

PODRAVKA GROUP

Business Results for Full Year 2007



Main characteristics and events of the Podravka Group in the year 2007

1. The sales of Podravka brands amounted HRK 2,256.5 mn and represents a growth of 8% compared to the year 2006. On the Croatian market Podravka brands achieved a sales growth of 7% while foreign markets recorded a sales growth of 9%.
2. Commercial goods were sold in the amount of 296.4 mn HRK dropping 45% which mainly resulted from the drop of Commercial goods sales on the South-East European market (82%). The negative influence of Commercial goods sales drop on the total sales of the South-East European market was diminished by the sales growth of Podravka brands by 13%, resulting mainly from the growth on the markets of Serbia (35%) and Bosnia & Herzegovina (13%).
3. The continuance of the product portfolio optimization process and the reduction of Cost of goods sold costs caused the level of gross margin to increase by 230 bp compared to the year 2006.
4. The continuance of restructuring was reflected in the EBIT margin drop by 90 bp.
5. The net margin dropped by 120 bp due to greater expenses from interests on loans and the lack of revenue from exchange rate differences on loans.
6. The brands Warzywko and Lero were successfully integrated into the Podravka brand product portfolio.
7. The total value of investments and acquisitions amounted to HRK 291.4 mn.
8. A business cooperation agreement was concluded between Podravka and the company Microsoft solving the issue of licensing Microsoft platform products for all Podravka Group companies located in eighteen countries worldwide.
9. A business cooperation agreement was concluded between Podravka, the Gastro Group (Food-service) and the National Association of Family and Small Hotels to improve the status of Podravka products in the hotel – catering facilities of members of the National Association of Family and Small Hotels through Gastro Group distribution.
10. A five-year business cooperation agreement was concluded between Podravka and SMS by which Podravka undertakes the sales and distribution of SMS products. This agreement expands their cooperation to joint development of food products.
11. Production of products under the brands Lino and Čokolino started at the new Baby Food Factory.
12. Successful accomplishment of the Project for introducing Halal standards in the production of Podravka Meat Industry and Snacks Factory resulted in the Halal certificate covering Podravka products based on baby beef, beef and poultry meat and the segment of milk pudding powdery products.
13. The expiry of the five-year contract between Podravka and Nestlé according to which Podravka had distributed a part of the Nestlé product range on the market of Croatia since 2002.

Notes

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

From the first quarter 2007 onwards we will be reporting on the following groups of products:

SBA "Food and beverages"

1. Podravka brands

- a. Food seasonings
- b. Podravka dishes –includes the following products groups from the previous classification: Podravka dishes, Fruit and vegetables, Rice and legumes and Mill products
- c. Baby food, sweets and snack
- d. Meat products and canned fish – includes Meat and meat products from previous classification and purchased brand EVA – canned fish
- e. Beverages

2. Commercial goods (third partie's goods)

3. Other (Food and beverages)

SBA "Pharmaceuticals"

SBA "Services"

In compliance to this reclassification, compared are the sales for the 2006 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 revenues per Strategic Business Areas

in millions of HRK

Item no.	SBA	2007		2006		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and beverages	2,810.6	81.9	2,852.1	82.2	99
2	Pharmaceuticals	614.3	17.9	605.1	17.5	102
3	Services	6.9	0.2	10.3	0.3	67
Total		3,431.8	100.0	3,467.5	100.0	99

Total trade revenues in the amount of HRK 3,521.6 mn were achieved at Group level of which sales revenue accounted for HRK 3,431.8 mn and are 1% less compared to the year 2006.

The sales of the SBA Food and beverages accounted for HRK 2,810.6 mn or 82% of the Group sales and compared to the year 2006 recorded a sales drop of 1%. The drop of sales of Commercial goods on foreign markets (-81%) together with a strong growth of Podravka brands recorded on both the domestic (7%) and foreign (9%) markets had impact on the SBA Food and beverages' sales level. The termination of Nestlé products distribution on the markets of Bosnia and Herzegovina, Macedonia and Serbia resulted in the drop of relative share of Commercial goods in Group sales from 16% in the year 2006 to 9% in 2007. The 7% drop of sales of SBA Food and beverages on foreign markets was almost completely compensated by a 5% sales growth of the relevant SBA on the market of Croatia due to the sales increase of Podravka brands.

