



PODRAVKA GROUP BUSINESS RESULTS FOR THE PERIOD JANUARY – MARCH 2009

Main characteristics and events

1. The total sales of the Podravka Group in the first quarter of 2009 amounted HRK 798.1 million which represents a 2% growth compared to the same period of the year 2008.
2. The Strategic Business Area (SBA) Food and beverages suffered a 2% drop of sales, while sales of the SBA Pharmaceuticals increased by 23%.
3. The sales of Podravka brands amounted HRK 549.4 million, maintaining the last year's level.
4. The gross margin of the Group recorded 40bp drop, influenced by entering the pharmacy business and distribution of medicines due to acquisition of Farmavita.
5. Operating expenses of the Group recorded 1% drop.
6. Operating margin recorded a positive shift of 240bp and it was 6.7%.
7. The total value of capital investments was HRK 19.1 million.
8. Belsad, a brand for marmalade and jam products, was purchased.
9. Podravka established a limited liability company in Turkey with headquarters in Istanbul.
10. Podravka issued the first instalment of commercial notes and the total value of the issue program was HRK 350.0 million.
11. The product range of Podravka chopped and peeled tomatoes won the product of the year award – “Produkt Roku 2009” on the Polish market.

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-Mar 2009		Jan-Mar 2008		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and beverages	632.8	79.3	649.0	82.8	98
2	Pharmaceuticals	164.0	20.5	133.8	17.0	123
3	Services	1.3	0.2	1.3	0.2	100
Total		798.1	100.0	784.1	100.0	102

The sales revenue of the Podravka group totalled HRK 798.1 million which is 2% higher compared to the same period in the year 2008.

The sales of the SBA Food and beverages amounted HRK 632.8 million or 79.3% of the total Group's sales and compared to the first quarter of 2008 recorded a 2% drop. The SBA Food and Beverages suffered 5% drop on Croatian market, where Podravka brands recorded a 4% drop. It is important to note that Easter was this year in April, unlike last year when it was in March, and it is the period when Podravka brands mark significant sales in Croatian market. Podravka brands on foreign markets recorded 2% growth.

The SBA Pharmaceuticals achieved sales in the amount of HRK 164.0 million which represents an increase of HRK 30.2 million (23%). There was a 7% increase of sales of the SBA Pharmaceuticals on the Croatian market. According to the ATK classification¹, the most significant sales growth on the Croatian market in the prescription drug group was achieved by drugs for nervous system treatment (10%) and for system inflections (10%) treatment, while in the non-prescription drug group the most significant growth was recorded by OTC drugs (19%). The SBA Pharmaceuticals achieved sales of HRK 55.9 million on foreign markets which is a 69% increase. Sales growth on foreign markets is mostly generated by the increase of sales on the market of Bosnia and Herzegovina (307%) resulting from the sales of Farmavita².

The SBA Services achieved sales of HRK 1.3 million in the observed period and in the total sales of the Group accounts for just 0.2%³.

¹ Anatomical Therapeutic Chemical System of Drug Classification

² Belupo gained a majority share in Farmavita at the end of January 2008

³ The SBA Services shall not be part of the analysis which follows as in the total sales of the Podravka Group it accounts for just 0.2%

New products in the first quarter of 2009



Muffins, Brownies and Chocolate Muffins - are intended for young busy women who do not have much time on their hands and want to serve their families a sweet and delicious desert. A package of Muffins and Chocolate Muffins contains a dough mixture, chocolate stars and paper cups and it suffices for 12 muffins, while a package of Brownies contains a mixture for the chocolate cake and it suffices for 16 cakes, and it can also be used as a cream cake base. Preparing cakes with these products is fast and simple, and an ideal ratio of ingredients is a guarantee for success.



Green bean and meat stew – is a high quality ready-to-serve canned meal that needs just to be heated before serving and in 2-3 minutes you can enjoy a delicious and nutritious meal containing selected vegetables and high quality meat in a traditional style sauce.

Čobanac – is a ready-to-serve canned meal containing pieces of mixed meat (beef and pork) in a very piquant sauce dominated by a sharp taste of the finest red peppers, prepared following a traditional, experienced recipe. The product requires just 2-3 minutes of heating before serving and if desired you may add boiled dumplings and sprinkle with chopped cloves.

Both products are prepared without any additives (E-numbers) and their shelf life is extended only by thermal treatment at temperatures over 100°C in a vacuumtight can.



Lerovita orange, lemon and cranberry – instant beverage with orange, lemon and cranberry flavour in 15 gram packaging. Lerovita is an extremely refreshing drink rich in vitamins.

