



Podravka Group

Always with a heart!

Erste Investor Conference, Stegersbach, 10th-11th October 2018





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Podravka Group at a glance



BUSINESS:

- Branded food – primary business,
- Generic pharmaceuticals.



2017 FIGURES:

- HRK 4,111m (EUR 541m) of sales,
- HRK 5,106m (EUR 672m) of assets,
- 6,306 employees.

YEAR OF ESTABLISHMENT: 1947

- 71 years in food production,
- 46 years in pharma production,
- Culinary institution in SEE.



HEADQUARTERS:

- Koprivnica, Croatia.



MAIN MARKETS:

- South East Europe,
- Central Europe,
- Eastern Europe.



SHARE LISTING:

- Zagreb Stock Exchange, Croatia,
- 7,120,003 ordinary shares,
- MCap of HRK 2,407m (EUR 317m).*

Note: all figures in this presentation are translated to euros at HRK/EUR FX rate of 7.6 to avoid FX differences; *MCap on 5th October 2018, calculated on weighted average number of shares excluding treasury shares.

Long tradition of food and pharmaceutical production



1934

Fruit processing and marmalade workshop by brothers Wolf established



1947

Wolf brothers workshop became publicly owned under Podravka name



1952

Condiments, dried and sterilized vegetables, etc. production established



1957

Famous Podravka soups production established



1958

Production of meat products established



1959

Vegeta, universal seasoning, production established



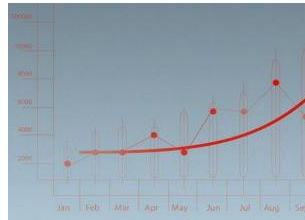
1970

Baby food production established



1972

Belupo pharmaceutical company established, pharmaceutical production established



1993

Podravka became a joint-stock company, free share trading from 1994



2012

Commencement of full-scale restructuring process



2015

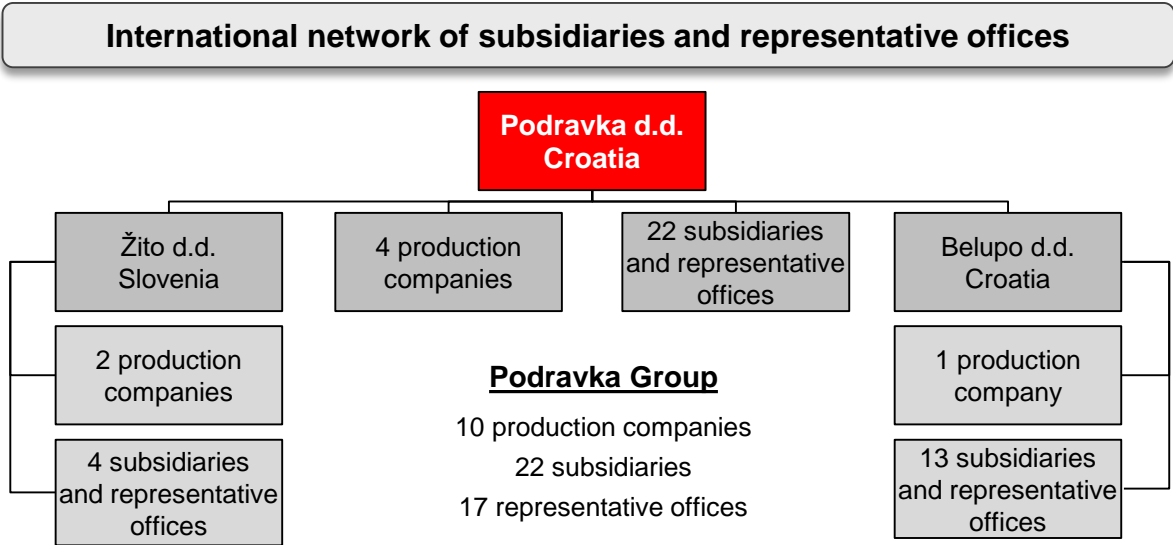
Žito, Slovenian food producer, acquisition



2017

Construction of new pharmaceutical factory, the largest greenfield investment in Group history

Podravka Group is present in 25 countries with subsidiaries and representative offices

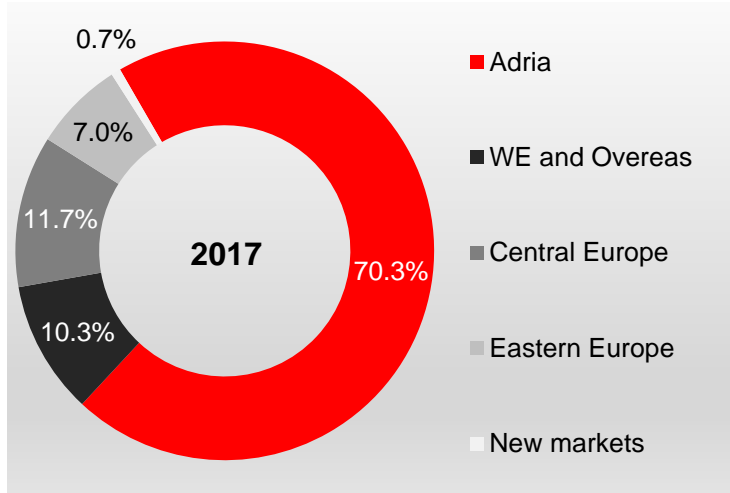


Own distribution network in 11 countries

1. Bosnia and Herzegovina
2. Czech Republic
3. Montenegro
4. Croatia
5. Hungary
6. Macedonia
7. Poland
8. Slovakia
9. Slovenia
10. Serbia
11. Russia



Podravka Group sales split by regions in 2017



Market	HRKm	EURm	%
Croatia	1,355	178	33.0%
Slovenia	742	98	18.0%
B&H	430	57	10.5%
Russia	264	35	6.4%
Other m.	1,320	173	32.1%
Group	4,111	541	100.0%

Institutional investors provide stable ownership structure

Management board



Marin Pucar,
MB president



Ljiljana Šapina,
MB member



Davor Doko,
MB member



Hrvoje Kolarić,
MB member



Marko Đerek,
MB member

Supervisory board

President:

- Dubravko Štimac → president of MB of PBZ CO OPF

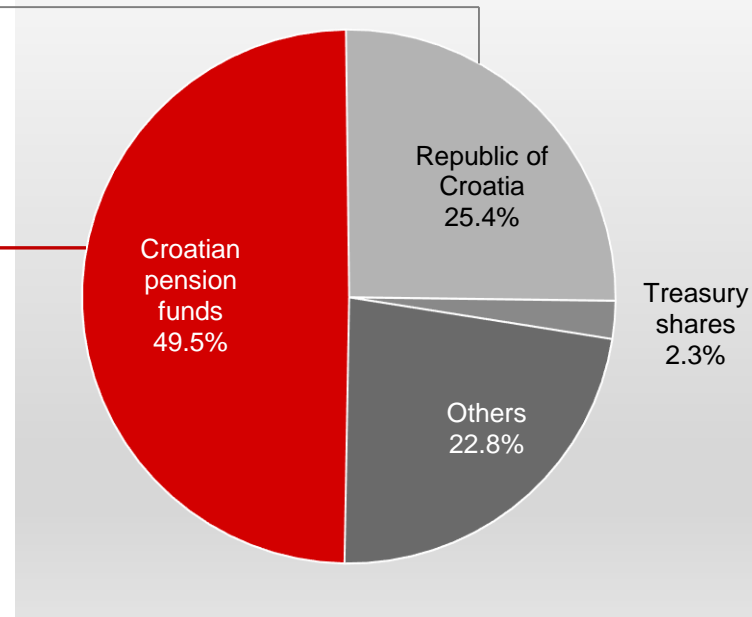
Vice President:

- Luka Burilović → president of Croatian Chamber of Economy

Members:

- Ksenija Horvat → workers representative
- Krunoslav Vitelj → director of regional CCE
- Dajana Milodanović → banker in HPB
- Damir Grbavac → president of MB of RBA OPF
- Petar Vlaić → president of MB of Erste Plavi OPF
- Ivana Matovina → professional auditor
- Petar Miladin → academy professor of law

Shareholder structure as at 30 June 2018



Audit committee

President:

- Ivana Matovina

Members:

- Dubravko Štimac, Petar Vlaić

Remuneration committee

President:

- Luka Burilović

Members:

- Dubravko Štimac, Petar Miladin

Corporate governance committee

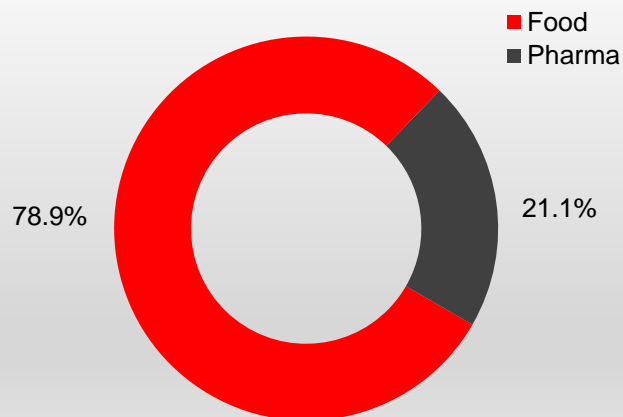
Members:

- Petar Miladin, Petar Vlaić, Luka Burilović

Snapshot of key financial figures

Reported sales revenues split

Reported sales revenues in 2017

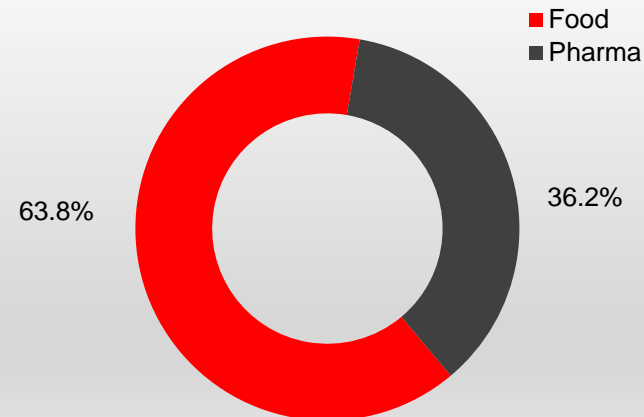


2017 sales	HRKm
Food	3,244
Pharma	867
Group	4,111

2017 sales	EURm
Food	427
Pharma	114
Group	541

Normalized EBITDA split

Normalized EBITDA in 2017

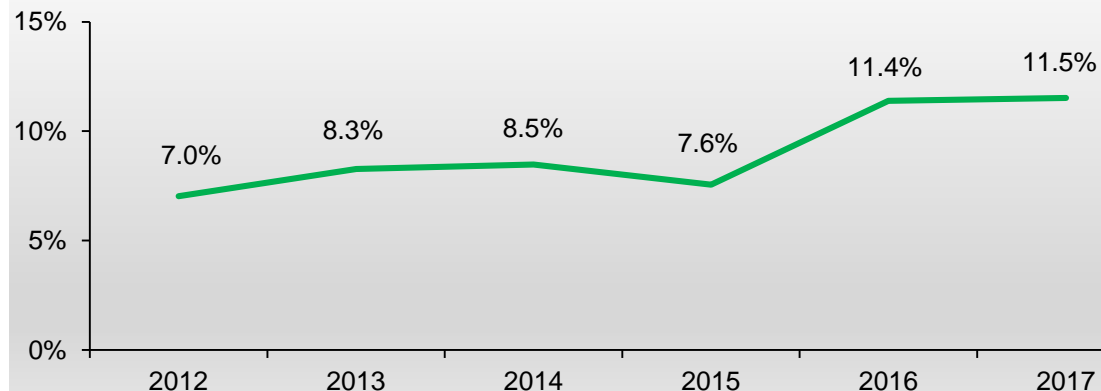


2017 EBITDA	HRKm
Food	277
Pharma	157
Group	435

2017 EBITDA	EURm
Food	36
Pharma	21
Group	57

Stable cash position

Net cash flow from operating activities as % of sales revenues¹



Low and sustainable debt level²

2.1
Net debt/
normalized
EBITDA

9.3
Normalized
EBIT/
interest
expense

57.2%
Equity/
total
assets

¹Due to sales revenues reclassification in 2016, 2012-2014 % are made by approximation.

