



PODRAVKA GROUP BUSINESS RESULTS FOR THE PERIOD JANUARY – SEPTEMBER 2009

Main business characteristics

1. The total sales of the Podravka Group in the first nine months of 2009 totalled HRK 2,663.5 million which represents a drop of 1% compared to the same period of the year 2008.
2. The sales of the Strategic business area (SBA) Food and beverages amounted to HRK 2,137.5 million which represents a 3% drop of sales, while the SBA Pharmaceuticals with sales in the amount of HRK 522.5 million recorded a sales growth of 7%.
3. The sales of Podravka brands totalled HRK 1,826.7 million recording a 1% drop.
4. The gross margin of the Group dropped by 70bp influenced by sales structure changes within the SBA Pharmaceuticals, while the gross margin of the SBA Food and beverages achieved a growth of 30bp.
5. The operating margin of the Group recorded a growth of 30bp, while the operating margin of the SBA Food and beverages grew 150bp.
6. The total value of capital investments in the observed period was HRK 96.6 million.

Main events in the third quarter

1. Podravka d.d. and the Gastro grupa d.o.o. expanded their current cooperation in the distribution of Podravka non-alcoholic beverages in the Horeca distribution channel, on the Lero instant beverage project.
2. The president of the Supervisory Board, Mr Darko Marinac, resigned from the position of president and member of the Supervisory Board of Podravka d.d.
3. Podravka d.d. took necessary action in order to minimise risks arising from the loans granted to SMS d.o.o. in the value of HRK 65 million and in agreement with other creditors initiated the production of a financial recovery and restructuring plan for the company SMS d.o.o.
4. Belupo's health institute Deltis Pharma d.o.o. entered the wholesale drug business thus joining Pharma Net, a network of pharmacies that connects about a hundred pharmacy outlets.

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-Sep 2009		Jan-Sep 2008		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and beverages	2,137.5	80.3	2,196.2	81.6	97
2	Pharmaceuticals	522.5	19.6	489.0	18.2	107
3	Services	3.5	0.1	4.4	0.2	80
Total		2,663.5	100.0	2,689.6	100.0	99

The sales revenue of the Podravka Group totalled HRK 2,663.5 million and is 1% less compared to the same period of the year 2008.

The sales revenue of the SBA Food and beverages amounted to HRK 2,137.5 million which represents a sales drop of 3%, whereupon the sales of Podravka brands recorded a 1% drop. The Croatian market suffered a drop (-16%¹) in retail sales compared to the same period last year, while the sales of the SBA Food and beverages at the same time had a 3% drop in Croatia. The sales of the SBA Food and beverages dropped 2% on foreign markets where the overall drop was generated by the sales drop on both the markets of Poland and the Czech Republic. The Polish market (-18%) suffered a 20% depreciation of the Polish zloty, while at the same time this market recorded a growth in quantities sold by 10% generated by increase of Food seasonings and Tomato based products. On the market of the Czech Republic (-18%) a drop of sales occurred in the B2B segment.

The SBA Pharmaceuticals realised sales in the amount of HRK 522.5 million representing a growth of 7% compared to the same period in the year 2008. Sales of the SBA Pharmaceuticals on the Croatian market decreased 1%, despite the sales growth of non-prescription drugs and the pharmacy business through Delta Pharm Pharmacies². The sales drop of prescription drugs on the domestic market results from the price correction on both the HZZO³ basic and supplementary lists of drugs. Despite the sales drop of prescription drugs, some of its product groups recorded a growth and according to the ATC classification⁴ sales growth was achieved by drugs for genito-urinary system and sex hormones (4%) and for respiratory system treatment (53%). In the non-prescription drug group the most significant growth was recorded by OTC drugs (19%) due to the sales growth of both Neofen and Lupocet. The SBA Pharmaceuticals achieved sales of HRK 192.5 million on foreign markets which is a 23% increase. Sales growth on foreign markets results from the sales growth on the markets of South-East Europe (38%) generated mainly by the increase of sales on the market of Bosnia and Herzegovina (54%) and owing to the sales of the related company Farmavita d.o.o.

The SBA Services achieved sales of HRK 3.5 million in the observed period and in the total sales of the Group accounts for just 0.1%⁵.

