



PODRAVKA GROUP BUSINESS RESULTS FOR THE PERIOD JANUARY – JUNE 2009

Main characteristics and events

1. The total sales of the Podravka Group in the first half of the year 2009 amounted HRK 1,737.6 million which represents a 2% growth compared to the same period of the year 2008.
2. The Strategic Business Area (SBA) Food and beverages recorded a sales drop of 2%, while the sales of the SBA Pharmaceuticals grew 18%.
3. The sales of Podravka brands amounted HRK 1,177.2 million and maintained the level of the year before.
4. The gross margin of the Group dropped by 100bp due to a change in the sales structure of the SBA Pharmaceuticals.
5. The operating margin of the Group recorded a growth of 50bp.
6. The total value of capital investments in the observed period amounted HRK 49.3 million.
7. A new storage – distribution centre opened at Dugopolje.
8. Both a licence agreement, giving Podravka d.d. the right to use the brand «Gušti», and a service production agreement for the same brand were signed with Improm d.o.o. in liquidation at their premises.
9. Vegeta was awarded the "Hit FMCG" prize in Poland.
10. Podravka Plum spread and Sardines in olive oil received the Superior Taste Award for taste excellence awarded by the International Taste & Quality Institute of Brussels.

Notes

The new business organisation of the Strategic Business Area (SBA) Food and beverages at the end of 2008 brought a new product group classification according to business programs (BP). In compliance to these changes we report on the sales in the first quarter of 2009 accordingly as follows:

SBA "Food and beverages"

1. **Business program Food**

- Podravka brands
 - Podravka dishes (Podravka dishes, Fruit and vegetables, Rice and legumes, Mill products, Frozen food)
 - Baby food, sweets and snack
 - Fish and fishery products

- Other

2. **Business program Food seasonings**

- Podravka brands
- Other

3. **Business program Meat**

- Podravka brands
- Other

4. **Business program Beverages**

- Podravka brands
- Other

SBA "Pharmaceuticals"

SBA "Services"

Taking into account the product classification in 2009 the sales of 2008 within the BP Food according to the disclosed product groups differs from that disclosed in the reporting period of 2008. Within each business program the sales of "Other" has been separately shown and covers the sales of commercial goods, private brands, service production and B2B.

The sales of 2008 has been adjusted accordingly to the product classification in 2009.

Disclaimer

This release contains certain forward looking statements with respect to the financial condition, results of operations and business of the Podravka Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Sales per Strategic Business Areas (SBA)

		in millions of HRK				
Item no.	SBA	Jan-Jun 2009		Jan-Jun 2008		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and beverages	1,366.6	78.7	1,393.1	81.5	98
2	Pharmaceuticals	368.5	21.2	312.9	18.3	118
3	Services	2.5	0.1	2.9	0.2	86
Total		1,737.6	100.0	1,708.9	100.0	102

Sales revenue of the Podravka Group totalled HRK 1,737.6 million which is 2% higher compared to the same period of the year 2008.

Sales revenue of the SBA Food and beverages amounted HRK 1,366.6 million which represents a sales drop of 2%, where the sales of Podravka brands have not recorded a drop yet remained at last year's level. The sales of the SBA Food and beverages on the market of Croatia showed a drop of 3% while at the same time the drop on foreign markets was 1%.

The SBA Pharmaceuticals realised sales in the amount of HRK 368.5 million representing a growth of 18% compared to the same period in the year 2008. The sales increase of the SBA Pharmaceuticals on the Croatian market was 6%, primarily generated by the sales growth of the pharmacy business through the business division Delta Pharm Pharmacies¹. According to the ATC classification², the most significant sales growth on the Croatian market in the prescription drug group was achieved by drugs for nervous system treatment (9%) and for system inflections (3%) treatment. In the non-prescription drug group the most significant growth was recorded by OTC drugs (23%) due to the steady sales growth of both Neofen and Lupocet. The SBA Pharmaceuticals achieved sales of HRK 137.0 million on foreign markets which is a 47% increase. Sales growth on foreign markets is mostly generated by the increase of sales on the market of Bosnia and Herzegovina (118%) resulting from the acquisition of Farmavita.

The SBA Services achieved sales of HRK 2.5 million in the observed period and in the total sales of the Group accounts for just 0.1%³.

¹ Deltis Pharm Pharmacies are health institutions established by Deltis Pharma d.o.o. in the ownership of Belupo for the purpose of taking over and consolidating and respectively concentrating the private pharmacy business in Croatia.

