



BUSINESS RESULTS OF THE PODRAVKA GROUP FOR THE PERIOD JANUARY – JUNE 2012

Main business characteristics

1. The total sales of the Podravka Group in the first six months of 2012 amounted to HRK 1,720.5 million and are almost at the identical level as in the same period of the year before. Sales of the Strategic Business Area (SBA) Food and Beverages totalled HRK 1,333.2 million, which is a sales drop of 3%, while the sales of the SBA Pharmaceuticals totalled HRK 387.3 million, representing a sales increase of 9%.
2. The operating profit (EBIT) of the Podravka Group totals HRK 84.2 million, while the operating margin (EBIT) is 4.9%
3. The realised net profit of the Podravka Group is HRK 39.1 million and is 30% less than last year, while the net margin is 2.3%

Significant events

1. The General Assembly of Belupo d.d. was held on 25 April 2012 at which a resolution was passed on the recall of members of the Belupo d.d. Supervisory Board, Mr Miroslav Vitković, Mr Marin Pucar, Ms Lidija Kljajić, Mr Miroslav Repić and Mr Krunoslav Bešvir. An amendment to the Articles of Association of Belupo d.d. was also adopted reducing the number of Supervisory Board members from seven to five. New members of the Belupo d.d. Supervisory Board were elected with Mr Zvonimir Mršić as President and Ms Olivija Jakupec and Mr Jorn Pedersen as members. Mr Hrvoje Kolarić was appointed President of the Management Board and Mr Stanislav Biondić shall continue his term of office as member of the Management Board of Belupo d.d. The Belupo d.d. Supervisory Board also appointed a new Audit Committee with Mr Miroslav Klepač as the President and Ms Jadranka Ivanković and Ms Branka Perković as its members.
2. Many of Podravka products have been awarded for their quality with the Superior Taste Award 2012. Podravka's fruit syrup Lemon-mint is the proud owner of as much as three stars, and the Superior Taste Award this year was also received by fruit syrups Orange-cinnamon, Black currant-lime, Strawberry-vanilla, Raspberry-jasmine and Apple-Elder produced by Podravka in the Czech Republic. Podravka's products that can be found in Croatian stores, Lino lada nougat and Lero fruit syrup Orange-cinnamon, also received the Superior Taste Award 2012 for their quality.
3. Podravka was awarded the Kosher Certificate for its factories Snacks, Mill and Fruit which has enabled Podravka to greatly expand the range of its products with this certificate, for which there is a growing demand.

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 per Strategic Business Areas (SBA)

Item no.	SBA	In millions HRK				
		Jan – Jun 2012		Jan – Jun 2011		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and Beverages	1,333.2	77.5	1,369.9	79.4	97
2	Pharmaceuticals	387.3	22.5	354.3	20.6	109
Total		1,720.5	100.0	1,724.2	100.0	100

Sales revenue of the Podravka Group amounted to HRK 1,720.5 million, which is HRK 3.7 million less compared to the same period of the year 2011.

Sales of the SBA Food and Beverages totalled HRK 1,333.2 million, which represents a sales drop of 3% compared to the same period of 2011. Lower sales result from a drop of sales on the domestic market (-5%) but also total sales on foreign markets have recorded a somewhat lower level of sales than in the same period of 2011 (-1%). However, some foreign markets within the SBA Food and Beverages have achieved sales growth such as the markets of South-East Europe (4%) with markets of Bosnia and Herzegovina, Macedonia and Kosovo, markets of Western Europe, overseas countries and the Orient (4%) with the highest growth coming from the markets of Australia and the USA and the markets of Eastern Europe (4%) where Russia has recorded the most significant sales increase.

The SBA Pharmaceuticals achieved sales in the amount of HRK 387.3 million, which represents an increase of 9% compared to the same period of 2011. Foreign markets recorded a significant sales growth (19%) with the highest contribution coming from the markets of Russia and Bosnia and Herzegovina and a prominent growth was also recorded on the markets of both Serbia and Slovenia. Sales on the Croatian market have also increased and in the observed period reached 2%. According to the ATC¹ classification the product groups with the most significant growth are dermatic drugs (25%) and drugs that affect heart and blood vessels (3%). Growth in the non-prescription product group was recorded by OTC drugs (8%) and dietetic products (7%).

