Podravka Group Business Results

for 1-12 2015 period

Content

Key financial indicators in 2015 3

Significant events in 2015 4

Overview of sales revenues in 2015 11

Profitability in 2015 17

Key characteristics of the income statement in 2015 21

Key characteristics of the balance sheet as at 31 December 2015 23

Key characteristics of the cash flow statement in 2015 period 26

Share in 2015 27

Additional tables for 2015 30

Consolidated financial statements in 2015 32

Statement of liability 38

Contact 39

Key financial indicators in 2015

(in HRK millions)	**2015**	**2014**	**% change**
Sales revenue	3,777.2	3,502.6	7.8%
Gross profit[1]	1,524.0	1,479.6	3.0%
Gross profit margin	40.3%	42.2%	-190 bp
EBITDA[2]	478.5	319.6	49.7%
EBITDA margin	12.7%	9.1%	+354 bp
Net profit after MI	398.0	92.5	330.5%
Net profit margin after MI	10.5%	2.6%	+790 bp
Cash flow from operating activities	273.6	286.9	(4.6%)
Capital expenditures	271.2	163.0	66.3%

(in HRK; market capitalization in HRK millions)	**31 December 2015**	**31 December 2014**	**% change**
Net debt / EBITDA[3]	1.9	2.7	(28.1%)
Earnings per share[3]	66.5	17.6	276.9%
Last price at the end of period	334.0	293.5	13.8%
Market capitalization	2,378.2	1,590.6	49.5%
Return on capital[3]	14.5%	5.3%	+918 bp
Return on assets[3]	8.0%	2.6%	+541 bp

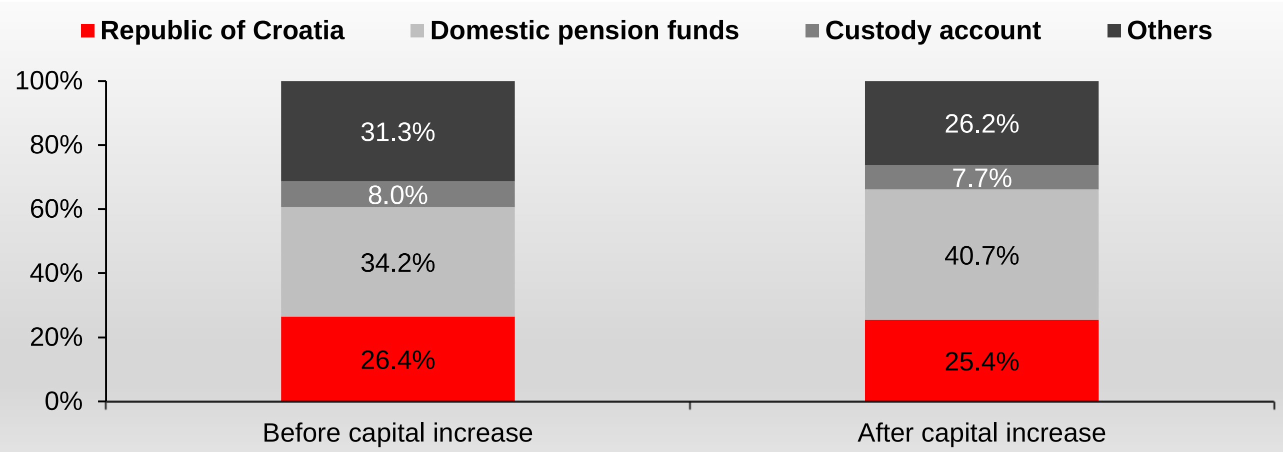
[1]Following the reclassification of a warehouse from the production to selling purposes, the gross profit recorded in 2014 was increased by HRK 3.7 million in 2015. Accordingly, a decrease in cost of goods sold was recorded and an increase in selling and distribution costs.
[2]EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and impairment of intangible and non-current tangible assets.
[3]Indicators calculated on the trailing twelve months basis.

Significant events in 2015

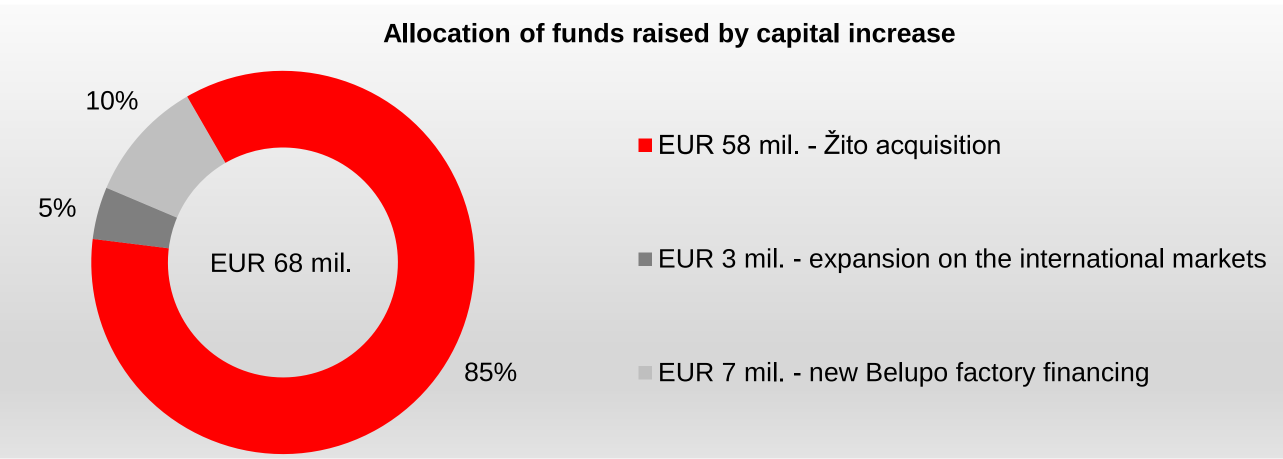
Podravka d.d. share capital increase and ESOP[4]

On 3 June 2015, the General Assembly of Podravka d.d., among other decisions, adopted the decision to increase the share capital by issuing 1,700,000 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, which ended as at 20 July 2015. The interest shown for subscription of new shares was 33 percent higher than the number of available shares, which proves a significant interest on the part of investors. Domestic pension funds subscribed 60.7% of new shares, the Republic of Croatia 22.2%, employees 5.2%, and other shareholders subscribed 11.9% of new shares.

The ownership structure before and immediately following the capital increase was as follows:



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.



[4]Employee Stock Ownership Programme.

As part of the share capital increase process, the ESOP programme was initiated with the main aim of further developing employee loyalty through participation in the company's ownership, increasing 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 achieving the company strategy, in the sense of connecting growth interests and profitability on one hand and long-term benefits for the employees 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).

Acquisition of Slovenian food company Žito d.d.

On 21 April 2015, Podravka concluded the Agreement on the acquisition of 51.5% percent of regular shares of the company Žito d.d. at a price of EUR 180.1 per share, i.e. for the total amount of EUR 33.0 million. This transaction, after all preconditions determined by the Agreement had been met, was closed as at 5 October 2015 with the Central Securities Clearing Corporation of the Republic of Slovenia (KDD). 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.

In accordance with the regulations of the Republic of Slovenia, on 22 October 2015, Podravka submitted a takeover offer for the remaining shares of Žito d.d. that was valid from 23 October 2015 to 23 November 2015. Upon the expiry of the offer period, Podravka acquired additional 35.3% shares of Žito and became the owner of 86.8% of Žito's shares, i.e. 96.8% shares, including 10.0% of treasury shares. In the meeting held on 19 January 2016, the General Assembly of Žito d.d. adopted the Decision on the exclusion of minority shareholders from the company and the Decision on the withdrawal of shares from the Ljubljana Stock Exchange. Upon entering these decisions into the court registry, Podravka d.d. will finalise the process of acquiring all the shares of Žito. The overall price for the acquisition of 90.0% of Žito's shares amounts to EUR 57.7 million, while in 2015 expenses related to the acquisition and integration amounted to HRK 9.4 million.

Žito is one of the largest and most renowned food producers in Slovenia with high recognisability on the markets of South-East Europe. With the stated acquisition, Podravka consolidates its position and becomes a leader in several additional product categories – thereby significantly improving its market position, especially on the Slovenian market.

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, breakfast cereals), Maestro (spices), 1001 Cvet (teas), Natura (cereals and pulses), Gorenjka (chocolate), Šumi (candies).

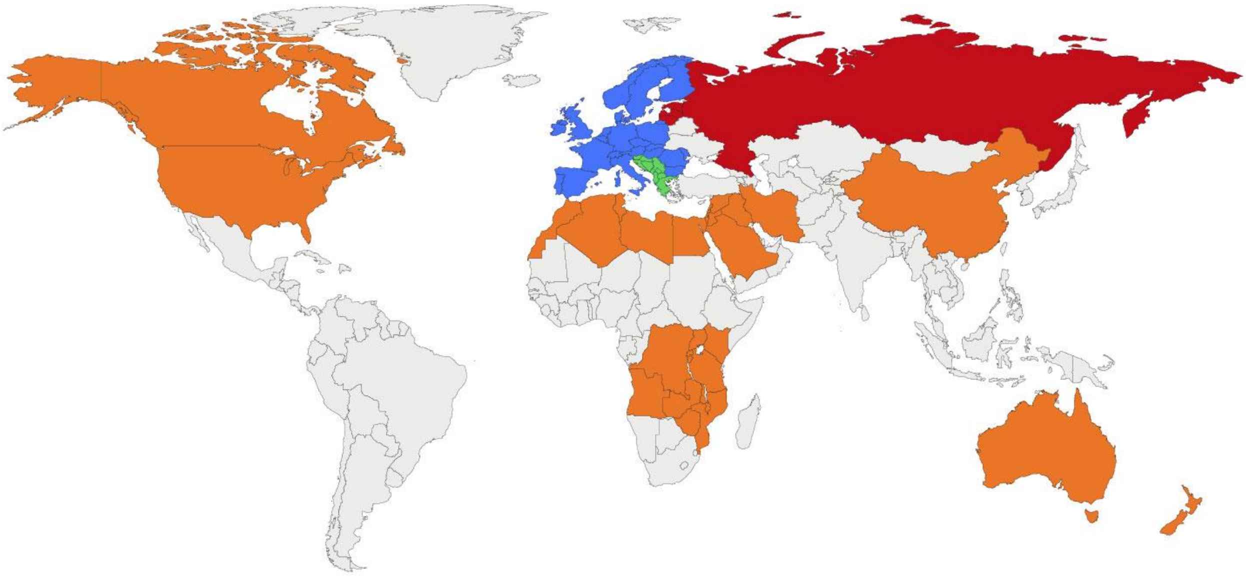
Extending the business in complementary product groups, opportunities are created for the production, and sales and marketing synergies, improving the operational efficiency of both companies and increasing their competitiveness. It is particularly worth emphasising that this opens the possibility of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

