



## UNAUDITED BUSINESS RESULTS OF THE PODRAVKA GROUP FOR THE PERIOD JANUARY – DECEMBER 2013

### Main business characteristics in the 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, accordingly.
2. Gross profit of the Podravka Group amounted to HRK 1,502.7 million, which is 6% higher than for the same period last year, while the gross margin is at a level of 41.4%, and represents an increase of 240bp.
3. The EBITDA is HRK 360.1 million and increased by 22%, while the EBITDA margin is at the level of 9.9%. If results are shown without one offs, EBITDA would amount to HRK 423.7 million, which is an increase of 18% compared to EBITDA for 2012 shown in a comparable manner.
4. The Podravka Group business results of 2013 were significantly affected by non-recurrent items which amounted to a total of HRK 133.4 million and mainly relate to assets value adjustments in restructuring process and severance payments for redundant labour.
5. The Podravka Group net profit excluding non-recurrent items was HRK 200.0 million, which is an increase of 78% compared to the net profit of the previous year, 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/expenses decreased by 2%, and the main reasons are lower labour costs due to the completion of the redundancy program and favourable trends in raw material prices.
7. The total sales of the Podravka Group in 2013 amounted to HRK 3,626.0 million, and remains 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. With the exception of sales drop in programmes which are restructuring (fresh meat, beverages, frozen and bakery products), total sales in SBA F&B is 1.1% higher compared to previous year. 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%, whereby both SBA in all foreign markets have higher sales.
9. The net debt as of 31 December 2013 amounted to HRK 886.5 million and is 18% lower or HRK 193 million if compared with the year-end of 2012.

## 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 with the aim of covering accumulated losses from previous periods. The reduction of the share capital shall be 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. This shall create preconditions for shareholders to decide on the distribution of profits (dividend payment, retention of profits, capital increase, etc.) in future periods,
  - Possible recapitalization of the company in a manner that the Management Board, with the consent of the Supervisory Board, can 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 passed the resolution to increase its share capital from the realised profit, thus the share capital has increased by the HRK 50,000,000.00 and is now HRK 204,025,800.00.
3. At the Management Board and Supervisory Board session of Podravka d.d., decisions on construction of two factories in Belupo d.d. were made. These are factory of semi-solid and liquid drugs and solid drugs. With that decision, new investment cycle of Belupo started, investment value is HRK 390 million in three years and it is expected that factory will start to work in first quarter 2017.
4. The redundancy program for surplus labour has been implemented and shall continue in the year 2014.
5. A decision was made on the merger of the companies Ital-Ice Ltd., Lero Ltd., Poni Ltd., Podravka Inženjering Ltd. and KOTI Nekretnine Ltd. to the company Podravka Inc. thus continuing the implementation of restructuring measures to increase business efficiency. Podravka Ltd. as the holder of 100% of shares in the stated companies, becomes the legal successor of the merged companies.

## Notes

On the sales of the Podravka Group we report as follows:

### SBA "Food and Beverages"

**1. Culinary category**

- *Food seasoning and bouillons*
- *Podravka dishes and food mixes*

**2. Sweets, snack and beverages category**

- *Beverages*
- *Sweets and snack*

**3. Baby food, breakfast foods and other food category**

- *Baby food and breakfast foods*
- *Other food (vegetables, condiments, bakery, fish products, tomato based products, rice and other)*

**4. Meat and meat products category**

**5. SBA Food and Beverages – Other sales**

### SBA "Pharmaceuticals"

**6. Ethical drugs**

**7. Non-prescription drugs**

**8. SBA Pharmaceuticals – Other sales**

## Disclaimer

*This release contains certain forward looking statements with respect to the financial condition, results of operations and business of the Podravka Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.*



## Sales revenue per Strategic Business Areas

In millions HRK						
Item no.	SBA	Jan-Dec 2013		Jan-Dec 2012		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Food and Beverages	2,773.2	76.5	2,799.3	77.2	99
2	Pharmaceuticals	852.8	23.5	827.4	22.8	103
<b>Total</b>		<b>3,626.0</b>	<b>100.0</b>	<b>3,626.7</b>	<b>100.0</b>	100

Sales revenue of the Podravka Group in 2013 amounted to HRK 3,626.0 million and remains almost at the same level as in the year 2012.

