Podravka Group Business Results for **1-9 2017 period**

Content

Key financial indicators in 1-9 2017

(in HRK millions)	1-9 2017[1]	1-9 2016	Δ	%
Sales revenues	2,983.1	3,030.8	(47.7)	(1.6%)
Gross profit	1,059.4	1,104.1	(44.7)	(4.0%)
EBITDA[2]	254.4	337.4	(83.0)	(24.6%)
Net profit after MI	54.1	142.2	(88.1)	(62.0%)
Net cash flow from operating activities	193.1	299.3	(106.2)	(35.5%)
Cash capital expenditures	158.8	383.7	(225.0)	(58.6%)

(in HRK; market capitalization in HRKm)	30.09.2017	31.12.2016	Δ	%
Net debt / EBITDA	3.0	2.2	0.8	33.8%
Earnings per share	13.6	26.3	(12.7)	(48.4%)
Last price at the end of period	297.0	377.5	(80.5)	(21.3%)
Market capitalization	2,062.0	2,615.9	(553.9)	(21.2%)
Return on average equity	3.4%	6.5%		-310 bp
Return on average assets	1.9%	3.7%		-171 bp

Key highlights of 1-9 2017 business results:

- Movements in sales were significantly impacted by the absence of the Beverages programme revenues and lower sales realised through participation in tenders of the business programme Meat products, meat solutions and savoury spreads. Excluding these impacts, revenues of the Podravka Group would record an increase of 1.1% compared to the same period of 2016,
- The significant negative effect on the Podravka Group profitability came from higher costs of termination benefits and exercised share options, and the absence of income from leaseback realised in the comparative period. Lower profitability is also impacted by fixed expenses of the new pharmaceuticals factory, where technology is successively transferred in line with regulatory requirements,
- In the 1-9 2017 period, the Podravka Group was exposed to negative impacts of the restructuring process (disinvestment of Beverages, redundancy labour programme) and operating activities whose effects are significantly observable in this period (introducing the new distributor in Western Europe, exercise of a higher number of share options at higher price, fixed expenses related to the new

[1]The term 1-9 2017 relates to the period January 2017 - September 2017, while the term 1-9 2016 relates to the period January 2016 - September 2016,
[2]EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and impairment of intangible and non-current tangible assets.

pharmaceuticals factory). These effects in the observed period are not considered regular impacts so they are not a realistic indicator of the Podravka Group's profitability.

Significant events in 1-9 2017

Changes in Supervisory Board and Management Board of Podravka Inc.

On 21st 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 21st February 2017 and lasts until 7th September 2018. On 30th 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 23rd 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 24th February 2017 and was determined to last until 31st October 2018, except for the appointed Management Board member Iva Brajević, whose term was determined to expire on 30th April 2017. As of 1st 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 18th 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 23rd February 2022.

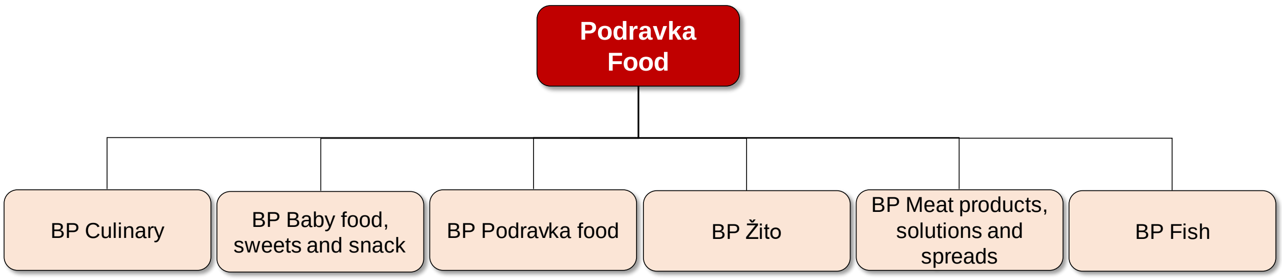
Exposure of the Podravka Group to the key buyer in the Adria region

The companies of the Agrokor concern are the key buyers of the Podravka Group companies, which make approximately 20% of sales of the Podravka Group's 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 September 2017, the total receivables from Agrokor concern companies over which the extraordinary administration procedure had been initiated amounted to HRK 119.4 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.

The Podravka Group reported receivables of HRK 97.4 million in the extraordinary administration procedure. Podravka continues its business cooperation with companies in the Agrokor concern, controlling its overall exposure.

Business programmes – the basis of the Podravka's new organisation

At the beginning of July 2017, the Podravka Group finalised the process of internal reorganisation of the Food segment by introducing the new organisation.



From now on, Podravka’s operations are organised in 6 key business programmes; BP Culinary, BP Podravka food, BP Baby food, sweets and snacks, BP Meat products, meat solutions and savoury spreads, BP Fish and BP Žito. Each business programme is responsible for sales, profitability of the business programme, brand strategy, business development, marketing budget management, product portfolio (structure, complexity, margin), jointly responsible for production materials/cost of goods sold and together with Markets jointly responsible for sales. The sectors Corporate marketing and communications and Research and development become excellence centres for support and providing guidance from their fields to business programmes and they develop and ensure the implementation of corporate standards for marketing and research and development within the business programmes.

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 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).

New redundancy labour programme

In 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 193 employees left the Podravka Group with termination benefits, for which HRK 30.3 million were used.

Dividend distribution to shareholders of Podravka Inc.

As at 30 June 2017, by the Decision on the use of Podravka Inc.'s profit for 2016, the General Assembly approved the dividend distribution to shareholders of Podravka Inc. in the gross amount of HRK 7.00 per share. The dividend was distributed on 30 August 2017, for which HRK 48.6 million were used.

Innovation in the Food and Pharmaceuticals segments in 1-9 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 business programme** sees the continuation of the innovation cycle also in the **soups** range. For the markets of the MENA region, onion soup and lentil soups 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.

The **Baby food, sweets and snacks business programme** 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. **Čokolino**, the flavour that is familiar for generations, appeared in a new and innovative packaging design. 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.

In the tomato subcategory, within the **Podravka food business programme,** 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 products, meat solutions and savoury spreads business programme**, the subcategory **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. In the market of Switzerland, **Corned beef** has been launched, a brand new product in Podravka's meat range. It is made of the highest quality beef and contains 85% of cooked chopped and salted beef. The combination of natural spices and salt gives it a rounded taste of extraordinary juiciness and nutritional values make this product an ideal choice for those who take care of a balanced diet rich in protein.

In the **Žito business programme** the **bakery** product range is extended with a new, 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. **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.

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 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.

Belupo's **OTC range** has been extended with two new drug products launched in Q3 - **NAXIL** effervescent tablets and **NAXIL forte** effervescent tablets. These products contain the active ingredient acetylcysteine, used to reduce the viscosity of bronchial discharge in the airways to facilitate coughing in respiratory diseases associated with productive cough such as asthma, bronchitis, emphysema, mucoviscidosis and bronchiectasis.

In the third quarter, on Belupo's international markets, new products were launched in dermatology segment on Kazakhstan market, already established on other Belupo's markets: Herplex cream, Herplex tablets, Belakne cream, Beloderm spray and Belosalic spray.