The SBA Pharmaceuticals achieved sales in the amount of 614.3 mn which represents a growth of 2% compared to the year 2006. The drop of sales of the SBA Pharmaceuticals on the Croatian market (1%) results from a drop of prescription drugs of 4% due to constant corrections (reductions) of prices of drugs listed by the Croatian Health Insurance Institute, while OTC (over-the-counter) products recorded a 24% growth on the domestic market. On foreign markets SBA Pharmaceuticals recorded sales in the amount of HRK 148.1 mn which represents a sales growth of 10% on this market. Sales growth on foreign markets is generated by a growth of prescription drugs sales of 8% and OTC products of 48%. The highest sales growth on foreign markets was recorded on the Russian market (36%).

SBA Services reported sales of HRK 6.9 mn within the observed period, accounting for a small 0.2% in the total sales of the Group.

Sales revenues per product groups

Item no.	PRODUCT GROUP	in millions of HRK				
		2007		2006		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Podravka brands	2,256.5	65.7	2,087.6	60.2	108
	Food seasonings	666.0	19.4	639.0	18.4	104
	Podravka dishes	649.0	18.9	618.2	17.8	105
	Meat products and canned fish	443.3	12.9	387.8	11.2	114
	Baby food, sweets and snack	309.1	9.0	288.4	8.3	107
	Beverages	189.1	5.5	154.1	4.4	123
2	Commercial goods	296.4	8.6	537.1	15.5	55
3	Other (Food and beverages)	257.7	7.5	227.4	6.6	113
4	Pharmaceuticals	614.3	17.9	605.1	17.5	102
5	Services	6.9	0.2	10.3	0.3	67
	Total	3,431.8	100.0	3,467.5	100.0	99

All product groups within the Podravka brands achieved sales growth compared to the same period last year, resulting in a total growth of Podravka brands of 8%. Organic sales of Podravka brands - Podravka brand sales reduced by the sales of brands Warzywko and Lero, recorded a 6% increase.

The Food seasonings product group achieved a sales growth of 4% in the observed period. Sales drop of Food seasonings (-2%) on the domestic market was compensated by the growth of that product group on foreign markets (6%) of which organic growth of Food seasonings on foreign markets accounted for 3%. Podravka purchased the brand Warzywko in the first year half and additionally strengthened its position as leader on the market of Poland, the most significant food seasoning market. The Food seasoning sales growth of 34% on the market of Poland was generated by a strong (organic) growth of the Vegeta brand of 20%.

Podravka dishes achieved a sales growth of 5% contributed by a 7% growth on the market of Croatia and 3% on foreign markets. The greatest sales growth of 6% Podravka dishes recorded on the market of South-East Europe, to which the highest contribution came from the Serbian market (29%).

The Meat products and canned fish product group achieved a 14% sales growth generated by the growth of sales on the markets of Croatia (7%) and South-East Europe (44%). Along with the Meat product growth of 7% the total growth of this group is also based on a strong sales growth of canned fish of 54%. The regionally well-known canned fish brand – Eva achieved a sales growth of 39% on the Croatian market while 61% was achieved on the market of South-East Europe based on the growth on the markets of Bosnia and Herzegovina (67%) and Serbia (56%).

The products group Baby food, sweets and snacks achieved a 7% sales growth generated by sales growth on the market of Croatia (8%) and on foreign markets (7%). The largest increase within the group Baby food, sweets and snacks was recorded by Sweets (16%), Čokolino spread (8%) and Čokolino cereal (34%). Besides the market of Croatia, a significant growth was achieved on the markets of Serbia (34%) and Bosnia and Herzegovina (10%).

