

# Podravka Group

## European Midcap Event

3 – 4 March 2008, Frankfurt

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# Overview

# Podravka Group, the overview

## One of the largest branded food companies in the region

- large brand portfolio
- international Superbrands

## Podravka in Croatia

- the largest food company
- the second pharmaceutical company per MS

## Production facilities

- mostly in Croatia (food, beverages and drugs)
- Czech Republic, Poland (food)

## Strong distribution network

- covering key emerging markets
- distribution agreements with Unilever, Hainz & Deit

## Current processes in Podravka

- complexity management (portfolio optimization)
- restructuring



# Strategic Business Areas

<b>Food and beverages</b>		<b>Pharmaceuticals</b>		<b>Strategic Business Area</b>
<b>Podravka Food</b>	<b>Beverages</b>	<b>Commercial goods *</b>	<b>Pharmaceuticals</b>	<b>Business Area</b>
<ul style="list-style-type: none"> <li>•Vegeta –food seasoning</li> <li>•Podravka dishes (soups, fruits, vegetables, ready-made meals, frozen food)</li> <li>•Baby food, Sweets &amp; Snack</li> <li>•Meat products &amp; canned fish</li> </ul>	<ul style="list-style-type: none"> <li>•Studena-spring water</li> <li>•Studenac-carbonated water</li> <li>•Lero</li> <li>•Other soft drinks</li> </ul>	<ul style="list-style-type: none"> <li>•Unilever</li> <li>•SMS</li> <li>•Deit</li> <li>•Kraš</li> </ul>	<ul style="list-style-type: none"> <li>•Generic drugs</li> <li>-RX</li> <li>-OTC</li> </ul>	<b>Product group</b>



\* third parties' goods

# Business activities 2005-2007

## 2005

- new Management Board
- spin-off operative unfunctional assets
- spin-off non-basic activities
- complexity management
- new products development
- higher investments in marketing

## 2006

- continued restructuring process
- discontinued distribution of Nestlé products for the markets of B&H, Macedonia and Serbia
- organic growth of Podravka brands
- investment in new Baby Food plant
- acquisition of Eva brand
- continued new products development
- continued complexity of management
- new Supervisory Board

## 2007

- restructuring of subsidiary Danica LLC
- production in new Baby Food plant
- brand development - Čokolino
- organic growth of Podravka brands
- acquisition of Warzywko, Perfecta and Lero brands
- growth through acquisition
- decrease of Nestlé products sales
- new middle management on foreign markets

# Brand Acquisitions 2006 / 2007

## Eva (Croatia, 2006)



- one of the most accepted canned fish brand in Croatia and SouthEast Europe (GfK research)
- among top brands for recognizability, use and popularity in sardines category in the markets of Croatia and SouthEast Europe (GfK research)
- category with high growth potential and expanding the range with new products
- since 2007 the sales of products under Eva brand is shown within Podravka brands

## Warzywko & Perfecta (Poland, 2007)



- Warzywko- Polish brand for universal and special food seasoning and bouillons
- Perfecta- universal food seasoning brand sold in Russia, Ukraine and Romania
- acquiring Warzywko Podravka will strengthen its leader position on the Polish market of food seasonings
- acquiring Warzywko Podravka enters “medium price” segment on the Polish market and expands consumer base and profiles

## Lero (Croatia, 2007)



- with acquiring Lero Podravka expands its existing product assortment to category of juices, nectars, syrups and other non-alcoholic beverages packed in modern and technologically advanced packaging
- introducing Lero into its existing sales structure, Podravka will accomplish costs synergy in sales and distribution
- acquiring Lero Podravka also took over contractual obligations on service production for third parties: Cockta, Orangina and other brands in non-alcoholic beverages category

