

# Podravka Group

2007



## Disclaimer

This presentation 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.

# Content

Overview of key events 2007

Sales

Business results

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Strategy 2008 – 2011

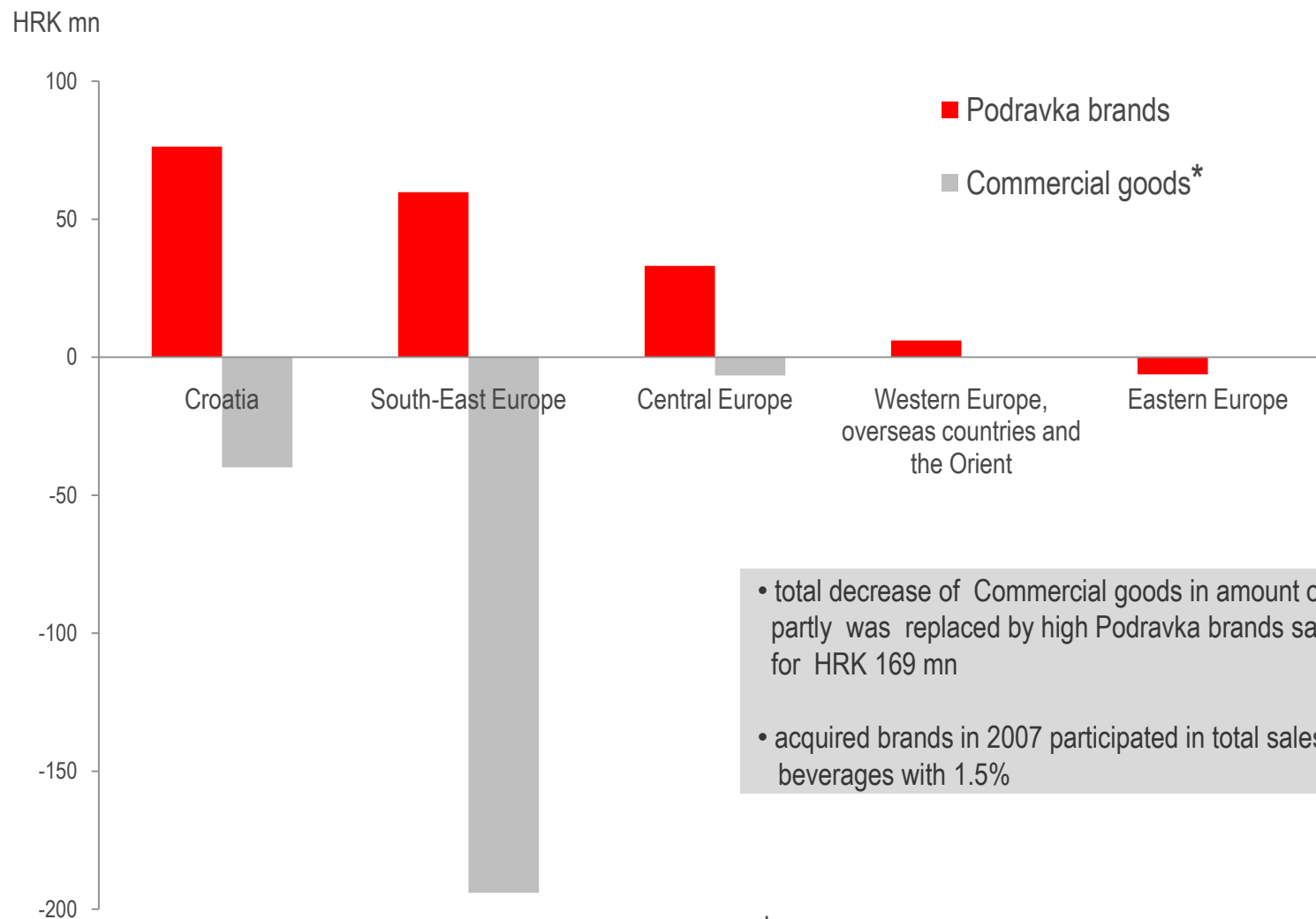
# Overview of key events 2007

# Overview of key events 2007

<p>continuance of restructuring</p>	<p>Improvement of the business process: merge of sales operative devisions and supply centralization (within SBA Food &amp; beverages)</p>	<p>Production in new Baby food factory started</p>	<p>Halal certificate awarded to Podravkas' meat industry Danica and Cocktails factory</p>
<p>New Collective Agreement for Podravka Group signed</p>	<p>Podravka and Microsoft signed contract on business cooperation</p>	<p>Podravka and SMS signed the Sales and distribution contract</p>	<p>Podravka, Gastro Group and Association of family and small hotels of Croatia signed a Cooperation Agreement</p>
<p>Acquisiton of brands- Warzywko, Perfecta and Lero</p>	<p>Total investments HRK 291.4 mn</p>	<p>Discontinuations of Nestlé's products distribution on Croatian market</p>	<p>Strong organic growth of Podravka brands</p>

# Sales movement of SBA Food and beverages

Sales differences of Podravka brands and Commercial goods  
(2007 / 2006)



- total decrease of Commercial goods in amount of HRK 241 mn partly was replaced by high Podravka brands sales that increased for HRK 169 mn
- acquired brands in 2007 participated in total sales of SBA Food & beverages with 1.5%

\* third parties' goods

# New products in product group Podravka dishes

## Stroganoff and Chicken salmi

-Podravka's range of ready-made dishes is expanded with two new tastes with high quality ingredients and the finest selection of meat and vegetables (launched in 3Q 2007)



**Cranberry** - the flavour of cranberry in Podravka tea and Podravka jam (launched in 1H 2007)



## Local soups

-the combination of traditional taste and advanced preparing (launched in 2Q 2007)



**White tea** - the magic potion, the fountain of youth joined under Podravka tea brand (launched in 4Q 2007)





# New products in product group Baby food and cereals



## Čokolino cereals

- delicious, natural, easy to prepare, fun, providing delight in flavour of chocolate nutritious and being a perfect meal for children enriched in vitamins, iron, calcium (launched in 1Q 2007)



**Lino milled biscuit** - enriched with 5 vitamins (B1, B2, B6, C, niacin)



- for normal development and growth of children  
- for solid bones and healthy tooth  
- helps in creating of erythrocytes while improving oxygen supply in organism (launched in 2Q 2007)

## Provita corn flakes

- cereals prepared with added vitamins of B-complex, without preservatives and artificial flavourings (launched in 3Q 2007)





# New products in product group Sweets and snack



**Kviki sticks filled with peanut cream**  
(launched in 3Q 2007)



**Dolcela multicomponents products**  
-products contain all the main ingredients  
for preparing cakes  
(launched in 4Q 2007)



**Whipped cream 5+**  
-contain vegetable fats and is  
appropriate for vegetarians  
(launched in 2Q 2007)



**Dolcela pudding**  
-Caramel cream flavoured pudding  
-Rum punch flavoured pudding  
(launched in 4Q 2007)

# Acquisition cycle 2006 / 2007

## EVA (Croatia, 2006)



revival of the most popular category of canned fish in Croatia and the markets of South-East Europe

category with high growth potential and expanding the range with new products

listing of new products in 1Q 2007

## Warzywko & Perfecta (Poland, 2007)



acquiring Warzywko Podravka strengthened its leader position on the Polish market of food seasonings

acquiring Warzywko Podravka entered "medium price" segment on the Polish market and expanded consumer base