The highest relative growth of 23% was achieved in the group Beverages generated by the sales of the Lero brand on the domestic market. Podravka strengthened its market position in the category of non-alcoholic beverages with the purchase of Lero, expanding its product range to the category of juices, nectars, syrups and other soft drinks. The product group Beverages achieved a sales growth of 18% on the market of Croatia, while the sales on the market of Bosnia and Herzegovina increased by 95% based on strong sales of the category Studena Ice tea. The organic growth of Beverages in the year 2007 accounts for 3%.

Novi proizvodi u četvrtom kvartalu 2007. godine



Vegeta flavoured Kelly's Chips

Joint cooperation between Podravka and the Austrian company Kelly's resulted in a co-branding project of Vegeta and Kelly's Chips. This is a tasty snack with natural aroma and a special touch of Vegeta originality. The product is currently in the testing phase on the markets of Austria and Slovenia.



Rum punch flavoured pudding, Caramel cream flavoured pudding

A new combination of Dolcela pudding flavours brings together the fantasies of traditional sweets and modern times, which demand a light dessert prepared quickly and easily. Pudding requires just 1-2 minutes of cooking and the further use of cooked pudding depends on time, way of cooling, supplements and decoration.



Triple phantasy, Parfait phantasy, White phantasy

Dolcela's multicomponent products contain all the main ingredients for preparing cakes, make them easy to make and delicious to taste. These three new products are characterized by quick and easy preparation with no baking necessary.



White tea

White tea is known as the magic potion, the fountain of youth. Only the finest and the youngest leaves and buds still covered with thin, white little hair of the tea plant are chosen for it. Due to its minimal cultivation and carefully chosen selection of leaves and buds, it stands out from the green tea because it has more polyphenol –antioxidant which helps the organism in struggle against the free radicals.

Sales revenues per markets

in millions of HRK						
Item no.	MARKETS	2007		2006		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Croatia	1,937.7	56.4	1,880.8	54.2	103
2	South-East Europe	640.2	18.7	778.7	22.5	82
3.	Central Europe	459.9	13.4	434.8	12.5	106
4.	Western Europe, overseas and Orient	226.4	6.6	221.9	6.4	102
5	East Europe	167.6	4.9	151.3	4.4	111
Total		3,431.8	100.0	3,467.5	100.0	99

The market of Croatia achieved sales of HRK 1,937.7 mn which covers 56% of total sales of the Podravka Group and a sales increase of 3% compared to the year 2006. Sales growth of Podravka brands of 7% on the market of Croatia is generated by the growth of all product groups except Food seasonings whose sales dropped by 2%. On the domestic market a drop was also recorded by Commercial goods (-14%), and taking into account the termination of the distribution agreement for Nestlé products, (on the Croatian market) at the year end of 2007, further reduction of Commercial goods sales on the domestic market is expected in the future period. The SBA Food and beverages increased sales by 5% on this market compared to the year 2006.

The SBA Pharmaceuticals achieved 76% sales on the Croatian market and in the observed period achieved a 1% drop of sales. A significant share of sales of SBA Pharmaceuticals on the Croatian market is based on the sales of prescribed drugs whose value of sales is subject to changes (decrease) in the price of drugs on the Croatian Health Insurance Institute list. Sales of OTC products on the Croatian market achieved a 24% growth.

Along with the expected sales drop of Commercial goods on foreign markets of 81%, in general, foreign markets achieved sales in the amount of HRK 1,494.1 mn which is a 6% drop. The impact of the Commercial goods sales drop on foreign markets has partially been compensated by the growth of Podravka brands sales of 9% and SBA Pharmaceuticals of 10%. The highest growth of Podravka brands on foreign markets was achieved on the markets of South-East Europe (13%) and Central Europe (11%).

On foreign markets the highest growth of total sales was recorded on the markets of East Europe (11%) mainly due to the growth of SBA Pharmaceuticals of 38%. The highest sales growth of SBA Pharmaceuticals was recorded on the Russian market (36%) mostly by the sales of drugs from the dermatics group of products.