¹ Source: Central Bureau of Statistics, Monthly Statistics Report, no. 9 (data for the period 1-8 2009)

² Deltis Pharm Pharmacies are health institutions established by Deltis Pharma d.o.o. in the ownership of Belupo for the purpose of taking over and consolidating and respectively concentrating the private pharmacy business in Croatia.

³ Croatian Institute for Health Insurance

⁴ Anatomical Therapeutic Chemical System of Drug Classification

⁵ The SBA Services shall not be part of the following analysis as in the total sales of the Podravka Group it accounts for just 0.1%

New products in the third quarter



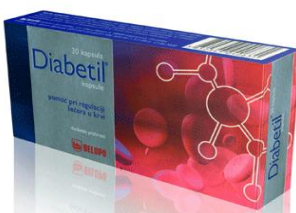
Čokolino chocolate flavoured instant cocoa drink, enriched with vitamins and calcium. Convenient, quick and easy to prepare.



A redesign of Podravka marmalade, characterised by a high content of fruit, free of artificial colour and sweeteners has been presented, and the range of Podravka jams prepared without preservatives and with a reduced level of sugar has been expanded.



Omegatenzin is recommended for people suffering from hypertension and cholesterol together with regular medical treatment. With its extremely high concentration of omega-3 fatty acids, Omegatenzin protects the cardiovascular system.



Diabetil is a new product Belupo has developed for regulating the level of blood sugar. Diabetil is intended for those with a mild or moderately increased level of blood sugar and type 2 diabetes within a special nutrition plan.



Hederan herbal syrup based on ivy soothes all types of cough and alleviates expectoration. Belupo's formulation of Hederan herbal syrup free of sugar, alcohol and artificial colours and with a pleasant taste enables a wide application for all age groups and is suitable even for children and diabetics.

Sales per product groups

		in millions of HRK				
Item no.	PRODUCT GROUP	Jan-Sep 2009		Jan-Sep 2008		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	BP FOOD	1,133.2	42.6	1,149.6	42.7	99
	Podravka brands	870.7	32.7	866.1	32.2	101
	- Podravka dishes	522.3	19.6	533.3	19.8	98
	- Baby food, sweets and snack	246.7	9.3	238.3	8.9	104
	- Fish and fishery products	101.7	3.8	94.5	3.5	107
	Other	262.5	9.9	283.5	10.5	93
2	BP FOOD SEASONINGS	506.5	19.0	523.5	19.5	97
	Podravka brands	494.6	18.6	511.2	19.0	97
	Other	11.9	0.4	12.3	0.5	97
3	BP MEAT PRODUCTS	302.8	11.4	306.4	11.4	99
	Podravka brands	281.7	10.6	277.8	10.3	101
	Other	21.1	0.8	28.6	1.1	74
4	BP BEVERAGES	195.0	7.3	216.7	8.0	90
	Podravka brands	179.8	6.7	194.9	7.2	92
	Other	15.2	0.6	21.8	0.8	70
5	Pharmaceuticals	522.5	19.6	489.0	18.2	107
6	Services	3.5	0.1	4.4	0.2	80
	Total	2,663.5	100.0	2,689.6	100.0	99

The BP Food recorded a sales drop of 1%, but the sales of Podravka brands within this business program increased by 1%. The drop of sales of the Podravka dishes product group (-2%) was contributed by the drop of sales on both the domestic (-2%) and foreign markets (-2%). A lower level of sales achieved on foreign markets results from the drop of sales on the markets of Central Europe (-13%), while the markets of South-East Europe recorded a 5% growth, and the markets of Western Europe, overseas countries and the Orient a growth of even 21%. Sales of the Baby food, sweets and snack product group grew 4%, mostly contributed by the markets of Bosnia and Herzegovina (13%) and Slovenia (7%). The sales growth of the product group of Fish and fishery products (7%) is generated from the sales growth on the markets of Hungary (90%), Slovenia (25%) and Bosnia and Herzegovina (9%).

The sales of the BP Food seasonings dropped 3%, generated by the drop of sales on foreign markets (-3%), but also lower sales recorded on the Croatian market. A sales drop on foreign markets resulted from the drop of sales on the markets of Central Europe (-15%), respectively, Poland (-18%) caused by the decreased value of the Polish zloty (-20%). Sales of the BP Food seasonings at the same time recorded an increase on the markets of South-East Europe (7%), Eastern Europe (7%) and Western Europe, overseas countries and Orient (5%).

