REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Wimm-Bill-Dann Foods

We have audited the accompanying consolidated balance sheet of Wimm-Bill-Dann Foods, a Russian Open Joint Stock Company ("the Company") as of December 31, 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated and combined financial statements of Wimm-Bill-Dann Foods as of December 31, 2001 and 2000 and for the years then ended, were audited by other auditors who have ceased operations and whose report dated April 15, 2002, expressed an unqualified opinion on those statements.

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

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wimm-Bill-Dann Foods as of December 31, 2002 and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG (CIS) LIMITED

Moscow, Russia
March 17, 2003

WIMM-BILL-DANN FOODS

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2002 AND 2001

(Amounts in thousands of U.S. dollars)

ASSETS

	2002	2001
CURRENT ASSETS:		
Cash and cash equivalents (Note 6)	$ 29,340	$ 6,919
Trade receivables, net (Note 7)	60,146	25,271
Inventory, net (Note 8)	86,063	89,501
Taxes receivable	68,352	34,917
Advances paid	10,811	13,069
Net investment in direct financing leases (Note 9)	1,338	1,172
Deferred tax asset (Note 19)	1,850	2,060
Other current assets	5,810	7,355
Total current assets	263,710	180,264
PROPERTY, PLANT AND EQUIPMENT, net (Note 11)	293,580	154,548
INTANGIBLE ASSETS, net (Note 10)	2,736	461
GOODWILL (Note 12)	19,885	11,179
NET INVESTMENT IN DIRECT FINANCING LEASES – long-term portion (Note 9)	4,381	4,076
LONG-TERM INVESTMENTS (Note 13)	1,989	1,850
OTHER ASSETS (Note 14)	2,812	339
Total long-term assets	325,383	172,453
Total assets	$ 589,093	$ 352,717

The accompanying notes are an integral part of these statements.

WIMM-BILL-DANN FOODS

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2002 AND 2001

(Amounts in thousands of U.S. dollars, except share amounts)

LIABILITIES AND SHAREHOLDERS' EQUITY

	2002	2001
CURRENT LIABILITIES:		
Trade accounts payable	$ 40,144	$ 48,610
Advances received	3,905	2,088
Short-term loans (Note 16)	94,050	91,928
Long-term loans, current portion (Note 16)	2,483	8,099
Bonds payable (Note 17)	16,096	16,832
Taxes payable	15,551	14,279
Accrued liabilities (Note 15)	8,346	9,098
Government grants – current portion (Note 20)	2,033	2,545
Other payables (Note 18)	25,770	10,425
Total current liabilities	208,378	203,904
LONG-TERM LIABILITIES:		
Long-term loans (Note 16)	4,546	5,163
Government grants – long-term portion (Note 20)	8,568	13,348
Deferred taxes (Note 19)	8,121	3,929
Other long-term payables (Note 18)	55,047	17,986
Total long-term liabilities	76,282	40,426
Total liabilities	284,660	244,330
COMMITMENTS AND CONTINGENCIES (Note 30)		
MINORITY INTEREST (Note 22)	21,549	23,376
SHAREHOLDERS' EQUITY (Note 21):		
Common stock: 44,000,000 shares authorized, issued and outstanding with a par value of 20 rubles at December 31, 2002, and 44,000,000 shares authorized and 35,000,000 shares issued and outstanding at December 31, 2001	29,908	24,063
Share premium account	164,132	7,850
Retained earnings	88,844	53,098
Total shareholders' equity	282,884	85,011
Total liabilities and shareholders' equity	$ 589,093	$ 352,717

The accompanying notes are an integral part of these statements.

WIMM-BILL-DANN FOODS

CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

(Amounts in thousands of U.S. dollars, except share and per share data)

	2002	2001	2000
SALES (Note 28)	$ 824,734	$ 674,616	$ 465,411
COST OF SALES (Note 23)	(579,707)	(492,990)	(349,077)
Gross profit	245,027	181,626	116,334
SELLING AND DISTRIBUTION EXPENSES (Note 24)	(109,527)	(62,213)	(34,138)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 25)	(62,955)	(54,461)	(43,025)
OTHER OPERATING EXPENSES	(6,497)	(4,498)	(1,241)
Operating income	66,048	60,454	37,930
FINANCIAL INCOME AND EXPENSES, NET (Note 26)	(14,131)	(10,581)	(5,664)
Income before provision for income taxes and minority interest	51,917	49,873	32,266
PROVISION FOR INCOME TAXES (Note 19)	(14,249)	(14,166)	(9,568)
MINORITY INTEREST (Note 22)	(1,922)	(3,962)	(1,453)
INCOME FROM CONTINUING OPERATIONS	35,746	31,745	21,245
Income from discontinued operations, net of income tax expense of $386 and $370, respectively (Note 5)	-	103	138
NET INCOME	$ 35,746	$ 31,848	$ 21,383
Weighted average number of shares outstanding	43,063,014	34,888,000	34,552,000
Earnings per share – basic and diluted:			
Income from continuing operations	$ 0.83	$ 0.91	$ 0.62
Income from discontinued operations	-	0.00	0.00
Net income	$ 0.83	$ 0.91	$ 0.62

The accompanying notes are an integral part of these statements.

WIMM-BILL-DANN FOODS

CONSOLIDATED AND COMBINED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(Amounts in thousands of U.S. dollars)

	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	$ 35,746	$ 31,745	$ 21,245
Adjustments to reconcile income to net cash provided by operating activities:			
Minority interest	1,922	3,962	1,453
Depreciation	18,447	12,225	8,903
Amortization of intangible assets	164	42	38
Amortization of goodwill	-	455	25
Currency remeasurement gain relating to bonds payable	(1,295)	(257)	-
Finance lease expense	-	50	96
Provision for obsolete inventory	1,154	182	(427)
Provision for doubtful accounts	1,970	226	139
Loss on disposal of property, plant and equipment	606	341	168
Earned income on net investments in direct financing leases	(395)	(561)	(519)
Deferred tax expense (benefit)	38	2,173	(88)
Currency remeasurement loss relating to cash and cash equivalents	639	300	109
Non-cash rental received	1,606	1,621	949
Unrealized holding gain for trading securities	(742)	(318)	-
Write off of net investment in direct financing leases	162	288	-
Write off of trade receivables	1,262	-	-
Changes in operating assets and liabilities:			
Decrease (increase) in inventories	5,194	(30,296)	(4,317)
Increase in trade accounts receivable	(34,893)	(14,107)	(3,801)
Decrease (increase) in advances paid	3,189	(5,434)	(3,886)
Increase in taxes receivable	(32,880)	(13,885)	(7,221)
Decrease (increase) in other current assets	2,782	(3,285)	(2,045)
(Decrease) increase in trade accounts payable	(13,279)	9,377	4,473
Increase (decrease) in advances received	1,390	(306)	275
Increase (decrease) in taxes payable	1,028	5,356	(822)
(Decrease) increase in accrued liabilities	(1,081)	1,326	1,390
Increase in other current payables	619	5,216	773
(Decrease) increase in other long-term payables	(216)	6,155	(139)
Net cash (used in) provided by operating activities associated with continuing operations	(6,863)	12,591	16,771
Net income from discontinued operations	-	103	138
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Minority interest	-	(96)	(108)
Depreciation	-	97	402
Amortization of goodwill	-	(38)	(594)
Allowance for doubtful accounts	-	(89)	356
Deferred tax expense (benefit)	-	247	(360)
Currency remeasurement loss relating to cash and cash equivalents	-	212	415
Net change in operating assets and liabilities – the Breweries (Note 5)	-	(276)	163
Net change in operating assets and liabilities – Expobank (Note 5)	-	(12,628)	13,978
Net cash (used in) provided by operating activities associated with discontinued operations	-	(12,468)	14,390
Total net cash (used in) provided by operating activities	(6,863)	123	31,161

The accompanying notes are an integral part of these statements.

WIMM-BILL-DANN FOODS

CONSOLIDATED AND COMBINED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

(Amounts in thousands of U.S. dollars)

	2002	2001	2000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash paid for acquisitions of subsidiaries, net of cash acquired	$ (39,571)	$ (8,855)	$ (4,361)
Cash paid for acquisitions of property, plant and equipment	(78,505)	(45,417)	(17,551)
Cash paid for net investments in direct financing leases	(1,843)	(855)	(1,857)
Cash paid for acquisitions of investments	(285)	(145)	-
Proceeds from disposal of investments	-	137	-
Cash paid for other long-term assets	(2,473)	(351)	(4,003)
Net cash used in investing activities associated with continuing operations	(122,677)	(55,486)	(27,772)
Acquisition of discontinued operations (Note 5)	-	-	(7,492)
Purchase of property, plant and equipment – the Breweries	-	(322)	-
Purchase of property and equipment – Expobank	-	(30)	(802)
Net cash used in investing activities associated with discontinued operations	-	(352)	(8,294)
Total cash used in investing activities	(122,677)	(55,838)	(36,066)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of capital stock, net of direct expenses	162,127	-	-
Increase in short-term loans	771	32,232	24,268
Proceeds from long-term loans	4,226	4,695	10,572
Repayment of long-term loans	(9,930)	(2,475)	(554)
Repayment of vendors financing obligations	(5,058)	(5,909)	(2,632)
Proceeds from bonds payable	559	16,832	-
Repayment of obligations under capital leases	(95)	(762)	(744)
Dividends paid	-	-	(9,329)
Net cash provided by financing activities associated with continuing operations	152,600	44,613	21,581
Increase in short-term loans – the Breweries	-	721	-
Cash disposed of with discontinued operations	-	(5,175)	-
Net cash used in financing activities associated with discontinued operations	-	(4,454)	
Total cash provided by financing activities	152,600	40,159	21,581
Total cash provided by operating, investing and financing activities associated with continuing operations	23,060	1,718	10,580
Impact of exchange rate differences on cash and cash equivalents associated with continuing operations	(639)	(300)	(109)
Cash paid for acquisition of discontinued operations	-	-	(7,492)
Net increase in cash and cash equivalents associated with continuing operations	22,421	1,418	2,979

