

Podravka Group

Always with a heart!

ZSE&LJSE Conference, Zagreb, 25th-26th May 2017





The Company

Business

Investment highlights

2016 results

Q1 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 2,390.4 million*.

*MCap on 22nd May 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



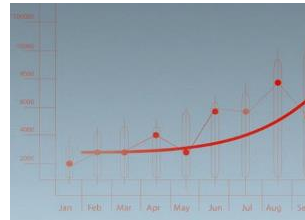
1970

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

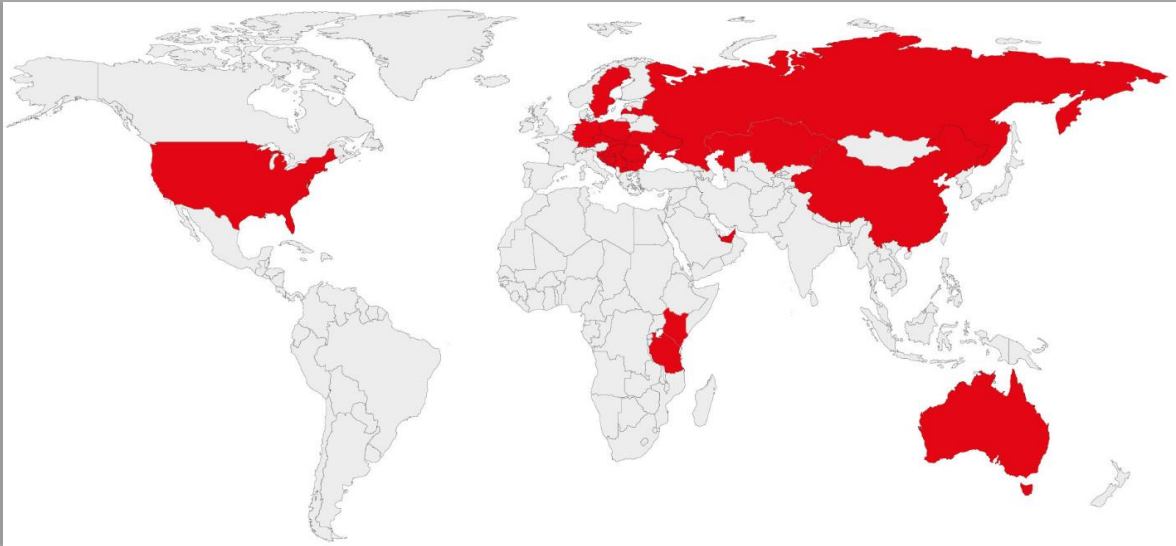
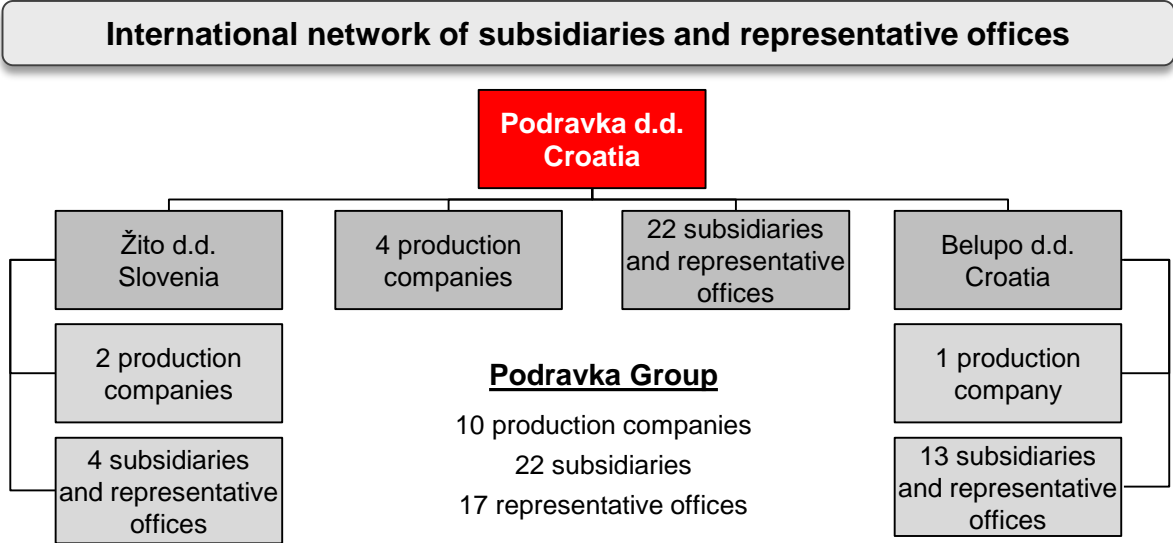


2015

Žito, Slovenian food producer, acquisition



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

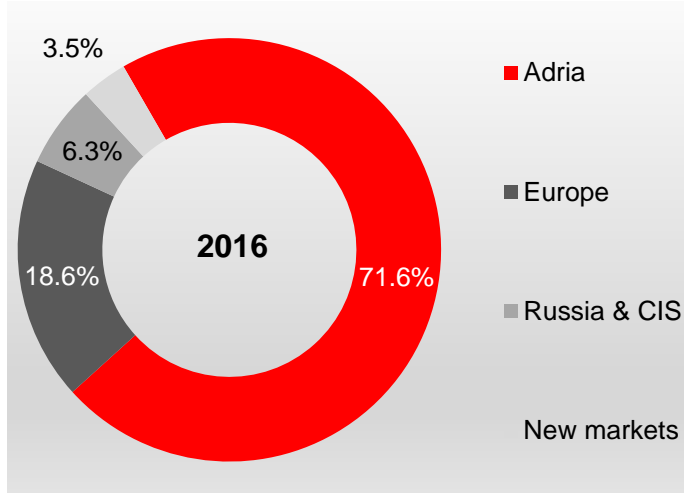


Own distribution network in 11 countries

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



Market	HRKm	%
Croatia	1,391.8	33.3%
Slovenia	785.5	18.8%
B&H	453.3	10.8%
Russia	240.9	5.8%
Other m.	1,314.0	31.4%
Group	4,185.5	100.0%

Highly developed corporate governance

Management board



Marin Pucar

President of MB

- Former president of MB of Croatian confectionary company Zvečevo d.d.,
- Postgraduate study - Theory and politics of Marketing



Ljiljana Šapina

Member of MB

- Work experience in Accounting, Finance and Logistic,
- Master of Science - External and Internal Trade



Davor Doko

Member of MB

- Former MB member at Allianz ZB, company for managing OPF,
- Graduated from the Faculty of Economics and Business at Zagreb University



Hrvoje Kolarić

Member of MB

- Former director of Bristol Myers Squibb and PharmaSwiss,
- MBA holder

Supervisory board

President:

- Dubravko Štimac → president of MB of PBZ CO OPF

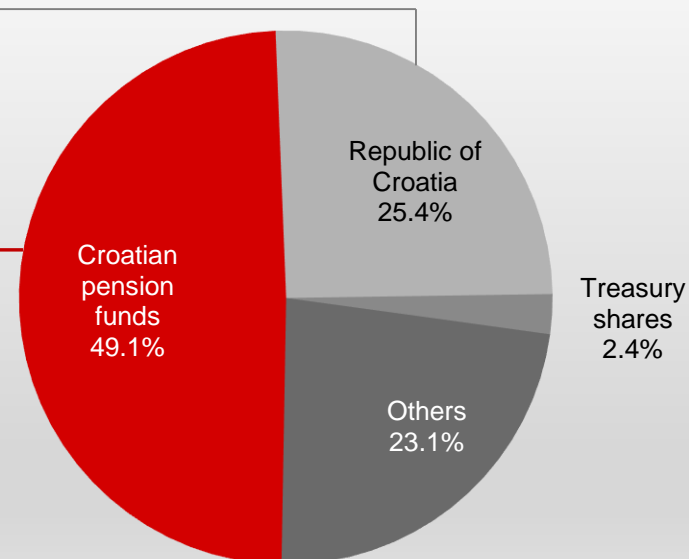
Vice President:

- 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
- Dinko Novoselec → former president of MB of Allianz ZB OPF
- Petar Miladin → academy professor of law

