

# Wimm-Bill-Dann Foods OJSC



## Investor Presentation



# Safe Harbor Statement

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Some of the information contained in this presentation 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.

- **Introduction**
- **Part I: Delivering Growth Strategy Implementation**
- **Part 2: 1H 2008 Operational Highlights and Challenges**
- **Part 3: Outlook for 2008 & Beyond**
- **Part 4: 1H 2008 Financials**
- **Appendix: Ratings, Shareholder Structure & Contacts**

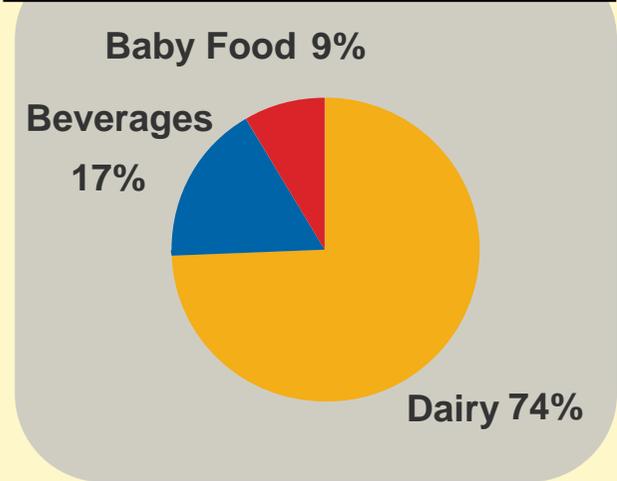


# Wimm-Bill-Dann Snapshot

*Our mission is to help the entire family live healthier by enjoying our nutritious and delicious food and beverage products everyday throughout their lives*

- Largest Food and Beverage company in Russia and CIS
- 37 production sites
- We operate in 10 countries
- Serving needs of 280 mln. consumers
- Focus on fast growing Health and Wellness categories
- #1 in Dairy, #1 in Baby Food and #3 in Beverages
- Rapidly growing consumer income per capita
- Significant per capita consumption growth potential
- Over 19,000 employees
- NYSE – Level 3 ADRs

**1H 2008 Sales by Segment**



**1H 2008 Sales by Region**



# Our Geographic Reach

## Ukraine

Population ~ 47 mln.  
WBD: 3 Dairy sites;  
< 5% of Group Revenue;  
Leader in Dairy Market - 16.2%

## Russia

Population ~ 142 mln.  
WBD: 25 Dairy sites,  
4 Baby Food sites,  
2 Beverage sites, 5 Farms;  
90% of Group Revenue;  
Leader in Dairy and BF Markets

Ukraine

Russia

Kazakhstan

Uzbekistan

Kirgizstan

## Caucasus

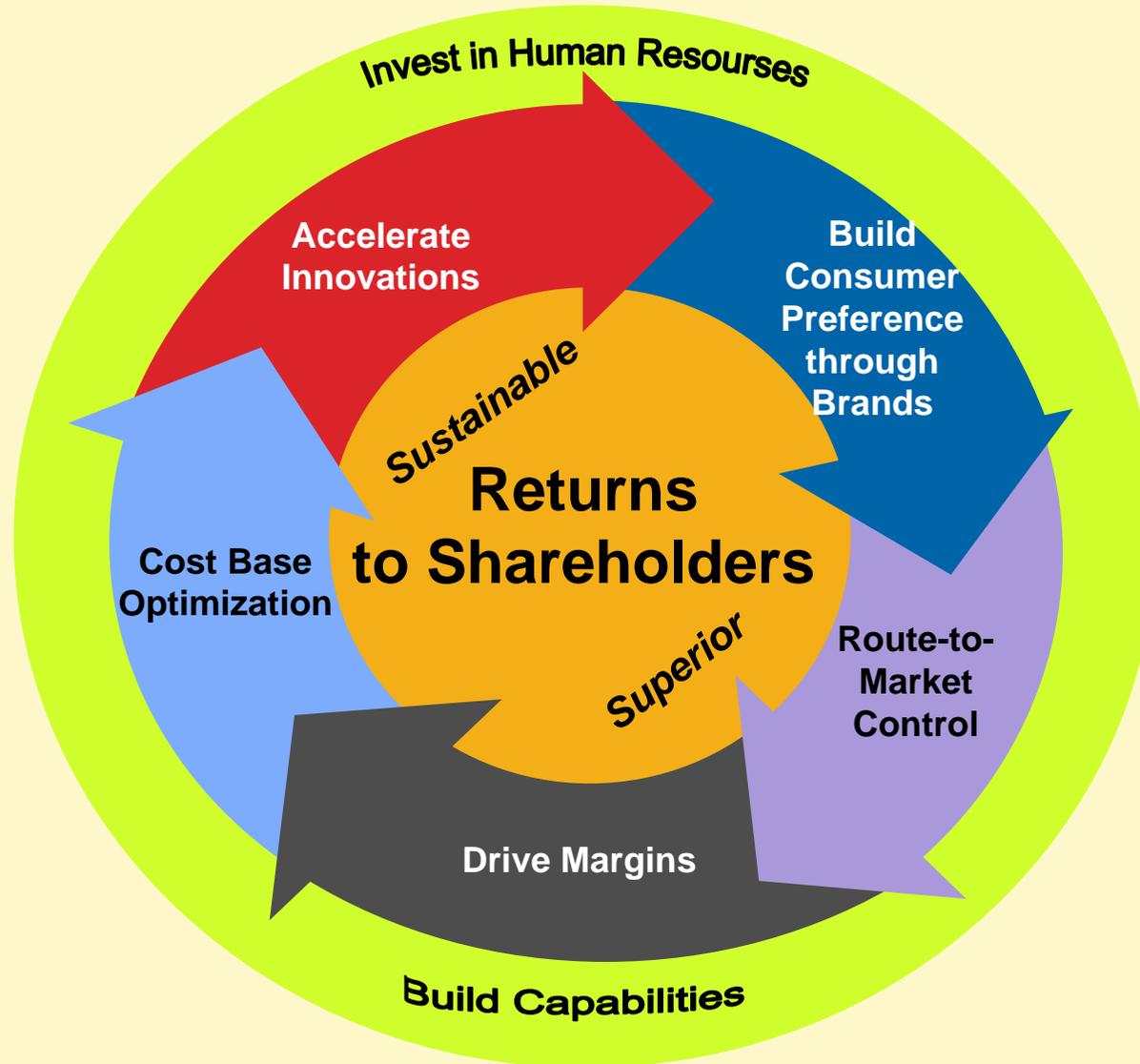
Population ~ 17 mln.  
WBD: 1 Dairy site in  
Georgia

## Central Asia

Population ~ 60 mln.  
WBD: 2 Dairy sites;  
< 2% of Group Revenue

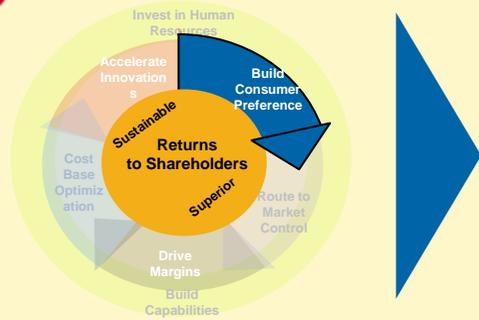
**Potential CIS consumer base of more than 280 mln.**

# Our Core Strategic Imperatives



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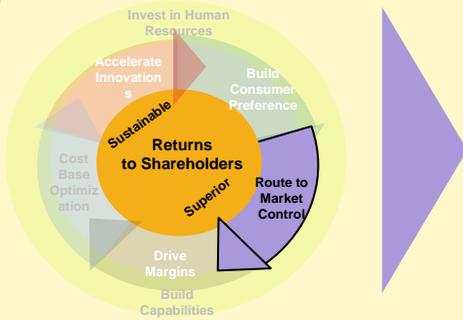
# Build Consumer Preference through Brand Equity



- Transition of local brands to national umbrellas started
- Improved advertising quality
  - New advertising campaign for our flagship juice brand J7
  - New brand equity and visual identity concept for Agusha BF
  - New advertising campaign for Imunele
- Packaging upgrade for key brands
  - Improved graphics on Chudo curd desserts
  - More convenient re-sealable packages being gradually introduced for traditional products



# Improving Route-to-Market



- Entered new geographies with Baby Food through launch of production site in Siberia
- Priority cities identified with aggressive plan to build share
- Significantly improved KA deals
- Store level data collection from distributors for effective field force management
- Focus on top 50 SKU execution in Dairy and Baby Food
- Tighter control over distributor stock – transition to Vendor Managed Inventory started in Beverages