The beginning of the construction of the new solid, semi-solid and liquid drugs factory of Belupo d.d

At the end of July 2015, the construction of the main building of the Belupo's new solid, semi-solid and liquid drugs factory was initiated in the industrial zone Danica in Koprivnica. The total investment amounts to EUR 51.3 million, of which EUR 40.0 million will be financed by credit, and EUR 11.3 million of own funds will be used. It should be noted that the project, in accordance with the Act on Investment Promotion and Development of Investment Climate is supported by the Ministry of Economy in the amount of 40% of the total investment cost. This support may be used in the following 10 years from the beginning of the investment in the form of lower income tax rate, until the maximum support amount is used. The new factory will enable the expansion of the existing capacities, employing approximately a hundred new employees, introducing new technologies and automatisation of the production processes. The planned term of the project completion is April 2017.

New organization of markets management and further strengthening of international operations

In January 2015, the Management Board of Podravka d.d. adopted the decision to form new market organisation and to further strengthen business internationalisation. 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).

Continued restructuring process - merger of Danica d.o.o. and redundancy labour programme

Continuing the implementation of measures to improve operational efficiency, Podravka's management adopted the decision to merge the subsidiary DANICA d.o.o., which was completed on 1 October 2015.

DANICA mesna industrija d.o.o.

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 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.

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.

The redundancy labour programme was initiated at the end of 2015 and lasted until 31 January 2016. This programme enabled employees to retire, receiving stimulation severance payments, which was accepted by 130 employees. Provisions for their benefits were made in 2015 and will not affect the result for 2016. Overall, from the beginning of 2012 to the beginning of February 2016, approximately 1,400 employees left the company accepting severance payments, while in the same period approximately 380 new employees were hired. If employees of the Žito Group and Mirna are excluded, since the beginning of 2012, the company has reduced the number of employees in the food segment by approximately 23%.

Consolidation of Mirna d.d.

In December 2014, Management of Mirna d.d., Podravka's subsidiary, 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.

Until 30 March 2015, Podravka d.d., as the majority shareholder of Mirna d.d., directly settled a significant amount of Mirna's past due liabilities and provided guarantees for settling other claims by the creditors of Mirna d.d. which are registered in the register of FINA. This created preconditions for further normal operations of Mirna d.d so the Commercial Court in Rijeka as at 30 March 2015 established that no longer there are reasons to initiate the bankruptcy procedure over Mirna.

On 9 July 2015, Podravka acquired additional 11.6% shares of the company Mirna d.d. and on 6 August 2015 additional 8.7% shares of the company Mirna d.d., reaching 84.2% ownership share in the company.

Continuation of strong innovation cycle in food and expansion of pharma assortment

In 2015, the focus was on revitalisation of the key portfolio by adding value to the existing portfolio, and creating new differentiated product lines, that strengthen the Podravka's portfolio brands, attract new customers and contribute to the increase in overall categories. Podravka implemented its strong innovation cycle in the domestic and international markets, where it was especially active by opening of new markets.

One of the most important marketing events for the company was the beginning of the renovation programme on the Podravka's "most international" brand – **Vegeta**, consisting of several steps: new visual identity that makes the brand modern and natural, new formulation of the special seasonings range (Vegeta Grill and Twist lines) in accordance with the company's nutritive strategy, and the new communication platform that successfully uses digital communication channels in addition to the traditional ones. All this results from the new positioning, aimed at modernising the brand, creating the emotional connection with the customers and bringing it closer to the generation of the so-called Millenials. Year 2015 was also the year of **Podravka soups**. An important step forward was made in the cream soups segment: re-launching of the cream line with improved formulations in line with the nutritive strategy and modern visual identity, continued extension of the unique premium line Richness of vegetables, and re-launching of the Fini-Mini line.

An important innovation cycle was made on the **brand Lino** – a number of new products in the Baby food category were introduced with new benefits for customers: 4+ range enriched by probiotics and gluten free, a range for preparation with water as a result of investments in new technology, multigrain Junior line and fruit purees. Lino Brand has also intensified and innovated the communication with consumers in the Kids product range (cereals and creamy spreads), which consequently reflected on the strengthening of market positions in the Adria region.

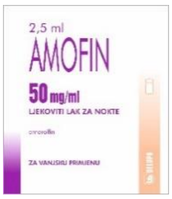
In the category of Sweets, the pudding portfolio was revitalised through recipes innovations in the **Dolcela brand**, and the brand also entered the cake decorations category with the aim to attract new customers and strengthen the loyalty of the existing ones. In communication with customers, by launching an original mobile application, Dolcela enabled customers to continually and interactively be inspired by their favourite sweets for enjoying precious moments.

In 2015, the creation of the Podravka's **Mediterranean platform** was completed, now integrating the categories of tomato, fish, pasta and tomato-based sauces. The new visual identity has been implemented in all categories, and a new communication platform was also created, that brought the concept and Podravka's Mediterranean culinary expertise as additional value closer to the customers in the Adria region and Central Europe.

In the **meat products** category, the acquired Piketa and Classic pates have been integrated in the Podravka's portfolio and visual identity, with significant focus placed on the portfolio optimisation.

In the newly-formed **Food Solution** category, 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 pašticada (beef fillet impaled with vegetables and bacon in fruit and vegetable sauce), Sarma (rolled sauerkraut leafs stuffed with minced meat), or beans stew, as a result of the creativity of Podravka's culinary experts and technologists, representing a significant innovation in this distribution channel.

In 2015, a strong focus was placed on opening **New markets** through the preparation and adaptation of the range. The key brand is Vegeta, so in addition to Vegeta universal and special seasonings, Vegeta soups have also been launched. In addition to the Vegeta range, a range of products from the Lino world category have also been prepared and launched, as well as the Dolcela sweets range, aimed principally at the MENA region markets.



In 2015, the **prescription drugs** category's range was extended by new preparations. **Amofin** is a curative nail polish for dermatological use for treating onychomycosis caused by dermatophytes, yeasts and molds. **Docetaksel Belupo** is an anticancer drug used for treating breast cancer,

individual types of lung cancer (non-small cell lung cancer), prostate cancer, stomach cancer or head and neck cancer. **Takrolimus Belupo** are solid capsules used in transplantation medicine for the prophylaxis of rejecting the liver, kidney or heart transplants by the recipients. **Levetiracetam Belupo** is the generic name of the medicine used as monotherapy and as additional therapy in treating partial and generalized

epilepsy in adults, adolescents, children and babies from 1 month of age. **SILAPEN® K 250 mg/5 ml** powder for oral solution is a new form of medicine that has been on the market until recently in the form of oral suspension, and which is used in treating primarily streptococcal infections and prophylaxis of recurring rheumatic fever or chorea.

In 2015, the **non-prescription programme** category was extended by several new products. **Rinil nasal spray** 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. **Floceta soft gel** is intended for the skin regeneration, protection and care. **GASTROBEL effervescent** is used in adults and children above 16 years of age for the prevention of heartburn, symptomatic relief of heartburn, indigestion, indigestion caused by irregular secretion of gastric acid and hyperacidity. Belupo launched a medicine on the basis of acetylsalicylic acid, **ASKA pro 100 mg gastro-resistant tablets** that are now available in the non-prescription programme under the name ASKA pro. ASKA pro tablets are used for the secondary prevention of myocardial infarction for patients with a history of myocardial infarction, for the secondary prevention of stroke for patients with a history of strokes and for the prevention of thromboembolism after surgeries or interventions on blood vessels.

Further development of digital communication

In 2015, significant efforts were made to further develop digital communication. 13 new online communication platforms were established, including new language versions of corporate websites and launching new applications and profiles on the well-known communication platforms. In 2015, Coolinarika was modernised in terms of contents and new functionalities, resulting in 23.9 million unique visitors (13% growth compared to 2014) and 643.4 million displayed sites. A significant step forward was also made in the production of online videos by recording video-recipes and their multiple use on all the existing Podravka's online communication platforms

Overview of sales revenues in 2015

Sales revenues by Strategic Business Area in 2015

Sales revenues by Strategic Business Area*			
(in HRK millions)	2015	2014	% change
SBA Food	**2,971.6**	**2,662.4**	**11.6%**
Own brands	*2,674.7*	*2,349.6*	*13.8%*
Other sales	*296.9*	*312.7*	*(5.1%)*
SBA Pharmaceuticals	**805.7**	**840.3**	**(4.1%)**
Own brands	*647.1*	*687.2*	*(5.8%)*
Other sales	*158.6*	*153.1*	*3.6%*
Podravka Group	**3,777.2**	**3,502.6**	**7.8%**
Own brands	*3.321.7*	*3,036.8*	*9.4%*
Other sales	*455.5*	*465.8*	*(2.2%)*

***Note:** The table includes the revenues of: (i) the beverages subcategory in both years, whose scope of operations is decreased following the decision to abandon these operations, (ii) the Žito Group, whose revenues have been included since 1 October 2015, (iii) Mirna, whose revenues have been included since 1 April 2015, and (iv) the PIK product range, whose revenues have been included since 1 June 2014. **As consequently 2015 and 2014 are not fully comparable, for the purpose of a transparent overview of operations, below we explain the movements in sales without the effect of beverages and the acquired product range (the portfolio of the Žito Group, Mirna and the PIK product range).**

Strategic Business Area Food:

- **Excluding the effect of beverages and the acquired product range**, **own brands** in 2015 recorded a 2.7% increase in sales due to the 2.6% growth in the culinary category, and the 5.4% growth in the category of baby food, breakfast foods and other food,
- **Excluding the effect of the acquired product range**, **other sales** recorded 8.5% lower sales, primarily as a result of lower sales revenues of poppy seeds in the Europe region, whose market price significantly decreased in the period under consideration,
- Consequently, **excluding the effect of beverages and the acquired product range, the food segment** recorded a 1.3% increase in sales in the period under consideration.

