



PODRAVKA GROUP BUSINESS RESULTS FOR THE PERIOD JANUARY – SEPTEMBER, 2007

Basic events

1. Podravka brands total sales in the observed period in 2007 is HRK 1,668.0 mn which is 7% sales increase. Foreign markets mark 6% sales revenue increase for this group of products, while Croatian market marks 8% revenue increase of Podravka brands.
2. South-East European market marks expected sales drop of commercial goods of 84%, influencing the drop of total sales of commercial goods by 39%. The effect of commercial goods sales drop on the mentioned market was relieved by 13% sales growth of Podravka brands, mostly contributed by 33% growth on Serbian market and 14% on the market of Bosnia and Herzegovina.
3. Gross margin is 41.4%, which is 230 bp increase compared to the same period in 2006.
4. Net margin is 1.3%, and is reduced by 260 bp compared to the same period in 2006.
5. Warzywko and Lero brands have been successfully integrated in the sales of Podravka brands.
6. Investments in purchase of fixed tangible and intangible assets were HRK 206.0 mn.
7. Contract on business cooperation between Podravka and Microsoft company was signed, resolving licensing issues for Microsoft platform products for all Podravka Group companies in eighteen countries of the world.
8. Čokolino all-rounder, joint project of Podravka and Sportske novosti during the school year 2007/2008 in 24 cities of Croatia will include more than 14,000 children from first to eighth grade.
9. At the General Assembly of Podravka's shareholders held on 10 July 2007 the decision was made on dividend payoff for 2006 amounting to gross HRK 5.00 per share.

Note:

Due to focusing on Podravka's strongest brands, products portfolio optimization, internal changes in tracking sales of Podravka brands and due to recent purchase of brands Eva, Warzywko, Perfecta and Lero, there have been some changes in the reporting to the public as well.

From the first quarter 2007 onwards we will be reporting on the following groups of products:

SBA "Food and beverages"**1. Podravka brands**

- a. Food seasonings
- b. Podravka dishes – includes the following product groups from the previous classification: Podravka dishes, Fruit and vegetables, Rice and legumes, Other products and Mill products
- c. Baby food, sweets and snack
- d. Meat and canned fish products – includes meat program from the previous classification and newly purchased brand EVA – fish cans
- e. Beverages

2. Commercial goods**3. Other****SBA "Pharmaceuticals"****SBA "Services"**

In compliance to this reclassification, compared are the sales for the period Jan-Sep, 2006 and Jan-Sep, 2007.

Sales revenues per Strategic Business Areas

in millions of HRK

No.	SBA	Jan-Sep 2007		Jan-Sep 2006		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and beverages	2,094.8	83.0	2,137.1	83.2	98
2	Pharmaceuticals	425.4	16.8	423.6	16.5	100
3	Services	5.2	0.2	7.8	0.3	67
Total		2,525.4	100.0	2,568.6	100.0	98

Sales of SBA Food and beverages in the observed period was HRK 2,094.8 mn which is 2% sales drop. Sales drop of SBA food and beverages on foreign markets (-11%) is the result of commercial goods sales drop due to discontinued distribution of Nestlé products on foreign markets (-83%).

SBA Food and beverages in Croatian market marks significant 8% growth generated by sales growth of Podravka brands.

In the observed period SBA Pharmaceuticals realizes HRK 425.4 mn sales, which is slightly increased compared to the sales last year. Sales drop of medicines on Croatian market (-2%) was caused by reduction in price of Irumed and Iruzid medicines, which are from March this year on the list of HZZO (Croatian Institute for Health Insurance) at new, reduced prices. Sales drop of medicines in domestic market is completely compensated by sales growth of SBA Pharmaceuticals on foreign markets (10%). The biggest contribution to foreign markets growth is marked through sales of dermatics group of medicines of 32%.

SBA Services marked HRK 5.2 mn sales, which is 33% sales drop. This SBA participates in the total sales of Podravka Group with only 0.2 %.

