



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 HRK 3,626.7 million, 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 HRK 112.6 million, which is a 10% 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 HRK 126.7 million 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 HRK 96 million, which is a 63% growth compared to the year 2011.
5. The total value of capital investments in the observed period was HRK 94,7 million.

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 HRK 3,626.7 million and is HRK 1.5 million higher compared to the year 2011.

Sales of the SBA Food and Beverages totalled HRK 2,799.3 million, 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 6.2%¹, the real net salary is 2.6%² lower, the real retail trade recorded a drop of 4.1%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 HRK 827.4 million, 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.-12.2012.

² Source: Central Bureau of Statistics; data refers to the period 1.-12.2012.

³ Source: Central Bureau of Statistics; data refers to the period 1.-12.2012.

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 HRK 1,707.3 million, 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 HRK 1,919.4 million 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
		Amount	%	Amount	%	
0	1	2	3	4	5	6
1	Cost of goods sold	2,210.9	63.1	2,200.2	64.2	100
2	Selling and distribution costs	516.5	14.7	524.6	15.3	98
3	Marketing expenses	428.0	12.2	426.5	12.5	100
4	General and administrative expenses	347.1	9.9	273.6	8.0	127
Total		3,502.5	100.0	3,424.9	100.0	102

*reclassification of costs

The total operating costs and expenses of the Podravka Group are HRK 3,502.5 million and are 2% 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 HRK 39.1 million 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 HRK 10.3 million, while savings on the grounds of the mentioned reduction of employees in the year 2013 are expected in the amount of approximately HRK 32 million. 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 HRK 19 million higher General and administrative expenses. In year 2012, Cost of goods sold and Marketing expenses are slightly higher than 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	1,415.7	1,425.0	1,415.7	1,425.0	-1%	-1%
EBITDA**	289.3	392.4	352.9	389.2	-26%	-9%
EBIT	103.3	167.8	199.2	229.3	-38%	-13%
Net profit	-14.1	40.5	112.6	102.0	-135%	10%
<i>Profit margins %</i>						
Gross margin	39.0	39.3	39.0	39.3	-30bp	-30bp
EBITDA margin	8.0	10.8	9.7	10.7	-280bp	-100bp
EBIT margin	2.8	4.6	5.5	6.3	-180bp	-80bp
Net margin	-0.4	1.1	3.1	2.8	-150bp	30bp

*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 HRK 1.5 million), 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 30bp, thus the gross margin for the year 2012 is 39%.

The business results for the Podravka Group for 2012 are under a significant influence of non-recurrent items which at the EBIT level are HRK 95.9 million, while at the net profit level they are HRK 126.7 million. 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 HRK 32.3 million. In addition, other non-recurrent items which had negative impact on the business results are HRK 63.6 million and refer to expenses that result from the redundancy program (HRK 49.9 million), reservations on the grounds of tax bills (HRK 4.6 million) and reservations for the court proceedings which does not come out from operations (HRK 9.1 million). The level of net profit was also additionally corrected for the adjusted value of deferred tax assets (HRK 30.8 million).

The EBITDA is HRK 289.3 million 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 HRK 32.3 million in the year 2012 and HRK 64.8 million 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).
- d) In year 2012 Podravka Group made corrections of revaluation of land and buildings from year 1999.

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	2,828.9	2,799.3	2,828.9	-1%	-1%
Gross profit	956.8	986.3	956.8	986.3	-3%	-3%
EBITDA**	120.0	230.9	177.4	226.6	-48%	-20%
EBIT	-10.2	54.2	69.8	111.7	-119%	-37%
Net profit	-98.2	-29.9	12.6	27.6	-228%	-55%
<i>Profit margins %</i>						
Gross margin	34.2	34.9	34.2	34.9	-70bp	-70bp
EBITDA margin	4.3	8.2	6.3	8.0	-390bp	-170bp
EBIT margin	-0.4	1.9	2.5	3.9	-230bp	-140bp
Net margin	-3.5	-1.1	0.5	1.0	-240bp	-50bp

* 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 3% due to higher Cost of goods sold. Accordingly, the gross margin is 34.2% and is 70bp lower than in the year 2011.

Extraordinary items which in the observed period burden the SBA Food and Beverages are HRK 80 million at the EBIT level and HRK 110.8 million 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	438.7	458.9	438.7	5%	5%
EBITDA	169.3	161.4	175.5	162.5	5%	8%
EBIT	113.5	113.6	129.4	117.6	0%	10%
Net profit	84.1	70.4	100.0	74.4	19%	34%
<i>Profit margins %</i>						
Gross margin	55.5	55.1	55.5	55.1	40bp	40bp
EBITDA margin	20.5	20.3	21.2	20.4	20bp	80bp
EBIT margin	13.7	14.3	15.6	14.8	-60bp	80bp
Net margin	10.2	8.8	12.1	9.3	140bp	280bp

* 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 (HRK 6.2 million) and pharmacy rights adjustments (HRK 9.7 million).

