

WIMM BILL DANN FOODS OJSC

Form 6-K

September 22, 2005

## **FORM 6-K**

# **UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Report of Foreign Issuer  
September 20, 2005**

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

Commission file number: 001-31232

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

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(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)

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 ANNOUNCES

## INTERIM 2005 FINANCIAL RESULTS

Moscow, Russia September 16, 2005 Wimm-Bill-Dann Foods OJSC [NYSE: WBD] today announced its financial results for the six months ended June 30, 2005.

During the first half of 2005, Wimm-Bill-Dann's sales rose 17.5% to US\$681.7, compared to US\$580.4 million in the first six months of 2004. Gross profit increased 16.7% compared to the same period last year, while gross margins remained flat at 27.5%. Adjusted EBITDA\* increased 11.4% year-on-year from US\$50.8 million to US\$56.6 million. Adjusted EBITDA margin\* decreased to 8.3% from 8.8%. Net income decreased to US\$8.3 million in the first half of 2005 from US\$12.9 million in the first six months of 2004.

*Key Operating and Financial Indicators of 1H 2005*

|                                     | 1H 2005      | 1H 2004      | Change         |
|-------------------------------------|--------------|--------------|----------------|
|                                     | US\$ mln     | US\$ mln     |                |
| <b>Sales</b>                        | <b>681.7</b> | <b>580.4</b> | <b>17.5%</b>   |
| <i>Dairy</i>                        | <i>479.5</i> | <i>399.1</i> | <i>20.1%</i>   |
| <i>Beverages</i>                    | <i>159.5</i> | <i>151.3</i> | <i>5.4%</i>    |
| <i>Baby Food</i>                    | <i>42.6</i>  | <i>30.0</i>  | <i>42.0%</i>   |
| Gross Profit                        | <b>187.8</b> | <b>160.9</b> | <b>16.7%</b>   |
| Selling and distribution expenses   | (98.3)       | (84.7)       | 16.1%          |
| General and administrative expenses | (53.5)       | (44.4)       | 20.5%          |
| Operating income                    | <b>30.8</b>  | <b>29.0</b>  | <b>6.2%</b>    |
| Financial income and expenses, net  | (10.3)       | (7.1)        | 45.1%          |
| <b>Net income</b>                   | <b>8.3</b>   | <b>12.9</b>  | <b>(35.7)%</b> |
| <b>Adjusted EBITDA*</b>             | <b>56.6</b>  | <b>50.8</b>  | <b>11.4%</b>   |
| CAPEX including acquisitions        | <b>38.9</b>  | <b>32.9</b>  | <b>18.2%</b>   |

\* Note: See Attachment A for definitions of Adjusted EBITDA and Adjusted EBITDA margin and reconciliations to net income.

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Sales in the Dairy Segment increased 20.1% from US\$399.1 million in the first six months of 2004 to US\$479.5 million in the first six months of 2005, while the average selling price rose 13.7% from US\$0.73 per 1 kg in the first half of 2004 to US\$0.83 per 1 kg in the same period of 2005. This increase was primarily driven by ruble price increases. Gross margin in the Dairy Segment declined from 24.1% in the first six months of 2004 to 23.8% in the same period of 2005. This change was primarily driven by the increase in raw materials costs and stronger demand for raw milk intensive traditional products in the regions.

Sales in the Beverages Segment, which is comprised of the juice and water divisions, increased 5.4% from US\$151.3 million in the first six months of 2004 to US\$159.5 million in the same period of 2005, while the average selling price increased 9.4% from US\$0.64 per liter in the first six months of 2004 to US\$0.70 per liter in the same period of 2005 primarily due to ruble price increases. Gross margin in the Beverages Segment increased to 36.0% in the first half 2005 from 35.3% in the same period last year.

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Sales in the Baby Food Segment increased 42.0% from US\$30.0 million in the first six months of 2004 to US\$42.6 million in the first six months of 2005, while the average selling price rose 19.4% from US\$1.24 per 1 kg in the first half of 2004 to US\$1.48 per 1 kg in the same period of 2005. This increase was primarily driven by an increase in the average ruble selling price and an increased proportion of higher priced products in the overall product mix. Gross margins in the Baby Food Segment practically remained flat at 37.9%.

Selling and distribution expenses as a percentage of sales decreased y-o-y from 14.6% to 14.4%. Advertising and marketing expenses decreased as a percentage of sales from 4.7% in the first six months of 2004 to 4.6% in the first half of 2005. General and administrative expenses as a percentage of sales practically remained flat at 7.8%. Other operating expenses increased from US\$2.7 million to US\$5.1 million year-on-year mainly as a result of a loss on fixed assets disposals.