² Anatomical Therapeutic Chemical System of Drug Classification.

³ The SBA Services shall not be part of the following analysis as in the total sales of the Podravka Group it accounts for just 0.1%.

New products in the second quarter of the year 2009



Tuna salad Dalmatina and Tuna salad Mediterana represent a high quality and nutritive meal rich in dietary fibre from various vegetables with all-present Omega 3 fatty acids and pieces of tuna fish.



Fant seasoning mix for noodles with chicken and mushrooms, spaghetti Bolognese and spaghetti carbonara are intended for those who need a light and quick meal. Such a meal can be prepared by using new Fant seasoning mix for noodles, a fine selection of spices and other ingredients that give your meal an irresistible taste and individual touch.



Čokolino ice-cream chocolate & milk, Schwarzwald ice-cream and Banana-split ice-cream - new ice-creams with an extraordinary creamy structure and attractive appearance, which are a source of energy and refreshment.



Studena cranberry – açaı and Studena pear - apple Sport aromatised water based on spring water Studena. Characterised by a very low content of calories compared to the usual refreshing non-alcoholic beverages and with the addition of B vitamin. Aromatised water Studena is the perfect refreshment combining the crystal lightness of spring water and full fruit flavour.



Neofen direkt belong to the non-steroid group of anti-inflammatory drugs and anti-rheumatics that relieve pain, lower high temperature and have anti-inflammatory effect.

Sales per product groups

		in millions of HRK				
Item no.	PRODUCT GROUP	Jan-Jun 2009		Jan-Jun 2008		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	BP FOOD	739.6	42.6	743.7	43.5	99
	Podravka brands	581.8	33.5	564.7	33.0	103
	- Podravka dishes	352.7	20.3	348.5	20.4	101
	- Baby food, sweets and snack	161.1	9.3	153.9	9.0	105
	- Fish and fishery products	68.0	3.9	62.3	3.6	109
	Other	157.8	9.1	179.0	10.5	88
2	BP FOOD SEASONINGS	336.8	19.4	346.2	20.2	97
	Podravka brands	329.1	18.9	337.9	19.7	97
	Other	7.7	0.5	8.3	0.5	93
3	BP MEAT PRODUCTS	173.0	10.0	175.6	10.3	99
	Podravka brands	160.0	9.2	161.5	9.5	99
	Other	13.0	0.8	14.1	0.8	92
4	BP BEVERAGES	117.2	6.7	127.6	7.5	92
	Podravka brands	106.3	6.1	113.0	6.6	94
	Other	10.9	0.6	14.6	0.9	75
5	Pharmaceuticals	368.5	21.2	312.9	18.3	118
6	Services	2.5	0.1	2.9	0.2	86
	Total	1,737.6	100.0	1,708.9	100.0	102

The BP Food recorded a sales drop of 1%, but the sales of Podravka brands within this business programme had a 3% increase. The sales growth of the Podravka dishes product group (1%) is based on the sales growth on the market of South-East Europe (10%) with the highest contribution from the markets of Bosnia and Herzegovina (18%) and Slovenia (22%). The highest increase within the Podravka dishes product group was recorded by Soups which in the observed period grew 7% and Tomato based products with a sales growth of 19%. The Baby food, sweets and snack product group sales grew 5%, mostly contributed by the markets of Bosnia and Herzegovina (17%) and Slovenia (8%). The product group of Fish and fishery products grew 9% based on the sales growth on the markets of Hungary (113%), Slovenia (30%) and Bosnia and Herzegovina (10%).

The sales of the BP Food seasonings dropped 3% compared to the same period last year based on the sales drop in Croatia (-5%) and foreign markets (-2%). Lower sales on foreign markets resulted from the drop of sales on the markets of Central Europe (-17%), respectively, Poland (-21%) where the value of the Polish zloty severely dropped (-21%). Sales of the BP Food seasonings at the same time recorded an increase on the markets of South-East Europe (12%), Eastern Europe (5%) and Western Europe, overseas countries and Orient (10%).

The sales of the BP Meat recorded a sales drop of 1% resulting from lower sales on foreign markets (-5%) while sales in Croatia remained at last year's level. Lower sales on the markets of Western Europe, overseas countries and the Orient (-18%) mostly contributed to the sales drop abroad, while at the same time the sales of this product group grew by 5% in Eastern Europe.

