



## **BUSINESS RESULTS OF THE PODRAVKA GROUP FOR THE PERIOD JANUARY–MARCH 2010**

### **Main business characteristics**

1. The total sales of the Podravka Group in the first quarter totalled HRK 781.8 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 amounted to HRK 626.0 million which is a sales drop of 1%, while the sales of the SBA Pharmaceuticals totalled HRK 155.8 million which is a sales drop of 5%.
2. The operating costs/expenses of the Podravka Group are HRK 17.9 million (-2%) lesser.
3. The realised net profit of the Podravka Group amounted to HRK 7.6 million, representing an increase of 23% compared to the same period of last year.
4. The net profit of the Podravka Group without nonrecurrent items is HRK 32.5 million, which is a growth of 269% compared to the same period of the year before. The nonrecurrent items primarily refer to bonds value adjustments in the amount of HRK 24.3 million.

### **Significant events in the first quarter**

1. Erste Factoring d.o.o. called Podravka d.d. on 25 January 2010 to pay as guarantor the liability arising from the Bill of Exchange Finance Contract, concluded between Fima Grupa d.d. (as the Client) and Podravka d.d. (as the Guarantor), in the amount of HRK 102.7 million. Provisions were made in the financial statements of 2009 for the quoted amount. Podravka d.d. has instituted proceedings for collecting the quoted amount from Fima Grupa d.d. and their successors, respectively.
2. Podravka d.d. successfully completed the issue of the second tranche of commercial notes on 8 February 2010 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. Similarly to the first tranche, the second tranche of Podravka d.d. commercial notes also arouse great interest among many institutional investors, such as the most significant retirement and investment funds and insurance companies. The obtained quotations considerably exceeded the issued amount and the funds collected were used for refinancing the first tranche issued in February 2009. The total value of the Program for Podravka d.d. commercial notes issue is HRK 350 million.

3. The following decisions were brought at the General Assembly of Podravka d.d. held on 25 March 2010 in Koprivnica:

1. Decision to recall the president and the deputy president of the General Assembly of Podravka d.d. – as proposed by both the Management and Supervisory Boards of Podravka d.d. and announced in the call for the General Assembly and
2. Decision to elect the president and the deputy president of the General Assembly of Podravka d.d. – identically as proposed by both the Management and Supervisory Boards of Podravka d.d. and announced in the call for the General Assembly.

Taking into consideration that a Decision on the amendments for the Articles of Incorporation of Podravka d.d. was not brought at the General Assembly, both the Management and Supervisory Boards – as proposers – withdrew their further proposals under item 6 of the Agenda (Decision to recall members of the Supervisory Board of Podravka d.d.) and item 7 (Decision to elect members of the Supervisory Board of Podravka d.d.) as announced in the call for the General Assembly.

4. Podravka d.d. stock entered the *blue chip* index of the Zagreb Stock Exchange CROBEX10 on 29 March 2010. The Index Commission made the first revision of the index on 11 March 2010 based on the trading data for the period from 1 September 2009 till 28 February 2010, which showed that Podravka d.d. stock had met all the requirements necessary for index inclusion. The CROBEX10 index started being announced on 7 September 2009. The base date is 31 July 2009 and the base value is 1,000. CROBEX10 is weighted on the *free float* market capitalisation base, where the individual stock base is limited to 20%. Ten shares from the CROBEX index with the highest *free float* market capitalisation and trading rate are included in the CROBEX10.

## Notes

Upon the completion of the restructuring process within the SBA Services the sales of the Podravka Group will be reported according to two Strategic business areas – SBA Food and beverages and SBA Pharmaceuticals starting from the first quarter of the year 2010. In compliance to these changes we report on the sales of the Podravka Group accordingly as follows:

### SBA "Food and beverages"

#### 1. **Business program Food**

- Podravka brands
  - Podravka dishes (Podravka dishes, Fruit and vegetables, Rice and legumes, Mill products, Frozen food)
  - Baby food, sweets and snack
  - Fish and fishery products
- Other

#### 2. **Business program Food seasonings**

- Podravka brands
- Other

#### 3. **Business program Meat**

- Podravka brands
- Other

#### 4. **Business program Beverages**

- Podravka brands
- Other

### SBA "Pharmaceuticals"

Taking into account the fact that the restructuring process within SBA Services has finished, a reclassification of revenue was made and therefore the Podravka Group's sales structure account differs from the one disclosed in the reporting period of the year 2009. Sales under Other have been separately disclosed for each business program within the SBA Food and beverages, which from 2010 together with the sales of commercial goods, private brands, service production and B2B also covers a part of the revenue of the former SBA Services which due to the completion of the restructuring process have been reduced to the lowest possible level.

