



**UNAUDITED BUSINESS RESULTS OF THE PODRAVKA GROUP
FOR THE PERIOD JANUARY – DECEMBER 2010**

Main business characteristics and significant events in the fourth quarter

The net profit of the Podravka Group for the year 2010 without nonrecurrent items is HRK 151.1 million

1. The total sales of the Podravka Group in the year 2010 amounted to HRK 3,522.3 million, which represents a drop of 2% compared to the same period of last year. The sales of the Strategic Business Area (SBA) Food and Beverages totalled HRK 2,778.1 million, which is a sales drop of 2% while the sales of the SBA Pharmaceuticals totalled HRK 744.2 million, representing a sales drop of 1%.
2. The operating costs/expenses of the Podravka Group are HRK 133.6 million lesser (-4%).
3. The operating profit (EBIT) of the Podravka Group totalled HRK 204.9 million while the operating margin (EBIT) was 5.8%.
4. The realised net profit of the Podravka Group is HRK 84.2 million after provisions for the contractual relations with OTP Bank Nyrt in the amount of HRK 21 million, adjusted bond value of HRK 34.2 million and severance payments paid in the amount of HRK 12.5 million.
5. The total value of capital investments in the observed period totalled HRK 87.4 million.
6. Croatian consumers awarded the Best Buy Award to Podravka as the best Croatian company when comparing the ratio of price and product quality. This certificate is awarded by the Best Buy Award Croatia in cooperation with the companies Axios and PriceWaterhouseCooper. Podravka won certificates in eight categories: Ready-made meals (canned food), Food seasonings, Soups in bags, Preserved vegetables, Preserved fruit, Canned fish, Breakfast cereal and Side dishes.
7. In November 2010 Podravka started the production of Beef goulash in the USA. Podravka's popular Beef goulash is made in the USA following the original recipe and the recognisable brand as sold in Croatia, many countries of Europe and Australia.
8. The Management Board of Podravka d.d. brought the Decision on refinancing short term indebtedness with a syndicated loan in the amount of EUR 100 million for a term of five years.

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 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"

Taking into account the fact that the restructuring process within SBA Services has finished, a reclassification of revenue was made and therefore the Group's revenue 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)

In millions HRK						
Item no.	SBA	Jan-Dec 2010		Jan-Dec 2009		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and Beverages	2,778.1	78.9	2,834.4	79.0	98
2	Pharmaceuticals	744.2	21.1	752.7	21.0	99
Total		3,522.3	100.0	3,587.1	100.0	98

Sales revenue of the Podravka Group amounted to HRK 3,522.3 million, which is 2% less compared to the same period of the year 2009.

The sales of the SBA Food and Beverages totalled HRK 2,778.1 million, which is 78.9% of the total sales of the Podravka Group and represents a sales drop of 2% compared to the same period of the year 2009. This drop results from a lower level of sales of the SBA Food and Beverages on the Croatian market (-7%) where unfavourable economic trends, a drop of economic activities and the growth of sales of cheaper products and trade brands were noticeable throughout the year 2010. Namely, the constant growth of unemployment in Croatia¹ had increased consumer pessimism with negative impact on domestic consumption. The prepared projects and innovations in the product portfolio, accompanied by the economic recovery of the European Union had positively affected the sales of the SBA Food and Beverages on foreign markets where the sales of the relevant SBA grew 3%. According to market groups, foreign markets which have recorded sales growth are the markets of Western Europe, overseas countries and the Orient (16%), with the most prominent markets of Australia (29%), Austria (28%) and Turkey (173%) and the markets of Central Europe (7%) with the highest growth of sales on the market of Poland (20%).

The SBA Pharmaceuticals achieved sales in the amount of HRK 744.2 million, which represents a sales drop of 1% compared to the year 2009. This drop results from a lower level of sales on the Croatian market (-6%) due to the drop of sales of prescription drugs (-7%) and OTC products (-8%). A new General and Additional List of Drugs was adopted in June 2010 by the HZZO² with lower prices of a large number of drugs which resulted in a lower level of sales of prescription drugs on the domestic market. The drop of sales of OTC products resulting from recession effects and weaker personal consumption had an additional impact on the sales of the SBA Pharmaceuticals in Croatia. The SBA Pharmaceuticals achieved sales increase of 8% on foreign markets, with the highest contribution from the markets of Russia (62%), Slovakia (22%), Turkey (180%) and Poland (131%).

