WIMM BILL DANN FOODS OJSC
Form 6-K
March 16, 2004

# FORM 6-K

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

**Report of Foreign Issuer**
**March 12, 2004**

**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

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**QUARTERLY REPORT**

**of Issuer of Emissive Securities**

**for the fourth quarter of 2003**

**OPEN JOINT STOCK COMPANY WIMM-BILL-DANN FOODS**

**Issue s code** **06005−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 06.10.2003 No. 06/10 | /s/ R.V.Bolotovsky | R.V. Bolotovsky |
| 13 February 2004 | | |
| Chief Accountant | V.V. Khaminov | V.V. Khaminov |
| 13 February 2004 | | |

(place for stamp)

Contact person: ***Kolesnikov Ilya Michailovich***

***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/**

2

**Table of contents**

## A. DATA ON ISSUER

**Issuer s full proprietary name.**

Open Joint Stock Company Wimm-Bill-Dann Foods

**Abbreviated name.**

WBD Foods

**Data on Issuer s contact tel. numbers and email**

**Tel (095) 105-58-05**

**Fax (095) 733-97-36**

**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: ***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: ***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***

***Other Material Information on the Issuer s Securities.***

**None**

6

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 Sergueevich</u>***

Born: ***1948***

***<u>Plastinin, Sergei Arkadievich</u>***

Born: ***1968***

***<u>Scherbak, Vladimir Nikolaevich</u>***

Born: ***1939***

***Tutelyan, Victor Alexandrovich***

Born: ***1942***

***<u>Yasin, Eugeny Grigorievich</u>***

Born: ***1934***

***<u>Guy de Selliers</u>***

Born: ***1952***

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

Born: ***1945***

***Ernest Linwood Tipton***

Born: ***1934***

***J. B. Mark Mobius***

Born: ***1936***

**Issuer s individual and collective administrative/managerial staff.**

Individual executive body and members of collective executive body:

Chairman of the Management board

***Plastinin, Sergei Arkadievich***

Born: ***1968***

Members of the Management Board

***Kolokatov, Dmitry Sergeevich***

Born: ***1973***

8

***Byrdin, Maxim Olegovich***

Born: ***1972***

***<u>Preobrazhensky, Vladimir Vladimirovich</u>***

Born: ***1961***

***<u>Kondyrev Mikhail Vil enovich</u>***

Born: ***1970***

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 in banks and other financial institutions carrying out their activities in the territory of the Russian Federation, as at 31.12.2003

| N II/II | Type of account | Account No. | Name of the Bank |
|---|---|---|---|
| **1** | **2** | **3** | **4** |
| 1 | *Current* | *40702 810 1 00700 883 027* | CB Citybank |
| 2 | *Current* | *40702 810 4 00000 030 108* | CB Expobank |
| 3 | *Current* | *40702 810 4 00070 027 130* | CB MDM-Bank |
| 4 | *Current* | *40702 810 7 00070 000 569* | Bank of Moscow |
| 5 | *Current* | *40702 810 2 01500 000 016* | Alfa bank |
| 6 | *Current* | *40702 810 9 38000 110 483* | Sberbank of Russia |
| 7 | *Current* | *40702 810 6 38360 104 497* | Sberbank of Russia |
| 8 | *Deposit* | *42,104,810,000,070,000,000* | AK MMB Bank of Moscow |
| 9 | *Deposit* | *52103 810 3 00000 402 674* | OJSC Bank «Petrocommerc» |
| 10 | *Deposit* | *52103 810 2 00000 502 674* | OJSC Bank «Petrocommerc» |
| 11 | *Deposit* | *52103 810 1 00000 602 674* | OJSC Bank «Petrocommerc» |
| 12 | *Deposit* | *52103 810 0 00000 702 674* | OJSC Bank «Petrocommerc» |
| 13 | *Deposit* | *42105 810 6 00090 000 004* | Vneshtorgbank |
| 14 | *Current* | *40702 810 4 00001 401 757* | CJSC Raiffeisen Bank Austria |

Information on foreign exchange accounts in banks and other financial institutions carrying out their activities in the territory of the Russian Federation and abroad, as at 31.12.2003

