circumstances where, solely as a result of any such event as specified by the relevant rating agencies, a rating decline (as further described in the loan agreement relating to our $150 million loan participation notes due 2008) would result.

If a change in control occurs, and we are required to prepay our debt, such event could have a material adverse effect on our business, financial condition, results of operations and business prospects. It is also possible that we will not have sufficient funds at the time of the change of control to satisfy such prepayment obligations, or to refinance the debt on commercially reasonable terms.

Changes in exchange rates could increase our costs and make it more expensive to repay our foreign currency-denominated debts.

Over the past several years, the ruble has fluctuated against the U.S. dollar. The ability of the Russian government and the Central Bank of the Russian Federation to maintain a stable ruble will depend on many political and economic factors.

A significant portion of our costs and expenditures, including costs of packaging, juice concentrate and certain other raw materials, as well as capital expenditures and borrowings (including the $150 million loan we received in connection with our loan participation notes due 2008) are either denominated in or tightly linked to the U.S. dollar or euro, while substantially all of our revenues are denominated in rubles. As a result, devaluation of the ruble against the U.S. dollar or the euro can adversely affect us by increasing our U.S. dollar or euro costs in ruble terms. If we cannot increase our ruble prices in line with ruble devaluation due to competitive pressures, this will lead to a loss of revenue and income in U.S. dollar terms. Moreover, if the ruble declines and selling prices cannot keep pace, we could have difficulty covering our dollar- or euro-denominated costs or repaying our U.S. dollar- or euro-denominated indebtedness.

Our failure in the past to obtain permission from the Central Bank of the Russian Federation pursuant to currency control regulations could negatively affect our business.

A new framework law on exchange controls became effective on June 18, 2004. This law empowers the government and the Central Bank of the Russian Federation to further regulate and restrict currency control matters, including operations involving foreign securities and foreign currency borrowings by Russian companies. The new law also abolishes the need for companies to obtain transaction-specific licenses from the Central Bank (except for opening bank accounts outside Russia), envisaging instead the implementation of generally applicable restrictions on currency control operations. As regulations implementing the new law are not yet in effect, nor have Central Bank officials indicated the nature or extent of the regulations they will introduce under the new law, it is unclear whether the new regulatory regime will be more restrictive than the regulations they will replace.

Prior to the new law s enactment, currency control regulations required prior permission by the Central Bank of the Russian Federation for certain payments in foreign currency. These regulations were subject to substantial changes and varying interpretations, complicating both the process of determining whether permission of the Central Bank of the Russian Federation was required and the process of obtaining permission. In the event that we failed to obtain Central Bank of the Russian Federation permissions for hard-currency-denominated transactions and borrowings requiring such permissions in the past, such failure could result in severe penalties, including the unwinding of the relevant transactions, fines and administrative penalties assessed against us and criminal and administrative penalties assessed against our management.

Restrictions on investments outside Russia or in hard-currency-denominated instruments in Russia expose our cash holdings to devaluation.

Though our ability to place foreign currency deposits in Russian banks is not limited, currency regulations established by the Central Bank of the Russian Federation restrict investments by Russian companies outside Russia and in most hard-currency-denominated instruments in Russia, and there are only a limited number of ruble-denominated instruments in which we may invest our excess cash. Moreover, defaults on our ruble-denominated investments may result in substantial losses for us.

Some of our customers, debtors and suppliers may fail to pay us or to comply with the terms of their agreements with us which could adversely affect our results of operations.

Russia s inexperience with a market economy relative to more developed economies poses numerous risks that could interfere with our business. For example, the failure to satisfy liabilities is widespread among Russian businesses and the government. Furthermore, it is difficult for us to gauge the creditworthiness of some of our customers, as there are no reliable mechanisms, such as reliable credit reports or credit databases, for evaluating their financial condition. Consequently, we face the risk that some of our customers or other debtors will fail to pay us or fail to comply with the terms of their agreements with us, which could adversely affect our results of operations.

In addition, we are limited in our ability to control the conduct of our raw materials and equipment suppliers, including their adherence to contract delivery terms and their compliance with applicable legislation, such as currency, customs and environmental regulations and laws relating to the use of food additives and genetically modified food products. Failure of our suppliers to adhere to the terms of our contracts with them or the law may negatively affect our reputation and our business.

If the various initiatives we have used to reduce our tax burden are successfully challenged by the Russian tax authorities, we will face significant losses associated with the assessed amount of tax underpaid and related interest and penalties, which would have a material impact on our financial condition and results of operations.

We have used various initiatives to reduce our tax burden. Several of our tax initiatives have recently been challenged by the Russian tax authorities. There have also been press reports of instances in which the Russian tax authorities have successfully challenged structures similar to those we have used. If any of our initiatives are successfully challenged by the Russian tax authorities, we would face significant losses associated with the assessed amount of tax underpaid and related interest and penalties. These losses could have a material impact on our financial condition and results of operations.

We are only able to conduct banking transactions with a limited number of creditworthy Russian banks, as the Russian banking system remains underdeveloped, and another banking crisis could place severe liquidity constraints on our business, materially adversely affecting our business, financial position and results of operations.

Russia s banking and other financial systems are not well developed or regulated, and Russian legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent application. The August 1998 financial crisis resulted in the bankruptcy and liquidation of many Russian banks and almost entirely eliminated the developing market for commercial bank loans. Although the Central Bank of the Russian Federation has the mandate and authority to suspend banking licenses of insolvent banks, many insolvent banks still operate. Most Russian banks also do not meet international banking standards, and the transparency of the Russian banking sector still lags far behind internationally accepted norms. Aided by inadequate and lax supervision by the regulators, many banks do not follow existing Central Bank regulations with respect to lending criteria, credit quality, loan loss reserves or diversification of exposure. In Russia, bank deposits are generally not insured under any governmental program. Recently, there has been a rapid increase in lending by Russian banks, which many believe is being accompanied by a deterioration in the credit quality of the borrowers. The serious deficiencies in the Russian banking sector, combined with the deterioration in the credit profile of the loan portfolios of Russian banks, may result in the banking sector being more susceptible to market downturns or economic slowdowns. If a banking crisis were to occur, Russian companies would be subject to severe liquidity constraints due to the limited supply of domestic funding sources and the withdrawal of foreign funding sources that would occur during such a crisis.

Vaguely drafted Russian transfer pricing rules and lack of reliable pricing information may subject us to the risks of additional costs and penalties.

Russian transfer pricing rules entered into force in 1999, giving Russian tax authorities the right to make transfer pricing adjustments and impose additional tax liabilities in respect of all controlled transactions, provided that the transaction price differs from the market price by more than 20%. Controlled transactions include transactions between related entities and certain other types of transactions between independent parties, such as foreign trade transactions or transactions with significant (by more than 20%) price fluctuations. The Russian transfer pricing rules are vaguely drafted, leaving a wide scope for interpretation by the Russian tax authorities and the courts. Due to the uncertainties in interpretation of transfer pricing legislation, the tax authorities may challenge our prices and propose adjustments. If such price adjustments are upheld by the courts and implemented, we could face significant costs associated with the assessed amount of prior tax underpaid and related interest and penalties, which would have a material adverse effect on our financial condition and results of operations.

2.5.4. Risks Relating to the Russian Legal System and Russian Legislation

Weaknesses relating to the legal system and legislation create an uncertain environment for investment and for business activity in Russia.

Russia is still developing the legal framework required to support a market economy. The following risks relating to the Russian legal system create uncertainties with respect to the legal and business decisions that we make, many of which do not exist in countries with more developed market economies:

- inconsistencies among (1) federal laws; (2) decrees, orders and regulations issued by the president, the government and federal ministries; and (3) regional and local laws, rules and regulations;
- the lack of judicial and administrative guidance on interpreting Russian legislation;
- substantial gaps in the regulatory structure due to delay or absence of implementing regulations;
- the relative inexperience of judges and courts in interpreting Russian legislation;
- corruption within the judiciary;
- a high degree of unchecked discretion on the part of governmental authorities; and
- bankruptcy procedures that are not well developed and are subject to abuse.

