



MANAGEMENT BOARD

Koprivnica, 18<sup>th</sup> July 2013

## **PODRAVKA GROUP**

**1. – 6. 2013.**

## **QUARTERLY FINANCIAL REPORT**

**Appendix 1**

Reporting period:

1.1.2013

to

30.6.2013.

**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 **5.920**

(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>Dołni 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)

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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

**BALANCE SHEET**  
as at 30.6.2013.

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>	1.721.143.991	1.674.391.511
<b>I. INTANGIBLE ASSETS (004 to 009)</b>	<b>003</b>	279.641.788	275.126.485
1. Assets development	<b>004</b>	5.839.794	8.469.527
2. Concessions, patents, licences fees, trade and service marks, software and other rights	<b>005</b>	210.946.610	202.374.569
3. Goodwill	<b>006</b>	41.983.000	41.983.000
4. Prepayments for purchase of intangible assets	<b>007</b>	0	972.400
5. Intangible assets in preparation	<b>008</b>	20.872.384	21.326.989
6. Other intangible assets	<b>009</b>	0	0
<b>II. TANGIBLE ASSETS (011 to 019)</b>	<b>010</b>	1.400.738.837	1.359.080.225
1. Land	<b>011</b>	45.995.536	45.670.805
2. Buildings	<b>012</b>	882.052.504	850.763.877
3. Plant and equipment	<b>013</b>	383.931.370	367.325.304
4. Tools, facility inventory and transport assets	<b>014</b>	18.257.354	17.362.274
5. Biological assets	<b>015</b>	0	0
6. Prepayments for tangible assets	<b>016</b>	276.374	1.625.807
7. Tangible assets in progress	<b>017</b>	68.046.263	74.161.643
8. Other tangible assets	<b>018</b>	2.179.436	2.170.515
9. Investments in buildings	<b>019</b>	0	0
<b>III. LONG-TERM FINANCIAL ASSETS (021 to 028)</b>	<b>020</b>	5.343.367	4.813.353
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>	983.600	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>	167.438	165.346
6. Loans, deposits and similar assets	<b>026</b>	4.192.329	3.664.407
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>	35.420.000	35.371.447
<b>C) SHORT TERM ASSETS (035+043+050+058)</b>	<b>034</b>	1.881.578.696	1.827.158.811
<b>I. INVENTORIES (036 to 042)</b>	<b>035</b>	695.533.146	676.707.775
1. Raw-material and supplies	<b>036</b>	225.184.409	197.913.151
2. Work in progress	<b>037</b>	40.020.809	32.186.967
3. Finished goods	<b>038</b>	213.453.413	213.567.127
4. Merchandise	<b>039</b>	152.458.369	168.799.267
5. Prepayments for inventories	<b>040</b>	0	0
6. Long - term assets held for sales	<b>041</b>	64.416.146	64.241.262
7. Biological assets	<b>042</b>	0	0
<b>II. RECEIVABLES (044 to 049)</b>	<b>043</b>	1.062.608.440	929.288.119
1. Receivables from related parties	<b>044</b>	0	0
2. Accounts receivable	<b>045</b>	1.011.101.739	883.205.716
3. Receivables from participating parties	<b>046</b>	0	0
4. Receivables from employees and members of related parties	<b>047</b>	2.569.918	2.186.817
5. Receivables from government and other institutions	<b>048</b>	46.107.062	26.299.626
6. Other receivables	<b>049</b>	2.829.721	17.595.960
<b>III. SHORT TERM FINANCIAL ASSETS (051 to 057)</b>	<b>050</b>	5.229.582	43.418.804
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>	4.002.211	16.596.891
6. Loans, deposits, etc.	<b>056</b>	1.227.371	26.813.213
7. Other financial assets	<b>057</b>	0	8.700
<b>IV. CASH AT BANK AND IN CASHIER</b>	<b>058</b>	118.207.528	177.744.113
<b>D) PREPAID EXPENSES AND ACCRUED REVENUE</b>	<b>059</b>	14.949.622	12.681.542
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	3.617.672.309	3.514.231.864
<b>F) OFF-BALANCE RECORDS</b>	<b>061</b>	858.816.749	908.777.772