²2017 figures.



The Company

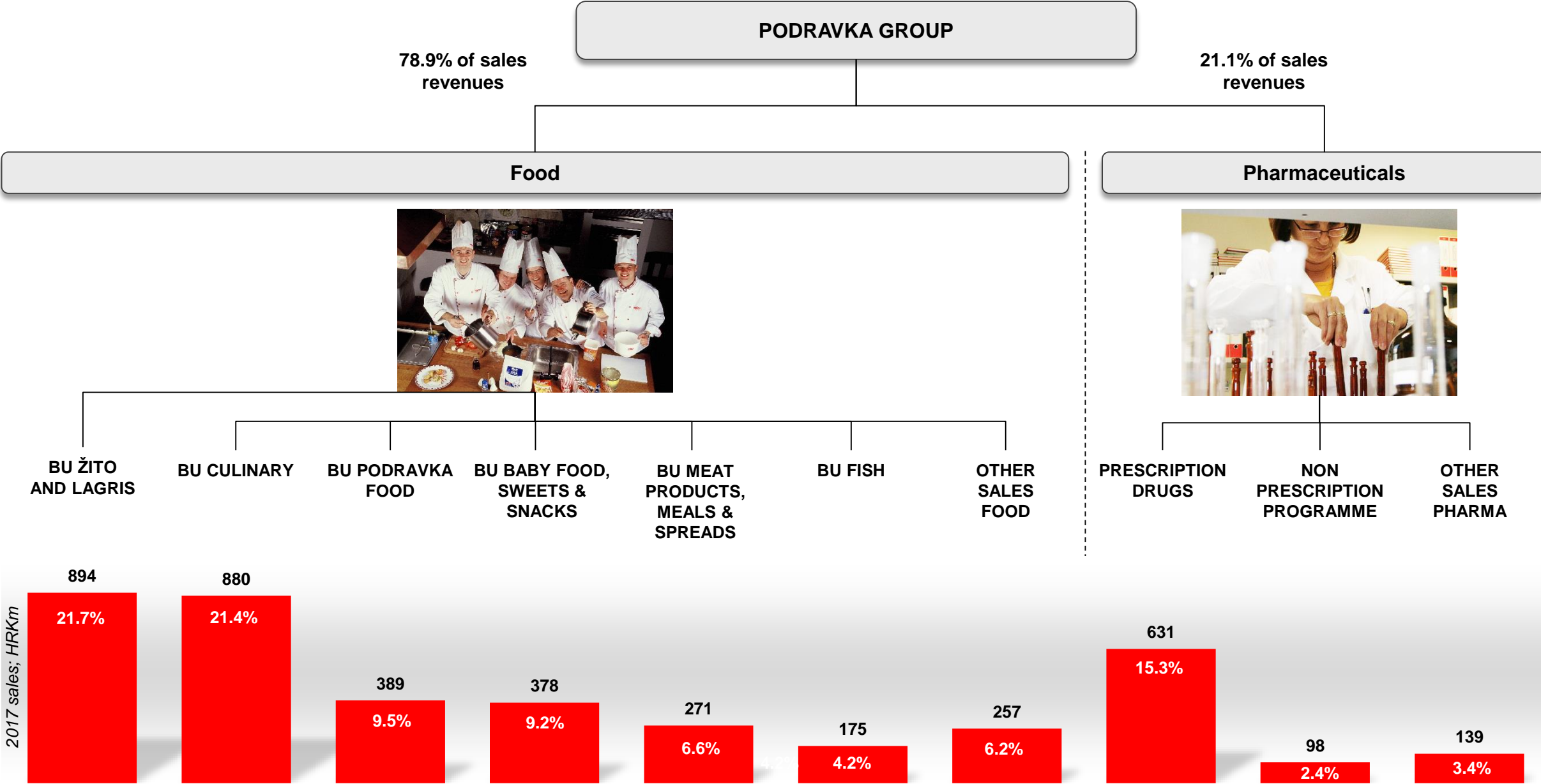
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A well diversified product portfolio divided in two business areas



Culinary category is a cornerstone of food business

Food segment products overview							2017 sales; % of total		
BU ŽITO AND LAGRIS <ul style="list-style-type: none">Core food, bakery and mill products, tea, confectionery, cereals for adults, private labels, service production.	      						HRK 894m	EUR 118m	21.7%
BU CULINARY <ul style="list-style-type: none">Seasonings, monospices, soups, ready-to-cook meals and bouillons, food mixes, private labels, service production.	      						HRK 880m	EUR 116m	21.4%
BU PODRAVKA FOOD <ul style="list-style-type: none">Condiments, tomato, sauces, fruit, vegetables, Podravka flour, private labels, service production.	      						HRK 389m	EUR 51m	9.5%
BU BABY FOOD, SWEETS & SNACKS <ul style="list-style-type: none">Dehydrate baby food, cream spreads, cereals, sweets, snacks, drinks, private labels, service production.	      						HRK 378m	EUR 50m	9.2%
BU MEAT PRODUCTS, MEALS AND SPREADS <ul style="list-style-type: none">Canned meat, sausages, other meat, Food Solution, private labels, service production.	   						HRK 271m	EUR 36m	6.6%
BU FISH <ul style="list-style-type: none">Fish products, private labels, service production.	    						HRK 175m	EUR 23m	4.2%
OTHER SALES <ul style="list-style-type: none">Trade goods, other.	   						HRK 257m	EUR 34m	6.2%

Prescription drugs category is a cornerstone of pharmaceutical business

Pharmaceutical segment products overview	2017 sales; % of total
--	------------------------

PRESCRIPTION DRUGS

- For skin disorders
- For heart and blood vessels,
- For central nervous system,
- For 8 more areas.



HRK 631m EUR 83m 15.3%

NON-PRESCRIPTION PROGRAMME

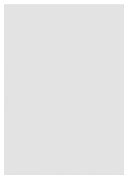
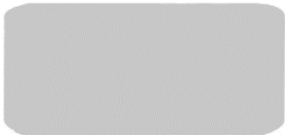
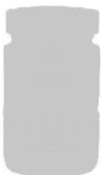
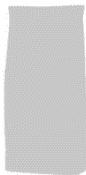
- OTC medicine,
- Dietary products,
- Natural products.



HRK 98m EUR 13m 2.4%

OTHER SALES

- Trade goods,
- Services.



HRK 139m EUR 18m 3.4%

High-quality brands with exceptional recognisability and strong international potential

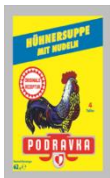


VEGETA

- Culinary brand whose products are sold in over 60 countries in the world,
- Synonym for universal seasoning category in the Adria region,
- For years No. 1 FMCG brand in Croatia and among top 3 in Adria region,

- Number 1 brand in Europe in universal food seasoning category,
- Superbrand award in more than 15 European countries.

Vol. MP ¹	ADRIA	POL	SLK	CZE	RUS
Vegeta	1	3	1	3	3



PODRAVKA SOUPS

- Dehydrated instant soups,
- Sold in 25 countries around the world,
- Market leader or among top 3 in the Adria region,

- Quadal (Quality Medal) award in Croatia,
- Best Buy award in Croatia and B&H.

Vol. MP ¹	CRO	SLO	B&H	SER	MAC	RUS
Soups	1	4	1	2	1	6



LINO

- Umbrella brand for dehydrated baby food, cream spreads and cereals,
- Synonym for baby food category in Adria region,
- Sold in more than 20 countries around the world,

- Trusted brand award and Best Buy award winner in Croatia,
- Superbrand awards winner in Croatia, Slovenia and B&H.

Vol. MP ¹	CRO	SLO	B&H	SER
Lino	1	1	1	1



DOLCELA

- Product for preparation of sweets and ready-made sweets,
- Market leader/strong No. 2 brand in Adria region,
- Sold in 20 countries around the world,

- Quadal (Quality Medal) award in Croatia,
- Best Buy award in Croatia and B&H.

Vol. MP ¹	CRO	SLO	B&H
Dolcela	1	2	1



EVA (MEDITERRANEAN ASSORTMENT)

- One of the most recognisable brands in canned fish category in the Adria region,
- Widest range of canned fish – tuna, sardines, mackerel and Baltic fish.

- Quadal (Quality Medal) award and Superior taste award in Croatia,
- Best Buy award in Croatia and B&H.

Vol. MP ¹	CRO	SLO	B&H	SER
Eva	1	6	1	3



BELUPO DERMATICS

- Strong international position in niche dermatology segment.

Vol. MP ²	CRO	RUS	CZE	SLO	B&H	SER	MAC	SLR
D07 ³	1	5	1	2	1	2	1	1

¹Source: Nielsen; ²Source: IMS; ³Corticosteroids for the treatment of skin disorder.