The sales of 2009 have at the same time been adjusted to the classification in 2010.

## 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)

Item no.	SBA	In millions HRK				
		Jan-Mar 2010		Jan-Mar 2009		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and beverages	626.0	80.1	633.8	79.4	99
2	Pharmaceuticals	155.8	19.9	164.3	20.6	95
<b>Total</b>		<b>781.8</b>	<b>100.0</b>	<b>798.1</b>	<b>100.0</b>	<b>98</b>

The Podravka Group achieved sales revenue in the amount of HRK 781.8 million which is 2% less compared to the same period of the year 2009.

The sales of the SBA Food and beverages totalled HRK 626.0 million, respectively 80.1% of the total sales of the Podravka Group and in comparison with the first quarter of last year are 1% lower. Having in mind that in the first quarter of 2010 negative retail trade<sup>1</sup> and employment<sup>2</sup> trends continued effecting the market of Croatia, the sales drop of the SBA Food and beverages totalled 8%. At the same time the sales of the SBA Food and beverages on foreign markets grew 4%, but the stated growth was insufficient to cover the sales drop of the SBA Food and beverages on the domestic market. A significant sales growth of the SBA Food and beverages was achieved on all foreign markets, except on the market of South-East Europe (-5%) where the economic crises impact is still going strong. An increase of consumption has been noticed within the observed period on the European Union market and the SBA Food and beverages has recorded a higher sales level on these markets. On the Central European market the growth was 10%, Western Europe, overseas countries and the Orient 19%, while the market of Eastern Europe reached a sales growth of 7%.

The SBA Pharmaceuticals achieved sales in the amount of HRK 155.8 million which represents a sales drop of 5% compared to the same period of the year 2009. The quoted drop was generated by lower sales on the market of Croatia (-10%) influenced by the drop of sales of prescription drugs (-7%) and OTC products (-26%). Namely, due to the announced price adjustments for the General and Additional List of Drugs of the Croatian Health Insurance (HZZO)<sup>3</sup> within the current health reform, suppliers have reduced their orders awaiting lower drug prices. Although a sales drop of prescribed drugs occurred on the Croatian market, some product groups recorded growth and therefore according to the ATC classification<sup>4</sup> a higher sales level was recorded by drugs for cardiovascular (2%), dermatologic (5%), blood and blood forming organs (9%) and respiratory system (11%) treatment. In the OTC product group the drop of sales is influenced by further weakening of the purchase power caused by the crisis, when customers have given up purchasing unnecessary drugs. The SBA Pharmaceuticals achieved a sales growth of 5% on foreign markets generated by a sales growth of prescription drugs (22%).

<sup>1</sup> The sales drop in retail amounted 8.3%; Source: Central Bureau of Statistics, Monthly statistics report, no. 3, 2010. (data for the period January – February 2010)

<sup>2</sup> Total increase of unemployment was 21.3%; Source: Central Bureau of Statistics, Monthly statistics report, no. 3, 2010. (data for the period January – February 2010)

<sup>3</sup> Croatian Health Insurance Institute

<sup>4</sup> Anatomical Therapeutic Chemical System of Drug Classification

## New products in the first quarter of 2010



**Premium chocolate pudding** will capture you with its rich chocolate and creamy taste and a perfect combination of cocoa and chocolate gives the pudding a distinctive dark chocolate colour.

**Premium bourbon vanilla pudding** will attract all vanilla fans with its tempting aroma and the rich and creamy taste of vanilla bourbon.

**Rum sugar** is a splendid secret helper characterised by its tempting rum aroma. It can be used as a replacement for rum for cakes and is alcohol free.

**Bourbon vanilla sugar** is characterised by the natural and attractive aroma of bourbon vanilla supplemented with grains of ground vanilla string.

**Linden honey** comes from linden flowers and helps clean the body of harmful substance and accelerates metabolism.

**Flower honey** is recommended for daily use for all those needing recuperation and additional energy. A rich and diverse composition, obtained from the nectar of a variety of meadow plants.

**Acacia honey** is produced from acacia flowers and with its soothing effect is an aid for insomnia and stress relief.

**Eva Tuna salad Americana** is prepared from carefully selected pieces of the finest tuna fish and the best chunks of vegetables and spices from various worldwide cuisines which together represent a true delight for modern cuisine lovers. Eva tuna salad Americana contains only natural ingredients and is a source of omega-3 fatty acids and proteins.

**Lupocet flu forte** is an OTC drug intended for alleviating the symptoms of cold and flu such as nose running and itching, watery eyes, hoarseness, cough, headache, fever and exhaustion.