¹ Total increase of unemployment was 15.4%; Source: Central bureau of statistics, Monthly statistics report, no. 12, 2010. (data for the period 1-11.2010)

² Croatian Health Insurance Institute

New products in the fourth quarter of the year 2010



With development of three new **Vegeta mix products – garlic, pepper and chilli** – Podravka is expanding its range of food seasonings in innovative way which substitutes the use of some monospices. Vegeta mix products offer a wide range of culinary solutions and were first launched on the Austrian market. With development of new sub-category, Podravka continues innovative cycle under the Vegeta brand.

Crunchy muesli with honey are crunchy oat flakes full of nutrients and combined with honey provide an unforgettable delight with a mild floral taste.

Crunchy muesli with fruit are oat flakes prepared by a special recipe for true lovers of fruit.

Crunchy muesli with hazelnuts and almonds contain a combination of hazelnuts and almonds and accompanied with crunchy oat flakes provide an unforgettable morning crunchy delight.

Crunchy muesli with berries contain berries, a natural source of vitamins, minerals and antioxidants that are essential ingredients of a healthy diet.

Crunchy muesli with milk chocolate are oat flakes with delicious milk chocolate that provide an irresistible chocolate pleasure and a supply of energy and nutrients.

Crunchy muesli with berries and Crunchy muesli with milk chocolate are presented as a redesign of the already famous, delicious and healthy Podravka Provita cereal.



Olive oil for everyday use is a mild blend of extra virgin and refined olive oils intended for daily preparation of various dishes.

Olive oil is oil of mild taste and aroma intended for consumers unaccustomed to the strong taste of virgin oil.

Extra virgin olive oil is the best olive oil derived from olives by mechanical treatment only. It is the most valued oil and carries the richest aromatic and biologically valuable substances.

Eva classic tuna spread is an extremely tasty and convenient product for all seafood lovers. Prepared from high quality tuna fillets that with carefully selected spices compliment an unforgettable taste.





Extra sausage and Extra sausage with peppers with their delicate flavour will compliment your breakfast or snack and satisfy the most demanding tastes.

Piquant paste made from the best chicken meat contains no preservatives or artificial flavouring. A carefully selected combination of vegetables and spices give the product a very pleasant tangy taste.

Sales revenues per product groups

Item no.	PRODUCT GROUP	In millions HRK				
		Jan-Dec 2010		Jan-Dec 2009		Index 2:4
0	1	2	3	4	5	6
1	BP PODRAVKA FOOD	1,210.5	34.4	1,235.2	34.4	98
	Podravka brands	932.1	26.5	934.4	26.0	100
	- Fruit and vegetable products, side dishes and other	440.2	12.5	439.0	12.2	100
	- Baby food, sweets and snack	370.0	10.5	359.4	10.0	103
	- Fish and fishery products	121.8	3.5	136.0	3.8	90
	Other	278.4	7.9	300.8	8.4	93
2	BP DISHES AND FOOD SEASONINGS	952.7	27.1	952.2	26.5	100
	Podravka brands	918.2	26.1	919.5	25.6	100
	- Food seasonings	688.9	19.6	678.2	18.9	102
	- Podravka dishes	229.3	6.5	241.3	6.7	95
	Other	34.5	1.0	32.7	0.9	106
3	BP MEAT PRODUCTS	405.9	11.5	397.8	11.1	102
	Podravka brands	362.4	10.3	366.1	10.2	99
	Other	43.5	1.2	31.7	0.9	137
4	BP BEVERAGES	209.0	5.9	249.2	7.0	84
	Podravka brands	190.1	5.4	215.4	6.0	88
	Other	18.9	0.5	33.8	1.0	56
5	Pharmaceuticals	744.2	21.1	752.7	21.0	99
	Total	3,522.3	100.0	3,587.1	100.0	98

The BP Podravka Food suffered a 2% drop of sales compared to the same period of the year 2009. Sales of the product group Fruit and vegetable products, side dishes and other was slightly higher than last years' resulting from an increase of sales on the markets of Central Europe (18%), under the influence of higher sales of Tomato based products and Side dishes. The product group Baby food, sweets and snack achieved sales growth of 3% with the highest contribution from the markets of Slovenia (10%) and Bosnia and Herzegovina (6%). The sales drop of the product group Fish and fishery products of 10% was mostly

influenced by a lower level of sales of the relevant product group on the markets of Serbia, Bosnia and Herzegovina and Croatia, respectively.

