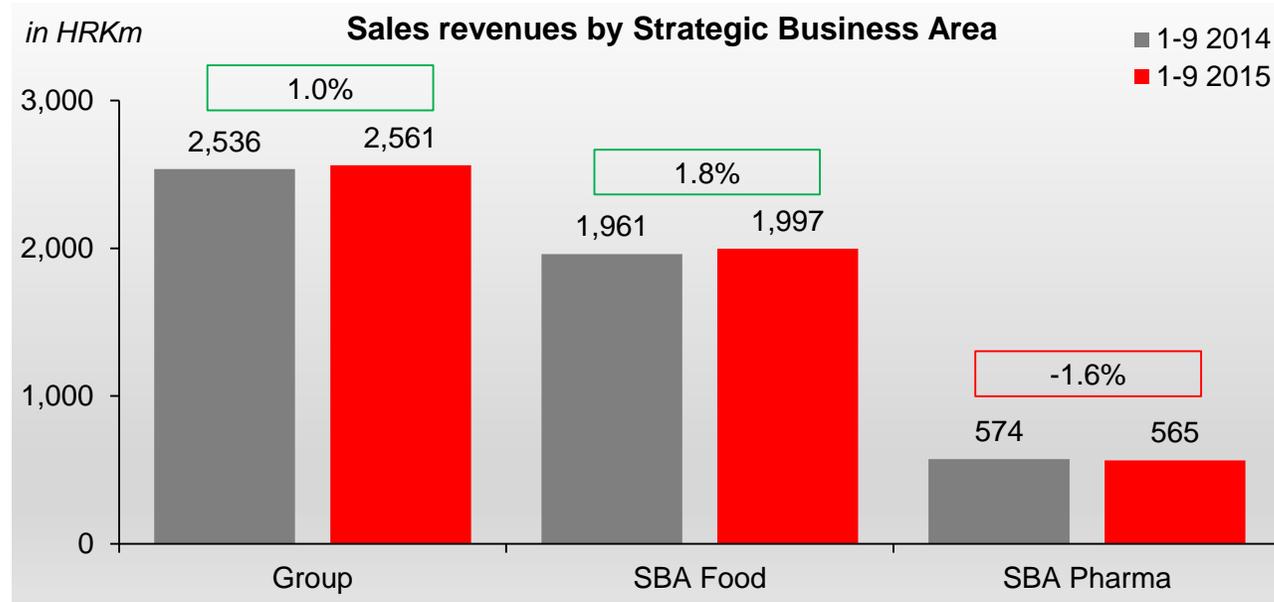




Podravka Group business results for 1-9 2015 period



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



Estimated foreign exchange (FX) impact on sales revenues:

- HRK -8.3 million of estimated negative impact on food segment,
- HRK -20.6 million of estimated negative impact on pharmaceutical segment,
- HRK -28.9 million of total estimated negative impact on sales revenues.

Estimated impact of Croatian Health Insurance Fund (CHIF) on sales revenues:

- HRK -8.8 million of estimated negative impact on pharmaceutical segment.

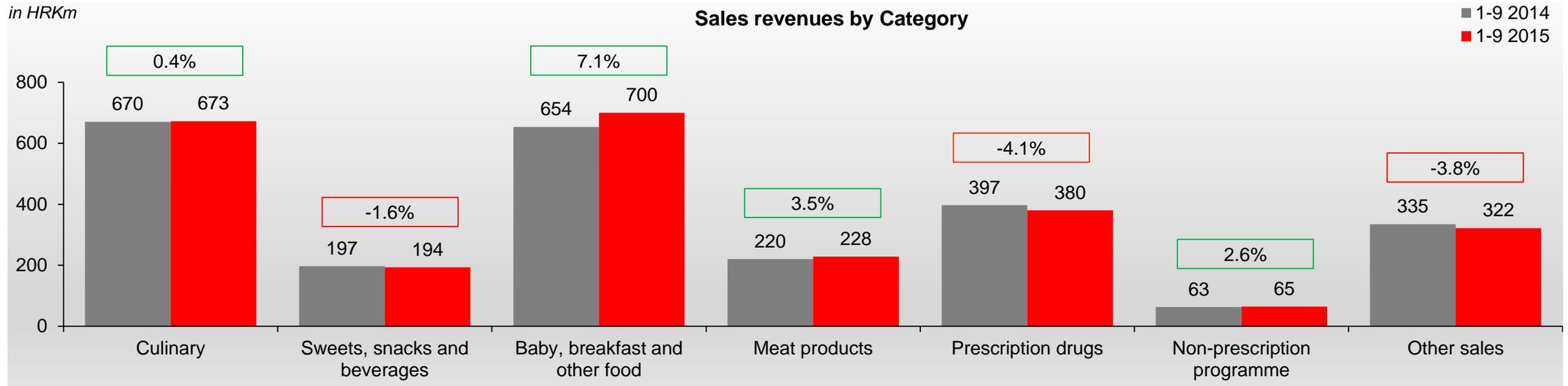
Strategic business area Food:

- own brands → 3.0% 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 → 8.1% sales drop primarily as a result of lower sales of poppy seeds, whose market price significantly decreased in the 1-9 2015 period,
- accordingly, food segment recorded 1.8% sales growth, while excluding FX effect increase in sales would be 2.2%.

Strategic business area Pharmaceuticals:

- own brands → 3.2% sales drop as a result of Russian ruble depreciation and the decrease in prices of prescription drugs prescribed by the CHIF in the market of Croatia,
- other sales → 4.5% sales growth primarily due to the increase in sales of trade goods in the Farmavita company,
- accordingly, pharmaceutical segment recorded 1.6% sales drop, while excluding FX effect increase in sales would be 1.9%.

Significant growth of baby, breakfast and other food category in the first nine months of 2015

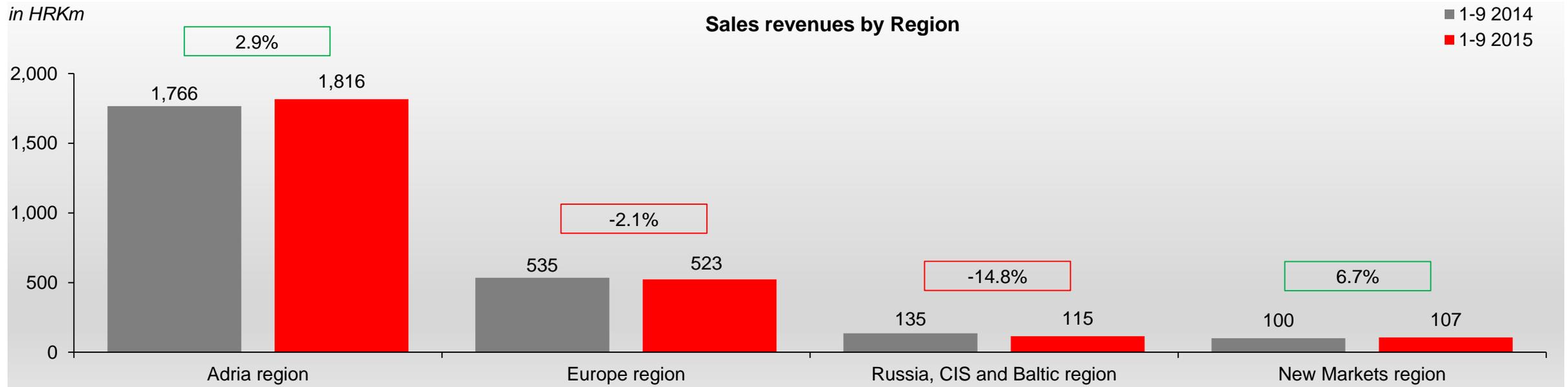


Key highlights:

- culinary → sales increase of the soups subcategory in the Adria region as a result of better representation in chain stores, entering the new category and increased marketing activities,
- sweets, snacks and beverages → w/o beverages product range that is for sale, sales dropped 5.1% due to the growth in private labels and enhanced competitors' price activities,
- baby, breakfast and other food → increase in sales of condiments, frozen vegetables and Mediterranean food; w/o Mirna assortment¹ category recorded sales growth of 5.0%,
- meat products → sales growth as a result of PIK assortment² sales; w/o PIK assortment 2.5% lower category sales as a result of enhanced competitors' price activities,
- prescription drugs → HRK 18.7 million of negative FX impact and HRK 8.8 million of estimated negative CHIF impact; excluding FX impact sales grew 0.6%,
- non-prescription programme → sales grew due to the increase in OTC subcategory sales of 7.6% in the Croatian market spurred by a heavy common cold and flu season in Q1 2015,
- other sales → negative impact of the decrease in the price of poppy seeds in 1-9 2015 period, partially mitigated by the increase in sales of trade goods in the Farmavita company.

