



MANAGEMENT BOARD

Koprivnica, 30 October 2012

PODRAVKA GROUP

1.-9. 2012.

QUARTERLY FINANCIAL REPORT

Appendix 1

Reporting period:

1.1.2012

to

30.09.2012.

Quarterly financial report of entrepreneur - TFI-PODRegistration 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 **6.353**

(at quarter end)

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

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** Facsimile: **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 of shareholders' equity and notes to the financial statements)
2. Interim management Report
3. Statement of responsible persons for preparation of financial statements



 (signed by authorised person for representation)

BALANCE SHEET
as at 30.09.2012.

Obligator: PODRAVKA prehrabena industrija d.d., KOPRIVNICA			
Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001		
B) LONG-TERM ASSETS (003+010+020+029+033)	002	1.891.921.160	1.846.807.212
I. INTANGIBLE ASSETS (004 to 009)	003	311.927.331	306.867.006
1. Assets development	004	5.647.170	6.025.450
2. Concessions, patents, licences fees, trade and service marks, software and other rights	005	244.280.446	240.073.566
3. Goodwill	006	41.129.000	41.129.000
4. Prepayments for purchase of intangible assets	007	0	0
5. Intangible assets in preparation	008	20.870.715	19.638.990
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 to 019)	010	1.519.648.607	1.479.520.005
1. Land	011	145.730.441	146.102.683
2. Buildings	012	877.174.067	842.451.540
3. Plant and equipment	013	416.715.386	387.819.511
4. Tools, facility inventory and transport assets	014	21.306.708	17.708.483
5. Biological assets	015	0	0
6. Prepayments for tangible assets	016	13.219.507	823.272
7. Tangible assets in progress	017	41.662.125	80.785.500
8. Other tangible assets	018	3.840.373	3.829.016
9. Investments in buildings	019	0	0
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	4.323.161	2.424.441
1. Investments (shares) with related parties	021	0	0
2. Loans given to related parties	022	0	0
3. Participating interest (shares)	023	330.000	330.000
4. Loans to entrepreneurs in whom the entity holds participating interests	024	0	0
5. Investments in securities	025	180.351	165.310
6. Loans, deposits and similar assets	026	3.812.810	1.929.131
7. Other long - term financial assets	027	0	0
8. Investments accounted by equity method	028	0	0
IV. RECEIVABLES (030 to 032)	029	0	0
1. Receivables from related parties	030	0	0
2. Receivables from based on trade loans	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSETS	033	56.022.061	57.995.760
C) SHORT TERM ASSETS (035+043+050+058)	034	1.939.271.583	1.965.280.429
I. INVENTORIES (036 to 042)	035	758.240.952	768.330.561
1. Raw-material and supplies	036	213.149.271	227.092.231
2. Work in progress	037	50.870.289	53.151.378
3. Finished goods	038	255.608.587	257.049.406
4. Merchandise	039	180.954.554	173.158.434
5. Prepayments for inventories	040	0	0
6. Long - term assets held for sales	041	57.658.251	57.879.112
7. Biological assets	042	0	0
II. RECEIVABLES (044 to 049)	043	1.021.565.728	1.074.716.659
1. Receivables from related parties	044	0	0
2. Accounts receivable	045	973.000.722	1.032.027.425
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of related parties	047	2.699.198	1.813.332
5. Receivables from government and other institutions	048	41.429.788	34.840.864
6. Other receivables	049	4.436.020	6.035.038
III. SHORT TERM FINANCIAL ASSETS (051 to 057)	050	13.505.061	36.004.028
1. Shares (stocks) in related parties	051	0	0
2. Loans given to related parties	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans to entrepreneurs in whom the entity holds participating interests	054	0	0
5. Investments in securities	055	12.721.331	35.780.633
6. Loans, deposits, etc.	056	143.902	223.395
7. Other financial assets	057	639.828	0
IV. CASH AT BANK AND IN CASHIER	058	145.959.842	86.229.182
D) PREPAID EXPENSES AND ACCRUED REVENUE	059	23.527.372	16.059.840
E) TOTAL ASSETS (001+002+034+059)	060	3.854.720.115	3.828.147.481
F) OFF-BALANCE RECORDS	061	714.445.958	719.383.981

