



UNAUDITED BUSINESS RESULTS OF THE PODRAVKA GROUP FOR THE PERIOD JANUARY – DECEMBER 2012

Main business characteristics

1. The total sales of the Podravka Group in the year 2012 amounted to 3,626.7 million HRK, which is at the same level as in the year 2011.
2. The realised net profit of the Podravka Group without non-recurrent items is 111.7 million HRK, which is a 7% growth compared to the net profit of the year 2011 shown in a comparative manner.
3. The business results of the Podravka Group for 2012 are under the significant influence of non-recurrent items which at the net profit level amount to a total of 131.8 million HRK and primarily refer to value adjustments of tangible and intangible assets and severance payments in accordance with the severance program for redundant employees.
4. Net cash from operating activities is higher for 95 million HRK, which is a 62% growth compared to the year 2011.
5. The total value of capital investments in the observed period was 94,4 million HRK.

Significant events in the year 2012

1. Changes in the Supervisory and Management Board of Podravka d.d.
2. Start of restructuring process, adoption of Strategic plan of Podravka Group for the period 2013 – 2017.
3. Conduction of optimisation process in Podravka Group: the cattle slaughtering line was closed, reduction of the product portfolio by approximately 660 products which had not reached the expected profitability.
4. The redundancy program for employees was conducted and it is continued in year 2013.

Notes

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

SBA "Food and Beverages"

1. **Business program Podravka food**

- Podravka brands
 - Fruit and vegetable products, side dishes and other (Fruit and vegetable products, Side dishes, Mill and bakery products and other)
 - Baby food, sweets and snack
 - Fish and fishery products
- Other

2. **Business program dishes and food seasonings**

- Podravka brands
 - Food seasonings
 - Podravka dishes
- Other

3. **Business program meat**

- Podravka brands
- Other

4. **Business program beverages**

- Podravka brands
- Other

SBA "Pharmaceuticals"

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 millionsHRK
Item no.	SBA	Jan-Dec 2012		Jan-Dec 2011		Index 2:4	
		Amount	%	Amount	%		
0	1	2	3	4	5	6	
1	Food and Beverages	2,799.3	77.2	2,828.9	78.0	99	
2	Pharmaceuticals	827.4	22.8	796.3	22.0	104	
Total		3,626.7	100.0	3,625.2	100.0	100	

Sales revenue of the Podravka Group amounted to 3,626.7 million HRK and is 1.5 million HRK higher compared to the year 2011.

Sales of the SBA Food and Beverages totalled 2,799.3 million HRK, which represents a sales drop of 1% compared to the year 2011. A somewhat lower level of sales results from the drop of this SBA in Croatia (-2%) as the domestic demand is still weak due to the long-term recession. The main economic indicators in Croatia continue to record unfavourable trends – unemployment has recorded a growth of 5.5%¹, the real net salary is 2.2%² lower, the real retail trade recorded a drop of 3.9%³, which all together has negative impact on consumption. On the other hand, the market of South-East Europe has recorded a 2% increase of sales in the SBA Food and Beverages with the highest contribution from the markets of Bosnia and Herzegovina, Macedonia and Kosovo. In addition, the market of Western Europe, overseas countries and the Orient has grown 3% with the highest contribution from the markets of Australia and the USA.

The SBA Pharmaceuticals achieved sales in the amount of 827.4 million HRK, which is a 4% increase of sales at annual level. This growth is generated by a higher level of sales on foreign markets (11%) of which the most prominent markets are Russia and Bosnia and Herzegovina. Sales on the market of Croatia is 2% lower compared to the year 2011. The sales structure analysed according to the ATC⁴ classification shows that the most significant growth was achieved by dermatic drugs, drugs with effect on the blood and blood-forming organs and drugs for the digestive system and the metabolism.

¹ Source: Central Bureau of Statistics, Croatian Employment Centre; data refers to the period 1.-11.2012.

² Source: Central Bureau of Statistics, Croatian Employment Centre; data refers to the period 1.-11.2012.

³ Source: Central Bureau of Statistics, Croatian Employment Centre data refers to the period 1.-11.2012.

⁴ Anatomic-therapeutic-chemical system of drug classification

New products in the fourth quarter of the year 2012



Podravka tea raspberry and blackberry with vanilla, plum, apple with cinnamon and orange with cinnamon and cloves are new products that provide a carefully selected mixture of finely ground herbs and fruit with rounded and rich taste and aroma. Its pleasant fruity taste makes this tea beverage suitable for all occasions and each filter bag is wrapped in an aroma envelope, a special foil that preserves the freshness and aroma.



