

**PODRAVKA d.d. and its Subsidiaries,
Koprivnica**

Summary Consolidated Financial Statements
for the year ended 31 December 2013

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RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business. After making enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the consolidated financial statements.

The summary consolidated financial statements were authorized by the Management Board on 1 April 2014.


Zvonimir Mršić
President of the Management Board




Miroslav Klepač
Member of the Management Board

Podravka d.d.
Ante Starčevića 32
48 000 Koprivnica
Republic of Croatia

Koprivnica, 1 April 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

<i>(in thousands of HRK)</i>	2013	2012
Continuing operations		
Revenues	3,501,077	3,482,674
Cost of goods sold	(2,023,818)	(2,102,063)
Gross profit	1,477,259	1,380,611
Other income	9,589	17,006
General and administrative expenses	(314,126)	(338,159)
Selling and distribution costs	(471,391)	(474,158)
Marketing expenses	(452,911)	(410,849)
Other expenses	(61,474)	(37,914)
Operating profit	186,946	136,537
Financial income	5,314	1,715
Financial expenses	(66,523)	(74,901)
Net finance costs	(61,209)	(73,186)
Profit before tax	125,737	63,351
Income tax expense	(1,446)	(45,570)
Profit for the year from continuing operations	124,291	17,781
Discontinued operations		
Loss for the year (net of tax)	(55,914)	(33,237)
Other comprehensive income		
Exchange differences on translation of foreign operations	(6,138)	13,640
Total comprehensive income/(loss)	62,239	(1,816)
Profit/(loss) attributable to:		
Equity holders of the parent	66,601	(14,102)
Non-controlling interests	1,776	(1,354)
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent	60,226	(491)
Non-controlling interests	2,013	(1,325)
Earnings/(loss) per share (in HRK):		
- Basic	12.70	(2.69)
- Diluted	12.70	(2.69)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

<i>(in thousands of HRK)</i>	31.12.2013	31.12.2012
ASSETS		
Non-current assets		
Goodwill	25,881	41,984
Intangible assets	218,438	237,657
Property, plant and equipment	1,218,264	1,400,740
Non-current financial assets	5,607	5,343
Deferred tax assets	49,573	35,420
Total non-current assets	1,517,763	1,721,144
Current assets		
Inventories	572,616	631,117
Trade and other receivables	1,026,635	1,074,648
Financial assets at fair value through profit and loss	-	600
Income tax receivable	6,329	7,537
Cash and cash equivalents	179,461	118,208
Non-current assets held for sale	155,354	64,418
Total current assets	1,940,395	1,896,528
Total assets	3,458,158	3,617,672
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,062,329	1,584,862
Reserves	249,320	173,503
Retained earnings/(Accumulated losses)	345,701	(162,600)
Attributable to equity holders of the parent	1,657,350	1,595,765
Non-controlling interests	34,040	32,027
Total shareholders' equity	1,691,390	1,627,792
Non-current liabilities		
Borrowings	572,872	727,255
Provisions	49,279	46,778
Deferred tax liability	5,577	6,298
Total non-current liabilities	627,728	780,331
Current liabilities		
Trade and other payables	620,781	720,111
Income tax payable	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
Total current liabilities	1,139,040	1,209,549
Total liabilities	1,766,768	1,989,880
Total equity and liabilities	3,458,158	3,617,672

