



MANAGEMENT BOARD

Koprivnica, 11<sup>th</sup> February 2014

**PODRAVKA GROUP  
NON AUDITED CONSOLIDATED  
FINANCIAL REPORT  
FOR THE YEAR 2013.**

**Appendix 1**

Reporting period:

1.1.2013

to

31.12.2013.

**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](mailto:podravka@podravka.hr)Internet address: [www.podravka.com](http://www.podravka.com)Code and name of comune/town **201 KOPRIVNICA**Code and county name **6 KOPRIVNIČKO-KRIŽEVAČKA**Number of employees **5.717**  
(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>DANIČA 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>Dolni 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: **Brajević Iva**

(authorised person for representation)

Phone number: **048 651 228**Facsimile: **048 220 562**E-mail address: [Iva.Brajevic@podravka.hr](mailto:Iva.Brajevic@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



*Iva Brajević*  
 (signed by authorised person for representation)

**BALANCE SHEET**  
as at 31.12.2013.

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>	0	0
<b>B) LONG-TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	1.721.143.991	1.518.012.864
<b>I. INTANGIBLE ASSETS (004 to 009)</b>	<b>003</b>	279.641.788	244.319.137
1. Assets development	<b>004</b>	5.839.794	8.387.114
2. Concessions, patents, licences fees, trade and service marks, software and other rights	<b>005</b>	210.946.610	184.927.027
3. Goodwill	<b>006</b>	41.983.000	25.881.000
4. Prepayments for purchase of intangible assets	<b>007</b>	0	0
5. Intangible assets in preparation	<b>008</b>	20.872.384	25.123.996
6. Other intangible assets	<b>009</b>	0	0
<b>II. TANGIBLE ASSETS (011 to 019)</b>	<b>010</b>	1.400.738.837	1.218.263.632
1. Land	<b>011</b>	45.995.536	57.770.322
2. Buildings	<b>012</b>	882.052.504	758.629.723
3. Plant and equipment	<b>013</b>	383.931.370	317.730.791
4. Tools, facility inventory and transport assets	<b>014</b>	18.257.354	20.642.379
5. Biological assets	<b>015</b>	0	0
6. Prepayments for tangible assets	<b>016</b>	276.374	7.215.364
7. Tangible assets in progress	<b>017</b>	68.046.263	54.102.698
8. Other tangible assets	<b>018</b>	2.179.436	2.172.355
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	5.606.408
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	169.480
6. Loans, deposits and similar assets	<b>026</b>	4.192.329	4.453.328
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	49.823.687
<b>C) SHORT TERM ASSETS (035+043+050+058)</b>	<b>034</b>	1.881.578.696	1.923.369.236
<b>I. INVENTORIES (036 to 042)</b>	<b>035</b>	695.533.146	727.969.978
1. Raw-material and supplies	<b>036</b>	225.184.409	176.250.040
2. Work in progress	<b>037</b>	40.020.809	31.984.461
3. Finished goods	<b>038</b>	213.453.413	208.246.290
4. Merchandise	<b>039</b>	152.458.369	165.101.788
5. Prepayments for inventories	<b>040</b>	0	0
6. Long - term assets held for sales	<b>041</b>	64.416.146	146.387.399
7. Biological assets	<b>042</b>	0	0
<b>II. RECEIVABLES (044 to 049)</b>	<b>043</b>	1.062.608.440	1.009.184.284
1. Receivables from related parties	<b>044</b>	0	0
2. Accounts receivable	<b>045</b>	1.011.101.739	979.013.843
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	1.682.393
5. Receivables from government and other institutions	<b>048</b>	46.107.062	23.363.848
6. Other receivables	<b>049</b>	2.829.721	5.124.200
<b>III. SHORT TERM FINANCIAL ASSETS (051 to 057)</b>	<b>050</b>	5.229.582	6.753.946
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	5.574.691
6. Loans, deposits, etc.	<b>056</b>	1.227.371	1.179.255
7. Other financial assets	<b>057</b>	0	0
<b>IV. CASH AT BANK AND IN CASHIER</b>	<b>058</b>	118.207.528	179.461.028
<b>D) PREPAID EXPENSES AND ACCRUED REVENUE</b>	<b>059</b>	14.949.622	16.774.405
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	3.617.672.309	3.458.156.505
<b>F) OFF-BALANCE RECORDS</b>	<b>061</b>	858.816.749	940.027.349