Ham luncheon meat and Piquant ham luncheon meat are made from the finest ingredients and are characterized by extreme juiciness. They bear the label “light” as they contain 30% less fat compared to standard products on the market. The first choice for consumers who take care of their diet and at the same time enjoy rich taste.



Hederan akut granules can be applied to help relieve cough as they contribute to maintaining respiratory health and soothing cough.

Sales revenues per product groups

in millions HRK						
Item no.	PRODUCT GROUP	Jan-Dec 2012		Jan-Dec 2011		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	BP PODRAVKA FOOD	1,304.7	36.0	1,291.7	35.6	101
	Podravka brands	994.4	27.4	987.2	27.2	101
	- Fruit and vegetable products, side dishes and other	475.3	13.1	480.8	13.3	99
	- Baby food, sweets and snack	390.6	10.8	380.1	10.5	103
	- Fish and fishery products	128.5	3.5	126.3	3.5	102
	Other	310.3	8.6	304.5	8.4	102
2	BP DISHES AND FOOD SEASONINGS	933.3	25.7	941.2	26.0	99
	Podravka brands	899.3	24.8	908.8	25.1	99
	- Food seasonings	655.5	18.1	672.6	18.6	97
	- Podravka dishes	243.8	6.7	236.2	6.5	103
	Other	34.0	0.9	32.4	0.9	105
3	BP MEAT	388.8	10.7	409.7	11.3	95
	Podravka brands	344.1	9.5	371.0	10.2	93
	Other	44.7	1.2	38.7	1.1	116
4	BP BEVERAGES	172.5	4.8	186.3	5.1	93
	Podravka brands	168.9	4.7	171.4	4.7	99
	Other	3.6	0.1	14.9	0.4	24
5	Pharmaceuticals	827.4	22.8	796.3	22.0	104
	Total	3,626.7	100.0	3,625.3	100.0	100

The BP Podravka Food achieved an increase of sales of 1% compared to the year 2011, with the highest contribution from the product group Baby food, sweets and snack (3%) primarily based on a higher level of sales of cream spreads. Fruit and vegetable products, side dishes and other recorded a sales drop of 1% due to a lower level of sales of Mill and bakery products. The increase of sales of 2% realised in the product group Fish and fishery products results from a higher level of sales achieved on the markets of Croatia, Slovenia and Slovakia.

The sales of the BP Dishes and food seasoning is 1% lower with a 3% drop of Food seasoning but a 3% sales increase of Podravka dishes. This increase of Podravka dishes mostly results from a higher level of sales of soups on the market of South-East Croatia.

The drop of sales of the BP Meat of 5% occurred as a result of reduced sales volume of fresh meat characterised by a low profit margin. On the other hand, the sales of cured meat products, meat spreads and canned ready-to-serve meals shows a higher level of sales than in the year 2011.

The sales level of the BP Beverages is 7% lower compared to the year 2011, but the organic growth of this business program dropped 1%. Particular product groups within the BP Beverages, for example Mineral water and Syrups, have achieved good sales results and recorded double digit sales growth.

Sales revenues of the Podravka Group per market ⁵

Item no.	MARKETS	In millions HRK				
		Jan-Dec 2012		Jan-Dec 2011		Index 2:4
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Croatia	1,707.3	47.1	1,741.8	48.0	98
2	South-East Europe	893.4	24.6	877.2	24.2	102
3	Central Europe	486.9	13.4	498.7	13.8	98
4	Western Europe, overseas countries and Orient	298.1	8.2	291.5	8.0	102
5	Eastern Europe	241.0	6.7	216.0	6.0	112
Total		3,626.7	100.0	3,625.2	100.0	100

Sales in the amount of 1,707.3 million HRK, which is 47.1% of the total sales of the Podravka Group, was realized on the market of Croatia. The Croatian market achieved a 2% lower level of sales mainly due to negative trends in domestic economy and weak demand. Sales on foreign markets amount to 1,919.4 million HRK which is a growth of 2% and the share of foreign markets in total sales is 52.9%. The market of Eastern Europe recorded the highest absolute sales growth, primarily due to a higher level of sales in Russia (17%). The market of South-East Europe also achieved a significant sales growth with the highest contribution from Bosnia and Herzegovina (2%), Kosovo (15%) and Macedonia (6%). The market of Western Europe, overseas countries and the Orient achieved a sales growth of 3% with the highest contribution from the markets of Australia (15%) and the USA (11%), Although the market of Central Europe recorded a lower level of growth of 2% it should be noted that sales in the last quarter of 2012 are higher than in the same period of the year 2011, which has mitigated the total drop of sales on this market in the year 2012.

