



PODRAVKA GROUP BUSINESS RESULTS FOR THE PERIOD JANUARY – SEPTEMBER 2011

Main business characteristics and significant events in the third quarter

1. The total sales of the Podravka Group in the first nine months of the year 2011 amounted to HRK 2,690.3 million, which represents a sales growth of 4% compared to the same period of the year before. Sales of the Strategic Business Area (SBA) Food and Beverages totalled HRK 2,132.2 million, which represented a sales growth of 3%, while the sales of the SBA Pharmaceuticals was HRK 558.1 million, which is an 8% sales increase.
2. The operating profit (EBIT) of the Podravka Group increased by 21% and amounted to HRK 193.5 million, while the operating margin (EBIT margin) is 7.2%.
3. The realised net profit of the Podravka Group is HRK 100.4 million, which represents a 22% increase, while the net margin is 3.7%.
4. The total value of capital investments in the observed period amounted to HRK 68.5 million.
5. The General Assembly of Podravka d.d. was held on 14 July 2011 where it was decided that last year's net profit in the amount of HRK 10.9 million would be distributed for the coverage of the loss brought forward from previous years. Apart from this, resolutions were passed on the amendments to the Articles of Association of Podravka d.d. and members of the Management and Supervisory Boards were discharged, accordingly.
6. A total of 576,880 shares of Podravka d.d. in the ownership of FIMA AMI Ltd. was sold on 19 July 2011. The average price in the transaction was HRK 312.87, and the buyers were from mandatory pension funds (75.57%), voluntary pension funds (4.27%) and other domestic funds (17.44%), insurances (1.59%) and foreign investors (1.13%).

Notes

On the sales of the Podravka Group we report as follows:

SBA "Food and Beverages"

1. **Business program Podravka food**

- Podravka brands
 - Fruit and vegetable products, side dishes and other (Fruit and vegetable products, Side dishes, Mill and bakery products and other)
 - Baby food, sweets and snack
 - Fish and fishery products
- Other

2. **Business program dishes and food seasonings**

- Podravka brands
 - Food seasonings
 - Podravka dishes
- Other

3. **Business program meat**

- Podravka brands
- Other

4. **Business program beverages**

- Podravka brands
- Other

SBA "Pharmaceuticals"

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 revenue per Strategic Business Areas

Item no	SBA	In millions HRK				
		Jan – Sep 2011		Jan - Sep 2010		Index 2:4
0	1	2	3	4	5	6
1	Food and Beverages	2,132.2	79.3	2,078.9	80.1	103
2	Pharmaceuticals	558.1	20.7	514.9	19.9	108
Total		2,690.3	100.0	2,593.8	100.0	104

Sales revenue of the Podravka Group totalled HRK 2,690.3 million and are 4% higher compared to the same period of the year 2010.

Sales of the SBA Food and Beverages totalled HRK 2,132.2 million, which is a 3% sales growth compared to the same period of the year 2010. This growth was a result of a higher level of sales on foreign markets (5%), and the foreign markets which have recorded an increase of sales of the SBA Food and Beverages are South-East Europe (7%), with the most prominent markets of Bosnia and Herzegovina (6%), Serbia (14%) and Slovenia (4%), Central Europe (6%) with the Czech Republic (16%) and Poland (16%) followed by Western Europe, overseas countries and Orient (3%), where Austria (59%) and Australia (14%) recorded the highest growth.

The SBA Pharmaceuticals achieved sales in the amount of HRK 558.1 million, which is a sales growth of 8% compared to the same period of the year 2010. Sales growth of the SBA Pharmaceuticals was mostly generated by the 16% growth on foreign markets with the highest contribution coming from the markets of Russia (26%), Bosnia and Herzegovina (10%), Slovenia (41%) and Turkey (114%). Sales on the domestic market in the observed period also grew (3%) based on a higher level of sales of prescription drugs (3%) and increased sales of the OTC programme (1%). According to the ATC¹ classification product groups which achieved the most significant growth are drugs effecting the nervous system (12%) and drugs for infection system treatment (16%).