**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	1.691.388.136
I. SUBSCRIBED CAPITAL	<b>063</b>	1.626.000.900	1.084.000.600
II. CAPITAL RESERVES	<b>064</b>	26.465.000	45.931.894
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	105.899.405	180.462.139
1. Reserves prescribed by law	<b>066</b>	18.325.000	11.474.469
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	175.536.487
IV. REVALUATION RESERVES	<b>071</b>	0	0
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	-148.498.899	280.352.880
1. Retained earnings	<b>073</b>	0	280.352.880
2. Accumulated loss	<b>074</b>	148.498.899	0
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	-14.101.876	66.600.774
1. Profit for the current year	<b>076</b>	0	66.600.774
2. Loss for the current year	<b>077</b>	14.101.876	0
IX. MINORITY INTERESTS	<b>078</b>	32.026.882	34.039.849
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	46.777.777	49.279.968
1. Provisions for pensions, severance pay, and similar liabilities	<b>080</b>	25.838.060	24.349.842
2. Reserves for tax liabilities	<b>081</b>	0	0
3. Other reserves	<b>082</b>	20.939.717	24.930.126
<b>C) LONG - TERM LIABILITIES (084 to 092)</b>	<b>083</b>	733.553.063	578.448.370
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	572.871.848
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	5.576.522
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	1.106.272.027	1.041.986.074
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	499.511.380
4. Liabilities for received prepayments	<b>097</b>	3.155.766	1.719.050
5. Accounts payable	<b>098</b>	546.406.547	467.521.148
6. Liabilities arising from debt securities	<b>099</b>	0	0
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	54.520.705
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	9.408.218	13.808.302
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	4.224.351
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	103.278.032	97.053.957
<b>F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	3.617.672.309	3.458.156.505
<b>G) OFF-BALANCE RECORDS</b>	<b>108</b>	858.816.749	940.027.349
<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	1.657.348.287
2. Attributed to minority interest	<b>110</b>	32.026.882	34.039.849

