



MANAGEMENT BOARD

Koprivnica, 26 April 2013.

PODRAVKA GROUP
1. – 3. 2013.
QUARTERLY FINANCIAL REPORT

Appendix 1
Reporting period:

1.1.2013

to

31.3.2013.

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 **5.787**
(at quarter end)

Consolidated statement **YES**

NKD/NWC code: **1039**

Subsidiaries subject to consolidation (according to IFRS):

Headquarters

Registration number:

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

Book keeping service:

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

Phone number: **048 651 200**

Fascimile: **048 220 562**

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



(signed by authorised person for representation)

BALANCE SHEET
as at 31.3.2013.

Obligator: Podravka prehrambena 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	1.721.143.991	1.694.669.027
I. INTANGIBLE ASSETS (004 to 009)	003	279.641.788	275.581.593
1. Assets development	004	5.839.794	8.733.471
2. Concessions, patents, licences fees, trade and service marks, software and other rights	005	210.946.610	207.405.701
3. Goodwill	006	41.983.000	41.983.000
4. Prepayments for purchase of intangible assets	007	0	0
5. Intangible assets in preparation	008	20.872.384	17.459.421
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 to 019)	010	1.400.738.837	1.378.760.312
1. Land	011	45.995.433	45.914.140
2. Buildings	012	882.052.076	867.717.036
3. Plant and equipment	013	383.931.901	377.061.280
4. Tools, facility inventory and transport assets	014	18.257.354	17.458.977
5. Biological assets	015	0	0
6. Prepayments for tangible assets	016	276.374	2.132.852
7. Tangible assets in progress	017	68.046.263	66.300.738
8. Other tangible assets	018	2.179.436	2.175.289
9. Investments in buildings	019	0	0
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	5.343.367	4.895.745
1. Investments (shares) with related parties	021	0	0
2. Loans given to related parties	022	0	0
3. Participating interest (shares)	023	983.600	983.600
4. Loans to entrepreneurs in whom the entity holds participating interests	024	0	0
5. Investments in securities	025	167.438	168.350
6. Loans, deposits and similar assets	026	4.192.329	3.743.795
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	35.420.000	35.431.377
C) SHORT TERM ASSETS (035+043+050+058)	034	1.881.578.696	1.864.858.099
I. INVENTORIES (036 to 042)	035	695.533.146	694.969.954
1. Raw-material and supplies	036	225.184.409	198.977.478
2. Work in progress	037	40.020.809	41.381.040
3. Finished goods	038	213.453.413	228.983.142
4. Merchandise	039	152.458.369	160.769.642
5. Prepayments for inventories	040	0	0
6. Long - term assets held for sales	041	64.416.146	64.858.652
7. Biological assets	042	0	0
II. RECEIVABLES (044 to 049)	043	1.062.608.440	1.043.173.426
1. Receivables from related parties	044	0	0
2. Accounts receivable	045	1.011.101.739	1.000.848.633
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of related parties	047	2.569.918	2.241.663
5. Receivables from government and other institutions	048	46.107.062	36.898.538
6. Other receivables	049	2.829.721	3.184.592
III. SHORT TERM FINANCIAL ASSETS (051 to 057)	050	5.229.582	11.321.619
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	4.002.211	10.123.301
6. Loans, deposits, etc.	056	1.227.371	1.198.318
7. Other financial assets	057	0	0
IV. CASH AT BANK AND IN CASHIER	058	118.207.528	115.393.100
D) PREPAID EXPENSES AND ACCRUED REVENUE	059	14.949.622	14.235.914
E) TOTAL ASSETS (001+002+034+059)	060	3.617.672.309	3.573.763.041
F) OFF-BALANCE RECORDS	061	858.816.749	896.959.330

