



PODRAVKA GROUP BUSINESS RESULTS FOR THE PERIOD JANUARY – DECEMBER 2009

Main business characteristics

1. The total sales of the Podravka Group in 2009 totalled HRK 3,587.1 million which is a 2% drop compared to the year 2008.
2. The sales of the Strategic business area (SBA) Food and beverages amounted to HRK 2,829.7 million which represents a 3% drop of sales, while the SBA Pharmaceuticals with sales in the amount of HRK 752.7 million recorded a sales growth of 3%.
3. The sales of Podravka brands totalled HRK 2,417.0 million recording a 2% drop.
4. The gross margin of the Group dropped by 30bp influenced by sales structure changes within the SBA Pharmaceuticals, while the gross margin of the SBA Food and beverages achieved a growth of 70bp.
5. The operating costs/expenses of the Group are HRK 131.7 million lesser.
6. The business results of the Group for 2009 are strongly influenced by negative one-off items that totalled HRK 388.4 million. Due to uncertain payment collection, value adjustments of loans granted and accruing interest in the amount of HRK 140.7 million were made as well as adjustments of issued guarantees in the amount of HRK 133.2 million. Other one-off items bearing a negative effect on business results amounted to HRK 114.5 million and covered various value adjustments of assets.
7. The operating profit of the Group without negative one-off items amounted to HRK 214.0 million, which represents a growth of 38% and the corrected operating margin recorded an increase of 180bp compared to the year 2008.
8. The net profit of the Group without one-off items totalled HRK 100.3 million, which represents a growth of 141% compared to the year 2008. The corrected net profit recorded a growth of 170bp.
9. The total indebtedness of the Group was reduced by HRK 180.5 million compared to the 2008 year end.
10. The total value of capital investments in the observed period was HRK 128.6 million.

Significant events in the fourth quarter

1. During October and November 2009, Podravka d.d. terminated 153 employment contracts in compliance with the Program for taking care of redundant labour with stimulating severance payments. In the year 2009, Podravka d.d. terminated a total of 257 employment contracts due to business or private reasons all for the purpose of rationalising expenses and optimising business processes.
2. The Croatian Privatisation Fund made a Decision on 14 October 2009 to recall earlier members of the Supervisory Board Franjo Maletić and Boris Hmelina, and a Decision to appoint Miljenko Javovorić and Ljubo Jurčić members of the Supervisory Board of Podravka d.d.
3. The Government of the Republic of Croatia decided on its session held on 22 October 2009 to list Podravka d.d. among trade companies of special national interest. Currently, 20.46% of Podravka d.d. shares are in the national portfolio.
4. The Supervisory Board of Podravka d.d. on its session held on 23 October 2009 made a Decision to expand the Management Board of Podravka from five to seven members. Along with existing members, Lidija Kljajić and Krunoslav Bešvir are appointed new members of the Management Board. Branko Vuljak, member of the Supervisory Board was appointed deputy member of the Management Board at the same session in compliance with Article 261 of the Companies Act.
5. The Supervisory Board of Podravka d.d. on its session held on 18 November 2009 decided to elect Ljubo Jurčić President of the Supervisory Board of Podravka d.d. At the same session, the Supervisory Board decided to recall the earlier President of the Management Board Zdravko Šestak and Board members Josip Pavlović and Saša Romac. A Decision was also brought to reappoint Branko Vuljak deputy member of the Management Board and the term of office of other Board members was determined for a period ending 31 May 2010.
6. The Supervisory Board of Podravka d.d. on its session held on 21 December decided to appoint Miroslav Vitković President of the Management Board and granted the Management Board their approval for the Company Business Plan for 2010.
7. The Supervisory Board and the Management Board of Podravka d.d. brought a Decision to restart the production of olive oil and olives under the brand SMS.
8. In the year 2009 Vegeta, Podravka's most well known brand, celebrated its 50th birthday and the beginning of a new investment cycle both through innovated packaging solutions and a cycle of new products creation. Vegeta Natur, a new generation of food seasoning with even more vegetables and with no additives, was presented on the markets of Slovenia and Slovakia at the end of last year.
9. Podravka's brands Vegeta and Lino were awarded the Trusted Brands Award for 2009 in the categories of Seasonings and Baby food, respectively. Belupo's brand Neofen received the same award in the category of Painkillers. Research was conducted by the agency Mediana Fides and supported by the Croatian Chamber of Commerce.

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)

Item no.	SBA	Jan-Dec 2009		Jan-Dec 2008		Index
		Amount	%	Amount	%	2:4
0	1	2	3	4	5	6
1	Food and beverages	2,829.7	78.9	2,922.7	79.8	97
2	Pharmaceuticals	752.7	21.0	730.9	20.0	103
3	Services	4.7	0.1	6.4	0.2	73
Total		3,587.1	100.0	3,660.0	100.0	98

The Podravka Group achieved sales revenue in the amount of HRK 3,587.1 million which is 2% less compared to the same period of the year 2008.

