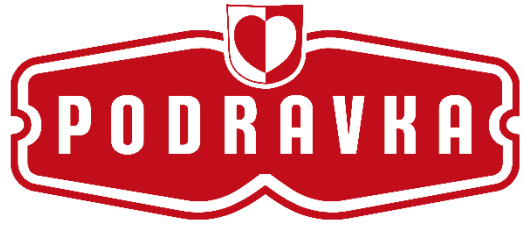


Podravka Group

Always with a heart!

LSEG, CIS & CEE Conference, London, 27th March 2017





The Company

Business

Investment highlights

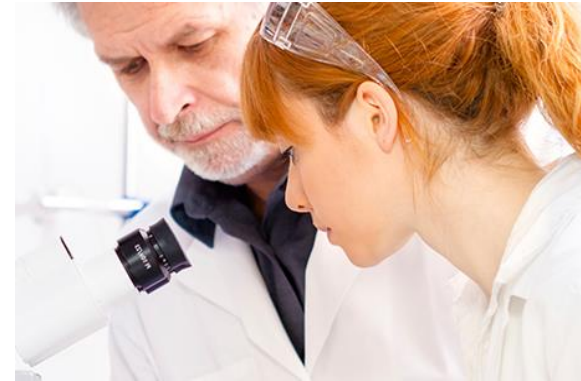
2016 results

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 2,794.1 million*.

*MCap on 10th March 2017.

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

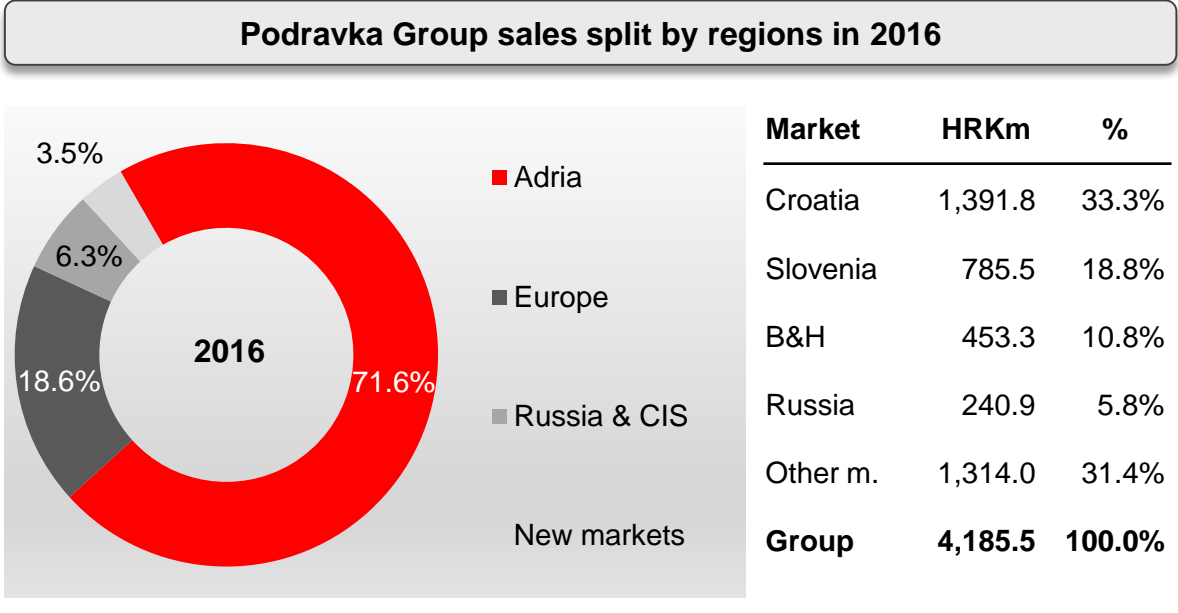
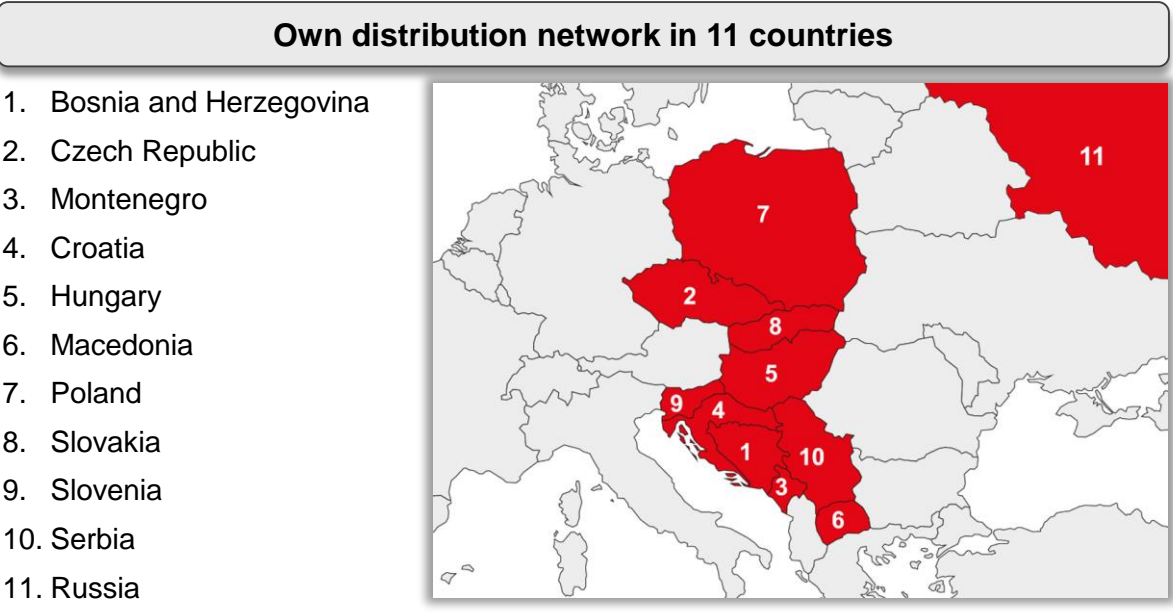
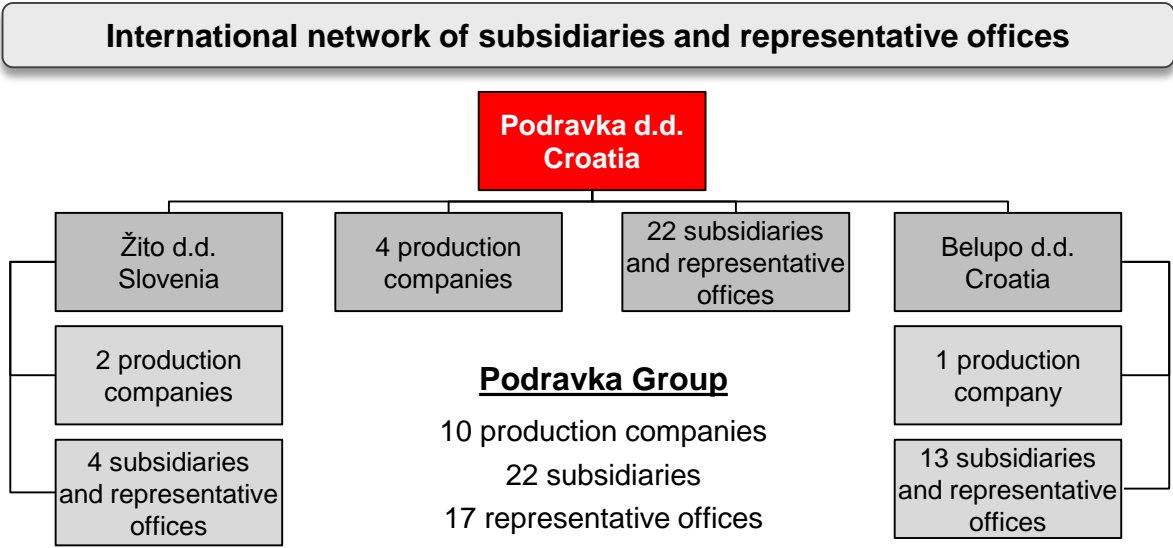


