



PODRAVKA GROUP BUSINESS RESULTS FOR THE PERIOD JANUARY – MARCH 2011

Main business characteristics and significant events in the first quarter

1. The total sales of the Podravka Group in the first year half of 2011 amounted to HRK 797.1 million, which represents a sales growth of 2% compared to the same period of the year before. Sales of the Strategic Business Area (SBA) Food and Beverages totalled HRK 636.2 million, which represents a sales growth of 2%, while the sales of the SBA Pharmaceuticals was HRK 160.9 million which is a 3% sales increase.
2. The operating profit (EBIT) of the Podravka Group was HRK 42.7 million, while the operating margin (EBIT margin) was 5.4%.
3. The realised net profit of the Podravka Group was HRK 25.8 million and the net margin was 3.2%.
4. Podravka Poland received two awards for successful business: «Forbes Diamonds» and «Gazelle of Business», confirming thus its status of a successful and promising company on the market of Poland.
5. Podravka was awarded the Kosher Certificate for the production of mustard and pasteurized and sterilized vegetables.

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 per Strategic Business Areas

In millions HRK						
Item no.	SBA	Jan-Mar 2011		Jan-Mar 2010		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and Beverages	636.2	79.8	626.0	80.1	102
2	Pharmaceuticals	160.9	20.2	155.8	19.9	103
Total		797.1	100.0	781.8	100.0	102

Sales revenue of the Podravka Group amounted to HRK 797.1 million, which is 2% higher compared to the same period of the year 2010.

Sales of the SBA Food and Beverages totalled HRK 636.2 million, which is a 2% sales growth compared to the same period of the year 2010. Sales growth on foreign markets (6%), where the markets of Western Europe, overseas countries and the Orient (16%) and markets of Central (5%) and South-East Europe (3%) are the most prominent, influenced the realised level of sales. The quoted growth managed to compensate the 4% drop of sales on the market of Croatia, where domestic demand is still weak due to unfavourable economic trends. In addition, it is important to note that this year Easter holidays fall at the end of April, while last year Easter was at the very beginning. Thus, the increase in sales due to Easter was evident in the first quarter, while this year it will show in the second quarter.

The SBA Pharmaceuticals achieved sales in the amount of HRK 160.9 million, which is a sales growth of 3% compared to the same period of the year 2010. The sales growth of the SBA Pharmaceuticals was generated by the growth on foreign markets (18%), while at the same time sales on the domestic market dropped 6%. This decline in sales on the market of Croatia results from the drop of sales of prescription drugs (-10%), while OTC products recorded an 11% increase.

New products in the first quarter of the year 2011



Lino lada nougat contains 13% of hazelnuts and in combination with chocolate gives a fullness of flavour and provides supreme pleasure. Apart from being very tasty, Lino lada nougat is rich in vitamins and minerals. Hazelnuts are a natural source of minerals and vitamin E, while our body needs calcium coming from milk to build bones and teeth.

A new sweet product has appeared in the product range of Dolcela: **Muffins with cherry filling**. This product is rich in flavour and contains a high proportion of the whole fruit and fruit pieces of pitted cherries. A package of Muffins with cherry filling contains a mixture for dough, cherry filling and paper cups, and is enough to prepare 12 muffins. Preparation is very fast and simple, all you need is in the package and it is only necessary to add the basic ingredients (egg, oil and water) that generally we all have at home.



Nougat pudding is the perfect blend of the finest hazelnuts and your favourite chocolate, which melts in the mouth and delights with its scent and creamy consistency. This magical delight with its scent and flavour that melts in your mouth leads you into a whole new world of pleasure.

Bevital Sun Extra capsules are recommended to prepare the skin before tanning, as an aid to faster darkening and to preserve natural complexion.



