



MANAGEMENT BOARD

Koprivnica, 25 July 2012

**PODRAVKA GROUP  
1.- 6.2012.**

**FINANCIAL REPORT**

PODRAVKA Inc, Koprivnica, Ante Starčevića 32, The Commercial Court Varaždin, MBS: 010006549, PIN: 18928523252, foundation capital: 1.626.000.900,00 kunas, paid in full, total number of shares issued: 5.420.003, nominal share value: 300,00 kunas, Privredna banka Zagreb d. d., Zagreb, Račkoga 6, bank account: 2340009-1100098526, president of the Supervisory Board D. Štimac, president of the Management Board Z. Mršić, members of the Management Board J. Ivanković, O. Jakupec, M. Klepač, J. Pedersen

**Appendix 1**

Reporting period:

1.1.2012

to

30.06.2012.

**Quarterly financial report of entrepreneur - TFI-POD**

Registration number (MB) | 03454088 |

Identification number of subject (MBS) | 010006549 |

Personal identification number (OIB) | 18928523252 |

Issuer company: | PODRAVKA prehrambena industrija d.d., KOPRIVNICA |

Postal code and place | 48000 | KOPRIVNICA |

Street and number | ANTE STARČEVIĆA 32 |

E-mail address: | [podravka@podravka.hr](mailto:podravka@podravka.hr) |Internet address: | [www.podravka.com](http://www.podravka.com) |

Code and name of comune/town | 201 | KOPRIVNICA |

Code and county name | 6 | KOPRIVNIČKO-KRIŽEVAČKA | Number of employees | 6.543 |  
(at quarter end)

Consolidated statement | YES | NKD/NWC code: | 1039 |

Subsidiaries subject to consolidation (according to IFRS):

Headquarters

Registration number:

Subsidiaries subject to consolidation (according to IFRS):	Headquarters	Registration number:
BELUPO d.d.	Koprivnica	3805140
DANICA d.o.o.	Koprivnica	0991279
ITAL-ICE d.o.o.	Poreč	3746011
PODRAVKA POLSKA SP z.o.o.	Kostrzyn, Polska	5981449907
PODRAVKA LAGRIS a.s.	Dolni Lhota u Luhačovic, Češka	3042510487
PODRAVKA SARAJEVO d.o.o.	Sarajevo, BiH	20188537

Book keeping service: | |

Contact person: | Celiščak Draga |  
(authorised person for representation)

Phone number: | 048 651 200 | Fascimile: | 048 651 805 |

E-mail address: | [draga.celiscak@podravka.hr](mailto:draga.celiscak@podravka.hr) |Surname and name | Mršić Zvonimir |  
(authorised person for representation)**Disclosure documents:**

1. Financial statements (balance sheet, profit and loss account, cash flow statement, statement of shareholders' equity and notes to the financial statements)
2. Interim management Report
3. Statement of responsible persons for preparation of financial statements



*[Handwritten signature]*  
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(signed by authorised person for representation)