WIMM-BILL-DANN FOODS

CONSOLIDATED AND COMBINED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

(Amounts in thousands of U.S. dollars)

	2002	2001	2000
Total cash (used in) provided by operating, investing and financing activities associated with discontinued operations	-	(17,274)	6,096
Cash paid for acquisition of discontinued operations	-	-	7,492
Impact of exchange rate differences on cash and cash equivalents associated with discontinued operations	-	(212)	(415)
Net (decrease) increase in cash and cash equivalents associated with discontinued operations	-	(17,486)	13,173
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,421	(16,068)	16,152
CASH AND CASH EQUIVALENTS, at beginning of period	6,919	22,987	6,835
Cash and cash equivalents associated with continuing operations, at end of period	29,340	6,919	5,501
Cash and cash equivalents associated with discontinued operations, at end of period	-	-	17,486
CASH AND CASH EQUIVALENTS, at end of period	$ 29,340	$ 6,919	$ 22,987
SUPPLEMENTAL INFORMATION ASSOCIATED WITH CONTINUING OPERATIONS:			
Income taxes paid	$ 13,081	$ 3,073	$ 3,161
Interest paid	14,261	10,769	5,281
Income taxes offset with VAT receivables	2,437	2,752	1,416
Taxes other than income taxes offset with VAT receivables	1,601	2,087	303
Vendor financed acquisitions of property, plant and equipment	51,957	23,586	2,211

The accompanying notes are an integral part of these statements.

WIMM-BILL-DANN FOODS

CONSOLIDATED AND COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

(Amounts in thousands of U.S. dollars, except share amounts)

	Common Stock (Note 1) Shares	Common Stock (Note 1) Amount	Share Premium Account	Retained Earnings	Total
BALANCES at December 31, 1999	34,552,000	$ 23,755	$ -	$ 17,898	$ 41,653
Net income	-	-	-	21,383	21,383
Dividends declared	-	-	-	(9,330)	(9,330)
BALANCES at December 31, 2000	34,552,000	23,755	-	29,951	53,706
Issue of shares (Note 4)	448,000	308	7,850	-	8,158
Net income	-	-	-	31,848	31,848
Distribution to shareholders (Note 5)	-	-	-	(8,701)	(8,701)
BALANCES at December 31, 2001	35,000,000	24,063	7,850	53,098	85,011
Issue of shares (Note 21)	9,000,000	5,845	156,282	-	162,127
Net income	-	-	-	35,746	35,746
BALANCES at December 31, 2002	44,000,000	$ 29,908	$ 164,132	$ 88,844	$ 282,884

The dividends shown above are the dividend payments made by subsidiaries of Wimm-Bill-Dann Foods when they were separate legal entities and before the formation of Wimm-Bill-Dann Foods. Consequently, those dividends were determined based on the results of the individual entities and the ownership interest in those entities and not on the share capital of Wimm-Bill-Dann Foods. Wimm-Bill-Dann Foods has not paid any dividends for any of the periods presented.

For the years ended December 31, 2002, 2001 and 2000 comprehensive income equaled net income.

1. The Company

Wimm-Bill-Dann Foods ("WBD Foods" or "the Company") is an open joint stock company registered in Russia. It is a holding company which, as at December 31, 2002, owned controlling interests in 23 manufacturing facilities in 19 locations in Russia and the Commonwealth of Independent States ("CIS"), as well as distribution centers in 26 cities in Russia and abroad ("the Group"). WBD Foods has a strong and diversified branded portfolio with over 1,100 types of dairy products and over 170 types of juice, nectars and still drinks.

The Group was formed as follows:

On April 16, 2001, Wimm-Bill-Dann Foods LLC ("WBD Foods LLC") was formed by a group of individual shareholders who owned shares in Lianozovo Dairy ("LMK"), PAG Rodnik ("Rodnik") and various juice production companies.

The shares of LMK and Rodnik were exchanged for an ownership interest in WBD Foods LLC and as a result WBD Foods LLC became the majority shareholder of LMK and Rodnik.

Subsequent to the exchange, in October and December 2001, the juice production business, owned by the same group of shareholders described above, was transferred to Fruit Rivers LLC.

Prior to WBD Foods LLC exchanging for shares of participation to acquire LMK and Rodnik and the transfer of the juice production companies, these companies were under the common control of a control group, being a group of shareholders who were shareholders in each of the above named entities, who held a majority of the shares of each of the above entities, and who were contractually bound by a pre-existing written agreement entered into in 1997, to vote as a single unit all of their shares.

As a consequence of the above exchange, those shareholders in each of the above named entities who were members of the control group, became the holders of all of the ownership interests of WBD Foods LLC.

Certain shareholders in each of the above named companies were not members of the control group and WBD Foods LLC did not give any shares of participation to them in exchange for their interest in the above named companies. Consequently, those shareholders outside of the control group retained a minority interest in certain entities controlled by WBD Foods LLC.

The acquisition by WBD Foods LLC of LMK and Rodnik, therefore, represents a reorganization under common control, and has been accounted for, for the periods presented, in a manner similar to a pooling of interests. The financial statements, therefore, have been prepared on the basis that WBD Foods LLC existed for all of the periods presented and was the majority shareholder of the underlying entities named above for all the periods presented.

At the same time as WBD Foods LLC acquired the control group's interest in LMK and Rodnik for shares of participation, an additional share of participation in WBD Foods LLC was exchanged for additional shares in Tsaritsino Dairy, a subsidiary of LMK. That exchange has been accounted for as an acquisition of a minority interest in 2001.

On May 31, 2001, WBD Foods LLC was restructured into an open joint stock company and named Wimm-Bill-Dann Foods. For all periods up to May 31, 2001, earnings per share were based on 34,552,000 shares, being the number of shares issued to the members of the control group upon the restructuring of WBD Foods LLC, and that number of shares has been treated as outstanding for all these periods.

2. Russian Environment and Current Economic Situation

The Russian economy while deemed to be of market status beginning in 2002, continues to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets, and the existence of currency controls which cause the national currency to be illiquid outside of Russia. The continued success and stability of the Russian economy will be significantly impacted by the government's continued actions with regard to supervisory, legal, and economic reforms.

3. Summary of Significant Accounting Policies

Accounting Principles

All companies of the Group maintain their accounting books and records in domestic currency based on domestic accounting regulations. The consolidated and combined financial statements have been prepared in order to present WBD Foods' consolidated financial position, results of operations, and cash flows in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and expressed in terms of U.S. dollars (see paragraph "Translation Methodology" below).

Principles of Consolidation

The consolidated and combined financial statements of the Company include the accounts of WBD Foods and its subsidiaries that were controlled by the control group of shareholders before reorganization and are controlled by WBD Foods after reorganization (see Note 1 for description of reorganization). This control is determined when the control group of shareholders (before reorganization) or WBD Foods (after reorganization) own, either directly or indirectly, more than 50% of the voting rights of a company's share capital and are able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated and combined financial statements from the date of acquisition or to the date of disposal.

All significant intercompany balances and transactions have been eliminated in consolidation.

Minority interests in the net assets and net results of companies within the Group are shown under "Minority interests" in the accompanying consolidated and combined balance sheets and statements of operations.

Translation Methodology

The consolidated and combined financial statements have been prepared using a stable currency, the U.S. dollar, as the majority of the Company's operations are in hyperinflationary economies. In respect of Wimm-Bill-Dann Netherlands B.V. and Wimm Bill Dann (Israel) Limited, the U.S. dollar has been used to prepare the financial statements as this is their functional currency. The financial statements of Kiev Dairy Plant ("KMMZ") and Kharkov Dairy Plant (Ukraine) have been prepared using the Ukrainian grivna as the functional currency. Translation (remeasurement) of domestic currency denominated financial statements into U.S. dollars has been performed in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign currency translation". The objective of this remeasurement process is to produce the same results that would have been reported if the accounting records had been kept in U.S. dollars.

For entities operating in hyperinflationary economies, monetary assets and liabilities have been translated at the period-end exchange rate. Non-monetary assets and liabilities have been translated at historical rates. Share capital has been translated at the date of registration of WBD Foods and on the dates of additional share issues (see Note 1). Revenues, expenses and cash flows have been translated at the dates of respective transactions. Remeasurement differences resulting from the use of these rates have been accounted for as currency remeasurement gains and losses in the accompanying consolidated and combined statements of operations.

The Company's principle future operating cash flows will be generated in Russian rubles. As a result, future movements in the exchange rate between the ruble and U.S. dollar will affect the carrying value of the Company's assets and liabilities. Such changes may also affect the Company's ability to realize assets as represented in terms of U.S. dollars in the accompanying consolidated and combined financial statements.

Starting from January 1, 2003 Russia is no longer considered a hyperinflationary economy. Therefore, financial statements will be prepared using the local currency, the Russian ruble, as a functional currency for WBD Foods' Russian subsidiaries. Subsequent translation to reporting currency, the U.S. dollar, will be made in accordance with SFAS No. 52.

Management Estimates

The preparation of the consolidated and combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated and combined financial statements and the reported amounts of revenues and expenses during the reporting period. Examples include estimates of provisions for bad and doubtful accounts, obsolete inventory, and valuation allowance for deferred tax assets. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and in the Company's bank accounts and short-term investments having original maturities of less than three months.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at their net realizable value which approximates their fair value. The Company provides an allowance for doubtful accounts based on management's periodic review of accounts, including the delinquency of account balances. Delinquency status is based on contractual terms. The Company evaluates the collectibility of its receivables at least quarterly, based upon various factors, including the financial condition and payment history of major customers, an overall review of collections experience of other accounts and economic factors or events expected to affect the Company's future collections. Trade receivables are written-off when evidence exists that they will not be collectible. The Company generally does not require collateral from its credit customers.

