

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-31232

WIMM-BILL-DANN FOODS OJSC

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

RUSSIAN FEDERATION

(Jurisdiction of incorporation or organization)

16 Yauzsky Boulevard, Moscow 109028, Russian Federation

(Address of principal executive offices)

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(Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
AMERICAN DEPOSITARY SHARES, EACH REPRESENTING ONE SHARE OF COMMON STOCK	NEW YORK STOCK EXCHANGE
COMMON STOCK, PAR VALUE 20 RUSSIAN RUBLES PER SHARE	NEW YORK STOCK EXCHANGE(1)

Securities registered or to be registered pursuant to Section 12(g) of the Act.

NONE

(Title of Class)

NONE

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

44,000,000 shares of common stock, par value 20 Russian rubles each, as of December 31, 2007.

SEC 1852 (02-08) **Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

NONE

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

44,000,000 shares of common stock, par value 20 Russian rubles each, as of December 31, 2007

14,405,337 American Depositary Shares, each representing one share of common stock, as of December 31, 2007

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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Unless the context otherwise requires, references to “WBD,” “Company,” “we,” “us,” or “our” refer to Wimm-Bill-Dann Foods OJSC and its subsidiaries. “Lianozovsky Dairy Plant” was renamed “Wimm-Bill-Dann” in 2006. References to “Lianozovsky” and “Lianozovsky Dairy Plant” are to “Wimm-Bill-Dann”.

In this annual report, references to “U.S. dollars” or “\$” are to the currency of the United States, references to “rubles” or “RUR” are to the currency of the Russian Federation, and references to “€” or “euro” are to the lawful currency of the member states of the European Union that adopted a single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended by the treaty on the European Union, signed at Maastricht on February 7, 1992.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this document may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their businesses. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement in connection with this safe harbor legislation and other relevant laws. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words “believe,” “expect,” “anticipate,” “intend,” “estimate,” “forecast,” “project” and similar expressions identify forward-looking statements. Forward-looking statements appear in a number of places including, without limitation,

“Item 3. Key Information—D. Risk Factors,” “Item 4. Information on Our Company” and “Item 5. Operating and Financial Review and Prospects,” and include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for our services; economic outlook and industry trends; developments of our markets; the impact of regulatory initiatives; and the strength of our competitors.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we may not achieve or accomplish these expectations, beliefs or projections. In addition to these important factors and matters discussed elsewhere herein and in the documents incorporated by reference herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements including the achievement of the anticipated levels of profitability, growth, cost and synergy of our recent acquisitions, the timely development and acceptance of new products, the impact of competitive pricing, the ability to obtain necessary regulatory approvals, the impact of general business and global economic conditions and other important factors described from time to time in the reports filed by us with the Securities and Exchange Commission.

Except to the extent required by law, neither we, nor any of our respective agents, employees or advisors intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained or incorporated by reference in this document.

PART I**Item 1. Identity of Directors, Senior Management and Advisors**

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information**A. Selected Financial Data**

The selected consolidated financial data set forth below at December 31, 2007, 2006, 2005, 2004 and 2003 and for the years then ended have been derived from our audited financial statements prepared in accordance with U.S. GAAP. The selected consolidated financial data should be read in conjunction with our Consolidated Financial Statements as of December 31, 2007 and 2006 and for the years ended December 31, 2007, 2006, and 2005 included under "Item 18. Financial Statements" and "Item 5. Operating and Financial Review and Prospects."

	For the years ended December 31,				
	2007	2006	2005	2004	2003
In thousands of U.S. Dollars, except share and per share data					
Statement of Income Data:					
Sales	\$ 2,438,328	\$ 1,762,127	\$ 1,394,590	\$ 1,183,986	\$ 938,459
Cost of sales	(1,654,879)	(1,194,159)	(999,006)	(858,767)	(665,104)
Gross profit	783,449	567,968	395,584	325,219	273,355
Selling and distribution expenses	(387,853)	(246,054)	(191,990)	(173,433)	(140,746)
General and administrative expenses	(180,922)	(134,481)	(109,642)	(92,816)	(75,973)
Other operating expenses	(704)	(31,812)	(6,457)	(6,047)	(7,481)
Operating income	213,970	155,621	87,495	52,923	49,155
Financial income and expenses, net	(16,851)	(15,480)	(22,868)	(14,618)	(15,273)
Income before provision for income taxes and minority interest	197,119	140,141	64,627	38,305	33,882
Provision for income taxes	(54,302)	(41,560)	(30,712)	(12,170)	(10,717)
Minority interest	(2,769)	(3,197)	(3,649)	(3,161)	(2,012)
Net income	\$ 140,048	\$ 95,384	\$ 30,266	\$ 22,974	\$ 21,153
Earnings per share—basic and diluted	\$ 3.18	\$ 2.17	\$ 0.69	\$ 0.52	\$ 0.48
Dividends per share (1)	\$ 0.12	\$ 0.55	\$ —	\$ —	\$ —
Weighted average number of shares outstanding	44,000,000	44,000,000	44,000,000	44,000,000	44,000,000
Other Data:					
Capital expenditures	\$ 192,662	\$ 129,963	\$ 75,110	\$ 72,639	\$ 107,186
Cash provided by (used in) operating activities	\$ 96,804	\$ 169,954	\$ 113,937	\$ 71,720	\$ 29,940
Cash used in investing activities	\$ (203,041)	\$ (228,158)	\$ (125,157)	\$ (73,808)	\$ (95,142)
Cash (used in) provided by financing activities	\$ 91,429	\$ (1,911)	\$ 82,619	\$ (16,159)	\$ 73,399

- (1) Dividends paid in 2007 are attributable for 2006. Dividends paid in 2006 are attributable as follows: \$0.17 per share – for years 2002-2004, \$0.08 per share – for three months ended March 31, 2006, \$0.30 per share - for nine months ended September 30, 2006.

	At December 31,				
	2007	2006	2005	2004	2003
	In thousands of U.S. Dollars				
Balance Sheet Data:					
Total assets	1,533,102	1,175,936	920,557	796,088	743,885
Total net assets	673,124	497,494	387,043	370,916	324,618
Total debt(1)	578,930	442,999	371,646	283,168	283,442
Total liabilities	846,116	659,465	508,895	407,845	398,099
Total liabilities and shareholders' equity	\$ 1,533,102	\$ 1,175,936	\$ 920,557	\$ 796,088	\$ 743,885

- (1) Total debt represents long-term and short-term loans, including the current portion of long-term loans, notes payable and vendor financing obligations.

Exchange Rates and Inflation

The following tables show, for the periods indicated, certain information regarding the exchange rate between the ruble and the U.S. dollar, based on data published by the Central Bank of Russia. These rates may differ from the actual rates used in the preparation of our financial statements and other financial information appearing herein.

Year ended December 31,	Rubles per U.S. dollar			Period End
	High	Low	Average(1)	
2007	26.58	24.26	25.49	24.55
2006	28.48	26.18	27.09	26.33
2005	29.00	27.46	28.31	28.78
2004	29.45	27.75	28.73	27.75
2003	31.88	29.25	30.61	29.45

- (1) The average of the exchange rates on the last business day of each full month during the relevant period.

	Rubles per U.S. dollar	
	High	Low
May 2008	23.88	23.55
April 2008	23.67	23.34
March 2008	24.00	23.51
February 2008	24.78	24.12
January 2008	24.89	24.29
December 2007	24.75	24.42

On June 25, 2008, the exchange rate between the ruble and the U.S. dollar was 23.62 rubles per \$1.00.

The following table shows the rates of inflation in Russia for the years indicated:

	<u>Inflation rate</u>
Year ended December 31,	
2007	11.5%
2006	9.7%
2005	10.9%
2004	11.7%
2003	12.0%

Source: Central Bank of Russia.

Effective from January 1, 2003, Russia no longer met the criteria for a highly inflationary economy. Inflation continued to decrease in Russia in 2004 through 2006

The inflation rate in 2007 was affected by several factors relating to increases in international energy and oil market prices, administrative decisions of the Central Bank of Russia and the economic slowdown in the United States.

Our results of operations are affected by the relationship between the rate of inflation and the nominal rate of devaluation/appreciation of the ruble against the U.S. dollar (*i.e.*, by the real appreciation or depreciation of the ruble against the U.S. dollar). In 2007, 2006 and 2005, the ruble appreciated in real terms against the U.S. dollar.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Inflation(1)	11.5%	9.7%	10.9%
Nominal appreciation/(depreciation) of the ruble relative to the U.S. dollar(1)(2)	6.3%	4.0%	1.9%
Real appreciation of the ruble relative to the U.S. dollar(2)	12.8%	10.7%	10.8%

(1) Source: Central Bank of Russia.

(2) For purposes of calculating the interest rate of our U.S. dollar-denominated notes, we used the Russian ruble/U.S. dollar exchange rates at December 31, 2007, 2006 and 2005, which appreciated/(depreciated) at the rates of 6.7%, 8.5% and (3.7)%, respectively.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

An investment in our shares and ADSs involves a high degree of risk. You should carefully consider the following information about these risks, together with the information contained in this document, before you decide to buy our shares or ADSs. If any of the following risks actually occurs, our business, financial condition, results of operations or prospects could be materially adversely affected. In that case, the value of our shares and ADSs could also decline and you could lose all or part of your investment.

We have described the risks and uncertainties that our management believes are material, but these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties, including those we currently are not aware of or deem immaterial, may also result in decreased operating revenues, increased operating expenses or other events that could result in a decline in the value of our ADSs.

Risks Relating to Business Operations in Emerging Markets

Emerging markets such as the Russian Federation are subject to greater risks than more developed markets, including significant legal, economic and political risks.

Investors in emerging markets such as the Russian Federation should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging

economies, such as the economy of the Russian Federation, are subject to rapid change and that the information set out herein may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult their own legal and financial advisors before making an investment in our securities.

Risks Relating to Our Business and Industry

Economic downturns could hurt our turnover and materially adversely affect our strategy to increase our sales of premium brands.

Demand for dairy and certain beverage products depends primarily on demographic factors and consumer preferences, as well as factors relating to discretionary consumer spending, including the general condition of the economy and general levels of consumer confidence. The willingness of consumers to purchase branded food and beverage products depends, in part, on local economic conditions. In periods of economic uncertainty, consumers tend to purchase more economy brands and, to the extent that our business strategy depends on the expansion of the sales of premium brands and value-added products, our results of operations could suffer. Reduced consumption of our products in any of our key markets could reduce our turnover and profitability.

The failure of our geographic expansion strategy could hamper our continued growth and profitability.

Our expansion strategy depends, in part, on funding growth in additional markets, on our ability to identify attractive opportunities in markets that will grow and on our ability to manage the operations of acquired or newly established businesses. Should growth decline in our existing markets, not increase as anticipated in markets in which we have recently acquired or established businesses, or not increase in markets into which we subsequently expand, our geographic expansion strategy may not be successful and our business and profitability may suffer.

In addition, we currently have production facilities in Ukraine, Georgia, Kyrgyzstan and Uzbekistan and trade operations in Kazakhstan, and our strategy contemplates the acquisition of additional operations in the countries of the Commonwealth of Independent States, or the CIS. As with Russia, these countries are emerging markets subject to greater political, economic, social and legal risks than more developed markets. In many respects, the risks inherent in transacting business in these countries are similar to those in Russia, especially those risks set out below in “—Risks Relating to the Russian Federation.”

Our growth strategy relies on acquisitions and establishing new businesses, and our future growth, results of operations and market share would be adversely affected if we fail to identify suitable targets, outbid competing bidders or finance acquisitions on acceptable terms.

Our strategy depends on us being a large manufacturer in the dairy, baby food and juice sectors so that we can benefit from economies of scale, better satisfy customer needs and compete effectively against other producers. Our growth will suffer if we are unable to implement our acquisition strategy, whether because we fail to identify suitable targets, outbid competing bidders or finance acquisitions on acceptable terms or for any other reason. Furthermore, any acquisitions or similar arrangements may harm our business if we are unsuccessful in our integration process or fail to achieve the synergies and savings we expect.

We cannot assure you of the successful integration of existing or newly acquired businesses. If we fail to integrate our businesses successfully, our rate of expansion could slow and our results of operations and financial condition could be materially adversely affected.

We have grown through numerous acquisitions and are in the process of integrating and restructuring some of our businesses. We may make additional acquisitions in the future. Achieving the benefits of our acquisitions and our restructuring efforts will depend, in part, on integrating our businesses in an efficient manner. We cannot assure you that such integration will happen or that it will happen in a timely manner.

The integration of our businesses, as well as of any businesses we may acquire in the future, requires significant time and effort from our senior management, who are also responsible for managing our existing operations. The integration of new businesses may be difficult for a variety of reasons, including differing culture, management styles and systems and infrastructure and poor records or internal controls. In addition, integrating new acquisitions may require significant initial cash investments. Furthermore, even if we are successful in integrating our existing and new businesses, expected synergies and cost savings may not materialize, resulting in lower than expected profit margins. We cannot assure you that we will be successful in realizing any of the anticipated benefits of the companies that we are now in the process of integrating or that we may acquire in the future. If we do not realize these benefits, our financial condition, results of operations and prospects could be materially adversely affected.

We also may acquire or establish businesses in countries that may represent new operating environments for us and which may be located a great distance from our headquarters in Moscow. We may thus have less control over the activities of these companies and may face more uncertainties with respect to the operational and financial needs of these businesses, which may hinder our integration efforts.

Rapid growth and expansion may cause us difficulty in obtaining adequate managerial and operational resources, restricting our ability to successfully expand our operations.

We have experienced substantial growth and development in a relatively short period of time, and we believe that our businesses will continue to grow for the foreseeable future. The operating complexity of our business and the responsibilities of management have increased as a result of this growth, placing significant strain on our managerial and operational resources. Our future operating results depend, in significant part, upon the continued contributions of our management and technical personnel.

We will need to continue to improve our operational and financial systems and managerial controls and procedures to keep pace with our growth. We will also have to maintain close coordination among our logistical, technical, accounting, finance, marketing and sales personnel. Management of growth will require, among other things:

- the ability to integrate new acquisitions into our operations;
- continued development of financial and management controls and IT systems and their implementation in newly acquired businesses;
- increased marketing activities;
- hiring and training of new personnel; and
- the ability to adapt to changes in the markets in which we operate, including increased competition and demand for our services.

Our inability to manage our growth successfully could have a material adverse effect on our business, financial condition and results of operations.

There is a material weakness in our internal control over financial reporting and we may not be able to remedy this material weakness or prevent future material weaknesses. If we fail to do so there is a reasonable possibility that a material misstatement of the annual or interim statements will not be prevented or detected on a timely basis.

The material weakness in our internal control over financial reporting as identified by our management for the year ended December 31, 2007 is summarized below:

- Our financial statement closing process, including the transformation of our statutory financial statements into U.S. GAAP consolidated financial statements has not reduced to an acceptably low level the risk that material errors may occur and may not be detected on a timely basis by management in the normal course of business.

Notwithstanding the steps we have taken and continue to take that are designed to remediate the material weakness identified above, we may not be successful in remediating this material weakness in the near or long term and we may not be able to prevent other material weaknesses in the future. Any failure to maintain or implement required new or improved internal control over financial reporting, or any difficulties we encounter in their implementation, could result in additional significant deficiencies or additional material weaknesses, failure to meet our periodic reporting obligations or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations and annual auditor attestations regarding the effectiveness of our internal control over financial reporting required under Section 404 of the Sarbanes-Oxley Act of 2002. The existence of a material weakness could result in errors in our financial statements that could result in a restatement of financial statements, cause us to miss our reporting deadlines and cause investors to lose confidence in our reported financial information, leading to a decline in the price of our ordinary Shares and ADSs. See “Item 15. Controls and procedures” for additional information.

Increased competition among juice producers in Russia may adversely affect our results of operations.

Although juice consumption in Russia continues to increase, our juice product sales volume decreased in 2005 and stayed almost flat in 2006 due to vigorous market competition from other domestic producers and increased activity by foreign producers. Although our juice sales increased in 2007 by 27.8% compared to 2006, continued and/or increased competition among juice producers in Russia may cause future decline in the sales volumes of our juice products, as well as affect our juice prices and profit margins and, consequently, may materially adversely affect our results of operations. “See Item 4. Information on Our Company—B. Business—Business Overview—Beverage products and brands—Market trends and competition” for additional information regarding our competitors.

Consumer preference for low-price juice products and the volatility of certain raw materials required for juice production may cause our profit margins to decline and have a material adverse affect on our results of operations.

Consumer preference for low-price juice products, primarily in the regions outside of Moscow and St. Petersburg where per capita household incomes are generally lower, put pressure on juice prices in 2005, 2006 and 2007. In addition, raw materials required for juice production, such as juice concentrate and sugar, are international commodities and are subject to international price fluctuations, and we have experienced significant increases in the cost of these commodities in 2006 and 2007. The prices for sugar and juice concentrate, particularly apple juice concentrate, have increased significantly and we expect them to continue to increase for the foreseeable future. A continuation of these trends may cause a decline in our juice product profit margins and, consequently, materially adversely affect our results of operations.

Increasing tariffs and restructuring in the transport sector could have a material adverse effect on our business.

Railway and ground transportation are our principal means of transporting supplies and juice and water products to our facilities and customers. Currently, the Russian government sets rail tariffs and may further increase these tariffs as it did in 2005, 2006 and 2007. In addition, the increase in oil prices has lead to increased fuel costs and, consequently, higher transportation costs.

In 2003, legislation was enacted which sets out the framework for the reorganization of the Russian Railways Ministry into OAO Russian Railroads, a joint-stock company, to be followed by the eventual privatization of certain of its functions. This reorganization and privatization have not been completed in accordance with the timetable contemplated in the legislation and it is not clear whether it will be completed at all. However, if the privatization of Russian Railroads or other factors result in increased railway transport costs, thereby decreasing our profit margins, our results of operations could be materially adversely affected.

Our inability to develop and maintain awareness of new brands, products and product categories could significantly inhibit our future growth and profitability.

Our business strategy contemplates our entry into new product categories, the development of new products and marketing new brands in existing product lines. This strategy is designed to increase our market share and revenues by increasing consumer demand in our existing markets and entering into new market segments. The success of this strategy depends, in part, on our ability to anticipate the tastes and dietary habits of consumers and to introduce and offer products that appeal to their preferences. Our failure to anticipate, identify or react to changes in consumer preferences and consequent failure to successfully develop new brands, products and product categories could negatively affect our expansion strategy and could significantly inhibit our future growth and profitability.

In addition, developing and maintaining awareness of our brands in a cost effective manner is critical to informing and educating the public about our current and future product offerings and is an important element in attracting new consumers. The successful promotion of our brands will depend largely on the effectiveness of our marketing efforts and on our ability to provide reliable and useful products and services at competitive prices. Brand promotion activities may not yield increased operating revenues, and even if they do, such operating revenues may not offset the operating expenses we incur in building our brands. Furthermore, our ability to attract new consumers and retain existing consumers depends, in part, on our ability to maintain what we believe to be our favorable brand image. Our failure to successfully and efficiently promote and maintain our brands may limit our ability to attract new consumers and retain our existing consumers and materially adversely affect our business, financial condition, results of operations and prospects.

If we do not continue to be an efficient producer in a highly competitive environment, particularly in relation to purchases of our packaging and raw materials, or an effective advertiser in a highly inflationary media environment, our operational results will suffer.

Our success depends, in part, on our continued ability to be an efficient producer in a highly competitive industry. If we cannot continue to control costs through productivity gains or by eliminating redundant costs resulting from acquisitions, our results of operations will suffer. In particular, price increases and shortages of packaging and raw materials could have a material adverse effect on our results of operations. For example, our results of operations may be affected by the availability and pricing of packaging materials, principally cardboard and plastic containers, and raw materials, principally raw milk and juice concentrate. We are substantially dependent upon one supplier of packaging materials, Tetra Pak, which may make us more vulnerable to changes in global supply and demand and their effect on price and availability of these materials. Additionally, weather conditions and other factors beyond our control significantly influence the price and availability of our raw materials. A number of our raw materials, such as juice concentrate and sugar, are international commodities and are

subject to international price fluctuations, and we experienced significant increases in raw milk, sugar and concentrate prices during 2005, 2006 and 2007.

Our success also depends on our continued ability to be an effective advertiser in a market where media inflation on leading national television channels exceeded 50% in 2007. A substantial increase in the prices of any of the foregoing, which we may not be able to pass on to customers through price increases, or a protracted interruption in supply with respect to packaging or raw materials, could have a material adverse effect on our financial condition and results of operations. See “Item 4. Information on Our Company—B. Business—Business Overview.”

We may be unable to continue to add products and greater production capacity in faster growing and more profitable categories.

The food industry’s growth potential is constrained by population growth and growth in personal income levels. Our success depends, in part, on our ability to expand our business faster than populations are growing in the markets that we serve, or notwithstanding declines in the populations in those markets. One way to achieve that growth is to enhance our portfolio by adding products and greater production capacity in faster growing and more profitable categories. In the past, we have experienced delays in the installation of new production equipment due to internal technical integration issues as well as delays by vendors and other third-party suppliers in installing and testing new production lines. Future delays in new equipment installation could inhibit our ability to add products and expand our production capacity, cause our output volume to suffer and, consequently, have a material adverse effect on our results of operations.

Our inability to address the seasonal difference between the demand for dairy products and the supply of raw milk and the increasing prices of raw milk could result in a significant increase in our production costs, reducing our profitability.

The demand for our dairy products is significantly higher during the winter months, when Russian raw milk production is at its lowest. Conversely, during the summer months we generally experience depressed demand for dairy products in many markets, while raw milk production is at its peak. If we are unable to mitigate this inverse relationship successfully, either through the purchase of raw milk during the winter at commercially competitive prices or through the use of powder milk, our production costs will increase significantly in the winter, reducing our profitability.

In 2007 we have experienced significant increases in the raw-milk purchase price. The average weighted raw-milk purchase price paid by us increased in ruble terms by approximately 14% in 2005, 7% in 2006 and 64.8% in 2007. The price increases are due, in part, to droughts in Australia and New Zealand, the world’s largest suppliers of dry powder milk, and due to an increase in demand for milk products in such densely populated countries as China, Indonesia, Algeria and a number of other countries in Asia and Africa. In order to restrain the growth of prices for milk products, we and other major Russian food producers, as well as retail chains and the Russian government entered into a voluntary agreement in October 2007, according to which the prices for products of social significance (such as some milk, kefir and sour cream) were frozen at the level as of October 15, 2007. In January 2008, this agreement was extended to May 1, 2008, the prices were fixed at the January 2008 level.

This unprecedented increase in the price of raw and dry milk adversely affected our dairy profit margin in 2007, and continued increases in raw milk prices could further reduce our profitability. The shortage of high quality raw milk, coupled with raw milk price increases, may also limit our ability to expand our production of high margin value-added dairy products. See “Item 5. Operating and Financial Review and Prospects—D. Trend Information” for additional information.

In the event that the Moscow City Government were to reduce significantly the prices or the amount of products it purchases from our baby food business, then our revenues and profits from this business could be reduced.

In 2006 and 2007, baby food purchased from us by the Moscow City Government comprised approximately 33% and 26% respectively of the total sales revenue of our baby food segment. We supply these products to the Moscow City Government pursuant to a tender held on a yearly basis. In the event that we were to lose a tender, or the Moscow City Government was to reduce significantly the prices or the amount of products it purchases from our baby food business, and we were unable to find alternative purchasers, then our revenues and profits from this business could be reduced, which could have a material adverse effect on our financial condition and results of operations. We discuss the sale and distribution of products produced at Wimm-Bill-Dann “B. Business—Business Overview.”

Our substantial reliance on independent retailers and independent distributors for the distribution of our products could lower our turnover and reduce our competitiveness.

We sell our products either directly to retailers, including supermarkets, grocery shops and restaurants, or to independent distributors for resale to retail outlets. We expect sales to retailers and independent distributors to continue to represent a significant portion of our revenues. Our operations and distribution costs could be affected by the increasing consolidation of these entities, particularly as these customers become more sophisticated and attempt to force lower pricing and increased promotional programs. For example, in the spring of 2001, several Russian supermarket chains formed a loose alliance which publicly announced its intention not to purchase our products. Although these supermarket chains now purchase our products, they may not continue to do so, and they or other supermarket chains may attempt a similar consolidation of market power in the future. In addition, two of Russia’s largest supermarket chains, Perekryostok and Pyatyorchka, merged in April 2006, which further strengthens the negotiating leverage in their dealings with us. Although we have not yet experienced any material adverse effect as a result of this merger, we cannot guarantee that we will not experience adverse consequences in the future. A number of large Western retailers, such as German retailer Metro and French retailer Auchan, have also opened stores in our markets, which will put further pressure on prices.

We also compete with other brands for shelf space in retail stores. Retailers also offer other products, including their own brands that compete directly with our products. In addition, retailers in Russia typically charge food and beverage producers, including us and our competitors, for shelf space. If retailers give higher priority to other brands, purchase less of, or even refuse to buy, our products, seek substantial discounts, charge unreasonable prices for shelf space, fail to offer sufficient shelf space, or devote inadequate promotional support to our brands, it could lower our turnover and reduce our competitiveness and profitability.

Independent distributors may export our products to countries where such products do not meet the requirements of applicable legislation.

In exporting our products, we attempt to meet the standards and requirements of applicable legislation governing the import of food products into the importing country. However, we do not have control over independent distributors, who have, in some cases, attempted to export our products to countries where such products did not meet the requirements of applicable legislation. Any consequent recalls of our products and the associated negative publicity may adversely affect our reputation and materially adversely affect our results of operations.

We do not carry the types of insurance coverage customary in more economically developed countries for a business of our size and nature, and a significant event could result in substantial property loss and inability to rebuild in a timely manner or at all.

We maintain insurance against some, but not all, potential risks and losses affecting our operations. We cannot provide assurance that our insurance will be adequate to cover all of our losses or liabilities. We also can provide no assurance that insurance will continue to be available to us on commercially reasonable terms. Should a significant event affect one of our facilities, we could experience substantial property loss and significant disruptions in production, for which we would not be compensated. Additionally, depending on the severity of the property damage, we may not be able to rebuild damaged property in a timely manner or at all. We do not maintain separate funds or otherwise set aside reserves for these types of events. Any such loss or third-party claim for damages may have a material adverse effect on our business, results of operations and financial condition.

We are also exposed to product liability claims in the event that consumption of our products results in illness, injury or death, and we cannot assure you that we will not experience any material product liability losses in the future. Although we maintain insurance coverage for product liability, such coverage may be insufficient in the event of a claim. Moreover, certain of our smaller production facilities are currently not covered by product liability insurance. In addition, if any of the products we have produced are determined to be unsuitable for consumption, we may be required to participate in a recall involving such products.

Additionally, although we have made and will continue to make capital and other expenditures to comply with environmental requirements, in 2006 and 2007 we did not incur material capital expenditures for environmental controls. For a more detailed discussion of our insurance coverage see “Item 4. Information on Our Company—B. Business Overview—Insurance.”

If transactions of members of our group of companies and their predecessors-in-interest were to be challenged on the basis of non-compliance with applicable legal requirements, the remedies in the event of any successful challenge could include the invalidation of such transactions or the imposition of other liabilities on such group members.

Members of our group, or their predecessors-in-interest at different times, took a variety of actions relating to share issuances, share disposals and acquisitions, mandatory buy-out offers, valuation of property, interested party transactions, major transactions, meetings of the group members’ governing bodies, other corporate matters and anti-monopoly issues that, if successfully challenged on the basis of non-compliance with applicable legal requirements by competent state authorities, counterparties in such transactions or shareholders of the relevant group members or their predecessors-in-interest, could result in the invalidation of such transactions and our corporate decisions, restrictions on voting control or the imposition of other liabilities. Because applicable provisions of Russian law are subject to many different interpretations, we may not be able to defend successfully any challenge brought against such transactions, and the invalidation of any such transactions or imposition of any such liability may, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Our management information system may be inadequate to support our future growth.

Our management information system is less developed in certain respects than those of food producers in more developed markets and may not provide our management with as much or as accurate information as those in more developed markets. In addition, we may encounter difficulties in the ongoing process of implementing and enhancing our management information system.

Our inability to maintain an adequate management information system may have a material adverse effect on our business. See “Item 5. Operating and Financial Review and Prospects —A. Operating Results— Corporate and Operational Highlights for 2008” for a description of the new ERP system we are currently implementing.

Our competitive position and future prospects depend on our senior managers and other key personnel.

Our ability to maintain our competitive position and to implement our business strategy is dependent to a large degree on the services of our senior management team and other key personnel. Moreover, competition in Russia for personnel with relevant expertise is intense due to the small number of qualified individuals and, as a result, we attempt to structure our compensation packages in a manner consistent with the evolving standards of the Russian labor market. We are not insured against the detrimental effects to our business resulting from the loss or dismissal of our key personnel. The loss or decline in the services of members of our senior management team or an inability to attract, retain and motivate qualified key personnel could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to adequately protect our intellectual property rights.

Given the importance of brand recognition to our business, we have invested considerable effort in protecting our portfolio of intellectual property rights, including trademark registration. However, the steps we have taken may not be sufficient and third parties may infringe or misappropriate our proprietary rights. Moreover, Russia and the other countries of the CIS in which we operate generally offer less intellectual property protection than in Western Europe or North America. If we are unable to protect our proprietary rights against infringement or misappropriation, it could materially harm our future financial results and our ability to develop our business. See “Item 4. Information on Our Company—B. Business Overview—Current Operations—Trademarks and Patents.”

Failure of several of our brand names and images, for which trademarks are currently being sought, to be awarded trademark protection could negatively affect our marketing plans, resulting in increased advertising expenses and a material adverse effect on our financial results.

As of May 15, 2008, we had 83 pending trademark applications in Russia and 15 pending trademark applications abroad. We are also in the process of contesting the rejection for registration of a number of our trademarks in countries outside of Russia. If our pending applications are not granted trademark status, we will have limited ability to defend these brand names or images from use by others, significantly reducing the value of any advertising using these brand names or images. This will negatively affect our marketing plans for the products that utilize these brand names or images, and may require us to develop a different marketing approach for these products, resulting in increased advertising expenses and adversely affecting our financial results. See “Item 4. Information on Our Company—B. Business Overview—Current Operations—Trademarks and Patents.”

If we are unable to obtain adequate funding, we may have to limit our operations substantially, which could have a material adverse effect on our business, prospects and results of operations.

We continue to make significant capital expenditures, particularly in connection with the expansion of our existing operations, upgrades of existing facilities, enhancing our infrastructure, including building new warehouses and acquisitions of new companies. For the fulfillment of our capital spending plans, excluding expenditures for acquisitions, we spent approximately \$75.1 million in 2005, \$130.0 million in 2006 and \$192.7 million in 2007. We spent approximately \$24.3 million in 2005, \$137.3 million in 2006 and \$21.8 million in 2007 for acquisitions. However, we may not be able to meet our planned capital spending needs in the future in the event of the following potential developments:

- a lack of external financing sources;
- changes in the terms of existing financing arrangements;

- slower than anticipated growth in demand for our products;
- slower than anticipated revenue growth;
- regulatory developments; or
- a deterioration in the Russian economy.

To meet our financing requirements, we may need to attract additional equity or debt financing. Russian companies are limited in their ability to issue shares in the form of ADSs or other depositary receipts due to Russian securities regulations, which, until 2005, generally provided that no more than 40% of a Russian company's shares may be circulated abroad through depositary receipt programs. This limitation was subsequently decreased to 35%. Our ADS and GDS programs together account for 40% of our outstanding shares (this amount was approved by the Russian securities regulator based on the prior limit and is not required to be reduced to 35%). As a result, we are currently unable to raise additional equity financing through the issuance of depositary receipts. The Russian government or its agencies may also impose other restrictions on international securities offerings by Russian issuers. Any of the foregoing factors may limit the amount of capital available to meet our operating requirements. If we cannot obtain adequate funds to satisfy our capital requirements, we may need to limit our operations significantly, which could have a material adverse effect on our business, results of operations and prospects.

We are controlled by a group of shareholders whose interests could conflict with those of the holders of our securities.

As of June 24, 2008, to our knowledge, approximately 44.91% of our outstanding common stock was owned by our founding shareholders. This group has acted in concert since our establishment and, since 1997, pursuant to a Partnership and Cooperation Agreement, amended and restated on January 16, 2002, which requires the parties to vote the same way. This group continues and will continue to be bound by this agreement to vote as a block until any member of the group elects to withdraw from the agreement. This agreement gives them control over us and the ability to elect a majority of the directors, appoint management and approve certain actions requiring the approval of a majority of our shareholders.

If not otherwise required by law, resolutions at a shareholders' meeting will be adopted by a simple majority in a meeting at which shareholders holding more than half of the issued share capital are present or represented. Accordingly, as long as the group continues to hold, directly or indirectly, a controlling stake in our shares and act in concert pursuant to the Partnership and Cooperation Agreement, they will have the power to control the outcome of most matters to be decided by vote at a shareholders' meeting and the appointment of the majority of directors and removal of directors. The group will also be able to control or significantly influence the outcome of any vote on, among other things, any proposed amendment to our charter, reorganization proposal, proposed substantial sale of assets or other major corporate transactions. Thus, the group can take actions that may conflict with the interest of holders of our ADSs.

Members of our controlling group of shareholders also have interests in other companies, some of which conduct business with us. We are not aware of any related-party transactions that are being carried out on preferential terms, but cannot exclude the possibility of related-party transactions that may potentially result in the conclusion of transactions on terms less favorable than could be obtained in arm's length transactions.

To the best of our knowledge, Groupe Danone, together with its subsidiaries, holds an 18.4% stake in Wimm-Bill-Dann Foods OJSC, which allows Groupe Danone to nominate its candidates to our board of directors. The election of a director nominated by Groupe Danone may present a conflict of interest between Wimm-Bill-Dann Foods OJSC and Groupe Danone, which is one of our main competitors.

Recently adopted changes in Russian law will limit the amount of advertising time permitted on television, which could increase our advertising expenses and have a material adverse effect on our sales and results of operations.

The new Federal Law on Advertising which came into force on July 1, 2006, limits the amount of time that a broadcaster may devote to advertising to 15% of total broadcasting time per day and 20% in any given hour. From January 1, 2008, advertising was further limited to no more than 15% in any given hour of broadcasting time.

As a result of this new law, the amount of available advertising time decreased. In turn, the reduction in available advertising time is likely to lead to increased costs to advertisers for purchasing advertising time due to an increased demand for available time slots and a drive by media outlets to recover their losses from the decreased volume of advertising time they are permitted to sell. We expect the greatest price increases to affect television advertising, particularly during primetime.

The new law also imposes certain restrictions on advertising that may require us to adjust some of our advertising campaigns. We are among Russia's top advertisers. According to Gallup, we were the third largest advertiser in 2004, the ninth largest advertiser in 2005, the twelfth largest advertiser in 2006 and the tenth largest advertiser in 2007. In 2005, 2006 and 2007 over 50% of our advertising expenditures related to television advertisements. At the same time, media inflation in Russia has been significant in recent years, exceeding 34% in 2004, 28% in 2005 and 35% in 2006 and 50% in 2007. Our advertising and marketing expenses increased in 2007 by 81.1% or \$61.8 million in absolute terms, and increased by 1.4% as a percentage of sales to 5.7% in 2007 from 4.3% in 2006. The increase in expenses was due to our continued investments into major brand promotions, media inflation on Russia's leading national television channels and general increases in marketing costs. Despite this media inflation, we were able to obtain volume discounts and endeavored to manage the cost increases more effectively. Imposition of the new law, coupled with overall media inflation in Russia, is likely to continue to increase our advertising expenses. The increased cost of advertising, along with the decreased availability of advertising time slots, may also lead to a decrease in our television advertising which, consequently, may have a material adverse effect on our sales and results of operations.

In the event that deficiencies or ambiguities in privatization legislation are successfully exploited to challenge our ownership in our privatized subsidiaries and we are unable to defeat these challenges, we risk losing our ownership interest in the subsidiaries or their assets, which could materially adversely affect our business, financial condition, results of operations and prospects.

Our business includes a number of privatized companies in Russia and other countries of the former Soviet Union, and our acquisition strategy will likely involve the acquisition of additional privatized companies. To the extent that privatization legislation is vague, inconsistent or in conflict with other legislation, including conflicts between federal and local privatization legislation, many privatizations are vulnerable to challenge, including selective challenges. For instance, a series of presidential decrees issued in 1991 and 1992 that granted to the Moscow City Government the right to adopt its own privatization procedures were subsequently held to be invalid by the Constitutional Court of the Russian Federation, which ruled, in part, that the presidential decrees addressed issues that were the subject of federal law. While this court ruling, in theory, did not require any implementing actions, the presidential decrees were not officially annulled by another presidential decree until 2000. In the event that any title to, or our ownership stakes in, the privatized companies acquired by us, are subject to challenge as having been improperly privatized and we are unable to defeat this claim, we risk losing our ownership interest in the company or its assets, which could materially affect our business and results of operations. In particular, as we own a substantial number of our other subsidiaries through Wimm-Bill-Dann, (formerly Lianozovsky Dairy

Plant) and as Wimm-Bill-Dann constitutes the majority of our production capacity, its loss would materially adversely affect our prospects, business and results of operations.

In addition, under Russian law, transactions in shares may be invalidated on many grounds, including a sale of shares by a person without the right to dispose of such shares, breach of interested-party and/or major transactions rules and failure to register the share transfer in the securities register. As a result, defects in earlier transactions in shares of our subsidiaries (where such shares were acquired from third parties) may cause our title to such shares to be subject to challenge. Additionally, of the 97.53% of the Lianozovsky Dairy Plant which we owned, 15% were acquired in separate investment tender held by the Department of State and Municipal Property of the Moscow City Government. Under the legislation governing such tenders, a tender is not valid unless at least two participants submit bids. In the investment tenders for the Lianozovsky Dairy Plant, the only two participants were entities which were under common control, an arguable violation of this requirement. In the event that the Russian government authorities were successfully to maintain that these tenders were not duly held since the participants were under common control, we could lose 15% of our stakes in the Lianozovsky Dairy Plant, materially adversely affecting our results of operations.

Russian companies can be forced into liquidation on the basis of formal non-compliance with certain requirements of Russian law.

Certain provisions of Russian law may allow a court to order liquidation of a Russian legal entity on the basis of its formal non-compliance with certain requirements during formation, reorganization or during its operation. There have been cases in the past in which formal deficiencies in the establishment process of a Russian legal entity or non-compliance with provisions of Russian law have been used by Russian courts as a basis for liquidation of a legal entity. Weaknesses in the Russian legal system create an uncertain legal environment, which makes the decisions of a Russian court or a governmental authority difficult, if not impossible, to predict. If involuntary liquidation were to occur, such liquidation could lead to significant negative consequences for our group.

For example, in Russian corporate law, negative net assets calculated on the basis of Russian accounting standards as at the end of the second or any subsequent year of a company's operation can serve as a basis for a court to order the liquidation of the company upon a claim by governmental authorities. Many Russian companies have negative net assets due to very low historical asset values reflected on their Russian accounting standards balance sheets; however, their solvency, *i.e.*, their ability to pay debts as they come due, is not otherwise adversely affected by such negative net assets. The amount of net assets of some of our subsidiaries is below the minimum legal requirements. Although we are currently taking steps to remedy this and these subsidiaries continue to meet all of their obligations to creditors, there is a minimal risk of their liquidation.

Our inability to register property in a timely manner may lead to fines and temporarily restrict our expansion plans.

We have grown both organically and through numerous acquisitions. As a result, we are routinely required to register real estate that we have acquired and/or constructed. Russian real estate laws, particularly municipal laws in Moscow, are complicated and ambiguous. Among other things, these laws require a registrant to provide the real estate registration authority with numerous documents from various state authorities, including from construction authorities, land register authorities, tax authorities and fire safety authorities, among others. Each of these entities exercises considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of permits and in monitoring compliance with the terms thereof. Consequently, a considerable amount of effort, time and money is required to register real estate in Russia, and

notwithstanding these efforts, there is no assurance we will be able to register all of our real estate on a timely basis. Our failure to timely register our real estate may result in our inability to properly reflect such real estate in our accounting and tax filings, which, in turn, may lead to the imposition of fines. In addition, we may be restricted on our ability to use unregistered real estate.

Possible implementation of new federal or local government policies, or selective application of existing policies, affecting the food industry could substantially and negatively affect our turnover and operating margin.

Possible implementation of new federal or local government policies, or selective application of existing policies, affecting the food industry could have a significant impact on our business. For example, the federal and local governments have been known to implement trade barriers, subsidies and other policies favoring certain producers. Additionally, customs regulations in Russia are unclear, subject to frequent change and are applied inconsistently. The imposition of higher customs duties on products we import would increase the costs of our products and reduce our profits, while the implementation of price controls on products we produce would reduce our operating margin. For example, federal customs regulations enacted during 2001 subject juice concentrate imports to the highest level of customs duties allowed for that particular category of imports. In addition, federal customs regulations enacted during 2002 stipulate minimum declaration amounts for imported goods. As a result of such regulations, we may be forced to declare a higher value for imported goods than the amount actually paid and, consequently, pay a higher tariff on such goods.

Another example of a government regulation that has affected us is Government Regulation No. 988, which requires food producers intending to develop and offer a new food product to the public to file an application for the product's state registration and incorporation into the State Register of Permitted Food Products. Failure to comply with Regulation No. 988 could cause delays in introducing new food and beverage products to the public, as well as the disallowance of certain tax benefits otherwise available to producers of certain food products, such as baby food. The implementation of this regulation in June 2004 has caused delays in our introduction of certain new products and has increased production costs. We may continue to experience similar delays and increased costs in connection with Regulation No. 988 in the future.

In addition, the new Sanitary Rules on Children's Food Products, which became effective on June 1, 2005, disallow certain tax benefits we formerly enjoyed in relation to some of our baby food products.

In May 2008, the Russian Parliament (State Duma) adopted new technical regulations for all dairy products, including drinking milk, fermented dairy products, cheese, butter, margarine, yogurts and dairy deserts. Recent legislation mandates that products marked "milk" should not contain any dry milk, vitamins, or minerals and that any drinkable milk that contains these be marked "milk product" or "milk drink". Although these classifications are not yet being enforced and still subject to further approvals, we anticipate that should they be introduced, "milk drink" labeling may lead to a decline in sales of drinking reconstituted milk and may adversely affect our results.

We are also subject to regional legislation and regulations. For example, in February 2007, the Moscow government enacted regulations on the voluntary labeling of foods containing genetically modified organisms, or GMO. While GMO labeling is not obligatory, it may be treated as such by the regional authorities in Moscow. In this case, we will be required to label our products as not genetically modified and incur additional expenses in relation to this requirement.

Increased domestic production by our foreign competitors could reduce our competitive advantages against them, which would have a material adverse effect on our market share and results of operations.

A number of our foreign competitors, such as Danone, Parmalat, Lactalis, Campina, Ehrmann, Onken and Pascuale, have been investing and continue to invest in domestic production facilities, while others, such as Coca-Cola and Pepsi, have acquired domestic producers. These investments and acquisitions reduce the competitive advantages that we have over foreign competitors without domestic production capability. A continuation of this trend may result in increased competition for qualified personnel and higher labor costs, and would have a material adverse effect on our business and results of operations. See “Item 4. Information on Our Company—B. Business Overview” for a further description of the recent investments by some of our foreign competitors in Russian production facilities.

If the Federal Antimonopoly Service were to conclude that we acquired or created a new company in contravention of antimonopoly legislation, it could impose administrative sanctions and require the unwinding of such transactions, which could have a material adverse effect on our business and results of operations.

Our business has grown substantially through the acquisition and founding of companies, many of which required the prior approval or subsequent notification of the Federal Antimonopoly Service, or FAS, or its predecessor agencies. In part, relevant legislation restricts the acquisition or founding of companies by groups of companies or individuals acting in concert without this approval or notification. While we believe that we have complied with the applicable legislation for our acquisitions and founding of new companies, this legislation is sometimes vague and subject to varying interpretations. Additionally, although the common ownership by our shareholders of a number of companies which are now our subsidiaries was generally made known to FAS and its predecessors, the existence of the shareholders’ agreement among our current shareholders was not disclosed. If FAS were to conclude that an acquisition or creation of a new company was done in contravention of applicable legislation, it could impose administrative sanctions and require the divestiture of this company or other assets, which could have a material adverse effect on our business and results of operations.

Further restrictions on our business which is categorized as a monopoly, the extension of monopoly status to our other businesses, or a finding that we or our distributors have violated antimonopoly laws could result in the regulation of our prices and restriction of our commercial activities.

Under Russian legislation, FAS may categorize a company as a dominant force in a market. Our baby food business is categorized as a monopoly in Moscow and the Moscow region, placing restrictions on our ability to increase our profit margins for that business. Any ruling that any of our other businesses are a monopoly could result in the regulation of our prices and restrictions on our commercial activities.

Following sudden and, in some cases, substantial increases in food prices in 2007, FAS initiated inspections of food producers, distributors and retail chains throughout Russia in order to determine whether these price increases were caused by price collusion among producers and retailers. While we strongly believe that we have not violated and are not currently violating any antimonopoly regulations, it is possible that FAS and its regional divisions will nonetheless determine otherwise. To date, the regional divisions of FAS have undertaken inspections of our operations in Omsk, Voronezh and St. Petersburg. In Omsk, FAS ceased its investigation after finding no violations. In Voronezh, the regional division of FAS found us to be in violation of antimonopoly legislation and assessed us with a fine, although no factual or legal basis was given for this finding. We successfully appealed this decision to the higher FAS body and, as a result, this decision was declared invalid and a new

investigation was initiated which is currently pending. The investigation in St. Petersburg is still ongoing, and we are currently not able to predict its outcome. In Krasnoyarsk, the regional FAS requested us to provide information on our raw milk purchasing prices but has not yet initiated an investigation. FAS has initiated a new investigation into dairy producers connected with a decline in raw milk purchasing prices. Although we consider such a decline to be seasonal, we anticipate that we would be requested by the Federal Anti-Monopoly Service to provide our raw milk purchasing prices. We are confident that no violations in regards to the procurement of raw milk have taken place, but cannot rule out that our business could be adversely affected by pending investigation.

FAS has also initiated investigations of food distributors in connection with the rise in food prices, and several distributors of our products were investigated. Six of our distributors in Voronezh were investigated, and FAS imposed a fine on one of these distributors based, among other things, on a provision in our standard distribution contracts indicating a recommended price for our products, which FAS found to be in violation of the antimonopoly laws. Distributors do not always adhere to our recommended price, and the contract provision was not intended to hamper competition, but, rather, to provide our distributors with guidelines in setting prices for our products. As a result of this ruling, in October 2007, we submitted our template distributor contract, which includes the recommended price provision, to FAS for their approval and confirmation that the contract does not violate antimonopoly laws. FAS approved the contract in March 2008, and we are hopeful that this will mitigate any risk that we or our distributors will be found in violation of the antimonopoly laws in the future based on our distribution contracts.

Any finding by FAS that our businesses have acted in violation of the antimonopoly laws may result in the imposition of substantial fines and the imposition of government-determined prices which could, in turn, lead to a decline in our profit margins. Additionally, restrictions on our activities or expansion, or government-mandated withdrawal from regions or markets where we currently operate, could have a material adverse effect on our business, financial condition, results of operations or prospects.

In the event that our minority shareholders or minority shareholders of our subsidiaries were to challenge successfully past or future interested-party transactions, or do not approve interested-party transactions or other matters in the future, the invalidation of such transactions or failure to approve such matters could have a material adverse effect on our business, financial condition, results of operations or prospects or the value of the shares and ADSs.

We own less than 100% of the equity interests in some of our subsidiaries. In addition, certain of our wholly owned subsidiaries have had other shareholders in the past. We and our subsidiaries in the past have carried out, and continue to carry out, transactions which may be considered to be “interested-party transactions” under Russian law, requiring approval by disinterested directors, disinterested independent directors or disinterested shareholders depending on the nature of the transaction and parties involved. See “Item 10. Additional Information—B. Charter and Certain Requirements of Russian Legislation—Interested Party Transactions.” The provisions of Russian law defining which transactions must be approved as “interested-party transactions” are subject to different interpretations. We cannot assure you that our and our subsidiaries’ applications of these concepts will not be subject to challenge by former and current shareholders. Any such challenges, if successful, could result in the invalidation of transactions, which could have a material adverse effect on our business, financial condition, results of operations or prospects and the value of the shares and ADSs.

In addition, Russian law requires a three-quarters majority vote of the holders of voting stock present at a shareholders’ meeting to approve certain transactions and other matters, including, for example, charter amendments, major transactions involving assets in excess of 50% of the assets of the company, repurchase by the company of shares and certain share

issuances. In some cases, minority shareholders may not approve interested party transactions requiring their approval or other matters requiring approval of minority shareholders or supermajority approval. In the event that these minority shareholders were to challenge successfully past interested party transactions, or do not approve interested party transactions or other matters in the future, we could be limited in our operational flexibility and our business, financial condition, results of operations or prospects could be materially adversely affected.

Over the past several years, we have sought and continue to seek to acquire minority stakes in our subsidiaries with the aim of acquiring 100% interests in each of our key subsidiaries. For example, in January 2006, we acquired 20% of Moscow Baby Food Plant OJSC, a subsidiary, from minority shareholders for cash consideration of \$7.0 million increasing our beneficial ownership to 97.34%. In January 2005, we acquired a 10% stake in our subsidiary Siberian Dairy Plant from minority shareholders for a cash consideration of \$1.1 million increasing our beneficial ownership to 87.1%. In March and April 2004, we acquired a total of an additional 6.2% of our subsidiary Tsaritsino Dairy Plant from our minority shareholders for a cash consideration of \$3.4 million increasing our beneficial ownership to 97.6%. In addition, we acquired a 47.7% interest in our subsidiary Ufa Dairy Plant in September 2003 from minority shareholders for a cash consideration of \$3.1 million increasing our beneficial ownership to 96.5%.

We are in the process of consolidating our businesses and merging certain subsidiaries into Wimm-Bill-Dann (formerly Moscow-based Lianozovsky Dairy Plant). In this context, we are re-organizing our legal entities, which may trigger a legal requirement that we redeem shares on shareholders' demand. According to amendments to the Federal Law on Joint Stock Companies, which came into effect on July 1, 2006, a holder of more than 95% of shares in an open joint stock company has the right to buy out the remaining shares from the minority shareholders for a cash consideration equal to the amount determined by an independent appraiser. The new amendments also require a person purchasing 30%, 50%, 75% or more shares in an open joint stock company to offer to other shareholders of this entity to sell their shares at a price not less than the acquisition price of the respective stake. Pursuant to this requirement, in 2007 we bought a 4.71% stake in Ochakovo Dairy Plant for a cash consideration of \$3.3 million and 0.60% of ordinary shares and 1.16% of preferred shares in Nazarovo Dairy Plant for a cash consideration of approximately \$0.4 million for both stakes, a 33.51% stake in Obninsk Dairy Plant for cash consideration of \$11.9 million and a 13.24% stake in Angarsk Dairy Plant for cash consideration of \$0.8 million. While no additional demands have been made for us to buy out minority shareholders, we may face additional buy-out demands in the future.

Although we are and strive to be in compliance with all regulations related to consolidation, we can not guarantee that some of our minority shareholders may bring claims against us. See "Item 4. Information on Our Company – A. History and Development" for a description of our subsidiary mergers in 2007 and 2008.

Risks Relating to Our Financial Condition

Inflation could increase our costs and decrease our operating margins.

The Russian economy has been characterized by high rates of inflation. As we tend to experience inflation-driven increases in certain of our costs, including salaries and rents, which are sensitive to rises in the general price level in Russia, our costs in U.S. dollar terms will rise. In this situation, due to competitive pressures, we may not be able to raise the prices we charge for our products and services sufficiently to preserve operating margins. Accordingly, high rates of inflation in Russia could increase our costs and decrease our operating margins.

Covenants in our debt agreements restrict our ability to borrow, invest and engage in various activities, which could impair our ability to expand or finance our future operations.

Our short-term and long-term debt agreements, including our year 2008 \$250 million syndicated loan agreement, contain covenants that impose operating and financial restrictions on us and our subsidiaries. These restrictions significantly limit, and in some cases prohibit, among other things, our and certain of our subsidiaries' ability to incur additional debt, provide guarantees, create liens on assets or enter into business combinations. Failure to comply with these restrictions would constitute a default under our debt agreements, including our \$250 million syndicated loan agreement and any of our other senior debt containing cross-default provisions could become immediately due and payable, which would materially adversely affect our business, financial conditions and results of operations. In addition, some of our debt agreements contain provisions which permit our lenders to require us to repay our debt to them in the event of a deterioration in our financial condition.

We may not have the ability to raise the funds necessary to finance a prepayment of certain of our outstanding indebtedness in case of a change of control event.

The terms of our \$250 million syndicated loan agreement as well as some of our other debt agreements require that we prepay the outstanding debt upon the occurrence of certain change of control events. A change of control event will generally be triggered at such time as any person acting alone or together with other persons (excluding several of our major shareholders acting individually or as a group as well as their successors, inherits and): (i) has or acquires, directly or indirectly, in aggregate more than 25 per cent of our voting shares (whether by virtue of any issuance, sale or other disposition of such shares, any merger or other transaction having a similar effect or any voting trust or other agreement), or (ii) has or acquires the right to appoint or remove a majority of our Board of directors or our chief executive officer, or (iii) has or acquires the power to cast or control the casting of more than 25 per cent of our voting rights.

If a change in control occurs, and we are required to prepay our debt, such event could have a material adverse effect on our business, financial condition, results of operations and business prospects. It is also possible that we will not have sufficient funds at the time of the change of control to satisfy such prepayment obligations, or to refinance the debt on commercially reasonable terms.

Mergers of our subsidiaries may cause their indebtedness to be accelerated, and our inability to effect certain mergers within our group of companies may prevent us from optimizing our tax rate and result in increased taxes.

As Russian tax regulations do not allow Russian companies to pay taxes on a consolidated basis, *i.e.*, to offset the losses of one subsidiary against the profits of another subsidiary, we are seeking to merge certain companies within each of our segments in an effort to optimize the tax rates applicable to us. Under Russian law, such mergers would be considered a reorganization and the merged subsidiaries would be required to notify their creditors of this reorganization. Russian law also provides that, for a period of 30 days after notice, these creditors would have a right to accelerate the merged subsidiaries' indebtedness and demand reimbursement for applicable losses. In the event that all or part of certain of our subsidiaries' indebtedness is accelerated in connection with the mergers, we and such subsidiaries may not have the ability to raise the funds necessary for repayment and our business and financial condition could be materially adversely affected. In addition, our inability or failure to consummate the mergers may prevent us from optimizing our tax rates and our effective tax rate may increase as our operations continue to expand.

Servicing and refinancing our indebtedness will require a significant amount of cash. Our ability to generate cash or obtain financing depends on many factors beyond our control.

As of June 2008, we have outstanding indebtedness, primarily consisting of our \$250 million syndicated loan agreement, our ruble bonds, bank loans and obligations under equipment financing. As of December 31, 2007, our consolidated total debt was approximately \$579.6 million, of which \$81.2 million was secured by equipment or inventory.

Among other things, increased levels of indebtedness, and particularly increases in the level of secured indebtedness, could potentially: (1) limit our ability to obtain additional financing; (2) limit our flexibility in planning for, or reacting to, changes in the markets in which we compete; (3) place us at a competitive disadvantage relative to our competitors with superior financial resources; (4) lead to a partial or complete loss of control over our key subsidiaries or properties; (5) render us more vulnerable to general adverse economic and industry conditions, (6) require us to dedicate all or a substantial part of our cash flow to service our debt; and (7) limit or eliminate our ability to pay dividends.

Our ability to make payments on and to refinance our indebtedness, and to fund planned capital expenditures and research and development efforts, will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, we may default under the terms of our indebtedness, thereby allowing the holders of our indebtedness to accelerate the maturity of such indebtedness, and potentially causing cross-defaults under and acceleration of our other indebtedness.

We may not be able to generate sufficient cash flow or access international capital markets or incur additional indebtedness to enable us to service or repay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity, sell assets, reduce or delay capital expenditures or seek additional capital. Refinancing or additional financing may not be available on commercially reasonable terms, and we may not be able to sell our assets or, if sold, the proceeds therefrom may not be sufficient to meet our debt service obligations. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance debt on commercially reasonable terms, would have a material adverse effect on our business, financial condition, results of operations and prospects.

Devaluation of the ruble and other currencies we trade in against the U.S. dollar and/or Euro could increase our costs and reduce our operating revenues.

A significant portion of our costs, expenditures and liabilities, including costs of packaging, juice concentrate and certain other raw materials, as well as capital expenditures and borrowings, are either denominated in, or closely linked to, the U.S. dollar and/or Euro, while substantially all of our operating revenues are denominated in rubles. As a result, the devaluation of the ruble against the U.S. dollar and/or Euro can adversely affect us by increasing our costs in ruble terms. Additionally, if the ruble declines against the U.S. dollar and/or Euro and price increases cannot keep pace, we could have difficulty repaying or refinancing our U.S. dollar- and/or Euro-denominated indebtedness. The devaluation of the ruble would also result in losses in the value of ruble-denominated assets, such as ruble deposits.

The decline in the value of the ruble against the U.S. dollar also reduces the U.S. dollar value of tax savings arising from the depreciation of our property, plant and equipment, since their basis for tax purposes is denominated in rubles at the time of the investment. Increased tax liability would increase total expenses.

Russian currency control regulations could hinder our ability to conduct our business.

In the past, Russian currency regulations imposed various restrictions on operations involving foreign currencies in an attempt to support the ruble. Effective from January 1, 2007, most of these restrictions have been removed. However, Russian companies currently must repatriate proceeds from export sales. Moreover, the foreign currency market in Russia is still developing and we may experience difficulty in converting rubles into other currencies. A majority of our major capital expenditures and payments to vendors and a significant part of our debt are denominated and payable in various foreign currencies.

Russian legislation currently permits the conversion of rubles into foreign currency. However, the market in Russia for the conversion of rubles into foreign currencies is limited and may not continue to exist. Any delay or other difficulty in converting rubles into a foreign currency to make a payment or delay in or restriction on the transfer of foreign currency could limit our ability to meet our payment and debt obligations, which could result in the loss of suppliers, acceleration of debt obligations and cross-defaults and, consequently, have a material adverse effect on our business, financial condition and results of operations.

Some of our customers, debtors and suppliers may fail to pay us or to comply with the terms of their agreements with us which could adversely affect our results of operations.

Russia's inexperience with a market economy relative to more developed economies poses numerous risks that could interfere with our business. For example, the failure to satisfy liabilities is widespread among Russian businesses and the government. Furthermore, it is difficult for us to gauge the creditworthiness of some of our customers, as there are no reliable mechanisms, such as reliable credit reports or credit databases, for evaluating their financial condition. Consequently, we face the risk that some of our customers or other debtors will fail to pay us or fail to comply with the terms of their agreements with us, which could adversely affect our results of operations.

In addition, we are limited in our ability to control the conduct of our raw materials and equipment suppliers, including their adherence to contract delivery terms and their compliance with applicable legislation, such as currency, tax, customs and environmental regulations and laws relating to the use of food additives and genetically modified food products. Failure of our suppliers to adhere to the terms of our contracts with them or the law may negatively affect our reputation and our business.

If the various initiatives we have used to reduce our tax burden are successfully challenged and/or our ability to recover VAT and take advantage of certain tax benefits are disallowed by the Russian tax authorities, we may face significant losses associated with the assessed amount of tax underpaid and related interest and penalties, which would have a material adverse effect on our financial condition and results of operations.

We have used various initiatives to reduce our tax burden and several of our tax initiatives have been challenged by the Russian tax authorities. There have also been press reports of instances in which the Russian tax authorities have successfully challenged methods similar to those we have used. If any of our initiatives are successfully challenged by the Russian tax authorities, we would face significant losses associated with the assessed amount of tax underpaid and related interest and penalties. These losses could have a material adverse effect on our financial condition and results of operations.

Failures or alleged failures by our suppliers to comply with their tax obligations may negatively affect our ability to recover VAT and increase our tax liabilities.

In 2006, the tax authorities found some suppliers dealing with certain of our subsidiaries (Moscow Baby Food Plant, Trading Company Wimm-Bill-Dann, Wimm-Bill-Dann, Ochakovo Dairy Plant) to be negligent in complying with their tax obligations. Specifically, the tax authorities have claimed, among other things, that these suppliers are, in some cases, not registered as taxpayers, have not provided tax returns and/or not paid their taxes in full or at all. Although our subsidiaries perform extensive due diligence on each of their suppliers,

they are not able to scrutinize thoroughly every aspect of each supplier's business, including whether the supplier is in full compliance with respect to its tax duties. As a result of these alleged breaches by certain of our suppliers, the tax authorities have refused to reimburse VAT paid by our subsidiaries in an amount totaling approximately \$1.0 million for services rendered and goods provided by such suppliers. They also refused to discount profit tax paid by our subsidiaries to the budget from the amounts under transactions with such suppliers. We challenged the tax authorities' refusal to reimburse VAT to Ochakovo Dairy Plant and Trading Company Wimm-Bill-Dann in four separate law suits and, in each instance the court ruled in our favor.

The negligence of our suppliers in paying taxes may lead to claims against us from the tax authorities. For example in 2007, Trading Company Wimm-Bill-Dann received a demand from the tax authorities to pay taxes that were reimbursed to us in the aggregate amount of \$0.5 million based on the decision by the tax authorities that our supplier was negligent in paying its tax obligations. We filed a court claim seeking to invalidate this claim. Although the court ruled against us in the first two instances, the court of the third instance ruled in our favor and remanded the case back to the lower court of the first instance for reconsideration. Although we continue to provide the results of our due diligence of our suppliers to the relevant Russian authorities, we cannot exclude the possibility that some of these suppliers will be found to have been negligent by the tax authorities.

A successful challenge by the tax authorities of our use of a past tax privilege could materially adversely affect our results of operations.

Our juice producing subsidiaries have benefited from small enterprise tax legislation. If we had not taken advantage of this benefit in 2003, 2004 and 2005, our tax expenses would have increased by \$3.0 million, \$1.2 million and \$0.3 million, respectively. This tax benefit was eliminated as of January 1, 2002. However, under the amended legislation, our small enterprises that were formed prior to January 1, 2002 were able to continue and did continue to use this benefit for two years from the date on which they were formed, and in the third and fourth years after they were formed, income tax was levied at a rate of 25% and 50% of the income tax rate, respectively. Although none of our subsidiaries currently takes advantage of the small enterprise tax benefits, we cannot guarantee that the tax authorities may not retroactively challenge previous tax benefits enjoyed by our subsidiaries pursuant to small enterprise tax legislation. Such challenges, if successful, could materially adversely affect our results of operations.

Our use of the small enterprise tax exemption has also been subject in the past to challenge by the Russian tax authorities.

For example, in September 2004, our subsidiary, Fruit Rivers, was assessed approximately \$12.5 million (including penalties) by the local tax authorities relating to its use of the small enterprise tax exemption in calculating its profit tax liability during 2001. Fruit Rivers challenged this tax assessment with a higher tax authority, which cancelled the assessment.

While we believe that our subsidiaries have in the past complied with the rules relating to the small enterprise tax exemption, the Russian tax authorities may in the future make additional claims against our subsidiaries challenging their use of this exemption. These claims could be significantly larger than the claim described above, and the resulting losses could have a material adverse effect on our financial condition and results of operations.

We are only able to conduct banking transactions with a limited number of creditworthy Russian banks, as the Russian banking system remains underdeveloped, and another banking crisis could place severe liquidity constraints on our business, materially adversely affecting our business, financial position and results of operations.

Russia's banking and other financial systems are not well developed or regulated, and Russian legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent application. The August 1998 financial crisis resulted in the bankruptcy and liquidation of many Russian banks and almost entirely eliminated the developing market for commercial bank loans. Although the Central Bank of Russia has the mandate and authority to suspend banking licenses of insolvent banks, many insolvent banks still operate. Most Russian banks also do not meet international banking standards, and the transparency of the Russian banking sector still lags far behind internationally accepted norms. The weak banking infrastructure in Russia also exposes us to an increased risk of unauthorized transactions or charges on our accounts due to bank error or actions by computer hackers.

The serious deficiencies in the Russian banking sector, combined with the deterioration in the credit profile of the loan portfolios of Russian banks, may result in the banking sector being more susceptible to market downturns or economic slowdowns. In addition, the Central Bank of Russia has recently revoked the licenses of certain Russian banks, which resulted in market rumors about additional bank closures and many depositors withdrawing their savings. If a banking crisis were to occur, Russian companies would be subject to severe liquidity constraints due to the limited supply of domestic funding sources and the withdrawal of foreign funding sources that would occur during such a crisis. In addition, another banking crisis or the bankruptcy or insolvency of the banks from which we receive or with which we hold our funds could result in the loss of our deposits or affect our ability to complete banking transactions in Russia, which could have a material adverse effect on our business, financial conditions and results of operations.

We have also experienced problems with transmitting tax payments through certain Russian banks and, as a result, are experiencing difficulties with the Russian tax authorities. In particular, between 2004 and 2007, several of our subsidiaries received tax assessments from the Russian tax authorities for tax arrears totaling approximately \$8.0 million. Each of these tax assessments resulted from the failure of the subsidiaries' banks to transfer tax payments to the state budget upon receiving the relevant payment orders. While the Russian Tax Code provides that a taxpayer is deemed to have paid a tax when the corresponding payment order is received by the taxpayer's bank, press reports indicate that the Russian tax authorities have been actively and often successfully challenging such payments if the tax payment is not in fact received due to the failure of the bank to transfer such payment. Russian courts often rule in favor of the Russian tax authorities in such cases.

We challenged these assessments and, in each instance, the assessments were either declared invalid by Russian Arbitration Courts or otherwise settled by us. There are currently no pending lawsuits in respect of our subsidiaries' failure to transmit tax payments through certain Russian banks. However, it is likely that the Russian tax authorities will continue to appeal court rulings in our favor and issue new assessments based on the same grounds to us and/or our subsidiaries.

Our management believes that our subsidiaries have complied with their tax payment obligations, and we intend to challenge any further appeals by the tax authorities of the foregoing assessments or any additional similar assessments in court. However, if a court were to rule in the Russian tax authorities' favor, these subsidiaries and/or other of our subsidiaries that have faced similar problems would be liable for the amount of the assessments and potentially for interest and penalties on such amounts, and could potentially be liable for significant additional amounts.

Vaguely drafted Russian transfer pricing rules and lack of reliable pricing information may impact our financial condition and results of operations.

Russian transfer pricing rules effective since 1999 give Russian tax authorities the right to control prices for transactions between related entities and certain other types of transactions between unrelated parties, such as foreign trade transactions or transactions with significant price fluctuations if the transaction price deviates by more than 20% from the market price. Special transfer pricing rules apply to operations with securities and derivative instruments. The Russian transfer pricing rules are vaguely drafted, and are subject of interpretation by Russian tax authorities and courts and have been used for politically motivated investigations and prosecutions. Although we believe that we comply with Russian tax law on transfer pricing, the uncertainties in interpretation of transfer pricing legislation may result in the tax authorities challenging our prices and making adjustments which could affect our tax position. If such price adjustments become effective, our results of operations could be materially adversely affected. In addition, we could face significant losses associated with the assessed amount of underpaid prior tax and related interest and penalties.

In addition, a number of draft amendments to the transfer pricing law have recently been introduced which, if implemented, would considerably toughen the existing law. The proposed changes, among other things, may shift the burden of proving market prices from the tax authorities to the taxpayer, cancel the existing permitted deviation threshold and introduce specific documentation requirements for proving market prices. Moreover, in the event that a transfer pricing adjustment is assessed by Russian tax authorities, the Russian transfer pricing rules do not provide for an offsetting adjustment to the related counterparty in the transaction that is subject to adjustment.

Risks Relating to our Shares and ADSs and the Trading Market

Because the depositary may be considered the beneficial holder of the shares underlying the ADSs, these shares may be arrested or seized in legal proceedings in Russia against the depositary.

Because Russian law may not recognize ADS holders as beneficial owners of the underlying shares, it is possible that ADS holders could lose all their rights to those shares if the depositary's assets in Russia are seized or arrested. In that case, ADS holders would lose all the money they have invested.

Russian law might treat the depositary as the beneficial owner of the shares underlying the ADSs. This is different from the way other jurisdictions treat ADSs. In the United States, although shares may be held in the depositary's name or to its order, making it a "legal" owner of the shares, the ADS holders are the "beneficial," or real owners. In U.S. courts, an action against the depositary, the legal owner of the shares, would not result in the beneficial owners losing their shares. Russian law may not make the same distinction between legal and beneficial ownership, and it may only recognize the rights of the depositary in whose name the shares are held, not the rights of ADS holders, to the underlying shares.

Thus, in proceedings brought against a depositary, whether or not related to shares underlying ADSs, Russian courts may treat those underlying shares as the assets of the depositary, open to seizure or arrest. In the past, a lawsuit has been filed against a depositary bank, other than our depositary, seeking the seizure of various Russian companies' shares represented by ADSs issued by that depositary. In the event that this type of suit were to be successful in the future, and the shares were to be seized or arrested, the ADS holders involved would lose their rights to the underlying shares.

Voting rights with respect to the shares represented by our ADSs are limited by the terms of the deposit agreement for the ADSs and relevant requirements of Russian law.

ADS holders will have no direct voting rights with respect to the shares represented by the ADSs. They will be able to exercise voting rights with respect to the shares represented by ADSs only in accordance with the provisions of the deposit agreement relating to the ADSs

and relevant requirements of Russian law. Therefore, there are practical limitations upon the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with them. For example, the Federal Law on Joint Stock Companies and our charter require us to notify shareholders no less than 30 days prior to the date of any meeting and at least 50 days prior to the date of an extraordinary meeting to elect our Board of Directors. Our ordinary shareholders will receive notice directly from us and will be able to exercise their voting rights by either attending the meeting in person or voting by power of attorney.

An ADS holder, by comparison, will not receive notice directly from us. Rather, in accordance with the deposit agreement, we will provide the notice to the depositary. The depositary has undertaken in turn, as soon as practicable thereafter, to mail to the ADS holders the notice of such meeting, voting instruction forms and a statement as to the manner in which instructions may be given by holders. To exercise its voting rights, the ADS holder must then instruct the depositary how to vote its shares. Because of this extra procedural step involving the depositary, the process for exercising voting rights may take longer for an ADS holder than for holders of shares. ADSs for which the depositary does not receive timely voting instructions will not be voted at any meeting.

In addition, although securities regulations expressly permit the depositary to split the votes with respect to the shares underlying the ADSs in accordance with instructions from ADS holders, there is little court or regulatory guidance on the application of such regulations, and the depositary may choose to refrain from voting at all unless it receives instructions from all ADS holders to vote the shares in the same manner. ADS holders may thus have significant difficulty in exercising voting rights with respect to the shares underlying the ADSs. There can be no assurance that holders and beneficial owners of ADSs will (i) receive notice of shareholder meetings to enable the timely return of voting instructions to the depositary, (ii) receive notice to enable the timely cancellation of ADSs in respect of shareholder actions or (iii) be given the benefit of dissenting or minority shareholders' rights in respect of an event or action in which the holder or beneficial owner has voted against, abstained from voting or not given voting instructions.

The price of our shares and ADSs may be highly volatile.

The trading prices of the shares and ADSs may be subject to wide fluctuations in response to many factors, including:

- variations in our operating results and other food and beverage companies;
- variations in national and industry growth rates;
- actual or anticipated announcements of technical innovations or new products or services by us or our competitors;
- changes in governmental legislation or regulation;
- general economic conditions within our business sector or in Russia; or
- extreme price and volume fluctuations on the Russian stock market.

In addition, no more than 35% of a Russian company's shares may be circulated abroad through depositary receipt programs, such as ADS and GDSs. Our ADS and GDS programs, however, together account for 40% of our outstanding shares (this amount was approved by the Russian securities regulator based on the prior limit and is not required to be reduced to 35%). As a result, we are currently unable to raise additional equity financing through the issuance of depositary receipts. This restriction may also limit the liquidity of our ADSs and their trading price.

You may be unable to repatriate your earnings from our ADSs.

We anticipate that any dividends we may pay in the future on the shares represented by the ADSs will be declared and paid to the depositary in rubles and will be converted into U.S. dollars by the depositary and distributed to holders of ADSs, net of the depositary's fees and expenses. The ability to convert rubles into U.S. dollars is subject to the availability of U.S. dollars in Russia's currency markets. Although there is an existing, albeit limited, market within Russia for the conversion of rubles into U.S. dollars, including the interbank currency exchange and over-the-counter and currency futures markets, the further development of this market is uncertain. At present, there is no market for the conversion of rubles into foreign currencies outside of Russia and no viable market in which to hedge ruble and ruble-denominated investments.

ADS holders may not be able to benefit from the United States-Russia income tax treaty.

Under Russian law, dividends paid to a non-resident holder of shares generally will be subject to Russian withholding tax at a rate of 15% for legal entities and organizations as well as for individuals. Russian tax rules applicable to ADS holders are characterized by significant uncertainties and, until recently, by an absence of interpretive guidance. In 2005 and 2006, the Ministry of Finance of the Russian Federation expressed its opinion in private rulings that holders of global depositary receipts should be treated as the beneficial owners of the dividends paid on underlying shares for the purposes of double tax treaty provisions applicable to taxation of dividend income from the underlying shares, provided that the tax treaty residence of the holders of the global depositary receipts is duly confirmed. However, the Russian tax authorities have not provided official, generally applicable guidance addressing how an ADS holder should demonstrate its beneficial ownership in underlying shares. In the absence of any specific provisions in Russian tax legislation with respect to the concept of beneficial ownership and taxation of income of beneficial owners, it is unclear how the Russian tax authorities will ultimately treat the ADS holders in this regard.

Until the Russian tax authorities clarify whether it is permitted under Russian law to withhold Russian withholding tax in respect of dividends a company pays to the depositary at a lower rate than the domestic rate applicable to such payments (currently 15%), we intend to withhold Russian withholding tax at the domestic rate applicable to such dividends, regardless of whether the Depositary (the legal owner of the shares) or an ADS holder would be entitled to reduced rates of Russian withholding tax under the relevant income tax treaty if it were the beneficial owner of the dividends for purposes of that treaty. Although non-resident ADS holders may apply for a refund of a portion of the amount withheld by us under the relevant income tax treaty, no assurance can be given that the Russian tax authorities will grant any such refunds. See "Item 10. Additional Information—E. Taxation—Russian Income and Withholding Tax Considerations" for additional information.