Strategic Business Area Pharmaceuticals:

- Unfavourable political and economic situation in Eastern Europe (former USSR markets) and the decrease in prices of prescription drugs in the market of Croatia prescribed by the Croatian Health

Insurance Fund (CHIF) (estimated negative impact of HRK 10.0 million) negatively reflected on sales of **own brands** that recorded a 6.8% decrease in the period under consideration,

- **Other sales** in 2015 are 3.6% higher compared to the comparative period, primarily due to the increase in sales of trade goods in the Farmavita company,
- Consequently, the **pharmaceuticals segment** recorded 4.1% lower sales in the observed period.

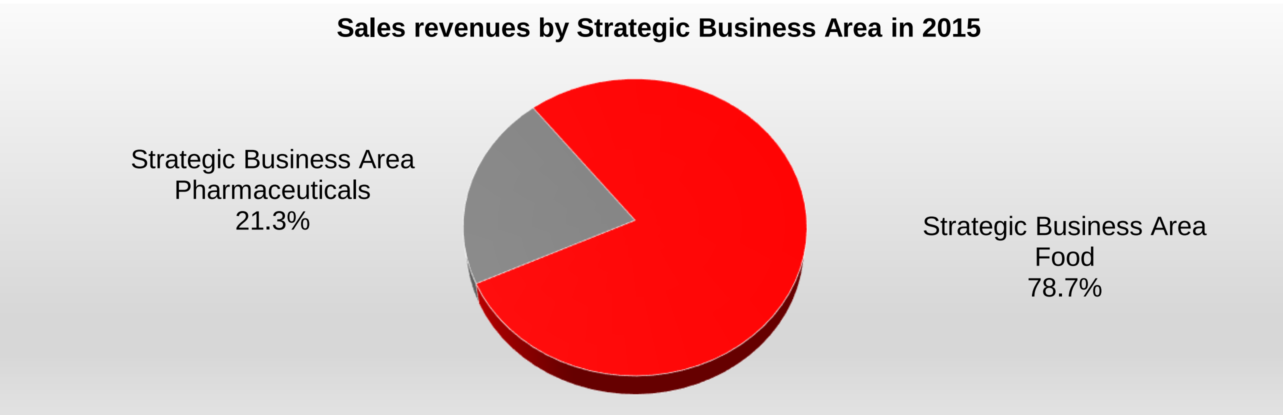
Podravka Group:

- **Own brands** of the Podravka Group, **excluding the effect of beverages and the acquired product range**, recorded 0.7% higher sales in the observed period,
- 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 Podravka Group level **other sales excluding the effect of the acquired product range** are 4.5% lower in 2015,
- Consequently, sales of the **Podravka Group excluding the effect of beverages and the acquired product range** in 2015 were at the same level as in the comparative period.

Net effect of currency exchange rates on sales by segments in 2015:

(in HRK millions)	Own brands	Other sales	Total
Food	(21.4)	(0.3)	(21.9)
Pharmaceuticals	(35.9)	(0.3)	(36.2)
Group	(57.3)	(0.6)	(58.1)

- The Podravka Group aims to present the movements in sales excluding foreign exchange differences, i.e. to show what sales would have been if currency exchange rates had remained at the same levels as in the comparative period,
- The most significant negative impacts are recorded by the Russian ruble (HRK -57.8 million) and the Serbian dinar (HRK -4.3 million), and the most significant positive impact is recorded by the US dollar (HRK +7.9 million).



Sales revenues by category in 2015

Sales revenues by category			
(in HRK millions)	2015	2014	% change
Culinary	923.4	899.8	2.6%
Sweets, snacks and beverages	257.8	261.5	(1.4%)
Baby food, breakfast foods and other food	957.8	887.8	7.9%
Meat products	303.5	300.5	1.0%
Žito	191.4	-	n/a
Prescription drugs	556.3	597.1	(6.8%)
Non-prescription programme	90.7	90.1	0.7%
Other sales	496.3	465.8	6.5%
Podravka Group	3,777.2	3,502.6	7.8%

Strong growth in the category of baby food, breakfast foods and other food in 2015:

- The **culinary category** recorded an increase in sales of 2.6% compared to the comparative period, primarily due to the increase in sales of the universal seasonings subcategory and the soups subcategory. The universal seasonings subcategory recorded the most significant sales growth in Poland due to activities related to the Vegeta brand, on New markets as a result of the distribution establishment, and in Western Europe due to the distribution expansion. The soups subcategory recorded the most significant sales growth in the Adria region as a result of the focus on the innovated range of added value and activities in the key periods of the year,
- The **sweets, snacks and beverages category** recorded 1.4% lower sales, while if we **exclude the effect of the beverages product range**, which is for sale, sales revenues are 2.4% lower than in the comparative period. Lower sales were primarily affected by lower sales of powdered drinks in the Croatian market due to the rationalisation of the range and lower sales of the snack subcategory in the Adria region following the competitors' activities and the general decrease in the category size,
- The increase in sales of the **baby food, breakfast foods and other food category** is primarily impacted by the increase in sales of the baby food, condiments, frozen vegetables and Mediterranean food subcategories and the sales recorded by Mirna product range that were not present in the comparative period. **Excluding the effect of the Mirna product range**, the overall category recorded 5.4% higher sales than in the comparative period. The baby food subcategory recorded a growth in sales primarily due to higher sales of the Čokolešnik brand in Slovenia as a result of intensified activities, and the beginning of the sale of Lino purees in the Adria region. The condiments range recorded good sales results in the Adria and Europe regions as a result of intensified marketing activities and better presence of the range in the sale channels. The frozen vegetables subcategory records a significant growth in sales as a consequence of the beginning of sales of frozen vegetables in the Russian market at the end

of 2014. In the Mediterranean food subcategory there is a growth in sales of rice and pasta in the Europe region as a result of repositioning toward a more profitable range and stronger marketing activities,

- The sales of the PIK product range, acquired in mid 2014, resulted in the increase in sales of the overall **meat products category** by 1.0% in relation to the comparative period. If the **PIK product range sales are excluded**, the category would record 2.7% lower sales due to lower sales of the sausages subcategory in the Croatian market as a result of enhanced competitors' marketing activities,

- The publication of results for 2015 presents the sales of own brands of **Žito** from the fourth quarter of 2015 as a separate category, while the reports for future periods will distribute the Žito's product range into the existing categories. **At the level of entire 2015,** Žito recorded HRK 641.7 million sales of own brands, which is a 3.7% growth compared to 2014. The bakery subcategory recorded a significant growth in sales due to the increased exports. The contemporary kitchen subcategory managed to maintain the same level of sales in tea and rice, while sales were somewhat lower in spices. The confectionary subcategory recorded a sales growth in the candies range, and the decrease in chocolate and biscuits. In 2015, the contemporary kitchen and confectionary subcategories were under the pressure of private labels. The mill products subcategory recorded lower sales compared to the comparative period as a result of lower purchase prices of grains in 2015 (compared to 2014), resulting in lower sales prices of mill products,

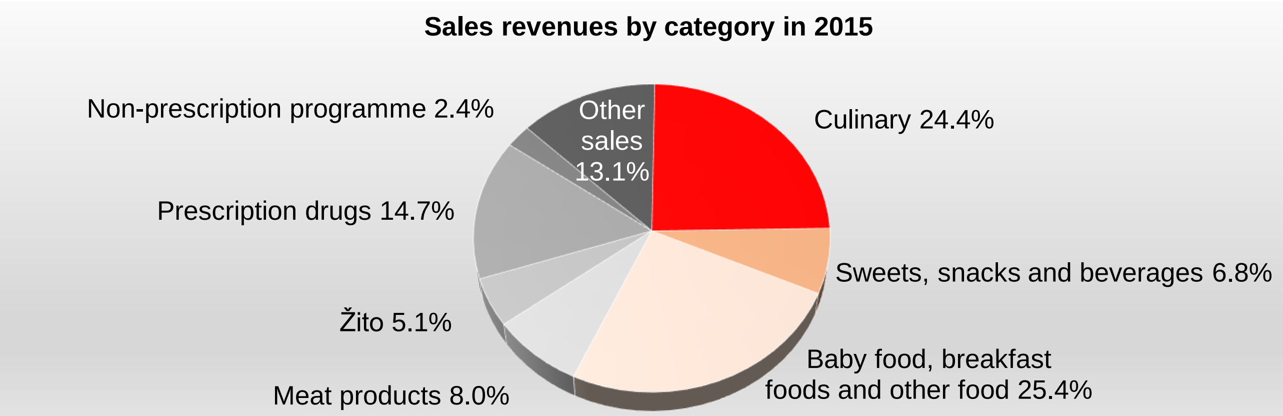
- The decrease in prices of prescription drugs in the Croatian market prescribed by the Croatian Health Insurance Fund had an estimated negative impact of HRK 10.0 million on sales of prescription drugs, while in the Russian market, due to the depreciation of the Russian ruble, sales of prescription drugs were lower by HRK 32.3 million. Due to the negative impact of political and economic crisis, in 2015 there were no operations in the markets of Ukraine and Kazakhstan, which resulted in HRK 11.2 million lower sales (under the assumption of the same result in these markets as in 2014). The vast majority of other markets recorded increased sales of prescription drugs, especially the market of Bosnia and Herzegovina, due to the improvement in the business model efficiency. Consequently, the **prescription drugs category** recorded 6.8% lower sales in the period under consideration, while if the effect of foreign exchange differences is excluded, the sales are lower by 1.3%,

- Sales of the **non-prescription programme category** grew by 0.7% in the period under consideration, primarily due to the increase in sales of the OTC subcategory in the Croatian market of 5.1%. The growth in the OTC subcategory in the Croatian market was spurred by 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 **other sales category (excluding other sales of Žito)** recorded 3.7% lower sales, 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 2015 significantly dropped compared to the comparative period. In 2014, the price of poppy seeds in the market was very high compared to the previous five years and the price decrease in 2015 is actually the return to the average levels.

