Podravka Group Business Results

for 1-3 2016 period

Content

Key financial indicators in Q1 2016

(in HRK millions)	**Q1 2016**	**Q1 2015**	**% change**
Sales revenue	1,029.4	783.9	31.3%
Gross profit	394.6	324.4	21.7%
Gross profit margin	38.3%	41.4%	-304 bp
EBITDA[1]	126.9	107.0	18.6%
EBITDA margin	12.3%	13.6%	-132 bp
Net profit after MI	60.1	59.8	0.4%
Net profit margin after MI	5.8%	7.6%	-180 bp
Cash flow from operating activities	(5.0)	(40.6)	(87.8%)
Capital expenditures	121.1	25.1	382.8%

*(in HRK; market capitalization in HRK millions)**	**31 March 2016**	**31 December 2015**	**% change**
Net debt / EBITDA	2.2	2.0	10.2%
Earnings per share	62.0	66.4	(6.5%)
Last price at the end of period	320.5	334.0	(4.0%)
Market capitalization	2,053.8	2,000.0	2.7%
Return on average capital	14.3%	17.7%	-335 bp
Return on average assets	8.1%	9.4%	-132 bp

***Note:** all indicators are calculated in a way that income statement items are calculated at the level of the last 12 months, while balance sheet items are taken at the period end.

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

Significant events in Q1 2016

Integration of the Žito Group into the Podravka Group

In the first quarter of 2016, the plan for integration of the Žito Group into the Podravka Group was adopted, divided into 75 projects. Each project has a defined expected beginning, end, duration, responsible person and planned effects. The dynamics of the expected completion of individual projects is different, but until the end of 2018 all the projects should be completed, whereby the Žito Group would be fully integrated into the Podravka Group. The company's estimation is that in 2017 and 2018, the impact of synergies and the integration on the EBITDA level will amount to HRK 18.9 and 18.8 million, respectively, while the full effect will be visible in 2019, when the effect on the EBITDA level should amount to HRK 36.8 million. Aforementioned amounts represent additional EBITDA above the one that would be achieved without synergy and integration effects.

As at 1 April 2016, as part of the reorganisation of the business model in the Slovenian market, Žito Inc. acquired a 100% business share of the company Podravka d.o.o. Ljubljana, which officially marked the beginning of the integration process. Also, as of 1 January 2016, the sale of Žito's products in all markets outside Slovenia, other than Croatian, is carried out through the existing Podravka's companies in these markets.

Dividend distribution proposal

After several years of successfully implemented restructuring processes and achieved positive business results, prerequisites have been met for proposal on dividend payment in the amount of HRK 7.00 per share, 10 years from the last dividend payment. The final decision on the dividend distribution will be adopted by the Podravka Inc. shareholders at the company's General Assembly meeting.

Changes in the Management Board of Podravka

At the session held on 15 February 2016, the Supervisory Board of Podravka Inc. approved the Agreement on termination of the mandate for Podravka Inc. Management Board Member, Mr. Miroslav Klepač according to which his mandate ended on 31 March 2016. Mr. Miroslav Klepač was appointed a Member of the Management Board of Podravka Inc. on 24 February 2012. As a Management Board Member he was specifically responsible for the finance on the Podravka Group level.

At the same session, the Supervisory Board of Podravka Inc. appointed Ms. Iva Brajević as the new Member of the Management Board of Podravka Inc. responsible for the finance on the Podravka Group level. Her mandate entered into force on 1 April 2016 and terminates upon the expiry of mandate of the Management Board as a whole. Ms. Iva Brajević has been working in Podravka Inc. as of 9 September 2013, and has worked as Director of Corporate Accounting and Tax and from September 2015 as Controlling Director. She graduated from the Faculty of Economics in Zagreb, and through the additional education has acquired licenses Head of Investor Relations and Head of development and implementation of EU-funded projects. She previously gained her business experience in several branches of international corporations in Croatia - among other, as the Finance Manager at DHL (2006 - 2012), and Unilever Finance manager for the companies in Croatia and Slovenia (1998 - 2005).

Innovation in the food and pharmaceuticals segment in Q1 2016

In the first quarter of 2016 Podravka launched its innovation projects almost across all categories in domestic markets and in number of international markets. In addition to launching new lines to new markets, Podravka also renovated its core portfolio by adding value.

In the **Culinary** category one of the key projects was renovation of the special seasonings with new benefits, new flavours and simplified dozing. Special seasonings range is being divided into two lines: Vegeta Grill and Vegeta Twist, which enable more focused communication to consumers depending on usage occasion. The special seasonings line also respects the specific characteristics of individual markets so for Central European markets the range also includes Vegeta for meat. Vegeta broth has been launched to the US market - Vegeta's step forward into the market of liquid broths typical for the USA. Also, the line of Vegeta cubes in Central Europe was extended by new flavours. Universal Vegeta seasoning and mixtures for food preparation Vegeta Msosi were launched in Africa, with recipes adapted to the habits of African consumers. After renovations and launching of new cream soups at the end of 2015, Podravka soups also launched an innovative approach in communication with the aim to strengthen the emotional link with consumers through the communication platform *Make a soup. Create the feeling.*

An important step forward in the **Lino world** categories in 2015 was made by launching baby fruit purees and cereal-based flakes for babies from 4 months of age. One of the highlights of the first quarter of 2016 was launch of new cereal pure line Lino junior, targeting children from 12 months of age. Also new flavour, Lino pillows with jaffa filling, was launched within Lino breakfast cereals portfolio.

Highlight of the first quarter in the **Sweets, cereals for adults, snacks and drinks category** was focus on hero products, especially Dolcela puddings, through integrated marketing communication, using classic but also new media channels. In the range under the **Žito** brand, the innovation cycle in the category of fresh and frozen dough was completed by launching puff and filo pastry, spelt based gnocchi and buckwheat based strudel, which are very healthy, modern and trendy ingredients. **Gorenjka** chocolates are refreshed by Chef chocolate of refined flavour with 70% of cocoa.

The **Mediterranean food, condiments and core food category** for the markets of Central Europe was enriched by new flavours of Podravka passata and chopped tomato. In the **fruit** segment, a new line of citrus Podravka marmalades was launched: grapefruit and orange with ginger.

In the **meat products** category, Podravka Delikates pâtés have been launched – premium products of rich and refined flavour, aroma and texture, created as a result of premium ingredients and Podravka's culinary expertise. Podravka's culinary experts found the inspiration for creating Delikates pâtés in the flavours of Croatian continental and Mediterranean cuisines, merging the familiar ingredients into unexpected and unique combinations of flavours such as pašticada, čvarci and pumpkin seeds, kulen, asparagus and chickpea with olive oil. Podravka Delikates pâtés represent a true gourmet innovation in the pâté market. Also, Gurmanska and Pivska sausages were added to the line of Podravka sausages, extending thereby the range of products for the barbecue season.

In the **prescription drugs category**, in the first quarter of 2016, Belupo extended its cardio portfolio with another drug from the group of Calcium channel blockers – derivate of dihydropyridine. This is lacidipine and it comes to the market under the generic name LACIDIPIN BELUPO. LACIDIPIN BELUPO is used in treating hypertension in monotherapy or in combination with other antihypertensives such as beta blockers, diuretics or ACE-inhibitors. The therapeutic effect of these Belupo drugs is equal, however, lacidipine has a better effect on diastolic pressure and less frequent side effects (peripheral edema).

BELOXIM 500 mg film coated tablets is the new antibiotic in Belupo from the group of the second-generation cephalosporins, with the generic name cefuroxime. Cefuroxime is used in treating acute streptococcal tonsillitis and pharyngitis, acute bacterial sinusitis, acute middle ear infection (otitis media), acute exacerbation of chronic bronchitis, cystitis, pyelonephritis, uncomplicated skin and soft tissue infections and in treating early stages of Lyme disease. Until now, our portfolio included only a representative of the first-generation cephalosporins - cefalexin, which is available in the market for a number of years under the generic name CEFALEKSIN® BELUPO.