| N II/II | Account number | Name of the Bank | Location of the Bank |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1 | *40702 840 9 00700 883 019* | CB Citybank | 125047 Moscow, ul.Gasheka, 8-10 tel. 725-69-35 |
| 2 | *40702 840 9 00700 883 035* | CB Citybank | 125047 Moscow, ul.Gasheka, 8-10 tel. 725-69-35 |
| 3 | *40702 840 4 00700 883 043* | CB Citybank | 125047 Moscow, ul.Gasheka, 8-10 tel. 725-69-35 |
| 4 | *42102 840 7 03700 883 018* | CB Citybank | 125047 Moscow, ul.Gasheka, 8-10 tel. 725-69-35 |
| 5 | *40702 978 5 00700 883 051* | CB Citybank | 125047 Moscow, ul.Gasheka, 8-10 tel. 725-69-35 |
| 6 | *40702 978 8 00700 883 078* | CB Citybank | 125047 Moscow, ul.Gasheka, 8-10 tel. 725-69-35 |
| 7 | *40702 978 3 00700 883 086* | CB Citybank | 125047 Moscow, ul.Gasheka, 8-10 tel. 725-69-35 |
| 8 | *40702 840 4 00150 027 130* | CB MDM-Bank | 113035 Moscow, ul.Sadovnicheskaya, 3 Tel. 797-95-00 |
| 9 | *40702 840 7 00151 027 130* | CB MDM-Bank | 113035 Moscow, ul.Sadovnicheskaya, 3 Tel. 797-95-00 |
| 10 | *40702 840 0 00152 027 130* | CB MDM-Bank | 113035 Moscow, ul.Sadovnicheskaya, 3 Tel. 797-95-00 |
| 11 | *40702 840 8 01500 000 004* | Alfa Bank | 117049 Moscow, ul.Mytnaya, 1, building 1 Tel. 786-22-82 |
| 12 | *40702 840 7 01503 000 004* | Alfa Bank | 117049 Moscow, ul.Mytnaya, 1, building 1 Tel. 786-22-82 |
| 13 | *40702 840 0 01504 000 004* | Alfa Bank | 117049 Moscow, ul.Mytnaya, 1, building 1 Tel. 786-22-82 |
| 14 | *40702 840 2 38000 110 483* | Sberbank of Russia | 117997 Moscow, ul. Vavilova, 19 Tel. 785-44-30 |
| 15 | *40702 840 1 38000 210 483* | Sberbank of Russia | 117997 Moscow, ul. Vavilova, 19 Tel. 785-44-30 |
| 16 | *40702 840 0 38000 310 483* | Sberbank of Russia | 117997 Moscow, ul. Vavilova, 19 Tel. 785-44-30 |
| 17 | *42105 840 7 38000 010 028* | Sberbank of Russia | 117997 Moscow, ul. Vavilova, 19 Tel. 785-44-30 |
| 18 | *42105 840 9 38000 010 022* | Sberbank of Russia | 117997 Moscow, ul. Vavilova, 19 Tel. 785-44-30 |
| 19 | *42105 840 2 38360 010 022* | Sberbank of Russia | 117997 Moscow, ul. Vavilova, 19 Tel. 785-44-30 |

| | | | |
|---|---|---|---|
| 20 | *40702 840 7 00000 012 592* | CB Rosbank | 107078, Moscow, ul. Mashi Poryvaevoy, d.11 |
| 21 | *40702 840 6 00003 012 592* | CB Rosbank | 107078, Moscow, ul. Mashi Poryvaevoy, d.11 |
| 22 | *40702 840 7 00000 012 592* | CB Rosbank | 107078, Moscow, ul. Mashi Poryvaevoy, d.11 |
| 23 | *42104 840 5 00000 012 592* | CB Rosbank | 107078, Moscow, ul. Mashi Poryvaevoy, d.11 |
| 24 | *40702 840 0 00070 000 569* | MMB-Bank of Moscow | 107996, Moscow, ul. Kuznetskij most, 15 |
| 25 | *40702 840 3 00071 000 569* | MMB-Bank of Moscow | 107996, Moscow, ul. Kuznetskij most, 15 |
| 26 | *40702 840 6 00072 000 569* | MMB-Bank of Moscow | 107996, Moscow, ul. Kuznetskij most, 15 |
| 27 | *42104 840 6 00070 000 006* | MMB-Bank of Moscow | 107996, Moscow, ul. Kuznetskij most, 15 |
| 28 | *42104 840 2 00150 027 130* | CB Moscowskij Delovoy Mir | 113035 Moscow, ul.Sadovnicheskaya, 3 tel. 797-95-00 |
| 29 | *42103 840 0 00090 000 003* | Vneshtorgbank | 106031, Moscow, ul. Kuznetskij most, 16 |
| 30 | *40702 978 3 00001 401 757* | ЗАО «ххх» | 129090 Moscow, ul. Troytskaya, 17/1 |
| 31 | *40702 978 0 00000 401 757* | CJSC Raiffeisen Bank Austria | 129090 Moscow, ul. Troytskaya, 17/1 |
| 32 | *40702 978 2 00004 401 757* | CJSC Raiffeisen Bank Austria | 129090 Moscow, ul. Troytskaya, 17/1 |
| 33 | *40702 840 7 00001 401 757* | CJSC Raiffeisen Bank Austria | 129090 Moscow, ul. Troytskaya, 17/1 |
| 34 | *40702 840 4 00000 401 757* | CJSC Raiffeisen Bank Austria | 129090 Moscow, ul. Troytskaya, 17/1 |
| 35 | *40702 840 6 00004 401 757* | CJSC Raiffeisen Bank Austria | 129090 Moscow, ul. Troytskaya, 17/1 |
| 36 | *40702 840 0 00002 401 757* | CJSC Raiffeisen Bank Austria | 129090 Moscow, ul. Troytskaya, 17/1 |
| 37 | *40702 840 3 00003 401 757* | CJSC Raiffeisen Bank Austria | 129090 Moscow, ul. Troytskaya, 17/1 |
| 38 | *45207 840 0 99911 401 757* | CJSC Raiffeisen Bank Austria | 129090 Moscow, ul. Troytskaya, 17/1 |
| 39 | *42102 840 0 01300 000 000* | ALFA-Bank | 107078 Moscow, ul.Kalanchevskaya, 27 |
| 40 | *42102 840 3 01300 000 001* | ALFA-Bank | 107078 Moscow, ul.Kalanchevskaya, 27 |

