



MANAGEMENT BOARD

Koprivnica, 12 February 2013

**PODRAVKA GROUP**  
**NON CONSOLIDATED FINANCIAL REPORT**  
**FOR THE YEAR 2012.**

**Appendix 1**  
Reporting period:

1.1.2012

to

31.12.2012.

**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**

Internet address: **www.podravka.com**

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

Code and county name **6** **KOPRIVNIČKO-KRIŽEVAČKA**

Number of employees **6.115**

(at quarter end)

Consolidated statement **YES**

NKD/NWC code: **1039**

Subsidiaries subject to consolidation (according to IFRS):

Headquarters

Registration number:

<b>BELUPO d.d.</b>	<b>Koprivnica</b>	<b>3805140</b>
<b>DANICA d.o.o.</b>	<b>Koprivnica</b>	<b>0991279</b>
<b>ITAL-ICE d.o.o.</b>	<b>Poreč</b>	<b>3746011</b>
<b>PODRAVKA POLSKA SP z.o.o.</b>	<b>Kostrzyn, Polska</b>	<b>5981449907</b>
<b>PODRAVKA LAGRIS a.s.</b>	<b>Dolní Lhota u Luhačovic, Češka</b>	<b>3042510487</b>
<b>PODRAVKA SARAJEVO d.o.o.</b>	<b>Sarajevo, BiH</b>	<b>20188537</b>

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**

Surname and name **Mršić Zvonimir**

(authorised person for representation)

**Disclosure documents:**

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



*Zvonimir Mršić*  
(signed by authorised person for representation)

**BALANCE SHEET**  
as at 31.12.2012.

Obligator: PODRAVKA prehrabena 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>	1.888.732.099	1.760.722.991
<b>I. INTANGIBLE ASSETS (004 to 009)</b>	<b>003</b>	304.127.331	279.641.788
1. Assets development	<b>004</b>	5.647.170	5.839.794
2. Concessions, patents, licences fees, trade and service marks, software and other rights	<b>005</b>	236.480.446	210.946.610
3. Goodwill	<b>006</b>	41.129.000	41.983.000
4. Prepayments for purchase of intangible assets	<b>007</b>	0	0
5. Intangible assets in preparation	<b>008</b>	20.870.715	20.872.384
6. Other intangible assets	<b>009</b>	0	0
<b>II. TANGIBLE ASSETS (011 to 019)</b>	<b>010</b>	1.519.648.607	1.440.317.837
1. Land	<b>011</b>	145.730.441	146.031.433
2. Buildings	<b>012</b>	877.174.067	821.595.076
3. Plant and equipment	<b>013</b>	416.715.386	383.931.900
4. Tools, facility inventory and transport assets	<b>014</b>	21.306.708	18.257.355
5. Biological assets	<b>015</b>	0	0
6. Prepayments for tangible assets	<b>016</b>	13.219.507	276.374
7. Tangible assets in progress	<b>017</b>	41.662.125	68.046.263
8. Other tangible assets	<b>018</b>	3.840.373	2.179.436
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	5.343.367
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	983.600
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	167.438
6. Loans, deposits and similar assets	<b>026</b>	3.812.810	4.192.329
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>	60.633.000	35.420.000
<b>C) SHORT TERM ASSETS (035+043+050+058)</b>	<b>034</b>	1.919.462.882	1.879.599.696
<b>I. INVENTORIES (036 to 042)</b>	<b>035</b>	738.432.251	695.533.146
1. Raw-material and supplies	<b>036</b>	213.149.271	225.184.409
2. Work in progress	<b>037</b>	50.870.289	40.020.809
3. Finished goods	<b>038</b>	255.608.587	213.453.413
4. Merchandise	<b>039</b>	161.145.853	152.458.369
5. Prepayments for inventories	<b>040</b>	0	0
6. Long - term assets held for sales	<b>041</b>	57.658.251	64.416.146
7. Biological assets	<b>042</b>	0	0
<b>II. RECEIVABLES (044 to 049)</b>	<b>043</b>	1.021.565.728	1.060.629.440
1. Receivables from related parties	<b>044</b>	0	0
2. Accounts receivable	<b>045</b>	973.000.722	1.011.101.739
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	2.569.918
5. Receivables from government and other institutions	<b>048</b>	41.429.788	44.128.062
6. Other receivables	<b>049</b>	4.436.020	2.829.721
<b>III. SHORT TERM FINANCIAL ASSETS (051 to 057)</b>	<b>050</b>	13.505.061	5.229.582
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	4.002.211
6. Loans, deposits, etc.	<b>056</b>	143.902	1.227.371
7. Other financial assets	<b>057</b>	639.828	0
<b>IV. CASH AT BANK AND IN CASHIER</b>	<b>058</b>	145.959.842	118.207.528
<b>D) PREPAID EXPENSES AND ACCRUED REVENUE</b>	<b>059</b>	23.527.372	14.949.622
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	3.831.722.352	3.655.272.309
<b>F) OFF-BALANCE RECORDS</b>	<b>061</b>	714.445.958	783.574.314