Inventory

Inventories, including work-in-process, are valued at the lower of cost or market, after the reserve for excess and obsolete items. Cost is the price paid or the consideration given to acquire the asset. Cost is determined on the basis of weighted average cost. For processed inventories, cost is the sum of the expenditures and charges, direct and indirect, in bringing goods to their existing conditions or location. It includes the applicable allocation of production fixed and variable overhead costs. Market is the current replacement cost, whether by purchase or by reproduction, limited to the estimated selling price less any costs of completion and disposal (net realizable value) at the maximum level, and net realizable value, less an allowance for normal profit at the minimum level. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing, and distribution. Unrealizable inventory is fully written off.

Value-Added Taxes

Value-added taxes ("VAT") related to sales are payable based upon invoices issued to the customer or collection of respective receivables. VAT incurred for purchases may be reclaimed, subject to certain restrictions, against VAT related to sales.

VAT related to purchase transactions that are subject to offset against taxes payable after the balance sheet dates are recognized in the balance sheets on a gross basis.

Property, Plant and Equipment

Property, plant and equipment are stated at historic acquisition cost, less accumulated depreciation.

The acquisition cost of property, plant and equipment comprise its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance costs, are normally expensed in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in other operating expenses of the consolidated and combined statement of operations.

The carrying value of property, plant and equipment, as determined above, less expected residual value, is depreciated on a straight-line basis over the estimated useful lives of the related assets. The following estimated useful lives have been applied:

Buildings	50 years
Machinery and equipment	8-20 years
Computer hardware	3-5 years
Other	5-10 years

Construction in progress comprises costs directly related to construction of property, plant and equipment plus an appropriate allocation of variable and fixed overheads that are incurred in construction. Construction in progress is depreciated once the property, plant and equipment are put into operation.

The Company capitalizes interest costs with respect to qualifying construction projects.

Impairment of Long-Lived Assets

When events and circumstances occur indicating that the carrying amount of a long-lived asset (group) may not be recoverable, the Company estimates the future undiscounted cash flows expected to derive from the use and eventual disposition of the asset (group). If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the long-lived asset (group), the Company would then calculate the impairment as the excess of the carrying value of the asset (group) over the estimate of its fair market value.

Capital Leases – Lessee's Accounting

At the inception of the lease, the Company recognizes capital leases as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the future minimum lease payments. In calculating the present value of the future minimum lease payments the discount factor used is the interest rate implicit in the lease when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A capital lease gives rise to depreciation expense for the asset (included in depreciation expense) as well as a finance expense (included in financial income and expenses, net) for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

Capital Leases – Lessor' Accounting

The Company presents assets leased as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding and included in other operating expenses. Initial direct costs are deferred and expensed over the period in which the related revenue is recognized.

Intangible assets

Intangible assets with determinable useful lives are amortized using the straight-line method over their estimated period of benefit, ranging from two to fifteen years. Indefinite-lived intangibles are evaluated annually for impairment or when indicators exist indicating such assets may be impaired, such determination of fair value being based on a valuation model that incorporates expected future cash flows and profitability projections.

Goodwill

Goodwill represents the purchase price for businesses acquired in excess of the fair value of identifiable net assets acquired. Starting from January 1, 2002 with the adoption of SFAS 142, "Goodwill and Other Intangible Assets", goodwill is no longer amortized, but instead tested for impairment at least annually or whenever indicators of impairment arise. In 2000 and 2001 for acquisitions made before June 30, 2001, goodwill was amortized using the straight-line method over fifteen years.

In cases where the fair value of the net assets acquired exceed the purchase price, that excess (negative goodwill) is allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired assets excluding financial assets other than investments accounted for by the equity method, assets to be disposed of by sale, deferred tax assets and any other current assets. If any excess remains after reducing to zero the amounts that otherwise would have been assigned to those assets, that remaining excess is recognised as an extraordinary gain in the period in which the business combination is completed.

Investments

WBD Foods holds interests in several Russian legal entities which are valued at cost and are not readily marketable securities (see Note 13). Management periodically assesses the realizability of the carrying values of the investments and provides valuation reserves, if required. Investments classified as trading securities are valued at fair value and are classified as other current assets.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Sales are recognized, net of VAT and discounts, when goods are shipped to customers. At the time of shipment, in accordance with the Company's standard sales agreements, the title is transferred and the customer assumes the risk and rewards of ownership. This policy is consistent with the Russian Civil Code which states that legal title transfers when a products is shipped to a customer unless specifically overridden by the sales agreement.

The Company offers sales volume discounts based on individual customer volumes acquired in a previous month. An accrual for such discounts is made at the end of each accounting period and is recognized as a reduction of revenue in the consolidated and combined statement of operations.

Shipping and Handling Costs

Shipping and handling costs incurred by the Company are reflected in sales and distribution expenses in the accompanying consolidated and combined statement of operations.

Government Grants

Government grants are recognized when the related cash or assets are received. Government grants are deferred and amortized to income over the period necessary to match them with the related costs that they are intended to compensate. Grants received are treated as deferred income in the accompanying consolidated and combined financial statements. The amortization of government grants related to acquisition of property, plant and equipment is recognized in cost of sales when depreciation expense of the related long-term assets is recognized. Interest expense incurred in government grant loan programs is recognized in financial income and expenses, net.

Taxation

Deferred tax assets and liabilities are recognized for the expected future tax consequences of existing differences between financial reporting and tax reporting bases of assets and liabilities, and loss or tax credit carryforwards using enacted tax rates expected to be in effect at the time these differences are realized. Valuation allowances are recorded for deferred tax assets where it is unlikely that such assets will be realized. In accordance with SFAS No. 109, "Accounting for income taxes", the Company does not recognize deferred taxes for differences between the domestic currency equivalent of U.S. dollar cost and domestic tax basis of nonmonetary assets and for the difference that results from indexing of nonmonetary assets for tax purposes as the U.S. dollar is the functional currency.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. Advertising costs for the years ended December 31, 2002, 2001 and 2000 were $32,355, $18,263 and $12,804, respectively, and are reflected as a component of selling and distribution expenses in the accompanying consolidated and combined statements of operations (see Note 24).

Earnings per Share

Earnings per common share for 2000 have been determined using the number of WBD Foods' shares issued on May 31, 2001, to the members of the control group. Earnings per common share for 2001 and 2002 have been determined based upon the weighted average number of shares outstanding during these periods. There are no potentially dilutive securities.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and short-term loans reported in the consolidated and combined balance sheets approximate fair values due to the short maturity of those instruments. Management is of the opinion that the carrying value of the Company's long-term loans approximates fair value.

Research and Development Costs

Research and development costs are expensed as incurred. The Company incurred $930, $519 and $407 of such costs during the years ended December 31, 2002, 2001 and 2000, respectively.

Segment Reporting

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", requires that a business enterprise reports financial and descriptive information about its reportable operating segments. WBD Foods currently manages its business as two major operating segments – dairy and juice production and distribution, and accordingly, reports segmental information on this basis.

Reclassifications

Where necessary, corresponding figures have been adjusted to conform with changes in the presentation of the current year. Such reclassifications had no impact on net income or shareholders' equity.

New Accounting Pronouncements

During 2001 the Financial Accounting Standards Board issued several new accounting standards, including SFAS No. 141, "Business Combinations", SFAS No. 142, "Goodwill and Other Intangible Assets", SFAS No. 143, "Accounting for Asset Retirement Obligations", SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

Under the new rules of SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests. Other intangible assets continue to be amortized over their useful lives. Impairment losses that arise due to the initial application of this standard are reported as a cumulative effect of a change in accounting principle. The Company has adopted SFAS No. 141, "Business Combinations" which was effective for business combinations consummated after June 30, 2001. The Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" on January 1, 2002 and discontinued amortization of goodwill as of such date.

The Company completed the transitional impairment test for existing goodwill as of January 1, 2002 during the second quarter of 2002. Based on comparison of the carrying amounts of the Company's reporting units with the fair values of the reporting units, the Company determined that no goodwill was impaired as of that date. Fair values of the reporting units were established using the discounted cash flow method.

The impact of non-amortization of goodwill on the Company's net income for the year ended December 31, 2002 was $993 or $0.02 per share of common stock – basic and diluted. Amortization expense for goodwill for the year ended December 31, 2001 was $455.

The adoption on January 1, 2002 of the above mentioned standards did not have a material impact on the financial position or the results of operations of the Company.

Accounting Pronouncements Issued But Not Yet Adopted

During the year ended December 31, 2002 the Financial Accounting Standards Board issued several new accounting standards, including SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Corrections", SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". These standards are not expected to have a material impact on the financial position or the results of operations of the Company.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or

Disposal Activities". SFAS No. 146 replaces EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)", and changes the timing of recognition for certain exit costs associated with restructuring activities. Under SFAS No. 146 certain exit costs would be recognized over the period in which the restructuring activities occur. Currently, exit costs are recognized when the Company commits to a restructuring plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002, though early adoption is allowed. The Company will adopt SFAS No. 146 for exit or disposal activities that are initiated after December 31, 2002. The provisions of SFAS No. 146 could result in the Company recognizing the cost of future restructuring activities over a period of time as opposed to as a one-time expense. This standard is not expected to have a material impact on the financial position or the results of operations of the Company.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. The disclosure provisions of FIN 45 are effective for financial statements of annual periods that end after December 15, 2002. The provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002. This interpretation is not expected to have a material impact on the financial position or the results of operations of the Company.