# Intensive development of the new products with high GM



- Vegeta pikant
- Vegeta liquid stock



- Lino baby food with prebiotic



- Čokolino cereales
- Čokolino spread

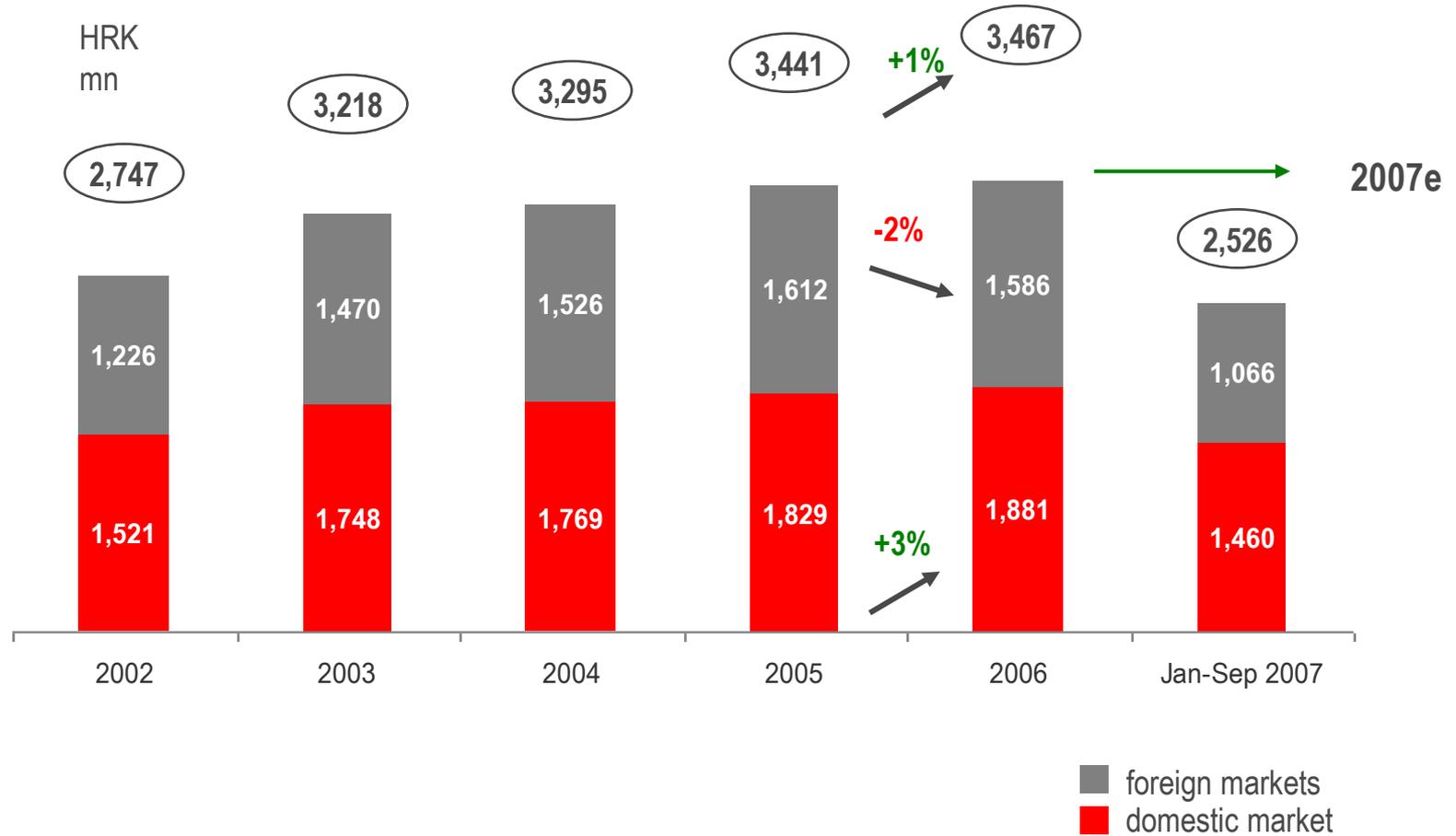


# Sales

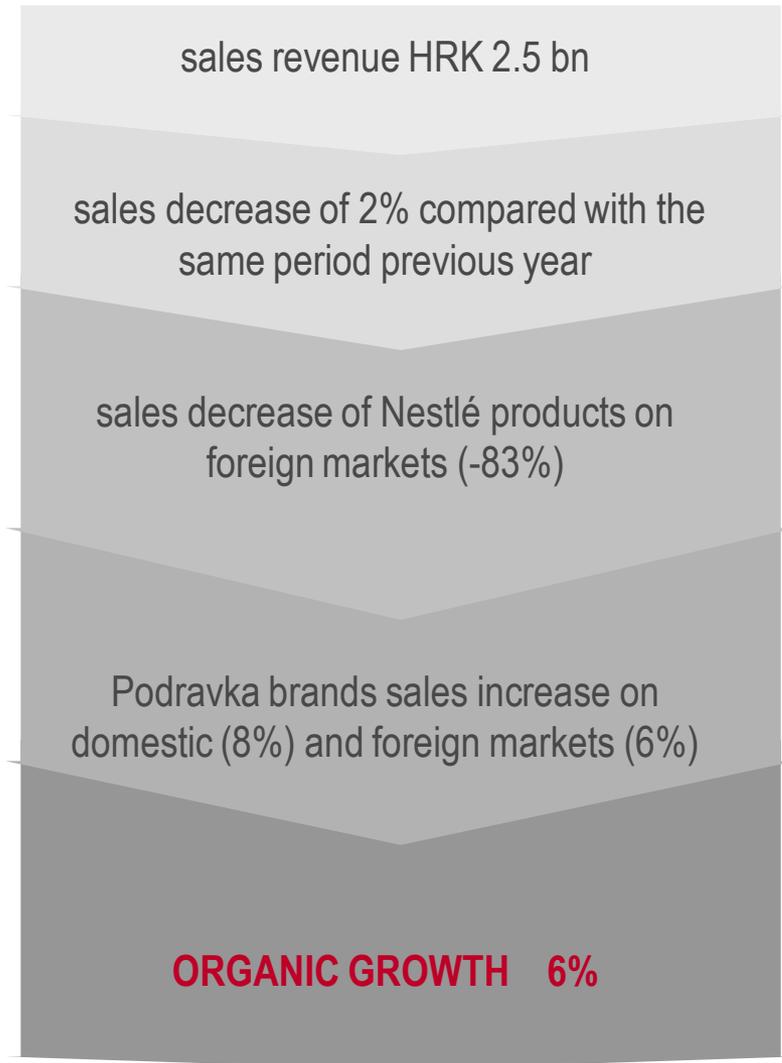
# Podravka Group sales

## Sales growth on domestic and foreign markets

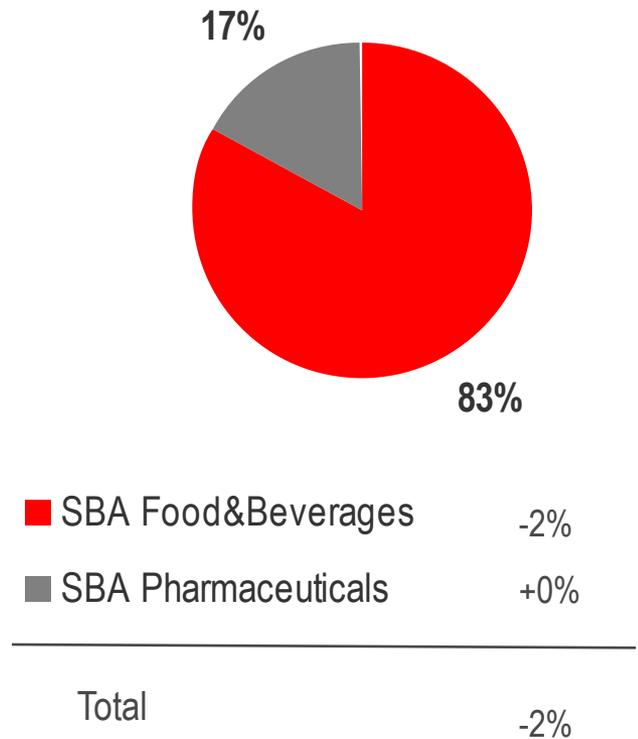
2002 – Jan-Sep 2007



# Podravka Group sales Jan-Sep 2007

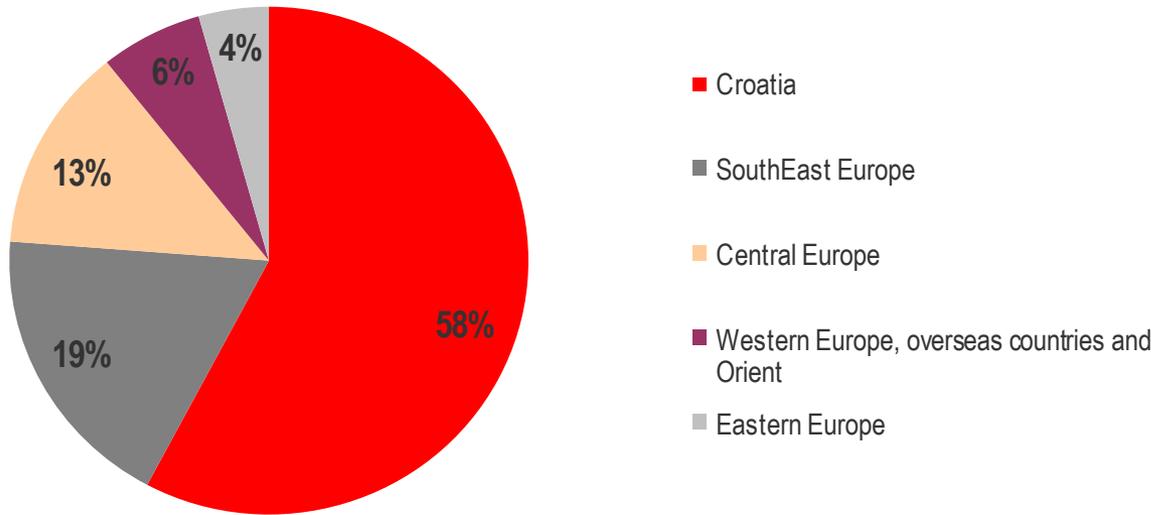


Podravka Group sales structure per SBA



# Sales structure per markets Jan-Sep 2007

Podravka Group sales structure per markets



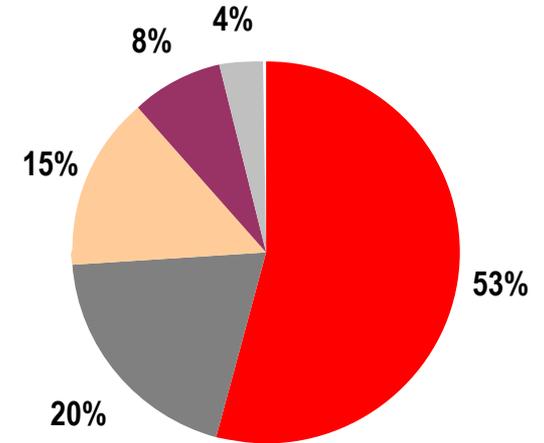
SEE: B&H, Serbia, Slovenia, Macedonia, Montenegro, Kosovo, Albania