⁵ South-East Europe – Albania, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Slovenia, Serbia
 Central Europe – Czech Republic, Hungary, Poland, Slovakia
 Western Europe, overseas countries and the Orient – 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 and expenses

Item no.	COST/EXPENSE	In millions HRK				
		Jan-Dec 2012		Jan-Dec 2011		Index 2:4
0	1	2	3	4	5	6
1	Cost of goods sold	2,218.4	63.2	2,196.2	64.2	101
2	Selling and distribution costs	517.1	14.7	527.9	15.4	98
3	Marketing expenses	427.9	12.2	426.3	12.5	100
4	General and administrative expenses	346.7	9.9	272.2	7.9	127
Total		3,510.1	100.0	3,422.6	100.0	103

The total operating costs and expenses of the Podravka Group are 3,510.1 million HRK and are 3% higher compared to the year 2011, with the highest contribution coming from the increase of General and administrative expenses. In compliance with the redundancy program, 309 employees left the Podravka Group in 2012 for whom severance payments had been paid in the amount of 39.1 million HRK which has been disclosed under General and administrative expenses. A part of these expenses had been returned by the end of the year in the form of lower employee costs in the amount of 10.3 million HRK, while savings on the grounds of the mentioned reduction of employees in the year 2013 are expected in the amount of approximately 32 million HRK. Apart from this, the reclassification of costs and expenses in 2012 also influenced the increase of General and administrative expenses, the effect of which amounts to about 19 million HRK higher General and administrative expenses. Cost of goods sold increased 1% in the year 2012, while Marketing expenses are at about the same level as the year before.

Profitability of the Podravka Group

In millions HRK						
Podravka Group	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)
	Jan-Dec 2012	Jan-Dec 2011	Jan-Dec 2012*	Jan-Dec 2011*		
1	2	3	4	5	6	7
Sales revenue	3,626.7	3,625.2	3,626.7	3,625.2	0%	0%
Gross profit	1,408.2	1,429.0	1,408.2	1,429.0	-1%	-1%
EBITDA**	289.3	384.3	353.0	381.0	-25%	-7%
EBIT	99.3	162.0	200.3	223.5	-39%	-10%
Net profit	-20.1	42.8	111.7	104.3	-147%	7%
<i>Profit margins %</i>						
Gross margin	38.8	39.4	38.8	39.4	-60bp	-60bp
EBITDA margin	8.0	10.6	9.7	10.5	-260bp	-80bp
EBIT margin	2.7	4.5	5.5	6.2	-180bp	-70bp
Net margin	-0.6	1.2	3.1	2.9	-180bp	20bp

*without non-recurrent items

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

The total sales revenue of the Podravka Group recorded a mild increase (for 1.5 million HRK), while Cost of goods sold grew faster, so that the gross profit in 2012 is 1% lower compared to the year 2011. This resulted in a lower gross margin by 60bp, thus the gross margin for the year 2012 is 38.8%.

The business results for the Podravka Group for 2012 are under a significant influence of non-recurrent items which at the EBIT level are 101 million HRK, while at the net profit level they are 131.8 million HRK. Namely, in the year 2012 value reductions were made of intangible assets acquired in previous periods according to the recorded market trends and of tangible assets that are not in the function of creating new value and these adjustments together amount to a total of 37.4 million HRK. In addition, other non-recurrent items which had negative impact on the business results are 63.6 million HRK and refer to expenses that result from the redundancy program (49.9 million HRK), reservations on the grounds of tax bills (4.6 million HRK) and reservations for the court proceedings which does not come out from operations (9.1 million HRK). The level of net profit was also additionally corrected for the adjusted value of deferred tax assets (30.8 million HRK).

The EBITDA is 289.3 million HRK and the corresponding margin is at the level of 8%. The EBITDA is calculated so that the operating profit is increased by amortization and value adjustments of both tangible and intangible assets (which were 37.4 million HRK in the year 2012 and 64.8 million HRK in 2011).

In year 2012, corrections of the financial statements were made in comparative financial statements for previous periods as a result of the harmonization of accounting policies of the Podravka Group with the amendments of the IFRS and adoption of particular accounting policies which had not been defined in earlier periods. Mentioned corrections refer to the following:

- a) The treatment of capitalized premiums on life insurance policies of employees (a correction was made of the loss brought forward from earlier periods and the results for the year 2011);
- b) Correction of the initial value of the SMS brand (as a result of the harmonization of accounting policy for recognizing assets taken over as compensation for unrecoverable debt);
- c) A review of inter-company margins showed the need for redefining the average inter-company margin rate which has been applied in eliminating the effects of stocks within the group (so a correction was made for the loss brought forward from previous periods and the results for the year 2011, accordingly).