**1.3. Data on Issuer s public accountant / auditor.**

Name: ***CJSC BDO UniconRuf***

Location: ***113545, Moscow, Varshavskoe shosse, d. 125***

Taxpayer ID: ***7716021332***

Postal address: ***113545, Moscow, Varshavskoe shosse, d. 125***

Tel.: ***(095) 319-6636,*** Fax: ***(095) 319-5909***

E-mail: ***n/a***

**Information on auditor s license**

License number: ***E 000547***

Date of issue of license: ***June 25, 2002***

Period of validity: ***June 24, 2007***

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.

11

**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:

Vadim V. Khaminov
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

Information isn t submitted in the reporting quarter

## 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 31.12.2002 US$17.95 x 44,000,000 = US$789,800,000

As of 31.03.2003 US$17.32 x 44,000,000 = US$762,080,000

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

Information isn t submitted in the reporting quarter

### 2.3.2 Issuer s credit history

| Obligation | Creditor | Amount of the principal sum | Maturity date Planned | Actual | Interest rate, % |
|---|---|---|---|---|---|
| Short-term ruble loan, thousand rubles | AKB MDM | 50,000 | 28.03.2003 | 28.03.2003 | 12.00 |
| Short-term dollar loan | 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 |
| Short-term loan, thousand rubles | ZAO Financial consultant Troika-Dialog | 160,000 | 15.04.2003 | 15.04.2003 | 12.50 |
| 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 |

### 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 rubles as at 31.12.03 |
|---|---|---|---|---|---|
| P/43 | 14.05.2002 | MK OAO, Timashevsk | 2,506,803 | Euros | 81,450,453.24 |
| P/44 | 15.05.2002 | MK OAO, Timashevsk | 364,050 | Euros | 5,352,368.40 |
| 56 | 09.04.2003 | MK OAO, Timashevsk | 540,704 | Euros | 19,910,884.10 |
| 2-wbd | 10.09.2001 | LMK OAO | 500,000,000 | Rubles | 500,000,000.00 |
| P/45 | 05.06.2002 | LMK OAO | 2,348.476 | Euros | 86,480,280.22 |
| P/48 | 09.09.2002 | LMK OAO | 779,250 | Euros | 28,695,102.00 |
| P/46 | 10.06.2002 | TsMK OAO | 1,017,596 | Euros | 37,471,955.10 |
| P/47 | 12.07.2002 | Kharkov MK OAO | 1,568,766 | Euros | 54,227169.70 |
| P/52 | 05.12.2002 | Kharkov MK OAO | 582,750 | Euros | 10,721,307.60 |
| 53 | 04.01.2003 | Kharkov MK OAO | 418,045 | Euros | 11,381,120.03 |
| P/49 | 28.10.2002 | Siberian Milk OAO | 2,259.144 | Euros | 73,947,305.47 |
| 54 | 25.03.2003 | Siberian Milk OAO | 523,877 | Euros | 16,350,371.54 |
| 55 | 03.03.2002 | KGMZ # 3 OAO | 538,457 | Euros | 19,828,140.57 |

### 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**

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, 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. In addition, we are currently renegotiating certain pricing terms in our framework agreement with Tetra Pak pursuant to which we purchase packaging materials. Failure to conclude an agreement on commercially reasonable terms would have a material adverse effect on our results of operations. 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.

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 80% in 2002. 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 and 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, 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, lower-quality juice products primarily in the region outside of Moscow and St. Petersburg have resulted in declining profit margins in our juice segment, which have adversely affected and may continue to adversely affect our results of operations.

Although juice consumption in Russia is increasing, our profit margins on our juice products decreased in 2002 due to vigorous market competition from domestic and foreign producers

and to consumer preference for low-price, lower-quality 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. At the same time, prices for juice concentrate increased. A continuation of these trends may cause a further decline in our juice prices and profit margins and, consequently, have a further 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, as of January 1, 2004, 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. The implementation of this regulation may cause delays in the introduction of our new products and result in increased production costs.