Sales revenue per product group

							In millions HRK
Item no.	PRODUCT GROUP	Jan-Mar 2011		Jan-Mar 2010		Index 2:4	
		Amount	%	Amount	%		
0	1	2	3	4	5	6	
1	BP PODRAVKA FOOD	293.0	36.8	279.3	35.7	105	
	Podravka brands	229.4	28.8	221.7	28.3	103	
	- Fruit and vegetable products, side dishes and other	115.3	14.5	105.9	13.5	109	
	- Baby food, sweets and snack	81.5	10.2	83.2	10.6	98	
	- Fish and fishery products	32.6	4.1	32.6	4.2	100	
	Other	63.6	8.0	57.6	7.4	110	
2	BP DISHES AND FOOD SEASONINGS	228.7	28.7	229.9	29.4	99	
	Podravka brands	220.7	27.7	221.2	28.3	100	
	- Food and seasonings	165.5	20.8	165.2	21.1	100	
	- Podravka dishes	55.2	6.9	56.0	7.2	99	
	Other	8.0	1.0	8.7	1.1	92	
3	BP MEAT	80.0	10.0	76.3	9.8	105	
	Podravka brands	70.9	8.9	65.8	8.4	108	
	Other	9.1	1.1	10.5	1.4	87	
4	BP BEVERAGES	34.5	4.3	40.5	5.2	85	
	Podravka brands	29.4	3.7	35.9	4.6	82	
	Other	5.1	0.6	4.6	0.6	111	
5	Pharmaceuticals	160.9	20.2	155.8	19.9	103	
	Total	797.1	100.0	781.8	100.0	102	

The BP Podravka food achieved sales growth of 5% compared to the same period of the year 2010. The highest contribution comes from the growth of the product group Fruit and vegetable products, side dishes and other based on their increase of sales on the market of Central Europe (18%). The product group Baby food, sweets and snack recorded a sales drop of 2%, while the sales of the product group Fish and fishery products maintained the same level as the year before.

Sales of the BP Dishes and food seasonings are 1% lower provided that the product group Food seasonings recorded a slight increase, while Podravka dishes recorded a sales decline of 1%. Food seasonings recorded sales growth on the markets of Central Europe (5%), where the most prominent market was Poland (7%), and on the market of Western Europe, overseas countries and the Orient (6%) where the most notable are the markets of Australia (23%), Austria (25%) and Canada (81%).

Sales of the BP Meat grew 5% and the quoted growth was generated by a higher level of sales on the market of Europe, overseas countries and the Orient (32%) under the influence of increased sales of Canned ready-made meals and Liver paste.

The BP Beverages achieved 15% lower sales compared to the same period of the year 2010 primarily influenced by the market of Croatia (-22%) which is the dominant market within this Business programme. At the same time, the market of South-East Europe recorded a slight growth of sales compared to the same period of the year before.

Sales revenues of the Podravka Group per market¹

Item no.	MARKETS	In millions HRK				
		Jan-Mar 2011		Jan-Mar 2010		Index 2:4
0	1	2	3	4	5	6
1	Croatia	344.2	43.2	359.8	46.0	96
2	South-East Europe	198.7	24.9	189.5	24.3	105
3	Central Europe	132.2	16.6	125.3	16.0	106
4	Western Europe, overseas countries and Orient	77.8	9.8	65.9	8.4	118
5	Eastern Europe	44.2	5.5	41.3	5.3	107
Total		797.1	100.0	781.8	100.0	102

The market of Croatia realised sales in the amount of HRK 344.2 million which represents 43.2% of the total sales of the Podravka Group. Sales on the domestic market in the observed period were 4% less compared to the same period of the year 2010, while at the same time all foreign markets recorded a sales increase. The level of sales on foreign markets is 7% higher compared to the first quarter of the year before and amounts to HRK 452.9 million, which also represents an increase of the relative share of foreign markets in total sales to 56.8%. The highest absolute sales growth was achieved on the market of Western Europe, overseas countries and the Orient (18%) with the highest contribution coming from the markets of Austria (54%), Australia (18%), Canada (89%) and Germany (10%). Significant sales growth was also achieved on the market of South-East Europe (5%), generated by a higher level of sales on the markets of both Bosnia and Herzegovina (5%) and Slovenia (11%) and the growth of sales in Central Europe (6%) results from a higher level of sales on the markets of both Poland (13%) and the Czech Republic (5%). The market of Eastern Europe also recorded a higher level of sales (7%) based on the sales growth on the market of Russia (13%).