Moreover, the regulation and supervision of the securities market, financial intermediaries and Issuers are considerably less developed in Russia than in the United States and Western Europe. Securities laws, including those relating to corporate governance, disclosure and reporting requirements, have only recently been adopted, whereas laws relating to anti-fraud safeguards, insider trading restrictions and fiduciary duties are rudimentary. In addition, the Russian securities market is regulated by several different authorities which are often in competition with each other. These include:

- the Federal Service for the Financial Markets;
- the Ministry of Finance;
- the Federal Antimonopoly Service;
- the Central Bank of the Russian Federation;
- the Federal Agency for the Management of Federal Property; and
- various professional self-regulatory organizations.

The regulations of these various authorities are not always coordinated and may be contradictory.

In addition, Russian corporate and securities rules and regulations can change rapidly, which may adversely affect our ability to conduct securities-related transactions. While some important areas are subject to virtually no oversight, the regulatory requirements imposed on Russian Issuers in other areas result in delays in conducting securities offerings and in accessing the capital markets. It is often unclear whether, or how, regulations, decisions and letters issued by the various regulatory authorities apply to our company. As a result, we may be subject to fines or other enforcement measures despite our best efforts at compliance.

Additionally, several fundamental laws have only recently become effective. The enactment of new legislation in the context of a rapid evolution to a market economy and the lack of consensus about the scope, content and pace of economic and political reforms have resulted in ambiguities, inconsistencies and anomalies in the overall Russian legal system. The enforceability and underlying constitutionality of many recently enacted laws are in doubt, and many new laws remain untested. In addition, Russian legislation often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. All of these weaknesses could affect our ability to enforce our legal rights, including rights under our contracts, or to defend ourselves against claims by others.

Lack of independence and the inexperience of the judiciary, the difficulty of enforcing court decisions and governmental discretion in instigating, joining and enforcing claims could prevent us or you from obtaining effective redress in a court proceeding, materially adversely affecting an investment in our ADSs and notes.

The independence of the judicial system and its immunity from economic, political and nationalistic influences in Russia remain largely untested. The court system is understaffed and underfunded. Judges and courts are generally inexperienced in the area of business and corporate law. Judicial precedents generally have no binding effect on subsequent decisions. Not all Russian legislation and court decisions are readily available to the public or organized in a manner that facilitates understanding. The Russian judicial system can be slow. Enforcement of court orders can in practice be very difficult in Russia. All of these factors make judicial decisions in Russia difficult to predict and effective redress uncertain. Additionally, court claims are often used in furtherance of political aims or infighting. We may be subject to such claims and may not be able to receive a fair hearing. Additionally, court orders are not always enforced or followed by law enforcement agencies.

These uncertainties also extend to property rights. During Russia s transformation from a centrally planned economy to a market economy, legislation has been enacted to protect private property against expropriation and nationalization. However, it is possible that due to the lack of experience in enforcing these provisions and due to potential political changes, these protections would not be enforced in the event of an attempted expropriation or nationalization. For example, in October 2003, the prosecutor general s office arrested or attached approximately 42% of Yukos shares alleged to be controlled by Mikhail Khodorkovsky following his arrest on charges of fraud and tax evasion. Press reports have indicated that the decision of the court to grant this provisional remedy to the prosecutor general s office was influenced by political factors. Some government entities have also tried to renationalize privatized businesses. Expropriation or nationalization of any of our entities, their assets or portions thereof, potentially without adequate compensation, would have a material adverse effect on our business.

Shareholder liability under Russian legislation could cause us to become liable for the obligations of our subsidiaries.

The Civil Code and the Federal Law on Joint Stock Companies generally provide that shareholders in a Russian joint stock company are not liable for the obligations of the joint stock company and bear only the risk of loss of their investment. This may not be the case, however, when one person or entity is capable of determining decisions made by another. The person or entity capable of determining such decisions is called an effective parent. The person or entity whose decisions are capable of being so determined is called an effective subsidiary. The effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out these decisions if:

this decision-making capability is provided for in the charter of the effective subsidiary or in a contract between the companies, and

the effective parent gives obligatory directions to the effective subsidiary.

In addition, an effective parent is secondarily liable for an effective subsidiary s debts if an effective subsidiary becomes insolvent or bankrupt resulting from the action or inaction of an effective parent. This is the case no matter how the effective parent s capability to determine decisions of the effective subsidiary arises. For example, this liability could arise through ownership of voting securities or by contract. In these instances, other shareholders of the effective subsidiary may claim compensation for the effective subsidiary s losses from the effective parent which caused the effective subsidiary to take action or fail to take action knowing that such action or failure to take action would result in losses. Accordingly, we could be liable in some cases for the debts of our consolidated subsidiaries. The total liabilities of our consolidated subsidiaries, as of December 31, 2003, amounted to $82.5 million, excluding intercompany liabilities. This liability could have a material adverse effect on our business and financial condition.

Shareholder rights provisions under Russian law may impose additional costs on us, which could cause our financial results to suffer.

Russian law provides that shareholders, including holders of our ADSs, that vote against or abstain from voting on certain matters have the right to sell their shares to us at market value in accordance with Russian law. The decisions that trigger this right to sell shares include:

a reorganization;

the approval by shareholders of a major transaction, which, in general terms, is a transaction involving property worth more than 50% of the book value of our assets calculated according to the Russian accounting standards, regardless of whether the transaction is actually consummated; and

the amendment of our charter in a manner that limits shareholder rights.

Our obligation to purchase shares in these circumstances, which is limited to 10% of our net assets calculated according to Russian accounting standards, at the time the matter at issue is voted upon, could have a material adverse effect on our business and financial condition.

In the event that minority shareholders were to contest successfully existing, or were to prevent future, approval of transactions among our subsidiaries which require special approval in accordance with Russian legislation, this could limit our operational flexibility and adversely affect our results of operations.

We own less than 100% of a number of our subsidiaries, including our most important subsidiary, Lianozovo Dairy Plant. Under Russian law, certain transactions defined as interested party transactions require approval by disinterested directors or shareholders of the companies involved. Interested party transactions include transactions in which a member of the board of directors, an officer of a company or any person that owns, together with any affiliates of that person, at least 20% of a company s voting shares, or any person that is entitled to give binding instructions to a company, is interested, if that person, or that person s relatives or affiliates, is:

a party to, or a beneficiary of, a transaction with the company, whether directly or as a representative or intermediary;

the owner of at least 20% of the issued voting shares of a legal entity that is a party to, or a beneficiary of, a transaction with the company, whether directly or as a representative or intermediary; or

a member of the board of directors or an officer of a company which is a party to, or a beneficiary of, a transaction with the company, whether directly or as a representative or intermediary.

Our subsidiaries have in the past carried out, and continue to carry out, numerous transactions with us and our other subsidiaries which may be considered interested party transactions under Russian law, requiring approval by disinterested directors, disinterested independent directors or disinterested shareholders. These transactions have not always been properly approved, and therefore may be challenged by minority shareholders. In some cases, minority shareholders may not approve transactions, which are interested party transactions requiring approval. In the event these minority shareholders were to successfully challenge past interested party transactions, or do not approve interested party transactions in the future, we could be limited in our operational flexibility and our results of operations could be materially adversely affected.

In addition, certain transactions between members of a consolidated corporate group may be considered interested party transactions under Russian law even when the companies involved are wholly owned by the parent company. While we generally endeavor to obtain all corporate approvals required under Russian law to consummate transactions, we have not always applied special approval procedures in connection with our consummation of transactions with or between our subsidiaries. In the event that a claim is filed in relation to certain transactions with or between our subsidiaries, such transactions are found to have been interested party transactions, and we are found to have failed to obtain the appropriate approvals therefore, such transactions may be declared invalid. The unwinding of any transactions concluded with or between our subsidiaries may have a negative impact on our business and results of operation.

Weaknesses and changes in the Russian tax system could materially adversely affect an investment in our securities.

Generally, taxes payable by Russian companies are substantial and numerous. These taxes include, among others:

- income taxes;
- value-added tax;
- excise taxes;
- social and pension contributions; and
- property tax.

Tax reform commenced in 1999 with the introduction of Part One of the Tax Code, which sets general taxation guidelines. Since then, Russia has been in the process of replacing legislation regulating the application of major taxes such as corporate income tax, VAT and property tax with new chapters of the Tax Code. For instance, new chapters of the Tax Code on VAT, unified social tax and personal income tax came into force January 1, 2001; the profits tax and mineral extraction tax chapters came into force January 1, 2002; and the newly introduced corporate property tax chapter of the Tax Code came into force on January 1, 2004.