The sales of the SBA Food and beverages totalled HRK 2,829.7 million which represents a sales drop of 3%, where organic sales recorded a slightly lower drop (-1.6%). The sales drop of the SBA Food and beverages on the Croatian market (-4%) is somewhat more pronounced than on foreign markets (-2%), but, within the context of the fall of retail sales in Croatia of 15,3%¹, it can be said that the sales of the SBA Food and beverages in Croatia is successfully coping with the drop of purchasing power. The drop of sales of the SBA Food and beverages on foreign markets results from the drop of sales on the markets of both Poland and the Czech Republic. A lower level of sales on the Czech market was generated by the weakening of the Polish zloty compared to the Croatian kuna exchange rate (-18%), while at the same time the market experienced a quantity growth of 5%. The drop of sales of the SBA Food and beverages of 18% on the Czech market is primarily related to the drop of sales of Rice and legumes in the B2B segment.

The SBA Pharmaceuticals achieved sales revenue in the amount of HRK 752.7 million, which represents a 3% growth compared to the same period of the year 2008. The Croatian market suffered a 2% drop in the sales of the SBA Pharmaceuticals although at the same time there was a sales increase of non-prescription drugs and the pharmacy business through Deltis Pharm Pharmacies². Prescription drugs achieved lower sales on the Croatian market than in the same period of the year 2008 generated by price adjustments on the General and Additional List of Drugs of the Croatian Institute for Health Insurance (HZZO)³. Although prescription drugs recorded lower sales than in the year 2008, some product groups within this group achieved a growth. According to the ATC classification⁴ sales growth was recorded by drugs for respiratory system treatment (52%) and drugs for parasite caused infections treatment (1%). The most significant growth in the non-prescription product group was realized by OTC drugs (17%) due to the growth of sales of Neofen and Lupocet and higher sales in 2009 were also achieved by Dietary products (2%). The SBA Pharmaceuticals reached a sales growth of 14% on foreign markets with the highest contribution from the market of Bosnia and Herzegovina (34%) resulting from sales of the related company Farmavita d.o.o.

The SBA Services achieved sales of HRK 4.7 million in the observed period and in the total sales of the Group participates with just 0.1%⁵.

¹ Source: State Statistical Office, Monthly statistics report, no. 1, 2010. (data for the period 1.-12.2009)

² Deltis Pharm pharmacies are health institutions established by Deltis Pharma d.o.o. in the ownership of Belupo for the purpose of taking over, consolidating and holding the private pharmacy business in Croatia.

³ Croatian Institute for Health Insurance

⁴ Anatomical Therapeutic Chemical System of Drug Classification

⁵ The SBA Services shall not be a part of the analysis which follows as in the total sales of the Podravka Group it accounts for just 0.1%.

New products in the fourth quarter of 2009



Vegeta Natur is an entirely natural seasoning consisting of nine vegetables. For one packaging of Vegeta Natur, 450g of fresh vegetables are used. The product does not contain any flavour enhancers, aromas or colorants.

Vegeta mild pepper mix is a fully balanced food seasoning which apart from red pepper contains other spices. Vegeta mild pepper mix will enrich the taste of your food, especially stews, paprikash, meat and fish dishes, meat marinades, sauces and grilled dishes.



Fant turkey and zucchini mix is an ideal base for preparing a light, healthy and delicious meal.

Fant hake à la codfish mix contains a carefully selected combination of vegetables and spices that enable quick and easy preparation of this delicious meal.

Fant baked potato mix contains a carefully selected combination of spices and vegetables which turns this plain dish into a meal that will attract even the most demanding potato fans.

Fant baked beans mix will make baked beans quick and easy to prepare with an unforgettable taste.

Fant meat balls mix contains all ingredients except meat necessary for preparing juicy meat balls.



Home-made cracklings, blood sausages, pressed sausages and lard are innovated products that through

recipes and production procedures carry on the traditional folk spirit used for creating these products and following the principles of our ancestors. The products have appeared on the market in a new and attractive, red and white checked design that corresponds to the traditional, home cuisine of continental Croatia.

Chicken paprikash contains no additives and is made of the best mixed chicken meat in fresh red pepper sauce and seasoned with fine and spicy pepper.

A convenient easy-open packaging with lid enables quick and easy preparation of chicken paprikash as an independent meal or as a delicious side dish.



Pealed, roasted and salty **Kviki peanuts** are a product of high standard Podravka quality in an attractive, modern design packaging intended for all age groups. Kviki peanuts are an excellent product that guarantees crunchy satisfaction for all consumers.

Sales revenues per product groups

in millions of HRK						
Item no.	PRODUCT GROUP	Jan-Dec 2009		Jan-Dec 2008		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	BP FOOD	1,502.8	41.9	1,540.4	42.1	98
	Podravka brands	1,158.0	32.3	1,162.7	31.8	100
	- Podravka dishes	687.4	19.2	712.7	19.5	96
	- Baby food, sweets and snack	334.6	9.3	323.4	8.8	103
	- Fish and fishery products	136.0	3.8	126.6	3.5	107
	Other	344.8	9.6	377.7	10.3	91
2	BP FOOD SEASONINGS	694.1	19.3	708.2	19.3	98
	Podravka brands	677.1	18.9	691.2	18.9	98
	Other	17.0	0.4	17.0	0.4	100
3	BP MEAT PRODUCTS	397.7	11.1	405.3	11.1	98
	Podravka brands	366.4	10.2	363.6	9.9	101
	Other	31.3	0.9	41.7	1.2	75
4	BP BEVERAGES	235.1	6.6	268.8	7.3	87
	Podravka brands	215.4	6.0	239.1	6.5	90
	Other	19.7	0.6	29.7	0.8	66
5	Pharmaceuticals	752.7	21.0	730.9	20.0	103
6	Services	4.7	0.1	6.4	0.2	73
	Total	3,587.1	100.0	3,660.0	100.0	98

