



PODRAVKA GROUP BUSINESS RESULTS FOR THE PERIOD JANUARY – DECEMBER 2008

Main characteristics and events

1. The sales of Podravka brands totalled HRK 2,456.7 million, which is HRK 206.1 million higher and accounts for a 9% growth of sales. An equal 9% growth of Podravka brands was achieved on both the Croatian and foreign markets.
2. The total sales of the Podravka Group in 2008 amounted HRK 3,660.0 million which is a growth of 7% compared to the year 2007.
3. The Strategic Business Area (SBA) Food and beverages achieved a 4% sales growth, while the sales of the SBA Pharmaceuticals increased 19% compared to the year 2007.
4. The Group's gross margin was 40.6% representing a drop of 70bp.
5. The operating margin recorded a positive shift of 160bp reaching 4.3%.
6. The net profit totalled HRK 44.6 million reflecting a net margin increase of 70bp.
7. Total capital investments were HRK 403.0 million.
8. Podravka purchased the brand Čokolešnik and Čoko, famous Slovene brands in the breakfast cereal category.
9. Podravka brands Vegeta, Čokolino and Podravka gained the Superbrand status in Bosnia and Herzegovina.
10. The following new members of the Supervisory Board were elected at the Shareholders' General Assembly of Podravka d.d.: Karmen Antolić, Nikola Gregur, Damir Kovačić, Branko Vuljak and Darko Marinac, who at the constitutive session of the Supervisory Board was elected Chairman of the Supervisory Board.
11. By the Decision of the Supervisory Board the new Management Board of Podravka is composed of five members: Zdravko Šestak as President of the Management Board, Miroslav Vitković as his deputy and Saša Romac, Marin Pucar and Josip Pavlović as members of the Management Board of Podravka.

Notes

Sales from the first quarter of 2007 have been reported through the following groups of products:

SBA "Food and beverages"

1. Podravka brands

- Food seasonings
- Podravka dishes – includes the following products groups from the previous classification: Podravka dishes, Fruit and vegetables, Rice and legumes and Mill products
- Baby food, sweets and snack
- Meat products and canned fish – includes Meat and meat products and Canned fish
- Beverages

2. Commercial goods (third party's goods)

3. Other (Food and beverages)

- B2B, insourcing, private label

SBA "Pharmaceuticals"

SBA "Services"

Due to the new classification of products in 2008 within the Podravka brand products group, the disclosed sales of 2007 differs from the one disclosed in the reporting period of 2007. The new classification has included a part of the meat programme (canned ready-to-serve dishes and meat sauces) into the Podravka dishes products group while the termination of the contract on licensed production of the product brand Deit caused the transfer of this category from the Beverages group into Commercial goods.

In compliance to this reclassification, compared are the sales for the years 2008 and 2007.

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-Dec 2008		Jan-Dec 2007		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and beverages	2,924.5	79.9	2,810.6	81.9	104
2	Pharmaceuticals	729.0	19.9	614.3	17.9	119
3	Services	6.5	0.2	6.9	0.2	93
Total		3,660.0	100.0	3,431.8	100.0	107

The Podravka Group achieved sales revenue in the amount of HRK 3,660.0 million resulting in a HRK 228.2 million higher revenue compared to the same period of the year before.

The sales of the SBA Food and beverages totalled HRK 2,924.5 million which represents a sales growth of 4%. Sales growth on foreign markets (9%) mostly affected the achieved level of sales of the SBA Food and Beverages, while there was a 1% drop on the Croatian market. The sales drop of the SBA Food and beverages on the Croatian market resulted from the expected drop of Commercial goods sales of 52% and despite the strong sales growth of Podravka brands of 9% a lower level of sales than the year before was recorded.

The total sales growth of the SBA Food and beverages was primarily contributed by the growth of sales of the product groups: Podravka dishes (11%), Meat products and canned fish (13%) and Beverages (19%).