In practice, the Russian tax authorities often have their own interpretation of the tax laws that rarely favors taxpayers, who often have to resort to court proceedings to defend their position against the tax authorities. Differing interpretations of tax regulations exist both among and within government ministries and organizations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Furthermore, following the recent reorganization of the Russian government, the authority for tax regulation is being transferred to the Russian Ministry of Finance, which may lead to further changes in the interpretation of the tax laws.

Tax declarations, together with related documentation such as customs declarations, are subject to review and investigation by a number of authorities, each of which may impose fines, penalties and interest charges. Generally, taxpayers are subject to inspection for a period of three calendar years of their activities which immediately preceded the year in which the audit is carried out. As previous audits do not exclude subsequent claims relating to the audited period, the statute of limitations is not entirely effective. In addition, in some instances, new tax regulations have been given retroactive effect.

Moreover, financial statements of Russian companies are not consolidated for tax purposes. Therefore, each of our Russian entities pays its own Russian taxes and may not offset its profit or loss against the loss or profit of another entity in our group. In addition, pursuant to legislation that entered into force on January 1, 2002, payments of intercompany dividends between two Russian entities are subject to a withholding tax of 6% once they are paid out of profits, though this tax does not apply to dividends once they have already been taxed.

The foregoing conditions create tax risks in Russia that are more significant than typically found in countries with more developed tax systems, imposing additional burdens and costs on our operations, including management resources. In addition to our substantial tax burden, these risks and uncertainties complicate our tax planning and related business decisions, potentially exposing us to significant fines and penalties and enforcement measures despite our best efforts at compliance, and could adversely affect our business and the value of our securities.

2.5.5. Risks relating to the Issuer s Business

Difficulty in obtaining adequate managerial and operational resources may restrict our ability to expand our operations successfully.

We have experienced rapid growth and development in a relatively short period of time. Management of such growth has required significant managerial and operational resources and is likely to continue to do so. Our future operating results depend, in significant part, upon the continued contributions of a small number of our key senior management and technical personnel. Management of growth will require, among other things:

continued development of financial and management systems controls and information technology systems;

implementation of adequate internal control over financial reporting and disclosure controls and procedures;

increased marketing activities;

hiring and training of new personnel; and

coordination among our logistical, technical, accounting, finance, marketing and sales personnel.

In the event that our equipment rental arrangements were deemed to be subject to licensing requirements, our subsidiaries engaging in these arrangements could be subject to liquidation or face the invalidation of the rental contracts.

A number of our subsidiaries purchase equipment which they then, in turn, lease to raw milk producers. In addition, many of our dairy plants, including the Lianozovo Dairy, have leased equipment to juice producers. Prior to February 11, 2002, when the new Federal Law on Licensing of Certain Types of Activities became effective, Russian legislation required a license for financial leasing activities, but it is unclear whether this requirement extended to our leasing activities. Although leasing activities are no longer subject to licensing, in the event that the relevant governmental authorities were to successfully claim that a license was required for our past leasing activities, we would be subject to significant adverse consequences such as the potential liquidation of the leasing entity and invalidation of the relevant contracts.

If any of our subsidiaries is forced into liquidation due to negative net equity, our results of operations could suffer.

In accordance with Russian legislation, in the event that a company s net assets, as stated in the annual balance sheet prepared under Russian accounting standards, fall below the minimum charter capital required by law, the company must voluntarily liquidate. Should the company fail to act, its creditors may accelerate their claims or demand early performance of obligations and demand payment of damages, and governmental authorities may seek the involuntary liquidation of the company.

The failure of our geographic expansion strategy could hamper our continued growth and profitability.

Our expansion strategy depends, in part, on funding growth in additional markets, on our ability to identify attractive opportunities in markets that will grow and on our ability to manage the operations of acquired or newly established businesses. Should growth decline in our existing markets, not increase as anticipated in markets in which we have recently acquired or established businesses, or not increase in markets into which we subsequently expand, our geographic expansion strategy may not be successful and our business and profitability may suffer.

Our growth strategy relies on acquisitions and establishing new businesses, and our future growth, results of operations and market share would be adversely affected if we fail to identify suitable targets, outbid competing bidders or finance acquisitions on acceptable terms.

Our strategy depends on us being a large manufacturer in the dairy and juice sectors so that we can benefit from economies of scale, better satisfy customer needs and compete effectively against other producers. Our growth will suffer if we are unable to implement our acquisition strategy, whether because we fail to identify suitable targets, outbid competing bidders or finance acquisitions on acceptable terms or for any other reason. Furthermore, any acquisitions or similar arrangements may harm our business if we are unsuccessful in our integration process or fail to achieve the synergies and savings we expect.

Our inability to develop new brands, products and product categories could significantly inhibit our future growth and profitability.

Our business expansion strategy contemplates our entry into new product categories, development of new products and marketing new brands in existing product lines. This strategy is designed to increase our market share and revenues by increasing consumer demand in our existing markets and entering into new market segments. The success of this strategy depends, in part, on our ability to anticipate the tastes and dietary habits of consumers and to offer products that appeal to their preferences. Our failure to anticipate, identify or react to changes in consumer preferences and consequent failure to

successfully develop new brands, products and product categories could negatively affect our expansion strategy and have a significant adverse effect on our revenues.

We may be unable to continue to add products and greater production capacity in faster growing and more profitable categories.

The food industry s growth potential is constrained by population growth, which has been falling in Russia. Our success depends, in part, on our ability to expand our business faster than populations are growing in the markets that we serve, or notwithstanding declines in the populations in those markets. One way to achieve that growth is to enhance our portfolio by adding products and greater production capacity in faster growing and more profitable categories. In the past, we have experienced delays in the installation of new production equipment due to internal technical integration issues as well as delays by vendors and other third-party suppliers in installing and testing new production lines. Future delays in new equipment installation could inhibit our ability to add products and expand our production capacity, cause our output volume to suffer and, consequently, have a material adverse effect on our results of operations.

Our inability to address the seasonal difference between the demand for dairy products and the supply of raw milk and the increasing prices of raw milk could result in a significant increase in our production costs, reducing our profitability.

The demand for our dairy products is significantly higher during the winter months, when Russian raw milk production is at its lowest. Conversely, during the summer months we generally experience depressed demand for dairy products in many markets, while raw milk production is at its peak. If we are unable to mitigate this inverse relationship successfully, either through the purchase of raw milk during the winter at commercially competitive prices or through the use of dry milk, our production costs will increase significantly in the winter, reducing our profitability.

In addition, raw milk prices increased 11.2% in ruble terms in 2003 compared with 2002. This increase adversely affected our dairy product profit margins in 2003, and continued increases in raw milk prices could further reduce our profitability.

Our substantial reliance on independent retailers and independent distributors for the distribution of our products could lower our turnover and reduce our competitiveness.

Our Company competes with other brands for shelf space in retail stores and marketing focus by our independent distributors and retailers, and our independent distributors and retailers offer other products, sometimes including their own brands, that compete directly with our products. If independent distributors and retailers give higher priority to other brands, purchase less of, or even refuse to buy, our products, seek substantial discounts, or devote inadequate promotional support to our brands, it could lower our turnover and reduce our competitiveness and profitability.

We do not carry the types of insurance coverage customary in other countries for a business of our size and nature, and a significant occurrence could cause significant harm to our operations and profitability.

We maintain all risks insurance coverage of a type customary in Russia for our 18 major production facilities covering the most valuable equipment at these facilities. At present, however, we do not carry insurance for business interruption or for third party liability in respect of property or environmental damage arising from accidents. In the event that a major event were to affect one of our facilities, we could experience substantial property loss and significant disruptions in our production capacity which, in turn, could cause significant harm to our operations and profitability. For example, if substantial production capacity were lost at the Lianozovo Dairy, which is our primary production facility, we would not be able to replace a substantial portion of this capacity with capacity from our other plants, potentially resulting in the interruption of the production of a number of our products.

We do not maintain separate funds or otherwise set aside reserves for these types of events. Any such loss or third-party claim for damages may have a material adverse effect on our business, results of operations and financial condition.

Our management information system may be inadequate to support our future growth.

Our management information system is significantly less developed in certain respects than those of food producers in more developed markets and may not provide our management with as much or as accurate information as those in more developed markets. In addition, we may encounter difficulties in the ongoing process of implementing and enhancing our management information system. Our inability to maintain an adequate management information system may have a material adverse effect on our business.