**PROFIT AND LOSS ACCOUNT**  
for the period 1.1.2013. to 31.12.2013.

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>	3.700.062.176	946.021.725	3.719.974.709	1.054.178.451
1. Sales revenue	112	3.626.666.307	935.711.005	3.626.011.410	1.007.087.504
2. Other operating revenues	113	73.395.870	10.310.720	93.963.299	47.090.947
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	3.602.375.014	970.673.821	3.584.687.024	1.086.219.932
1. Changes in value of work in progress and finished products	115	51.503.557	54.727.912	12.135.674	32.498.436
2. Material costs (117 to 119)	116	2.305.898.688	584.906.104	2.293.685.425	627.234.785
a) Raw material and material costs	117	1.236.106.240	283.081.357	1.129.136.199	273.705.674
b) Costs of goods sold	118	519.827.650	132.669.347	589.447.024	168.036.407
c) Other external costs	119	549.964.798	169.155.400	575.102.202	185.492.704
3. Staff costs (121 to 123)	120	720.698.292	168.986.059	666.283.968	165.542.229
a) Net salaries and wages	121	436.406.334	101.142.178	406.683.344	102.392.907
b) Cost for taxes and contributions from salaries	122	186.869.837	43.090.823	172.476.260	41.980.416
c) Contributions on gross salaries	123	97.422.121	24.753.058	87.124.364	21.168.906
4. Depreciation	124	153.689.989	38.082.176	148.302.573	35.772.905
5. Other costs	125	249.529.826	71.587.075	263.616.347	88.963.622
6. Impairment (127+128)	126	51.107.288	29.410.237	66.752.289	46.852.391
a) Impairment of long-term assets (financial assets excluded)	127	20.100.000	20.100.000	29.945.077	29.945.077
b) Impairment of short-term assets (financial assets excluded)	128	31.007.288	9.310.237	36.807.212	16.907.314
7. Provisions	129	15.573.299	8.126.733	29.115.667	28.846.067
8. Other operating costs	130	54.374.074	14.847.524	104.795.081	60.509.497
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	38.065.425	-4.454.254	44.186.986	16.129.502
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	11.395.663	2.601.636	8.408.060	1.626.902
2. Interest income, foreign exchange gains, dividends and similar income from non-related parties and	133	26.514.643	-7.070.212	31.449.556	14.497.508
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	155.119	14.322	4.329.370	5.092
5. Other financial income	136	0	0	0	0
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	105.638.899	18.977.613	109.651.818	31.603.823
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related parties	138	12.432.594	-1.578.254	7.739.946	771.260
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non-related parties	139	89.738.394	17.321.785	101.910.759	30.831.450
3. Unrealized losses (expenses) on financial assets	140	3.467.911	3.234.082	1.113	1.113
4. Other financial expenses	141	0	0	0	0
<b>V. INCOME FROM INVESTMENT - SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>	0	0	0	0
<b>VI. LOSS FROM INVESTMENT - SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>	0	0	0	0
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>	0	0	0	0
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>	0	0	0	0
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	3.738.127.601	941.567.471	3.764.161.695	1.070.307.953
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	3.708.013.913	989.651.434	3.694.338.842	1.117.823.755
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	30.113.689	-48.083.963	69.822.853	-47.515.802
1. Profit before taxation (146-147)	149	30.113.689	0	69.822.853	0
2. Loss before taxation (147-146)	150	0	48.083.963	0	47.515.802
<b>XII. PROFIT TAX</b>	<b>151</b>	45.569.724	28.054.050	1.445.908	-17.205.247
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	-15.456.035	-76.138.013	68.376.945	-30.310.555
1. Profit for the period (149-151)	153	0	0	68.376.945	0
2. Loss for the period (151-148)	154	15.456.035	76.138.013	0	30.310.555
<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	-14.101.876	-76.977.398	66.600.774	-41.595.561
2. Attributed to minority interest	156	-1.354.159	839.385	1.776.171	11.285.006
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	-15.456.035	-76.138.013	68.376.945	-30.310.555
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	13.639.170	5.140.193	-6.137.970	-2.805.500
1. Exchange differences on translation of foreign operations	159	13.639.170	5.140.193	-6.137.970	-2.805.500
2. Movements in revaluation reserves of long-term tangible and intangible assets	160	0	0	0	0
3. Profit or loss from revaluation of financial assets available for sale	161	0	0	0	0
4. Gains or losses on efficient cash flow hedging	162	0	0	0	0
5. Gains or losses on efficient hedge of a net investment in foreign countries	163	0	0	0	0
6. Share in other comprehensive income / loss of associated companies	164	0	0	0	0
7. Actuarial gains / losses on defined benefit plans	165	0	0	0	0
<b>III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>	0	0	0	0
<b>IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	13.639.170	5.140.193	-6.137.970	-2.805.500
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	-1.816.865	-70.997.820	62.238.975	-33.116.055
<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	-491.865	-72.046.798	60.226.008	-33.566.849
2. Attributed to minority interest	170	-1.325.000	1.048.978	2.012.967	450.794

## STATEMENT OF CASH FLOWS - INDIRECT METHOD

for the period 1.1.2013. to 31.12.2013.

