



Podravka Inc. 2018 General Assembly

12th June 2018, Koprivnica





Annual Financial Reports for 2017

Key highlights of 2017

Business results for Q1 2018

Annual Financial Reports for PODRAVKA Group and Podravka Inc. for 2017

- Management Board of PODRAVKA Inc. authorised on 25th April 2018 audited annual financial statements of PODRAVKA Group and Podravka Inc. for 2017, that were also confirmed by Supervisory Board of Podravka Inc. on April 25th 2018,
- The annual reports were published on April 25th 2018 and made available to all shareholders through the Zagreb Stock Exchange, HANFA and the Company's website,
- Copies of these reports are provided to the interested shareholders.



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Key highlights of 2017

Business results for Q1 2018

Changes in the Supervisory Board and Management Board of Podravka Inc.



- General Assembly of Podravka Inc. was held on 21st February 2017:
 - Resolution on the recall of Supervisory Board members Mato Crikvenac and Ivo Družić,
 - Resolution on the election of Supervisory Board members Marko Kolaković, Slavko Tešija, Luka Burilović and Damir Grbavac,

- Supervisory Board meeting of Podravka Inc. was held on 23rd February 2017:
 - Resolution on appointment of Management Board president Marin Pucar and members Ljiljana Šapina, Iva Brajević (term expires on 30th April 2017) and Hrvoje Kolarić,
 - As of 1st May 2017 Davor Doko is appointed as Management Board member,

- Supervisory Board meeting of Podravka Inc. was held on 18th July 2017:
 - Resolution on appointment of Management Board member Marko Đerek as of 19th July 2017.

Exposure of the Podravka Inc. to the key buyer in the Adria region

The logo for Agrokor, consisting of the word "AGROKOR" in white, uppercase, sans-serif font, centered within a solid red rectangular background.

- As of 10 April 2017, the extraordinary administration over companies in the Agrokor Group headquartered in Croatia was initiated → 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 extraordinary administration accepted 99.3% of the reported receivables,
- As at 31 December 2017, receivables of Podravka Inc. from the Agrokor companies in the Croatian market amounted to HRK 101.2 million, of which HRK 57.9 million relates to “border debt”, HRK 6.1 million to “old debt”, while the remaining portion relates to receivables from regular operations,
- In April 2018, in line with available relevant information on the settlement within the extraordinary administration procedure, the Podravka Inc. estimated the recoverability of the reported receivables and made value adjustments in the amount of HRK 44.1 million, which was booked in 2017.

Redefining business models on the markets of Africa, MENA and China

- Performed analyses determined that operations on the markets of Africa, MENA and China are not sustainable:
 - Continuous deviation from business plans on which the business decision to invest in these markets was grounded,
 - Total cash expenditure for these markets since the beginning of 2015 is estimated at HRK 150 million, while at the same time revenue of slightly over HRK 20 million was recorded,
 - The estimated total negative result in 2017 amounts to HRK 27.9 million on the EBITDA level, or HRK 51.6 million on the net profit level,
- Consequently, Podravka Inc. management adopted decisions to:
 - Terminate business operations in Tanzania,
 - Introduce business model with lower expenses in MENA market. Final decision on operations in this region will be made after business results for the first six months of 2018.,
 - Terminate business operations in China.



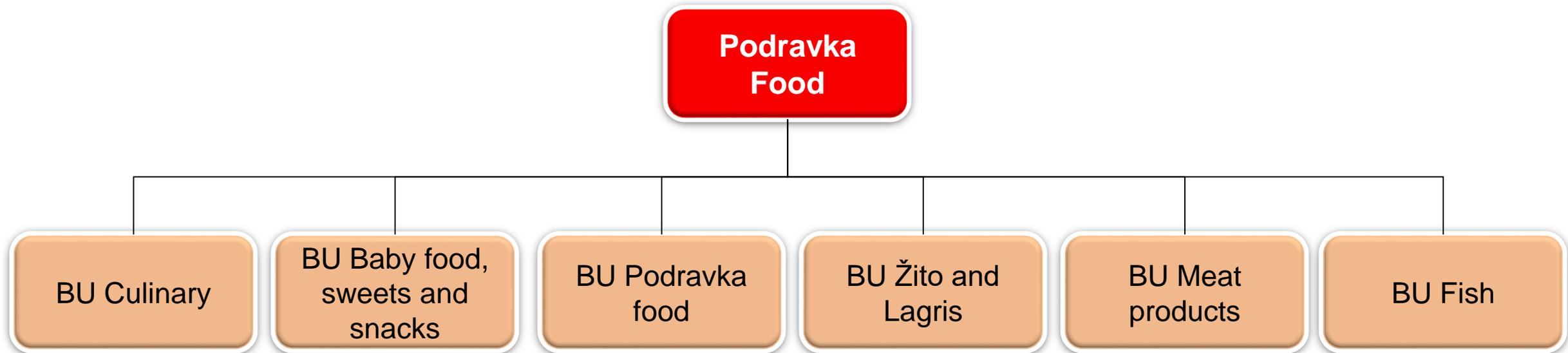
Commissioning of the new pharmaceuticals factory