**BALANCE SHEET**  
as at 30.06.2012.

Obligator: PODRAVKA prehrambena industrija d.d., KOPRIVNICA			
Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL</b>	<b>001</b>		
<b>B) LONG-TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	1.891.921.160	1.863.783.543
<b>I. INTANGIBLE ASSETS (004 to 009)</b>	<b>003</b>	311.927.331	305.476.243
1. Assets development	<b>004</b>	5.647.170	6.211.106
2. Concessions, patents, licences fees, trade and service marks, software and other rights	<b>005</b>	244.280.446	233.872.995
3. Goodwill	<b>006</b>	41.129.000	41.129.000
4. Prepayments for purchase of intangible assets	<b>007</b>	0	0
5. Intangible assets in preparation	<b>008</b>	20.870.715	24.263.142
6. Other intangible assets	<b>009</b>	0	0
<b>II. TANGIBLE ASSETS (011 to 019)</b>	<b>010</b>	1.519.648.607	1.498.381.392
1. Land	<b>011</b>	145.730.441	146.025.686
2. Buildings	<b>012</b>	877.174.067	851.486.399
3. Plant and equipment	<b>013</b>	416.715.386	398.894.347
4. Tools, facility inventory and transport assets	<b>014</b>	21.306.708	18.700.550
5. Biological assets	<b>015</b>	0	0
6. Prepayments for tangible assets	<b>016</b>	13.219.507	4.563.905
7. Tangible assets in progress	<b>017</b>	41.662.125	74.877.560
8. Other tangible assets	<b>018</b>	3.840.373	3.832.945
9. Investments in buildings	<b>019</b>	0	0
<b>III. LONG-TERM FINANCIAL ASSETS (021 to 028)</b>	<b>020</b>	4.323.161	2.773.887
1. Investments (shares) with related parties	<b>021</b>	0	0
2. Loans given to related parties	<b>022</b>	0	0
3. Participating interest (shares)	<b>023</b>	330.000	330.000
4. Loans to entrepreneurs in whom the entity holds participating interests	<b>024</b>	0	0
5. Investments in securities	<b>025</b>	180.351	166.649
6. Loans, deposits and similar assets	<b>026</b>	3.812.810	2.277.238
7. Other long - term financial assets	<b>027</b>	0	0
8. Investments accounted by equity method	<b>028</b>	0	0
<b>IV. RECEIVABLES (030 to 032)</b>	<b>029</b>	0	0
1. Receivables from related parties	<b>030</b>	0	0
2. Receivables from based on trade loans	<b>031</b>	0	0
3. Other receivables	<b>032</b>	0	0
<b>V. DEFERRED TAX ASSETS</b>	<b>033</b>	56.022.061	57.152.021
<b>C) SHORT TERM ASSETS (035+043+050+058)</b>	<b>034</b>	1.939.271.583	1.944.773.808
<b>I. INVENTORIES (036 to 042)</b>	<b>035</b>	758.240.952	745.498.805
1. Raw-material and supplies	<b>036</b>	213.149.271	214.444.445
2. Work in progress	<b>037</b>	50.870.289	31.908.689
3. Finished goods	<b>038</b>	255.608.587	264.837.017
4. Merchandise	<b>039</b>	180.954.554	176.430.099
5. Prepayments for inventories	<b>040</b>	0	0
6. Long - term assets held for sales	<b>041</b>	57.658.251	57.878.555
7. Biological assets	<b>042</b>	0	0
<b>II. RECEIVABLES (044 to 049)</b>	<b>043</b>	1.021.565.728	1.070.410.112
1. Receivables from related parties	<b>044</b>	0	0
2. Accounts receivable	<b>045</b>	973.000.722	1.032.054.180
3. Receivables from participating parties	<b>046</b>	0	0
4. Receivables from employees and members of related parties	<b>047</b>	2.699.198	2.112.782
5. Receivables from government and other institutions	<b>048</b>	41.429.788	28.360.667
6. Other receivables	<b>049</b>	4.436.020	7.882.483
<b>III. SHORT TERM FINANCIAL ASSETS (051 to 057)</b>	<b>050</b>	13.505.061	8.773.367
1. Shares (stocks) in related parties	<b>051</b>	0	0
2. Loans given to related parties	<b>052</b>	0	0
3. Participating interests (shares)	<b>053</b>	0	0
4. Loans to entrepreneurs in whom the entity holds participating interests	<b>054</b>	0	0
5. Investments in securities	<b>055</b>	12.721.331	8.431.379
6. Loans, deposits, etc.	<b>056</b>	143.902	232.895
7. Other financial assets	<b>057</b>	639.828	109.093
<b>IV. CASH AT BANK AND IN CASHIER</b>	<b>058</b>	145.959.842	120.091.524
<b>D) PREPAID EXPENSES AND ACCRUED REVENUE</b>	<b>059</b>	23.527.372	18.336.412
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	3.854.720.115	3.826.893.763
<b>F) OFF-BALANCE RECORDS</b>	<b>061</b>	714.445.958	721.202.924

Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
<b>LIABILITIES AND CAPITAL</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	1.695.787.380	1.739.320.535
I. SUBSCRIBED CAPITAL	<b>063</b>	1.626.000.900	1.626.000.900
II. CAPITAL RESERVES	<b>064</b>	24.569.630	24.569.630
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	52.039.980	62.655.504
1. Reserves prescribed by law	<b>066</b>	20.808.012	20.808.012
2. Reserves for treasury shares	<b>067</b>	35.344.592	35.344.592
3. Treasury stocks and shares (deduction)	<b>068</b>	67.604.502	67.604.502
4. Statutory reserves	<b>069</b>	30.705.853	35.243.962
5. Other reserves	<b>070</b>	32.786.025	38.863.440
IV. REVALUATION RESERVES	<b>071</b>	0	0
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	-110.891.556	-46.148.603
1. Retained earnings	<b>073</b>	0	0
2. Accumulated loss	<b>074</b>	110.891.556	46.148.603
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	69.281.062	39.104.899
1. Profit for the current year	<b>076</b>	69.281.062	39.104.899
2. Loss for the current year	<b>077</b>	0	0
IX. MINORITY INTERESTS	<b>078</b>	34.787.364	33.138.205
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	34.326.066	33.534.966
1. Provisions for pensions, severance pay, and similar liabilities	<b>080</b>	23.334.629	23.339.296
2. Reserves for tax liabilities	<b>081</b>	0	0
3. Other reserves	<b>082</b>	10.991.437	10.195.670
<b>C) LONG - TERM LIABILITIES (084 to 092)</b>	<b>083</b>	904.612.677	798.808.029
1. Liabilities to related parties	<b>084</b>	0	0
2. Liabilities for loans, deposits etc.	<b>085</b>	0	0
3. Liabilities to banks and other financial institutions	<b>086</b>	897.615.677	792.173.029
4. Liabilities for received prepayments	<b>087</b>	0	0
5. Accounts payable	<b>088</b>	0	0
6. Liabilities arising from debt securities	<b>089</b>	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>090</b>	0	0
8. Other long-term liabilities	<b>091</b>	0	0
9. Deferred tax liability	<b>092</b>	6.997.000	6.635.000
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	1.125.366.071	1.127.959.965
1. Liabilities to related parties	<b>094</b>	0	0
2. Liabilities for loans, deposits etc.	<b>095</b>	0	0
3. Liabilities to banks and other financial institutions	<b>096</b>	496.251.565	504.042.434
4. Liabilities for received prepayments	<b>097</b>	2.508.612	62.554
5. Accounts payable	<b>098</b>	533.328.778	521.096.826
6. Liabilities arising from debt securities	<b>099</b>	2.400.000	6.440.772
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>100</b>	0	0
8. Liabilities to employees	<b>101</b>	59.022.620	68.085.301
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	18.697.962	15.715.412
10. Liabilities to share - holders	<b>103</b>	684.698	683.878
11. Liabilities for long-term assets held for sale	<b>104</b>	0	0
12. Other short - term liabilities	<b>105</b>	12.471.836	11.832.788
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	94.627.921	127.270.268
<b>F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	3.854.720.115	3.826.893.763
<b>G) OFF-BALANCE RECORDS</b>	<b>108</b>	714.445.958	721.202.924
<b>APPENDIX to balance sheet(to be filled in by entrepreneur that prepares consolidated annual financial report)</b>			
<b>CAPITAL AND RESERVES</b>			
1. Attributed to equity holders of parent company	<b>109</b>	1.661.000.016	1.706.182.330
2. Attributed to minority interest	<b>110</b>	34.787.364	33.138.205