Sales of the SBA Food and Beverages totalled HRK 2,773.2 million, and is 1% lower compared to the year 2012. A lower level of sales results from the drop of sales of the SBA F&B in Croatia, but the most significant influence on negative sales trends of this SBA in Croatia arises from the restructuring process that has covered the low profitable programs. In 2013 Podravka intentionally reduced the sales of fresh meat and through the restructuring process decided to divest Beverages, Bakery and a part of the Frozen program as a result of which respective sales were HRK 55 million less or respectively, the sales of fresh meat was HRK 31 million, beverages around HRK 18 million and the frozen and bakery programs about HRK 6 million less in 2013. With the exception of sales drop in programmes which are restructuring (fresh meat, beverages, frozen and bakery products), total sales of SBA F&B is 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, generated by a higher level of sales on foreign markets, which have recorded a 9% growth with the highest contribution from the markets of Russia and Bosnia and Herzegovina. Quantitative sales on the market of Croatia is higher, but due to the price drop, sales declined by 2%. Price drop occurred on the whole ethical drug market in Croatia as a result of changes in Croatian health system.

## New products in the fourth quarter of the year 2013

The innovative program of Podravka in 2013 and therefore in the fourth quarter, evolved in several directions with the aim of achieving the following optimal short-term and long-term results:

1. The introduction of new products with a clear differentiation and added value to the existing, already established categories;
2. Expanding the territory of brands through entering into new categories for Podravka;
3. Filling the empty space in the markets where Podravka operates - adaptation of existing concepts to new markets;
4. Completing offers targeted at price-sensitive consumers;
5. Attractive seasonal and promotional offers targeted at the point of sales.

Some of the new products launched during the fourth quarter are as follows:

**Vegeta food seasonings** have following innovations: **Vegeta Twist for crispy fries**, **Vegeta limited edition** holiday edition and extension in a **Vegeta bouillon cubes**, new category on a Hungarian market.



**Podravka winter soup and hearty soup**, are like real homemade soups completed with design with 'Bears' (KHL Medveščak). Line of **Fine soups**, besides its homemade taste, is adjusted to the consumers for its affordable prices.

**Dolcela sweets**, in cake mix segment, are extended with **Dolcela cupcakes** and for market of Czech Republic with **Dolcela Pernika and Apple Cake**. On SEE market, B brand is launched – **Lagris sweets**.





**Lino choco drink** represents a step forward with Lino brand in new category of instant chocolate beverage. Other innovations under Lino brand covers two special packaging: **Lino holiday package** with Lino bear and **Lino lada** and **Lino crunch** with 'bear' design of KHL Medveščak.



In the new tea season, **Podravka teas** have started with three new herbal (nettle, thyme and elder) and two fruit flavors (pear and lemon lime) and with special holiday design of packaging with a free cup.

**Podravka Legumes and Cereals** are a source of vitality and health. The eight new products in this product range - **Podravka borlotti beans, kidney beans, buckwheat, millet, green lentils, soy, chickpeas and barley**. Each product is carefully selected, purified and packed in convenient packaging, which after use can be easily disposed. Products are affordable and nutritionally acceptable and fit in the image of socially responsible and environment-friendly consumers.



Assortment of ready-made meals and pates is enriched with several new products: **Beans with Sauerkraut, Baked Beans, Beans with Barley, Piquant Beef Stew, Piquant Beef Luncheon Meat, Ham Pâté and Winter Pâté with Garlic** with KHL elements in design.

