Podravka Group Business Results for **1-3 2018 period**

Content

Key financial indicators in Q1 2018

(in HRK millions)	Q1 2018[1]	Q1 2017[1]	Δ	%
Sales revenue	988.9	913.2	75.6	8.3%
Normalised EBITDA[2]	135.8	78.5	57.4	73.2%
Normalised net profit after MI	70.0	20.7	49.4	238.8%
Net cash flow from operating activities	(41.4)	48.1	(89.5)	(186.1%)
Cash capital expenditures	24.5	84.7	(60.2)	(71.1%)
(in HRK; market capitalization in HRKm)	**31.03.2018**	**31.12.2017**	**Δ**	**%**
Net debt / normalised EBITDA	2.0	2.1	(0.1)	(6.2%)
Normalised Earnings per share	30.9	23.8	7.1	29.8%
Last price at the end of period	260.0	270.0	(10.0)	(3.7%)
Market capitalization	1,808.2	1,877.1	(68.9)	(3.7%)
Return on average equity[3]	7.5%	5.9%		+159 bp
Return on average assets[3]	4.4%	3.3%		+108 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.

Key highlights in Q1 2018:

- In the first quarter of 2018, the Podravka Group recorded the best operating result and the highest operating profit of the first quarter in the last 17 years, and it should be noted that this is the result of an organic growth without extraordinary impacts,
- Sales revenues recorded a significant growth of HRK 75.6 million, primarily in the Food segment, due to stronger selling and marketing activities and expanded distribution of certain categories,
- An increase in sales of the profitable range together with operating expenses control resulted in a double-digit profitability growth on all operating levels,
- Management's focus in 2018 will be on further organic growth of own brands, further decrease in debt, cash flow management and internal efficiency improvement.

[1]Q1 2018 relates to the period January 2018 - March 2018, and Q1 2017 relates to the period January 2017 - March 2017,
[2]EBITDA is calculated in a way that EBIT was increased by the depreciation and amortisation and value adjustments,
[3]Normalised.

Significant events in Q1 2018

Exposure of the Podravka Group to the key buyer 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 10 April 2017, receivables of Podravka Inc. from the Agrokor companies in the Croatian market amounted to HRK 136.7 million. In the extraordinary administration procedure, Podravka reported receivables in the total amount of HRK 97.4 million, of which HRK 60.9 million is for bills of exchange related to goods sold (the Podravka Group had no financial exposure to the Agrokor concern in terms of loans given, etc.). The extraordinary administration accepted 99.3% of the reported receivables, while the remaining portion relates to receivables that were recorded in Podravka after 9 April 2017. In April 2018, in line with available relevant information on the settlement within the extraordinary administration procedure, the Podravka Group estimated the recoverability of the reported receivables and impaired receivables in the amount of HRK 44.1 million, which was booked in 2017. As at 31 March 2018, receivables of Podravka Inc. from the Agrokor companies in the Croatian market amounted to HRK 55.5 million, of which HRK 18.7 million relates to "border debt", HRK 1.1 million to "old debt", while the remaining portion relates to receivables from regular operations.

Overview of sales revenues in Q1 2018

Sales revenues by segment in Q1 2018

Sales revenues by segment				
(in HRK millions)	**Q1 2018**	**Q1 2017**	**Δ**	**%**
Food	**789.8**	**723.6**	**66.3**	**9.2%**
Own brands	*741.2*	*672.2*	*69.0*	*10.3%*
Other sales	*48.6*	*51.4*	*(2.8)*	*(5.4%)*
Pharmaceuticals	**199.0**	**189.6**	**9.4**	**5.0%**
Own brands	*164.9*	*155.1*	*9.8*	*6.3%*
Other sales	*34.1*	*34.6*	*(0.4)*	*(1.3%)*
Podravka Group	**988.9**	**913.2**	**75.6**	**8.3%**
Own brands	*906.1*	*827.2*	*78.9*	*9.5%*
Other sales	*82.7*	*86.0*	*(3.2)*	*(3.7%)*

Movements of the Food segment revenues (Q1 2018 compared to Q1 2017):

- **Own brands** recorded 10.3% higher sales, primarily due to: increased selling and marketing activities partly related to the pre-Easter period and expanded distribution of certain categories. If the FX effect is excluded, it is estimated own brands would record 11.1% higher sales,
- **Other sales** recorded 5.4% lower revenues, primarily as a result of the decrease in sales of the Lagris company trade goods. If the FX effect is excluded, other sales record an estimated 6.5% decrease in sales,
- Consequently, the **Food segment** recorded 9.2% higher sales, while if the FX effect is excluded, it is estimated the sales would be 9.9% higher.

Movements of the Pharmaceuticals segment revenues (Q1 2018 compared to Q1 2017):

- **Own brands** recorded a 6.3% sales growth, primarily due to the expanded distribution in the Central European markets and increased demand in the market of Russia. If the FX effect is excluded, own brands record an estimated 9.4% increase in sales,
- **Other sales** revenues are 1.3% lower as a result of the strategic focus on more profitable trade goods range, resulting in lower revenues, but higher profitability. If the FX effect is excluded, other sales record an estimated 1.0% sales decrease,
- Consequently, the **Pharmaceuticals segment** recorded 5.0% higher sales, while if the FX effect is excluded, the revenues would be 7.5% higher.

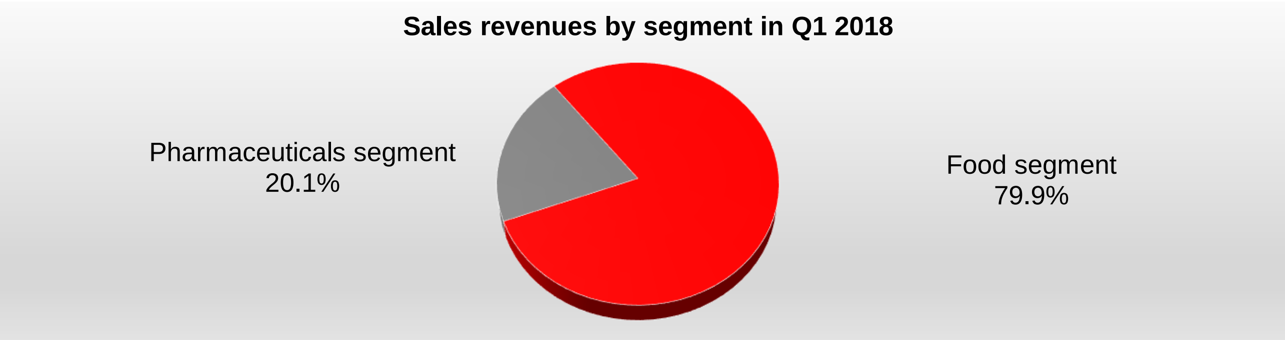
Movements of the Podravka Group revenues (Q1 2018 compared to Q1 2017):

- **Own brands** of the Podravka Group recorded a 9.5% sales growth, while if the FX effect is excluded, it is estimated the sales of own brands would be 10.8% higher,
- The revenues from **other sales** are 3.7% lower, while if the effect of foreign exchange differences is excluded, other sales record a decrease in revenues of estimated 4.3%,
- Consequently, the **Podravka Group** recorded 8.3% higher sales, while if the FX effect is excluded, it is estimated the sales would be 9.4% higher.

