



THE PODRAVKA GROUP BUSINESS RESULTS FOR THE PERIOD JANUARY - MARCH 2006

Key features

1. Realised sales in the amount of 758.2 mil. HRK which is an increase of 3%.
 - 1.1. Increase of sales in the Strategic Business Area (hereinafter referred to as SBA) "Food and Beverages" by 6% resulted in sales of 633.5 mil. HRK.
 - 1.2. Increase of sales in the SBA "Food and Beverages" on foreign markets by 10%.
 - 1.2.1. The sales growth on the markets of Western Europe, Overseas Countries and the Orient in the SBA "Food and Beverages" amounts to 19%.
2. Gross profit of 294.7 mil. HRK which represents an increase of 1%.
3. EBIT amounts to 25 mil. HRK which is an increase of 12%.
4. The proposed dividend for the year 2005 is 5 HRK per share.
5. Podravka stock included in the Vienna Stock Exchange index SETX (South-East Europe Traded Index).
6. New products: Chocolino Crunch and Chocolino MAXI, a range of ready-made dishes and ready-made sauces.
7. Podravka received the reward "Superbrand" in Slovakia
8. Code of Ethics adopted.

Sales Revenue

The realised sales revenue in the first quarter of the year 2006 was 758.2 mil. HRK, and taken that this year sales during Easter holidays was not included in the first quarter, the sales growth of 3% represents a significant increase at the beginning of the year.

The on-going process of product range selection (complexity management) has been initiated which enables automatic elimination of SKU with low gross margin and low coefficient of shelf turnover, opening both shelf space and in the product range for products with better gross margin, providing them with sufficient marketing support in order to achieve the necessary turnover coefficient and satisfactory growth. The process started in the first quarter with the elimination of SKU with either insufficient turnover coefficient or gross margin.

Sales per Strategic Business Area

		in mil. HRK				
Item no.	SBA	1 - 3 2006		1 - 3 2005		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and Beverages	633,5	83,5	597,1	81,4	106
2	Pharmaceuticals	122,0	16,1	134,4	18,3	91
3	Services	2,7	0,4	2,4	0,3	116
Total		758,2	100,0	733,9	100,0	103

The sales growth of 6% was realised in the SBA "Food and Beverages". Growth was recorded on almost all markets and in almost all product groups.

SBA "Pharmaceuticals" suffered a sales drop of 9% compared to the same period last year. The greatest drop was recorded on the market of Russia due to regulatory problems related to the drug list that caused an interruption of drug export to Russia. Other pharmaceutical companies also encountered this problem. In the forthcoming period, after enabling exports to the territory of Russia, stable sales are expected. Further pressure on prices of pharmaceutical products continues on the Croatian market which is reflected in a sales drop of 2% in Croatia. However, in terms of quantity the sales of SBA "Pharmaceuticals" has recorded a growth.

Sales per Product Group

in mil. HRK

Item no.	PRODUCT GROUP	1-3 2006		1-3 2005		Index	2:4
		Amount	%	Amount	%		
0	1	2	3	4	5	6	
1	Vegeta - Food Supplements	154,1	20,3	150,9	20,6	102	
2	Meat and Meat Products	63,9	8,4	58,2	7,9	110	
3	Baby Food, Sweets and Snacks	62,2	8,2	60,5	8,2	103	
4	Fruit and Vegetables	58,9	7,8	53,9	7,3	109	
5	Podravka Dishes	55,8	7,3	54,0	7,4	103	
6	Rice, Legumes and Other Products	33,3	4,4	36,1	4,9	92	
7	Beverages	24,3	3,2	26,4	3,6	92	
8	Commercial Goods	157,1	20,7	131,6	17,9	119	
9	Other (Food and Beverages)	24,0	3,2	25,6	3,5	94	
10	Pharmaceuticals	122,0	16,1	134,4	18,3	91	
11	Services	2,7	0,4	2,4	0,3	116	
	Total	758,2	100,0	733,9	100,0	103	

