

WIMM BILL DANN FOODS OJSC  
Form 6-K  
September 03, 2010

## **FORM 6-K**

# **UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Report of Foreign Issuer**  
**September 2, 2010**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

**Commission file number: 333-14278**

## **WIMM-BILL-DANN FOODS OJSC**

(Exact name of Registrant as specified in its charter)

**Russian Federation**

(Jurisdiction of incorporation or organization)

**16, Yauzsky Boulevard**

**Moscow 109028**

**Russian Federation**

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

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WIMM-BILL-DANN FOODS OJSC DELIVERS STRONG REVENUE AND VOLUME

GROWTH ACROSS ALL BUSINESS SEGMENTS

IN FIRST HALF OF 2010

**Moscow, Russia September 2, 2010** Wimm-Bill-Dann Foods OJSC [NYSE: WBD] today announced its financial results for the second quarter and six months ended June 30, 2010.

**Highlights for the second quarter and first six months of 2010**

- Group revenue increased 17.1% year-on-year to US\$1,255.1 million in the first half of 2010, and 15.3% year-on-year to US\$639.8 million in the second quarter of 2010, driven primarily by healthy volume growth in all business segments
- Group gross profit increased to US\$375.8 million in the first six months of 2010 from US\$363.4 million in the same period last year, and to US\$203.7 million in the second quarter of 2010 from US\$195.3 million in the second quarter of 2009
- Group gross margin declined 400 basis points year-on-year to 29.9% as a result of continued pressure of raw milk costs in the first six months of 2010
- Group gross margin increased consecutively to 31.8% in the second quarter of 2010 from 28.0% in the first quarter of 2010
- EBITDA(1) increased to US\$159.7 million in the first six months of 2010 from US\$158.3 million in the same period of 2009, and to US\$86.2 million in the second quarter of 2010 from US\$85.2 million in the second quarter of 2009
- Net income increased 7.1% year-on-year to US\$69.5 million in the first half of 2010

Our performance continues to be strong, with significant improvements in market share across our dairy, beverages, and baby food segments, as demand restores back to levels we have not seen since before the global economic crisis, said Tony Maher, Wimm-Bill-Dann's Chief Executive Officer. However, we continue to face the challenges in raw milk procurement, which adversely impacted our gross margins in the dairy segment in the second quarter. Despite some temporary input difficulties, we are favorably positioned across our segments to achieve our objective of expanding profitability through efficiency gains and a greater share in high value categories.

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Group revenue improved 17.1% to US\$1,225.1 million in the first six months driven by volume growth in our dairy, beverages and baby food segments and favorable pricing across all segments. Group revenue in rubles increased 6.6% versus the same period a year ago, concluded Mr. Maher.

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(1) Note: See Attachment A for definitions of EBITDA and EBITDA margin and reconciliations to net income.

## Key Financial Indicators for the first half and 2Q 2010 vs. 2009

|                                     | 1H 2010<br>US\$ mln | 1H 2009<br>US\$ mln | Change          | 2Q 2010<br>US\$ mln | 2Q 2009<br>US\$ mln | Change          |
|-------------------------------------|---------------------|---------------------|-----------------|---------------------|---------------------|-----------------|
| <b>Sales</b>                        | <b>1,255.1</b>      | <b>1,071.5</b>      | <b>17.1%</b>    | <b>639.8</b>        | <b>554.6</b>        | <b>15.3%</b>    |
| <i>Dairy</i>                        | 861.6               | 746.7               | 15.4%           | 427.1               | 377.4               | 13.1%           |
| <i>Beverages</i>                    | 239.7               | 209.9               | 14.2%           | 131.3               | 115.8               | 13.4%           |
| <i>Baby Food</i>                    | 153.8               | 114.9               | 33.9%           | 81.4                | 61.4                | 32.6%           |
| <b>Gross profit</b>                 | <b>375.8</b>        | <b>363.4</b>        | <b>3.4%</b>     | <b>203.7</b>        | <b>195.3</b>        | <b>4.3%</b>     |
| <i>Gross margin, %</i>              | <i>29.9%</i>        | <i>33.9%</i>        | <i>(400 bp)</i> | <i>31.8%</i>        | <i>35.2%</i>        | <i>(340 bp)</i> |
| Selling and distribution expenses   | (199.9)             | (184.5)             | 8.3%            | (108.3)             | (100.1)             | 8.1%            |
| General and administrative expenses | (63.5)              | (63.8)              | (0.4)%          | (34.1)              | (34.3)              | (0.7)%          |
| <b>Operating income</b>             | <b>105.8</b>        | <b>111.8</b>        | <b>(5.4)%</b>   | <b>58.5</b>         | <b>61.4</b>         | <b>(4.8)%</b>   |
| Financial expenses, net             | (12.1)              | (25.8)              | (53.1)%         | (10.1)              | 7.9                 | (227.5)%        |
| <b>Net income</b>                   | <b>69.5</b>         | <b>64.9</b>         | <b>7.1%</b>     | <b>35.9</b>         | <b>52.3</b>         | <b>(31.5)%</b>  |
| <b>EBITDA</b>                       | <b>159.7</b>        | <b>158.3</b>        | <b>0.9%</b>     | <b>86.2</b>         | <b>85.2</b>         | <b>1.2%</b>     |
| <i>EBITDA margin, %</i>             | <i>12.7%</i>        | <i>14.8%</i>        | <i>(210 bp)</i> | <i>13.5%</i>        | <i>15.4%</i>        | <i>(190 bp)</i> |
| CAPEX excluding acquisitions        | 65.4                | 45.9                | 42.5%           | 39.6                | 29.5                | 34.2%           |