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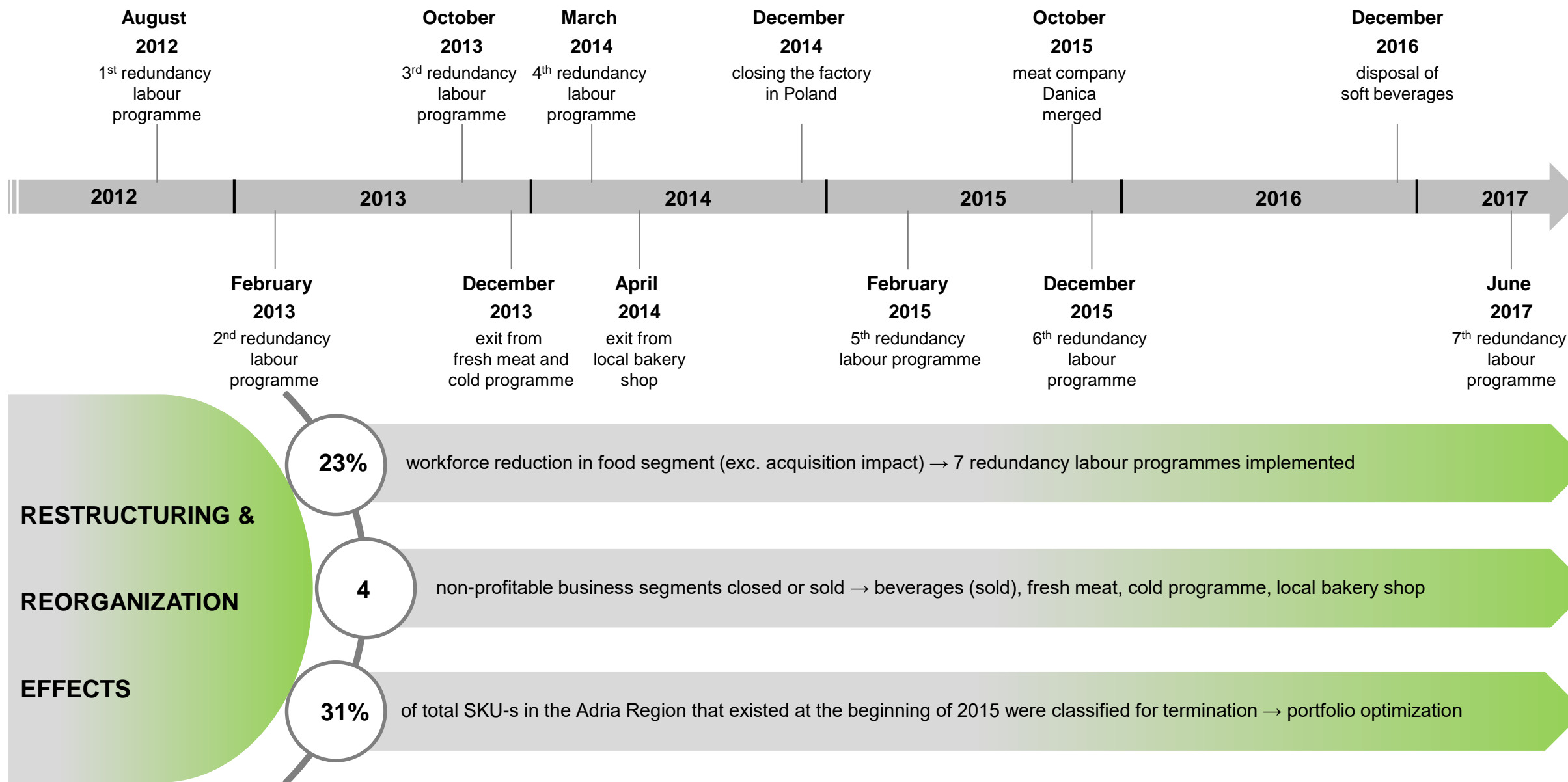
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Continuous restructuring process in order to improve efficiency and profitability



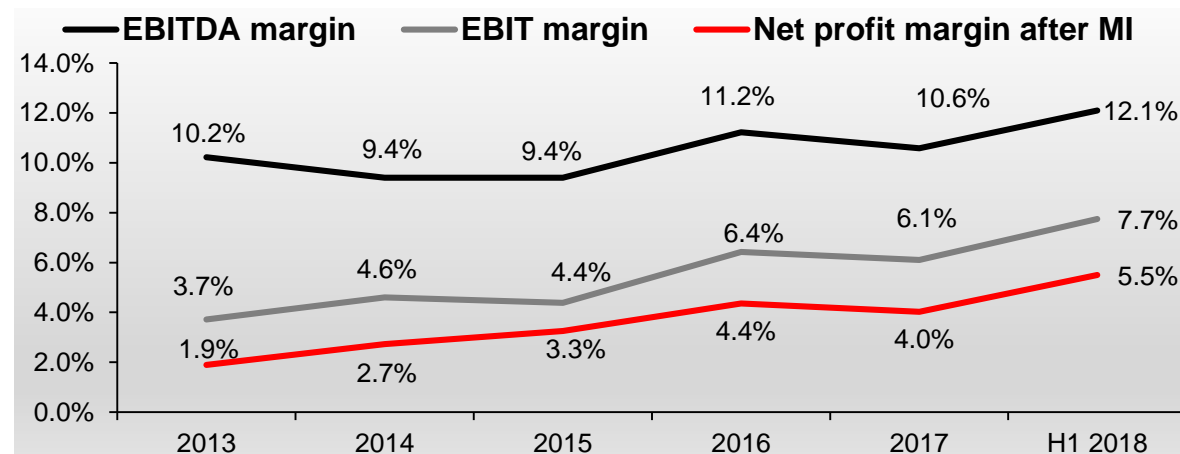
Financial position under the influence of one-off items

Restructuring related one-off items burdened profitability

(in HRK m)	2012	2013	2014	2015	2016	2017	H1 2018
Value adjustments	(32)	(81)	(28)	(35)	(11)	(89)	-
Severance payments	(50)	(57)	(72)	(41)	(12)	(40)	(2)
Other	(44)	5	10	298 ¹	8	(18)	-
Total net one-offs	(126)	(133)	(90)	222	(15)	(147)	(2)

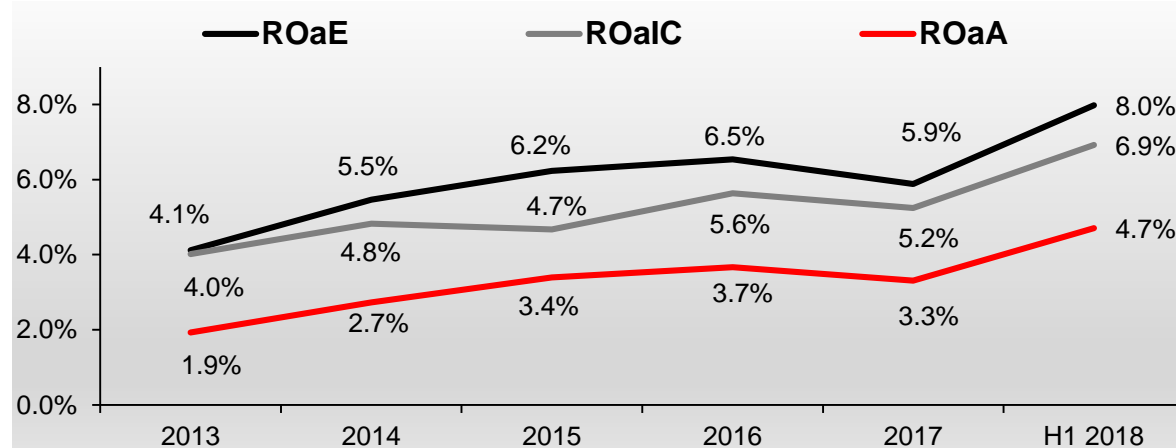
¹HRK 116m of gain on a bargain purchase from Žito acquisition (badwill), HRK 164m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19m refers to other items.

Normalized profitability margins movement²

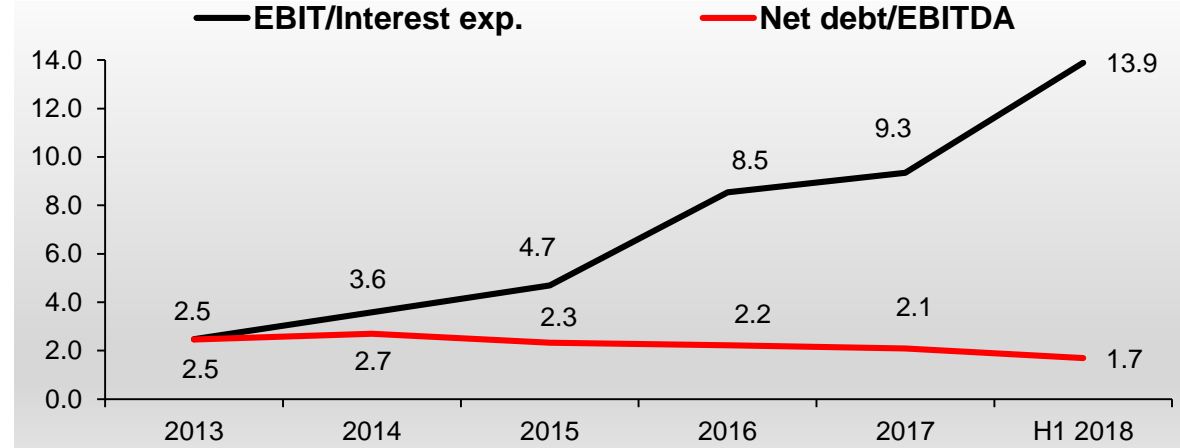


Note: Due to sales revenues reclassification in 2016, 2013-2014 margins are made by approximation.

Normalized return rates movement²



Normalized debt level movement²



²2015 figures include pro-forma Podravka Group and Žito Group full year figures, excluding consolidation effects and tax incentives for Belupo factories.

Expansion of pharmaceutical capacities to satisfy international demand

Construction of new pharmaceutical facility

Project:

- Production facility for solid oral forms,
- Production facility for semi solid and liquid forms,
- Project started in 2015, ended in 2017.