¹ 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

Structure of operating costs/expenses

		In millions HRK				
Item no.	COSTS / EXPENSES	Jan-Mar 2011		Jan-Mar 2010		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	483.2	64.0	463.7	63.6	104
2	Selling and distribution costs	123.4	16.4	125.3	17.2	98
3	Marketing expenses	86.1	11.4	85.1	11.7	101
4	General and administrative expenses	61.9	8.2	54.5	7.5	114
Total		754.6	100.0	728.6	100.0	104

The operating costs/expenses of the Podravka Group in the first quarter of the year 2011 totalled HRK 754.6 million, which represents an increase of operating costs/expenses of 4% or HRK 26 million, respectively, compared to the same period of the year 2010. The highest contribution for the increase of operating costs/expenses comes from higher Cost of goods sold (4%) which correlates with the growth of sales. General and administrative expenses also recorded an increase mostly influenced by the expenses related to severance payments, depreciation and increased provisions. Marketing expenses increased 1% in the observed period while Selling and distribution costs dropped 2%.

Profitability of the Podravka Group

		In millions HRK					
Podravka Group	REPORTED RESULTS			CORRECTED RESULTS *		change (2/3)	change (4/5)
	Jan-Mar 2011	Jan-Mar 2010	Jan-Mar 2011*	Jan-Mar 2010*			
1	2	3	4	5	6	7	
Sales revenue	797.1	781.8	797.1	781.8	2%	2%	
Gross profit	313.9	318.1	313.9	318.1	-1%	-1%	
EBITDA	82.5	67.8	89.8	92.7	22%	-3%	
EBIT	42.7	28.9	50.0	53.8	48%	-7%	
Net profit	25.8	7.6	33.1	32.5	239%	2%	
Profit margins %							
Gross margin	39.4	40.7	39.4	40.7	-130bp	-130bp	
EBITDA margin	10.4	8.7	11.3	11.9	170bp	-60bp	
EBIT margin	5.4	3.7	6.3	6.9	170bp	-60bp	
Net margin	3.2	1.0	4.2	4.2	220bp	0bp	

* without nonrecurrent items

Sales revenue is 2% higher compared to the same period of the year before, despite the fact that this year the traditionally high sales during Easter will be recorded in the second quarter and not in the first as last year. The gross profit of the Podravka Group amounted to HRK 313.9 million, which is a drop of 1% compared to the same period of the year before. Namely, Cost of goods sold grew faster than sales revenue which had negative impact on the gross margin and was 130bp less. The drop of gross margin was caused by the sales structure and higher prices of manufacturing material but also discount sales on the market of Croatia, which this year were present in almost all categories in order to support consumption and maintain the sales volume and consequently, the market share. In the following period the recovery of the gross margin is expected due to the anticipated increase of sales of more profitable programmes and the influence of sales growth on the market of Croatia due to Easter holidays.

The operating profit grew 48% resulting in a significant increase of the EBIT margin to the level of 5.4%. If the profitability of the Podravka Group is observed without the influence of nonrecurrent items then it can be said that the EBIT and EBITDA margins have dropped 60bp. It is expected that together with the recovery of the gross margin the operating profit and profitability margins, respectively, will improve.

The realised net profit totalled HRK 25.8 million and if corrected by bond value adjustments (HRK 3.8 million) and severance payments (HRK 3.5 million) then the net profit is HRK 33.1 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-Mar 2011	Jan-Mar 2010	Jan-Mar 2011*	Jan-Mar 2010*		
1	2	3	4	5	6	7
Sales revenue	636.2	626.0	636.2	626.0	2%	2%
Gross profit	232.4	235.2	232.4	235.2	-1%	-1%
EBITDA	59.1	43.2	66.4	68.1	37%	-3%
EBIT	30.4	15.0	37.7	39.9	103%	-6%
Net profit	19.8	2.0	27.1	26.9	890%	1%
<i>Profit margins (%)</i>						
Gross margin	36.5	37.6	36.5	37.6	-110bp	-110bp
EBITDA margin	9.3	6.9	10.4	10.9	240bp	-50bp
EBIT margin	4.8	2.4	5.9	6.4	240bp	-50bp
Net margin	3.1	0.3	4.3	4.3	280bp	0bp

