



Podravka Group  
Business Results for  
**1-6 2017 period**



## **Content**

---

<b>Key financial indicators in H1 2017 .....</b>	<b>3</b>
<b>Significant events in H1 2017 .....</b>	<b>4</b>
<b>Overview of sales revenues in H1 2017.....</b>	<b>8</b>
<b>Profitability in H1 2017 .....</b>	<b>14</b>
<b>Key characteristics of the income statement in H1 2017 .....</b>	<b>17</b>
<b>Key characteristics of the balance sheet as at 30 June 2017 .....</b>	<b>18</b>
<b>Key characteristics of the cash flow statement in H1 2017 .....</b>	<b>20</b>
<b>Share in H1 2017 .....</b>	<b>21</b>
<b>Additional tables for H1 2017 .....</b>	<b>24</b>
<b>Consolidated financial statements in H1 2017 .....</b>	<b>26</b>
<b>Statement of liability .....</b>	<b>31</b>
<b>Contact .....</b>	<b>32</b>





## Key financial indicators in H1 2017

<i>(in HRK millions)</i>	H1 2017 <sup>1</sup>	H1 2016	Δ	%
Sales revenues	1,951.2	1,988.5	(37.4)	(1.9%)
Gross profit	689.3	723.8	(34.5)	(4.8%)
EBITDA <sup>2</sup>	140.0	222.0	(82.0)	(36.9%)
Net profit after MI	24.8	97.3	(72.5)	(74.5%)
Net cash flow from operating activities	136.7	142.0	(5.3)	(3.7%)
Cash capital expenditures	122.9	233.1	(110.2)	(47.3%)
<i>(in HRK; market capitalization in HRK<sup>m</sup>)</i>	30.06.2017	31.12.2016	Δ	%
Net debt / EBITDA	2.8	2.,2	0.6	26.1%
Earnings per share	15.9	26.3	(10.5)	(39.8%)
Last price at the end of period	324.2	377.5	(53.4)	(14.1%)
Market capitalization	2,248.1	2,615.9	(367.8)	(14.1%)
Return on average equity	4.0%	6.5%		-255 bb
Return on average assets	2.3%	3.7%		-140 bb

### Key highlights of H1 2017 business results:

- Movements in sales were significantly impacted by the absence of the Beverages revenues, which amounted to HRK 37.2 mil. in H1 2016 and the absence of one-off income of the Meat programme that amounted to HRK 13.7 mil. in H1 2016 based on tenders for deliveries of buffer stock. If these impacts of Beverages and the Meat programme are excluded, revenues of the Podravka Group would record an increase of 0.7%,
- The significant negative effect on the Podravka Group profitability came from higher costs of termination benefits (HRK +22.4 mil.) and exercised share options (HRK +9.3 mil.) than in the comparative period,
- Thus, in H1 2017, the Podravka Group was at the same time exposed to negative impacts of the restructuring process (disinvestment of Beverages, redundancy labour programme) and negative impacts of operating activities whose effects are significantly observable in this period (adjustment of the new distributor, exercise of a higher number of share options than usual),
- These effects burden the Podravka Group's result in the observed period, but they are not considered regular impacts so they are not a realistic indicator of the company's profitability.

<sup>1</sup>The term H1 2017 relates to the period January 2017 - June 2017, while the term H1 2016 relates to the period January 2016 - June 2016,

<sup>2</sup>EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and impairment of intangible and non-current tangible assets.

## Significant events in H1 2017

### **Changes in Supervisory Board and Management Board of Podravka Inc.**

On 21<sup>st</sup> February 2017, the General Assembly of PODRAVKA Inc. was held where the decision to recall two members of the Supervisory Board of PODRAVKA Inc. was adopted - Mato Crkvenac and Ivo Družić. At the same General Assembly meeting, the decision on the election of four members of the Supervisory Board of PODRAVKA Inc. was adopted - Marko Kolaković, Slavko Tešija, Luka Burilović and Damir Grbavac. The term of the elected members of PODRAVKA Inc. Supervisory Board started as of 21<sup>st</sup> February 2017 and lasts until 7<sup>th</sup> September 2018. On 30<sup>th</sup> June 2017, the General Assembly of PODRAVKA Inc. was held where the decisions were adopted to recall a member of the PODRAVKA Inc. Supervisory Board Dinko Novoselec and to appoint Ivana Matovina as the PODRAVKA Inc. Supervisory Board member for the period of 4 years.



On 23<sup>rd</sup> February 2017, the meeting of the PODRAVKA Inc. Supervisory Board was held where the decision on the appointment of the president and members of the Management Board of PODRAVKA Inc. was adopted. Marin Pucar was appointed president of the Management Board of PODRAVKA Inc., Ljiljana Šapina, Iva Brajević and Hrvoje Kolarić were appointed as members of the Management Board. The term of

the appointed president and members of the Management Board began as of 24<sup>th</sup> February 2017 and was determined to last until 31<sup>st</sup> October 2018, except for the appointed Management Board member Iva Brajević, whose term was determined to expire on 30<sup>th</sup> April 2017. As of 1<sup>st</sup> May 2017, Davor Doko was appointed a PODRAVKA Inc. Management Board



member, and his term was determined to last until the expiration of the term of the Management Board as a whole. At the PODRAVKA Inc. Supervisory Board meeting held on 18<sup>th</sup> July 2017, the decisions were adopted that Marko Đerek be appointed a member of the Management Board and that the term for the president and members of the Management Board be prolonged until 23<sup>rd</sup> February 2022.

### **Exposure of the Podravka Group to the key buyer in the Adria region**

The Agrokor concern is the key buyer of Podravka, which makes approximately 20% of sales of food products in the Adria region. As of 10 April 2017, the extraordinary administration over companies in the Agrokor concern headquartered in Croatia was initiated and Podravka pays special attention to monitoring its exposure in operations with these companies. As at 30 June 2017, the total receivables from Agrokor's companies over which the extraordinary administration procedure had been initiated amounted to HRK 130.1 million. This amount also includes receivables for bills of exchange received in the amount of HRK 60.9 million, purchased by Podravka from a factoring company.

Podravka reported receivables of HRK 97.4 million in the extraordinary administration procedure. At the moment, there is insufficient information to assess the need to make provisions for a possible receivables write-off. Podravka continues its business cooperation with companies in the Agrokor concern, controlling its overall exposure.

## New redundancy labour programme

In H1 2017, Podravka Inc. initiated the Redundancy labour programme that covered 110 employees. The expected savings until the end of 2017 with respect to these employees amount to approximately HRK 5.5 million, and the return of termination benefits is within 17 months. Overall, in the observed period around 180 employees left the Podravka Group with termination benefits, for which HRK 26.9 million were used.

## Commissioning of the new pharmaceuticals factory

On 16 May 2017 two new production plants were opened – for solid drugs and for semi-solid and liquid drugs – representing the extension of the existing factories of solid and semi-solid drugs. The first production of drugs in new factories will start in Q4 2017, and currently they produce special-purpose cosmetics. The production capacities will be increased by 1.5 to 2.0 times, depending on the type of production resources. The new capacities are expected to unburden the existing capacities, and accordingly, we may speak of utilization of the overall production capacities based on two-shift work at the level of approximately 60% in 2018. Up to now, for production purposes in the new factory, approximately 100 persons have been employed, which increases fixed expenses that will initially lead to lower profitability, until better utilization of the production capacities is reached. The value of the investment is HRK 530 million; 45% of the investment was financed by own funds, and 55% by a loan from Croatian Bank for Reconstruction and Development (HBOR).

## Innovation in the Food and Pharmaceuticals segments in H1 2017



The Vegeta brand in the Adria region extended its range of monospices through the new Vegeta Maestro line. By rebranding monospices from Podravka into Vegeta Maestro, Vegeta strengthens its position as a culinary brand that encourages culinary inspiration, and spreads the blue shelf block at sales points. On the other hand, the Maestro brand in the market of Slovenia in its new



design aims to position itself as a modern, optimistic brand for young people. Modern design and range of



carefully selected spices are adapted to young consumers and global culinary trends. In addition to innovation in the spices range, the **Culinary** category sees the continuation of the innovation cycle also in the soups range. For the markets of the MENA region, onion soup and lentil soup have been

created, adapted to the preferences of local consumers. Podravka bouillons, as one of the Podravka's key categories, arrive to store shelves and consumers' tables with new, innovated "free-from" recipes based on Podravka's nutritive strategy, as well



as in refreshed design that emphasises the pleasure in the recognizable Podravka soup flavour. This innovation is aimed at market development by attracting new consumers, and further strengthening of Podravka's market positions within the soup category.



