



Podravka Group Business Results
for 1-6 2016 period



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Key financial indicators in H1 2016

<i>(in HRK millions)</i>	H1 2016	H1 2015 pro-forma	H1 2015	H1 2016/ H1 2015 pro-forma	H1 2016/ H1 2015
Sales revenues ¹	1,988.5	1,965.6	1,576.3	1.2%	26.2%
Gross profit	723.8	699.5	614.3	3.5%	17.8%
Gross profit margin	36.4%	35.6%	39.0%	+81 bp	-257 bp
EBITDA ²	222.0	221.4	196.1	0.3%	13.2%
EBITDA margin	11.2%	11.3%	12.4%	-10 bp	-128 bp
Net profit after MI	97.3	96.9	91.9	0.4%	5.8%
Net profit margin after MI	4.9%	4.9%	5.8%	-4 bp	-94 bp
Net cash flow from operating activities	142.0	34.9	(11.9)	307.4%	n/a
Capital expenditures	233.1	74.6	60.6	212.5%	284.7%

<i>(in HRK; market capitalization in HRK millions)*</i>	30 June 2016	31 December 2015	% change
Net debt / TTM EBITDA	2.1	2.0	5.0%
TTM earnings per share	59.0	66.4	(11.1%)
Last price at the end of period	328.2	334.0	(1.7%)
Market capitalization	2,241.3	2,000.0	12.1%
Return on average equity	14.4%	17.7%	-324 bp
Return on average assets	8.1%	9.4%	-126 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 H1 2015 period.

¹In 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.

²EBITDA 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 H1 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. 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.

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 H1 2016



In the **Culinary** category one of the focuses was renovation of the special seasonings with new benefits, new flavours and simplified dosing. Special seasonings range is divided into two lines: Vegeta Grill and Vegeta Twist, which enable a more focused communication to consumers depending on usage occasions. 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



also launched an innovative approach in communication with the aim to strengthen the emotional link with consumers through the 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 beginning of 2016 was launch of new cereal pure line Lino junior, targeting children from 12 months of age. Also, a new flavour, Lino pillows with jaffa filling, was launched within Lino breakfast cereals portfolio and among cream spreads, hit flavour Lino lada coconut was launched.



In the **Sweets, cereals for adults, snacks and drinks category**, in addition to the focus on flagship products, especially Dolcela puddings, through integrated communication with consumers, the extension of the product range continues. In the line for sweets decoration, new products include Dolcela fondant, and new flavours of puddings are this year's hit coconut flavour and Gourmet panna cotta with chunks of raspberry, and Dolcela *Ledeni vjetar* is added to the help for sweets category. 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. 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.



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 paštica, 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 half 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 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.





Overview of sales revenues in H1 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 H1 2016 are not fully comparable to H1 2015.

Sales revenues by Strategic Business Area in H1 2016

Sales revenues ³ by Strategic Business Area					
(in HRK millions)	H1 2016	H1 2015 pro-forma	H1 2015	H1 2016/H1 2015 pro-forma	H1 2016/H1 2015
SBA Food	1,609.5	1,588.0	1,198.7	1.4%	34.3%
Own brands	1,389.2	1,372.2	1,072.9	1.2%	29.5%
Other sales	220.3	215.8	125.8	2.1%	75.1%
SBA Pharma	379.1	377.6	377.6	0.4%	0.4%
Own brands	313.8	299.4	299.4	4.8%	4.8%
Other sales	65.2	78.2	78.2	(16.5%)	(16.5%)
Podravka Group	1,988.5	1,965.6	1,576.3	1.2%	26.2%
Own brands	1,703.0	1,671.6	1,372.3	1.9%	24.1%
Other sales	285.6	293.9	204.0	(2.9%)	40.0%

Strategic Business Area Food (H1 2016 compared to pro-forma H1 2015):

- **Own brands** recorded a 1.2% increase in sales mostly due to the increase in sales of the Mediterranean food, condiments and core food category of 3.0% and the increase in sales of the Bakery and mill products category of 5.1%. If the effect of foreign exchange differences is excluded, own brands record a 3.1% increase in sales,
- **Other sales** recorded 2.1% higher sales, primarily as a result of new projects in the trade goods subcategory. If the effect of foreign exchange differences is excluded, other sales record a 2.6% increase in sales,
- Consequently, **the food segment** recorded a 1.4% increase in sales. If the effect of foreign exchange differences is excluded, the food segment records a 3.0% increase in sales.

³In 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.



Strategic Business Area Pharmaceuticals (H1 2016 compared to H1 2015):

- **Own brands** recorded a 4.8% 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 10.2% increase in sales,
- **Other sales** are 16.5% lower as a result of the changed business policy, with stronger focus on own brands. If the effect of foreign exchange differences is excluded, other sales would record 16.1% lower sales,
- Consequently, the **pharmaceuticals segment** recorded 0.4% higher sales. If the effect of foreign exchange differences is excluded, the pharmaceuticals segment records a 4.7% increase in sales.

Podravka Group (H1 2016 compared to pro-forma H1 2015):

- **Own brands** of the Podravka Group recorded 1.9% higher sales in the observed period. If the effect of foreign exchange differences is excluded, own brands record a 4.3% increase in sales.
- The revenues from **other sales** are 2.9% lower, following lower other sales of pharmaceuticals. If the effect of foreign exchange differences is excluded, other sales record 2.3% lower sales,
- Consequently, sales of the **Podravka Group** recorded a 1.2% growth. If the effect of foreign exchange differences is excluded, the Podravka Group records a 3.3% increase in sales.

