PODRAVKA

Podravka Group Business Results

for 1-9 2016 period

Content

Key financial indicators in 1-9 2016

(in HRK millions)	**1-9 2016**	**1-9 2015 pro-forma**	**1-9 2015**	**1-9 2016/ 1-9 2015 pro-forma**	**1-9 2016/ 1-9 2015**
Sales revenues[1]	3,030.8	3,053.7	2,462.2	(0.7%)	23.1%
Gross profit	1,104.1	1,093.5	957.2	1.0%	15.3%
Gross profit margin	36.4%	35.8%	38.9%	+62 bp	-245 bp
EBITDA[2]	337.4	320.8	276.5	5.2%	22.0%
EBITDA margin	11.1%	10.5%	11.2%	+62 bp	-10 bp
Net profit after MI	142.2	67.1	131.0	111.9%	8.6%
Net profit margin after MI	4.7%	2.2%	5.3%	+249 bp	-63 bp
Net cash flow from operating activities	299.3	109.3	32.3	173.9%	826.9%
Capital expenditures	383.7	150.1	144.7	155.7%	165.2%

*(in HRK; market capitalization in HRK millions)**	**30 September 2016**	**31 December 2015**	**% change**
Net debt / TTM EBITDA	2.2	2.0	10.9%
TTM earnings per share	58.9	66.4	(11.2%)
Last price at the end of period	379.0	334.0	13.5%
Market capitalization	2,628.4	2,000.0	31.4%
Return on average equity	14.6%	17.7%	-302 bp
Return on average assets	8.1%	9.4%	-125 bp

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

Note: Pro-forma overview in this document indicates that Žito figures are included in 1-9 2015 period.

[1] In Q2 2016, the fees contracted with customers for promotional, marketing and similar activities were reclassified from the position "Marketing expenses" to the decrease in the position "Sales revenues". Accordingly, for the purpose of comparability, comparative periods were also reclassified.

[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.

Significant events in 1-9 2016

Food Solution – new business segment

In 2016, Podravka entered a new operating segment, Food Solution, by which the company aims to make a step forward in the Gastro segment. Food Solution implies a completely new gastro segment in which, in addition to top quality products themselves, the customers also obtain the necessary know-how regarding the use of the products and services in the preparation of menus, organisation of kitchen chores and staff and planning investments in kitchen equipment.

For realisation of this project, the company invested in the construction of a factory specialized for the production of freshly prepared ready-to-eat and semi-prepared meals, extending over approximately 1500 m2 and equipped with the state-of-the-art and top-quality equipment for food cooking and preparation. Currently the offer includes 130 different products (meals) which are intended, among others, to institutions such as army, police, hospitals, deli departments in supermarkets and companies having own corporate restaurants. The range includes soups, cold appetizers, sauces and dressings, hot appetizers, main courses, marinated fresh meat, side dishes and desserts. These are fresh-made/cooked/baked ready-to-eat or semi-prepared meals, with top-quality ingredients and tastes without stabilisers, preservatives or additional additives. By special rules of preparation and packaging and following certain temperature regimes the durability is achieved, without losing quality in terms of nutritional composition, flavour and aroma of food.

Sale of the Beverages business segment

As at 20 September 2016, Podravka d.d. signed the Sale and Purchase Agreement with the company Kofola ČeskoSlovensko, one of the leading European producers and distributors of soft drinks, for the purchase of a share in the company Studenac d.o.o. After the agreed contractual preconditions are met, the share will be transferred until the end of 2016, and special attention was paid to employees for the protection of their acquired rights arising from the Collective Bargaining Agreement of the Podravka Group for the 18-month period.

This transaction is not expected to negatively impact the business results of the Podravka Group in the current year and it is expected to have a positive impact on the profitability of operations in the amount of approximately HRK 5 million on the EBITDA level. After divesting of the beverages business by the end of 2016, the company will continue to develop the food and pharmaceuticals portfolios, directing additional resources to the internationalisation of the key brands.

Best Investor Relations in Central and Eastern Europe Award

At the great ceremony CEE Capital Markets Awards held in Warsaw, Podravka won the award for the best Investor Relations in Central and Eastern Europe. It was awarded by the expert jury consisting of international institutional investors focused on the Central and Eastern Europe region and of the representatives of regional capital markets.

The event gathered more than 200 guests, including international, institutional investors and top management of listed companies from the region of Central and Eastern Europe. The goal of CEE Capital Markets Awards is to promote the region of Central and Eastern Europe so that global investors would decide to invest in the best regional companies.

Dividend distribution to shareholders of Podravka d.d.

After several years of successfully implemented restructuring processes and achieved positive business results, prerequisites have been met for the dividend payment in the amount of HRK 7.00 per share, 10 years from the last dividend distribution. The dividend was distributed on 16 September 2016, in the total amount of HRK 48.5 million.

With EBRD and 4 business banks, Podravka signed a loan receiving the most favourable terms in the region

On 6 September 2016, a syndicated loan contract was signed between Podravka d.d., Belupo d.d. and Žito d.d. as the user and the European bank for Reconstruction and Development as the arranger (including Unicredit Slovenia) and four business banks: Privredna Banka Zagreb d.d., Raiffeisenbank Austria d.d., SKB d.d. and Erste&Steiermarkische Bank d.d as creditors.

The total value of this financial arrangement is EUR 123 million and the funds have been approved to Podravka for the six-year period with extremely favourable interest rate and currently the most favourable crediting terms in the Adria region. A portion of the loan of EUR 99 million will be used for refinancing the existing borrowings, while the remaining portion of EUR 24 million will be available for drawing in case of further capital expenditure and possible acquisitions. The refinancing amount of EUR 99 million will be repaid in 24 equal quarterly instalments. The expected savings on interest expense should amount to approximately HRK 3.5 million annually.

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).

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. The 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 Ltd. 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.

Innovation in the food and pharmaceuticals segments in 1-9 2016

In the **Culinary** category one of the focuses was renovation of the special seasonings. Formulations got improved in the direction of naturalness, and new tastes have been added. The special seasonings portfolio is divided into two lines: Vegeta Grill i Vegeta Twist. 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, and for the Serbian market, 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 launched an innovative approach in communication with the Millenials generation through the platform "Make a Soup. Create a feeling" in early 2016.

In the Creamy spreads category, **Lino** lada coconut was launched, a big hit in the Adria region. Also, Lino breakfast cereals got a new flavour, Lino pillows with jaffa filling. For the "back to school" autumn activity, an attractive offer from the Lino portfolio was prepared – from different promo packs to Lino breakfast cereals with Lino figurines based on communication platform "When you grow up, be what you want".

In the **Sweets, cereals for adults, snacks and drinks category,** in addition to the focus on flagship products in key seasons of consumption, especially Dolcela puddings, through integrated communication with consumers, portfolio was innovated with attractive new flavours. In the line for sweets decoration news is Dolcela fondant. New pudding with coconut taste was launched, as well as Gourmet panna cotta with chunks of raspberry; in the portfolio of cake mixtures new Dolcela "Ledeni vjetar", as well as Muffins with pumpkin filling and new Cream from pumpkin were launched.

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 with new flavours of Podravka passata and chopped tomato. A new segment of Podravka pesto sauces has been launched as well as premium Eva tuna and mackerel pâtés in an elegant tube. In the **fruit** segment, a new line of citrus Podravka marmalades was launched: grapefruit and orange with ginger. The **Žito** brand's pasta range was added two products of special integral spelt pasta which is very trendy, and the spelt range is also expanded by the spelt rusk. Teragon strudel and an innovative product - polpeta from 4 legumes are added to the frozen food range.

In the **meat products** category, Podravka Delikates pâtés have been launched – premium products of rich and refined flavour, aroma and texture. 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 line of the most popular bread in the Žito assortment – Stoletni, new bread was launched, enriched with chia seeds and black sesame seeds. Bread is made with 100% spelt flour with 6 seed types, and because of this rich composition, it's a good source of dietary fibres.