## Sales revenue per category

In millions HRK

Item no.	CATEGORY	Jan – Dec 2013		Jan – Dec 2012		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
<b>1</b>	<b>CULINARY</b>	<b>931.2</b>	<b>25.7</b>	<b>902.8</b>	<b>24.9</b>	<b>103</b>
	Food seasonings and bouillons	660.5	18.2	631.1	17.4	105
	Podravka dishes and food mixes	270.7	7.5	271.7	7.5	100
<b>2</b>	<b>SWEETS, SNACK AND BEVERAGES</b>	<b>300.2</b>	<b>8.3</b>	<b>309.2</b>	<b>8.5</b>	<b>97</b>
	Beverages	153.8	4.3	169.0	4.7	91
	Sweets and snack	146.4	4.0	140.2	3.9	104
<b>3</b>	<b>BABY FOOD, BREAKFAST FOODS AND OTHER FOOD</b>	<b>913.3</b>	<b>25.2</b>	<b>899.0</b>	<b>24.8</b>	<b>102</b>
	Baby food and breakfast foods	323.2	8.9	310.8	8.6	104
	Other food	590.1	16.3	588.2	16.2	100
<b>4</b>	<b>MEAT AND MEAT PRODUCTS</b>	<b>280.9</b>	<b>7.7</b>	<b>344.1</b>	<b>9.5</b>	<b>82</b>
	<b>SBA FOOD AND BEVERAGES – ORGANIC SALES</b>	<b>2,425.6</b>	<b>66.9</b>	<b>2,455.1</b>	<b>67.7</b>	<b>99</b>
<b>5</b>	<b>SBA FOOD AND BEVERAGES – Other sales</b>	<b>347.7</b>	<b>9.6</b>	<b>344.2</b>	<b>9.5</b>	<b>101</b>
	<b>SBA FOOD AND BEVERAGES – TOTAL SALES</b>	<b>2,773.2</b>	<b>76.5</b>	<b>2,799.3</b>	<b>77.2</b>	<b>99</b>
<b>6</b>	<b>ETHICAL DRUGS</b>	<b>615.6</b>	<b>17.0</b>	<b>596.4</b>	<b>16.5</b>	<b>103</b>
<b>7</b>	<b>NON-PRESCRIPTION DRUGS</b>	<b>83.9</b>	<b>2.3</b>	<b>81.0</b>	<b>2.2</b>	<b>104</b>
	<b>SBA PHARMACEUTICALS – ORGANIC SALES</b>	<b>699.5</b>	<b>19.3</b>	<b>677.4</b>	<b>18.7</b>	<b>103</b>
<b>8</b>	<b>SBA PHARMACEUTICALS – Other sales</b>	<b>153.3</b>	<b>4.2</b>	<b>150.0</b>	<b>4.1</b>	<b>102</b>
	<b>SBA PHARMACEUTICALS – TOTAL SALES</b>	<b>852.8</b>	<b>23.5</b>	<b>827.4</b>	<b>22.8</b>	<b>103</b>
	<b>PODRAVKA GROUP – TOTAL SALES</b>	<b>3,626.0</b>	<b>100.0</b>	<b>3,626.7</b>	<b>100.0</b>	<b>100</b>

The Culinary category achieved sales growth of 3% compared with the year 2012, with the largest contribution from the Food seasoning product group. Sales of the Food seasonings have increased significantly in Poland, and good sales results were also achieved in Russia, Germany and Slovenia. Podravka dishes and food mixes showed almost the same level of sales as last year, with the product group Soups increasing sales in foreign markets, most notably in Russia and Kosovo.

The Category Sweets, snack and beverages has a 3% lower level of sales in 2013 due to the drop of sales of Beverages (-9%), since Podravka decided on the divestiture of this program. On the other hand, the sales of Sweets and snack grew by 4% in the observed period, the said increase being achieved in Croatia, Slovenia and Bosnia and Herzegovina.

The sales increase of the category Baby food, breakfast foods and other food is 2% and the major contributor is the higher level of sales of Baby food on the markets of both Slovenia and Croatia. Likewise, the product group Fishery products and Tomato based products achieved sales growth in both the domestic market and foreign markets.

The decline in sales of the category of Meat and meat products of 18% was largely the result of reduced sales of fresh meat, although a drop of sales was also recorded by other product groups such as sausages, pâtés and luncheon meat.

The SBA Pharmaceuticals recorded a 3% growth of ethical drugs generated by the sales growth of dermatics and drugs for the muscular skeletal system, drugs acting on the senses and drugs for malignant disease and immunomodulators. Sales of the non-prescription program in 2013 were higher by 4%, due to the growth of OTC drugs.

