WIMM BILL DANN FOODS OJSC
Form 6-K
December 30, 2008

# FORM 6-K

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

**Report of Foreign Issuer**
**December 22, 2008**

**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)

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 x Form 40-F o

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 o No x

**WIMM-BILL-DANN FOODS OJSC ANNOUNCES**

**25% REVENUE GROWTH IN FIRST NINE MONTHS OF 2008**

**Moscow, Russia December 18, 2008 Wimm-Bill-Dann Foods OJSC [NYSE: WBD] today announced its financial results for the third quarter and the first nine months ended September 30, 2008.**

**Highlights of the first nine months of 2008:**

- Strong double-digit revenue growth across all business segments
- Group revenue increased 24.8% to US$2,194.1 million
- Gross profit grew 22.2% to US$707.0 million
- Operating income rose 15.1% to US$193.6 million
- Net income increased 3.7% to US$109.6 million
- EBITDA1 rose 23.3% to US$282.7 million
- Operating cash flow grew 156.8% to US$168.5 million

Despite a challenging operating environment, we achieved strong double-digit revenue and EBITDA growth in the third quarter and the nine months of 2008, which further testifies to the strength and resilience of the business and our focus on executing our strategy, said Tony Maher, Wimm-Bill-Dann s Chief Executive Officer.

We continue to face significant headwinds created by a decline in consumer confidence in Russia and CIS, slower GDP growth, and unprecedented global financial turmoil. Nevertheless, our balance sheet is strong, our liquidity is excellent, and we are comfortable with our debt position, including a bond of approximately $185 million that we will pay down in March of 2009 if required. We may choose to refinance the debt if financing is available at attractive rates, but as of today, we are planning to repay those obligations with internal funds. We have a strong cash balance of $137 million as of the end of the third quarter and we continue to generate significant cash flow from operations, totalling $168 million in the first nine months of the year.

All of our business segments continue to post strong results, with group revenue growing 25% for the first nine months of 2008 on a year-over-year basis to nearly $2.2 billion. This growth has been purely organic. Our dairy segment delivered sales of $1.6 billion in the first nine months of 2008, up nearly 23% year-over-year. Our beverage business achieved sales growth of nearly 20% to $372.5 million through the first nine months of the year. And our baby food sales for the first nine months of 2008 grew 61% over same period in 2007 to $191.6 million.

Our gross profit for the first nine months of 2008 was $707 million, up 22% from the same period a year ago. This improvement was across all three business segments. EBITDA also continued to show solid improvement. For the first nine months of 2008, EBITDA was $282.7 million, up 23.3% from the first nine months of 2007.

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

In conclusion, I would like to add that we remain confident in our financial strength, our ability to execute, and our strategy for sustained profitability. Over the last several years, we have put in place a strong foundation, which, combined with the very nature of our business, will see us emerge even stronger from this uncertain period

3

**Key Financial Indicators for the First Nine Months and 3Q 2008 vs. 2007**

| | 9M2008 US$ mln | 9M2007 US$ mln | Change | 3Q2008 US$ mln | 3Q2007 US$ mln | Change |
|---|---|---|---|---|---|---|
| **Sales** | **2,194.1** | **1,758.3** | **24.8%** | **702.1** | **610.5** | **15.0%** |
| *Dairy* | *1,630.0* | *1,328.7* | *22.7%* | *524.6* | *470.3* | *11.5%* |
| *Beverages* | *372.5* | *310.6* | *19.9%* | *113.5* | *98.5* | *15.2%* |
| *Baby Food* | *191.6* | *119.0* | *61.0%* | *64.0* | *41.7* | *53.5%* |
| **Gross profit** | **707.0** | **578.4** | **22.2%** | **236.6** | **200.6** | **18.0%** |
| Selling and distribution expenses | 365.7 | 281.7 | 29.8% | 124.6 | 95.8 | 30.1% |
| General and administrative expenses | 136.5 | 129.5 | 5.4% | 39.6 | 43.2 | (8.4)% |
| **Operating income** | **193.6** | **168.3** | **15.1%** | **67.6** | **59.9** | **12.9%** |
| Financial expenses, net | 36.5 | 15.4 | 137.1% | 24.7 | 2.9 | 759.7% |
| **Net income** | **109.6** | **105.6** | **3.7%** | **31.0** | **39.8** | **(22.2)%** |
| **EBITDA** | **282.7** | **229.4** | **23.3%** | **98.9** | **82.2** | **20.3%** |
| CAPEX excluding acquisitions | 158.9 | 127.7 | 24.4% | 47.7 | 58.6 | (18.6)% |