Structure of operating cost / expenses

Item no.	COST / EXPENSES	in millions of HRK				
		2007		2006		Index 2:4
0	1	Amount	%	Amount	%	6
1	Cost of goods sold	2,016.0	58.8	2,116.3	62.6	95
2	Selling and distribution expenses	1,013.9	29.6	906.0	26.8	112
3	General and administrative expenses	398.4	11.6	359.2	10.6	111
Total		3,428.3	100.0	3,381.5	100.0	101

The operating expenses of the Podravka Group increased by 1% compared to the year 2006 and their structural change results from the modernization of business processes and the Group's business restructuring.

The reduction of Costs of goods sold of 5% results from the purchasing centralization process, continuous product portfolio optimization and a fall of share of Commercial goods sales in the total Group sales. The increase of Selling and distribution costs of 12% mostly results from higher marketing investments that compared to the year before grew by 13%. Return on investment into the marketing of new but existing products is seen through the growth of sales of Podravka brands, but also in the growth of their market share or maintaining the current share on growing markets/categories. Marketing costs are expected to grow in the future periods and take a larger share in the structure of Selling and distribution costs. The continuance of the restructuring process increased General and administrative expenses (11%) and severance payment expenses which were 40% higher than in 2006 greatly influenced this growth.

Profitability of the Podravka Group

in millions of HRK			
Podravka Group	2007	2006	Change (2/3)
1	2	3	4
Sales	3,431.8	3,467.5	-1%
Gross profit	1,415.9	1,351.2	5%
EBITDA	255.8	327.5	-22%
EBIT	92.3	126.2	-27%
Net profit	18.3	60.4	-70%
Profit margins %			
Gross margin	41.3	39.0	230 bp
EBITDA margin	7.5	9.4	-190 bp
EBIT margin	2.7	3.6	-90 bp
Net margin	0.5	1.7	-120 bp

The gross margin of the Podravka Group rose to 230 bp compared to the year 2006 and resulted from the sales growth of more profitable products within the Podravka brands product group (product portfolio optimization) with concurrent reduction of the share of low profitable Commercial goods in total sales. The growth of operating expenses in 2007 reflected on the drop of the EBIT margin by 90 bp. The net margin dropped by 120 bp under the influence of financing costs increase, respectively, the burden of higher expenses from interests on loans and negative exchange rate differences on loans.

Profitability per Strategic Business Area

in millions of HRK

SBA	Food and beverage			Pharmaceuticals		
	2007	2006	Change (2/3)	2007	2007	Change (5/6)
1	2	3	4	5	6	7
Sales	2,810.6	2,852.0	-1%	614.3	605.1	2%
Gross margin	1,038.4	1,000.3	4%	377.5	350.5	8%
EBITDA	106.2	143.0	-26%	149.6	184.2	-19%
EBIT	-23.6	-14.0	69%	115.9	139.9	-17%
Net profit	-60.5	-40.6	49%	78.9	100.7	-22%
Profit margins %						
Gross margin	36.9	35.1	180 bp	61.5	57.9	360 bp
EBITDA margin	3.8	5.0	-120 bp	24.4	30.4	-600 bp
EBIT margin	-0.8	-0.5	-30 bp	18.9	23.1	-420 bp
Net margin	-2.2	-1.4	-80 bp	12.8	16.6	-380 bp

At the SBA Food and beverages level the product portfolio optimization process tested the profitability and turnover of each SKU (Stock-keeping Unit) and their number was reduced by half in the two years of process implementation. The influence of this process is evident through constant profitability increase of the SBA Food and beverages at the gross margin level which compared to 2006 rose by 180 bp. Gross margin growth was also under the influence of the drop of Cost of sold products, reduced through production process improvements and through the purchasing centralization process. The operating margin of SBA Food and beverages recorded a drop of 30 bp due to the rise of Selling and distribution costs and General and administrative expenses (restructuring costs included). The drop of net margin of 80 bp partly results from the increase of financing costs which rose 5% after the acquisition cycle conducted in the period 2006/2007.

The growth of gross margin of SBA Pharmaceuticals of 360 bp results from a mild structural change of sales, respectively, growth of high profitable OTC products sales in the total sales and significant savings at the level of Sold products costs (-7%). OTC products recorded a sales growth of 27% compared to the year 2006 and represent sales not subject to price pressure imposed by the Croatian Health Insurance Institute. The drop of operating and net margin in 2007 can be explained by last year's structure of operating profit which was increased by extraordinary income (extraordinary income resulting from a positive ruling in the legal case with Avena d.o.o.).