- On 16th May 2017 a new Belupo production plant for solid, semi-solid and liquid drugs was opened:
 - Total value of investment is HRK 535 million,
 - 45% of investment was funded through own funds, while 55% of investment was secured by a loan from the Croatian Bank for Reconstruction and Development,
 - Increased production capacity by 150%,
 - Employment of two hundred workers,
- On 7th December 2017 the Production permit was issued by The Agency for Medicinal Products and Medical Devices of Croatia,
- The new factory will start to operate with full capacity after the technology transfer is completed, earliest at the end of 2018.



Business units – 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 based on business units:



- Each business unit is responsible for sales, profitability of the business unit, 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.

Other key highlights

- Refinancing borrowings of Podravka Group under more favourable terms:
 - In 2017, refinanced borrowings of HRK 227.5 million and more favourable commercial terms were agreed for EUR 37.2 million borrowing used for the construction of the new Belupo factory,
 - In January 2018, borrowings of HRK 105.0 million were refinanced under more favourable commercial terms,
 - In 2018 savings of HRK 9.3 million on interest expense are expected and based on current market terms, projected savings until final maturities of the borrowings amount to HRK 25.4 million,
- Stricter control of investments (CAPEX) in 2017 and plans for 2018:
 - In 2017 only HRK 203.8 million was realized out of planned HRK 325.8 million. Planned Capex for 2018 is HRK 217.4 million,
- Stable dividend policy implementation continues:
 - Approved and distributed dividend of HRK 7.00 per share in 2017. Proposal for 2018 dividend in the same amount.





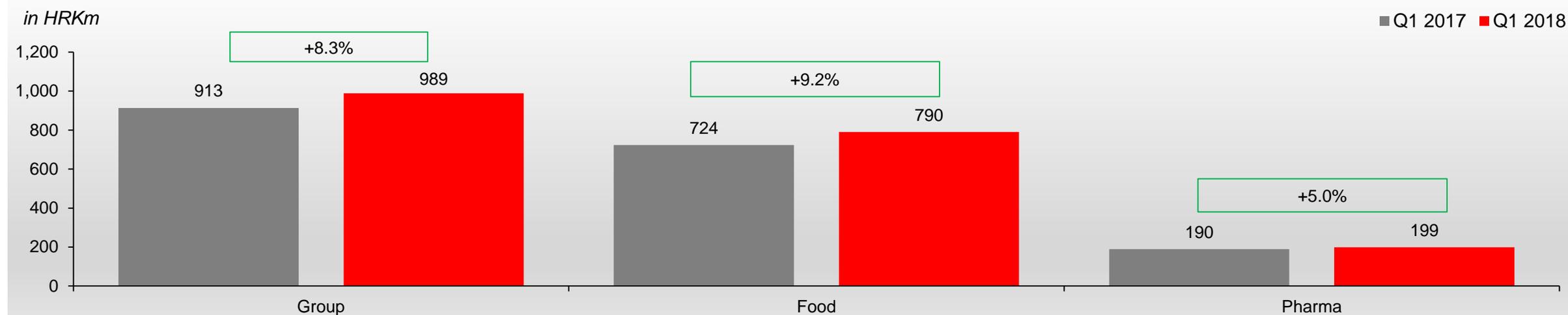
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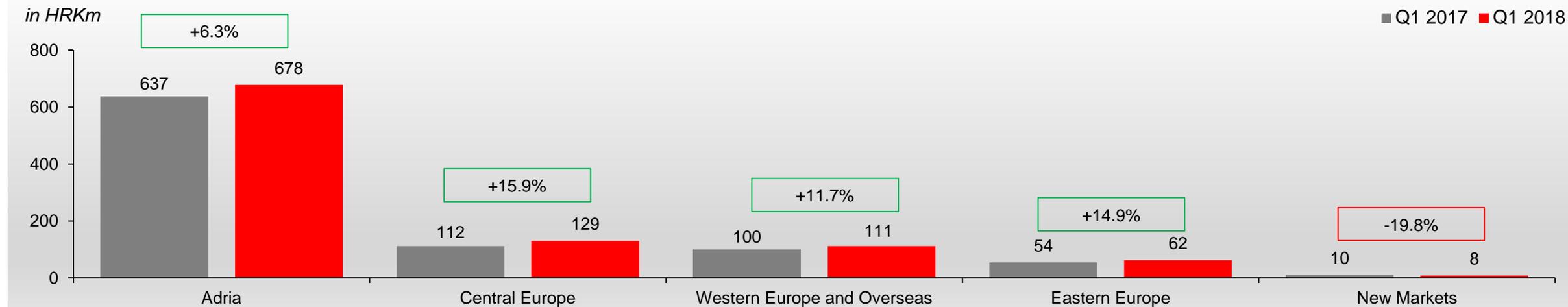
Business results for Q1 2018