The sales of the BP Food suffered a drop of 2% compared to the same period of the year 2008. The sales drop of the BP Podravka dishes product group (-4%) was contributed by the drop of sales on both domestic (-3%) and foreign markets (-4%). A lower level of sales achieved on foreign markets was generated by the sales drop on the markets of Central Europe (-13%) influenced by lower sales of Rice and legumes on the Czech market. The markets of Western Europe, Overseas countries and Orient recorded a growth of 13% while the market of South-East Europe had a growth of 1%. The Baby food, sweets and snack product group achieved sales growth of 3% resulting from a higher level of sales on the markets of Bosnia and Herzegovina (10%) and Slovenia (9%). Sales of the product group Fish and fishery products grew 7% on the grounds of the sales growth on the markets of Hungary (80%), Slovenia (21%) and Bosnia and Herzegovina (6%).

The BP Food seasonings suffered a drop of sales of 2% based on the drop of sales on foreign markets (-3%), while sales on the Croatian market were on a slightly higher level than in the same period of the year 2008. The drop of sales on the market of Central Europe (-15%) was conditioned by the drop of sales on the market of Poland (-18%) due to the decreased value of the Polish zloty in the observed period. Concurrently, the sales of the BP Food seasonings recorded a growth on the markets of Western Europe, Overseas countries and Orient (10%), South-East Europe (7%) and Eastern Europe (5%).

The sales of the BP Meat was 2% lower, while at the same time an organic sales growth of 1% occurred on the grounds of the sales increase of semi-durable smoked meat and sausage products and meat sauces and cold cuts. The drop of sales of the BP Meat was recorded on the domestic market (-3%), while on foreign markets there was a 1% growth based on the sales growth in South-East Europe (7%).

The BP Beverages achieved 13% lower sales compared to the same period of the year 2008, with the greatest contribution from the Croatian market (-13%). A lower level of sales was also achieved abroad

(-7%), resulting from a sales drop on the market of Bosnia and Herzegovina (-13%). Despite the sales drop of this Business program, the product group Powdery beverages gave a significant contribution to sales, while the largest drop of sales within the BP beverages was recorded by the Ice Tea product group.

Sales revenues per markets⁶

Item no.	MARKETS	in millions of HRK				
		Jan-Dec 2009		Jan-Dec 2008		Index 2:4
0	1	2	3	4	5	6
1	Croatia	1,868.6	52.1	1,946.8	53.2	96
2	South-East Europe	860.1	24.0	786.7	21.5	109
3	Central Europe	454.1	12.7	524.6	14.3	87
4	Western Europe, overseas countries and Orient	242.1	6.7	235.4	6.4	103
5	Eastern Europe	162.2	4.5	166.5	4.6	97
Total		3,587.1	100.0	3,660.0	100.0	98

The Croatian market achieved sales in the amount of HRK 1,868.6 million which represents a sales drop of 4% compared to the same year of the year before. Lower sales resulted from the sales drop of the SBA Food and beverages (-4%), but a lower level of sales was also achieved by the SBA Pharmaceuticals (-2%).

Foreign markets realised sales in the amount of HRK 1,718.5 million which represents a growth of HRK 5.3 million compared to the same period of the year before. The largest increase of total sales was achieved on the markets of South-East Europe (9%) mostly contributed by the sales growth on the market of Bosnia and Herzegovina (15%), but a significant sales growth was also realised on the markets of Slovenia (10%) and Montenegro (9%). Sales on the markets of Central Europe dropped 13% on the grounds of the sales drop on both the markets of the Czech Republic (-17%) and Poland (-18%). Lower sales on the Czech market were mainly related to the sales drop of Rice and legumes in the B2B segment, while on the Polish market the sales drop resulted from the earlier mentioned depreciation of the Polish zloty compared to the kuna exchange rate (-18%). The highest sales increase of Podravka brands was recorded on the markets of South-East Europe (4%), but an increase of Podravka brands was also noticed on the markets of Western Europe, Overseas countries and Orient (7%) and the markets of Eastern Europe (3%).

⁶ 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 Western European countries
 Eastern Europe – Baltic countries, Romania, Russia, the Ukraine, Bulgaria, and other Eastern European countries

Structure of operating costs / expenses

		in millions of HRK				
Item no.	COSTS / EXPENSES	Jan-Dec 2009		Jan-Dec 2008		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	2,141.7	62.8	2,174.2	61.4	99
2	Selling and distribution expenses	573.4	16.8	576.7	16.3	99
3	Marketing costs	396.9	11.6	434.1	12.2	91
4	General and administrative expenses	299.9	8.8	358.6	10.1	84
Total		3,411.9	100.0	2,543.6	100.0	96

Operating costs/expenses of the Group in the year 2009 totalled HRK 3,411.9 million, which represents a drop of 4% (HRK 131.7 million) and encourages the management to further reduce costs/expenses and establish better mechanisms for cost control.