"Warzywko – the maximum of vegetables in the kitchen" - new TV campaign on Polish market

## Lero (Croatia, 2007)



expanded Podravka's existing product assortment to category of juices, nectars, syrups and other non-alcoholic beverages

introducing Lero into its existing sales structure, Podravka will accomplish costs synergy in sales and distribution

**Eva.**  
**From depths of sea.**



famous local brand, known by high quality products, modern and technologically advanced packaging

# Investments and acquisitions

TOTAL INVESTMENTS	HRK 291.4 mn	
BRAND ACQUISITIONS	HRK 116.6 mn	
INVESTMENTS	HRK 174.8 mn	

## THE MOST IMPORTANT INVESTMENTS BY PRODUCT GROUP:

- Baby food & Cream Spread
- Meat & meat products
- Pharmaceuticals (registrations and new equipment)



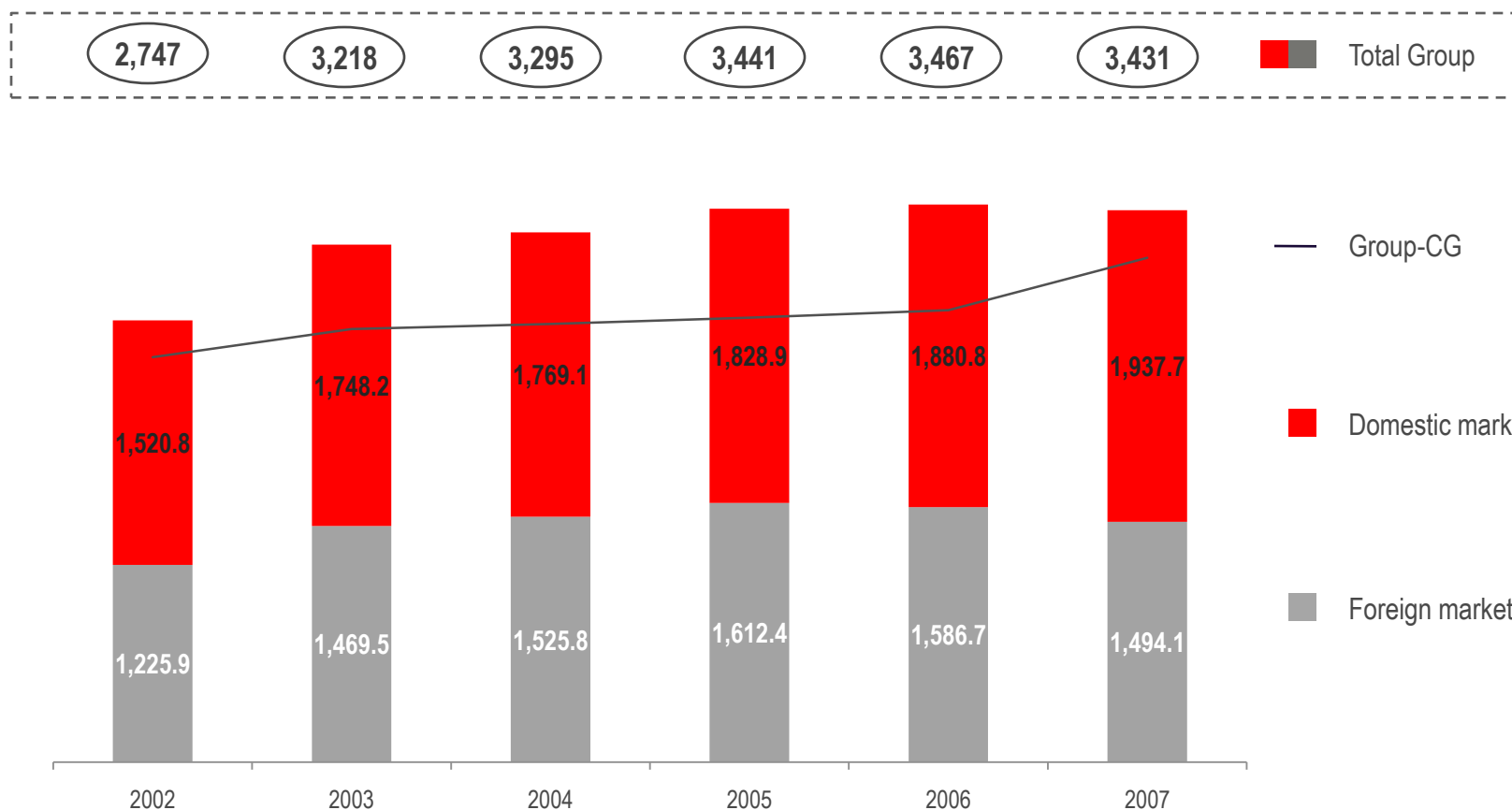
# Sales

# Sales of the Podravka Group

Sales growth on domestic and foreign markets

2002 – 2007

HRK mn



**CAGR\***  
2002 – 2007

3.8 %

3.7 %

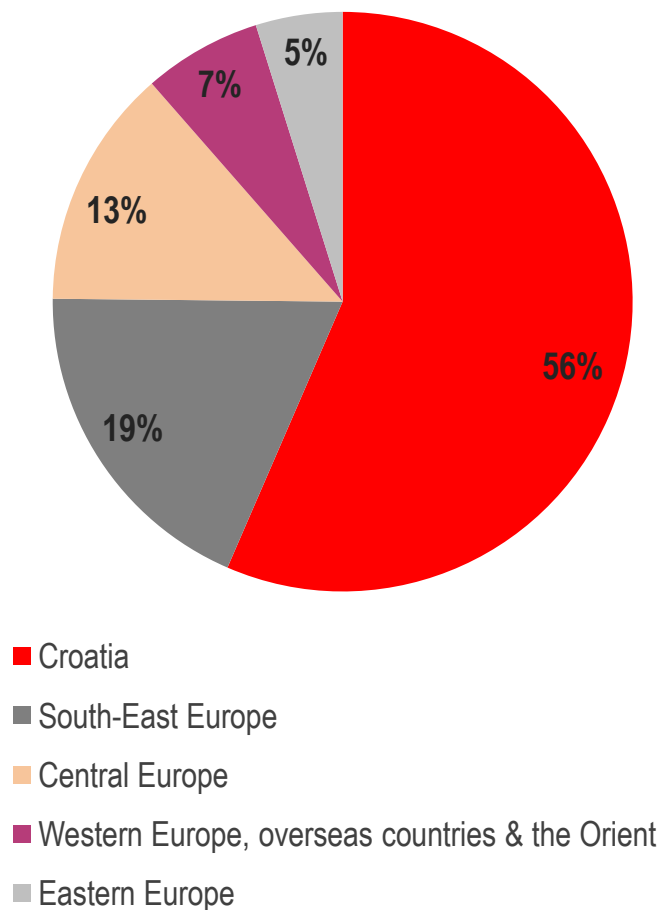
4.1 %

3.3 %

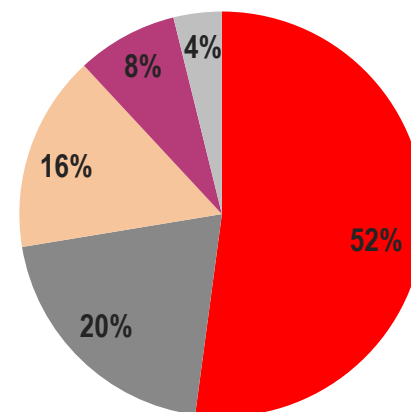
\* Compound Annual Growth Rate

# Sales structure per markets

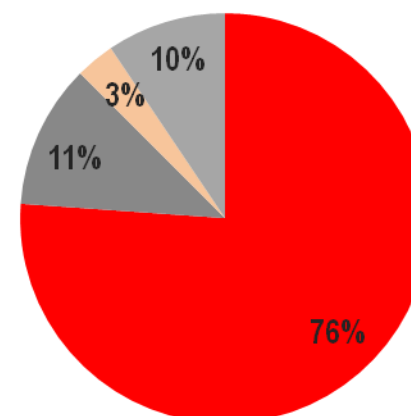
Sales structure per markets



Sales structure of SBA Food & beverages per markets



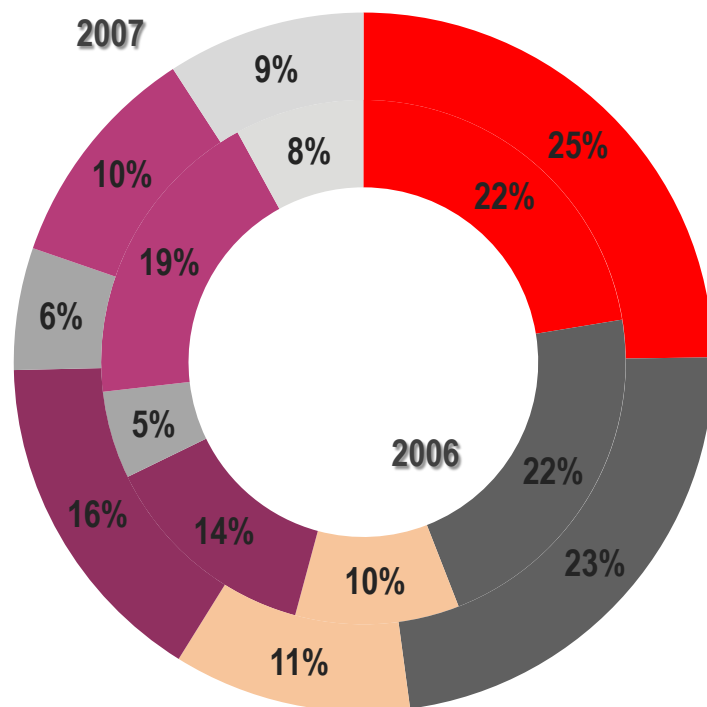
Sales structure of SBA Pharmaceuticals per markets



\* according to the small participation of 0.2% in total Group's sales SBA Services is not part of this analyse



# SBA Food & beverages



Food seasonings	+4%
