

Podravka Group

General Assembly Meeting

Koprivnica, 14 July 2011

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I Management report for 2010

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Business events in 2010

Extraordinary General Assembly of Podravka d.d.

On Extraordinary General Assembly of Podravka d.d. held on 25 March 2010, the following decisions were brought: decision to recall the president and the deputy president of the General Assembly of Podravka d.d. and decision to elect the president and the deputy president of the General Assembly of Podravka d.d.

Supervisory Board decisions

On 31 May 2010 the Supervisory Board of Podravka d.d. at its 54th session made a decision to appoint the president and members of the Management Board of Podravka d.d., due to the fact that mandate for all Management Board members expire on 31 May 2010.

The actual President of the Management Board, Miroslav Vitković, was again appointed President of the Management Board of Podravka d.d. and Lidija Kljajić, Krunoslav Bešvir, Marin Pucar and Miroslav Repić were appointed members of the Management Board.

General Assembly of Podravka d.d.

The General Assembly of Podravka d.d. was held on 31 August 2010 in Koprivnica at which the members of the Supervisory Board Darko Tipurić and Branko Vuljak were recalled and a decision was made on the election of the following members to the Supervisory Board: Dubravko Štimac, Dinko Novoselec, Petar Vlaić and Petar Miladin. Apart from this, a decision was made on the amendments to the Articles of Association of Podravka d.d.

Business events in 2010

Issue of the second tranche of commercial notes

Podravka d.d. successfully completed the issue of the second tranche of commercial notes in which Raiffeisenbank Austria d.d. (RBA) was the issue dealer. The total nominal tranche amount is HRK 130 million, yield 9.15%, issue price 91.638% and maturity 364 days.

The Decision on refinancing of Podravka d.d.

The Management Board of Podravka d.d. brought the Decision on refinancing short term indebtedness with a syndicated loan in the amount of EUR 100 million for a term of five years.

Business events in 2010

The total sales of the Podravka Group amounted to HRK 3,522.3 million

The total sales of the Podravka Group in the year 2010 amounted to HRK 3,522.3 million, which represents a drop of 2% compared to the same period of last year. The sales of the Strategic Business Area (SBA) Food and Beverages totalled HRK 2,778.1 million, which is a sales drop of 2% while the sales of the SBA Pharmaceuticals totalled HRK 744.2 million, representing a sales drop of 1%.

The drop of operating costs/expenses for 4%

The operating costs/expenses of the Podravka Group are HRK 133.6 million lesser (-4%) and totalled HRK 3,278.3 million.

Net profit of the Podravka Group amounted HRK 84.2 million

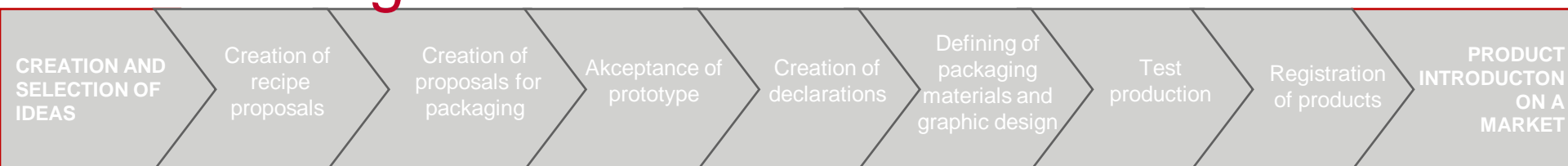
The realised net profit of the Podravka Group is HRK 84.2 million after provisions for the contractual relations with OTP Bank Nyrt in the amount of HRK 21 million, adjusted bond value of HRK 34.2 million and severance payments paid in the amount of HRK 12.5 million.

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Research and development in SBA Food & Beverages