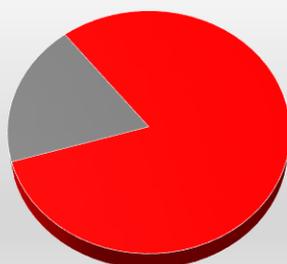
Net effect of currency exchange rates on sales by segments in H1 2016:

<i>(in HRK millions)</i>	Own brands	Other sales	Total
Food	(25.0)	(1.1)	(26.2)
Pharmaceuticals	(16.1)	(0.4)	(16.4)
Group	(41.1)	(1.5)	(42.6)

- 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 -25.6 million) and the Euro (HRK -5.9 million), while positive impacts of foreign exchange differences were not material.

Sales revenues by Strategic Business Area in H1 2016

Strategic Business Area
Pharmaceuticals
19.1%



Strategic Business Area
Food
80.9%



Sales revenues by category in H1 2016

Sales revenues by category ⁴					
(in HRK millions)	H1 2016	H1 2015 pro-forma	H1 2015	H1 2016/H1 2015 pro- forma	H1 2016/ H1 2015
Culinary	418.6	414.6	403.6	1.0%	3.7%
Sweets, cereals for adults, snacks and drinks	161.1	173.7	112.1	(7.3%)	43.8%
Lino world	114.5	111.8	111.8	2.4%	2.4%
Mediterranean food, condiments and core food	354.1	343.5	292.7	3.1%	21.0%
Meat programme	131.2	129.0	129.0	1.7%	1.7%
Bakery and mill products	209.7	199.6	23.8	5.1%	780.8%
Prescription drugs	268.5	255.7	255.7	5.0%	5.0%
Non-prescription programme	45.3	43.8	43.8	3.4%	3.4%
Other sales	285.6	293.9	204.0	(2.9%)	40.0%
Podravka Group	1,988.5	1,965.6	1,576.3	1.2%	26.2%

Pro-forma sales revenues by category (H1 2016 compared to pro-forma H1 2015):

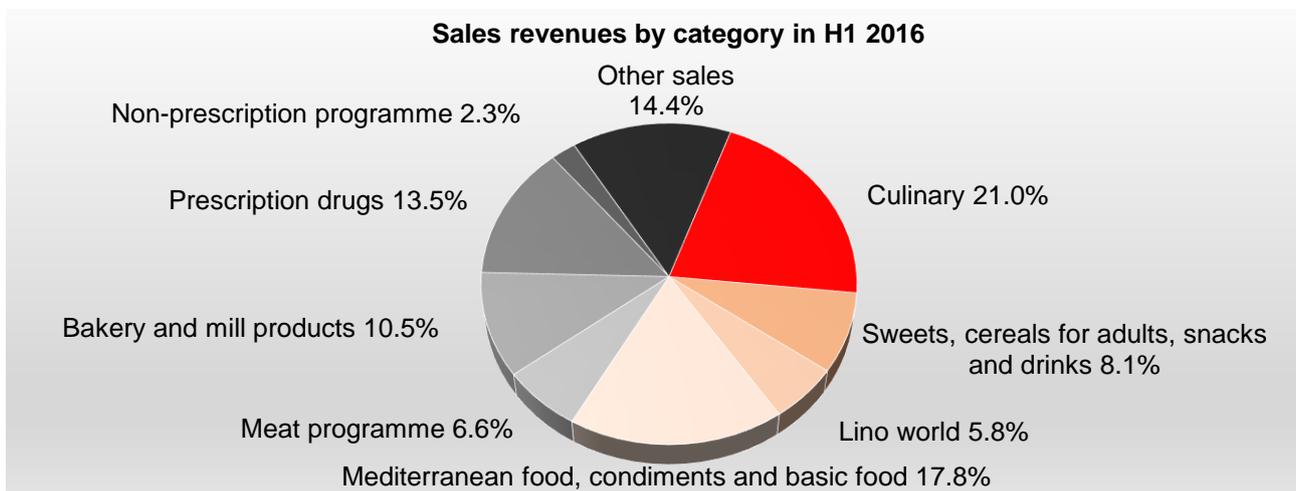
- **The culinary category** recorded an increase in sales of 1.0%, primarily due to the increase in sales of the universal and special seasonings subcategories. These subcategories recorded the most significant sales growth in Russia as a result of the successful implementation of the new business model, and in Poland due to intensive cycles of promotional activities related to the Vegeta brand. If the effect of foreign exchange differences is excluded, the category records a 4.3% increase in sales,
- The **sweets, cereals for adults, snacks and drinks category** recorded 7.3% lower sales, primarily as a result of lower sales of the confectionary subcategory, following the temporary change in delivery dynamics. If the effect of foreign exchange differences is excluded, the category records 6.7% lower sales,
- The increase in sales of the **Lino world category** of 2.4% 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 3.0% higher sales,
- The **Mediterranean food, condiments and core food category** recorded 3.1% higher sales, primarily as a result of the increase in sales of frozen vegetables, pasta and rice, and condiments. Frozen vegetables record a significant growth in the Russian market following the successful implementation of the new business model. Pasta and rice record growth due to increased activities related to these products in the Slovenian market, while condiments recorded the most significant growth in the market

⁴In 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 H1 2016".



of Germany due to the expanded distribution. If the effect of foreign exchange differences is excluded, the category records a 5.0% increase in sales

- **The meat programme category** recorded 1.7% higher sales as a result, among other things, of the extension of the pâté range distribution in the market of Russia. If the effect of foreign exchange differences is excluded, the category records a 2.6% increase in sales,
- **The bakery and mill products category** records 5.1% 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 6.0% increase in sales,
- **The prescription drugs category** recorded a 5.0% 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 2.3 million. If the effect of foreign exchange differences is excluded, the category records a 10.7% increase in sales,
- Sales of the **non-prescription programme category** grew by 3.4%, 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 7.1% increase in sales,
- The **other sales category** recorded 2.9% lower sales, primarily due to 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 2.3% lower sales.