Podravka dishes	+5%
Baby food, Sweets & Snack	+7%
Meat products and Canned fish	+14%
Beverages	+23%
Commercial goods	-55%
Other (F&B)	+13%

Sales of SBA Food & beverages

**HRK 2,810.6 mn**

Sales growth of SBA Food & beverages

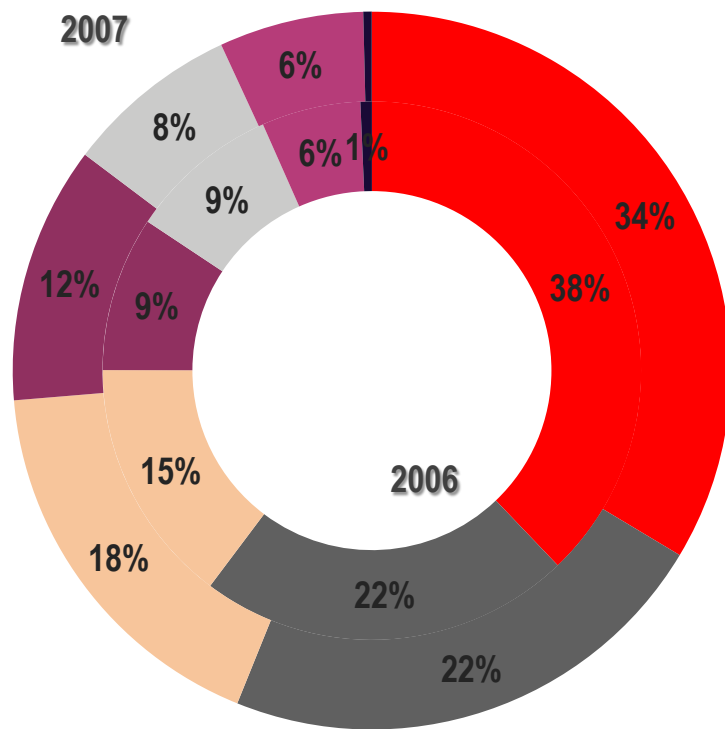
**-1%**

Sales growth of Podravka brands

**+8%**



# SBA Pharmaceuticals



■ Blood & Blood forming organs, Heart & Cardiovascular system

**-10%**

■ Musculoskeletal & Nervous system

**+2%**

■ Dermatologicals

**+21%**

■ OTC

**+27%**

■ General anti-infectives & Antiparasitic Medicines

**-12%**

■ Respiratory, Digestive & Genitourinary system

**+11%**

■ Other

**-44%**

Sales of SBA Pharmaceuticals

**HRK 614.3 mn**

Sales growth of SBA Pharmaceuticals

**+2%**

## Market characteristics

Total sales: HRK 1,937.7 mn

Sales increase of Podravka brands: +7%

Sales decrease of Commercial goods: -14%

Sales and distribution of SMS products started

Assortment of Podravka Beverages expanded by Lero brand acquisition

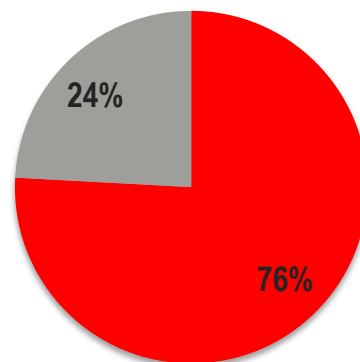
Double digit growth of GASTRO segment

Discontinuations of Nestlé's products distribution

Pharmaceuticals: price reduction on HZZO\* list in prescription medicines

\* HZZO (Croatian Institute for Health Insurance)

## Sales per SBA



■ Food & beverages +5%

■ Pharmaceuticals -1%

■ Total +3%

## Sales growth of Podravka brands

Food seasonings	-2%
Podravka dishes	+7%
Baby food, Sweets & Snack,	+8%
Meat products and Canned fish	+7%
Beverages	+18%