**PROFIT AND LOSS ACCOUNT**  
for the period 01.01.2012. to 30.06.2012.

Obligator: PODRAVKA prehrambena industrija d.d., KOPRIVNICA

Item	AOP code	Last Year		Current year	
		Comulative	Quarterly	Comulative	Quarterly
		3	4	5	6
<b>I. OPERATING REVENUE (112+113)</b>	<b>111</b>	1.787.754.899	975.887.241	1.774.697.451	943.656.236
1. Sales revenue	112	1.724.170.735	927.105.096	1.720.473.001	905.281.813
2. Other operating revenues	113	63.584.164	48.782.145	54.224.450	38.374.423
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	1.684.873.486	916.419.836	1.690.632.837	896.701.180
1. Changes in value of work in progress and finished products	115	-17.432.341	9.986.891	9.749.978	29.987.914
2. Material costs (117 to 119)	116	1.130.678.123	603.524.651	1.094.740.907	564.442.767
a) Raw material and material costs	117	611.688.273	317.196.324	610.999.627	301.269.827
b) Costs of goods sold	118	251.957.239	133.314.214	233.622.144	122.139.393
c) Other external costs	119	267.032.611	153.014.113	250.119.136	141.033.547
3. Staff costs (121 to 123)	120	361.244.754	189.115.124	369.926.436	187.183.249
a) Net salaries and wages	121	252.278.764	125.518.017	255.666.483	124.050.750
b) Cost for taxes and contributions from salaries	122	69.083.657	40.225.154	73.806.070	40.749.782
c) Contributions on gross salaries	123	39.882.333	23.371.953	40.453.883	22.382.717
4. Depreciation	124	78.881.546	39.106.443	76.557.960	38.234.302
5. Other costs	125	97.783.346	56.632.192	102.646.346	61.763.207
6. Impairment (127+128)	126	6.524.815	4.884.015	7.553.501	2.522.652
a) Impairment of long-term assets (financial assets excluded)	127		0	0	0
b) Impairment of short - term assets (financial assets excluded)	128	6.524.815	4.884.015	7.553.501	2.522.652
7. Provisions	129	272.830	270.720	1.963.777	180.192
8. Other operating costs	130	26.920.413	12.899.800	27.493.932	12.386.897
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	26.108.532	13.361.408	24.072.979	4.835.131
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	0	0	0	0
2. Interest income, foreign exchange gains, dividends and similar income from non - related	133	23.448.324	13.787.181	24.010.251	4.784.233
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	2.660.208	-425.773	62.728	50.898
5. Other financial income	136	0	0	0	0
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	62.039.438	32.529.508	59.849.620	25.826.780
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related	138	0	0	0	0
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non -	139	58.215.472	32.527.006	59.626.669	25.815.334
3. Unrealized losses (expenses) on financial assets	140	3.823.966	2.502	222.951	11.446
4. Other financial expenses	141	0	0	0	0
<b>V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>	0	0	0	0
<b>VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>	0	0	0	0
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>	0	0	0	0
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>	0	0	0	0
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	1.813.863.431	989.248.649	1.798.770.430	948.491.367
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	1.746.912.924	948.949.344	1.750.482.457	922.527.960
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	66.950.507	40.299.305	48.287.973	25.963.407
1. Profit before taxation (146-147)	149	66.950.507	40.299.305	48.287.973	25.963.407
2. Loss before taxation (147-146)	150	0	0	0	0
<b>XII. PROFIT TAX</b>	<b>151</b>	11.535.549	10.728.582	10.791.077	6.495.500
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	55.414.958	29.570.723	37.496.896	19.467.907
1. Profit for the period (149-151)	153	55.414.958	29.570.723	37.496.896	19.467.907
2. Loss for the period (151-148)	154	0	0	0	0
<b>APPENDIX to P&amp;L account (to be filled in by entrepreneur that prepares consolidated financial report)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	155	55.566.875	29.749.657	39.104.899	20.364.910
2. Attributed to minority interest	156	-151.917	-178.934	-1.608.003	-897.003
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	55.414.958	29.570.723	37.496.896	19.467.907
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	-1.072.388	-887.288	6.036.259	-3.797.111
1. Exchange differences on translation of foreign operations	159	-1.072.388	-887.288	6.036.259	-3.797.111
2. Movements in revaluation reserves of long - term tangible and intangible assets	160				
3. Profit or loss from reevaluation of financial assets available for sale	161				
4. Gains or losses on efficient cash flow hedging	162				
5. Gains or losses on efficient hedge of a net investment in foreign countries	163				
6. Share in other comprehensive income / loss of associated companies	164				
7. Actuarial gains / losses on defined benefit plans	165				
<b>III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	-1.072.388	-887.288	6.036.259	-3.797.111
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	54.342.570	28.683.435	43.533.155	15.670.796
<b>APPENDIX to Statement of other comprehensive income (to be filled in by entrepreneur that prepares consolidated financial report)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	169	54.518.875	28.881.277	45.182.314	16.558.014
2. Attributed to minority interest	170	-176.305	-197.842	-1.649.159	-887.218

