LEBEDYANSKY

OJSC LEBEDYANSKY

INTERNATIONAL ACCOUNTING STANDARD No. 34
CONSOLIDATED INTERIM CONDENSED
FINANCIAL INFORMATION (UNAUDITED)
AND REVIEW REPORT

FOR THE SIX MONTHS ENDED
30 JUNE 2005

Contents

ZAO PricewaterhouseCoopers Audit
Kosmodamianskaya Nab. 52, Bld. 5
115054 Moscow
Russia
Telephone +7 (095) 967 6000
Facsimile +7 (095) 967 6001

**REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF OJSC LEBEDYANSKY**

1. We have reviewed the accompanying consolidated interim condensed balance sheet of OJSC Lebedyansky and its subsidiaries (the "Group") as of 30 June 2005 and the related consolidated interim condensed statements of income, cash flows and changes in shareholders' equity for the six months then ended. This consolidated interim condensed financial information is the responsibility of the Group's management. Our responsibility is to issue a report on this consolidated interim condensed financial information based on our review.

2. We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance about whether the consolidated interim condensed financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

3. The Group has prepared consolidated interim condensed financial information for the first time for the six months ended 30 June 2005. The accompanying consolidated interim condensed statements of income, cash flow and changes in shareholders' equity and related notes do not include information for the comparative six month period ended 30 June 2004, as required by International Accounting Standard 34 "Interim Financial Reporting".

4. Based on our review, except for the absence of comparative information as described in paragraph 3, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information has not been properly prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Moscow, Russian Federation
29 August 2005

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

	Note	30 June 2005	31 December 2004
ASSETS			
Current assets:			
Cash and cash equivalents		9,792	1,400
Financial assets at fair value through profit and loss		385	730
Accounts receivable and prepayments		68,629	56,078
Inventories	4	43,173	42,087
Total current assets		**121,979**	**100,295**
Non-current assets:			
Property, plant and equipment	14, 15 (i)	91,216	87,439
Intangible assets		1,750	1,478
Prepayment for assets under construction and equipment		6,412	1,944
Total non-current assets		**99,378**	**90,861**
Total assets		**221,357**	**191,156**
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses		30,883	30,686
Tax payable		3,310	1,417
Finance leases payable		3,126	4,651
Short-term borrowings	5	1,776	5,975
Other current liabilities		2,116	2,186
Total current liabilities		**41,211**	**44,915**
Non-current liabilities:			
Finance leases payable		7,089	8,979
Long-term borrowings	5	7,012	7,160
Government grants		65	78
Deferred tax liability		5,475	5,335
Other non-current liabilities		3,174	4,372
Total non-current liabilities		**22,815**	**25,924**
Total liabilities		**64,026**	**70,839**
Capital and reserves attributable to the Company's equity holders:			
Share capital		434	449
Share premium		33	34
Treasury shares		(4,367)	-
Share options		242	-
Cumulative translation adjustment		5,487	10,350
Retained earnings		152,093	106,536
		153,922	**117,369**
Minority interest		**3,409**	**2,948**
Total equity		**157,331**	**120,317**
Total liabilities and equity		**221,357**	**191,156**

Approved on behalf of the Board of Directors on 29 August 2005

M.B. Tavkazakov
Executive Director

D.V. Glavnov
Finance Director

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

	Note	Six months ended 30 June 2005
Sales		261,180
Cost of sales	9	(147,299)
Gross profit		**113,881**
Selling and distribution costs	10	(39,178)
General and administrative expenses	11	(12,793)
Other operating expenses, net		(143)
Operating profit		**61,767**
Finance income, net	12	569
Profit before income tax		**62,336**
Current income tax expense		(15,869)
Deferred income tax expense		(341)
Profit for the period		**46,126**
Attributable to:		
Equity holders of the Company		45,557
Minority interest		569
Earnings per ordinary share – basic and diluted, US$ per share	8	2.24

