

# LURA d.d.

## Market

The Lura corporation is one of the most successful Croatian companies and the biggest milk processor in Croatia. Lura's four production plants (two in Zagreb, one in Bjelovar and one in Sombor, Serbia) produce the well-known high-quality products that reach the customers and consumers via nine logistics centres in Croatia. Through its own system of purchase and supply of raw milk it purchases milk from 18,000 producers throughout Croatia, covering 100% of its needs for the raw milk base. Lura has the biggest distribution network in Croatia in the "cold chain" segment (220 trucks delivering products to 7,500 points of sale in Croatia every day), and is also permanently present in the markets of the countries in the region employing, together with the related companies, around 2,300 people. Thanks to its quality, innovation and well-known brand, Lura is today the leader in the Croatian dairy products market, with over 40% market share.

## Achievements

Lura is the largest milk purchaser in Croatia. Through its own system of purchase and supply of raw milk it purchases milk from 18,000 producers throughout Croatia. The domestic milk production enhancement system, which it is implementing in cooperation with its sub-contractors, includes constant education and crediting of the sub-contractors as well as help in the building of modern well-equipped dairy farms in accordance with the requirements of the European Union. As a result, Lura has increased the average amount of milk purchased per farm, recorded a rise of productivity per cow and increased the share of big producers with an annual production of more than 50,000 litres. For nearly ten years, through different activities and specific projects, independently, taking account of its own possibilities at the same time, Lura has been working to enhance the domestic production of raw milk, and the project of the construction of eight hundred modern farms by 2008 stands to prove it.

As Croatia's leading dairy products producer, Lura has been following trends and the requirements of its consumers, and has been investing in the development of technology, new products and packaging. Thanks to continuous investment, Lura's dairy plants are today among the most up-to-date in this part of Europe. In 2005, the dairy products plastic bottles filling line was launched, the biggest of its kind in Croatia and the latest in modern technology, worth 30 million Kunas in total, which can produce up to 15,000 bottles of different capacity. In the last four years, Lura has invested around



120 million kunas in production technology alone, and offered over 150 new and innovated products on the market. Some of the most important investment in Lura's continuous cycle of investment in technology and production include production computerization, i.e. the process of computer management of the entire production, and the replacement of the old milk collecting system, with the installation of additional tanks. This increased the capacity of milk collecting, making Lura the company with the highest milk collecting system in the region. Also, the cream-based viscous media sterilization station was introduced as a unique plant of this kind in the region and one of a few in Europe.

## History

The company history goes back to the year 1912, when Gradska mljekara (City Dairy) was founded in Zagreb, as a private company dealing in milk trade, cheese and butter. At the end of World War II, Zagreb had three dairy plants merging into a single dairy plant in 1948, located in Branimirova Street and named Gradske mljekare Zagreb. In 1952, a new dairy plant was built in the Žitnjak area for the production of pasteurized bottled milk, yoghurt and ice cream, and was renamed in 1955 as Zagrebačka mljekara (Zagreb Dairy). In the course of time, the company evolved to a modern plant. In 1967, a plant for the production of sterilized and fermented products was added, 1969 saw the arrival of the plastic packaging equipment and in 1970 the production of

cottage and processed cheese and puddings began. The name of Zagrebačka mljekara was changed in 1972 to Dukat Zagrebačka mljekara. In the late 1970s, the new milk processing plant was built, and in the mid-1990s the new sterilized production plant with high shelving storage was completed and opened. Lura d.d. was founded in 1999, by the merger of Dukat Ltd., Sirela Ltd., Mljekara Ltd. Zadar and Lura Plc. into a single legal entity. In 2001, Lura activated Badel Bap Ltd. in bankruptcy, thereby taking a large step forward into the nonalcoholic drinks and beverages segment. In late 2002, by obtaining majority ownership over Sloboda d.d. tvornica kekša i kruha in Osijek, Lura entered the confectionery and baking industry segment as well. Lura corporation had 1.73 billion kuna business revenue in 2002, and has set as its goal for the upcoming period, along with diversification of the existing dominant dairy business, to make a bigger step forward in the foreign markets, primarily the markets of east and middle Europe. This goal was underlined in 2003, by the acquisition of the Somoled dairy plant, when Lura established its presence in the market of Serbia and Montenegro, along with the already successful business in the markets of Bosnia and Herzegovina and Slovenia. During 2003, the trend of growth continued, with Lura making 2 billion kunas annual revenue, which was 15% higher than in 2002. Such good results are a consequence of the increased activity in international markets, implemented restructuring, constant modernization of the production portfolio and the





introduction of new marketing concepts. With the aim of establishing long-term competitiveness, 2004 was dedicated to intense enhancement of the raw material base and to other projects of sustainable development, while in operative management Lura turned to consolidation and efficiency, making 2,120.2 billion kunas business revenue that year. At the beginning of 2005, the newly defined strategic company business guidelines aimed at strengthening the position of the leading regional dairy company and, in keeping with this, critical reassessment of the strategic options with regard to biscuit and beverages segment was implemented. That same year, the ownership of Lura - Keksi Plc., today under the name of Karolina tvornica kekisa, vafli i slanica d.o.o. (Karolina biscuit, waffles and salted sticks factory Plc.) from Osijek was transferred to Lorenz Bahlsen Snack World, one of the leading producers and distributors of snacks and salted sticks in Europe. In addition, from early May 2006, Lura's Beverages division became Eurobev Plc., an independent related company 100% owned by Lura. Lura is also the owner of Ralu Logistika d.o.o. hauling company equipped with the most up-to-date refrigerated vehicles, tank vehicles, tilt trailers and other vehicles.