The sales of the BP Meat recorded a sales drop of 1% while at the same time an organic growth of 1% occurred resulting from the sales of semi-durable and durable cured meat products. A drop of sales within the BP Meat was recorded on both the domestic market (-1%) and on foreign markets (-1%). The drop of sales abroad is based on lower sales on the markets of Western Europe, overseas countries and the Orient (-13%), while at the same time the sales of this product group grew by 6% in South-East Europe.

Sales of the BP Beverages is 10% lower compared to the same period of the year 2008, mostly resulting from the drop of sales in Croatia (-11%), but a lower level of sales was also realised on foreign markets (-5%). The drop of sales on the market of Bosnia and Herzegovina generated the drop of sales on foreign markets, where the sales of this business program was 14% lower. The Ice tea category is the generator of this sales decrease on both domestic and foreign markets, which based on the income elasticity of the demand at a time of reduced purchasing power is characterised by the highest drop of demand in the Beverage category.

Sales per market groups⁶

Item no.	MARKETS	in millions of HRK				
		Jan-Sep 2009		Jan-Sep 2008		Index 2:4
0	1	Amount	%	Amount	%	6
1	Croatia	1,399.9	52.6	1,439.0	53.5	97
2	South-East Europe	645.2	24.2	573.4	21.3	113
3	Central Europe	336.8	12.7	392.9	14.6	86
4	Western Europe, overseas countries and Orient	174.1	6.5	171.9	6.4	101
5	Eastern Europe	107.5	4.0	112.4	4.2	96
Total		2,663.5	100.0	2,689.6	100.0	99

Sales on the Croatian market amounted HRK 1,399.9 million which is a drop of 3% compared to the same period of the year 2008. A lower sales level was caused by the drop of sales of the SBA Food and beverages (-3%) but the SBA Pharmaceuticals also recorded lower sales (-1%).

Foreign markets achieved sales in the amount of HRK 1,263.6 million which represents a growth of 1% compared to the same period last year. The highest increase of total sales was realised on the markets of South-East Europe (13%) mostly contributed by the sales growth on the market of Bosnia and Herzegovina (22%), but there was also a noticeable sales increase on the markets of Slovenia (9%) and Montenegro (12%). Sales on the market of Central Europe dropped 14% generated by the drop of sales on the markets of the Czech Republic (-18%) and Poland (-18%). The sales drop on the market of the Czech Republic resulted from the sales of Rice and legumes being directed into branded products and leaving the B2B segment, with the aim of increasing the profitability of this category. The 18% sales drop in Poland resulted from the earlier mentioned depreciation of the Polish zloty compared to the HRK exchange rate (-20%).

⁶ South-East Europe – Albania, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Slovenia, Serbia
 Central Europe – Czech Republic, Hungary, Poland, Slovakia
 Western Europe, overseas countries and Orient – Austria, Australia, Benelux, France, Canada, Germany, USA, Scandinavia, Switzerland, Great Britain and other overseas countries and countries of Western Europe
 Eastern Europe – Baltic countries, Romania, Russia, Ukraine, Bulgaria and other countries of Eastern Europe

Structure of operating costs / expenses

in millions of HRK						
Item no.	COSTS / EXPENSES	Jan-Sep 2009		Jan-Sep 2008		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	1,587.1	62.9	1,585.3	61.4	100
2	Selling and distribution expenses	712.4	28.3	730.1	28.2	98
3	General and administrative expenses	222.7	8.8	267.9	10.4	83
Total		2,522.2	100.0	2,583.3	100.0	98

The operating costs/expenses of the Podravka Group for the observed period totalled HRK 2,522.2 million and recorded a 2% drop (HRK 61.1 million) compared to the same period the year before. The Costs of goods sold maintained last year's level and the drop of operating costs/expenses was influenced by a more efficient management of Selling and distribution expenses and by the savings and control of administrative expenses.

Selling and distribution expenses recorded a drop of 2% (HRK 17.7 million) in comparison to the previous year, mostly contributed by the reduction of marketing costs (-9%) and reduction of logistics and distribution expenses (-7%).

The revision of expenses of each organisational unit carried out last year, created better organisation and more efficient resource allocation, and by further control of the expenses of administrative functions, General and administrative expenses recorded a drop of 17% (HRK 45.2 million).