The pasta programme in the segment of soup pastas is enriched with two new products of special pasta, which represent a novelty in the market: soup fidelini made from wholegrain spelt flour and soup stars made from wholegrain spelt flour - an ingredient that is very trendy.

The spelt range is supplemented also in the rusk category with a spelt rusk, offering the consumers a healthy, tasty and crunchy experience.

In the frozen category, the assortment of side dishes was enriched with new teragon strudel, while in the frozen burger segment, a new burger was launched: 4 legume burger which is rich in high proteins.

The Žito flour range, as the leading brand on the Slovenian market, was extended with two new products: wholegrain spelt flour and innovative and unique product - flour made from ancient grains. The nutritional trends turn to ancient grains that may be alternative to wheat.

In the **prescription drugs category**, in 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 third quarter of 2016, Belupo launched to the Croatian market a new product from the RX programme under the protected name NUTRIXA and thereby entered the new area – **Enteral nutrition**. NUTRIXA is liquid food rich in calories and proteins with added fibres for a complete, balanced diet. This is food for special medical purposes, intended for the dietary needs of patients with malnutrition or risk of its occurrence. It may be used as the sole food source or as food supplement, and is provided under medical supervision. By developing the new portfolio of products from the enteral nutrition area, the synergy potential between the Pharmaceuticals and Food is achieved, which helps in realisation of Belupo's strategic goals, crucial for the growth and development of the company's operations.

In the third quarter of 2016, two new products were launched to the Russian market. AMOFIN medical nail polish is intended for treating fungal nail infections. MONLAST is the antagonist of leukotriene receptors that blocks substances called leukotrienes. Leukotrienes cause contractions and swelling of air passages in lungs and allergy symptoms, and by blocking them MONLAST facilitates the symptoms of asthma, it helps in the control of asthma and facilitates the symptoms of seasonal allergies (known as hay fever or seasonal allergic rhinitis).

In the first half 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.

Belupo launched three new products to the market of the Czech Republic: BELMIRAN DAN tablets for the relaxation of the body, BELMIRAN SAN tablets that contribute to the shortening of the time needed to fall asleep and normal sleep and UROSAL LADY herbal product, created especially for women, intended for preventing and mitigating problems with urinary tract such as frequent and painful urination accompanied with a burning sensation.

Overview of sales revenues in 1-9 2016

Note: The consolidation of the income statement of the Žito Group into the Podravka Group began as of 1 October 2015. As a result, sales revenues of the Strategic Business Area Food and the Podravka Group for 1-9 2016 are not fully comparable to 1-9 2015.

Sales revenues by Strategic Business Area in 1-9 2016

Sales revenues[3] by Strategic Business Area					
(in HRK millions)	1-9 2016	1-9 2015 pro-forma	1-9 2015	1-9 2016/ 1-9 2015 pro-forma	1-9 2016/ 1-9 2015
SBA Food	**2,465.2**	**2,489.3**	**1,897.8**	**(1.0%)**	**29.9%**
Own brands	*2,124.4*	*2,120.6*	*1,697.8*	*0.2%*	*25.1%*
Other sales	*340.8*	*368.7*	*200.1*	*(7.6%)*	*70.4%*
SBA Pharma	**565.6**	**564.3**	**564.3**	**0.2%**	**0.2%**
Own brands	*467.7*	*444.6*	*444.6*	*5.2%*	*5.2%*
Other sales	*98.0*	*119.7*	*119.7*	*(18.2%)*	*(18.2%)*
Podravka Group	**3,030.9**	**3,053.7**	**2,462.2**	**(0.7%)**	**23.1%**
Own brands	*2,592.1*	*2,565.2*	*2,142.4*	*1.0%*	*21.0%*
Other sales	*438.8*	*488.4*	*319.8*	*(10.2%)*	*37.2%*

Strategic Business Area Food (1-9 2016 compared to pro-forma 1-9 2015):

- **Own brands** recorded a 0.2% higher sales despite the significant negative impact of foreign exchange differences and negative trends in the movement of key subcategories in the Adria region. If the effect of foreign exchange differences is excluded, own brands record a 1.6% increase in sales,
- **Other sales** recorded 7.6% lower sales, primarily as a result of decreased scope of cooperation in the area of private labels. If the effect of foreign exchange differences is excluded, other sales record 6.6% lower sales,
- Consequently, **the food segment** recorded 1.0% lower sales. If the effect of foreign exchange differences is excluded, the food segment records a 0.4% increase in sales.

Strategic Business Area Pharmaceuticals (1-9 2016 compared to pro-forma 1-9 2015):

- **Own brands** recorded a 5.2% increase in sales, primarily due to the expansion of the business cooperation in the Russian market. If the effect of foreign exchange differences is excluded, own brands record a 9.2% increase in sales,

[3]In Q2 2016, the fees contracted with customers for promotional, marketing and similar activities were reclassified from the position “Marketing expenses” to the decrease in the position “Sales revenues”. Both periods were reclassified.

- **Other sales** are 18.2% lower as a result of the changed business policy in the market of Bosnia and Herzegovina, with a stronger focus on own brands. If the effect of foreign exchange differences is excluded, other sales would record 17.7% lower sales,

- Consequently, the **pharmaceuticals segment** recorded 0.2% higher sales. If the effect of foreign exchange differences is excluded, the pharmaceuticals segment records a 3.5% increase in sales.

Podravka Group (1-9 2016 compared to pro-forma 1-9 2015):

- **Own brands** of the Podravka Group recorded 1.0% higher sales in the observed period. If the effect of foreign exchange differences is excluded, own brands record a 2.9% increase in sales.
- The revenues from **other sales** are 10.2% lower than in the comparative period. If the effect of foreign exchange differences is excluded, other sales record 9.3% lower sales,
- Consequently, sales of the **Podravka Group** are 0.7% lower in the observed period. If the effect of foreign exchange differences is excluded, the Podravka Group records a 0.9% increase in sales.

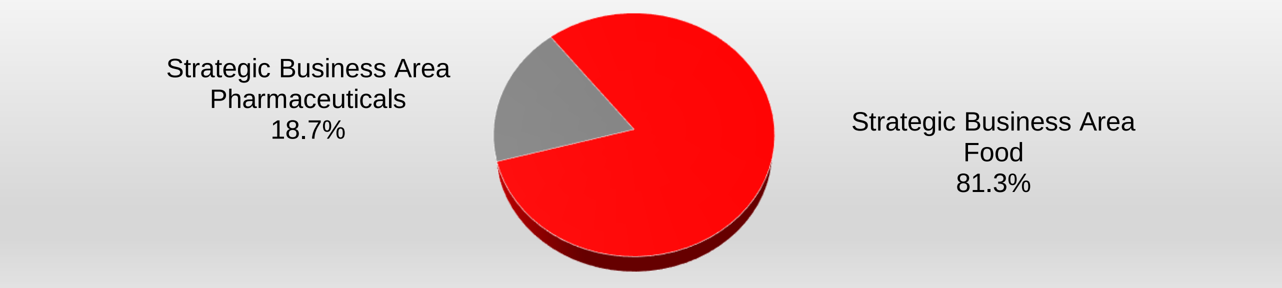
Net effect of currency exchange rates on sales by segments in 1-9 2016:

(in HRK millions)	Own brands	Other sales	Total
Food	(29.7)	(3.6)	(33.3)
Pharmaceuticals	(17.6)	(0.6)	(18.2)
Group	(47.4)	(4.1)	(51.5)

- 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 effect is recorded by the Russian ruble (HRK -26.8 million), the Euro (HRK -9.1 million) and the Polish zloty (HRK -6.1 million), while positive effects of foreign exchange differences were immaterial.

