Podravka Group Business Results

for 1-3 2015 period

CONTENT

Key financial indicators in Q1 2015

(in HRK millions)	**Q1 2015**	**Q1 2014**	**% change**
Sales revenue	783.9	748.7	4.7%
Gross profit	321.6	299.7	7.3%
Gross profit margin	41.0%	40.0%	+99 bp
EBITDA*	107.0	13.8	673.2%
EBITDA margin	13.6%	1.8%	+1180 bp
Net profit after MI	59.8	(36.2)	n/p
Net profit margin after MI	7.6%	(4.8%)	+1247 bp
Cash flow from operating activities	(40.6)	(20.7)	95.8%
Capital expenditures	25.1	23.0	8.9%

(in HRK; market capitalization in HRK millions)	**31.03.2015**	**31.12.2014**	**% change**
Net debt / TTM EBITDA	2.3	2.7	(13.7%)
TTM Earnings per share	34.8	17.1	103.9%
Last price at the end of period	290.0	293.5	(1.2%)
Market capitalization	1,571.8	1,590.6	(1.2%)

***EBITDA** was calculated in a way that EBIT was increased by the depreciation and amortization and impairment of intangible and non-current tangible assets.

NOTE:

Q1 2015 – period from January to March 2015

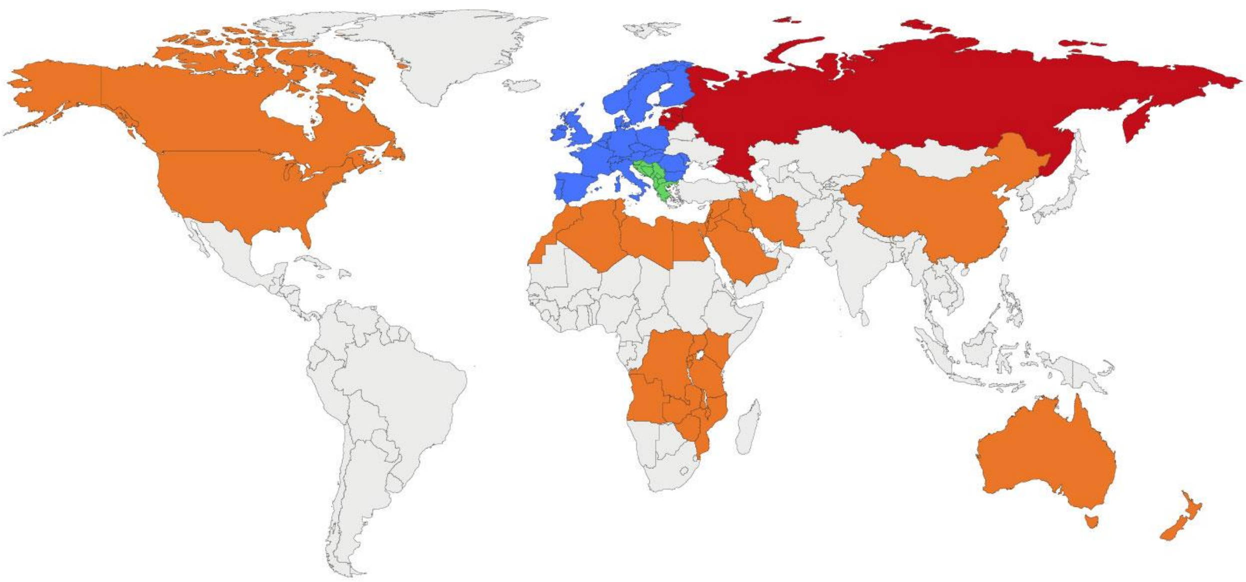
Q1 2014 – period from January to March 2015

TTM – trailing twelve months

Significant events in Q1 2015

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 and drinks 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.

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.

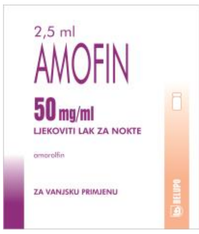
In the **culinary category**, Podravka cubes in the markets of the Adria region have been redesigned and adapted to competitive environment by their format, and the offer has been supplemented with new flavours that follow culinary trends. At the same time, the cubes range under the Vegeta brand was launched to the markets of the Czech Republic and Slovakia and Serbia with the aim of strengthening the Vegeta brand. 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. The aim of this innovation initiative is to strengthen the Podravka brand in the soups category in the Adria region by attracting young consumers, and to create the basis for expansion to new markets. 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.

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. The concept of the products launched represents a significant innovation in the market in this distribution channel. 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.

In the **category of sweets, snacks and beverages** there was a turn in the Dolcela pudding formulation. Innovation in recipes are 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.

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.

Significant events after the balance sheet date

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.

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.

Sales by strategic business areas in Q1 2015

Sales revenues by Strategic Business Areas			
(in HRK millions)	Q1 2015	Q1 2014	Q1 2015/Q1 2014
SBA Food	612.1	578.0	5.9%
SBA Pharmaceuticals	171.8	170.7	0.6%
Podravka Group	783.9	748.7	4.7%

Strategic Business Area Food recorded an increase in sales of 5.9% compared to Q1 2014:

- the most significant increase in sales was realised in the culinary category, subcategories Mediterranean food and frozen vegetables,
- sales of the food and drinks segment were positively impacted by Easter holidays at the beginning of April this year, while in 2014 they were at the end of the month,
- new/divested product range[1] and foreign exchange differences had no significant impact on the sales growth rate for the food and drinks segment in Q1 2015.

Strategic Business Area Pharmaceuticals with the sales volume growth compared to Q1 2014 compensated the negative impact of external factors:

- the negative impact of the decision by the Croatian Health Insurance Fund to decrease the prices of prescription drugs in February 2014, and the negative impact of foreign exchange differences of HRK 5.3 million,
- volume growth of the pharmaceuticals segment in Q1 2015 was 3.1%, with the volume growth of 4.6% in the Croatian market and 12.8% in the Russian market,
- if the effect of foreign exchange differences is excluded, sales of the pharmaceuticals segment in Q1 2015 recorded a 3.7% growth compared to Q1 2014.

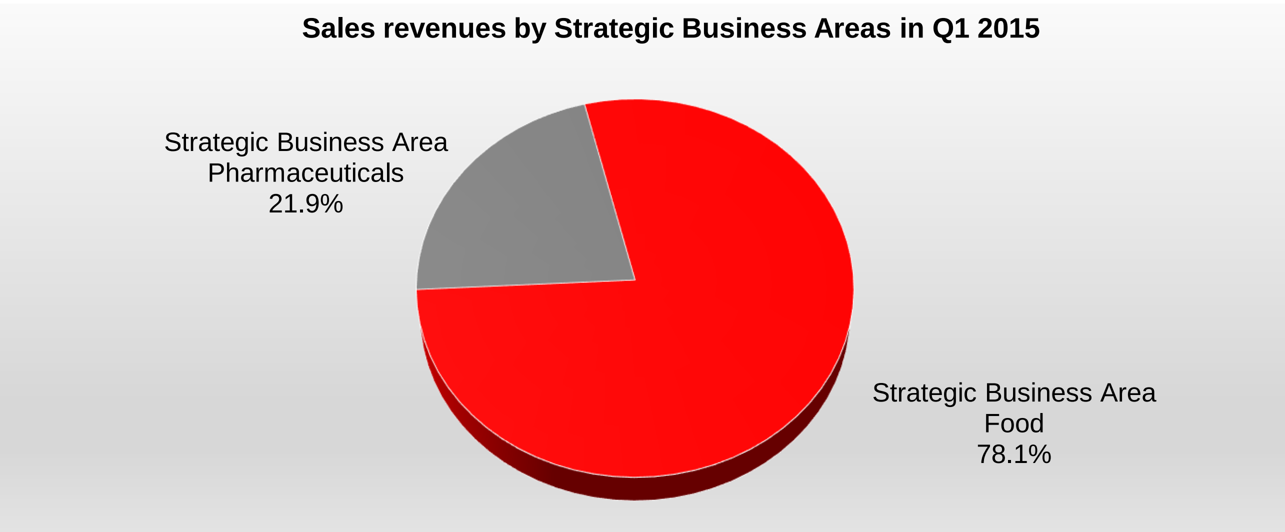
In Q1 2015, the **Strategic Business Area Food** recorded 5.9% higher sales compared to Q1 2014, mainly due to the growth in the culinary category, subcategories Mediterranean food and frozen vegetables. Sales of the food and drinks segment were also positively impacted by Easter holidays at the beginning of April this year, while in 2014 they were at the end of the month. New/divested product range in Q1 2015 on the net level records HRK 1.2 million of negative impact on sales, while foreign exchange differences on the net level in the same period record HRK 2.5 million of positive