Approved on behalf of the Board of Directors on 29 August 2005

M.B. Tavkazakov
Executive Director

D.V. Glavnov
Finance Director

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

	Note	Six months ended 30 June 2005
Cash flows from operating activities		
Profit before income tax		62,336
Adjustments for:		
Expense for share option program	7	248
Depreciation	9, 11	5,599
Amortisation	9, 11	57
Provision for impairment of receivables	11	413
Allowance for obsolete inventory		38
Deferred income		(1,084)
Loss on disposal of property, plant and equipment		19
Interest income, expense and finance lease charges		445
Effect of foreign exchange on non-operating balances		(1,077)
Operating cash flows before working capital changes		**66,994**
Increase in accounts receivables and prepayments		(16,555)
Increase in inventories		(2,539)
Decrease in accounts payable and accrued expenses		(1,414)
Increase in taxes payable		103
Cash provided from operations		**46,589**
Income taxes paid		(12,551)
Interest paid		(564)
Net cash provided from operating activities		**33,474**
Cash flows from investing activities:		
Purchase of property, plant and equipment, intangible assets and prepayment for assets under construction and equipment		(14,898)
Proceeds from sale of property, plant and equipment		71
Loans given		(139)
Repayment of loans given		153
Interest received		57
Net cash used in investing activities:		**(14,756)**
Cash flows from financing activities:		
Proceeds from borrowings		22,790
Repayment of borrowings		(26,035)
Repayment of finance lease liability		(2,658)
Change in promissory notes		330
Acquisition of treasury shares	6	(4,499)
Net cash used in financing activities		**(10,072)**
Net increase in cash and cash equivalents		**8,646**
Cash and cash equivalents at the beginning of the period		**1,400**
Net increase in cash and cash equivalents		**8,646**
Presentation currency adjustment (Note 2)		**(254)**
Cash and cash equivalents at the end of the period		**9,792**

Approved on behalf of the Board of Directors on 29 August 2005

M.B. Tavkazakov
Executive Director

D.V. Glavnov
Finance Director

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

	Attributable to equity holders of the Company						Minority interest	Total equity
	Share capital	Share premium	Treasury shares	Share options	Cumulative translation adjustment	Retained earnings		
Balance at 1 January 2005	**449**	**34**	**-**	**-**	**10,350**	**105,997**	**2,948**	**119,778**
Effect of adoption of IFRS 3 "Business Combinations" (Note 3)	-	-	-	-	-	539	-	539
Balance at 1 January 2005	**449**	**34**	**-**	**-**	**10,350**	**106,536**	**2,948**	**120,317**
Profit for the period	-	-	-	-	-	45,557	569	46,126
Acquisition of treasury shares (Note 6)	-	-	(4,499)	-	-	-	-	(4,499)
Share-based compensation (Note 7)	-	-	-	248	-	-	-	248
Translation difference (Note 2)	(15)	(1)	132	(6)	(4,863)	-	(108)	(4,861)
Balance at 30 June 2005	**434**	**33**	**(4,367)**	**242**	**5,487**	**152,093**	**3,409**	**157,331**

Approved on behalf of the Board of Directors on 29 August 2005

M.B. Tavkazakov
Executive Director

D.V. Glavnov
Finance Director

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

1. LEBEDYANSKY GROUP AND ITS OPERATIONS

Open Joint Stock Company Lebedyansky and its subsidiaries ("the Group") principal activities are production and distribution of juices, juice based drinks and baby food juices and purees. The Group's juices and juice based drinks are distributed under the brands Ya, Tonus, Fruktovy Sad, Frustail, Privet and Vitamin, baby food juices are distributed under the brands Frutonyanya and Malysham and baby food purees under the brand Frutonyanya. The Group's manufacturing facilities are primarily based in the Lipetsk region, Russian Federation. The parent company, OJSC Lebedyansky ("the Company" or "Lebedyansky") was incorporated and domiciled as an open joint stock company in the Russian Federation in 1992. The major shareholders of the Company are N.I. Bortsov and Y.N. Bortsov, who held respectively 30% and 25% shares of the Company at 30 June 2005.

In March 2005 shareholders of the Company placed through an offering to the public under an open subscription 4,061,850 existing ordinary shares (RR 0.01 par value) at RR 1,016 per share. The shares have been admitted to placement and listing on the RTS Stock Exchange ("RTS") and subsequently on the Moscow Interbank Currency Exchange ("MICEX").

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

			% share at	
Entity	Country of Incorporation	Activity	**30 June 2005**	**31 December 2004**
OJSC Progress	Russia	Juice production	75%	75%
DP Sandance	Ukraine	Juice distribution	100%	100%
Sandance Kazakhstan	Kazakhstan	Juice distribution	100%	100%
CJSC Lebedyansky O.P.	Russia	Investing	100%	-

At 30 June 2005 the Group employed 4,971 employees (at 31 December 2004: 4,439).

