Podravka Group Business Results

for 1-6 2015 period

Content

Key financial indicators in the first half of 2015

(in HRK millions)	**1-6 2015**	**1-6 2014**	**% change**
Sales revenue	1,638.0	1,623.0	0.9%
Gross profit	676.0	661.8	2.1%
Gross profit margin	41.3%	40.8%	+49 bp
EBITDA*	196.1	122.4	60.3%
EBITDA margin	12.0%	7.5%	+444 bp
Net profit after MI	91.9	23.9	284.2%
Net profit margin after MI	5.6%	1.5%	+414 bp
Cash flow from operating activities	(11.9)	49.1	n/a
Capital expenditures	60.6	95.4	(36.5%)

(in HRK; market capitalization in HRK millions)	**30 June 2015**	**2014**	**% change**
Net debt / TTM EBITDA	2.5	2.7	(8.0%)
TTM Earnings per share	29.6	17.1	73.5%
Last price at the end of period	310.0	293.5	5.6%
Market capitalization	1,680.2	1,590.6	5.6%
Return on capital**	8.5%	5.2%	+330 bp
Return on assets**	4.4%	2.6%	+174 bp

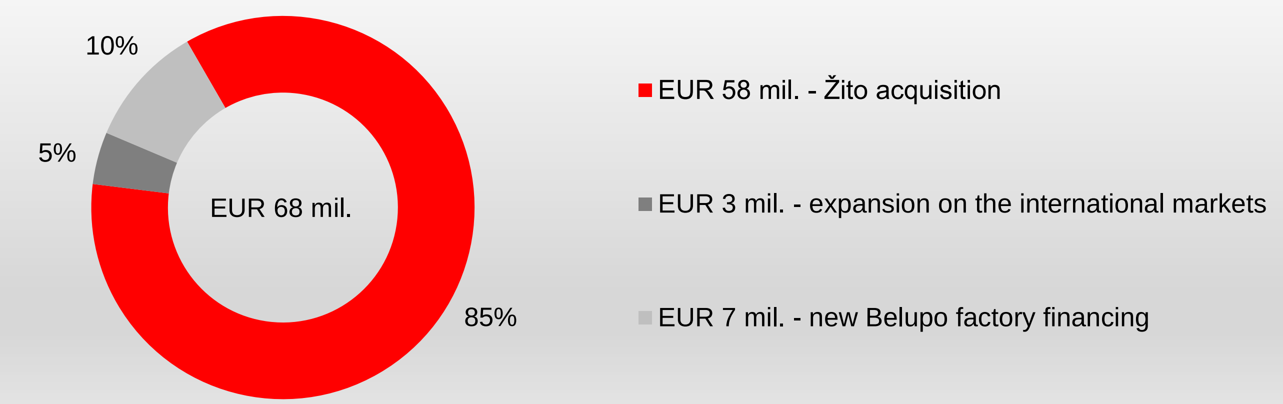
***EBITDA** was calculated in a way that EBIT was increased by the depreciation and amortization and impairment of intangible and non-current tangible assets; **Indicators were calculated on the trailing twelve months level.

Significant events in the first half of 2015

Podravka d.d. share capital increase and ESOP[1]

On 3 June 2015, the General Assembly of Podravka d.d., among other decisions, adopted the decision to increase the share capital by issuing new regular shares and to introduce ESOP. According to the decision, on 7 July 2015 the subscription of new shares of Podravka d.d. was initiated, in the first round only for the employees of Podravka d.d. and related companies that had the employee status as at 3 June 2015 and in the second round for the shareholders that were registered as shareholders with the Central Depository and Clearing Company as at 3 June 2015. The last day of the second round of the share capital increase was 20 July 2015. The existing shareholders and employees initially subscribed any paid more than 2.26 million of new shares of the total available 1.7 million, which shows great interest in the purchase of Podravka d.d. shares.

The share capital was increased by issuing 1,700,000 new regular shares with individual nominal value of HRK 220.00. New regular shares were issued at the price of HRK 300.00 per share, whereby the amount of HRK 510 million was raised. The raised amount is planned to be used primarily to finance the acquisition of the company Žito d.d., while the remaining amount will be used to invest in business expansion to new markets and to finance the construction of the new solid, semi-solid and liquid drugs factory of Belupo d.d..



Allocation of funds raised by capital increase[1]

As part of the share capital increase process, the ESOP programme was initiated with the aim to further develop employee loyalty through participation in the company's ownership, increase in Podravka's productivity based on medium-term and long-term effects of the programme (motivation, efficiency, reliability, commitment...), including employees in share ownership at special terms, connecting employee interests with interests of the owners and creating additional impetus in

[1] Employee Stock Ownership Programme.
[2] Under the assumption of acquiring 100% ownership of Žito d.d.

achieving the company strategy, in the sense of connecting growth interests and profitability on the one hand and long-term benefits for the workers on the other.

Detailed information on the share capital increase and related documents are available on the websites of the Zagreb Stock Exchange (www.zse.hr) and the Podravka Group (www.podravka.hr).

Podravka concluded the agreement on acquiring 51.55% of Žito d.d. shares

As at 21 April 2015, Podravka concluded the Agreement on the acquisition of shares of the company Žito d.d., one of the largest and most prominent producers in the food industry in Slovenia, greatly recognised in the markets of South East Europe. The consortium of sellers is composed of Slovenski državni holding d.d. and Modra zavarovalnica, d.d., KD Kapital, d.o.o., KD Skladi, d.o.o., Adriatic Slovenica, d.d. and NLB Skladi, d.o.o.

Based on the Agreement, and after receiving an approval from the authorised Agencies for the protection of market competition and after meeting the contractual terms and conditions, Podravka will acquire the majority package of 51.55 percent of regular shares of Žito, at the price of EUR 180.1 per share, i.e. for the total amount of EUR 33,027,818. After acquiring the majority package, Podravka will, in accordance with the regulations of the Republic of Slovenia, be obliged to submit a binding bid for the remaining shares of Žito whereby, depending on the interest of the remaining shareholders to sell shares, the total value of the transaction possibly increases to EUR 57,670,361.

With the stated acquisition, Podravka consolidates its position and becomes a leader in several additional product categories – significantly improving its market position.

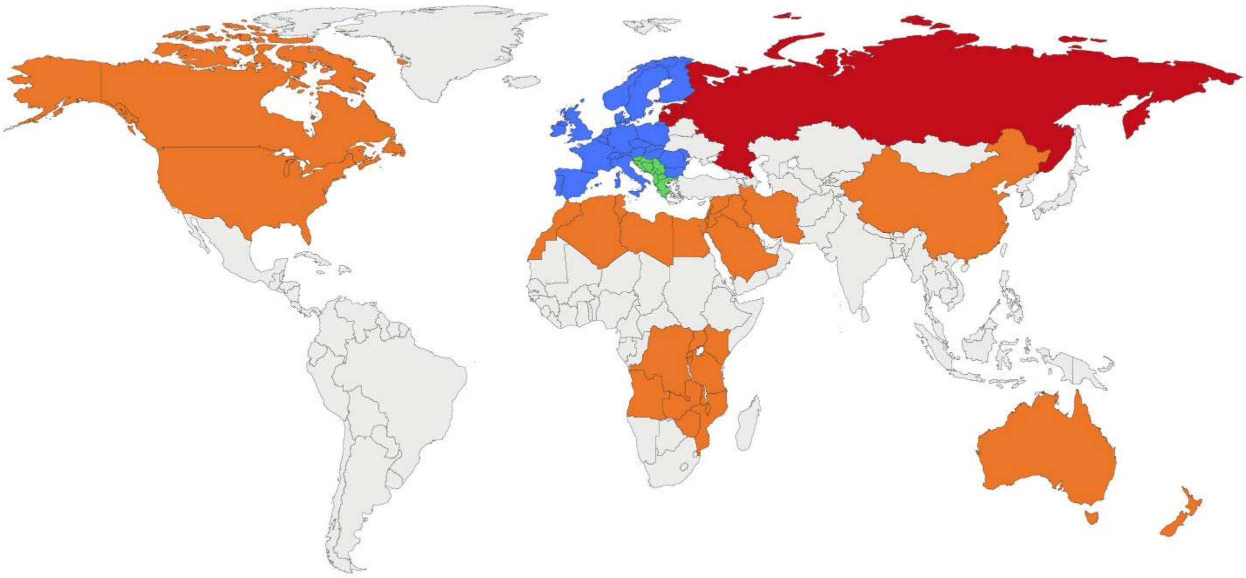
After this transaction is completed, the Podravka Group will be at the top of the food industry in the market of Slovenia, with total annual revenue amounting to approximately HRK 900 million. Total consolidated annual revenue of the Podravka Group after the takeover of Žito will be approximately HRK 4.5 billion.

Podravka and Žito have a very complementary product range – food products with similar models of production, sales, promotion, distribution and logistics. Žito has a wide portfolio of recognisable brands holding the leading or the second positions in the market, such as the umbrella brand Žito (flour and bakery products), Zlato polje (rice, pasta, mill products), Maestro (monospices), 1001 Cvet (teas), Natura (cereals and pulses), Gorenjka (chocolate), Šumi (candies).

Extending the business in complementary product groups, opportunities are created for the production, and sales and marketing synergies, improving the operational efficiency of both companies and increasing their competitiveness. It is particularly worth emphasising that this opens the possibility of selling Žito products through the Podravka's sales and distribution network in more than 20 countries around the world.