In its basic Čokolino range, the flavour that is familiar for generations, **Lino world** appeared in a new and innovative packaging design. It is made in papercut technique, that represents the fusion of paper cutting skill and modern illustration, the design significantly improved the visibility of Čokolino on shelves and better



emphasized the brand and its functional advantages. Also, the new design retained the recognisable chocolate town, presenting it in a refreshed and attractive way to the joy of all long-term Čokolino consumers.

The **Sweets, snacks and drinks** category also responds to current market trends through the redesign of Kviki snacks. By emphasising the information important to consumers and communication on the label “baked, not fried”, the consumers’ search



for a “healthier” snack product is facilitated. Filled Dolcela muffins with coconut represent a fusion of favourite chocolate muffins and the popular coconut flavour. Dolcela muffins filled with vanilla cream and lemon cream also represent innovation in the cake mixes segment.

Podravka teas in new design, which appeared on the market in late 2016, completed the relaunch in the first quarter of 2017 by an integrated communication campaign that promotes naturalness and abundance of ingredients retained by the innovated aroma wrapper.



In the **tomato** subcategory, the new design of Passata emphasises the communication of the origin of domestic Istrian tomato and key functional benefits. Processing within 24 hours from harvesting contributes to the product’s top quality. The product has only one ingredient, fresh processed tomato (no added salt, no additives, source of lycopene). Emphasizing important information enables the differentiation that will facilitate the choice of consumers according to the criteria most important to them.



In the **Meat programme** category, cracklings, a well-known traditional product, got their snack variant. By added various flavours in the convenient “on-the-go” packaging, the product approaches young consumers and represents an interesting snack full of flavour and pleasure, for any occasion.



The **bakery** product range is extended with a semi-white bread Krušnik, which got its name from the wooden pot used for making bread. Krušnik has a recognisable form of low, hand-made bread with aromatic crust. This is a product that returns to tradition, does not contain emulsifiers and additives, and contains buckwheat, spelt, rye, corn and wheat – ingredients that were always present at home and could be used to make bread.

The **Zlato polje** range has been extended by two risotto bases: cheese flavour and tomato flavour. The products are perfect for everyone fond of delicious risotto that can now be made in shorter time, and they are a great help to beginners in cooking, to prepare a delicious meal.



The **Natura** brand was extended in the cereals segment with BIO instant oatmeal and BIO quinoa cereals. The products are perfect for delicious breakfast, with added favourite fruit or as an ingredient in the preparation of smoothies.





The new segment of **Gorenjka** chocolates are dark Mistica Wellness chocolates in line with the “good-for-me” consumer trend. The new line is a perfect fusion of chocolate with high cocoa content and super foods (goji berries and maca root, ginger, orange and matcha tea and hemp seeds), rich in antioxidants, omega 3 fatty acids, vitamins and minerals.



**Šumi** was added new products in the segment where it holds the leading position. An innovative product on



the market is Fruit Jelly double flavour - the only candy on the market with two fruit flavours in one candy. Party mix kids has also been launched - a combination of funny forms and flavours in soft candies with added tattoos. In addition to innovation of the Šumi brand,



novelties under the Herba brand have also been launched. Herba original hard candy flavour has been transferred into a gummi candy. In addition, new Ice-ginseng flavour has been launched, ideal for fresh breath and energy boost.

Since the beginning of the year, Belupo added to the Croatian market of **Enteral nutrition** two new flavours of **Nutrixa**, strawberry and coffee. Nutrixa is liquid food rich in calories and proteins with added fibres for a complete, balanced diet. This is food for special medical purposes, intended for the dietary needs of patients with malnutrition or at risk of its occurrence. It may be used as the sole food source or as food supplement, and is provided only under medical supervision. Nutrixa can be found on the market in 200 ml packaging in four flavours: vanilla, chocolate, strawberry and coffee.



**Belobaza** 100 g in an airless pump plastic tube, the first product in Belupo registered within the Medical Device regulatory framework is a new product on the Slovenian market. Belobaza is used for protection and care of sensitive skin in children and adults, and at the same time it is easily combined with local corticosteroids from the Belupo's portfolio.



A new product in the first six months of 2017 in the market of Slovakia is **Maxi Omega** for the protection of the heart and blood vessels.

**Vivaira** (sildenafil) chewing tablets intended for adult men with erectile dysfunction are a new product in the Russian market. VIVAIRA chewing tablets contain sildenafil active substance from the group of medicines called phosphodiesterase type 5 inhibitors.

Two new products appeared on the Ukrainian market - **Herplex** cream and **Portalak** syrup. Herplex cream is an anti-virus medicine for local use on the skin. Herplex is used in treating cold sores (herpes labialis), skin infection caused by Herpes simplex virus, that most commonly appears on lips and skin around mouth and nose. Portalak syrup is used in treating obstipation characterised by irregular bowel movements, and hard and dry stool, also for softening stool in case of haemorrhoids and after colon surgery.





## Overview of sales revenues in H1 2017

**Note:** As of the beginning of 2017, the existing categories in the Food segment have been reorganised for the purpose of a more efficient management of the existing and new brands. As a result, the new category “Core food” was separated from the existing category “Mediterranean food, condiments, fruits and vegetables”. For the purpose of a better understanding of categories, the section “Additional tables” presents components of individual categories in the Food segment and sales by quarters in 2016.

### Sales revenues by segments in H1 2017

Sales revenues by segment				
<i>(in HRK millions)</i>	H1 2017	H1 2016	Δ	%
<b>Food</b>	<b>1,544.4</b>	<b>1,609.5</b>	<b>(65.1)</b>	<b>(4.0%)</b>
<i>Own brands</i>	1,309.0	1,387.8	(78.7)	(5.7%)
<i>Other sales</i>	235.3	221.7	13.7	6.2%
<b>Pharmaceuticals</b>	<b>406.8</b>	<b>379.1</b>	<b>27.7</b>	<b>7.3%</b>
<i>Own brands</i>	339.8	313.8	26.0	8.3%
<i>Other sales</i>	66.9	65.2	1.7	2.6%
<b>Podravka Group</b>	<b>1,951.2</b>	<b>1,988.5</b>	<b>(37.4)</b>	<b>(1.9%)</b>
<i>Own brands</i>	1,648.9	1,701.6	(52.7)	(3.1%)
<i>Other sales</i>	302.3	286.9	15.4	5.4%

#### Food segment (H1 2017 compared to H1 2016):

- **Own brands** recorded 5.7% lower sales, significantly impacted by the absence of revenues of the Beverages segment that amounted to HRK 37.2 million in H1 2016 and the absence of one-off income of the Meat programme that amounted to HRK 13.7 million in H1 2016 based on tenders for deliveries of buffer stock. If these effects are excluded, own brands record 2.1% lower sales due to lower orders of frozen vegetables in the market of Russia, pressures in Bakery in the Slovenian market and last-year's change of distributor in Western Europe that is still in the process of taking over sales channels. If the effect of foreign exchange differences is excluded, own brands record 5.5% lower sales (1.9% lower without the effects of Beverages and buffer stock),
- **Other sales** recorded 6.2% higher sales, primarily as a result of increased sales of trade goods of the company Lagris and private labels of the company Žito. If the effect of foreign exchange differences is excluded, other sales record an increase in sales of 6.7%,
- Consequently, the **Food segment** recorded 4.0% lower sales, but if the effects of Beverages and buffer stock are excluded, sales would be lower by 0.9%. If the FX effect is excluded, the Food segment records 3.8% lower sales (0.7% lower without the effects of Beverages and buffer stock).





**Pharmaceuticals segment (H1 2017 compared to H1 2016):**

- **Own brands** recorded an 8.3% increase in sales, primarily due to the extension of the product range and positive effect of foreign exchange differences in the market of Russia. If the effect of foreign exchange differences is excluded, own brands record a 4.5% increase in sales,
- **Other sales** are 2.6% higher as a result, among other things, of the increase in sales of trade goods in Deltis Pharm pharmacies. If the FX effect is excluded, other sales record a 3.5% sales growth,
- Consequently, the **Pharmaceuticals segment** recorded 7.3% higher sales. If the effect of foreign exchange differences is excluded, the Pharmaceuticals segment records a 4.4% increase in sales.