Shareholder structure as at 31 March 2017



Audit committee

President:

- Ivana Matovina

Members:

- Petar Vlaić
- Dinko Novoselac
- Slavko Tešija

Remuneration committee

President:

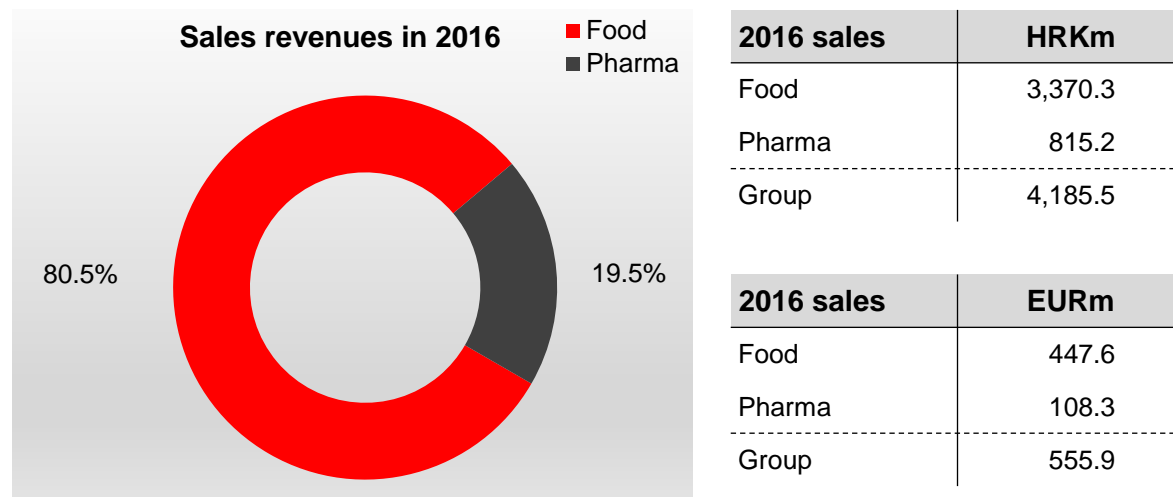
- Luka Burilović

Members:

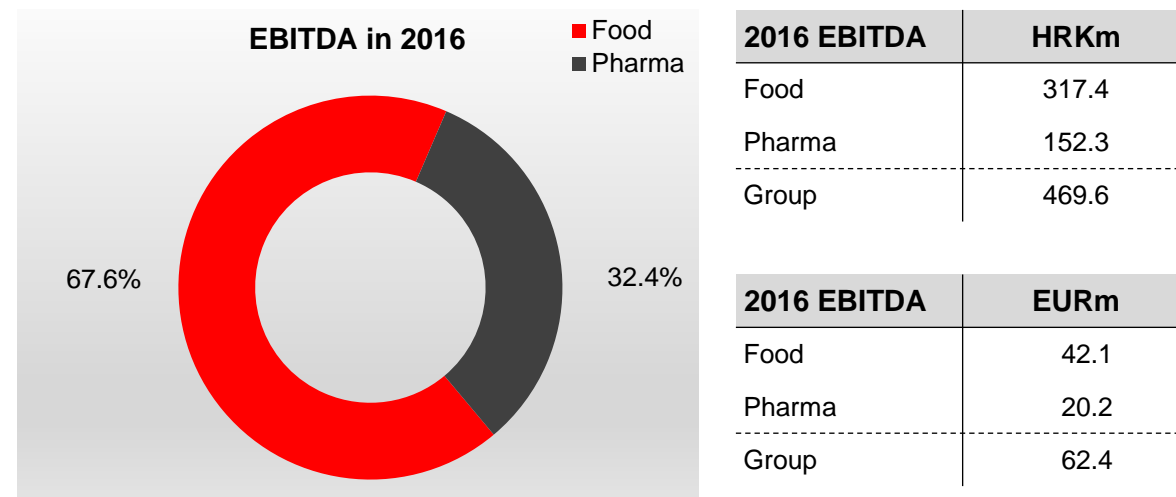
- Dubravko Štimac
- Petar Miladin

Snapshot of key financial figures

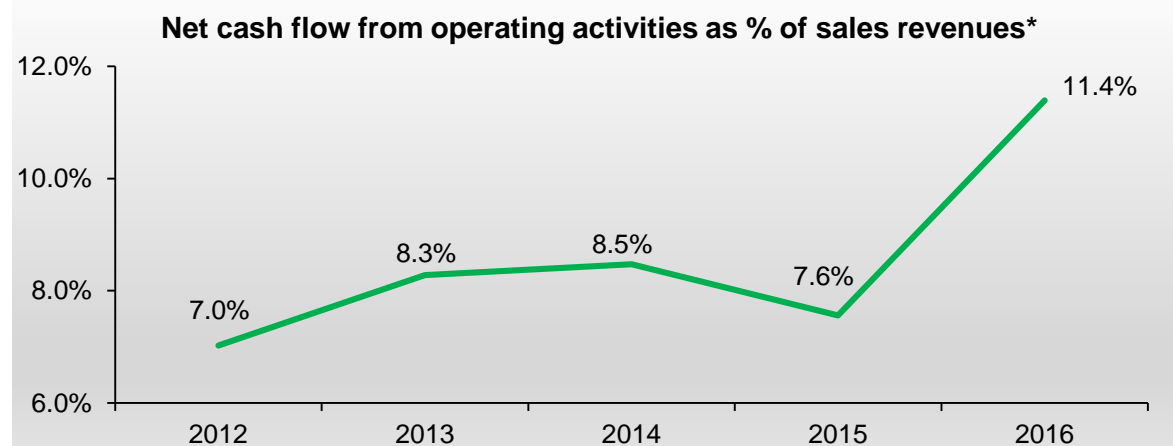
Sales revenues split



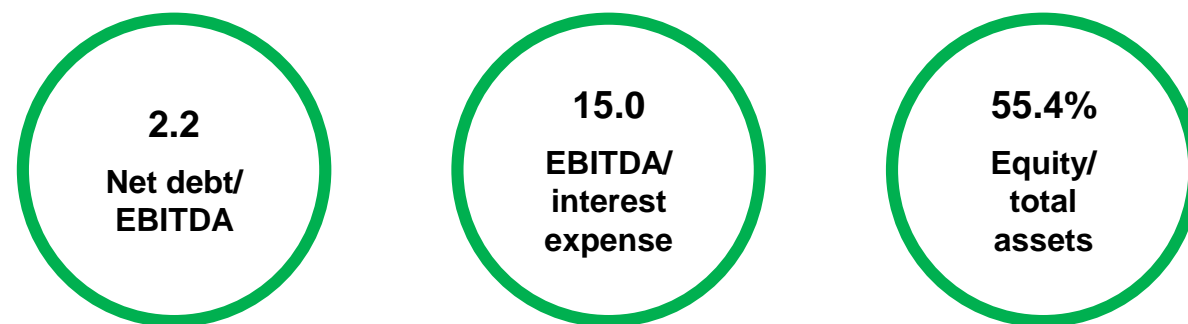
EBITDA split



Stable cash position



Low and sustainable debt level**



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

**2016 figures.



The Company

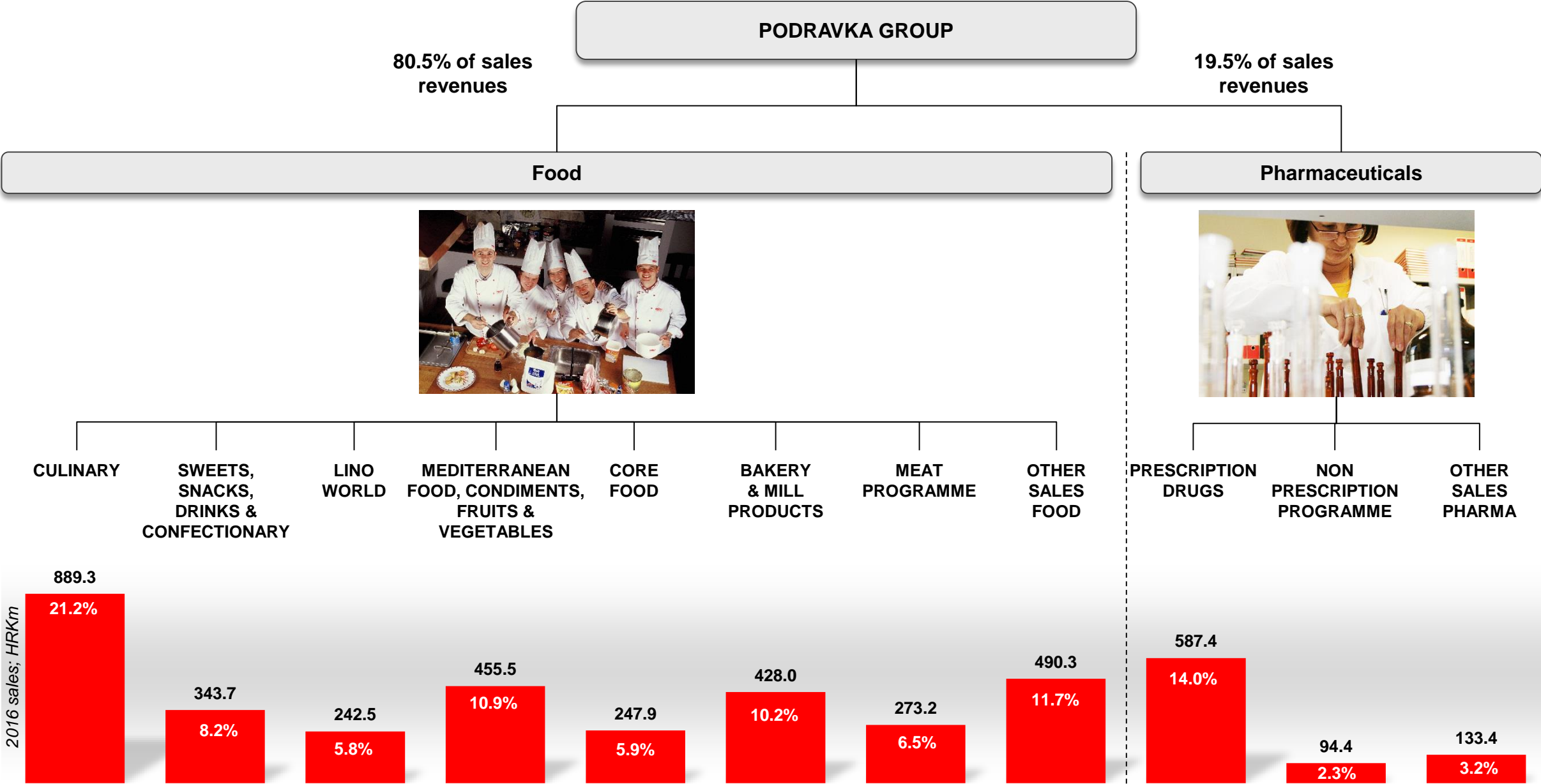
Business

Investment highlights

2016 results

Q1 2017 results

A well diversified product portfolio divided in two business areas



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,Confectionary, 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	
<div><div>PRESCRIPTION DRUGS</div><div><ul style="list-style-type: none">For skin disorders*For heart and blood vessels,For central nervous system,For 8 more areas.</div></div>	<div><div></div><div></div></div>			HRK 587.4m	14.0%
<div><div>NON-PRESCRIPTION PROGRAMME</div><div><ul style="list-style-type: none">OTC medicine,Dietary products,Natural products.</div></div>	<div><div></div><div></div></div>			HRK 94.4m	2.3%
<div><div>OTHER SALES</div><div><ul style="list-style-type: none">Trade goods,Services.</div></div>	<div></div>			HRK 133.4m	3.2%

*Strategic products with international potential.

High-quality brands with exceptional recognisability and strong international potential

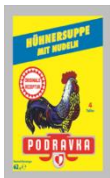


VEGETA

- 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, last available data; ²Source: IMS; ³Corticosteroids for the treatment of skin disorder.



