



MANAGEMENT BOARD

Koprivnica, 29<sup>th</sup> April 2014

**PODRAVKA GROUP**  
**1. – 3. 2014.**  
**QUARTERLY FINANCIAL REPORT**

**Appendix 1**  
Reporting period:

1.1.2014.

to

31.3.2014.

**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 **5.681**

(at quarter end)

Consolidated statement **YES**

NKD/NWC code: **1039**

Subsidiaries subject to consolidation (according to IFRS):

Headquarters

Registration number:

<b>BELUPO d.d.</b>	<b>Koprivnica</b>	<b>3805140</b>
<b>DANICA d.o.o.</b>	<b>Koprivnica</b>	<b>0991279</b>
<b>ITAL-ICE d.o.o.</b>	<b>Poreč</b>	<b>3746011</b>
<b>PODRAVKA POLSKA SP z.o.o.</b>	<b>Kostrzyn, Polska</b>	<b>5981449907</b>
<b>PODRAVKA LAGRIS a.s.</b>	<b>Dolní 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**

Fascimile: **048 220 562**

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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

(signed by authorised person for representation)

**BALANCE SHEET**  
as at 31.3.2014.

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>	1.517.762.204	1.507.863.567
<b>I. INTANGIBLE ASSETS (004 to 009)</b>	<b>003</b>	244.319.137	240.153.988
1. Assets development	<b>004</b>	8.387.114	8.603.390
2. Concessions, patents, licences fees, trade and service marks, software and other rights	<b>005</b>	184.927.027	181.596.788
3. Goodwill	<b>006</b>	25.881.000	25.881.000
4. Prepayments for purchase of intangible assets	<b>007</b>	0	0
5. Intangible assets in preparation	<b>008</b>	25.123.996	24.072.810
6. Other intangible assets	<b>009</b>	0	0
<b>II. TANGIBLE ASSETS (011 to 019)</b>	<b>010</b>	1.218.263.632	1.213.161.138
1. Land	<b>011</b>	57.770.322	57.756.764
2. Buildings	<b>012</b>	758.629.723	746.268.823
3. Plant and equipment	<b>013</b>	317.730.791	332.817.963
4. Tools, facility inventory and transport assets	<b>014</b>	20.642.379	19.429.080
5. Biological assets	<b>015</b>	0	0
6. Prepayments for tangible assets	<b>016</b>	7.215.364	6.148.104
7. Tangible assets in progress	<b>017</b>	54.102.698	48.571.872
8. Other tangible assets	<b>018</b>	2.172.355	2.168.532
9. Investments in buildings	<b>019</b>	0	0
<b>III. LONG-TERM FINANCIAL ASSETS (021 to 028)</b>	<b>020</b>	5.606.408	5.075.788
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	1.068.290
4. Loans to entrepreneurs in whom the entity holds participating interests	<b>024</b>	0	0
5. Investments in securities	<b>025</b>	169.480	101.250
6. Loans, deposits and similar assets	<b>026</b>	4.453.328	3.906.248
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>	49.573.027	49.472.653
<b>C) SHORT TERM ASSETS (035+043+050+058)</b>	<b>034</b>	1.923.619.896	1.930.954.813
<b>I. INVENTORIES (036 to 042)</b>	<b>035</b>	727.969.978	775.862.699
1. Raw-material and supplies	<b>036</b>	176.250.040	177.074.721
2. Work in progress	<b>037</b>	31.984.461	36.087.626
3. Finished goods	<b>038</b>	208.246.290	234.330.475
4. Merchandise	<b>039</b>	165.101.788	185.024.905
5. Prepayments for inventories	<b>040</b>	0	0
6. Long - term assets held for sales	<b>041</b>	146.387.399	143.344.972
7. Biological assets	<b>042</b>	0	0
<b>II. RECEIVABLES (044 to 049)</b>	<b>043</b>	1.009.434.944	988.986.528
1. Receivables from related parties	<b>044</b>	0	0
2. Accounts receivable	<b>045</b>	979.013.843	964.244.126
3. Receivables from participating parties	<b>046</b>	0	0
4. Receivables from employees and members of related parties	<b>047</b>	1.682.393	1.969.014
5. Receivables from government and other institutions	<b>048</b>	23.614.508	15.914.954
6. Other receivables	<b>049</b>	5.124.200	6.858.434
<b>III. SHORT TERM FINANCIAL ASSETS (051 to 057)</b>	<b>050</b>	6.753.946	16.758.275
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>	5.574.691	5.220.938
6. Loans, deposits, etc.	<b>056</b>	1.179.255	11.537.337
7. Other financial assets	<b>057</b>	0	0
<b>IV. CASH AT BANK AND IN CASHIER</b>	<b>058</b>	179.461.028	149.347.311
<b>D) PREPAID EXPENSES AND ACCRUED REVENUE</b>	<b>059</b>	16.774.405	14.081.094
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	3.458.156.505	3.452.899.474
<b>F) OFF-BALANCE RECORDS</b>	<b>061</b>	940.027.349	1.270.977.675