Lupocet flu forte contains active substance with wide effect: paracetamol, chlorphenamin and vitamin C (ascorbic acid).

## Sales revenues per product groups

Item no.	PRODUCT GROUP	In million HRK				
		Jan-Mar 2010		Jan-Mar 2009		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
<b>1</b>	<b>BP FOOD</b>	<b>343.7</b>	<b>44.0</b>	<b>355.1</b>	<b>44.5</b>	<b>97</b>
	Podravka brands	278.1	35.6	288.8	36.2	96
	- Podravka dishes	162.7	20.8	175.1	22.0	93
	- Baby food, sweets and snack	82.8	10.6	80.0	10.0	104
	- Fish and fishery products	32.6	4.2	33.7	4.2	97
	Other	65.6	8.4	66.3	8.3	99
<b>2</b>	<b>BP FOOD SEASONINGS</b>	<b>169.4</b>	<b>21.7</b>	<b>162.0</b>	<b>20.3</b>	<b>105</b>
	Podravka brands	164.9	21.1	158.2	19.8	104
	Other	4.5	0.6	3.8	0.5	118
<b>3</b>	<b>BP MEAT</b>	<b>76.3</b>	<b>9.7</b>	<b>70.3</b>	<b>8.8</b>	<b>109</b>
	Podravka brands	65.8	8.4	64.7	8.1	102
	Other	10.5	1.3	5.6	0.7	188
<b>4</b>	<b>BP BEVERAGES</b>	<b>36.6</b>	<b>4.7</b>	<b>46.4</b>	<b>5.8</b>	<b>79</b>
	Podravka brands	35.9	4.6	40.5	5.1	89
	Other	0.7	0.1	5.9	0.7	12
<b>5</b>	<b>Pharmaceuticals</b>	<b>155.8</b>	<b>19.9</b>	<b>164.3</b>	<b>20.6</b>	<b>95</b>
	<b>Total</b>	<b>781.8</b>	<b>100.0</b>	<b>798.1</b>	<b>100.0</b>	<b>98</b>

Sales of the BP Food were 3% lower compared to the same period of the year 2009. The product group Podravka dishes, with a sales drop of 7%, mostly contributed to the drop of this Business program taking into account that this drop results from the sales drop on the market of Croatia. On foreign markets the sales of Podravka dishes has maintained the same level as the year before. The sales growth of the product group Baby food, sweets and snack of 4% is based on the sales growth on the domestic market (3%) and the market of South-East Europe (4%) mostly contributed by the markets of Slovenia (8%) and Bosnia and Herzegovina (6%). Sales of the product group Fish and fishery products dropped 3% under the influence of the sales drop of the quoted product group in Croatia (-8%). Sales of this product group on the Polish market started in the first quarter of 2010, and with satisfactory growth on the market of Slovakia (38%) the product group Fish and fishery products recorded a 36% growth on the market of Central Europe. In the foreign markets total this product group recorded a drop of 1%.

The sales growth of the BP Food seasonings (5%) was generated by a strong growth of sales on foreign markets (8%), while on the market of Croatia sales dropped 13%. The highest increase within this Business program is recorded by the markets of Western Europe, overseas countries and the Orient (22%) mostly contributed by the markets of Australia (59%) and Austria (27%). Growth of the BP Food seasonings was also achieved on the market of Central Europe (8%) and Eastern Europe (4%). A satisfactory sales rate of this Business program was recorded on the market of Turkey.

Sales of the BP Meat increased by 9% compared to the first quarter of the year 2009. The quoted increase results from the sales growth on both the domestic market (9%) and the market of Western Europe, overseas countries and the Orient where the growth of this BP amounted 52% due to the growth of Canned ready-made meals and Liver paste.

The BP Beverages achieved 21% lower sales compared to the same period of the year 2009, primarily influenced by the Croatian market (-20%), the dominant market for this Business program. It should be observed that the drop of sales of the BP Beverages on the Croatian market results from both the drop of organic (-12%) and private brands (-98%) sales. A lower level of sales was also realised abroad (-27%) resulting from the drop of sales of commercial goods on the market of Slovenia (-68%) and Ice tea on the market of Bosnia and Herzegovina (-17%). Although the sales of this Business program recorded a drop, the product group Powdery beverages significantly contributed to sales, and apart from Powdery beverages an increase was recorded by Syrups.