New organization of markets management and further strengthening of international operations

In the Podravka d.d. Management Board meeting held on 13 January 2015, the decision was made to form new market regions and to further strengthen business internationalization. There are four newly-formed regions: the Adria region including the market of Croatia and the previous South East Europe market, the Europe region including the previous markets of Western Europe and Central Europe, the Russia, CIS and Baltic region and the New markets region including America, Asia, Australia and Africa. The new organisation of markets management significantly simplifies the previous markets management complexity, increases the opportunities for a more efficient utilisation of own size and knowledge and provides a better and more cost-efficient support to markets where the Podravka Group operates.



One of the preconditions for the commencement of operations in international markets estimated as very potent was to register Podravka's company in Dubai (United Arab Emirates), Dar es Salaam (Tanzania) and the representative office in Beijing (China).

Podravka's decision to initiate the procedure for merging Danica d.o.o.

Continuing the implementation of measures to improve operational efficiency, Podravka's management made the decision to initiate the procedure for merging the limited liability subsidiary DANICA d.o.o.

DANICA mesna industrija d.o.o.

Podravka's meat industry Danica d.o.o. has been operating as a separate entity for twenty years. After conducting business analyses of all business programmes within the Podravka Group, it was determined that by integrating Danica d.o.o., i.e. the meat programme, into the Podravka's food and drinks segment, a better focus on the development of this programme will be achieved, together with additional savings in almost all business processes, and thus presuppositions for better management of this business programme will be created.

Certain restructuring measures, i.e. business rationalisation, have been implemented in Danica d.o.o. over the past three years. Financial business indicators have been improved, and further improvements can be achieved through the full integration of the meat programme into the Podravka's food segment.

It is planned that the full integration process be completed by the end of September 2015.

The intention of this merger is to advance the development of Podravka's meat cans and meat products portfolio and to generate additional funds for strengthening the competitive position of this production programme on the increasingly demanding market.

Mirna d.d.'s account unblocked

On 25 August 2014, at public auctions for the sale of shares of Mirna d.d. through the trading system of Zagrebačka burza d.d. in the procedure of out-of-court settlement, Podravka d.d. acquired 198,209 shares of Mirna d.d., which represents 53.9% of the total issued shares of the company. Podravka d.d. acquired shares of Mirna d.d. at HRK 38.02 per share, or for a total of HRK 7.5 million. The shares of the company carried the voluntary lien on behalf of Podravka d.d. as security for loans granted by Podravka during 2009.

By acquiring these shares, on 29 September 2014 Podravka d.d., in accordance with the Act on the Takeover of Joint Stock Companies, issued a bid for taking over the remaining shares of Mirna d.d. at the price of HRK 38.02 per share, other than those carrying pledges. The takeover bid was accepted by seven shareholders, whereby Podravka d.d. acquired additional 37,153 shares, or additional 10.09% of the total issued shares of Mirna d.d. Following the takeover bid, Podravka d.d. became the holder of 235,362 shares of Mirna d.d. or 63.95% of the total issued shares.

In December 2014, Management of Mirna d.d. submitted a request to initiate the pre-bankruptcy settlement proceeding following the freezing of Mirna d.d. account, which was rejected. However, as at 29 January 2015, the Commercial Court in Rijeka decided to initiate the preliminary procedure for determining whether the conditions are met for initiating the bankruptcy procedure of the company

Mirna d.d. As part of this, the temporary bankruptcy manager was appointed, and the hearing was scheduled for 30 March 2015.

At the hearing held as at 30 March on the Commercial Court in Rijeka it was established that there are no longer reasons to initiate the bankruptcy procedure over Mirna d.d. from Rovinj. Considering that by the completion of the preliminary procedure, the debtor Mirna d.d. became solvent as its account was unblocked, reasons envisaged by law for further bankruptcy procedures are no longer valid. Podravka d.d. as the majority shareholder of Mirna d.d. directly settled a significant amount of due claims by Mirna d.d. and provided guarantees for settling other claims by the creditors of Mirna d.d. which are registered in the register of FINA. This creates preconditions for further normal operations of Mirna d.d.

On 9 July 2015, Podravka acquired additional 11.64% shares of the company Mirna d.d., reaching 75.59% ownership share in the company.

Strong innovation cycle in food continued

Podravka continues the strong innovation cycle across all food categories, in the domestic market as well as in many international markets. In the first quarter of 2015, innovation relates to revitalisation and adding value to the key product range such as cream soups, cubes and puddings, with launching new lines to new markets.

In the **culinary** category, Podravka cubes in the markets of the Adria region have been redesigned and adapted to competitive environment by their format, and the offer has been supplemented with new flavours that follow culinary trends. At the same time, the cubes range under the Vegeta brand was launched to the markets of the Czech Republic, Slovakia and Serbia. Podravka cream soups saw innovation through new, attractive design, recipes that follow nutrition trends and the number of servings that is adapted to the competitive environment. In addition to these two innovation initiatives in the key product range, Podravka continued to take positions in the monospices category in the Adria region markets by adding new types of spices and packaging in shakers. In the markets of the MENA region, Vegeta universal and special seasonings and Vegeta soups have been launched.

In the category of **baby food, breakfast cereals and other food**, the pilot project of cooled ready-to-eat meals for the HORECA channel in the Croatian market was implemented. Podravka ready-to-eat meals enable customers in the HORECA channel to offer their guests some of the most famous traditional Croatian dishes such as Dalmatian pasticada (beef fillet impaled with vegetables and bacon in fruit and vegetable sauce), Sarma (rolled sauerkraut leafs stuffed with minced meat), or beans stew, which represents a significant innovation in this distribution channel. In the breakfast cereals category, Lino cereals got redesigned packaging and the muesli range got new flavours of granola cereals. Mediterranean flavours have been supplemented by Eva mackerel fillets and Eva tuna salad Istriana.

In the category of **sweets, snacks and beverages** there was a turn in the Dolcela pudding formulation. Innovation in recipes is based on extensive customer surveys that resulted in even creamier and more delicious products. The Dolcela line of cake mixes was supplemented with Dolcela crispy cookies and Dolcela biscuit fantasy, and help for sweets preparation with red Cake topping and Cinnamon sugar.

In the **meat products** category, on the Croatian market, recognisable Podravka tea and liver pâtés were launched in new packaging – in casing. The range of semi-cured and cured Podravka sausages such as Safalada, XXL Gurmanske kobasice and Deluxe beef sausage continues to be extended.

In Q1 2015, the **prescription drugs** category launched Amofin curative nail polish for dermatological use. Amofin is a clear, transparent to creamy solution for treating onychomycosis caused by dermatophytes, yeasts and molds. This is a prescription drug, sold in pharmacies and is not listed on any of the Croatian Health Insurance Fund’s lists.

In Q1 2015, the **non-prescription programme** category was extended by Rinil nasal spray. Rinil is used for shrinking swollen tissue in the nose for acute cold, vasomotor and allergic rhinitis, and for easier decongestion in cases of paranasal sinuitis and catarrhal inflammation of the middle ear related to cold. Also, a new, larger packaging of Neofen forte of 20 tablets was launched. Neofen forte is an analgesic for short-term relief of mild to moderate pain of various causes – headache, migraine, toothache, back pain, pain in muscles and joints.

In the second quarter of 2015, the Belupo's portfolio of non-prescription products is extended with new forms of Hederan syrup in packaging of 125 ml and 200 ml, Hederan tablets in the packaging of 20 tablets and Floceta soft gel. Hederan syrup dissolves thick mucus thus making coughing easier in respiratory system difficulties accompanied with a productive cough.

Floceta soft gel is intended for the skin regeneration, protection and care. Floceta Soft, in addition to extracts of chamomile (Chamomilla recutita) and calendula (Calendula officinalis), also contains the Witch-hazel extract (Hamamelis virginiana). It is also suitable for sensitive children's skin care.

Overview of sales revenues in the first half of 2015

Sales revenues by Strategic Business Area in the first half of 2015

Sales revenues by Strategic Business Area			
(in HRK millions)	1-6 2015	1-6 2014	% change
SBA Food	**1,260.1**	**1,248.9**	**0.9%**
Own brands	*1,133.3*	*1,105.9*	*2.5%*
Other sales	*126.8*	*143.0*	*(11.3%)*
SBA Pharmaceuticals	**377.8**	**374.1**	**1.0%**
Own brands	*298.4*	*299.4*	*(0.3%)*
Other sales	*79.4*	*74.7*	*6.3%*
Podravka Group	**1,638.0**	**1,623.0**	**0.9%**
Own brands	*1,431.8*	*1,405.3*	*1.9%*
Other sales	*206.2*	*217.7*	*(5.3%)*

Strategic Business Area Food:

- The increase in sales of the soups, condiments and frozen vegetables subcategories and realised sales of the PIK and Mirna product ranges (that were not fully present in the first half of 2014) are the main factors of the 2.5% increase in sales of own brands in the period under consideration,

- Compared to the same period of the previous year, other sales are 11.3% lower, primarily as a result of lower sales of poppy seeds, whose market price significantly decreased in the period under consideration,

- Excluding the effect of the PIK and Mirna product ranges and sales of programmes under restructuring (beverages and bakery), own brands record 1.9% higher sales, while the food segment records 0.5% higher total sales.