The sales growth of the BP Dishes and Food seasonings is on a slightly higher level than last year taken that the sales of the product group Food seasonings is 2% higher compared to the year 2009, while Podravka dishes suffered a 5% drop. The highest increase within this Business program was recorded on the market of Western Europe, overseas countries and the Orient (13%), with the highest contribution coming from the markets of Australia (36%), Turkey (129%) Austria (10%) and Canada (26%), respectively. A considerable growth of sales was also achieved on the market of Poland (13%), influenced by the entry into new categories of products, but also the recovery of the Polish zloty compared to HRK exchange rate (7%³), and on the market of Romania which recorded a sales growth of 9%.

Sales of the BP Meat increased by 2% generated by a higher level of sales in Croatia (2%) and a sales growth on the market of Western Europe, overseas countries and the Orient (20%) as a result of the sales growth of Canned ready-made meals and Liver paste.

The sales level of the BP Beverages is 16% lower compared to the year 2009 with the greatest impact on the sales fall coming from the Croatian market (-17%). A lower level of sales was also achieved abroad (-14%), resulting from a sales drop on the markets of Bosnia and Herzegovina (-11%) and Slovenia (-24%). Although this Business program recorded a decline in sales, the product groups of Beverage powders and Syrups recorded a sales growth on both domestic and foreign markets.

³ calculated on the average exchange rate base for the observed period

Sales revenues of the Podravka Group per market⁴

Item no.	MARKETS	In millions HRK				
		Jan-Dec 2010		Jan-Dec 2009		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Croatia	1,741.3	49.4	1,868.6	52.1	93
2	South-East Europe	815.2	23.2	860.1	24.0	95
3	Central Europe	490.1	13.9	454.1	12.7	108
4	Western Europe, overseas countries and Orient	281.6	8.0	242.1	6.7	116
5	Eastern Europe	194.1	5.5	162.2	4.5	120
Total		3,522.3	100.0	3,587.1	100.0	98

The market of Croatia realised sales in the amount of HRK 1,741.3 million, which represents 49.4% of the total sales of the Podravka Group. Sales in the year 2010 suffered a 7% drop compared to the same period of the year 2009, resulting from a drop of sales of both the SBA Food and Beverages (-7%) and the SBA Pharmaceuticals (-6%). Namely, the entire year 2010 was characterised by a lower level of domestic demand due to negative trends which are still present in domestic economy and are reflected in a more cautious consumption by domestic customers.

The realized sales of foreign markets in the year 2010 amounted to HRK 1,781 million, which represents a 4% growth compared with the year before. Significant sales growth was achieved on all foreign markets except South-East Europe where recession trends are still strongly present keeping consumption at a lower level. The highest absolute sales growth was achieved on the market of Western Europe, overseas countries and the Orient (16%) with the highest contribution coming from the markets of Australia (29%), Austria (28%) and Turkey (175%), respectively. Significant sales growth was also recorded on the market of Central Europe (8%) based on sales growth on the markets of Poland (21%), the Czech Republic (2%) and Slovakia (2%). East-Europe realised a 20% higher level of sales generated by sales growth on the markets of Russia (25%) and Romania (14%). In contrast to positive trends in Central, Eastern and Western Europe and overseas countries, the market of South-East Europe recorded a sales drop of 5% as a result of lower sales on the markets of both Bosnia and Herzegovina (-7%) and Serbia (-12%).