In respect of our shareholders we are acting as a tax agent and shall withhold all applicable taxes from the dividends we are paying. When paying dividends for 2006 we withheld withholding tax from our shareholders – individuals. In 2007 we applied to the tax authorities and managed to reimburse it to our shareholders – individuals. Although the Russian tax authorities' tend to recognize beneficial ownership of the ADS holders and abide by the provisions of the double tax treaties, provided that the tax residence of the holder is confirmed, we can not be sure that this practice is enshrined by law or not changed by the tax authorities.

Capital gains from the sale of ADSs may be subject to Russian income tax.

Under Russian tax legislation, gains realized by non-resident legal entities or organizations from the disposition of Russian shares and securities, as well as financial instruments derived from such shares, such as the ADSs, may be subject to Russian profits tax or withholding income tax if immovable property located in Russia constitutes more than 50% of our assets. However, no procedural mechanism currently exists to withhold and remit

this tax with respect to sales made to persons other than Russian companies and foreign companies with a registered permanent establishment in Russia. Gains arising from the disposition at foreign stock exchanges of the foregoing types of securities listed on these exchanges by foreign holders who are legal entities or organizations are not subject to taxation in Russia.

Gains arising from the disposition of the foregoing types of securities and derivatives outside of Russia by U.S. holders who are individuals not resident in Russia for tax purposes will not be considered Russian source income and will not be taxable in Russia. Gains arising from disposition of the foregoing types of securities and derivatives in Russia by U.S. holders who are individuals not resident in Russia for tax purposes may be subject to tax either at the source in Russia or based on an annual tax return, which they may be required to submit with the Russian tax authorities.

Foreign judgments may not be enforceable against us.

Our presence outside the United States may limit your legal recourse against us. We are incorporated under the laws of the Russian Federation. Substantially all of our directors and executive officers named in this document reside outside the United States, principally in Russia. All or a substantial portion of our assets and the assets of our officers and directors are located outside the United States. As a result, you may not be able to effect service of process within the United States on us or on our officers and directors. Similarly, you may not be able to obtain or enforce U.S. court judgments against us, our officers and directors, including actions based on the civil liability provisions of the federal securities laws of the United States. In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions outside the United States, liabilities predicated upon U.S. securities laws.

There is no treaty between the United States and the Russian Federation providing for reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters. These limitations may deprive you of effective legal recourse for claims related to your investment in the ADSs. The deposit agreement provides for actions brought by any party thereto against us to be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, provided that any action under the U.S. federal securities laws or the rules or regulations promulgated thereunder may, but need not, be submitted to arbitration. The Russian Federation is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards, but it may be difficult to enforce arbitral awards in the Russian Federation due to a number of factors, including the inexperience of Russian courts in international commercial transactions, official and unofficial political resistance to enforcement of awards against Russian companies in favor of foreign investors and Russian courts' inability to enforce such orders and corruption.

The lack of a central and rigorously regulated share registration system in Russia may result in improper record ownership of our shares, including the shares underlying the ADSs.

Ownership of Russian joint stock company shares (or, if the shares are held through a nominee or custodian, then the holding of such nominee or custodian) is determined by entries in a share register and is evidenced by extracts from that register. Currently, there is no central registration system in Russia. Share registers are maintained by the companies themselves or, if a company has two or more shareholders or so elects, by licensed registrars located throughout Russia. Regulations have been issued regarding the licensing conditions for such registrars, as well as the procedures to be followed by both companies maintaining their own registers and licensed registrars when performing the functions of registrar. In practice, however, these regulations have not been strictly enforced, and registrars generally have relatively low levels of capitalization and inadequate insurance coverage. Moreover, registrars are not necessarily subject to effective governmental supervision. Due to the lack of

a central and rigorously regulated share registration system in Russia, transactions in respect of a company's shares could be improperly or inaccurately recorded, and share registration could be lost through fraud, negligence, official and unofficial governmental actions or oversight by registrars incapable of compensating shareholders for their misconduct. This creates risks of loss not normally associated with investments in other securities markets.

In March 2007, the Federal Service for the Financial Markets, or the FSFM, terminated the license of three top managers of our registrar, the Central Moscow Depository. Managers of Russian depositories and registrars are required by law to be licensed by the FSFM, and their failure to do so can result in the depository or registrar's own license being terminated. While the FSFM reversed its decision to terminate the Central Moscow Depository managers' licenses in April 2007, it is possible that the FSFM may take similar action seeking to terminate the managers' or our registrar's licenses in the future.

Russian thin capitalization rules could affect our ability to deduct interest on certain borrowings.

Russian thin capitalization rules limit the amount of interest that can be deducted by a Russian company on debt payable to non-resident shareholders. Until January 1, 2006, these rules applied only to loans issued to a Russian company by a foreign company owning directly or indirectly more than 20% of the share capital of the Russian company. However, thin capitalization rules that came into effect on January 1, 2006 extend the rules' application to debt issued to a Russian company by another Russian company that is affiliated with such foreign company, as well as to debt issued to a Russian company which is secured by such foreign company or such affiliated Russian company. It is not yet fully clear how these new rules will be applied in practice by the Russian tax authorities.

Risks Relating to the Russian Federation

Economic Risks

The Russian economy is less stable than those of most Western countries and could adversely affect our business and the value of the shares and ADSs.

Since the dissolution of the Soviet Union in the early 1990s, the Russian economy has experienced at various times:

- significant declines in gross domestic product;
- hyperinflation;
- an unstable currency;
- high government budget deficit and government debt relative to gross domestic product;
- a weak banking system providing limited liquidity to domestic enterprises;
- high levels of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- growth of a black and gray market economy;
- pervasive capital flight;
- high levels of corruption and the penetration of organized crime into the economy;
- significant increases in unemployment and underemployment; and

- the impoverishment of a large portion of the population.

Although Russia has benefited recently from the increase in global commodity prices, providing an increase in disposable income and an increase in consumer spending, the Russian economy has been subject to abrupt downturns in the past. In particular, on August 17, 1998, in the face of a rapidly deteriorating economic situation, the Russian government defaulted on its ruble-denominated securities, the Central Bank of Russia stopped its support of the ruble and a temporary moratorium was imposed on certain foreign currency payments. These actions resulted in an immediate and severe devaluation of the ruble and a sharp increase in the rate of inflation; a substantial decline in the prices of Russian debt and equity securities; and an inability of Russian issuers to raise funds in the international capital markets. These problems were aggravated by a major banking crisis in the Russian banking sector after the events of August 17, 1998, as evidenced by the termination of the banking licenses of a number of major Russian banks. This further impaired the ability of the banking sector to act as a consistent source of liquidity to Russian companies and resulted in the losses of bank deposits in some cases.

Recently, the Russian economy has been showing positive trends, such as the increase in the gross domestic product, a stable ruble, strong domestic demand, rising real wages and a reduced rate of inflation; however, these trends may not continue or may be abruptly reversed.

The infrastructure in Russia is inadequate, which could disrupt normal business activity.

The infrastructure in Russia largely dates back to Soviet times and has not been adequately funded and maintained over the past decade. Particularly affected are the rail and road networks, power generation and transmission systems, communication systems and building stock. In May 2005, a fire and explosion in one of the Moscow power substations built in 1963 caused a major power outage in a large section of Moscow and some surrounding regions. The blackout disrupted the ground electric transport, including the metro system, led to road traffic accidents and massive traffic congestion, disrupted electricity and water supply in office and residential buildings and affected mobile communications. The trading on exchanges and the operation of many banks, stores and markets were also halted.

The deterioration of the infrastructure in Russia harms the national economy, disrupts the transportation of goods and supplies, adds costs to doing business and can interrupt business operations. The Russian government is actively considering plans to reorganize the nation's rail, electricity and communications systems. Any such reorganization may result in increased charges and tariffs while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. These factors could have a material adverse effect on our business and results of operations.

Fluctuations in the global economy could materially adversely affect the Russian economy and the value of the shares and ADSs.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and Russian businesses could face severe liquidity constraints, further materially adversely affecting the Russian economy. Additionally, because Russia produces and exports large amounts of oil, the Russian economy is especially vulnerable to the price of oil on the world market and a decline in the price of oil could slow or disrupt the Russian economy or undermine the value of the ruble against foreign currencies. Recent military conflicts and international terrorist activity have also significantly impacted oil and gas prices, and pose additional risks to the Russian economy. Russia is also a major producer and exporter of metal products and its economy is vulnerable to fluctuations in world commodity prices and the imposition of tariffs and/or antidumping measures by the United States, the European Union or by other principal export markets.

Political and Social Risks

Political and governmental instability could materially adversely affect our business, financial condition, results of operations and prospects and the value of the shares and ADSs.

Since 1991, Russia has sought to transform itself from a one-party state with a centrally-planned economy to a democracy with a market economy. As a result of the sweeping nature of the reforms, and the failure of some of them, the Russian political system remains vulnerable to popular dissatisfaction, including dissatisfaction with the results of privatizations in the 1990s, as well as to demands for autonomy from particular regional and ethnic groups.

Current and future changes in the government, major policy shifts or lack of consensus between various branches of the government and powerful economic groups could disrupt or reverse economic and regulatory reforms. Any disruption or reversal of reform policies could lead to political or governmental instability or the occurrence of conflicts among powerful economic groups, which could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the shares and ADSs.

Conflict between central and regional authorities and other conflicts could create an uncertain operating environment, hindering our long-term planning ability.

The Russian Federation is a federation of 83 sub-federal political units, consisting of republics, territories, regions, cities of federal importance and autonomous regions and districts. The delineation of authority and jurisdiction among the members of the Russian Federation and the federal government is, in many instances, unclear and remains contested. Lack of consensus between the federal government and local or regional authorities often results in the enactment of conflicting legislation at various levels and may lead to further political instability. In particular, conflicting laws have been enacted in the areas of privatization, land legislation and licensing. Some of these laws and governmental and administrative decisions implementing them, as well as certain transactions consummated pursuant to them, have in the past been challenged in the courts, and such challenges may occur in the future. This lack of consensus hinders our long-term planning efforts and creates uncertainties in our operating environment, both of which may prevent us from effectively and efficiently implementing our business strategy.

Additionally, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict, such as conflict in Chechnya, which has brought normal economic activity within Chechnya to a halt and disrupted the economies of neighboring regions. Various armed groups in Chechnya have been regularly engaged in guerrilla attacks in that area. Violence and attacks relating to this conflict have spread to other parts of Russia, and several terrorist attacks have been carried out by Chechen terrorists in other parts of Russia, including in Moscow. The further intensification of violence, including terrorist attacks and suicide bombings, or its spread to other parts of Russia, could have significant political consequences, including the imposition of a state of emergency in some or all of Russia. Moreover, any terrorist attacks and the resulting heightened security measures are likely to cause disruptions to domestic commerce and exports from Russia. These factors could materially adversely affect our business and the value of the shares and ADSs.

Crime and corruption could disrupt our ability to conduct our business.

The political and economic changes in Russia in recent years have resulted in a significant dislocation of authority. The local and international press have reported that significant organized criminal activity has arisen, particularly in large metropolitan centers. Property crime in large cities has increased substantially. In addition, the local press and international press have reported high levels of corruption, including the bribing of officials

for the purpose of initiating investigations by government agencies. Press reports have also described instances in which government officials engaged in selective investigations and prosecutions to further the commercial interests of government officials or certain individuals. Additionally, some members of the Russian media regularly publish disparaging articles in return for payment. The depredations of organized or other crime, demands of corrupt officials or possible claims that we have been involved in official corruption could result in negative publicity, could disrupt our ability to conduct our business effectively and could thus materially adversely affect our financial condition and results of operations and the value of the shares and ADSs.

Social instability could increase support for renewed centralized authority, nationalism or violence and thus materially adversely affect our business, financial condition, results of operations and prospects.

The failure of the government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labor and social unrest. Labor and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralized authority, increased nationalism, including restrictions on foreign involvement in the economy of Russia, and increased violence. An occurrence of any of the foregoing events could restrict our operations and lead to the loss of operating revenues, materially adversely affecting our business, financial condition, results of operations and prospects.

Legal Risks

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

Russia is still developing the legal framework required to support a market economy. The following risks relating to the Russian legal system create uncertainties with respect to the legal and business decisions that we make, many of which do not exist in countries with more developed market economies:

- inconsistencies between and among, the Constitution, federal and regional laws, presidential decrees and governmental, ministerial and local orders, decisions, resolutions and other acts;
- conflicting local, regional and federal rules and regulations;
- the lack of judicial and administrative guidance on interpreting legislation;
- the relative inexperience of judges and courts in interpreting legislation;
- lack of independent judiciary;
- a high degree of discretion on the part of governmental authorities, which could result in arbitrary actions such as suspension or termination of our licenses; and
- poorly developed bankruptcy procedures that are subject to abuse.

The recent nature of much of Russian legislation, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Russian legal system in ways that may not always coincide with market developments place the enforceability and underlying constitutionality of laws in doubt and results in ambiguities, inconsistencies and anomalies. In addition, Russian legislation often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. All of these weaknesses could affect our ability to enforce our rights under our permits and contracts, or to defend ourselves against claims by others. We cannot

assure you that regulators, judicial authorities or third parties will not challenge our internal procedures and by-laws or our compliance with applicable laws, decrees and regulations.

Failure to comply with existing laws and regulations or the findings of government inspections, or increased governmental regulation of our operations, could result in substantial additional compliance costs or various sanctions which could materially adversely affect our business, financial condition, results of operations and prospects.

Our operations and properties are subject to regulation by various government entities and agencies, as well as to ongoing compliance with existing laws, regulations and standards. As a producer of food products, our operations are subject to quality, health and safety, production, packaging, labeling and distribution standards. The operations of our production and distribution facilities are also subject to various environmental laws and workplace regulations. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of permits and in monitoring compliance with the terms thereof. Russian authorities have the right to, and frequently do, conduct periodic inspections of operations and properties of our group of companies throughout the year. Any such future inspections may conclude that we or our subsidiaries have violated laws, decrees or regulations, and we may be unable to refute such conclusions or remedy the violations. Our failure to comply with existing laws and regulations or the findings of government inspections or to obtain all approvals, authorizations and permits required for our operations may result in the imposition of fines or penalties or more severe sanctions including the suspension, amendment or termination of our permits, or in requirements that we cease certain of our business activities, or in criminal and administrative penalties applicable to our officers. Any such decisions, requirements or sanctions, or any increase in governmental regulation of our operations, could increase our costs and materially adversely affect our business, financial condition, results of operations and prospects.

We believe that our current legal and environmental compliance programs adequately address these concerns and that we are in substantial compliance with applicable laws and regulations. However, as the regulations that apply to our business are constantly changing, we are sometimes unable to immediately comply with new regulations upon their implementation. Compliance with, or any violation of, current and future laws or regulations could require material expenditures by us or otherwise have a material adverse effect on our business or financial results. See “Item 4. Information on Our Company—B. Business Overview—Regulation”.

Additionally, under relevant Russian legislation, Russian regulatory agencies can impose various sanctions for violations of environmental standards. These sanctions may include civil and administrative penalties applicable to a company and criminal and administrative penalties applicable to its officers. Also, in the course, or as a result, of an environmental investigation, regulatory authorities can issue an order halting part or all of the production at a plant which has violated environmental standards. We have been, at various times, subject to administrative sanctions for failure to comply with environmental regulations relating to effluent discharge and to minor administrative sanctions for violations relating to waste disposal. In the event that production at one of our facilities was partially or wholly prevented due to this type of sanction, our production capability would suffer significantly and our operating results would suffer.

Lack of developed corporate and securities laws and regulations in Russia may limit our ability to attract future investment.

The regulation and supervision of the securities market, financial intermediaries and issuers are considerably less developed in Russia than, for example, in the United States and Western Europe. Securities laws, including those relating to corporate governance, disclosure and reporting requirements, are relatively new, whereas other laws relating to anti-fraud

safeguards, insider trading restrictions and fiduciary duties are rudimentary. In addition, the Russian securities market is regulated by several different authorities, which are often in competition with each other. These include:

- the Federal Service for Financial Markets (FSFM);
- the Ministry of Finance;
- the Federal Antimonopoly Service;
- the Central Bank of Russia; and
- various professional self-regulatory organizations.

The regulations of these various authorities are not always coordinated and may be contradictory.

In addition, Russian corporate and securities rules and regulations can change rapidly, which may materially adversely affect our ability to conduct securities-related transactions. While some important areas are subject to virtually no oversight, the regulatory requirements imposed on Russian issuers in other areas result in delays in conducting securities offerings and in accessing the capital markets. It is often unclear whether or how regulations, decisions and letters issued by the various regulatory authorities apply to our company. The FSFM has recently introduced a number of regulations relating to offerings of shares in and outside of Russia, including combined offerings involving closed subscription for new shares and the sale of existing shares, which remain largely untested and subject to varying interpretations. Any challenges of such regulations or transactions consummated pursuant to them could have an adverse effect on our ability to conduct equity offerings in the future. As a result, we may be subject to fines and/or other enforcement measures despite our best efforts at compliance, which could have a material adverse effect on our business, financial condition and results of operations.

The judiciary's lack of independence, its relative inexperience and occasional abuse of discretion and the difficulty in enforcing court decisions could prevent us or you from obtaining effective redress in a court proceeding.

The independence of the judicial system and its immunity from economic, political and nationalistic influences in Russia can not be guaranteed. The court system is underfunded and judges and courts are generally inexperienced in the area of business and corporate law. Judicial precedents generally have no binding effect on subsequent decisions. Not all Russian legislation and court decisions are readily available to the public or organized in a manner that facilitates understanding. In addition the Russian judicial system can be slow or unjustifiably swift. Enforcement of court orders can in practice be very difficult in Russia. Additionally, court claims are often used in furtherance of political and commercial aims or infighting. We may be subject to such claims and may not be able to receive a fair hearing. Additionally, court orders are not always enforced or followed by law enforcement agencies. Moreover, judicial decisions in Russia can be unpredictable and may not provide effective redress.

These uncertainties also extend to property rights. During Russia's transformation from a centrally planned economy to a market economy, legislation has been enacted to protect private property against expropriation and nationalization. However, these protections may not be enforced in the event of an attempted expropriation or nationalization. Expropriation or nationalization of any of our entities, their assets or portions thereof, potentially without adequate compensation, would have a material adverse effect on our business, financial condition, results of operations and prospects.

Selective or arbitrary government action could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the shares and ADSs.

Governmental authorities in Russia have a high degree of discretion and, at times, act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that is inconsistent with legislation or influenced by political or commercial considerations. Selective or arbitrary governmental actions have reportedly included the denial or withdrawal of licenses, sudden and unexpected tax audits and claims, criminal prosecutions and civil actions. Federal and local government entities have also used ordinary defects in matters surrounding share issuances and registration as pretexts for court claims and other demands to invalidate such issuances and registrations or to void transactions. Moreover, the government also has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Standard & Poor's, has expressed concerns that "Russian companies and their investors can be subjected to government pressure through selective implementation of regulations and legislation that is either politically motivated or triggered by competing business groups." In this environment, our competitors may receive preferential treatment from the government, potentially giving them a competitive advantage over us.

In addition, recently, the Russian tax authorities have brought tax evasion claims aggressively on the basis of certain Russian companies' use of tax-optimization schemes, and press reports have speculated that these enforcement actions have been selective and politically motivated. Selective or arbitrary government action, if directed at us, could have a material adverse effect on our business, financial condition, results of operations and prospects, and the value of the shares and ADSs.

Shareholder rights provisions under Russian law impose significant additional obligations on us.

Russian law provides that shareholders that vote against or abstain from voting on certain matters have the right to sell their shares to us at market value in accordance with Russian law. The decisions that trigger this right to sell shares include:

- a reorganization;
- the approval by shareholders of a "major transaction," which, in general terms, is a transaction involving property worth more than 50% of the gross book value of our assets calculated according to the Russian accounting standards, regardless of whether the transaction is actually consummated; and
- the amendment of our charter in a manner that limits shareholder rights.

Our obligation to purchase shares in these circumstances, which is limited to 10% of our net assets calculated according to Russian accounting standards, at the time the matter at issue is voted upon, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Because there is little minority shareholder protection in Russia, your ability to bring, or recover in, an action against us will be limited.

In general, minority shareholder protection under Russian law derives from supermajority shareholder approval requirements for certain corporate actions, as well as from the ability of a shareholder to demand that the company purchase the shares held by that shareholder if that shareholder voted against or did not participate in voting on certain types of actions. Companies are also required by Russian law to obtain the approval of disinterested shareholders for certain transactions with interested parties.

The supermajority shareholder approval requirement is met by a vote of 75% of all voting shares that are present at a shareholders' meeting. Thus, controlling shareholders owning slightly less than 75% of outstanding shares of a company may have a 75% or more voting power if certain minority shareholders are not present at the meeting. In situations where controlling shareholders effectively have 75% or more of the voting power at a shareholders'

meeting, they are in a position to approve amendments to the charter of the company or significant transactions including asset transfers, which could be prejudicial to the interests of minority shareholders. It is possible that our controlling shareholders in the future may not act in the best interests of minority shareholders, and this could materially and adversely affect the value of the shares and ADSs.

While the Federal Law on Joint Stock Companies provides that shareholders owning not less than 1% of the company's stock may bring an action for damages on behalf of the company, Russian courts to date do not have much experience with such lawsuits. Russian law does not contemplate class action litigation. Accordingly, your ability to pursue legal redress against us may be limited, reducing the protections available to you as a holder of our shares and ADSs.

Characteristics of and changes in the Russian tax system could materially adversely affect our business, financial condition, results of operations and prospects and the value of the shares and ADSs.

The tax environment in Russia historically has been complicated by the often contradictory tax legislation. This uncertainty potentially exposes us to significant fines and penalties and enforcement measures despite our best efforts at compliance, and could result in a greater than expected tax burden and the suspension or termination of our licenses. Generally, taxes payable by Russian companies are substantial and numerous. These taxes include, among others:

- income taxes;
- VAT;
- unified social tax; and
- property tax.

There have recently been significant changes to the Russian taxation system, including a number of changes to various chapters of the Tax Code. Among the most recent changes are significant amendments to the chapters on VAT and on the profit tax effective as of January 1, 2006, as well as the changes to Part One of the Tax Code (tax administration provisions) effective as of January 1, 2007.

Since tax legislation is subject to frequent change, some sections and regulations enacted under the Tax Code are comparatively new, and interpretation of these regulations is often unclear or nonexistent. Taxpayers and the Russian tax authorities often interpret tax laws differently whilst the Russian tax authorities' interpretation of tax laws rarely favors taxpayers. In some instances, the Russian tax authorities have applied new interpretations of tax laws retroactively. There is no established precedent or consistent court practice in respect of these issues. Taxpayers often have to resort to court proceedings to defend their positions against the tax authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretations of the legislation and assessments.

In addition, differing interpretations of tax regulations exist both among and within government ministries and organizations at the federal, regional and local levels, creating uncertainties and inconsistent enforcement. Tax declarations, together with related documentation such as customs declarations, are subject to review and investigation by a number of authorities, each of which may impose fines, penalties and interest charges. Generally, in an audit taxpayers are subject to inspection with respect to the three calendar years which immediately preceded the year in which the audit is carried out. Previous audits do not completely exclude subsequent claims relating to the audited period because Russian tax law authorizes upper-level tax inspectorates to review the results of tax audits conducted by subordinate tax inspectorates. In addition, in July 2005, the Russian Constitutional Court

issued a decision that allows the statute of limitations for tax liabilities to be extended beyond the three-year term set forth in the tax laws if a court determines that a taxpayer has obstructed or hindered a tax audit. Because none of the relevant terms is defined, tax authorities may have broad discretion to argue that a taxpayer has “obstructed” or “hindered” an audit and ultimately seek penalties beyond the three-year term.

In October 2006, the Supreme Arbitration Court of the Russian Federation introduced a new concept of “unjustified tax benefit” which is defined mainly by reference to specific examples of such tax benefits (*e.g.* absence of business purpose) and which may lead to disallowance thereof for tax purposes. There is currently no practice or guidance from the tax authorities or courts for interpreting this new concept; however, it is likely that the tax authorities will actively seek to apply this concept when challenging in courts tax positions taken by taxpayers. Although the intent of the court when introducing the concept of “unjustified tax benefit” was to combat abuse of tax law, in practice, there is no assurance that the tax authorities will not seek to apply this concept in a broader sense than may have been intended by the court. In addition, a recent pronouncement by a Russian court in December 2006 indicates a trend within the judicial system to broaden the application of criminal responsibility for tax violations.

Also there is no concept of a tax group in Russia, nor can a consolidated filing be made by Russian companies for tax purposes. Therefore, Russian companies and each of their Russian subsidiaries pay their own Russian taxes and may not surrender profits or losses to other group companies for tax purposes. In addition, payments of dividends between two Russian companies are currently subject to a withholding income tax of 9% at the time they are paid out of profits, although the effective rate of this tax may be lower than 9% if the company paying the dividends has received, in the same or a preceding tax period, dividends from other Russian companies. This may give rise to additional tax liabilities and inefficiencies.

The foregoing conditions create tax risks in Russia that are more significant than those typically found in jurisdictions with more developed tax systems and complicate tax planning and related business decisions. They also impose additional burdens and costs on our operations, including management resources. In addition to our substantial tax burden, these risks and uncertainties complicate our tax planning and related business decisions, potentially exposing us to significant fines and penalties and enforcement measures despite our best efforts at compliance. Our exposure to additional tax liabilities could have a material adverse effect on our business, financial condition, results of operations and prospects. See also “—Risks Relating to the Russian Federation—Legal Risks and Uncertainties—Selective or arbitrary government action could have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the shares and ADSs.”

Other Risks

We have not independently verified information we have sourced from third parties.

We have sourced certain information contained in this document from third parties, including private companies and Russian government agencies, and we have relied on the accuracy of this information without independent verification. The official data published by Russian federal, regional and local governments may be substantially less complete or researched than those of Western countries. Official statistics may also be produced on different bases than those used in Western countries. Any discussion of matters relating to Russia in this document must, therefore, be subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

Item 4. Information on Our Company**A. History and Development**

We trace our history back to 1992, when a group of individuals formed an enterprise which began leasing a production line at the Lianozovsky Dairy Plant and purchasing juice concentrates and packaging materials. On November 25, 1992, we produced the first carton of juice carrying the Wimm-Bill-Dann brand name. We selected this brand name to attract consumers who preferred products with foreign-sounding names due to their perceived higher quality and novelty and, since its introduction, the “Wimm-Bill-Dann” name has become a brand name recognized in a substantial percentage of Russian households.

To take advantage of the opportunities arising from the privatization of Russian state-owned assets, our current shareholders then began acquiring shares in the Lianozovsky Dairy Plant in Moscow, and continued to expand their juice product enterprises. Following their acquisition of a majority stake in the Lianozovsky Dairy Plant in 1995, they added dairy products to their portfolio, thus becoming a dairy and juice producer. Our growth has been accomplished, in part, through significant acquisitions, including the following:

- In 1995, we acquired majority control of the Lianozovsky Dairy Plant (renamed as Wimm-Bill-Dann in 2006);
- In 1996 and 1997, we acquired majority stakes in the Moscow Baby Food Plant, the Tsaritsino Dairy Plant and the Ramenskiy Plant (renamed as Wimm-Bill-Dann Beverages in 2007);
- In 1998 and 1999, we began to expand into regions outside Moscow, acquiring dairy plants in Novosibirsk, Nizhny Novgorod and Vladivostok;
- In 2000, 2001 and 2002, we acquired majority stakes in dairy plants in Ufa, Bashkortostan and the Krasnodar region in Russia, as well as dairy plants in Kiev, Ukraine and Bishkek, Kyrgyzstan;
- In 2001, we acquired 100% interests in dairy plants in the Altai and Voronezh regions of Russia;
- In 2002, we acquired control of three dairy plants in the Krasnodar, Belgorod and Samara regions of Russia;
- In 2002, we acquired control of a dairy plant in Kharkov, Ukraine;
- In 2002, we acquired a 100% interest in the Roska Dairy Plant (renamed Baltic Milk in 2004) in St. Petersburg;
- In 2002, we acquired control of Depsona (since renamed Fruktopak) in Tula and a large warehouse complex in the Moscow region;
- In 2002, we acquired control of a dried milk plant in Buryn, Ukraine;
- In January 2003, we acquired a 100% interest in Siberian Cheese, a refrigeration and warehousing facility in Novosibirsk adjacent to our principal Siberian dairy production facility;
- In August 2003, we acquired underground wells in the Essentuki area of Russia and a water processing and bottling factory which produces “Essentuki” brand mineral water through our purchase of 100% interests in the companies Healing Springs and Geiser;
- In December 2004, we acquired Atamanskoe farm, a raw milk production company;
- In April, July and September 2005, we acquired three raw milk production companies, Plemzavod Za Mir i Trud, Zavety Ilyicha and Trud Farms;
- In July 2005, we acquired 66.3% control of the Obninsk Dairy Plant in the Kaluga region which we increased to 96.45% in May 2007;
- In July 2005, we acquired a 100% interest in the Kursk Baby Food Plant in the Kursk region;

- In October 2005, we acquired a 100% interest in the Essentuki Mineral Water Plant at CMW (Caucasian Mineral Waters) in the town of Essentuki in the Stavropol region;
- In December 2005, we acquired a controlling stake in Nazarovskoe Milk in the Krasnoyarsk region;
- In December 2005, we acquired a 100% interest in the Pervouralsk City Dairy Plant in the Sverdlovsk region;
- In January 2006, we increased our aggregate ownership in the Moscow Baby Food Plant to 97.3%;
- In September 2006, we acquired a 100% interest in the Surgut City Dairy Plant in Western Siberia;
- In November 2006, we acquired 93.74% control of the Moscow-based dairy producer Ochakovo;
- In December 2006, we acquired 100% control of the Omsk-based dairy producer Manros-M; and
- In December 2006, we acquired 83.36% control of Angarsky Dairy Plant (MOLKA), one of the largest dairy enterprises in Irkutsk region.
- In October 2007, we acquired 100% control of dairy producer Georgian Foods in Tbilisi, Georgia.
- In December 2007, we increased our shareholding in Obninsk Dairy Factory OJSC to 99.84% of its charter capital from the previous level of 96.45%.

Our operations are currently organized into three separately reported segments: dairy products, beverages, baby food, all operating under the umbrella of our holding company, Wimm-Bill-Dann Foods OJSC, which was incorporated on May 31, 2001. In addition, at the end of 2004, we created a separately managed non-core business unit called "Agro" for the purpose of buying and managing a select number of dairy farms in certain Russian regions. "Agro" is currently reported as part of our dairy division.

In order to improve our corporate structure and management, as well as to reduce our expenses in 2007, we merged 14 of our subsidiaries (Tsaritsino Dairy Plant, Ufa Dairy Plant, Siberian Milk Dairy Plant, Rubtsovsk Dairy Plant, Siberian Cheese Plant, Nizhny Novgorod Dairy Plant, Baltic Milk Dairy Plant, Nazarovo Dairy Plant, PAG Rodnik, Pervouralsk Dairy Plant, Kursk Baby Food Plant, Moscow Baby Food Plant, Timashevsk Dairy Plant and Vladivostok Dairy Plant) into Wimm-Bill-Dann (formerly Lianozovsky Dairy Plant). In 2008 we have merged nine other subsidiaries into Wimm-Bill-Dann (Surgut Dairy Plant, Ochakovo Dairy Plant, Obninsk Dairy Plant, Pavlogradsky Dairy Plant, Krutinsky Dairy Plant, Angarsky Dairy Plant (MOLKA), Anna milk, SP Julia, Va-Bank-2000). We are planning to continue the consolidation process throughout 2008.

We completed our initial public offering on February 14, 2002 and listed our shares of common stock, represented by American Depositary Shares, or ADSs, on the New York Stock Exchange under the symbol "WBD." Each ADS represents one underlying share of our common stock.

According to Standard & Poor's global scale, our corporate credit rating is BB-, and Moody's Investors Service ranks our Corporate Credit rating as Ba3. In 2007, Standard & Poor's Governance Services confirmed our Corporate Governance Score (CGS) 7+, which is the highest score in Russia.

Our legal name is Wimm-Bill-Dann Foods OJSC, and we are incorporated as an open joint stock company under the laws of the Russian Federation and registered with the Moscow Inter-District Inspectorate No. 39 of the Russian Ministry of Taxes and Duties under the state registration number 1037700236738. We operate in the Russian Federation and the CIS under

a number of different trademarks and brand names, as more fully described below in “—B. Business Overview—Current Operations—Our products and brands.” Our business objectives, set forth in Article 4 of our charter, include the production and sale of food products, including milk and sour milk products, mineral water, fruit and vegetable juices and beverages and children’s food. Our head office is located at 16 Yauzsky Boulevard, Moscow 109028, Russian Federation, and our telephone number is +7 495-925-5805. We maintain a website at <http://www.wbd.com>. The information on our website is not a part of this report. We have appointed CT Corporation System, 111 Eighth Avenue, New York, New York 10011, as our authorized agent for service of process for any suit or proceeding arising out of or relating to our shares, ADSs, or the deposit agreement.

B. Business Overview

We are one of Russia’s largest manufacturers of food products. Our reportable business segments in 2007 were dairy, beverage and baby food products. In 2007, the dairy segment accounted for 76.0% of our sales, the beverages segment, which includes juice and bottled mineral water, accounted for 17.0% of our sales and the baby food segment accounted for 7.0% of our sales.

Since our founding in 1992, we have become the market leader in Russia in the dairy market and one of the market leaders in the juice market. In the dairy market, according to an AC Nielsen study of 24 major cities located throughout Russia, including Moscow and St. Petersburg, we were the market leader at the end of 2007 with a 33% market share in value terms. In the Russian juice market, according to a Business Analytica survey of all of Russia, we had an 18% market share in terms of value at the end of 2007. In 2007 we achieved market leadership in the baby food market with a 23% market share in volume terms (according to MEMRB), whilst our value share reached 18%.

We currently have 37 manufacturing facilities in Russia, Ukraine, Kyrgyzstan, Uzbekistan and Georgia as well as distribution centers in 24 cities throughout Russia and the CIS. During 2007, we employed on average 19,325 people.

We offer our consumers a full range of quality branded dairy, juice, water and baby food products, using carefully selected raw materials, modern production technology and strict quality control. All of our products are made according to our own recipes and reflect our understanding of consumer demands and tastes.

Our principal dairy products include:

- Traditional products, such as sterilized and pasteurized milk, butter and cream, as well as traditional sour-milk products such as kefir, cottage cheese, soft cottage cheese and sour cream;
- Yogurts and dairy desserts, such as traditional and drinking yogurt, fruit-flavored milk and kefir, puddings and flavored cottage cheese;
- Cheese products, including hard yellow and processed cheese.

Our principal beverage products include:

- Juice and nectars produced from juice concentrate;
- Enriched juice-based drinks;
- A traditional berry-juice-based drink mors made from natural berries;
- Bottled natural mineral water.

Our baby food products include:

- Liquid dairy products for infants under the age of three;
- Juices and water for infants under the age of three;

- Meat, fish, poultry, fruit, vegetable and dairy purees for infants under the age of three; and
- Products for pregnant women and nursing mothers.

Business Goals and Strategy

Our strategy is driven by clearly defined business architecture. In March 2007, our senior management, after extensive consultation, approved a concise strategic approach for the company aimed at meeting our qualitative and quantitative goals over monthly, quarterly, annual and multi-year time horizons. This approach does not mark a departure from our longer-term strategic vision, rather it lends greater clarity and defines the steps to be taken following the important restructuring work implemented during 2006. The vision is that by 2010 we should be Russia's leading fast-moving consumer goods (FMCG) company with leading key profit ratios for the industry.

Our strategy reflects our mission and is driven by a vision of where the company should be in the future. The mission, as articulated during 2006, is to help the entire family live healthier by enjoying our nutritious and delicious food and beverage products every day throughout their lives.

Business Goals

Our business goals for 2010 represent the key individual elements needed to achieve this vision. By this date, our goal is to be recognized by both consumers and all key Russian regulators as the leading food company in terms of health and nutrition and for our top ten brands by revenue to be among the top-50 FMCG brands in Russia. At the same time, we intend to undertake an accelerated process of innovation with the aim of increasing revenues by 2010.

In addition, we will seek to further strengthen our corporate image and to become one of the most desired employers of choice in Russia. Finally, by 2010, we will aim to achieve better route-to-market execution, with greater control over how products are sold at the outlet level.

Business Strategies

In order to meet these goals, our strategy is focused on key elements that are relevant across all of our business units as well as departments serving the group as a whole, including Marketing, Human Resources, Research and Development and Corporate Communications. These key elements are as follows:

- **Investing in marketing to build brand equity.** We intend to increase our marketing activities and focus sponsorship on sports and active lifestyle to promote the health and wellness values of our brands.
- **Investing in the sales team and route-to-market (RTM) control.** We will seek to increase our sales force, with consolidated key account teams focusing on large and growing retail chain customers and an increased focus on training. We have defined our merchandizing standards and are starting to implement them in the markets where we are present.
- **Driving margin improvements through optimal brand, pack and price mix.** We will study changing consumer price elasticity in order to adapt the right approach to brand, packaging type and size as well as price. New, higher margin packaging will be introduced with investment focused on higher margin brands.

- **Driving lowest appropriate cost and protecting quality.** We will regularly audit retailers to ensure quality and provide detailed quality specifications for each stock-keeping unit (SKU). We will seek to continue to improve plant efficiency and reduce logistics costs. We also intend to continue to buy out minority shareholdings and consolidate legal entities to create a more efficient and streamlined company and tax entity.
- **Accelerating innovation, new category entry and acquisitions.** We will seek to continue to enter new and innovative categories and segments offering profitable growth consistent with our mission. We also intend to continue our policy of acquiring successful companies across Russia and the CIS and we will carefully study opportunities for selective acquisitions of other food companies. Finally, we will continually assess the attractiveness and potential for entry into new strategic geographic areas.
- **Strengthening human resource capability.** We operate in both maturing markets, such as Moscow and St Petersburg, and emerging markets, such as Russia's regions and the CIS. We will strive to develop our human resource capability at all levels to attract and retain talented executives with experience in developed and emerging markets worldwide. At the same time, we are dedicated to developing our considerable human resource capacity within the company. This entails promoting talented people within the organization and providing them with experience in other parts of the business and other regions. We seek to provide ongoing opportunities for our employees to learn new skills through training and continued education in our Corporate University. A yearly appraisal process allows managers to understand what is expected from them, provides a forum for dialogue and an opportunity to discuss career planning. Improved corporate communications are also helping central management communicate the company's plans and goals to employees across the business and build a more unified corporate culture. We understand that motivated and well-informed employees are directly responsible for our success.

Current Operations

Dairy Industry

Consumption. Russian dairy consumption is relatively low compared to most European countries and is characterized by two primary trends—the comparatively solid development of the market for traditional dairy products, and a more rapidly developing market for yogurts and desserts.

We estimate, based on combined data from Comcon, AC Nielsen and Russian State Statistics, that per capita consumption of packaged dairy products in Russia was 66.1, 70.9 and 75.2 liters per year in 2005, 2006 and 2007, respectively, levels that are relatively low compared to the majority of European countries. The demand for dairy products remained relatively stable in the aftermath of the 1998 Russian financial crisis and the ensuing decline in per capita income, as dairy products are generally considered to be staple consumer goods. In addition, increasing per capita income following 1998 has positively affected dairy consumption, particularly of higher-priced and higher-margin products such as yogurt and dessert dairy products. We estimate that per capita consumption of traditional packaged dairy products in Russia increased 5.5% to 59.7 kg in 2007, from 56.6 kg in 2006. We believe that packaged dairy product consumption levels will continue to increase at a solid pace in Russia due to increasing per capita income, the growing desire and demand for sterilized milk and the greater convenience of packaged products. The spike in raw milk prices observed in 2007 caused retail price increases for dairy products and this could partially offset consumption growth in 2008.

Since its first widespread commercial appearance in Russia in the early 1990s, the popularity of yogurt has increased. For instance, the consumption of such products as

drinkable yogurt, functional foods/drinks and flavored milk is relatively high among certain groups of consumers and comparable with milk consumption levels. However, the per capita consumption of the above products remains relatively low, although we believe that this segment of the dairy market has a high growth potential as incomes in Russia grow rapidly.

According to our estimates, annual per capita consumption of yogurt and dairy desserts in Russia increased to about 10.2 kilograms in 2007 from 9.3 kilograms in 2006, reflecting an increase of 9.1%.

According to our estimates, annual cheese consumption (yellow, white and processed) in Russia increased by 7.5% to 5.4 kilograms per capita in 2007 from 5.0 kilograms per capita in 2006. We believe that cheese consumption levels will continue to grow due to increasing per capita incomes and the greater variety of cheese products available to Russian consumers.

Production. Milk production and processing in Russia declined dramatically during the 1990s due to the general state of the Russian economy, a lack of raw materials due, in part, to the slaughter of dairy cows necessitated by a shortage of feed, and a sharp increase in energy prices. Additionally, the majority of Russian milk producers, comprising individual farmers and collective agricultural enterprises, operate with inefficient and outdated facilities and equipment, and function under outdated management practices. Yields per cow are still less than half of those in Western Europe.

The result of this decline was a drop in processing volumes and an increased reliance upon imported dairy products. While the financial crisis of 1998 aided Russian producers to some extent, as it pushed imported foods out of the Russian market, it also caused difficulties for Russian companies that depended on imported materials for production. In general, producers that were able to limit their exposure to fluctuations in the value of the ruble and to establish links with Russian suppliers survived the crisis and took leading positions in the marketplace. The milk processing sector, however, still remains fragmented, and currently includes over 1,600 registered producers, according to the official register of manufacturers. There is evidence, though, that the process of consolidation is under-way, with the less efficient producers going out of business or being acquired by larger companies.

In addition, foreign, particularly European, producers have recognized the potential for growth in the demand in Russia for milk, yogurt and dairy desserts and are investing in the Russian market. A number of European producers, such as Danone, Parmalat, Campina, Lactalis and Ehrmann, produce dairy products in Russia, principally in the Moscow region, and comprise our principal competition in the yogurt and dairy dessert segment of the dairy market. The dessert market is growing at higher rates than the traditional dairy market. It is also developing to cater to changing consumer tastes with more attention being paid to fresh health and wellness products.

We have made significant investments in the development of our own farms and also establishing long-term relationships with third party raw milk suppliers. These steps help us to address the seasonal problem of raw milk deficits and increase the quality of the raw milk we purchase. The government has also started a large scale program aimed at the revival of the agricultural sector in Russia, which we see as an important and helpful development.

Juice and Mineral Water industries

Consumption. Before the early 1990s, consumption of juice products in Russia was limited. Juice products manufactured in the Soviet Union included only vegetable juices and fruit juices made of locally grown fruit such as apples and pears. Most Russian households tried orange, pineapple, grapefruit and other exotic fruit juices for the first time in 1991 and 1992, following the dissolution of the Soviet Union. Russian juice consumption grew each year until 1998, when it fell following the 1998 financial crisis, which led to a reduction in Russian incomes and a significant increase in the cost of juice products due to the increase in the ruble cost of imported juice packaging and ingredients. While Russian juice consumption

has recovered from the effects of the 1998 financial crisis, it is still relatively low compared to most European countries.

The following table shows annual per capita juice and water product per capita consumption in liters in Russia and selected European countries in 2007 according to Canadean:

Country	Juices, Nectars & Still drinks	Packaged Water
Germany	51	156
Netherlands	49	22
Poland	42	62
United Kingdom	38	26
Hungary	35	110
France	33	120
Bulgaria	28	70
Russia	22	24
Italy	16	198

Source: Canadean, 2007

We estimate that the annual per capita juice product consumption in Russia in 2007, 2006 and 2005 was approximately 21.5 liters, 19 liters and 16 liters, respectively, based on Business Analytica market estimates. Consumption of bottled water in Russia is now on par with juice consumption. Still, we believe that Russia has strong growth potential in this sector in comparison with consumption per capita in developed markets.

Production. Following the dissolution of the Soviet Union and the economic reforms that liberalized import procedures, foreign producers were able to capture a significant share of the Russian juice market by importing their products. However, the 1998 financial crisis caused a majority of the foreign companies to leave the market, and also forced a majority of Russian producers to decrease or discontinue juice production.

The juice product market began recovering in 1999, and since then, has experienced significant increases in sales volume, stimulated by rising Russian incomes and an increased interest in health issues, as well as by the advertising efforts of juice producing companies.

In addition, a number of Russian producers that survived the 1998 financial crisis managed to restructure their production facilities using Western technologies and to strengthen their market positions. In 2007, according to a Business Analytica survey of 'Total Urban Russia' (cities with a population of over 100,000 people), the four largest Russian producers had an 85% share of the juice market. Russian producers often use cheaper domestic inputs and modern packaging technologies, and they increasingly promote their brands on a national scale. The industry is now experiencing consolidation, as demonstrated by the increase in acquisition activity. According to the Business Analytica survey, during 2007, there were more than 200 brands of juice products in the Russian juice market, although 10 of them accounted for 77% of the market. The bottled-water market in Russia is characterized by a large number of brands, including local brands that are strong in the regions where they are produced. In addition, the leading brands in Moscow differ from those with leading market shares in many of the regions outside of Moscow. According to Business Analytica, in 2007, the top-ten bottled water producers in Russia had jointly a 71% market share in Moscow and a 66% market share in the ten largest cities of Russia in value terms. This difference is largely due to the prominence of local or regional producers in certain regions outside of Moscow whose water products have traditionally benefited from consumer loyalty in those regions.

Baby Food Industry

Consumption. The baby food market in Russia is comprised of four main segments:

- powdered formula and cereals;
- liquid dairy products (milk, kefir, cottage cheese and curd desserts, yogurts, liquid formula);
- supplemental infant food products (early solid foods, including juices, purees);
- other products (baby water, puddings, soups, biscuits, tea).

According to our estimates, from 2003 to 2007, the baby food market in Russia grew by 77% in terms of volume, mainly due to growing category penetration. We estimate that over 80% of nationwide baby food product sales are in the European part of Russia.

In 2006, the Russian government launched a nationwide program aimed at improving the health of the nation and increasing the birth rate, which we believe could have a positive impact on the baby food market over the next five years. Within the framework of the program, mothers get additional compensation for the birth of their second and following children. More and more Russian women go back to work shortly after giving birth. Many of them rely on ready-to-eat baby food.

Production. The baby food market emerged in Russia in the early 1990s with a government plan to build approximately 110 production sites throughout the country to develop baby food products such as meat, fruit, vegetable, grain and fish purees and various dairy products. Although only a small number of these government-sponsored production sites have since been built, domestic and foreign producers of baby food started to acquire production facilities in Russia in the second half of the 1990s. Since 2000, the baby food market has grown substantially with additional types of products being introduced and increased consumption due to the increasing birth rate in Russia.

In the individual product categories, foreign producers currently dominate the powdered formula and cereals market, while domestic producers hold leading positions in the liquid dairy products and supplemental infant food market.

Our products and brands

Our dairy, beverage and baby food products accounted for 76.0%, 17.0% and 7.0% of our net sales in 2007, respectively. Our principal geographic market is Russia, with Moscow being the most significant one. The following table sets forth our annual consolidated net sales, the proportion of consolidated net sales accounted for by our main business lines, our reported annual production volumes and their growth rates:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Dairy products			
Sales (in million USD)	1,853	1,321	1,004
Annual sales growth (% year on year)	40.2%	31.6%	22.6%
Percent of total sales	76.0%	75.0%	72.0%
Sales volume (in th. tons)	1,599	1,354	1,195
Annual volume growth (% year on year)	18.2%	13.2%	8.7%
Beverage products			
Sales (in million USD)	414	324	303
Annual sales growth (% year on year)	27.8%	6.9%	0.7%

Percent of total sales	17.0%	18.4%	21.7%
Sales volume (in million liters)	491	445	436
Annual volume growth (% year on year)	10.3%	2.1%	-5.7%
Baby food products			
Sales (in million USD)	172	117	88
Annual sales growth (% year on year)	46.6%	33.5%	35.9%
Percent of total sales	7.0%	6.6%	6.3%
Sales volume (in th. tons)	87	66	58
Annual volume growth (% year on year)	31.9%	14.7%	15.5%
Total net sales (in million USD)	2,438	1,762	1,395

Dairy Products and Brands

Our principal dairy product lines, types of products, principal brands, and their approximate percentage of our total dairy revenue in 2007, 2006 and 2005 are as follows:

Product line	Main brands	Approximate percentage of total dairy revenue in 2007	Approximate percentage of total dairy revenue in 2006	Approximate percentage of total dairy revenue in 2005
Essential Dairy	“Vesely Molochnik”, “M”, “Kubanskaya Burenka”, “33 Cows”, “Pastushok”	41%	39%	46%
Value-Added Dairy	“Little House in the Village”, “Beauty”, “Imunele”, “Chudo”, “Bio-Max”, “Lamber”, “Mazhitel”	59%(1)	61%	54%

The Russian market for packaged dairy products has several defined market segments. It can also be divided into non-branded and branded products, although non-branded products generally cover only the low segment of the market. Our branding policy is designed to ensure we reach customers in most of the segments with the right mix of brands, products and packaging formats. We support strong national brands, as well as a few key local brands which are well established in their respective regions. The following chart illustrates our estimates of the current market segment positioning for our major brands, as well as a general description of the purchasers which each market segment covers:

(1) Slight downshift was caused by the acquisition and portfolio integration of Ochakovo and Manros.

Segment	Purchaser material well-being scale	Traditional products	Yogurts and dairy desserts	Health-oriented enriched products	Cheese Products
Premium	Enough money to buy major household appliances, monthly income above \$500 per family member	"Little House in the Village"		"Beauty", "Imunele", "Bio-Max", "Mazhitel"	"Lamber"
Value for Money	Enough money to buy food and clothing, but not enough to buy major household appliances	"33 Cows", "Na Zdorovye", "Vesely Molochnik", "Slavyanochka", "Kubanskaya Burenka" and "M"	"Chudo", "Frugurt", "Lada"		"Vesely Molochnik"
Econom	Enough money for food only	"Zavetny Bidonchik", "Pastushok", "Nash Doctor"			

In general, we seek to maintain at least one brand within most dairy market segments, and we intend to develop new brands to expand our coverage of attractive segments. In 2003 we launched the premium "NEO" brand and the mass-market "Zavetny Bidonchik". In the premium segment of the market we launched a broad selection of products throughout 2004 and 2005, including our flagship functional product Imunele. In 2007, we extended our functional range to include Beauty with aloe vera, the first product of its kind on the Russian dairy market.

Market trends and competition. The Russian dairy market has been growing in the last three years. According to our estimates, the total market for packaged dairy products in Russia was 8.8 billion liters in 2005, 9.3 billion liters in 2006 and 9.9 billion liters in 2007. We believe that consumption may continue to increase, as rising household incomes in Russia may tend to bring about higher protein consumption and preferences for dairy products. In particular, Russian households have proven receptive to yogurt, enriched dairy products and dessert dairy products. Given the existing low per capita consumption, we see this market segment as providing an opportunity for growth. We also expect continued growth in the consumption of products with long shelf life, including sterilized milk.

Though some measure of consolidation is occurring in the Russian dairy industry, the milk processing sector in Russia remains fragmented and includes more than 1,600 large, medium and small enterprises. Due to the high degree of fragmentation, the market is very competitive in pricing terms. From 2000 to the present, we have expanded our distribution capacity, reduced our sales to wholesalers, increased our sales to retailers and increased advertising. We also remain committed to our regional expansion strategy and are constantly expanding our regional product offerings as consumer spending is growing steadily in the regions. Cutting costs and improving the quality of our products remain our main focus areas. We believe that these strategies and strengthening marketing investment have increased public awareness and loyalty to our products and helped us expand our business. We have also increased our production of value-added products available in attractive and convenient packaging.

In the dairy market, according to an AC Nielsen study of 24 major cities, including Moscow and St. Petersburg, we were the market leader at the end of 2007 with a 34% market share in volume terms*. In the traditional dairy market, we lead the market with a 33.5% market share in volume terms. In the enriched dairy market, our share was 29% in volume

* The dairy market shares stated for our company and all the competitors exclude in each case cheese and butter

terms at the end of 2007. In yogurts and desserts, we were the market leader with 45.1% in volume terms.

In traditional dairy, we compete primarily with local producers, such as Unimilk, Voronezhsky M.K. (Molvest), as well as with a number of smaller regional producers. In enriched dairy, we compete primarily with Groupe Danone. In yogurts and desserts and, to some extent, in products for children, we compete with foreign producers such as Danone, Campina and Ehrmann who continue to invest in their businesses in Russia. We view the following producers as our primary competitors:

- *Groupe Danone*, a French company which is the most active foreign producer in Russia and aggressively promotes its products. It has a dairy plant in the Volga region where it produces yogurts, as well as a dairy plant in the Moscow region. We understand that Danone may have plans to build a new plant in Siberia. Both domestically produced and imported products are sold under the Danone brand name across Russia through its own distribution network. Key brands are Activia, Actimel, Rastishka and Danissimo. According to the AC Nielsen study of 24 cities, in 2007, Danone had a 12.9% market share in yogurts and desserts in volume terms and a 6.7% share of the total Russian dairy market in volume terms.
- *Unimilk*, the second largest dairy holding company in Russia. Unimilk has over 25 dairy production facilities in Russia and two in Ukraine. Its largest production facility, the St. Petersburg-based Petmol, produces a wide range of dairy products. According to the AC Nielsen study of 24 cities, in 2007, Unimilk had a 12.9% market share in traditional dairy, a 6.5% market share in yogurts and desserts and 13.1% share of the total Russian dairy market in volume terms.
- *Ehrmann*, a German company producing yogurts at its plant located in the Moscow region. Its brand names Ehrmigurt, Yogurtovich, Fruktoovich and Uslada were developed specifically for Russian consumers. According to the AC Nielsen study of 24 cities, Ehrmann had a 5.7% market share in yogurts and desserts in 2007 in volume terms.
- *Voronezhsky M.K.*, a Russian company producing a wide range of dairy products. Its main brand names are Vkusnoteevo and Ivan Poddubniy. According to the AC Nielsen study of 24 cities, Voronezhsky M.K had a 4.3% market share in traditional dairy and a 3.8% share of the total Russian dairy market in volume terms in 2007.
- *Campina* is an international co-operative dairy company that specializes in production of milk, yogurt and desserts. Its main brand names are Campina, Fruttis, Nezhniy, Stupinskoe and Yogho! In May 2008, Campina and Friesland Foods, another large international dairy co-operative, signed a merger agreement, which is subject to the approval of European regulators. According to the AC Nielsen study of 24 cities, Campina had a 7.7% market share in yogurts and desserts in 2007 and a 1.2% share of the total Russian dairy market in volume terms.

Recent trends also indicate that industry consolidation may lead to the emergence of larger domestic producers, which could become our significant competitors.

Foreign dairy manufacturers generally have large promotional budgets and advanced production know-how, allowing them to offer quality and innovative products, and strong distribution networks. While foreign manufacturers generally tended in the past to focus on niche markets, usually in the premium segment, they are now increasingly offering products to an average Russian consumer with an average income. For example, Danone owns two plants in Russia and has introduced several of its yogurt brands into the Russian market, some of which were developed specifically for Russian consumers. Dutch company Campina also owns a dairy plant in Russia that produces fresh yogurts and yogurts with a long shelf life. In addition, the German companies Ehrmann and Onken produce yogurt at Russian plants, and

Onken launched its own dairy production factory in Russia in 2003. Foreign cheese producers also launched production facilities in 2003, including French company Lactalis and German company Hochland. In 2004, Lactalis acquired Foodmaster International, a company owning seven dairy factories in Kazakhstan, Moldova and Ukraine that produce milk, kefir, sour cream, yogurt and cheese. In Russia, Lactalis owns Lactalis Istra, a factory located near Moscow with capacity to produce up to 6,000 metric tons of cheese annually, and in Ukraine it owns a dairy plant in Nikolaev that produces various dairy products. Due to their increased domestic production of yogurt and dairy desserts, foreign producers have become our main competitors in these sectors, whereas we mainly compete with domestic producers in the traditional dairy sector.

We believe that we have several important competitive advantages that will allow us to maintain a leading position in the Russian dairy market: strong and diversified brands, stable access to raw milk, a broad distribution network, new product development focus, a substantial in-house R&D department, modern production assets and technology, access to external capital and a strong management team. We also benefit from our strong regional production base, while our foreign competitors must generally transport their yogurts and premium segment desserts from Moscow to the regions, which is costly and logistically complex.

We intend to take advantage of these strengths through our strategy of promoting brand awareness and loyalty with an emphasis on product quality, as well as by continuing our efforts to focus on developing new products equal to or better in quality than those offered by Western producers.

Beverage products and brands

Our beverage products consist of juice and bottled mineral and drinking water products. In 2007, juice products made up 92.5% of beverages sales with bottled mineral water accounting for 7.5%.

Our juices are produced primarily at the Ramenskiy Plant in Moscow (renamed Wimm-Bill-Dann Beverages in 2007) and at Fruktopak in Tula, and we have also retained juice lines at our dairy production facilities in Vladivostok, Novosibirsk and at the Tsaritsino Dairy Plant in Moscow. Our mineral water is produced at our two plants in the Essentuki area.

Our principal beverage product lines and types of products and brands are as follows:

Product Line	Brands and Types of Products
Juice and nectars produced from juice concentrate	<ul style="list-style-type: none"> • "J-7," covering 14 kinds of fruit and berry juices and nectars • "100% Gold," covering 9 kinds of fruit juices and nectars • "Lovely Garden," covering 17 kinds of fruit and berry juices and nectars, 5 kinds of juices and nectars enriched with vitamins and 3 kinds of traditional Russian berry drinks
Enriched juice-based drinks	<ul style="list-style-type: none"> • "J-7 Exotic," an exotic fruit juice and nectar range
Traditional berry-juice-based drinks	<ul style="list-style-type: none"> • "Wonder Berry," covering 4 kinds of berry-juice based drinks. Compote was moved out of range in the beginning of 2007.
Mineral water	<ul style="list-style-type: none"> • "Essentuki," covering 3 kinds of therapeutic mineral water (Essentuki #4, #17 and #20) • "Novoessentukskaya," covering 1 kind of therapeutic mineral table water

The juice market consists of three basic segments, and WBD juice products are presented in all of them. We have positioned our portfolio of juice and nectar brands against three major volume segments, so that our three brands are placed in key competitive price segments. Investments into J-7 and Essentuki marketing and distribution in 2007 have been very successful.

For example, in 2007, we introduced new packaging design and marketing approaches for “J-7” brand products. The main packaging for the brand remains Tetra Prizma and PET packaging. The portfolio of “Lovely Garden” was improved and strengthened via additional introductions of ‘Future Consumption’ packs and smaller format 0.5 liter packs, which had not been used previously for “Lovely Garden”. In addition, the use of 2-liter packaging was extended to other flavors, 1.5-liter packs were launched along with the 0.5 liter format in three flavors. “Wonder Berry” remained in 1-liter and 0.33 liter packs. At the end of 2007, we moved from 0.425 liter PET bottles to 0.39-liter formats for “J-7” and “Lovely Garden”. A new pack design in new Tetra Prizma packaging was launched for “100% Gold” juices and nectars in the 1-liter format.

In 2007, J-7 was repositioned to the premium segment and showed strong business results. The following chart illustrates our estimates of the current market-segment positioning for our major brands, as well as a general description of the purchasers which each market segment covers:

Segment	General Purchaser Characteristics	Juice and nectars produced from juice concentrate	Traditional berry-juice-based drinks	Other juice-based drinks	Mineral water
Premium	<ul style="list-style-type: none"> • Aged 20-45 • Men and women in the middle to upper-middle income bracket 	“J-7”	“Wonder Berry”	“J-7 Exotic”	“Essentuki”
Value for Money	<ul style="list-style-type: none"> • Aged 20-45 • Men and women in the middle to upper-middle income bracket • Active, optimistic and open-minded 				
	<ul style="list-style-type: none"> • Aged 25-45 • Primarily married men and women with children in the middle income bracket • Self-confident, rational, but not trend setters 	“100% Gold”			
Econom	<ul style="list-style-type: none"> • Aged 25-45 • Men and women typically with children and below average incomes; family oriented 	“Lovely Garden”	“Lovely Garden”		“Novoessentukskaya”

Our main water brand is produced at factories from underground wells in the Essentuki area of Russia. Our mineral water products are positioned in both premium and econom segments of the market and cater to consumers who prefer bottled natural mineral water to purified or ordinary tap water. We remain committed to expanding our Essentuki production capacity.

Our aim in entering the bottled water sector is to satisfy the growing demand among Russian consumers for quality mineral and drinking water using ecologically pure Russian

sources. We believe that consumers will eventually distinguish and value the superior quality spring and natural water that we offer them as opposed to purified water.

We believe that our primary competitors in this area are Pepsi's "Aqua Minerale" and Coca-Cola's "BonAqua," as well as Borzhomi, Narzan and Saint Springs, all of which are produced in the CIS. We have positioned our brand in a more up-to-date style, accentuating the fact that it is naturally produced mineral water, and offer both still and carbonated waters in a variety of bottle sizes, giving consumers a wider selection.

Market trends and competition. The Russian juice market grew steadily from the time of the dissolution of the Soviet Union until the 1998 financial crisis, following which there was a significant decrease in consumption from which the market had substantially recovered by 2000. The total market for juice products, defined as the total consumption of domestically produced and imported products, increased to 3,062 million liters in 2007, according to Business Analytica, from 2,700 million liters in 2006. We believe that rising household incomes in Russia and the increasing preference for juice over fresh fruit, which generally accompanies increased incomes, will encourage the consumption of vitamin-rich, value-added products with different tastes and nutritional characteristics. For example, according to Business Analytica, in Moscow, which enjoys higher average per-capita incomes than most other parts of Russia, the average consumption of juice in 2007 was approximately 51 liters per capita, as opposed to national per capita consumption of approximately 21.5 liters per capita (according to Canadean study). The most dynamic growth in recent years has been in the lower-middle price bracket, which we expect will continue to drive market growth in the foreseeable future.

The markets for juice products in Moscow, the Moscow region and St. Petersburg are relatively mature compared to other regions of Russia, and are expected to exhibit relatively modest growth rates in the future, with particular growth expected in the upper-middle product segment. We believe that significant growth opportunities lie in the regions of Russia. In many of them juice is still a novelty and we believe that with rising household incomes there will be a growing demand for lower-middle juice offerings. The operating environment has been challenging since the 1998 financial crisis. Competitive pressures have intensified because of the low purchasing power of households outside of Moscow and St. Petersburg and the rising number of domestic producers. We initially responded to this competitive challenge by introducing two new brands, one targeted at the middle-market price segment and the other at the mass-market price segment. In addition, we have been revising our juice distribution network, reducing the number of distributors we work with and building stronger relationships with distributors having direct distribution capabilities. We believe that, together with the launch of new products, the increased share of higher-priced products in our product mix, increased advertising, new packaging and increased production capacity, these strategies will increase public awareness of our products and our sales, which will allow us to expand our market share at acceptable prices.

In the Russian juice market, according to a Business Analytica survey of all of Russia, we had an 18% market share in value terms at the end of 2007.

Our principal competitors in the Russian juice market include the following companies:

- *Multon* is based in St. Petersburg and, according to Business Analytica, had a 22% market share in Russia in 2007. Dobry, Rich and Nico are key brands of the company. Multon gained significant market share since 1998 primarily through aggressive pricing policies and advertising. In 2007 it launched the Rich Fruit drinkable puree. Multon was acquired by Coca-Cola in April 2005.
- *Lebedyansky* is based in the Lipetsk region and, according to Business Analytica, had a 28% market share in Russia. Tonus, Ya, Fruktovy Sad and other brands have become well-known among Russian consumers. In 2007 Lebedyansky acquired Troya

Ultra juice producer based in St. Petersburg and complete purchase of Progress juice plant. In March 2008 PepsiCo announced acquisition of 76% of Lebedyansky.

- *Nidan* is a Novosibirsk-based Russian company that accounted for 16% of the market in value terms in 2007. Moya Semya is a major brand of the company. Other key brands are Caprise and Champion. In August 2007 Lion Capital, a British investment fund, agreed to acquire 75% of *Nidan*'s shares.

The market shares of our principal competitors mentioned above are indicated in each case as of the end of 2007, in value terms.

The market for mineral water is characterized by rising consumption, as well as many local brands that are strong in their respective home regions. According to Business Analytica, the total market for bottled water in Russia increased to 3,349 million liters in 2007 from 2,965 million liters in 2006. Russian bottled-water producers dominated the market, with a 67% market share in terms of value, while the share of the two market leaders, PepsiCo and Coca-Cola, accounted for 33%, according to a Business Analytica survey of Russia's 10 largest cities in 2007. According to the same survey, we were among the top-ten water producers in Russia, with a 2.9% market share by value. The market growth in recent years has been driven mainly by the increased consumption of bottled water sold in large packaging, which is consumed for drinking, as well as cooking purposes. We believe that this market will continue to expand in the coming years due to the growing per capita income in Russia and increasing concern among the population over food and water quality.

Baby food products and brands

Our baby food products, sold under the "Agusha" brand, include liquid dairy baby food, juice, purees and products for pregnant and nursing women. These products are mainly produced at the Moscow Dairy Baby Food Plant and at the Kursk Baby Food Plant, with production launched at Manros-M in Omsk in March 2008. In 2007, baby food products comprised 7% of our total sales.

As of 2005, baby food is a stand alone business for operational and reporting purposes. Prior to 2005, baby food was part of our dairy segment.

We are currently developing our baby food division by focusing on geographical expansion, full range of products and increased production. We also plan to launch new products, as well as expand the range of the existing ones.

To further expand our geographical reach and widen our portfolio, we acquired the Kursk Baby Food Plant in July 2005 and re-launched it after an extensive modernization in April 2007. The plant sources certain of its raw materials from its own fruit orchards, and our acquisition of the plant allows us to expand our baby food product range to include fruit and vegetable purees.

Market trends and competition. The baby food market in Russia has been experiencing dynamic growth in recent years, supported by improved market conditions, including rising average incomes, more stringent government regulation of baby food production and the introduction of various state-supported social programs aimed at improving domestic birth rates and providing maternity assistance. As a result of these improved conditions and increased consumer demand, domestic production of baby food products has increased over the last few years, with certain of Russia's major juice and dairy producers increasing their production capacity and introducing new baby food brands. Foreign producers are also active in the market and, similar to the dairy and juice markets, several such producers have begun to focus on establishing local production capacity in Russia. The baby food market is already consolidated, with top six players accounting for approximately 78% of the total baby food market, according to MEMRB. Given the existing low per capita consumption and growing incomes this market segment has a strong growth potential. Another factor driving the growth of the Russian baby food market is the increase in the number of infants aged four and under

by 3.5% in 2005, by 2.5% in 2006 and by 2.6% in 2007, according to the Federal State Statistics Service (former GosKomStat).

According to MEMRB, we were the market leader in dairy products for babies and infants in Russia in 2007, with 75% value share, followed by Petmol (part of Unimilk, Tyoma brand) with 25% value share. Nestlé and Nutricia were the market leaders for powdered formula and cereals, with 50% and 31% value shares in powdered formula and 21% and 29% value shares in cereals, respectively. Local producers of baby food products are also active in regional markets, the largest of which are the Zelenodolsk Baby Food Dairy Plant, Ekaterinburg Dairy No. 1, Novosibirsk Dairy and Ratmir Tver Dairy.

Among the leading producers of baby food in Russia are foreign companies such as Nestlé, Nutricia, Heinz and Hipp, which generally operate in all of the main baby food categories, as well as domestic producers such as us, Nutritek, MK Tikhoretsky and Lebedyansky, which generally operate in select baby food product categories.

New Product Development

For a leading consumer goods company operating in an ever more competitive marketplace, we rely on the process of innovation in order to strengthen our market position and win market share in other segments. A high-technology research and development capability is a crucial competitive advantage for us and a key to our long-term profitability growth.

Our Research and Development (R&D) base, employing more than 40 people, is located at Lianozovsky Dairy Plant in Moscow, the company's flagship enterprise and one of the largest and one of the best technically equipped dairy production facilities in Europe including its own testing platform. R&D creates and tests new products for the company's dairy, beverages and baby food units, working closely with production across the company. Since 2006, with the creation of the new post of Head of Marketing and Innovation, R&D is working even more closely with Marketing to combine intelligence and research about changing consumer habits and patterns to develop new products across all three main business units.

Innovations can include enriched versions of existing products, new formats and packaging for popular products – changing how they are consumed – and wholly new products for the Russian market. New packaging technology can turn a product into a convenient snack or meal, such as “Vesely Molochnik” kasha with a spoon. All of these innovations are aimed at providing higher margin goods for the company and nutritious, convenient and tasty foods for the consumer.

Looking forward, new product development is being conducted in line with the company's mission to provide healthy, high-quality and safe foods for the entire family. Functional foods, products aimed at women and convenience products for busy lifestyles are key areas of focus. The department is working to develop new, enriched products that deliver added nutrition through the use of biologically active ingredients that help deliver essential nutrients. The successful launch in the second half of 2007 of the “Beauty” brand, which contains aloe extract and is formulated to rejuvenate the skin, nails and hair, is an example of such a functional product. In baby food, R&D is focused on filling out our range and enhancing product quality.

Much of our new product development effort over the past three years has focused on higher-margin, value-added yogurt and dessert products. At present, we are focused on the development of value-added dairy products oriented towards Russian consumers, taking into consideration the general deficit of micro- and macro-nutrients in the diets of the average Russian consumer, and leveraging our superior understanding of Russian taste preferences.

Throughout 2005 and 2006 we actively develop our cheese and enriched dairy products. We expanded our cheese production, introducing new brands and varieties. For example, we

introduced a wide selection of processed cheese products under our “Vesely Molochnik” brand, as well as hard cheese sold under “Lamber” brand. In addition, in 2005, we launched a new line of “5 Grain” yogurts and cottage cheese products and low lactose milk under the “Bio-Max” brand.

In 2006, we launched a new kefir called “Effective” under the Bio-Max brand. In addition, in 2006, we launched rice pudding under the “Vesely Molochnik” brand.

In the beverages segment, we launched a new product under our “Lovely Garden” brand called “Lovely Garden—10 Vitamins” during 2005. In the same year, we introduced new PET bottle packaging for this brand.

In 2006 we launched a new production line at the Kursk Baby Food Plant for juices and fruit purees. In the first quarter of 2007 we launched new Agusha product ranges, including meat and fish purees containing essential vitamins and minerals and made from GM-free ingredients. The Chudo assortment reached 200 SKUs (stock-keeping units) by the end of 2007, offering wider range of flavors in every category it operates.

During 2007 a significant number of innovative products were introduced to Russian consumers. The launch of “Beauty” was considered one of the most important launches across the portfolio. A number of packaging ideas were implemented in 2007, such as multipacks for Chudo, Imunele and Beauty to stimulate consumer off-take. J-7 core orange flavor upgrade, new packaging and advertising campaign stimulated J-7 sales growth in 2007. In addition, a number of new flavors were launched in the Juice segment, including two versions of tomato juice under the “Lovely Garden” brand and “Mango Cinnamon” under J-7.

Advertising and Marketing

Brand building and marketing have always been at the core of our business. Since the early 1990’s, we have built brands into household names in Russia and the CIS, from the J-7 brand of juice to one of Russia’s first yogurts under the Chudo brand to Agusha, the most popular baby food brand.

Our marketing strategy is aimed at turning our leading portfolio of brands into even stronger competitive advantage. We will aim to accelerate brand building based on a deeper understanding of consumers and faster reaction to new trends in the marketplace. As the cost of advertising on Russian television continues to rise, we will concentrate on more focused and more efficient campaigns to reach target consumer audiences.

Our investment in some 10 power brands in 2007 is aimed at increasing their average selling price and market share, while achieving the right product mix. We believe, our most successful brands still have considerable untapped potential.

In juice, the J-7 brand saw radical changes in 2007, with a new, breakthrough advertising campaign, new packaging, improved taste profile and new pricing structure.

Instead of viewing products within the context of a single market niche, all of our power brands are today being positioned on the basis of health and wellness, reflecting our mission and the emerging trend toward healthier lifestyles visible today in Russia. We see each brand as a reflection of our broader corporate identity, with our label on every product aimed at conveying a consistent message of quality, taste and health.

In addition, the scientific potential of the R&D division and consumer knowledge have been brought together, with R&D reporting to marketing. The innovation process has been accelerated with a focus on value-added, functional foods.

Our advertising and marketing expenditures of \$57.9 million in 2005, \$76.2 million in 2006 and \$138.0 million in 2007 constituted 4.1%, 4.3%, and 5.7% of net sales, respectively. Though we are, in some instances, able to obtain volume discounts, we expect these expenditures, as a percent of net sales, to increase significantly due to market competition and annual media inflation. According to Gallup, in Russia, we were the ninth largest advertiser in 2005, the twelfth largest advertiser in 2006 and the tenth largest advertiser in 2007. In 2007,

we began systematic testing of the quality of our advertising, and saw positive results on several key brands, including J-7, Little House in the Village and Agusha.

We plan to continue to allocate the bulk of our advertising budget to a limited group of strategic brands which are highly ranked in their respective markets. We also plan to continue our aggressive advertising and marketing of selected new products.

We have also built brand awareness through charitable work and sponsored events. For example, in 2004, 2005 and 2006, we sponsored the "Tefi" National Television Awards program. For several years, we have sponsored International Charity Foundation events benefiting orphans through its "Hope Around the World" program. We also support several other charitable organizations and serve as a trustee of the Charity Foundation for Special Grants, which was headed by the late Mstislav Rostropovich, a prominent Russian musician.

Sales and Distribution

According to Russia's Federal Statistics Agency, total retail sales in 2007 in Russia as a whole grew 15.2% year-on-year.

Seven Russian regions (Moscow, Saint-Petersburg, Moscow region, Sverdlovsk region, Rostov region, Tyumen region and Krasnodar region) accounted for 43.2% of total retail turnover, including 19% in Moscow alone.

In recent years, individuals in Russia have been spending an increasing percentage of their incomes on consumer goods. In 2007, the cash income of the population grew 22.4% compared to 2006, and purchase of goods and services grew by 23.5%. The growth in the income of the population led to growth in demand as well as a change in its structure, as consumers began to buy more expensive and higher quality goods.

Today, Russia's retail landscape is in the midst of a transformation. International and domestic food retail chains, the familiar retail model in Western countries, have expanded, replacing more traditional outlets such as open markets and kiosks.

A notable feature of 2007 was a decrease in sales at open markets. Retail volumes at open markets in 2007 were 10% below 2006 levels. The decline of open markets reflects the fact that modern stores provide a wide range of products across a wide range of price categories and that consumers are increasingly dissatisfied with the quality of products as well as environment and lack of convenience inherent in shopping at open markets. At the same time, the current share of modern retail formats among total retail turnover in Russia as a whole remains low compared to developed markets, at around 25% compared to 75% in most of Europe.