Sales of the BP Beverages is 8% lower compared to the same period of the year 2008, mostly resulting from the drop of sales in Croatia (-9%), but a lower level of sales was also realised on foreign markets (-3%). Although the sales of the BP Beverages suffered a drop, there was an increase of the sales of Spring water (6%) and Tea (6%), while the new product group Instant beverages gave a significant contribution to sales.

Sales per market groups⁴

Item no.	MARKETS	in millions of HRK				
		Jan-Jun 2009		Jan-Jun 2008		Index 2:4
0	1	2	3	4	5	6
1	Croatia	886.8	51.0	893.8	52.3	99
2	South-East Europe	427.2	24.6	352.9	20.6	121
3	Central Europe	224.1	12.9	267.6	15.7	84
4	Western Europe, overseas countries and Orient	121.3	7.0	116.3	6.8	104
5	Eastern Europe	78.2	4.5	78.3	4.6	100
Total		1,737.6	100.0	1,708.9	100.0	102

The Podravka Group achieved 51% of its total sales on the market of Croatia in the observed period. Sales on the domestic market amounted HRK 886.8 million which is 1% lower compared to the same period of the year 2008. A lower level of sales was caused by the drop of sales of the SBA Food and beverages (-3%) while at the same time the SBA Pharmaceuticals recorded a 6% growth.

Foreign markets achieved sales in the amount of HRK 850.8 million which represents a growth of 4% compared to the same period last year. The highest increase of total sales was realised on the markets of South-East Europe (21%) mostly contributed by the sales growth on the market of Bosnia and Herzegovina (42%), but there was also a noticeable sales increase on the markets of both Slovenia (10%) and Montenegro (15%). Sales on the market of Central Europe dropped 16% as a result of the drop of sales on the markets of both the Czech Republic (-23%) and Poland (-21%). The sales drop on the market of the Czech Republic resulted from the sales of Rice and legumes being directed into branded products and leaving the B2B segment, private brands and outsourcing production, which should increase the profitability of this category. The sales drop in Poland resulted from the weakening of the Polish zloty compared to the HRK exchange rate (-21%). The highest growth of Podravka brands was realised on the market of South-East Europe (8%). However, a sales increase of Podravka brands was also realised on the markets of Western Europe, overseas countries and Orient (8%) as well as in Eastern Europe (8%).

⁴ South-East Europe – Albania, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Slovenia, Serbia
 Central Europe – Czech Republic, Hungary, Poland, Slovakia
 Western Europe, overseas countries and Orient – Austria, Australia, Benelux, France, Canada, Germany, USA, Scandinavia, Switzerland, Great Britain and other overseas countries and countries of Western Europe
 Eastern Europe – Baltic countries, Romania, Russia, Ukraine, Bulgaria and other countries of Eastern Europe

Structure of operating costs / expenses

		in millions of HRK				
Item no.	COSTS / EXPENSES	Jan-Jun 2009		Jan-Jun 2008		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	1,029.7	62.4	996.9	60.3	103
2	Selling and distribution expenses	475.8	28.8	492.8	29.8	97
3	General and administrative expenses	145.2	8.8	163.7	9.9	89
Total		1,650.7	100.0	1,653.4	100.0	100

The Operating costs/expenses of the Podravka Group for the observed period totalled HRK 1,650.7 million and recorded a slight drop of HRK 2.7 million compared to the same period the year before. Along with the growth of sales of 2%, only Costs of goods sold recorded a growth of 3% (HRK 32.8 million) within Operating costs/expenses. Still, the growth of these costs has to be observed through changes in the SBA Pharmaceuticals operations. The entry of Belupo into the pharmacy business and drug distribution increased the purchase value costs of goods within the SBA Pharmaceuticals (221%) which reflected a drop of the Group's gross margin.

Selling and distribution expenses recorded a drop of 3% (HRK 17.0 million) compared to the previous year mostly contributed by the reduction of marketing costs (-13%) and reduction of logistics and distribution expenses (-5%). Sales force expenses at the same time recorded an increase (10%) which again has to be observed in the context of changes within SBA Pharmaceuticals operations.

The reorganisation carried out at the end of 2008 with the aim to establish optimal organisation and revise the costs/expenses of each organisational unit, effected a further reduction of General and administrative expenses in the amount of HRK 18.5 million (-11%) whose relative share in Operating costs/expenses was also reduced in the observed period.