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>	1.627.791.411	1.656.830.536
I. SUBSCRIBED CAPITAL	<b>063</b>	1.626.000.900	1.626.000.900
II. CAPITAL RESERVES	<b>064</b>	26.465.000	26.465.000
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	105.899.405	99.852.633
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>	35.243.962	39.293.993
5. Other reserves	<b>070</b>	98.173.253	88.076.450
IV. REVALUATION RESERVES	<b>071</b>	0	0
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	-148.498.899	-166.651.100
1. Retained earnings	<b>073</b>	0	0
2. Accumulated loss	<b>074</b>	148.498.899	166.651.100
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	-14.101.876	38.895.792
1. Profit for the current year	<b>076</b>	0	38.895.792
2. Loss for the current year	<b>077</b>	14.101.876	0
IX. MINORITY INTERESTS	<b>078</b>	32.026.882	32.267.311
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	46.777.777	52.548.427
1. Provisions for pensions, severance pay, and similar liabilities	<b>080</b>	25.838.060	25.754.195
2. Reserves for tax liabilities	<b>081</b>	0	0
3. Other reserves	<b>082</b>	20.939.717	26.794.232
<b>C) LONG - TERM LIABILITIES (084 to 092)</b>	<b>083</b>	733.553.063	625.921.388
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>	727.255.063	619.986.388
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>	6.298.000	5.935.000
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	1.106.272.027	1.065.465.513
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>	477.866.741	520.795.139
4. Liabilities for received prepayments	<b>097</b>	3.155.766	192.072
5. Accounts payable	<b>098</b>	546.406.547	456.045.805
6. Liabilities arising from debt securities	<b>099</b>	0	1.092.210
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>100</b>	0	0
8. Liabilities to employees	<b>101</b>	55.823.800	61.613.371
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	9.408.218	12.097.885
10. Liabilities to share - holders	<b>103</b>	681.378	681.138
11. Liabilities for long-term assets held for sale	<b>104</b>	0	0
12. Other short - term liabilities	<b>105</b>	12.929.577	12.947.893
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	103.278.032	113.466.000
<b>F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	3.617.672.309	3.514.231.864
<b>G) OFF-BALANCE RECORDS</b>	<b>108</b>	858.816.749	908.777.772
<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>	1.595.764.529	1.624.563.225
2. Attributed to minority interest	<b>110</b>	32.026.882	32.267.311

**PROFIT AND LOSS ACCOUNT**  
for the period 1.1.2013. to 30.6.2013.

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>	1.774.697.451	943.656.236	1.728.535.330	908.346.872
1. Sales revenue	112	1.720.473.001	905.281.813	1.695.246.259	891.092.844
2. Other operating revenues	113	54.224.450	38.374.423	33.289.071	17.254.028
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	1.690.632.837	896.701.180	1.654.587.886	843.552.737
1. Changes in value of work in progress and finished products	115	9.749.978	29.987.914	6.997.727	24.309.269
2. Material costs (117 to 119)	116	1.094.740.907	564.442.767	1.063.513.464	546.797.834
a) Raw material and material costs	117	610.999.627	301.269.827	548.545.367	264.671.194
b) Costs of goods sold	118	233.622.144	122.139.393	264.235.116	134.012.450
c) Other external costs	119	250.119.136	141.033.547	250.732.981	148.114.190
3. Staff costs (121 to 123)	120	369.926.436	187.183.249	334.915.467	171.034.850
a) Net salaries and wages	121	223.806.314	112.922.929	202.624.600	103.186.488
b) Cost for taxes and contributions from salaries	122	97.429.456	49.478.899	88.208.434	45.207.286
c) Contributions on gross salaries	123	48.690.667	24.781.421	44.082.433	22.641.076
4. Depreciation	124	76.557.960	38.234.302	75.735.529	37.440.718
5. Other costs	125	102.646.346	61.763.207	127.154.240	47.357.614
6. Impairment (127+128)	126	7.553.501	2.522.652	8.971.773	-3.138.074
a) Impairment of long-term assets (financial assets excluded)	127	0	0	0	0
b) Impairment of short-term assets (financial assets excluded)	128	7.553.501	2.522.652	8.971.773	-3.138.074
7. Provisions	129	1.963.777	180.192	1.654.464	965.583
8. Other operating costs	130	27.493.932	12.386.897	35.645.222	18.784.943
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	24.072.979	4.835.131	31.856.071	19.134.291
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	24.010.251	4.784.233	27.436.512	16.950.510
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	62.728	50.898	4.419.559	2.183.781
5. Other financial income	136	0	0	0	0
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	59.849.620	25.826.780	53.358.816	27.283.302
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	139	59.626.669	25.815.334	53.358.816	27.283.302
3. Unrealized losses (expenses) on financial assets	140	222.951	11.446	0	0
4. Other financial expenses	141	0	0	0	0
<b>V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>	0	0	0	0
<b>VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>	0	0	0	0
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>	0	0	0	0
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>	0	0	0	0
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	1.798.770.430	948.491.367	1.760.391.401	927.481.163
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	1.750.482.457	922.527.960	1.707.946.702	870.836.039
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	48.287.973	25.963.407	52.444.699	56.645.124
1. Profit before taxation (146-147)	149	48.287.973	25.963.407	52.444.699	56.645.124
2. Loss before taxation (147-146)	150	0	0	0	0
<b>XII. PROFIT TAX</b>	<b>151</b>	10.791.077	6.495.500	13.078.581	7.988.353
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	37.496.896	19.467.907	39.366.118	48.656.771
1. Profit for the period (149-151)	153	37.496.896	19.467.907	39.366.118	48.656.771
2. Loss for the period (151-148)	154	0	0	0	0
<b>APPENDIX to P&amp;L account (to be filled in by entrepreneur that prepares consolidated financial report)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	155	39.104.899	20.364.910	38.895.792	47.888.763
2. Attributed to minority interest	156	-1.608.003	-897.003	470.326	768.008
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	37.496.896	19.467.907	39.366.118	48.656.771
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	6.036.259	-3.796.852	-10.327.890	-8.423.969
1. Exchange differences on translation of foreign operations	159	6.036.259	-3.796.852	-10.327.890	-8.423.969
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>	6.036.259	-3.796.852	-10.327.890	-8.423.969
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	43.533.155	15.671.055	29.038.228	40.232.802
<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	45.182.314	16.558.432	28.797.799	39.786.751
2. Attributed to minority interest	170	-1.649.159	-887.377	240.429	446.051