CE: Czech Republic, Poland, Slovakia, Hungary

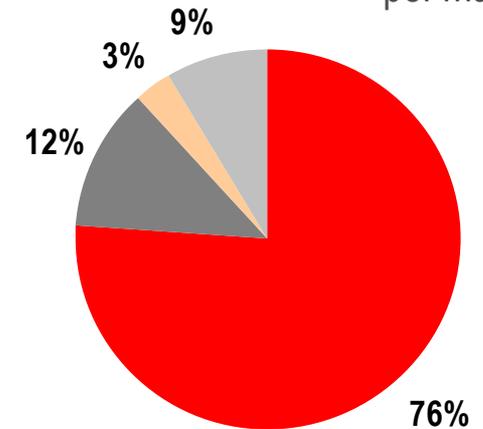
WE, OC& the Orient: Germany, USA, Australia, Austria, Benelux, Scandinavia, Canada, France, UK, Switzerland, Turkey and others

EE: Russia, Pribaltic, Romania, Ukraina and others

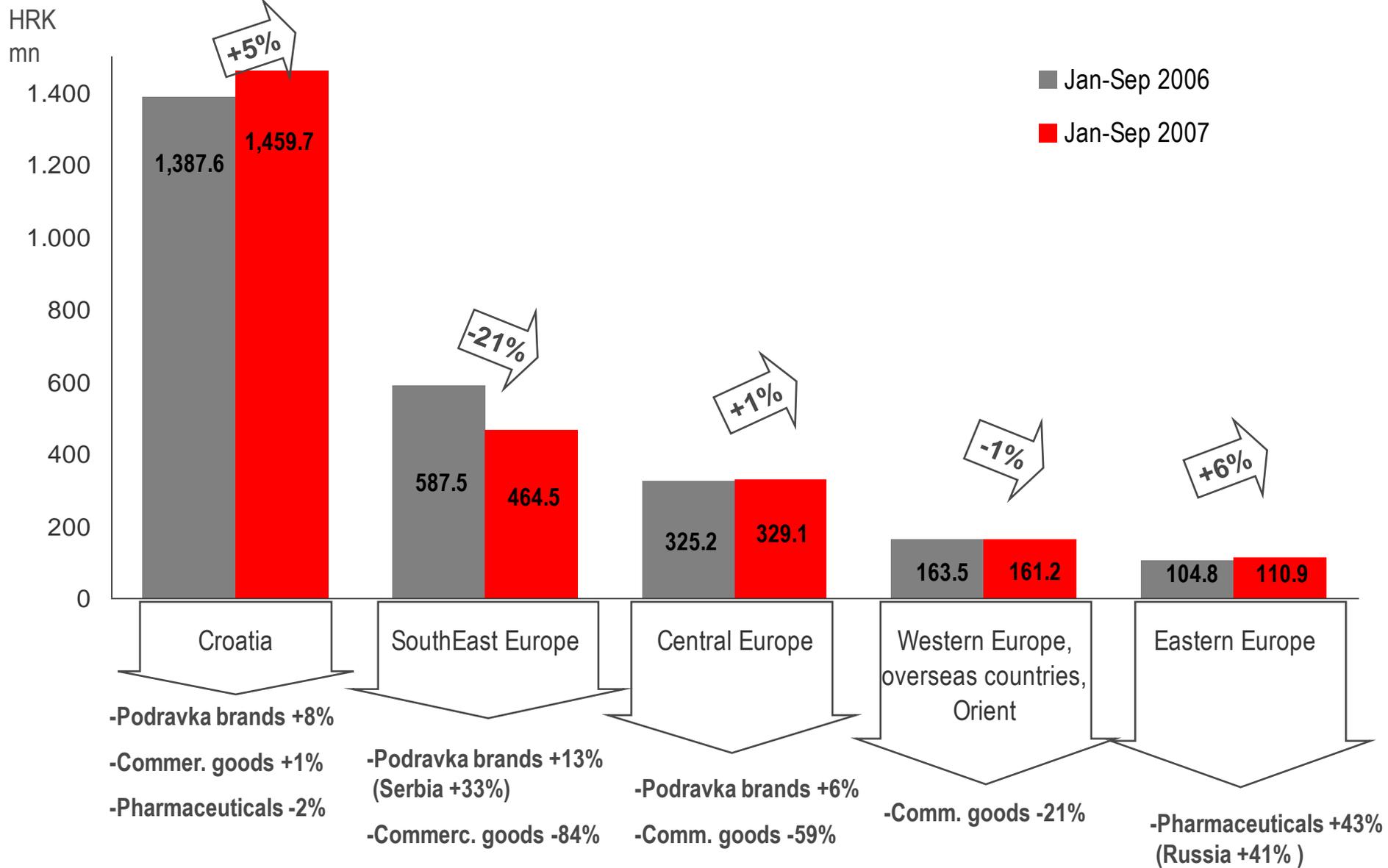
Food & Beverage sales structure per markets