¹ Anatomic-therapeutic-chemical system of drug classification

New products in the second quarter of 2012



Ceremony soup is a delicious and revitalizing soup of characteristic chicken taste and extremely rich in meat ingredients and vegetables. It contains visible pieces of chicken meat and chicken meat balls providing an exceptionally full and rounded meat flavour. The taste of home-made soup is complemented with vegetables and noodles.



Refreshing bubbles of mineral water and juice from the tastiest fruit are an ideal thirst quenching combination. Natural mineral water **Studenac lemon-grapefruit** and **orange-kumquat** offers more than just refreshment in hot summer days.



Lero lemon-mint is a non-carbonated refreshment with lemon juice and a hint of mint delivering a lasting thirst quenching experience. The clever addition of aromatic mint to the lemonade makes it a perfect companion for any hot summer day.



Dalmatina sausage is characterized by a rounded taste and aroma of Mediterranean seasoning making it a delicious snack for any occasion.

Sales revenues per product groups

In millions HRK						
Item no.	PRODUCT GROUP	Jan – Jun 2012		Jan – Jun 2011		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	BP PODRAVKA FOOD	618.6	36.0	625.6	36.2	99
	Podravka brands	482.6	28.0	480.1	27.8	100
	- Fruit and vegetable products, side dishes and other	233.9	13.6	239.7	13.9	98
	- Baby food, sweets and snack	187.2	10.9	177.1	10.3	106
	- Fish and fishery products	61.5	3.6	63.3	3.6	97
	Other	136.0	7.9	145.5	8.4	93
2	BP DISHES AND FOOD SEASONINGS	459.4	26.7	460.6	26.7	100
	Podravka brands	441.6	25.7	445.5	25.8	99
	- Food seasonings	321.8	18.7	333.4	19.3	97
	- Podravka dishes	119.8	7.0	112.1	6.5	107
	Other	17.8	1.0	15.1	0.9	118
3	BP MEAT	177.0	10.3	190.5	11.1	93
	Podravka brands	156.6	9.1	171.0	9.9	92
	Other	20.4	1.2	19.5	1.1	105
4	BP BEVERAGES	78.2	4.5	93.1	5.4	84
	Podravka brands	74.8	4.3	81.8	4.7	91
	Other	3.4	0.2	11.3	0.7	30
5	Pharmaceuticals	387.3	22.5	354.3	20.6	109
	Total	1,720.5	100.0	1,724.2	100.0	100

The BP Podravka Food achieved a sales drop of 1% compared to the same period of 2011. The product group Baby food, sweets and snack recorded a 6% growth with the highest contribution from the markets of Australia (185%), Slovenia (6%), Bosnia and Herzegovina (7%) and Croatia (2%). Fruit and vegetable products, side dishes and other recorded a sales drop of 2% mostly due to the sales drop of this product group in Poland and Croatia. The sales of the product group Fish and fishery products is 3% lower than the year before mainly as a result of lower sales on foreign markets, namely on the markets of both Serbia and Romania.

Sales of the BP Dishes and Food Seasoning remains at almost the same level as in the first six months of 2011 with the exception of the product group Podravka dishes which recorded a sales growth of 7% with the highest contribution from the markets of Serbia (33%), Croatia (3%), Bosnia and Herzegovina (7%) and Macedonia (12%). Food seasonings achieved a lower level of sales (-3%) due to lower sales in Poland, while at the same time some foreign markets recorded good sales results in this category, such as Russia, Australia, Serbia and Bosnia and Herzegovina.

The BP Meat recorded a sales drop of 7% as a result of lower sales on the domestic market, while sales on foreign markets are higher than in the same period of 2011. The markets of the USA, Bosnia and Herzegovina and Kosovo are foreign markets with the highest sales growth.

The sales of the BP Beverages are lower by 16% compared to the same period of 2011, which results from a lower level of sales in both Croatia (-11%) and on foreign markets (-31%). Although sales of the BP Beverages are falling, the product groups Syrups and Mineral water have achieved sales growth.

