Podravka Group Business Results

for 1-9 2015 period

Content

Key financial indicators in the first nine months of 2015

(in HRK millions)	**1-9 2015**	**1-9 2014**	**% change**
Sales revenue	2,561.4	2,535.6	1.0%
Gross profit[1]	1,048.0	1,050.0	(0.2%)
Gross profit margin	40.9%	41.4%	-49 bp
EBITDA[2]	276.5	254.3	8.7%
EBITDA margin	10.8%	10.0%	+76 bp
Net profit after MI	131.0	81.9	59.9%
Net profit margin after MI	5.1%	3.2%	+188 bp
Cash flow from operating activities	32.3	60.2	(46.4%)
Capital expenditures	144.7	127.2	13.8%

(in HRK; market capitalization in HRK millions)	**30 September 2015**	**2014**	**% change**
Net debt / TTM EBITDA	1.9	2.7	(28.8%)
TTM Earnings per share	25.4	17.6	44.2%
Last price at the end of period	326.0	293.5	11.1%
Market capitalization	2,321.1	1,590.6	45.9%
Return on capital[3]	5.8%	5.2%	+64 bp
Return on assets[3]	3.4%	2.6%	+78 bp

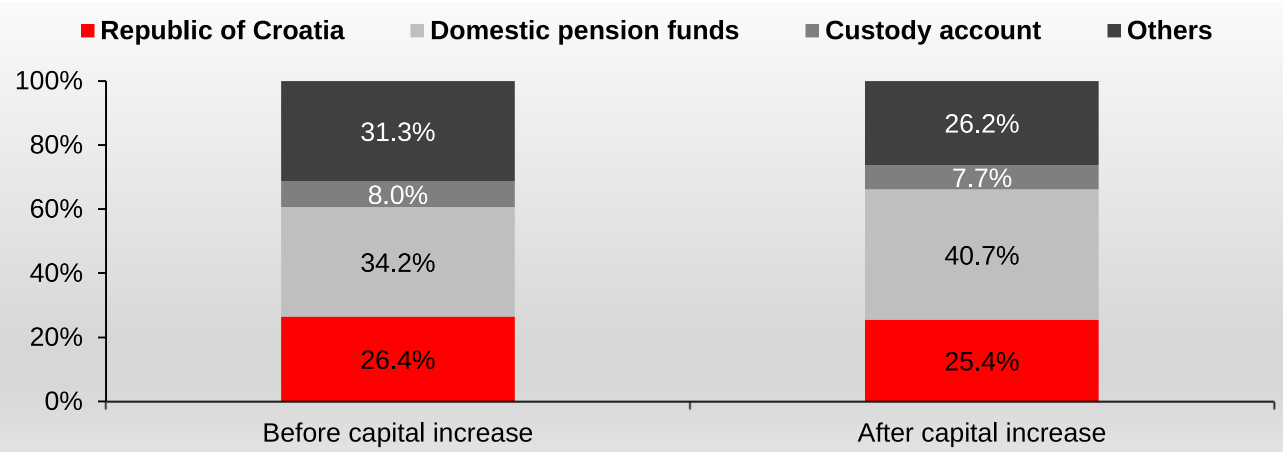
[1]1-9 2015 period has been reclassified for HRK 2.8 million due to a change from production function to a sales function of one warehouse in 2015. In line with the aforementioned change, the warehouse cost has been reclassified from cost of goods sold to selling and distribution costs in order to have comparable periods.
[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 the first nine months of 2015

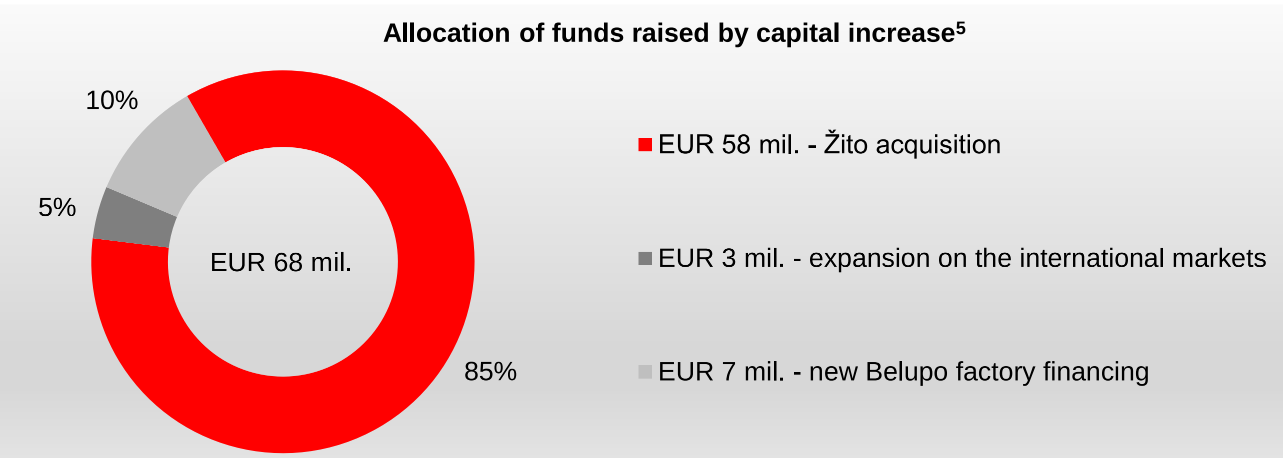
Podravka d.d. share capital increase and ESOP[4]

On 3 June 2015, the General Assembly of Podravka d.d., among other decisions, adopted the decision to increase the share capital by issuing new 1,700,000 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.
[5]Under the assumption of acquiring 100% ownership of Žito d.d.

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

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

Podravka concluded the agreement on acquiring 51.54% of Žito d.d. shares

On 21 April 2015, Podravka concluded the Agreement on the acquisition of 51.54 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 33,027,819. 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 Podravka submitted a takeover offer for the remaining shares of Žito d.d.. The takeover offer is valid from 23 October 2015 to 23 November 2015, till 12.00 AM. Depending on the interest of the remaining shareholders to sell shares, the total value of the transaction will possibly increase to EUR 57,670,361.

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.

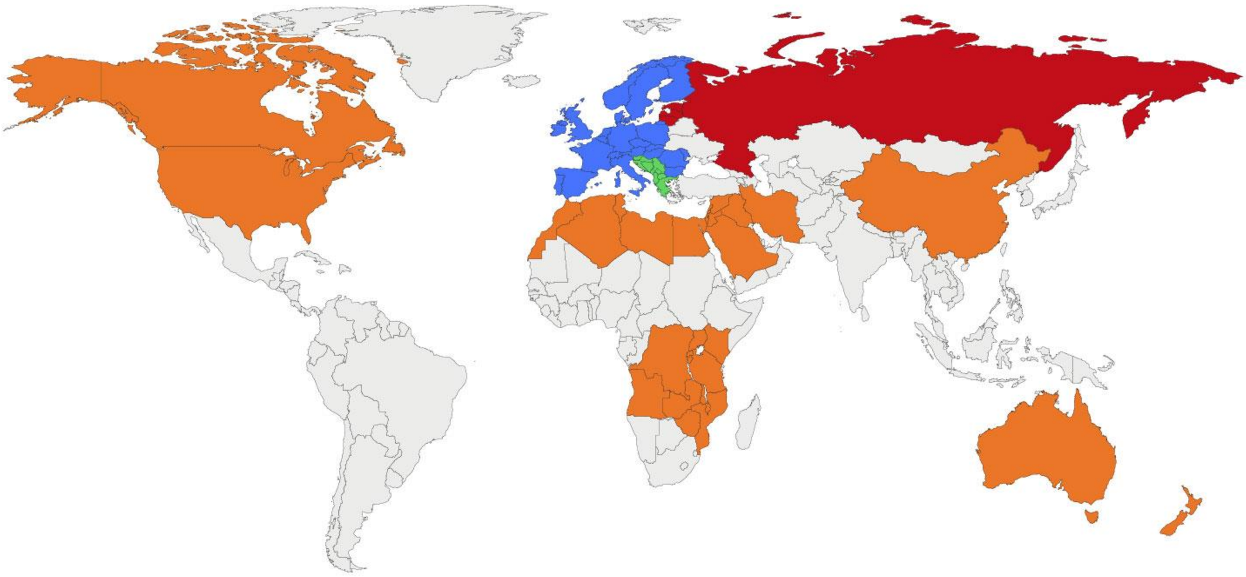
After this transaction is completed, the Podravka Group will be at the top of the food industry in the market of Slovenia, with total annual revenue amounting to approximately HRK 900 million. It is expected that, after the takeover of Žito, the total consolidated annual revenue of the Podravka Group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

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

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

New organization of markets management and further strengthening of international operations

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



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

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

Continuing the implementation of measures to improve operational efficiency, Podravka's management made the decision to initiate the procedure for merging the limited liability subsidiary DANICA d.o.o. which ended on 1 October 2015.

