

Wimm-Bill-Dann Foods OJSC announces full year 2005 financial results

- Group sales rose 17.7% year-on-year to US\$1.4 billion
- Gross profit increased 21.2% with gross margins increasing to 28.4% from 27.5%
- Operating income up 65.4% to US\$87.5 million
- Adjusted EBITDA grew 45.4% to US\$140.9 million, adjusted EBITDA margin 1 increased to 10.1% from 8.1%
- Net income up 31.7% to US\$30.3 million
- Operating cash flow increased 58.9% amounting to US\$113.9 million

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

Commenting on the results, Chief Executive Officer Sergei Plastinin said: "We are pleased to have witnessed a recovery in profitability in 2005, as a result of a number of long-term strategies aimed at efficiency and cost control. The modernization of our dairy production facilities and re-deployment of production resources, begun in 2003, have led to real gains in efficiency at our regional facilities. Our sales grew 18% year-on-year, having been driven by an organic increase in dairy sales. Our sales outside of the Moscow region also continue to grow. As of the end of 2005, regional sales made up 51% of our overall sales, compared to 49% in 2004. We also saw impressive 36% growth in baby food sales, all of which was organic. With operating income rising 65% and net income increasing by 32%, we believe that our strategy of achieving sustainable and profitable growth is a viable one. I would also like to note that our investment activity was fully financed from an operating cash flow this year."

Key Operating and Financial Indicators of FY 2005

	FY 2005	FY 2004	Change
Sales volumes, thousand tons	1689.5	1,611.1	4.9%
	US\$ `mln	US\$ `mln	
Sales	1,399.3	1,189.3	17.7%
Dairy	1,007.7	822.9	22.5%
<i>Beverages</i>	<i>303.8</i>	<i>301.7</i>	<i>0.7%</i>
Baby Food	87.8	64.7	35.7%
Gross profit	397.0	327.6	21.2%
Selling and distribution expenses	(192.0)	(173.4)	10.7%
General and administrative expenses	(109.6)	(92.8)	18.1%
Operating income	87.5	52.9	65.4%
Financial income and expenses, net	(22.9)	(14.6)	56.8%
Net income	30.3	23.0	31.7%
Adjusted EBITDA 1	140.9	96.9	45.4%
CAPEX including acquisitions	104.4	72.6	43.8%

This was attributable to organic growth and driven by an increase in average selling prices and volume growth in the main product categories. The overall impact of acquisitions made in 2005 on the segment's financial performance was relatively limited and accounted for about 1% of the total Dairy Segment sales volume. The average dollar selling price rose 12.5% from US\$0.75 per 1 kg in 2004 to US\$0.84 per 1 kg in 2005. This increase was driven mainly by ruble price increases. The gross margin in the Dairy Segment increased to 25.2% from 24.5% due to the rise in average selling price outstripping the rise in raw milk prices at the end of the year, improvements in efficiency and cost control.

Sales in the Beverages Segment stayed almost flat at US\$303.8 million in 2005. The average selling price increased 6.8% from US\$0.65 per liter in 2004 to US\$0.70 per liter in 2005. This increase was chiefly due to ruble price increases. The gross margin in the Beverages Segment grew to 36.0% from 33.8% , driven by increased selling prices and improved efficiency in the supply chain.

Sales in the Baby Food Segment increased 35.7% from US\$64.7 million in 2004 to US\$87.8 million in 2005. This was due to organic growth. The average selling price rose 17.6% from US\$1.29 per 1 kg in 2004 to US\$1.52 per 1 kg in 2005. This increase was driven primarily by an increase in the average ruble selling price as well as the continuing increase of the proportion of higher priced products such as drinkable yogurts and curd desserts in the overall product mix. The gross margin in the Baby Food Segment increased to 38.0% from 37.2%.