Strategic Business Area Pharmaceuticals:

- The depreciation of the Russian ruble and the decrease in prices of prescription drugs prescribed by the Croatian Health Insurance Fund in the Croatian market negatively reflected on sales of own brands that recorded a decrease of 0.3% in the period under consideration. If the effect of the foreign exchange differences is excluded, own brands recorded 3.8% higher sales compared to H1 2014,

- In the first half of 2015, other sales are 6.3% higher compared to H1 2014, primarily due to the increase in sales of trade goods in the Farmavita company,

- If the effect of foreign exchange differences is excluded, total sales of the pharmaceuticals segment grew by 4.3% compared to the first half of 2014.

Podravka Group:

- Consequently, own brands of the Podravka Group recorded 1.9% higher sales in the observed period, while if the effect of foreign exchange differences is excluded, the growth would be an estimated 2.5%,

- The increase in sales of trade goods in the Farmavita company partially mitigated the negative impact of the decrease in the price of poppy seeds, so at the Group level other sales are 5.3% lower in the first half of 2015,

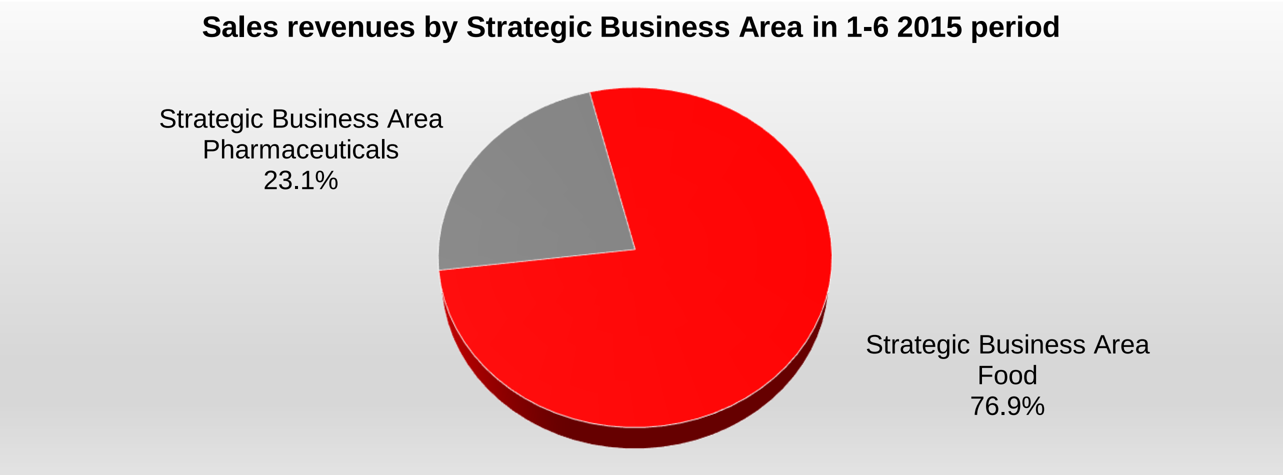
- If the effect of foreign exchange differences is excluded, the total sales of the Podravka Group would grow by 1.4% in relation to H1 2014.

Effect of currency exchange rates on sales:

- The Podravka Group aims to present the movement in sales excluding foreign exchange differences, i.e. to show what sales in the first half of 2015 would have been if currency exchange rates had remained at the same levels as in the first half of 2014,

- Sales of the food segment in the first half of 2015 had a positive effect of currency exchange rates of estimated HRK 3.9 million, while sales of the pharmaceuticals segment in the same period had a negative effect of HRK 12.5 million,

- The total net effect of currency exchange rates is estimated to negative HRK 8.5 million, where the biggest negative share is recorded by the Russian ruble (HRK -12.3 million) and the Serbian dinar (HRK -3.2 million), and the biggest positive share by the US dollar (HRK +4.8 million) and the Australian dollar (HRK +1.5 million).



Sales revenues by category in the first half of 2015

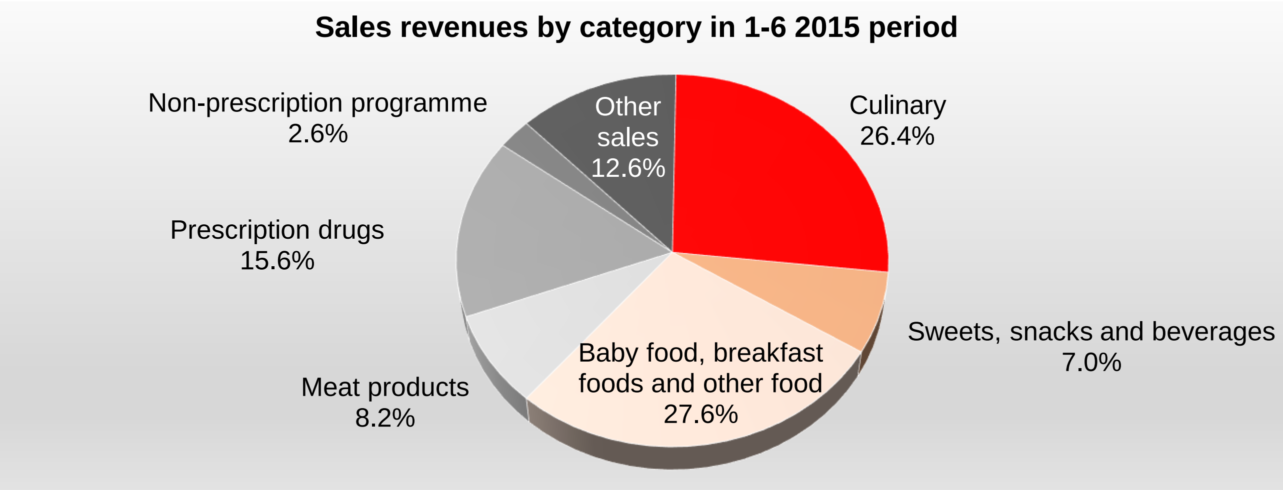
Sales revenues by category			
(in HRK millions)	1-6 2015	1-6 2014	% change
Culinary	432.7	429.7	0.7%
Sweets, snacks and beverages	115.4	124.5	(7.2%)
Baby food, breakfast foods and other food	451.4	423.3	6.6%
Meat products	133.8	128.5	4.1%
Prescription drugs	255.2	257.7	(1.0%)
Non-prescription programme	43.3	41.7	3.7%
Other sales	206.2	217.7	(5.3%)
Podravka Group	1,638.0	1,623.0	0.9%

Increase in sales of own brands in the first half of 2015 is 1.9%:

- The **culinary category** recorded an increase in sales of 0.7% compared to H1 2014 primarily due to the increase in sales of the soups subcategory in the Adria region. The increase in sales of the soups subcategory is the result of the fact that the soups range is better represented in chain stores compared to the first half of 2014,

- The **sweets, snacks and beverages category** recorded 7.2% lower sales, while if we exclude the effect of the beverages product range, which is being sold, sales are 4.1% lower. Lower sales were primarily affected by lower sales of powdered sweets in the Slovenian market following the decision on lower exposure to one of key customers that is in financial difficulties,
- The increase in sales of the **baby food, breakfast foods and other food category** is primarily impacted by the increase in sales of the condiments, frozen foods and Mediterranean food subcategories. The condiments product range recorded good sales results in the Adria and Europe regions, while at the end of the last year, frozen vegetables began to be sold in the Russian market. In the Mediterranean food subcategory we record sales of the Mirna product range that were not present in the comparative period. If the effect of the Mirna product range sales is excluded, the overall category would record 5.3% higher sales,
- In the period under consideration, the sausages subcategory product range continued to be extended in the Croatian market, which, together with sales of the PIK product range acquired last year, resulted in the increase in sales of the **meat products category** by 4.1%. If the effects of the PIK product range sales are excluded, the category would record 2.0% lower sales due to lower sales of subcategories of ready to eat meals and meat sauces and meat,
- The decrease in prices of prescription drugs prescribed by the Croatian Health Insurance Fund in the Croatian market had an estimated negative impact of HRK 6.0 million on sales of prescription drugs, while in the Russian market, due to the depreciation of the Russian ruble, sales of prescription drugs were lower by estimated HRK 12.5 million. These impacts were partially mitigated by the increase in sales of prescription drugs of 13.9% in the market of Bosnia and Herzegovina and of 5.4% in Central Europe, whereby the **prescription drugs category** recorded 1.0% lower sales in the period under consideration. If the effect of foreign exchange differences is excluded, the prescription drugs category records 3.5% higher sales,
- Sales of the **non-prescription programme category** grew by 3.7% in the period under consideration, primarily due to the increase in sales of the OTC subcategory of 14.3% in the Croatian market. The growth in the OTC subcategory in the Croatian market was recorded due to a heavy common cold and flu season in the first three months of 2015, which resulted in increased sales of the range for reducing fever and relieving pain,
- The 5.3% lower sales of the **other sales category** were negatively impacted by the decrease in the price of poppy seeds, which was partially mitigated by the increase in sales of trade goods in the Farmavita company. Under trade goods, among other things, the Podravka Group purchases and resells poppy seeds as raw material, whose market price in the first half of 2015 significantly dropped compared to H1 2014. In 2014, the price of poppy seeds in the market

was very high compared to the previous five years and the price decrease in the first half of 2015 is actually the return to the average levels.