The SBA Pharmaceuticals achieved sales revenue in the amount of HRK 729.0 million which represents a growth of HRK 114.7 million (19%). The sales growth of the SBA Pharmaceuticals on the Croatian market was 5%, generated by the growth of both prescription (3%) and non-prescription drugs (6%). According to the ATC classification¹, the most significant sales growth on the Croatian market in the prescription drug group was realised by drugs for system infection treatment (23%), while in the non-prescription drug group the most significant increase was recorded by OTC drugs (10%). The SBA Pharmaceuticals recorded a 62% sales growth on foreign markets which is mostly contributed by the sales growth on the market of Bosnia and Herzegovina (275%). Growth of the market of Bosnia and Herzegovina resulted from the sales of Farmavita², but an organic growth of 9% is also evident.

The SBA Services achieved sales of HRK 6.5 million in the observed period and in the total sales of the Group accounts for a modest share of 0.2%³.

¹ Anatomical Therapeutic Chemical System of Drug Classification

² Belupo gained a majority share in Farmavita at the end of January 2008

³ The SBA Services shall not be a part of the analysis which follows as in the total sales of the Podravka Group it accounts for just 0.2%.

Sales per product groups

		in millions of HRK				
Item no.	PRODUCT GROUP	Jan-Dec 2008		Jan-Dec 2007		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Podravka brands	2,456.7	67.1	2,250.6	65.6	109
	Podravka dishes	809.4	22.1	732.3	21.3	111
	Food seasonings	691.5	18.9	666.0	19.4	104
	Meat products and canned fish	405.9	11.1	359.8	10.5	113
	Baby food, sweets and snack	331.9	9.1	309.2	9.0	107
	Beverages	218.0	5.9	183.3	5.4	119
2	Commercial goods	177.2	4.9	306.6	8.9	58
3	Other (Food and beverages)	290.6	7.9	253.4	7.4	115
4	Pharmaceuticals	729.0	19.9	614.3	17.9	119
5	Services	6.5	0.2	6.9	0.2	94
	Total	3,660.0	100.0	3,431.8	100.0	107

Podravka brands recorded total sales of 9% while the organic sales of Podravka brands increased by 7% compared to the year 2007. All groups under the Podravka brand achieved an increase in sales compared to the previous year.

Sales growth of the Podravka Dishes product group of 11% results from the sales growth on both the domestic (9%) and foreign markets (12%). The most significant growth of Podravka dishes on foreign markets was recorded on the market of Central Europe (18%) with the highest contribution from the Czech market (17%) based on the sales of Rice and legumes (18%). Apart from the market of Central Europe, a strong growth was also recorded on the market of South-East Europe (11%) mainly contributed by the markets of Serbia (20%) and Bosnia and Herzegovina (8%).

The Food seasoning product group achieved a sales growth of 4% contributed by the sales growth on both the Croatian market (3%) and foreign markets (4%). The sales growth on foreign markets was primarily contributed by the sales growth of the Warzywko brand on the Polish market (88%), which is Podravka's most significant market in the Food seasoning product group. The total organic growth of this product group was 2%.

The Meat products and canned fish product group achieved a sales growth of 13% generated by the sales growth on both the Croatian (8%) and foreign markets (24%). The total growth of this product group resulted from a strong sales growth of canned fish of 29%, but also a significant 7% increase of the sales of meat products. Podravka's canned fish brand – Eva achieved a sales growth of 16% on the Croatian market, while on foreign markets the growth was 35%. Foreign markets that recorded a significant growth of Eva canned fish are Bosnia and Herzegovina (32%), Slovenia (94%), Montenegro (37%) and Serbia (12%).

The sales growth of the Baby food, sweets and snack product groups of 7% was accounted for by a sales growth on both the domestic market (7%) and foreign markets (7%). The sales growth on foreign markets is based on the sales growth on the markets of Bosnia and Herzegovina (15%) and Serbia (8%). The highest

growth within the Baby food, sweets and snack product group was recorded by baby food (9%), sweets (5%) and cereals (21%).

The highest relative sales growth in the year 2008 was achieved in the product group Beverages in the amount of 19% based on the sales of the Lero brand. The Beverages product group achieved sales growth in the amount of 19% on the domestic market, while the sales growth on the market of Bosnia and Herzegovina was 22% based on strong sales of the Studena ice tea category.

