



MANAGEMENT BOARD

Koprivnica, 30<sup>th</sup> October 2013

## **PODRAVKA GROUP**

**1. – 9. 2013.**

### **QUARTERLY FINANCIAL REPORT**

**Appendix 1**

Reporting period:

1.1.2013

to

30.9.2013.

**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 6.018

(at quarter end)

Consolidated statement YES

NKD/NWC code: 1039

Subsidiaries subject to consolidation (according to IFRS):

Headquarters:

Registration number:

BELUPO d.d.	Koprivnica	3805140
DANICA d.o.o.	Koprivnica	0991279
ITAL-ICE d.o.o.	Poreč	3746011
PODRAVKA POLSKA SP z.o.o.	Kostrzyn, Polska	5981449907
PODRAVKA LAGRIS a.s.	Dolní Lhota u Luhačovic, Češka	3042510487
PODRAVKA SARAJEVO d.o.o.	Sarajevo, BiH	20188537

Book keeping service:

Contact person: Celiščak Draga

(authorised person for representation)

Phone number: 048 651 200

Facsimile: 048 220 562

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

**PODRAVKA**  
PREHRAMBENA INDUSTRIJA d.d.  
KOPRIVNICA 173

*(Signature)*  
(signed by authorised person for representation)

**BALANCE SHEET**  
as at 30.9.2013.

Obligator: Podravka prehrambena industrija d.d., Koprivnica			
Item	AOP code	Last year (net)	Current year (net)
1	2	3	4
<b>ASSETS</b>			
A) RECEIVABLES FOR SUBSCRIBED BUT NOT PAID-IN CAPITAL	001	0	0
B) LONG-TERM ASSETS (003+010+020+029+033)	002	1.721.143.991	1.669.799.850
I. INTANGIBLE ASSETS (004 to 009)	003	279.641.788	274.485.673
1. Assets development	004	5.839.794	8.205.582
2. Concessions, patents, licences fees, trade and service marks, software and other rights	005	210.946.610	199.562.869
3. Goodwill	006	41.983.000	41.984.000
4. Prepayments for purchase of intangible assets	007	0	0
5. Intangible assets in preparation	008	20.872.384	24.733.222
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 to 019)	010	1.400.738.837	1.354.480.986
1. Land	011	45.995.536	45.907.321
2. Buildings	012	882.052.504	849.971.656
3. Plant and equipment	013	383.931.370	359.677.651
4. Tools, facility inventory and transport assets	014	18.257.354	16.138.411
5. Biological assets	015	0	0
6. Prepayments for tangible assets	016	276.374	4.362.166
7. Tangible assets in progress	017	68.046.263	76.256.103
8. Other tangible assets	018	2.179.436	2.167.678
9. Investments in buildings	019	0	0
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	5.343.367	5.450.828
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	168.902
6. Loans, deposits and similar assets	026	4.192.329	4.298.326
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	35.382.364
C) SHORT TERM ASSETS (035+043+050+058)	034	1.881.578.696	1.859.689.345
I. INVENTORIES (036 to 042)	035	695.533.146	701.147.817
1. Raw-material and supplies	036	225.184.409	200.840.096
2. Work in progress	037	40.020.809	40.812.449
3. Finished goods	038	213.453.413	234.858.046
4. Merchandise	039	152.458.369	160.612.653
5. Prepayments for inventories	040	0	0
6. Long - term assets held for sales	041	64.416.146	64.024.573
7. Biological assets	042	0	0
II. RECEIVABLES (044 to 049)	043	1.062.608.440	960.261.665
1. Receivables from related parties	044	0	0
2. Accounts receivable	045	1.011.101.739	937.151.909
3. Receivables from participating parties	046	0	0
4. Receivables from employees and members of related parties	047	2.569.918	1.775.085
5. Receivables from government and other institutions	048	46.107.062	11.090.492
6. Other receivables	049	2.829.721	10.244.179
III. SHORT TERM FINANCIAL ASSETS (051 to 057)	050	5.229.582	14.183.224
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	11.620.927
6. Loans, deposits, etc.	056	1.227.371	2.562.297
7. Other financial assets	057	0	0
IV. CASH AT BANK AND IN CASHIER	058	118.207.528	184.096.639
D) PREPAID EXPENSES AND ACCRUED REVENUE	059	14.949.622	11.914.254
E) TOTAL ASSETS (001+002+034+059)	060	3.617.672.309	3.541.403.449
F) OFF-BALANCE RECORDS	061	858.816.749	863.040.301