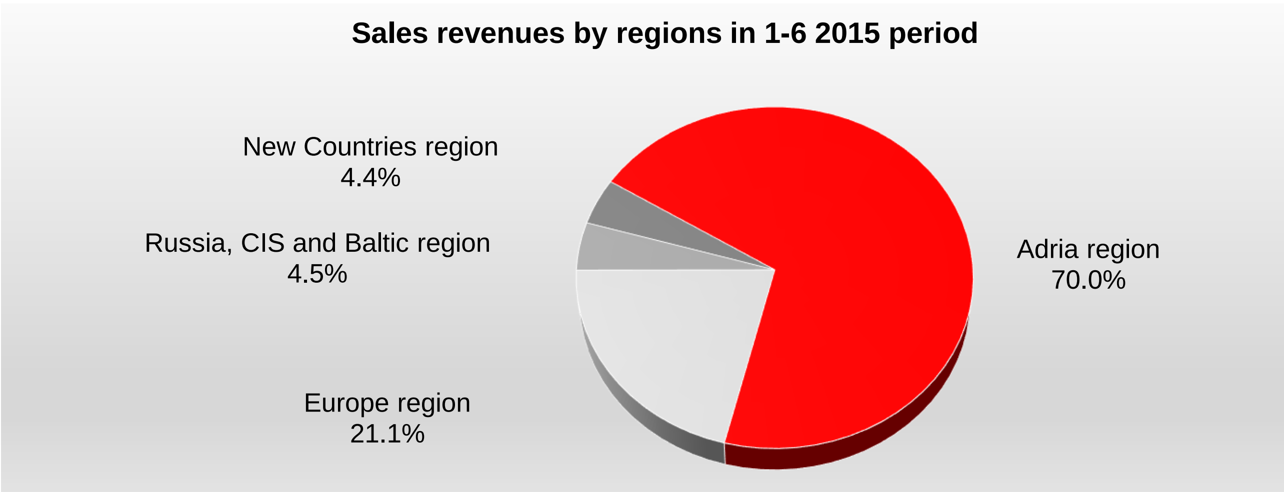
Sales revenues by region in the first half of 2015

Sales revenues by region			
(in HRK millions)	1-6 2015	1-6 2014	% change
Adria region	1,146.9	1,119.7	2.4%
Europe region	345.0	362.1	(4.7%)
Russia, CIS and Baltic region	74.3	77.1	(3.7%)
New Countries region	71.8	64.1	12.0%
Podravka Group	1,638.0	1,623.0	0.9%

Adria region is the main driver of the sales growth in the first half of 2015:

- The **Adria region** recorded a 2.4% growth in sales compared to H1 2014 including both organic and inorganic growth. The most significant organic growth in sales was recorded in the soups and OTC subcategories, while the inorganic growth in sales was recorded by the PIK and Mirna product ranges. If sales of the new PIK and Mirna product ranges and sales of programmes under restructuring (beverages and bakery) are excluded, the Adria region recorded 2.1% higher sales compared to the first half of the previous year,
- The decrease in the price of poppy seeds mainly impacted sales in the **Europe region** which consequently recorded 4.7% lower sales compared to H1 2014. Here it should be noted that in the same period sales of own brands are higher by 0.9% primarily due to higher sales of condiments in Western Europe and rice in Central Europe,

- The estimated effect of foreign exchange differences on sales of the **Russia, CIS and Baltic region** in the period under consideration amounted to negative HRK 12.5 million due to the depreciation of the Russian ruble. If the effect of foreign exchange differences is excluded, sales of the Russia, CIS and Baltic region would be higher by 12.5% compared to the first half of 2014.
- The **New Markets region** recorded 12.0% higher sales in the period under consideration, primarily due to the increase in sales of the culinary category in the markets of the USA and Australia. If the effect of foreign exchange differences is excluded, the increase in sales would be 2.8%.



Profitability in the first half of 2015

Profitability of the Strategic Business Area Food in the first half of 2015

Profitability of the Strategic Business Area Food			
(in HRK millions)	**1-6 2015**	**1-6 2014**	**% change**
Sales revenue	1,260.1	1,248.9	0.9%
Gross profit	480.8	468.6	2.6%
EBITDA*	139.6	71.8	94.3%
EBIT	86.4	23.7	264.1%
Net profit after MI	67.4	5.0	1242.4%
Gross margin	38.2%	37.5%	+64 bp
EBITDA margin	11.1%	5.8%	+533 bp
EBIT margin	6.9%	1.9%	+496 bp
Net profit margin after MI	5.3%	0.4%	+495 bp

***EBITDA** was calculated in a way that EBIT was increased by the depreciation and amortization (HRK 53.2 mil. in H1 2015; HRK 49.2 mil. in H1 2014) and impairment of intangible and non-current tangible assets (HRK -1.1 mil in H1 2014).

Improvement in the gross margin of the food segment in the first half of 2015:

- As a result of favourable movements in prices of raw materials and supplies, cost of goods sold recorded only an insignificant growth of 0.1% in the period under consideration, which, together with the increase in sales of 0.9%, increased the **gross profit** by 2.6% with the realised gross margin of 38.2% (37.5% in H1 2014),
- **Operating profit (EBIT)** in the first half of 2015 was positively impacted by the consolidation of Mirna d.d.[3] of HRK 24.8 million, while in the comparative period it was burdened by costs of severance payments in the amount of HRK 49.1 million. If the effects of the consolidation of Mirna and costs of severance payments are excluded, the operating profit of the food segment in the first half of 2015 was 15.3% lower compared to H1 2014 due to higher operating expenses, mainly related to the decision to enter new markets and the acquisitions of Žito d.d. and Mirna d.d.,
- **Net profit after minority interests** in the first half of 2015 was positively impacted by the consolidation of Mirna d.d. in the amount of HRK 24.8 million, while in the first half of 2014 it

[3]At consolidation of Mirna d.d., the carrying value of non-current assets was adjusted with the estimated market value in accordance with accounting standards. The value adjustment resulted in an increase in the carrying amount of non-current assets in the balance sheet, and recorded gain on a bargain purchase in other income in the amount of HRK 24.8 million.

was negatively impacted by costs of severance payments in the amount of HRK 49.1 million. If net profit after minority interests is compared excluding these effects, the result of the period under consideration is 21.2% lower compared to H1 2014, as impacted by the increase in operating expenses explained in the previous paragraph. A positive impact on the net result is recorded by 56.2% lower net finance costs in the period under consideration, primarily a result of favourable conditions of refinancing borrowings, but at the same time, higher tax liability was recorded compared to H1 2014.

Profitability of the Strategic Business Area Pharmaceuticals in the first half of 2015

Profitability of the Strategic Business Area Pharmaceuticals

(in HRK millions)	**1-6 2015**	**1-6 2014**	**% change**
Sales revenue	377.8	374.1	1.0%
Gross profit	195.1	193.1	1.0%
EBITDA*	56.5	50.5	11.9%
EBIT	36.8	29.8	23.4%
Net profit after MI	24.5	18.9	29.7%
Gross margin	51.6%	51.6%	+1 bp
EBITDA margin	15.0%	13.5%	+146 bp
EBIT margin	9.7%	8.0%	+177 bp
Net profit margin after MI	6.5%	5.1%	+143 bp

***EBITDA** was calculated in a way that EBIT was increased by the depreciation and amortization (HRK 19.7 mil. in H1 2015; HRK 20.7 mil. in H1 2014) and impairment of intangible and non-current tangible assets (not present in the stated periods).

Improved profitability of the pharmaceuticals segment in the first half of 2015:

- Improved efficiency of the supply chain resulted in lower unit costs of raw materials and supplies, whereby in the period under consideration the cost of goods sold increased by only 1.0%, while the overall pharmaceuticals segment recorded a volume growth of 1.2%. This way in the observed period, in addition to the increase in sales, a 1.0% higher **gross profit** was realised, with retention of the gross margin at the comparative period’s level. It should be noted that the full effect of the supply chain efficiency on the gross profit and gross margin in the observed period is not fully visible due to negative effects of the Russian ruble and the Croatian Health Insurance Fund on sales,

- **Operating profit** in the period under consideration is 23.4% higher compared to H1 2014 which was burdened with costs of severance payments of HRK 2.4 million. If the effect of costs of severance payments is excluded, the growth in operating profit would be 14.1%, also positively impacted by significantly lower net realised foreign exchange differences in the first half of 2015,
- **Net profit after minority interests** in H1 2015 was 29.7% higher compared to H1 2014 which was burdened with costs of severance payments of HRK 2.4 million, and if the effect of costs of severance payments is excluded, the growth is 14.9%. Net finance costs and tax liability did not record any significant and unusual increases compared to business activities in the period under consideration.

Profitability of the Podravka Group in the first half of 2015

Profitability of the Podravka Group			
(in HRK millions)	**1-6 2015**	**1-6 2014**	**% change**
Sales revenue	1,638.0	1,623.0	0.9%
Gross profit	676.0	661.8	2.1%
EBITDA	196.1	122.4	60.3%
EBIT	123.2	53.5	130.1%
Net profit after MI	91.9	23.9	284.2%
Gross margin	41.3%	40.8%	+49 bp
EBITDA margin	12.0%	7.5%	+444 bp
EBIT margin	7.5%	3.3%	+422 bp
Net profit margin after MI	5.6%	1.5%	+414 bp

***EBITDA** was calculated in a way that EBIT was increased by the depreciation and amortization (HRK 72.9 mil. in H1 2015; HRK 69.9 mil. in H1 2014) and impairment of intangible and non-current tangible assets (HRK -1.1 mil in H1 2014).