[1]The new product range relates to PIK and Mirna brands which were not present in Q1 2014 and which positively impact sales in Q1 2015. The divested product range relates to programmes under restructuring (abandoned and being abandoned by the company) that were present in Q1 2014, but are not present in Q1 2015 and thereby have a negative impact on sales. Net effect of new/divested brands is negative HRK 1.2 million.

impact on sales. If the impacts of the new/old product range and foreign exchange differences are excluded, sales of the food and drinks segment in Q1 2015 amounted to HRK 588.9 million and were 5.9% higher compared to Q1 2014.

In Q1 2015, the **Strategic Business Area Pharmaceuticals** recorded 0.6% higher sales compared to Q1 2014. The result was negatively impacted by the prescribed decrease in prices of prescription drugs by the CHIF[2] in February 2014 in the market of Croatia. Foreign exchange differences on net level recorded a negative impact of HRK 5.3 million, primarily related to the Russian ruble. The company succeeded in compensating these negative impacts by the volume growth in sales where the overall pharmaceuticals segment recorded a volume growth of 3.1%. In the Croatian market, the volume growth was 4.6%, and in the Russian market 12.8% to the distributor. If the effect of foreign exchange differences is excluded, the pharmaceuticals segment in Q1 2015 recorded sales of HRK 177.1 million, which is a 3.7% increase compared to Q1 2014.

Sales of the **Podravka Group** in Q1 2015 recorded a negative impact on net level of the new/divested product range in the amount of HRK 1.2 million, and a negative impact of foreign exchange differences on the net level of HRK 2.8 million. If the effects of new/divested product range and foreign exchange differences are excluded, sales of the Podravka Group in Q1 2015 amounted to HRK 766.0 million, which is a 5.4% growth compared to Q1 2014.



[2]Croatian Health Insurance Fund.

Sales revenue per category in Q1 2015

Sales revenues by categories			
(in HRK millions)	Q1 2015	Q1 2014	Q1 2015/Q1 2014
Culinary	209.7	199.7	5.0%
Sweets, snacks and beverages	50.2	49.6	1.3%
Baby food, breakfast foods and other food	228.4	206.1	10.8%
Meat products	59.2	51.1	15.8%
Prescription drugs	112.0	114.4	(2.1%)
Non-prescription programme	21.7	19.0	14.0%
Other sales	102.7	108.6	(5.5%)
Podravka Group	783.9	748.7	4.7%

Increase in sales recorded in most categories, while the prescription drugs category was negatively impacted by foreign exchange differences:

- **Culinary category** → sales growth triggered by the growth in subcategories of universal food seasonings and soups, primarily in the markets of Croatia and the USA,
- **Sweets, snacks and beverages category** → sales grow due to the increase in sales of the powdered sweets subcategory, realised mainly in the Croatian market,
- **Baby food, breakfast foods and other food category** → increase in sales primarily due to the increase in sales of subcategories of Mediterranean food and frozen vegetables, realised in the Adria region and in the market of Russia,
- **Meat products category** → significant growth in sales of the subcategories of sausage products and pâtés in the Croatian market,
- **Prescription drugs category** → sales were negatively impacted by foreign exchange differences of HRK 5.0 million, primarily due to the fluctuation of the Russian ruble, and the prescribed decrease in prices of prescription drugs by the Croatian Health Insurance Fund in the Croatian market. If the effect of foreign exchange differences is excluded, sales grew by 3.3% with the volume sales growth in the markets of Croatia and Russia,
- **Non-prescription programme category** → OTC medicines recorded a 28.9% increase in sales, primarily in the Croatian market,
- **Other sales category** → negative effect of lower sales revenue from trade goods sold, primarily in the markets of the Czech Republic and Austria.

The **culinary category** in Q1 2015 recorded 5.0% higher sales compared to the comparative period, with the most prominent growth achieved in the subcategories of universal food seasonings and soups. Analysed by markets, the most significant growth in the culinary category was recorded in the markets of Croatia and the USA. Foreign exchange differences had a positive effect of HRK 2.2 million on sales of the culinary category in Q1 2015 and if they are excluded, the growth would be 3.9%.

The **sweets, snacks and beverages category** in Q1 2015 recorded sales of HRK 50.2 million, which is a 1.3% growth compared to Q1 2014. The most significant growth was recorded in the subcategory of powdered sweets, mainly in the market of Croatia. If the effects of the beverages segment (the entire beverages range other than teas and powdered drinks) which is being abandoned by the company, and foreign exchange differences are excluded, the sweets, snacks and beverages category recorded sales of HRK 38.6 million in Q1 2015, which is a 12.9% growth.

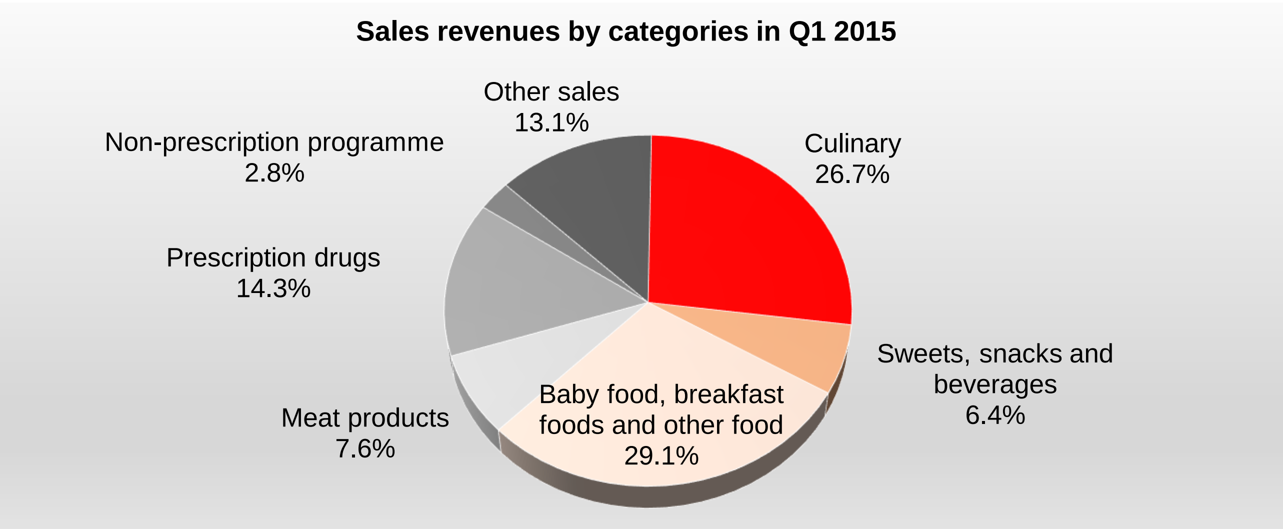
The **baby food, breakfast foods and other food category** with sales of HRK 228.4 million in Q1 2015 recorded a 10.8% growth compared to the comparative period. The most significant growth was recorded by the Mediterranean food subcategory in the Adria region and the frozen vegetables subcategory in the Russian market. If the effects of programmes under restructuring, Mirna product range and foreign exchange differences are excluded, the category recorded sales of HRK 225.8 million in Q1 2015, which is a growth of 11.0%.