Project reasoning:

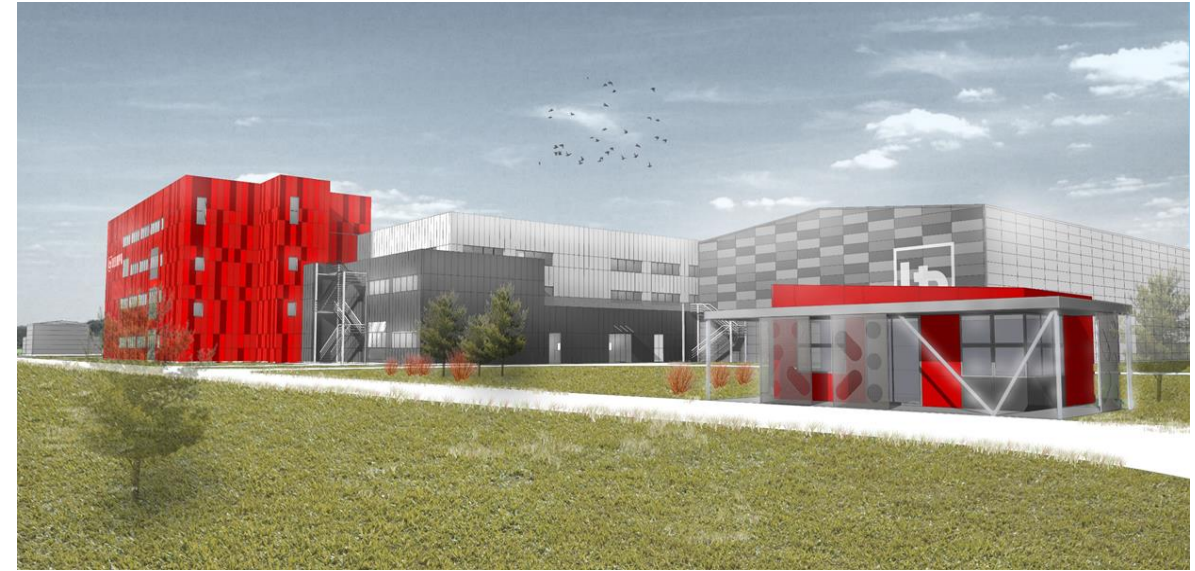
- Insufficient production capacities due to perennial volume growth → 150% capacity increase,
- Investment in new technologies that will enable production of new-age products in the form of foams, sprays, bandages etc.

Project financing:

- Total value of investment HRK 535m (EUR 70m),
- 55% loan from HBOR, 45% own funds,
- Government incentive through income tax benefits in the amount of 40% of total investment.

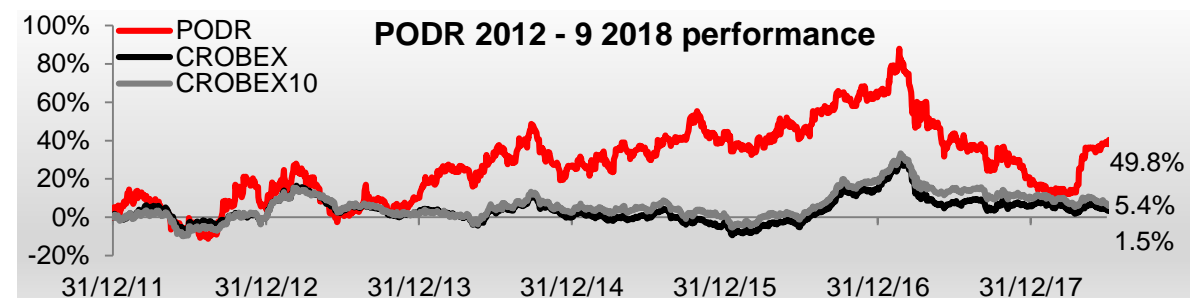
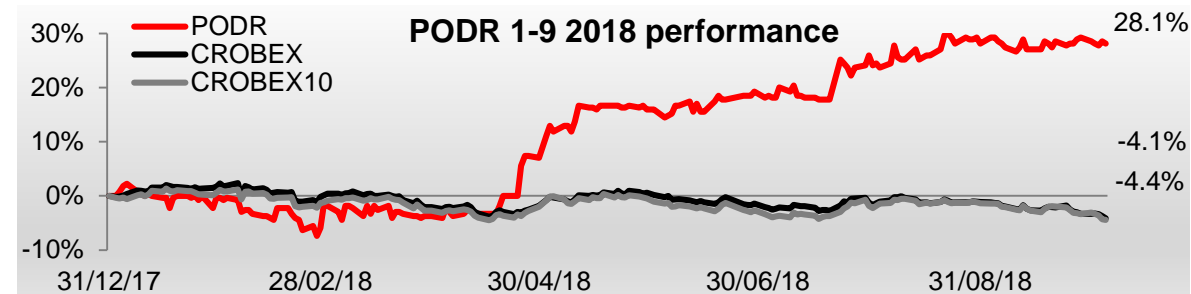
Business reasons for choosing Croatia as facilities location:

- High speed in obtaining all permits,
- Tax incentives for strategic investments,
- Availability of highly-educated workforce at acceptable cost level,
- Incentives for hiring young workforce,
- Proximity to other Belupo locations.



Podravka's share price movement in H1 2018

(HRK; units)	2017	H1 2018	% change
Average daily price	370.0	281.8	(23.8%)
Average daily number of transactions	23	13	(44.9%)
Average daily volume	1,661	1,493	(10.1%)
Average daily turnover	614,679	420,770	(31.5%)
Reported earnings per share	3	16	525.0%
Normalized earnings per share	24	33	39.2%



Analysts	Recommendation	Target price	Potential ¹
InterCapital	Under review	-	n/a
Raiffeisen BANK	Hold	HRK 371	7.2%
ERSTE Group	Accumulate	HRK 405	17.1%
UniCredit	Buy	HRK 399	15.3%
WOOD & COMPANY	Hold	HRK 354	2.3%

Peer group multiples ²	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	1.9	12.0	17.1	2.6	19.1
Normalized weight. av. peer group ³	1.6	11.3	16.1	2.0	17.2
Podravka Group reported	0.8	6.9	16.9	0.8	21.1
Podravka Group normalized ⁴	0.8	6.5	10.2	0.8	10.4

Peer group food: Atlantic Grupa, Ebro, Hochdorf, La Doria, McCormick, Orkla;

Peer group pharma: Alkaloid, Richter Gedeon, Hikma Pharmaceuticals, Krka, Recordati, Stada Arzneimittel.

¹Compared to the last price on 5th October 2018; ²Obtained from Bloomberg on 9th October 2018; ³Calculated excluding max. and min. Values; ⁴Normalized for items stated in the publication of H1 2018 and 2017 results.



The Company

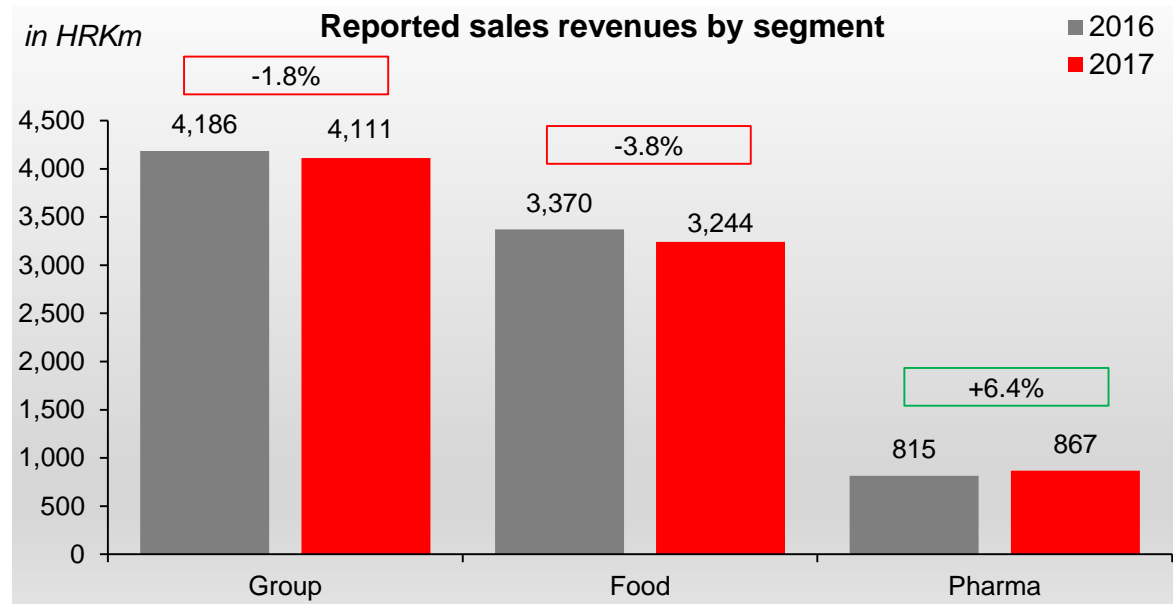
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Strong growth of Pharmaceutical segment sales in 2017

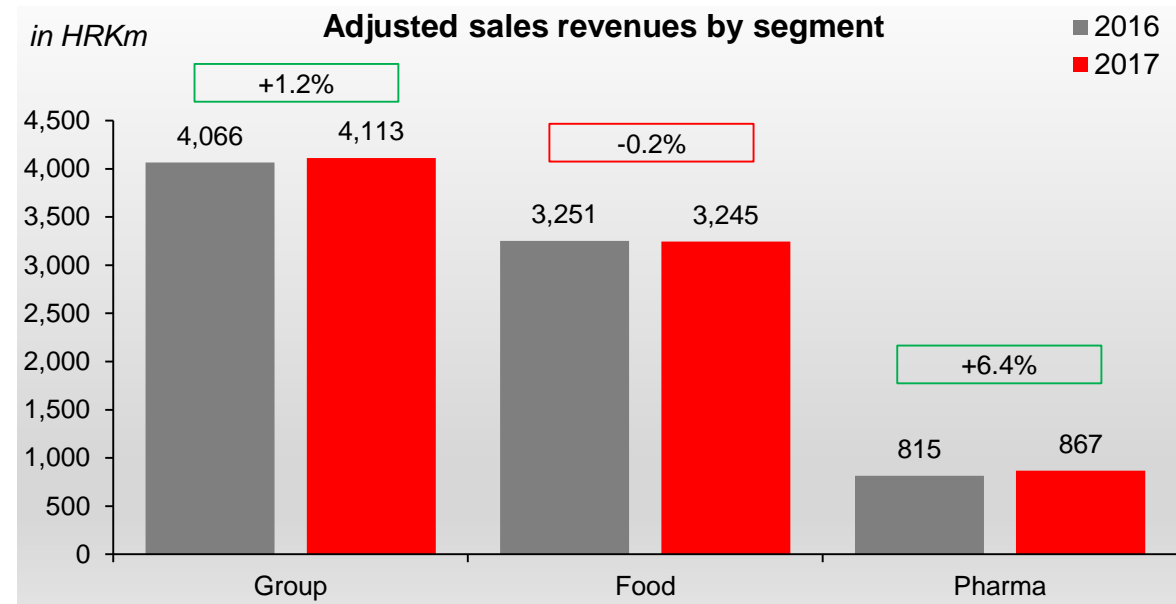


Excl. FX¹ → -1.9% -3.6% +4.8%

Adjusted sales revenues exclude/include:

- **Beverages business** → sold at the end of 2016; HRK 82.2m excluded from 2016 and HRK 0.4m from 2017 to provide like-for-like comparison,
- **One-off sales of BU Meat** → in February 2016 extraordinary delivery of buffer stock to the Ministry of Economy was made related to the migration of population from war-torn areas; HRK 12.0m excluded from 2016 to provide like-for-like comparison,
- **Inconsistencies in the treatment of recording revenue** → identified in the Food segment on the Russian market, largely a result of a different trade marketing activities classification; HRK 25.4m excluded from 2016 and HRK 2.2m included in 2017 to provide LFL comparison.