2015

Žito, Slovenian food producer, acquisition



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



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



Iva Brajević

Member of MB

- Former finance manager of Unilever and DHL in Croatia
- Investor relations management certified



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

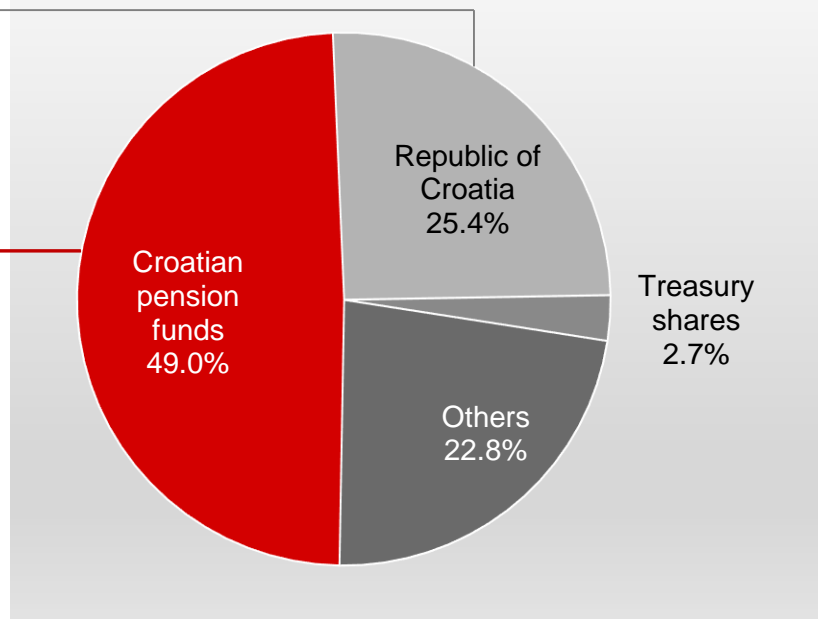
Vice President:

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

Shareholder structure as at 31 December 2016



Audit committee

President:

- Ivana Matovina

Members:

- Petar Vlaić
- Dinko Novoselac
- Mato Crkvenac

Remuneration committee

President:

- Petar Vlaić

Members:

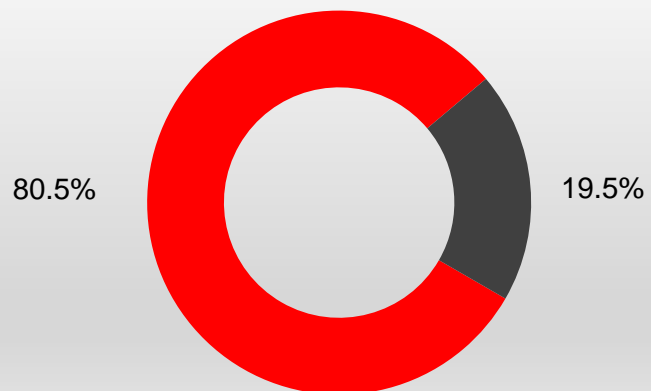
- Dubravko Štimac

Snapshot of key financial figures

Sales revenues split

Sales revenues in 2016

■ Food
■ Pharma



2016 sales	HRKm
Food	3,370.3
Pharma	815.2
Group	4,185.5

2016 sales	EURm
Food	447.6
Pharma	108.3
Group	555.9

EBITDA split

EBITDA in 2016

■ Food
■ Pharma

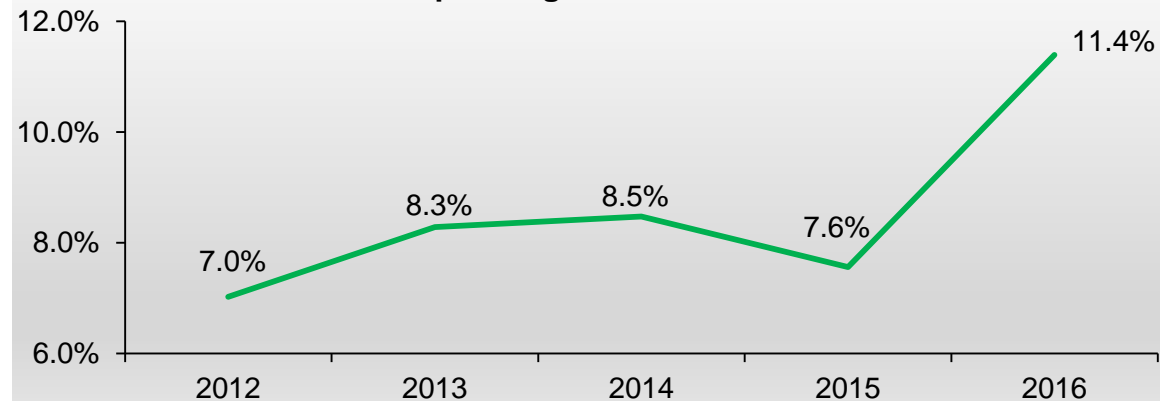


2016 EBITDA	HRKm
Food	317.4
Pharma	152.3
Group	469.6

2016 EBITDA	EURm
Food	42.1
Pharma	20.2
Group	62.4

Stable cash position

Net cash flow from operating activities as % of sales revenues*



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

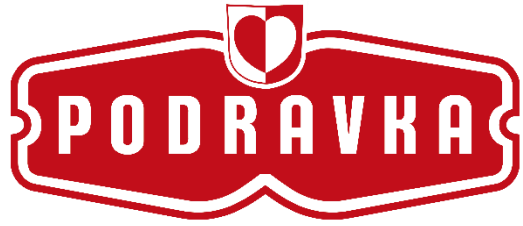
Low and sustainable debt level**

2.2
Net debt/
EBITDA

15.0
EBITDA/
interest
expense

55.4%
Equity/
total
assets

**2016 figures.



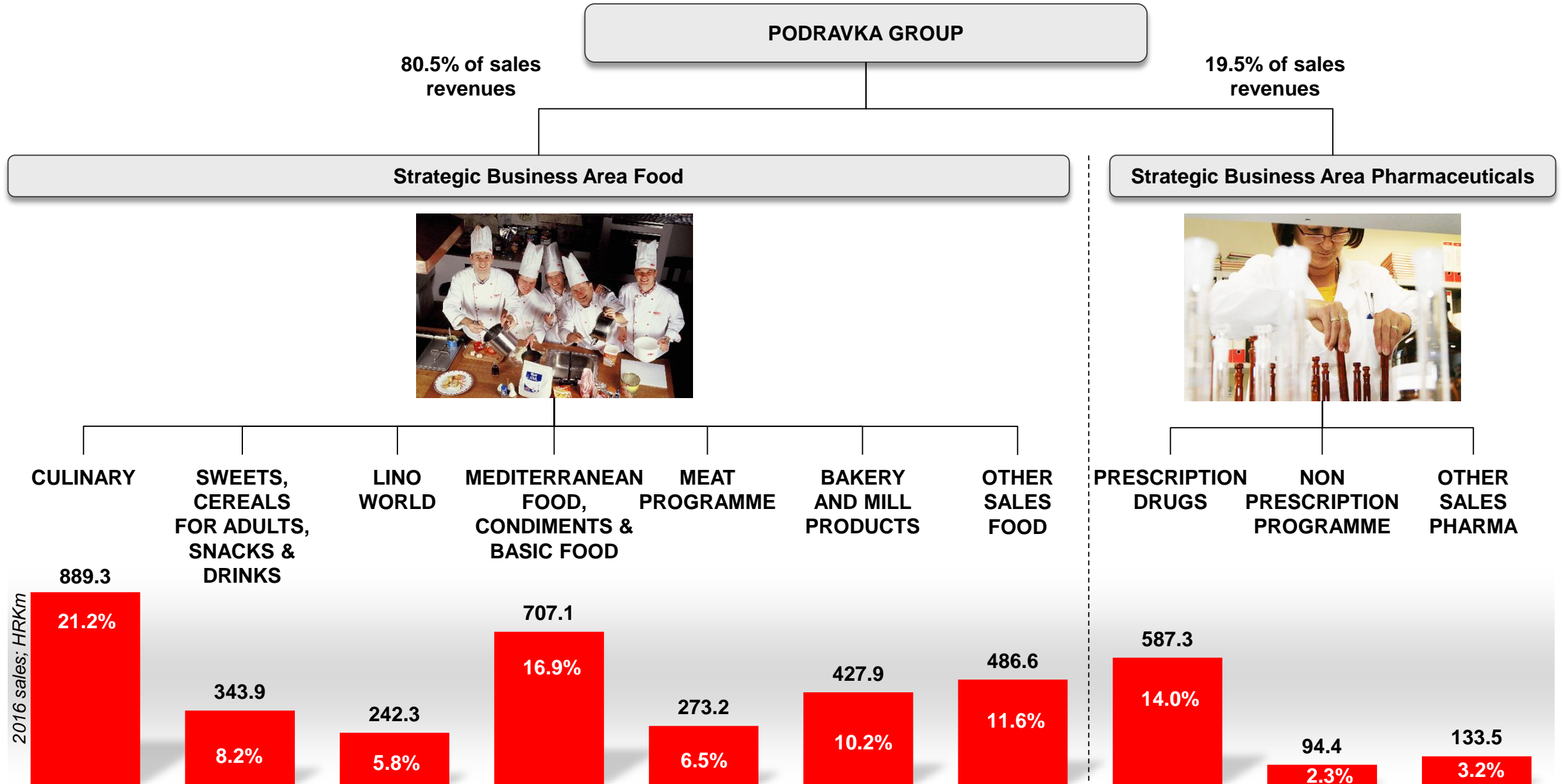
The Company

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2016 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, CEREALS FOR ADULTS, SNACKS & DRINKS <ul style="list-style-type: none">powdered sweets*, cereals for adults and breakfast,confectionary, salted snack, non-alcoholic beverages.	    				HRK 343.9m	8.2%
LINO WORLD <ul style="list-style-type: none">dehydrated baby food*, cereals for kids,spreads and other Lino assortment.	    				HRK 242.3m	5.8%
MEDITERRANEAN FOOD, CONDIMENTS & BASIC FOOD <ul style="list-style-type: none">canned fish products*, fruits, vegetables, condiments*,rice, pasta, cereals, seeds.	      				HRK 707.1m	16.9%
MEAT PROGRAMME <ul style="list-style-type: none">ready to eat meals and meat sauces,sausages, pâtés, frozen meat.	   				HRK 273.2m	6.5%
BAKERY AND MILL PRODUCTS <ul style="list-style-type: none">fresh bakery products, fresh pastry, toast, rusk,sandwiches, flour, additives, mixes for bakery.	   				HRK 427.9m	10.2%
OTHER SALES <ul style="list-style-type: none">private labels, service production,trade goods, other.	   				HRK 486.6m	11.6%

*Strategic products with international potential.

Prescription drugs category is a cornerstone of pharmaceutical business

Pharmaceutical category 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 587.3m 14.0%

NON-PRESCRIPTION PROGRAMME

- OTC medicine,
- dietary products,
- natural products.



HRK 94.4m 2.3%

OTHER SALES

- trade goods,
- services.



HRK 133.5m 3.2%

*Strategic products with international potential.

High-quality brands with exceptional recognisability and strong international potential

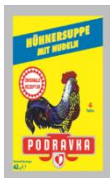


VEGETA

- 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

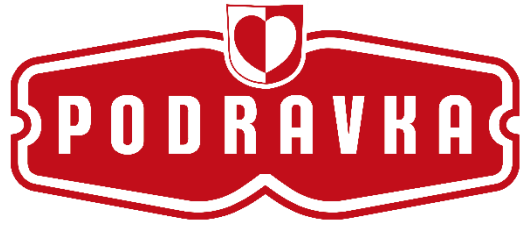


BELUPO DERMATICS

- 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.



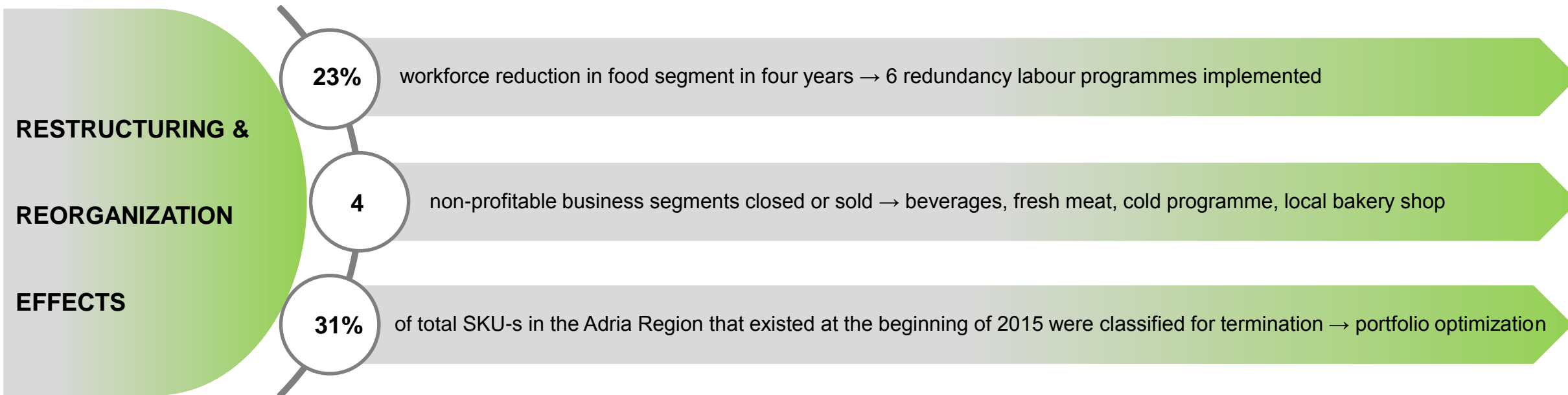
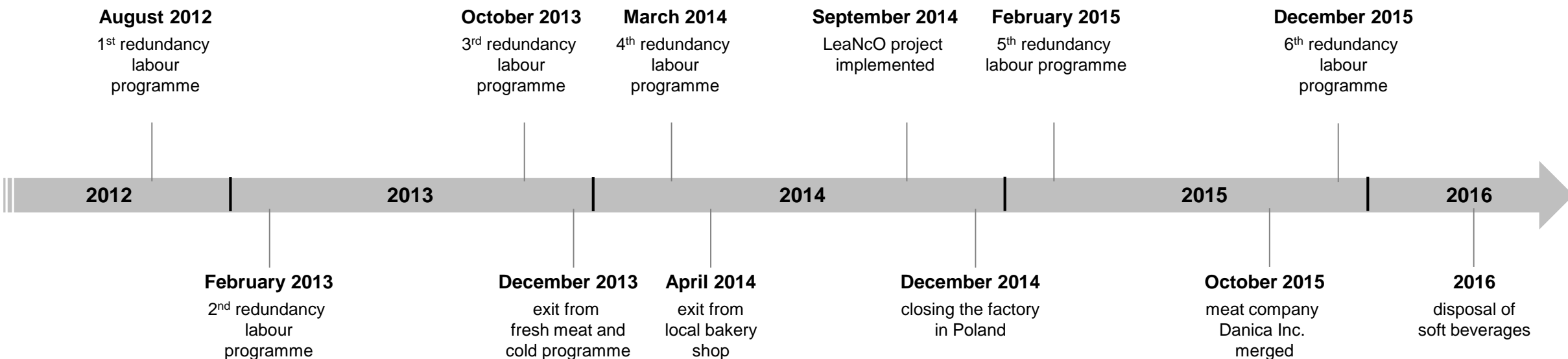
The Company