Net effect of currency exchange rates on sales by categories in 2015:

Category	*HRK mil.*	Category	*HRK mil.*
Culinary	(16.0)	Žito (in Q4 2015)	(1.0)
Sweets, snacks, beverages	(0.0)	Prescription drugs	(32.8)
Baby, breakfast, other food	(3.8)	Non-prescription programme	(3.1)
Meat products	(0.5)	Other sales	(0.8)



Sales revenues by region in 2015

Sales revenues by region*			
(in HRK millions)	2015	2014	% change
Adria region	2,670.6	2,397.1	11.4%
Europe region	764.7	730.7	4.7%
Russia, CIS and Baltic region	196.1	239.3	(18.1%)
New Countries region	145.8	135.5	7.6%
Podravka Group	3,777.2	3,502.6	7.8%

***Note:** The table includes the revenues of: (i) the beverages subcategory in both years, whose scope of operations is decreased following the decision to abandon these operations, (ii) the Žito Group, whose revenues have been included since 1 October 2015, (iii) Mirna, whose revenues have been included since 1 April 2015, and (iv) the PIK product range, whose revenues have been included since 1 June 2014. **As consequently 2015 and 2014 are not fully comparable, for the purpose of a transparent overview of operations, below we explain the movements in sales without the effect of beverages and the acquired product range (the portfolio of the Žito Group, Mirna and the PIK product range).**

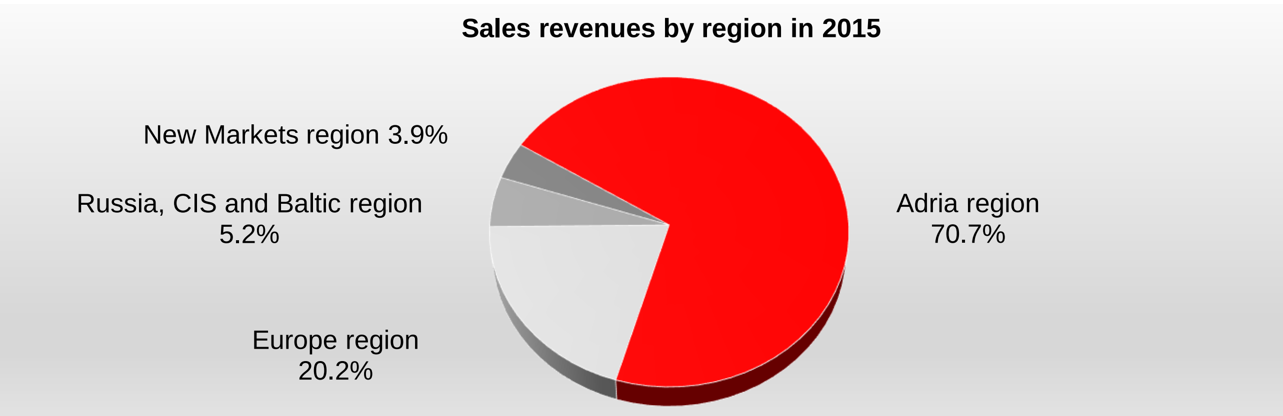
Adria region is the main driver of the sales growth in 2015:

- The **Adria region, excluding the effect of beverages and the acquired product range**, recorded a 1.4% growth in sales compared to the comparative period. The most significant growth in sales was recorded in the soups, baby food and prescription drugs subcategories. The sales of the prescription drugs grew in the markets of Bosnia and Herzegovina, Serbia and Slovenia due to improved business model efficiency in these markets, compensating for the lower sales in the Croatian market,

- The sales of the **Europe region, excluding the effect of beverages and the acquired product range,** were 0.4% higher than in the comparative period. Here it should be noted that sales of own brands grew by 5.3%, fully compensating for the negative impact of the decrease in the price of poppy seeds. Of own brands, we should emphasise the growth in sales of universal seasonings, condiments and Mediterranean food,
- In the period under consideration, the **Russia, CIS and Baltic region, excluding the effect of beverages and the acquired product range,** recorded 18.5% lower sales. The effect of FX differences on sales of this region amounted to negative HRK 57.8 million, primarily due to the depreciation of the Russian ruble. If the effect of FX differences is excluded, the sales would be higher by 5.6% compared to 2014, primarily due to the sales of the frozen vegetables subcategory,
- The sales of the **New Markets region, excluding the effect of beverages and the acquired product range,** were 6.2% higher compared to the comparative period, primarily due to the increase in sales of the culinary category in the markets of the USA and Australia.

Net effect of currency exchange rates on sales by regions in 2015:

Region	***HRK mil.***	**Region**	***HRK mil.***
Adria region	(7.9)	Russia, CIS, Baltics region	(57.8)
Europe region	(0.1)	New markets region	7.7



Profitability in 2015

Note: The consolidation of the income statement of the Žito Group into the Podravka Group began as of 1 October 2015, and the consolidation of the income statement of Mirna d.d. began as of 1 April 2015. Also, at the end of 2014, Podravka changed the business model in Russia by establishing own company (Podravka d.o.o.), and at the beginning of 2015, new companies were opened in Tanzania (Vegeta Podravka Limited) and Dubai (Podravka Gulf FZE) and the representative office in China (Croatia PODRAVKA Inc.). The establishment of new companies and the representative office resulted in new initial costs, primarily selling and distribution costs, and general and administrative expenses that were not present in 2014. Due to all the above mentioned reasons, the reported income statements of the strategic business area Food and the Podravka Group for 2015 are not comparable to the previous period. **For the purpose of a transparent operations presentation, the tables in this section will present the reported results of the strategic business area Food and the Podravka Group (including the Žito Group as of 1 October 2015), while the text will present the result excluding the effect of the Žito Group.**

Profitability of the Strategic Business Area Food in 2015

Profitability of the Strategic Business Area Food			
(in HRK millions)	**2015**	**2014**	**% change**
Sales revenue	2,971.6	2,662.4	11.6%
Gross profit	1,099.4	1,016.1[5]	8.2%
EBITDA*	379.6	197.6	92.1%
EBIT	238.5	75.4	216.2%
Net profit after MI	210.8	28.8	630.7%
Gross margin	37.0%	38.2%	-117 bp
EBITDA margin	12.8%	7.4%	+535 bp
EBIT margin	8.0%	2.8%	+519 bp
Net profit margin after MI	7.1%	1.1%	+601 bp

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

Strong profitability growth of the food segment due to lower restructuring costs:

- In 2015, the food segment, **excluding the effect of the Žito Group**, recorded an increase in **gross profit** of 1.4% compared to 2014, while the gross margin was 37.7% (38.2% in 2014). The lower gross margin is a result of the changed sales structure, with the increase in sales of the range that has lower

[5]Following the reclassification of a warehouse from the production to selling purposes, the gross profit recorded in 2014 was increased by HRK 3.7 million in 2015. Accordingly, a decrease in cost of goods sold was recorded and an increase in selling and distribution costs.

gross margin than the average in the food segment – the increase in sales of beverages in relation to the comparative period and the sales of the Mirna range that were not present in the comparative period,

- **Operating profit (EBIT), excluding the effect of the Žito Group**, is 42.6% higher in 2015 compared to 2014. The operating profit in the period under consideration was, in addition to the impacts above the gross profit level, influenced by: (i) the consolidation of Mirna[6] with HRK 24.8 million positive effect, (ii) costs of severance payments in the amount of HRK 22.3 million, and (iii) expenses related to the acquisition and integration of Žito of HRK 9.4 million. The comparative period was burdened by costs of severance payments in the amount of HRK 64.2 million,
- **Net profit after minority interests, excluding the effect of the Žito Group**, was 3 times higher in 2015 than in the comparative period. In addition to the impacts above the EBIT level, the net result of the observed period was impacted by HRK 6.7 million of finance costs related to the ESOP programme and HRK 12.5 million of deferred tax revenue related to, among other things, utilisation of tax losses of the merged company Danica.

Profitability of the Strategic Business Area Pharmaceuticals in 2015

Profitability of the Strategic Business Area Pharmaceuticals			
(in HRK millions)	**2015**	**2014**	**% change**
Sales revenue	805.7	840.3	(4.1%)
Gross profit	424.6	463.5	(8.4%)
EBITDA*	98.9	122.0	(19.0%)
EBIT	47.7	80.2	(40.6%)
Net profit after MI	187.3	63.6	194.4%
Gross margin	52.7%	55.2%	-245 bp
EBITDA margin	12.3%	14.5%	-225 bp
EBIT margin	5.9%	9.5%	-363 bp
Net profit margin after MI	23.2%	7.6%	-1.567 bp

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

Negative impact of the political and economic situation in Eastern Europe and the CHIF in 2015:

- Negative effect of FX differences on sales in the amount of HRK 36.2 million, the absence of operations in the markets of Ukraine and Kazakhstan and the negative impact of the Croatian Health Insurance Fund of estimated HRK 10.0 million are the main reasons for lower **gross profit** in the period under

[6] 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.

consideration, while the gross margin was negatively impacted by the changed sales structure resulting in a decrease in sales of own brands with unchanged sales of trade goods,

- **Operating profit** in the period under consideration amounted to HRK 47.7 million and was, in addition to effects above the gross profit level, impacted by FX differences on trade receivables and payables that amounted to negative HRK 23.3 million, while in the same period of the previous year they amounted to negative HRK 43.7 million. The period under consideration was also burdened by costs of severance payments in the amount of HRK 8.2 million, while in 2014 costs of severance payments amounted to HRK 6.9 million,
- **Net profit after minority interests** in 2015 amounted to HRK 187.3 million. In addition to effects above the EBIT level, the net result was also impacted by HRK 1.3 million of costs related to the ESOP programme and HRK 163.7 million of deferred tax revenue presented in the section "Key characteristics of the income statement in 2015".

