



## PODRAVKA GROUP BUSINESS RESULTS FOR THE PERIOD JANUARY – MARCH 2007

### Basic events

1. First quarter sales in SBA "Food and beverages" is HRK 593.1 mln realizing 3% organic growth.
2. Due to the discontinued distribution of Nestle products for the markets of B&H and Macedonia in its entirety and partially in the market of Serbia, Commercial goods marked 46% sales drop, but the loss is for the most part compensated by organic growth.
3. Gross margin is 42%, which is 300 bp increase compared to the first quarter of 2006.
4. EBIT margin is 4.3%, which is 100 bp increase compared to the first quarter of 2006.
5. Net margin is 2.1% and remains at the same level as it was in the first quarter of 2006.
6. Suggested dividend for 2006 is gross HRK 5 per share.
7. Polish Agency for market competition Podravka submitted with a request for purchase of the following brands from the company Kamis: Warzywko (a brand of universal and special food seasonings in Poland) and Perfecta (a brand of universal food seasonings in Poland and some countries of East Europe).
8. Restructuring process continues with the purpose of making overall business and production processes as well as marketing function more economic
  - 8.1. discontinued activities of organizational wholes of Podravka d.d. performing following non-basic activities: office building cleaning, perimeter and drains cleaning, laundry, green surfaces maintenance
  - 8.2. merge of sales operative teams and marketing for the Croatian market within SBA "Food and beverages"
  - 8.3. production in Lagris factory in Slovakia moved (the result was a reduced number of employees) and continued in Czech Republic without the need for additional hiring
9. To point out new pharmaceutical products in OTC segment - Portalak, Go Slim, Urosal Lady and Target 10 and products in the cereals category (Čokolino crocs and Čokolino crisp).
10. Vegeta wins Superbrand title in Russia second time in a row.
11. Reputation Institute rated Podravka as the company with the best corporate reputation in Croatia, and placed the company on a high 21st position in the global, world scale.

## **Notes**

Due to the focusing on Podravka's strongest brands, complexity management, internal changes in tracking sales of Podravka brands, EVA brand purchase and intended purchase of Warzywko and Perfecta brands, there have been some changes in the reporting to the public as well.

Sales in the first quarter as well as the sales in the following periods will be reported through the following groups of products:

### **SBA "Food and beverages"**

#### **1. Podravka brands**

- a. Food seasonings
- b. Podravka meals – includes the following product groups from the previous classification: Podravka meals, 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 first quarter 2006 and first quarter 2007.

## Sales Revenue

### SBA "Food and beverages"

First quarter 2007 was marked by 3% organic growth and 46% sales drop of commercial goods. Almost all Podravka brands realize sales growth, Podravka meals grew by 4%, meat program and canned fish grew 3%, beverages 2%, baby food, sweets and snack grew 9%. Commercial goods sales drop is a result of discontinued distribution of Nestle products for the markets of B&H, Macedonia and partial discontinuation on Serbian market.

In spite of this significant and expected commercial goods sales drop of 46%, organic growth compensates for the most part of the sales revenue in SBA "Food and beverages", which is HRK 593,0 mln and is only 6% lower than in the same period last year.

### SBA "Pharmaceuticals"

Sales in the first quarter is 1% lower than the same period last year. The reason are lowered prices in Croatian market and transfer of the most significant products from cardio-vascular group (Irumed, Iruzid) to generic medicines, which resulted in sales drop for Croatian market by 10%. SBA Pharmaceuticals in foreign markets realized 50% sales growth, mostly contributed by the sales growth in Russian market.