Overview of sales revenues in 1-9 2017

Note: In July 2017, a new organisation structure of the Food segment was introduced, in which the existing categories were replaced by business programmes. "Own brands" now include Podravka Group brands, but also private labels that were previously included in the “Other sales” category. "Other sales" now includes only trade goods, services and other sales. With respect to the markets, a new division into regions was made, so now the sales are monitored in five regions instead of former four. The "Additional tables" section provides detailed explanation of new business programmes and regions, as well as their historical results.

Sales revenues by segments in 1-9 2017

Sales revenues by segment				
(in HRK millions)	**1-9 2017**	**1-9 2016**	**Δ**	**%**
Food	**2,372.4**	**2,465.2**	**(92.8)**	**(3.8%)**
Own brands	*2,181.6*	*2,290.0*	*(108.3)*	*(4.7%)*
Other sales	*190.8*	*175.2*	*15.5*	*8.9%*
Pharmaceuticals	**610.7**	**565.6**	**45.1**	**8.0%**
Own brands	*508.2*	*467.7*	*40.5*	*8.7%*
Other sales	*102.5*	*98.0*	*4.6*	*4.7%*
Podravka Group	**2,983.1**	**3,030.8**	**(47.7)**	**(1.6%)**
Own brands	*2,689.8*	*2,757.7*	*(67.9)*	*(2.5%)*
Other sales	*293.3*	*273.2*	*20.1*	*7.4%*

Food segment (1-9 2017 compared to 1-9 2016):

- **Own brands** recorded 4.7% lower sales, significantly impacted by the absence of revenues of the disinvested Beverages segment (HRK 69.8 million lower sales), and lower sales of the business programme Meat products, meat solutions and savoury spreads realised through participation in tenders (HRK 11.1 million lower sales). If these effects are excluded, own brands record 1.2% lower sales, primarily due to lower sales of the Culinary business programme and the Žito business programme. If the effect of foreign exchange differences is excluded, own brands record 4.4% lower sales (0.9% lower without the effects of Beverages and participation in tenders),
- **Other sales** recorded 8.9% higher sales, primarily as a result of increased sales of trade goods of the company Lagris. If the FX effect is excluded, other sales record an increase in sales of 9.5%,
- Consequently, the **Food segment** recorded 3.8% lower sales, but if the effects of Beverages and participation in tenders are excluded, sales would be 0.5% lower. If the FX effect is excluded, the Food segment records 3.4% lower sales (0.2% lower without the effects of Beverages and participation in tenders).

Pharmaceuticals segment (1-9 2017 compared to 1-9 2016):

- **Own brands** recorded an 8.7% 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 6.0% increase in sales,
- **Other sales** are 4.7% 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 5.5% sales growth,
- Consequently, the **Pharmaceuticals segment** recorded 8.0% higher sales. If the effect of foreign exchange differences is excluded, the Pharmaceuticals segment records a 5.9% increase in sales.

Podravka Group (1-9 2017 compared to 1-9 2016):

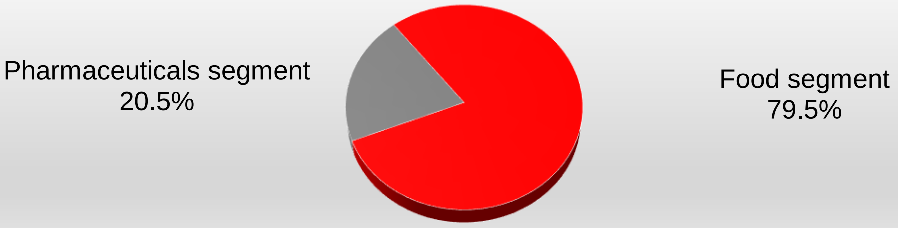
- **Own brands** of the Podravka Group recorded 2.5% lower sales in the observed period, while if the effect of Beverages and participation in tenders is excluded, sales would be 0.5% higher than in the comparative period. If the effect of foreign exchange differences is excluded, own brands record 2.7% lower sales (0.7% lower without the effects of Beverages and participation in tenders),
- The revenues from **other sales** are 7.4% higher than in the comparative period. If the effect of foreign exchange differences is excluded, other sales record an increase in sales of 8.1%,
- Consequently, sales of the **Podravka Group** are 1.6% lower in the observed period, while if the effect of Beverages and participation in tenders is excluded, sales would be 1.1% higher. If the FX effect is excluded, the Podravka Group records 1.7% lower sales (1.0% higher without the effects of Beverages and participation in tenders).

Estimated net effect of currency exchange rates (FX differences) on sales by segment in 1-9 2017:

(in HRK millions)	Own brands	Other sales	Total
Food	(6.8)	(1.0)	(7.8)
Pharmaceuticals	12.3	(0.8)	11.5
Group	5.5	(1.9)	3.6

- The effect of foreign exchange differences on revenues is an estimation of revenues in 1-9 2017 had the FX rates remained at the same levels as in 1-9 2016,
- The most significant negative effect is recorded by Euro (HRK -14.4 mill.) and Bosnian mark (HRK -4.1 mill.), while the most significant positive effect came from Russian rouble (HRK +22.0 mill.).

Sales revenues by segment in 1-9 2017



Sales revenues by business programme and category in 1-9 2017

Sales revenues by business programme and category				
(in HRK millions)	**1-9 2017**	**1-9 2016**	**Δ**	**%**
BP Culinary	644.6	665.2	(20.6)	(3.1%)
BP Baby food, sweets and snacks	275.0	348.7	(73.7)	(21.1%)
BP Podravka food	292.7	283.8	8.9	3.1%
BP Žito	636.0	650.7	(14.7)	(2.3%)
BP Meat products, meat solutions and savoury spreads	206.7	212.7	(6.0)	(2.8%)
BP Fish	126.6	128.8	(2.2)	(1.7%)
Prescription drugs	435.9	402.1	33.7	8.4%
Non-prescription programme	72.3	65.5	6.8	10.3%
Other sales	293.3	273.2	20.1	7.4%
Podravka Group	**2,983.1**	**3,030.8**	**(47.7)**	**(1.6%)**

Sales revenues by business programme and category (1-9 2017 compared to 1-9 2016):

- The **Culinary business programme** recorded 3.1% lower sales, primarily due to lower sales in entire Europe. Lower sales in Europe were affected by a number of factors: i) adjustment of the Podravka's new distributor in Western Europe that is still in the process of taking over sales, ii) different dynamics of selling and marketing activities than in the comparative period in Central Europe, and iii) the change of the strategy of the Podravka's distributor in Eastern Europe, resulting in temporary delisting of a portion of the culinary product range from chain stores. If the FX effect is excluded, the business programme records 3.5% lower sales,