DANICA mesna industrija d.o.o.

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

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

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

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

Consolidation of Mirna d.d.

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

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

In December 2014, Management of Mirna d.d. submitted a request to initiate the pre-bankruptcy settlement proceeding following the freezing of Mirna d.d. account, which was rejected. However, as at 29 January 2015, the Commercial Court in Rijeka decided to initiate the preliminary procedure for determining whether the conditions are met for initiating the bankruptcy procedure of the company Mirna d.d. As part of this, the temporary bankruptcy manager was appointed, and the hearing was scheduled for 30 March 2015.

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

On 9 July 2015 Podravka acquired additional 11.64% shares of the company Mirna d.d. and on 6 August 2015 additional 8.6% shares of the company Mirna d.d., reaching 84.2% ownership share in the company.

<u>Continuation of strong innovation cycle in food and expansion of pharmaceutical assortment</u>

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

Podravka's most famous brand – **Vegeta** got new packaging. The packaging is modernised after 10 years, using contemporary trends in development and printing of packaging materials. In addition to modernised appearance, Vegeta takes the new territory in positioning the brand under the concept called *Cook freely*, creating a modern communication platform for new generations of customers.

In the markets of the MENA region, Vegeta universal and special seasonings and Vegeta soups have been launched.

In the breakfast cereals category, **Lino** cereals got redesigned packaging, and the muesli range got new flavours of granola cereals. From the Lino category, baby food and children cereals products have also been launched to the MENA markets.

In the category of **sweets, snacks and beverages** there was a turn in the Dolcela pudding formulation. Innovation in recipes is based on extensive customer surveys that resulted in even creamier and more delicious products. Dolcela also expands to the category of cake decorations with four new products: cocoa crumbs, sliced almonds, silver beads and chocolate crispy balls. Also, Podravka teas appear on the shelves in Jordan.

Mediterranean flavours have been supplemented by Eva mackerel fillets and Eva tuna salad Istriana.

In the **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 pasticada (beef fillet impaled with vegetables and bacon in fruit and vegetable sauce), Sarma (rolled sauerkraut leafs stuffed with minced meat), or beans stew, which represents a significant innovation in this distribution channel.

In the **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 the third quarter of 2015, Docetaksel Belupo and Takrolimus Belupo were launched. 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. Docetaksel Belupo comes in two bottles; one contains the concentrate, and the other solvent. Takrolimus Belupo are solid capsules used in transplantation medicine for the prophylaxis of rejecting the liver, kidney or heart transplants by the recipients. Takrolimus is a potent immunosupressive drug from the group of calcineurin inhibitors.

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

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

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

Overview of sales revenues in the first nine months of 2015

Sales revenues by Strategic Business Area in the first nine months of 2015

Sales revenues by Strategic Business Area			
(in HRK millions)	1-9 2015	1-9 2014	% change
SBA Food	**1,996.6**	**1,961.4**	**1.8%**
Own brands	*1,794.3*	*1,741.3*	*3.0%*
Other sales	*202.3*	*220.2*	*(8.1%)*
SBA Pharmaceuticals	**564.8**	**574.2**	**(1.6%)**
Own brands	*445.0*	*459.6*	*(3.2%)*
Other sales	*119.7*	*114.5*	*4.5%*
Podravka Group	**2,561.4**	**2,535.6**	**1.0%**
Own brands	*2,239.3*	*2,200.9*	*1.7%*
Other sales	*322.0*	*334.7*	*(3.8%)*

Strategic Business Area Food:

- The increase in sales of the soups, condiments and frozen vegetables subcategories and realised sales of the PIK and Mirna product ranges (that were not fully present in the first nine months 2014) are the main factors of the 3.0% increase in sales of own brands in the period under consideration. If the effect of the foreign exchange differences is excluded, own brands recorded 3.5% higher sales in relation to the comparative period,
- At the same time, other sales are 8.1% lower, primarily as a result of lower sales of poppy seeds, whose market price significantly decreased in the period under consideration,
- Accordingly, the food segment recorded a 1.8% increase in sales in the period under consideration, while if the effect of the foreign exchange differences is excluded, the increase in sales would be 2.2%.

Strategic Business Area Pharmaceuticals:

- The depreciation of the Russian ruble and the decrease in prices of prescription drugs prescribed by the Croatian Health Insurance Fund (CHIF) in the Croatian market negatively reflected on sales of own brands that recorded a decrease of 3.2% in the period under consideration. If the effect of the foreign exchange differences is excluded, own brands recorded 1.3% higher sales in relation to the comparative period,
- In the first nine months of 2015, other sales are 4.5% higher compared to the comparative period, primarily due to the increase in sales of trade goods in the Farmavita company,

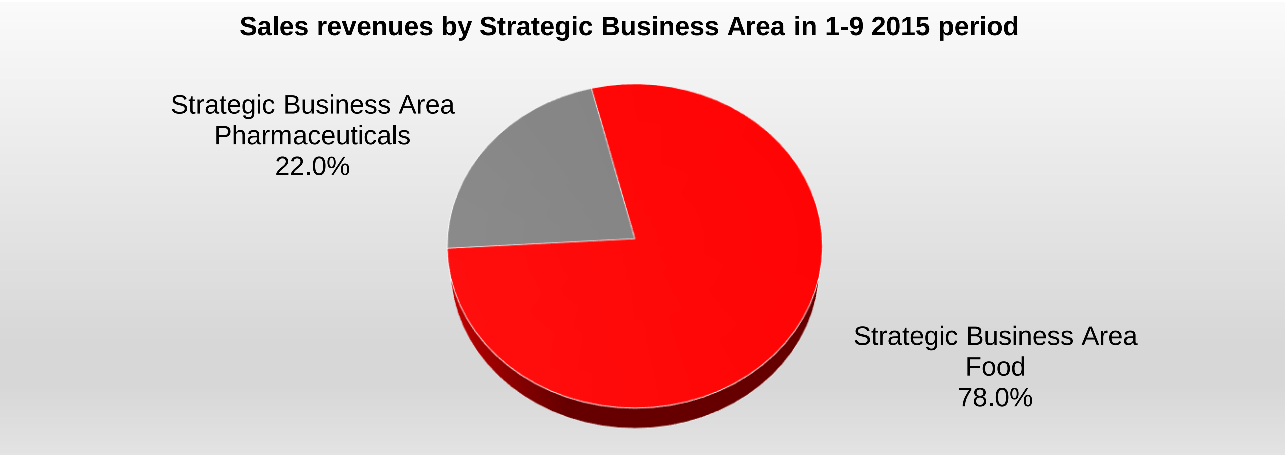
- Accordingly, the pharmaceuticals segment recorded 1.6% lower sales, while if the effect of foreign exchange differences is excluded it would record 1.9% higher sales compared to the first nine months of 2014.

Podravka Group:

- Own brands of the Podravka Group recorded 1.7% higher sales in the observed period, while if the effect of foreign exchange differences is excluded, the growth in sales would be 3.0%,
- 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 are 3.8% lower in the first nine months of 2015,
- Consequently, sales of the Podravka Group are 1.0% higher than in the comparative period, while if the effect of foreign exchange differences is excluded, the sales growth would be 2.2%.