**Dairy**

Sales in the Dairy Segment increased 15.4% to US\$861.6 million in the first half of 2010 from US\$746.7 million in the first half of 2009. Sales growth was driven primarily by strong volumes and positive exchange rate effect. The average dollar selling price increased 10.8% to US\$1.19 per 1 kg in the first half of 2010 from US\$1.07 per 1 kg in the first half of 2009, driven mainly by pricing and the exchange rate effect. Our raw milk purchasing price increased 34.3% year-on-year in US dollar terms. Gross margin in the Dairy Segment declined to 23.0% in the first half of 2010 from 30.3% in the same period last year. However, gross margin improved sequentially to 25.1% in the second quarter of 2010 from 21.1% in the first quarter of 2010.

**Beverages**

Sales increased 14.2% to US\$239.7 million in the first half of 2010 compared to US\$209.9 million in the first half of 2009. Positive sales dynamics were driven primarily by solid volume growth and positive exchange rate effect. The average dollar selling price increased 1.5% to US\$0.76 per liter in the first half of 2010 from US\$0.74 per liter in the first half of 2009. Gross margin in Beverages increased to 43.4% in the first six months of 2010 from 38.8% in the same period last year due to lower input costs and a change in mix. Gross margin in Beverages increased to 44.2% in the second quarter of 2010 from 40.4% in the second quarter of 2009.

**Baby Food**

Sales in the Baby Food Segment increased 33.9% to US\$153.8 million in the first six months of 2010 from US\$114.9 million in the same period last year driven mainly by continued strong volume growth. The average dollar selling price increased 11.3% to US\$1.92 per kg in the first six months of 2010 from US\$1.72 per kg in the first six months of 2009. Gross margin in the Baby Food Segment decreased to 47.6% in the first six months of 2010 from 48.6% in the first six months of 2009 due to slight changes in mix.

*Key Cost Elements*

In the first six months of 2010, selling and distribution expenses increased 8.3% to US\$199.9 million from US\$184.5 in the same period last year. At the same time as a percentage of sales, selling and distribution expenses decreased to 15.9% in the first half of 2010 from 17.2% in the first half of 2009. General and administrative expenses stood almost flat year-on-year at US\$63.5 million in the first half of 2010. General and administrative expenses, as a percentage of sales, decreased to 5.1% in the first six months of 2010 from 6.0% in the same period last year.

Operating profit decreased 5.4% year-on-year to US\$105.8 million in the first half of 2010. EBITDA increased to US\$159.7 million in the first six months of 2010 from US\$158.3 million in the same period of 2009, and to US\$86.2 million in the second quarter 2010 from US\$85.2 million in the second quarter of 2009. EBITDA margin declined to 12.7% in the first half of 2010 compared to 14.8% in the same period last year. At the same time, sequentially in the second quarter of 2010, EBITDA margin improved to 13.5% from 11.9% in the first quarter of 2010.

In the first six months of 2010, financial expenses decreased 53.1% to US\$12.1 million compared to US\$25.8 million in the same period of 2009. This was mainly due to currency remeasurement gain which amounted to US\$4.0 million in the first six months of 2010 compared to currency remeasurement loss of US\$11.1 million in the first half of 2009.