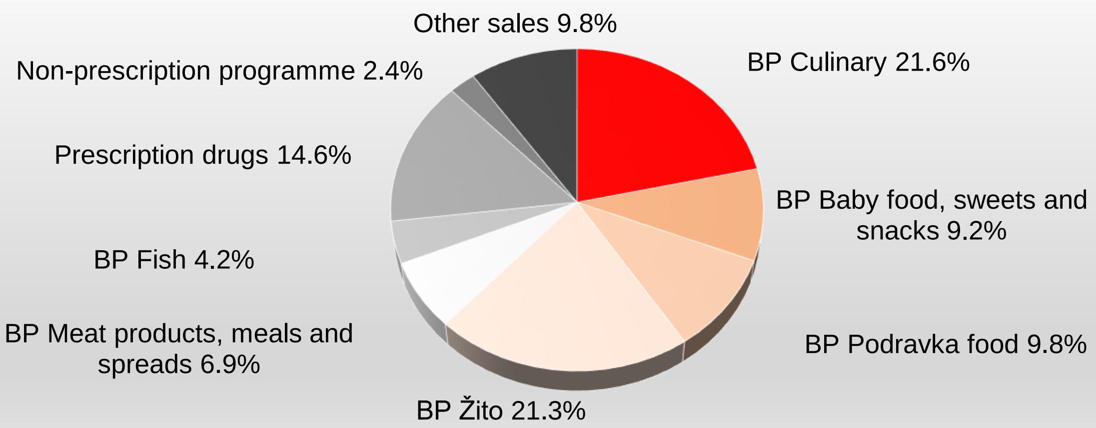
- **The Baby food, sweets and snacks business programme** recorded 21.1% lower sales, mainly affected by the absence of sales of the Beverages segment that the company disinvested at the end of 2016 (HRK 69.8 million lower sales). If the effect of the disinvested Beverages segment is excluded, the business programme records 1.4% lower sales due to, among other things, lower sales of snacks. If the FX effect is excluded, the business programme records 20.6% lower sales (0.8% lower without Beverages),

- **The Podravka food business programme** recorded 3.1% higher sales than in the comparative period, primarily due to the extended range of vegetables in the Croatian market. If the FX effect is excluded, the business programme records 2.8% higher sales,

- **The Žito business programme** records 2.3% lower sales, primarily as a result of lower sales in the market of Slovenia following the absence of sales of a portion of bakery range with the key buyer and aggressive competition in terms of prices in the bakery and mill products segment. Lower sales in the market of Slovenia are largely compensated by the increase in sales in Western Europe, especially in Italy, Germany and Spain. If the FX effect is excluded, the business programme records 1.1% lower sales,

- **The Meat products, meat solutions and savoury spreads business programme** recorded 2.8% lower sales, primarily due to lower sales realised through participation in tenders, resulting in HRK 11.1 million lower revenues. If the effect of participation in tenders is excluded, the business programme records 2.6% higher sales, primarily due to the increase in revenues in Western Europe. If the FX effect is excluded, the business programme records 2.6% lower sales (2.8% higher without participation in tenders),
- **The Fish business programme** recorded 1.7% lower sales as a portion of the range was out of stock, and due to the absence of orders of private labels from partners. If the FX effect is excluded, the business programme records 1.0% lower sales,
- The **Prescription drugs category** recorded 8.4% higher sales than in the comparative period, with the most significant growth in the market of Russia. The revenue growth in the Russian market 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 5.7% higher sales,
- The sales of the **Non-prescription programme category** grew by 10.3%, 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 8.0% higher sales,
- The **Other sales category** recorded 7.4% higher sales, primarily due to the increase in sales of trade goods of the company Lagris. If the FX effect is excluded, the category records 8.1% higher sales.

Sales revenues by business programme and category in 1-9 2017



Sales revenues by region in 1-9 2017

Sales revenues by region				
(in HRK millions)	**1-9 2017**	**1-9 2016**	**Δ**	**%**
Adria	**2,117.1**	**2,195.2**	**(78.1)**	**(3.6%)**
Food	*1,664.7*	*1,756.3*	*(91.7)*	*(5.2%)*
Pharmaceuticals	*452.4*	*438.8*	*13.6*	*3.1%*
WE and Overseas	**311.8**	**292.8**	**19.1**	**6.5%**
Food	*309.8*	*291.9*	*17.9*	*6.1%*
Pharmaceuticals	*2.0*	*0.9*	*1.1*	*132.6%*
Central Europe	**341.2**	**349.3**	**(8.1)**	**(2.3%)**
Food	*301.7*	*313.2*	*(11.4)*	*(3.7%)*
Pharmaceuticals	*39.5*	*36.2*	*3.3*	*9.1%*
Eastern Europe	**188.5**	**175.5**	**13.1**	**7.5%**
Food	*80.9*	*92.6*	*(11.7)*	*(12.6%)*
Pharmaceuticals	*107.6*	*82.9*	*24.7*	*29.8%*
New markets	**24.5**	**18.1**	**6.4**	**35.1%**
Food	*15.2*	*11.2*	*4.0*	*35.6%*
Pharmaceuticals	*9.3*	*6.9*	*2.4*	*34.1%*
Podravka Group	**2,983.1**	**3,030.8**	**(47.7)**	**(1.6%)**

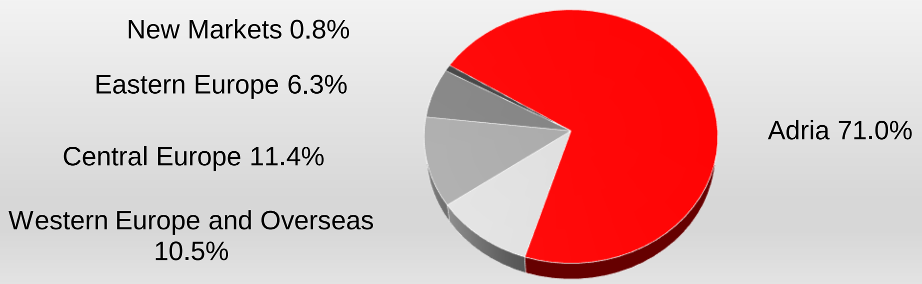
Sales revenues by region (1-9 2017 compared to 1-9 2016):

- The **Adria region** recorded 3.6% lower sales, while if the effect of foreign exchange differences was excluded, sales would be 2.8% lower. In the Food segment, the main negative impacts on sales were recorded in the Baby food, sweets and snacks business programme, the Žito business programme and the Meat products, meat solutions and savoury spreads business programme. The revenues of the business programme Baby food, sweets and snacks were negatively impacted by the absence of sales of the Beverages segment disinvested at the end of 2016 (HRK 69.8 million lower sales). The Žito business programme was negatively impacted by the absence of sales of a portion of bakery range with the key buyer and aggressive competition in terms of prices in the bakery and mill products segment in the market of Slovenia. The business programme Meat products, meat solutions and savoury spreads recorded lower sales due to less participation in tenders (HRK 11.1 million lower sales). If the effects of the Beverages and participation in tenders are excluded, the Food segment in the Adria region records 0.6% lower sales. Revenues of the Pharmaceuticals segment were 3.1% higher than in the comparative period, with all categories recording increase in sales,
- Revenues of the **Western Europe and Overseas region** were 6.5% higher than in the comparative period, while if the effect of foreign exchange differences was excluded, the region would record 6.6%

higher sales. The main effect for the sales growth in the Food segment came from the Žito business programme due to the extension of the product range and distribution in the markets of Italy, Germany and Spain and from the increase in revenues from trade goods. 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 a mild revenues growth in the market of Germany,

- **The Central Europe region** recorded 2.3% lower sales, while if the effect of foreign exchange differences was excluded, the region would record 2.2% lower sales. The Food segment recorded 3.7% lower sales as a result of lower sales of the Culinary business programme due to different dynamics of selling and marketing activities than in the comparative period. The Pharmaceuticals segment records 9.1% higher sales due to the increase in sales in the markets of Poland and the Czech Republic,
- Revenues of the **Eastern Europe region** grew by 7.5%, while if the effect of foreign exchange differences was excluded, the region would record 5.1% lower sales. The Food segment recorded 12.6% decrease in sales due to lower sales of the Culinary business programme where the change of the strategy of the Podravka's distributor resulted in temporary delisting of a portion of the culinary product range from chain stores, and lower revenues of the Podravka food business programme due to less sold frozen vegetables. The Pharmaceuticals segment records an increase in sales of 29.8% as a consequence of extending the product range and positive effects of foreign exchange differences,
- **The New Markets region** recorded a 35.1% sales growth, while if the effect of foreign exchange differences was excluded, the region would record a 36.2% 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, the Prescription drugs category grew in the market of Turkey.