* without nonrecurrent items

The sales of the SBA Food and Beverages recorded a growth of 2% but the sales structure, price increase of manufacturing material and discount sales had impact on the gross margin which in the observed period dropped 110bp. The operating profit amounted to HRK 30.4 million which is twice as much higher than the achieved operating profit the year before. If the operating profit is compared without the influence of nonrecurrent items, it can be said that the operating profit is 6% less and the EBITDA is 3% less. In the forthcoming period an increase of gross margin and EBIT and EBITDA margins is expected due to a more favourable sales structure and increase of the sales of more profitable programmes, respectively. The net profit totalled HRK 19.8 million and is significantly higher than last year, which is contributed by lower financing expenses and lower tax liabilities.

Nonrecurrent items in the first quarter of the year 2011 burdened the SBA Food and Beverages in their full amount of HRK 7.3 million and refer to bond value adjustments (HRK 3.8 million) and severance payments (HRK 3.5 million).

Profitability of the SBA Pharmaceuticals

In millions HRK			
SBA Pharmaceuticals	REPORTED RESULTS		change (2/3)
	Jan-Mar 2011	Jan-Mar 2010	
1	2	3	4
Sales revenue	160.9	155.8	3%
Gross profit	81.5	82.9	-2%
EBITDA	23.3	24.6	-5%
EBIT	12.3	13.9	-12%
Net profit	6.1	5.6	9%
<i>Profit margins (%)</i>			
Gross margin	50.7	53.2	-250bp
EBITDA margin	14.5	15.8	-130bp
EBIT margin	7.6	8.9	-130bp
Net margin	3.8	3.6	20bp

The drop of profitability of the SBA Pharmaceuticals results from the change in the sales structure which in the observed period recorded lower sales of prescription drugs, while its share in the total sales has increased by the sales of the Farmavita production portfolio, which is characterised by lower profit margins. It is important to emphasise that the gross margin of organic sales is higher than the year before and that the recovery of the total gross margin is expected in the forthcoming period. General and administrative expenses and Selling and distribution costs are declining, but the growth of marketing expenses of 12% resulted in the drop of operating profit compared to the year before, from HRK 13.9 million to HRK 12.3 million. The realised net profit totalled HRK 6.1 million which is 9% higher than the year before, primarily as a result of lower tax liability and lower financing expenses, accordingly.

CONSOLIDATED STATEMENT OF INCOME
(in thousands of HRK)

	Jan - Mar 2011	Jan - Mar 2010
Sales	797,066	781,795
Cost of goods sold	(483,157)	(463,652)
Gross profit	313,909	318,143
Investment revenue	2,238	4,329
Other (losses) / gains, net	(2,030)	(28,299)
General and administrative expenses	(61,901)	(54,506)
Selling and distribution costs	(123,364)	(125,303)
Marketing expenses	(86,132)	(85,103)
Other expenses	(34)	(380)
Profit from operations	42,686	28,881
Finance costs	(16,035)	(18,126)
Profit before tax	26,651	10,755
Income tax expenses	(807)	(2,597)
Net profit	25,844	8,158
Profit for the period attributable:		
To the equity holders of the parent	25,817	7,607
Non-controlling interests	27	551

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of HRK)

