



**MANAGEMENT BOARD**

Koprivnica, 26 April 2013.

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

PODRAVKA d.d., Koprivnica, Ante Starčevića 32, Trgovački sud u Bjelovaru, MBS 010006549  
Privredna banka Zagreb d.d., Zagreb, Račkoga 6, žiro račun br. 2340009-1100098526, temeljni kapital 1.626.000.900,00 kuna  
uplaćen u cijelosti, broj dionica 5.420.003, nominalni iznos dionice 300,00 kuna, predsjednik Nadzornog odbora D. Štimac,  
predsjednik Uprave Z. Mršić, članovi Uprave J. Ivanković, O. Jakupec, M. Klepač, H. Kolarić, J. Pedersen

Appendix 1  
Reporting period:

1.1.2012

to

31.12.2012

Annual financial report of entrepreneur - GFI-POD

Registration number (MB)

Identification number of subject (MBS)

Personal identification number (OIB)

Issuer company:

Postal code and place

Street and number

E-mail address:

Internet address:

Code and name of comune/town

Code and county name   Number of employees   
(at quarter end)

Consolidated statement  NKD/NWC code:

Subsidiaries subject to consolidation (according to IFRS):

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.	Doľni Lhota u Luhačovic, Češka	3042510487
PODRAVKA SARAJEVO d.o.o.	Sarajevo, BiH	20188537

Book keeping service:

Contact person:   
(authorised person for representation)

Phone number:  Fascimile:

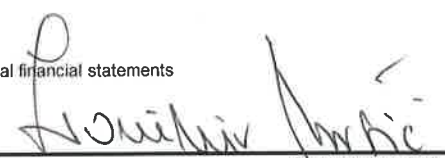
E-mail address:

Surname and name   
(authorised person for representation)

Disclosure documents:

1. Audited annual financial statements
2. Report of the Management Board on position of the Company
3. Statement of responsible persons for preparation of financial statements
4. The decision of the competent authority (the proposal) about the development of the annual financial statements
5. Decision on the allocation of profits or covering of loss



  
(signed by authorised person for representation)

**BALANCE SHEET**  
as at 31.12.2012.

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>	1.845.090.492	1.721.143.991
<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>	1.476.007.000	1.400.738.837
1. Land	<b>011</b>	45.703.946	45.995.536
2. Buildings	<b>012</b>	933.558.955	882.052.504
3. Plant and equipment	<b>013</b>	416.715.386	383.931.370
4. Tools, facility inventory and transport assets	<b>014</b>	21.306.708	18.257.354
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>		
<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>		
2. Loans given to related parties	<b>022</b>		
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	1.881.578.696
<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	1.062.608.440
1. Receivables from related parties	<b>044</b>		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	46.107.062
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>		
2. Loans given to related parties	<b>052</b>		
3. Participating interests (shares)	<b>053</b>		
4. Loans to entrepreneurs in whom the entity holds participating interests	<b>054</b>		
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>	3.788.080.745	3.617.672.309
<b>F) OFF-BALANCE RECORDS</b>	<b>061</b>	714.445.958	858.816.749