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION

This consolidated interim condensed financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". This consolidated interim condensed financial information should be read together with the consolidated financial statements for the year ended 31 December 2004 prepared in accordance with IFRS.

Group companies, registered on the territory of the Russian Federation, maintain their accounting records in Russian Rouble ("RR") and prepare their statutory financial information in accordance with the Regulations on Accounting and Reporting of the Russian Federation. This consolidated interim condensed financial information is based on the statutory records, with adjustments and reclassifications recorded for the purpose of proper presentation in accordance with IAS 34.

The functional currency of the Group's subsidiaries may be either RR or other local currency depending upon the location and nature of the activities of the particular business. In the case of subsidiaries located in other territories, where the functional currency is not RR, the financial information has been measured in local currency and translated into RR at the applicable exchange rates as required by IAS 21 "The Effects of Changes in Foreign Exchange Rates" for inclusion in this consolidated interim condensed financial information.

This consolidated interim condensed financial information has been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, financial assets at fair value through profit and loss are shown at fair value. The preparation of consolidated interim condensed financial information in conformity with IAS 34 requires management to make prudent estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information preparation and the reported amounts of revenues and expenses during the reporting period. Estimates have principally been made in respect to fair values of financial instruments and the provision for impairment of receivables. Actual results could differ from these estimates.

2. BASIS OF PREPARATION OF THE CONDENSEDCONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

This consolidated interim condensed financial information has been measured in Russian Roubles, that is the currency of the primary economic environment in which the Group operates (the "functional currency") but has been presented in US dollars ("US$") in accordance with pronouncements of IAS 21. Balance sheet items have been translated at the official rate of the Central Bank of the Russian Federation at 30 June 2005 (RR 28.6721 for US$1) and at 31 December 2004 (RR 27.7487 for US$1), respectively. Income and expense items have been translated at the exchange rates that approximate the actual exchange rates existing at the dates of the transactions. All exchange differences resulting from the presentation translation have been recognised directly in equity. Management believes that presentation of this condensed consolidated interim financial information in US dollars will be convenient for users of this condensed consolidated interim financial information.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For preparation of consolidated interim condensed financial information for the six months ended 30 June 2005 the Group followed the same accounting policies as in the consolidated financial statements for the year ended 31 December 2004, except for the changes required by revised International Financial Reporting Standards effected from 1 January 2005.

3.1 Adoption of standards

In 2005 the Group adopted all the applicable IFRS which are relevant to its operations. The opening balances in this consolidated interim condensed financial information have been amended as required, in accordance with the relevant requirements.

IAS 1 (revised 2003) "Presentation of Financial Statements"
IAS 2 (revised 2003) "Inventories"
IAS 8 (revised 2003) "Accounting Policies, Changes in Accounting Estimates and Errors"
IAS 10 (revised 2003) "Events after the Balance Sheet Date"
IAS 16 (revised 2003) "Property, Plant and Equipment"
IAS 17 (revised 2003) "Leases"
IAS 21 (revised 2003) "The Effects of Changes in Foreign Exchange Rates"
IAS 24 (revised 2003) "Related Party Disclosures"
IAS 27 (revised 2003) "Consolidated and Separate Financial Statements"
IAS 32 (revised 2003) "Financial Instruments: Disclosure and Presentation"
IAS 33 (revised 2003) "Earnings per Share"
IAS 39 (revised 2003) "Financial Instruments: Recognition and Measurement"
IFRS 2 (issued 2004) "Share-based Payments"
IFRS 3 (issued 2004) "Business Combinations"
IAS 36 (revised 2004) "Impairment of Assets"
IAS 38 (revised 2004) "Intangible Assets"

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards.

The adoption of 2003 revisions of IAS 1, 2, 8, 10, 16, 17, 21, 24, 27, 32 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

- IAS 1 (revised 2003) has affected the presentation of minority interest and other disclosures.
- IAS 2, 8, 10, 16, 17, 27, 28, 32 and 33 had no material effect on the Group's policies.
- IAS 21 (revised 2003) had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.
- IAS 24 (revised 2003) has affected the identification of related parties and some other related-party disclosures.