We may not be able to protect our intellectual property rights adequately, resulting in material harm to our financial results and ability to develop our business.

Given the importance of brand recognition to our business, we have invested considerable effort in protecting our portfolio of intellectual property rights, including trademark registration. However, the steps we have taken may not be sufficient and third parties may infringe or misappropriate our proprietary rights. Moreover, Russia and the other countries of the CIS in which we operate generally offer less intellectual property protection than in Western Europe or North America. If we are unable to protect our proprietary rights against infringement or misappropriation, it could materially harm our future financial results and our ability to develop our business.

III DETAILED INFORMATION ON THE ISSUER

3.1. Issuer s background and development

3.1.1. Data on Issuer s proprietary name

Issuer s full proprietary name.

Open Joint Stock Company Wimm-Bill-Dann Foods

Abbreviated name.

WBD Foods

Data on Issuer s name and organizational & legal changes.

35

Limited liability Company Wimm-Bill-Dann Foods

WBD Foods

Introduced: ***April 16, 2001***

The present name introduced: ***May 31, 2001***

3.1.2. Data on Issuer s state registration record

Issuer s state registration date: ***May 31, 2001***

State registration certificate No. (Or other document verifying Issuer s state registration) ***P-15968.16***

Organization that performed Issuer s state registration: State Registration Chamber attached to Ministry of Justice of the Russian Federation, Moscow Registration Chamber OGRN 1037700236738

The date of entry into the Unified State Register of Legal Entities: 19.02.2003.

The name of the registrar: Inderdistrict Inspectorate of the Ministry of Taxes and Levies No. 39, Moscow

3.1.3. Data on Issuer s establishment and development.

Term of Issuer s existence: **since 31.05.2003**

Issuer is established for an indefinite term

History of the Issuer s Foundation and Activities.

Open Joint-Stock Company Wimm-Bill-Dann Foods (hereinafter referred to as the Issuer or the Company) was registered on May 31, 2001. The purpose of its creation was to consolidate several production and trading companies, whose shares had been privately owned by a group of persons and were transferred to the Company by including them in authorized capital during its creation in 2001. Control over and management of the WBD Group are the Issuer s principal areas of activity. In keeping with Article 4 of the Issuer s Charter, The main purpose of the Company is to fully satisfy the demand of legal entities and private persons in products (works, services), produced (performed, provided) in accordance with its charter activity, and to receive profits. On February 14, 2002, OJSC Wimm-Bill-Dann Foods completed the public issue of and registered common shares represented by American depositary receipts (ADR) at the New York Stock Exchange under the WBD symbol. Each ADR represents one basic common share of the Company.

The story of WBD Group began in 1992, when the first company owned by a group of persons rented a production line at the Lianozovo Dairy and purchased the first lot of juice concentrates and packaging materials. November 25, 1992 WBD Group produced its first pack of juice under the Wimm-Bill-Dann brand. This name had been chosen in order to attract consumers, who at that point preferred imported products due to their novelty to the market, and also because of the prevailing belief in the higher quality of imported goods. From the very first appearance on the market the name Wimm-Bill-Dann turned into a brand, known to and popular among the majority of Russian consumers.

3.1.4. Contact data

Location: ***109028, Moscow, Yauzsky Boulevard, 16/15, office 306***

Tel.: ***(095) 733-9727***
Fax: ***(095) 733-9736***

E-mail: **KolesnikovIM@wbd.ru**

Internet page(s) displaying information contained in this quarterly report: www.wbd.ru

3.1.5. Taxpayer s identification number.

7709342399

3.1.6. Issuer s branches and representative offices

Full proprietary name ***Representative office of Wimm-Bill-Dann Foods OJSC in Beijing.***

Abbreviated name - ***Representative office of WBD Foods in Beijing.***

Location of the representative office ***Chinese Peoples Republic, Beijing***

The decision on establishing of the representative office was adopted by the Issuer s Board of Directors on June 16, 2004 (Minutes No.19-07 as of 19.07.2004).

3.2. Description of Issuer s primary areas of operations

3.2.1. Issuer s branch/sectorial affiliation.

OKWED Codes:

15.98, 15.51.13, 15511, 51.34.1, 51.38.22, 74.13.1, 15.32, 55.51, 52.25.2, 15.88, 22.13, 74.14, 74.84.

3.2.2. Issuer s primary activity

Food industry has gained maximum advantages as a result of devaluation of the ruble in 1998 and steady growth of the population s real earnings in the last three years. Besides, the increasing flow of direct investment in the industry has led to a better quality of Russian-made products and their higher competitiveness. Regardless of the rising rate of the ruble in real terms, the share of imported goods in the consumption structure is about 3%. Thus competition in food industry is mainly centered around Russian brands. As a result, the rate of growth in milk industry was the highest in the Russian economy, amounting to 9.4% in 2001 and 5.4% in 2002. Mindful of the GDP growth by 7.3% in 2003, growth in milk industry amounted to 7%.

There are sufficient grounds to hope that the industry s consolidation, higher quality of products, and expected annual 5-6% rise in real earnings will help food industry remain among the leaders of Russia s economic growth. The flow of foreign investment in the industry that has amounted to two-thirds of the total direct foreign investments in Russia in the last two years also confirms this assumption.

Recent industrial developments show that the consolidation of food industry is likely to bring about the emergence of large domestic producers capable of competing effectively on the market.

On the other hand, one may expect increasing competition on the part of foreign companies such as Danone, Parmalat, Campina and Erhmann that have set up the production of dairy products in Russia. Their market advantages include a large advertisement budget, advanced know-how for new products promotion, and access to cheap financial resources.

Foreign companies have also been expanding the variety of products. In the past their products were basically oriented toward the narrow premium segment (in the upper price bracket) whereas today foreign companies products are also designated for the mass consumer with an average income.

The primary area of the Company s operations is control over and management of a group of its subsidiaries and other affiliated companies specified in this Prospectus, which manufacture and sell milk (dairy) products and juices (drinks, nectars) (hereinafter, in combination with the Company, referred to as the WBD Group). The Issuer also offers licensing agreements on the use of trademarks in its ownership. At that, the Issuer s current and future operations plans are inseparably linked up with those of the WBD Group.

The Wimm-Bill-Dann Group is a major manufacturer of dairy products and juices. Around 70% of its revenue comes from the sales of dairy products and the rest 30%, from the sales of juices.

Since its establishment in 1992, the WBD Group has been a leader on the Russian market of dairy and juice-containing products. According to the study conducted by AC Nielsen in nine large Russian cities, including Moscow and St. Petersburg, in October-November 2004, the WBD Group was in the lead on all packaged dairy products markets (with the exception of pasteurized milk): its share on the domestic market of traditional dairy products constituted 38%, and in yogurt and milk desserts sales, 44%. Business Analitika s study carried out in eleven large Russian cities in July-August, 2004, showed that the WBD Group s share in the total domestic sales of juices reached 28% and 33% in Moscow, the main Russian juice consumer. The twenty five manufacturing facilities of the WBD Group are located in twenty one Russian and CIS cities; its distribution network covers 26 cities in the CIS, Germany, Israel, and Netherlands.

The main objective of the WBD Group is to provide consumers with top-quality food by way of a careful selection of raw materials, use of modern production technologies, and strict quality controls. All its products are manufactured on the basis of the Company s own recipes mindful of domestic consumers preferences and tastes.

1. Forecast of Future Developments on the Dairy Market.

The further consolidation of dairy and juice industry and stronger competition with foreign companies operating in Russia are likely to be major market tendencies. Given below is a segment-based market development forecast.

Milk is one of the most widespread food products in Russia popular among all age groups regardless of location and income. The milk market as a whole will develop steadily with a 5-percent annual consumption growth resulting from a rise in the gross yield and processing of milk in all categories of producers.

In spite of all its advantages, pasteurized milk prevalent on the market has an essential drawback   a short shelf life, which makes it less attractive for retail trade. Consequently, the share of this type of milk is expected to go down in favor of sterilized milk. In addition, sterilized milk will be replaced by a new generation of the product without the specific sterilization after-taste, its shelf life over two weeks without cooling or cold storage.