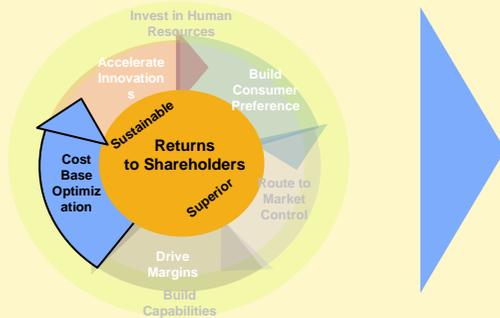
# Improving Margins through Mix and Packaging



- Focus on raw materials conversion to high value
- Enriched product versions at a premium to regular product
- Pack size optimization
- New formats - smaller packages, multi-packs designed



# Quality First while Driving Lowest Appropriate Cost



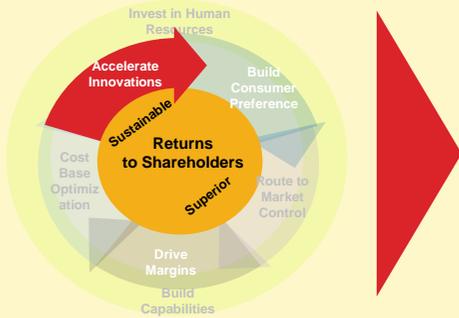
- Expansion of juice production in Siberia
- Labor force optimization – productivity improvement
- New ERP being implemented as of 2008
- World class efficiency targets
- Key Business Indicators tracked and managed
- More efficient transport utilization
- In-house Baby Food kasha production started



SLE. Отчет за месяц.

**SLE по линиям за Март**

ЛИНИЯ	ЦЕЛЬ SLE	SLE
ТВА-8_1	67%	71%
ТВА-8_2	67%	68%
ТВА-8_3	67%	69%
ТВА-8_4	67%	70%
ТВА-8_5	67%	71%



- Entering new categories, expanding proposition in Baby Food
  - Dry formula market entered
  - 0,5L juice launched - biggest part of BF juice market
- Creating new product niches
  - Expanding Beauty functional products range
  - Launched J7 Immuno range
  - Pursuing new consumption occasions with yogurt family pack
- Brands reinforcement through relevant line extensions
  - Seasonal and vegetable flavours for juice
  - New flavours for Chudo curd and Imunele



# Build People Capabilities



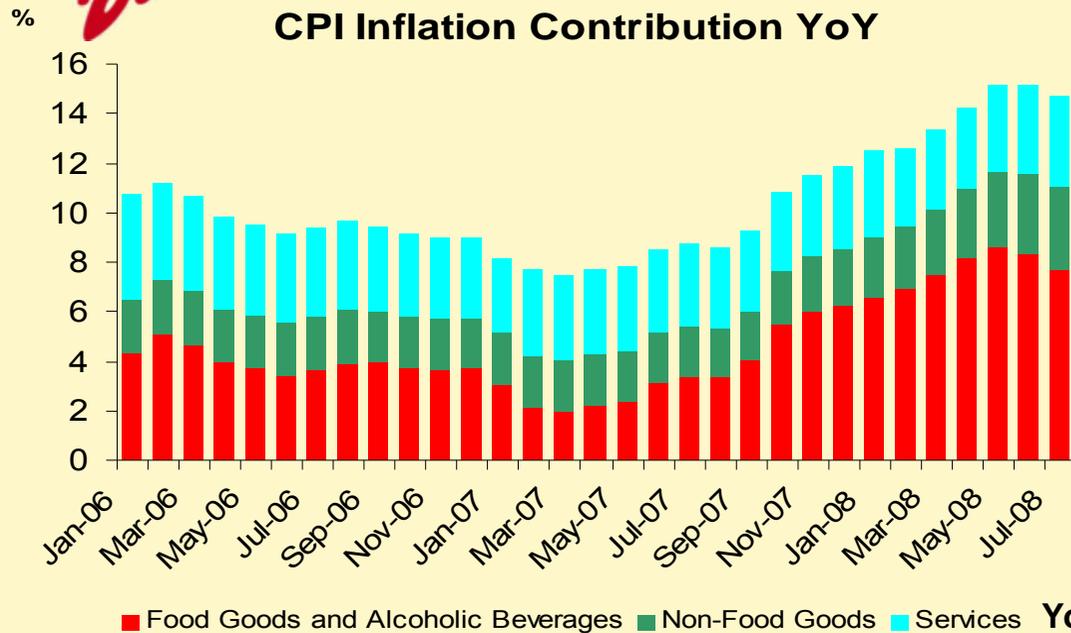
- Performance management routines
- Results linked remuneration system at all levels of organization
- Invest in training and building capabilities
- Culture surveys and “360 degree” assessments
- Stock option program for top managers
- New grading system is being developed



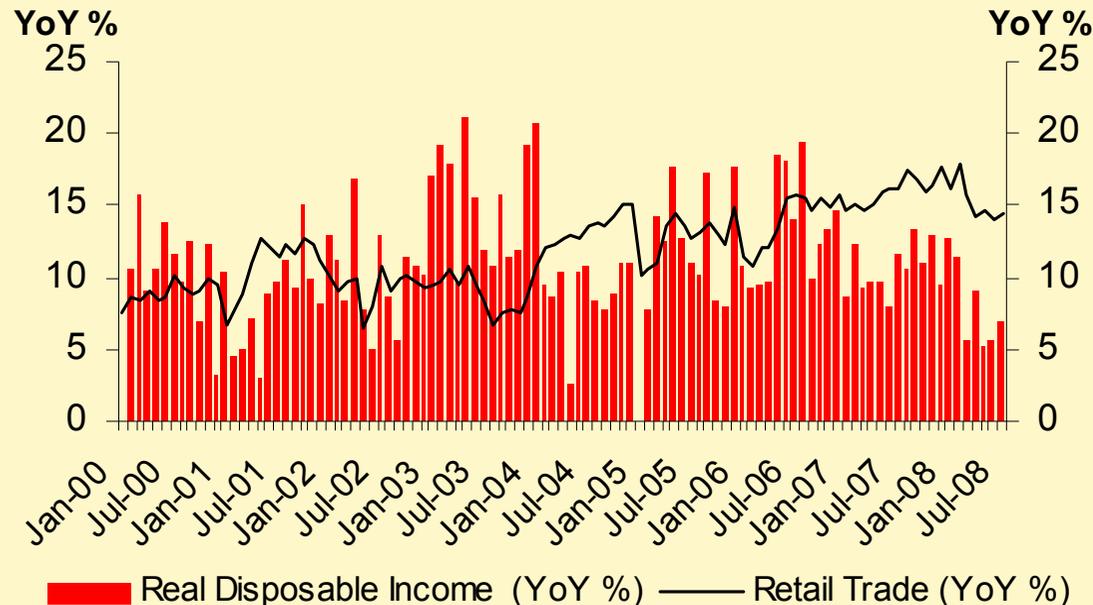
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# Russian Real Disposable Income Trends in 1H 2008

