OAO LEBEDYANSKY

INTERNATIONAL FINANCIAL REPORTING STANDARDS CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004

Contents

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AUDITORS` REPORT
TO THE SHAREHOLDERS OF OAO LEBEDYANSKY

1. We have audited the accompanying consolidated balance sheet of OAO Lebedyansky and its subsidiaries (the "Group") as of 30 September 2004 and the related consolidated statements of income, of cash flows and of changes in shareholders' equity for the nine months then ended. These consolidated financial statements as set out on pages 1 to 26 are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the consolidated financial statements present fairly in all material respects, the financial position of the Group as of 30 September 2004 and the results of its operations and its cash flows for the nine months then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Moscow, Russian Federation
31 January 2005

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

	Note	30 September 2004	31 December 2003	30 September 2003
ASSETS				
Current assets:				
Cash and cash equivalents	4	16,281	3,522	1,649
Trading securities		-	-	95
Available for sale investments	5	593	834	1,049
Originated loans	6	1,221	34	-
Accounts receivable and prepayments	7	43,485	36,097	30,769
Inventories	8	29,399	31,175	26,449
Total current assets		**90,979**	**71,662**	**60,011**
Non-current assets:				
Property, plant and equipment	9	83,231	55,902	52,000
Intangible assets	10	785	280	247
Total non-current assets		**84,016**	**56,182**	**52,247**
Total assets		**174,995**	**127,844**	**112,258**
LIABILITIES & SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued expenses	11	24,520	24,850	20,864
Tax payable	12	2,073	813	888
Finance leases payable	13	3,799	3,708	3,589
Short-term borrowings	14	1,814	4,006	3,524
Other current liabilities	15	2,250	-	-
Total current liabilities		**34,456**	**33,377**	**28,865**
Non-current liabilities:				
Finance leases payable	13	9,397	12,476	12,007
Long-term borrowings	14	6,832	-	-
Government grants		90	100	106
Deferred tax liability	21	4,148	3,650	3,164
Other non-current liabilities	15	4,498	-	-
Total non-current liabilities		**24,965**	**16,226**	**15,277**
Total liabilities		**59,421**	**49,603**	**44,142**
Minority interest	22	**2,659**	**2,043**	**1,914**
Shareholders' equity:	16			
Share capital		425	423	400
Share premium		32	32	30
Presentation currency adjustment		4,565	4,393	1,789
Retained earnings		107,893	71,350	63,983
Total shareholders' equity		**112,915**	**76,198**	**66,202**
Total liabilities and shareholders' equity		**174,995**	**127,844**	**112,258**

Approved on behalf of the Board of Directors on 31 January 2005

M.B. Tavkazakov
Executive Director

D.V. Glavnov
Finance Director

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

	Note	Nine months ended 30 September 2004	30 September 2003
Sales		276,355	201,900
Cost of sales	17	(163,496)	(134,231)
Gross profit		**112,859**	**67,669**
Selling and distribution costs	18	(34,608)	(22,190)
General and administrative expenses	19	(13,494)	(8,114)
Other operating expenses, net		(630)	(390)
Operating income		**64,127**	**36,975**
Finance expenses, net	20	(3,301)	(1,602)
Net foreign exchange gains		81	86
Income before taxation		**60,907**	**35,459**
Income tax expense	21	(16,852)	(8,166)
Income after taxation		**44,055**	**27,293**
Minority interest	22	(607)	(261)
Net income		**43,448**	**27,032**
Earnings per ordinary share – basic and diluted	23	0.00212	0.00132

Approved on behalf of the Board of Directors on 31 January 2005

M.B. Tavkazakov
Executive Director

D.V. Glavnov
Finance Director

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

	Note	Nine months ended 30 September 2004	30 September 2003
Cash flows from operating activities			
Income before taxation and minority interest		60,907	35,459
Adjustments for:			
Depreciation	9	5,834	3,828
Amortisation	10	53	6
Provision for impairment of receivables	19	1,128	197
Allowance for obsolete inventory		181	64
Loss on disposal of property, plant and equipment		188	102
Interest income, expense and finance lease charges	20	292	1,602
Gain on forgiveness of interest payable	20	(1,310)	-
Provision for impairment of promissory notes and available for sale investments	20	4,319	-
Fair value gain on trading investments		-	(5)
Effect of foreign exchange on non-operating balances		224	-
Operating cash flows before working capital changes		**71,816**	**41,253**
(Increase) in accounts receivables and prepayments		(7,858)	(6,132)
(Decrease)/increase in inventories		1,870	(2,512)
(Decrease)/increase in accounts payable and accrued expenses		(258)	3,782
(Decrease) in taxes payable		(2,668)	(131)
Cash provided from operations		**62,902**	**36,260**
Income taxes paid		(12,714)	(8,210)
Interest paid		(573)	(757)
Net cash provided from operating activities		**49,615**	**27,293**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(25,826)	(7,256)
Purchase of intangible assets		(563)	(88)
Proceeds from sale of property, plant and equipment		20	-
Loans given		(5,112)	-
Receipts from repayment of loans		821	77
Interest received		371	-
Acquisition of subsidiaries		-	190
Net cash used in investing activities:		**(30,289)**	**(7,077)**
Cash flows from financing activities:			
Proceeds from borrowings		9,125	52,186
Repayment of borrowings		(4,837)	(70,275)
Repayment of finance lease liability		(3,073)	(2,517)
Payment of dividends net of withholding tax		(6,665)	-
Change in promissory notes		(954)	98
Net cash used in financing activities		**(6,404)**	**(20,508)**
Net increase/(decrease) in cash and cash equivalents		**12,922**	**(292)**
Cash and cash equivalents at the beginning of the period		**3,522**	**1,868**
Net increase/(decrease) in cash and cash equivalents		**12,922**	**(292)**
Presentation currency adjustment (Note 2)		**(163)**	**73**
Cash and cash equivalents at the end of the period	**4**	**16,281**	**1,649**