Almost all product groups have recorded a growth of sales. Vegeta achieved a 2% sales growth, mostly due to the increase of sales in South-East Europe (12%), Eastern Europe (8%) and Western Europe, Overseas Countries and the Orient (6%). The Croatian market also recorded a growth of 1%. The sales of Vegeta were significantly stimulated with the new product Vegeta Mediterranean. Meat and Meat Products also recorded a growth of sales (10%) as well as Fruit and Vegetables (9%), while Podravka Dishes, Baby Food, Sweets and Snacks achieved an increase of 3%. Commercial Goods had a sales growth increase of 19%.

New Products



Chocolino MAXI – a special delight for gourmets which consists of a mix of breakfast cereal cornflakes and chocolate coated rice pellets, chocolate shreds and Chocolino flakes.

Chocolino Crunch - chocolate cereal pellets, enriched with calcium, iron and vitamins, easy to prepare, tasty, natural and nourishing.



Ready-made meals – Podravka's range of ready-made meals consists of six products, representatives of world famous cuisines: Paella, Chilli con carne, Lasagne Bolognese, Tuna in tomato sauce, Veal in white sauce and Lentils with sausage. High-quality ingredients and the finest selection of meat and vegetables, guarantee a first-class, fresh and delicious meal.

Modern food-processing technology at high temperatures (temperatures over 120°C) provides longer shelf life, preserves the original richness of taste and aroma and ensures complete consumer safety.



Ready-made sauces Podravka – preservative and gluten free products, highly nutritious with low energy values.

Salsa, Salsa hot, Tomato sauce with mushrooms, Tomato sauce with olives and Pizza sauce.

Sales per Podravka Group Market

in mil. HRK

Item no.	MARKETS	1-3 2006		1-3 2005		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Croatia	383,6	50,6	381,8	52,0	100
2	South-East Europe	186,2	24,6	166,9	22,8	112
3	Central Europe	105,6	13,9	108,8	14,8	97
4	Western Europe, Overseas Countries and the Orient	54,0	7,1	45,5	6,2	119
5	Eastern Europe	28,8	3,8	30,9	4,2	93
Total		758,2	100,0	733,9	100,0	103

On foreign markets the highest sales growth was 6% of which SBU "Food and Beverages" achieved a strong growth of 10%, while SBU "Pharmaceuticals" suffered a sales drop of 36%.

The highest sales growth was recorded on the markets of Western Europe, Overseas Countries and the Orient. The growth on the markets of the USA, Switzerland, Austria and Scandinavia mostly accounts for the 19% sales growth. In view of product groups the greatest growth of 118% was in the category of Meat and Meat Products, 6% in the sales of Vegeta, while there was a 24% growth in Soups.

In South-East Europe a growth of 12% was recorded. This growth was mainly contributed by the 59% increase of sales on the territory of Serbia. As for product groups, the highest increase was achieved by Vegeta (12%), Baby Food, Sweets and Snacks (16%), Fruit and Vegetables (46%) and Commercial Goods (25%).

On the Croatian markets the same level of sales has been maintained with an increase in the SBU "Food and Beverages" of 1% and a sales drop in the SBU "Pharmaceuticals" of 2%.

A sales drop occurred on the markets of Central Europe and Eastern Europe. The drop in Central Europe was 3%, mostly caused by the drop of sales in the group Rice, Legumes and Other Products. The drop in Eastern Europe was caused by the drop of sales in the SBU "Pharmaceuticals", while SBU "Food and Beverages" achieved a 12% growth.

