



## **PODRAVKA GROUP BUSINESS RESULTS 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. 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 d.d. 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 d.d. 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.
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.



## 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

Item no.	SBA	In millions HRK				
		Jan - Mar 2014		Jan - Mar 2013		Index 2:4
0	1	2	3	4	5	6
1.	Food and Beverages	578.0	77.2	619.8	77.1	93
2.	Pharmaceuticals	170.7	22.8	184.3	22.9	93
<b>Total</b>		<b>748.7</b>	<b>100.0</b>	<b>804.2</b>	<b>100.0</b>	<b>93</b>

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 divesture 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 claims from 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%.

A further impact of the Russian-Ukrainian crisis on business plans is difficult to comment, but at this point Belupo's business is under control and in planned measures. In accordance with the agreed business strategy in export markets, the company is doing everything to reduce foreign exchange risks. Internal movement of prices of competitors is actively monitored, and company responds with own corrections, whenever possible. Usually, this is price increase, which partially compensate price and currency mismatch. Export expansion on other countries, company continues on best way, without losing the rhythm and ensuring good business results, which is evident in the markets of Bosnia and Herzegovina, Serbia and Poland.

Sales on Croatian market increased in volume, but the value has fallen by 2% as a result of price adjustments of prescribed drugs, made by the Croatian Institute for Health Insurance. If we compare

results of first quarter of 2014 with the same period last year, company realized significant sales growth in quantity of packaging (16%), of which 22% is sales growth ethical drugs packages and 4% of OTC preparations.

## New products in the first quarter of 2014

**Podravka bouillons** are a completely new generation of products that introduce a new dimension of taste for consumers. Manufactured from top quality ingredients and characterized by the taste of lightly braised meat and vegetables, they give a true local flavour to dishes. In addition, they do not contain preservatives nor added flavour enhancers and thus follow the latest trends in nutrition.



**Vegeta food supplements** present a new category in the market of Poland: **Vegeta liquid marinades** whose recipe and size are tailored to the needs of Polish consumers. Vegeta cubes have also been launched in the Polish market.

The launching of **Podravka spices** in the market of Croatia since last year's launch in the markets of SEE is also a way of filling in empty market spaces. The product range of the Croatian market has been tailored to suit the needs of Croatian consumers through a selection of products and package sizes.



**Fant** offers a new idea for lunch out of the oven: **Fant four cheese baked pasta**. Quick and easy to prepare, Fant four cheese baked pasta requires no pre-cooking. Just pour previously prepared sauce over the pasta and bake in an oven for 30 minutes. The product contains no added flavour enhancers.

**Lino baby cookies and Lino baby flips** are new members of the Lino family intended for the youngest consumers. Lino cookies will become your baby's first gourmet snack and flips the first crunchy snack just right for the baby's first teeth.

**Lino semolina** is a delicious and simple meal for all ages. Chocolate flavour lovers can enjoy in **Lino semolina with chocolate**.

The product range of Lino products has spread to the impulse product segment. **Lino mini pillows** with dark and white filling are half sized Lino pillows filled with your favourite Lino lada, milk or nougat! **Lino vafelade duo, milk and nougat** is a combination of crunchy waffle filled with Lino lada duo, milk or nougat with ground hazelnuts accompanied with the recognisable design of your favourite Lino lada.



The **Dolcela pudding** product range has been given «mini» members in the market of Slovakia. **Mini puddings**, just enough for two servings in two most sold flavours, vanilla and chocolate, have joined the Dolcela pudding family in Slovakia.

The new **Kviki crackers** are manufactured in the traditional way but in a new outfit. Three flavours, salty, pizza and smoked bacon, will be a delight for all snacks fans in Croatia, Bosnia and Hercegovina, Slovenia and Macedonia.



**Podravka** has expanded its product range of **teas** with **Urosal**. **Urosal Uvin tea** is a blend of herbs (bearberry leaf, green stone fern, birch leaf and green nettle), intended for the markets of Croatia, Bosnia, Slovenia, Macedonia and Montenegro.