Approved on behalf of the Board of Directors on 31 January 2005

M.B. Tavkazakov
Executive Director

D.V. Glavnov
Finance Director

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

	Share capital	Share premium	Presentation currency adjustment (Note 2)	Retained earnings	Total shareholders' equity
Balance at 1 January 2003	**386**	**29**	**-**	**36,951**	**37,366**
Net income for the period	-	-	-	27,032	27,032
Presentation currency adjustment (Note 2)	14	1	1,789	-	1,804
Balance at 30 September 2003	**400**	**30**	**1,789**	**63,983**	**66,202**
Balance at 1 January 2004	**423**	**32**	**4,393**	**71,350**	**76,198**
Net income for the period	-	-	-	43,448	43,448
Dividends	-	-	-	(6,905)	(6,905)
Presentation currency adjustment (Note 2)	2	-	172	-	174
Balance at 30 September 2004	**425**	**32**	**4,565**	**107,893**	**112,915**

Approved on behalf of the Board of Directors on 31 January 2005

M.B. Tavkazakov
Executive Director

D.V. Glavnov
Finance Director

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

1. LEBEDYANSKY GROUP AND ITS OPERATIONS

OAO Lebedyansky and its subsidiaries ("the Group") principal activities are production and distribution of juices, juice based drinks and baby food juices and purees. The Group's juices and juice based drinks are distributed under brands Ya, Tonus, Fruktovy Sad, Frustail, Privet and Vitamin, baby food juices are distributed under brand Frutonyanya and Malysham and baby food purees under brand Frutonyanya. The Group's manufacturing facilities are primarily based in Lipetsk region, Russian Federation. The parent company, OAO Lebedyansky ("the Company" or "Lebedyansky") was incorporated as an open joint stock company in the Russian Federation in 1992. The Company is ultimately controlled by individuals.

The principal subsidiaries consolidated within the Group and the degree of control exercised by Lebedyansky are as follows:

			% share at		
Entity	Country of Incorporation	Activity	**30 September 2004**	**31 December 2003**	**30 September 2003**
OAO Progress	Russia	Juice production	75%	75%	75%
DP Sandance	Ukraine	Juice distribution	100%	100%	100%
Sandance Kazakhstan	Kazakhstan	Juice distribution	100%	100%	100%

At 30 September 2004 the Group employed approximately 4,164 employees (at 30 September 2003: 3,323).

The registered office of the Company is ul. Matrosova 7, Lebedyan, Lipetsk region, Russian Federation.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Group companies, registered on the territory of the Russian Federation, maintain their accounting records in Russian Rouble ("RR") and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation. The consolidated financial statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

The Group's subsidiaries are considered foreign operations integral to those of the parent, as defined by IAS 21 "The Effects of Changes in Foreign Exchange Rates", if the individual businesses operations depend on the parent company. The measurement currency of the Group's subsidiaries may be either RR or other local currency depending upon the location and nature of the activities of the particular business.

In the case of subsidiaries located in other territories, where the measurement currency is not RR, the financial statements have been measured in local currency and translated into RR at the applicable exchange rates as required by IAS 21 for inclusion in these consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, trading and available-for-sale investments are shown at fair value. The preparation of consolidated financial statements in conformity with IFRS requires management to make prudent estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements preparation and the reported amounts of revenues and expenses during the reporting period. Estimates have principally been made in respect to fair values of financial instruments and the provision for impairment of receivables. Actual results could differ from these estimates.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

These consolidated financial statements have been measured in Russian Roubles, but have been presented in US dollars ("US$") in accordance with pronouncements of Standing Interpretation Committee ("SIC") 30 "Reporting Currency – Translation from Measurement Currency to Presentation Currency". Balance sheet items have been translated at the official rate of the Central Bank of the Russian Federation at 30 September 2004 (RR 29.2171 for US$1), 31 December 2003 (RR 29.4545 for US$1) and 30 September 2003 (RR 30.6119 for US$1), respectively. Income and expense items have been translated at the exchange rates that approximate the actual exchange rates existing at the dates of the transactions. All exchange differences resulting from the presentation translation have been recognised directly in equity. Management believes that presentation of these consolidated financial statements in US dollars will be convenient for users of these consolidated financial statements.

The US$ amounts should not be construed as a representation that the RR amounts have been or could have been converted to US$ at this rate.

IAS 34 "Interim Financial Reporting" requires the Group to present in its interim consolidated financial statements balance sheet as of the end of the current interim period and a comparative balance sheet as of the end of the immediately preceding financial year. Management has also presented balance sheet at 30 September 2003 for convenience of users of these consolidated financial statements.

Accounting for the effect of inflation

Prior to 1 January 2003 the adjustments and reclassifications made to the statutory records for the purpose of IFRS presentation included the restatement of balances and transactions for the changes in the general purchasing power of the RR in accordance with International Accounting Standard ("IAS") 29 "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflationary has ceased, effective from 1 January 2003 the Group no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts in these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Group accounting

Subsidiary undertakings

Subsidiary undertakings, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to govern the financial and operating polices, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Minority interest at the balance sheet date represents the minority shareholders' portion of the pre-acquisition fair values of the identifiable assets and liabilities of the subsidiary at the acquisition date, and the minorities' portion of movements in equity since the date of the combination. Minority interest is presented separately from liabilities and shareholders' equity.

Associated undertakings

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group generally has between 20% and 50% of the voting rights, or otherwise the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associated undertakings includes goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking.

3.2 Investments

The Group classified its investments into the following categories: trading, held-to-maturity and available-for-sale. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognised on the settlement date, which is the date that the investment is delivered to or by the Group. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value, whilst held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments and of available-for-sale investments are included in the consolidated statement of operations in the period in which they arise.

3.3 Cash and cash equivalents

Cash comprise cash in hand and cash held on demand with banks.

