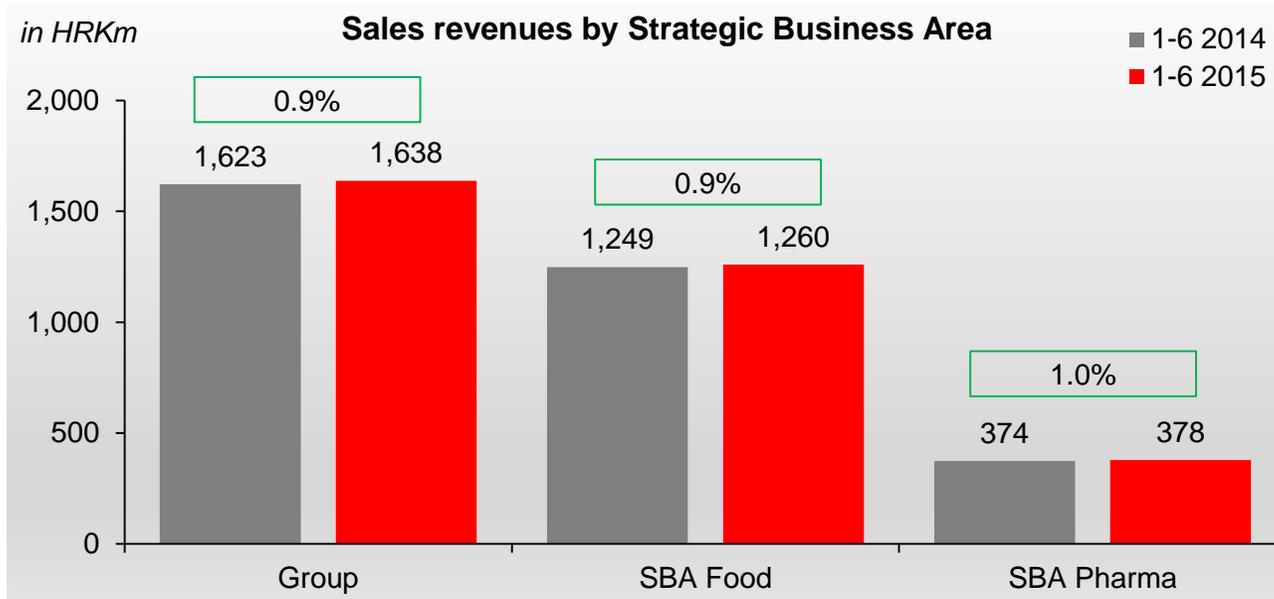




Podravka Group business results for 1-6 2015 period



Sales revenues growth of both strategic business areas in the first half of 2015



Estimated FX impact on sales revenues:

- HRK +3.9 million of estimated positive impact on food segment,
- HRK -12.5 million of estimated negative impact on pharmaceutical segment.

Estimated impact of CHIF on sales revenues:

- HRK -6.0 million of estimated negative impact on pharmaceutical segment.

Strategic business area Food:

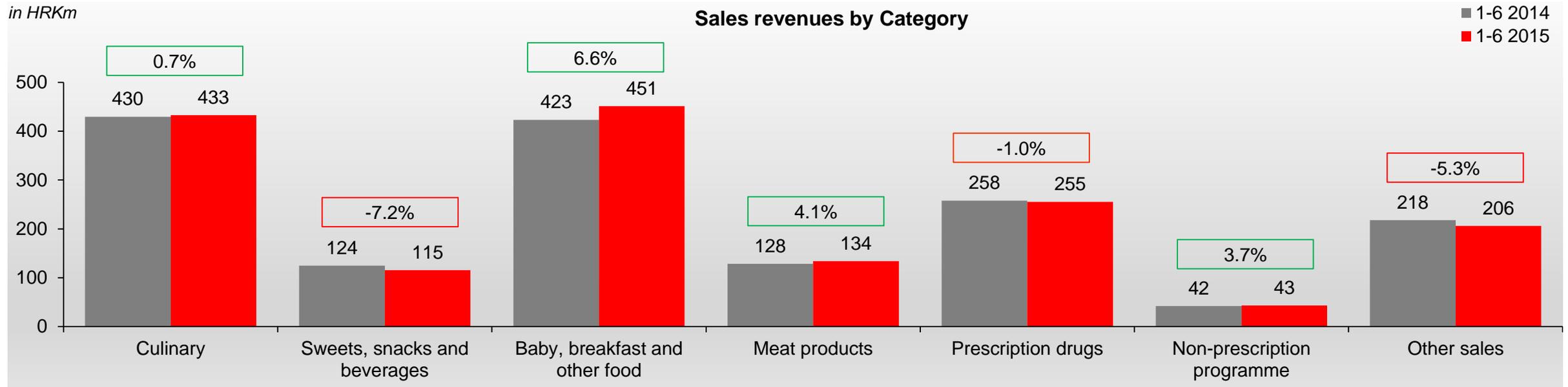
- own brands → 2.5% sales growth mostly as a result of soups, condiments and frozen vegetables subcategories sales growth as well as recorded sales from PIK and Mirna assortment,
- other sales → 11.3% sales drop primarily as a result of lower sales of poppy seeds, whose market price significantly decreased in the H1 2015,
- excluding the effect of PIK and Mirna assortment and sales of programmes under restructuring (beverages and bakery), own brands recorded 1.9% and food segment 0.5% sales growth.

Strategic business area Pharmaceuticals:

- own brands → 0.3% sales drop under the influence of Russian ruble depreciation and the decrease in prices of prescription drugs prescribed by the CHIF¹ in the market of Croatia,
- other sales → 6.3% sales growth primarily due to the increase in sales of trade goods in the Farmavita company.

¹Croatian Health Insurance Fund.

Increase in sales revenues of own brands in the first half of 2015 is 1.9%

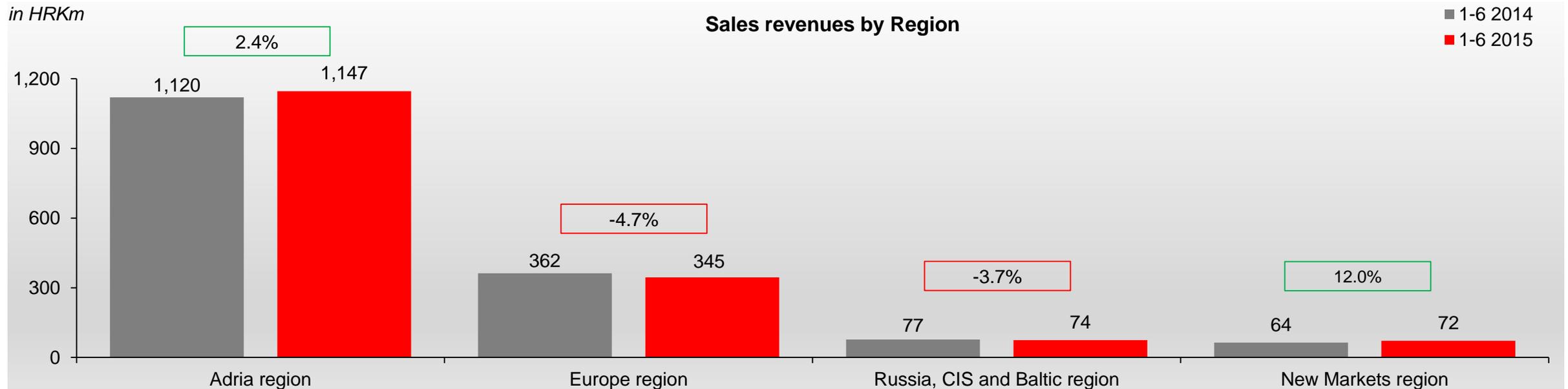


Key highlights:

- culinary → sales increase primarily due to the increase in sales of the soups subcategory in the Adria region as a result of better representation of soups range in chain stores,
- sweets, snacks and beverages → w/o beverages product range¹, sales dropped -4.1% following the decision on lower exposure to one of key customers that is in financial difficulties,
- baby, breakfast and other food → increase in sales of condiments, frozen vegetables and Mediterranean food; w/o Mirna assortment² category recorded sales growth of 5.3%,
- meat products → sales growth spurred by extension of sausages subcategory product range and by sales of PIK assortment³; w/o PIK assortment 2.0% lower category sales,
- prescription drugs → HRK 12.5 million of negative FX impact; excluding FX impact sales grew 3.5%,
- non-prescription programme → sales grew due to the increase in sales of the OTC subcategory of 14.3% in the Croatian market due to a heavy common cold and flu season in Q1 2015,
- other sales → negative impact of the decrease in the price of poppy seeds, which was partially mitigated by the increase in sales of trade goods in the Farmavita company.

¹Beverages product range is for sale; ²Consolidated in P&L from Q2 2015; ³Acquired in April 2014.

Adria Region is the main driver of the sales growth in the first half of 2015



Key highlights:

- Adria region → organic sales growth recorded in the soups and OTC subcategories, while inorganic sales growth was recorded by the PIK and Mirna assortment; w/o the PIK and Mirna assortment, Adria region sales grew 2.1%,
- Europe region → lower sales of trade goods (poppy seeds), while sales of own brands grew 0.9% due to higher sales of condiments in Western Europe and rice in Central Europe,
- Russia, CIS & Baltic region → HRK 12.5 million negative impact of FX differences; excluding FX differences, sales would grow 12.5%,
- New Markets region → sales growth of the culinary category in the markets of the USA and Australia; excluding FX differences, sales growth would be 2.8%.

Profitability improvement in food and pharma segment increased Group's profitability

1-6 2015 (in HRK ^m) ¹	Food		Pharmaceuticals		Group	
Sales revenues	1,260.1	0.9%	377.8	1.0%	1,638.0	0.9%
Gross profit	480.8	2.6%	195.1	1.0%	676.0	2.1%
EBITDA	139.6	94.3%	56.5	11.9%	196.1	60.3%
EBIT	86.4	264.1%	36.8	23.4%	123.2	130.1%
Net profit after MI	67.4	1242.4%	24.5	29.7%	91.9	284.2%

1-6 2015 (% of sales revenues) ²	Food		Pharmaceuticals		Group	
Gross margin	38.2%	+64 bp	51.6%	+1 bp	41.3%	+49 bp
EBITDA margin	11.1%	+533 bp	15.0%	+146 bp	12.0%	+444 bp
EBIT margin	6.9%	+496 bp	9.7%	+177 bp	7.5%	+422 bp
Net margin after MI	5.3%	+495 bp	6.5%	+143 bp	5.6%	+414 bp

Key highlights:

Food:

- HRK +24.8 million impact of Mirna consolidation in H1 2015, HRK -49.1 million impact of severance payments in H1 2014,
- excluding impacts of Mirna and severance payments, EBIT is 15.3% lower as a result of higher operating expenses mainly related to the decision to enter new markets and the acquisitions of Mirna and Žito.

Pharmaceuticals:

- considerably lower net negative realized FX differences when compared to the H1 2014.