4. Businesses Acquired

Acquisition of minority interests

In June 2002, WBD Foods acquired 25% of Moscow Baby Food Plant ("ZDMP"), a subsidiary, from one of its shareholders for $5,000 paid in cash. The fair value of net assets acquired in excess of purchase price of $3,461 was subsequently recorded as a reduction of the value of intangible assets and property, plant and equipment. The change in minority interest related to this acquisition is presented as "Acquisitions by the Company of minority interests in subsidiaries" in Note 22.

In April 2001, at the same time as the exchange of shares for WBD Foods LLC's shares of participation, an additional share of participation in WBD Foods LLC was exchanged for additional shares in Tsaritsino Dairy Plant ("TsMK"), a subsidiary. The acquisition of 9.6% of TSMK was in exchange for cash amounting to $1,156 and the share of participation in WBD Foods LLC, which was subsequently exchanged for 448,000 shares of WBD Foods OJSC at $18 per share, being the estimated fair value per share of WBD Foods OJSC in April 2001, and resulted in a credit to the share premium account of $7,850. The change in minority interest related to this acquisition is presented as "Acquisitions by the Company of minority interests in subsidiaries" in Note 22.

In May 2000, the Group signed share purchase agreements with the Moscow City Government for the redemption of 15% of the shares of LMK and TsMK. TsMK agreed to purchase 15% of

LMK's shares for $900 and to invest $8,150 of plant and equipment under an investment program. LMK agreed to purchase 15% of TsMK's shares for $190 and to invest $5,500 of plant and equipment under an investment program. This agreement resulted from the Moscow City Government's desire to sell its remaining interest in these entities and the importance of these entities to WBD's business. By December 31, 2000, the purchase consideration had been paid and was recognized as an advance of $1,090. The investment of plant and equipment was made during the period July 2000 through June 2001. The Moscow City Government's 15% ownership in LMK and TsMK was treated in the accompanying consolidated and combined financial statements as a minority interest until July 2001 on the basis that transfer of ownership was dependent upon the fulfillment of the terms and conditions of the investment program which was completed in July 2001. The purchase price was primarily allocated to property, plant and equipment. The fair value of net assets acquired in excess of purchase price resulting from this allocation of $13,133 was subsequently recorded as a reduction against property, plant and equipment resulting in total property, plant and equipment acquired of approximately $1,100. The change in minority interest related to this acquisition is presented as "Acquisitions by the Company of minority interests in subsidiaries" in Note 22.

The Company made a number of other acquisitions of minority interests in certain subsidiaries during the years ended December 31, 2002 and 2001. The total cash consideration paid for these acquisitions was $1,536 and $560. The acquisitions made during 2002 and 2001 resulted in fair value of net assets acquired in excess of purchase price of $602 and $2,695, respectively, which was recorded as a reduction of the value of property, plant and equipment. Certain acquisitions of minority interests made during the year ended December 31, 2002 resulted in goodwill of $402. The changes in minority interests related to these acquisitions are presented as "Acquisitions by the Company of minority interests in subsidiaries" in Note 22.

These acquisitions are included in WBD Foods' operating results from their respective dates of acquisition. Pro Forma results of operations reflecting these acquisitions have not been presented because the results of operations of the acquired companies, either individually or collectively, are not material to consolidated results of operations.

New acquisitions

2002

In June 2002, the Company acquired 82.3% of Kharkov Dairy Plant for $5,136, paid in cash. Kharkov Dairy Plant is a strong player on the Ukranian market with a stable supply of raw materials. The results of Kharkov Dairy Plant operations have been included in the consolidated financial statements since June 30, 2002.

In July 2002, a 100% interest in Roska, a St. Petersburg dairy company, was acquired by the Company for $11,634, paid in cash. Roska is one of St. Petersburg's most modern and best equipped dairy plants with excellent location and access roads. Through this major acquisition in St. Petersburg, WBD Foods established substantial dairy production capacity in the North-West region of Russia, one of the most strategically important regions in the whole of the country. The results of Roska operations have been included in the consolidated financial statements since July 31, 2002.

In October 2002, the Company acquired 100% of Ruselectrocenter for $6,000, paid in cash. The acquisition of this warehouse complex will allow WBD Foods to optimize the juice distribution network in the key Moscow city and Moscow regional markets. The complex is equipped with the latest technology in automated control systems, and will provide a comprehensive range of services from storage to direct delivery to clients. The results of Ruselectrocenter operations will be included in the consolidated financial statements starting from October 31, 2002.

In October 2002, the Company acquired 95.4% of Depsona for $3,458. Depsona is a strong player in the South region of Russia. The factory has access to large reserves of high-quality local raw materials, which will allow the Company to reduce its dependence on imported juice concentrates. The results of Depsona operations have been included in the consolidated financial statements since September 30, 2002.

The Company also acquired an interest in a number of other companies during 2002 for $6,807, paid in cash.

The total cash consideration paid for all new acquisitions made in 2002 was $33,035 attributable to property, plant and equipment ($26,641), goodwill ($8,304), other intangible assets ($1,783) and other current assets ($7,208) less liabilities ($10,901).

2001

During March 2001, the Company acquired a 50.1% interest in Ufamolagroprom in exchange for total consideration of $5,500. This consideration was paid in the beginning of 2001. The Company also acquired an interest in a number of other companies during the year ended December 31, 2001 for $6,686.

All acquisitions discussed above have been accounted for using the purchase method of accounting and, accordingly, the assets acquired and liabilities assumed have been recorded at their fair values as of the dates of the acquisitions. For the acquisitions that resulted in excess of fair value of the assets acquired and liabilities assumed over the purchase price the difference has been deducted proportionately from non-current assets acquired (excluding long-term investments in marketable securities). For acquisitions that resulted in excess of purchase price over the fair value of the assets acquired and liabilities assumed such excess was recorded as goodwill.

These acquisitions are included in WBD Foods' operating results from their respective dates of acquisition. Pro Forma results of operations reflecting these acquisitions have not been presented because the results of operations of the acquired companies, either individually or collectively, are not material to consolidated results of operations.

5. Discontinued operations

During 1997, LMK acquired approximately 82% of the outstanding shares of Expobank for a total amount approximating $6,000. During 1998, LMK made an additional investment of $6,900 in Expobank in connection with a capital contribution by major shareholders of Expobank. LMK's acquisition and investment in Expobank was made based on the economic condition in Russia during 1998 as a method of ensuring access to funding for the operations of WBD.

During 2000, in an attempt to diversify the investments of the shareholder group, LMK acquired ownership interest in certain breweries including Brewery Volga, Volga-Invest, PiP and Moskvoretzky Brewery (collectively referred to as the Breweries). The aggregate purchase price of these investments was approximately $7,500.

On December 8, 2000, the Board of Directors of LMK passed a general resolution to alienate LMK's interest in Expobank and the Breweries. This decision was based on the desire to focus on the core dairy and juice business and to cease operations in businesses that were dissimilar. At this time there was no determination as to the timing or method of such disposition.

On March 19, 2001, at the annual shareholders' meeting of LMK, a decision was made that any alienation of Expobank and the Breweries should be completed through a distribution of shares to certain of the controlling group of shareholders. These same individuals simultaneously transferred their direct ownership in TsMK to LMK. The exchange was completed in April 2001 and was recorded in WBD's consolidated and combined financial statements at that date as a distribution to shareholders.

The historical financial statements have been restated to reflect Expobank and the Breweries as discontinued operations for all periods presented. Operating results of the discontinued operations were summarized below. The amounts included income tax provisions based on the standalone results of Expobank and the Breweries. There have been no allocations of general and administrative corporate costs or interest expense related to the overall corporate credit facilities to the discontinued operations. As Expobank and the Breweries essentially functioned as independent entities no corporate costs were eliminated upon the discontinuance of such operations.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

Expobank

	Period between January 1 and April 25, 2001	**Year ended December 31, 2000**
Interest income	$ 691	$ 2,839
Interest expense	(258)	(1,604)
Provision for impairment	90	(380)
Net interest income	523	855
Non-interest income	1,142	4,403
Administrative expenses and other	(1,261)	(5,427)
Amortization of negative goodwill	170	681
Net income before income taxes and minority interest	574	512
Income taxes	(313)	(232)
Minority interest	(52)	11
Net income from discontinued operations	$ 209	$ 291

The Breweries

	Period between January 1 and April 25, 2001	**Three months ended December 31, 2000**
Sales	$ 5,181	$ 4,948
Cost of sales	(5,068)	(4,186)
Operating expenses	(90)	(968)
Operating loss	23	(206)
Financial (expense) income	(72)	681
Amortization of goodwill	(132)	(87)
(Loss) income before taxes and minority interest	(181)	388
Income taxes	(73)	(638)
Minority interest	148	97
Net loss from discontinued operations	$ (106)	$ (153)

The assets and liabilities of the discontinued operations are summarized below. These balances reflect the payable to the Group for deposits made to Expobank, as these amounts remained outstanding upon the disposition of the business.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