3.4 Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Value added tax

Value added taxes related to sales is payable to tax authorities upon collection of receivables from customers. Input VAT is reclaimable against sales VAT upon payment for purchases. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date is recognised in the balance sheet on a gross basis and disclosed separately as a current asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

3.6 Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overhead (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

3.7 Property, plant and equipment

Property, plant and equipment are recorded at purchase or construction cost. At each reporting date the management assess whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's net selling price and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the statement of operations. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the assets recoverable amount.

Depreciation is calculated on the restated amounts of property, plant and equipment on a straight-line basis. The depreciation periods, which approximate to the estimated useful economic lives of the respective assets, are as follows:

	Number of years
Buildings and constructions	10 to 50
Machinery and equipment	7 to 15
Computer Hardware	3 to 5
Motor Vehicles	3 to 7

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised and the assets replaced are retired. Gains and losses arising from the retirement of property, plant and equipment are included in the consolidated statement of income as incurred.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

3.8 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisition of subsidiary undertakings is included in intangible assets. Goodwill on acquisition of associated undertakings is included in investments in associated undertakings. Goodwill is amortised using the straight-line method over its estimated useful life of ten years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Intangible assets (continued)

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the disposed entity.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classifications as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the statement of operations when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the statement of operations over the remaining weighted average useful life of depreciable and amortisable assets acquired; negative goodwill in excess of the fair values of those assets is recognised in the consolidated statement of operations immediately.

Other intangible assets

Expenditure on acquired patents, trademarks and licences is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 20 years.

Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill, is assessed and, when impaired, the asset is written down immediately to its recoverable amount.

3.9 Borrowings

Borrowings are recognised initially at the fair value of the proceeds received (which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price), net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings.

3.10 Deferred income taxes

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3.11 Foreign currency transactions

Monetary assets and liabilities, which are held by Group entities and denominated in foreign currencies at 30 September 2003, are translated into the RR at the exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the statement of income.

The official rate of exchange, as determined by the Central Bank of the Russian Federation, was US dollar (US$) 1=RR 29.2171 at 30 September 2004, US$1= 29.4545 at 31 December 2003 and US$1= 30.6119 and 30 September 2003. Exchange restrictions and currency controls exist relating to converting the RR into other currencies. The RR is not freely convertible in most countries outside of the Russian Federation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Shareholders' equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as a share premium.

Treasury shares

Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid including any attributable transaction costs net of income taxes is deducted from total shareholders' equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

3.13 Revenue recognition

Sales are recognised upon transfer of title for goods in accordance with the terms of contract or as services are provided as this is the date that the risks and rewards of ownership are transferred to the customers. Sales are shown net of VAT, sales tax and discounts, and after eliminating sales within the Group.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up.

3.14 Employee benefits

Social costs

The Group incurs employee costs related to the provision of benefits such as medical insurance, which are included in labour costs.

Pension costs

In the normal course of business the Group contributes to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred. Discretionary pensions and other post-employment benefits are included in labour costs in the statement of income, however, separate disclosures are not provided as these costs are not material.

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Accounting for finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the shorter of the useful life of the asset or the lease term, if there is no reasonable certainly that the lessee will obtain ownership by the end of lease term.

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of operations on a straight-line basis over the period of the lease.

3.16 Government grants

Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants related to assets are recognized on the balance sheet as deferred income, which is recognised as income in the consolidated statement of income on a systematic and rational basis over the useful life of the asset.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	30 September 2004	31 December 2003	30 September 2003
RR denominated cash on hand and balances with banks	16,197	3,122	1,567
Foreign currency denominated balances with bank (Ukrainian hryvna)	34	359	82
Foreign currency denominated balances with bank (Kazakhstan tenge)	50	41	-
	16,281	**3,522**	**1,649**

Cash balance with banks bears interest from 0.5 to 6.35% per annum depending on the level of daily balances.

5. AVAILABLE FOR SALE INVESTMENTS

	30 September 2004	31 December 2003	30 September 2003
OOO Pervomayskoe promissory notes (Note 25)	1,191	637	679
Impairment reserve for OOO Pervomayskoe promissory notes (Note 25)	(1,191)	-	-
OOO Pharma Trade promissory notes (Note 25)	513	-	-
Sberbank promissory notes	-	-	252
Other	80	197	118
	593	**834**	**1,049**

Promissory notes issued by OOO Pervomayskoe and OOO Pharma Trade are interest free and redeemable upon demand. Promissory notes issued by Sberbank bear interest 10% and are redeemable upon demand.

Management believes that the fair value of these notes is not materially different from their carrying amounts, except for OOO Pervomayskoe promissory notes which were impaired at 30 September 2004.

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

6. ORIGINATED LOANS

	30 September 2004	31 December 2003	30 September 2003
Loan issued to OOO Orisfey (Note 25)	4,301	-	-
Impairment reserve for loan granted to OOO Orisfey (Note 25)	(3,080)	-	-
Other	-	34	
	1,221	**34**	**-**

In 2004 the Group provided the RR denominated loan to OOO Orisfey, a related party (Note 25). The loan bears interest at 2% and is payable on demand.

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Accounts receivable and prepayments comprise the following:

	30 September 2004	31 December 2003	30 September 2003
Trade receivables (net of provision for impairment of receivables of US$ 2,589, US$ 1,469 and US$ 635 at 30 September 2004, 31 December 2003 and 30 September 2003, respectively)	21,742	19,797	16,240
VAT recoverable	14,792	12,858	10,557
Advances to suppliers and other receivables	6,951	3,347	3,972
Profit tax advance	-	95	-
	43,485	**36,097**	**30,769**

US$ 570, US$ 449 and US$ 382 of net trade receivables are denominated in foreign currency, mainly Ukrainian hryvna, at 30 September 2004, 31 December 2003 and 30 September 2003, respectively.

8. INVENTORIES

Inventories comprise the following:

	30 September 2004	31 December 2003	30 September 2003
Raw materials	19,318	21,167	17,173
Work in progress	2,001	913	493
Finished products	8,324	9,160	8,914
Less obsolescence provision	(244)	(65)	(131)
	29,399	**31,175**	**26,449**

Inventories with carrying value of US$ 5,311, US$ 2,951 and US$ 17,537 per statutory financial statements have been pledged as collateral for borrowings at 30 September 2004, 31 December 2003 and 30 September 2003 respectively (Note 14).