New products in the fourth quarter of the year 2008



Belmiran DAN and **Belmiran SAN** help alleviate difficulties caused by stress and insomnia. Belmiran DAN contains pasiflora extract with a soothing and relaxing effect which makes Belmiran DAN suitable for relieving displeasure, frustration and irritation. Belmiran SAN which contains valerian, pasiflora and hops extracts with a soothing effect, reduces the time needed to fall asleep and enables deeper and better sleep and is therefore recommended for sleeping disorder treatment.



Alomax 5% suspension is a new drug on the Croatian market for treating androgenic alopecia. It is intended only for men. Alomax stimulates and strengthens hair growth and solves the problem of hair loss. It is recommended for men who have suffered hair loss problems for a shorter time.



NEOFEN plus gel alleviates pain and reduces inflammation and is applied for local treatment of neck, back, joint and muscle pain, swelling caused by sprains and other accidents and sports injuries, rheumatic pain and neuralgia.

Sales per market groups

Item no.	MARKET GROUP	in millions of HRK				
		Jan-Dec 2008		Jan-Dec 2007		Index 2:4
0	1	Amount	%	Amount	%	6
1	Croatia	1,946.8	53.2	1,937.7	56.5	100
2	South-East Europe	786.7	21.5	640.2	18.6	123
3	Central Europe	524.6	14.3	459.9	13.4	114
4	Western Europe, overseas countries and Orient	235.3	6.4	226.4	6.6	104
5	Eastern Europe	166.6	4.6	167.6	4.9	99
Total		3,660.0	100.0	3,431.8	100.0	107

In the observed period sales in the amount of HRK 1,946.8 million was achieved on the Croatian market, which accounts for 53% of the total sales of the Podravka Group. There was a change in the sales structure on the domestic market in 2008 where a 52% drop of Commercial goods was almost completely compensated by a 9% sales increase of Podravka brands and a simultaneous growth of sales of the SBA Pharmaceuticals of 5%.

A sales growth of HRK 1,713.2 million was achieved on foreign markets representing a sales growth of 15% but also an increase of the relative share of sales on foreign markets in total sales. The highest growth of total sales was achieved on the market of South-East Europe (23%) which is mostly contributed by the sales growth on the market of Bosnia and Herzegovina (44%). Apart from a significant growth on the market of South-East Europe, sales on the market of Central Europe (14%) also grew under the influence of growth on both the Czech (23%) and Polish (12%) markets.

Structure of operating costs / expenses

Item no.	COSTS / EXPENSES	in millions of HRK				
		Jan-Dec 2008		Jan-Dec 2007		Index 2:4
0	1	Amount	%	Amount	%	6
1	Cost of goods sold	2,174.2	61.4	2,016.0	58.8	108
2	Selling and distribution expenses	1,010.8	28.5	1,013.9	29.6	100
3	General and administrative expenses	358.6	10.1	398.4	11.6	90
Total		3,543.6	100.0	3,428.3	100.0	103

Operating costs/expenses of the Podravka Group amounted HRK 3,543.6 million recording a 3% growth (HRK 115.3 million) compared to the year 2007. The growth of Cost of goods sold of 8% had the greatest impact on the growth of operating costs/expenses which resulted from the growth of raw material, material and energy prices. Selling and distribution expenses marked a slight drop compared to the year before, in the amount of HRK 3.1 million, mostly from the reduction of marketing expenses (6%). General and administrative expenses were 10% lower than last year's and have reduced their relative share in operating costs/expenses.

Profitability of the Podravka Group

in millions of HRK				
Podravka Group	Jan-Dec2008	Jan-Dec2007	Change	(2/3)
1	2	3		4
Sales	3,660.0	3,431.8		7%
Gross profit	1,485.8	1,415.9		5%
EBITDA	318.5	255.8		25%
EBIT	158.5	92.3		72%
Net profit	44.6	18.3		144%
<i>Profit margins (%)</i>				
Gross margin	40.6	41.3		-70bp
EBITDA margin	8.7	7.5		120bp
EBIT margin	4.3	2.7		160bp
Net margin	1.2	0.5		70bp

The gross profit of the Podravka group totalled HRK 1,485.8 million which is a 5% growth compared to the year 2007, but the increase of Cost of goods sold of 8% reflected a drop of gross margin by 70bp. The growth of operating profit of HRK 66.2 million compared to the year before resulted in a significant increase of operating margin by 160bp. The observed period is characterised by more intensive activities in the field of acquisitions financed mostly through debt increase. Higher indebtedness increased the Group's financing costs by 79%, but a significant improvement of profitability compared to the year before and lower effective tax rate reflected a net margin growth of 70bp.