Financial expenses in the first six months of 2005 increased to US\$10.3 million compared to US\$7.1 million in the same period of 2004 mainly due to the foreign currency translation gain decreasing from US\$4.3 million to US\$1.5 million in the first half of 2005. Interest expenses stayed almost flat at US\$11.4 million.

Net income decreased by 35.7% as a result of the above factors and a higher effective tax rate caused by a specific valuation allowance associated with tax losses carried forward in one of the subsidiaries.

### *Attachment A*

#### *\*Reconciliation of Adjusted EBITDA and Adjusted EBITDA margin to US GAAP Net Income*

Adjusted EBITDA is a non-U.S. GAAP financial measure. The following table presents reconciliation of Adjusted EBITDA to net income (and Adjusted 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, 2005 |            | 6 months ended<br>June 30, 2004 |            |
|---|---------------------------------|------------|---------------------------------|------------|
|   | US\$ mln                        | % of sales | US\$ mln                        | % of sales |
| Net income                              | 8.3                             | 1.2%       | 12.9                            | 2.2%       |
| Add: Depreciation and amortization      | 25.8                            | 3.8%       | 21.8                            | 3.7%       |
| Add: Income tax expense                 | 10.9                            | 1.6%       | 7.4                             | 1.3%       |
| Add: Interest expense                   | 11.4                            | 1.7%       | 11.4                            | 2.0%       |
| Less: Interest income                   | (0.7)                           | 0.1%       | (0.8)                           | 0.1%       |
| Less: Currency remeasurement gains, net | (1.5)                           | 0.2%       | (4.3)                           | 0.8%       |
| Add: Bank charges                       | 0.9                             | 0.1%       | 0.7                             | 0.2%       |
| Add: Other financial expenses (gain)    | 0.1                             | 0.0%       | 0.0                             | 0.0%       |

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|                        |             |             |             |             |
|------------------------|-------------|-------------|-------------|-------------|
| Add: Minority interest | 1.4         | 0.2%        | 1.7         | 0.3%        |
| <b>Adjusted EBITDA</b> | <b>56.6</b> | <b>8.3%</b> | <b>50.8</b> | <b>8.8%</b> |

Adjusted 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. Adjusted EBITDA margin is Adjusted EBITDA expressed as a percentage of sales.

We present Adjusted EBITDA because we consider it an important supplemental measure of our operating performance. In particular, we believe Adjusted 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.

Adjusted 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. Since we adjust EBITDA for recurring items in order to calculate Adjusted EBITDA, we particularly caution users that Adjusted EBITDA is not an alternative to net income, operating income or any other GAAP measure, nor to EBITDA. Moreover, other companies in our industry may calculate Adjusted EBITDA differently or may use it for different purposes than we do, limiting its usefulness as a comparative measure.

Adjusted EBITDA also should not be considered as an alternative to cash flow from operating activities or as a measure of our liquidity. In particular, Adjusted 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**

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Consolidated Statements of Operations (unaudited)

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

|   | Six months ended June 30, |            |
|---|---------------------------|------------|
|   | 2005                      | 2004       |
| <b>Sales</b>  | \$ <b>681,681</b>         | \$ 580,426 |
| <b>Cost of sales</b>  | <b>(493,929)</b>          | (419,565)  |
| <b>Gross profit</b>   | <b>187,752</b>            | 160,861    |
| Selling and distribution expenses                                     | (98,339)                  | (84,680)   |
| General and administrative expenses                                   | (53,468)                  | (44,444)   |
| Other operating expenses, net   | (5,099)                   | (2,700)    |
| <b>Operating income</b>   | <b>30,846</b>             | 29,037     |
| Financial income and expenses, net                                    | (10,301)                  | (7,060)    |
| <b>Income before provision for income taxes and minority interest</b> | <b>20,545</b>             | 21,977     |
| Provision for income taxes  | (10,916)                  | (7,368)    |
| Minority interest   | (1,366)                   | (1,739)    |
| <b>Net income</b>   | \$ <b>8,263</b>           | \$ 12,870  |
| <b>Other comprehensive income, net of tax</b>                         |                           |            |
| Currency translation adjustment                                       | (12,216)                  | 4,793      |
| <b>Comprehensive (loss) income</b>                                    | \$ <b>(3,953)</b>         | \$ 17,663  |
| Net income per share - basic and diluted:                             | \$ <b>0.19</b>            | \$ 0.29    |
| Weighted average number of shares outstanding                         | <b>44,000,000</b>         | 44,000,000 |