The Group also pledged inventories with carrying value of US$ 2,297 per statutory financial statements at 30 September 2004 for bank loans raised by OOO Pervomayskoe (Note 25).

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation consist of the following:

	Buildings and constructions	Machinery and equipment	Computer hardware	Motor vehicles	Other	Assets under construction and advances	Total
Cost							
Balance at 31 December 2003	11,866	47,128	758	3,501	1,491	7,854	72,598
Additions	4	8,131	45	431	68	24,940	33,619
Disposals	(91)	(648)	(5)	(149)	(44)	(25)	(962)
Internal movements	5,597	16,799	226	1,836	300	(24,758)	-
Presentation currency adjustment (SIC 30)	35	118	6	5	7	81	252
Balance at 30 September 2004	17,411	71,528	1,030	5,624	1,822	8,092	105,507
Accumulated Depreciation							
Balance at 31 December 2003	(1,568)	(12,737)	(310)	(1,367)	(714)	-	(16,696)
Depreciation charge	(483)	(4,240)	(187)	(756)	(168)	-	(5,834)
Disposals	24	206	2	70	12	-	314
Presentation currency adjustment (SIC 30)	(8)	(60)	9	5	(6)	-	(60)
Balance at 30 September 2004	(2,035)	(16,831)	(486)	(2,048)	(876)	-	(22,276)
Net Book Value							
Balance at 31 December 2003	**10,298**	**34,391**	**448**	**2,134**	**777**	**7,854**	**55,902**
Balance at 30 September 2004	**15,376**	**54,697**	**544**	**3,576**	**946**	**8,092**	**83,231**

Leased assets included in the table above, where the Group is a lessee under a finance lease arrangements, comprise machinery and equipment:

	30 September 2004	31 December 2003	30 September 2003
Cost: capitalised finance leases	33,916	26,019	23,850
Accumulated depreciation	(5,806)	(3,918)	(3,272)
Net book amount	**28,110**	**22,101**	**20,578**

The additions of finance leases in the nine months ended 30 September 2004 and 30 September 2003 amounted to US$ 7,773 and US$ 2,097 respectively.

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment and related accumulated depreciation consist of the following:

	Buildings and constructions	Machinery and equipment	Computer hardware	Motor vehicles	Other	Assets under construction and advances	Total
Cost							
Balance at 31 December 2002	4,100	28,915	473	1,989	1,210	11,111	47,798
Acquisition of subsidiaries (Note 24)	2,955	4,674	17	95	30	-	7,771
Additions	-	2,219	30	641	-	6,266	9,156
Disposals	(8)	(258)	(13)	(22)	(31)	-	(332)
Internal movements	3,391	7,513	158	415	358	(11,835)	-
Presentation currency adjustment (SIC 30)	312	1,403	21	93	52	356	2,237
Balance at 30 September 2003	10,750	44,466	686	3,211	1,619	5,898	66,630
Accumulated Depreciation							
Balance at 31 December 2002	(948)	(8,158)	(136)	(801)	(539)	-	(10,582)
Depreciation charge	(352)	(2,748)	(125)	(347)	(256)	-	(3,828)
Disposals	-	200	4	12	14	-	230
Presentation currency adjustment (SIC 30)	(40)	(344)	(7)	(35)	(24)	-	(450)
Balance at 30 September 2003	(1,340)	(11,050)	(264)	(1,171)	(805)	-	(14,630)
Net Book Value							
Balance at 31 December 2002	**3,152**	**20,757**	**337**	**1,188**	**671**	**11,111**	**37,216**
Balance at 30 September 2003	**9,410**	**33,416**	**422**	**2,040**	**814**	**5,898**	**52,000**

Bank borrowings were secured on properties to the value of US$ 92 at 31 December 2002. No properties have been pledged at 30 September 2004, 31 December 2003 and at 30 September 2003.

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

10. INTANGIBLE ASSETS

	Negative Goodwill	Goodwill	Other	Total
Cost				
Balance at 31 December 2003	(664)	594	334	264
Additions	-	-	563	563
Disposals	-	-	-	-
Presentation currency adjustment (SIC 30)	(5)	5	(5)	(5)
Balance at 30 September 2004	(669)	599	892	822
Accumulated Amortisation				
Balance at 31 December 2003	78	(54)	(8)	16
Amortisation charge	51	(45)	(59)	(53)
Disposals	-	-	-	-
Presentation currency adjustment (SIC 30)	-	-	-	-
Balance at 30 September 2004	129	(99)	(67)	(37)
Net Book Value				
Balance at 31 December 2003	**(586)**	**540**	**326**	**280**
Balance at 30 September 2004	**(540)**	**500**	**825**	**785**

	Negative Goodwill	Goodwill	Other	Total
Cost				
Balance at 31 December 2002	-	-	21	21
Additions	-	-	88	88
Additions from consolidation of subsidiaries (Note 24)	(615)	551	204	140
Disposals	-	-	-	-
Presentation currency adjustment (SIC 30)	(24)	21	10	7
Balance at 30 September 2003	(639)	572	323	256
Accumulated Amortisation				
Balance at 31 December 2002	-	-	(3)	(3)
Amortisation charge	54	(41)	(19)	(6)
Disposals	-	-	-	-
Presentation currency adjustment (SIC 30)	2	(2)	-	-
Balance at 30 September 2003	56	(43)	(22)	(9)
Net Book Value				
Balance at 31 December 2002	**-**	**-**	**18**	**18**
Balance at 30 September 2003	**(583)**	**529**	**301**	**247**

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	30 September 2004	31 December 2003	30 September 2003
Trade payable	20,372	21,162	18,063
Accrued salaries and bonuses to personnel	2,408	1,543	1,286
Advances received	186	399	307
Payable for property, plant and equipment	1,554	461	362
Accrued liabilities and other creditors	-	1,285	846
	24,520	**24,850**	**20,864**

US$ 11,988, US$ 16,758 and US$ 12,000 of trade payables are denominated in foreign currency, mainly US Dollar, Euro and Swedish Krona at 30 September 2004, 31 December 2003 and 30 September 2003, respectively.