**GROWTH**

**+7%**

# South-East Europe market

April 2008

## Market characteristics

Total sales: HRK 640.2 mn

Sales decrease: -18%

Sales decrease of Commercial goods: -82%

Sales increase of Podravka brands +13%

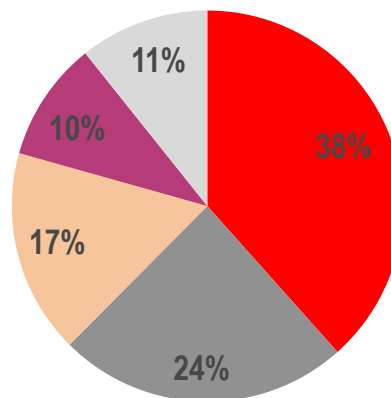
Strong sales growth of canned fish +61%

Serbia: sales increase of Podravka brands +35%

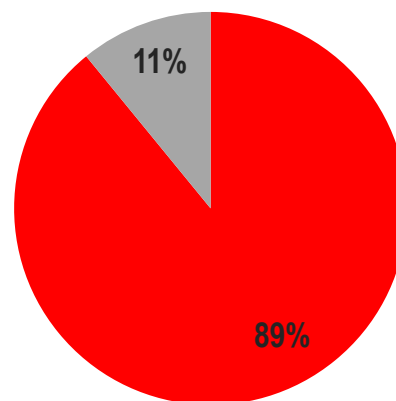
B&H: redouble sales of beverages generated by strong sales growth of Studena Ice tea

Slovenia: sales decrease of Pharmaceuticals (-27%) according to the new legislation (04/2007)

Sales per countries



Sales per SBA



## change

■ Bosnia and Herzegovina

-11%

■ Slovenia

-7%

■ Serbia

-38%

■ Macedonia

-27%

■ Other

-10%

■ Food & beverages

-19%

■ Pharmaceuticals

-3%

SEE: Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Slovenia, Serbia

## Market characteristics

Total sales: HRK 459.9 mn

Sales increase: +6%

Sales decrease of Commercial goods: -61%

Sales increase of Podravka brands: +11%

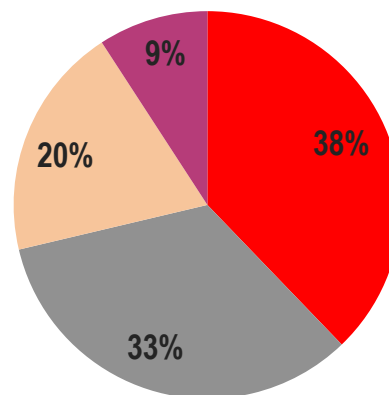
Poland: growth of Podravka brands +33%

Poland: organic growth of food seasonings +20%

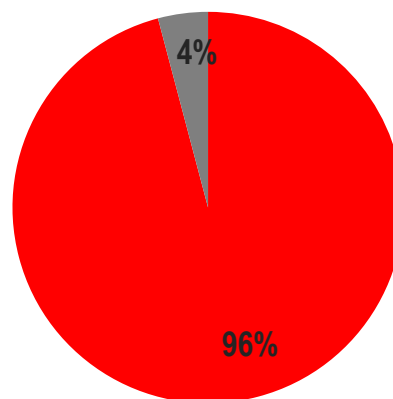
Hungary: sales loss caused by ended strategic alliance with Rieber&Søn

Czech: sales loss caused by ended outsourced production for Kraft foods

Sales per countries



Sales per SBA



Poland

change

+32%

Czech Republic

-8%

Slovakia

+4%

Hungary

-14%

Food & beverages

+6%

Pharmaceuticals

-3%

# Western Europe, Overseas countries & the Orient

## Market characteristics

Total sales: HRK 226.4 mn

Sales increase: +2%

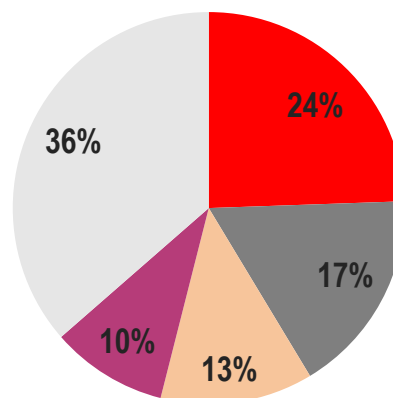
Sales increase of Podravka brands +3%

Germany: increase of Podravka brands +13%

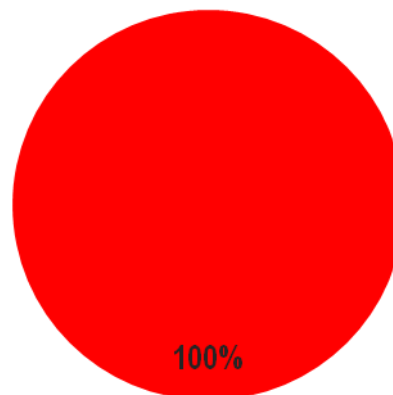
Austria: sales decrease of meat program

Austria: co-branding of Vegeta and Kelly's  
- Kelly's chips with Vegeta taste

Sales per countries



Sales per SBA



## change

Germany	+18%
Australia	+8%
USA	-24%
Austria	-5%
Other	+4%
Food & beverages	+2%
Pharmaceuticals	0%

ZE, OC & the Orient: Australia, Austria, Benelux, France, Canada, Germany, USA, Scandinavia, Switzerland, Great Britain, other countries of WE

## Market characteristics

Total sales: HRK 167.6 mn

Sales increase: +11%

Sales decrease of Podravka brands: -6%

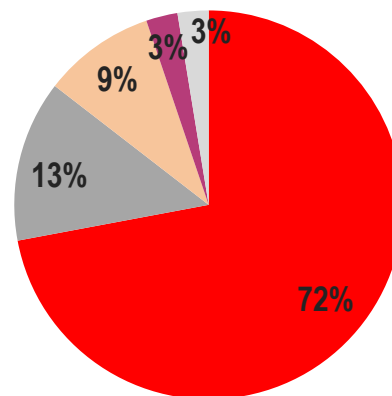
Russia: sales increase of Podravka dishes +27%

Russia: sales increase of Pharmaceuticals +36%

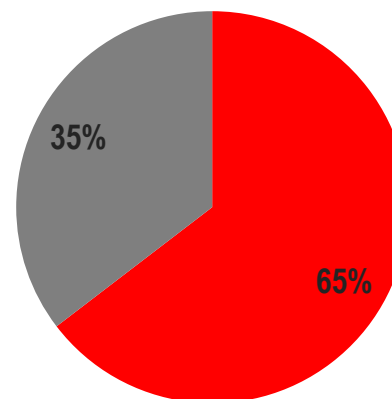
Romania: increase of Podravka brands +40%

Romania: sales growth of Pharmaceuticals generated by growth in dermatics group of products