**2.5.2. Political risks**

Since 1991, Russia has sought to transform itself from a one-party state with a centrally-planned economy to a pluralist 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, as well as to unrest by particular social and ethnic groups. Significant political instability could have a material adverse effect on the value of foreign investments in Russia, including the value of our ADSs and/or notes.

The composition of the Russian government the prime minister and the other heads of federal ministries has at times been highly unstable. Six different prime ministers, for

example, headed governments between March 1998 and May 2000. On December 31, 1999, President Yeltsin resigned and Vladimir Putin was subsequently elected president on March 26, 2000. While President Putin has maintained governmental stability and policies generally oriented towards the continuation of economic reforms, no assurance can be given that such conditions will continue over time. State Duma elections were held in December of 2003 and presidential elections are to be held in 2004. The value of investments in Russia, including in our ADSs and notes, could be reduced and our prospects could be harmed if governmental instability recurs or if reform policies are reversed.

The Russian Federation is a federation of republics, territories, regions, cities of federal importance and autonomous areas. The delineation of authority among the members of the Russian Federation and the federal governmental authorities is, in many instances, uncertain and sometimes 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 result in political instability. This lack of consensus hinders our long-term planning efforts and creates uncertainties in our operating environment, both of which may prevent us from efficiently carrying out our expansion plans. Additionally, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions, and in certain cases, to military conflict. Russian military forces have been engaged in Chechnya in the past and are currently involved in ground and air operations there. The spread of violence, or its intensification, could have significant political consequences. These include the imposition of a state of emergency in some or all of the Russian Federation. These events could materially adversely affect the value of investments in Russia, including in the value of our ADSs and notes.

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 Russia 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 revocation of the banking licenses of a

16

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. There can be no assurance that recent trends in the Russian economy such as the increase in the gross domestic product, a relatively stable ruble, and a reduced rate of inflation will continue or will not be abruptly reversed. Moreover, the recent fluctuations in international oil and gas prices, the strengthening of the ruble in real terms relative to the U.S. dollar and the consequences of a relaxation in monetary ***Russia s physical infrastructure is in very poor condition, which could disrupt normal business activity.*** As a general matter, 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, during the winter of 2000-2001, electricity and heating shortages in Russia s far-eastern Primorye region seriously disrupted the local economy. Road conditions throughout Russia are poor, with many roads not meeting minimum requirements for usability and safety. The deterioration of Russia s physical infrastructure harms the national economy, disrupts the transportation of goods and supplies, adds costs to doing business in Russia and can interrupt business operations, and this could have a material adverse effect on our business and the value of our ADSs and notes.

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 adversely affect 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. These developments could severely limit our access to capital and could adversely affect the purchasing power of our customers and thus our business.

### 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 the Central Bank of Russia, it subsided to 15.1% during 2002. When the rate of inflation exceeds the rate of devaluation, resulting in real appreciation of the ruble against the U.S. dollar, we can experience inflation-driven increases in U.S. dollar terms of 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 relative to the rate of devaluation could increase our costs and decrease our operating margins.

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Accordingly, high rates of inflation in Russia relative to the rate of devaluation could increase our costs and decrease our operating margins.

***Changes in exchange rates could increase our costs, decrease the value of our ruble-denominated monetary assets, prevent us from repaying our debts, or increase competition from foreign producers.***

Strengthening of the ruble results in a relative decrease in the price of imported products, as does a strengthening of the ruble in real terms (even if it declines in nominal terms). The strengthening of the ruble in nominal or real terms enhances our ability to import raw materials, to cover our U.S. dollar-denominated or U.S. dollar-linked costs and to repay our U.S. dollar-denominated indebtedness, but also increases the ability of foreign producers who export products to Russia to compete effectively with us in the Russian market.

***Our inability to obtain permission from the Central Bank of Russia pursuant to currency control regulations may hinder our ability to enter into certain hard-currency-denominated transactions.***

Certain payments in foreign currency are subject to prior permission by the Central Bank of Russia, including, with various exceptions, the following:

direct investments, except investments from abroad in the charter capital of a Russian company;

payments with respect to real estate, except acquisition of real estate by non-residents and lease payments by non-residents;

portfolio investments; and

payments for export-import transactions with settlement over 90 days following completion.

These regulations are subject to substantial changes and varying interpretations, complicating both the process of determining whether permission of the Central Bank of Russia is required and the process of obtaining permission. If we are unable to obtain Central Bank of Russia permissions for hard-currency-denominated transactions requiring such permissions, our ability to enter into such transactions may be hindered. In addition, in the event that we failed in the past to obtain Central Bank of Russia permissions for hard-currency-denominated transactions and borrowings requiring such permissions, such failure could result in severe penalties, including the unwinding of such transactions, fines and administrative penalties assessed against us and criminal and administrative penalties assessed against our management which, in turn, would negatively affect our business.

***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 Russia 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. Any balances maintained in rubles will give rise to losses if the ruble devalues against the U.S. dollar. Moreover, defaults on our ruble-denominated investments may result in substantial losses for us.