Sales per product groups

in millions of HRK						
Item no.	PRODUCT GROUP	Jan-Mar 2009		Jan-Mar 2008		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	BP FOOD	354.5	44.4	352.3	45.0	101
	Podravka brands	285.6	35.8	273.5	34.9	104
	- Podravka dishes	175.1	22.0	169.2	21.6	103
	- Baby food, sweets and snack	76.8	9.6	73.2	9.3	105
	- Fish and fishery products	33.7	4.2	31.1	4.0	108
	Other	68.9	8.6	78.8	10.1	87
2	BP FOOD SEASONINGS	162.0	20.3	169.5	21.6	96
	Podravka brands	158.2	19.8	165.1	21.0	96
	Other	3.8	0.5	4.4	0.6	86
3	BP MEAT PRODUCTS	70.3	8.8	75.5	9.6	93
	Podravka brands	65.1	8.2	68.2	8.7	95
	Other	5.2	0.6	7.3	0.9	71
2	BP BEVERAGES	46.0	5.8	51.7	6.6	89
	Podravka brands	40.5	5.1	45.0	5.7	90
	Other	5.5	0.7	6.7	0.9	82
5	Pharmaceuticals	164.0	20.5	133.8	17.0	123
6	Services	1.3	0.2	1.3	0.2	100
	Total	798.1	100.0	784.1	100.0	102

The BP Food recorded a sales growth of 1% taken that the sales of Podravka brands within this Business program grew 4%. The Podravka dishes product group recorded a 3% growth based on the increase of sales on the market of South-Eastern Europe (11%) with the greatest contribution coming from both the markets of Bosnia and Herzegovina (19%) and Slovenia (23%). The largest increase within the Podravka dishes group was achieved by Soups which in the observed period grew 10% and Tomato based products which grew 17%. The growth of sales of the Baby food, sweets and snack product group of 5% was generated by the sales growth on both the markets of Bosnia and Herzegovina (23%) and Slovenia (15%). The sales of Fish and fishery products in the observed period grew 8% based primarily on the sales abroad (17%). Foreign markets with the most significant increase of Fish and fishery products sales are Hungary (107%), Bosnia and Herzegovina (13%) and Slovenia (31%).

The BP Food seasonings suffered a 4% drop of sales resulting from a drop of sales on Croatian market (-5%) and foreign markets (-4%). The drop of sales on the market of Central Europe (-21%) results from a drop in Polish market (-27%) due to significant devaluation of the Polish zloty in the observed period. At the same time, the sales of Food seasonings grew on the markets of South-Eastern Europe (14%), Eastern Europe (13%) and Western Europe, overseas countries and Orient (6%).

The sales of the BP Meat products suffered a drop of 7% mostly due to the drop of sales in Croatia (-7%) but also a lower level of sales achieved on foreign markets (-5%). Lower sales on the markets of

Western Europe, overseas countries and Orient (-27%) greatly accounted for the drop of sales on foreign markets while at the same time this product group recorded a 13% growth in South-Eastern Europe.

The sales of the BP Beverages was 11% lower compared to the same period of 2008 which results from the sales drop in Croatia (-12%) and also noticeably lower sales abroad (-6%). Lower sales of the BP Beverages on foreign markets resulted from a drop of sales on the market of Bosnia and Herzegovina (-17%). Despite the drop of sales of this business program, Spring water has recorded a sales growth of 18% and the sales of Tea also grew 10%.

Sales per market groups

Item no.	MARKETS	in millions of HRK				
		Jan-Mar 2009		Jan-Mar 2008		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Croatia	393.8	49.3	402.3	51.3	98
2	South-Eastern Europe	206.0	25.8	160.5	20.5	128
3	Central Europe	112.9	14.1	132.2	16.9	85
4	Western Europe, overseas countries and Orient	55.5	7.0	55.0	7.0	101
5	Eastern Europe	29.9	3.8	34.1	4.3	88
Total		798.1	100.0	784.1	100.0	102

Sales in the amount of HRK 393.8 million was achieved on the market of Croatia in the observed period which accounts for 49% of the Podravka Group total sales. Sales in the first quarter of 2009 was 2% lower than in the same period of 2008, generated mostly by the drop of sales of the SBA Food and beverages (-5%). The SBA Pharmaceuticals achieved 66% of the total sales on the market of Croatia and achieved a 7% sales growth in the observed period.

