



## THE PODRAVKA GROUP BUSINESS RESULTS FOR THE PERIOD JANUARY – JUNE 2006

### Basic features

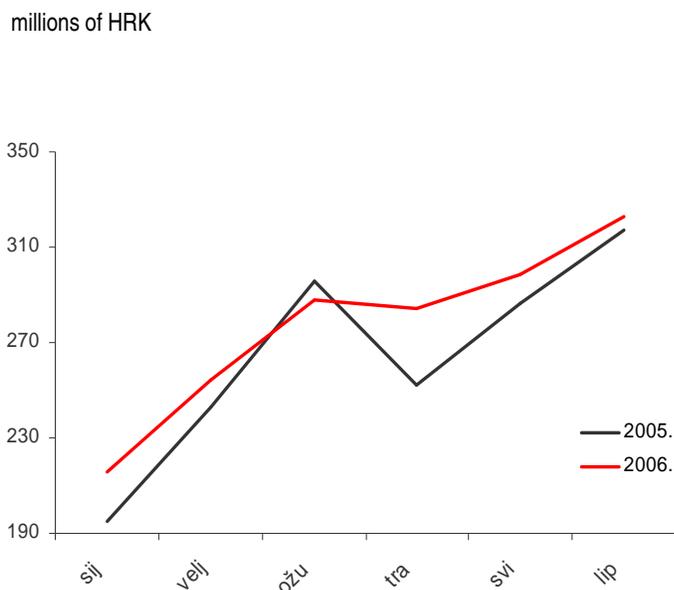
1. Sales increased by 5%, amounting to 1,674.3 million HRK.
  - 1.1. Sales increase in the Strategic Business Area (hereinafter SBA) "Food and Beverages" of 6% provided the sales result of 1,384.1 million HRK.
    - 1.1.1. SBA "Food and Beverages" 5% growth in the domestic market realized sales of 654.1 million HRK, while in the same period foreign markets marked the growth of 7%.
    - 1.1.2. Significant contribution to 11% sales growth in the market of Southeast Europe is provided by the organic growth in the Serbian market amounting to 31%.
  - 1.2. SBA "Pharmaceuticals" increased sales by 1%, which resulted in 285.9 million HRK.
    - 1.2.1. Sales of SBA "Pharmaceuticals" in the foreign markets increased by 8%. The highest growth of 38% was achieved in the market of Eastern Europe.
2. Gross revenue of 638.5 million HRK has increased by 4%.
3. EBIT is 62.8 million HRK, an increase of 31%.
4. Podravka d.d. sold its 100% share in the Koprivnička tiskarnica d.o.o. to the company Grafičar d.d. from Ludbreg.
5. Board of Podravka d.d. reached the decision to annex the company Podravka International Export-Import Sp. z o.o. headquartered in Warszawa to the company Podravka Polska SP. z o.o. headquartered in Kostrzyn.
6. Podravka d.d. dismissed and annulled 26,839,097 bonds under the symbol PODR-O-072A (99.40% of the initial bond issuing in the value of € 27 million).
7. Podravka d.d. issued its first corporate bond in HRK currency in the value of 375 million HRK due in 2011 and yearly interest rate of 5.125%, included in the official market of Zagreb Stock Exchange under the symbol PODR-O-115.
8. Podravka d.d. share awarded with "Golden share" prize for the best industrial share in the year 2005.
9. New products in the SBA "Food and Beverages": Vegeta - a universal liquid food complement, sliced tomatoes group, Schwarzwald dessert.
10. New products in the SBA "Pharmaceuticals": Zorac, Zan, Neofen forte, Herplex, Fit Lax.

## Sales Revenue

The realized sales revenue of the Podravka Group in the first half of the year 2006 was 1,697.4 million HRK, which is a 7% increase compared to the same period last year. In the total revenue structure, 99% is the sales revenue amounting to 1,674.3 million HRK, and is an increase of sales by 5%, while the realized organic growth for the same period is 3%.