**Obligator: Podravka prehrambena 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>	1.629.147.380	1.627.791.411
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>	37.749.948	105.899.405
1. Reserves prescribed by law	<b>066</b>	18.325.000	18.325.000
2. Reserves for treasury shares	<b>067</b>	21.761.692	21.761.692
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>	34.561.905	98.173.253
IV. REVALUATION RESERVES	<b>071</b>	0	0
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	-134.429.556	-148.498.899
1. Retained earnings	<b>073</b>	0	0
2. Accumulated loss	<b>074</b>	134.429.556	148.498.899
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	40.469.094	-14.101.876
1. Profit for the current year	<b>076</b>	40.469.094	0
2. Loss for the current year	<b>077</b>	0	14.101.876
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	25.838.060
2. Reserves for tax liabilities	<b>081</b>	0	0
3. Other reserves	<b>082</b>	10.991.437	20.939.717
<b>C) LONG - TERM LIABILITIES (084 to 092)</b>	<b>083</b>	901.305.677	733.553.063
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>	894.308.677	727.255.063
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>	1.128.673.702	1.106.272.027
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>	499.558.565	477.866.741
4. Liabilities for received prepayments	<b>097</b>	2.508.612	3.155.766
5. Accounts payable	<b>098</b>	533.328.778	546.406.547
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>	12.472.467	12.929.577
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE</b>	<b>106</b>	94.627.921	103.278.032
<b>F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	3.788.080.745	3.617.672.309
<b>G) OFF-BALANCE RECORDS</b>	<b>108</b>	714.445.958	858.816.749
<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>	1.594.360.016	1.595.764.529
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	
1	2	3	4	
<b>I. OPERATING REVENUE (112+113)</b>	<b>111</b>	3.708.378.610	3.700.062.176	
1. Sales revenue	112	3.625.161.695	3.626.666.307	
2. Other operating revenues	113	83.216.915	73.395.870	
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	3.548.130.615	3.602.375.014	
1. Changes in value of work in progress and finished products	115	-25.889.237	51.503.557	
2. Material costs (117 to 119)	116	2.346.862.075	2.305.898.688	
a) Raw material and material costs	117	1.277.708.588	1.236.106.240	
b) Costs of goods sold	118	515.664.746	519.827.650	
c) Other external costs	119	553.488.741	549.964.798	
3. Staff costs (121 to 123)	120	718.177.465	720.698.292	
a) Net salaries and wages	121	435.784.020	436.406.334	
b) Cost for taxes and contributions from salaries	122	182.654.020	186.869.837	
c) Contributions on gross salaries	123	99.739.425	97.422.121	
4. Depreciation	124	159.812.065	153.689.989	
5. Other costs	125	213.420.932	249.529.826	
6. Impairment (127+128)	126	61.565.811	51.107.288	
a) Impairment of long-term assets (financial assets excluded)	127	48.393.035	20.100.000	
b) Impairment of short - term assets (financial assets excluded)	128	13.172.776	31.007.288	
7. Provisions	129	5.922.865	15.573.299	
8. Other operating costs	130	68.258.639	54.374.074	
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	47.877.829	38.065.425	
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	0	0	
2. Interest income, foreign exchange gains, dividends and similar income from non - related parties and other entities	133	46.951.129	37.910.306	
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	
4. Unrealized gains (income) from financial assets	135	926.700	155.119	
5. Other financial income	136	0	0	
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	148.448.430	105.638.899	
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related parties	138	0	0	
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non - related parties and other entities	139	138.884.512	102.170.988	
3. Unrealized losses (expenses) on financial assets	140	9.563.918	3.467.911	
4. Other financial expenses	141	0	0	
<b>V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>	0	0	
<b>VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>	0	0	
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>	0	0	
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>	0	0	
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	3.756.256.439	3.738.127.601	
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	3.696.579.045	3.708.013.913	
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	59.677.394	30.113.689	
1. Profit before taxation (146-147)	149	59.677.394	30.113.689	
2. Loss before taxation (147-146)	150	0	0	
<b>XII. PROFIT TAX</b>	<b>151</b>	19.060.300	45.569.724	
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	40.617.094	-15.456.035	
1. Profit for the period (149-151)	153	40.617.094	0	
2. Loss for the period (151-148)	154	0	15.456.035	
<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	40.469.094	-14.101.876	
2. Attributed to minority interest	156	148.000	-1.354.159	
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)</b>				
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	40.617.094	-15.456.035	
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	-10.692.000	13.639.170	
1. Exchange differences on translation of foreign operations	159	-10.692.000	13.639.170	
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>	-10.692.000	13.639.170	
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	29.925.094	-1.816.865	
<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	29.484.880	-491.865	
2. Attributed to minority interest	170	440.214	-1.325.000	