### Sales per product groups

in millions HRK

Item no.	PRODUCT GROUP	Jan-Mar 2007		Jan-Mar 2006		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
<b>1.</b>	<b>Podravka brands</b>	<b>473.1</b>	<b>66.0</b>	<b>460.0</b>	<b>60.7</b>	<b>103</b>
	Food seasoning	149.8	20.9	150.7	19.9	99
	Podravka meals	150.7	21.0	145.1	19.1	104
	Meat program and canned fish	82.8	11.5	80.2	10.6	103
	Baby food, sweets and snack	65.6	9.2	60.2	7.9	109
	Beverages	24.2	3.4	23.9	3.1	102
<b>2.</b>	<b>Commercial goods</b>	<b>69.9</b>	<b>9.8</b>	<b>128.7</b>	<b>17.0</b>	<b>54</b>
<b>3.</b>	<b>Other (Food and Beverages)</b>	<b>50.0</b>	<b>7.0</b>	<b>4.5</b>	<b>5.9</b>	<b>112</b>
<b>4.</b>	<b>Pharmaceuticals</b>	<b>121.7</b>	<b>17.0</b>	<b>122.4</b>	<b>16.1</b>	<b>99</b>
<b>5.</b>	<b>Services</b>	<b>1.9</b>	<b>0.3</b>	<b>2.7</b>	<b>0.4</b>	<b>69</b>
	<b>Total</b>	<b>716.6</b>	<b>100.0</b>	<b>758.2</b>	<b>100.0</b>	<b>95</b>

Total sales of Podravka Group in the first quarter of 2007 was HRK 716.6 mln which is 5% decrease compared to the first quarter of 2006.

## Sales revenues per Strategic Business Areas

in millions HRK

Item no.	SBA	Jan-Mar 2007		Jan-Mar 2006		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1.	Food and beverages	593.0	82.7	633.1	83.5	94
2.	Pharmaceuticals	121.7	17.0	122.4	16.1	99
3.	Services	1.9	0.3	2.7	0.4	69
<b>Total</b>		<b>716.6</b>	<b>100.0</b>	<b>758.2</b>	<b>100.0</b>	<b>95</b>

## Sales per Podravka Group Markets

In the first quarter of 2007 sales growth was realized in the market of Eastern Europe (16%) and the market of Central Europe (3%). The highest sales growth marked in the market of Central Europe was in Poland (25%). Croatian market remains at last year's level, with a note that SBA "Food and beverages" realized sales growth of 3%, while SBA "Pharmaceuticals" marked a sales drop of 10% on Croatian market. The most significant sales drop was marked in the market of South-East Europe due to the expected commercial goods sales drop which was 81%.

Organic growth of SBA "Food and beverages" was marked on all markets, and thus on Croatian market it was as high as 6%, while on other markets organic growth was between 2 and 4%.

in millions HRK

Item no.	MARKETS	Jan-Mar 2007		Jan-Mar 2006		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1.	Croatia	381.3	53.2	383.6	50.6	99
2.	South-East Europe	140.4	19.6	186.2	24.6	75
3.	Central Europe	109.0	15.2	105.6	13.9	103
4.	Western Europe, overseas countries and Orient	52.6	7.3	54.0	7.1	97
5.	Eastern Europe	33.4	4.7	28.8	3.8	116
<b>Total</b>		<b>716.6</b>	<b>100.0</b>	<b>758.2</b>	<b>100.0</b>	<b>95</b>

## Structure of operating costs

in millions HRK

Item no.	COSTS/EXPENSES	Jan-Mar 2007		Jan-Mar 2006		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1.	Cost of goods sold	415.3	60.0	462.7	62.2	90
2.	Sales and distribution costs	193.3	27.9	192.0	25.8	101
3.	General and administrative costs	83.3	12.0	89.6	12.0	93
<b>Total</b>		<b>691.9</b>	<b>100.0</b>	<b>744.3</b>	<b>100.0</b>	<b>93</b>

Costs of products sold marked a 10% drop due to the share of the commercial goods in total sales and due to the results of complexity management, where products with low gross margin were withdrawn from distribution. Sales and distribution costs increased by 1%.

General and administrative costs mark a 7% drop.

## Profitability of the Podravka Group

Gross margin increased by 2% with gross margin increase by 300 bp. Gross margin is 42%. EBIT increased by 22% with EBIT margin of 4.3%, which is 100 bp increase. Net margin remains at the same level as it was in 2006.

in millions HRK

Podravka Group	Jan-Mar 2007	Jan-Mar 2006	Change (2/3)
1	2	3	4
Sales revenues	716.6	758.2	-5%
Gross profit	301.2	295.5	2%
EBITDA	76.4	78.9	-3%
EBIT	30.5	25.0	22%
Net profit	15.0	16.2	-8%
<b>Profit margins %</b>			
Gross margin	42.0	39.0	300 bp
EBITDA margin	10.7	10.4	30 bp
EBIT margin	4.3	3.3	100 bp
Net margin	2.1	2.1	0 bp