The Company

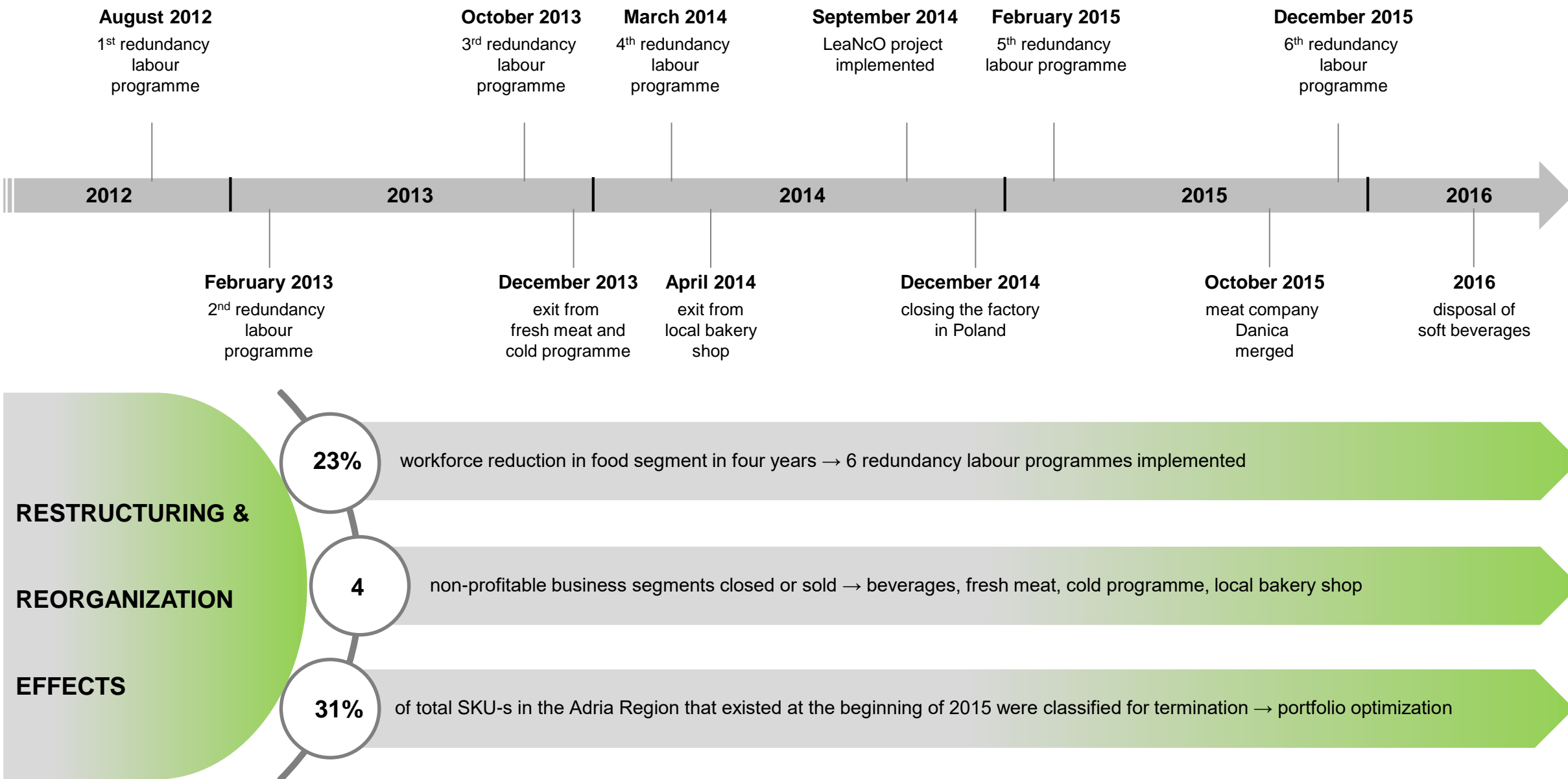
Business

Investment highlights

2016 results

Q1 2017 results

Successful implementation of restructuring and reorganization process



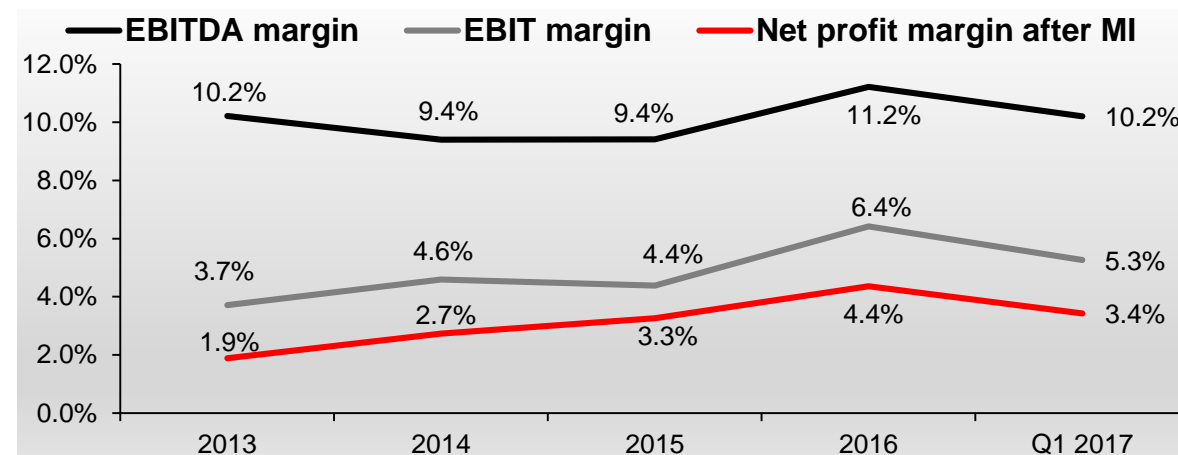
Significantly improved financial position

Restructuring related one-off items burdened past profitability

(in HRKm)	2012	2013	2014	2015	2016
Value adjustments	(32.3)	(80.8)	(27.8)	(34.6)	(9.3)
Severance payments	(49.9)	(57.2)	(72.1)	(41.1)	(1.9)
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)

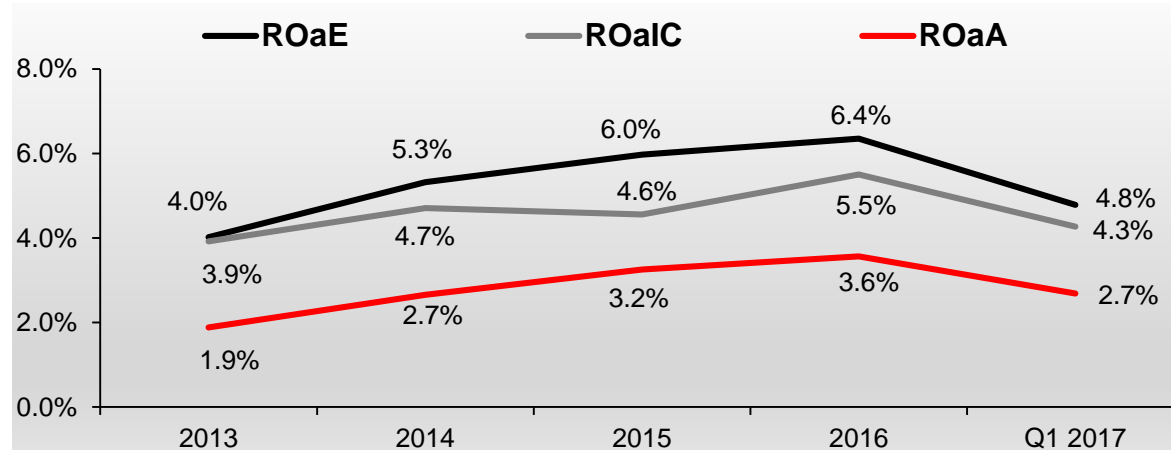
*HRK 115.7m of gain on a bargain purchase from Žito acquisition (badwill), HRK 163.7m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19.0m refers to other items.

Positive profitability margins movement¹



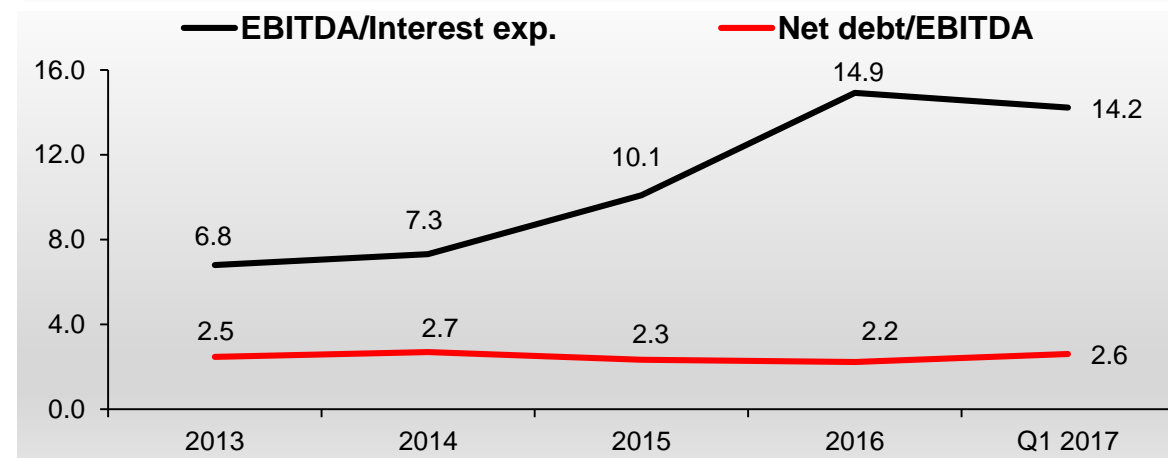
¹Due to sales revenues reclassification in 2016, 2013-2014 margins are made by approximation.

Žito acquisition reflected in return rates¹



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

Sustainable debt level¹



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:

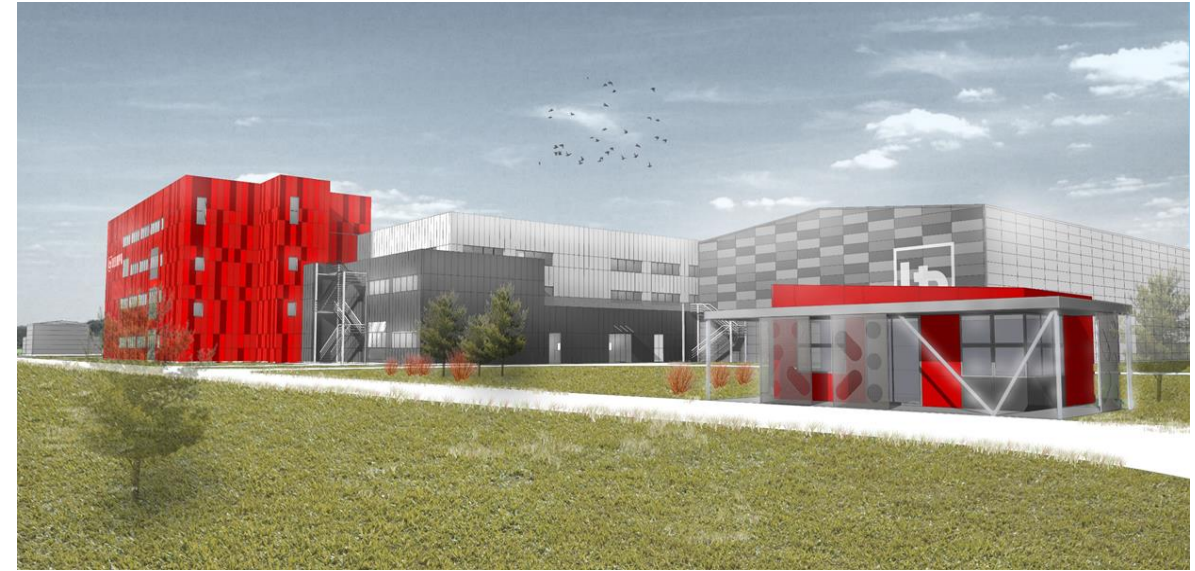
- Insufficient production capacities due to perennial volume growth → capacity increased by 150%,
- Acquiring of new technologies for product differentiation.