Obligator: PODRAVKA prehrabena industrija d.d., KOPRIVNICA			
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>	1.672.789.618	1.685.391.411
I. SUBSCRIBED CAPITAL	<b>063</b>	1.626.000.900	1.626.000.900
II. CAPITAL RESERVES	<b>064</b>	24.569.630	26.465.000
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	52.039.980	70.189.105
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	46.397.041
IV. REVALUATION RESERVES	<b>071</b>	0	0
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	-107.400.320	-69.146.899
1. Retained earnings	<b>073</b>	0	0
2. Accumulated loss	<b>074</b>	107.400.320	69.146.899
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	42.792.064	-20.143.576
1. Profit for the current year	<b>076</b>	42.792.064	0
2. Loss for the current year	<b>077</b>	0	20.143.576
IX. MINORITY INTERESTS	<b>078</b>	34.787.364	32.026.882
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	34.326.066	46.777.777
1. Provisions for pensions, severance pay, and similar liabilities	<b>080</b>	23.334.629	25.754.060
2. Reserves for tax liabilities	<b>081</b>	0	84.000
3. Other reserves	<b>082</b>	10.991.437	20.939.717
<b>C) LONG - TERM LIABILITIES (084 to 092)</b>	<b>083</b>	904.612.677	740.328.063
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	734.030.063
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	6.298.000
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	1.125.366.070	1.099.496.940
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	471.091.741
4. Liabilities for received prepayments	<b>097</b>	2.508.612	3.155.766
5. Accounts payable	<b>098</b>	533.328.778	546.406.605
6. Liabilities arising from debt securities	<b>099</b>	2.400.000	0
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	55.823.800
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	18.697.962	9.408.218
10. Liabilities to share - holders	<b>103</b>	684.698	681.378
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	12.929.432
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	94.627.921	103.278.118
<b>F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>3.831.722.352</b>	<b>3.655.272.309</b>
<b>G) OFF-BALANCE RECORDS</b>	<b>108</b>	714.445.958	783.574.314
<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>	1.638.002.254	1.633.364.529
2. Attributed to minority interest	<b>110</b>	34.787.364	32.026.882