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that consolidated financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) which give a true and fair view of the state of affairs and results of Podravka d.d. and Its Subsidiaries ('the Group') for that period.

After making enquiries, the Management Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the consolidated financial statements.

In preparing those financial statements, the responsibilities of the Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- the consolidated financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and must also ensure that the financial statements comply with the Croatian Accounting Law. The Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board:

Darko Marinac

Podravka d.d.

Ante Starčevića 32
48 000 Koprivnica
Republic of Croatia

Zagreb, 31 March 2008

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Podravka d.d.:

We have audited the accompanying consolidated financial statements of Podravka d.d. ('the Company') and Its Subsidiaries ('the Group'), which comprise of the consolidated balance sheet as at 31 December 2007, and the related consolidated income statement, consolidated statements of changes in equity and of consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements of the Group for the year ended 31 December 2006 were audited by another auditor who has, in its report dated 29 March 2007, expressed an unqualified opinion on those financial statements.

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.

Audit • Tax • Consulting • Financial Advisory.

Member of
Deloitte Touche Tohmatsu

INDEPENDENT AUDITOR'S REPORT (continued)

Qualification

As discussed in Note 20 to the consolidated 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 2007 are overstated by HRK 42,925 thousand and the deferred income is understated by the same amount.

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 2007, 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



31 March 2008

CONSOLIDATED INCOME STATEMENT

(in thousands of HRK)

	2007	2006
Sales	3,431,826	3,467,504
Cost of goods sold	(2,015,956)	(2,116,279)
Gross profit	1,415,870	1,351,225
Investment revenue	22,623	14,755
Other gains, net	67,189	27,196
General and administrative expenses	(398,369)	(359,245)
Selling and distribution expenses	(550,955)	(500,581)
Marketing expenses	(462,993)	(405,411)
Other expenses	(1,108)	(1,731)
Profit from operations	92,257	126,208
Finance costs	(58,340)	(50,059)
Profit before tax	33,917	76,149
Income tax	(15,581)	(15,788)
Net profit	18,336	60,361
Earnings per share:		
- Basic	3.40	11.24
- Diluted	3.34	11.04

CONSOLIDATED BALANCE SHEET

(in thousands of HRK)

	2007	2006
ASSETS		
Non-current assets		
Property, plant and equipment	1,669,321	1,633,454
Goodwill	29,137	28,357
Intangible assets	199,419	58,868
Financial assets available for sale	-	1,394
Deferred tax assets	35,491	24,137
Other financial assets	60,917	11,243
	1,994,285	1,757,453
Current assets		
Inventories	594,522	564,485
Trade and other receivables	1,153,886	1,241,505
Financial assets at fair value in income statement	6,163	3,046
Cash and cash equivalents	112,549	126,118
	1,867,120	1,935,154
Non-current assets held for sale	5,469	7,898
Total current assets	1,872,589	1,943,052
TOTAL ASSETS	3,866,874	3,700,505
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	1,628,467	1,427,329
Reserves	138,641	148,503
Retained earnings	177,864	170,848
	1,944,972	1,746,680
Non-current liabilities		
Financial liabilities at fair value in income statement	354,000	372,158
Long-term debt	113,498	153,177
Provisions	25,412	22,007
	492,910	547,342
Current liabilities		
Trade and other payables	762,338	920,346
Short-term borrowings	649,216	456,860
Provisions	17,438	29,277
	1,428,992	1,406,483
Total liabilities	1,921,902	1,953,825
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,866,874	3,700,505

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of HRK)