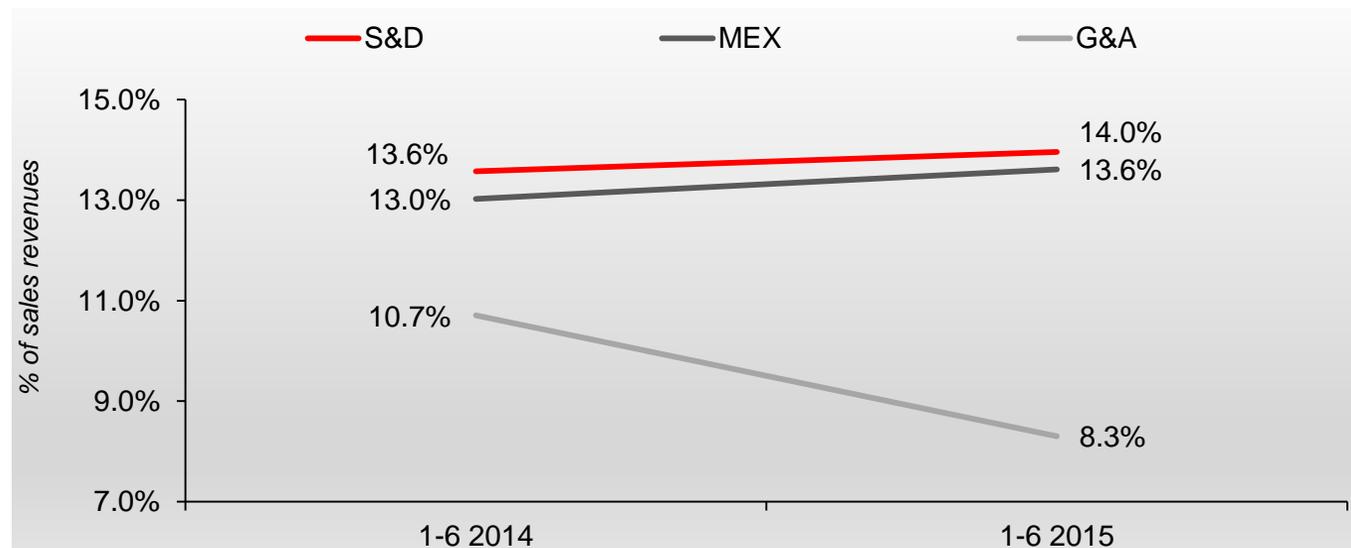
Podravka Group:

- w/o Mirna and severance payments impacts, Group EBIT is 6.3% lower primarily as a consequence of the increase in operating expenses of the food segment resulting from entering new markets and acquisitions.

¹Performance in the H1 2015; % change when compared to the H1 2014; ²% of sales revenues in H1 2015; basis points change when compared to the H1 2014.

Growth of operating expenses connected with initial costs of new markets and acquisition costs

Operating expenses	1-6 2015 / 1-6 2014	
Cost of goods sold (COGS)		0.1%
General and administrative expenses (G&A)		(21.7%)
Selling and distribution costs (S&D)		3.8%
Marketing expenses (MEX)		5.5%
Other costs		(77.8%)
Total		(1.7%)



Key highlights:

COGS:

- lower COGS growth than sales growth due to favourable movements in the prices of raw materials in the food segment and the improvement in the supply chain efficiency in the pharmaceutical segment that resulted in lower unit costs of raw materials,

G&A:

- H1 2014 was burdened by HRK 51.5 million of severance payments; excluding severance payments, general and administrative expenses grew 11.3% impacted by initial costs related to the acquisitions of Žito and Mirna,

S&D:

- increase in selling and distribution costs was primarily impacted by initial costs related to the decision to enter new markets that were not charged in the comparative period,

MEX:

- growth due to stronger marketing activities related to the Mediterranean food subcategory in the Adria and Europe regions, to the pâtés subcategory in the Adria region and to new markets,

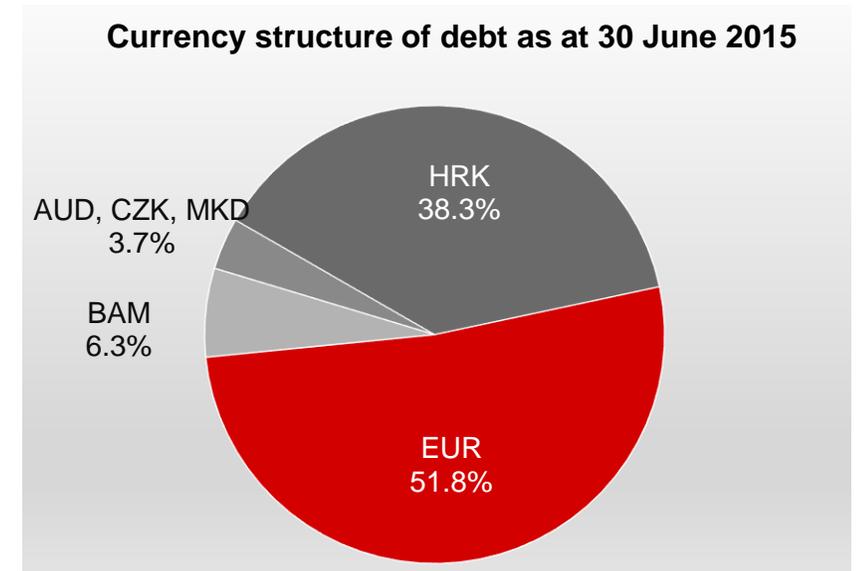
Other costs:

- 4.8x lower net negative realized FX when compared to the H1 2014.

Improvement of debt indicators at the end of the first half of 2015

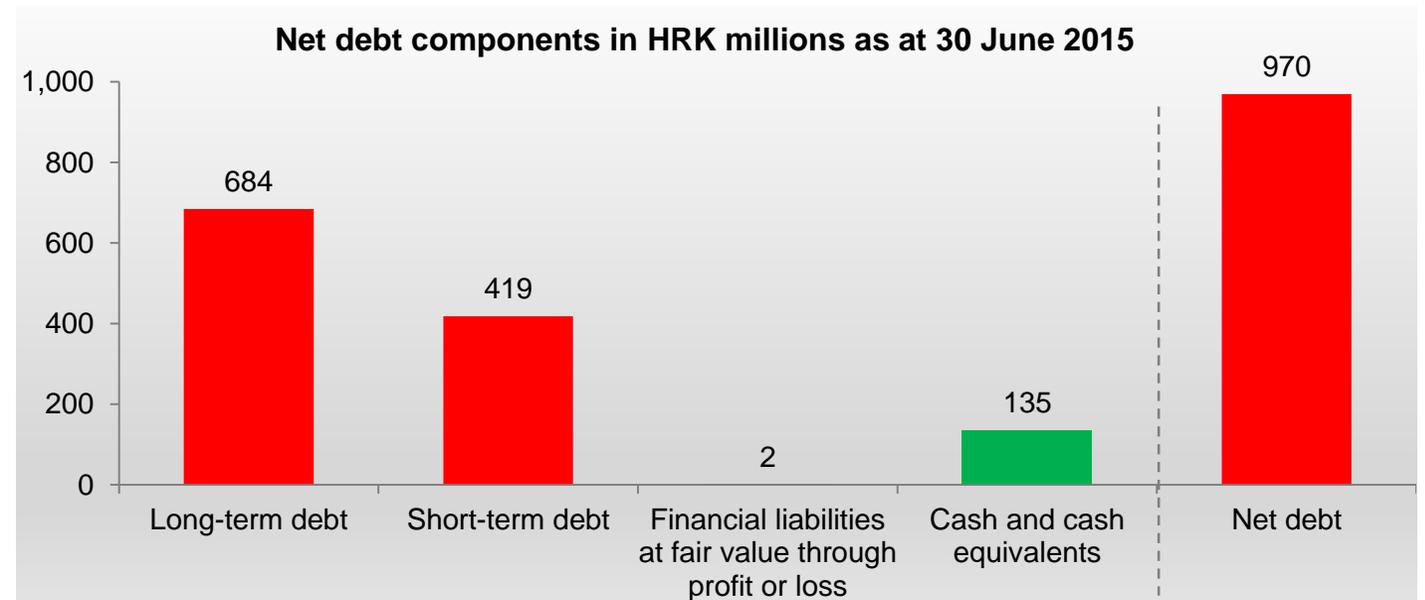
<i>(in HRK 000)*</i>	1-6 2015	2014		% change
Net debt	969,862	856,829		13.2%
Interest expense	38,534	43,543		(11.5%)
Net debt / EBITDA	2.5	2.7		(8.0%)
EBITDA / Interest expense	10.2	7.3		39.1%
Equity to total assets ratio	51.5%	50.9%		+65 bp

*Note: all indicators calculated on the trailing twelve months basis; Interest expense excluding banking fees.



