



PODRAVKA GROUP BUSINESS RESULTS FOR THE PERIOD JANUARY – SEPTEMBER 2006

Basic features

1. Sales increased by 3%, amounting to HRK 2.57 billion.
 - 1.1. Growth of sales was mostly contributed by 4% sales growth in strategic business area (hereinafter SBA) "Food and Beverages", while SBA "Pharmaceuticals" realized a slope in sales by 2%.
2. Profitability growth on all levels.
 - 2.1. Gross profit is HRK 1,003.5 mil. which is a 2.6% increase, while gross margin is 39.1% and it remains at last year's level.
 - 2.2. EBITDA is HRK 307.1 mil. which is an 6.7% increase, while EBITDA margin is 12%, which is a 47 bp increase.
 - 2.3. EBIT is HRK 152.2 mil. which is a 37% increase, while EBIT margin is 5.9%, being an increase of 150 bp.
 - 2.4. Net profit is HRK 99.1 mil. which is a 16.6% increase, while net margin is 3.9%, an increase of 46 bp.
3. On 20. July, 2006 a General Assembly of Podravka's shareholders was held.
 - 3.1. Disbursement of dividend amounting to HRK 5 per share is approved to be paid by 31. December, 2006 at the latest.
 - 3.2. Members of Supervisory Board relieved from duty (Mr Božo Prka, Mr Marijan Cingula, Mr Đuro Zalar, Mr Darko Ostoja and Mrs Barica Macan), new members elected were Mr Damir Felak, Mr Josip Pavlović, Mr Dražen Sačer, Mr Dubravko Štimac and Mr Mladen Vedriš, who was at the constituting session elected president of the Supervisory Board.
4. Management Board agreed to continue the outsourcing process for non-basic activities.
5. New Collective Agreement was signed introducing individual rewarding of all employees considering their individual contribution and thus the Collective Agreement does not highlight basic salary but incentive/destimulating part of the salary, depending on the quality of the work performed by individual employees.
6. The Supreme Court of the Republic of Croatia overruled all previous verdicts in the way that the claim by the plaintiff Avena d.o.o. was dropped, further seizure of assets was stopped and they are returned to Belupo's disposal.
7. Most significant new products: Čokolino spread, Lino baby food with prebiotic and Lupocet Flu.
8. Podravka became first Croatian member of IBLF, International Business Leaders Forum.

Total incomes

Total incomes were HRK 2.65 billion which is a 6% increase compared to the same period last year. The reason of this significant growth of other incomes is the release of reservations due to the litigation with Slovenian company Avena d.o.o. from Kranj and the Croatian Supreme Court's decision which overruled all the previous verdicts, leaving Belupo d.d. with the right to dispose with assets reserved for compensation.

in millions of HRK						
No.	Description	1.-9. 2006.		1.-9. 2005.		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1.	Net sales income	2,568.6	97.1	2,503.1	99.9	103
2.	Other incomes	57.3	2.2	5.6	0.2	1026
3.	Other net incomes/losses	19.6	0.7	-2.4	-0.1	-830
Total		2,645.5	100.0	2,506.3	100.0	106

Sales Revenue

Realized sales revenue was HRK 2,568.6 mil. which is 3% more than last year.

4% sales growth was achieved in SBA "Food and Beverages". The sales increased in practically all markets and in almost all product groups.

SBA "Pharmaceuticals" realized a sales drop of 2%, mostly contributed by the sales drop of 4% on Croatian market as a consequence of reduced drugs price due to continuing restrictive policy of the Croatian Health Insurance Institute and dropped prices for Irumed and Iruzid, medicines transferred to generic group of medicines.