Sales revenues of the Podravka Group per market²

Item no.	MARKETS	In millions HRK				
		Jan – Jun 2012		Jan – Jun 2011		Index 2:4
0	1	2	3	4	5	6
1	Croatia	777.1	45.2	802.8	46.6	97
2	South-East Europe	433.2	25.2	412.3	23.9	105
3	Central Europe	237.7	13.8	264.9	15.4	90
4	Western Europe, overseas countries and Orient	157.6	9.1	151.8	8.8	104
5	Eastern Europe	114.9	6.7	92.4	5.3	124
Total		1,720.5	100.0	1,724.2	100.0	100

Sales in the amount of HRK 777.1 million, which is 45.2% of the total sales of the Podravka Group, was realized on the market of Croatia. A drop of sales in the amount of 3% occurred on the domestic market in the observed period where the SBA Pharmaceuticals achieved a sales growth of 2%, while sales of the SBA Food and Beverages dropped 5%. Sales on foreign markets amount to HRK 943.4 million which represents a 2% increase. The highest absolute sales growth was realized on the markets of Eastern Europe with the highest contribution from the market of Russia (33%) and there was also a very significant increase on the markets of South-East Europe, where the highest contribution came from the markets of Bosnia and Herzegovina (5%) and Kosovo (28%). Apart from this, the market of Western Europe, overseas countries and the Orient also achieved a sales growth with the highest contribution from the markets of Australia (15%) and the USA (11%). On the other hand, sales on the markets of Central Europe were 10% lower in the observed period.

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, Italy, 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

Structure of operating costs / expenses

In millions HRK						
Item no.	COSTS / EXPENSES	Jan – Jun 2012		Jan – Jun 2011		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	1,062.2	64.8	1,055.5	64.1	101
2	Selling and distribution costs	240.9	14.7	259.9	15.8	93
3	Marketing expenses	200.9	12.3	211.2	12.8	95
4	General and administrative expenses	134.5	8.2	119.3	7.3	113
Total		1,638.5	100.0	1,645.9	100.0	100

The total operating costs/expenses of the Podravka Group amounted to HRK 1,638.5 million and are HRK 7.4 million lower than in the same period of 2011. In the first six months of this year Costs of goods sold (1%) and General and administrative expenses (13%) recorded an increase. On the other hand, Selling and distribution costs (-7%) and Marketing expenses (-5%) dropped and are currently lower due to the delay of some marketing campaigns.

Profitability of the Podravka Group

In millions HRK						
Podravka Group	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)
	Jan – Jun 2012	Jan – Jun 2011	Jan – Jun 2012*	Jan – Jun 2011*		
1	2	3	4	5	6	7
Sales revenue	1,720.5	1,724.2	1,720.5	1,724.2	0%	0%
Gross profit	658.3	668.7	658.3	668.7	-2%	-2%
EBITDA	160.8	181.1	168.2	167.3	-11%	1%
EBIT	84.2	102.2	91.6	88.4	-18%	4%
Net profit	39.1	55.6	46.5	46.7	-30%	0%
<i>Profit margins %</i>						
Gross margin	38.3	38.8	38.3	38.8	-50bp	-50bp
EBITDA margin	9.3	10.5	9.8	9.7	-120bp	10bp
EBIT margin	4.9	5.9	5.3	5.1	-100bp	20bp
Net margin	2.3	3.2	2.7	2.7	-90bp	0bp

* without non-recurrent items

Sales revenue of the Podravka Group is HRK 3.7 million (or -0.2%) lower than the previous year, while at the same time Costs of goods sold grew which had negative impact on the gross profit that dropped 2%, while the gross margin is 50bp lower and amounts to 38.3%.

The operating profit is HRK 84.2 million which represents a drop of 18% and the EBIT margin dropped to the level of 4.9%. The net profit of the Podravka Group in the first six months of 2012 was HRK 39.1 million which is 30% less than in the same period of last year and the net margin is 2.3%, which is a drop of 90bp. However, if the profitability of the Podravka Group is analyzed without the influence of non-recurrent items an increase of both EBITDA and EBIT can be noticed, while the net profit is almost at an identical level as in the same period of 2011. Namely, the SBA Pharmaceuticals achieved non-recurrent revenue in the first year half of last year on the grounds of insurance funds return in the amount of HRK 23.7 million, which had positive effect on the result of that period, while this year there are negative non-recurrent items in the amount of HRK 7.4 million arising from severance payments.