## STATEMENT OF CASH FLOWS - INDIRECT METHOD

for the period 1.1.2013. to 30.6.2013.

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	48.287.973	52.444.699
2. Depreciation	002	76.557.960	75.735.529
3. Increase in short term liabilities	003	54.653.203	0
4. Decrease in short term receivables	004	0	110.601.599
5. Decrease in inventories	005	13.098.200	24.050.457
6. Other increase in cash flow	006	3.074.000	5.601.000
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>195.671.336</b>	<b>268.433.284</b>
1. Decrease in short term liabilities	008	0	72.670.143
2. Increase in short term receivables	009	42.090.328	0
3. Increase in inventories	010	0	0
4. Other decrease in cash flow	011	44.315.226	30.620.370
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>86.405.554</b>	<b>103.290.513</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>109.265.782</b>	<b>165.142.770</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	765.000	111.000
2. Cash inflows from sales of equity and debt instruments	016	57.008.000	16.502.228
3. Interests receipts	017	3.492.000	2.163.000
4. Dividend receipts	018	0	0
5. Other cash inflows from investing activities	019	1.616.000	359.400
<b>III. Total cash inflows from investing activities (015 to 019)</b>	<b>020</b>	<b>62.881.000</b>	<b>19.135.628</b>
1. Cash outflow for purchase of long-term tangible and intangible assets	021	47.069.000	34.891.000
2. Cash outflow for acquisition of equity and debt financial instruments	022	58.508.000	41.405.454
3. Other cash outflow for investing activities	023	53.100	60.400
<b>IV. Total cash outflow for investing activities (021 do 023)</b>	<b>024</b>	<b>105.630.100</b>	<b>76.356.854</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>42.749.100</b>	<b>57.221.226</b>
<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	86.466.000	127.492.051
3. Other proceeds from financial activities	029	0	0
<b>V. Total cash inflows from financial activities (027 to 029)</b>	<b>030</b>	<b>86.466.000</b>	<b>127.492.051</b>
1. Cash outflow for repayment of credit principal and bonds	031	177.062.000	173.002.010
2. Cash outflow for dividends paid	032	0	0
3. Cash outflow for financial lease	033	1.789.000	2.875.000
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>	<b>178.851.000</b>	<b>175.877.010</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>92.385.000</b>	<b>48.384.959</b>
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	59.536.585
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	25.868.318	0
Cash and cash equivalents at the beginning of the period	041	145.959.842	118.207.528
Increase of cash and cash equivalents	042		59.536.585
Decrease of cash and cash equivalents	043	25.868.318	0
Cash and cash equivalents at the end of the period	044	120.091.524	177.744.113