11 SPECIALISTIC DEPARTMENTS WHICH COVER THE MOST IMPORTANT FOOD TECHNOLOGY AND BUSINESS AREAS

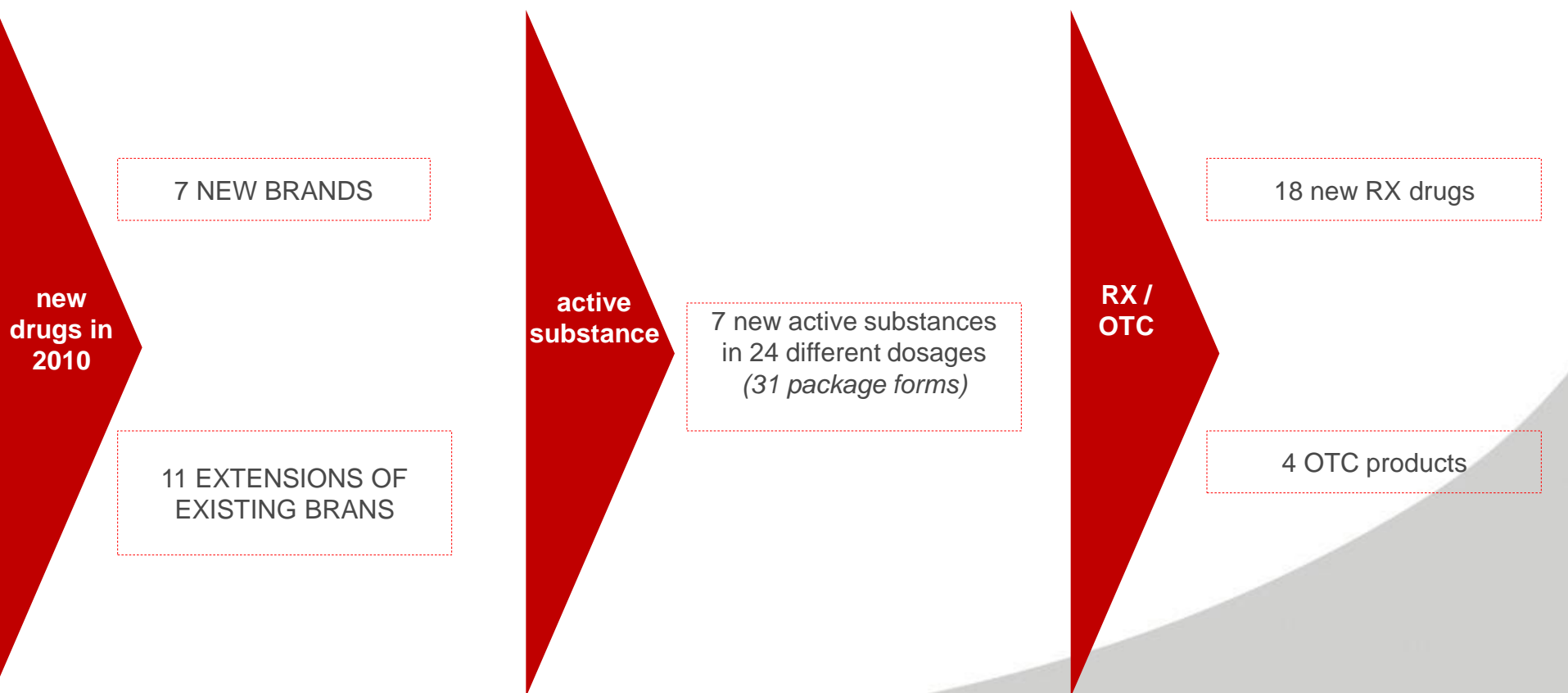
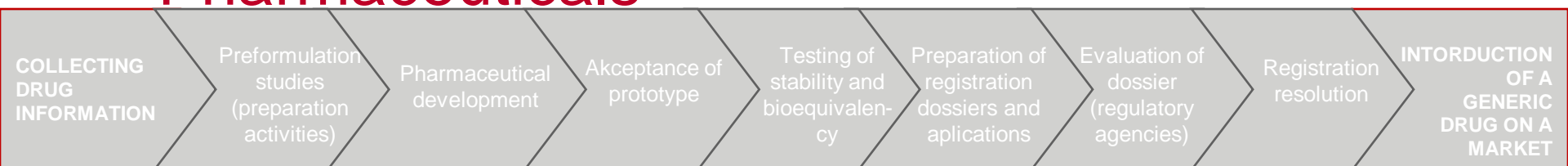
NEW AND INNOVATED PRODUCTS IN 2010



TOTAL

105 NEW AND INNOVATED PRODUCTS

Research and development in SBA Pharmaceuticals



Awards in 2010

Trusted Brands Croatia in 2010

- Podravka soups won the «Trusted brand 2010» award on the grounds of a survey on preferences conducted among readers of Reader's Digest who during May and June had to assess brands they trust the most.



Hit FMCG in 2010 - Poland

- Vegeta Natur was announced Hit FMCG product of 2010 in Poland in the selection of the prominent merchant magazine, Życie Handlowe.



Superior Taste Award 2010

- Superior Taste Award awarded by International Taste & Quality Institute from Bruxelles – one of the leading world organisations which test the quality of taste of all product categories from the food and beverage segment.
- Studenac brand found itself among top products and was rated with maximum three star grade, which placed it in the category of products with supreme taste and quality.
- other awarded products are: Ajvar Mild, Lino lada, Doughnut mix, Corn bread mix and Bread mix with seeds.



Best novelty in 2010 – Czech Republic

- Vegeta Natur has won at the prestigious independent competition Consumer choice – Best Novelty 2010 in the Czech Republic.



Best Buy Award 2010

- Podravka won Best Buy Award in eight categories: Ready-made meals (canned), Food seasonings, Soups, Canned vegetables, Canned fruits, Canned fish, Breakfast cereals and Side dishes.