	Share capital	Reserves	Retained earnings	Total
Balance at 1 January 2006	1,635,796	125,514	159,849	1,921,159
Exchange differences (net gains recognised directly in equity)	-	2,828	-	2,828
Net profit for the year	-	-	60,361	60,361
Total recognised income for 2006	-	2,828	60,361	63,189
Purchase of treasury shares	(9,721)	-	-	(9,721)
Sale of treasury shares	9,649	-	-	9,649
Options exercised	14,210	-	(2,160)	12,050
Fair value of share options	16,271	-	-	16,271
Dividend approved	-	(19,921)	(7,120)	(27,041)
Transfer to other and legal reserves	-	40,082	(40,082)	-
Call option on Company shares	(238,876)	-	-	(238,876)
Balance at 31 December 2006	1,427,329	148,503	170,848	1,746,680
Restatement of opening balance	-	134	(2,513)	(2,379)
Exchange differences (net gains recognised directly in equity)	-	8,205	-	8,205
Net loss for the year	-	-	18,336	18,336
Total recognised income for 2007	-	8,205	18,336	26,541
Purchase of treasury shares	(57,526)	-	-	(57,526)
Options exercised	11,106	-	-	11,106
Fair value of share options	8,682	-	-	8,682
Dividend approved	-	(25,703)	(1,305)	(27,008)
Transfer to other and legal reserves	-	7,502	(7,502)	-
Expiry of options on Company shares	238,876	-	-	238,876
Balance at 31 December 2007	1,628,467	138,641	177,864	1,944,972

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of HRK)

	2007	2006
Net profit	18,336	60,361
Income tax	15,581	15,788
Depreciation	163,516	201,252
Gains on sale of non-current assets	(46,311)	(3,900)
Gain on sale of assets available for sale	(1,810)	(9,812)
Value adjustment of current assets	14,282	14,341
Disposals of tangible fixed assets	-	7,583
Value adjustment of non-current assets	989	(906)
Value adjustment of available-for-sale assets	(224)	-
Value adjustment of capital gains	478	15,388
Increase in provisions	3,405	10,306
Value adjustment of liabilities at fair value in income statement	(18,801)	-
Gains on sale of financial assets at fair value, financial assets available for sale and equity investment in a Group entity	-	(13,693)
Interest income	(16,810)	(8,338)
Interest expense	57,008	45,907
Write-off of given loans	3,593	134
Effect of changes in foreign exchange rates	5,006	(2,558)
Other items not affecting cash	(7,419)	(5,655)
Changes in working capital:		
(Increase) / decrease in inventories	(35,267)	3,310
Increase in trade receivables	(62,606)	(117,573)
Decrease in other current assets	143,147	7,951
Increase in trade payables	82,455	79,033
Increase / (decrease) in other liabilities	5,454	(5,239)
Net cash generated from operations	324,002	293,680

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of HRK)

	2007	2006
Net cash flows from operating activities		
Cash generated from operations	324,002	293,680
Income taxes paid	(35,021)	(15,661)
Interest paid	(55,705)	(50,465)
Net cash from operating activities	233,276	227,554
Net cash flows from investing activities		
Sale of equity interest	1,436	12,919
Payments for property, plant and equipment and intangible assets	(362,497)	(182,316)
Sale of tangible and intangible assets	73,757	6,143
Sale of available-for-sale assets	4,415	15,420
Long-term loans given and deposits	(56,000)	-
Repayment of long-term loans given and deposits	2,148	2,565
Purchase of trading securities	(3,010)	(9,105)
Sale of trading securities	-	35,525
Short-term loans given and deposits	-	(252,000)
Repayment of short-term loans given and deposits	2,000	-
Interest received	1,326	145
Net cash used in investing activities	(336,425)	(370,704)
Net cash flows from financing activities		
Purchase of treasury shares	(57,526)	(9,721)
Sale of treasury shares	24,888	22,583
Proceeds from long-term borrowings	40,429	10,330
Repayment of long-term borrowings	(177,151)	(333,573)
Proceeds from short-term borrowings	965,276	667,626
Repayment of short-term borrowings	(679,328)	(562,170)
Proceeds from bonds issued	-	375,000
Dividends paid	(27,008)	(27,041)
Net cash from financing activities	89,580	143,034
Net decrease in cash and cash equivalents	(13,569)	(116)
Cash and cash equivalents at beginning of year	126,118	126,234
Cash and cash equivalents at the end of year	112,549	126,118



Podravka d.d.
Investor relations