**PROFIT AND LOSS ACCOUNT**  
for the period 1.1.2012. to 31.12.2012.

Obligator: PODRAVKA prehrambena industrija d.d., KOPRIVNICA

Item	AOP code	Last Year		Current year	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
<b>I. OPERATING REVENUE (112+113)</b>	<b>111</b>	3.708.378.610	952.078.374	3.694.977.555	940.937.103
1. Sales revenue	112	3.625.161.695	934.871.501	3.626.666.307	935.711.005
2. Other operating revenues	113	83.216.915	17.206.873	68.311.248	5.226.098
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	3.545.807.615	984.812.779	3.601.312.092	968.240.899
1. Changes in value of work in progress and finished products	115	-25.889.237	24.778.532	51.503.557	54.727.912
2. Material costs (117 to 119)	116	2.346.862.075	583.871.348	2.314.710.227	585.744.220
a) Raw material and material costs	117	1.277.708.588	312.072.972	1.236.106.240	283.081.357
b) Costs of goods sold	118	515.664.746	127.302.996	528.639.189	133.507.463
c) Other external costs	119	553.488.741	144.495.380	549.964.798	169.155.400
3. Staff costs (121 to 123)	120	718.177.465	175.252.546	720.698.292	168.986.059
a) Net salaries and wages	121	435.784.020	93.966.409	436.406.334	90.303.337
b) Cost for taxes and contributions from salaries	122	182.654.020	53.111.740	186.869.837	51.603.107
c) Contributions on gross salaries	123	99.739.425	28.174.397	97.422.121	27.079.615
4. Depreciation	124	157.489.065	39.527.449	152.668.912	37.827.099
5. Other costs	125	213.420.932	70.896.388	249.488.347	71.545.596
6. Impairment (127+128)	126	61.565.811	50.451.895	51.107.288	29.410.237
a) Impairment of long-term assets (financial assets excluded)	127	48.393.035	48.393.035	20.100.000	20.100.000
b) Impairment of short - term assets (financial assets excluded)	128	13.172.776	2.058.860	31.007.288	9.310.237
7. Provisions	129	5.922.865	5.249.557	15.573.299	8.126.733
8. Other operating costs	130	68.258.639	34.785.063	45.562.170	11.873.042
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	47.877.829	14.341.407	38.065.425	-4.454.254
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	0	0	717.969	717.969
2. Interest income, foreign exchange gains, dividends and similar income from non - related parties	133	46.951.129	14.413.960	37.192.337	-5.186.545
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	926.700	-72.553	155.119	14.322
5. Other financial income	136	0	0	0	0
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	148.448.430	38.157.423	105.638.899	18.977.613
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related parties	138	0	0	648.608	648.608
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non - related parties	139	138.884.512	35.210.146	101.522.380	15.094.923
3. Unrealized losses (expenses) on financial assets	140	9.563.918	2.947.277	3.467.911	3.234.082
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>	3.756.256.439	966.419.781	3.733.042.980	936.482.849
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	3.694.256.045	1.022.970.202	3.706.950.991	987.218.512
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	62.000.394	-56.550.421	26.091.989	-50.735.663
1. Profit before taxation (146-147)	149	62.000.394	0	26.091.989	0
2. Loss before taxation (147-146)	150	0	56.550.421	0	50.735.663
<b>XII. PROFIT TAX</b>	<b>151</b>	19.060.300	678.114	47.589.724	30.074.050
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	42.940.094	-57.228.535	-21.497.735	-80.809.712
1. Profit for the period (149-151)	153	42.940.094	0	0	0
2. Loss for the period (151-148)	154	0	57.228.535	21.497.735	80.809.712
<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	42.792.094	-57.638.534	-20.143.576	-81.649.097
2. Attributed to minority interest	156	148.000	410.000	-1.354.159	839.385
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	42.940.094	-57.228.535	-21.497.735	-80.809.712
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	-10.692.000	536.984	13.639.170	5.140.193
1. Exchange differences on translation of foreign operations	159	-10.692.000	536.984	13.639.170	5.140.193
2. Movements in revaluation reserves of long - term tangible and intangible assets	160				
3. Profit or loss from revaluation 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>	-10.692.000	536.984	13.639.170	5.140.193
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	32.248.094	-56.691.551	-7.858.565	-75.669.519
<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	31.807.880	-57.184.249	-6.533.565	-76.718.497
2. Attributed to minority interest	170	440.214	492.698	-1.325.000	1.048.978