The adoption of IAS 39 (revised 2004) resulted in reclassification of promissory notes previously classified as available for sale investments to financial assets at fair value through profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Adoption of standards (continued)

The adoption of IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:
- Amortised on a straight line basis over ten years; and
- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of IFRS 3:
- The Group ceased amortisation of goodwill from 1 January 2005;
- Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
- From the year ended 31 December 2004 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38. No adjustment resulted from this reassessment.

All standards adopted by the Group require retrospective application other than:
- IAS 39 – does not require the classification of financial assets as at ‘fair value through profit or loss’ of previously recognised financial assets;
- IFRS 2 – retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and
- IFRS 3 – prospectively after 31 March 2004.

The adoption of IFRS 3 resulted in increase in intangible assets and corresponding increase in retained earnings at 31 December 2004 by US$ 539 (refer to Note 3.4).

3.2 Group accounting

Subsidiary undertakings

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Inventories

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

3.4 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets.

The Group applied the transitional rules of IFRS 3 "Business combinations" in respect of goodwill and negative goodwill arising from business combinations for which the agreement date was before 31 March 2004. Consequently, beginning 1 January 2005, previously recognized goodwill is no longer amortized and is tested for impairment in accordance with IAS 36 "Impairment of assets"; previously recognized on the balance sheet excess of the fair value of the net assets of the subsidiary acquired over the cost of acquisition was derecognized, with a corresponding adjustment to the opening balance of retained earnings (refer to Note 3.1).

Goodwill arising from business combinations for which the agreement date is on or after 31 March 2004 is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of the subsidiary include the carrying value of goodwill related to the subsidiary sold.

3.5 Borrowings

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

3.6 Segment reporting

In the context of IAS 14 "Segment reporting" the Group has one reportable business and geographical segment.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Foreign currency transactions

Monetary assets and liabilities, which are held by Group entities and denominated in foreign currencies at 30 June 2005, are translated into the RR at the exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the statement of income.

The official rate of exchange, as determined by the Central Bank of the Russian Federation, was US dollar (US$) 1=RR 28.6721 at 30 June 2005 and US$1= 27.7487 at 31 December 2004. Exchange restrictions and currency controls exist relating to converting the RR into other currencies. The RR is not freely convertible in most countries outside of the Russian Federation.

3.8 Shareholders' equity

Share capital

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

Treasury shares

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

3.9 Employee benefits

Share-based compensation

The Group operates an equity-settled, share-based compensation plan with a liability element. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted determined at the grant date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

4. INVENTORIES

Inventories comprise the following:

	30 June 2005	31 December 2004
Raw materials	27,922	26,803
Work in progress	685	3,281
Finished products	14,754	12,159
Less obsolescence provision	(188)	(156)
	43,173	**42,087**

The Group also pledged inventories with carrying value of US$ 2,340 and US$ 2,418 in its statutory financial (accounting) reports at 30 June 2005 and 31 December 2004 for bank loans raised by LLC Pervomayskoe (Note 13).

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

5. BORROWINGS

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

	30 June 2005	31 December 2004
Short-term borrowings		
Current portion of loan from BCEN-Eurobank	1,773	1,656
Loan from Lipetsk regional government	3	3
Loan from Alfa Bank	-	4,126
Loan from Sberbank	-	190
Total short-term borrowings	**1,776**	**5,975**
Long-term borrowings		
Loan from BCEN-Eurobank	7,012	7,160
Total long-term borrowings	**7,012**	**7,160**

The loan obtained from Sberbank in 2004 was denominated in RR, non-secured and bore interest at the rate of 13% per annum. The loan was repaid in January 2005. Under a special government program two-thirds of the interest rate was compensated by Lipetsk regional government as the loan was used to purchase agriculture products.

The credit line opened with Alfa Bank in 2004 was denominated in RR, non-secured and bore interest at the rate of 10% per annum. The loan was repaid in April 2005.

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

The loan obtained from BCEN-Eurobank in 2004 is denominated in Euro, unsecured and bore interest at the rate of three months EURIBOR plus 1% per annum with maturity date March 2010. In 2005 the Group obtained another loan from BCEN-Eurobank. It was denominated in Euro, unsecured and bore interest at the rate of three months EURIBOR plus 1% per annum with maturity date June 2011. Under the terms of the agreement the loans were used for acquisition of juice and mineral water bottling production equipment. The loan outstanding at 30 June 2005 amounted to US$ 8,785.