Sales revenues by Strategic Business Area in 1-9 2016



Sales revenues by category in 1-9 2016

Sales revenues by category[4]					
(in HRK millions)	1-9 2016	1-9 2015 pro-forma	1-9 2015	1-9 2016/ 1-9 2015 pro-forma	1-9 2016/ 1-9 2015
Culinary	649.6	644.6	628.0	0.8%	3.4%
Sweets, cereals for adults, snacks and drinks	249.5	251.3	188.4	(0.7%)	32.5%
Lino world	179.0	174.6	174.6	2.5%	2.5%
Mediterranean food, condiments and core food	524.3	522.5	448.9	0.4%	16.8%
Meat programme	207.0	219.6	219.6	(5.7%)	(5.7%)
Bakery and mill products	314.9	307.9	38.3	2.3%	721.5%
Prescription drugs	402.9	380.5	380.5	5.9%	5.9%
Non-prescription programme	64.8	64.1	64.1	1.0%	1.0%
Other sales	438.8	488.4	319.8	(10.2%)	37.2%
Podravka Group	**3,030.9**	**3,053.7**	**2,462.2**	**(0.7%)**	**23.1%**

Pro-forma sales revenues by category (1-9 2016 compared to pro-forma 1-9 2015):

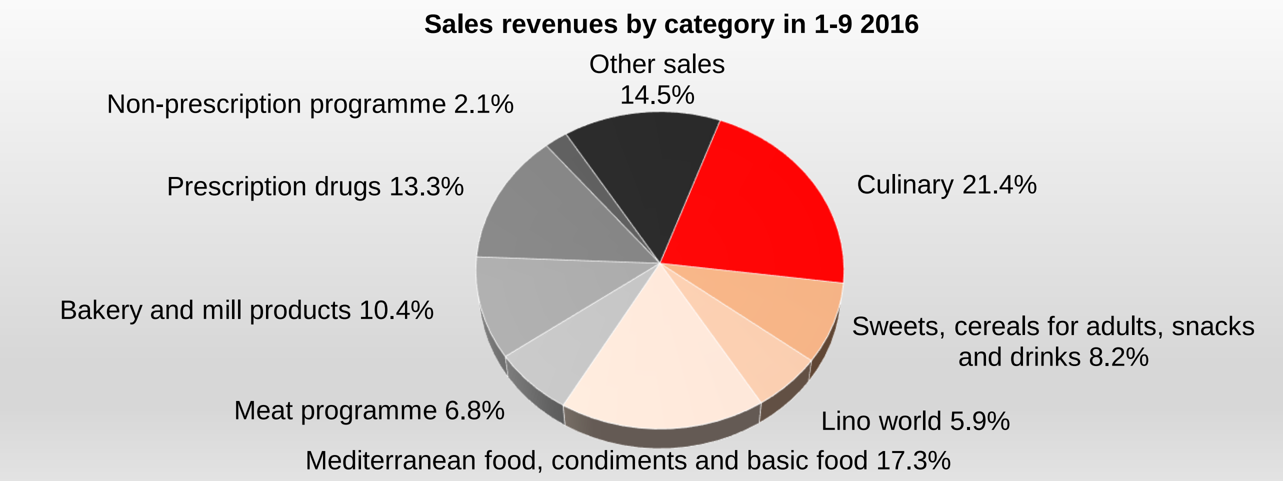
- **The culinary category** recorded an increase in sales of 0.8%, primarily due to the increase in sales of the seasonings subcategory. This subcategory recorded the most significant sales growth in Russia as a result of the successful implementation of the new business model, and in Poland due to intensive cycles of promotional activities related to the Vegeta brand, which managed to annul the pressures on sales in the Adria region due to the decrease in the overall market of some key culinary subcategories. If the effect of foreign exchange differences is excluded, the category records a 3.3% increase in sales,
- The **sweets, cereals for adults, snacks and drinks category** recorded 0.7% lower sales, as a consequence, among other things, of lower results of the beverages category due to decreased intensity of marketing support to this range, but also due to competitors' activities. If the effect of foreign exchange differences is excluded, the category records 0.1% lower sales,
- The increase in sales of the **Lino world category** of 2.5% is primarily impacted by the increase in sales of creamy spreads as a result of activities and innovation on the Lino Lada brand in the Croatian market, and the introduction of baby purees range that were not present in the comparative period. If the effect of foreign exchange differences is excluded, the category records 2.9% higher sales,
- The **Mediterranean food, condiments and core food category** recorded 0.4% higher sales, primarily as a result of the increase in sales of frozen vegetables in the market of Russia following the

[4]In Q2 2016, the fees contracted with customers for promotional, marketing and similar activities were reclassified from the position "Marketing expenses" to the decrease in the position "Sales revenues". Both periods were reclassified.
In Q1 2016, categories of the food segment were reorganized, see section "Additional tables for 1-9 2016".

successful implementation of the new business model and the start of the Food Solution[5] project in the Croatian market. This annulled the pressure on sales in the Adria region where some markets recorded a decrease in the overall market of some subcategories and the pressure of competitors and PL-s. If the effect of foreign exchange differences is excluded, the category records a 1.6% increase in sales,

- **The meat programme category** recorded 5.7% lower sales as a result, among other things, of restructuring the sausage programme. The restructuring put the focus on support to certain parts of the programme, which currently reflects on the amount of revenues compared to the comparative period, but in the long term it should result in keeping only those with the potential for growth and expected profitability rates. If the effect of foreign exchange differences is excluded, the category records a 5.3% sales decrease,
- **The bakery and mill products category** records 2.3% higher sales due to increased activities in the Slovenian market and extended distribution and product range in European markets. If the effect of foreign exchange differences is excluded, the category records a 3.5% increase in sales,
- **The prescription drugs category** recorded a 5.9% sales growth following the further expansion of business cooperation on the Russian market and the expansion of heart and blood vessels assortment on the market of Bosnia and Herzegovina. The negative impact of the decrease in prices of prescription drugs by the Croatian Health Insurance Fund amounted to estimated HRK 2.9 million. If the effect of foreign exchange differences is excluded, the category records a 10.1% increase in sales,
- Sales of the **non-prescription programme category** grew by 1.0%, primarily as a result of the increase in sales of the OTC subcategory in the market of Russia following the expansion of business cooperation, and in the market of Slovenia due to extended product range. If the effect of foreign exchange differences is excluded, the category records a 3.5% increase in sales,
- The **other sales category** recorded 10.2% lower sales, due to the decreased scope of cooperation in the area of private labels in the food segment and the changed business policy of the pharmaceuticals segment, with a stronger focus on own brands. If the effect of foreign exchange differences is excluded, the category records 9.3% lower sales.

[5]Due to the current immateriality, Food Solution is not set as a separate category and will be temporarily monitored within the Mediterranean food, condiments and core food category.