**STATEMENT OF CHANGES IN EQUITY**  
for the period 1.1.2013. to 30.6.2013.

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	26.465.000	26.465.000
3. Reserves from profit	003	105.899.405	99.852.633
4. Retained earnings or accumulated loss	004	-148.498.899	-166.651.100
5. Profit or loss for the current year	005	-14.101.876	38.895.792
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009	32.026.882	32.267.311
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>1.627.791.411</b>	<b>1.656.830.536</b>
11. Currency gains and losses arising from net investement in foreign operations	011	13.639.170	-10.327.890
12. Current and deferred taxes (part)	012		
13. Cash flow hedging	013		
14. Changes in accounting policy	014		
15. Correction of significant errors in prior period	015		
16. Other changes of capital	016	-14.995.139	39.367.014
<b>17. Total increase or decrease in capital (AOP 011 do 016)</b>	<b>017</b>	<b>-1.355.969</b>	<b>29.039.124</b>
17 a. Attributed to equity holders of parent company	018	1.404.513	28.798.695
17 b. Attributed to minority interest	019	-2.760.482	240.429

## Notes:

1. The corrected net profit for first six months of 2013 is HRK 80.1 million, which is an increase of 72% compared to the net profit of the first six months of the year 2012, presented in a comparable manner.
2. All levels of corrected profitability of the Podravka Group have recorded growth in the observed period, and non-recurrent items for which reported result is corrected amounted HRK 41.2 million and are entirely related to severance payments. Namely, the restructuring process has continued in the first six months of 2013 and the redundancy programme was thus conducted accordingly with the payment of incentive severance payments.
3. The total costs and expenses of the Podravka Group are 1% lower compared to the same period of the year 2012 and if the total expenses were to be corrected for the amount of severance payments, the drop would be 3% compared to the total costs and expenses of the same period of 2012, presented in a comparable manner.
4. The gross profit of the Podravka Group is 5% higher and amounts to HRK 691.3 million and the gross margin in the observed period is at the level of 40.8% and has recorded an increase of 250bp, respectively.
5. The corrected operating profit is HRK 107.4 million, which is a growth of 18% compared to the operating profit of the same period of the year before, presented in a comparable manner, while the EBIT margin is 6.3% and is higher by 100bp than for the same period last year.
6. The total sales of the Podravka Group in the first six months of the year 2013 were HRK 1,695.2 million, which represents a sales drop of 1% compared to the same period of the year 2012. Sales of the Strategic Business Area (SBA) Food and Beverages amounted to HRK 1,293.0 million and were 3% lower than in the same period of the year before while sales of the SBA Pharmaceuticals were HRK 402.2 million, which is a 4% increase of sales.
7. The General Assembly of Belupo d.d passed the resolution to increase its share capital from the realised profit, thus the share capital has increased by the HRK 50,000,000.00 and is now HRK 204,025,800.00.
8. At the General Assembly of Podravka d.d., held on 20 June 2013, draft resolutions of both the Management Board and the Supervisory Board were accepted. The main changes refer to the Articles of Associations, are:
  - the Government is no longer able to directly nominate two members of the Supervisory Board,
  - possible increase of the company capital in a manner that the Management Board, with an approval by the Supervisory Board, would be able to pass a resolution on Company recapitalization, to the amount of half of the share capital.
  - reducing the company share capital in the amount of HRK 542 million in order to cover accumulated losses from previous periods. The reduction of company share capital shall be performed by reducing the nominal amount of regular shares from HRK 300.00 to HRK 200.00 per share. This also creates presuppositions for shareholders to make future decisions on the distribution of profit (dividend payment, retaining profit, increase of share capital and similar).

Podravka continues with the already started restructuring process and has announced the divesting of the business programmes Beverages, Bakery and a part of the Frozen programme, accordingly.

9. Podravka products have received eight international awards for top quality and taste at the Superior Taste Award 2013 in Brussels confirming once more that the quality of Podravka brands is well recognised on international markets. Podravka tomato purée - passata and Podravka chopped tomato with basil and oregano received two stars as well, and the sign Superior Taste Award this year also belongs to Podravka chopped tomato with olives and garlic, Piquant sausage and Chicken pâté, as they received one star each. Studenac received the maximum three stars just like last year and the excellence of Studenac orange-kumquat and Studenac lemon-grape was awarded with two stars.