The drop of Costs of goods sold results from better management of raw material and material purchasing processes and more efficient management of production processes, reflecting on the reduction of both raw material costs (-4%) and labour costs (-4%). Although the growth of energy costs (20%) undermined the positive effects of the improved purchasing and production processes, the Cost of goods sold recorded a drop of 1% (HRK 32.5 million).

The Selling and distribution expenses recorded a drop of 1% (HRK 3.3 million) with the greatest contribution from the reduction of logistics and distribution costs (-7%), due to the drop of transport and warehousing costs, while the costs of sales increased by 3%, due to the growth of allowance for uncollectible accounts.

Marketing costs dropped 9% (HRK 37.2 million), and a reduction was recorded in trade and ATL marketing.

With permanent cost control of administrative functions, General and administrative expenses recorded a drop of 16% (HRK 58.7 million). The largest cut in the cost structure was recorded by labour costs (-8%) as a result of reorganisation within the SBA Food and beverages at the end of 2008 for the purpose of establishing optimal organisation along with the revision of costs by each organisational unit.

Profitability of the Podravka Group

in millions of HRK

Podravka Group	REPORTED RESULTS		RESULTS CORRECTED FOR ONE-OFF ITEMS		change (2/3)	change (4/5)
	Jan-Dec 2009	Jan-Dec 2008*	Jan-Dec 2009**	Jan-Dec 2008**		
1	2	3	4	5	6	7
Sales revenue	3,587.1	3,660.0	3,587.1	3,660.0	-2%	-2%
Gross profit	1,445.5	1,485.8	1,445.5	1,485.8	-3%	-3%
EBITDA	-17.8	321.4	370.6	315.4	-106%	17%
EBIT	-174.4	161.4	214.0	155.4	-208%	38%
Net profit	-288.1	47.6	100.3	41.6	-705%	141%
<i>Profit margins (%)</i>						
Gross margin	40.3	40.6	40.3	40.6	-30bp	-30bp
EBITDA margin	-0.5	8.8	10.3	8.6	-930bp	170bp
EBIT margin	-4.9	4.4	6.0	4.2	-930bp	180bp
Net margin	-8.0	1.3	2.8	1.1	-930bp	170bp

*restated

**without one-off items

The gross margin of the Podravka Group dropped by 30bp as a result of structure changes of the Group's goods sold, respectively, the growth of the pharmacy business share and the sales of Farmavita which are characterised by a lower profit margin.

The negative one-off items in the amount of HRK 388.4 million had negative effect on the Group's business results in the year 2009.

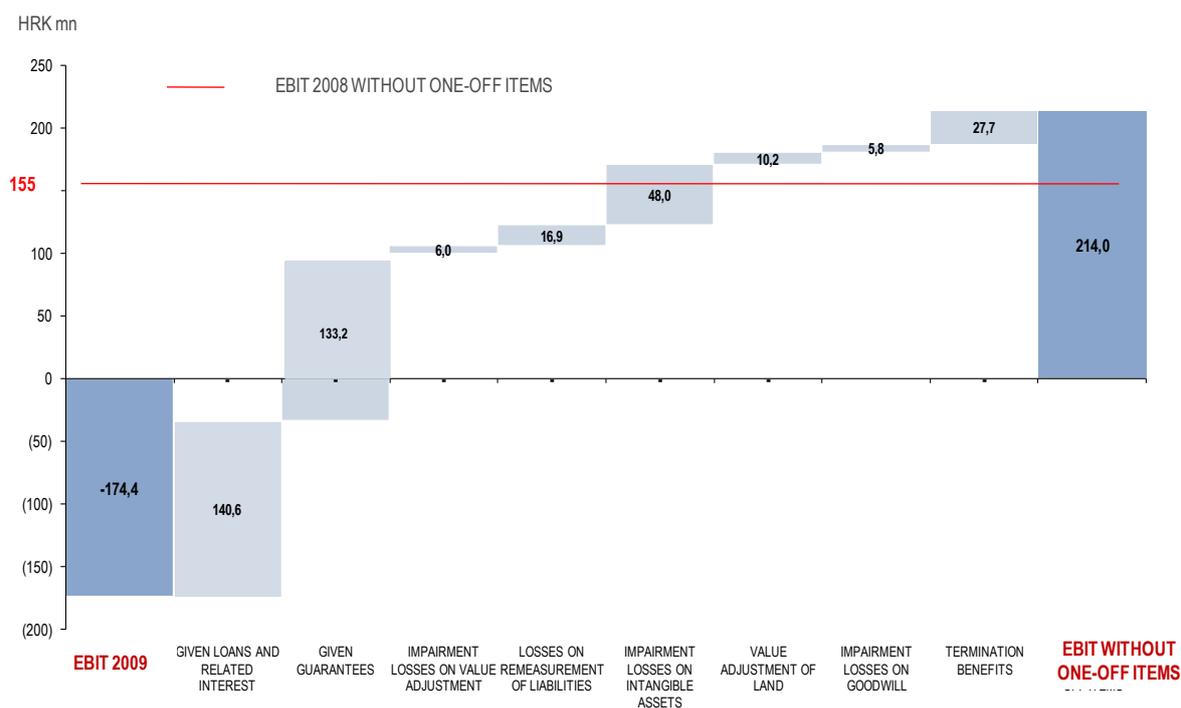
Namely, due to uncertain return, value adjustments for loans and accrued interest were made in the amount of HRK 140.7 million for loans granted to the companies SMS d.o.o., FIMA Grupa d.d and the company Gradec. These loans except the long-term loans to the company SMS d.o.o. were granted and paid out during the year 2009. Value adjustments of granted guarantees in the amount of HRK 133.2 million were also made (FIMA Grupa d.d.).

