



**OJSC LEBEDYANSKY**  
**International Accounting Standard No. 34**  
**Condensed Consolidated Interim**  
**Financial Information and**  
**Report on Review**

**30 June 2007**

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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders and Board of Directors of OJSC Lebedyansky:

### *Introduction*

We have reviewed the accompanying condensed consolidated interim balance sheet of OJSC Lebedyansky as of 30 June 2007 and the related condensed consolidated interim statements of income, cash flows and changes in equity for the six months period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

*ZAO PricewaterhouseCoopers Audit*

ZAO PricewaterhouseCoopers Audit  
Moscow, Russian Federation  
4 September 2007

	Note	30 June 2007	31 December 2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		257,413	215,107
Goodwill		5,683	5,572
Other intangible assets		14,037	13,218
Prepayments for assets under construction and equipment		19,767	13,397
<b>Total non-current assets</b>		<b>296,900</b>	<b>247,294</b>
<b>Current assets</b>			
Inventories	5	93,743	90,129
Trade and other receivables		153,401	123,283
Available for sale investments		101	241
Cash and cash equivalents		7,658	4,328
<b>Total current assets</b>		<b>254,903</b>	<b>217,981</b>
<b>TOTAL ASSETS</b>		<b>551,803</b>	<b>465,275</b>
<b>EQUITY</b>			
Share capital	6	482	473
Share premium		298	292
Treasury shares		(4,494)	(4,406)
Share options		2,416	1,843
Currency translation difference		28,617	23,301
Retained earnings		246,764	216,022
<b>Equity attributable to the Company's equity holders</b>		<b>274,083</b>	<b>237,525</b>
<b>Minority interest</b>		<b>6,300</b>	<b>5,790</b>
<b>TOTAL EQUITY</b>		<b>280,383</b>	<b>243,315</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	7	49,058	49,709
Issued bonds	8	58,103	-
Finance leases payable		31,084	25,222
Deferred income tax liability		10,972	13,790
Other non-current liabilities		35	41
<b>Total non-current liabilities</b>		<b>149,252</b>	<b>88,762</b>
<b>Current liabilities</b>			
Borrowings	7	33,241	73,310
Finance leases payable		5,688	4,466
Trade and other payables		52,261	50,590
Dividends payable		22,470	-
Tax payable		7,333	2,528
Other current liabilities		1,175	2,304
<b>Total current liabilities</b>		<b>122,168</b>	<b>133,198</b>
<b>TOTAL LIABILITIES</b>		<b>271,420</b>	<b>221,960</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>551,803</b>	<b>465,275</b>

Approved for issue and signed on behalf of the Board of Directors on 4 September 2007.

\_\_\_\_\_  
M. B. Tavkazakov  
Executive Director

\_\_\_\_\_  
D. V. Glaynov  
Finance Director

The accompanying notes on pages 5 to 14 are an integral part of this condensed consolidated interim financial information.

**OJSC Lebedyansky**  
**Condensed Consolidated Interim Income Statement**  
**for the six months ended 30 June 2007**

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



	Note	Six months ended 30 June 2007	30 June 2006
Revenue		476,919	345,062
Cost of sales	9	(272,480)	(196,177)
<b>Gross profit</b>		<b>204,439</b>	<b>148,885</b>
Selling and distribution costs	10	(96,790)	(59,784)
General and administrative expenses	11	(28,647)	(17,715)
Other operating income/(expenses)		(839)	278
<b>Operating profit</b>		<b>78,163</b>	<b>71,664</b>
Finance income	12	1,697	2,085
Finance costs	13	(6,578)	(1,720)
<b>Profit before income tax</b>		<b>73,282</b>	<b>72,029</b>
Current income tax expense		(22,742)	(20,174)
Deferred income tax expense		3,062	1,423
<b>Income tax expense</b>		<b>(19,680)</b>	<b>(18,751)</b>
<b>Net profit for the period</b>		<b>53,602</b>	<b>53,278</b>
<b>Profit is attributable to:</b>			
Equity holders of the Company		53,212	52,366
Minority interest		390	912
<b>Net profit for the period</b>		<b>53,602</b>	<b>53,278</b>
<b>Earnings per share for profit attributable to the equity holders of the Company (expressed in US\$ per share)</b>			
- basic	14	2.62	2.58
- diluted		2.61	2.57

The accompanying notes on pages 5 to 14 are an integral part of this condensed consolidated interim financial information.