### Sales revenues of the Podravka Group per market<sup>5</sup>

Item no.	MARKETS	In million HRK				
		Jan-Mar 2010		Jan-Mar 2009		Index 2:4
0	1	Amount	%	Amount	%	2:4
0	1	2	3	4	5	6
1	Croatia	359.8	46.0	393.8	49.3	91
2	South-East Europe	189.5	24.3	206.0	25.8	92
3	Central Europe	125.3	16.0	112.9	14.2	111
4	Western Europe, overseas countries and Orient	65.9	8.4	55.3	6.9	119
5	Eastern Europe	41.3	5.3	30.1	3.8	137
<b>Total</b>		<b>781.8</b>	<b>100.0</b>	<b>798.1</b>	<b>100.0</b>	<b>98</b>

The market of Croatia realised sales in the amount of HRK 359.8 million, which represents a sales drop of 9% compared to the first quarter of the year 2009. Lower sales result from the drop of sales of the SBA Food and beverages of 8% and the drop of sales of the SBA Pharmaceuticals of 10%. As earlier mentioned the first quarter of the current year witnessed an unemployment rate increase, but also a decrease of the average gross and net salaries<sup>6</sup>, with negative impact on consumption in Croatia.

Sales on foreign markets in the observed period amounted to HRK 422.0 million which represents 54% of the total sales of the Podravka Group and indicates an increase of the relative share of foreign markets sales in the total sales structure. In comparison with the same period of the year 2009, total sales on foreign markets recorded a growth of 4%. The highest absolute sales growth was achieved on the market of Central Europe (11%), which is mostly contributed by the sales growth on the markets of Poland (23%) and the Czech Republic (8%). A significant sales increase was realised on the markets of Eastern Europe (38%) and Western Europe, overseas countries and the Orient (19%). On the other hand, the market of South East Europe recorded a sales drop of 8% generated by the sales drop on the market of Bosnia and Herzegovina (-13%).

<sup>5</sup> South-East Europe – Albania, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Slovenia, Serbia  
Central Europe – Czech Republic, Hungary, Poland, Slovakia  
Western Europe, overseas countries and the Orient – Austria, Australia, Benelux, France, Canada, Germany, USA, Scandinavia, Switzerland, Turkey, Great Britain and other overseas countries and Western European countries  
Eastern Europe – Baltic countries, Romania, Russia, Ukraine, Bulgaria and other Eastern European countries  
<sup>6</sup> Central Bureau of Statistics, Monthly statistics report, no. 3, 2010. (data for the period January 2010)

## Structure of operating costs/expenses

Item no.	COSTS / EXPENSES	In million HRK					
		Jan –Mar 2010		Jan –Mar 2009		Index 2:4	
0	1	Amount	%	Amount	%	2:4	6
1	Cost of goods sold	463.7	63.6	472.7 *	63.3		98
2	Selling and distribution costs	125.3	17.2	125.9 *	16.9		100
3	Marketing expenses	85.1	11.7	80.8	10.8		105
4	General and administrative expenses	54.5	7.5	67.1	9.0		81
<b>Total</b>		<b>728.6</b>	<b>100.0</b>	<b>746.5</b>	<b>100.0</b>		<b>98</b>

\* reclassification of the costs

The operating costs/expenses of the Podravka Group in the first quarter of 2010 totalled HRK 728.6 million, which represents a 2% reduction of costs/expenses (HRK 17.9 million) compared to the same period of last year.

The reduction of Cost of goods sold of 2% correlates with the drop of sales revenue. The costs of manufacturing material (-2%) and labour costs (-3%) were reduced within the Cost of goods sold, while energy costs recorded an increase (15%).

Selling and distribution costs in the amount of HRK 125.3 million remained at last year's level, but structural changes of these costs occurred. Logistics and distribution costs recorded a drop of 3% (HRK 1.2 million) due to reduced transport (-4%) and storage (-4%) costs, while sales costs grew 1% (HRK 0.5 million) due to an increase of sales force costs.

Marketing expenses reached HRK 85.1 million and recorded a growth of 5% (HRK 4.3 million).

Further control of administrative function expenses produced a drop of 19% (HRK 12.6 million) of General and administrative expenses, which in the past three quarters have recorded a constant drop mainly coming from savings at the level of corporate expenses (-28%) and general affairs (-39%). A significant drop of General expenses results from a better organisation of administrative works with a more rational use of consulting services.

## Profitability of the Podravka Group

In million HRK						
Podravka Group	REPORTED RESULTS		CORRECTED RESULTS **		change (2/3)	change (4/5)
	Jan-Mar 2010	Jan-Mar 2009	Jan-Mar 2010	Jan-Mar 2009		
1	2	3	4	5	6	7
Sales revenue	781.8	798.1	781.8	798.1	-2%	-2%
Gross profit	318.1	325.4 *	318.1	325.4 *	-2%	-2%
EBITDA	67.8	93.8	92.7	96.4	-28%	-4%
EBIT	28.9	53.5	53.8	56.1	-46%	-4%
Net profit	7.6	6.2	32.5	8.8	23%	269%
<i>Profit margins (%)</i>						
Gross margin	40.7	40.8	40.7	40.8	-10bp	-10bp
EBITDA margin	8.7	11.8	11.9	12.1	-310bp	-20bp
EBIT margin	3.7	6.7	6.9	7.0	-300bp	-10bp
Net margin	1.0	0.8	4.2	1.1	20bp	310bp

\* reclassification of the costs

\*\* without nonrecurrent items

The gross margin of the Podravka group dropped by 10bp due to a 2% drop of sales and changes in the structure of the sales.