CONSOLIDATED STATEMENT OF INCOME

(in thousands of HRK)

	Jan – Dec 2012	Jan – Dec 2011 Restated
Revenues	3,626,666	3,625,162
Cost of goods sold	(2,210,947)	(2,200,158)
Gross profit	1,415,719	1,425,004
Other income	17,006	34,682
General and administrative expenses	(347,072)	(273,626)
Selling and distribution costs	(516,453)	(524,623)
Marketing expenses	(427,986)	(426,496)
Other expenses	(37,914)	(67,119)
Operating profit	103,300	167,822
Finance income	1,715	4,364
Finance expenses	(74,901)	(112,509)
Net finance costs	(73,186)	(108,145)
Profit before tax	30,114	59,677
Income tax expense	(45,570)	(19,060)
Profit/(loss) for the year	(15,456)	40,617
Other comprehensive income		
Exchange differences on translation of foreign operations	13,640	(10,693)
Total comprehensive income /(loss)	(1,816)	29,924
Profit /(loss) attributable:		
Equity holders of the parent	(14,102)	40,469
Non-controlling interests	(1,354)	148
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent	(491)	29,484
Non-controlling interests	(1,325)	440

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of HRK)

	31.December 2012	31 December 2011 Restated
ASSETS		
Non-current assets		
Goodwill	41,984	41,129
Intangible assets	237,657	262,998
Property, plant and equipment	1,400,740	1,476,007
Non-current financial assets	5,343	4,323
Deferred tax assets	35,420	60,633
Total non-current assets	1,721,144	1,845,090
Current assets		
Inventories	631,117	680,774
Trade and other receivables	1,074,648	1,055,224
Financial assets at fair value through profit and loss	600	559
Income tax receivable	7,537	2,816
Cash and cash equivalents	118,208	145,960
Non-current assets held for sale	64,418	57,657
Total current assets	1,896,528	1,942,990
Total assets	3,617,672	3,788,080
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,584,862	1,582,966
Reserves	173,503	105,355
Accumulated loss	(162,600)	(93,961)
Attributable to the equity holders of the parent	1,595,765	1,594,360
Non-controlling interests	32,027	34,787
Total shareholders' equity	1,627,792	1,629,147
Non-current liabilities		
Borrowings	727,255	894,309
Provisions	46,778	34,326
Deferred tax liability	6,298	6,997
Total non-current liabilities	780,331	935,632
Current liabilities		
Trade and other payables	720,111	699,725
Income tax payable	359	11,064
Financial liabilities at fair value through profit and loss	6,775	3,307
Borrowings	463,851	485,733
Provisions	18,453	23,472
Total current liabilities	1,209,549	1,223,301
Total liabilities	1,989,880	2,158,933
Total equity and liabilities	3,617,672	3,788,080

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	Accumulated losses	Total	Non-controlling interests	Total
As at 31 December 2011 (restated)	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>										
Loss for the year	-	-	-	-	-	-	(14,102)	(14,102)	(1,354)	(15,456)
Other comprehensive income	-	-	-	-	-	13,611	-	13,611	29	13,640
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 payments 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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of HRK)

	Jan-Dec 2012	Jan-Dec 2011 Restated
Profit/(loss) for the year	(15,456)	40,617
Income tax	45,570	19,060
Depreciation and amortization	153,691	159,811
Impairment loss on property, plant, equipment and intangibles	25,592	41,041
Impairment loss on assets held for sale	6,479	16,642
Impairment loss on goodwill	-	7,134
Remeasurement of financial instruments at fair value	3,374	6,302
Share-based payment transactions	1,896	2,232
Loss on disposal of property, plant, equipment and intangibles	4,054	384
Gain per options contracts	-	(16,537)
Impairment losses on inventory and trade receivables	25,488	5,322
Increase in provisions	7,433	(838)
Interest income	(7,098)	(9,216)
Interest expense	70,325	84,485
Effect of changes in foreign exchanges rates	6,573	15,860
Changes in working capital:	327,921	372,299
(Increase)/decrease in inventories	46,365	(7,741)
(Increase) in trade receivables	(41,939)	(26,809)
Increase/(decrease) in trade payables	17,104	(68,894)
Cash generated from operations	349,451	269,855
Income taxes paid	(34,075)	(21,118)
Interest paid	(67,043)	(95,444)
Net cash from operating activities	248,333	152,293
Cash flows from investing activities		
Proceeds from financial assets	-	23,723
Purchase of property, plant, equipment and intangibles	(94,682)	(102,249)
Proceeds from sale of property, plant, equipment and intangibles	4,249	8,249
Net repayment/(disburesment) of loans and investments	(967)	17,740
Collection of short-term deposits given	-	46,446
Collected interests	7,098	9,237
Acquisitions of subsidiary net of cash	-	(6,843)
Net cash used in investing activities	(84,302)	(3,697)
Net cash flows from financing activities		
Dividends paid	(1,435)	-
Proceeds from borrowings	187,669	679,468
Repayment of borrowings	(378,017)	(834,467)
Net cash used in financing activities	(191,783)	(154,999)
Net (decrease) of cash and cash equivalents	(27,752)	(6,403)
Cash and cash equivalents at beginning of year	145,960	152,363
Cash and cash equivalents at the end of year	118,208	145,960

Always with a heart



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