Sales revenues by region in 1-9 2017



Profitability in 1-9 2017

Profitability of the Food segment in 1-9 2017

Profitability of the Food segment

(in HRK millions)	1-9 2017	1-9 2016	Δ	%
Sales revenue	2,372.3	2,465.2	(92.8)	(3.8%)
Gross profit	755.2	810.3	(55.1)	(6.8%)
EBITDA*	170.0	238.0	(68.0)	(28.6%)
EBIT	60.1	133.1	(73.0)	(54.8%)
Net profit after MI	20.8	99.1	(78.3)	(79.0%)
Gross margin	31.8%	32.9%		-104 bp
EBITDA margin	7.2%	9.7%		-249 bp
EBIT margin	2.5%	5.4%		-286 bp
Net margin after MI	0.9%	4.0%		-314 bp

*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 (1-9 2017 compared to 1-9 2016):

- In the 1-9 2017 period, the Food segment recorded 6.8% lower **gross profit**, primarily as a consequence of lower sales and the changed sales mix structure. Cost of goods sold decreased by 2.3%, which eventually resulted in a gross margin of 31.8%,
- In 1-9 2017, **operating profit (EBIT)** is lower by HRK 73.0 million compared to the comparative period. The operating profit was affected, in addition to the previously mentioned factors, by higher expenses of exercised share options (HRK 10.1 million in 1-9 2017; HRK 2.6 million in 1-9 2016), higher costs of termination benefits (HRK 24.5 million in 1-9 2017; HRK 7.9 million in 1-9 2016) and the absence of HRK 6.6 million of income from leaseback realised in the comparative period. If the effects of options, termination benefits and income from leaseback are excluded, the operating profit is HRK 42.1 million lower due to the changed sales mix structure and higher foreign exchange losses on trade receivables and trade payables (negative HRK 4.3 million in 1-9 2017; negative HRK 1.7 million in 1-9 2016),
- In 1-9 2017, under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 78.3 million lower than in the comparative period (excluding the effects of options, termination benefits and income from leaseback, it is HRK 47.5 million lower). An additional negative effect on net profit came from the increase in net finance costs due to foreign exchange losses on borrowings (negative HRK 7.2 million in 1-9 2017; positive HRK 7.7 million in 1-9 2016), which was partly mitigated by lower interest expense and lower tax expense,

- In 1-9 2017, the Food segment was exposed to negative impacts of the restructuring process (redundancy labour programme) and operating activities whose effects are significantly observable in this period (introducing the new distributor in Western Europe, exercise of a higher number of share options than usual). These effects in the observed period are not considered regular impacts and therefore they are not a realistic indicator of this segment's profitability.

Profitability of the Pharmaceuticals segment in 1-9 2017

Profitability of the Pharmaceuticals segment				
(in HRK millions)	**1-9 2017**	**1-9 2016**	**Δ**	**%**
Sales revenue	610.8	565.7	45.1	8.0%
Gross profit	304.2	293.8	10.5	3.6%
EBITDA*	84.3	99.3	(15.0)	(15.1%)
EBIT	50.4	68.2	(17.7)	(26.0%)
Net profit after MI	33.3	43.1	(9.8)	(22.7%)
Gross margin	49.8%	51.9%		-212 bp
EBITDA margin	13.8%	17.6%		-375 bp
EBIT margin	8.3%	12.0%		-379 bp
Net margin after MI	5.5%	7.6%		-217 bp

*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 (1-9 2017 compared to 1-9 2016):

- In 1-9 2017, the Pharmaceuticals segment recorded an increase in **gross profit** of 3.6%, while gross margin is 49.8%. The recorded gross profit, in addition to the increase in revenue, was impacted by the increase in cost of goods sold of 12.7%. Cost of goods sold grows as a result of, among other things, fixed expenses related to the new pharmaceuticals factory (HRK 17.0 million in 1-9 2017; HRK 0.6 million in 1-9 2016),

- In 1-9 2017, **operating profit (EBIT)** is HRK 17.7 mil 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 (HRK 5.8 million in 1-9 2017; HRK 0.1 million in 1-9 2016) and foreign exchange losses on trade receivables and payables (negative HRK 6.8 million in 1-9 2017; positive HRK 6.8 million in 1-9 2016). Share options expenses were slightly above the comparative period (HRK 0.7 million in 1-9 2017; HRK 0.3 million in 1-9 2016). If the effects of options, termination benefits and expenses of the new pharmaceuticals factory are excluded, operating profit would grow by 6.9%,

- In 1-9 2017, under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 9.8 million lower than in the comparative period (excluding the effects of options, termination benefits and expenses of the new pharmaceuticals factory it is HRK 9.5 million higher). A positive effect on net profit came from lower finance costs due to foreign exchange gains on borrowings (positive HRK 2.0 million in 1-9 2017; positive HRK 0.4 million in 1-9 2016) and lower interest expense, and from lower tax liability.

Profitability of the Podravka Group in 1-9 2017

Profitability of the Podravka Group				
(in HRK millions)	**1-9 2017**	**1-9 2016**	**Δ**	**%**
Sales revenue	2,983.1	3,030.8	(47.7)	(1.6%)
Gross profit	1,059.4	1,104.1	(44.7)	(4.0%)
EBITDA*	254.4	337.4	(83.0)	(24.6%)
EBIT	110.5	201.2	(90.7)	(45.1%)
Net profit after MI	54.1	142.2	(88.1)	(62.0%)
Gross margin	35.5%	36.4%		-91 bp
EBITDA margin	8.5%	11.1%		-260 bp
EBIT margin	3.7%	6.6%		-293 bp
Net margin after MI	1.8%	4.7%		-288 bp

*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 (1-9 2017 compared to 1-9 2016):

- In 1-9 2017, the Podravka Group recorded HRK 44.7 million lower **gross profit** than in the comparative period, with a gross margin of 35.5%. The increase in gross profit of the Pharmaceuticals segment, under the pressure of fixed costs of the new pharmaceuticals factory, was not able to fully compensate for the lower gross profit of the Food segment,
- In 1-9 2017, **operating profit (EBIT)** is HRK 90.7 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 (HRK 10.8 million in 1-9 2017; HRK 2.9 million in 1-9 2016), higher costs of termination benefits (HRK 30.3 million in 1-9 2017; HRK 7.9 million in 1-9 2016) and the absence of HRK 6.6 million of income from leaseback realised in the comparative period. If the effects of options, termination benefits and expenses of the new pharmaceuticals factory are excluded, operating profit is HRK 37.4 million lower due to the changed sales mix structure and higher foreign exchange losses on trade receivables and trade payables (negative HRK 11.1 million in 1-9 2017; positive HRK 5.1 million in 1-9 2016),
- In 1-9 2017, under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 88.1 million lower than in the comparative period (excluding the effects of options, termination benefits, expenses of the new pharmaceuticals factory and income from leaseback, it is HRK 34.8

million lower). A positive effect on net profit came from lower tax expense, while finance costs increased due to foreign exchange losses on borrowings (negative HRK 5.1 million in 1-9 2017; positive HRK 8.1 million in 1-9 2016),

- In the 1-9 2017 period, the Podravka Group was exposed to negative impacts of the restructuring process (redundancy labour programme) and operating activities whose effects are significantly observable in this period (introducing the new distributor in Western Europe, exercise of a higher number of share options than usual, fixed expenses related to the new pharmaceuticals factory). These effects in the observed period are not considered regular impacts so they are not a realistic indicator of the Podravka Group's profitability.