Obligator: Podravka prehrambena 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	1.627.791.411	1.616.596.837
I. SUBSCRIBED CAPITAL	063	1.626.000.900	1.626.000.900
II. CAPITAL RESERVES	064	26.465.000	26.465.000
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	105.899.405	103.903.424
1. Reserves prescribed by law	066	18.325.000	18.325.000
2. Reserves for treasury shares	067	21.761.692	21.761.692
3. Treasury stocks and shares (deduction)	068	67.604.502	67.604.502
4. Statutory reserves	069	35.243.962	35.243.962
5. Other reserves	070	98.173.253	96.177.272
IV. REVALUATION RESERVES	071	0	0
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	-148.498.899	-162.600.775
1. Retained earnings	073	0	0
2. Accumulated loss	074	148.498.899	162.600.775
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	075	-14.101.876	-8.992.971
1. Profit for the current year	076	0	0
2. Loss for the current year	077	14.101.876	8.992.971
IX. MINORITY INTERESTS	078	32.026.882	31.821.260
B) PROVISIONS (080 to 082)	079	46.777.777	51.922.472
1. Provisions for pensions, severance pay, and similar liabilities	080	25.838.060	25.863.356
2. Reserves for tax liabilities	081	0	0
3. Other reserves	082	20.939.717	26.059.116
C) LONG - TERM LIABILITIES (084 to 092)	083	733.553.063	688.918.987
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	727.255.063	682.824.987
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	6.298.000	6.094.000
D) SHORT - TERM LIABILITIES (094 to 105)	093	1.106.272.027	1.103.510.744
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	477.866.741	547.268.338
4. Liabilities for received prepayments	097	3.155.766	93.765
5. Accounts payable	098	546.406.547	476.866.811
6. Liabilities arising from debt securities	099	0	1.310.471
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100	0	0
8. Liabilities to employees	101	55.823.800	54.372.011
9. Liabilities for taxes, contributions and similar fees	102	9.408.218	12.511.706
10. Liabilities to share - holders	103	681.378	681.378
11. Liabilities for long-term assets held for sale	104	0	0
12. Other short - term liabilities	105	12.929.577	10.406.265
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	103.278.032	112.814.000
F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)	107	3.617.672.309	3.573.763.041
G) OFF-BALANCE RECORDS	108	858.816.749	896.959.330
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	1.595.764.529	1.584.775.577
2. Attributed to minority interest	110	32.026.882	31.821.260

PROFIT AND LOSS ACCOUNT
for the period 1.1.2013. to 31.3.2013.

