



**UNAUDITED BUSINESS RESULTS OF THE PODRAVKA GROUP
FOR THE PERIOD JANUARY – DECEMBER 2011**

Main business characteristics and significant events in the fourth quarter

1. The total sales of the Podravka Group in the year 2011 amounted to HRK 3,625.2 million, which represents an increase of 3% compared to the year 2010. Sales of the Strategic Business Area (SBA) Food and Beverages totalled HRK 2,828.9 million, which is a sales increase of 2% while the sales of the SBA Pharmaceuticals totalled HRK 796.3 million, representing a sales increase of 7%.
2. The operating profit (EBIT) of the Podravka Group totalled HRK 251.7 million, which represents a 23% increase, while the operating margin (EBIT) was 6.9%.
3. The realised net profit of the Podravka Group was 44% higher than last year and amounted to HRK 121.0 million, while the net margin was 3.3%.
4. The total value of capital investments in the observed period was HRK 102.2 million.
5. On 23 November 2011 Podravka d.d, OTP Bank Plc and MOL Hungarian Oil and Gas Company, Plc from Budapest concluded a Settlement Agreement discharging all mutual claims and liabilities between contractual parties arising from the Agreement concluded on 27 March 2009 concerning 10.64% of Podravka d.d. shares.

Upon the fulfillment of the contractual liabilities arising from the above mentioned Settlement Agreement, Podravka d.d. shall have positive effect on the business result for 2011 in the amount of HRK 19 million on the grounds of releasing earlier reserved funds.

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 - Dec 2011		Jan - Dec 2010		Index 2:4
0	1	2	3	4	5	6
1	Food and Beverages	2,828.9	78.0	2,778.1	78.9	102
2	Pharmaceuticals	796.3	22.0	744.2	21.1	107
Total		3,625.2	100.0	3,522.3	100.0	103

Sales revenue of the Podravka Group amounted to HRK 3,625.2 million, which is 3% higher compared to the same period of the year 2010.

Sales of the SBA Food and Beverages totalled HRK 2,828.9 million, which represents a sales increase of 2% compared to the year 2010. This increase results from a higher level of sales on foreign markets (4%) and the foreign market with the highest increase of the SBA Food and Beverages is the market of South-East Europe (7%) with the highest contribution coming from the markets of Serbia (16%), Bosnia and Herzegovina (6%) and Slovenia (4%). The markets of Western Europe, overseas countries and the Orient also achieved an increase in the sales of the SBA Food and Beverages (2%) with a significant growth from the market of Australia (15%), while the markets of Central Europe achieved a sales increase of the aforesaid SBA by 1% with the highest contribution from the market of the Czech Republic (9%).

The SBA Pharmaceuticals achieved sales in the amount of HRK 796.3 million, which represents a sales increase of 7% compared to the same period of the year 2010. The sales increase of the SBA Pharmaceuticals is mostly contributed by foreign markets which recorded a growth of 13%, with the highest contribution coming from the markets of Russia (22%), Bosnia and Herzegovina (8%) and Slovenia (28%). Sales on the Croatian market have also increased (3%) due to a higher level of sales of prescription drugs (2%) and a growth of sales of OTC products (1%). According to the ATC¹ classification the product groups which have achieved the most significant growth are dermatic drugs (14%) and drugs with effect on the nervous system (9%).

¹ Anatomic-therapeutic-chemical system of drug classification

New products in the fourth quarter of the year 2011



Lino teddy bears (Njammy) are a crunchy chocolate extrudate in the shape of teddy bears which is served as cereal with milk but can also be a delicious snack product. The product contains vitamins, calcium and iron.

Muffins with apple filling is a mixture enriched with cinnamon, clove and anise. Their irresistible scent reminds us of winter and Christmas making the taste of muffins fuller and richer. Apart from the mix, the package also contains apple filling and cake moulds. The inner side of the box of Muffins contains a colouring book for children that can be coloured or used for cutting, as desired.



Lero fruit syrups with the taste of orange-cinnamon, lemon-mint, strawberry-vanilla and raspberry-jasmine are new combinations of fruit aromas and spices that give new flavours to refreshing beverages made from fruit syrups.

Apple and cinnamon fruit spread has a natural colour and taste of apple complemented with a touch of cinnamon. It contains a high percentage of fruit of as much as 60% which is present in the spread in small cubes and as apple puree, and in combination with a reduced content of sugar confirms this is a highly valuable product.