**OJSC Lebedyansky**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**for the six months ended 30 June 2007**

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



		Six months ended	
	Note	30 June 2007	30 June 2006
<b>Cash flows from operating activities</b>			
Profit before income tax		73,282	72,029
Adjustments for:			
Expense for share option program		532	501
Depreciation		14,047	7,021
Amortisation		140	91
Provision/(reversal of provision) for impairment of receivables		675	(253)
Allowance for obsolete inventory		110	74
Deferred income		(1,163)	(1,096)
Loss on disposal of property, plant and equipment		664	87
Interest income, expense and finance lease charges		5,237	455
(Reversal of provision for impairment of loan granted to LLC Orisfey)/provision for impairment of promissory notes and available for sale investments	12	(172)	577
Effect of foreign exchange on non-operating balances		(425)	(312)
<b>Operating cash flows before working capital changes</b>		<b>92,927</b>	<b>79,174</b>
Increase in accounts receivables and prepayments		(31,409)	(18,266)
Increase in inventories		(1,909)	(3,733)
Decrease in accounts payable and accrued expenses		(753)	(1,293)
Decrease in taxes payable		(773)	(280)
<b>Cash provided from operations</b>		<b>58,083</b>	<b>55,606</b>
Income taxes paid		(12,666)	(12,481)
Interest paid		(4,517)	(496)
<b>Net cash generated from operating activities</b>		<b>40,900</b>	<b>42,629</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment, intangible assets and prepayments for assets under construction and equipment		(50,373)	(34,918)
Proceeds from sale of property, plant and equipment		113	612
Loan provided		-	(23)
Receipts from repayment of loans		170	735
Interest received		21	127
<b>Net cash used in investing activities</b>		<b>(50,069)</b>	<b>(33,467)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	8	166,670	15,622
Proceeds from issue of bonds	9	57,504	-
Repayment of borrowings	8	(209,366)	(2,517)
Repayment of financial lease liability		(2,576)	(1,939)
Change in promissory notes		144	41
<b>Net cash used in financing activities</b>		<b>12,376</b>	<b>11,207</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,207</b>	<b>20,369</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>4,328</b>	<b>4,777</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,207</b>	<b>20,369</b>
<b>Currency translation difference</b>		<b>123</b>	<b>753</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>7,658</b>	<b>25,899</b>

The accompanying notes on pages 5 to 14 are an integral part of this condensed consolidated interim financial information.

**OJSC Lebedyansky**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**for the six months ended 30 June 2007**  
*(all items are measured in Russian Roubles and presented in thousand of US Dollars (Note2))*



	Attributable to shareholders of the Company						Total	Minority Interest	Total equity
	Share capital	Share premium	Treasury shares	Share options	Cumulative currency translation difference	Retained earnings			
<b>Balance at 1 January 2006</b>	<b>432</b>	<b>32</b>	<b>(4,351)</b>	<b>723</b>	<b>4,870</b>	<b>181,167</b>	<b>182,873</b>	<b>3,775</b>	<b>186,648</b>
Currency translation difference	28	8	(265)	56	12,846	-	12,673	258	12,931
<b>Net income recognised directly in equity</b>	<b>28</b>	<b>8</b>	<b>(265)</b>	<b>56</b>	<b>12,846</b>	<b>-</b>	<b>12,673</b>	<b>258</b>	<b>12,931</b>
Profit for the period	-	-	-	-	-	52,366	52,366	912	53,278
<b>Total recognised income</b>	<b>28</b>	<b>8</b>	<b>(265)</b>	<b>56</b>	<b>12,846</b>	<b>52,366</b>	<b>65,039</b>	<b>1,170</b>	<b>66,209</b>
Share based compensation	-	-	-	501	-	-	501	-	501
Sale of treasury shares	-	244	332	-	-	-	576	-	576
Dividends accrued	-	-	-	-	-	(51,701)	(51,701)	-	(51,701)
<b>Balance at 30 June 2006</b>	<b>460</b>	<b>284</b>	<b>(4,284)</b>	<b>1,280</b>	<b>17,716</b>	<b>181,832</b>	<b>197,288</b>	<b>4,945</b>	<b>202,233</b>
<b>Balance at 1 January 2007</b>	<b>473</b>	<b>292</b>	<b>(4,406)</b>	<b>1,843</b>	<b>23,301</b>	<b>216,022</b>	<b>237,525</b>	<b>5,790</b>	<b>243,315</b>
Currency translation difference	9	6	(88)	41	5,318	-	5,286	120	5,406
<b>Net income recognised directly in equity</b>	<b>9</b>	<b>6</b>	<b>(88)</b>	<b>41</b>	<b>5,318</b>	<b>-</b>	<b>5,286</b>	<b>120</b>	<b>5,406</b>
Profit for the period	-	-	-	-	-	53,212	53,212	390	53,602
<b>Total recognised income</b>	<b>9</b>	<b>6</b>	<b>(88)</b>	<b>41</b>	<b>5,318</b>	<b>53,212</b>	<b>58,498</b>	<b>510</b>	<b>59,008</b>
Share based compensation	-	-	-	532	-	-	532	-	532
Dividends accrued	-	-	-	-	-	(22,470)	(22,470)	-	(22,470)
<b>Balance at 30 June 2007</b>	<b>482</b>	<b>298</b>	<b>(4,494)</b>	<b>2,416</b>	<b>28,619</b>	<b>246,764</b>	<b>274,085</b>	<b>6,300</b>	<b>280,385</b>