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Reserve for treasury shares	Legal reserves	Reinvested profit reserve	Statutory reserves	Other reserves	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total
As at 1 January 2012	1,582,966	21,762	18,325	-	30,707	34,561	(93,961)	1,594,360	34,787	1,629,147
<i>Comprehensive income</i>	-	-	-	-	-	-	(14,102)	(14,102)	(1,354)	(15,456)
Loss for the year	-	-	-	-	-	-	-	-	29	13,640
Other comprehensive income	-	-	-	-	-	13,611	-	13,611	-	-
Total comprehensive income	-	-	-	-	-	13,611	(14,102)	(491)	(1,325)	(1,816)
<i>Transactions with owners recognised directly in equity</i>										
Fair value of share-based payment transactions	1,896	-	-	-	-	-	-	1,896	-	1,896
Transfers	-	-	-	50,000	4,537	-	(54,537)	-	-	-
Dividends declared for non-controlling interests	-	-	-	-	-	-	-	-	(1,435)	(1,435)
Total transactions with owners recognised directly in equity	1,896	-	-	50,000	4,537	-	(54,537)	1,896	(1,435)	461
As at 31 December 2012	1,584,862	21,762	18,325	50,000	35,244	48,172	(162,600)	1,595,765	32,027	1,627,792
<i>Comprehensive income</i>	-	-	-	-	-	-	66,601	66,601	1,776	68,377
Profit for the year	-	-	-	-	-	-	-	-	237	(6,138)
Other comprehensive income	-	-	-	-	-	(6,375)	-	(6,375)	-	-
Total comprehensive income	-	-	-	-	-	(6,375)	66,601	60,226	2,013	62,239
<i>Transactions with owners recognised directly in equity</i>										
Simplified reduction of share capital	(542,000)	-	-	-	-	-	523,892	(18,108)	-	(18,108)
Capital reserves arising from the reduction of share capital	18,108	-	-	-	-	-	-	18,108	-	18,108
Fair value of share-based payment transactions	1,359	-	-	-	-	-	-	1,359	-	1,359
Transfers from retained earnings	-	-	-	86,075	-	-	(86,075)	-	-	-
Transfers from reserves	-	-	(6,851)	-	4,050	(1,082)	3,883	-	-	-
Total transactions with owners recognised directly in equity	(522,533)	-	(6,851)	86,075	4,050	(1,082)	441,700	1,359	-	1,359
As at 31 December 2013	1,062,329	21,762	11,474	136,075	39,294	40,715	345,701	1,657,350	34,040	1,691,390

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

<i>(in thousands of HRK)</i>	2013	2012
Profit/(loss) for the year	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 property, plant, equipment and intangibles	61	4,054
Impairment losses on inventory and trade receivables	32,313	25,488
Increase in provisions	1,812	7,433
Interest income	(1,248)	(7,098)
Interest expense	58,616	70,325
Effect of changes in foreign exchange rates	4,762	6,573
Changes in working capital:	392,521	327,921
Decrease in inventories	47,630	46,365
Decrease / (increase) in trade receivables	17,604	(41,939)
Increase/(decrease) in trade payables	(93,877)	17,104
Cash generated from operations	363,878	349,451
Income taxes paid	(12,602)	(34,075)
Interest paid	(59,464)	(67,043)
Net cash from operating activities	291,812	248,333
Cash flows from investing activities		
Purchase of property, plant, equipment and intangibles	(96,421)	(94,682)
Proceeds from sale of property, plant, equipment and intangibles	1,016	4,249
Net repayment of loans and investments	(1,398)	(967)
Collected interest	1,248	7,098
Net cash from investing activities	(95,555)	(84,302)
Cash flows from financing activities		
Dividends paid	-	(1,435)
Proceeds from borrowings	269,897	187,669
Repayment of borrowings	(404,901)	(378,017)
Net cash from financing activities	(135,004)	(191,783)
Net increase / (decrease) of cash and cash equivalents	61,253	(27,752)
Cash and cash equivalents at beginning of year	118,208	145,960
Cash and cash equivalents at the end of year	179,461	118,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 1 – GENERAL INFORMATION

History and incorporation

Podravka prehrambena industrija d.d., Koprivnica (the Company) is incorporated in the Republic of Croatia. The principal activities of the Group comprises production of a wide range of food products and non-alcoholic beverages as well as production and distribution of drugs, pharmaceutical products, disinfection agents, cosmetics, auxiliary medical preparations and other chemicals. The Group consists of Podravka d.d. and its subsidiaries as stated in note 20.

The Group is headquartered in Koprivnica, Croatia, Ante Starčevića 32.

The Company's shares are listed on the official market of the Zagreb Stock Exchange.

Corporate governance and management

General Assembly

The General Assembly of the Company consists of members representing the interests of Podravka d.d.:

President	Hrvoje Matić
Deputy President	Ivan Mesić

Members of the General Assembly are individual Company shareholders or their proxies.