## Profitability per Strategic Business Areas

in millions HRK

SBA	Food and beverages			Pharmaceuticals		
	Jan-Mar 2007	Jan-Mar 2006	Change 2:3	Jan-Mar 2007	Jan-Mar 2006	Change 5:6
1	2	3	4	5	6	7
Sales revenues	594.9	635.8	-6%	121.7	122.4	-1%
Gross margin	231.1	226.8	2%	70.1	68.7	2%
EBITDA	54.7	52.7	4%	21.7	26.2	-17%
EBIT	18.8	10.0	88%	11.7	15.0	-22%
Net profit	8.1	6.8	19%	6.9	9.4	-27%
<b>Profit margins</b>						
Gross margin	38.8	35.7	310 bp	57.6	56.2	140 bp
EBITDA margin %	9.2	8.3	90 bp	17.9	21.4	-350 bp
EBIT margin %	3.2	1.6	160 bp	9.6	12.3	-270 bp
Net margin %	1.4	1.1	30 bp	5.6	7.7	-210 bp

SBA "Food and beverages" marks profitability on all levels. Thus gross margin was increased from 35.7% to 38.8%, EBITDA from 8.3% to 9.2%, EBIT margin from 1.6% to 3.2% while the net margin increased from 1.1% to 1.4%. The reason profitability improved in this SBA lies in the change of sales structure, i.e. reduction of the share of commercial goods in total sales and withdrawal of those Podravka products which were not realizing satisfactory gross margin (complexity management).

## Balance sheet on 31 March 2007

(in thousands of HRK)

Position	As at 31 December 2006	Last day of current period
<b>ASSETS</b>		
A) Subscribed capital unpaid		
B) Fixed assets	1,757,453	1,801,570
Intangible assets	87,225	83,956
Tangible assets	1,633,454	1,636,440
Financial assets	25,531	25,135
Receivables	11,243	56,039
C) Current assets	1,936,844	1,961,985
Inventories	564,485	632,287
Trade account receivables	878,019	883,632
Other receivables	321,010	306,938
Financial assets	47,212	58,849
Cash and cash equivalents	126,118	80,279
D) Prepayments and accrued income	6,208	16,607
E) Loss above the amount of capital		
<b>TOTAL ASSETS</b>	<b>3,700,505</b>	<b>3,780,162</b>
<b>EQUITY AND LIABILITIES</b>		
A) Shareholders' equity and reserves	1,746,680	1,761,599
Subscribed capital	1,626,001	1,626,001
Reserves**	60,318	120,633
Profit/loss for current year*	60,361	14,965
B) Minority interests		
C) Long term provision for risks and expenses	22,007	22,013
D) Long term liabilities	525,335	483,839
E) Creditors	1,359,209	1,460,185
Trade creditors	533,374	522,977
Current financial liabilities	456,860	568,603
Other current liabilities	368,975	368,605
F) Accruals and deferred income	47,274	52,526
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,700,505</b>	<b>3,780,162</b>
Off-balance records		

## Profit and loss account for the first quarter of 2007

(in thousands of HRK)