Other one-off items with negative effect on business results amounted to HRK 114.5 million covering other value adjustments of assets. Among other negative one-off items we would like to single out losses from value adjustments of investments and liabilities (HRK 22.9 million), losses from value adjustments of intangible assets (HRK 48.0 million), expenses from taking care of redundant labour (severance payments in the amount of HRK 27.7 million) and other adjustments (HRK 16.0 million).

The Group's adjusted operating profit in the year 2009 for the above mentioned one-off items totalled HRK 214.0 million which is HRK 58,6 million above the operating profit of the year 2008 disclosed in a comparable manner.

The adjusted net profit of the year 2009 amounts to HRK 100.3 million representing a growth of 141% compared to the net profit in the year 2008 disclosed in a comparable manner.

The operating profit of the Podravka Group without one-off items



Profitability of SBA Food & Beverages

in millions of HRK

SBA Food & Beverages	REPORTED RESULTS		RESULTS CORRECTED FOR ONE-OFF ITEMS		change (2/3)	change (4/5)
	Jan-Dec 2009	Jan-Dec 2008*	Jan-Dec 2009**	Jan-Dec 2008**		
	1	2	3	4		
Sales revenue	2,829.7	2,922.7	2,829.7	2,922.7	-3%	-3%
Gross profit	1,048.5	1,063.1	1,048.5	1,063.1	-1%	-1%
EBITDA	-153.0	171.2	224.8	160.4	-189%	40%
EBIT	-267.8	51.5	110.1	40.7	-620%	170%
Net profit	-332.5	-24.8	45.3	-35.5	-1242%	227%
<i>Profit margins (%)</i>						
Gross margin	37.1	36.4	37.1	36.4	70bp	70bp
EBITDA margin	-5.4	5.9	7.9	5.5	-1,130bp	240bp
EBIT margin	-9.5	1.8	3.9	1.4	-1,130bp	250bp
Net margin	-11.8	-0.8	1.6	-1.2	-1,100bp	280bp

*restated

**without one-off items

The gross margin of the SBA Food and beverages recorded a positive shift of 70bp in the observed period. The gross margin growth results from a better allocation of the existing human resources in production processes, due to which seasonal labour employment was not necessary which also resulted in less labour costs in the Cost of goods sold structure. The program of taking care of redundant labour with stimulating severance payments, where almost one third are expenses provided for in last year's result, produced severance payment costs in the amount of HRK 35 million (35%). The corrected operating margin increased by 250bp on the grounds of a reduction of Selling and distribution expenses (-5%), Marketing costs (-13%) and a reduction of General and administrative expenses (-9%). All expenses within the structure of Selling and distribution expenses recorded a drop, except costs of allowances for uncollectible accounts (20%). The drop of General and administrative expenses was determined by positive effects of reorganisation and better control of administrative costs. The corrected net margin recorded a growth of 280bp along with a reduction of financial expenses (-18%).

Profitability of SBA Pharmaceuticals

in millions of HRK						
SBA Pharmaceuticals	REPORTED RESULTS		RESULTS CORRECTED FOR ONE-OFF ITEMS		change (2/3)	change (4/5)
	Jan-Dec 2009	Jan-Dec 2008*	Jan-Dec 2009**	Jan-Dec 2008**		
1	2	3	4	5	6	7
Sales revenue	752.7	730.9	752.7	730.9	3%	3%
Gross profit	396.9	422.6	396.9	422.6	-6%	-6%
EBITDA	135.2	150.2	145.7	155.0	-10%	-6%
EBIT	93.4	109.9	104.0	114.7	-15%	-9%
Net profit	44.5	72.4	55.0	77.1	-39%	-29%
<i>Profit margins (%)</i>						
Gross margin	52.7	57.8	52.7	57.8	-510bp	-510bp
EBITDA margin	18.0	20.6	19.4	21.2	-260bp	-180bp
EBIT margin	12.4	15.0	13.8	15.7	-260bp	-190bp
Net margin	5.9	9.9	7.3	10.5	-400bp	-320bp