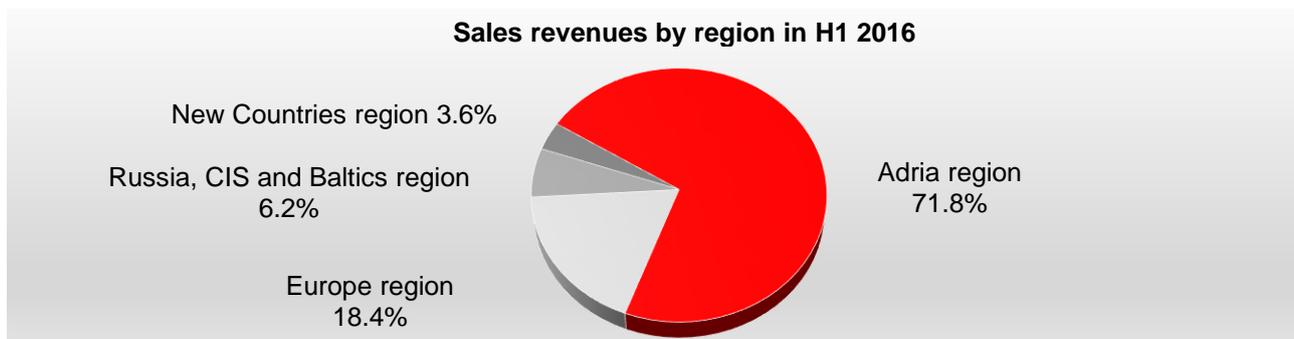


Sales revenues by region in H1 2016

Sales revenues ⁵ by region					
(in HRK millions)	H1 2016	H1 2015 pro-forma	H1 2015	H1 2016/H1 2015 pro-forma	H1 2016/H1 2015
Adria region	1,427.8	1,453.7	1,117.8	(1.8%)	27.7%
Europe region	365.4	366.0	316.7	(0.2%)	15.4%
Russia, CIS and Baltic region	123.5	75.0	73.4	64.7%	68.2%
New Countries region	71.8	70.9	68.3	1.2%	5.1%
Podravka Group	1,988.5	1,965.6	1,576.3	1.2%	26.2%

Pro-forma sales revenues by region (H1 2016 compared to pro-forma H1 2015):

- The **Adria region** recorded 1.8% lower sales primarily due to lower sales of the Mediterranean food, condiments and core food category, where the decrease in value of certain categories and pressure of private labels are recorded, and of trade goods in the pharmaceuticals segment due to the focus on own brands. If the effect of foreign exchange differences is excluded, the region records 1.1% lower sales,
- The sales of the **Europe region** were 0.2% below the comparative period, primarily as a result of lower other sales in the food segment and lower sales of the pharmaceuticals segment. This was mitigated by the increase in sales of own brands in the food segment due to the expansion of distribution and product range. If the effect of foreign exchange differences is excluded, the region records 1.3% higher sales,
- The **Russia, CIS and Baltic region** recorded 64.7% higher sales, with equal contribution 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 recorded expanded business cooperation in the market of Russia. Excluding foreign exchange differences, the region sales are 98.8% higher,
- The sales of the **New Markets region** grew by 1.2% due to the expanded distribution and the product range of the company Žito. Excluding foreign exchange differences, the region sales are 4.5% higher.



⁵In 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.



Profitability in H1 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 H1 2016 are not fully comparable to H1 2015.

Profitability of the Strategic Business Area Food in H1 2016

Profitability of the Strategic Business Area Food					
(in HRK millions)	H1 2016	H1 2015 pro-forma	H1 2015	H1 2016/ H1 2015 pro-forma	H1 2016/ H1 2015
Sales revenue ⁶	1,609.5	1,588.0	1,198.7	1.4%	34.3%
Gross profit	525.2	504.6	419.4	4.1%	25.2%
EBITDA*	155.7	164.8	139.6	(5.6%)	11.5%
EBIT	84.3	91.6	86.4	(8.0%)	(2.4%)
Net profit after MI	66.9	72.4	67.4	(7.5%)	(0.7%)
Gross margin	32.6%	31.8%	35.0%	+85 bp	-235 bp
EBITDA margin	9.7%	10.4%	11.6%	-71 bp	-197 bp
EBIT margin	5.2%	5.8%	7.2%	-53 bp	-197 bp
Net margin after MI	4.2%	4.6%	5.6%	-40 bp	-146 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 (H1 2016 compared to pro-forma H1 2015):

- In H1 2016, the increase in **gross profit** and gross margin was positively impacted, among other things, by the decrease in prices of certain raw materials, whereby the cost of goods sold remained at the same level as in the comparative period,
- In H1 2016, **operating profit (EBIT)** amounted to HRK 84.3 million while in H1 2015 it amounted to HRK 91.6 million, under the positive impact of the consolidation of Mirna⁷ of HRK 24.8 million. The total operating expenses of the food segment (excluding the cost of goods sold) were lower by 0.9%, as a result of the focus on cost optimisation,

⁶In 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.

⁷At 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.



- **Net profit after minority interests** of the food segment was, in addition to the previously mentioned factors, positively impacted by lower net finance costs and lower tax liability than in the comparative period that was positively affected by the consolidation of Mirna.