Sales revenues by region in 1-9 2016

Sales revenues[6] by Regions

(in HRK millions)	1-9 2016	1-9 2015 pro-forma	1-9 2015	1-9 2016/ 1-9 2015 pro-forma	1-9 2016/ 1-9 2015
Adria region	**2,195.1**	**2,272.9**	**1,767.0**	**(3.4%)**	**24.2%**
Food	*1,756.2*	*1,813.7*	*1,307.8*	*(3.2%)*	*34.3%*
Pharmaceuticals	*438.8*	*459.2*	*459.2*	*(4.4%)*	*(4.4%)*
Europe region	**553.0**	**558.1**	**480.0**	**(0.9%)**	**15.2%**
Food	*515.9*	*520.2*	*442.0*	*(0.8%)*	*16.7%*
Pharmaceuticals	*37.0*	*38.0*	*38.0*	*(2.5%)*	*(2.5%)*
Russia, CIS and Baltic region	**175.5**	**116.1**	**113.1**	**51.2%**	**55.2%**
Food	*92.6*	*55.2*	*52.2*	*67.7%*	*77.3%*
Pharmaceuticals	*82.9*	*60.9*	*60.9*	*36.2%*	*36.2%*
New Markets region	**107.3**	**106.5**	**102.0**	**0.8%**	**5.2%**
Food	*100.4*	*100.2*	*95.8*	*0.2%*	*4.8%*
Pharmaceuticals	*6.9*	*6.3*	*6.3*	*9.9%*	*9.9%*
Podravka Group	**3,030.9**	**3,053.7**	**2,462.2**	**(0.7%)**	**23.1%**

Pro-forma sales revenues by region (1-9 2016 compared to pro-forma 1-9 2015):

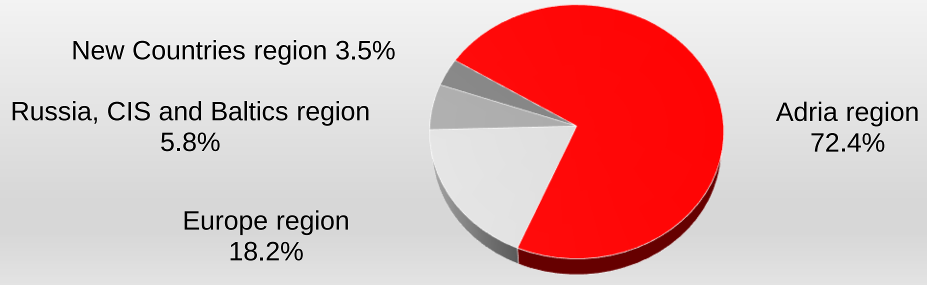
- The **Adria region** recorded 3.4% lower sales, while if the effect of foreign exchange differences is excluded, sales are 2.8% lower. In the food segment, the main negative impacts on sales were as follows: (i) the decrease in the overall market of some key subcategories, (ii) the restructuring of the meat programme, reflected on the level of revenue compared to the comparative period, (iii) lower results of the beverages subcategory due to decreased support to this range compared to previous

[6]In Q2 2016, the fees contracted with customers for promotional, marketing and similar activities were reclassified from the position “Marketing expenses” to the decrease in the position “Sales revenues”. Both periods were reclassified.

periods, and (iv) decreased scope of cooperation in the area of private labels. Trends in the entire region indicate the strengthening of private labels that force branded producers to adapt prices, leading to the decrease in the value of entire market categories. According to the research conducted by Nielsen, 53% of Podravka's strategic subcategories in the Adria region recorded value drops compared to the comparative period, while Podravka's shares are stable or increasing in 91% of strategic subcategories. The company aims to compensate for the decrease in the overall market of some subcategories by innovation of new products or entering new categories such as Food Solution. However, it is evident that the region offers a highly limited potential for organic growth in the food segment. Total revenues of the pharmaceuticals segment were negatively impacted by the decrease in sales of trade goods, resulting from the focus on own brands in the market of Bosnia and Herzegovina, while own brands also recorded a sales growth,

- The sales of the **Europe region** were 0.9% lower than in the comparative period, while if the effect of foreign exchange differences is excluded, they are 0.5% higher. This result is primarily a consequence of the change of the distributor in Western Europe in the food segment, leading to certain changes in the usual dynamics of deliveries, which could not be compensated by the increase in sales of food in Central Europe. We expect that until the end of the year the dynamics of deliveries in Western Europe will return to usual levels. Sales of the pharmaceuticals segment were negatively impacted by the results in the Polish market due to activities of the existing and new competitors,
- The **Russia, CIS and Baltic region** recorded 51.2% higher sales, with equal contributions by food and pharmaceuticals 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 observed period recorded expanded business cooperation in the market of Russia. Excluding foreign exchange differences, the region sales are 74.2% higher,
- The sales of the **New Markets region** grew by 0.8%, while if the effect of foreign exchange differences is excluded, the region records a 2.8% sales growth. A portion of the traditional food range had a different dynamics of deliveries than in the comparative period, which impacted the this-year's results, while the new Žito's product range recorded the expansion of distribution and range in new markets. New markets opened last year are in the final phase of meeting all prerequisites for the normal commencement of operations and from the next year we expect their visible contribution to revenues.

Sales revenues by region in 1-9 2016



Profitability in 1-9 2016

Note: The consolidation of the income statement of the Žito Group into the Podravka Group began as of 1 October 2015. As a result, the reported income statements of the Strategic Business Area Food and the Podravka Group for 1-9 2016 are not fully comparable to 1-9 2015.

Profitability of the Strategic Business Area Food in 1-9 2016

Profitability of the Strategic Business Area Food					
(in HRK millions)	**1-9 2016**	**1-9 2015 pro-forma**	**1-9 2015**	**1-9 2016/ 1-9 2015 pro-forma**	**1-9 2016/ 1-9 2015**
Sales revenue[7]	2,465.2	2,489.3	1,897.8	(1.0%)	29.9%
Gross profit	810.3	805.4	669.1	0.6%	21.1%
EBITDA*	238.0	254.2	209.8	(6.3%)	13.5%
EBIT	133.1	67.3	130.1	97.7%	2.3%
Net profit after MI	99.1	46.6	110.5	112.7%	(10.3%)
Gross margin	32.9%	32.4%	35.3%	+52 bp	-238 bp
EBITDA margin	9.7%	10.2%	11.1%	-55 bp	-140 bp
EBIT margin	5.4%	2.7%	6.9%	+269 bp	-146 bp
Net margin after MI	4.0%	1.9%	5.8%	+215 bp	-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.

Profitability of the Strategic Business Area Food (1-9 2016 compared to pro-forma 1-9 2015):

- In the period 1-9 2016, despite the negative impact of foreign exchange differences of HRK 33.3 million on sales, the food segment recorded an increase in **gross profit** and gross margin. The increase in gross profit, despite the negative impact of foreign exchange differences, was significantly impacted by the decrease in prices of certain raw materials, whereby the cost of goods sold was 1.7% lower than in the comparative period,
- In the period 1-9 2016, **operating profit (EBIT)** recorded a significant growth of 97.7% compared to the comparative period that was under the positive effects of the consolidation of Mirna[8] of HRK 24.8 million and the negative effect of the impairment of Žito's assets[9] of HRK 78.0 million. If these two effects from the comparative period are excluded, the growth in operating profit of 10.4% was

[7]In Q2 2016, the fees contracted with customers for promotional, marketing and similar activities were reclassified from the position "Marketing expenses" to the decrease in the position "Sales revenues". Both periods were reclassified.
[8]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.
[9]During the Žito acquisition process, Žito's assets were valued and a portion of the assets was impaired in the amount of HRK 78.0 million, charged to the period 1-9 2015.

achieved, positively impacted, among other things, by 2.3% lower total operating expenses (excluding the cost of goods sold and impairment of Žito's assets), primarily due to lower selling and distribution costs,

- **Net profit after minority interests** in the period 1-9 2016 was, in addition to the previously mentioned factors, positively impacted by deferred tax liability of HRK 14.7 million following the consolidation of Danica. If the stated impacts of Mirna, Žito and Danica are excluded from 1-9 2015, in the period 1-9 2016, a 16.4% higher net profit after minorities was recorded, positively impacted, in addition to the previously mentioned factors, by lower finance costs.

Profitability of the Strategic Business Area Pharmaceuticals in 1-9 2016

Profitability of the Strategic Business Area Pharmaceuticals			
(in HRK millions)	**1-9 2016**	**1-9 2015**	**% change**
Sales revenue[10]	565.7	564.3	0.2%
Gross profit	293.8	288.2	1.9%
EBITDA*	99.3	66.7	48.9%
EBIT	68.2	36.7	85.7%
Net profit after MI	43.1	20.5	110.0%
Gross margin	51.9%	51.1%	+87 bp
EBITDA margin	17.6%	11.8%	+574 bp
EBIT margin	12.0%	6.5%	+555 bp
Net margin after MI	7.6%	3.6%	+398 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.