Our effective tax rate increased to 24.9% in the first six months of 2010 from 24.1% in the same period of 2009.

In the first half of 2010, net income increased 7.1% year-on-year to US\$69.5 million.

*Attachment A**Reconciliation of EBITDA and EBITDA margin to US GAAP Net Income*

EBITDA is a non-U.S. GAAP financial measure. The following table presents reconciliation of EBITDA to net income (and EBITDA margin to net income as a percentage of sales), the most directly comparable U.S. GAAP financial measure.

|  | 6 months ended<br>June 30, 2010 |              | 6 months ended<br>June 30, 2009 |              |
|--|---------------------------------|--------------|---------------------------------|--------------|
|  | US\$ mln                        | % of sales   | US\$ mln                        | % of sales   |
| Net income                                       | 69.5                            | 5.5%         | 64.9                            | 6.1%         |
| Add: Depreciation and amortization               | 53.9                            | 4.3%         | 46.5                            | 4.3%         |
| Add: Income tax expense                          | 23.3                            | 1.9%         | 20.7                            | 1.9%         |
| Add: Interest expense                            | 16.6                            | 1.3%         | 15.1                            | 1.4%         |
| Less: Interest income                            | (1.6)                           | (0.1)%       | (3.0)                           | (0.3)%       |
| Less: Currency remeasurement losses (gains), net | (4.0)                           | (0.3)%       | 11.1                            | 1.0%         |
| Add: Bank charges                                | 1.0                             | 0.1%         | 1.6                             | 0.2%         |
| Add: Noncontrolling interests                    | 0.8                             |              | 0.3                             |              |
| Add: Other                                       | 0.2                             |              | 1.1                             | 0.2%         |
| <b>EBITDA</b>                                    | <b>159.7</b>                    | <b>12.7%</b> | <b>158.3</b>                    | <b>14.8%</b> |

EBITDA represents net income before interest, income taxes and depreciation and amortization, adjusted for interest income, currency remeasurement gains, bank charges and other financial expenses and minority interest. EBITDA margin is EBITDA expressed as a percentage of sales.

We present EBITDA because we consider it an important supplemental measure of our operating performance. In particular, we believe EBITDA provides useful information to securities analysts, investors and other interested parties because it is used in the debt to EBITDA debt incurrence financial measurement in certain of our financing arrangements.

EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of our operating results as reported under U.S. GAAP. Moreover, other companies in our industry may calculate EBITDA differently or may use it for different purposes than we do, limiting its usefulness as a comparative measure.

EBITDA also should not be considered as an alternative to cash flow from operating activities or as a measure of our liquidity. In particular, EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business.

## Wimm-Bill-Dann Foods OJSC

## Condensed Consolidated Balance Sheets

*(Amounts in thousands of U.S. dollars)*

|  | June 30,<br>2010<br>(unaudited) | December 31,<br>2009<br>(audited) |
|--|---------------------------------|-----------------------------------|
| <b>Assets</b>                          |                                 |                                   |
| <b>Current assets:</b>                 |                                 |                                   |
| Cash and cash equivalents              | \$ 156,201                      | \$ 248,521                        |
| Trade receivables, net                 | 164,466                         | 112,083                           |
| Inventory, net                         | 230,437                         | 191,334                           |
| Taxes receivable                       | 28,248                          | 32,304                            |
| Advances paid                          | 25,636                          | 22,678                            |
| Deferred tax asset                     | 13,186                          | 15,159                            |
| Other current assets                   | 18,608                          | 19,381                            |
| <b>Total current assets</b>            | <b>636,782</b>                  | <b>641,460</b>                    |
| <b>Non-current assets:</b>             |                                 |                                   |
| Property, plant and equipment, net     | 693,083                         | 699,996                           |
| Intangible assets, net                 | 42,000                          | 38,688                            |
| Goodwill                               | 102,421                         | 105,643                           |
| Deferred tax asset non-current portion | 1,900                           | 1,415                             |
| Other non-current assets               | 98                              | 1,602                             |
| <b>Total non-current assets</b>        | <b>839,502</b>                  | <b>847,344</b>                    |
| <b>Total assets</b>                    | <b>\$ 1,476,284</b>             | <b>\$ 1,488,804</b>               |



## Wimm-Bill-Dann Foods OJSC

## Condensed Consolidated Balance Sheets

(continued)