US$ 1,462, US$ 461 and US$ 346 of payables for property, plant and equipment are denominated in foreign currency, mainly US Dollar and Euro at 30 September 2004, 31 December 2003 and 30 September 2003, respectively.

12. TAX PAYABLE

	30 September 2004	31 December 2003	30 September 2003
Income tax	1,166	-	227
Payroll taxes	725	560	382
Property tax	132	226	222
Other taxes	50	27	57
	2,073	**813**	**888**

The Group settled income tax liability in the amount of US$ 2,401 against VAT recoverable for the nine months ended 30 September 2004.

13. FINANCE LEASES PAYABLE

The maturity of finance leases liabilities (minimum lease payments) is as follows:

	30 September 2004	31 December 2003	30 September 2003
Finance leases liabilities – minimum lease payments			
Not later that 1 year	4,272	4,216	4,118
Later than 1 year and not later that 5 years	7,447	10,739	10,163
Later that 5 years	2,871	2,537	2,716
	14,590	17,492	16,997
Future finance charges on finance leases	(1,394)	(1,308)	(1,401)
Present value of finance leases liabilities	13,196	16,184	15,596
Not later that 1 year	3,799	3,708	3,589
Later than 1 year and not later that 5 years	6,644	10,028	9,392
Later that 5 years	2,753	2,448	2,615
	13,196	16,184	15,596

The Group leases machinery and equipment for a period of 60-96 months with the option to acquire leased assets at 5% of contract value at the end of the lease. Interest rates for finance leases are determined as LIBOR plus premium within the range of 1.65% - 4.5%.

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

14. SHORT-TERM AND LONG-TERM BORROWINGS

Borrowings by principal lender and period to maturity may be analysed as follows:

	30 September 2004	31 December 2003	30 September 2003
Short-term borrowings			
Loan from Sberbank	294	-	2,517
Loan from Alfa Bank	-	4,001	1,000
Loan from Lipetsk regional government	2	5	7
Current portion of loan from BCEN-Eurobank	1,518	-	-
Total short-term borrowings	**1,814**	**4,006**	**3,524**
Long-term borrowings			
Loan from BCEN-Eurobank	6,832	-	-
Total long-term borrowings	**6,832**	**-**	**-**

The loan obtained from Sberbank in 2004 was denominated in RR, secured by finished goods and bore interest at the rate of 10.3% per annum. The loan was repaid in November 2004. Under a special government program two-thirds of the interest rate was compensated by Lipetsk regional government as loan was used for purchase of agriculture products.

The loans obtained from Sberbank in 2003 were denominated in RR, secured by raw materials and finished goods and bore interest at the rate of 11-12% per annum. The loans were repaid in November-December 2003.

The loan obtained from Alfa Bank in 2003 was denominated in US$, secured by finished goods and bore interest at the rate of 6.5% per annum. The loan was repaid in January 2004.

The loan obtained from Lipetsk regional government in 2002 was denominated in RR, non-secured and interest free.

The loan obtained from BCEN-Eurobank in 2004 is denominated in Euro, unsecured and bore interest at the rate of three months EURIBOR plus 1% per annum. Under the terms of the agreement the loan should be used for acquisition of juice production equipment. The loan is due in March 2010 and repayable as follows:

	30 September 2004
1 to 2 years	1,518
2 to 3 years	1,518
3 to 4 years	1,518
4 to 5 years	1,518
Over 5 years	760
	6,832

Management believes that the fair value of these borrowings is not materially different from their carrying amounts.

In June 2004 the Group signed a loan agreement with International Finance Corporation ('IFC'). Under the terms of the agreement IFC grants the Group with funds up to US$ 35 mln. at the rate of LIBOR plus 3.5% to finance part of the Group's investment program. The Group had to request first tranche of the loan by 30 June 2005. The Group did not request cash neither at 30 September 2004 nor at the date when these consolidated financial statements were authorized for issue.

15. OTHER CURRENT AND NON-CURRENT LIABILITIES

In 2004 the Group received a compensation for planned increase in supply materials prices. The Group recognized a discount amounted to US$ 6,748 as deferred income at 30 September 2004, which is written to consolidated statement of income on a straight line basis till 2007, the date when supply materials purchase agreement expires.

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

16. SHAREHOLDERS' EQUITY

	Number of shares	Share Capital	Share Premium	Total
At 1 January 2003	7	386	29	415
Issue of shares	-	-	-	-
Presentation currency adjustment	-	14	1	15
At 30 September 2003	**7**	**400**	**30**	**430**
At 1 January 2004	91	423	32	455
Conversion of shares	20,411,209	-	-	-
Presentation currency adjustment	-	2	-	2
At 30 September 2004	**20,411,300**	**425**	**32**	**457**

The issued share capital value was US$ 400 at 30 September 2003 (nominal value was RR 15,701). The authorized number of ordinary shares was 91 at 30 September 2003 with a nominal value per share of RR 2,243. Seven ordinary shares out of 91 authorized were issued and fully paid at 30 September 2003.

In 2003 the Group issued 84 shares with a nominal value RR 2,243 per share to the shareholders by capitalising retained earnings.

In January 2004 91 shares with a nominal value RR 2,243 per share were converted to 20,411,300 shares with a nominal value RR 0.01 per share. The total nominal value of share capital did not change as a result of this transaction.

In March 2004 the Group declared dividends in the amount of US$ 6,905 (RR 9.82 per ordinary share).

The issued share capital value was US$ 425 at 30 September 2004 (nominal value was RR 15,701). The authorized and issued number of ordinary shares was 20,411,300 at 30 September 2004 with a nominal value per share of RR 0.01. All the shares were fully settled at 30 September 2004.

In 2002 the Group acquired own shares from shareholders and sold them to other shareholders with US$ 29 premium to par value.