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	30.113.689	69.822.853
2. Depreciation	002	153.689.989	148.302.573
3. Increase in short term liabilities	003	17.104.000	0
4. Decrease in short term receivables	004	0	18.930.284
5. Decrease in inventories	005	46.364.731	47.629.970
6. Other increase in cash flow	006	84.216.223	120.912.692
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>331.488.632</b>	<b>405.598.372</b>
1. Decrease in short term liabilities	008	0	94.937.547
2. Increase in short term receivables	009	41.939.000	0
3. Increase in inventories	010	0	0
4. Other decrease in cash flow	011	35.739.632	18.953.125
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>77.678.632</b>	<b>113.890.672</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>253.810.000</b>	<b>291.707.700</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	4.249.000	1.177.000
2. Cash inflows from sales of equity and debt instruments	016	92.686.000	159.669.000
3. Interests receipts	017	1.621.000	1.236.000
4. Dividend receipts	018	0	0
5. Other cash inflows from investing activities	019	2.524.000	833.900
<b>III. Total cash inflows from investing activities (015 to 019)</b>	<b>020</b>	<b>101.080.000</b>	<b>162.915.900</b>
1. Cash outflow for purchase of long-term tangible and intangible assets	021	94.682.000	96.256.000
2. Cash outflow for acquisition of equity and debt financial instruments	022	92.819.000	159.069.000
3. Other cash outflow for investing activities	023	3.358.000	2.852.900
<b>IV. Total cash outflow for investing activities (021 do 023)</b>	<b>024</b>	<b>190.859.000</b>	<b>258.177.900</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>89.779.000</b>	<b>95.262.000</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	187.669.400	269.708.800
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>187.669.400</b>	<b>269.708.800</b>
1. Cash outflow for repayment of credit principal and bonds	031	373.693.714	378.479.690
2. Cash outflow for dividends paid	032	1.435.000	0
3. Cash outflow for financial lease	033	4.324.000	26.421.310
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>379.452.714</b>	<b>404.901.000</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>191.783.314</b>	<b>135.192.200</b>
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	<b>039</b>	<b>0</b>	<b>61.253.500</b>
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	<b>27.752.314</b>	<b>0</b>
Cash and cash equivalents at the beginning of the period	<b>041</b>	<b>145.959.842</b>	<b>118.207.528</b>
Increase of cash and cash equivalents	<b>042</b>	<b>0</b>	<b>61.253.500</b>
Decrease of cash and cash equivalents	<b>043</b>	<b>27.752.314</b>	<b>0</b>
Cash and cash equivalents at the end of the period	<b>044</b>	<b>118.207.528</b>	<b>179.461.028</b>

**STATEMENT OF CHANGES IN EQUITY**  
for the period 1.1.2013. to 31.12.2013.

<b>Obligator: Podravka prehrambena industrija d.d., Koprivnica</b>			
Item	AOP code	Last year	Current year
1	2	3	4
1. Subscribed capital	<b>001</b>	1.626.000.900	1.084.000.600
2. Capital reserves	<b>002</b>	26.465.000	45.931.894
3. Reserves from profit	<b>003</b>	105.899.405	180.462.139
4. Retained earnings or accumulated loss	<b>004</b>	-148.498.899	280.352.880
5. Profit or loss for the current year	<b>005</b>	-14.101.876	66.600.774
6. Revaluation of long - term tangible assets	<b>006</b>	0	0
7. Revaluation of intangible assets	<b>007</b>	0	0
8. Revaluation of financial assets available for sale	<b>008</b>	0	0
9. Other revaluation	<b>009</b>	32.026.882	34.039.849
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	1.627.791.411	1.691.388.136
11. Currency gains and losses arising from net investement in foreign operations	<b>011</b>	13.639.170	-6.137.970
12. Current and deferred taxes (part)	<b>012</b>	0	0
13. Cash flow hedging	<b>013</b>	0	0
14. Changes in accounting policy	<b>014</b>	0	0
15. Correction of significant errors in prior period	<b>015</b>	0	0
16. Other changes of capital	<b>016</b>	-14.995.139	69.734.695
<b>17. Total increase or decrease in capital (AOP 011 do 016)</b>	<b>017</b>	-1.355.969	63.596.725
17 a. Attributed to equity holders of parent company	<b>018</b>	1.404.513	61.583.758
17 b. Attributed to minority interest	<b>019</b>	-2.760.482	2.012.967

**Notes:**

The accounting policy for impairment of accounts receivables in process of pre-bankruptcy settlement was amended in 2013 year.





