



PODRAVKA BUSINESS RESULTS FOR THE PERIOD JANUARY – JUNE 2011

Main business characteristics

1. The total sales of the Podravka Group in the first six months of 2011 amounted to HRK 1,724.2 million, which represents a 4% sales growth compared to the same period of last year. Sales of the Strategic Business Area (SBA) Food and Beverages totalled HRK 1,369.1 million, which is a sales growth of 4% while the sales of the SBA Pharmaceuticals were HRK 355.1 million, representing a sales growth of 2%.
2. The operating profit (EBIT) of the Podravka Group is 37% higher than last year and amounts to HRK 102.2 million, while the operating margin (EBIT margin) is 5.9%.
3. The realised net profit of the Podravka Group is 78% higher than last year and amounts to HRK 55.6 million, while the net margin is 3.2%.

Significant events

1. Podravka d.d. redeemed bonds in the amount of HRK 375 million on the due date of 17 May 2011. These bonds were included on the Official Market of the Zagreb Stock Exchange under the symbol PODR-O-115A.
2. For the third time Lino baby food has been crowned with the Trusted Brand Award awarded by the Reader's Digest magazine based on the assessments of their readers. This is one of the biggest European researches on consumers' trust in consumer goods, organised in 16 countries.
3. Vegeta was awarded with the "TOVAR GODA 2010" (Product of the Year 2010) award in Latvia and Lithuania which has confirmed Podravka's leading position on the markets of the Baltic region.
4. The sales of 576,880 shares of Podravka d.d. in the ownership of FIMA AMI Ltd. was executed on 19 July 2011. The average price of shares in the transaction was HRK 312.87 and the buyers were the mandatory pension funds (75.57%), voluntary pension funds (4.27%), other domestic funds (17.44%), insurances (1.59%) and foreign investors (1.13%).

Notes

On the sales of the Podravka Group we report as follows:

SBA "Food and Beverages"

1. **Business program Podravka food**

- Podravka brands
 - Fruit and vegetable products, side dishes and other (Fruit and vegetable products, Side dishes, Mill and bakery products and other)
 - Baby food, sweets and snack
 - Fish and fishery products
- Other

2. **Business program dishes and food seasonings**

- Podravka brands
 - Food seasonings
 - Podravka dishes
- Other

3. **Business program meat**

- Podravka brands
- Other

4. **Business program beverages**

- Podravka brands
- Other

SBA "Pharmaceuticals"

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 revenue per Strategic Business Area

Item no.	SBA	In millions HRK				
		Jan-Jun 2011		Jan-Jun 2010		Index 2:4
0	1	Amount	%	Amount	%	6
1	Food and Beverages	1,369.1	79.4	1,315.8	79.1	104
2	Pharmaceuticals	355.1	20.6	346.9	20.9	102
Total		1,724.2	100.0	1,662.7	100.0	104

Sales revenue of the Podravka Group amounted to HRK 1,724.2 million, which is 4% higher compared to the same period of the year 2010.

Sales of the SBA Food and Beverages totalled HRK 1,369.1 million, which is a 4% sales growth compared to the same period of the year 2010. The realised sales growth results from the sales growth on foreign markets (5%) and on the market of Croatia where in the observed period sales grew 3%. Foreign markets which recorded sales growth within the SBA Food and Beverages are the markets of South-East Europe (5%), where the most prominent markets are Serbia (13%) and Bosnia and Herzegovina (4%), the markets of Central Europe (7%) with the Czech Republic (17%) and Poland (12%) and the markets of Western Europe, overseas countries and the Orient (5%) with the highest sales growth on the markets of Austria (49%) and Australia (12%).