Supervisory Board

Supervisory Board members during 2013:

President	Dubravko Štimac
Deputy President	Mato Crkvenac
Member	Ivana Matovina
Member	Milan Stojanović
Member	Petar Vlaić
Member	Dinko Novoselec
Member	Petar Miladin
Member	Martinka Marđetko-Vuković
Member	Ivo Družić

Management Board during 2013:

President	Zvonimir Mršić
Member	Jadranka Ivanković
Member	Olivija Jakupec
Member	Miroslav Klepač
Member	Jorn Pedersen
Member	Hrvoje Kolarić

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2 – BASIS OF PREPARATION

(i) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted as by the European Union (“IFRS”)

Financial statements are presented for the Group. The financial statements of the Group comprise the consolidated financial statements of the Company and its subsidiaries. The unconsolidated financial statements of the Company, which the Company is also required to prepare in accordance with IFRS, are published separately and issued simultaneously with these consolidated financial statements.

These financial statements were authorised for issue by the Management Board on 1 April 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 3 – DISCONTINUED OPERATIONS

By the Management Board decision dated 20 June 2013, the Company announced its intention to exit the Beverages business segment in order to improve business activities, reduce operating costs and strengthen innovation and competitiveness of the Company in its key business areas. At the reporting date, the Company classified the Beverages segment as discontinued operations in accordance with IFRS 5.

The Company initiated the process of disposal of the Beverages segment and the underlying disposal group and expects to complete the disposal during 2014.

The Company recognised expenses in the amount of HRK 29,321 thousand relating to the write-down of the value of the disposal group to the lower of its carrying amount and its fair value less costs to sell. This impairment loss is recognised within other expenses relating to discontinued operations.

Depreciation expense relating to discontinued operations amounts to HRK 12,735 thousand (2012: HRK 12,098 thousand). The Company recognised expenses amounting to HRK 1,621 thousand (2012: HRK 1,083 thousand) in the statement of comprehensive income for discontinued operations with respect to termination benefits for employees.

Statement of comprehensive income for discontinued operations is as follows:

(in thousands of HRK)

	Discontinued operations	
	2013	2012
Revenue from sale	124,934	143,992
Cost of goods sold	(99,469)	(108,884)
Gross profit	25,465	35,108
Operating expenses	(52,058)	(68,345)
Other expenses	(29,321)	-
Operating loss	(55,914)	(33,237)
Loss before tax for the year	(55,914)	(33,237)
Income tax	-	-
Loss for the year	(55,914)	(33,237)
Loss per share (in HRK)		
- Basic	(10.67)	(6.34)
- Diluted	(10.67)	(6.34)

The loss from discontinued operations of HRK 55,914 thousand (2012: HRK 33,237 thousand) is attributable entirely to the owners of the Company.

Cash flow for discontinued operations is as follows:

(in thousands of HRK)

	2013	2012
Net cash from operating activities	(9,419)	(23,423)
Net cash from financing activities	-	-
Net cash from investing activities	(5,945)	(9,093)
	(15,364)	(32,516)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 3 – DISCONTINUED OPERATIONS (CONTINUED)

Disposal group held for sale

Assets of the disposal group held for sale as at 31 December 2013 are as follows:

<i>(in thousands of HRK)</i>	<u>2013</u>
Land and buildings	34,258
Equipment	41,498
Inventories	8,967
	<u>84,723</u>

Due to practical reasons the Group was not able to present liabilities for disposal group held for sale as at 31 December 2013.

Fair value measurement

Property within the disposal group is measured at fair value less costs to sell due to the fact that this fair value is lower than the carrying amount.

(i) Fair value hierarchy

One-off disposal group fair value measurement in the amount of HRK 34,258 thousand is categorised, in accordance with inputs used in estimating the fair value, as level 3.

(ii) Valuation techniques and significant inputs

The following table summarizes the valuation methods and techniques used in measuring the fair value of the disposal group and significant inputs used in the valuation.