Key characteristics of the income statement in 1-9 2017

Other income and expenses, net

In 1-9 2017, other income and expenses amounted to negative HRK 4.5 million, while in the comparative period they amounted to positive HRK 17.8 million. In 1-9 2017, foreign exchange differences from trade receivables and trade payables amounted to negative HRK 11.1 million, while in the comparative period they amounted to positive HRK 5.1 million. In the comparative period, HRK 6.6 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 1-9 2016, primarily as a result of lower sales in the Food segment.

General and administrative expenses

In 1-9 2017, general and administrative expenses were 14.8% higher than in the comparative period, primarily due to higher costs of exercised share options than in the comparative period (HRK 10.8 million in 1-9 2017; HRK 2.9 million in 1-9 2016) and higher costs of termination benefits than in the comparative period (HRK 30.3 million in 1-9 2017; HRK 7.9 million in 1-9 2016). If the effects of these costs were excluded, general and administrative expenses would record a 2.0% growth.

Selling and distribution costs

Selling and distribution costs in the observed period are 1.6% higher compared to 1-9 2016 due to, among other things, higher costs related to previous periods.

Marketing expenses

In 1-9 2017, marketing expenses are 6.8% lower as a result of lower marketing expenses in the Food segment, while the Pharmaceuticals segment recorded an increase in marketing expenses, primarily in the market of Russia. Lower marketing expenses in the Food segment are primarily a consequence of a higher number of activities in 1-9 2016, while in 1-9 2017 some activities were postponed for the following period.

Net finance costs

In the observed period, net finance costs grew by 41.9% since foreign exchange differences on borrowings in 1-9 2017 amount to negative HRK 5.1 million, while in the comparative period they amounted to positive HRK 8.1 million. At the same time, interest expense is 18.4% lower.

Income tax

In 1-9 2017, income tax of the Podravka Group was 35.8% lower than in the comparative period as a result of, among other things, lower sales in the Food segment.

Key characteristics of the balance sheet as at 30 September 2017

Property, plant and equipment

Property, plant and equipment of the Podravka Group are HRK 184.5 million higher compared to 30 September 2016, which is related to the construction of the new Belupo factory.

Inventories

Inventories of the Podravka Group are slightly, by HRK 4.5 million, higher compared to 30 September 2016.

Trade and other receivables

Trade and other receivables of the Podravka Group are 5.3% lower than as at 30 September 2016 (for comparison purposes, receivables for recourse bills of exchange were added to the comparative period), due to better collection in the Pharmaceuticals segment in the domestic and foreign markets.

Cash and cash equivalents

Cash and cash equivalents of the Podravka Group at the end of the observed period are 18.6% lower compared to 30 September 2016, as explained in the "Key characteristics of the cash flow statement in 1-9 2017" section.

Long-term and short-term borrowings

As at 30 September 2017, long-term and short-term borrowings of the Podravka Group are HRK 47.1 million lower than as at 30 September 2016, as a result of repayment of a portion of borrowings. 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.

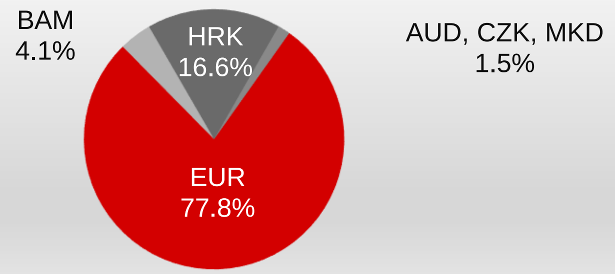
Trade and other payables

Trade and other payables of the Podravka Group are 6.0% lower compared to 30 September 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 the liability for recourse right in the comparative period is excluded, trade and other payables are 3.0% lower, partly due to the settlement of a portion of trade payables for the construction of the new pharmaceuticals factory.

Indebtedness

As at 30 September 2017, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities was HRK 1,326,411 thousand, of which HRK 984,478 thousand relates to long-term borrowings, HRK 340,039 thousand to short-term borrowings, and HRK 1,894 thousand to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 30 September 2017 was 2.0%.

Currency structure of debt as at 30 September 2017



Analysing the debt currency structure, the highest exposure, of 77.8% was toward the Euro, while 16.6% of the debt was in the domestic currency. 4.1% of the debt was in the Bosnia and Herzegovina mark, while the remainder of 1.5% relates to the Australian dollar (AUD), Czech koruna (CZK) and Macedonian denar (MKD).

*(in HRK thousands)**	1-9 2017	2016	Δ	%
Net debt	1,147,771	1,041,740	106,032	10.2%
Interest expense	26,766	31,477	(4,711)	(15.0%)
Net debt / EBITDA	3.0	2.2	0.8	33.8%
EBITDA / Interest expense	14.4	14.9	(0.5)	(3.2%)
Equity to total asset ratio	57.7%	55.4%		+232 bp

***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 September 2017 compared to 31 December 2016 is primarily a result of the 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 1-9 2017

(in HRK millions)	1-9 2017	1-9 2016	Δ
Net cash flow from operating activities	193.1	299.3	(106.2)
Net cash flow from investing activities	(170.6)	(387.8)	217.2
Net cash flow from financing activities	(181.5)	16.0	(197.5)
Net increase / (decrease) of cash and cash equivalents	(159.0)	(72.4)	(86.5)

Net cash flow from operating activities

In 1-9 2017, net cash flow from operating activities is HRK 106.2 million lower than in the comparative period, primarily as a result of the lower level of operating activities. Movements in working capital had a positive impact on cash flow from operating activities, as well as lower interest paid.

Net cash flow from investing activities

Net cash flow from investing activities in the period under consideration amounted to negative HRK 170.6 million. This is primarily the result of capital expenditure amounting to HRK 158.8 million. The most significant **capital expenditure** in 1-9 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,
- New line for pastry packaging. The investment relates to the replacement of the existing line, which will ensure the production continuity and create the precondition for extending the product range of salty pastry and biscuits packaging.

In 2017, **capital expenditure is expected** to be at a level of HRK 200 - 250 million, in 2018 at a level of HRK 250 - 300 million and in 2019 and 2020 at a level of HRK 200 - 250 million.

Net cash flow from financing activities

In 1-9 2017, net cash flow from financing activities amounted to negative HRK 181.5 million, since repaid borrowings were HRK 138.9 million higher than borrowings received and due to the dividend distribution in the amount of HRK 48.6 million. Borrowings received were used for refinancing of due liabilities at more favourable terms.