Profitability of the Podravka Group in 2015

Profitability of the Podravka Group			
(in HRK millions)	**2015**	**2014**	**% change**
Sales revenue	3,777.2	3,502.6	7.8%
Gross profit	1,524.0	1,479.6[7]	3.0%
EBITDA*	478.5	319.6	49.7%
EBIT	286.2	155.7	83.8%
Net profit after MI	398.0	92.5	330.5%
Gross margin	40.3%	42.2%	-190 bp
EBITDA margin	12.7%	9.1%	+354 bp
EBIT margin	7.6%	4.4%	+313 bp
Net profit margin after MI	10.5%	2.6%	+790 bp

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

Food segment profitability reflected on whole Podravka Group profitability:

- **The gross profit** of the Podravka Group, **excluding the effect of the Žito Group**, in the period under consideration was 1.7% lower compared to 2014 as a result of lower gross profit of the pharmaceuticals segment. The gross margin in 2015 was 41.1% compared to 42.2% in 2014, due to the changed sales structure in the food and pharmaceuticals segments,

[7]Following the reclassification of a warehouse from the production to selling purposes, the gross profit recorded in 2014 was increased by HRK 3.7 million in 2015. Accordingly, a decrease in cost of goods sold was recorded and an increase in selling and distribution costs.

- In 2015, the Podravka Group's **operating profit, excluding the effect of the Žito Group,** was at the same level as in the comparative period. The operating profit in the observed period, in addition to the impacts above the gross profit level, was influenced by: (i) the consolidation of Mirna with HRK 24.8 million positive effect, (ii) costs of severance payments in the amount of HRK 30.5 million, and (iii) expenses related to the acquisition and integration of Žito of HRK 9.4 million. The comparative period was burdened by costs of severance payments in the amount of HRK 71.1 million,
- The Podravka Group's **net profit after minority interests, excluding the effect of the Žito Group,** was 3 times higher in 2015 compared to 2014. In addition to the impacts above the EBIT level, the net result of the observed period was also impacted by HRK 8.0 million of ESOP programme finance costs and HRK 178.6 million of deferred tax revenue presented in the section "Key characteristics of the income statement in 2015".

The effect of Žito Group on food segment and Podravka Group profitability in 2015

(in HRK millions)	**Žito Group**	**Gain on a bargain purchase**	**Total impact**
Sales revenue	239.3	-	239.3
Gross profit	69.1	-	69.1
EBITDA*	26.1	115.7	141.8
EBIT	15.3	115.7	131.0
Net profit after MI	13.2	110.4**	123.6

*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and impairment of intangible and non-current tangible assets. **Excluding HRK 5.3 million of minority interest that arose from Žito Group consolidation in Q4 2015.

Since the net value of Žito Group's assets exceeds the acquisition price, on the consolidated level, the gain on a bargain purchase in the amount of HRK 115.7 million was realised. Detailed explanation of the assets valuation is in the section "Key characteristics of the balance sheet as at 31 December 2015".

Pro-forma profitability of the Podravka Group and the Žito Group in 2015

Pro-forma profitability of Podravka Group and Žito Group			
(in HRK millions)	**2015**	**2014**	**% change**
Sales revenue	4,387.6	4,331.7	1.3%
EBITDA*	407.3	389.0	4.7%
EBIT	189.0	183.8	2.8%
Net profit after MI	315.2	115.5	172.9%
EBITDA margin	9.3%	9.0%	+30 bp
EBIT margin	4.3%	4.2%	+6 bp
Net profit margin after MI	7.2%	2.7%	+452 bp

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

A presentation of the pro-forma profitability of the Podravka Group and the Žito Group was made by simply adding up profitability of both companies in 2015 and 2014, **without including expected synergies and gain on the bargain purchase of the Žito Group**.

Key characteristics of the income statement in 2015

Note: The consolidation of the income statement of the Žito Group into the Podravka Group began as of 1 October 2015, and the consolidation of the income statement of Mirna d.d. began as of 1 April 2015. Also, at the end of 2014, Podravka changed the business model in Russia by establishing own company (Podravka d.o.o.), and at the beginning of 2015, new companies were opened in Tanzania (Vegeta Podravka Limited) and Dubai (Podravka Gulf FZE) and the representative office in China (Croatia PODRAVKA Inc.). The establishment of new companies and the representative office resulted in new costs, primarily selling and distribution costs, and general and administrative expenses that were not present in 2014. Due to all the above mentioned reasons, the reported income statements of the strategic business area Food and the Podravka Group for 2015 are not comparable to the previous period. **For the purpose of a transparent operations presentation, the income statement table in the section "Consolidated financial statements in 2015" presents the reported income statement of the Podravka Group (including the Žito Group as of 1 October 2015), while the remaining portion of this section presents the reported income statement of the Podravka Group without the effect of the Žito Group.**

Other income

In the period under consideration, other income, **excluding the effect of the Žito Group**, 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 of HRK 24.8 million recorded within other income.

Cost of goods sold

Cost of goods sold, **excluding the effect of the Žito Group**, is 3.0% higher in 2015 compared to 2014 due to the organic volume growth of the food segment, but also the inorganic volume growth of the food segment (PIK and Mirna product ranges).

General and administrative expenses

General and administrative expenses, **excluding the effect of the Žito Group**, were 8.7% lower in the observed period than in the comparative period. General and administrative expenses in 2015 were burdened with costs of severance payments of HRK 30.5 million and costs related to the acquisition and integration of Žito in the amount of HRK 9.4 million, while 2014 was burdened with costs of severance payments of HRK

71.1 million. If the above mentioned costs are excluded, general and administrative expenses in the period under consideration are 0.7% higher than in the comparative period, partly due to general and administrative expenses of Mirna which were not included in the comparative period. If we additionally exclude the impact of Mirna, general and administrative expenses record a decrease of 3.6%.

Selling and distribution costs

Selling and distribution costs, **excluding the effect of the Žito Group**, were 1.8% higher in 2015 than in 2014. The increase in selling and distribution costs was primarily impacted by expenses of the food company in Russia, expenses of Mirna and initial costs related to entering new markets that were not present in the comparative period. If these expenses are excluded, selling and distribution costs record a decrease of 2.0% in relation to the comparative period.

Marketing expenses

Marketing expenses, **excluding the effect of the Žito Group**, grew in the observed period by 8.2%, primarily due to marketing activities related to opening new markets, to the culinary product range in Western Europe and to the baby food and meat products ranges in the Adria region.

Other expenses

Other expenses, **excluding the effect of the Žito Group**, were 17.6% lower in 2015 than in the comparative period. Foreign exchange differences on trade receivables and payables in the period under consideration amounted to HRK 28.4 million, while in the comparative period they amounted to HRK 45.0 million. Also, 2015 was burdened with HRK 32.6 million of impairment costs of intangible and non-current tangible assets, while in 2014 these costs amounted to HRK 29.2 million.

Net finance costs

In 2015, net finance costs, **excluding the effect of the Žito Group**, were 14.5% lower than in the comparative period, mainly as a result of foreign exchange gains on borrowings and units in cash funds.

Income tax

In 2015, the Podravka Group, **excluding the effect of the Žito Group**, recorded HRK 171.1 million of deferred tax revenue. The tax revenue realised is primarily related to the incentives received for the construction of the new Belupo factory. In March 2015, based on the Act on Investment Promotion and Development of Investment Climate, the Ministry of Economy issued the certificate based on which Belupo got the status of incentive measures recipient. The certificate grants the use of tax benefits, supports for qualified expenses of opening new jobs related to the investment project, and incentive measures for capital expenditure of the investment project in the allowed maximum amount of the investment support in the value of HRK 163.7 million. In the financial statements for 2015, Belupo initially recognised the maximum approved amount of incentives as deferred tax asset and tax revenue. Also, HRK 14.9 million of deferred tax revenue was utilised, related to the utilisation of tax losses of the merged company Danica.

Key characteristics of the balance sheet as at 31 December 2015

Note: In line with the accounting standards, after the acquisition of the Žito Group was finalised as at 5 October 2015, the valuation of the Žito Group's non-current assets was initiated for the purpose of determining their fair market value. The valuation showed that the value of one part of the assets should be decreased by HRK 78.4 million, and the value of another part of the assets increased by HRK 128.0 million. Since the accounting standards allow only impairment of assets, the Žito Group subsequently impaired non-current assets as at 30 September 2015 by HRK 78.4 million (restatement of financial statements for the period January-September 2015). However, at the consolidated level, non-current assets of the Podravka Group (including the Žito Group) were increased by HRK 128.5 million.

Due to the consolidation of the Žito Group, the balance sheets as at 31 December 2015 and 31 December 2014 are not comparable. **For the purpose of a transparent operations presentation, the balance sheet table in the section "Consolidated financial statements in 2015" presents the reported balance sheet of the Podravka Group (including the balance sheet of the Žito Group), while the text presents the reported balance sheet of the Podravka Group without the effect of the Žito Group.**

Property, plant and equipment

As at 31 December 2015, property, plant and equipment of the Podravka Group, **excluding the effect of the Žito Group**, were 17.7% higher compared to 31 December 2014 as a result of the consolidation of the company Mirna d.d. and activities related to the construction of the new Belupo factory.

Inventories

Inventories of the Podravka Group, **excluding the effect of the Žito Group**, as at 31 December 2015 are 9.2% higher compared to 31 December 2014 as a result of: (i) inventories of Mirna d.d. that were not present in the comparative period, (ii) increased purchases of certain raw materials to be delivered in the first quarter of 2016, (iii) increase in inventories of raw materials and supplies in Belupo d.d. for the purpose of ensuring the production continuity, and (iv) introduction of new products.

Trade and other receivables

Trade and other receivables of the Podravka Group, **excluding the effect of the Žito Group**, as at 31 December 2015 are at the level of the comparative date. In this, trade receivables as at 31 December 2015 are 2.4% lower than at the end of 2014, primarily due to settling a portion of liabilities by Croatian Health Insurance Fund during 2015.