Effect of currency exchange rates on sales:

- The Podravka Group aims to present the movement in sales excluding foreign exchange differences, i.e. to show what sales in the first nine months of 2015 would have been if currency exchange rates had remained at the same levels as in the first nine months of 2014,
- Sales of the food segment in the first nine months of 2015 had a negative net effect of currency exchange rates of HRK 8.3 million, while sales of the pharmaceuticals segment in the same period had a negative effect of HRK 20.6 million,
- The total net effect of currency exchange rates is estimated to negative HRK 28.9 million, where the biggest negative share is recorded by the Russian ruble (HRK -31.3 million) and the Serbian dinar (HRK -4.1 million), and the biggest positive share by the US dollar (HRK +6.9 million).



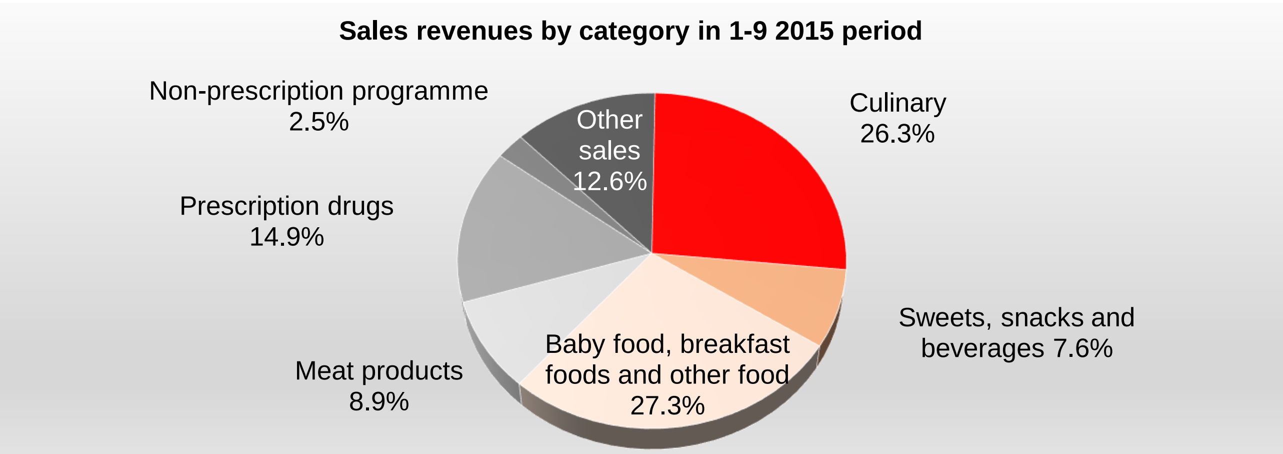
Sales revenues by category in the first nine months of 2015

Sales revenues by category			
(in HRK millions)	1-9 2015	1-9 2014	% change
Culinary	672.8	670.4	0.4%
Sweets, snacks and beverages	193.6	196.8	(1.6%)
Baby food, breakfast foods and other food	699.9	653.8	7.1%
Meat products	228.0	220.3	3.5%
Prescription drugs	380.5	396.7	(4.1%)
Non-prescription programme	64.6	62.9	2.6%
Other sales	322.0	334.7	(3.8%)
Podravka Group	2,561.4	2,535.6	1.0%

Increase in sales of own brands in the first nine months of 2015 is 1.7%:

- The **culinary category** recorded an increase in sales of 0.4% compared to the comparative period, primarily due to the increase in sales of the soups subcategory in the Adria region. The increase in sales of the soups subcategory in the Adria region is the result of the fact that the soups range is better represented in chain stores than in the comparative period, entering the new category of premium cream soups and increased marketing activities. If the effect of foreign exchange differences is excluded, the culinary category would record a 1.3% sales growth,
- The **sweets, snacks and beverages category** recorded 1.6% lower sales, while if we exclude the effect of the beverages product range, which is under sale, sales are 5.1% lower than in the comparative period. Lower sales were primarily affected by lower sales of powdered sweets due to the growth in private labels and enhanced competitors' price activities,
- The increase in sales of the **baby food, breakfast foods and other food category** is primarily impacted by the increase in sales of the condiments, frozen foods and Mediterranean food subcategories. The condiments product range recorded good sales results in the Adria and Europe regions as a result of enhanced marketing activities and better representation of the range in the sale channels. The frozen vegetables subcategory records a significant increase in sales after it began to be sold in the Russian market at the end of the last year. In the Mediterranean food subcategory we record sales of the Mirna product range that were not present in the comparative period and increase in sales of rice in the Europe region as a result of enhanced marketing activities. If the effect of the Mirna product range sales is excluded, the overall category would record 5.0% higher sales than in the comparative period,
- The sales of the PIK product range, acquired last year, resulted in the increase in sales of the overall **meat products category** by 3.5% in relation to the comparative period. If the sales of the PIK product range sales are excluded, the category would record 2.5% lower sales due to lower sales of subcategories of ready-to-eat meals, meat sauces and meat as a result of enhanced competitors' price activities,

- The decrease in prices of prescription drugs prescribed by the Croatian Health Insurance Fund in the Croatian market had an estimated negative impact of HRK 8.8 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 18.7 million. The vast majority of other markets recorded increased sales of prescription drugs, especially the markets of Bosnia and Herzegovina, Poland and Slovenia. Consequently, the **prescription drugs category** recorded 4.1% lower sales in the period under consideration, while if the effect of foreign exchange differences is excluded, the growth in sales is 0.6%,
- Sales of the **non-prescription programme category** grew by 2.6% in the period under consideration, primarily due to the increase in sales of the OTC subcategory of 7.6% in the Croatian market. 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. If the effect of foreign exchange differences is excluded, the subcategory would record 5.3% higher sales,
- The 3.8% lower sales of the **other sales category** were negatively impacted by the decrease in the price of poppy seeds, which was partially mitigated by the increase in sales of trade goods in the Farmavita company. Under trade goods, among other things, the Podravka Group purchases and resells poppy seeds as raw material, whose market price in the first nine months of 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 the first nine months of 2015 is actually the return to the average levels.



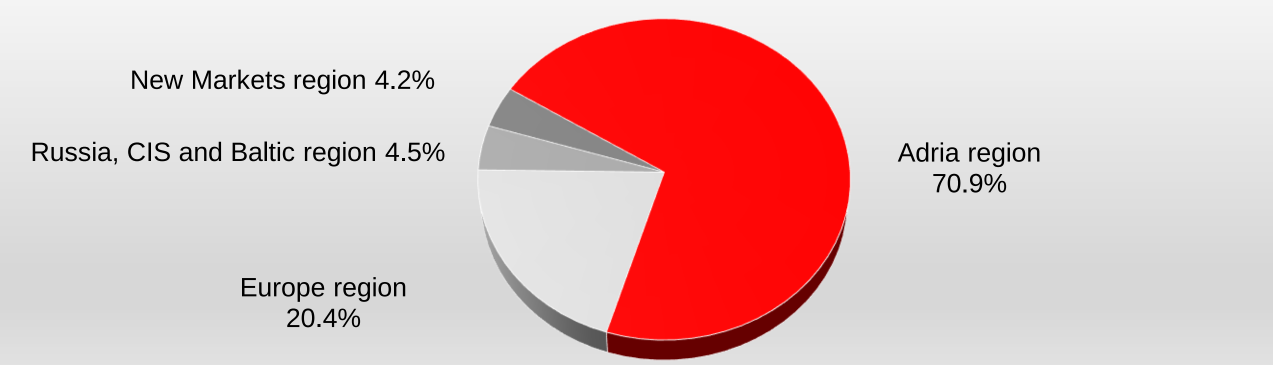
Sales revenues by region in the first nine months of 2015

Sales revenues by region			
(in HRK millions)	1-9 2015	1-9 2014	% change
Adria region	1,816.2	1,765.8	2.9%
Europe region	523.3	534.6	(2.1%)
Russia, CIS and Baltic region	115.1	135.1	(14.8%)
New Countries region	106.8	100.1	6.7%
Podravka Group	2,561.4	2,535.6	1.0%

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

- The **Adria region** recorded a 2.9% growth in sales compared to the comparative period including both organic and inorganic growth. The most significant organic growth in sales was recorded in the soups, condiments and OTC subcategories, while the inorganic growth in sales was recorded by the PIK and Mirna product ranges. If sales of the new PIK and Mirna product ranges and sales of programmes under restructuring (beverages and bakery) are excluded, the Adria region recorded 1.2% higher sales than in the comparative period,
- The decrease in the price of poppy seeds mainly impacted sales in the **Europe region** which consequently recorded 2.1% lower sales than in the comparative period. Here it should be noted that in the same period sales of own brands are higher by 3.3%, primarily due to higher sales of condiments, rice and dermo products,
- The estimated effect of FX differences on sales of the **Russia, CIS and Baltic region** in the 1-9 2015 period amounted to negative HRK 31.4 million due to the depreciation of the Russian ruble. If the effect of FX differences is excluded, sales of the Russia, CIS and Baltic region would be higher by 8.4% compared to the same period of the previous year, primarily due to the frozen vegetables subcategory,
- The **New Markets region** recorded 6.7% higher sales in the period under consideration, primarily due to the increase in sales of the culinary category in the markets of the USA and Australia, which compensated for the lower sales of service production and trade goods. If the effect of foreign exchange differences is excluded, the sales would be at the comparative period's level.