¹ Anatomical Therapeutic Chemical System of Drug Classification

New products in the third quarter of 2011



Podravka pasta is produced from highly nutritious durum wheat grits, so during cooking it maintains its shape, firmness, nice yellow colour and delicious taste.

Podravka offers five different shapes of pasta in 500g freestanding bags, and three shapes in 340g boxes with 4 individual packages in cooking bags (Ready-to-use), which is a kind of innovation on the market.

Podravka rustica mustard is based on the mustard estragon and is seedier in structure as mustard seeds are only partially grained. Podravka rustica mustard is a perfect side dish that accompanies all spicy dishes from the grill or oven, ideal for the preparation of excellent vegetarian dishes, sauces and marinades.

The excellent and distinctive flavour and aroma of mustard with larger grains of mustard will give a fine touch of sharpness to sauces, but will not overcome the basic ingredients.



Eva tuna spread piquant is an exceptionally tasty and convenient product for all fans of mildly piquant seafood. Fine quality tuna fillets and carefully selected seasonings combined with the sharpness of chilly and mildly rich aroma of red paprika, are combined in a taste to allure anybody's palate. The attractive, gently red colour completed with discreet pieces of red paprika, spreadable and mildly piquant taste without preservatives make this spread a perfect choice for supreme gourmet delight. Apart as a cold appetizer or a simple bread spread, the product can be used for preparing imaginative decorations.

Sales revenue per product group

In millions HRK						
Item no.	PRODUCT GROUP	Jan – Sep 2011		Jan - Sep 2010		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	BP PODRAVKA FOOD	963.6	35.8	888.3	34.2	108
	Podravka brands	731.7	27.2	685.2	26.4	107
	- Fruit and vegetable products, side dishes and other	360.6	13.4	321.5	12.4	112
	- Baby food, sweets and snack	277.6	10.3	270.9	10.4	102
	- Fish and fishery products	93.5	3.5	92.8	3.6	101
	Other	231.9	8.6	203.1	7.8	114
2	BP DISHES AND FOOD SEASONINGS	703.3	26.2	710.6	27.4	99
	Podravka brands	680.0	25.3	684.5	26.4	99
	- Food and seasonings	502.5	18.7	511.0	19.7	98
	- Podravka dishes	177.5	6.6	173.5	6.7	102
	Other	23.3	0.9	26.1	1.0	89
3	BP MEAT	310.1	11.5	305.5	11.8	101
	Podravka brands	281.7	10.5	271.7	10.5	104
	Other	28.4	1.0	33.8	1.3	84
4	BP BEVERAGES	155.2	5.8	174.5	6.7	89
	Podravka brands	141.6	5.3	157.7	6.1	90
	Other	13.6	0.5	16.8	0.6	81
5	Pharmaceuticals	558.1	20.7	514.9	19.9	108
	Total	2,690.3	100.0	2,593.8	100.0	104

The BP Podravka food achieved sales growth of 8% compared to the same period of the year 2010. All product groups within the BP Podravka food achieved growth, with the highest contribution coming from the sales growth of the product group Fruit and vegetable products, side dishes and other based on their increase of sales on the markets of both Croatia (8%) and Poland (47%). The product group Baby food, sweets and snack recorded a sales growth of 2%, with the highest contribution coming from Slovenia (6%), Serbia (21%) and Bosnia and Herzegovina (5%), while sales of the product group Fish and fishery products were 1% higher than the year before.

Sales of the BP Dishes and food seasonings are 1% lower due to a lower level of sales of the product group Food seasonings on both the domestic and foreign markets. Nevertheless, some foreign markets such as Austria, Hungary, the Czech Republic and Australia have recorded significant sales growth. The product group Podravka dishes achieved a 2% increase resulting from higher sales on foreign markets among which Russia and Serbia are the most prominent.