Cash and cash equivalents

Cash and cash equivalents of the Podravka Group, **following the consolidation of the Žito Group**, at the end of the observed period are 32.4% higher compared to the end of 2014, as explained in the section "Key characteristics of the cash flow statement in 2015".

Share capital

The share capital of the Podravka Group, **excluding the effect of the Žito Group**, at the end of 2015 is 44.5% higher compared to the end of 2014. In the General Assembly meeting held on 3 June 2015, the decision was made to use the profit of Podravka d.d. for 2014 which, among other things, prescribed 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. At the same meeting, it was also decided to increase capital by issuing 1,700,000 new regular shares with the nominal value of HRK 220.00, which was successfully implemented in July 2015.

Non-controlling interests

Non-controlling interests in the Podravka Group, **excluding the effect of the Žito Group**, increased as at 31 December 2015 by 21.2% compared to the comparative date due 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 of the Podravka Group within non-current liabilities, **excluding the effect of the Žito Group**, decreased at the end of 2015 by 5.9% compared to the end of 2014, as a result of repayment of a portion of long-term borrowings. **Following the consolidation of the Žito Group**, long-term borrowings of the Podravka Group as at 31 December 2015 increased by 0.4% compared to the comparative date.

Trade and other payables

Trade and other payables of the Podravka Group, **excluding the effect of the Žito Group**, grew by 3.5% at the end of 2015 compared to the end of 2014. In this, trade payables grew by 4.7%, among other things, due to payables of Mirna d.d. that were not present in the comparative period.

Short-term borrowings

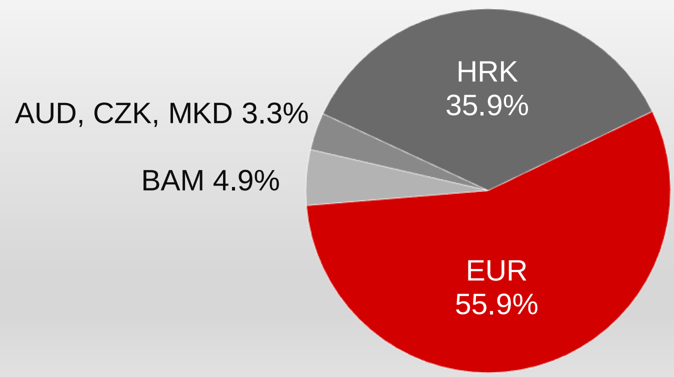
Borrowings of the Podravka Group within current liabilities, **excluding the effect of the Žito Group**, as at 31 December 2015 increased by 18.3% compared to 31 December 2014 due to short-term borrowings taken for the purposes of operating activities in 2015 related, among other things, to the settlement of past due liabilities of Mirna d.d. **Following the consolidation of the Žito Group**, short-term borrowings of the Podravka Group as at 31 December 2015 increased by 41.2% compared to the comparative period.

Indebtedness

As at 31 December 2015, the total **debt of the Podravka Group with consolidated Žito Group** related to borrowings and other interest-bearing financial liabilities was HRK 1,214,257 thousand, of which HRK 752,240 thousand relates to long-term borrowings, HRK 459,548 thousand to short-term borrowings, and HRK 2,469 thousand to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 31 December 2015 was 3.0%.

Analysing the debt currency structure, the highest exposure, of 55.9%, was toward the Euro, while 35.9% of the debt was in the domestic currency. 4.9% of the debt was in the Bosnia and Herzegovina mark, while the remainder of 3.3% relates to the Australian dollar (AUD), Czech koruna (CZK) and Macedonian denar (MKD).

Currency structure of debt as at 31 December 2015



(in HRK thousands)	**2015**	**2014**	**% change**
Net debt	922,376	856,829	7.6%
TTM interest expense	36,918	43,543	(15.2%)
Net debt / TTM EBITDA	1.9	2.7	(28.1)
EBITDA / Interest expense	13.0	7.3	76.6%
Equity to total assets ratio	57.0%	50.9%	+611 bp

As at 31 December 2015, the net debt was 7.6% higher compared to the end of 2014, primarily due to the consolidation of the Žito Group. The increase in the reported EBITDA had a positive impact on the ratio of net debt and EBITDA which, at the end of the period under consideration, was 2.0 which is 26.3% lower compared to the end of 2014. Interest expense in 2015 is lower by 15.2% compared to 2014, as a consequence of refinancing borrowings under more favourable commercial terms which, in addition to the EBITDA growth, resulted in 72.3% higher indicator of interest expense coverage. The ratio of capital and total assets was improved by 611 basis points primarily as a result of the capital increase.

Key characteristics of the cash flow statement in 2015 period

Net cash flow from operating activities

Net cash flow from operating activities in 2015 amounts to HRK 273.6 million, which is 4.6% lower than in the comparative period. Movements in the working capital that impact the cash flow from operating activities are explained in the section “Key characteristics of the balance sheet as at 31 December 2015”.

Net cash flow from investing activities

Net cash flow from investing activities in the period under consideration amounted to negative HRK 675.2 million. This is primarily the result of the acquisition of share in the company Žito d.d. and capital expenditure in the amount of HRK 271.2 million. The most significant **capital expenditure** in 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,
- Expansion of the Vegeta factory warehouse – 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,
- 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,
- Modernisation of the canned vegetables production line – the replacement of the existing obsolete equipment for filling and closing cans with new equipment of greater capacity and increase in the sterilisation capacity by purchasing an additional sterilizer.

In 2016, **capital expenditure is expected** to be at a level of HRK 300 – 400 million, in 2017 at a level of HRK 280 – 300 million, after which it should stabilise at the level of approximately HRK 250 million.

Net cash flow from financing activities

In 2015, cash flow from financing activities amounted to HRK 473.0 million primarily due to cash collected by issuing new 1,700,000 shares at a price of HRK 300.00 per share. Borrowings received and repaid related to the 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 and the acquisition of Žito.

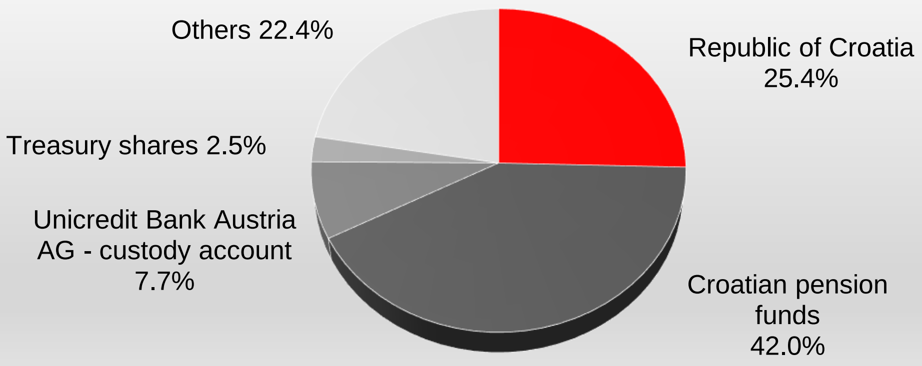
Share in 2015

List of top 10 shareholders as at 31 December 2015

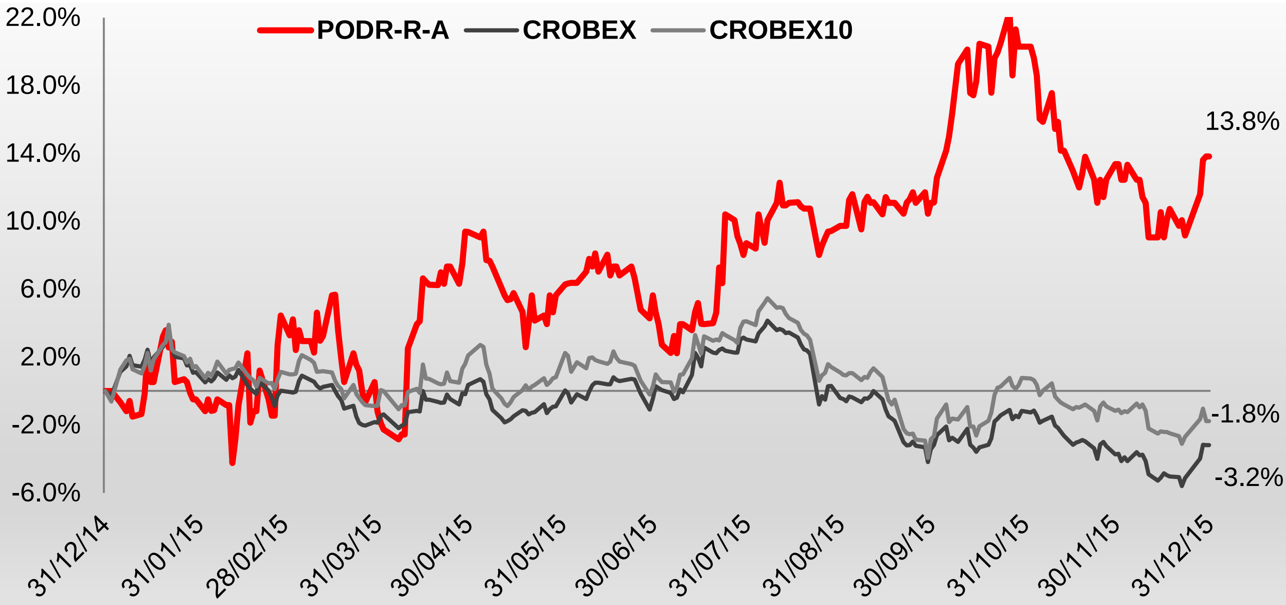
No.	Shareholder	Number of shares	% of ownership
1	AZ mandatory pension fund, category B	895,953	12.6%
2	PBZ Croatia Osiguranje mandatory pension fund, category B	764,274	10.7%
3	SPMA - Croatian Pension Insurance Institute	727,703	10.2%
4	SPMA - Republic of Croatia	674,461	9.5%
5	Erste Plavi mandatory pension fund, category B	665,166	9.3%
6	Unicredit Bank Austria AG - custody account	547,341	7.7%
7	Kapitalni fond d.d.	406,842	5.7%
8	Raiffeisen mandatory pension fund, category B	375,448	5.3%
9	Podravka d.d. - treasury account	177,511	2.5%
10	AZ Profit voluntary pension fund	115,779	1.6%
	Other shareholders	1,769,525	24.9%
	Total	**7,120,003**	**100.0%**

The company has a stable ownership structure where the most significant share is held by domestic pension funds and the Republic of Croatia. As at 31 December 2015, domestic pension funds (mandatory and voluntary) hold a total of 42.0% of the company ownership. The Republic of Croatia through the State Property Management Administration (SPMA) holds 19.7% of the company ownership and through Kapitalni fond d.d. additional 5.7% of ownership as at 31 December 2015. The company has 2.5% 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 at 31 December 2015



Share price movement in 2015



(closing price in HRK; closing points)	**31 December 2015**	**31 December 2014**	**% change**
PODR-R-A	334.0	293.5	13.8%
CROBEX	1,689.6	1,745.4	(3.2%)
CROBEX10	989.3	1,007.1	(1.8%)

U 2015. godini dionica Podravke porasla je 13,8% čime je nadmašila ostvarenja domaćih dioničkih indeksa Crobex i Crobex10 koji su u istom razdoblju ostvarili pad od 3,2% i 1,8%, pojedinačno.