Obligator: Podravka prehrambena industrija d.d., Koprivnica

Item	AOP code	Last Year		Current year	
		Cumulative	Quarterly	Cumulative	Quarterly
1	2	3	4	5	6
I. OPERATING REVENUE (112+113)	111	831.041.215	831.041.215	820.188.458	820.188.458
1. Sales revenue	112	815.191.188	815.191.188	804.153.415	804.153.415
2. Other operating revenues	113	15.850.027	15.850.027	16.035.043	16.035.043
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	793.931.657	793.931.657	811.035.150	811.035.150
1. Changes in value of work in progress and finished products	115	-20.237.936	-20.237.936	-17.311.542	-17.311.542
2. Material costs (117 to 119)	116	530.298.140	530.298.140	516.715.631	516.715.631
a) Raw material and material costs	117	309.729.800	309.729.800	283.874.173	283.874.173
b) Costs of goods sold	118	111.482.751	111.482.751	130.222.667	130.222.667
c) Other external costs	119	109.085.589	109.085.589	102.618.791	102.618.791
3. Staff costs (121 to 123)	120	182.743.187	182.743.187	163.880.617	163.880.617
a) Net salaries and wages	121	110.883.385	110.883.385	99.438.112	99.438.112
b) Cost for taxes and contributions from salaries	122	47.950.557	47.950.557	43.001.148	43.001.148
c) Contributions on gross salaries	123	23.909.246	23.909.246	21.441.357	21.441.357
4. Depreciation	124	38.323.658	38.323.658	38.294.811	38.294.811
5. Other costs	125	40.883.139	40.883.139	79.796.626	79.796.626
6. Impairment (127+128)	126	5.030.849	5.030.849	12.109.847	12.109.847
a) Impairment of long-term assets (financial assets excluded)	127	0	0	0	0
b) Impairment of short-term assets (financial assets excluded)	128	5.030.849	5.030.849	12.109.847	12.109.847
7. Provisions	129	1.783.585	1.783.585	688.881	688.881
8. Other operating costs	130	15.107.035	15.107.035	16.860.279	16.860.279
III. FINANCIAL INCOME (132 to 136)	131	19.237.848	19.237.848	12.721.780	12.721.780
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	19.226.018	19.226.018	10.486.002	10.486.002
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	11.830	11.830	2.235.778	2.235.778
5. Other financial income	136	0	0	0	0
IV. FINANCIAL EXPENSES (138 do 141)	137	34.022.840	34.022.840	26.075.514	26.075.514
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	33.811.335	33.811.335	26.075.514	26.075.514
3. Unrealized losses (expenses) on financial assets	140	211.505	211.505	0	0
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	850.279.063	850.279.063	832.910.238	832.910.238
X. TOTAL EXPENSES (114+137+143 + 145)	147	827.954.497	827.954.497	837.110.664	837.110.664
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	22.324.566	22.324.566	-4.200.425	-4.200.425
1. Profit before taxation (146-147)	149	22.324.566	22.324.566	0	0
2. Loss before taxation (147-146)	150	0	0	4.200.425	4.200.425
XII. PROFIT TAX	151	4.295.577	4.295.577	5.090.228	5.090.228
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	18.028.989	18.028.989	-9.290.653	-9.290.653
1. Profit for the period (149-151)	153	18.028.989	18.028.989	0	0
2. Loss for the period (151-148)	154	0	0	9.290.653	9.290.653
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	18.739.989	18.739.989	-8.992.971	-8.992.971
2. Attributed to minority interest	156	-711.000	-711.000	-297.682	-297.682
STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	18.028.989	18.028.989	-9.290.653	-9.290.653
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)	158	9.833.111	9.833.111	-1.903.921	-1.903.921
1. Exchange differences on translation of foreign operations	159	9.833.111	9.833.111	-1.903.921	-1.903.921
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	9.833.111	9.833.111	-1.903.921	-1.903.921
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	27.862.100	27.862.100	-11.194.574	-11.194.574
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	28.623.882	28.623.882	-10.988.952	-10.988.952
2. Attributed to minority interest	170	-761.782	-761.782	-205.622	-205.622

STATEMENT OF CASH FLOWS - INDIRECT METHOD
for the period 1.1.2013. to 31.3.2013.

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	22.324.566	-4.200.425
2. Depreciation	002	38.323.658	38.294.811
3. Increase in short term liabilities	003		
4. Decrease in short term receivables	004	60.270	5.417.000
5. Decrease in inventories	005		
6. Other increase in cash flow	006	6.109.227	13.587.940
I. Total increase in cash flow from operating activities (001 to 006)	007	66.817.721	53.099.326
1. Decrease in short term liabilities	008	10.810.150	55.730.000
2. Increase in short term receivables	009		
3. Increase in inventories	010	4.554.099	1.323.333
4. Other decrease in cash flow	011	9.628.000	10.454.421
II. Total decrease in cash flow from operating activities (008 to 011)	012	24.992.249	67.507.754
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	41.825.472	0
A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	14.408.428
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash inflows from sales of long-term tangible and intangible assets	015	498.000	45.000
2. Cash inflows from sales of equity and debt instruments	016	61.000	7.701.000
3. Interests receipts	017	2.237.000	613.000
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019	1.543.400	414.000
III. Total cash inflows from investing activities (015 to 019)	020	4.339.400	8.773.000
1. Cash outflow for purchase of long-term tangible and intangible assets	021	21.638.129	13.174.000
2. Cash outflow for acquisition of equity and debt financial instruments	022	102.000	7.701.000
3. Other cash outflow for investing activities	023	37.500	38.000
IV. Total cash outflow for investing activities (021 do 023)	024	21.777.629	20.913.000
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	17.438.229	12.140.000
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	62.364.500	100.981.000
3. Other proceeds from financial activities	029		
V. Total cash inflows from financial activities (027 to 029)	030	62.364.500	100.981.000
1. Cash outflow for repayment of credit principal and bonds	031	109.165.000	76.143.000
2. Cash outflow for dividends paid	032		
3. Cash outflow for financial lease	033	993.000	1.104.000
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	110.158.000	77.247.000
C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)	037	0	23.734.000
C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)	038	47.793.500	0
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	23.406.257	2.814.428
Cash and cash equivalents at the beginning of the period	041	145.959.842	118.207.528
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	23.406.257	2.814.428
Cash and cash equivalents at the end of the period	044	122.553.585	115.393.100