Sales per Strategic Business Area

in millions of HRK						
No.	SBA	1.-9. 2006.		1.-9. 2005.		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1.	Food and Beverages	2,138.6	83.3	2,062,3	82,4	104
2.	Pharmaceuticals	422.2	16.4	432.5	17,3	98
3.	Services	7.8	0.3	8.3	0.3	95
Total		2,568,6	100.0	2,503,1	100.0	103

Sales per product groups

in millions of HRK

No.	PRODUCT GROUP	1.-9. 2006.		1.-9. 2005.		Index	2:4
		Amount	%	Amount	%		
0	1	2	3	4	5	6	
1.	Vegeta - Food Seasonings	477.6	18.6	473.8	18.9	101	
2.	Meat and Meat Products	251.5	9.8	232.7	9.3	108	
3.	Baby Food, Sweets and Snacks	207.8	8.1	195.6	7.8	106	
4.	Podravka Dishes	182.7	7.1	173.6	6.9	105	
5.	Fruit and Vegetables	182.2	7.1	169.3	6.8	108	
6.	Beverages	130.3	5.1	130.7	5.2	100	
7.	Rice, Legumes and Other Products	113.0	4.4	125.4	5.0	90	
8.	Commercial Goods	505.1	19.7	479.6	19.2	105	
9.	Other (Food and Beverages)	88.2	3.4	81.6	3.3	108	
10	Pharmaceuticals	422.2	16.4	432.5	17.3	98	
11	Services	7.8	0.3	8.3	0.3	95	
Total		2,568.6	100.0	2,503.1	100.0	103	

Almost all product groups in SBA "Food and Beverages" mark sales growth.

Vegeta realized 1% sales increase. The increase was mostly contributed by Vegeta sales increase in Western Europe, Overseas countries and Orient (7%), Eastern Europe (6%) and South Eastern Europe and Croatia (2%).

Meat and meat products continue their sales growth of 8% compared to the same period last year. Sales growth was mostly contributed by the growth in Croatian market (7%) and growth in the market of Western Europe, Overseas countries and Orient.

Baby food, sweets and snacks realize 6% growth, mostly contributed by the new products in the category of cereals and cream spreads (Čokolino Maxi, Čokolino Chunch and Čokolino spread) realizing sales higher than planned.

Podravka dishes realize 5% growth contributed by the sales growth of packet soups on foreign markets and sales of new products in the ready dishes segment on Croatian market. Podravka dishes realized sales growth of 5% in the Croatian market, 4% in South Eastern Europe market, while the most notable growth was marked in the market of Eastern Europe of 12%.

Sales growth in the Fruit and Vegetable segment was 8%. This growth was mostly contributed by the growth in Croatian market (6%) and South Eastern Europe market (25%).

Beverages sales remained at last year's level and due to the overall drop on the water market in Croatia there is no expected sales growth till the end of this year.

Sales in the group of rice, legumes and other products dropped by 10%. This drop was mostly contributed by the drop in Czech market.

Sales of commercial goods grew by 5%, mostly contributed by the 5% sales growth in Croatian market, while in foreign markets commercial goods sales dropped by 1%.

Pharmaceuticals sales dropped by 2%, where OTC products realize growth of 71%, and generic medicines 9% drop. Significant growth was marked in the area of Eastern Europe (22%), i.e. Russia.

New products



Čokolino spread –

Čokolino cream spread provides a mysteriously good flavour and a completely new experience of chocolate with hazelnuts. Next to a glass of milk is a source of energy and health. It is an ideal treat for any time of the day. It is distinguished in superb ingredients composition, excellent spreadability and recognizable design.



Lino baby food with prebiotic -

Besides containing minerals and vitamins (iodium, iron, calcium and magnesium), baby food with prebiotic is adapted to babies which are just getting to know their first food after mother's milk, and is enriched with highly valuable elements: oligosaccharides in the form of prebiotic. That way even in their first semi-solid food babies continue to take important oligosaccharides which they used to receive in mother's milk. Prebiotics used to enrich LINO baby food are inulin and fructooligosaccharide. They have a multiple beneficial effect on health – they eliminate harmful microorganisms from intestinal flora, prevent intestinal infections, strengthen immunity and help prevent intestinal diseases.



Kviki flips-

New product under the Kviki brand is unique in the market. It is distinguished by superb quality, fullness, crispness and freshness. Its look and taste remind of the pommes frites.

Kviki – a friend among friends!