The SBA Pharmaceuticals achieved sales in the amount of HRK 355.1 million, which is a sales growth of 2% compared to the same period of the year 2010. Foreign markets recorded sales growth of the SBA Pharmaceuticals of 9% with the highest contribution coming from the market of Bosnia and Herzegovina (9%) and significant growth was recorded on the markets of Slovenia (44%), Russia (4%) and Turkey (170%). At the same time sales on the domestic market dropped 2% and this decline on the market of Croatia results from the drop of sales of both prescription drugs (-3%) and the non-prescription program (-1%). Although the sales of prescription drugs dropped, some product groups achieved growth and according to the ATC¹ classification the most significant increase was achieved by drugs acting on the nervous system (10%) and drugs for systematic infection (9%). OTC drugs (15%) within the group of non-prescription products recorded growth which is based on the growth of sales of Neofen and Lupocet

¹ Anatomical Therapeutic Chemical System of Drug Classification

New products in the second quarter of the year 2011



Lino Mix&Play apple'n'cookie, Lino Mix&Play choco'n'nut and Lino Mix&Play choco'n'muesli are new cereal under the Lino brand characterized by quick and easy preparation at time during the day. The products are a delicious mix of flakes and supplements such as corn flakes, muesli, bits of fruit and chocolate that provide a tasty delight and are a source of additional energy.

Natur soups have a rich vegetable taste and natural colour and contain no flavour enhancers, colorants or aromas. The following soups are included in the Natur soup product range: Natur soup with semolina balls, Natur vegetable soup with noodles, Natur cream mushroom soup and Natur cream broccoli and cauliflower soup.



Vegeta Mediterranean herb mix is a supplement that gives food a characteristic taste of Mediterranean herbs and spices (oregano, basil, rosemary, marjoram, thyme, bay leaf). Lovers of healthy food will welcome the fact that Vegeta Mediterranean mix contains no artificial flavours and enhancers.

For all those who live fast but do not wish to give up a warm meal and tasty food and for all those who wish to spend their free time outside the kitchen Podravka offers the best solution. Podravka ready-to-serve canned meals are ready in no time and are the perfect choice for a quick and light lunch or dinner. A novelty in the product range of Podravka ready-to-serve canned meals are four new products: Beef with mushrooms, Chicken stew, Chicken in salsa, Chicken in bechamel sauce.





Neofen syrup is intended for reducing fever and for treatment of mild to moderate pain of various origin for children over three months of age. It has a mild taste of passion fruit and orange and contains no sugar, artificial colours or alcohol.

Sales revenue per product group

Item no.	PRODUCT GROUP	In millions HRK				
		Jan-Jun 2011		Jan-Jun 2010		Index 2:4
0	1	2	3	4	5	6
1	BP PODRAVKA FOOD	624.9	36.2	566.1	34.0	110
	Podravka brands	480.2	27.8	445.8	26.8	108
	- Fruit and vegetable products, side dishes and other	239.6	13.9	208.9	12.6	115
	- Baby food, sweets and snack	177.3	10.3	173.1	10.4	102
	- Fish and fishery products	63.3	3.6	63.8	3.8	99
	Other	144.7	8.4	120.3	7.2	120
2	BP DISHES AND FOOD SEASONINGS	460.6	26.7	467.7	28.1	98
	Podravka brands	445.5	25.8	450.9	27.1	99
	- Food and seasonings	333.4	19.3	338.5	20.3	98
	- Podravka dishes	112.1	6.5	112.4	6.8	100
	Other	15.1	0.9	16.8	1.0	90
3	BP MEAT	190.5	11.1	176.5	10.6	108
	Podravka brands	171.0	9.9	156.0	9.4	110
	Other	19.5	1.1	20.5	1.2	95
4	BP BEVERAGES	93.1	5.4	105.5	6.4	88
	Podravka brands	81.8	4.7	91.6	5.5	89
	Other	11.3	0.7	13.9	0.8	81
5	Pharmaceuticals	355.1	20.6	346.9	20.9	102
	Total	1,724.2	100.0	1,662.7	100.0	104

The BP Podravka Food achieved sales growth of 10% compared to the same period of the year 2010. The most significant contribution to this increase comes from the sales growth of the product group of Fruit and vegetable products, side dishes and other, mostly contributed by the increase in Poland and Croatia. The product group Baby food, sweets and snack recorded a sales growth of 2%, while sales of the product group Fish and fishery products is lower by 1% than last year.