Profitability of the Strategic Business Area Pharmaceuticals (1-9 2016 compared to 1-9 2015):

- In the period 1-9 2016, the pharmaceuticals segment recorded an increase in **gross profit** and gross margin, under the positive impact of 1.7% lower cost of goods sold. Lower cost of goods sold is a result of the changed business strategy of the company Farmavita, where the business focus was put primarily on own brands, and the resulting decreased distribution of trade goods,

- **Operating profit (EBIT)** in the period under consideration grew by significant 85.7% as it was positively impacted, in addition to the previously mentioned factors, by 10.4% lower total operating expenses (excluding the cost of goods sold) as a result of lower staff costs and foreign exchange gains on trade receivables and payables,

[10]In Q2 2016, the fees contracted with customers for promotional, marketing and similar activities were reclassified from the position "Marketing expenses" to the decrease in the position "Sales revenues". Both periods were reclassified.

- In 1-9 2016, **net profit after minority interests** recorded a significant growth in absolute and relative amounts. The positive impact, in addition to the previously mentioned factors, was made by a slight decrease in net finance costs, while the effective tax rate in 1-9 2016 was at the statutory rate level.

Profitability of the Podravka Group in 1-9 2016

Profitability of the Podravka Group					
(in HRK millions)	**1-9 2016**	**1-9 2015 pro-forma**	**1-9 2015**	**1-9 2016/ 1-9 2015 pro-forma**	**1-9 2016/ 1-9 2015**
Sales revenues[11]	3,030.8	3,053.7	2,462.2	(0.7%)	23.1%
Gross profit	1,104.1	1,093.5	957.2	1.0%	15.3%
EBITDA*	337.4	320.8	276.5	5.2%	22.0%
EBIT	201.2	104.0	166.8	93.5%	20.6%
Net profit after MI	142.2	67.1	131.0	111.9%	8.6%
Gross margin	36.4%	35.8%	38.9%	+62 bp	-245 bp
EBITDA margin	11.1%	10.5%	11.2%	+62 bp	-10 bp
EBIT margin	6.6%	3.4%	6.8%	+323 bp	-14 bp
Net margin after MI	4.7%	2.2%	5.3%	+249 bp	-63 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.

Pro-forma profitability of the Podravka Group (1-9 2016 compared to 1-9 2015):

- In the period 1-9 2016, despite negative effect of foreign exchange differences of HRK 51.5 million on sales revenues, the Podravka Group recorded the increase in **gross profit** and gross margin, which was positively impacted by the decrease in prices of certain raw materials and the decrease in the distribution of trade goods in the company Farmavita,
- **Operating profit (EBIT)** of the Podravka Group in the period 1-9 2016 recorded a significant growth of 93.5% compared to the comparative period that was positively impacted by the consolidation of Mirna of HRK 24.8 million and negatively impacted by the impairment of Žito's assets of HRK 78.0 million. If we exclude these two effects from the comparative period, the operating profit increased by 28.0%, as positively affected, among other things, by 4.4% lower total operating expenses (excluding the cost of goods sold and the impairment of assets of Žito),
- In the period 1-9 2015, **net profit after minority interests** was, in addition to the previously mentioned factors, positively impacted by deferred tax liability in the amount of HRK 14.7 million following the consolidation of Danica. If the stated impacts of Mirna, Žito and Danica are excluded

[11] In Q2 2016, the fees contracted with customers for promotional, marketing and similar activities were reclassified from the position "Marketing expenses" to the decrease in the position "Sales revenues". Both periods were reclassified.

from 1-9 2015, in the period 1-9 2016, a 34.6% higher net profit after minorities was recorded, positively impacted, in addition to the previously mentioned factors, by lower finance costs.

Key characteristics of the pro-forma income statement in 1-9 2016

Note: The consolidation of the income statement of the Žito Group into the Podravka Group began as of 1 October 2015. Consequently, the reported income statement of the Podravka Group in 1-9 2016 is not fully comparable to 1-9 2015. **For the purpose of a transparent operations presentation, the income statement table in the "Consolidated financial statements in 1-9 2016" section presents the reported income statement of the Podravka Group, while the remaining portion of this section presents the income statement on the pro-forma level, as if the Žito Group had been consolidated since the beginning of 2015.**

Other income

In the period under consideration, other income is 71.7% 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 the period 1-9 2016, cost of goods sold is 1.7% lower compared to 1-9 2015 primarily due to a decrease in prices of certain raw materials and the decrease in the distribution of trade goods in the company Farmavita.

General and administrative expenses

In the observed period, general and administrative expenses were 1.4% higher than in the comparative period due to, among other things, higher costs related to opening of new markets that were not present in the comparative period.

Selling and distribution costs

Selling and distribution costs in the observed period are 2.2% lower than in the comparative period, and the positive impact is, among other things, attributed to the optimisation of rental expenses and transportation costs.

Marketing expenses

In the observed period, marketing expenses are 0.7% lower, primarily due to decreased marketing activities in the pharmaceuticals segment in the markets of the CIS due to deteriorating business climate.

Other expenses

Due to foreign exchange gains on trade receivables and payables in the pharmaceuticals segment, other expenses in 1-9 2016 positively affected the result, while in the comparative period they were burdened by the impairment cost on Žito's assets of HRK 78.0 million.

Net finance costs

In the period 1-9 2016, net finance costs were 22.1% lower than in the comparative period, as a result of lower interest expense on borrowings and foreign exchange gains on borrowings.

Income tax

Income tax of the Podravka Group in the observed period is 3.4 times higher than in the comparative period that was positively impacted by deferred tax liability of HRK 14.7 million, following the consolidation of Danica.

Key characteristics of the balance sheet as at 30 September 2016

Property, plant and equipment

As at 30 September 2016, property, plant and equipment of the Podravka Group were 9.9% 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 30 September 2016 were 8.6% higher than on 31 December 2015. Since the Žito Group was not consolidated on 30 September 2015, the balance of inventories is not comparable to the balance on that date. However, if we compared the balance of inventories with 30 September 2015, excluding the Žito Group, a mild increase in inventories is evident, due to the increase in inventories of raw materials in the Belupo Group, aimed at ensuring the continuity of production, but generally there were no significant departures.

Trade and other receivables

As at 30 September 2016, trade and other receivables of the Podravka Group were 3.4% lower than as at 31 December 2015. Since the Žito Group was not consolidated on 30 September 2015, the balance of trade and other receivables is not comparable to the balance on that date. However, if we compared the balance of trade and other receivables with 30 September 2015, excluding the Žito Group, their decrease is evident, resulting from, among other things, more efficient collection of receivables in the pharmaceuticals segment.

Cash and cash equivalents

Cash and cash equivalents of the Podravka Group at the end of the observed period are 24.8% lower compared to the end of 2015, as explained in the "Key characteristics of the cash flow statement in 1-9 2016".

Non-controlling interests

Non-controlling interests in the Podravka Group as at 30 September 2016 were 28.8% 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 as at 30 September 2016 were 1.1% lower compared to the end of 2015. This is consequence of transferring a portion of long-term borrowings to the "current portion of long-term borrowings" position within short-term borrowings.

Trade and other payables

Trade and other payables of the Podravka Group are 9.3% lower compared to the end of 2015. Since the Žito Group was not consolidated on 30 September 2015, the balance of trade and other payables is not comparable to the balance on that date. However, if we compared the balance of trade and other payables with 30 September 2015, excluding the Žito Group, their decrease is evident, resulting from further adjustment with the prescribed terms of payments to suppliers.