Sales revenues by region in 1-9 2015 period



Profitability in the first nine months of 2015

Profitability of the Strategic Business Area Food in the first nine months of 2015

Profitability of the Strategic Business Area Food

(in HRK millions)	**1-9 2015**	**1-9 2014**	**% change**
Sales revenue	1,996.6	1,961.4	1.8%
Gross profit	759.5	747.7[6]	1.6%
EBITDA*	209.8	168.4	24.5%
EBIT	130.1	92.7	40.5%
Net profit after MI	110.5	46.2	139.3%
Gross margin	38.0%	38.1%	-8 bp
EBITDA margin	10.5%	8.6%	+192 bp
EBIT margin	6.5%	4.7%	+179 bp
Net profit margin after MI	5.5%	2.4%	+318 bp

*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization (HRK 79.6 mil. in 1-9 2015; HRK 76.8 mil. in 1-9 2014) and impairment of intangible and non-current tangible assets (HRK -1.1 mil. in 1-9 2014).

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

- In the first nine months of 2015, **gross profit** grew by 1.6% compared to the first nine months of 2014, while the gross margin was 38.0% (38.1% in 1-9 2014). Slightly lower gross margin is a result of the changed sales mix due to an increase in sales of the range that has lower 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)** in the first nine months of 2015 was positively impacted by the consolidation of Mirna d.d.[7] of HRK 24.8 million, while in the comparative period it was burdened by costs of severance payments in the amount of HRK 50.6 million. The operating profit of the food segment in the first nine months of 2015 was, in addition to the impacts above gross profit, influenced by: (i) initial operating expenses related to entering new markets, (ii) expenses related to the acquisitions of of Žito d.d. and Mirna d.d., (iii) higher marketing investments due to campaign for the culinary category and Mediterranean food, baby food and pates subcategory, and (iv) four times higher net negative FX differences on trade receivables and payables,

[6] 1-9 2015 period has been reclassified for HRK 2.8 million due to a change from production function to sales function of one warehouse in 2015. In line with the aforementioned change, the warehouse cost has been reclassified from cost of goods sold to selling and distribution costs in order to have comparable periods.
[7] 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.

- **Net profit after minority interests** in the first nine months of 2015 was positively impacted by the consolidation of Mirna d.d. in the amount of HRK 24.8 million, while in the first nine months of 2014 it was negatively impacted by costs of severance payments in the amount of HRK 50.6 million. In addition to the impacts above the EBIT level, the net result is impacted by 44.0% lower net finance costs in the period under consideration, primarily a result of favourable conditions of refinancing borrowings and 76.1% lower tax liability due to utilising tax losses of the merged company Danica.

Profitability of the Strategic Business Area Pharmaceuticals in the first nine months of 2015

Profitability of the Strategic Business Area Pharmaceuticals

(in HRK millions)	**1-9 2015**	**1-9 2014**	**% change**
Sales revenue	564.8	574.2	(1.6%)
Gross profit	288.6	302.3	(4.5%)
EBITDA*	66.7	85.9	(22.3%)
EBIT	36.7	54.5	(32.6%)
Net profit after MI	20.5	35.8	(42.6%)
Gross margin	51.1%	52.6%	-155 bp
EBITDA margin	11.8%	15.0%	-314 bp
EBIT margin	6.5%	9.5%	-299 bp
Net profit margin after MI	3.6%	6.2%	-260 bp

*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization (HRK 30.0 mil. in 1-9 2015; HRK 31.4 mil. in 1-9 2014) and impairment of intangible and non-current tangible assets (not present in the stated periods).

Negative impact of the Russian ruble on the pharmaceuticals segment in the first nine months of 2015:

- Negative effect of FX differences on sales in the amount of HRK 20.6 million and negative effect of the Croatian Health Insurance Fund of HRK 8.8 million are the main reasons for lower **gross profit** in the period under consideration,

- **Operating profit** in the period under consideration is 32.6% lower than in the comparative period which was burdened with costs of severance payments of HRK 2.9 million. Operating profit was, in addition to effects above the gross profit level, impacted by FX differences on trade receivables and payables that amounted to negative HRK 15.7 million, while in the same period of the previous year they amounted to negative HRK 10.0 million,

- **Net profit after minority interests** in the first nine months of 2015 was 42.6% lower than in the comparative period which was burdened with costs of severance payments of HRK 2.9 million. In addition to effects above the EBIT level, the net result was also impacted by net finance costs that were higher by 22.0% in the period under consideration, primarily due to recorded negative foreign exchange differences on forward contracts, while tax liability was 43.7% lower due to lower profit before tax.

Profitability of the Podravka Group in the first nine months of 2015

Profitability of the Podravka Group			
(in HRK millions)	**1-9 2015**	**1-9 2014**	**% change**
Sales revenue	2,561.4	2,535.6	1.0%
Gross profit	1,048.0	1,050.0	(0.2%)
EBITDA	276.5	254.3	8.7%
EBIT	166.8	147.1	13.4%
Net profit after MI	131.0	81.9	59.9%
Gross margin	40.9%	41.4%	-49 bp
EBITDA margin	10.8%	10.0%	+76 bp
EBIT margin	6.5%	5.8%	+71 bp
Net profit margin after MI	5.1%	3.2%	+188 bp

*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization (HRK 109.6 mil. in 1-9 2015; HRK 108.2 mil. in 1-9 2014) and impairment of intangible and non-current tangible assets (HRK -1.1 mil in 1-9 2014).

Last year's restructuring had a positive impact on the Podravka Group profitability:

- The change in sales mix in the food segment, where the sales of ranges with lower gross margin than the Group average increased and a significant negative effect of FX differences on sales in the pharmaceuticals segment resulted in a mildly lower **gross profit** of the Podravka group coupled with a decrease in gross margin,
- The Group's **operating profit** in the period under consideration was positively impacted by the consolidation of Mirna d.d. of HRK 24.8 million, while in the comparative period it was burdened by costs of severance payments in the amount of HRK 53.5 million. The operating profit in the observed period, in addition to the impacts above gross profit, was influenced by: (i) costs related to entering new markets and acquisitions of Žito d.d. and Mirna d.d., (ii) increase in marketing investments in the food segment, and (iii) significant increase in FX differences on trade receivables and payables that at the group level amounted to negative HRK 19.8 million (HRK -11.0 million in 1-9 2014),
- The Group's **net profit after minority interests** in the first nine months of 2015 was positively impacted by the consolidation of Mirna d.d. of HRK 24.8 million, while in the comparative period it was burdened by costs of severance payments in the amount of HRK 53.5 million. In addition to the impacts above the EBIT level, the positive impacts were made by 32.3% lower net finance costs as a result of favourable conditions of refinancing borrowings and by 62.6% lower tax liability due to utilising tax losses of the merged company Danica.

Key characteristics of the income statement in the 1-9 2015 period

Other income

In the period under consideration, other income significantly grew due to a positive effect resulting from the consolidation of Mirna d.d. recorded as at 31 March 2015. At the initial consolidation of the company Mirna d.d., the Podravka Group recognised acquired assets and liabilities in the consolidated financial statement of financial position at fair values, which resulted also in gain on a bargain purchase of HRK 24.8 million recorded within other income.

Cost of goods sold

The increase in the cost of goods sold of 1.9% in the first nine months of 2015 is primarily a result of the volume growth in sales of the food segment. In this, the increase in cost of goods sold of the food segment is lower than the volume growth of the food segment sales, due to favourable movements in the prices of raw materials and supplies.