The accompanying notes on pages 5 to 14 are an integral part of this condensed consolidated interim financial information.

## 1 The OJSC 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, Vitamin, Tusa Jusa, Dolka, Severnaya Yagoda, Nektarinka, baby food juices are distributed under the brands Frutonyanya and Malysham, baby food purees under the brand Frutonyanya, ice tea is distributed under the brand Edo, mineral water is distributed under the brand Lipetskiy Buvet. The Group’s manufacturing facilities are primarily based in the Lipetsk region, Russian Federation. The parent company, open joint stock company 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 2007.

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:

Entity	Country of Incorporation	Activity	% share at	
			30 June 2007	31 December 2006
OJSC Progress	Russia	Juice production	75%	75%
OOO Progress detskoe pitanie	Russia	Baby food production	100%	-
OOO Troya Ultra	Russia	Juice production	100%	100%
DP Sandance	Ukraine	Juice distribution	100%	100%
Sandance Kazakhstan	Kazakhstan	Juice distribution	100%	100%
CJSC Enter-Logistica	Russia	Warehouse facilities	100%	100%
CJSC Lebedyansky O.P.	Russia	Investing	100%	100%

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

## 2 Basis of Preparation and Significant Accounting Policies

**Basis of preparation.** This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. This condensed consolidated interim financial information should be read together with the consolidated financial statements for the year ended 31 December 2006. The principal accounting policies applied in the preparation of this condensed consolidated interim financial information are similar to the policies applied in the preparation of the consolidated financial statements for the year ended 31 December 2006. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 3, Adoption of New or Revised Standards and Interpretations).

**Functional currency.** The functional currency for the Group’s subsidiaries located in Russia is the national currency of the Russian Federation, Russian Roubles (“RR”). In the case of subsidiaries located in other territories, where the functional currency is not the RR, the financial statements have been measured in local currency and translated into presentation currency at the applicable exchange rates as required by IAS 21 “The Effects of Changes in Foreign Exchange Rates” (“IAS 21”) for inclusion in this condensed consolidated interim financial information.

**Translation from functional to presentation currency.** This condensed consolidated interim financial information has been presented in US dollars (“US\$”), which management believes is the most useful currency to adopt for users of this condensed consolidated interim financial information. The results and financial position of each group entity (functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency using the official exchange rate of the Central Bank of the Russian Federation (hereinafter “CBRF”) as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as cumulative currency translation difference, a separate component of equity.



## 2 Basis of Preparation and Significant Accounting Policies (continued)

**Translation from functional to presentation currency (continued).** At 30 June 2007 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 25.8162 (31 December 2006: USD 1 = RR 26.3311). Exchange restrictions and controls exist relating to converting Russian Roubles into other currencies. At present, the Russian Rouble is not a freely convertible currency in most countries outside of the Russian Federation. Further, all transactions within Russia must be settled in Russian Roubles.

