



Podravka Group

Always with a heart!





The Company

Business

Investment highlights

2016 results

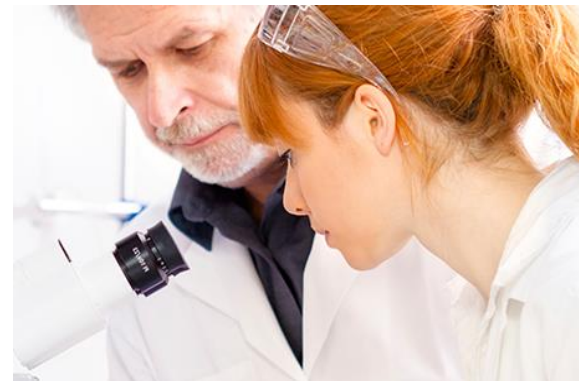
H1 2017 results

Podravka Group at a glance



BUSINESS:

- Branded food – primary business,
- Generic pharmaceuticals.



2016 FIGURES:

- HRK 4,185.5 million of sales,
- HRK 5,285.7 million of total assets,
- 6,404 employees.

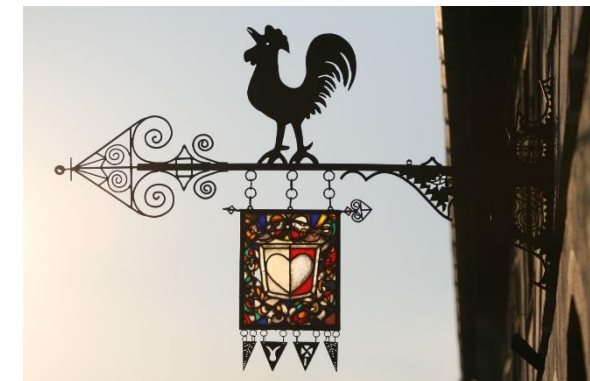
YEAR OF ESTABLISHMENT: 1947

- 70 years in food production,
- 45 years in pharma production,
- Culinary institution in SEE.



HEADQUARTERS:

- Koprivnica, Croatia.



MAIN MARKETS:

- South East Europe,
- Central Europe,
- Eastern Europe.



SHARE LISTING:

- Zagreb Stock Exchange, Croatia,
- 7,120,003 ordinary shares,
- MCap of HRK 2,039.0 million*.

*MCap on 9th October 2017, excluding treasury shares.

Long tradition of food and pharmaceutical production



1934

Fruit processing and marmalade workshop by brothers Wolf established



1947

Wolf brothers workshop became publicly owned under Podravka name



1952

Condiments, dried and sterilized vegetables, etc. production established



1957

Famous Podravka soups production established



1958

Production of meat products established



1959

Vegeta, universal seasoning, production established



1970

Baby food production established



1972

Belupo pharmaceutical company established, pharmaceutical production established



1993

Podravka became a joint-stock company, free share trading from 1994



2012

Commencement of full-scale restructuring process



2015

Žito, Slovenian food producer, acquisition

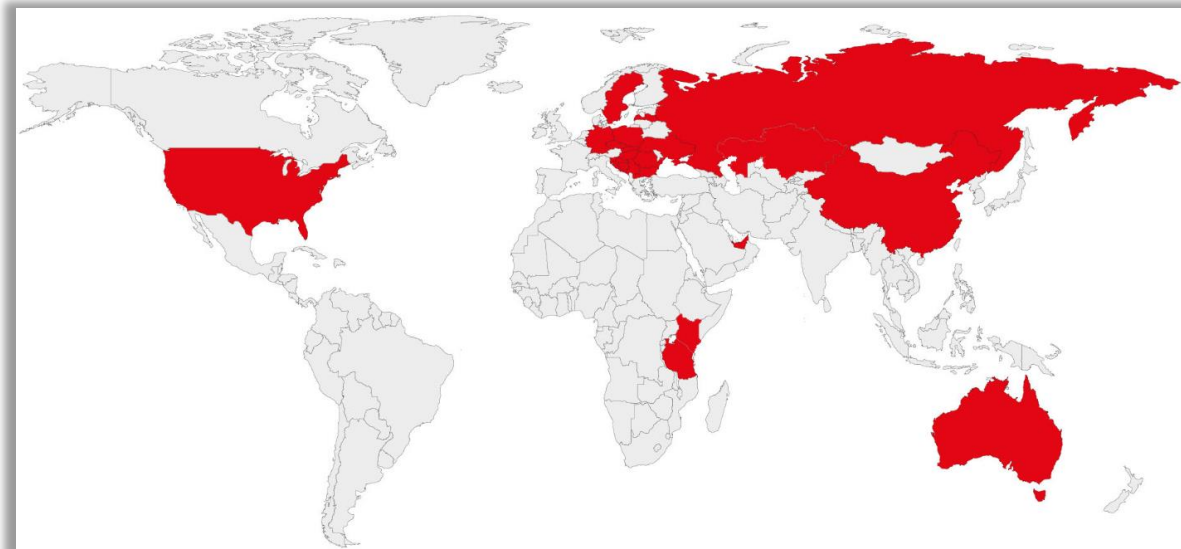
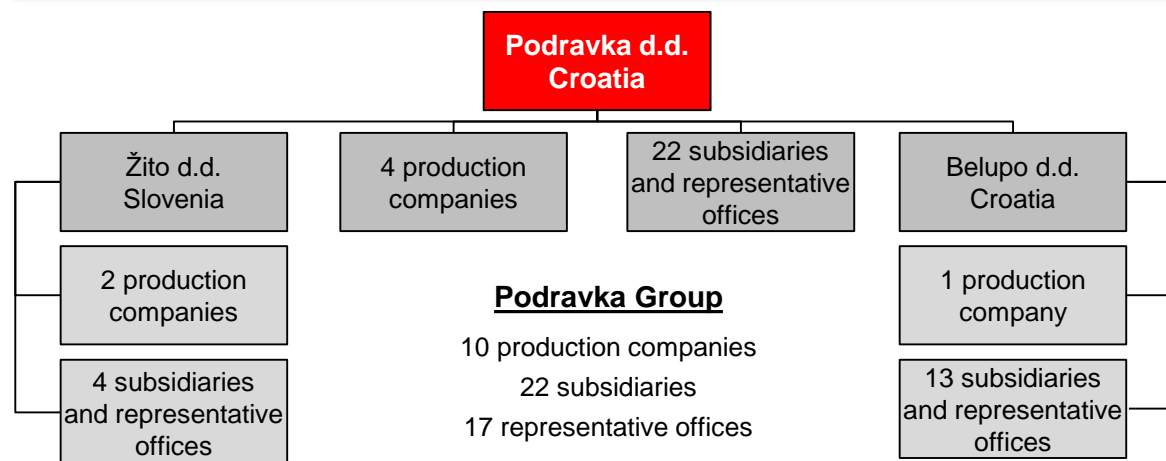


2017

Construction of new pharmaceutical factory, the largest greenfield investment in Group history

Podravka Group is present in 25 countries with subsidiaries and representative offices

International network of subsidiaries and representative offices

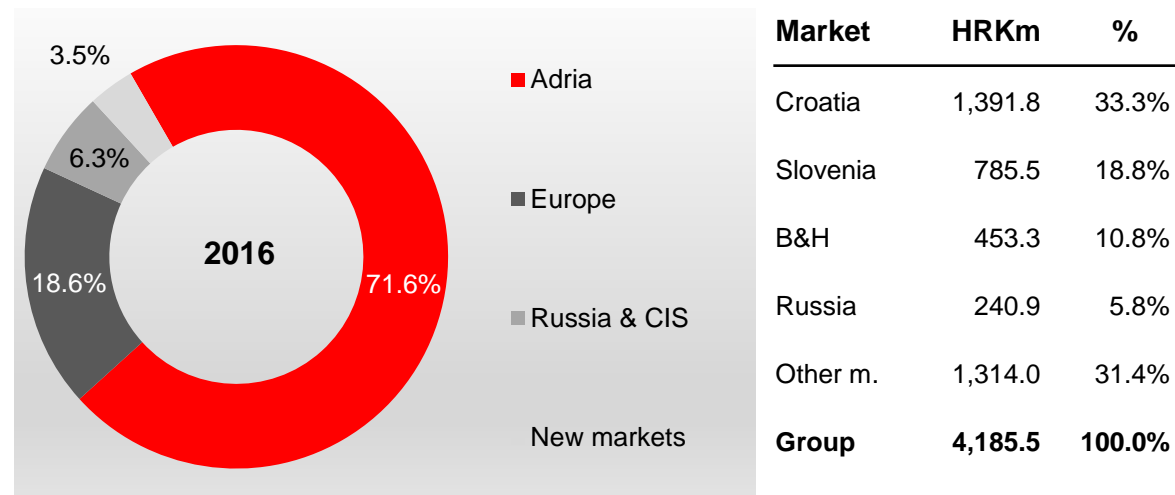


Own distribution network in 11 countries

1. Bosnia and Herzegovina
2. Czech Republic
3. Montenegro
4. Croatia
5. Hungary
6. Macedonia
7. Poland
8. Slovakia
9. Slovenia
10. Serbia
11. Russia



Podravka Group sales split by regions in 2016



Highly developed corporate governance

Management board



Marin Pucar,
MB president



Ljiljana Šapina,
MB member



Davor Doko,
MB member



Hrvoje Kolarić,
MB member



Marko Đerek,
MB member

Supervisory board

President:

- Dubravko Štimac → president of MB of PBZ CO OPF

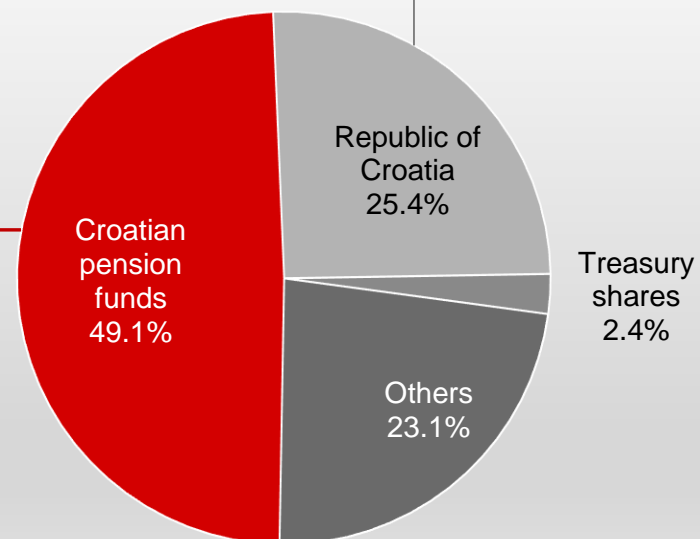
Vice President:

- Luka Burilović → professional manager

Members:

- Ksenija Horvat → workers representative
- Marko Kolaković → academy professor of economy
- Slavko Tešija → advisor in Croatian National Bank
- Damir Grbavac → president of MB of RBA OPF
- Petar Vlaić → president of MB of Erste Plavi OPF
- Ivana Matovina → professional auditor
- Petar Miladin → academy professor of law

Shareholder structure as at 30 June 2017



Audit committee

President:

- Ivana Matovina

Members:

- Petar Vlaić
- Dinko Novoselac
- Slavko Tešija

Remuneration committee

President:

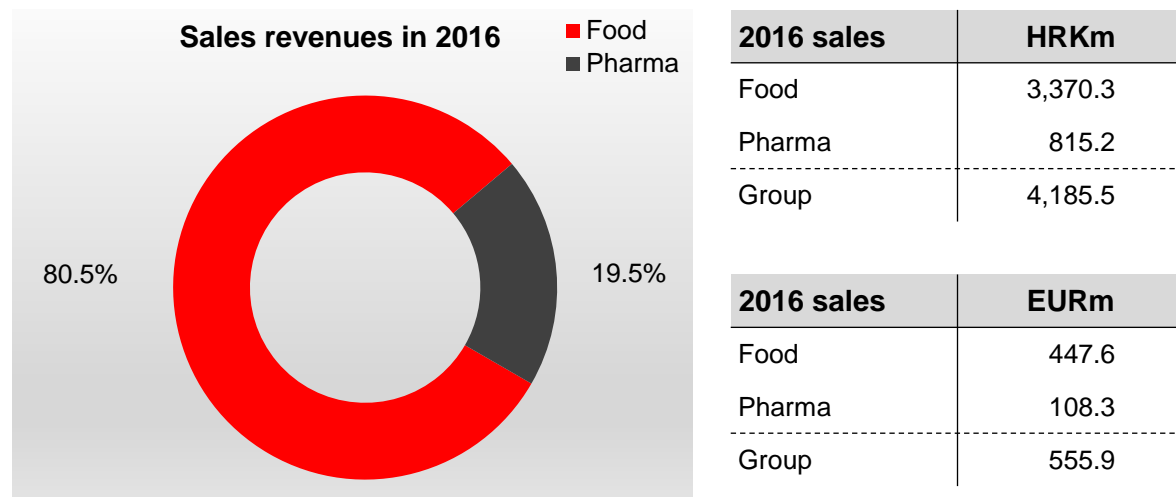
- Luka Burilović

Members:

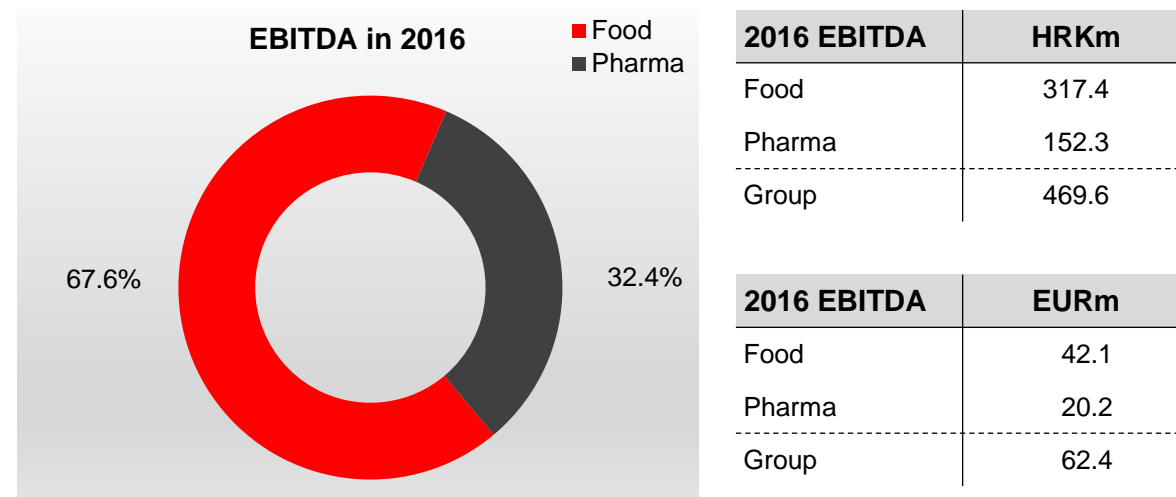
- Dubravko Štimac
- Petar Miladin

Snapshot of key financial figures

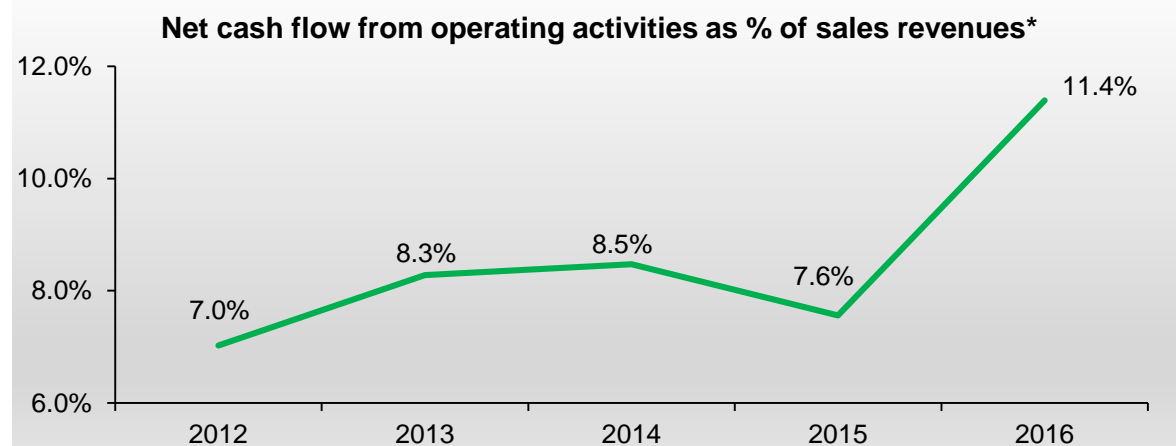
Sales revenues split



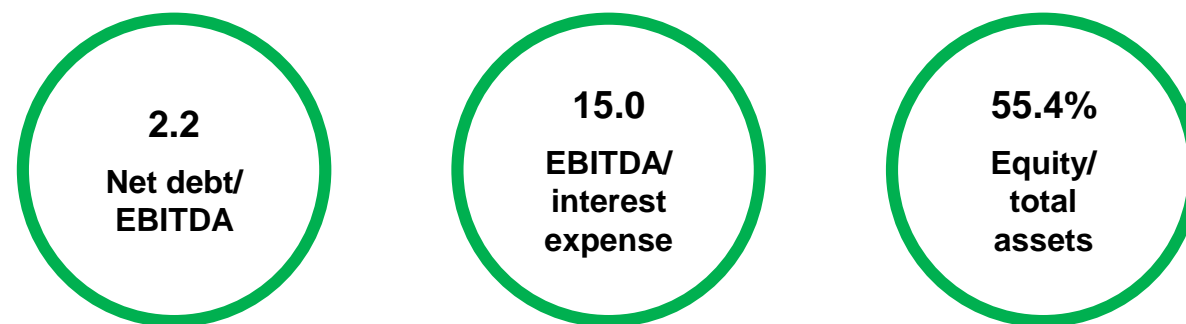
EBITDA split



Stable cash position



Low and sustainable debt level**



*Due to sales revenues reclassification in 2016, 2012-2014 % are made by approximation.

**2016 figures.



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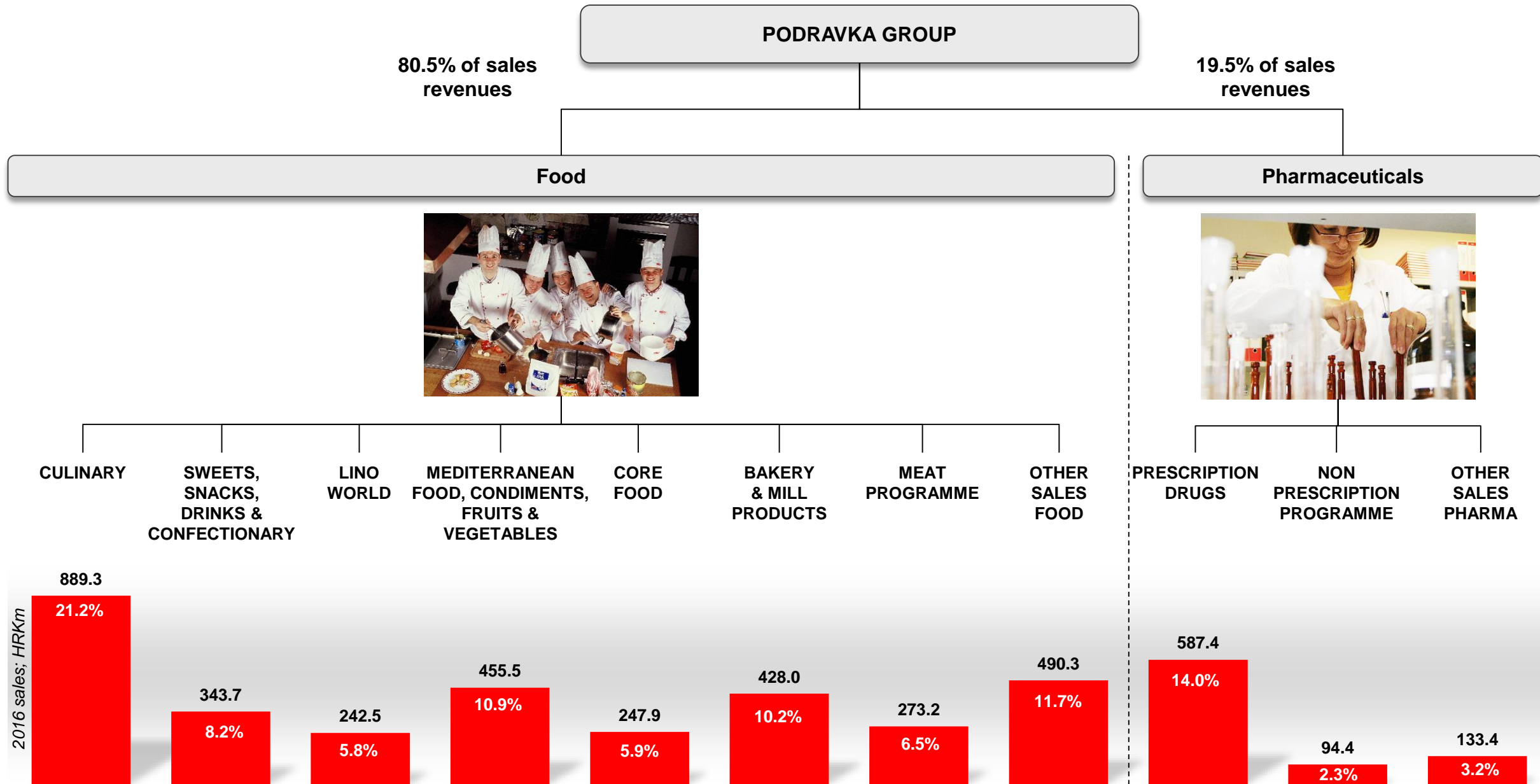
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A well diversified product portfolio divided in two business areas



2016 sales; HRKm

Culinary category is a cornerstone of food business

Food segment products overview				2016 sales;	% of total
CULINARY <ul style="list-style-type: none"> Seasonings*, bouillons, soups*, Semi-finished meals, mixes for meals, sauces. 	      	HRK 889.3m	21.2%		
SWEETS, SNACKS, DRINKS & CONFECTIONARY <ul style="list-style-type: none"> Powdered sweets*, teas, cereals for adults, Confectionery, salted snack. 	    	HRK 343.7m	8.2%		
LINO WORLD <ul style="list-style-type: none"> Dehydrated baby food*, cereals for kids, Spreads and other Lino assortment. 	    	HRK 242.5m	5.8%		
MEDITERRANEAN FOOD, CONDIMENTS, FRUITS & VEGETABLES <ul style="list-style-type: none"> Canned fish products*, condiments*, Tomato based products, fruits, vegetables. 	     	HRK 455.5m	10.9%		
CORE FOOD <ul style="list-style-type: none"> Rice, pasta, BIO products, Seeds, frozen food. 	   	HRK 247.9m	5.9%		
BAKERY AND MILL PRODUCTS <ul style="list-style-type: none"> Fresh bakery products, fresh pastry, toast, Rusk, flour, additives, mixes for bakery. 	 	HRK 428.0m	10.2%		
MEAT PROGRAMME <ul style="list-style-type: none"> Ready to eat meals and meat sauces, Sausages, pâtés, frozen meat. 	   	HRK 273.2m	6.5%		
OTHER SALES <ul style="list-style-type: none"> Private labels, service production, Trade goods, other. 		HRK 490.3m	11.7%		

*Strategic products with international potential.