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:

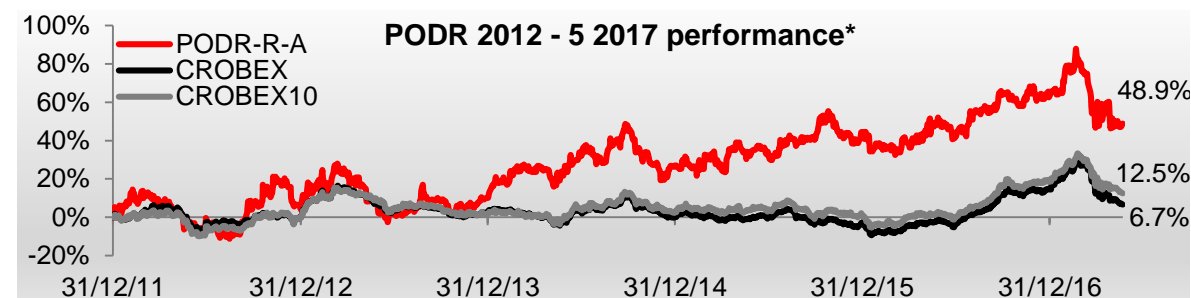
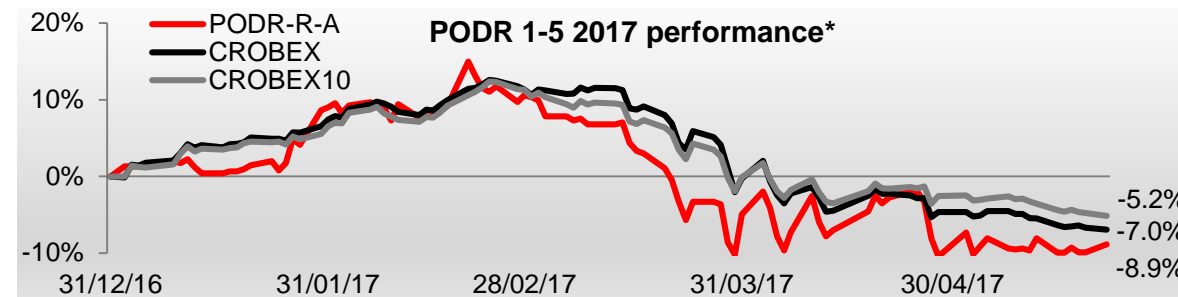
- High speed in obtaining all permits,
- Tax incentives for strategic investments,
- Availability of highly-educated workforce at acceptable cost level,
- Incentives for hiring young workforce,
- Proximity to other Belupo locations.



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

(in HRK)	Q1 2017	Q1 2017/ Q1 2016	2016 / 2015	2015 / 2014
Average daily price	388.6	21.7%	9.4%	7.4%
Average daily turnover	763,021	141.0%	(30.0%)	19.6%
Reported earnings per share	20.2	(23.1%)	(11.2%)	276.9%
Adjusted earnings per share	20.7	(22.7%)	8.2%	31.6%

Analysts	Recommendation	Target price	Potential ¹
 InterCapital	Under review	-	n/a
 Raiffeisen BANK	Hold	HRK 380.00	10.5%
 ERSTE Group	Hold	HRK 400.00	16.3%
 UniCredit	Buy	HRK 398.96	16.0%
 WOOD & COMPANY	Hold	HRK 376.00	9.3%



*Up until 22nd May 2017.

Peer group multiples ²	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.4	12.9	18.8	3.1	28.9
Normalized weight. av. peer group ³	2.3	13.5	19.5	2.6	25.8
Podravka Group reported	0.9	8.7	16.8	0.8	17.7
Podravka Group normalized ⁴	0.9	8.8	16.5	0.8	17.3

¹Compared to the last price on 22nd May 2017,

²Obtained from Bloomberg on 22nd May 2017,

³Calculated excluding max. and min. values,

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

Peer group food: Atlantic Grupa d.d., Greencore Group plc, Nestle S.A., Orkla S.A., Otmuchow S.A., Unilever plc,

Peer group pharma: Krka Inc, Hikma Pharmaceuticals plc, Recordati S.p.A, Richter Gedeon Nyrt., Stada Arzneimittel AG.



The Company

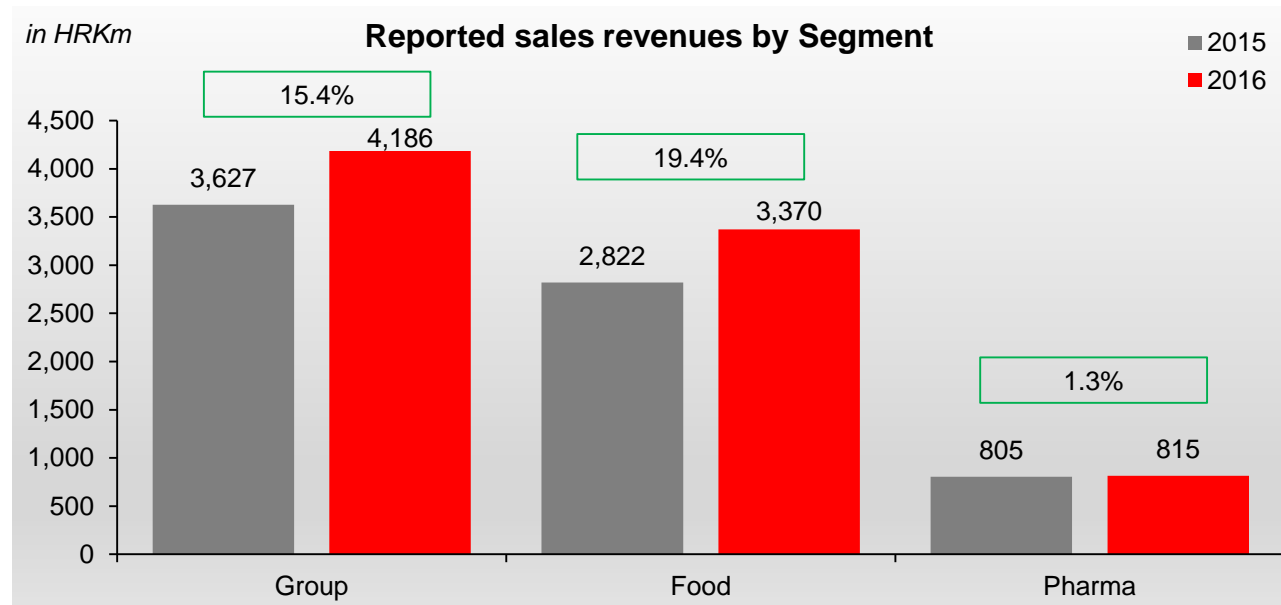
Business

Investment highlights

2016 results

Q1 2017 results

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



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

HRKm	Own brands	Other sales	Total	Currency	HRKm
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 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 Food** → 1.3% lower sales (-0.2% excl. FX).