***Some of our customers and other debtors 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

18

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.

***Continued or increased limitations on the conversion of rubles to hard currency in Russia could increase our costs when making payments in hard currency to suppliers and creditors and could cause us to default on our obligations to them.***

Our major capital expenditures are generally denominated and payable in various foreign currencies, including U.S. dollars and euro. To the extent such major capital expenditures involve the importation of equipment and related items, Russian legislation permits the conversion of ruble revenues into foreign currency. However, the market in Russia for the conversion of rubles into foreign currencies is limited. The scarcity of foreign currencies may tend to inflate their values relative to the ruble, and such a market may not continue to exist. Additionally, any delay or other difficulty in converting rubles into a foreign currency to make a payment or delay or restriction in the transfer of foreign currency could limit our ability to meet our payment and debt obligations, which could result in the loss of suppliers, acceleration of debt obligations and cross-defaults.

***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, and continue to use, various initiatives to reduce our tax burden. As described below, 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 use. 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. Consequently, we face increased risk in our domestic banking transactions, including potential tax liabilities.***

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 applications. In addition, the 1998 financial crisis resulted in the bankruptcy and liquidation of many Russian banks. Most creditworthy Russian banks are located in Moscow and there are fewer in the regions. Although we have tried to reduce our risk by receiving and holding funds in a number of Russian banks, including subsidiaries of foreign banks, another prolonged banking crisis or insolvency of some of our banks could adversely affect our business and our ability to complete banking transactions in Russia.

**Vaguely drafted Russian transfer pricing rules and lack of reliable pricing information may potentially impact the financial results of our business activities.**

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 20.0%. 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 20.0%) price fluctuations. The Russian transfer pricing rules are vaguely drafted, leaving wide scope for interpretation by Russian tax authorities and arbitration 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 Russian arbitration courts and implemented, our future financial results could be adversely affected. In addition, we could face significant losses associated with the assessed amount of prior tax underpaid and related interest and penalties, which would have an adverse impact on our financial condition and results of operations.

**We are exposed to market risk from changes in both foreign currency exchange rates and interest rates.**

Foreign currency exchange risks exist to the extent that our revenues are primarily denominated in Russian rubles and our costs are denominated in currencies other than Russian rubles. We are subject to market risk deriving from changes in interest rates on our floating and fixed rate debts which may affect the cost of our financing. We do not use financial instruments, such as foreign exchange forward contracts, foreign currency options, interest rate swaps and forward rate agreements, to manage these market risks. We do not hold or issue derivatives or other financial instruments for trading purposes. We do not use derivatives or other financial instruments to limit our currency and interest rate risk exposures because the market for these types of financial instruments in Russia is not well developed and the costs of these instruments is relatively high. We are monitoring the market for these instruments and will consider their use if the related costs become lower.

Our interest rate exposure results mainly from debt obligations. Our fixed-rate bank debt consists entirely of short-term bank obligations, which we roll over on a continuous basis at current market rate and, thus, are able to manage our interest rate risk exposure.

We have not entered into transactions designed to hedge against interest rate risks, which may exist under our current, or future, indebtedness. Once the market in Russia for hedging instruments matures, we will assess our options for hedging interest rate risk and may enter into such arrangements.

We have not experienced significant changes in the market risks associated with our debt obligations in the table above subsequent to December 31, 2002, except for the issuance of 1.5 billion of ruble-denominated bonds on April 15, 2003.

The carrying amounts of short-term loans approximate their fair values due to their short maturity. We believe that the carrying value of our long-term debt approximates its fair value. We are exposed to movements in the ruble and euro exchange rates relative to the U.S. dollar.

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

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

Russia is still developing the legal framework required by a market economy. Several fundamental Russian laws have only recently become effective. The recent nature of much of Russian legislation, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Russian legal system in ways that may not always coincide with market developments place the enforceability and underlying constitutionality of laws in doubt and result in ambiguities, inconsistencies and anomalies. In addition, Russian legislation often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure.

Among the risks of the current Russian legal system are:

since 1991, Soviet law has been largely, but not entirely, replaced by a new legal regime as established by the 1993 Federal Constitution, the 1995 Civil Code, by other federal laws, and by decrees, orders and regulations issued by the president, the government and federal ministries, which are, in turn, complemented by regional and local rules and regulations. These legal norms, at times, overlap or contradict one another. In addition, certain important bills remain to be adopted in Russia;

there is a lack of judicial and administrative guidance on interpreting Russian legislation;

corruption within the judiciary;

the relative inexperience of judges and courts in interpreting Russian legislation;

a high degree of discretion on the part of governmental authorities; and

bankruptcy procedures are not well developed and are subject to abuse.

All of these weaknesses could affect our ability to enforce our rights to intellectual property or under contracts, or to defend ourselves against claims by others. Furthermore, we cannot assure you the regulators, judicial authorities or third parties will not challenge our compliance with applicable laws, decrees and regulations.