## 3 Adoption of New or Revised Standards and Interpretations

The following revised and issued standards were adopted in accordance with their transitional provisions and effective date:

- IFRS 7, Financial instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). The Group will include required disclosures in its annual consolidated financial statements;
- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006, that is from 1 January 2007). This interpretation did not have a significant impact on this financial information;
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007). This interpretation did not have a significant impact on this financial information;
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). This interpretation did not have a significant impact on this financial information;
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). This interpretation did not have a significant impact on this financial information.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been adopted early:

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. Management is currently assessing what impact the Standard will have on segment disclosures in the Group's financial statements;
- IFRIC 11, IFRS 2 — Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008);
- IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008).
- IAS 23 Revised, Borrowing Costs. The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

Unless otherwise described above, these new standards and interpretations are not expected to significantly affect the Group's interim condensed consolidated financial information.

## 4 Balances and Transactions with Related Parties

Parties are considered to be related if one party has the ability to control the other party, is under common control, or exercise significant influence over the other party in making financial or operational decisions. 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.

#### **4 Balances and Transactions with Related Parties (continued)**

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 2007 and 31 December 2006 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 articles of food and rent transport from OOO Pervomayskoe in the amount of US\$ 0.2 thousand for the six months ended 30 June 2007 (US\$ 29 thousand for the six months ended 30 June 2006).

The Group sold to LLC Pervomayskoe other services and materials in the amount of US\$ 2 thousand for the six months ended 30 June 2007. Receivable from LLC Pervomayskoe were US\$ 753 thousand and US\$ 737 thousand at 30 June 2007 and at 31 December 2006, respectively.

Before 2006 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\$ 1,464 thousand and US\$ 1,435 thousand of promissory notes issued by LLC Pervomayskoe at 30 June 2007 and at 31 December 2006, respectively. Considering financial position of LLC Pervomayskoe management recognised an impairment provision in the full amount against promissory notes of LLC Pervomayskoe at 30 June 2007 and 31 December 2006.

The Group also had pledged inventories with carrying value US\$ 1,823 thousand at 31 December 2006 for bank loans raised by LLC Pervomayskoe (Note 5). The loan was repaid by LLC Pervomayskoe in 2007 year.

##### **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 RR 10,000 per year (US\$ 383 at average rate of RR 26.08 for US\$ 1).

In 2004 the Group provided LLC Orisfey with a RR denominated loan in the amount US\$ 6,135 thousand for the acquisition of equipment and maintaining working capital. In 2005 an addition loan of US\$ 106 thousand was provided to LLC Orisfey by the Group. The loan bears interest of 2% per annum. LLC Orisfey repaid US\$ 165 thousand of the loan in 6 months ended 30.06.2007. The amount of loan principle due from LLC Orisfey was US\$ 4,504 thousand and US\$ 4,578 thousand at 30 June 2007 and 31 December 2006, respectively. The group had interest receivable from LLC Orisfey US\$ 181 thousand and US\$ 110 thousand at 30 June 2007 and 31 December 2006, respectively; no interest was paid to the Group by LLC Orisfey in 6 months ended 30 June 2007.

Management became aware of LLC Orisfey shareholders' decision to shut down the project and after considering financial position of LLC Orisfey recognised an impairment provision against the full amount of the loan outstanding at 30 June 2007 and 31 December 2006. In the period of 6 months ended 30 June 2007 Orisfey repaid US\$ 165 thousand of the loan. The Group reversed impairment provision against the loan for an amount repaid.

In 2004 the Group incurred advertising and marketing expenses in the amount of US\$ 1,344 thousand on behalf of LLC Orisfey and recharged these expenses to LLC Orisfey at cost. At 30 June 2007 and at 31 December 2006 US\$ 1,008 thousand and US\$ 996 thousand 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\$ 1,008 thousand and US\$ 996 thousand at 30 June 2007 and 31 December 2006 against this receivable.

Receivable from LLC Orisfey were US\$ 1.4 thousand at 30 June 2007 and at 31 December 2006.

In the year ended 31 December 2006 the LLC Orisfey sales to the Group amounted to US\$ 49 thousand. Payables to LLC Orisfey were US\$ 56 thousand and US\$ 55 thousand at 30 June 2007 and 31 December 2006, 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 year ended 31 December 2004 the Group acquired RR denominated, interest free and payable upon demand promissory notes of LLC Pharma Trade at par value of US\$ 541. The Group had receivable for the promissory notes from LLC Pharma Trade amounting to US\$ 101 thousand and US\$ 209 thousand at 30 June 2007 and 31 December 2006, respectively.