Pharmaceuticals¹:

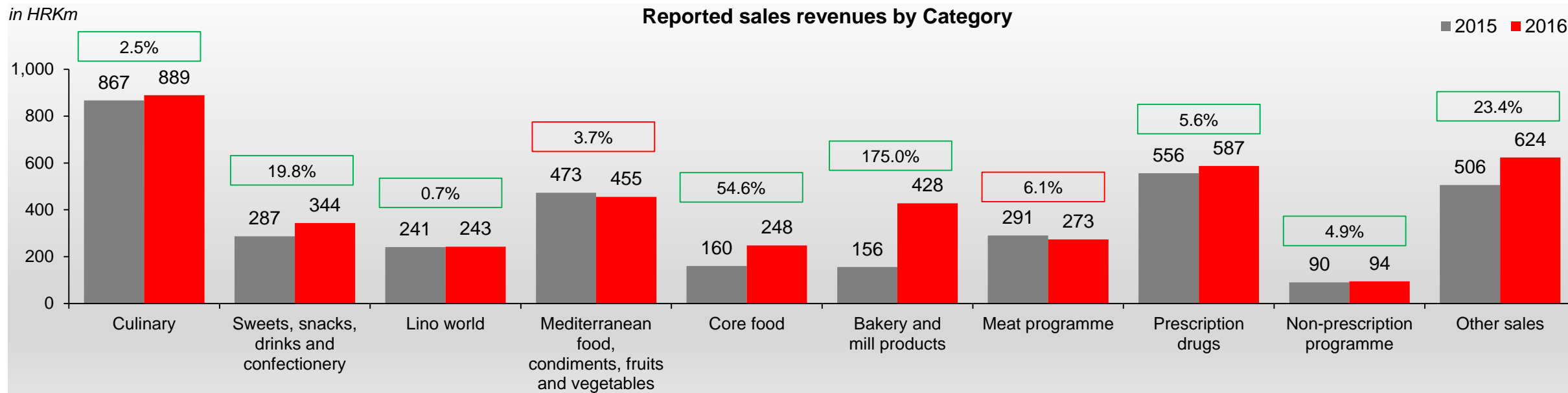
- Own brands** → 5.5% higher sales (+7.9% excl. FX) due to the expansion of the business cooperation in Russia,
- Other sales** → 15.8% lower sales (-15.3% excl. FX) as a result of stronger focus on own brands and consequently lower distribution of trade goods,
- Total Pharmaceuticals** → 1.3% higher 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, snacks, drinks and confectionery (-1.5%; -1.0% 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, fruits and vegetables (-3.7%; -2.3% excl. FX)** → decrease in the overall market of some subcategories and the pressure of competitors and PL-s,
- **Core food (+5.5%; +5.9% excl. FX)** → frozen vegetables sales growth in Russia,
- **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.

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

2016 (in HRKm) 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:

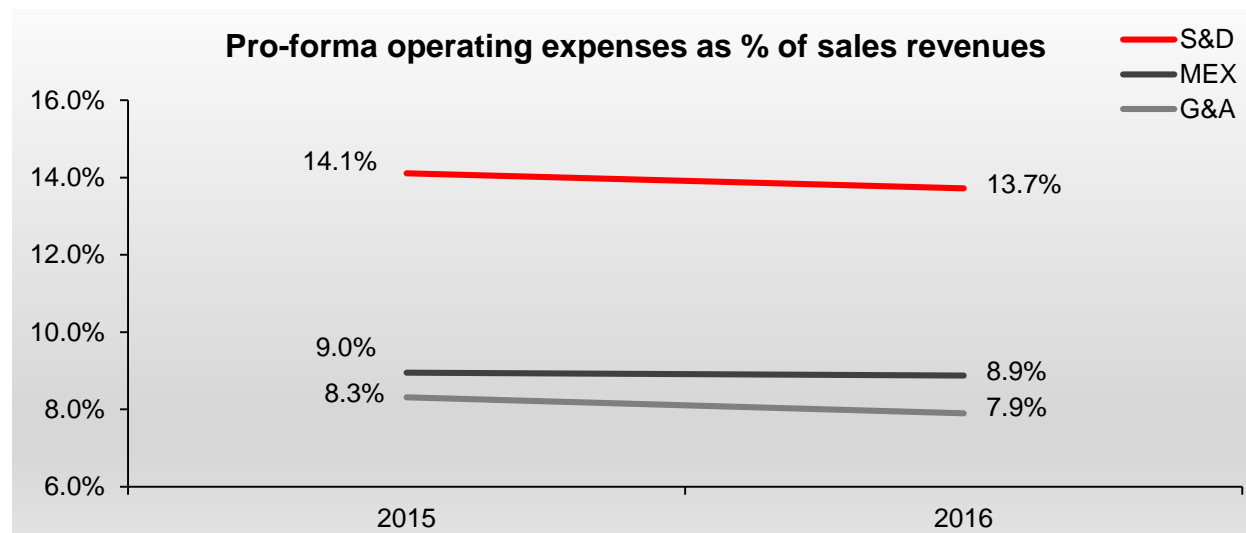
- One-off items: in 2015 EBITDA and EBIT decreased by HRK 18.0m and net profit by HRK 13.0m; in 2016 EBITDA increased by HRK 5.9m and EBIT and net profit decreased by HRK 3.4m. Normalized, EBIT would grow 4.2% and net profit would fall by 9.6%,
- The company utilised in 2015 tax losses carried forward 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.

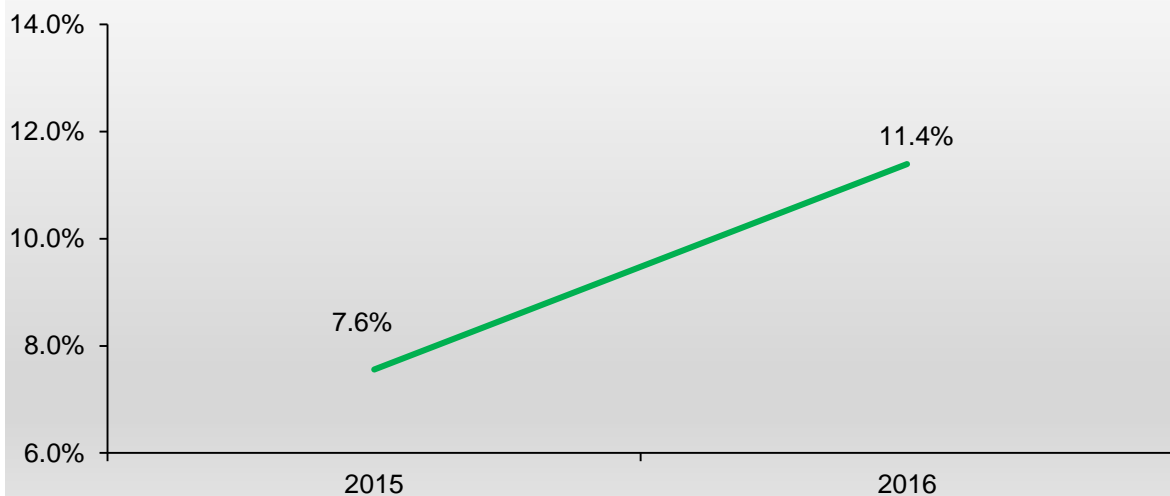
Stable level of net cash flow from operating activities

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.

(in HRK thousands)	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.