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Investment highlights

2016 results

Successful implementation of restructuring and reorganization process



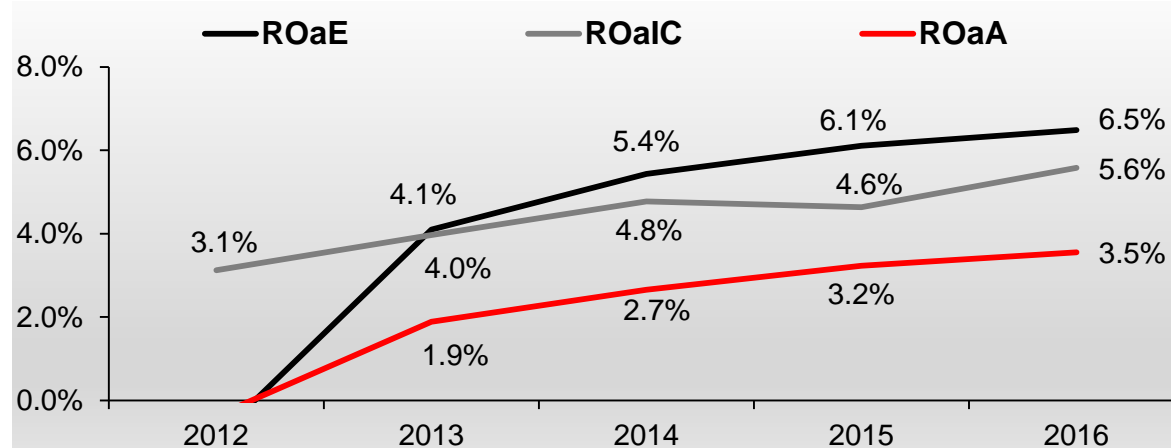
Significantly improved financial position

Restructuring related one-off items burdened past profitability

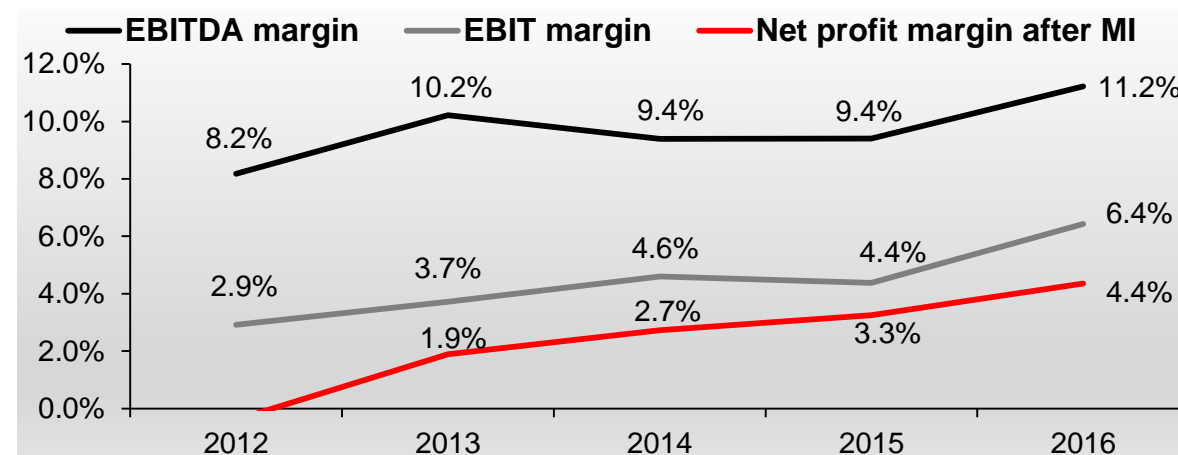
(in HRKm)	2012	2013	2014	2015	2016
Value adjustments	(32.3)	(80.8)	(27.8)	(34.6)	(9.3)
Severance payments	(49.9)	(57.2)	(72.1)	(41.1)	(1.9)
Other	(44.3)	4.6	9.8	298.4*	7.8
Total net one-off items	(126.5)	(133.4)	(90.1)	222.7	(3.4)

*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.

Žito acquisition reflected in return rates¹

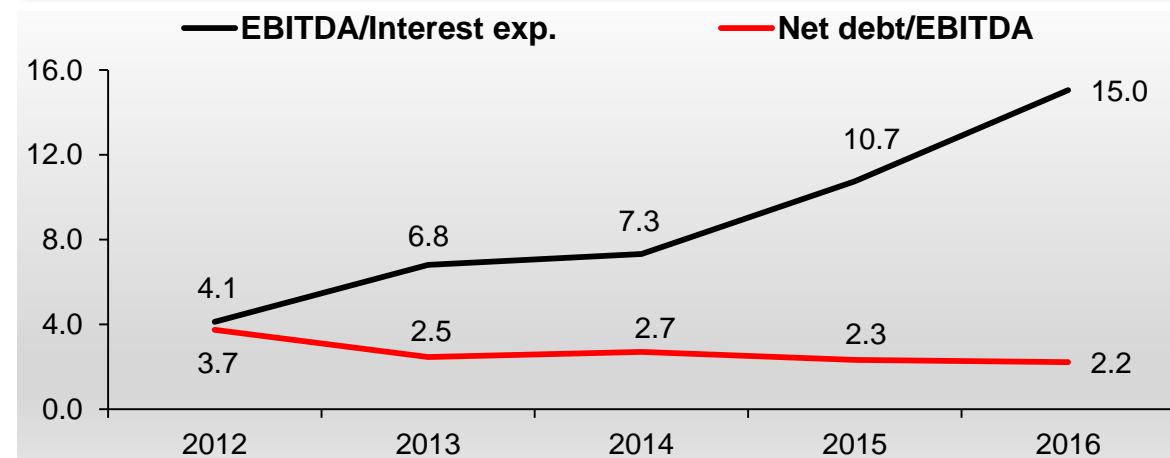


Positive profitability margins movement¹



¹Due to sales revenues reclassification in 2016, 2012-2014 margins are made by approximation.