The BP Dishes and Food seasonings suffered a sales drop of 2% due to a lower level of sales on both domestic and foreign markets. However, some foreign markets recorded good results in this business program, such as Austria, Australia, Russia and Poland.

The sales growth of the BP Meat of 8% results from sales increase on both the domestic (6%) and on foreign markets (15%). The highest growth on foreign markets was recorded in Bosnia and Herzegovina (41%) based on the sales growth of Pate, and Austria (149%) due to the increase of Canned ready-to-serve meals and Luncheon meat. The markets of the USA and Canada have also recorded a sales increase of this business program.

The BP Beverages have realised 12% lower sales compared to the same period of the year 2010, mostly contributed by the drop of sales in Croatia (-13%), but a lower level of sales was also realised on foreign markets (-6%). Although the sales of the BP Beverages is declining, the product groups Syrups and Powdery beverages have recorded an increase in sales.

Sales revenue of the Podravka Group per market²

		In millions HRK				
Item no.	MARKETS	Jan-Jun 2011		Jan-Jun 2010		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Croatia	802.8	46.6	792.1	47.6	101
2	South-East Europe	412.3	23.9	387.8	23.3	106
3	Central Europe	264.9	15.4	248.6	15.0	107
4	Western Europe, overseas countries and Orient	151.8	8.8	142.8	8.6	106
5	Eastern Europe	92.4	5.3	91.4	5.5	101
Total		1,724.2	100.0	1,662.7	100.0	104

Sales in the amount of HRK 802.8 million was achieved on the market of Croatia which is 46.6% of the total sales of the Podravka Group. The domestic market achieved sales growth of 1% in the observed period based on a higher level of sales of the SBA Food and Beverages (3%). Sales in the amount of HRK 921.4 million, which represents a 6% growth, was achieved on foreign markets. The highest absolute sales growth was achieved on the market of South-East Europe (6%) with the highest contribution coming from the

² 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, the Ukraine, Bulgaria, and other Eastern European countries

market of Bosnia and Herzegovina (6%), but significant sales increase was also recorded on both the markets of Serbia (12%) and Slovenia (6%). Central Europe has also recorded a significant sales increase (7%) with Poland (11%) and the Czech Republic (17%) as the most prominent markets where an increase of exchange rate of the Czech crown compared to the Croatian kuna was recorded (7,5%)³. Apart from this, the markets of Western Europe, overseas countries and the Orient also achieved a significant sales growth mostly contributed by the markets of Austria (49%), Australia (12%) and Canada (39%). In Eastern Europe a higher level of sales was generated by increased sales on the market of Russia (6%).

Structure of operating costs/expenses

Item no.	COSTS / EXPENSES	In millions HRK				
		Jan-Jun 2011		Jan-Jun 2010		Index 2:4
0	1	2	3	4	5	6
1	Cost of goods sold	1,055.5	64.1	973.8	62.5	108
2	Selling and distribution costs	259.9	15.8	262.4	16.9	99
3	Marketing expenses	211.2	12.8	203.0	13.0	104
4	General and administrative expenses	119.3	7.3	118.6	7.6	101
Total		1,645.9	100.0	1,557.8	100.0	106

The increase of manufacturing material prices and primarily raw material started in the second half of the year 2010 and such trend continued in 2011. This is the very reason why the Cost of goods sold increased significantly in the observed period which mostly contributed to the increase of total Operating costs/expenses of the Podravka Group. Marketing expenses grew 4% due to higher expenses of *trade* and BTL marketing both in the SBA Pharmaceuticals due to entry on the Russian market and investments in the OTC segment, and in SBA Food and Beverages due to significant marketing activities in order to stimulate consumption during the recession and also to support new products on the market. General and administrative expenses recorded a slight increase with significant contribution coming from Research and development expenses while Selling and distribution costs dropped 1%.