**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	59.677.394	30.113.689
2. Depreciation	002	159.812.065	153.689.989
<b>3. Increase in short term liabilities</b>	<b>003</b>		17.104.000
4. Decrease in short term receivables	004		
5. Decrease in inventories	005		46.364.731
6. Other increase in cash flow	006	83.958.000	84.216.223
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	303.447.459	331.488.632
1. Decrease in short term liabilities	008	68.894.000	
2. Increase in short term receivables	009	26.808.567	41.939.000
3. Increase in inventories	010	7.741.000	
4. Other decrease in cash flow	011	47.710.892	41.216.632
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	151.154.459	83.155.632
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	152.293.000	248.333.000
<b>A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	0	0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash inflows from sales of long-term tangible and intangible assets	015	8.249.000	4.249.000
2. Cash inflows from sales of equity and debt instruments	016	111.103.000	92.686.000
3. Interests receipts	017	9.237.000	7.098.000
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>	202.551.000	106.557.000
1. Cash outflow for purchase of long-term tangible and intangible assets	021	102.249.000	94.682.000
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	6.156.000	3.358.000
<b>IV. Total cash outflow for investing activities (021 do 023)</b>	<b>024</b>	206.248.000	190.859.000
<b>B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>025</b>	0	0
<b>B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)</b>	<b>026</b>	3.697.000	84.302.000
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Cash inflow from issuing property and debt financial instruments	027	0	0
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	0	0
<b>V. Total cash inflows from financial activities (027 to 029)</b>	<b>030</b>	679.468.000	187.669.400
1. Cash outflow for repayment of credit principal and bonds	031	830.791.617	373.693.714
2. Cash outflow for dividends paid	032	0	1.435.000
3. Cash outflow for financial lease	033	3.676.000	4.324.000
4. Cash outflow for purchase of treasury shares	034	0	0
5. Other cash outflow for financial activities	035	0	0
<b>VI. Total cash outflow for financial activities (031 to 035)</b>	<b>036</b>	834.467.617	379.452.714
<b>C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)</b>	<b>037</b>	0	0
<b>C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)</b>	<b>038</b>	154.999.617	191.783.314
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	6.403.617	27.752.314
Cash and cash equivalents at the beginning of the period	041	152.363.459	145.959.842
Increase of cash and cash equivalents	042	0	0
Decrease of cash and cash equivalents	043	6.403.617	27.752.314
Cash and cash equivalents at the end of the period	044	145.959.842	118.207.528

**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	37.749.948	105.899.405
4. Retained earnings or accumulated loss	004	-134.429.556	-148.498.899
5. Profit or loss for the current year	005	40.469.094	-14.101.876
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>1.629.147.380</b>	<b>1.627.791.411</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	42.848.380	-14.995.139
<b>17. Total increase or decrease in capital (AOP 011 do 016)</b>	<b>017</b>	<b>32.156.380</b>	<b>-1.355.969</b>
17 a. Attributed to equity holders of parent company	018	31.716.166	1.404.513
17 b. Attributed to minority interest	019	440.214	-2.760.482

## **Notes**

The accounting policy in 2012 year did not change.





COMPANY MANAGEMENT

Koprivnica, 26th April 2013

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

### **Significant events 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.
4. In 2012 Podravka Group conducted the redundancy program for employees for whom severance payments had been paid and mentioned program is continued in year 2013.

### **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.



#### COMPANY MANAGEMENT

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.
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.



COMPANY MANAGEMENT

### **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 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 3,700 million HRK, which is almost at the same level as the year before.

The sales revenue of the Podravka Group totalled 3,626.7 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.



#### COMPANY MANAGEMENT

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 73.4 million HRK and is 12% less compared to the year 2011.

The total operating costs and expenses are achieved in the amount of 3,602.4 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%). The highest contribution to increase of operating expenses have severance payments paid to workers who left the company. In 2012 Podravka Group conducted the redundancy program and total costs for redundant workers were 49.9 million HRK.

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.

The realised operating profit is 103.3 million HRK, while the end result of the year 2012 is a loss realized in the amount of 14.1 million HRK. The business results for the Podravka Group for 2012 are under a significant influence of non-recurrent items and main reasons are severance payments and value reductions of intangible and tangible assets.



COMPANY MANAGEMENT

The total value of assets of the Podravka Group as of 31 December 2012 is 3,617.7 million HRK and compared to the year end of 2011 is 170.4 million HRK less. The greatest influence on the reduction of asset value comes from the reduction of long-term tangible and intangible assets, deferred tax assets, stocks and cash and cash equivalents.

The indebtedness of the Podravka Group as of 31 December 2012 is 1,197.9 million 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 1,079.7 million HRK which is a reduction of 157.7 million HRK compared to the year 2011.

**President of the Management Board:**

**Zvonimir Mršić**



COMPANY MANAGEMENT

Koprivnica, 26 April 2013

## STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated and audited 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) 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.

Compared to previously disclosed consolidated unaudited financial statements of the Podravka Group for the period January – December 2012, corrections of revaluation of land and buildings from year 1999 were made, and Belupo d.d. increased the amount of reinvested profits.