### Sales revenue of the Podravka Group per market <sup>1</sup>

Item no.	MARKETS	In HRK millions				
		Jan – Dec 2013		Jan – Dec 2012		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Croatia	1,594.5	44.0	1,707.4	47.1	93
2	South-Eastern Europe	929.6	25.6	893.3	24.6	104
3	Central Europe	516.3	14.2	485.8	13.4	106
4	Western Europe, overseas countries and new markets	313.2	8.6	298.0	8.2	105
5	Eastern Europe	272.4	7.5	242.2	6.7	112
<b>Total</b>		<b>3,626.0</b>	<b>100.0</b>	<b>3,626.7</b>	<b>100.0</b>	<b>100</b>

The Croatian market achieved sales of HRK 1,594.5 million, which accounted for 44% of the total sales of the Podravka Group. 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, and partly from the prolonged 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 is 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 year earlier, with a 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, but the rest of the market also grew. 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.

<sup>1</sup> South-Eastern Europe – Albania, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Slovenia, Serbia  
 Central Europe – Czech Republic, Hungary, Poland, Slovakia  
 Western Europe, overseas countries and the new markets – Austria, Australia, Benelux, France, Italy, Canada, Germany, USA, Scandinavia, Switzerland, Turkey, Great Britain and other overseas countries and Western European countries  
 Eastern Europe – Baltic countries, Romania, Russia, the Ukraine, Bulgaria and other Eastern European countries



## Structure of operating costs/expenses

		In HRK millions				
Item no.	COST / EXPENSE	Jan-Dec 2013		Jan-Dec 2012		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	2,123.3	62.2	2,210.9	63.2	96
2	Selling and distribution costs	504.3	14.8	516.5	14.8	98
3	Marketing expenses	463.8	13.6	428.0	12.2	108
4	General and administrative expenses	322.4	9.4	341.7*	9.8	94
<b>Total</b>		<b>3,413.8</b>	<b>100.0</b>	<b>3,497.1</b>	<b>100.0</b>	<b>98</b>

\*reclassification of banking fees related to loans in financial costs

The total costs/expenses of the Podravka Group amounted to HRK 3,413.8 million which is lower by HRK 83 million compared to the year 2012. All costs/expenses recorded a significant decrease, except Marketing expenses that are higher in order to accompany the Innovation program and the introduction of new products into the market. The fall in the Cost of goods sold of 4% provides the largest contribution to the above reduction in total costs/expenses, resulting from lower labour costs due to the completion of the redundancy program and favourable trends in raw material prices. The results of the restructuring process and better organization are visible from the decline in General and administrative expenses, which were 6% lower (or HRK 19 million) in the observed period compared to last year. Likewise, Selling and distribution costs decreased, and their decline was 2%.

## Profitability of the Podravka Group

		In HRK millions				
Podravka Group	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)
	Jan-Dec 2013	Jan-Dec 2012	Jan-Dec 2013*	Jan-Dec 2012*		
1	2	3	4	5	6	7
Sales revenue	3,626.0	3,626.7	3,626.0	3,626.7	0%	0%
Gross profit	1,502.7	1,415.7	1,502.7	1,415.7	6%	6%
EBITDA**	360.1	294.6	423.7	358.2	22%	18%
EBIT	131.0	108.7	275.3	204.6	21%	35%
Net profit / (loss)	66.6	-14.1	200.0	112.6	n/a	78%
<i>Profit margins %</i>						
Gross margin	41.4	39.0	41.4	39.0	240bp	240bp
EBITDA margin	9.9	8.1	11.7	9.9	180bp	180bp
EBIT margin	3.6	3.0	7.6	5.6	60bp	200bp
Net margin	1.8	-0.4	5.5	3.1	n/a	240bp

\*without non-recurrent items

\*\*EBITDA is calculated in the manner that EBIT is increased by amortization and adjustments of tangible and intangible assets