¹Performance in 2017 compared to 2016 excluding the estimated net impact of foreign exchange differences.

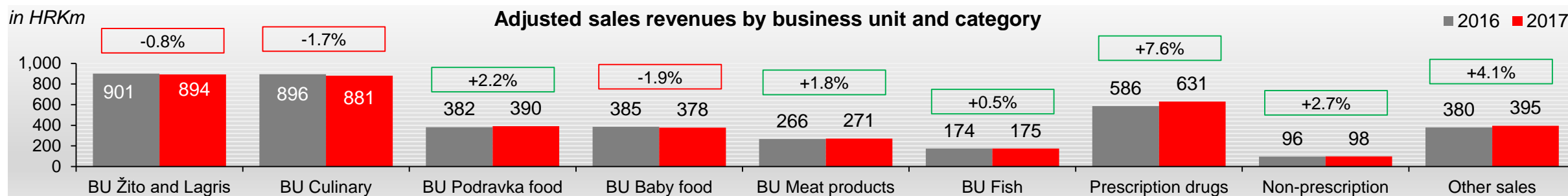
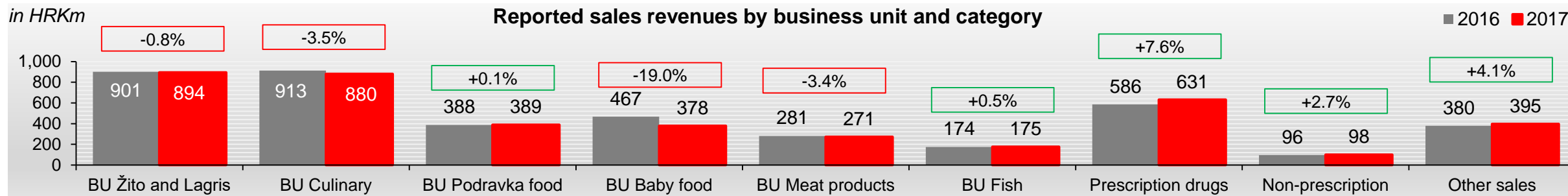


Estimated net foreign exchange (FX) impact on reported sales revenues:

HRKm	Own brands	Other sales	Total	Currency	HRKm
Food	(6)	(0)	(6)	EUR	(15)
Pharmaceuticals	14	(1)	13	RUB	23
Group	8	(1)	7	Other	(1)
				Total	7

- FX impact on sales revenues shows for how much sales revenues would have been higher or lower in 2017 if FX rates had remained on the same levels as in 2016.

Business units facing internal and external challenges

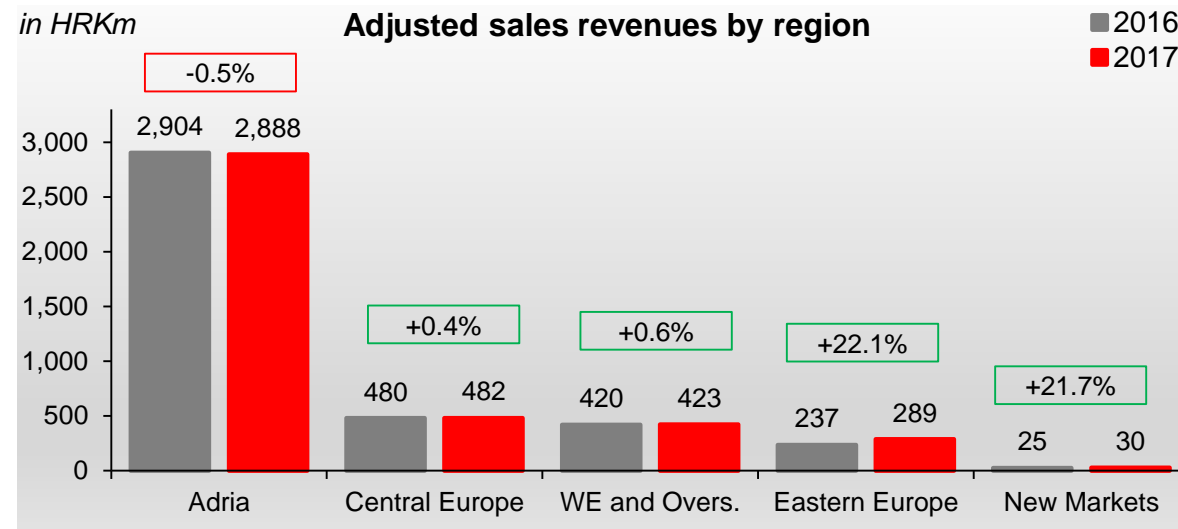
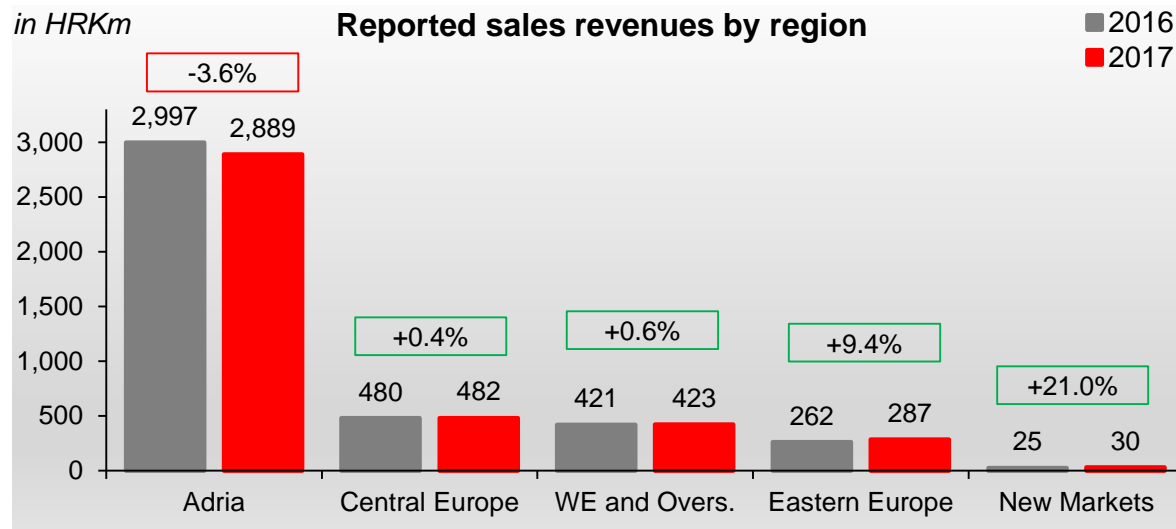


Adjusted business unit and category performance in 2017¹:

- **BU Žito and Lagris (-0.0% excl. FX)** → sales increase in Italy, Germany and Spain due to the product range extension and distribution, annulled by unlisting of a certain bakery range that began at the end of 2016 on the Slovenian market,
- **BU Culinary (-2.0% excl. FX)** → lower sales primarily due to lower sales in Western Europe related to the sales dynamics to the new distributor,
- **BU Podravka food (+1.8% excl. FX)** → higher sales on the back of extended range of vegetables in the Croatian market,
- **BU Baby food, sweets and snacks (-1.4% excl. FX)** → lower sales of the snacks range due to poor acceptance of the redesign launched in mid 2016,
- **BU Meat products, meat solutions and savoury spreads (+2.1% excl. FX)** → sales growth of Food Solution sub segment,
- **BU Fish (+0.8% excl. FX)** → sales growth primarily due to higher sales of own brands in the Croatian market,
- **Prescription drugs (+5.5% excl. FX)** → revenue growth in the Russian market as a consequence of the product range extension and positive FX effect,
- **Non-prescription programme (+1.3% excl. FX)** → extension of the product range and positive effect of foreign exchange differences in the Russian market; implemented selling and marketing activities in the Croatian market,
- **Other sales (+4.3% excl. FX)** → trade goods sales growth.

¹Percentages in the text relate to performance in 2017 compared to 2016.

Positive developments of Eastern Europe region in 2017



Adjusted region performance in 2017¹:

- **Adria (+0.1% excl. FX)** → **food** sales 0.6% lower due to the decrease of the BU Žito and Lagris revenues on the Slovenian market as a result of unlisting of a certain bakery range that began at the end of 2016. The most significant sales growth was recorded by the BU Podravka food due to expansion of the vegetables range distribution on the Croatian market; **pharmaceuticals** sales were slightly lower than in 2016,
- **Central Europe (-0.3% excl. FX)** → **food** sales 0.7% lower due to lower sales of trade goods of the Lagris company that was offset by higher sales of own brands; **pharmaceuticals** sales 9.8% higher due to growth in markets of Poland and Czech Republic,

- **Western Europe and Overseas (+1.1% excl. FX)** → **food** sales 0.6% higher due to the extension of the product range and distribution of the BP Žito in the markets of Italy, Germany and Spain and from trade goods sales growth. This positive effect was partially offset by a decrease in sales due to sales dynamics with the new distributor to which total sales in the last two months of 2016 amounted to the sales realised in the first four and half months of 2017; **pharmaceuticals** sales records a mild revenue growth in the market of Germany,
- **Eastern Europe (+12.3% excl. FX)** → **food** sales 7.8% higher due to selling activities in the Culinary range with the most significant customers and the increase in sales of trade goods of the Lagris company; **pharmaceuticals** sales rose 33.1% due to extension of product range,
- **New markets (+22.5% excl. FX)** → **food** sales 11.1% higher due to sales growth in BU Baby food, sweets and snacks and of trade goods of the company Lagris; **pharmaceuticals** sales 41.7% higher due to the Prescription drugs category growth in the market of Turkey.

¹Percentages in the text relate to performance in 2017 compared to 2016.

Food profitability burdened by significant one-off items in 2017

Food segment (in HRKm)	REPORTED				NORMALIZED ¹			
	2016	2017	Δ	%	2016	2017	Δ	%
Sales revenue	3,370	3,244	(127)	(3.8%)	3,370	3,244	(127)	(3.8%)
Gross profit	1,107	1,039	(68)	(6.1%)	1,107	1,058	(49)	(4.4%)
EBITDA	317	243	(74)	(23.3%)	314	277	(37)	(11.7%)
EBIT	158	8	(150)	(94.7%)	165	134	(30)	(18.3%)
Net profit after MI	111	(30)	(141)	(126.6%)	121	83	(38)	(31.6%)
Gross margin	32.8%	32.0%		-80 bp	32.8%	32.6%		-23 bp
EBITDA margin	9.4%	7.5%		-191 bp	9.3%	8.6%		-77 bp
EBIT margin	4.7%	0.3%		-444 bp	4.9%	4.1%		-74 bp
Net profit margin after MI	3.3%	(0.9%)		-421 bp	3.6%	2.6%		-104 bp

Food segment profitability in 2017:

- **Normalized gross profit** → impacted by lower sales revenues, but also by unfavourable changes in sales structure,
- **Normalized EBIT** → additionally impacted by lower profitability of the Žito Group, higher expenses of exercised share options (HRK 12.5m in 2017; HRK 7.0m in 2016), unfavourable movements of FX differences from trade receivables and payables (HRK 5.2m losses in 2017; HRK 3.1m gains in 2016),
- **Normalized net profit after MI** → additionally impacted by unfavourable movements of FX differences on borrowings (HRK 10.6m losses in 2017; HRK 8.6m gains in 2016) which was partly mitigated by lower interest expense.