**Podravka Group (H1 2017 compared to H1 2016):**

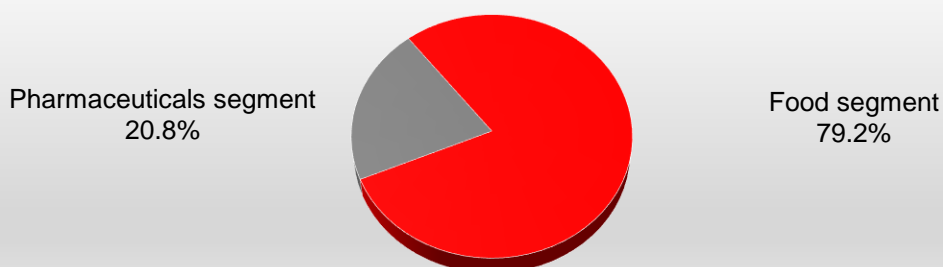
- **Own brands** of the Podravka Group recorded 3.1% lower sales in the observed period, while if the effect of Beverages and buffer stock is excluded, sales would be at the same level as in the comparative period. If the effect of foreign exchange differences is excluded, own brands record 3.6% lower sales (0.7% lower without the effects of Beverages and buffer stock),
- The revenues from **other sales** are 5.4% higher than in the comparative period. If the effect of foreign exchange differences is excluded, other sales record an increase in sales of 5.9%,
- Consequently, sales of the **Podravka Group** are 1.9% lower in the observed period, while if the effect of Beverages and buffer stock is excluded, sales would be 0.7% higher. If the FX effect is excluded, the Podravka Group records 2.2% lower sales (0.3% higher without the Beverages and buffer stock effects).

**Net effect of currency exchange rates (FX differences) on sales by segment in H1 2017:**

<i>(in HRK millions)</i>	<b>Own brands</b>	<b>Other sales</b>	<b>Total</b>
Food	(2.8)	(1.1)	(3.9)
Pharmaceuticals	11.8	(0.6)	11.2
Group	9.0	(1.7)	7.3

- The most significant negative effect is recorded by the Euro (HRK -10.1 million) and the Bosnian mark (HRK -3.0 million), while the most significant positive effect came from the Russian rouble (HRK +20.7 million).

**Sales revenues by segment in H1 2017**





## Sales revenues by category in H1 2017

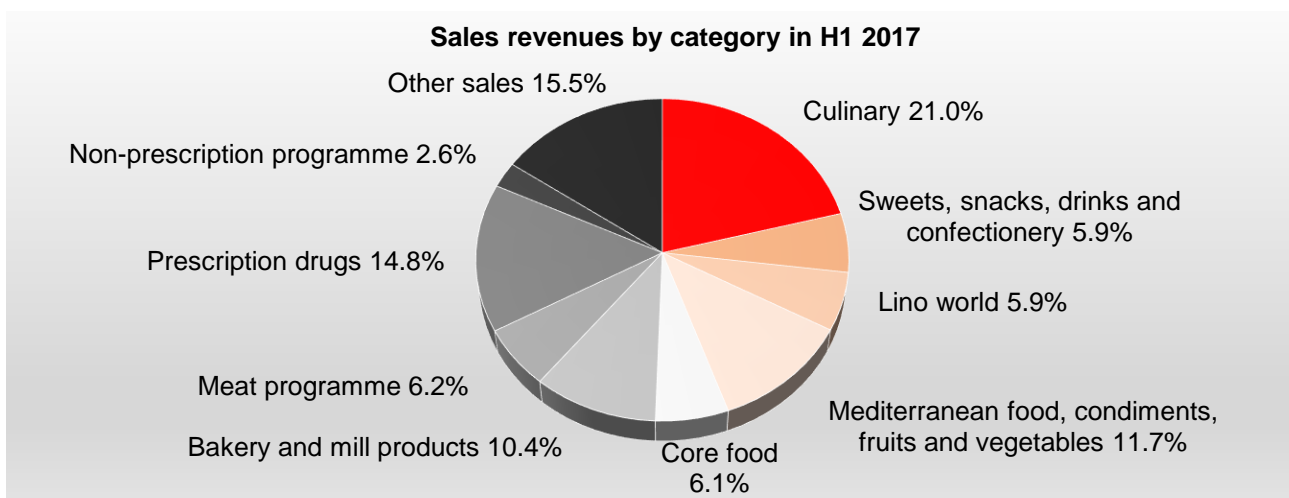
Sales revenues by category				
<i>(in HRK millions)</i>	H1 2017	H1 2016	Δ	%
Culinary	410.5	418.6	(8.0)	(1.9%)
Sweets, snacks, drinks and confectionery	115.2	159.9	(44.7)	(28.0%)
Lino world	114.3	114.6	(0.4)	(0.3%)
Mediterranean food, condiments, fruits and vegetables	228.4	221.1	7.4	3.3%
Core food	118.3	130.5	(12.2)	(9.4%)
Bakery and mill products	202.1	211.2	(9.2)	(4.3%)
Meat programme	120.3	131.9	(11.6)	(8.8%)
Prescription drugs	289.7	268.5	21.1	7.9%
Non-prescription programme	50.2	45.3	4.9	10.9%
Other sales	302.3	286.9	15.4	5.4%
<b>Podravka Group</b>	<b>1,951.2</b>	<b>1,988.5</b>	<b>(37.4)</b>	<b>(1.9%)</b>

### Sales revenues by category (H1 2017 compared to H1 2016):

- The **Culinary category** recorded 1.9% lower sales, primarily due to lower sales in the Europe region. Lower sales in the Europe region were affected by different dynamics of selling and marketing activities 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. If the FX effect is excluded, the category records 2.8% lower sales,
- The **Sweets, snacks, drinks and confectionery category** recorded 28.0% lower sales, mainly affected by the absence of sales of the Beverages segment that the company disinvested at the end of 2016. The sales of beverages in H1 2016 amounted to HRK 37.2 million and if we exclude the effect of these sales from the comparative period, the category would record 6.1% lower sales, as a consequence of lower sales of snacks and chocolate. If the FX effect is excluded, the category records 26.9% lower sales (4.8% lower without Beverages),
- The **Lino world category** recorded sales slightly lower than the level of the comparative period. If the FX effect is excluded, the category records 0.4% higher sales,
- The **Mediterranean food, condiments, fruits and vegetables category** records 3.3% higher sales, primarily as a result of higher sales in the Adria region. The greatest contribution was made by the increase in sales of Mediterranean range and vegetables in the Croatian market. If the FX effect is excluded, the category sales are 3.3% higher,



- The **Core food category** recorded 9.4% lower sales, primarily impacted by lower sales in the region of Russia and CIS due to lower orders of frozen vegetables range. If the FX effect is excluded, the category records 8.5% lower sales,
- The **Bakery and mill products category** recorded 4.3% lower sales, where the most significant negative impact comes as a consequence of the situation with the most significant customer in the Adria market, and aggressive competition in terms of prices in the market of Slovenia, that could not be fully compensated by the extension of the range in the Europe region. If the FX effect is excluded, the category records 2.9% lower sales,
- The **Meat programme category** recorded 8.8% lower sales, primarily due to the absence of special one-off orders resulting from tenders for deliveries of buffer stock. In the comparative period, income from special one-off orders was recorded in the amount of HRK 13.7 million, and if this is excluded, the category records 1.8% higher revenue. If the FX effect is excluded, the category records 8.7% lower sales (1.9% higher without one-off orders),
- The **Prescription drugs category** recorded 7.9% higher sales than in the comparative period, with the most significant growth in the Russia and CIS region. The revenue growth in the Russia and CIS region is a consequence of the extension of the product range and positive effect of foreign exchange differences. If the FX effect is excluded, the category records 4.0% higher sales,
- The sales of the **Non-prescription programme category** grew by 10.9%, as a result of the extension of the product range and positive effect of foreign exchange differences in the Russian market, and implemented selling and marketing activities in the Croatian market. If the FX effect is excluded, the category records 7.6% higher sales,
- The **Other sales category** recorded 5.4% higher sales, primarily due to the increase in sales of trade goods of the company Lagris and private labels of the company Žito. If the FX effect is excluded, the category records 5.9% higher sales.