**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>	1.691.388.136	1.656.052.128
I. SUBSCRIBED CAPITAL	<b>063</b>	1.084.000.600	1.084.000.600
II. CAPITAL RESERVES	<b>064</b>	45.931.894	45.931.894
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	181.715.439	182.112.178
1. Reserves prescribed by law	<b>066</b>	11.474.469	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>	39.293.993	39.293.993
5. Other reserves	<b>070</b>	176.789.787	177.186.526
IV. REVALUATION RESERVES	<b>071</b>	0	0
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	279.099.580	345.700.354
1. Retained earnings	<b>073</b>	279.099.580	345.700.354
2. Accumulated loss	<b>074</b>	0	0
VI. PROFIT/LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	66.600.774	-36.228.737
1. Profit for the current year	<b>076</b>	66.600.774	0
2. Loss for the current year	<b>077</b>	0	36.228.737
IX. MINORITY INTERESTS	<b>078</b>	34.039.849	34.535.839
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	49.279.968	48.704.614
1. Provisions for pensions, severance pay, and similar liabilities	<b>080</b>	24.349.842	24.118.317
2. Reserves for tax liabilities	<b>081</b>	0	0
3. Other reserves	<b>082</b>	24.930.126	24.586.297
<b>C) LONG - TERM LIABILITIES (084 to 092)</b>	<b>083</b>	578.448.370	676.637.661
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>	572.871.848	671.164.329
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>	5.576.522	5.473.332
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	1.041.986.074	948.526.857
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>	499.511.380	426.299.108
4. Liabilities for received prepayments	<b>097</b>	1.719.050	610.383
5. Accounts payable	<b>098</b>	467.521.148	398.606.657
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>	54.520.705	97.455.671
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	13.808.302	18.300.667
10. Liabilities to share - holders	<b>103</b>	681.138	681.138
11. Liabilities for long-term assets held for sale	<b>104</b>	0	0
12. Other short - term liabilities	<b>105</b>	4.224.351	6.573.233
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	97.053.957	122.978.214
<b>F) TOTAL - CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	3.458.156.505	3.452.899.474
<b>G) OFF-BALANCE RECORDS</b>	<b>108</b>	940.027.349	1.270.977.675
<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>	1.657.348.287	1.621.516.289
2. Attributed to minority interest	<b>110</b>	34.039.849	34.535.839