**STATEMENT OF CASH FLOWS - INDIRECT METHOD**  
for the period 01.01.2012. to 30.06.2012.

Obligator: PODRAVKA prehrambena industrija d.d., KOPRIVNICA			
Item	AOP code	Last year	Current year
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	66.950.507	48.287.973
2. Depreciation	002	78.881.546	76.557.960
3. Increase in short term liabilities	003	34.656.750	54.653.203
4. Decrease in short term receivables	004		
5. Decrease in inventories	005		13.098.200
6. Other increase in cash flow	006	8.637.900	3.074.000
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>189.126.703</b>	<b>195.671.336</b>
1. Decrease in short term liabilities	008		
2. Increase in short term receivables	009	28.890.963	42.090.328
3. Increase in inventories	010	10.003.975	
4. Other decrease in cash flow	011	46.932.008	44.315.226
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>85.826.946</b>	<b>86.405.554</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>103.299.757</b>	<b>109.265.782</b>
<b>A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash inflows from sales of long-term tangible and intangible assets	015	777.000	765.000
2. Cash inflows from sales of equity and debt instruments	016	65.745.000	57.008.000
3. Interests receipts	017	3.315.000	3.492.000
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019	2.319.000	1.616.000
<b>III. Total cash inflows from investing activities (015 to 019)</b>	<b>020</b>	<b>72.156.000</b>	<b>62.881.000</b>
1. Cash outflow for purchase of long-term tangible and intangible assets	021	34.851.000	47.069.000
2. Cash outflow for acquisition of equity and debt financial instruments	022	54.541.000	58.508.000
3. Other cash outflow for investing activities	023	224.872	53.100
<b>IV. Total cash outflow for investing activities (021 do 023)</b>	<b>024</b>	<b>89.616.872</b>	<b>105.630.100</b>
<b>B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)</b>	<b>026</b>	<b>17.460.872</b>	<b>42.749.100</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash inflow from issuing property and debt financial instruments	027		
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	028	596.913.000	86.466.000
3. Other proceeds from financial activities	029		
<b>V. Total cash inflows from financial activities (027 to 029)</b>	<b>030</b>	<b>596.913.000</b>	<b>86.466.000</b>
1. Cash outflow for repayment of credit principal and bonds	031	696.993.000	177.062.000
2. Cash outflow for dividends paid	032		
3. Cash outflow for financial lease	033	2.042.000	1.789.000
4. Cash outflow for purchase of treasury shares	034		
5. Other cash outflow for financial activities	035		
<b>VI. Total cash outflow for financial activities (031 to 035)</b>	<b>036</b>	<b>699.035.000</b>	<b>178.851.000</b>
<b>C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)</b>	<b>037</b>	<b>0</b>	<b>0</b>
<b>C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)</b>	<b>038</b>	<b>102.122.000</b>	<b>92.385.000</b>
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	0
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	16.283.115	25.868.318
Cash and cash equivalents at the beginning of the period	041	152.362.675	145.959.842
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	16.283.115	25.868.318
Cash and cash equivalents at the end of the period	044	136.079.560	120.091.524