Podravka Group business results in 2013 were characterized by a significant increase in profitability with visible improvement in profit margins. The level of sales is almost the same as last year, but since Cost of goods sold were lower, gross profit increased by 6% and amounted to HRK 1,502.7 million with a gross margin of 41.4%. The EBITDA in 2013 amounted to HRK 360.1 million and was higher by 22%, calculated by increasing the operating profit by both the amount of amortisation and value adjustments of tangible and intangible assets which in the observed period are HRK 80.8 million and in the same period last year were HRK 32.3 million. The specified value adjustments of assets were primarily affected by adjustments of tangible property that is held for sale and impairment of intangible assets and brands. Apart from asset adjustments, the 2013 results were affected by the following negative extraordinary items: severance payments (HRK 57.2 million), restructuring related costs (HRK 8.8 million) and provisions for non-business related legal proceedings (HRK 1.9 million), while positive extraordinary items referred to income arising from leasing returns in the amount of HRK 4.4 million. Net profit level is additionally corrected for positive one off item related to the adjusted value of deferred tax assets (HRK 10.9 million). If business results were examined without the impact of extraordinary items, the EBITDA would amount to HRK 423.7 million, which is an increase of 18 % compared to the EBITDA for the year 2012 presented in a comparable manner.

Financial costs decreased by 22% in the observed period, which had more positive impact on the net profit which if corrected for extraordinary items totals HRK 200.0 million. The corrected net margin is 5.5% and is 240bp higher compared to the year 2012.

### Profitability of the SBA Food and Beverages

In HRK millions						
SBA Food & beverages	REPORTED RESULTS		CORRECTED RESULTS*		Jan-Dec 2013	Jan-Dec 2012
	Jan-Dec 2013	Jan-Dec 2012	Jan-Dec 2013*	Jan-Dec 2012*		
1	2	3	4	5	6	7
Sales revenue	2,773.2	2,799.3	2,773.2	2,799.3	-1%	-1%
Gross profit	1,018.6	956.8	1,018.6	956.8	6%	6%
EBITDA**	186.2	121.8	242.7	179.1	53%	36%
EBIT	13.7	-8.3	137.3	71.7	n/a	91%
Net profit	-23.4	-98.2	89.3	12.4	n/a	620%
<i>Profit margins %</i>						
Gross margin	36.7	34.2	36.7	34.2	250bp	250bp
EBITDA margin	6.7	4.3	8.7	6.4	240bp	230bp
EBIT margin	0.5	-0.3	5.0	2.6	n/a	240bp
Net margin	-0.8	-3.5	3.2	0.4	n/a	280bp

\* without non-recurrent items

\*\*EBITDA is calculated in the manner that EBIT is increased by amortization and adjustments of tangible and intangible assets

Profitability of the SBA Food and beverages increased at all levels in 2013, but the reported results are substantially influenced by extraordinary items, and consequently produce a loss in the amount of HRK 23.4 million. Extraordinary items in the SBA F&B in EBIT level amount to HRK 123.6 million, while in net profit level amount to HRK 112.7 million (in 2012 amounted to HRK 110.8 million at the net profit level, and HRK 80 million at EBIT level), and if the results are analysed without the influence of extraordinary items a large positive shift in profitability and significant leap in profit margins is evident. Consequently, the gross profit of the SBA F&B increased by 6% in the period, amounting to HRK 1,018.6 million, while the gross margin is 36.7%. The corrected EBITDA rose by 36% compared to the same period last year and amounted to HRK 242.7 million, and the EBITDA margin is at 8.7%. The corrected net profit amounted to HRK 89.3 million, and the corresponding margin increased by 280bp and is now 3.2%.

### Profitability of the SBA Pharmaceuticals

In HRK millions						
SBA Pharmaceuticals	REPORTED RESULTS		CORRECTED RESULTS*		Jan-Dec 2013	Jan-Dec 2012
	Jan-Dec 2013	Jan-Dec 2012	Jan-Dec 2013*	Jan-Dec 2012*		
1	2	3	4	5	6	7
Sales revenue	852.8	827.4	852.8	827.4	3%	3%
Gross profit	484.1	458.9	484.1	458.9	5%	5%
EBITDA**	174.0	172.8	181.1	179.0	1%	1%
EBIT	117.3	117.0	138.0	132.9	0%	4%
Net profit	90.0	84.1	110.7	100.0	7%	11%
<i>Profit margins %</i>						
Gross margin	56.8	55.5	56.8	55.5	110bp	110bp
EBITDA margin	20.4	20.9	21.2	21.6	-40bp	-30bp
EBIT margin	13.8	14.1	16.2	16.1	-30bp	10bp
Net margin	10.6	10.2	13.0	12.1	40bp	90bp