General and administrative expenses

General and administrative expenses at the Group level in the first nine months of 2015 were 15.5% lower than in the comparative period which was burdened with costs of severance payments of HRK 53.5 million. If costs of severance payments are excluded, general and administrative expenses in the period under consideration grew by 8.5%, largely impacted by costs related to the acquisitions of Žito d.d. and Mirna d.d. and regular general and administrative expenses of Mirna which were not included in the comparative period.

Selling and distribution costs

The increase of 2.8% in selling and distribution costs in the observed period was primarily impacted by initial costs related to entering new markets and expenses of the food company in Russia and Mirna, that were not charged in the comparative period. If these expenses are excluded, selling and distribution costs would record a decrease of 0.8% in relation to the comparative period.

Marketing expenses

Marketing expenses grew by 7.9% in the observed period due to stronger marketing activities related to the culinary category in the Adria region, Mediterranean food subcategory in the Adria and Europe regions, and to the baby food and pâtés subcategories in the Adria region.

Other expenses

Foreign exchange differences on trade receivables and payables in the period under consideration amounted to negative HRK 19.8 million, which is 80.0% higher than in the comparative period, resulting also in significantly higher total other expenses.

Net finance costs

In the first nine months of 2015, net finance costs are 32.3% lower than in the comparative period, mainly as a result of refinancing borrowings under more favourable terms, thus decreasing the interest expense on borrowings.

Income tax

In the first nine months of 2015, the effective tax rate was 6.5% due to utilising tax losses of the merged company Danica.

Key characteristics of the balance sheet as at 30 September 2015

Property, plant and equipment

The increase in property, plant and equipment of 11.1% as at 30 September 2015 compared to 31 December 2014 is a result of the consolidation of the company Mirna d.d. and activities related to the construction of the new Belupo factory.

Inventories

The increase in inventories of 15.5% is a result of: (i) inventories of Mirna d.d. that had not been consolidated as at 31 December 2014, (ii) general increase in inventories of the food product range characteristic of the summer season, (iii) increased purchases of certain raw materials to avoid more expensive purchases in other periods, and (iv) increase in inventories of raw materials and supplies in Belupo d.d. related to specific cycle nature of the production process.

Trade and other receivables

Trade and other receivables increased by 8.7% compared to 31 December 2014 as a result of the seasonal nature where larger orders of products are recorded in the summer season compared to the end of the year.

Financial assets at fair value through profit or loss

The significant increase in financial assets at fair value through profit or loss is a result of depositing unused cash from the capital increase in cash funds. Unused cash will remain in cash funds until its utilisation.

Cash and cash equivalents

Cash and cash equivalents at the end of the observed period are 76.8% higher compared to the end of 2014 mainly due to proceeds from issuing shares in the third quarter of 2015, as explained in the “Key characteristics of the cash flow statement in the 1-9 2015” period.

Share capital

In the General Assembly meeting held on 3 June 2015, the decision was made to reinvest net profit for 2014 in a way that a portion of the net profit is used to increase the registered capital of Podravka d.d.. In accordance with this decision, the nominal value of Podravka d.d.'s shares was increased from HRK 200.00 to HRK 220.00. 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. These decisions resulted in the increase in the share capital of 57.7% as at 30 September 2015 compared to 31 December 2014.

Non-controlling interests

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

Long-term borrowings

Borrowings within non-current liabilities decreased by 13.4% compared to the end of 2014 as a result of repayment of a portion of long-term borrowings.

Trade and other payables

In the first nine months of 2015 trade payables decreased as a result of significant settlement of a portion of pharmaceuticals segment payables following the settlement of Croatian Health Insurance Fund payables in the Croatian market and as a result of further harmonization to the proscribed payment terms to suppliers. However, primarily due to higher marketing activities, trade payables and other liabilities grow in total by 1.8% compared to 31 December 2014.

Short-term borrowings

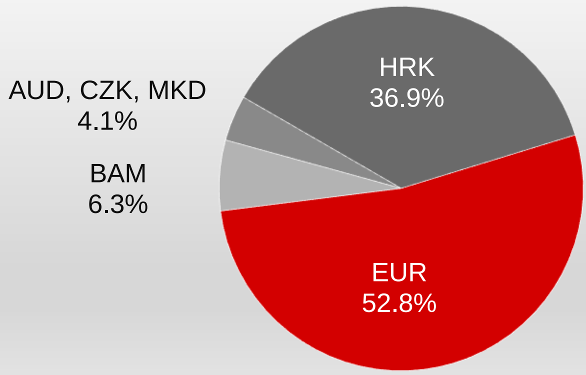
Borrowings within current liabilities increased by 20.3% compared to 31 December 2014 due to short-term borrowings taken for the purposes of operating activities in the first nine months of 2015 related, among other things, to the settlement of past due liabilities of Mirna d.d..

Indebtedness

As at 30 September 2015, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities was HRK 1,042,511 thousand, of which HRK 648,803 thousand relates to long-term borrowings, HRK 391,501 thousand to short-term borrowings, and HRK 2,207 thousand to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 30 September 2015 was 3.4%.

Analysing the debt currency structure, the highest exposure, of 52.8% was toward the Euro, while 36.9% of the debt was in the domestic currency. 6.3% of the debt was in the Bosnia and Herzegovina mark, while the remainder of 4.1% relates to the Australian dollar (AUD), Czech koruna (CZK) and Macedonian denar (MKD).

Currency structure of debt as at 30 September 2015



(in HRK thousands)	**1-9 2015**	**2014**	**% change**
Net debt	652,708	856,829	(23.8%)
TTM interest expense	36,906	43,543	(15.2%)
Net debt / TTM EBITDA	1.9	2.7	(28.8%)
EBITDA / Interest expense*	9.3	7.3	26.2%
Equity to total assets ratio	58.7%	50.9%	+777 bp

*Indicator calculated on the trailing twelve months basis.

As at 30 September 2015, the net debt was 23.8% lower compared to the end of 2014, primarily due to higher cash and cash equivalents resulting from the capital increase. The decrease in net debt had a positive impact on the ratio of net debt and EBITDA which, at the end of the period under consideration, was 1.9 which is 28.8% lower compared to the end of 2014. Interest expense in the last 12 months 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 26.2% higher indicator of interest expense coverage. The ratio of capital and total assets was improved by 777 basis points as a result of the capital increase.

Key characteristics of the cash flow statement in the 1-9 2015 period

Net cash flow from operating activities

Net cash flow from operating activities in the first nine months of 2015 is HRK 32.3 million which is 46.4% lower than in the comparative period, mainly due to a higher level of working capital where we record the increase in receivables compared to the previous period. Increase in receivables compared to the previous period is a result of higher orders of products in this year's summer season than in last year's summer season.

Net cash flow from investing activities

Net cash flow from investing activities in the period under consideration amounted to negative HRK 283.4 million. This is primarily due to capital expenditure in the amount of HRK 144.7 million and expenditure for other investments in the amount of HRK 140.1 million related to depositing unused cash from the capital increase in cash funds. The most significant **capital expenditure** in the first nine months of 2015 was related to:

- New factory for semi-solid and liquid drugs – continuation of activities initiated in 2014; the realisation of this strategic investment will increase the existing production capacities, which will enable meeting the increasing needs of the domestic and foreign markets,
- Machine for filling and closing suppositories – the replacement of the existing obsolete machine for the production of medicines with a new machine of greater capacity, ensuring the continuity of production, introduction of new products and growth in sales and profitability,
- Software for supply chain optimisation – the investment will increase the precision of demand planning, optimise the level of inventories, particularly finished goods and semi-finished goods, and decrease ad-hoc orders and write-off of finished goods,
- Expand the warehouse of the Vegeta factory – continuation of activities initiated in 2014, the investment relates to the expansion of the existing automatic warehouse and load and expedite place of finished goods, resulting in an increase in storage and dynamic capacities of the existing warehouse in Koprivnica and significant savings in the logistics expenses,
- 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 the following period, capital expenditure can be expected to grow, primarily due to the construction of the new solid, semi-solid and liquid drugs factory, expansion of the automatised warehouse for finished goods and reconstruction of a building with business premises. Accordingly, capital expenditure in 2015 is expected to be at a level of HRK 250 – 300 million, in 2016 at a level of HRK 350 – 400 million, after which it should stabilise at the level of HRK 200 – 250 million.