Valuation methods and techniques	Significant unobservable inputs
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<i>Income capitalisation and comparable values method</i>	Average yield: 13%
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For buildings, the valuation model considers the present value of cash flows that the asset could generate from rent taking into account the expected net rent based on comparable transactions.	Among other factors, the estimated discount rate considers the underlying quality of the property, its location and the currently realisable rent conditions for similar locations and the comparable type of property.
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For land, the valuation model considers the real sale values achieved in the sale of comparable land at a similar location.	
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 4 – SEGMENT INFORMATION

Sales revenue

	2013.	2012.
	<i>(in thousands of HRK)</i>	
Revenue from sale of product and merchandise	3,475,790	3,446,317
Revenue from services	25,287	36,357
	3,501,077	3,482,674

For management purposes, the Group is organised in business units based on the similarity in the nature of individual product groups and has identified reportable segments in accordance with quantitative thresholds for segment reporting. The reportable segments of the Group are as follows:

- Culinary
- Sweets, snacks and beverages
- Baby food, breakfast and other food
- Meat and meat products
- Other
- Pharmaceuticals

The reportable segments are part of the internal financial reporting to the Management Board which was identified as the chief operating decision maker. The Management Board reviews the internal reports regularly and assesses the segment performance, and uses those reports in making operating decisions.

Segment revenues and results

Set out below is an analysis of the Group's revenue and results by its reportable segments, presented in accordance with IFRS 8 and a reconciliation of segment profits to profit or loss before tax as presented in the consolidated statement of comprehensive income. The revenue presented below relates to third-party sales. Inter-segment revenues are eliminated on consolidation.

<i>(in thousands of HRK)</i>	Segment revenues		Segment profits	
	2013	2012	2013	2012
Culinary	932.235	902.821	198.939	191.810
Sweets, snacks and beverages	174.036	165.184	12.172	9.099
Baby food, breakfast and other food	912.314	899.064	15.973	(2.553)
Meat and meat products	281.566	344.071	(6.736)	(3.373)
Other	349.656	345.818	(9.377)	(12.941)
Pharmaceutical	851.270	825.716	144.725	130.780
	3.501.077	3.482.674	355.696	312.822
Financial income			5.314	1.715
Other income			9.589	17.006
Central administration costs			(116.865)	(155.377)
Other costs			(61.474)	(37.914)
Finance costs			(66.523)	(74.901)
Profit before tax			125.737	63.351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 4 – SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (continued)

The Culinary segment comprises the following product groups: Seasonings and bouillons, Podravka Meals and Food mixes.

The Sweets, snacks and beverages segment comprises the following product groups: Sweets, Snacks, and Beverages

The Baby food, breakfast and other food segment comprises the following product groups: Baby food, Breakfast food, Vegetables, Condiments and baking products, Mediterranean food, Frozen food.

The Meat and meat Products segment comprises the following product groups: Finished meals and meat sauces, Sausages, Pates and sliced meats and Meat.

The Other segment comprises the following product groups: Private labels, In-sourced production, Merchandise and Other (services).

The Pharmaceutical segment comprises the following: Ethical drugs (medically prescribed drugs financed by the Ministry of Health), Non Prescription Program (drugs for which no medical prescription is required).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, other income, other expenses, financial expenses, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Impairment of goodwill and intangible assets

Based on impairment tests performed for goodwill and intangible assets with indefinite useful life, the Group recognised impairment losses during 2013 as follows:

<i>Operating segment</i>	Goodwill	Brands	Rights
	<i>(in thousands of HRK)</i>		
Culinary	-	10,300	-
Sweets, snacks and beverages	-	671	-
Pharmaceutical	13,605	-	-
	13,605	10,971	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 4 – SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group operates in four principal geographical areas by which it reports third-party sales.

<i>(in thousands of HRK)</i>	Revenue from external customers	
	2013	2012
Croatia	1,483,479	1,579,367
South-East Europe	916,122	877,709
Central and Eastern Europe	788,673	727,922
Western Europe and overseas countries	312,803	297,676
	3,501,077	3,482,674

Information about major customers

Third-party sales in Croatia account for 44% (2012: 47%) of the total revenue from external customers, whereas the remaining 56% (2012: 53%) represent foreign sales. Top 20 customers participate for 43% (2012: 42%) of the external sales. The Group has no significant exposure to an individual major customer.