Pharmaceuticals sales structure per markets



# Podravka Group sales growth per markets



# Business results

-under restructuring process

# Business results through the time of restructuring

in millions of HRK

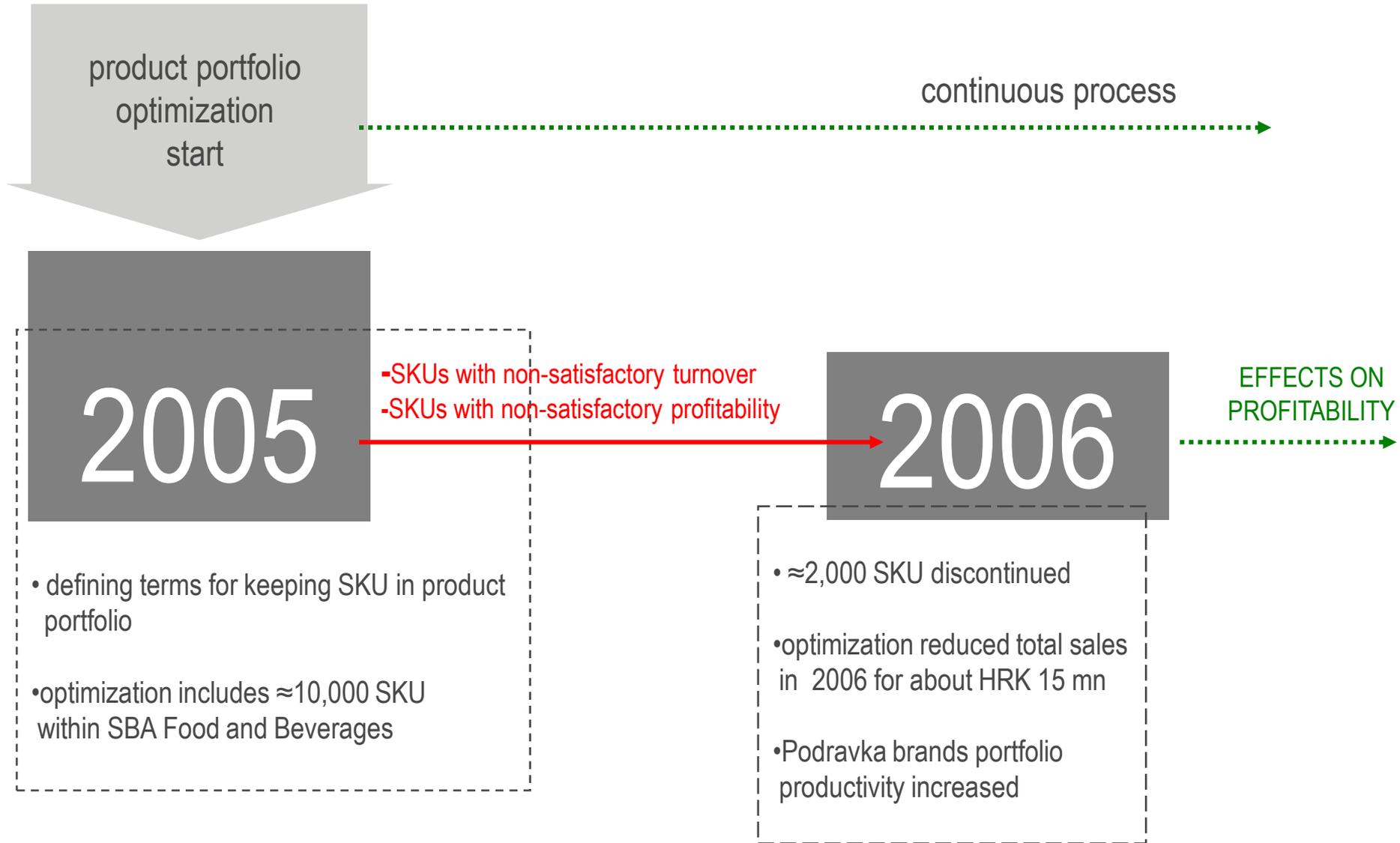
Podravka Group	Results without restructuring costs			Reporting results		
	2006	2005	06/05	2006	2005	06/05
Sales	3,467.5	3,441.4	1%	3,467.5	3,441.4	1%
Gross profit	1,351.2	1,336.9	1%	1,351.2	1,336.9	1%
EBITDA	373.3	315.9	18%	327.5	308.5	6%
EBIT	172.0	92.9	85%	126.2	85.5	48%
Net profit	106.2	70.0	52%	60.4	62.6	-4%
Gross margin %	39.0	38.8	12 bp	39.0	38.8	12 bp
EBITDA margin %	10.8	9.2	159 bp	9.4	9.0	48 bp
EBIT margin %	5.0	2.7	226 bp	3.6	2.5	116 bp
Net margin %	3.1	2.0	103 bp	1.7	1.8	-8 bp

# Business results per SBA Jan-Sep 2007

in millions of HRK

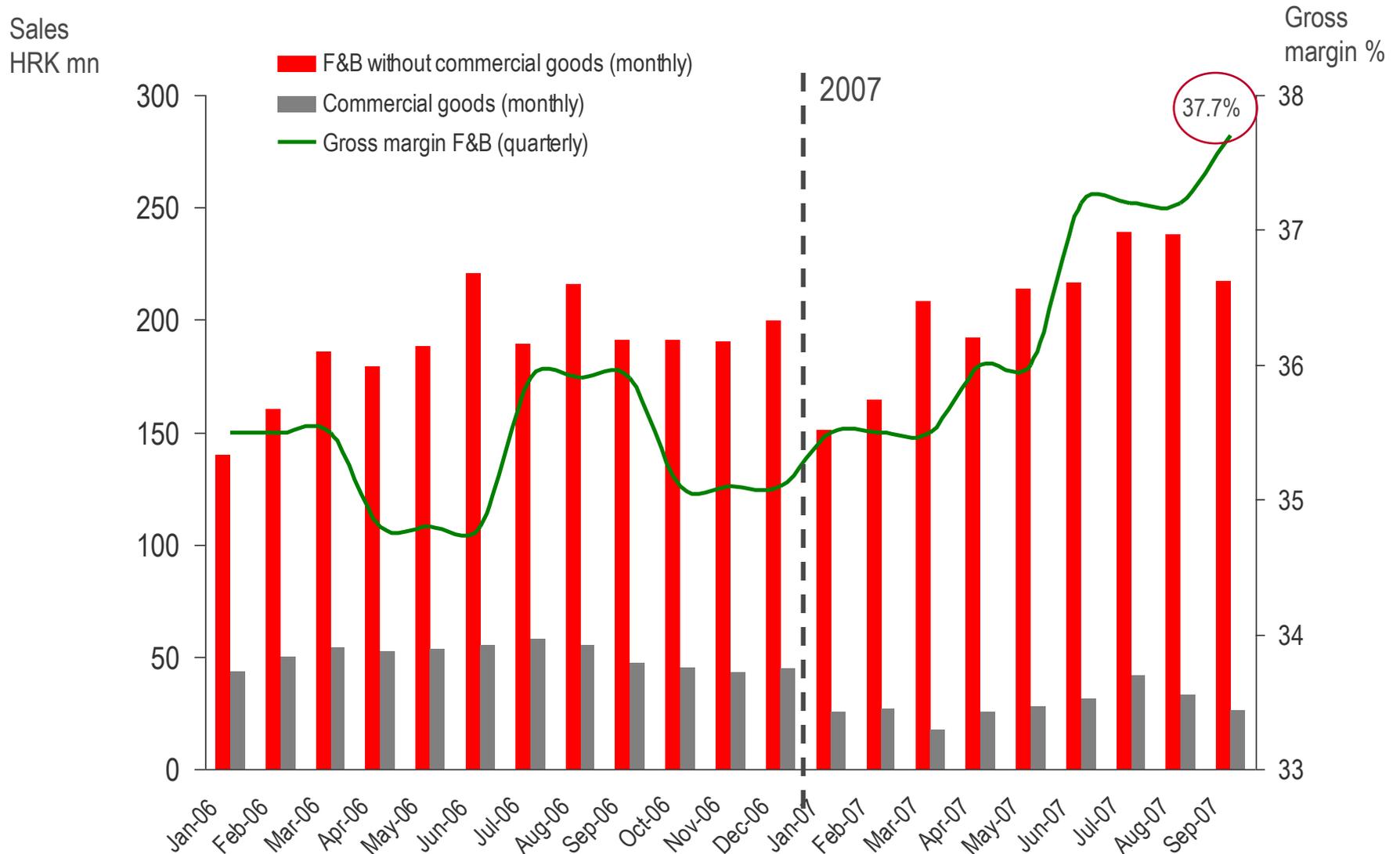
Podravka Group				Food & Beverages			Pharmaceuticals		
	Jan-Sep 2007	Jan-Sep 2006	change	Jan-Sep 2007	Jan-Sep 2006	change	Jan-Sep 2007	Jan-Sep 2006	change
Sales	2,525.4	2,568.6	-2%	2,094.8	2,137.1	-2%	425.4	423.6	0%
Gross profit	1,045.2	1,004.0	4%	789.5	766.9	3%	255.8	237.1	8%
EBITDA	216.1	307.1	-30%	122.1	163.8	-25%	93.9	143.3	-34%
EBIT	92.5	152.2	-39%	24.5	41.4	-41%	68.1	110.7	-39%
Net profit	33.7	99.1	-66%	-9.4	18.8	-150%	43.1	80.4	-46%
<b>Margins</b>									
Gross margin %	41.4	39.1	230 bp	37.7	35.9	180 bp	60.1	56.0	410 bp
EBITDA margin %	8.6	12.0	-340 bp	5.8	7.7	-190 bp	22.1	33.8	-1,170 bp
EBIT margin %	3.7	5.9	-220 bp	1.2	1.9	-70 bp	16.0	26.1	-1,010 bp
Net margin %	1.3	3.9	-260 bp	-0.4	0.9	-130 bp	10.1	18.9	-880 bp

