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MEDIA RELEASE

PODRAVKA GROUP UNAUDITED BUSINESS RESULTS FOR 2017

Podravka Group achieved HRK 4.1 billion sales revenue in the past year

- Corrected sales revenues grew by HRK 47 million
- Normalized net profit achieved amounting to HRK 165.6 million
- Podravka Group profitability significantly burdened by the negative results of the markets of Africa, China and MENA

At today's session, the Supervisory Board of Podravka d.d. verified the unaudited financial results of Podravka Group for 2017, expressing also their unanimous support to the Management Board and the way they ran business in the past year, which was marked by numerous business challenges.

Podravka Group sales revenues in 2017 amounted to HRK 4,111.2 million. Sales revenues were mostly affected by the lack of contribution by the Beverages program which was discontinued a year before, realized one-time sales of commodity reserves to the Ministry of economy in February 2016 and identified inconsistencies in recording revenues in the Russian market. Without the stated influences, Podravka Group revenues would have achieved 1.2 percent growth, comparing to the same period a year before. Apart from the stated, a significant influence derives from disruptions in the Adria markets region, due to extraordinary and significantly changed market circumstances related to the most important buyer.



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When it comes to sales revenues on foreign markets, especially worth mentioning is revenues growth in the Eastern Europe region, amounting to 9.4 percent.

In the stated period Podravka Group gross profit amounted to HRK 1,484.1 million, while net profit amounted to HRK 54.4 million, and normalized net profit amounted to HRK 165.6 million. In the observed period, Podravka Group profitability was among others influenced by series of decisions which in 2017 had a negative effect on profitability, but are a necessary precondition for creating a sustainable and profitable business growth. Both the Management and the Supervisory Board of Podravka determined that the business operations in the markets of Africa, China and MENA are not sustainable, because ever since 2015 they continuously deviate from the business plans which were at the time a foundation in making business decisions on investing in the stated markets. Since early 2015, costs on these markets are estimated to HRK 150 million, while slightly more over HRK 20 million revenue was achieved. Negative influence of the stated three hubs on Group profitability during 2017 totals to HRK 51.6 million on net profit level.

Revenues in Food segment amount to HRK 3,243.7 million. Reduced revenues in this segment, apart from the already mentioned negative influences of the earlier discontinued Beverages program, were also contributed by the disturbances in the Adria region markets, due to extraordinary and significantly changed market circumstances relative to the most significant buyer. Apart from the stated, adjustment of identified inconsistencies in the treatment of recording data for the Russian market also had a negative influence. In the Pharmaceutical segment HRK 867.5 million revenue was achieved, which is 6.4 percent increase comparing to the same period last year. The stated growth was mostly influenced by revenue increase from own brands sales amounting to 6.9 percent.