Absence of negative one-off items and significant negative impacts of net realised foreign exchange differences positively impacted the profitability of the Podravka Group:

- Under the impact of favourable movements in the prices of raw materials and supplies in the food segment and the improved efficiency of the supply chain in the pharmaceuticals segment, the cost of goods sold at the Group level in the observed period grew by insignificant 0.3%. In addition to the sales growth of 0.9%, the Group's **gross profit** increased in the observed period by 2.1%, with the realised gross margin of 41.3% (40.8% in H1 2014),

- The Group's **operating profit** in the period under consideration was positively impacted by the consolidation of Mirna d.d. of HRK 24.8 million, while in the comparative period it was burdened by costs of severance payments in the amount of 51.5 million. If the effects of the consolidation of Mirna and costs of severance payments are excluded, the operating profit in the observed period is 6.3% lower, primarily as a consequence of the increase in operating expenses of the food segment resulting from entering new markets and acquisitions,
- The Group's **net profit after minority interests** in H1 2015 was positively impacted by the consolidation of Mirna d.d. of HRK 24.8 million, while in the comparative period it was burdened by costs of severance payments in the amount of HRK 51.5 million. If these effects are excluded, the net profit after minority interests was 11.0% lower compared to H1 2014. In addition to the impacts above the EBIT level, the realised net result was positively impacted by 41.0% lower net finance costs, while it was negatively impacted by higher tax liability.

Key characteristics of the income statement in the first half of 2015

Other income

In the period under consideration, other income significantly grew due to a positive effect resulting from the consolidation of Mirna d.d. recorded as at 31 March 2015. At the initial consolidation of the company Mirna d.d., the Podravka Group recognised acquired assets and liabilities in the consolidated financial statement of financial position at fair values, which resulted also in gain on a bargain purchase recorded within other income.

Cost of goods sold

The increase in the cost of goods sold in the first half of 2015 was lower than the increase in sales due to favourable movements in the prices of raw materials and supplies in the food segment and the improvement in the supply chain efficiency in the pharmaceuticals segment thereby resulting in lower unit costs of raw materials and supplies.

General and administrative expenses

General and administrative expenses at the Group level in the first half of 2015 were 21.7% lower compared to H1 2014 which was burdened with costs of severance payments of HRK 51.5 million. If costs of severance payments are excluded, general and administrative expenses in the period under consideration grew by 11.3%, largely impacted by initial costs related to the acquisitions of Žito d.d. and Mirna d.d..

Selling and distribution costs

The increase of 3.8% in selling and distribution costs in the observed period was primarily impacted by initial costs related to the decision to enter new markets that were not charged in the comparative period.

Marketing expenses

Marketing expenses grew by 5.5% in the observed period due to stronger marketing activities related to the Mediterranean food category in the Adria and Europe regions, to the pâtés subcategory in the Adria region and to new markets.

Other expenses

Net realised foreign exchange differences in the period under consideration amounted to negative HRK 1.9 million, which is 4.8x lower compared to H1 2014, resulting also in significantly lower total other expenses.

Net finance costs

In H1 2015, net finance costs are 41.0% lower compared to H1 2014, mainly as a result of refinancing borrowings under more favourable terms, thus decreasing the interest expense on borrowings.

Key characteristics of the balance sheet as at 30 June 2015

Property, plant and equipment

In the consolidation of the company Mirna d.d., the related increase in the value of property, plant and equipment was recorded in the consolidated financial statement of financial position, which largely impacted the 8.9% increase in the total value of Property, plant and equipment of the Podravka Group compared to the balance as at 31 December 2014.

Inventories

The increase in inventories of 9.8% is a result of: (i) inventories of Mirna d.d. that had not been consolidated in the comparative period, (ii) an increase in inventories of raw materials and supplies in Belupo d.d. related to specific cycle nature of the production process, and (iii) the general increase in inventories of products characteristic of the summer season.

Trade and other receivables

Trade and other receivables increased by 8.5% compared to 31 December 2014 as a result of the seasonal nature where larger orders of products are recorded in the summer season compared to the end of the year.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss mainly relate to the investment of currently available cash of the Belupo Group in cash funds.

Cash and cash equivalents

Cash and cash equivalents at the end of the observed period are 38.9% lower compared to the end of 2014 mainly due to changes in working capital and capital expenditure in the first half of 2015, as explained in the "Key characteristics of the cash flow statement in the first half of 2015" section.

Share capital

In the General Assembly meeting held on 3 June 2015, the decision was made to reinvest net profit for 2014 in a way that a portion of the net profit is used to increase the registered capital of Podravka d.d.. In accordance with this decision, the nominal value of Podravka d.d.'s shares was increased from HRK 200.00 to HRK 220.00, resulting in the increase in the share capital of 10.2% as at 30 June 2015 compared to 31 December 2014.

Non-controlling interests

The increase in non-controlling interests compared to the end of 2014 relates to the consolidation of the company Mirna d.d. in which the Podravka Group does not have a 100% ownership share.

Long-term borrowings

Borrowings within non-current liabilities decreased by 8.6% compared to the end of 2014 as a result of repayment of a portion of long-term borrowings.

Trade and other payables

In the first half of 2015 the trend of a decrease in trade payables continued, as a consequence of further harmonization of payment terms to suppliers, and the positive effect of shorter payment periods on the decrease in cost of certain raw materials and supplies. However, as at 30 June 2015, other liabilities of Mirna d.d. were recorded, that had not been consolidated as at 31 December 2014, resulting in the total increase in trade and other payables of 3.5%.

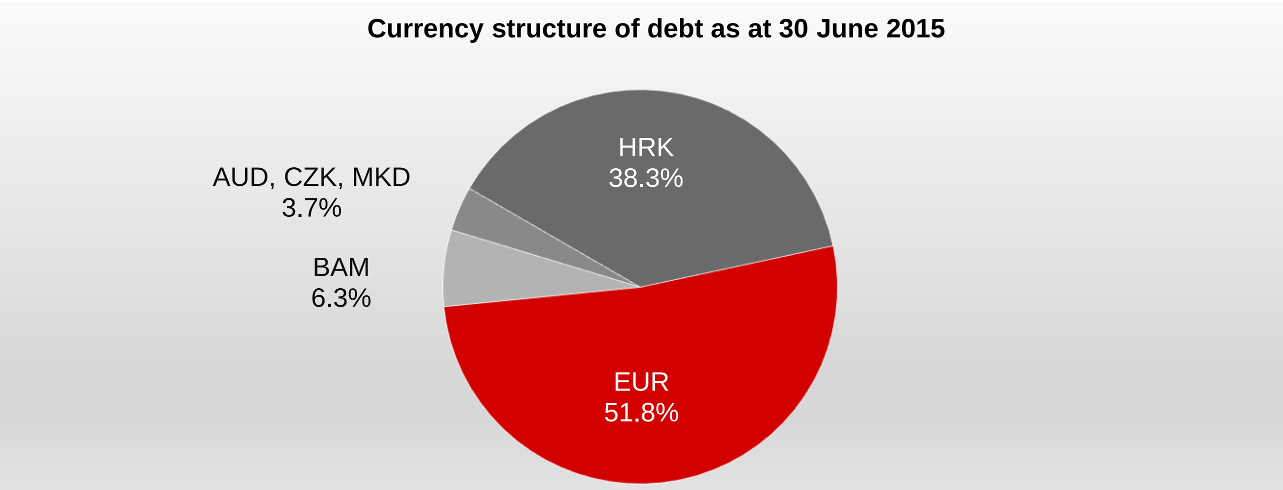
Short-term borrowings

Borrowings within current liabilities increased by 28.6% compared to 31 December 2014 due to short-term borrowings taken for the purposes of operating activities in the first half of 2015 related, among other things, to the settlement of past due liabilities of Mirna d.d. for the purpose of avoiding the bankruptcy procedure and the acquisition of the company Žito d.d..

Indebtedness

As at 30 June 2015, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities was HRK 1,104,522 thousand, of which HRK 684,263 thousand relates to long-term borrowings, HRK 418,564 thousand to short-term borrowings, and HRK 1,695 thousand to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 30 June 2015 was 3.4%.

Analysing the debt currency structure, the highest exposure, of 51.8%, was toward the Euro, while 38.3% of the debt was in the domestic currency. 6.3% of the debt was in the Bosnia and Herzegovina convertible mark, while the remainder of 3.7% relates to the Australian dollar (AUD), Czech koruna (CZK) and Macedonian denar (MKD).



(in HRK thousands)	**1-6 2015**	**2014**	**% change**
Net debt	969,862	856,829	13.2%
TTM interest expense	38,534	43,543	(11.5%)
Net debt / TTM EBITDA	2.5	2.7	(8.0%)
EBITDA / Interest expense*	10.2	7.3	39.1%
Equity to total assets ratio	51.5%	50.9%	+65 bp

*Indicator calculated on the trailing twelve months basis.

As at 30 June 2015, the net debt was 13.2% higher compared to the end of 2014, primarily due to lower cash and cash equivalents. Interest expense in the first half of 2015 at the level of the last 12 months was 11.5% lower compared to 2014 as a consequence of refinancing liabilities under more favourable commercial conditions. The ratio of net debt and EBITDA at the end of the period under consideration is 2.5 which is 8.0% lower compared to the end of 2014, while in the same period the ratio of capital and total assets was improved by 65 basis points.