High level of innovation and product development

BP dishes and food seasonings



BP Podravka food



High level of innovation and product development

BP meat



BP beverages



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Sales of the Podravka Group

Sales on domestic and foreign markets

2002 – 2010

HRK mn

2,747 3,218 3,295 3,441 3,468 3,432 3,660 3,587 3,522

Total Grupa

CAGR*
2002 – 2010

3.2%

3.7%

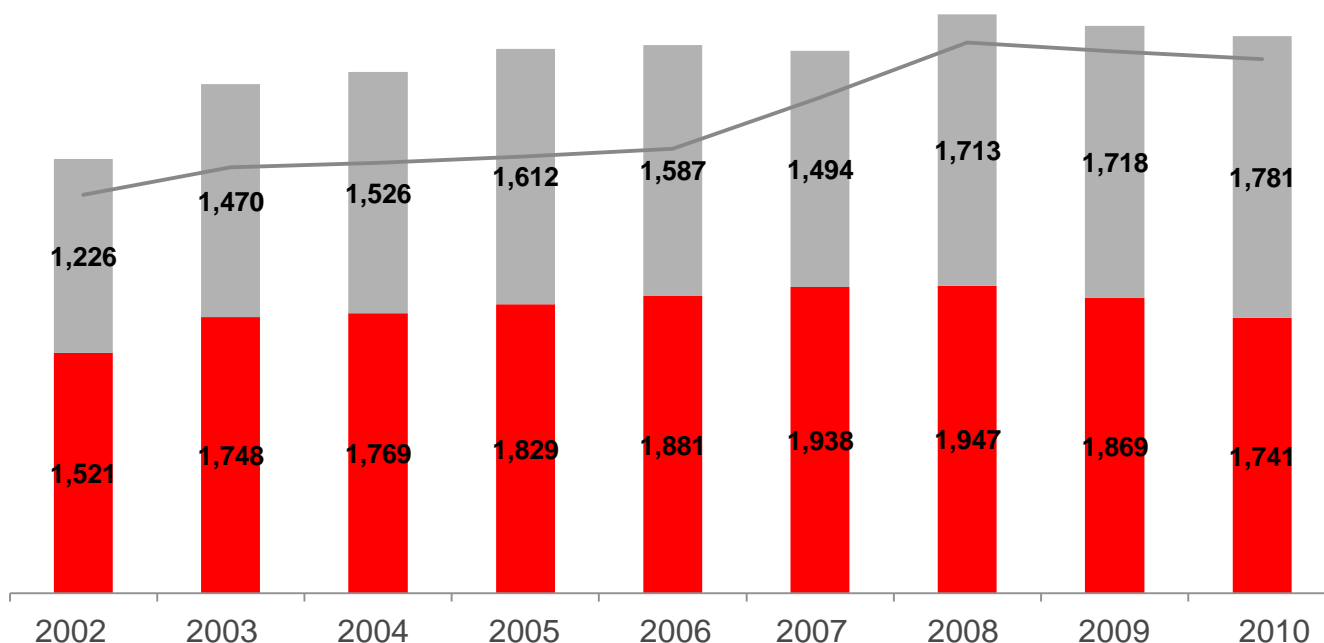
4.8%

1.7%

Group-CG**

Foreign markets

Domestic market



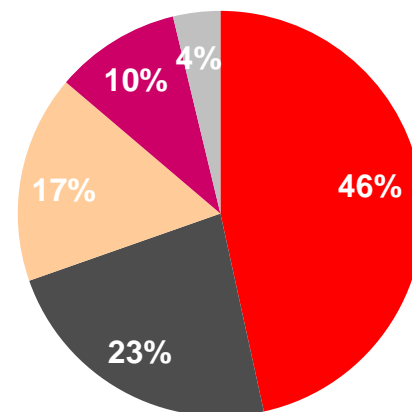
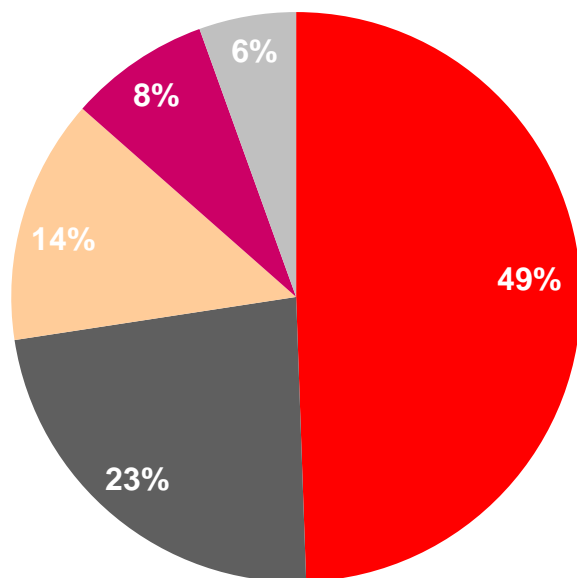
*Compound Annual Growth Rate

**Group-CG Group without commercial g

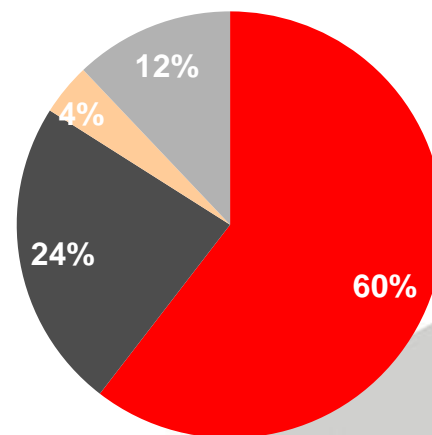
Sales structure per markets for Jan-Dec 2010