**PROFIT AND LOSS ACCOUNT**  
for the period 1.1.2014. to 31.3.2014.

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>	820.188.458	820.188.458	761.045.983	761.045.983
1. Sales revenue	112	804.153.415	804.153.415	748.666.723	748.666.723
2. Other operating revenues	113	16.035.043	16.035.043	12.379.260	12.379.260
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	811.035.150	811.035.150	774.075.616	774.075.616
1. Changes in value of work in progress and finished products	115	-17.311.542	-17.311.542	-26.734.242	-26.734.242
2. Material costs (117 to 119)	116	516.715.631	516.715.631	511.272.242	511.272.242
a) Raw material and material costs	117	283.874.173	283.874.173	254.249.399	254.249.399
b) Costs of goods sold	118	130.222.667	130.222.667	141.387.458	141.387.458
c) Other external costs	119	102.618.791	102.618.791	115.635.385	115.635.385
3. Staff costs (121 to 123)	120	163.880.617	163.880.617	158.157.293	158.157.293
a) Net salaries and wages	121	99.438.112	99.438.112	96.047.785	96.047.785
b) Cost for taxes and contributions from salaries	122	43.001.148	43.001.148	41.212.738	41.212.738
c) Contributions on gross salaries	123	21.441.357	21.441.357	20.896.770	20.896.770
4. Depreciation	124	38.294.811	38.294.811	32.047.792	32.047.792
5. Other costs	125	79.796.626	79.796.626	87.544.584	87.544.584
6. Impairment (127+128)	126	12.109.847	12.109.847	-2.772.720	-2.772.720
a) Impairment of long-term assets (financial assets excluded)	127	0	0	0	0
b) Impairment of short - term assets (financial assets excluded)	128	12.109.847	12.109.847	-2.772.720	-2.772.720
7. Provisions	129	688.881	688.881	0	0
8. Other operating costs	130	16.860.279	16.860.279	14.560.667	14.560.667
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	12.721.780	12.721.780	6.710.450	6.710.450
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	3.889.196	3.889.196	2.147.357	2.147.357
2. Interest income, foreign exchange gains, dividends and similar income from non - related parties and	133	6.596.806	6.596.806	4.307.875	4.307.875
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	2.235.778	2.235.778	255.218	255.218
5. Other financial income	136	0	0	0	0
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	26.075.514	26.075.514	28.629.504	28.629.504
1. Interest expenses, foreign exchange losses, dividends and similar expenses from related parties	138	1.304.698	1.304.698	1.574.049	1.574.049
2. Interest expenses, foreign exchange losses, dividends and similar expenses from non - related parties	139	24.770.816	24.770.816	27.055.455	27.055.455
3. Unrealized losses (expenses) on financial assets	140	0	0	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>	832.910.238	832.910.238	767.756.433	767.756.433
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	837.110.664	837.110.664	802.705.120	802.705.120
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	-4.200.425	-4.200.425	-34.948.687	-34.948.687
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	4.200.425	4.200.425	34.948.687	34.948.687
<b>XII. PROFIT TAX</b>	<b>151</b>	5.090.228	5.090.228	840.611	840.611
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	-9.290.653	-9.290.653	-35.789.298	-35.789.298
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	9.290.653	9.290.653	35.789.298	35.789.298
<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	-8.992.971	-8.992.971	-36.228.737	-36.228.737
2. Attributed to minority interest	156	-297.682	-297.682	439.439	439.439
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	-9.290.653	-9.290.653	-35.789.298	-35.789.298
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 do 165)</b>	<b>158</b>	-1.903.921	-1.903.921	453.296	453.296
1. Exchange differences on translation of foreign operations	159	-1.903.921	-1.903.921	453.296	453.296
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>	-1.903.921	-1.903.921	453.296	453.296
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	-11.194.574	-11.194.574	-35.336.002	-35.336.002
<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	-10.988.952	-10.988.952	-35.831.992	-35.831.992
2. Attributed to minority interest	170	-205.622	-205.622	495.990	495.990

# STATEMENT OF CASH FLOWS - INDIRECT METHOD

for the period 1.1.2014. to 31.3.2014.