The absolute size of the retail market continues to grow every year, with Russia's regional markets seeing the fastest growth. According to Business Analytica and Nielsen data, the share of sales via modern formats, such as supermarkets, hypermarkets and discounters, in general volume of retail sales is seeing rapid growth. According to Business Analytica, the share of juice sold in modern format outlets grew from 13.4% of all juice sales in 2006 to 15.7% in 2007, while the share of all dairy products grew from 57% in 2006 to 63% in 2007 (according to AC Nielsen).

In Moscow, the country's largest single market, this ratio is considerably higher and in the last few years, foreign and domestic retail chains have focused on expanding in large regional cities, in particular targeting fast-growing but under-served regions such as the Urals and Siberia. We believe that growth in retail chains creates additional opportunity for market expansion and has a generally positive effect. In particular, retail chains provide increased business transparency and new technologies for sales and marketing, and offer manufacturers new opportunities to increase sales volumes, and expand sales geographically.

Sales

In 2007, we made substantial investments in our Sales and Distribution (S&D) function as part of a long-term commitment to improve our “route-to-market” and better control our in-store execution.

We plan to meet the changing and increasing demands of our customers by delivering appropriate stock levels and reasonable delivery times consistent with achieving the optimal economics of distribution. In order to achieve these objectives, we have developed a network of distribution centers and trade offices throughout Russia and other countries of the CIS. At the end of 2006 we had 14 distribution centers for dairy products, whereas in the fourth quarter of 2007 this number grew to 25. On the basis of distribution centers, teams of field managers were created that allow us to control sales, including controlling trade marketing actions by these centers. We also sell our products directly from production sites.

A key part of our strategy is to enhance control over the “route-to-market” and collaborate successfully with retailers to ensure key brands are well positioned in retail outlets, priced correctly and maintained at the same high quality as when they left the factory. Investment in our own fleet of cold-chain delivery vehicles represents a substantial upfront cost, but ensures better control and flexibility over deliveries of perishable dairy products. Across the company, improvements are being made to the supply chain to reduce costs, maintain quality and tightly track products from the factory to the consumer.

Another key strategic direction is development and increasing efficiency of our field sales force.

We are also developing our merchandising standards and setting up pilot stores for our sales personnel and distributors to showcase our brands and provide a template for merchandizing strategies.

Distribution

Due to different consumption patterns and product characteristics, our dairy, baby food and beverage businesses require different distribution strategies. We have therefore built two distribution systems: one for our dairy and baby food, and the other one for beverage products, although we use the same marketing approach in each business and take advantage of synergies between the systems to the extent possible. We also develop our sales through exclusive distributors, for which our products sales is a 100% of their business.

We sell our products through various sales channels, including independent distributors and wholesalers, supermarket chains, small- and medium-sized grocery stores, open air markets, pavilions and restaurants.

Independent distributors

As a percentage of total sales during 2007, in terms of products value, we sold 60% of our dairy products, 67% of beverages and 40% of baby food products through large chains of independent distributors. The process is controlled by our sales personnel.

All of our dairy distributors in Moscow are exclusive to us and do not distribute dairy products of our competitors. We also implemented a segmentation program among the Moscow distributors whereby each distributor controls the distribution of a particular segment or segments of the dairy product market. In St. Petersburg and the surrounding areas, we also have large independent distributors who purchase products from us in accordance with the segmentation program. We believe that this strategy increases the quality and efficiency of distribution while allowing distributors a larger financial stake and incentive to operate high-quality distribution channels.

A number of independent distributors with whom we work purchase dairy, beverage and baby food products from us.

Our beverage product distribution network consisted of 15 regional sales offices throughout Russia in 2007. We have reduced the number of distributors we work with and broadened the scope of sales made through the distributors to include sales to sub-distributors, wholesalers and small retailers. In Moscow, our independent distributors act principally as logistical coordinators, as our sales representatives work directly with retail outlets and other customers in making sales but rely on the distributors to execute the orders through delivery and payment collection. Outside of Moscow, we rely more heavily on our independent distributors. Some of our beverage distributors have teams devoted exclusively to the sale and distribution of our products.

Independent distributors purchase directly from us and then resell our products through their own distribution centers. Given the importance of these customers, we process orders from independent distributors relatively quickly. We launched our Internet order system in Moscow in January 2000, and all orders by our dairy product distributors in Moscow and the Moscow region are now placed through the Internet. In 2001, we started to use an automated order system with all of our independent distributors who purchase our products in large volumes, and in 2002, we began using this automated order system with our smaller independent distributors as well.

During 2004, we worked and invested with our independent distributors in Moscow to establish warehouses and transportation capable of supporting a "cold supply chain" in order to maintain our products' integrity, freshness and nutritional value.

Direct sales

We sell our products through all the available sales channels, including independent distributors and wholesalers, supermarket chains, small- and medium-sized grocery stores, open air markets, pavilions and restaurants. However, as the share of chain retailers grows, our strategy is to increase the share of our own direct sales to them.

As a percentage of our total sales during 2007, in terms of product value, we sold 36% of our dairy products, 30% of beverages and 25% of baby food products directly through our national and local key accounts. We believe that the importance of these customers will continue to grow in the coming years. In 2007, our share of sales via the sector grew 6.1% compared 2006. We want to become the supplier of choice for these customers by developing key supplier relationships and improving customer service standards. We also sell our products to wholesaler Metro, whose customers are mainly small- and medium-sized businesses that purchase our products in bulk for resale or everyday business use.

While relationships with supermarket chains are currently beneficial for us, we expect that the growth of certain chains and consolidation of market power may increase the bargaining power of some of these customers. For example, some Russian supermarket chains have, from time to time, created informal alliances in an attempt to obtain greater price discounts from manufacturers. We do not intend to seek or sustain inefficient sales volumes and may withdraw from unprofitable business relationships.

Other sales

Our infant dairy products are also purchased by the Moscow City Government, which, in turn, distributes them through specialized milk kitchens located around Moscow and the Moscow region. In 2005 and 2006, the Moscow City Government purchased 36% and 33% respectively of our total baby food sales in terms of product value. In 2007, our baby food sales through milk kitchens decreased to 26%, while, the value of commercial sales increased.

We sell our juice products directly to certain airlines, restaurants, schools, hotels and other establishments. As a percentage of total sales during 2007 we sold 2.9% of our dairy products and 2.6% of our juices products through these customers.

Export program

We began exporting our juice products, in particular our “Wonder Berry” traditional berry-juice drinks, to Western markets in 1999, mainly focusing on Russian communities abroad. We selected this product because of its distinctiveness and the opportunity it presented to take advantage of the expansion of the red-berry juice market in Europe.

We currently export our juice products to the United States, Canada, Australia, Germany, France, Israel, Latvia, Estonia and Lithuania, Mongolia and China. Our juice products are distributed in these countries through independent distributors and are sold in various national and multinational retail chains. Our products are also exported and sold through various sales channels in CIS countries such as Kazakhstan, Georgia, Armenia and Moldova, and we further developed our distribution channels, marketing efforts and sales in Belarus during 2007. We also export our “Essentuki” mineral water, principally to the United States, Canada and Moldova. Our production facilities were certified in 2007 to export “Essentuki” to Ukraine. Our beverages export sales totaled \$2.6 million in 2004, \$3.0 million in 2005, \$3.3 million in 2006 and \$4.6 million in 2007.

The Tsaritsino Dairy Plant (at the end of 2005) and the Rubtsovsk dairy plant (at the beginning of 2007) received a license to export dairy products to the EU. During the licensing process, all of the plants’ equipment and production, technological and control processes were inspected to ensure compliance with international norms and standards. The Lianozovsky Dairy Plant received a similar license in 2004 and currently exports dairy products to the Baltic States and Germany.

We routinely participate in trade shows in foreign countries and work with foreign distributors on promotional campaigns and product tastings (e.g., “Green Week”, “ANUGA” and “SIA”). We also engage in market tests and market research in, as well as one-off deliveries to, foreign countries in order to determine future potential markets. We are a three-time recipient, most recently in 2005, of “The Best Industry Sector Exporter” award from the Trade and Economic Council of the Russian Ministry of Economic Development.

In exporting our products to a country, we strive to meet the applicable legislation governing the import of food products into the country. Independent distributors have, in some cases, attempted to export products to other countries that did not meet applicable legislation.

Production and raw materials

Production efficiency and quality

Our Quality System (QS) is a clearly defined set of procedures that work together to ensure quality process control and quality assurance.

Our QS undertakes Supplier Assessment audits to ensure suppliers provide materials that meet our exacting quality standards. This includes raw materials for making our products, packaging and equipment. Our experts work with existing and prospective suppliers to ensure their goods can demonstrate compliance with our quality, safety and performance standards. Suppliers are graded and assigned Key Production Indicators (KPIs) based on the criteria of product quality, delivery, cost and responsiveness. This work not only ensures suppliers meet our standards but helps make them more efficient, lowering our input costs.

The QS plays a critical role in ongoing technological integration across all of our factories and trading groups. In the dairy business unit, where we have invested substantially since 2003 in modernizing acquired production facilities, quality control experts have led the Unification Project, aimed at establishing tight coordination of the manufacturing process at many of our geographically distant plants. Consistent manufacturing procedures and technology mean plants operating thousands of kilometers apart can make products with consistently high and uniform taste and quality.

We have our own certified research laboratory with a team of scientists and experts. Samples of all our primary ingredients and samples of our final products undergo microbiological analysis and in-depth testing. In addition, we have laboratories at all of our plants that perform quality checks on our products at all stages, including quality checks on the raw milk supplied by farms to us, the materials at our production facilities and the finished products in our warehouses.

The Trade QS measures the quality of the product and packaging in the marketplace itself. Under a system launched in 2007, trade sampling and laboratory analysis match products against our specifications and provide a Quality Index calculation determining whether a product meets the high standards set by us for our consumers.

In developing new types of products, we cooperate closely with the Institute of Nutrition of the Russian Academy of Medical Sciences, Moscow State University of Food Production, Moscow State University of Applied Biotechnology, All-Russian Institute of Dairy Industry and the GFL-Laboratory in Berlin, Germany. This cooperation has provided our employees with scientific advice, solutions to technical problems and on-site training. We also work closely with several multinational raw material and additive suppliers in order to benefit from their collective technical expertise in relation to our new product development and evolving quality standards.

In addition, our researchers and quality control experts work closely with Russian federal bodies and their regional and local departments, such as the Sanitary and Epidemiological Inspectorate and the country's main consumer safety agency, known as Rosпотребнадзор. We work actively with lawmakers and government experts to develop new regulations and procedures for the food industry aimed at making sure rules are clear for all participants.

In addition to compliance with the relevant Russian quality standards, we strive to ensure that our products conform to the quality standards of organizations such as the World Health Organization, l'Association Francaise de Normalisation and the Food and Agricultural Organization, as well as the regulations of the European Union. We are also a member of the International Federation of Fruit Juice Producers, the Russian Union of Juice Manufacturers and the Russian Dairy Union. Additionally, we assist relevant Russian government agencies in initiating and developing corresponding regulations for the Russian market.

To improve the feedback and receive queries from our consumers a nation-wide toll-free hot-line was developed and implemented. The number is printed on our packaging for all of our products.

We have been upgrading and expanding our facilities with advanced technological engineering. Our significant investments in manufacturing have helped enable our products to compete with those of leading domestic and international manufacturers. For example, at the Lianozovsky and Tsaritsino Dairy Plants, we installed new equipment improving the quality of raw milk used in production; at the Timashevsk Dairy Plant, we installed an automatic system controlling production processes; and at the Vladivostok Dairy Plant, we modernized the water purification system. Additionally, the reconstruction of the Moscow Baby Food Plant and installation of new production lines there have allowed us to improve the quality of the products produced at this plant. All the lines at the Moscow Baby Food Plant are now equipped with aseptic technology. The method of ultrafiltration we use at this plant also allows us to produce children's cheese paste which retains its most beneficial nutrient, serum protein, giving it a higher nutritional value than similar products manufactured at other plants.

During 2005, we continued to modernize the Lianozovsky and Tsaritsino Dairy Plants by upgrading acceptance workshops, broadened our cheese production capacity at the Rubtsovsk Dairy Plant in order to satisfy the growing demand for our hard cheese products and added a new production line for porridges and processed cheese at the Timashevsk Dairy Plant. At the Vladivostok Dairy Plant, we installed a juice production line to produce "Lovely Garden" and "J-7" juice products.

During 2006, we installed a new innovative line of fruit preparation that allows us to improve the quality of jams used in our products. A unique technology for aseptic dairy-based sauce production was developed and implemented at Lianozovsky Dairy Plant. A new filling line with tunnel autoclave was installed at the Kursk Baby Food Plant. New technologies for purification of raw juice were implemented at Ramenskoye.

In 2007 we completely overhauled our newly acquired plants, Manros and Angarsky Dairy Plant (MOLKA). They are now fully operational. We are also in the process of closing down Ochakovsky Dairy Plant for a major overhaul and moving the production to our other facilities.

Food raw materials

The main raw materials we use in our production include the following:

- raw milk, which we generally obtain from domestic farmers;
- powder milk, which we generally obtain from our own production, domestic producers or import;
- bacteria cultures, which we generally import;
- flavorings, which we generally import;
- sugar, which we generally import;
- juice concentrate and juice puree, which we primarily import, but also purchase domestically; and
- other ingredients such as frozen fruits, aromas and stabilizers.

The prices of each of the foregoing raw materials are generally volatile.

Our purchasing policy is to build long-term strategic relationships with the suppliers-partners. We have focused on developing partnerships with established leaders in the field of local and global food production, including the leading Russian and international sugar, fruit concentrates and purees, powder milk, frozen fruits and ingredients producers.

We purchase almost all of our raw materials from the producers and do not engage in a significant amount of barter transactions. We purchase certain raw materials such as bacteria cultures, juice concentrates and flavors from foreign manufacturers when products of appropriate quality are not available locally.

With the aim of ensuring a stable supply of raw milk at reasonable and forecasted prices, ensuring consistent quality of milk and balancing out seasonality, we are moving towards long-term milk supply contracts, leasing milking and refrigeration equipment to local producers, providing selected local milk producers with working capital loans or guarantees, assisting with long-term subsidized bank financing arrangements, contracting directly with farmers and avoiding middlemen and working with the state authorities that regulate this sector.

“Milk Rivers” program. We have strengthened our position in the dairy market by developing our own network of raw material suppliers, in significant part through investments that support agricultural producers.

In the summer of 1999, we merged and formalized these programs under our “Milk Rivers” program, through which we provide local dairies with trade loans, feed, and leased combine-harvesters and milking and refrigeration equipment. In selecting farms to participate in this program, we choose only those that seek to increase the quality of their products and raise the productivity of their herds. We also look for producers that can help balance out the seasonality in raw milk production volumes.

Under the Milk Rivers program, we have rented milking and refrigeration equipment for periods from three to eight years for agricultural enterprises located in the Moscow and other regions, including Voronezh, Nizhny Novgorod, Ufa, Novosibirsk, Krasnodar and Altai. The lease receivables are offset with milk supplies based on a predetermined schedule during the lease term. The lease receivables are denominated in U.S. dollars and Russian rubles. Equipment leased out to farms includes milking and refrigeration equipment for accelerated milk cooling and the temporary storage of milk at farms and other technical devices that increase the productivity of farms. The type of equipment provided depends on the needs of each particular farm.

Under the Milk Rivers program, we also provide loans to Milk Rivers dairy producers for the purchase of dairy cattle. We have also offered seminars and lectures to our Milk Rivers program participants to help them improve the quality of the milk they produce.

We plan to eventually expand the scope of this program to other regions of Russia.

Other initiatives. A key factor for enhancing milk productivity of a herd and increasing milk quality is the availability of a good feed base. This particular problem has been one of the most important in recent years and arose because of harvesting problems deriving from a lack of modern harvesting machinery. For this reason, the second stage of the Milk Rivers program has entailed providing a number of the participating agricultural enterprises with new fodder-harvesting machines. German company Doppstadt, through its joint-venture in St. Petersburg, has become our partner in this project.

We believe that providing dairies with wholesome, well-balanced compound animal fodder is essential for increasing the productivity of dairy herds, especially in the winter. We have been working with select farms and fodder producers since 1999. As with the Milk Rivers program, payment for the fodder is made with milk supplies.

In February 2008, we opened a new mega-farm complex in Volosovsk District near St Petersburg, built in place of the Trud collective farm, which we had acquired in 2005. The state-of-the-art farm is designed for 1,200 Holstein milking cows.

Seasonality

The demand for our dairy products is significantly higher during the winter months, when Russian raw milk production is at its lowest. Conversely, during the summer months, we generally experience lower demand for dairy products, while raw milk production is at its peak. To address these seasonal demands, we have commenced and expanded the production of powder milk at some of our dairy production facilities for use in production during the winter months.

The demand for our juice products traditionally peaks during April through May and in December. We believe that the high demand during April through May is related to the public's heightened desire for vitamin-rich food and drink products during the transition from winter to spring, and the high demand in December is related to increased juice consumption during the holidays.

The demand for both dairy and juice products in southern Russia rises in the summer due to an increase in the number of tourists.

Sales of certain baby food products are affected by seasonal factors. In particular, sales of juice and purees for babies are typically 10-15% higher during the summer months, while sales of liquid dairy baby products are typically 5-8% lower in the summer due, in part, to the fact that many Russians travel to the countryside for vacations in the summer and are unable to transport such products, which have short shelf life.

Packaging

Our principal packaging raw materials include materials needed for packaging our dairy, baby food and juice products, consisting mainly of five groups:

- aseptic paper
- nonaseptic paper
- plastics (PP, PE, Polysterene and others)
- foils
- corrugated board

Our main supplier of composed material for the production of milk and juice carton containers is Tetra Pak, the world leader in manufacturing equipment and materials for aseptic packaging of liquid food products.

Tetra Pak supplied approximately 71% of our total packaging materials in value terms in 2007 (including carton, plastic, foil and other materials), and we are substantially dependent upon this packaging supplier to meet our requirements.

As a major Russian consumer of Tetra Pak products, we have annual contracts with Tetra Pak, which supplies us from its Russian plants as well as from its other European plants.

We have established similar relationships with companies such as SIG Combibloc (aseptic paper for juice and milk) and Elopak (nonaseptic paper).

As part of our strategy to increase locally produced raw materials, we are developing relationships with Russian manufacturers of packaging materials, in particular with companies such as Gofra, Polimer, Formoline, Formaplast, Eximpack, Lukoil-Neftekhim and Planet Thermoforming.

We focus on two main areas building our procurement strategy:

- standardization of specifications for raw materials and packaging allowing group purchasing; and
- strategic relationships with key group-wide suppliers

These two factors are aimed at allowing us to benefit from economies of scale, which we believe will lead to enhanced effectiveness and cost optimization.

Trademarks and Patents

We have registered brand names and trademarks throughout Russia and in other countries. We keep track of our intellectual property and monitor the protection of our brand names and instances of copyright infringement in Russia and the CIS. The extent to which we seek protection of our trademarks outside of Russia and the CIS depends on the significance of the brand and jurisdiction concerned. The brand names listed above under “—Our products and brands—Dairy products and brands” and “—Our products and brands—Beverage products and brands,” which we have registered in Russia, are material to us. We also own several licenses, patents and proprietary recipes, know-how and technologies related to our products and processes. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We may not be able to protect our intellectual property rights adequately, resulting in material harm to our financial results and ability to develop our business” for a description of the risks related to the protection of our trademarks.

In 2007, we obtained recognition of two of our trademarks (“Wimm-Bill-Dann” as a word mark (literal) and combined trade mark “Wimm-Bill-Dann, that’s what you want” as a combined mark) as well-known trademarks of high renown from Rospatent, the Russian patent bodytrademark office. Such recognition protects these trademarks for an unlimited duration of time and provides us with certain additional benefits with respect to our use of these trademarks.

Insurance

We maintain property insurance coverage for our 19 major facilities, including Wimm-Bill-Dann Foods, Wimm-Bill-Dann, Tsaritsino Dairy Plant, Moscow Baby Food Plant, Ochakovo Dairy Plant, Ramenskiy Plant, Timashevsk Dairy Plant, Obninsk Dairy Plant, Annino Dairy Plant, Ufa Dairy Plant, Siberian Dairy Plant, Vladivostok Dairy Plant, Nizhny Novgorod Dairy Plant, Rubtsovsk Dairy Plant, Pervouralsk Dairy Plant, Healing Springs, Baltic Milk, Kiev Dairy Plant, Kharkov Dairy Plant, Buryl Dairy Plant, Bishkeksut, Toshkent Dairy Plant and our warehousing facility at Tomilino distribution center. Insurance coverage is on “All Risks” basis covering buildings of 15 plants and Tomilino distribution center, equipment at 18 facilities for the total sum of \$485.2 million. We have insurance for business interruption at 14 major manufacturing facilities with the total coverage of \$421.7 million.

We have product liability insurance with \$1 million liability coverage per insurance case within the territory of Russia, the CIS countries and Mongolia, \$2.5 million liability coverage per insurance case worldwide except for the territory of Russia, the CIS countries and Mongolia with the cumulative coverage of \$5 million for production and distribution operations of dairy, soft drinks, juices and baby foods in Russia.

See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We do not carry the types of insurance coverage customary in other more economically developed countries for a business of our size and nature, and a significant event could result in substantial property loss and inability to rebuild in a timely manner or at all.”

Environmental and Product Liability

We are subject to the requirements of environmental laws and regulations. While we devote resources designed to maintain compliance with these requirements, we cannot assure you that we operate at all times in complete compliance with all such requirements. We could be subject to potentially significant fines and penalties for any noncompliance that may occur. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Failure to comply with existing laws and regulations or the findings of government inspections, or increased governmental regulation of our operations, could result in substantial additional compliance costs or various sanctions which could materially adversely affect our business, financial condition, results of operations and prospects.”

We also face an inherent business risk of exposure to product liability claims in the event that consumption of our products results in personal illness or death, and we cannot assure you that we will not experience any material product liability losses in the future. In addition, if any of the products we have produced are determined to be unsuitable for consumption, we may be required to participate in a recall involving such products. We have not had any significant historical experience of such claims and are unaware of any potential unasserted claims. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Failure to comply with existing laws and regulations or the findings of government inspections, or increased governmental regulation of our operations, could result in substantial additional compliance costs or various sanctions which could materially adversely affect our business, financial condition, results of operations and prospects” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Independent distributors may export our products to countries where such products do not meet the requirements of applicable legislation. The consequent recalls of our products and the

associated negative publicity may adversely affect our reputation in the Russian Federation, the CIS and abroad, and adversely affect our results of operations.”

Regulation

The production, sale and distribution of food and beverages in the Russian Federation are regulated by general civil legislation and by special legislation that includes quality standards and various safety and sanitary rules.

Government Entities Involved

Aside from federal executive bodies and their structural subdivisions that have authority over general issues, such as defense, internal affairs, security, border service, justice, tax enforcement and rail transport, there are a large number of government agencies directly involved in regulating and supervising the quality and safety of food in the Russian Federation.

The Ministry of Health Protection and Social Development. This Ministry is authorized to issue regulations in various areas, including with respect to sanitary and epidemiological safety and consumer rights protection. The Ministry supervises and coordinates its subordinate bodies, including, among others, the Federal Service for Supervision in the Area of Protection of Consumer Rights and Human Welfare.

The Federal Service for Supervision in the Area of Protection of Consumer Rights and Human Welfare. This Service is the principal federal body authorized to supervise sanitary and epidemiological issues in the Russian Federation. The Service enforces sanitary-epidemiological rules (which include sanitary rules, sanitary standards and hygienic requirements), monitors the sanitary conditions of production sites and equipment, fulfillment of sanitary standards for raw material and finished product storage at manufacturing plants, compliance with sanitary standards for the storage and sale of food products, their quality and safety at wholesale and retail outlets and businesses catering to the public. The Service also carries out inspections of sellers' premises.

The Federal Agency for Technical Regulation and Metrology. This Agency manages government property in the sphere of technical regulation and metrology. On a temporary basis, until such functions are transferred to other federal authorities, the Agency oversees compliance with obligatory general and industrial standards. This Agency is subordinated to the Ministry of Industry and Energy.

The Federal Service for Veterinary and Fito-Sanitary Supervision. This Service supervises the sanitary safety of raw food materials used in the production of food products and beverages where such raw food materials are derived from animals. This Service is subordinated to the Ministry of Agriculture.

Applicable Food and Health Legislation

Russian legislation regulating quality and safety of food and beverages includes the following acts:

The Federal Law on Quality and Safety of Food Products establishes a general framework for ensuring that food products and materials used in their production conform to certain quality, safety and sanitary requirements and provides for the state registration and certification of food products once they so conform. It also establishes general requirements for the manufacturing, packaging, storage, transportation and sale of food products and beverages, and for the destruction of poor-quality and unsafe products.

The Federal Law on the Sanitary Epidemiological Well Being of People requires food products and beverages, and the raw materials used in their production, to meet certain sanitary standards and health requirements and to have no harmful effects. Products that do not conform to sanitary rules and health requirements and represent a danger to consumers

must be withdrawn immediately from production or sale. As a result, the fulfillment of sanitary standards and health requirements is an obligatory condition for the production, import and sale of food and beverage products in the Russian Federation.

The Federal Law on Technical Regulation provides for the development, enactment, application and enforcement of obligatory technical requirements and the development of voluntarily standards relating to manufacturing processes, operations, storage, transportation, selling and utilization. Amendments to this law, dated May 1, 2007, provide for the adoption of obligatory technical requirements on the safety of food products by January 1, 2010. Until such technical requirements are developed and adopted, the existing standards are mandatory to the extent they are necessary to secure the protection of safety and health, environmental protection and consumers' rights.

The Governmental Regulation on Monitoring of Quality and Safety of Food Products and Health of People establishes a procedure for supervising and monitoring the quality and safety of food products.

The Government Regulation on State Registration of New Food Products, Materials and Goods provides for the obligatory state registration of certain food products, including mineral water, baby food and dairy products enriched with vitamins and/or other microelements. Food producers intending to develop and offer a new food product to the public are required to file an application for the product's state registration and incorporation into the State Register of Permitted Food Products. Such applications are reviewed by the Federal Service for Supervision in the Area of Protection of Consumer Rights and Human Welfare (together with the Federal Service for Veterinary and Fito-Sanitary Supervision with respect to products derived from animals) within 40 days of their filing.

The Regulation for the Conduct of Sanitary-Epidemiological Examinations of Products establishes procedures for the sanitary-epidemiological examination of products. Government bodies that monitor sanitary and health issues conduct sanitary-epidemiological examinations of samples of each product and issue a conclusion as to whether such product satisfies the prescribed requirements. Products that have not undergone a hygienic evaluation may not be produced, shipped, used, sold or certified.

A number of other regulations also apply to food products, including baby food products. For example, requirements for the storage, production, labeling, transportation and sale of food and beverages are established by state standards, sanitary rules, hygienic requirements and other regulations.

In addition, food products may be subject to regulation by regional authorities. For instance, the Moscow Government approved a series of regulations relating to the use of GMO in food products aimed at informing customers about such use and providing preferences to manufacturers who do not use GMO. In particular, in February 2007, the Moscow Government issued a decree recommending that manufacturers refrain from marketing GMO products in Moscow and establishing a voluntary GMO labeling system.

Registration Requirements

Certain food and beverage products (such as children's products, dietary foods, milk products enriched by vitamins and/or other microelements, additives to food and food products manufactured using technologies that have never been applied in the Russian Federation) must be registered with the Russian government if they are either manufactured in Russia or imported into Russia for the first time. The regulation makes it illegal to manufacture, import or circulate products that are subject to state registration but have not been registered.

The product registration process includes:

- An examination of documents provided by the manufacturer or supplier of the product describing the product, its safety and evidencing its conformity with applicable rules;
- Toxicological, hygienic, veterinary and other types of tests of products and, with respect to products manufactured in Russia, an examination of the manufacturing conditions of such products;
- Registration of the product, its manufacturer and supplier with the State Register of Food Products maintained by the Federal Agency for Health Protection and Social Development; and
- Issuance of a certificate of state registration permitting the product to be manufactured, imported or distributed in the Russian Federation.

The state registration of products is carried out by the Federal Service for Supervision in the Area of Protection of Consumer Rights and Human Welfare (together with the Federal Service for Veterinary and Fito- Sanitary Supervision with respect to products derived from animals).

Certification

The certification of products and services is currently regulated by the Federal Law on Technical Regulation. Product certification is a procedure whereby an agency authorized by the government confirms that a product complies with technical regulations, standards and requirements. Milk products, baby foods, juice, certain water products and other beverages are subject to mandatory certification. Conformity symbols evidencing that the manufacturer has undergone certification procedures are required to be printed on a product's packaging. Failure to mark a product with a required conformity symbol carries possible administrative sanctions.

Bulk Purchase of Raw Milk

A supplier of raw milk must provide a certificate stating that the farm from which it originated has passed a health inspection. Milk bought in bulk must also conform to requirements with respect to temperature, color, sedimentation, content of neutralizers, heavy metals, density, protein content, fat content, alcohol content and other characteristics.

Production and Transportation

Laboratory employees and technical specialists must verify that the condition of equipment, implements, raw materials and packaging conform to sanitary requirements. For example, in the course of manufacturing, microbiological tests must be conducted of samples of raw materials, packaging and products. Products are tested for their content of chemical pollutants, toxins, medicinal and hormonal preparations, radionuclides and pathogenic microorganisms. They are also tested to identify bacteria, yeast and mold content, and to determine their sterility and the effectiveness of the pasteurization process. Products are also examined to determine the amounts of certain nutrients they contain, including protein, fat, vitamins and carbohydrates. In addition, the cleanliness of the factory, storage conditions and employees must be monitored.

Food products and beverages must be transported in specially equipped vehicles, for which sanitary registration documents must have been issued.

Packaging Material and Labeling Requirements

Manufacturers and suppliers of all types of packaging materials used in the production of dairy and juice products must provide certificates of conformity and sanitary-epidemiological certificates for packaging materials showing that the packaging materials are permitted and safe for contact with the food products.

The Law on the Protection of Consumers' Rights and the Law on Quality and Safety of Food Products determine the scope and format of the information that should be made available to consumers. According to these laws and other applicable national standards, the packaging of finished products must contain the following information: the name of the product, information regarding its certification, conditions of use (if necessary), contraindications (if any), preservatives and food additives, net mass or volume, ingredients, nutritional value, conditions of storage, shelf life, name and address of the manufacturer and other information. The law also authorizes a wide range of government and public agencies to monitor producers' compliance with the requirements of the law and imposes sanctions and penalties if such requirements are not met.

Special Requirements for Children's Dairy Products

The Law on the Quality and Safety of Food Products defines children's food products as food products specially designed for children under 14 that meet certain nutritional requirements. Such products are subject to more stringent sanitary-epidemiological standards. For example, certain ingredients and components are prohibited for use in children's food products, and the procedures for monitoring raw materials and ingredients used in manufacturing, technological processes and sanitary conditions of production are stricter for children's dairy products than for other dairy products. Laboratory analyses and tests must be conducted for a broader list of microbiological indicators. Packaging materials for children's dairy products must be certified for use with children's products. Children's dairy products are also subject to special labeling requirements. For example, packaging of children's dairy products must bear information on the purpose and conditions of use of such products.

Under the Sanitary Rules on Children's Food Products, which became effective on June 1, 2005, the volume of liquid food product packaging for children under three years old cannot exceed 0.35 liter. In addition, such products may be produced only by separate specialized factories or manufacturing lines that are subject to special certification.

Competition and Pricing

The Federal Antimonopoly Service is the governmental agency that regulates the prevention and limitation of monopolistic activity and the support of competition in the market. The Federal Law on the Protection of Competition prohibits the abuse of a dominant position to limit competition. Our subsidiary, the Moscow Baby Food Plant, has been included in the register of entities holding a significant share of the market. Inclusion in this register does not impose additional reporting or other requirements on us; however, because of our significant position, the Federal Antimonopoly Service monitors our activities and we are required to notify the Federal Antimonopoly Service and/or apply for its prior approval for the acquisition of other companies.

C. Organizational Structure

The following table sets out our primary production subsidiaries, their countries of incorporation and our aggregate beneficial ownership interest and voting interest in each subsidiary as of June 24, 2008.

Plant	Ownership Interest	Country of Incorporation
Wimm-Bill-Dann Plant (1)	97.54%	Russian Federation
Karasuk Dairy Plant	93.80%	Russian Federation
Wimm-Bill-Dann Ukraine (2)	98.35%	Ukraine
Moloko Veidelevki	100%	Russian Federation
Tuymazinskiy Dairy Plant	85.00%	Russian Federation
Bishkek Dairy Plant	96.10%	Kyrgyz Republic
Gulkevichy Dairy Plant	52.27%	Russian Federation
WBD Toshkent	100%	Republic of Uzbekistan
Manros-M	100%	Russian Federation
Bolsherechensk Dairy Plant	79.78%	Russian Federation
Beverage plants		
Wimm-Bill-Dann Beverages (3)	97.00%	Russian Federation
Valdai Springs Water Plant	100%	Russian Federation
Essentuki Mineral Water Plant at CMW (Caucasian Mineral Waters)	100%	Russian Federation
Farms		
Trud	96.48%	Russian Federation
Atamanskoe Farm	99.53%	Russian Federation
Plemzavod Za Mir and Trud	100.00%	Russian Federation
Zavety Ilyicha	99.59%	Russian Federation
Niva	94.62%	Russian Federation

(1) Formerly Lianozovsky Dairy Plant. During 2007 and 2008, the following subsidiaries were merged into Wimm-Bill-Dann: Tsaritsyno Dairy Plant, Ufa Dairy Plant, Siberian Milk Dairy Plant, Rubtsovsk Dairy Plant, Siberian Cheese Plant, Nizhny Novgorod Dairy Plant, Baltic Milk Dairy Plant, Nazarovo Dairy Plant, PAG Rodnik, Pervouralsk Dairy Plant, Kursk Baby Food Plant, Moscow Baby Food Plant, Timashevsk Dairy Plant, Vladivostok Dairy Plant, Surgut Dairy Plant, Ochakovo Dairy Plant, Obninsk Dairy Plant, Pavlogradsky Dairy Plant, Krutinsky Dairy Plant, Angarsky Dairy Plant (MOLKA), Anna milk, SP Julia and Va-Bank-2000

(2) Formerly Kiev Dairy Plant No 3. In 2007 we merged Buryn Powder Milk Plant and Kharkov Dairy Plant into Wimm-Bill-Dann Ukraine.

(3) Formerly Ramensky Dairy Plant

D. Property, Plants and Equipment Production facilities

We currently manufacture our products at 37 production facilities, including 31 production sites that produce dairy products, four baby food production sites and two plants that produce exclusively juices. We have made substantial investments to maintain and enhance quality, lower costs and increase productivity. Over 2005, 2006 and 2007 we invested approximately \$397.5 million in the modernization of our existing production facilities and \$153.0 million in the acquisitions of new production assets.

Our main production plants are capable of managing the production of a diverse and evolving product range, enabling us to adapt quickly to changes in consumer demand on a seasonal basis or otherwise. We have completed the main phase of our extensive modernization program and have begun efficiency, waste reduction and cost cutting programs at all of our plants.

We also review our production headcount with the aim of enhancing productivity. Sales per production employee, calculated on the basis of our total headcount, which is a common

measure of productivity used in the food industry was \$142,815 per employee in 2005, \$162,994 per employee in 2006 and \$220,145 per employee in 2007.

In 2006 we started working with an international management consulting firm on a training and business-process optimization program at the Lianozovsky Dairy Plant and Moscow Baby Food Plant in an effort to increase asset utilization, to cut costs, and to raise labor productivity. As a result, we were able to reduce our employee headcount during 2007, excluding the plants we acquired during the second half of 2006, where the reduction of headcount is still in process.

The following table contains data regarding our main production facilities.

	Year of Acquisition (1)	Year of Building	Number of Production Lines
Moscow and Moscow region			
Wimm-Bill-Dann + BF (2)	1995	1989	58
Wimm-Bill-Dann Beverages (3)	1997	1982	14
Obninsk Dairy Plant OJSC	2005	1982	9
Ochakovskiy Dairy Plant	2006	1962	18
Central Russia (excluding Moscow)			
Annino Dairy Plant	2001	1978	8
Timashevsk Dairy	2001	1985	18
Essentuki Mineral water Plant at the CMW (Caucasian Mineral Waters)	2005	2001	3
Siberia and Far East Russia			
Karasuk Dairy Plant	1999	1952	5
Angarsky Dairy Plant (MOLKA)	2006	1956	8
Surgut Dairy Plant	2006	1974	5
Manros-M	2006	1970	8
Tuimazy Dairy Plant	2002	1958	9
Other CIS countries			
Wimm-Bill-Dann Ukraine (4)	2001	1973	21
Kharkov Dairy Plant	2002	1974	16
Buryan Powder Milk Plant	2002	1974	4
Bishkek Dairy Plant	2000	1990	14

(1) "Acquisition" means the purchase of more than 50% of the issued share capital. Only plants acquired by us as of June 24, 2008 are included in this table.

(2) Formerly Lianozovsky Dairy Plant. In April and May 2007, the following subsidiaries were merged into Wimm-Bill-Dann: Tsaritsyno Dairy Plant, Ufa Dairy Plant, Siberian Milk Dairy Plant, Rubtsovsk Dairy Plant, Siberian Cheese Plant, Nizhny Novgorod Dairy Plant, Baltic Milk Dairy Plant, Nazarovo Dairy Plant, PAG Rodnik, Pervouralsk Dairy Plant, Kursk Baby Food Plant, Moscow Baby Food Plant, Timashevsk Dairy Plant and Vladivostok Dairy Plant. On March 5, 2007, we sold Novokuibyshevskmoloko – our Samara region-based subsidiary.

(3) Formerly Ramensky Dairy Plant

(4) Formerly Kiev Dairy Plant No 3

As of December 31, 2007 and 2006 the assets that served as collateral consisted of the following:

- Inventory in the amounts of \$3.2 million and \$12.1 million, respectively;
- Property, plant and equipment with a net book value of \$78.0 million and \$95.6 million, respectively.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the related notes included under "Item 18. Financial Statements" and other information in this document. This Item 5 contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including the risks described in "Item 3. Key Information—D. Risk Factors" and under the caption "Cautionary Statement Regarding Forward-Looking Statements." Our Consolidated Financial Statements are expressed in U.S. dollars and prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

A. Operating Results**Overview**

We are one of the largest Russian manufacturers of dairy and juice products, with sales of \$2,438.3 million, \$1,762.1 million and \$1,394.6 million in 2007, 2006 and 2005, respectively. Our reportable business segments in 2007 were dairy products, beverage products and baby food products. In 2007, the dairy segment accounted for 76.0% of our sales, the beverages segment, which includes juice and bottled mineral water products, accounted for 17.0% of our sales and the baby food segment accounted for 7.0% of our sales. In 2006, the dairy segment accounted for 75.0% of our sales, the beverages segment accounted for 18.4% of our sales and the baby food segment accounted for 6.6% of our sales. Our principal geographic market is Russia, which accounted approximately for 93%, 93% and 92% of our sales in 2007, 2006 and 2005, respectively. However, we also have production facilities in Ukraine, Kyrgyzstan and Uzbekistan and acquired a dairy production facility in Georgia in the fourth quarter of 2007.

In 2007, our net income increased by 46.8% to \$140.0 million from \$95.4 million in 2006. Our sales increased by 38.4% in 2007, including year-on-year sales increases of 40.2%, 27.8% and 46.6% in the dairy, beverage and baby food segments, respectively. By volume, dairy segment sales were higher by 18.2%, beverage segment sales increased by 9.8% and baby food sales increased by 31.9% in 2007.

The gross margin in the dairy segment decreased slightly to 29.2% in 2007 from 30.5% in 2006 due to a sharp rise in the price of raw milk of 35.7% which was partially offset by selling price increases and a more favorable product mix. The gross margin in the beverage segment increased to 39.8% in 2007 from 35.3% in 2006 despite raw materials cost pressure, driven by continued efficiency improvements and better pricing and discount management in all regions. The gross margin in the baby food Segment increased to 45.1% in 2007 from 43.1% in 2006, driven by a growing share of non-dairy baby food and a decreased share of baby food produced by co-packing in our sales.

Our selling and distribution expenses increased in 2007 as compared to 2006 in absolute terms and also as a percentage of sales, from 14.0% to 15.9%. In particular, our marketing, advertising and transportation costs were higher in 2007 in line with our strategy of supporting strong national brands, improving our route-to-market and expanding our geography.

Our net income increased 46.8% to \$140.0 million for the full year of 2007 from \$95.4 million in 2006.

Over the past three years, we have been constructing new capacity, modernizing existing capacity and making strategic acquisitions. Our capital expenditures (excluding acquisitions)

in 2007, 2006 and 2005 were \$192.7 million, \$130.0 million and \$75.1 million, respectively. Expenditures for acquisitions of subsidiaries in 2007, 2006 and 2005 totaled \$21.8, \$137.3 million (exclusive of advances made in 2006 for acquisitions completed in 2007) and \$24.3 million (exclusive of advances made in 2005 for acquisitions completed in 2006 but including advances made in 2004 for acquisitions made in 2005), respectively.

As of December 31, 2007, we had a total of \$579.6 million in outstanding debt (consisting of long-term loans, notes payable, vendor financing obligations and \$0.7 million of third parties guarantees). Of our total indebtedness as of December 31, 2007, 58.3% was denominated in foreign currency and 41.7% was denominated in rubles.

Below is a summary of our operational highlights for 2007 and the beginning of 2008.

Corporate and Operational Highlights for 2007

- February On February 8, 2007 our executives, directors and shareholders marked the fifth anniversary of the company's initial public offering on the New York Stock Exchange by ringing the opening bell of the NYSE trading session. At the close of trading that day, our share price was US\$66.0 and market capitalization was US\$2.73bn.
- February UBS (Luxembourg) S.A. issued 7.5% Loan Participation Notes due 2008 for the sole purpose of funding a \$150 million loan (the "Loan"). The Loan will mature on May 14, 2008 and bears interest at an annual rate of 7.5%, payable in arrears on November 14, 2007 and May 14, 2008, and matured on May 14, 2008.
- March We sold our 87.13% stake in Novokuibyshevsk Dairy Plant, which was impaired in the third quarter of 2006.
- April New Head of the Baby Food Business Unit, Gary Sobel, was appointed. Mr. Sobel began his career at Procter and Gamble, where over 13 years he worked in various positions in Canada, the US, the UK and Russia. From 2005, Mr. Sobel headed Dirol Cadbury (a division of Cadbury Schweppes) in Russia.
- April On April 25, 2007, the following subsidiaries were merged into Wimm-Bill-Dann (formerly Lianozovsky Dairy Plant): Tsaritsyno Dairy Plant, Ufa Dairy Plant, Siberian Milk Dairy Plant, Rubtsovsk Dairy Plant, Siberian Cheese Plant, Nizhny Novgorod Dairy Plant, Baltic Milk Dairy Plant, PAG Rodnik, Nazarovo Dairy Plant, Pervouralsk Dairy Plant.
- April We announced the launch of baby food production at the Kursk baby food plant. Acquired in 2005, the plant underwent extensive renovation, and 90% of the equipment was replaced. Today, it is the most modern plant of its type in Russia, making use of cutting edge global technology and the latest scientific research in the industry.
- May On May 29, 2007, we acquired an additional 30.12% stake in the founding capital of Obninsk Dairy Plant OJSC from 66.33%, increasing our share to 96.45% of its charter capital.
- May On May 31, 2007, the following subsidiaries were merged into Wimm-Bill-Dann: Kursk Baby Food Plant, Moscow Baby Food Plant, Timashevsk Dairy Plant and Vladivostok Dairy Plant.
- September We launched Neo Beauty, an innovative dairy drink, and the first functional food product of its kind on the Russian market with a proven impact on the overall health and particularly the state of skin,

nails and hair

- October On October 16, 2007, we announced the acquisition of 100% of dairy production plant Georgian Foods Ltd, which is based in Tbilisi, Georgia.
- November We announced the launch of mors production in Canada in partnership with Canadian juice company Wonder Berry.
- December On December 12, 2007, we increased our shareholding in Obninsk Dairy Factory OJSC to 99.84% of its charter capital from the previous level of 96.45%.

Corporate and Operational Highlights for 2008

- January On January 31, 2008, the following subsidiaries were merged into Wimm-Bill-Dann (formerly Lianozovsky Dairy Plant): Surgut City Dairy Plant OJSC, Ochakovo Dairy Plant OJSC, Anna milk CJSC, Angarsky Dairy Plant OJSC, Obninsk Dairy Plant OJSC.
- February We opened a new mega-farm complex in Volosovsk District near St Petersburg, built in place of the Trud collective farm, which we had acquired in 2005. The state-of-the-art farm is designed for 1,200 Holstein milking cows.
- February We launched a major project to implement a new Enterprise Resource Planning (ERP) information system that will cover finance, production, supply, logistics and distribution and will be based on Oracle E-Business Suite software. We plan to complete the main stage of the ERP system implementation by the end of 2010.
- March A new corporate structure and management positions went into effect from March 1, 2008. As part of the restructuring, the existing dairy and baby food business units, along with the Holding company, were combined into a single structure: Wimm-Bill-Dann Foods.
- March In March and April 2008, WBD Foods issued five-year ruble-denominated bonds for a total value of 5 billion rubles. The interest rate of the first coupon was established at an auction at an annual rate of 9.30% and the bond yield to the annual offer amounted to 9.52% annually.
- March We launched the production of Agusha baby food and Imunele functional products at our Manros-M production facility in the Omsk Region, Siberia.
- April On April 25, 2008, we entered into a syndicate loan agreement with ING Bank N.V., ABN Amro N.V. and CALYON as mandated lead arrangers, pursuant to which mandated lead arrangers and syndicate lent to us a principal amount of \$250 million on May 8, 2008. The loan matures on April 25, 2011, and interest is payable by us quarterly in arrears at an annual rate of LIBOR+1.75%.
- May On May 15, 2008 and on May 7, 2008, we repaid our 2003 and 2007 Eurobond loans with the accrued interest, respectively.

Results of Operations

The following table summarizes the results of our operations for the years ended December 31, 2007, 2006 and 2005:

	<u>2007</u> <u>(in thousands)</u>	<u>% of</u> <u>sales</u>	<u>2006</u> <u>(in thousands)</u>	<u>% of</u> <u>sales</u>	<u>2005</u> <u>(in thousands)</u>	<u>% of</u> <u>sales</u>
Sales	\$ 2,438,328	100.0	\$ 1,762,127	100.0	\$ 1,394,590	100.0
including:						
Dairy	1,852,458	76.0	1,320,901	75.0	1,003,601	72.0
Beverages	414,117	17.0	324,074	18.4	303,147	21.7
Baby Food	171,753	7.0	117,152	6.6	87,839	6.3
Cost of sales	(1,654,879)	67.9	(1,194,159)	67.8	(999,006)	71.6
Gross profit	783,449	32.1	567,968	32.2	395,584	28.4
Selling and distribution expenses	(387,853)	15.9	(246,054)	14.0	(191,990)	13.8
General and administrative expenses	(180,922)	7.4	(134,481)	7.6	(109,642)	7.9
Other operating expenses	(704)	0.0	(31,812)	1.8	(6,457)	0.5
Operating income	213,970	8.8	155,621	8.8	87,495	6.3
Financial income and expenses, net	(16,851)	0.7	(15,480)	0.9	(22,868)	1.6
Provision for income taxes	(54,302)	2.2	(41,560)	2.4	(30,712)	2.2
Minority interest	(2,769)	0.1	(3,197)	0.2	(3,649)	0.3
Net Income	\$ 140,048	5.7	\$ 95,384	5.4	\$ 30,266	2.2
Volume						
Dairy (th. tons)	1,599		1,354		1,195	
Beverages (th. liters)	491		445		436	
Baby Food (th. tons)	87		66		58	

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Sales

Sales increased by 38.4% to \$2,438.3 million in 2007 from \$1,762.1 million in 2006. The dairy business was our largest segment, representing 76.0% of sales in 2007 compared to 75.0% in 2006.

	<u>Year ended December 31,</u>			
	<u>2007</u> <u>(in thousands)</u>	<u>% of</u> <u>sales</u>	<u>2006</u> <u>(in thousands)</u>	<u>% of</u> <u>sales</u>
Dairy products	\$ 1,852,458	76.0	\$ 1,320,901	75.0
Beverage products	414,117	17.0	324,074	18.4
Baby food	171,753	7.0	117,152	6.6
	\$ 2,438,328	100.0	\$ 1,762,127	100.0

Sales in our dairy segment increased by 40.2% to \$1,852.5 million in 2007 from \$1,320.9 million in 2006. We sold 1,599.5 thousand tons of dairy products in 2007 and 1,353.5 thousand tons of dairy products in 2006. The average selling price increased by 18.7% from \$0.976 per kilogram in 2006 to \$1.158 per kilogram in 2007 driven by a favorable sales mix, ruble price increases and ruble appreciation. Our improved dairy sales were driven by our increased presence in the regions of Russia and the CIS, especially in North West and Southern Russia, the addition of new products to our portfolio and further optimization of our product portfolio, the launch of new product lines and increased marketing activities.

Sales in our beverages segment increased by 27.8% to \$414.1 million in 2007 from \$324.1 million in 2006. We sold 490.6 million liters of juice and water in 2007 and 447.0 million liters of juice and water in 2006. The average selling price increased by 16.4% from \$0.725 per liter in 2006 to \$0.844 per liter in 2007, primarily due to changes in our product mix in favor of higher priced brands and ruble price increases.

Sales in our baby food segment increased by 46.6% to \$171.8 million in 2007 from \$117.2 million in 2006. We sold 87.4 thousand tons of baby food products in 2007 and 66.3 thousand tons in 2006. The average selling price increased by 11.2% from \$1.768 per kilogram in 2006 to \$1.966 per kilogram in 2007 driven by ruble price increases and ruble appreciation.

In 2007, 54% of our sales revenues came from regional Russia and other CIS countries. Regional sales represented 53%, 66% and 24% of dairy, beverages and baby food segment revenues in 2007, respectively. Over a number of years, we have focused on sales growth in the regions through the expansion of our distribution and production capabilities in various regions, as well as certain CIS countries.

Cost of Sales

Cost of sales primarily consists of expenses relating to raw materials (raw milk for dairy and baby food products, concentrates for juices and packaging materials for all products), which accounted for 84.9% and 82.6% of our total cost of sales in 2007 and 2006, respectively. The table below sets forth these costs for both 2007 and 2006:

	Year ended December 31,			
	2007	%	2006	%
	(in thousands)		(in thousands)	
Raw materials	\$ 1,405,801	84.9	\$ 986,477	82.6
Personnel	90,207	5.5	68,464	5.7
Depreciation and amortization	65,879	4.0	50,136	4.2
Utilities	42,554	2.6	29,240	2.5
Goods for resale	7,341	0.4	22,556	1.9
Other	43,097	2.6	37,286	3.1
Total cost of sales	<u>\$ 1,654,879</u>	<u>100.0</u>	<u>\$ 1,194,159</u>	<u>100</u>

Raw material costs increased by 42.5% in 2007. Raw materials increased as a percentage of sales to 57.7% in 2007 from 56.0% in 2006. Raw material costs accounted for 60.3% of dairy sales in 2007 compared to 57.5% in 2006. This was caused by an unprecedented rise in raw milk prices, which outpaced the increases in selling prices. Raw material costs accounted for 44.3% baby food sales in 2007 compared to 41.2% in 2006, owing to the same reason.

Raw material costs decreased to 51.4% of beverage sales in 2007 from 55.0% in 2006 due to enhanced cost control measures and centralized procurement, undertaken from 2006.

In the dairy segment, 86.3% of our raw material costs were ruble-denominated and 13.7% were hard-currency-denominated in 2007, whereas 83.9% of these costs were ruble-denominated and 16.1% were hard-currency-denominated in 2006. In the baby food segment, 65.5% of our raw material costs were ruble-denominated and 34.5% were hard-currency-denominated in 2007, unchanged as of 2006. In the beverages segment, 21.2% of our raw material costs were ruble-denominated and 78.8% were hard-currency-denominated in 2007, while the majority of our raw material costs were hard-currency-denominated in 2006.

Personnel expenses increased by 31.8% in 2007 as compared to 2006. The average number of production personnel increased in 2007 by 2.5% to 11,076 (including Ochakovo, MOLKA, Manros and Surgut dairy plants acquired in the end of 2006) compared to 10,811 in 2006 (excluding Ochakovo, MOLKA, Manros and Surgut) mainly due to increased utilization of manufacturing facilities and production volumes growth in 2007.

Depreciation and amortization increased by 31.4% from \$50.1 million in 2006 to \$65.9 million in 2007, reflecting significant capital expenditures we have been making to increase our production capacity by improving our facilities and overall infrastructure.

Utility costs increased in by 45.5% in 2007 due to larger production and warehousing facilities, as well as an increase in production volumes and electricity and gas tariffs.

Goods for resale include various dairy products that we purchase from independent producers and resell.

Gross Profit

Our gross profit increased by 37.9% to \$783.4 million in 2007 from \$568.0 million in 2006. Our gross margin decreased to 32.1% in 2007 from 32.2% in 2006.

Gross margin in our dairy segment decreased to 29.2% in 2007 from 30.5% in 2006 due to the unprecedented rise in raw milk prices. Our raw milk purchase price increased 64.8% year-on-year in ruble terms (77.5% in U.S. dollar terms) in the fourth quarter and 27.7% year-on-year in ruble terms (35.7% in U.S. dollar terms) for the full year 2007.

Gross margin in our beverages segment increased to 39.8% in 2007 from 35.3% in 2006. This increase was primarily due to better pricing and discount management which largely offset higher sugar and concentrate costs, and a shift in our product mix in favor of value-added products. As a result, the increase in the average selling price outpaced the increase in cost of sales

Gross margin in our baby food segment increased to 45.1% in 2007 from 43.1% in 2006 mainly due to increased selling prices and a shift in our product mix in favor of higher margin, value-added products.

Selling and Distribution Expenses

Selling and distribution expenses increased by 57.6% between 2007 and 2006. As a percentage of sales, selling and distribution expenses increased to 15.9% in 2007 from 14.0% in 2006. Our selling and distribution expenses in 2007 and 2006 were as follows:

	Year ended December 31,	
	2007	2006
	(in thousands)	
Advertising and marketing	\$ 137,965	\$ 76,194
Personnel	83,901	55,955
Shipping and handling	111,228	73,565
Bad debt expense	1,650	3,130
Materials and supplies	11,249	9,369
Warehouse	11,534	10,986
Other	30,326	16,855
Total selling and distribution expenses	<u>\$ 387,853</u>	<u>\$ 246,054</u>

Advertising and marketing expenses increased in 2007 by 81.1% or \$61.8 million in absolute terms, and increased by 1.4% as a percentage of sales to 5.7% in 2007 from 4.3% in 2006. The increase in expenses was due to our continued investments into major brand promotions, media inflation on Russia's leading national television channels, which, in 2007, exceeded 50% and general increases in marketing costs. Despite this media inflation, we were able to obtain volume discounts and manage the cost increases more effectively.

Personnel expenses increased by 49.9% in 2007 as compared to 2006. The average number of employees in our selling and distribution department increased to 5,712 in 2007 (including Surgut, Manros, Ochakovo, and MOLKA dairy plants acquired in late 2006) from 5,355 in 2006 (excluding Surgut, Manros, Ochakovo, and MOLKA dairy plants) mainly due to the development of our branch network in 2007. Our payroll cost per employee increased by 42.1% to \$14,689 in 2007 from \$10,336 in 2006, mainly due to implementation of a performance based reward system as well as enhancing the quality of our sales force in 2007. Our personnel costs as a percentage of sales increased to 3.4% in 2007 from 3.2% in 2006. Our personnel costs as a percentage of sales increased to 3.4% in 2007 from 3.2% in 2006.

Shipping and handling costs, which primarily consist of external transportation costs, increased by 51.2% in 2007 as compared to 2006. Our transportation expenses as a percentage of sales slightly increased to 4.6% in 2007 from 4.2% in 2006. The increase in transportation costs was mainly due to the expansion of our sales volumes in the regions and increased transportation tariffs. In particular, costs for motor transportation, which accounted approximately for about half of the total beverages transportation expenses, increased by 13.0%, despite record fuel prices.

We continued to maintain control of our bad debt expenses, which decreased slightly to 0.1% as a percentage of sales in 2007 from 0.2% in 2006. See "B. Liquidity and Capital Resources—Critical Accounting Policies and Estimates—Allowance for Doubtful Accounts" below.

General and Administrative Expenses

General and administrative expenses increased by 34.5% in 2007 as compared to 2006, and decreased as a percentage of sales to 7.4% in 2007 from 7.6% in 2006. Our general and administrative expenses in 2007 and 2006 were as follows:

	Year ended December 31,	
	2007	2006
	(in thousands)	
Personnel	\$ 102,195	\$ 78,227
Taxes other than income tax	17,200	12,789
Audit, consulting and legal fees	10,636	10,506
Depreciation	9,512	7,215
Materials and supplies	4,654	2,462
Communication costs	3,647	2,731
Rent	3,278	2,670
Other	29,800	17,881
Total general and administrative expenses	<u>\$ 180,922</u>	<u>\$ 134,481</u>

Personnel expenses increased by 30.6%, while the average number of employees decreased to 3,008 in 2007 (including Surgut, Manros, Ochakovo, and MOLKA dairy plants acquired in late 2006) compared to 3,159 in 2006 (excluding Surgut, Manros, Ochakovo, and MOLKA dairy plants). Our average cost per employee increased by 38.5% to \$33,978 in 2007 from \$24,532 in 2006, due to wage inflation, compensatory payments made during the process of personnel headcount optimization and SAR program implemented for some of our key managers in 2007.

Our expenses for audit, consulting and legal services remained approximately flat showing an increase of 1.2% in 2007 compared to 2006.

Depreciation expense increased by 31.8% from \$7.2 million in 2006 to \$9.5 million in 2007, reflecting capital expenditures made to support our expansion into the regions of Russia and the CIS.

Other Operating Expenses

Other operating expenses decreased by 97.8% to \$0.7 million in 2007 from \$31.8 million in 2006. Other operating expenses were unusually high in 2006, due to a one time impairment charge of US\$16.3 million to our operating income, partially to cover the writing down of Valdai mineral water facility in beverage business unit and the closing off of a small dairy plant in Novokuibyshevsk in dairy business unit.

Operating Income

Operating income increased by 37.5% to \$214.0 million in 2007 from \$155.6 million in 2006, as a result of cost control measures undertaken in the last two years. Our acquisitions made at the end of 2006 also contributed to the improvement of our operating income. As a percentage of sales, operating income remained stable at 8.8% in 2007 as in 2006.

Financial Income and Expenses

Financial income and expenses comprised the following:

	Year ended December 31,	
	2007	2006
	(in thousands)	
Interest expense	\$ 34,988	\$ 27,898
Interest income	(2,952)	(4,372)
Currency remeasurement gains	(18,120)	(10,288)
Bank charges	2,912	2,070
Other financial expense (income)	23	172
Total financial income and expense, net	<u>\$ 16,851</u>	<u>\$ 15,480</u>

Interest expense increased by 25.4% in 2007 compared to 2006. This was mainly due to an increase in our average debt, including a \$150 million Loan Participation Notes issued in February 2007.

We received interest income of \$3.0 million from free cash management in 2007 compared to \$4.4 million in 2006.

In 2007, we incurred total currency remeasurement gains of \$18.1 million, mainly comprised of gains and losses from U.S. dollar-denominated and Euro-denominated debt respectively. For accounting purposes for our hard currency denominated liabilities we used the exchange rates as of December 31, 2007 vs. December 31, 2006. Based on these rates, the US Dollar depreciated by 6.7% against Russian ruble, while EURO appreciated by 3.6%.

Provision for Income Taxes

Our provision for income taxes for the years ended December 31, 2007 and 2006 was as follows:

	Year ended December 31,	
	2007	2006
	(in thousands)	
Current provision	\$ 49,409	\$ 48,232
Deferred income tax charge/(benefit)	4,893	(6,672)
Total provision for income taxes	<u>\$ 54,302</u>	<u>\$ 41,560</u>

Provision for income taxes amounted to \$54.3 million in 2007 and \$41.6 million in 2006. These provisions comprise current income tax charges of \$49.4 million in 2007 and \$48.2 million in 2006, and a deferred tax expense of \$4.9 million in 2007 and the expense of benefit of \$6.7 million in 2006. Deferred tax benefits and charges arise on temporary differences between the bases of computing income under domestic tax principles and U.S. GAAP.

In 2007, our effective income tax rate was 27.5% compared to the Russian statutory income tax rate of 24.0% and, in 2006, our effective income tax rate was 29.7% compared to the Russian statutory income tax rate of 24.0%. This decrease in 2007 of our effective income tax rate is primarily driven by an increase in taxable profits accompanied by a decrease in the group's non-deductible expenses as a percentage of sales in 2007, compared to 2006, as well as utilization of losses incurred in previous periods by certain subsidiaries which were merged into Wimm-Bill-Dann OJSC in 2007. Such losses were not deemed recoverable during previous periods.

Minority Interest

The minority interest reflects the net income and losses of our subsidiaries that are attributable to the minority shareholders in those subsidiaries. In 2007, net income attributable to minority shareholders of our subsidiaries decreased to \$2.8 million from \$3.2 million in 2006. Net income attributable to the minority interests in the dairy segment was \$2.0 million in 2007 and \$1.9 million in 2006, respectively.

Net Income

Net income increased in 2007 to \$140.0 million (5.7% of sales) from \$95.4 million (5.4% of sales) in 2006, primarily as a result of the increase in operating income explained above, which was partially offset by an increase in income tax expense.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Sales

Sales increased by 26.4% to \$1,762.1 million in 2006 from \$1,394.6 million in 2005. The dairy business was our largest segment, representing 75.0% of sales in 2006 compared to 72.0% in 2005.

	Year ended December 31,			
	2006 (in thousands)	% of sales	2005 (in thousands)	% of sales
Dairy products	\$ 1,320,901	75.0	\$ 1,003,604	72.0
Beverage products	324,074	18.4	303,147	21.7
Baby food	117,152	6.6	87,839	6.3
	\$ 1,762,127	100.0	\$ 1,394,590	100.0

Sales in our dairy segment increased by 31.6% to \$1,320.9 million in 2006 from \$1,003.6 million in 2005. We sold 1,353.5 thousand tons of dairy products in 2006 and 1,195.3 thousand tons of dairy products in 2005. The average selling price increased by 16.2% from \$0.840 per kilogram in 2005 to \$0.976 per kilogram in 2006 driven by a favorable sales mix, incremental ruble price increases and ruble appreciation. Our improved dairy sales were driven by our increased presence in the regions of Russia and the CIS, especially in Siberian and Southern Russia, the addition of new products to our portfolio and further optimization of our product portfolio, the launch of new product lines and increased marketing activities.

Sales in our beverages segment increased by 6.9% to \$324.1 million in 2006 from \$303.1 million in 2005. We sold 447.0 million liters of juice and water in 2006 and 436.2 million liters of juice and water in 2005. The average selling price increased by 4.3% from \$0.695 per liter in 2005 to \$0.725 per liter in 2006, primarily due to incremental ruble price increases and ruble appreciation, partially offset by changes in our product mix in favor of lower priced brands.

Sales in our baby food segment increased by 33.4% to \$117.2 million in 2006 from \$87.8 million in 2005. We sold 66.3 thousand tons of baby food products in 2006 and 57.8 thousand tons in 2005. The average selling price increased by 16.3% from \$1.520 per kilogram in 2005 to \$1.768 per kilogram in 2006 driven by incremental ruble price increases, ruble appreciation and a change in our product mix favoring value-added products. Our improved baby food sales were driven by the addition of new products to our portfolio and increased sales in new regions.

In 2006, 67% of our revenues came from sales outside of the Moscow region in other parts of Russia and the CIS. Regional sales represented 71%, 63% and 22% of dairy, beverages and baby food segment revenues in 2006. Over the last years, we have focused on sales growth in the regions through the expansion of our distribution and production capabilities in various regions, as well as certain CIS countries.

Cost of Sales

Cost of sales primarily consists of expenses relating to raw materials (raw milk for dairy and baby food products, concentrates for juices and packaging materials for all products), which accounted for 82.6% and 83.7% of our total cost of sales in 2006 and 2005, respectively. The table below sets forth these costs for both 2006 and 2005:

	Year ended December 31,			
	2006 (in thousands)	%	2005 (in thousands)	%
Raw materials	\$ 986,477	82.6	\$ 836,404	83.7
Personnel	68,464	5.7	50,030	5.0
Depreciation and amortization	50,136	4.2	41,921	4.2
Utilities	29,240	2.5	21,222	2.1
Goods for resale	22,556	1.9	16,724	1.7
Other	37,286	3.1	32,705	3.3
Total cost of sales	<u>\$ 1,194,159</u>	<u>100.0</u>	<u>\$ 999,006</u>	<u>100</u>

Raw material costs increased by 17.9% between 2006 and 2005 but decreased as a percentage of sales to 56.0% in 2006 from 60.0% in 2005, primarily due to the increase in selling prices. Raw material costs as a percentage of dairy segment sales were lower (57.5% in 2006 compared to 62.8% in 2005) because of the increases in selling prices, which outpaced the increase in raw milk prices. Raw material costs as a percentage of baby food segment sales slightly decreased from 44.7% to 41.2% for the same reason. Raw material costs as a percentage of beverages segment sales remained at the level of 55.0% in 2006 and in 2005. In the dairy segment, 83.9% of our raw material costs were ruble-denominated and 16.1% were hard-currency-denominated in 2006, whereas 78.0% of these costs were ruble-denominated and 22% were hard-currency-denominated in 2005. In the baby food segment, 65.6% of our raw material costs were ruble-denominated and 34.4% were hard-currency-denominated in 2006, whereas 67.0% of these costs were ruble-denominated and 33.0% were hard-currency-denominated in 2005. In the beverages segment, the majority of our raw material costs were hard-currency-denominated in 2006 and 2005.

Personnel expenses increased by 36.9% in 2006 as compared to 2005. The average number of production personnel increased in 2006 by 10.7% to 10,811 (excluding newly acquired dairy plants, Surgut, Manros, Ochakovo, and MOLKA) compared to 9,766 in 2005 mainly due to increased utilization of manufacturing facilities and the related growth of production volumes in 2006.

Production personnel cost per employee increased by 21.3% to \$6,212 in 2006 from \$5,123 in 2005 (including the dairy farm employees). This was mainly driven by a manning reduction initiative which commenced in the end of 2006, with subsequent compensatory payments reported in 2006, as well as increased salaries in 2006.

Depreciation and amortization increased by 19.6% from \$41.9 million in 2005 to \$50.1 million in 2006, reflecting significant capital expenditures we have been making to increase our production capacity by improving our facilities and overall infrastructure.

Utility costs increased by 37.8% in 2006 due to larger production and warehousing facilities, as well as an increase in production volumes and electricity and gas tariffs.

Goods for resale include various dairy products that we purchase from independent producers and resell.

Gross Profit

Our gross profit increased by 43.6% to \$568.0 million in 2006 from \$395.6 million in 2005. Our gross margin increased to 32.2% in 2006 from 28.4% in 2005.

Gross margin in our dairy segment increased to 30.5% in 2006 from 25.2% in 2005 due to enhanced efficiency and increased selling prices and volumes.

Despite additional cost control measures undertaken in 2006, gross margin in our beverages segment decreased to 35.3% in 2006 from 36.1% in 2005. This decrease was primarily due to higher sugar and concentrate costs, a shift in our product mix in favor of lower margin products and, as a result, a faster increase of cost of sales than of the average price.

Gross margin in our baby food segment increased to 43.1% in 2006 from 38.0% in 2005 mainly due to increased selling prices and a shift in our product mix in favor of higher margin, value-added products.

Selling and Distribution Expenses

Selling and distribution expenses increased by 28.2% between 2006 and 2005. As a percentage of sales, selling and distribution expenses increased to 14.0% in 2006 from 13.8% in 2005. Our selling and distribution expenses in 2006 and 2005 were as follows:

	Year ended December 31,	
	2006	2005
	(in thousands)	
Advertising and marketing	\$ 76,194	\$ 57,936
Personnel	55,955	47,665
Shipping and handling	73,565	52,995
Bad debt expense	3,130	3,908
Materials and supplies	9,369	10,446
Warehouse	10,986	9,525
Other	16,855	9,515
Total selling and distribution expenses	<u>\$ 246,054</u>	<u>\$ 191,990</u>

Advertising and marketing expenses increased in 2006 by 31.5% or \$18.3 million in absolute terms, and increased by 0.2% as a percentage of sales to 4.3% in 2006 from 4.1% in 2005. The increase in expenses was due to our continued investments into major brand promotions, media inflation on Russia's leading national television channels, which, in 2006, reached 35% and general increases in marketing costs. Despite this media inflation, we were able to obtain volume discounts and manage the cost increases more effectively. In 2006 and 2005, television advertising expenses represented more than half of our advertising budget.

Personnel expenses increased by 17.4% in 2006 as compared to 2005. The average number of employees in our selling and distribution department decreased to 5,355 in 2006 from 5,713 in 2005 due to the development of our branch network in 2006. Our payroll cost per employee increased by 23.9% to \$10,336 in 2006 (excluding newly acquired dairy plants - Surgut, Manros, Ochakovo, and MOLKA) from \$8,343 in 2005 mainly due to performance based reward system implementation in 2006. Our personnel costs as a percentage of sales decreased to 3.2% in 2006 from 3.4% in 2005.

Shipping and handling costs, which primarily consist of external transportation costs, increased by 38.8% in 2006, as compared to 2005. Our transportation expenses as a percentage of sales slightly increased to 4.2% in 2006 from 3.8% in 2005. The increase in transportation costs was mainly due to the expansion of our sales volumes in the regions and increased transportation tariffs. In particular, ruble tariffs for railway transportation, which

accounted for more than half of the total beverages transportation expenses, increased by 14.0%, which slightly exceeded inflation.

We continued to maintain control of our bad debt expenses, which remained stable at 0.2% as a percentage of sales in 2006. See “B. Liquidity and Capital Resources—Critical Accounting Policies and Estimates—Allowance for Doubtful Accounts” below.

General and Administrative Expenses

General and administrative expenses increased by 22.7% in 2006 as compared to 2005, and decreased as a percentage of sales to 7.6% in 2006 from 7.9% in 2005. Our general and administrative expenses in 2006 and 2005 were as follows:

	Year ended December 31,	
	2006	2005
	(in thousands)	
Personnel	\$ 78,227	\$ 61,830
Taxes other than income tax	12,789	13,194
Audit, consulting and legal fees	10,506	5,567
Depreciation	7,215	5,711
Materials and supplies	2,462	3,268
Communication costs	2,731	2,880
Rent	2,670	2,177
Other	17,881	15,015
Total general and administrative expenses	\$ 134,481	\$ 109,642

Personnel expenses increased by 26.5%, while the average number of employees decreased to 3,159 in 2006 compared to 3,478 in 2005. Our average cost per employee increased by 38.0% to \$24,532 in 2006 from about \$17,778 in 2005 (excluding newly acquired dairy plants - Surgut, Manros, Ochakovo, and MOLKA), due to the hiring of new managers, wage inflation and compensatory payments made during the process of personnel headcount optimization.

Our expenses for audit, consulting and legal services increased by 88.7% in 2006 compared to 2005, primarily due to the increased restructuring costs, strategic business consulting costs, costs associated with improving professional skills of our employees and general increases in audit-related fees, as well as compliance costs with respect to the Sarbanes-Oxley Act of 2002.

Depreciation expense increased by 26.3% from \$5.7 million to \$7.2 million, reflecting capital expenditures made to support our expansion into the regions of Russia and the CIS.

Operating Income

Operating income increased by 77.9% to \$155.6 million in 2006 from \$87.5 million in 2005. As a percentage of sales, operating income increased to 8.8% in 2006 from 6.3% in 2005. As discussed above, the increase in operating income was primarily due to the improvement in the gross margin as a result of cost control procedures. Our major acquisitions also contributed to the improvement of our operating income.

Financial Income and Expenses

Financial income and expenses comprised the following:

	Year ended December 31,	
	2006	2005
	(in thousands)	
Interest expense	\$ 27,898	\$ 23,388
Interest income	(4,372)	(1,569)
Currency remeasurement gains	(10,288)	(1,231)
Bank charges	2,070	1,983
Other financial expense (income)	172	297
Total financial income and expense, net	<u>\$ 15,480</u>	<u>\$ 22,868</u>

Interest expense increased by 19.3% in 2006 compared to 2005. This was mainly due to the increased interest rate payable on our variable rate 3,000,000 non-convertible ruble notes issued in December 2005, as well as an overall increase in our debt.

We received interest income of \$4.4 million from free cash management in 2006 compared to \$1.6 million in 2005.

In 2006, we incurred total currency remeasurement gains of \$10.3 million, which comprised of gains and losses from U.S. dollar-denominated notes and Euro-denominated loan respectively. For accounting purposes for our U.S. dollar-denominated notes, we used the exchange rate as of December 31, 2006, which depreciated nominally by 8.5% against the December 31, 2005 exchange rate resulting in a currency remeasurement gains.

Provision for Income Taxes

Our provision for income taxes for the years ended December 31, 2006 and 2005 was as follows:

	Year ended December 31,	
	2006	2005
	(in thousands)	
Current provision	\$ 48,232	\$ 27,385
Deferred income tax charge/(benefit)	(6,672)	3,327
Total provision for income taxes	<u>\$ 41,560</u>	<u>\$ 30,712</u>

Provision for income taxes amounted to \$41.6 million in 2006 and \$30.7 million in 2005. These provisions comprise current income tax charges of \$48.2 million in 2006 and \$27.4 million in 2005, and a deferred tax benefit of \$6.7 million in 2006 and the expense of \$3.3 million in 2005. Deferred tax benefits and charges arise on temporary differences between the bases of computing income under domestic tax principles and U.S. GAAP.

In 2006, our effective income tax rate was 29.7% compared to the Russian statutory income tax rate of 24.0% and, in 2005, our effective income tax rate was 47.5% compared to the Russian statutory income tax rate of 24.0%. This decrease in 2006 of our effective income tax rate is primarily driven by an increase in taxable profits accompanied by a decrease in the group's non-deductible expenses as a percentage of sales in 2006, compared to 2005.