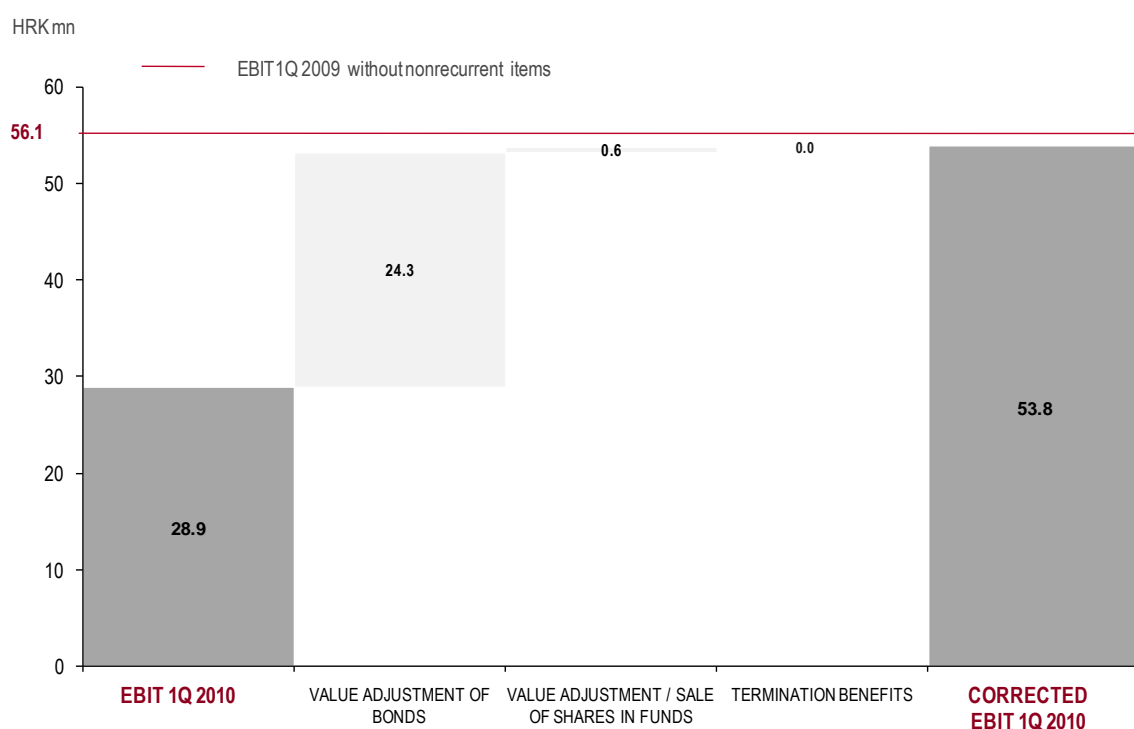
Nonrecurrent items in the amount of HRK 24.9 million had a negative impact on the Podravka Group's business results in the first quarter of 2010. The majority refers to bond value adjustments (financial liabilities) to a fair value in the profit and loss account in the amount of HRK 24.3 million. The remaining part of HRK 0.6 million refers to value adjustments/sales of shares in funds.

The operating profit has been corrected in the comparative account of the first quarter of 2009 by the amount of HRK 2.6 million, referring to the value adjustments/sales of shares in funds and severance payments, which were not present in the year 2010.

The corrected operating profit of the Podravka Group in the first quarter of 2010 for the above quoted nonrecurrent items amounts HRK 53.8 million, which represents a drop of operating profit by 4% (HRK 2.3 million) and a drop of the operating margin by 10bp compared to the results of business operations in the first quarter of the year 2009 disclosed in a comparable manner.

The corrected net profit of the first quarter of 2010 amounts to HRK 32.5 million, which represents a growth of 269% (HRK 23.7 million) compared to the net profit of the first quarter of 2009 disclosed in a comparable manner. Higher net profits results from lower finance costs (-60%) which were primarily contributed by income from exchange rate differences on loans, but also lower expenses from interest of loans (-20%).