Profitability of SBA Food & Beverages

In millions HRK						
SBA Food & beverages	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)
	Jan-Dec 2012	Jan-Dec 2011	Jan-Dec 2012*	Jan-Dec 2011*		
1	2	3	4	5	6	7
Sales revenue	2,799.3	2,828.8	2,799.3	2,828.8	-1%	-1%
Gross profit	949.4	991.6	949.4	991.6	-4%	-4%
EBITDA**	117.0	221.7	174.4	217.4	-47%	-20%
EBIT	-17.2	47.3	67.9	104.9	-136%	-35%
Net profit	-102.3	-27.6	13.6	30.0	-271%	-55%
<i>Profit margins %</i>						
Gross margin	33.9	35.1	33.9	35.1	-120bp	-120bp
EBITDA margin	4.2	7.8	6.2	7.7	-360bp	-150bp
EBIT margin	-0.6	1.7	2.4	3.7	-230bp	-130bp
Net margin	-3.7	-1.0	0.5	1.1	-270bp	-60bp

* without non-recurrent items

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

The sales of the SBA Food and Beverages is 1% lower but the gross profit dropped 4% due to higher Cost of goods sold. Accordingly, the gross margin is 33.9% and is 120bp lower than in the year 2011.

Extraordinary items which in the observed period burden the SBA Food and Beverages are 85.1 million HRK at the EBIT level and 115.9 million HRK at the net profit level.

Profitability of SBA Pharmaceuticals

In millions HRK

SBA Pharmaceuticals	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)
	Jan-Dec 2012	Jan-Dec 2011	Jan-Dec 2012*	Jan-Dec 2011.*		
1	2	3	4	5	6	7
Sales revenue	827.4	796.3	827.4	796.3	4%	4%
Gross profit	458.9	437.4	458.9	437.4	5%	5%
EBITDA	172.3	162.5	178.5	163.6	6%	9%
EBIT	116.5	114.7	132.4	118.7	2%	12%
Net profit	82.1	70.4	98.0	74.4	17%	32%
<i>Profit margins %</i>						
Gross margin	55.5	54.9	55.5	54.9	60bp	60bp
EBITDA margin	20.8	20.4	21.6	20.5	40bp	110bp
EBIT margin	14.1	14.4	16.0	14.9	-30bp	110bp
Net margin	9.9	8.8	11.8	9.3	110bp	250bp

* without non-recurrent items

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

Sales of the SBA Pharmaceuticals increased 4%, while the gross profit is 5% higher and therefore profitability grew at all levels. As earlier mentioned, corrections for 2011 were made due to the treatment of capitalized premiums on life insurance policies of employees. Extraordinary items noted in this period are severance payments (6.2 million HRK) and pharmacy rights adjustments (9.7 million HRK).

CONSOLIDATED STATEMENT OF INCOME

(in thousands of HRK)

	Jan – Dec 2012	Jan – Dec 2011
Sales	3,626,666	3,625,162
Cost of goods sold	(2,218,42)	(2,196,160)
Gross profit	1,408,242	1,429,002
Investment revenue	9,315	13,334
Other (losses) / gains, net	(24,705)	(51,988)
General and administrative expenses	(346,721)	(272,215)
Selling and distribution costs	(517,116)	(527,896)
Marketing expenses	(427,945)	(426,309)
Other expenses	(1,792)	(1,918)
Profit from operations	99,278	162,010
Finance costs	(73,186)	(100,010)
Profit before tax	26,092	62,000
Income tax expenses	(47,590)	(19,060)
Net profit	(21,498)	42,940
Profit for the period attributable:		
To the equity holders of the parent	(20,144)	42,792
Non-controlling interests	(1,354)	148

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of HRK)