*restated

**without one-off items

The SBA Pharmaceuticals recorded a sales growth (3%) with a concurrent drop of gross margin, resulting from the sales share growth of Farmavita's d.o.o. production portfolio (mainly drug distribution) and Deltis Pharm d.o.o. (pharmacy business), characterised by a lower business profitability compared to the profitability of Belupo d.d. Entry into the pharmacy business and drug distribution significantly increased the purchasing value costs of goods, which influenced an increase of Cost of goods sold (15%). The Selling and distribution expenses (31%) increased in accordance with the sales structure changes with a significant effect on the drop of corrected operating margin by 190bp. A drop was

recorded by General and administrative expenses (-34%) within Operating costs/expenses as a result of better cost control of administrative functions. The growth of financing expenses (37%) results from acquisition activities from the previous period which partly effected a drop of corrected net profit (-29%) and corrected net margin by 320bp, respectively. After gaining a share in the company Farmavita and pharmacies, a cycle of additional investments in Farmavita started (purchasing of plant and equipment, introduction of SAP) for the purpose of transferring technology and expanding the production program. Primary and secondary production is planned for the market of Bosnia and Herzegovina and surrounding countries, as well as service production in smaller series for some of Belupo's d.d. foreign markets (Kosovo, Albania and Macedonia).

Additional comments

A reduction of deposit values in the amount of EUR 6.2 million at OTP Bank Nyrt Budapest was not recorded in the disclosed financial statements as documents indicating the recovery or decrease of this amount have been unavailable. Therefore, at this moment taking into consideration the elements of uncertainty, it is not possible to define proper treatment in financial statements and the Management Board has decided to disclose the deposit in its nominal value and when adequate documents are made available the relevant item should be reviewed.

We would also like to mention that in the final, audited financial statements of the Podravka Group for 2009 a correction will be made in recording revenue from the sales of the factory Umag (2007) which will effect changes in the currently disclosed unaudited financial statements.

Main guidelines of the 2010 Business Plan

The Management Board of Podravka d.d. has brought and the Supervisory Board accepted the Business Plan for the year 2010. The Business Plan anticipates further costs and expense rationalisation, primarily administrative expenses, which should provide for profitability growth. The planned operating margin shall range around 6% contributing to the SBA Food and Beverages profitability growth but also a recovery of profit margins of the SBA Pharmaceuticals under the influence of the consolidation of Farmavita d.o.o. and its sales structure, respectively. The growth of sales revenue is planned at a 2% level. During the year 2010 special attention shall be given to reducing indebtedness so that by the year end of 2010 indebtedness is planned to drop by at least HRK 100 million.

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ('IFRS') as published by the International Accounting Standards Board ('IASB') which give a true and fair view of the state of affairs and results of Podravka d.d. and its subsidiaries (jointly referred to as 'the Group') for that period.

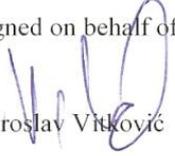
After making enquiries, the Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the consolidated financial statements.

In preparing those financial statements, the responsibilities of the Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and must also ensure that the financial statements comply with the Croatian Accounting Law. The Board is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board:


Miroslav Vitković

Podravka d.d.

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48 000 Koprivnica
Republic of Croatia

Koprivnica, 30 March 2010

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Podravka d.d.:

We have audited the accompanying consolidated financial statements of Podravka d.d., Koprivnica ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2009, and the related consolidated statement of comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except as stated in the paragraph of matters that affect auditor's opinion, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Društvo upisano u sudski registar Trgovačkog suda u Zagrebu: MBS 030022053; uplaćen temeljni kapital: 44.900,00 kuna; članovi uprave: Branislav Vrtačnik i Paul Trinder; poslovna banka: Zagrebačka banka d.d., Paromlinska 2, 10 000 Zagreb, ž. račun/bank account no. 2360000-1101896313; devizni račun: 2100312441 SWIFT Code: ZABHR2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkoga 6, 10 000 Zagreb, ž. račun/bank account no. 2340009-1110098294; devizni račun: 70010-519758 SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, ž. račun/bank account no. 2484008-1100240905; devizni račun: 2100002537 SWIFT Code: RZBHHR2X IBAN: HR48 2484 0082 1000 0253 7

Deloitte se odnosi na tvrtku Deloitte Touche Tohmatsu, osnovanu u skladu sa švicarskim pravom (Swiss Verein) i mrežu njegovih tvrtki članica, od kojih je svaka pravno odvojena i samostalna osoba. Molimo posjetite www.deloitte.com/hr/o-nama za detaljni opis pravne strukture Deloitte Touche Tohmatsu i njegovih tvrtki članica.

Member of Deloitte Touche Tohmatsu

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INDEPENDENT AUDITOR'S REPORT (continued)

Matters affecting the opinion

As discussed in Note 3.3. b) to the financial statements, the Group entered into several debt, deposit and option agreements during 2009. The present Management Board was not in possession of the related documentation, and received on 17 March 2010 copies of two out of five agreements that could affect the consolidated financial statements of the Group. Based on these two available agreements, as of the date of the approval of the consolidated financial statements, the Group should have reported and increase in liabilities and losses of approximately HRK 92,932 thousand. Given that the Management Board does not possess the entire documentation relating to the agreements, we were not able to determine any effects of the remaining agreements on the financial statements.