**Eva tuna meatless pate** is prepared from quality tuna fillets with carefully selected spices that come together in an unforgettable flavour. Light pink colour, easy to spread and excellent flavour with no added preservatives make this pate the perfect choice for a quick and easy meal.



**Silymarin FORTE** is a new Belupo herbal drug used to relieve hepatic dysfunction, with regard to the following diseases and conditions: chronic hepatitis B and C, alcoholic liver disease and cirrhosis of the liver.

### Sales revenue per product group

Item no.	CATEGORY	In millions HRK				
		Jan - Mar 2014		Jan - Mar 2013		Index 2:4
0	1	Amount	%	Amount	%	
1.	<b>CULINARY</b>	<b>199.5</b>	<b>26.6</b>	<b>212.3</b>	<b>26.4</b>	<b>94</b>
	Food seasonings and bouillons	140.6	18.8	150.3	18.7	94
	Podravka dishes and food mixes	58.9	7.9	62.0	7.7	95
2.	<b>SWEETS, SNACK AND BEVERAGES</b>	<b>49.6</b>	<b>6.6</b>	<b>57.0</b>	<b>7.1</b>	<b>87</b>
	Beverages	21.7	2.9	26.7	3.3	81
	Sweets and snack	27.9	3.7	30.3	3.8	92
3.	<b>BABY FOOD, BREAKFAST FOODS AND OTHER FOOD</b>	<b>206.2</b>	<b>27.5</b>	<b>214.3</b>	<b>26.7</b>	<b>96</b>
	Baby food and breakfast foods	71.6	9.6	73.0	9.1	98
	Other food	134.6	18.0	141.3	17.6	95
4.	<b>MEAT AND MEAT PRODUCTS</b>	<b>51.1</b>	<b>6.8</b>	<b>62.5</b>	<b>7.8</b>	<b>82</b>
5.	<b>SBA FOOD AND BEVERAGES – ORGANIC SALES</b>	<b>506.3</b>	<b>67.6</b>	<b>546.1</b>	<b>67.9</b>	<b>93</b>
6.	<b>SBA FOOD AND BEVERAGES – Other sales</b>	<b>71.6</b>	<b>9.6</b>	<b>73.7</b>	<b>9.2</b>	<b>97</b>
7.	<b>SBA FOOD AND BEVERAGES – TOTAL SALES</b>	<b>578.0</b>	<b>77.2</b>	<b>619.8</b>	<b>77.1</b>	<b>93</b>
8.	<b>ETHICAL DRUGS</b>	<b>114.8</b>	<b>15.3</b>	<b>125.4</b>	<b>15.6</b>	<b>92</b>
9.	<b>NON-PRESCRIPTION DRUGS</b>	<b>19.0</b>	<b>2.5</b>	<b>17.9</b>	<b>2.2</b>	<b>106</b>
10.	<b>SBA PHARMACEUTICALS – ORGANIC SALES</b>	<b>133.8</b>	<b>17.9</b>	<b>143.3</b>	<b>17.8</b>	<b>93</b>
11.	<b>SBA PHARMACEUTICALS – Other sales</b>	<b>36.9</b>	<b>4.9</b>	<b>41.1</b>	<b>5.1</b>	<b>90</b>
12.	<b>SBA PHARMACEUTICALS – TOTAL SALES</b>	<b>170.7</b>	<b>22.8</b>	<b>184.3</b>	<b>22.9</b>	<b>93</b>
13.	<b>PODRAVKA GROUP – TOTAL SALES</b>	<b>748.7</b>	<b>100.0</b>	<b>804.2</b>	<b>100.0</b>	<b>93</b>

The Culinary category achieved a sales decline of 6% compared with the first quarter of 2013 which primarily resulted from lower sales in the Russian market and in the Croatian market. In Russia, model of distribution is being changed, and in short period of time it results in lower stocks at distributors. Sales to

final consumers in Russia, is in accordance with expectations. Podravka dishes and food mixes showed a 5% lower level of sales, mostly affected by lower sales levels in Croatia and Bosnia and Herzegovina.