	31.December 2012	31 December 2011
ASSETS		
Non-current assets		
Property, plant and equipment	1,440,318	1,519,649
Goodwill	41,983	41,129
Intangible assets	237,659	262,998
Deferred tax assets	35,420	60,633
Other financial assets	5,343	4,323
Total non-current assets	<u>1,760,723</u>	<u>1,888,732</u>
Current assets		
Inventories	631,117	680,774
Trade and other receivables	1,080,206	1,058,040
Financial assets at fair value through profit or loss	600	559
Cash and cash equivalents	118,208	145,960
	<u>1,830,131</u>	<u>1,885,333</u>
Non-current assets held for sale	64,418	57,657
Total current assets	<u>1,894,549</u>	<u>1,942,990</u>
TOTAL ASSETS	<u>3,655,272</u>	<u>3,831,722</u>
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,584,862	1,582,966
Reserves	137,793	119,645
Accumulated loss	(89,291)	(64,609)
Attributable to the equity holders of the parent	<u>1,633,364</u>	<u>1,638,002</u>
Non-controlling interests	32,027	34,787
Total shareholders' equity	<u>1,665,391</u>	<u>1,672,789</u>
Non-current liabilities		
Long-term debt	734,030	897,616
Provisions	46,778	34,326
Deferred tax liability	6,298	6,997
Total non-current liabilities	<u>787,106</u>	<u>938,939</u>
Current liabilities		
Trade and other payables	720,470	710,789
Short-term borrowings	463,851	485,733
Provisions	18,454	23,472
Total current liabilities	<u>1,202,775</u>	<u>1,219,994</u>
Total liabilities	<u>1,989,881</u>	<u>2,158,933</u>
TOTAL EQUITY AND LIABILITIES	<u>3,655,272</u>	<u>3,831,722</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of HRK)

	Share capital	Reserves	Accumulated loss / Retained earnings	Total	Non-controlling interest	Total
Balance at 31 December 2011	1,582,966	119,645	(64,609)	1,638,002	34,787	1,672,789
Net loss for the year	-	-	(20,144)	(20,144)	(1,354)	(21,498)
Other comprehensive income	-	13,610	-	13,610	29	13,639
Total comprehensive loss	-	13,610	(20,144)	(6,534)	(1,325)	(7,859)
Fair value of share based payments	1,896	-	-	1,896	-	1,896
Transfer in other and legal reserves	-	4,538	(4,538)	-	-	-
Dividend payment to minority	-	-	-	-	(1,435)	(1,435)
Balance at 31 December 2012	1,584,862	137,793	(89,291)	1,633,364	32,027	1,665,391

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of HRK)

	Jan-Dec 2012	Jan-Dec 2011
Net (loss) / profit	(21,498)	42,940
Income tax	47,589	19,060
Depreciation and amortization	152,669	157,488
Losses on brand adjustments and pharmacy rights adjustments	30,676	41,041
Value adjustment of assets held for sale	6,238	16,642
Losses of value adjustments of goodwill	-	7,134
Losses of value adjustments of financial assets, net	-	3,500
Losses of value adjustments of share based payments	1,896	2,232
Losses on disposal of non-current assets, net	2,979	384
Losses on value adjustments of liabilities at fair value through profit or loss	-	3,632
Unrealised losses / (gains) per Swap contract	3,468	(830)
(Gains) / losses per option contracts	-	(16,537)
Value adjustments of current assets	25,488	5,367
Increase of provisions	6,850	(838)
Interest received	(5,621)	(9,216)
Interest paid	70,377	84,485
Effect of changes in foreign exchanges rates	8,010	15,859
Other items not affecting cash	(6,270)	(1,825)
Changes in working capital		
Decrease / (increase) in inventories	46,365	(7,741)
(Increase) in trade receivables	(60,297)	(32,357)
Decrease in other current assets	16,965	5,518
Increase in trade payables	11,871	26,037
Increase / (decrease) in other liabilities	18,744	(92,174)
Net cash from operations	355,498	269,833

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(in thousands of HRK)

	Jan-Dec 2012	Jan-Dec 2011
Cash flows from operating activities		
Cash from operations	357,498	269,833
Income taxes paid	(34,375)	(21,118)
Interest paid	(74,852)	(95,444)
Net cash from operating activities	248,271	153,271
Cash flows from investing activities		
Income from insurance	-	23,723
Payments made for property, plant, equipment and intangible assets	(94,369)	(102,249)
Sale of tangible and intangible assets	3,234	8,249
Long-term loans given and deposits given	(2,331)	(10)
Repayment of long-term loans given and deposits given	2,281	3,587
Purchase of trading securities	(92,819)	(97,843)
Sale of trading securities	92,686	111,103
Short-term loans and deposits given	(222)	(280)
Repayment of short-term and deposits given	243	46,652
Collected interest	5,621	9,237
Acquisitions of subsidiaries, net of cash acquired	-	(6,843)
Net cash used in investing activities	(85,676)	(4,675)
Net cash flows from financing activities		
Proceeds from long-term borrowings	85,783	602,508
Repayment of long-term borrowings	(250,969)	(612,808)
Proceeds from short-term borrowings	101,886	76,960
Repayment of short-term borrowings	(127,048)	(221,659)
Net cash used in financing activities	(190,347)	(154,999)
Net (decrease) in cash and cash equivalents	(27,752)	(6,403)
Cash and cash equivalents at beginning the period	145,960	152,363
Cash and cash equivalents at the end of the period	118,208	145,960

Always with a heart



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