Obligatör: PODRAVKA prehrabena industrija d.d., KOPRIVNICA

Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	1.695.787.380	1.762.162.889
I. SUBSCRIBED CAPITAL	063	1.626.000.900	1.626.000.900
II. CAPITAL RESERVES	064	24.569.630	24.569.630
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	52.039.980	65.257.500
1. Reserves prescribed by law	066	20.808.012	20.808.012
2. Reserves for treasury shares	067	35.344.592	35.344.592
3. Treasury stocks and shares (deduction)	068	67.604.502	67.604.502
4. Statutory reserves	069	30.705.853	35.243.962
5. Other reserves	070	32.786.025	41.465.436
IV. REVALUATION RESERVES	071	0	0
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	-110.891.556	-46.148.603
1. Retained earnings	073	0	0
2. Accumulated loss	074	110.891.556	46.148.603
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	075	69.281.062	61.505.522
1. Profit for the current year	076	69.281.062	61.505.522
2. Loss for the current year	077	0	0
IX. MINORITY INTERESTS	078	34.787.364	30.977.940
B) PROVISIONS (080 to 082)	079	34.326.066	37.371.490
1. Provisions for pensions, severance pay, and similar liabilities	080	23.334.629	23.322.932
2. Reserves for tax liabilities	081	0	0
3. Other reserves	082	10.991.437	14.048.558
C) LONG - TERM LIABILITIES (084 to 092)	083	904.612.677	759.700.608
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits etc.	085	0	0
3. Liabilities to banks and other financial institutions	086	897.615.677	753.248.608
4. Liabilities for received prepayments	087	0	0
5. Accounts payable	088	0	0
6. Liabilities arising from debt securities	089	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090	0	0
8. Other long-term liabilities	091	0	0
9. Deferred tax liability	092	6.997.000	6.452.000
D) SHORT - TERM LIABILITIES (094 to 105)	093	1.125.366.071	1.143.130.122
1. Liabilities to related parties	094	0	0
2. Liabilities for loans, deposits etc.	095	0	0
3. Liabilities to banks and other financial institutions	096	496.251.565	482.990.509
4. Liabilities for received prepayments	097	2.508.612	64.258
5. Accounts payable	098	533.328.778	565.556.850
6. Liabilities arising from debt securities	099	2.400.000	2.511.293
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100	0	0
8. Liabilities to employees	101	59.022.620	57.707.627
9. Liabilities for taxes, contributions and similar fees	102	18.697.962	13.699.217
10. Liabilities to share - holders	103	684.698	683.878
11. Liabilities for long-term assets held for sale	104	0	0
12. Other short - term liabilities	105	12.471.836	19.916.490
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE	106	94.627.921	125.782.373
F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)	107	3.854.720.115	3.828.147.481
G) OFF-BALANCE RECORDS	108	714.445.958	719.383.981
APPENDIX to balance sheet (to be filled in by entrepreneur that prepares consolidated annual financial report)			
CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	109	1.661.000.016	1.731.184.949
2. Attributed to minority interest	110	34.787.364	30.977.940

PROFIT AND LOSS ACCOUNT
for the period 01.01.2012. to 30.09.2012.

