

**PODRAVKA d.d., Koprivnica**

Summary Unconsolidated Financial Statements  
for the year ended 31 December 2013

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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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 unconsolidated 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 Group 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 unconsolidated financial statements.

The summary unconsolidated financial statements were authorised by the Management Board on 1 April 2014.

  
Zvonimir Mršić  
*President of the Management Board*

 **PODRAVKA**   
PREHRAMBENA INDUSTRIJA  
KOPRIVNICA 2  
*Member of the Management Board*

Podravka d.d.

Ante Starčevića 32  
48 000 Koprivnica  
Republic of Croatia

Koprivnica, 1 April 2014

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

<i>(in HRK thousand)</i>	<u>2013</u>	<u>2012</u>
<b>Continuing operations</b>		
Revenue from sales	1,755,512	1,736,968
Cost of goods sold	(1,128,208)	(1,158,503)
<b>Gross profit</b>	<u>627,304</u>	<u>578,465</u>
Other income	9,433	9,999
General and administrative expenses	(173,367)	(198,258)
Selling and distribution costs	(201,269)	(188,943)
Marketing expenses	(143,125)	(113,548)
Other expenses	(81,353)	(29,452)
<b>Operating profit</b>	<u>37,623</u>	<u>58,263</u>
Finance income	112,374	11,283
Finance expenses	(57,057)	(60,514)
<b>Net finance income/(costs)</b>	<u>55,317</u>	<u>(49,231)</u>
<b>Profit before tax</b>	<u>92,940</u>	<u>9,032</u>
Income tax	12,621	2,590
<b>Net profit for the year from continuing operations</b>	<u>105,561</u>	<u>11,622</u>
<b>Discontinued operations</b>		
Loss from discontinued operation (net of tax)	<u>(54,195)</u>	<u>(32,313)</u>
Other comprehensive income	-	-
<b>Total comprehensive income / (loss)</b>	<u>51,366</u>	<u>(20,691)</u>

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2013

<i>(in HRK thousand)</i>	31.12.2013	31.12.2012
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	98,326	115,584
Property, plant and equipment	693,486	840,975
Investments in subsidiaries	375,383	440,304
Deferred tax assets	37,351	24,730
Non-current financial assets	12,428	57,457
<b>Total non-current assets</b>	<b>1,216,974</b>	<b>1,479,050</b>
<b>Current assets</b>		
Inventories	275,241	302,101
Trade and other receivables	669,730	631,716
Cash and cash equivalents	72,908	41,048
Non-current assets held for sale	164,410	63,184
<b>Total current assets</b>	<b>1,182,289</b>	<b>1,038,049</b>
<b>Total assets</b>	<b>2,399,263</b>	<b>2,517,099</b>
 <b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	1,061,182	1,583,958
Reserves	21,762	29,695
Retained earnings / (Accumulated losses)	51,366	(531,825)
<b>Total equity</b>	<b>1,134,310</b>	<b>1,081,828</b>
 <b>Non-current liabilities</b>		
Borrowings	527,132	683,720
Provisions	37,775	34,728
<b>Total non-current liabilities</b>	<b>564,907</b>	<b>718,448</b>
<b>Current liabilities</b>		
Trade and other payables	354,638	400,945
Financial liabilities at fair value through profit or loss	2,709	6,775
Borrowings	330,791	297,840
Provisions	11,908	11,263
<b>Total current liabilities</b>	<b>700,046</b>	<b>716,823</b>
<b>Total liabilities</b>	<b>1,264,953</b>	<b>1,435,271</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,399,263</b>	<b>2,517,099</b>

**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

<i>(in HRK thousands)</i>	Share capital	Reserve for treasury shares	Legal reserves	Other reserves	Retained earnings / (Accumulated losses)	Total
<b>As at 1 January 2012</b>	1,582,088	21,762	6,849	1,084	(511,134)	1,100,649
<i>Comprehensive income</i>						
Loss for the year	-	-	-	-	(20,691)	(20,691)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	(20,691)	(20,691)
<i>Transactions with owners recognised directly in equity</i>						
Fair value of share-based payment transactions	1,870	-	-	-	-	1,870
<b>Total transactions with owners recognised directly in equity</b>	1,870	-	-	-	-	1,870
<b>As at 31 December 2012</b>	<b>1,583,958</b>	<b>21,762</b>	<b>6,849</b>	<b>1,084</b>	<b>(531,825)</b>	<b>1,081,828</b>
<i>Comprehensive income</i>						
Profit for the year	-	-	-	-	51,366	51,366
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	51,366	51,366
<i>Transactions with owners recognised directly in equity</i>						
Simplified reduction of share capital	(542,000)	-	(6,849)	(1,084)	531,825	(18,108)
Capital reserves effect of share capital decrease	18,108	-	-	-	-	18,108
Fair value of share-based payment transactions	1,116	-	-	-	-	1,116
<b>Total transactions with owners recognised directly in equity</b>	<b>(522,776)</b>	-	<b>(6,849)</b>	<b>(1,084)</b>	<b>531,825</b>	<b>1,116</b>
<b>As at 31 December 2013</b>	<b>1,061,182</b>	<b>21,762</b>	-	-	<b>51,366</b>	<b>1,134,310</b>