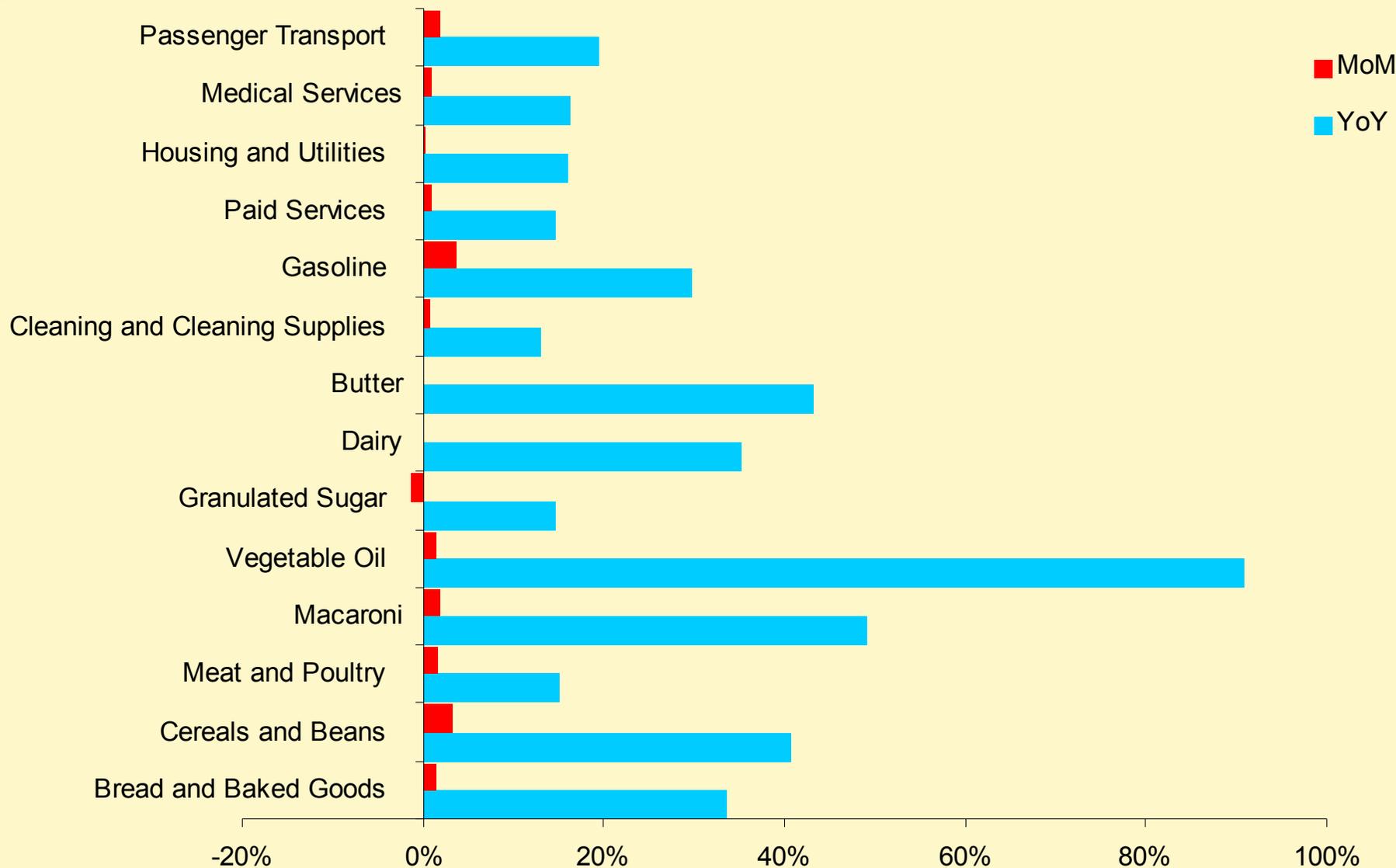


### Retail Sales Trends



Source: State Committee of Russian Federation, Citi.

# 1H 2008 Goods and Services Inflation in Russia

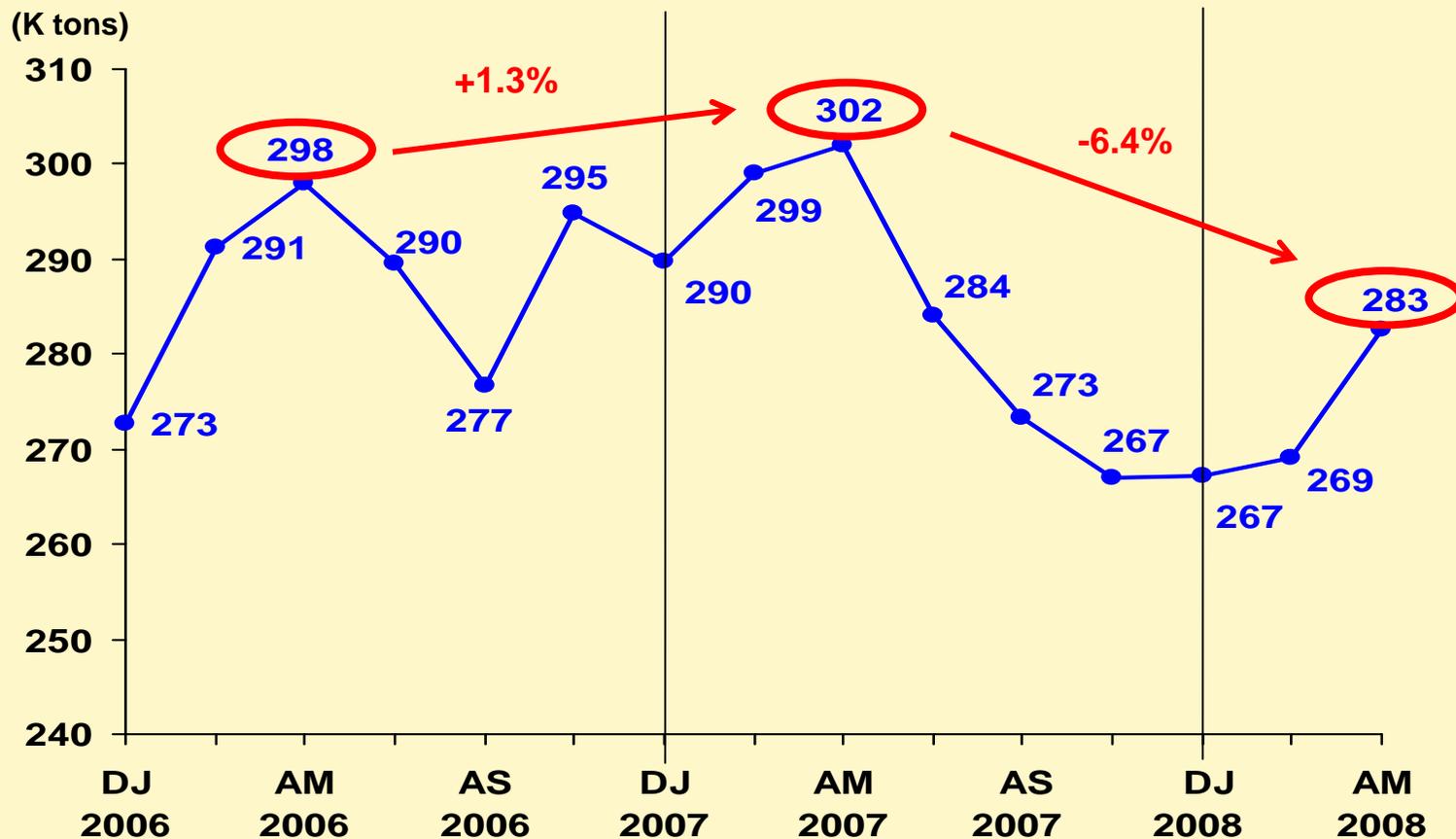


Source: July 2008, State Committee of Russian Federation



# Significant Dairy Market Decline

Russian Dairy Market\*, 2006-2008, volumes



\*excluding cheese and butter, Source: AC Nielsen, 24 cities

\*\* Source: Rosstat, July 2008



# Russian Beverages Market in 2Q 2008

Segment	1Q 2008	vs PY	2Q 2008	vs PY
CSD	1,013	5.1%	1,343	-6.7%
Water	756	12.1%	989	1.3%
Juice and Nectars	672	7.9%	1,057	1.5%
Ice Tea	54	51%	118	12%
Energy	18	73%	27	45%
Sport	0.9	-12%	1.9	-21%
Ice Coffee	0.4	18%	0.5	0%
<b>Total soft drinks*</b>	<b>2,514</b>	<b>8.9%</b>	<b>3,537</b>	<b>-1.3%</b>

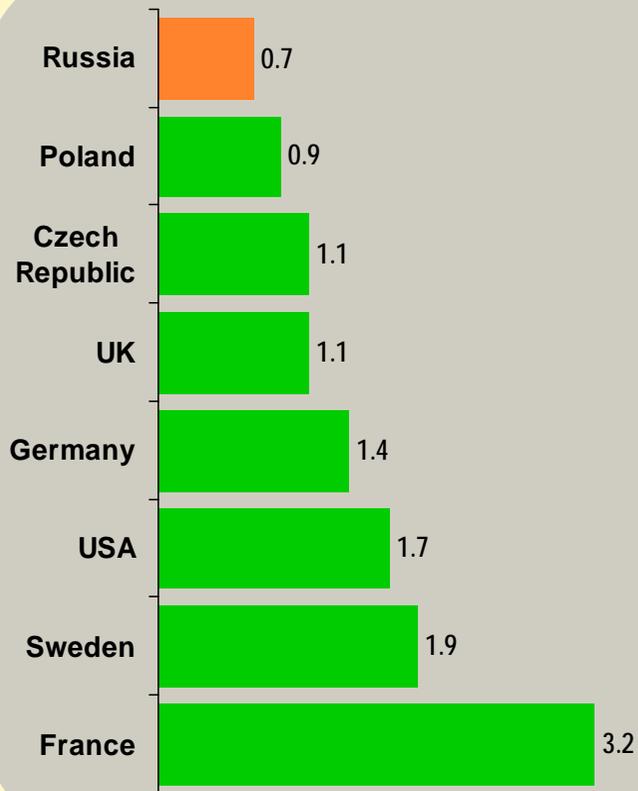
- In 2Q soft drinks market declined by 1.3% vs. PY driven mainly by CSD
  - reduced consumer disposable incomes
  - cold summer
- Juice and Nectars growth flattened out in 2Q
- Water also stagnated in 2Q with 1.3% growth vs. PY