One-off impacts in HRKm	2016	2017
Value adjustments	(9)	(89)
Severance payments	(12)	(31)
Other (expenses)/revenues above EBIT	14	(6)
ESOP ² financial expenses	(2)	(3)
Deferred tax assets	(1)	16

¹Normalized for one-off impacts, normalization of results doesn't include potential tax impacts that would arise from the normalization process; ²Employee stock ownership programme.

Pharma profitability positively impacted by favourable sales structure

Pharmaceuticals segment	REPORTED				NORMALIZED ¹			
(in HRKm)	2016	2017	Δ	%	2016	2017	Δ	%
Sales revenue	815	867	52	6.4%	815	867	52	6.4%
Gross profit	428	445	17	3.9%	431	470	40	9.2%
EBITDA	154	131	(23)	(15.2%)	157	157	0	0.0%
EBIT	111	83	(28)	(25.2%)	116	117	1	0.9%
Net profit after MI	71	48	(23)	(32.7%)	76	83	6	8.1%
Gross margin	52.5%	51.3%		-125 bp	52.8%	54.2%		+139 bp
EBITDA margin	18.9%	15.1%		-383 bp	19.3%	18.1%		-115 bp
EBIT margin	13.6%	9.5%		-404 bp	14.2%	13.5%		-74 bp
Net profit margin after MI	8.7%	5.5%		-321 bp	9.4%	9.5%		+15 bp

Pharmaceuticals segment profitability in 2017:

- **Normalized gross profit** → impacted by increase in revenues, but also by favourable changes in sales structure,
- **Normalized EBIT** → additionally impacted by higher marketing expenses due to higher investments in the Russian market and extremely unfavourable movements of FX differences from trade receivables and payables (HRK 7.3m losses in 2017; HRK 15.4m gains in 2016). Share option expenses were slightly below the comparative period (HRK 0.2m in 2017; HRK 1.0m in 2016),
- **Normalized net profit after MI** → additionally impacted by higher financial income and positive movement of FX differences on borrowings (HRK 0.3m gains in 2017; HRK 2.6m losses in 2016).

One-off impacts in HRKm	2016	2017
New pharmaceuticals factory expenses	(2)	(25)
Severance payments	(1)	(9)
Value adjustments	(2)	-
ESOP ² financial expenses	(1)	(1)
Deferred tax assets	0	-

¹Normalized for one-off impacts, normalization of results doesn't include potential tax impacts that would arise from the normalization process; ²Employee stock ownership programme.

Group profitability movement under the influence of Food segment profitability

Podravka Group	REPORTED				NORMALIZED ¹			
(in HRK _m)	2016	2017	Δ	%	2016	2017	Δ	%
Sales revenue	4,186	4,111	(74)	(1.8%)	4,186	4,111	(75)	(1.8%)
Gross profit	1,535	1,484	(51)	(3.3%)	1,538	1,528	(10)	(0.6%)
EBITDA	471	374	(97)	(20.6%)	472	435	(37)	(7.8%)
EBIT	269	91	(178)	(66.1%)	280	251	(29)	(10.4%)
Net profit after MI	182	18	(164)	(90.0%)	198	166	(32)	(16.2%)
Gross margin	36.7%	36.1%		-58 bp	36.7%	37.2%		+43 bp
EBITDA margin	11.3%	9.1%		-216 bp	11.3%	10.6%		-69 bp
EBIT margin	6.4%	2.2%		-421 bp	6.7%	6.1%		-59 bp
Net profit margin after MI	4.4%	0.4%		-391 bp	4.7%	4.0%		-70 bp













Group profitability in 2017:

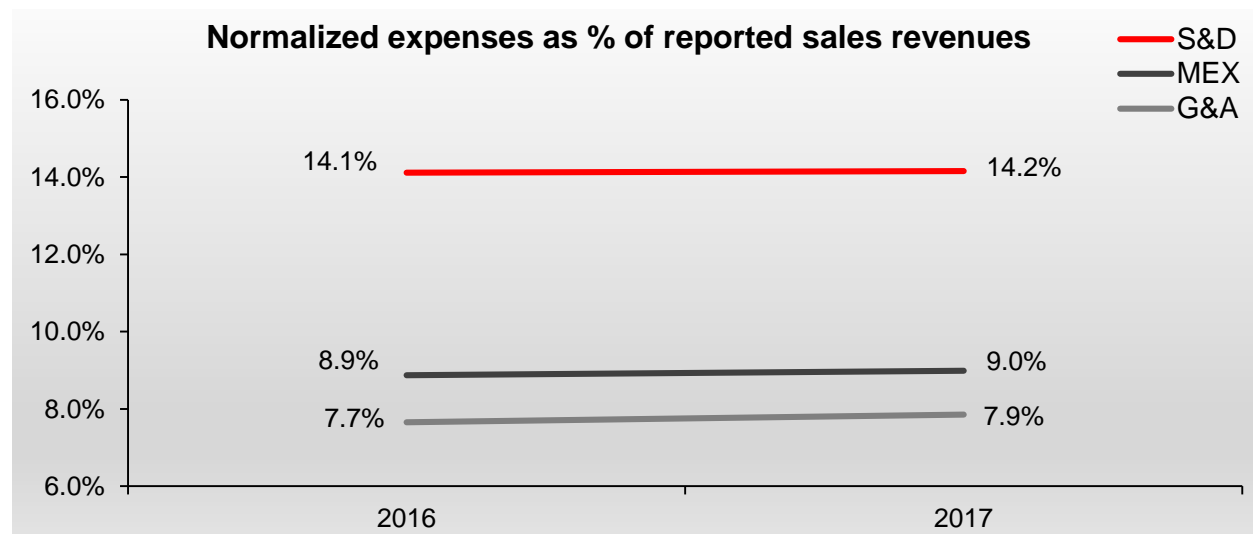
- **Normalized gross profit** → Pharmaceuticals segment gross profit growth to the high extent compensated for the lower gross profit of the food segment,
- **Normalized EBIT** → additionally impacted by lower profitability of the Žito Group, higher expenses of exercised share options (HRK 12.8m in 2017; HRK 8.0m in 2016), unfavourable movements of FX differences from trade receivables and payables (HRK 12.5m losses in 2017; HRK 18.5m gains in 2016),
- **Normalized net profit after MI** → additionally impacted by unfavourable movements of FX differences on borrowings (HRK 10.3m losses in 2017; HRK 6.0m gains in 2016) which was partly mitigated by lower interest expense.

One-off impacts in HRK _m	2016	2017
Value adjustments	(11)	(89)
Severance payments	(12)	(40)
New pharmaceuticals factory expenses	(2)	(25)
Other (expenses)/revenues above EBIT	14	(6)
ESOP ² financial expenses	(3)	(4)
Deferred tax assets	(1)	16

¹Normalized for one-off impacts, normalization of results doesn't include potential tax impacts that would arise from the normalization process; ²Employee stock ownership programme.

Successful cost side optimization in 2017

Operating expenses 17 vs. 16 % change	REPORTED	NORMALIZED ¹
Cost of goods sold (COGS)	(0.9%) 	(2.4%) 
General and administrative expenses (G&A)	10.8% 	0.7% 
Sales and distribution costs (S&D)	6.6% 	(1.5%) 
Marketing expenses (MEX)	(0.5%) 	(0.5%) 
Other expenses / revenues, net	n/a 	n/a 
Total	2.6% 	(1.2%) 



¹Normalized for one-off impacts.

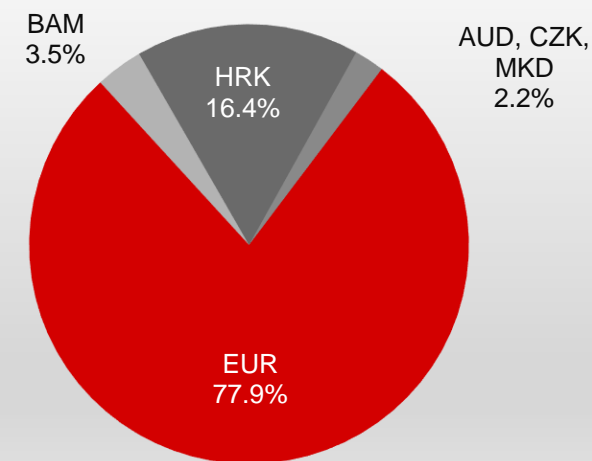
Key highlights of normalized operating expenses in 2017:

- **Cost of goods sold (COGS):**
 - Lower 2.4% primarily as a result of lower sales in the Food segment,
- **General and administrative expenses (G&A):**
 - Higher 0.7% than in the comparative period primarily due to the higher costs of exercised share options (HRK 12.8m in 2017; HRK 8.0m in 2016),
- **Sales and distribution expenses (S&D):**
 - Lower 1.5% due to, among other, disinvestment of the Beverages business that was incurring significant distribution costs,
- **Marketing expenses (MEX):**
 - Lower 0.5% as a result of fewer marketing activities in the Food segment, while the Pharmaceuticals segment recorded an increase in marketing expenses, primarily in the Russian market,
- **Other expenses / revenues, net:**
 - Item includes FX differences from trade receivables and trade payables that were HRK 12.5m negative in 2017, while in 2016 they were HRK 18.5m positive. In 2017, other expenses/revenues item amounted to negative HRK 2.5m, while in the comparative period it amounted to positive HRK 25.4m.