Obligator: PODRAVKA prehrambena industrija d.d., KOPRIVNICA					
Item	AOP code	Last Year		Current year	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
I. OPERATING REVENUE (112+113)	111	2.756.300.236	968.545.337	2.754.040.451	979.343.000
1. Sales revenue	112	2.690.290.194	966.119.459	2.690.955.301	970.482.300
2. Other operating revenues	113	66.010.042	2.425.878	63.085.150	8.860.700
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	2.560.994.837	876.121.351	2.633.071.193	942.438.356
1. Changes in value of work in progress and finished products	115	-50.667.769	-33.235.428	-3.224.355	-12.974.333
2. Material costs (117 to 119)	116	1.762.990.727	632.312.604	1.728.966.006	634.225.099
a) Raw material and material costs	117	965.635.616	353.947.343	953.024.883	342.025.256
b) Costs of goods sold	118	388.361.750	136.404.511	395.131.725	161.509.581
c) Other external costs	119	408.993.361	141.960.750	380.809.398	130.690.262
3. Staff costs (121 to 123)	120	542.924.919	181.680.165	551.712.233	181.785.797
a) Net salaries and wages	121	341.817.611	106.183.965	346.102.997	107.206.660
b) Cost for taxes and contributions from salaries	122	129.542.280	48.622.166	135.266.730	49.448.796
c) Contributions on gross salaries	123	71.565.028	26.874.034	70.342.506	25.130.340
4. Depreciation	124	117.961.616	39.080.070	114.841.813	38.283.853
5. Other costs	125	142.524.544	44.741.198	177.942.751	75.296.405
6. Impairment (127+128)	126	11.113.916	4.589.101	21.697.051	14.143.550
a) Impairment of long-term assets (financial assets excluded)	127	0	0	0	0
b) Impairment of short - term assets (financial assets excluded)	128	11.113.916	4.589.101	21.697.051	14.143.550
7. Provisions	129	673.308	400.478	7.446.566	5.482.789
8. Other operating costs	130	33.473.576	6.553.163	33.689.128	6.195.196
III. FINANCIAL INCOME (132 to 136)	131	33.536.422	7.427.890	42.519.679	18.446.700
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 parties	133	32.537.169	9.088.845	42.378.882	18.368.631
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	999.253	-1.660.955	140.797	78.069
5. Other financial income	136	0	0	0	0
IV. FINANCIAL EXPENSES (138 do 141)	137	110.291.007	48.251.569	86.661.286	26.811.666
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related parties	138	0	0	0	0
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non - related parties	139	103.674.366	45.458.894	86.427.457	26.800.788
3. Unrealized losses (expenses) on financial assets	140	6.616.641	2.792.675	233.829	10.878
4. Other financial expenses	141	0	0	0	0
V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142	0	0	0	0
VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+142 + 144)	146	2.789.836.658	975.973.227	2.796.560.130	997.789.700
X. TOTAL EXPENSES (114+137+143 + 145)	147	2.671.285.844	924.372.920	2.719.732.479	969.250.022
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	118.550.814	51.600.307	76.827.651	28.539.678
1. Profit before taxation (146-147)	149	118.550.814	51.600.307	76.827.651	28.539.678
2. Loss before taxation (147-146)	150	0	0	0	0
XII. PROFIT TAX	151	18.382.186	6.846.637	17.515.674	6.724.597
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	100.168.628	44.753.670	59.311.978	21.815.082
1. Profit for the period (149-151)	153	100.168.628	44.753.670	59.311.978	21.815.082
2. Loss for the period (151-148)	154	0	0	0	0
APPENDIX to P&L account (to be filled in by entrepreneur that prepares consolidated financial report)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	155	100.430.628	44.863.753	61.505.522	22.400.623
2. Attributed to minority interest	156	-262.000	-110.083	-2.193.544	-585.541
STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	100.168.628	44.753.670	59.311.978	21.815.082
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	-11.228.984	-10.156.596	8.498.977	2.462.718
1. Exchange differences on translation of foreign operations	159	-11.228.984	-10.156.596	8.498.977	2.462.718
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				
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158-166)	167	-11.228.984	-10.156.596	8.498.977	2.462.718
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	88.939.644	34.597.074	67.810.955	24.277.800
APPENDIX to Statement of other comprehensive income (to be filled in by entrepreneur that prepares consolidated financial report)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	169	88.992.128	34.473.253	70.184.933	25.002.619
2. Attributed to minority interest	170	-52.484	123.821	-2.373.978	-724.819

STATEMENT OF CASH FLOWS - INDIRECT METHOD

for the period 01.01.2012. to 30.09.2012.