# Product portfolio optimization (SKU)



# Positive movement of Food & Beverages profitability

Sales movement and profitability of Food & Beverages



# Costs / Expenses

# Structure of operating costs

## OPERATING COSTS

Jan-Sep 2007

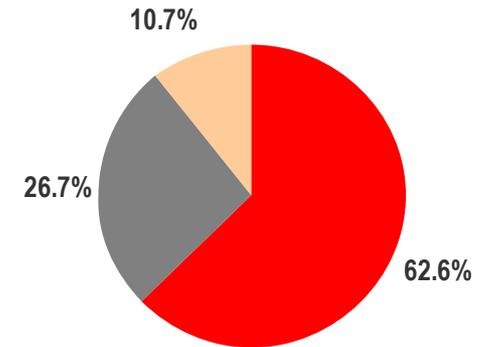
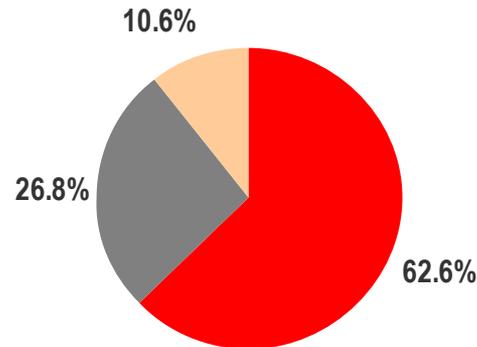
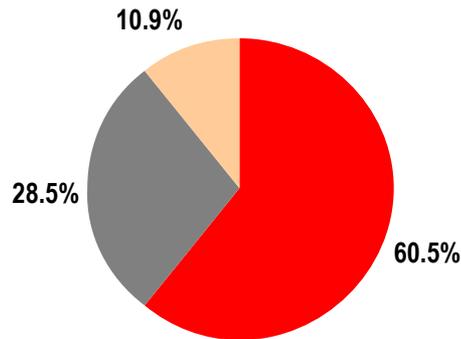
HRK 2,446.4 mn

2006

HRK 3,381.5 mn

2005

HRK 3,363.1 mn



Jan-Sep 2007 /  
Jan-Sep 2006

2006 / 2005

-5%

+1%

Advertising &  
promotion costs

+7%

+1%

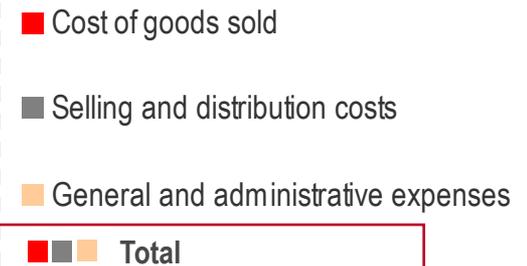
-3%

0%

**+ 13%**

-2%

+1%



# Marketing activities in 2007

March 2008

**Medvjedi su najbolji, najzgodniji i najpametniji od svih životinja na svijetu!**

Studena aroma više su o ove ljeta u svom izlazu. Čisto cool izgleda nade i novi okus - luskave jagode. Kad se spoji svežina prirodne izvorske vode Studena s lijepim ekstraktom voća nastaje prava ljetna osvježila - Studena s okusom.

**PODRAVKA**

**Novi izgled novo osvježenje!**

**PODRAVKA**

**Za tijelo i duh!**

**Eva. Iz sreća mora.**

**PODRAVKA**

**Lino** **NOVO**

**PODRAVKA**

**Lino** **NOVO**

**PODRAVKA**

**Osvježenje s Dalekog istoka! NOVO!**

**PODRAVKA**

**Fina obitelj.**

Gotovo za samo 2 min.

**PODRAVKA**

**Podravka gotova jela. U okusu je tajna cijela.**

**PODRAVKA**

[www.podravka.com](http://www.podravka.com)

**Od sreća sreća**

**PODRAVKA**

**Širimo krugove dobrote!**

Period trajanja akcije 01.05. - 30.06.

**PODRAVKA**

**unicef**

**SVAKO DJETE TREBA OBITELJ!**

**PODRAVKA**

**Za tijelo i dobar duh!**

**OKUS KOJI SE PAMTI.**

**PODRAVKA**

**PODRAVKA**

[www.vegeta.com.hr](http://www.vegeta.com.hr)