Profitability of the Strategic Business Area Pharmaceuticals in H1 2016

Profitability of the Strategic Business Area Pharmaceuticals			
<i>(in HRK millions)</i>	H1 2016	H1 2015	% change
Sales revenue ⁸	379.1	377.6	0.4%
Gross profit	198.5	194.9	1.9%
EBITDA*	66.3	56.5	17.3%
EBIT	45.5	36.8	23.6%
Net profit after MI	30.3	24.5	23.8%
Gross margin	52.4%	51.6%	+76 bp
EBITDA margin	17.5%	15.0%	+252 bp
EBIT margin	12.0%	9.7%	+225 bp
Net margin after MI	8.0%	6.5%	+151 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 (H1 2016 compared to H1 2015):

- In H1 2016, the pharmaceuticals segment recorded an increase in **gross profit** and gross margin, under the positive impact of 1.2% 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 distribution of trade goods was decreased,
- **Operating profit (EBIT)** in the period under consideration is 23.6% higher as it was positively affected, in addition to the previously mentioned impacts, by 2.9% lower total operating expenses (excluding the cost of goods sold). Abovementioned operating expenses are lower as a result of foreign exchange gains on trade receivables and payables and the focus on cost optimisation,
- In H1 2016, **net profit after minority interests** recorded 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 H1 2016 was at the level of the statutory rate.

⁸In 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.



Profitability of the Podravka Group in H1 2016

Profitability of the Podravka Group					
<i>(in HRK millions)</i>	H1 2016	H1 2015 pro-forma	H1 2015	H1 2016/ H1 2015 pro-forma	H1 2016/ H1 2015
Sales revenues ⁹	1,988.5	1,965.6	1,576.3	1.2%	26.2%
Gross profit	723.8	699.5	614.3	3.5%	17.8%
EBITDA*	222.0	221.4	196.1	0.3%	13.2%
EBIT	129.8	128.4	123.2	1.1%	5.4%
Net profit after MI	97.3	96.9	91.9	0.4%	5.8%
Gross margin	36.4%	35.6%	39.0%	+81 bp	-257 bp
EBITDA margin	11.2%	11.3%	12.4%	-10 bp	-128 bp
EBIT margin	6.5%	6.5%	7.8%	0 bp	-129 bp
Net margin after MI	4.9%	4.9%	5.8%	-4 bp	-94 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 (H1 2016 compared to H1 2015):

- In H1 2016, despite negative effect of foreign exchange differences of HRK 42.6 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 H1 2016 recorded growth which was, in addition to the previously mentioned factors, positively impacted by 1.4% lower total operating expenses (excluding the cost of goods sold) due to the focus on cost optimisation and foreign exchange gains on trade receivables and payables. It should be noted that the comparative period was positively impacted by the consolidation of Mirna in the amount of HRK 24.8 million,
- The Podravka Group's **net profit after minority interests** was, in addition to the previously mentioned factors, positively impacted by lower net finance costs than in the comparative period, which was positively impacted by the consolidation of Mirna.

⁹In 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.



Key characteristics of the pro-forma income statement in H1 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 H1 2016 is not fully comparable to H1 2015. **For the purpose of a transparent operations presentation, the income statement table in the “Consolidated financial statements in H1 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 76.3% 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 H1 2016, cost of goods sold is 0.1% lower compared to H1 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 3.0% lower than in the comparative period due to, among other things, lower cost of consultancy services and other expenses.

Selling and distribution costs

Selling and distribution costs in H1 2016 are at same level as in the comparative period, and the positive impact is, among other things, attributed to the optimisation of rental expenses and transportation costs.

Marketing expenses

Marketing expenses grew in the observed period by 0.8% primarily due to stronger marketing activities on the market of Russia and on New markets.

Other expenses

Due to foreign exchange gains on trade receivables and payables in the pharmaceuticals segment, other expenses in H1 2016 positively affected the result.



Net finance costs

In H1 2016, net finance costs were 17.2% lower than in the comparative period, mainly as a result of foreign exchange gains on borrowings.

Income tax

Income tax of the Podravka Group in the first half of 2016 was slightly higher than in the comparative period, and the effective tax rate in both periods was slightly below the statutory rate.

Key characteristics of the balance sheet as at 30 June 2016

Property, plant and equipment

As at 30 June 2016, property, plant and equipment of the Podravka Group were 5.2% 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 June 2016 were 2.5% lower than on 31 December 2015 as a result of, among other things, seasonal character of operations, where the levels of inventories of certain raw materials at the end of the first half of the year are lower than at the year end.

Trade and other receivables

As at 30 June 2016, trade and other receivables of the Podravka Group were 1.8% lower than as at 31 December 2015. This movement is on one hand the result of seasonally higher level of sales in the last quarter of the year, resulting in higher receivables in that period, but it is also the result of a more dynamic collection of trade receivables in the second quarter of 2016.

Cash and cash equivalents

Cash and cash equivalents of the Podravka Group at the end of the observed period are 17.0% lower compared to the end of 2015, as explained in the "Key characteristics of the cash flow statement in H1 2016" section.

Non-controlling interests

Non-controlling interests in the Podravka Group as at 30 June 2016 were 31.2% 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 half of 2016 were 5.9% 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 fell by 12.9% compared to the end of 2015 due to the seasonal payment dynamics in the food segment where a portion of liabilities arisen at the end of 2015 was settled in H1 2016, and due to settling the liability of Belupo for completed stages of the new factory construction.