Sales revenues per product groups

		In millions HRK				
Item no.	PRODUCT GROUP	Jan - Dec 2011		Jan - Dec 2010		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	BP PODRAVKA FOOD	1,291.7	35.6	1,210.5	34.4	107
	Podravka brands	987.2	27.2	932.1	26.5	106
	- Fruit and vegetable products, side dishes and other	480.8	13.3	440.2	12.5	109
	- Baby food, sweets and snack	380.1	10.5	370.0	10.5	103
	- Fish and fishery products	126.2	3.5	121.8	3.5	104
	Other	304.5	8.4	278.4	7.9	109
2	BP DISHES AND FOOD SEASONINGS	941.2	26.0	952.7	27.0	99
	Podravka brands	908.8	25.1	918.1	26.1	99
	- Food and seasonings	672.6	18.6	688.9	19.6	98
	- Podravka dishes	236.2	6.5	229.3	6.5	103
	Other	32.5	0.9	34.5	1.0	94
3	BP MEAT	409.7	11.3	405.9	11.5	101
	Podravka brands	371.0	10.2	362.4	10.3	102
	Other	38.7	1.1	43.5	1.2	89
4	BP BEVERAGES	186.2	5.1	209.0	5.9	89
	Podravka brands	171.4	4.7	190.1	5.4	90
	Other	14.9	0.4	18.9	0.5	79
5	Pharmaceuticals	796.3	22.0	744.2	21.1	107
	Total	3,625.2	100.0	3,522.3	100.0	103

The BP Podravka Food achieved a sales increase of 7% compared to the same period of the year 2010, and growth was recorded by all the product groups within this business programme, with the most significant contribution from the product group Fruit and vegetable products, side dishes and other due to their sales increase in Croatia (7%) and Poland (34%). The product group Baby food, sweets and snack recorded a 3% growth with the highest contribution from the markets of Serbia (22%), Slovenia (6) and Bosnia and Herzegovina (5%). The increase of sales of the product group Fish and fishery products in the amount of 4% results from the sales growth on the market of Serbia (9%) and opening of the new market of Romania.

Sales of the BP Dishes and Food Seasoning is 1% lower due to lower sales of the product group Food seasonings, although this product group recorded a growth of sales on some markets such as Austria, Australia, Serbia and the Czech Republic. The product group Podravka dishes achieved a sales increase of 3% due to the growth on foreign markets with the highest contribution coming from the markets of both Russia and Serbia.

The BP Meat recorded a 1% sales increase due to the sales growth on foreign markets (14%), among which the most prominent is the market of Bosnia and Herzegovina (41%), due to the sales growth of Liver paste. Apart from this, the markets of Kosovo, Italy and Australia also achieved a significant sales growth of this business programme.

The sales of the BP Beverages is lower by 11% compared to the year 2010, which is mostly contributed by the drop of sales on the domestic market (-13%) but also a lower level of sales on the foreign market where a drop of 4% was recorded.

Sales revenues of the Podravka Group per market ²

Item no.	MARKETS	In millions HRK				
		Jan - Dec 2011		Jan - Dec 2010		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Croatia	1,741.8	48.0	1,741.3	49.4	100
2	South-East Europe	877.2	24.2	815.2	23.2	108
3	Central Europe	498.7	13.8	490.1	13.9	102
4	Western Europe, overseas countries and Orient	291.5	8.0	281.6	8.0	103
5	Eastern Europe	216.0	6.0	194.1	5.5	111
Total		3,625.2	100.0	3,522.3	100.0	103

Sales in the amount of HRK 1,741.8 million, which is 48% of the total sales of the Podravka Group was realized on the market of Croatia. The domestic market achieved the same level of sales as the year before provided that the SBA Pharmaceuticals achieved a sales growth of 3%, while sales of the SBA Food and Beverages dropped 1%. Foreign markets recorded sales growth in the amount of HRK 1,883.4 million which represents a 6% increase. Strong sales growth was present on all foreign markets with the highest absolute sales growth realized on the markets of South-East Europe (8%) where the most prominent markets are Bosnia and Herzegovina (7%), Serbia (17%) and Slovenia (5%). The market of Eastern Europe also recorded a significant sales growth (11%) based on a higher level of sales on the market of Russia (17%). The market of Western Europe, overseas countries and the Orient achieved a sales growth of 3% with the highest contribution from the markets of Australia (15%) and Italy (33%), while the markets of Central Europe recorded a sales growth of 2% based on the increase of sales on the markets of the Czech Republic (8%) and Hungary (5%).