**STATEMENT OF CASH FLOWS - INDIRECT METHOD**  
for the period 1.1.2012. to 31.12.2012.

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	62.000.394	26.091.989
2. Depreciation	002	157.489.065	152.668.912
3. Increase in short term liabilities	003		30.614.412
4. Decrease in short term receivables	004		
5. Decrease in inventories	005		46.364.731
6. Other increase in cash flow	006	85.543.900	82.277.000
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>305.033.359</b>	<b>338.017.044</b>
1. Decrease in short term liabilities	008	66.137.296	
2. Increase in short term receivables	009	26.808.567	43.331.894
3. Increase in inventories	010	7.741.000	
4. Other decrease in cash flow	011	51.076.413	46.414.233
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>151.763.276</b>	<b>89.746.127</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>153.270.083</b>	<b>248.270.917</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	8.249.000	3.234.000
2. Cash inflows from sales of equity and debt instruments	016	111.103.000	92.686.000
3. Interests receipts	017	9.237.000	5.621.000
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019	73.962.000	2.524.000
<b>III. Total cash inflows from investing activities (015 to 019)</b>	<b>020</b>	<b>202.551.000</b>	<b>104.065.000</b>
1. Cash outflow for purchase of long-term tangible and intangible assets	021	102.249.000	94.369.000
2. Cash outflow for acquisition of equity and debt financial instruments	022	97.843.000	92.819.000
3. Other cash outflow for investing activities	023	7.133.700	2.553.000
<b>IV. Total cash outflow for investing activities (021 do 023)</b>	<b>024</b>	<b>207.225.700</b>	<b>189.741.000</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>4.674.700</b>	<b>85.676.000</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	679.468.000	187.669.400
3. Other proceeds from financial activities	029		
<b>V. Total cash inflows from financial activities (027 to 029)</b>	<b>030</b>	<b>679.468.000</b>	<b>187.669.400</b>
1. Cash outflow for repayment of credit principal and bonds	031	830.791.000	373.692.631
2. Cash outflow for dividends paid	032		
3. Cash outflow for financial lease	033	3.676.000	4.324.000
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>834.467.000</b>	<b>378.016.631</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>154.999.000</b>	<b>190.347.231</b>
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	<b>039</b>	<b>0</b>	<b>0</b>
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	<b>6.403.617</b>	<b>27.752.314</b>
Cash and cash equivalents at the beginning of the period	<b>041</b>	<b>152.363.459</b>	<b>145.959.842</b>
Increase of cash and cash equivalents	<b>042</b>		
Decrease of cash and cash equivalents	<b>043</b>	<b>6.403.617</b>	<b>27.752.314</b>
Cash and cash equivalents at the end of the period	<b>044</b>	<b>145.959.842</b>	<b>118.207.528</b>

**STATEMENT OF CHANGES IN EQUITY**  
for the period 1.1.2012 to 31.12.2012

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	26.465.000
3. Reserves from profit	003	52.039.980	70.189.105
4. Retained earnings or accumulated loss	004	-107.400.320	-69.146.899
5. Profit or loss for the current year	005	42.792.064	-20.143.576
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	32.026.882
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>1.672.789.618</b>	<b>1.665.391.411</b>
11. Currency gains and losses arising from net investement in foreign operations	011	-10.692.000	13.639.170
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	45.171.618	-21.037.377
<b>17. Total increase or decrease in capital (AOP 011 do 016)</b>	<b>017</b>	<b>34.479.618</b>	<b>-7.398.207</b>
17 a. Attributed to equity holders of parent company	018	34.039.404	-4.637.725
17 b. Attributed to minority interest	019	440.214	-2.760.482



**Notes:****Significant events in the fourth quarter of the year 2012**

1. On the session of the Supervisory Board held on 20 December 2012, a decision was made to extend the Management Board of Podravka d.d. by appointing Hrvoje Kolarić as Board member. This extension is aimed at strengthening the pharmaceutical division of Podravka Group operations and providing a better utilisation of the synergy of the food and pharmaceutical business segments.
2. As part of the optimisation process of the Podravka Group a decision was made to close the cattle slaughtering line at Danica d.o.o. as it had continued producing loss and therefore endangered the total profitability of Danica d.o.o.
3. The Management Board of Podravka d.d. made a decision to reduce the product portfolio by approximately 660 products which had not reached the expected profitability and a positive effect on the gross margin is thus anticipated. At the same time, the Management Board of Podravka d.d. made a decision on restructuring the bakery program in order to cut production costs and improve profitability.





COMPANY MANAGEMENT

Koprivnica, 12 February 2013

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

### **Significant events in the fourth quarter of the year 2012**

1. On the session of the Supervisory Board held on 20 December 2012, a decision was made to extend the Management Board of Podravka d.d. by appointing Hrvoje Kolarić as Board member. This extension is aimed at strengthening the pharmaceutical division of Podravka Group operations and providing a better utilisation of the synergy of the food and pharmaceutical business segments.
2. As part of the optimisation process of the Podravka Group a decision was made to close the cattle slaughtering line at Danica d.o.o. as it had continued producing loss and therefore endangered the total profitability of Danica d.o.o.
3. The Management Board of Podravka d.d. made a decision to reduce the product portfolio by approximately 660 products which had not reached the expected profitability and a positive effect on the gross margin is thus anticipated. At the same time, the Management Board of Podravka d.d. made a decision on restructuring the bakery program in order to cut production costs and improve profitability.

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



COMPANY MANAGEMENT

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 and 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



#### COMPANY MANAGEMENT

payment insurance instruments 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

In the year 2012, the Podravka Group achieved operating income in the amount of 3,695 million HRK, which is almost at the same level as the year before. The sales revenue of the Podravka Group totalled 3,626.70 million HRK and is 1.5 million HRK higher compared to the same period of last year.