In the sales structure, the share of SKU with the low gross margin and low coefficient of shelf turnover is diminishing applying the process of product range selection (complexity management), and intensive launch of new and innovative products on all markets increasing the activities on the level of marketing and advertising, make the share of new products in the structure of sales more significant. In the first half of the year 2006 the number of new products increased in the production portfolio of SBA "Food and Beverages", but also in the portfolio SBA "Pharmaceuticals" for two new drugs in the prescription segment and OTC medicines and one dietary product.

Comparable sales revenue growth on monthly basis for  
2005-2006



The first half of the year 2006 continues the sales growth trend on monthly basis, mostly on higher level than sales per months in the year 2005. Positive trend is visible in the compared quarterly values, where the sales in the second quarter increased by 21% comparing to the previous quarter in 2006, while in comparison to the sales in the second quarter of 2005 the increase is 7%.

Sales drop in the SBA "Pharmaceuticals" in the first quarter of 2006 is restored upon obtaining new import licenses for the Russian market, where the terms of cooperation with the wholesale drug stores have changed.

In the first half of the year 2006 SBA "Pharmaceuticals" marks the growth of 38% on the Russian market, compared to the same period last year. Quarterly growth of the SBA "Pharmaceuticals" of 34%, comparing to the first quarter, made up for the 9% drop in the first quarter, which resulted in 1% growth of this SBA in the first half of the year 2006.

## Sales per Strategic Business Area

in millions of HRK

Item no.	SBA	1 - 6 2006		1 - 6 2005		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and Beverages	1,384.1	82.7%	1,302.4	81.9%	106
2	Pharmaceuticals	285.9	17.1%	282.4	17.8%	101
3	Services	4.2	0.3%	5.1	0.3%	83
<b>Total</b>		<b>1,674.3</b>	<b>100.0%</b>	<b>1,589.9</b>	<b>100.0%</b>	<b>105</b>

## Sales per product groups

in millions of HRK

Item no.	PRODUCT GROUP	1-6 2006		1-6 2005		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Vegeta - Food Supplements	317.9	19.0	309.8	19.5	103
2	Meat and Meat Products	147.0	8.8	135.8	8.5	108
3	Baby Food, Sweets and Snacks	137.1	8.2	128.5	8.1	107
4	Fruit and Vegetables	123.1	7.4	111.3	7.0	111
5	Podravka Dishes	118.6	7.1	112.0	7.0	106
6	Rice, Legumes and Other Products	78.1	4.7	86.3	5.4	91
7	Beverages	73.8	4.4	76.6	4.8	96
8	Commercial Goods	331.3	19.8	290.0	18.2	114
9	Other (Food and Beverages)	57.3	3.4	52.0	3.3	110
10	Pharmaceuticals	285.9	17.1	282.4	17.8	101
11	Services	4.2	0.3	5.1	0.3	83
<b>Total</b>		<b>1,674.3</b>	<b>100.0</b>	<b>1,589.9</b>	<b>100.0</b>	<b>105</b>

In Podravka's product portfolio Vegeta achieves almost the fifth of the overall Group sales, and Vegeta's sales growth was mostly contributed by the growth of sales in the Eastern Europe (8%), Southeast Europe (6%) and in the Western Europe, Overseas countries and Orient (4%). Meat and meat products recorded an 8% sales growth and the 20% growth in foreign markets was mostly contributed by the growth in markets of Western Europe, Overseas countries and Orient (41%). The highest percentage growth was recorded in the fruits and vegetables (11%), mostly contributed by the growth in Southeast Europe (30%) and Croatian market (7%). Sales of baby food, sweets and snacks compared to the same period last year increased by 7%, while the most significant increase of 13% was recorded in the market of Southeast Europe. Podravka dishes increased by 6% largely in the market of Southeast Europe (4%). Sales of Commercial Goods increased by 14%, while Beverages marked a drop of -4% and the rice, legumes and other products group marked a drop of -9%, where the drop mostly relates to the Central European market.