Key characteristics of the cash flow statement in the first half of 2015

Net cash flow from operating activities

Net cash flow from operating activities in the first half of 2015 is negative HRK 11.9 million mainly due to an increase in the level of working capital. In the comparative period, the level of working capital was lower due to the decision of the Croatian Government to improve the hospital system and match their liabilities with legal payment deadlines, resulting particularly in the decrease in current receivables of the Belupo Group.

Net cash flow from investing activities

Net cash flow from investing activities in the period under consideration amounted to negative HRK 72.0 million, primarily due to capital expenditure in the amount of HRK 60.6 million. The most significant **capital expenditure** in H1 2015 was related to:

- New factory for semi-solid and liquid drugs – continuation of activities initiated in 2014; the realisation of this strategic investment will increase the existing production capacities, which will enable meeting the increasing needs of the domestic and foreign markets,
- Machine for filling and closing suppositories – the replacement of the existing obsolete machine for the production of medicines with a new machine of greater capacity, ensuring the continuity of production, introduction of new products and growth in sales and profitability,
- Software for supply chain optimisation – the investment will increase the precision of demand planning, optimise the level of inventories, particularly finished goods and semi-finished goods, and decrease ad-hoc orders and write-off of finished goods,
- Expand the warehouse of the Vegeta factory – continuation of activities initiated in 2014, the investment relates to the expansion of the existing automatic warehouse and load and expedite place of finished goods, resulting in an increase in storage and dynamic capacities of the existing warehouse in Koprivnica and significant savings in the logistics expenses.

In the following period, capital expenditure can be expected to grow, primarily due to the construction of the new solid, semi-solid and liquid drugs factory, expansion of the automatised warehouse for finished goods and reconstruction of a building with business premises. Accordingly, capital expenditure in 2015 is expected to be at a level of HRK 300 – 360 million, in 2016 at a level of HRK 300 – 400 million, after which it should stabilise at the level of HRK 130-150 million.

Net cash flow from financing activities

In H1 2015, cash flow from financing activities amounted to negative HRK 1.8 million due to higher repayments of borrowings than borrowings received. Borrowings received and repaid related to Group's normal credit activities which include utilising short-term borrowings for liquidity purposes, repayment of a portion of borrowings and other standard credit activities, but also to non-standard activities related to Mirna d.d. and the acquisition of Žito.

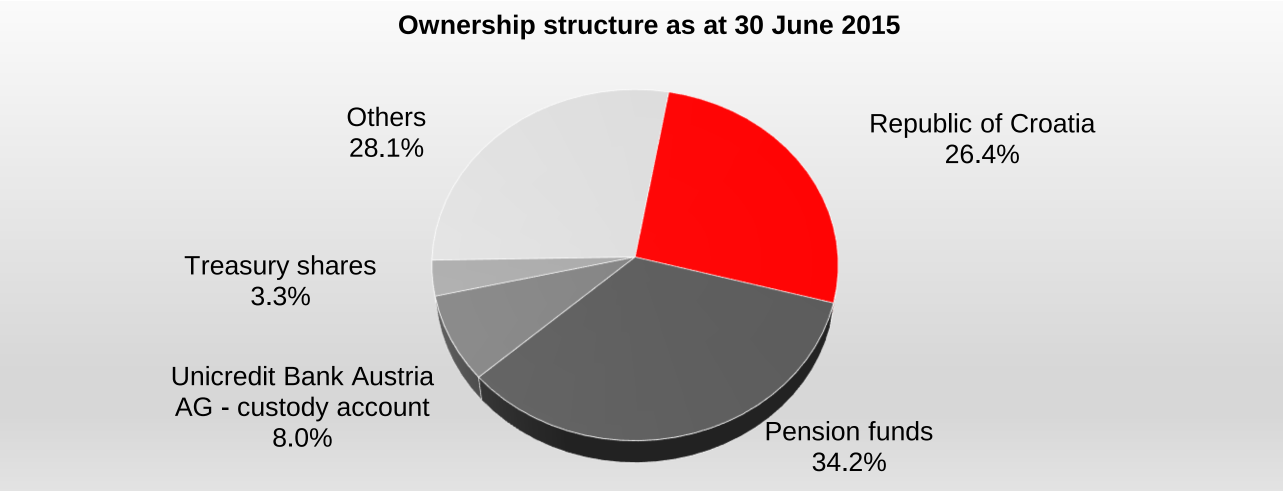
Share in the first half of 2015

List of top 10 shareholders as at 30 June 2015

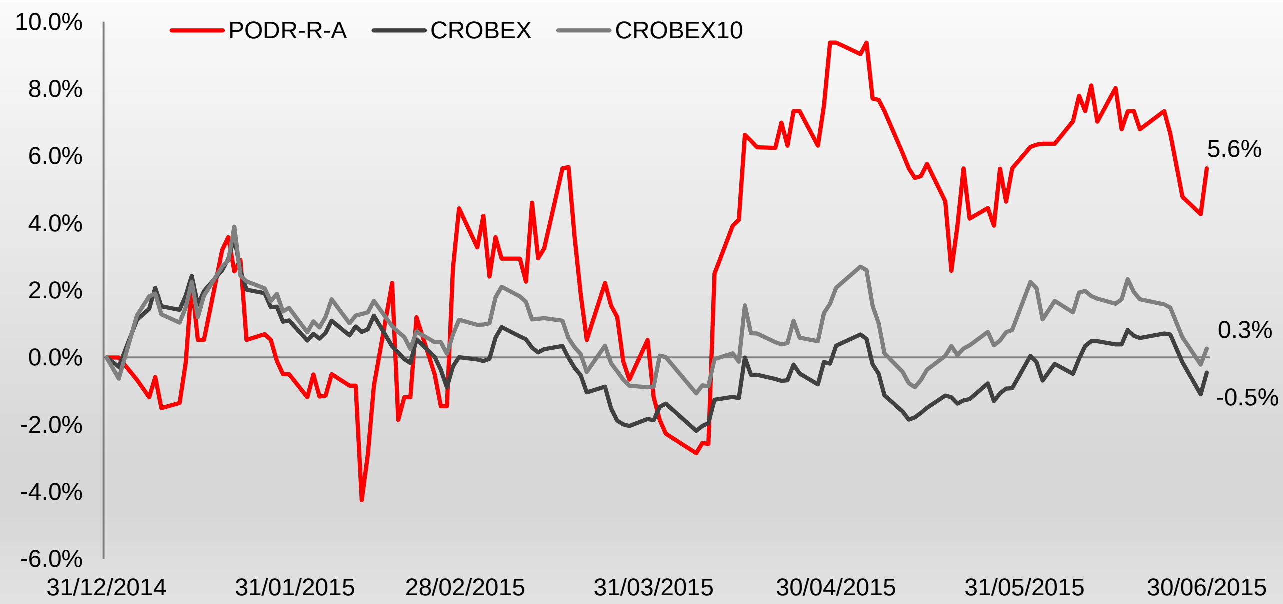
No.	Shareholder	Number of shares	% of ownership
1	SPMA - Croatian Pension Insurance Institute	575,598	10.6%
2	SPMA - Republic of Croatia	533,485	9.8%
3	Erste Plavi mandatory pension fund, category B	514,863	9.5%
4	AZ mandatory pension fund, category B	510,283	9.4%
5	PBZ Croatia Osiguranje mandatory pension fund, category B	481,527	8.9%
6	Unicredit Bank Austria AG - custody account	435,030	8.0%
7	Kapitalni fond d.d.	321,804	5.9%
8	Raiffeisen mandatory pension fund, category B	197,766	3.6%
9	Podravka d.d. - treasury account	177,511	3.3%
10	Zagrebačka banka d.d. - custody account	127,110	2.3%
	Other shareholders	1,545,026	28.5%
	Total	**5,420,003**	**100.0%**

The company has a stable ownership structure where the most significant share is held by the Republic of Croatia and institutional investors. The Republic of Croatia through the State Property Management Administration (SPMA) holds 20.5% of the company ownership and through Kapitalni fond d.d. additional 5.9% of ownership. The ownership structure also includes all four Croatian mandatory pension funds that hold a total of 31.9% of the company ownership. The company has

3.3% of treasury shares. The company's shares have been listed on the Official Market of the Zagreb Stock Exchange since 7 December 1998, under the PODR-R-A ticker symbol.



Share price movement in the first half of 2015



(closing price in HRK; closing points)	**30 June 2015**	**31 December 2014**	**% change**
PODR-R-A	310.0	293.5	5.6%
CROBEX	1,737.6	1,745.4	(0.5%)
CROBEX10	1,009.8	1,007.1	0.3%

In H1 2015, Podravka's share recorded a 5.6% increase, outperforming thereby stock indices CROBEX and CROBEX10, which dropped by 0.5% and grew by 0.3%, respectively in the same period.

Performance in the Croatian capital market in the first half of 2015

(in HRK; in units) [4]	**1-6 2015**	**1-6 2014**	**% change**
Average daily price	306.2	284.6	7.6%
Average daily number of transactions	12	15	(19.0%)
Average daily volume	1,414	1,688	(16.2%)
Average daily turnover	432,953.6	480,254.6	(9.8%)

In H1 2015, the average daily price of the Podravka's share increased by 7.6% compared to H1 2014. At the same time, the average daily number of transactions, the average daily volume and the average daily turnover of the company's shares was lower. The result achieved should be considered in the light of overall trends in the domestic capital market which in the first half of 2015 recorded 21.5% lower shares turnover compared to H1 2014 and the fact that in 2014 these indicators of the Podravka share recorded growth rates above the average.