## Sales revenues by region in H1 2017

Sales revenues by regions				
<i>(in HRK millions)</i>	H1 2017	H1 2016	Δ	%
<b>Adria region</b>	<b>1,361.4</b>	<b>1,427.8</b>	<b>(66.5)</b>	<b>(4.7%)</b>
<i>Food</i>	1,066.1	1,135.2	(69.1)	(6.1%)
<i>Pharmaceuticals</i>	295.3	292.6	2.7	0.9%
<b>Europe region</b>	<b>379.8</b>	<b>365.4</b>	<b>14.4</b>	<b>4.0%</b>
<i>Food</i>	351.9	341.9	10.0	2.9%
<i>Pharmaceuticals</i>	27.9	23.4	4.4	18.9%
<b>Russia and CIS region</b>	<b>134.2</b>	<b>123.5</b>	<b>10.7</b>	<b>8.7%</b>
<i>Food</i>	56.8	64.7	(7.9)	(12.1%)
<i>Pharmaceuticals</i>	77.4	58.9	18.5	31.5%
<b>New Markets region</b>	<b>75.8</b>	<b>71.8</b>	<b>4.0</b>	<b>5.5%</b>
<i>Food</i>	69.6	67.7	1.9	2.8%
<i>Pharmaceuticals</i>	6.2	4.1	2.1	50.0%
<b>Podravka Group</b>	<b>1,951.2</b>	<b>1,988.5</b>	<b>(37.4)</b>	<b>(1.9%)</b>

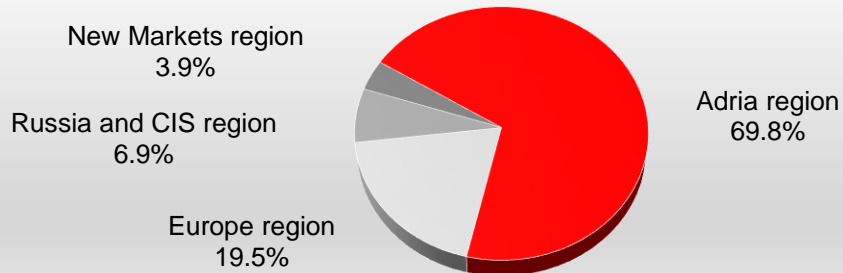
### Sales revenues by region (H1 2017 compared to H1 2016):

- The **Adria region** recorded 4.7% lower sales, while if the effect of foreign exchange differences was excluded, sales would be 3.8% lower. In the Food segment, the main negative impacts on sales were recorded in the following categories: (i) SSDC, primarily due to the absence of sales of the Beverages segment that the company disinvested at the end of 2016, (ii) Bakery and mill products, as a consequence of reaction to the recent developments with the most significant customer in the Adria region, and aggressive competition in terms of prices in the market of Slovenia, and (iii) the Meat programme as a result of the absence of one-off orders resulting from tenders for deliveries of buffer stock, the revenues from which were recorded in the previous year. If the effects of the Beverages and one-off income in the Meat programme are excluded, the Food segment in the Adria region records 1.7% lower sales. Total revenues of the Pharmaceuticals segment were 0.9% higher than in the comparative period, with all categories recording a slight increase in sales,
- The sales of the **Europe region** were 4.0% higher than in the comparative period, while if the effect of foreign exchange differences was excluded, the region would record 4.5% higher sales. The main effect for the sales growth in the Food segment came from the Bakery and mill products category due to the extension of the product range and distribution and from the increase in revenues from other sales. This managed to compensate for the temporary negative effect of the last-year's change of distributor, where the new distributor is still in the process of taking over sales channels. The Pharmaceuticals segment records growth in sales of Prescription drugs in the market of Poland,



- The **Russia and CIS region** recorded 8.7% higher sales, while if the effect of foreign exchange differences was excluded, the region would record 8.1% lower sales. Lower sales in the region without the effect of FX differences are primarily the result of lower orders of frozen vegetables range in the Food segment, while the Pharmaceuticals segment records growth even without the effect of foreign exchange differences due to the extension of the product range,
- The sales of the **New Markets region** grew by 5.5%, while if the effect of foreign exchange differences was excluded, the region would record a 3.7% sales growth. The growth in the Food segment is encouraged by the growth of the Culinary category and trade goods of the company Lagris, while in the Pharmaceuticals segment Prescription drugs category grew in the market of Turkey.

**Sales revenues by region in H1 2017**





## Profitability in H1 2017

### Profitability of the Food segment in H1 2017

Profitability of the Food segment				
(in HRK millions)	H1 2017	H1 2016	Δ	%
Sales revenue	1,544.4	1,609.5	(65.1)	(4.0%)
Gross profit	480.9	525.2	(44.3)	(8.4%)
EBITDA*	84.2	155.7	(71.4)	(45.9%)
EBIT	9.3	84.3	(75.0)	(89.0%)
Net profit after MI	(5.0)	66.9	(71.9)	(107.5%)
Gross margin	31.1%	32.6%		-150 bb
EBITDA margin	5.5%	9.7%		-422 bb
EBIT margin	0.6%	5.2%		-464 bb
Net margin after MI	(0.3%)	4.2%		-448 bb

\*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and impairment of intangible and non-current tangible assets.

#### Profitability of the Food segment (H1 2017 compared to H1 2016):

- In H1 2017, the Food segment recorded 8.4% lower **gross profit**, primarily as a consequence of lower sales. As a result of lower sales, the cost of goods sold decreased by 1.9%, which eventually resulted in a gross margin of 31.1%,
- In H1 2017, **operating profit (EBIT)** is lower by HRK 75.0 million compared to the comparative period. The lower operating profit was affected, in addition to the previously mentioned factors, by higher expenses of exercised share options than in the comparative period (HRK +8.9 million), higher costs of termination benefits than in the comparative period (HRK +16.9 million) and lower net other income than in the comparative period (HRK -7.1 million),
- In H1 2017, under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 71.9 million lower than in the comparative period. An additional effect on net profit came from lower tax expenses (HRK -8.7 million), which mitigated the increase in net finance costs (HRK +5.9 million). Net finance costs are increasing due to FX differences on borrowings, while interest expense is lower,
- The profitability of the Food segment in H1 2017 was significantly impacted by the simultaneous exposure to negative effects of the restructuring process (disinvestment of Beverages business, redundancy labour programme) and operating activities whose effects are significantly observable in this period (adjustment of the new distributor, exercise of a higher number of share options than usual). This burdens the Food result in this period, but these effects are not considered regular impacts and they are not a realistic indicator of this segment's profitability.





## Profitability of the Pharmaceuticals segment in H1 2017

Profitability of the Pharmaceuticals segment				
<i>(in HRK millions)</i>	H1 2017	H1 2016	Δ	%
Sales revenue	406.8	379.1	27.7	7.3%
Gross profit	208.4	198.5	9.9	5.0%
EBITDA*	55.7	66.3	(10.6)	(16.0%)
EBIT	35.5	45.5	(10.0)	(22.0%)
Net profit after MI	29.8	30.3	(0.6)	(1.8%)
Gross margin	51.2%	52.4%		-114 bb
EBITDA margin	13.7%	17.5%		-380 bb
EBIT margin	8.7%	12.0%		-328 bb
Net margin after MI	7.3%	8.0%		-68 bb

\*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and impairment of intangible and non-current tangible assets.

### Profitability of the Pharmaceuticals segment (H1 2017 compared to H1 2016):

- In H1 2017, the Pharmaceuticals segment recorded an increase in **gross profit** of 5.0%, while gross margin is 51.2%. The recorded gross profit, in addition to the increase in revenue, was impacted by the increase in cost of goods sold of 9.9%. Cost of goods sold grows as a result of, among other things, additional fixed expenses related to the new factory that will initially lead to lower profitability until better utilization of production capacities is reached,
- In H1 2017, **operating profit (EBIT)** is HRK 10.0 million lower than in the comparative period. The lower operating profit was, in addition to the previously mentioned factors, affected by higher costs of termination benefits than in the comparative period (HRK +5.5 million) and lower net other income than in the comparative period (HRK -14.0 million). Lower net other income are primarily related to foreign exchange differences from trade receivables and trade payables that were negative in H1 2017, and positive in H1 2016,
- In H1 2017, under the impact of the previously mentioned factors, **net profit after minority interests** is slightly below the comparative period. An additional effect on net profit came from finance income realised in H1 2017 as a result of foreign exchange gains on borrowings and lower interest expense, while at the same time tax liability was at the same level as in the comparative period.



## Profitability of the Podravka Group in H1 2017

Profitability of the Podravka Group				
<i>(in HRK millions)</i>	H1 2017	H1 2016	Δ	%
Sales revenue	1,951.2	1,988.5	(37.4)	(1.9%)
Gross profit	689.3	723.8	(34.5)	(4.8%)
EBITDA*	140.0	222.0	(82.0)	(36.9%)
EBIT	44.8	129.8	(85.0)	(65.5%)
Net profit after MI	24.8	97.3	(72.5)	(74.5%)
Gross margin	35.3%	36.4%		-107 bb
EBITDA margin	7.2%	11.2%		-399 bb
EBIT margin	2.3%	6.5%		-423 bb
Net margin after MI	1.3%	4.9%		-362 bb

\*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and impairment of intangible and non-current tangible assets.

### Profitability of the Podravka Group (H1 2017 compared to H1 2016):

- In H1 2017, the Podravka Group recorded HRK 34.5 million lower **gross profit** than in the comparative period, with a gross margin of 35.3%. The increase in gross profit of the Pharmaceuticals segment was not able to fully compensate for the lower gross profit of the Food segment,
- In H1 2017, **operating profit (EBIT)** is HRK 85.0 million lower than in the comparative period. The lower operating profit was impacted, in addition to the previously mentioned factors, by higher expenses of exercised share options than in the comparative period (HRK +9.3 million), higher costs of termination benefits than in the comparative period (HRK +22.4 million) and lower net other income than in the comparative period (HRK -21.1 million),
- In H1 2017, under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 72.5 million lower than in the comparative period. An additional effect on net profit came from lower tax expense (HRK -8.2 million) and lower net finance costs (HRK -6.1 million),
- The profitability of the Podravka Group in H1 2017 was significantly impacted by the simultaneous exposure to negative effects of the restructuring process (disinvestment of Beverages business, redundancy labour programme) and operating activities whose effects are significantly observable in this period (adjustment of the new distributor, exercise of a higher number of share options than usual). This burdens the result of the Podravka Group in this period, but these effects are not considered regular impacts and they are not a realistic indicator of the Group's profitability.