\* without non-recurrent items

\*\*EBITDA is calculated in the manner that EBIT is increased by amortization and adjustments of tangible and intangible assets

The gross profit of the SBA Pharmaceuticals was HRK 484.1 million, 5% higher than in the year 2012, and the gross margin increased by 110bp and now stands at 56.8%. Other levels of profitability also increased compared to 2012, but slightly lower EBITDA and EBIT margins in 2013 partly result from negative exchange rate differences in 2013 which were HRK 10 million, while last year they were positive and amounted to HRK 3 million, and increased costs due to the opening of new branch offices (in Poland, the Ukraine and Kazakhstan).

In this period the recorded extraordinary items were severance payments in the amount of HRK 7.1 million and pharmacy rights adjustments in the amount of HRK 13.6 million.

## Comment on the financial position

The total value of assets as of 31 December 2013 amounted to HRK 3,458.2 million and compared to the year-end of 2012 was lower by HRK 159.5 million. The greatest impact on reducing the value of assets was the decrease in inventories, trade receivables and other receivables, and fixed assets. The liabilities side showed a significant reduction in borrowings and accounts payable.

The net debt as of 31 December 2013 amounted to HRK 886.5 million and was lower by 18% or HRK 193 million compared with the year-end of 2012.

## CONSOLIDATED STATEMENT OF INCOME

*(in thousands of HRK)*

	Jan-Dec 2013	Jan-Dec 2012
Sales	3,626,011	3,626,666
Cost of goods sold	(2,123,287)	(2,210,947)
<b>Gross profit</b>	<b>1,502,724</b>	<b>1,415,719</b>
Other income	1,083	17,006
General and administrative expenses	(322,439)	(341,710)
Selling and distribution costs	(504,261)	(516,453)
Marketing expenses	(463,786)	(427,986)
Other expenses	(82,290)	(37,914)
<b>Operating profit</b>	<b>131,032</b>	<b>108,662</b>
Financial income	5,314	1,715
Financial expenses	(66,523)	(80,263)
<b>Net finance costs</b>	<b>(61,209)</b>	<b>(78,548)</b>
<b>Profit before tax</b>	<b>69,823</b>	<b>30,114</b>
Income tax expenses	(1,446)	(45,570)
<b>Net profit</b>	<b>68,377</b>	<b>(15,456)</b>
Profit for the period attributable:		
<b>Equity holders of the parent</b>	<b>66,601</b>	<b>(14,102)</b>
Non-controlling interests	1,776	(1,354)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of HRK)

	31 Dec 2013	31 Dec 2012
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	25,881	41,984
Intangible assets	218,438	237,657
Property, plant and equipment	1,218,264	1,400,740
Deferred tax assets	49,824	35,420
Other financial assets	5,606	5,343
<b>Total non-current assets</b>	<b>1,518,013</b>	<b>1,721,144</b>
<b>Current assets</b>		
Inventories	581,583	631,117
Trade and other receivables	1,032,713	1,082,185
Financial assets at fair value through profit or loss	-	600
Cash and cash equivalents	179,461	118,208
Assets held for sale	146,387	64,418
<b>Total current assets</b>	<b>1,940,144</b>	<b>1,896,528</b>
<b>TOTAL ASSETS</b>	<b>3,458,157</b>	<b>3,617,672</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	1,062,328	1,584,862
Reserves	248,067	173,503
Retained earnings / (accumulated loss)	346,954	(162,600)
<b>Attributable to the equity holders of the parent</b>	<b>1,657,349</b>	<b>1,595,765</b>
Non-controlling interests	34,040	32,027
<b>Total shareholders' equity</b>	<b>1,691,389</b>	<b>1,627,792</b>
<b>Non-current liabilities</b>		
Borrowings	572,872	727,255
Provisions	49,279	46,778
Deferred tax liability	5,577	6,298
<b>Total non-current liabilities</b>	<b>627,728</b>	<b>780,331</b>
<b>Current liabilities</b>		
Trade and other payables	620,781	720,111
Income tax payables	2,849	359
Financial liabilities at fair value through profit and loss	2,709	6,775
Borrowings	490,413	463,851
Provisions	22,288	18,453
<b>Total current liabilities</b>	<b>1,139,040</b>	<b>1,209,549</b>
<b>Total liabilities</b>	<b>1,766,768</b>	<b>1,989,880</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,458,157</b>	<b>3,617,672</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of HRK)