\*ready to drink

Source: Canadean Russia Quarterly Review №54

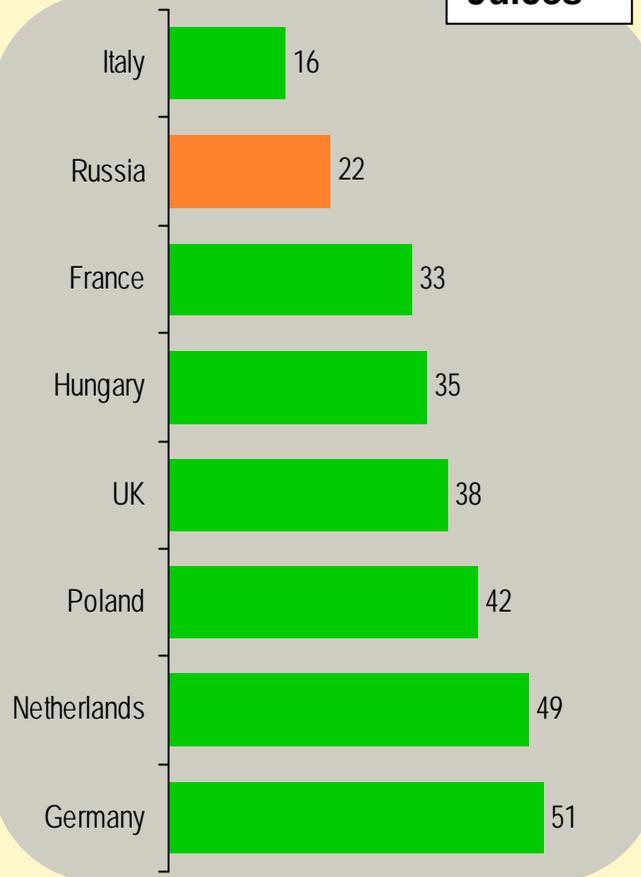
# Untapped Consumer Potential

**Baby Food\***



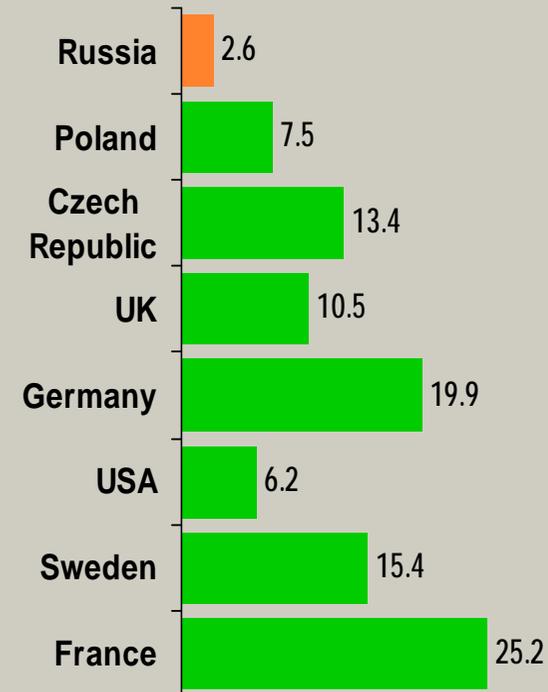
\*Annual PCC, liters/person  
Source: Euromonitor, 2008

**Juices\*\***



\*\* Annual PCC, liters/person  
Source: Canadean, 2007

**Yoghurts & Desserts\*\*\***



\*\*\*Annual PCC, liters/person  
Source: Euromonitor, 2008

- New CFO and Head of HR appointed
- New Independent Board Director elected
- Central Raw Milk Department created
- S&P assigned to WBD its new GAMMA 7+ corporate governance rating, the highest in Russia

# 1H 2008 Appointments

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**Marcus Rhodes** has served as a member of Wimm-Bill-Dann's Board of Directors since June 2008. He also serves as an independent director for Rosinter Group and for a South Africa-based real estate company. Mr. Rhodes held various auditing positions within well-recognized financial services consulting companies in different countries, including Poland and Russia. From 2002 to 2008, Mr. Rhodes acted as an audit partner for Ernst & Young.



**Dmitry V. Ivanov** has served as Wimm-Bill-Dann's Chief Financial Officer since May 2008. He most recently served as Chief Financial Officer at Sitronics, a publicly listed company within the AFK Sistema group. Mr Ivanov has worked in a variety of senior finance roles within the AFK Sistema group, Multon, Creditanstalt Investment Bank and Small Enterprise Assistance Funds.



**Natalia K. Turkulets** has served as Wimm-Bill-Dann's Head of Personnel Department since May 2008. Prior to joining Wimm-Bill-Dann, between 2003 and 2008, Natalia served as Head of HR for Salyem 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.

# 1H 2008 Highlights (2)

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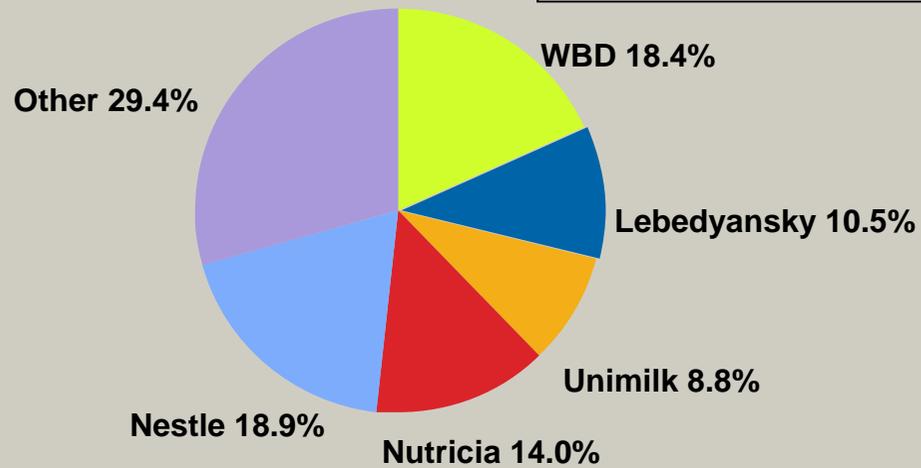
- Continued profitable growth of Baby Food:
  - Market position strengthened
  - Revenue growth of 65%; EBITDA growth of 89%
  - Dry Milk Formula launched
- Continued turnaround in Beverages:
  - J-7 volume quarterly y-on-y growth: -2%, +17%, +14%, +21% in 2007; +19% in 1H 2008
  - WBD is the only producer gaining share in juice market
  - New tastes, formats and categories launched under J7 and Lovely Garden
- Improved profitability in Dairy:
  - Gross Margin improved to 30% in 2Q'08 from 26% in 1Q'08
  - Growing share of national brands in overall portfolio
  - Going against the trend – dairy market share growth in 2Q'08
  - Value-added launches under higher-margin Chudo and Imunele brands



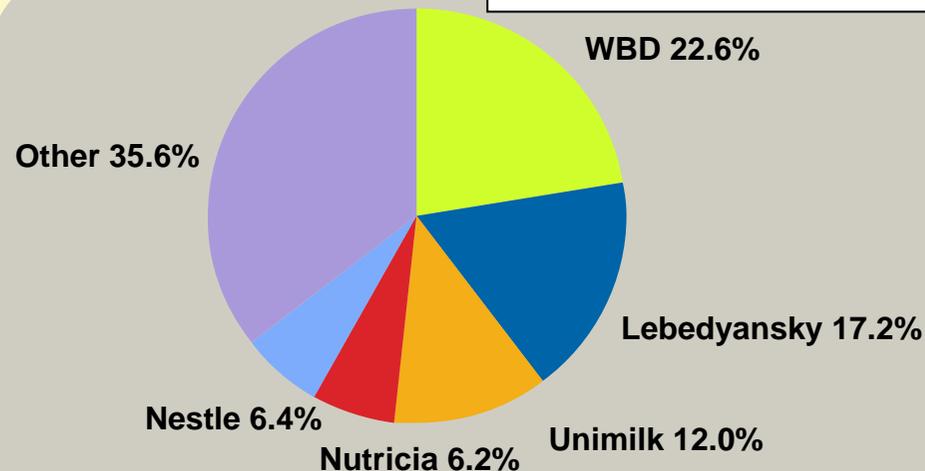
# Leadership in Russian Baby Food Market