Sales of the BP Meat grew 1% based on the sales on foreign markets (14%), with the highest contribution coming from the market of Bosnia and Herzegovina (43%), generated by the increase of sales of Liver paste and Austria (179%) due to the increase of Canned ready-made meals and Luncheon meat. Markets of Australia, the USA and Canada have also recorded sales growth of this business programme.

The sales level of the BP Beverages is 11% lower compared to the same period of the year 2010 primarily influenced by the market of Croatia (-13%), which is the most significant market for this business programme. Nevertheless, a lower level of sales is also evident in foreign markets where a 4% decrease was recorded.

Sales revenues of the Podravka Group per market²

Item no.	MARKETS	In millions HRK				
		Jan – Sep 2011		Jan – Sep 2010		Index 2:4
0	1	2	3	4	5	6
1	Croatia	1,288.6	47.9	1,282.1	49.4	101
2	South-East Europe	645.6	24.0	599.5	23.1	108
3	Central Europe	383.0	14.2	362.4	14.0	106
4	Western Europe, overseas countries and Orient	219.8	8.2	210.8	8.1	104
5	Eastern Europe	153.3	5.7	139.0	5.4	110
Total		2,690.3	100.0	2,593.8	100.0	104

The market of Croatia realised sales in the amount of HRK 1,288.6 million, which represents 47.9% of the total sales of the Podravka Group. Sales for the domestic market in the observed period grew 1% based on the higher level of sales of the SBA Pharmaceuticals (3%). Sales on foreign markets were achieved in the amount of HRK 1,401.7 million, which is a growth of 7%. A significant sales growth has been noticed on all foreign markets and the highest absolute growth was realised on the market of South-East Europe (8%) with the highest contribution coming from the markets of Bosnia and Herzegovina (8%), Serbia (15%) and Slovenia (5%). Central Europe also recorded considerable growth (6%) based on the sales growth on the markets of Poland (4%), Hungary (16%) and the Czech Republic (15%), where an increase of the Czech crown exchange rate compared to the Croatian kuna occurred (6.7%)³. Furthermore, the market of Eastern Europe also recorded significant sales growth generated by higher sales on the market of Russia (19%). The market of Western Europe, overseas countries and Orient achieved a 4% sales growth with the highest contribution coming from the markets of Austria (59%), Australia (14%) and Italy (52%), respectively.

² South-East Europe – Albania, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Slovenia, Serbia
 Central Europe – Czech Republic, Hungary, Poland, Slovakia
 Western Europe, overseas countries and the Orient – Austria, Australia, Benelux, France, Canada, Germany, USA, Scandinavia, Switzerland, Turkey, Great Britain and other overseas countries and Western European countries
 Eastern Europe – Baltic countries, Romania, Russia, the Ukraine, Bulgaria, and other Eastern European countries

³ Calculated on the average exchange rate for the observed period.

Structure of operating costs/expenses

		In millions HRK				
Item no.	COSTS / EXPENSES	Jan – Sep 2011		Jan – Sep 2010		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	1,623.1	64.3	1,514.5	62.9	107
2	Selling and distribution costs	393.0	15.5	410.6	17.1	96
3	Marketing expenses	312.6	12.4	291.2	12.1	107
4	General and administrative expenses	196.5	7.8	190.6	7.9	103
Total		2,525.2	100.0	2,406.9	100.0	105

The Cost of goods sold increased due to a significant increase in prices of raw material which started in the year 2010 and continued in 2011 and mostly contributed to the increase of total operating costs/expenses of the Podravka Group. Marketing expenses increased by 7% in the observed period due to higher *trade* and BTL marketing expenses used to create consumer stimulus during a period of prominent recession trends. Apart from this, the SBA Pharmaceuticals made a substantial leap forward on the market of Russia which increased marketing expenses of this SBA. General and administrative expenses recorded a 3% increase mostly influenced by the increase of research and development expenses, severance payments and higher amortisation. Selling and distribution costs were HRK 17.6 million lower, or 4% lower in the observed period.