¹Consolidated in P&L from Q2 2015; ²Acquired in April 2014.

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



Key highlights:

- Adria region → organic sales growth recorded in the soups, condiments 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 1.2%,
- Europe region → lower sales of trade goods (poppy seeds), while sales of own brands grew 3.3% due to higher sales of condiments, rice and dermo products,
- Russia, CIS & Baltic region → HRK 31.4 million negative impact of FX differences; excluding FX differences, sales would grow 8.4%, primarily due to the frozen vegetables subcategory,
- New Markets region → sales growth of the culinary category in the markets of the USA and Australia compensated for the lower sales of service production and trade goods; excluding FX differences, the sales would be at the comparative period's level.

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

1-9 2015 (in HRK ¹)	Food	Pharmaceuticals	Group
Sales revenues	1,996.6 1.8%	564.8 (1.6%)	2,561.4 1.0%
Gross profit	759.5 1.6%	288.6 (4.5%)	1,048.0 (0.2%)
EBITDA	209.8 24.5%	66.7 (22.3%)	276.5 8.7%
EBIT	130.1 40.5%	36.7 (32.6%)	166.8 13.4%
Net profit after MI	110.5 139.3%	20.5 (42.6%)	131.0 59.9%
1-9 2015 (% of sales revenues) ²	Food	Pharmaceuticals	Group
Gross margin	38.0% -8 bp	51.1% -155 bp	40.9% -49 bp
EBITDA margin	10.5% +192 bp	11.8% -314 bp	10.8% +76 bp
EBIT margin	6.5% +179 bp	6.5% -299 bp	6.5% +71 bp
Net margin after MI	5.5% +318 bp	3.6% -260 bp	5.1% +188 bp

Key highlights:

Food:

- HRK +24.8 million impact of Mirna consolidation in 1-9 2015, HRK -50.6 million impact of severance payments in 1-9 2014,
- additional impact came from initial expenses of entering new markets, expenses related to the Žito and Mirna acquisitions, higher marketing expenses and 4x higher net negative FX differences on trade receivables and payables,
- net finance costs are 44.0% lower compared to the same period of previous year as a result of favourable condition of refinancing borrowings, while at the same time tax liability is 76.1% lower due to utilizing tax losses of the merged company Danica.

Pharmaceuticals:

- 57.3% higher net negative FX differences on trade receivables and payables compared to the 1-9 2014 period.

¹Performance in the 1-9 2015 period; % change when compared to the 1-9 2014 period; ²% of sales revenues in 1-9 2015 period; basis points change when compared to the 1-9 2014 period.

1.4% growth of total operating expenses in the first nine months of 2015 due to numerous factors

Operating expenses	1-9 2015 / 1-9 2014	
Cost of goods sold (COGS)		1.9%
General and administrative expenses (G&A)		(15.5%)
Selling and distribution costs (S&D)		2.8%
Marketing expenses (MEX)		7.9%
Other costs		69.6%
Total		1.4%

Key highlights:

COGS:

- the increase in COGS is primarily a result of the volume growth in sales of the food segment. In this, the increase in COGS of the food segment is lower than the volume growth of the food segment sales due to favourable movements in the prices of raw materials,

G&A:

- 1-9 2014 was burdened by HRK 53.5 million of severance payments; excluding severance payments, general and administrative expenses grew 8.5% impacted by costs related to the acquisitions of Žito and Mirna and regular G&A expenses of Mirna that were not included in 1-9 2014,

S&D:

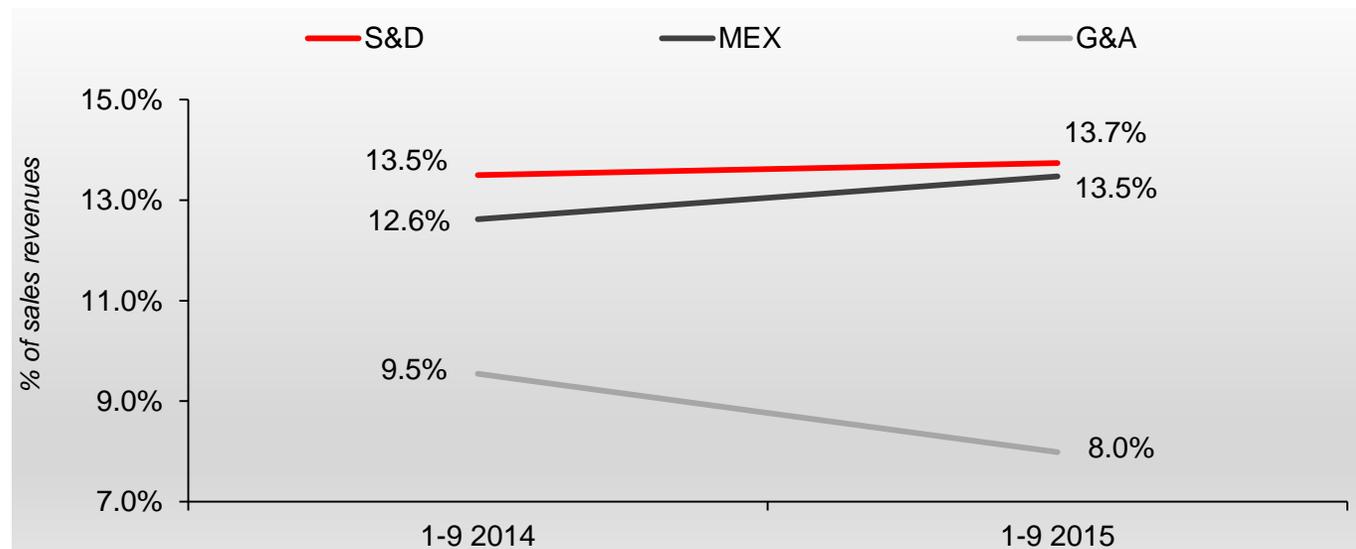
- increase in S&D costs was primarily impacted by initial costs related to the decision to enter new markets and by S&D costs of food company in Russia and Mirna that were not charged in 1-9 2014 period,

MEX:

- growth due to stronger marketing activities related to the culinary category in the Adria region, Mediterranean food subcategory in the Adria and Europe regions and to the baby food and pâtés subcategories in the Adria region,

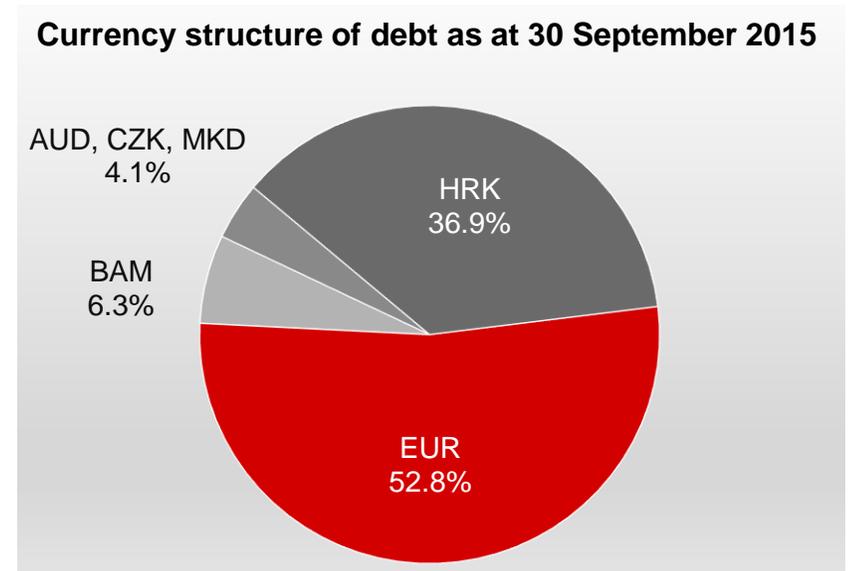
Other costs:

- 80% higher net negative FX differences on trade receivables and payables.