The Group purchased oxygenated cocktails from LLC Pharma Trade in the amount of US\$ 97 thousand for the six months ended 30 June 2007. In the six months ended 30 June 2007 the Group used promissory notes of LLC Pharma Trade to settle the liability for the oxygenated cocktails in the amount of US\$ 112 thousand. The Group had trade payable to LLC Pharma Trade amounting to US\$ 78 thousand and US\$ 95 thousand at 30 June 2007 and at 31 December 2006.

#### 4 Balances and Transactions with Related Parties (continued)

##### 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 2007 the Group has purchased from LLC Assol services in the amount of US\$ 50 thousand. The Group's accounts payable to LLC Assol were US\$ 1 thousand and US\$ 25 thousand at 30 June 2007 and 31 December 2006, respectively.

##### v 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 consolidated income statement amounted to US\$ 2,904 thousand (for the six months ended 30 June 2006: US\$ 3,056 thousand). The amount includes short term benefits in the amount of US\$ 2,372 thousand (six months ended 30 June 2006: US\$ 1,979 thousand), an expense relating to the share option program in the amount of US\$ 532 thousand (six months ended 30 June 2006: US\$ 501 thousand and 9,000 granted ordinary shares with market value of US\$ 576 thousand).

#### 5 Inventories

	30 June 2007	31 December 2006
Raw materials	58,480	50,700
Work in progress	2,974	9,598
Finished products	32,616	30,262
Less obsolescence provision	(327)	(431)
<b>Total inventories</b>	<b>93,743</b>	<b>90,129</b>

Inventories of US\$ 1,823 thousand as at 31 December 2006 had been pledged as collateral for bank borrowings raised by LLC Pervomayskoe, a related party (Note 4i). The loan was repaid by LLC Pervomayskoe in 2007.

#### 6 Share Capital

	Number of outstanding shares [in thousands]	Ordinary shares	Share premium	Treasury shares	Total
<b>At 1 January 2006</b>	<b>20,288,832</b>	<b>432</b>	<b>32</b>	<b>(4,351)</b>	<b>(3,887)</b>
Treasury shares sold	9,000	-	244	332	576
Currency translation movement	-	28	8	(265)	(229)
<b>At 30 June 2006</b>	<b>20,297,832</b>	<b>460</b>	<b>284</b>	<b>(4,284)</b>	<b>(3,540)</b>
<b>At 1 January 2007</b>	<b>20,297,832</b>	<b>473</b>	<b>292</b>	<b>(4,406)</b>	<b>(3,641)</b>
Currency translation movement	-	9	6	(88)	(73)
<b>At 30 June 2007</b>	<b>20,297,832</b>	<b>482</b>	<b>298</b>	<b>(4,494)</b>	<b>(3,714)</b>

## 6 Share Capital (continued)

The issued share capital value was US\$ 482 thousand at 30 June 2007 (31 December 2006: US\$ 473 thousand). Nominal value of the issued share capital was RR 204,113 at 30 June 2007 and 31 December 2006. The authorized and issued number of ordinary shares was 20,411,300 at 30 June 2007 and 31 December 2006 with a nominal value per share of RR 0.01. All the shares were fully paid up at 30 June 2007 and 31 December 2006.

On 20 June 2007 Shareholders approved Board of Directors' decision to pay dividends in the amount of US\$ 22,470 thousand (RR 28.42 per ordinary share or US\$ 1.10 per share at official exchange rate of Central Bank of Russian Federation at 30 June 2007 of RR 25.8162 per US\$ 1).