Profitability of the Podravka Group

In millions HRK

Podravka Group	REPORTED RESULTS		CORRECTED RESULTS *		change (2/3)	change (4/5)
	Jan – Sep 2011	Jan – Sep 2010	Jan – Sep 2011*	Jan – Sep 2010*		
	1	2	3	4		
Sales revenue	2,690.3	2,593.8	2,690.3	2,593.8	4%	4%
Gross profit	1,067.2	1,079.3	1,067.2	1,079.3	-1%	-1%
EBITDA	311.5	275.9	298.5	311.6	13%	-4%
EBIT	193.5	159.3	180.5	195.0	21%	-7%
Net profit	100.4	82.3	92.3	118.0	22%	-22%
Profit margins %						
Gross margin	39.7	41.6	39.7	41.6	-190bp	-190bp
EBITDA margin	11.6	10.6	11.1	12.0	100bp	-90bp
EBIT margin	7.2	6.1	6.7	7.5	110bp	-80bp
Net margin	3.7	3.2	3.4	4.5	50bp	-110bp

* without nonrecurrent items

Despite the growth of sales revenue of 4% that is HRK 96.5 million, the gross profit of the Podravka Group recorded a 1% drop, which amounted to HRK 1,067.2 million. Namely, Cost of goods sold grew faster than sales revenue which had a negative impact on the gross margin and was 190bp less in the observed period. The operating profit totalled HRK 193.5 million, which is a 21% increase and the EBIT margin reached the level of 7.2%. The realised net profit of the Podravka Group is HRK 100.4 million with the net margin 3.7%, which is an increase of 50bp.

As the Podravka Group had positive nonrecurrent items in the observed period, the corrected result is at lower levels than those reported so the accompanying margins are accordingly lower. Positive nonrecurrent items arose from the recovery of insurance funds and amounted to HRK 23.7 million in the SBA Pharmaceuticals, while other nonrecurrent items remained negative and referred to bond value adjustments (HRK 3.7 million), severance payments (HRK 6.5 million) and value adjustments for fund investments (HRK 0.5 million).

Profitability of the SBA Food and Beverages

In millions HRK

SBA Food & beverages	REPORTED RESULTS		CORRECTED RESULTS *		change (2/3)	change (4/5)
	Jan – Sep 2011	Jan – Sep 2010	Jan – Sep 2011*	Jan – Sep 2010*		
1	2	3	4	5	6	7
Sales revenue	2,132.2	2,078.9	2,132.2	2,078.9	3%	3%
Gross profit	764.6	801.0	764.6	801.0	-5%	-5%
EBITDA	180.8	186.0	191.4	219.5	-3%	-13%
EBIT	96.2	101.7	106.8	135.2	-5%	-21%
Net profit	36.4	53.1	47.0	86.6	-31%	-46%
Profit margins %						
Gross margin	35.9	38.5	35.9	38.5	-260bp	-260bp
EBITDA margin	8.5	8.9	9.0	10.6	-40bp	-160bp
EBIT margin	4.5	4.9	5.0	6.5	-40bp	-150bp
Net margin	1.7	2.6	2.2	4.2	-90bp	-200bp

* without nonrecurrent items

The sales of the SBA Food and Beverages recorded a growth of 3% but due to the price increase of manufacturing material and changes in the sales structure, the gross margin recorded a drop of 260bp. The operating profit amounted to HRK 96.2 million which is 5% less compared to the year before due to increased operating costs/expenses, respectively marketing expenses (6%), as various marketing activities were engaged to stimulate consumption and maintain the current market share. Apart from the reduction of gross profit and increase of operating costs/expenses higher financing expenses (exchange rate differences) also had an impact on the reduction of profitability and therefore the actual net profit of the SBA Food and Beverages was HRK 36.4 million.

Nonrecurrent items impacting the SBA Food and Beverages amounted to HRK 10.6 million and refer to severance payments (HRK 6.4 million), bond value adjustments (HRK 3.7 million) and value adjustments for fund investments (HRK 0.5 million).