	31 March 2011	31 December 2010
ASSETS		
Non-current assets		
Property, plant and equipment	1,623,198	1,642,820
Goodwill	44,293	44,293
Intangible assets	306,784	308,040
Deferred tax assets	53,375	52,330
Other financial assets	7,169	9,142
Total non-current assets	2,034,818	2,056,625
Current assets		
Inventories	705,085	692,094
Trade and other receivables	1,099,945	1,083,543
Financial assets at fair value through profit or loss	4,160	14,796
Cash and cash equivalents	97,275	152,363
	1,906,465	1,942,796
Non-current assets held for sale	9,448	8,768
Total current assets	1,915,913	1,951,564
TOTAL ASSETS	3,950,731	4,008,189
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,580,734	1,580,734
Reserves	126,484	126,937
Accumulated loss	(81,122)	(107,200)
Attributable to the equity holders of the parent	1,626,096	1,600,471
Non-controlling interests	34,369	34,347
Total shareholders' equity	1,660,465	1,634,818
Non-current liabilities		
Long-term debt	669,049	558,957
Provisions	29,384	30,037
Deferred tax liability	7,621	7,141
Total non-current liabilities	706,054	596,135
Current liabilities		
Financial liabilities at fair value through profit or loss	375,000	371,100
Trade and other payables	761,466	800,591
Short-term borrowings	421,529	581,691
Provisions	26,217	23,854
Total current liabilities	1,584,212	1,777,236
Total liabilities	2,290,266	2,373,371
TOTAL EQUITY AND LIABILITIES	3,950,731	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 profit for the year	-	-	25,817	25,817	27	25,844
Other comprehensive income	-	(180)	-	(180)	(5)	(185)
Total comprehensive income	-	(180)	25,817	25,637	22	25,659
Exchange differences	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-
Options exercised	-	-	-	-	-	-
Fair value of share options	-	-	-	-	-	-
Transfer from other and legal reserves	-	(273)	261	(12)	-	(12)
Balance at 31 March 2011	1,580,734	126,484	(81,122)	1,626,096	34,369	1,660,465

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of HRK)

	Jan - Mar 2011	Jan - Mar 2010
Net profit	25,844	8,158
Income tax	807	2,597
Depreciation and amortization	39,775	38,944
Losses / (gains) on disposal of non-current assets	(78)	57
Value adjustment of current assets	746	8,045
Value adjustment of investments	82	576
Value adjustment of liabilities at fair value through profit or loss	673	24,289
Increase in long-term provisions	(14)	(294)
Interest received	(2,137)	(3,797)
Interest paid and other financial expenditure	19,533	23,956
Effect of changes in foreign exchange rates	(4,192)	(1,979)
Other items not affecting cash	1,044	(6,164)
Changes in working capital		
Increase in inventories	(11,103)	(27,800)
Decrease in trade receivables	1,248	55,401
Increase in other current assets	(20,120)	(29,952)
Decrease in trade payables	(57,651)	(23,955)
Increase / (decrease) in other liabilities	22,203	(88,741)
Net cash from / (used in) operations	16,660	(20,659)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(in thousands of HRK)

	Jan - Mar 2011	Jan - Mar 2010
Cash flows from operating activities		
Cash from operations	16,660	(20,659)
Income taxes paid	(6,181)	(5,737)
Interest paid	(16,706)	(30,518)
Net cash used in operating activities	(6,227)	(56,914)
Cash flows from investing activities		
Payments made for property, plant and equipment, and intangible assets	(14,912)	(15,007)
Sale of tangible and intangible assets	214	336
Long-term loans given and deposits given	-	(298)
Repayment of long-term loans given and deposits given	2,065	298
Purchase of trading securities	(501)	(600)
Sale of trading securities	10,554	6,500
Short-term loans and deposits given	(171)	-
Recovery of short-term loans and deposits given	7	-
Collected interest	2,137	3,921
Net cash used in investing activities	(607)	(4,850)
Net cash flows from financing activities		
Proceeds from long-term borrowings	131,948	1,217
Repayment of long-term borrowings	(37,343)	(19,588)
Proceeds from short-term borrowings	25,284	385,221
Repayment of short-term borrowings	(168,143)	(302,788)
Net cash (used in) / from financing activities	(48,254)	64,062
Net (decrease) / increase in cash and cash equivalents	(55,088)	2,298
Cash and cash equivalents at beginning the period	152,363	145,269
Cash and cash equivalents at the end of the period	97,275	147,567

Always with a heart



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