Structure of Operating Costs/expenses

in mil. HRK

Item no.	COST/EXPENSE	1-3 2006		1-3 2005		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Costs of goods sold	463,5	62,3	442,4	62,7	105
2	Sales and distribution costs	210,6	28,3	202,2	28,7	104
3	General and administrative costs	69,7	9,4	61,0	8,6	114
Total		743,8	100,0	705,6	100,0	105

The highest increase of costs was recorded in general and administrative costs. The reason underlying such increase is the restructuring costs, the results of which will be visible in the forthcoming period. The share of general and administrative costs in sales shows that, compared to the previous period, there was an increase of 89bp, making their current share in total sales 9%. The sales and distribution costs amount to 28% of total sales which is 22bp more than in the same period last year. The reason for such increase of sales and distribution costs is further marketing investment growth (in continuance to the intensive growth of marketing investments in 2005 compared to 2004) while the other sales and distribution costs are slowly decreasing. An increase has been recorded in the costs of goods sold as a result of the sales assortment structure while the incoming prices have been reduced compared to the same period last year. The share of costs of goods sold in the total sales has increased by 84bp and accounts for 61%.

Profitability of the Podravka Group

In continuance to the adopting of ISFR, in the first quarter of this year a more conservative approach to results disclosure was continued, compared to the previous year.

A sales increase of 3% resulted in an increase of gross profit of 1% and EBIT of 12%. The net profit was 16.2 mil. HRK which is 41% less compared to the same period last year. This year additional provisions for marketing costs were made which was not the case in the previous comparative period. Less net profit resulted from considerably lower foreign exchange gains compared to the same period last year.

More transparent disclosure of inter-company relations will continue in the forthcoming period just like in the second half of the year 2005, and the restructuring process will be carried on through further production optimising, disposal of non-functional assets and taking care of redundant labour by stimulating severance payments.

Earnings per share in the first quarter totalled 3.04 HRK.

Profitability of the Podravka Group

in mil. HRK

Item no.		1-3 2006	1-3 2005	Changes
0	1	2	3	4
1	Sales revenue	758,2	733,9	3%
2	Gross profit	294,7	291,6	1%
3	EBITDA	78,9	82,9	-5%
4	EBIT	25,0	22,3	12%
5	Net profit	16,2	27,3	-41%

	Profit margins %	1-3 2006	1-3 2005	Changes
6	Gross margin	38,9	39,7	-86bp
7	EBITDA margin	10,4	11,3	-88bp
8	EBIT margin	3,3	3,0	26bp
9	Net margin	2,1	3,7	-158bp

Profitability per Strategic Business Area

in mil. HRK

SBA	Food and Beverages			Pharmaceuticals		
	1-3 2006	1-3 2005	changes	1-3 2006	1-3 2005	changes
Sales revenue	633,5	597,1	6%	122,0	134,4	-9%
Gross profit	225,1	217,5	3%	69,6	74,1	-6%
EBITDA	52,7	54,8	-4%	26,2	27,9	-6%
EBIT	10,0	4,7	113%	15,0	17,4	-14%
Net profit	6,8	13,8	-51%	9,4	13,3	-29%
Profit margins						
Gross margins	35,5	36,4	-89bp	57,0	55,1	192bp
EBITDA margin %	8,3	9,2	-86bp	21,5	20,7	76bp
EBIT margin %	1,6	0,8	79bp	12,3	12,9	-65bp
Net margin %	1,1	2,3	-124bp	7,7	9,9	-219bp