COMPANY MANAGEMENT

Koprivnica, 11<sup>th</sup> February 2014.

## **MANAGEMENT REPORT ON THE ACHIEVED BUSINESS RESULTS OF THE PODRAVKA GROUP FOR YEAR 2013**

### **Main business characteristics and significant events in for year 2013**

1. All levels of profitability of the Podravka Group recorded a significant increase in the year 2013 and all profit margins achieved a considerable positive shift.
2. Gross profit has climbed to HRK 1,502.7 million, which is 6% higher compared with prior year. Gross profit margin has reached a level of 41.4%, representing an increase of 240bp.
3. The EBITDA is showing HRK 360.1 million, representing an increase of 22%, while EBITDA margin has reached level of 9.9%. Adjusted for non-recurring items effects, EBITDA would reached HRK 423.7 million, which is an increase of 18% compared to last year's EBITDA, presented in a comparable manner.
4. Podravka Group 2013 business results were significantly impacted by non-recurrent items which had totaled HRK 133.4 million, mainly relating to assets value adjustments and severance payments in line with restructuring process. These extraordinary items also had a major impact on the Group's consolidated net profit and overshadowed the underlying operating improvement.
5. The Podravka Group net profit excluding non-recurrent items has climbed to HRK 200.0 million, which is an increase of 78% compared to the previous year's results, presented in a comparable manner. Reported net profit amounted to HRK 66.6 million, which is HRK 80.7 million higher compared to previous year.
6. Total operating costs have decreased by 2%, driven by lower labour costs due to the completion of the redundancy program and favourable trends in raw material prices.
7. Total Podravka Group sales in 2013 amounted HRK 3,626.0 million, and remained at last year's level. Sales in the Strategic Business Area (SBA) Food and Beverages totalled HRK 2,773.2 million which is a 0.9% decrease compared to the same period last year. However, adjusted for the lower sales effects in programmes under restructuring (fresh meat, beverages, frozen and bakery products) total sales of SBA F&B were 1.1% higher compared to previous year.

Podravka Inc., Koprivnica, Ante Starčevića 32, The Commercial Court Varaždin, MBS: 010006549, PIN: 18928523252,  
foundation capital: 1.084.000.600,00 HRK, paid in full, total number of shares issued: 5.420.003, nominal share value: 200,00 HRK,  
Privredna banka Zagreb d.d., Zagreb, Račkoga 6, bank account: 2340009-1100098526, President of the Supervisory Board: D. Štimac,  
President of the Management Board: Z. Mršić, members of the Management Board: J. Ivanković, O. Jakupec, M. Klepač, H. Kolaric, J. Pedersen



#### COMPANY MANAGEMENT

Sales in SBA Pharmaceuticals amounted to HRK 852.8 million, which is an increase of 3%.

8. Sales on foreign markets recorded a growth of 6%, driven by the both SBAs in all foreign markets.
9. The net debt as of 31 December 2013 amounted HRK 886.5 million and is 18% lower compared to the year-end of 2012, totaling HRK 193 million.

#### Significant events in the year 2013

1. At the General Meeting held on 20 June 2013 the following decisions relating to the amendments to the Articles of Association were made:
  - Reduction of share capital in the amount of HRK 542 million, aiming to cover accumulated losses from previous periods. The reduction of the share capital was carried out by reducing the nominal value of ordinary shares from the nominal value of HRK 300.00 to the nominal value of HRK 200.00 per share. It has created preconditions for shareholders to decide on the allocation of future profits (dividend payment, retention of profits, capital increase, etc.)
  - Possibility of share capital increase, enabling Management Board, with the consent of the Supervisory Board, to decide on the capital increase of up to half of the share capital,
  - Equality of all shareholders has been defined because the state has no longer the option of direct appointment of two members of the Supervisory Board.
  - Podravka continues the business restructuring process, and accordingly shall divest the Beverage, Bakery and a part of the Frozen products business programs.
2. The General Assembly of Belupo d.d has passed the resolution to increase its share capital from the realised profit, thus the share capital has increased by the HRK 50 million and is now amounting HRK 204.025800,00.
3. Management and Supervisory Board of Podravka d.d., have approved investment cycle in two factories in Belupo d.d.. These are semi-solid and liquid drugs and solid drugs factories, with investment value of HRK 390 million allocated in three years. It is expected that investment would be activated in first quarter 2017.
4. The redundancy program for surplus labour has been implemented and shall continue in the year 2014.