**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	1.723.145.815
I. SUBSCRIBED CAPITAL	<b>063</b>	1.626.000.900	1.084.000.600
II. CAPITAL RESERVES	<b>064</b>	26.465.000	44.573.180
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	105.899.405	98.515.671
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	93.590.019
IV. REVALUATION RESERVES	<b>071</b>	0	0
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	-148.498.899	365.173.900
1. Retained earnings	<b>073</b>	0	365.173.900
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	97.293.409
1. Profit for the current year	<b>076</b>	0	97.293.409
2. Loss for the current year	<b>077</b>	14.101.876	0
IX. MINORITY INTERESTS	<b>078</b>	32.026.882	33.589.055
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	46.777.777	50.670.441
1. Provisions for pensions, severance pay, and similar liabilities	<b>080</b>	25.838.060	25.789.093
2. Reserves for tax liabilities	<b>081</b>	0	0
3. Other reserves	<b>082</b>	20.939.717	24.881.348
<b>C) LONG - TERM LIABILITIES (084 to 092)</b>	<b>083</b>	733.553.063	595.602.589
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	589.740.589
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	5.862.000
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	1.106.272.027	1.052.588.733
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	507.634.676
4. Liabilities for received prepayments	<b>097</b>	3.155.766	252.675
5. Accounts payable	<b>098</b>	546.406.547	461.298.007
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	53.557.728
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	9.408.218	16.633.665
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	12.530.844
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	103.278.032	119.395.872
<b>F) TOTAL – CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	3.617.672.309	3.541.403.449
<b>G) OFF-BALANCE RECORDS</b>	<b>108</b>	858.816.749	863.040.301
<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	1.689.556.760
2. Attributed to minority interest	<b>110</b>	32.026.882	33.589.055