Strong sales revenues growth in Q1 2018

Sales revenues by segment

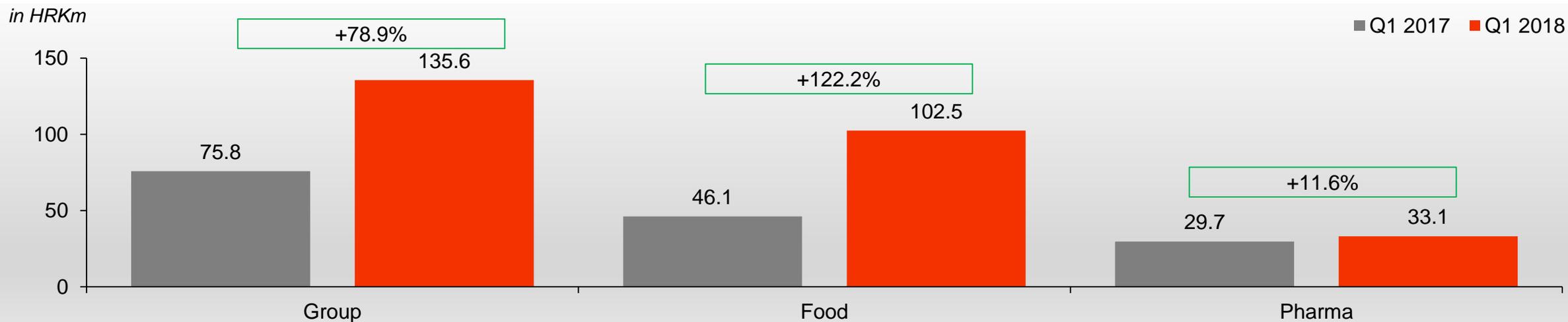


Sales revenues by region

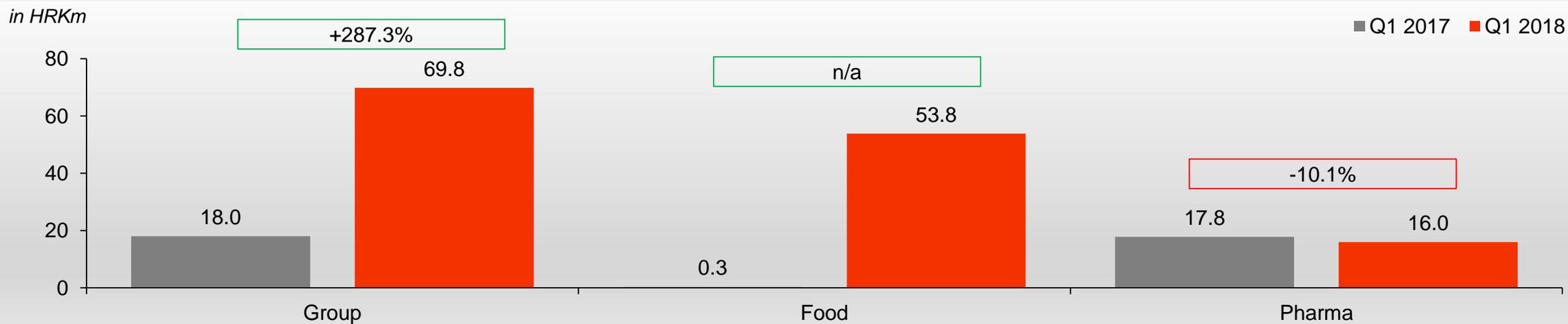


Strong growth of profitability in Q1 2018

EBITDA by segment



Net profit by segment





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