Sales per countries



Sales per SBA



## change

Russia +8%

Romania +53%

Pribaltic 0%

Ukraine -6%

Other +2%

Food & beverages 0%

Pharmaceuticals +38%

EE: Pribaltic, Romania, Russia, Ukraine, other countries of EE

# Business results



# Podravka Group business results for 2007

in millions of HRK

	Podravka Group			SBA Food & beverages			SBA Pharmaceuticals		
	2007	2006	07/06	2007	2006	07/06	2007	2006	07/06
Sales	3,431.8	3,467.5	-1%	2,810.6	2,852.0	-1%	614.3	605.1	2%
Gross profit	1,415.9	1,351.2	5%	1,038.4	1,000.3	4%	377.5	350.5	8%
EBITDA	255.8	327.5	-22%	106.2	143.0	-26%	149.6	184.2	-19%
EBIT	92.3	126.2	-27%	-23.6	-14.0	-69%	115.9	139.9	-17%
Net profit	18.3	60.4	-70%	-60.5	-40.6	-49%	78.9	100.7	-22%
Gross margin %	41.3	39.0	230 bp	36.9	35.1	180 bp	61.5	57.9	360 bp
EBITDA margin %	7.5	9.4	-190 bp	3.8	5.0	-120 bp	24.4	30.4	-600 bp
EBIT margin %	2.7	3.6	-90 bp	-0.8	-0.5	-30 bp	18.9	23.1	-420 bp
Net margin %	0.5	1.7	-120 bp	-2.2	-1.4	-80 bp	12.8	16.6	-380 bp

# Podravka Group balance sheet (summary)

in millions of HRK

PODRAVKA GROUP	31 Dec 2007	31 Dec 2006
Non-current assets	1,994.3	1,757.5
Current assets	1,872.6	1,943.1
<i>Cash &amp; cash equivalents</i>	112.5	126.1
<i>Inventories</i>	594.5	564.5
<b>Total assets</b>	<b>3,866.9</b>	<b>3,700.5</b>
Long-term debt	467.5	525.3
Short-term debt	649.2	456.9
Shareholders' equity	1,945.0	1,746.7
<b>Total liabilities and shareholders' equity</b>	<b>3,866.9</b>	<b>3,700.5</b>
D/E	57.4%	56.2%
Net debt	1,004.2	856.1
Net debt / EBITDA	3.9	2.6
Interest coverage	1.6	2.6

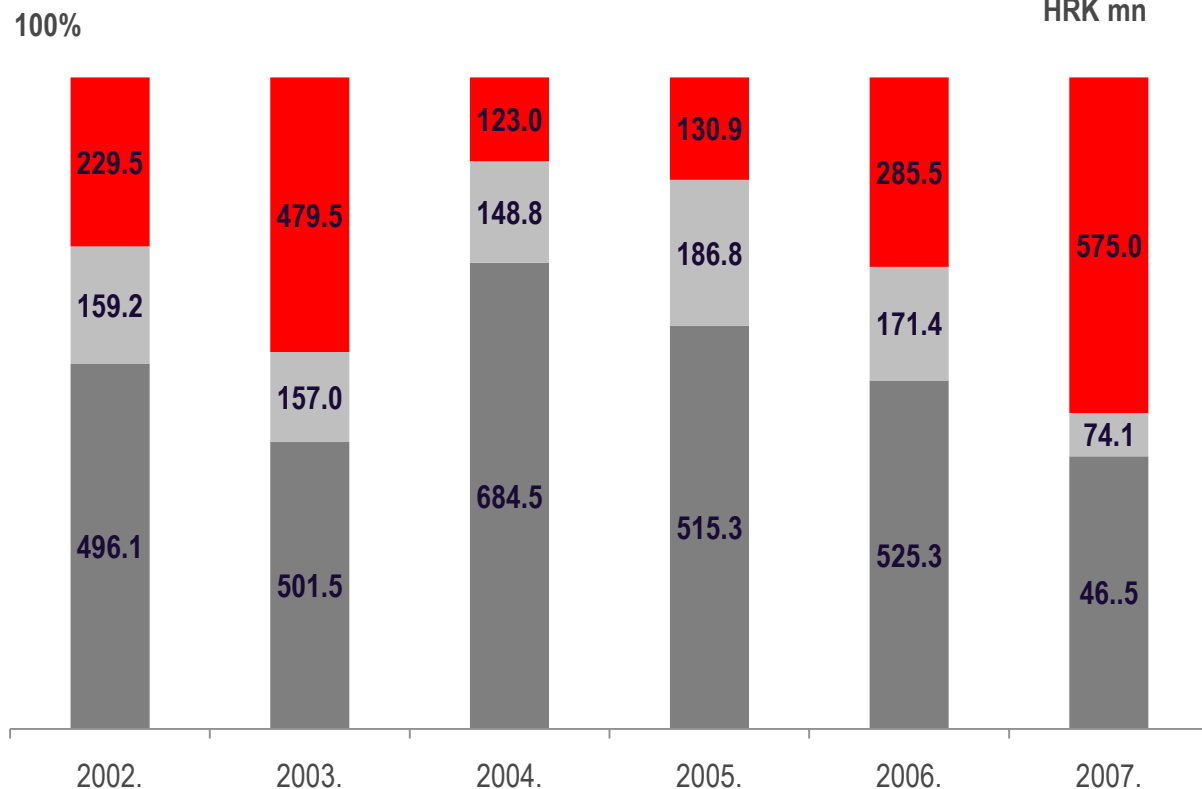
	31 Dec 2007	31 Dec 2006
Return on equity	0.9%	3.5%
Return on assets	0.5%	1.6%

# Podravka Group indebtedness movement

## Indebtedness movement and debt structure

2002 - 2007

HRK mn



Debt structure

31/12/2007

■ Short-term debt

51 %

■ Current part of LTD

7%

■ Long-term debt

42%

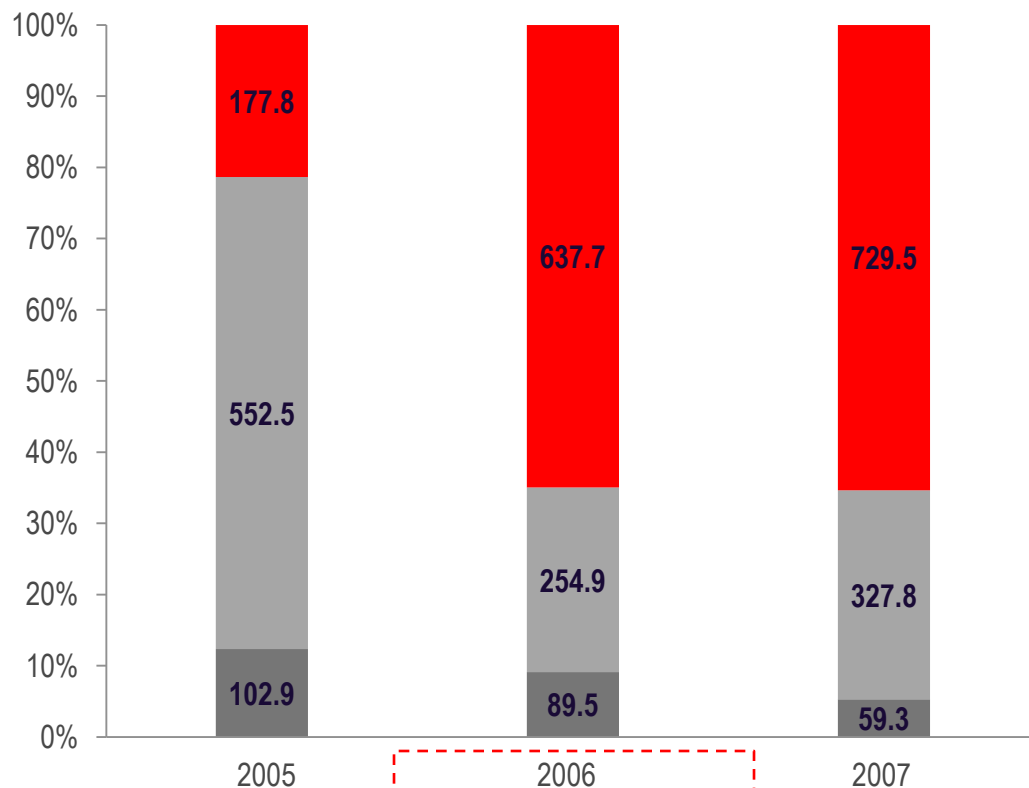
indebtedness  
in relation to  
31/12/2006