Key highlights:

- net debt increase → due to lower cash and cash equivalents level,
- lower interest expense → consequence of refinancing liabilities under more favourable commercial conditions,
- **weighted average cost of debt:**
 - on 30 June 2015 → 3.4%,
 - on 31 December 2013 → 4.3%,
 - improvement by 94 bp.



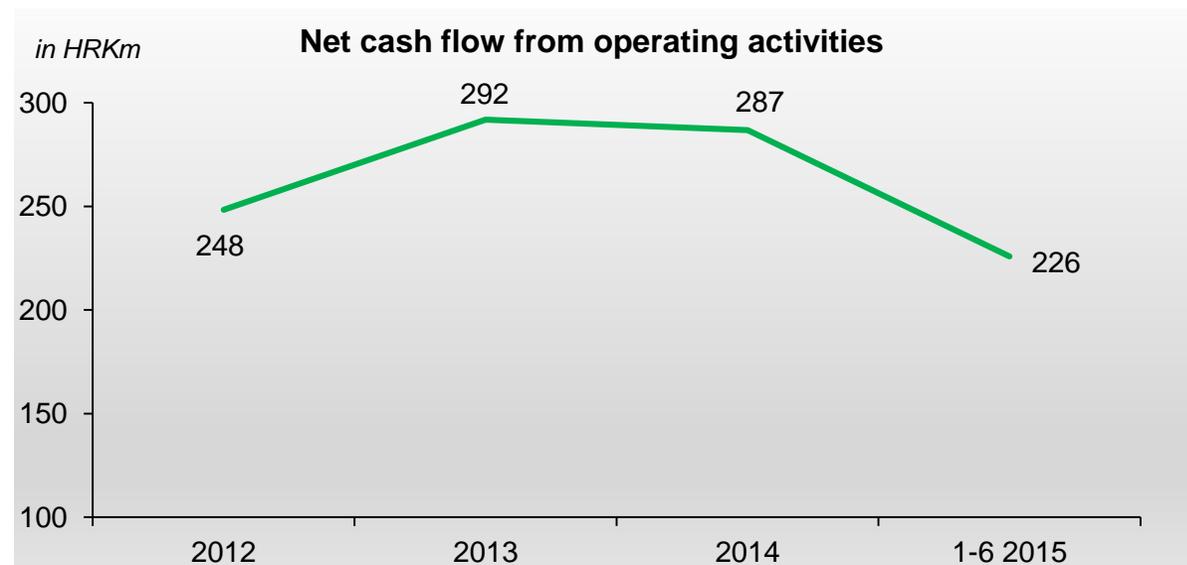
Lower level of net cash flow from operating activities due to an increase in the level of working capital

Working capital movement	1-6 2015*	Influence
Inventories	 HRK +49.9 million	<ul style="list-style-type: none"> ▪ increase in Belupo's raw materials inventory related to the production process cyclical, and ▪ general increase in inventories of products characteristic for the summer season.
Trade receivables	 HRK +80.1 million	<ul style="list-style-type: none"> ▪ seasonal nature where large orders of products are recorded in the summer season.
Trade payables	 HRK -5.5 million	<ul style="list-style-type: none"> ▪ decrease in trade payables as a consequence of future harmonization of payment terms to suppliers and the positive effect of shorter payment periods on the decrease in cost of certain raw materials.

*Cash flow item, changes on 30 June 2015 from 31 December 2014.

Key highlights:

- net cash flow from operating activities → HRK -11.9 million due to working capital movement,
- net cash flow from investing activities → HRK -72.0 million as a result of HRK 60.6 million of capital expenditures mostly related to the new Belupo factory and modernization,
- net cash flow from financing activities → HRK -1.8 million due to higher repayments of borrowings than borrowings received,
- capital expenditure in 2015 is expected to be at a level of HRK 300-360 million, in 2016 at a level of 300-400 million and after that at a level of 130-150 million.