Sales structure of SBA F&B per markets

Sales structure of Podravka Group per markets



Sales structure of SBA Pharmaceuticals per markets



■ Croatia

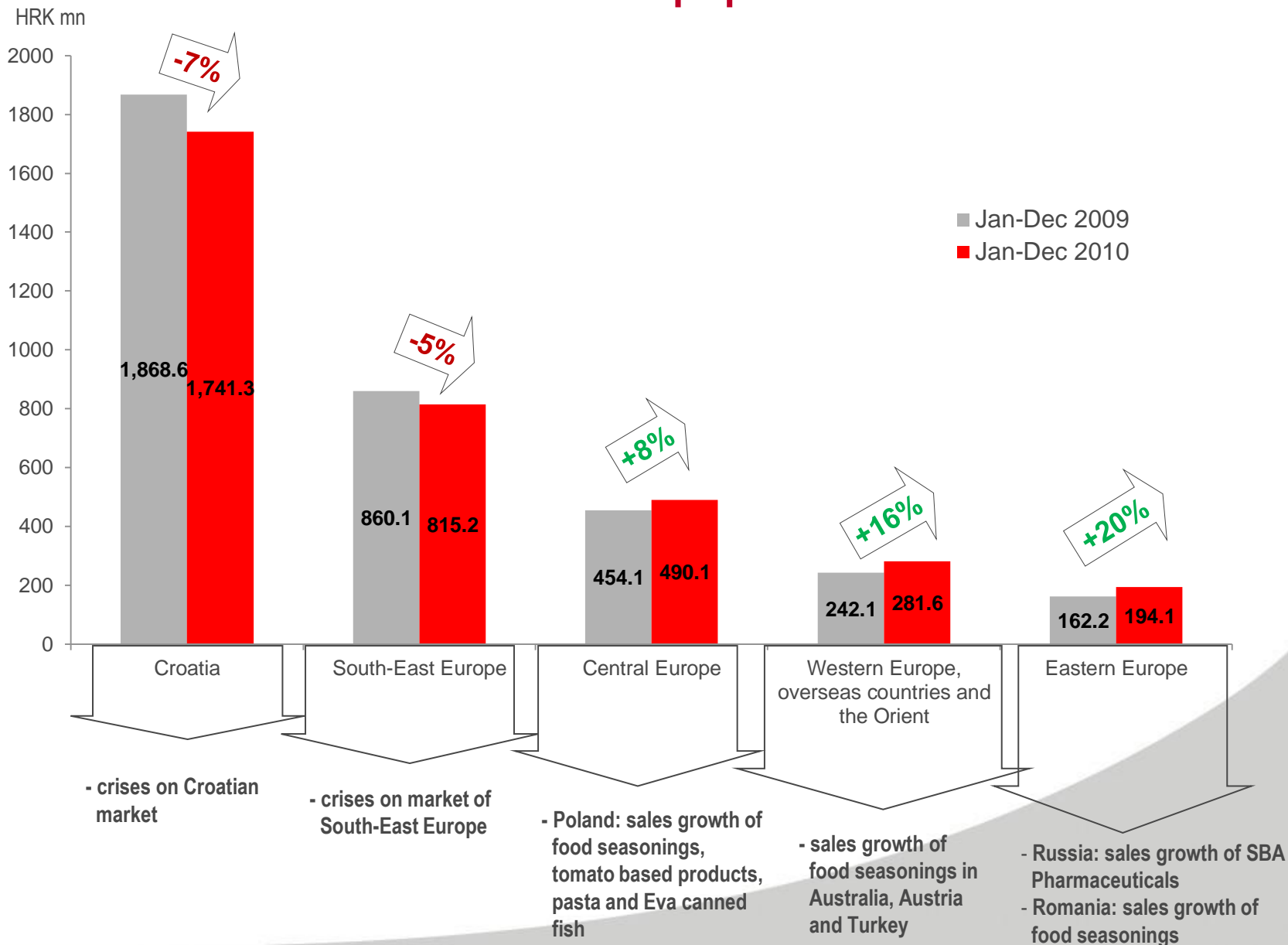
■ South-East Europe (Albania, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Slovenia, Serbia)

■ Central Europe (Czech Republic, Hungary, Poland, Slovakia)

■ Western Europe, overseas countries & the Orient (Austria, Australia, Benelux, Canada, France, Germany, Great Britain, Scandinavia, Switzerland, Turkey, USA, other countries)

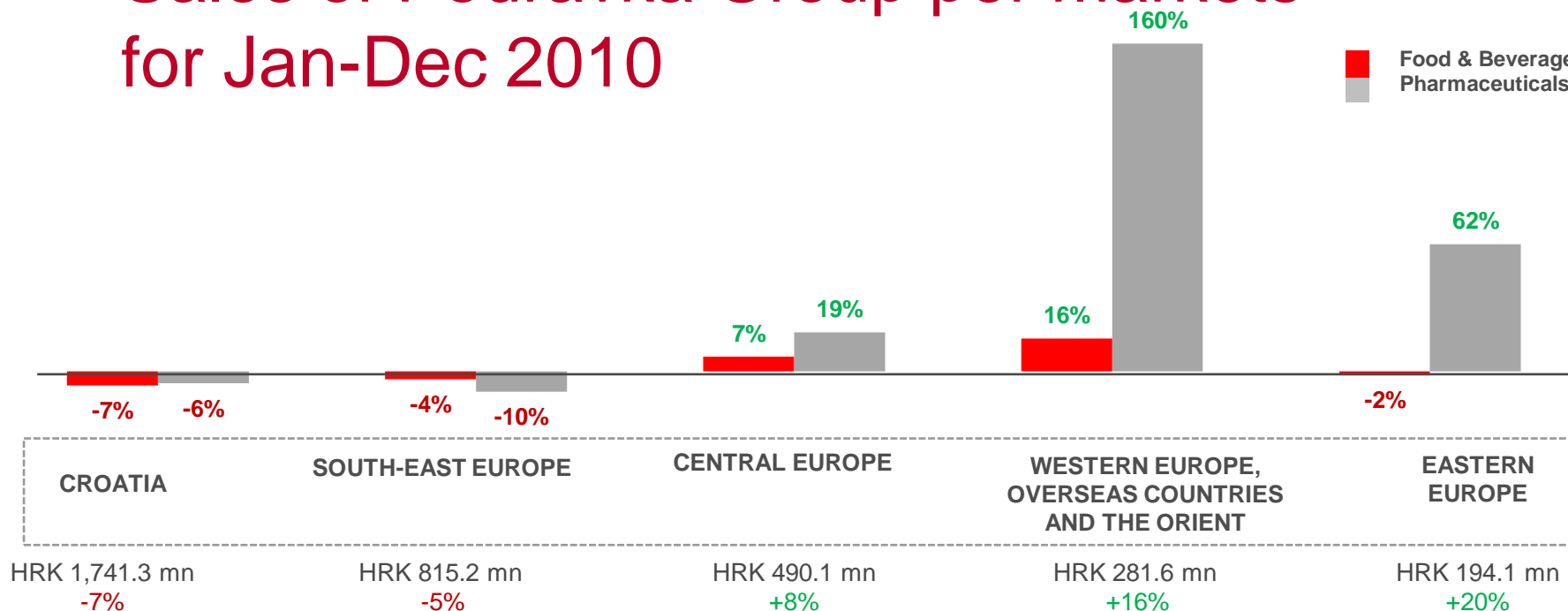
■ Eastern Europe (Bulgaria, Pribaltic, Romania, Russia, Ukraine, other countries of EE)

Sales of Podravka Group per markets



Sales of Podravka Group per markets for Jan-Dec 2010

■ Food & Beverages
■ Pharmaceuticals



Sales increase of Baby food (1%)

Sales increase of product group Baby food, sweets and snack (7%)

Poland: strong sales increase (21%)