In the first quarter of 2016, the **non-prescription programme category** has been extended by FERSAN JUNIOR liquid food supplement. The product contains liposomal iron, and is intended to naturally supplement iron. LIPOSOME is a hollow microsphere, efficient and innovative carrier for drugs, minerals, vitamins and other active substances. The liposome membrane structure matches the structure of human cell membranes which facilitates the fusion of liposome with the membrane and improves the absorption of substances included in the liposome. Ferric pyrophosphate in FERSAN JUNIOR is located within the liposomal structure. Due to the liposomal technology, the absorption and bioavailability is increased 3.5 times compared to iron that is not liposomal. **FERSAN JUNIOR** may not be used by children under the age of 3 years.

Overview of sales revenues in Q1 2016

Sales revenues by Strategic Business Area in Q1 2016

Sales revenues by Strategic Business Area*			
(in HRK millions)	Q1 2016	Q1 2015	% change
SBA Food	**846.7**	**612.1**	**38.3%**
Own brands	*775.3*	*547.2*	*41.7%*
Other sales	*71.4*	*64.9*	*10.0%*
SBA Pharmaceuticals	**182.7**	**171.8**	**6.4%**
Own brands	*148.8*	*135.0*	*10.3%*
Other sales	*33.9*	*36.8*	*(7.9%)*
Podravka Group	**1,029.4**	**783.9**	**31.3%**
Own brands	*924.1*	*682.2*	*35.5%*
Other sales	*105.3*	*101.7*	*3.5%*

***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, and (ii) the Žito Group in Q1 2016 (revenue consolidation began as of 1 October 2015). **For the reasons mentioned above, Q1 2016 and Q1 2015 are not fully comparable, so, for the purpose of a transparent overview of operations, below we explain the movements in sales by Strategic Business Area without the effect of beverages and the Žito Group.**

Strategic Business Area Food (Q1 2016 compared to Q1 2015):

- **Excluding the effect of beverages and the Žito Group**, **own brands** recorded a 5.5% increase in sales mostly due to the 6.5% growth in the culinary category, and the 18.3% growth in the meat programme category,
- **Excluding the effect of the Žito Group**, **other sales** recorded 11.5% lower revenues, primarily as a result of lower sales of trade goods,
- Consequently, **excluding the effect of beverages and the Žito Group, the food segment** recorded a 3.6% increase in sales.

Strategic Business Area Pharmaceuticals (Q1 2016 compared to Q1 2015):

- **Own brands** recorded a 10.3% increase in sales, primarily due to the expansion of the business cooperation in the Russian market,
- **Other sales** are 7.9% lower as a result of the business policy change, were the stronger focus is placed on own brands,

- Consequently, the **pharmaceuticals segment** recorded 6.4% higher sales.

Podravka Group (Q1 2016 compared to Q1 2015):

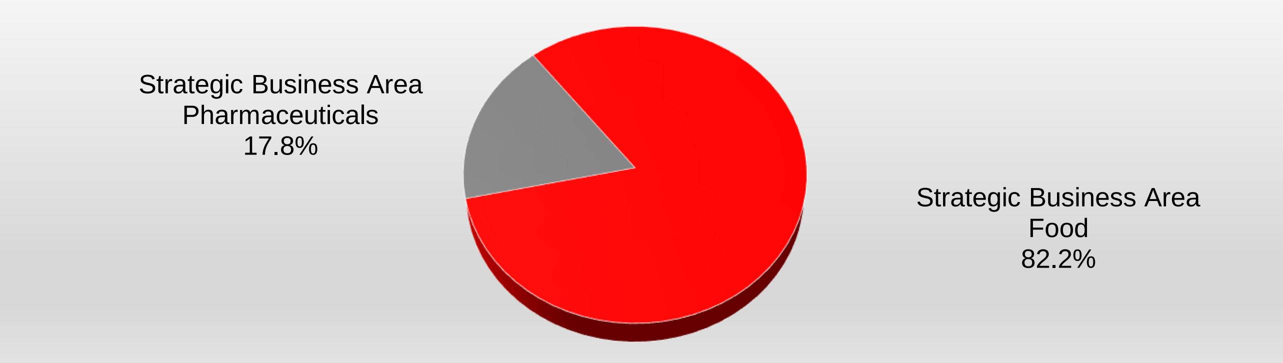
- **Own brands** of the Podravka Group, **excluding the effect of beverages and the Žito Group,** recorded 6.4% higher sales in the observed period,
- The revenues from **other sales excluding the effect of the Žito Group** are 10.2% lower,
- Consequently, sales of the **Podravka Group excluding the effect of beverages and the Žito Group,** recorded a 4.2% growth.

Net effect of currency exchange rates on sales by segments in Q1 2016:

(in HRK millions)	**Own brands**	**Other sales**	**Total**
Food	(8.6)	(0.3)	(9.0)
Pharmaceuticals	(4.6)	(0.2)	(4.7)
Group	(13.2)	(0.5)	(13.7)

- 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 -7.4 million) and the Euro (HRK -2.1 million), while positive impacts of foreign exchange differences were not material.

Sales revenues by Strategic Business Area in Q1 2016



Sales revenues by category in Q1 2016

Sales revenues by category*			
(in HRK millions)	Q1 2016	Q1 2015	% change
Culinary	229.6	210.6	9.0%
Sweets, cereals for adults, snacks and drinks	99.4	50.9	95.1%
Lino world	61.7	57.8	6.8%
Mediterranean food, condiments and core food	190.1	157.0	21.1%
Meat programme	70.0	59.2	18.3%
Bakery and mill products	124.4	11.6	968.6%
Prescription drugs	127.1	112.4	13.1%
Non-prescription programme	21.7	22.6	(4.0%)
Other sales	105.3	101.7	3.5%
Podravka Group	1,029.4	783.9	31.3%

***Note:** The table includes the revenues of: (i) the beverages subcategory in both periods, whose scope of operations is decreased following the decision to abandon these operations, and (ii) the Žito Group in Q1 2016 (revenue consolidation began as of 1 October 2015). **For the reasons mentioned above, Q1 2016 and Q1 2015 are not fully comparable, so, for the purpose of a transparent overview of operations, below we explain the movements in sales by category without the effect of beverages and the Žito Group**

***New organisation of the Podravka Group categories:** in the first quarter of 2016, the existing categories in the food segment were reorganised for the purpose of more efficient management of the existing and new brands. In the "Additional tables for Q1 2016" section, for the purpose of better understanding, we present the food segment reorganised categories composition and provide a historical overview of movements in the revenues of reorganised category sales.

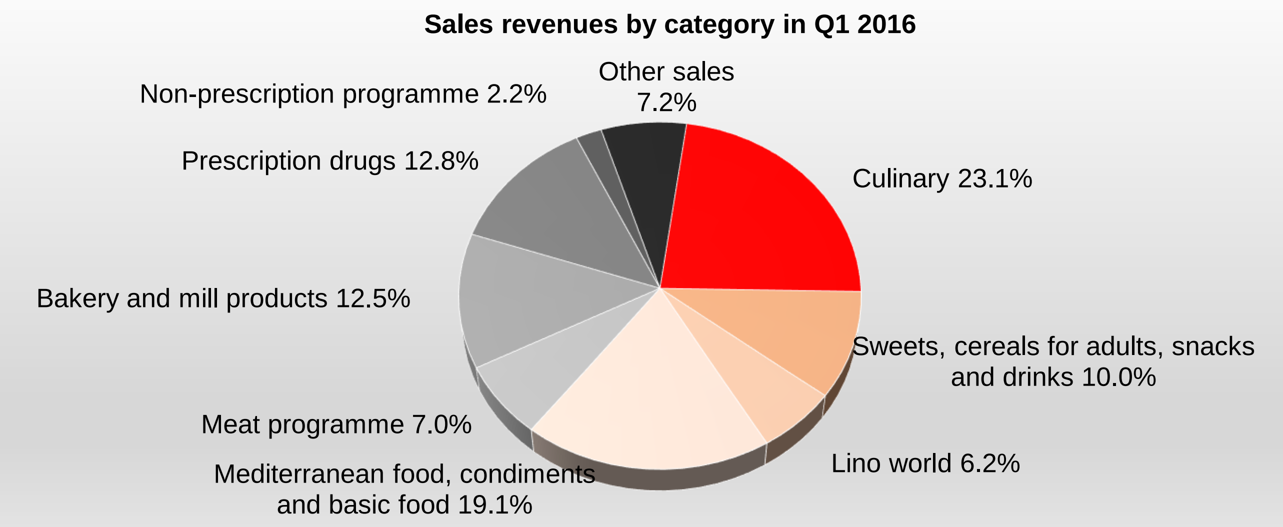
The most significant organic revenue growth in Q1 2016 was recorded by the culinary category:

- **The culinary category, excluding the effect of the Žito Group,** recorded an increase in sales of 6.5% compared to the comparative period, primarily due to the increase in sales of the universal seasonings subcategory. The universal seasonings subcategory recorded the most significant sales growth in Poland and Croatia due to activities related to the Vegeta brand, and in Russia as a result of the successful implementation of the new business model,
- The **sweets, cereals for adults, snacks and drinks category, excluding the effect of the Žito Group,** recorded 2.0% lower sales, while if **we exclude the effect of the beverages product range**, which is for sale, sales revenues are 6.1% lower than in the comparative period. Lower revenues were primarily affected by lower sales of powdered sweets in the Croatian market as a result of the market decline and differences in the innovation programme in the comparative period and lower sales of powdered drinks in the Croatian market due to the rationalisation of the product range,

- The increase in sales of the **Lino world category, excluding the effect of the Žito Group,** of 6.8% is primarily impacted by the increase in sales of creamy spreads as a result of activities on the Lino Lada brand in the Croatian market, and the introduction of baby purees range that were not present in the comparative period,
- The **Mediterranean food, condiments and core food category, excluding the effect of the Žito Group,** recorded 3.0% higher sales, primarily as a result of the increase in sales of frozen vegetables and condiments. Frozen vegetables record a significant growth in the Russian market following the successful implementation of the new business model and quality management of this range, while condiments recorded the most significant growth in the market of Germany due to the increased distribution,
- **The meat programme category, excluding the effect of the Žito Group,** recorded 18.3% higher sales. The growth was impacted, among other things, by the extension of the pâté range distribution in the market of Russia,
- **The bakery and mill products category, excluding the effect of the Žito Group,** records HRK 1.6 million lower sales, primarily due to aggressive competition pricing activities in the Croatian market
- **The prescription drugs category** recorded a 13.1% sales growth. The most significant positive effect came from the Russian market following further expansion of the business cooperation in this market, and from the market of Bosnia and Herzegovina due to the expansion of heart and blood vessels assortment. The negative impact of the decrease in prices of prescription drugs by the Croatian Health Insurance Fund amounted to estimated HRK 2.3 million,
- Sales of the **non-prescription programme category** are 4.0% lower, as a result of the high comparative period which recorded high sales due to the strong flu season in the market of Croatia,
- The **other sales category, excluding the effect of the Žito Group,** recorded 10.2% lower sales, primarily due to lower sales of trade goods. In the food segment, the lack of supply and demand for poppy seeds in the commodity market had a significant impact on trade goods, while in the pharmaceuticals segment, the decrease in sales of trade goods is a result of a changed business policy in the market of Bosnia and Herzegovina where a stronger focus is placed on own brands.

Net effect of currency exchange rates on sales by categories in Q1 2016:

Category	***HRK mil.***	**Category**	***HRK mil.***
Culinary	(4.3)	Bakery and mill products	(1.0)
Sweets, cereals for adults, snacks and drinks	(0.6)	Prescription drugs	(4.1)
Lino world	(0.3)	Non-prescription programme	(0.5)
Mediterranean food, condiments and core food	(2.1)	Other sales	(0.5)
Meat programme	(0.4)	**Total**	**(13.7)**



Sales revenues by region in Q1 2016

Sales revenues by region*			
(in HRK millions)	Q1 2016	Q1 2015	% change
Adria region	724.2	541.1	33.8%
Europe region	208.5	182.9	14.0%
Russia, CIS and Baltic region	63.0	25.9	143.4%
New Countries region	33.7	34.0	(1.1%)
Podravka Group	1,029.4	783.9	31.3%

***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, and (ii) the Žito Group in Q1 2016 (revenue consolidation began as of 1 October 2015). **For the reasons mentioned above, Q1 2016 and Q1 2015 are not fully comparable, so, for the purpose of a transparent overview of operations, below we explain the movements in sales by region without the effect of beverages and the Žito Group.**

The Russia, CIS and Baltic region is the main driver of the organic growth in sales in Q1 2016:

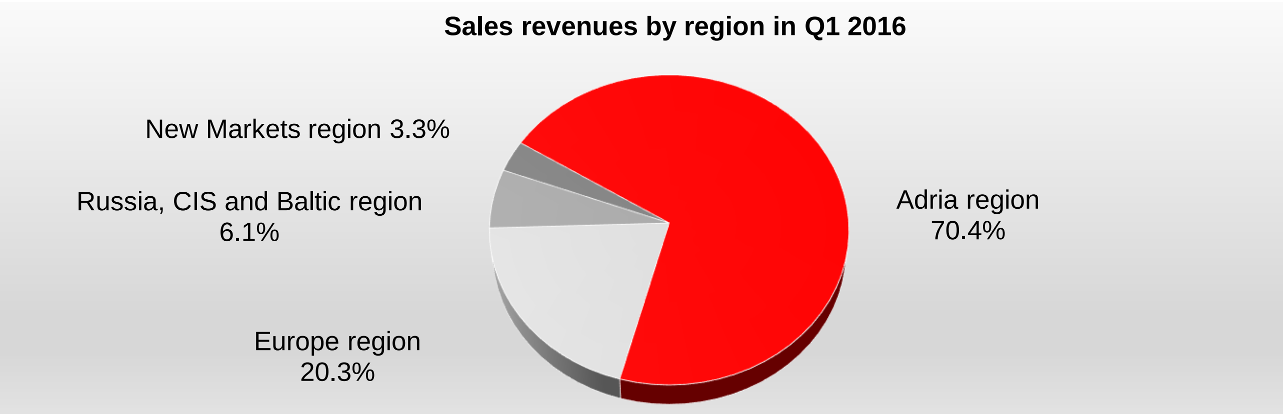
- The **Adria region, excluding the effect of beverages and the Žito Group,** recorded sales revenues on the level of Q1 2015. In this, the food segment recorded a 1.1% sales growth, primarily due to a positive impact of the growth in sales of the meat programme and Lino world categories. The negative impact on sales in the region came from the pharmaceuticals segment, which recorded lower sales primarily in the non-prescription programme category and trade goods,
- The sales of the **Europe region, excluding the effect of beverages and the Žito Group,** were 1.2% below the comparative period. Here it should be noted that sales of own brands in the food segment grew by 5.7%, partly compensating for the decrease in other sales of the food segment, and the decrease in sales of the pharmaceuticals segment. The pharmaceuticals segment recorded lower sales

due to lower results in the market of Poland at the beginning of the year, while improved results are expected in the rest of the year,

- In the period under consideration, the **Russia, CIS and Baltic region, excluding the effect of beverages and the Žito Group,** recorded almost 2.5 times higher sales than in the comparative period, where equal contribution was made by both operating segments. The food segment recorded an above-average growth rate due to the successful implementation of the new business model that resulted, among other things, in direct contracts with a number of leading retail chains in Russia and the extension of the existing product range. The pharmaceuticals segment in the period under consideration recorded expanded business cooperation in the market of Russia,
- The sales of the **New Markets region, excluding the effect of beverages and the Žito Group,** were 4.4% lower than in the comparative period due to lower other sales. Lower other sales were impacted by a different dynamics of service production and lower sales of trade goods, primarily poppy seeds.