Lower interest expenses and weighted average cost of debt reflects successful debt management

<i>(in HRKm)¹</i>	2016	2017	% change
Net debt	1,042	909	(12.7%)
Interest expense	31	27	(14.6%)
Net debt / normalized EBITDA	2.2	2.1	(5.3%)
Normalized EBIT / interest expense	8.9	9.3	4.9%
Equity to total assets ratio	55.4%	57.2%	+187 bp

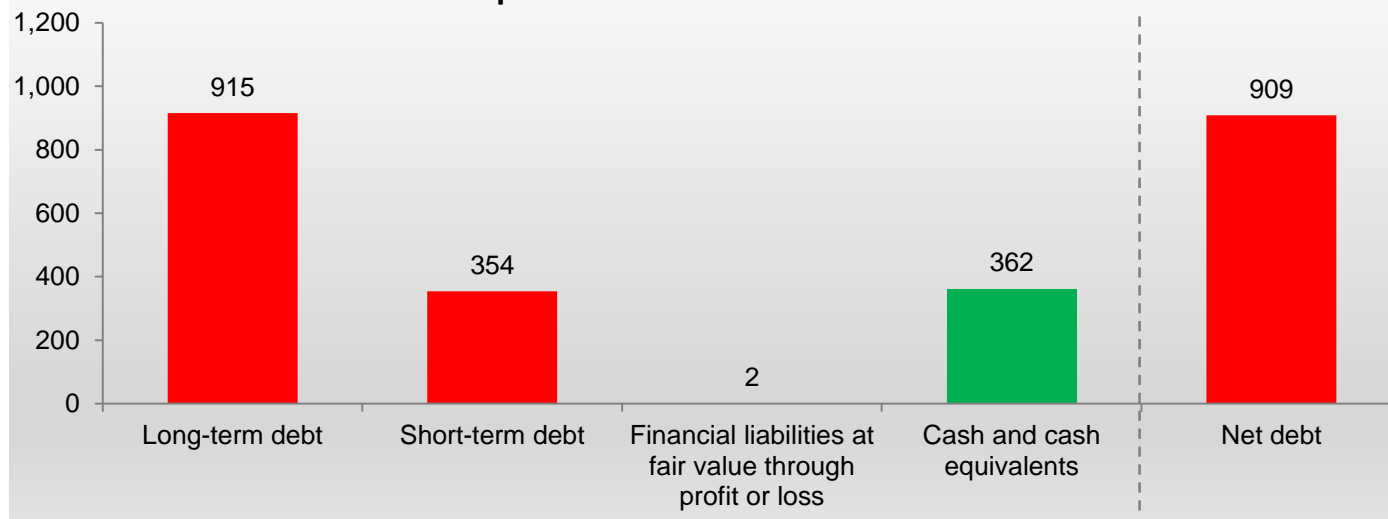
Currency structure of debt as at 31 December 2017



Key highlights:




- Net debt decrease → repayment of a part of borrowings,
- Lower interest expenses → repayment of a part of borrowings,
- Net debt/normalized EBITDA drop due to lower net debt,
- **Weighted average cost of debt:**
 - As at 31 December 2017 → 2.0%,
 - As at 31 December 2013 → 4.3%.

Net debt components in HRKm as at 31 December 2017



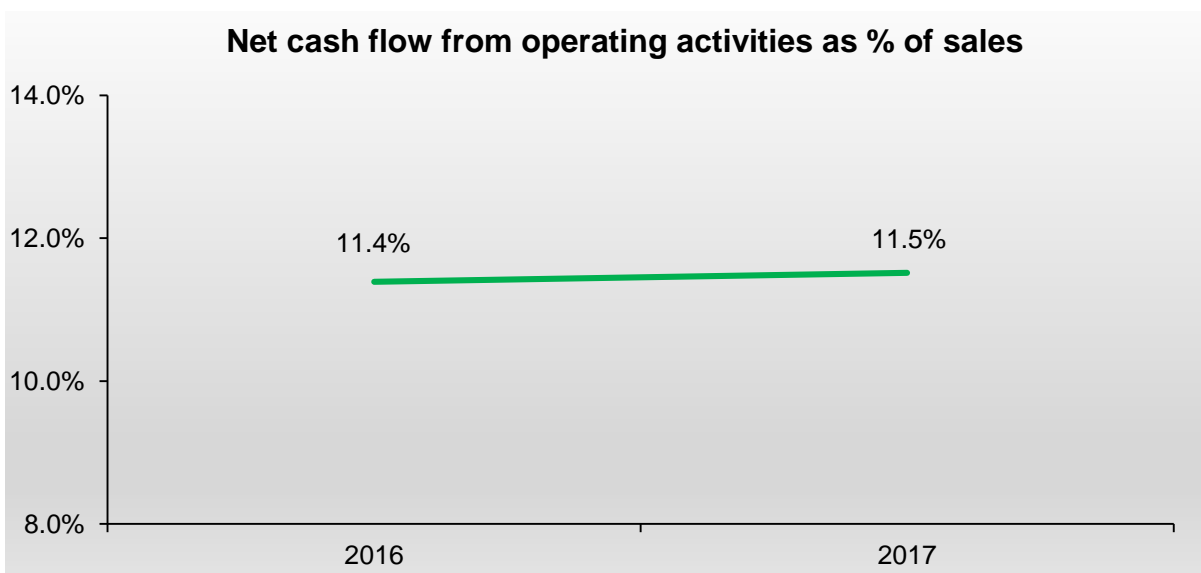
¹All P&L figures are calculated on the trailing 12 months level, while BS figures are taken at the end of period.

Stable level of net cash from operating activities

Working capital movement in BS	31 December 2017 / 31 December 2016		Impact
Inventories		4.2%	<ul style="list-style-type: none"> Increased plans for the production of own products and trade goods led to higher level of inventories.
Trade and other receivables		(19.5%)	<ul style="list-style-type: none"> Value adjustment of Agrokor receivables, a portion of recourse bills of exchange was collected, lower sales in Food segment, better collection in the Pharmaceuticals segment in the domestic and foreign markets.
Trade and other payables		(10.6%)	<ul style="list-style-type: none"> 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. Recourse bills of exchange on 31 December 2016 were booked under other payables position.

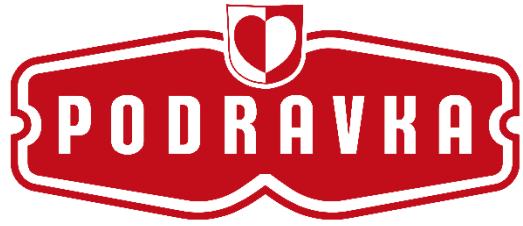
(in HRKm)	2016	2017	Δ
Net cash from operating activities	477	473	(3)
Net cash from investing activities	(359)	(191)	168
Net cash from financing activities	(72)	(258)	(186)
Net change of cash and cash equivalents	46	25	(21)

- **CAPEX** in 2018 is expected to be at the level of HRK 217m, in 2019 at the level of HRK 250 - 300m, and in 2020 and 2022 at the level of HRK 200m.



One-off items in 2017 and 2016

One-off items	2016			2017			Δ		
<i>(in HRK m)</i>	Group	Food	Pharma	Group	Food	Pharma	Group	Food	Pharma
+expense related to China closing	-	-	-	(1)	(1)	-	(1)	(1)	-
+severance payments expenses	(13)	(12)	(1)	(40)	(31)	(9)	(27)	(19)	(8)
+revenues from Beverages sales	8	8	-	-	-	-	(8)	(8)	-
+revenues from reverse leasing Umag	7	7	-	-	-	-	(7)	(7)	-
+value adjustments (expenses)/revenues	(11)	(9)	(2)	(89)	(89)	-	(78)	(80)	2
+Warzyvko & Perfecta brands	-	-	-	(18)	(18)	-	(18)	(18)	-
+inventories in Serbia	-	-	-	(11)	(11)	-	(14)	(14)	-
+assets in MENA	-	-	-	(1)	(1)	-	(1)	(1)	-
+assets in Africa	-	-	-	(16)	(16)	-	(16)	(16)	-
+Beverages assets	(9)	(9)	-	-	-	-	9	9	-
+Agrokor receivables	-	-	-	(44)	(44)	-	(44)	(44)	-
+other one-off value adjustments	(2)	0	(2)	1	1	-	3	1	2
+amortization expenses	-	-	-	(3)	(3)	-	(3)	(3)	-
+ESOP programme expenses	(3)	(2)	(1)	(4)	(3)	(1)	(1)	(1)	(0)
+new Belupo factory expenses (+amortization)	(2)	-	(2)	(25)	-	(25)	(23)	-	(23)
+other one-off expenses	-	-	-	(2)	(2)	-	(2)	(2)	-
+deferred tax assets	(1)	(1)	0	16	16	-	17	17	(0)



The Company

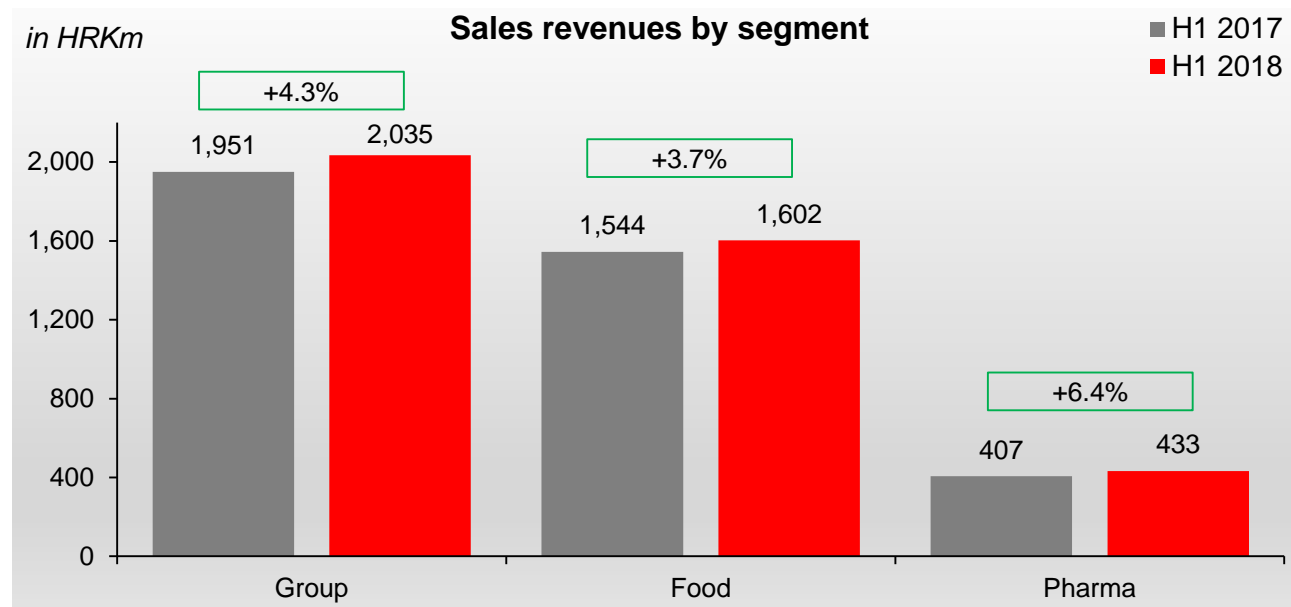
Business

Investment highlights

2017 results

H1 2018 results

Strong sales revenues growth of both segments



Net foreign exchange (FX) impact on sales revenues:

HRK _m	Own brands	Other sales	Total	Currency	HRK _m
Food	(12)	1	(11)	EUR	(20)
Pharmaceuticals	(15)	(0)	(15)	RUB	(4)
Group	(27)	1	(26)	Other	(2)
				Total	(26)

- FX impact on sales revenues shows for how much sales revenues would have been higher or lower in 1-6 2018 if FX rates had remained on the same levels as in 1-6 2017.