Short-term borrowings

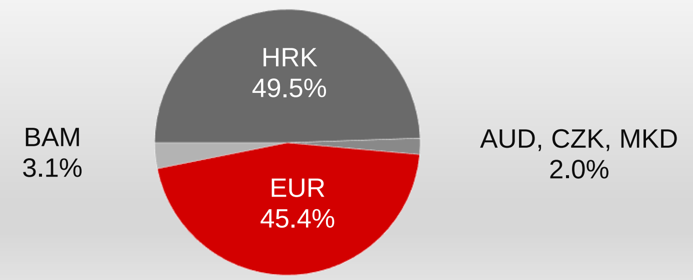
Borrowings of the Podravka Group within current liabilities as at 30 September 2016 were 36.5% higher than as at 31 December 2015, as a consequence, among other things, of transferring a portion of long-term borrowings to the "current portion of long-term borrowings" position.

Indebtedness

As at 30 September 2016, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities was HRK 1,375,046 thousand, of which HRK 744,187 thousand relates to long-term borrowings, HRK 627,381 thousand to short-term borrowings, and HRK 3,478 thousand to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 30 September 2016 was 2.5%.

Analysing the debt currency structure, the highest exposure, of 49.5% was toward the domestic currency, while 45.4% of the debt was in the Euro. 3.1% of the debt was in the Bosnia and Herzegovina mark, while the remainder of 2.0% relates to the Australian dollar (AUD), Czech koruna (CZK) and Macedonian denar (MKD).

Currency structure of debt as at 30 September 2016



*(in HRK thousands)**	**1-9 2016**	**2015**	**% change**
Net debt	1,155,646	922,380	25.3%
TTM interest expense	34,993	36,918	(5.2%)
Net debt / TTM EBITDA	2.2	2.0	10.9%
EBITDA / Interest expense	15.1	12.7	19.2%
Equity to total assets ratio	56.6%	57.0%	-38 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. 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 to exclude one-off items, the ratio of net debt and EBITDA in 1-9 2016 would have been 2.5, while the ratio of EBITDA and interest expense would have been 13.4.

Key characteristics of the cash flow statement in 1-9 2016

Net cash flow from operating activities

Net cash flow from operating activities in 1-9 2016 amounted to HRK 299.3 million, where the negative impact came from the increase in inventories, and the positive impact from the decrease in receivables and increase in liabilities.

Net cash flow from investing activities

Net cash flow from investing activities in the period under consideration amounted to negative HRK 387.8 million. This is primarily the result of capital expenditure amounting to HRK 383.7 million. The most significant **capital expenditure** in 1-9 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 meet the increasing market needs and ensure competitiveness and market position of Belupo,
- 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.
- Food Solution Project – the investment relates to the construction of the central kitchen and adaptation of the cafeteria in the administration building. The project will enable the extension of the product range intended for the gastro segment and earning additional revenues,
- Modernisation of the sterilised vegetables line – the investment of the Kalnik factory that ensures the continuity of production, increases the efficiency, decreases the inventories losses and increases the safety of production and quality of finished products,
- Factory of seasonings in Tanzania – continuation of activities started in 2015. The investment relates to the construction of the production plant for food seasonings in Tanzania. The investment will enable the expansion of production capacities and operations to international markets.

In 2016, **capital expenditure is expected** to be at a level of HRK 500 – 600 million, in 2017 at a level of HRK 300 – 350 million, and in 2018 at a level of HRK 250 – 300 million.

Net cash flow from financing activities

In the period 1-9 2016, net cash flow from financing activities amounted to HRK 16.0 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.

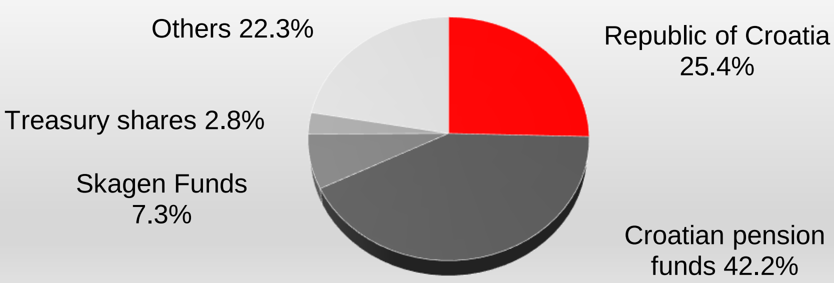
Share in 1-9 2016

List of top 10 shareholders as at 30 September 2016

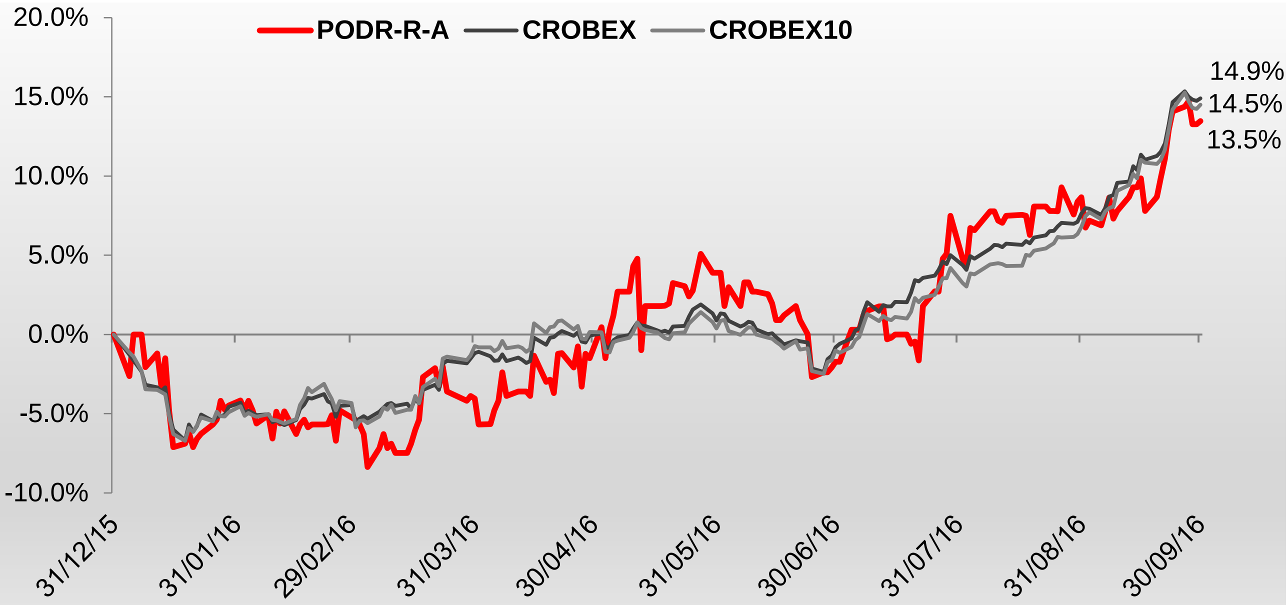
No.	Shareholder	Number of shares	% of ownership
1	AZ mandatory pension fund, category B	902,874	12.7%
2	PBZ Croatia Osiguranje mandatory pension fund, category B	774,202	10.9%
3	SPMA - Croatian Pension Insurance Institute	727,703	10.2%
4	SPMA - Republic of Croatia	674,461	9.5%
5	Erste Plavi mandatory 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	201,400	2.8%
10	AZ Profit voluntary pension fund	111,752	1.6%
	Other shareholders	1,735,975	24.4%
	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 30 September 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 30 September 2016. The company has 2.8% 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 2016



Share price movement in 1-9 2016



(closing price in HRK; closing points)	**30 September 2016**	**31 December 2015**	**% change**
PODR-R-A	379.0	334.0	13.5%
CROBEX	1,941.3	1,689.6	14.9%
CROBEX10	1,132.8	989.3	14.5%

In the period 1-9 2016, the price of Podravka's share which grew by 13.5% followed the growth in domestic stock indices Crobex and Crobex10, which grew by 14.9% and 14.5%, respectively.