#### COMPANY MANAGEMENT

5. A decision was made to merge related companies Ital-Ice Ltd., Lero Ltd., Poni Ltd., Podravka Inženjering Ltd. and KOTI Nekretnine Ltd. to the company Podravka Inc. Decision was driven by restructuring programme and business efficiency improvements initiatives. Podravka Ltd. as the holder of 100% of shares in the stated companies, would become the legal successor of the merged companies.

### **Expected future development**

Podravka Group's strategic direction is to be the leading food and pharmaceutical company in the European region and amongst the top companies in other markets. Its objective is to increase value to the owners, continue to improve employee satisfaction and successfully fulfil customer and consumer requirements.

The Podravka Group is committed to significantly increase business efficiency and strengthen its competitive position on both the domestic and foreign markets. This will be achieved by greater internal efficiency, improvements to product range, supply chain optimisation, increased production volume, rationalisation and management of general and administrative expenses, changes within the purchasing process and effective sales and distribution networks.

Key strategic markets for the Podravka Group include the local Croatian market and also South-Eastern, Central and Eastern European markets. Podravka has a clear strategy to maintain market leadership with high quality products and the expansion of its current product range. The Group's growth strategy is to further expand its international presence, achieve a turnaround on the Central European markets, realize significant growth on Eastern European markets and invest in markets where an above average growth is anticipated in the forthcoming years. It also strives towards inorganic growth through acquisitions and strategic alliances in the markets of South-Eastern, Central and Eastern European countries.

### **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



## COMPANY MANAGEMENT

Central semi-industrial lab, unique in this region, create new opportunities that are essential for company progress and growth.

### **Information on the redemption of own shares**

There was no redemption of own shares in the previous period, nor is there any intention of own share redemption.

### **Related companies**

The Podravka Group consists of the parent company Podravka d.d. and 24 subsidiary companies of which 8 companies are located in Croatia and 16 abroad.

### **Financial risk management and company exposure to price, credit, liquidity and cash flow risks**

As the Group is exposed to price changes of raw material for the food industry, world trends on the commodity exchange are carefully monitored and "market reports" of strategic suppliers are used as the grounds to react on a spot market at the moment when prices of raw material are most favourable.

Credit risk and the risk of outstanding payments or non-fulfilment of contractual liabilities from customers have impact on the Group's contingent financial loss which is the reason why the Group has adopted the "Credit Risk Management Procedure" that it applies in dealing with customers. The Group collects 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**

Total Group sales in 2013 amounted HRK 3,626.0 million, and remained at last year's level. Sales in the Strategic Business Area (SBA) Food and Beverages totalled HRK 2,773.2 million which is a 1% decrease compared to the same period last year.

Podravka Inc., Koprivnica, Ante Starčevića 32, The Commercial Court Varaždin, MBS: 010006549, PIN: 18928523252, foundation capital: 1.084.000.600,00 HRK, paid in full, total number of shares issued: 5.420.003, nominal share value: 200,00 HRK, Privredna banka Zagreb d.d., Zagreb, Račkoga 6, bank account: 2340009-1100098526, President of the Supervisory Board: D. Štimac, President of the Management Board: Z. Mršić, members of the Management Board: J. Ivanković, O. Jakupec, M. Klepač, H. Kolarčić, J. Pedersen



#### COMPANY MANAGEMENT

Lower sales were driven by decrease in SBA F&B on Croatian market, however the main impact came from businesses included in the restructuring programme, with underperforming profitability.