In Q1 2015, the **meat products category** recorded 15.8% higher sales compared to Q1 2014. The most significant sales growth was recorded by the sausages and the pâtés subcategories in the Croatian market. If the effects of the programmes under restructuring, PIK product range and foreign exchange differences are excluded, in Q1 2015 the category recorded sales of HRK 52.7 million, which represents a growth of 7.4%.

In Q1 2015, the **prescription drugs category** recorded 2.1% lower sales compared to Q1 2014 due to lower results in the markets of Croatia, Russia and Serbia, while all other markets recorded increase in sales. Sales in the market of Croatia were negatively impacted by the decision of the Croatian Health Insurance Fund on the decrease in prices of prescription drugs in February 2014. On the other hand, the Russian market in Q1 2015 records the effect of foreign exchange losses amounting to HRK 5.6 million. Here it should be noted that sales to distributors in Russia were 12.8% higher in terms of volume, while in rubles this growth is 23.1%. If the effect of foreign exchange differences is excluded, sales of the prescription drugs category were 3.3% higher in Q1 2015 than in Q1 2014.

The **non-prescription programme category** in Q1 2015 with sales of HRK 21.7 million recorded a 14.0% growth in relation to the comparative period. In this, OTC medicines, as the largest subcategory of the non-prescription programme, recorded a growth in sales of 28.8%, primarily in the Croatian market. If the effect of foreign exchange differences is excluded, the non-prescription programme category in Q1 2015 recorded sales of HRK 22.1 million, which is a 16.0% growth compared to Q1 2014.

The **other sales category** in Q1 2015 recorded 5.5% lower sales, which is mainly a consequence of lower sales revenue from trade goods sold. Under trade goods, among other things, the Podravka Group purchases and resells poppy seeds as raw material, whose market price in Q1 2015 dropped by 40% compared to Q1 2014, which was negatively reflected on realised sales. Geographically, the decrease in sales of this category occurred in the Europe region, where the most significant decrease in sales of trade goods was recorded in the markets of the Czech Republic and Austria.



Sales by regions in Q1 2015

Sales revenues by regions			
(in HRK millions)	Q1 2015	Q1 2014	Q1 2015/Q1 2014
Adria Region	541.1	507.2	6.7%
Europe Region	182.9	188.7	(3.1%)
Russia, CIS and Baltic Region	25.9	24.7	4.9%
New Countries Region	34.0	28.1	21.0%
Podravka Group	783.9	748.7	4.7%

Foreign markets recorded 3.8% higher sales in Q1 2015, continuing the growth trend:

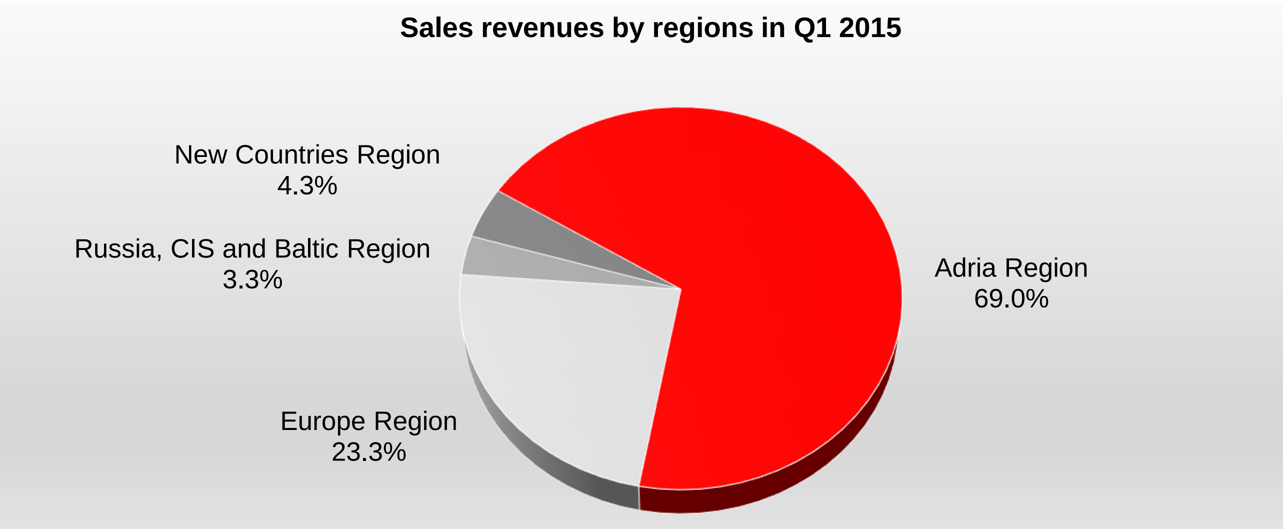
- **Adria region** → sales growth in all markets of the region, primarily Croatian,
- **Europe region** → lower sales of trade goods in food and drinks is the key reason for lower sales, while the overall organic sales grew by 7.0%,
- **Russia, CIS and Baltic region** → sales increased by 3.3%, and if the effect of foreign exchange differences is excluded, the growth was 27.4%,
- **New Markets region** → significant growth in sales impacted by a double-digit growth rate of the culinary category in the markets of the USA and Australia.

The **Adria region** in Q1 2015 recorded a 6.7% growth in sales compared to Q1 2014. The sales growth was recorded in all markets of the region, and the most significant was recorded in the markets of Croatia (HRK +18.0 million), Bosnia and Herzegovina (HRK +5.8 million) and Kosovo (HRK +5.2 million). Analysed by categories, the most significant increase in sales in the Adria region was recorded in the culinary category, in the meat and meat products category and the Mediterranean food subcategory. If the effects of programmes under restructuring, PIK product range, Mirna product range and foreign exchange differences are excluded, the Adria region in Q1 2015 recorded sales of HRK 521.3 million, which is a 7.3% growth compared to Q1 2014.

With sales of HRK 182.9 million, the **Europe region** in Q1 2015 recorded a 3.1% lower result than in Q1 2014. The result was negatively impacted mainly by sales realised in the markets of Austria (HRK -3.5 million) and the Czech Republic (HRK -2.8 million), which was mitigated by the increase in sales in the markets of Hungary (HRK +1.6 million), Scandinavia (HRK +1.6 million) and Switzerland (HRK +1.4 million). Here it should be pointed out that lower sales in the Europe region are fully a result of lower sales of trade goods in the food and drinks segment, while the overall organic sales record an increase in sales revenue of 7.0%. Trade goods that recorded lower results relate to poppy seeds, whose market price in Q1 2015 was 40% lower than in Q1 2014. Programmes under restructuring and foreign exchange differences did not have a significant impact on sales of the Europe region in Q1 2015.