Net cash flow from operating activities as % of sales





The Company

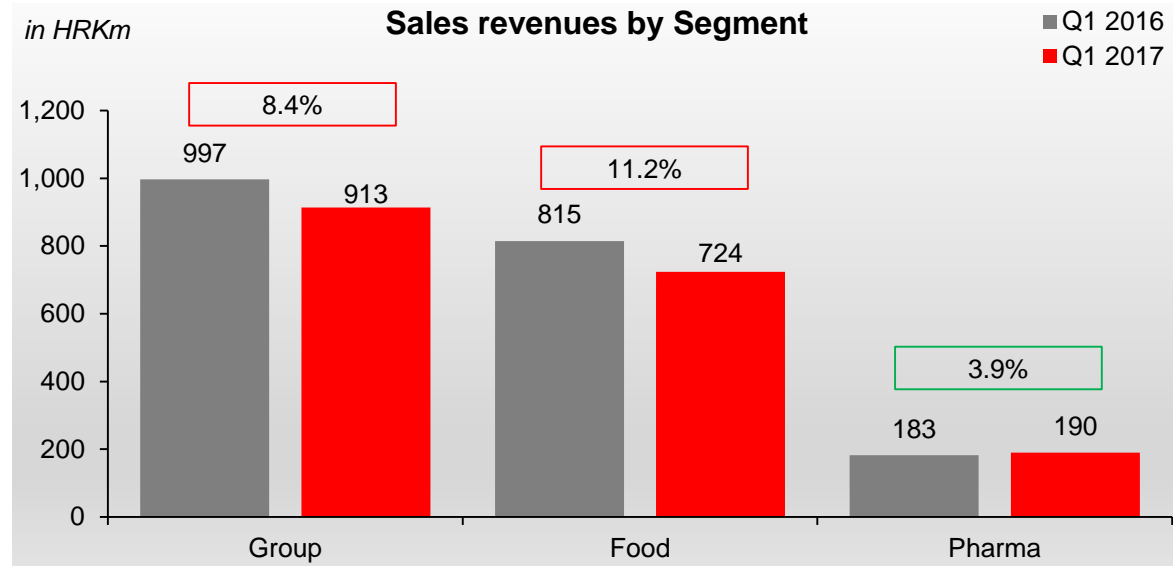
Business

Investment highlights

2016 results

Q1 2017 results

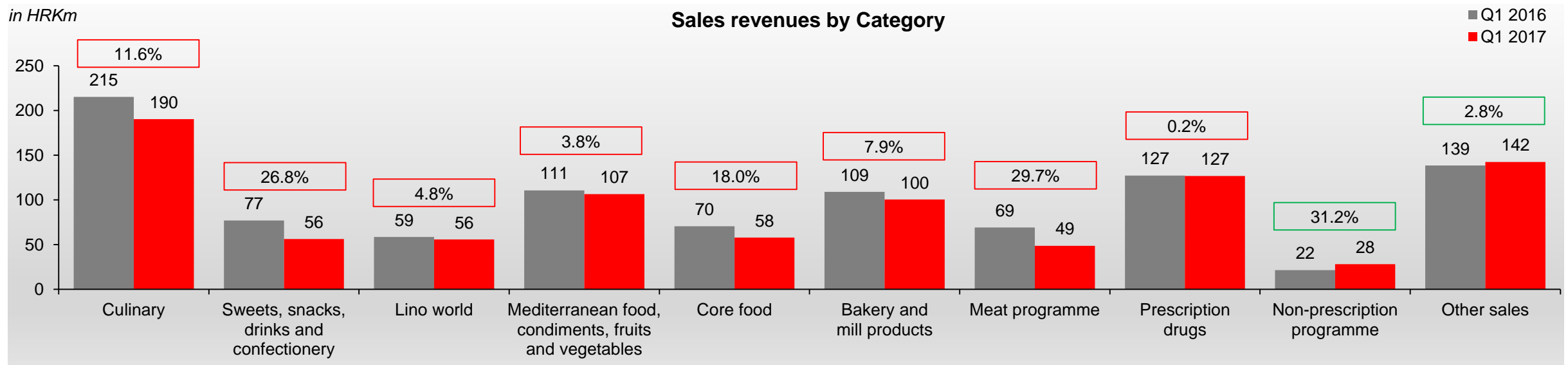
Sales growth of Pharmaceuticals segment wasn't able to compensate for sales drop of Food segment






























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

HRK _m	Own brands	Other sales	Total	Currency	HRK _m
Food	(3.8)	(0.8)	(4.6)	RUB	10.3
Pharmaceuticals	5.8	(0.4)	5.4	EUR	(5.6)
Group	2.1	(1.3)	0.8	Other	(3.9)
				Total	0.8

- FX impact on sales revenues shows for how much sales revenues would have been higher or lower in Q1 2017 if FX rates had remained on the same levels as in Q1 2016.



Lower Food sales revenues reflected on Food segment and Group profitability

Q1 2017 (in HRKm) ¹	Food		Pharmaceuticals		Podravka Group	
Sales revenues	723.6	 (11.2%)	189.6	 3.9%	913.2	 (8.4%)
Gross profit	225.4	 (17.1%)	95.2	 1.8%	320.6	 (12.3%)
EBITDA	46.1	 (50.3%)	29.7	 (13.1%)	75.8	 (40.3%)
EBIT	8.7	 (84.8%)	19.5	 (17.7%)	28.2	 (65.2%)
Net profit after MI	0.3	 (99.4%)	17.8	 10.5%	18.8	 (70.0%)
Q1 2017 (% of sales revenues) ²	Food		Pharmaceuticals		Podravka Group	
Gross margin	31.2%	 -223 bp	50.2%	 -102 bp	35.1%	 -154 bp
EBITDA margin	6.4%	 -501 bp	15.7%	 -306 bp	8.3%	 -442 bp
EBIT margin	1.2%	 -584 bp	10.3%	 -270 bp	3.1%	 -504 bp
Net margin after MI	0.0%	 -537 bp	9.4%	 +56 bp	2.0%	 -405 bp

Key highlights in Q1 2017:

Food:







- Lower gross profit is primarily a consequence 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,
- Finance costs were, due to lower FX gains on borrowings, HRK 2.5 million higher, while at the same time tax liability is HRK 7.8 million lower, as a result of lower profit before tax.

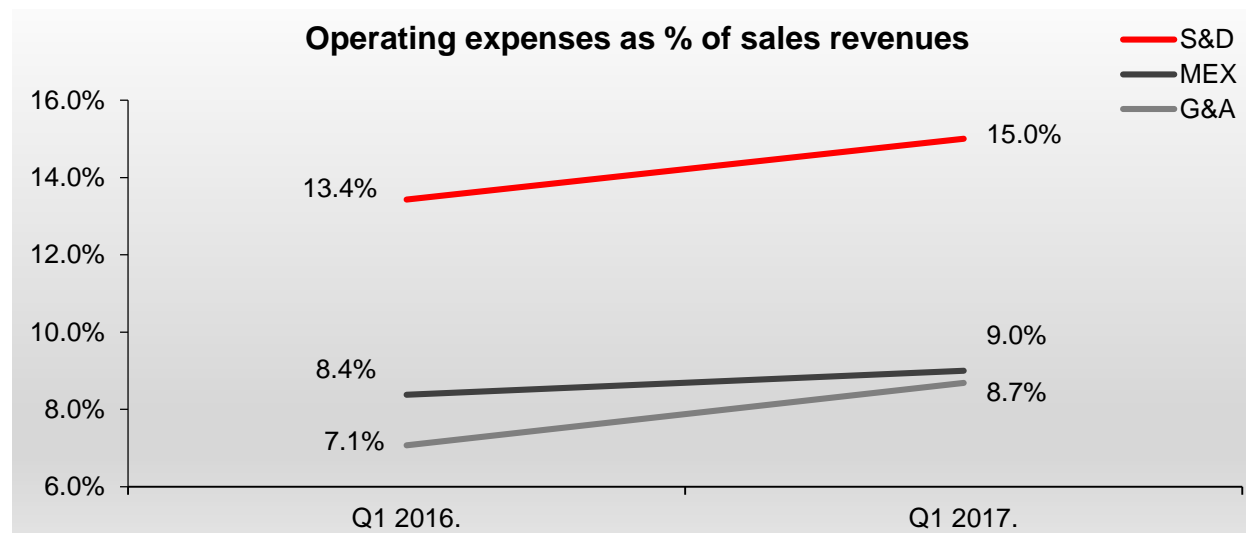
Pharmaceuticals:

- Gross profit growth, lower gross margin due to COGS growth,
- Other operating expenses/revenues (excl. COGS) growth of 8.4% due to stronger marketing activities, led to lower EBITDA and EBIT,
- FX gains on borrowings and lower interest expense led to financial income, while tax liability was slightly above the comparative period.

¹Performance in Q1 2017; % of change when compared to Q1 2016; ²% of sales revenues in Q1 2017; basis points change when compared to Q1 2016.