Performance in the Croatian capital market in 2015

(in HRK; in units) [8]	**2015**	**2014**	**% change**
Average daily price	318.8	296.8	7.4%
Average daily number of transactions	12	13	(9.1%)
Average daily volume	1,739	1,562	11.3%
Average daily turnover	554,258.8	463,450.7	19.6%

In 2015, the average daily price of the Podravka's share was 7.4% higher compared to the comparative period. At the same time, the average daily number of transactions was lower, but the average daily volume and the average daily turnover were higher. The result achieved should be considered in the light of overall trends in the domestic capital market which in 2015 recorded 11.5% lower shares turnover than in the comparative

[8] 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.

period 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)	**2015**	**2014**	**% change**
Last price	334.0	293.5	13.8%
Market capitalization	2,378.2	1,590.6	49.5%
EV[9]	3,368.2	2,484.0	35.6%
Earnings per share[10]	66.5	17.6	276.9%
EV / Sales revenue	0.9	0.7	25.7%
EV / EBITDA	7.0	7.8	(9.4%)
EV / EBIT	11.8	16.0	(26.2%)
Last price / Earnings per share ratio	5.0	16.6	(69.8%)

The increase of 13.8% in the last price as at 31 December 2015 compared to 31 December 2014, together with the increase in the number of shares by 1,700,000, led to the increase in market capitalisation of 49.5%. The increase in market capitalisation resulted in 35.8% higher EV as at 31 December 2015 compared to the end of 2014. The significant profitability growth in 2015 led to lower indicators related to profitability.

[9]Enterprise value: Market Capitalization + Net debt + Minority interests.
[10]Number of shares in 2015: (5,420,003 - 177,511) * (205 / 365) + (7,120,003 - 177,511) * (160 / 365); Number of treasury shares = 177,511, number of days prior to capital increase = 205, number of days following capital increase = 160. Number of shares in 2014: 5,420,003 - 177,511.

Additional tables for 2015

Sales revenues by category in 2015

(in HRK millions)	2015	% of sales revenues	2014	% of sales revenues	% change
SBA Food	**2,971.6**	**78.7%**	**2,662.4**	**76.0%**	**11.6%**
Culinary	**923.4**	**24.4%**	**899.8**	**25.7%**	**2.6%**
Food seasonings and bouillons	646.9	17.1%	630.9	18.0%	2.5%
Podravka dishes and food mixes	276.6	7.3%	268.9	7.7%	2.8%
Sweets, snacks and beverages	**257.8**	**6.8%**	**261.5**	**7.5%**	**(1.4%)**
Beverages	114.5	3.0%	116.1	3.3%	(1.4%)
Sweets and snacks	143.2	3.8%	145.4	4.1%	(1.4%)
Baby food, breakfast foods and other food	**957.8**	**25.4%**	**887.8**	**25.3%**	**7.9%**
Baby food and breakfast foods	324.8	8.6%	315.2	9.0%	3.0%
Other food	633.1	16.8%	572.6	16.3%	10.6%
Meat products	**303.5**	**8.0%**	**300.5**	**8.6%**	**1.0%**
Žito	**191.4**	**5.1%**	**-**	**-**	**n/a**
Other sales	**337.7**	**8.9%**	**312.7**	**8.9%**	**8.0%**
SBA Pharmaceuticals	**805.7**	**21.3%**	**840.3**	**24.0%**	**(4.1%)**
Prescription drugs	556.3	14.7%	597.1	17.0%	(6.8%)
Non-prescription programme	90.7	2.4%	90.1	2.6%	0.7%
Other sales	158.6	4.2%	153.1	4.4%	3.6%
Podravka Group	**3,777.2**	**100.0%**	**3,502.6**	**100.0%**	**7.8%**

Sales revenues by region in 2015

(in HRK millions)	2015	% of sales revenues	2014	% of sales revenues	% change
Adria region	**2,670.6**	**70.7%**	**2,397.1**	**68.4%**	**11.4%**
Croatia	1,455.8	38.5%	1,436.7	41.0%	1.3%
Bosnia and Herzegovina	469.7	12.4%	453.9	13.0%	3.5%
Macedonia	91.0	2.4%	85.8	2.5%	6.0%
Slovenia	391.3	10.4%	177.7	5.1%	120.1%
Serbia	142.3	3.8%	136.3	3.9%	4.4%
Other countries	120.5	3.2%	106.6	3.0%	12.9%
Europe region	**764.7**	**20.2%**	**730.7**	**20.9%**	**4.7%**
Austria	44.8	1.2%	47.3	1.4%	(5.3%)
Germany	82.8	2.2%	77.2	2.2%	7.4%
Czech Republic	160.6	4.3%	166.7	4.8%	(3.7%)
Hungary	58.8	1.6%	55.5	1.6%	6.0%
Poland	200.5	5.3%	193.8	5.5%	3.4%
Slovakia	85.1	2.3%	85.3	2.4%	(0.1%)
Other countries	131.9	3.5%	104.9	3.0%	25.7%
Russia, CIS and Baltic region	**196.1**	**5.2%**	**239.3**	**6.8%**	**(18.1)**
Russia	178.6	4.7%	204.9	5.9%	(12.8%)
Other countries	17.5	0.5%	34.4	1.0%	(49.2%)
New Markets region	**145.8**	**3.9%**	**135.5**	**3.9%**	**7.6%**
Australia	60.8	1.6%	60.7	1.7%	0.2%
USA	50.5	1.3%	43.3	1.2%	16.6%
Other countries	34.5	0.9%	31.4	0.9%	9.6%
Podravka Group	**3,777.2**	**100.0%**	**3,502.6**	**100.0%**	**7.8%**

Consolidated financial statements in 2015

Consolidated Profit and Loss Statement in 2015

(in HRK thousands)	2015	% of sales revenues	2014	% of sales revenues	% change
Sales revenue	3,777,216	100.0%	3,502,615	100.0%	7.8%
Cost of goods sold	(2,253,192)	(59.7%)	(2,022,993)	(57.8%)	11.4%
Gross profit	**1,524,023**	**40.3%**	**1,479,623**	**42.2%**	**3.0%**
Other income	162,701	4.3%	17,967	0.5%	805.6%
General and administrative expenses	(321,555)	(8.5%)	(338,382)	(9.7%)	(5.0%)
Selling and distribution costs	(521,281)	(13.8%)	(472,733)	(13.5%)	10.3%
Marketing expenses	(504,389)	(13.4%)	(452,408)	(12.9%)	11.5%
Other expenses	(53,336)	(1.4%)	(78,417)	(2.2%)	(32.0%)
Operating profit	**286,163**	**7.6%**	**155,649**	**4.4%**	**83.9%**
Financial income	2,748	0.1%	2,214	0.1%	24.1%
Other financial expenses	(14,163)	(0.4%)	(8,329)	(0.2%)	70.0%
Interest expenses	(36,918)	(1.0%)	(43,542)	(1.2%)	(15.2%)
Net foreign exchange differences on borrowings and forward contracts	4,333	0.1%	(1,671)	(0.0%)	(359.3%)
Net finance costs	**(44,000)**	**(1.2%)**	**(51,328)**	**(1.5%)**	**(14.3%)**
Profit before tax	**242,163**	**6.4%**	**104,321**	**3.0%**	**132.1%**
Current income tax	(5,439)	(0.1%)	(10,091)	(0.3%)	(46.1%)
Deferred tax	167,274	4.4%	715	0.0%	23,295.0%
Income tax	**161,835**	**4.3%**	**(9,376)**	**(0.3%)**	**(1,826.1%)**
Net profit for the year	**403,998**	**10.7%**	**94,945**	**2.7%**	**325.5%**
Net profit / (loss) attributable to:					
Equity holders of the parent	**398,043**	**10.5%**	**92,459**	**2.6%**	**330.5%**
Non-controlling interests	5,955	0.2%	2,486	0.1%	139.5%