⁴ 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

Structure of operating costs / expenses

In millions HRK						
Item no.	COSTS / EXPENSES	Jan-Dec 2010		Jan-Dec 2009		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	2,075.7	63.3	2,141.7	62.8	97
2	Selling and distribution costs	554.1	16.9	573.4	16.8	97
3	Marketing expenses	401.2	12.2	396.9	11.6	101
4	General and administrative expenses	247.3	7.6	299.9	8.8	82
Total		3,278.3	100.0	3,411.9	100.0	96

The operating costs/expenses of the Podravka Group in the observed period totalled HRK 3,278.3 million, which represents a 4% reduction of operating costs/expenses of HRK 133.6 million, respectively, compared to the same period of last year. Taken that the operating costs/expenses have declined for the second consecutive year, it can be concluded that cost management mechanisms are efficient especially in the part of General and administrative expenses.

The cost of goods sold is 3% lesser which correlates with the fall of sales revenue. The cost of manufacturing material (-1%) and employee costs (-2%) recorded the largest reduction within the cost of goods sold, while energy costs increased (10%).

Selling and distribution costs also dropped in the observed period and are HRK 19.3 million (-3%) lesser. This reduction results from lower sales force costs (-4%) and lower storage costs (-3%).

Marketing expenses increased 1% in the observed period and reached the amount of HRK 401.2 million, which mostly results from higher trade and BTL marketing expenses which had been planned as a response to the forecasted recession trends.

General and administrative expenses recorded a drop of HRK 52.6 million (-18%) in the year 2010 and have reduced their share in total operating costs/expenses from 8.8% to 7.6%. General and administrative expenses have steadily decreased over a period of two and a half years which has impact on the growth of profitability, despite lower levels of sales than planned. This decrease of General and administrative expenses is an expected positive effect arising from the reorganisation conducted in the SBA Food and Beverages and the implementation of efficient cost management mechanisms. Lower employee costs and lower costs of services and provisions were items that most significantly influenced the reduction of these expenses.

Profitability of the Podravka Group

In millions HRK						
Podravka Group	REPORTED RESULTS		CORRECTED RESULTS **		change (2/3)	change (4/5)
	Jan-Dec 2010	Jan-Dec 2009*	Jan-Dec 2010**	Jan-Dec 2009**		
1	2	3	4	5	6	7
Sales revenue	3,522.3	3,587.1	3,522.3	3,587.1	-2%	-2%
Gross profit	1,446.6	1,445.5	1,446.6	1,445.5	0%	0%
EBITDA	360.4	-110.7	427.3	370.6	426%	15%
EBIT	204.9	-267.3	271.8	214.0	177%	27%
Net profit	84.2	-381.0	151.1	100.3	122%	51%
<i>Profit margins (%)</i>						
Gross margin	41.1	40.3	41.1	40.3	80bp	80bp
EBITDA margin	10.2	-3.1	12.1	10.3	1,330bp	180bp
EBIT margin	5.8	-7.5	7.7	6.0	1,330bp	170bp
Net margin	2.4	-10.6	4.3	2.8	1,300bp	150bp

* *adjusted*

** *without nonrecurrent items*

Although the Podravka Group recorded lower sales in the year 2010 compared to the year before, significant positive progress has been made at all profitability levels as a result of improvement of business processes and more rational cost management.

The gross margin increased by 80bp in the observed period due to the drop of cost of goods sold and is now 41.1%.

In the year 2010 extraordinary items reached HRK 66.9 million and refer to bond value adjustments in the amount of HRK 34.2 million (financial liability at fair value in the profit and loss account) and value adjustments of the share in investment funds in the amount of HRK 1.7 million, severance payments in the amount of HRK 12.5 million and provisions on the grounds of contractual relations with OTP Bank in the amount of HRK 21 million. Apart from negative extraordinary items there were also positive ones in the amount of HRK 2.4 million which refer to land value adjustments. Despite the aforesaid extraordinary items which negatively effected business results, the Podravka Group achieved operating profit in the amount of HRK 204.9 million and an operating margin at the level of 5.8%, while the net profit in the year 2010 was HRK 84.2 million.