+14%

# Currency structure of the Group's debt

## Currency structure of the Group's debt

2005 - 2007



debt refinancing by  
new corporate bond  
denominated in HRK

	Debt structure per currency 31/12/2007	2007/ 2006
■ HRK	65%	+14%
■ EUR	30%	+29%
■ other	5%	-34%

# Costs / Expenses

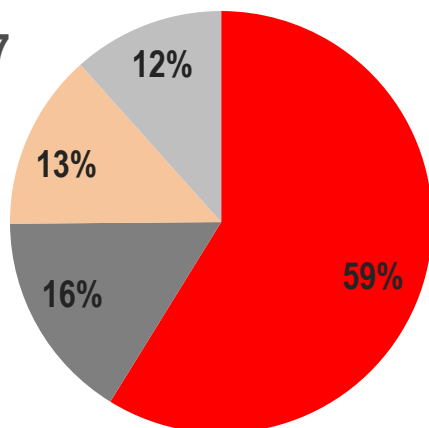
# Structure of operating costs

HRK 3,428.3 mn

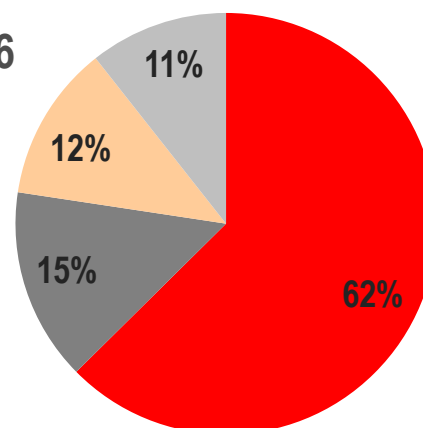
HRK 3,381.5 mn

OPERATING COSTS

2007



2006



	2007 / 2006	% of sales
■ Cost of goods sold	-5%	59%
■ Selling and distribution expenses	+10%	16%
■ Marketing expenses	+14%	14%
■ General and administrative expenses *	+11%	11%
■ ■ ■ ■ Total	+1%	100%

\* without restructuring costs and effect of legal case that Belupo won, general and administration expenses would have recorded decrease by 2%

# Product portfolio optimization (SKU)

product portfolio  
optimization start

continuous process

- SKUs with non-satisfactory turnover
- SKUs with non-satisfactory profitability

2005

- defining terms for keeping SKU in product portfolio
- optimization includes  $\approx 10,000$  SKU within SBA Food & beverages

2006

- $\approx 2,000$  SKU discontinued
- gross margin of SBA Food & beverages increased for 10 bp

2007

- $\approx 3,000$  SKU discontinued
- gross margin of SBA Food & beverages increased for 180 bp

SKU Stock-keeping Unit



# Marketing activities in 2007

April 2008



Medvjedi su najbolji, najjeftiniji i najpametniji od svih životinja na svijetu!



**Eva. Iz srca mora.**



**Lino**  
mljeveni keks

- ✓ od visokokvalitetnog kekasa s maslacem
- ✓ kompleks mikroelemenata - vitamini - minerali
- ✓ brza priprema (s mlijekom)

Lino mljeveni keks dobiven je od visokokvalitetnog kekasa s maslacem koji u kombinaciji s mlijekom osigurava užitak u slasnom obroku.

Optimalna kombinacija vitamina (A, B, B<sub>6</sub>, B<sub>12</sub>, E, niacin i folna kiselina) i minerala doprinosi pravilnom rastu i razvoju dječjeg organizma.

Prirodna i zdrava **Lino** dječja hrana



*Od srca srcu*

Mnoštvo je različitih juha, ali samo Podravka juhe odišu jedinstvenim okusom i u sebi kriju mala povjesta. Tradicionalne, a ipak toliko suvremene i domaće - ove juhe će vas vratiti u dobro poznata sjećanja iz vremena vaših baka. U svakoj juhi odete ćete vrijednosti starih recepata pripremljenih sa srcem.



Osvježanje s Dalekog istoka!  
**NOVO!**

**VICEZ TEA**  
zeleni čaj



**voćni čaj brusnica**



**Čokolino**  
svijet po tvom

OKUS KOJI SE PAMTI.



**Fina obitelj.**

Gotovo za samo 2 min.

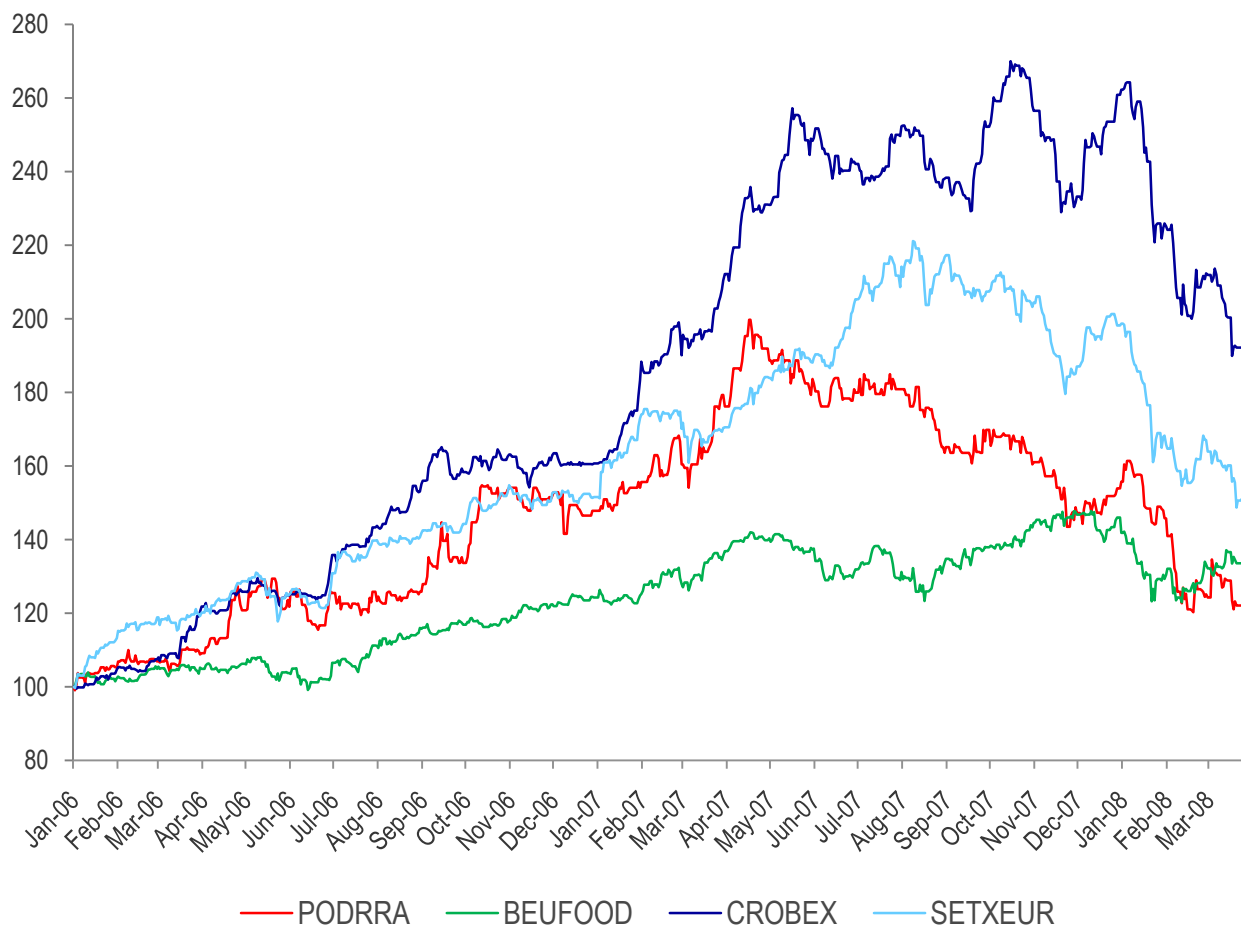
Podravka gotova jela. U okusu je tajna cijela.