As discussed in Note 3.3. c) to the financial statements, the Group is currently under formal investigation by various authorities of the Republic of Croatia. The investigation pertains to various business and financial transactions carried out by the individual members of the former Management Board of the Group during their mandate. The present Management Board has made a detailed assessment of risks that may arise from business and financial transactions, that were not properly disclosed in the consolidated financial statements and properly reflected those risks, based on its best estimate, in the accompanying consolidated financial statements. The completion and final outcome of the investigation may require consideration of potential additional adjustment. Based on the current information, the present Management Board has taken steps required in connection with the inclusion of the known effects in the accompanying consolidated financial statements, and any potential other effects will be included as soon as they become known and determinable.

Qualified opinion

In our opinion, except for the effect of the matters discussed in the preceding two paragraphs, if any, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte d.o.o., Zagreb

Branislav Vrtićnik, Certified Auditor

Zagreb, 30 March 2010

CONSOLIDATED INCOME STATEMENT

(in thousands of HRK)

	2009	2008 As restated
Sales	3,587,136	3,660,034
Cost of goods sold	(2,141,681)	(2,174,215)
Gross profit	1,445,455	1,485,819
Investment revenue	7,076	20,223
Other (losses) / gains, net	(346,721)	29,348
General and administrative expenses	(299,865)	(358,599)
Selling and distribution costs	(573,377)	(576,679)
Marketing expenses	(396,928)	(434,158)
Other expenses	(9,996)	(4,562)
(Loss) / profit from operations	(174,356)	161,392
Finance costs	(98,048)	(104,149)
(Loss) / profit before tax	(272,404)	57,243
Income tax expenses	(15,471)	(9,780)
Net (loss) / profit for the year	(287,875)	47,463
Other comprehensive income		
Exchange differences on translating foreign operations	57	(19,208)
Total comprehensive (loss) / income	(287,818)	28,255
(Loss) / profit for the year attributable:		
To the equity holders of the parent	(288,059)	47,606
Non-controlling interests	184	(143)
Total comprehensive (loss) / profit for the year attributable:		
To the equity holders of the parent	(288,002)	28,398
Non-controlling interests	184	(143)
(Loss) / earnings per share		
-basic	(54.93)	8.94
- diluted	(54.27)	8.80

CONSOLIDATED BALANCE SHEET

(in thousands of HRK)

	31 December 2009	31 December 2008 As restated	1 January 2008 As restated
ASSETS			
Non-current assets			
Property, plant and equipment	1,711,646	1,770,858	1,669,321
Goodwill	42,877	48,428	31,119
Intangible assets	311,609	343,599	197,437
Deferred tax assets	53,589	44,552	35,491
Other financial assets	11,573	61,828	61,040
Total non-current assets	2,131,294	2,269,265	1,994,408
Current assets			
Inventories	646,839	631,760	594,522
Trade and other receivables	1,186,974	1,286,899	1,153,886
Financial assets at fair value through profit or loss	22,321	23,416	6,040
Cash and cash equivalents	145,269	419,248	112,549
	2,001,403	2,361,323	1,866,997
Non-current assets held for sale	4,004	4,517	5,469
Total current assets	2,005,407	2,365,840	1,872,466
TOTAL ASSETS	4,136,701	4,635,105	3,866,874
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	1,583,691	1,587,356	1,628,467
Reserves	109,825	83,458	138,641
(Accumulated loss) / Retained earnings	(95,849)	218,520	134,939
Attributable to the equity holders of the parent	1,597,667	1,889,334	1,902,047
Non-controlling interests	34,361	34,113	-
Total shareholders' equity	1,632,028	1,923,447	1,902,047
Non-current liabilities			
Financial liabilities at fair value through profit or loss	336,300	318,750	354,000
Long-term debt	452,916	597,572	113,498
Provisions	29,226	27,339	25,412
Deferred tax liability	7,616	8,356	642
Total non-current liabilities	826,058	952,017	493,552
Current liabilities			
Trade and other payables	849,077	884,511	804,621
Short-term borrowings	805,050	858,455	649,216
Provisions	24,488	16,675	17,438
Total current liabilities	1,678,615	1,759,641	1,471,275
Total liabilities	2,504,673	2,711,658	1,964,827
TOTAL EQUITY AND LIABILITIES	4,136,701	4,635,105	3,866,874

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of HRK)