Selling and distribution expenses decreased from 14.6% to 13.7% y-o-y as a percentage of sales. Advertising and marketing expenses decreased as a percentage of sales from 4.6% in 2004 to 4.1% in 2005. Transportation expenses decreased slightly as a percentage of sales from 3.9% in 2004 to 3.8% in 2005 due to more effective logistics and despite transportation tariffs that almost doubled during the year. General and administrative expenses as a percentage of sales remained flat at 7.8%. Operating margin increased from 4.4% to 6.3% as a result of cost cutting initiatives at the level of production and operational expenses.

Financial expenses in 2005 increased 56.8% to US\$22.9 million compared to US\$14.6 million in 2004 including a decline in foreign currency translation gain to US\$1.2 million in 2005, compared to US\$7.7 million in 2004.

Income tax expense totalled US\$30.7 million compared to US\$12.2 million in 2004. This change is mainly due to an increase of income before tax as well as an increase in expenses not deductible for statutory purposes and negative charges to deferred tax verses positive charges in 2004.

Net income increased by 31.7%, from US\$23.0 million to US\$30.3 million.

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.

	Full year ended December 31, 2005		Full year ended December 31, 2004	
	US\$ `mln	% of sales	US\$ `mln	% of sales
Net income	30.3	2.2%	23.0	1.9%
Add: Depreciation and amortization	53.4	3.8%	44.0	3.7%
Add: Income tax expense	30.7	2.2%	12.2	1.0%
Add: Interest expense	23.4	1.7%	22.3	1.9%
Less: Interest income	(1.6)	0.1%	(1.4)	0.1%
Less: Currency remeasurement gains, net	(1.2)	0.1%	(7.7)	0.6%
Add: Bank charges	2.0	0.1%	1.9	0.2%
Add: Other financial expenses (gain)	0.3	0.0%	(0.6)	0.0%
Add: Minority interest	3.6	0.3%	3.2	0.3%
Adjusted EBITDA	140.9	10.1%	96.9	8.1%

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

	2005 (unaudited)	2004
Sales	\$ 1,399,289	\$ 1,189,291
Cost of sales	(1,002,246)	(861,661)
Gross profit	397,043	327,630
Selling and distribution expenses	(191,990)	(173,433)
General and administrative expenses	(109,642)	(92,816)
Other operating expenses, net	(7,916)	(8,458)
Operating income	87,495	52,923
Financial income and expenses, net	(22,868)	(14,618)
Income before provision for income taxes and minority interest	64,627	38,305
Provision for income taxes	(30,712)	(12,170)
Minority interest	(3,649)	(3,161)
Net income	\$ 30,266	\$ 22,974
Other comprehensive income, net of tax		
Currency translation adjustment	(14,139)	23,324
Comprehensive income	\$ 16,127	\$ 46,298
Earnings per share - basic and diluted:		
Net income	\$ 0.69	\$ 0.52
Weighted average number of shares outstanding, basic and diluted	44,000,000	44,000,000

WIMM-BILL-DANN FOODS
Consolidated Balance Sheets
(Amounts in thousands of U.S. dollars)

	December 31,	
	2005 (unaudited)	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 93,103	\$ 23,791
Short-term bank deposits	32,164	-
Trade receivables, net	59,968	62,210
Inventory	130,597	102,039
Taxes receivable	61,480	85,578
Advances paid	9,715	19,494
Net investment in direct financing leases	2,335	2,109
Deferred tax asset	8,750	6,265
Other current assets	8,915	7,145
Total current assets	407,027	308,631
Non-current assets:		
Property, plant and equipment, net	459,527	437,320
Intangible assets, net	7,078	5,027
Goodwill	32,008	26,291
Net investment in direct financing leases – long-term portion	3,072	3,895
Long-term investments	138	2,417
Deferred tax asset – long-term portion	5,554	7,001
Other non-current assets	6,153	5,506
Total non-current assets	513,530	487,457
Total assets	\$ 920,557	\$ 796,088
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 65,780	\$ 62,400
Advances received	5,291	3,492
Short-term loans	19,554	17,554
Long-term loans, current portion	3,823	936
Notes payable	49,794	-
Taxes payable	13,406	13,281
Accrued liabilities	17,071	14,691
Government grants – current portion	2,174	2,329
Other payables	30,200	29,615
Total current liabilities	207,093	144,298