A comparative analysis with the year 2009 showed that extraordinary items were HRK 481.3 million and the disclosed result of the previous year was adjusted for the amount of HRK 92.9 million, which refers to provisions based on the contractual relations with OTP Bank. Namely, until the disclosure of audited

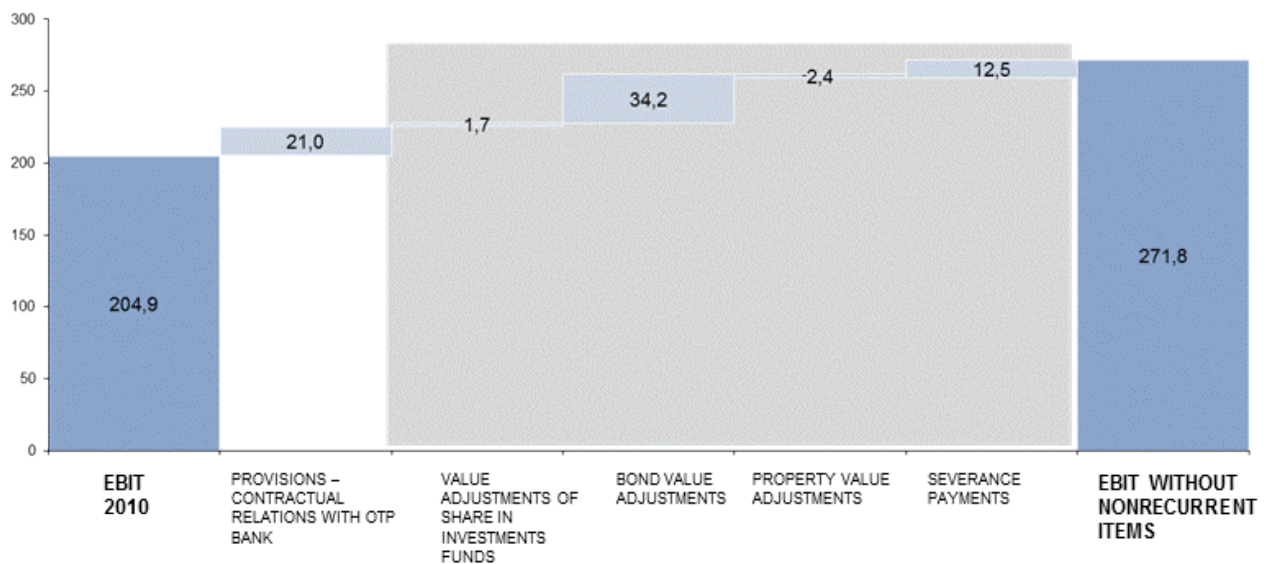
financial statements for the year 2009, the Management Board was not in possession of the complete documents nor was it possible to obtain relevant legal interpretations of the contractual relations which would clearly indicate the need to make provisions in the aforesaid amount.

The correction of operating profit for the above quoted extraordinary items has increased the level of operating profit to HRK 271.8 million, which represents a growth of 27% compared to the operating profit of 2009 disclosed in a comparable manner.

The corrected net profit in the observed period amounts to HRK 151.1 million, which represents a growth of 51% compared to the net profit of the year 2009 disclosed in a comparable manner.

The operating profit of the Podravka Group without nonrecurrent items

In millions HRK



Profitability of SBA Food & Beverages

In millions HRK

SBA Food & Beverages	REPORTED RESULTS		CORRECTED RESULTS **		change (2/3)	change (4/5)
	Jan-Dec 2010	Jan-Dec 2009*	Jan-Dec 2010**	Jan-Dec 2009**		
1	2	3	4	5	6	7
Sales revenue	2,778.1	2,834.4	2,778.1	2,834.4	-2%	-2%
Gross profit	1,042.3	1,048.5	1,042.3	1,048.5	-1%	-1%
EBITDA	219.6	-245.9	283.7	224.8	189%	26%
EBIT	106.8	-360.7	170.9	110.1	130%	55%
Net profit	32.3	-425.5	96.4	45.3	108%	113%
<i>Profit margins (%)</i>						
Gross margin	37.5	37.0	37.5	37.0	50bp	50bp
EBITDA margin	7.9	-8.7	10.2	7.9	1,660bp	230bp
EBIT margin	3.8	-12.7	6.2	3.9	1,650bp	230bp
Net margin	1.2	-15.0	3.5	1.6	1,620bp	190bp

* *adjusted*

** *without nonrecurrent items*

The gross margin of the SBA Food and Beverages in the observed period recorded an increase of 50bp which results from a change in the sales structure in favour of more profitable categories and savings achieved in manufacturing costs/expenses. The operating costs/expenses of the SBA Food and Beverages recorded a fall of 5% and within the structure of operating costs/expenses all costs/expenses declined.