Net cash flow from financing activities

In the first nine months of 2015, cash flow from financing activities amounted to HRK 420.4 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 Group's normal credit activities which include utilising short-term borrowings for liquidity purposes, repayment of a portion of borrowings and other standard credit activities, but also to non-standard activities related to Mirna d.d. and the acquisition of Žito.

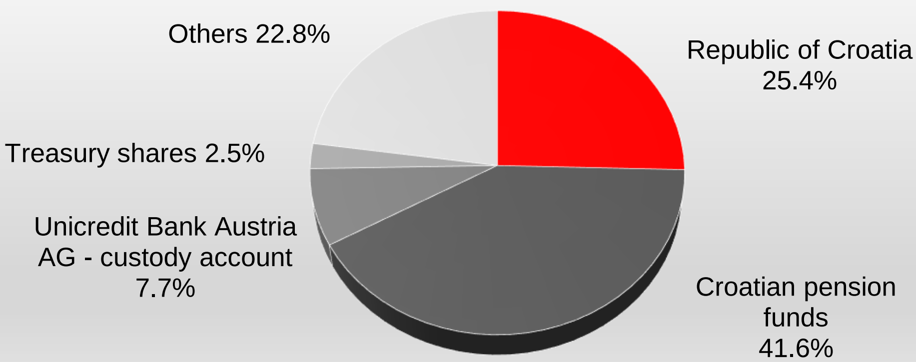
Share in the first nine months of 2015

List of top 10 shareholders as at 30 September 2015

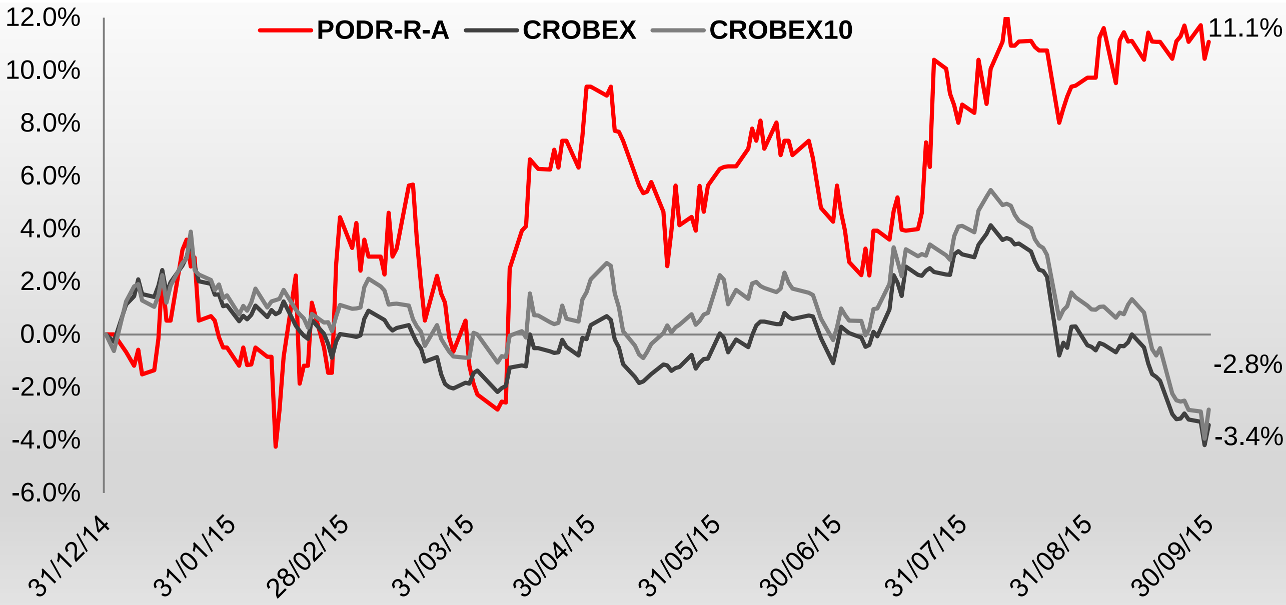
No.	Shareholder	Number of shares	% of ownership
1	AZ mandatory pension fund, category B	895,443	12.6%
2	PBZ Croatia Osiguranje mandatory pension fund, category B	757,732	10.6%
3	SPMA - Croatian Pension Insurance Institute	727,703	10.2%
4	SPMA - Republic of Croatia	674,461	9.5%
5	Erste Plavi mandatory 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	1,776,577	25.0%
	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. Domestic pension funds (mandatory and voluntary) hold a total of 41.6% of the company ownership as at 30 September 2015. 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 30 September 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 30 September 2015



Share price movement in the first nine months of 2015



(closing price in HRK; closing points)	**30 September 2015**	**31 December 2014**	**% change**
PODR-R-A	326.0	293.5	11.1%
CROBEX	1,685.6	1,745.4	(3.4%)
CROBEX10	978.5	1,007.1	(2.8%)

In the first nine months of 2015, Podravka's share recorded an 11.1% increase, outperforming thereby stock indices Crobex and Crobex10, which dropped by 3.4% and 2.8%, respectively in the same period.

Performance in the Croatian capital market in the first nine months of 2015

(in HRK; in units) [8]	**1-9 2015**	**1-9 2014**	**% change**
Average daily price	295.5	296.9	(0.5%)
Average daily number of transactions	12	14	(16.5%)
Average daily volume	1,857	1,720	8.0%
Average daily turnover	583,457.8	510,675.5	14.3%

In the first nine months of 2015, the average daily price of the Podravka's share is at the comparative period's level. 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 the first nine months of 2015 recorded 15.3% lower shares turnover

[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.

than in the comparative 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)	**1-9 2015**	**2014**	**% change**
Last price	326.0	293.5	11.1%
Market capitalization	2,321.1	1,590.6	45.9%
EV[9]	3,017.6	2,484.0	21.5%
TTM Earnings per share[10]	25.4	17.6	44.2%
EV / TTM Sales revenue	0.9	0.7	20.6%
EV / TTM EBITDA	8.8	7.8	13.6%
EV / TTM EBIT	17.2	16.0	7.8%
Last price / Earnings per share ratio	12.8	16.6	(23.0%)

The increase of 11.1% in the last price as at 30 September 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 45.9%. The increase in market capitalisation resulted in 21.5% higher EV as at 30 September 2015 compared to the end of 2014, which consequently led to the increase in multipliers related to EV.

[9] Enterprise value: Market Capitalization + Net debt + Minority interests.
[10] Number of shares for 10 2014 - 9 2015 period: (5,420,003 - 177,511) * (296 / 365) + (7,120,003 - 177,511) * (69 / 365); Treasury shares number = 177,511, number of days prior to capital increase = 296, number of days after capital increase = 69. Number of shares for 1-12 2014 period: 5,420,003 - 177,511.