Kefir (fermented milk, a traditional Russian dairy product). It is the most popular dairy product in Russia. Growth in the segment will result from changes in the consumption structure in favor of biokefirs, their production currently organized by local manufacturers. The consumption of traditional kefir is expected to decline

Curds (cottage cheese). The market is stable. An average 2-percent rise will be determined by the development of dairy production in general. Consumers are likely to switch over to curds desserts, which may reduce the consumption of traditional curds.

Rural and small town dwellers are primary consumers of ryazhenka (fermented baked milk) and bonnyclabber. Unlike bonnyclabber, ryazhenka is also popular among the population of large cities. The bonnyclabber segment is expected to shrink due to the reduction of rural population and decrease in the regional consumption of the product.

Cream. The main feature of the market is the reduction of the share of pasteurized cream in the total output because of a short shelf life and the growing share of sterilized cream. Consumption rise will mainly depend on the rate of income growth.

Butter. As a whole, the market development rate is expected to be 2-4% a year. A rise in butter consumption is unlikely to exceed 1-2%, the main growth factor being an increase in the production of margarine and combined varieties of butter, spreads, by 4-5% a year.

Viscous yogurt. It is one of the most dynamic segments of the dairy market. The development and growth of the viscous yogurt market in 2002-2003 resulted from developing local production, Western producers coming out on the market (Pascual and Onken), and a rise in regional consumption. Unique products with new flavors, additives, useful properties, and biocultures were the most dynamic part of the segment.

Potable yogurt. The segment is expected to develop dynamically since the market is still far from saturation, youth and teenagers consumption culture is still taking shape, and consumers are switching over to the product from traditional flavored kefir.

Viscous milk desserts. The market is still underdeveloped. It has more imported products than other markets. Yet, gradually, Russian manufacturers are turning to the production of viscous milk desserts. Underdeveloped consumption culture restrains consumption growth.

Liquid desserts. The market is sufficiently developed. Major consumers include both young people and children as well as adults. The segment will develop as a result of a rise in consumption among teenagers.

Juice and dairy products. It is the most dynamic category of milk products. It has a considerable growth potential due to the population s striving for a healthy life style and consumption of low-fat vitamin-fortified products.

Curds desserts. The segment is developing rapidly given the traditional character of curds. A rise in the segment will mainly depend on the rate of growth of real earnings and consumers switching over from traditional cottage cheese to curds desserts.

Chocolate-coated cheese curds. Consumption culture in large cities is well-developed. Producers regional expansion and a wider variety of the products are expected to provide for the segment s growth.

Condensed milk. It is a traditional food product used in pastry cooking. The market is developed. There are large and well-known producers. Growth can be achieved through a wider variety of products, new flavors, and new types of packaging.

2. *Forecast of Future Developments on the Juice and Juice-Containing Products Market.*

The market s growth will continue although the rate of growth may slow down. Yet it will remain high enough. Market capacity in 2001 was 1,200 mln. liters a 60-percent rise in comparison with the previous year. In 2002 juice consumption increased by 23% and reached around 1,480 mln. liters. The rise of the market in 2003 constituted approximately 21% (as per RSPS data).

The juice market s growth results from the improvement of the economic situation in Russia, rising per capita income, and emergence of consumption culture with juice regarded as tasty and healthy food. Per capita consumption rose from 8 liters in 2001 to 10 liters in 2002 and to 12 liters in 2003. In large cities (Moscow, St. Petersburg) juice consumption is nearing European standards while Russia s average per capita consumption of juices is twice lower than in Europe.

Stronger competition provoked by major manufacturers considerably expanded capacities was the main market tendency in 2003. Consequently, the juice market is expected to consolidate further in the hands of four principal players that are likely to increase their market share at the expense of small regional producers whose share may go down to 5%.

The sales volume of WBD Foods for the period from 2001 through 1 quarter 2005 is presented in the following table:

2001

No	Income	TOTAL, thou. rubles	Share of total revenue, %
1	**Sales income, exclusive of VAT**	**2,198**	**100**
1.1.	including: sale of services in respect of granting use of trademarks	2,198	100

2002

No	Income	TOTAL, thou. rubles	Share of total revenue, %
1	**Sales income, exclusive of VAT**	**5,310**	**100**
1.1.	including: sale of services in respect of granting use of trademarks	5,310	100

2003

No	Income	TOTAL, thou. rubles	Share of total revenue, %
1	**Sales income, exclusive of VAT**	**470,528**	**100**
1.1.	including: sale of services in respect of granting use of trademarks	392,075	83.33
1.2.	consulting services	63,808	13.56
1.3.	sale of management consulting services	14,296	3.04
1.4.	compensation for granting suretyship guarantees	9	0.00
1.5.	software implementation services	340	0.07

2004

No	Income	TOTAL, thou. rubles	Share of total revenue, %
1	**Sales income, exclusive of VAT**	**425,698**	**100**
1.1.	including: sale of services in respect of granting use of trademarks	410,693	96.48
1.2.	sale of management consulting services	7 356	1.73
1.3.	software implementation services	5 841	1.37
1.4.		1 020	0.24
1.5.	other	788	0.18

1st quarter 2005

No	Income	TOTAL, thou. rubles	Share of total revenue, %
1	**Sales income, exclusive of VAT**	**117 442**	**100**
1.1.	including: sale of services in respect of granting use of trademarks	113 069	96.28
1.2.	sale of management consulting services	2180	1.86
1.3.	software implementation services	294	0.25
1.4.	Leasing of property	1530	1.30
1.5.	other	369	0.31

3.2.3 Main types of products (works, services)

See also section 3.2.2 of this report

Cost Price of Services Rendered, thou. rubles

No	Expense	2001	2002	2003	2004	1 quarter 2005
1	Depreciation of intangible assets	7	22	227	162	193
2	Depreciation of fixed assets				505	1,513
3	Wages and salaries with deductions			27,353	1,827	
4	Travel expenses			2,137	3,673	475
5	Informational and consulting services				14	55
6	Goods				122	104
	TOTAL	**7**	**22**	**29,717**	**6,303**	**2,340**

Issuer s Administrative Expenses, thou. rubles

No	Expense	2001	2002	2003	2004	1 quarter 2005
1	Depreciation of fixed assets			2,966	8 266	1 168
2	Office stationery and business supplies			1,679	2 715	513
3	Depreciation of intangible assets			1,588	5 345	1 263
4	Amortization of commercials			3,429		
5	Wages and salaries	102	10,965	158,764	294 558	89 309
6	Allocations to Pension Fund	36		7,423	25 052	8 445

7	Unified Social Tax	22	1,208	13,027	6 274	7 645
8	Reserves for future leave			10,930	30 227	7 129
9	Rent	6	11	126,229	157 012	38 395
10	Travel expenses			8,020	25 452	2 603
11	Representative expenses		34	2,123	4 504	1 452
12	Audit services		22,929	25,772	19 637	5 825
13	Recruitment services			2,844	424	773
14	Legal and notary services	174	118	43,188	20 972	4 832
15	Advertising			16,427	13 892	2 341
16	Informational and consulting services		17,218	68,736	12 631	1 997
17	Communications			4,912	7 484	1 711
18	other		999	16,517	21 086	3 021
19	Expenses associated with securities issue		14,332			
20	Expenses for Company s administration		836		1 653	250
	TOTAL	**340**	**68,650**	**514,574**	**657 184**	**178 672**

3.2.4 Issuer s suppliers whose share amounts to 10% or more from the total inventory supplies, with the indication of their shares in the total supplies volume

1 quarter 2005

No	Supplier of works, services	Thousand rubles	%
1	Lianozovo Dairy PJSC	42 191	45.13
2	Investement Company Univer	9 567	10.23

3.2.5. Markets for products (works, services) of the Issuer

Wimm-Bill-Dann Foods Open Joint-Stock Company provides consultation services, as well as grants rights to use trademarks it owns through conclusion of license agreement both in the territory of the Russian Federation and in CIS countries: Kirgyzstan and Ukraine.

Through license agreements, the Issuer grants the right to use:

trademarks owned by it;

the RAT and LIASOFT computer programs.