## New products



**Liquid bouillons** are the new product from Podravka on the Australian market, where they are launched in four new flavours – liquid bouillons under the brand Vegeta: vegetable, chicken flavour, chili and garlic flavour. Those products are completely created and adapted to the taste and eating habits of the Australian consumers and are just one in the row of proofs of Podravka's innovative spirit and ability to adapt to specific needs of local markets around the world.



**Sliced tomato** in its own juice produced from ripe, juicy fruits, in an appealing red colour and true domestic flavour that only Podravka can offer.



It is a great choice of any housewife when preparing sauces for rice, pasta or pizza. With its natural and full flavour of fresh tomato it deliciously enriches beef and vegetable stews and similar dishes. Flavours from the sliced tomato group: sliced tomato with basil and oregano, sliced tomato with olive oil and garlic, sliced tomato with olives.



**Fit Lax** is a new product in the Croatian market used for losing weight and improving digestion. Immediately after consuming it provides you with the feeling of full stomach reducing the need for an abundant meal; it also improves digestion enabling and accelerating bowel movement. Active component of the Fit Lax powder are ground scales of Indian plantain. Their main feature is swelling, which gives the feeling of satiety. Fit Lax is a herbal preparation used as an aid in losing weight, because it reduces the feeling of hunger, improves digestion in a natural way and removes constipation, a frequent problem in reduction diets.



**NEOFEN FORTE** is a non-steroid counter inflammatory medicine, used for relieving pain, inflammation and reducing increased body temperature. NEOFEN FORTE is issued without a prescription, only in drug stores, and it is intended for a short term relief of mild to middle strength pain of various causes, such as headache, migraine, back pain, toothache, neuralgia, menstrual pain, rheumatic origin pain, muscle pain, pain and problems during ordinary flue and influenza as well as for relieving increased body temperature.

## Sales per Podravka Group Market

in millions of HRK

Item no.	MARKETS	1-6 2006		1-6 2005		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Croatia	881.1	52.6	851.7	53.6	103
2	South-East Europe	388.4	23.2	349.1	22.0	111
3	Central Europe	224.8	13.4	231.2	14.5	97
4	Western Europe, Overseas Countries and the Orient	108.2	6.5	94.7	6.0	114
5	Eastern Europe	71.7	4.3	63.2	4.0	113
<b>Total</b>		<b>1,674.3</b>	<b>100.0</b>	<b>1,589.9</b>	<b>100.0</b>	<b>105</b>

In the foreign markets total sales growth was 7%, while growth achieved in SBA "Food and Beverages" and SBA "Pharmaceuticals" was 7% and 8% respectively, comparing to the same period last year.

The highest sales growth of 14% was achieved in the Western Europe market, Overseas countries and Orient, contributed by the growth in USA, Australian, Austrian and Scandinavian markets. Analyzed per product groups the market growth was mostly contributed by the growth of Vegeta of 4%, 41% growth in the meat and meat products and 16% growth in Podravka dishes.

Southeast Europe saw 11% growth, mostly contributed by the organic growth of sales of 31% in the Serbian market and 7% in the Slovenian market. Analyzed through product groups, the highest growth was achieved by Vegeta (6%), baby food, sweets and snacks (13%) and fruits and vegetables (30%).

In the Croatian market the sales increased by 3%, and in the growth structure the sales in SBA "Food and Beverages" increased by 4%, while SBA "Pharmaceuticals" was on a slightly lower level compared to the same period a year earlier.

Eastern Europe market increased by 13%, and as for SBA view, SBA "Food and Beverages" marked the increase of 7%, while SBA "Pharmaceuticals" increased by 38%.

Sales drop of 3% in the Central European market is mostly contributed by the sales drop in the rice, legumes and other products group (-9%), while the most significant category in that market, food complements, remained on the last year's level. Commercial goods sales growth of 2% was achieved by 5% growth in sales of own commercial goods, Lagris, while the sales of other commercial goods marked the drop. Significant sales growth of 31% was achieved in the SBA "Pharmaceuticals".