First in volume, second in value

Market share, value

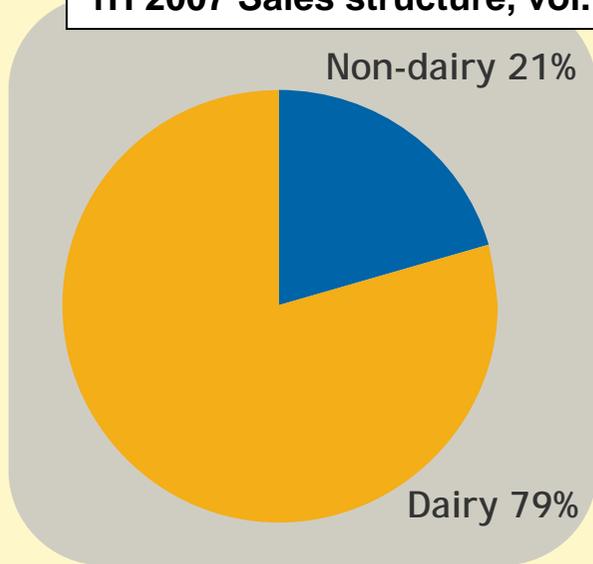


Market share, volume

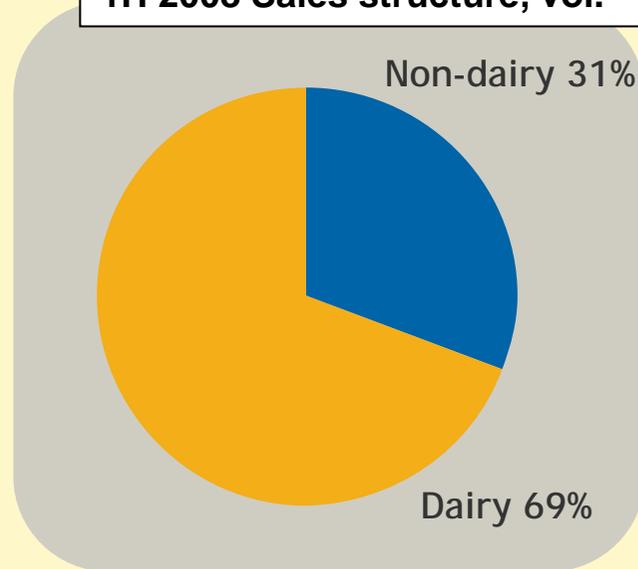


# Expanding into New Higher Margin Segments

1H 2007 Sales structure, vol.



1H 2008 Sales structure, vol.



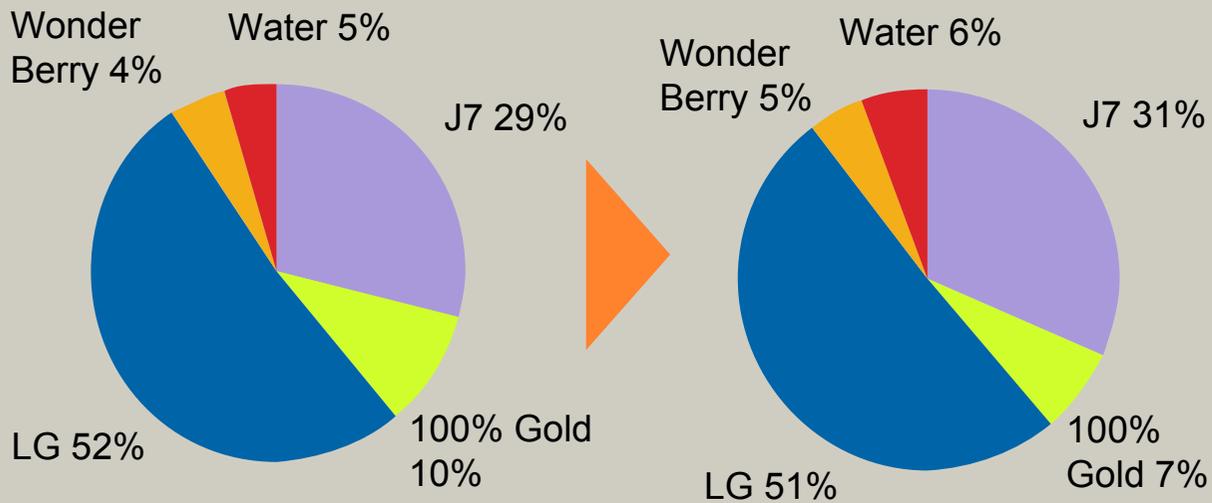
## Dry Milk Formula market

- Expected market size - 25,000 tons, or \$480 mln in 2008
- Two key segments:
  - Premium - 60% market share in value terms
  - Middle – 40% market share in value terms
- Main competitors – Nestle and Nutricia



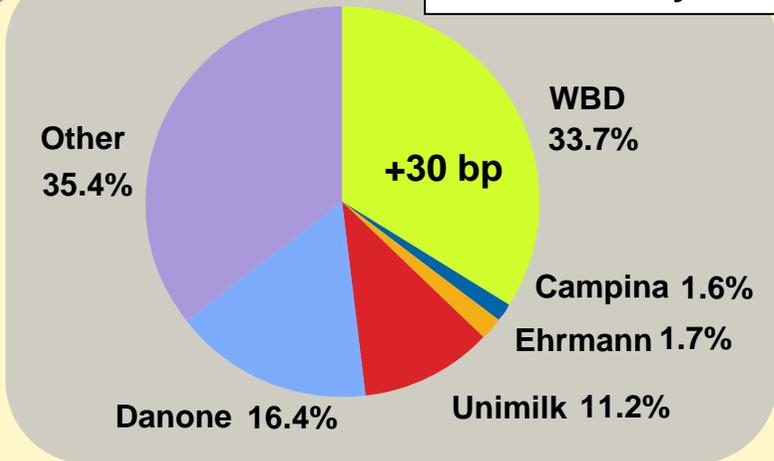
# Continued Turnaround in Beverages

Sales mix improvement, 2Q 2008 vs 2Q 2007

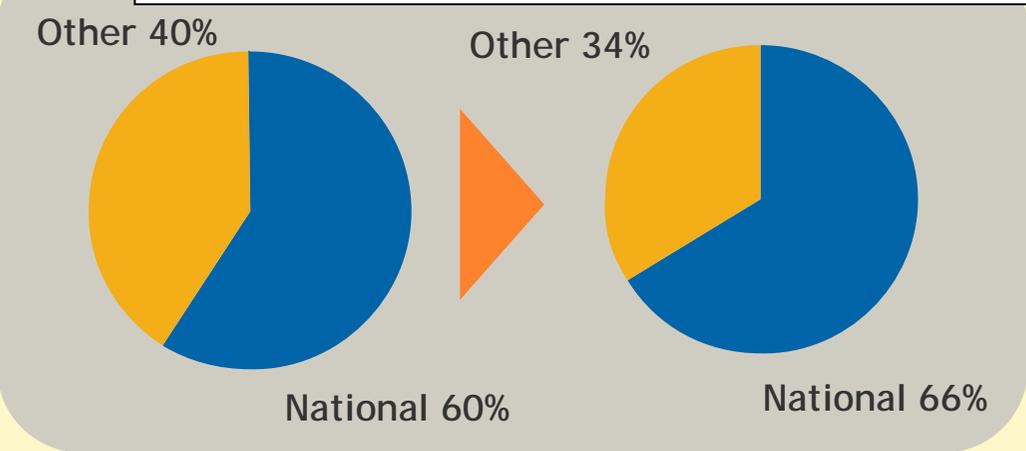


# Growing Share of National Dairy Brands

**Russian Dairy Market\***



**Share of National Brands in WBD dairy Sales\*\***



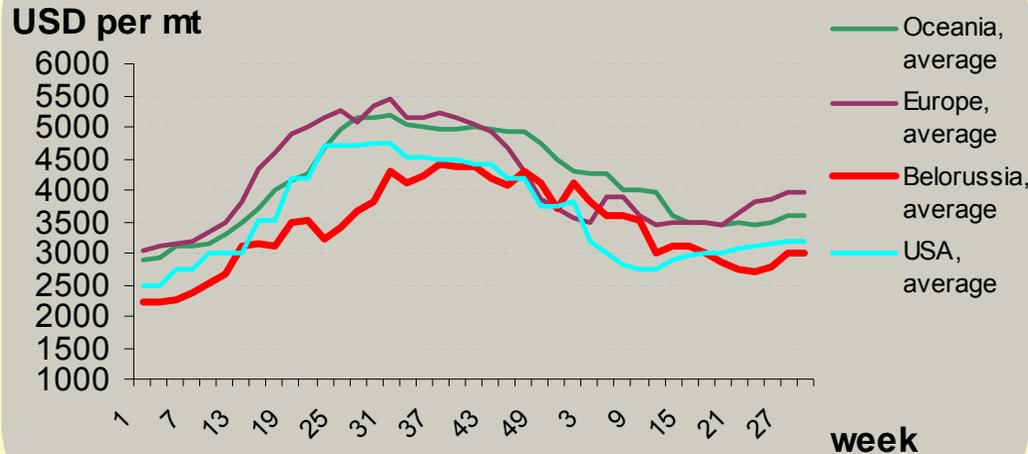
Source:

\* AC Nielsen, 24 cities, value terms, AM 2008, 12 months avg.