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Long-term liabilities:		
Long-term loans	1,824	7,120
Long-term notes payable	254,230	201,709
Other long-term payables	2 6 ,893	39,294
Government grants – long-term portion	3,219	5,156
Deferred taxes – long-term portion	15,636	10,268
Total long-term liabilities	301,802	263,547
Total liabilities	508,895	407,845
Commitments and contingencies	-	-
Minority interest	24,619	17,327
Shareholders' equity :		
Common stock: 44,000,000 shares authorized, issued and outstanding with a par value of 20 rubles at December 31, 2005 and 2004	29,908	29,908
Share premium account	164,132	164,132
Accumulated other comprehensive income:		
Currency translation adjustment	29,766	43,905
Retained earnings	163,237	132,971
Total shareholders' equity	387, 043	3 70,916
Total liabilities and shareholders' equity	920,557	796,088

WIMM-BILL-DANN FOODS
Consolidated Statements of Cash Flows
(Amounts in thousands of U.S. dollars)

	2005	2004
Cash flows from operating activities:		
Net Income	\$ 30,266	\$ 22,974
Adjustments to reconcile net income to net cash provided by operating		
Minority interest	3,649	3,161
Depreciation and amortisation	53,435	44,003
Currency remeasurement loss(gain) relating to bonds payable and long-	990	(9,938)
Obsolescence and net realizable value expense	1,077	3,482
Provision for doubtful accounts	3,908	3,722
Loss on disposal of property, plant and equipment	1,321	1,013
Earned income on net investment in direct financing leases	(402)	(639)
Deferred tax expense(benefit)	3,327	(6,019)
Non-cash rental received	2,496	1,957
Reversal of tax contingent liability	(800)	(128)
Loss on disposal of long-term investments	1,786	190
Amortisation of bonds issue expenses	1,046	1,025
Changes in operating assets and liabilities:		
Increase in inventories	(25,361)	(9,208)
Increase in trade accounts receivable	(2,636)	(4,883)
Decrease in advances paid	9,553	1,356
Decrease in taxes receivable	15,082	13,979
Increase in other current assets	(1,062)	(3,346)
Increase in trade accounts payable	3,649	7,000
Increase in advances received	1,880	719
Increase in taxes payable	6,698	1,526
Increase in accrued liabilities	2,816	2,913
Increase (decrease) in other current payables	678	(3,148)
Increase in other long-term payables	541	9
Total cash provided by operating activities	113,937	71,720
Cash flows from investing activities:		
Cash paid for acquisition of subsidiaries, net of cash acquired	\$ (24,964)	\$ (6,697)
Cash paid for property, plant and equipment	(72,805)	(68,103)
Cash paid for acquisition of investments	(71)	-
Proceeds from disposal of investments	538	675

Proceeds from disposal of investments	538	675
Proceeds from disposal of property, plant and equipment	5,944	2,081
Cash paid for net investments in direct financing leases	(1,982)	(1,764)
Cash invested in short-term bank deposits	(31,817)	-
Net cash used in investing activities	(125,157)	(73,808)
Cash flows from financing activities:		
Proceeds from long-term notes payable, net of debt issuance expenses	106,000	-
Short-term loans and notes, net	(3,795)	7,967
Repayment of long-term loans	(4,099)	(2,481)
Proceeds from long-term loans	1,636	343
Repayment of long-term payables	(17,123)	(19,727)
Repayment of long-term notes payable	-	(2,261)
Total cash provided by (used in) financing activities	82,619	(16,159)
Impact of exchange rate differences on cash and cash equivalents	(2,087)	1,774
Net increase(decrease) in cash and cash equivalents	69,312	(16,473)
Cash and cash equivalents , at beginning of the year	23,791	40,264
Cash and cash equivalents , at the end of the year	\$ 93,103	\$ 23,791

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