Net effect of currency exchange rates on sales by regions in Q1 2016:

Region	***HRK mil.***	**Region**	***HRK mil.***
Adria region	(3.6)	Russia, CIS, Baltics region	(7.4)
Europe region	(1.9)	New markets region	(0.8)



Sales of the Žito Group assortment in Q1 2016

Note: As of 1 January 2016, the sale of the Žito Group's range in the markets of Bosnia and Herzegovina, Serbia, Macedonia and Montenegro is carried out through Podravka's companies and it is eliminated in the consolidation to avoid duplicate presentation of the revenues. Therefore, total revenues of the Žito Group's range in Q1 2016 amount to HRK 211.0 million, while in the consolidation the revenues of the Žito Group amount to HRK 204.5 million.

- Sales of the **Žito Group's range** in Q1 2016 amount to HRK 211.0 million and are 3.2% higher than in Q1 2015,

- **Bakery and mill products** recorded 5.4% higher sales primarily due to activities in the bread subcategory and due to growth in sales of the bakery category in the EU markets,
- **Contemporary kitchen** recorded 6.5% lower sales due to the temporary fluctuation in the production dynamics as a result of the transfer of a portion of the product range production from the contractual producer into own production. Also, extremely high temperatures in Q1 2016 negatively reflected on the sales of the tea range,
- **Confectionary products** recorded HRK 1.3 million lower sales than in the comparative period.

Profitability in Q1 2016

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 Inc. began as of 1 April 2015. As a result, the reported income statements of the strategic business area Food and the Podravka Group for Q1 2016 are not fully comparable to Q1 2015. **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 and Mirna Inc. in Q1 2016), while the text will present the result excluding the effect of the Žito Group.**

Profitability of the Strategic Business Area Food in Q1 2016

Profitability of the Strategic Business Area Food			
(in HRK millions)	**Q1 2016**	**Q1 2015**	**% change**
Sales revenue	846.7	612.1	38.3%
Gross profit	301.0	236.5	27.3%
EBITDA*	92.7	91.4	1.4%
EBIT	57.4	65.0	(11.7%)
Net profit after MI	44.0	58.0	(24.2%)
Gross margin	35.3%	38.6%	-309 bp
EBITDA margin	11.0%	14.9%	-398 bp
EBIT margin	6.8%	10.6%	-383 bp
Net profit margin after MI	5.2%	9.5%	-428 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.

Positive effect of the successful restructuring process and focus on cost optimisation:

- In Q1 2016, the food segment, **excluding the effect of the Žito Group,** recorded **gross profit** of HRK 240.7 million (37.5% gross margin), while in Q1 2015, it amounted to HRK 236.5 million (38.6% gross margin). The lower gross margin is a result of targeted sale and marketing activities, but also of foreign exchange differences that had a significantly higher impact on the decrease in sales than on the proportionate decrease in cost of goods sold,

- In Q1 2016, **operating profit (EBIT), excluding the effect of the Žito Group,** amounted to HRK 40.9 million, while in Q1 2015 it amounted to HRK 65.0 million. The operating profit in the comparative period was under the positive impact of the consolidation of Mirna[2] of HRK 24.8 million. Here we should point out that total operating expenses of the food segment (excluding the cost of goods sold) increased only by 0.9%, which is a result of the successful restructuring process and focus on cost optimisation. These expenses would have actually decreased if the food segment in Q1 2016 had not been burdened by Mirna expenses that didn't burden Q1 2015,
- In Q1 2016, **net profit after minority interests, excluding the effect of the Žito Group,** amounted to HRK 30.5 million, compared to Q1 2015 when it amounted to HRK 58.0 million. Apart from abovementioned impacts, we should point out that in Q1 2015 the company used tax benefits resulting in an insignificant effective tax rate of 1.4% in the food segment, while in Q1 2016 the rate was 23.5%.

Profitability of the Strategic Business Area Pharmaceuticals in Q1 2016

Profitability of the Strategic Business Area Pharmaceuticals			
(in HRK millions)	**Q1 2016**	**Q1 2015**	**% change**
Sales revenue	182.7	171.8	6.4%
Gross profit	93.7	87.9	6.6%
EBITDA*	34.2	15.6	119.5%
EBIT	23.7	5.5	329.9%
Net profit after MI	16.1	1.8	794.0%
Gross margin	51.3%	51.1%	+12 bp
EBITDA margin	18.7%	9.1%	+964 bp
EBIT margin	13.0%	3.2%	+976 bp
Net profit margin after MI	8.8%	1.0%	+775 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.

Mitigated negative impact of foreign exchange differences compared to the comparative period:

- In Q1 2016, the pharmaceuticals segment recorded an increase in **gross profit** of 6.6% and an increase in gross margin that was 51.3%. This is a result of the recorded growth in sales, while the cost of goods sold had lower growth dynamics,

[2]At consolidation of Mirna Inc., 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, and recorded gain on a bargain purchase in other income in the amount of HRK 24.8 million.

- **Operating profit (EBIT)** in the period under consideration amounted to HRK 23.7 million and is 4.3 times higher than in the comparative period. An additional positive impact came from 13.5% lower total operating expenses (excluding cost of goods sold), as impacted by the lack of foreign exchange losses on trade receivables and payables in Q1 2016. However, even if we exclude foreign exchange differences on trade receivables and payables, operating expenses (excluding cost of goods sold) would be 2.0% lower, which indicates the achieved cost optimisation in the pharmaceuticals segment as well,
- In Q1 2016, **net profit after minority interests** amounted to HRK 16.1 million with the related margin of 8.8%. Net finance costs in the observed period decreased, while the effective tax rate was at the level of the statutory rate.

Profitability of the Podravka Group in Q1 2016

Profitability of the Podravka Group			
(in HRK millions)	**Q1 2016**	**Q1 2015**	**% change**
Sales revenue	1,029.4	783.9	31.3%
Gross profit	394.6	324.4	21.7%
EBITDA*	126.9	107.0	18.6%
EBIT	81.1	70.5	15.0%
Net profit after MI	60.1	59.8	0.4%
Gross margin	38.3%	41.4%	-304 bp
EBITDA margin	12.3%	13.6%	-132 bp
EBIT margin	7.9%	9.0%	-111 bp
Net profit margin after MI	5.8%	7.6%	-180 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.

Positive impact of cost optimisation and mitigation of negative effect of FX differences:

- **The gross profit** of the Podravka Group, **excluding the effect of the Žito Group**, in Q1 2016 amounted to HRK 334.4 million (40.5% gross margin), while in Q1 2015 it amounted to HRK 324.4 million (41.4% gross margin). The lower gross margin was impacted by the food segment, partly mitigated by the pharmaceuticals segment,
- **Operating profit (EBIT)** of the Podravka Group, **excluding the effect of the Žito Group,** in Q1 2016 amounted to HRK 64.6 million, while in Q1 2015 it amounted to HRK 70.5 million. The operating profit in the comparative period was under the positive impact of the consolidation of Mirna of HRK 24.8 million. Total operating expenses (excluding the cost of goods sold) in Q1 2016 were 3.1% lower than in the comparative period (4.0% lower excluding Mirna expenses), which is an indicator of the successful restructuring process and focus on cost optimisation,

➢ The Podravka Group's **net profit after minority interests, excluding the effect of the Žito Group,** in Q1 2016 amounted to HRK 46.6 million, while in Q1 2015 it amounted to HRK 59.8 million. Please note that in Q1 2015 the company used tax benefits resulting in the effective tax rate of 2.1%, while in Q1 2016 the rate was 22.1%.

Pro-forma profitability of the Podravka Group and the Žito Group in Q1 2016

Pro-forma profitability of Podravka Group and Žito Group**			
(in HRK millions)	**Q1 2016**	**Q1 2015**	**% change**
Sales revenue	1,029.4	988.3	4.2%
Gross profit	394.6	374.7	5.3%
EBITDA*	126.9	121.6	4.3%
EBIT	81.1	75.2	7.9%
Net profit after MI	60.1	63.6	(5.5%)
Gross profit margin	38.3%	37.9%	+42 bp
EBITDA margin	12.3%	12.3%	+2 bp
EBIT margin	7.9%	7.6%	+27 bp
Net profit margin after MI	5.8%	6.4%	-60 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.

****Note:** the pro-forma overview includes the Q1 2016 and Q1 2015 income statements of the Podravka Group and the Q1 2016 and Q1 2015 income statements of the Žito Group.