***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. 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, or if our business is reorganized. Some government entities have 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 and on the value of our ADSs and notes.

***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(s) or fail to take action(s) knowing that such action(s) or failure to take action(s) would result in losses. Accordingly, in our position as effective parent of the subsidiaries in which we own, directly or indirectly, more than 50% of the charter capital, we could be liable, in the cases described above, for their debts.

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

The taxation system in Russia is subject to frequent changes and inconsistent enforcement at the federal, regional and local levels. In some instances, new tax rules have been given retroactive effect. In addition to our substantial tax burden, these conditions complicate our tax planning and related business decisions. For example, tax laws are unclear with respect to the deductibility of certain expenses and at times we have taken a position that is aggressive in this regard, but that we consider to be in compliance with current law. This uncertainty exposes us to significant fines and penalties and to enforcement measures despite our best efforts at compliance, and could result in a greater than expected tax burden. To date, the system of tax collection has been relatively ineffective, resulting in the continual imposition of new taxes in an attempt to raise government revenues. These factors raise the risk of a sudden imposition of arbitrary or onerous taxes on us. This could adversely affect the value of our ADSs and notes. There is a risk of imposition of new taxes on us, which could adversely affect the price or value of our ADSs and notes. During 2000, 2001 and 2002, the Russian government undertook a revision of the Russian tax system and passed certain laws implementing tax reform. The new laws reduce the number of taxes and the overall tax burden on businesses and simplify the tax laws. However, the new tax laws continue to rely heavily on the judgments of local tax officials and fail to address many existing problems. Many issues associated with the practical application of new legislation are unclear and this complicates our tax planning and related business decisions. This uncertainty may expose us to fines and penalties. Even if further reforms of the Tax Code are enacted, they may not result in significant reduction of the tax burden for Russian companies and the establishment of a more efficient tax system. Conversely, additional tax collection measures may be introduced. Accordingly, we may have to pay significantly higher taxes, which could have a material adverse effect on our business.

***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.

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, suchtransactions are found to have been interested party transactions, and we are found to have failed to obtain the appropriate approvals therefor, 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.

### 2.5.5. Risks Relating to Our Business

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 Lianozovo Dairy Plant, 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.

A number of our subsidiaries purchase equipment which they then, in turn, lease to raw material producers. In addition, many of our dairy plants that also produce juice products, including the Lianozovo Dairy Plant, lease 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 negative 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.

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

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. If we do not succeed in making these enhancements, our results of operations may suffer.

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.

We also compete 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 materially and adversely affect our turnover and reduce our competitiveness and profitability.

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 adversely affect 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, we cannot be certain that the steps we have taken will be sufficient or that third parties will not 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.

Increased domestic production by our foreign competitors could reduce our competitive advantages against them, which would adversely affect 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, beginning to reduce the competitive advantages that we have over foreign competitors without domestic production capability. If this trend continues, we will lose a significant advantage that we currently have, as a domestic producer, over our foreign competitors, which would adversely affect our market share and results of operation.

**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.**

***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**

**None**

**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**

Information isn t submitted in the reporting quarter

**3.2.3 Main types of products (works, services)**

Information isn t submitted in the reporting quarter

**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**

| No | Supplier of works, services | Thousand rubles | % |
|---|---|---|---|
| 1 | Latham&Watkins Partnership | 46,552 | 9.13 |
| 2 | Lianozovo Dairy PJSC | 135,532 | 26.60 |
| 3 | Leboeuf, Lamb, Greene & McRae LTD | 69,739 | 13.68 |
| 4 | S&T International LTD | 14,609 | 2.87 |
| 5 | PPF US LTD | 8,811 | 1.73 |
| 6 | Ernst & Young (CIS) Limited | 35,874 | 7.04 |
| 7 | Troika-Dialog Investment Company ZAO | 22,959 | 4.50 |

| | | | |
|---|---|---|---|
| 8 | LANIT ZAO | 23,582 | 4.63 |
| 9 | Airclub ZAO | 5797 | 1.14 |
| 10 | X-com.ru ZAO | 6702 | 1.31 |
| 11 | Informational Business systems LTD | 4092 | 0.80 |
| 9 | Other | 135.407 | 26.57 |
| | **TOTAL** | **509.456** | **100** |

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

Due to the specifics of the Issuer s primary activity, the market for its services is determined by the number and location of the WBD Group facilities. A decline in the financial position of WBD Group businesses may be the only negative factor influencing the Issuer s market of services. Today the WBD Group s main market is the territory of the Russian Federation. The Issuer intends to expand the market geographically. The only major factor of possible decrease in demand for the Group s products would be a sharp decrease in the population s purchasing capacity, since the Group s products belong to the convenience category. The possibility of stronger competition on the part of both domestic and foreign manufacturers of dairy and juice products is another negative factor.