## Operating profit of the Podravka Group without nonrecurrent items



## Profitability of SBA Food & Beverages

In million HRK						
SBA Food & Beverages	REPORTED RESULTS		CORRECTED RESULTS **		change (2/3)	change (4/5)
	Jan-Mar 2010	Jan-Mar 2009	Jan-Mar 2010	Jan-Mar 2009		
1	2	3	4	5	6	7
Sales revenue	626.0	633.8 *	626.0	633.8 *	-1%	-1%
Gross profit	235.2	243.2 *	235.2	243.2 *	-3%	-3%
EBITDA	43.2	69.0	68.1	71.6	-37%	-5%
EBIT	15.0	39.9	39.9	42.5	-62%	-6%
Net profit	2.0	4.8	26.9	7.4	-58%	264%
<i>Profit margins (%)</i>						
Gross margin	37.6	38.4	37.6	38.4	-80bp	-80bp
EBITDA margin	6.9	10.9	10.9	11.3	-400bp	-40bp
EBIT margin	2.4	6.3	6.4	6.7	-390bp	-30bp
Net margin	0.3	0.8	4.3	1.2	-50bp	310bp

\* corrected

\*\* without nonrecurrent items

The gross margin of the SBA Food and beverages recorded a drop of 80bp in the observed period, which results from the drop of sales (-1%) with a concurrent change within the sales structure where the share of sales of lower profitability products increased. According to the GfK<sup>7</sup> research «How do we react in crisis?» conducted in Croatia, the number of consumers buying only basics, delaying consumption and transferring to cheaper brands or commercial goods is growing. In order to maintain the current market positions and try to expand the consumer base, consumers were offered many special price packs in the first quarter which had additional effect on the drop of sales and profitability, respectively. Along with the quoted external influences on the drop of sales and the gross margin of the SBA Food and beverages, a reduction of costs of manufacturing material (-1%) and labour costs (-3%) in the observed period should also be mentioned, but at the same time a further growth of energy costs (22%) was also recorded within this SBA.

Within the structure of Other operating costs/expenses, along with maintaining the same level of Selling and distribution costs, marketing expenses grew (10%) as a result of higher media presence over the Easter holidays. A further drop was recorded by General and administrative expenses (-30%) resulting from better control of administrative expenses and more rational use of consulting services. Nonrecurrent items in the amount of HRK 24.9 million fully burdened the business operations of the SBA Food and beverages. Despite the reduction of operating costs/expenses (-1%) and results corrected by the amount of nonrecurrent items, the corrected operating profit recorded a drop of 6% compared to the first quarter of the year 2009 disclosed in a comparable manner. The operating margin recorded a drop of 30bp.

Lower finance costs (-66%) result from lower income from interest on loans and income from exchange rate differences on loans and despite the growth of profit tax (35%) had a positive effect on the growth of the corrected net profit (264%). The corrected net margin recorded a positive shift of 310bp.

## Profitability of SBA Pharmaceuticals

In million HRK			
SBA Pharmaceuticals	REPORTED RESULTS		
	Jan-Mar 2010	Jan-Mar 2009	change (2/3)
1	2	3	4
Sales revenue	155.8	164,3 *	-5%
Gross profit	82.9	82,2	1%
EBITDA	24.6	24,8	-1%
EBIT	13.9	13,6	2%
Net profit	5.6	1,4	300%
<i>Profit margins (%)</i>			
Gross margin	53.2	50.0	320bp
EBITDA margin	15.8	15.1	70bp
EBIT margin	8.9	8.3	60bp
Net margin	3.6	0.9	270bp
* corrected			

<sup>7</sup> GfK Croatia, «How do we react in crisis?», <[http://www.gfk.hr/public\\_relations/press/press\\_articles/005625/index.hr.html](http://www.gfk.hr/public_relations/press/press_articles/005625/index.hr.html)>

A drop of sales of OTC products was recorded within the sales structure of the SBA Pharmaceuticals due to the drop of purchasing power of consumers on the domestic market. A change occurred in the sales structure, respectively, an increase of the sales of higher profitability drugs and together with the drop of Cost of sold goods (-11%), the gross margin of the SBA Pharmaceuticals recorded a positive shift of 320bp.

The drop of Cost of sold goods was contributed by the reduction of costs of manufacturing material (-9%) and labour costs (-4%). Among Other operating costs/expenses there was a reduction in the Selling and distribution costs (-3%) and Marketing expenses (-4%) while General and administrative expenses recorded a growth (8%). The reduction of operating costs/expenses (-6%) reflected on the growth of the operating profit (2%) and the growth of the operating margin by 60bp.

Growth of the net profit (300%) results from lower finance costs (-38%) and lower profit tax (-7%). Lower finance costs result from lower costs from interest on loans and income from exchange rate differences on loans which had positive effect on the growth of the net margin by 270bp.