The **Russia, CIS and Baltic region** in Q1 2015 recorded 3.3% higher sales revenues compared to Q1 2014 with 8.3% growth in the Russian market. Analysed by segments, the increase in sales was recorded in food, while the pharmaceuticals segment was negatively affected by foreign exchange differences of HRK 5.6 million. If the effects of programmes under restructuring and foreign exchange differences are excluded, the Russia, CIS and Baltic region in Q1 2015 recorded sales of HRK 31.5 million, which is a 27.4% growth compared to Q1 2014.

The **New Markets region** in Q1 2015 recorded a 21.0% increase in sales compared to the comparative period. The US market (HRK +3.9 million) and the Australian market (HRK +2.4 million) recorded the highest sales growth in Q1 2015 due to a double-digit growth rate of the culinary category.



Profitability in Q1 2015

Profitability of the Strategic Business Area Food in Q1 2015

Strategic Business Area Food profitability			
(in HRK millions)	**Q1 2015**	**Q1 2014**	**% change**
Sales revenue	612.1	578.0	5.9%
Gross profit	233.7	214.4	9.0%
EBITDA*	91.4	4.0	2168.3%
EBIT	65.0	(20.6)	n/a
Net profit after MI	58.0	(32.4)	n/a
Gross margin	38.2%	37.1%	+109 bp
EBITDA margin	14.9%	0.7%	+1423 bp
EBIT margin	10.6%	(3.6%)	+1417 bp
Net profit margin after MI	9.5%	(5.6%)	+1508 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.

The first quarter of 2015 in which there are no restructuring costs reveals the true position and potential of the food segment:

- **Gross margin** grew by 109 basis points compared to Q1 2014, which was the result of a higher growth in sales revenue (+5.9%) compared to the growth in cost of goods sold (+4.1%). Cost of goods sold recorded 8.8% lower staff costs as the result of restructuring in 2014,
- **Operating profit (EBIT)** in Q1 2015 amounted to HRK 65.0 million, while in Q1 2014 it amounted to negative HRK 20.6 million. It should be noted that the Q1 2015 result was positively impacted by the Mirna d.d.[3] consolidation of HRK 24.8 million, while the Q1 2014 result was negatively impacted by costs of severance payments in the amount of HRK 45.7 million. Comparing Q1 2015 and Q1 2014 without the impact of Mirna consolidation and costs of severance payments, operating profit grew by 51.3% while the operating margin is higher by 186 basis points. This result is a consequence, in addition to effects above the EBIT level, of the fact that total operating expenses (not including severance payments) between the gross and operating profits grew only mild 2.4%. Although the volume sales growth on one hand led

[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 other income in the amount of HRK 24.8 million.

to an increase in certain operating expenses, positive impacts of the restructuring in 2014 are observable in Q1 2015 as the decrease in certain operating expenses such as staff costs,

- **Net profit after minority interests** in Q1 2015 amounted to HRK 58.0 million due to effects above the level of operating profit, lower finance costs related to more favourable terms of refinanced borrowings and the positive impact of tax benefits related mainly to the parent company. In Q1 2014 net loss of HRK 32.4 million was recorded as a result of the severance payments mentioned above. If we compare Q1 2015 and Q1 2014 without the impact of Mirna consolidation and costs of severance payments, the net profit after minority interests grew 2.3 times, while the net profit margin after minority interests is higher by 277 basis points.

Profitability of the Strategic Business Area Pharmaceuticals in Q1 2015

Strategic Business Area Pharmaceuticals profitability

(in HRK millions)	**Q1 2015**	**Q1 2014**	**% change**
Sales revenue	171.8	170.7	0.6%
Gross profit	87.9	85.3	3.0%
EBITDA*	15.6	9.8	58.8%
EBIT	5.5	(0.5)	n/a
Net profit after MI	1.8	(3.9)	n/a
Gross margin	51.1%	50.0%	+117 bp
EBITDA margin	9.1%	5.7%	+332 bp
EBIT margin	3.2%	(0.3%)	+352 bp
Net profit margin after MI	1.0%	(2.3%)	+332 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.

Increase in profit margins with realised net profit in Q1 2015:

- Increased efficiency of the supply chain and lower expenses on revaluation of inventories led to 1.7% lower cost of goods sold in Q1 2015 which, in addition to unchanged sales revenue, improved the **gross margin** by 117 basis points compared to Q1 2014,

- **Operating profit (EBIT)** in Q1 2015 amounted to HRK 5.5 million, while in Q1 2014 it amounted to negative HRK 0.5 million, impacted also by HRK 2.0 million of severance payments. Comparing Q1 2015 and Q1 2014 without severance payments, the operating profit grew 3.8 times while the operating margin is higher by 235 basis points. The improvement in operating profit, in addition to factors above the gross profit level, was impacted by 1.9% lower total operating expenses (not including severance payments) between the gross and operating profit levels. Net realised foreign exchange differences in Q1 2015 amounted to negative HRK 9.7 million and thereby significantly burdened operating profit; however, they were mildly below the Q1 2014 level. Selling and distribution costs and general and administrative expenses simultaneously had a double-digit drop, compensating the increase in marketing expenses,

- **Net profit after minority interests** in Q1 2015 amounted to HRK 1.8 million, while in Q1 2014 it amounted to negative HRK 3.9 million, under the impact of costs of severance payments. Realised net profit after minority interests in Q1 2015, in addition to effects above the EBIT level, was impacted by lower finance costs and higher tax liability. Considering the structure and movements in income and expense components, it can be concluded that the main factor of the realised net profit after minority interests in Q1 2015 is the high level of net realised foreign exchange losses, which are reducing the result achieved.

<u>Profitability of the Podravka Group in Q1 2015</u>

Podravka Group profitability			
(in HRK millions)	**Q1 2015**	**Q1 2014**	**% change**
Sales revenue	783.9	748.7	4.7%
Gross profit	321.6	299.7	7.3%
EBITDA	107.0	13.8	673.2%
EBIT	70.5	(21.1)	n/a
Net profit after MI	59.8	(36.2)	n/a
Gross margin	41.0%	40.0%	+99 bp
EBITDA margin	13.6%	1.8%	+1180 bp
EBIT margin	9.0%	(2.8%)	+1181 bp
Net profit margin after MI	7.6%	(4.8%)	+1247 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.

Improved profitability of the food and pharmaceutical segments significantly increased the Podravka Group's profitability in Q1 2015:

- **Gross margin** in Q1 2015 was 41.0% which is a growth of 99 basis points compared to Q1 2014. The increase in gross margin is the result of higher growth in sales revenue (4.7%) compared to the growth in cost of goods sold (2.8%) in Q1 2015. Positive impact on lower growth in cost of goods sold was made by the decrease in staff costs in the food and drinks segment as the result of restructuring in 2014, and improved efficiency of the supply chain and lower expenses on revaluation of inventories in the pharmaceutical segment,

- **Operating profit** in Q1 2015 amounted to HRK 70.5 million with the positive impact of Mirna consolidation, while in Q1 2014 it amounted to negative HRK 21.1 million under the impact of HRK 47.7 million of severance payments costs. If we compare Q1 2015 and Q1 2014 without the impact of Mirna consolidation and costs of severance payments, the realised operating profit in Q1 2015 is 71.9% higher, while the operating margin recorded a growth of 228 basis points. The improvement in operating profit, in addition to effects above gross profit, was impacted by 1.1% mild increase of total operating expenses (not including severance payments) between the gross and operating profit levels,

- **Net profit after minority interests** in Q1 2015 amounted to HRK 59.8 million due to effects above operating profit, lower finance costs related to more favourable terms of refinanced borrowings and the positive impact of tax benefits related mainly to the parent company. In Q1 2014, the net loss was realised as the result of severance payments costs mentioned above. If we compare Q1 2015 and Q1 2014 without the impact of Mirna consolidation and severance payments costs, the net profit after minority interests in Q1 2015 is 3.1 times higher than in Q1 2014, while the net profit margin after minority interests is higher by 295 basis points.