Repayment schedule of these loans is as follows:

	30 June 2005	31 December 2004
1 to 2 years	1,773	1,656
2 to 3 years	1,773	1,656
3 to 4 years	1,773	1,656
4 to 5 years	1,403	1,656
Over 5 years	290	536
	7,012	**7,160**

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

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

6. SHAREHOLDERS' EQUITY

The issued share capital value was US$ 449 at 30 June 2005 (nominal value was RR 204,112). The authorized and issued number of ordinary shares was 20,411,300 at 30 June 2005 and 31 December 2004 with a nominal value per share of RR 0.01. All the shares were fully paid up at 31 December 2004 and 30 June 2005.

In March 2005 shareholders of the Company placed through an offering to the public under an open subscription 4,061,850 existing ordinary shares (RR 0.01 par value) at RR 1,016 per share. The shares have been admitted to placement and listing on the RTS Stock Exchange ("RTS") and subsequently on the Moscow Interbank Currency Exchange ("MICEX").

In April 2005 the Group acquired from one of the Company's shareholders 122,468 ordinary shares of Lebedyansky for US$ 4,499 at RR 1,022.47 per share (market price at the date of agreement was RR 1,092 per share). The Company reserved these treasury shares for a share option program for senior management (Note 7).

The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. For the six months ended 30 June 2005 net statutory profit for the Company as reported in the statutory accounting reports was US$ 44,209 at average exchange rate of RR 27.96 per US$. However, this legislation and other statutory laws and regulations dealing with the distribution rights are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable reserves in this condensed consolidated interim financial information.

7. SHARE-BASED COMPENSATION

In March 2005 the Group granted senior management options to acquire in total 76,000 of the Company's ordinary shares at par value of RR 0.01. The options are exercisable after the Company publishes its financial results for the fourth quarter of 2007 (vesting date), subject to certain conditions, including remaining in employment in the Group by the vesting date and achievement of a targeted market capitalization. The number of vesting options is adjustable upon achievement of targeted market capitalization at the vesting date and this was considered in determining option values at the grant date. The holders of the options are allowed to exercise options before vesting date, in the event that present shareholders cease control over the Company. In case of death of the holder of the options the Group must repurchase the options at a price calculated based on a special formula, linked to EBITDA and long-term liabilities. The amount of the Company's shares granted under this option program should not exceed 122,468.

At 30 June 2005 the Group had 76,000 outstanding options with exercise price of RR 0.01 per share. The vesting and expiry date of outstanding options is publication of the Group's financial results for the fourth quarter of 2007, which is expected to be in the first half of 2008.

The fair value of options granted during the six months ended 30 June 2005 determined using the Black-Scholes valuation model adjusted for probability of achievement of a targeted market capitalization was US$ 2,987. The significant inputs into the model were share price of US$ 39.30, at the grant date, exercise price shown above, standard deviation of expected share price returns of 19%, option life disclosed above, an annual risk-free interest rate of 4.66%. Historical 3-year volatility of Russian stock exchange index adjusted for the Company's beta was used as a proxy for the expected volatility of the share price. In the six months ended 30 June 2005 the Group recognized an expense in the amount of US$ 248.

8. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the net income attributable to participating shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares for the six months ended 30 June 2005 was adjusted for the effect of treasury shares acquired by the Group in April 2005.

	For the six months ended 30 June 2005
Weighted average number of ordinary shares in issue	20,411,300
Adjustment for weighted average number of treasury shares acquired	(61,234)
Weighted average number of ordinary shares outstanding	20,350,066
Profit for the period attributable to the equity holders of the Company	45,557
Basic earnings per share	**US$ 2.24**

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

8. EARNINGS PER SHARE (CONTINUED)

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential ordinary shares under the share based compensation program (Note 7). For the share options used in the share based compensation program a calculation is done to determine the number of shares that could have been issued at 30 June 2005 if this date was the vesting date.