	Expobank		The Breweries		Total	
	April 25, 2001	**December 31, 2000**	**April 25, 2001**	**December 31, 2000**	**April 25, 2001**	**December 31, 2000**
Current assets:						
Cash and precious metals	$ 2,650	$ 7,834	$ 91	$ 97	$ 2,741	$ 7,931
Due from Russian Central bank	4,210	11,580	-	-	4,210	11,580
Placement with banks	11,609	9,313	-	-	11,609	9,313
Trading securities	11,041	11,456	-	-	11,041	11,456
Loans to customers	12,708	10,585	-	-	12,708	10,585
Trade receivables	-	-	1,565	1,550	1,565	1,550
Inventory	-	-	7,883	5,909	7,883	5,909
Other	3,413	3,577	3,034	1,668	6,447	5,245
Total	45,631	54,345	12,573	9,224	58,204	63,569
Long-term assets:						
Property, plant and equipment	1,656	1,802	6,234	4,505	7,890	6,307
Goodwill	-	-	5,096	3,389	5,096	3,389
Trading securities	3,654	3,791	-	-	3,654	3,791
Loans to customers	2,214	1,844	-	-	2,214	1,844
Other	-	-	33	192	33	192
Total	7,524	7,437	11,363	8,086	18,887	15,523
Current liabilities:						
Trade accounts payable	-	-	2,854	1,347	2,854	1,347
Taxes payable	-	-	3,317	3,697	3,317	3,697
Deposits from banks	12,330	14,336	-	-	12,330	14,336
Deposits from WBD	1,027	900	-	-	1,027	900
Deposits from customers	26,448	32,103	-	-	26,448	32,103
Other	7,116	7,392	10,384	2,947	17,500	10,339
Total	46,921	54,731	16,555	7,991	63,476	62,722
Long-term liabilities:						
Debt	-	-	209	214	209	214
Promissory notes	107	107	-	-	107	107
Negative goodwill	4,598	4,768	-	-	4,598	4,768
Total	4,705	4,875	209	214	4,914	5,089
Net assets	$ 1,529	$ 2,176	$ 7,172	$ 9,105	$ 8,701	$ 11,281

Positive goodwill that arose on the acquisition of the Breweries was amortized over 10 years. Negative goodwill, being the excess of the fair value of the net assets acquired over the purchase price, that arose on the acquisition of Expobank, after reduction of non-current assets (excluding long-term investments in marketable securities), was amortized over 10 years.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

Increases and decreases in operating assets and liabilities of Expobank are summarized below.

	Period between January 1 and April 25, 2001	Year ended December 31, 2000
Decrease (increase) in reserve deposit with Central Bank of Russia	$ 265	$ (1,204)
Increase in placements with banks	(2,340)	(1,429)
Decrease (increase) in trading securities	588	(8,193)
Increase in loans to customers	(2,379)	(6,333)
(Decrease) increase in deposits from banks	(2,006)	10,060
Increase (decrease) in deposits from WBD	127	(382)
(Decrease) increase in deposits from customers	(5,655)	18,568
(Decrease) increase in promissory notes	(2,139)	766
Change in other operating assets and liabilities	911	2,125
Net (decrease) increase in operating assets and liabilities	$ (12,628)	$ 13,978

There were no material cash flows from/used in operating activities, financing activities or investing activities of the Breweries since the date of acquisition to April 25, 2001.

6. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2002 and 2001 were comprised as follows:

	2002	2001
Rubles	$ 10,247	$ 5,535
Hard currencies	9,076	1,064
Cash equivalents	10,017	320
Total cash and cash equivalents	$ 29,340	$ 6,919

Cash equivalents mostly represent hard currency time-deposits in Russian banks with maturity less than 3 months.

7. Trade Receivables, net

Trade receivables as of December 31, 2002 and 2001 were comprised as follows:

	2002	2001
Trade receivables	$ 62,883	$ 25,852
Allowance for doubtful accounts	(2,737)	(581)
Trade receivables, net	$ 60,146	$ 25,271

(Amounts in thousands of U.S. dollars, unless otherwise stated)

The movement in the allowance for doubtful accounts for the years ended December 31, 2002, 2001 and 2000 was as follows:

	2002	2001	2000
Balance, beginning of period	$ 581	$ 355	$ 216
Allowance for doubtful accounts acquired in business combinations	495	-	-
Provision for doubtful accounts	1,970	226	139
Write off of trade receivables	(309)	-	-
Balance, end of period	$ 2,737	$ 581	$ 355

8. Inventory, net

Inventory as of December 31, 2002 and 2001 was comprised as follows:

	2002	2001
Raw materials	$ 67,888	$ 63,270
Work in progress	2,981	3,679
Finished goods	16,530	22,734
Reserve for inventory obsolescence	(1,336)	(182)
Inventory, net	$ 86,063	$ 89,501

Obsolescence and net realizable value reserves expense during 2002, 2001 and 2000 amounted to $(1,154), $(182) and $427, respectively, and was included in cost of sales in the accompanying consolidated and combined statements of operations.

9. Net Investment in Direct Financing Leases

Commencing from 1999, the Company announced a program called “Dairy Rivers of Russia” with the purpose of ensuring a steady and reliable source of milk. Under this program the Company acquired agricultural equipment and leased such equipment to several farms. These transactions were classified as direct financing leases. The lease agreements vary from three to eight years and provide a free of charge equipment transfer option at the end of the lease term. The lease receivables are denominated in U.S. dollars and Russian rubles. The lessees have the option to settle receivable through the delivery of milk supplies to the Company based on a predetermined schedule. The settlement is based on milk prices that are either fixed in U.S. dollars in the range from $0.17 to $0.21 per kilogram, depending upon the quality, which approximates the average cash prices at the inception of the lease, or is variable dependent upon prevailing market prices.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

The following lists the components of the net investment in direct financing leases at December 31, 2002 and 2001:

	2002	2001
Total future minimum lease payments	$ 6,759	$ 5,918
Less: Unearned income	(1,040)	(670)
Net investment in direct finance leases	$ 5,719	$ 5,248
Current portion	1,338	1,172
Long-term portion	4,381	4,076

At December 31, 2002 total future minimum lease payments for each of the five succeeding fiscal years are as follows:

Years ended December 31,	
2003	$ 1,785
2004	1,417
2005	1,406
2006	1,214
2007	888
Thereafter	$ 49

10. Intangible Assets

Identifiable intangible assets as of December 31, 2002 and 2001 were comprised as follows:

	2002		2001	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Intangible assets with determinable lives:				
Supplier contracts	$ 1,459	$ (109)	$ -	$ -
Trademarks	218	(47)	-	-
Customer relationships	106	-	-	-
Others	514	(97)	551	(90)
Intangible assets with indefinite lives:				
Trademarks	692	-	-	-
Intangible assets	$ 2,989	$ (253)	$ 551	$ (90)

During 2002, changes in intangible assets primarily relates to the Company's acquisition of $1,459 relating to supplier contracts, $910 in trademarks and $106 in customer relationships. Supplier contracts have a weighted average useful life of 5 years, customer relationships and trademarks have a useful life of 2 years. The remaining $692 of acquired intangible assets have indefinite lives and were assigned to trademarks.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

Amortization expense relating to the net carrying amount of intangible assets at December 31, 2002 is estimated to be $433 in 2003, $446 in 2004, $331 in 2005, $331 in 2006 and $222 in 2007.

11. Property, Plant and Equipment

The net book value of property, plant and equipment at December 31, 2002 and 2001 was comprised as follows:

	2002	2001
Buildings	$ 59,293	$ 35,819
Freehold machinery and equipment	187,625	130,922
Leasehold machinery and equipment	-	3,065
Computer hardware	6,624	5,878
Other	26,173	16,557
Gross book value of property, plant and equipment	279,715	192,241
Accumulated depreciation	(100,414)	(83,387)
Advances paid for property, plant and equipment	18,485	8,755
Construction in progress and equipment for installation	95,794	36,939
Property, plant and equipment, net	$ 293,580	$ 154,548

The Company capitalized interest costs of $2,131, $493 and $321 during the years ended December 31, 2002, 2001 and 2000, respectively, with respect to qualified construction projects.

The gross book value of plant and equipment includes $3,065 in 2001 which were leased assets. The accumulated depreciation related to these leased assets was $706 as of December 31, 2001.

Depreciation expense during the years ended December 31, 2002, 2001 and 2000 amounted to $18,447, $12,225 and $8,903, respectively. This included amortization of leased assets of $235 per annum for the years ended December 31, 2000 and 2001.

12. Goodwill

The Company's interest in the aggregate fair value of identifiable net assets of certain subsidiaries acquired in 2002, 2001 and 1998, was below the fair value of the consideration paid which resulted in goodwill. The goodwill was being amortized in the consolidated and combined statement of operations on a straight-line basis over a fifteen-year period until the adoption of SFAS No. 142 on January 1, 2002, which requires that goodwill is no longer amortized, but is tested for impairment on an annual basis and whenever indicators of impairment arise. Therefore, the Company does not amortize goodwill commencing from

(Amounts in thousands of U.S. dollars, unless otherwise stated)

January 1, 2002 (see Note 3).

The movement of goodwill for the years ended December 31, 2002 and 2001 comprised:

Balance at December 31, 2000	$ 933
Acquisitions	10,701
Amortization	(455)
Balance at December 31, 2001	$ 11,179
Acquisitions	8,706
Balance at December 31, 2002	$ 19,885

13. Long-term Investments

At December 31, 2002 and 2001 the Company had the following direct investments in Russian companies:

	2002		2001	
	Ownership	**Amount**	**Ownership**	**Amount**
Albumin	40.6%	$ 1,251	40.6%	$ 1,251
Samara Lakto	4.0%	296	4.0%	296
Other	various	442	various	303
Total long-term investments		$ 1,989		$ 1,850

The investment in Albumin, an open joint-stock company, is carried on the cost method as no significant influence is exercised by the Company as of December 31, 2002 and 2001, as evidenced by the Company not having significant influence over financial or operating policies of Albumin and having no representation on the Board of Directors.