The volume of services rendered by WBD Foods since 2001 through the 1 quarter 2005 is presented by region in the following tables:

2001

No	Country	Volume of services rendered, thou. rubles	% of total volume of services rendered
1	Russia	2,198	100
2	CIS countries, total:		
	including:		
2.1.	Kyrgyzstan		
2.2.	Ukraine		
	TOTAL	**2,198**	**100**

42

2002

No	Country	Volume of services rendered, thou. rubles	% of total volume of services rendered
1	Russia	5,156	97.1
2	CIS countries, total:		
	including:		
2.1.	Kyrgyzstan		
2.2.	Ukraine		
3	other	154	2.9
	TOTAL	**5,310**	**100**

2003

No	Country	Volume of services rendered, thou. rubles	% of total volume of services rendered
1	Russia	462,943	98.39
2	CIS countries, total:	2,649	0.56
	including:		
2.1.	Kyrgyzstan	417	0.09
2.2.	Ukraine	2,232	0.47
3	other	4,936	1.05
	TOTAL	**470,528**	**100**

2004

No	Country	Volume of services rendered, thou. rubles	% of total volume of services rendered
1	Russia	417 158	97.99
2	CIS countries, total:	8 530	2.00
	including:		
2.1.	Kyrgyzstan	433	0.10
2.2.	Ukraine	8 097	1.90
3.	Others	10	0.01
	TOTAL	**425 698**	**100**

1 quarter 2005

No	Country	Volume of services rendered, thou. rubles	% of total volume of services rendered
1	Russia	115 242	98,12
2	CIS countries, total:	2 200	1,87
	including:		
2.1.	Kyrgyzstan	110	0,09
2.2.	Ukraine	2 090	1,78

TOTAL	18	0,01

3.2.6 Practice in relation to working capital and reserves

The Issuer s policies with regard to working capital consist of increasing working capital turnover and keeping working capital at the minimum level necessary for current activity.

No	Item	For 1 quarter 2005
1	Inventory turnover ratio	2.25
2	Turnover time (days)	40

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Inventory turnover ratio based on sales volume (*Rn*):

Rn = Revenue from services sold (line 010 on Form 2) / 0.5 (inventory at start of year + inventory at end of year) according to line 210 on Form 1

Turnover time in days = Length of the reporting period in days / *Rn*

3.2.7. Raw materials

Our success depends in part on our continued ability to be an efficient producer in a highly competitive industry. If we cannot continue to control costs through productivity gains or by eliminating redundant costs resulting from acquisitions, our results of operations will suffer. In particular, price increases and shortages of packaging and raw materials could adversely affect our results of operations. For example, our results of operations may be affected by the availability and pricing of packaging materials, principally cardboard and plastic containers, and raw materials, principally raw milk and juice concentrate. We are substantially dependent upon a single supplier of packaging materials, which may make us more vulnerable to changes in global supply and demand and their effect on price and availability of these materials. Additionally, weather conditions and other factors beyond our control significantly influence the price and availability of our raw materials. A number of our raw materials, such as juice concentrate and sugar, are international commodities and are subject to international price fluctuations.

A substantial increase in the prices of any of the foregoing, which we may not be able to pass on to customers through price increases, or a protracted interruption in supply with respect to packaging or raw materials, could have a material adverse effect on our financial condition and results of operations.

The main raw materials we use to produce our dairy and juice products include the following:

raw milk, which we generally obtain from domestic farmers;

dry milk, which we generally obtain from small domestic producers or import;

bacteria cultures, which we generally import, although we have begun to develop our own cultures;

flavorings and sweeteners, which we generally import;

juice concentrate and juice puree, which we primarily import, but also purchase domestically; and

other ingredients such as frozen fruits and stabilizers.

The prices of each of the foregoing raw materials are generally volatile.

Our purchasing policy is to increase the share of locally produced food raw materials that satisfy our quality standards.

We have focused on developing partnerships with established leaders in the field of local food production, including the leading Russian raw milk, dry milk, fruit and sugar producers. In each region where we require raw milk, we establish direct supply contracts with local individual farmers and collective farms. We have also begun entering into more purchasing arrangements with Russian suppliers of raw materials in the juice sector. We purchase substantially all of our raw materials directly and do not engage in a significant amount of barter transactions. We also purchase certain raw materials such as bacteria cultures, juice concentrate and flavorings from foreign manufacturers due to the unavailability of products of appropriate quality locally. We use quality raw materials, supplied by producers from approximately 25 countries such as Cargill (U.S.), Quatrale (Brazil), Jahncke (Germany), Givaudan (Germany), Hahn (Germany), Wild (Germany), and Firmenich (Switzerland). Our flagship J-7 juice line, the best-selling juice brand in Russia, was created with consulting assistance from Cargill - the world s largest supplier of juice concentrates.

3.2.8. Major Competitors.

By virtue of its primary mission control, management, and services in the interests of the WBD Group the Issuer does not have competitors. Consequently, it would be impossible to analyze the Issuer s market share and its competitiveness factors in terms of their importance and with an allowance for factor ratings.

The principal competitors of the WBD Group on traditional and enriched dairy products markets include Russian producers such as Petmol (St. Petersburg), Ostankinsky, Ochakovsky Dairies (Moscow) as well as foreign producers such as Parmalat, Campina. As for yogurts, milk desserts, the main competitors of the WBD Group are foreign companies such as Danone, Campina and Ehrmann as well as domestic companies: Petmol, Ostankinsky and Piskarevsky Dairies. On the market of vitamin-fortified dairy products, the WBD Group competes mainly with Danone. Besides the specified principal competitors there exists a great amount of small producers in regions.

In the Issuer s opinion, the WBD Group is expected to compete with the following companies on the dairy market in the near future:

1) Danone of France: the most active foreign company in Russia, pursuing an aggressive advertisement policy. It owns a dairy in the Volga region that produces natural yogurt, fruit-flavored yogurt, and kefir and a dairy in the Moscow region. The company s products, both imported and made in Russia, are sold under the Danone trademark all over the Russian Federation through its own distribution network. According to the study conducted by AC Nielsen in nine Russian cities, as at October-November 2004 Danone s sales in money terms in the yogurt and milk dessert segment amounted to 26%;

2) Petmol of St. Petersburg: produces a wide variety of dairy products, concentrating however on yogurts and desserts. Petmol s shares are publicly quoted at the Russian stock exchange. According to the study conducted by AC Nielsen in nine Russian cities, as at October-November 2004 the company s share in money terms was 6% - in the traditional dairy segment and 2% - in the yogurt and milk dessert segment while the share of Parmalat in the traditional dairy segment amounted to 1%;

3) Ochakovsky Dairy of Moscow: a major dairy producer in Russia and principal competitor of the WBD Group in Moscow. Its products are very popular among consumers. According to the study conducted by AC Nielsen in nine Russian cities, as at October-November 2004 the company s share in money terms was 8% in the traditional dairy segment.

The shares of the WBD Group and its principal competitors for enlarged product categories on the dairy market in money terms, % (as at October-November 2004, according to AC Nielsen Retail Audit research):

Item	WBD Group	Danone	Petmol	Ochakovsky Dairy
Yogurts and milk desserts	***44***	***26***	2	
Traditional dairy products	38		6	8
The market s total	39	16	4	6

The principal competitors of the WBD Group on the domestic juice market include Multon of St. Petersburg and other medium- and small-size Russian producers including:

1) Multon of St. Petersburg: its share on market as at July-August 2004 was 30% as shown by the study conducted by Business Analitika Retail Audit in eleven largest Russian cities. Dobry and Niko juice brands and other products of the company appeared on the Moscow market in 1998 and have won considerable market shares since then, primarily, due to an aggressive pricing policy;

2) Lebedyansky of the Lipetsk region: the company s share on market in money terms as at July-August 2004 was 23% as shown by the study conducted by Business Analitika Retail Audit in eleven Russian cities. Its` Tonus and Ya brands have become very popular among consumers and effectively compete with juices produced by local manufacturers;

3) Nidan-Ekofrukt of Novosibirsk: a Russian-US joint venture whose share on market in money terms as at July-August 2004 was 12% according to Business Analitika Retail Audit s study carried out in eleven largest Russian cities.

The shares of the WBD Group and its principal competitors on the juice market in money terms, % (as at July-August 2004, according to Business Analitika Retail Audit s study conducted in eleven large Russian cities):

Juice market	WBD Group	Multon	Lebedyansky	Nidan	Others
Market share	28	30	23	12	7

The WBD Group gets mineral water from an underground spring in Valdai. The region is famous for top-quality mineral water. There is a facility in Nizhny Novgorod that bottles mineral water. The WBD Group started a serial production of mineral water in March 2003 and sales of mineral water under the Zapovednik.Valday trademark started in May 2003.