	For the six months ended 30 June 2005
Weighted average number of ordinary shares in issue	20,411,300
Adjustment for weighted average number of treasury shares acquired	(61,234)
Weighted average number of ordinary shares outstanding	20,350,066
Adjustment for weighted average number of share options	2,137
Weighted average number of ordinary shares outstanding	20,374,766
Profit for the period attributable to the equity holders of the Company	45,557
Diluted earnings per share	**US$ 2.24**

9. COST OF SALES

The components of cost of sales were as follows:

	For the six months ended 30 June 2005
Materials and components used	133,981
Labour costs	4,925
Production overheads	4,034
Depreciation	4,359
	147,299

10. SELLING AND DISTRIBUTION COSTS

Selling and distribution costs comprise:

	For the six months ended 30 June 2005
Transportation	11,698
Advertising	11,411
Labour costs	10,242
Warehousing	4,208
Other	1,619
	39,178

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

11. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise:

	For the six months ended 30 June 2005
Labour costs (including expense on option program in the amount of US$ 248 – refer Note 7)	5,879
Depreciation and amortisation	1,297
Taxes (mainly property tax)	254
Provision for impairment of receivables	413
Other	4,950
	12,793

12. FINANCE INCOME/(EXPENSES)

The components of finance income and expenses were as follows:

	For the six months ended 30 June 2005
Interest income on originated loans and bank deposits	64
Interest expense on bank loans	(240)
Finance lease charge	(269)
Net foreign exchange gain	1,014
	569

13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

For the purposes of this condensed consolidated interim financial information in considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2005 and 31 December 2004 are detailed below.

i LLC Pervomayskoe

LLC Pervomayskoe is a company controlled by one of the Group's major shareholders (Note 1). The Group purchased fruits and other materials from OOO Pervomayskoe in the amount of US$ 30 for the six months ended 30 June 2005.

The Group sold to LLC Pervomayskoe equipment and semi-finished products in the amount of US$ 30 for the six months ended 30 June 2005. Receivable from LLC Pervomayskoe were US$ 646 and US$ 639 at 30 June and at 31 December 2004, respectively.

Before 2005 the Group had acquired promissory notes of LLC Pervomayskoe at par value. The notes are interest free and payable upon demand. The Group held US$ 1,318 and US$ 1,362 of promissory notes issued by LLC Pervomayskoe at 30 June 2005 and at 31 December 2004 respectively. At 30 June 2005 and 31 December 2004 management recognised impairment provision in the full amount against promissory notes of LLC Pervomayskoe.

The Group also pledged inventories with carrying value US$ 2,340 and US$ 2,418 at 30 June and at 31 December 2004 for bank loans raised by LLC Pervomayskoe (Note 4).

13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

ii LLC Orisfey

LLC Orisfey is a company engaged in the production and sale of low alcoholic cocktails and is controlled by one of the Group's major shareholders (Note 1).

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

In 2004 the Group provided LLC Orisfey with a RR denominated loan in the amount US$ 6,135 for the acquisition of equipment and maintaining working capital. In the six months ended 30 June 2005 an addition loan of US$ 107 was provided to LLC Orisfey by the Group. The loan bears interest of 2% per annum and is payable 31 December 2005. LLC Orisfey repaid US$ 139 of the loan in the six months ended 30 June 2005. The amount of loan principle due from LLC Orisfey was US$ 5,340 and US$ 5,552 at 30 June 2005 and at 31 December 2004 respectively. Management recognised an impairment provision against the full amount of the loan outstanding at 30 June 2005 and at 31 December 2004.

In 2004 the Group incurred advertising and marketing expenses in the amount of US$ 1,344 on behalf of LLC Orisfey and recharged these expenses to LLC Orisfey at cost. At 30 June 2005 and at 31 December 2004 US$ 1,132 and US$ 1,344 was due from LLC Orisfey. The amount is included in advances to suppliers and other receivables balance. Management recognised an impairment provision in the amount of US$ 132 and US$ 109 at 30 June 2005 and 31 December 2004 against this receivable.

The Group rendered to LLC Orisfey services in the amount of US$ 29 for the six months ended 30 June 2005. Receivable from LLC Orisfey was US$ 12 and US$ 77 at 30 June 2005 and at 31 December 2004.

In the six months ended 30 June 2005 the Group purchased fixed assets and finished goods from LLC Orisfey in the amount of US$ 117. Payable to LLC Orisfey were US$ 66 and US$ nil at 30 June 2005 and at 31 December 2004 respectively.

iii LLC Pharma Trade

LLC Pharma Trade is a company owned by LLC Orisfey and is engaged in the production and sale of oxygenated cocktails. In the six months ended 30 June 2005 the Group acquired RR denominated, interest free and payable upon demand promissory notes of LLC Pharma Trade at par value US$ 541. The Group had receivable for the promissory notes from LLC Pharma Trade amounting to US$ 338 and US$ 541 at 30 June 2005 and at 31 December 2004 respectively.