Estimated net effect of currency exchange rates on sales by segment in Q1 2018:

(in HRK millions)	**Own brands**	**Other sales**	**Total**
Food	(5.7)	0.6	(5.1)
Pharmaceuticals	(4.7)	(0.1)	(4.8)
Group	(10.4)	0.5	(9.9)

- The effect of FX differences on sales is the estimate of the revenue amount in Q1 2018 had the exchange rates remained at the same levels as in the comparative period,
- The most significant negative effect on revenue is recorded by the Russian ruble (HRK -7.3 million) and the Euro (HRK -2.2 million), while the most significant positive effect is recorded by the Czech Koruna (HRK +1.9 million) and the Serbian dinar (HRK +1.1 million).



Sales revenues by business unit and category in Q1 2018

Sales revenues by business unit and category				
(in HRK millions)	**Q1 2018**	**Q1 2017**	**Δ**	**%**
BU Culinary	213.4	196.6	16.9	8.6%
BU Baby food, sweets and snacks	90.8	83.9	6.9	8.2%
BU Podravka food	98.6	84.3	14.3	16.9%
BU Žito	234.5	214.3	20.2	9.4%
BU Meat products	56.9	50.2	6.7	13.4%
BU Fish	47.1	42.9	4.2	9.7%
Prescription drugs	139.1	126.6	12.5	9.8%
Non-prescription programme	25.8	28.4	(2.6)	(9.2%)
Other sales	82.7	86.0	(3.2)	(3.7%)
Podravka Group	**988.9**	**913.2**	**75.6**	**8.3%**

Movements of revenues by business unit and category (Q1 2018 compared to Q1 2017):

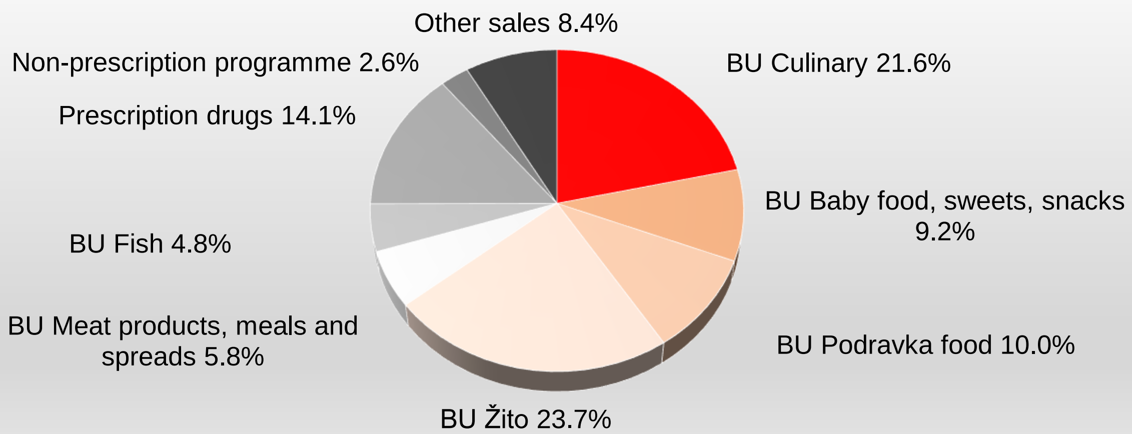
- The **Culinary business unit** recorded 8.6% sales growth, primarily in the categories Seasonings and Soups, where the sales growth was recorded in most regions. If the FX effect is excluded, it is estimated the business unit would record 10.1% higher sales,
- The **Baby food, sweets and snacks business unit** recorded 8.2% higher sales, as a consequence of stronger selling and marketing activities in categories Baby food and Sweets in the market of Croatia. If the FX effect is excluded, it is estimated the business unit would record 8.6% higher sales,
- The **Podravka Food business unit** recorded 16.9% higher sales mainly due to stronger selling and marketing activities in the categories Flour, Fruit and Condiments in the market of Croatia and the expansion of frozen vegetables distribution in the Russian market. If the FX effect is excluded, it is estimated the business unit would record 18.5% higher sales,
- The **Žito business unit** records 9.4% higher sales, mainly due to the increased sales in the Bakery and mill products category due to, among other, stabilised sales to the key buyer in the Slovenian market. The sales increase is also supported by the continuous growth of the Bakery and mill products category in the Western Europe region markets and the expanded distribution in the Central Europe region markets. If the FX effect is excluded, it is estimated the business unit would record 9.6% higher sales,
- The **Meat products, meat solutions and savoury spreads business unit** recorded 13.4% higher sales, as a result of stronger selling and marketing activities, while if the FX effect is excluded, the sales growth is estimated at 14.5%,
- The **Fish business unit** recorded 9.7% higher sales primarily due to selling activities in the Adria region markets. If the FX effect is excluded, it is estimated the business unit would record 9.3% higher sales,

➢ The **Prescription drugs category** recorded 9.8% higher sales, with the most significant growth in the market of Russia due to higher demand, and in the Central Europe region markets due to expanded distribution. If the FX effect is excluded, it is estimated the category would record 13.3% higher sales,

➢ The sales of the **Non-prescription programme category** decreased by 9.2%, with the sales growth in the markets of the Adria region and the Central Europe region did not fully compensate for the decrease in sales in the Russian market due to different sales dynamics compared to the comparative period. If the FX effect is excluded, it is estimated the category would record 7.8% lower sales,

➢ The **Other sales category** recorded 3.7% lower sales, primarily as a result of the decrease in sales of the company Lagris trade goods and the decrease in sales of trade goods in the Pharmaceuticals segment. The Pharmaceuticals segment made a strategic decision to focus on a more profitable part of the trade goods range in the market of Bosnia and Herzegovina, resulting in lower sales, but higher profitability. If the FX effect is excluded, it is estimated the category would record 4.3% lower sales.