Profitability per Strategic Business Area

SPP	in millions of HRK					
	Food & beverages			Pharmaceuticals		
	Jan-Dec 2008	Jan-Dec 2007	Change (2/3)	Jan-Dec 2008	Jan-Dec 2007	Change (5/6)
1	2	2	4	5	6	7
Sales	2,924.5	2,810.6	4%	729.0	614.3	19%
Gross profit	1,063.1	1,038.3	2%	422.6	377.5	12%
EBITDA	168.2	106.0	59%	150.2	149.6	0%
EBIT	48.5	-23.6	306%	109.9	115.9	-5%
Net profit	-27.6	-60.5	54%	72.2	78.9	-8%
<i>Profit margins (%)</i>						
Gross margin	36.4	36.9	-50bp	58.0	61.5	-350bp
EBITDA margin	5.8	3.8	200bp	20.6	24.4	-380bp
EBIT margin	1.7	-0.8	250bp	15.1	18.9	-380bp
Net margin	-0.9	-2.2	130bp	9.9	12.8	-290bp

Sales of the SBA Food and beverages recorded a growth of 4% and the sales structure affected a drop of gross margin of 50bp. The operating margin increased by 250bp due to reduced Selling and distribution expenses and General and administrative expenses achieved by business process improvements and more efficient resource management. Despite the improvement of operating margin, significantly higher financing costs (86%) resulted in a negative net margin, although it increased by 130bp compared to the previous year.

The drop of profitability of the SBA Pharmaceuticals resulted from a change in the sales structure which in the year 2008 included the sales of the production portfolio of Farmavita and the pharmacy business, characterised by a lower profit margin. The increase of Selling and distribution expenses and General and administrative expenses influenced an additional drop of profitability and the EBIT margin recorded a drop of 380bp. The growth of Selling and distribution expenses (20%) was generated by a growth of selling and marketing expenses due to higher orientation of sales on the non-prescription drug portfolio. A lower effective tax rate reduced the net margin drop and it was 290bp lower compared to the year before.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Podravka d.d.:

We have audited the accompanying consolidated financial statements of Podravka d.d., Koprivnica ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated balance sheet as at 31 December 2008, and the related consolidated income statement, consolidated statements of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Društvo upisano u sudski registar Trgovačkog suda u Zagrebu: MBS 030022053; uplaćen temeljni kapital: 44.900,00 kuna; članovi uprave: Branislav Vrtačnik i Paul Trinder; poslovna banka: Zagrebačka banka d.d., Paromlinska 2, 10 000 Zagreb, ž. račun/bank account no. 2360000-1101896313; devizni račun: 2100312441 SWIFT Code: ZABHR2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkoga 6, 10 000 Zagreb, ž. račun/bank account no. 2340009-1110098294; devizni račun: 70010-519758 SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, ž. račun/bank account no. 2484008-1100240905; devizni račun: 2100002537 SWIFT Code: RZBHR2X IBAN: HR48 2484 0082 1000 0253 7

Deloitte se odnosi na tvrtku Deloitte Touche Tohmatsu, osnovanu u skladu sa švicarskim pravom (Swiss Verein) i mrežu njegovih tvrtki članica, od kojih je svaka pravno odvojena i samostalna osoba. Molimo posjetite www.deloitte.com/hr/o-nama za detaljni opis pravne strukture Deloitte Touche Tohmatsu i njegovih tvrtki članica.

Member of Deloitte Touche Tohmatsu

INDEPENDENT AUDITOR'S REPORT (continued)

Matters affecting the opinion

As discussed in Note 20 to the financial statements, on 20 December 2007 the Group, as lessee, entered into a sale and lease-back agreement for an item of asset under financial lease. According to International Accounting Standard 17 (IAS 17), any excess of sales proceeds over the carrying amount of an asset in a sale and lease-back transaction within a financial lease arrangement should not be immediately recognised as income; instead, it should be deferred and amortised over the lease term. The Group recognised the entire sales proceeds at the point of entering into the underlying agreement, which is not in accordance with IAS 17. Consequently, the results of the Group for the year ended 31 December 2008 are understated by HRK 2,867 thousand, deferred income is understated by HRK 40,058 thousand, whereas retained earnings are overstated by HRK 42,925 thousand as of 31 December 2008.