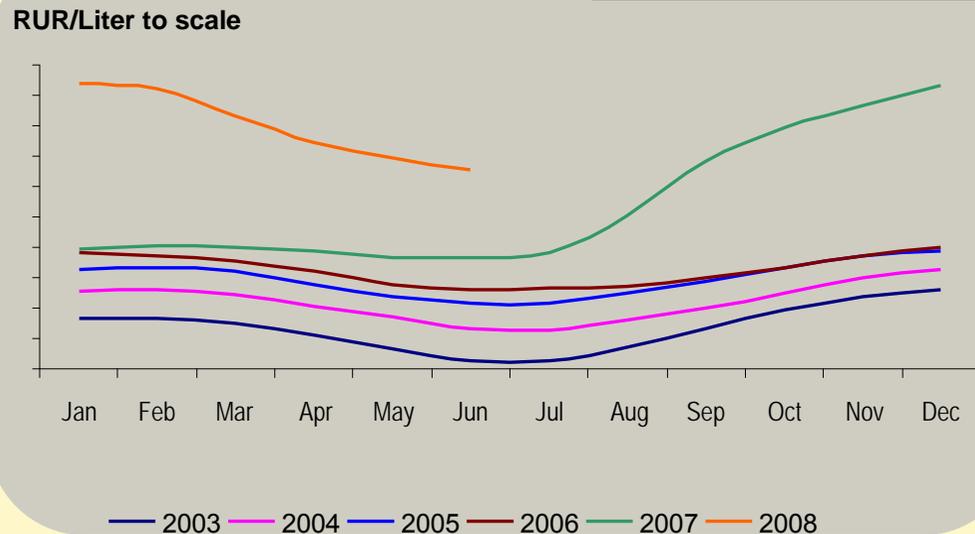
\*\* Company, 1H 2008 vs. 1H 2007

# Milk Challenge in 2007-2008

**Skim milk price in 2007- 2008**



**Raw milk price in 2008**



- WBD's milk costs grew significantly:
  - In 1H 2008 WBD paid \$156mln. more to purchase milk than in 1H 2007
- Partially offset by pricing and enhanced efficiency
- Significant gross margin recovery in 2Q 2008

## Supply Development

## Quality of raw milk

### Done

- Over 60% share of direct supplies from farms
- Long term contracts signed with a number of farms
- New supply regions are being developed

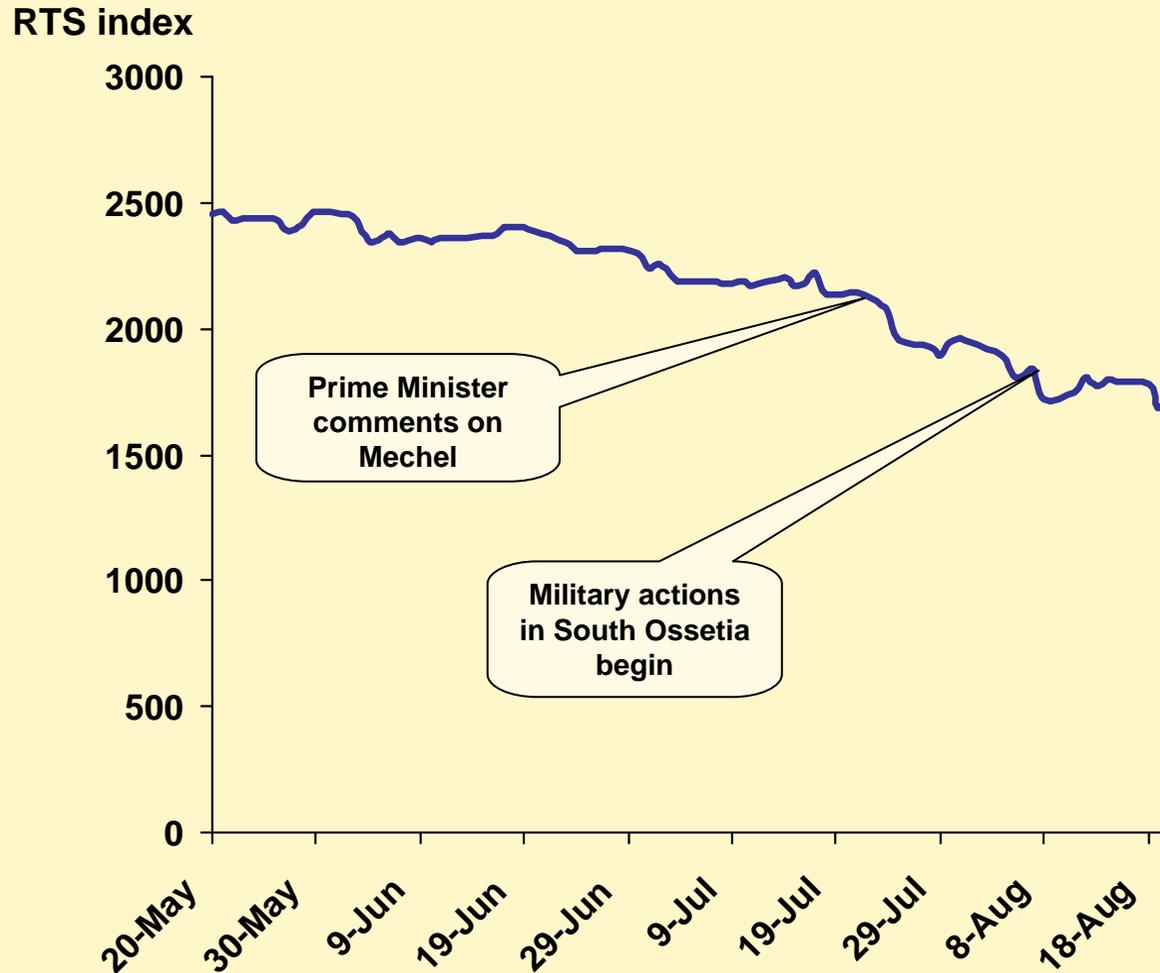
- Raw milk quality audit in most regions
- New form of raw milk suppliers auditing introduced
- Regular and spot checks of raw milk suppliers

### Next steps

- Long term contracts with key traders
- Prolongation of contracts with farms
- Further development of new supply regions