Group has intentionally reduced the sales of fresh meat, and has initiated divestment process of Beverages, Bakery and a part of the Frozen businesses in 2013. As a result, respective sales were HRK 55 million lower compared to prior year, including sales of fresh meat HRK 31 million, Beverages around HRK 18 million and the Frozen and Bakery programs about HRK 6 million lower sales in 2013.

However, adjusted for the lower sales effects in programmes under restructuring (fresh meat, beverages, frozen and bakery products) total sales of SBA F&B were 1.1% higher compared to previous year.

Other markets recorded good sales results in the SBA F&B, with the highest contribution coming from the markets of Poland, Slovenia, Russia and Austria.

The SBA Pharmaceuticals achieved sales in the amount of HRK 852.8 million, which is a 3% increase of sales compared to the year 2012. Sales increase is especially generated on foreign markets, which have recorded a 9% growth with the highest contribution from the markets of Russia and Bosnia and Herzegovina. Sales volumes on the Croatian market grew compared to prior year, but the stronger pressure on prices led to total sales decline of 2%. Price drop occurred on the whole ethical drug market in Croatia as a result of changes in Croatian health system.

Croatian market achieved sales of HRK 1,594.5 million, which accounted for 44% of the total sales. The domestic market declined 7% in 2013 compared with the year 2012, partly as a result of the targeted reduction in sales of the low profitable program, partly from the continuing recession in Croatian economy, which in 2013 showed no signs of recovery. With the exception of sales drop of restructuring programmes in Croatia (fresh meat, beverages, frozen and bakery products), sales drop was 5% compared to year 2012.

Total sales in foreign markets amounted to HRK 2,031.5 million and were higher by 6% compared to a prior year, with an increase in all foreign markets. The largest absolute increase was in the market of South-Eastern Europe, with the most significant contribution from Slovenia, Serbia and Macedonia and the rest of the markets also growing. Central Europe achieved sales growth of 6%, which is primarily derived from sales growth in Poland. Eastern Europe achieved sales growth of 12%, generated in the Russian market and the markets of Western Europe, overseas countries and new markets recorded a growth of 5% primarily resulting from higher sales in Austria and Germany.

Total operating expenses reported in P&L by cost/income nature in the period 1.-12.2013. reached HRK 3,584.7 million and compared to the year end of 2012 are at the same level. The majority of operating expenses refers to material costs (64%) and employee costs (19%) and have showed a decrease compared to previous year. Other costs increased as a result of long term material asset impairments included in discontinued businesses or held for sale.



#### COMPANY MANAGEMENT

Financial expenses reached HRK 109.7 million and were 4% higher than last year.

Net profit attributed to equity holders of parent company in the period 1.-12.2013. is HRK 66.6 million.

The total value of assets of the Podravka Group as of 31 December 2013 is HRK 3,458.2 million and is HRK 159.5 million lower compared to the year end of 2012. The highest contribution in asset decrease is coming from long term assets which have decreased for HRK 182.5 million and inventories which have decreased for HRK 49.5 million.

Trade account payables recorded a significant decrease in amount of HRK 78.9 million.

The indebtedness of the Podravka Group as of 31 December 2013 is HRK 1,066 million and compared to the year end of 2012 has been decreased by HRK 131.9 million. The net debt as of 31 December 2013 is HRK 886.5 million which is a decrease of HRK 193.1 million compared to the year 2012.

According to Management Board resolution simple reduction of company share capital was made in amount of HRK 542.0 million. Nominal amount of regular share is decreased for HRK 100,00 per share. Decrease of share capital is used to cover Podravka d.d. retained loss from previous years in amount of HRK 523.9 million and the remaining amount of HRK 18.1 million is allocated in capital reserves of Podravka d.d.

  
**President of the Management Board:**  
**Zvonimir Mršić**





COMPANY MANAGEMENT

Koprivnica, 11<sup>th</sup> February 2014

## STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

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

Assistant Finance Director:  
Iva Brajević

Board Member:  
Miroslav Klepač