Minority Interest

The minority interest reflects the net income and losses of our subsidiaries that are attributable to the minority shareholders in those subsidiaries. In 2006, net income attributable to minority shareholders of our subsidiaries decreased to \$3.2 million from \$3.6 million in 2005. Most of the net income attributable to minority interests relate to the dairy segment, which had minority interest in net income of \$1.9 million in 2006, while most of minority interest of \$3.6 million in 2005 were attributed to Moscow Baby Food Plant. The \$0.4 million decrease in 2006 was partially offset by the other minority interest in losses.

Net Income

Net income increased in 2006 to \$95.4 million (5.4% of sales) from \$30.3 million (2.2% of sales) in 2005, primarily as a result of the increase in operating income and financial income explained above, which was partially offset by an increase in income tax expense.

B. Liquidity and Capital Resources

Capital Requirements

We need capital to finance the following:

- repayment of debt;
- capital expenditures, consisting of purchases of property, plant and equipment;
- acquisitions; and
- dividend payouts.

We anticipate that the repayment of long-term debt including our syndicated loan, capital expenditures and acquisitions will represent the most significant use of funds for several years to come. In 2007, we continued to purchase property, plant and equipment in order to increase production capacity and to improve infrastructure at our new and existing subsidiaries in anticipation of the expected further growth in the Russian economy and rising incomes.

Capital Expenditures

Our total capital expenditures in 2007, excluding acquisitions, amounted to \$192.7 million, including new vendor credits. Capital expenditures in our dairy segment amounted to \$134.6 million and related to the improvement of our existing dairy and cheese production facilities, warehouses facilities and quality control procedures for raw milk used in production. Capital expenditures in our beverages segment amounted to \$21.5 million and related mainly to the installation of new production lines and other operating equipment at our production sites. Capital expenditures in our baby food segment amounted to \$28.2 million and related mainly to the launch of baby food production on Omsk Plant, acquisition of baby food packaging lines on WBD and modernization of our Kursk Baby Food Plant. Our corporate and common capital expenditures, including those relating to IT infrastructure and software, totaled \$8.4 million.

Our capital expenditures, excluding acquisitions, for the period from 2005 to 2007 are set forth in the following table:

	Year ended December 31,			
	2007	2006	2005	Total
	In millions of U.S. Dollars			
Dairy segment	\$ 134.6	\$ 93.3	\$ 59.9	\$ 287.8
Beverages segment	21.5	13.5	12.9	47.9
Baby food segment	28.2	19.4	1.8	49.4
Corporate and common expenditures	8.4	3.8	0.5	12.7
Total capital expenditures	\$ 192.7	\$ 130.0	\$ 75.1	\$ 397.8

As of December 31, 2007, our capital commitments amounted to \$66.4 million mainly for construction projects. As of March 31, 2008, we had capital commitments of approximately \$54.7 million, primarily for construction projects at our production sites and purchase of equipment. We plan to finance our capital commitments through cash generated by operating activities and additional borrowings.

Acquisitions of Subsidiaries and Purchase of Minority Stakes

During 2007, 2006 and 2005, we made a number of acquisitions for the total consideration of \$21.8 million, \$137.3 million and \$24.3 million, respectively. The goal of these acquisitions was to expand into new markets, strengthen our operational presence in the regions of Russia and the CIS and to purchase minority stakes. The following table summarizes our acquisitions in the last three years:

	Direct owner -ship interest acquired, %	Acquisition cost (in US\$ '000)
2007		
Ochakovo Dairy Plant (purchase of minority stake)	4.72	3,312
Obninsk Dairy Plant (purchase of minority stake)	33.51	11,877
Niva Farm	94.62	1,185
Angarsky Dairy Plant (MOLKA) (purchase of minority stake)	13.23	836
Georgian products	100.00	1,100
Acquisition of minority interests in subsidiaries	17.08	2,746
Other	various	750
Total		\$ 21,806
2006		
Ochakovo Dairy Plant	93.74	\$ 66,792
Manros	100	51,336
Angarsky Dairy Plant (MOLKA)	83.36	4,908
Surgut Dairy Plant	100	4,536
Wimm-Bill-Dann OJSC (formerly Lianozovsky Dairy Plant) (purchase of minority stake)	0.26	812
Nazarovo Dairy Plant (purchase of minority stake)	30.35	1,982
Moscow Baby Food Plant (purchase of minority stake)	20	6,955
Total		\$ 137,321
2005		
Essentuki Mineral Water Plant at CMW (Caucasian Mineral Water) Ltd	100	\$ 5,505
Nazarovskoe Milk OJSC	63.5	5,167
Pervouralsk City Dairy	100	119
Plemzavod Za Mir i Trud OJSC	100	1,689
Zavety Ilicha	99.34	344
Trud	63.5	420
Kursk Baby Food Plant CJSC	100	3,527
Obninsk Dairy Plant	66.3	6,365
Siberian Dairy Plant (purchase of minority stake)	10	1,050
Other	various	120
Total		\$ 24,306

See "Item 4. Information on Our Company" for more information on our acquired businesses and Note 3 to our Consolidated Financial Statements included elsewhere herein. In

addition to the acquisitions mentioned above, as of December 31, 2007, we also issued a cash advance for the further purchases of minority stakes in certain of our legal entities, which are not included in the summary table above.

Capital Resources

We generally rely on operating cash flows and debt issuance to finance capital expenditures and acquisitions. In addition, we finance a portion of our equipment purchases through vendor financings. The availability of external financing is influenced by many factors, including our financial position and market conditions. Under certain circumstances, we may be required to repay certain indebtedness. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Financial Condition—Covenants in our debt agreements restrict our ability to borrow, invest and engage in various activities, which could impair our ability to expand or finance our future operations.”

Debt

Our debt consists of notes, bank loans and vendor financing for property, plant and equipment, of which 85% are at fixed rates. The following table summarizes our debt position as of December 31, 2007 and 2006:

	At December 31, 2007	At December 31, 2006
	(in thousands)	
Long-term debt, including current portion:		
Notes	\$ 405,922	\$ 248,742
Bank loans	41,086	34,219
Vendor financing	33,103	36,189
Total	480,111	319,150
Short-term debt	98,819	123,849
Total debt	\$ 578,930	\$ 442,999
Denominated in:		
U.S. dollars	\$ 315,305	\$ 171,013
Euro	\$ 23,034	\$ 21,702
Rubles	\$ 240,591	\$ 250,284

Our debt matures as follows:

Year	(in thousands)
2008	\$ 421,005
2009	\$ 19,277
2010	\$ 120,885
2011	\$ 7,353
2012 and thereafter	\$ 10,410

Notes

U.S. Dollar Notes

On May 21, 2003, UBS (Luxembourg) S.A. issued 8.5% Loan Participation Notes due 2008 for the sole purpose of funding a \$150 million loan to WBD Foods. The loan, which matured on May 21, 2008, had an annual interest rate of 8.5%, payable semi-annually in arrears on May 21 and November 21 of each year. Two of our subsidiaries unconditionally, irrevocably, jointly and severally guaranteed our obligation under the loan. The loan agreement contained a number of covenants including requirements to maintain certain financial ratios.

On February 6, 2007, UBS (Luxembourg) S.A. issued 7.5% Loan Participation Notes due 2008 for the sole purpose of funding a \$150 million loan to WBD Foods. The loan, which matured on May 14, 2008, had an annual interest rate of 7.5%, payable in two installments on

November 14, 2007 and May 14, 2008. The loan agreement contained a number of covenants including requirements to maintain certain financial ratios.

We repaid our 2003 and 2007 Eurobond loans with the accrued interest on May 15, 2008 and on May 7, 2008, respectively.

Ruble Notes

On December 21, 2005, WBD Foods issued 3 million non-convertible ruble denominated notes at a face value of 1,000 rubles each. The offering raised a total of 3 billion rubles (\$122,219 at the exchange rate as of December 31, 2007 of which \$ 16,297 have been repaid as of December 31, 2007). The notes are redeemable by WBD Foods on December 15, 2010. The interest rate of the coupon is 9%. Interest is payable semi-annually in arrears commencing on June 21, 2006.

In March and April 2008, the Company placed a third series of bonds on the Moscow Inter-bank Currency Exchange (MICEX). The bonds, with a total nominal value of 5 billion rubles (\$203.7 million at exchange rate as at December 31, 2007), have a maturity of five years and coupons are paid on a half-year basis. The interest rates for both coupons in the first year are equal and amount to 9.30% annually and the rates for subsequent coupons will be set hereinafter. The issue includes built-in 1-year put option.

Bank Loans

Substantially all of our long-term bank loans as of December 31, 2007 consisted of ruble and euro-denominated loans from Sberbank, Russian Agricultural Bank and Moscow City Government at effective interest rates ranging from 3.3% to 6.3%. Our short-term debt balance as of December 31, 2007 consisted of loans from Commerzbank, International Moscow Bank and the Moscow City Government at interest rates ranging from 3.6% to 8.3%.

On April 25, 2008, we entered into a syndicate loan agreement with ING Bank N.V., ABN Amro N.V. and CALYON as mandated lead arrangers, pursuant to which mandated lead arrangers and syndicate lent to us a principal amount of \$250 million on May 8, 2008. The loan matures on April 25, 2011, and interest is payable by us quarterly in arrears at an annual rate of LIBOR+1.75%.

The above-mentioned loan is unconditionally and irrevocably guaranteed by Wimm-Bill-Dann and Wimm-Bill-Dann Beverages pursuant to guarantees dated April 25, 2008 entered into with ING Bank N.V. as the agent.

Both the loan agreement and the guarantees are governed by English law. In the loan agreement, we agreed to certain covenants in respect of, among other things, liens, asset sales, transactions with affiliates and related persons, change of control, mergers and similar transactions, limitation on dividend or other payments affecting our subsidiaries and maintenance of certain ratios. In the guarantees Wimm-Bill-Dann and Wimm-Bill-Dann Beverages agreed to similar covenants.

Vendor Finance

We have agreements with suppliers of equipment, which provide financing for the periods ranging from 1 to 9 years. As of December 31, 2007 and 2006, vendor financing obligations were \$14.0 million and \$21.0 million respectively, EURO 11.1 million and EURO 10.6 million, respectively (equivalent to \$16.3 million and \$14.0 million as of December 31, 2007 and 2006, respectively); and 68.7 million rubles and 30.9 million rubles, respectively (equivalent to \$2.8 million and \$1.2 million as of December 31, 2007 and 2006, respectively). This financing is provided at interest rates of LIBOR plus 1.5%, EURIBOR plus 1.6%, and 10.0% for U.S. dollar, EURO and ruble denominated contracts, respectively. As of December

31, 2007 and 2006, property, plant and equipment amounting to \$48.8 million and \$60.8 million, respectively, served as collateral under these financing agreements.

Cash Flows

A summary of our cash flows from continuing operations is as follows:

	Year ended December 31,		
	2007	2006	2005
	(in thousands)		
Cash provided by operating activities	\$ 96,804	\$ 169,954*	\$ 113,937
Cash used in investing activities	(203,041)	(228,158)	(125,157)
Cash provided (used in) by financing activities	91,429	(1,911)	82,619
Impact of exchange rate differences on cash and cash equivalents	7,950	7,322	(2,087)
Net increase (decrease) in cash	\$ (6,858)	\$ (52,793)	\$ 69,312
Cash paid for acquisition of property, plant and equipment	\$ (189,049)	\$ (127,713)	\$ (72,805)
Cash paid for acquisition of subsidiaries, net of cash acquired	(24,850)	(134,367)	(24,964)
Vendor financed acquisitions of property, plant and equipment	6,860	5,561	5,709

In 2007, we financed our capital expenditures and acquisitions exclusively through operating cash flows and short-term loans.

We spent \$203.0 million on our investment activities in 2007, including acquisitions of property, plant and equipment of \$189.0 million, acquisitions of subsidiaries of \$24.9 million and investments in direct financing leases of \$0.2 million, offset by \$6.8 million proceeds from return of short-term bank deposits, \$3.7 million proceeds from disposal of property, plant and equipment.

Working Capital

Our short-term demands for liquidity, including seasonal fluctuations in working capital requirements, are met by cash flows from operations and short-term debt.

As of December 31, 2007, our cash and cash equivalents balance was \$33.5 million, of which \$32.3 million was ruble-denominated and \$1.2 million were euro and U.S. dollar-denominated. Our net working capital balance was \$236.5 million. Our working capital position as of December 31, 2007 increased from \$90.4 million as of December 31, 2006 primarily due to an increase in trade receivables and inventory, off-set by trade accounts payable growth. We believe that our working capital is sufficient for our present requirements

Tax receivables increased by \$14.5 million to \$65.7 million as of December 31, 2007 from \$51.2 million as of December 31, 2006. Tax receivables represent VAT and other taxes owed to us by the state budget. The increase as of December 31, 2007 was primarily due to issues related to legal entities consolidation and transfer of VAT receivables from the regional tax authorities to the Moscow tax authority. Under existing tax legislation, we are able to offset this VAT receivable against income tax and other taxes payable to the state budget or to recover from the state budget in cash. We are taking all legally available steps, including filing litigation claims, to facilitate the recovery of tax receivables from the state budget. In

* In 2006, the Company included tax paid on dividends as cash flows from operating activities in the Consolidated Statements of Cash Flows. In 2007, the Company classified such amounts as cash flows from financing activities. Prior period amounts have been reclassified accordingly for comparative periods presented in the accompanying financial statements. This change in classification has no effect on previously reported net income.

2007, \$29.5 million of VAT was recovered from the state budget in cash. We also received \$0.85 million from the tax authorities as interest that was accrued on the amount of VAT not refunded within the established time limit.

Trade accounts payables increased to \$130.7 million at December 31, 2007 from \$104.1 million at December 31, 2006. Trade payables turnover averaged 26 days as of December 31, 2007 and 26 days as of December 31, 2006.

Trade receivables increased from \$89.9 million as of December 31, 2006 to \$157.6 million as of December 31, 2007 after the allowance for bad debts of \$3.7 million, as compared to \$7.1 million as of December 31, 2006. Trade receivables turnover averaged 19 days as of December 31, 2007 and 16 days as of December 31, 2006. The increase was mainly due to an increased share of sales going through large supermarket chains.

Inventory increased from \$174.1 million as of December 31, 2006 to \$261.3 million as of December 31, 2007. Turnover of inventory in days as of December 31, 2007 amounted to 48 days, as compared to 47 days as of December 31, 2006. The increase in inventory levels was mainly due to an increase in our stock of milk powder and concentrates. The value of our inventory was also affected by purchasing price increases, primarily in the latter part of 2007, following the rise in global milk prices.

Credit Rating Discussion

Our credit ratings impact our ability to obtain short- and long-term financing, and the cost of such financing. In determining our credit ratings, the rating agencies consider a number of factors, including our operating cash flows, total debt outstanding, commitments, interest requirements, liquidity needs and availability of liquidity. Other factors considered may include our business strategy, the condition of our industry and our position within the industry. Although we understand that these and other factors are among those considered by the rating agencies, each agency might calculate and weigh each factor differently.

In 2007, both Rating agencies increased our credit ratings were upgraded to BB- by S&P and to Ba3 by Moody's:

<u>Rating Agency</u>	<u>Company's rating</u>	<u>Outlook/Watch</u>
Moody's(1)	Ba3	stable
Standard & Poor's(2)	BB-	stable

(1) Rated on July, 16, 2007.

(2) Rated on July, 13, 2007.

The two loan agreements relating to each of our two \$150 million loan participation notes due 2008 contain, in each case, provisions requiring, subject to certain conditions, our prepayment of the loan in full in the event that a change in control or merger results in a decline in our credit ratings

Critical Accounting Policies and Estimates

Critical accounting policies are those policies that require the application of management's most challenging, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgments that are sufficiently sensitive to give materially different results under different assumptions and conditions. We believe that our most critical accounting policies are those described below. For a detailed discussion of these and other accounting policies, see Note 3 to our Consolidated Financial Statements included elsewhere herein.

Estimates and assumptions

The preparation of the consolidated 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Examples include estimates of provisions for allowance for doubtful accounts, obsolete inventory, and valuation allowance for deferred tax assets. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is established if there is objective evidence that we will not be able to collect the amounts due according to original contractual terms and reduces receivables to amounts expected to be collected. In estimating uncollectible amounts, we consider factors such as current overall economic conditions, industry-specific economic conditions, historical customer performance and anticipated customer performance. Our provisions cover individual balances where there is evidence that losses are probable as at the balance sheet date. We use significant judgment in estimating uncollectible amounts. While we believe our processes effectively address our exposure for doubtful accounts, changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in our Consolidated Financial Statements.

Accounting for Income Taxes

We assess the temporary differences resulting from differential treatment of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are recognized in our Consolidated Financial Statements. We assess our deferred tax assets on an ongoing basis by assessing our valuation allowance and adjusting the valuation allowance appropriately. 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.

Inventory Valuation

We review our inventory balances to determine if inventories can be sold at amounts equal to or greater than their carrying amounts. The review includes identification of slow moving inventories, obsolete inventories, expired inventories and discontinued products or lines of products. The identification process includes historical performance of the inventory, current operational plans for the inventory, as well as industry and customer specific trends. Obsolete items are provided or written off. If our actual results differ from our expectations with respect to the selling of our inventories at amounts equal to or greater than their carrying amounts, we would be required to adjust our inventories accordingly.

Depreciation periods for property, plant and equipment

Depreciation periods of property, plant and equipment are based on estimated useful life of related assets. The adoption of depreciation periods requires judgment in determining appropriate estimated useful life over which the related assets will be utilized. In estimating useful life, we consider factors such as our historical experience and the industry, manufacturers' estimates, anticipated use and our maintenance policies. As these factors change, management estimates may change and we could be required to reassess depreciation periods for property, plant and equipment and consider impairment.

Impairment of Goodwill and Long-Lived Assets

When events and circumstances occur indicating that the carrying amount of a long-lived asset (group) may not be recoverable, we estimate 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), we would then calculate the impairment as the excess of the carrying value of the asset (group) over the estimate of its recoverable amount, which is the higher of either fair market value or value in use.

For goodwill, we perform a review for possible impairment of goodwill at least on an annual basis or more often if indicators of impairment are present at the reporting unit level. If the fair value of the reporting unit is less than the carrying amount of the reporting unit including goodwill and indefinite lived intangibles, we would then calculate the impairment loss as the excess of the carrying value of the goodwill over its implied fair value, which is to be recognized in a similar manner as the amount of goodwill is recognized in a business combination.

New and Recently Adopted Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48 (“FIN 48”) *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 *Accounting for Income Taxes*. FIN 48 clarifies accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. In addition, FIN 48 states that income taxes should not be accounted for under the provisions of SFAS No. 5, *Accounting for Contingencies*. The Company adopted FIN 48 at the beginning of the fiscal year 2007. Upon adoption, there was no an effect to retained earnings of the Company (Note 16).

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. The Company adopted the provisions of SFAS No. 157 in the first quarter 2008 which had no material impact on its financial statements upon adoption.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007; however, early adoption is allowed. The adoption of the provisions of SFAS No. 159 did not have an impact on the Company’s results of operations, financial position or cash flows.

In December 2007, the FASB issued FAS 141 (revised 2007), *Business combinations* – the replacement of FASB Statement No. 141, *Business Combinations*. This Statement amends the principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired; and establishes disclosure requirements in relation to business combinations. This Statement is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The effect that SFAS No. 141 (R) has on the accounting for future business combinations is dependant on future acquisitions.

In December 2007, the FASB issued FAS 160, Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51. This Statement amends ARB 51 and provides guidance for accounting for changes in a parent's ownership interest and deconsolidation of a subsidiary and disclosure requirements. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is assessing the effect of FAS No. 160 implementation.

C. Research and Development, Patents and Licenses, etc.

We invest significant financial and human resources in new product development, focusing on long-term strategic projects aimed at creating innovative products and technologies and new food categories. Our research and development department focuses on new project development for all three of our business segments. It is located at Lianozovsky Dairy Plant and has more than 40 employees. For a more detailed discussion of new product development see "Item 4. Information on Our Company - B. Business Overview-New Product Development."

D. Trend Information

Markets

According to the Ministry of Economic Development of Russian Federation, the Russian economy continues to experience growth, with gross domestic product growing at rates of 8.1%, 7.4% and 6.4% in 2007, 2006 and 2005, respectively. Disposable income also continues to grow, although disposable income levels in the regions will continue to lag behind Moscow levels. We believe these macroeconomic improvements in Russia are supporting the favorable industry trends we have seen. Dairy consumption is shifting towards packaged products whereas the share of unpackaged dairy products is steadily decreasing. In addition, consumers in Russia have, in recent years, been demanding more fruit-containing, dessert and enriched products. We expect the increasing preference for juice over fresh fruit, which generally accompanies increased incomes, will result in the consumption of vitamin-rich products with different tastes and nutritional characteristics, including increased demand for juice-containing beverages. However, both the dairy and juice markets will continue to become more competitive, with producers engaging in aggressive advertising and marketing strategies, as well as making substantial investments in modernizing packaging and manufacturing equipment. The dairy industry is also seeing the stronger presence of small regional producers.

Consumption of baby food continued to grow in 2007. We estimate that the Russian baby food market grew by 23% in value terms in 2007. This growth was driven by higher category penetration as a result of increasing purchasing power and shorter maternity leaves by new mothers.

Dairy Segment

In recent years, raw milk volumes decreased in Russia mainly due to livestock reduction. However, in 2006, the raw milk supply increased by 0.6% compared to 2005 and in 2007 the raw milk supply increased by 2.3% due to significant investments into farm development by major dairy producers, enhanced effectiveness of cattle-breeding methods, the application of modern technologies by Russian farms and the National Program of Agro-Industrial Development, a government sponsored initiative offering interest free loans for the development of agriculture and the creation of large farming enterprises and regional milk collection centers.

Although domestic raw milk production increased only by 2.3% in 2007, industry experts estimate that the Russian dairy market grew by 6.1% in terms of volume in 2007. The most significant growth was seen in UHT milk, dairy desserts and cheese.

In 2007, we experienced significant increases in the raw milk purchase price. The average weighted raw milk purchase price paid by us increased in ruble terms by approximately 14% in 2005, 7% in 2006 and 64.8% in 2007. The price increases were due, in part, to droughts in Australia and New Zealand, the world's largest suppliers of dry powder milk, and due to an increase in demand for milk products in such densely populated countries as China, Indonesia, Algeria and a number of other countries in Asia and Africa. This unprecedented increase in the price of raw and dry milk adversely affected our dairy profit margin in 2007, and continued increases in raw milk prices could further reduce our profitability.

Our market leadership in the Russian dairy market depends on adaptation to a rapidly changing marketplace. The emergence of a middle class, not only in Moscow and a handful of large cities, but across the country is translating into greater health awareness and busier lifestyles. We expect dairy market to grow 5.0% in terms of volume in 2008 (based on our estimates and market statistics). Once challenging markets such as Siberia and the Urals are seeing rapid growth in consumer spending and will be a continued focus going forward. At the same time, emerging CIS markets are still several years behind Russia in terms of consumer market development but are enjoying higher rates of growth than Russia.

The regional structure of Russia's dairy market continued to shift in 2007, with dairy product sales increasing in regional markets at a more rapid rate than in Moscow and the Central Region of Russia. We expect that the growth in regional dairy sales will continue to outpace growth in Moscow during 2008.

A focus on core dairy brands is essential going forward. We were the tenth largest television advertiser in Russia in 2007. As advertising rates continue to rise above inflation, our marketing efforts will aim to be more effective and targeted, conveying key values of health and wellness.

Beverages Segment

At the end of 2006, we witnessed price increases in juice concentrate and other ingredients resulting, in part, from bad harvests and poor weather conditions in juice-concentrate producing regions. We had substantial price increases for juice concentrate and other materials during the latter half of 2007 (e.g. apple juice concentrate which is included in the majority of our recipes), at the same time the average selling price in ruble terms increased 16.4% in 2007. This allowed us to offset input costs and improve gross margins.

In 2005, in order to increase our presence in the regions through engaging lower-middle income consumers, we successfully re-launched the "Lovely Garden" brand. We sponsored and promoted the brand through television commercial and print advertisements in 2005 and 2006, which resulted in steady sales growth of the "Lovely Garden" juices and nectars. Although we expect further growth of juice sales in the lower-middle segment, we believe that average selling prices in the regions will generally continue to be lower than average selling prices in Moscow and St. Petersburg due to the consumer preferences in the regions, where household incomes are typically lower, for lower priced products, which have a negative effect on our gross margin. For the Central region of Russia where incomes are higher, we are focusing our efforts on providing beverage products in the upper-middle and premium segments. Thus, in 2007 we witnessed an over 30% sales increase of J-7, our flagship upper-middle brand. We expect Russian juice, nectars and still drinks market to grow 8.0% in volume terms in 2008 (based on our estimates and market statistics).

We entered the mineral water market in 2003. We estimate that the mineral water market in Russia is growing annually at approximately 10% in volume. Our water offerings include the premium "Essentuki" brand, which is traditionally known to be used for medical purposes.

Baby Food Segment

Baby food consumption in Russia is growing due to increased health awareness and knowledge of the critical importance of proper nutrition in the earliest years for later life. Currently, higher and upper middle income groups are driving consumption, with income growth expanding demand for healthy, specialized products for babies across Russia.

With a fast-growing middle class, Russian per capita consumption of baby food is expected to rapidly catch up with Central and Eastern European levels. In addition, purchases by publicly owned institutions such as hospitals and children's homes, as well as targeted state-run programs aimed at childhood nutrition, continue to play an important role, although the share of government purchases of the overall market is expected to decline.

The baby food market is currently relatively fragmented and new players, foreign and domestic, are entering the market. We expect the market to consolidate, and we believe that we are well positioned to benefit from consolidation. Expansion into regional markets will require increased marketing and sales expenditure as well as increased transportation costs. We continue to review options for expanding our baby food production capacity in terms of volume and type of production as well as geographic location. We expect Russian baby food market to grow 12.0% in terms of volume in 2008 (based on our estimates and market statistics).

E. Off-balance Sheet Arrangements

As of December 31, 2007, we did not have any off-balance sheet arrangements.

F. Contractual Obligations

We have various contractual obligations and commercial commitments to make future payments, including capital commitments, notes payable and vendor equipment financing obligations.

The following table summarizes our future obligations and commitments under these contracts due by the periods indicated as of December 31, 2007:

Contractual Obligations	Payments due by periods At December 31, 2007				
	Total	Less than 1 year	1- 3 years	4- 5 years	After 5 years
	In thousands of U.S. Dollars				
Notes payable	\$ 405,922	\$ 300,000	\$ 105,922	\$ —	\$ —
Vendor financing obligations	\$ 33,103	\$ 15,731	\$ 16,316	\$ 1,056	\$ —
Long-term loans	\$ 41,086	\$ 6,455	\$ 17,924	\$ 16,707	\$ —
Short-term loans	\$ 98,819	\$ 98,819	\$ —	\$ —	\$ —
Purchase obligations	\$ 66,365	\$ 66,365	\$ —	\$ —	\$ —
Estimated interest expense	\$ 54,476	\$ —	\$ —	\$ —	\$ —
Total	\$ 661,771	\$ 487,370	\$ 140,162	\$ 17,763	\$ —

For additional information, see “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Risk.”

Item 6. Directors, Senior Management and Employees**A. Directors and Senior Management**

Our directors and executive officers, and their respective ages and positions as of the date of this annual report were as follows:

Name	Year of Birth	Position
David Iakobachvili(1)	1957	Chairman
Sergei A. Plastinin(1)	1968	Director
Guy de Selliars(2)	1952	Director
Mikhail V. Dubinin(1)	1969	Director
Igor V. Kostikov	1958	Director
Michael A. O'Neill	1945	Director
Alexander S. Orlov(1)	1948	Director
Earnest Linwood Tipton(2)	1934	Director
Jacques Vincent	1946	Director
Evgeny G. Yasin	1934	Director
Gavril A. Yushvaev(1)	1957	Director
Tony D. Maher	1956	Chief Executive Officer, Chairman of the Management Board
Dmitry V. Ivanov	1967	Chief Financial Officer
Natalia K. Turkulets	1966	Head of Personnel Department
Marina G. Kagan	1968	Head of Public Affairs, Management Board Member
Gennady K. Krainov	1951	Director of Information, analysis and Control Department, Management Board Member
Oleg E. Kuzmin	1969	Group VP Operations, Management Board Member
Silviu Popovici	1968	Head of Beverages Business Unit, Management Board Member
Grant Winterton	1970	Group VP Sales, Management Board Member
Gary Sobel	1967	Group VP Marketing and Innovation

(1) Party to the Amended and Restated Partnership and Cooperation Agreement. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We are controlled by a group of shareholders whose interests could conflict with those of the holders of our securities.”

(2) Member of the Audit Committee.

David Iakobachvili has served as Chairman of our Board of Directors since May 2001. He also serves on the board of directors of a number of businesses that he founded and developed into large agricultural, real estate, mining and entertainment holdings, namely RusAgroProject CJSC, Agrocomplex Gorki-2 CJSC, Mill Plant #4 OJSC, Eisk Port Elevator OJSC, Coal mine Kolmogorovskaya-2 LLC and Metelitsa-Club CJSC. He also serves as the director of Airport Financial Services Limited, a company that provides financial services. Mr. Iakobachvili also serves on the board of directors of a number of our subsidiaries: Wimm-Bill-Dann Ukraine OJSC, Bishkeksut OJSC, Timashevsk Dairy Plant OJSC, Wimm-Bill-Dann Beverages OJSC and Gulkevichi Creamery CJSC. He is the Chairman of the Board of directors of RusBrand non-profit partnership; the Chairman of Committee, member of the Presidium Office and the Vice-President of the Russian Union of Industrialists and Entrepreneurs. In addition, he plays an active role in the Russian Chamber of Commerce and Industry, the National Corporate Governance Council, the Russian-American Business Council, the Russo-British Chamber of Commerce, the Senate of Economic Advisers of the European Democracy Forum, the World Economic Forum and Monaco World Summit.

Sergei A. Plastinin has served as a member of our Board of Directors since May 2001. He served as the Chairman of the Management Board, which is the chief executive officer position, from 2001 to April 2006. Mr. Plastinin is also a founder and the chief executive officer of a number of businesses in the agricultural, real estate and fashion industries, including, among others, Taly Enterprises Limited and Lendero Limited. Mr. Plastinin also

serves on the board of directors of a number of our subsidiaries: Wimm-Bill-Dann Beverages OJSC, Timashevsk Dairy Plant OJSC, Wimm-Bill-Dann Ukraine OJSC, Bishkekesut OJSC, Karasuk CJSC and Gulkevichi Creamery CJSC.

Guy de Selliers has served as an independent member of our Board of Directors since December 2001. Currently, Mr. de Selliers serves as a member of the board of directors and a Chairman of the Audit Committee at Norilsk Nickel OJSC and a member of the board of directors of furniture manufacturer Shatura OJSC and Allied Resources Inc. He is also a director and member of the Audit Committee of Solvay S.A., a global group of pharmaceutical and chemical companies. Mr. de Selliers is also the Chairman of Apprion Group Ltd, HB Advisers (UK) and Partners in Hope. During 2004 and 2005, Mr. de Selliers was a member of the international supervisory board at Fortis Group, an international financial services provider and, from 2001 to 2003, he acted as Chairman of Leader Capital equity fund. During 1998 to 2000, he headed up the European business of Fleming Investment Bank. Mr. de Selliers served as chief executive officer of MC BBL investment bank from 1997 to 1998. He was also a Deputy Vice President of EBRD from 1991 to 1997. He received a degree in engineering in 1975 and in economics in 1977 at the University of Lorraine.

Mikhail V. Dubinin has served as a member of our Board of Directors since May 2001. Currently, Mr. Dubinin serves on the board of directors of several real estate companies that he founded or co-founded, namely Istra Springs LLC, Nadezhny Fundament LLC, Petri-trade LLC, Cliff-Real Estate LLC, Non-commercial partnership Benelux Residence, non-commercial organization International community council on "Golden Falcon" order awarding.

Igor V. Kostikov has served as an independent member of our Board of Directors since June 2007. Between 1992 and 1993, he served as a managing director at UK-based Friends Providence Asset Management. Mr. Kostikov serves as the chairman of the management board of the Institute of Stock market and Governance, as the general director of Almaz-Antey Infinity, general director of Institute of World's Economic and International Relations and general director of InvestKom Finance. Between 1999 and 2000, Mr. Kostikov was Deputy Chairman of the Finance Committee in the St Petersburg City Administration. From 2000 to 2004, Mr. Kostikov served as Chairman of the Federal Commission of the Securities Market. He is one of the authors of the Russian Corporate Governance Code. Since 2005, Mr. Kostikov has been a professor at the Moscow State University Business School, Doctor of Economics with a focus on world economy and finance and credit. Since 2006, Mr. Kostikov has served as CEO of Almaz Antei Thomson Broadcast. He actively participates in the work of international organizations, including the OECD, EES, IBRD and EBRD, among others. Mr. Kostikov is a graduate of the economics department of Leningrad State University.

Michael A. O'Neill has served as an independent member of our Board of Directors since December 2001. Currently, Mr. O'Neil serves as chief executive officer of Coca-Cola Icecek in Turkey. He also serves on the board of directors of Efes Breweries International. From 1989 to 2000, Mr. O'Neill held various executive positions within the Coca-Cola Company. He received a degree in Industrial Engineering from the College of Commerce Rathmines in 1967.

Alexander S. Orlov has served as a member of our Board of Directors since May 2001. Mr. Orlov serves on the board of directors of Non-commercial partnership Benelux Residence. He also serves on the board of directors of our subsidiary: Wimm-Bill-Dann Ukraine OJSC. From 1992 and 1997, he was director of the dairy department and the general director of the Moscow Baby Food Plant. From 1997 to 1998, he was general director of the Lianozovsky Dairy Plant. Mr. Orlov graduated from the Moscow Technology Institute of Meat and Dairy Industry in 1975.

Earnest Linwood Tipton has served as an independent member of our Board of Directors since May 2002. He has held various posts at the U.S. International Dairy Food Association (IDFA) and its organizations for over 35 years, culminating with his appointment

to president and chief executive officer in 1983. Prior to joining IDFA, Mr. Tipton worked as an economist for a milk producers' cooperative and as a dairy economic consultant. He also served as an officer in the U.S. Army Finance Corp. and holds Bachelor's and Master's degrees from the University of Missouri.

Jacques Vincent has served as a member of our Board of Directors since June 2007. Mr. Vincent also serves as Vice-Chairman of Groupe Danone, a member of the Board of Directors of Syngenta (Switzerland) and Yakult Honsa Co. Ltd. (Japan), and as Chairman of the Board of Directors of Ecole Normale Supérieure (Lyon). Mr. Vincent was appointed Advisor to the Chairman of Groupe Danone as of January 08. Prior to this, he had been Vice Chairman and Chief Operating Officer of Groupe Danone since 1998. Having spent most of his career with Groupe Danone, he occupied various positions as general manager of certain of its subsidiaries in France, Germany, Italy and the United States in the water and dairy businesses. He holds an engineering degree from Ecole Centrale de Paris, a Master of Science degree from Stanford University and a degree in economics.

Evgeny G. Yasin has served as an independent member of our Board of Directors since December 2001. He has been a professor of the State University—High School of Economics since July 1998. Mr. Yasin also serves on the board of directors in a number of businesses, namely Seversta'l—Auto, Otkrytie Investitsii OJSC, Echo of Moscow CJSC and Insurance Group Alfainurance. He also serves as the president of non-governmental fund Expert Institute. From 1994 to 1998, Mr. Yasin was Russia's Minister of the Economy. He graduated from the Hydrotechnical Institute in 1957 with a degree in engineering and in 1963 from Moscow State University with a degree in economics.

Gavril A. Yushvaev has served as a member of our Board of Directors since June 2005. He also serves as a member of the board of directors of a number of businesses that he founded and developed into large agricultural and real estate holdings, namely RusAgroProject CJSC, Agrocomplex Gorki-2 CJSC, Mill Plant #4 OJSC, Eisk Port Elevator OJSC and Cattle Farm Naroosanovsky OJSC. Mr. Yushvaev also serves as the president of RusAgroProject CJSC.

Tony D. Maher has served as our Chief Executive Officer and Chairman of the Management Board since April 2006. Prior to joining Wimm-Bill-Dann, he served as chairman of the board of directors of Multon, a Russian juice company. He also held a variety of senior positions in Western, Central and Eastern European markets within the Coca-Cola group of companies, including Region Managing Director for Coca-Cola HBC, one of the largest bottlers of non-alcoholic beverages in Europe.

Dmitry V. Ivanov has served as our Chief Financial Officer since May 2008. Mr. Ivanov has 17 years of financial experience in leading Russian and international companies. He most recently served as Chief Financial Officer at Sitronics, a publicly listed company within the AFK Sistema group, where he was responsible for capital market transactions, corporate financial strategy and all financial processes, including annual budgeting and forecasting, cash management and treasury functions. Mr. Ivanov was born in St Petersburg, Russia and has worked in a variety of senior finance roles within the AFK Sistema group, Multon, Creditanstalt Investment Bank and Small Enterprise Assistance Funds. He graduated from the St Petersburg Shipbuilding University in 1991 and the same year received a Certificate in Accounting from the St Petersburg University of Economics. He holds an MBA from Vlerick Leuven Gent Management School.

Natalia K. Turkulets has served as our Head of Personnel Department since May 2008. Prior to joining Wimm-Bill-Dann, between 2003 and 2008, Natalia served as Head of HR for Salym Petroleum Development N.V. (Shell JV). From 1996 to 2003 Ms Turkulets served in a variety of senior HR roles at ConocoPhillips, a US-based oil company. Natalia Turkulets graduated in mathematics from Patrice Lumumba University in 1990. She subsequently received a PhD in Social Science and interpreting.

Marina G. Kagan has served as our Head of Public Affairs and a member of the Management Board since May 2004. From 1991 to 1998, Ms. Kagan worked for BBC radio and TV, and served as a Moscow correspondent for the BBC World Service from 1995 to 1998. She joined Gavin Anderson & Co, an international investor and public relations consultancy in 1998, where she served on the Board of Directors until 2001. From 2001 to 2004, Ms. Kagan worked as a partner at Shared Value, a London-based international financial public relations and investor relations firm. Ms. Kagan graduated from Westminster University in London, England.

Gennady K. Krainov has served as our Head of Information, Analysis and Control Department since December 2003 and as a member of the Management Board since June 2005. From 1975 until 2003, Mr. Krainov held managerial positions within national security bodies and at the tax police. He also worked for the Russian External Trade Ministry and Chamber of Commerce and Industry. Mr. Krainov graduated from the Moscow Geology Institute and the Higher School of Committee for State Security, where he received a legal degree.

Oleg E. Kuzmin has served as Group Vice-President Operations since March 2008 and as a member of the Management Board since 2005. Mr. Kuzmin served as our Head of Dairy Business Unit since August 2004. Mr. Kuzmin serves on the board of directors of a number of our subsidiaries: Wimm-Bill-Dann Ukraine OJSC, Tuimazy Dairy Plant OJSC, Bishkeksut OJSC, Karasuk CJSC. He also serves as chief executive officer of our subsidiaries Wimm-Bill-Dann OJSC and Moscow Baby Food Plant OJSC. Mr. Kuzmin has been employed by Wimm-Bill-Dann since 1995. From September 2003 to August 2004, he was head of operations of the dairy business unit. Prior to that, he served in various managerial positions, including head of the cheese project, director of the Nizhny Novgorod Dairy Plant, strategy director of the Lianozovsky Dairy Plant and marketing director of Wimm-Bill-Dann's Trading Company. Mr. Kuzmin graduated from Moscow State Bauman Technical University and Moscow State University. He also received an MBA from the Academy of the National Economy of the Government of the Russian Federation.

Silviu Popovici has served as our Head of Beverages Business Unit since September 2006 and as a member of the Management Board since May 2007. Mr. Popovici has extensive experience in sales, marketing, operations and general management with Bristol-Myers Squibb and Coca-Cola in Romania, Russia and Ukraine. In the two and a half years before he joined the company, Mr. Popovici worked as country manager for Coca-Cola HBC Ukraine. He has a degree in physics from the University of Bucharest and is currently completing an MBA at the London Business School in the UK.

Grant Winterton has served as our Group Vice-President Sales since March 2008 and as a member of the Management Board since May 2007. Mr. Winterton served as our Group Head of Marketing and Innovations from November 2006 to February 2008. He has extensive experience in marketing and sales with multinational companies, including Wella Haircare, Campbell Soup Company (Arnotts Snacking) and Coca-Cola in Australia, Russia, Ukraine, Belarus and China. He also has dairy industry experience with three years in both the milk and soft dairy divisions of National Dairies, Australia's largest dairy producer. Over the course of 14 years before joining Wimm-Bill-Dann, Mr. Winterton worked in a variety of senior marketing, sales and managerial positions in these fast-moving consumer goods companies. Mr. Winterton holds a Bachelor of Commerce degree from the University of New South Wales, Australia, where he graduated with a double major in marketing and finance.

Gary Sobel has served as our Group Vice-President Marketing since March 2008. From March 2007 to March 2008 Mr. Sobel served as our Head of Baby Food Business Unit. Mr. Sobel began his career at Procter and Gamble, where over 13 years he worked in various positions in Canada, the United States, the United Kingdom and Russia. His experience included working in Procter & Gamble's Wal*Mart Customer Team, as well as heading up In-store Marketing and New Product Performance for their Baby Care Division. He headed

Dirol Cadbury (a division of Cadbury Schweppes) in Russia. Mr. Sobel graduated from Concordia University (Montreal, Canada) with honors and received a B.A. in Business Administration, as well as an MBA from the University of Western Ontario (Canada).

All of our directors were elected on June 27, 2007 and, pursuant to Russian law, their terms will expire on the date of our next annual shareholders' meeting, which will take place on June 27, 2008.

B. Compensation of Directors and Senior Management

In 2007, the aggregate amount of compensation to the directors and Management Board members of Wimm-Bill-Dann Foods OJSC as a group for services in all capacities was \$10.4 million. In 2006 the Company entered into a share-based award agreement with some of its executives. Commencing April 2007 Stock Appreciation Rights incentive program linked to ADS has been approved for wider senior management. See Note 22 to our Consolidated Financial Statements included under "Item 18. Financial Statements."

No funds were set aside for pension, retirement and other similar benefits for the same directors and executive officers as of December 31, 2007.

We compensate each board of directors member \$70,000 annually, plus transportation and lodging expenses incurred in connection with board meeting attendance, and up to \$2,000 per year for other expenses incurred in connection with board-related activities. The Chairman of the Board is compensated \$320,000 annually plus transportation and lodging expenses incurred in connection with board meeting attendance, and up to \$2,000 per year for other expenses incurred in connection with board-related activities. We also compensate each member of the Personnel and Compensation Committee and each member of the Investment and Strategic Planning Committee \$3,000 and each member of the Audit Committee \$5,000 for participation in each planned direct Committee meeting.

C. Board Practices

Board of Directors

Members of our Board of Directors are elected by a majority vote of shareholders at our annual general meeting using a cumulative voting system. Each director is elected for a term that lasts until the next annual general meeting and may be re-elected an unlimited number of times. Our Board of Directors currently consists of eleven members, six of whom are independent directors. The Board of Directors has the authority to make overall management decisions for the Company, except those matters reserved to the shareholders. See "Item 10. Additional Information—B. Charter and Certain Requirements of Russian Legislation—General Meetings of Shareholders" for more information regarding the competence of our shareholders' meetings.

The members of our Board of Directors serve pursuant to a contract. The contracts do not provide for benefits to the board members upon termination of their employment. We indemnify each member of our Board of Directors pursuant to agreements, under which we indemnify them against, among others, expenses and costs incurred by them in connection with any claims, suits or proceedings arising out of or as a result of their service as a director, subject to certain limitations. The agreements also limit the liability of the directors to compensate us for any losses caused by them, as well as our ability to take any action against them, subject to certain exclusions.

The business address for all of our officers and directors is 16 Yauzsky Boulevard, Moscow 109028, Russian Federation.

Management Board

The composition of our Management Board, which consists of our executive officers, is determined by the Board of Directors and consists of six members: Tony D. Maher, Marina

G. Kagan, Oleg E. Kuzmin, Grant Winterton, Silviu Popovici and Gennady K. Krainov. Members of the Management Board are nominated by the Chairman of the Management Board and confirmed by our Board of Directors for a term of three years. The Management Board is the collective executive body of the Company and, under the direction of the Chairman of the Management Board, is responsible for our day-to-day management. We indemnify each member of our Management Board pursuant to agreements, under which we indemnify them against, among others, expenses and costs incurred by them in connection with any claims, suits or proceedings arising out of or as a result of their service as a Management Board member, subject to certain limitations. The agreements also limit the liability of the Management Board members to compensate us for any losses caused by them, as well as our ability to take any action against them, subject to certain exclusions.

Chairman of the Management Board

In accordance with our current Charter, the Board of Directors appoints the Chairman of our Management Board, our chief executive officer, for a term of three years, which term we intend to extend to five years by amending our Charter. We concluded an employment contract with the current Chairman of our Management Board for a term of five years. The rights, obligations and the times and amounts of payment for the Chairman's services are determined pursuant to our charter and by contract. The Chairman of the Management Board is responsible for day-to-day management of our activities.

Board of Directors Committees

Audit Committee

The Audit Committee of our Board of Directors was established on April 24, 2003 by a decision of our Board of Directors and functions pursuant to bylaws approved by the Board. It is currently comprised of three independent directors, G. de Selliers, E. Linwood Tipton and I. Kostikov. Our Board of Directors has determined that G. de Selliers is an "audit committee financial expert" as defined in Item 16A of Form 20-F.

The goals and objectives of the Audit Committee, as set forth in the bylaws, are to assist the Board of Directors in carrying out its oversight responsibilities in the areas of:

- our financial statements and the processes of their preparation;
- our internal accounting and financial control system;
- work of the internal audit service and independent auditors;
- qualifications and independence of the independent auditors;
- our compliance with ethical principles; and
- requirements of legislative and normative acts.

According to the bylaws, the Audit Committee shall meet, separately from the non-independent directors, at least once during each fiscal quarter and more frequently as the Committee deems desirable.

Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee of our Board of Directors was formed on April 24, 2003 by a decision of our Board of Directors and functions pursuant to bylaws approved by the Board. It is composed of M. O'Neill, an independent director who serves as the Committee Chairman, S. Plastinin, M. Dubinin and. According to its bylaws, the Investments and Strategic Planning Committee is designed to assist the Board of Directors in approving and carrying out its oversight responsibilities in relation to significant investment programs, mergers and acquisitions and strategic planning.

According to the bylaws, the Investment and Strategic Planning Committee shall meet not less than once during each fiscal quarter.

Personnel and Compensation Committee

The Personnel and Compensation Committee of our Board of Directors was formed on April 24, 2003 by a decision of our Board of Directors and functions pursuant to bylaws approved by the Board. It is composed of E. Yasin, an independent director who serves as Committee Chairman, G. Yushvaev and A. Orlov. According to the bylaws, the Personnel and Compensation Committee is tasked with assisting in the selection of Board of Directors candidates. Its members also assist the Management Board in formulating and implementing:

- a uniform personnel policy for all of our subsidiaries;
- a personnel appraisal, rotation, dismissal, education and training policy and administrative accounting standards;
- a remuneration and compensation policy, as well as other incentive programs (stock option and pension plans, social programs); and
- a corporate ethics and communications policy.

According to the bylaws, the Personnel and Compensation Committee shall meet not less than once during each fiscal quarter.

Corporate Governance Committee

The Corporate Governance Committee of our Board of Directors was formed on June 1, 2007 by a decision of our Board of Directors and functions pursuant to bylaws approved by the Board. It is composed of D. Iakobachvili, a Chairman of the Board of Directors who serves as Committee Chairman, E. Yasin and M. O'Neill. According to the bylaws, the Corporate Governance Committee is tasked to assist to the Board of Directors in implementing its functions in the following areas:

- compliance with the principles of corporate governance;
- development of the principles of corporate governance;
- evaluation of the independence of the members of the Board of Directors;
- anticipating, avoiding and solving in case of necessity the conflicts of interests between the Company and the Management Board, the Board of Directors and shareholders;
- determination of the best ways of interaction of the Board of Directors and /or its members with officials and employees

According to the bylaws, the Corporate Governance Committee shall meet not less than once during each fiscal quarter.

Company Committees

Disclosure Committee

Our Disclosure Committee was formed on March 24, 2003 by the order of the Chairman of our Management Board. It is currently composed of our Chief Financial Officer, Head of Public Affairs, Head of the Legal Department, Head of the Treasury, Head of Internal Audit, VP Operations, Head of the Beverages Unit, Financial Director of the Beverages Unit, VP Sales and Head of the Reporting, Budgeting and Analysis Department. The Committee's activities are coordinated by the senior investor relations manager.

The Disclosure Committee functions pursuant to bylaws and meets as determined by the Committee. It is directly supervised by and reports to the Chairman of the Management Board and Chief Financial Officer.

According to its bylaws, the Disclosure Committee is tasked with:

- overseeing the collecting, evaluating and reporting of information relating to our disclosure obligations;

- evaluating our system of disclosure controls and procedures; and
- preparing written confirmations relating to our observance of the information disclosure rules and principles.

As set forth in the bylaws, the Disclosure Committee is also responsible for all aspects of information disclosure, including ensuring proper documentary execution, transmission, implementation and performance of our rules and principles of information disclosure, as well as for coordinating the work of our legal department, external and internal auditors and our other departments for the purpose of preparation of our annual reports and other disclosure documents in accordance with applicable law.

Audit Commission (for financial reporting under Russian law)

The Audit Commission verifies the accuracy of our financial reporting under Russian law and generally supervises our financial activity. The members of our Audit Commission are nominated and elected by our shareholders for a term of one year. A Director may not simultaneously be a member of the Audit Commission. Our Audit Commission currently has ten members: I.N. Ieshkina, L.M. Gavrilenko, V.V. Dzhemelinskaya, A.A. Davidyuk, T.A. Nazarova, G.S. Sergeev, A.D. Popov, E.A.Kozlova, M.A. Zavalina and G.P. Kussyakin. Our Audit Commission operates in accordance with terms set forth in specific guidelines. The terms of all of our Audit Commission members expire on the date of our next annual shareholders' meeting, which will take place in June, 2008.

Corporate Governance

We are required under the New York Stock Exchange listing rules to disclose any significant differences between the corporate governance practices that we follow under Russian law and applicable listing standards and those followed by U.S. domestic companies under New York Stock Exchange listing standards. This disclosure is posted on our website http://www.wbd.com/page_pid_518.aspx

D. Employees

In 2007, we had an average of 19,796 employees within Russia and the other countries of the CIS, including 11,076 production employees, 5,712 marketing, sales and distribution employees and 3,008 general and administrative employees. We do not employ a significant number of part-time employees. In 2006 and 2007, we experienced a higher level of departures due to headcount optimization. We have not experienced any work stoppages, and we consider our relations with employees to be strong. Some of our employees are unionized and are employed pursuant to collective labor agreements.

Average for the year ended December 31st	Production	Marketing Sales and Distribution	General and Administrative	Percent Change over Prior Year
2007	11,076	5,712	3,008	2%
2006 (1)	10,811	5,355	3,159	2% (2)
2005	9,766	5,713	3,478	7%

(1) Excluding employees of businesses we acquired in 2006 (Surgut, Ochakovo, Manros and MOLKA).

(2) Despite a workforce reduction of over 900 people in the period from June to December 2006, we still had a 2% increase in the average number of personnel in 2006 vs. 2005. This growth was due to an increase in production personnel caused by increasing utilization of manufacturing facilities in 2006, growing Agro business, and relaunching the plants acquired in 2005 (Obninsk, Pervouralsk and Nazarovo dairy plants).

Our personnel enjoy a relatively high level of social benefits. We provide subsidies for meals, medical care and summer vacations for employees and their children. Our employees have

opportunities to upgrade their qualifications by participating in professional and management education programs. Starting in 1998, leading managers of our subsidiaries have been involved in programs to upgrade their professional skills through a program of the Russian government. We seek to maintain effective management teams at our plants by recruiting qualified new employees, as well as through customized retraining programs and on-site training in our leading plants. Programs for training personnel have been developed and implemented at all our regional plants as well as sales offices and managing company. In addition, in 2005, we created a corporate university to educate and train our personnel, create an internal management pool and provide an opportunity for employees to share their knowledge and experience as well as an opportunity to advance their careers. In 2006, we also initiated various HR projects in the Compensation & Benefits domain. In 2006 we commenced Key Performance Indicators (KPI) system implementation across all business units and introduced individual development plans for top 500 employees. All our employees now have variable salaries linked to performance. Their progress is monitored through semi-annual performance review. In 2007 we introduced a long-term incentive program for our top executives based on SARs.

E. Share Ownership

Each ADS (GDS) is the economic equivalent of one share of our common stock.

The aggregate beneficial interest of our directors, senior management and employees as of June 24, 2008 was as follows:

<u>Number of Shares of Common Stock</u>	<u>Number of GDSs</u>	<u>% Capital Stock Outstanding</u>
17,073,249	2,686,182*	44.91

* Mr. Iakobachvili converted his GDRs in the amount of 803,783 into ADSs.

For further description of the individual interest of our directors and senior management, see “Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders.”

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information regarding the beneficial ownership of our common stock as of June 24, 2008:

Name of Beneficial Owner	Number of Shares Owned	Percentage of Shares Outstanding	Number of ADSs/GDSs Owned	Percentage of Shares Outstanding	Total Number of Shares Owned (Shares + ADSs/GDSs)	Total Percentage of Shares Outstanding (Shares + ADSs/GDSs)
Gavril A. Yushvaev(1)(2)	7,590,880	17.25%	1,038,638	2.36%	8,629,518	19.61%
Sergei A. Plastinin(1)(2)(3)	2,333,604	5.30%	284,809	0.65%	2,618,413	5.95%
David Iakobachvili(1)(2)	3,754,802	8.53%	803,783*	1.83%	4,558,585	10.36%
Mikhail V. Dubinin(1)(2)	1,809,260	4.11%	264,112	0.60%	2,073,372	4.71%
I.M. Arteks Holdings Limited	183,639	0.42%	—	—	183,639	0.42%
Alexander S. Orlov(1)(2)	1,201,064	2.73%	172,662	0.39%	1,373,726	3.12%
Mikhail I. Vishnyakov(2)	200,000	0.45%	100,000	0.23%	300,000	0.68%
Viktor E. Evdokimov(2)	0.00	0.00%	22,178	0.05%	22,178	0.05%
Other holders of ordinary shares	9,331,851	21.21%	—	—	9,331,851	21.21%
Holder of American Shares(4)	—	—	14,908,718	33.88%	14,908,718	33.88%
Total	26,405,100	60.0116%	17,594,900	39.9884%	44,000,000	100.00%

- (1) Member of our Board of Directors.
- (2) Party to the Amended and Restated Partnership and Cooperation Agreement.
- (3) This figure contains 0.5% of shares owned by Lendero Ltd. controlled by Sergei A. Plastinin.
- (4) Best to our knowledge, Groupe Danone, together with its subsidiaries, holds a 18.4% stake in Wimm-Bill-Dann Foods OJSC.

* Mr. Iakobachvili converted his GDRs in the amount of 803,783 into ADSs.

As of June 24, 2008, we had 44,000,000 shares of common stock outstanding. The total number of ADSs outstanding was 15,712,501 representing underlying ownership of 15,712,501 shares, or 35.71% of our outstanding shares. The total number of GDSs outstanding was 1,882,399 representing underlying ownership of 1,882,399 shares, or 4.2787% of our outstanding shares. The shares underlying the ADSs and GDSs are deposited with Deutsche Bank Trust Company Americas and the local custodian is OOO Deutsche Bank. All shares of common stock have the same voting rights. According to Capital Bridge Analytics we have 34 record holders in the U.S., holding ADSs and/or shares comprising at least 0.034% of our total outstanding share capital.

Based on our share register, we believe we are not directly or indirectly owned or controlled by another corporation or government, and that there are no arrangements the operation of which may result in a change of control.

During 2007 and 2008 our shareholders entered into several transactions thus changing their shareholdings as follows: Mr. Iakobachvili increased his shareholding on 0.22% from 10.14% to 10.36%; Mr. Plastinin decreased his shareholding on 3.13% from 8.58% to 5.45% (including transactions with shares owned by Lendero controlled by Mr. Plastinin); Mr. Orlov increased his shareholding on 0.1% from 3.02% to 3.12%; Mr. Dubinin decreased his shareholding on 0.21% from 4.92% to 4.71%; Mr. Yushvaev increased his shareholding on 0.16% from 19.45% to 19.61%; Mr. Vishnyakov decreased his shareholding on 0.32% from 1% to 0.68%.

See "Item 3. Key Information-D. Risk Factors-We are controlled by a group of shareholders whose interests could conflict with those of the holders of our securities."

B. Related Party Transactions

See Note 23 (Related Parties) to the Consolidated Financial Statements included elsewhere in this document.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information**A. Consolidated Statements and Other Financial Information**

8.A.1-4 See “Item 18. Financial Statements.”

8.A.5-6 Not applicable.

8.A.7 **Litigation**

Prior to January 1, 2003, we used certain tax optimization initiatives, which resulted in tax savings of approximately \$3.8 million. Although we believe these tax optimization initiatives comply with Russian tax law, the tax authorities may nonetheless challenge such initiatives and attempt to recover the full amount of the savings, as well as seek penalties. Starting January 1, 2003, we discontinued using these tax optimization initiatives.

During the period 2004 to March 31, 2005, certain subsidiaries of WBD Foods benefited from small enterprise tax legislation. If we had not taken advantage of this benefit, our tax expenses would have increased by approximately \$1.7 million during this period. None of our subsidiaries currently takes advantage of the small enterprise tax benefits. However, our prior use of this benefit in the past has been challenged by the tax authorities and the tax authorities may continue to retroactively challenge these previous tax benefits enjoyed by our subsidiaries and seek to recover the full amount of tax savings plus penalties. Such challenges, if successful, could materially adversely affect our results of operations.

See also “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Financial Condition—If the various initiatives we have used to reduce our tax burden and/or our calculation of our VAT and profit tax liabilities are successfully challenged by the Russian tax authorities, we will face significant losses associated with the assessed amount of tax and related interest and penalties, which would have a material impact on our financial condition and results of operations,” “—The elimination of a tax privilege from which we currently benefit and/or a successful challenge by the tax authorities of our use of this tax privilege would materially adversely affect our results of operations” and “—We are only able to conduct banking transactions with a limited number of creditworthy Russian banks, as the Russian banking system remains underdeveloped, and another banking crisis could place severe liquidity constraints on our business, materially adversely affecting our business, financial position and results of operations.”

8.A.8 **Dividend Distribution Policy**

We do not have a formal dividend policy, and annual dividend payments, if any, must be recommended by our board of directors and approved by our shareholders. In particular, dividends may be paid only out of net profits for the current year calculated under Russian accounting principles and as long as the following conditions have been met:

- our charter capital has been paid in full;
- the value of our net assets, minus the proposed dividend payment, is greater than the total of our charter capital and our reserve fund;

- we have repurchased all shares from shareholders having the right to demand repurchase; and
- we are not, and would not become as the result of payment of dividends, insolvent.

In June 2006 the General Meeting of Shareholders approved payments of dividends, recommended by the board, for the financial years 2002, 2003 and 2004 in the amount of RUR 4.60 (approximately \$0.17) per share, as well as for the first quarter of 2006 in the amount of RUR 2.27 (approximately \$0.08) per share.

In December 2006, the General Meeting of Shareholders approved payment of dividends, recommended by the board, for the 9 months of 2006 in the amount of RUR 7.86 (approximately \$0.30) per share. We have paid to the shareholders all the dividends approved by GM.

In June 2007, the Annual General Meeting of Shareholders approved payment of dividends, recommended by the board, for the full year 2006 in the amount of RUR 3.18 (approximately \$0.12) per share. The preceding dividends have, in each case, been paid to shareholders.

B. Significant Changes

On January 31, 2008, the following subsidiaries were merged into Wimm-Bill-Dann (formerly Lianozovsky Dairy Plant): Surgut City Dairy Plant OJSC, Ochakovo Dairy Plant OJSC, Anna milk CJSC, Angarsky Dairy Plant OJSC, Obninsk Dairy Plant OJSC.

In March and April 2008, WBD Foods issued Russian interest-bearing, non-convertible, paid to the bearer bonds series 03 with nominal value 1,000 rubles per bond in the aggregate amount of 5.0 million bonds, repayable on the 1820th day from the date of issuance. The coupon rate of the bonds was determined according to the decision of the Board of Directors on the tender and constitutes 9.3% annually.

On April 25, 2008, we entered into a syndicate loan agreement with ING Bank N.V., ABN Amro N.V. and CALYON as mandated lead arrangers, pursuant to which mandated lead arrangers and syndicate lent to us a principal amount of \$250 million on May 8, 2008. The loan matures on April 25, 2011, and interest is payable by us quarterly in arrears at an annual rate of LIBOR+1.75%.

Item 9. Offer and Listing Details

(Only items 9.A.4 and 9.C are applicable.)

A. Market Price Information

The following table sets forth the monthly high and low market closing prices per ADS on the New York Stock Exchange for each of the most recent six months; the quarterly high and low market closing prices per ADS for each quarter of 2006 and 2007 and the first quarter of 2008; and the annual high and low market closing prices per ADS during 2003, 2004, 2005, 2006 and 2007. Also set forth are the high and low market closing prices for shares of our common stock on the RTS.

	Shares of Common Stock High	Shares of Common Stock Low	ADS High	ADS Low
May 2008	\$ 83.41	\$ 75.84	\$ 138.85	\$ 119.07
April 2008	\$ 83.07	\$ 73.45	\$ 130.94	\$ 104.58
March 2008	\$ 80.20	\$ 69.83	\$ 105.91	\$ 90.00
February 2008	\$ 85.44	\$ 80.56	\$ 123.74	\$ 105.26
January 2008	\$ 92.79	\$ 81.96	\$ 144.40	\$ 108.01
December 2007	\$ 88.88	\$ 81.90	\$ 134.93	\$ 108.87
First Quarter 2008	\$ 92.79	\$ 69.83	\$ 144.40	\$ 90.00
Fourth Quarter 2007	\$ 85.89	\$ 77.34	\$ 134.93	\$ 102.50
Third Quarter 2007	\$ 88.28	\$ 66.98	\$ 117.31	\$ 84.83
Second Quarter 2007	\$ 69.16	\$ 60.08	\$ 104.01	\$ 76.70
First Quarter 2007	\$ 67.02	\$ 49.13	\$ 79.86	\$ 56.49
Fourth Quarter 2006	\$ 56.24	\$ 37.75	\$ 66.59	\$ 41.20
Third Quarter 2006	\$ 40.11	\$ 27.77	\$ 47.85	\$ 36.55
Second Quarter 2006	\$ 36.93	\$ 25.20	\$ 39.50	\$ 27.90
First Quarter 2006	\$ 26.80	\$ 20.50	\$ 28.36	\$ 22.60
2007	\$ 88.88	\$ 49.13	\$ 134.93	\$ 56.49
2006	\$ 56.24	\$ 25.20	\$ 66.59	\$ 22.60
2005	\$ 19.25	\$ 15.50	\$ 24.10	\$ 14.42
2004	\$ 18.28	\$ 12.85	\$ 19.98	\$ 12.49
2003	\$ 20.45	\$ 17.48	\$ 21.90	\$ 15.62

C. Markets

In Russia, our common stock is listed on the RTS under the symbol "WBDF," and is admitted for trading on the Moscow Interbank Currency Exchange (MICEX). American Depositary Receipts, each representing one share of our common stock, have been listed on the New York Stock Exchange under the symbol "WBD" since February 8, 2002. Our American Depositary Receipts are also traded on the Frankfurt Stock Exchange pursuant to a broker-established unsponsored facility.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Charter and Certain Requirements of Russian Legislation

We describe below material provisions of our charter in effect on the date of this document and certain requirements of Russian legislation. In addition to this description, we urge you to review our charter to learn its complete terms.

Our Purpose

Article 4.1 of our charter provides that our main goal is to provide the fullest and highest-quality satisfaction of the needs of legal entities and individuals for the products and services we offer, as well as to generate profits.

We are registered with the Moscow Inter-District Inspectorate No. 39 of the Russian Ministry of Taxes and Duties under the state registration number 1037700236738.

General Matters

Pursuant to our charter, we have the right to issue registered shares of common stock, shares of preferred stock and other securities provided for by legal acts of the Russian

Federation with respect to securities. Our capital stock currently consists of 44,000,000 common shares, each with a nominal value of 20 rubles, all of which are fully paid, issued and outstanding. Under Russian legislation, charter capital refers to the aggregate nominal value of the issued and outstanding shares. We are also authorized to issue 44,000,000 common shares with a nominal value of 20 rubles each. No preferred shares are authorized or outstanding. Preferred shares may only be issued if corresponding amendments have been made to our charter pursuant to a resolution of the general meeting of shareholders. We have issued only shares of common stock. The Federal Law on Joint Stock Companies requires us to dispose of any of our shares that we acquire within one year of their acquisition or, failing that, reduce our charter capital. We refer to such shares as treasury shares for the purposes hereof. Russian legislation does not allow for the voting of such treasury shares.

Rights Attaching to Shares

Holders of our common stock have the right to vote at all shareholders' meetings. As required by the Federal Law on Joint Stock Companies and our charter, all shares of our common stock have the same nominal value and grant identical rights to their holders. Each fully paid share of common stock, except for treasury shares, gives its holder the right to:

- freely transfer the shares without consent of other shareholders;
- receive dividends;
- participate in shareholders' meetings and vote on all matters within shareholders' competence;
- transfer voting rights to its representative on the basis of a power of attorney;
- participate in the election and dismissal of members for the board of directors and review commission;
- if holding, alone or with other holders, 2% or more of the voting stock, within 30 days after the end of our fiscal year, make proposals for the agendas of the annual shareholders' meeting and nominate candidates to the board of directors, management board, counting commission, review commission and for the general director;
- if holding, alone or with other holders, 10% or more of the voting stock, demand from the board of directors the calling of an extraordinary shareholders' meeting or an unscheduled audit by the review commission or an independent auditor;
- demand, under the following circumstances, the repurchase by us of all or some of the shares owned by it, as long as such holder voted against or did not participate in the voting on the decision approving the following:
 - any reorganization;
 - the conclusion of a major transaction, as defined under Russian law; and
 - any amendment of our charter or approval of a restated version of our charter in a manner that restricts the holder's rights;
- upon liquidation, receive a proportionate amount of our property after our obligations are fulfilled;
- have access to certain company documents, receive copies for a reasonable fee and, if holding alone or with other holders, 25% or more of the voting stock, have free access to accounting documents and minutes of the company's management board meetings; and
- exercise other rights of a shareholder provided by our charter, Russian legislation and decisions of shareholders' meeting approved in accordance with its competence.

Preemptive Rights

The Federal Law on Joint Stock Companies and our charter provide existing shareholders with a preemptive right to purchase shares or securities convertible into shares during an open subscription in the amount proportionate to their existing shareholdings. In addition, the Federal Law on Joint Stock Companies provides shareholders with a preemptive right to purchase shares or securities convertible into shares, in an amount proportionate to their existing shareholdings, during a closed subscription if the shareholders voted against or did not participate in the voting on the decision approving such subscription. The preemptive right does not apply to a closed subscription to existing shareholders provided that such shareholders may each acquire a whole number of shares or securities convertible into shares being placed in an amount proportionate to their existing shareholdings. We must provide shareholders with written notice of the proposed sale of shares at least 45 days prior to the offering, during which time shareholders may exercise their preemptive rights.

Dividends

The Federal Law on Joint Stock Companies and our charter set forth the procedure for determining the quarterly and annual dividends that we may distribute to our shareholders. We may declare dividends based on our first quarter, six month, nine month or annual results. Dividends are recommended to a shareholders' meeting by a majority vote of the board of directors, and approved by the shareholders' meeting by a majority vote. A decision on quarterly, six month and nine month dividends must be taken within three months of the end of the respective quarter at the shareholders' meeting; and a decision on annual dividends must be taken at the annual general shareholders' meeting. The dividend approved at the shareholders' meeting may not be more than the amount recommended by the board of directors. Dividends are distributed to holders of our shares as of the record date for the shareholders' meeting approving the dividends. See "—General Meetings of Shareholders—Notice and Participation." Dividends are not paid on treasury shares.

The Federal Law on Joint Stock Companies allows dividends to be declared only out of net profits calculated under Russian accounting standards and as long as the following conditions have been met:

- the charter capital of the company has been paid in full;
- the value of the company's net assets on the date of adoption of a decision to pay dividends is not less (and would not become less as a result of the proposed dividend payment) than the sum of the company's charter capital, the company's reserve fund and the difference between the liquidation value and the par value of the issued and outstanding preferred shares of the company;
- the company has repurchased all shares from shareholders having the right to demand repurchase; and
- the company is not, and would not become, insolvent as the result of the proposed dividend payment.

Distributions to Shareholders on Liquidation

Under Russian legislation, liquidation of a company results in its termination without the transfer of rights and obligations to other persons as legal successors. The Federal Law on Joint Stock Companies and our charter allow us to be liquidated:

- by a three-quarters majority vote of a shareholders' meeting; or
- by a court order.

Following a decision to liquidate us, the right to manage our affairs would pass to a liquidation commission appointed by a shareholders' meeting. In the event of an involuntary liquidation, the court may vest the duty to liquidate the company to its shareholders. Creditors may file claims within a period to be determined by the liquidation commission, but such

period must not be less than two months from the date of publication of notice of liquidation by the liquidation commission.

The Civil Code of the Russian Federation gives creditors the following order of priority during liquidation:

- individuals owed compensation for injuries, deaths or moral damages;
- employees;
- federal and local governmental entities claiming taxes and similar payments to the federal and local budgets and to non-budgetary funds; and
- other creditors in accordance with Russian legislation.

Claims of creditors in obligations secured by a pledge of the company's property ("secured claims") are satisfied out of the proceeds of sale of the pledged property prior to claims of any other creditors except for the creditors of the first and second priorities described above, provided that claims of such creditors arose before the pledge agreements in respect of the company's property were made. To the extent that the proceeds of sale of the pledged property are not sufficient to satisfy secured claims, the latter are satisfied simultaneously with claims of the fourth priority creditors as described above.

The Federal Law on Insolvency (Bankruptcy), however, provides for a different order of priority for creditors' claims in the event of bankruptcy.

The remaining assets of a company are distributed among shareholders in the following order of priority:

- payments to repurchase shares from shareholders having the right to demand repurchase;
- payments of declared but unpaid dividends on preferred shares and the liquidation value of the preferred shares determined by the company's charter, if any; and
- payments to holders of common and preferred shares.

Liability of Shareholders

The Civil Code of the Russian Federation and the Federal Law on Joint Stock Companies generally provide that shareholders in a Russian joint stock company are not liable for the obligations of a joint stock company and bear only the risk of loss of their investments. This may not be the case, however, when one person or entity is capable of determining decisions made by another person or entity. The person or entity capable of determining such decisions is called an "effective parent." The person or entity whose decisions are capable of being so determined is called an "effective subsidiary." The effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out these decisions if:

- this decision-making capability is provided for in the charter of the effective subsidiary or in a contract between such persons; and
- the effective parent gives binding instructions to the effective subsidiary.

Thus, a shareholder of an effective parent is not itself liable for the debts of the effective parent's effective subsidiary, unless that shareholder is itself an effective parent of the effective parent. Accordingly, a shareholder will not be personally liable for our debts or those of our effective subsidiaries unless such shareholder controls our business and the conditions set forth above are met.

In addition, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt resulting from the action or omission of an effective parent only when the effective parent has used the right to give binding

instructions knowing that they would result in insolvency of the effective subsidiary. This is the case no matter how the effective parent's capability to determine decisions of the effective subsidiary arises, such as through ownership of voting securities or by contract. In these instances, other shareholders of the effective subsidiary may claim compensation for the effective subsidiary's losses from the effective parent that caused the effective subsidiary to take any action or fail to take any action knowing that such action or failure to take action would result in losses.

Alteration of Capital

Charter Capital Increase

We may increase our charter capital by:

- issuing new shares, or
- increasing the nominal value of previously issued shares.

A decision on any issuance of shares or securities convertible into shares by closed subscription, or an issuance by open subscription of common shares or securities convertible into common shares constituting 25% or more of the number of issued common shares, requires a three-quarters majority vote of a shareholders' meeting. In addition, a decision to increase the charter capital by increasing the nominal value of issued shares requires a majority vote of a shareholders' meeting. In addition, the issuance of shares above the number of authorized and non-issued shares provided in our charter necessitates a charter amendment, which requires a three-quarters majority vote of a shareholders' meeting.

The Federal Law on Joint Stock Companies requires that the value of newly issued shares be determined by the board of directors based on their market value but not less than their nominal value, except in limited circumstances where (i) existing shareholders exercise a preemptive right to purchase shares at not less than 90% of the price paid by third parties, or (ii) fees of up to 10% are paid to intermediaries, in which case the fees paid may be deducted from the price. The price may not be set at less than the nominal value of the shares. The board of directors shall value any in-kind contributions for new shares based on the appraisal report of an independent appraiser.

Russian securities regulations set out detailed procedures for the issuance and registration of shares of a joint stock company. These procedures require:

- prior registration of a share issuance with the FSFM;
- public disclosure of information relating to the share issuance; and
- following the placement of the shares, registration and public disclosure of the results of the placement of shares.

Charter Capital Decrease; Share Buy-Backs

The Federal Law on Joint Stock Companies does not allow a company to reduce its charter capital below the minimum charter capital required by law, which is 100,000 rubles for an open joint stock company or approximately \$4,250. Our charter requires that any decision to reduce our charter capital, whether through the repurchase and cancellation of shares or a reduction in the nominal value of the shares, be made by a majority vote of a shareholders' meeting. Additionally, within 30 days of a decision to reduce our charter capital, we must issue a written notice to our creditors and publish this decision. Our creditors would then have the right to demand, within 30 days of publication or receipt of our notice, early termination or discharge of relevant obligations by us, as well as compensation for damages.

The Federal Law on Joint Stock Companies and our charter allow our shareholders or our board of directors to authorize the repurchase of up to 10% of our shares in exchange for cash.

The repurchased shares must be resold at market value within one year of their repurchase or, failing that, the shareholders must decide to cancel such shares and decrease the charter capital. The shares repurchased pursuant to a decision of our shareholders' meeting to decrease the overall number of shares, are canceled at their redemption. Repurchased shares do not bear voting rights.