STATEMENT OF CHANGES IN EQUITY
for the period 1.1.2013. to 31.3.2013.

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	103.903.424
4. Retained earnings or accumulated loss	004	-148.498.899	-162.600.775
5. Profit or loss for the current year	005	-14.101.876	-8.992.971
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	31.821.260
10. Total capital and reserves (AOP 001 do 009)	010	1.627.791.411	1.616.596.837
11. Currency gains and losses arising from net investement in foreign operations	011	13.639.170	-1.903.921
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	-9.290.653
17. Total increase or decrease in capital (AOP 011 do 016)	017	-1.355.969	-11.194.574
17 a. Attributed to equity holders of parent company	018	1.404.513	-10.988.952
17 b. Attributed to minority interest	019	-2.760.482	-205.622

Notes:

Main business characteristics and significant events in the first quarter

1. Profitability of the Podravka Group shows an increase on all levels of profitability, without the influence of non-recurrent items that amount HRK 40.5 million. Namely, the process of business restructuring is continued in this year and 276 employees of the Podravka Group left the company with incentive severance payments through the redundant labour programme.
2. The gross profit of the Podravka Group is 1% higher and amounts to HRK 313.7 million and the gross margin for the observed period is at the level of 39%, which is an increase of 80bp.
3. In the structure of total operating costs / expenses, General & administrative expenses recorded the most significant decrease of 10.9%, without the influence of severance payments and compared to the General & administrative expenses of the first quarter of the year 2012 disclosed in a comparable manner.
4. The operating profit of the Podravka Group amounts HRK 51.9 million which is 12% increase compared to the operating profit of the first quarter of the year 2012 disclosed in a comparable manner.
5. The corrected net profit is thus HRK 31.5 million, which is an increase of 25% compared to the net profit of the first quarter of the year 2012 disclosed in a comparable manner.
6. The total sales of the Podravka Group in the first quarter of 2013 amount to HRK 804.2 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 totalled HRK 619.5 million, and is 2% less compared to the same period of the year before, while the sales of the SBA Pharmaceuticals totalled HRK 184.7 million, which is a 3% sales increase.