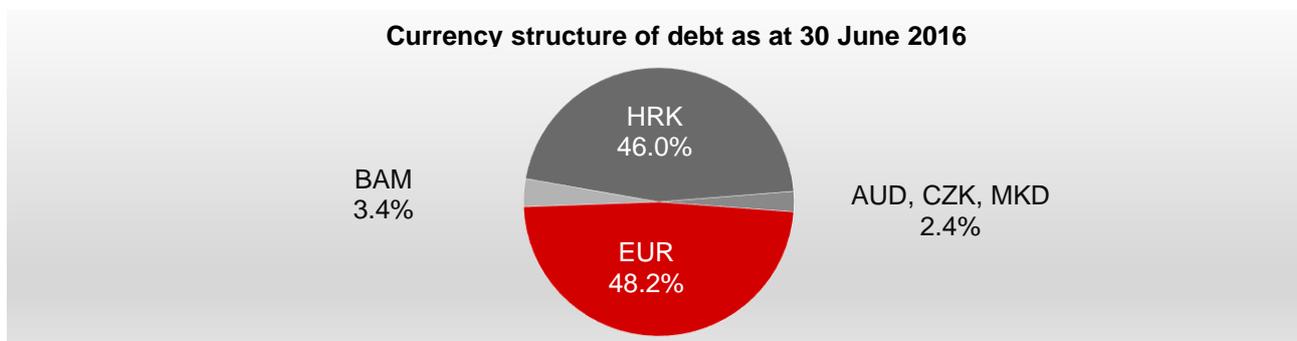
Short-term borrowings

Borrowings of the Podravka Group within current liabilities as at 30 June 2016 were 20.3% 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 June 2016, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities was HRK 1,264,327 thousand, of which HRK 707,698 thousand relates to long-term borrowings, HRK 552,617 thousand to short-term borrowings, and HRK 4,012 thousand to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 30 June 2016 was 2.9%.

Analysing the debt currency structure, the highest exposure, of 48.2%, was toward the Euro, while 46.0% of the debt was in the domestic currency. 3.4% of the debt was in the Bosnia and Herzegovina mark, while the remainder of 2.4% relates to the Australian dollar (AUD), Czech koruna (CZK) and Macedonian denar (MKD).





<i>(in HRK thousands)*</i>	H1 2016	2015	% change
Net debt	1,022,108	922,380	10.8%
TTM interest expense	36,186	36,918	(2.0%)
Net debt / TTM EBITDA	2.1	2.0	5.0%
EBITDA / Interest expense	13.7	12.7	7.7%
Equity to total assets ratio	58.2%	57.0%	+127 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 if the gain on the bargain purchase of the Žito Group had been excluded, the ratio of net debt and EBITDA in H1 2016 would have been 2.1, while the ratio of EBITDA and interest expense would have been 12.3.

Key characteristics of the cash flow statement in H1 2016

Net cash flow from operating activities

Net cash flow from operating activities in H1 2016 amounted to HRK 142.0 million, where the positive impact came from the decrease in inventories and receivables, while the negative impact came from lower liabilities.

Net cash flow from investing activities

Net cash flow from investing activities in the period under consideration amounted to negative HRK 235.6 million. This is primarily the result of capital expenditure amounting to HRK 233.1 million. The most significant **capital expenditure** in H1 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,
- 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 adaptation of the existing building into the facility for the preparation of semi-prepared and ready-to-eat meals. The investment will enable the extension of the product range intended for the gastro segment and earning additional revenues,
- New factory of fish and tomato – the construction of the new factory for the production of canned fish and tomato-based products. The investment will enable the transfer and consolidation of the production



of fish and tomato from the existing locations on the coast (Rovinj and Umag) to the new joint location in the Istria hinterland (Sveti Petar u Šumi). This will result in cost synergies, i.e. savings in the costs of production,

- 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 – 400 million, and in 2018 at a level of HRK 250 – 350 million.

Net cash flow from financing activities

In H1 2016, net cash flow from financing activities amounted to HRK 44.0 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 H1 2016

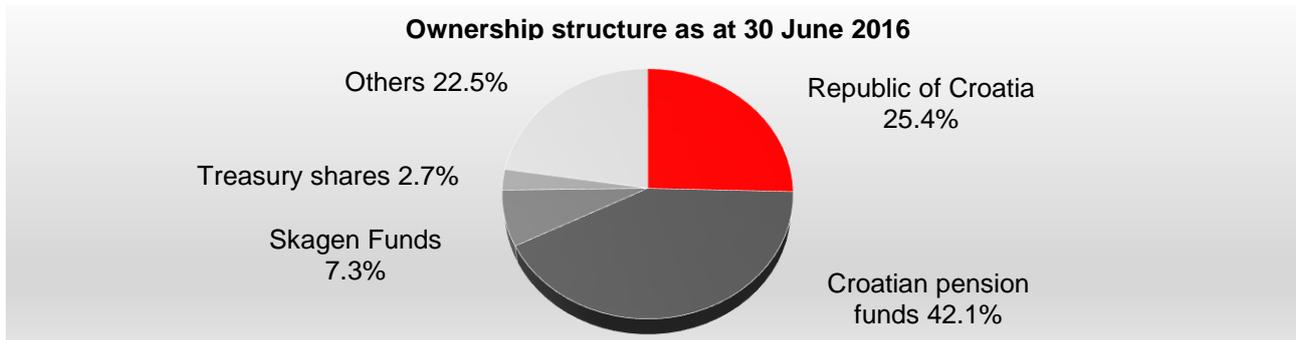
List of top 10 shareholders as at 30 June 2016

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	190,096	2.7%
10	AZ Profit voluntary pension fund	111,752	1.6%
	Other shareholders	1,747,279	24.5%
	Total	7,120,003	100.0%