14. Other Assets

Other assets at December 31, 2002 and 2001 were comprised as follows:

	2002	2001
Advance for acquisition of Sibirski Syr	$ 2,379	$ -
Other	433	339
Total other assets	$ 2,812	$ 339

In May, 2002 LMK paid $2,379 in cash to a broker for the acquisition of shares of Sibirsky Syr. The ownership of these shares was not transferred to LMK until January 2003. As of January 15, 2003 LMK owned 100% of Sibirsky Syr and as a result, its net assets and results of operations will be consolidated from that date.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

15. Accrued Liabilities

Accrued liabilities at December 31, 2002 and 2001 were comprised as follows:

	2002	2001
Payroll related accruals	$ 3,987	$ 3,833
Interest accruals	1,759	1,071
Other accruals	2,600	4,194
Total accrued liabilities	$ 8,346	$ 9,098

16. Short-term and Long-term Loans

Short-term loans at December 31, 2002 and 2001 comprised the following:

	2002			2001		
	No. of loans	Amount	Weighted average interest rate	No. of loans	Amount	Weighted average interest rate
U.S. $ denominated, due August – November 2003	2	$ 8,000	6.72%	5	$ 22,137	11.68%
EURO denominated, due January 2003	1	98	6.40%	2	854	8.81%
Ruble denominated, due January – December 2003	31	81,524	16.21%	42	67,494	16.70%
Other currency denominated, due February – August 2003	5	4,428	22.54%	4	1,443	28.28%
Total short-term loans		$ 94,050			$ 91,928	

Borrowings with Vneshtorgbank

The Company has a ruble denominated line of credit with Vneshtorgbank with a total limit $6,292. At December 31, 2002, the Company had no unused borrowings under this credit line. The credit line agreement stipulates that Vneshtorgbank can demand immediate repayment of the outstanding principal and interest, an increase in the amount of pledged assets or additional guarantees, if any statutory quarterly revenues of LMK fall below 105% of the revenues in the comparative quarter of the previous year.

Borrowings with International Moscow Bank

The Company has a U.S. dollar denominated loan with International Moscow Bank ("IMB") at LIBOR plus 5.40% with a limit of $5,000 and a ruble denominated loan at 16.50% with a limit of $3,146. At December 31, 2002, the Company had no unused borrowings under these loans. The U.S. dollar denominated loan agreement stipulates that if LMK's average monthly turnover on its accounts in IMB falls below 90% of this borrowing, the floating rate in this period will be 5.65%.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

Long-term loans at December 31, 2002 and 2001 comprised the following:

	2002		2001	
	No. of loans	**Amount**	**No. of loans**	**Amount**
U.S. $ denominated				
ING Bank (Eurasia), lines of credit, interest payable at one month LIBOR plus 1.71% (3.09% at December 31, 2002) due November – December 2006	3	$ 3,438	3	$ 2,139
Bank Aval, line of credit, interest payable at 13.00% due August 2004	1	520	-	-
Alfa Bank, interest payable at 13.15% due April 2002	-	-	2	3,980
Credit Lyonnais Rusbank, lines of credit, interest payable at one month LIBOR plus 2.50% (4.34% at December 31, 2001) due beginning January 2001 through November 2002 by quarterly installments	-	-	2	270
EURO denominated				
ING Bank (Eurasia), line of credit, interest payable at three months EURIBOR plus 2.10% (5.00% at December 31, 2002) due by January 2006 by quarterly installments	1	1,751	1	2,015
Raiffeisenbank, line of credit, interest paid at three months LIBOR plus 2.00% (4.86% at December 31, 2002) due October 2003	1	477	1	1,105
Commerzbank, line of credit, interest payable at three months EURIBOR plus 2.00% (4.90% at December 31, 2002) due July 2005 by quarterly installments	1	328	1	379
ZAO KB Citibank, interest payable at three months LIBOR plus 1.50% (4.36% at December 31, 2002) due May 2003 by quarterly installments	1	189	1	479

(Amounts in thousands of U.S. dollars, unless otherwise stated)

	2002		2001	
	No. of loans	**Amount**	**No. of loans**	**Amount**
Ruble denominated				
MIB, line of credit, interest payable at 26.00% due April 2003 by monthly installments	-	-	1	1,121
Other (weighted average rate of 15.76% at December 31, 2002)	2	326	2	515
Ukrainian grivna denominated				
Bank Aval, interest payable at 27.00 % due May - August 2003	-	-	3	1,259
Total amount of long-term borrowings		7,029		13,262
Less current portion of long-term loans		(2,483)		(8,099)
Total long-term loans		$ 4,546		$ 5,163

Borrowings with ING Bank (Eurasia)

The Company has four lines of credit with ING Bank (Eurasia) with a limit of $5,122 and EURO 4,114 (equivalent to $4,286 at December 31, 2002). At December 31, 2002, the Company had $2,582 of unused borrowings under these lines of credit.

Borrowings with Raiffeisenbank and Commerzbank

The Company has two lines of credit with Raiffeisenbank and Commerzbank with a limit of EURO 2,662 (equivalent to $2,773 at December 31, 2002). At December 31, 2002, the Company had $342 of unused borrowings under these lines of credit.

Borrowings with ZAO KB Citibank

The Company has a loan with ZAO KB Citibank. The loan agreement stipulates immediate repayment if the Company's average monthly turnover on its current account with ZAO KB Citibank falls below 900 million rubles (equivalent to $28,316 at December 31, 2002).

Guarantees

Certain of the Company's loans are guaranteed by other parties as follows:

- ZAO KB Citibank, in the amount of $189, was guaranteed by Commerzbank;
- ING-Bank (Eurasia) line of credit, in the amount of $3,438, was guaranteed by a supplier of property, plant and equipment and ING bank N.V.;

(Amounts in thousands of U.S. dollars, unless otherwise stated)

- Moscow City Government short-term loan, in the amount of $1,793, was guaranteed by Savings Bank of the Russian Federation (“Sberbank”);
- Citibank (Ukraine) short-term loan, in the amount of $375, was guaranteed by ZAO KB Citibank.

At December 31, 2002 and 2001, WBD Foods and certain other major subsidiaries guaranteed certain short-term and long-term bank loans received by other subsidiaries of WBD Foods. The aggregate amount of such guarantees equaled to the carrying amount of the respective short-term and long-term loans.

Maturity of long-term loans

Aggregate maturity of long-term loans outstanding at December 31, 2002 was as follows:

Years ended December 31,		
2003	$	2,483
2004		2,135
2005		1,419
2006		960
2007		32
Total long-term loans	$	7,029

Collateral

Certain of the Company’s assets served as collateral for the short-term and long-term loans from Sberbank, Moscow City Government, International Moscow bank, Bank of Moscow and others.

At December 31, 2002 and 2001 the assets that served as collateral consisted of the following:

- Inventory in the amounts of $42,037 and $30,148, respectively;
- Property, plant and equipment with a net book value of $56,718 and $74,137, respectively, and;
- Common outstanding shares of KMMZ with the cost of $3,980 at December 31, 2001.

17. Bonds Payable

On November 1, 2001 LMK issued unsecured ruble denominated bonds amounting to 500,000,000 rubles ($15,731 at December 31, 2002 exchange rate). The bonds are unconditionally guaranteed by WBD Foods and mature 1,093 days from November 1, 2001 (on November 1, 2004). Interest is payable quarterly. For the first year, interest was fixed at 22.75% and is subsequently adjusted depending upon market conditions and market rates of interest. For the period from November 1, 2002 to January 31, 2003 interest was fixed at 18.00%. LMK is obliged to redeem a bond if its holder notifies LMK of its intention to redeem the bond between October 10, 2003 and October 24, 2003. Management believes that the likelihood of any bondholders requesting redemption directly from LMK during this two week period is remote.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

During 2001 and 2002 Bishkeksut, a subsidiary, issued unsecured som denominated bonds amounting to 40,000,000 Kyrgyz soms ($365 at December 31, 2002 exchange rate). For the first year, interest was fixed at 30.00%, for the period from December 1, 2002 to December 1, 2003 the interest rate is 18.00%.

18. Other payables

Other payables primarily represent payables for property, plant and equipment and was comprised as follows as of December 31, 2002 and 2001:

	2002	2001
Other payables for property, plant and equipment:		
Current payables	$ 5,264	$ 1,210
Vendors financing obligations, including		
- current portion	14,384	4,118
- long-term portion	54,480	17,323
	74,128	22,651
Other payables:		
Current payables	5,992	4,604
Long-term payables, including		
- current portion	130	493
- long-term portion	567	663
	6,689	5,760
Total other payables	80,817	28,411
Less current liabilities	(25,770)	(10,425)
Total other long-term payables	$ 55,047	$ 17,986

The Company has agreements with suppliers of equipment which provide financing for the period from 1 to 9 years. Total amount of vendor financing obligations is $51,509 and EURO 16,655 (eqivalent to $17,355 at December 31, 2002). This financing is provided at interest rates of LIBOR plus 1.50% or EURIBOR plus 1.50%. The majority of equipment financing is provided by one supplier. At December 31, 2002, property, plant and equipment amounting to $48,978 served as collateral under these financing agreements.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

Aggregate maturity of other long-term payables outstanding at December 31, 2002 was as follows:

Years ended December 31,		
2003	$	14,514
2004		14,476
2005		12,321
2006		11,520
2007		7,578
Thereafter		9,152
Total maturity of other long-term payables		69,561
Less current portion of other long-term payables		(14,514)
Total other long-term payables	$	55,047

19. Income Tax

WBD Foods' provision for income taxes for the years ended December 31, 2002, 2001 and 2000 was as follows:

	2002		2001		2000	
Current provision	$	14,211	$	11,993	$	9,656
Deferred charge (benefit)		38		2,173		(88)
Total provision for income taxes	$	14,249	$	14,166	$	9,568

In Russia, the Group's statutory income tax rate in 2000 was 30%. From January 1, 2001, the Group's Russian statutory income tax rate increased to 35% as a result of changes in the legislation. The deferred tax net asset increased by $51 as the result of such change in the statutory tax rate. From January 1, 2002, WBD Foods' statutory income tax rate was 24% as a result of further changes in Russian legislation.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

The actual provision for income taxes reconciled to WBD Foods' theoretical tax provision at statutory rate was as follows for the respective periods ended:

	2002	2001	2000
Income before provision for income taxes	$ 51,917	$ 49,873	$ 32,266
Russian statutory tax rate	24%	35%	30%
Theoretical tax provision at statutory rate	12,460	17,455	9,680
Expenses not deductible for Russian statutory taxation purposes	3,483	6,309	7,768
Profit tax privileges	(4,855)	(11,943)	(7,963)
U.S. GAAP remeasurement loss (gain) not taxable/deductable for domestic statutory taxation purposes	686	(869)	(335)
Change in valuation allowance	2,147	746	-
Deferred tax liability resulting from tax effect of investment program	-	3,436	619
Deferred tax credit resulting from decrease in statutory tax rate to 24%	-	(546)	-
Differences in statutory tax rate and future tax rate (24%)	-	(1,678)	-
Other	328	1,256	(201)
Actual provision for income taxes	$ 14,249	$ 14,166	$ 9,568

In 2001 and 2000 income tax privileges were investment and social infrastructure maintenance credits, small enterprises benefit and baby food products benefit. In 2002 income tax privilege was small enterpises benefit.