**WIMM-BILL-DANN FOODS**

**Consolidated Balance Sheets**

(Amounts in thousands of U.S. dollars)

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|   | June 30, 2005<br>(unaudited) | December 31, 2004<br>(audited) |
|---|------------------------------|--------------------------------|
| <b>ASSETS</b>   |                              |                                |
| <b>Current assets:</b>  |                              |                                |
| Cash and cash equivalents   | \$ 49,230                    | \$ 23,791                      |
| Trade receivables, net  | 59,643                       | 62,210                         |
| Inventory   | 126,796                      | 102,039                        |
| Taxes receivable  | 75,758                       | 85,578                         |
| Advances paid   | 16,537                       | 19,494                         |
| Net investment in direct financing leases   | 2,598                        | 2,109                          |
| Deferred tax asset  | 7,479                        | 6,265                          |
| Other current assets  | 6,836                        | 7,145                          |
| <b>Total current assets</b>   | <b>344,877</b>               | <b>308,631</b>                 |
| <b>Non-current assets:</b>  |                              |                                |
| Property, plant and equipment, net  | 435,871                      | 440,096                        |
| Intangible assets   | 2,523                        | 2,251                          |
| Goodwill  | 25,790                       | 26,291                         |
| Net investment in direct financing leases long-term portion   | 3,767                        | 3,895                          |
| Long-term investments   | 1,750                        | 2,417                          |
| Deferred tax asset long-term portion  | 6,571                        | 7,001                          |
| Other non-current assets  | 3,507                        | 5,506                          |
| <b>Total non-current assets</b>   | <b>479,779</b>               | <b>487,457</b>                 |
| <b>Total assets</b>   | <b>\$ 824,656</b>            | <b>\$ 796,088</b>              |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>  |                              |                                |
| <b>Current liabilities:</b>   |                              |                                |
| Trade accounts payable  | \$ 76,086                    | \$ 62,400                      |
| Advances received   | 4,089                        | 3,492                          |
| Short-term loans  | 36,119                       | 17,554                         |
| Long-term loans current portion   | 6,341                        | 936                            |
| Long-term notes payable current portion   | 50,043                       |                                |
| Taxes payable   | 15,127                       | 13,281                         |
| Accrued liabilities   | 15,874                       | 14,691                         |
| Government grants current portion   | 2,253                        | 2,329                          |
| Other payables  | 33,211                       | 29,615                         |
| <b>Total current liabilities</b>  | <b>239,143</b>               | <b>144,298</b>                 |
| <b>Long-term liabilities:</b>   |                              |                                |
| Long-term loans   | 2,581                        | 7,120                          |
| Long-term notes payable   | 150,000                      | 201,709                        |
| Other long-term payables  | 34,463                       | 39,294                         |
| Government grants long-term portion   | 3,846                        | 5,156                          |
| Deferred taxes long-term portion  | 10,578                       | 10,268                         |
| <b>Total long-term liabilities</b>  | <b>201,468</b>               | <b>263,547</b>                 |
| <b>Total liabilities</b>  | <b>440,611</b>               | <b>407,845</b>                 |
| <b>Minority interest</b>  |                              |                                |
|   | <b>17,082</b>                | <b>17,327</b>                  |
| <b>Shareholders equity:</b>   |                              |                                |
| Common stock: 44,000,000 shares authorized, issued and outstanding with a par value of 20 Russian rubles at June 30, 2005 and December 31, 2004 | 29,908                       | 29,908                         |
| Share premium account   | 164,132                      | 164,132                        |
| Accumulated other comprehensive income:   |                              |                                |
| Currency translation adjustment   | 31,689                       | 43,905                         |
| Retained earnings   | 141,234                      | 132,971                        |
| <b>Total shareholders equity</b>  | <b>\$ 366,963</b>            | <b>\$ 370,916</b>              |
| <b>Total liabilities and shareholders equity</b>  | <b>\$ 824,656</b>            | <b>\$ 796,088</b>              |