## 7 Borrowings

	30 June 2007	31 December 2006
<b>Non-current</b>		
Bank borrowings denominated in Euro	27,058	27,709
Bank borrowings denominated in US Dollars	22,000	22,000
<b>Total non-current borrowings</b>	<b>49,058</b>	<b>49,709</b>
<b>Current</b>		
Bank borrowings denominated in Euro	8,748	8,521
Bank borrowings denominated in US Dollars	518	-
Bank borrowings denominated in Russian roubles	23,718	64,789
Bonds interest charges	257	-
<b>Total current borrowings</b>	<b>33,241</b>	<b>73,310</b>
<b>Total borrowings</b>	<b>82,299</b>	<b>123,019</b>

Bank borrowings denominated in Euro in the amount of US\$ 23,884 thousand (31 December 2006: US\$ 26,004 thousand) are unsecured and bear floating interest rates ranging from EURIBOR + 0.85% to EURIBOR + 1% at 30 June 2007 and 31 December 2006.

Bank borrowings denominated in Euro in the amount of US\$ 11,922 thousand (US\$ 9,967 thousand as of 31 December 2006) are unsecured and bear fixed interest rates 4.61% and 5.50% at 30 June 2007.

Bank borrowing obtained denominated in US Dollars in the amount of US\$ 22,518 thousand as of 30 June 2007 (US\$ 22,259 thousand as of 31 December 2006) is unsecured and bears a floating interest rates of LIBOR+2.5%.

Bank borrowings denominated in Russian roubles in the amount of US\$ 23,718 thousand as of 30 June 2007 (US\$ 59,556 thousand as at 31 December 2006) are unsecured and bear floating interest rate ranging from MOSPRIME +1.15% to 5.5%.

Total amount of accrued interest charges in total current borrowings is US\$ 1,071 thousand (US\$ 655 thousand as of 31 December 2006).

The Group's borrowings mature as follows:

	30 June 2007	31 December 2006
Borrowings due:		
- within 1 year	33,241	73,310
- between 2 and 5 years	44,516	47,509
- after 5 years	4,542	2,200
<b>Total borrowings</b>	<b>82,299</b>	<b>123,019</b>

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

## 7 Borrowings (continued)

Movement in borrowings is analysed as follows:

	Six months ended	
	30 June 2007	30 June 2006
Opening amount as at 1 January	123,019	12,422
Proceeds from obtained borrowings	166,670	15,622
Repayments of borrowings	(209,366)	(2,517)
Interest accrued	4,334	271
Interest paid	(3,861)	(187)
Currency translation difference	1,503	999
<b>Closing amount as at 30 June</b>	<b>82,299</b>	<b>26,610</b>

## 8 Bonds Issued

On 6 March 2007 the Group placed 1,500 thousand bonds at par value RR 1,000 each through Moscow Interbank Currency Exchange ("MICEX") with maturity date in 2010. Coupon rate of interest is MOSPRIME rate for three months plus a premium of 1.43%. Issued bonds comprised US\$ 58,103 thousand as of 30 June 2007. Accrued interest comprised US\$ 1,248 thousand for the six months ended 30 June 2007 of which unpaid balance was US\$ 257 thousand as of 30 June 2007. The fair value of the bonds at 30 June 2007 was RR 1,002.

## 9 Cost of Sales

	Six months ended	
	30 June 2007	30 June 2006
Materials and components used	244,823	179,055
Labour cost	9,757	6,749
Production overheads	7,528	5,219
Depreciation	10,372	5,154
	<b>272,480</b>	<b>196,177</b>

## 10 Selling and Distribution Expenses

	Six months ended	
	30 June 2007	30 June 2006
Advertising	22,614	16,211
Transportation	33,833	19,362
Labour cost	22,424	15,358
Warehousing	14,126	6,186
Other	3,793	2,667
	<b>96,790</b>	<b>59,784</b>

## 11 General and Administrative Expenses

	Six months ended	
	30 June 2007	30 June 2006
Labour cost	13,803	9,513
Depreciation and amortisation	3,815	1,959
Taxes (mainly property tax)	940	359
(Reversal of provision)/provision for impairment of receivables	675	(253)
Other	9,414	6,137
	<b>28,647</b>	<b>17,715</b>

Total depreciation and amortization expense and staff costs (including unified social tax charges) in cost of sales, selling and distribution expenses and general and administrative expenses amounted to US\$ 14,187 thousand (six months ended 30 June 2006: US\$ 7,113 thousand) and US\$ 45,984 thousand (six months ended 30 June 2006: US\$ 31,620), respectively.