Obligator: PODRAVKA prehrambena industrija d.d., KOPRIVNICA			
Item	AOP code	Last year	Current year
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	118.550.814	76.827.651
2. Depreciation	002	117.961.616	114.841.813
3. Increase in short term liabilities	003	51.390.636	87.321.000
4. Decrease in short term receivables	004		
5. Decrease in inventories	005		
6. Other increase in cash flow	006	24.272.384	20.711.500
I. Total increase in cash flow from operating activities (001 to 006)	007	312.175.451	299.701.964
1. Decrease in short term liabilities	008		
2. Increase in short term receivables	009	27.974.719	81.406.000
3. Increase in inventories	010	72.939.104	12.988.000
4. Other decrease in cash flow	011	32.375.000	53.495.625
II. Total decrease in cash flow from operating activities (008 to 011)	012	133.288.823	147.889.625
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	178.886.628	151.812.340
A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash inflows from sales of long-term tangible and intangible assets	015	2.448.000	1.220.000
2. Cash inflows from sales of equity and debt instruments	016	86.896.000	85.894.000
3. Interests receipts	017	5.147.158	4.172.000
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019	2.466.000	1.967.000
III. Total cash inflows from investing activities (015 to 019)	020	96.957.158	93.253.000
1. Cash outflow for purchase of long-term tangible and intangible assets	021	68.476.400	72.329.000
2. Cash outflow for acquisition of equity and debt financial instruments	022	77.543.000	87.217.000
3. Other cash outflow for investing activities	023	4.861.000	88.000
IV. Total cash outflow for investing activities (021 do 023)	024	150.880.400	159.634.000
B1) NET INCREASE IN CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE IN CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	53.923.242	66.381.000
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Cash inflow from issuing property and debt financial instruments	027		
2. Proceeds from the credit principal, promissory notes, borrowings and other loans	028	606.707.000	111.722.000
3. Other proceeds from financial activities	029		
V. Total cash inflows from financial activities (027 to 029)	030	606.707.000	111.722.000
1. Cash outflow for repayment of credit principal and bonds	031	757.293.000	253.734.909
2. Cash outflow for dividends paid	032		
3. Cash outflow for financial lease	033	2.941.000	3.149.091
4. Cash outflow for purchase of treasury shares	034		
5. Other cash outflow for financial activities	035		
VI. Total cash outflow for financial activities (031 to 035)	036	760.234.000	256.884.000
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	0	0
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	153.527.000	145.162.000
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	28.563.614	59.730.660
Cash and cash equivalents at the beginning of the period	041	152.362.738	145.959.842
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	28.563.614	59.730.660
Cash and cash equivalents at the end of the period	044	123.799.124	86.229.182

STATEMENT OF CHANGES IN EQUITY
for the period 1.1.2012 to 30.9.2012

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	65.257.500
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	61.505.522
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	30.977.940
10. Total capital and reserves (AOP 001 do 009)	010	1.695.787.380	1.762.162.889
11. Currency gains and losses arising from net investement in foreign operations	011	-10.692.000	8.498.977
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	57.876.532
17. Total increase or decrease in capital (AOP 011 do 016)	017	60.969.674	66.375.509
17 a. Attributed to equity holders of parent company	018	60.529.460	70.184.933
17 b. Attributed to minority interest	019	440.214	-3.809.424

Notes

The accounting policy in 2012 did not change.