Historically, the consumption of noncarbonated mineral water has not been widespread in Russia. The situation, however, is radically changing under the effect of

3.2.8. Major Competitors.

environmental factors. The consumption of bottled drinking water is growing rapidly in large Russian cities. The mineral water market is expanding not only in terms of volume but also in terms of a wider variety of products and new trademarks. Furthermore, the number of Russian superior quality brands is growing, and the share of imported brands is going down. In the Issuer s opinion, the WBD Group s principal competitors include Aqua Minerale (Pepsi trademark), BonAqua (Coca-Cola trademark) as well as Borzhomi, Narzan, and Svyatoi Istochnik, Shishkin Les produced at CIS facilities. The WBD Group is planning to position its new trademark Zapovednik.Valday in modern style by emphasizing the mineral origin of the water and produces it with different degrees of carbonation (still, medium-carbonated, and highly carbonated) in bottles of different sizes for consumers better choice.

Analysis of the WBD Group s Competitive Factors.

The WBD Group has a number of advantages over other Russian producers: high productive capacity, superior quality of products, high-level innovation, and opportunities for new products development and marketing. Other competitive advantages which, in the Issuer s opinion, enable the WBD Group to retain its leading position on the Russian market, include: strong and diversified trademarks, unobstructed access to raw material sources, extensive sales network, emphasis on the development of new products, modern manufacturing facilities and technologies, external financing opportunities, and efficient leadership. The WBD Group intends to take advantage of those opportunities by pursuing a sales promotion strategy focused on superior quality products and development of new products that would not be inferior to their Western analogs in taste and consistence.

Some Russian producers, however, have certain advantages over the WBD Group, related to a lower cost of production and lower advertisement and shipment expenses. Recent industrial tendencies also show that the consolidation of the industry may lead to the emergence of large domestic producers capable of competing with the WBD Group on the market.

Foreign dairy producers have a large advertisement budget and advanced manufacturing know-how permits them to offer top-quality products made on the basis of up-to-date technologies through well-established sales systems. In the past foreign companies focused on concrete market niches, more often than not, on the premium segment (upper price range) whereas today they are increasingly turning to products for the average consumer with an average income. Besides, such companies as Danone, Parmalat, Campina, and Erhmann have begun investing in Russian manufacturing businesses, which may reduce the competitiveness of WBD Group products, for the competitors now have an opportunity to produce their commodities in Russia. For example, Danone, owning two Russian diaries, has put several yogurt brands on the Russian market, some of them developed specifically for Russian consumers. Campina of Netherlands, also owning a dairy in Russia, makes fresh yogurts and yogurts with a long shelf life. Erhmann of Germany makes yogurt at a Russian dairy, and Onken and Pascual, also foreign companies, are planning to open manufacturing facilities in Russia. As a result of the growing output of yogurts and milk desserts in Russia, the above foreign companies have become the WBD Group s principal competitors in this market segment.

Values of market shares that, in the Issuer s opinion, it and its competitors have had (percentage) in the three full fiscal years preceding the date of approval of the decision to issue the bonds, or for each full fiscal year following the date of foundation provided the Issuer has been operating for less than three years:

Shares on market of Dairy production*   Shares on market of Juice production

	2001	2002	2003		2001*	November-December 2002**	November-December 2003**
WBD Group	***37.0***	***36.2***	***35.8***	***WBD Group***	***37.5***	***34.9***	***29.3***
Petmol	***9.1***	***7.6***	***6.8***	***Multon***	***29.0***	***29.4***	***29.3***
Ochakovsky Dairy	***3.0***	***4.4***	***5.5***	**Lebedyansky**	***10.9***	***19.7***	***24.8***
Ostankinsky Dairy	***3.2***	***2.3***	***2.5***	**Nidan-Ekofrukt**	***6.4***	***9.4***	***11.0***
PARMALAT	***2.0***	***1.4***	***1.3***				
Campina	***1.8***	***2.0***	***1.8***				
Piskarevsky Dairy	***6.4***	***5.4***	***4.8***				
DANONE	***2.5***	***3.3***	***3.9***				
EHRMANN	***0.8***	***1.4***	***1.4***				

*   ***As per data provided by AC Nielsen Retail Audit (9 cities)***

***** As per data provided by*** Business Analitika Retail Audit (11 cities)

3.2.9. Data on Issuer s licences held

Issuer holds no licenses.

3.2.10. Data on Issuer s joint operation

None during reporting period.

3.4. Plans of the Issuer s Future Activities.

Due to the specifics of the Issuer s primary area of operations, the Issuer s future activities plans should include a higher efficiency of WBD Group management. The Issuer s future activities plans are closely connected with the plans of WBD Group. The use of trademarks by WBD Group businesses, offered on the basis of licensing agreements, will constitute the Issuer s main source of future income.

The WBD Group is constantly striving to dynamically develop its business and achieve further competitive advantages.

The growing dairy market demands an increase in production volumes without a decline in quality. An increase in juice production capacity is also planned.

One of the main competitive advantages of the WBD Group is its powerful and well-established network of independent distributors. In order to support the steady growth of

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sales, the construction of Cash&Carry stores will continue. The growth of additional income is planned through both promoting the primary brands of the WBD Group on the regional markets, and expanding the product range in order to fill major consumer segments, both in terms of flavours and prices.

In general, the plans of future activities of the Issuer and the WBD Group include an intention to fully satisfy the demand of legal entities and private persons in products (works, services), produced (performed, provided) in accordance with its Charter, and to receive profits.

To achieve these goals, the WBD Group will concentrate on the following areas of activity:

1) Production of dairy products and juices. The Issuer is positive that the WBD Group has enough potential to retain and strengthen its leading position in this area;

2) Higher efficiency of production. The WBD Group intends to improve the quality of its products, reduce costs, increase cash flows, and achieve a higher efficiency of work of its employees;

3) Business growth resulting from the production of cheese. Domestic brands of cheese in the Russian Federation are mainly manufactured by small facilities producing traditional cheeses for mass consumption, characterized by low prices and inferior quality. Superior quality brands of hard and soft cheese are imported from Baltic States and other European countries. The WBD Group is planning to start the production of top-quality branded hard and soft cheeses in 2003.

4) Business growth resulting from the production of mineral water. The WBD Group intends to concentrate on the primary areas of its activity. However WBD Group also started the production of mineral water in 2003. The WBD Group believes that despite relatively strong competition, this market segment has an essential potential given a correct marketing approach. The growth of mineral water consumption in summer is expected to make up for the declining seasonal demand for dairy products.

3.5. Issuer s participation in industrial, banking and financial groups, holdings, concerns and associations.

On May 12, 2004, the General Meeting of Shareholders of WBD Foods OJSC approved accession of the Issuer to Non-Commercial Organization German Economic Union in the Russian Federation (Minutes No. 20-05 dated May 20, 2004) whose Charter envisages such aims and objectives as contribution to economic cooperation between the Federal Republic of Germany and the Russian Federation in close cooperation with the German Union of Chambers of Commerce and Industry and the Eastern German Economic Union, as well as with its head organizations.

3.6. Issuer s Subsidiaries and dependent companies.

The Issuer s activity is inextricably linked and determined by the needs and requirements of its subsidiaries and dependent companies.

Name: ***Public Joint-Stock Company Lianozovo Dairy***

Abbreviated name: ***LMK PJSC***

Location: ***127591, Moscow, Dmitrovskoe shosse, d. 108***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

Issuer s share in the charter capital of the legal entity***98.02%***

Issuer s share of the ordinary shares of the subsidiary: ***98.02%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Open Joint-Stock Company Dairy***

Location: ***353760, Timashevsk, Krasnodar Region. ul. Gibridnaya, d. 2***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

Issuer s share in the charter capital of the legal entity: ***70.47%***

Issuer s share of the ordinary shares of the subsidiary: ***70.47%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Closed Joint-Stock Company Production and Analytical Group Rodnik***

Location: ***103009, Moscow, Bryusov per., d. 8/10, str. 2, 2nd floor, room 13a***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

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

Issuer s share of the ordinary shares of the subsidiary: ***100%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of juice and juice containing products.

Name: ***Closed Joint Stock Company Wimm-Bill-Dann Trading Company***

Location: ***103009, Moscow, Bryusov per., d. 8/10, str. 2, 2nd floor, room 17***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

Issuer s share in the charter capital of the legal entity***83.19%***

Issuer s share of the ordinary shares of the subsidiary: ***83.19%***

This entity s share in the Issuer s charter capital:***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of juice and juice containing products.