The Federal Law on Joint Stock Companies allows us to repurchase our shares only if, at the time of repurchase:

- our charter capital is paid in full;
- we are not and would not become, as a result of the repurchase, insolvent;
- the value of our net assets at the time of repurchase of our shares is not less (and would not become less, as a result of the proposed repurchase) than the sum of our charter capital, the reserve fund and the difference between the liquidation value and par value of our issued and outstanding preferred shares; and
- we have repurchased all shares from shareholders having the right to demand repurchase of their shares in accordance with Russian law, as described immediately below.

The Federal Law on Joint Stock Companies and our charter provide that our shareholders may demand repurchase of all or some of their shares so long as the shareholder demanding repurchase voted against or did not participate in the voting on the decision approving any of the following actions:

- reorganization;
- conclusion of a major transaction, as defined under Russian law; or
- amendment of our charter or approval of a restated version of our charter in a manner which restricts shareholders' rights.

We may spend up to 10% of our net assets calculated under Russian accounting standards on the date of the adoption of the decision which gives rise to a share redemption demanded by the shareholders. If the value of the shares in respect of which shareholders have exercised their right to demand repurchase exceeds 10% of our net assets, we will repurchase shares from each such shareholder on a pro-rata basis.

Registration and Transfer of Shares

Russian legislation requires that a joint stock company maintain a register of its shareholders. Ownership of our registered shares is evidenced solely by entries made in such register. Any of our shareholders may obtain an extract from our register certifying the number of shares that such shareholders hold. Since July 14, 2001, Central Moscow Depository OJSC has maintained our register of shareholders.

The purchase, sale or other transfer of shares is accomplished through the registration of the transfer in the shareholder register, or the registration of the transfer with a depository if shares are held by a depository. The registrar or depository may not require any documents in addition to those required by Russian legislation in order to transfer shares in the register. Refusal to register the shares in the name of the transferee or, upon request of the beneficial holder, in the name of a nominee holder, is not allowed except in certain instances provided for by Russian legislation, and may be challenged in court.

Reserve Fund

Russian legislation requires that each joint stock company establish a reserve fund to be used only to cover the company's losses, redeem the company's bonds and repurchase the company's shares in cases when other funds are not available. Our charter provides for a

reserve fund of 5% of our charter capital, funded through mandatory annual transfers of at least 5% of our net profits until the reserve fund has reached the 5% requirement.

Disclosure of Information

Russian securities regulations require us to make the following periodic public disclosures and filings:

- filing quarterly reports with the FSFM containing information about us, our shareholders and depositary, the structure of our management bodies, the members of the board of directors, our branches and representative offices, our shares, bank accounts and auditors, important developments during the reporting quarter and other information about our financial and business activity;
- filing with the FSFM and publishing in the FSFM's periodical print publication, as well as in other media, any information concerning material facts and changes in our financial and business activity, including our reorganization, certain changes in the amount of our assets, decisions on share issuances, certain changes in ownership and shareholding, as well as shareholder resolutions;
- disclosing information on various stages of share placement, issuance and registration through publication of certain data as required by the securities regulations;
- disclosing our annual report and annual financial statements prepared in accordance with Russian accounting standards;
- filing with the FSFM on a quarterly basis a list of our affiliated persons and disclosing the same on our website, on the same basis; and
- other information as required by applicable Russian securities legislation.

General Meetings of Shareholders

Procedure

The powers of a shareholders' meeting are set forth in the Federal Law on Joint Stock Companies and in our charter. A shareholders' meeting may not decide on issues that are not included in the list of its competence by the Federal Law on Joint Stock Companies and our charter. Among the issues which the shareholders have the power to decide are:

- charter amendments;
- reorganization or liquidation;
- election and removal of the members of the board of directors;
- determination of the number, nominal value, category/type of authorized shares and rights granted by such shares;
- changes in our charter capital;
- appointment and removal of the members of our review commission and counting commission;
- approval of our external auditor;
- approval of certain interested party transactions and major transactions;
- distribution of profits and losses, including approval of dividends;
- redemption by the company of issued shares in cases provided for by the Federal Law on Joint Stock Companies;
- decision on our participation in holding companies, commercial or industrial groups or other associations of commercial entities;

- approval of certain internal documents and corporate records; and
- other issues, as provided for by the Federal Law on Joint Stock Companies and our charter.

Voting at a shareholders' meeting is generally based on the principle of one vote per share of common stock, with the exception of the election of the board of directors, which is done through cumulative voting. Decisions are generally passed by a majority vote of the voting shares present at a shareholders' meeting. However, Russian law requires a three-quarters majority vote of the voting shares present at a shareholders' meeting to approve the following:

- charter amendments;
- reorganization or liquidation;
- major transactions involving assets in excess of 50% of the balance sheet value of the company's assets;
- determination of the number, nominal value and category (type) of authorized shares and the rights granted by such shares;
- repurchase by the company of its issued shares;
- any issuance of shares or securities convertible into shares of common stock by closed subscription; or
- issuance by open subscription of shares of common stock or securities convertible into common stock, in each case, constituting 25% or more of the number of issued and outstanding shares of common stock.

The quorum requirement for our shareholders' meetings is met if shareholders (or their representatives) accounting for more than 50% of the issued voting shares are present. If the 50% quorum requirement is not met, another shareholders' meeting with the same agenda may (and, in the case of an annual shareholders' meeting, must) be scheduled and the quorum requirement is satisfied if shareholders (or their representatives) accounting for at least 30% of the issued voting shares are present at that meeting.

The annual shareholders' meeting must be convened by the board of directors between March 1 and June 30 of each year, and the agenda must include the following items:

- election of members of the board of directors;
- approval of the annual report and the annual financial statements, including the balance sheet and profit and loss statement;
- approval of distribution of profits, including approval of annual dividends and losses, if any;
- appointment of an independent auditor; and
- appointment of the member of the review commission.

A shareholder or group of shareholders owning in the aggregate at least 2% of the issued voting shares may introduce proposals for the agenda of the annual shareholders' meeting and may nominate candidates to the board of directors, management board, counting commission, review commission and for the general director. Any agenda proposals or nominations must be provided to the company no later than 30 calendar days after the preceding financial year end.

Extraordinary shareholders' meetings may be called by the board of directors on its own initiative, or at the request of the review commission, independent auditor or a shareholder or group of shareholders owning, in the aggregate, at least 10% of the issued voting shares as of the date of the request.

A general meeting of shareholders may be held in the form of a meeting or by absentee ballot. The form of a meeting contemplates the adoption of resolutions by the general meeting of shareholders through the attendance of the shareholders or their authorized representatives for the purpose of discussing and voting on issues of the agenda, provided that if a ballot is mailed to shareholders for participation at a meeting convened in such form, the shareholders may complete and mail the ballot back to the company without personally attending the meeting. A general meeting of the shareholders by absentee ballot contemplates the determination of shareholders' opinions on issues on the agenda by means of a written poll.

The following issues cannot be decided by a shareholders' meeting by absentee ballot:

- election of the members of the board of directors;
- election of the review commission;
- approval of a company's independent auditor; and
- approval of the annual report, the annual financial statements, including balance sheet, profit and loss statement and any distribution of profits and losses, including approval of annual dividends, if any.

Notice and Participation

All shareholders entitled to participate in a general shareholders' meeting must be notified of the meeting, whether the meeting is to be held in the form of a meeting or by absentee ballot, no less than 30 days prior to the date of the meeting, and such notification shall specify the agenda for the meeting. However, if it is an extraordinary shareholders' meeting to elect the board of directors, shareholders must be notified at least 50 days prior to the date of the meeting. Only those items that were set out in the agenda to shareholders may be voted upon at a general shareholders' meeting.

The list of shareholders entitled to participate in a general shareholders' meeting is to be compiled on the basis of data in our shareholders register on the date established by the board of directors, which date may neither be earlier than the date of adoption of the board resolution to hold a general shareholders' meeting nor more than 50 days before the date of the meeting (or, in the case of an extraordinary shareholders' meeting to elect the board of directors, not later than 65 days before the date of the meeting).

The right to participate in a general meeting of shareholders may be exercised by a shareholder as follows:

- by personally participating in the discussion of agenda items and voting thereon;
- by sending an authorized representative to participate in the discussion of agenda items and to vote thereon;
- by absentee ballot; or
- by delegating the right to fill out the absentee ballot to an authorized representative.

Board of Directors

The Federal Law on Joint Stock Companies and our charter provide that our entire board of directors is up for election at each annual general shareholders' meeting and that our board of directors is elected through cumulative voting. Under cumulative voting, each shareholder may cast an aggregate number of votes equal to the number of voting shares held by such shareholder multiplied by the number of persons to be elected to our board of directors, and the shareholder may give all such votes to one candidate or spread them between two or more candidates. Before the expiration of their term, the directors may be removed as a group at any time without cause by a majority vote of a shareholders' meeting.

The Federal Law on Joint Stock Companies requires at least a five-member board of directors for all joint stock companies, at least a seven-member board of directors for a joint

stock company with more than 1,000 holders of voting shares, and at least a nine-member board of directors for a joint stock company with more than 10,000 holders of voting shares. Only natural persons (as opposed to legal entities) are entitled to sit on the board. Members of the board of directors are not required to be shareholders of the company. The actual number of directors is determined by the company's charter or a decision of the shareholders' meeting. Our charter provides that our board of directors shall consist of eleven members.

The Federal Law on Joint Stock Companies generally prohibits a board of directors from acting on issues that fall within the exclusive competence of the general shareholders' meeting. Our board of directors has the power to perform the general management of the company, and decide, among others, the following issues:

- determination of our business priorities;
- convening annual and extraordinary shareholders' meetings, except in certain circumstances specified in the Federal Law on Joint Stock Companies;
- approval of the agenda of a shareholders' meeting and determination of the record date for shareholders entitled to participate in a shareholders' meeting;
- placement of our bonds and other securities in cases specified in the Federal Law on Joint Stock Companies;
- determination of the price of our property and of our securities to be placed or repurchased, as provided for by the Federal Law on Joint Stock Companies;
- repurchase of our shares, bonds and other securities in certain cases provided for by the Federal Law on Joint Stock Companies;
- formation of our executive bodies and early termination of their powers;
- election of our management board and its chairman and the establishment of their compensation;
- recommendations on the amount of remuneration and compensation to be paid to the members of our review commission and on the fees payable for the services of an independent auditor;
- recommendations on the amount of the dividend and the payment procedure thereof;
- the use of our reserve and other funds;
- approval of our internal documents, except for those documents whose approval falls within the competence of our shareholders or executive bodies;
- the creation of branches and representative offices;
- approval of major and interested party transactions in certain cases as provided for by the Federal Law on Joint Stock Companies;
- approval of our share registrar;
- our participation in, or exit from, other companies, unless such matters fall under the jurisdiction of our shareholders or executive bodies;
- other issues, as provided for by the Federal Law on Joint Stock Companies and our charter.

Our charter generally requires a majority vote of the directors present for an action to pass, with the exception of actions for which Russian legislation requires a unanimous vote or a majority vote of the disinterested and independent directors, as described herein. A board meeting is considered duly assembled and legally competent to act when at least six directors are present.

Interested Party Transactions

Under the Federal Law on Joint Stock Companies, certain transactions defined as “interested party transactions” require approval by disinterested directors or shareholders of the company. “Interested party transactions” include transactions involving a member of the board of directors or a member of any executive body of the company (including the company’s chief executive officer and/or the company’s managing organization), any person that owns, together with any affiliates, at least 20% of a company’s issued voting shares or any person who is able to direct the actions of the company, if that person and/or that person’s spouse, parents, children, adoptive parents or children, brothers or sisters or affiliates, is/are:

- a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary;
- the owner of at least 20% of the issued shares of a legal entity that is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary; or
- a member of the board of directors or a member of any management body of a company that is a party to, or beneficiary of, a transaction with the company, whether directly or as a representative or intermediary, or a member of the board of directors or any management body of a management organization of such a company.

The Federal Law on Joint Stock Companies requires that an interested party transaction by a company with more than 1,000 shareholders be approved by a majority vote of the independent directors of the company who are not interested in the transaction. For purposes of this rule, “an independent director” is a person who is not, and within the year preceding the decision to approve the transaction was not, the general director, a member of any executive body or an affiliate of the company, or a member of the board of directors or any management body of the company’s management organization. Additionally, such person’s spouse, parents, children, adoptive parents or children, brothers or sisters may not, and within the year preceding the date of the decision to approve the transaction did not, occupy positions in the executive bodies of the company or positions on the board of directors or of any management body of the company’s management organization. For companies with 1,000 or fewer shareholders, an interested party transaction must be approved by a majority vote of the directors who are not interested in the transaction if the number of these directors is sufficient to constitute a quorum.

Approval by a majority of shareholders who are not interested in the transaction is required if:

- the value of such transaction or a number of interrelated transactions is 2% or more of the balance sheet value of the company’s assets determined under Russian accounting standards;
- the transaction or a number of interrelated transactions involves the issuance, by subscription, of voting shares or securities convertible into voting shares, or secondary market sale of such securities, in an amount exceeding 2% of the company’s issued voting stock;
- the number of directors who are not interested in the transaction is not sufficient to constitute a quorum; or
- all the members of the board of directors of the company are interested parties, or none of them is an independent director.

Approval by a majority of shareholders who are not interested in the transaction may not be required, until the next annual shareholders’ meeting, for an interested party transaction if such transaction is substantially similar to transactions concluded by the company and the

interested party in the ordinary course of business before such party became an interested party with respect to the transaction.

The approval of interested party transactions is not required in the following instances:

- the company has only one shareholder that simultaneously performs the functions of the executive body of the company;
- all shareholders of the company are deemed interested in such transactions;
- the transactions arise from the shareholders executing their preemptive rights to purchase newly issued shares of the company;
- the transactions arise from the repurchase, whether mandatory or not, by the company of its issued shares;
- the company merges with another company, and the latter owns more than three-fourths of the voting capital stock of the company; or
- the transactions that are mandatory a company pursuant to Russian law and must be concluded on the basis of fixed prices and tariffs adopted by a competent state body.

Major Transactions

The Federal Law on Joint Stock Companies defines a “major transaction” as a transaction, or a number of interrelated transactions, involving the acquisition or disposal, or a possibility of disposal (whether directly or indirectly) of property having a value of 25% or more of the balance sheet value of the

assets of a company determined under Russian accounting standards, with the exception of transactions conducted in the ordinary course of business or transactions involving the placement of shares of common stock, or securities convertible into shares of common stock. Major transactions involving assets having a value ranging from 25% to 50% of the balance sheet value of the assets of a company require unanimous approval by all members of the board of directors or, failing to receive such approval, a simple majority vote of a shareholders’ meeting. Major transactions involving assets having a value in excess of 50% of the balance sheet value of the assets of a company require a three-quarters vote by a shareholders’ meeting.

Change in Control

Anti-takeover Protection

Russian legislation provides as follows:

- A person intending to acquire 30% or more of an open joint stock company’s ordinary shares and voting preferred shares (including, for such purposes, shares already owned by such person and its affiliates), will be entitled to make a public tender offer to other holders of such shares or securities convertible into such shares.
- A person that has acquired 30% or more of the totality of an open joint-stock company’s ordinary shares and voting preferred shares (including, for such purposes, shares already owned by such person and its affiliates, but excluding shares that were acquired pursuant to previous voluntary or mandatory offers) will generally be required to make, within 35 days of acquiring such shares, a public tender offer for other shares of the same class and for securities convertible into such shares, at a price which is not less than the price determined based on a weighted market price of the shares, or on a price supplied by an independent appraiser if the shares have no or insufficient trading history. From the moment of acquisition of 30% or more of the shares until the moment of delivery of an offer to the security holders, the person making an offer and its affiliates will be able to register for quorum and vote only 30% of the shares of the

company (regardless of the size of their actual holdings). These rules are also applied (or reapplied) to acquisitions resulting in a person or a group of persons owning more than 50% and 75% of a company's outstanding shares.

- A person that as a result of such an offer becomes (individually or with its affiliates) the owner of more than 95% of the company's ordinary shares and voting preferred shares, must buy out the remaining shares of the company as well as other securities convertible into such shares upon

request of the holders of such shares or other securities, and may require such holders to sell such shares and other securities, at a price based on the prices of the preceding acquisition by the offeror.

- An offer of the kind described in either of the preceding three paragraphs must be accompanied by a bank guarantee of payment. If the company is publicly traded, prior notice of the offer must be filed with the FSFM; otherwise, notice must be filed with the FSFM no later than the date of the offer. The FSFM may order amendments to the terms of the offer (including price) in order to bring them into compliance with the rules.
- Once such an offer has been made, competing offers for the same securities can be made by third parties and, in certain circumstances, acceptance of the initial offer may be withdrawn by the security holders who choose to accept such competing offer. From the making of such an offer until 20 days after its expiry (which period may in certain cases exceed 100 days) the company's shareholders meeting will have the sole power to make decisions on charter capital increase, issuance of securities, approval of certain major transactions, and on certain other significant matters.

The above rules may be supplemented through FSFM rulemaking, which may result in a wider, narrower or more specific interpretation of these rules by the government and judicial authorities, as well as by market participants.

Approval of the Federal Antimonopoly Service

Pursuant to the Federal Law on Competition, acquisitions of voting stock capital of a joint stock company, involving companies with a combined value of assets or annual revenues, exceeding a certain threshold under Russian Accounting Standards, or companies registered as having more than a 35% share of a certain commodity market, and which would result in a shareholder (or a group of affiliated shareholders) holding more than 25%, 50% or 75% of the voting capital stock of such company, or in a transfer between such companies of assets or rights to assets, the value of which exceeds a certain amount, must be approved in advance by the Federal Antimonopoly Service.

Disclosure of Ownership

A holder of our common shares is required to disclose information concerning its holdings in the following cases:

- the holder acquires 20% or more of our common shares;
- the holder increases its percentage holding of our common shares to a level in excess of 5% (or an integral multiple thereof) higher than 20% thereof; and
- the holder decreases its percentage holding of our common shares to a level in excess of 5% (or an integral multiple thereof) higher (but not lower) than 20% thereof.

Effective July 1, 2006, a holder of our common shares is required to publicly disclose an acquisition of 5% or more of the outstanding common shares of the company, as well any change in the amount of common shares held by such holder, if as a result of such change the

percentage of common shares held by the holder becomes greater or lesser than 5, 10, 15, 20, 25, 30, 50 or 75 percent of the outstanding common shares of the company.

Notification of Foreign Ownership

Foreign persons registered as individual entrepreneurs in Russia who acquire shares in a Russian joint stock company and foreign companies that acquire shares in a Russian joint stock company may need to notify the Russian tax authorities within one month following such acquisition. However, the procedure of notifying the Russian tax authorities by foreign companies that are not registered with such tax authorities at the time of their share acquisition remains unclear.

C. Material Contracts

The following is a description of contracts that have been entered into by us and/or our subsidiaries or shareholders that may be material to our business.

Loan Agreement relating to the Loan Participation Notes and Guarantees

On April 25, 2008, we entered into a syndicated loan agreement with ING Bank N.V., ABN Amro N.V. and CALYON as mandated lead arrangers, pursuant to which mandated lead arrangers and syndicate lent to us a principal amount of \$250 million on May 08, 2008. The loan matures on April 25, 2011, and interest is payable by us quarterly in arrears at an annual rate of LIBOR+1.75%.

The above-mentioned loan is unconditionally and irrevocably guaranteed by Wimm-Bill-Dann and Wimm-Bill-Dann Beverages pursuant to guarantees dated April 25, 2008 entered into with ING Bank N.V. as the agent.

Both the loan agreement and the guarantees are governed by English law. In the loan agreement, we agreed to certain covenants in respect of, among other things, liens, asset sales, transactions with affiliates and related persons, change of control, mergers and similar transactions, limitation on dividends or other payments affecting our subsidiaries and maintenance of certain ratios. In the guarantees Wimm-Bill-Dann and Wimm-Bill-Dann Beverages agreed to similar covenants.

Ruble Bonds

On December 21, 2005, we issued five-year, 3.0 million non-convertible ruble denominated notes at a face value of 1,000 rubles each. The issue raised a total of approximately \$104.2 million at the exchange rate as of December 31, 2005. The notes are redeemable by us on December 15, 2010. The issue was priced at par with a coupon of 9% payable semi-annually.

In March and April 2008, WBD Foods issued Russian interest-bearing, non-convertible, paid to the bearer bonds series 03 with nominal value 1,000 rubles per bond in the aggregate amount of 5.0 million bonds, repayable on the 1820th day from the date of issuance. The coupon rate of the bonds was determined by the Board of Directors on the basis of a tender and constitutes 9.3% annually.

Tetra Pak Agreements

On January 1, 2008, Wimm-Bill-Dann (formerly Lianozovsky Dairy Plant) entered into a supply agreement to purchase packages for our milk and juice products from Tetra Pak CJSC. The contract terminates on December 31, 2008. The total amount of our contracted purchases is estimated at approximately €140.0 million, excluding VAT.

Amended and Restated Partnership and Cooperation Agreement

Our current shareholders Gavril Yushvaev, Mikhail Dubinin, Sergei Plastinin, Alexander Orlov, David Iakobachvili, Mikhail Vishnyakov, Viktor Evdokimov and I.M. Arteks Holdings Limited are parties to an Amended and Restated Partnership and Cooperation Agreement which requires the parties to vote the same way, as well as:

Independent Directors. The parties to the agreement undertake to use their best efforts to ensure that a majority of our directors are "independent." A director is considered "independent" if that person is not:

- our employee or an employee or director of any of our subsidiaries;
- a party to the agreement;
- an employee or director of a party to the agreement; a family member of a party to the agreement; a person or entity controlled by a party to the agreement; any other person or entity controlled by a family member of a party to the agreement; or a person or entity controlled by any employee or director of any of the parties to the agreement; or
- a person or entity controlled by any family member of a party to the agreement or a person or entity controlled by any employee or director of a party to the agreement.

Voting. The parties to the agreement are required to vote all of our shares that they own in the same way. In order to determine how the parties will vote, the agreement requires them to attempt to agree unanimously on a single voting position on each item on the agenda for a shareholders' meeting. If they are unable to do so, then the following procedures are followed:

- The parties will vote their shares as determined by parties holding a two-thirds majority of the shares held by the parties;
- If there is no two-thirds majority among the parties, then the parties will vote their shares consistent with the recommendation of the majority of individuals who are on our board of directors; and
- If no voting position can be determined using the procedures noted above, then the parties will abstain from voting on that issue, in which case a quorum will not be present under Russian law and the issue would fail to be adopted.

Third-Party Beneficiaries. Beneficial owners of our ADSs are third-party beneficiaries of the agreement and are entitled to enforce and bring actions in respect of the agreement. An action may only be brought, however, if beneficial owners of ADSs constituting more than 50% of our outstanding ADSs, excluding any ADSs held by the parties to the agreement, are parties to such action.

Dispute Resolution. The governing law of the agreement is the law of the State of New York. Any dispute, controversy or cause of action brought arising under the agreement will be settled by arbitration under the Commercial Arbitration Rules of the American Arbitration Association. Any cause of action brought by beneficial owners of more than 50% of the outstanding ADSs, excluding any ADSs held by parties to the agreement, at the option of these owners, may be brought in arbitration under the Commercial Arbitration Rules of the American Arbitration Association or may be litigated in the federal or state courts in the Borough of Manhattan. The parties to the agreement expect to appoint CT Corporation System, 111 Eighth Avenue, New York, New York 10011, as agent for service of process in New York.

Term. The agreement may not be terminated until the earlier to occur of:

- any party to the agreement owning all of our issued and outstanding shares;
- we are liquidated pursuant to the laws of the Russian Federation; or

- January 16, 2004 (provided that a party / the parties give 30 days' prior written notice).

Upon the occurrence of the first two events described above, the agreement automatically terminates. Otherwise, the agreement continues in full force and effect until terminated by any party to the agreement by giving 30 days' prior written notice to all other parties to the agreement and to us. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We are controlled by a group of shareholders whose interests could conflict with those of the holders of our securities."

D. Exchange Controls

The Federal Law on Currency Regulation and Currency Control which came into effect as of June 18, 2004, sets forth certain restrictions on settlements between residents of Russia with respect to transactions involving foreign securities (including ADSs), including requirements for settlement in Russian rubles.

Repatriation of Export Proceeds

Russian companies must repatriate 100% of their receivables from the export of goods and services (with a limited number of exceptions concerning, in particular, certain types of secured financing) within seven days of the date on which they were received (also with a limited number of exceptions).

Restrictions on the remittance of dividends, interest or other payments to non-residents

The Federal Law on Foreign Investments in the Russian Federation of July 9, 1999, specifically guarantees foreign investors the right to repatriate their earnings from Russian investments. However, the evolving Russian exchange control regime may affect your ability to do so. Ruble dividends on common shares may be paid to the depositary or its nominee and converted into U.S. dollars by the depositary for distribution to owners of ADSs without restriction. Also, ADSs may be sold by non-residents of Russia for U.S. dollars outside Russia without regard to Russian currency control laws as long as the buyer is not a Russian resident for currency control purposes. However, the ability to convert rubles into U.S. dollars is also subject to the availability of U.S. dollars in Russia's currency markets. Although there is an existing market within Russia for the conversion of rubles into U.S. dollars, including the interbank currency exchange and over-the-counter and currency futures markets, the further development of this market is uncertain. At present, there is no market for the conversion of rubles into foreign currencies outside of Russia and a limited emerging market in which to hedge ruble and ruble-denominated investments.

E. Taxation

The following discussion describes the material United States federal and Russian income and withholding tax consequences to you if you are a U.S. holder (generally, a "United States person," as the term is defined in the United States Internal Revenue Code of 1986, as amended (the "Code")) of common stock or ADSs and a resident of the United States for purposes of the Convention between the United States of America and the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital (the "United States-Russia income tax treaty") and are fully eligible for benefits under the United States-Russia income tax treaty. Subject to certain provisions of the United States-Russia income tax treaty relating to limitations on benefits, you generally will be a resident of the United States for treaty purposes that is entitled to treaty benefits if you are:

- liable, under the laws of the United States, to U.S. tax (other than taxes in respect only of income from sources in the United States or capital situated therein) by reason of your domicile, residence, citizenship, place of incorporation, or any other similar

criterion (and, for income derived by a partnership, trust or estate, residence is determined in accordance with the residence of the person liable to tax with respect to such income); and

- not also a resident of the Russian Federation for purposes of the United States-Russia income tax treaty.

The benefits under the United States-Russia income tax treaty discussed in this document generally are not available to U.S. persons who hold ADSs or common stock in connection with the conduct of a business in the Russian Federation through a permanent establishment as defined in the United States-Russia income tax treaty. Subject to certain exceptions, a U.S. person's permanent establishment under the United States-Russia income tax treaty is a fixed place of business through which such person carries on business activities in the Russian Federation (generally including, but not limited to, a place of management, a branch, an office, and a factory). Under certain circumstances, a U.S. person may be deemed to have a permanent establishment in the Russian Federation as a result of activities carried on in the Russian Federation through agents of the U.S. person. This summary does not address the treatment of holders described in this paragraph.

The following discussion is based on:

- the Code, the Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof;
- Russian legislation; and
- the United States-Russia income tax treaty (and judicial and administrative interpretations thereof);

all as in effect on the date of this document. All of the foregoing are subject to change, possibly on a retroactive basis, after the date of this document. This discussion is also based, in part, on representations of the depository, and assumes that each obligation in the deposit agreement and any related agreements will be performed in accordance with its terms. The discussion with respect to Russian legislation is based on our understanding of current Russian law and Russian tax rules, which are subject to frequent change and varying interpretations.

We believe, and the following discussion assumes, that for United States federal income tax purposes, we were not a passive foreign investment company for the taxable year ending in 2007, we will not be a passive foreign investment company for the current taxable year and we will not become a passive foreign investment company in the future. However, passive foreign investment company determinations are made annually and may involve facts that are not within our control. If we were to be a passive foreign investment company, materially adverse tax consequences could result for investors who are "United States persons" as defined in the Code.

The following discussion is not intended as tax advice to any particular investor. It is also not a complete analysis or listing of all potential United States federal or Russian income and withholding tax consequences to you of ownership of common stock or ADSs. We urge you to consult your own tax adviser regarding the specific United States federal, state, and local and Russian tax consequences of the ownership and disposition of the common stock or ADSs under your own particular factual circumstances.

Russian Income and Withholding Tax Considerations

The Russian tax rules applicable to U.S. holders are characterized by significant uncertainties and limited interpretive guidance. Russian tax authorities have provided limited guidance regarding the treatment of ADS arrangements, and there can be no certainty as to how the Russian tax authorities will ultimately treat those arrangements. In 2005 and 2006, the Russian Ministry of Finance stated that ADS holders should be treated as the beneficial owners of the underlying shares for purposes of the double tax treaty provisions applicable to

taxation of dividend income from the underlying shares. However, double tax treaty relief is available only if, before the transfer of dividends to the depository, the latter has provided the issuer with a list of ADS holders accompanied by each holder's tax residency certificate (confirmation of the country of tax residence). It is currently unclear whether depositories will be willing or able to provide residency certificates for ADS holders or implement procedures for holders to benefit from applicable tax treaties. Thus, while a U.S. holder may technically be entitled to benefit from the provisions of the United States-Russia income tax treaty, in practice such relief may be difficult or impossible to obtain.

Russian tax law and procedures are also not well developed, and local tax inspectors have considerable autonomy and often interpret tax rules without regard to the rule of law. Both the substantive provisions of Russian tax law and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable change than in jurisdictions with more developed capital markets.

Currently, the Russian government is in the process of amending the Russian Tax Code, but it is unclear when this process will be completed and how U.S. holders would be affected. As of January 1, 1999, Part 1 (General) of the Tax Code went into effect. This law defines the general principles of taxation in Russia, defines the legal status of taxpayers and tax agencies and determines general rules of tax filings and tax control, as well as procedures for challenging tax agencies. Part 1 also specifies all the taxes that can be imposed by federal and local authorities. Further, on January 1, 2001, Part 2 of the Tax Code went into effect, providing a description of the most significant taxes, and several additional chapters of the Tax Code as well as significant amendments became effective during the subsequent years.

Taxation of Dividends

Dividends payable to U.S. holders generally will be subject to Russian withholding tax at a 15% rate for legal entities (including U.S. corporations, partnerships or other entities) and for individuals. This tax may be reduced to 5% or 10% under the United States-Russia income tax treaty for U.S. holders; a 5% rate applies for U.S. holders who are legal entities owning 10% or more of the company's outstanding shares, and a 10% rate applies to dividends paid to U.S. holders, including individuals and legal entities, owning less than 10% of the company's outstanding shares. See "—United States-Russia Income Tax Treaty Procedures."

If the appropriate documentation (*i.e.*, residency certificate) has not been provided to us before the dividend payment date, we are required to withhold tax at the full rate, and U.S. holders qualifying for a reduced rate under the United States-Russia income tax treaty then would be required to file claims for refund within three years with the Russian tax authorities. There is significant uncertainty regarding the availability and timing of such refunds.

Taxation of Capital Gains

U.S. holders generally should not be subject to any Russian income or withholding taxes in connection with the sale, exchange, or other disposition of ADSs or common stock outside of Russia if the shares or ADSs are not sold to a Russian resident or persons other than Russian residents who conduct business in the Russian Federation through a permanent establishment or are tax registered in Russia based on other grounds.

However, sales or other dispositions of ADSs or common stock by a U.S. holder that is a legal entity to Russian residents or persons other than Russian residents who conduct a business in Russia through a permanent establishment or are tax registered in Russia based on other grounds may be subject to Russian income or withholding taxes. Specifically, the purchaser may be required to withhold 20% of the purchase price (or 24% of the gain if the seller can confirm the cost basis of the security in accordance with Russian rules) if more than 50% of our assets consist of immovable property located in Russia. Regardless of the residence of the purchaser, a U.S. holder that is a legal entity should not be subject to any Russian income or withholding taxes in connection with the sale, exchange, or other

disposition of ADSs if immovable property constitutes 50% or less of our assets or if ADSs are sold via foreign exchanges where they are legally circulated.

Sales or other dispositions of ADSs or common stock by U.S. holders who are individuals to Russian residents or persons other than Russian residents who conduct business in Russia through a permanent establishment or are tax registered in Russia based on other grounds may be subject to Russian income or withholding taxes, and for such a sale by a U.S. holder, the purchaser may be required to withhold 30% of any gain realized on the sale.

U.S. holders may be able to claim the benefits of a reduced rate of withholding under the United States-Russia income tax treaty on the disposition of common stock or ADSs to Russian residents, or obtain a refund of any withheld amounts at rates different from those provided in the treaty, by relying on the United States-Russia income tax treaty and complying with the appropriate procedures described below.

United States-Russia Income Tax Treaty Procedures

Under current rules, to claim the benefit of a reduced rate of withholding under the United States-Russia income tax treaty, a non-resident generally must provide official certification from the U.S. tax authorities of eligibility for the treaty benefits in the manner required by Russian law.

A U.S. holder may obtain the appropriate certification by mailing completed forms, together with the holder's name, taxpayer identification number, the tax period for which certification is required and other applicable information to the United States Internal Revenue Service. The procedures for obtaining certification are described in greater detail in Internal Revenue Service Publication 686 and in the instructions to Internal Revenue Service Form 8802. As obtaining the required certification from the Internal Revenue Service may take at least six to eight weeks, U.S. holders should apply for such certification as soon as possible.

If tax is withheld by a Russian resident on dividends or other amounts at a rate different from that provided in the tax treaty, a U.S. holder may apply for a tax refund by filing a package of documents with the Russian local tax inspectorate to which the withholding tax was remitted within three years from the withholding date for U.S. holders which are legal entities, and within one year from the end of the year in which the withholding occurred for individual U.S. holders. The package should include the appropriate form (1011DT (2002) for non-dividend income and 1012DT (2002) for dividend income), confirmations of residence of the foreign holder (IRS Form 6166), a copy of the agreement or other documents substantiating the payment of income, documents confirming the beneficial ownership of the dividends recipient and the transfer of tax to the budget. Under the provisions of the Tax Code, the refund of the tax should be effected within one month after the submission of the documents. However, procedures for processing such claims have not been clearly established, and there is significant uncertainty regarding the availability and timing of such refunds.

Neither the depositary nor us has or will have any obligation to assist an ADS holder with the completion and filing of any tax forms.

United States Federal Income Tax Considerations

The following is a general description of the material United States federal income tax consequences that apply to you if you are, for United States federal income tax purposes, a beneficial owner of ADSs or common stock who is a citizen or resident of the United States, a corporation (including any entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any State thereof or the District of Columbia, an estate the income of which is subject to U.S. tax regardless of its source, or a trust, if a United States court can exercise primary supervision over the administration of the trust and one or more United States persons can control all substantial trust decisions, or if the trust was in existence on August 20, 1996 and has properly elected to

continue to be treated as a United States person. If a partnership (including any entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of ADSs or common stock, the United States federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Since your United States federal income and withholding tax treatment may vary depending upon your particular situation, you may be subject to special rules not discussed below. Special rules will apply, for example, if you are:

- an insurance company;
- a tax-exempt organization;
- a financial institution;
- a person subject to the alternative minimum tax;
- a person who is a broker-dealer in securities;
- an S corporation;
- an expatriate subject to Section 877 of the Code;
- an owner of, directly, indirectly or by attribution, 10% or more of the outstanding shares of the Company's common stock;
or
- an owner holding ADSs or common stock as part of a hedge, straddle, synthetic security or conversion transaction.

In addition, this summary is generally limited to persons holding common stock or ADSs as "capital assets" within the meaning of Section 1221 of the Code and whose functional currency is the U.S. dollar. The discussion below also does not address the effect of any United States state or local tax law or foreign tax law.

For purposes of applying United States federal income and withholding tax law, a holder of an ADS should be treated as the owner of the underlying shares of common stock represented by that ADS.

The United States Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming, by United States persons holding ADSs, of foreign tax credits for United States federal income tax purposes. Such actions would also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate United States persons, as described below. Accordingly, the analysis of the creditability of Russian taxes described below, and the availability of the reduced tax rate for dividends received by certain non-corporate United States persons, could be affected by future actions that may be taken by the United States Treasury.

Taxation of Dividends on Common Stock or ADSs

For United States federal income tax purposes, the gross amount of a distribution, including any Russian withholding taxes, with respect to common stock or ADSs will be treated as a taxable dividend to the extent of our current and accumulated earnings and profits, computed in accordance with United States federal income tax principles. For taxable years beginning before January 1, 2011, if you are a non-corporate taxpayer, such dividends may be taxed at the lower applicable capital gains rate provided (1) certain holding period requirements are satisfied, (2) either (a) our ADSs continue to be listed on the New York Stock Exchange (or other national securities exchange that is registered under section 6 of the Securities Exchange Act of 1934, as amended, or the Nasdaq Stock Market) or (b) we are eligible for the benefits of the United States-Russia income tax treaty, and (3) we are not, for the taxable year in which the dividend was paid, or in the preceding taxable year, a "passive foreign investment company." Non-corporate U.S. holders are strongly urged to consult their own tax advisors as to the applicability of the lower capital gains rate to dividends received with respect to ADSs or shares of common stock. Distributions in excess of our current and

accumulated earnings and profits will be applied against and will reduce your tax basis in common stock or ADSs and, to the extent in excess of such tax basis, will be treated as gain from a sale or exchange of such common stock or ADSs. You should be aware that we do not intend to calculate our earnings and profits for United States federal income tax purposes and, unless we make such calculations, you should assume that any distributions with respect to common stock or ADSs generally will be treated as a dividend, even if that distribution would otherwise be treated as a return of capital or as capital gain pursuant to the rules described above. If you are a corporation, you will not be allowed a deduction for dividends received in respect of distributions on common stock or ADSs, which is generally available for dividends paid by U.S. corporations.

If a dividend distribution is paid in rubles, the amount includible in income will be the U.S. dollar value of the dividend, calculated using the exchange rate in effect on the date the dividend is includible in income by you, regardless of whether the payment is actually converted into U.S. dollars. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the dividend is includible in your income to the date the rubles are converted into U.S. dollars will be treated as ordinary income or loss. You may be required to recognize foreign currency gain or loss on the receipt of a refund of Russian withholding tax pursuant to the United States-Russia income tax treaty to the extent the United States dollar value of the refund differs from the dollar equivalent of that amount on the date of receipt of the underlying dividend.

Russian withholding tax at the rate applicable to you under the United States-Russia income tax treaty should be treated as a foreign income tax that, subject to generally applicable limitations and conditions, is eligible for credit against your U.S. federal income tax liability or, at your election, may be deducted in computing taxable income. If, however, the holder of an ADS is not treated as the owner of the underlying common stock represented by the ADS for U.S. federal income tax purposes, then Russian withholding tax would not be treated as a foreign income tax eligible for credit as described in the preceding sentence. If Russian tax is withheld at a rate in excess of the rate applicable to you under the United States-Russia income tax treaty, you may not be entitled to credits for the excess amount, even though the procedures for claiming refunds and the practical likelihood that refunds will be made available in a timely fashion are uncertain.

For United States foreign tax credit purposes, a dividend distribution will be treated as foreign source income and will generally be classified as "passive category income" but could, in the case of certain U.S. holders, constitute "general category income" for taxable years beginning after December 31, 2006. The rules relating to the determination of the foreign tax credit, or deduction in lieu of the foreign tax credit, are complex and you should consult your own tax advisors with respect to those rules.

Taxation on Sale or Exchange of Common Stock or ADSs

The sale of common stock or ADSs will generally result in the recognition of gain or loss in an amount equal to the difference between the amount realized on the sale and your adjusted basis in such common stock or ADSs. That gain or loss will be capital gain or loss if the common stock or ADSs are capital assets in your hands and will be long-term capital gain or loss if the common stock or ADSs have been held for more than one year. If you are an individual, such realized long-term capital gain is generally subject to a reduced rate of United States federal income tax. Limitations may apply to your ability to offset capital losses against ordinary income.

Deposits and withdrawals of common stock by you in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Gain realized on the sale of common stock or ADSs will generally be treated as U.S. source income and therefore the use of foreign tax credits relating to any Russian taxes imposed upon such sale may be limited. You are strongly urged to consult your own tax

advisors as to the availability of tax credits for any Russian taxes withheld on the sale of common stock or ADSs.

Information Reporting and Backup Withholding

Dividends and proceeds from the sale or other disposition of common stock or ADSs that are paid in the United States or by a U.S.-related financial intermediary will be subject to U.S. information reporting rules and U.S. backup withholding tax, unless you are a corporation or other exempt recipient. In addition, you will not be subject to backup withholding if you provide your taxpayer identification number and certify that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding, but such holders may be required to provide certification as to their non-U.S. status.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

The documents that are exhibits to or incorporated by reference in this document can be read at the U.S. Securities and Exchange Commission's public reference facilities at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330 or, from outside the United States, at 1-202-942-8090. Copies may also be obtained from the SEC website at www.sec.gov.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in both foreign currency exchange rates and interest rates. Foreign currency exchange risks exist to the extent that our revenues are primarily denominated in Russian rubles and our costs are denominated in currencies other than Russian rubles and our foreign currency denominated debt. We are subject to market risk deriving from changes in interest rates, which may affect the cost of our financing. We do not use financial instruments such as foreign exchange forward contracts, foreign currency options, interest rate swaps and forward rate agreements, to manage these market risks, because the market for these types of financial instruments in Russia is not well developed and the costs of these instruments is relatively high.

Interest Rate Risk

Our interest rate exposure results mainly from debt obligations. At December 31, 2007, we had debt amounting to \$578.9 million, which comprised variable-rate borrowings of \$86.7 million and fixed-rate borrowings of \$492.2 million. See also "Item 5. Operating and Financial Review and Prospects—E. Contractual Obligations."

The following tables present our variable and fixed-rate debt obligations as of December 31, 2007 by expected maturity dates and related weighted average interest rates.

Expected Maturity Date as of December 31, 2007									
	Currency	2008	2009	2010	2011	2012 and thereafter	Total	Fair value	Interest rates at December 31, 2007
(in thousands of U.S. dollars)									
Variable-rate loans(1)	Rubles	\$ 86,734	\$ —	\$ —	\$ —	\$ —	\$ 86,734	\$ 86,734	7.57%
Total variable rate debt		<u>\$ 86,734</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 86,734</u>	<u>\$ 86,734</u>	<u>7.57%</u>

(1) Our variable rate loans are linked to Mosprime rate

Expected Maturity Date as of December 31, 2007									
	Currency	2008	2009	2010	2011	2012 and thereafter	Total	Fair value	Interest rates at December 31, 2007
(in thousands of U.S. dollars)									
Fixed-rate loan	Rubles	\$ 17,605	\$ 5,607	\$ 9,095	\$ 5,527	\$ 10,101	\$ 47,935	\$ 41,228	5.17%
	U.S. dollars	8,913	5,248	968	176	—	15,305	15,305	4.47%
	Euro	7,753	8,422	4,900	1,650	309	23,034	23,034	5.26%
Fixed-rate Notes	U.S. dollars	300,000	—	—	—	—	300,000	300,000	8.0%
	Rubles	—	—	105,922	—	—	105,922	108,836	9.0%
Total fixed rate debt		<u>\$ 334,271</u>	<u>\$ 19,277</u>	<u>\$ 120,885</u>	<u>\$ 7,353</u>	<u>\$ 10,410</u>	<u>\$ 492,196</u>	<u>\$ 488,403</u>	<u>7.7%</u>

During 2007, our fixed rate debt increased to \$492.2 million and our variable rate debt increased to \$86.7 million as a result of our incurrence of additional short-term and long-term debt. See Notes 13, 14 and 15 to our Consolidated Financial Statements included under "Item 18. Financial Statements."

The following tables present our variable and fixed-rate debt obligations as of December 31, 2006 by maturity dates and related weighted average interest rates.

Expected Maturity Date as of December 31, 2006									
	Currency	2007	2008	2009	2010	2011 and thereafter	Total	Fair value	Interest rates at December 31, 2006
(in thousands of U.S. dollars)									
Variable-rate loans(1)	Rubles	\$ 83,753	\$ —	\$ —	\$ —	\$ —	\$ 83,753	\$ 83,753	7.83%
Total variable rate debt		<u>\$ 83,753</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 83,753</u>	<u>\$ 83,753</u>	<u>7.83 %</u>

Expected Maturity Date as of December 31, 2006

Currency	2007	2008	2009	2010	2011 and thereafter	Total	Fair value	Interest rates at December 31, 2006	
									(in thousands of U.S. dollars)
Fixed-rate loan	Rubles	\$ 43,276	\$ 5,306	\$ 5,117	\$ 7,941	\$ 6,149	\$ 67,789	\$ 67,789	7.54%
	U.S. dollars	8,129	6,254	5,243	962	155	21,013	21,013	4.11%
	Euro	8,112	5,238	4,384	2,611	1,357	21,702	21,702	5.4%
Fixed-rate Notes	U.S. dollars	—	150,000	—	—	—	150,000	150,000	8.5%
	Rubles	—	—	—	98,742	—	98,742	98,742	9.0%
Total fixed rate debt		<u>\$ 59,517</u>	<u>\$ 167,068</u>	<u>\$ 14,744</u>	<u>\$ 110,256</u>	<u>\$ 7,661</u>	<u>\$ 359,246</u>	<u>\$ 359,246</u>	<u>8.1%</u>

Our fixed rate debt increased by \$41.1 to \$359.2 million and our variable rate debt increased by \$30.24 to \$83.6 million as a result of our incurrence of additional short-term and long-term debt. See Notes 13, 14 and 15 to our Consolidated Financial Statements included under "Item 18. Financial Statements."

Foreign Currency Risk

Our foreign currency exchange risk exposure results from the fact that our revenues are primarily denominated in Russian rubles and a significant portion of our costs is denominated in currencies other than Russian rubles and net monetary liability position from our foreign currency denominated debt. Thus, we incur remeasurement gains as the Russian ruble appreciates against other currencies and losses as the ruble depreciates against other currencies. Management believes that monetary assets and liabilities denominated in foreign currencies, other than foreign currency-denominated debt, are not significant from a foreign currency risk perspective.

As of December 31, 2007, our U.S. dollar debt position amounted to \$315.3 million and our euro debt position amounted to \$23.0 million, compared to a U.S. dollar debt position of \$171.0 million and euro debt position of \$21.7 million as of December 31, 2006.

Expected Maturity Date as of December 31, 2007

Currency	2008	2009	2010	2011	2012 and thereafter	Total	Fair value	
								(in thousands of U.S. dollars)
Debt	Rubles	\$ 104,339	\$ 5,607	\$ 115,017	\$ 5,527	\$ 10,101	\$ 240,591	\$ 236,798
	U.S. dollars	308,913	5,248	968	176	0	315,305	315,305
	Euro	7,753	8,422	4,900	1,650	309	23,034	23,034
Total debt		<u>\$ 421,005</u>	<u>\$ 19,277</u>	<u>\$ 120,885</u>	<u>\$ 7,353</u>	<u>\$ 10,410</u>	<u>\$ 578,930</u>	<u>\$ 575,137</u>

Expected Maturity Date as of December 31, 2006

Currency	2007	2008	2009	2010	2011 and thereafter	Total	Fair value	
								(in thousands of U.S. dollars)
Debt	Rubles	\$ 127,029	\$ 5,306	\$ 5,117	\$ 106,683	\$ 6,149	\$ 250,284	\$ 250,284
	U.S. dollars	8,129	156,524	5,243	962	155	171,013	171,013
	Euro	8,112	5,238	4,384	2,611	1,357	21,702	21,702
Total debt		<u>\$ 143,270</u>	<u>\$ 167,068</u>	<u>\$ 14,744</u>	<u>\$ 110,256</u>	<u>\$ 7,661</u>	<u>\$ 442,999</u>	<u>\$ 442,999</u>

During 2007, the Russian ruble appreciated against the U.S. dollar and the euro. We incurred a currency remeasurement gain of \$18.1 million, which was comprised of gains and losses from euro- and U.S. dollar denominated obligations, respectively, as well as remeasurement gains from our U.S. dollar-denominated notes. For purposes of accounting for our U.S. dollar-denominated notes, we used the exchange rate as of December 31, 2007, which appreciated by 6.7% against the December 31, 2006 exchange rate resulting in a currency remeasurement gain.

During 2006, the Russian ruble appreciated against the U.S. dollar and the euro. We incurred a currency remeasurement gain of \$10.3 million, which was comprised of gains and losses from euro- and U.S. dollar denominated obligations, respectively, as well as remeasurement gains from our U.S. dollar-denominated notes. For purposes of accounting for our U.S. dollar-denominated notes, we used the exchange rate as of December 31, 2006, which appreciated nominally by 8.5% against the December 31, 2005 exchange rate resulting in a currency remeasurement gain.

We believe that the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and short-term loans reported in the consolidated balance sheet approximate their fair values due to the short maturity of those instruments.

See also "Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Inflation."

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures**(a) Disclosure Controls and Procedures.**

As required by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, management has evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding its required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures.

As described below, a material weakness was identified in our internal control over financial reporting. The Public Company Accounting Oversight Board's Auditing Standard No. 5 defines a material weakness as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the material weakness, our chief executive officer and chief financial officer have concluded that, as of December 31, 2007, the end of the period covered by this report, our disclosure controls and procedures were not effective at a reasonable assurance level.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act.

Internal control over financial reporting is a process designed by, or under the supervision of, our chief executive officer and chief financial officer and effected by our board of directors, management and other personnel, to provide reasonable assurance to our management and the Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting

principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and members of our board of directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2007 in accordance with the framework set forth in the report of the Treadway Commission's Committee of Sponsoring Organizations (COSO), "Internal Control—Integrated Framework."

As a result of management's assessment of our internal control over financial reporting as of December 31, 2007, management concluded that the following material weakness in our internal control over financial reporting existed:

Our financial statement closing process, including transformation of our statutory financial statements into U.S. GAAP consolidated financial statements, contains deficiencies severe enough that material errors may occur and may not be detected on a timely basis by management in the normal course of business.

Similar to our assessment at December 31, 2006, the material weakness results from the fact that there is no comprehensive accounting system in place to support the consolidation of our financial statements and the transformation of the statutory financial statements of our subsidiaries into U.S. GAAP. We also have not retained sufficient accounting personnel with the appropriate level of U.S. GAAP knowledge and experience to ensure the timeliness and accuracy of both the interim and annual financial statement closing processes. In addition, certain controls designed to ensure the completeness and accuracy of information communicated within the Company on a timely basis did not operate effectively.

Because of the existence of this material weakness, management has concluded that our internal control over financial reporting was ineffective as of December 31, 2007.

The Company's independent registered public accountants, Ernst & Young LLC, audited the consolidated financial statements included in this Annual Report on Form 20-F. The effectiveness of the Company's internal control over financial reporting has been audited by Ernst & Young LLC as stated in their reporting appearing below, which expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2007.

(c) Discussion of Remediation Activities

We have implemented and continue to implement measures designed to remediate the material weakness and, in the short term, to mitigate the potential adverse effects of this material weakness. We are committed to continuing to improve our internal control processes

and will continue to diligently review our financial reporting controls and procedures in order to ensure our compliance with the requirements of the Sarbanes-Oxley Act and the related rules promulgated by the SEC.

Actions taken and planned to be taken by management to improve the internal control over financial reporting include hiring of additional senior level accounting personnel for our US GAAP department, improvement of the quarterly financial documentation provided to our US GAAP department by each of our consolidated subsidiaries and operating facilities, enhancement of internal guidelines of the statutory and U.S. GAAP financial statements closing process, including individual procedures and controls, and other procedures, to improve the interim and annual financial statement closing process.

(d) Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Wimm-Bill-Dann Foods OJSC

We have audited Wimm-Bill-Dann Foods OJSC's (the Company) internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Wimm-Bill-Dann Foods OJSC's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment.

U.S. GAAP Financial Statement Close Process

The Company has both design and operating deficiencies in the controls related to its U.S. GAAP financial statement close process, including transformation of the statutory financial statements into U.S. GAAP, which, in the aggregate, constitutes a material weakness. The Company did not have sufficient and skilled accounting and finance personnel necessary to timely, consistently and appropriately identify, capture and analyze financially significant information to close the Company's books under U.S. GAAP. Also, the Company did not have in place a comprehensive accounting system for U.S. GAAP reporting purposes which ensures effective controls over the completeness and accuracy of its external reporting in accordance with U.S. GAAP. This material weakness resulted in adjustments to several of the Company's significant accounts and disclosures arising from the recording of non-routine transactions and affecting fixed assets, intangibles assets, capital lease obligations, and certain routine transactions including depreciation and interest expense. While this material weakness did not result in individually material adjustments to the Company's consolidated financial statements, given the deficiencies identified in the financial statement close process, there is a reasonable possibility that a material misstatement of the Company's consolidated financial statements will not be prevented or detected on a timely basis.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2007 financial statements, and this report does not affect our report dated June 25, 2008 on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Wimm-Bill-Dann Foods OJSC has not maintained effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

/s/ ERNST & YOUNG LLC

Moscow, Russia

June 25, 2008

(e) Changes in Internal Control Over Financial Reporting.

Management has evaluated, with the participation of our chief executive officer and chief financial officer, whether any changes in our internal control over financial reporting that occurred during the period covered by this annual report have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Other than the matters described in this Item 15, there have not been any changes in internal control over financial reporting that occurred during 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management believes

the measures they are taking to remediate the material weakness will continue to have an impact on our internal control over financial reporting in future periods.

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that Guy de Selliers is an “audit committee financial expert” as defined in Item 16A of Form 20-F. Mr. de Selliers is independent in accordance with SEC Rule 10A-3.

Item 16B. Code of Ethics

In July 2005, our Board of Directors approved a Code of Ethics that applies to our employees, including our principal executive officer, principal financial officer and principal accounting officer or controller, or persons performing similar functions, which is posted on our website at http://www.wbd.com/f_reports/corp_govern/. No waivers of the Code of Ethics have been granted.

Item 16C. Principal Accountant Fees and Services

Ernst & Young LLC has served as our independent public accountants for the fiscal years ended December 31, 2007 and 2006, respectively, for which audited financial statements appear in this annual report on Form 20-F. The following table presents the aggregate fees for professional services and other services rendered by Ernst & Young in 2007 and 2006, respectively.

	<u>Year ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
	(in U.S. dollars)	
Audit Fees	\$ 1,440,000	\$ 1,013,096
Audit-Related Fees	147,000	—
All Other Fees	—	80,423
Total	<u>\$ 1,587,000</u>	<u>\$ 1,093,519</u>

No fees in respect of tax compliance, tax advice or tax planning were paid by us to Ernst & Young during the years ended December 31, 2007 and 2006.

Audit Fees

Audit services consisted of the audit of the consolidated financial statements as of and for the years ended December 31, 2007 and 2006, the Russian statutory audit of stand-alone financial statements prepared in accordance with Russian accounting principles of Wimm-Bill-Dann Foods OJSC as of and for the years ended December 31, 2007 and 2006, reviews of the consolidated condensed financial statements for the three months ended March 31, 2007 and 2006, the six months ended June 30, 2007 and 2006 and the nine months ended September 30, 2007 and 2006 and services performed by our external auditors in connection with our Audit Committee meetings and related communications, as well as with their review of this annual report on Form 20-F.

Audit-related Fees

Audit-related services for the year ended December 31, 2007 consisted of services performed by our external auditors in connection with the issuance of a eurobonds and review of prospectus for ruble bonds.

Other Fees

Other services for the years ended December 31, 2007 and 2006 mainly consisted of advisory services regarding compliance with the Sarbanes-Oxley Act of 2002.

Audit Committee Pre-Approval Policies and Procedures

The Sarbanes-Oxley Act of 2002 required that we implement a pre-approval process for all engagements with our Independent Registered Public Accounting Firm. In compliance with these requirements, our Audit Committee pre-approves the engagement terms and fees of Ernst & Young for all audit and non-audit services. The Audit Committee pre-approved the engagement terms and fees of Ernst & Young for all audit and non-audit services for the fiscal years ended December 31, 2007 and 2006.

Item 16D. Exemption from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

No purchases were made by or on behalf of us or any affiliated purchaser of shares or other units of any class of our equity securities during the period covered by this annual report.

PART III**Item 17. Financial Statements**

See instead "Item 18. Financial Statements."

Item 18. Financial Statements

The following financial statements, together with the report of Ernst & Young LLC, are filed as part of this annual report on Form 20-F.

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Item 19. Exhibits

- 1.1 Charter of Wimm-Bill-Dann Foods OJSC (English Translation) is incorporated by reference to Exhibit 1 to the Annual Report filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002, on Form 20-F.
- 1.2 Amendments to the charter of Wimm-Bill-Dann Foods OJSC (English Translation), approved June 18, 2003 is incorporated herein by reference to Exhibit 1.2 to the Annual Report filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2003 on Form 20-F.
- 1.3 Amendment to the charter of Wimm-Bill-Dann Foods OJSC (English Translation), approved July 16, 2004 is incorporated herein by reference to Exhibit 1.3 to the Annual Report filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2004 on Form 20-F.
- 1.4 Amendment to the charter of Wimm-Bill-Dann Foods OJSC (English Translation), approved June 14, 2005 is incorporated herein by reference to Exhibit 1.4 to the Annual Report filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2004 on Form 20-F.
- 1.5 Amendment to the charter of Wimm-Bill-Dann Foods OJSC (English Translation), approved May 30, 2006 is incorporated herein by reference to Exhibit 1.5 to the Annual Report filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2006 on Form 20-F.
- 1.6 Amendment to the charter of Wimm-Bill-Dann Foods OJSC (English Translation), approved July 14, 2006 is incorporated herein by reference to Exhibit 1.6 to the Annual Report filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2006 on Form 20-F.
- 1.7 Amendment to the charter of Wimm-Bill-Dann Foods OJSC (English Translation), approved October 23, 2006 is incorporated herein by reference to Exhibit 1.7 to the Annual Report filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2006 on Form 20-F.
- 1.8 Amendment to the charter of Wimm-Bill-Dann Foods OJSC (English Translation), approved December 15, 2006 is incorporated herein by reference to Exhibit 1.8 to the Annual Report filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2006 on Form 20-F.
- 1.9 Amendment to the charter of Wimm-Bill-Dann Foods OJSC (English Translation), approved July 30, 2007
- 1.10 Amendment to the charter of Wimm-Bill-Dann Foods OJSC (English Translation), approved September 03, 2007
- 1.11 Amendment to the charter of Wimm-Bill-Dann Foods OJSC (English Translation), approved December 17, 2007
- 1.12 Amendment to the charter of Wimm-Bill-Dann Foods OJSC (English Translation), approved March 24, 2008
- 2.1 Deposit Agreement, dated January 17, 2002, by and among the Company, the Depositary, and the holders and beneficial owners from time to time of the ADSs is incorporated by reference to Exhibit 2.1 to the Annual Report filed pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 for the fiscal year ended December 31, 2001 on Form 20-F/A.
- 4.1 USD 250 mln Syndicated loan facility agreement dated April 25, 2008 for OJSC WBD Foods arranged by ABN AMRO BANK N.V., CALYON, ING BANK N.V. as mandated lead arrangers with ING BANK N.V. London branch as Agent.
 - 4.1.1 Guarantee dated April 25, 2008 created by OJSC WBD as Guarantor in favour of ING BANK N.V. London branch as Agent.
 - 4.1.2 Guarantee dated April 25, 2008 created by PJSC WBD Beverages as Guarantor in favour of ING BANK N.V. London branch as Agent.
- 4.2 Engagement Letter, dated June 24, 2008, by and between CJSC Tetra Pak and OAO Wimm-Bill-Dann and Wimm-Bill-Dann Beverages.
- 4.3 Exchange Agreement No. B-01, dated April 4, 2001, by and between Moscow Baby Food Plant and Mikhail Vishnyakov is incorporated herein by reference to Exhibit 10.2 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.4 Exchange Agreement No. B-02, dated April 4, 2001, by and between Lianozovsky Dairy Plant and Mikhail Vishnyakov is incorporated herein by reference to Exhibit 10.3 to Amendment No. 2 to the

Registration Statement on Form F-1 (Registration No. 333-14278).

- 4.5 Exchange Agreement No. B-03, dated April 4, 2001, by and between Lianozovsky Dairy Plant and Mikhail Dubinin is incorporated herein by reference to Exhibit 10.4 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.6 Exchange Agreement No. B-04, dated April 4, 2001, by and between Lianozovsky Dairy Plant and Alexander Orlov is incorporated herein by reference to Exhibit 10.5 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.7 Exchange Agreement No. B-05, dated April 4, 2001, by and between Lianozovsky Dairy Plant and Sergei Plastinin is incorporated herein by reference to Exhibit 10.6 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.8 Exchange Agreement No. B-06, dated April 4, 2001, by and between Lianozovsky Dairy Plant and Gavril Yushvaev is incorporated herein by reference to Exhibit 10.7 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.9 Exchange Agreement No. B-07, dated April 4, 2001, by and between Lianozovsky Dairy Plant and Evgeny Yaroslavsky is incorporated herein by reference to Exhibit 10.8 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.10 Exchange Agreement No. TsK-01, dated April 5, 2001, by and between Lianozovsky Dairy Plant and Mikhail Vishnyakov is incorporated herein by reference to Exhibit 10.9 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.11 Exchange Agreement No. TsK-02, dated April 5, 2001, by and between Lianozovsky Dairy Plant and Mikhail Dubinin is incorporated herein by reference to Exhibit 10.10 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.12 Exchange Agreement No. TsK-03, dated April 5, 2001, by and between Lianozovsky Dairy Plant and Alexander Orlov is incorporated herein by reference to Exhibit 10.11 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.13 Exchange Agreement No. TsK-04, dated April 5, 2001, by and between Lianozovsky Dairy Plant and Sergei Plastinin is incorporated herein by reference to Exhibit 10.12 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.14 Exchange Agreement No. TsK-05, dated April 5, 2001, by and between Lianozovsky Dairy Plant and Aleksandrs Timohins is incorporated herein by reference to Exhibit 10.13 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.15 Exchange Agreement No. TsK-06, dated April 5, 2001, by and between Lianozovsky Dairy Plant and Gavril Yushvaev is incorporated herein by reference to Exhibit 10.14 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.16 Exchange Agreement No. TsK-07, dated April 5, 2001, by and between Lianozovsky Dairy Plant and Evgeny Yaroslavsky is incorporated herein by reference to Exhibit 10.15 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 4.17 Amended and Restated Partnership and Cooperation Agreement is incorporated herein by reference to Exhibit 99.1 to Amendment No. 2 to the Registration Statement on Form F-1 (Registration No. 333-14278).
- 8.1 List of Subsidiaries of Wimm-Bill-Dann Foods OJSC.
- 12.1 Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 13.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

WIMM-BILL-DANN FOODS OJSC

Date: June 26, 2008

By: /s/ Tony D. Maher

Name: Tony D. Maher

Title: Chief Executive Officer

Wimm-Bill-Dann Foods

Consolidated Financial Statements

Years ended December 31, 2007 and 2006

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Wimm-Bill-Dann Foods, a Russian Open Joint Stock Company and subsidiaries (collectively "the Company") as of December 31, 2007 and 2006, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 evaluation of the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wimm-Bill-Dann Foods and subsidiaries as of December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Wimm-Bill-Dann Foods and subsidiaries' internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 25, 2008 expressed an adverse opinion thereon.

ERNST & YOUNG LLC

Moscow, Russia
June 25, 2008

Wimm-Bill-Dann Foods**Consolidated Balance Sheets***(Amounts in thousands of U.S. dollars, except share data)*

	December 31,	
	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 33,452	\$ 40,310
Trade receivables, net (Note 4)	157,608	89,932
Inventory (Note 5)	261,254	174,074
Taxes receivable	65,689	51,161
Advances paid	43,924	30,695
Net investment in direct financing leases (Note 6)	1,349	2,095
Deferred tax asset (Note 16)	17,479	12,749
Other current assets (Note 7)	11,903	19,730
Total current assets	592,658	420,746
Non-current assets:		
Property, plant and equipment, net (Note 9)	767,654	606,728
Intangible assets, net (Note 8)	34,015	26,844
Goodwill (Note 10)	129,391	105,990
Net investment in direct financing leases – non-current portion (Note 6)	972	1,673
Long-term investments	38	25
Deferred tax asset – non-current portion (Note 16)	2,947	8,737
Other non-current assets (Note 11)	5,427	5,193
Total non-current assets	940,444	755,190
Total assets	\$ 1,533,102	\$ 1,175,936

The accompanying notes are an integral part of these consolidated financial statements.

	December 31,	
	2007	2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 130,729	\$ 104,066
Advances received	13,626	13,230
Short-term loans (Note 13)	98,819	123,849
Long-term loans, current portion (Note 13)	6,455	4,137
Long-term notes payable, current portion (Note 14)	300,000	-
Taxes payable	14,351	9,494
Accrued liabilities (Note 12)	51,877	37,103
Government grants – current portion (Note 17)	77	1,422
Other payables	40,272	37,035
Total current liabilities	656,206	330,336
Long-term liabilities:		
Long-term loans (Note 13)	34,631	30,082
Long-term notes payable (Note 14)	105,922	248,742
Other long-term payables (Note 15)	17,372	20,905
Government grants – long-term portion (Note 17)	974	1,125
Deferred taxes – long-term portion (Note 16)	31,011	28,275
Total long-term liabilities	189,910	329,129
Total liabilities	846,116	659,465
Minority interest	13,862	18,977
Shareholders' equity:		
Common stock: 44,000,000 shares authorized, issued and outstanding with a par value of 20 rubles at December 31, 2007 and 2006	29,908	29,908
Share premium account	164,132	164,132
Accumulated other comprehensive income:		
Currency translation adjustment	110,171	69,169
Retained earnings	368,913	234,285
Total shareholders' equity	673,124	497,494
Total liabilities and shareholders' equity	\$ 1,533,102	\$ 1,175,936

The accompanying notes are an integral part of these consolidated financial statements.

Wimm-Bill-Dann Foods**Consolidated Statements of Income and Comprehensive Income***(Amounts in thousands of U.S. dollars, except share and per share data)*

	Year ended December 31,		
	2007	2006	2005
Sales	\$ 2,438,328	\$ 1,762,127	\$ 1,394,590
Cost of sales	(1,654,879)	(1,194,159)	(999,006)
Gross profit	783,449	567,968	395,584
Selling and distribution expenses	(387,853)	(246,054)	(191,990)
General and administrative expenses	(180,922)	(134,481)	(109,642)
Other operating expenses, net	(704)	(31,812)	(6,457)
Operating income	213,970	155,621	87,495
Financial income and expenses, net (Note 19)	(16,851)	(15,480)	(22,868)
Income before provision for income taxes and minority interest	197,119	140,141	64,627
Provision for income taxes (Note 16)	(54,302)	(41,560)	(30,712)
Minority interest	(2,769)	(3,197)	(3,649)
Net Income	\$ 140,048	\$ 95,384	\$ 30,266
Other comprehensive income, net of tax			
Currency translation adjustment	41,002	39,403	(14,139)
Comprehensive income	\$ 181,050	\$ 134,787	\$ 16,127
Earnings per share - basic and diluted:	\$ 3.18	\$ 2.17	\$ 0.69
Weighted average number of shares outstanding, basic and diluted	44,000,000	44,000,000	44,000,000

The accompanying notes are an integral part of these consolidated financial statements.

Wimm-Bill-Dann Foods**Consolidated Statements of Cash Flows***(Amounts in thousands of U.S. dollars)*

	Year ended December 31,		
	2007	2006	2005
Cash flows from operating activities:			
Net Income	\$ 140,048	\$ 95,384	\$ 30,266
Adjustments to reconcile net income to net cash provided by operating activities:			
Minority interest	2,769	3,197	3,649
Depreciation and amortisation	86,574	62,329	53,435
Foreign currency loss (gain) relating to bonds payable, long-term payables, investments in foreign subsidiaries, and fixed assets of foreign subsidiaries	(20,191)	(13,660)	990
Obsolescence and net realizable value expense	544	601	1,077
Provision for doubtful accounts	1,649	3,130	3,908
Loss (gain) on disposal of property, plant and equipment	(4,633)	2,340	1,321
Gain on sale of subsidiary	(978)	—	—
Earned income on net investment in direct financing leases	(618)	(706)	(402)
Deferred tax charge/(benefit)	4,893	(6,672)	3,327
Accrual of tax contingent liability	862	1,028	(800)
Loss from securities and disposal of long-term investments	11	86	1,786
Write-off of tangible assets and intangible assets	931	15,633	—
Write-off of goodwill	—	2,539	—
Write-off of unrecoverable investments in direct finance leases	59	131	—
Write-off of unrecoverable VAT	—	588	—
Amortisation of bonds issue expenses	2,617	1,197	1,046
Changes in operating assets and liabilities:			
Inventory	(66,951)	(15,255)	(22,865)
Trade receivables	(61,638)	(20,023)	(2,636)
Advances paid	(10,449)	(16,224)	9,553
Taxes receivable	(11,291)	8,187	15,082
Other current assets	2,721	(5,549)	(1,062)
Other long-term assets	(26)	45	—
Trade accounts payable	17,001	21,713	3,649
Advances received	(766)	1,400	1,880
Taxes payable	4,356	3,608	6,698
Accrued liabilities	10,694	14,710	2,816
Other current payables	(1,364)	6,152	678
Other long-term payables	(20)	4,045	541
Total cash provided by operating activities	\$ 96,804	\$ 169,954	\$ 113,937

The accompanying notes are an integral part of these consolidated financial statements.

	Year ended December 31,		
	2007	2006	2005
Cash flows from investing activities:			
Cash paid for acquisition of subsidiaries, net of cash acquired	\$ (24,850)	\$ (134,367)	\$ (24,964)
Proceeds from subsidiary disposal, net of cash balances	562	—	—
Cash paid for property, plant and equipment	(189,049)	(127,713)	(72,805)
Cash paid for acquisition of investments	—	—	(71)
Proceeds from disposal of investments	—	—	538
Proceeds from disposal of property, plant and equipment	3,668	883	5,944
Cash paid for net investments in direct financing leases	(172)	(1,496)	(1,982)
Cash received from other long-term assets	—	1,429	—
Cash returned (invested) from short-term bank deposits and other current assets	6,800	33,106	(31,817)
Net cash used in investing activities	(203,041)	(228,158)	(125,157)
Cash flows from financing activities:			
Proceeds from long-term notes payable, net of debt issuance costs	147,909	—	106,000
Short-term loans and notes, net	(33,946)	85,760	(3,795)
Repayment of long-term loans	(5,081)	(21,414)	(4,099)
Proceeds from long-term loans	6,778	30,214	1,636
Repayment of long-term payables	(18,811)	(19,416)	(17,123)
Repayment of long-term notes payable	—	(52,719)	—
Dividends paid	(5,420)	(24,336)	—
Total cash provided by (used in) financing activities	91,429	(1,911)	82,619
Impact of exchange rate differences on cash and cash equivalents	7,950	7,322	(2,087)
Net increase (decrease) in cash and cash equivalents	(6,858)	(52,793)	69,312
Cash and cash equivalents, at beginning of the year	40,310	93,103	23,791
Cash and cash equivalents, at the end of the year	\$ 33,452	\$ 40,310	\$ 93,103
SUPPLEMENTAL INFORMATION:			
	2007	2006	2005
Income taxes paid	\$ 58,700	\$ 53,451	\$ 27,123
Interest paid	38,285	25,731	22,871
Income taxes offset with VAT receivables	238	1,466	2,715
Taxes other than income taxes offset with VAT receivables	357	7,929	3,896
Vendor financed acquisitions of property, plant and equipment	6,860	5,561	5,709

The accompanying notes are an integral part of these consolidated financial statements.

Wimm-Bill-Dann Foods**Consolidated Statements of Shareholders' Equity***(Amounts in thousands of U.S. dollars, except share amounts)*

	Common Stock		Share premium account	Accumulated other compre hensive income (loss)	Retained earnings	Total
	Shares	Amount				
Balances at December 31, 2004	44,000,000	\$ 29,908	\$ 164,132	\$ 43,905	\$ 132,971	\$ 370,916
Net income	—	—	—	—	30,266	30,266
Currency translation adjustment	—	—	—	(14,139)	—	(14,139)
Balances at December 31, 2005	44,000,000	29,908	164,132	29,766	163,237	387,043
Net income	—	—	—	—	95,384	95,384
Currency translation adjustment	—	—	—	39,403	—	39,403
Dividends on common stock including income taxes of \$3,270	—	—	—	—	(24,336)	(24,336)
Balances at December 31, 2006	44,000,000	29,908	164,132	69,169	234,285	497,494
Net income	—	—	—	—	140,048	140,048
Currency translation adjustment	—	—	—	41,002	—	41,002
Dividends on common stock including income taxes of \$571	—	—	—	—	(5,420)	(5,420)
Balances at December 31, 2007	44,000,000	\$ 29,908	\$ 164,132	\$ 110,171	\$ 368,913	\$ 673,124

The accompanying notes are an integral part of these consolidated financial statements.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements****Years ended December 31, 2007, 2006 and 2005**

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

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 of December 31, 2007, owned controlling interests in 37 manufacturing facilities in Russia and elsewhere in the Commonwealth of Independent States (“CIS”), as well as distribution branches in 28 cities in Russia and elsewhere in the CIS. WBD Foods has a strong and diversified brand portfolio with over 1,000 types of dairy products, and over 150 types of juice, nectars and still drinks.

2. Summary of Significant Accounting PoliciesAccounting Principles

The Company and its subsidiaries maintain their accounting books and records in domestic currency based on domestic accounting regulations. The consolidated 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 of America (“U.S. GAAP”) and expressed in terms of U.S. dollars (see paragraph “Translation Methodology” below).

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of WBD Foods and its subsidiaries where the Company has operating and financial control. Results of subsidiaries acquired or disposed of during the year and accounted for by the purchase method have been included in operations from the relevant date of acquisition to the relevant date of disposal. 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. All inter-company accounts and transactions are eliminated upon consolidation. Minority interests in the net assets and net results of the Company’s subsidiaries are shown under “Minority interests” in the accompanying consolidated balance sheets and statements of income and comprehensive income.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****2. Summary of Significant Accounting Policies (continued)**Comprehensive Income

Comprehensive income is defined as the change in equity of a company during a period from non-owner sources. Comprehensive income of WBD Foods for the years ended December 31, 2007, 2006 and 2005 was \$181,050, \$134,787 and \$16,127, respectively, and consists of net income and a currency translation adjustment in the amount of \$41,002, \$39,403, and (\$14,139), respectively.

Translation Methodology

Starting from January 1, 2003, Russia is no longer considered a hyperinflationary economy, therefore, the U.S. GAAP financial statements are prepared using the local currency, the Russian ruble, as the functional currency for WBD Foods and its Russian subsidiaries. Subsequent translation to the reporting currency, the U.S. dollar, is made in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52. All assets and liabilities of the Company and its subsidiaries with functional currencies other than the U.S. dollar are translated into U.S. dollar equivalents at exchange rates as follows: (1) asset and liability accounts at the rate of exchange in effect on the balance sheet date, (2) revenues and costs, income and expenses at the average exchange rates for the year, and (3) shareholders' equity accounts at historical exchange rates. Translation gains or losses are recorded as a separate component of shareholders' equity, and transaction gains and losses are reflected in net income.