# Share

# Comparative indices movement

## Comparative indices movement and PODR-R-A

January 2006- March 2008 (01/01/2006= 100)



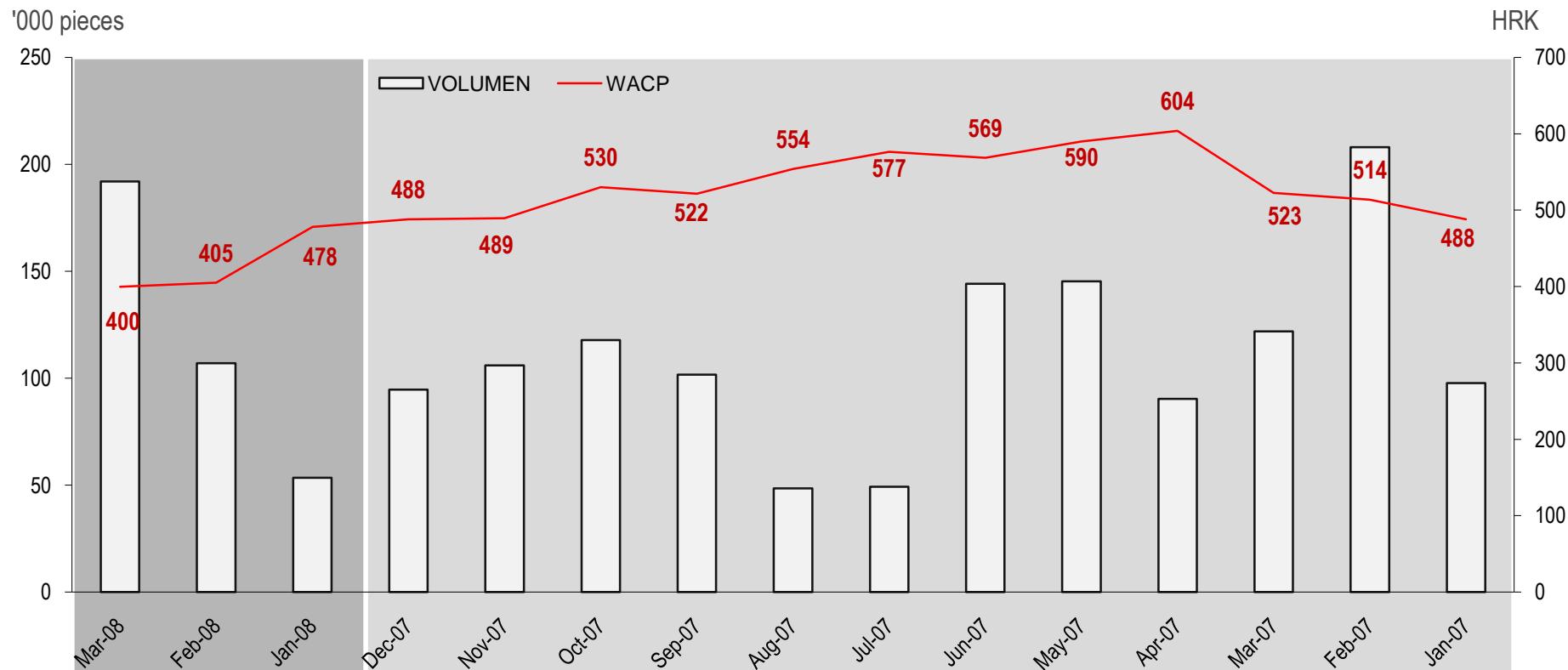
### INDEX WEIGHT (31/03/2008)

SETX	1.588%
CROBEX	4.023%
CROEMI	5.137%

### RECOMMENDATIONS

ERSTE	ACCUMULATE
FIMA	HOLD
HAAB	HOLD
RBA	HOLD

# Share price and volume movement



1Q 2008	2007
360.00	Close price
514.00	Highest price
360.00	Lowest price
413.19	WACP
145.3	Turnover (HRK mn)
1.951.2	Market cap. (HRK mn)

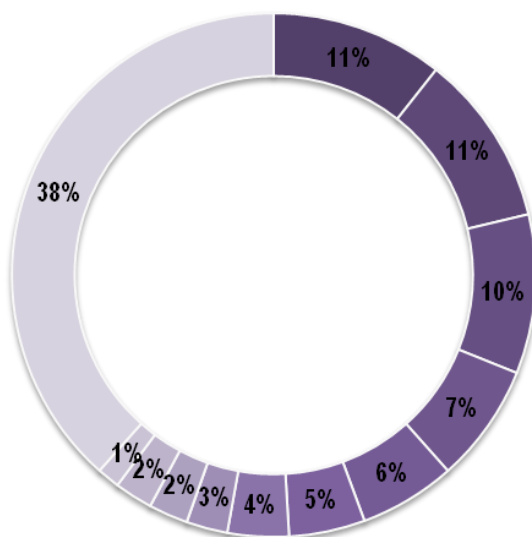
	2007	2006
EPS	3.43	11.24
P/E	148.63	41.83
BVPS	358.9	322.3
P/B	1.4	1.5
P/S	0.8	0.7
P/EBIT	30.0	20.2
P/EBITDA	10.8	7.8