Profitability of the Podravka Group

				in millions of HRK
Podravka Group	Jan-Jun 2009	Jan-Jun 2008	change (2/3)	
1	2	3	4	
Sales revenue	1,737.6	1,708.9	2%	
Gross profit	708.0	712.1	-1%	
EBITDA	154.8	141.6	9%	
EBIT	73.9	65.6	13%	
Net profit	17.3	22.9	-24%	
<i>Profit margins (%)</i>				
Gross margin	40.7	41.7	-100bp	
EBITDA margin	8.9	8.3	60bp	
EBIT margin	4.3	3.8	50bp	
Net margin	1.0	1.3	-30bp	

The sales revenue of the Podravka Group amounted HRK 1,737.6 million, which represents an increase of 2%. However, a change of the structure of sold goods reflected a drop of gross margin of 100bp. Positive effects of the conducted reorganisation and further operating process optimisation within the Group reflected upon the growth of operating profit (13%) with an improvement of the operating margin of 50bp. The financing of capital investments from the previous period had effect on the growth of the Group's financing costs by 60%, taking into account that the majority of capital investments had been financed through debt. The growth of financing costs together with a slightly lower effective rate of profit tax effected a drop of net profit (-24%) and a drop of net margin by 30bp, accordingly.

Profitability per Strategic Business Area

SBA	Food and beverages			Pharmaceuticals		
	Jan-Jun 2009	Jan-Jun 2008	change (2/3)	Jan-Jun 2009	Jan-Jun 2008	change (5/6)
1	2	3	4	5	6	7
Sales revenue	1,366.6	1,393.1	-2%	368.5	312.9	18%
Gross profit	518.4	526.5	-2%	189.6	185.6	2%
EBITDA	90.8	73.6	23%	64.0	68.0	-6%
EBIT	32.5	14.4	126%	41.4	51.3	-19%
Net profit	-4.1	-12.1	66%	21.4	35.0	-39%
<i>Profit margins (%)</i>						
Gross margin	37.9	37.8	10bp	51.5	59.3	-780bp
EBITDA margin	6.6	5.3	130bp	17.4	21.7	-430bp
EBIT margin	2.4	1.0	140bp	11.2	16.4	-520bp
Net margin	-0.3	-0.9	60bp	5.8	11.2	-540bp

The drop of sales and drop of gross profit of the SBA Food and beverages did not have a negative effect on the gross margin movements of this SBA which recorded a positive shift of 10bp in the observed period. The gross margin growth results from the optimal utilisation of human resources in production processes as well as less sales of lower profitable products in the sales structure of the SBA Food and beverages. The operating margin increased 140bp based on a reduction of both Selling and distribution expenses (-10%) and General and administrative expenses (-7%). Marketing expenses (-20%) recorded the greatest drop within the Selling and distribution expenses, while the drop of General and administrative expenses is determined by the positive effects of reorganisation within this SBA. Despite a significant increase of operating profit, the anticipated higher financing costs (42%) resulted in a net loss of HRK 4.1 million, yet at the same time the net margin recorded a growth of 60bp.

The SBA Pharmaceuticals recorded a profitability drop due to a change in the sales structure where a significant sales growth of Farmavita (mainly drug distribution) and Deltis Pharma (pharmacy business) is still present, characterised by a lower profitability compared to the profitability of Belupo. This effected the increase of Costs of sold goods (41%) and Selling and distribution expenses (27%), reflecting an operating margin drop of 520bp. A more severe drop of operating margin was cushioned by the reduction of General and administrative expenses (18%). The increase of financing costs (124%) resulted from acquisition activities in 2008 partly financed by debt which caused a net margin drop of 540bp.

CONSOLIDATED INCOME STATEMENT

(in thousands of HRK)

	Jan-Jun 2009	Jan-Jun 2008
Sales	1,737,645	1,708,949
Cost of goods sold	(1,029,681)	(996,866)
Gross profit	707,964	712,083
Other revenue	7,797	11,253
Other gains, net	(17,689)	164
General and administrative expenses	(145,144)	(163,717)
Selling and distribution costs	(475,842)	(492,797)
Other expenses	(3,207)	(1,361)
Profit from operations	73,879	65,625
Finance costs	(49,804)	(31,086)
Profit before tax	24,075	34,539
Income tax	(6,588)	(11,016)
Profit after income tax	17,487	23,523
Minority interest	(178)	(616)
Net profit	17,309	22,907

CONSOLIDATED BALANCE SHEET

(in thousands of HRK)