In respect of Wimm-Bill-Dann Netherlands B.V., the U.S. dollar has been used to prepare the financial statements as this is its functional currency. The financial statements of Ukrainian, Kyrgyz, Usbekh, Kazakh and Georgian subsidiaries have been prepared using the Ukrainian hryvnia, Kyrgyz som, Uzbek sum, Kazakh tenge and Georgian lari, respectively, 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 SFAS No. 52.

Within the Russian Federation, official exchange rates are determined daily by the Central Bank of Russia ("CBR"). Market rates may differ from the official rates but the differences are, generally, within narrow parameters monitored by the CBR. As of December 31, 2007 and 2006, the official rates of exchange were 24.55 rubles = 1 U.S. dollar and 26.33 rubles = 1 U.S. dollar, respectively. The translation of local currency denominated assets and liabilities into U.S. dollars for the purposes of these financial statements does not indicate that the Company could realize or settle, in U.S. dollars, the reported values of these assets and liabilities. Likewise, it does not indicate that the Company could return or distribute the reported U.S. dollar value of capital to its shareholders.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****2. Summary of Significant Accounting Policies (continued)**Management Estimates

The preparation of the consolidated 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Examples include estimates of allowance for 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 three months or less.

Trade Receivables and Allowance for Doubtful Accounts

Trade receivables 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.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****2. Summary of Significant Accounting Policies (continued)**Inventory

Inventories, including work-in-process, are valued at the lower of cost or market. 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 condition 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 provided for in the accompanying consolidated financial statements.

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 VAT payable after the balance sheet dates are recognized in the balance sheets on a gross basis.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****2. Summary of Significant Accounting Policies (continued)**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 comprises 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 statement of income.

The carrying value of property, plant and equipment, as determined above 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	10-50 years
Machinery and equipment	3-25 years
Computer hardware	3-12 years
Other	2-15 years

Construction in progress comprises costs directly related to construction of property, plant and equipment. 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.

Assets acquired under capital leases are included in property, plant, and equipment and relate to machinery and equipment. Depreciation of capital lease assets is included in depreciation expense. The net present values of amounts due under capital leases are recorded as liabilities and included in other payables and other long-term payables.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****2. Summary of Significant Accounting Policies (continued)**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, net. 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 ten years. Indefinite-lived intangibles and intangible assets with determinable useful lives 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. Goodwill is not amortized, but instead tested for impairment at least annually or whenever indicators of impairment arise.

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

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. Impairment loss is included in other operating expenses in the consolidated statement of income and comprehensive income.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****2. Summary of Significant Accounting Policies (continued)**Revenue Recognition

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 product 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 prior period. 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 statements of income and comprehensive income.

Shipping and Handling Expenses

Shipping and handling expenses incurred by the Company are reflected in selling and distribution expenses in the accompanying consolidated statements of income and comprehensive income. Shipping and handling expenses for the years ended December 31, 2007, 2006 and 2005 were \$111,228, \$73,565 and \$52,995, respectively.

Government Grants

Government grants are recognized when the related cash or assets are received. Government grants are deferred and amortized 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 financial statements. The amortization of government grants related to acquisition of property, plant and equipment is recognized as a reduction of 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.

Debt Issuance Costs

Debt issuance costs are capitalized and amortized using the straight line method over the term of the related debt.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****2. Summary of Significant Accounting Policies (continued)**Income Tax

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. 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.

Advertising Costs

Advertising costs are expensed as incurred, except for mass-media advertising which is expensed the first time the advertising is shown. Advertising costs for the years ended December 31, 2007, 2006 and 2005 were \$102,409, \$67,538 and \$45,336, respectively.

Stock options plan

The Company follows the provisions of Statement of Financial Accounting Standards No. 123 (revised) "Share-Based Payment" (SFAS No. 123R), which requires all companies to measure compensation cost for all share-based payments (including employee stock options) at fair value. The fair value of share-based payment awards is estimated on the date of grant using an option-pricing model. The Company has chosen to use the Black-Sholes Model as the option-pricing model and the value of the portion of the award that is ultimately expected to vest is being recognized as expense on the straight-line basis over the requisite service periods.

Earnings per Share

Earnings per common share have been determined based upon the weighted average number of shares outstanding during these periods. There are no potentially dilutive securities.

Concentration of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash in banks, short-term bank deposits and trade receivables. The Company deposits available cash with several financial institutions. The credit risk associated with trade accounts receivable is limited due to the Company's large domestic customer base. At December 31, 2007, 2006 and 2005, the Company had no other significant concentrations of credit risk. The Company does not usually require collateral from its customers.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****2. Summary of Significant Accounting Policies (continued)**Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, short-term bank deposits, accounts receivable, accounts payable and short-term loans reported in the consolidated balance sheets approximate fair values due to the short maturity of those instruments. The fair value of the Company's long-term ruble notes is estimated at \$108,836 at December 31, 2007. The carrying value of U.S. dollar notes, which matured in May 2008, approximates fair value at December 31, 2007.

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 three major operating segments – dairy, beverages and baby food production and distribution, and accordingly, reports segment information on this basis.

Comparative Figures

Where necessary, reclassifications have been made to the prior period consolidated financial statements to conform to the presentation of the current period.

New and Recently Adopted Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48 ("FIN 48") *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 *Accounting for Income Taxes*. FIN 48 clarifies accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. In addition, FIN 48 states that income taxes should not be accounted for under the provisions of SFAS No. 5, *Accounting for Contingencies*. The Company adopted FIN 48 at the beginning of the fiscal year 2007. Upon adoption, there was no an effect to retained earnings of the Company (Note 16).

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****2. Summary of Significant Accounting Policies (continued)**

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. The Company adopted the provisions of SFAS No. 157 in the first quarter 2008 which had no material impact on its financial statements upon adoption.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities —Including an amendment of FASB Statement No. 115*. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007; however, early adoption is allowed. The adoption of the provisions of SFAS No. 159 did not have an impact on the Company's results of operations, financial position or cash flows.

In December 2007, the FASB issued FAS 141 (revised 2007), *Business combinations* — the replacement of FASB Statement No. 141, *Business Combinations*. This Statement amends the principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired; and establishes disclosure requirements in relation to business combinations. This Statement is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The effect that SFAS No. 141 (R) has on the accounting for future business combinations is dependant on future acquisitions.

In December 2007, the FASB issued FAS 160, *Noncontrolling Interests in Consolidated Financial Statements* — an amendment of ARB No. 51. This Statement amends ARB 51 and provides guidance for accounting for changes in a parent's ownership interest and deconsolidation of a subsidiary and disclosure requirements. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is assessing the effect of FAS No. 160 implementation.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****3. Businesses Acquired**Acquisition of Minority Interests

The changes in minority interest during the years ended December 31, 2007 and 2006 were as follows:

Balance at December 31, 2005	\$ 24,619
Acquisitions by the Company of minority interests in subsidiaries	(12,906)
Acquisition of subsidiaries	2,446
Minority interest share in net income	3,197
Currency translation adjustment	1,621
Balance at December 31, 2006	\$ 18,977
Acquisitions by the Company of minority interests in subsidiaries	(9,217)
Acquisition of subsidiaries	121
Minority interest share in net income	2,769
Currency translation adjustment	976
Other	236
Balance at December 31, 2007	\$ 13,862

2007

In March-April 2007, WBD Foods acquired additional 4.71% interest in Ochakovo Dairy Plant for cash consideration of \$3,312. As a result of this transaction, WBD Foods has a 98.46% interest in Ochakovo Dairy Plant. The purchase price in excess of fair value of net assets acquired of \$1,462 was recorded as goodwill.

In May 2007, WBD Foods acquired additional 30.12% interest in Obninsk Dairy Plant OJSC for cash consideration of \$10,611. In November-December WBD Foods acquired another 3.39% interest for cash consideration of \$1,266. After these transactions, WBD Foods has a 99.84% interest in OJSC Obninsk Dairy Plant OJSC. The purchase price in excess of fair value of net assets acquired of \$6,661 and \$754, respectively, was recorded as goodwill.

In November-December 2007, WBD Foods acquired an additional 13.24% interest in Angarskiy Dairy Plant OJSC for cash consideration of \$830. As a result of this transaction, WBD Foods has 96.6% interest in OJSC Angarskiy Dairy Plant OJSC. The purchase price in excess of fair value of net assets acquired of \$788 was recorded as goodwill.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****3. Businesses Acquired (continued)**2006

In December 2006, WBD Foods acquired 0.26% of WBD OJSC, a subsidiary, from shareholders of WBD Foods for cash consideration of \$812. The purchase price in excess of fair value of net assets acquired of \$415 was recorded as goodwill.

In October 2006, WBD Foods acquired 30.35% of Nazarovskoe Milk OJSC, a subsidiary, from minority shareholders for cash consideration of \$1,982. The purchase price in excess of fair value of net assets acquired of \$771 was recorded as goodwill.

In January 2006, WBD Foods acquired 20% of Moscow Baby Food Plant ("ZDMP"), a subsidiary, from minority shareholders for cash consideration of \$6,955. The fair value of net assets acquired in excess of purchase price of \$4,192 was subsequently recorded as a reduction of the value of property, plant and equipment.

2005

In January 2005, WBD Foods acquired 10% of Sibirskoe Moloko dairy plant, a subsidiary, from minority shareholders for cash consideration of \$1,050. The purchase price in excess of fair value of net assets acquired of \$355 was recorded as goodwill.

Business Combinations2007

In July 2007, WBD Foods acquired a 94.6% interest in Niva CJSC for cash consideration of \$1,185. The acquired farm produces raw milk in the Krasnodar region. This acquisition allows the Company to reduce raw material expenses and become less dependable on raw milk suppliers, as well as to ensure a steady supply of raw milk to keep up with growth in production driven by increase in market demand.

The fair value of net assets acquired in excess of the purchase price of \$778 was subsequently recorded as a reduction of the value of property, plant and equipment.

In October 2007, WBD Foods acquired a 100% interest in Gruzinskie Producty LLC for cash consideration of \$1,100, of which \$800 was paid at the acquisition date and \$300 in March 2008. The acquired company produces milk products and is the third largest plant in Georgia. The acquisition is in line with Wimm-Bill-Dann's declared strategy of growing its business by purchasing successful companies with leading market positions and strong brand portfolios.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****3. Businesses Acquired (continued)**

The cash consideration paid for this acquisition was allocated to property, plant and equipment \$964, intangible assets \$11, goodwill \$3,246 and current assets \$26, less liabilities of \$3,147.

2006

In September 2006, the Company acquired 100% of Surgut City Dairy Plant for cash consideration of \$4,536. The acquisition of Surgut Dairy Plant allows the Company to gain a leading position in a promising region and continue its expansion in the markets of the Urals and Siberia. Having its own enterprise in Surgut, the company will be able to optimize its expenditure on logistics by reducing the need to transport products between regions. The fair value of net assets acquired in excess of purchase price of \$617 was recorded as a reduction of the fair value of property, plant and equipment.

In November, 2006, the Company acquired 93.74% of Ochakovo Dairy Plant for cash consideration of \$66,792. Ochakovo Dairy Plant is the fourth largest dairy producer in Russia and one of the largest dairy enterprises in Moscow. The plant produces milk, sour cream, yogurts, cheese curds and other dairy products under a strong brand portfolio (including brands such as 33 Cows, Pastushok, Kremlin Products and Actilife). The acquisition of Ochakovo Dairy Plant allows the Company to increase its share of the Moscow dairy market in volume and in value, to enrich brand portfolio and obtain a better cooperation with key retailers and suppliers in Moscow and Moscow region. During the year subsequent the acquisition the Company finalized an allocation of purchase price as follows: property, plant and equipment \$32,479, intangible assets \$12,562, long-term investments \$11, goodwill \$31,437, current assets \$18,026, less liabilities \$27,723.

In December 2006, the Company acquired 83.36% of Angarsky Milk Plant OJSC (Molka OJSC) for cash consideration of \$4,908. The purchase of Molka OJSC allows the Company to continue its expansion in the Siberian market. By having its own enterprise in Irkutsk region, the company gains the ability to optimize logistical expenditures by eliminating the need for long-distance transport of products between regions. The cash consideration paid for this acquisition was allocated to property, plant and equipment \$1,923, long-term investments \$2, goodwill \$3,722, current assets \$1,051, less liabilities \$1,790.

In December 2006, the Company acquired 100% of Manros Group for cash consideration of \$51,336. Manros Group comprises of six companies of which four are dairy production plants. Manros produces milk, sour cream, yogurts, cottage cheese, kefir and other dairy products under "Na zdorovie", "Molochnaya Dolina" and "Vkusnika" brands. The acquisition of Manros further strengthens the Company's market position in the fast-growing Siberian region, where continued economic growth is translating into ever growing demand across our offering of healthy products aimed at the entire family. With the Manros acquisition the Company increased its market share in Siberia and the Far East, thus,

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****3. Businesses Acquired (continued)**

re-enforcing its leadership in the region. The cash consideration paid for this acquisition was allocated to property, plant and equipment \$25,191, intangible assets \$5,937, goodwill \$37,053, non-current assets \$240, current assets \$10,365, less liabilities \$27,450.

2005

In July 2005, the Company acquired 100% of Experimental Baby Food Plant LLC for cash consideration of \$3,527. Experimental Baby Food Plant LLC produces baby food from raw fruits. The acquisition of Experimental Baby Food Plant LLC allows the Company to increase its product portfolio in the baby food market segment and to keep up with anticipated growth in market demand. The fair value of net assets acquired in excess of purchase price of \$2,335 was recorded as a reduction of the value of property, plant and equipment.

In July 2005, the Company acquired 66.3% of Obninsk Dairy Plant for cash consideration of \$6,365. Obninsk Dairy Plant owns several milk product brands and a milk product manufacturing facility. The acquisition of Obninsk Dairy Plant allows the Company to increase its existing product and brand portfolio and establish its presence in Kaluga region to better meet anticipated growth in the local marketplace. The cash consideration paid for this acquisition was allocated to property, plant and equipment \$2,257, intangible assets \$903, goodwill \$1,091, current assets \$2,898, less liabilities \$784.

In October 2005, the Company acquired 100% of Essentuki mineral water plant CMW (Caucasian Mineral Water) Ltd for cash consideration of \$5,505. The acquisition of Essentuki mineral water plant CMW (Caucasian Mineral Water) Ltd allows the Company to enhance its existing product and brand portfolio by developing mineral water brand "Novoessentukskaya", expand production of mineral water "Essentuki" in plastic bottles and increase its market share in mineral water segment. Management has established the preliminary purchase price allocation taking into account all relevant information at the time of preparing these consolidated financial statements. The purchase price allocation was completed by the Company in 2006. The cash consideration paid for this acquisition was allocated to property, plant and equipment \$2,066, intangible assets \$358, goodwill \$3,171, current assets \$446 less liabilities \$536.

In December 2005, the Company acquired 63.53% of Nazarovskoe Milk OJSC for cash consideration of \$5,167. The acquired company is one of the major condensed milk producers in Siberian and Far East regions. The acquisition of Nazarovskoe Milk OJSC allows the Company to increase its existing product and brand portfolio and establish its presence in Krasnoyarsk region that possesses a high growth potential. The cash consideration paid for this acquisition was allocated to property, plant and equipment \$4,482, goodwill \$2,007, current assets \$1,798 less liabilities \$3,120.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****3. Businesses Acquired (continued)**

In December 2005, the Company acquired 100% of Pervouralsk City Dairy for cash consideration of \$119. The purchase price allocation was completed by the Company in 2006. The purchase price in excess of fair value of net assets acquired was recorded as goodwill in amount of \$1,126.

In April, July and September 2005, the Company acquired 100%, 99.34% and 63.5% of Plemzavod Za Mir i Trud OJSC, Zaveti Ilicha and Trud farms for cash considerations of \$1,689, \$344 and \$420, respectively. The acquired farms produce raw milk. The acquisitions of Plemzavod Za Mir I Trud OJSC, Zaveti Ilicha and Trud farms allow the Company to reduce raw material expenses and become less dependent on raw milk suppliers, as well as to ensure a steady supply of raw milk to keep up with anticipated growth in production driven by anticipated increases in market demand. The fair values of net assets acquired in excess of purchase prices of \$3,894, \$2,761 and \$1,029 were recorded as a reduction of the values of property, plant and equipment.

4. Trade Receivables, Net

Trade receivables as of December 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Trade receivables	\$ 161,334	\$ 97,010
Allowance for doubtful accounts	(3,726)	(7,078)
Total trade receivables, net	<u>\$ 157,608</u>	<u>\$ 89,932</u>

The changes in the allowance for doubtful accounts for the years ended December 31, 2007, 2006 and 2005 were as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Balance, beginning of period	\$ 7,078	\$ 5,126	\$ 13,931
Provision for doubtful accounts	1,649	3,130	3,908
Write off of trade receivables	(6,016)	(2,027)	(12,358)
Currency translation adjustment	1,015	849	(355)
Balance, end of period	<u>\$ 3,726</u>	<u>\$ 7,078</u>	<u>\$ 5,126</u>

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****5. Inventory**

Inventory as of December 31, 2007 and 2006 was as follows:

	<u>2007</u>	<u>2006</u>
Raw materials	\$ 170,459	\$ 101,274
Work in progress	21,260	16,581
Finished goods	69,535	56,219
Total inventory	<u>\$ 261,254</u>	<u>\$ 174,074</u>

6. 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 one to five years and provide a free of charge equipment transfer option at the end of the lease term. The lease receivables are denominated in EURO, U.S. dollars and Russian rubles. The lessees have the option to settle the receivable through the delivery of milk supplies to the Company based on a predetermined schedule. The settlement is based on milk prices which are variable dependent upon prevailing market prices.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****6. Net Investment in Direct Financing Leases (continued)**

The following lists the components of the net investment in direct financing leases at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Total future minimum lease payments	\$ 3,004	\$ 4,808
Less: Unearned income	(683)	(1,040)
Net investment in direct finance leases	<u>\$ 2,321</u>	<u>\$ 3,768</u>
Current portion	1,349	2,095
Long-term portion	972	1,673

At December 31, 2007, total future minimum lease payments to be received for each of the five succeeding fiscal years are as follows:

	<u>Years ended December 31,</u>
2008	\$ 1,784
2009	791
2010	213
2011	109
2012	99
2013 and thereafter	8
	<u>\$ 3,004</u>

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****7. Other Current Assets**

Other current assets as of December 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Assets held for sale	\$ 1,457	\$ 4,007
Restricted cash	1,970	9,467
Other debtors, net	5,647	3,929
Deferred expenses	1,770	1,750
Other	1,059	577
Total other assets	\$ 11,903	\$ 19,730

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****8. Intangible Assets, Net**

Intangible assets as of December 31, 2007 and 2006 were comprised of the following:

	2007		2006	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Intangible assets with determinable lives:				
Financial accounting software	\$ 8,415	\$ (2,554)	\$ 5,025	\$ (1,172)
Trademarks	5,639	(1,227)	3,489	(1,324)
Supplier contracts	155	(150)	907	(752)
Others	2,459	(803)	750	(65)
Intangible assets with indefinite lives:				
Trademarks	22,081	—	19,986	—
Total intangible assets	\$ 38,749	\$ (4,734)	\$ 30,157	\$ (3,313)

Financial accounting software and supplier contracts have a weighted average useful life of five years, and trademarks have a weighted average useful life of six years.

Amortization expense during the years ended December 31, 2007, 2006 and 2005 amounted to \$2,487, \$1,564 and \$752, respectively.

Amortization expense relating to the net carrying amount of intangible assets at December 31, 2007 is estimated to be \$2,767 in 2008, \$2,767 in 2009, \$2,697 in 2010, \$962 in 2011 and \$808 in 2012.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****9. Property, Plant and Equipment, Net**

The net book value of property, plant and equipment at December 31, 2006 and 2005 was comprised of the following:

	<u>2007</u>	<u>2006</u>
Buildings	\$ 277,130	\$ 233,166
Machinery and equipment	660,847	511,905
Computer hardware	18,315	22,973
Other	72,295	49,636
Gross book value of property, plant and equipment	<u>1,028,587</u>	<u>817,680</u>
Accumulated depreciation	(390,890)	(296,332)
Advances paid for property, plant and equipment	27,106	32,484
Construction in progress and equipment for installation	<u>102,851</u>	<u>52,896</u>
Total property, plant and equipment, net	<u>\$ 767,654</u>	<u>\$ 606,728</u>

The Company capitalized interest costs of \$6,421, \$519, and \$410 during the years ended December 31, 2007, 2006 and 2005, respectively, with respect to qualified construction projects.

Depreciation expense during the years ended December 31, 2007, 2006 and 2005 amounted to \$84,087, \$60,765, and \$52,683, respectively.

The assets transferred to the Company upon privatization do not include the land on which the Company's factories and buildings, comprising the Company's principal manufacturing facilities, are located. The Company has the option to purchase this land upon application to the state registrar body or to continue occupying this land under rental agreements. Russian legislation does not specify an expiry date to this option. As at December 31, 2007 the Company has not filed any application to exercise the purchase option.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****10. Goodwill**

The changes in the carrying amount of goodwill for each segment for the years ended December 31, 2007, 2006 and 2005 were as follows:

	<u>Dairy</u>	<u>Beverages</u>	<u>Total</u>
Balance at December 31, 2005	\$ 25,358	\$ 6,650	\$ 32,008
Acquisitions	72,462	—	72,462
Write-off	(2,539)	—	(2,539)
Currency translation adjustment	3,734	325	4,059
Balance at December 31, 2006	\$ 99,015	\$ 6,975	\$ 105,990
Acquisitions	14,859	170	15,029
Currency translation adjustment	7,856	516	8,372
Balance at December 31, 2007	\$ 121,730	\$ 7,661	\$ 129,391

The Company recognized an impairment loss of \$18.1 million in the year ended December 31, 2006, including \$15.6 million related to fixed assets and intangible assets and \$2.5 million related to goodwill (Novokuibyshevsk plant). The related deferred tax benefit amounted to \$3.2 million.

The impairment loss charge was included in "Other Operating Expenses" line of the consolidated statement of income and comprehensive income for the year ended December 31, 2006. This amount is attributable to operational segments as follows: Dairy - \$7.1 million, Beverages - \$11.0 million.

11. Other Non-Current Assets

Other non-current assets at December 31, 2007 and 2006 were comprised as follows:

	<u>2007</u>	<u>2006</u>
Debt issuance costs, net of amortization	\$ 1,006	\$ 1,448
Advances	4,326	2,306
Other	95	1,439
Total other assets	\$ 5,427	\$ 5,193

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****12. Accrued Liabilities**

Accrued liabilities at December 31, 2007 and 2006 were comprised as follows:

	<u>2007</u>	<u>2006</u>
Payroll related accruals	\$ 38,697	\$ 28,483
Interest accruals	3,629	2,281
Audit and other professional services accruals	2,681	829
Marketing and advertising accruals	1,511	979
Tax contingencies	1,832	1,689
Other accruals	3,527	2,842
Total accrued liabilities	<u>\$ 51,877</u>	<u>\$ 37,103</u>

13. Short-Term and Long-Term Loans

Short-term loans at December 31, 2007 and 2006 were as follows:

	<u>2007</u>			<u>2006</u>		
	<u>No. of loans</u>	<u>Amount</u>	<u>Weighted average interest rate</u>	<u>No. of loans</u>	<u>Amount</u>	<u>Weighted average interest rate</u>
Ruble denominated	24	\$ 97,514	7.13%	24	\$ 123,849	8.09%
U.S. dollar denominated	3	1,305	7.75%	—	—	—
Total short-term loans		<u>\$ 98,819</u>			<u>\$ 123,849</u>	

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****13. Short-Term and Long-Term Loans (continued)**

Long-term loans at December 31, 2007 and 2006 were as follows:

	2007			2006		
	No. of loans	Amount	Weighted average interest rate	No. of loans	Amount	Weighted average interest rate
EURO denominated (maturity 2011-2012)	2	\$ 6,729	1.86%	2	\$ 7,698	1.89%
Ruble denominated (maturity 2010 -2012)	26	34,357	5.34%	22	26,521	5.41%
Total amount of long-term borrowings		41,086			34,219	
Less current portion of long-term loans		(6,455)			(4,137)	
Total long-term loans		\$ 34,631			\$ 30,082	

Guarantees

At December 31, 2007 and 2006, 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 the carrying amount of the respective short-term and long-term loans.

Maturity of Long-Term Loans

The maturities of long-term loans outstanding at December 31, 2007 was as follows:

	Years ended December 31,
2008	\$ 6,455
2009	7,089
2010	10,835
2011	6,368
2012	10,339
Total long-term loans	\$ 41,086

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****13. Short-Term and Long-Term Loans (continued)**Collateral

Certain of the Company's inventories and property, plant and equipment served as collateral for the short-term and long-term loans from International Moscow Bank, Rosselkhozbankbank, Gazprombank, Uralsib Bank Nomos-Bank and Sberbank.

At December 31, 2007 and 2006 the assets that served as collateral consisted of the following:

- Inventory in the amounts of \$3,192 and \$12,063, respectively;
- Property, plant and equipment with a net book value of \$78,008 and \$95,608, respectively.

14. Long-Term Notes Payable

Notes payable issued by WBD Foods at December 31, 2007 and 2006 were as follows:

<u>Issuer</u>	<u>Currency</u>	<u>2007</u>	<u>2006</u>
WBD Foods	U.S. dollar	\$ 300,000	\$ 150,000
WBD Foods	Ruble	105,922	98,742
		405,922	248,742
less current portion		300,000	—
		—	—
Total long-term notes		\$ 105,922	\$ 248,742

WBD Foods U.S. dollar Notes

On May 21, 2003, UBS (Luxembourg) S.A. issued 8.5% Loan Participation Notes due 2008 for the sole purpose of funding a \$150,000 loan (the "Loan") to WBD Foods. The Loan bears the interest at an annual rate of 8.5%, payable semi-annually in arrears on May 21 and November 21 of each year. The Loan matured and was fully repaid in May 2008.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****14. Long-Term Notes Payable (continued)**

Nine of WBD Foods' subsidiaries unconditionally, irrevocably, jointly and severally guarantee its obligation under the Loan.

On February 6, 2007, UBS (Luxembourg) S.A. issued 7.5% Loan Participation Notes due 2008 for the sole purpose of funding a \$150,000 loan (the "Loan") to WBD Foods. The Loan bears interest at an annual rate of 7.5%, payable in two installments on November 14, 2007 and May 14, 2008. The loan was fully repaid in May 2008.

The loan agreements contain a number of covenants including requirements to maintain certain financial ratios.

WBD Foods Ruble Notes

On December 21, 2005, WBD Foods issued 3,000,000 non-convertible ruble denominated notes at a face value of 1,000 rubles each. The offering raised a total of 3,000,000 thousand rubles (\$122,219 at the exchange rate as of December 31, 2007 of which \$16,297 have been repaid as of December 31, 2007). The notes are redeemable by WBD Foods on December 15, 2010. The interest rate of the coupon is 9%. Interest is payable semi-annually in arrears commencing on June 21, 2006.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****15. Vendor Financing**

The Company has certain vendor financing obligations included in other payables and other long-term payables which primarily represent payables for property, plant and equipment and were comprised of the following as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Vendors' financing obligations, including		
Current portion	\$ 15,731	\$ 15,284
Long-term portion	17,372	20,905
Total vendor financing obligations	<u>\$ 33,103</u>	<u>\$ 36,189</u>

The Company has agreements with suppliers of equipment, which provide financing for the periods ranging from 1 to 9 years. As of December 31, 2007 and 2006, vendor financing obligations were \$14,000 and \$21,013, respectively, EURO 11,138 thousand and EURO 10,628 thousand, respectively (equivalent to \$16,305 and \$14,004 as of December 31, 2007 and 2006, respectively) and 68,678 thousand rubles and 30,858 thousand rubles, respectively (equivalent to \$2,798 and \$1,172 as of December 31, 2007 and 2006, respectively). This financing is provided at interest rates of LIBOR plus 1.5%, EURIBOR plus 1.6%, and 10.0% for U.S. dollar, EURO and ruble denominated contracts, respectively. At December 31, 2007 and 2006, property, plant and equipment, net amounting to \$48,770 and \$60,804 respectively, served as collateral under these financing agreements.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****15. Vendor Financing (continued)**

The maturity of vendors financing obligations outstanding at December 31, 2007 was as follows:

	Years ended December 31,
2008	\$ 17,300
2009	14,362
2010	4,941
2011	1,432
2012	42
Total maturity of vendor financing obligations	38,077
Less: amount representing interest	(4,974)
Total vendor financing obligations	\$ 33,103

16. Income Tax

WBD Foods' provision for income taxes for the years ended December 31, 2007, 2006 and 2005 was as follows:

	2007	2006	2005
Current income tax provision	\$ 49,409	\$ 48,232	\$ 27,385
Deferred income tax charge/(benefit)	4,893	(6,672)	3,327
Total provision for income taxes	\$ 54,302	\$ 41,560	\$ 30,712

WBD Foods' statutory income tax rate was 24% for the periods presented above.

Foreign current income tax provisions for the years ended December 31, 2007, 2006 and 2005 were \$2,068, \$2,372 and \$700, respectively. Foreign deferred income tax charge/(benefit) for the years ended December 31, 2007, 2006 and 2005 were \$69, \$(258) and \$637, respectively.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****16. Income Tax (continued)**

The reconciliation of the income tax provision using Russian statutory income tax rate of 24% to the Company's provision for income taxes is as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Income before provision for income taxes	\$ 197,119	\$ 140,141	\$ 64,627
Russian statutory tax rate	24%	24%	24%
Income tax provision at Russian statutory rate	47,309	33,634	15,510
Tax effect of expenses not deductible for national statutory taxation purposes	12,758	10,829	12,341
Tax effect of income not taxable for national statutory taxation purposes	(2,396)	(2,172)	(974)
Tax effect of income tax privileges relating to small business enterprises benefit	—	—	(275)
Tax effect of income tax at different rates	(947)	(849)	470
Increase (decrease) in valuation allowance	(2,741)	(370)	2,609
Tax effect of other permanent differences	319	488	1,031
Provision for income taxes	<u>\$ 54,302</u>	<u>\$ 41,560</u>	<u>\$ 30,712</u>

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

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****16. Income Tax (continued)**

Temporary differences between the tax bases of assets and liabilities and the respective carrying amounts in these consolidated financial statements give rise to the following deferred tax assets and liabilities at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Deferred tax assets/(liabilities) arising from tax effect of:		
Losses carried forward	\$ 4,546	\$ 8,541
Intangible assets	602	867
Property, plant and equipment	2,534	8,646
Allowance for doubtful accounts	4,857	4,883
Obsolescence and net realizable value inventory write off and other accrued liabilities	3,431	2,448
Payroll related accruals	6,849	4,265
Accrued liabilities	2,999	576
Future period expenses	—	466
Other	41	146
Gross deferred tax asset	<u>25,859</u>	<u>30,838</u>
Less valuation allowance for deferred tax asset	<u>(4,356)</u>	<u>(7,097)</u>
Deferred tax asset net of valuation allowance	<u>21,503</u>	<u>23,741</u>
Intangible assets	(5,229)	(5,035)
Property, plant and equipment	(23,877)	(22,183)
Investments in direct finance lease	(2,661)	(2,896)
Debt issuance costs	(241)	(348)
Other	(80)	(68)
Gross deferred tax liability	<u>(32,088)</u>	<u>(30,530)</u>
Net deferred tax liability	<u>\$ (10,585)</u>	<u>\$ (6,789)</u>
Balance sheet classification is as follows:		
Current deferred tax asset	\$ 17,479	\$ 12,749
Long-term deferred tax asset	2,947	8,737
Long-term deferred tax liability	(31,011)	(28,275)

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****16. Income Tax (continued)**

In the context of the Company's current structure, tax losses and current tax assets of the different subsidiaries may not be set off against current tax liabilities and taxable profits of other subsidiaries and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, deferred tax assets of one subsidiary of the Company are not offset against deferred tax liabilities of another subsidiary. As at December 31, 2007 and 2006, a valuation allowance has been recorded for deferred tax assets in the amounts of \$4,356 and \$7,097, respectively as it is not more likely than not that sufficient taxable profit will be available to offset the deductible temporary differences to which these assets relate.

For statutory income tax purposes, WBD Foods and its subsidiaries had accumulated tax losses of \$18,809 which may be carried forward for use against future taxable income, of which \$272 and \$265 expire in the period 2009-2010 and \$1,608, \$6,468, \$1,141, \$2,113, \$6,942 expire in the period 2013-2017, respectively. The accumulated tax losses of the Russian subsidiaries were used starting from the year 2007.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****16. Income Tax (continued)**

Starting from January 1, 2007, the Company adopted the provisions of FIN 48 (Note 2). The Company recognizes interest accrued related to unrecognized tax benefits and penalties, if any, in interest expense. Currently, the tax years ended December 31, 2005, 2006 and 2007 remained subject to examination by Russian, Ukraine, Kazakh, Uzbek and Georgian tax authorities, and the years ended December 31, 2006 and 2007 remained subject to examination by Kyrgyz tax authorities. The reconciliation of the total amounts of unrecognized tax benefit for the year ended December 31, 2007 is presented in the table below:

Balance as of January 1, 2007	\$ 894
The gross amounts of the increase (decreases) in unrecognized tax benefits, included in income tax expense in the accompanying consolidated statement of income and comprehensive income, as a result of:	
Increase of tax positions taken during the current period	642
Decrease of tax positions taken during the current period	(127)
Increase of tax positions taken during a prior period	349
Decrease of tax positions taken during a prior period	(873)
Amount of decreases in the unrecognized tax benefits as a result of resolution through litigation — prior periods	(354)
Foreign currency translation adjustment	48
Balance as of December 31, 2007	<u>\$ 579</u>

The total unrecognized tax benefit as of December 31, 2007 amounts to \$579, which includes \$414 of unrecognized tax benefits that, if recognized, would affect the effective income tax rate in any future periods.

17. Government Grants

In 1993-1999 Moscow Baby Food Plant (“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 statements of income 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.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****17. Government Grants (continued)**

The movement in capital government grants during the years ended December 31, 2007, 2006 and 2005 was as follows:

Balance at December 31, 2004	\$ 7,485
Amortization	(2,107)
Currency translation adjustment	15
Balance at December 31, 2005	5,393
Amortization	(2,507)
Decrease of government grants due to minority interest acquisition	(646)
Currency translation adjustment	307
Balance at December 31, 2006	2,547
Amortization	(1,612)
Currency translation adjustment	116
Balance at December 31, 2007	\$ 1,051
Short-term portion	77
Long-term portion	974

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.

WBD Foods did not receive any grants during the years ended December 31, 2007 and 2006.

18. Shareholders' Equity

In accordance with Russian corporate laws, earnings available for dividends are limited to profits, denominated in domestic currency, after certain deductions. At the annual shareholders' meeting on June 28, 2007, dividends per common share were declared for 2006 in the amount of 3.18 Russian rubles per common share which at the date of the meeting were equivalent to \$0.12.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****19. Financial Income and Expenses, net**

Financial income and expenses, net for 2007, 2006, and 2005 were comprised of the following:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Interest expense	\$ 34,988	\$ 27,898	\$ 23,388
Interest income	(2,952)	(4,372)	(1,569)
Foreign currency gains, net	(18,120)	(10,288)	(1,231)
Bank charges	2,912	2,070	1,983
Other financial expense, net	23	172	297
Total financial income and expenses, net	\$ 16,851	\$ 15,480	\$ 22,868

20. Pension Costs

In the normal course of business, WBD Foods and its subsidiaries contribute to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred. Governmental pension contributions are included in personnel costs in the consolidated statements of income and comprehensive income. Pension costs amounted to \$32,466, \$26,270 and \$20,282 in 2007, 2006 and 2005, respectively. WBD Foods has no other pension obligations.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****21. Segment Information**

The Company's major reportable business segments are dairy, beverages, and baby food. These segments 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; fruit juices, nectars, juice based drinks and bottled mineral water in the beverages segment and milk and juice based baby food products in the baby food segment.

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.

Operating Segments – year ended December 31, 2007

	<u>Dairy</u>	<u>Beverages</u>	<u>Baby Food</u>	<u>Common and corporate assets/expenses</u>	<u>Intersegment receivables/payables</u>	<u>Consolidated</u>
Total sales	\$ 1,853,840	\$ 414,117	\$ 171,753	—	—	\$ 2,439,710
Inter segment sales	(1,382)	—	—	—	—	(1,382)
Sales to external customers	1,852,458	414,117	171,753	—	—	2,438,328
Cost of sales	(1,311,383)	(249,260)	(94,236)	—	—	(1,654,879)
Gross profit	541,075	164,857	77,517	—	—	783,449
Operating expenses	(362,642)	(123,989)	(31,860)	(50,988)	—	(569,479)
Operating income (loss)	178,433	40,868	45,657	(50,988)	—	213,970
Financial income and expense, net and current provision for income taxes	(36,651)	(4,198)	(12,625)	(12,786)	—	(66,260)
Net segment profit (loss)	\$ 141,782	\$ 36,670	\$ 33,032	\$ (63,774)	—	\$ 147,710
Deferred income tax expense						(4,893)
Minority interest						(2,769)
Net income						\$ 140,048
Segment total assets	\$ 1,195,861	\$ 280,103	\$ 73,391	\$ 163,617	\$ (179,870)	\$ 1,533,102
Expenditure for property, plant and equipment	\$ 134,568	\$ 21,548	\$ 28,177	\$ 8,369	\$ —	\$ 192,662
Depreciation and amortization	\$ 67,322	\$ 14,071	\$ 3,563	\$ 1,618	\$ —	\$ 86,574

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****21. Segment Information (continued)**

Operating Segments – year ended December 31, 2006

	<u>Dairy</u>	<u>Beverages</u>	<u>Baby food</u>	<u>Common and corporate assets/expenses</u>	<u>Intersegment receivables/ payables</u>	<u>Consolidated</u>
Total sales	\$ 1,339,621	\$ 324,074	\$ 117,152	\$ —	—	\$ 1,780,847
Inter segment sales	(18,720)	—	—	—	—	(18,720)
Sales to external customers	1,320,901	324,074	117,152	—	—	1,762,127
Cost of sales	(917,813)	(209,630)	(66,716)	—	—	(1,194,159)
Gross profit	403,088	114,444	50,436	—	—	567,968
Operating expenses	(243,943)	(105,712)	(18,116)	(44,576)	—	(412,347)
Operating income (loss)	159,145	8,732	32,320	(44,576)	—	155,621
Financial income and expense, net and current provision for income taxes	(39,809)	(3,900)	(8,688)	(11,315)	—	(63,712)
Net segment profit (loss)	\$ 119,336	\$ 4,832	\$ 23,632	\$ (55,891)	—	\$ 91,909
Deferred income tax benefit						6,672
Minority interest						(3,197)
Net income						\$ 95,384
Total assets	\$ 915,244	\$ 214,706	\$ 90,122	\$ 128,683	\$ (172,819)	\$ 1,175,936
Expenditure for property, plant and equipment	\$ 93,322	\$ 13,474	\$ 19,356	\$ 3,811	\$ —	\$ 129,963
Depreciation and amortization	\$ 46,849	\$ 11,515	\$ 3,010	\$ 955	\$ —	\$ 62,329

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****21. Segment Information (continued)**

Operating Segments – year ended December 31, 2005

	<u>Dairy</u>	<u>Beverages</u>	<u>Baby food</u>	<u>Common and corporate assets/expenses</u>	<u>Intersegment receivables/ payables</u>	<u>Consolidated</u>
Total sales	\$ 1,005,774	\$ 303,147	\$ 87,839	\$ 3	\$ —	\$ 1,396,763
Inter segment sales	(2,173)	—	—	—	—	(2,173)
Sales to external customers	1,003,601	303,147	87,839	3	—	1,394,590
Cost of sales	(750,663)	(193,846)	(54,480)	(17)	—	(999,006)
Gross profit	252,938	109,301	33,359	(14)	—	395,584
Operating expenses	(177,672)	(88,078)	(11,593)	(30,746)	—	(308,089)
Operating income (loss)	75,266	21,223	21,766	(30,760)	—	87,495
Financial income and expense, net and current provision for income taxes	(14,663)	(6,433)	(5,050)	(24,107)	—	(50,253)
Net segment profit (loss)	\$ 60,603	\$ 14,790	\$ 16,716	\$ (54,867)	\$ —	\$ 37,242
Deferred income tax expense						(3,327)
Minority interest						(3,649)
Net income (loss)						\$ 30,266
Total assets	\$ 572,981	\$ 213,009	\$ 70,638	\$ 131,964	\$ (68,035)	\$ 920,557
Expenditure for property, plant and equipment	\$ 59,922	\$ 12,962	\$ 1,754	\$ 472	\$ —	\$ 75,110
Depreciation and amortization	\$ 41,209	\$ 8,565	\$ 2,993	\$ 668	\$ —	\$ 53,435

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****21. Segment Information (continued)**

For the years ended December 31, 2007, 2006, and 2005, approximately 93%, 93%, and 92%

of sales were generated in and sold to customers in Russia. As of December 31, 2007 and 2006, the long-lived assets of the Company located in Russia comprised to \$757,672 and \$591,718, respectively.

22. Share-based Awards

In 2006 the Company established stock option plan for a number of its executives.

The exercise price of the options equals the average sales price of the stock over the 90 days period preceding each annual grant. Each tranche vests one-third annually over a three year period and can be settled in cash. The contractual terms of options are three to five years from grant date.

Since April 1, 2007, a long-term incentive plan for top management was approved by the Board of Directors. According to this program a certain number of senior management are rewarded with Stock Appreciation Rights ("SAR") linked to the price of the Company's ADR. Commencing April 1, 2007 all outstanding stock options were converted into SARs on the following basis: 1 stock option = 1 SAR.

The exercise price of SARs is determined as the average market value of ADR of the Company over the period January 1st to the date prior to the Board meeting at which the prior year U.S. GAAP Statements are approved. The exercise price of SARs granted in 2007 was \$64.09. Each tranche vests one-third annually over a three year period and is settled in cash. The contractual terms of SARs are five years from grant date.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****22. Share-based Awards (continued)**

A summary of the changes in the Company's share-based awards is presented below:

	Share-based awards '000	Weighted average exercise price, U.S. dollar
Outstanding at December 31, 2005	—	—
Granted	225	\$ 26.84
Canceled	—	—
Forfeited	—	—
Exercised	—	—
Outstanding at December 31, 2006	225	\$ 26.84
Granted	363	\$ 64.09
Canceled	—	—
Exercised	8	39.29
Forfeited	5	63.86
Outstanding at December 31, 2007	575	\$ 49.86

The Company expensed \$15,951 and \$2,205 for all share-based awards for the twelve months ended December 31, 2007, and 2006, respectively, and none in 2005.

As of December 31, 2007, there was approximately \$43,084 of total unrecognized compensation cost related to non-vested SARs awards. The cost is expected to be recognized over a weighted-average requisite service period of 1.91 years.

The estimated weighted average fair value of the share based awards as of December 31, 2007 was \$84.72 and \$41.24 as of December 31, 2007 and 2006, respectively. As of December 31, 2007, 67,000 SARs granted were vested and exercisable. As of December 31, 2006, no share based awards were vested or exercisable.

The intrinsic value of the SARs exercised during 2007 was \$566.

In accordance with SFAS No. 123R, the awards have been accounted for as a liability and, as such, the awards' fair value is remeasured at each reporting date until the date of settlement.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****22. Share-based Awards (continued)**

The determination of fair value of share-based awards on the date of grant and each subsequent reporting date, using an option valuation model, is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards and projected employee SARs exercise behaviors.

A summary of the assumptions used in the application of the Black-Sholes option valuation model as of the grant dates in the period of twelve months ended December 31, 2007 were as follows:

	<u>2007</u>	<u>2006</u>
Volatility (1)	44.46%	32.28% - 36.55%
Risk-free interest rate (2)	6.07%-6.08%	6.10% - 6.18%
Dividend yield (3)	0.41%	0.77% - 1.53%
Expected life (years) (4)	3 years	3 years

-
- (1) The volatility is based on historical volatility of the Company's common stock over the same term as the expected term of the award.
- (2) The risk-free rate is based on the Russian Federation Government Bond with expected term similar to the expected term of the award.
- (3) The dividend yield is based on expected annual dividends per share and the share price as of the grant date.
- (4) The expected life is based on the contractual term of the share based awards and assumption that the share based awards will be exercised after the vesting period but before end of contractual term.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****23. Related Parties**Milk Suppliers

During 2007, 2006 and 2005 the Company purchased milk from certain milk supplying companies, which are controlled by members of its control group of shareholders, amounting to \$17,473, \$12,175 and \$4,493, respectively. As of December 31, 2007 and 2006 accounts payable to these milk-supplying companies in respect of milk received amounted to \$410 and \$373, respectively.

AlfaStrahovanie

Since 2006 one of the members of WBD Foods' Board of Directors was also a member of the Board of Directors of insurance company AlfaStrahovanie. Insurance services received from AlfaStrahovanie in 2007 and 2006 amounted to approximately \$1,048 and \$660, respectively. As of December 31, 2007 and 2006 accounts payable to AlfaStrahovanie in respect to these services amounted to \$119 and \$284.

Current Shareholders

During 2007 the Company provided for security services in the amount of \$246 to certain shareholders. As of December 31, 2007 the account receivable in respect of these services amounted to \$204.

During 2006, WBD Foods acquired 0.26% interest in WBD OJSC from current shareholders for \$812 (see Note 3.)

Echo of Moscow

Through 2006 one of the members of WBD Foods' Board of Directors was also a member of the Board of Directors in broadcasting company Echo of Moscow. Advertising services received from Echo of Moscow in 2006 amounted to approximately \$116. As of December 31, 2006 advances paid to Echo of Moscow in respect to these services amounted to \$1.

24. Commitments and ContingenciesRussian Environment and Current Economic Situation

While there have been improvements in the Russian economic situation, such as an increase in gross domestic product and a reduced rate of inflation, Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****24. Commitments and Contingencies (continued)**Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged.

As such, significant additional taxes, penalties and interest may be assessed. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavorable outcome. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

Overall, management believes that the Group has paid or accrued all taxes that are applicable as at December 31, 2007. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities for non-income tax contingencies and income tax contingencies other than those that meet the more-likely-than-not recognition threshold, identified by management at the balance sheet date as those that can be subject to different interpretations of the tax laws and regulations are not accrued in the consolidated financial statements.

During the period 2004 to March 31, 2005 certain subsidiaries of WBD Foods utilized small business enterprises income tax benefits which were available under Russian income tax legislation being in force before January 1, 2002. The Company estimates that the tax savings to the Company for the period 2004 to March 31, 2005 in respect of these income tax benefits amounted to approximately \$1,663. Should the Russian tax authorities question the appropriate use of these benefits by WBD Foods' subsidiaries for the year 2004, and January – March 2005, issue a claim and prove successful in the court, they would be entitled to recover the amount claimed, together with penalties amounting to 20% of such amount and interest at the rate of 1/300th of the Central Bank of Russia rate, equating to 0.033% as of December 31, 2007, for each day of delay for late payment of such amounts. In any case, WBD Foods' management believes that it has strong grounds on which to oppose any such claim and will vigorously defend its position.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****24. Commitments and Contingencies (continued)**Transfer Pricing

Russian transfer pricing rules entered into force in 1999, giving Russian tax authorities the right to control prices for transactions between related entities and certain other types of transactions between independent parties, such as foreign trade transactions or transactions with significant price fluctuations. The Russian transfer pricing rules are vaguely drafted, leaving wide scope for interpretation by Russian tax authorities and arbitration courts and their use in politically motivated investigations and prosecutions. We believe that the prices used by our group are market prices and, therefore, comply with the requirements of Russian tax law on transfer pricing. However, due to the uncertainties in interpretation of transfer pricing legislation, the tax authorities may challenge our prices and propose adjustments. If such price adjustments are upheld by the Russian arbitration courts and implemented, our results of operations could be materially adversely affected. In addition, we could face significant losses associated with the assessed amount of prior tax underpaid and related interest and penalties, which would have a material adverse effect on our financial condition and results of operations.

Supply of Packaging Materials

The majority of the Company's packaging materials are purchased from one supplier. There can be no assurance that, in the event of a loss of this supplier or unfavorable 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.

Capital commitments

As of December 31, 2007, our capital commitments amounted to \$66.4 million.

Operating leases

During the years ended December 31 2007, 2006 and 2005 the Company was not involved in any non-cancelable operating leases arrangements. The operating lease expenses for the years were as follows: \$8,956, \$7,504 and \$2,077, respectively.

Litigations and claims

The Company is involved in various other claims and legal proceedings arising in the normal course of business. While these claims may seek substantial damages against the Company and are subject to uncertainty inherent in any litigation, management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Company's operating results or financial condition.

Wimm-Bill-Dann Foods**Notes to Consolidated Financial Statements (continued)****25. Subsequent Events**

In March and April 2008, the Company placed third series of bonds on the Moscow Inter-bank Currency Exchange (MICEX). The bonds, with a total nominal value of 5 billion rubles (\$203.7 million at the exchange rate as at December 31, 2007), have a maturity of five years and coupons are paid on a half-yearly basis. The interest rates for both coupons in the first year are equal and amount to 9.30% annually and the rates for subsequent coupons will be set hereinafter based on the market conditions. The issue includes built-in 1-year put option. The funds from the placement will be directed towards refinancing and the development of the Company.

On April 25, 2008, the Company signed an agreement to borrow a 3-year \$250,000 dual tranche syndicated loan. The availability period of the 1st tranche includes the date of agreement and to May 21, 2008; the 2nd- the date of agreement and 3 months after. The Loan bears interest at an annual rate of LIBOR plus 1.75%, payable every three months. The loan agreement contains a number of covenants including requirements to maintain certain financial ratios.

The proceeds of the facility will be used for the refinancing and general corporate purposes.

DOC 2 Header

Exhibit 1.9

APPROVED
by the Board Of Directors
WBD Foods OJSC
Minutes # 30-07
of July,30, 2007

Amendment 8

To the Wimm-Bill-Dann Foods OJSC Charter

(PSRN 1037700236738; location: Moscow, Yauzsky bld, 16/15, office 306)

Due to the liquidation of the Baby Food Branch of Wimm-Bill-Dann Foods OJSC in Moscow, the following amendments shall be made to the WBD Foods OJSC Charter, following the exclusion of Clause 2, Item 2.8, Sub-item 2.8.2: the numbering of Clause 2, Item 2.8, Sub-items 2.8.3—2.8.24 shall be changed to that of Clause 2, Item 2.8, Sub-items 2.8.2-2.8.23.

David Iakobachvili
Board Of Directors Chair

Valery Kuprienko
Corporate Secretary

DOC 3 Header

**Changes and amendments № 9
TO THE CHARTER
OF “WIMM-BILL-DANN FOODS”**

OPEN JOINT STOCK COMPANY (State registration number: 1037700236738, located: Moscow, Yauzsky boulevard, 16/15, room 306)

Be it resolved to make changes and amendments to WBD Foods OJSC Charter, stating redrafted item 2.8.11 of Article 2 as follows:

“2.8.11. In Samara – full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Samara; brief title: Samara affiliate of WBD Foods OJSC; located at: 443098, Samara city, Cheremshanskaya str. 199”.

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**Changes and amendments No 10
TO THE CHARTER
OF “WIMM-BILL-DANN FOODS”
OPEN JOINT STOCK COMPANY (State registration number: 1037700236738, located: Moscow, Yauzsky
boulevard, 16/15, room 306)**

Be it resolved to make changes and amendments to WBD Foods OJSC Charter, stating redrafted item 2.8. of Article 2 as follows:

«2.8. Branches and representative office shall perform their activities in the name of the Company that created them. Liability for the activities of branches and representative offices shall be borne by the Company that created them.

The Company has established the following representative office beyond the bounds of the Russian Federation:

a) Representative office of Wimm-Bill-Dann Foods OJSC in Beijing; brief title of representative office is Representative office of WBD Foods OJSC in Beijing; located in People's Republic of China, Beijing.

The Company has established the following affiliates in the cities of the Russian Federation:

2.8.1. In Vladivostok - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Vladivostok; brief title: Vladivostok affiliate of WBD Foods OJSC; located in Vladivostok.

2.8.2. In Volgograd - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Volgograd; brief title: Volgograd affiliate of WBD Foods OJSC; located in Volgograd.

2.8.3. In Voronezh - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Voronezh; brief title: Voronezh affiliate of WBD Foods OJSC; located in Voronezh.

2.8.4. In Irkutsk - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Irkutsk; brief title: Irkutsk affiliate of WBD Foods OJSC; located in Irkutsk.

2.8.5. In Kazan' - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Kazan'; brief title: Kazan' affiliate of WBD Foods OJSC; located in Kazan'.

2.8.6. In Krasnodar - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Krasnodar; brief title: Krasnodar affiliate of WBD Foods OJSC; located in Krasnodar.

2.8.7. In Krasnoyarsk - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Krasnoyarsk; brief title: Krasnoyarsk affiliate of WBD Foods OJSC; located in Krasnoyarsk.

2.8.8. In Moscow – full title: Moscow affiliate of Open Joint-Stock Company “Wimm-Bill-Dann Foods”; brief title: Moscow affiliate of WBD Foods OJSC; located in Moscow.

2.8.9. In Nizhniy Novgorod – full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Nizhniy Novgorod; brief title: Nizhniy Novgorod affiliate of WBD Foods OJSC; located in Nizhniy Novgorod.

2.8.10. In Novosibirsk - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Novosibirsk; brief title: Novosibirsk affiliate of WBD Foods OJSC; located in Novosibirsk.

2.8.11. In Obninsk – full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Obninsk; brief title: Obninsk affiliate of WBD Foods OJSC; located in Obninsk.

2.8.12. In Omsk – full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Omsk; brief title: Omsk affiliate of WBD Foods OJSC; located in 644073, Omsk region, Omsk city, 2nd Solnechnaya str. 33.

2.8.13. In Ekaterinburg - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Ekaterinburg; brief title: Ekaterinburg affiliate of WBD Foods OJSC; located in Ekaterinburg.

2.8.14. In Perm' – full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Perm'; brief title: Perm' affiliate of WBD Foods OJSC; located in Perm'.

2.8.15. In Rostov-on-Don - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Rostov-on-Don; brief title: Rostov-on-Don affiliate of WBD Foods OJSC; located in Rostov-on-Don.

2.8.16. In Rubtsovsk - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Rubtsovsk; brief title: Rubtsovsk affiliate of WBD Foods OJSC; located in Rubtsovsk.

2.8.17. In Samara – full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Samara; brief title: Samara affiliate of WBD Foods OJSC; located at: 443098, Samara city, Cheremshanskaya str. 199.

2.8.18. In St.-Petersburg - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in St.-Petersburg; brief title: St.-Petersburg affiliate of WBD Foods OJSC; located in St.-Petersburg.

2.8.19. In Surgut - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Surgut; brief title: Surgut affiliate of WBD Foods OJSC; located in Surgut.

2.8.20. In Timashevsk - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Timashevsk; brief title: Timashevsk affiliate of WBD Foods OJSC; located in Timashevsk.

2.8.21. In Tuimazy - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Tuimazy; brief title: Tuimazy affiliate of WBD Foods OJSC; located in Tuimazy.

2.8.22. In Ufa - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Ufa; brief title: Ufa affiliate of WBD Foods OJSC; located in Ufa.

2.8.23. In Khabarovsk - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Khabarovsk; brief title: Khabarovsk affiliate of WBD Foods OJSC; located in Khabarovsk.

2.8.24. In Chelyabinsk - full title: Open Joint-Stock Company “Wimm-Bill-Dann Foods” affiliate in Chelyabinsk; brief title: Chelyabinsk affiliate of WBD Foods OJSC; located in Chelyabinsk.”

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APPROVED

By the Resolution of the Board of Directors of
WBD Foods OJSC
Minutes 24-03 of March 24, 2008

Amendments and Addenda No.11

to the Charter of Wimm-Bill-Dann Foods Open Joint Stock Company

(PSRN 1037700236738, located at the following address: Moscow, Yauzsky Boulevard, 16/15, room 306)

Amend the Charter of WBD Foods OJSC. Clause 2.8. Article 2 of the Charter of WBD Foods OJSC shall read as follows:

«2.8. A branch or a representative office operates on behalf of the Company that has established them. The Company that has established a branch or a representative office shall be responsible for their activities.

The Company has established the following representative offices outside the Russian Federation:

a) The Representative Office of Wimm-Bill-Dann Foods Open Joint-Stock Company in Beijing; the abbreviated name of the representative office is WBD Foods OJSC Representative Office in Beijing, the representative office is located in Beijing, People's Republic of China.

The Company has established the branches in the following cities of the Russian Federation:

2.8.1. In the city of Vladivostok, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Vladivostok, the abbreviated name is WBD Foods OJSC Vladivostok Branch, the branch is located in the city of Vladivostok.

2.8.2. In the city of Volgograd, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Volgograd, the abbreviated name is WBD Foods OJSC Volgograd Branch, the branch is located in the city of Volgograd.

2.8.3. In the city of Voronezh, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Voronezh, the abbreviated name is WBD Foods OJSC Voronezh Branch, the branch is located in the city of Voronezh.

2.8.4. In the city of Irkutsk, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Irkutsk, the abbreviated name is WBD Foods OJSC Irkutsk Branch, the branch is located in the city of Irkutsk.

2.8.5. In the city of Kazan, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Kazan, the abbreviated name is WBD Foods OJSC Kazan Branch, the branch is located in the city of Kazan.

2.8.6. In the city of Krasnodar, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Krasnodar, the abbreviated name is WBD Foods OJSC Krasnodar Branch, the branch is located in the city of Krasnodar.

2.8.7. In the city of Krasnoyarsk, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Krasnoyarsk, the abbreviated name is WBD Foods OJSC Krasnoyarsk Branch, the branch is located in the city of Krasnoyarsk.

2.8.8. In the city of Moscow, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in Moscow, the abbreviated name is WBD Foods OJSC Moscow Branch, the branch is located in the city of Moscow.

2.8.9. In the city of Nizhny Novgorod, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Nizhny Novgorod, the abbreviated name is WBD Foods OJSC Nizhny Novgorod Branch, the branch is located in the city of Nizhny Novgorod.

2.8.10. In the city of Novosibirsk, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Novosibirsk, the abbreviated name is WBD Foods OJSC Novosibirsk Branch, the branch is located in the city of Novosibirsk.

2.8.11. In the city of Obninsk, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Obninsk, the abbreviated name is WBD Foods OJSC Obninsk Branch, the branch is located in the city of Obninsk.

2.8.12. In the city of Omsk, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Omsk, the abbreviated name is WBD Foods OJSC Omsk Branch, the branch is located at 644073, Omsk Region, Omsk, 2nd Solnechnaya st., 33.

2.8.13. In the city of Ekaterinburg, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Ekaterinburg, the abbreviated name is WBD Foods OJSC Ekaterinburg Branch.

2.8.14. In the city of Perm, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Perm, the abbreviated name is WBD Foods OJSC Perm Branch, the branch is located in the city of Perm.

2.8.15. In the city of Rostov-on-Don, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Rostov-on-Don, the abbreviated name is WBD Foods OJSC Rostov Branch, the branch is located in the city of Rostov-on-Don.

2.8.16. In the city of Rubtsovsk, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Rubtsovsk, the abbreviated name is WBD Foods OJSC Rubtsovsk Branch, the branch is located in the city of Rubtsovsk.

2.8.17. In the city of Samara, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Samara, the abbreviated name is WBD Foods OJSC Samara Branch, the branch is located at 443098, Samara, Cheremshanskaya st., 199.

2.8.18. In the city of St.-Petersburg, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of St.-Petersburg, the abbreviated name is WBD Foods OJSC St.-Petersburg Branch, the branch is located in the city of St.-Petersburg.

2.8.19. In the city of Surgut, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Surgut, the abbreviated name is WBD Foods OJSC Surgut Branch, the branch is located in the city of Surgut.

2.8.20. In the city of Timashevsk, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Timashevsk, the abbreviated name is WBD Foods OJSC Timashevsk Branch, the branch is located in the city of Timashevsk.

2.8.21. In the city of Tuimazy, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Tuimazy, the abbreviated name is WBD Foods OJSC Tuimazy Branch, the branch is located in the city of Tuimazy.

2.8.22. In the city of Ufa, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Ufa, the abbreviated name is WBD Foods OJSC Ufa Branch, the branch is located in the city of Ufa.

2.8.23. In the city of Khabarovsk, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Khabarovsk, the abbreviated name is WBD Foods OJSC Khabarovsk Branch, the branch is located in the city of Khabarovsk.

2.8.24. In the city of Chelyabinsk, the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Chelyabinsk, the abbreviated name is WBD Foods OJSC Chelyabinsk Branch, the branch is located in город Chelyabinsk.

2.8.25. In the city of Sochi (the Krasnodar Territory), the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Sochi, the abbreviated name is WBD Foods OJSC Sochi Branch, the branch is located in the city of Sochi, the Krasnodar Territory.

2.8.26. In the city of Izhevsk (Republic of Udmurtia), the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Izhevsk, the abbreviated name is WBD Foods OJSC Izhevsk Branch, the branch is located in город Ижевск, Republic of Udmurtia.

2.8.27. In the city of Pervouralsk (Sverdlovsk Region), the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Pervouralsk, the abbreviated name is WBD Foods OJSC Pervouralsk Branch, the branch is located in the city of Pervouralsk, Sverdlovsk Region

2.8.28. In the city of Angarsk (Irkutsk Region), the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Angarsk, the abbreviated name is WBD Foods OJSC Angarsk Branch, the branch is located in the city of Angarsk, Irkutsk Region

2.8.29. In Anna urban-type settlement (Voronezh Region), the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in Anna Urban-type Settlement, the abbreviated name is WBD Foods OJSC Anna Branch, the branch is located in Anna urban-type settlement, Voronezh Region.

2.8.30. In the city of Nazarovo (the Krasnoyarsk Territory), the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in the City of Nazarovo, the abbreviated name is WBD Foods OJSC Nazarovo Branch, the branch is located in the city of Nazarovo, the Krasnoyarsk Territory.

2.8.31. In Chermoshnoy settlement (Kursk Region), the full name is the Branch of Wimm-Bill-Dann Foods Open Joint-Stock Company in Chermoshnoy Settlement, the abbreviated name is WBD Foods OJSC Chermoshnoy Branch, the branch is located in Chermoshnoy settlement, Kursk Region».

DOC 6 Header

USD 250,000,000

FACILITY AGREEMENT

dated []

for

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

arranged by
ABN AMRO BANK N.V.
CALYON
ING BANK N.V.

as Mandated Lead Arrangers

with

ING BANK N.V., LONDON BRANCH
as Agent

L-149937

Linklaters

Linklaters LLP

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THIS AGREEMENT is dated [] and made between:

- (1) OPEN JOINT STOCK COMPANY “WIMM-BILL-DANN FOODS” (the “**Borrower**”);
- (2) ABN AMRO BANK N.V., CALYON and ING BANK N.V. as mandated lead arrangers (whether acting individually or together the “**Arranger**”);
- (3) THE FINANCIAL INSTITUTIONS listed in Schedule 1 (*The Original Lenders*) as lenders (the “**Original Lenders**”); and
- (4) ING BANK N.V., LONDON BRANCH as agent of the other Finance Parties (the “**Agent**”).

IT IS AGREED as follows:

SECTION 1

INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Acquisition**” means the acquisition by any member of the Group of any business or going concern, or the whole or substantially the whole of the assets or business of any person, or any assets that constitute a division or operating unit of the business of any person.

“**Acquisition Costs**” means all costs, fees and expenses (and Taxes on them) and all stamp duty, stamp duty land tax, registration and other similar Taxes incurred by or on behalf of a member of the Group or the relevant Obligor (as applicable) in connection with an Acquisition.

“**Additional Cost Rate**” has the meaning given to it in Schedule 4 (*Mandatory Cost formula*).

“**Affiliate**” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“**Agreed Reorganisation**” means:

- (a) (i) the merger (*sliyaniye*) (as this term is construed by applicable Russian law) of the Borrower and WBD or (ii) the accession (*prisoedinyeniye*) (as this term is construed by applicable Russian law) of WBD to the Borrower (resulting in the Borrower being the surviving entity); and
- (b) (i) the merger (*sliyaniye*) (as this term is construed by applicable Russian law) of WBD Beverages and certain other subsidiaries of the Borrower listed in the Agreed Reorganisation Memorandum or (ii) the accession (*prisoedinyeniye*) (as this term is construed by applicable Russian law) of such subsidiaries to WBD Beverages (resulting in WBD Beverages being the surviving entity),

which, in each case, (A) in the reasonable opinion of the Majority Lenders, does not and is not likely to have an adverse effect on the ability of the Borrower, WBD Beverages or any surviving

entity (as the case may be), to perform or comply with any of its obligations under any Finance Document and (B) is in accordance with the Agreed Reorganisation Memorandum.

“**Agreed Reorganisation Memorandum**” means a memorandum, in form and substance satisfactory to the Agent, prepared by the Borrower and containing a detailed description of the Agreed Reorganisation.

“**Authorisation**” means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

“**Availability Period**” means:

- (a) in relation to Tranche 1, the period from and including the date of this Agreement to and including 21 May 2008 (or, if not a Business Day, the next Business Day); and
- (b) in relation to Tranche 2, the period from and including the date of this Agreement to and including the date which is three Months after the date of this Agreement,

or, in each case, if earlier, the day on which each Lender’s Commitment under the relevant Tranche is zero.

“**Available Tranche 1 Commitment**” means, in relation to Tranche 1, a Lender’s Commitment under that Tranche minus:

- (a) the amount of its participation in any outstanding Loans under that Tranche; and
- (b) in relation to any proposed Utilisation under that Tranche, the amount of its participation in any Loans that are due to be made under that Tranche on or before the proposed Utilisation Date.

“**Available Tranche 2 Commitment**” means, in relation to Tranche 2, a Lender’s Commitment under that Tranche minus:

- (a) the amount of its participation in any outstanding Loans under that Tranche; and
- (b) in relation to any proposed Utilisation under that Tranche, the amount of its participation in any Loans that are due to be made under that Tranche on or before the proposed Utilisation Date.

“**Break Costs**” means the amount (if any) by which:

- (a) the interest (excluding the Margin) which a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.
-

“Business Day” means a day (other than a Saturday or Sunday) on which banks are open for general business in Dublin, London, New York and Moscow.

“Change of Shareholding Structure” means any person, other than an Excluded Person or Excluded Persons, whether acting alone or together with (an)other person(s):

- (a) has or acquires, directly or indirectly, in aggregate more than 25 per cent. of the voting shares of the Borrower (whether by virtue of any issuance, sale or other disposition of such shares, any merger or other transaction having a similar effect or any voting trust or other agreement);
- (b) has or acquires the right to appoint or remove a majority of the Borrower’s board of directors or its chief executive officer; or
- (c) has or acquires the power to cast or control the casting of more than 25 per cent. of the voting rights in the Borrower.

“Commitment” means a Tranche 1 Commitment or a Tranche 2 Commitment.

“Compliance Certificate” means a certificate substantially in the form set out in Schedule 6 (*Form of Compliance Certificate*).

“Confidentiality Undertaking” means a confidentiality undertaking substantially in a recommended form of the LMA or in any other form agreed between the Borrower and the Agent.

“Default” means an Event of Default or any event or circumstance specified in Clause 21 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“Dollars”, “USD” or “\$” means the lawful currency of the United States of America.

“Environment” means living organisms including the ecological systems of which they form part and the following media:

- (a) air (including air within natural or man-made structures, whether above or below ground);
- (b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); and
- (c) land (including land under water).

“Environmental Law” means all laws and regulations of any relevant jurisdiction which:

- (a) have as a purpose or effect the protection of, and/or prevention of harm or damage to, the Environment;
- (b) provide remedies or compensation for harm or damage to the Environment; or
- (c) relate to Hazardous Substances or health and safety matters.

“Environmental Licence” means any Authorisation required at any time under Environmental Law.

“**Event of Default**” means any event or circumstance specified as such in Clause 21 (*Events of Default*).

“**Eurobond Facility Agreement**” means the USD150,000,000 loan agreement dated 21 May 2003 between the Borrower as borrower and UBS (Luxembourg) S.A. as lender.

“**Excluded Persons**” means Groupe DANONE SA and its subsidiaries, I.M. Arteks Holding Limited, Gavril A. Yushavaev, Mikhail V. Dubinin, Sergei A. Plastinin, Alexander S. Orlov, David Iakobachvili, Mikhail I. Vishnyakov and Viktor E. Evdokimov and each of their legal successors, respective heirs and first degree relatives.

“**Facility**” means the term loan facility made available under this Agreement as described in Clause 2 (*The Facility*).

“**Facility Office**” means the office or offices notified by a Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.

“**Fee Letter**” means any letter or letters dated on or about the date of this Agreement between, as the case may be, the Arranger and the Borrower, or the Agent and the Borrower setting out any of the fees referred to in Clause 11 (*Fees*).

“**Finance Document**” means this Agreement, any Guarantee, any Fee Letter, the Mandate Letter and any other document designated as such by the Agent and the Borrower.

“**Finance Party**” means the Agent, the Arranger or a Lender.

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
 - (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
 - (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
 - (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
 - (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
 - (f) any amount raised under any other transaction having the commercial effect of a borrowing;
 - (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
 - (h) shares which are expressed to be redeemable prior to the Termination Date;
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- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above. (For the avoidance of doubt, this paragraph (j) shall include any guarantee, indemnity or other similar instrument in respect of obligations of any person who is not a member of the Group, arising under any of the items referred to in paragraphs (a) to (i) above.)

“**GAAP**” means generally accepted accounting principles, standards and practices in the United States of America.

“**GBP**” means the lawful currency for the time being of the United Kingdom.

“**Group**” means the Borrower and its Subsidiaries from time to time.

“**Group Structure Chart**” means the structure chart of the Group delivered to the Agent pursuant to Clause 4.1 (*Initial conditions precedent*) as updated from time to time pursuant to paragraph (c) of Clause 18.4 (*Information: miscellaneous*).

“**Guarantee**” means the WBD Guarantee or the WBD Beverages Guarantee.

“**Guarantor**” means WBD or WBD Beverages.

“**Hazardous Substance**” means any waste, pollutant, contaminant or other substance (including any liquid, solid, gas, ion, living organism or noise) that may be harmful to human health or other life or the Environment.

“**Holding Company**” means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

“**Instruction 117-I**” means the Central Bank of the Russian Federation Instruction N 117-I dated 15 June 2004.

“**Interest Period**” means, in relation to a Loan, each period determined in accordance with Clause 9 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 8.3 (*Default interest*).

“**Lender**” means:

- (a) any Original Lender; and
- (b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 22 (*Changes to the Lenders*),

which, in each case, has not ceased to be a Party in accordance with the terms of this Agreement.

“**Liabilities**” means all present and future moneys, debts and liabilities due, owing or incurred by the Obligors (or any of them) to the Finance Parties under or in connection with the Finance Documents (or any of them) (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently and whether as principal, surety or otherwise).

“**LIBOR**” means, in relation to any Loan:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for the currency or Interest Period of that Loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request quoted by the Reference Banks to leading banks in the London interbank market,

as of the Specified Time on the Quotation Day for the offering of deposits in the currency of that Loan and for a period comparable to the Interest Period for that Loan.

“**LMA**” means the Loan Market Association.

“**Loan**” means the Tranche 1 Loan or a Tranche 2 Loan.

“**Majority Lenders**” means:

- (a) if there are no Loans then outstanding, a Lender or Lenders whose Commitments aggregate more than $66\frac{2}{3}$ per cent. of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than $66\frac{2}{3}\%$ of the Total Commitments immediately prior to the reduction); or
- (b) at any other time, a Lender or Lenders whose participations in the Loans then outstanding aggregate more than $66\frac{2}{3}$ per cent. of all the Loans then outstanding.

“**Mandate Letter**” means the mandate letter between the Obligors and the Arranger dated 14 February 2008.

“**Mandatory Cost**” means the percentage rate per annum calculated by the Agent in accordance with Schedule 4 (*Mandatory Cost formula*).

“**Margin**” means 1.75 per cent. per annum.

“**Material Adverse Effect**” means a material adverse effect on or material adverse change in:

- (a) the financial condition, assets, prospects or business of any Obligor or the consolidated financial condition, assets, prospects or business of the Group or the Obligors taken as a whole;
- (b) the ability of any Obligor to perform and comply with its obligations under any Finance Document; or
- (c) the validity, legality or enforceability of any Finance Document.

“**Material Asset**” means:

- (a) in relation to an Obligor, any asset(s) of that Obligor the value of which (as determined in accordance with GAAP) exceeds 5 per cent. of the Total Assets of that Obligor;
 - (b) in relation to any member of the Group which is not an Obligor, any asset(s) of that member of the Group the value of which (as determined in accordance with GAAP) exceeds 5 per cent. of the Total Assets of the Group.
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“**Month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month,

(and “**Monthly**” shall be construed accordingly). The above rules will only apply to the last Month of any period.

“**Obligor**” means the Borrower or a Guarantor.

“**Original Financial Statements**” means the financial statements:

- (a) of the Borrower on a consolidated basis for the accounting year ending 31 December 2006, audited and prepared in accordance with GAAP;
- (b) of the Borrower on a consolidated basis for the accounting quarter ending 30 September 2007 prepared in accordance with GAAP;
- (c) of each Obligor on a stand-alone basis for the accounting year ending 31 December 2006, audited and prepared in accordance with RAS; and
- (d) of each Obligor on a stand-alone basis for the accounting quarter ending 31 December 2007 prepared in accordance with RAS.

“**Party**” means a party to this Agreement.

“**Passport Bank**” means ING Bank Eurasia ZAO acting in its capacity as transaction passport bank in relation to this Agreement in accordance with Instruction 117-I.

“**Permitted Disposal**” means any sale, lease, licence, transfer, assignment or other disposal of any asset made:

- (a) in the ordinary course of trading of the disposing entity (including, for the avoidance of doubt, cash and cash equivalent investments) and on arm’s length terms;
- (b) by a member of the Group to another member of the Group;
- (c) with the prior written consent of the Agent; or
- (d) on arm’s length terms where the higher of the market value and the consideration receivable for any sale, lease, transfer or other disposal does not exceed 10 per cent. in aggregate of the Total Assets of the Group in any financial year.