Performance in the Croatian capital market in 1-9 2016

(in HRK; in units) [12]	**1-9 2016**	**1-9 2015**	**% change**
Average daily price	341.6	313.2	9.1%
Average daily number of transactions	10	12	(16.3%)
Average daily volume	1.181	1,778	(33.6%)
Average daily turnover	403,402.5	556,803.7	(27.6%)

In the period 1-9 2016, the average daily price of the Podravka's share was 9.1% higher than in the comparative period. At the same time, the average daily number of transactions, volume and turnover was lower.

[12] 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.

Valuation

*(in HRK millions; earnings per share in HRK)**	**1-9 2016**	**2015**	**% change**
Last price	379.0	334.0	13.5%
Market capitalization	2,628.4	2,000.0	31.4%
EV[13]	3,832.2	2,990.0	28.2%
Earnings per share[14]	58.9	66.4	(11.2%)
EV / Sales revenue	0.9	0.8	10.8%
EV / EBITDA	7.2	6.4	13.4%
EV / EBIT	12.0	10.5	14.4%
Last price / Earnings per share ratio	6.4	5.0	27.8%

***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 one-off items, the above indicators for the period 1-9 2016 would have amounted to: EV / Sales revenue = 0.9, EV / EBITDA = 8.2, EV / EBIT = 14.8 and P / E = 13.1.

[13]Enterprise value: Market Capitalization + Net debt + Minority interests.
[14]Calculated based on the average weighted number of shares in the last 12 months which was 6,935,102 in 1-9 2016, and 5,987,697 in 2015.

Additional tables for 1-9 2016

Sales revenues by category in 1-9 2016[15]

(in HRK millions)	1-9 2016	% of sales revenues	1-9 2015	% of sales revenues	% change
SBA Food	**2,465.2**	**81.3%**	**1,897.8**	**77.1%**	**29.9%**
Culinary	649.6	21.4%	628.0	25.5%	3.4%
Sweets, cereals for adults, snacks and drinks	249.5	8.2%	188.4	7.7%	32.5%
Lino world	179.0	5.9%	174.6	7.1%	2.5%
Mediterranean food, condiments and core food	524.3	17.3%	448.9	18.2%	16.8%
Meat programme	207.0	6.8%	219.6	8.9%	(5.7%)
Bakery and mill products	314.9	10.4%	38.3	1.6%	721.5%
Other sales	340.8	11.2%	200.1	8.1%	70.4%
SBA Pharmaceuticals	**565.6**	**18.7%**	**564.3**	**22.9%**	**0.2%**
Prescription drugs	402.9	13.3%	380.5	15.5%	5.9%
Non-prescription programme	64.8	2.1%	64.1	2.6%	1.0%
Other sales	98.0	3.2%	119.7	4.9%	(18.2%)
Podravka Group	**3,030.9**	**100.0%**	**2,462.2**	**100.0%**	**23.1%**

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),

[15] In Q2 2016, the fees contracted with customers for promotional, marketing and similar activities were reclassified from the position “Marketing expenses” to the decrease in the position “Sales revenues”. Both periods were reclassified.

(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:** table includes only Podravka Group assortment. Stated revenues are not decreased by the amount of reclassified portion of marketing expenses.

Sales revenues by region in 1-9 2016[16]

(in HRK millions)	1-9 2016	% of sales revenues	1-9 2015	% of sales revenues	% change
Adria region	**2,195.1**	**72.4%**	**1,767.0**	**71.8%**	**24.2%**
Croatia	1,022.4	33.7%	1,043.4	42.4%	(2.0%)
Slovenia	567.9	18.7%	127.8	5.2%	344.3%
Bosnia and Herzegovina	337.3	11.1%	340.3	13.8%	(0.9%)
Other markets	267.4	8.8%	255.5	10.4%	4.7%
Europe region	**553.0**	**18.2%**	**480.0**	**19.5%**	**15.2%**
Central Europe	349.3	11.5%	347.0	14.1%	0.7%
Western Europe	203.6	6.7%	132.9	5.4%	53.2%
Russia, CIS and Baltic region	**175.5**	**5.8%**	**113.1**	**4.6%**	**55.2%**
Russia	161.6	5.3%	102.0	4.1%	58.5%
Other markets	13.9	0.5%	11.1	0.5%	24.9%
New Markets region	**107.3**	**3.5%**	**102.0**	**4.1%**	**5.2%**
Podravka Group	**3,030.9**	**100.0%**	**2,462.2**	**100.0%**	**23.1%**

[16]In Q2 2016, the fees contracted with customers for promotional, marketing and similar activities were reclassified from the position “Marketing expenses” to the decrease in the position “Sales revenues”. Both periods were reclassified.

Consolidated financial statements in 1-9 2016

Consolidated Profit and Loss Statement in 1-9 2016

(in HRK thousands)	**1-9 2016**	**% of sales revenues**	**1-9 2015**	**% of sales revenues**	**% change**
Sales revenue	3,030,845	100.0%	2,462,170	100.0%	23.1%
Cost of goods sold	(1,926,773)	(63.6%)	(1,504,958)	(61.1%)	28.0%
Gross profit	**1,104,072**	**36.4%**	**957,212**	**38.9%**	**15.3%**
Other income	13,423	0.4%	41,473	1.7%	(67.6%)
General and administrative expenses	(236,462)	(7.8%)	(204,541)	(8.3%)	15.6%
Selling and distribution costs	(418,407)	(13.8%)	(346,957)	(14.1%)	20.6%
Marketing expenses	(265,822)	(8.8%)	(250,873)	(10.2%)	6.0%
Other expenses	4,436	0.1%	(29,472)	(1.2%)	n/a
Operating profit	**201,239**	**6.6%**	**166,842**	**6.8%**	**20.6%**
Financial income	2,318	0.1%	2,177	0.1%	6.5%
Other financial expenses	(6,178)	(0.2%)	(5,542)	(0.2%)	11.5%
Interest expenses	(24,971)	(0.8%)	(27,469)	(1.1%)	(9.1%)
Net foreign exchange differences on borrowings	8,065	0.3%	4,232	0.2%	90.6%
Net finance costs	**(20,766)**	**(0.7%)**	**(26,602)**	**(1.1%)**	**(21.9%)**
Profit before tax	**180,473**	**6.0%**	**140,240**	**5.7%**	**28.7%**
Current income tax	(13,948)	(0.5%)	(24,187)	(1.0%)	(42.3%)
Deferred tax	(19,865)	(0.7%)	15,089	0.6%	n/a
Income tax	**(33,813)**	**(1.1%)**	**(9,098)**	**(0.4%)**	**271.6%**
Net profit for the year	**146,660**	**4.8%**	**131,142**	**5.3%**	**11.8%**
Net profit / (loss) attributable to:					
Equity holders of the parent	**142,191**	**4.7%**	**130,977**	**5.3%**	**8.6%**
Non-controlling interests	(4,469)	(0.1%)	(165)	(0.0%)	2602.8%

Consolidated Balance Sheet as at 30 September 2016

(in HRK thousands)	30 Sep. 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	10,120	0.2%	0	0.0%	n/a
Intangible assets	273,933	5.4%	284,511	5.8%	(3.7%)
Property, plant and equipment	2,130,226	41.9%	1,937,978	39.2%	9.9%
Deferred tax assets	206,274	4.1%	230,946	4.7%	(10.7%)
Non-current financial assets	16,407	0.3%	18,715	0.4%	(12.3%)
Total non-current assets	**2,663,251**	**52.4%**	**2,498,440**	**50.5%**	**6.6%**
Current assets					
Inventories	850,678	16.7%	783,490	15.8%	8.6%
Trade and other receivables	1,076,223	21.2%	1,113,551	22.5%	(3.4%)
Financial assets at fair value through profit and loss	2,011	0.0%	215	0.0%	835.3%
Income tax receivable	4,722	0.1%	34,617	0.7%	(86.4%)
Cash and cash equivalents	219,400	4.3%	291,877	5.9%	(24.8%)
Non-current assets held for sale	266,119	5.2%	223,561	4.5%	19.0%
Total current assets	**2,419,153**	**47.6%**	**2,447,311**	**49.5%**	**(1.2%)**
Total assets	**5,082,404**	**100.0%**	**4,945,751**	**100.0%**	**2.8%**