## WIMM-BILL-DANN FOODS

## Consolidated Statements of Cash Flows (unaudited)

(Amounts in thousands of U.S. dollars)

|  | Six months ended June 30, |            |
|--|---------------------------|------------|
|  | 2005                      | 2004       |
| <b>Cash flows from operating activities:</b>   |                           |            |
| Net income   | \$ 8,263                  | \$ 12,870  |
| Adjustments to reconcile net income to net cash provided by operating activities:                |                           |            |
| Minority interest  | 1,366                     | 1,739      |
| Depreciation and amortisation  | 25,763                    | 21,785     |
| Currency remeasurement loss (gain) relating to bonds payable, long-term payables and investments | 1,047                     | (3,496)    |
| Obsolescence and net realizable value expense  | 1,075                     | 2,214      |
| Provision for doubtful accounts  | 598                       | 3,277      |
| Loss on disposal of property, plant and equipment  | 1,566                     | 696        |
| Earned income on net investment in direct financing leases                                       | (127)                     | (243)      |
| Deferred tax benefit   | (138)                     | (2,987)    |
| Non-cash rental received   | 1,199                     | 1,187      |
| Write off of long-term investments   | 901                       |            |
| Write off of trade receivables   | 1,353                     | 385        |
| Amortisation of bonds issue expenses   | 527                       | 513        |
| Other  | (431)                     | 661        |
| Changes in operating assets and liabilities:   |                           |            |
| Increase in inventories  | (23,898)                  | (11,212)   |
| (Increase) decrease in trade accounts receivable   | (1,206)                   | 47         |
| Decrease (increase) in advances paid   | 2,387                     | (363)      |
| Decrease in taxes receivable   | 3,781                     | 9,823      |
| Decrease (increase) in other current assets  | 80                        | (1,669)    |
| Increase in trade accounts payable   | 15,377                    | 22,151     |
| Increase in advances received  | 727                       | 150        |
| Increase (decrease) in taxes payable   | 5,759                     | (3,186)    |
| Increase in accrued liabilities  | 2,177                     | 1,909      |
| Increase in other current payables   | 3,915                     | 1,841      |
| Increase in other long-term payables   | 350                       | 260        |
| Total cash provided by operating activities  | \$ 52,411                 | 58,352     |
| <b>Cash flows from investing activities:</b>   |                           |            |
| Cash paid for acquisition of subsidiaries, net of cash acquired                                  | \$ (2,026)                | \$ (3,945) |
| Cash paid for property, plant and equipment  | (33,882)                  | (30,745)   |
| Cash paid for acquisition of investments   | (483)                     | (1,047)    |
| Proceeds from disposal of property, plant and equipment  | 3,217                     | 1,220      |
| Proceeds from disposal of investments  | 557                       |            |
| Cash paid for net investments in direct financing leases   | (1,281)                   | (1,331)    |
| Cash received from other long-term assets  | 396                       |            |
| Total cash used in investing activities  | (33,502)                  | (35,848)   |
| <b>Cash flows from financing activities:</b>   |                           |            |
| Short-term loans and notes, net  | 15,560                    | 5,297      |
| Proceeds from long-term loans  | 1,830                     |            |
| Repayment of long-term loans   | (419)                     | (829)      |
| Repayment of long-term payables  | (7,685)                   | (8,599)    |
| Total cash provided by (used in) financing activities  | 9,286                     | (4,131)    |
| Total cash provided by operating, investing and financing activities                             | 28,195                    | 18,373     |
| Impact of exchange rate differences on cash and cash equivalents                                 | (2,756)                   | 437        |

(Amounts in thousands of U.S. dollars)

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|  |                  |                  |
|--|------------------|------------------|
| <b>Net increase in cash and cash equivalents</b>         | <b>25,439</b>    | 18,810           |
| <b>Cash and cash equivalents, at beginning of period</b> | <b>23,791</b>    | 40,264           |
| <b>Cash and cash equivalents, at the end of period</b>   | <b>\$ 49,230</b> | <b>\$ 59,074</b> |

For further enquiries contact:

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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**





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*Wimm-Bill-Dann Foods OJSC* is a leading manufacturer of dairy and juice products in Russia. The company was founded in 1992.

The Company currently owns 27 manufacturing facilities in Russia and the Commonwealth of Independent States (CIS), as well as trade affiliates in 26 cities in Russia and the CIS.

Wimm-Bill-Dann has a diversified branded portfolio with over 1,100 types of dairy products and over 150 types of juice, nectars and still drinks. The company currently employs over 17,000 people.

Wimm-Bill-Dann was awarded Grand Prix for Best Overall Investor Relations in 2004 - Small & Mid cap companies and Best Investor Relations Officer in 2004 - Small & Mid cap companies at the Second Annual IR Magazine Russia Awards held in December 2004 and organized by IR Magazine and the Association of Investor Relations Professionals. Wimm-Bill-Dann previously received the Grand Prix for Best Overall Investor Relations in 2003 - Small & Mid cap - at the first annual IR Russia Awards Ceremony held in Moscow last year.

**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 A. Anisimov                               |
| Name:  | Dmitry A. Anisimov                                   |
| Title: | Chief Financial Officer<br>Wimm-Bill-Dann Foods OJSC |

Date: September 20, 2005