Sales of the SBA Food and Beverages totalled 2,799.3 million HRK and are 1% less than in 2011. A somewhat lower level of sales results from the drop of sales on the market of Croatia (-2%) and the markets of Central Europe (-3%) and Eastern Europe (-5%). Other foreign markets have achieved a sales growth. The market of South-East Europe recorded an increase of 2% with the highest contribution from the markets of Macedonia, Kosovo, Montenegro and Bosnia and Herzegovina, and the market of Western Europe, overseas countries and the Orient (3%) with the highest sales increase on the markets of Australia and the USA.

The SBA Pharmaceuticals achieved sales in the amount of 827.4 million HRK, which is an increase of 4% compared to the year 2011. The sales growth of the SBA Pharmaceuticals is mostly contributed by foreign markets (11%) with the highest contribution from the markets of Russia and Bosnia and Herzegovina. Sales on the market of Croatia are 2% lower compared to the year 2011.

Other operating income realised in the year 2012 is 68.3 million HRK and is 18% less compared to the year 2011.

The total operating costs and expenses are achieved in the amount of 3,601.3 million HRK and are 2% higher than those achieved last year. The majority of operating costs and expenses refers to material costs (64%) and employee costs also hold a significant share in the structure of operating costs and expenses (20%).

Financial expenses realized in the year 2012 total 105.6 million HRK and are 29% lower than those realized in the same period of the year before.



#### COMPANY MANAGEMENT

The achieved gross profit is 1,408.2 million HRK, while the gross margin is 38.8% which is a reduction of 60bp compared to last year.

The realised operating profit is 99.3 million HRK, while the end result of the year 2012 is a loss realized in the amount of 20.1 million HRK.

Operating income in the amount of 940.9 million HRK was realised in the fourth quarter of 2012 of which sales revenue covered 935.7 million HRK and remains at the level of realized sales as in the same quarter of the year before.

The realized operating costs and expenses in the observed quarter are 969.2 million HRK and are 2% less than those achieved in the same quarter of last year. A loss of 80.8 million HRK was recorded in the fourth quarter of 2012 and results from extraordinary items recorded in this quarter; adjustments of earlier acquired brands and pharmacy rights, adjustments of long-term assets and assets for sale and a correction of deferred tax assets in the company Podravka Polska.

The total value of assets of the Podravka Group as of 31 December 2012 is 3.655 billion HRK and compared to the year end of 2011 is 176.5 million HRK less. The greatest influence on the reduction of asset value comes from the reduction of long-term tangible and intangible assets, stocks and cash and cash equivalents.

The indebtedness of the Podravka Group as of 31 December 2012 is 1,198 billion HRK and compared to the year end of 2011 has been reduced by 185.5 million HRK. The net debt as of 31 December 2012 is 1.080 billion HRK which is a reduction of 157.7 million HRK compared to the year 2011.

President of the Management Board:

  
Zvonimir Mršić



Koprivnica, 12 February 2013

## **STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS**

The interim consolidated and unaudited financial statements of the Podravka Group for the period January – December 2012 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS).

As a result of the harmonization of accounting policies of the Podravka Group with the amendments of the IFRS and adoption of particular accounting policies which had not been defined in earlier periods, corrections were made in comparative financial statements for previous periods that have been disclosed in these interim unaudited consolidated financial statements of the Podravka Group for the year 2012.

A detailed account of the effects and explanation of the above corrections shall be disclosed in the audited consolidated financial statements of the Podravka Group. They refer to the following:

- As a result of defining accounting policies for the treatment of capitalized premiums on life insurance policies of employees a correction was made of the loss brought forward from earlier periods and the results for the year 2011;
- As a result of the harmonization of accounting policy for recognizing assets taken over as compensation for unrecoverable debt a correction was made of the initial value of the taken over SMS brand as recorded in the year 2011;
- A review of inter-company margins showed the need for redefining the average inter-company margin rate which has been applied in eliminating the effects of stocks within the group so a correction was made for the loss brought forward from previous periods and the results for the year 2011, accordingly.

As the audit of the consolidated financial statements of the Podravka Group for the year 2012 is still in progress, the disclosed results may differ from the results in the annual audited consolidated financial statements of the Podravka Group.

Accounting Director:

Draga Celiščak

Board Member:

Miroslav Klepač