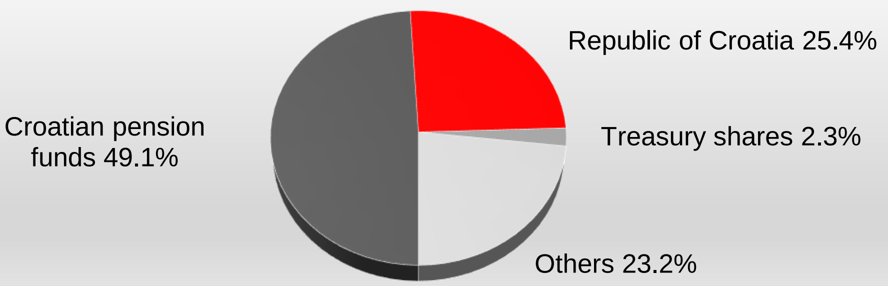
Share in 1-9 2017

List of top 10 shareholders as at 30 September 2017

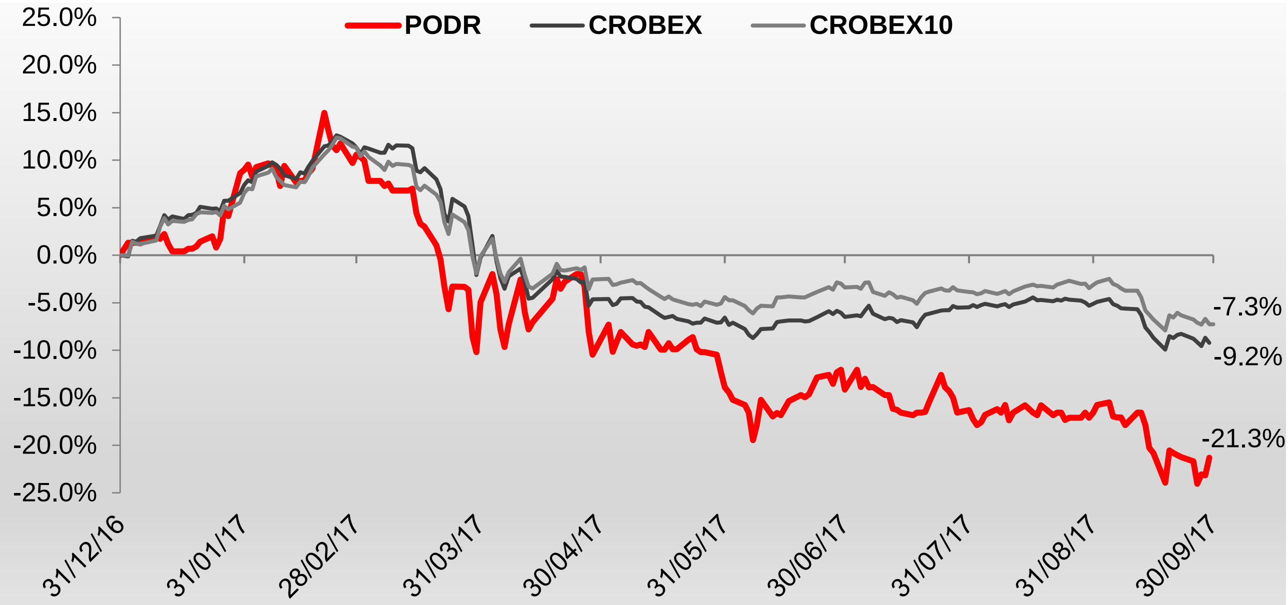
No.	Shareholder	Number of shares	% of ownership
1.	PBZ Croatia Osiguranje mandatory pension fund, category B	925,602	13.0%
2.	AZ mandatory pension fund, category B	902,874	12.7%
3.	RSC - Croatian Pension Insurance Institute	727,703	10.2%
4.	Erste Plavi mandatory pension fund, category B	665,166	9.3%
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	162,559	2.3%
10.	AZ Profit voluntary pension fund	113,728	1.6%
	Other shareholders	1,916,386	26.9%
	Total	**7,120,003**	**100.0%**

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 September 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 September 2017. The company has 2.3% 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 September 2017



Share price movement in 1-9 2017



(closing price in HRK; closing points)	30 September 2017	31 December 2016	%
PODR-R-A	297.0	377.5	(21.3%)
CROBEX	1,811.12	1,994.8	(9.2%)
CROBEX10	1,073.98	1,158.2	(7.3%)

In 1-9 2017, the price of Podravka's share decreased by 21.3%, while domestic stock indices Crobex and Crobex10 dropped by 9.2% and 7.3%, respectively.

Performance in the Croatian capital market in 1-9 2017

(in HRK; in units)[3]	1-9 2017	1-9 2016	%
Average daily price	362.4	341.6	6.1%
Average daily number of transactions	18	10	77.7%
Average daily volume	1,249	1,185	5.3%
Average daily turnover	452,527.8	405,002.3	11.7%

In 1-9 2017, the average daily price of the Podravka's share was 6.1% higher than in the comparative period. At the same time, the average daily number of transactions, volume and turnover increased.

[3]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

*(in HRK millions; earnings per share in HRK)**	1-9 2017	2016	%
Last price	297.0	377.5	(21.3%)
Weighted average number of shares	6,943,135	6,929,648	0.2%
Market capitalization	2,062.0	2,615.9	(21.2%)
EV[4]	3,246.1	3,706.9	(12.4%)
Earnings per share	13.6	26.3	(48.4%)
EV / Sales revenue	0.8	0.9	(11.4%)
EV / EBITDA	8.4	7.9	6.4%
EV / EBIT	18.2	13.8	32.1%
Last price/Earnings per share ratio	21.9	14.3	52.5%

***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.

[4]Enterprise value: Market Capitalization + Net debt + Minority interests.

Additional tables for 1-9 2017

New business programmes and regions

At the beginning of July 2017, the Podravka Group finalised the process of internal reorganisation of the Food segment by introducing the new organisation by business programmes. With respect to the markets, a new division into regions was made, so now the sales are monitored in five regions instead of former four. For better understanding of the business programmes and regions, their detailed analysis is provided below.

Business programmes:

- **BP Culinary**: Seasonings, Monospices, Soups, ready-to-cook meals and bouillons, Food mixes, Private labels, Service production,
- **BP Baby food, sweets and snacks**: Lino world, Sweets, Snacks, Drinks, Private labels, Service production,
- **BP Podravka food**: Condiments, Tomato, Sauces, Fruit, Vegetables, Podravka Flour, Private labels, Service production,
- **BP Žito**: Core food, Bakery and mill products, Tea, Confectionery, Cereals for adults, Private labels, Service production,
- **BP Meat products, meat solutions and savoury spreads:** Canned meat, Sausages, Other meat, Food solution, Private labels, Service production,
- **BP Fish**: Fish products, Private labels, Service production.