Foreign markets achieved sales in the amount of HRK 404.3 million which represents a 6% growth but also an increase of the relative share of foreign markets sales in the total sales structure. The most significant total sales growth was achieved on the market of South-Eastern Europe (28%) mostly contributed by the sales growth on the market of Bosnia and Herzegovina (64%). Sales on the market of Central Europe dropped 15% under the influence of the sales drop on both the markets of Poland (-28%) and the Czech Republic (-16%). The sales drop on the market of Poland was caused by weaker Polish currency (zloty) compared to the HRK exchange rate, while the drop of sales on the market of the Czech Republic is mostly tied to the sales drop of Rice and legumes in the B2B segment. The sales drop on the market of Eastern Europe (-12%) was generated by the drop of sales of the SBA Pharmaceuticals on the Russian market. The drop of sales on this market was also significantly influenced by the devaluation of the rouble in the past few months.

Structure of operating costs / expenses

in millions of HRK						
Item no.	COSTS / EXPENSES	Jan-Mar 2009		Jan-Mar 2008		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	471.8	63.2	460.0	61.1	103
2	Selling and distribution expenses	207.6	27.8	216.1	28.7	96
3	General and administrative expenses	67.1	9.0	76.3	10.2	88
Total		746.5	100.0	752.4	100.0	99

Operating costs/expenses of the Podravka Group in the first quarter totalled HRK 746.5 million and recorded a drop of 1% (HRK 5.9 million) compared to the same period of the year before. Only Costs of goods sold recorded a growth of 3% (HRK 11.8 million) within Operating costs/expenses due to the increase of raw material (3%) and energy (23%) prices. Selling and distribution expenses recorded a drop of 4% (HRK 8.5 million) compared to the previous year mostly contributed by the reduction of marketing expenses (16%). General and administrative expenses recorded a drop of 12% (HRK 9.2 million) resulting from the reorganisation carried out at the end of 2008 which was aimed at establishing optimal organisation along with a revision of jobs, manager rights and obligation and costs and expenses of each organisational unit.

Profitability of the Podravka Group

in millions of HRK			
Podravka Group	Jan-Mar 2009	Jan-Mar 2008	change (2/3)
1	2	3	4
Sales revenue	798.1	784.1	2%
Gross profit	326.3	324.1	1%
EBITDA	93.8	71.2	32%
EBIT	53.5	34.1	57%
Net profit	6.2	15.8	-61%
<i>Profit margins (%)</i>			
Gross margin	40.9	41.3	-40bp
EBITDA margin	11.8	9.1	270bp
EBIT margin	6.7	4.3	240bp
Net margin	0.8	2.0	-120bp

The gross profit of the Group amounted HRK 326.3 million which represents a 1% growth compared to the year 2008. However, change in the structure of sold goods reflected a drop of gross margin by 40bp. The anticipated savings through reorganisation and further operating process optimisation within the Group reflected upon the growth of operating profit (57%) with an improvement of the operating margin by 240bp. A larger part of capital investments in 2008 was financed through debt which effected the growth of the Group's financing costs by 225%. A higher effective tax rate additionally effected a drop of net profit (-61%) and a drop of net margin by 120bp accordingly.

Profitability per Strategic Business Area

SPP	in millions of HRK					
	Food and beverages			Pharmaceuticals		
	Jan-Mar 2009	Jan-Mar 2008	Change (2/3)	Jan-Mar 2009	Jan-Mar 2008	Change (5/6)
1	2	3	4	5	6	7
Sales revenue	632.8	649.0	-2%	164.0	133.8	23%
Gross profit	244.1	244.4	0%	82.2	79.7	3%
EBITDA	69.0	49.1	41%	24.8	22.1	12%
EBIT	39.9	20.2	98%	13.6	13.9	-2%
Net profit	4.8	7.4	-35%	1.4	8.4	-83%
<i>Profit margins (%)</i>						
Gross margin	38.6	37.7	90bp	50.1	59.6	-950bp
EBITDA margin	10.9	7.6	330bp	15.1	16.5	-140bp
EBIT margin	6.3	3.1	320bp	8.3	10.4	-210bp
Net margin	0.8	1.1	-30bp	0.9	6.3	-540bp

The gross profit of the SBA Food and beverages maintained last year's level, while the gross margin increased by 90bp. Production optimisation with the aim of more efficient human resource management additionally reflected on the drop of Costs of sold goods, although individual costs in the costs/expenses structure of sold goods realised an increase (energy costs). Effects of more efficient human resource management are expected to continue in future periods as well. The operating margin increased 320bp based on a reduction of Selling and distribution expenses (9%) and General and administrative expenses (-8%). Marketing expenses (-21%) recorded the greatest drop within the Selling and distribution expenses, while the drop of General and administrative expenses is determined by a reorganisation within the SBA Food and beverages. Despite the improvement of the operating margin, significantly higher financing costs (213%) resulted in a 30bp drop of the net margin.