Pharmaceuticals: sales increase in Turkey

Russia: sales increase of Pharmaceuticals (62%)

Lerovita powdery beverages and Lero syrups record sales increase

Sales increase of Special food seasonings (26%)

Czech Rep.: sales increase (2%)

Australia: sales increase of product group Food seasonings (36%)

Romania: sales increase of product group Food seasonings (9%)

Sales increase of sweets (5%)

Slovenia: sales increase of Podravka brands (2%)

Slovakia: sales increase of Side dishes (61%)

Austria: sales increase of product group Food seasonings (10%)

Bulgaria: sales increase of product group Food seasonings (36%)

Podravka Group business results

HRK mn

PODRAVKA GROUP	REPORTED RESULTS		RESULTS CORRECTED FOR ONE-OFF ITEMS		change (reported results)	change (results corrected for one-off items)
	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010 / Jan-Dec 2009	Jan-Dec 2010 / Jan-Dec 2009
Sales	3,522.3	3,587.1	3,522.3	2,587.1	-2%	-2%
Gross profit	1,447.0	1,445.5	1,447.0	1,445.5	0%	0%
EBITDA	360.1	-110.8	427.0	370.5	425%	15%
EBIT	204.9	-267.3	271.8	214.0	177%	27%
Net profit	84.2	-381.0	151.1	100.3	122%	51%
<i>Profit margins %</i>						
Gross margin	41.1	40.3	41.1	40.3	80bp	80bp
EBITDA margin	10.2	-3.1	12.1	10.3	1,330bp	180bp
EBIT margin	5.8	-7.5	7.7	6.0	1,330bp	170bp
Net margin	2.4	-10.6	4.3	2.8	1,300bp	150bp

Business results of SBA Food & Beverages

HRK mn

SBA FOOD & BEVERAGES	REPORTED RESULTS		RESULTS CORRECTED FOR ONE-OFF ITEMS		change (reported results)	change (results corrected for one-off items)
	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010 / Jan-Dec 2009	Jan-Dec 2010 / Jan-Dec 2009
Sales	2,778.1	2,834.4	2,778.1	2,834.4	-2%	-2%
Gross profit	1,042.7	1,048.5	1,042.7	1,048.5	-1%	-1%
EBITDA	219.4	-245.9	283.5	224.8	189%	26%
EBIT	106.6	-360.7	170.7	110.1	130%	55%
Net profit	32.2	-425.5	96.3	45.3	108%	113%
Profit margins %						
Gross margin	37.5	37.0	37.5	37.0	50bp	50bp
EBITDA margin	7.9	-8.7	10.2	7.9	1,660bp	230bp
EBIT margin	3.8	-12.7	6.1	3.9	1,650bp	220bp
Net margin	1.2	-15.0	3.5	1.6	1,620bp	190bp

Business results of SBA Pharmaceuticals

HRK mn

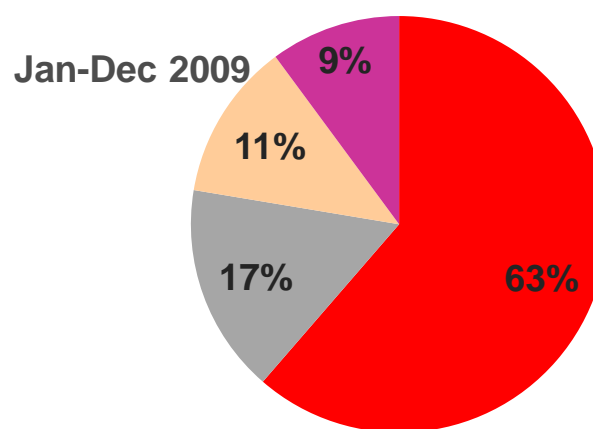
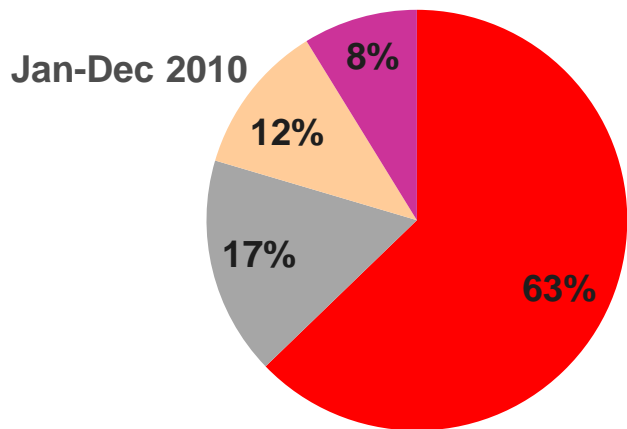
SBA PHARMACEUTICALS	REPORTED RESULTS		RESULTS CORRECTED FOR ONE-OFF ITEMS		change (reported results)	change (results corrected for one-off items)
	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010 / Jan-Dec 2009	Jan-Dec 2010 / Jan-Dec 2009
Sales	744.2	752.7	744.2	752.7	-1%	-1%
Gross profit	404.2	396.9	404.2	396.9	2%	2%
EBITDA	140.7	135.2	143.5	145.6	4%	-1%
EBIT	98.3	93.4	101.1	103.8	5%	-3%
Net profit	52.0	44.5	54.8	54.9	17%	0%
Profit margins %						
Gross margin	54.3	52.7	54.3	52.7	160bp	160bp
EBITDA margin	18.9	18.0	19.3	19.3	90bp	0bp
EBIT margin	13.2	12.4	13.6	13.8	80bp	-20bp
Net margin	7.0	5.9	7.4	7.3	110bp	10bp