Positive impact of executed capital increase on debt indicators at the end of 1-9 2015 period

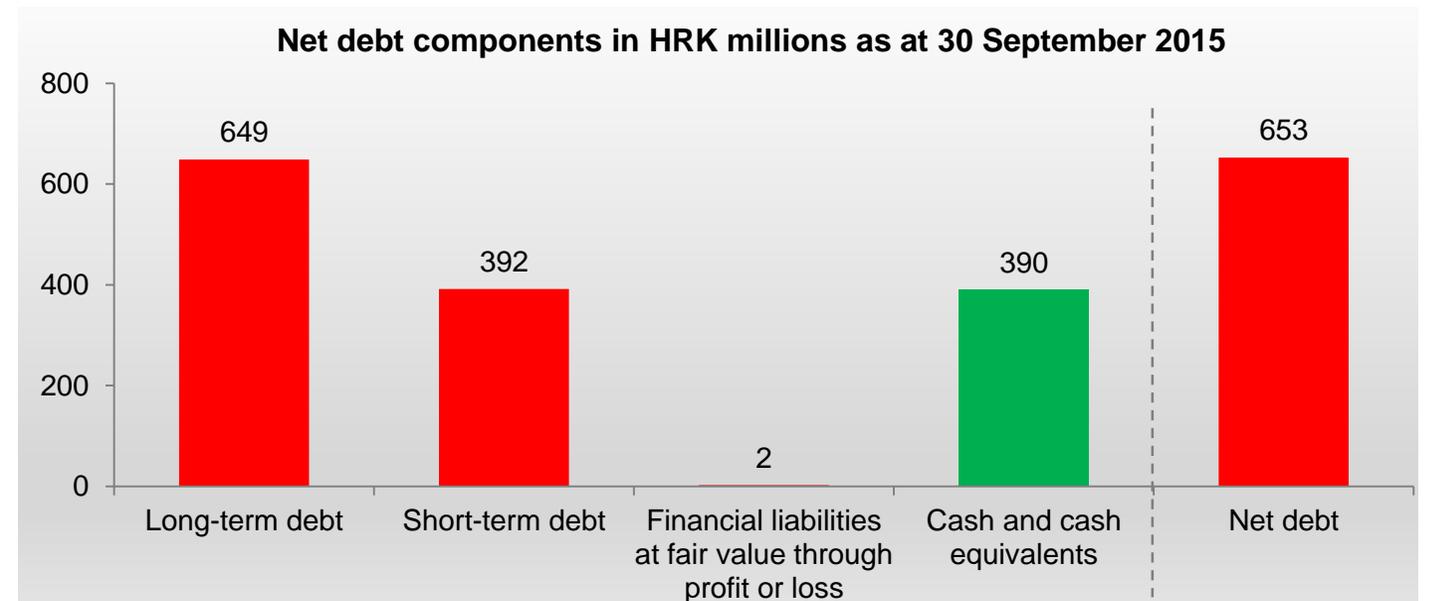
<i>(in HRK 000)</i> ¹	1-9 2015	2014	% change
Net debt	652,708	856,829	↓ (23.8%)
Interest expense	36,906	43,543	↓ (15.2%)
Net debt / EBITDA	1.9	2.7	↓ (28.8%)
EBITDA / Interest expense	9.3	7.3	↑ 26.2%
Equity to total assets ratio	58.7%	50.9%	↑ +777 bp



¹Note: all indicators calculated on the trailing twelve months basis; Interest expense excluding banking fees.

Key highlights:

- net debt increase → due to higher cash and cash equivalents level as a result of executed capital increase,
- lower interest expense → consequence of refinancing liabilities under more favourable commercial conditions and repayment of a part of borrowings,
- **weighted average cost of debt:**
 - on 30 September 2015 → 3.4%,
 - on 31 December 2013 → 4.3%,
 - improvement by 94 bp.