Prescription drugs category is a cornerstone of pharmaceutical business

Pharmaceutical segment products overview

2016 sales; % of total

PRESCRIPTION DRUGS

- For skin disorders*
- For heart and blood vessels,
- For central nervous system,
- For 8 more areas.



HRK 587.4m 14.0%

NON-PRESCRIPTION PROGRAMME

- OTC medicine,
- Dietary products,
- Natural products.



HRK 94.4m 2.3%

OTHER SALES

- Trade goods,
- Services.



HRK 133.4m 3.2%

*Strategic products with international potential.

High-quality brands with exceptional recognisability and strong international potential



VEGETA

- Universal seasoning, category synonym in Adria region,
- For years No. 1 FMCG brand in CRO and in the top 3 in the region,
- Number 1 brand in Europe in universal seasoning category,

- Superbrand award in more than 15 European countries,
- Laur consumenta award in Poland for 2004-2014 period.

Vol. MP ¹	ADRIA	POL	SLK	CZE	RUS
Vegeta	1	2	1	3	2



PODRAVKA SOUPS

- Dehydrated instant soups,
- Sold in 25 countries around the world,
- Market leader or among top 3 in the Adria region,

- Quadal (Quality Medal) award in Croatia,
- Best Buy award in Croatia and B&H.

Vol. MP ¹	CRO	SLO	B&H	SER	MAC	RUS
Soups	1	4	1	2	1	7



LINO

- Dehydrated baby food; umbrella brand,
- Category synonym in Adria region,
- Sold in more than 20 countries around the world,

- Trusted brand award and Best Buy award winner in Croatia,
- Superbrand awards winner in Croatia, Slovenia and B&H.

Vol. MP ¹	CRO	SLO	B&H	SER
Lino	1	1	1	1



DOLCELA

- Powdered product for preparation of sweets,
- No. 1 or strong No. 2 brand in Adria region,

- Quadal (Quality Medal) award in Croatia,
- Best Buy award in Croatia and B&H.

Vol. MP ¹	CRO	SLO	B&H
Dolcela	1	2	1



EVA (MEDITERRANEAN ASSORTMENT)

- One of the most recognisable brands in canned fish category in the Adria region,
- Flagship of Mediterranean cuisine,

- Quadal (Quality Medal) award and Superior taste award in Croatia,
- Best Buy award in Croatia and B&H.

Vol. MP ¹	CRO	SLO	B&H	SER
Eva	2	6	1	3



BELUPO DERMATICS

- Strong international position in niche dermatology segment.

Vol. MP ²	CRO	RUS	CZE	SLO	B&H	SER	MAC	SLR
D07 ³	1	5	1	2	1	2	1	1

¹Source: Nielsen; ²Source: IMS; ³Corticosteroids for the treatment of skin disorder.



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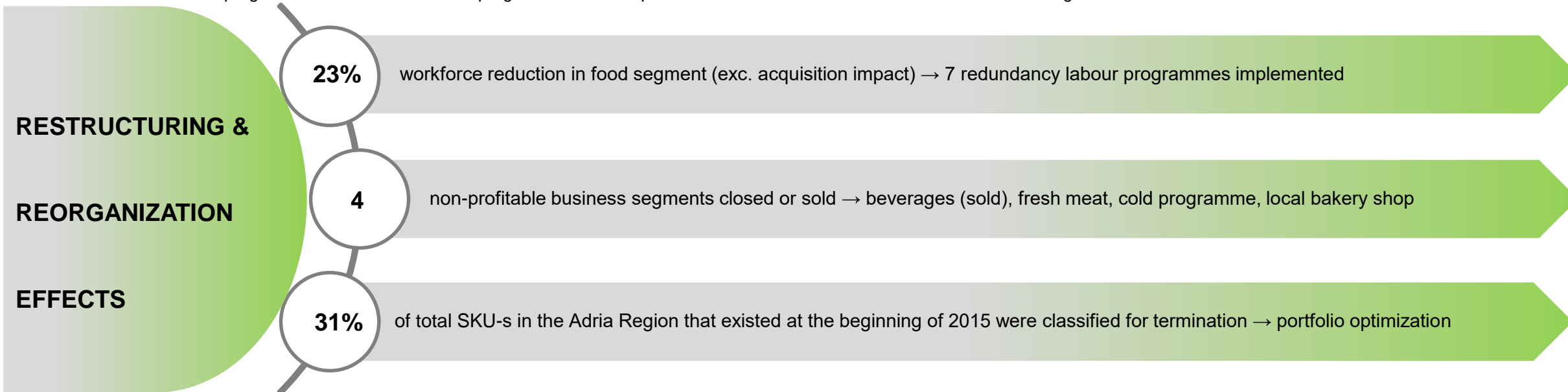
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Successful implementation of restructuring and reorganization process



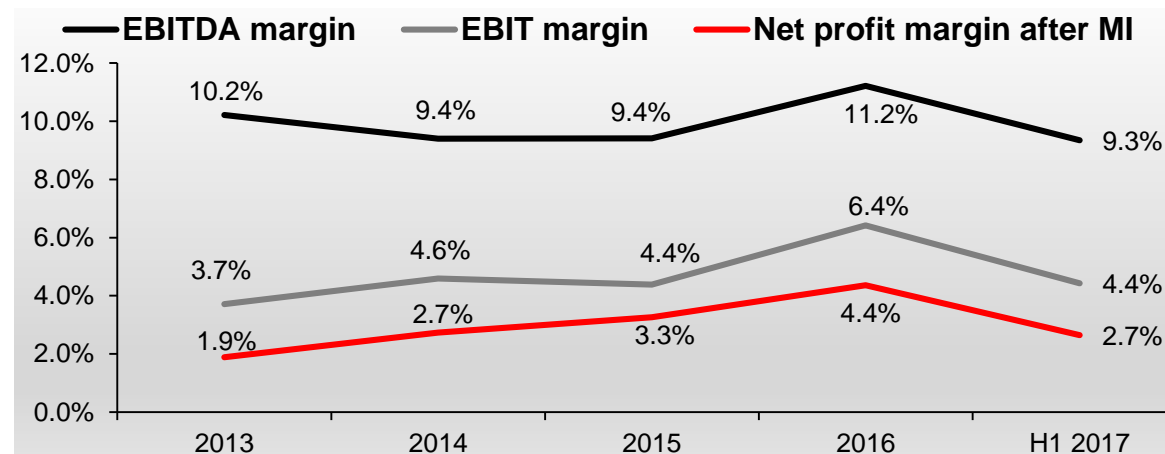
Significantly improved financial position

Restructuring related one-off items burdened past profitability

(in HRK _m)	2012	2013	2014	2015	2016	H1 2017
Value adjustments	(32.3)	(80.8)	(27.8)	(34.6)	(9.3)	-
Severance payments	(49.9)	(57.2)	(72.1)	(41.1)	(1.9)	(26.9)
Other	(44.3)	4.6	9.8	298.4*	7.8	-
Total net one-off items	(126.5)	(133.4)	(90.1)	222.7	(3.4)	(26.9)

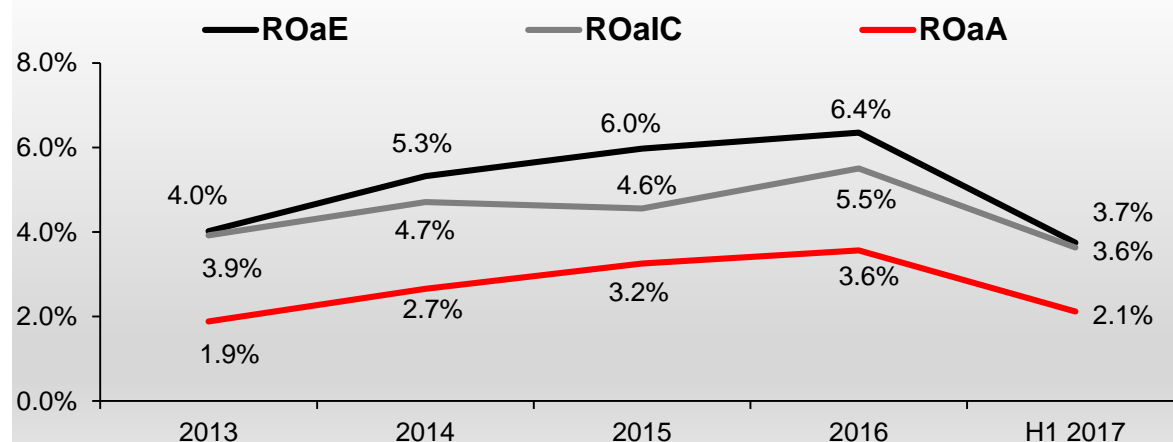
*HRK 115.7m of gain on a bargain purchase from Žito acquisition (badwill), HRK 163.7m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19.0m refers to other items.

Positive profitability margins movement¹

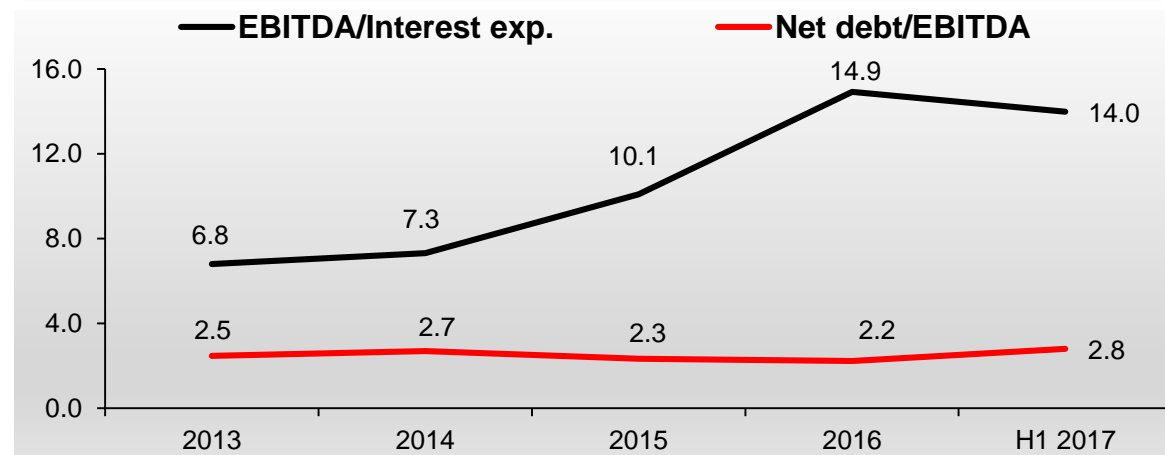


¹Due to sales revenues reclassification in 2016, 2013-2014 margins are made by approximation.

Žito acquisition reflected in return rates¹



Sustainable debt level¹



¹2015 figures include Podravka and Žito Group full year figures, excluding consolidation effects and adjusted for Belupo tax incentives impacts.

Expansion of pharmaceutical capacities to satisfy international demand

Construction of new pharmaceutical facilities

Project:

- Production facility for solid oral forms,
- Production facility for semi solid and liquid forms,
- Project started in 2015, ended in 2017.