Profitability of the SBA Pharmaceuticals

In millions HRK

SBA Pharmaceuticals	REPORTED RESULTS		CORRECTED RESULTS *		change (2/3)	change (4/5)
	Jan – Sep 2011	Jan – Sep 2010	Jan – Sep 2011*	Jan – Sep 2010*		
1	2	3	4	5	6	7
Sales revenue	558.1	514.9	558.1	514.9	8%	8%
Gross profit	302.7	278.3	302.7	278.3	9%	9%
EBITDA	130.7	89.9	107.1	92.1	45%	16%
EBIT	97.4	57.6	73.8	59.8	69%	23%
Net profit	64.0	29.2	45.3	31.4	119%	44%
Profit margins %						
Gross margin	54.2	54.0	54.2	54.0	20bp	20bp
EBITDA margin	23.4	17.5	19.2	17.9	590bp	130bp
EBIT margin	17.5	11.2	13.2	11.6	630bp	160bp
Net margin	11.5	5.7	8.1	6.1	580bp	200bp

* without nonrecurrent items

The sales growth of the SBA Pharmaceuticals of 8% in the first nine months of the current year mainly results from the sales growth of the foreign markets (16%) but it should be noted that the domestic market also achieved a higher level of sales (3%). As in the sales structure more profitable products recorded an increase, the gross profit grew by 9% so the gross margin for the observed period was 54.2%. Other levels of profitability recorded significant positive shifts due to the earlier mentioned positive nonrecurrent items based on nonrecurrent revenue from insurance in the amount of HRK 23.7 million. Together with negative nonrecurrent items in the amount of HRK 0.1 million referring to severance payments, the corrected EBITDA and EBIT have been reduced by HRK 23.6 million, while the level of corrected net profit has been reduced by HRK 18.7 million as HRK 4.9 million were tax liabilities. The comparison of corrected results, and taking into consideration that the corrected results of the current year were reduced by the amount of positive items, showed an increase of all levels of profitability and accompanying profit margins.

CONSOLIDATED STATEMENT OF INCOME

(in thousands of HRK)

	Jan - Sep 2011	Jan - Sep 2010
Sales	2,690,290	2,593,831
Cost of goods sold	(1,623,064)	(1,514,495)
Gross profit	1,067,226	1,079,336
Investment revenue	7,822	7,917
Other gains / (losses), net	21,698	(33,697)
General and administrative expenses	(196,508)	(190,593)
Selling and distribution costs	(393,019)	(410,590)
Marketing expenses	(312,565)	(291,230)
Other expenses	(1,118)	(1,865)
Profit from operations	193,536	159,278
Finance costs	(74,985)	(65,779)
Profit before tax	118,551	93,499
Income tax expenses	818,382)	(11,316)
Net profit	100,169	82,183
Profit for the period attributable:		
To the equity holders of the parent	100,431	82,305
Non-controlling interests	(262)	(122)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of HRK)

	30 September 2011	31 December 2010
ASSETS		
Non-current assets		
Property, plant and equipment	1,593,508	1,642,820
Goodwill	44,293	44,293
Intangible assets	310,387	308,040
Deferred tax assets	50,597	52,330
Other financial assets	6,897	9,142
Total non-current assets	2,005,682	2,056,625
Current assets		
Inventories	765,479	692,094
Trade and other receivables	1,102,661	1,083,543
Financial assets at fair value through profit or loss	2,832	14,796
Cash and cash equivalents	123,799	152,363
	1,994,771	1,942,796
Non-current assets held for sale	10,221	8,768
Total current assets	2,004,992	1,951,564
TOTAL ASSETS	4,010,674	4,008,189
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,580,734	1,580,734
Reserves	119,109	126,937
Accumulated loss	(11,371)	(107,200)
Attributable to the equity holders of the parent	1,688,472	1,600,471
Non-controlling interests	34,294	34,347
Total shareholders' equity	1,722,766	1,634,818
Non-current liabilities		
Long-term debt	928,459	558,957
Provisions	31,418	30,037
Deferred tax liability	6,056	7,141
Total non-current liabilities	965,933	596,135
Current liabilities		
Financial liabilities at fair value through profit or loss	-	371,100
Trade and other payables	843,196	800,591
Short-term borrowings	452,130	581,691
Provisions	26,650	23,854
Total current liabilities	1,321,976	1,777,236
Total liabilities	2,287,908	2,373,371
TOTAL EQUITY AND LIABILITIES	4,010,674	4,008,189