The income tax benefit for small enterprises was abolished as of January 1, 2002, except that the benefit will continue to be available to enterprises that were established before July 1, 2001. Such enterprises are exempt from income taxes for the first two years of operations and in the third and forth years income taxes are levied at a rate of 25% and 50% of the income tax rate, respectively. Starting from January 1, 2002 the Group's juice production primarily concentrated in two small enterprises, Fruit Rivers and Nectarin, which were registered in March and April 2001, respectively.

Following the change in the income tax legislation, the baby food products tax benefit, investment and social infrastructure maintenance credits have been abolished from January 1, 2002. However, certain expenses, including advertising expenses, insurance expenses, interest expenses and other expenses which had limited income tax deductibility in 2001, became deductible in 2002.

Unused credits, such as profit tax privileges, may not usually be carried forward under Russian tax legislation. Accordingly, tax credits are reflected in the Group's consolidated and combined financial statements only to the extent and in the year in which the credits are utilized.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

Temporary differences between the tax bases of assets and liabilities and the respective carrying amounts in these consolidated and combined financial statements give rise to the following deferred tax assets and liabilities at December 31, 2002 and 2001:

	2002	2001
Deferred tax assets/(liabilities) arising from tax effect of:		
Salary related accruals	$ 771	$ 633
Sales volume discount accrual	222	311
Other accrued liabilities	1,560	1,562
Losses carried forward	2,893	746
Other	-	143
Gross deferred tax asset	5,446	3,395
Less valuation allowance for deferred tax asset	(2,893)	(746)
Deferred tax asset net of valuation allowance	2,553	2,649
Capital leases	(1,763)	(1,650)
Investment programs	(2,182)	(2,738)
Valuation of assets at fair market value as a result of business acquisitions	(4,879)	-
Other	-	(130)
Gross deferred tax liability	(8,824)	(4,518)
Net deferred tax liability	$ (6,271)	$ (1,869)
Analyzed as to:		
Current deferred tax asset	1,850	2,060
Long-term deferred tax liability	8,121	3,929

For statutory income tax purposes, WBD Foods had accumulated tax losses of $12,055 which may be carried forward for use against future income. Their use is restricted to a maximum of 30% of taxable income per annum and expire in 2012.

For financial reporting purposes, a valuation allowance has been recognized to reflect management's estimate of the realization of this deferred tax asset. A valuation allowance is provided when it is more likely than not that some or all of the deferred tax assets will not be realized in the future. These evaluations are based on expectations of future taxable income and reversals of various taxable temporary differences.

20. Government Grants

In 1993-1999 ZDMP received capital grants from the Russian and Moscow Governments. These grants related to the acquisition of property, plant and equipment for baby food production and are recognized in the consolidated and combined statements of operations in the period in which the depreciation expense on the related property, plant and equipment is incurred. The conditions of the grants are that ZDMP must continue to use the related property, plant and equipment for baby food production. Management believes that it has complied with this condition and will continue to comply in the future.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

The movement in capital government grants during the years ended December 31, 2002 and 2001 comprised:

Balance at December 31, 2000	$ 17,954
Amortization	(2,545)
Grant received	484
Balance at December 31, 2001	$ 15,893
Amortization	(2,565)
Grant received	806
Fair value adjustment on acquisition of minority interest in ZDMP (see Note 4)	(3,533)
Balance at December 31, 2002	$ 10,601

Grants are amortized once the related property, plant and equipment are put into operation. Amortization is reported as a reduction in the depreciation expense of the related property, plant and equipment.

During the year ended December 31, 2002 WBD Foods received operating grants from the Russian Government and Moscow City Government in the amount of $979 ($1,524 in 2001). These grants related to interest rates on loans used for acquisition of milk and other raw materials, and are recognized in the consolidated and combined statements of operations in the period in which the related interest expense is incurred. The grants were provided at two thirds of the Central Bank of Russia interest rate (equating to 21% at December 31, 2002) or in a fixed amount approximating to half of interest expense. The conditions of the grants are that WBD Foods must use the related loans received from Russian banks for the acquisition of milk and other raw materials and the loans should be repaid upon maturity and no later than April 2003 for majority of these loans. Management believes that the Company has complied with these conditions.

21. Shareholders' Equity

On February 8, 2002, WBD Foods issued and sold 9,000,000 new ordinary shares (ADSs) registered with the U.S. Securities and Exchange Comission at an initial offering price of $19.50 per share for total consideration, net of underwriting discount, of $166,725. Net direct expenses related to the issue of shares amounted to $4,598. Nominal value of shares issued was 20 rubles per share.

In accordance with Russian corporate laws, earnings available for dividends are limited to profits, denominated in domestic currency, after certain deductions. At December 31, 2002 retained earnings of WBD Foods which are distributable under statutory legislation totaled 239 million rubles ($7,532 translated at the exchange rate as at December 31, 2002).

(Amounts in thousands of U.S. dollars, unless otherwise stated)

22. Minority Interest

The movement in minority interest during the years ended December 31, 2002 and 2001 comprised:

Balance at December 31, 2000	$	37,767
Acquisitions by the Company of minority interests in subsidiaries		(20,788)
Acquisitions of subsidiaries		5,119
Minority interest share in income from continuing operations		3,962
Minority interest in net loss of discontinued operations		(96)
Minority interest related to discontinued operations		(2,588)
Balance at December 31, 2001	$	23,376
Acquisitions by the Company of minority interests in subsidiaries		(5,825)
Acquisitions of subsidiaries		2,076
Minority interest share in income from continuing operations		1,922
Balance at December 31, 2002	$	21,549

23. Cost of Sales

Cost of sales for 2002, 2001, and 2000 were comprised of the following:

	2002	2001	2000
Raw materials	$ 506,086	$ 438,360	$ 319,344
Personnel	26,548	20,103	11,939
Depreciation	14,983	10,609	7,993
Utilities	10,971	8,734	3,457
Goods for resale	13,770	10,273	2,021
Other	7,349	4,911	4,323
Total cost of sales	$ 579,707	$ 492,990	$ 349,077

24. Selling and Distribution Expenses

Selling and distribution expenses for 2002, 2001, and 2000 were comprised of the following:

	2002	2001	2000
Advertising and marketing	$ 34,857	$ 19,562	$ 14,305
Personnel	30,620	15,978	8,982
Transportation	24,700	17,144	6,743
Materials and supplies	6,311	2,597	919
Warehouse	5,228	2,408	2,088
Other	7,811	4,524	1,101
Total selling and distribution expenses	$ 109,527	$ 62,213	$ 34,138

(Amounts in thousands of U.S. dollars, unless otherwise stated)

25. General and Administrative Expenses

General and administrative expenses for 2002, 2001, and 2000 were comprised of the following:

	2002	2001	2000
Personnel	$ 33,800	$ 29,016	$ 14,756
Taxes other than income tax	11,872	8,452	19,780
Audit, consulting and legal fees	2,613	2,170	1,222
Materials and supplies	2,399	1,623	918
Depreciation	2,075	1,111	575
Communication costs	1,800	1,324	517
Rent	1,531	1,176	334
Security expenses	559	2,210	-
Other	6,306	7,379	4,923
Total general and administrative expenses	$ 62,955	$ 54,461	$ 43,025

26. Financial Income and Expenses, net

Financial income and expense, net for 2002, 2001, and 2000 were comprised of the following:

	2002	2001	2000
Interest expense	$ 12,818	$ 11,126	$ 5,638
Interest income	(2,928)	(126)	-
Currency remeasurement losses (gains)	2,860	(2,483)	(1,116)
Bank charges	2,207	2,110	1,100
Other financial (income) expense	(826)	(46)	42
Total financial income and expense, net	$ 14,131	$ 10,581	$ 5,664

27. Pension Costs

Starting from January 1, 2001 all social contributions (including contributions to the Pension fund) were substituted with a unified social tax ("UST") calculated by the application of a regressive rate from 35.6% to 5% to the annual gross remuneration of each employee. WBD Foods allocates UST to three social funds (including the Pension fund) where the rate of contributions to the Pension fund vary from 28% to 5% respectively depending on the annual gross salary of each employee. During 2000 WBD Foods contributed to the Russian Federation state pension scheme ("Pension fund") in respect of its employees. WBD Foods' pension scheme contribution amounted to 28% of employees' gross salaries. The Russian Federation state pension fund contributions are expensed as incurred. Pension costs amounted to $13,505, $8,270 and $4,290 in 2002, 2001 and 2000, respectively. WBD has no other pension obligations.

(Amounts in thousands of U.S. dollars, unless otherwise stated)

28. Segment Information

The Company's major reportable continuing business segments are dairy and juice segments. They are strategic business units that produce and offer distinctive products, i.e. sterilized and pasteurized milk, yogurts, dairy desserts, and other dairy products in the dairy segment and fruit juices, nectars, and juice based drinks in the juice segment.