## Structure of operating costs

in millions of HRK

Item no.	COST/EXPENSE	1-6 2006		1-6 2005 adjusted		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Costs of goods sold	1,035.8	63.4	977.2	63.6	106
2	Sales and distribution costs	447.7	27.4	419.8	27.3	107
3	General and administrative costs	150.5	9.2	140.6	9.1	107
<b>Total</b>		<b>1,634.0</b>	<b>100.0</b>	<b>1,537.7</b>	<b>100.0</b>	<b>106</b>

In the costs/expenses structure, general and administrative costs grew by 7% compared to the same period last year, and reason for this growth are the costs of restructuring the business. The share of general and administrative costs in sales was increased by 10bp, making their current share in total sales remain at 9%. Costs of sales and distribution are 27% of the total sales, which is 30bp more than in the same period last year. One of the reasons for sales and distribution costs increase are intensive marketing investments, which have increased by 13% comparing to the same period last year. The share of sold products in total sales has increased by 40bp and amounts to 62%, part of which is the material expenses increase by 3% compared to the sales growth of 5%, which proves better management of procurement channels.

## Profitability of the Podravka Group

Sales increase of 5% with almost unchanged share of expenses of the sold products influenced the increase of gross revenue by 4%. Operative gain of the Group increased by 31% owing to the faster sales growth compared to the growth of operative expenses of the business, especially in the SBA "Food and Beverages", where the operative gain increased in 137%. Net revenue in the first half of the year 2006 is 40.6 million HRK, which is 14% less compared to the same period last year. The strongest effect on the net gain had significantly lesser difference in the currency exchange rate.

Revenue per share in the second quarter was 4.57 HRK.

## Group profitability

in millions of HRK

Item no.		1-6 2006	1-6 2005 adjusted	Changes
0	1	2	3	4
1	Sales revenue	1,674.3	1,589.9	5%
2	Gross profit	638.5	612.5	4%
3	EBITDA	169.6	167.5	1%
4	EBIT	62.8	48.1	31%
5	Net profit	40.6	47.5	-14%

	Profit margins %	1-6 2006	1-6 2005	Changes
6	Gross margin	38.1	38.5	-39bp
7	EBITDA margin	10.1	10.5	-40bp
8	EBIT margin	3.8	3.0	73bp
9	Net margin	2.4	3.0	-56bp

## Profitability by Strategic Business Areas

in millions of HRK

SBA	Food and Beverages			Pharmaceuticals		
	1-6 2006	1-6 2005 adjusted	changes	1-6 2006	1-6 2005 adjusted	changes
Sales revenue	1,384.1	1,302.4	6%	285.9	282.4	1%
Gross profit	481.1	450.5	7%	157.4	162.0	-3%
EBITDA	106.8	107.5	-1%	62.8	59.9	5%
EBIT	21.9	9.2	137%	40.9	38.9	5%
Net profit	12.7	18.9	-33%	27.9	28.6	-2%
Profit margins						
Gross margins	34.8	34.6	16bp	55.1	57.3	-22bp
EBITDA margin %	7.7	8.3	-54bp	22.0	21.2	74bp
EBIT margin %	1.6	0.7	87bp	14.3	13.8	55bp
Net margin %	0.9	1.5	-54bp	9.8	10.1	-35bp