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. The volume of the services rendered by WBD Foods OAO for 2003 as per territorial criteria, is given in the table below:

| **No.** | **Country** | **Volume of the services rendered, thousand rubles** | **% from the total services rendered** |
|---|---|---|---|
| 1 | Russia | 462 973 | 98.40 |
| 2 | CIS countries, total<br>Including | 2649 | 0.56 |
| 2.1 | Kirgyzstan | 417 | 0.09 |
| 2.2 | Ukraine | 1019 | 0.47 |
| 3 | Other countries | 4906 | 1.04 |
| | **TOTAL** | **470 528** | **100** |

### 3.2.6. Practice in relation to working capital and reserves

The issuer s policy in relation to the working capital is to increase the turnover of the working capital and maintain its amount on the minimum level required for the current activities**.**

### 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, 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. In addition, we are currently renegotiating certain pricing terms in our framework agreement with Tetra Pak pursuant to which we purchase packaging materials. Failure to conclude an agreement on commercially reasonable terms would have a material adverse effect on our results of operations. 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. In 2002 we also acquired Depsona, a fruit juice and concentrate producer in Central Russia, which will allow us to reduce our dependence on imported juice concentrates. 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, and Cherkizovsky Dairies (Moscow) as well as small manufacturers in Russian regions. On the market of vitamin-fortified dairy products, the WBD Group competes mainly with Danone. As for yogurts, milk desserts, and, to some extent, dairy products for children, the main competitors of the WBD Group are foreign companies such as Danone, Campina, Onken XXX Ehrmann.

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, in 2002 Danone s sales in the yogurt and milk dessert segment amounted to 11.7% and in enriched dairy products 9,7%;

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, in 2002 the company s share was 7.6% in the traditional dairy segment and 9,7% in enriched dairy products, 6.3% - in the yogurt and milk dessert segment while the share of Parmalat in the traditional dairy segment reached 1.5%;

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, in 2002 the company s share was 5.1% in the traditional dairy segment and 3.3% - in the enriched products segment.

The shares of the WBD Group and its principal competitors for enlarged product categories on the dairy market, % (for the period from October to November 2003, according to AC Nielsen Retail Audit research):

| Item | WBD Group | Danone | Petmol | Ochakovsky Dairy |
|---|---|---|---|---|
| Yogurts and milk desserts | 43 | 16 | 5 | |
| Traditional dairy products | 31 | | 7 | 6 |
| Enriched products | 45 | 14 | 6 | 6 |
| The market s total | 35 | 5 | 6 | 6 |

The principal competitors of the WBD Group on the domestic juice market include Parmalat of Italy and medium- and small-size Russian producers such as:

1) Multon of St. Petersburg: its share on market for the period January-October 2003 was 29 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 for the period January-October 2003 was 22% 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 for the period January-October 2003 was 9% 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, % (as for the period January-October 2003, according to Business Analitika Retail Audit s study conducted in eleven large Russian cities):

| Juice market | WBD Group | Multon | Lebedyansky | Nidan | Others |
|---|---|---|---|---|---|
| Market share | 34 | 29 | 22 | 9 | 5 |

***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 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 produce 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***

***31***

***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****

| | 2001 | 2002 | October-November 2003 |
|---|---|---|---|
| WBD Group | 37.0 | 36.2 | 34.7 |
| Petmol | 9.1 | 7.6 | 6.4 |
| Ochakovsky Dairy | 3.0 | 4.4 | 5.6 |
| Ostankinsky Dairy | 3.2 | 2.3 | 2.3 |
| PARMALAT | 2.0 | 1.4 | 1.1 |
| Campina | 1.8 | 2.0 | 1.6 |
| Piskarevsky Dairy | 6.4 | 5.4 | 5.0 |
| DANONE | 2.5 | 3.3 | 4.5 |
| EHRMANN | 0.8 | 1.4 | 1.3 |

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

| | 2001* | 2002** | October-November 2003*** |
|---|---|---|---|
| WBD Group | 37.5 | 31.4 | 33.6 |
| Multon | 29.0 | 22.0 | 29.3 |
| Lebedyansky | 10.9 | 22.0 | 22.4 |
| Nidan-Ekofrukt | 6.4 | 11.1 | 9.4 |

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***as per data provided by AC Nielsen Retail Audit***

***** as per data provided by Russian Union of Juice Producers***

****** as per data provided by*** Business Analitika Retail Audit

**3.2.9. Data in Issuer s licences held**

Issuer holds no licences

**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 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 flavors 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. Yet it is also going to start the production of mineral water early 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.**

None

**3.6. Issuer s 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: ***85.26%***

Issuer s share of the ordinary shares of the subsidiary: ***85.26%***

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: ***70.31%***

Issuer s share of the ordinary shares of the subsidiary: **70,31%**

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%***

Issuer s share of the ordinary shares of the subsidiary: ***78.56%***

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 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.