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 - Dec 2011		Jan - Dec 2010		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	2,194.8	64.1	2,075.3	63.3	106
2	Selling and distribution costs	528.2	15.4	554.2	16.9	95
3	Marketing expenses	426.3	12.5	401.2	12.2	106
4	General and administrative expenses	273.2	8.0	247.6	7.6	110
Total		3,422.5	100.0	3,278.3	100.0	104

The total operating costs/expenses of the Podravka Group amounted HRK 3,422.5 million, which represents an increase of 4% in the year 2011 compared to the year before due to a significant increase of Costs of goods sold, respectively the price of raw material. Marketing expenses grew 6% in the observed period as a result of higher expenses for *trade* and BTL marketing, primarily due to consumption incentives but also as a result of supporting new products on the market. General and administrative expenses recorded a 10% growth mostly influenced by research and development expenses and higher amortization, while Selling and distribution costs were 5% lower in the observed period.

Profitability of the Podravka Group

In millions HRK

Podravka Group	REPORTED RESULTS		CORRECTED RESULTS *		change (2/3)	change (4/5)
	Jan - Dec 2011	Jan - Dec 2010	Jan - Dec 2011	Jan - Dec 2010		
1	2	3	4	5	6	7
Sales revenue	3,625.2	3,522.3	3,625.2	3,522.3	3%	3%
Gross profit	1,430.5	1,447.0	1,430.5	1,447.0	-1%	-1%
EBITDA	409.2	360.1	381.6	427.0	14%	-11%
EBIT	251.7	204.9	224.2	271.8	23%	-18%
Net profit	121.0	84.2	98.3	151.1	44%	-35%
Profit margins %						
Gross margin	39.5	41.1	39.5	41.1	-160bp	-160bp
EBITDA margin	11.3	10.2	10.5	12.1	110bp	-160bp
EBIT margin	6.9	5.8	6.2	7.7	110bp	-150bp
Net margin	3.3	2.4	2.7	4.3	90bp	-160bp

* without nonrecurrent items

Although sales revenue in the year 2011 grew by 3%, respectively HRK 102.9 million, the gross profit recorded a drop of 1% and amounts to HRK 1,430.5 million. Namely, due to the powerful impact from the price increase of raw material, the Costs of sold goods grew much faster than sales revenue which is the main reason for a lower gross profit and drop of gross margin (-160bp). The operating profit amounts to HRK 251.7 million, which represents an increase of 23% and therefore, the EBIT margin has risen to the level of 6.9%. The net profit of the Podravka Group is HRK 121.0 million and the net margin has increased by 90bp and is 3.3%.

Considering that the Podravka Group achieved positive nonrecurrent items in 2011, the corrected result is at a lower level than the reported one, and therefore the accompanying profit margins are also lower. Positive nonrecurrent items result from the return of insurance funds in the amount of HRK 23.7 million in the SBA Pharmaceuticals, value adjustments of long-term material assets (HRK 2 million) and the release of provisions based on the contractual relationship with OTP Bank (HRK 19.1 million). Namely, Podravka d.d., OTP Bank Plc and MOL Hungarian Oil and Gas Company, Plc from Budapest have concluded a Settlement Agreement by which all mutual claims and liabilities of the contractual parties have been discharged and as a result of this Podravka has achieved a positive effect on the result due to the release of earlier reserved funds in year 2010.

Other nonrecurrent items in the observed period were negative and referred to severance payments (HRK 8.7 million), bond value adjustments (HRK 3.7 million), value adjustments of fund investments (HRK 3.5 million) and the net effect of recording and adjusting brand values (HRK 1.3 million).

Profitability of SBA Food & Beverages

In millions HRK						
SBA Food & beverages	REPORTED RESULTS		CORRECTED RESULTS *		change (2/3)	change (4/5)
	Jan - Dec 2011	Jan - Dec 2010	Jan - Dec 2011	Jan - Dec 2010		
1	2	3	4	5	6	7
Sales revenue	2,828.9	2,778.1	2,828.9	2,778.1	2%	2%
Gross profit	993.1	1,042.8	993.1	1,042.8	-5%	-5%
EBITDA	222.8	219.4	217.9	283.5	2%	-23%
EBIT	110.2	106.6	105.3	170.7	3%	-38%
Net profit	28.7	32.2	23.7	96.3	-11%	-75%
Profit margins %						
Gross margin	35.1	37.5	35.1	37.5	-240bp	-240bp
EBITDA margin	7.9	7.9	7.7	10.2	0bp	-250bp
EBIT margin	3.9	3.8	3.7	6.2	10bp	-250bp
Net margin	1.0	1.2	0.8	3.5	-20bp	-270bp

* without nonrecurrent items

Despite the sales increase of the SBA Food and Beverages of 2%, the gross profit in 2011 recorded a 5% drop due to the price increase of incoming raw material and changes in the sales structure. As a result, the gross margin recorded a drop of 240bp. The operating profit is HRK 110.2 million and is 3% higher than last year, while the net profit is 11% lower and is HRK 28.7 million. A lower level of net profit results from lower gross profit and higher financing expenses, respectively, higher exchange rate differences.