The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. For the nine months ended 30 September 2004 net statutory profit for the Company as reported in the statutory reporting forms was US$ 47,944 at average exchange rate of RR 28.9 per US$. However, this legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial statements.

17. COST OF SALES

The components of cost of sales were as follows:

	Nine months ended 30 September 2004	Nine months ended 30 September 2003
Materials and components used	147,166	121,970
Labour costs	6,406	4,828
Production overheads	5,332	4,386
Depreciation	4,592	3,047
	163,496	**134,231**

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

18. SELLING AND DISTRIBUTION COSTS

Selling and distribution costs comprise:

	Nine months ended 30 September 2004	Nine months ended 30 September 2003
Transportation	10,553	6,909
Advertising	9,638	6,858
Labour costs	9,577	5,352
Warehousing	3,573	2,550
Other	1,267	521
	34,608	**22,190**

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise:

	Nine months ended 30 September 2004	Nine months ended 30 September 2003
Labour costs	6,005	3,170
Depreciation	1,242	781
Taxes (mainly property tax)	346	613
Provision for impairment of receivables	1,128	197
Other	4,773	3,353
	13,494	**8,114**

20. FINANCE INCOME/(EXPENSE)

The components of finance income/(expense) were as follows:

	Nine months ended 30 September 2004	Nine months ended 30 September 2003
Interest expense on bank loans, net of compensation received from Government of Lipetsk region (Note 14)	(148)	(1,101)
Interest income on originated loans and bank deposits	399	-
Finance lease charge	(543)	(501)
Impairment of loan granted to OOO Orisfey (Note 6, 25)	(3,080)	-
Impairment of promissory notes of OOO Pervomayskoe and other investments (Note 5, 25)	(1,239)	-
Gain due to forgiveness of interest payable to Tetra Laval	1,310	-
	(3,301)	**(1,602)**

Under agreement signed in 2004 Tetra Laval cancelled interest payable accrued on liability of OAO Progress, a subsidiary of the Group. The Group recognised income on forgiveness of interest payable in the nine months ended 30 September 2004.

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

21. INCOME TAX EXPENSE

The components of income tax expense were as follows:

	Nine months ended 30 September 2004	Nine months ended 30 September 2003
Income tax expense – current	16,382	8,540
Deferred tax expense/(income) – origination and reversal of temporary differences	250	(374)
Deferred tax expense – effect of change in the effective tax rate	220	-
Income tax expense	**16,852**	**8,166**

Income before taxation for financial reporting purposes is reconciled to tax expense as follows:

	Nine months ended 30 September 2004	Nine months ended 30 September 2003
Income before taxation	**60,907**	**35,459**
Theoretical tax charge at statutory rate of 24%	14,618	8,510
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductible expenses:		
Write-off of spoiled finished goods and raw materials shortages	128	244
Non-production unit expenses	127	103
Penalties	33	16
Provision against promissory notes and available for sale investments	1,036	-
Other	777	327
Change in the effective tax rates	220	-
Statutory tax concession	(87)	(786)
Investment in associated companies	-	(248)
Consolidated tax charge	**16,852**	**8,166**

While most companies of the Group were subject to tax rates of 24% on taxable profits for the nine months ended 30 September 2004 and 2003, the Company had a statutory profits tax concession, which was fully utilised in 2004. Profit derived from the sale of finished goods produced on equipment purchased during 2003 were taxed at 20%, all other profit derived was taxed at 24%.

Deferred tax assets/liabilities were measured at the effective rate of 22% at 30 September 2003 and 31 December 2003, as this was the rate, that was expected to apply to the period, when the asset was realised or the liability was settled. In 2004 the statutory profits tax concession was fully utilized and deferred tax assets/liabilities were measured at the statutory tax rate of 24%.

The net effect of the changes on deferred tax balances recognised at 30 September 2004 and 30 September 2003 are reflected in the consolidated statements of income for the nine months ended 30 September 2004 and 30 September 2003 respectively.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, deferred tax asset of one company of the Group is not offset against deferred tax liability of another company.

The Company has not recognised deferred tax liability of US$ 975, US$ 539 and US$ 376 at 30 September 2004, 31 December 2003 and 30 September 2003 in respect of temporary differences associated with investments in subsidiaries as the Company is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

Net deferred tax liability in the amount of US$ 3,284, US$ 2,623 and US$ 3,723 at 30 September 2004, 31 December 2003 and 30 September 2003 respectively is expected to be settled after more than 12 months from balance sheet dates.

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

21. INCOME TAX EXPENSE (continued)

	31 December 2003	Effect of change in tax rate	31 December 2003	Differences recognition and reversals	Presentation currency adjustment	30 September 2004
Tax effects of deductible temporary differences:						
Provision for impairment of receivables	138	8	146	(149)	3	-
Accounts payable	5,139	439	5,578	1,347	30	6,955
Inventories	-	-	-	198	(2)	196
Tax effects of taxable temporary differences:						
Provision for impairment of receivables	-	-	-	(96)	1	(95)
Property, plant and equipment	(8,287)	(611)	(8,898)	(1,948)	(50)	(10,896)
Other	(640)	(56)	(696)	398	(10)	(308)
Total net deferred tax (liability)/assets	**(3,650)**	**(220)**	**(3,870)**	**(250)**	**(28)**	**(4,148)**

	31 December 2002	Differences recognition and reversals	Acquisition of subsidiary	Presentation currency adjustment	30 September 2003
Tax effects of deductible temporary differences:					
Provision for impairment of receivables	52	44	44	4	144
Accounts payable	3,366	(21)	287	140	3,772
Inventories	231	(98)	16	8	157
Other	369	701	4	24	1,098
Tax effects of taxable temporary differences:					
Property, plant and equipment	(5,933)	(430)	(1,622)	(254)	(8,239)
Investment in associated companies	(242)	248	-	(6)	-
Other	-	(70)	(24)	(2)	(96)
Total net deferred tax (liability)/assets	**(2,157)**	**374**	**(1,295)**	**(86)**	**(3,164)**

22. MINORITY INTEREST

	2004	2003
Balance at 1 January	2,043	-
Acquired in a business combination (Note 24)	-	1,588
Share of net income of subsidiaries	607	261
Presentation currency adjustment	9	65
Balance at 30 September	**2,659**	**1,914**

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

22. MINORITY INTEREST (continued)

	2003
Balance at 1 January	-
Acquired in a business combination	1,588
Share of net income of subsidiaries	315
Presentation currency adjustment	140
Balance at 31 December	**2,043**

23. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net income attributable to participating shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares for the nine months ended 30 September 2003 was adjusted for the effect of shares conversion (Note 16) that has changed the number of ordinary shares outstanding without a corresponding change in resources.