Extraordinary items that burdened the operations of the SBA Food and Beverages in 2010 amounted to HRK 64.1 million, while extraordinary items for the same period of last year in this SBA amounted to HRK 470.9 million.

Comparison of corrected results shows that the operating profit grew by 55% and the operating margin is at the level of 6.2%, which represents a growth of 230bp. The corrected net profit is 113% higher compared to the net profit of the year 2009 disclosed in a comparable manner.

Profitability of SBA Pharmaceuticals

In millions HRK

SBA Pharmaceuticals	REPORTED RESULTS		CORRECTED RESULTS *		change (2/3)	change (4/5)
	Jan-Dec 2010	Jan-Dec 2009	Jan-Dec 2010*	Jan-Dec 2009*		
1	2	3	4	5	6	7
Sales revenue	744.2	752.7	744.2	752.7	-1%	-1%
Gross profit	404.2	396.9	404.2	396.9	2%	2%
EBITDA	140.7	135.2	143.5	145.6	4%	-1%
EBIT	98.3	93.4	101.0	103.8	5%	-3%
Net profit	52.0	44.5	54.8	54.9	17%	0%
<i>Profit margins (%)</i>						
Gross margin	54.3	52.7	54.3	52.7	160bp	160bp
EBITDA margin	18.9	18.0	19.3	19.3	90bp	-10bp
EBIT margin	13.2	12.4	13.6	13.8	80bp	-20bp
Net margin	7.0	5.9	7.4	7.3	110bp	10bp

* without nonrecurrent items

The SBA Pharmaceuticals recorded lower sales of prescription drugs within the sales structure due to lower prices which together with a lower level of sales of OTC products resulted in reduced sales of this SBA by 1%. At the same time, a drop of cost of goods sold of 4% occurred and the gross margin recorded a positive shift of 160bp. The drop of cost of goods sold is mostly contributed by lower costs of manufacturing material (-5%) and lower employee costs (-4%).

The operating profit grew by 5% which increased the operating margin by 13.2%. Lower financing costs (-4%) had positive effect on the growth of net margin by 110bp.

CONSOLIDATED STATEMENT OF INCOME

(in thousands of HRK)

	2010	2009
		As restated
Sales	3,522,272	3,587,136
Cost of goods sold	(2,075,698)	(2,141,681)
Gross profit	1,446,574	1,445,455
Investment revenue	10,181	7,076
Other (losses) / gains, net	(47,989)	(439,653)
General and administrative expenses	(247,263)	(299,865)
Selling and distribution costs	(554,157)	(573,377)
Marketing expenses	(401,216)	(396,928)
Other expenses	(1,273)	(9,996)
Profit (loss) from operations	204,857	(267,288)
Finance costs	(95,521)	(98,048)
Profit (loss) before tax	109,336	(365,336)
Income tax expenses	(25,262)	(15,471)
Net profit (loss)	84,074	(380,807)
Profit (loss) for the period attributable:		
To the equity holders of the parent	84,235	(380,991)
Non-controlling interests	(161)	184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in thousands of HRK)

	31 December 2010	31 December 2009 As restated
ASSETS		
Non-current assets		
Property, plant and equipment	1,642,820	1,711,646
Goodwill	44,293	42,877
Intangible assets	308,040	311,609
Deferred tax assets	52,093	53,589
Other financial assets	9,142	11,573
Total non-current assets	2,056,388	2,131,294
Current assets		
Inventories	692,226	646,839
Trade and other receivables	1,083,784	1,186,974
Financial assets at fair value through profit or loss	9,792	22,321
Cash and cash equivalents	157,363	145,269
	<u>1,943,165</u>	<u>2,001,403</u>
Non-current assets held for sale	8,768	4,004
Total current assets	1,951,933	2,005,407
TOTAL ASSETS	4,008,321	4,136,701
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,580,470	1,583,691
Reserves	127,132	109,825
Accumulated loss	(106,999)	(188,781)
Attributable to the equity holders of the parent	1,600,603	1,504,735
Non-controlling interests	34,347	34,361
Total shareholders' equity	1,634,950	1,539,096
Non-current liabilities		
Financial liabilities at fair value through profit or loss	-	336,300
Long-term debt	593,795	452,916
Provisions	29,971	29,226
Deferred tax liability	6,877	7,616
Total non-current liabilities	630,643	826,058
Current liabilities		
Financial liabilities at fair value through profit or loss	371,100	-
Trade and other payables	801,449	942,009
Short-term borrowings	546,854	805,050
Provisions	23,325	24,488
Total current liabilities	1,742,728	1,771,547
Total liabilities	2,373,371	2,597,605
TOTAL EQUITY AND LIABILITIES	4,008,321	4,136,701