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

|  | June 30,<br>2010<br>(unaudited) | December 31,<br>2009<br>(audited) |
|--|---------------------------------|-----------------------------------|
| <b>Liabilities and equity</b>  |                                 |                                   |
| <b>Current liabilities:</b>  |                                 |                                   |
| Trade accounts payable   | \$ 141,421                      | \$ 135,825                        |
| Advances received  | 6,877                           | 10,762                            |
| Short-term loans   | 6,072                           | 4,521                             |
| Long-term loans, current portion   | 258,084                         | 22,308                            |
| Long-term notes payable, current portion   | 180,059                         | 185,835                           |
| Taxes payable  | 8,039                           | 13,667                            |
| Accrued liabilities  | 74,328                          | 54,969                            |
| Other payables   | 35,597                          | 28,249                            |
| <b>Total current liabilities</b>   | <b>710,477</b>                  | <b>456,136</b>                    |
| <b>Long-term liabilities:</b>  |                                 |                                   |
| Long-term loans  | 31,402                          | 285,998                           |
| Other long-term payables   | 24,172                          | 21,215                            |
| Deferred taxes long-term portion   | 24,000                          | 22,179                            |
| <b>Total long-term liabilities</b>   | <b>79,574</b>                   | <b>329,392</b>                    |
| <b>Total liabilities</b>   | <b>790,051</b>                  | <b>785,528</b>                    |
| <b>Equity</b>  |                                 |                                   |
| <b>Shareholders equity:</b>  |                                 |                                   |
| Common stock: 44,000,000 shares authorized and issued with a par value of 20 Russian rubles; 41,360,522 shares outstanding as of June 30, 2010 and 41,846,022 shares outstanding as of December 31, 2009 | 29,908                          | 29,908                            |
| Share premium account  | 163,676                         | 163,781                           |
| Treasury stock, at cost  | (77,611)                        | (54,802)                          |
| Accumulated other comprehensive loss:  |                                 |                                   |
| Currency translation adjustment  | (53,863)                        | (32,167)                          |
| Retained earnings  | 615,138                         | 587,160                           |
| <b>Equity attributable to shareholders of WBD Foods</b>  | <b>677,248</b>                  | <b>693,880</b>                    |
| Equity attributable to noncontrolling interests  | 8,985                           | 9,396                             |
| <b>Total equity</b>  | <b>686,233</b>                  | <b>703,276</b>                    |
| <b>Total liabilities and equity</b>  | <b>\$ 1,476,284</b>             | <b>\$ 1,488,804</b>               |

## Wimm-Bill-Dann Foods OJSC

Condensed Consolidated Statements of Income(unaudited)*(Amounts in thousands of U.S. dollars, except share data)*

|   | Six months ended    |                     |
|---|---------------------|---------------------|
|   | June 30,            |                     |
|   | 2010                | 2009                |
| <b>Sales</b>  | <b>\$ 1,255,052</b> | <b>\$ 1,071,458</b> |
| Cost of sales   | (879,278)           | (708,089)           |
| <b>Gross profit</b>   | <b>375,774</b>      | <b>363,369</b>      |
| Selling and distribution expenses   | (199,916)           | (184,536)           |
| General and administrative expenses   | (63,511)            | (63,796)            |
| Other operating expenses, net   | (6,530)             | (3,227)             |
| <b>Operating income</b>   | <b>105,817</b>      | <b>111,810</b>      |
| Financial income and expenses, net  | (12,110)            | (25,844)            |
| <b>Income before provision for income taxes</b>   | <b>93,707</b>       | <b>85,966</b>       |
| Provision for income taxes  | (23,339)            | (20,679)            |
| <b>Consolidated net income</b>  | <b>\$ 70,368</b>    | <b>\$ 65,287</b>    |
| Net income attributable to noncontrolling interest  | (835)               | (350)               |
| <b>Net income attributable to WBD Foods shareholders</b>                                      | <b>\$ 69,533</b>    | <b>\$ 64,937</b>    |
| <b>Net income per common share attributable to WBD Foods shareholders - basic and diluted</b> | <b>\$ 1.68</b>      | <b>\$ 1.50</b>      |
| Weighted average number of common shares outstanding, basic and diluted                       | 41,479,525          | 43,205,597          |