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	-4.200.425	-34.948.687
2. Depreciation	002	38.294.811	32.047.792
3. Increase in short term liabilities	003	0	8.737.000
4. Decrease in short term receivables	004	5.417.000	24.037.000
5. Decrease in inventories	005	0	0
6. Other increase in cash flow	006	13.587.940	9.082.600
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>53.099.326</b>	<b>38.955.705</b>
1. Decrease in short term liabilities	008	55.730.000	0
2. Increase in short term receivables	009	0	0
3. Increase in inventories	010	1.323.333	50.935.148
4. Other decrease in cash flow	011	10.454.421	8.748.500
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>67.507.754</b>	<b>59.683.648</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>0</b>	<b>0</b>
<b>A2) NET DECREASE IN IN CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	<b>14.408.428</b>	<b>20.727.943</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash inflows from sales of long-term tangible and intangible assets	015	45.000	888.681
2. Cash inflows from sales of equity and debt instruments	016	7.701.000	28.500.000
3. Interests receipts	017	613.000	393.214
4. Dividend receipts	018	0	0
5. Other cash inflows from investing activities	019	414.000	165.000
<b>III. Total cash inflows from investing activities (015 to 019)</b>	<b>020</b>	<b>8.773.000</b>	<b>29.946.895</b>
1. Cash outflow for purchase of long-term tangible and intangible assets	021	13.174.000	23.032.000
2. Cash outflow for acquisition of equity and debt financial instruments	022	7.701.000	38.107.000
3. Other cash outflow for investing activities	023	38.000	1.858.000
<b>IV. Total cash outflow for investing activities (021 do 023)</b>	<b>024</b>	<b>20.913.000</b>	<b>62.997.000</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>12.140.000</b>	<b>33.050.105</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	100.981.000	193.085.000
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>100.981.000</b>	<b>193.085.000</b>
1. Cash outflow for repayment of credit principal and bonds	031	76.143.000	168.589.723
2. Cash outflow for dividends paid	032	0	0
3. Cash outflow for financial lease	033	1.104.000	830.946
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>77.247.000</b>	<b>169.420.669</b>
<b>C1) NET INCREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (030-036)</b>	<b>037</b>	<b>23.734.000</b>	<b>23.664.331</b>
<b>C2) NET DECREASE IN CASH FLOW FROM FINANCIAL ACTIVITIES (036-030)</b>	<b>038</b>	<b>0</b>	<b>0</b>
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	2.814.428	30.113.717
Cash and cash equivalents at the beginning of the period	041	118.207.528	179.461.028
Increase of cash and cash equivalents	042	0	0
Decrease of cash and cash equivalents	043	2.814.428	30.113.717
Cash and cash equivalents at the end of the period	044	115.393.100	149.347.311

**STATEMENT OF CHANGES IN EQUITY**  
for the period 1.1.2014. to 31.3.2014.

Obligator: Podravka prehrambena industrija d.d., Koprivnica			
Item	AOP code	Last year	Current year
1	2	3	4
1. Subscribed capital	001	1.084.000.600	1.084.000.600
2. Capital reserves	002	45.931.894	45.931.894
3. Reserves from profit	003	181.715.439	182.112.178
4. Retained earnings or accumulated loss	004	279.099.580	345.700.354
5. Profit or loss for the current year	005	66.600.774	-36.228.737
6. Revaluation of long - term tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial assets available for sale	008	0	0
9. Other revaluation	009	34.039.849	34.535.839
<b>10. Total capital and reserves (AOP 001 do 009)</b>	<b>010</b>	<b>1.691.388.136</b>	<b>1.656.052.128</b>
11. Currency gains and losses arising from net investement in foreign operations	011	-6.137.970	453.296
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	69.734.695	-35.789.304
<b>17. Total increase or decrease in capital (AOP 011 do 016)</b>	<b>017</b>	<b>63.596.725</b>	<b>-35.336.008</b>
17 a. Attributed to equity holders of parent company	018	61.583.758	-35.831.998
17 b. Attributed to minority interest	019	2.012.967	495.990

**Notes:**

The accounting policy in 2014 year did not change.