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

<i>(in thousands of HRK)</i>	2013	2012
<b>Profit/(loss) before tax</b>	<b>38,745</b>	<b>(23,281)</b>
Depreciation and amortization	84,985	85,505
Impairment of property, plant, equipment and intangibles	10,971	15,892
Impairment of assets held for sale	63,561	8,585
Remeasurement of financial instruments at fair value	(4,066)	3,372
Dividend income	(100,000)	-
Share-based payment transactions	1,116	1,870
(Gain)/loss on disposal of property, plant, equipment and intangibles	(123)	2,728
Impairment losses on trade receivables	26,576	9,696
(Decrease)/increase in provisions	(832)	9,449
Interest income	(8,308)	(11,279)
Interest expense	48,811	56,287
Impairment of investments	34,271	247
Foreign exchange differences	8,246	691
<b>Changes in working capital:</b>	<b>203,953</b>	<b>159,762</b>
Decrease in inventories	18,535	36,942
Decrease in receivables	25,068	18,753
Increase in payables	(1,603)	(9,011)
<b>Cash generated from operations</b>	<b>245,953</b>	<b>206,446</b>
Interest paid	(49,913)	(59,271)
<b>Net cash from operating activities</b>	<b>196,040</b>	<b>147,175</b>
<b>Cash flows from investing activities</b>		
Incorporation of subsidiary	(20)	-
Investment in existing subsidiary	(16,775)	-
Purchase of property, plant, equipment and intangibles	(40,553)	(69,779)
Proceeds from sale of property, plant, equipment and intangibles	448	176
Net repayment of deposits and loans receivable	23,867	36,156
Recovered interest	13,178	14,384
Other cash flows from investing activities	-	61
<b>Net cash from investing activities</b>	<b>(19,855)</b>	<b>(19,002)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	146,933	73,553
Repayment of borrowings	(291,258)	(229,811)
<b>Net cash from financing activities</b>	<b>(144,325)</b>	<b>(156,258)</b>
<b>Net increase/(decrease) of cash and cash equivalents</b>	<b>31,860</b>	<b>(28,085)</b>
Cash and cash equivalents at beginning of year	41,048	69,133
<b>Cash and cash equivalents at the end of year</b>	<b>72,908</b>	<b>41,048</b>

**NOTE 1 – GENERAL INFORMATION**

**History and incorporation**

Podravka prehrambena industrija d.d., Koprivnica ('the Company'), is incorporated in the Republic of Croatia. In 1934, the brothers Wolf opened a fruit processing unit, the predecessor of the Company, a today's leading company in industry operating in the area of South-Eastern and Central and Eastern Europe. The principal activity of the Company comprises production of a wide range of foodstuffs and non-alcoholic beverages.

The Company 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*

Members of the Supervisory Board in 2013:

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

*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 FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

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**NOTE 2 – BASIS OF PREPARATION**

*(i) Statement of compliance*

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

These financial statements represent those of the Company only. The consolidated financial statements of the Company and its subsidiaries, which the Company is also required to prepare in accordance with IFRS and Croatian law, are published as separately and issued simultaneously with these unconsolidated financial statements.

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

**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 and amortization 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)*

	<b>Discontinued operation</b>	
	<b>2013</b>	<b>2012</b>
Revenue from sales	121,347	140,746
Cost of goods sold	(98,104)	(108,695)
<b>Gross profit</b>	<b>23,243</b>	<b>32,051</b>
Operating expenses	(48,117)	(64,364)
Other expenses	(29,321)	-
<b>Operating loss</b>	<b>(54,195)</b>	<b>(32,313)</b>
<b>Loss before income tax</b>	<b>(54,195)</b>	<b>(32,313)</b>
Income tax	-	-
<b>Net loss for the year</b>	<b>(54,195)</b>	<b>(32,313)</b>
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(54,195)</b>	<b>(32,313)</b>

Statement of cash flow for discontinued operations is:

*(in thousands of HRK)*

	<b>2013</b>	<b>2012</b>
Net cash from operating activities	(7,922)	(22,337)
Net cash from financing activities	-	-
Net cash from investing activities	(5,945)	(9,093)
	<b>(13,867)</b>	<b>(31,430)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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>	<b>2013.</b>
Investment in Studenac d.o.o.	20
Land and buildings	34,258
Equipment	41,498
Finished goods	8,325
	<b>84,101</b>

Due to practical reasons the Company was unable to present the liabilities of the 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.

<b>Valuation methods and techniques</b>	<b>Significant unobservable inputs</b>
<i>Income capitalisation and comparable values method</i>	Average yield: 13%
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 comparative type of property.
For land, the valuation model considers the real sale values achieved in the sale of comparable land at a similar location.	