CONSOLIDATED BALANCE SHEET AS AT 31. 03. 2006

in 000 HRK

	31.12.2005	31.03.2006
ASSETS		
A) Subscribed capital unpaid		
B) Fixed assets	1.793.406	1.760.172
Intangible assets	91.237	86.036
Tangible assets	1.655.399	1.629.707
Financial assets	33.575	31.426
Receivables	13.195	13.003
C) Current assets	1.599.122	1.542.758
Inventories	569.092	595.723
Trade account receivables	783.417	758.488
Other receivables	54.254	47.951
Financial assets	66.125	63.186
Cash on account and in hand	126.234	77.410
D) Prepayments and accrued income	20.299	57.781
E) Loss above the amount of capital		
TOTAL ASSETS	3.412.827	3.360.711
LIABILITIES		
A) Capital and reserves	1.921.159	1.934.923
Subscribed capital	1.626.001	1.626.001
Reserves	232.532	292.717
Profit/loss for current year	62.626	16.205
B) Minority interest		
C) Long-term provisions for risks and expenses	14.134	13.225
D) Long-term liabilities	515.358	207.493
E) Creditors	871.492	1.122.690
Trade creditors	455.903	435.191
Current financial liabilities	317.641	603.934
Other current liabilities	97.948	83.565
F) Accruals and deferred income	90.684	82.380
TOTAL LIABILITIES	3.412.827	3.360.711
Off-balance records		

CONSOLIDATED INCOME STATEMENT

in 000 HRK

	2005	2006
	01.01 - 31.03	01.01 - 31.03
INCOME		
A) Income	728.806	769.793
Income from domestic sales	381.821	383.645
Income from foreign sales	352.086	374.599
Other income	-5.101	11.549
B) Financial income	25.074	5.956
Foreign exchange gains	25.074	5.956
Interest and other financial income		
C) Extraordinary income		
TOTAL INCOME	753.880	775.749
EXPENSES		
D) Change in stocks of finished goods and in work in progress	-6.668	-25.006
E) Expenses	713.214	769.820
Material costs and costs of goods sold	420.284	482.661
Staff costs	176.919	187.136
Depreciation	60.595	53.934
Value adjustments and provisions	18.503	998
Other operating costs	36.913	45.091
F) Financial expenses	15.957	11.370
Foreign exchange losses	5.643	2.163
Interest and other financial expenses	10.314	9.207
G) Extraordinary expenses		
TOTAL EXPENSES	722.503	756.184
PROFIT OR LOSS		
Profit or loss before tax	31.377	19.565
Profit tax	4.100	3.360
Profit or loss after tax	27.277	16.205
Minority interest		
Net profit or loss of the group	27.277	16.205

CASH FLOW STATEMENT

in 000 HRK

	01.01-31.03. 2005	01.01-31.03.2006
A) Net cash from operating activities	28.865	-3.704
Profit/loss after tax	27.277	16.205
Depreciation	60.595	53.934
Increase/decrease in the value of stocks	-37.997	-26.631
Increase/decrease in trade receivables	-8.783	24.929
Increase/decrease in other current receivables	29.271	6.303
Increase/decrease in prepayments and accrued income	3.624	-37.482
Increase/decrease in trade creditors	-51.201	-20.712
Increase/decrease in long-term provisions	-18	-909
Increase/decrease in accruals and deferred income	13.406	-8.304
Increase/decrease in receivables from subscribed, unpaid capital and loss above the amount of capital		
Increase/decrease in long-term receivables	3.881	192
Increase/decrease in current financial assets	-199	2.939
Increase/decrease in other long-term liabilities	-10.991	-14.168
Increase/decrease in other items		
B) Net cash flow from investing activities	-20.350	-21.107
Purchase of fixed tangible and intangible assets	-25.462	-27.655
Acquisition of subsidiaries		
Acquisition of minority interests		
Increase/decrease in long-term financial assets	-938	2.149
Revenue from the sales of tangible and intangible assets	741	2.237
Dividends paid		-215
Increase/decrease in other items	5.309	2.377
C) Net cash flow from financing activities	-22.621	-24.013
Increase in capital by the new issue of shares		
Increase/decrease in long-term liabilities – loans and credits	-32.011	-307.865
Increase/decrease in other long-term liabilities		
Increase/decrease in current liabilities – loans and credits	13.469	286.293
Increase/decrease in other items	-4.079	-2.441
D) Net increase/decrease in cash and cash equivalents	-14.106	-48.824
Cash and cash equivalents at the beginning of the period	65.206	126.234
Cash and cash equivalents at the end of the period	51.100	77.410

Always with a heart



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