COMPANY MANAGEMENT

Koprivnica, 29<sup>th</sup> April 2014

## **MANAGEMENT REPORT ON THE ACHIEVED BUSINESS RESULTS OF THE PODRAVKA GROUP FOR THE PERIOD JANUARY – MARCH 2014**

### **Main business characteristics and significant events in the first quarter of 2014**

1. The total sales of the Podravka Group in the first quarter of 2014 amounted to HRK 748.7 million, which is 7% lower than last year. Sales of the Strategic Business Area (SBA) Food and Beverages totalled HR 578.0 million, and is 7% less compared to the same period of the year before, which mainly results from the fact that this year Easter holidays did not fall into the first quarter and that programs undergoing restructuring (Fresh meat, Beverages, Frozen program and Bakery) produced lower sales. Sales of the SBA Pharmaceuticals totalled HRK 170.7 million, which represents a 7% drop that was mostly generated by the devaluation of the Russian ruble.
2. The redundancy program for surplus labour had important impact on results of the first quarter of 2014 and total number of employees that left the company is 345, with severance payments in the amount of HRK 47.7 million (1.-3.2013.: HRK 39.5 million). It effected operative profitability of Podravka Group in the current period and played important role in the reported loss for the period. However, we expect significant savings in following periods, at least HRK 34 million on annual basis coming from lower personnel costs.
3. Aside from higher severance payment, higher marketing expenses were realized which have a negative impact on operative profitability. Above mentioned, negative exchange rate differences are recorded in observed period, so the reported EBITDA is HRK 10.9 million which is 79% less than in the same period of last year resulting in a total realized net loss of HRK 36.2 million.
4. The limited liability companies Poni d.o.o., Podravka Inženjering d.o.o. and KOTI Nekretnine d.o.o. were merged with Podravka Inc. compliant to the Varaždin Commercial Court ruling dated 2 January 2014. The merged companies have ceased to exist as of the date of merger entered in the Register of Companies and the company Podravka Inc. as the sole member – holder of 100% share in the stated companies has become the legal successor of the merged companies.
5. Podravka d.d. initiated the merger of companies Ital Ice d.o.o. and Lero d.o.o. with Podravka d.d. thus continuing to implement restructuring measures in order to increase efficiency. The merger is planned according to the simplified procedure in a way that the entire assets of the merged companies is transferred to Podravka d.d. without conducting a liquidation process, without the possibility of share swap and no increase of share capital of Podravka d.d.



#### COMPANY MANAGEMENT

6. Contracts on the transfer of trademarks, recipes and equipment and on acquiring the business of production and sales of canned meat pates and canned meat products between Podravka d.d. and PIK Vrbovec d.d. were concluded on 7 April 2014. Podravka d.d. has thus acquired the canned meat program and brands of PIK Vrbovec d.d. for further production and sales to all markets. With that acquisition, Podravka significantly increased its market share and has taken a strong second place in the segment of meat pate, with a good position for expansion in regional markets. This strategic acquisition strengthened one of the most profitable categories in the segment of meat and meat products, which is in accordance with the focus, portfolio optimization and recent capital investment. Increasing production, with supply chain control, opens the potential for achieving cost synergies. The potential for synergy also exists through the increased use of existing operational potential of Podravka.

#### **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. Podravka has introduced model of “open innovation” that will lead to more effectively achieving strategic company targets. The model represents joining Podravka’s internal resources competency and know-how with best research and development potential from external resources that would lead Podravka to additional incentive in developing new products. External resources are Podravka’s partners from scientific research institutes, entrepreneurs, suppliers and customers. Mentioned activities will lead to innovative products which would with its specially designed nutritious profile enriched with functional ingredients elevate consumer health.

## **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 21 subsidiary companies of which 6 companies are located in Croatia and 15 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 has no significant exposure to interest rate risk as most of its borrowings with a variable interest rate are covered by the interest rate swap agreement with a fixed interest rate.