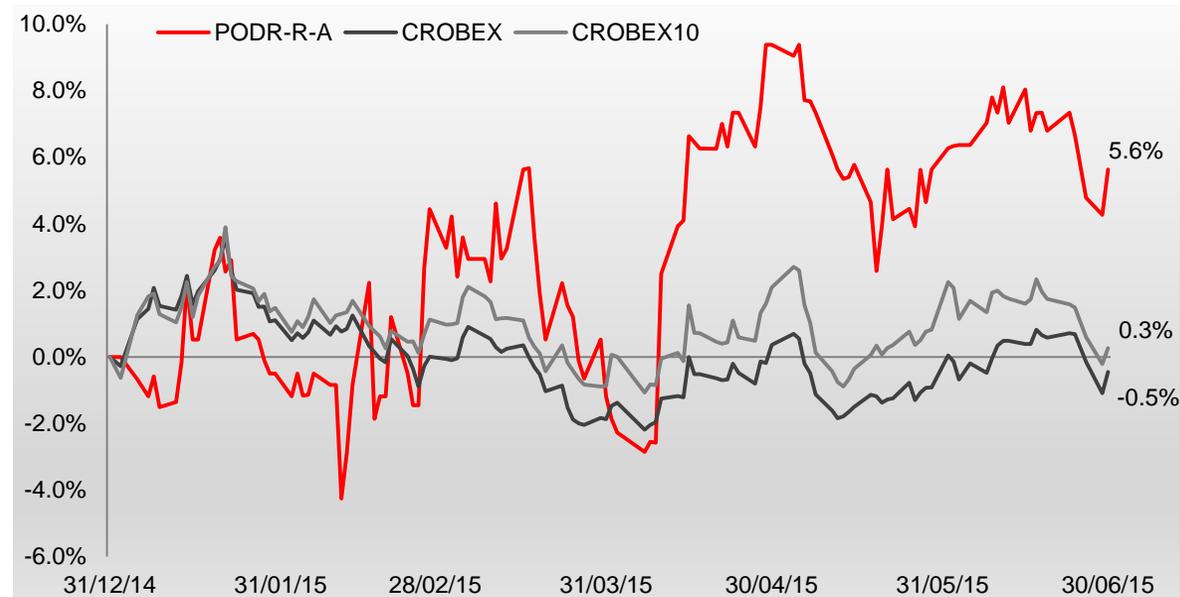
Note: net cash flow from operating activities on the trailing twelve months basis in 1-6 2015.

Podravka's share is been traded below peer group level

(HRK; units)	1-6 2015 / 1-6 2014	% change
Average daily price	306.2 	7.6%
Average daily number of transactions	12 	(19.0%)
Average daily volume	1,414 	(16.2%)
Average daily turnover	432,953.6 	(9.8%)
Earnings per share ¹	29.6 	73.5%

¹Earnings per share calculated on the trailing twelve months basis, comparison to 2014.

Analysts	Recommendation	Target price	Potential ²
 InterCapital	Under review	n/a	n/a
 FIMA SECURITIES	Under review	n/a	n/a
 HYPO ALPE ADRIA	Under review	n/a	n/a
 Raiffeisen BANK	Buy	HRK 374.00	20.6%
 ERSTE Group	Accumulate	HRK 370.00	19.4%
 UniCredit	Buy	HRK 399.00	28.7%



Peer group multiples ³	EV/Sales	EV/EBITDA	EV/EBIT	P/E
Weighted average peer group	2.0	11.7	16.5	19.5
Normalized weight. av. peer group ⁴	2.0	12.1	17.0	19.2
Podravka Group reported	0.8	6.6	11.1	8.1
Podravka Group normalized ⁵	0.8	6.3	9.4	7.4

²Compared to the last price on 30 June 2015; ³Multiples obtained from Bloomberg on 30 June 2015; ⁴Calculated excluding maximal and minimal values; ⁵Calculated excluding one-off items.

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Podravka Group business results for 1-6 2015 period