The Group purchased oxygenated cocktails from LLC Pharma Trade in the amount of US$ 146 for the six months ended 30 June 2005. In the six months ended 30 June 2005 the Group used promissory notes of LLC Pharma Trade to settle the liability for the oxygenated cocktails in the amount of US$ 203. The Group had trade payable to LLC Pharma Trade amounting to US$ 34 and US$ 49 at 30 June 2005 and at 31 December 2004.

iv LLC Assol

LLC Assol is a company controlled by certain of the Group shareholders and engaged in supply to the Group of granulated sugar and corrugated cardboard products.

In the six months ended 30 June 2005 the Group has purchased from LLC Assol 14,920 thousand kg sugar in the amount of US$ 7,604, packaging materials in the amount of US$ 4,233, other materials in the amount of US$ 163 and services in the amount of US$ 87.

The Group's accounts receivable from LLC Assol were US$ 1 and US$ 2 at 30 June 2005 and at 31 December 2004. The Group's accounts payable to LLC Assol were US$ 1,507 and US$ 1,437 at 30 June 2005 and at 31 December 2004.

13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

v Transactions with shareholders

In April 2005 the Group acquired from one of the Company's major (Note 1) shareholders 122,468 ordinary shares of Lebedyansky for US$ 4,499 at RR 1,022.47 per share (market price at the date of agreement was RR 1,092 per share). The Company reserved these treasury shares for a share option program for senior management (Note 7).

In the six months ended 30 June 2005 the Group sold to one of the shareholders a snow removal vehicle for US$ 2. The amount receivable at 30 June 2005 was US$ 2.

vi Key management personnel compensation

Compensation paid to directors for their services in full or part time executive management positions is made up of a contractual salary and a discretionary bonus depending on operating results. Discretionary bonuses are payable to directors, which are approved by the shareholders, provided the Group has profit for the period.

Total compensation of key management personnel including discretionary bonuses recorded in general and administrative expenses in the condensed consolidated interim statement of income amounted to US$ 1,438 for the six months ended 30 June 2005. The amount includes short term benefits in the amount of US$ 1,190 and expense on option program in the amount of US$ 248.

14. PROPERTY, PLANT AND EQUIPMENT

In the six months ended 30 June 2005 the Group acquired US$ 12,490 of property, plant and equipment and sold property plant and equipment with gross book value of US$ 466 with accumulated depreciation of US$ 356.

15. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

i Contractual commitments and guarantees and acquisition of property, plant and equipment

The Group had contractual commitments for the purchase of property, plant and equipment from third parties for US$ 23,924 and US$ 17,211 at 30 June 2005 and at 31 December 2004.

ii Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

At 30 June 2005 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in this condensed consolidated interim financial information.

iii Insurance policies

The Group holds no insurance policies in relation to its assets or operations, or in respect of public liability or other insurable risks, with the exception of insurance policies covering equipment leased under finance lease agreements and motor vehicles.

15. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTINUED)

iv Environmental matters

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

v Legal proceedings

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

vi Operating environment of the Group

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

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

16. FINANCIAL RISKS

i Credit risk

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

ii Foreign exchange risk

The Group consumes materials with US$ and Euro denominated prices and exports products to CIS countries (Ukraine, Kazakhstan) and thus exposed to foreign exchange risk. Foreign currency denominated assets and liabilities give rise to foreign exchange exposure. The Group's finance leases are denominated in US$ and Euro. The Group does not have formal arrangements to mitigate foreign exchange risks of the Group's operations.

iii Interest rate risk

The Group is exposed to interest rate risk through fluctuations of market interest rates (EURIBOR, LIBOR) to which interest-bearing long-term borrowings (Note 5) and finance lease liabilities are linked. The interest rates on short-term borrowings are fixed, these are disclosed in Note 5. The Group has no significant interest-bearing assets.

iv Fair values

In assessing the fair value of non-traded financial instruments the Group uses a variety of methods including estimated discounted value of future cash flows, and makes assumptions that are based on market conditions existing at each balance sheet date.