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 2009	1,583,691	109,825	(188,781)	1,504,735	34,361	1,539,096
Net profit for the year	-	-	84,235	84,235	(161)	84,074
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	84,235	84,235	(161)	84,074
Exchange differences	-	13,569	-	13,569	147	13,716
Purchase of treasury shares	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-
Options exercised	-	-	-	-	-	-
Fair value of share options	(3,221)	-	-	(3,221)	-	(3,221)
Transfer from other and legal reserves	-	3,738	(2,453)	1,285	-	1,285
Balance at 31 December 2010	1,580,470	127,132	(106,999)	1,600,603	34,347	1,634,950

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of HRK)

	2010	2009 As restated
Net profit (loss)	84,074	(380,807)
Income tax	25,262	15,471
Depreciation and amortization	155,292	156,537
Losses / (gains) on disposal of non-current assets	(7,528)	9,496
Value adjustment of current assets	25,891	31,597
Value adjustment and impairment of non-current assets of current assets	(3,178)	53,753
Value adjustment of available-for-sale assets	924	403
Value adjustment of investments	1,653	5,996
Value adjustment of capital losses / (gains)	(3,221)	2,725
Value adjustment of liabilities at fair value through profit or loss	34,157	16,907
Increase in long-term provisions	6	1,147
Interest received	(9,191)	(14,089)
Interest paid and other financial expenditure	92,516	109,156
Value adjustment of receivables for loans and guarantees	-	263,113
Effect of changes in foreign exchange rates	23,700	(4,321)
Losses on option contract	21,008	92,932
Other items not affecting cash	2,586	(815)
Changes in working capital		
Increase in inventories	(50,071)	(15,210)
Decrease in trade receivables	96,152	101,939
Increase in other current assets	(14,576)	(8,947)
Decrease in trade payables	(21,321)	(132,512)
(Decrease) / increase in other liabilities	(138,322)	1,773
Net cash from operations	315,813	306,244

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(in thousands of HRK)

	2010	2009 As restated
Cash flows from operating activities		
Cash from operations	315,814	306,244
Income taxes paid	(25,574)	(20,695)
Interest paid	(93,192)	(113,303)
Net cash from operating activities	197,048	172,246
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	-	(1,220)
Payments made for property, plant and equipment, and intangible assets	(92,838)	(141,791)
Sale of tangible and intangible assets	12,936	15,695
Long-term loans given and deposits given	(309)	-
Repayment of long-term loans given and deposits given	1,002	649
Purchase of trading securities	(5,000)	(8,989)
Sale of trading securities	15,876	4,088
Short-term loans and deposits given	(2,108)	(313,211)
Recovery of short-term loans and deposits given	2,078	185,630
Collected interest	9,191	10,966
Net cash used in investing activities	(59,172)	(248,183)
Net cash flows from financing activities		
Purchase of treasury shares	-	(6,390)
Proceeds from long-term borrowings	239,206	49,565
Repayment of long-term borrowings	(129,891)	(94,087)
Proceeds from short-term borrowings	519,693	583,850
Repayment of short-term borrowings	(754,791)	(730,980)
Net cash used in financing activities	(125,783)	(198,042)
Net increase / (decrease) in cash and cash equivalents	12,093	(273,979)
Cash and cash equivalents at beginning the period	145,269	419,248
Cash and cash equivalents at the end of the period	157,362	145,269

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