**STATEMENT OF CHANGES IN EQUITY**  
for the period 1.1.2012 to 30.6.2012

Obligator: Podravka, prehrambena industrija d.d., Koprivnica

Item	AOP code	Last year	Current year
1	2	3	4
1. Subscribed capital	001	1.626.000.900	1.626.000.900
2. Capital reserves	002	24.569.630	24.569.630
3. Reserves from profit	003	52.039.980	62.655.504
4. Retained earnings or accumulated loss	004	-110.891.556	-46.148.603
5. Profit or loss for the current year	005	69.281.062	39.104.899
6. Revaluation of long - term tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial assets available for sale	008	0	0
9. Other revaluation	009	34.787.364	33.138.205
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>1.695.787.380</b>	<b>1.739.320.535</b>
11. Currency gains and losses arising from net investement in foreign operations	011	-10.692.000	6.036.259
12. Current and deferred taxes (part)	012	0	0
13. Cash flow hedging	013	0	0
14. Changes in accounting policy	014	0	0
15. Correction of significant errors in prior period	015	0	0
16. Other changes of capital	016	71.661.674	37.496.896
<b>17. Total increase or decrease in capital (AOP 011 do 016)</b>	<b>017</b>	<b>60.969.674</b>	<b>43.533.155</b>
17 a. Attributed to equity holders of parent company	018	60.529.460	45.182.314
17 b. Attributed to minority interest	019	440.214	-1.649.159

## Notes

The accounting policy in 2012 year did not change.





COMPANY MANAGEMENT

Koprivnica, 25 July 2012

## **INTERIM MANAGEMENT REPORT ON THE ACHIEVED BUSINESS RESULTS OF THE PODRAVKA GROUP FOR THE PERIOD JANUARY–JUNE 2012**

### **Significant business events in the second quarter of 2012**

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.

### **Expected future development**

1. The goal of the Podravka Group is to be the leading food company on strategic markets and a recognizable provider of pharmaceutical products.
2. The Podravka Group wishes to reach a level of efficiency that is above the average of industries in countries in which it operates thus realizing the interests of its owners, to enable cash flow improvements by better financial management which is essential for optimal business operations and company stability and to enable greater investments in marketing, research and



#### COMPANY MANAGEMENT

development by reducing the costs of purchasing, sales, distribution, general and administrative expenses.

3. The highest contribution to the increase of revenue in Croatia, South-East and Central Europe is expected from the further development of current products and the launching of new products within the most significant and most profitable categories. The Podravka Group shall continue its anorganic growth with acquisitions and strategic alliances on the markets of South-East, Central and Eastern Europe.

### **Research and Development activities**

The basic activities of Research and Development are focused on the development of new products and the advancement of current products by following the developments of food science and consumer trends and the products are continuously tailored to meet the present public awareness of a proper and healthy diet. Special attention is given to the organoleptic quality and nutrient features as well as the design and quality of information on product declarations.

Research and development is constantly working on the improvement of production and controlling processes. The use of modern technology and the Central semi-industrial lab, unique in this region, create new opportunities that are essential for company progress and growth.

### **Information on the redemption of own shares**

There was no redemption of own shares in the previous period nor is there any intention of own share redemption.

### **Related companies**

The Podravka Group consists of the parent company Podravka d.d. and 24 subsidiary companies of which 8 companies are located in Croatia and 16 abroad.

### **Financial risk management and company exposure to price, credit, liquidity and cash flow risks**

As the Group is exposed to price changes of raw material for the food industry, world trends on the commodity exchange are carefully monitored and "market reports" of strategic suppliers are used as the grounds to react on a spot market at the moment when prices of raw material are most favourable.