Regions:

- **Adria**: Croatia, Slovenia, Bosnia and Herzegovina, Macedonia, Serbia, Montenegro, Kosovo, Albania, Greece,
- **Western Europe and Overseas**: Germany, Austria, Switzerland, Italy, Scandinavia, other markets of Western Europe, the USA, Canada, Australia, New Zealand, Fiji,
- **Central Europe**: Poland, the Czech Republic, Slovakia, Hungary, Romania, Bulgaria,
- **Eastern Europe:** Russia, Ukraine, Kazakhstan, Baltic, other markets of Eastern Europe,
- **New Markets**: MENA, Africa, Asia.

Historical movements in sales revenues by business programme

(in HRK millions)	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17
BP Culinary	219.9	208.7	236.6	247.3	196.6	225.2	222.8
BP Baby food, sweets and snacks	103.6	115.0	130.1	118.5	83.9	95.0	96.0
BP Podravka food	97.1	95.2	91.5	103.7	84.2	103.2	105.4
BP Žito	229.9	210.2	210.7	251.3	214.4	212.3	209.3
BP Meat products, meat solutions and savoury spreads	70.2	63.9	78.6	67.8	50.2	74.5	82.1
BP Fish	44.2	41.3	43.4	45.0	42.9	44.3	39.4

Historical movements in sales revenues by region

(in HRK millions)	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17
Adria	708.0	719.8	767.3	802.3	637.3	724.1	755.7
Western Europe and Overseas	98.3	95.0	99.5	127.8	99.6	113.3	98.9
Central Europe	122.7	108.4	118.2	131.0	111.5	113.7	116.0
Eastern Europe	62.7	60.9	51.9	86.6	54.3	79.9	54.3
New Markets	5.4	7.4	5.3	6.9	10.5	7.0	7.0

Sales revenue by region in 1-9 2017

(in HRK millions)	1-9 2017	% of sales revenues	1-9 2016	% of sales revenues	%
Adria	**2,117.1**	**71.0%**	**2,195.2**	**72.4%**	**(3.6%)**
Croatia	1,009.8	33.8%	1,022.4	33.7%	(1.2%)
Slovenia	530.7	17.8%	568.0	18.7%	(6.6%)
Bosnia and Herzegovina	317.1	10.6%	337.3	11.1%	(6.0%)
Other markets	259.5	8.7%	267.4	8.8%	(3.0%)
Western Europe and Overseas	**311.8**	**10.5%**	**292.8**	**9.7%**	**6.5%**
Western Europe	225.6	7.6%	203.6	6.7%	10.8%
Overseas	86.2	2.9%	89.1	2.9%	(3.3%)
Central Europe	**341.2**	**11.4%**	**349.3**	**11.5%**	**(2.3%)**
Eastern Europe	**188.5**	**6.3%**	**175.5**	**5.8%**	**7.5%**
Russia	172.1	5.8%	161.6	5.3%	6.5%
Other markets	16.4	0.6%	13.9	0.5%	18.4%
New markets	**24.5**	**0.8%**	**18.1**	**0.6%**	**35.1%**
Podravka Group	**2,983.1**	**100.0%**	**3,030.8**	**100.0%**	**(1.6%)**

Consolidated financial statements in 1-9 2017

Consolidated Profit and Loss Statement in 1-9 2017

(in HRK thousands)	1-9 2017	% of sales revenues	1-9 2016	% of sales revenues	% change
Sales revenue	2,983,116	100.0%	3,030,845	100.0%	(1.6%)
Cost of goods sold	(1,923,726)	(64.5%)	(1,926,773)	(63.6%)	(0.2%)
Gross profit	**1,059,390**	**35.5%**	**1,104,072**	**36.4%**	**(4.0%)**
General and administrative expenses	(271,361)	(9.1%)	(236,462)	(7.8%)	14.8%
Selling and distribution costs	(425,231)	(14.3%)	(418,351)	(13.8%)	1.6%
Marketing expenses	(247,746)	(8.3%)	(265,821)	(8.8%)	(6.8%)
Other (expenses) / income, net	(4,509)	(0.2%)	17,800	0.6%	(125.3%)
Operating profit	**110,544**	**3.7%**	**201,238**	**6.6%**	**(45.1%)**
Financial income	3,389	0.1%	2,318	0.1%	46.2%
Other financial expenses	(6,859)	(0.2%)	(5,596)	(0.2%)	22.6%
Interest expenses	(20,842)	(0.7%)	(25,553)	(0.8%)	(18.4%)
Net foreign exchange differences on borrowings	(5,153)	(0.2%)	8,065	0.3%	(163.9%)
Net finance costs	**(29,465)**	**(1.0%)**	**(20,766)**	**(0.7%)**	**41.9%**
Profit before tax	**81,078**	**2.7%**	**180,472**	**6.0%**	**(55.1%)**
Current income tax	(18,998)	(0.6%)	(13,948)	(0.5%)	36.2%
Deferred tax	(2,712)	(0.1%)	(19,865)	(0.7%)	(86.3%)
Income tax	**(21,710)**	**(0.7%)**	**(33,813)**	**(1.1%)**	**(35.8%)**
Net profit for the year	**59,369**	**2.0%**	**146,659**	**4.8%**	**(59.5%)**
Net profit / (loss) attributable to:					
Equity holders of the parent	**54,092**	**1.8%**	**142,190**	**4.7%**	**(62.0%)**
Non-controlling interests	(5,277)	(0.2%)	(4,469)	(0.1%)	18.1%

Consolidated Balance Sheet as at 30 September 2017

(in HRK thousands)	30 Sep 2017	% share	31 Dec 2016	% share	% change
ASSETS					
Non-current assets					
Goodwill	26,024	0.5%	26,024	0.5%	0.0%
Intangible assets	258,880	5.1%	267,984	5.1%	(3.4%)
Property, plant and equipment	2,317,712	45.7%	2,304,442	43.6%	0.6%
Deferred tax assets	179,180	3.5%	185,769	3.5%	(3.5%)
Non-current financial assets	16,938	0.3%	17,028	0.3%	(0.5%)
Total non-current assets	**2,798,735**	**55.2%**	**2,801,247**	**53.0%**	**(0.1%)**
Current assets					
Inventories	855,139	16.9%	773,595	14.6%	10.5%
Trade and other receivables	1,038,669	20.5%	1,177,321	22.3%	(11.8%)
Financial assets at fair value through profit and loss	16,379	0.3%	751	0.0%	2081.0%
Income tax receivable	1,136	0.0%	10,738	0.2%	(89.4%)
Cash and cash equivalents	178,640	3.5%	337,611	6.4%	(47.1%)
Non-current assets held for sale	184,213	3.6%	184,465	3.5%	(0.1%)
Total current assets	**2,274,176**	**44.8%**	**2,484,481**	**47.0%**	**(8.5%)**
Total assets	**5,072,911**	**100.0%**	**5,285,728**	**100.0%**	**(4.0%)**