Ice tea rooibos-

New Studena ice tea with rooibos flavour is a refreshing, noncarbonated, nonalcoholic beverage of herbal extracts based on spring water Studena. Elder and gooseberry aromas were added to the tea, together with vitamin C, providing a refreshing and distinctive flavour to the ice tea. Studena rooibos ice tea is sold in three kinds of packaging - 0,5 l PET, 1.5 l PET and 0.25 l in return glass bottle.

Lupocet Flu –



Effervescent tablet LUPOCET FLU alleviates symptoms of cold and flue such as running nose and itch, tearing eyes, hoarse voice, headache, fever and exhaustion combining three agents: paracetamol, chlorphenamin and ascorbic acid. Paracetamol alleviates pain and reduces temperature. Chlorphenamin reduces nose obstruction, relieves symptoms of nose bleed and tearing eyes and improves sleep quality. Vitamin C (ascorbic acid) compensates for increased need for this vitamin when having acute viral infections.

Sales per Podravka Group Market

in millions of HRK

No.	MARKETS	1.-9. 2006.		1.-9. 2005.		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1.	Croatia	1,387.6	54.0	1,342.6	53.6	103
2.	South-East Europe	587.5	22.9	556.4	22.2	106
3.	Central Europe	325.3	12.7	350.7	14.0	93
4.	Western Europe, Overseas Countries and the Orient	163.4	6.4	155.2	6.2	105
5.	Eastern Europe	104.8	4.1	98.2	3.9	107
Total		2,568.6	100.0	2,503.1	100.0	103

Compared to the same period last year, total sales increased by 3%. Growth in this period was mostly contributed by the sales growth of 3% in Croatian market where sales in SBA grew by 6% with organic growth of 4%, and sales in SBA "Pharmaceuticals" marked sales drop of 4%.

Sales growth in SBA "Food and Beverages" in Croatian market was generated by sales growth of meat and meat products (7%), products in the group of fruit and vegetables (6%), baby food, sweets and snacks (6%), Podravka dishes (5%), Vegeta (2%) and commercial goods (14%).

Drop in SBA "Pharmaceuticals" was conditioned by the continuing restrictive policy of the Croatian Health Insurance Institute and medicines price reduction. With the expiry of license for lizinopril, prices for products Irumed and Iruzid were reduced, which had an effect on reduced sales. Looking at sold quantities, SBA "Pharmaceuticals" marks growth in the observed period.

Foreign markets achieve total sales growth of 2%.

Sales in SBA "Food and Beverages" grew by 2%, mostly contributed by 2% organic growth, while commercial goods sales dropped by 1%.

The effect of partial stopping of Nestlé products distribution is visible in the third quarter of 2006 in the market of South Eastern Europe. But significant organic growth of 7% managed to keep South Eastern Europe a growing market (marked growth of 6%).

SBA "Pharmaceuticals" in foreign markets realizes 3% sales growth, mostly contributed by the sales growth in Eastern Europe.

Structure of operating costs

in millions of HRK

No.	COST/EXPENSE	1.-9. 2006.		1.-9. 2005.		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1.	Costs of goods sold	1,565.1	62.8	1,525.3	63.7	103
2.	Sales and distribution costs	698.4	28.0	667.7	27.9	105
3.	General and administrative costs	228.8	9.2	201.3	8.4	114
Total		2,492.3	100.0	2,394.3	100.0	104

The highest growth of 14% was marked by general and administrative costs. The reason of this growth is restructuring costs and the restructuring process being expedited.

Due to increase of marketing costs, the costs of sales and distribution grew by 5%.

Profitability of the Podravka Group

The observed period marks growth of all profit margins and profitability on all levels.

Net revenue is HRK 99.1 million, an increase of 17% compared to the same period last year, while net margin is 3.9% and represents an increase of 46 bp. The highest growth was achieved on EBIT level (37%) with increased EBIT margin by 150 bp. Thus EBIT margin in the observed period was 5.9%. Gross margin is 39.1% and at last year's level.

Positive effect on this result has the outcome of litigation between Belupo d.d. and Avena d.o.o. from Kranj (net effect is about HRK 40 million) where assets reserved for compensation were released to Belupo d.d. while net expenses of restructuring (about HRK 12 million) diminish that positive effect. If the results are shown taking into account effects of the mentioned activities (column 3 in the following table), net profit for operative activities is HRK 61.3 million, with net margin drop of 101 bp, and EBIT of HRK 114.8 million and net margin increase of 4 bp.