The category Sweets, snack and beverages has a 13% lower level of sales in the observed period due to the drop of sales of Beverages (-19%), since Podravka decided to initiate the divesture of this program and therefore the Beverage programme has been classified as discontinued business. The sales of Sweets and snack were 8% lower in the observed period, due to lower sales in the domestic market.

The decrease in sales of the category Baby food, breakfast foods and other food reached 4%, with the largest impact on the listed drop from lower sales of Other food. Other food programs include Frozen foods and Bakery, which the restructuring process has identified as programs for divesture. On the other hand, the product groups Fishery products and Tomato based products have realized a sales increase. Baby food and breakfast foods dropped by 2 %, but the Baby food product group achieved sales growth in both the domestic and foreign markets, while Breakfast foods had lower sales results than in the same period last year (-8 %).

The decrease in sales of the category Meat and meat products is 18% and results from reduced sales of Fresh meat, but a drop in sales was also recorded by other product groups such as Sausages, Pates and luncheon meat, Canned ready-made meals and Meat sauce.

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

Item no.	MARKETS	In millions HRK				
		Jan - Mar 2014		Jan - Mar 2013		Index 2:4
0	1	2	3	4	5	6
1.	Croatia	293.3	39.2	333.5	41.5	88
2.	South-Eastern Europe	213.9	28.5	209.0	26.0	102
3.	Central Europe	129.4	17.3	127.9	15.9	101
4.	Western Europe, overseas countries and new markets	77.9	10.4	80.4	10.0	97
5.	Eastern Europe	34.2	4.6	53.3	6.6	64
<b>Total</b>		<b>748.7</b>	<b>100,0</b>	<b>804.2</b>	<b>100.0</b>	<b>93</b>

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

<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



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, as well.

Total sales in foreign markets amounted to HRK 455.4 million and were lower by 3% compared to a year earlier. The largest absolute increase was recorded in the market of South-Eastern Europe, with the most significant contribution from Bosnia and Herzegovina, Slovenia and Serbia in the amount of 1%, based on the sales increase in Poland. Western Europe, overseas countries and new markets dropped 3% due to lower sales in Australia and the USA, while some markets such as Germany and Scandinavia achieved good results. Eastern Europe declined mostly due to the lower value of the sales of pharmaceuticals as a result of decision to lower exposure to claims in ruble, but a lower level of sales was also realized in the SBA F&B.

### Structure of operating costs/expenses

		In millions HRK				
Item no.	COST / EXPENSE	Jan - Mar 2014		Jan - Mar 2013*		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1.	Cost of goods sold	446.9	58.9	490.5	61.7	91
2.	Selling and distribution costs	106.4	14.0	117.6	14.8	90
3.	Marketing expenses	94.8	12.5	80.7	10.2	117
4.	General and administrative expenses	111.3	14.7	105.5	13.3	105
<b>Total</b>		<b>759.4</b>	<b>100.0</b>	<b>794.3</b>	<b>100.0</b>	<b>96</b>

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

The total costs/expenses of the Podravka Group amounted to HRK 759.4 million, which is lower by HRK 34.9 million compared to the same period of last year. Cost of goods sold dropped 9%, which provides the largest contribution to the above reduction of total costs/expenses, and therefore the share of these costs in the total operating costs/expenses has been reduced from 61.7% to 58.9%. Lower Cost of goods sold result from lower labour costs, more efficient production management, lower trade payables (which results in lower prices of materials) and favourable trends in raw material prices. Selling and distribution costs were lower by 10%, due to lower labour costs, but Selling and distribution costs are also affected by lower provisions for value adjustments of trade receivables that in 2013 were higher due to the bankruptcy of some major trade accounts. Marketing expenses increased to HRK 14 million (17%), in order to accompany the many new products being launched to the market. General and administrative

expenses rose by HRK 5.8 million and contain severance payments. If corrected for the amount of severance payments in both the observed periods, the decline would be 2 %.