Key characteristics of the income statement in Q1 2015

Cost of goods sold

In the food and drinks segment, staff costs within the cost of goods sold were lower by 8.8%, as a result of the restructuring in 2014, while in the pharmaceuticals segment the increased efficiency of the supply chain and lower expenses on revaluation of inventories led to 1.7% lower costs of goods sold. This mitigated the increase in cost of goods sold at the Group level which grew by 2.8% in Q1 2015 compared to Q1 2014, due to increased scope of operations.

Other income

Other income in Q1 2015 includes the positive impact of the Mirna d.d. consolidation. 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 other income in the amount of HRK 24.8 million.

General and administrative expenses

General and administrative expenses in Q1 2015 are by 41.3% lower compared to Q1 2014 when severance payments in the amount of HRK 47.7 million were paid. If the severance payments in Q1 2014 are excluded, general and administrative expenses in Q1 2015 were 2.7% higher than in Q1 2014.

Selling and distribution costs

Selling and distribution costs in Q1 2015 recorded a decrease of 0.4% compared to Q1 2014 due to lower staff costs, saving in costs of warehousing of finished goods and a more efficient collection of trade receivables, resulting in lower provisions for receivables.

Marketing expenses

Marketing expenses grew by 6.0% due to stronger marketing activities related to Easter holidays.

Other expenses

Other expenses in Q1 2015 are 23.3% lower compared to Q1 2014 which is, among other things, a result of lower net realised foreign exchange losses.

Net finance costs

In Q1 2015, net finance costs are lower by significant 37.8% due to lower interest expense on borrowings, which is a consequence of refinancing borrowings under more favourable terms, and foreign exchange gains on borrowings (in Q1 2014 there were foreign exchange losses).

Key characteristics of the balance sheet as at 31 March 2015

Non-current tangible assets

As at 31 March 2015, non-current tangible assets are 8.5% higher compared to 31 December 2014 as a result of the Mirna d.d. consolidation. This company was not consolidated as at 31 December 2014 as at the time not all consolidation requirements were met.

Inventories

As at 31 March 2015, inventories are 8.8% higher compared to the end of 2014, mainly as a result of an increase in inventories of finished goods in the subsidiary in Poland, an increase in inventories of raw materials and supplies in Belupo, and an increase in inventories of finished goods in Danica. Inventories in the Polish subsidiary are increased in order to ensure normal operations following the closing down of the factory there. The increase in inventories of raw materials and supplies in Belupo is related to specific characteristics of the production process and products, where orders of certain raw materials and the production of certain products are clustered. The increase in inventories of finished goods in Danica is a result of Easter holidays when traditionally the sale of Easter product range is higher.

Trade and other receivables

As at 31 March 2015, trade receivables increased by 6.8% compared to the end of 2014. The increase in receivables was impacted by Easter holidays at the beginning of April, which resulted in increased orders at the end of March.

Assets available for sale

Available-for-sale assets, among others, include non-current tangible assets in the process of sale related to business segments abandoned by the company and non-current tangible assets of the factory Studenac in Lipik (beverages segment under restructuring).

Long-term borrowings

Long-term borrowings decreased by 5.0% compared to the end of 2014 as a result of repayment of a portion of long-term borrowings.

Short-term borrowings

Short-term borrowings increased by 14.1% compared to 31 December 2014 due to short-term borrowings taken for the purposes of operating activities in Q1 2015.

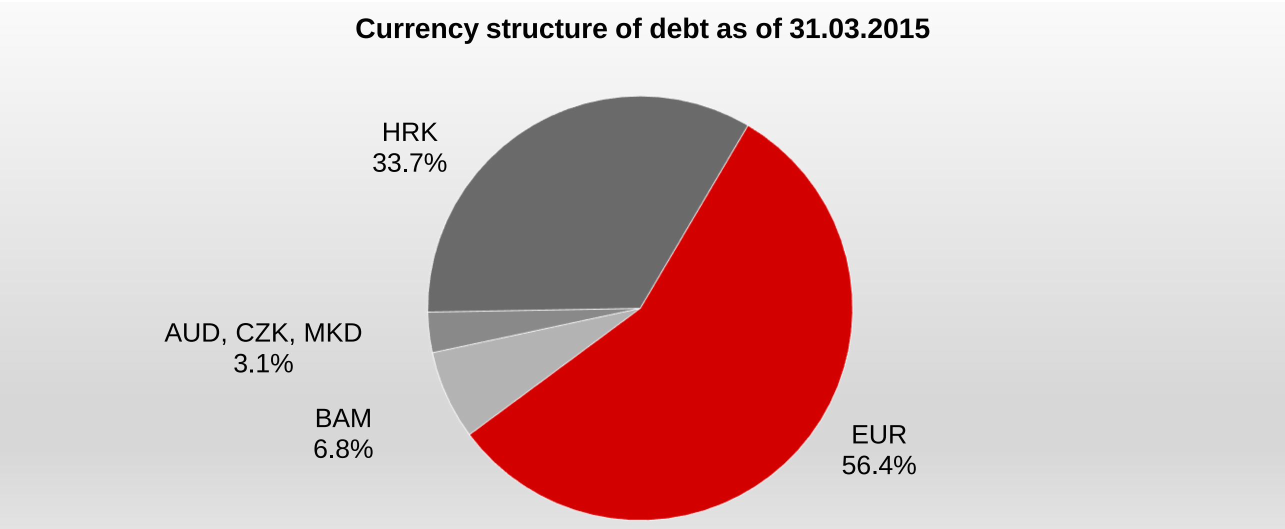
Trade payables

As at 31 March 2015, trade payables are lower compared to the end of 2014 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.

Indebtedness

As at 31 March 2015, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities was HRK 1,086,400 thousand, of which HRK 711,829 thousand relates to long-term borrowings, HRK 371,519 thousand to short-term borrowings, and HRK 3,052 thousand to swap contract liabilities. The **average weighted cost of debt** on all the stated liabilities was 3.4% as at 31 March 2015.

Analysing the debt currency structure, the highest exposure, of 56.4%, was toward the Euro, while 33.7% of the debt was in the domestic currency. 6.8% of the debt was in the Bosnia and Herzegovina convertible mark, while the remainder of 3.1% relates to the Australian dollar (AUD), Czech koruna (CZK) and Macedonian denar (MKD).



(in HRK thousands)	Q1 2015	2014	% change
Net debt	954,393	856,828	11.4%
TTM interest expense	41,058	43,543	(5.7%)
Net debt / TTM EBITDA	2.3	2.7	(13.7%)
EBITDA / Interest expense*	10.1	7.3	37.0%
Equity to total assets ratio	51.4%	50.9%	+47 bp

*Indicator calculated on the trailing twelve months basis.