**PROFIT AND LOSS ACCOUNT**  
for the period 1.1.2013. to 30.9.2013.

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>	2.754.040.451	979.343.000	2.665.796.258	937.260.927
1. Sales revenue	112	2.690.955.301	970.482.300	2.618.923.906	923.677.646
2. Other operating revenues	113	63.085.150	8.860.700	46.872.352	13.583.281
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	2.631.701.193	941.253.356	2.498.467.092	843.879.206
1. Changes in value of work in progress and finished products	115	-3.224.355	-12.974.333	-20.362.762	-27.360.489
2. Material costs (117 to 119)	116	1.720.992.584	626.947.677	1.666.450.640	602.937.176
a) Raw material and material costs	117	953.024.883	342.025.256	855.430.525	306.885.158
b) Costs of goods sold	118	387.158.303	154.232.159	421.410.617	157.175.501
c) Other external costs	119	380.809.398	130.690.262	389.609.498	138.876.517
3. Staff costs (121 to 123)	120	551.712.233	181.785.797	500.741.739	165.826.272
a) Net salaries and wages	121	335.264.156	111.457.842	304.290.437	101.665.837
b) Cost for taxes and contributions from salaries	122	143.779.014	46.349.558	130.495.844	42.287.410
c) Contributions on gross salaries	123	72.669.063	23.978.397	65.955.458	21.873.025
4. Depreciation	124	115.607.813	38.538.853	112.529.668	36.794.139
5. Other costs	125	177.942.751	75.296.405	174.652.725	47.498.485
6. Impairment (127+128)	126	21.697.051	14.143.550	19.899.898	10.928.125
a) Impairment of long-term assets (financial assets excluded)	127	0	0	0	0
b) Impairment of short - term assets (financial assets excluded)	128	21.697.051	14.143.550	19.899.898	10.928.125
7. Provisions	129	7.446.566	5.482.789	269.600	-1.384.864
8. Other operating costs	130	39.526.550	12.032.618	44.285.584	8.640.362
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	42.519.679	18.446.700	28.057.484	-3.798.587
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 and	133	42.378.882	18.368.631	23.733.206	-3.703.306
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	140.797	78.069	4.324.278	-95.281
5. Other financial income	136	0	0	0	0
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	86.661.286	26.811.666	78.047.995	24.689.179
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	86.427.457	26.800.788	78.047.995	24.689.179
3. Unrealized losses (expenses) on financial assets	140	233.829	10.878	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>	2.796.560.130	997.789.700	2.693.853.742	933.462.340
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	2.718.362.479	968.065.022	2.576.515.087	868.568.385
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	78.197.651	29.724.678	117.338.654	64.893.956
1. Profit before taxation (146-147)	149	78.197.651	29.724.678	117.338.654	64.893.956
2. Loss before taxation (147-146)	150	0	0	0	0
<b>XII. PROFIT TAX</b>	<b>151</b>	17.515.674	6.724.597	18.651.156	5.572.574
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	60.681.978	23.000.082	98.687.499	59.321.381
1. Profit for the period (149-151)	153	60.681.978	23.000.082	98.687.499	59.321.381
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	62.875.522	23.585.623	97.293.409	58.397.617
2. Attributed to minority interest	156	-2.193.544	-585.541	1.394.090	923.764
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	60.681.978	23.000.082	98.687.499	59.321.381
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	8.498.977	2.462.718	-3.332.470	6.995.420
1. Exchange differences on translation of foreign operations	159	8.498.977	2.462.718	-3.332.470	6.995.420
2. Movements in revaluation reserves of long - term tangible and intangible assets	160	0	0	0	0
3. Profit or loss from reevaluation 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>	8.498.977	2.462.718	-3.332.470	6.995.420
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	69.180.955	25.462.800	95.355.029	66.316.801
<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	71.554.933	26.187.619	93.792.856	64.995.230
2. Attributed to minority interest	170	-2.373.978	-724.819	1.562.173	1.321.571

**STATEMENT OF CASH FLOWS - INDIRECT METHOD**  
for the period 1.1.2013. to 30.9.2013.

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	78.197.651	117.338.654
2. Depreciation	002	115.607.813	112.529.668
3. Increase in short term liabilities	003	87.321.000	0
4. Decrease in short term receivables	004	0	76.019.384
5. Decrease in inventories	005	0	0
6. Other increase in cash flow	006	20.710.500	20.054.158
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>301.836.964</b>	<b>325.941.865</b>
1. Decrease in short term liabilities	008	0	70.423.546
2. Increase in short term receivables	009	81.406.000	0
3. Increase in inventories	010	15.123.000	1.896.030
4. Other decrease in cash flow	011	53.495.625	20.146.000
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>150.024.625</b>	<b>92.465.576</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>151.812.340</b>	<b>233.476.289</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	1.220.000	372.000
2. Cash inflows from sales of equity and debt instruments	016	85.894.000	106.648.000
3. Interests receipts	017	4.172.000	3.367.000
4. Dividend receipts	018	0	0
5. Other cash inflows from investing activities	019	1.967.000	628.205
<b>III. Total cash inflows from investing activities (015 to 019)</b>	<b>020</b>	<b>93.253.000</b>	<b>111.015.205</b>
1. Cash outflow for purchase of long-term tangible and intangible assets	021	72.329.000	61.975.400
2. Cash outflow for acquisition of equity and debt financial instruments	022	87.217.000	106.048.000
3. Other cash outflow for investing activities	023	88.000	1.085.612
<b>IV. Total cash outflow for investing activities (021 do 023)</b>	<b>024</b>	<b>159.634.000</b>	<b>169.109.012</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>66.381.000</b>	<b>58.093.807</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	111.722.000	215.109.998
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>111.722.000</b>	<b>215.109.998</b>
1. Cash outflow for repayment of credit principal and bonds	031	253.734.909	298.961.015
2. Cash outflow for dividends paid	032	0	0
3. Cash outflow for financial lease	033	3.149.091	25.642.354
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>256.884.000</b>	<b>324.603.369</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>145.162.000</b>	<b>109.493.371</b>
Total increase in cash flow (013 – 014 + 025 – 026 + 037 – 038)	039	0	65.889.111
Total decrease in cash flow (014 – 013 + 026 – 025 + 038 – 037)	040	59.730.660	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	0	65.889.111
Decrease of cash and cash equivalents	043	59.730.660	0
Cash and cash equivalents at the end of the period	044	86.229.182	184.096.639