## **Key characteristics of the income statement in H1 2017**

### **Other income and expenses, net**

In H1 2017, other income and expenses amounted to negative HRK 7.4 million, while in the comparative period they amounted to positive HRK 13.7 million. In H1 2017, foreign exchange differences from trade receivables and trade payables amounted to negative HRK 11.3 million (HRK -4.6 million Food, HRK -6.7 million Pharmaceuticals), while in the comparative period they amounted to positive HRK 4.4 million (HRK -2.6 million Food, HRK +7.0 million Pharmaceuticals). In the comparative period, HRK 4.4 million of income from leaseback was recorded, which is absent in 2017.

### **Cost of goods sold**

Cost of goods sold in the observed period is 0.2% lower compared to H1 2016, primarily as a result of lower sales in the Food segment.

### **General and administrative expenses**

In H1 2017, general and administrative expenses were 26.2% higher than in the comparative period, primarily due to higher costs of exercised share options than in the comparative period (HRK +9.3 million) and higher costs of termination benefits than in the comparative period (HRK +22.4 million). If the effects of these costs were excluded, general and administrative expenses would record a 5.0% growth.

### **Selling and distribution costs**

Selling and distribution costs in the observed period are 1.0% lower compared to H1 2016 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**

In H1 2017, marketing expenses are 3.6% lower as a result of lower marketing expenses in the Food segment, while the Pharmaceuticals segment recorded an increase in marketing expenses in the market of Russia. Lower marketing expenses in the Food segment are primarily a consequence of a higher number of activities in H1 2016, while in H1 2017 some activities were postponed for the following period.

### **Net finance costs**

In the observed period, net finance costs were 64.7% lower than in H1 2016. A significant contribution was made by lower interest expense on borrowings due to refinancing at favourable commercial terms.

### **Income tax**

In H1 2017, income tax of the Podravka Group was 40.4% lower than in the comparative period, primarily as a result of lower sales in the Food segment.





## **Key characteristics of the balance sheet as at 30 June 2017**

### **Property, plant and equipment**

Property, plant and equipment of the Podravka Group are HRK 283.6 million higher compared to 30 June 2016, which is related to the construction of the Belupo factory.

### **Inventories**

Inventories of the Podravka Group are HRK 17.0 million higher compared to 30 June 2016. A portion of inventories related to the Beverages segment was classified in 2016 as assets held for sale. If we also include inventories of Beverages, Podravka Group inventories as at 30 June 2017 would be HRK 6.4 million higher compared to 30 June 2016.

### **Trade and other receivables**

Trade and other receivables of the Podravka Group are 8.1% lower than as at 30 June 2016 (for comparison purposes, receivables for recourse bills of exchange were added to the comparative period), due to shorter customer payment periods to some Podravka's food companies and due to better collection in the Pharmaceuticals segment in foreign markets.

### **Cash and cash equivalents**

Cash and cash equivalents of the Podravka Group at the end of the observed period are 18.0% higher compared to 30 June 2016, as explained in the "Key characteristics of the cash flow statement in Q1 2017" section.

### **Long-term and short-term borrowings**

As at 30 June 2017, long-term and short-term borrowings of the Podravka Group are HRK 107.9 million higher than as at 30 June 2016, primarily in relation to financing of the construction of the new pharmaceutical factory. In this, following the refinancing of borrowings in September 2016, the maturities were changed, and a portion of borrowings was transferred from short-term to long-term borrowings.

### **Trade and other payables**

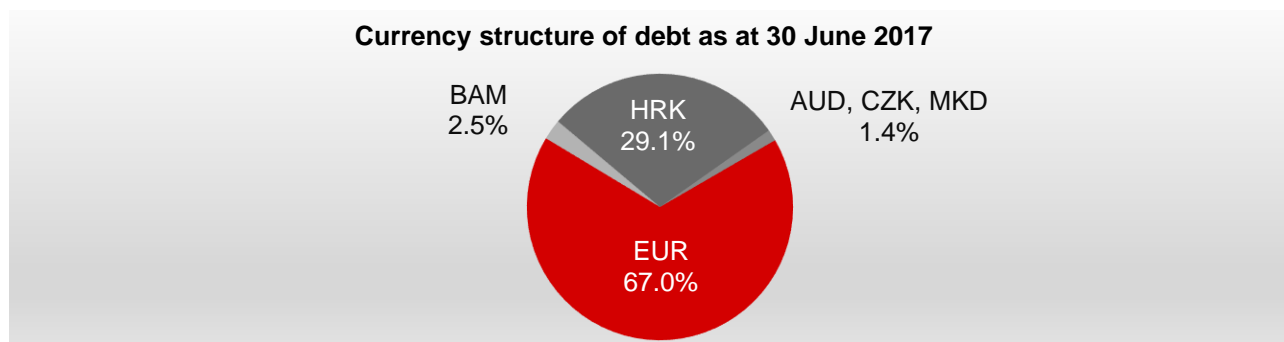
Trade and other payables of the Podravka Group are 8.5% lower compared to 30 June 2016 since in the comparative period a liability for recourse right on bills of exchange was added, which in the meantime was purchased by Podravka Inc. If the effect of liabilities for recourse right in the comparative period is excluded, trade and other payables are 1.0% lower, partly also due to settlement of a portion of trade payables for the construction of the new pharmaceuticals factory.

### **Indebtedness**

As at 30 June 2017, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities was HRK 1,370,173 thousand, of which HRK 1,042,721 thousand relates to long-term



borrowings, HRK 325,517 thousand to short-term borrowings, and HRK 1,935 thousand to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 30 June 2017 was 2.2%.



Analysing the debt currency structure, the highest exposure, of 67.0% was toward the Euro, while 29.1% of the debt was in the domestic currency. 2.5% of the debt was in the Bosnia and Herzegovina mark, while the remainder of 1.4% relates to the Australian dollar (AUD), Czech koruna (CZK) and Macedonian denar (MKD).

<i>(in HRK thousands)*</i>	<b>H1 2017</b>	<b>2016</b>	<b>Δ</b>	<b>%</b>
Net debt	1,084,385	1,041,740	42,646	4.1%
Interest expense	27,717	31,477	(3,760)	(11.9%)
Net debt / EBITDA	2.8	2.2	0.6	26.1%
EBITDA / Interest expense	14.0	14.9	(0.9)	(6.3%)
Equity to total assets ratio	57.6%	55.4%		+228 bb

**\*Note:** all indicators are calculated in a way that income statement items are calculated at the level of the last 12 months, while balance sheet items are taken at the period end.

The increase in net debt as at 30 June 2017 compared to 31 December 2016 is primarily a result of lower level of cash and cash equivalents. The increase in net debt, with lower EBITDA at the level of the last 12 months, led to an increase in the net debt to EBITDA ratio. Lower interest expense did not compensate for the decrease in EBITDA, so the interest coverage ratio decreased.



## Key characteristics of the cash flow statement in H1 2017

<i>(in HRK millions)</i>	H1 2017	H1 2016	Δ
Net cash flow from operating activities	136.7	142.0	(5.3)
Net cash flow from investing activities	(119.7)	(235.6)	115.9
Net cash flow from financing activities	(68.8)	44.0	(112.8)
Net increase / (decrease) of cash and cash equivalents	(51.8)	(49.7)	(2.2)

### **Net cash flow from operating activities**

In H1 2017, net cash flow from operating activities is HRK 5.3 million lower than in the comparative period. A positive effect on cash flow from operating activities in H1 2017 came from positive movements in working capital, where, among other things, we have a decrease in trade receivables due to shorter customer payment periods to some Podravka's food companies and better collection in the Pharmaceuticals segment in foreign markets.

### **Net cash flow from investing activities**

Net cash flow from investing activities in the period under consideration amounted to negative HRK 119.7 million. This is primarily the result of capital expenditure amounting to HRK 122.9 million. The most significant **capital expenditure** in H1 2017 was related to:

- New factory for semi-solid and liquid drugs - continuation of activities from 2016. The realisation of this strategic investment will increase the existing production capacities, which will meet the increasing market needs and ensure competitiveness and market position of Belupo,
- Investment in equipment and machinery for further development of fish business due to increased production capacities and competitiveness of the product range,
- Investment in boiler room on biomass which will ensure significant energy efficiency.