Structure of operating costs / expenses

HRK 3,278.3 mn

HRK 3,411.9 mn

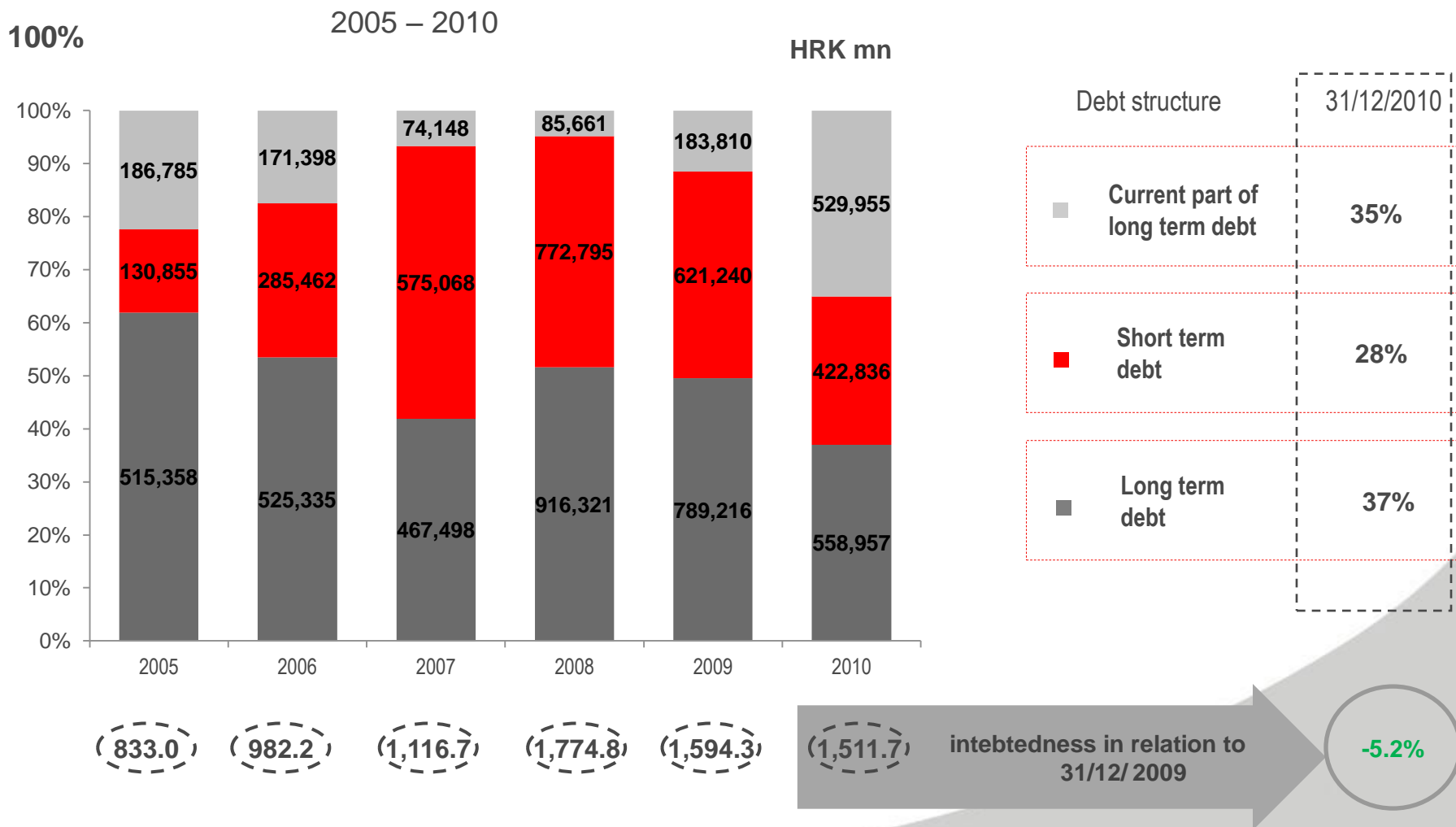
OPERATING COSTS



	2010 / 2009	% of sales 31/12/2010	% of sales 31/12/2009
■ Cost of goods sold	-3%	59%	60%
■ Selling & distribution costs	-3%	16%	16%
■ Marketing expenses	+1%	11%	11%
■ General & administrative expenses	-17%	7%	8%
■ ■ ■ ■ Total	-4%	93%	95%