Profitability of SBA Food & Beverages

In millions HRK						
SBA Food & beverages	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)
	Jan – Jun 2012	Jan – Jun 2011	Jan – Jun 2012*	Jan – Jun 2011*		
1	2	3	4	5	6	7
Sales revenue	1,333.2	1,369.9	1,333.2	1,369.9	-3%	-3%
Gross profit	452.8	481.9	452.8	481.9	-6%	-6%
EBITDA	88.4	97.0	95.6	106.8	-9%	-10%
EBIT	35.0	40.3	42.2	50.1	-13%	-16%
Net profit	8.5	15.9	15.7	25.7	-47%	-39%
<i>Profit margins %</i>						
Gross margin	34.0	35.2	34.0	35.2	-120bp	-120bp
EBITDA margin	6.6	7.1	7.2	7.8	-50bp	-60bp
EBIT margin	2.6	2.9	3.2	3.7	-30bp	-50bp
Net margin	0.6	1.2	1.2	1.9	-60bp	-70bp

* without non-recurrent items

The gross profit of the SBA Food and Beverages is 6% lower and the gross margin dropped by 120bp and is now 34%. The underlying reasons are a lower level of sales and changes in the sales structure. The operating profit is HRK 35 million, which is a drop of 13%, while the EBIT margin is 30bp lower. The net profit is HRK 8.5 million and is 47% lower than the net profit of last year.

Extraordinary items charged to the SBA Food and Beverages amount to HRK 7.2 million and refer to severance payments.

Profitability of SBA Pharmaceuticals

In millions HRK

SBA Pharmaceuticals	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)
	Jan – Jun 2012	Jan – Jun 2011	Jan – Jun 2012*	Jan – Jun 2011*		
1	2	3	4	5	6	7
Sales revenue	387.3	354.3	387.3	354.3	9%	9%
Gross profit	205.4	186.9	205.4	186.9	10%	10%
EBITDA	72.4	84.1	72.6	60.5	-14%	20%
EBIT	49.3	61.9	49.5	38.3	-20%	29%
Net profit	30.6	39.7	30.8	21.0	-23%	47%
<i>Profit margins %</i>						
Gross margin	53.0	52.8	53.0	52.8	20bp	20bp
EBITDA margin	18.7	23.7	18.7	17.1	-500bp	160bp
EBIT margin	12.7	17.5	12.8	10.8	-480bp	200bp
Net margin	7.9	11.2	8.0	5.9	-330bp	210bp

* without non-recurrent items

Sales revenue of the SBA Pharmaceuticals in the first six months of 2012 shows an increase of 9% and as the Costs of goods sold grew somewhat slower than sales, the gross profit has grown 10% increasing the gross margin to 53%. Other levels of profitability recorded a drop but the main reason lies in the previously mentioned positive non-recurrent item, i.e. the return of insurance funds last year, which increased profitability in 2011. Nevertheless, an analysis of corrected results shows an increase of profitability as in this period the only extraordinary item are severance payments (HRK 0.2 million).

CONSOLIDATED STATEMENT OF INCOME

(in thousands of HRK)

	Jan - Jun 2012	Jan - Jun 2011
Sales	1,720,473	1,724,171
Cost of goods sold	(1,062,215)	(1,055,470)
Gross profit	658,258	668,701
Investment revenue	3,735	3,761
Other (losses) / gains, net	(973)	20,911
General and administrative expenses	(134,458)	(119,371)
Selling and distribution costs	(240,876)	(259,912)
Marketing expenses	(200,952)	(211,185)
Other expenses	(487)	(734)
Profit from operations	84,247	102,171
Finance costs	(35,959)	(35,220)
Profit before tax	48,288	66,951
Income tax expenses	(10,791)	(11,536)
Net profit	37,497	55,415
Profit for the period attributable:		
To the equity holders of the parent	39,105	55,567
Non-controlling interests	(1,608)	(152)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of HRK)