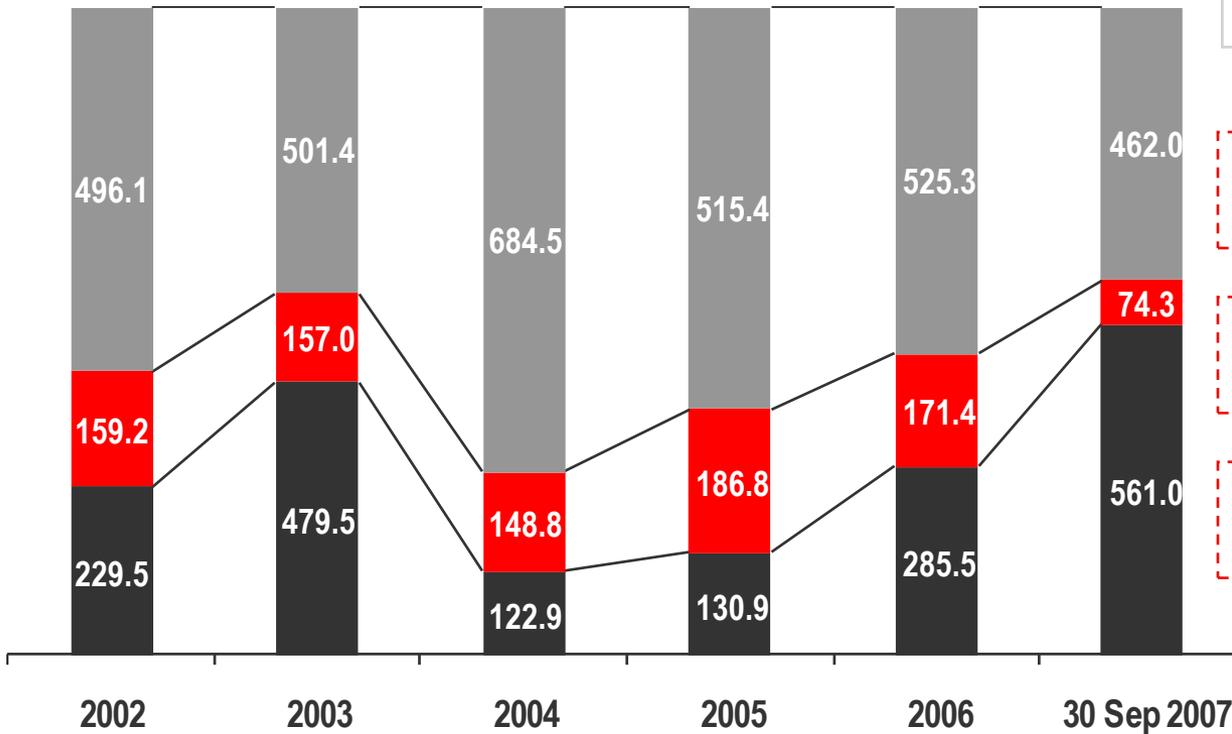
# Indebtedness movement

Debt structure of the Group

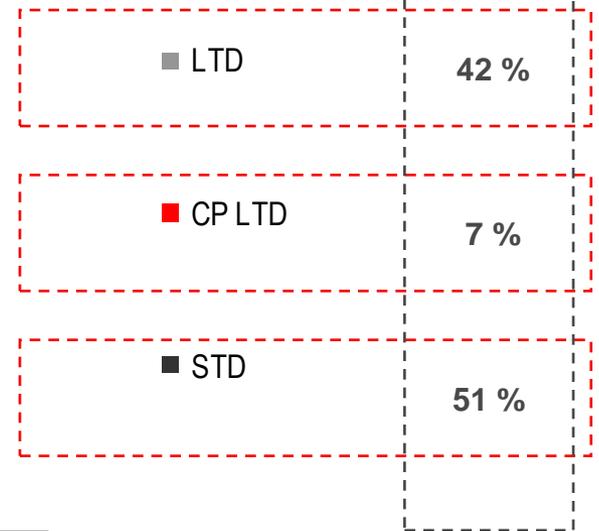
2002 – Sep 2007

in millions of HRK

100%



Debt structure  
30 Sep 2007



**+12%** indebtedness in relation to 31 Dec 2006

# Podravka Group balance sheet

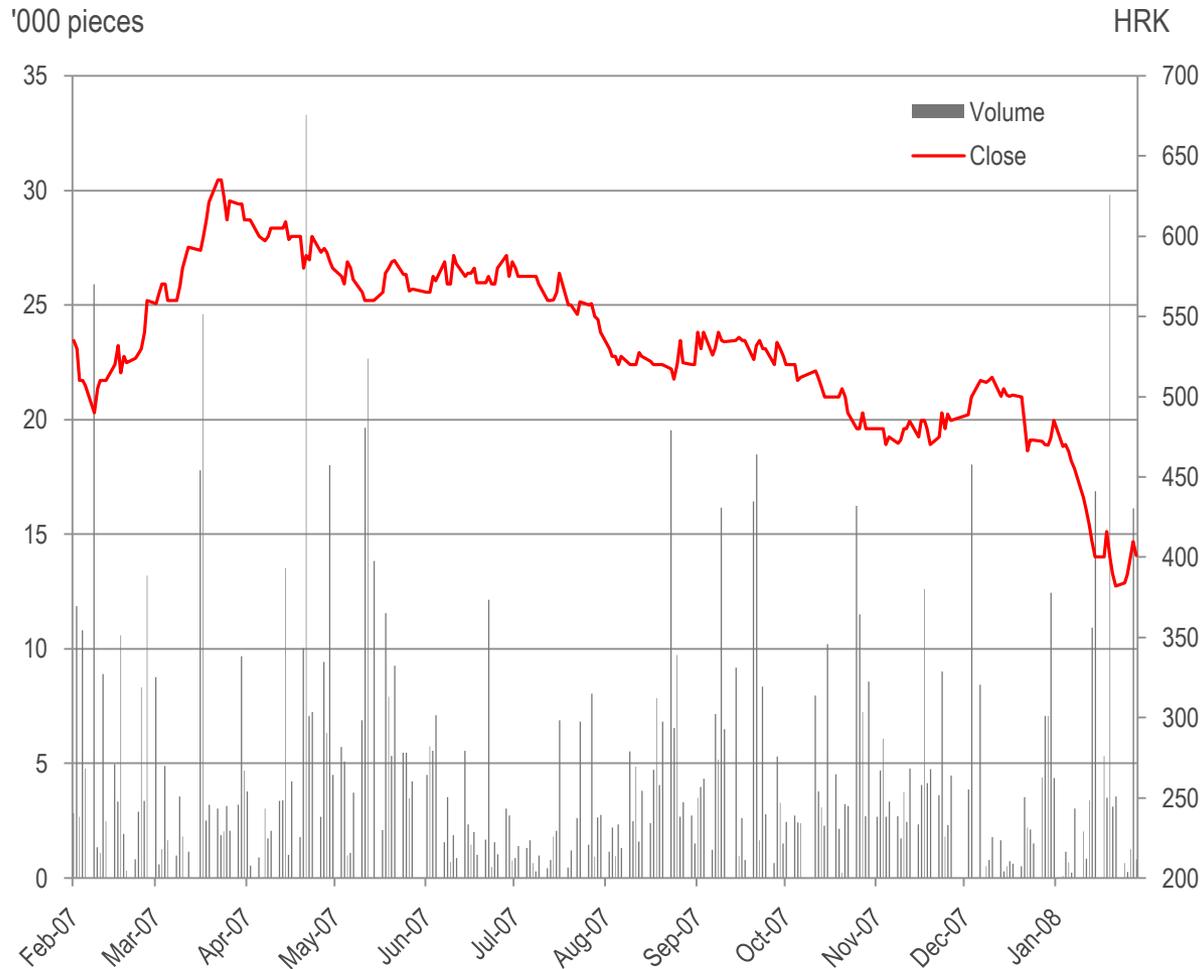
in millions of HRK

<b>PODRAVKA GROUP</b>	30 Sep 2007	31 Dec 2006	31 Dec 2005
Cash	81.7	467.9	126.2
Inventories	604.9	564.5	569.1
Current assets	1,887.5	1,943.1	1,619.5
<b>Total assets</b>	<b>3,760.3</b>	<b>3,700.5</b>	<b>3,412.8</b>
Long term debt	462.0	525.3	515.4
Short term debt	635.3	456.9	317.6
Shareholders' equity	1,969.5	1,746.7	1,921.2
<b>Total equity and liabilities</b>	<b>3,760.3</b>	<b>3,700.5</b>	<b>3,412.8</b>
D/E	55.7%	56.2%	43.4%
Net debt	1,015.5	856.1	706.8
Net debt/ EBITDA	4.7	2.6	2.3
Interest coverage	2.2	2.6	2.2