## COMPANY MANAGEMENT

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 three months of 2014 amounted to HRK 748.7 million, which is 7% less compared to the same period of the year 2013.

Sales of the SBA Food and Beverages totalled 578.0 million HRK, which is 7% lower than in the first quarter of the year 2013. This lower level of sales resulted primarily from lower sales of the SBA F&B in the Croatian market where it is important to note that this year Easter was in April and last year in March, and before and during Easter Podravka achieves significant sales results. In addition, the negative trend in sales was contributed by the divestiture from certain low profitable programmes due to which the sales of the SBA F&B in the domestic market were HRK 9.4 million lower.

The SBA Pharmaceuticals achieved sales in the amount of HRK 170.7 million, which is a 7% decline compared to the same period of the year 2013. The biggest impact of this decrease on sales comes from devaluation of the ruble. Due to exposure to strong currency fluctuations and due to political instability in Ukraine, Belupo management decided to reduce exposure to distributors in Russia (effectively reducing inventories in the distribution channel and improving the collection). That is the main reason why inventories at distributors have reduced from 150 to 105 days, and claims by 11%. Distributors on the market continuously recorded sales growth trend, and quantitative sales growth in first quarter of 2014 amounted 7%.

The Croatian market achieved sales of HRK 293.3 million, which accounts for 39% of the total sales of the Podravka Group. The domestic market declined 12% in the first quarter of 2014 compared with the year 2013, mostly as a result of the date of Easter falling in April this year whereas last year it fell in March, and during Easter Podravka achieves significant sales. Apart from this, another reason lies in the targeted reduction in sales of the programs undergoing restructuring so if sales in Croatia is observed without the sales of programs under restructuring (Fresh meat, Beverages, Frozen program, Bakery), the sales drop compared to the first quarter of 2013 would be 10%. Long-term unfavourable macroeconomic conditions such as the increased unemployment and further reduction in purchasing power, is negatively reflected on domestic demand. Moreover, decline of prices and decline of retail trade in general has reflected on value sales drop in amount of 12%, in food and in pharmaceutical segment.

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

Total operating expenses reported in P&L by cost/income nature in the period 1. - 3.2014. reached HRK 774.1 million and are 5% lower compared with same period last year. The majority of operating expenses refers to material costs (66%) and employee costs (20%) that have showed a decrease compared to previous year.

Other costs were higher 10% compared with previous year due to severance payments that are in line with restructuring program.

Impairment of short - term assets recorded a significant decrease due to lower value adjustments of inventories and trade accounts receivables.

Realised net financial expenses in period 1.- 3.2014. is HRK 21.9 million and are 64% higher compared with same period last year. Realised financial expenses are higher due to increase of negative exchange rate differences from sales at Russia market.

As a result of increased marketing costs, severance payments and negative exchange rate differences, net loss for the period 1.- 3. 2014. attributed to equity holders of parent company is HRK 36.2 million.

The total value of assets of the Podravka Group as of 31<sup>st</sup> March 2014 is HRK 3,452.9 million and is HRK 5.3 million lower compared to the year end of 2013. Significant increase recorded inventories in amount of HRK 50.9 million while cash at bank and in cashier have decreased for HRK 30.1 million.

Trade account payables recorded a significant decrease in amount of HRK 68.9 million.

The indebtedness of the Podravka Group as of 31<sup>st</sup> March 2014 is HRK 1,091.5 million and compared to the year end of 2013 has been increased by HRK 25.5 million. The net debt as of 31<sup>st</sup> March 2014 is HRK 942.2 million which is an increase of HRK 55.7 million compared to the year 2013.



President of the Management Board:

Zvonimir Mršić




COMPANY MANAGEMENT


Koprivnica, 29<sup>th</sup> April 2014

## STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of the Podravka Group for the period January – March 2014 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.

  
Corporate accounting and taxes Director:  
Iva Brajević



  
Board Member:  
Miroslav Klepač