Position	Previous year		Current year	
	Cumulatively	Quarterly	Cumulatively	Quarterly
<b>INCOME</b>				
A) Income	769,793	769,793	722,757	722,757
Income from domestic sales	383,645	383,645	381,256	381,256
Income from foreign sales	374,599	374,599	335,332	335,332
Other revenue	11,549	11,549	6,169	6,169
B) Financial income	5,956	5,956	1,379	1,379
Foreign exchange gains	5,956	5,956	1,379	1,379
Interests and other financial income				
C) Extraordinary income				
<b>TOTAL INCOME</b>	<b>775,749</b>	<b>775,749</b>	<b>724,136</b>	<b>724,136</b>
<b>EXPENSES</b>				
D) Change in stock of finished goods and in work in progress	-25,006	-25,006	-36,857	-36,857
E) Expenses	769,820	769,820	729,101	729,101
Material costs and costs of goods sold	482,661	482,661	437,782	437,782
Staff costs	187,136	187,136	201,274	201,274
Depreciation	53,934	53,934	45,924	45,924
Value adjustments and provisions	998	998	2,279	2,279
Interest and other financial expenses	45,091	45,091	41,842	41,842
F) Financial expenses	11,370	11,370	15,067	15,067
Foreign exchange losses	2,163	2,163	2,628	2,628
Interests and other financial expenses	9,207	9,207	12,439	12,439
G) Extraordinary expenses				
<b>TOTAL EXPENSES</b>	<b>756,184</b>	<b>756,184</b>	<b>707,311</b>	<b>707,311</b>
<b>PROFIT OR LOSS</b>				
Profit or loss before tax	19,565	19,565	16,825	16,825
Profit tax	3,360	3,360	1,860	1,860
<b>Profit or loss after tax</b>	<b>16,205</b>	<b>16,205</b>	<b>14,965</b>	<b>14,965</b>
Minority interest				
<b>Net profit or loss of the group</b>	<b>16,205</b>	<b>16,205</b>	<b>14,965</b>	<b>14,965</b>

## Cash flow statement for the first quarter of 2007

(in thousands of HRK)

Position	The same period in previous year	Current period
<b>A) Net cash from operating activities</b>	<b>-3,704</b>	<b>-70,716</b>
Profit/loss after tax	16,205	14,965
Depreciation	53,934	45,924
Increase/decrease in the value of stocks	-26,631	-67,802
Increase/decrease in trade receivables	24,929	-5,613
Increase/decrease in other current receivables	6,303	14,072
Increase/decrease in prepayments and accrued income	-37,482	-10,399
Increase/decrease in trade creditors	-20,712	-10,397
Increase/decrease in long-term provisions	-909	6
Increase/decrease in accruals and deferred income	-8,304	5,252
Increase/decrease in receivables from subscribed, unpaid capital and loss above the amount of capital		
Increase/decrease in long-term receivables	192	-44,796
Increase/decrease in current financial assets	2,939	-11,637
Increase/decrease in other long-term liabilities	-14,168	-291
Increase/decrease in other items		
<b>B) Net cash flow from investing activities</b>	<b>-21,107</b>	<b>-45,324</b>
Purchase of fixed tangible and intangible assets	-27,655	-47,476
Acquisition of subsidiaries		
Acquisition of minority interest		
Increase/decrease in long-term financial assets	2,149	396
Revenue from the sales of tangible and intangible assets	2,237	299
Dividends paid	-215	-79
Increase/decrease in other items	2,377	1,536
<b>C) Net cash flow from financial activities</b>	<b>-24,013</b>	<b>70,201</b>
Increase in capital by the new issue of shares		
Increase/decrease in long-term liabilities – loans and credits	-307,865	-41,496
Increase/decrease in other long-term liabilities		
Increase/decrease in current liabilities – loans and credits	286,293	111,743
Increase/decrease in other items	-2,441	-46
<b>D) Net increase/decrease in cash and cash equivalents</b>	<b>-48,824</b>	<b>-45,839</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>126,234</b>	<b>126,118</b>
<b>Cash and cash equivalents at year end</b>	<b>77,410</b>	<b>80,279</b>

## Report on principal change for the first quarter of 2007

(in thousands of HRK)

Position	As at 31 December 2006	Increase	Decrease	Current period
Subscribed capital	1,626,001			1,626,001
Premium on shares issued	-191,961			-191,961
Reserves	139,097			139,097
Own shares	-6,711			-6,711
Retained profit or transferred loss*	110,487	60,361		170,848
Profit or loss in the current period*	60,361	14,965	60,361	14,965
Dividends				0
<b>Revaluation reserves</b>	<b>9,406</b>	<b>0</b>	<b>46</b>	<b>9,360</b>
a) revaluation of facilities real estate and equipment	706			706
b) investment revaluation				0
c) other revaluations	8,700		46	8,654
Correction of basic errors				0
Exchange rate differences due to investments into foreign subject				0
Change of accounting policies				0
<b>Capital and reserves total</b>	<b>1,746,680</b>	<b>75,326</b>	<b>60,407</b>	<b>1,761,599</b>



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