## CONSOLIDATED BALANCE SHEET

in thousands of HRK

ASSETS	31 December 2005	30 June 2006
<b>Subscribed capital unpaid</b>		
<b>Fixed assets</b>	<b>1,793,406</b>	<b>1,737,768</b>
Intangible assets	91,237	79,929
Tangible assets	1,655,399	1,614,257
Financial assets	33,575	30,988
Receivables	13,195	12,594
<b>Current assets</b>	<b>1,599,122</b>	<b>2,020,892</b>
Inventories	569,092	574,183
Trade account receivables	783,417	900,278
Other receivables	54,254	359,388
Financial assets	66,125	28,263
Cash and cash equivalents	126,234	158,780
<b>Prepayments and accrued income</b>	<b>20,299</b>	<b>69,209</b>
<b>Loss above the amount of capital</b>		
<b>TOTAL ASSETS</b>	<b>3,412,827</b>	<b>3,827,869</b>
<b>LIABILITIES</b>		
<b>Capital and reserves</b>	<b>1,921,159</b>	<b>1,981,196</b>
Subscribed capital	1,626,001	1,626,001
Reserves	232,532	314,607
Profit/loss for current year	62,626	40,588
<b>Minority interest</b>		
<b>Long term provision for risks and expenses</b>	<b>14,134</b>	<b>12,945</b>
<b>Long term liabilities</b>	<b>515,358</b>	<b>554,309</b>
<b>Creditors</b>	<b>871,492</b>	<b>1,203,633</b>
Trade creditors	455,903	512,438
Current financial liabilities	317,641	598,843
Other current liabilities	97,948	92,352
<b>Accruals and deferred income</b>	<b>90,684</b>	<b>75,786</b>
<b>TOTAL LIABILITIES</b>	<b>3,412,827</b>	<b>3,827,869</b>