The profitability drop of the SBA Pharmaceuticals results from the growth of the sales share of the Farmavita production portfolio and the pharmacy business, characterised by a lower profit margin. Despite the drop of General and administrative expenses (-21%), the growth of Selling and distribution expenses (19%) reflected on the drop of the EBIT margin by 210bp. The growth of Selling and

distribution expenses was generated by the growth of sales costs (108%) due to the pharmacy business expansion. The increase of financing costs (267%) 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-Mar 2009	Jan-Mar 2008
Sales	798,143	784,118
Cost of goods sold	(471,819)	(460,016)
Gross profit	326,324	324,102
Investment revenue	4,338	4,673
Other gains, net	(618)	(1,926)
General and administrative expenses	(67,082)	(76,253)
Selling and distribution costs	(207,625)	(216,061)
Other expenses	(1,859)	(407)
Profit from operations	53,478	34,128
Finance costs	(44,767)	(13,790)
Profit before tax	8,711	20,338
Income tax	(2,287)	(4,507)
Profit after income tax	6,424	15,831
Minority interest	(223)	0
Net profit	6,201	15,831

CONSOLIDATED BALANCE SHEET

(in thousands of HRK)

	31 March 2009	31 December 2008
ASSETS		
Non-current assets		
Property, plant and equipment	1,745,235	1,770,858
Goodwill	48,428	48,428
Other intangible assets	341,632	343,599
Financial assets available for sale	165	162
Deferred tax assets	41,321	44,552
Other financial assets	56,885	61,543
Total non-current assets	2,233,666	2,269,142
Current assets		
Inventories	688,322	631,760
Trade and other receivables	1,266,777	1,435,538
Financial assets at fair value through profit or loss	30,645	23,539
Cash and cash equivalents	293,170	270,609
Non-current assets held for sale	4,517	4,517
Total current assets	2,283,430	2,365,963
TOTAL ASSETS	4,517,096	4,635,105
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	1,580,966	1,587,356
Reserves	70,462	83,458
Retained earnings	264,728	258,578
Attributable to the equity holders of the parent	1,916,156	1,929,392
Minority interest	34,601	34,113
	1,950,757	1,963,505
Non-current liabilities		
Financial liabilities at fair value through profit or loss	318,911	318,750
Long-term debt	599,397	597,572
Provisions	27,187	27,339
Deferred tax liability	7,886	8,356
	953,381	952,017
Current liabilities		
Trade and other payables	762,419	844,453
Short-term borrowings	833,864	858,455
Provisions	16,675	16,675
	1,612,958	1,719,583
Total liabilities	2,566,339	2,671,600
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,517,096	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	-	-	-	-	488	488
Exchange differences	-	(13,047)	-	(13,047)	-	(13,047)
Net profit for the period	-	-	6,201	6,201	-	6,201
Purchase of treasury shares	(6,390)	-	-	(6,390)	-	(6,390)
Sale of treasury shares	-	-	-	-	-	-
Options exercised	-	-	-	-	-	-
Fair value of share options	-	-	-	-	-	-
Transfer from other and legal reserves	-	51	(51)	-	-	-
Balance at 31 March 2009	1,580,966	70,462	264,728	1,916,156	34,601	1,950,757

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of HRK)

	Jan-Mar 2009	Jan-Mar 2008
Net profit	6,201	15,831
Depreciation	40,329	37,099
Change in inventories	(56,562)	(31,294)
Change in trade receivables	156,288	(20,044)
Change in trade payables	(79,971)	(78,174)
Change in working capital (other)	9,794	68,588
Net cash flows from operating activities	76,079	(7,994)
Purchase / sale of tangible and intangible assets	(12,738)	(40,863)
Change in long-term receivables	7,889	4,103
Change in assets available for sale	(7,109)	(2,847)
Dividends paid	(5)	(286)
Minority interest	488	0
Net cash flows from investing activities	(11,475)	(39,893)
Change in long-term liabilities	1,987	(30,871)
Change in current liabilities	(24,592)	51,788
Change in reserves and retained earnings	0	(9,695)
Purchase / sale of treasury shares	(6,390)	(9,576)
Reserves - exchange differences	(13,046)	660
Net cash flows from financial activities	(42,041)	2,306
Change in cash and cash equivalents	22,561	(45,580)
Cash and cash equivalents:		
At the beginning of the year	270,609	112,549
At the end of the period	293,170	66,969

Always with a heart



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