Sales revenues by business unit and category in Q1 2018



Sales revenues by region in Q1 2018

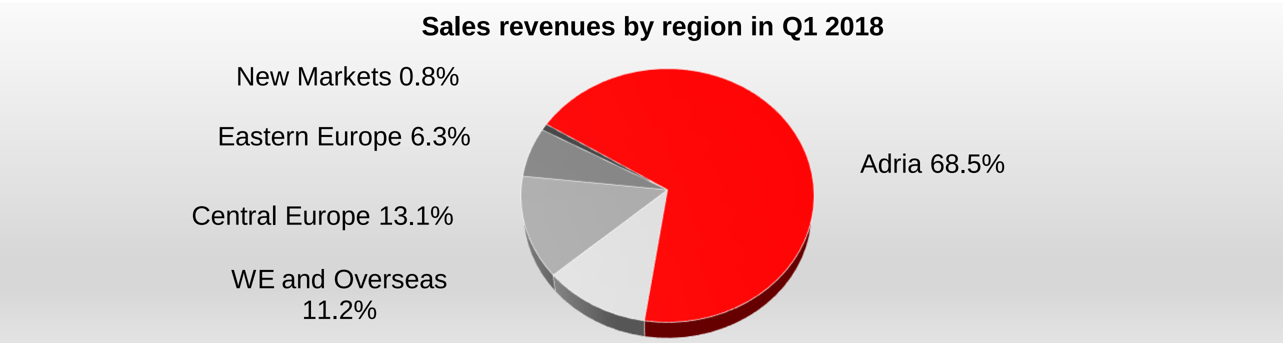
Sales revenues by region				
(in HRK millions)	**Q1 2018**	**Q1 2017**	**Δ**	**%**
Adria	**677.5**	**637.3**	**40.3**	**6.3%**
Food	*533.8*	*494.6*	*39.2*	*7.9%*
Pharmaceuticals	*143.8*	*142.7*	*1.1*	*0.8%*
WE and Overseas	**111.2**	**99.6**	**11.6**	**11.7%**
Food	*110.9*	*99.3*	*11.6*	*11.7%*
Pharmaceuticals	*0.3*	*0.3*	*(0.0)*	*(2.5%)*
Central Europe	**129.3**	**111.5**	**17.8**	**15.9%**
Food	*111.6*	*99.6*	*12.0*	*12.1%*
Pharmaceuticals	*17.7*	*11.9*	*5.8*	*48.3%*
Eastern Europe	**62.4**	**54.3**	**8.1**	**14.9%**
Food	*28.3*	*23.0*	*5.3*	*23.0%*
Pharmaceuticals	*34.1*	*31.3*	*2.8*	*8.9%*
New markets	**8.4**	**10.5**	**(2.1)**	**(19.8%)**
Food	*5.2*	*7.0*	*(1.8)*	*(25.9%)*
Pharmaceuticals	*3.2*	*3.5*	*(0.3)*	*(7.6%)*
Podravka Group	**988.9**	**913.2**	**75.6**	**8.3%**

Movements of revenues by region (Q1 2018 compared to Q1 2017):

- The **Adria region** recorded 6.3% higher sales, while if the FX effect is excluded, it is estimated the region would record 6.6% higher sales. In the Food segment, all business units record sales growth, primarily as the result of selling and marketing activities and the stabilization of sales to the key buyer in the market of Slovenia. In the Pharmaceuticals segment, own brands sales growth compensated for lower sales of trade goods,
- Revenues of the **Western Europe and Overseas region** grew by 11.7%, while if the FX effect was excluded, it is estimated the region would record 14.9% higher sales. The sales growth was recorded by all business units of the Food segment, and it should be noted that in the first quarter of 2018, the continuous extension of the Žito business unit range and distribution in the markets of Italy, Germany and Spain continues. The Pharmaceuticals segment recorded sales at the same level as in the comparative period,
- The **Central Europe region** recorded 15.9% higher sales, while if the FX effect was excluded, it is estimated the region would record 13.5% higher sales. The most significant impact on the Food segment came from the Žito business unit due to expanded distribution of own brands and private labels and from the Culinary business unit following stronger selling and marketing activities. The Pharmaceuticals

segment recorded a sales growth due to expanded distribution on the markets of Poland, the Czech Republic and Slovakia,

- Revenues of the **Eastern Europe region** grew by 14.9%, while if the FX effect was excluded, it is estimated the region would record 28.3% higher sales. In the Food segment, sales growth was recorded by the Culinary and Podravka Food business units due to expanded distribution. In the Pharmaceuticals segment, the increased demand for the Prescription drugs category compensated for the lower sales of the Non-prescription programme category, resulting from different sales dynamics than in the comparative period,
- The **New markets region** recorded a 19.8% sales decrease, while if the FX effect was excluded, the region would record an estimated 19.1% sales decrease. The most significant impact on the sales decrease came from lower sales of the Lagris company trade goods.



Profitability in Q1 2018

Note: for transparency purposes, in addition to the reported operating results, the Podravka Group also presents normalised operating results, without the effect of items treated by management as one-off items. For the purpose of providing as realistic image of the core business development as possible, the Podravka Group describes movements of the normalised result, while the analysis of one-off items is provided in the "Additional tables" section. The result normalisation is not adjusted for possible tax aspects that would arise from the normalisation.

Profitability of the Food segment in Q1 2018

Profitability of the Food segment					Normalized			
(in HRK millions)	**Q1 2018**	**Q1 2017**	**Δ**	**%**	**Q1 2018**	**Q1 2017**	**Δ**	**%**
Sales revenue	789.8	723.6	66.3	9.2%	789.8	723.6	66.3	9.2%
Gross profit	269.4	230.1	39.3	17.1%	269.4	230.1	39.3	17.1%
EBITDA*	102.5	46.1	56.4	122.2%	102.7	47.4	55.3	116.7%
EBIT	68.8	8.7	60.1	689.1%	69.1	10.0	59.1	590.1%
Net profit after MI	53.8	0.3	53.6	n/a	54.1	1.5	52.5	n/a
Gross margin	34.1%	31.8%		+231 bp	34.1%	31.8%		+231 bp
EBITDA margin	13.0%	6.4%		+660 bp	13.0%	6.6%		+645 bp
EBIT margin	8.7%	1.2%		+751 bp	8.7%	1.4%		+736 bp
Net margin after MI	6.8%	0.0%		+678 bp	6.8%	0.2%		+663 bp

*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and value adjustments.