Project reasoning:

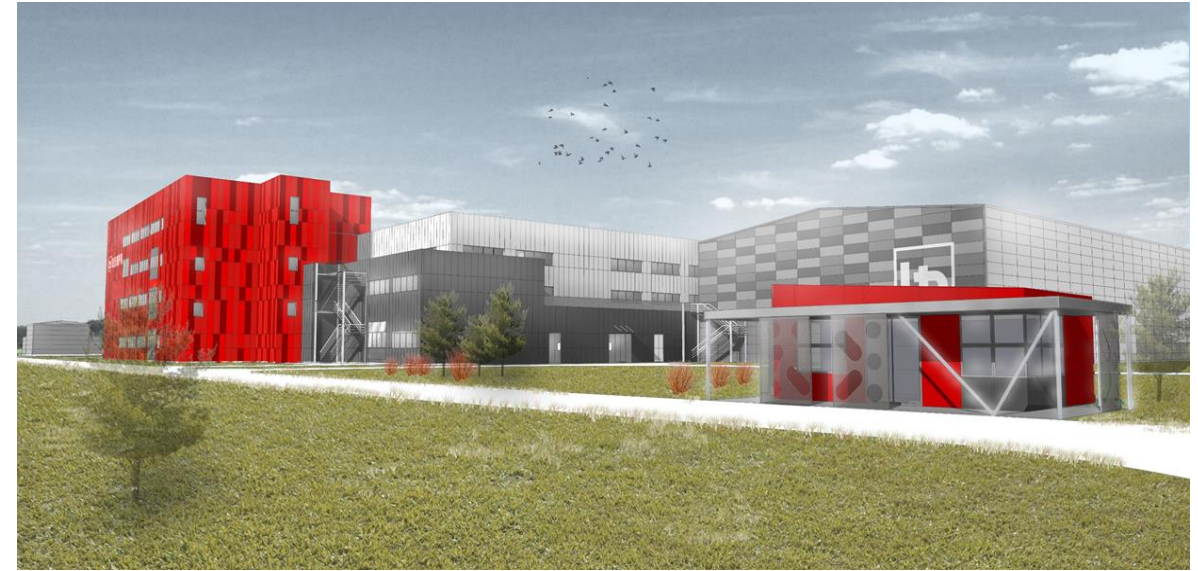
- Insufficient production capacities due to perennial volume growth → capacity increased by 150%,
- Acquiring of new technologies for product differentiation.

Project financing:

- Total value of investment HRK 530 million,
- 55% loan from HBOR, 45% own funds,
- Government incentive through income tax benefits in the amount of 40% of total investment.

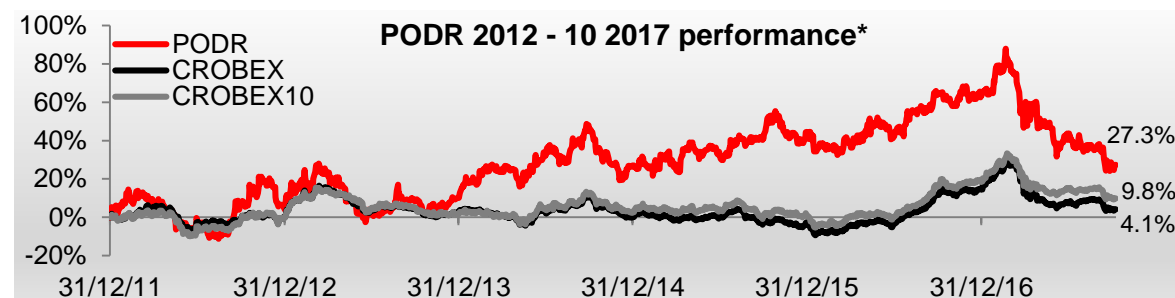
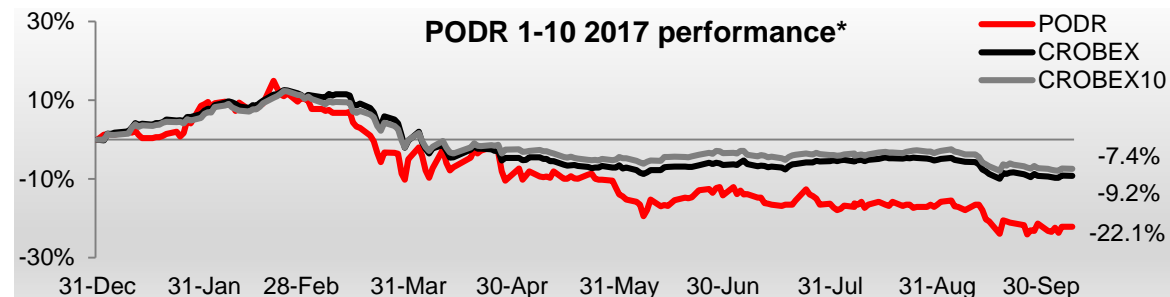
Business reasons for choosing Croatia as facilities location:

- High speed in obtaining all permits,
- Tax incentives for strategic investments,
- Availability of highly-educated workforce at acceptable cost level,
- Incentives for hiring young workforce,
- Proximity to other Belupo locations.



Podravka's share price movement in H1 2017 under the influence of key customer situation

(HRK; units)	H1 2017	H1 2017/ H1 2016	2016 / 2015	2015 / 2014
Average daily price	370.0	12.4%	9.4%	7.4%
Average daily number of transactions	23	160.3%	(8.9%)	(9.1%)
Average daily volume	1,661	55.3%	(36.0%)	11.3%
Average daily turnover	614,678.8	74.5%	(30.0%)	19.6%
Reported earnings per share	15.9	(39.8%)	(11.2%)	276.9%
Adjusted earnings per share	20.9	(22.0%)	8.2%	31.6%



*Up until 9th October 2017.

Analysts	Recommendation	Target price	Potential ¹
InterCapital	Under review	-	n/a
Raiffeisen BANK	Hold	HRK 380.00	29.3%
ERSTE Group	Buy	HRK 370.00	36.1%
UniCredit	Buy	HRK 398.96	35.7%
WOOD & COMPANY	Hold	HRK 376.00	27.9%

Peer group multiples ²	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.2	13.7	19.4	3.7	22.1
Normalized weight. av. peer group ³	1.6	12.9	18.4	2.6	20.6
Podravka Group reported	0.8	8.2	17.3	0.7	18.5
Podravka Group normalized ⁴	0.8	7.7	14.5	0.7	14.1

¹Compared to the last price on 9th October 2017,

²Obtained from Bloomberg on 9th October 2017,

³Calculated excluding max. and min. values,

⁴Normalized for items stated in the publication of 2016 results.

Peer group food: Atlantic Grupa, Ebro, Hochdorf, La Doria, McCormick, Orkla.

Peer group pharma: Alkaloid, Richter Gedeon, Hikma Pharmaceuticals, Krka, Recordati, Stada Arzneimittel.



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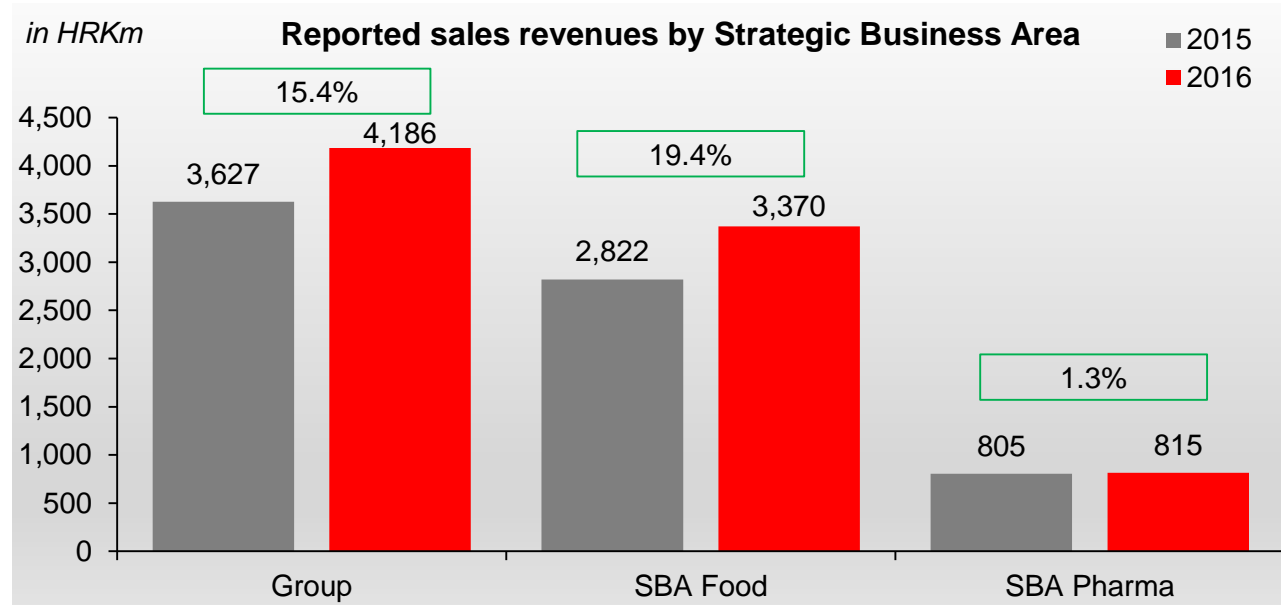
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Growth of own brands despite negative FX differences, negative contribution of other sales



Net impact of foreign exchange (FX) on sales revenues:

HRK _m	Own brands	Other sales	Total	Currency	HRK _m
Food	(32.9)	(4.7)	(37.6)	RUB	(21.1)
Pharmaceuticals	(15.9)	(0.9)	(16.8)	EUR	(12.9)
Group	(48.8)	(5.6)	(54.4)	Other	(20.4)
				Total	(54.4)

- FX impact on sales revenues shows for how much sales revenues would have been higher or lower in 2016 if FX rates had remained on the same levels as in 2015.

Pro-forma SBA Food¹:

- Own brands** → 0.6% lower sales (+0.6% excl. FX), arising from negative FX differences and negative trends in the movement of key subcategories in the Adria region,
- Other sales** → 5.2% lower sales (-4.3% excl. FX) due to decreased scope of cooperation in the area of private labels,
- Total SBA Food** → 1.3% lower sales (-0.2% excl. FX).

SBA Pharmaceuticals¹:

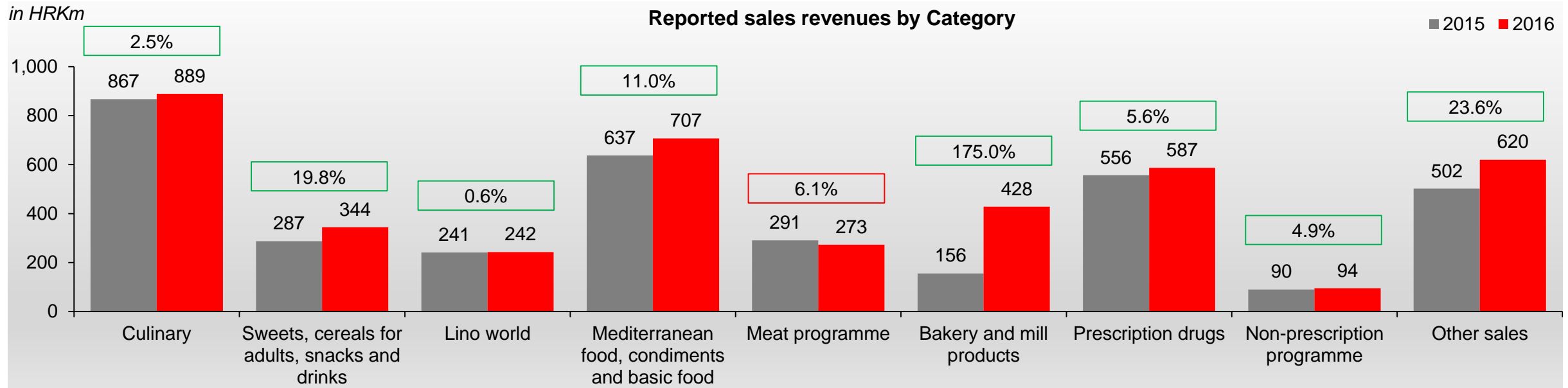
- Own brands** → 5.5% higher sales (+7.9% excl. FX) due to the expansion of the business cooperation in Russia,
- Other sales** → 15.8% lower sales (-15.3% excl. FX) as a result of stronger focus on own brands and consequently lower distribution of trade goods,
- Total SBA Pharmaceuticals** → 1.3% higher sales (+3.4% excl. FX).