As at 31 March 2015, net debt was 11.4% higher compared to the end of 2014 primarily due to lower cash and cash equivalents. Interest expense in the last 12 months in Q1 2015 is lower by 5.7% compared to 2014 as a consequence of refinanced liabilities under more favourable commercial terms. The ratio of net debt and EBITDA at the end of Q1 2015 is 2.3 which is by 13.7% lower compared to the end of 2014, while at the same time the ratio of capital and total assets was improved by 47 basis points.

Key characteristics of the cash flow statement in Q1 2015

Cash flow from operating activities

In Q1 2015, net cash flow from operating activities amounted to negative HRK 40.6 million, as a result of the working capital increase.

Within the working capital, the value of inventories increased primarily as a result of an increase in inventories of finished goods in the subsidiary in Poland, an increase in inventories of raw materials and supplies in Belupo, and an increase in inventories of finished goods in Danica. The increase in receivables was impacted by Easter holidays at the beginning of April, which resulted in increased orders at the end of March. Trade payables decreased 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.

Cash flow from investing activities

Net cash flow from investing activities at the end of Q1 2015 was negative HRK 33.3 million, primarily due to capital expenditure in the amount of HRK 25.1 million. The most significant capital expenditure in Q1 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.

Capital expenditure in Q1 2015 amounted to HRK 25.1 million. 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. In line with this, capital expenditure in 2015 is expected to be at a level of HRK 480 – 520 million, in 2016 at a level of HRK 200 – 300 million, after which it should stabilise at the level of HRK 130 – 150 million.

Cash flow from financing activities

In Q1 2015, cash flow from financing activities comprised HRK 98.4 million of borrowings received and HRK 113.0 million of borrowings repaid. These amounts relate 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.

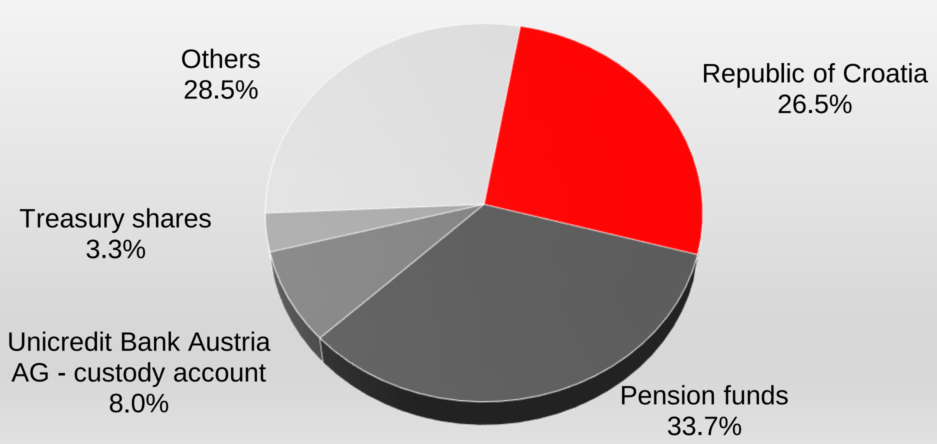
Share in Q1 2015

List of top 10 shareholders as of 31 March 2015

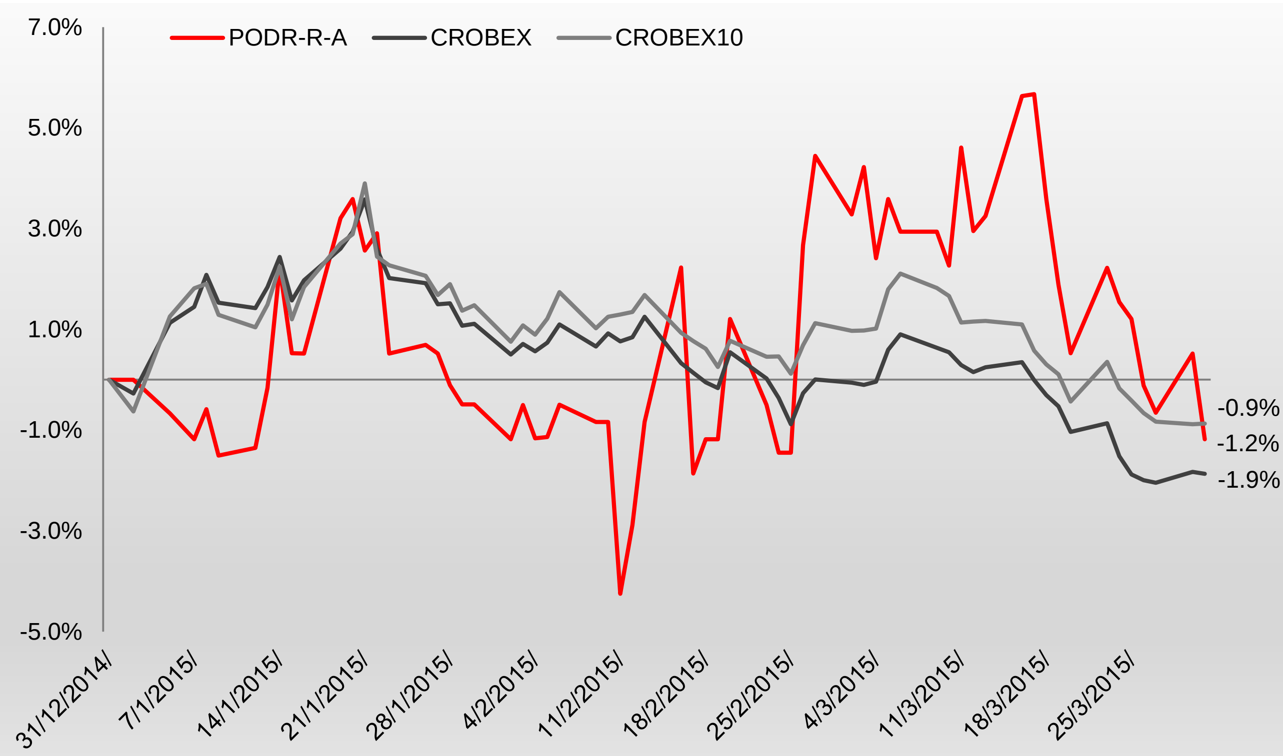
No.	Shareholder	Number of shares	% of ownership
1	SPMA - Croatian Pension Insurance Institute	575,598	10.6%
2	SPMA - Republic of Croatia	536,259	9.9%
3	Erste Plavi mandatory pension fund, category B	514,863	9.5%
4	AZ mandatory pension fund, category B	510,283	9.4%
5	PBZ Croatia Osiguranje mandatory pension fund, category B	481,287	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	1,542,492	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 31.5% 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.

Ownership structure as of 31.03.2015



Share price movement in Q1 2015



(closing price in HRK; closing points)	**31.03.2015**	**31.12.2014**	**% change**
PODR-R-A	290.0	293.5	(1.2%)
CROBEX	1,712.8	1,745.4	(1.9%)
CROBEX10	998.4	1,007.1	(0.9%)

In Q1 2015, Podravka's share recorded a 1.2% drop, following thereby stock indices CROBEX and CROBEX10, which dropped by 1.9% and 0.9%, respectively in the same period.