WBD's accounting policy for segments is the same as those described in the summary of significant accounting policies. Management evaluates segment performance based on segment profit or loss before minority interests and deferred taxes. Transfers between segments are made at values that approximate market values.

Continuing Operating Segment – year ended December 31, 2002

	Dairy	Juice	Other	Corporate assets/ expenses	Common assets/ expenses	Intersegment receivables	Consolidated
Total sales	$ 569,034	$ 263,309	-	-	-	-	$ 832,343
Intersegment sales	(6,052)	(1,557)	-	-	-	-	(7,609)
Sales to external customers	562,982	261,752	-	-	-	-	824,734
Cost of sales	(398,068)	(180,609)	-	-	(1,030)	-	(579,707)
Gross profit	164,914	81,143	-	-	(1,030)	-	245,027
Operating expenses	(98,678)	(62,792)	-	(17,509)	-	-	(178,979)
Operating income	66,236	18,351	-	(17,509)	(1,030)	-	66,048
Financial income and expense, net and current provision for income taxes	(21,659)	(5,636)	-	(1,047)	-	-	(28,342)
Net segment profit	$ 44,577	$ 12,715	-	(18,556)	(1,030)	-	$ 37,706
Segment total assets	$ 384,018	$ 194,060	7,093	24,907	14,540	(35,525)	$ 589,093
Expenditure for segment property, plant and equipment	$ 99,734	$ 26,538	5,645	3,759	404	-	$ 136,080

(Amounts in thousands of U.S. dollars, unless otherwise stated)

Continuing Operating Segment – year ended December 31, 2001

	Dairy	Juice	Other	Corporate assets/ expenses	Common assets/ expenses	Intersegment receivables	Consolidated and combined
Total sales	$ 494,682	$ 192,158	-	-	-	-	$ 686,840
Intersegment sales	(9,230)	(2,994)	-	-	-	-	(12,224)
Sales to external customers	485,452	189,164	-	-	-	-	674,616
Cost of sales	(374,884)	(117,496)	-	-	(610)	-	(492,990)
Gross profit	110,568	71,668	-	-	(610)	-	181,626
Operating expenses	(66,360)	(38,186)	-	(16,626)	-	-	(121,172)
Operating income	44,208	33,482	-	(16,626)	(610)	-	60,454
Financial income and expense, net and current provision for income taxes	(17,384)	(5,190)	-	-	-	-	(22,574)
Net segment profit	$ 26,824	$ 28,292	-	(16,626)	(610)	-	$ 37,880
Segment total assets	$ 214,718	$ 121,839	1,967	5,384	23,220	(14,411)	$ 352,717
Expenditure for segment property, plant and equipment	$ 30,801	$ 9,784	88	4,476	12,504	-	$ 57,653

(Amounts in thousands of U.S. dollars, unless otherwise stated)

Continuing Operating Segment - Year ended December 31, 2000

	Dairy	Juice	Other	Corporate assets/ expenses	Common assets/ expenses	Intersegment receivables	Consolidated and combined
Total sales	$ 332,013	$ 141,644	-	-	-	-	$ 473,657
Intersegment sales	(6,531)	(1,715)	-	-	-	-	(8,246)
Sales to external customers	325,482	139,929	-	-	-	-	465,411
Cost of sales	(250,015)	(98,228)	-	-	(834)	-	(349,077)
Gross profit	75,467	41,701	-	-	(834)	-	116,334
Operating expenses	(45,945)	(23,004)	-	(9,455)	-	-	(78,404)
Operating income	29,522	18,697	-	(9,455)	(834)	-	37,930
Financial income and expense, net and current provision for income taxes	(14,308)	(1,012)	-	-	-	-	(15,320)
Net segment profit	$ 15,214	$ 17,685	-	(9,455)	(834)	-	$ 22,610
Segment total assets	$ 175,752	$ 89,619	2,100	1,781	4,228	(38,441)	$ 235,039
Expenditure for segment property, plant and equipment	$ 20,091	$ 2,231	1,477	-	1,624	-	$ 25,423

(Amounts in thousands of U.S. dollars, unless otherwise stated)

The reconciliation between net segment profit and consolidated and combined income from continuing operations for the years ended December 31, 2002, 2001 and 2000 was as follows:

	2002	2001	2000
Total net segment profit	$ 37,706	$ 37,880	$ 22,610
Minority interest	(1,922)	(3,962)	(1,453)
Deferred tax (charge) benefit	(38)	(2,173)	88
Consolidated and combined income from continuing operations	$ 35,746	$ 31,745	$ 21,245

The changes in the carrying amount of goodwill for each segment for the years ended December 31, 2002, 2001 and 2000 were as follows:

	Dairy	Juice	Other	Total
Balance at December 31, 2000	$ 933	-	-	$ 933
Acquisitions	10,224	-	477	10,701
Amortization	(455)	-	-	(455)
Balance at December 31, 2001	10,702	-	477	11,179
Acquisitions	7,492	1,214	-	8,706
Balance at December 31, 2002	$ 18,194	1,214	477	$ 19,885

As of December 31, 2002, and 2001, segment total assets equalled consolidated total assets.

For the years ended December 31, 2002, 2001, and 2000, approximately 95%, 97% and 99% of sales were generated in and sold to customers in Russia. As of December 31, 2002 and 2001, the long-lived assets of the Company were primarily located in Russia.

The financial data above does not reflect information by WBD Foods' separate products and sales as it is impracticable to produce this information.

The majority of the Company's packaging materials is purchased from one supplier. There can be no assurance that, in the event of a loss of this supplier or unfavourable developments in the business practices of this supplier, substantially all of the current levels of packaging materials could be purchased at comparable, or nearly comparable, prices on the international market.

29. Related Parties

Trinity-Negus

During 2002, 2001 and 2000, the Company engaged in transactions with Trinity-Negus ("Trinity"), a private security company, which is owned by members of the control group of shareholders. Trinity provided the companies of the Group with security services in 2002, 2001 and 2000 amounting to approximately $221, $2,206 and $1,721, respectively. As of December 31, 2001 and 2000 accounts payable to Trinity in respect of security services amounted to $201 and $173, respectively.

Wimm-Bill-Dann Trans

During 2002, 2001 and 2000 the Company received transportation services from Wimm-Bill-Dann Trans ("WBD Trans"), a closed joint stock company, which is a WBD Foods' investee, amounting to approximately $5,909, $5,251, and $1,870, respectively. As of December 31, 2002, 2001 and 2000 advances paid to WBD Trans in respect of transportation services amounted to $138, $190 and $24, respectively.

Perekriostok

One of the members of WBD Foods' Board of Directors is also a member of the Board of Directors in Trade House "Perekriostok" ("TH"), which buys dairy and juice products from WBD Foods. Sales to TH in 2002 were $6,804. Amount due from TH at December 31, 2002 was $372.

Adonis

During 2002 and 2001, the Company paid for construction of an administrative building amounting to $2,278 and $4,140, respectively, to Adonis, a limited liability company, which is controlled by members of the control group of shareholders. The construction was capitalized as of December 31, 2002. As of December 31, 2002, there were no outstanding advances in respect of Adonis.

Poultry Factory Gorki-2

During 2002 and 2001 the Company purchased milk from Poultry Factory Gorki-2, a closed joint stock company, which is controlled by members of the control group of shareholders, amounting to $291 and $580, respectively. As of December 31, 2002 and 2001 accounts payable to Poultry Factory Gorki-2 in respect of milk received amounted to $15 and $10, respectively.

The Breweries

As of December 31, 2002 the Company had loans receivable from Brewery Volga, Volga-Invest and Moskvoretzky Brewery amounting to $693. These loans are interest free, ruble denominated and mature during 2003. The loans were provided in early 2001 and before the alienation of the Breweries (see Note 5). As of December 31, 2002 these loans were included in other current assets.

Current shareholders

During 2002 WBD Foods acquired 25.1% interest in ZDMP from a current shareholder for $5,000 (see Note 4).

(Amounts in thousands of U.S. dollars, unless otherwise stated)

30. Commitments and Contingencies

Property, plant and equipment purchase commitments

As of December 31, 2002, contracted expenditures for the purchase of property, plant and equipment in the period subsequent to December 31, 2002 were as follows:

Years ended December 31,	
2003	$ 1,213
2004	1,175
2005	872
2006	750
2007	710
Thereafter	144
Total commitments	4,864
Less interest expense	(300)
Total commitments at present value	$ 4,564

Insurance

In 2002 the Company did not have insurance coverage for its major plant facilities, business interruption, product liability or third party liability in respect of property or environmental damage arising from accidents on the Company property or relating to the Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

As of December 31, 2002, the Company is unaware of any asserted or unasserted claims.

Taxation

During 2002, 2001 and 2000 WBD used certain tax optimisation initiatives. These initiatives may be challenged by the Russian tax authorities. WBD believes that the tax savings to the Company for 2002, 2001 and 2000 in respect of these initiatives amounted to approximately $3.5 million, $5.6 million and $8.0 milion, respectively. Should the Russian tax authorities question these initiatives and prove successful in their claim, they would be entitled to recover these amounts, together with penalties amounting to 20% of such amounts and interest at the rate of 1/300 of the Central Bank of Russia rate, equating to 0.07% at December 31, 2002, for each day of delay for late payment of such amounts. Management will vigorously defend any claims that these initiatives are contrary to Russian tax law.

Environmental Remediation Costs

The Company is not aware of any potential environmental claims and therefore does not have any liabilities associated with environmental remediation costs recorded as of December 31, 2002 or December 31, 2001.

31. Subsequent events

Employee Stock Option Plan

On August 30, 2002 the Board of Directors authorized management to develop a stock option plan for officers and key employees of the Company. On January 31, 2003, an issue of 1,350,000 additional shares has been approved by a shareholders meeting to fund an employee stock option plan. Details of the plan are currently under review by the Board of Directors.