Sales per product groups

in millions of HRK

No.	PRODUCT GROUP	Jan-Sep 2007		Jan-Sep 2006		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Podravka brands	1,668.0	66.0	1,555.2	60.5	107
	Food seasoning	480.0	19.0	466.5	18.2	103
	Podravka meals	476.1	18.9	455.4	17.7	105
	Meat program and canned fish	334.8	13.3	295.8	11.5	113
	Baby food, sweets and snack	225.8	8.9	208.5	8.1	108
	Beverages	151.3	6.0	129.0	5.0	117
2	Commercial goods*	255.7	10.1	422.6	16.5	61
3	Other (Food and beverages)	171.1	6,8	159.4	6,2	107
4	Pharmaceuticals	425.4	16.8	423.6	16.5	100
5	Services	5.2	0.2	7.8	0.3	67
	Total	2,525.4	100.0	2,568.6	100.0	98

* third party's goods

All product groups within Podravka brands realize sales growth compared to the same period last year, which resulted in total 7% growth of Podravka brands. Organic sales of Podravka brands, i.e. total sales of Podravka brands reduced by sales of recently purchased brands Warzywko and Lero marks 6% growth.

The highest sales growth of 17% was realized in the Beverages group, which has in the third quarter started marking sales of Lero brand, the purchase of which made Podravka strengthen its market position in the category of non-alcoholic beverages, widening the range to categories of juices, nectars, syrups and other beverages. The most significant market for this group, Croatian market, marked sales growth of Beverages group of 13%, while sales on foreign markets was doubled at the same time, significantly contributed by organic sales in the market of Bosnia and Herzegovina (102%). Total marked organic growth of Beverages group in the observed period was 4%.

Sales growth of 13% was realized in the product group of Meat program and fish cans and is the result of the group growth both on Croatian and foreign markets. Next to realized 6% growth of Meat program, the growth of this group of products is based on exceptional sales growth of fish cans (50%), which is the result of revival of Eva brand, the most accepted brand of canned fish in Croatia and market of South East Europe. That Eva brand is truly a popular brand of fish cans in the region of South East Europe was also contributed by the growth in Croatian market (32%), but also the growth of South-East Europe market of 62%, mostly contributed by the growth of the market of Bosnia and Herzegovina (83%) and Serbia (45%).

Product group Baby food, sweets and snack marks 8% sales growth, generated for the most part by sales of new products launched in the past year. Considering the new marketing concept and systematic approach to development of Čokolino brand, the highest contribution to sales within the group Baby food, sweets and

snack was realized by Čokolino spread (19%) and Čokolino cereals (35%). The highest growth of this group was marked in the market of Croatia (11%) and Serbia (34%).

Product group Podravka dishes marks 5% sales increase, mostly contributed by 7% sales increase on Croatian market and 6% growth of South-Eastern European market.

Product group Food seasonings in the observed period marks 3% sales increase, and equal growth was achieved in the market of Croatia and foreign markets. In the second quarter 2007 Podravka purchased Warzywko brand and additionally strengthened its leader position in the market of Poland, the most significant foreign market of food seasonings. Sales growth of food seasonings in the market of Poland (21%) was generated by strong growth of Vegeta brand of 18%.

New products launched in the 3rd quarter of 2007:



Ready-made meals

Stroganoff and Chicken paprikash – are the two new flavours completing the range of Podravka ready-made meals.

High quality ingredients, only the selected pieces of meat and vegetables are a guarantee of a fine meal with a fresh and excellent taste.



Podravka Provita

Podravka Provita corn flakes is an ideal product for consumers preferring a light and delicious meal. This cereal is prepared with added B-complex vitamins, without preservatives and artificial flavourings. For those enjoying imaginative and innovative combinations we recommend Podravka Provita corn flakes with added fresh fruit, honey or yoghurt.



Kviki salted sticks with peanut

Redesigned Kviki brand expanded its range with Kviki salted sticks with peanut – trendy product that besides faithful consumers also entices all of those who have so far successfully resisted the habit of consuming snacks. Kviki sticks filled with peanut cream simply make you grab for more with their quality and fullness of the taste.