COMPANY MANAGEMENT

Koprivnica, 18<sup>th</sup> July 2013

## **MANAGEMENT REPORT ON THE ACHIEVED BUSINESS RESULTS OF THE PODRAVKA GROUP FOR THE PERIOD JANUARY – JULY 2013**

### **Main business characteristics and significant events in the first six months of the year 2013**

1. The corrected net profit for first six months of 2013 is HRK 80.1 million, which is an increase of 72% compared to the net profit of the first six months of the year 2012, presented in a comparable manner.
2. All levels of corrected profitability of the Podravka Group have recorded growth in the observed period, and non-recurrent items for which reported result is corrected amounted HRK 41.2 million and are entirely related to severance payments. Namely, the restructuring process has continued in the first six months of 2013 and the redundancy programme was thus conducted accordingly with the payment of incentive severance payments.
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COMPANY MANAGEMENT

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COMPANY MANAGEMENT

### **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.
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.



COMPANY MANAGEMENT

### **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 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.



COMPANY MANAGEMENT

## Comments on the reported period

Sales revenue of the Podravka Group in the first six months of the year 2013 amounted to HRK 1,695.2 million, which is 1% less compared to the same period of the year 2012.

Sales of the SBA Food and Beverages totalled HRK 1,293.0 million, which represents sales drop of 3% compared to the first six months of 2012. The sales drop primarily results from a lower level of sales of the SBA F&B on the domestic market and a somewhat lower level of sales achieved on the market of South-Eastern Europe. At the same time, the markets of Central Europe, South-Eastern Europe and Western Europe, overseas countries and Orient grew, with the highest contribution coming from Poland, Hungary, Kosovo, Serbia and Austria.

The SBA Pharmaceuticals achieved sales in the amount of HRK 402.2 million, which represents an increase of 4% compared to the same period of 2012. Foreign markets mostly contributed to the sales growth of the SBA Pharmaceuticals, with a 7% growth and the highest contribution coming from the markets of Russia, Kosovo and Serbia. Sales on the Croatian market are also on a somewhat higher level than in the same period of 2012, based on increased sales of prescription drugs and if the sales structure in Croatia is observed according to the ATC classification, the product groups with the most significant growth are drugs that affect heart and blood vessels and the nervous system.

Sales in the amount of HRK 736.4 million, which is 43.4% of the total sales of the Podravka Group, was realised on the market of Croatia and is 5% lower compared with the same period of last year. Total sales on foreign markets are HRK 958.8 million and are 2% higher than in the first year-half of 2012, and all foreign market groups have recorded growth in the observed period. Market of South-Eastern Europe realised sales growth of 1% with the most prominent markets being Kosovo and Serbia, while sales in Bosnia and Herzegovina recorded a drop due to unfavourable macroeconomic movements. The highest growth of total sales on the market of Central Europe was recorded in Poland and Hungary, while on the market of Western Europe, overseas markets and Orient the highest contribution comes from Austria, Great Britain and Scandinavia. In Eastern Europe sales growth results from Russia based on the sales growth of the SBA Pharmaceuticals.



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Other operating income realised in period 1.-6.2013 is HRK 33.3 million and are 39% lower compared to period 1.-6.2012.

The total operating costs and expenses is achieved in the amount of HRK 1,654.6 million and is 2% lower than those achieved in the same period 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 period 1.-6.2013. is HRK 53.4 million and are 11% lower than those realized in the same period of the year before.

The realised operating profit is HRK 66.2 million, while the net profit of the period 1.-6.2013. is HRK 38.9 million.

The total value of assets of the Podravka Group as of 30 June 2013 is HRK 3,514.2 million and compared to the year end of 2012 is HRK 103.4 million less. The highest contribution on decrease of assets is coming from lower trade and other receivables, which have decreased for HRK 122.3 million. Inventories also recorded a drop, and compared to the end of 2012 are lower for HRK 18.7 million. Regarding liabilities, trade and other payables recorded a significant decrease in amount of HRK 75.5 million.

The indebtedness of the Podravka Group as of 30 June 2013 is HRK 1,134.1 million and compared to the year end of 2012 has been decrease by HRK 63.8 million. The net debt as of 30 June 2013 is HRK 956.4 million which is a decrease of HRK 123.3 million compared to the year 2012.

**President of the Management Board:**

**Zvonimir Mršić**



COMPANY MANAGEMENT

Koprivnica, 18<sup>th</sup> July 2013

## STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of the Podravka Group for the period January – June 2013 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.

Finance Director:

Draga Celiščak

Board Member:

Miroslav Klepač