CORPORATE COMMUNICATION

Koprivnica, 28th February, 2018

MEDIA RELEASE

PODRAVKA GROUP UNAUDITED BUSINESS RESULTS FOR 2017

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

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

At today's session, the Supervisory Board of Podravka Inc. confirmed the unaudited financial results of Podravka Group for 2017, expressing also their unanimous support to the Management Board regarding the manner they conducting the business in the last year, which was marked by numerous business challenges.

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

When it comes to the sales revenues on foreign markets, the revenues growth in the Eastern Europe region should be emphasized, amounting to 9.4 percent.

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

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