Opinion

In our opinion, except for the effect of the matter discussed in the preceding paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte d.o.o., Zagreb

Branislav Vrtačnik, Certified Auditor



30 March 2009

CONSOLIDATED INCOME STATEMENT

(in thousands of HRK)

	<u>2008</u>	<u>2007</u>
Sales	3,660,034	3,431,826
Cost of goods sold	<u>(2,174,215)</u>	<u>(2,015,956)</u>
Gross profit	<u>1,485,819</u>	<u>1,415,870</u>
Investment revenue	25,546	22,623
Other gains, net	21,157	67,189
General and administrative expenses	(358,599)	(398,369)
Selling and distribution expenses	(576,679)	(550,955)
Marketing expenses	(434,158)	(462,993)
Other expenses	(4,562)	(1,108)
Finance costs	<u>(104,149)</u>	<u>(58,340)</u>
Profit before tax	<u>54,376</u>	<u>33,917</u>
Income tax	<u>(9,780)</u>	<u>(15,581)</u>
Profit after tax	<u>44,596</u>	<u>18,336</u>
Attributable:		
To the equity holders of the parent	<u>44,739</u>	<u>18,336</u>
Minority interest	<u>(143)</u>	<u>-</u>
Earnings per share		
- Basic	8.41	3.40
- Diluted	8.27	3.34

CONSOLIDATED BALANCE SHEET

(in thousands of HRK)

	<u>2008</u>	<u>2007</u>
ASSETS		
Non-current assets		
Property, plant and equipment	1,770,858	1,669,321
Goodwill	48,428	31,119
Other intangible assets	343,599	197,437
Deferred tax assets	44,552	35,491
Other financial assets	61,705	60,917
	<u>2,269,142</u>	<u>1,994,285</u>
Current assets		
Inventories	631,760	594,522
Trade and other receivables	1,435,538	1,153,886
Financial assets at fair value through profit or loss	23,539	6,163
Cash and cash equivalents	270,609	112,549
	<u>2,361,446</u>	<u>1,867,120</u>
Non-current assets held for sale	4,517	5,469
Total current assets	<u>2,365,963</u>	<u>1,872,589</u>
Total assets	<u>4,635,105</u>	<u>3,866,874</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	1,587,356	1,628,467
Reserves	83,458	138,641
Retained earnings	258,578	177,864
Attributable to the equity holders of the parent	<u>1,929,392</u>	<u>1,944,972</u>
Minority interest	34,113	-
	<u>1,963,505</u>	<u>1,944,972</u>
Non-current liabilities		
Financial liabilities at fair value through profit or loss	318,750	354,000
Long-term debt	597,572	113,498
Provisions	27,339	25,412
Deferred tax liability	8,356	642
	<u>952,017</u>	<u>493,552</u>
Current liabilities		
Trade and other payables	844,453	761,696
Short-term borrowings	858,455	649,216
Provisions	16,675	17,438
	<u>1,719,583</u>	<u>1,428,350</u>
Total liabilities	<u>2,671,600</u>	<u>1,921,902</u>
Total liabilities and shareholders' equity	<u>4,635,105</u>	<u>3,866,874</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in thousands of HRK