This pro-forma overview presents what the result of the Podravka Group would have been if the Žito Group had been consolidated as of Q1 2015. The result of the Podravka Group is explained in the previous section, but we point out to the effect of the Mirna consolidation and tax benefits in Q1 2015 on the result. The **Žito Group** recorded increase in all levels of profitability in the observed period and thereby positively contributed to the pro-forma overview of profitability. In Q1 2016, the Žito Group recorded a 19.6% higher **gross profit** compared to Q1 2015 due to the revenues increase and lower cost of goods sold as a result of lower prices of some raw materials. At the same time, total operating expenses of the Žito Group were 3.8% lower, resulting in a 3.5 times higher **operating profit** in Q1 2016. Net finance costs were lower in the observed period, while the effective interest rate was 15.0%, which ultimately resulted in a 3.6 times higher **net profit after minority interests**.

Key characteristics of the income statement in Q1 2016

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 Inc. began as of 1 April 2015. Consequently, the reported income statement of the Podravka Group in Q1 2016 is not fully comparable to Q1 2015. **For the purpose of a transparent operations presentation, the income statement table in the "Consolidated financial statements in Q1 2016" section presents the reported income statement of the Podravka Group (including the Žito Group and Mirna Inc. in Q1 2016), 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**, is 85,3% lower than in the comparative period which contains the positive effect resulting from the consolidation of Mirna Inc. in the amount of HRK 24.8 million.

Cost of goods sold

In Q1 2016 cost of goods sold, **excluding the effect of the Žito Group,** are 6.7% higher compared to Q1 2015 due to the organic volume growth of the food and pharmaceuticals segments.

General and administrative expenses

In the observed period, **general and administrative expenses**, excluding the effect of the Žito Group, were 11.2% lower than in the comparative period due to, among other things, lower cost of services and other expenses. If the expenses of Mirna, which did not burden the comparative period, are also excluded, general and administrative expenses would be 15.0% lower.

Selling and distribution costs

Selling and distribution costs, excluding the effect of the Žito Group, grew in Q1 2016 by moderate 0.6% compared to Q1 2015. The positive effect on selling and distribution costs was, among other things, a consequence of optimising rental expenses.

Marketing expenses

Marketing expenses, **excluding the effect of the Žito Group**, grew in the observed period by 6.6% primarily due to marketing activities in the culinary category.

Other expenses

Other expenses, **excluding the effect of the Žito Group**, were 79.9% lower than in the comparative period due to lower foreign exchange losses on trade receivables and payables. Foreign exchange differences on trade receivables and payables on the net level amounted to HRK -2.0 million in Q1 2016, and HRK -8.1 million in Q1 2015.

Net finance costs

In Q1 2016, net finance costs, **excluding the effect of the Žito Group**, were 57.6% lower than in the comparative period, mainly as a result of foreign exchange gains on borrowings.

Income tax

Income tax of the Podravka Group, **excluding the effect of the Žito Group,** in the first quarter of 2016 was significantly higher than in the comparative period since tax benefits were used in the comparative period. The result of the used tax benefits was the effective tax rate of 2.1% in Q1 2015, while in Q1 2016 the rate was 22.1%.

Key characteristics of the balance sheet as at 31 March 2016

Property, plant and equipment

As at 31 March 2016, property, plant and equipment of the Podravka Group were 1.7% higher compared to 31 December 2015 as a result of activities related to the construction of the new Belupo factory.

Inventories

Inventories of the Podravka Group as at 31 March 2016 were at the same level as on 31 December 2015 as a result of, among other things, lower price of certain raw materials purchased by the Žito Group for inventories.

Trade and other receivables

As at 31 March 2016, trade and other receivables of the Podravka Group are at the same level as on 31 December 2015. Trade receivables were affected by the amended legislation in the Slovenian market according to which the payment period for fresh goods was reduced from 60 to 45 days.

Cash and cash equivalents

Cash and cash equivalents of the Podravka Group at the end of the observed period are 37.6% lower compared to the end of 2015, as explained in the section “Key characteristics of the cash flow statement in Q1 2016”.

Non-controlling interests

Non-controlling interests in the Podravka Group as at 31 March 2016 were 33.8% lower than as at 31 December 2015 following the squeeze-out of minority shareholders of the Žito Group in the first quarter of 2016.

Long-term borrowings

Borrowings of the Podravka Group within non-current liabilities at the end of the first quarter of 2016 were 3.6% higher compared to the end of 2015 following the use of long-term borrowings for the purposes of the new pharmaceutical factory construction.

Trade and other payables

Trade and other payables of the Podravka Group fell by 13.4% at the end of Q1 2016 compared to the end of 2015 primarily mostly due to the seasonal effect in the food segment where a portion of liabilities arisen at the end of 2015 was settled in Q1 2016, due to settling the liability of Belupo for completed stages of the new factory construction and due to amended legislation in the Slovenian market according to which the payment period for fresh goods was reduced from 60 to 45 days.

Short-term borrowings

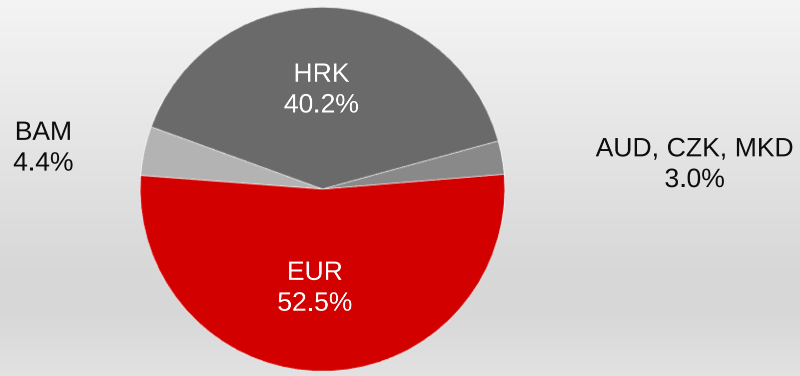
Borrowings of the Podravka Group within current liabilities as at 31 March 2016 were at the same level as on 31 December 2015.

Indebtedness

As at 31 March 2016, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities was HRK 1,238,246 thousand, of which HRK 779,624 thousand relates to long-term borrowings, HRK 458,622 thousand to short-term borrowings, and HRK 3,995 thousand to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 31 March 2016 was 2.9%.

Analysing the debt currency structure, the highest exposure, of 52.5%, was toward the Euro, while 40.2% of the debt was in the domestic currency. 4.4% of the debt was in the Bosnia and Herzegovina mark, while the remainder of 3.0% relates to the Australian dollar (AUD), Czech koruna (CZK) and Macedonian denar (MKD).

Currency structure of debt as at 31 March 2016



*(in HRK thousands)**	**Q1 2016**	**2015**	**% change**
Net debt	1,060,113	922,376	14.9%
TTM interest expense	36,759	36,918	(0.4%)
Net debt / TTM EBITDA	2.2	2.0	10.2%
EBITDA / Interest expense	13.3	12.7	4.7%
Equity to total assets ratio	58.2%	57.0%	+118 bp

***Note:** all indicators are calculated in a way that income statement items are calculated at the level of the last 12 months, while balance sheet items are taken at the period end.

Indicators in the table above are calculated based on reported figures that for 2015 include income statement items of the Žito Group only for Q4 2015 and gain on the bargain purchase of the Žito Group. If these indicators had been calculated in a way to include the income statement of the Žito Group for the entire 2015 (which is appropriate taking into account that the balance sheet items include the Žito Group) and if the gain on the bargain purchase of the Žito Group had been excluded, the ratio of net debt and EBITDA in Q1 2016 would have been 2.5, while the ratio of EBITDA and interest expense would have been 11.3.

Key characteristics of the cash flow statement in Q1 2016

Net cash flow from operating activities

Net cash flow from operating activities in Q1 2016 amounted to negative HRK 5.5 million, primarily impacted by lower liabilities trade payables explained in the previous section.