### ***Main guidelines of the 2010 Business Plan***

The Management Board of Podravka d.d. has brought and the Supervisory Board accepted the Business Plan for the year 2010. The Business Plan anticipates further costs and expense rationalisation, primarily administrative expenses, which should provide for profitability growth. The planned operating margin shall range around 6% contributing to the SBA Food and Beverages profitability growth but also a recovery of profit margins of the SBA Pharmaceuticals under the influence of the consolidation of Farmavita d.o.o. and its sales structure, respectively. The growth of sales revenue is planned at a 2% level. During the year 2010 special attention shall be given to reducing indebtedness so that by the year end of 2010 indebtedness is planned to drop by at least HRK 100 million.



MANAGEMENT BOARD

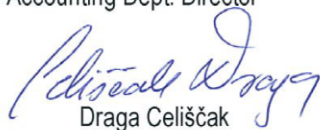
Koprivnica, 30 April 2010

**STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS**

Consolidated financial statements for the period January - March 2010 have been prepared in accordance with the Croatian Accounting Act and International Financial Reporting Standards (IFRS) which give a true and fair view of the state of affairs and results of Podravka d.d. and its subsidiaries ('the Podravka Group') for that period.

There have been no changes in accounting policies of the Podravka Group in the observed period.

Accounting Dept. Director



Draga Celiščak

Member of the Board for Finance



Lidija Kljajić

PODRAVKA Inc., Koprivnica, Ante Starčevića 32, Croatia, The Commercial Court Bjelovar, MBS 010006549  
PBZ d.d., Zagreb, Račkoga 6, Croatia, bank account 2340009-1100098526, subscribed capital: 1,626.000.900,00 kunas  
paid in full, total number of shares issued 5,420.003 nominal share price 300.00 kunas, Supervisory Board President Ljubo Jurčić,  
Management Board President M.Vitković, Management Board Members K.Besvir, L.Kljajić, M.Pucar, B.Vuljak-deputy member

**CONSOLIDATED STATEMENT OF INCOME**  
*(in thousands of HRK)*

	Jan-Mar 2010	Jan-Mar 2009
Sales	781,795	798,143
Cost of goods sold	(463,652)	(472,701)
<b>Gross profit</b>	<b>318,143</b>	<b>325,442</b>
Investment revenue	4,329	4,337
Other (losses)/gains, net	(28,299)	(612)
General and administrative expenses	(54,506)	(67,083)
Selling and distribution costs	(125,303)	(125,937)
Marketing expenses	(85,103)	(80,814)
Other expenses	(380)	(1,859)
<b>Profit from operations</b>	<b>28,881</b>	<b>53,474</b>
Finance costs	(18,126)	(44,769)
<b>Profit before tax</b>	<b>10,755</b>	<b>8,705</b>
Income tax expenses	(2,597)	(2,281)
<b>Net profit</b>	<b>8,158</b>	<b>6,424</b>
<b>Profit for the period attributable:</b>		
To the equity holders of the parent	7,607	6,201
Non-controlling interests	551	223

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of HRK)

	31 March 2010	31 December 2009
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,693,142	1,711,646
Goodwill	42,877	42,877
Intangible assets	308,812	311,609
Deferred tax assets	55,401	53,589
Other financial assets	12,152	11,573
<b>Total non(current assets)</b>	<b>2,112,384</b>	<b>2,131,294</b>
<b>Current assets</b>		
Inventories	671,612	646,839
Trade and other receivables	1,165,255	1,186,974
Financial assets at fair value through profit or loss	15,239	22,321
Cash and cash equivalents	147,567	145,269
	1,999,673	2,001,403
Non-current assets held for sale	4,073	4,004
<b>Total current assets</b>	<b>2,003,746</b>	<b>2,005,407</b>
<b>TOTAL ASSETS</b>	<b>4,116,130</b>	<b>4,136,701</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	1,583,691	1,583,691
Reserves	118,892	109,825
Accumulated loss	(88,242)	(95,849)
<b>Attributable to the equity holders of the parent</b>	<b>1,614,341</b>	<b>1,597,667</b>
Non-controlling interests	34,837	34,361
<b>Total shareholders' equity</b>	<b>1,649,178</b>	<b>1,632,028</b>
<b>Non-current liabilities</b>		
Financial liabilities at fair value through profit or loss	360,750	336,300
Long-term debt	472,319	452,916
Provisions	28,921	29,226
Deferred tax liability	7,627	7,616
<b>Total non-current liabilities</b>	<b>869,617</b>	<b>826,058</b>
<b>Current liabilities</b>		
Trade and other payables	742,457	849,077
Short-term borrowings	836,352	805,050
Provisions	18,526	24,488
<b>Total current liabilities</b>	<b>1,597,335</b>	<b>1,678,615</b>
<b>Total liabilities</b>	<b>2,466,952</b>	<b>2,504,673</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,116,130</b>	<b>4,136,701</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of HRK)