Profitability of the Podravka Group

in millions of HRK			
Podravka Group	Jan-Sep 2009	Jan-Sep 2008	change (2/3)
1	2	3	4
Sales revenue	2,663.5	2,689.6	-1%
Gross profit	1,076.4	1,104.3	-3%
EBITDA	244.4	232.3	5%
EBIT	123.2	116.9	5%
Net profit	42.2	51.2	-18%
<i>Profit margins (%)</i>			
Gross margin	40.4	41.1	-70bp
EBITDA margin	9.2	8.6	60bp
EBIT margin	4.6	4.3	30bp
Net margin	1.6	1.9	-30bp

The gross margin of the Podravka Group dropped by 70bp resulting from changes in the structure of the Group's products sold, respectively, the growth of the share of the pharmacy business and the sales of Farmavita, which are characterised by a lower profit margin. More efficient process management and better control of expenses produced better operating results with an improvement of operating margin by 30bp. Despite the improvement of operating margin, the Group's significantly higher financing costs (52%) caused a drop of net margin by 30bp.

Profitability per Strategic Business Area

in millions of HRK

SBA	Food and beverages			Pharmaceuticals		
	Jan-Sep 2009	Jan-Sep 2008	change (2/3)	Jan-Sep 2009	Jan-Sep 2008	change (5/6)
1	2	3	4	5	6	7
Sales revenue	2,137.5	2,196.2	-3%	522.5	489.0	7%
Gross profit	808.8	822.4	-2%	267.6	281.9	-5%
EBITDA	165.2	135.6	22%	79.2	96.7	-18%
EBIT	78.0	45.8	70%	45.2	71.1	-36%
Net profit	25.1	5.1	392%	17.1	46.1	-63%
<i>Profit margins (%)</i>						
Gross margin	37.8	37.5	30bp	51.2	57.6	-640bp
EBITDA margin	7.7	6.2	150bp	15.2	19.8	-460bp
EBIT margin	3.6	2.1	150bp	8.7	14.5	-580bp
Net margin	1.2	0.2	100bp	3.3	9.4	-610bp

The SBA Food and beverages recorded a positive shift of 30bp in the observed period. The gross margin growth results from better utilisation of current human resources in production processes, due to which seasonal labour was not necessary, thus reducing employee costs in the Costs of goods sold structure. Optimization of number of employees is continued through the provision program with severance payments, where half of this cost is reserved in last year's results. The operating margin increased by 150bp based on a reduction of both Selling and distribution expenses (-7%) and General and administrative expenses (-15%). All expenses within the structure of Selling and distribution expenses recorded a drop. The drop of General and Administrative expenses is determined by positive reorganisation effects and better control of administrative expenses. The net margin recorded a growth of only 100bp due to growing financing costs (35%).

The SBA Pharmaceuticals recorded a profitability drop caused by a change in the sales structure where the sales share of Farmavita (mainly drug distribution) and Deltis Pharm (pharmacy business) is steadily growing, characterised by a lower profitability compared to the profitability of Belupo. This effected the increase of Cost of goods sold (23%) and Selling and distribution expenses (21%), reflecting an operating margin drop of 580bp. General and administrative expenses dropped (-19%) within the structure of operating expenses as a result of better control of the expenses of administrative functions. The increase of financing costs (77%) resulted from acquisition activities in 2008 partly financed by debt which caused a net margin drop of 610bp.

CONSOLIDATED INCOME STATEMENT

(in thousands of HRK)

	Jan-Sep 2009	Jan-Sep 2008
Sales	2,663,481	2,689,575
Cost of goods sold	(1,587,063)	(1,585,323)
Gross profit	1,076,418	1,104,252
Other revenue	9,653	17,201
Other gains, net	(23,158)	(3,403)
General and administrative expenses	(222,745)	(267,898)
Selling and distribution expenses	(712,373)	(730,096)
Other expenses	(4,573)	(3,135)
Profit from operations	123,222	116,921
Finance costs	(71,644)	(47,275)
Profit before tax	51,578	69,646
Income tax	(9,093)	(17,474)
Profit after income tax	42,485	52,172
Minority interest	(287)	(957)
Net profit	42,198	51,215

CONSOLIDATED BALANCE SHEET

(in thousands of HRK)