- Further raw milk suppliers planned audits
- Quality seminars with suppliers

RTS index at closing, 20 May-20 August 2008



## Multiple factors affecting general investor confidence

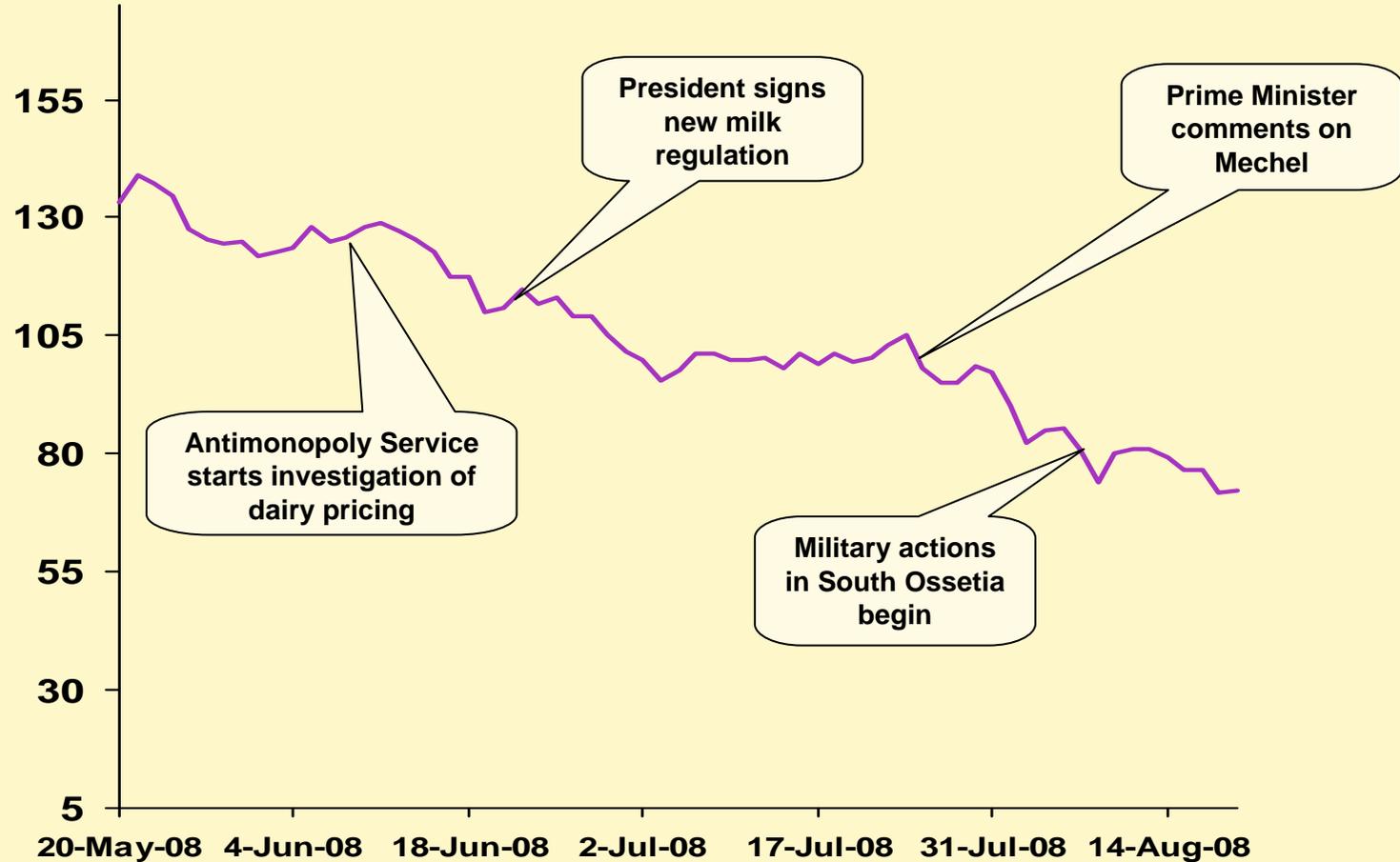
- Intensification of relations between Russia and the West following military actions in South Ossetia
  - Prime Minister's criticism of Mechel pricing practices
  - Antimonopoly Service investigation of milk pricing
  - Continuing dispute between Western and Russian shareholders of TNK-BP
  - High inflation
- 
- All factors leading to erosion of investor confidence



# WBD Stock also Affected by External Factors

WBD stock at closing at NYSE over the last 3 months, 20 May-20 August 2008

\$/ADR



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# Initiatives for 2H 2008 and 1H 2009

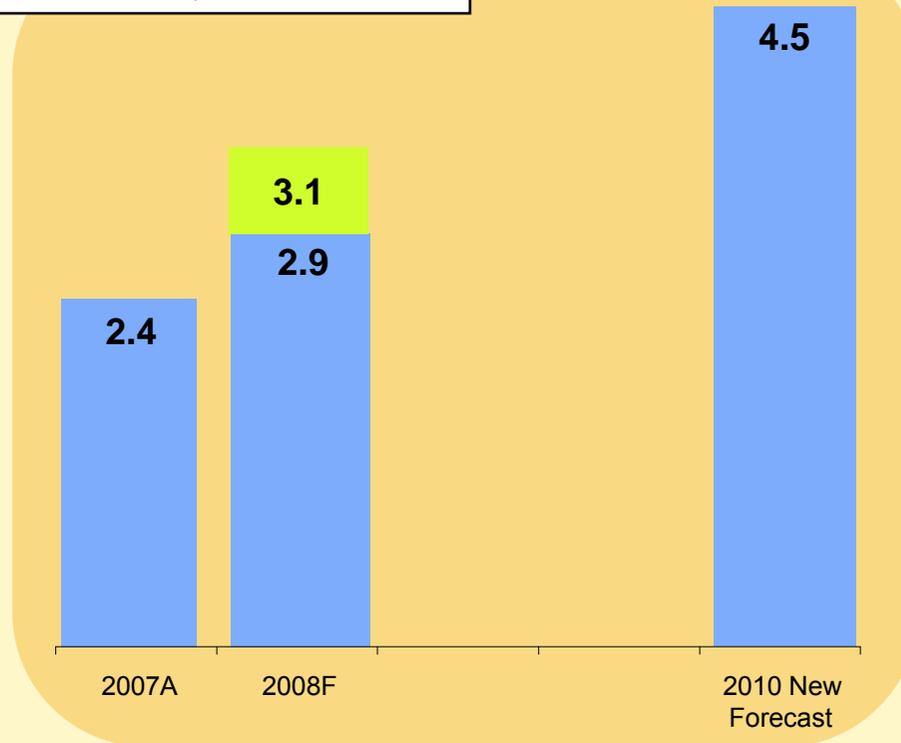
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- Further cost cuts through increased production, selling and logistics efficiency, staff reduction and products reformulation
- ERP system to go live at a pilot site in St. Petersburg in 2008
- Entry into new product categories
- Favorable market conditions for further acquisitions
- Joint work with the government, Farmers' and Dairy Unions to promote milk as a category
- New marketing campaigns and increased in-store promotion

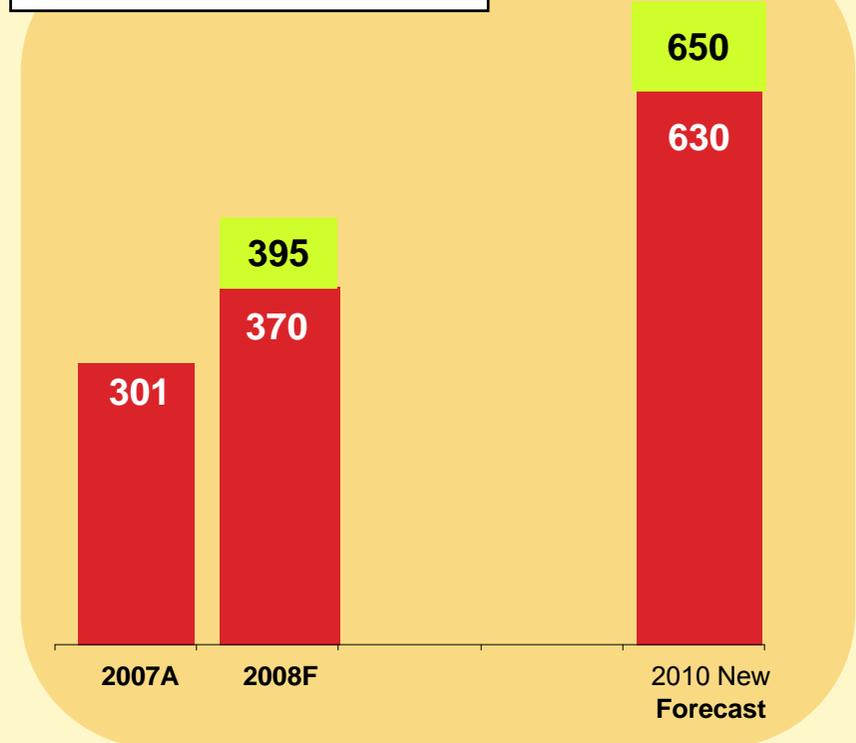
# Our Goals for 2010

- Revenue over US\$4.5 bn
- EBITDA US\$630-650 mn
- Baby Food sales revenue around US\$500 mn
- Develop recognition as a leading international food company
- Top-10 brands by revenue in Russia's top-50 FMCG brands
- Substantially better route-to-market controls
- The best company to work for & attract top talent – employer of choice