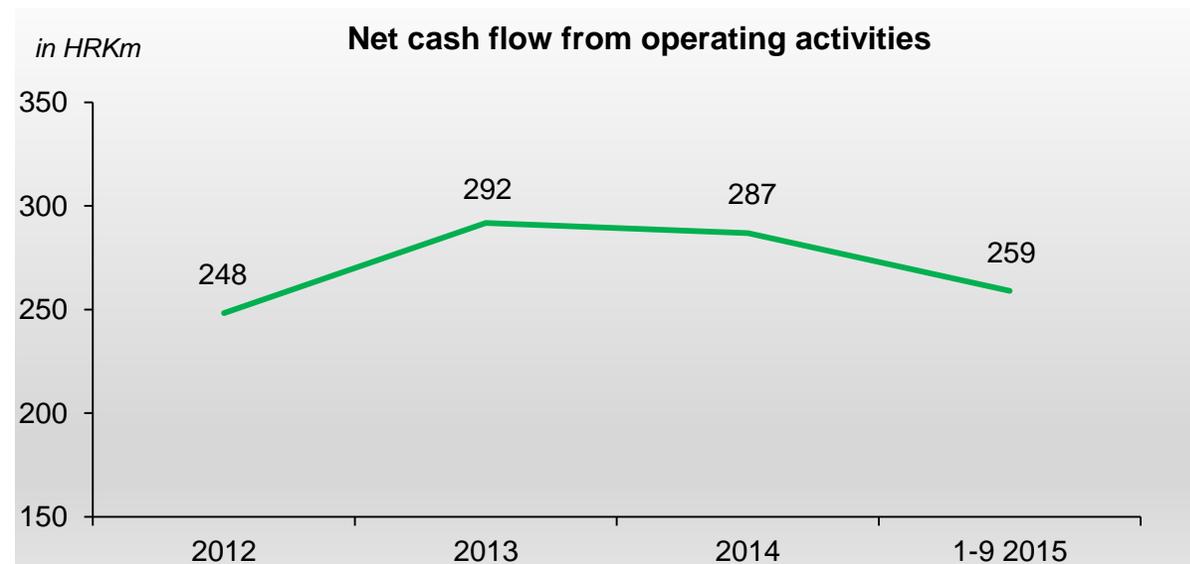
Lower level of net cash flow from operating activities due to an increase in the level of working capital

Working capital movement	1-9 2015 ¹	Influence
Inventories	 HRK +78.0 million	<ul style="list-style-type: none"> inventories of Mirna d.d. that had not been consolidated as at 31 December 2014, general increase in inventories of food products characteristic for the summer season, increased purchase of certain raw materials to avoid more expensive purchase in periods outside the season, increase in Belupo's raw materials inventory related to the production process cyclicity.
Trade receivables and other receivables	 HRK +83.6 million	<ul style="list-style-type: none"> seasonal nature where larger orders of products are recorded in the summer season than at the end of the year.
Trade payables and other payables	 HRK +1.7 million	<ul style="list-style-type: none"> significant settlement of a portion of pharmaceuticals segment payables following the settlement of CHIF in the Croatian market and further harmonization of payment terms to suppliers.

¹Cash flow item, changes on 30 September 2015 from 31 December 2014.

Key highlights:

- net cash flow from operating activities → HRK 32.3 million due to working capital movement,
- net cash flow from investing activities → HRK -283.4 million as a result of HRK 144.7 million of capital expenditures and depositing unused cash from capital increase in cash funds,
- net cash flow from financing activities → HRK 420.4 million primarily due to cash collected by issuing new 1,700,000 ordinary shares,
- capital expenditure in 2015 is expected to be at a level of HRK 250-300 million, in 2016 at a level of 350-400 million and after that at a level of 200-250 million.



Note: net cash flow from operating activities on the trailing twelve months basis in 1-9 2015.