Net cash flow from investing activities

Net cash flow from investing activities in the period under consideration amounted to negative HRK 133.3 million. This is primarily the result of capital expenditure amounting to HRK 121.1 million. The most significant **capital expenditure** in Q1 2016 was related to:

- New factory for semi-solid and liquid drugs – continuation of activities from 2015, 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, and
- Expansion of the Vegeta factory warehouse – continuation of activities from 2015, the investment relates to the expansion of the existing automatic warehouse and load and expedite place of finished goods, resulting in an increase in storage and dynamic capacities of the existing warehouse in Koprivnica and significant savings in the logistics expenses.

In 2016, **capital expenditure is expected** to be at a level of HRK 440 – 540 million, in 2017 at a level of HRK 390 – 490 million, after which it should stabilise at the level of HRK 120 – 220 million.

Net cash flow from financing activities

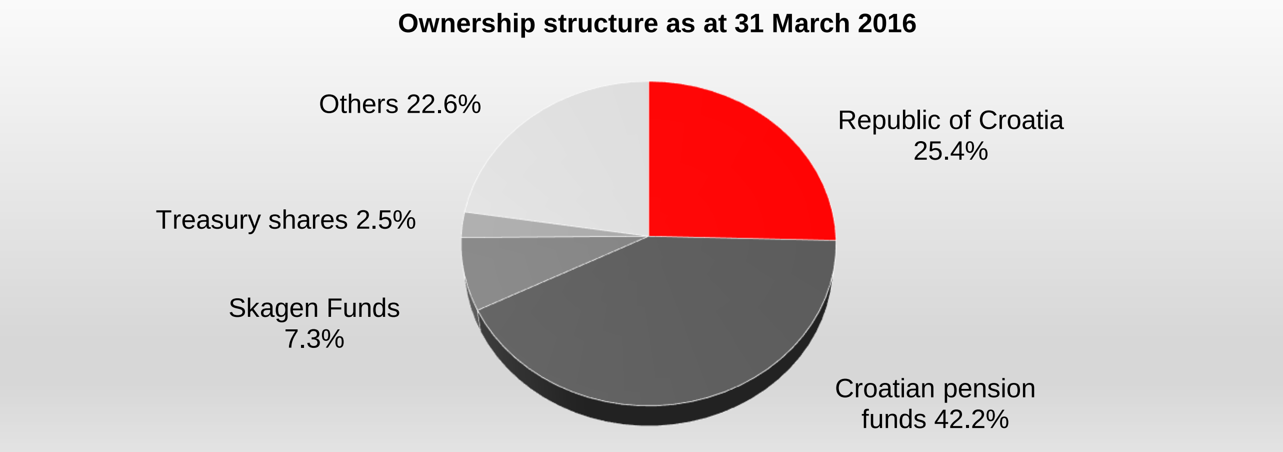
In Q1 2016, net cash flow from financing activities amounted to HRK 29.1 million. Borrowings received and repaid related to the Group's normal credit activities which include utilising short-term borrowings for liquidity purposes, repayment of a portion of borrowings and other standard credit activities.

Share in Q1 2016

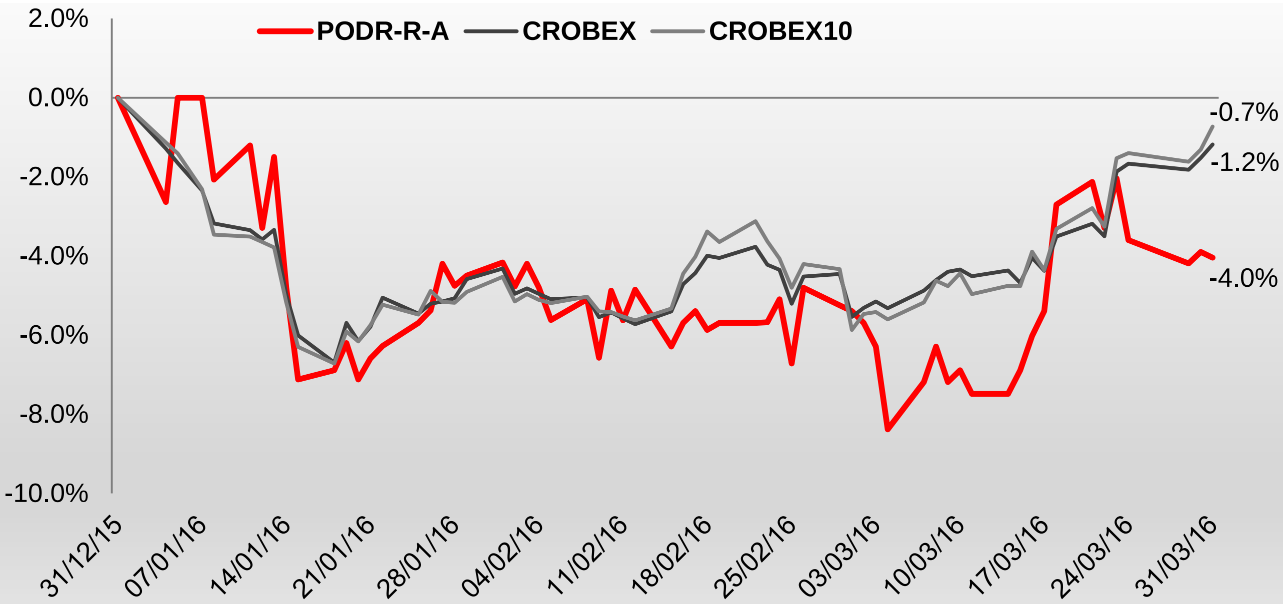
List of top 10 shareholders as at 31 March 2016

No.	Shareholder	Number of shares	% of ownership
1	AZ mandatory pension fund, category B	902,874	12.7%
2	PBZ Croatia Osiguranje mandatory pension fund, category B	774,202	10.9%
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	544,180	7.6%
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	180,628	2.5%
10	AZ Profit voluntary pension fund	111,752	1.6%
	Other shareholders	1,756,747	24.7%
	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 March 2016, domestic pension funds (mandatory and voluntary) hold a total of 42.2% 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 March 2016. 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.



Share price movement in Q1 2016



(closing price in HRK; closing points)	**31 March 2016**	**31 December 2015**	**% change**
PODR-R-A	320.5	334.0	(4.0%)
CROBEX	1,669.7	1,689.6	(1.2%)
CROBEX10	982.0	989.3	(0.7%)

In Q1 2016, Podravka's share dropped by 4.0%, while in the same period domestic stock indices Crobex and Crobex10 dropped by 1.2% and 0.7%, respectively.

Performance in the Croatian capital market in Q1 2016

(in HRK; in units) [3]	Q1 2016	Q1 2015	% change
Average daily price	319.4	297.0	7.6%
Average daily number of transactions	8	10	(19.5%)
Average daily volume	991	1,052	(5.8%)
Average daily turnover	316,596.7	312,415.0	1.3%

In Q1 2016, the average daily price of the Podravka's share was 7.6% higher compared to the comparative period. At the same time, the average daily number of transactions and the volume were lower, while the average daily turnover was higher.

Valuation

*(in HRK millions; earnings per share in HRK)**	Q1 2016	2015	% change
Last price	320.5	334.0	(4.0%)
Market capitalization	2,053.8	2,000.0	2.7%
EV[4]	3,158.7	2,990.0	5.6%
Earnings per share[5]	62.0	66.4	(6.5%)
EV / Sales revenue	0.8	0.8	(0.8%)
EV / EBITDA	6.5	6.4	1.3%
EV / EBIT	10.7	10.5	1.9%
Last price / Earnings per share ratio	5.2	5.0	2.6%

***Note:** all indicators are calculated in a way that income statement items are calculated at the level of the last 12 months, while balance sheet items are taken at the period end.

If the above indicators had been calculated in a way to include the income statement of the Žito Group for the entire 2015 excluding the effect of gain on the bargain purchase of the Žito Group and excluding the effect of deferred tax income of the Belupo Group, the above indicators for Q1 2016 would have amounted to: EV / Sales revenue = 0.7, EV / EBITDA = 7.6, EV / EBIT = 15.9 and P / E = 13.6.