Consolidated Profit and Loss Statement in the fourth quarter of 2015

(in HRK thousands)	**10-12 2015**	**% of sales revenues**	**10-12 2014**	**% of sales revenues**	**% change**
Sales revenue	1,215,827	100.0%	967,012	100.0%	25.7%
Cost of goods sold	(739,845)	(60.9%)	(537,383)	(55.6%)	37.7%
Gross profit	**475,981**	**39.1%**	**429,629**	**44.4%**	**10.8%**
Other income	121,229	10.0%	4,173	0.4%	2,805.1%
General and administrative expenses	(117,014)	(9.6%)	(96,341)	(10.0%)	21.5%
Selling and distribution costs	(169,362)	(13.9%)	(130,533)	(13.5%)	29.7%
Marketing expenses	(159,260)	(13.1%)	(132,437)	(13.7%)	20.3%
Other expenses	(32,254)	(2.7%)	(65,986)	(6.8%)	(51.1%)
Operating profit	**119,321**	**9.8%**	**8,505**	**0.9%**	**1,303.0%**
Financial income	571	0.0%	595	0.1%	(4.0%)
Other financial expenses	(8,621)	(0.7%)	(404)	(0.0%)	2,033.9%
Interest expenses	(9,449)	(0.8%)	(9,436)	(1.0%)	0.1%
Net foreign exchange differences on borrowings and forward contracts	101	0.0%	(2,781)	(0.3%)	(103.6%)
Net finance costs	**(17,398)**	**(1.4%)**	**(12,027)**	**(1.2%)**	**44.7%**
Profit before tax	**101,923**	**8.4%**	**(3,522)**	**(0.4%)**	**(2,994.2%)**
Current income tax	18,749	1.5%	19,224	2.0%	(2.5%)
Deferred tax	152,185	12.5%	(4,289)	(0.4%)	(3,647.9%)
Income tax	**170,934**	**14.1%**	**14,934**	**1.5%**	**1,044.6%**
Net profit for the year	**272,857**	**22.4%**	**11,412**	**1.2%**	**2,290.9%**
Net profit / (loss) attributable to:					
Equity holders of the parent	**267,067**	**22.0%**	**10,535**	**1.1%**	**2,435.1%**
Non-controlling interests	5,790	0.5%	878	0.1%	559.7%

Note: profit and loss account for 10-12 2015 and 10-12 2014 periods calculated by simply subtracting 1-9 2015 and 1-9 2014 periods from full years 2015 and 2014.

Consolidated Balance Sheet as at 31 December 2015

(in HRK thousands)	31 Dec. 2015	% of assets	31 Dec. 2014	% of assets	% of change
ASSETS					
Non-current assets					
Goodwill	26,290	0.5%	25,687	0.7%	2.3%
Property investment	51,842	1.0%	0	0.0%	100.0%
Intangible assets	284,512	5.8%	244,793	7.0%	16.2%
Property, plant and equipment	1,886,139	38.1%	1,202,589	34.3%	56.8%
Deferred tax assets	230,764	4.7%	50,169	1.4%	360.0%
Non-current financial assets	18,713	0.4%	7,602	0.2%	146.2%
Total non-current assets	**2,498,260**	**50.5%**	**1,530,840**	**43.6%**	**63.2%**
Current assets					
Inventories	783,490	15.8%	599,164	17.1%	30.8%
Trade and other receivables	1,119,854	22.6%	924,077	26.3%	21.2%
Financial assets at fair value through profit and loss	215	0.0%	59	0.0%	264.4%
Income tax receivable	32,873	0.7%	19,520	0.6%	68.4%
Cash and cash equivalents	291,881	5.9%	220,478	6.3%	32.4%
Non-current assets held for sale	218,995	4.4%	214,432	6.1%	2.1%
Total current assets	**2,447,308**	**49.5%**	**1,977,730**	**56.4%**	**23.7%**
Total assets	**4,945,568**	**100.0%**	**3,508,570**	**100.0%**	**41.0%**
(in HRK thousands)	**31 Dec. 2015**	**% of assets**	**31 Dec. 2014**	**% of assets**	**% of change**
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,685,954	34.1%	1,063,548	30.3%	58.5%
Reserves	549,840	11.1%	467,540	13.3%	17.6%
Retained earnings / (accumulated losses)	514,983	10.4%	217,569	6.2%	136.7%
Attributable to equity holders of the parent	**2,750,777**	**55.6%**	**1,748,657**	**49.8%**	**57.3%**
Non-controlling interests	67,712	1.4%	36,605	1.0%	85.0%
Total shareholders' equity	**2,818,489**	**57.0%**	**1,785,262**	**50.9%**	**57.9%**
Non-current liabilities					
Borrowings	752,240	15.2%	749,013	21.3%	0.4%
Provisions	83,732	1.7%	39,792	1.1%	110.4%
Deferred tax liability	56,469	1.1%	5,544	0.2%	918.6%
Total non-current liabilities	**892,441**	**18.0%**	**794,349**	**22.6%**	**12.3%**
Current liabilities					
Trade and other payables	733,931	14.8%	563,922	16.1%	30.1%
Income tax payable	2,251	0.0%	2,599	0.1%	(13.4%)
Financial liabilities at fair value through profit and loss	2,469	0.0%	2,752	0.1%	(10.3%)
Borrowings	459,548	9.3%	325,542	9.3%	41.2%
Provisions	36,440	0.7%	34,144	1.0%	6.7%
Total current liabilities	**1,234,639**	**25.0%**	**928,959**	**26.5%**	**32.9%**
Total liabilities	**2,127,080**	**43.0%**	**1,723,308**	**49.1%**	**23.4%**
Total equity and liabilities	**4,945,568**	**100.0%**	**3,508,570**	**100.0%**	**41.0%**

Consolidated Cash Flow Statement in 2015

(in HRK thousands)	2015	2014	% change
Profit / (loss) for the year	**403,998**	**94,945**	**325.5%**
Income tax	(161,835)	9,376	n/a
Depreciation and amortization	148,314	134,796	10.0%
Impairment (profit) / loss on property, plant, equipment, intangibles and assets held for sale	34,604	27,763	24.6%
Favourable purchase gain	(140,461)	0	(100.0%)
Impairment of investments	0	483	(100.0%)
Remeasurement of financial instruments at fair value	(611)	(17)	3,494.1%
Capital reserves ESOP	7,963	0	100.0%
Share based payment transactions	1,858	1,219	52.4%
Actuarial gains / losses - comprehensive income	(50)	0	(100.0%)
(Profit) / Loss on disposal of property, plant, equipment and intangibles	(1,153)	(910)	26.7%
(Profit) / Loss on disposal of assets held for sale	(864)	1,796	n/a
Impairment of trade receivables	8,166	12,739	(35.9%)
Adjustment of capital premium - options	(465)	0	(100.0%)
(Decrease) / Increase in provisions	1,862	2,369	(21.4%)
Interest income	(2,573)	(2,155)	19.4%
Value adjustment (write-down) of loans and interest	0	1,500	(100.0%)
Interest expense	50,784	51,871	(2.1%)
Effect of changes in foreign exchange rates	(3,483)	1,424	n/a
Changes in working capital:			
(Increase) in inventories	(31,833)	(22,301)	42.7%
(Increase) / decrease in trade receivables	(8,341)	88,048	n/a
Increase / (Decrease) in trade payables	38,781	(38,537)	n/a
Cash generated from operations	**344,662**	**364,409**	**(5.4%)**
Income tax paid	(20,225)	(23,532)	(14.1%)
Interest paid	(50,791)	(54,009)	(6.0%)
Net cash from operating activities	**273,646**	**286,868**	**(4.6%)**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired	(410,666)	(1,428)	28,658.1%
Purchase of property, plant, equipment and intangibles	(271,160)	(163,024)	66.3%
Acquisition of assets held for sale	(3,733)	(81,380)	(95.4%)
Proceeds from sale of property, plant, equipment and intangibles	5,978	5,344	11.9%
Loans receivables	(969)	(1,210)	(19.9%)
Repayment of loans receivable	349	495	(29.5%)
(Outflows) / Proceeds from other investments	2,387	0	100.0%
Collected interest	2,573	2,155	19.4%
Net cash from investing activities	**(675,241)**	**(239,048)**	**182.5%**
Cash flow from financing activities			
Purchase of of treasury shares	(5,900)	0	(100.0%)
Sale of of treasury shares	4,792	0	100.0%
Proceeds from borrowings	480,513	1,050,845	(54.3%)
Repayment of borrowings	(512,801)	(1,057,648)	(51.5%)
Proceeds of issue shares - capital	374,000	0	100.0%
Proceeds of issue shares - capital premium	132,394	0	100.0%
Net cash from financing activities	**472,998**	**(6,803)**	**n/a**
Net increase / (decrease) of cash and cash equivalents	**71,403**	**41,017**	**74.1%**
Cash and cash equivalents at beginning of the year	220,478	179,461	22.9%
Cash and cash equivalents at the end of year	**291,881**	**220,478**	**32.4%**

Consolidated Statement of Changes in Equity in 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)			
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							398,043	398,043	5,955	403,998
Aquisition of subsidiaries									30,457	30,457
Other comprehensive income						1,101		1,101	(5,305)	(4,204)
Total comprehensive income						**1,101**	**398,043**	**399,144**	**31,107**	**430,251**
Transactions with owners recognised directly in equity										
Capital reserves ESOP	7,963							7,963		7,963
Fair value of share-based payment transactions	1,859							1,859		1,859
Purchase of own shares	(5,899)							(5,899)		(5,899)
Realization of options	3,689							3,689		3,689
Capital increase on the account of reinvested profit	108,400			(108,400)						
Issue of new shares	506,394							506,394		506,394
Additional purchase of subsidiaries' shares						4,782		4,782		4,782
Additional acquisition (subsequent purchase of minority interest)						84,188		84,188		84,188
Transfers from retained earnings		80,000	14,388		3,051	3,190	(100,629)			
Total transactions with owners recognised directly in equity	**622,406**	**80,000**	**14,388**	**(108,400)**	**3,051**	**92,160**	**(100,629)**	**602,976**		**590,231**
As at 31 December 2015	**1,685,954**	**147,604**	**30,931**	**189,738**	**47,007**	**134,560**	**514,983**	**2,750,776**	**67,712**	**2,818,488**

Notes to the Consolidated Financial Statements

The Company in 2015 adopted amendments to IAS 19 Employee benefits and in accordance with standard records acturial gains/losses connected with severance payments in other comprehensive income.

Zvonimir Mršić

President of the Management Board:

Zvonimir Mršić

Statement of liability

Koprivnica, 16 February 2016

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of Podravka Group for the period January – December 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 – December 2015 were approved by the Management Board on 15 February 2016.

Accounting and Taxes Director:
Senka Laljek

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