Normalised profitability of the Food segment (Q1 2018 compared to Q1 2017):

- The Food segment recorded 17.1% higher **gross profit** due to higher sales revenues, but also due to the positive impact of the sales structure itself, as explained in the "Overview of sales revenues in Q1 2018" section. Following the sales revenues growth, costs of goods sold increased by 5.5%, which resulted in a gross margin of 34.1%,
- **Operating profit (EBIT)** is HRK 59.1 million higher, primarily as a consequence of the increase in sales of profitable categories. An additional positive impact on operating profit came from: i) the absence of share option expenses that amounted to HRK 8.3 million in Q1 2017, ii) lower marketing expenses due to different marketing activities dynamics, and iii) lower selling expenses as a result, among other, of lower amortisation. A negative effect came from unfavourable FX movements on trade receivables and trade payables (HRK 4.4 million FX losses in Q1 2018; HRK 2.1 million FX gains in Q1 2017),
- Under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 52.5 million higher. An additional positive effect on net profit came from lower interest expense following the

refinancing of borrowings under more favourable commercial terms, which partly compensated for the higher tax expense, and unfavourable movements of FX differences on borrowings (HRK 0.1 million FX losses in Q1 2018; HRK 3.0 million FX gains in Q1 2017).

Profitability of the Pharmaceuticals segment in Q1 2018

Profitability of the Pharmaceuticals segment					Normalized			
(in HRK millions)	Q1 2018	Q1 2017	Δ	%	Q1 2018	Q1 2017	Δ	%
Sales revenue	199.0	189.6	9.4	5.0%	199.0	189.6	9.4	5.0%
Gross profit	102.7	95.2	7.6	7.9%	102.7	96.4	6.4	6.6%
EBITDA*	33.1	29.7	3.4	11.6%	33.1	31.1	2.1	6.7%
EBIT	18.8	19.5	(0.7)	(3.4%)	18.8	20.9	(2.0)	(9.7%)
Net profit after MI	16.0	17.8	(1.8)	(10.1%)	16.0	19.1	(3.2)	(16.5%)
Gross margin	51.6%	50.2%		+143 bp	51.6%	50.8%		+81 bp
EBITDA margin	16.6%	15.7%		+99 bp	16.6%	16.4%		+27 bp
EBIT margin	9.5%	10.3%		-81 bp	9.5%	11.0%		-153 bp
Net margin after MI	8.0%	9.4%		-134 bp	8.0%	10.1%		-206 bp

*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and value adjustments.

Normalised profitability of the Pharmaceuticals segment (Q1 2018 compared to Q1 2017):

- The Pharmaceuticals segment recorded an increase in **gross profit** of 6.6% due to the sales revenues growth, but also due to the positive impact of the sales structure itself, as explained in the "Overview of sales revenues in Q1 2018" section. Cost of goods sold grew by 1.9%, which resulted in a gross margin of 51.6%,
- **Operating profit (EBIT)** is HRK 2.0 million lower due to, among other things, unfavourable FX movements on trade receivables and trade payables (HRK 2.3 million FX losses in Q1 2018; HRK 1.9 million FX gains in Q1 2017) and higher staff costs and costs of services,
- Under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 3.2 million lower. An additional negative effect came from lower foreign exchange gains on borrowings (HRK 4.9 million FX gains in Q1 2018; HRK 6.8 million FX gains in Q1 2017).

Profitability of the Podravka Group in Q1 2018

Profitability of the Podravka Group					Normalized			
(in HRK millions)	**Q1 2018**	**Q1 2017**	**Δ**	**%**	**Q1 2018**	**Q1 2017**	**Δ**	**%**
Sales revenue	988.9	913.2	75.6	8.3%	988.9	913.2	75.6	8.3%
Gross profit	372.2	325.3	46.9	14.4%	372.2	326.5	45.7	14.0%
EBITDA*	135.6	75.8	59.8	78.9%	135.8	78.5	57.4	73.2%
EBIT	87.7	28.2	59.5	210.7%	87.9	30.9	57.0	184.8%
Net profit after MI	69.8	18.0	51.8	287.3%	70.0	20.7	49.4	238.8%
Gross margin	37.6%	35.6%		+201 bp	37.6%	35.8%		+188 bp
EBITDA margin	13.7%	8.3%		+541 bp	13.7%	8.6%		+515 bp
EBIT margin	8.9%	3.1%		+578 bp	8.9%	3.4%		+551 bp
Net margin after MI	7.1%	2.0%		+509 bp	7.1%	2.3%		+482 bp

*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and value adjustments.

Normalised profitability of the Podravka Group (Q1 2018 compared to Q1 2017):

- The Podravka Group recorded 14.0% higher **gross profit**, with the increase in gross profit coming from both business segments. Cost of goods sold grew by 4.9%, which resulted in a gross margin of 37.6%,
- **Operating profit (EBIT)** is HRK 57.0 million higher, which is the result solely of the Food segment operating profit growth. All operating expenses levels (other than cost of goods sold) decreased, while the negative effect came from unfavourable FX movements on trade receivables and trade payables (HRK 6.7 million FX losses in Q1 2018; HRK 4.0 million FX gains in Q1 2017),
- Under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 49.4 million higher. An additional negative effect came from the increase in net finance costs and higher tax expense. The increase in net finance costs arises primarily from the decrease in foreign exchange gains on borrowings (HRK 4.9 million FX gains in Q1 2018; HRK 9.8 million FX gains in Q1 2017), which was not fully compensated by lower interest expense.

Key characteristics of the income statement in Q1 2018

Other income and expenses, net

In Q1 2018, other income and expenses amounted to negative HRK 2.2 million, while in the comparative period they amounted to positive HRK 6.2 million. In Q1 2018, foreign exchange differences from trade receivables and trade payables amounted to negative HRK 6.7 million, while in the comparative period they amounted to positive HRK 4.0 million.

Cost of goods sold

Cost of goods sold in the observed period is 4.9% higher compared to Q1 2017, as a consequence of higher sales in both business segments. At the normalised level, cost of goods sold is 5.1% higher.

General and administrative expenses

In Q1 2018, general and administrative expenses were 10.1% lower than in the comparative period, primarily as a result of the absence of share option expenses that amounted to HRK 9.0 million in Q1 2017, and lower costs of termination benefits (HRK 0.2 million in Q1 2018; HRK 1.5 million in Q1 2017). At the normalised level, general and administrative expenses are 8.7% lower.