“**Permitted Guarantee**” means:

- (a) any guarantee or indemnity given in favour of directors and officers of any member of the Group in respect of their function as such;
 - (b) any indemnity given to professional advisers and consultants in the ordinary course of business;
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- (c) any guarantee given to any person which is not a member of the Group in respect of any netting or set-off arrangements; and
- (d) the endorsement of negotiable instruments in the ordinary course of trading; or
- (e) any guarantee or indemnity provided in respect of the obligations of any person which is a distributor or supplier to any member of the Group,

provided that such guarantee, indemnity or endorsement shall be given only in respect of obligations undertaken on arm's length terms and provided further that the aggregate amount of all such guarantees, indemnities and endorsements, when taken together with the aggregate value of the assets of the Obligors secured by any Permitted Security, shall not exceed 15 per cent. of the Total Assets of the Group.

"Permitted Security" means any Security granted by a member of the Group to any person who is not a member of the Group, provided that:

- (a) in relation to any Obligor on a stand-alone basis, the aggregate value of the assets of that Obligor secured thereby, together with the aggregate amount of Permitted Guarantees given by that Obligor, shall not exceed 15 per cent. in aggregate of the Total Assets of that Obligor; and
- (b) in relation to the Group on a consolidated basis, the value of the assets of the Group secured thereby, together with the aggregate amount of Permitted Guarantees given by the Obligors, shall not exceed 15 per cent. in aggregate of the Total Assets of the Group.

"Quotation Day" means, in relation to any period for which an interest rate is to be determined, two Business Days before the first day of that period unless market practice differs in the Relevant Interbank Market for a currency, in which case the Quotation Day for that currency will be determined by the Agent in accordance with market practice in the Relevant Interbank Market (and if quotations for that currency and period would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days).

"RAS" means the accounting principles and practices specified by the laws of the Russian Federation, consistently applied.

"Reference Banks" means, in relation to LIBOR and Mandatory Cost the principal London offices of ABN AMRO Bank N.V., CALYON and ING Bank N.V. or such other banks as may be appointed by the Agent in consultation with the Borrower.

"Relevant Interbank Market" means the London interbank market.

"Repeating Representations" means each of the representations set out in Clauses 17.1 (*Status*) to 17.6 (*Governing law and enforcement*), 17.9 (*No default*) to 17.13 (*No proceedings pending or threatened*) and 17.17 (*Taxes*).

"Reservations" means:

- (a) the principle that equitable remedies (and similar remedies under the laws of any relevant jurisdiction) may be unavailable or granted or refused at the discretion of a court, the limitation of the recognition of a chosen choice of law or validity and

enforcement of rights and obligations in each case by laws relating to public policy (including the principles of non-recognition of judgments on the grounds of lack of natural justice or *res judicata* and the principle that a court will not enforce a penalty or any other contractual provision held to be *in terrorem*), bankruptcy, liquidation, winding-up, dissolution, administration, insolvency, reorganisation and/or other laws generally affecting the rights of creditors;

- (b) the time barring of claims under statutes of limitation or similar acts or principles in any relevant jurisdiction, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of stamp duty may be void and defences of set-off or counterclaim and similar principles of law, contractual severance of an invalid, illegal and unenforceable provision of an agreement may not be effective in all circumstances;
- (c) the fact that a person vested with a discretion or a right to determine a matter in its opinion may be required to exercise that discretion reasonably or hold that opinion on reasonable grounds;
- (d) that any determination or certification which provides for such determination or certificate to constitute conclusive or prima facie evidence may not be so if it is shown to have been incorrect, unreasonable, arbitrary or given other than in good faith; and
- (e) the fact that courts may regulate the conduct of judicial proceedings and the recognition, award and enforcement of judgments and costs in accordance with the rules of the relevant *lex fori* notwithstanding any contractual stipulations to the contrary.

“**Russian Insolvency Law**” means the Federal Law of the Russian Federation No. 127-FZ of 26 October 2002 “On Insolvency (Bankruptcy)”.

“**Screen Rate**” means the British Bankers’ Association Interest Settlement Rate for Dollars for the relevant period displayed as at 11:00 a.m. London time on the appropriate page of the Reuters screen. If the agreed page is replaced or service ceases to be available, the Agent may specify another page or service displaying the appropriate rate after consultation with the Borrower and the Lenders.

“**Security**” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“**Specified Time**” means a time determined in accordance with Schedule 7 (*Timetables*).

“**Subsidiary**” means, in relation to any company, corporation or other legal entity, a company, corporation or other legal entity:

- (a) which is controlled, directly or indirectly, by the first mentioned company, corporation or legal entity (as the case may be);
 - (b) more than half the issued share capital or voting rights in respect of more than half the issued share capital of which is or are beneficially owned, directly or indirectly, by the first mentioned company, corporation or other legal entity (as the case may be); or
 - (c) which is a Subsidiary of another Subsidiary of the first mentioned company, corporation or other legal entity (as the case may be),
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and, for this purpose, a company, corporation or other legal entity shall be treated as being controlled by another if that other company, corporation or other legal entity is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Termination Date**” means the date which is 36 Months after the date of this Agreement.

“**Total Assets**” shall have the meaning given to such term in Clause 19.3 (*Financial definitions*).

“**Total Commitments**” means the aggregate of the Total Tranche 1 Commitments and the Total Tranche 2 Commitments, being USD 250,000,000 at the date of this Agreement.

“**Total Tranche 1 Commitments**” means the aggregate of the Tranche 1 Commitments, being USD 150,000,000 at the date of this Agreement.

“**Total Tranche 2 Commitments**” means the aggregate of the Tranche 2 Commitments, being USD 100,000,000 at the date of this Agreement.

“**Tranche**” means Tranche 1 or Tranche 2.

“**Tranche 1**” means the term loan facility made available under this Agreement as described in paragraph (a) of Clause 2.1 (*The Facility*).

“**Tranche 1 Commitment**” means:

- (a) in relation to an Original Lender, the amount in Dollars set opposite its name under the heading “Tranche 1 Commitment” in Schedule 1 (*The Original Lenders*) and the amount of any other Tranche 1 Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount in Dollars of any Tranche 1 Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Tranche 1 Loan**” means a loan made or to be made under Tranche 1 or the principal amount outstanding for the time being of that loan.

“**Tranche 2**” means the term loan facility made available under this Agreement as described in paragraph (b) of Clause 2.1 (*The Facility*).

“**Tranche 2 Commitment**” means:

- (a) in relation to an Original Lender, the amount in Dollars set opposite its name under the heading “Tranche 2 Commitment” in Schedule 1 (*The Original Lenders*) and the amount of any other Tranche 2 Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount in Dollars of any Tranche 2 Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Tranche 2 Loan**” means a loan made or to be made under Tranche 2 or the principal amount outstanding for the time being of that loan.

“**Transfer Certificate**” means a certificate substantially in the form set out in Schedule 5 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Borrower.

“**Transfer Date**” means, in relation to a transfer, the later of:

- (a) the proposed Transfer Date specified in the Transfer Certificate; and
- (b) the date on which the Agent executes the Transfer Certificate.

“**Unpaid Sum**” means any sum due and payable but unpaid by an Obligor under the Finance Documents.

“**Utilisation**” means a utilisation of the Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the relevant Loan is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 3 (*Requests*).

“**VAT**” means value added tax as provided for in the Value Added Tax Act 1994 and any other tax of a similar nature.

“**WBD**” means Open Joint Stock Company “Wimm-Bill-Dann”, an open joint stock company registered and existing under the laws of the Russian Federation.

“**WBD Beverages**” means Public Joint Stock Company “Wimm-Bill-Dann Beverages”, an open joint stock company registered and existing under the laws of the Russian Federation.

“**WBD Beverages Guarantee**” means the guarantee entered into on or about the same date as this Agreement between WBD Beverages and the Agent.

“**WBD Guarantee**” means the guarantee entered into on or about the same date as this Agreement between WBD and the Agent.

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
 - (i) the “**Agent**”, the “**Arranger**”, any “**Finance Party**”, any “**Lender**”, any “**Obligor**” or any “**Party**” shall be construed so as to include its successors in title (and in the case of an Obligor, shall include any merged or surviving entity as a result of the Agreed Reorganisation), permitted assigns and permitted transferees;
 - (ii) “**assets**” includes present and future properties, revenues and rights of every description;
 - (iii) “**control**” of a company or corporation by any person or persons shall be construed as:
 - (A) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:
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- (1) cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of that company or corporation; or
 - (2) appoint or remove all, or the majority, of the members of a board of directors or members of a management board, a chief executive officer or other equivalent officers of that company or corporation (and the relevant person or persons shall be deemed to have power to make such an appointment if (x) an individual cannot be appointed as a director or an equivalent officer of that company or corporation without the exercise by the relevant person or persons of such power in the individual's favour or (y) an individual's appointment as a director or an equivalent officer of that company or corporation follows necessarily from the individual being a director or other equivalent officer of any of the relevant person or persons); or
 - (3) give directions with respect to the operating and financial policies of that company or corporation with which the directors or other equivalent officers of that company or corporation are obliged to comply; or
- (B) the holding by that person or persons (directly or indirectly) of more than one-half of the issued share capital of that company or corporation (excluding any shares which are non-voting or any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital),
- (and "**controlled**" shall be construed accordingly);
- (iv) a "**Finance Document**" or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerously) or replaced and includes any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under that Finance Document or other agreement or instrument;
 - (v) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (vi) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
 - (vii) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law, but if not having the force of law, with which compliance is necessary) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (viii) a provision of law is a reference to that provision as amended or re-enacted; and
 - (ix) a time of day is a reference to London time.
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- (b) Section, Clause and Schedule headings are for ease of reference only.
- (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
- (d) A Default (other than an Event of Default) is “**continuing**” if it has not been remedied or waived and an Event of Default is “**continuing**” if it has not been waived.

1.3 **Third party rights**

A person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

SECTION 2

THE FACILITIES

2. THE FACILITY

2.1 The Facility

Subject to the terms of this Agreement, the Lenders make available to the Borrower a term loan facility in an aggregate amount equal to the Total Commitments and in two Tranches:

- (a) Tranche 1 in an aggregate amount equal to the Total Tranche 1 Commitments; and
- (b) Tranche 2 in an aggregate amount equal to the Total Tranche 2 Commitments.

2.2 Finance Parties' rights and obligations

- (a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor shall be a separate and independent debt.
- (c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3. PURPOSE

3.1 Purpose

- (a) The Borrower shall apply all amounts borrowed by it under Tranche 1 towards:
 - (i) repayment in full and discharge of any and all of its liabilities under the Eurobond Facility Agreement; and
 - (ii) as to any balance remaining, for its general corporate purposes.
- (b) The Borrower shall apply all amounts borrowed by it under Tranche 2 for its general corporate purposes.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

The Borrower may not deliver a Utilisation Request unless the Agent has received all of the documents and other evidence listed in Part I of Schedule 2 (*Conditions precedent and subsequent*) in form and substance satisfactory to the Agent. The Agent shall notify the Borrower and the Lenders promptly upon being so satisfied.

4.2 Further conditions precedent

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (a) no Default is continuing or would result from the proposed Loan; and
- (b) the Repeating Representations to be made by each Obligor are true in all material respects.

4.3 Conditions subsequent

- (a) The Borrower shall, as soon as practicable but in any event not later than six Months after the date of this Agreement, deliver to the Agent the evidence referred to in paragraph (a) of Part II of Schedule 2 (*Conditions precedent and subsequent*). Failure to deliver such evidence to the Agent on or before such date shall, unless waived by the Agent, constitute an immediate Event of Default under Clause 21 (*Events of Default*).
- (b) The Borrower shall, as soon as practicable but in any event not later than three Months after the date of this Agreement, deliver to the Agent the documents referred to in paragraphs (b) and (c) of Part II of Schedule 2 (*Conditions precedent and subsequent*). Failure to deliver such documents to the Agent on or before such date shall, unless waived by the Agent, constitute an immediate Event of Default under Clause 21 (*Events of Default*).

4.4 Maximum number of Loans

The Borrower may not deliver a Utilisation Request if as a result of the proposed Utilisation:

- (a) more than two Tranche 1 Loans would be outstanding; or
 - (b) more than four Tranche 2 Loans would be outstanding.
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SECTION 3**UTILISATION****5. UTILISATION****5.1 Delivery of a Utilisation Request**

The Borrower may utilise the Facility by delivery to the Agent of a duly completed Utilisation Request not later than the Specified Time.

5.2 Completion of a Utilisation Request

- (a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:
- (i) it identifies the Tranche to be utilised;
 - (ii) the proposed Utilisation Date is a Business Day within the Availability Period applicable to that Tranche;
 - (iii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*);
 - (iv) the proposed Interest Period complies with Clause 9 (*Interest Periods*); and
 - (v) it specifies the account of the Borrower (which shall be an account of the Borrower held with the Passport Bank) to which the proceeds of the Utilisation are to be credited.
- (b) The Borrower shall ensure that upon the receipt of the proceeds of each Utilisation of Tranche 1 into the account of the Borrower with the Passport Bank in accordance subparagraph (v) of paragraph (a) above such proceeds shall be paid to UBS (Luxembourg) S.A. as lender under the Eurobond Facility Agreement in discharge of the obligations of the Borrower under the Eurobond Facility Agreement at the times provided in, and otherwise in accordance with the terms of, the Eurobond Facility Agreement.
- (c) Only one Loan may be requested in each Utilisation Request.

5.3 Currency and amount

- (a) The currency specified in a Utilisation Request must be Dollars.
- (b) The amount of the proposed Loan must be:
- (i) in the case of the first Utilisation under Tranche 1, an amount equal to the aggregate amount due and payable under the Eurobond Facility Agreement on its maturity date;
 - (ii) in the case of any other Utilisation under Tranche 1, a minimum of USD5,000,000 or, if less, the Available Tranche 1 Commitments; or
 - (iii) in the case of Tranche 2, a minimum of USD25,000,000 or, if less, the Available Tranche 2 Commitments.

5.4 Lenders' participation

- (a) If the conditions set out in this Agreement have been met, each Lender shall make its participation in each Loan available by the Utilisation Date through its Facility Office.
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- (b) The amount of each Lender's participation in each Loan will be equal to the proportion borne by:
- (i) in the case of a Loan under Tranche 1, its Available Tranche 1 Commitment to the aggregate for the time being of each Lender's Available Tranche 1 Commitment; and
 - (ii) in the case of a Loan under Tranche 2, its Available Tranche 2 Commitment to the aggregate for the time being of each Lender's Available Tranche 2 Commitment,
- in each case, immediately prior to making the Loan.
- (c) The Agent shall notify each Lender of the amount of each Loan and the amount of its participation in that Loan by the Specified Time.

5.5 Cancellation of Commitment

- (a) The Available Tranche 1 Commitments shall be immediately cancelled at the end of the Availability Period for Tranche 1.
 - (b) The Available Tranche 2 Commitments shall be immediately cancelled at the end of the Availability Period for Tranche 2.
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SECTION 4**REPAYMENT, PREPAYMENT AND CANCELLATION****6. REPAYMENT**

- (a) The Borrower shall repay each Loan on the Termination Date.
- (b) The Borrower may not reborrow any part of the Facility which is repaid.

7. PREPAYMENT AND CANCELLATION**7.1 Illegality**

If it is or becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

- (a) that Lender shall promptly notify the Agent upon becoming aware of that event;
- (b) upon the Agent notifying the Borrower, the Commitment of that Lender will be immediately cancelled; and
- (c) the Borrower shall repay that Lender's participation in the Loans made to the Borrower on the last day of the Interest Period for each Loan occurring after the Agent has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law).

7.2 Change of Shareholding Structure

If a Change of Shareholding Structure occurs:

- (a) the Borrower shall promptly notify the Agent upon becoming aware of that event;
- (b) a Lender shall not be obliged to fund a Utilisation; and
- (c) if the Majority Lenders so require, the Agent shall, by not less than 15 days' notice to the Borrower, cancel the Total Commitments and declare all outstanding Loans, together with accrued interest and all other amounts accrued under the Finance Documents, immediately due and payable, whereupon the Total Commitments will be cancelled and all such outstanding amounts will become immediately due and payable.

7.3 Voluntary cancellation

The Borrower may, if it gives the Agent not less than 10 Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, cancel the whole or any part (but if in part, being a minimum amount of USD10,000,000) of the aggregate of each Lender's Available Tranche 1 Commitment and/or Available Tranche 2 Commitment (as the case may be). Any cancellation under this Clause 7.3 shall reduce the Tranche 1 Commitments and/or Tranche 2 Commitments (as the case may be) of the Lenders rateably under the Facility.

7.4 Voluntary prepayment of Loans

The Borrower may, if it gives the Agent not less than 10 Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, prepay the whole or any part of any Loan (but, if in part, being an amount that reduces the Loan by a minimum amount of USD10,000,000).

7.5 Right of repayment and cancellation in relation to a single Lender

(a) If:

- (i) any sum payable to any Lender by an Obligor is required to be increased under paragraph (c) of Clause 12.2 (*Tax gross-up*);
- (ii) any Lender claims indemnification from the Borrower under Clause 12.3 (*Tax indemnity*) or Clause 13.1 (*Increased costs*); or
- (iii) any Lender notifies the Agent that it intends to claim payment of any Mandatory Costs pursuant to paragraph 3 of Schedule 4 (*Mandatory Cost formula*),

the Borrower may, whilst the circumstance giving rise to the requirement, indemnification or Additional Cost Rate continues, give the Agent notice of cancellation of the Commitment of that Lender and its intention to procure the repayment of that Lender's participation in the Loans.

- (b) On receipt of a notice referred to in paragraph (a) above, the Commitment of that Lender shall immediately be reduced to zero.
- (c) On the last day of each Interest Period which ends after the Borrower has given notice under paragraph (a) above (or, if earlier, the date specified by the Borrower in that notice), the Borrower shall repay that Lender's participation in that Loan.

7.6 Restrictions

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
 - (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.
 - (c) The Borrower may not reborrow any part of the Facility which is prepaid.
 - (d) The Borrower shall not repay or prepay all or any part of the Loans or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.
 - (e) No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.
 - (f) If the Agent receives a notice under this Clause 7 it shall promptly forward a copy of that notice to either the Borrower or the affected Lender, as appropriate.
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SECTION 5**COSTS OF UTILISATION****8. INTEREST****8.1 Calculation of interest**

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

- (a) Margin;
- (b) LIBOR; and
- (c) Mandatory Cost, if any.

8.2 Payment of interest

The Borrower shall pay accrued interest on each Loan on the last day of each Interest Period relating to that Loan.

8.3 Default interest

- (a) If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is the sum of 2 per cent. and the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 8.3 shall be immediately payable by the Borrower on demand by the Agent.
- (b) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
 - (i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
 - (ii) the rate of interest applying to the overdue amount during that first Interest Period shall be the sum of 2 per cent. and the rate which would have applied if the overdue amount had not become due.
- (c) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

8.4 Notification of rates of interest

The Agent shall promptly notify the Lenders and the Borrower of the determination of a rate of interest under this Agreement.

9. INTEREST PERIODS

9.1 Interest Periods

- (a) Each Interest Period for a Loan shall be three Months (or such other period as may be agreed between the Borrower and the Agent from time to time), except in the case of a Loan made after the first Utilisation Date, in which case the first Interest Period in relation to that Loan shall start on the Utilisation Date relating to that Loan and end on the last day of the current Interest Period for outstanding Loans.
- (b) An Interest Period for a Loan shall not extend beyond the Termination Date.
- (c) Each Interest Period for a Loan shall start on the Utilisation Date or (if already made) on the last day of its preceding Interest Period.

9.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

9.3 Consolidation of Loans

If two or more Interest Periods end on the same date, the Loans to which they relate shall, on that date, be consolidated into, and treated as, a single Loan.

10. CHANGES TO THE CALCULATION OF INTEREST

10.1 Absence of quotations

Subject to Clause 10.2 (*Market disruption*), if LIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by the Specified Time on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

10.2 Market disruption

- (a) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's share of that Loan for the Interest Period shall be the percentage rate per annum which is the sum of:
 - (i) the Margin;
 - (ii) the rate notified to the Agent by that Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in that Loan from whatever source it may reasonably select; and
 - (iii) the Mandatory Cost, if any, applicable to that Lender's participation in the Loan.
 - (b) In this Agreement "**Market Disruption Event**" means:
 - (i) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Agent to determine LIBOR for the relevant currency and Interest Period; or
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- (ii) before close of business in London on the Quotation Day for the relevant Interest Period, the Agent receives notifications from a Lender or Lenders (whose participations in a Loan exceed 35 per cent. of that Loan) that the cost to it of obtaining matching deposits in the Relevant Interbank Market would be in excess of LIBOR.

10.3 **Alternative basis of interest or funding**

- (a) If a Market Disruption Event occurs and the Agent or the Borrower so requires, the Agent and the Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of all the Lenders and the Borrower, be binding on all Parties.

10.4 **Break Costs**

- (a) The Borrower shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by the Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) Each Lender shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

11. **FEES**

11.1 **Commitment fee**

- (a) The Borrower shall pay to the Agent (for the account of each Lender) a fee in Dollars computed at the rate of:
 - (i) 0.875 per cent. per annum on that Lender's Available Tranche 1 Commitment for the Availability Period applicable to Tranche 1; and
 - (ii) 0.875 per cent. per annum on that Lender's Available Tranche 2 Commitment for the Availability Period applicable to Tranche 2.
- (b) The accrued commitment fee is payable on the last day of the Availability Period and, if cancelled in full, on the cancelled amount of the relevant Lender's Commitment at the time the cancellation is effective.

11.2 **Arrangement fee**

The Borrower shall pay to the Arranger an arrangement fee in the amount and at the times agreed in a Fee Letter.

11.3 **Agency fee**

The Borrower shall pay to the Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

SECTION 6**ADDITIONAL PAYMENT OBLIGATIONS****12. TAX GROSS-UP AND INDEMNITIES****12.1 Definitions**

(a) In this Agreement:

“**Protected Party**” means a Finance Party which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

“**Tax Payment**” means either the increase in a payment made by the Borrower to a Finance Party under Clause 12.2 (*Tax gross-up*) or a payment under Clause 12.3 (*Tax indemnity*).

(b) Unless a contrary indication appears, in this Clause 12 a reference to “**determines**” or “**determined**” means a determination made in the absolute discretion of the person making the determination.

12.2 Tax gross-up

- (a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- (b) The Borrower shall promptly, upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction), notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the Borrower.
- (c) If a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (d) If the Borrower is required to make a Tax Deduction, the Borrower shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (e) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

12.3 Tax indemnity

- (a) The Borrower shall (within three Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be
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or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.

(b) Paragraph (a) above shall not apply:

(i) with respect to any Tax assessed on a Finance Party:

(A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or

(B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or

(ii) to the extent a loss, liability or cost is compensated for by an increased payment under Clause 12.2 (*Tax gross-up*).

(c) A Protected Party making, or intending to make, a claim under paragraph (a) above shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrower.

(d) A Protected Party shall, on receiving a payment from the Borrower under this Clause 12.3, notify the Agent.

12.4 Tax Credit

If the Borrower makes a Tax Payment and the relevant Finance Party determines that:

(a) a Tax Credit is attributable either to an increased payment of which that Tax Payment forms part, or to that Tax Payment; and

(b) that Finance Party has obtained, utilised and retained that Tax Credit,

the Finance Party shall pay an amount to the Borrower which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Borrower.

12.5 Stamp taxes

The Borrower shall pay and, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

12.6 Value added tax

(a) All amounts set out, or expressed to be payable under a Finance Document by any Party to a Finance Party which (in whole or in part) constitute the consideration for VAT purposes shall be deemed to be exclusive of any VAT which is chargeable on such supply, and accordingly, subject to paragraph (c) below, if VAT is chargeable on any supply made by any Finance Party to any Party under a Finance Document, that Party shall pay to the Finance Party (in addition to and at

the same time as paying the consideration) an amount equal to the amount of the VAT (and such Finance Party shall promptly provide an appropriate VAT invoice to such Party).

- (b) If VAT is chargeable on any supply made by any Finance Party (the “**Supplier**”) to any other Finance Party (the “**Recipient**”) under a Finance Document, and any Party (the “**Relevant Party**”) is required by the terms of any Finance Document to pay an amount equal to the consideration for such supply to the Supplier (rather than being required to reimburse the Recipient in respect of that consideration), such Party shall also pay to the Supplier (in addition to and at the same time as paying such amount) an amount equal to the amount of such VAT. The Recipient will promptly pay to the Relevant Party an amount equal to any credit or repayment from the relevant tax authority which it reasonably determines relates to the VAT chargeable on that supply.
- (c) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that Party shall also at the same time pay and indemnify the Finance Party against all VAT incurred by the Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that neither it nor any other member of any group of which it is a member for VAT purposes is entitled to credit or repayment from the relevant tax authority in respect of the VAT.

12.7 Residence certificates

- (a) Each Finance Party shall, as soon as reasonably possible, make an application in accordance with applicable law to the relevant authority for the issue/certification of a residence certificate in accordance with the laws of the relevant jurisdiction confirming its residence for Tax purposes and promptly upon receipt of such residence certificate provide it to the Borrower.
- (b) If, having used all reasonable efforts, a Finance Party has been unable to provide such residence certificate, then the relevant Finance Party shall, promptly on request by the Borrower provide to the Borrower, evidence that it has made a timely application in accordance with applicable law to the relevant authority for the issue of the residence certificate referred to in paragraph (a) above.
- (c) For the avoidance of doubt, this Clause 12.7 shall not apply to a Finance Party resident in a country without a double tax treaty with the Russian Federation.

13. INCREASED COSTS

13.1 Increased costs

- (a) Subject to Clause 13.3 (*Exceptions*) the Borrower shall, within five Business Days of a demand by the Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement.
 - (b) In this Agreement “**Increased Costs**” means:
 - (i) a reduction in the rate of return from the Facility or on a Finance Party’s (or its Affiliate’s) overall capital;
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- (ii) an additional or increased cost; or
- (iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into its Commitment or funding or performing its obligations under any Finance Document.

13.2 Increased cost claims

- (a) A Finance Party intending to make a claim pursuant to Clause 13.1 (*Increased costs*) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Borrower.
- (b) Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased Costs.

13.3 Exceptions

- (a) Clause 13.1 (*Increased costs*) does not apply to the extent any Increased Cost is:
 - (i) attributable to a Tax Deduction required by law to be made by the Borrower;
 - (ii) compensated for by Clause 12.3 (*Tax indemnity*) (or would have been compensated for under Clause 12.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 12.3 (*Tax indemnity*) applied);
 - (iii) compensated for by the payment of the Mandatory Cost; or
 - (iv) attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation.
- (b) In this Clause 13.3, a reference to a “**Tax Deduction**” has the same meaning given to the term in Clause 12.1 (*Definitions*).

14. OTHER INDEMNITIES

14.1 Currency indemnity

- (a) If any sum due from the Borrower under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:
 - (i) making or filing a claim or proof against the Borrower;
 - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Borrower shall, as an independent obligation, within five Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (b) The Borrower waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

14.2 Other indemnities

The Borrower shall, within five Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by an Obligor to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 26 (*Sharing among the Finance Parties*);
- (c) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or
- (d) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

14.3 Indemnity to the Agent

The Borrower shall promptly indemnify the Agent against any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default; or
- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

15. MITIGATION BY THE LENDERS

15.1 Mitigation

- (a) Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 12 (*Tax gross-up and indemnities*) or Clause 13 (*Increased costs*), paragraph 3 of Schedule 4 (*Mandatory Cost formula*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of any Obligor under the Finance Documents.

15.2 Limitation of liability

- (a) The Borrower shall indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 15.1 (*Mitigation*).
 - (b) A Finance Party is not obliged to take any steps under Clause 15.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.
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16. COSTS AND EXPENSES**16.1 Transaction expenses**

The Borrower shall within five Business Days on demand pay the Agent and the Arranger the amount of all costs and expenses (including legal fees) reasonably incurred by any of them in connection with the negotiation, preparation, printing, execution of, and syndication under:

- (a) this Agreement and any other documents referred to in this Agreement, in accordance with the Mandate Letter; and
- (b) and any other Finance Documents executed after the date of this Agreement.

16.2 Amendment costs

If an Obligor requests an amendment, waiver or consent the Borrower shall, within three Business Days of demand, reimburse the Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by the Agent in responding to, evaluating, negotiating or complying with that request or requirement.

16.3 Enforcement costs

The Borrower shall, within five Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

SECTION 7**REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT****17. REPRESENTATIONS**

The Borrower makes the representations and warranties set out in this Clause 17 to each Finance Party on the date of this Agreement.

17.1 Status

- (a) Each Obligor is an open joint stock company, duly incorporated and validly existing under the laws of the Russian Federation.
- (b) Each Obligor and each of its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

17.2 Binding obligations

The obligations expressed to be assumed by each Obligor in each Finance Document to which it is a party are, subject to any Reservations, legal, valid, binding and enforceable.

17.3 Non-conflict with other obligations

The entry into and performance by each Obligor of, and the transactions contemplated by, the Finance Documents to which it is a party do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its or any of its Subsidiaries' constitutional or other internal documents; or
- (c) any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries' assets,

nor result in the existence of, or oblige it to create, any Security over any of its or its Subsidiaries' assets. For the avoidance of doubt and without limiting the generality of the foregoing, borrowing or guaranteeing (as the case may be) the Total Commitments will not cause any borrowing or guaranteeing limit binding upon any Obligor to be exceeded nor will such borrowing or guaranteeing or the entry into the Finance Documents to which an Obligor is a party oblige it to enter into any subordination agreement in respect thereof.

17.4 Power and authority

- (a) Each Obligor has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.
- (b) Without limiting the generality of paragraph (a) above, none of the Finance Documents, and none of the transactions contemplated thereunder, does or will constitute a major transaction or an interested party transaction for any Obligor under applicable Russian law, except where requisite corporate approvals authorising all major transactions and all interested party transactions have been obtained by it with respect to such Finance Documents.

17.5 Validity and admissibility in evidence

As regards each Obligor, all Authorisations required or desirable:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party; and
- (b) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation, have been (or will be when required by applicable law or regulation) obtained or effected and are (or will be at the time required by applicable law or regulation) in full force and effect.

17.6 Governing law and enforcement

- (a) As regards each Obligor, subject to any Reservations, the choice of English law as the governing law of the Finance Documents to which it is a party will be recognised and enforced in its jurisdiction of incorporation.
- (b) As regards each Obligor, subject to any Reservations, any arbitration award obtained in England in relation to a Finance Document to which it is a party will be recognised and enforced in its jurisdiction of incorporation.

17.7 Deduction of Tax

No Obligor is required to make any deduction for or on account of Tax from any payment it may make under any Finance Document to a Lender which is resident in a jurisdiction which has a double tax treaty with the Russian Federation (or with the Union of Soviet Socialist Republics, to which the Russian Federation has succeeded), the effect of which is to provide that payment of interest to the relevant Lender by the Borrower may be made free and clear of any deduction for or on account of Tax, and has delivered the tax residence certificate referred to in paragraph (a) of Clause 12.7 (*Residence certificates*).

17.8 No filing or stamp taxes

Under the law of any Obligor's jurisdiction of incorporation it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents (excluding, for the avoidance of doubt, the submission by the Borrower of a copy of this Agreement to the relevant Russian authorised bank (including, without limitation and if relevant, the Passport Bank) through which payments to and from it under this Agreement and/or other Finance Documents, as the case may be, are to be made in accordance with Instruction 117-I).

17.9 No default

- (a) No Default is continuing or might reasonably be expected to result from the making of any Utilisation.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on any Obligor or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which might have a Material Adverse Effect.

17.10 No misleading information

- (a) Any factual information provided by or on behalf of any Obligor in writing in connection with any Finance Document (including, without limitation, the Agreed Reorganisation Memorandum) was
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true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

- (b) Any financial projections contained in any written information provided by or on behalf of any Obligor to any Finance Party in connection with any Finance Document have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.
- (c) Nothing has occurred or been omitted from any written information (including, without limitation, the Agreed Reorganisation Memorandum) provided by any Obligor to any Finance Party in connection with any Finance Document that results in the information referred to in paragraphs (a) and (b) above being untrue or misleading in any material respect.

17.11 Financial statements

- (a) The Original Financial Statements of each Obligor were prepared in accordance with GAAP or RAS (as applicable) consistently applied.
- (b) The Original Financial Statements of each Obligor fairly represent that Obligor's financial condition and operations (and the consolidated financial condition of the Group in the case of the Borrower) as at the end of and for the relevant financial period.
- (c) No Obligor has incurred any material liabilities since the date of its Original Financial Statements or the most recent financial statements delivered pursuant to Clause 18.1 (*Financial statements*) (whichever is later), which were not disclosed to the Agent in writing.
- (d) There has been no material adverse change in the business or financial condition of any Obligor other than the Borrower (or the business or consolidated financial condition of the Group, in the case of the Borrower) since the date of its Original Financial Statements.

17.12 Pari passu ranking

Each Obligor's payment obligations under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

17.13 No proceedings pending or threatened

Save as fully, fairly and specifically disclosed to the Agent in writing prior to the date of this Agreement and except for any frivolous or vexatious proceedings which are being contested in good faith and with appropriate action and which are discharged, stayed or dismissed within 30 days from commencement, no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency (including any arising from or relating to Environmental Law) have been started or threatened against any Obligor or any of its Subsidiaries.

17.14 Title

Each Obligor and each of its Subsidiaries has good and marketable title to, or valid leases or licences of, or is otherwise entitled to use, all material assets necessary for the conduct of its business as it is being, and is proposed to be, conducted.

17.15 Environmental Laws and Environmental Licences

Except as fully, fairly and specifically disclosed to the Agent in writing prior to the date of this Agreement, each Obligor and each of its Subsidiaries has:

- (a) complied with all Environmental Laws to which it may be subject;
- (b) obtained all Environmental Licences required or desirable in connection with its business; and
- (c) complied with the terms of those Environmental Licences.

17.16 Environmental releases

No:

- (a) property currently or previously owned, leased, occupied or controlled by any Obligor or any of its Subsidiaries (including any offsite waste management or disposal location utilised by it or any of its Subsidiaries) is contaminated with any Hazardous Substance; and
- (b) discharge, release, leaching, migration or escape of any Hazardous Substance into the Environment has occurred or is occurring on, under or from that property.

17.17 Taxes

- (a) Each Obligor and each of its Subsidiaries are not materially overdue in filing any income tax returns and all other material tax returns which are required to be filed in all jurisdictions.
- (b) Each Obligor and each of its Subsidiaries have duly paid when due all Taxes required to be paid by it other than any Taxes:
 - (i) that are being contested by it in good faith and in accordance with the relevant procedures, for which adequate reserves are being maintained in accordance with GAAP and where payment can be lawfully withheld and will not result in the imposition of any penalty nor in any attachment or freezing of its assets; or
 - (ii) the non-payment of which is not likely to have a Material Adverse Effect.

17.18 Pensions, undisclosed liabilities

- (a) No member of the Group has any material liability in respect of any pension scheme or otherwise and there are no circumstances which would give rise to such a liability.
- (b) Each member of the Group is in compliance with all applicable laws and contracts relating to and the governing provisions of the pension schemes maintained by or for the benefit of any member of the Group and/or any of its employees.

17.19 Immunity

- (a) The execution by each Obligor of each Finance Document to which it is a party constitutes, and the exercise by it of its rights and performance of its obligations under each Finance Document will constitute, private and commercial acts performed for private and commercial purposes.
- (b) No Obligor will be entitled to claim immunity from suit, execution, attachment or other legal process in any proceedings taken in any jurisdiction in relation to any Finance Document.

17.20 Group Structure Chart

The Group Structure Chart delivered pursuant to Part I of Schedule 2 (*Conditions precedent and subsequent*) is complete and accurate.

17.21 Solvency

- (a) No Obligor is insolvent or unable to pay its debts (including subordinated and contingent debts), nor could it be deemed by a court to be unable to pay its debts within the meaning of the law of the jurisdiction in which it is incorporated nor, in any such case, will it become so in consequence of entering into any Finance Document, and/or performing any transaction contemplated by any Finance Document.
- (b) No Obligor has taken any corporate action nor have any legal proceedings or other procedure or step been taken, started or threatened in relation to anything referred to in Clause 21.8 (*Insolvency proceedings*).

17.22 No Security

No Security exists over all or any of any Obligor's (or any of its Subsidiaries') assets other than Permitted Security.

17.23 Repetition

The Repeating Representations are deemed to be made by the Borrower by reference to the facts and circumstances then existing on the date of each Utilisation Request, the date on which the Agreed Reorganisation is completed and the first day of each Interest Period.

18. INFORMATION UNDERTAKINGS

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

18.1 Financial statements

The Borrower shall supply to the Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available but in any event within:
- (i) 180 days after the end of the Borrower's financial years its audited consolidated financial statements for that financial year prepared in accordance with GAAP;
 - (ii) 90 days after the end of each half of the Borrower's financial years its consolidated financial statements for that financial half year prepared in accordance with GAAP;
 - (iii) 90 days after the end of each quarter of the Borrower's financial years, its consolidated financial statements for that financial quarter prepared in accordance with GAAP;
- (b) as soon as the same become available but in any event within 180 days after the end of each of that Obligor's financial years, that Obligor's audited financial statements (stand-alone in the case of the Borrower) for that financial year prepared in accordance with RAS;
- (c) as soon as the same become available but in any event within 95 days after the end of each of that Obligor's financial years, that Obligor's unaudited financial statements (stand-alone in the case of the Borrower) for that financial year prepared in accordance with RAS;
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- (d) as soon as the same become available, but in any event within 35 days after the end of each quarter of each of that Obligor's financial years, that Obligor's financial statements for that financial quarter prepared in accordance with RAS; and
- (e) as soon as the same becomes available, but in any event not later than 30 April in any financial year, the updated business model of the Group (substantially in the form of the business model delivered to the Agent pursuant to Clause 4.1 (*Initial conditions precedent*)) for the immediately following financial year.

18.2 Compliance Certificate

- (a) The Borrower shall supply to the Agent, with each set of financial statements delivered pursuant to paragraphs (a) to (c) of Clause 18.1 (*Financial statements*), a Compliance Certificate setting out (in reasonable detail) computations as to compliance with Clause 19 (*Financial covenants*) as at the date at which those financial statements were drawn up and confirming that no Default is continuing as at the date of the Compliance Certificate.
- (b) Each Compliance Certificate shall be signed by the general director and the chief accountant of the Borrower and, if required to be delivered with the financial statements delivered pursuant to paragraph (a)(i) of Clause 18.1 (*Financial statements*), shall be confirmed by the Borrower's auditors in the form agreed by the Borrower and all the Lenders before the date of this Agreement.

18.3 Requirements as to financial statements

- (a) Each set of financial statements delivered by the Borrower pursuant to Clause 18.1 (*Financial statements*) shall be certified by the general director and the chief accountant of the relevant company as fairly representing its (or, as the case may be, its consolidated) financial condition and operations as at the end of and for the period in relation to which those financial statements were drawn up.
 - (b) The Borrower shall procure that each set of financial statements of an Obligor delivered pursuant to Clause 18.1 (*Financial statements*) is prepared using GAAP or RAS (as the case may be), accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements for that Obligor unless, in relation to any set of financial statements, it notifies the Agent that there has been a change in GAAP or RAS (as the case may be), the accounting practices or reference periods and its auditors (or, if appropriate, the auditors of the Obligor) deliver to the Agent:
 - (i) a description of any change necessary for those financial statements to reflect RAS, or GAAP (as the case may be), accounting practices and reference periods upon which that Obligor's Original Financial Statements were prepared; and
 - (ii) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Lenders to determine whether Clause 19 (*Financial covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and that Obligor's Original Financial Statements.
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Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

18.4 **Information: miscellaneous**

The Borrower shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

- (a) all documents dispatched by the Borrower to its shareholders (or any class of them) or its creditors generally at the same time as they are dispatched;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group and which is reasonably likely to be adversely determined and, if adversely determined, could reasonably be expected to have a Material Adverse Effect;
- (c) promptly upon any change in the corporate structure of the Group, an updated Group Structure Chart; and
- (d) promptly, such further information regarding the financial condition, business and operations of any member of the Group as any Finance Party (through the Agent) may reasonably request.

18.5 **Notification of default**

- (a) The Borrower shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless the Borrower is aware that a notification has already been provided by another Obligor).
- (b) Promptly upon a request by the Agent, the Borrower shall supply to the Agent a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

18.6 **“Know your customer” checks**

- (a) If:
 - (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
 - (ii) any change in the status of an Obligor after the date of this Agreement; or
 - (iii) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of paragraph (iii) above, any prospective new Lender) to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall, and shall procure that each Obligor shall, promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in paragraph (iii) above,

any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

- (b) Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

19. FINANCIAL COVENANTS

19.1 Financial condition

- (a) At any time, in relation to the Group on a consolidated basis, the ratio of Total Debt to Adjusted EBITDA shall not exceed 3.5:1.
- (b) For each Relevant Period ending on a Relevant Date, in relation to the Group on a consolidated basis, the ratio of Adjusted EBITDA to Interest Expense shall not be less than 4:1.
- (c) For each Relevant Period ending on a Relevant Date, the ratio of the combined Adjusted EBITDA of the Obligors (construed by reference to their stand-alone financial statements) to the consolidated Adjusted EBITDA of the Group shall not be less than 0.7:1.
- (d) For each Relevant Period ending on a Relevant Date, the ratio of the combined Total Assets of the Obligors (construed by reference to their stand-alone financial statements) to the consolidated Total Assets of the Group shall not be less than 0.7:1.

19.2 Financial covenant calculations

- (a) Total Debt, Adjusted EBITDA, Interest Expense and Total Assets shall be calculated and interpreted in accordance with GAAP applicable to the Original Financial Statements and shall be expressed in Dollars.
 - (b) Total Debt, Adjusted EBITDA, Interest Expense and Total Assets shall be determined from the financial statements delivered under Clause 18.1 (*Financial statements*) and the Compliance Certificates delivered under Clause 18.2 (*Compliance Certificate*) in which the combined Adjusted EBITDA and the combined Total Assets of the Obligors shall be calculated on the basis of the pro-forma GAAP statements of each Obligor for each Relevant Period.
 - (c) For the purpose of paragraph (c) of Clause 19.1 (*Financial condition*) the combined Adjusted EBITDA of the Obligors shall exclude any Adjusted EBITDA attributable to intra-Group sales, if any.
 - (d) For the purpose of paragraph (d) of Clause 19.1 (*Financial condition*) the combined Total Assets of the Obligors shall exclude any intra-Group items, including but not limited to:
 - (i) any investment made by any Obligor in any other member of the Group;
 - (ii) any intra-Group loans granted by an Obligor to any other member of the Group; or
 - (iii) any receivables due to any Obligor from any other member of the Group.
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19.3 Financial definitions

In this Clause 19:

“**Adjusted EBITDA**” means the total consolidated net profit of the Group or the net profit of the relevant Obligor (as applicable):

- (a) before taking into account:
 - (i) Interest Expense;
 - (ii) interest income;
 - (iii) Tax;
 - (iv) profits (or losses) attributable to minority interests in any member of the Group or the relevant Obligor (as applicable);
 - (v) any share of the profit of any associated company or undertaking, except for dividends or other profit distributions (net of Tax) received in cash by any member of the Group or the relevant Obligor (as applicable);
 - (vi) all extraordinary and exceptional items; and
 - (vii) exchange rate gains (or losses) arising due to the re-translation of balance sheet items and mark-to-market adjustments on currency swaps;
- (b) after excluding (to the extent included) any gains or losses on the disposal or revaluation of assets (other than in the ordinary course of trading);
- (c) after adding any business interruption loss incurred which is covered by insurance and which is not added back to the total consolidated net profit of the Group or the relevant Obligor (as applicable) in accordance with GAAP;
- (d) after adding back all amounts provided for depreciation and amortisation (including acquisition goodwill); and
- (e) including the Adjusted EBITDA of a member of the Group acquired by the Group or the relevant Obligor (as applicable) during that Relevant Period for the part of that Relevant Period when it was not a member of the Group but excluding the Adjusted EBITDA attributable to any member of the Group sold by the Group or the relevant Obligor (as applicable) during that Relevant Period.

“**Interest Expense**” means, in relation to any Relevant Period, the aggregate amount of interest and any other finance charges (whether or not paid, payable or capitalised) accrued by the Group in that Relevant Period in respect of Total Debt (where “other financial charges” include, but are not limited to, such items as:

- (a) the interest element of leasing and hire purchase payments;
 - (b) commitment fees, commissions, arrangement fees and guarantee fees; and
 - (c) prepayment fees),
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adjusted (but without double counting) by adding back the net amount payable (or deducting the net amount receivable) by any member of the Group in respect of that Relevant Period under any interest or (so far as they relate to interest) currency hedging arrangements.

“**Relevant Date**” means:

- (a) for the purposes of paragraphs (a) and (b) of Clause 19.1 (*Financial condition*), the last day of each financial quarter of a financial year; and
- (b) for the purposes of paragraphs (c) and (d) of Clause 19.1 (*Financial condition*), the last day of each half of a financial year,

being the dates as at (or to) which a particular ratio is tested.

“**Relevant Period**” means:

- (a) for the purposes of paragraphs (a) and (b) of Clause 19.1 (*Financial condition*), each period of four consecutive financial quarters ending on a Relevant Date; and
- (b) for the purposes of paragraphs (c) and (d) of Clause 19.1 (*Financial condition*), each period of two consecutive financial half-years ending on a Relevant Date.

“**Total Assets**” means, in respect of an Obligor, the total assets of that Obligor as construed by reference to the stand-alone financial statements of that Obligor and, in respect of the Group, the total assets of the Group as construed by reference to the consolidated financial statements of the Borrower, in each case, delivered pursuant to Clause 18.1 (*Financial statements*).

“**Total Debt**” means, as at any particular time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of the Financial Indebtedness of the Group (other than any indebtedness referred to in paragraph (g) of the definition of Financial Indebtedness and any guarantee or indemnity in respect of that indebtedness).

For this purpose, any amount outstanding or repayable in a currency other than Dollars shall on that day be taken into account in its Dollar equivalent at the rate of exchange that would have been used had an audited consolidated balance sheet of the Group been prepared as at that day in accordance with GAAP applicable to the Original Financial Statements of the Group.

20. GENERAL UNDERTAKINGS

The undertakings in this Clause 20 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

20.1 Authorisations

The Borrower shall, and shall procure that each other Obligor shall, promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (b) supply certified copies to the Agent of

any Authorisation required under any law or regulation of its jurisdiction of incorporation to enable it to perform its obligations under the Finance Documents and to ensure the legality,

validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

20.2 Compliance with laws

The Borrower shall, and shall procure that each other Obligor will, comply in all respects with all laws to which it may be subject, if failure so to comply is reasonably likely to impair its ability to perform its obligations under the Finance Documents.

20.3 Negative pledge

The Borrower shall not, and shall procure that no other member of the Group will, create or permit to subsist any Security over any of its assets other than Permitted Security.

20.4 Disposals

The Borrower shall not, and shall procure that no other member of the Group will, enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of any asset other than a Permitted Disposal.

20.5 Distributions

The Borrower shall not declare, pay or make any dividend or other payment or distribution of any kind on or in respect of any of its shares in respect of any financial year in an amount exceeding 40 per cent. of net profits of the Group for such financial year as construed by reference to the consolidated financial statements of the Borrower delivered under paragraph (a) of Clause 18.1 (*Financial statements*).

20.6 Reorganisation

The Borrower shall not (and shall ensure that no other member of the Group will) enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva*), company accession (*prisoedinyeniye obschestva*), company division (*razdelyeniye obschestva*), company separation (*vydelyeniye obschestva*), company transformation (*preobrazovaniye obschestva*), company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction, other than the Agreed Reorganisation, in each case, without the prior consent of the Agent.

20.7 Acquisitions

Save with the prior written consent of the Agent, the Borrower shall not (and shall ensure that no other member of the Group will) make any Acquisition, other than an Acquisition of a business or going concern with business operations substantially similar to the general nature of the business of the Group, provided that:

- (a) the aggregate Acquisition Costs in any financial year do not exceed 25 per cent. of the Total Assets of the Group for such financial year as construed by reference to the consolidated financial statements of the Borrower delivered under paragraph (a) of Clause 18.1 (*Financial statements*);
 - (b) such Acquisition is made at fair market value; and
 - (c) no Default is continuing or would result from the proposed Acquisition.
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20.8 Change of business

The Borrower shall procure that no change is made to the general nature of the business of the Group as a whole from that carried on at the date of this Agreement.

20.9 Insurance

The Borrower shall, and shall procure that each other Obligor will, maintain insurances on and in relation to its business and assets with reputable underwriters or insurance companies.

20.10 Environmental undertakings

The Borrower shall, and shall procure that each other Obligor will:

- (a) comply with all Environmental Laws to which it may be subject;
- (b) obtain all Environmental Licences required or desirable in connection with its business; and
- (c) comply with the terms of all those Environmental Licences.

20.11 Environmental claims

The Borrower shall, and shall procure that each other Obligor will, promptly notify the Agent of any claim, notice or other communication received by it in respect of any actual or alleged breach of or liability under Environmental Law.

20.12 Loans

- (a) The Borrower shall not, and shall ensure that no other Obligor shall, without the prior written consent of the Agent, make any loans or grant any credit to or for the benefit of any person.
- (b) Paragraph (a) above does not apply to:
 - (i) any trade credit extended by any Obligor to its customers on arm's length terms and in the ordinary course of trading;
 - (ii) any unsecured loans granted by an Obligor to another Obligor;
 - (iii) any loans granted by an Obligor to any other member of the Group which is not an Obligor on arm's length terms and solely for the purpose of developing the baby food, agricultural, dairy or beverage business of the Group; or
 - (iv) any loans granted by an Obligor to any person which is not a member of the Group, provided that:
 - (A) without prejudice to paragraph (C) below, the aggregate amount of all such loans granted to distributors or suppliers of raw milk and other dairy products to any member of the Group does not exceed 10 per cent. of the Total Assets of the Group;
 - (B) without prejudice to paragraph (C) below, the aggregate amount of all such loans granted to persons other than distributors or suppliers of raw milk and other dairy products to any member of the Group does not exceed 5 per cent. of the Total Assets of the Group; and
 - (C) the aggregate amount of all such loans and credit referred to in this paragraph (iv) does not exceed 10 per cent. of the Total Assets of the Group.

20.13 Guarantees

The Borrower shall not, and shall ensure that no other Obligor shall, without the prior written consent of the Agent, grant any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person, other than:

- (a) any guarantee granted by an Obligor to any person which is not a member of the Group in respect of the obligations of any other member of the Group;
- (b) any guarantee or indemnity granted pursuant to the Finance Documents; or
- (c) any Permitted Guarantee.

20.14 Acknowledgement following Agreed Reorganisation

Following completion of the Agreed Reorganisation, the Borrower shall:

- (a) if the Agreed Reorganisation in relation to the Borrower is by way of:
 - (i) the merger of the Borrower and WBD, (A) if required or desirable in accordance with applicable law, assign its rights and novate its obligations under the Finance Documents to which it is a party to the resulting entity and (B) procure that the resulting entity shall acknowledge such rights and obligations as if it were an original party to this Agreement; or
 - (ii) the accession of WBD to the Borrower such that the Borrower is the surviving entity, acknowledge its rights and obligations under the Finance Documents to which it is a party; and
- (b) if the Agreed Reorganisation in relation to WBD Beverages is by way of:
 - (i) the merger of WBD Beverages and certain other Subsidiaries of the Borrower, (A) if required or desirable in accordance with applicable law, procure that WBD Beverages shall assign its rights and novate its obligations under the Finance Documents to which it is a party to the resulting entity and (B) procure that the resulting entity shall acknowledge such rights and obligations as if it were an original party to the relevant Finance Document; or
 - (ii) the accession of such Subsidiaries to WBD Beverages such that WBD Beverages is the surviving entity, procure that WBD Beverages shall acknowledge its rights and obligations under the Finance Documents to which it is a party,

in each case, in form and substance satisfactory to the Agent.

20.15 Submission of documents to Russian bank

The Borrower shall (and shall ensure that each other Obligor will) comply in all respects with applicable currency control laws and regulations to which it may be subject in connection with the entry into, and performance of its obligations under, the Finance Documents and shall (and shall ensure that each other Obligor will), *inter alia*, timely submit to the relevant Russian authorised bank (including, where relevant, the Passport Bank) through which payments to and from it under this Agreement and/or other Finance Documents, as the case may be, are to be made, such documents and other information as may be required from time to time under

Instruction 117-I and applicable currency control laws and regulations for the purpose of the receipt and making of such payments, in accordance with the procedure described therein and in form and substance satisfactory to that Russian authorised bank.

21. EVENTS OF DEFAULT

Each of the events or circumstances set out in this Clause 21 is an Event of Default (save for Clause 21.19 (*Acceleration*)).

21.1 Non-payment

An Obligor does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by administrative or technical error; and
- (b) payment is made within three Business Days of its due date.

21.2 Financial covenants

Any requirement of Clause 19 (*Financial covenants*) is not satisfied.

21.3 Other obligations

- (a) An Obligor does not comply with any provision of any Finance Document (other than those referred to in Clause 4.3 (*Conditions subsequent*), Clause 21.1 (*Non-payment*) and Clause 21.2 (*Financial covenants*)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 10 Business Days of the Agent giving notice to the Borrower or the Borrower becoming aware of the failure to comply (whichever occurs earlier).

21.4 Misrepresentation

Any representation or statement made or deemed to be made by an Obligor in any Finance Document or any other document delivered by or on behalf of any Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

21.5 Cross default

- (a) Any Financial Indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period.
 - (b) Any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
 - (c) Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).
 - (d) Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).
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- (e) No Event of Default will occur under this Clause 21.5 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above (when aggregated with the aggregate amount of Financial Indebtedness falling within Clause 21.6 (*Statutory rights resulting from Agreed Reorganisation*)) of the Group on a consolidated basis is less than USD15,000,000 (or its equivalent in any other currency or currencies).

21.6 **Statutory rights resulting from Agreed Reorganisation**

- (a) Any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of the exercise by a creditor of a member of the Group, being a subject of the Agreed Reorganisation, of its statutory right to accelerate the repayment of the debt owed to it, as conferred upon it by statute following the announcement of the Agreed Reorganisation.
- (b) No Event of Default will occur under this Clause 21.6 if the aggregate amount of Financial Indebtedness falling within paragraph (a) above (when aggregated with the aggregate amount of Financial Indebtedness and commitment for Financial Indebtedness falling within paragraphs (a) to (d) of Clause 21.5 (*Cross default*)) of the Group on a consolidated basis is less than USD15,000,000 (or its equivalent in any other currency or currencies).

21.7 **Insolvency**

- (a) A member of the Group is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (b) The value of the assets of any member of the Group (as determined in accordance with GAAP) is less than its liabilities (taking into account contingent and prospective liabilities).
- (c) A moratorium is declared in respect of any indebtedness of any member of the Group.

21.8 **Insolvency proceedings**

Any corporate action, legal proceedings or other procedure or step is taken in relation to or any petition is presented for:

- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, liquidation, bankruptcy, insolvency, financial rehabilitation, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any member of the Group (other than an intra-Group voluntary merger or reorganisation on a solvent basis of any member of the Group which constitutes the Agreed Reorganisation), including, but not limited to, implementation of pre-judicial recovery (*dosudebnaya sanatsiya*) or institution of supervision (*nablyudeniye*), financial rehabilitation (*finansovoe ozdorovlenie*), external management (*vneshneye upravlenie*) or bankruptcy management (*konkursnoye proizvodstvo*);
- (b) a composition, compromise, assignment or arrangement with any creditor of any member of the Group;
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- (c) the appointment of a liquidator (*likvidator*) or a liquidation commission (*likvidatsionnaya komissiya*) (other than in respect of a voluntary solvent liquidation of a member of the Group which is not an Obligor), temporary manager (*vremennyi upravlaushiy*), administrative manager (*administrativniy upravlaushiy*), external manager (*vneshniy upravlaushiy*), bankruptcy manager (*konkursniy upravlaushiy*), receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of any member of the Group or any of its assets;
 - (d) the convening or announcement of an intention to convene a meeting of creditors of any member of the Group for the purposes of considering an amicable settlement (as defined in the Russian Insolvency Law); or
 - (e) the enforcement of any Security over any asset or assets of any member of the Group,
- or any analogous procedure or step is taken in any jurisdiction.

21.9 Creditors' process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Obligor with an aggregate value of not less than USD15,000,000 (or equivalent in other currencies) and is not discharged within 15 Business Days.

21.10 Ownership or control of the Guarantors

Save as a result of the Agreed Reorganisation, the ownership or control (whether legal or beneficial, and whether direct or indirect) of any of the Guarantors changes without the prior consent of the Agent, acting on the instructions of all the Lenders.

21.11 Unlawfulness

It is or becomes unlawful for an Obligor to perform any of its obligations under a Finance Document.

21.12 Repudiation

An Obligor repudiates a Finance Document or evidences in writing an intention to repudiate a Finance Document.

21.13 Litigation

Any litigation, arbitration, proceeding or dispute is started or threatened in writing against any member of the Group that is reasonably likely to have a Material Adverse Effect.

21.14 Failure to comply with final judgment

Any member of the Group fails to comply with a binding judgment or any final order made or given by any court of competent jurisdiction which, in respect of non-Obligors only, might have a Material Adverse Effect.

21.15 Material adverse change

Any event or circumstance exists, has occurred or is reasonably likely to occur that the Majority Lenders reasonably determine has a Material Adverse Effect.

21.16 Cessation of business

Any Obligor suspends or ceases (or threatens to suspend or cease) to carry on all or a material part of its business except as a result of the Agreed Reorganisation.

21.17 Taxes

A Tax claim is presented to an Obligor or any of its Subsidiaries unless:

- (a) it is being contested by it in good faith and in accordance with the relevant procedures, for which adequate reserves are being maintained in accordance with GAAP and where payment can be lawfully withheld and will not result in the imposition of any penalty nor in any attachment or freezing of its assets; or
- (b) the non-payment of such Tax claim is not likely to have a Material Adverse Effect.

21.18 Sovereign intervention

(a) By or under the authority of any government:

- (i) the management of any member of the Group is wholly or materially displaced or the authority of any member of the Group in the conduct of its business is wholly or partially curtailed;
- (ii) any of the revenues of the Group or any Material Asset(s) is seized, nationalised, expropriated or compulsorily acquired; or
- (iii) any member of the Group is otherwise deprived of, or prevented from exercising, ownership or control of all or any part of its business, assets or rights, the value of which (as determined in accordance with GAAP) exceeds 5 per cent. in aggregate of the Total Assets of the Group.

(b) Any foreign exchange law is enacted or introduced in the Russian Federation, Ukraine, Georgia, Kyrgyzstan or Uzbekistan which, in the opinion of the Agent, has or might have the effect of preventing or delaying any payment under any Finance Document.

(c) A moratorium is called on the payment of interest or repayment of principal on international debts of Russian borrowers generally or a class thereof to which the Borrower or any other Obligor belongs which has the effect of preventing or delaying any payment under any Finance Document.

(d) A deterioration occurs in the political or economic situation in any of the Russian Federation, Ukraine, Georgia, Kyrgyzstan or Uzbekistan or an act of war or hostilities, invasion, armed conflict or act of foreign enemy, revolution, insurrection, insurgency or threat thereof occurs in or involving any of the Russian Federation, Ukraine, Georgia, Kyrgyzstan or Uzbekistan which (in any case and in the reasonable opinion of the Majority Lenders) has or might reasonably be expected to have a Material Adverse Effect.

21.19 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

- (a) cancel the Total Commitments whereupon they shall immediately be cancelled; and/or
 - (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or
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- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders.
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SECTION 8**CHANGES TO PARTIES****22. CHANGES TO THE LENDERS****22.1 Assignments and transfers by the Lenders**

Subject to this Clause 22, a Lender (the “**Existing Lender**”) may:

- (a) assign any of its rights; or
- (b) transfer by novation any of its rights and obligations,

to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the “**New Lender**”).

22.2 Conditions of assignment or transfer

- (a) The consent of the Borrower is required for an assignment or transfer by an Existing Lender, unless the assignment or transfer is to another Lender or an Affiliate of a Lender or an Event of Default is continuing.
 - (b) The consent of the Borrower to an assignment or transfer must not be unreasonably withheld or delayed. The Borrower will be deemed to have given its consent five Business Days after the Existing Lender has requested it unless consent is expressly refused by the Borrower within that time.
 - (c) The consent of the Borrower to an assignment or transfer must not be withheld solely because the assignment or transfer may result in an increase to the Mandatory Cost.
 - (d) An assignment will only be effective on:
 - (i) receipt by the Agent of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was an Original Lender; and
 - (ii) performance by the Agent of all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to such assignment to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender and the New Lender.
 - (e) A transfer will only be effective if the procedure set out in Clause 22.5 (*Procedure for transfer*) is complied with.
 - (f) If:
 - (i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
 - (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, an Obligor would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under Clause 12 (*Tax gross-up and indemnities*), or Clause 4.1 (*Tax Gross-up*) of the Guarantees, or Clause 13 (*Increased costs*),
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then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred.

22.3 Assignment or transfer fee

Each New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Agent (for its own account) a fee of USD2,000 unless such assignment or transfer is to an Affiliate of an Existing Lender in which case no fee shall be payable.

22.4 Limitation of responsibility of Existing Lenders

(a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
- (ii) the financial condition of any Obligor;
- (iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or
- (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

(b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:

- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
- (ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

(c) Nothing in any Finance Document obliges an Existing Lender to:

- (i) accept a re-transfer from a New Lender of any of the rights and obligations assigned or transferred under this Clause 22; or
- (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

22.5 Procedure for transfer

(a) Subject to the conditions set out in Clause 22.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with paragraph (c) below when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The

Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.

- (b) The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.
- (c) On the Transfer Date:
 - (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents, each of the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the “**Discharged Rights and Obligations**”);
 - (ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Obligor and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;
 - (iii) the Agent, the Arranger, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Arranger and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and
 - (iv) the New Lender shall become a Party as a “Lender”.

22.6 Copy of Transfer Certificate to Company

The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, send to the Borrower a copy of that Transfer Certificate.

22.7 Disclosure of information

Any Lender may disclose to any of its Affiliates and any other person:

- (a) to (or through) whom that Lender assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement;
 - (b) with (or through) whom that Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or any Obligor;
 - (c) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation;
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any information about any Obligor, the Group and the Finance Documents as that Lender shall consider appropriate if, in relation to paragraphs (a) and (b) above, the person to whom the information is to be given has entered into a Confidentiality Undertaking. This Clause 22.7 supersedes any previous agreement relating to the confidentiality of this information.

22.8 **Agreed Reorganisation**

Subject to Clause 21.6 (*Statutory rights resulting from Agreed Reorganisation*), each Lender shall refrain from exercising its statutory right to accelerate the repayment of the Liabilities, as conferred upon it by statute, following the announcement of the Agreed Reorganisation.

23. **CHANGES TO THE BORROWER**

No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents, except as permitted in accordance with the Agreed Reorganisation.

SECTION 9**THE FINANCE PARTIES****24. ROLE OF THE AGENT AND THE ARRANGER****24.1 Appointment of the Agent**

- (a) Each other Finance Party appoints the Agent to act as its agent under and in connection with the Finance Documents.
- (b) Each other Finance Party authorises the Agent to exercise the rights, powers, authorities and discretions specifically given to it under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

24.2 Duties of the Agent

- (a) The Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.
- (b) Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (c) If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.
- (d) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent or the Arranger) under this Agreement, it shall promptly notify the other Finance Parties.
- (e) The duties of the Agent under the Finance Documents are solely mechanical and administrative in nature.

24.3 Role of the Arranger

Except as specifically provided in the Finance Documents, the Arranger has no obligations of any kind to any other Party under or in connection with any Finance Document.

24.4 No fiduciary duties

- (a) Nothing in this Agreement constitutes the Agent (except as expressly provided in any Finance Document) or the Arranger as a trustee or fiduciary of any other person.
- (b) Neither the Agent (except as expressly provided in any Finance Document) nor the Arranger shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

24.5 Business with the Group

The Agent and the Arranger may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

24.6 Rights and discretions of the Agent

- (a) The Agent may rely on:
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- (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
 - (ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.
- (b) The Agent may assume, unless it has received notice to the contrary in its capacity as agent for the Lenders, that:
- (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 21.1 (*Non-payment*));
 - (ii) any right, power, authority or discretion vested in any Party or the Majority Lenders (or if appropriate, the Lenders) has not been exercised; and
 - (iii) any notice or request made by an Obligor (other than a Utilisation) is made on behalf of and with the consent and knowledge of all the Obligors.
- (c) The Agent may engage, at the cost of the Borrower, and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (d) The Agent may act in relation to the Finance Documents through its personnel and agents.
- (e) The Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- (f) Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor the Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

24.7 **Majority Lenders' instructions**

- (a) Unless a contrary indication appears in a Finance Document, the Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.
 - (b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.
 - (c) The Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.
 - (d) In the absence of instructions from the Majority Lenders (or, if appropriate, the Lenders), the Agent may act (or refrain from taking action) as it considers to be in the best interests of the Lenders.
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- (e) The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

24.8 Responsibility for documentation

Neither the Agent nor the Arranger:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, the Arranger, an Obligor or any other person given in or in connection with any Finance Document; or
- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document.

24.9 Exclusion of liability

- (a) Without limiting paragraph (b) below (and without prejudice to the provisions of paragraph (e) of Clause 27.10 (*Disruption to payment systems etc.*)), the Agent will not be liable for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.
- (b) No Party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Agent may rely on this Clause 24.9.
- (c) The Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by it if it has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by it for that purpose.
- (d) Nothing in this Agreement shall oblige the Agent or the Arranger to carry out any "know your customer" or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Agent and the Arranger that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent or the Arranger.

24.10 Lenders' indemnity to the Agent

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Agent, within three Business Days of demand, against any cost, loss or liability incurred by the Agent (otherwise than by reason of the Agent's gross negligence or wilful misconduct) without prejudice to Clause 27.10 (*Disruption to payment systems etc.*) in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by an Obligor pursuant to a Finance Document).

24.11 Resignation of the Agent

- (a) The Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties and the Borrower.
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- (b) Alternatively the Agent may resign by giving notice to the other Finance Parties and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Agent.
- (c) If the Majority Lenders have not appointed a successor Agent in accordance with paragraph (b) above within 30 days after notice of resignation was given, the Agent (after consultation with the Borrower) may appoint a successor Agent.
- (d) The retiring Agent shall, at its own cost, make available to its successor such documents and records and provide such assistance as its successor may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (e) The resignation notice of the Agent shall only take effect upon the appointment of a successor.
- (f) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 24. Its successor and each of the other Parties shall have the same rights and obligations among themselves as they would have had if such successor had been an original Party.
- (g) After consultation with the Borrower, the Majority Lenders may, by notice to the Agent, require it to resign in accordance with paragraph (b) above. In this event, the Agent shall resign in accordance with paragraph (b) above.

24.12 Confidentiality

- (a) The Agent (in acting as agent for the Finance Parties) shall be regarded as acting through its division which shall be treated as a separate entity from any other of its divisions or departments.
- (b) If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.

24.13 Relationship with the Lenders

- (a) The Agent may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has received not less than five Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.
- (b) Each Lender shall supply the Agent with any information required by the Agent in order to calculate the Mandatory Cost in accordance with Schedule 4 (*Mandatory Cost formula*).

24.14 Credit appraisal by the Lenders

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Agent and the Arranger that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (a) the financial condition, status and nature of each member of the Group;
 - (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, Security, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
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- (c) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, Security, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and
- (d) the adequacy, accuracy and/or completeness of any information provided by the Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, Security, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

24.15 Reference Banks

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (in consultation with the Borrower) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

24.16 Management Time of the Agent

Any amount payable to the Agent under Clause 14.3 (*Indemnity to the Agent*), Clause 16 (*Costs and expenses*) and Clause 24.10 (*Lenders' indemnity to the Agent*) shall include the cost of utilising its management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as it may notify to the Borrower and the Lenders, and is in addition to any fee paid or payable to it under Clause 11 (*Fees*).

24.17 Deduction from amounts payable by the Agent

If any Party owes an amount to the Agent under the Finance Documents, the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents, that Party shall be regarded as having received any amount so deducted.

25. CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
 - (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
 - (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.
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26. SHARING AMONG THE FINANCE PARTIES

26.1 Payments to Finance Parties

If a Finance Party (a “**Recovering Finance Party**”) receives or recovers any amount from an Obligor other than in accordance with Clause 27 (*Payment mechanics*) and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery to the Agent;
- (b) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 27 (*Payment mechanics*), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (the “**Sharing Payment**”) equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 27.5 (*Partial payments*).

26.2 Redistribution of payments

The Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it between the Finance Parties (other than the Recovering Finance Party) in accordance with Clause 27.5 (*Partial payments*).

26.3 Recovering Finance Party’s rights

- (a) On a distribution by the Agent under Clause 26.2 (*Redistribution of payments*), the Recovering Finance Party will be subrogated to the rights of the Finance Parties which have shared in the redistribution.
- (b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (a) above, the Borrower shall ensure that the relevant Obligor shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

26.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Finance Party which has received a share of the relevant Sharing Payment pursuant to Clause 26.2 (*Redistribution of payments*) shall, upon request of the Agent, pay to the Agent for account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay); and
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- (b) that Recovering Finance Party's rights of subrogation in respect of any reimbursement shall be cancelled and the Borrower shall ensure that the relevant Obligor will be liable to the reimbursing Finance Party for the amount so reimbursed.

26.5 Exceptions

- (a) This Clause 26 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause 26, have a valid and enforceable claim against the relevant Obligor.
 - (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
 - (i) it notified that other Finance Party of the legal or arbitration proceedings; and
 - (ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.
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SECTION 10**ADMINISTRATION****27. PAYMENT MECHANICS****27.1 Payments to the Agent**

- (a) On each date on which the Borrower or a Lender is required to make a payment under a Finance Document, the Borrower or the Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre in a Participating Member State or London) with such bank as the Agent specifies.

27.2 Distributions by the Agent

Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 27.3 (*Distributions to the Borrower*) and Clause 27.4 (*Clawback*), be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre of a Participating Member State or London).

27.3 Distributions to the Borrower

The Agent may (with the consent of the Borrower or in accordance with Clause 28 (*Set-off*)) apply any amount received by it for the Borrower in or towards payment (on the date and in the currency and funds of receipt) of any amount due from the Borrower under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

27.4 Clawback

- (a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
 - (b) If the Agent pays an amount to another Party and it proves to be the case that it had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent calculated by it to reflect its cost of funds.
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27.5 Partial payments

- (a) If the Agent receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Finance Documents, the Agent shall apply that payment towards the obligations of the Borrower under the Finance Documents in the following order:
- (i) **first**, in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent or the Arranger under the Finance Documents;
 - (ii) **secondly**, in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under this Agreement;
 - (iii) **thirdly**, in or towards payment pro rata of any principal due but unpaid under this Agreement; and
 - (iv) **fourthly**, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.
- (b) The Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by the Borrower.

27.6 No set-off by the Borrower

All payments to be made by the Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

27.7 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

27.8 Currency of account

- (a) Subject to paragraphs (b) to (e) below, the Dollar is the currency of account and payment for any sum due from the Borrower under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (e) Any amount expressed to be payable in a currency other than the Dollar shall be paid in that other currency.
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27.9 Change of currency

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
- (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrower); and
 - (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

27.10 Disruption to payment systems etc.

If either the Agent determines (in its discretion) that a Disruption Event has occurred or the Agent is notified by the Borrower that a Disruption Event has occurred:

- (a) the Agent may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing with the Borrower such changes to the operation or administration of the Facilities as the Agent may deem necessary in the circumstances;
 - (b) the Agent shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) above if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;
 - (c) the Agent may consult with the Finance Parties in relation to any changes mentioned in paragraph (a) above but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;
 - (d) any such changes agreed upon by the Agent and the Borrower shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 33 (*Amendments and waivers*);
 - (e) the Agent shall not be liable for any damages, costs or losses whatsoever (including, without limitation for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 27.10; and
 - (f) the Agent shall notify the Finance Parties of all changes agreed pursuant to paragraph (d) above.
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28. SET-OFF

A Finance Party may set off any matured obligation due from the Borrower under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to the Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

29. NOTICES**29.1 Communications in writing**

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

29.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of the Borrower, that identified with its name below;
- (b) in the case of each Lender, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and
- (c) in the case of the Agent, that identified with its name below,

or any substitute address, fax number or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

29.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
 - (i) if by way of fax, when received in legible form; or
 - (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,and, if a particular department or officer is specified as part of its address details provided under Clause 29.2 (*Addresses*), if addressed to that department or officer.
 - (b) Any communication or document to be made or delivered to the Agent will be effective only when actually received by it and then only if it is expressly marked for the attention of the department or officer identified with its signature below (or any substitute department or officer as it shall specify for this purpose).
 - (c) All notices from or to the Borrower shall be sent through the Agent.
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29.4 Notification of address and fax number

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to Clause 29.2 (*Addresses*) or changing its own address or fax number, the Agent shall notify the other Parties.

29.5 Electronic communication

- (a) Without prejudice to paragraph (c) of Clause 33.1 (*Required consents*), any communication to be made between the Agent and a Lender under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Agent and the relevant Lender:
- (i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
 - (ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
 - (iii) notify each other of any change to their address or any other such information supplied by them.
- (b) Any electronic communication made between the Agent and a Lender will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to the Agent only if it is addressed in such a manner as the Agent shall specify for this purpose.

29.6 English language

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
- (i) in English; or
 - (ii) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

30. CALCULATIONS AND CERTIFICATES

30.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

30.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

30.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in

any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

31. PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

32. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

33. AMENDMENTS AND WAIVERS

33.1 Required consents

- (a) Subject to Clause 33.2 (*Exceptions*), any term of the Finance Documents to which the Borrower is a Party may be amended or waived only with the consent of the Majority Lenders and the Borrower and any such amendment or waiver will be binding on all Parties.
- (b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 33.
- (c) An amendment to any Finance Document shall be in writing and shall be signed by the duly authorised signatories of the relevant Parties.

33.2 Exceptions

- (a) An amendment or waiver that has the effect of changing or which relates to:
 - (i) the definition of "Majority Lenders" in Clause 1.1 (*Definitions*);
 - (ii) an extension to the date of payment of any amount under the Finance Documents;
 - (iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
 - (iv) an increase in or an extension of any Commitment;
 - (v) a change to the Borrowers other than in accordance with Clause 23 (*Changes to the Borrower*);
 - (vi) an extension of an Availability Period;
 - (vii) a change of the currency of any payment under any Finance Document;
 - (viii) the release of the obligations of any Guarantor under any Finance Documents;
 - (ix) any provision which expressly requires the consent of all the Lenders; or
-

- (x) Clause 2.2 (*Finance Parties' rights and obligations*), Clause 22 (*Changes to the Lenders*), Clause 26 (*Sharing among the Finance Parties*), or this Clause 33,

shall not be made without the prior consent of all the Lenders.