UROSAL M plus

Urosal M plus is a new Belupo medicine of herbal origin for systematic application having effect on urinating disruptions caused by enlargement of the prostate.

Sales per Podravka Group Markets

in millions of HRK

No.	MARKETS	Jan-Sep 2007		Jan-Sep 2006		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Croatia	1,459.7	57.8	1,387.6	54.0	105
2	South-Eastern Europe	464.5	18.4	587.5	22.9	79
3	Central Europe	329.1	13.0	325.2	12.7	101
4	Western Europe, overseas countries and the Orient	161.2	6.4	163.5	6.4	99
5	Eastern Europe	110.9	4.4	104.8	4.1	106
Total		2,525.4	100.0	2,568.6	100.0	98

Croatian market marks HRK 1,459.7 mn sales, which makes 58% of the total sales of Podravka Group and sales increase of 5% compared to the same period last year. Sales growth of Podravka brands of 8% in the Croatian market was generated by sales growth of all product groups within Podravka brands. SBA Food and beverages marks 8% sales growth on that market, with 8% growth of Podravka brands and 1% growth of Commercial goods. Organic growth of Croatian market (sales growth of Podravka brands reduced by sales of purchased brands) in the observed period was 6%. SBA Pharmaceuticals realized 76% sales in the Croatian market and in the observed period marks 2% sales drop, exclusively related to value sales drop, not quantities, due to continued pressure on prices of medicines on the HZZO list. Within SBA Pharmaceuticals the group of OTC products realized 28% sales growth on Croatian market.

Due to the expected sales drop of commercial goods on foreign markets of 83%, in total, foreign markets realized HRK 1,065.7 mn which is 10% sales drop. The effect of sales drop of commercial goods on foreign markets was minimized due to 6% sales growth of Podravka brands, but also by significant 10% sales growth of SBA Pharmaceuticals. On foreign markets the highest growth of Podravka brands was marked in the market of South-Eastern Europe (13%) and the market of Central Europe (6%).

Of foreign markets, the highest growth of total sales was realized in the market of Eastern Europe (6%), mostly contributed by 43% sales growth of SBA Pharmaceuticals. The biggest sales growth generator of pharmaceutical products is the market of Russia (41%), mostly in dermatics group of medicines.

Structure of operating costs

in millions of HRK						
No.	COST/EXPENSE	Jan-Sep 2007		Jan-Sep 2006		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	1,480.2	60.5	1,564.5	62.8	95
2	Selling and distribution costs	698.3	28.5	652.0	26.2	107
3	General and administrative expenses	267.8	10.9	275.8	11.1	97
Total		2,446.4	100.0	2,492.3	100.0	98

* change relative to report in 2006 due to costs reclassification

In the observed period operative costs reduced by 2%, and their structural change is also marked, which points to positive effects of reorganization and restructuring of the business of the Group.

5% drop of products sold costs is the result of centralizing the procurement process, constant application of the optimization process of the product portfolio and commercial goods share drop in the total sales of the Group.

Sales and distribution costs increased by 7% are for the most part the result of heavier marketing investments which compared to last year mark 13% growth. The result of new marketing concepts and the profitability of investing into marketing of new but also existing products is seen through sales growth of Podravka brands, so the marketing costs will continue to grow in the future and take even bigger share in the sales and distribution costs structure. More efficient allocation of resources on the level of corporate functions contributed to certain savings, having effect on 3% drop of general and administrative costs, but continuing the restructuring process it is expected that costs will grow compared to last year.