Pro-forma Podravka Group¹:

- Own brands** → 0.5% higher sales (+1.9% excl. FX),
- Other sales** → 7.7% lower sales (-6.9% excl. FX),
- Total Podravka Group** → 0.8% lower sales (+0.5% excl. FX).

¹Percentages in the text relate to performance in 2016 compared to 2015, under assumption that Žito Group has been consolidated from the beginning of 2015.

Prescription drugs category sales growth, lower other sales in pharma and in food on the pro-forma level

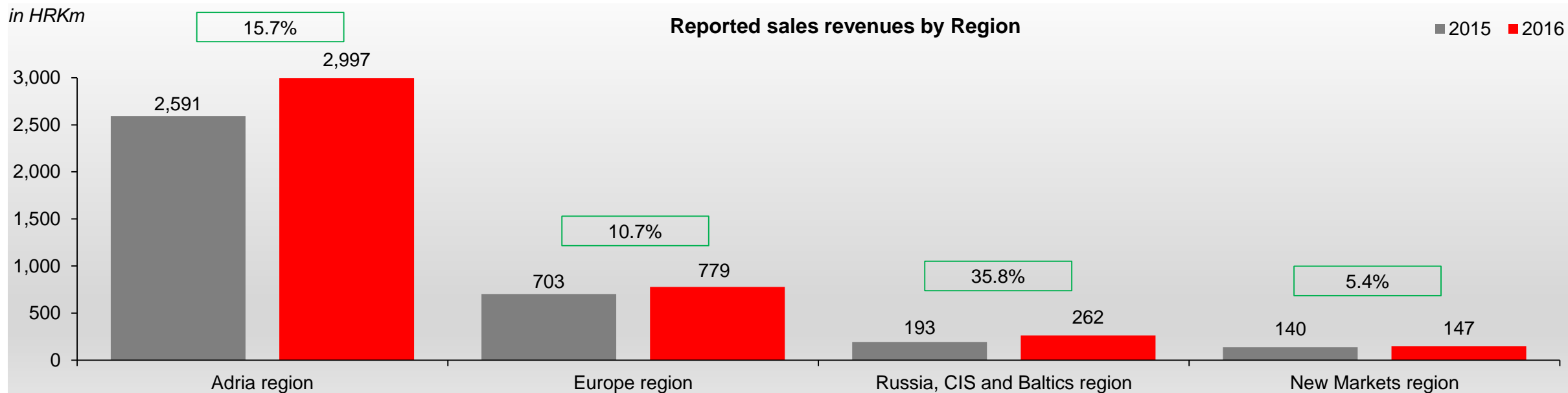


Pro-forma category performance in 2016¹:

- **Culinary (+0.6%; +2.3% excl. FX)** → Seasonings subcategory sales growth in Russia due to successful implementation of new business model, Soups sales growth in Adria region due to stronger activities,
- **Sweets, cereals for adults, snacks and drinks (-1.4%; -0.9% excl. FX)** → lower beverages sales due to decreased marketing support and higher competitors' activities,
- **Lino world (+0.6%; +1.0% excl. FX)** → activities and innovation on the Lino Lada brand in the Croatian market; introduction of baby purees range,
- **Mediterranean food, condiments and core food (-0.7%; +0.4% excl. FX)** → decrease in the overall market of some subcategories and the pressure of competitors and PL-s.
- **Meat programme (-6.1%; -5.7% excl. FX)** → restructuring of the sausage programme that currently reflects in sales revenues drop compared to the previous period,
- **Bakery and mill products (+1.1%; +2.5% excl. FX)** → increased activities in the Slovenian market; extended distribution and product range in European markets,
- **Prescription drugs (+5.6%; +8.1% excl. FX)** → expansion of business cooperation on the Russian market and heart and blood vessels assortment in the B&H market,
- **Non-prescription programme (+4.9%; +6.7% excl. FX)** → expansion of business cooperation in the Russian market and assortment extension in the Slovenian market,
- **Other sales (-7.7%; -6.9% excl. FX)** → lower sales in food and pharma.

¹Percentages in the text relate to performance in 2016 compared to 2015, under assumption that Žito Group has been consolidated from the beginning of 2015.

Decrease in the overall market of some key subcategories in the Adria region, market shares stable or increasing



Pro-forma region performance in 2016¹:

- **Adria region (-3.2%; -2.5% excl. FX)** → **food** sales lower 3.6% due to the decrease in the overall market of some key subcategories, the restructuring of the meat programme, lower beverages sales and decreased scope of cooperation in the area of PL; **pharma** sales lower 1.8% by the decrease in sales of trade goods, while own brands recorded a sales growth,
- **Europe region (-0.3%; +1.0% excl. FX)** → **food** sales lower 0.2% due to Central Europe lower sales marked by the decrease in the overall market of the Universal seasonings subcategory, which wasn't compensated by Western Europe sales growth; **pharma** sales lower 2.5% due to activities of the existing and new competitors in the Polish market,
- **Russia, CIS and Baltic region (+33.7%; +44.4% excl. FX)** → **food** sales higher 50.6% due to the successful implementation of the new business model that resulted, among other things, with distribution and assortment extension; **pharma** sales higher 20.7% due to expanded business cooperation in the market of Russia,
- **New markets (+2.2%; +3.3% excl. FX)** → **food** sales higher 2.3% as a result of opening new markets at the beginning of 2015, but also as a result of the expansion of the distribution and the Žito product range; **pharma** sales higher 1.6%.

¹Percentages in the text relate to performance in 2016 compared to 2015, under assumption that Žito Group has been consolidated from the beginning of 2015.

Significant pharma profitability improvement due to more stable HRK/RUB FX

2016 (in HRK ^m) ¹	Food reported		Pharmaceuticals		Podravka Group reported	
Sales revenues*	3,370.3	19.4%	815.2	1.3%	4,185.5	15.4%
Gross profit	1,090.8	13.5%	428.1	1.0%	1,518.9	9.7%
EBITDA	317.4	(14.2%)	152.3	54.0%	469.6	0.2%
EBIT	158.2	(33.4%)	110.7	132.3%	268.9	(5.7%)
Net profit after MI	111.3	(47.0%)	71.1	(62.0%)	182.4	(54.1%)

*Reclassification of fees contracted with customers for promotional, marketing and similar activities from MEX to decrease of sales revenues.

2016 (% of sales revenues) ²	Food reported		Pharmaceuticals		Podravka Group reported	
Gross margin	32.4%	-170 bp	52.5%	-15 bp	36.3%	-190 bp
EBITDA margin	9.4%	-369 bp	18.7%	+640 bp	11.2%	-170 bp
EBIT margin	4.7%	-372 bp	13.6%	+766 bp	6.4%	-144 bp
Net margin after MI	3.3%	-414 bp	8.7%	-1454 bp	4.4%	-660 bp

¹Performance in 2016; % of change when compared to 2015; ²% of sales revenues in 2016; basis points change when compared to 2015.

Key highlights in 2016:

Food reported:

- One-off items: in 2015 EBITDA and EBIT increased by HRK 97.7m and net profit by HRK 102.7m; in 2016 EBITDA increased by HRK 5.9m and EBIT and net profit decreased by HRK 3.4m. Normalized, EBIT would grow 15.6% and net profit by 6.8%,
- Reported and normalized profitability margins were lower as a result of, among other, Žito Group assortment that has lower margins than average Podravka assortment.

Pharmaceuticals:

- One-off items: in 2015 EBITDA and EBIT decreased by HRK 7.8m and net profit increased by HRK 154.6m due to significant impact of deferred tax income. Normalized, EBIT would grow by 99.6% and net profit by 117.8%,
- Normalized profitability margins are higher on all levels.

Podravka Group reported normalized profitability margin growth on all levels

2016 (in HRK ^m) ¹	Pro-forma Food		Pharmaceuticals		Pro-forma Podravka Group	
Sales revenues*	3,370.3	(1.3%)	815.2	1.3%	4,185.5	(0.8%)
Gross profit	1,090.8	(0.4%)	428.1	1.0%	1,518.9	(0.0%)
EBITDA	317.4	6.5%	152.3	54.0%	469.6	18.4%
EBIT	158.2	15.4%	110.7	132.3%	268.9	45.5%
Net profit after MI	111.3	(2.2%)	71.1	(62,0%)	182.4	(39.4%)

*Reclassification of fees contracted with customers for promotional, marketing and similar activities from MEX to decrease of sales revenues.

2016 (% of sales revenues) ²	Pro-forma Food		Pharmaceuticals		Pro-forma Podravka Group	
Gross margin	32.4%	+27 bp	52.5%	-15 bp	36.3%	+27 bp
EBITDA margin	9.4%	+69 bp	18.7%	+640 bp	11.2%	+181 bp
EBIT margin	4.7%	+68 bp	13.6%	+766 bp	6.4%	+204 bp
Net margin after MI	3.3%	-3 bp	8.7%	-1454 bp	4.4%	-278 bp

¹Performance in 2016; % of change when compared to 2015; ²% of sales revenues in 2016; basis points change when compared to 2015.

Key highlights in 2016:







Pro-forma Food:

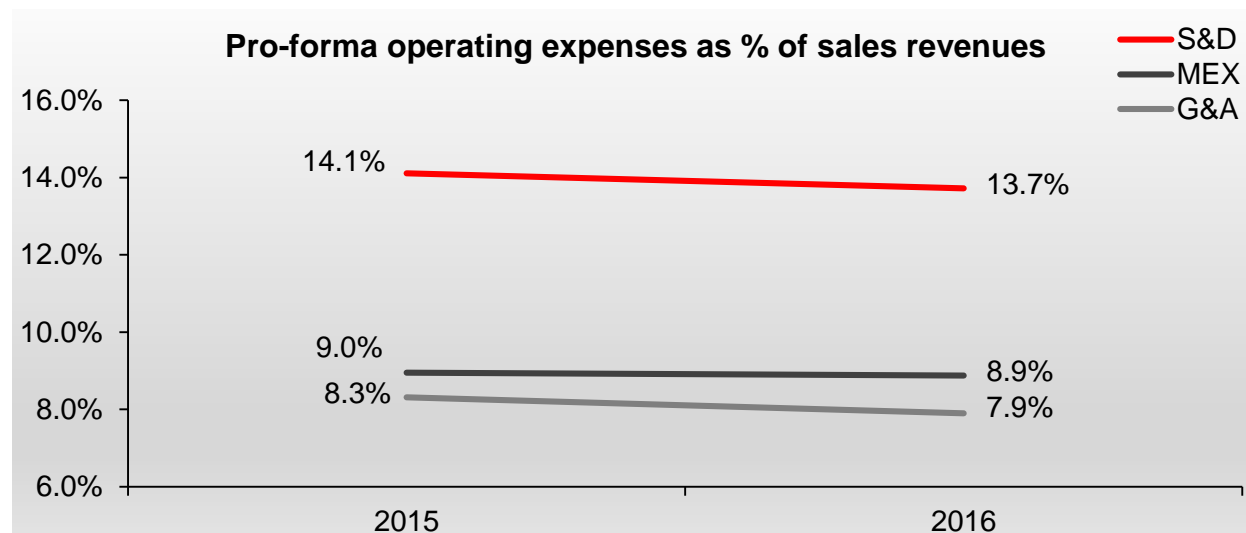
- One-off items: in 2015 EBITDA and EBIT decreased by HRK 18.0m and net profit by HRK 13.0m; in 2016 EBITDA increased by HRK 5.9m and EBIT and net profit decreased by HRK 3.4m. Normalized, EBIT would grow 4.2% and net profit would fall by 9.6%,
- The company utilised in 2015 tax losses carried forward by subsidiaries and consequently had a significantly lower tax liability compared to 2016,
- Reported and normalized profitability margins were mostly higher, except for net profit margin which was a result of lower tax liability in 2015.

Pro-forma Podravka Group:

- Normalized, EBIT would grow 29.3% and net profit would grow 16.5%,
- Normalized profitability margins were higher on all levels.