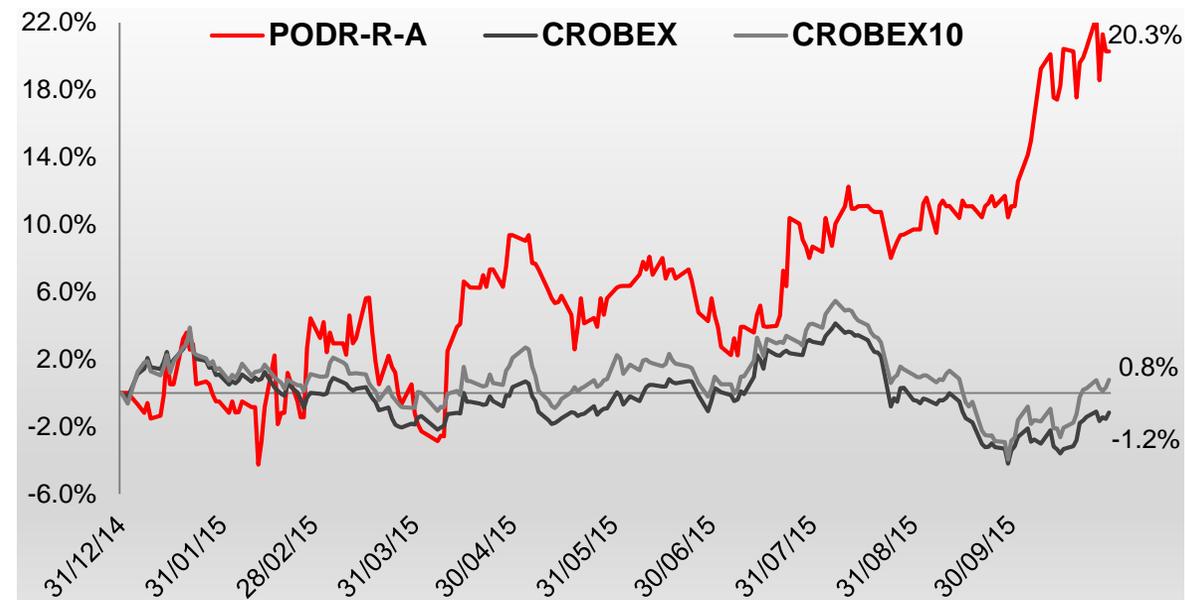
Continuous improvement in Podravka's share performance

(HRK; units)	2015 / 2014 ¹		% change
Average daily price	317.2		6.4%
Average daily number of transactions	13		(9.2%)
Average daily volume	1,870		14.6%
Average daily turnover	595,312.1		22.4%
Earnings per share ²	25.4		44.2%

¹2015 = 01 January 2015 – 30 October 2015, 2014 = 01 January 2014 – 31 October 2014;

²Earnings per share calculated for Q4 2014 – 1-9 2015 period, comparison to FY2014.

Analysts	Recommendation	Target price	Potential ³
	Buy	HRK 364.78	3.3%
	Under review	n/a	n/a
	Under review	n/a	n/a
	Buy	HRK 374.00	5.9%
	Accumulate	HRK 370.00	4.8%
	Buy	HRK 398.96	13.0%



Peer group multiples ⁴	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.2	13.3	18.8	3.4	20.9
Normalized weight. av. peer group ⁵	2.3	13.6	19.1	3.2	20.3
Podravka Group reported	0.9	9.4	18.3	1.3	17.8
Podravka Group normalized ⁶	0.9	9.9	17.2	1.3	16.4

³Compared to the last price on 30 October 2015,

⁴Obtained from Bloomberg on 02 November 2015,

⁵Calculated excluding maximal and minimal values,

⁶Calculated excluding one-off items.

Peer food: Atlanic Grupa d.d., Grencore Group plc, Nestle S.A., Orkla S.A., Otmuchow S.A., Unilever plc,

Peer pharma: Hikma Pharmaceuticals plc, Recordati S.p.A, Richter Gedeon Nyrt., Stadta Arzneimittel AG.

Contact

Podravka d.d.

Ante Starčevića 32, 48 000 Koprivnica, Croatia

www.podravka.hr

Investor Relations

ir@podravka.hr

tel: +385 48 65 16 65

mob: +385 99 43 85 007



Podravka Group business results for 1-9 2015 period