Sustainable debt level¹

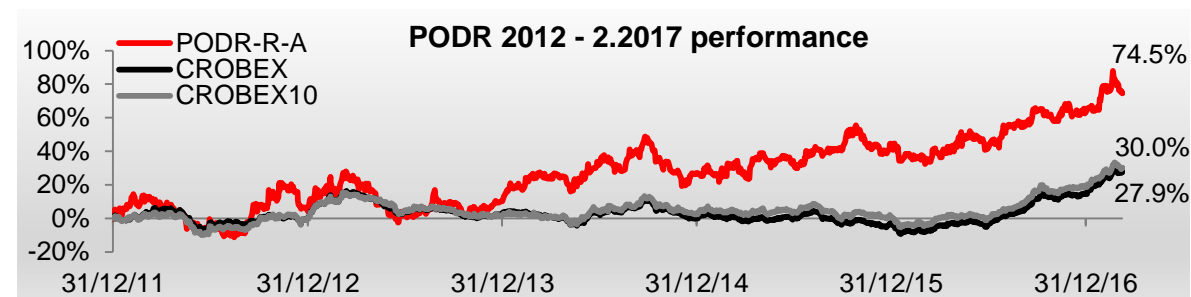
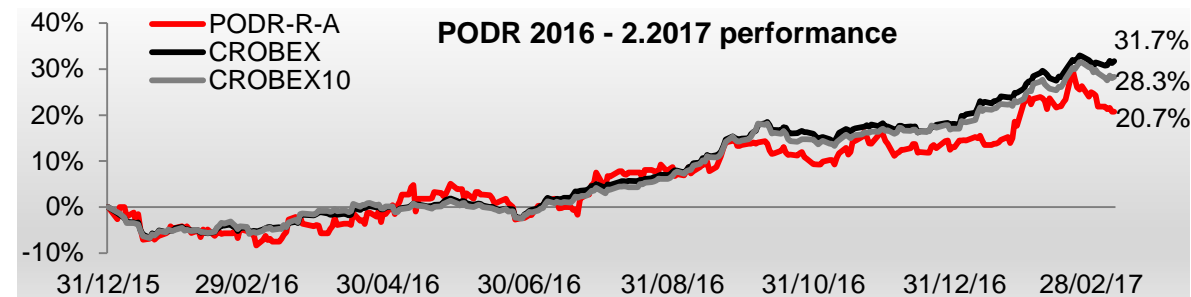


¹2015 figures include Podravka and Žito Group full year figures, excluding consolidation effects and adjusted for Belupo tax incentives impacts.

Stable growth of Podravka's share price in 2016

(HRK; units)	2016	2016/2015	2015 / 2014	2014 / 2013
Average daily price	348.7	9.4%	7.4%	16.3%
Average daily number of transactions	11	(8.9%)	(9.1%)	39.6%
Average daily volume	1,112	(36.0%)	11.3%	105.4%
Average daily turnover	387,819.0	(30.0%)	19.6%	134.2%
Reported earnings per share	58.9	(11.2%)	276.9%	38.8%
Adjusted earnings per share	28.8	8.2%	31.6%	(8.8%)

Analysts	Recommendation	Target price	Potential ¹
 InterCapital	Under review	-	n/a
 Raiffeisen BANK	Hold	HRK 383.00	(5.0%)
 ERSTE Group	Hold	HRK 400.00	(0.8%)
 UniCredit	Buy	HRK 398.96	(1.0%)
 WOOD & COMPANY	Hold	HRK 376.00	(6.7%)



Peer group multiples ²	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.4	12.8	18.3	3.1	23.2
Normalized weight. av. peer group ³	2.3	13.7	19.2	2.6	23.3
Podravka Group reported	0.9	8.3	14.4	1.0	15.3
Podravka Group normalized ⁴	0.9	8.4	14.3	1.0	15.0

¹Compared to the last price on 10th March 2017,

²Obtained from Bloomberg on 13th March 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.

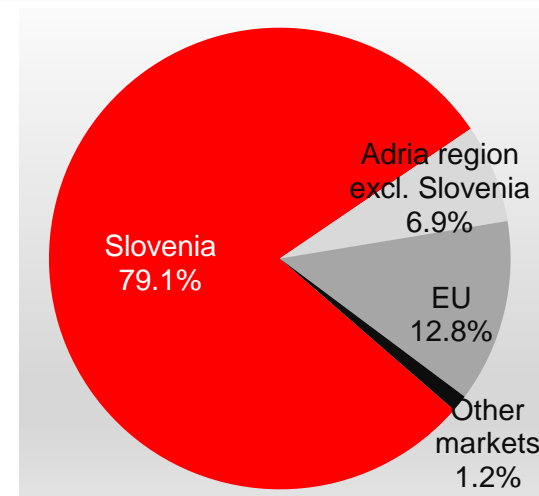
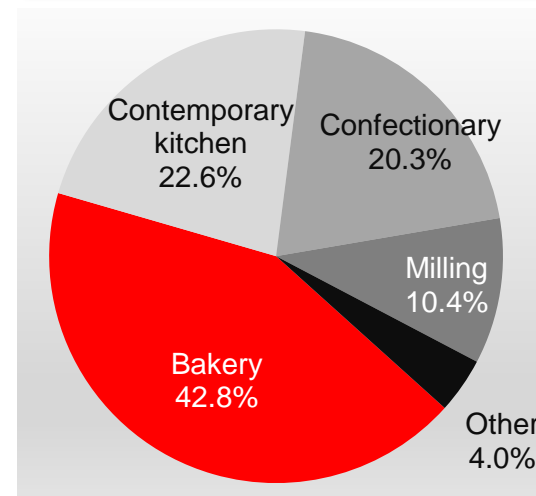
Acquisition of Slovenian food producer Žito in Q4 2015 to strengthen market position in the Adria region

Key highlights of Žito Group

- branded Slovenian food company with 35 retail bakery shops,
- portfolio of leading brands that hold top 2 market positions in Slovenia,
- 69 years of **experience** in food production,
- HRK 824.6 million of **sales revenues**,
- HRK 980.3 million of **total assets**,
- 1.147 **employees** as at 31 December 2015.



Sales revenues of Žito Group by categories and markets in 2015



- Žito acquisition provides scale and positive synergy/consolidation effects



(in HRKm)	FY 2017	FY 2018	FY 2019
Expected EBITDA impact	+18.9	+18.8	+36.8

Disclaimer*	Podravka Group		Žito Group		Podravka & Žito Group without synergy / consolidation effects		Podravka & Žito Group with 100% synergy / consolidation effects	
(in HRKm)	2015	% of sales	2015	% of sales	2015	% of sales	% of sales	
EBITDA	326.4	9.6%	70.5	8.5%	396.9	9.4%	433.7	10.3%
EBIT	154.3	4.5%	30.5	3.7%	184.8	4.4%	221.6	5.3%
Net profit after MI	110.0	3.2%	27.4	3.3%	137.4	3.3%	174.2	4.1%

*Stated overview **does not represent future guidance**, it only shows 2015 profitability (without Žito goodwill and impairment) and expected synergy effects; Podravka Group figures are adjusted for HRK 163.7m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories.