Profitability of the Podravka Group

in millions of HRK			
Podravka Group	Jan-Sep 2007	Jan-Sep 2006	change (2/3)
1	2	3	4
Sales revenue	2,525.4	2,568.6	-2%
Gross profit	1,045.2	1,004.0	4%
EBITDA	216.1	307.1	-30%
EBIT	92.5	152.2	-39%
Net profit	33.7	99.1	-66%
Profit margins %			
Gross margin	41.4	39.1	230 bp
EBITDA margin	8.6	12.0	-340 bp
EBIT margin	3.7	5.9	-220 bp
Net margin	1.3	3.9	-260 bp

Gross margin of the group in the observed period improved by 230 bp and is the result of sales growth of more profitable products within the group Podravka brands with parallel reduction of the share of low profit commercial goods. In spite of operative costs drop, the lack of other gains (gains from financial assets sales, long-term material assets and sales of the company in 2006) effected on lower EBIT margin and the lack of other revenues (extra revenues in 2006). Net margin dropped by 260 bp and is under the influence of financing costs increase, i.e. expenditures higher than interests per credits and significantly reduced revenues of exchange rate differences per credits.

Profitability per Strategic Business Areas

in millions of HRK

SBA	Food and beverages			Pharmaceuticals		
	Jan-Sep 2007	Jan-Sep 2006	change (2/3)	Jan-Sep 2007	Jan-Sep 2007	change (5/6)
1	2	3	4	5	6	7
Sales revenue	2,094.8	2,137.1	-2%	425.4	423.6	0%
Gross profit	789.5	766.9	3%	255.8	237.1	8%
EBITDA	122.1	163.8	-25%	93.9	143.3	-34%
EBIT	24.5	41.4	-41%	68.1	110.7	-39%
Net profit	-9.4	18.8	-150%	43.1	80.3	-46%
Profit margins %						
Gross margin	37.7	35.9	180 bp	60.1	56.0	410 bp
EBITDA margin	5.8	7.7	-190 bp	22.1	33.8	-1,170 bp
EBIT margin	1.2	1.9	-70 bp	16.0	26.1	-1,010 bp
Net margin	-0.4	0.9	-130bp	10.1	18.9	-880 bp

SBA Food and beverages is included in the optimization process of the product portfolio for almost two years and the effect of the process is seen through profitability growth of Podravka brands from quarter to quarter. 180 bp growth of gross margin was affected by drop of costs of products sold, which was also reduced through advancement of the production process and through the process of centralized procurement. Operative margin of SBA Food and beverages marks 70 bp drop due to lack of extra revenues, which were realized last year through the restructuring process of that SBA. Considering that the company is still in its acquisition cycle, net margin of SBA Food and beverages is under further load of the growing financing costs (31%) which were reflected to the drop of net margin by 130 bp.

Next to unchanged sales, SBA Pharmaceuticals in the observed period marks 410 bp gross margin growth, which is the reflection of more significant savings on the level of cost of products sold (-8%) and change in the sales structure by growth of OTC products share. OTC products mark continuous sales growth, on domestic market 28% and 54% on foreign markets, and represent sales revenues not subject to pricing pressures by the HZZO. 1,010 bp drop of operating margin can be explained by the structure of last year's operating margin which was increased by extra revenues (positive ruling in the Avena d.o.o. trial), and excluding the effect of extra profit in the last year, operative and net profit in the observed period mark 9%, i.e. 34% growth.

CONSOLIDATED INCOME STATEMENT

(in thousands of HRK)

	<u>Jan- Sep 2007</u>	<u>Jan-Sep 2006</u>
Sales revenue	2,525,416	2,568,554
Cost of goods sold	<u>1,480,233</u>	<u>1,564,519</u>
Gross profit	1,045,183	1,004,034
Other gains /(losses) - net	3,883	19,702
General and administrative expenses	267,793	275,776
Selling and distribution costs	698,348	652,031
Other revenues	10,741	57,351
Other expenses	<u>1,143</u>	<u>1,105</u>
Operating profit	92,523	152,176
Finance income	995	4,350
Finance costs	<u>-42,146</u>	<u>-34,928</u>
Net financial expense	-41,151	-30,578
Profit before tax	<u>51,372</u>	<u>121,598</u>
Income tax expense	<u>17,681</u>	<u>22,523</u>
Net profit	<u>33,691</u>	<u>99,075</u>

CONSOLIDATED BALANCE SHEET

(in thousands of HRK)