If the reported result is corrected by nonrecurrent items, a reduction of EBITDA, EBIT and net profit and accompanying margins is noticed, as in the year 2011 positive nonrecurrent items in the amount of HRK 4.9 million were recorded. Positive nonrecurrent items in the SBA Food and Beverages are the release of provisions based on the contractual relationship with OTP Bank (HRK 19.1 million) and value adjustments of long-term material assets (HRK 2 million), while negative nonrecurrent items referred to severance payments (HRK 8.7 million), bond value adjustments (HRK 3.7 million), value adjustments of fund investments (HRK 3.5 million) and the net effect of recording and adjusting brand values (HRK 1.3 million).

Profitability of SBA Pharmaceuticals

In millions HRK						
SBA Pharmaceuticals	REPORTED RESULTS		CORRECTED RESULTS *		change (2/3)	change (4/5)
	Jan - Dec 2011	Jan - Dec 2010	Jan - Dec 2011*	Jan - Dec 2010*		
1	2	3	4	5	6	7
Sales revenue	796.3	744.2	796.3	744.2	7%	7%
Gross profit	437.4	404.2	437.4	404.2	8%	8%
EBITDA	186.4	140.7	163.8	143.5	32%	14%
EBIT	141.5	98.3	118.9	101.0	44%	18%
Net profit	92.3	52.0	74.6	54.8	77%	36%
Profit margins %						
Gross margin	54.9	54.3	54.9	54.3	60bp	60bp
EBITDA margin	23.4	18.9	20.6	19.3	450bp	130bp
EBIT margin	17.8	13.2	14.9	13.6	460bp	130bp
Net margin	11.6	7.0	9.4	7.4	460bp	200bp

* without nonrecurrent items

Sales of the SBA Pharmaceuticals increased by 7% compared to the same period of the year before with the highest contribution from foreign markets (13%), but the domestic market also achieved a sales growth (3%). As more profitable products have recorded a growth within the structure of sales, the gross profit grew 8% so the gross margin for the observed period was 54.9%. The level of EBITDA, EBIT and net margin recorded positive shifts due to earlier mentioned positive nonrecurrent items based on nonrecurrent income from insurance in the amount of HRK 23.7 million. Along with the negative nonrecurrent item in the amount of HRK 1.1 million which refers to severance payments, the corrected EBITDA and EBIT are reduced by HRK 22.6 million, while the corrected net profit is reduced by HRK 17.7 million as tax liabilities amounted to HRK 4.9 million on the basis of mentioned nonrecurrent items. If the corrected results are observed an increase of all levels of profitability and accompanying profit margins is noticed, although the corrected result in 2011 was reduced by the amount of positive items.

CONSOLIDATED STATEMENT OF INCOME

(in thousands of HRK)

	Jan - Dec 2011	Jan - Dec 2010
Sales	3,625,214	3,522,272
Cost of goods sold	(2,194,763)	(2,075,312)
Gross profit	1,430,451	1,446,960
Investment revenue	13,331	13,048
Other gains / (losses), net	37,598	(50,856)
General and administrative expenses	(273,231)	(247,649)
Selling and distribution costs	(528,210)	(554,156)
Marketing expenses	(426,309)	(401,216)
Other expenses	(1,918)	(1,273)
Profit from operations	251,712	204,858
Finance costs	(100,105)	(95,521)
Profit before tax	151,606	109,336
Income tax expenses	(30,462)	(25,262)
Net profit	121,144	84,074
Profit for the period attributable:		
To the equity holders of the parent	120,996	84,235
Non-controlling interests	148	(161)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of HRK)