[3]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.
[4]Enterprise value: Market Capitalization + Net debt + Minority interests.
[5]Calculated based on the average weighted number of shares in the last 12 months which was 6,407,992 in Q1 2016, and 5,987,697 in 2015.

Additional tables for Q1 2016

Sales revenues by category in Q1 2016

(in HRK millions)	Q1 2016	% of sales revenues	Q1 2015	% of sales revenues	% change
SBA Food	**846.7**	**82.2%**	**612.1**	**78.1%**	**38.3%**
Culinary	229.6	22.3%	210.6	26.9%	9.0%
Sweets, cereals for adults, snacks and drinks	99.4	9.7%	50.9	6.5%	95.1%
Lino world	61.7	6.0%	57.8	7.4%	6.8%
Mediterranean food, condiments and core food	190.1	18.5%	157.0	20.0%	21.1%
Meat programme	70.0	6.8%	59.2	7.6%	18.3%
Bakery and mill products	124.4	12.1%	11.6	1.5%	968.6%
Other sales	71.4	6.9%	64.9	8.3%	10.0%
SBA Pharmaceuticals	**182.7**	**17.6%**	**171.8**	**21.9%**	**6.4%**
Prescription drugs	127.1	12.3%	112.4	14.3%	13.1%
Non-prescription programme	21.7	2.1%	22.6	2.9%	(4.0%)
Other sales	33.9	3.3%	36.8	4.7%	(7.9%)
Podravka Group	**1,029.4**	**100.0%**	**783.9**	**100.0%**	**31.3%**

In the first quarter of 2016, the existing categories in the food segment were reorganised for the purpose of more efficient management of the existing and new brands. For the purpose of better understanding of categories, the overview of food segment categories composition is presented below:

(i) **culinary**: previously included subcategories, Žito spices,

(ii) **sweets, cereals for adults, snacks and drinks**: previously included subcategories, Podravka cereals for adults (previously included in the baby food, breakfast foods and other food category), Žito breakfast cereals, Žito confectionary products, Žito tea,

(iii) **Lino world**: baby food, cereals for children, creamy spreads and other products related to the Lino brand (everything mentioned was previously included in the baby food, breakfast foods and other food category),

(iv) **Mediterranean food, condiments and core food**: Mediterranean food, fruit, vegetables, condiments, Žito pasta, Žito rice, Žito frozen and cooled food, Žito cereals (purees, flakes, legumes),

(v) **meat programme**: previously included subcategories,

(vi) **bakery and mill products**: Podravka bakery and mill products, Žito bakery and mill products,

(vii) **other sales**: Podravka and Žito other sales related to the production of private labels, service production, trade goods and other not related to own brands.

Historical overview of sales revenues movement according to new categorisation*

(in HRK millions)	**2013**	**2014**	**2015**
Culinary	934.4	903.6	927.0
Sweets, cereals for adults, snacks and drinks	304.1	264.9	261.1
Lino world	256.6	252.0	257.6
Mediterranean food, condiments and core food	571.4	567.8	643.0
Meat programme	281.6	300.5	303.5
Bakery and mill products	76.9	60.8	50.3

***Note:** stated overview includes only Podravka Group assortment.

Sales revenues by region in Q1 2016

(in HRK millions)	**Q1 2016**	**% of sales revenues**	**Q1 2015**	**% of sales revenues**	**% change**
Adria region	**724.2**	**70.4%**	**541.1**	**72.9%**	**33.8%**
Croatia	316.0	30.7%	311.4	39.7%	1.5%
Slovenia	217.9	21.2%	44.0	5.6%	394.9%
Bosnia and Herzegovina	107.9	10.4%	106.2	13.5%	0.7%
Other countries	83.3	8.1%	79.5	10.1%	4.8%
Europe region	**208.5**	**20.1%**	**206.3**	**20.9%**	**14.0%**
Central Europe	136.3	13.2%	138.9	17.7%	(1.9%)
Western Europe	72.2	7.0%	44.0	5.6%	64.1%
Russia, CIS and Baltic region	**63.0**	**6.1%**	**25.9**	**3.3%**	**143.4%**
Russia	59.5	5.8%	23.3	3.0%	155.1%
Other countries	3.5	0.3%	2.6	0.3%	36.8%
New Markets region	**33.7**	**3.3%**	**34.0**	**4.3%**	**(1.1%)**
Podravka Group	**1,029.4**	**100.0%**	**783.9**	**100.0%**	**31.3%**

Consolidated financial statements in Q1 2016

Consolidated Profit and Loss Statement in Q1 2016

(in HRK thousands)	1-3 2016	% of sales revenues	1-3 2015	% of sales revenues	% change
Sales revenue	1,029,390	100.0%	783,909	100.0%	31.3%
Cost of goods sold	(634,745)	(61.7%)	(459,551)	(58.6%)	38.1%
Gross profit	**394,645**	**38.3%**	**324,359**	**41.4%**	**21.7%**
Other income	5,774	0.6%	28,973	3.7%	(80.1%)
General and administrative expenses	(67,417)	(6.5%)	(65,338)	(8.3%)	3.2%
Selling and distribution costs	(133,895)	(13.0%)	(105,991)	(13.5%)	26.3%
Marketing expenses	(115,822)	(11.3%)	(100,516)	(12.8%)	15.2%
Other expenses	(2,221)	(0.2%)	(11,023)	(1.4%)	(79.9%)
Operating profit	**81,063**	**7.9%**	**70,464**	**9.0%**	**15.0%**
Financial income	262	0.0%	337	0.0%	(22.3%)
Other financial expenses	(2,371)	(0.2%)	(1,047)	(0.1%)	126.6%
Interest expenses	(9,066)	(0.9%)	(9,225)	(1.2%)	(1.7%)
Net foreign exchange differences on borrowings	7,305	0.7%	1,315	0.2%	455.4%
Net finance costs	**(3,871)**	**(0.4%)**	**(8,619)**	**(1.1%)**	**(55.1%)**
Profit before tax	**77,192**	**7.5%**	**61,845**	**7.9%**	**24.8%**
Current income tax	(9,460)	(0.9%)	(1,425)	(0.2%)	563.7%
Deferred tax	(6,412)	(0.6%)	107	0.0%	(6120.5%)
Income tax	**(15,872)**	**(1.5%)**	**(1,319)**	**(0.2%)**	**1103.4%**
Net profit for the year	**61,320**	**6.0%**	**60,526**	**7.7%**	**1.3%**
Net profit / (loss) attributable to:					
Equity holders of the parent	**60,107**	**5.8%**	**59,846**	**7.6%**	**0.4%**
Non-controlling interests	1,213	0.1%	680	0.1%	78.3%

Consolidated Balance Sheet as at 31 March 2016

(in HRK thousands)	31 Mar. 2016	% of assets	31 Dec. 2015	% of assets	% of change
ASSETS					
Non-current assets					
Goodwill	26,290	0.5%	26,290	0.5%	0.0%
Investment property	9,615	0.2%	-	-	n/p
Intangible assets	281,279	5.7%	284,511	5.8%	(1.1%)
Property, plant and equipment	1,970,693	40.2%	1,937,978	39.2%	1.7%
Deferred tax assets	223,451	4.6%	230,946	4.7%	(3.2%)
Non-current financial assets	19,081	0.4%	18,715	0.4%	2.0%
Total non-current assets	**2,530,409**	**51.6%**	**2,498,440**	**50.5%**	**1.3%**
Current assets					
Inventories	781,396	15.9%	783,490	15.8%	(0.3%)
Trade and other receivables	1,113,156	22.7%	1,113,551	22.5%	(0.0%)
Financial assets at fair value through profit and loss	6,028	0.1%	215	0.0%	2703.7%
Income tax receivable	38,500	0.8%	34,617	0.7%	11.2%
Cash and cash equivalents	182,128	3.7%	291,877	5.9%	(37.6%)
Non-current assets held for sale	250,398	5.1%	223,561	4.5%	12.0%
Total current assets	**2,371,606**	**48.4%**	**2,447,311**	**49.5%**	**(3.1%)**
Total assets	**4,902,015**	**100.0%**	**4,945,751**	**100.0%**	**(0.9%)**