***Dairy***

Sales in the Dairy Segment increased 22.7% to US$1,630.0 million in the first nine months of 2008 from US$1,328.7 million in the same period of 2007. The growth was organic, driven primarily by pricing and offset slightly by volume decline. The average dollar selling price rose 33.0% to US$1.40 per kg in the first nine months of 2008 from US$1.05 per kg in the same period of 2007 driven primarily by average ruble price growth and exchange rate effect. Our raw milk purchasing price grew 35.7% year-on-year in ruble terms (46.2% in US dollar terms) in the first nine months of 2008. The gross margin in the Dairy Segment decreased to 29.1% in the first nine months of 2008 from 30.1% in the first nine months of 2007. Despite continued raw milk cost pressure, the gross margin in the Dairy segment improved slightly to 30.8% in the third quarter of 2008 from 30.5% in the third quarter 2007 and also improved sequentially from 30.1% in the second quarter of 2008.

***Beverages***

Sales in the Beverages Segment increased 19.9% to US$372.5 million in the first nine months of 2008 from US$310.6 million during the same period last year, driven mainly by a healthy balance of price, volume and mix. The average dollar selling price increased 14.8% to US$0.95 per liter in the first nine months of 2008 from US$0.83 per liter in the first nine months of 2007. The gross margin in the Beverages Segment decreased to 38.6% in the first nine months of 2008 from 40.4% in the same period last year, due to concentrate cost pressure. The gross margin in Beverages increased slightly to 40.0% in the third quarter of 2008 from 39.6% in the third quarter last year.

***Baby Food***

Sales in the Baby Food Segment increased 61.0% to US$191.6 million in the first nine months of 2008 from US$119.0 million in the same period last year, driven by a healthy balance of volume and price. The average selling price rose 27.4% to US$2.37 per kg in the

4

first nine months of 2008 from US$1.86 per kg in the first nine months of 2007. The gross margin in the Baby Food Segment increased to 46.6% in the first nine months of 2008 from 44.4% in the first nine months of 2007.

***Key Cost Elements***

In the first nine months of 2008, selling and distribution expenses increased 29.8% to US$365.7 million. Selling and distribution expenses, as a percentage of sales, stood at 16.7% in the first nine months of 2008 compared to 16.0% in the same period last year. General and administrative expenses increased 5.4% to US$136.5 million in the first nine months of 2008. General and administrative expenses, as a percentage of sales, declined to 6.2% in the first nine months of 2008 from 7.4% in the same period last year.

Operating profit increased 15.1% to US$193.6 million in the first nine months of 2008. EBITDA grew 23.3% to US$282.7 million.

In the first nine months of 2008, financial expenses grew to US$36.5 million from US$15.4 million in the same period of 2007. This was mainly a result of a currency revaluation loss of US$3.9 million in the first nine months of 2008 against currency revaluation gain in 2007 of US$14.0 million. Currency revaluation loss amounted to US$ 15.1 million in the third quarter of 2008 compared to currency revaluation gain in the third quarter of 2007 of US$8.4 million. Currency revaluation loss was incurred in the third quarter as a result of the weakening of the ruble against the dollar, impacting mainly US$250 million syndicated loan taken out in the second quarter of 2008. Currency revaluation loss is not a cash item.

Our effective tax rate decreased to 28.5% in the first nine months of 2008 from 29.3% in the same period of 2007.

***Net Income***

Net income increased 3.7% to US$109.6 million in the first nine months of 2008 from US$105.6 million in the first nine months of 2007. Underlying net income excluding foreign currency revaluation effect and adjusted for respective tax amount increased in the third quarter of 2008 by 23.7% year-on-year to $41.9 million, and by 17.4% year-on-year in the first nine months of 2008 to $112.4 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.

| | **9 months ended September 30, 2008** | | **9 months ended September 30, 2007** | |
|---|---|---|---|---|
| | **US$ mln** | **% of sales** | **US$ mln** | **% of sales** |
| Net income | 109.6 | 5.0% | 105.6 | 6.0% |
| Add: Depreciation and amortization | 89.1 | 4.1% | 61.1 | 3.5% |
| Add: Income tax expense | 44.8 | 2.0% | 44.7 | 2.5% |
| Add: Interest expense | 35.2 | 1.6% | 29.5 | 1.7% |
| Less: Interest income | (4.3) | (0.2)% | (2.3) | (0.1)% |
| Less: Currency remeasurement (gains)/losses, net | 3.9 | 0.2% | (14.0) | (0.8)% |
| Add: Bank charges | 2.0 | (0.1)% | 2.1 | (0.1)% |
| Add: Minority interest | 2.7 | (0.1)% | 2.5 | (0.1)% |
| Add: Other (gains)/losses | (0.3) | (0.01)% | 0.1 | 0.004% |
| **EBITDA** | **282.7** | **12.9%** | **229.4** | **13.0%** |

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