	30 September 2009	31 December 2008
ASSETS		
Non-current assets		
Property, plant and equipment	1,740,855	1,770,858
Goodwill	48,428	48,428
Intangible assets	345,278	343,599
Deferred tax assets	44,086	44,552
Other financial assets	48,091	61,705
Total non-current assets	2,226,738	2,269,142
Current assets		
Inventories	692,473	631,760
Trade and other receivables	1,286,117	1,435,538
Financial assets at fair value in income statement	29,986	23,539
Cash and cash equivalents	222,661	270,609
Non-current assets held for sale	4,440	4,517
Total current assets	2,235,677	2,365,963
TOTAL ASSETS	4,462,415	4,635,105
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	1,580,966	1,587,356
Reserves	107,012	83,458
Retained earnings	274,475	258,578
Attributable to the equity holders of the parent	1,962,453	1,929,392
Minority interest	34,433	34,113
	1,996,886	1,963,505
Non-current liabilities		
Financial liabilities at fair value through profit or loss	336,300	318,750
Long-term debt	533,851	597,572
Provisions	29,435	27,339
Deferred tax liability	7,702	8,356
	907,288	952,017
Current liabilities		
Trade and other payables	749,878	844,453
Short-term borrowings	791,615	858,455
Provisions	16,748	16,675
	1,558,241	1,719,583
Total liabilities	2,465,529	2,671,600
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,462,415	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	0	0	0	0	0	0
Exchange differences	0	(2,748)	0	(2,748)	33	(2,715)
Net profit for the period	0	0	42,199	42,199	287	42,486
Purchase of treasury shares	(6,390)	0	0	(6,390)	0	(6,390)
Sale of treasury shares	0	0	0	0	0	0
Options exercised	0	0	0	0	0	0
Fair value of share options	0	0	0	0	0	0
Transfer from other and legal reserves	0	26,302	(26,302)	0	0	0
Balance at 30 September 2009	1,580,966	107,012	274,475	1,962,453	34,433	1,996,886

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of HRK)

	Jan-Sep 2009	Jan-Sep 2008
Net profit	42,199	51,215
Income tax	9,093	17,473
Depreciation	121,213	115,408
Gains on sale of non-current assets	(1,553)	(3,732)
Value adjustment of current assets	21,464	10,002
Value adjustment of investments and available-for-sale assets	19,340	0
Value adjustment of capital gain	0	(14,810)
Decrease in provisions	1,442	(637)
Interest income	(6,089)	(11,897)
Interest expense	75,992	56,223
Effect of changes in foreign exchange rates	(5,555)	(13,306)
Minority interest	320	7,211
Other items not affecting cash	(944)	1,522
Changes in working capital		
(Increase) / decrease in inventories	(58,351)	(39,324)
Increase in trade receivables	100,109	(106,191)
Decrease in other current assets	110,820	30,595
Increase / (decrease) in trade payables	(106,986)	(48,469)
Increase / (decrease) in other liabilities	34,364	62,254
Cash generated from operations	356,878	113,537

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(in thousands of HRK)

	Jan-Sep 2009	Jan-Sep 2008
Cash flows from operating activities		
Cash generated from operations	356,878	113,537
Income taxes paid	(15,877)	(22,450)
Interest paid	(90,464)	(59,743)
Net cash from operating activities	250,537	31,344
Cash flow from investing activities		
Purchase of equity interest	(1,220)	(71,669)
Sale of equity interest	0	0
Purchase of tangible and intangible assets	(107,609)	(120,076)
Sale of tangible and intangible assets	15,169	14,159
Long-term loans given and deposits	0	(13,309)
Repayment of long-term loans given and deposits	547	572
Short-term loans given and deposits	(70,132)	(99,581)
Purchase of trading securities	(8,500)	(21,200)
Net cash used in investing activities	(171,745)	(311,104)
Net cash flows from financing activities		
Purchase of treasury shares	(6,390)	(13,892)
Sale of treasury shares	0	10,857
Proceeds from long-term borrowings	28,995	216,157
Repayment of long-term borrowings	(69,354)	(71,420)
Proceeds from short-term borrowings	512,205	789,330
Repayment of short-term borrowings	(592,196)	(687,131)
Net cash from financing activities	(126,740)	243,901
Net decrease in cash and cash equivalents	(47,948)	(35,859)
Cash and cash equivalents at beginning of year	270,609	112,549
Cash and cash equivalents at the end of year	222,661	76,690

Always with a heart



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