## Wimm-Bill-Dann Foods OJSC

Condensed Consolidated Statements of Cash Flows(unaudited)*(Amounts in thousands of U.S. dollars)*

|   | Six months ended<br>June 30, |                   |
|---|------------------------------|-------------------|
|   | 2010                         | 2009              |
| <b>Cash flows from operating activities:</b>  |                              |                   |
| <b>Consolidated net income</b>  | \$ 70,368                    | \$ 65,287         |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities | 69,043                       | 58,295            |
| Changes in operating assets and liabilities   | (78,238)                     | 56,668            |
| <b>Net cash provided by operating activities</b>  | <b>61,173</b>                | <b>180,250</b>    |
| <b>Cash flows from investing activities:</b>  |                              |                   |
| Cash paid for property, plant and equipment and intangible assets                             | (67,642)                     | (49,886)          |
| Proceeds from disposal of property, plant and equipment                                       | 1,665                        | 1,293             |
| Other investing activities  | 348                          | 715               |
| <b>Net cash used in investing activities</b>  | <b>(65,629)</b>              | <b>(47,878)</b>   |
| <b>Cash flows from financing activities:</b>  |                              |                   |
| Cash paid for acquisition of noncontrolling interests   | (367)                        | (1,320)           |
| Proceeds from bonds and notes payable, net of debt issuance costs                             |                              | 96,945            |
| Short-term loans and notes, net   | 1,752                        | (185,570)         |
| Repayment of long-term loans and notes  | (17,526)                     | (27,447)          |
| Proceeds from long-term loans, net of debt issuance costs                                     | 112                          | 254               |
| Repayment of long-term payables   | (4,124)                      | (5,543)           |
| Dividends paid  | (39,506)                     |                   |
| Cash paid for treasury stock acquisition  | (22,809)                     | (27,609)          |
| <b>Net cash provided by (used in) financing activities</b>                                    | <b>(82,468)</b>              | <b>(150,290)</b>  |
| Impact of exchange rate differences on cash and cash equivalents                              | (5,396)                      | (33,035)          |
| <b>Net decrease in cash and cash equivalents</b>  | <b>(92,320)</b>              | <b>(50,953)</b>   |
| <b>Cash and cash equivalents, at beginning of period</b>                                      | <b>248,521</b>               | <b>277,252</b>    |
| <b>Cash and cash equivalents, at the end of period</b>  | <b>\$ 156,201</b>            | <b>\$ 226,299</b> |

- Ends -

For further enquiries contact:

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Wimm-Bill-Dann Foods OJSC

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Some of the information contained in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Wimm-Bill-Dann Foods OJSC, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to conform them to actual results. We refer you to the documents Wimm-Bill-Dann Foods OJSC files from time to time with the U.S. Securities and Exchange Commission, specifically, the Company's most recent Form 20-F. These documents contain and identify important factors, including those contained in the section captioned "Risk Factors" in our Form 20-F, that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, potential fluctuations in quarterly results, and risks associated with our competitive environment, acquisition strategy, ability to develop new products or maintain market share, brand and company image, operating in Russia, volatility of stock price, financial risk management, and future growth.

#### NOTES TO EDITORS

Wimm-Bill-Dann Foods OJSC was founded in 1992 and is the largest manufacturer of dairy products and a leading producer of juices and beverages in Russia and the CIS. The company produces dairy products (main brands include: Domik v Derevne, Chudo, Imunele, Bio Max and more), juices (J7, Lubimy Sad, 100% Gold), Essentuki mineral water and Rodniki Rossii natural water, Zdraivery kids brand and Agusha baby food.

The company has 37 manufacturing facilities in Russia, Ukraine, Kyrgyzstan, Uzbekistan and Georgia with over 16,000 employees. In 2005, Wimm-Bill-Dann became the first Russian dairy producer to receive approval from the European Commission to export its products into the European Union.

In 2010, Standard & Poor's Governance Services confirmed on WBD its governance, accountability, management, metrics, and analysis (GAMMA) score GAMMA- 7+ . The score reflects the effective work of the Board of Directors and, in particular, the real influence of independent directors in the decision-making process and the adherence of the controlling shareholders to the highest standards of corporate

governance.

governance.

**SIGNATURES**

*Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.*

**WIMM-BILL-DANN FOODS OJSC**

|        |                           |
|--------|---------------------------|
| By:    | /s/ Dmitry V. Ivanov      |
| Name:  | Dmitry V. Ivanov          |
| Title: | CFO                       |
|        | Wimm-Bill-Dann Foods OJSC |

Date: September 2, 2010