	Share capital	Reserves	Retained earnings / Accumulated loss	Total	Non(contr olling interest	Total
Balance at 31 December 2007	1,628,467	138,641	177,864	1,944,972	-	1,944,972
Effect of correction relating to property sale and leaseback transaction	-	-	(42,925)	(42,925)	-	(42,925)
Balance at 1 January 2008 - as restated	1,628,467	138,641	134,939	1,902,047	-	1,902,047
Net profit for the year	-	-	47,606	47,606	(143)	47,463
Other comprehensive expenses	-	(19,208)	-	(19,208)	-	(19,208)
Total comprehensive income	-	(19,208)	47,606	28,398	(143)	28,255
Acquisition of subsidiaries	-	-	-	-	34,170	34,170
Exchange differences	-	-	-	-	86	86
Purchase of treasury shares	(33,738)	-	-	(33,738)	-	(33,738)
Sale of treasury shares	266	-	-	266	-	266
Options exercised	3,882	-	-	3,882	-	3,882
Fair value of share options	(11,521)	-	-	(11,521)	-	(11,521)
Transfer from other and legal reserves	-	7,838	(7,838)	-	-	-
Coverage of loss	-	(43,813)	43,813	-	-	-
Balance at 31 December 2008	1,587,356	83,458	218,520	1,889,334	34,113	1,923,447
Loss for the year	-	-	(288,059)	(288,059)	184	(287,875)
Other comprehensive income	-	57	-	57	0	57
Total comprehensive loss	-	57	(288,059)	(288,002)	184	(287,818)
Exchange differences	-	-	-	-	64	64
Purchase of treasury shares	(6,390)	-	-	(6,390)	-	(6,390)
Fair value of share options	2,725	-	-	2,725	-	2,725
Transfer from other and legal reserves	-	26,310	(26,310)	-	-	-
Balance at 31 December 2009	1,583,691	109,825	(95,849)	1,597,667	34,361	1,632,028

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of HRK)

	2009	2008 As restated
Net (loss) / profit for the year	(287,875)	47,463
Income tax	15,471	9,780
Depreciation and amortization	156,537	160,024
Losses / (gains) on disposal of non-current assets	9,496	(2,658)
Value adjustment of current assets	31,597	12,387
Value adjustment and impairment of non-current assets	53,753	2,273
Value adjustment of available-for-sale assets	403	689
Value adjustment of investments	5,996	8,324
Value adjustment of capital gain	2,725	(19,246)
Value adjustment of liabilities at fair value through profit or loss	16,907	(35,894)
Increase in long-term provisions	1,147	1,726
Interest received	(14,089)	(15,943)
Interest paid	109,156	94,035
Value adjustment of receivables for loans and guarantees	263,113	0
Effect of changes in foreign exchange rates	(4,321)	1,981
Other items not affecting cash	(815)	(1,268)
Changes in working capital		
Increase in inventories	(15,210)	(12,264)
(Decrease) / Increase in trade receivables	101,939	(222,458)
Decrease in other current assets	(8,947)	30,324
(Decrease) / Increase in trade payables	(132,512)	8,074
Increase in other liabilities	1,773	49,961
Net cash generated from operations	306,244	117,310

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(in thousands of HRK)

	2009	2008 As restated
Cash flows from operating activities		
Cash generated from operations	306,244	117,310
Income taxes paid	(20,695)	(26,861)
Interest paid	(113,303)	(83,931)
Net cash from operating activities	172,246	6,518
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(1,220)	(229,955)
Payments made for property, plant and equipment, and intangible assets	(141,791)	(172,830)
Sale of tangible and intangible assets	15,695	14,272
Long-term loans given and deposits given	0	(14,181)
Repayment of long-term loans given and deposits given	649	6,807
Purchase of trading securities	(8,989)	(33,700)
Sale of trading securities	4,088	8,000
Short-term loans and deposits given	(313,211)	(979)
Recovery of short-term loans and deposits given	185,630	108,910
Collected interest	10,966	9,133
Net cash used in investing activities	(248,183)	(304,523)
Net cash flows from financing activities		
Purchase of treasury shares	(6,390)	(33,738)
Sale of treasury shares	0	11,873
Proceeds from long-term borrowings	49,565	549,602
Repayment of long-term borrowings	(94,087)	(84,929)
Proceeds from short-term borrowings	583,850	1,017,018
Repayment of short-term borrowings	(730,980)	(855,123)
Net cash (used in) / generated from financing activities	(198,042)	604,703
Net (decrease) / increase in cash and cash equivalents	(273,979)	306,698
Cash and cash equivalents at beginning of year	419,248	112,549
Cash and cash equivalents at the end of year	145,269	419,247



Koprivnica, 31 March 2010

**STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING
FINANCIAL STATEMENTS**

Consolidated financial statements of the Podravka Group for the period January – December 2009 have been prepared in compliance with the Accounting Act and International Financial Reporting Standards (IFRS) and provide overall and true view of assets, liabilities, profit and loss, financial position and business operations of the Group and all related companies involved in consolidation.

The 2009 Audited financial statements have been adjusted to reflect correction of income from sale of the Umag factory in 2007, what has resulted in the statement of previously issued financial statements for 2007 and 2008. Accordingly, balance sheet for 2008 was also restated.

Accounting Dept. Director


Draga Celiščak

Member of the Board for Finance


Lidija Kljajić

PODRAVKA Inc., Koprivnica, Ante Starčevića 32, Croatia, The Commercial Court Bjelovar, MBS 010006549
PBZ d.d., Zagreb, Račkoga 6, Croatia, bank account 2340009-1100098526, subscribed capital: 1,626,000,900,00 kunas
paid in full, total number of shares issued 5,420,003 nominal share price 300,00 kunas, Supervisory Board President Ljubo Jurčić,
Management Board President M. Vitković, Management Board Members K. Bešvir, L. Kljajić, M. Pucar, B. Vujjak-deputy member

Always with a heart



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