## Profitability of the Podravka Group

In millions HRK						
Podravka Group	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)
	Jan-Mar 2014	Jan-Mar 2013	Jan-Mar 2014	Jan-Mar 2013		
1	2	3	4	5	6	7
Sales revenue	748.7	804.2	748.7	804.2	-7%	-7%
Gross profit	301.7	313.7	301.7	313.7	-4%	-4%
EBITDA	10.9	51.3	54.6	91.8	-79%	-40%
EBIT	-21.1	13.0	22.6	53.5	n/a	-58%
Net profit /(loss) attributable to equity holders of the parent	-36.2	-9.0	7.5	31.5	n/a	-76%
<i>Profit margins %</i>						
Gross margin	40.3	39.0	40.3	39.0	130bp	130bp
EBITDA margin	1.5	6.4	7.3	11.4	-490bp	-410bp
EBIT margin	-2.8	1.6	3.0	6.6	n/a	-360bp
Net margin	-4.8	-1.1	1.0	3.9	n/a	-290bp

\*without non-recurrent items

The total sales revenue of the Podravka Group in the first quarter of 2014 is 7% lower compared to the same period of the year before, and as the Cost of goods sold declined more than the drop of sales, the gross margin grew by 130bp and is 40.3%. Other total costs grew due to higher severance payments and marketing investments, which had negative effect on the operating profit in short period of time. An additional impact on the operating profit came from high negative exchange rate differences on both accounts receivable and payable, which amounted to HRK 9.7 million, while they were positive and amounted to HRK 2 million in the same period of last year.

Extraordinary items by which the result is corrected in this period total HRK 43.7 million and refer to severance payments (HRK 47.7 million) which is a negative extraordinary item, while income from leasing returns in the amount of HRK 2.2 million and the release of provisions in the amount of HRK 1.7 million have been recorded as positive extraordinary items. Non-recurrent items of the same period of last year were HRK 40.5 million and entirely refer to severance payments.

## Profitability of the SBA Food and Beverages

In millions HRK

SPP Prehrana i pića	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)
	Jan-Mar 2014	Jan-Mar 2013	Jan-Mar 2014	Jan-Mar 2013		
1	2	3	4	5	6	7
Sales revenue	578.0	619.8	578.0	619.8	-7%	-7%
Gross profit	216.4	217.9	216.4	217.9	-1%	-1%
EBITDA	1.1	23.2	42.9	57.4	-95%	-25%
EBIT	-20.6	-3.5	21.1	30.8	n/a	-31%
Net profit /(loss) attributable to equity holders of the parent	-32.4	-17.5	9.4	16.8	n/a	-44%
<i>Profit margins %</i>						
Gross margin	37.4	35.2	37.5	35.2	220bp	220bp
EBITDA margin	0.2	3.7	7.4	9.3	-350bp	-190bp
EBIT margin	-3.6	-0.6	3.7	5.0	n/a	-130bp
Net margin	-5.6	-2.8	1.6	2.7	n/a	-110bp

\*without non-recurrent items

Favourable trends of raw material prices continue in 2014 with positive effect on the Cost of goods sold so despite the 7% drop of sales, the gross profit is only 1% lower. The gross margin of the SBA F&B grew by 220bp and is now at the level of 37.4%. As earlier mentioned, the result of the first quarter is under the influence of higher severance payments and marketing expenses which had negative impact on the profitability.

The extraordinary items within the SBA F&B are severance payments (HRK 45.7 million) and positive extraordinary items in the total amount of HRK 3.9 million.