	Share capital	Reserves	Retained earnings / Accumulated loss	Total	Non-controlling interest	Total
<b>Balance at 31 December 2008 -as restated</b>	<b>1,587,356</b>	<b>83,458</b>	<b>218,520</b>	<b>1,889,334</b>	<b>34,113</b>	<b>1,923,447</b>
Net loss for the year	-	-	(288,059)	(288,059)	184	(287,875)
Other comprehensive income	-	57	-	57	-	57
Total comprehensive loss	-	57	(288,059)	(288,002)	184	(287,818)
Exchange differences	-	-	-	-	64	64
Purchase of treasury shares	(6,390)	-	-	(6,390)	-	(6,390)
Sale of treasury shares	-	-	-	-	-	-
Options exercised	-	-	-	-	-	-
Fair value of share options	2,725	-	-	2,725	-	2,725
Transfer from other and legal reserves	-	26,310	(26,310)	-	-	-
<b>Balance at 31 December 2009</b>	<b>1,583,691</b>	<b>109,825</b>	<b>(95,849)</b>	<b>1,597,667</b>	<b>34,361</b>	<b>1,632,028</b>
Net profit for the period	-	-	7,607	7,607	551	8,158
Other comprehensive income	-	-	-	-	-	-
Total comprehensive profit	-	-	7,607	7,607	551	8,158
Exchange differences	-	9,067	-	9,067	(75)	8,992
<b>Balance at 31 March 2010</b>	<b>1,583,691</b>	<b>118,892</b>	<b>(88,242)</b>	<b>1,614,341</b>	<b>34,837</b>	<b>1,649,178</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of HRK)

	Jan-Mar 2010	Jan-Mar 2009
<b>Net profit</b>	<b>8,158</b>	<b>6,424</b>
Income tax	2,597	2,287
Depreciation and amortization	38,944	40,330
Losses on disposal of non-current assets	57	311
Value adjustment of current assets	8,045	4,458
Value adjustment of investments	576	1,063
Value adjustment of liabilities at fair value through profit or loss	24,289	-
Decrease in long-term provisions	(294)	(622)
Interest received	(3,797)	(3,953)
Interest paid	23,956	25,435
Effect of changes in foreign exchange rates	(1,979)	10,717
Other items not affecting cash	(6,164)	6,516
<b>Changes in working capital</b>		
Increase in inventories	(27,800)	(53,775)
Decrease in trade receivables	55,401	149,043
Increase in other current assets	(29,952)	(94,017)
Decrease in trade payables	(23,955)	(89,975)
(Decrease) / increase in other liabilities	(88,741)	9,037
<b>Net cash (used in) / from operations</b>	<b>(20,659)</b>	<b>13,279</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(in thousands of HRK)

	Jan-Mar 2010	Jan-Mar 2009
<b>Cash flows from operating activities</b>		
Cash (used in) / from operations	(20,659)	13,279
Income taxes paid	(5,737)	(6,956)
Interest paid	(30,518)	(39,652)
<b>Net cash used in operating activities</b>	<b>(56,914)</b>	<b>(33,329)</b>
<b>Cash flows from investing activities</b>		
Payments made for property, plant and equipment, and intangible assets	(15,007)	(19,157)
Sale of tangible and intangible assets	336	337
Long-term loans given and deposits given	(298)	-
Repayment of long-term loans given and deposits given	298	179
Purchase of trading securities	(600)	(8,500)
Sale of trading securities	6,500	-
Short-term loans and deposits given	-	(211,600)
Recovery of short-term loans and deposits given	-	175,181
Collected interest	3,921	3,953
<b>Net cash used in investing activities</b>	<b>(4,850)</b>	<b>(59,607)</b>
<b>Net cash flows from financing activities</b>		
Purchase of treasury shares	-	(6,390)
Proceeds from long-term borrowings	1,217	4,331
Repayment of long-term borrowings	(19,588)	(21,740)
Proceeds from short-term borrowings	385,221	367,657
Repayment of short-term borrowings	(302,788)	(377,000)
<b>Net cash from / (used in) financing activities</b>	<b>64,062</b>	<b>(33,142)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>2,298</b>	<b>(126,078)</b>
Cash and cash equivalents at beginning of year	145,269	419,248
Cash and cash equivalents at the end of year	147,567	293,170

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