	30 June 2009	31 December 2008
ASSETS		
Non-current assets		
Property, plant and equipment	1,736,918	1,770,858
Goodwill	48,428	48,428
Other intangible assets	342,364	343,599
Deferred tax assets	42,006	44,552
Other financial assets	52,133	61,705
Total non-current assets	2,221,849	2,269,142
Current assets		
Inventories	678,116	631,760
Trade and other receivables	1,293,093	1,435,538
Financial assets at fair value through profit or loss	28,925	23,539
Cash and cash equivalents	198,807	270,609
Non-current assets held for sale	4,329	4,517
Total current assets	2,203,270	2,365,963
TOTAL ASSETS	4,425,119	4,635,105
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	1,580,966	1,587,356
Reserves	77,660	83,458
Retained earnings	271,904	258,578
Attributable to the equity holders of the parent	1,930,530	1,929,392
Minority interest	34,334	34,113
	1,964,864	1,963,505
Non-current liabilities		
Financial liabilities at fair value through profit or loss	332,250	318,750
Long-term debt	560,763	597,572
Provisions	28,568	27,339
Deferred tax liability	7,702	8,356
	929,283	952,017
Current liabilities		
Trade and other payables	781,649	844,453
Short-term borrowings	733,094	858,455
Provisions	16,229	16,675
	1,530,972	1,719,583
Total liabilities	2,460,255	2,671,600
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,425,119	4,635,105

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of HRK)

	Share capital	Reserves	Retained earnings	Total	Minority interest	Total
Balance at 1 January 2009	1,587,356	83,458	258,578	1,929,392	34,113	1,963,505
Restatement of opening balance	0	0	0	0	0	0
Exchange differences	0	(9,781)	0	(9,781)	43	(9,738)
Net profit for the period	0	0	17,309	17,309	178	17,487
Purchase of treasury shares	(6,390)	0	0	(6,390)	0	(6,390)
Sale of treasury shares	0	0	0	0	0	0
Options exercised	0	0	0	0	0	0
Fair value of share options	0	0	0	0	0	0
Transfer from other and legal reserves	0	3,983	(3,983)	0	0	0
Balance at 30 June 2009	1,580,966	77,660	271,904	1,930,530	34,334	1,964,864

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of HRK)

	Jan-Jun 2009	Jan-Jun 2008
Net profit	17,309	22,907
Income tax	6,588	11,016
Depreciation	80,914	75,988
Gains on sale of non-current assets	(906)	(798)
Value adjustment of current assets	8,793	3,841
Value adjustment of investments and available-for-sale assets	228	0
Value adjustment of capital gain	0	(11,327)
Decrease in provisions	575	(588)
Interest income	(6,280)	(12,810)
Interest expense	54,896	33,740
Effect of changes in foreign exchange rates	(8,931)	1,356
Minority interest	221	7,349
Other items not affecting cash	7,040	(2,818)
Changes in working capital		
(Increase) / decrease in inventories	(43,152)	(37,943)
Increase in trade receivables	59,982	(136,977)
Decrease in other current assets	121,954	130,392
Increase / (decrease) in trade payables	(74,244)	(2,364)
Increase / (decrease) in other liabilities	36,183	50,210
Cash generated from operations	261,170	131,174

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(in thousands of HRK)

	Jan-Jun 2009	Jan-Jun 2008
Cash flows from operating activities		
Cash generated from operations	261,170	131,174
Income taxes paid	(9,896)	(16,858)
Interest paid	(72,751)	(41,971)
Net cash from operating activities	178,523	72,345
Cash flow from investing activities		
Purchase of equity interest	0	(25,037)
Purchase of tangible and intangible assets	(53,236)	(70,703)
Sale of tangible and intangible assets	2,583	455
Long-term loans given and deposits	0	(4,577)
Repayment of long-term loans given and deposits	355	379
Short-term loans given and deposits	(40,018)	(68,855)
Purchase of trading securities	(5,198)	(7,400)
Net cash used in investing activities	(95,514)	(175,738)
Net cash flows from financing activities		
Purchase of treasury shares	(6,390)	(13,146)
Sale of treasury shares	0	6,869
Proceeds from long-term borrowings	16,212	43,687
Repayment of long-term borrowings	(41,462)	(46,405)
Proceeds from short-term borrowings	494,602	412,153
Repayment of short-term borrowings	(617,773)	(338,038)
Net cash from financing activities	(154,811)	65,120
Net decrease in cash and cash equivalents	(71,802)	(38,273)
Cash and cash equivalents at beginning of year	270,609	112,549
Cash and cash equivalents at the end of year	198,807	74,276

Always with a heart



www.podravka.com

Podravka d.d.
Investor Relations

www.podravka.com
ir@podravka.hr