Revenue, bln. USD



EBITDA, mln. USD



# WBD Competitive Strengths

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- Strong leadership in attractive segments
  - Deep understanding of Russian consumers' needs and tastes
  - Flexibility in expanding baby food and beverages production (at dairy sites)
  - Market leader in traditional and value-added dairy and baby food, supporting beverages in achieving better pricing and shelf space
- Building brands in high-value segments and improved route-to-market
  - 37 production sites across CIS – best value-for-money assets consolidated
  - Regional production – timely response to local demand
  - Local production prolongs shelf life
  - Saving on logistics and transportation
- Quality control and investment in innovation
  - Largest R&D department in the industry in Russia

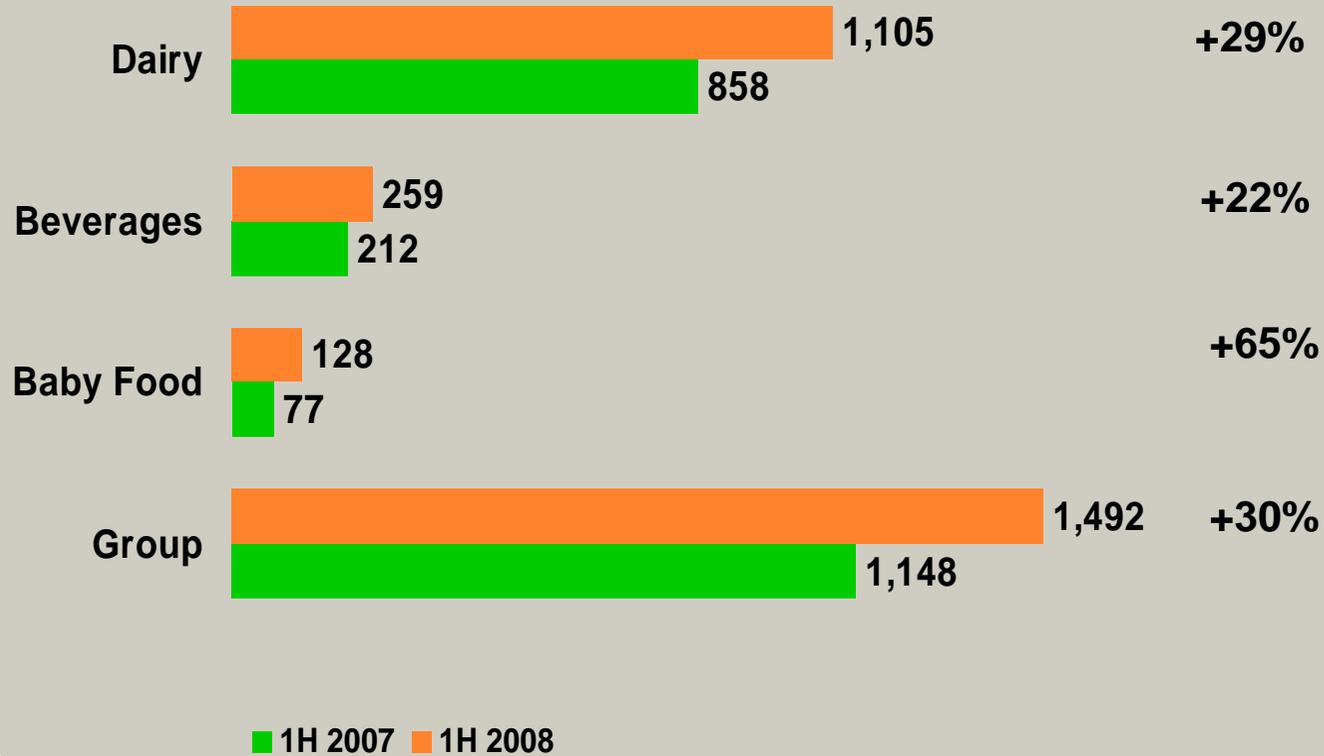
# WBD Competitive Strengths c'ntd

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- Strategy to support margin improvement leveraging on economies of scale
  - Largest raw milk buyer in Russia
  - Own farms to supply quality milk
  - Established long-term and trusted relationships with suppliers
  - Centralized procurement for Dairy, BF and Beverages – lower purchasing prices
- Strong management team
  - Bringing best practices from multinational companies
  - Deep knowledge and understanding of both Russian market and foreign benchmarks
  - Efficient and fast decision making – Moscow headquarters

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# 1H 2008 Sales by Segment





# 1H 2008 Group Key Indicators

USD Mln.	1H 2008	1H 2007	Change
Sales	1,492	1,148	30%
Gross Profit	470	378	25%
S&D Expenses	(241)	(186)	30%
<i>S&amp;D Expenses, % of Sales</i>	<i>16.2%</i>	<i>16.2%</i>	<i>0bp</i>
G&A Expenses	(97)	(86)	12%
<i>G&amp;A Expenses, % of Sales</i>	<i>6.5%</i>	<i>7.5%</i>	<i>(100bp)</i>
Operating Income	126	108	16%
Net Income	79	66	19%
EBITDA*	184	147	25%

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# Credit Ratings

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STANDARD  
& POOR'S

BB-

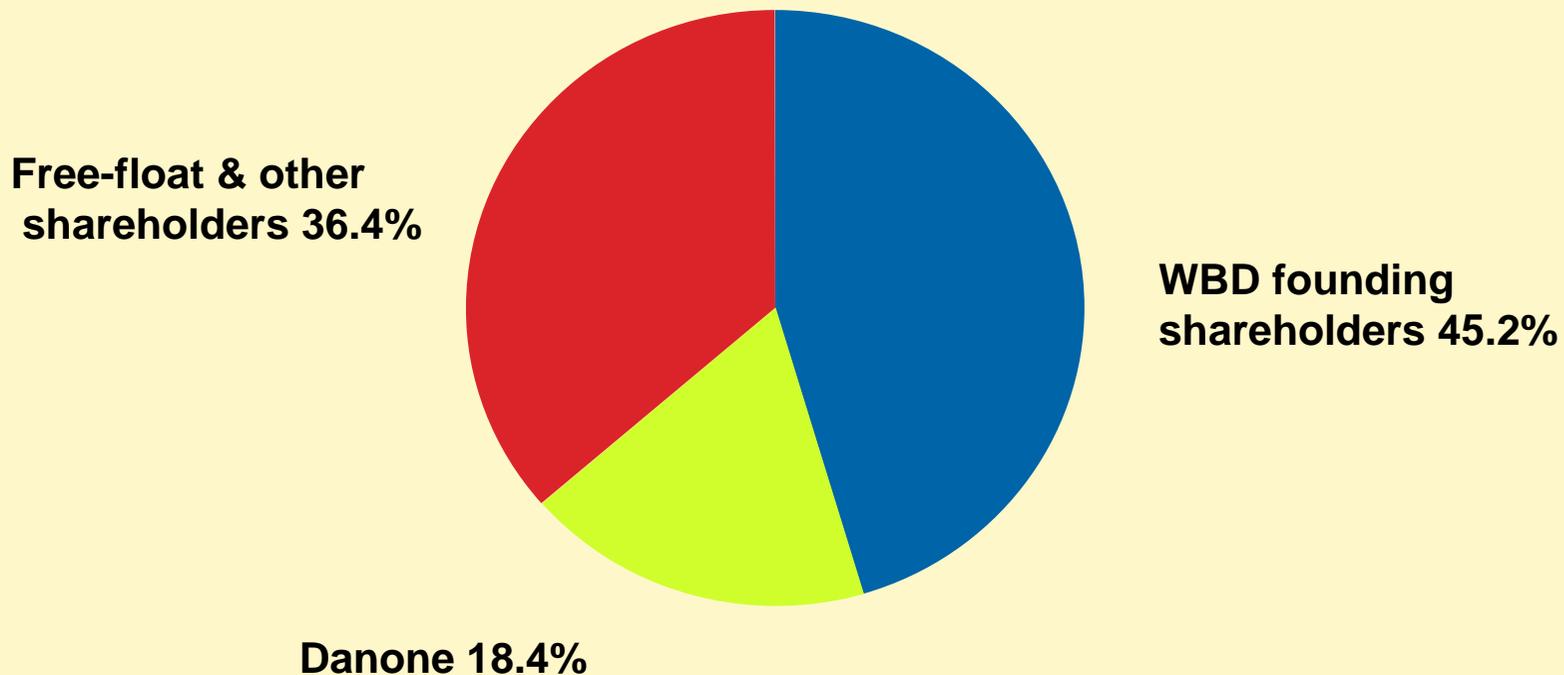


Ba3



# Our Shareholders Structure

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Based on Company's list of affiliates from 30.06.08 with later amendments and Danone's SEC filings & public statements.



# IR Contacts

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