Positive movement of operating expenses

Operating expenses	2016 / 2015 pro-forma	
Cost of goods sold (COGS)	(1.2%)	
General and administrative expenses (G&A)	(5.8%)	
Sales and distribution costs (S&D)	(3.5%)	
Marketing expenses (MEX)	(1.6%)	
Other expenses / sales, net	n/a	
Total	(2.9%)	



Key highlights in 2016 on the pro-forma level:

▪ **Cost of goods sold (COGS):**

- Lower 1.2% due to a decrease in prices of certain raw materials,

▪ **General and administrative expenses (G&A):**

- 2015 was burdened with severance payments and Žito acquisition and integration costs. Excluding severance payments in 2016 and aforementioned impacts in 2015, G&A expenses would grow 6.9% due to, among other things, higher costs related to opening of new markets that were not present in the comparative period,

▪ **Sales and distribution expenses (S&D):**

- Lower 3.5% due to, among other things, synergy effects of Danica merger in Q4 2015,

▪ **Marketing expenses (MEX):**

- Decreased marketing activities in the pharmaceuticals segment in the markets of the CIS due to deteriorating business climate; temporal suspension of planned marketing activities in Western Europe due to distributor change,

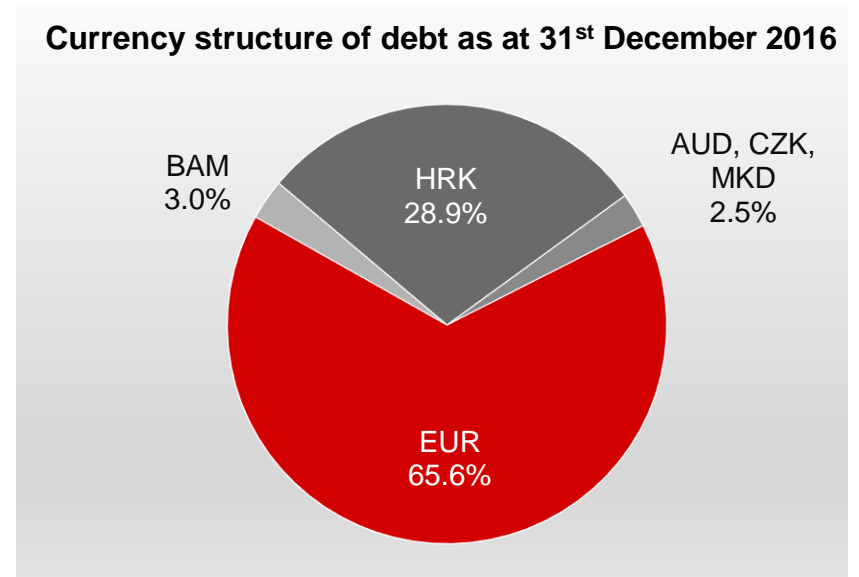
▪ **Other expenses / sales, net:**

- Includes foreign exchange differences on trade receivables and payables that were positive in 2016 and negative in 2015. Thereby, impact of this OPEX item was positive in 2016 and negative in 2015.

Sustainable level of Podravka Group indebtedness

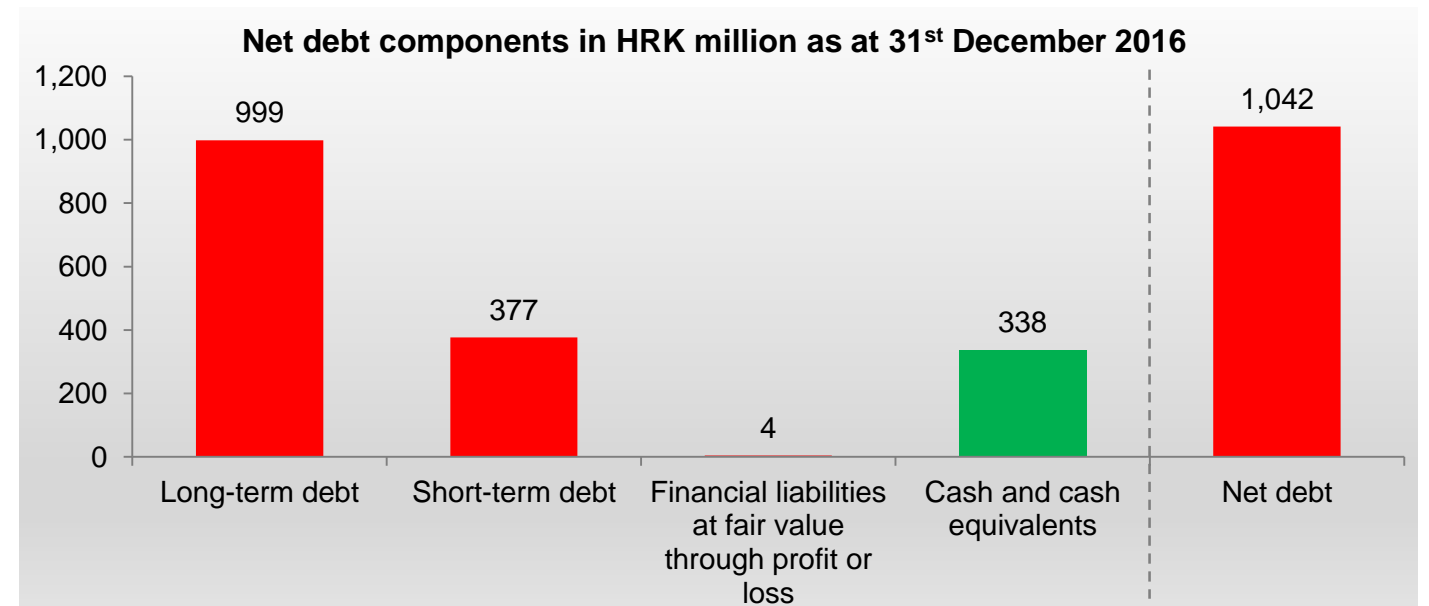
(u HRK 000) ¹	2016	2015	% change
Net debt	1,041,739	922,380	12.9%
Interest expense	31,216	36,926	(15.5%)
Net debt / EBITDA	2.2	2.0	12.7%
EBITDA / Interest expense	15.0	12.7	18.6%
Equity to total assets ratio	55.4%	56.5%	-109 bb

¹All P&L figures are calculated on the trailing 12 months level, while BS figures are taken at the end of period.






Key highlights:

- Net debt growth → use of long-term borrowings for the purpose of the new pharmaceutical factory construction,
- Lower interest expenses → repayment of a part of borrowings,
- Net debt/EBITDA calculated with the normalized 2015 pro-forma EBITDA is 2.2,
- **Weighted average cost of debt:**
 - As at 31 December 2016 → 2.5%,
 - As at 31 December 2013 → 4.3%.

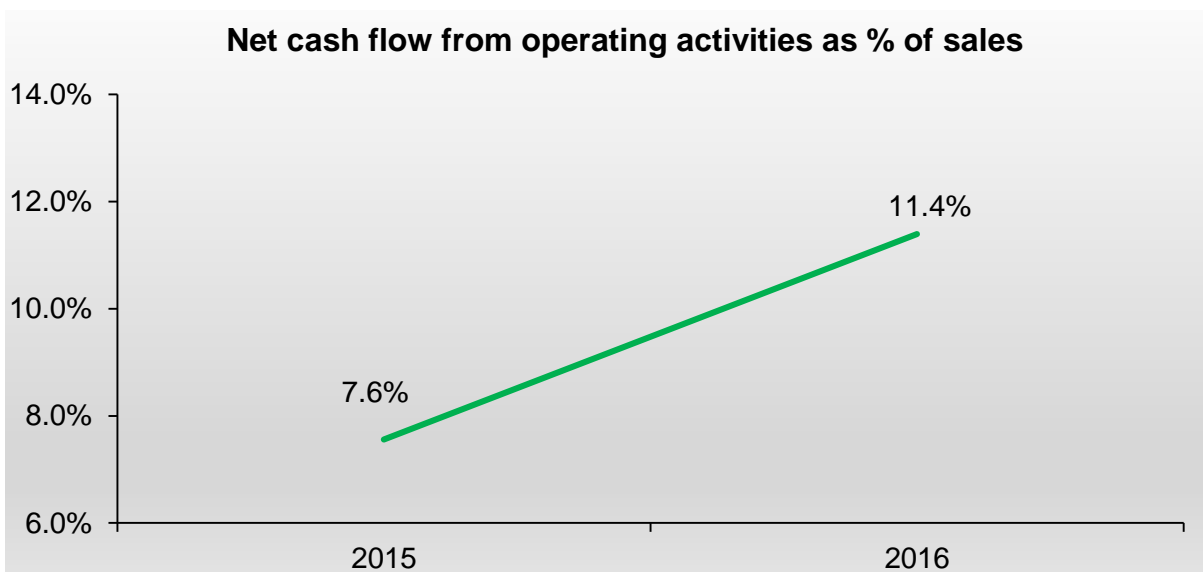


Stable level of net cash flow from operating activities

Working capital movement in BS	31 December 2016 / 31 December 2015		Impact
Inventories		(1.3%)	<ul style="list-style-type: none"> Mild inventory decrease of 1.3%, partially as a result of lower prices of certain raw materials.
Trade and other receivables		1.5%	<ul style="list-style-type: none"> Growth of 1.5% while trade receivables grew 2.8% due to, among other, slower dynamics collection of receivables in the Pharmaceuticals segment at the end of 2016 compared to the end of 2015.
Trade and other payables		3.5%	<ul style="list-style-type: none"> Growth of 3.5% while trade payables were at the level of comparative period.

<i>(in HRK thousands)</i>	2016	2015	Δ
Net cash from operating activities	476.7	274.2	202.5
Net cash from investing activities	(358.9)	(675.8)	316.9
Net cash from financing activities	72.1	473.0	(545.1)
Net change of cash and cash equivalents	45.7	71.4	(25.7)

- **CAPEX** in 2017 is expected to be at the level of HRK 250 - 300m, in 2018 at the level of HRK 150 - 200m, and in 2019 at the level of HRK 250 - 300m.





The Company

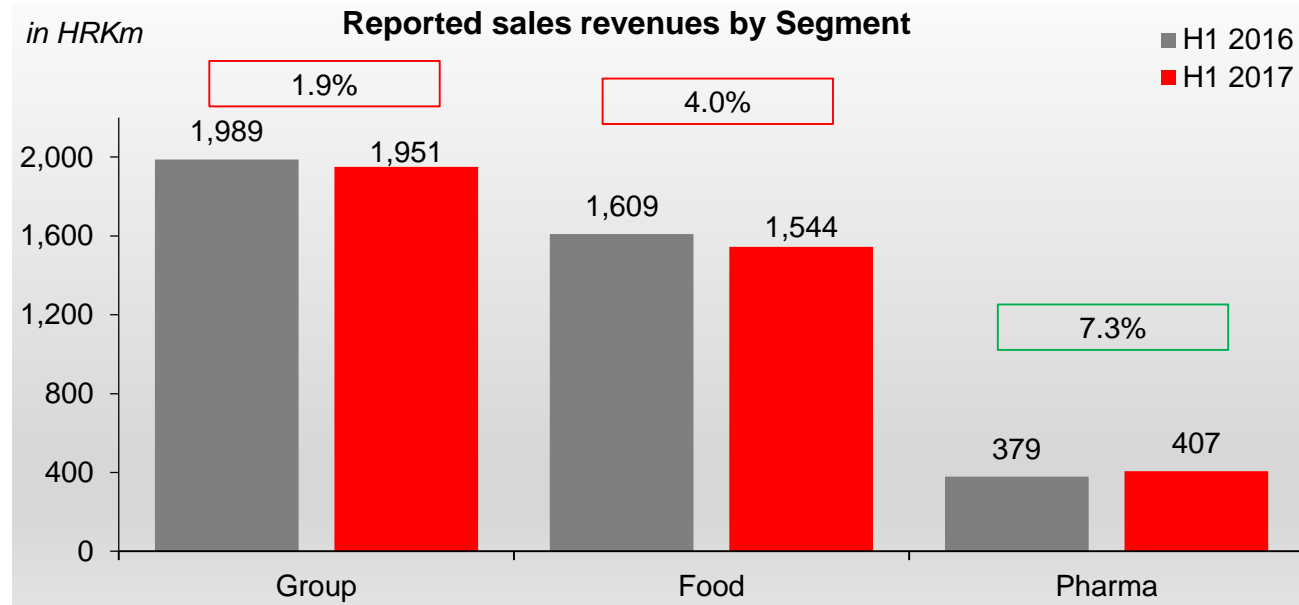
Business

Investment highlights

2016 results

H1 2017 results

Sales growth of Pharmaceuticals segment wasn't able to compensate for sales drop of Food segment



Net foreign exchange (FX) impact on sales revenues:

HRK _m	Own brands	Other sales	Total	Currency	HRK _m
Food	(2.8)	(1.1)	(3.9)	RUB	(10.1)
Pharmaceuticals	11.8	(0.6)	11.2	EUR	20.7
Group	9.0	(1.7)	7.3	Other	(3.0)
				Total	(0.3)

- FX impact on sales revenues shows for how much sales revenues would have been higher or lower in H1 2017 if FX rates had remained on the same levels as in H1 2016.