Result was also influenced by significantly lesser exchange rate gains for the same period last year.

Profitability of the Podravka Group

in millions of HRK

No.		Reporting 1.-9. 2006.	Operative result 1.-9. 2006.*	1.-9. 2005.	Change	Change
0	1	2	3	4	5 (2:4)	6 (3:4)
1.	Sales revenue	2,568.6	2,568.6	2,503.1	3%	3%
2.	Gross profit	1,003.5	1,003.5	977.8	3%	3%
3.	EBITDA	307.1	269.7	287.6	7%	-6%
4.	EBIT	152.2	114.8	110.8	37%	4%
5.	Net profit	99.1	71.3	85.0	17%	-16%
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	Profit margins in %	1.-9. 2006.	1.-9. 2006.	1.-9. 2005.	Change	Change
6.	Gross margin	39.1	39.1	39.1	0 bp	0 bp
7.	EBITDA margin	12.0	10.5	11.5	47 bp	-99 bp
8.	EBIT margin	5.9	4.5	4.4	150 bp	4 bp
9.	Net margin	3.9	2.8	3.4	46 bp	-62 bp

* operative activities result

Profitability by Strategic Business Areas

Profitability of SBA "Food and Beverages" was negatively influenced by the restructuring costs in net amount of about HRK 12 million and significantly lesser exchange rate gains compared to last year.

in millions of HRK

SBA	Food and Beverages			Pharmaceuticals		
	1.-9. 2006.	1.-9. 2005.	Change	1.-9. 2006.	1.-9. 2005.	Change
Sales revenue	2,138.6	2,062.3	4%	422.2	432.5	-2%
Gross margin	767.5	726.2	6%	236.0	251.6	-6%
EBITDA	163.7	188.0	-13%	143.3	99.6	44%
EBIT	41.4	42.6	-3%	110.7	68.2	62%
Net revenue	38.947,0	37.0	-49%	80.3	47.9	68%
Profit margins						
Gross margin	35.9	35.2	67 bp	55.9	58.2	-228 bp
EBITDA margin %	7.7	9.1	-146 bp	33.9	23.0	1,091 bp
EBIT margin %	1.9	2.1	-13 bp	26.2	15.8	1,045 bp
Net margin %	0.9	1.8	-92 bp	19.0	11.1	794 bp

CONSOLIDATED BALANCE SHEET ON 30. 9. 2006

(in HRK 000)

ASSETS	31/12/2005	30/09/2006
A) Subscribed capital unpaid		
B) Fixed assets	1,793,406	1,719,561
Intangible assets	91,237	75,248
Tangible assets	1,655,399	1,601,452
Financial assets	33,575	31,425
Receivables	13,195	11,436
C) Current assets	1,599,122	1,974,390
Inventories	569,092	578,975
Trade account receivables	783,417	830,744
Other receivables	54,254	41,896
Financial assets	66,125	54,784
Cash and cash equivalents	126,234	467,991
D) Prepayments and accrued income	20,299	10,833
E) Loss above the amount of capital		
TOTAL ASSETS	3,412,827	3,704,784
LIABILITIES		
A) Capital and reserves	1,921,159	2,008,955
Subscribed capital	1,626,001	1,626,001
Reserves**	232,532	283,879
Profit/loss for current year*	62,626	99,075
B) Minority interest		
C) Long term provision for risks and expenses	14,134	13,254
D) Long term liabilities	515,358	535,834
E) Creditors	871,492	1,106,166
Trade creditors	455,903	450,311
Current financial liabilities	317,641	524,791
Other current liabilities	97,948	131,064
F) Accruals and deferred income	90,684	40,575
TOTAL LIABILITIES	3,412,827	3,704,784
Off-balance records		