(in HRK thousands)	30 Sep 2017	% share	31 Dec 2016	% share	% change
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,688,252	33.3%	1,681,261	31.8%	0.4%
Reserves	762,755	15.0%	612,643	11.6%	24.5%
Retained earnings / (accumulated losses)	439,145	8.7%	583,272	11.0%	(24.7%)
Attributable to equity holders of the parent	**2,890,151**	**57.0%**	**2,877,176**	**54.4%**	**0.5%**
Non-controlling interests	36,310	0.7%	49,218	0.9%	(26.2%)
Total shareholders' equity	**2,926,461**	**57.7%**	**2,926,394**	**55.4%**	**0.0%**
Non-current liabilities					
Borrowings	984,478	19.4%	998,535	18.9%	(1.4%)
Provisions	71,135	1.4%	70,675	1.3%	0.7%
Other non - current liabilities	21,075	0.4%	21,179	0.4%	(0.5%)
Deferred tax liability	47,066	0.9%	50,764	1.0%	(7.3%)
Total non-current liabilities	**1,123,754**	**22.2%**	**1,141,153**	**21.6%**	**(1.5%)**
Current liabilities					
Trade and other payables	643,583	12.7%	805,269	15.2%	(20.1%)
Income tax payable	10,859	0.2%	5,260	0.1%	106.4%
Financial liabilities at fair value through profit and loss	1,894	0.0%	4,197	0.1%	(54.9%)
Borrowings	340,039	6.7%	376,618	7.1%	(9.7%)
Provisions	26,321	0.5%	26,836	0.5%	(1.9%)
Total current liabilities	**1,022,696**	**20.2%**	**1,218,181**	**23.0%**	**(16.0%)**
Total liabilities	**2,146,450**	**42.3%**	**2,359,334**	**44.6%**	**(9.0%)**
Total equity and liabilities	**5,072,911**	**100.0%**	**5,285,728**	**100.0%**	**(4.0%)**

Consolidated Cash Flow Statement in 1-9 2017

(in HRK thousands)	1-9 2017	1-9 2016	%
Profit / (loss) for the year	**59,369**	**146,660**	**(59.5%)**
Income tax	21,710	33,815	(35.8%)
Depreciation and amortization	143,837	136,133	5.7%
Impairment (profit) / loss on assets held for sale	0	(222)	100.0%
Remeasurement of financial instruments at fair value	(1,257)	1,224	(202.7%)
Capital reserve ESOP	2,637	0	100.0%
Share based payment transactions	10,800	2,852	278.7%
(Profit) / Loss from the sale of shares	0	(18)	100.0%
(Profit) / loss on disposal of property, plant, equipment and intangibles	25	(718)	103.5%
(Profit) / loss on disposal of assets held for sale	(23)	(686)	96.6%
Impairment of trade receivables	627	3,698	(83.0%)
Capital equity adjustments for own shares ESOP	(516)	0	(100.0%)
(Decrease) / increase in provisions	(55)	(13,583)	99.6%
Interest income	(3,389)	(2,320)	(46.1%)
Interest expense	25,028	31,151	(19.7%)
Effect of changes in foreign exchange rates	7,978	(10,473)	176.2%
Changes in working capital:			
(Increase) / decrease in inventories	(81,544)	(66,545)	(22.5%)
(Increase) / decrease in receivables	138,506	49,860	177.8%
Increase / (decrease) in payables	(96,131)	19,971	(581.4%)
Cash generated from operating activities	**227,601**	**330,797**	**(31.2%)**
Income tax paid	(9,341)	(241)	(3775.9%)
Interest paid	(25,182)	(31,242)	19.4%
Net cash from operating activities	**193,078**	**299,314**	**(35.5%)**
Cash flow from investing activities			
Purchase of equity securities	0	(7,748)	100.0%
Purchase of property, plant, equipment and intangibles	(158,757)	(383,719)	58.6%
Sale of marketable securities	150,005	672	22222.2%
Proceeds from sale of property, plant, equipment and intangibles	2,685	1,916	40.1%
Loans receivables	(35)	(277)	87.4%
Repayment of loans receivable	97	1,009	(90.4%)
Proceeds from other investments	(167,976)	(2,011)	(8252.9%)
Interest received	3,389	2,320	46.1%
Net cash from investing activities	**(170,592)**	**(387,838)**	**56.0%**
Cash flow from financing activities			
Dividend payout	(48,642)	(48,480)	(0.3%)
Acquisition of subsidiary, net of cash acquired	(863)	0	(100.0%)
Purchase of treasury shares	0	(12,976)	100.0%
Sale of treasury shares	6,945	3,308	110.0%
Proceeds from borrowings	145,489	468,726	(69.0%)
Repayment of borrowings	(284,386)	(394,531)	27.9%
Net cash from financing activities	**(181,457)**	**16,046**	**(1230.8%)**
Net (decrease) / increase of cash and cash equivalents	**(158,971)**	**(72,477)**	**(119.3%)**
Cash and cash equivalents at beginning of the year	337,611	291,877	15.7%
Cash and cash equivalents at the end of year	**178,640**	**219,400**	**(18.6%)**

Consolidated Statement of Changes in Equity in 1-9 2017

(in HRK thousands)	Share capital	Reserve for treasury shares	Legal reserves	Reinvested profit reserve	Statutory reserves	Other reserves	Retained earnings/ (Accumulated loss)	Total	Non-controlling interests	Total
As at 31 December 2015	**1,685,955**	**147,604**	**30,931**	**189,738**	**47,007**	**134,560**	**514,250**	**2,750,045**	**67,712**	**2,817,757**
Comprehensive income										
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)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(10,182)**	**182,359**	**172,177**	**5,147**	**177,324**
Transactions with owners recognised directly in equity										
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)
Total transactions with owners recognised directly in equity	**(4,694)**	**-**	**11,006**	**-**	**8,548**	**53,431**	**(113,337)**	**(45,046)**	**(23,641)**	**(68,687)**
As at 31 December 2016	**1,681,261**	**147,604**	**41,937**	**189,738**	**55,555**	**177,809**	**583,272**	**2,877,176**	**49,218**	**2,926,394**
Comprehensive income										
Profit for the year	-	-	-	-	-	-	54,092	54,092	5,277	59,369
Foreign exchange differences	-	-	-	-	-	(1,575)	-	(1,575)	(487)	(2,062)
Profit or loss from reevaluation of financial assets available for sale	-	-	-	-	-	1,050	-	1,297	-	1,297
Actuarial losses (net of deferred tax)	-	-	-	-	-	-	-	(247)	-	(247)
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(525)**	**-**	**(525)**	**(487)**	**(1,012)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(525)**	**54,092**	**53,567**	**4,790**	**58,357**
Transactions with owners recognised directly in equity										
Dividends paid to minority owner	-	-	-	-	-	-	-	-	(15,776)	(15,776)
Capital premium ESOP	79	-	-	-	-	-	-	79	-	79
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	12,713	-	-	-	-	-	-	12,713	-	12,713
Dividend payout	-	-	-	-	-	-	(48,642)	(48,642)	-	(48,642)
Additional acquisition of minority interests	-	-	-	-	-	1,059	-	1,059	(1,922)	(863)
Total transactions with owners recognised directly in equity	**6,991**	**-**	**8,966**	**-**	**3,015**	**138,655**	**(198,219)**	**(40,592)**	**(17,698)**	**(58,290)**
As at 30 September 2017	**1,688,252**	**147,604**	**50,903**	**189,738**	**58,570**	**315,939**	**439,145**	**2,890,151**	**36,310**	**2,926,461**

Notes to the financial statements

The accounting policy in 2017 did not change.

President of the Management Board:

Marin Pucar

Statement of liability

Koprivnica, 27 October 2017

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of Podravka Group for the period January – September 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 – September 2017 were approved by the Management Board on 27 October 2017.

Corporate Accounting and Taxes Director:
Julijana Artner Kukec

Artner

Board Member:
Davor Doko

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