Selling and distribution costs

In the observed period, selling and distribution costs are 6.7% lower compared to Q1 2017 due to, among other, lower amortisation costs. In Q1 2017, selling costs included HRK 2.5 million of distribution rights amortisation, that is absent in Q1 2018.

Marketing expenses

In Q1 2018, marketing expenses are 4.4% lower than in the comparative period, mainly as a result of fewer marketing activities in the Food segment.

Net finance costs

In the observed period, net finance costs amounted to negative HRK 0.2 million, while in the comparative period they amounted to positive HRK 1.7 million. The main reason for positive net finance costs in Q1 2017 was HRK 9.8 million of foreign exchange gains on borrowings, which in Q1 2018 amounted to positive HRK 4.9 million. At the same time, interest expense is 26.2% lower due to refinancing of borrowings under more favourable commercial terms.

Income tax

In Q1 2018, income tax of the Podravka Group was 89.3% higher than in the comparative period, primarily as a result of higher profit before tax realised in the Food segment.

Key characteristics of the balance sheet as at 31 March 2018

Property, plant and equipment

Compared to 31 December 2017, property, plant and equipment of the Podravka Group are HRK 39.9 million lower, which is partly related to the reclassification of the Podravka Afrika company's assets to assets held for sale.

Inventories

Inventories of the Podravka Group are HRK 33.5 million higher compared to 31 December 2017, while they are HRK 33.2 million lower compared to 31 March 2017. The increase in inventories was impacted, among other, by higher inventories of raw materials and supplies in the Pharmaceuticals segment in line with the planned production dynamics in 2018, and the increase in inventories of finished products in the new Belupo factory.

Trade and other receivables

Trade and other receivables of the Podravka Group are HRK 7.9 million higher compared to 31 December 2017, while they are HRK 152.9 million lower compared to 31 March 2017. The significant decrease in trade and other receivables compared to 31 March 2017 is a result of significant impairments at the end of 2017 related to receivables from the Agrokor companies in the amount of HRK 44.1 million, and better collection of receivables in the Pharmaceuticals segment.

Cash and cash equivalents

Cash and cash equivalents of the Podravka Group at the end of the observed period are HRK 166.3 million lower compared to 31 December 2017, as explained in the "Key characteristics of the cash flow statement in Q1 2018" section.

Long-term and short-term borrowings

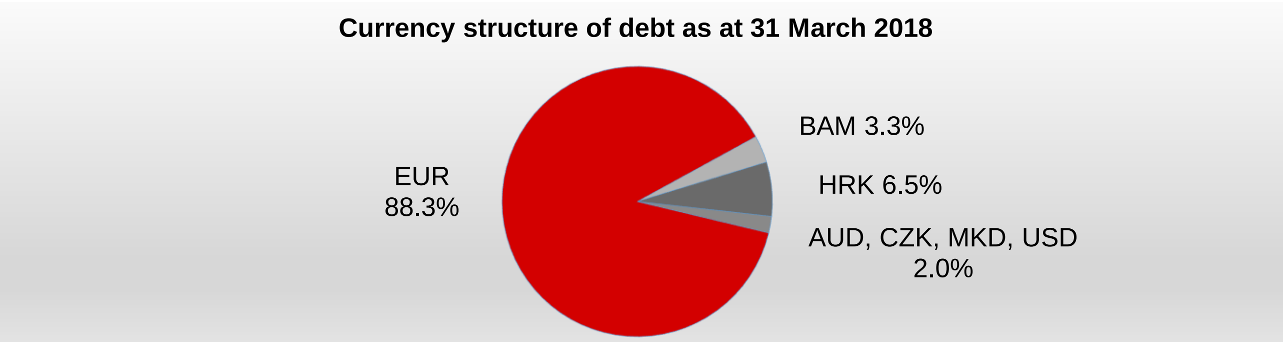
As at 31 March 2018, long-term and short-term borrowings of the Podravka Group are HRK 109.5 million lower than as at 31 December 2017, as the result of repayment of a part of borrowings.

Trade and other payables

Trade and other payables of the Podravka Group are HRK 119.4 million lower compared to 31 December 2017, while they are HRK 138.0 million lower compared to 31 March 2017. The significant decrease in trade and other payables compared to 31 March 2017 was impacted by the settlement of a portion of trade payables for the construction of the new pharmaceuticals factory and the repurchase of recourse bills of exchange from a factoring company.

Indebtedness

As at 31 March 2018, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities amounted to HRK 1,161.3 million, of which HRK 836.8 million relates to long-term borrowings, HRK 323.2 million to short-term borrowings, and HRK 1.2 million to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 31 March 2018 was 1.7%.



Analysing the debt currency structure, the highest exposure, of 88.3% was toward the Euro, while 6.5% of the debt was in the domestic currency. 3.3% of the debt was in the Bosnia and Herzegovina mark, while the remainder of 2.0% relates to the Australian dollar (AUD), the Czech koruna (CZK), the Macedonian denar (MKD) and the US dollar (USD).

*(in HRK millions)**	**Q1 2018**	**2017**	**Δ**	**%**
Net debt	965.5	909.1	56.4	6.2%
TTM interest expense	25.0	26.9	(1.8)	(6.9%)
Net debt / normalised EBITDA	2.0	2.1	(0.1)	(6.2%)
Normalised EBIT / Interest expense	12.3	9.3	3.0	31.7%
Equity to total assets ratio	60.4%	57.2%		+314 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 31 March 2018 compared to 31 December 2017 is primarily a result of the decrease in cash and cash equivalents of HRK 166.3 million, which was not fully compensated for by the repayment of a portion of borrowings in the amount of HRK 108.9 million. The increase in normalised EBITDA led to a lower net debt to normalised EBITDA ratio, while the increase in normalised EBIT impacted the increase in the interest coverage ratio.

Key characteristics of the cash flow statement in Q1 2018

(in HRK millions)	**Q1 2018**	**Q1 2017**	**Δ**
Net cash flow from operating activities	(41.4)	48.1	(89.5)
Net cash flow from investing activities	(23.7)	(83.9)	60.2
Net cash flow from financing activities	(101.1)	(51.4)	(49.8)
Net increase / (decrease) of cash and cash equivalents	**(166.3)**	**(87.1)**	**(79.1)**

Net cash flow from operating activities

In Q1 2018, net cash flow from operating activities is HRK 89.5 million lower than in the comparative period, primarily as a result of different dynamics of movements in working capital.