# Shareholders structure

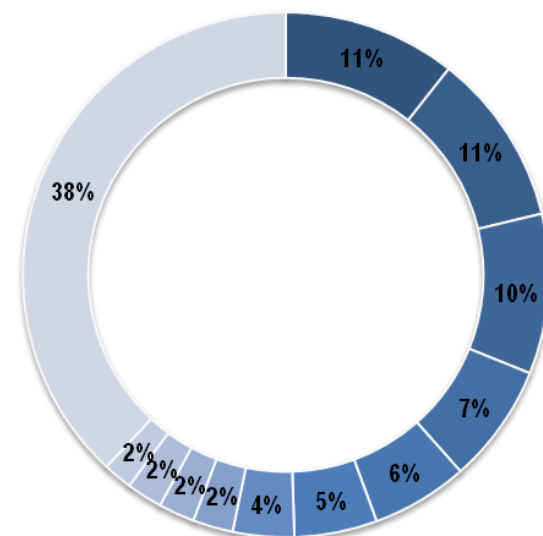
Shareholders structure as of 31/12/2007

Shareholders structure as of 31/03/2008

60.2%	TOP 10	60.1%
39.8%	others	39.9%



■ FIMA AMI LTD	■ FIMA AMI Ltd.
■ HFP/HZMO	■ HFP/HZMO
■ HFP	■ HFP
■ Bank Austria Creditanst AG	■ Bank Austria Creditanst AG
■ Kapitalni fond d.d.	■ Kapitalni fond d.d.
■ AZ OMF	■ AZ OMF
■ PBZ Croatia osiguranje d.d. OMF	■ PBZ Croatia osiguranje d.d. OMF
■ Erste&Steiermarkische d.d./ CSC	■ Raiffeisenbank Austria d.d./R5
■ PBZ D.D./ Skrb. rn	■ Skandinav. Enskilda banken/Zbir.Rn
■ Raiffeisenbank Austria d.d./ R5	■ Raiffeisenbank Austria d.d./RBA
■ Treasury account	■ Treasury account
■ Others	■ Others



Number of shares 5,420,003  
Number of shareholders 15,557

HFP (Croatian Privatisation Fund), HZMO (Croatian Institute for Pension Insurance), OMF (Mandatory Pension Fund)

# Strategy 2008 - 2011

# Strategy 2008 - 2011

2008

PRIORITIES

1

Growth  
strategy

2

Profitability and  
competitiveness  
growth

3

Capital use  
efficiency

to reach by

**Profitable growth  
strategy**

**Profitability and  
competitiveness growth**

**Capital use efficiency**

Organic growth

Production

Turnover capital reduction

Acquisitions

Administration

Asset capitalization

Sales, Distribution, Logistics

**GOALS  
FOR 2011**

HRK 5 bn

EBIT 9%

ROA 4%



# Profitable growth strategy

## Category focus

- 1 Food seasonings
- 2 Culinary\*
- 3 Cereals\*\*
- 4 Meat
- 5 Fish
- 6 Baking aids
- 7 Beverages

## Market focus

- 1 Keeping leading market position + trend setter in Croatia
- 2 Significant organic growth in SEE and EE
- 3 Expanding product portfolio in EU

## Acquisitions

- 1 Category focus
- 2 Market focus
- 3 Leader positions
- 4 Profitability growth
- 5 Financial flexibility
- 6 Successful integration

\* Culinary – consists of ready made meals, soups, sauces, side dishes

\*\* Cereals- dehydrated baby food and breakfast cereals

# Profitability and competitiveness growth

## SCM

- 1 Supply
- 2 Logistics
- 3 Production and COGS
- 4 Stock

## Sales

- 1 Investment efficiency
- 2 Sponsorship
- 3 Organization

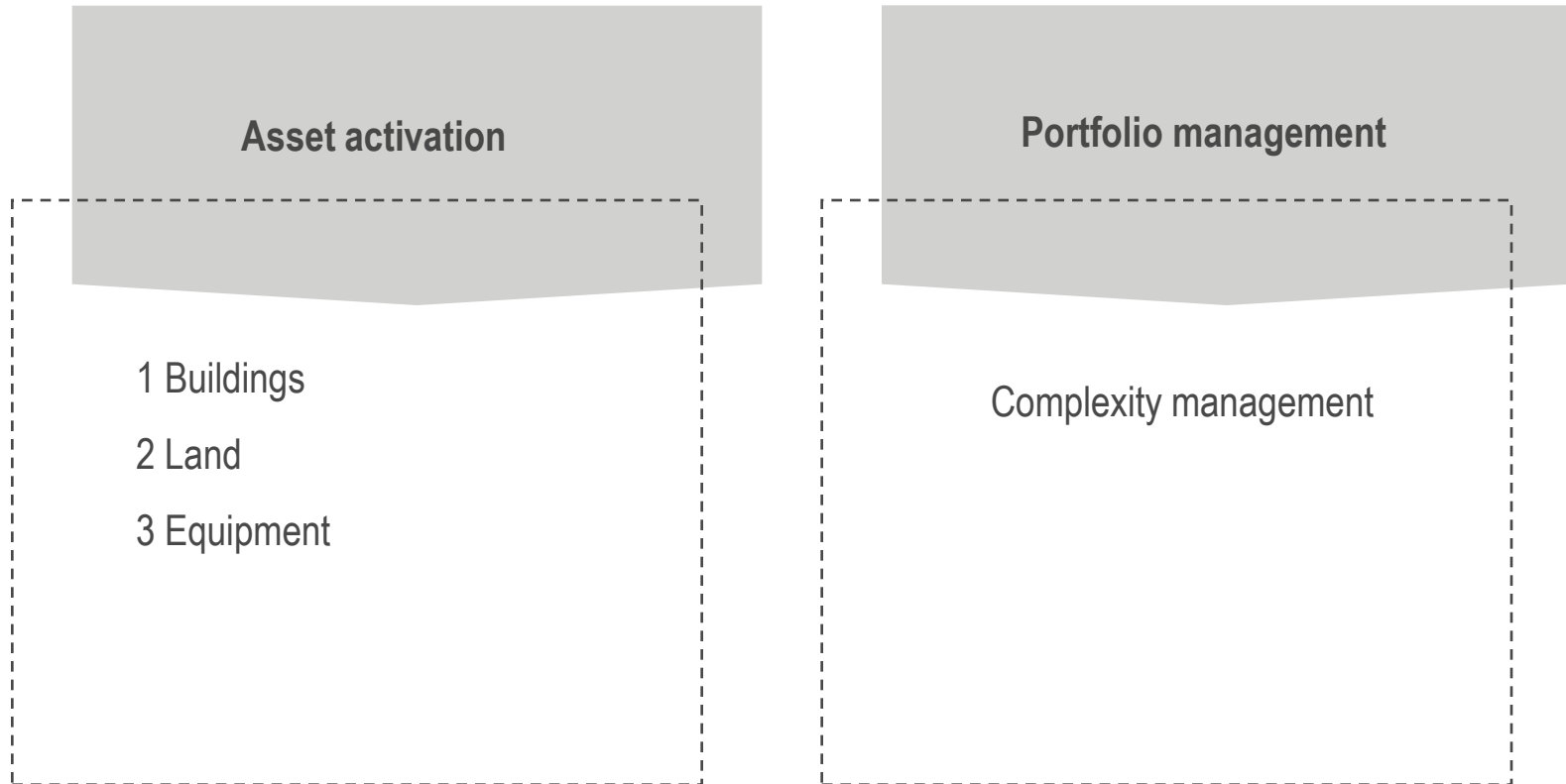
## Marketing and sponsorship

- 1 Efficiency CRO
- 2 Efficiency INT
- 3 Organizing support process

## Administration and Services

- 1 Non-basic activities
- 2 Energy
- 3 Organization
- 4 Salaries

# Capital use efficiency



Always with a heart