Below is a more detailed overview of countries by geographical area:

Southeast Europe	Central Europe	Eastern Europe	Western Europe	Overseas countries	New markets
Albania	Bulgaria	Armenia	Austria	Argentina	Egypt
Bosnia and Herzegovina	Czech Republic	Belarus	France	Australia	Jordan
Montenegro	Hungary	Kazakhstan	Italy	Canada	Liberia
Kosovo	Poland	Kyrgystan	Netherlands	New Zealand	Turkey
Macedonia	Romania	Latvia	Germany	USA	Un. Ar. Emirates
Slovenia	Slovakia	Lithuania	Sweden		
Serbia		Russian Federation	Switzerland		
		Turkmenistan	Great Britain		
		Ukraine			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 5 – SUBSIDIARIES

Group consists of the Company and the following subsidiaries in which the Company has an ownership interest above 50% and control:

Name of subsidiary	Country	2013	2012	Principal activity
Belupo d.d., Koprivnica	Croatia	100%	100%	Production and distribution of pharmaceuticals
Belupo doel, Skopje*	Macedonia	100%	100%	Sale and distribution of pharmaceuticals
Belupo s.r.o. Bratislava*	Slovakia	100%	100%	Sale and distribution of pharmaceuticals
Belupo Ljubljana*	Slovenia	100%	100%	Sale and distribution of pharmaceuticals
Ljekarne Deltis Pharm Koprivnica*	Croatia	100%	100%	Sale and distribution of pharmaceuticals
Farmavita d.o.o. Vogošća*	Bosnia and Herzegovina	65%	65%	Proizvodnja i distribucija lijekova
Danica d.o.o., Koprivnica	Croatia	100%	100%	Meat processing and production
Lero d.o.o., Rijeka	Croatia	100%	100%	Beverage production
Ital-Ice d.o.o., Poreč	Croatia	100%	100%	Ice cream production
KOTI Nekretnine d.o.o., Koprivnica	Croatia	100%	100%	Services
Podravka Inženjering d.o.o., Koprivnica	Croatia	100%	100%	Services
Poni trgovina d.o.o., Koprivnica	Croatia	100%	100%	Sale of merchandise
Studenac d.o.o. Koprivnica	Croatia	100%	0%	Beverages production and sale
Lagris a.s., Lhota u Luhačovic	Czech Rep.	100%	100%	Rice production and sale
Podravka-Polska Sp.z o.o., Kostrzyn	Poland	100%	100%	Seasonings production and sale
Podravka-International Kft, Budapest	Hungary	100%	100%	Sale and distribution of food and beverages
Podravka d.o.o., Ljubljana	Slovenia	100%	100%	Sale and distribution of food and beverages
Podravka d.o.o., Belgrade	Serbia	100%	100%	Sale and distribution of food and beverages
Podravka-Int. Deutschland –“Konar” GmbH	Germany	100%	100%	Sale and distribution of food and beverages
Podravka-International s.r.o., Zvolen**	Slovakia	100%	100%	Sale and distribution of food and beverages
Podravka d.o.o., Podgorica	Montenegro	100%	100%	Sale and distribution of food and beverages
Podravka International, Turkey***	Turkey	100%	100%	Sale and distribution of food and beverages
Podravka-International Pty Ltd, Sydney	Australia	99%	99%	Sale and distribution of food and beverages
Sana d.o.o., Hoče	Slovenia	100%	100%	Production of wafers
Podravka-International s.r.l., Bucharest	Romania	100%	100%	Sale and distribution of food and beverages
Podravka d.o.o., Skopje	Macedonia	100%	100%	Sale and distribution of food and beverages
Podravka d.o.o., Sarajevo	Bosnia and Herzegovina	100%	100%	Sale and distribution of food and beverages
Podravka-International e.o.o.d., Sofia	Bulgaria	100%	100%	Sale and distribution of food and beverages
Podravka-International Inc. Wilmington	USA	100%	100%	Sale and distribution of food and beverages

*The Group hold these ownership interests indirectly through its subsidiary Belupo d.d.

**25% of ownership interest is held indirectly through the subsidiary Lagris a.s., Lhota u Luhačovic

*** 25% of ownership interest is held indirectly through the subsidiary Danica d.o.o., Koprivnica