In 2017, **capital expenditure is expected** to be at a level of HRK 250 - 300 million, in 2018 at a level of HRK 150 - 200 million and in 2019 at a level of HRK 250 - 300 million.

### **Net cash flow from financing activities**

In H1 2017, net cash flow from financing activities amounted to negative HRK 68.8 million, since repaid borrowings were HRK 74.9 million higher than borrowings received. Borrowings received were used for refinancing of due liabilities at more favourable terms.





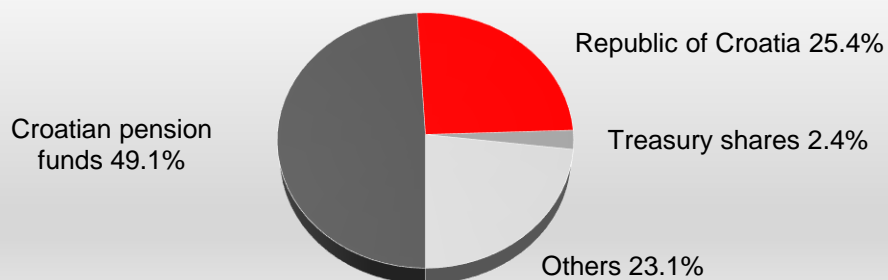
## Share in H1 2017

### List of top 10 shareholders as at 30 June 2017

No.	Shareholder	Number of shares	% of ownership
1	PBZ Croatia Osiguranje mandatory pension fund, category B	925,602	13.0%
2	AZ mandatory pension fund, category B	902,874	12.7%
3	RSC - Croatian Pension Insurance Institute	727,703	10.2%
4	Erste Plavi mandatory pension fund, category B	665,166	9.3%
5	Raiffeisen mandatory pension fund, category B	625,298	8.8%
6	Kapitalni fond d.d.	406,842	5.7%
7	RSC - Republic of Croatia	387,257	5.4%
8	Republic of Croatia	286,588	4.0%
9	Podravka d.d. - treasury account	171,100	2.4%
10	AZ Profit voluntary pension fund	113,728	1.6%
	Other shareholders	1,907,845	26.8%
	<b>Total</b>	<b>7,120,003</b>	<b>100.0%</b>

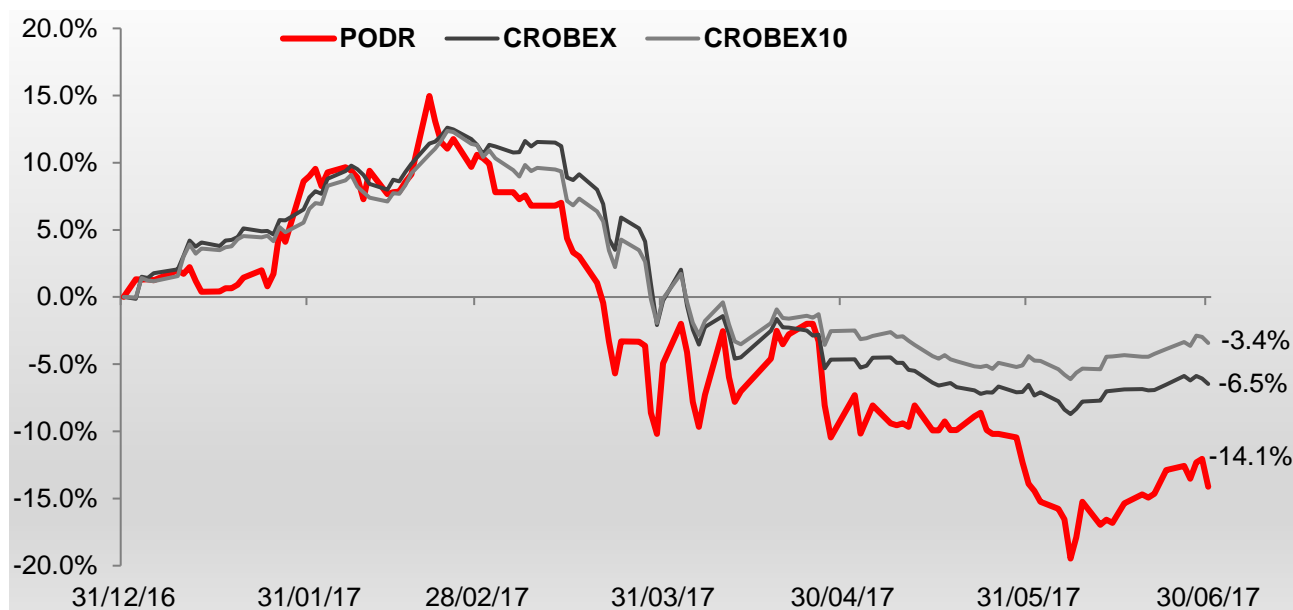
The company has a stable ownership structure where the most significant share is held by domestic pension funds and the Republic of Croatia. As at 30 June 2017, domestic pension funds (mandatory and voluntary) hold a total of 49.1% of the company ownership. The Republic of Croatia holds 19.7% of the company ownership and through Kapitalni fond d.d. additional 5.7% of ownership as at 30 June 2017. The company has 2.4% of treasury shares. The company's shares have been listed on the Official Market of the Zagreb Stock Exchange since 7 December 1998, under the PODR ticker symbol.

Ownership structure as at 30 June 2017





## Share price movement in H1 2017



<i>(closing price in HRK; closing points)</i>	30 June 2017	31 December 2016	% change
PODR-R-A	324.2	377.5	(14.1%)
CROBEX	1,865.6	1,994.8	(6.5%)
CROBEX10	1,118.7	1,158.2	(3.4%)

In H1 2017, the price of Podravka's share decreased by 14.1%, while domestic stock indices Crobex and Crobex10 dropped by 6.5% and 3.4%, respectively.

## Performance in the Croatian capital market in H1 2017

<i>(in HRK; in units)<sup>3</sup></i>	H1 2017	H1 2016	% change
Average daily price	370.0	329.2	12.4%
Average daily number of transactions	23	9	160.3%
Average daily volume	1,661	1,070	55.3%
Average daily turnover	614,678.8	352,155.1	74.5%

In H1 2017, the average daily price of the Podravka's share was 12.4% higher than in the comparative period. At the same time, the average daily number of transactions, volume and turnover increased.

<sup>3</sup>Average daily price calculated as the weighted average of average daily prices in the period, where the weight is daily volume. Other indicators calculated as the average of average daily transactions/volume/turnover.



## Valuation

<i>(in HRK millions; earnings per share in HRK)*</i>	H1 2017	2016	% change
Last price	324.2	377.5	(14.1%)
Weighted average number of shares	6,935,391	6,929,648	0.1%
Market capitalization	2,248.1	2,615.9	(14.1%)
EV <sup>4</sup>	3,383.6	3,706.9	(8.7%)
Earnings per share	15.9	26.3	(39.8%)
EV / Sales revenue	0.8	0.9	(7.9%)
EV / EBITDA	8.7	7.9	10.6%
EV / EBIT	18.4	13.8	33.5%
Last price / Earnings per share ratio	20.4	14.3	42.6%

\***Note:** all indicators are calculated in a way that income statement items are calculated at the level of the last 12 months, while balance sheet items are taken at the period end.

<sup>4</sup>Enterprise value: Market Capitalization + Net debt + Minority interests.



## Additional tables for H1 2017

### Reported sales revenues by category

As of the beginning of 2017, the existing categories in the Food segment have been reorganised for the purpose of a more efficient management of the existing and new brands. As a result, the new category “Core food” was separated from the existing category “Mediterranean food, condiments, fruits and vegetables”. Due to its current immateriality in relation to the overall sales in the Food segment, Food Solution is recorded in the category “Mediterranean food, condiments, fruits and vegetables”. For the purpose of a better understanding of categories, components of individual categories in the Food segment are presented below:

- (i) **Culinary**: Seasonings, Soups, ready-to-cook meals and bouillons, Food mixes,
- (ii) **Sweets, snacks, drinks and confectionery**: Sweets, Snacks, Tea, Confectionery, Cereals for adults,
- (iii) **Lino world**: Baby food, Cereals for children, creamy spreads and other,
- (iv) **Mediterranean food, condiments, fruits and vegetables**: Mediterranean food, Condiments, Fruits and vegetables, Food solution,
- (v) **Core food** (previously within the Mediterranean category): Pasta, Rice, Natura and BIO products, Pulses and porridge, Frozen food,
- (v) **Bakery and mill products**: Bakery products, Flour,
- (vi) **Meat programme**: Canned meat, Sausages, Other meat,
- (vii) **Other sales**: Trade goods, Private labels, Service production, Other.