**STATEMENT OF CHANGES IN EQUITY**  
for the period 1.1.2013. to 30.9.2013.

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	1.084.000.600
2. Capital reserves	002	26.465.000	44.573.180
3. Reserves from profit	003	105.899.405	98.515.671
4. Retained earnings or accumulated loss	004	-148.498.899	365.173.900
5. Profit or loss for the current year	005	-14.101.876	97.293.409
6. Revaluation of long - term tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial assets available for sale	008	0	0
9. Other revaluation	009	32.026.882	33.589.055
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>1.627.791.411</b>	<b>1.723.145.815</b>
11. Currency gains and losses arising from net investement in foreign operations	011	13.639.170	-3.332.470
12. Current and deferred taxes (part)	012	0	0
13. Cash flow hedging	013	0	0
14. Changes in accounting policy	014	0	0
15. Correction of significant errors in prior period	015	0	0
16. Other changes of capital	016	-14.995.139	98.686.874
<b>17. Total increase or decrease in capital (AOP 011 do 016)</b>	<b>017</b>	<b>-1.355.969</b>	<b>95.354.404</b>
17 a. Attributed to equity holders of parent company	018	1.404.513	93.792.231
17 b. Attributed to minority interest	019	-2.760.482	1.562.173

**Notes:**

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





COMPANY MANAGEMENT

Koprivnica, 30<sup>th</sup> October 2013

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

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

1. All levels of profitability of the Podravka Group have recorded growth in the first nine months of 2013 and a significant positive shift of profit margins is evident.
2. The gross profit of the Podravka Group amounted to HRK 1,079.8 million and is 4% higher than in the same period of the year before. It is at the level of 41.2%, which is an increase of 250bp.
3. The EBITDA grew 11% and is HRK 271.8 million. The net profit is HRK 97.3 million, which is 55% higher compared to the same period of last year. The EBITDA margin is at a level of 10.4%, which is an increase of 130bp and the net margin is 3.7% making it 140bp higher than last year.
4. The total costs/expenses are 4% lower primarily due to lower employee costs as a result of the carried out redundancy programme and more favourable trends of raw material prices.
5. The net debt as of 30 September 2013 is HRK 906.7 million and is HRK 173 million lower compared to the year-end of 2012.
6. The total sales of the Podravka Group in the first nine months of 2013 is HRK 2,618.9 million, which represents a 3% drop of sales compared to the same period of 2012. Sales of the Strategic Business Area (SBA) Food and Beverages amounted to HRK 2,032.8 million and is 4% lower compared to the same period of the year before, while the sales of the SBA Pharmaceuticals is 586.1 million, which is a sales increase of 1%.
7. The Management Board of Podravka decided to continue the process of taking care of redundant labour in the forthcoming period through incentive severance payments providing employees with a sum of 4,000 HRK for each year of service within the Podravka Group.



## COMPANY MANAGEMENT

8. The following decisions concerning changes in the Articles of Association were brought at the General Assembly held on 20 June 2013:

- 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.

### **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.



COMPANY MANAGEMENT

## **Research and Development activities**

The basic activities of Research and Development are focused on the development of new products and the advancement of current products by following the developments of food science and consumer trends and the products are continuously tailored to meet the present public awareness of a proper and healthy diet. Special attention is given to the organoleptic quality and nutrient features as well as the design and quality of information on product declarations.

Research and development is constantly working on the improvement of production and controlling processes. The use of modern technology and the Central semi-industrial lab, unique in this region, create new opportunities that are essential for company progress and growth.