CONSOLIDATED INCOME STATEMENT FOR PERIOD 1.-9. 2006

	2005. 01. 1. - 30. 9. 2005	2006. 01. 1. - 30. 9. 2006
INCOME		
A) Income	2,506,336	2,645,537
Income from domestic sales	1,343,013	1,387,584
Income from foreign sales	1,160,095	1,180,970
Other income	3,228	76,983
B) Financial income	34,655	11,175
Foreign exchange gains	34,655	11,175
Interests and other financial income	0	0
C) Extraordinary income	0	0
TOTAL INCOME	2,540,991	2,656,712
EXPENSES		
D) Change in stock of finished goods and in work in progress	-3,636	-6,454
E) Expenses	2,399,197	2,499,816
Material costs and costs of goods sold	1,496,608	1,584,809
Staff costs	572,012	606,931
Depreciation	176,783	154,923
Value adjustments and provisions	26,254	12,523
Interest and other financial expenses	127,540	140,630
F) Financial expenses	44,163	41,752
Foreign exchange losses	13,333	6,824
Interests and other financial expenses	30,830	34,928
G) Extraordinary expenses		
TOTAL EXPENSES	2,439,724	2,535,114
PROFIT OR LOSS		
Profit or loss before tax	101,267	121,598
Profit tax	16,307	22,523
Profit or loss after tax	84,960	99,075
Minority interest		
Net profit or loss of the group	84,960	99,075

CASH FLOW STATEMENT FOR THE PERIOD OF 1-9. 2006

(in HRK 000)

	01. 1. - 30. 9. 2005	01. 1. - 30. 9. 2006
A) Net cash from operating activities	311.535	208.628
Profit/loss after tax	84.960	99.075
Depreciation	176.788	154.923
Increase/decrease in the value of stocks	-38.560	-9.883
Increase/decrease in trade receivables	11.654	-47.327
Increase/decrease in other current receivables	6.943	12.358
Increase/decrease in prepayments and accrued income	4.512	9.466
Increase/decrease in trade creditors	5.163	-5.592
Increase/decrease in long-term provisions	-350	-880
Increase/decrease in accruals and deferred income	32.297	-50.109
Increase/decrease in receivables from subscribed, unpaid c	0	0
Increase/decrease in long-term receivables	485	1.759
Increase/decrease in current financial assets	2.506	11.341
Increase/decrease in other long-term liabilities	25.137	33.497
Increase/decrease in other items	0	
B) Net cash flow from investing activities	-114.555	-83.218
Purchase of fixed tangible and intangible assets	-111.219	-91.772
Acquisition of subsidiaries	0	
Acquisition of minority interests	0	
Increase/decrease in long-term financial assets	-8.496	2.150
Revenue from the sales of tangible and intangible assets	4.600	4.610
Dividends paid	-105	-381
Increase/decrease in other items	665	2.175
C) Net cash flow from financial activities	-120.043	216.347
Increase in capital by the new issue of shares	0	
Increase/decrease in long-term liabilities - loans and credits	-76.967	20.476
Increase/decrease in other long-term liabilities	0	0
Increase/decrease in current liabilities - loans and credits	-17.772	207.150
Increase/decrease in other items	-25.304	-11.279
D) Net increase/decrease in cash and cash equivalents	76.937	341.757
Cash and cash equivalents at the beginning of the period	65.206	126.234
Cash and cash equivalents at the end of the period	142.143	467.991

Report on company capital change

(in HRK 000)

	31. 12. 2005.	Increase	Reduction	30. 09. 2006.
Capital subscribed	1,626,001			1,626,001
Premiums to shares issued	29,368	15,747		45,115
Rezerves	79,650		16,016	63,634
Own shares	-19,573		-7,067	-12,506
Retained profit or transferred loss*	97,223	62,626	15,802	144,047
Profit or loss in the current period*	62,626	99,075	62,626	99,075
Dividends				0
Revaluation reserves	45,864	0	2,275	43,589
a) revaluation of facilities real estate and	39,992			39,992
b) investment revaluation				0
c) other revaluations	5,872		2,275	3,597
Correction of basic errors				0
Exchange rate differences due to net investments into				0
Change of accounting policies				0
Capital and reserves total	1,921,159	177,448	89,652	2,008,955



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