Performance in the Croatian capital market in Q1 2015

(in HRK; in units) [4]	**Q1 2015**	**Q1 2014**	**% change**
Average daily price	297.0	280.6	5.8%
Average daily number of transactions	10	17	(40.3%)
Average daily volume	1,052	1,928	(45.4%)
Average daily turnover	312,415.0	540,848.7	(42.2%)

[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.

In Q1 2015, the average daily price of the Podravka's share increased by 5.8% compared to Q1 2014. At the same time, the average daily number of transactions in the company's shares decreased by 40.3%, while the average daily volume of the shares traded in these transactions was lower by 45.4%. The average daily turnover of the company's shares in Q1 2015 was 42.2% lower than in Q1 2014.

Valuation

(in HRK millions; earnings per share in HRK)	**Q1 2015**	**2014**	**% change**
Last price	290.0	293.5	(1.2%)
Market capitalization	1,571.8	1,590.6	(1.2%)
EV[5]	2,578.2	2,484.0	3.8%
TTM earnings per share	34.8	17.1	103.9%
EV / TTM Sales revenue	0.7	0.7	2.8%
EV / TTM EBITDA	6.2	7.8	(19.6%)
EV / TTM EBIT	10.4	16.0	(34.7%)
Last price / Earnings per share ratio	8.3	17.2	(51.5%)

As a consequence of the lower last bidding price, as at 31 March 2015 market capitalisation was 1.2% lower compared to 31 December 2014. Following the increase in net debt and minority interests, the EV grew by 3.8% at the end of Q1 2015 compared to the end of 2014. As in Q1 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 Q1 2015 compared to the end of 2014.

[5]Enterprise value: Market Capitalization + Net debt + Minority interests.

Additional tables

Sales revenues per Category in Q1 2015

(in HRK millions)	Q1 2015	% of sales revenues	Q1 2014	% of sales revenues	Q1 2015/ Q1 2014
SBA Food and Drinks	**612.1**	**78.1%**	**578.0**	**77.2%**	**5.9%**
Culinary	**209.7**	**26.7%**	**199.7**	**26.7%**	**5.0%**
Food seasonings and bouillons	146.0	18.6%	140.8	18.8%	3.7%
Podravka dishes and food mixes	63.6	8.1%	58.9	7.9%	8.0%
Sweets, snacks and beverages	**50.2**	**6.4%**	**49.6**	**6.6%**	**1.3%**
Beverages	18.6	2.4%	21.7	2.9%	(14.0%)
Sweets and snacks	31.6	4.0%	27.9	3.7%	13.2%
Baby food, breakfast foods and other food	**228.4**	**29.1%**	**206.1**	**27.5%**	**10.8%**
Baby food and breakfast foods	74.0	9.4%	71.7	9.6%	3.3%
Other food	154.4	19.7%	134.5	18.0%	14.8%
Meat products	**59.2**	**7.6%**	**51.1**	**6.8%**	**15.8%**
Other sales	**64.6**	**8.2%**	**71.4**	**9.5%**	**(9.5%)**
SBA Pharmaceuticals	**171.8**	**21.9%**	**170.7**	**22.8%**	**0.6%**
Prescription drugs	112.0	14.3%	114.4	15.3%	(2.1%)
Non-prescription programme	21.7	2.8%	19.0	2.5%	14.0%
Other sales	38.1	4.9%	37.2	5.0%	2.2%
Podravka Group	**783.9**	**100.0%**	**748.7**	**100.0%**	**4.7%**

Sales revenues per Market in Q1 2015

(in HRK millions)	**Q1 2015**	**% of sales revenues**	**Q1 2014**	**% of sales revenues**	**Q1 2015/ Q1 2014**
Adria Region	**541.1**	**69.0%**	**507.2**	**67.7%**	**6.7%**
Croatia	311.3	39.7%	293.3	39.2%	6.1%
Bosnia and Herzegovina	106.2	13.5%	100.4	13.4%	5.8%
Macedonia	20.4	2.6%	18.0	2.4%	13.6%
Slovenia	44.0	5.6%	44.0	5.9%	0.1%
Serbia	31.0	3.9%	30.2	4.0%	2.5%
Other countries	28.1	3.6%	21.3	2.8%	32.0%
Europe Region	**182.9**	**23.3%**	**188.7**	**25.2%**	**(3.1%)**
Austria	10.5	1.3%	14.0	1.9%	(25.1%)
Germany	20.0	2.5%	20.5	2.7%	(2.7%)
Czech Republic	40.6	5.2%	43.5	5.8%	(6.5%)
Hungary	13.9	1.8%	12.2	1.6%	13.5%
Poland	49.6	6.3%	51.7	6.9%	(4.0%)
Slovakia	21.0	2.7%	22.1	2.9%	(4.8%)
Other countries	27.3	3.5%	24.7	3.3%	10.5%
Russia, CIS and Baltic Region	**25.9**	**3.3%**	**24.7**	**3.3%**	**4.9%**
Russia	23.3	3.0%	21.5	2.9%	8.3%
Other countries	2.6	0.3%	3.1	0.4%	(18.2%)
New Countries Region	**34.0**	**4.3%**	**28.1**	**3.8%**	**21.0%**
Australia	15.0	1.9%	12.5	1.7%	19.4%
USA	12.5	1.6%	8.7	1.2%	44.5%
Other countries	6.5	0.8%	6.9	0.9%	(5.5%)
Podravka Group	**783.9**	**100.0%**	**748.7**	**100.0%**	**4.7%**

Consolidated financial statements

Consolidated Profit and Loss Statement in Q1 2015

(in HRK thousands)	Q1 2015	% of sales revenues	Q1 2014	% of sales revenues	Q1 2015/ Q1 2014
Sales revenue	783,909	100.0%	748,667	100.0%	4.7%
Cost of goods sold	(459,551)	(58.6%)	(446,926)	(59.7%)	2.8%
Gross profit	**324,358**	**41.4%**	**301,741**	**40.3%**	**7.5%**
Other income	28,467	3.6%	3,354	0.4%	748.7%
General and administrative expenses	(65,338)	(8.3%)	(111,307)	(14.9%)	(41.3%)
Selling and distribution costs	(105,991)	(13.5%)	(106,385)	(14.2%)	(0.4%)
Marketing expenses	(100,516)	(12.8%)	(94,798)	(12.7%)	6.0%
Other expenses	(10,516)	(1.3%)	(13,707)	(1.8%)	(23.3%)
Operating profit	**70,464**	**9.0%**	**(21,102)**	**(2.8%)**	**n/a**
Financial income	337	0.0%	622	0.1%	(45.8%)
Other financial expenses	(1,046)	(0.1%)	(1,060)	(0.1%)	(1.3%)
Interest expenses	(9,225)	(1.2%)	(11,710)	(1.6%)	(21.2%)
Net foreign exchange differences on borrowings	1,315	0.2%	(1,699)	(0.2%)	n/a
Net finance costs	**(8,619)**	**(1.1%)**	**(13,847)**	**(1.8%)**	**(37.8%)**
Profit before tax	**61,845**	**7.9%**	**(34,949)**	**(4.7%)**	**n/a**
Current income tax	(1,425)	(0.2%)	(946)	(0.1%)	50.6%
Deferred tax	106	0.0%	105	0.0%	1.0%
Income tax	**(1,319)**	**(0.2%)**	**(841)**	**(0.1%)**	**56.8%**
Net profit for the year	**60,526**	**7.7%**	**(35,790)**	**(4.8%)**	**n/a**
Net profit / (loss) attributable to:					
Equity holders of the parent	**59,846**	**7.6%**	**(36,229)**	**(4.8%)**	**n/a**
Non-controlling interests	680	0.1%	439	0.1%	54.9%