	Share capital	Reserve for treasury shares	Legal reserves	Reinvested profit reserve	Statutory reserves	Other reserves	Total reserves	Accumulated loss / retained earnings	Total	Non-controlling interests	Total
<b>Balance at 31 December 2012</b>	<b>1,584,861</b>	<b>21,762</b>	<b>18,325</b>	<b>50,000</b>	<b>35,244</b>	<b>48,172</b>	<b>173,503</b>	<b>(162,600)</b>	<b>1,595,764</b>	<b>32,027</b>	<b>1,627,791</b>
Net profit for the year	-	-	-	-	-	-	-	66,601	66,601	1,776	68,377
Other comprehensive income	-	-	-	-	-	(6,375)	(6,375)	-	(6,375)	237	(6,138)
Total comprehensive income	-	-	-	-	-	(6,375)	(6,375)	66,601	60,226	2,013	62,239
Reduce of share capital	(542,000)	-	-	-	-	-	-	523,892	(18,108)	-	(18,108)
Fair value of share-based payments transactions	1,359	-	-	-	-	-	-	-	1,359	-	1,359
Transfer from retained earnings in reinvested profit reserve of Belupo d.d.	-	-	-	84,822	-	-	84,822	(84,822)	-	-	-
Transfers from legal and other reserves	-	-	(6,851)	-	-	(1,082)	(7,933)	7,933	-	-	-
Transfer in capital, legal and other reserves	18,108	-	-	-	4,050	-	4,050	(4,050)	18,108	-	18,108
<b>Balance at 31 December 2013</b>	<b>1,062,328</b>	<b>21,762</b>	<b>11,474</b>	<b>134,822</b>	<b>39,294</b>	<b>40,715</b>	<b>248,067</b>	<b>346,954</b>	<b>1,657,349</b>	<b>34,040</b>	<b>1,691,389</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of HRK)

	Jan-Dec 2013	Jan-Dec 2012
<b>Net profit</b>	68,377	(15,456)
Income tax	1,446	45,570
Depreciation and amortization	148,303	153,691
Impairment loss on property, plant, equipment and intangibles	16,341	25,592
Impairment loss on assets held for sale	50,840	6,479
Impairment loss on goodwill	13,605	-
Remeasurement of financial instruments at fair value	(4,066)	3,374
Share-based payment transactions	1,359	1,896
Loss on disposal of non-current assets – net	61	4,054
Impairment on inventory and trade receivables	32,313	25,488
Increase in provisions	1,160	7,433
Interest income	(1,236)	(1,621)
Interest expense	58,616	75,687
Effect of changes in foreign exchange rate	5,432	6,573
<b>Changes in working capital:</b>		
Decrease in inventories	47,630	46,365
Decrease / (increase) in receivables	18,929	(41,939)
(Decrease) / increase in payables	(94,938)	17,104
<b>Cash generated from operations</b>	<b>364,172</b>	<b>360,289</b>
Income tax paid	(13,001)	(34,075)
Interest paid	(59,464)	(72,405)
<b>Net cash from operating activities</b>	<b>291,707</b>	<b>253,809</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment and intangibles	(96,256)	(94,682)
Proceeds from sale of property, plant, equipment and intangibles	1,177	4,249
Collection of loans and deposits given	(1,419)	(967)
Collected interest	1,236	1,621
<b>Net cash used in investing activities</b>	<b>(95,262)</b>	<b>(89,779)</b>
<b>Net cash flows from financing activities</b>		
Dividends paid	-	(1,435)
Proceeds from borrowings	269,709	187,669
Repayment of borrowings	(404,901)	(378,016)
<b>Net cash used in financing activities</b>	<b>(135,192)</b>	<b>(191,782)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>61,253</b>	<b>(27,752)</b>
Cash and cash equivalents at beginning the period	118,208	145,960
Cash and cash equivalents at the end of the period	179,461	118,208

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