Valuation

(in HRK millions; earnings per share in HRK)	**1-6 2015**	**2014**	**% change**
Last price	310.0	293.5	5.6%
Market capitalization	1,680.2	1,590.6	5.6%
EV[5]	2,701.1	2,484.0	8.7%
TTM Earnings per share	29.6	17.1	73.5%
EV / TTM Sales revenue	0.8	0.7	8.3%
EV / TTM EBITDA	6.9	7.8	(11.7%)
EV / TTM EBIT	12.0	16.0	(24.9%)
Last price / Earnings per share ratio	10.5	17.2	(39.1%)

The increase of 5.6% in the last price as at 30 June 2015 compared to 31 December 2014 led to the equal increase in market capitalisation. The increase in market capitalisation together with the increase in net debt and minority interests resulted in 8.7% higher EV at the end of the first half of 2015 compared to the end of 2014.

[4]Average daily price calculated as the weighted average of average daily prices in the period, where the weight is daily volume. Other indicators calculated as the average of average daily transactions/volume/turnover.
[5]Enterprise value: Market Capitalization + Net debt + Minority interests.

As in H1 2015 sales revenues and all profitability levels in the last 12 months were higher compared to 2014, so the multipliers were on lower levels at the end of H1 2015 compared to the end of 2014.

Additional tables

Sales revenues by category in the first half of 2015

(in HRK millions)	1-6 2015	% of sales revenues	1-6 2014	% of sales revenues	% change
SBA Food	**1,260.1**	**76.9%**	**1,248.9**	**77.0%**	**0.9%**
Culinary	**432.7**	**26.4%**	**429.7**	**26.5%**	**0.7%**
Food seasonings and bouillons	297.7	18.2%	302.5	18.6%	(1.6%)
Podravka dishes and food mixes	135.0	8.2%	127.2	7.8%	6.1%
Sweets, snacks and beverages	**115.4**	**7.0%**	**124.5**	**7.7%**	**(7.2%)**
Beverages	49.5	3.0%	55.5	3.4%	(10.9%)
Sweets and snacks	66.0	4.0%	68.9	4.2%	(4.3%)
Baby food, breakfast foods and other food	**451.4**	**27.6%**	**423.3**	**26.1%**	**6.6%**
Baby food and breakfast foods	151.1	9.2%	149.8	9.2%	0.9%
Other food	300.3	18.3%	273.5	16.9%	9.8%
Meat products	**133.8**	**8.2%**	**128.5**	**7.9%**	**4.1%**
Other sales	**126.8**	**7.7%**	**143.0**	**8.8%**	**(11.3%)**
SBA Pharmaceuticals	**377.8**	**23.1%**	**374.1**	**23.0%**	**1.0%**
Prescription drugs	255.2	15.6%	257.7	15.9%	(1.0%)
Non-prescription programme	43.3	2.6%	41.7	2.6%	3.7%
Other sales	79.4	4.8%	74.7	4.6%	6.3%
Podravka Group	**1,638.0**	**100.0%**	**1,623.0**	**100.0%**	**0.9%**

Sales revenues by region in the first half of 2015

(in HRK millions)	**1-6 2015**	**% of sales revenues**	**1-6 2014**	**% of sales revenues**	**% change**
Adria region	**1,146.9**	**70.0%**	**1,119.7**	**69.0%**	**2.4%**
Croatia	666.7	40.7%	664.8	41.0%	0.3%
Bosnia and Herzegovina	221.7	13.5%	212.4	13.1%	4.4%
Macedonia	43.4	2.7%	39.2	2.4%	10.8%
Slovenia	89.3	5.5%	89.4	5.5%	(0.1%)
Serbia	67.2	4.1%	64.1	4.0%	4.7%
Other countries	58.6	3.6%	49.8	3.1%	17.7%
Europe region	**345.0**	**21.1%**	**362.1**	**22.3%**	**(4.7%)**
Austria	18.7	1.1%	26.1	1.6%	(28.3%)
Germany	38.9	2.4%	39.2	2.4%	(0.7%)
Czech Republic	74.8	4.6%	80.0	4.9%	(6.6%)
Hungary	26.2	1.6%	25.2	1.6%	3.7%
Poland	92.8	5.7%	99.5	6.1%	(6.7%)
Slovakia	42.4	2.6%	42.7	2.6%	(0.6%)
Other countries	51.2	3.1%	49.4	3.0%	3.6%
Russia, CIS and Baltic region	**74.3**	**4.5%**	**77.1**	**4.7%**	**(3.7%)**
Russia	68.1	4.2%	69.3	4.3%	(1.8%)
Other countries	6.2	0.4%	7.8	0.5%	(20.6%)
New Countries region	**71.8**	**4.4%**	**64.1**	**3.9%**	**12.0%**
Australia	32.8	2.0%	30.4	1.9%	7.8%
USA	25.2	1.5%	18.9	1.2%	33.6%
Other countries	13.8	0.8%	14.8	0.9%	(6.9%)
Podravka Group	**1,638.0**	**100.0%**	**1,623.0**	**100.0%**	**0.9%**

Consolidated financial statements in the first half of 2015

Consolidated Profit and Loss Statement in the first half of 2015

(in HRK thousands)	1-6 2015	% of sales revenues	1-6 2014	% of sales revenues	% change
Sales revenue	1,637,952	100.0%	1,623,030	100.0%	0.9%
Cost of goods sold	(961,988)	(58.7%)	(961,282)	(59.2%)	0.1%
Gross profit	**675,964**	**41.3%**	**661,748**	**40.8%**	**2.1%**
Other income	37,389	2.3%	8,776	0.5%	326.0%
General and administrative expenses	(136,036)	(8.3%)	(173,728)	(10.7%)	(21.7%)
Selling and distribution costs	(228,610)	(14.0%)	(220,330)	(13.6%)	3.8%
Marketing expenses	(222,933)	(13.6%)	(211,340)	(13.0%)	5.5%
Other expenses	(2,575)	(0.2%)	(11,583)	(0.7%)	(77.8%)
Operating profit	**123,199**	**7.5%**	**53,543**	**3.3%**	**130.1%**
Financial income	2,268	0.1%	990	0.1%	129.1%
Other financial expenses	(2,041)	(0.1%)	(2,529)	(0.2%)	(19.3%)
Interest expenses	(18,484)	(1.1%)	(23,493)	(1.4%)	(21.3%)
Net foreign exchange differences on borrowings	6,412	0.4%	4,967	0.3%	29.1%
Net finance costs	**(11,845)**	**(0.7%)**	**(20,065)**	**(1.2%)**	**(41.0%)**
Profit before tax	**111,355**	**6.8%**	**33,477**	**2.1%**	**232.6%**
Current income tax	(18,105)	(1.1%)	(13,502)	(0.8%)	34.1%
Deferred tax	(1,421)	(0.1%)	5,243	0.3%	n/a
Income tax	**(19,526)**	**(1.2%)**	**(8,259)**	**(0.5%)**	**136.4%**
Net profit for the year	**91,829**	**5.6%**	**25,218**	**1.6%**	**264.1%**
Net profit / (loss) attributable to:					
Equity holders of the parent	**91,887**	**5.6%**	**23,913**	**1.5%**	**284.2%**
Non-controlling interests	(58)	(0.0%)	1,305	0.1%	n/a

Consolidated Profit and Loss Statement in the second quarter of 2015

(in HRK thousands)	**4-6 2015**	**% of sales revenues**	**4-6 2014**	**% of sales revenues**	**% change**
Sales revenue	854,043	100.0%	874,363	100.0%	(2.3%)
Cost of goods sold	(502,437)	(58.8%)	(514,356)	(58.8%)	(2.3%)
Gross profit	**351,606**	**41.2%**	**360,007**	**41.2%**	**(2.3%)**
Other income	8,922	1.0%	5,422	0.6%	64.6%
General and administrative expenses	(70,698)	(8.3%)	(62,421)	(7.1%)	13.3%
Selling and distribution costs	(122,619)	(14.4%)	(113,945)	(13.0%)	7.6%
Marketing expenses	(122,417)	(14.3%)	(116,542)	(13.3%)	5.0%
Other expenses	7,941	0.9%	2,124	0.2%	273.9%
Operating profit	**52,735**	**6.2%**	**74,645**	**8.5%**	**(29.4%)**
Financial income	1,931	0.2%	368	0.0%	424.7%
Other financial expenses	(995)	(0.1%)	(1,469)	(0.2%)	(32.3%)
Interest expenses	(9,259)	(1.1%)	(11,783)	(1.3%)	(21.4%)
Net foreign exchange differences on borrowings	5,097	0.6%	6,666	0.8%	(23.5%)
Net finance costs	**(3,226)**	**(0.4%)**	**(6,218)**	**(0.7%)**	**(48.1%)**
Profit before tax	**49,509**	**5.8%**	**68,426**	**7.8%**	**(27.6%)**
Current income tax	(16,680)	(2.0%)	(12,556)	(1.4%)	32.8%
Deferred tax	(1,527)	(0.2%)	5,138	0.6%	n/a
Income tax	**(18,207)**	**(2.1%)**	**(7,418)**	**(0.8%)**	**145.4%**
Net profit for the year	**31,302**	**3.7%**	**61,008**	**7.0%**	**(48.7%)**
Net profit / (loss) attributable to:					
Equity holders of the parent	**32,040**	**3.8%**	**60,142**	**6.9%**	**(46.7%)**
Non-controlling interests	(738)	(0.1%)	866	0.1%	n/a