Net cash flow from investing activities

Net cash flow from investing activities in the period under consideration amounted to negative HRK 23.7 million. This is primarily the result of capital expenditure amounting to HRK 25.5 million. The most significant **capital expenditure** in Q1 2018 was related to:

- Investment in modernisation of equipment in the Kalnik factory, for the purpose of improving production efficiency and profitability, and
- Investment in modernisation of equipment in factories Mirna, Povrće Umag, Vegeta and Lagris.

In 2018, **capital expenditure is expected** to be at a level of HRK 217.4 million, in 2019 at a level of HRK 250 - 300 million and in the 2020-2022 period at a level of approximately HRK 200 million.

Net cash flow from financing activities

In Q1 2018, net cash flow from financing activities amounted to negative HRK 101.1 million, primarily as a result of repaid borrowings in the amount of HRK 108.9 million.

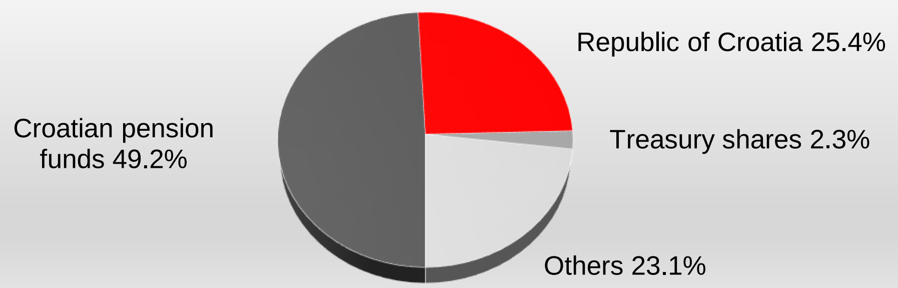
Share in Q1 2018

List of top 10 shareholders as at 31 March 2018

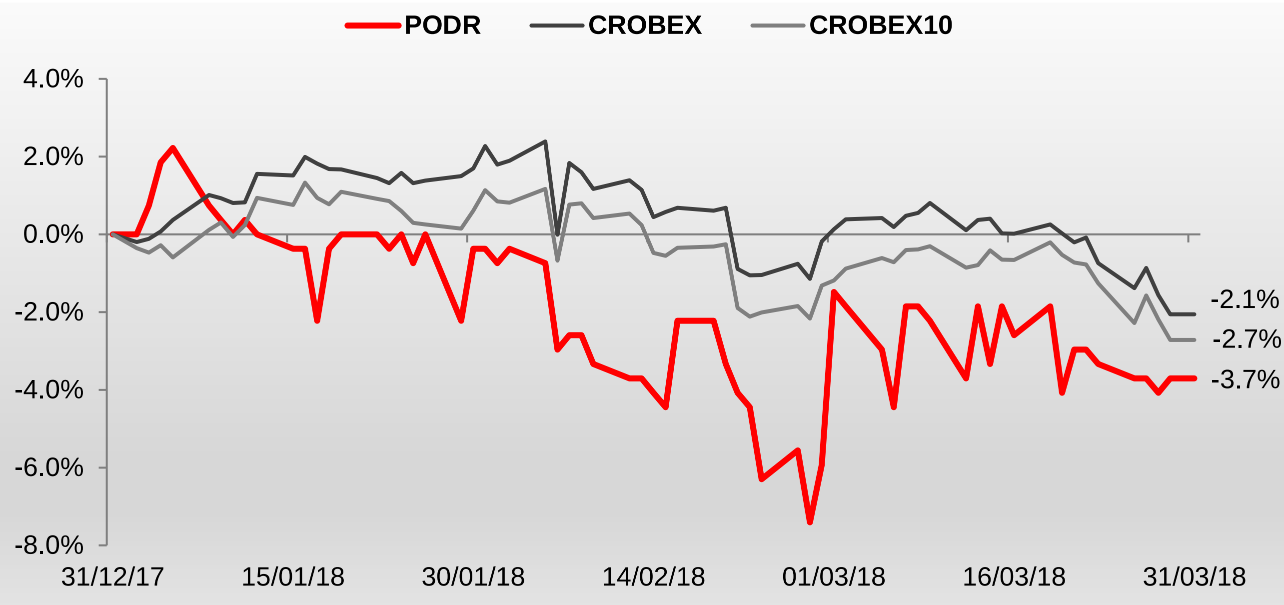
No.	Shareholder	Number of shares	% of ownership
1	PBZ Croatia Osiguranje mandatory pension fund, category B	925,602	13.0%
2	AZ mandatory pension fund, category B	902,874	12.7%
3	RSC - Croatian Pension Insurance Institute	727,703	10.2%
4	Erste Plavi mandatory pension fund, category B	665,166	9.3%
5	Raiffeisen 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 31 March 2018, domestic pension funds (mandatory and voluntary) hold a total of 49.2% 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 31 March 2018. 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 31 March 2018



Share price movement in Q1 2018



(closing price in HRK; closing points)	**31 March 2018**	**31 December 2017**	**%**
PODR	260.0	270.0	(3.7%)
CROBEX	1,804.97	1,842.9	(2.1%)
CROBEX10	1,047.61	1,076.9	(2.7%)

In Q1 2018, the price of Podravka's share decreased by 3.7%, while domestic stock indices Crobex and Crobex10 dropped by 2.1% and 2.7%, respectively.

Performance in the Croatian capital market in Q1 2018

(in HRK; in units) [4]	**Q1 2018**	**Q1 2017**	**%**
Weighted average daily price	265.0	388.6	(31.8%)
Average daily number of transactions	13	27	(53.0%)
Average daily volume	1,534	1,964	(21.9%)
Average daily turnover	406,529.9	763,020.9	(46.7%)

In Q1 2018, the average weighted daily price of the Podravka's share was 31.8% lower than in the comparative period. At the same time, the average daily number of transactions, volume and turnover decreased.