³ Calculated on the grounds of the average exchange rate for the observed periods

Profitability of the Podravka Group

In millions HRK

Podravka Group	REPORTED RESULTS		CORRECTED RESULTS *		change (2/3)	change (4/5)
	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011*	Jan-Jun 2010*		
1	2	3	4	5	6	7
Sales revenue	1,724.2	1,662.7	1,724.2	1,662.7	4%	4%
Gross profit	668.7	688.9	668.7	688.9	-3%	-3%
EBITDA	181.1	152.4	167.3	180.6	19%	-7%
EBIT	102.2	74.7	88.4	102.9	37%	-14%
Net profit	55.6	31.2	46.7	59.4	78%	-21%
Profit margins %						
Gross margin	38.8	41.4	38.8	41.4	-260bp	-260bp
EBITDA margin	10.5	9.2	9.7	10.9	130bp	-120bp
EBIT margin	5.9	4.5	5.1	6.2	140bp	-110bp
Net margin	3.2	1.9	2.7	3.6	130bp	-90bp

* without nonrecurrent items

Although sales revenue increased 4%, or HRK 61.5 million respectively, the gross profit dropped 3% as the Cost of goods sold grew faster than sales revenue. The significant increase of raw material prices which have occurred lately and changes in the sales structure are the main reasons for a lower gross profit and a drop of gross margin (-260bp).

The operating profit amounted to HRK 102.2 million which represents an increase of 37%, thus rising the EBIT margin to the level of 5.9%. The net profit of the Podravka Group in the first six months of the year 2011 is HRK 55.6 million and the net margin is 3.2%, which is a 130bp increase. However, if the profitability of the Podravka Group is analysed without the influence of nonrecurrent items then a reduction of the EBIT, EBITDA and net profit as well as pertaining margins, is evident. The SBA Pharmaceuticals achieved nonrecurrent income from insurance recoveries in the amount of HRK 23.7 million in the observed period. Other nonrecurrent items were negative and referred to bond value adjustments (HRK 3.7 million), severance payments (HRK 6.1 million) and fund investment adjustments (HRK 0.1 million).

Profitability of the SBA Food and Beverages

In millions HRK

SBA Food & Beverages	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)
	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011*	Jan-Jun 2010*		
1	2	3	4	5	6	7
Sales revenue	1,369.1	1,315.8	1,369.1	1,315.8	4%	4%
Gross profit	481.9	500.2	481.9	500.2	-4%	-4%
EBITDA	97.0	87.3	106.8	113.5	11%	-6%
EBIT	40.3	31.1	50.1	57.4	30%	-13%
Net profit	15.9	7.1	25.7	33.4	124%	-23%
<i>Profit margins (%)</i>						
Gross margin	35.2	38.0	35.2	38.0	-280bp	-280bp
EBITDA margin	7.1	6.6	7.8	8.6	50bp	-80bp
EBIT margin	2.9	2.4	3.7	4.4	50bp	-70bp
Net margin	1.2	0.5	1.9	2.5	70bp	-60bp

* without nonrecurrent items

The gross margin of the SBA Food and Beverages suffered a 280bp drop which results from the increase of Cost of goods sold due to an increase in the prices of raw material and within the sales structure of Cost of goods sold energy costs have also increased. Also during the observed period customers were offered many special budget packings which additionally effected the gross margin drop. The operating profit amounted to HRK 40.3 million, which is a 30% increase while the EBIT margin is 50bp higher. The net profit totalled HRK 15.9 million and is significantly higher than last year's net profit.