## 12 Finance Income

	Six months ended	
	30 June 2007	30 June 2006
Interest income on originated loans and bank deposits	21	166
Foreign exchange gain	1,504	1,563
Reversal of provision for impairment of loan granted to LLC Orisfey (Note 4)	172	356
	<b>1,697</b>	<b>2,085</b>

## 13 Finance Costs

	Six months ended	
	30 June 2007	30 June 2006
Interest expense on bank loans	(3,096)	(271)
Interest expense on issued bonds	(1,238)	-
Written-off cost of bonds' issuance	(226)	-
Finance lease charge	(686)	(348)
Written-off acquisition cost of IFC loan	(49)	-
Foreign exchange losses	(1,283)	(1,101)
	<b>(6,578)</b>	<b>(1,720)</b>

## 14 Earnings per Share

### *Basic*

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during period. The weighted average number of ordinary shares was adjusted for the effect of 122,468 treasury shares acquired by the Group in April 2005, out of which 9,000 were sold to Management in January 2006.

	<b>Six months ended</b>	
	<b>30 June 2007</b>	<b>30 June 2006</b>
Weighted average number of ordinary shares in issue	20,411,300	20,411,300
Adjustment for weighted average number of treasury shares acquired	(113,468)	(113,468)
Weighted average number of ordinary shares outstanding	20,297,832	20,297,832
Profit for the period attributable to the equity holders of the Company	53,212	52,366
<b>Basic earnings per share</b>	<b>US\$ 2.62</b>	<b>US\$ 2.58</b>

### *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. 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 2007 if this date was the vesting date.

	<b>Six months ended</b>	
	<b>30 June 2007</b>	<b>30 June 2006</b>
Weighted average number of ordinary shares in issue	20,411,300	20,411,300
Adjustment for weighted average number of treasury shares acquired	(113,468)	(113,468)
Weighted average number of ordinary shares outstanding	20,297,832	20,297,832
Adjustment for weighted average number of share options	69,460	47,539
Weighted average number of ordinary shares outstanding	20,367,292	20,345,371
Profit for the period attributable to the equity holders of the Company	53,212	52,366
<b>Diluted earnings per share</b>	<b>US\$ 2.61</b>	<b>US\$ 2.57</b>

## 15 Property, Plant and Equipment

In the six months ended 30 June 2007 the Group acquired US\$ 60,726 thousand of property, plant and equipment (six months ended 30 June 2006: US\$ 35,601 thousand) and sold property plant and equipment with gross book value of US\$ 6,517 thousand (six months ended 30 June 2006: US\$ 1,239 thousand) with accumulated depreciation of US\$ 4,696 thousand (six months ended 30 June 2006: US\$ 473 thousand).

## 16 Contingencies, Commitments and Operating Risks

**Legal proceedings.** From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in this condensed consolidated interim financial information.

**Tax legislation.** Russian tax 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 authorities.

The Russian 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. The Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities scrutiny.

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.

Russian transfer pricing legislation introduced 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%.

Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

The Group's Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at 30 June 2007 no provision for potential tax liabilities had been recorded (31 December 2006: no provision).

**Capital expenditure commitments.** At 30 June 2007 the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling US\$ 10,128 thousand (31 December 2006: US\$ 14,587 thousand).

**Insurance policies.** Commencing from August 2006 the Group holds insurance police in respect of public liability and a police relating to buildings, machinery and equipment owned by OJSC Lebedyansky, covering property damage and business interruption. These policies expire in August 2007 and the Group has intention to continue insuring the above risks.

The Group also holds insurance policies covering equipment leased under finance lease agreements and motor vehicles.

**Operating environment of the Group.** Whilst there have been improvements in economic trends in the Russian Federation, the country continues to display certain 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.

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.



## **17 Seasonality**

The juice and juice based drinks sales are subject to seasonal fluctuations, with peak demand in the second and fourth quarters of the year. This is due to seasonal supply of fruits and vegetables and holiday periods. For the six months ended 30 June 2006, the level of sales was 49% of the annual level of sales in the year ended 31 December 2006.

Management does not expect significant changes in the share of six months ended 30 June 2007 in annual level of sales in the year ended 31 December 2007 comparing to 2006.

## **18 Subsequent Events**

In August 2007 the Group acquired the minority 25% (75,000 shares) of OJSC Progress, the Group's 75% subsidiary. The shares were acquired from governmental authorities of Lipetsk region for a consideration of US\$ 2,225 thousand, paid in cash.