COMPANY MANAGEMENT

Koprivnica, 26th April 2013

MANAGEMENT REPORT ON THE ACHIEVED BUSINESS RESULTS OF THE PODRAVKA GROUP FOR THE PERIOD JANUARY – MARCH 2013

Main business characteristics and significant events in the first quarter

1. Profitability of the Podravka Group shows an increase on all levels of profitability, without the influence of non-recurrent items that amount HRK 40.5 million. Namely, the process of business restructuring is continued in this year and 276 employees of the Podravka Group left the company with incentive severance payments through the redundant labour programme.
2. The gross profit of the Podravka Group is 1% higher and amounts to HRK 313.7 million and the gross margin for the observed period is at the level of 39%, which is an increase of 80bp.
3. In the structure of total operating costs / expenses, General & administrative expenses recorded the most significant decrease of 10.9%, without the influence of severance payments and compared to the General & administrative expenses of the first quarter of the year 2012 disclosed in a comparable manner.
4. The operating profit of the Podravka Group amounts HRK 51.9 million which is 12% increase compared to the operating profit of the first quarter of the year 2012 disclosed in a comparable manner.
5. The corrected net profit is thus HRK 31.5 million, which is an increase of 25% compared to the net profit of the first quarter of the year 2012 disclosed in a comparable manner.
6. The total sales of the Podravka Group in the first quarter of 2013 amount to HRK 804.2 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 totalled HRK 619.5 million, and is 2% less compared to the same period of the year before, while the sales of the SBA Pharmaceuticals totalled HRK 184.7 million, which is a 3% sales increase.



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.

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.



COMPANY MANAGEMENT

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.

Comments on the reported period

Sales revenue of the Podravka Group amounted to HRK 804.2 million, which is a 1% sales drop compared to the same period of the year 2012.



COMPANY MANAGEMENT

Sales of the SBA Food and Beverages totalled HRK 619.5 million, which is 2% lower than in the first quarter of the year 2012. This sales drop primarily results from a lower level of sales of the SBA F&B on both the domestic market and markets of Eastern and South-Eastern Europe. At the same time markets of Central Europe and Western Europe, overseas countries and Orient grew, with the highest contribution from Poland, Hungary, Slovakia, and Germany and the USA, respectively.

The SBA Pharmaceuticals achieved sales in the amount of HRK 184.7 million, which is a sales growth of 3% compared to the first quarter of the year 2012. The sales growth of the SBA Pharmaceuticals was contributed mostly by foreign markets, which recorded a 5% growth with the highest contribution coming from the markets of Russia, Bosnia and Herzegovina and Serbia. The market of Croatia also achieved a somewhat higher level of sales than in the first quarter of the year 2012 due to higher sales of prescription drugs. According to the ATC classification, the product groups that have achieved the most significant increase are drugs with effect on the nervous system and heart and blood vessels.

The market of Croatia realised sales in the amount of HRK 333.5 million, which covers 41.5% of the total sales of the Podravka Group and is 4% lower compared to the same period of the year before. Foreign markets achieved total sales in the amount of HRK 470.7 million, which is slightly higher than in the first quarter of the year 2012. The highest absolute sales growth was achieved on the markets of Central Europe (4%) with the most prominent market being Poland and the market of Western Europe, overseas countries and Orient with the highest contribution from the USA, Germany and Great Britain. On the contrary, the markets of South-Eastern Europe and Eastern Europe recorded weaker sales results than in the same period of the year before.

Other operating income realised in period 1.-3.2013 is HRK 16.0 million and are 1% higher compared to period 1.-3.2012.

The total operating costs and expenses is achieved in the amount of HRK 811.0 million and is 2% higher than those achieved in the same period last year. The highest contribution to increase have severance payments paid conducted the redundancy program. In 2013 in Podravka Group 276 employees left company with severance payments.



COMPANY MANAGEMENT

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.-3.2013. is HRK 26.1 million and are 23% lower than those realized in the same period of the year before.

The realised operating profit is HRK 11.5 million, while the end result of the period 1.-3.2013. is a loss realized in the amount of HRK 9.0 million.

The total value of assets of the Podravka Group as of 31 March 2013 is HRK 3,573.8 million and compared to the year end of 2012 is HRK 43,9 million less. The greatest influence on the reduction of asset value comes from the reduction of long-term tangible and intangible assets and trade accounts receivables.

The indebtedness of the Podravka Group as of 31 March 2013 is HRK 1,223.4 million and compared to the year end of 2012 has been increased by HRK 25.5 million. The net debt as of 31 March 2013 is HRK 1,108.0 million which is an increase of HRK 28.3 million compared to the year 2012.

President of the Management Board:

Zvonimir Mršić



COMPANY MANAGEMENT

Koprivnica, 26 April 2013

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of the Podravka Group for the period January – March 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