Nonrecurrent items which burden the SBA Food and Beverages amount HRK 9.8 million and refer to severance payments (HRK 6 million), bond value adjustments (HRK 3.7 million) and fund investment adjustments (HRK 0.1 million).

Profitability of the SBA Pharmaceuticals

In millions HRK

SBA Pharmaceuticals	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)
	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011*	Jan-Jun 2010*		
1	2	3	4	5	6	7
Sales revenue	355.1	346.9	355.1	346.9	2%	2%
Gross profit	186.9	188.7	186.9	188.7	-1%	-1%
EBITDA	84.1	65.2	60.5	67.1	29%	-10%
EBIT	61.9	43.6	38.3	45.5	42%	-16%
Net profit	39.7	24.0	21.0	25.9	65%	-19%
<i>Profit margins (%)</i>						
Gross margin	52.6	54.4	52.6	54.4	-180bp	-180bp
EBITDA margin	23.7	18.8	17.0	19.3	490bp	-230bp
EBIT margin	17.4	12.6	10.8	13.1	480bp	-230bp
Net margin	11.2	6.9	5.9	7.5	430bp	-160bp

* without nonrecurrent items

Sales revenue of the SBA Pharmaceuticals grew 2% in the first six months of this year, but Cost of goods sold increased 6% which had negative effect on the gross profit and resulted in a drop of gross margin by 180bp. Other levels of profitability recorded significant positive shifts but the main reason are the earlier stated positive extraordinary items based on insurance recoveries in the amount of HRK 23.7 million. Apart from this, the SBA Pharmaceuticals had negative nonrecurrent items in the amount of HRK 0.1 million in the observed period which refer to severance payments. Based on this, the EBITDA and EBIT were corrected by HRK 23.6 million, while the net profit level was corrected by HRK 18.7 million taken that tax liabilities amounted to HRK 4.9 million. The corrected results show a drop of profitability and the underlying reason for the drop of operating profit lies in the increase of both Marketing and General and administrative expenses.

CONSOLIDATED STATEMENT OF INCOME

(in thousands of HRK)

	Jan - Jun 2011	Jan - Jun 2010
Sales	1,724,171	1,662,738
Cost of goods sold	(1,055,470)	(973,839)
Gross profit	668,701	688,899
Investment revenue	3,761	7,771
Other (losses) / gains, net	20,911	(36,575)
General and administrative expenses	(119,371)	(118,637)
Selling and distribution costs	(259,912)	(262,374)
Marketing expenses	(211,185)	(202,997)
Other expenses	(734)	(1,381)
Profit from operations	102,171	74,706
Finance costs	(35,220)	(34,887)
Profit before tax	66,951	39,819
Income tax expenses	(11,536)	(8,332)
Net profit	55,415	31,487
Profit for the period attributable:		
To the equity holders of the parent	55,567	31,158
Non-controlling interests	(152)	329

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of HRK)

	30 June 2011	31 December 2010
ASSETS		
Non-current assets		
Property, plant and equipment	1,603,223	1,642,820
Goodwill	44,293	44,293
Intangible assets	303,185	308,040
Deferred tax assets	53,189	52,330
Other financial assets	6,958	9,142
Total non-current assets	2,010,847	2,056,625
Current assets		
Inventories	704,028	692,094
Trade and other receivables	1,106,178	1,083,543
Financial assets at fair value through profit or loss	3,400	14,796
Cash and cash equivalents	136,079	152,363
	1,949,685	1,942,796
Non-current assets held for sale	8,931	8,768
Total current assets	1,958,616	1,951,564
TOTAL ASSETS	3,969,463	4,008,189
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,580,734	1,580,734
Reserves	128,285	126,937
Accumulated loss	(55,033)	(107,200)
Attributable to the equity holders of the parent	1,653,986	1,600,471
Non-controlling interests	34,171	34,347
Total shareholders' equity	1,688,157	1,634,818
Non-current liabilities		
Long-term debt	968,222	558,957
Provisions	30,326	30,037
Deferred tax liability	7,621	7,141
Total non-current liabilities	1,006,169	596,135
Current liabilities		
Financial liabilities at fair value through profit or loss	-	371,100
Trade and other payables	820,743	800,591
Short-term borrowings	442,295	581,691
Provisions	12,099	23,854
Total current liabilities	1,275,137	1,777,236
Total liabilities	2,281,306	2,373,371
TOTAL EQUITY AND LIABILITIES	3,969,463	4,008,189