Podravka Group indebtedness movement

Indebtedness movement and debt structure



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Guidelines for 2011

focus on **own products**

development of **new products**

extension of key brands and categories

further **rationalization of costs** of goods

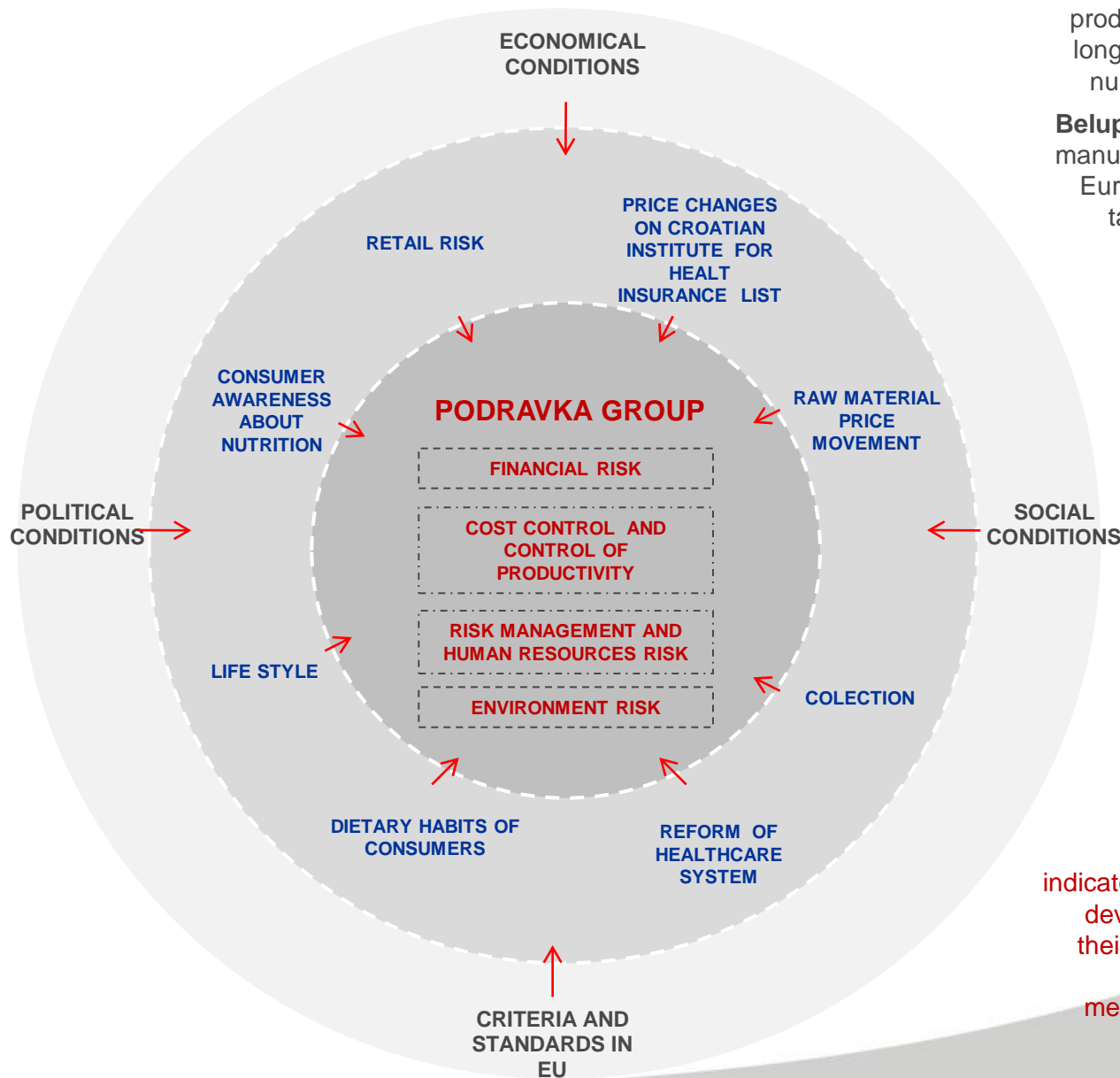
sold, selling and distribution costs and

general and administrative costs

indebtness reduction in coming period

- investments in most profitable programs and most prosperous markets
- innovation and high quality of products will ensure keeping of existing and conquer new market positions
- prices movement of raw materials and packaging represent a risk
- additional efforts in control of other costs
- goal is to preserve / improve profit margins
- planned indebtness reduction amounts approximately HRK150 mn
- settlement of disputable share package and relationship with OTP Bank still represents a risk

Risk factors



BUSINESS ENVIRONMENT RISK

Podravka meets all standards and requirements of EU production of food and beverages, which proves the long – term exports to all EU member countries and numerous international awards for product quality.

Belupo produces drugs and products based on good manufacturing practices, as required by the Croatian, European and American legislation and guidelines, taking into account their own experience and the experience of licensing partners.

RISKS OF FOOD AND PHARMACEUTICAL INDUSTRIES

Podravka pays attention to the comprehensive monitoring of global trends in the food industry, and tries to keep up with the latest technological achievements by offering new products with an increasing share of value added.

Belupo seeks to expand the portfolio of OTC products to meet consumer needs arising from increased consumer awareness about their own health and the need to invest in their own health.

BUSINESS RISKS

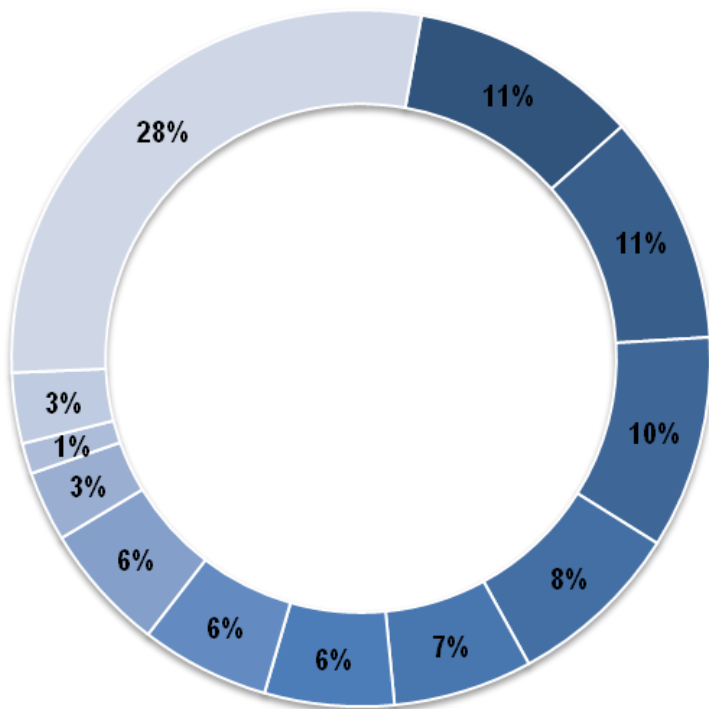
Podravka Group systematically uses certain indicators to monitor the business risk. Any significant deviation of the liquidity, profitability and debt than their normal value represents a signal of increased business risk and requires taking appropriate measures to ensure stability in the business of the company.

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Shareholders structure of Podravka d.d.