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of HRK)

	Share capital	Reserves	Accumulated loss / Retained earnings	Total	Non-controlling interest	Total
Balance at 31 December 2010	1,580,734	126,937	(107,200)	1,600,471	34,347	1,634,818
Net income for the year	-	-	100,431	100,431	(262)	100,169
Exchange differences - other comprehensive income	-	(11,439)	-	(11,439)	209	(11,230)
Total comprehensive profit	-	(11,439)	100,431	88,992	(53)	88,939
Purchase of treasury shares	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-
Options exercised	-	-	-	-	-	-
Fair value of share options	-	-	-	-	-	-
Transfer in other and legal reserves	-	3,611	(4,603)	(992)	-	(992)
Balance at 30 September 2011	1,580,734	119,109	(11,372)	1,688,471	34,294	1,722,765

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of HRK)

	Jan - Sep 2011	Jan - Sep 2010
Net (loss) profit	100,431	82,305
Income tax	18,382	11,316
Depreciation and amortization	117,962	116,637
Gains on disposal of non-current assets	(681)	(2,667)
Value adjustment of current assets	8,363	19,023
Value adjustment of investments	610	1,620
Value adjustment of non-current assets	-	(2,681)
Value adjustment of liabilities at fair value through profit or loss	3,632	30,967
Increase / (decrease) in long-term provisions	455	(1,717)
Interest received	(5,147)	(7,502)
Interest paid	63,212	70,641
Unrealised losses per Swap contract	(914)	-
Value adjustment of receivables for loans and guarantees	290	-
Effect of changes in foreign exchange rates	10,651	6,418
Non-controlling interest	(262)	(137)
Other items not affecting cash	269	395
Changes in working capital		
Increase in inventories	(72,939)	(51,532)
(Increase) / decrease in trade receivables	(29,987)	76,201
Decrease in other current assets	2,013	5,439
Increase / (decrease) in trade payables	38,081	(37,282)
Increase / (decrease) in other liabilities	13,311	(86,344)
Net cash from operations	267,732	231,100

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(in thousands of HRK)

Cash flows from operating activities

Cash from operations	267,732	231,100
Income taxes paid	(15,089)	(15,123)
Interest paid	(73,756)	(76,508)
Net cash from operating activities	178,887	139,469

Cash flows from investing activities

Acquisition of subsidiaries, net of cash acquired	(4,562)	-
Payments made for property, plant and equipment, and intangible assets	(68,476)	(63,325)
Sale of tangible and intangible assets	2,448	6,546
Long-term loans given and deposits given	(14)	(298)
Repayment of long-term loans given and deposits given	2,421	714
Purchase of trading securities	(2,001)	-
Sale of trading securities	11,354	14,875
Short-term loans and deposits given	(286)	(921)
Recovery of short-term loans and deposits given	45	688
Collected interest	5,147	7,502
Net cash used in investing activities	(53,924)	(34,219)

Net cash flows from financing activities

Proceeds from long-term borrowings	566,209	1,847
Repayment of long-term borrowings	(556,705)	(92,807)
Proceeds from short-term borrowings	40,498	431,934
Repayment of short-term borrowings	(203,529)	(437,317)
Net cash used in financing activities	(153,527)	(96,343)

Net (decrease) / increase in cash and cash equivalents

	(28,564)	8,907
Cash and cash equivalents at beginning the period	152,363	145,269
Cash and cash equivalents at the end of the period	123,799	154,176

Always with a heart



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