## Profitability of the SBA Pharmaceuticals

In millions HRK

SBA Pharmaceuticals	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)
	Jan-Mar 2014	Jan-Mar 2013	Jan-Mar 2014	Jan-Mar 2013		
1	2	3	4	5	6	7
Sales revenue	170.7	184.3	170.7	184.3	-7%	-7%
Gross profit	85.3	95.8	85.3	95.8	-11%	-11%
EBITDA	9.8	28.1	11.8	34.3	-65%	-66%
EBIT	-0.5	16.5	1.5	22.6	n/a	-93%
Net profit /(loss) attributable to equity holders of the parent	-3.9	8.5	-1.9	14.7	n/a	n/a
<i>Profit margins %</i>						
Gross margin	50.0	52.0	50.0	52.0	-200bp	-200bp
EBITDA margin	5.7	15.3	6.9	18.6	-960bp	-1.170bp
EBIT margin	-0.3	8.9	0.9	12.2	n/a	-1.130bp
Net margin	-2.3	4.6	-1.1	8.0	n/a	n/a

\*without non-recurrent items

The sales volume decline of the SBA Pharmaceuticals is lower than the reported value decline and is 4%. The major reasons for such discrepancies are problems with the Russian ruble and the drop of prices in the market of ethical drugs, as a result of price reductions by the Croatian Institute of Health Insurance. Negative exchange rate differences, which are greater than in the same period of last year by as much as HRK 10.1 million, have a significant impact on the negative profitability trend.

In this period the recorded extraordinary items were severance payments in the amount of HRK 2 million.

## CONSOLIDATED STATEMENT OF INCOME

(in thousands of HRK)

	Jan-Mar 2014	Jan-Mar 2013
Sales	748,667	804,153
Cost of goods sold	(446,926)	(490,468)
<b>Gross profit</b>	<b>301,741</b>	<b>313,685</b>
Other income	4,226	3,309
General and administrative expenses	(111,307)	(105,541)
Selling and distribution costs	(106,385)	(117,567)
Marketing expenses	(94,798)	(80,725)
Other expenses	(14,579)	(170)
<b>Operating profit</b>	<b>(21,102)</b>	<b>12,991</b>
Financial income	622	2,373
Financial expenses	(14,469)	(19,565)
<b>Net finance costs</b>	<b>(13,847)</b>	<b>(17,192)</b>
<b>Profit before tax</b>	<b>(34,949)</b>	<b>(4,201)</b>
Income tax expenses	(841)	(5,090)
<b>Net profit</b>	<b>(35,790)</b>	<b>(9,291)</b>
Profit for the period attributable:		
<b>Equity holders of the parent</b>	<b>(36,229)</b>	<b>(8,993)</b>
Non-controlling interests	439	(298)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of HRK)