34

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

Location: ***60172, 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: ***75.075%***

Issuer s share of the ordinary shares of the subsidiary: ***75.075%***

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 Roska***

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%***

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 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.

**Issuer s dependent companies**

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 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: ***28.***74%

Issuer s share of the ordinary shares of the subsidiary: ***28.74%***

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.

## 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

| No. | Group of fixed assets | Full price prior to revaluation | Depreciated cost (amortization cost excluded) prior to revaluation | Date of revaluation | Full price after revaluation | Depreciated cost (amortization excluded) after the revaluation |
|---|---|---|---|---|---|---|
| 1 | Over 3 up to 5 years inclusive | 19 149 | 17 348 | No | 19 149 | 17 348 |
| 2 | Over 5 up to 7 years inclusive | 3325 | 3223 | No | 3325 | 3223 |
| 3 | Over 7 up to 10 years inclusive | 186 | 180 | No | 186 | 180 |
| 4 | Less than 10.000 rubles | 1082 | 0 | No | 1082 | 0 |
| | **TOTAL** | **23 742** | **20 751** | | **23 742** | **20 751** |

### 3.7.2 Cost of the Issuer s immovable property

The Issuer owns no immovable property.

## IV INFORMATION ON FINANCIAL AND ECONOMIC ACTIVITIES OF THE ISSUER

### 4.1 Results of the financial and economic activities of the Issuer

### 4.1.1 Profits and losses

Information isn t submitted in the reporting quarter.

### 4.1.2 Factors having affected the amount of the proceeds from sale of goods, products, works, services and the amount of profits (losses) from the Issuer s principal business.

Information isn t submitted in the reporting quarter.

### 4.2. Liquidity of the Issuer

**Information isn t submitted in the reporting quarter.**

### 4.3. The Issuer s Capital and Current Assets, their Structure and Adequacy

### 4.3.1. Size, structure and adequacy of the issuer s equity and working capital

| Acct No. old/new | Description, thousands RUR | Balance as per January 1, 2003 | Balance as per December 31, 2003 |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
| 1 | Authorized stock | 880 000 | 880 000 |
| 2 | Reserve capital | 0 | 12 621 |
| 3 | Additional capital | 4 958 622 | 4 958 622 |

| | | | |
|---|---|---|---|
| 4 | Retained earnings | | |
| | Retained earnings in the current year | | |
| | Retained earnings in the previous years | 252 427 | 238 890 |
| | Loss in the previous years | -915 | 0 |
| | | | |
| 5 | Targeted financing and revenues | 0 | 0 |
| | | | |
| 6 | Reserves for deferred expenses and payments | 0 | 0 |
| | | | |
| | **Total:** | 6 090 134 | 6 031 283 |

**4.3.2. Adequacy of the Issuer s equity and working capital**

The Issuer s equity capital will suffice for coverage of short-term liabilities and operating costs

38

**4.3.3. Cash funds**

In 2004 the Company will need external financing for its investment activities. The amount of the financing needed shall be contingent on the Company operating profit, revenues of its enterprises, and capital expenditures in the period.

The main sources of external financing shall be the Bank loans. Currently, the Company has a good credit history and borrowing facilities with RF biggest banks that considerably exceed the Company needs.

Moreover the investment attractiveness of the Company is facilitated by the high investment ratings given by international rating agencies: Moody s and Standart&Poors.

Currently, the Company has no sequestrated accounts and debts on the bank file.

**4.3.4. Investments of the Issuer**

**4.3.4.1. Long-Term Investments**

| | | Balance as per December 31, 2003 | | | |
|---|---|---|---|---|---|
| **No.** | **COMPANY NAME** | **in thousands RUR** | **Quantity of Securities** | **Type of Securities** | **Share in authorized stock, %** |
| | **1** | **2** | **3** | **4** | **5** |
| 1 | *LMK* OAO | 708 752 | 176609 | shares | 82,66 |
| 2 | *Rodnik PAG*ZAO | 346 108 | 20 000 | shares | 100 |
| 3 | *Gulkevichsky Maslozavod* ZAO | 9 266 | 1 574 | shares | 52.24 |

| | | | | | |
|---|---|---|---|---|---|
| 4 | *ROSKA* OAO | 367 262 | 2 500 000 | shares | 100 |
| 5 | *ZDMP* OAO | 157 416 | 4 666 | shares | 25.1 |
| 6 | *KhMK* OAO | 153 104 | 1 485 597 | shares | 75.075 |
| 7 | *Anninskoye Moloko* LLC | 70 015 | | contribution to the authorized stock | 78.56 |
| 8 | *Wimm-Bill-Dann Mineral Water* LLC | 10 | | contribution to the authorized stock | 100 |
| 9 | MK (Timashevsk) | 405 608 | 1 251 442 | shares | 0.27 |
| 10 | *Tuymazinsky Milk Plant* OAO | 47 445 | 40 067 779 | shares | 85 |
| 11 | *Darya*ZAO | 4 762 | 5 116 | | |