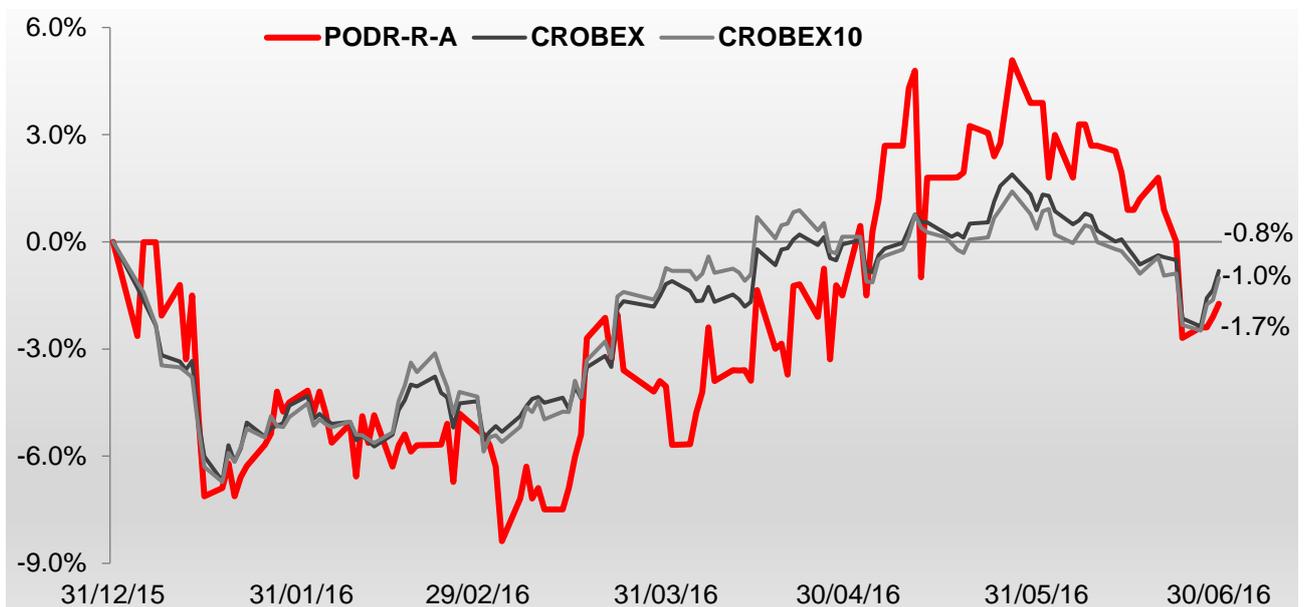
The company has a stable ownership structure where the most significant share is held by domestic pension funds and the Republic of Croatia. As at 30 June 2016, domestic pension funds (mandatory and voluntary) hold a total of 42.1% of the company ownership. The Republic of Croatia through the State Property Management Administration (SPMA) holds 19.7% of the company ownership and through Kapitalni fond d.d. additional 5.7% of ownership as at 30 June 2016. The company has 2.7% 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 H1 2016



<i>(closing price in HRK; closing points)</i>	30 June 2016	31 December 2015	% change
PODR-R-A	328.2	334.0	(1.7%)
CROBEX	1,676.0	1,689.6	(0.8%)
CROBEX10	979.3	989.3	(1.0%)

In H1 2016, Podravka's share price dropped by 1.7%, while in the same period domestic stock indices Crobex and Crobex10 dropped by 0.8% and 1.0%, respectively.



Performance in the Croatian capital market in H1 2016

<i>(in HRK; in units) ¹⁰</i>	H1 2016	H1 2015	% change
Average daily price	329.2	306.2	7.5%
Average daily number of transactions	9	12	(28.4%)
Average daily volume	1.064	1,414	(24.8%)
Average daily turnover	360,165.6	432,953.6	(19.1%)

In H1 2016, the average daily price of the Podravka's share was 7.5% higher than in the comparative period. At the same time, the average daily number of transactions, volume and turnover was lower.

Valuation

<i>(in HRK millions; earnings per share in HRK)*</i>	H1 2016	2015	% change
Last price	328.2	334.0	(1.7%)
Market capitalization	2,241.3	2,000.0	12.1%
EV ¹¹	3,309.9	2,990.0	10.7%
Earnings per share ¹²	59.0	66.4	(11.1%)
EV / Sales revenue	0.8	0.8	(0.6%)
EV / EBITDA	6.7	6.4	4.9%
EV / EBIT	11.3	10.5	8.2%
Last price / Earnings per share ratio	5.6	5.0	10.6%

***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, excluding the effect of the impairment of Žito, and excluding the effect of deferred tax income of the Belupo Group, the above indicators for H1 2016 would have amounted to: EV / Sales revenue = 0.7, EV / EBITDA = 6.3, EV / EBIT = 15.2 and P / E = 13.2.

¹⁰Average 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.

¹¹Enterprise value: Market Capitalization + Net debt + Minority interests.

¹²Calculated based on the average weighted number of shares in the last 12 months which was 6,828,314 in H1 2016, and 5,987,697 in 2015.



Additional tables for H1 2016

Sales revenues by category in H1 2016¹³

<i>(in HRK millions)</i>	H1 2016	% of sales revenues	H1 2015	% of sales revenues	% change
SBA Food	1,609.5	80.9%	1,198.7	76.0%	34.3%
Culinary	418.6	21.0%	403.6	25.6%	3.7%
Sweets, cereals for adults, snacks and drinks	161.1	8.1%	112.1	7.1%	43.8%
Lino world	114.5	5.8%	111.8	7.1%	2.4%
Mediterranean food, condiments and core food	354.1	17.8%	292.7	18.6%	21.0%
Meat programme	131.2	6.6%	129.0	8.2%	1.7%
Bakery and mill products	209.7	10.5%	23.8	1.5%	780.8%
Other sales	220.3	11.1%	125.8	8.0%	75.1%
SBA Pharmaceuticals	379.1	19.1%	377.6	24.0%	0.4%
Prescription drugs	268.5	13.5%	255.7	16.2%	5.0%
Non-prescription programme	45.3	2.3%	43.8	2.8%	3.4%
Other sales	65.2	3.3%	78.2	5.0%	(16.5%)
Podravka Group	1,988.5	100.0%	1,576.3	100.0%	26.2%