Lower total operating expenses under the influence of lower COGS

Operating expenses	Q1 2017 / Q1 2016
Cost of goods sold (COGS)	(6.2%) 
General and administrative expenses (G&A)	12.5% 
Sales and distribution costs (S&D)	2.4% 
Marketing expenses (MEX)	(1.6%) 
Other expenses / revenues, net	74,0% 
Total	(3.4%) 



Key highlights in Q1 2017:

Cost of goods sold (COGS):

- Lower 6.2% primarily as a result of lower sales in the Food segment,

General and administrative expenses (G&A):

- Higher 12.5% than in the comparative period primarily due to the costs of a larger number of exercised share options compared to Q1 2016,

Sales and distribution expenses (S&D):

- Higher 2.4% due to more significant investments in the regional distribution on the market of Russia compared to the same period of the previous year,

Marketing expenses (MEX):

- Lower 1.6% as a result of lower marketing expenses in the Food segment due to later Easter, while the Pharmaceuticals segment recorded an increase in marketing expenses in the market of Russia,

Other expenses / revenues, net:

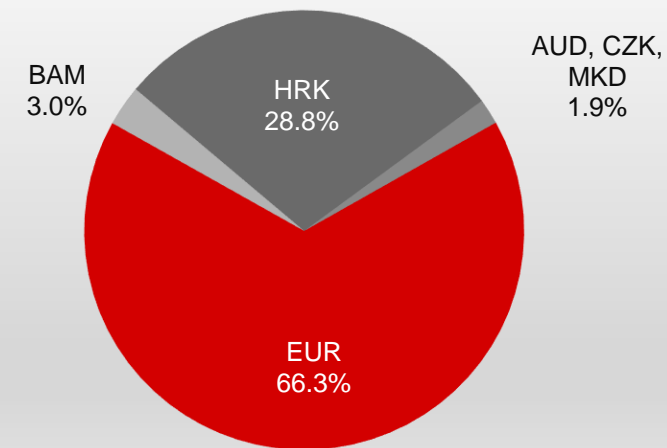
- Item includes foreign exchange differences from trade receivables and trade payables that were positive in Q1 2017, while in Q1 2016 they were negative. In Q1 2017, other income and expenses amounted to positive HRK 6.2 million, while in the comparative period they amounted to positive HRK 3.6 million.

Sustainable level of Podravka Group indebtedness

(u HRK 000) ¹	Q1 2017	Q1 2016	% change
Net debt	1,087,629	1,041,740	4.4%
Interest expense	29,431	31,477	(6.5%)
Net debt / EBITDA	2.6	2.2	17.1%
EBITDA / Interest expense	14.2	14.9	(4.7%)
Equity to total assets ratio	56.7%	55.4%	+137 bp

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

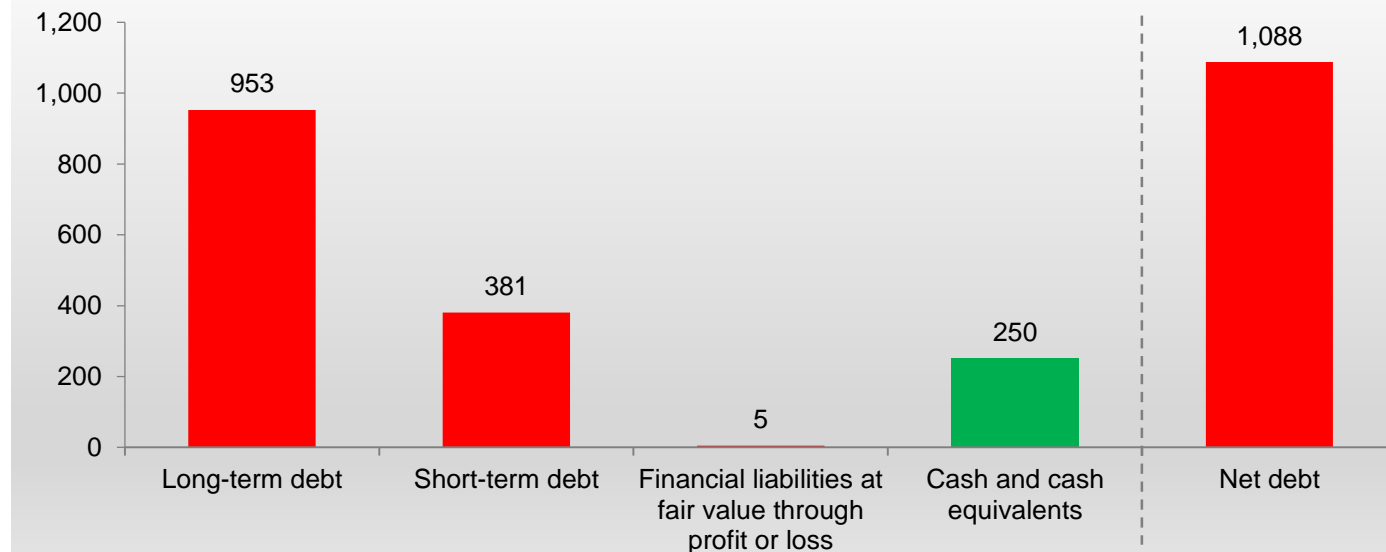
Currency structure of debt as at 31 March 2017






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 31 March 2017 → 2.5%,
 - As at 31 December 2013 → 4.3%.

Net debt components in HRK million as at 31 March 2017

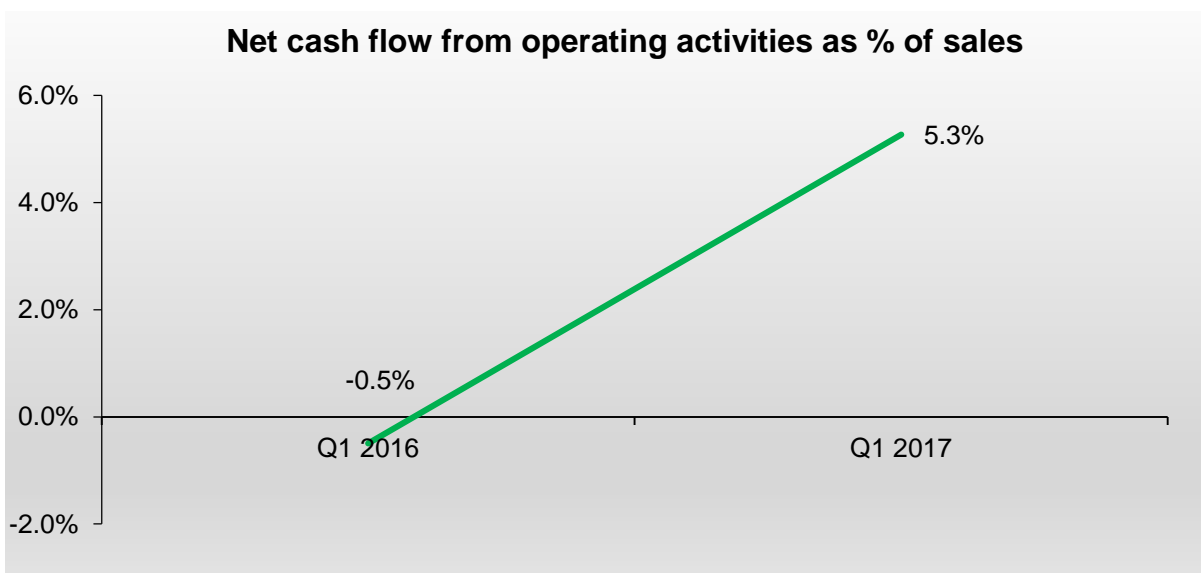


Cash flow from operating activities positively contributes to ensuring the financial stability of the Group

Working capital movement in BS	31 March 2017 / 31 March 2016		Impact
Inventories		3.2%	<ul style="list-style-type: none"> Higher inventories in the company Farmavita, following the increase in sales of own brands.
Trade and other receivables		(6.2%)	<ul style="list-style-type: none"> Lower sales of the Food segment in Q1 2017 compared to Q1 2016.
Trade and other payables		4.1%	<ul style="list-style-type: none"> Growth of payables in relation to the construction of the new pharmaceutical factory.

(in HRK thousands)	Q1 2017	Q1 2016	Δ
Net cash from operating activities	48.1	(5.0)	53.1
Net cash from investing activities	(83.9)	(133.8)	49.9
Net cash from financing activities	(51.4)	29.1	(80.4)
Net change of cash and cash equivalents	(87.2)	(109.7)	22.5

- **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.



Contact

Podravka d.d.

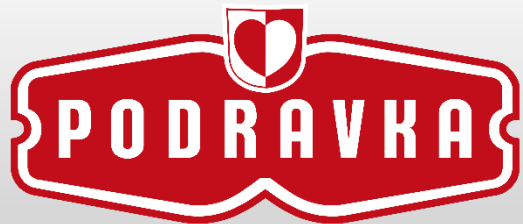
Ante Starčevića 32, 48 000 Koprivnica, Croatia

www.podravka.hr

Investor relations

ir@podravka.hr

tel: +385 48 65 16 65



Podravka Group

Always with a heart!

ZSE&LJSE Conference, Zagreb, 25th-26th May 2017