- (b) An amendment or waiver which relates to the rights or obligations of the Agent or the Arranger may not be effected without the consent of the Agent or, as the case may be, the Arranger.

34. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

SECTION 11**GOVERNING LAW AND ENFORCEMENT****35. GOVERNING LAW**

This Agreement is governed by English law.

36. ENFORCEMENT**36.1 Arbitration**

Subject to Clause 36.4 (*Agent's option*), any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the "**Rules**").

36.2 Procedure for arbitration

- (a) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as Chairman (who shall be a lawyer currently qualified in England and Wales and be admitted to the Bar of England and Wales), shall be appointed by the LCIA Court as soon as possible and, in any event, within 15 days of the appointment of the second arbitrator.
 - (b) In the event the claimant(s) or the respondent(s) shall fail to nominate an arbitrator within the time limits specified in the Rules, such arbitrator shall be appointed by the LCIA Court as soon as possible and, in any event, within 15 days of such failure. In the event that both the claimant(s) and the respondent(s) fail to nominate an arbitrator within the time limits specified in the Rules, all three arbitrators shall be appointed by the LCIA Court as soon as possible and, in any event, within 15 days of such failure who shall designate one of them as chairman.
 - (c) If all the parties to an arbitration so agree, there shall be a sole arbitrator appointed by the LCIA Court as soon as possible and, in any event, within 15 days of such agreement.
 - (d) The seat of arbitration shall be London, England, and the language of the arbitration shall be English.
 - (e) Where disputes arise under this Agreement and/or any other Finance Document which, in the reasonable opinion of the first arbitrator to be appointed by a Finance Party in any of the disputes, are so closely connected that it is expedient for them to be resolved in the same proceedings, that arbitrator shall have the power to order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes (whether or not proceedings to resolve those other disputes have been instituted), **provided that** no date for the final hearing of the first arbitration has been fixed. If he so orders, the parties to each dispute which is subject to his order shall be treated as having consented to that dispute being finally decided:
 - (i) by the arbitrator who ordered the consolidation unless the LCIA Court decides that he would not be suitable or impartial; and
-

- (ii) in accordance with the procedure, at the seat and in the language specified in the arbitration agreement in the contract under which the arbitrator who ordered the consolidation was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of such agreement, ordered by the arbitrator in the consolidated proceedings.

36.3 Recourse to courts

Save as provided in Clause 36.4 (*Agent's option*), the parties exclude the jurisdiction of the courts under sections 45 and 69 of the Arbitration Act 1996.

36.4 Agent's option

Before an arbitrator has been appointed by a Finance Party to determine a Dispute, the Agent may (and, if so directed by the Majority Lenders, shall) by notice in writing to the Borrower require that all Disputes or a specific Dispute be heard by a court of law. If the Agent gives such notice, the Dispute to which such notice refers shall be determined in accordance with Clause 36.5 (*Jurisdiction*).

36.5 Jurisdiction

- (a) The courts of England have non-exclusive jurisdiction to settle any Dispute.
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 36.5 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

36.6 Service of process

Without prejudice to any other mode of service allowed under any relevant law, the Borrower:

- (a) irrevocably appoints Clifford Chance Secretaries Limited of 10 Upper Bank Street, London E14 5JJ, United Kingdom as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document governed by English law; and
- (b) agrees that failure by a process agent to notify the Borrower of the process will not invalidate the proceedings concerned.

36.7 Waiver of immunity

The Borrower irrevocably agrees that, should any party take any proceedings anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on behalf of it or with respect to its assets, any such immunity being irrevocably waived. The Borrower irrevocably agrees that it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under the Finance Documents.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1**THE ORIGINAL LENDERS**

Name of Original Lender	Tranche 1 Commitment	Tranche 2 Commitment
ABN AMRO Bank N.V.	20,400,000	13,600,000
CALYON	20,400,000	13,600,000
ING Bank N.V., Dublin Branch	20,400,000	13,600,000
Joint-Stock Bank Orgresbank	19,800,000	13,200,000
EFG Private Bank (Luxembourg) S.A.	15,000,000	10,000,000
Intesa Sanpaolo Bank Ireland plc	15,000,000	10,000,000
Banque Societe Generale Vostok	12,000,000	8,000,000
Alpha Bank A.E.	6,000,000	4,000,000
Banco Nacional Ultramarino, S.A.	6,000,000	4,000,000
Taiwan Cooperative Bank, Offshore Banking Branch	6,000,000	4,000,000
ZAO Svenska Handelsbanken	6,000,000	4,000,000
Bank Sinopac, Offshore Banking Branch	3,000,000	2,000,000
	<u>150,000,000</u>	<u>100,000,000</u>

SCHEDULE 2**CONDITIONS PRECEDENT AND SUBSEQUENT****PART I****CONDITIONS PRECEDENT****1. Obligors**

- (a) Notarised copy of each Obligor's duly registered constitutional documents (including any amendments thereto) and certificate of registration thereof in force at the date of each of the Finance Documents.
 - (b) Notarised copy of (i) each Obligor's registration certificate issued by the competent registration authority (if applicable), (ii) certificate of its entry into the Unified State Registry of Legal Entities issued by the competent tax authority and (iii) an extract from the Unified Registry of Legal Entities in relation to it issued by the competent tax authority as of the date no earlier than five days prior to the date of each of the Finance Documents.
 - (c) Certified copy of all internal approvals and corporate resolutions necessary to authorise each Obligor to execute and perform the Finance Documents to which it is a party and any related documents and the transactions contemplated thereunder (including, but not limited to, any major transaction approvals or interested party transaction approvals required under applicable Russian law).
 - (d) Evidence of the authority of the relevant signatories of each Obligor (including the Chief Accountant) to execute the Finance Documents to which it is party and any related documents.
 - (e) Original certificate issued by each Obligor:
 - (i) certifying the sample signature and office of each person that is to execute the Finance Documents to which it is party and any related documents on behalf of such Obligor and certifying that such signatories hold the positions in which capacity they will execute such documents;
 - (ii) certifying (A) that none of the Finance Documents to which it is party, and none of the transactions contemplated thereunder, does or will constitute a major transaction or an interested party transaction for it under applicable Russian law, except where requisite corporate approvals authorising all major transactions and all interested party transactions have been obtained by it with respect to such Finance Documents and (B) in the case of the Borrower only, that the aggregate value of the transactions contemplated under the Finance Documents exceeds 25 per cent. but does not exceed 50 per cent. of the balance sheet value of its assets as of the latest reporting date (prepared and calculated in accordance with RAS);
 - (iii) certifying that each copy document relating to it that is specified in Part I of this Schedule 2 is correct, complete and in full force and effect as of a date no earlier than each of the Finance Documents to which the relevant Obligor is a party;
-

- (iv) confirming that the conclusion of and the performance by it of its obligations under the Finance Documents to which it is a party and any related documents would not contravene any of its internal orders or regulations or decisions of its governing bodies and the power of the chief executive officer and, where relevant, other authorised signatories to act on its behalf, as defined in its constitutional documents and in any power(s) of attorney issued to any signatory/ies referred to in paragraph (i) above, is not limited by any of its internal documents or decisions of its governing bodies or by any contract; and
 - (v) confirming that borrowing, guaranteeing, as appropriate, the Total Commitments would not cause any borrowing, guaranteeing or similar limit binding on it to be exceeded.
- (f) Evidence that (A) the Borrower has complied or will comply with applicable currency control laws and regulations in respect of the entry into and performance of any Finance Document to which it is party, including a certified copy of the transaction passport (*passport sdelki*) of the Borrower in relation to the relevant Finance Documents (in the form established by Instruction 117-I or other applicable currency control laws and regulations, as the case may be) accepted and duly certified by the Passport Bank and (B) all necessary documents in relation to the Finance Documents have been submitted to the Passport Bank in accordance with applicable currency control laws and regulations and in form and substance satisfactory to the Passport Bank, together with certified copies of any of such documents as the Agent may require.

2. Legal opinions

- (a) A legal opinion of Linklaters LLP, legal advisers to the Arranger and the Agent in England.
- (b) A legal opinion of Linklaters CIS, legal advisers to the Arranger and the Agent in the Russian Federation.

3. Finance Documents

An executed original of each:

- (a) this Agreement;
- (b) each Guarantee; and
- (c) each Fee Letter.

4. Other documents and evidence

- (a) The Original Financial Statements of each Obligor.
 - (b) A certified copy of the business model of the Group (including cash flow projections, balance sheet and profit and loss accounts) for the financial year ended on 31 December 2007 as approved by the competent governing body of the Borrower that is able to effectively approve such matters.
 - (c) The latest available consolidated audited annual financial statements of the Borrower prepared in accordance with GAAP, if different from the Borrower's Original Financial Statements.
-

- (d) The latest available consolidated unaudited quarterly financial statements of the Borrower prepared in accordance with GAAP, if different from the Borrower's Original Financial Statements.
 - (e) The latest available financial statements of each Obligor prepared in accordance with RAS, together with the auditors' statement (if any), if different from the relevant Obligor's Original Financial Statements.
 - (f) Confirmation from the tax authorities of the Russian Federation that all liabilities of each Obligor to the tax authorities of the Russian Federation are being routinely discharged to the satisfaction of all the relevant authorities, in form and substance acceptable to the Agent.
 - (g) Evidence that any process agent referred to in Clause 36.6 (*Service of process*) of this Agreement, clause 14.6 (*Service of process*) of the WBD Guarantee and clause 14.6 (*Service of process*) of the WBD Beverages Guarantee has accepted its appointment.
 - (h) A certified copy of a Group structure chart as at the date no earlier than the date of this Agreement.
 - (i) Evidence that the fees, costs and expenses then due from the Borrower pursuant to Clause 11 (*Fees*) and Clause 16 (*Costs and expenses*) have been paid or will be paid by the first Utilisation Date.
 - (j) A copy of any other Authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
-

PART II

CONDITIONS SUBSEQUENT

- (a) A certified copy of the hedging policy adopted by the Borrower.
 - (b) A certified copy of the Agreed Reorganisation Memorandum, in form and substance satisfactory to the Agent (acting on the instructions of the Majority Lenders).
 - (c) A legal opinion of Clifford Chance CIS Limited, legal advisers to the Borrower in the Russian Federation, issued in relation to the Agreed Reorganisation and the Agreed Reorganisation Memorandum in form and substance satisfactory to the Agent (acting on the instructions of the Majority Lenders).
-

SCHEDULE 3

UTILISATION REQUEST

From: Open Joint Stock Company "Wimm-Bill-Dann Foods"

To: ING Bank N.V., London Branch as Agent

Dated:

Dear Sirs

**USD 250,000,000 Facility Agreement
dated [] 2008 (the "Agreement")**

- 1. We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.
- 2. We wish to borrow a Loan on the following terms:
 - Proposed Utilisation Date: [] (or, if that is not a Business Day, the next Business Day)
 - Tranche to be utilised: [Tranche 1/Tranche 2]
 - Currency of Loan: Dollars
 - Amount: []
 - Interest Period: 3 Months
- 3. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.
- 4. The proceeds of this Loan should be credited to [account].(1)
- 5. This Utilisation Request is irrevocable.

Yours faithfully

Signed: _____

<p>authorised signatory of Open Joint Stock Company "Wimm-Bill-Dann Foods"</p>	<p>Chief Accountant Open Joint Stock Company "Wimm-Bill-Dann Foods"</p>
--	---

(1) Account of the Borrower held with the Passport Bank.



SCHEDULE 4**MANDATORY COST FORMULA**

1. The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
2. On the first day of each Interest Period (or as soon as possible thereafter) the Agent shall calculate, as a percentage rate, a rate (the “**Additional Cost Rate**”) for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Agent as a weighted average of the Lenders’ Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.
3. The Additional Cost Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to the Agent. This percentage will be certified by that Lender in its notice to the Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender’s participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office.
4. The Additional Cost Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the Agent as follows:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum.}$$

Where: E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Agent as being the average of the most recent rates of charge supplied by the Reference Banks to the Agent pursuant to paragraph 6 below and expressed in pounds per £1,000,000.

5. For the purposes of this Schedule:
 - (a) “**Fees Rules**” means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
 - (b) “**Fee Tariffs**” means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and
 - (c) “**Tariff Base**” has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.
 6. If requested by the Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Agent, the rate of charge payable by that
-

Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.

7. Each Lender shall supply any information required by the Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:

- (i) the jurisdiction of its Facility Office; and
- (ii) any other information that the Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Agent of any change to the information provided by it pursuant to this paragraph 7.

8. The rates of charge of each Reference Bank for the purpose of E above shall be determined by the Agent based upon the information supplied to it pursuant to paragraphs 6 and 7 above.
9. The Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 6 and 7 above is true and correct in all respects.
10. The Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 6 and 7 above.
11. Any determination by the Agent pursuant to this Schedule 4 in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all Parties.
12. The Agent may from time to time, after consultation with the Borrower and the Lenders, determine and notify to all Parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all Parties.
-

SCHEDULE 5

FORM OF TRANSFER CERTIFICATE

To: ING BANK N.V., London Branch as Agent

From: [The Existing Lender] (the "Existing Lender") and [The New Lender] (the "New Lender")

Dated:

**USD 250,000,000 Facility Agreement
dated [] 2008 (the "Agreement")**

1. We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
 2. We refer to Clause 22.5 (*Procedure for transfer*):
 - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender's Commitment, rights and obligations referred to in the Schedule in accordance with Clause 22.5 (*Procedure for transfer*).
 - (b) The proposed Transfer Date is [].
 - (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 29.2 (*Addresses*) are set out in the Schedule.
 3. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (c) of Clause 22.4 (*Limitation of responsibility of Existing Lenders*).
 4. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
 5. This Transfer Certificate is governed by English law.
-

THE SCHEDULE

Commitment/rights and obligations to be transferred

[insert relevant details]

[Facility Office address, fax number and attention details for notices and account details for payments.]

[Existing Lender]

[New Lender]

By:

By:

This Transfer Certificate is accepted by the Agent and the Transfer Date is confirmed as

[].

[Agent]

By:



SCHEDULE 6

FORM OF COMPLIANCE CERTIFICATE

To: ING Bank N.V., London Branch as Agent

From: Open Joint Stock Company "Wimm-Bill-Dann Foods"

Dated:

Dear Sirs

**USD 250,000,000 Facility Agreement
dated [] 2008 (the "Agreement")**

1. We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.
2. We confirm that: [Insert details of covenants to be certified]
3. We confirm that no Default is continuing.

Signed:

 General Director
 Open Joint Stock Company
 "Wimm-Bill-Dann Foods"

 Chief Accountant
 Open Joint Stock Company
 "Wimm-Bill-Dann Foods"

[insert applicable certification language]

for and on behalf of

[name of auditors of the Borrower]



SCHEDULE 7

TIMETABLES

“D - “ refers to the number of Business Days before the relevant Utilisation Date/the first day of the relevant Interest Period.

Delivery of a duly completed Utilisation Request (Clause 5.1 (<i>Delivery of a Utilisation Request</i>))	D-3 10:00 a.m.
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Agent notifies the Lenders of the Loan in accordance with Clause 5.4 (<i>Lenders’ participation</i>)	D-3 11:00 a.m.
--	-------------------

LIBOR is fixed	Quotation Day as of 11:00 a.m.
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The Borrower

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

By:

By:

Chief Accountant

Address:

Fax No:

Attention:

The Arrangers

ABN AMRO BANK N.V.

By:

Address:

Fax No:

Attention:

CALYON

By:

Address:

Fax No:

Attention:

ING BANK N.V.

By:

Address:

Fax No:

Attention:



The Original Lenders

ABN AMRO BANK N.V.

By:

Address:

Fax No:

Attention:

CALYON

By:

Address:

Fax No:

Attention:

ING BANK N.V., DUBLIN BRANCH

By:

Address:

Fax No:

Attention:

JOINT-STOCK BANK ORGRESBANK

By:

Address:

Fax No:

Attention:

EFG PRIVATE BANK (LUXEMBOURG) S.A.

By:

Address:

Fax No:

Attention:

INTESA SANPAOLO BANK IRELAND PLC

By:

Address:

Fax No:

Attention:

BANQUE SOCIETE GENERALE VOSTOK

By:

Address:

Fax No:

Attention:

ALPHA BANK A.E.

By:

Address:

Fax No:

Attention:

BANCO NACIONAL ULTRAMARINO, S.A.

By:

Address:

Fax No:

Attention:

TAIWAN COOPERATIVE BANK, OFFSHORE BANKING BRANCH

By:

Address:

Fax No:

Attention:

ZAO SVENSKA HANDELSBANKEN

By:

Address:

Fax No:

Attention:

BANK SINOPAC, OFFSHORE BANKING BRANCH

By:

Address:

Fax No:

Attention:

The Agent

ING BANK N.V., LONDON BRANCH

By:

Address:

Fax No:

Attention:

DOC 7 Header

GUARANTEE

dated [] 2008

created by

OPEN JOINT-STOCK COMPANY "WIMM-BILL-DANN"

as Guarantor

in favour of

ING BANK N.V., LONDON BRANCH
as Agent

Ref: L-149937

Linklaters

Linklaters LLP

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THIS DEED OF GUARANTEE is dated [] 2008 and made between:

- (1) OPEN JOINT-STOCK COMPANY “WIMM-BILL-DANN” (the “**Guarantor**”); and
- (2) ING BANK N.V., LONDON BRANCH as agent of the other Finance Parties (the “**Agent**”).

BACKGROUND

- (A) The Guarantor is entering into this Deed in connection with the Finance Documents.
- (B) The Agent and the Guarantor intend this document to take effect as a deed (even though the Agent only executes it under hand).
- (C) The Agent is entering into this Deed on behalf of, and for the benefit of, the Finance Parties.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions and Construction

- (a) Unless a contrary indication appears, a term defined in the Facility Agreement has the same meaning in this Deed. In addition, in this Deed:

“**Borrower**” means Open Joint Stock Company “Wimm-Bill-Dann Foods”.

“**Facility Agreement**” means the USD 250,000,00 facility agreement dated on or about the date of this Deed between the Borrower, ABN AMRO Bank N.V., CALYON and ING Bank N.V. as mandated lead arrangers, the Lenders (as defined therein) and the Agent.

“**Party**” means a party to this Deed.

“**Repeating Representations**” means each of the representations set out in Clauses 7.1 (*Status*) to 7.6 (*Governing law and enforcement*), 7.9 (*No default*) to 7.13 (*No proceedings pending or threatened*) and 7.17 (*Taxes*).

- (b) Any reference in this Deed to a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerously) or replaced and includes any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under that Finance Document or other agreement or instrument.
- (c) The principles of construction set out in clause 1.2 (*Construction*) of the Facility Agreement shall have effect as if set out in this Deed.

1.2 Clauses

In this Deed any reference to a “**Clause**” or a “**Schedule**” is, unless the context otherwise requires, a reference to a Clause of or a Schedule to this Deed.

1.3 Third Party Rights

Subject to the remaining provisions of this Clause, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the “**Third Parties Act**”) to enforce or to enjoy the benefit of any term of this Deed. The Finance Parties through the Agent may enforce and rely on the terms of this Deed in accordance with the terms of this Deed and the Third Parties Act as if they were parties to this Deed.

1.4 Company as agent

The Guarantor authorises and instructs the Borrower to sign, despatch and/or receive as its agent all documents and notices to be signed, dispatched and/or received by the Guarantor, and to take as its agent any other action necessary or desirable, under or in connection with the Finance Documents.

2. GUARANTEE AND INDEMNITY

2.1 Guarantee and indemnity

The Guarantor irrevocably and unconditionally:

- (a) guarantees to each Finance Party punctual performance by each Obligor of all of that Obligor’s obligations under the Finance Documents;
- (b) undertakes with each Finance Party that whenever another Obligor does not pay any amount when due under or in connection with any Finance Document, the Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and
- (c) agrees with each Finance Party that if, for any reason, any amount claimed by a Finance Party under this Clause 2 is not recoverable on the basis of a guarantee, it will be liable to indemnify that Finance Party against any cost, loss or liability it incurs as a result of any Obligor not paying any amount when due under or in connection with any Finance Document. The amount payable by the Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 2 if the amount claimed had been recoverable on the basis of a guarantee.

2.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

2.3 Reinstatement

If as a result of insolvency or any similar event:

- (a) any payment by an Obligor is avoided, reduced or must be restored; or
- (b) any discharge or arrangement (whether in respect of the obligations of an Obligor or any security for those obligations or otherwise) is made in whole or in part on the basis of any payment, security or other thing which is avoided, reduced or must be restored:
 - (i) the liability of the Guarantor shall continue or be reinstated as if the payment, discharge, avoidance, arrangement or reduction had not occurred; and

- (ii) each Finance Party shall be entitled to recover the value or amount of that security or payment from the Guarantor, as if the payment, discharge, avoidance or reduction had not occurred.

2.4 Waiver of defences

The obligations of the Guarantor under this Clause 2 will not be affected by any act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its obligations under this Clause 2 (without limitation and whether or not known to it or any Finance Party) including:

- (a) any time, waiver or consent granted to, or composition with, any Obligor or any other person;
- (b) the release of any Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or any other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any Obligor or any other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document or any other document or security including any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (g) any insolvency or similar proceedings.

2.5 Immediate recourse

The Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Guarantor under this Clause 2. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

2.6 Appropriations

Until all amounts which may be or become payable by the Borrower under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against

those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and

- (b) hold in an interest-bearing suspense account any moneys received from the Guarantor or on account of the Guarantor's liability under this Clause 2.

2.7 Deferral of Guarantor's rights

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Agent otherwise directs, the Guarantor will not exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents:

- (a) to be indemnified by an Obligor;
- (b) to claim any contribution from any other guarantor of the Borrower's obligations under the Finance Documents; and/or
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party.

If the Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application in accordance with Clause 27 (*Payment mechanics*) of the Facility Agreement.

2.8 Additional security

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

3. INTEREST

3.1 Default interest

If the Guarantor fails to pay any amount payable by it under this Deed on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is the sum of 2 per cent and the rate which would have been payable under the Facility Agreement if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 3.1 shall be immediately payable by the Guarantor on demand by the Agent.

3.2 Compounding

Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

4. TAX GROSS-UP AND INDEMNITIES

4.1 Tax gross-up

- (a) The Guarantor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- (b) The Guarantor shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, the Agent shall notify the Guarantor on becoming so aware in respect of a payment payable to it or any Finance Party.
- (c) If a Tax Deduction is required by law to be made by the Guarantor, the amount of the payment due from the Guarantor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (d) If the Guarantor is required to make a Tax Deduction, the Guarantor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (e) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Guarantor shall deliver to the Agent evidence reasonably satisfactory to the Agent that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

4.2 Stamp taxes

The Guarantor shall pay and, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of this Deed.

4.3 Value added tax

- (a) All amounts set out, or expressed to be payable under a Finance Document by any party to a Finance Document which (in whole or in part) constitute the consideration for VAT purposes shall be deemed to be exclusive of any VAT which is chargeable on such supply, and accordingly, subject to paragraph (c) below, if VAT is chargeable on any supply made by any Finance Party to any party under a Finance Document, that party shall pay to the Finance Party (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT (and such Finance Party shall promptly provide an appropriate VAT invoice to such party).
- (b) If VAT is chargeable on any supply made by any Finance Party (the “**Supplier**”) to any other Finance Party (the “**Recipient**”) under a Finance Document, and any party to a Finance Document (the “**Relevant Party**”) is required by the terms of any Finance Document to pay an amount equal to the consideration for such supply to the Supplier (rather than being required to reimburse the Recipient in respect of that consideration), such party shall also pay to the Supplier (in addition to and at the same time as paying such amount) an amount equal to the amount of such VAT. The Recipient will promptly pay to the Relevant Party an amount equal to any credit or repayment from the relevant tax authority which it reasonably determines relates to the VAT chargeable on that supply.

Where a Finance Document requires any party thereto to reimburse a Finance Party for any costs or expenses, that party shall also at the same time pay and indemnify the Finance Party against all VAT incurred by the Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that neither it nor any other member of any group of which it is a member for VAT purposes is entitled to credit or repayment from the relevant tax authority in respect of the VAT.

5. OTHER INDEMNITIES

5.1 Currency indemnity

(a) If any sum due from the Guarantor under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:

- (i) making or filing a claim or proof against the Guarantor;
- (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Guarantor shall as an independent obligation, within five Business Days of demand, indemnify each Finance Party to which that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) The Guarantor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

5.2 Indemnities separate

Each indemnity in each Finance Document shall:

- (a) constitute a separate and independent obligation from the other obligations in that or any other Finance Document;
- (b) give rise to a separate and independent cause of action;
- (c) apply irrespective of any indulgence granted by any Finance Party;
- (d) continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Finance Document or any other judgment or order; and
- (e) apply whether or not any claim under it relates to any matter disclosed by the Guarantor or otherwise known to any Finance Party.

6. ENFORCEMENT COSTS

To the extent not paid by the Borrower, the Guarantor shall, within five Business Days of demand, pay the Agent the amount of all costs and expenses (including legal fees) incurred by

the Agent in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

7. REPRESENTATIONS

The Guarantor makes the representations and warranties set out in this Clause 7 to each Finance Party on the date of this Deed.

7.1 Status

- (a) It is an open joint stock company, duly incorporated and validly existing under the laws of the Russian Federation.
- (b) It and each of its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

7.2 Binding obligations

The obligations expressed to be assumed by it in this Deed are, subject to any Reservations, legal, valid, binding and enforceable.

7.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, this Deed do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its or any of its Subsidiaries' constitutional or other internal documents; or
- (c) any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries' assets,

nor result in the existence of, or oblige it to create, any Security over any of its or its Subsidiaries' assets. For the avoidance of doubt and without limiting the generality of the foregoing, guaranteeing the Total Commitments will not cause any guaranteeing limit binding upon it to be exceeded nor will such guaranteeing or the entry into this Deed oblige it to enter into any subordination agreement in respect thereof.

7.4 Power and authority

- (a) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Deed and the transactions contemplated thereby.
- (b) Without limiting the generality of paragraph (a) above, this Deed, and the transactions contemplated thereunder, does not or will not constitute a major transaction or an interested party transaction for it under applicable Russian law, except where requisite corporate approvals authorising all major transactions and all interested party transactions have been obtained by it with respect to this Deed.

7.5 Validity and admissibility in evidence

All Authorisations required or desirable:

(a) to enable it lawfully to enter into, exercise its rights and comply with its obligations under this Deed; and

(b) to make this Deed admissible in evidence in its jurisdiction of incorporation,

have been (or will be when required by applicable law or regulation) obtained or effected and are (or will be at the time required by applicable law or regulation) in full force and effect.

7.6 **Governing law and enforcement**

(a) Subject to any Reservations, the choice of English law as the governing law of this Deed will be recognised and enforced in its jurisdiction of incorporation.

(b) Subject to any Reservations, any arbitration award obtained in England in relation to this Deed will be recognised and enforced in its jurisdiction of incorporation.

7.7 **Deduction of Tax**

It is not required to make any deduction for or on account of Tax from any payment it may make under this Deed.

7.8 **No filing or stamp taxes**

Under the law of its jurisdiction of incorporation it is not necessary that this Deed be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to this Deed or the transactions contemplated thereby.

7.9 **No default**

(a) No Default is continuing or might reasonably be expected to result from the making of any Utilisation.

(b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which might have a Material Adverse Effect.

7.10 **No misleading information**

(a) Any factual information provided by or on behalf of it in writing in connection with any Finance Document (including, without limitation, the Agreed Reorganisation Memorandum) was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

(b) Any financial projections contained in any written information provided by or on behalf of it to any Finance Party in connection with any Finance Document have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.

(c) Nothing has occurred or been omitted from any written information (including, without limitation, the Agreed Reorganisation Memorandum) provided by it to any Finance Party in connection with any Finance Document that results in the information referred to in paragraphs (a) and (b) above being untrue or misleading in any material respect.

7.11 **Financial statements**

(a) Its Original Financial Statements were prepared in accordance with RAS consistently applied.

- (b) Its Original Financial Statements represent its financial condition and operations as at the end of and for the relevant financial period.
- (c) It has not incurred any material liabilities since the date of its Original Financial Statements or its most recent financial statements delivered pursuant to Clause 8.1 (*Financial statements*) (whichever is later), which were not disclosed to the Agent in writing.
- (d) There has been no material adverse change in its business or financial condition since the date of its Original Financial Statements.

7.12 **Pari passu ranking**

Its payment obligations under this Deed rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

7.13 **No proceedings pending or threatened**

Save as fully, fairly and specifically disclosed to the Agent in writing prior to the date of this Deed and except for any frivolous or vexatious proceedings which are being contested in good faith and with appropriate action and which are discharged, stayed or dismissed within 30 days from commencement, no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency (including any arising from or relating to Environmental Law) have been started or threatened against it or any of its Subsidiaries.

7.14 **Title**

It and each of its Subsidiaries has good and marketable title to, or valid leases or licences of, or is otherwise entitled to use, all material assets necessary for the conduct of its business as it is being, and is proposed to be, conducted.

7.15 **Environmental Laws and Environmental Licences**

Except as fully, fairly and specifically disclosed to the Agent in writing prior to the date of this Agreement, it and each of its Subsidiaries has:

- (a) complied with all Environmental Laws to which it may be subject;
- (b) obtained all Environmental Licences required or desirable in connection with its business; and
- (c) complied with the terms of those Environmental Licences.

7.16 **Environmental releases**

No:

- (a) property currently or previously owned, leased, occupied or controlled by it or any of its Subsidiaries (including any offsite waste management or disposal location utilised by it or any of its Subsidiaries) is contaminated with any Hazardous Substance; and
- (b) discharge, release, leaching, migration or escape of any Hazardous Substance into the Environment has occurred or is occurring on, under or from that property.

7.17 Taxes

- (a) It and each of its Subsidiaries are not materially overdue in filing any income tax returns and all other material tax returns which are required to be filed in all jurisdictions.
- (b) It and each of its Subsidiaries have duly paid when due all Taxes required to be paid by it other than any Taxes:
 - (i) that are being contested by it in good faith and in accordance with the relevant procedures, for which adequate reserves are being maintained in accordance with GAAP and where payment can be lawfully withheld and will not result in the imposition of any penalty nor in any attachment or freezing of its assets; or
 - (ii) the non-payment of which is not likely to have a Material Adverse Effect.

7.18 Pensions, undisclosed liabilities

- (a) Neither it nor any of its Subsidiaries have any material liability in respect of any pension scheme or otherwise and there are no circumstances which would give rise to such a liability.
- (b) It and each of its Subsidiaries is in compliance with all applicable laws and contracts relating to and the governing provisions of the pension schemes maintained by or for its or any of its Subsidiaries' benefit or for the benefit of any of its or its Subsidiaries' employees.

7.19 Immunity

- (a) The execution and delivery of this Deed by it constitutes, and the exercise by it of its rights and performance of its obligations under this Deed will constitute, private and commercial acts performed for private and commercial purposes.
- (b) It will not be entitled to claim immunity from suit, execution, attachment or other legal process in any proceedings taken in any jurisdiction in relation to this Deed.

7.20 Solvency

- (a) It is not insolvent or unable to pay its debts (including subordinated and contingent debts), nor could it be deemed by a court to be unable to pay its debts within the meaning of the law of the jurisdiction in which it is incorporated nor, in any such case, will it become so in consequence of entering into this Deed, and/or performing any transaction contemplated by this Deed.
- (b) It has not taken any corporate action nor have any legal proceedings or other procedure or step been taken, started or threatened in relation to anything referred to in Clause 21.8 (*Insolvency proceedings*) of the Facility Agreement.

7.21 No Security

No Security exists over all or any of its (or any of its Subsidiaries') assets other than Permitted Security.

7.22 Repetition

The Repeating Representations are deemed to be made by the Guarantor by reference to the facts and circumstances then existing on the date of each Utilisation Request, the date on which the Agreed Reorganisation is completed and the first day of each Interest Period.

8. INFORMATION UNDERTAKINGS

The undertakings in this Clause 8 remain in force from the date of this Deed for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

8.1 Financial statements

The Guarantor shall supply to the Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available but in any event within 180 days after the end of its financial years, its audited financial statements for that financial year prepared in accordance with RAS;
- (b) as soon as the same become available but in any event within 95 days after the end of each of its financial years, its unaudited financial statements for that financial year prepared in accordance with RAS;
- (c) as soon as the same become available, but in any event within 35 days after the end of each quarter of each of its financial years, its financial statements for that financial quarter prepared in accordance with RAS; and

8.2 Requirements as to financial statements

- (a) Each set of financial statements delivered by the Guarantor pursuant to Clause 8.1 (*Financial statements*) shall be certified by the general director and the chief accountant of the Guarantor as fairly representing its financial condition and operations as at the end of and for the period in relation to which those financial statements were drawn up.
- (b) The Guarantor shall procure that each set of its financial statements delivered pursuant to Clause 8.1 (*Financial statements*) is prepared using RAS, accounting practices and financial reference periods consistent with those applied in the preparation of its Original Financial Statements unless, in relation to any set of financial statements, it notifies the Agent that there has been a change in RAS, the accounting practices or reference periods and its auditors deliver to the Agent:
 - (i) a description of any change necessary for those financial statements to reflect RAS, accounting practices and reference periods upon which its Original Financial Statements were prepared; and
 - (ii) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Lenders to determine whether Clause 19 (*Financial covenants*) of the Facility Agreement has been complied with and make an accurate comparison between the financial position indicated in those financial statements and its Original Financial Statements.

Any reference in this Deed to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

8.3 Information: miscellaneous

The Guarantor shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

- (a) all documents dispatched by the Guarantor to its shareholders (or any class of them) or its creditors generally at the same time as they are dispatched;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against it or any of its Subsidiaries and which is reasonably likely to be adversely determined and, if adversely determined, could reasonably be expected to have a Material Adverse Effect;
- (c) promptly, such further information regarding its or any of its Subsidiaries' financial condition, business and operations as any Finance Party (through the Agent) may reasonably request.

8.4 Notification of default

The Guarantor shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless the Guarantor is aware that a notification has already been provided by another Obligor).

9. GENERAL UNDERTAKINGS

The undertakings in this Clause 9 remain in force from the date of this Deed for so long as any amount is outstanding under this Deed or any Commitment is in force.

9.1 Authorisations

The Guarantor shall promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (b) supply certified copies to the Agent of

any Authorisation required under any law or regulation of its jurisdiction of incorporation to enable it to perform its obligations under this Deed and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of this Deed.

9.2 Compliance with laws

The Guarantor shall comply in all respects with all laws to which it may be subject, if failure so to comply is reasonably likely to impair its ability to perform its obligations under this Deed.

9.3 Negative pledge

The Guarantor shall not create or permit to subsist any Security over any of its assets other than Permitted Security.

9.4 Disposals

The Guarantor shall not, and shall procure that none of its Subsidiaries will, enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of any asset other than a Permitted Disposal.

9.5 Reorganisation

The Guarantor shall not (and shall ensure that none of its Subsidiaries will) enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva*), company accession (*prisoedinyeniye obschestva*), company division (*razdelyeniye obschestva*),

company separation (*vydelyeniye obschestva*), company transformation (*preobrazovaniye obschestva*), company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction, other than the Agreed Reorganisation, in each case, without the prior consent of the Agent.

9.6 Acquisitions

Save with the prior written consent of the Agent, the Guarantor shall not (and shall ensure that none of its Subsidiaries will) make any Acquisition, other than an Acquisition of a business or going concern with business operations substantially similar to the general nature of the business of the Group, provided that:

- (a) the aggregate Acquisition Costs in any financial year do not exceed 25 per cent. of the Total Assets of the Group for such financial year as construed by reference to the consolidated financial statements of the Borrower delivered under paragraph (a) of Clause 18.1 (*Financial statements*) of the Facility Agreement;
- (b) such Acquisition is made at fair market value; and
- (c) no Default is continuing or would result from the proposed Acquisition.

9.7 Change of business

The Guarantor shall procure that no change is made to the general nature of its or any of its Subsidiaries' business as a whole from that carried on at the date of this Deed.

9.8 Insurance

The Guarantor shall, and shall procure that each of its Subsidiaries will, maintain insurances on and in relation to its business and assets with reputable underwriters or insurance companies.

9.9 Environmental undertakings

The Guarantor shall, and shall procure that each of its Subsidiaries will:

- (a) comply with all Environmental Laws to which it may be subject;
- (b) obtain all Environmental Licences required or desirable in connection with its business; and
- (c) comply with the terms of all those Environmental Licences.

9.10 Environmental claims

The Guarantor shall, and shall procure that each of its Subsidiaries will, promptly notify the Agent of any claim, notice or other communication received by it in respect of any actual or alleged breach of or liability under Environmental Law.

9.11 Loans

- (a) The Guarantor shall not, and shall ensure that none of its Subsidiaries shall, without the prior written consent of the Agent, make any loans or grant any credit to or for the benefit of any person.
- (b) Paragraph (a) above does not apply to:

- (i) any trade credit extended by the Guarantor to its customers on arm's length terms and in the ordinary course of trading;
- (ii) any unsecured loans granted by the Guarantor to another Obligor;
- (iii) any loans granted by the Guarantor to any other member of the Group which is not an Obligor on arm's length terms; and
- (iv) any loans granted by an Obligor to any person which is not a member of the Group, provided that:
 - (A) without prejudice to paragraph (C) below, the aggregate amount of all such loans granted to distributors or suppliers of raw milk and other dairy products to any member of the Group does not exceed 10 per cent. of the Total Assets of the Group;
 - (B) without prejudice to paragraph (C) below, the aggregate amount of all such loans granted to persons other than distributors or suppliers of raw milk and other dairy products to any member of the Group does not exceed 5 per cent. of the Total Assets of the Group; and
 - (C) the aggregate amount of all such loans and credit referred to in this paragraph (iv) does not exceed 10 per cent. of the Total Assets of the Group.

9.12 Guarantees

The Guarantor shall not, without the prior written consent of the Agent, grant any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person, other than:

- (a) any guarantee granted by the Guarantor to any person which is not a member of the Group in respect of the obligations of any other member of the Group;
- (b) any guarantee or indemnity granted pursuant to this Deed; or
- (c) any Permitted Guarantee.

9.13 Acknowledgement following Agreed Reorganisation

Following completion of the Agreed Reorganisation, if the Agreed Reorganisation in relation to the Guarantor is by way of the merger of the Guarantor and the Borrower, the Guarantor shall (i) if required or desirable in accordance with applicable law, assign its rights and novate its obligations under this Deed to the resulting entity and (ii) procure that the resulting entity shall acknowledge such rights and obligations as if it were an original party to this Deed, in form and substance satisfactory to the Agent.

10. ASSIGNMENT

The Guarantor may not assign any of its rights or transfer any of its rights or obligations under the Finance Documents, except as permitted in accordance with the Agreed Reorganisation.

11. INCORPORATION OF TERMS

- (a) The provisions of Clause 25 (*Conduct of business by Finance Parties*) and Clause 27 (*Payment Mechanics*) to Clause 34 (*Counterparts*) of the Facility Agreement shall be incorporated into this Deed as if set out in full in this Deed and as if references in those clauses to “this Agreement” and “the Borrower” were references to this Deed and the Guarantor.
- (b) For the purposes of Clause 29 (*Notices*) of the Facility Agreement, the notice details for the Guarantor are as set out on the execution page to this Deed.

12. GOVERNING LAW

This Agreement is governed by English law.

13. ENFORCEMENT

13.1 Arbitration

Subject to Clause 13.4 (*Agent’s option*), any dispute arising out of or in connection with this Deed (including a dispute regarding the existence, validity or termination of this Deed) (a “**Dispute**”) shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the “**Rules**”).

13.2 Procedure for arbitration

- (a) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as Chairman (who shall be a lawyer currently qualified in England and Wales and be admitted to the Bar of England and Wales), shall be appointed by the LCIA Court as soon as possible and, in any event, within 15 days of the appointment of the second arbitrator.
- (b) In the event the claimant(s) or the respondent(s) shall fail to nominate an arbitrator within the time limits specified in the Rules, such arbitrator shall be appointed by the LCIA Court as soon as possible and, in any event, within 15 days of such failure. In the event that both the claimant(s) and the respondent(s) fail to nominate an arbitrator within the time limits specified in the Rules, all three arbitrators shall be appointed by the LCIA Court as soon as possible and, in any event, within 15 days of such failure who shall designate one of them as chairman.
- (c) If all the parties to an arbitration so agree, there shall be a sole arbitrator appointed by the LCIA Court as soon as possible and, in any event, within 15 days of such agreement.
- (d) The seat of arbitration shall be London, England, and the language of the arbitration shall be English.
- (e) Where disputes arise under this Deed and/or any other Finance Document which, in the reasonable opinion of the first arbitrator to be appointed by a Finance Party in any of the disputes, are so closely connected that it is expedient for them to be resolved in the same proceedings, that arbitrator shall have the power to order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes (whether or not proceedings to resolve those other disputes have been instituted), **provided that** no date for the

final hearing of the first arbitration has been fixed. If he so orders, the parties to each dispute which is subject to his order shall be treated as having consented to that dispute being finally decided:

- (i) by the arbitrator who ordered the consolidation unless the LCIA Court decides that he would not be suitable or impartial; and
- (ii) in accordance with the procedure, at the seat and in the language specified in the arbitration agreement in the contract under which the arbitrator who ordered the consolidation was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of such agreement, ordered by the arbitrator in the consolidated proceedings.

13.3 Recourse to courts

Save as provided in Clause 13.4 (*Agent's option*), the parties exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.

13.4 Agent's option

Before an arbitrator has been appointed by a Finance Party to determine a Dispute, the Agent may (and, if so directed by the Majority Lenders shall) by notice in writing to the Guarantor require that all Disputes or a specific Dispute be heard by a court of law. If the Agent gives such notice, the Dispute to which such notice refers shall be determined in accordance with Clause 13.5 (*Jurisdiction*).

13.5 Jurisdiction

- (a) Subject to Clause 13.1 (*Arbitration*), the courts of England have exclusive jurisdiction to settle all Disputes.
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 13.5 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

13.6 Service of process

Without prejudice to any other mode of service allowed under any relevant law, the Guarantor:

- (a) irrevocably appoints Clifford Chance Secretaries Limited of 10 Upper Bank Street, London E14 5JJ, United Kingdom as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document governed by English law; and
- (b) agrees that failure by a process agent to notify the Guarantor of the process will not invalidate the proceedings concerned.

13.7 Waiver of immunity

The Guarantor irrevocably agrees that, should any party take any proceedings anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the

extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on behalf of it or with respect to its assets, any such immunity being irrevocably waived. The Guarantor irrevocably agrees that it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under the Finance Documents.

IN WITNESS whereof this Deed has been executed and delivered and is intended to be delivered as a deed on the date first stated above.

THE GUARANTOR

EXECUTED AS A DEED

OPEN JOINT STOCK COMPANY "WIMM-BILL-DANN"

Address:

Fax No:

Attention:

By: _____

By: _____

Name: _____

Name: _____

Title: Authorised signatory

Title: Chief Accountant

THE AGENT

ING BANK N.V., LONDON BRANCH

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

DOC 8 Header

GUARANTEE

dated [] 2008

created by

PUBLIC JOINT-STOCK COMPANY "WIMM-BILL-DANN BEVERAGES"

as Guarantor

in favour of

ING BANK N.V., LONDON BRANCH
as Agent

Ref: L-149937

Linklaters

Linklaters LLP

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THIS DEED OF GUARANTEE is dated [] 2008 and made between:

- (1) PUBLIC JOINT-STOCK COMPANY “WIMM-BILL-DANN BEVERAGES” (the “**Guarantor**”); and
- (2) ING BANK N.V., LONDON BRANCH as agent of the other Finance Parties (the “**Agent**”).

BACKGROUND

- (A) The Guarantor is entering into this Deed in connection with the Finance Documents.
- (B) The Agent and the Guarantor intend this document to take effect as a deed (even though the Agent only executes it under hand).
- (C) The Agent is entering into this Deed on behalf of, and for the benefit of, the Finance Parties.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions and Construction

- (a) Unless a contrary indication appears, a term defined in the Facility Agreement has the same meaning in this Deed. In addition, in this Deed:

“**Borrower**” means Open Joint Stock Company “Wimm-Bill-Dann Foods”.

“**Facility Agreement**” means the USD 250,000,00 facility agreement dated on or about the date of this Deed between the Borrower, ABN AMRO Bank N.V., CALYON and ING Bank N.V. as mandated lead arrangers, the Lenders (as defined therein) and the Agent.

“**Party**” means a party to this Deed.

“**Repeating Representations**” means each of the representations set out in Clauses 7.1 (*Status*) to 7.6 (*Governing law and enforcement*), 7.9 (*No default*) to 7.13 (*No proceedings pending or threatened*) and 7.17 (*Taxes*).

- (b) Any reference in this Deed to a “**Finance Document**” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerously) or replaced and includes any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under that Finance Document or other agreement or instrument.
- (c) The principles of construction set out in clause 1.2 (*Construction*) of the Facility Agreement shall have effect as if set out in this Deed.

1.2 Clauses

In this Deed any reference to a “Clause” or a “Schedule” is, unless the context otherwise requires, a reference to a Clause of or a Schedule to this Deed.

1.3 **Third Party Rights**

Subject to the remaining provisions of this Clause, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or to enjoy the benefit of any term of this Deed. The Finance Parties through the Agent may enforce and rely on the terms of this Deed in accordance with the terms of this Deed and the Third Parties Act as if they were parties to this Deed.

1.4 **Company as agent**

The Guarantor authorises and instructs the Borrower to sign, despatch and/or receive as its agent all documents and notices to be signed, dispatched and/or received by the Guarantor, and to take as its agent any other action necessary or desirable, under or in connection with the Finance Documents.

2. **GUARANTEE AND INDEMNITY**

2.1 **Guarantee and indemnity**

The Guarantor irrevocably and unconditionally:

- (a) guarantees to each Finance Party punctual performance by each Obligor of all of that Obligor's obligations under the Finance Documents;
- (b) undertakes with each Finance Party that whenever another Obligor does not pay any amount when due under or in connection with any Finance Document, the Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and
- (c) agrees with each Finance Party that if, for any reason, any amount claimed by a Finance Party under this Clause 2 is not recoverable on the basis of a guarantee, it will be liable to indemnify that Finance Party against any cost, loss or liability it incurs as a result of any Obligor not paying any amount when due under or in connection with any Finance Document. The amount payable by the Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 2 if the amount claimed had been recoverable on the basis of a guarantee.

2.2 **Continuing guarantee**

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

2.3 **Reinstatement**

If as a result of insolvency or any similar event:

- (a) any payment by an Obligor is avoided, reduced or must be restored; or
- (b) any discharge or arrangement (whether in respect of the obligations of an Obligor or any security for those obligations or otherwise) is made in whole or in part on the basis of any payment, security or other thing which is avoided, reduced or must be restored:
 - (i) the liability of the Guarantor shall continue or be reinstated as if the payment, discharge, avoidance, arrangement or reduction had not occurred; and

- (ii) each Finance Party shall be entitled to recover the value or amount of that security or payment from the Guarantor, as if the payment, discharge, avoidance or reduction had not occurred.

2.4 Waiver of defences

The obligations of the Guarantor under this Clause 2 will not be affected by any act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its obligations under this Clause 2 (without limitation and whether or not known to it or any Finance Party) including:

- (a) any time, waiver or consent granted to, or composition with, any Obligor or any other person;
- (b) the release of any Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or any other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any Obligor or any other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document or any other document or security including any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (g) any insolvency or similar proceedings.

2.5 Immediate recourse

The Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Guarantor under this Clause 2. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

2.6 Appropriations

Until all amounts which may be or become payable by the Borrower under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against

those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and

- (b) hold in an interest-bearing suspense account any moneys received from the Guarantor or on account of the Guarantor's liability under this Clause 2.

2.7 Deferral of Guarantor's rights

Until all amounts which may be or become payable by the Obligor under or in connection with the Finance Documents have been irrevocably paid in full and unless the Agent otherwise directs, the Guarantor will not exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents:

- (a) to be indemnified by an Obligor;
- (b) to claim any contribution from any other guarantor of the Borrower's obligations under the Finance Documents; and/or
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party.

If the Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligor under or in connection with the Finance Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application in accordance with Clause 27 (*Payment mechanics*) of the Facility Agreement.

2.8 Additional security

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

3. INTEREST

3.1 Default interest

If the Guarantor fails to pay any amount payable by it under this Deed on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is the sum of 2 per cent and the rate which would have been payable under the Facility Agreement if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 3.1 shall be immediately payable by the Guarantor on demand by the Agent.

3.2 Compounding

Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

4. TAX GROSS-UP AND INDEMNITIES

4.1 Tax gross-up

- (a) The Guarantor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- (b) The Guarantor shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, the Agent shall notify the Guarantor on becoming so aware in respect of a payment payable to it or any Finance Party.
- (c) If a Tax Deduction is required by law to be made by the Guarantor, the amount of the payment due from the Guarantor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (d) If the Guarantor is required to make a Tax Deduction, the Guarantor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (e) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Guarantor shall deliver to the Agent evidence reasonably satisfactory to the Agent that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

4.2 Stamp taxes

The Guarantor shall pay and, within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of this Deed.

4.3 Value added tax

- (a) All amounts set out, or expressed to be payable under a Finance Document by any party to a Finance Document which (in whole or in part) constitute the consideration for VAT purposes shall be deemed to be exclusive of any VAT which is chargeable on such supply, and accordingly, subject to paragraph (c) below, if VAT is chargeable on any supply made by any Finance Party to any party under a Finance Document, that party shall pay to the Finance Party (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT (and such Finance Party shall promptly provide an appropriate VAT invoice to such party).
- (b) If VAT is chargeable on any supply made by any Finance Party (the “**Supplier**”) to any other Finance Party (the “**Recipient**”) under a Finance Document, and any party to a Finance Document (the “**Relevant Party**”) is required by the terms of any Finance Document to pay an amount equal to the consideration for such supply to the Supplier (rather than being required to reimburse the Recipient in respect of that consideration), such party shall also pay to the Supplier (in addition to and at the same time as paying such amount) an amount equal to the amount of such VAT. The Recipient will promptly pay to the Relevant Party an amount equal to any credit or repayment from the relevant tax authority which it reasonably determines relates to the VAT chargeable on that supply.

Where a Finance Document requires any party thereto to reimburse a Finance Party for any costs or expenses, that party shall also at the same time pay and indemnify the Finance Party against all VAT incurred by the Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that neither it nor any other member of any group of which it is a member for VAT purposes is entitled to credit or repayment from the relevant tax authority in respect of the VAT.

5. OTHER INDEMNITIES

5.1 Currency indemnity

(a) If any sum due from the Guarantor under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:

- (i) making or filing a claim or proof against the Guarantor;
- (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Guarantor shall as an independent obligation, within five Business Days of demand, indemnify each Finance Party to which that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) The Guarantor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

5.2 Indemnities separate

Each indemnity in each Finance Document shall:

- (a) constitute a separate and independent obligation from the other obligations in that or any other Finance Document;
- (b) give rise to a separate and independent cause of action;
- (c) apply irrespective of any indulgence granted by any Finance Party;
- (d) continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Finance Document or any other judgment or order; and
- (e) apply whether or not any claim under it relates to any matter disclosed by the Guarantor or otherwise known to any Finance Party.

6. ENFORCEMENT COSTS

To the extent not paid by the Borrower, the Guarantor shall, within five Business Days of demand, pay the Agent the amount of all costs and expenses (including legal fees) incurred by

the Agent in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

7. REPRESENTATIONS

The Guarantor makes the representations and warranties set out in this Clause 7 to each Finance Party on the date of this Deed.

7.1 Status

- (a) It is an open joint stock company, duly incorporated and validly existing under the laws of the Russian Federation.
- (b) It and each of its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

7.2 Binding obligations

The obligations expressed to be assumed by it in this Deed are, subject to any Reservations, legal, valid, binding and enforceable.

7.3 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, this Deed do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its or any of its Subsidiaries' constitutional or other internal documents; or
- (c) any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries' assets,

nor result in the existence of, or oblige it to create, any Security over any of its or its Subsidiaries' assets. For the avoidance of doubt and without limiting the generality of the foregoing, guaranteeing the Total Commitments will not cause any guaranteeing limit binding upon it to be exceeded nor will such guaranteeing or the entry into this Deed oblige it to enter into any subordination agreement in respect thereof.

7.4 Power and authority

- (a) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Deed and the transactions contemplated thereby.
- (b) Without limiting the generality of paragraph (a) above, this Deed, and the transactions contemplated thereunder, does not or will not constitute a major transaction or an interested party transaction for it under applicable Russian law, except where requisite corporate approvals authorising all major transactions and all interested party transactions have been obtained by it with respect to this Deed.

7.5 Validity and admissibility in evidence

All Authorisations required or desirable:

(a) to enable it lawfully to enter into, exercise its rights and comply with its obligations under this Deed; and

(b) to make this Deed admissible in evidence in its jurisdiction of incorporation,

have been (or will be when required by applicable law or regulation) obtained or effected and are (or will be at the time required by applicable law or regulation) in full force and effect.

7.6 **Governing law and enforcement**

(a) Subject to any Reservations, the choice of English law as the governing law of this Deed will be recognised and enforced in its jurisdiction of incorporation.

(b) Subject to any Reservations, any arbitration award obtained in England in relation to this Deed will be recognised and enforced in its jurisdiction of incorporation.

7.7 **Deduction of Tax**

It is not required to make any deduction for or on account of Tax from any payment it may make under this Deed.

7.8 **No filing or stamp taxes**

Under the law of its jurisdiction of incorporation it is not necessary that this Deed be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to this Deed or the transactions contemplated thereby.

7.9 **No default**

(a) No Default is continuing or might reasonably be expected to result from the making of any Utilisation.

(b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which might have a Material Adverse Effect.

7.10 **No misleading information**

(a) Any factual information provided by or on behalf of it in writing in connection with any Finance Document (including, without limitation, the Agreed Reorganisation Memorandum) was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

(b) Any financial projections contained in any written information provided by or on behalf of it to any Finance Party in connection with any Finance Document have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.

(c) Nothing has occurred or been omitted from any written information (including, without limitation, the Agreed Reorganisation Memorandum) provided by it to any Finance Party in connection with any Finance Document that results in the information referred to in paragraphs (a) and (b) above being untrue or misleading in any material respect.

7.11 **Financial statements**

(a) Its Original Financial Statements were prepared in accordance with RAS consistently applied.

- (b) Its Original Financial Statements represent its financial condition and operations as at the end of and for the relevant financial period.
- (c) It has not incurred any material liabilities since the date of its Original Financial Statements or its most recent financial statements delivered pursuant to Clause 8.1 (*Financial statements*) (whichever is later), which were not disclosed to the Agent in writing.
- (d) There has been no material adverse change in its business or financial condition since the date of its Original Financial Statements.

7.12 **Pari passu ranking**

Its payment obligations under this Deed rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

7.13 **No proceedings pending or threatened**

Save as fully, fairly and specifically disclosed to the Agent in writing prior to the date of this Deed and except for any frivolous or vexatious proceedings which are being contested in good faith and with appropriate action and which are discharged, stayed or dismissed within 30 days from commencement, no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency (including any arising from or relating to Environmental Law) have been started or threatened against it or any of its Subsidiaries.

7.14 **Title**

It and each of its Subsidiaries has good and marketable title to, or valid leases or licences of, or is otherwise entitled to use, all material assets necessary for the conduct of its business as it is being, and is proposed to be, conducted.

7.15 **Environmental Laws and Environmental Licences**

Except as fully, fairly and specifically disclosed to the Agent in writing prior to the date of this Agreement, it and each of its Subsidiaries has:

- (a) complied with all Environmental Laws to which it may be subject;
- (b) obtained all Environmental Licences required or desirable in connection with its business; and
- (c) complied with the terms of those Environmental Licences.

7.16 **Environmental releases**

No:

- (a) property currently or previously owned, leased, occupied or controlled by it or any of its Subsidiaries (including any offsite waste management or disposal location utilised by it or any of its Subsidiaries) is contaminated with any Hazardous Substance; and
- (b) discharge, release, leaching, migration or escape of any Hazardous Substance into the Environment has occurred or is occurring on, under or from that property.

7.17 Taxes

- (a) It and each of its Subsidiaries are not materially overdue in filing any income tax returns and all other material tax returns which are required to be filed in all jurisdictions.
- (b) It and each of its Subsidiaries have duly paid when due all Taxes required to be paid by it other than any Taxes:
 - (i) that are being contested by it in good faith and in accordance with the relevant procedures, for which adequate reserves are being maintained in accordance with GAAP and where payment can be lawfully withheld and will not result in the imposition of any penalty nor in any attachment or freezing of its assets; or
 - (ii) the non-payment of which is not likely to have a Material Adverse Effect.

7.18 Pensions, undisclosed liabilities

- (a) Neither it nor any of its Subsidiaries have any material liability in respect of any pension scheme or otherwise and there are no circumstances which would give rise to such a liability.
- (b) It and each of its Subsidiaries is in compliance with all applicable laws and contracts relating to and the governing provisions of the pension schemes maintained by or for its or any of its Subsidiaries' benefit or for the benefit of any of its or its Subsidiaries' employees.

7.19 Immunity

- (a) The execution and delivery of this Deed by it constitutes, and the exercise by it of its rights and performance of its obligations under this Deed will constitute, private and commercial acts performed for private and commercial purposes.
- (b) It will not be entitled to claim immunity from suit, execution, attachment or other legal process in any proceedings taken in any jurisdiction in relation to this Deed.

7.20 Solvency

- (a) It is not insolvent or unable to pay its debts (including subordinated and contingent debts), nor could it be deemed by a court to be unable to pay its debts within the meaning of the law of the jurisdiction in which it is incorporated nor, in any such case, will it become so in consequence of entering into this Deed, and/or performing any transaction contemplated by this Deed.
- (b) It has not taken any corporate action nor have any legal proceedings or other procedure or step been taken, started or threatened in relation to anything referred to in Clause 21.8 (*Insolvency proceedings*) of the Facility Agreement.

7.21 No Security

No Security exists over all or any of its (or any of its Subsidiaries') assets other than Permitted Security.

7.22 Repetition

The Repeating Representations are deemed to be made by the Guarantor by reference to the facts and circumstances then existing on the date of each Utilisation Request, the date on which the Agreed Reorganisation is completed and the first day of each Interest Period.

8. INFORMATION UNDERTAKINGS

The undertakings in this Clause 8 remain in force from the date of this Deed for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

8.1 Financial statements

The Guarantor shall supply to the Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available but in any event within 180 days after the end of its financial years, its audited financial statements for that financial year prepared in accordance with RAS;
- (b) as soon as the same become available but in any event within 95 days after the end of each of its financial years, its unaudited financial statements for that financial year prepared in accordance with RAS;
- (c) as soon as the same become available, but in any event within 35 days after the end of each quarter of each of its financial years, its financial statements for that financial quarter prepared in accordance with RAS; and

8.2 Requirements as to financial statements

- (a) Each set of financial statements delivered by the Guarantor pursuant to Clause 8.1 (*Financial statements*) shall be certified by the general director and the chief accountant of the Guarantor as fairly representing its financial condition and operations as at the end of and for the period in relation to which those financial statements were drawn up.
- (b) The Guarantor shall procure that each set of its financial statements delivered pursuant to Clause 8.1 (*Financial statements*) is prepared using RAS, accounting practices and financial reference periods consistent with those applied in the preparation of its Original Financial Statements unless, in relation to any set of financial statements, it notifies the Agent that there has been a change in RAS, the accounting practices or reference periods and its auditors deliver to the Agent:
 - (i) a description of any change necessary for those financial statements to reflect RAS, accounting practices and reference periods upon which its Original Financial Statements were prepared; and
 - (ii) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Lenders to determine whether Clause 19 (*Financial covenants*) of the Facility Agreement has been complied with and make an accurate comparison between the financial position indicated in those financial statements and its Original Financial Statements.

Any reference in this Deed to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

8.3 Information: miscellaneous

The Guarantor shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

- (a) all documents dispatched by the Guarantor to its shareholders (or any class of them) or its creditors generally at the same time as they are dispatched;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against it or any of its Subsidiaries and which is reasonably likely to be adversely determined and, if adversely determined, could reasonably be expected to have a Material Adverse Effect;
- (c) promptly, such further information regarding its or any of its Subsidiaries' financial condition, business and operations as any Finance Party (through the Agent) may reasonably request.

8.4 Notification of default

The Guarantor shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless the Guarantor is aware that a notification has already been provided by another Obligor).

9. GENERAL UNDERTAKINGS

The undertakings in this Clause 9 remain in force from the date of this Deed for so long as any amount is outstanding under this Deed or any Commitment is in force.

9.1 Authorisations

The Guarantor shall promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (b) supply certified copies to the Agent of

any Authorisation required under any law or regulation of its jurisdiction of incorporation to enable it to perform its obligations under this Deed and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of this Deed.

9.2 Compliance with laws

The Guarantor shall comply in all respects with all laws to which it may be subject, if failure so to comply is reasonably likely to impair its ability to perform its obligations under this Deed.

9.3 Negative pledge

The Guarantor shall not create or permit to subsist any Security over any of its assets other than Permitted Security.

9.4 Disposals

The Guarantor shall not, and shall procure that none of its Subsidiaries will, enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of any asset other than a Permitted Disposal.

9.5 Reorganisation

The Guarantor shall not (and shall ensure that none of its Subsidiaries will) enter into or become subject to any consolidation or reorganisation, whether by way of merger (*sliyaniye obschestva*), company accession (*prisoedinyeniye obschestva*), company division (*razdelyeniye obschestva*),

company separation (*vydelyeniye obschestva*), company transformation (*preobrazovaniye obschestva*), company liquidation (*likvidatsiya obschestva*) or any other company reorganisation (*reorganizatsiya obschestva*) (as these terms are construed by applicable Russian law) or otherwise, or any analogous transaction in any jurisdiction, other than the Agreed Reorganisation, in each case, without the prior consent of the Agent.

9.6 Acquisitions

Save with the prior written consent of the Agent, the Guarantor shall not (and shall ensure that none of its Subsidiaries will) make any Acquisition, other than an Acquisition of a business or going concern with business operations substantially similar to the general nature of the business of the Group, provided that:

- (a) the aggregate Acquisition Costs in any financial year do not exceed 25 per cent. of the Total Assets of the Group for such financial year as construed by reference to the consolidated financial statements of the Borrower delivered under paragraph (a) of Clause 18.1 (*Financial statements*) of the Facility Agreement;
- (b) such Acquisition is made at fair market value; and
- (c) no Default is continuing or would result from the proposed Acquisition.

9.7 Change of business

The Guarantor shall procure that no change is made to the general nature of its or any of its Subsidiaries' business as a whole from that carried on at the date of this Deed.

9.8 Insurance

The Guarantor shall, and shall procure that each of its Subsidiaries will, maintain insurances on and in relation to its business and assets with reputable underwriters or insurance companies.

9.9 Environmental undertakings

The Guarantor shall, and shall procure that each of its Subsidiaries will:

- (a) comply with all Environmental Laws to which it may be subject;
- (b) obtain all Environmental Licences required or desirable in connection with its business; and
- (c) comply with the terms of all those Environmental Licences.

9.10 Environmental claims

The Guarantor shall, and shall procure that each of its Subsidiaries will, promptly notify the Agent of any claim, notice or other communication received by it in respect of any actual or alleged breach of or liability under Environmental Law.

9.11 Loans

- (a) The Guarantor shall not, and shall ensure that none of its Subsidiaries shall, without the prior written consent of the Agent, make any loans or grant any credit to or for the benefit of any person.
- (b) Paragraph (a) above does not apply to:

- (i) any trade credit extended by the Guarantor to its customers on arm's length terms and in the ordinary course of trading;
- (ii) any unsecured loans granted by the Guarantor to another Obligor;
- (iii) any loans granted by the Guarantor to any other member of the Group which is not an Obligor on arm's length terms; and
- (iv) any loans granted by an Obligor to any person which is not a member of the Group, provided that:
 - (A) without prejudice to paragraph (C) below, the aggregate amount of all such loans granted to distributors or suppliers of raw milk and other dairy products to any member of the Group does not exceed 10 per cent. of the Total Assets of the Group;
 - (B) without prejudice to paragraph (C) below, the aggregate amount of all such loans granted to persons other than distributors or suppliers of raw milk and other dairy products to any member of the Group does not exceed 5 per cent. of the Total Assets of the Group; and
 - (C) the aggregate amount of all such loans and credit referred to in this paragraph (iv) does not exceed 10 per cent. of the Total Assets of the Group.

9.12 Guarantees

The Guarantor shall not, without the prior written consent of the Agent, grant any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person, other than:

- (a) any guarantee granted by the Guarantor to any person which is not a member of the Group in respect of the obligations of any other member of the Group;
- (b) any guarantee or indemnity granted pursuant to this Deed; or
- (c) any Permitted Guarantee.

9.13 Acknowledgement following Agreed Reorganisation

Following completion of the Agreed Reorganisation, the Guarantor shall:

- (a) if the Agreed Reorganisation in relation to the Guarantor is by way of the merger of the Guarantor and certain Subsidiaries of the Borrower listed in the Agreed Reorganisation Memorandum, (i) if required or desirable in accordance with applicable law, assign its rights and novate its obligations under this Deed to the resulting entity and (ii) procure that the resulting entity shall acknowledge such rights and obligations as if it were an original party to this Deed; or
- (b) if the Agreed Reorganisation in relation to the Guarantor is by way of the accession of such Subsidiaries to the Guarantor such that the Guarantor is the surviving entity, acknowledge its rights and obligations under this Deed,

in each case in form and substance satisfactory to the Agent.

10. ASSIGNMENT

The Guarantor may not assign any of its rights or transfer any of its rights or obligations under the Finance Documents, except as permitted in accordance with the Agreed Reorganisation.

11. INCORPORATION OF TERMS

- (a) The provisions of Clause 25 (*Conduct of business by Finance Parties*) and Clause 27 (*Payment Mechanics*) to Clause 34 (*Counterparts*) of the Facility Agreement shall be incorporated into this Deed as if set out in full in this Deed and as if references in those clauses to “this Agreement” and “the Borrower” were references to this Deed and the Guarantor.
- (b) For the purposes of Clause 29 (*Notices*) of the Facility Agreement, the notice details for the Guarantor are as set out on the execution page to this Deed.

12. GOVERNING LAW

This Agreement is governed by English law.

13. ENFORCEMENT

13.1 Arbitration

Subject to Clause 13.4 (*Agent’s option*), any dispute arising out of or in connection with this Deed (including a dispute regarding the existence, validity or termination of this Deed) (a “**Dispute**”) shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the “**Rules**”).

13.2 Procedure for arbitration

- (a) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as Chairman (who shall be a lawyer currently qualified in England and Wales and be admitted to the Bar of England and Wales), shall be appointed by the LCIA Court as soon as possible and, in any event, within 15 days of the appointment of the second arbitrator.
- (b) In the event the claimant(s) or the respondent(s) shall fail to nominate an arbitrator within the time limits specified in the Rules, such arbitrator shall be appointed by the LCIA Court as soon as possible and, in any event, within 15 days of such failure. In the event that both the claimant(s) and the respondent(s) fail to nominate an arbitrator within the time limits specified in the Rules, all three arbitrators shall be appointed by the LCIA Court as soon as possible and, in any event, within 15 days of such failure who shall designate one of them as chairman.
- (c) If all the parties to an arbitration so agree, there shall be a sole arbitrator appointed by the LCIA Court as soon as possible and, in any event, within 15 days of such agreement.
- (d) The seat of arbitration shall be London, England, and the language of the arbitration shall be English.
- (e) Where disputes arise under this Deed and/or any other Finance Document which, in the reasonable opinion of the first arbitrator to be appointed by a Finance Party in any of the

disputes, are so closely connected that it is expedient for them to be resolved in the same proceedings, that arbitrator shall have the power to order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes (whether or not proceedings to resolve those other disputes have been instituted), **provided that** no date for the final hearing of the first arbitration has been fixed. If he so orders, the parties to each dispute which is subject to his order shall be treated as having consented to that dispute being finally decided:

- (i) by the arbitrator who ordered the consolidation unless the LCIA Court decides that he would not be suitable or impartial; and
- (ii) in accordance with the procedure, at the seat and in the language specified in the arbitration agreement in the contract under which the arbitrator who ordered the consolidation was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of such agreement, ordered by the arbitrator in the consolidated proceedings.

13.3 Recourse to courts

Save as provided in Clause 13.4 (*Agent's option*), the parties exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.

13.4 Agent's option

Before an arbitrator has been appointed by a Finance Party to determine a Dispute, the Agent may (and, if so directed by the Majority Lenders shall) by notice in writing to the Guarantor require that all Disputes or a specific Dispute be heard by a court of law. If the Agent gives such notice, the Dispute to which such notice refers shall be determined in accordance with Clause 13.5 (*Jurisdiction*).

13.5 Jurisdiction

- (a) Subject to Clause 13.1 (*Arbitration*), the courts of England have exclusive jurisdiction to settle all Disputes.
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 13.5 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

13.6 Service of process

Without prejudice to any other mode of service allowed under any relevant law, the Guarantor:

- (a) irrevocably appoints Clifford Chance Secretaries Limited of 10 Upper Bank Street, London E14 5JJ, United Kingdom as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document governed by English law; and

- (b) agrees that failure by a process agent to notify the Guarantor of the process will not invalidate the proceedings concerned.

13.7 Waiver of immunity

The Guarantor irrevocably agrees that, should any party take any proceedings anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on behalf of it or with respect to its assets, any such immunity being irrevocably waived. The Guarantor irrevocably agrees that it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under the Finance Documents.

IN WITNESS whereof this Deed has been executed and delivered and is intended to be delivered as a deed on the date first stated above.

THE GUARANTOR

EXECUTED AS A DEED

PUBLIC JOINT STOCK COMPANY "WIMM-BILL-DANN BEVERAGES"

Address:

Fax No:

Attention:

By: _____

By: _____

Name: _____

Name: _____

Title: Authorised signatory

Title: Chief Accountant

THE AGENT

ING BANK N.V., LONDON BRANCH

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

DOC 9 Header

16 Yauzsky Boulevard, Moscow 109028
OJSC Wimm-Bill-Dann

24 June, 2008

Dear Sirs,

Pending final agreement of the two packaging material supply contracts between CJSC Tetra Pak and OJSC Wimm-Bill-Dann and CJSC Tetra Pak and OJSC WBD-Beverages, respectively, for the 2008 calendar year, we hereby confirm that the purchase of supplies by OJSC Wimm-Bill-Dann and OJSC WBD-Beverages from CJSC Tetra Pak shall continue in 2008 in accordance with the principal terms of the contracts signed by the parties in 2007, subject to adjustment upon conclusion of the 2008 contracts based on the terms of the 2008 contracts.

Sincerely,

/s/ W. Muehling

W. Muehling
CJSC Tetra Pak

Accepted and Agreed:

/s/ A.V. Skorobogatov

A.V. Skorobogatov:
on behalf of OJSC Wimm-Bill-Dan and OJSC WBD-Beverages

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Exhibit 8.1**List of Subsidiaries of Wimm-Bill-Dann Foods OJSC**

Subsidiary	Country of Incorporation
1. Atamanskoe Farm	Russian Federation
2. Anashensk Creamery	Russian Federation
3. Bishkek Dairy Plant	Kyrgyz Republic
4. Bolsherechensk Dairy Plant	Russian Federation
5. Butakovskoe	Russian Federation
6. Dary Valdaya	Russian Federation
7. Essentuki Mineral Water Plant at CMW (Caucasian Mineral Waters)	Russian Federation
8. Foods Production CJSC	Russian Federation
9. Fruit Rivers	Russian Federation
10. Fruktola	Russian Federation
11. Geysler	Russian Federation
12. Grande-V	Russian Federation
13. Gulkevichy Dairy Plant	Russian Federation
14. Karasuk Dairy Plant	Russian Federation
15. Kutuliksky Creamery	Russian Federation
16. Lianozovsky CJSC	Russian Federation
17. Manros-M	Russian Federation
18. Moloko Veidelevki	Russian Federation
19. Municipal Guard Agency	Russian Federation
20. Nectarin	Russian Federation
21. Niva	Russian Federation
22. Plemzavod Za Mir and Trud	Russian Federation
23. Podmoskovnoye Moloko	Russian Federation
24. Predgorye	Russian Federation
25. PTG WBD	Russian Federation
26. Ramensk Milk	Russian Federation
27. Subsidiary Enterprise Wimm-Bill-Dann	Ukraine
28. Trade Company Wimm-Bill-Dann	Russian Federation
29. Trud OJSC	Russian Federation
30. Tuymazinskiy Dairy Plant	Russian Federation
31. Valdai Springs Water Plant	Russian Federation
32. Vitafruit	Russian Federation
33. Vitamol-M	Russian Federation
34. Wimm-Bill-Dann	Russian Federation
35. Wimm-Bill-Dann Beverages	Russian Federation
36. Wimm-Bill-Dann Finance	Russian Federation
37. Wimm-Bill-Dann Georgia	Georgia
38. Wimm-Bill-Dann Ukraine	Ukraine
39. Wimm-Bill-Dann Mineral Water	Russian Federation
40. Wimm-Bill-Dann Netherlands B.V.	Netherlands
41. Wimm-Bill-Dann Tashkent	Republic of Uzbekistan
42. Wimm-Bill-Dann Central Asia—Almaty	Republic of Kazakhstan
43. Wimm-Bill-Dann Preobritatel	Russian Federation
44. Zavety Ilyicha	Russian Federation

DOC 11 Header

I, Tony D. Maher, certify that:

1. I have reviewed this annual report on Form 20-F of Wimm-Bill-Dann Foods OJSC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 26, 2008

/s/ Tony D. Maher

Tony D. Maher

Chief Executive Officer

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I, Dmitry Ivanov, certify that:

1. I have reviewed this annual report on Form 20-F of Wimm-Bill-Dann Foods OJSC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 26, 2008

/s/ Dmitry Ivanov

Dmitry Ivanov
Chief Financial Officer

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**CERTIFICATION PURSUANT TO
SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Wimm-Bill-Dann Foods OJSC (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Annual Report on Form 20-F of the Company for the year ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 26, 2008

/s/ Tony D. Maher

Tony D. Maher

Chief Executive Officer

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**CERTIFICATION PURSUANT TO
SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Wimm-Bill-Dann Foods OJSC (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Annual Report on Form 20-F of the Company for the year ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 26, 2008

/s/ Dmitry Ivanov

Dmitry Ivanov
Chief Financial Officer