	<u>Share capital</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Minority interest</u>	<u>Total</u>
Balance at 1 January 2007	1,427,329	148,503	170,848	1,746,680	-	1,746,680
Restatement of opening balance		134	(2,513)	(2,379)	-	(2,379)
Exchange differences (net gains recognised directly in equity)	-	8,205	-	8,205	-	8,205
Net profit for the year	-	-	18,336	18,336	-	18,336
Total recognised income for 2007		8,205	18,336	26,541	-	26,541
Purchase of treasury shares	(57,526)	-	-	(57,526)	-	(57,526)
Options exercised	11,106	-	-	11,106	-	11,106
Fair value of share options	8,682	-	-	8,682	-	8,682
Dividend approved	-	(25,703)	(1,305)	(27,008)	-	(27,008)
Transfer to other and legal reserves	-	7,502	(7,502)	-	-	-
Expiry of options on Company shares	238,876	-	-	238,876	-	238,876
Balance at 31 December 2007	1,628,467	138,641	177,864	1,944,972	-	1,944,972
Foreign currency translation adjustment		(19,208)		(19,208)		(19,208)
Net profit for the year	-	-	44,739	44,739	(143)	44,596
Total recognised income for 2008	-	(19,208)	44,739	25,531	(143)	25,388
Acquisition of subsidiaries	-	-	-	-	34,170	34,170
Exchange differences	-	-	-	-	86	86
Purchase of treasury shares	(33,738)	-	-	(33,738)	-	(33,738)
Sale of treasury shares	266	-	-	266	-	266
Options exercised	3,882	-	-	3,882	-	3,882
Fair value of share options	(11,521)	-	-	(11,521)	-	(11,521)
Transfer to other and legal reserves	-	7,838	(7,838)	-	-	-
Coverage of loss	-	(43,813)	43,813	-	-	-
Balance at 31 December 2008	1,587,356	83,458	258,578	1,929,392	34,113	1,963,505

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of HRK)

	<u>2008</u>	<u>2007</u>
Net profit	44,596	18,336
Income tax	9,780	15,581
Depreciation	160,024	163,516
Gains / (losses) on sale of non-current assets	209	(46,311)
Gains on sale of non-current assets held for sale	-	(1,810)
Value adjustment of current assets	12,387	14,282
Value adjustment of non-current assets	2,273	989
Value adjustment of available-for-sale assets	689	(224)
Value adjustment of investments	8,324	-
Value adjustment of capital gains	(19,246)	478
Increase in long-term provisions	1,726	3,405
Value adjustment of liabilities at fair value through profit or loss	(35,894)	(18,801)
Interest income	(16,561)	(16,810)
Interest expense	90,557	57,008
Write-off of given loans	-	3,593
Effect of changes in foreign exchange rates	1,981	5,006
Other items not affecting cash	(1,268)	(7,419)
Changes in working capital:		
Increase in inventories	(12,264)	(35,267)
Increase in trade receivables	(222,458)	(62,606)
Decrease in other current assets	40,076	143,147
Increase in trade payables	9,064	82,455
Increase in other liabilities	49,961	5,454
Cash generated from operations	<u>123,956</u>	<u>324,002</u>

CONSOLIDATED CASH FLOW STATEMENT (continued)

(in thousands of HRK)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Cash generated from operations	123,956	324,002
Income taxes paid	(26,861)	(35,021)
Interest paid	(81,443)	(55,705)
Net cash from operating activities	<u>15,652</u>	<u>233,276</u>
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(229,955)	-
Sale of equity interest	-	1,436
Payments made for property, plant and equipment, and intangible assets	(172,830)	(362,497)
Sale of tangible and intangible assets	14,272	73,757
Sale of non-current assets held for sale	-	4,415
Long-term loans given and deposits	(14,181)	(56,000)
Repayment of long-term loans given and deposits	6,807	2,148
Purchase of trading securities	(33,700)	(3,010)
Sale of trading securities	8,000	
Short-term loans given and deposits	(149,618)	-
Repayment of short-term loans given and deposits	108,910	2,000
Interest received	-	1,326
Net cash from investing activities	<u>(462,295)</u>	<u>(336,425)</u>
Cash flows from financing activities		
Purchase of treasury shares	(33,738)	(57,526)
Sale of treasury shares	11,873	24,888
Proceeds from long-term borrowings	549,602	40,429
Repayment of long-term borrowings	(84,929)	(177,151)
Proceeds from short-term borrowings	1,017,018	965,276
Repayment of short-term borrowings	(855,123)	(679,328)
Dividends paid	-	(27,008)
Net cash from financing activities	<u>604,703</u>	<u>89,580</u>
Net increase / (decrease) in cash and cash equivalents	158,060	(13,569)
Cash and cash equivalents at beginning of year	<u>112,549</u>	<u>126,118</u>
Cash and cash equivalents at the end of year	<u>270,609</u>	<u>112,549</u>

Always with a heart



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