Food segment H1 2017¹:

- Own brands** → 5.7% lower sales (-5.5% excl. FX) as a result of a series of negative external and internal impacts,
- Other sales** → 6.2% higher sales (+6.7% excl. FX) due to trade goods and private label sales growth,
- Total Food** → 4.0% lower sales (-3.8% excl. FX).

Pharmaceuticals segment H1 2017¹:

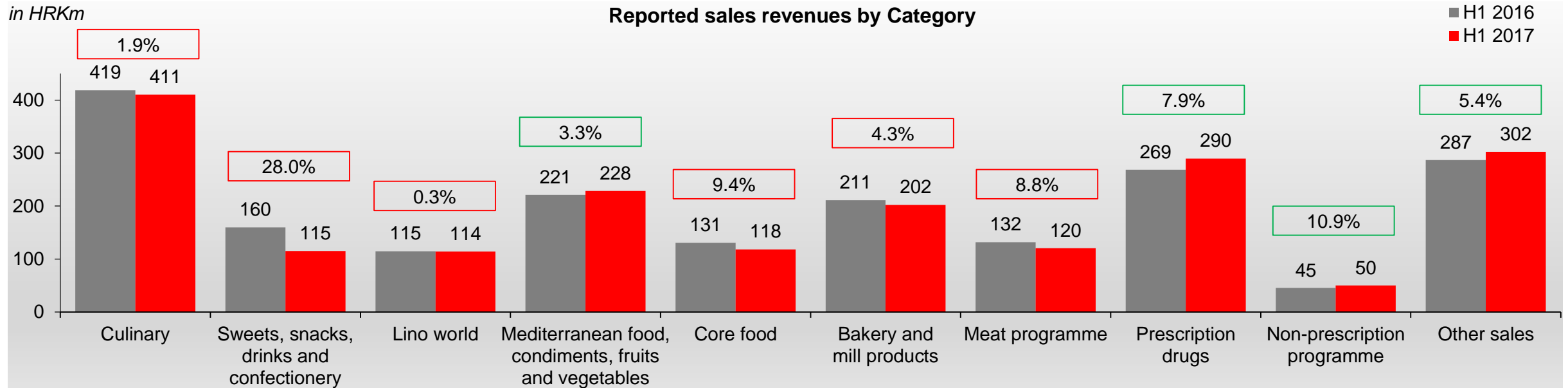
- Own brands** → 8.3% higher sales (+4.5% excl. FX) due to the extension of the product range and positive effect of foreign exchange differences in the market of Russia,
- Other sales** → 2.6% higher sales (+3.5% excl. FX) due to trade goods sales increase in pharmacies,
- Total Pharmaceuticals** → 7.3% higher sales (+4.4% excl. FX).

Podravka Group H1 2017¹:

- Own brands** → 3.1% lower sales (-3.6% excl. FX),
- Other sales** → 5.4% higher sales (+5.9% excl. FX),
- Total Podravka Group** → 1.9% lower sales (-2.2% excl. FX).

¹Percentages in the text relate to performance in H1 2017 compared to H1 2016.

Own brands of Food segment under the influence of a series of negative external and internal impacts



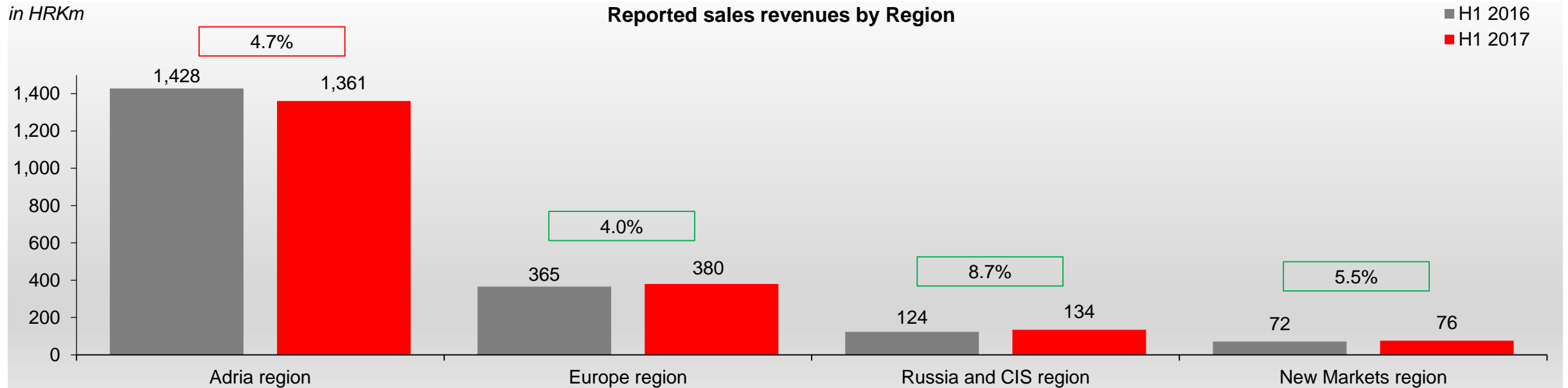
Category performance in H1 2017¹:

- **Culinary (-1.9%; -2.8% excl. FX)** → different dynamics of selling and marketing activities in Europe than in the comparative period and the last-year's change of distributor in Western Europe that is still in the process of taking over sales channels,
- **Sweets, snacks, drinks and confectionery (-28.0%; -26.9% excl. FX)** → the absence of sales of the Beverages segment. Without Beverages the category would fell 6.1% (-4.8% excl. FX),
- **Lino world (-0.3%; +0.4% excl. FX)** → slightly lower than in the comparative period,
- **Mediterranean food, condiments and core food (+3.3%; +3.3% excl. FX)** → increase in sales of Mediterranean range and vegetables in the Croatian market.

- **Core food (-9.4%; -8.5% excl. FX)** → primarily impacted by lower sales in the region of Russia and CIS due to lower orders of frozen vegetables range,
- **Bakery and mill products (-4.3%; -2.9% excl. FX)** → situation with the key customer in the Adria market and aggressive price competition in the market of Slovenia,
- **Meat programme (-8.8%; -8.7% excl. FX)** → absence of special one-off orders resulting from tenders for deliveries of buffer stock,
- **Prescription drugs (+7.9%; +4.0% excl. FX)** → revenue growth in the Russia and CIS region as a consequence of the product range extension and positive FX effect,
- **Non-prescription programme (+10.9%; +7.6% excl. FX)** → extension of the product range and positive effect of foreign exchange differences in the Russian market,
- **Other sales (+5.4%; +5.9% excl. FX)** → trade goods and private label growth.

¹Percentages in the text relate to performance in H1 2017 compared to H1 2016.

The most significant impact on sales revenues came from the Adria region



Region performance in H1 2017¹:

- **Adria region (-4.7%; -3.8% excl. FX)** → **food** sales 6.1% lower due to: (i) the absence of Beverage sales, (ii) recent developments with the most significant customer in the Adria region, and aggressive price competition in the market of Slovenia, (iii) the Meat programme as a result of the absence of one-off orders resulting from tenders for deliveries of buffer stock; **pharmaceuticals** sales 0.9% higher due all categories recording a slight increase in sales,
- **Europe region (+4.0%; +4.5% excl. FX)** → **food** sales 2.9% higher due to the extension of the product range and distribution of Bakery category and from the increase in revenues from other sales; **pharmaceuticals** sales 18.9% higher due to growth in sales of Prescription drugs in the market of Poland,
- **Russia and CIS region (+8.7%; -8.1% excl. FX)** → **food** sales 12.1% lower due to the lower orders of frozen vegetables range; **pharmaceuticals** sales 31.5% higher due to the extension of the product range,
- **New markets (+5.5%; +3.7% excl. FX)** → **food** sales 2.8% higher due to the increase in trade goods of the company Lagris and the Culinary category; **pharmaceuticals** sales 50.0% higher due to Prescription drugs category growth in the market of Turkey.

¹Percentages in the text relate to performance in H1 2017 compared to H1 2016.

Lower Food sales revenues impacted Food segment and overall Group profitability

H1 2017 (in HRK ^m) ¹	Food	Pharmaceuticals	Podravka Group
Sales revenues	1,544.4 (4.0%)	406.8 7.3%	1,951.2 (1.9%)
Gross profit	480.9 (8.4%)	208.4 5.0%	689.3 (4.8%)
EBITDA	84.2 (45.9%)	55.7 (16.0%)	140.0 (36.9%)
EBIT	9.3 (89.0%)	35.5 (22.0%)	44.8 (65.5%)
Net profit after MI	(5.0) (107.5%)	29.8 (1.8%)	24.8 (74.5%)

H1 2017 (% of sales revenues) ²	Food	Pharmaceuticals	Podravka Group
Gross margin	31.1% -150 bb	51.2% -114 bb	35.3% -107 bb
EBITDA margin	5.5% -422 bb	13.7% -380 bb	7.2% -399 bb
EBIT margin	0.6% -464 bb	8.7% -328 bb	2.3% -423 bb
Net margin after MI	(0.3%) -448 bb	7.3% -68 bb	1.3% -362 bb

Key highlights in H1 2017:

Food:







- Lower gross profit is primarily a result of lower sales that weren't completely compensated by lower COGS,
- Lower other profitability levels are directly related to lower sales and the costs of a larger number of exercised share options and higher costs of termination benefits,
- Finance costs were higher, due to lower FX gains on borrowings, while at the same time interest expense is lower.

Pharmaceuticals:

- Gross profit growth, lower gross margin due to COGS growth related to the additional fixed costs of new factory,
- Higher costs of termination benefits and lower net other income due to negative FX differences from trade receivables and trade payables negatively impacted profitability. Positive impact came from positive FX differences on borrowings and lower interest expenses.

¹Performance in H1 2017; % of change when compared to H1 2016; ²% of sales revenues in H1 2017; basis points change when compared to H1 2016.