	30 June 2012	31 December 2011
ASSETS		
Non-current assets		
Property, plant and equipment	1,498,381	1,519,649
Goodwill	41,129	41,129
Intangible assets	264,347	270,798
Deferred tax assets	57,152	56,022
Other financial assets	2,774	4,323
Total non-current assets	1,863,783	1,891,921
Current assets		
Inventories	687,620	700,583
Trade and other receivables	1,095,519	1,058,040
Financial assets at fair value through profit or loss	2,002	559
Cash and cash equivalents	120,092	145,960
	<u>1,905,233</u>	<u>1,905,142</u>
Non-current assets held for sale	57,878	57,657
Total current assets	1,963,111	1,962,799
TOTAL ASSETS	3,826,894	3,854,720
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,582,966	1,582,966
Reserves	130,260	119,645
Accumulated loss	(7,044)	(41,611)
Attributable to the equity holders of the parent	1,706,182	1,661,000
Non-controlling interests	33,138	34,787
Total shareholders' equity	1,739,320	1,695,787
Non-current liabilities		
Long-term debt	792,173	897,616
Provisions	33,535	34,326
Deferred tax liability	6,635	6,997
Total non-current liabilities	832,343	938,939
Current liabilities		
Trade and other payables	752,518	710,789
Short-term borrowings	496,145	485,733
Provisions	6,567	23,472
Total current liabilities	1,255,231	1,219,994
Total liabilities	2,087,574	2,158,933
TOTAL EQUITY AND LIABILITIES	3,826,894	3,854,720

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 2011	1,582,966	119,645	(41,611)	1,661,000	34,787	1,695,787
Net profit for the year	-	-	39,105	39,105	(1,608)	37,497
Other comprehensive income	-	6,077	-	6,077	(41)	6,036
Total comprehensive income	-	6,077	39,105	45,182	(1,649)	43,533
Exchange differences	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-
Options exercised	-	-	-	-	-	-
Fair value of share options	-	-	-	-	-	-
Transfer from other and legal reserves	-	4,538	(4,538)	-	-	-
Balance at 30 June 2012	1,582,966	130,260	(7,044)	1,706,182	33,138	1,739,320

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of HRK)

	Jan - Jun 2012	Jan - Jun 2011
Net profit	37,497	55,415
Income tax	10,791	11,536
Depreciation and amortization	76,558	78,882
Losses / (gains) on disposal of non-current assets	30	295
Value adjustment of liabilities at fair value through profit or loss	-	3,632
Unrealised losses / (gains) per Swap contract	223	(2,588)
Value adjustment of current assets	4,557	4,421
Interest received	(3,492)	(3,315)
Interest paid	38,645	40,326
Value adjustment of receivables for loans	-	290
Effect of changes in foreign exchange rates	553	(2,737)
Increase in long-term and short-term provisions	(18,058)	(17,847)
Other items not affecting cash	(973)	(192)
Changes in working capital		
Decrease / (Increase) in inventories	13,098	(10,004)
Increase in trade receivables	(63,670)	(51,683)
Decrease in other current assets	21,580	22,792
Decrease in trade payables	(8,525)	(9,012)
Increase in other liabilities	63,178	43,669
Net cash from operations	171,992	163,880

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(in thousands of HRK)

	Jan - Jun 2012	Jan - Jun 2011
Cash flows from operating activities		
Cash from operations	171,992	163,880
Income taxes paid	(21,792)	(9,308)
Interest paid	(40,934)	(51,272)
Net cash from operating activities	109,267	103,300
Cash flows from investing activities		
Payments made for property, plant and equipment, and intangible assets	(47,069)	(34,851)
Sale of tangible and intangible assets	765	777
Long-term and short-term loans given and deposits given	(53)	(225)
Repayment of long-term and short-term loans given and deposits given	1,616	2,319
Purchase of trading securities	(58,508)	(54,541)
Sale of trading securities	57,008	65,745
Collected interest	3,492	3,315
Net cash used in investing activities	(42,749)	(17,462)
Net cash flows from financing activities		
Proceeds from long-term borrowings	27,513	565,833
Repayment of long-term borrowings	(112,631)	(497,578)
Proceeds from short-term borrowings	58,953	31,080
Repayment of short-term borrowings	(66,220)	(201,457)
Net cash used in financing activities	(92,385)	(102,122)
Net (decrease) in cash and cash equivalents	(25,867)	(16,284)
Cash and cash equivalents at beginning the period	145,960	152,363
Cash and cash equivalents at the end of the period	120,092	136,079

Always with a heart



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Investor Relations

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