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of HRK)

	Share capital	Reserves	Accumulated loss / Retained earnings	Total	Non-controlling interest	Total
Balance at 31 December 2010	1,580,734	126,937	(107,200)	1,600,471	34,347	1,634,818
Net loss for the year	-	-	55,567	55,567	(152)	55,415
Other comprehensive income	-	(1,047)	-	(1,047)	(24)	(1,071)
Total comprehensive loss	-	(1,047)	55,567	54,520	(176)	54,344
Exchange differences	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-
Options exercised	-	-	-	-	-	-
Fair value of share options	-	-	-	-	-	-
Transfer from other and legal reserves	-	2,396	(3,401)	(1,005)	-	(1,005)
Balance at 31 March 2011	1,580,734	128,286	(55,034)	1,653,986	34,171	1,688,157

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of HRK)

	Jan - Jun 2011	Jan - Jun 2010
Net profit	55,415	31,487
Income tax	11,536	8,332
Depreciation and amortization	78,882	77,728
Losses on disposal of non-current assets	295	215
Value adjustment of current assets	4,229	13,759
Value adjustment of investments	192	1,726
Value adjustment of non-current assets	-	(2,681)
Value adjustment of liabilities at fair value through profit or loss	3,632	24,128
Increase / (decrease) in long-term provisions	928	(1,153)
Interest received	(3,315)	(6,540)
Interest paid and other financial expenditure	40,326	48,151
Unrealised gains per Swap contract	(2,588)	-
Value adjustment of receivables for loans and guarantees	290	-
Effect of changes in foreign exchange rates	(2,737)	(10,967)
Other items not affecting cash	(192)	366
Changes in working capital		
Increase in inventories	(10,004)	(20,078)
Increase / (decrease) in trade receivables	(51,683)	44,085
Decrease in other current assets	22,792	13,919
(Decrease) / increase in trade payables	(9,012)	3,327
Increase / (decrease) in other liabilities	24,894	(88,592)
Net cash from operations	163,880	137,212

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(in thousands of HRK)

	Jan - Jun 2011	Jan - Jun 2010
Cash flows from operating activities		
Cash from operations	163,880	137,212
Income taxes paid	(9,308)	(12,795)
Interest paid	(51,272)	(60,715)
Net cash from operating activities	103,300	63,702
Cash flows from investing activities		
Payments made for property, plant and equipment, and intangible assets	(34,851)	(39,248)
Sale of tangible and intangible assets	777	6,177
Long-term loans given and deposits given	(10)	(298)
Repayment of long-term loans given and deposits given	2,297	460
Sale of trading securities	11,204	11,500
Short-term loans and deposits given	(215)	(178)
Recovery of short-term loans and deposits given	22	-
Collected interest	3,315	6,540
Net cash used in investing activities	(17,461)	(15,047)
Net cash flows from financing activities		
Proceeds from long-term borrowings	565,833	1,389
Repayment of long-term borrowings	(497,578)	(56,352)
Proceeds from short-term borrowings	31,080	401,696
Repayment of short-term borrowings	(201,457)	(350,906)
Net cash used in financing activities	(102,122)	(4,173)
Net (decrease) / increase in cash and cash equivalents	(16,283)	44,482
Cash and cash equivalents at beginning the period	152,363	145,269
Cash and cash equivalents at the end of the period	136,080	189,751

Always with a heart



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