Lower total operating expenses under the influence of lower COGS

Operating expenses	H1 2017 / H1 2016
Cost of goods sold (COGS)	(0.2%) 
General and administrative expenses (G&A)	26.2% 
Sales and distribution costs (S&D)	(1.0%) 
Marketing expenses (MEX)	(3.6%) 
Other expenses / revenues, net	(153.7%) 
Total	2.6% 

Key highlights in H1 2017:

Cost of goods sold (COGS):

- Lower 0.2% primarily as a result of lower sales in the Food segment,

General and administrative expenses (G&A):

- Higher 26.2% than in the comparative period primarily due to the costs of a larger number of exercised share options (HRK +9.3 mil.) and higher costs of termination benefits (HRK +22.4 mil.) than in the comparative period,

Sales and distribution expenses (S&D):

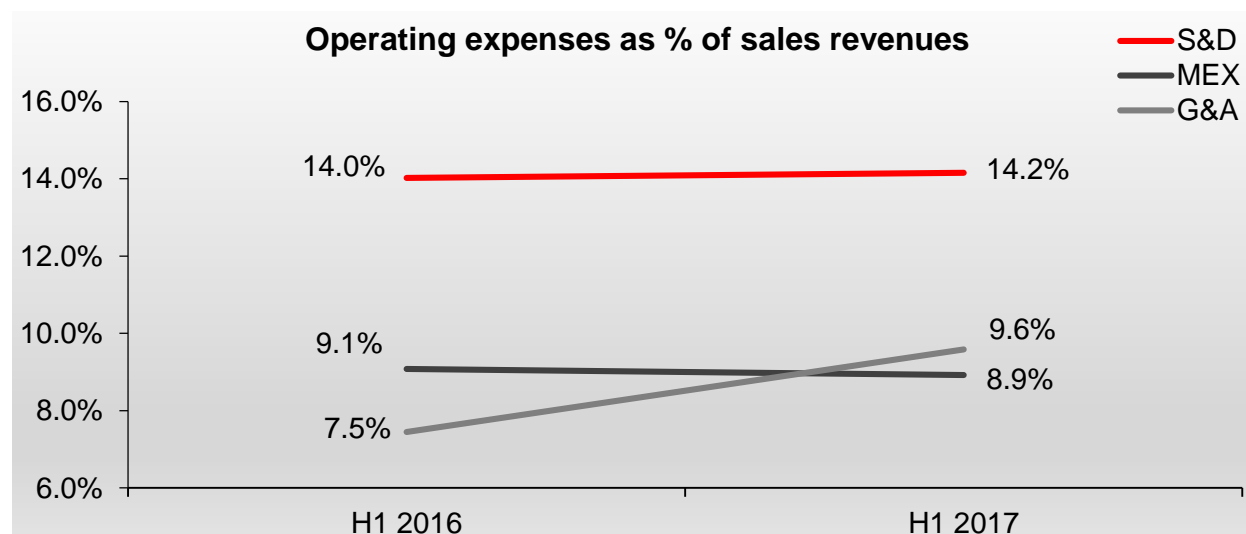
- Lower 1.0% due to lower provisions for trade receivables in the Pharmaceuticals segment and savings arising from the disinvestment of the Beverages business in the Food segment,

Marketing expenses (MEX):

- Lower 3.6% as a result of lower marketing expenses in the Food segment (fewer activities and time shift of activities), while the Pharma segment recorded an increase in marketing expenses in the market of Russia,

Other expenses / revenues, net:

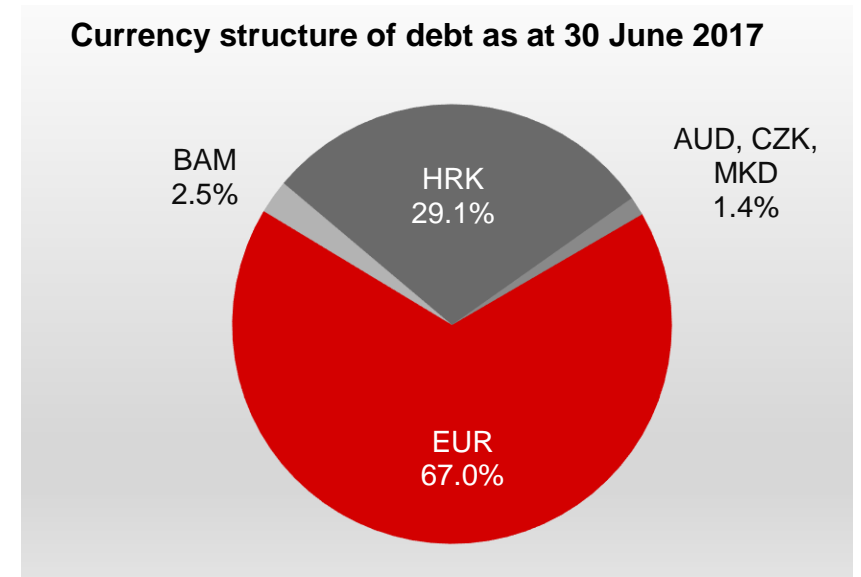
- Item includes foreign exchange differences from trade receivables and trade payables that were negative in H1 2017, while in H1 2016 they were positive. In H1 2017, other income and expenses amounted to negative HRK 7.4 mil., while in the comparative period they amounted to positive HRK 13.7 mil.



Sustainable level of Podravka Group indebtedness

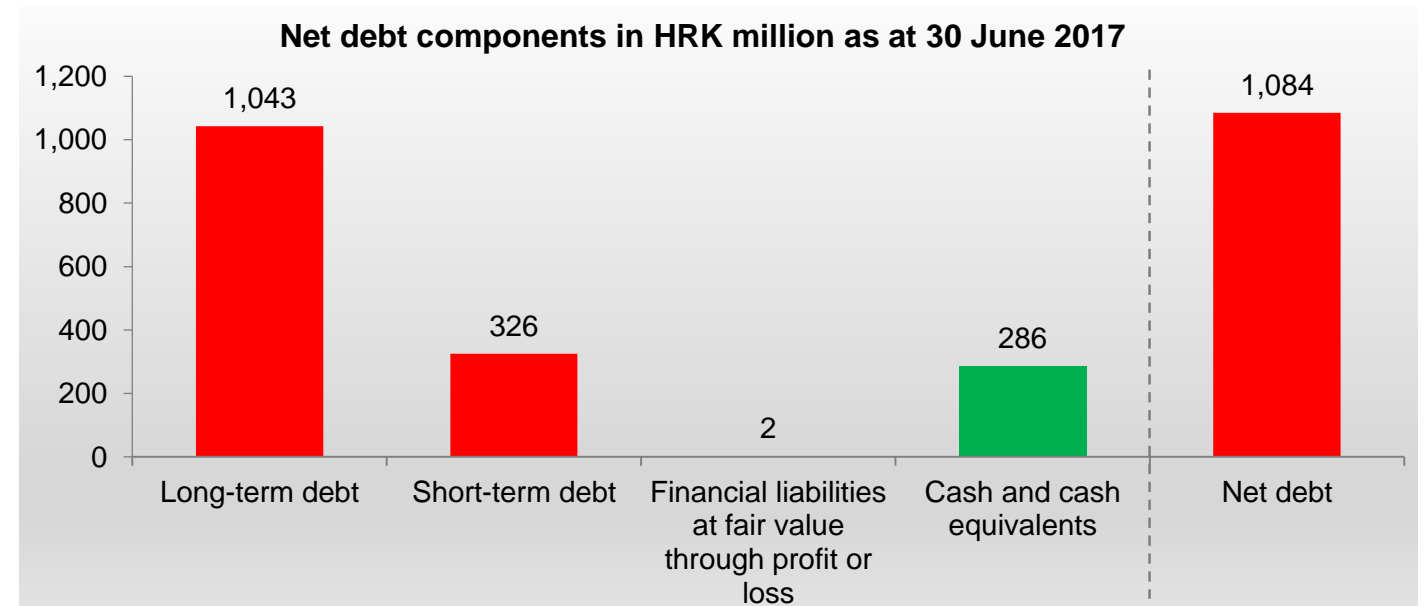
<i>(in HRK 000)</i> ¹	H1 2017	2016	% change
Net debt	1,084,385	1,041,740	4.1%
Interest expense	27,717	31,477	(11.9%)
Net debt / EBITDA	2.8	2.2	26.1%
EBITDA / Interest expense	14.0	14.9	(6.3%)
Equity to total assets ratio	57.6%	55.4%	+228 bp

¹All P&L figures are calculated on the trailing 12 months level, while BS figures are taken at the end of period.






Key highlights:

- Net debt growth → lower level of cash and cash equivalents,
- Lower interest expenses → repayment of a part of borrowings,
- Net debt/EBITDA growth due to net debt growth and lower TTM EBITDA,
- **Weighted average cost of debt:**
 - As at 30 June 2017 → 2.2%,
 - As at 31 December 2013 → 4.3%.

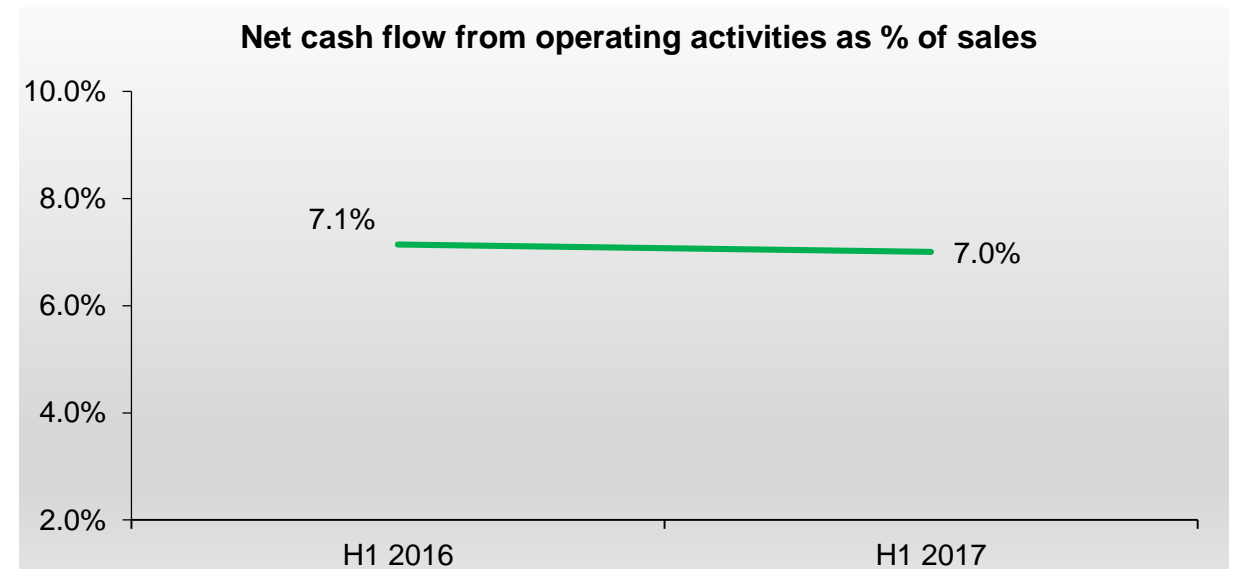


Cash flow from operating activities positively contributes to ensuring the financial stability of the Group

Working capital movement in BS	30 June 2017 / 30 June 2016		Impact
Inventories		2.2%	<ul style="list-style-type: none"> A portion of inventories related to the Beverages segment was classified in 2016 as assets held for sale. If we include Beverages inventories in the comparable period, inventories would be 0.8% higher on 30 June 2017 when compared to 30 June 2016.
Trade and other receivables		(8.1%)	<ul style="list-style-type: none"> Shorter customer payment periods to some Podravka's food companies and better collection in the Pharmaceuticals segment in foreign markets.
Trade and other payables		(8.5%)	<ul style="list-style-type: none"> In the comparative period a liability for recourse right on bills of exchange was added, which was in the meantime purchased by Podravka Inc. Without this liability, payables are 1.0% lower due to settlement of a portion of trade payables for the construction of the new pharmaceuticals factory.

(in HRK thousands)	H1 2017	H1 2016	Δ
Net cash from operating activities	136.7	142.0	(5.3)
Net cash from investing activities	(119.7)	(235.6)	115.9
Net cash from financing activities	(68.8)	44.0	(112.8)
Net change of cash and cash equivalents	(51.8)	(49.7)	(2.2)

- **CAPEX** in 2017 is expected to be at the level of HRK 250 - 300m, in 2018 at the level of HRK 150 - 200m, and in 2019 at the level of HRK 250 - 300m.



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Podravka Group

Always with a heart!