Credit risk, or the risk of outstanding payments or non-fulfilment of contractual liabilities from customers have impact on the Group's contingent financial loss which is the reason why the Group has adopted the "Credit Risk Management Procedure" that it applies in dealing with customers. The Group collects payment insurance instruments



#### COMPANY MANAGEMENT

whenever possible in order to protect itself from contingent financial risk and loss due to non-fulfilled payments or contractual liabilities.

The Group is largely financed by loans in foreign currency and therefore exposed to the risk of exchange rate differences. The Group uses loans with fixed and variable interest rates where the majority of loans has been agreed with variable interest rates and is therefore exposed to the risk of interest rate changes.

The Management establishes an adequate frame of liquidity risk management in order to manage short-term, medium-term and long-term financial and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves and credit lines, continuously comparing the planned and realized cash flow and monitoring due receivables and current liabilities.

### **Comments on the reported period**

The Podravka Group achieved operating income in the amount of 1,774.7 million HRK in the period January – June 2012, which is a 1% reduction compared to the same period of the year before. Sales revenue of the Podravka Group was realized in the amount of 1,720.5 million HRK and remains at the same level as achieved last year.

Sales of the SBA Food and Beverages totalled 1,333.2 million HRK and is 3% less compared to the period January-June 2011, with a 5% drop of sales in Croatia, while sales on foreign markets are 1% less. Foreign markets which have recorded sales growth are the markets of South-East Europe (4%) with the markets of Bosnia and Herzegovina, Macedonia and Kosovo as most prominent, 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 with a 4% growth with Russia having the most significant sales increase.

The SBA Pharmaceuticals achieved sales in the amount of 387.3 million HRK, which represents an increase of 9% compared to the same period of 2011. The increased sales of the SBA Pharmaceuticals are mostly contributed by foreign markets which recorded a growth of 19% with the highest contribution coming from Russia and Bosnia and Herzegovina. The market of Croatia is also increasing with a sales growth of 2%.

Other operating income realized in the period January-June 2012 totalled 54.2 million HRK and compared to the same period of last year is 15% lower.

The total operating expenses amounted to 1,690.6 million HRK and remain at the same level as last year. Materials costs cover the majority of operating expenses (65%) and compared to the same period of last year are 3% less.

A significant share in the structure of operating expenses belongs to staff costs (21.9%).

The realized financial expenses in the period January-June 2012 amount to 59.8 million HRK and are 4% less than those realized in the same period last year.

The realized gross profit is 658.3 million HRK and gross margin is 38.3% which is 50bp less compared to the same period last year.



COMPANY MANAGEMENT

The realized operating profit is 84.2 million HRK, which is 18% less compared to the same period last year and net profit is 39.1 million HRK and is 30% less than the realized net profit in the same period of the year before.

Operating income in the amount of 943.7 million HRK of which sales revenue is 905.3 million HRK, which is 2% less than sales realized in the same quarter of last year, was realized in the second quarter of 2012.

Operating expenses realized in the observed quarter amount to 896.7 million HRK and are also 2% less than those realized in the same quarter last year.

The realized net profit in the second quarter is 20.4 million HRK.

The total value of assets of the Podravka Group as of 30 June 2012 is 3.827 billion HRK and compared to the year end of 2011 is 27.8 million HRK less. The greatest influence on the reduction of asset value comes from the reduction of cash and cash equivalents by 25.9 million HRK and the reduction of long-term material assets by 21.3 million HRK.

The indebtedness of the Podravka Group as of 30 June 2012 is 1.288 billion HRK and compared to the year end of 2011 has been reduced by 95 million HRK. The net debt as of 30 June 2012 is 1.168 billion HRK which is a reduction of 69.2 million HRK compared to the year end of 2011.

President of the Management Board:

Zvonimir Mršić



FINANCE

Koprivnica, 25, July 2012

## STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated and unaudited financial statements of the Podravka Group for the period January – June 2012 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations of the Group and all related companies involved in the consolidation.

During the observed period, there were no changes in accounting policies of the Podravka Group.

Director of Finance:  
Draga Celiščak

Board Member for Finance:  
Miroslav Klepač