Additional tables for the first nine months of 2015

Sales revenues by category in the first nine months of 2015

(in HRK millions)	1-9 2015	% of sales revenues	1-9 2014	% of sales revenues	% change
SBA Food	**1,996.6**	**78.0%**	**1,961.4**	**77.4%**	**1.8%**
Culinary	**672.8**	**26.3%**	**670.4**	**26.4%**	**0.4%**
Food seasonings and bouillons	465.1	18.2%	466.8	18.4%	(0.4%)
Podravka dishes and food mixes	207.6	8.1%	203.6	8.0%	2.0%
Sweets, snacks and beverages	**193.6**	**7.6%**	**196.8**	**7.8%**	**(1.6%)**
Beverages	93.8	3.7%	92.9	3.7%	1.0%
Sweets and snacks	99.8	3.9%	103.9	4.1%	(4.0%)
Baby food, breakfast foods and other food	**699.9**	**27.3%**	**653.8**	**25.8%**	**7.1%**
Baby food and breakfast foods	236.7	9.2%	236.2	9.3%	0.2%
Other food	463.3	18.1%	417.6	16.5%	10.9%
Meat products	**228.0**	**8.9%**	**220.3**	**8.7%**	**3.5%**
Other sales	**202.3**	**7.9%**	**220.2**	**8.7%**	**(8.1%)**
SBA Pharmaceuticals	**564.8**	**22.0%**	**574.2**	**22.6%**	**(1.6%)**
Prescription drugs	380.5	14.9%	396.7	15.6%	(4.1%)
Non-prescription programme	64.6	2.5%	62.9	2.5%	2.6%
Other sales	119.7	4.7%	114.5	4.5%	4.5%
Podravka Group	**2,561.4**	**100.0%**	**2,535.6**	**100.0%**	**1.0%**

Sales revenues by region in the first nine months of 2015

(in HRK millions)	1-9 2015	% of sales revenues	1-9 2014	% of sales revenues	% change
Adria region	**1,816.2**	**70.9%**	**1,765.8**	**69.6%**	**2.9%**
Croatia	1,071.0	41.8%	1,055.4	41.6%	1.5%
Bosnia and Herzegovina	344.6	13.5%	335.5	13.2%	2.7%
Macedonia	68.0	2.7%	63.2	2.5%	7.5%
Slovenia	140.0	5.5%	133.8	5.3%	4.6%
Serbia	101.7	4.0%	96.9	3.8%	5.0%
Other countries	90.8	3.5%	80.9	3.2%	12.3%
Europe region	**523.3**	**20.4%**	**534.6**	**21.1%**	**(2.1%)**
Austria	29.0	1.1%	36.5	1.4%	(20.7%)
Germany	58.4	2.3%	57.1	2.3%	2.3%
Czech Republic	113.9	4.4%	119.4	4.7%	(4.6%)
Hungary	40.2	1.6%	38.4	1.5%	4.6%
Poland	141.5	5.5%	146.9	5.8%	(3.7%)
Slovakia	62.5	2.4%	62.2	2.5%	0.5%
Other countries	77.8	3.0%	74.1	2.9%	5.0%
Russia, CIS and Baltic region	**115.1**	**4.5%**	**135.1**	**5.3%**	**(14.8%)**
Russia	103.8	4.1%	116.8	4.6%	(11.2%)
Other countries	11.3	0.4%	18.3	0.7%	(38.2%)
New Markets region	**106.8**	**4.2%**	**100.1**	**3.9%**	**6.7%**
Australia	47.8	1.9%	46.1	1.8%	3.6%
USA	38.8	1.5%	29.6	1.2%	31.2%
Other countries	20.2	0.8%	24.3	1.0%	(17.0%)
Podravka Group	**2,561.4**	**100.0%**	**2,535.6**	**100.0%**	**1.0%**

Consolidated financial statements in the first nine months of 2015

Consolidated Profit and Loss Statement in the first nine months of 2015

(in HRK thousands)	**1-9 2015**	**% of sales revenues**	**1-9 2014**	**% of sales revenues**	**1-9 2015/ 1-9 2014**
Sales revenue	2,561,389	100.0%	2,535,604	100.0%	1.0%
Cost of goods sold	(1,513,347)	(59.1%)	(1,485,610)	(58.6%)	1.9%
Gross profit	**1,048,042**	**40.9%**	**1,049,994**	**41.4%**	**(0.2%)**
Other income	41,472	1.6%	13,794	0.5%	200.7%
General and administrative expenses	(204,541)	(8.0%)	(242,041)	(9.5%)	(15.5%)
Selling and distribution costs	(351,919)	(13.7%)	(342,200)	(13.5%)	2.8%
Marketing expenses	(345,129)	(13.5%)	(319,971)	(12.6%)	7.9%
Other expenses	(21,082)	(0.8%)	(12,431)	(0.5%)	69.6%
Operating profit	**166,842**	**6.5%**	**147,144**	**5.8%**	**13.4%**
Financial income	2,177	0.1%	1,620	0.1%	34.4%
Other financial expenses	(5,542)	(0.2%)	(7,925)	(0.3%)	(30.1%)
Interest expenses	(27,469)	(1.1%)	(34,106)	(1.3%)	(19.5%)
Net foreign exchange differences on borrowings and forward contracts	4,232	0.2%	1,110	0.0%	281.3%
Net finance costs	**(26,602)**	**(1.0%)**	**(39,302)**	**(1.5%)**	**(32.3%)**
Profit before tax	**140,240**	**5.5%**	**107,843**	**4.3%**	**30.0%**
Current income tax	(24,188)	(0.9%)	(29,315)	(1.2%)	(17.5%)
Deferred tax	15,089	0.6%	5,004	0.2%	201.5%
Income tax	**(9,099)**	**(0.4%)**	**(24,310)**	**(1.0%)**	**(62.6%)**
Net profit for the year	**131,141**	**5.1%**	**83,533**	**3.3%**	**57.0%**
Net profit / (loss) attributable to:					
Equity holders of the parent	**130,976**	**5.1%**	**81,925**	**3.2%**	**59.9%**
Non-controlling interests	165	0.0%	1,608	0.1%	(89.7%)

Consolidated Profit and Loss Statement in the third quarter of 2015

(in HRK thousands)	**7-9 2015**	**% of sales revenues**	**7-9 2014**	**% of sales revenues**	**7-9 2015/ 7-9 2014**
Sales revenue	923,437	100.0%	912,574	100.0%	1.2%
Cost of goods sold	(551,359)	(59.7%)	(524,327)	(57.5%)	5.2%
Gross profit	**372,078**	**40.3%**	**388,246**	**42.5%**	**(4.2%)**
Other income	4,083	0.4%	5,018	0.5%	(18.6%)
General and administrative expenses	(68,505)	(7.4%)	(68,313)	(7.5%)	0.3%
Selling and distribution costs	(123,309)	(13.4%)	(121,870)	(13.4%)	1.2%
Marketing expenses	(122,196)	(13.2%)	(108,631)	(11.9%)	12.5%
Other expenses	(18,507)	(2.0%)	(848)	(0.1%)	2082.4%
Operating profit	**43,643**	**4.7%**	**93,602**	**10.3%**	**(53.4%)**
Financial income	(91)	(0.0%)	630	0.1%	n/a
Other financial expenses	(3,501)	(0.4%)	(5,396)	(0.6%)	(35.1%)
Interest expenses	(8,986)	(1.0%)	(10,613)	(1.2%)	(15.3%)
Net foreign exchange differences on borrowings and forward contracts	(2,180)	(0.2%)	(3,857)	(0.4%)	(43.5%)
Net finance costs	**(14,758)**	**(1.6%)**	**(19,236)**	**(2.1%)**	**(23.3%)**
Profit before tax	**28,886**	**3.1%**	**74,365**	**8.1%**	**(61.2%)**
Current income tax	(6,083)	(0.7%)	(15,813)	(1.7%)	(61.5%)
Deferred tax	16,510	1.8%	(239)	(0.0%)	n/a
Income tax	**10,427**	**1.1%**	**(16,051)**	**(1.8%)**	**n/a**
Net profit for the year	**39,313**	**4.3%**	**58,314**	**6.4%**	**(32.6%)**
Net profit / (loss) attributable to:					
Equity holders of the parent	**39,089**	**4.2%**	**58,011**	**6.4%**	**(32.6%)**
Non-controlling interests	223	0.0%	303	0.0%	(26.3%)