## CONSOLIDATED INCOME STATEMENT

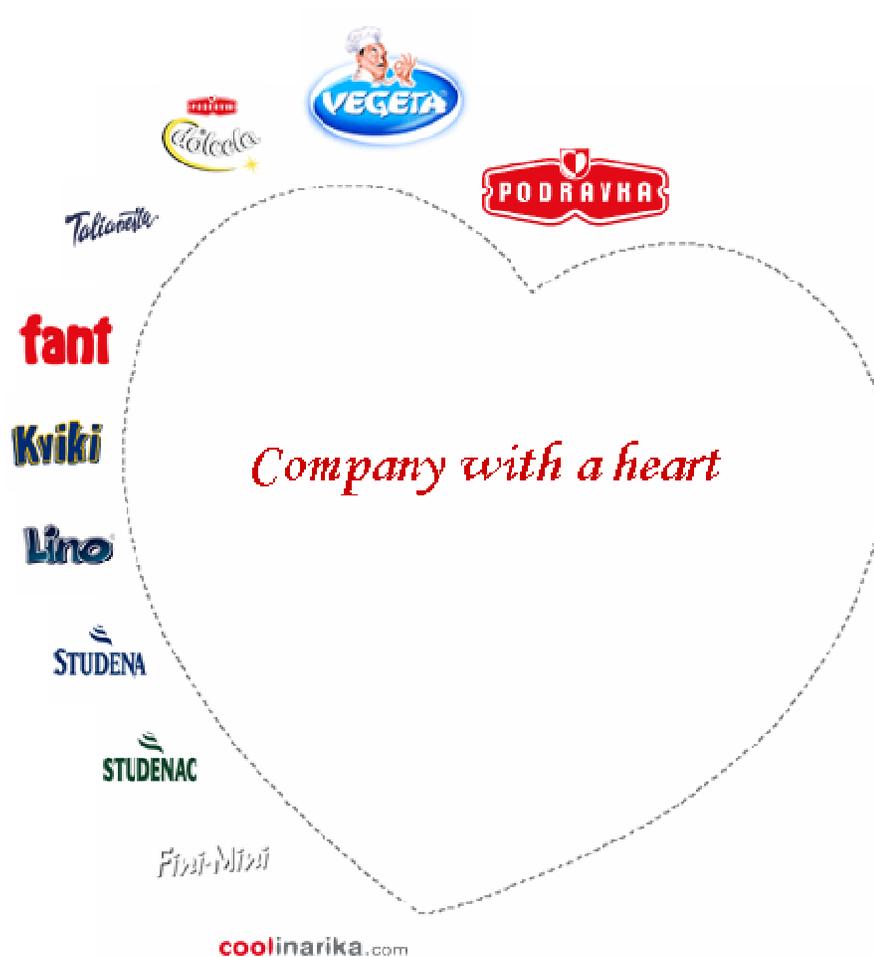
in thousands of HRK

INCOME	1-6 2005	1-6 2006
<b>Income</b>	<b>1,587,350</b>	<b>1,697,441</b>
Income from domestic sales	851,704	881,132
Income from foreign sales	738,220	793,137
Other income	-2,574	23,172
<b>Financial income</b>	<b>33,031</b>	<b>11,218</b>
Foreign exchange gains	33,031	11,218
Interests and other financial income	0	0
<b>Extraordinary income</b>	<b>0</b>	<b>0</b>
<b>TOTAL INCOME</b>	<b>1,620,381</b>	<b>1,708,659</b>
<b>EXPENSES</b>		
<b>Change in stock of finished goods and in work in progress</b>	<b>-4,559</b>	<b>-5,276</b>
<b>Expenses</b>	<b>1,543,800</b>	<b>1,639,921</b>
Material costs and costs of goods sold	946,911	1,035,458
Staff cost	375,019	403,092
Depreciation	119,349	106,785
Value adjustments and provisions	17,384	4,771
Interest and other financial expenses	85,137	89,815
<b>Financial expenses</b>	<b>23,572</b>	<b>25,289</b>
Foreign exchange losses	2,835	3,306
Interest and other financial expenses	20,737	21,983
<b>Extraordinary expenses</b>	<b>0</b>	<b>0</b>
<b>TOTAL EXPENSES</b>	<b>1,562,813</b>	<b>1,659,934</b>
<b>PROFIT OR LOSS</b>		
Profit or loss before tax	57,568	48,725
Profit tax	10,109	8,137
<b>Profit or loss after tax</b>	<b>47,459</b>	<b>40,588</b>
<b>Minority interest</b>		
<b>Net profit or loss of the group</b>	<b>47,459</b>	<b>40,588</b>

## CASH FLOW STATEMENT

in thousands of HRK

	1-6 2005	1-6 2006
<b>Net cash from operating activities</b>	<b>160,440</b>	<b>-255,061</b>
Profit/loss after tax	47,459	40,588
Depreciation	119,351	106,785
Increase/decrease in the value of stocks	-24,798	-5,091
Increase/decrease in trade receivables	-36,547	-116,861
Increase/decrease in other current receivables	8,077	-305,134
Increase/decrease in prepayments and accrued income	4,654	-48,910
Increase/decrease in trade creditors	-5,473	56,535
Increase/decrease in long-term provisions	-116	-1,189
Increase/decrease in accruals and deferred income	16,474	-14,898
Increase/decrease in receivables from subscribed, unpaid capital and loss above the amount of capital		
Increase/decrease in long-term receivables	814	601
Increase/decrease in current financial assets	2,270	37,862
Increase/decrease in other long-term liabilities	28,275	-5,349
Increase/decrease in other items		
<b>Net cash flow from investing activities</b>	<b>-63,707</b>	<b>-51,995</b>
Purchase of fixed tangible and intangible assets	-69,230	-58,186
Acquisition of subsidiaries		
Acquisition of minority interests		
Increase/decrease in long-term financial assets	14	2,587
Revenue from the sales of tangible and intangible assets	3,585	2,024
Dividends paid	-67	-247
Increase/decrease in other items	1,991	1,827
<b>Net cash flow from financial activities</b>	<b>-117,679</b>	<b>339,602</b>
Increase in capital by the new issue of shares		
Increase/decrease in long-term liabilities – loans and credits	-73,155	38,951
Increase/decrease in other long-term liabilities		
Increase/decrease in current liabilities – loans and credits	-19,147	281,202
Increase/decrease in other items	-25,377	19,449
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-20,946</b>	<b>32,546</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>116,140</b>	<b>126,234</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>95,194</b>	<b>158,780</b>



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