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

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

## **Related companies**

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

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

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



#### COMPANY MANAGEMENT

Credit risk and the risk of outstanding payments or non-fulfilment of contractual liabilities from customers have impact on the Group's contingent financial loss which is the reason why the Group has adopted the "Credit Risk Management Procedure" that it applies in dealing with customers. The Group collects payment insurance instruments whenever possible in order to protect itself from contingent financial risk and loss due to non-fulfilled payments or contractual liabilities.

The Group is largely financed by loans in foreign currency and therefore exposed to the risk of exchange rate differences. The Group uses loans with fixed and variable interest rates where the majority of loans has been agreed with variable interest rates and is therefore exposed to the risk of interest rate changes.

The Management establishes an adequate frame of liquidity risk management in order to manage short-term, medium-term and long-term financial and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves and credit lines, continuously comparing the planned and realized cash flow and monitoring due receivables and current liabilities.

#### **Comments on the reported period**

Sales revenue of the Podravka Group in the first nine months of 2013 totalled HRK 2,618.9 million and is 3% lower compared to the same period of the year 2012.

Sales of the SBA Food and Beverages totalled HRK 2,032.8 million, which is a 4% drop of sales compared to the same period of the year before. This drop results from the drop of sales of the SBA F&B on the Croatian market that has been characterised by long-term recession and fall of personal consumption. The most significant influence on lower revenue comes from the intentional reduction of the sales of low profitable fresh meat whose sales in the observed period was HRK 25 million lower compared to the same period of last year. Apart from this, a drop of sales was recorded by Beverages, Bakery and a part of the Frozen programme which have all been designated for sales in the process of restructuring, respectively, the sales of Beverages is HRK 12 million lower while the sales of the Frozen and Bakery programmes, which Podravka is abandoning, are HRK 3 million lower. This shows that about HRK 40 million of lower sales results from the initiated restructuring process.



#### COMPANY MANAGEMENT

The SBA Pharmaceuticals achieved sales in the amount of 586.1 million, which is a 1% growth compared to the same period of the year 2012. Sales growth of the SBA Pharmaceuticals is generated by 4% higher sales on foreign markets of which Russia and Bosnia and Herzegovina are the most prominent. Sales on the Croatian market dropped 2% primarily as a result of lower sales of ethical drugs.

The market of Croatia realized sales in the amount of HRK 1,189.9 million, which represents 45.4% of the total sales of the Podravka Group. Total sales on the domestic market are 7% lower compared to the same period of last year, while the total sales on foreign markets is HRK 1,429.0 million and is 1% higher than the same period the year before. The highest absolute growth was achieved on the market of Western Europe, overseas countries and the Orient, with the most significant contribution coming from Austria, Great Britain and Scandinavia. Central Europe also recorded good results generated from increased sales in Poland, while the greatest growth in South-Eastern Europe was achieved by Serbia, Macedonia and Kosovo. Eastern Europe recorded a 1% drop of sales primarily due to lower sales in Romania and the Ukraine.

Total operating costs and expenses realized in the period 1.-9.2013. is HRK 2,498.3 million and are 5% lower than those realized in the same period of the year before. The majority of operating costs and expenses refers to material costs (67%) and employee costs also hold a significant share in the structure of operating costs and expenses (20%).

Financial expenses realized in the period 1.- 9.2013. is HRK 78.0 million and are 10% lower than those realized in the same period of the year before.

The realised net profit in the period 1.-9.2013. is HRK 97.3 million and higher compared with the same period of last year for 55%.

The total value of assets of the Podravka Group as of 30 September 2013 is HRK 3,541.4 million and compared to the year end of 2012 is HRK 76.3 million less. The highest contribution on decrease of assets is coming from lower trade and other receivables, which have decreased for HRK 95.8 million.

Regarding liabilities, trade payables recorded a significant decrease in amount of HRK 85.1 million.





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The indebtedness of the Podravka Group as of 30 September 2013 is HRK 1,090.8 million and compared to the year end of 2012 has been decrease by HRK 107.1 million. The net debt as of 30 September 2013 is HRK 906.7 million which is a decrease of HRK 173 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, 30<sup>th</sup> October 2013

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

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

Finance Director:

Draga Celiščak

Board Member:

Miroslav Klepač