Further internationalization to be achieved via entering new markets

Dubai – HUB for MENA region



▪ MENA region key macro data:

- population¹ → 436 million,
- BDP per capita¹ → USD 2,927 - 132,038,
- real BDP yoy growth¹ → 1.9% - 11.6%,

▪ business model:

- subsidiary, outsourced distribution & own sales force,

▪ planned product range:

- culinary,
- sweets, snacks and beverages,
- baby, breakfast and other food,

▪ manager Nermin Salman:

- former Gorenje Regional director for MENA region,
- former Supervisory Board president of Konzum Sarajevo and director of Droga Sarajevo.

Tanzania – HUB for SE Africa region



▪ Southeast Africa region key macro data:

- population¹ → 342 million,
- BDP per capita¹ → USD 816 - 7,502,
- real GDP yoy growth¹ → 2.3% - 8.2%,

▪ business model:

- subsidiary, local production, outsourced distribution,

▪ planned product range:

- culinary,

▪ manager Davor Švarc:

- 11 years of working experience in Tanzania,
- director of Central Europe in Podravka Group,
- director of Western Europe and Overseas Countries and New Markets in Podravka Group.

China



▪ China region key macro data:

- population¹ → 1.38 billion,
- BDP per capita¹ → USD 15,184,
- real GDP yoy growth¹ → 6.3%,

▪ business model:

- representative office, outsourced distribution,

▪ planned product range:

- culinary,
- sweets, snacks and beverages,
- baby, breakfast and other food,

▪ manager Goran Kapičić:

- Managing director for Actavis China,
- Head of China Operations for TEVA, Barr Laboratories and Pliva.

¹Source: IMF, estimation for 2016, World Economic Outlook Database, October 2015; range refers to the lowest amount/growth and highest amount/growth for countries in a group of countries.

Expansion of pharmaceutical capacities to satisfy international demand

Construction of new pharmaceutical facilities started in 2015

Project:

- production facility for solid oral forms,
- production facility for semi solid and liquid forms,
- end of project → April 2017.

Project reasoning:

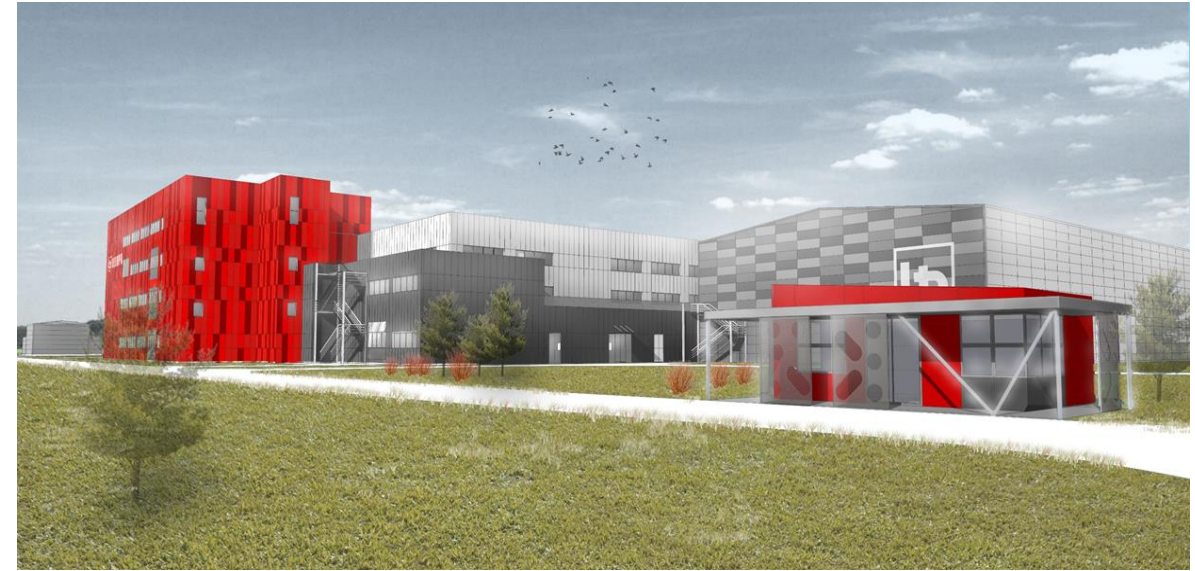
- insufficient production capacities due to perennial volume growth,
- acquiring of new technologies for product differentiation.

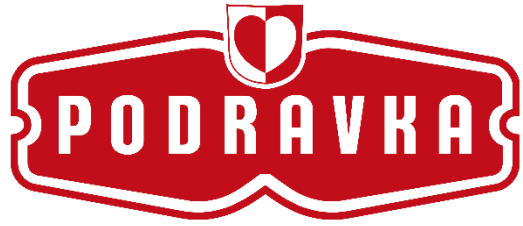
Project financing:

- total value of investment EUR 66.3 million,
- 60% loan, 40% 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.





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Key highlights of 2016

Food Solution – new business segment:

- Food Solution implies a completely new gastro segment in which, in addition to products, customers also obtain the “Know-How”.
- These are fresh-made/cooked/baked ready-to-eat or semi-prepared meals, and services provided in the preparation of menus, organisation of kitchen chores and staff and planning investments in kitchen equipment,
- Currently the offer includes 130 different products (meals) which are intended, among others, to institutions such as army, police, hospitals, deli departments in supermarkets and companies having own corporate restaurants.



Sale of the beverages business segment:

- 20th September 2016 → signing the Sale and Purchase Agreement with the company Kofola ČeskoSlovensko for the purchase of a share in the company Studenac d.o.o.,
- After the agreed contractual preconditions were met, the share was transferred as at 20th December 2016,
- This transaction is not expected to negatively impact the business results in 2016 and it is expected to have a positive impact on the EBITDA in the amount of approximately HRK 5 million in the following period.



Contract on refinancing of borrowings signed:

- 6th September 2016 → a syndicated loan contract was signed with the EBRD as arranger (including Unicredit Slovenia) and four business banks: Privredna Banka Zagreb d.d., Raiffeisenbank Austria d.d., SKB d.d. and Erste&Steiermarkische Bank d.d.,
- The arrangement value is EUR 123 million:
 - EUR 99 million is intended for refinancing the existing liabilities,
 - EUR 24 million will be available for CAPEX and possible acquisitions,
- EUR 99 million will be repaid in 24 equal quarterly instalments, and the expected savings on interest expense should amount to approximately HRK 3.5 million annually.