COMPANY MANAGEMENT

Koprivnica, 30 October 2012

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

Significant events in the third quarter of the year 2012

1. The General Assembly of Podravka d.d. was held on 6 July 2012 in Koprivnica at which Milan Stojanović and Ivana Matovina were appointed to the Supervisory Board for a four year term of office and Nikola Gregur was recalled. Apart from this, the Management Board members of Podravka d.d. were discharged, and their work in managing the company in the business year 2011 thus approved. The Supervisory Board members of Podravka d.d. were also discharged, and their work and performed supervision over business activities thus approved, accordingly. The General Assembly of Podravka d.d. determined in its decision that the realized loss of Podravka d.d. for the business year 2011 amounting to 9,534,378.44 HRK is to be transferred to the following period. The authorized auditor KPMG Croatia d.o.o. was appointed for the audit of the financial statements of the parent company Podravka d.d. and its related companies as well as for the audit of consolidated financial statements of the Podravka Group for the business year 2012.
2. At the end of August, 288 employees of the Podravka Group accepted the redundancy programme of incentive severance payments in the net amount of 4,000 HRK for each year of work at the Podravka Group.
3. During September, Podravka completed its own programme of employing highly educated trainees "SHAPE", for which 800 candidates from all over Croatia applied, and on the grounds of which 28 trainees of various professions have been employed at Podravka.

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



COMPANY MANAGEMENT

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.

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.



COMPANY MANAGEMENT

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 period from January to September 2012 the Podravka Group achieved operating income in the amount of 2,754.0 million HRK, which is almost at the equal level as in the same period of the year before.

Sales revenue of the Podravka Group amounted to 2,691.0 million HRK and is 0.7 million HRK higher compared to the same period last year.

Sales of the SBA Food and Beverages totalled 2,109.2 million HRK, which is a 1% drop of sales compared to the same period of the year 2011. This somewhat lower level of sales results from the drop of sales on both the domestic market (-1%) and the market of Central Europe (-8%). Other foreign markets have recorded an increase of sales with the market of South-East Europe recording a growth of 3%, the highest contribution coming from the markets of Macedonia, Kosovo and Bosnia and Herzegovina, the markets of Western Europe, overseas countries and the Orient with a 3% growth, the highest contribution coming from the markets of Australia and the USA, and the market of East Europe with a 1% growth, where Russia recorded the most significant sales increase.

The SBA Pharmaceuticals achieved sales in the amount of 581.8 million HRK, which is 4% higher compared to the same period of the year 2011. The increase of sales in the SBA Pharmaceuticals is primarily contributed from foreign markets (8%) of which Russia, Serbia and Bosnia and Herzegovina are the most prominent. Sales on the domestic market also grew 2%.

Other operating income realized in the period January – September 2012 amounted to 63.1 million HRK and compared to the same period of the year before are 4% lesser.



COMPANY MANAGEMENT

The total operating costs/expenses amounted to 2,633.1 million HRK and have increased by 3% compared to last year. Material costs account for the majority of operating costs/expenses (66%) but staff costs also hold a significant share in the structure of operating costs/expenses (21%).

The realized financial expenses in the period January – September 2012 are 86.7 million HRK and are 21% lower than those realized in the same period last year.

The realized gross profit is 1,032.4 million HRK, while the gross margin is 38.4%, which is a reduction of 130bp compared to the same period of the year before.

Operating income is realized in the amount of 121.6 million HRK and the net profit is 61.5 million HRK.

In the third quarter of 2012 operating income was realized in the amount of 979.3 million HRK of which sales revenue accounts for 970.5 million HRK, which is 1% higher than operating income in the same quarter of last year.

The realized operating costs/expenses in the observed quarter amount to 942.4 million HRK and are 8% higher compared to the same quarter of last year. Severance payments in the amount of 48.2 million HRK had significant impact on the increase of operating costs/expenses.

The realized net profit of the third quarter is 22.4 million HRK.

The total value of assets of the Podravka Group as of 30 September 2012 is 3.828 billion HRK and is 26.6 million HRK lesser compared to the year end balance of 2011. This reduction of asset value primarily results from the reduction of cash and cash equivalents as well as the reduction of non-current tangible and intangible assets.

The total indebtedness of the Podravka Group as of 30 September 2012 is 1.228 billion HRK and compared to the year end of 2011 has been reduced by 155 million HRK. The net debt amounts to 1.142 billion HRK and has been reduced by 95.1 million HRK compared to the year end balance of 2011.


President of the Management Board

Zvonimir Mršić



FINANCE

Koprivnica, 30 October 2012

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

Consolidated and unaudited financial statements of the Podravka Group for the period January – September 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