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),

¹³In 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*

<i>(in HRK millions)</i>	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 H1 2016¹⁴

<i>(in HRK millions)</i>	H1 2016	% of sales revenues	H1 2015	% of sales revenues	% change
Adria region	1,427.8	71.8%	1,117.8	70.9%	27.7%
Croatia	647.2	32.5%	650.7	41.3%	(0.5%)
Slovenia	385.4	19.4%	81.5	5.2%	373.1%
Bosnia and Herzegovina	220.3	11.1%	219.3	13.9%	0.5%
Other countries	174.9	8.8%	166.4	10.6%	5.1%
Europe region	365.4	18.4%	316.7	20.1%	15.4%
Central Europe	231.1	11.6%	227.3	14.4%	1.7%
Western Europe	134.3	6.8%	89.4	5.7%	50.3%
Russia, CIS and Baltic region	123.5	6.2%	73.4	4.7%	68.2%
Russia	115.4	5.8%	67.4	4.3%	71.3%
Other countries	8.1	0.4%	6.1	0.4%	34.0%
New Markets region	71.8	3.6%	68.3	4.3%	5.1%
Podravka Group	1,988.5	100.0%	1,576.3	100.0%	26.2%

¹⁴In 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 H1 2016

Consolidated Profit and Loss Statement in H1 2016

<i>(in HRK thousands)</i>	1-6 2016	% of sales revenues	1-6 2015	% of sales revenues	% change
Sales revenue	1,988,520	100.0%	1,576,265	100.0%	26.2%
Cost of goods sold	(1,264,760)	(63.6%)	(961,988)	(61.0%)	31.5%
Gross profit	723,760	36.4%	614,277	39.0%	17.8%
Other income	9,853	0.5%	37,390	2.4%	(73.6%)
General and administrative expenses	(148,157)	(7.5%)	(136,035)	(8.6%)	8.9%
Selling and distribution costs	(278,903)	(14.0%)	(225,080)	(14.3%)	23.9%
Marketing expenses	(180,603)	(9.1%)	(164,776)	(10.5%)	9.6%
Other expenses	3,846	0.2%	(2,575)	(0.2%)	n/a
Operating profit	129,795	6.5%	123,200	7.8%	5.4%
Financial income	1,908	0.1%	2,268	0.1%	(15.9%)
Other financial expenses	(2,357)	(0.1%)	(2,041)	(0.1%)	15.5%
Interest expenses	(17,752)	(0.9%)	(18,484)	(1.2%)	(4.0%)
Net foreign exchange differences on borrowings	8,751	0.4%	6,412	0.4%	36.5%
Net finance costs	(9,450)	(0.5%)	(11,845)	(0.8%)	(20.2%)
Profit before tax	120,346	6.1%	111,355	7.1%	8.1%
Current income tax	(11,432)	(0.6%)	(18,105)	(1.1%)	(36.9%)
Deferred tax	(8,963)	(0.5%)	(1,421)	(0.1%)	530.8%
Income tax	(20,396)	(1.0%)	(19,526)	(1.2%)	4.5%
Net profit for the year	99,950	5.0%	91,829	5.8%	8.8%
Net profit / (loss) attributable to:					
Equity holders of the parent	97,253	4.9%	91,887	5.8%	5.8%
Non-controlling interests	(2,697)	(0.1%)	58	0.0%	n/a



Consolidated Balance Sheet as at 30 June 2016

<i>(in HRK thousands)</i>	30 Jun. 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	10,127	0.2%	0	0.0%	n/a
Intangible assets	276,363	5.6%	284,511	5.8%	(2.9%)
Property, plant and equipment	2,039,266	41.2%	1,937,978	39.2%	5.2%
Deferred tax assets	220,382	4.5%	230,946	4.7%	(4.6%)
Non-current financial assets	16,459	0.3%	18,715	0.4%	(12.1%)
Total non-current assets	2,588,887	52.3%	2,498,440	50.5%	3.6%
Current assets					
Inventories	763,623	15.4%	783,490	15.8%	(2.5%)
Trade and other receivables	1,093,725	22.1%	1,113,551	22.5%	(1.8%)
Financial assets at fair value through profit and loss	18	0.0%	215	0.0%	(91.6%)
Income tax receivable	5,215	0.1%	34,617	0.7%	(84.9%)
Cash and cash equivalents	242,219	4.9%	291,877	5.9%	(17.0%)
Non-current assets held for sale	254,183	5.1%	223,561	4.5%	13.7%
Total current assets	2,358,983	47.7%	2,447,311	49.5%	(3.6%)
Total assets	4,947,870	100.0%	4,945,751	100.0%	0.0%
<i>(in HRK thousands)</i>	30 Jun. 2016	% of liabilities	31 Dec. 2015	% of liabilities	% of change
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,680,802	34.0%	1,685,955	34.1%	(0.3%)
Reserves	557,515	11.3%	549,840	11.1%	1.4%
Retained earnings	596,954	12.1%	514,250	10.4%	16.1%
Attributable to equity holders of the parent	2,835,271	57.3%	2,750,045	55.6%	3.1%
Non-controlling interests	46,570	0.9%	67,712	1.4%	(31.2%)
Total shareholders' equity	2,881,841	58.2%	2,817,757	57.0%	2.3%
Non-current liabilities					
Borrowings	707,698	14.3%	752,244	15.2%	(5.9%)
Provisions	63,858	1.3%	64,126	1.3%	(0.4%)
Other long term liability	20,075	0.4%	19,611	0.4%	2.4%
Deferred tax liability	54,460	1.1%	56,475	1.1%	(3.6%)
Total non-current liabilities	846,091	17.1%	892,456	18.0%	(5.2%)
Current liabilities					
Trade and other payables	637,263	12.9%	731,969	14.8%	(12.9%)
Income tax payable	3,286	0.1%	2,251	0.0%	46.0%
Financial liabilities at fair value through profit and loss	4,012	0.1%	2,469	0.0%	62.5%
Borrowings	552,617	11.2%	459,544	9.3%	20.3%
Provisions	22,760	0.5%	39,305	0.8%	(42.1%)
Total current liabilities	1,219,938	24.7%	1,235,538	25.0%	(1.3%)
Total liabilities	2,066,029	41.8%	2,127,994	43.0%	(2.9%)
Total equity and liabilities	4,947,870	100.0%	4,945,751	100.0%	0.0%