Consolidated Balance Sheet on 31.03.2015

(in HRK thousands)	31.03.2015	% of assets	31.12.2014	% of assets	% of change
ASSETS					
Non-current assets					
Goodwill	25,687	0.7%	25,687	0.7%	0.0%
Intangible assets	247,610	6.8%	244,793	7.0%	1.2%
Property, plant and equipment	1,304,707	35.9%	1,202,589	34.3%	8.5%
Deferred tax assets	50,176	1.4%	50,169	1.4%	0.0%
Non-current financial assets	6,047	0.2%	7,602	0.2%	(20.5%)
Total non-current assets	**1,634,227**	**45.0%**	**1,530,840**	**43.6%**	**6.8%**
Current assets					
Inventories	651,651	17.9%	599,164	17.1%	8.8%
Trade and other receivables	963,441	26.5%	924,077	26.3%	4.3%
Trade and other receivables	0	0.0%	59	0.0%	(100.0%)
Income tax receivable	26,907	0.7%	19,520	0.6%	37.8%
Cash and cash equivalents	132,007	3.6%	220,478	6.3%	(40.1%)
Non-current assets held for sale	222,291	6.1%	214,432	6.1%	3.7%
Total current assets	**1,996,297**	**55.0%**	**1,977,730**	**56.4%**	**0.9%**
Total assets	**3,630,524**	**100.0%**	**3,508,570**	**100.0%**	**3.5%**

(in HRK thousands)	31.03.2015	% of liabilities	31.12.2014	% of liabilities	% of change
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,063,548	29.3%	1,063,548	30.3%	0.0%
Reserves	471,474	13.0%	467,540	13.3%	0.8%
Retained earnings / (accumulated losses)	277,414	7.6%	217,569	6.2%	27.5%
Attributable to equity holders of the parent	**1,812,436**	**49.9%**	**1,748,657**	**49.8%**	**3.6%**
Non-controlling interests	51,983	1.4%	36,605	1.0%	42.0%
Total shareholders' equity	**1,864,419**	**51.4%**	**1,785,262**	**50.9%**	**4.4%**
Non-current liabilities					
Borrowings	711,829	19.6%	749,013	21.3%	(5.0%)
Provisions	47,928	1.3%	39,792	1.1%	20.4%
Deferred tax liability	25,141	0.7%	5,544	0.2%	353.5%
Total non-current liabilities	**784,898**	**21.6%**	**794,349**	**22.6%**	**(1.2%)**
Current liabilities					
Trade and other payables	582,470	16.0%	563,922	16.1%	3.3%
Income tax payable	2,713	0.1%	2,599	0.1%	4.4%
Financial liabilities at fair value through profit and loss	3,052	0.1%	2,752	0.1%	10.9%
Borrowings	371,519	10.2%	325,542	9.3%	14.1%
Provisions	21,453	0.6%	34,144	1.0%	(37.2%)
Total current liabilities	**981,207**	**27.0%**	**928,959**	**26.5%**	**5.6%**
Total liabilities	**1,766,105**	**48.6%**	**1,723,308**	**49.1%**	**2.5%**
Total equity and liabilities	**3,630,524**	**100.0%**	**3,508,570**	**100.0%**	**3.5%**

Consolidated Cash Flow Statement in Q1 2015

(in HRK thousands)	Q1 2015	Q1 2014	Q1 2015/ Q1 2014
Profit / (loss) for the year	60,526	(35,790)	n/a
Income tax	1,319	841	56.8%
Depreciation and amortization	33,706	32,048	5.2%
Impairment loss on assets held for sale	2,796	2,887	(3.2%)
Favorable purchase gain	(24,765)	0	n/a
Impairment of investments	0	68	(100.0%)
Remeasurement of financial instruments at fair value	359	(228)	n/a
(Profit) / Loss on disposal of property, plant, equipment and intangibles	(69)	(459)	(85.0%)
(Profit) on disposal of assets held for sale	(462)	0	n/a
Impairment of trade receivables	644	3,400	(81.1%)
Increase / (decrease) in provisions	(14,211)	(1,624)	775.1%
Interest income	(337)	(394)	(14.5%)
Value adjustment (write-down) of loans and interest	0	1,500	(100.0%)
Interest expense	10,272	12,771	(19.6%)
Effect of changes in foreign exchange rates	1,205	2,259	(46.7%)
Changes in working capital:			
(Increase) in inventories	(37,301)	(50,935)	(26.8%)
(Increase) / decrease in trade receivables	(36,910)	24,037	n/a
(Decrease) / increase in trade payables	(18,280)	9,673	n/a
Cash generated from operations	**(21,508)**	**54**	**n/a**
Income tax paid	(8,627)	(6,043)	42.8%
Interest paid	(10,441)	(14,739)	(29.2%)
Net cash from operating activities	**(40,576)**	**(20,728)**	**95.8%**
Cash flow from investing activities			
Purchase of equity securities	0	(84)	(100.0%)
Acquisition of subsidiaries, net of cash acquired	72	0	n/a
Purchase of property, plant, equipment and intangibles	(25,076)	(23,032)	8.9%
Acquisition of assets held for sale	(3,733)	0	n/a
Proceeds from sale of property, plant, equipment and intangibles	3,797	889	327.1%
Loans receivables	(188)	(1,858)	(89.9%)
Repayment of loans receivable	44	165	(73.3%)
Proceeds from other investments	(8,510)	(9,524)	(10.6%)
Collected interest	337	394	(14.5%)
Net cash from investing activities	**(33,257)**	**(33,050)**	**0.6%**
Cash flow from financing activities			
Proceeds from borrowings	98,398	193,085	(49.0%)
Repayment of borrowings	(113,036)	(169,421)	(33.3%)
Net cash from financing activities	**(14,638)**	**23,664**	**n/a**
Net increase / (decrease) of cash and cash equivalents	**(88,471)**	**(30,114)**	**193.8%**
Cash and cash equivalents at beginning of the year	220,478	179,461	22.9%
Cash and cash equivalents at the end of year	132,007	149,347	(11.6%)

Consolidated Statement of Changes in Equity in Q1 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							59,846	59,846	680	60,526
Aquisition of subsidiaries									14,757	
Other comprehensive income						3,933		3,933	(59)	3,874
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**3,933**	**59,846**	**63,779**	**15,378**	**64,400**
Transactions with owners recognised directly in equity								-		-
Fair value of share-based payment transactions								-		-
Transfers from retained earnings								-		-
Transfers from reserves								-		-
Total transactions with owners recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 March 2015	**1,063,548**	**67,604**	**16,543**	**298,138**	**43,956**	**45,232**	**277,415**	**1,812,436**	**51,983**	**1,864,419**

Notes to the Consolidated Financial Statements

The accounting policy in Q1 2015 did not change.

Statement of liability

Koprivnica, 29th April 2015

STATEMENT OF EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of Podravka Group for the period January – March 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 – March 2015 were approved by the Management Board on 28th April 2015.

Corporate accounting and Taxes Director:
Iva Brajević

Brajević

Board Member:
Miroslav Klepač

Contact

Podravka d.d.

Ante Starčevića 32, 48 000 Koprivnica, Croatia

www.podravka.hr

Investor Relations

e-mail: ir@podravka.hr

Tel: +385 48 65 16 65

Mob: +385 99 43 85 007