Consolidated Balance Sheet on 30 June 2015

(in HRK thousands)	30 June 2015	% of assets	31 December 2014	% of assets	% change
ASSETS					
Non-current assets					
Goodwill	25,687	0.7%	25,687	0.7%	0.0%
Intangible assets	242,864	6.6%	244,793	7.0%	(0.8%)
Property, plant and equipment	1,309,751	35.7%	1,202,589	34.3%	8.9%
Deferred tax assets	48,527	1.3%	50,169	1.4%	(3.3%)
Non-current financial assets	5,920	0.2%	7,602	0.2%	(22.1%)
Total non-current assets	**1,632,749**	**44.5%**	**1,530,840**	**43.6%**	**6.7%**
Current assets					
Inventories	657,884	17.9%	599,164	17.1%	9.8%
Trade and other receivables	1,002,179	27.3%	924,077	26.3%	8.5%
Trade and other receivables	14,806	0.4%	59	0.0%	24994.9%
Income tax receivable	11,445	0.3%	19,520	0.6%	(41.4%)
Cash and cash equivalents	134,660	3.7%	220,478	6.3%	(38.9%)
Non-current assets held for sale	217,298	5.9%	214,432	6.1%	1.3%
Total current assets	**2,038,272**	**55.5%**	**1,977,730**	**56.4%**	**3.1%**
Total assets	**3,671,021**	**100.0%**	**3,508,570**	**100.0%**	**4.6%**
(in HRK thousands)	**30 June 2015**	**% of liabilities**	**31 December 2014**	**% of liabilities**	**% of change**
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,171,514	31.9%	1,063,548	30.3%	10.2%
Reserves	460,399	12.5%	467,540	13.3%	(1.5%)
Retained earnings / (accumulated losses)	208,827	5.7%	217,569	6.2%	(4.0%)
Attributable to equity holders of the parent	**1,840,740**	**50.1%**	**1,748,657**	**49.8%**	**5.3%**
Non-controlling interests	51,033	1.4%	36,605	1.0%	39.4%
Total shareholders' equity	**1,891,773**	**51.5%**	**1,785,262**	**50.9%**	**6.0%**
Non-current liabilities					
Borrowings	684,263	18.6%	749,013	21.3%	(8.6%)
Provisions	41,275	1.1%	39,792	1.1%	3.7%
Deferred tax liability	25,034	0.7%	5,544	0.2%	351.6%
Total non-current liabilities	**750,572**	**20.4%**	**794,349**	**22.6%**	**(5.5%)**
Current liabilities					
Trade and other payables	583,596	15.9%	563,922	16.1%	3.5%
Income tax payable	7,250	0.2%	2,599	0.1%	179.0%
Financial liabilities at fair value through profit and loss	1,695	0.0%	2,752	0.1%	(38.4%)
Borrowings	418,564	11.4%	325,542	9.3%	28.6%
Provisions	17,571	0.5%	34,144	1.0%	(48.5%)
Total current liabilities	**1,028,676**	**28.0%**	**928,959**	**26.5%**	**10.7%**
Total liabilities	**1,779,248**	**48.5%**	**1,723,308**	**49.1%**	**3.2%**
Total equity and liabilities	**3,671,021**	**100.0%**	**3,508,570**	**100.0%**	**4.6%**

Consolidated Cash Flow Statement in the first half of 2015

(in HRK thousands)	1-6 2015	1-6 2014	% change
Profit / (loss) for the year	91,829	25,218	264.1%
Income tax	19,526	8,259	136.4%
Depreciation and amortization	67,332	64,122	5.0%
Impairment (profit) / loss on property, plant, equipment and intangibles	(454)	0	n/a
Impairment loss on assets held for sale	5,593	4,691	19.2%
Impairment loss on goodwill	0	0	0.0%
Favourable purchase gain	(24,765)	0	n/a
Impairment of investments	0	483	(100.0%)
Remeasurement of financial instruments at fair value	(1,289)	(107)	1104.7%
Share based payment transactions	135	0	100.0%
(Profit) / Loss on disposal of property, plant, equipment and intangibles	(376)	(279)	34.8%
(Profit) on disposal of assets held for sale	(917)	0	n/a
Impairment of trade receivables	5,332	5,544	(3.8%)
Adjustment of capital premium - options	(275)	0	n/a
Increase / (decrease) in provisions	(24,746)	(18,845)	31.3%
Interest income	(2,268)	(883)	156.9%
Value adjustment (write-down) of loans and interest	0	1,500	(100.0%)
Interest expense	20,525	26,023	(21.1%)
Effect of changes in foreign exchange rates	(6,463)	(5,842)	10.6%
Changes in working capital:			
(Increase) in inventories	(49,852)	(47,521)	4.9%
(Increase) / decrease in trade receivables	(80,093)	22,552	n/a
(Decrease) / increase in trade payables	(5,472)	(605)	804.5%
Cash generated from operations	**13,302**	**84,310**	**(84.2%)**
Income tax paid	(4,813)	(7,893)	(39.0%)
Interest paid	(20,428)	(27,274)	(25.1%)
Net cash from operating activities	**(11,939)**	**49,143**	**n/a**
Cash flow from investing activities			
Purchase of equity securities	(10)	(16)	(100.0%)
Acquisition of subsidiaries, net of cash acquired	72	0	100.0%
Purchase of property, plant, equipment and intangibles	(60,582)	(95,352)	(36.5%)
Acquisition of assets held for sale	(3,733)	0	n/a
Proceeds from sale of property, plant, equipment and intangibles	4,702	4,368	7.6%
Loans receivables	(341)	(1,942)	(82.4%)
Repayment of loans receivable	96	324	(70.4%)
Proceeds from other investments	(14,515)	0	n/a
Collected interest	2,268	883	156.9%
Net cash from investing activities	**(72,043)**	**(91,735)**	**(21.5%)**
Cash flow from financing activities			
Purchase of treasury shares	(1,596)	0	n/a
Sale of treasury shares	1,303	0	100.0%
Proceeds from borrowings	237,542	489,815	(51.5%)
Repayment of borrowings	(239,085)	(426,059)	(43.9%)
Net cash from financing activities	**(1,836)**	**63,756**	**n/a**
Net increase / (decrease) of cash and cash equivalents	**(85,818)**	**21,164**	**n/a**
Cash and cash equivalents at beginning of the year	220,478	179,461	22.9%
Cash and cash equivalents at the end of year	134,660	200,625	(32.9%)

Consolidated Statement of Changes in Equity in the first half of 2015

(in HRK thousands)	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 2014	1,062,329	21,762	11,474	136,075	39,294	40,715	345,701	1,657,350	34,040	1,691,390
Comprehensive income										
Loss for the year							92,459	92,459	2,486	94,945
Other comprehensive income						(2,371)		(2,371)	79	(2,292)
Total comprehensive income						**(2,371)**	**92,459**	**90,088**	**2,565**	**92,653**
Transactions with owners recognised directly in equity										
Fair value of share-based payment transactions	1,219							1,219		1,219
Total transactions with owners recognised directly in equity	**1,219**	**-**	**-**	**-**	**-**	**-**	**-**	**1,219**	**-**	**1,219**
Transfers within capital and reserves		45,842	5,069		4,662	2,955	(58,528)	-		-
Reinvestments of profits				162,063			(162,063)	-		-
	-	45,842	5,069	162,063	4,662	2,955	(220,591)	-	-	-
As at 31 December 2014	**1,063,548**	**67,604**	**16,543**	**298,138**	**43,956**	**41,299**	**217,569**	**1,748,657**	**36,605**	**1,785,262**
Comprehensive income								-		-
Profit for the year							91,887	91,887	(58)	91,829
Acquisition of subsidiaries									14,757	14,757
Other comprehensive income						629		629	(271)	358
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**629**	**91,887**	**92,516**	**14,428**	**106,944**
Transactions with owners recognised directly in equity								-		-
Fair value of share-based payment transactions	135							135		135
Purchase of treasury shares	(1,596)							(1,596)		(1,596)
Realization of options	1,028							1,028		1,028
Transfers of reinvested profits in capital	108,400			(108,400)				-		-
Transfers from retained earnings		80,000	14,388		3,051	3,190	(100,629)	-		-
Transfers from reserves								-		-
Total transactions with owners recognised directly in equity	**107,967**	**80,000**	**14,388**	**(108,400)**	**3,051**	**3,190**	**(100,629)**	**(433)**	**-**	**(433)**
As at 31 March 2015	**1,171,515**	**147,604**	**30,931**	**189,738**	**47,007**	**45,118**	**208,827**	**1,840,740**	**51,033**	**1,891,773**

Notes to the Consolidated Financial Statements

The accounting policy in the first half of 2015 did not change.

Zvonimir Mršić

PODRAVKA
PREHRAMBENA INDUSTRIJA d.d.
KOPRIVNICA 173

President of the Management Board:

Zvonimir Mršić

Statement of liability

Koprivnica, 24 July 2015

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of Podravka Group for the period January – June 2015 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations of Podravka Group and all subsidiary companies involved in the consolidation.

Consolidated financial statements of Podravka Group for the period January – June 2015 were approved by the Management Board on 24th July 2015.

Corporate Accounting and Taxes Director:
Iva Brajević

Brajević

Board Member:
Miroslav Klepač

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