Consolidated Cash Flow Statement in H1 2016

<i>(in HRK thousands)</i>	1-6 2016	1-6 2015	% change
Profit / (loss) for the year	99,949	91,829	8.8%
Income tax	20,395	19,526	4.5%
Depreciation and amortization	92,190	67,332	36.9%
Impairment (profit) / loss on property, plant, equipment and intangibles	0	(454)	n/a
Impairment (profit) / loss on assets held for sale	(222)	5,593	n/a
Favourable purchase gain	0	(24,765)	n/a
Remeasurement of financial instruments at fair value	1,740	(1,289)	n/a
Share based payment transactions	699	135	418.1%
(Profit) / Loss from the sale of shares	(18)	0	n/a
(Profit) / Loss on disposal of property, plant, equipment and intangibles	(727)	(376)	93.4%
(Profit) / Loss on disposal of assets held for sale	(791)	(917)	(13.8%)
Impairment of trade receivables	6,565	5,332	23.1%
Adjustment of capital premium - options	0	(275)	n/a
(Decrease) / Increase in provisions	(16,808)	(24,746)	(32.1%)
Interest income	(1,908)	(2,268)	(15.9%)
Interest expense	20,108	20,525	(2.0%)
Effect of changes in foreign exchange rates	(13,720)	(6,463)	112.3%
Changes in working capital:			
(Increase) in inventories	14,553	(49,852)	n/a
(Increase) / decrease in trade receivables	29,841	(80,093)	n/a
Increase / (Decrease) in trade payables	(91,122)	(5,472)	1565.2%
Cash generated from operations	160,725	13,302	1108.3%
Income tax paid	1,029	(4,813)	n/a
Interest paid	(19,770)	(20,428)	(3.2%)
Net cash from operating activities	141,984	(11,939)	n/a
Cash flow from investing activities			
Purchase of equity securities	(7,748)	(10)	(100.0%)
Acquisition of subsidiaries, net of cash acquired	0	72	n/a
Purchase of property, plant, equipment and intangibles	(233,076)	(60,582)	284.7%
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	1,857	4,702	(60.5%)
Loans receivables	(105)	(341)	(69.1%)
Repayment of loans receivable	889	96	825.7%
Proceeds from other investments	0	(14,515)	n/a
Collected interest	1,908	2,268	(15.9%)
Net cash from investing activities	(235,603)	(72,043)	227.0%
Cash flow from financing activities			
Purchase of treasury shares	(4,629)	(1,596)	190.0%
Sale of treasury shares	313	1,303	(76.0%)
Proceeds from borrowings	358,192	237,542	50.8%
Repayment of borrowings	(309,914)	(239,085)	29.6%
Net cash from financing activities	43,962	(1,836)	n/p
Net increase / (decrease) of cash and cash equivalents	(49,658)	(85,818)	(42.1%)
Cash and cash equivalents at beginning of the year	291,877	220,478	32.4%
Cash and cash equivalents at the end of year	242,219	134,660	79.9%



Consolidated Statement of Changes in Equity in H1 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	-	-	-	-	-	-	97.252	97.252	2.697	99.949
Foreign exchange differences	-	-	-	-	-	(15.116)	-	(15.116)	(198)	(15.314)
Profit or loss from reevaluation of financial assets available for sale	-	-	-	-	-	116	-	116	-	116
Other comprehensive income	-	-	-	-	-	(15.000)	-	(15.000)	(198)	(15.198)
Total comprehensive income	-	-	-	-	-	(15.000)	97.252	82.252	2.499	84.751
Transactions with owners and transfers recognised directly in equity										
Allocation from retained earnings			5.999		8.548		(14.547)	-	-	-
Purchase of treasury shares	(4.629)						-	(4.629)	-	(4.629)
Exercise of options	(1.223)						-	(1.223)	-	(1.223)
Fair value of share-based payment transactions	699						-	699	-	699
Additional acquisition of minority interests						8.128	-	8.128	(23.641)	(15.513)
Total transactions with owners recognised directly in equity	(5.153)	-	5.999	-	8.548	8.128	(14.547)	2.975	(23.641)	(20.666)
As at 30 June 2016	1.680.802	147.604	36.930	189.738	55.555	127.688	596.954	2.835.271	46.570	2.881.841



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

A handwritten signature in blue ink that reads "Zvonimir Mršić".



Statement of liability

Koprivnica, 22 July 2016

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of Podravka Group for the period January – June 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 – June 2016 were approved by the Management Board on 22 July 2016.

Accounting and Taxes Director:

Senka Laljek

A handwritten signature in blue ink, appearing to read "Laljek".

Board Member:

Iva Brajević

A handwritten signature in blue ink, appearing to read "Brajević".



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