ASSETS	30 Sep 2007	31 Dec 2006
Non-current assets		
Property, plant and equipment	1,622,816	1,633,454
Intangible assets	173,893	87,225
Deferred tax assets	24,269	24,137
Available-for-sale financial assets	0	1,394
Trade and other receivables	51,797	11,243
	1,872,775	1,757,453
Current assets		
Inventories	604,925	564,485
Trade and other receivables	1,189,568	1,241,505
Financial assets at fair value through profit or loss	0	3,046
Cash and cash equivalents	81,696	126,118
	1,876,189	1,935,154
Non-current assets held for sale	11,320	7,898
	1,887,509	1,943,052
Total assets	3,760,284	3,700,505
EQUITY AND LIABILITIES		
Non-current liabilities		
Long-term debt	461,997	525,335
Provisions	21,313	22,007
	483,310	547,342
Current liabilities		
Trade and other payables	670,127	920,346
Short-term borrowings	635,253	456,860
Provisions	2,130	29,277
	1,307,510	1,406,483
Total liabilities	1,790,820	1,953,825
Shareholders' equity		
Share capital	1,643,825	1,427,329
Reserves	131,026	148,504
Retained earnings	194,613	170,847
	1,969,464	1,746,680
Total equity and liabilities	3,760,284	3,700,505

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of HRK)

	31 Dec 2006	Increase	Decrease	30 Sep 2007
Subscribed capital	1,626,001			1,626,001
Premium on shares issued	-191,961	239,995	12,650	35,384
Reserves	139,097	8,209	25,704	121,602
Own shares	-6,711		10,849	-17,560
Retained profit or transferred loss	110,487	60,361	9,926	160,922
Profit or loss in the current period	60,361	33,691	60,361	33,691
Dividends				0
Revaluation reserves	9,406	725	707	9,424
a) revaluation of facilities real estate and equipment	706		707	-1
b) investment revaluation				0
c) other revaluations	8,700	725		9,425
Correction of basic errors				0
Exchange rate differences due to investments into foreign subject				0
Change of accounting policies				0
Capital and reserves total	1,746,680	342,981	120,197	1,969,464

CONSOLIDATED CASH FLOW

(in thousands of HRK)

	Jan-Sep 2007	Jan-Sep 2006
Net cash from operating activities	-149,794	208,507
Profit/loss after tax	33,691	99,075
Depreciation	123,533	154,923
Increase/decrease in the value of stocks	-40,440	-9,883
Increase/decrease in trade receivables	-42,879	-47,327
Increase/decrease in other current receivables	94,684	12,237
Increase/decrease in prepayments and accrued income	-7,606	9,466
Increase/decrease in trade creditors	-38,308	-5,592
Increase/decrease in long-term provisions	-694	-880
Increase/decrease in accruals and deferred income	7,997	-50,109
Increase/decrease in receivables from subscribed, unpaid capital and loss above the amount of capital		
Increase/decrease in long-term receivables	-40,554	1,759
Increase/decrease in current financial assets	7,362	11,341
Increase/decrease in other long-term liabilities	-246,580	33,497
Increase/decrease in other items		
Net cash flow from investing activities	-198,776	-83,218
Purchase of fixed tangible and intangible assets	-206,027	-91,772
Acquisition of subsidiaries		
Acquisition of minority interest		
Increase/decrease in long-term financial assets	1,262	2,150
Revenue from the sales of tangible and intangible assets	9,190	4,610
Dividends paid	-475	-381
Increase/decrease in other items	-2,726	2,175
Net cash flow from financial activities	304,148	216,347
Increase in capital by the new issue of shares		
Increase/decrease in long-term liabilities – loans and credits	-63,338	20,476
Increase/decrease in other long-term liabilities		
Increase/decrease in current liabilities – loans and credits	178,393	207,150
Increase/decrease in other items	189,093	-11,279
Net increase/decrease in cash and cash equivalents	-44,422	341,636
Cash and cash equivalents at the beginning of the period	126,118	126,234
Cash and cash equivalents at year end	81,696	467,870

Always with a heart



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