	30 September 2004	30 September 2003
Weighted average number of ordinary shares outstanding	20,411,300	20,411,300
Net income	43,448	27,032
Basic and diluted earnings per share	**US$ 0.00212**	**US$ 0.00132**

24. ACQUISITION OF OAO PROGRESS

In June 2001 the Company acquired 49% of issued share capital of OAO Progress, a juice production plant located in Lipetsk region, Russian Federation, for a consideration US$ 1,695 of cash.

In January 2003 the Company acquired a further 26% of issued share capital of OAO Progress for US$ 2,202. The Group's share in share capital of OAO Progress increased to 75%. The goodwill (negative goodwill) calculated as the difference between the acquisition cost and the fair value of net assets acquired was recorded in the consolidated financial statements of the Group. Goodwill (negative goodwill) is amortised on a regular basis over a period of 10 years, which has been determined by management as the useful life of this asset.

Goodwill (negative goodwill) was computed as follows:

	49% shares	26% shares
Total acquisition cost	1,695	2,202
Group's share in fair value of assets and liabilities at acquisition date	2,419	1,652
Goodwill	(724)	551

Assets and liabilities of companies acquired amounted to:

	49% shares	26% shares
Cash and cash equivalents	76	190
Property, plant and equipment (Note 9)	8,606	7,771
Intangible assets (Note 10)	189	204
Long-term investments	96	-
Inventory	2,839	3,586
Accounts receivable	1,474	2,123
Short-term investments	15	87
Accounts payable	(4,024)	(4,467)
Borrowings	(2,390)	(1,845)
Net deferred tax liability (Note 21)	(1,945)	(1,295)
Fair value of net assets	4,936	6,354
Group share in fair value of net assets acquired	**2,419**	**1,652**

24. ACQUISITION OF OAO PROGRESS (continued)

In the nine months to 30 September 2003 acquisition of OAO Progress contributed US$ 9,563 to the sales and US$ 1,044 to the net profit of the Group.

25. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 September 2004 are detailed below.

i OOO Pervomayskoe

OOO Pervomayskoe is a company controlled by the majority shareholders of the Group. In the nine months ended 30 September 2003 the Group purchased 1,865 thousand kg apricots, 1,114 thousand kg carrots and 4,972 thousand kg beetroots and other vegetables and materials from OOO Pervomayskoe in the amount of US$ 1,027. The Group purchased fruits and other materials from OOO Pervomayskoe in the amount of US$ 36 for the nine months ended 30 September 2004. The Group had a trade payable to OOO Pervomayskoe amounting to US$ nil, US$ 10 and US$ 205 at 30 September 2004, 31 December 2003 and 30 September 2003 respectively.

The Group sold to OOO Pervomayskoe equipment and finished goods in the amount of US$ 536 for the nine months ended 30 September 2004. Receivable from OOO Pervomayskoe were US$ 592 at 30 September 2004 and US$ nil at 31 December 2003 and 30 September 2003.

The Group acquires promissory notes of OOO Pervomayskoe at par value. The notes are interest free and payable upon demand. The Group held US$ 1,191, US$ 637 and US$ 679 of promissory notes issued by OOO Pervomayskoe at 30 September 2004, 31 December 2003 and 30 September 2003 respectively. At 30 September 2004 management recognised impairment loss in the amount of US$ 1,191 in income statement against promissory notes of OOO Pervomayskoe (Note 5, 20).

The Group also pledged inventories with carrying value US$ 2,297 at 30 September 2004 for bank loans raised by OOO Pervomayskoe (Note 8).

ii OOO Orisfey

OOO Orisfey is the company engaged in the production and sale of low alcoholic cocktails and is controlled by one of the Group's shareholders.

In April 2004 the Group and OOO Orisfey entered into a licensing agreement, pursuant to which OOO Orisfey acquired the right to use the Company's registered trademark "Trex Trax" for a period of two years for its products. The amount payable to the Company under the licensing agreement is RUR 10,000 per year.

In 2004 the Group provided OOO Orisfey with a RR denominated loan in the amount of US$ 5,112 for the acquisition of equipment and maintaining working capital. The loan bore interest of 2% per annum and was due by April 2005. The Group recognized interest income in the amount of US$ 22 in the nine months ended 30 September 2004. In the nine months ended 30 September 2004 OOO Orisfey repaid US$ 821 of the loan. The amount of loan principle due from OOO Orisfey was US$ 4,301 at 30 September 2004 (Note 6). At 30 September 2004 management recognised an impairment loss in the amount of US$ 3,080 in the consolidated income statement against this loan (Note 6, 20). The amount of interest receivable from OOO Orisfey included in originated loans balance (Note 7) was US$ 22 at 30 September 2004.

25. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

ii OOO Orisfey (continued)

The Group incurred advertising and marketing expenses in the amount of US$ 946 on behalf of OOO Orisfey and recharged these expenses to OOO Orisfey at cost. At September 2004 US$ 946 was due from OOO Orisfey. The amount is included in advances to suppliers and other receivable balance (Note 7).

iii OOO Pharma Trade

OOO Pharma Trade is a company owned by OOO Orisfey and is engaged in the production and sale of oxygenated cocktails. In 2004 the Group acquired RR denominated, interest free and payable upon demand promissory notes of OOO Pharma Trade at par value US$513 (Note 5).

iv OOO Assol

OOO Assol is a company engaged in the distribution of the Group's products (representing 18% of total sales during 2004, until the Group ceased distribution contract) and a supplier to the Group of granulated sugar and corrugated cardboard products. In June 2004 shareholders of OOO Assol acquired a stake in the Company and shareholders of the Group acquired stake in OOO Assol. As a result OOO Assol became a related party of the Group. In January 2002, the Group and OOO Assol entered into a distribution agreement, pursuant to which OOO Assol became a distributor of juices and baby food produced by the Group to 24 regions of the Russian Federation. Pursuant to the distribution agreement, the Group may grant to its distributor a commercial credit in the form of deferral or instalment payments and discounts based on volume of products sold. The distribution agreement was concluded for a term of up to one year and was further extended to 31 December 2004. For the period from July 2004 till 30 September 2004 the Group has sold to OOO Assol juices in the amount of US$ 5,896, net of discount in the amount of US$ 338. The Group has ceased shipments of goods to OOO Assol since August 2004, as contracts with final customers have been transferred from OOO Assol to the Group.

In 2003 the Group and OOO Assol entered into a supply contract, pursuant to which OOO Assol had to deliver granulated sugar in amounts to be specified in the future up to a total amount of RR 300 mln. The term of the supply contract expires on 31 December 2005 (with the right of further extension for an additional year).

In January 2004 the Group and OOO Assol entered into a supply contract, pursuant to which OOO Assol had to deliver corrugated cardboard products in amounts and at a price to be specified by the parties in the future. The contract expires on 31 December 2004 (with the right of further extension for an additional year).

For the period from June 2004 till 30 September 2004 the Group has purchased from OOO Assol 4,394 thousand kg sugar in the amount of US$ 2,353 and package materials in the amount of US$ 1,627.

The Group's accounts receivable from OOO Assol were US$ nil and accounts payable to OOO Assol were US$ 356 at 30 September 2004.

v Transactions with shareholders

In 2002 the Group sold treasury shares to one of the shareholders for US$ 30. The amount is payable in equal instalments up to 31 March 2006. Shareholders settled the amount in 2004. The Group had receivables from shareholders in the amount of US$ nil at 30 September 2004 and US$ 30 at 31 December 2003 and 30 September 2003.

In the nine months ended 30 September 2003 the Group acquired a motor vehicle from one of the shareholders for US$ 10. The amount was settled in 2004.

vi Directors' compensation

Compensation paid to directors for their services in full or part time executive management positions is made up of a contractual salary and a performance bonus depending on operating results.

Discretionary bonuses are also payable to directors, which are approved by the shareholders, provided the Group has profit for the year.

(all items are measured in Russian Roubles and presented in thousands of US Dollars (Note2))

25. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

vi Directors' compensation (continued)

Total compensation of key management personnel including discretionary bonuses recorded in general and administrative expenses in the consolidated statement of income amounted to US$ 1,278 and US$ 718 for the nine months ended 30 September 2004 and 30 September 2003 respectively.

26. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

i Contractual commitments and guarantees

The Group had contractual commitments for the purchase of property, plant and equipment from third parties for US$ nil, US$ 5,998 and US$ 857 at 30 September 2004, 31 December 2003 and 30 September 2003.

ii Operating leases

The Group future minimum lease payments under non-cancellable operating leases comprised US$ 1,602 at 30 September 2004 There were no non-cancellable operating lease obligations at 31 December 2003 and 30 September 2003. The maturity of operating lease liabilities (minimum lease payments) is as follows:

	30 September 2004	31 December 2003	30 September 2003
Committed to pay			
Not later that 1 year	704	-	-
Later than 1 year and not later that 5 years	898	-	-
Later that 5 years	-	-	-
Total non-cancellable operating lease liabilities	1,602	-	-

iii Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

At 30 September 2004 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these consolidated financial statements.

iv Insurance policies

The Group holds no insurance policies in relation to its assets or operations, or in respect of public liability or other insurable risks, with the exception of insurance policies covering equipment leased under finance lease agreements and motor vehicles. Under loan agreement with IFC (Note 14) the Group insured buildings, equipment and inventory for the annual period beginning from August 2004, but under terms of insurance police IFC is a beneficiary.

v Environmental matters

The enforcement of environmental regulation in Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

26. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (continued)

vi Legal proceedings

During the year, the Group was involved in a number of court proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

vii Operating environment of the Group

The Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

Whilst there have been improvements in the economic trends, the future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the government, together with tax, legal, regulatory, and political developments.

27. FINANCIAL RISKS

i Credit risk

Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables, available for sale investments and originated loans. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of accounts receivable (net of provision for impairment of receivables), originated loans and available for sale investments represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

ii Foreign exchange risk

The Group consumes supply materials with US$ and Euro denominated prices and exports production to CIS countries (Ukraine, Kazakhstan) and thus exposed to foreign exchange risk. Foreign currency denominated assets (see Note 7) and liabilities (see Note 11, 13 and 14) give rise to foreign exchange exposure. The Group's finance leases payable is denominated in US$ and Euro (Note 13).

The Group does not have formal arrangements to mitigate foreign exchange risks of the Group's operations.

iii Interest rate risk

The Group is exposed to interest rate risk through fluctuations of market interest rates (EURIBOR, LIBOR) to which interest-bearing long-term borrowings (Note 14) and finance lease liabilities (Note 13) are linked. The interest rates on short-term borrowings are fixed, these are disclosed in Note 14. The Group has no significant interest-bearing assets.

iv Fair values

The fair value of publicly traded trading and available-for-sale securities is based on quoted market prices at the balance sheet date. In assessing the fair value of non-traded financial instruments the Group uses a variety of methods including estimated discounted value of future cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.

28. SUBSEQUENT EVENTS

In November 2004 the Group declared interim dividends in the amount of US$ 11,200 (RR 16.6 per share). The dividends were paid in December 2004.