Consolidated Balance Sheet on 30 September 2015

(in HRK thousands)	30 Sep. 2015	% of assets	31 Dec. 2014	% of assets	% of change
ASSETS					
Non-current assets					
Goodwill	25,687	0.6%	25,687	0.7%	0.0%
Intangible assets	241,240	5.8%	244,793	7.0%	(1.5%)
Property, plant and equipment	1,336,001	32.2%	1,202,589	34.3%	11.1%
Deferred tax assets	64,923	1.6%	50,169	1.4%	29.4%
Non-current financial assets	5,628	0.1%	7,602	0.2%	(26.0%)
Total non-current assets	**1,673,479**	**40.3%**	**1,530,840**	**43.6%**	**9.3%**
Current assets					
Inventories	692,100	16.7%	599,164	17.1%	15.5%
Trade and other receivables	1,004,183	24.2%	924,077	26.3%	8.7%
Financial assets at fair value through profit and loss	142,770	3.4%	59	0.0%	241883.1%
Income tax receivable	11,860	0.3%	19,520	0.6%	(39.2%)
Cash and cash equivalents	389,803	9.4%	220,478	6.3%	76.8%
Non-current assets held for sale	234,335	5.6%	214,432	6.1%	9.3%
Total current assets	**2,475,051**	**59.7%**	**1,977,730**	**56.4%**	**25.1%**
Total assets	**4,148,530**	**100.0%**	**3,508,570**	**100.0%**	**18.2%**
(in HRK thousands)	**30.09.2015**	**% of liabilities**	**31.12.2014**	**% of liabilities**	**% of change**
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,677,479	40.4%	1,063,548	30.3%	57.7%
Reserves	463,926	11.2%	467,540	13.3%	(0.8%)
Retained earnings / (accumulated losses)	247,916	6.0%	217,569	6.2%	13.9%
Attributable to equity holders of the parent	**2,389,321**	**57.6%**	**1,748,657**	**49.8%**	**36.6%**
Non-controlling interests	43,821	1.1%	36,605	1.0%	19.7%
Total shareholders' equity	**2,433,142**	**58.7%**	**1,785,262**	**50.9%**	**36.3%**
Non-current liabilities					
Borrowings	648,803	15.6%	749,013	21.3%	(13.4%)
Provisions	46,838	1.1%	39,792	1.1%	17.7%
Deferred tax liability	24,937	0.6%	5,544	0.2%	349.8%
Total non-current liabilities	**720,578**	**17.4%**	**794,349**	**22.6%**	**(9.3%)**
Current liabilities					
Trade and other payables	574,014	13.8%	563,922	16.1%	1.8%
Income tax payable	7,473	0.2%	2,599	0.1%	187.5%
Financial liabilities at fair value through profit and loss	2,207	0.1%	2,752	0.1%	(19.8%)
Borrowings	391,501	9.4%	325,542	9.3%	20.3%
Provisions	19,615	0.5%	34,144	1.0%	(42.6%)
Total current liabilities	**994,810**	**24.0%**	**928,959**	**26.5%**	**7.1%**
Total liabilities	**1,715,388**	**41.3%**	**1,723,308**	**49.1%**	**(0.5%)**
Total equity and liabilities	**4,148,530**	**100.0%**	**3,508,570**	**100.0%**	**18.2%**

Consolidated Cash Flow Statement in the first nine months of 2015

(in HRK thousands)	1-9 2015	1-9 2014	1-9 2015/ 1-9 2014
Profit / (loss) for the year	131,141	83,533	57.0%
Income tax	9,099	24,310	(62.6%)
Depreciation and amortization	101,224	99,557	1.7%
Impairment (profit) / loss on property, plant, equipment and intangibles	(502)	(7)	7071.4%
Impairment loss on assets held for sale	8,738	7,579	15.3%
Impairment loss on goodwill	0	0	0.0%
Favourable purchase gain	(24,765)	0	(100.0%)
Impairment of investments	0	483	(100.0%)
Remeasurement of financial instruments at fair value	(735)	(162)	353.7%
Share based payment transactions	233	0	100.0%
(Profit) / Loss on disposal of property, plant, equipment and intangibles	(1,376)	(1,415)	(2.8%)
(Profit) / Loss on disposal of assets held for sale	(892)	(707)	26.2%
Impairment of trade receivables	7,030	11,182	(37.1%)
Adjustment of capital premium - options	(275)	0	(100.0%)
(Decrease) / Increase in provisions	(17,139)	(20,725)	(17.3%)
Interest income	(2,177)	(1,458)	49.3%
Value adjustment (write-down) of loans and interest	0	1,500	(100.0%)
Interest expense	33,011	42,031	(21.5%)
Effect of changes in foreign exchange rates	(6,801)	(1,573)	332.4%
Changes in working capital:			
(Increase) in inventories	(78,022)	(78,037)	(0.0%)
(Increase) / decrease in trade receivables	(83,637)	(34,251)	144.2%
Increase / (Decrease) in trade payables	1,699	(12,644)	n/a
Cash generated from operations	**75,855**	**119,196**	**(36.4%)**
Income tax paid	(10,621)	(15,042)	(29.4%)
Interest paid	(32,943)	(43,936)	(25.0%)
Net cash from operating activities	**32,291**	**60,218**	**(46.4%)**
Cash flow from investing activities			
Purchase of equity securities	(2,848)	(16)	17700.0%
Acquisition of subsidiaries, net of cash acquired	72	0	100.0%
Purchase of property, plant, equipment and intangibles	(144,710)	(127,184)	13.8%
Acquisition of assets held for sale	(3,733)	0	(100.0%)
Proceeds from sale of property, plant, equipment and intangibles	5,895	7,622	(22.7%)
Loans receivables	(397)	(1,952)	(79.7%)
Repayment of loans receivable	268	529	(49.3%)
(Outflows) / Proceeds from other investments	(140,080)	(2)	7003900.0%
Collected interest	2,177	1,458	49.3%
Net cash from investing activities	**(283,356)**	**(119,545)**	**137.0%**
Cash flow from financing activities			
Purchase of of treasury shares	(3,571)	0	(100.0%)
Sale of of treasury shares	3,011	0	100.0%
Proceeds from borrowings	229,520	986,414	(76.7%)
Repayment of borrowings	(314,964)	(950,121)	(66.9%)
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	**420,390**	**36,293**	**1058.3%**
Net increase / (decrease) of cash and cash equivalents	**169,325**	**(23,034)**	**n/a**
Cash and cash equivalents at beginning of the year	220,478	179,461	22.9%
Cash and cash equivalents at the end of year	389,803	156,427	149.2%

Consolidated Statement of Changes in Equity in the first nine months of 2015

(in HRK thousands)	Share capital	Reserve for treasury shares	Legal reserves	Reinvested profit reserve	Statutory reserves	Other reserves	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total
As at 1 January 2014	1,062,329	21,762	11,474	136,075	39,294	40,715	345,701	1,657,350	34,040	1,691,390
Comprehensive income										
Loss for the year							92,459	92,459	2,486	94,945
Other comprehensive income						(2,371)		(2,371)	79	(2,292)
Total comprehensive income						**(2,371)**	**92,459**	**90,088**	**2,565**	**92,653**
Transactions with owners recognised directly in equity										
Fair value of share-based payment transactions	1,219							1,219		1,219
Total transactions with owners recognised directly in equity	**1,219**	**-**	**-**	**-**	**-**	**-**	**-**	**1,219**	**-**	**1,219**
Transfers within capital and reserves		45,842	5,069		4,662	2,955	(58,528)	-		-
Reinvestments of profits				162,063			(162,063)	-		-
	-	45,842	5,069	162,063	4,662	2,955	(220,591)	-	-	-
As at 31 December 2014	**1,063,548**	**67,604**	**16,543**	**298,138**	**43,956**	**41,299**	**217,569**	**1,748,657**	**36,605**	**1,785,262**
Comprehensive income								-		-
Profit for the year							130,976	130,976	165	131,141
Aquisition of subsidiaries									7,135	7,135
Other comprehensive income						(625)		(625)	(84)	(709)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(625)**	**130,976**	**130,351**	**7,216**	**137,567**
Transactions with owners recognised directly in equity								-		-
Fair value of share-based payment transactions	232							232		232
Purchase of own shares	(3,572)							(3,572)		(3,572)
Realization of options	2,477							2,477		2,477
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
Transfers from retained earnings		80,000	14,388		3,051	3,190	(100,629)	-		-
Transfers from reserves								-		-
Total transactions with owners recognised directly in equity	**613,931**	**80,000**	**14,388**	**(108,400)**	**3,051**	**7,972**	**(100,629)**	**510,313**	**-**	**510,313**
As at 30 September 2015	**1,677,479**	**147,604**	**30,931**	**189,738**	**47,007**	**48,646**	**247,916**	**2,389,321**	**43,821**	**2,433,142**

Notes to the Consolidated Financial Statements

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

President of the Management Board:

Zvonimir Mršić

Statement of liability

Koprivnica, 27 October 2015

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of Podravka Group for the period January – September 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 – September 2015 were approved by the Management Board on 27 October 2015.

Accounting and Taxes Director:	Board Member:
Senka Laljek	Miroslav Klepač

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