	31 Mar 2014	31 Dec 2013
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	25,881	25,881
Intangible assets	214,273	218,438
Property, plant and equipment	1,213,161	1,218,264
Deferred tax assets	49,473	49,573
Other financial assets	5,076	5,607
<b>Total non-current assets</b>	<b>1,507,864</b>	<b>1,517,763</b>
<b>Current assets</b>		
Inventories	618,654	572,616
Trade and other receivables	999,942	1,026,635
Financial assets at fair value through profit or loss	10,358	6,329
Cash and cash equivalents	149,347	179,461
Assets held for sale	166,734	155,354
<b>Total current assets</b>	<b>1,945,035</b>	<b>1,940,395</b>
<b>TOTAL ASSETS</b>	<b>3,452,899</b>	<b>3,458,158</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	1,062,328	1,062,328
Reserves	249,716	249,321
Retained earnings / (accumulated loss)	309,472	345,701
<b>Attributable to the equity holders of the parent</b>	<b>1,621,516</b>	<b>1,657,350</b>
Non-controlling interests	34,536	34,040
<b>Total shareholders' equity</b>	<b>1,656,052</b>	<b>1,691,390</b>
<b>Non-current liabilities</b>		
Borrowings	671,164	572,872
Provisions	48,705	49,279
Deferred tax liability	5,473	5,577
<b>Total non-current liabilities</b>	<b>725,342</b>	<b>627,728</b>
<b>Current liabilities</b>		
Trade and other payables	628,469	620,781
Income tax payables	1,420	2,849
Financial liabilities at fair value through profit and loss	2,481	2,709
Borrowings	417,897	490,413
Provisions	21,238	22,288
<b>Total current liabilities</b>	<b>1,071,505</b>	<b>1,139,040</b>
<b>Total liabilities</b>	<b>1,796,847</b>	<b>1,766,768</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,452,899</b>	<b>3,458,158</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 2013</b>	<b>1,062,328</b>	<b>21,762</b>	<b>11,474</b>	<b>136,075</b>	<b>39,294</b>	<b>40,715</b>	<b>249,320</b>	<b>345,701</b>	<b>1,657,349</b>	<b>34,040</b>	<b>1,691,389</b>
Net loss for the year	-	-	-	-	-	-	-	(36,229)	(36,229)	439	(35,790)
Other comprehensive income	-	-	-	-	-	396	396	-	396	57	453
Total comprehensive income	-	-	-	-	-	396	396	(36,229)	(35,833)	496	(35,337)
Reduce of share capital	-	-	-	-	-	-	-	-	-	-	-
Capital reserves (from reduce of share capital)	-	-	-	-	-	-	-	-	-	-	-
Fair value of share-based payments transactions	-	-	-	-	-	-	-	-	-	-	-
Transfer from retained earnings	-	-	-	-	-	-	-	-	-	-	-
Transfers from legal and other reserves	-	-	-	-	-	-	-	-	-	-	-
Total transfers (recognized directly in equity)	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2014</b>	<b>1,062,328</b>	<b>21,762</b>	<b>11,474</b>	<b>136,075</b>	<b>39,294</b>	<b>41,111</b>	<b>249,716</b>	<b>309,472</b>	<b>1,621,516</b>	<b>34,536</b>	<b>1,656,052</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of HRK)

	Jan-Mar 2014	Jan-Mar 2013
<b>Net profit</b>	(35,790)	(9,291)
Income tax	841	5,090
Depreciation and amortization	32,048	38,295
Impairment loss on assets held for sale	2,887	-
Impairment loss on investments	68	-
Remeasurement of financial instruments at fair value	(228)	(2,233)
Loss on disposal of non-current assets – net	(459)	(18)
Impairment on inventory and trade receivables	3,400	10,286
Increase in provisions	(1,624)	323
Interest income	(394)	(613)
Impairment of loans given and interests	1,500	-
Interest expense	12,771	14,168
Effect of changes in foreign exchange rate	2,259	3,342
<b>Changes in working capital:</b>		
Increase in inventories	(50,935)	(1,323)
Decrease in receivables	24,037	5,417
Increase / decrease in payables	8,737	(55,730)
<b>Cash generated from operations</b>	(882)	7,713
Income tax paid	(6,043)	(7,406)
Interest paid	(13,803)	(14,715)
<b>Net cash from operating activities</b>	(20,728)	(14,408)
<b>Cash flows from investing activities</b>		
Purchase of subsidiary and shares, net	(84)	-
Purchase of property, plant, equipment and intangibles	(23,032)	(13,174)
Proceeds from sale of property, plant, equipment and intangibles	889	100
Collection of loans and deposits given	(11,217)	320
Collected interest	394	613
<b>Net cash used in investing activities</b>	(33,050)	(12,141)
<b>Net cash flows from financing activities</b>		
Proceeds from borrowings	193,085	100,981
Repayment of borrowings	(169,421)	(77,247)
<b>Net cash used in financing activities</b>	23,664	23,734
<b>Net (decrease) / increase in cash and cash equivalents</b>	(30,114)	(2,815)
Cash and cash equivalents at beginning the period	179,461	118,208
Cash and cash equivalents at the end of the period	149,347	115,393



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