# Information for shareholders

# PODR-R-A turnover and price

Volume and close price  
Jan 2007 - Feb 2008



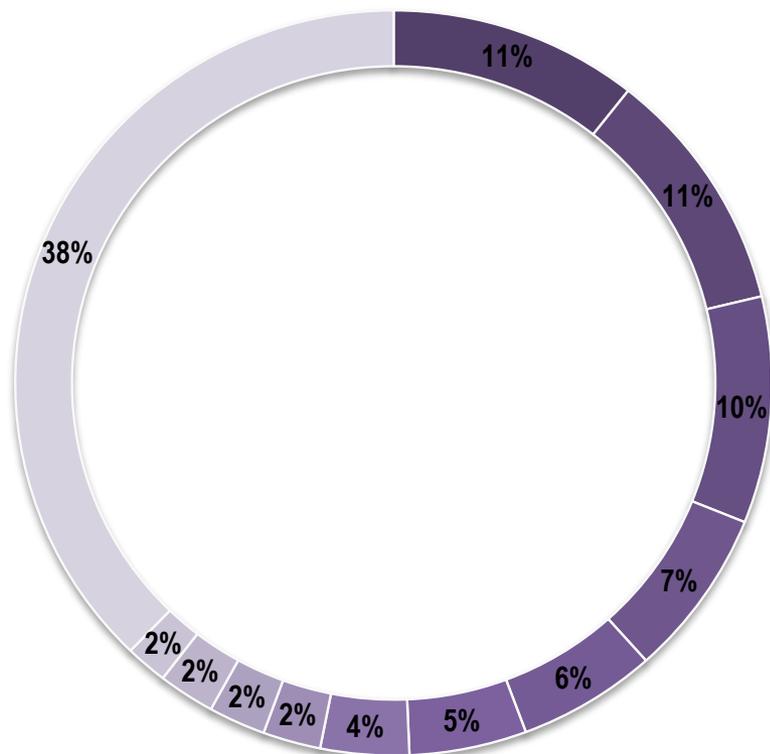
**25 February, 2007**

Close price (HRK)	400.00
Market capital. (HRK mn)	2,168.0
12M max / min (HRK)	645 / 381.03
12M turnover (HRK mn)	634.1
12M WACP	529.11
Average daily turnover (HRK mn)	2.6
Free float (%)	72



# Shareholders structure

Shareholders structure as of 22 February, 2008



▶ TOP 10 58.4%

▶ other legal and natural persons 42.6%

Shareholder	No. of shares
■ FIMA AMI LTD	576,880
■ CPF/CIPI	575,598
■ CPF	532,808
■ BANK AUSTRIA CREDITANSTALT	395,035
■ KAPITALNI FOND	321,804
■ AZ MPF	271,800
■ PBZ CROATIA OSIGURANJE MPF	205,090
■ RBA /R5	133,781
■ PBZ D.D./ CUSTODY ACCOUNT	132,090
■ ERSTE&STEIERM. BANK /CSC	131,177
■ TREASURY ACCOUNT	97,483
■ OTHERS	2,046,457
<b>TOTAL</b>	<b>5,420,003</b>

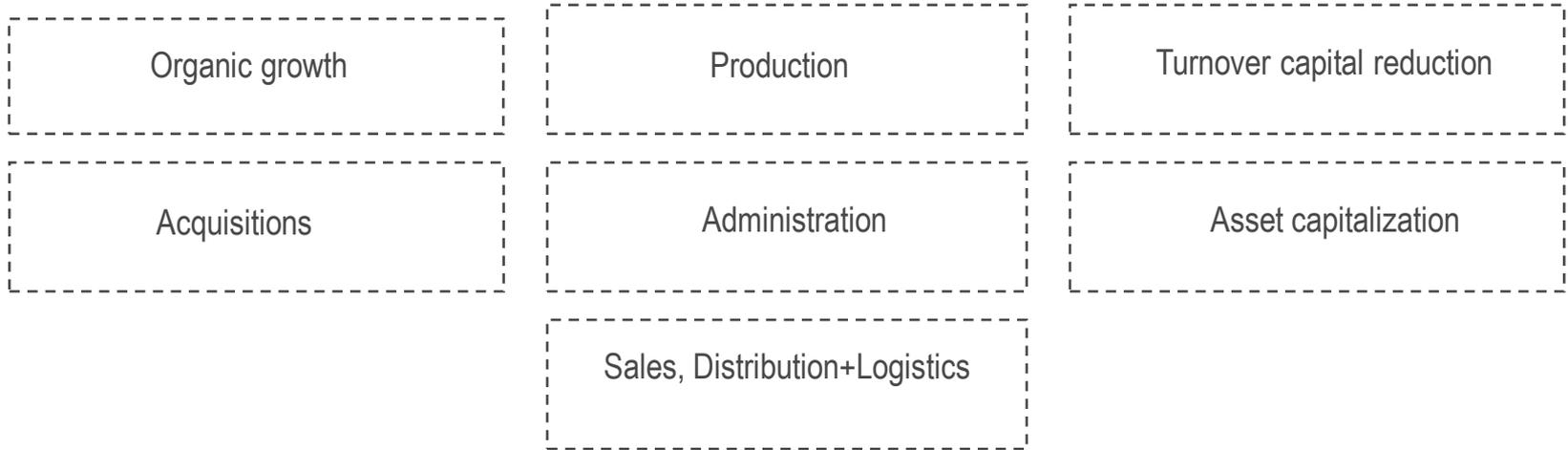
CPF - Croatian Privatization Fund  
 CIPI - Croatian Institute for Pension Insurance  
 MPF - Mandatory Pension Fund

# Restructuring strategy

# Strategic restructuring

2008

**PRIORITIES**



**GOALS FOR 2011**



# “Growth” program with related projects

## Category focus

- 1 Food seasonings
- 2 Culinary\*
- 3 Cereals\*\*
- 4 Meat
- 5 Fish
- 6 Baking aids
- 7 Beverages

## Market focus

- 1 Keeping leading market position + trend setter in Croatia
- 2 Significant organic growth in SEE and EE
- 3 Expanding product portfolio in EU