[4] Weighted 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)**	Q1 2018	2017	%
Last price	260.0	270.0	(3.7%)
Weighted average number of shares	6,954,588	6,952,372	0.0%
Market capitalization	1,808.2	1,877.1	(3.7%)
EV[5]	2,811.6	2,822.9	(0.4%)
Normalized earnings per share	30.9	23.8	29.8%
EV / Sales revenue	0.7	0.7	(2.2%)
EV / normalized EBITDA	5.7	6.5	(12.0%)
EV / normalized EBIT	9.1	11.2	(18.8%)
Last price / Earnings per share ratio	8.4	11.3	(25.8%)

***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.

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

Additional tables for Q1 2018

Overview of profit and loss normalization in Q1 2018*

Reported and normalized profitability	Q1 2018			Q1 2017		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma
Reported gross profit	**372.2**	**269.4**	**102.7**	**325.3**	**230.1**	**95.2**
+new pharmaceuticals factory expenses with amortization	-	-	-	1.2	-	1.2
Normalized gross profit	**372.2**	**269.4**	**102.7**	**326.5**	**230.1**	**96.4**
Reported EBITDA	**135.6**	**102.5**	**33.1**	**75.8**	**46.1**	**29.7**
+severance payments	0.2	0.2	-	1.5	1.3	0.2
+new pharmaceuticals factory expenses without amortization	-	-	-	1.2	-	1.2
Normalized EBITDA	**135.8**	**102.7**	**33.1**	**78.5**	**47.4**	**31.1**
Reported EBIT	**87.7**	**68.8**	**18.8**	**28.2**	**8.7**	**19.5**
+severance payments	0.2	0.2	-	1.5	1.3	0.2
+new pharmaceuticals factory expenses with amortization	-	-	-	1.2	-	1.2
Normalized EBIT	**87.9**	**69.1**	**18.8**	**30.9**	**10.0**	**20.9**
Reported net profit after minorities	**69.8**	**53.8**	**16.0**	**18.0**	**0.3**	**17.8**
+severance payments	0.2	0.2	-	1.5	1.3	0.2
+new pharmaceuticals factory expenses with amortization	-	-	-	1.2	-	1.2
Normalized net profit after minorities	**70.0**	**54.1**	**16.0**	**20.7**	**1.5**	**19.1**

***Note:** normalization of results doesn't include potential tax impacts that would arise from the normalization process.

Consolidated financial statements in Q1 2018

Consolidated Profit and Loss Statement in Q1 2018

(in HRK thousands)	Q1 2018	% of sales revenues	Q1 2017	% of sales revenues	%
Sales revenue	988,852	100.0%	913,206	100.0%	8.3%
Cost of goods sold	(616,688)	(62.4%)	(587,896)	(64.4%)	4.9%
Gross profit	**372,165**	**37.6%**	**325,310**	**35.6%**	**14.4%**
General and administrative expenses	(71,331)	(7.2%)	(79,348)	(8.7%)	(10.1%)
Selling and distribution costs	(132,302)	(13.4%)	(141,736)	(15.5%)	(6.7%)
Marketing expenses	(78,612)	(7.9%)	(82,192)	(9.0%)	(4.4%)
Other (expenses) / income, net	(2,245)	(0.2%)	6,181	0.7%	(136.3%)
Operating profit	**87,674**	**8.9%**	**28,217**	**3.1%**	**210.7%**
Financial income	453	0.0%	783	0.1%	(42.1%)
Other financial expenses	(290)	(0.0%)	(1,864)	(0.2%)	(84.4%)
Interest expenses	(5,179)	(0.5%)	(7,020)	(0.8%)	(26.2%)
Net foreign exchange differences on borrowings	4,860	0.5%	9,814	1.1%	(50.5%)
Net finance costs	**(156)**	**(0.0%)**	**1,712**	**0.2%**	**109.1%**
Profit before tax	**87,518**	**8.9%**	**29,929**	**3.3%**	**192.4%**
Current income tax	(13,551)	(1.4%)	(5,182)	(0.6%)	161.5%
Deferred tax	(2,848)	(0.3%)	(3,481)	(0.4%)	(18.2%)
Income tax	**(16,400)**	**(1.7%)**	**(8,663)**	**(0.9%)**	**89.3%**
Net profit for the year	**71,119**	**7.2%**	**21,266**	**2.3%**	**234.4%**
Net profit / (loss) attributable to:					
Equity holders of the parent	**69,807**	**7.1%**	**18,024**	**2.0%**	**287.3%**
Non-controlling interests	(1,311)	(0.1%)	(3,242)	(0.4%)	(59.6%)

Consolidated Balance Sheet as at 31 March 2018

((in HRK thousands)	31 Mar. 2018	% share	31 Dec. 2017	% share	% change
ASSETS					
Non-current assets					
Goodwill	27,402	0.6%	27,402	0.5%	0.0%
Intangible assets	234,867	4.8%	240,235	4.7%	(2.2%)
Property, plant and equipment	2,278,073	46.5%	2,317,992	45.8%	(1.7%)
Deferred tax assets	166,711	3.4%	170,386	3.4%	(2.2%)
Non-current financial assets	9,622	0.2%	9,746	0.2%	(1.3%)
Total non-current assets	**2,716,675**	**55.4%**	**2,765,760**	**54.6%**	**(1.8%)**
Current assets					
Inventories	839,334	17.1%	805,805	15.9%	4.2%
Trade and other receivables	955,383	19.5%	947,493	18.7%	0.8%
Financial assets at fair value through profit and loss	321	0.0%	511	0.0%	(37.2%)
Income tax receivable	2,064	0.0%	1,569	0.0%	31.5%
Cash and cash equivalents	195,806	4.0%	362,082	7.2%	(45.9%)
Non-current assets held for sale	192,772	3.9%	178,161	3.5%	8.2%
Total current assets	**2,185,680**	**44.6%**	**2,295,621**	**45.4%**	**(4.8%)**
Total assets	**4,902,355**	**100.0%**	**5,061,382**	**100.0%**	**(3.1%)**

(in HRK thousands)	31 Mar. 2018	% share	31 Dec. 2017	% share	% change
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,689,947	34.5%	1,689,947	33.4%	0.0%
Reserves	758,790	15.5%	766,862	15.2%	(1.1%)
Retained earnings / (accumulated losses)	473,110	9.7%	403,303	8.0%	17.3%
Attributable to equity holders of the parent	**2,921,847**	**59.6%**	**2,860,112**	**56.5%**	**2.2%**
Non-controlling interests	37,874	0.8%	36,671	0.7%	3.3%
Total shareholders' equity	**2,959,721**	**60.4%**	**2,896,783**	**57.2%**	**2.2%**
Non-current liabilities					
Borrowings	836,806	17.1%	915,210	18.1%	(8.6%)
Provisions	72,453	1.5%	74,122	1.5%	(2.3%)
Other non - current liabilities	21,931	0.4%	22,465	0.4%	(2.4%)
Deferred tax liability	45,768	0.9%	46,692	0.9%	(2.0%)
Total non-current liabilities	**976,958**	**19.9%**	**1,058,489**	**20.9%**	**(7.7%)**
Current liabilities					
Trade and other payables	600,409	12.2%	719,791	14.2%	(16.6%)
Income tax payable	16,342	0.3%	5,433	0.1%	200.8%
Financial liabilities at fair value through profit and loss	1,238	0.0%	1,631	0.0%	(24.1%)
Borrowings	323,248	6.6%	354,304	7.0%	(8.8%)
Provisions	24,440	0.5%	24,951	0.5%	(2.0%)
Total current liabilities	**965,677**	**19.7%**	**1,106,110**	**21.9%**	**(12.7%)**
Total liabilities	**1,942,634**	**39.6%**	**2,164,599**	**42.8%**	**(10.3%)**
Total equity and liabilities	**4,902,355**	**100.0%**	**5,061,382**	**100.0%**	**(3.1%)**