### Movements in sales of Food categories in 2016

<i>(in HRK millions)</i>	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Culinary	215.2	203.3	231.0	239.7
Sweets, snacks, drinks and confectionery	76.9	83.0	89.3	94.5
Lino world	58.5	56.1	64.5	63.4
Mediterranean food, condiments, fruits and vegetables	110.7	110.4	116.2	118.2
Core food	70.4	60.6	52.8	63.6
Bakery and mill products	109.0	102.3	104.0	113.2
Meat programme	69.2	62.0	75.8	66.2





## Sales revenues by region in H1 2017

<i>(in HRK millions)</i>	H1 2017	% of sales revenues	H1 2016	% of sales revenues	% change
<b>Adria region</b>	<b>1,361.4</b>	<b>69.8%</b>	<b>1,427.8</b>	<b>71.8%</b>	<b>(4.7%)</b>
Croatia	626.0	32.1%	647.2	32.5%	(3.3%)
Slovenia	358.2	18.4%	385.4	19.4%	(7.1%)
Bosnia and Herzegovina	206.2	10.6%	220.3	11.1%	(6.4%)
Other markets	171.0	8.8%	174.9	8.8%	(2.3%)
<b>Europe region</b>	<b>379.8</b>	<b>19.5%</b>	<b>365.4</b>	<b>18.4%</b>	<b>4.0%</b>
Central Europe	225.2	11.5%	231.1	11.6%	(2.6%)
Western Europe	154.6	7.9%	134.3	6.8%	15.1%
<b>Russia and CIS region</b>	<b>134.2</b>	<b>6.9%</b>	<b>123.5</b>	<b>6.2%</b>	<b>8.7%</b>
Russia	123.4	6.3%	115.4	5.8%	7.0%
Other markets	10.8	0.6%	8.1	0.4%	32.7%
<b>New Markets region</b>	<b>75.8</b>	<b>3.9%</b>	<b>71.8</b>	<b>3.6%</b>	<b>5.5%</b>
<b>Podravka Group</b>	<b>1,951.2</b>	<b>100.0%</b>	<b>1,988.5</b>	<b>100.0%</b>	<b>(1.9%)</b>



## Consolidated financial statements in H1 2017

### Consolidated Profit and Loss Statement in H1 2017

<i>(in HRK thousands)</i>	H1 2017	% of sales revenues	H1 2016	% of sales revenues	% change
Sales revenue	1,951,163	100.0%	1,988,520	100.0%	(1.9%)
Cost of goods sold	(1,261,871)	(64.7%)	(1,264,760)	(63.6%)	(0.2%)
<b>Gross profit</b>	<b>689,293</b>	<b>35.3%</b>	<b>723,760</b>	<b>36.4%</b>	<b>(4.8%)</b>
General and administrative expenses	(186,955)	(9.6%)	(148,159)	(7.5%)	26.2%
Selling and distribution costs	(276,143)	(14.2%)	(278,903)	(14.0%)	(1.0%)
Marketing expenses	(174,061)	(8.9%)	(180,603)	(9.1%)	(3.6%)
Other expenses / (income), net	(7,353)	(0.4%)	13,699	0.7%	153.7%
<b>Operating profit</b>	<b>44,780</b>	<b>2.3%</b>	<b>129,793</b>	<b>6.5%</b>	<b>(65.5%)</b>
Financial income	3,423	0.2%	1,908	0.1%	79.4%
Other financial expenses	(830)	(0.0%)	(2,941)	(0.1%)	(71.8%)
Interest expenses	(13,407)	(0.7%)	(17,166)	(0.9%)	(21.9%)
Net foreign exchange differences on borrowings	7,478	0.4%	8,751	0.4%	(14.5%)
<b>Net finance costs</b>	<b>(3,336)</b>	<b>(0.2%)</b>	<b>(9,449)</b>	<b>(0.5%)</b>	<b>(64.7%)</b>
<b>Profit before tax</b>	<b>41,445</b>	<b>2.1%</b>	<b>120,344</b>	<b>6.1%</b>	<b>(65.6%)</b>
Current income tax	(8,179)	(0.4%)	(11,432)	(0.6%)	(28.5%)
Deferred tax	(3,972)	(0.2%)	(8,963)	(0.5%)	(55.7%)
<b>Income tax</b>	<b>(12,151)</b>	<b>(0.6%)</b>	<b>(20,395)</b>	<b>(1.0%)</b>	<b>(40.4%)</b>
<b>Net profit for the year</b>	<b>29,294</b>	<b>1.5%</b>	<b>99,949</b>	<b>5.0%</b>	<b>(70.7%)</b>
Net profit / (loss) attributable to:					
<b>Equity holders of the parent</b>	<b>24,796</b>	<b>1.3%</b>	<b>97,252</b>	<b>4.9%</b>	<b>(74.5%)</b>
Non-controlling interests	(4,498)	(0.2%)	(2,698)	(0.1%)	66.7%



## Consolidated Balance Sheet as at 30 June 2017

<i>(in HRK thousands)</i>	30 Jun. 2017	% share	31 Dec. 2016	% share	% change
<b>ASSETS</b>					
<b>Non-current assets</b>					
Goodwill	2,024	0.5%	26,024	0.5%	0.0%
Intangible assets	26,780	5.1%	267,984	5.1%	(2.3%)
Property, plant and equipment	2,322,833	45.4%	2,304,442	43.6%	0.8%
Deferred tax assets	178,555	3.5%	185,769	3.5%	(3.9%)
Non-current financial assets	17,106	0.3%	17,028	0.3%	0.5%
<b>Total non-current assets</b>	<b>2,806,298</b>	<b>54.9%</b>	<b>2,801,247</b>	<b>53.0%</b>	<b>0.2%</b>
<b>Current assets</b>					
Inventories	780,623	15.3%	773,595	14.6%	0.9%
Trade and other receivables	1,053,225	20.6%	1,177,321	22.3%	(10.5%)
Financial assets at fair value through profit and loss	687	0.0%	751	0.0%	(8.5%)
Income tax receivable	1,263	0.0%	10,738	0.2%	(88.2%)
Cash and cash equivalents	285,788	5.6%	337,611	6.4%	(15.3%)
Non-current assets held for sale	184,228	3.6%	184,465	3.5%	(0.1%)
<b>Total current assets</b>	<b>2,305,814</b>	<b>45.1%</b>	<b>2,484,481</b>	<b>47.0%</b>	<b>(7.2%)</b>
<b>Total assets</b>	<b>5,112,112</b>	<b>100.0%</b>	<b>5,285,728</b>	<b>100.0%</b>	<b>(3.3%)</b>
<i>(in HRK thousands)</i>	30 Jun. 2017	% share	31 Dec. 2016	% share	% change
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Share capital	1,687,356	33.0%	1,681,261	31.8%	0.4%
Reserves	749,709	14.7%	612,643	11.6%	22.4%
Retained earnings / (accumulated losses)	458,491	9.0%	583,272	11.0%	(21.4%)
<b>Attributable to equity holders of the parent</b>	<b>2,895,556</b>	<b>56.6%</b>	<b>2,877,176</b>	<b>54.4%</b>	<b>0.6%</b>
Non-controlling interests	51,118	1.0%	49,218	0.9%	3.9%
<b>Total shareholders' equity</b>	<b>2,946,675</b>	<b>57.6%</b>	<b>2,926,394</b>	<b>55.4%</b>	<b>0.7%</b>
<b>Non-current liabilities</b>					
Borrowings	1,042,721	20.4%	998,535	18.9%	4.4%
Provisions	71,524	1.4%	70,675	1.3%	1.2%
Other non - current liabilities	20,840	0.4%	21,179	0.4%	(1.6%)
Deferred tax liability	47,493	0.9%	50,764	1.0%	(6.4%)
<b>Total non-current liabilities</b>	<b>1,182,578</b>	<b>23.1%</b>	<b>1,141,153</b>	<b>21.6%</b>	<b>3.6%</b>
<b>Current liabilities</b>					
Trade and other payables	630,637	12.3%	805,269	15.2%	(21.7%)
Income tax payable	2,050	0.0%	5,260	0.1%	(61.0%)
Financial liabilities at fair value through profit and loss	1,935	0.0%	4,197	0.1%	(53.9%)
Borrowings	325,517	6.4%	376,618	7.1%	(13.6%)
Provisions	22,720	0.4%	26,836	0.5%	(15.3%)
<b>Total current liabilities</b>	<b>982,859</b>	<b>19.2%</b>	<b>1,218,181</b>	<b>23.0%</b>	<b>(19.3%)</b>
<b>Total liabilities</b>	<b>2,165,437</b>	<b>42.4%</b>	<b>2,359,334</b>	<b>44.6%</b>	<b>(8.2%)</b>
<b>Total equity and liabilities</b>	<b>5,112,112</b>	<b>100.0%</b>	<b>5,285,728</b>	<b>100.0%</b>	<b>(3.3%)</b>