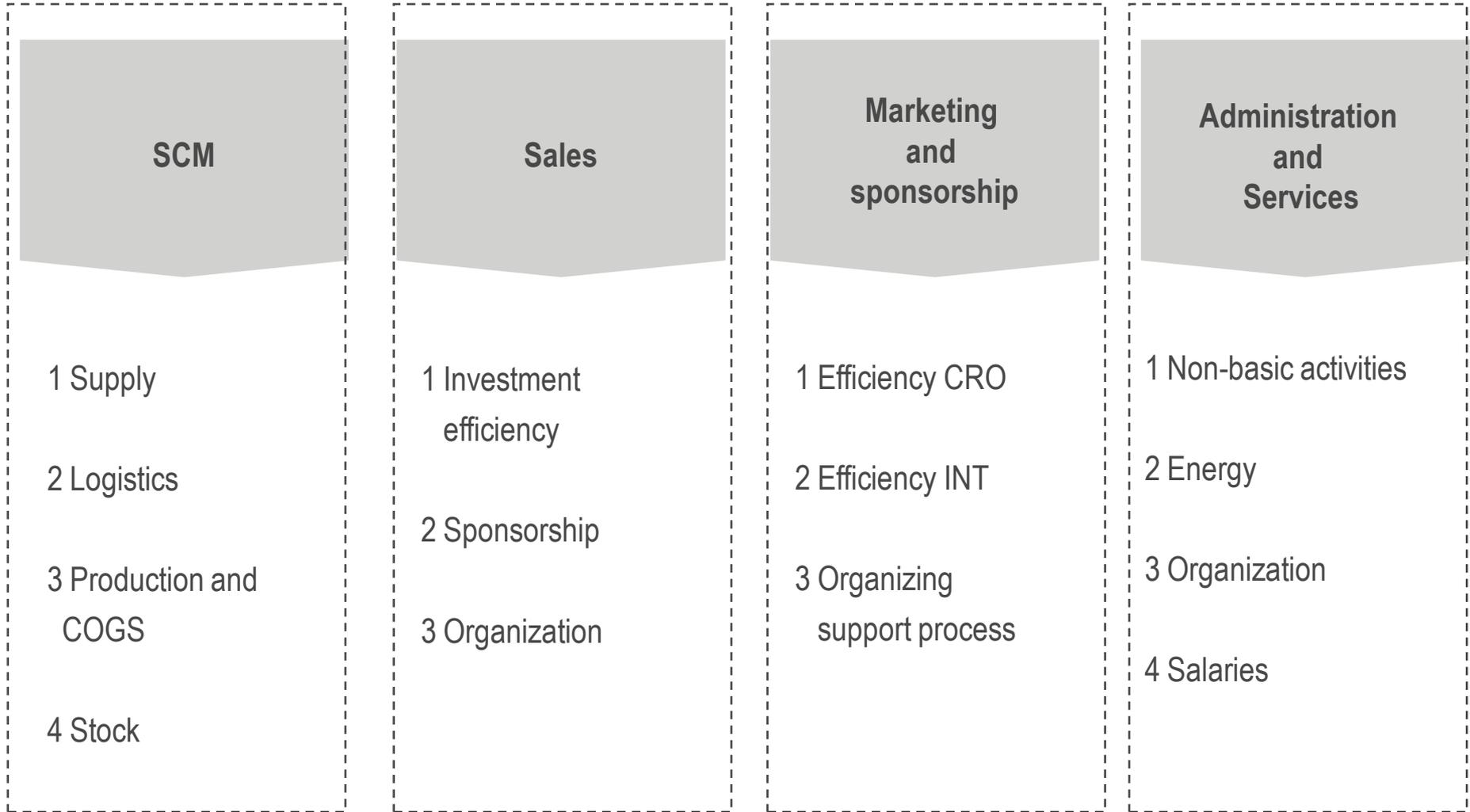
## Acquisitions

- 1 Category focus
- 2 Market focus
- 3 Leader positions
- 4 Profitability growth
- 5 Financial flexibility
- 6 Successful integration

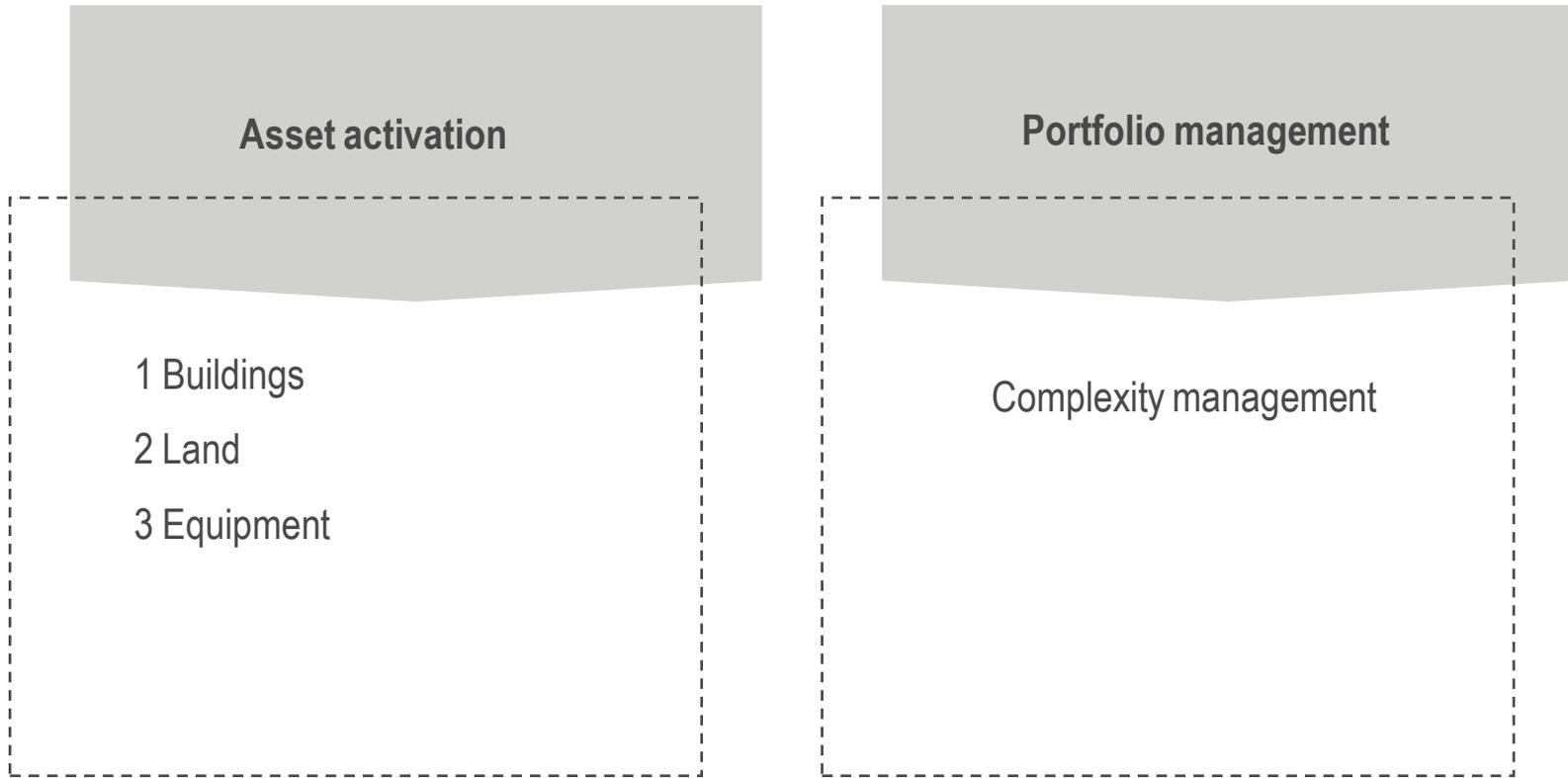
\*Culinary – consists of ready made meals, soups, sauces, side dishes

\*\* Cereals- dehydrated baby food and breakfast cereals

# “Profitability” program with related projects



# “Asset capitalization” program with related projects



Always with a heart