	31 December 2011	31 December 2010
ASSETS		
Non-current assets		
Property, plant and equipment	1,523,782	1,642,820
Goodwill	48,263	44,293
Intangible assets	303,083	308,040
Deferred tax assets	49,277	52,330
Other financial assets	4,323	9,142
Total non-current assets	1,928,729	2,056,625
Current assets		
Inventories	701,798	692,094
Trade and other receivables	1,059,769	1,083,543
Financial assets at fair value through profit or loss	60	14,796
Cash and cash equivalents	146,545	152,363
	1,908,172	1,942,796
Non-current assets held for sale	72,417	8,768
Total current assets	1,980,589	1,951,564
TOTAL ASSETS	3,909,317	4,008,189
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,582,669	1,580,734
Reserves	119,972	126,937
Retained earnings / Accumulated loss	10,104	(107,200)
Attributable to the equity holders of the parent	1,712,745	1,600,471
Non-controlling interests	34,787	34,347
Total shareholders' equity	1,747,532	1,634,818
Non-current liabilities		
Long-term debt	897,616	558,957
Provisions	35,158	30,037
Deferred tax liability	5,873	7,141
Total non-current liabilities	938,647	596,135
Current liabilities		
Financial liabilities at fair value through profit or loss	-	371,100
Trade and other payables	709,380	800,591
Short-term borrowings	485,733	581,691
Provisions	28,025	23,854
Total current liabilities	1,223,138	1,777,236
Total liabilities	2,161,785	2,373,371
TOTAL EQUITY AND LIABILITIES	3,909,317	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 profit for the year	-	-	120,996	120,996	148	121,144
Exchange differences - other comprehensive income	-	(10,657)	-	(10,657)	292	(10,365)
Total comprehensive profit	-	(10,657)	120,996	110,339	440	110,779
Purchase of treasury shares	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-
Options exercised	-	-	-	-	-	-
Fair value of share options	1,935	-	-	1,935	-	1,935
Transfer from other and legal reserves	-	3,693	(3,692)	-	-	-
Balance at 31 December 2011	1,582,669	119,973	10,104	1,712,745	34,787	1,747,532

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of HRK)

	Jan - Dec 2011	Jan - Dec 2010
Net profit	120,996	84,235
Income tax	30,462	25,262
Depreciation and amortization	157,489	155,292
(Gains) on disposal of non-current assets	(1,862)	(4,661)
Value adjustment of current assets	5,423	22,991
Value adjustment of available-for-sale assets	-	(74)
Value adjustment of investments	977	1,649
Value adjustment of non-current assets	1,002	-
Value adjustment of capital gains	1,935	(2,957)
Value adjustment of liabilities at fair value through profit or loss	3,632	34,157
Increase in long-term provisions	4,012	177
Interest received	(2,131)	(9,191)
Interest paid and other financial expenditure	84,485	88,376
Unrealised (gains) / losses per Swap contract	(830)	4,137
Effect of changes in foreign exchange rates	15,708	16,534
Non-controlling interest	148	(161)
(Gains) / losses on option contract	(19,061)	21,008
Other items not affecting cash	(2,745)	(332)
Changes in working capital		
Increase in inventories	(8,586)	(49,942)
(Increase) / decrease in trade receivables	(29,796)	99,055
Increase in other current assets	(732)	(14,335)
Increase / (decrease) in trade payables	25,821	(21,321)
(Decrease)in other liabilities	(93,361)	(136,922)
Net cash from operations	<u>292,985</u>	<u>312,977</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(in thousands of HRK)

	Jan - Dec 2011	Jan - Dec 2010
Cash flows from operating activities		
Cash from operations	292,985	312,977
Income taxes paid	(21,118)	(25,574)
Interest paid	(95,444)	(90,634)
Net cash from operating activities	176,423	196,769
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(6,134)	-
Proceeds from disposed units in Pharma Net d.o.o.	-	1,000
Payments made for property, plant and equipment, and intangible assets	(102,249)	(91,068)
Sale of tangible and intangible assets	8,201	10,446
Long-term loans given and deposits given	(10)	(309)
Repayment of long-term loans given and deposits given	3,587	1,002
Purchase of trading securities	(97,843)	(68,300)
Sale of trading securities	111,603	74,176
Short-term loans and deposits given	(280)	(2,108)
Recovery of short-term loans and deposits given	46,652	2,078
Collected interest	9,233	9,191
Net cash used in investing activities	(27,240)	(63,892)
Net cash flows from financing activities		
Proceeds from long-term borrowings	602,508	239,206
Repayment of long-term borrowings	(612,808)	(129,891)
Proceeds from short-term borrowings	76,960	519,693
Repayment of short-term borrowings	(221,659)	(754,791)
Net cash used in financing activities	(154,999)	(125,783)
Net (decrease) / increase in cash and cash equivalents	(5,817)	7,094
Cash and cash equivalents at beginning the period	152,363	145,269
Cash and cash equivalents at the end of the period	146,545	152,363

Always with a heart



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www.podravka.com

ir@podravka.hr