Consolidated Cash Flow Statement in Q1 2018

(in HRK thousands)	Q1 2018	Q1 2017	%
Profit / (loss) for the year	**71,118**	**21,266**	**234.4%**
Income tax	16,400	8,663	89.3%
Depreciation and amortization	47,945	47,590	0.7%
Subsidiary liquidation	(2,211)	-	100.0%
Remeasurement of financial instruments at fair value	(202)	870	(123.2%)
Share based payment transactions	-	8,961	(100.0%)
(Profit) / Loss on disposal of property, plant, equipment and intangibles	(4)	(454)	(99.1%)
(Profit) / Loss on disposal of assets held for sale	(5)	6	(183.3%)
Impairment of trade receivables	1,131	(1,882)	(160.1%)
(Decrease) / Increase in provisions	(2,180)	650	(435.4%)
Interest income	(453)	(783)	(42.1%)
Interest expense	5,469	5,234	4.5%
Effect of changes in foreign exchange rates	(9,358)	(16,203)	(42.2%)
Changes in working capital:			
(Increase) / decrease in inventories	(33,529)	(32,556)	3.0%
(Increase) / decrease in trade receivables	(9,022)	71,384	(112.6%)
Increase / (decrease) in trade payables	(117,284)	(51,284)	128.7%
Cash generated from operations	**(32,185)**	**61,462**	**(152.4%)**
Income tax paid	(3,138)	(8,242)	(61.9%)
Interest paid	(6,109)	(5,108)	19.6%
Net cash from operating activities	**(41,342)**	**48,112**	**(186.1%)**
Cash flow from investing activities			
Purchase of property, plant, equipment and intangibles	(24,471)	(84,685)	(71.1%)
Proceeds from sale of property, plant, equipment and intangibles	260	801	(67.5%)
Repayment of loans receivable	52	51	2.0%
Proceeds from other investments	-	(859)	100.0%
Collected interest	453	783	(42.1%)
Net cash from investing activities	**(23,706)**	**(83,909)**	**71.5%**
Cash flow from financing activities			
Acquisition of subsidiaries, net of gained money	-	(772)	100.0%
Sale of of treasury shares	-	6,945	(100.0%)
Proceeds from borrowings	7,727	16,422	(52.9%)
Repayment of borrowings	(108,865)	(73,951)	47.2%
Net cash from financing activities	**(101,138)**	**(51,356)**	**96.9%**
Net (decrease) / increase of cash and cash equivalents	**(166,276)**	**(87,153)**	**90.8%**
Cash and cash equivalents at beginning of the year	362,082	337,611	7.2%
Cash and cash equivalents at the end of year	**195,806**	**250,458**	**(21.8%)**

Consolidated Statement of Changes in Equity in Q1 2018

(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 2016	**1,681,261**	**147,604**	**41,937**	**189,738**	**55,555**	**177,809**	**583,272**	**2,877,176**	**49,218**	**2,817,757**
Comprehensive income										
Profit for the year	-	-	-	-	-	-	18,250	18,250	5,581	23,831
Foreign exchange differences	-	-	-	-	-	3,755	-	3,755	(430)	3,325
Profit or loss from reevaluation of financial assets available for sale	-	-	-	-	-	827	-	827	-	827
Actuarial losses (net of deferred tax)	-	-	-	-	-	(999)	-	(999)	-	(999)
Other comprehensive income	-	-	-	-	-	3,583	-	3,583	(430)	3,153
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**3,583**	**18,250**	**21,833**	**5,151**	**26,984**
Transactions with owners recognised directly in equity										
Dividends paid to the minority shareholder							-	-	(15,776)	(15,776)
Allocation from retained earnings	-	-	8,966	-	3,015	137,596	(149,577)	-	-	-
Exercise of options	(3,269)	-	-	-	-	-	-	(3,269)	-	(3,269)
Fair value of share-based payment transactions	11,955	-	-	-	-	-	-	11,955	-	11,955
Dividends paid	-	-	-	-	-	-	(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	**8,686**	**-**	**8,966**	**-**	**3,015**	**138,655**	**(198,219)**	**(38,897)**	**(17,698)**	**(56,595)**
As at 31 December 2017	**1,689,947**	**147,604**	**50,903**	**189,738**	**58,570**	**320,047**	**403,303**	**2,860,112**	**36,671**	**2,896,783**
Comprehensive income										
Profit for the year	-	-	-	-	-	-	69,807	69,807	1,311	71,118
Foreign exchange differences	-	-	-	-	-	(7,792)	-	(7,792)	(108)	(7,900)
Other comprehensive income	-	-	-	-	-	(7,792)	-	(7,792)	(108)	(7,900)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(7,792)**	**69,807**	**62,015**	**1,203**	**63,218**
Transactions with owners recognised directly in equity										
Liquidation of subsidiaries	-	-	-	-	-	(280)	-	(280)	-	(280)
Total transactions with owners recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**(280)**	**-**	**(280)**	**-**	**(280)**
As at 31 March 2018	**1,689,947**	**147,604**	**50,903**	**189,738**	**58,570**	**311,975**	**473,110**	**2,921,847**	**37,874**	**2,959,721**

Notes to the financial statements

The accounting policy in Q1 2018 did not change.

President of the Management Board:

Marin Pucar

Statement of liability

Koprivnica, 25 April 2018

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of Podravka Group for the period 1 - 3 2018 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 1 - 3 2018 were approved by the Management Board of PODRAVKA d.d. on 25 April 2018.

Corporate Accounting and Taxes Director:
Julijana Artner Kukec

Board Member:
Davor Doko

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