(in HRK thousands)	30 Sep. 2016	% of liabilities	31 Dec. 2015	% of liabilities	% of change
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,676,065	33.0%	1,685,955	34.1%	(0.6%)
Reserves	609,138	12.0%	549,840	11.1%	10.8%
Retained earnings	543,103	10.7%	514,250	10.4%	5.6%
Attributable to equity holders of the parent	**2,828,306**	**55.6%**	**2,750,045**	**55.6%**	**2.8%**
Non-controlling interests	48,196	0.9%	67,712	1.4%	(28.8%)
Total shareholders' equity	**2,876,502**	**56.6%**	**2,817,757**	**57.0%**	**2.1%**
Non-current liabilities					
Borrowings	744,187	14.6%	752,244	15.2%	(1.1%)
Provisions	63,551	1.3%	64,126	1.3%	(0.9%)
Other long term liability	20,321	0.4%	19,611	0.4%	3.6%
Deferred tax liability	53,668	1.1%	56,475	1.1%	(5.0%)
Total non-current liabilities	**881,727**	**17.3%**	**892,456**	**18.0%**	**(1.2%)**
Current liabilities					
Trade and other payables	663,533	13.1%	731,969	14.8%	(9.3%)
Income tax payable	3,491	0.1%	2,251	0.0%	55.1%
Financial liabilities at fair value through profit and loss	3,478	0.1%	2,469	0.0%	40.9%
Borrowings	627,381	12.3%	459,544	9.3%	36.5%
Provisions	26,292	0.5%	39,305	0.8%	(33.1%)
Total current liabilities	**1,324,175**	**26.1%**	**1,235,538**	**25.0%**	**7.2%**
Total liabilities	**2,205,902**	**43.4%**	**2,127,994**	**43.0%**	**3.7%**
Total equity and liabilities	**5,082,404**	**100.0%**	**4,945,751**	**100.0%**	**2.8%**

Consolidated Cash Flow Statement in 1-9 2016

(in HRK thousands)	1-9 2016	1-9 2015	% change
Profit / (loss) for the year	146,660	131,141	11.8%
Income tax	33,815	9,099	271.6%
Depreciation and amortization	136,133	101,224	34.5%
Impairment (profit) / loss on property, plant, equipment and intangibles	0	(502)	n/a
Impairment (profit) / loss on assets held for sale	(222)	8,738	n/a
Favourable purchase gain	0	(24,765)	n/a
Remeasurement of financial instruments at fair value	1,224	(735)	n/a
Share based payment transactions	2,852	233	1123.9%
(Profit) / Loss from the sale of shares	(18)	0	n/a
(Profit) / Loss on disposal of property, plant, equipment and intangibles	(718)	(1,376)	(47.8%)
(Profit) / Loss on disposal of assets held for sale	(686)	(892)	(23.1%)
Impairment of trade receivables	3,698	7,030	(47.4%)
Adjustment of capital premium - options	0	(275)	n/a
(Decrease) / Increase in provisions	(13,583)	(17,139)	(20.7%)
Interest income	(2,320)	(2,177)	6.6%
Interest expense	31,151	33,011	(5.6%)
Effect of changes in foreign exchange rates	(10,473)	(6,801)	54.0%
Changes in working capital:			
(Increase) / decrease in inventories	(66,545)	(78,022)	(14.7%)
(Increase) / decrease in receivables	49,860	(83,637)	n/a
Increase / (Decrease) in payables	19,971	1,699	1075.4%
Cash generated from operating activities	**330,797**	**75,855**	**336.1%**
Income tax paid	(241)	(10,621)	(97.7%)
Interest paid	(31,242)	(32,943)	(5.2%)
Net cash from operating activities	**299,314**	**32,291**	**826.9%**
Cash flow from investing activities			
Purchase of equity securities	(7,748)	(2,848)	172.0%
Acquisition of subsidiaries, net of cash acquired	0	72	n/a
Purchase of property, plant, equipment and intangibles	(383,719)	(144,710)	165.2%
Acquisition of assets held for sale	0	(3,733)	n/a
Sale of marketable securities	672	0	n/a
Proceeds from sale of property, plant, equipment and intangibles	1,916	5,895	(67.5%)
Loans receivables	(277)	(397)	(30.2%)
Repayment of loans receivable	1,009	268	276.5%
Proceeds from other investments	(2,011)	(140,080)	(98.6%)
Collected interest	2,320	2,177	6.6%
Net cash from investing activities	**(387,838)**	**(283,356)**	**36.9%**
Cash flow from financing activities			
Dividends paid	(48,480)	0	n/a
Purchase of treasury shares	(12,976)	(3,571)	263.4%
Sale of treasury shares	3,308	3,011	9.9%
Proceeds from borrowings	468,726	229,520	104.2%
Repayment of borrowings	(394,531)	(314,964)	25.3%
Proceeds of issue shares - capital	0	374,000	n/a
Proceeds of issue shares - capital premium	0	132,394	n/a
Net cash from financing activities	**16,046**	**420,390**	**(96.2%)**
Net (decrease) / increase of cash and cash equivalents	**(72,477)**	**169,325**	**n/a**
Cash and cash equivalents at the beginning of the year	291,877	220,478	32.4%
Cash and cash equivalents at the end of year	**219,400**	**389,803**	**(43.7%)**

Consolidated Statement of Changes in Equity in 1-9 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)	-	-	-	-	-	(225)	-	(225)	-	(225)
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**
Comprehensive income										
Profit for the year	-	-	-	-	-	-	142,191	142,191	4,469	146,660
Foreign exchange differences	-	-	-	-	-	(13,835)	-	(13,835)	(344)	(14,179)
Profit or loss from reevaluation of financial assets available for sale	-	-	-	-	-	148	-	148	-	148
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(13,687)**	**-**	**(13,687)**	**(344)**	**(14,031)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(13,687)**	**142,191**	**128,504**	**4,125**	**132,629**
Transactions with owners and transfers recognised directly in equity										
Allocation from retained earnings	-	-	11,006	-	8,548	45,303	(64,857)	(0)	-	(0)
Purchase of treasury shares	(12,976)	-	-	-	-	-	-	(12,976)	-	(12,976)
Exercise of options	234	-	-	-	-	-	-	234	-	234
Fair value of share-based payment transactions	2,852	-	-	-	-	-	-	2,852	-	2,852
Dividends paid	-	-	-	-	-	-	(48,480)	(48,480)	-	(48,480)
Additional acquisition of minority interests	-	-	-	-	-	8,128	-	8,128	(23,641)	(15,513)
Total transactions with owners recognised directly in equity	**(9,890)**	**-**	**11,006**	**-**	**8,548**	**53,431**	**(113,337)**	**(50,242)**	**(23,641)**	**(73,883)**
As at 30 September 2016	**1,676,065**	**147,604**	**41,937**	**189,738**	**55,555**	**174,304**	**543,103**	**2,828,306**	**48,196**	**2,876,502**

Notes to the Consolidated Financial Statements

During 2016 the company changed its accounting policy for revenue recognition to which sales is stated in amounts that are additionally reduced by contracted cost of marketing and sales promotion.

President of the Management Board:

Zvonimir Mršić

Statement of liability

Koprivnica, 25 October 2016

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of Podravka Group for the period January – September 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 – September 2016 were approved by the Management Board on 25 October 2016.

Accounting and Taxes Director:
Senka Laljek

Board Member:
Iva Brajević

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