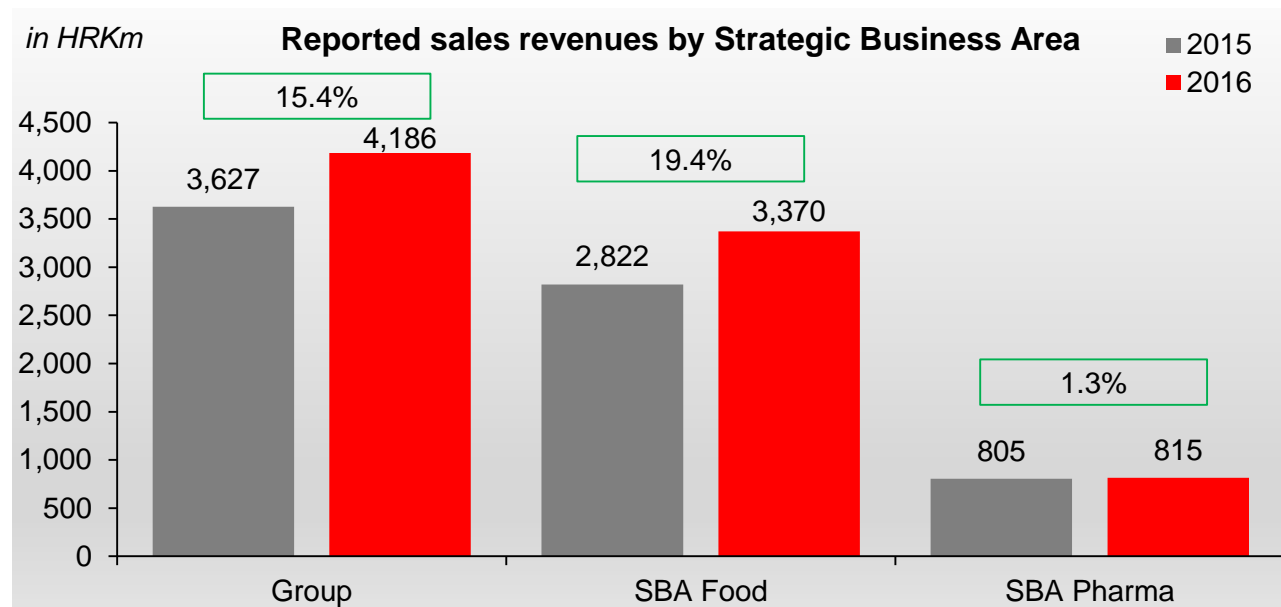
Dividend distribution to shareholders of Podravka d.d.:

- 16th September 2016 → dividend distributed to shareholders of Podravka d.d. in the amount of HRK 7.00 per share,
- Last dividend distribution was 10 years ago,
- By successfully implemented restructuring processes and achieved positive business results prerequisites for the dividend distribution were met,
- Management's goal is to enable sustainable implementation of the dividend policy.



Note (i) pro-forma overview in this presentation indicates that Žito figures are included in the entire 1-12 2015 period, (ii) in Q2 2016, the fees contracted with customers for promotional, marketing and similar activities were reclassified from the position “Marketing expenses” to the decrease in the position “Sales revenues”. Both periods were reclassified.

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 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:

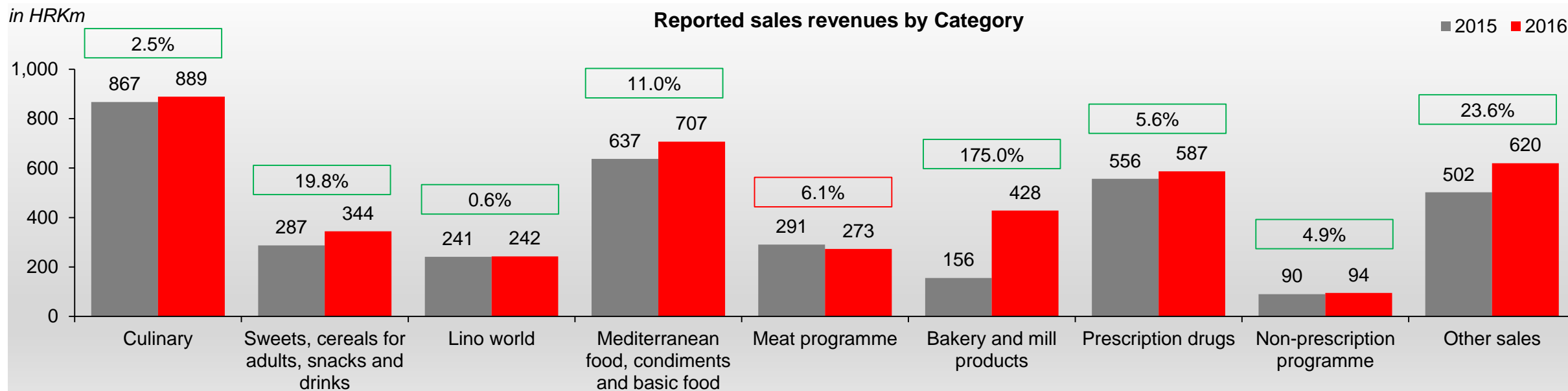
- Own brands** → 5.5% higher sales (+7.9% excl. FX) due to the expansion of the business cooperation in Russia,
- Other sales** → 15.8% lower sales (-15.3% excl. FX) as a result of stronger focus on own brands and consequently lower distribution of trade goods,
- Total SBA Pharmaceuticals** → 1.3% higher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

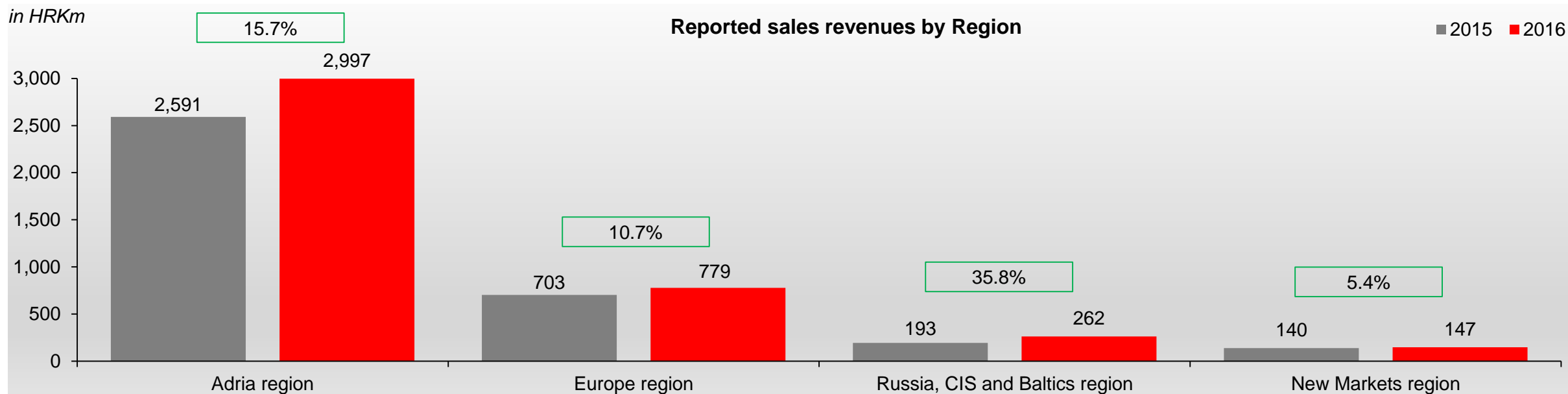


Pro-forma category performance in 2016¹:

- **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 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 HRKm) 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:

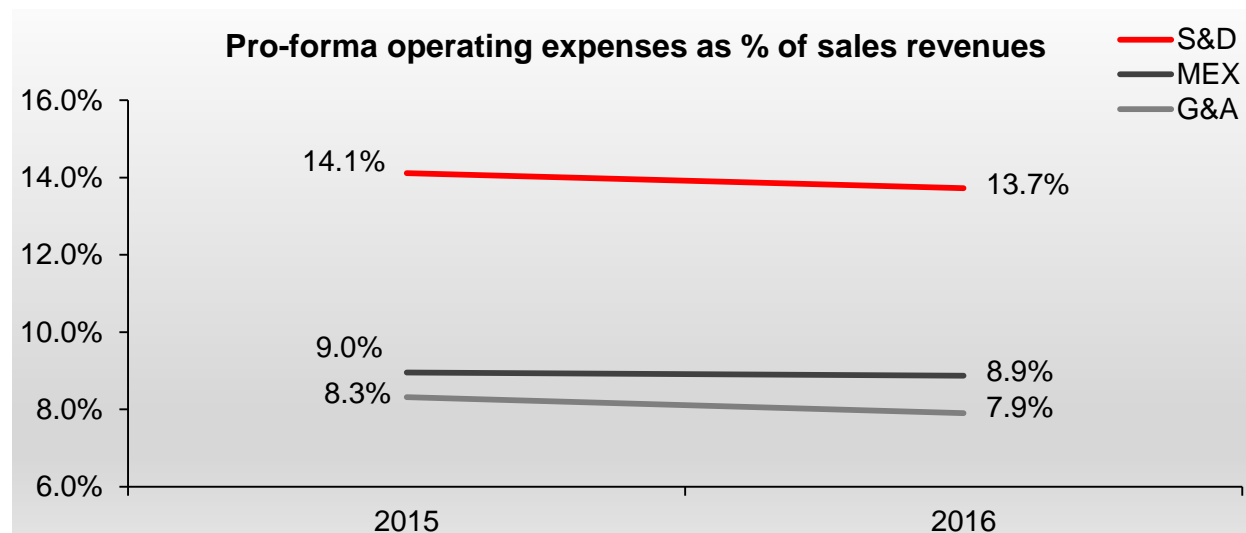
- One-off items: in 2015 EBITDA and EBIT decreased by HRK 18.0m and net profit by HRK 13.0m; in 2016 EBITDA increased by HRK 5.9m and EBIT and net profit decreased by HRK 3.4m. Normalized, EBIT would grow 4.2% and net profit would fall by 9.6%,
- The company utilised in 2015 tax losses carried forward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

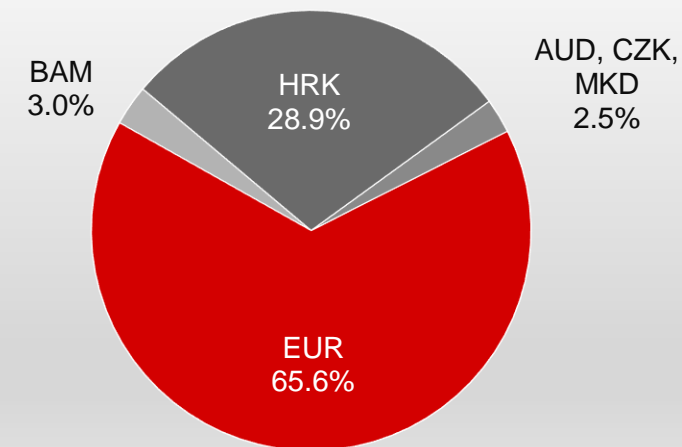
- Includes foreign exchange differences on trade receivables and payables that were positive in 2016 and negative in 2015. Thereby, impact of this OPEX item was positive in 2016 and negative in 2015.

Sustainable level of Podravka Group indebtedness

(in 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.

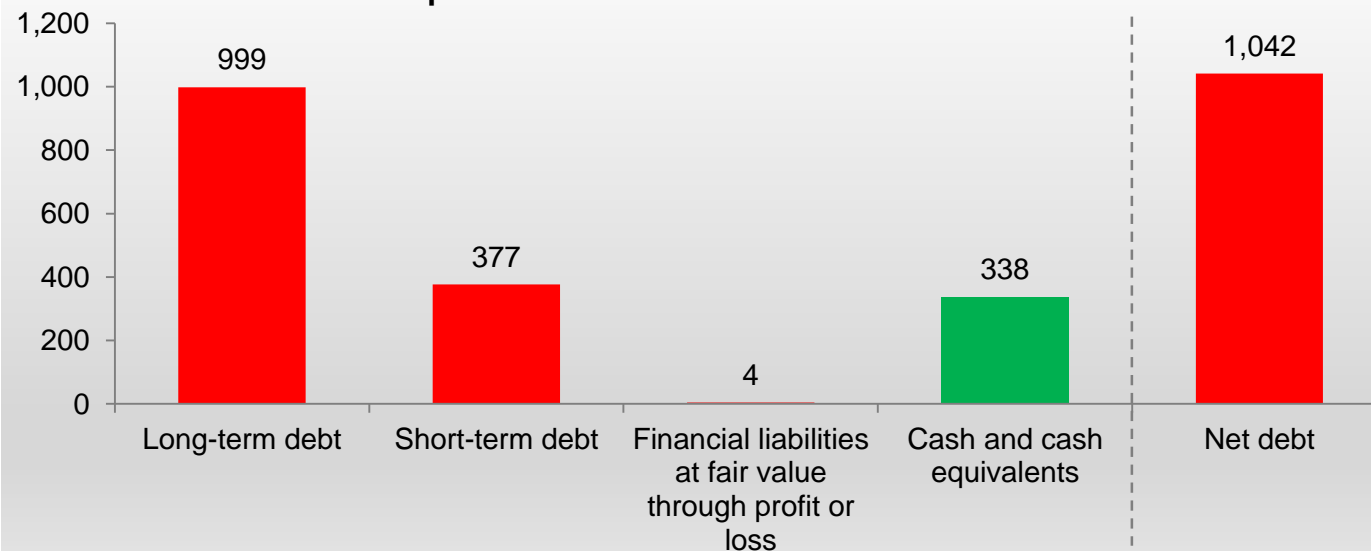
Currency structure of debt as at 31st December 2016






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%.

Net debt components in HRK million as at 31st December 2016



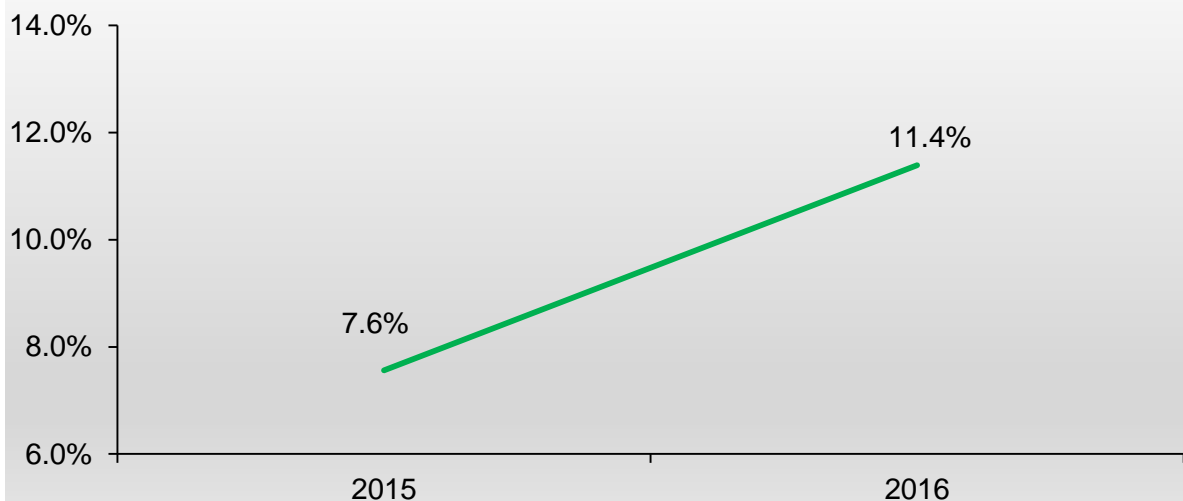
Stable level of net cash flow from operating activities

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 000)	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



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Podravka Group

Always with a heart!

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