## Consolidated Cash Flow Statement in H1 2017

<i>(in HRK thousands)</i>	H1 2017	H1 2016	%
<b>Profit / (loss) for the year</b>	<b>29,294</b>	<b>99,949</b>	<b>(70.7%)</b>
Income tax	12,151	20,395	(40.4%)
Depreciation and amortization	95,183	92,190	3.2%
Impairment (profit) / loss on assets held for sale	0	(222)	100.0%
Remeasurement of financial instruments at fair value	(1,524)	1,740	(187.6%)
Share based payment transactions	9,983	699	1328.2%
(Profit) / Loss from the sale of shares	0	(18)	100.0%
(Profit) / loss on disposal of property, plant, equipment and intangibles	(504)	(727)	30.7%
(Profit) / loss on disposal of assets held for sale	(23)	(791)	97.1%
Impairment of trade receivables	(1,177)	6,565	(117.9%)
(Decrease) / increase in provisions	(3,267)	(16,808)	80.6%
Interest income	(3,423)	(1,908)	(79.4%)
Interest expense	14,238	20,108	(29.2%)
Effect of changes in foreign exchange rates	(13,273)	(13,720)	3.3%
<b>Changes in working capital:</b>			
(Increase) / decrease in inventories	(7,028)	14,553	(148.3%)
(Increase) / decrease in receivables	126,088	29,841	322.5%
Increase / (decrease) in payables	(97,993)	(91,122)	(7.5%)
<b>Cash generated from operating activities</b>	<b>158,726</b>	<b>160,725</b>	<b>(1.2%)</b>
Income tax paid	(7,263)	1,029	(805.8%)
Interest paid	(14,771)	(19,770)	25.3%
<b>Net cash from operating activities</b>	<b>136,692</b>	<b>141,984</b>	<b>(3.7%)</b>
<b>Cash flow from investing activities</b>			
Purchase of equity securities	0	(7,748)	100.0%
Purchase of property, plant, equipment and intangibles	(122,881)	(233,076)	47.3%
Sale of marketable securities	0	672	(100.0%)
Proceeds from sale of property, plant, equipment and intangibles	1,681	1,857	(9.5%)
Loans receivables	0	(105)	100.0%
Repayment of loans receivable	46	889	(94.8%)
Proceeds from other investments	(1,971)	0	(100.0%)
Interest received	3,423	1,908	79.4%
<b>Net cash from investing activities</b>	<b>(119,702)</b>	<b>(235,603)</b>	<b>49.2%</b>
<b>Cash flow from financing activities</b>			
Acquisition of subsidiary, net of cash acquired	(863)	0	(100.0%)
Purchase of treasury shares	0	(4,629)	100.0%
Sale of treasury shares	6,945	313	2118.9%
Proceeds from borrowings	88,046	358,192	(75.4%)
Repayment of borrowings	(162,942)	(309,914)	47.4%
<b>Net cash from financing activities</b>	<b>(68,813)</b>	<b>43,962</b>	<b>(256.5%)</b>
<b>Net (decrease) / increase of cash and cash equivalents</b>	<b>(51,823)</b>	<b>(49,658)</b>	<b>(4.4%)</b>
Cash and cash equivalents at beginning of the year	337,611	291,877	15.7%
<b>Cash and cash equivalents at the end of year</b>	<b>285,788</b>	<b>242,219</b>	<b>18.0%</b>





## Consolidated Statement of Changes in Equity in H1 2017

<i>(in HRK thousands)</i>	Share capital	Reserve for treasury shares	Legal reserves	Reinvested profit reserve	Statutory reserves	Other reserves	Retained earnings/ (Accumulated loss)	Total	Non-controlling interests	Total
<b>As at 31 December 2015</b>	<b>1,685,955</b>	<b>147,604</b>	<b>30,931</b>	<b>189,738</b>	<b>47,007</b>	<b>134,560</b>	<b>514,250</b>	<b>2,750,045</b>	<b>67,712</b>	<b>2,817,757</b>
<i>Comprehensive income</i>										
Profit for the year	-	-	-	-	-	-	182,399	182,399	5,354	187,753
Effect from sale of subsidiary	-	-	-	-	-	-	(40)	(40)	-	(40)
Foreign exchange differences	-	-	-	-	-	(8,946)	-	(8,946)	(207)	(9,153)
Profit or loss from reevaluation of financial assets available for sale	-	-	-	-	-	347	-	347	-	347
Actuarial losses (net of deferred tax)	-	-	-	-	-	(1,583)	-	(1,583)	-	(1,583)
Other comprehensive income	-	-	-	-	-	(10,182)	(40)	(10,222)	(207)	(10,429)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,182)</b>	<b>182,359</b>	<b>172,177</b>	<b>5,147</b>	<b>177,324</b>
<i>Transactions with owners recognised directly in equity</i>										
Allocation from retained earnings	-	-	11,006	-	8,548	45,303	(64,857)	-	-	-
Purchase of treasury shares	(12,977)	-	-	-	-	-	-	(12,977)	-	(12,977)
Exercise of options	504	-	-	-	-	-	-	504	-	504
Fair value of share-based payment transactions	7,779	-	-	-	-	-	-	7,779	-	7,779
Dividends paid	-	-	-	-	-	-	(48,480)	(48,480)	-	(48,480)
Additional acquisition of minority interests	-	-	-	-	-	8,128	-	8,128	(23,641)	(15,513)
<b>Total transactions with owners recognised directly in equity</b>	<b>(4,694)</b>	<b>-</b>	<b>11,006</b>	<b>-</b>	<b>8,548</b>	<b>53,431</b>	<b>(113,337)</b>	<b>(45,046)</b>	<b>(23,641)</b>	<b>(68,687)</b>
<b>As at 31 December 2016</b>	<b>1,681,261</b>	<b>147,604</b>	<b>41,937</b>	<b>189,738</b>	<b>55,555</b>	<b>177,809</b>	<b>583,272</b>	<b>2,877,176</b>	<b>49,218</b>	<b>2,926,394</b>
<i>Comprehensive income</i>										
Profit for the year	-	-	-	-	-	-	24,796	24,796	4,498	29,294
Foreign exchange differences	-	-	-	-	-	(14,672)	-	(14,672)	(676)	(15,348)
Profit or loss from reevaluation of financial assets available for sale	-	-	-	-	-	1,304	-	1,304	-	1,304
Actuarial losses (net of deferred tax)	-	-	-	-	-	(201)	-	(201)	-	(201)
Other comprehensive income	-	-	-	-	-	(13,569)	-	(13,569)	(676)	(14,245)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,569)</b>	<b>24,796</b>	<b>11,226</b>	<b>3,822</b>	<b>15,048</b>
<i>Transactions with owners recognised directly in equity</i>										
Allocation from retained earnings	-	-	8,966	-	3,015	137,596	(149,577)	-	-	-
Exercise of options	(5,801)	-	-	-	-	-	-	(5,801)	-	(5,801)
Fair value of share-based payment transactions	11,896	-	-	-	-	-	-	11,896	-	11,896
Additional acquisition of minority interests	-	-	-	-	-	1,059	-	1,059	(1,922)	(863)
<b>Total transactions with owners recognised directly in equity</b>	<b>6,095</b>	<b>-</b>	<b>8,966</b>	<b>-</b>	<b>3,015</b>	<b>138,655</b>	<b>(149,577)</b>	<b>7,154</b>	<b>(1,922)</b>	<b>5,232</b>
<b>As at 30 June 2017</b>	<b>1,687,356</b>	<b>147,604</b>	<b>50,903</b>	<b>189,738</b>	<b>58,570</b>	<b>302,895</b>	<b>458,491</b>	<b>2,895,557</b>	<b>51,118</b>	<b>2,946,675</b>



## **Notes to the financial statements**

The accounting policy in 2017 did not change.

President of the Management Board:

Marin Pucar

A handwritten signature in blue ink, appearing to read "Pucar", written over a faint circular stamp.



## Statement of liability

Koprivnica, 28 July 2017

### STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of Podravka Group for the period January – June 2017 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations of Podravka Group and all subsidiary companies involved in the consolidation.

Consolidated financial statements of Podravka Group for the period January – June 2017 were approved by the Management Board on 26 July 2017.

Accounting and Taxes Director:

Senka Laljek

A handwritten signature in blue ink, appearing to read "Laljek".

Board Member:

Davor Doko

A handwritten signature in blue ink, appearing to read "Doko".



## Contact

---

Podravka d.d.

Ante Starčevića 32, 48 000 Koprivnica, Croatia

[www.podravka.hr](http://www.podravka.hr)

Investor Relations

e-mail: [ir@podravka.hr](mailto:ir@podravka.hr)

Tel: +385 48 65 16 65