Shareholders structure as of 31 December 2010



TOP 10	68.3%
other legal and natural persons	31.7%

CPF (Croatian Privatization Fund), CIPI (Croatian Institute for Pension Insurance), MPF (Mandatory Pension Fund)

*omnibus custody account

FIMA AMI Ltd.	576,880
CPF/CIPI	575,598
CPF	534,858
Unicredit Bank Austria AG*	440,017
PBZ Croatia osiguranje MPF	349,974
Erste plavi MPF	325,163
AZ MPF	324,291
Kapitalni fond d.d.	321,804
Raiffeisen MPF	176,512
PBZ d.d.*	78,339
Treasury account	177,511
Other owners	1,539,056
Total	5,420,003

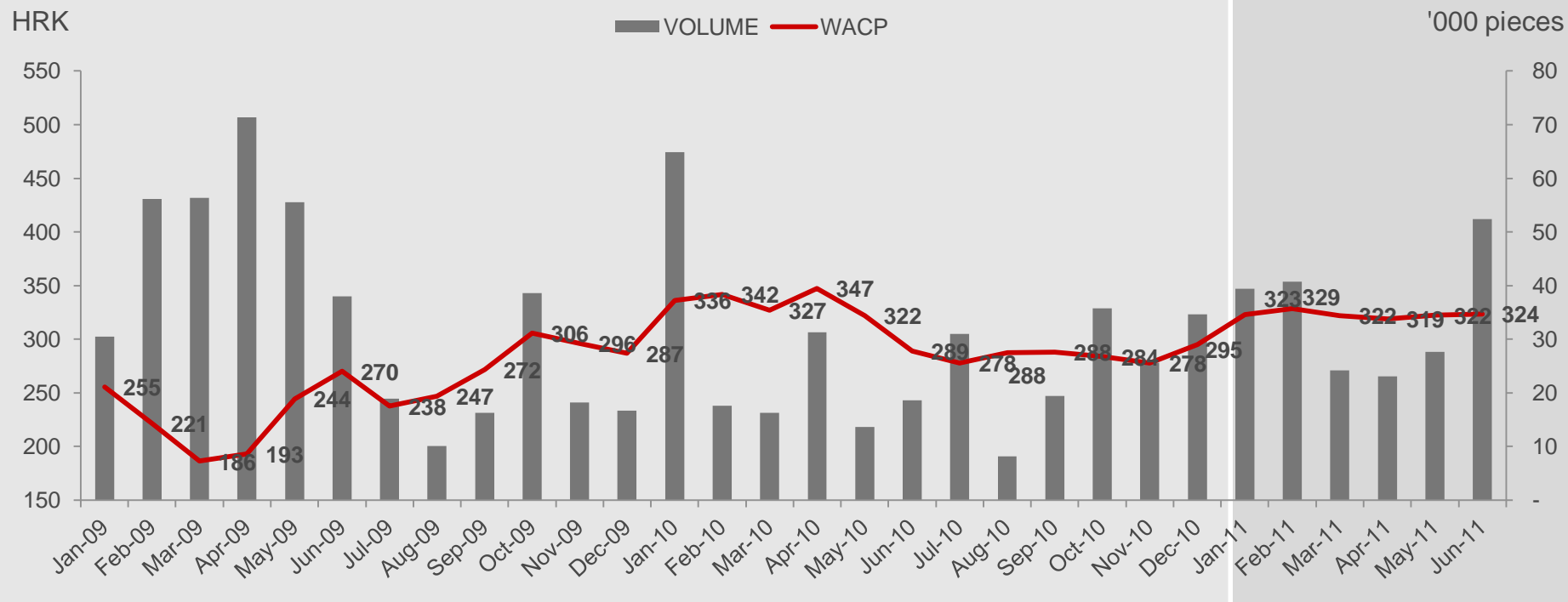
Number of shareholders 14,849

Treasury shares of Podravka d.d.

Treasury shares on 31/12/2008	152,677
Total purchase / sale in 2009	24,834
Treasury shares on 31/12/2009	177,511

Considering the fact that there was no acquiring or releasing of own shares in 2010, on 31 December 2010 the situation was unchanged comparing 31 December 2009.

Share price and volume movement



TICKERS

ZAGREB STOCK EXCHANGE
PODR-R-A

BLOOMBERG
PODRRA:CZ

REUTERS
PODR.ZA

RECOMMENDATIONS

ERSTE
ACCUMULATE

HAAB
HOLD

RBA
HOLD

INTERCAPITAL
BUY

July 2010 – June 2011

Last price (on 30/6/2011)	326.00
Highest price	343.97
Lowest price	240.00
Turnover (HRK mn)	110.94
Mcap(HRK mn)	1,766.92

II The resolution on profit distribution of Podravka d.d.

Profit distribution of Podravke d.d.

Na temelju članka 28. Statuta Podravke d.d. Koprivnica i članka 23. Poslovnika o radu Nadzornog odbora Podravke d.d., Nadzorni odbor Podravke d.d. na svojoj 64. sjednici održanoj dana 17. ožujka 2011. godine donio je

PRIJEDLOG ODLUKE o raspodjeli dobiti za poslovnu 2010. godinu

I.

Dobit Podravke d.d. iskazana u financijskim izvještajima Podravke d.d. (M.B. 03454088, OIB 18928523252) za poslovnu 2010. godinu iznosi 10.927.024,96 kn.

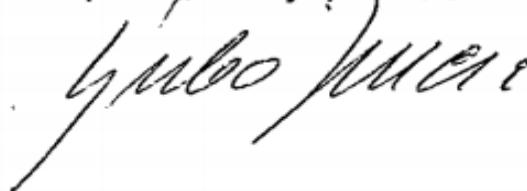
Ostvarena dobit upotrijebit će se za pokriće prenesenog gubitka iz prethodnih godina.

II.

Ovaj Prijedlog odluke upućuje se Glavnoj skupštini Podravke d.d. na donošenje.

Predsjednik Nadzornog odbora:

prof. dr. sc. Ljubo Jurčić



Always with a heart