(in HRK thousands)	31 Mar. 2016	% of liabilities	31 Dec. 2015	% of liabilities	% of change
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,684,935	34.4%	1,685,955	34.1%	(0.1%)
Reserves	546,710	11.2%	549,840	11.1%	(0.6%)
Retained earnings	574,356	11.7%	514,250	10.4%	11.7%
Attributable to equity holders of the parent	**2,806,001**	**57.2%**	**2,750,045**	**55.6%**	**2.0%**
Non-controlling interests	44,847	0.9%	67,712	1.4%	(33.8%)
Total shareholders' equity	**2,850,848**	**58.2%**	**2,817,757**	**57.0%**	**1.2%**
Non-current liabilities					
Borrowings	779,624	15.9%	752,244	15.2%	3.6%
Provisions	64,125	1.3%	64,126	1.3%	(0.0%)
Other long term liability	19,436	0.4%	19,611	0.4%	100.0%
Deferred tax liability	55,252	1.1%	56,475	1.1%	(2.2%)
Total non-current liabilities	**918,437**	**18.7%**	**892,456**	**18.0%**	**2.9%**
Current liabilities					
Trade and other payables	641,686	13.1%	731,969	14.8%	(12.3%)
Income tax payable	2,573	0.1%	2,251	0.0%	14.3%
Financial liabilities at fair value through profit and loss	3,995	0.1%	2,469	0.0%	61.8%
Borrowings	458,622	9.4%	459,544	9.3%	(0.2%)
Provisions	25,854	0.5%	39,305	0.8%	(34.2%)
Total current liabilities	**1,132,730**	**23.1%**	**1,235,538**	**25.0%**	**(8.3%)**
Total liabilities	**2,051,167**	**41.8%**	**2,127,994**	**43.0%**	**(3.6%)**
Total equity and liabilities	**4,902,015**	**100.0%**	**4,945,751**	**100.0%**	**(0.9%)**

Consolidated Cash Flow Statement in Q1 2016

(in HRK thousands)	1-3 2016	1-3 2015	% change
Profit for the year	61,319	60,526	1.3%
Income tax	15,873	1,319	1,103.4%
Depreciation and amortization	45,823	33,706	35.9%
Impairment (profit) / loss on assets held for sale	(222)	2,796	n/p
Gain on a bargain purchase	-	(24,765)	n/p
Remeasurement of financial instruments at fair value	1,713	359	377.2%
(Profit) / loss on disposal of property, plant, equipment and intangibles	(461)	(69)	568.1%
(Profit) / loss on disposal of assets held for sale	(795)	(462)	72.1%
Impairment losses on trade receivables	981	644	52.3%
Increase / (decrease) in provisions	(13,447)	(14,211)	(5.4%)
Interest income	(262)	(337)	(22.3%)
Interest expense	11,437	10,272	11.3%
Effect of changes in foreign exchange rates	(13,578)	1,205	n/p
Changes in working capital:			
(Increase) / decrease in inventories	1,159	(37,301)	n/p
(Increase) / decrease in trade and other receivables	(280)	(36,910)	(99.2%)
Increase / (decrease) in trade and other payables	(90,379)	(18,280)	394.4%
Cash generated from operations	**18,881**	**(21,508)**	**n/p**
Income tax paid	(12,367)	(8,627)	43.4%
Interest paid	(11,470)	(10,441)	9.9%
Net cash from operating activities	**(4,956)**	**(40,576)**	**(87.8%)**
Cash flow from investing activities			
Purchase of equity instruments	(7,748)	-	n/p
Purchase of property, plant, equipment and intangibles	(121,062)	(25,076)	382.8%
Acquisition of assets held for sale	-	(3,733)	n/p
Proceeds from sale of property, plant, equipment and intangibles	1,389	3,797	(63.4%)
Loans given	(774)	(188)	311.7%
Proceeds from loans given	89	44	102.3%
Proceeds from other investments	(6,000)	(8,510)	(29.5%)
Interest received	262	337	(22.3%)
Acquisition of subsidiary, net of cash	-	72	n/p
Net cash from investing activities	**(133,844)**	**(33,257)**	**302.5%**
Cash flow from financing activities			
Acquisition of treasury shares	(1,019)	-	n/p
Proceeds from borrowings	198,122	98,398	101.3%
Repayment of borrowings	(168,051)	(113,036)	48.7%
Net cash from financing activities	**29,051**	**(14,638)**	**n/p**
Net (decrease) / increase of cash and cash equivalents	**(109,749)**	**(88,471)**	24.1%
Cash and cash equivalents at beginning of the year	291,877	220,478	32.4%
Cash and cash equivalents at the end of year	**182,128**	**132,007**	38.0%

Consolidated Statement of Changes in Equity in Q1 2016

(in HRK thousands)	Share capital	Reserve for treasury shares	Legal reserves	Reinvested profit reserve	Statutory reserves	Other reserves	Retained earnings/ (Accumulated loss)	Total	Non-controlling interests	Total
As at 1 January 2015	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	-	-	-	-	-	-	397,309	397,309	5,955	403,264
Foreign exchange differences	-	-	-	-	-	1,334	-	1,334	(8)	1,326
Actuarial losses (net of deferred tax)	-	-	-	-	-	(255)	-	(255)	-	(255)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,109**	**397,309**	**398,418**	**5,947**	**404,365**
Transactions with owners recognised directly in equity										
Share capital increase through issue of new shares	506,394	-	-	-	-	-	-	506,394	-	506,394
Share capital increase from reinvested profits	108,400	-	-	(108,400)	-	-	-	-	-	-
Allocation from retained earnings	-	80,000	14,388	-	3,051	3,190	(100,629)	-	-	-
Purchase of treasury shares	(5,899)	-	-	-	-	-	-	(5,899)	-	(5,899)
Exercise of options	3,690	-	-	-	-	-	-	3,690	-	3,690
Fair value of share-based payment transactions	9,822	-	-	-	-	-	-	9,822	-	9,822
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	289,326	289,326
Additional acquisition of minority interests	-	-	-	-	-	88,962	-	88,962	(264,166)	(175,204)
Total transactions with owners recognised directly in equity	**622,407**	**80,000**	**14,388**	**(108,400)**	**3,051**	**92,152**	**(100,629)**	**602,969**	**25,160**	**628,129**
As at 31 December 2015	**1,685,955**	**147,604**	**30,931**	**189,738**	**47,007**	**134,560**	**514,249**	**2,750,044**	**67,712**	**2,817,756**
Profit for the year	-	-	-	-	-	-	60,106	60,106	1,213	61,319
Foreign exchange differences	-	-	-	-	-	(12,565)	-	(12,565)	(437)	(13,002)
Profit or loss from reevaluation of financial assets available for sale	-	-	-	-	-	1,307	-	1,307	-	1,307
Other comprehensive income	-	-	-	-	-	(11,258)	-	(11,258)	(437)	(11,695)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(11,258)**	**60,106**	**48,848**	**776**	**49,624**
Purchase of treasury shares	(1,019)	-	-	-	-	-	-	(1,019)	-	(1,019)
Additional acquisition of minority interests	-	-	-	-	-	8,128	-	8,128	(23,641)	(15,513)
Total transactions with owners recognised directly in equity	**(1,019)**	**-**	**-**	**-**	**-**	**8,128**	**-**	**7,109**	**(23,641)**	**(16,532)**
As at 31 March 2016	**1,684,936**	**147,604**	**30,931**	**189,738**	**47,007**	**131,430**	**574,355**	**2,806,001**	**44,847**	**2,850,848**

Notes to the Consolidated Financial Statements

The accounting policies in Q1 2016 year did not change.

President of the Management Board:

Zvonimir Mršić

Statement of liability

Koprivnica, 29 April 2016

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of Podravka Group for the period January – March 2016 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations of Podravka Group and all subsidiary companies involved in the consolidation.

Consolidated financial statements of Podravka Group for the period January – March 2016 were approved by the Management Board on 29 April 2016.

Accounting and Taxes Director:
Senka Laljek

Board Member:
Iva Brajević

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