Name: ***Limited Liability Company Annino Milk***

Location: ***Russia, Voronezh Region, rabochii poselok Anna, ul. Sevastopolskaya, d. 4***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

Issuer s share in the charter capital of the legal entity: ***78.56%***

This entity s share in the Issuer s charter capital: ***none***

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Closed Joint Stock Company Gulkevichi Creamery***

Location: ***352150, Krasnodar Region, Gulkevichi, ul. Korotkova, d. 155***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

Issuer s share in the charter capital of the legal entity: ***52.24%***

Issuer s share of the ordinary shares of the subsidiary: ***52.24%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Open Joint Stock Company Baltic milk Dairy***

Location: ***St. Petersburg, Russia***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

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

Issuer s share of the ordinary shares of the subsidiary: ***100%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Closed Joint Stock Company Darya***

Location: ***310172, Ukraine, Kharkov, ul. Roganskaya, d. 149***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

Issuer s share in the charter capital of the legal entity: ***98.84%***

Issuer s share of the ordinary shares of the subsidiary: ***98.84%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Limited Liability Company Wimm-Bill-Dann Mineral Water***

Location: ***109028, Moscow, Yauzsky Boulevard, d. 16/15***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

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

This entity s share in the Issuer s charter capital: ***none***

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Closed Joint Stock Company Buryn Milk powder Plant***

Location: ***245710, Ukraine, Sumy Region, Buryn, Konotopske shose, d. 1***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

Issuer s share in the charter capital of the legal entity: ***76%***

Issuer s share of the ordinary shares of the subsidiary: ***76%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Open Joint Stock Company Tuimazy Milk Plant***

Location: ***Republic of Bashkortostan, Tuimazy, ul. Severnaya, d. 9***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

Issuer s share in the charter capital of the legal entity: ***85%***

Issuer s share of the ordinary shares of the subsidiary: ***85%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Open Joint Stock Company Vladivostok dairy***

Location: Russia, ***690087, Vladivostok, ul. Strelochnaya, d.19***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

Issuer s share in the charter capital of the legal entity: ***97.44%***

Issuer s share of the ordinary shares of the subsidiary: ***97.44%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Open Joint Stock Company TOSHKENT SUT***

Location: ***Uzbekistan Republic, 700131, Tashkent, Akmaly-Ikramovsky region, massiv Chilanzar, ul. Zargarlik, dom 26***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

Issuer s share in the charter capital of the legal entity: ***76.98%***

Issuer s share of the ordinary shares of the subsidiary: ***76.98%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Foreign entity Limited Liability Company Vimm-Bill-Dann Toshkent***

Location: ***Uzbekistan Republic, 700131, Tashkent, Akmaly-Ikramovsky region, massiv Chilanzar, ul. Zargarlik, dom 26***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

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

This entity s share in the Issuer s charter capital: ***none***

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Open Joint Stock Company Kiev Dairy Plant No.3***

Location: ***Ukraine, 255500, Kievskaya oblasty, Vishnevoye, ul. Promyshlennaya, dom 7***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

Issuer s share in the charter capital of the legal entity: ***94.88%***

Issuer s share of the ordinary shares of the subsidiary: ***94.88%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Limited Liability Company Valday Sanctuaries***

Location: ***174 350, Novgorodskaya oblasty, Okulovka, ul. Centalnaya, 5***

The grounds to consider the company a subsidiary of the Issuer: **prevailing share of the Issuer in the authorized stock of the company**

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

This entity s share in the Issuer s charter capital: ***none***

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Issuer s dependent companies

Name: ***Open Joint Stock Company Tsaritsino Dairy***

Location: ***115201, Moscow, 1 Varshavsky proezd, d. 6/10***

The grounds to consider the company a dependent company of the Issuer: **share of the Issuer in the authorized stock of the company exceeds 20%**

Issuer s share in the charter capital of the legal entity: ***34.95%***

Issuer s share of the ordinary shares of the subsidiary: ***34.95%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Open Joint Stock Company Children s Dairy Products Factory***

Location: ***127591, Moscow, Dmitrovskoe shosse, d. 108-A***

The grounds to consider the company a dependent company of the Issuer: **share of the Issuer in the authorized stock of the company exceeds 20%**

Issuer s share in the charter capital of the legal entity: ***25.1%***

Issuer s share of the ordinary shares of the subsidiary: ***25.1%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Organization: ***OJSC Ufamolagroprom***

Location: 450038, Ufa, Internationalnaya street, d.129-a

The grounds to consider the company a dependent company of the Issuer: **share of the Issuer in the authorized stock of the company exceeds 20%**

Issuer s share in the charter capital of the legal entity: ***47.7%***

Issuer s share of the ordinary shares of the subsidiary: ***47.7%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Open Joint-Stock Company Bishkeksut***

Location: ***Kyrgyz Republic, Bishkek, Prospekt Chuy, d. 12A***

The grounds to consider the company a dependent company of the Issuer: **share of the Issuer in the authorized stock of the company exceeds 20%**

Issuer s share in the charter capital of the legal entity: ***39.66%***

Issuer s share of the ordinary shares of the subsidiary: ***39.66%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Open Joint Stock Company Nizhny Novgorod Dairy***

Location: ***603309, Nizhny Novgorod , ul.Larina, d. 19***

The grounds to consider the company a dependent company of the Issuer: **share of the Issuer in the authorized stock of the company exceeds 20%**

Issuer s share in the charter capital of the legal entity: ***44.59%***

Issuer s share of the ordinary shares of the subsidiary: ***44.59%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

Name: ***Closed Joint Stock Company Karasuk Milk***

Location: ***Russia, Novosibirskaya oblasty, Karasuk, Radischeva street, d.16***

The grounds to consider the company a dependent company of the Issuer: **share of the Issuer in the authorized stock of the company exceeds 20%**

Issuer s share in the charter capital of the legal entity: ***37.97%***

Issuer s share of the ordinary shares of the subsidiary: ***37.97%***

This entity s share in the Issuer s charter capital: ***none***

This entity s share of the ordinary shares of the Issuer: **none**

Description of the principal subsidiary s activities: production and sale of milk and sour milk products.

3.7. Composition, structure and cost of the Issuer s fixed assets, information on acquisition, replacement, withdrawal of the fixed assets, as well as on all encumbrances of the Issuer s fixed assets

3.7.1 Fixed assets

As of January 1, 2002, and January 1, 2003, the Issuer had no fixed assets on its balance sheet.

2003, thou. rubles

No	Fixed assets group	Full value before reappraisal	Residual value (after depreciation) before reappraisal	Date of reappraisal	Full value after reappraisal	Residual value (after depreciation) after reappraisal
1	Over 3 years to 5 years, inclusive	19,149	17,348	none	19,149	17,348
2	Over 5 years to 7 years, inclusive	3,325	3,224	none	3,325	3,224
3	Over 7 years to 10 years, inclusive	186	181	none	186	181
4	Value less than 10,000 rubles	1,082	0	none	1,082	0
	TOTAL	**23,742**	**20,753**		**23,742**	**20,753**

2004, thou. rubles

No	Fixed assets group	Full value before reappraisal	Residual value (after	Date of reappraisal	Full value after reappraisal	Residual value (after

			depreciation) before reappraisal			**depreciation) after reappraisal**
1	Over 2 years to 3 years, inclusive	***18***	***0***		***18***	***0***
2	Over 3 years to 5 years, inclusive	***26 551***	***16 520***	***none***	***26 551***	***16 520***
3	Over 5 years to 7 years, inclusive	***6 012***	***4 289***	***none***	***6 012***	***4 289***
4	Over 7 years to 10 years, inclusive	***1 479***	***1 365***	***none***	***1 479***	***1 365***
5	Over 10 years to 15 years, inclusive	***31***	***28***	***none***	***31***	***28***
6	Over 20 years to 25 years, inclusive	***16***	***0***	***none***	***16***	***0***
7	Value less than 10,000 rubles	***17***	***0***	***none***	***17***	***0***
	TOTAL	***34 107***	***22 202***		***34 107***	***22 202***

1 quarter 2005, thou. rubles

No	Fixed assets group	Full value before reappraisal	Residual value (after depreciation) before reappraisal