### Product

One of Lura's basic competitive advantages is its large portfolio of top dairy products, with the accent on high production degree and high added value products. The diverse assortment is a response to the producers' requests for different products that can be consumed on different occasions throughout the year. The dairy assortment is made up of products with the well-known brands, such as Dukat (fresh and long-life milk, yoghurts, BioAktiv, ab kultura, Yoggi yoghurt drinks, Frutissima fruit yoghurts, Dukatela dairy spreads, Dukatino frozen children's desserts, cottage cheeses, desserts and various other products), Sirela (cottage, hard and semi-hard cheese and processed cheese), Mlijeko velebitskih pašnjaka (fresh and long-life milk, cream, yoghurt).

### Recent developments

Today's strategic direction of the company is towards domestic milk production as the main raw material source, its further development and towards cultivating partner relationship with our sub-contractors. Lura's middle and long term business development strategy refers to the positioning of the company as the overall business factor primarily with regard to quality and the rich assortment of the already established brands, both in the domestic and in the regional market. Lura believes that the long-term successful development of the company is guaranteed precisely by continuous investment in technology, improvements of the raw material, innovative products and permanent optimization of business.

The successful realization of the project of the construction of eight hundred modern farms by 2008 by all participants, should ultimately ensure not only sufficient quantities of raw milk for industrial processing but also



raw material that entirely meets the EU quality standards and enables the sale of final dairy products in all Member States, and, even more importantly - the increase of the amount of raw material and the professionalisation and specialization of the Croatian milk producers. Production quality and work conditions will be significantly improved in the newly built or adapted production plants, and modern technology will be applied with the required sanitary norms. In this development cycle, small milk producing businesses will be restructured into specialized family farms which will have market competitiveness and be prepared for the upcoming accession to the European Union.

### Promotion

In 2002, Lura was proclaimed donor of the year in the competition of donors in the area of economy organized by Obiteljski radio and Centar za razvoj neprofitnih organizacija (NGO Development Centre) and supported by the Croatian Chamber of Economy - Zagreb Chamber. InSEA (International Society for Education through Art) recognized the Arts Competition for elementary school children, in which Lura took part as co-organizer and sponsor, as an extraordinary project. The best artwork from the 2001 and 2002 competitions was first exhibited in the international Art Teaches Us exhibition that took place in New York in 2002, as part of the 31st World Congress of the International Organization for Education through Art. The art competition also won a special award in the international event marketing festival EVENTUM 2003, which is part of the FESTO advertising festival.

Lura has been paying much attention to daily direct contact with its customers and with the community as a whole. Among the most important activities in open communication with the community are organized visits to Lura's production plants and providing information and professional assistance to pupils and college students writing high school graduation papers, college thesis and seminars. According to our data, Lura is the first company in Croatia to introduce a consumer telephone line in April 1998, simultaneously with the launch of a new line of probiotic BioAktiv products. Initially, the consumer telephone line number was printed only on the products from this line, because it was envisaged as a help line for the education of consumers, considering that BioAktiv was the only such product on the Croatian market at the



time. Today this telephone line provides information on all Lura products. In this way, Lura demonstrates its care for customers and offers the possibility of direct contact with the producer, which consumers recognize and make use of. Consumers call in with their proposals and suggestions which are always taken into consideration when creating new products, such as proposals on the packaging size, choice of fruity flavours, information on nutritive and energy values, etc. Furthermore, the consumer help line also offers the quickest and the most direct information on events in the market, product handling and quality of distribution, but also on potential customer complaints.

### Brand values

Quality and environmental management are parts of Lura's business strategy. The base of the quality policy is consumer satisfaction with the product and service, with the first conditions for survival in the ever fiercer market competition being respect for customers' requests and the surpassing of their expectations. Quality, safety, health and environmental protection are the priorities of the company business.

As one of the leading Croatian companies, Lura builds its corporate culture on the belief that business success, care for people and the environment are inextricably connected. By sponsorships, open communication and partnership, it improves the quality of life in the community in which it is active, creating a shared feeling of belonging and the perception of the company as a responsible corporate citizen. For a number of years Lura has been contributing to the community in which it is active. The main goal of Lura's sponsoring activities is to make childhood happier and to offer a brighter future to as many children and young people as possible in its area of business.

[www.lura.hr](http://www.lura.hr)



THINGS YOU DIDN'T KNOW ABOUT...

### Lura

> The dairy tradition in the town of Zagreb area began around 90 years ago with the founding of the Gradska mljekara, a private company for milk trade, cheese and butter. After World War II the town of Zagreb had three dairy plants which merged in 1948, and in 1952, with the help from UNICEF, a new dairy plant was built for the production of pasteurized bottled milk, yoghurt and ice cream, the predecessor of Lura Ltd.