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

Director of Finance:  
Draga Celiščak

Board Member:  
Miroslav Klepač



SUPERVISORY BOARD

No: NO-92-2-2013.

Koprivnica, 26 April 2013

Pursuant to Articles 300.c and 300.d of the Company Act (Official Gazette no. 152/11.-clear version and 111/12), the Supervisory Board of Podravka Inc. at its 92<sup>nd</sup> session held on 26 April 2013 adopted the following

### DECISION

#### **on Approval of the Management Board Decision regarding establishing of the Annual Financial Statements of Podravka Inc. and its related companies and Annual Report on the Status of the Company for the business year 2012**

#### I

The Annual Financial Statements of Podravka Inc. and its related companies (Consolidated Statements of Podravka Group) for the business year 2012 with the Reports and opinion of certified auditors are hereby established.

#### II

The Annual Financial Statements for the business year 2012, prepared by the Management Board of Podravka Inc. in compliance with applicable regulations, are hereby established as follows:

1. Statement on Total Income
2. Statement on the Company's Financial Position
3. Statement on Changes in Equity
4. Statement on Cash Flow
5. Notes to Financial Statements
6. Annual Report on the Status of the Company.

#### III

The Statement on Total Income for the business year 2012, in which the loss in the amount of HRK 14.102 thousand has been declared, is hereby established.

The Statement on Financial Position as of 31 December 2012 shows the sum of assets and liabilities, respectively, in the amount of HRK 3.617.672 thousand.

#### IV

The Annual Report of the Management Board of Podravka Inc. on the business operations of Podravka Inc. and its related companies and of the Status of the Company for the business year 2012 is hereby established.

#### V

This Decision shall enter into force on the day of its adoption.



President of the Supervisory Board:

Dubravko Štimac



SUPERVISORY BOARD

No: NO-92-1-2013.

Koprivnica, 26 April 2013

Pursuant to Articles 300.c and 300.d of the Company Act (Official Gazette no. 152/11.-clear version and 111/12), the Supervisory Board of Podravka Inc. at its 92<sup>nd</sup> session held on 26 April 2013 adopted the following

### DECISION

#### **on Approval of the Management Board Decision regarding establishing of the Annual Financial Statements of Podravka Inc. and Annual Report on the Status of the Company for the business year 2012**

#### I

The Annual Financial Statements of Podravka Inc. (M.B. 03454088, OIB 18928523252) for the business year 2012 with the Reports and opinion of certified auditors are hereby established.

#### II

The Annual Financial Statements for the business year 2012, prepared by the Management Board of Podravka Inc. in compliance with applicable regulations, are hereby established as follows:

1. Statement on Total Income
2. Statement on the Company's Financial Position
3. Statement on Changes in Equity
4. Statement on Cash Flow
5. Notes to Financial Statements
6. Annual Report on the Status of the Company.

#### III

The Statement on Total Income for the business year 2012, in which the loss in the amount of HRK 20.690.808,64 has been declared, is hereby established.

The Statement on Financial Position as of 31 December 2012 shows the sum of assets and liabilities, respectively, in the amount of HRK 2.517.097.762,02.

#### IV

The Annual Report of the Management Board of Podravka Inc. on the Status of the Company for the business year 2012 is hereby established.

#### V

This Decision shall enter into force on the day of its adoption.

President of the Supervisory Board:



Dubravko Štimac





SUPERVISORY BOARD

No: NO-92-3-2013.

In Koprivnica, 26<sup>th</sup> April 2013

In accordance with Articles 263 par 3 and 280 par 3 of the Company Law (Official Gazette No 152/11 - clear version and 111/12), the Supervisory Board of PODRAVKA Inc. on its 92<sup>nd</sup> session held on 26<sup>th</sup> April 2013 adopted the following

### DECISION PROPOSAL

#### On the loss coverage for the business year 2012

#### I.

The loss of Podravka Inc., M.B. 03454088, OIB 18928523252 (hereinafter: the Company) stated in the audited Annual Financial Statements of the Company for the business year 2012, amounts HRK 20.690.808,64.

#### II.

The loss of the Company for 2012 in amount of HRK 7.932.559,53 shall be covered on account of the Company legal and other reserves, and the remaining portion of the loss in amount of HRK 12.758.249,11 shall be covered by reduction of the Company share capital.

#### III.

This Decision Proposal will be submitted to the General Assembly of the Company.

President of the Supervisory Board:

Dubravko Štimac