Food segment in H1 2018¹:

- Own brands** → 4.8% higher sales (+5.7% excl. FX), primarily due to the growth in sales of business units Žito and Lagris, Culinary and Baby food, sweets and snacks, as a result of increased selling and marketing activities and expanded distribution of certain categories,
- Other sales** → 9.3% lower sales (-10.0% excl. FX), primarily as a result of trade goods sales decrease,
- Total Food** → 3.7% higher sales (+4.5% excl. FX).

Pharmaceuticals segment in H1 2018¹:

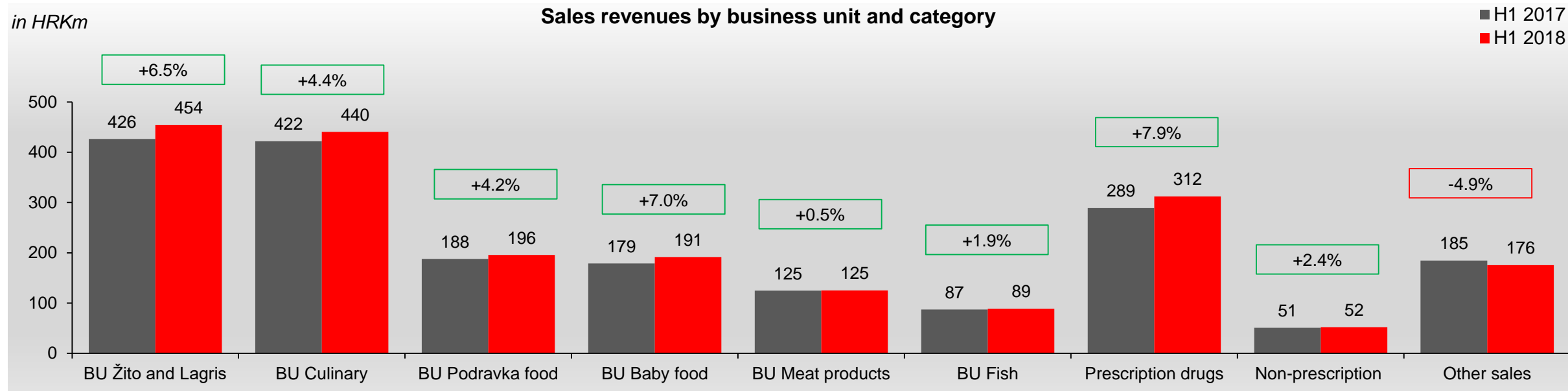
- Own brands** → 7.1% higher sales (+11.4% excl. FX) primarily due to the increase in sales in the Russian market and the expanded distribution in the central European markets,
- Other sales** → 2.8% higher sales (+3.1% excl. FX) as a result of higher sales in Deltis Pharm pharmacies,
- Total Pharmaceuticals** → 6.4% higher sales (+10.1% excl. FX).

Podravka Group in H1 2018¹:

- Own brands** → 5.3% higher sales (+6.8% excl. FX),
- Other sales** → 4.9% lower sales (-5.2% excl. FX),
- Total Podravka Group** → 4.3% higher sales (+5.6% excl. FX).

¹Percentages in the text relate to performance in 1-6 2018 compared to 1-6 2017.

All business units recorded sales revenues growth



Business unit and category performance in H1 2018¹:

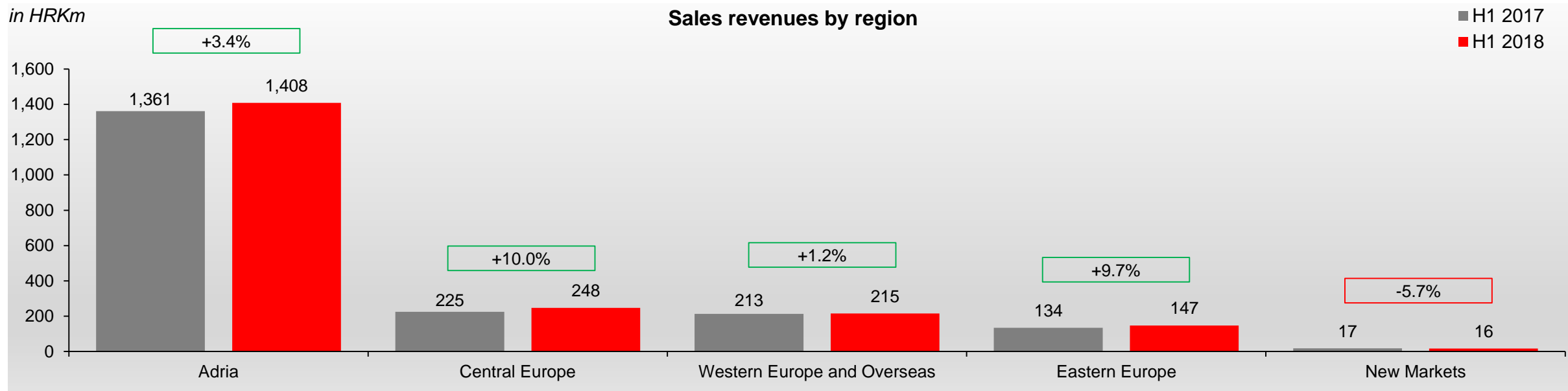
- **BU Žito and Lagris (+6.5%; +6.7% excl. FX)** → increased sales in the Bakery and mill products and the Core food categories, which is supported by the continuous growth of the Bakery and mill products category in the Western Europe region markets and, among other things, the stabilization of sales to the key customer in the market of Slovenia,
- **BU Culinary (+4.4%; +6.2% excl. FX)** → sales growth primarily in the categories Seasonings and Soups, due to intensive promotional activities resulting in sales growth in most regions,
- **BU Podravka food (+4.2%; +5.5% excl. FX)** → higher sales due to selling and marketing activities in the categories Condiments, Flour and Tomato in the markets of Croatia and Poland,
- **BU Baby food, sweets and snacks (+7.0%; +7.3% excl. FX)** → sales growth due to selling and marketing activities in categories Creamy spreads and Baby food in the market of Croatia. The

Creamy spreads category records a significant increase in sales as a result of well-received new and innovated products of the Lino Lada brand,

- **BU Meat products, meat solutions and savoury spreads (+0.5%; +1.2% excl. FX)** → sales growth in the Ready-to-eat meals category as a result of selling and marketing activities,
- **BU Fish (+1.9%; +1.6% excl. FX)** → higher sales primarily due to selling activities in the Adria region markets,
- **Prescription drugs (+7.9%; +12.5% excl. FX)** → the most significant sales growth in the market of Russia due to higher demand, and in the Central Europe region markets as a result of positive market response to new products,
- **Non-prescription programme (+2.4%; +5.2% excl. FX)** → sales growth in the OTC drugs subcategory on the markets of the Adria region,
- **Other sales (-4.9%; -5.2% excl. FX)** → lower trade goods sales revenues.

¹Percentages in the text relate to performance in 1-6 2018 compared to 1-6 2017.

Majority of regions recorded sales growth in 1-6 2018



Region performance in H1 2018¹:

- **Adria (+3.4%; +3.7% excl. FX)** → **food** sales 3.9% higher where all business units record sales growth, primarily as the result of selling and marketing activities, acceptance of new and innovated products and the stabilization of sales to the key buyer in the market of Slovenia; **pharmaceuticals** sales 1.9% higher where all categories record sales growth,
- **Central Europe (+10.0%, +8.7% excl. FX)** → **food** sales 9.1% higher with the most significant impact on the Food segment came from the Žito and Lagris business unit and from the Culinary business unit following stronger selling and marketing activities; **pharmaceuticals** sales rose 16.7% due to the acceptance of new products in the markets of Poland, the Czech Republic and Slovakia,
- **Western Europe and Overseas (+1.2%; +3.6% excl. FX)** → **food** sales 1.3% higher as a result of continuous expansion of the product range and distribution of the Žito and Lagris business unit in the markets of Italy, Germany and Spain and Condiments in the German market; **pharmaceuticals** revenues recorded a mild decrease of HRK 0.3m,
- **Eastern Europe (+9.7%, +24.7% excl. FX)** → **food** sales 5.0% lower which is primarily a consequence of the decrease in sales of the Podravka Food business unit; **pharmaceuticals** sales rose 20.4% following the increased demand for the Prescription drugs category,
- **New markets (-5.7%; -5.0% excl. FX)** → **food** sales is HRK 1.6m lower where the most significant impact on the sales decrease came from lower sales of the Lagris company trade goods; **pharmaceuticals** sales is HRK 0.6m higher.

¹Percentages in the text relate to performance in 1-6 2018 compared to 1-6 2017.

Strong growth of food profitability in H1 2018

Food segment (in HRKm)	REPORTED				NORMALIZED ¹			
	H1 2017	H1 2018	Δ	%	H1 2017	H1 2018	Δ	%
Sales revenue	1,544	1,602	58	3.7%	1,544	1,602	58	3.7%
Gross profit	485	541	56	11.5%	485	541	56	11.5%
EBITDA	84	172	88	103.9%	105	174	69	65.2%
EBIT	9	106	96	1033.8%	30	108	77	255.4%
Net profit after MI	(5)	85	90	n/a	16	87	71	442.0%
Gross margin	31.4%	33.8%		+235 bp	31.4%	33.8%		+235 bp
EBITDA margin	5.5%	10.7%		+526 bp	6.8%	10.9%		+404 bp
EBIT margin	0.6%	6.6%		+598 bp	2.0%	6.7%		+476 bp
Net profit margin after MI	(0.3%)	5.3%		+560 bp	1.0%	5.4%		+437 bp

Food segment profitability in H1 2018:

- **Normalized gross profit** → higher due to higher sales revenues and favourable sales structure,
- **Normalized EBIT** → an additional positive impact came from: i) the absence of share option expenses that amounted to HRK 9.3m in H1 2017, ii) lower selling costs as a result, among other, of the changed business model in the MENA markets, terminated business activities in the market of Tanzania and lower amortisation and iii) absence of provisions for trade receivables,
- **Normalized net profit after MI** → an additional positive effect came from lower interest expense following the refinancing of borrowings under more favourable commercial terms and positive effects of foreign exchange differences on borrowings, partly compensating for higher tax expenses.

One-off impacts in HRKm	H1 2017	H1 2018
Severance payments	(21)	(2)

¹Normalized for one-off impacts, normalization of results doesn't include potential tax impacts that would arise from the normalization process.

Pharma profitability positively impacted by favourable sales structure

Pharmaceuticals segment	REPORTED				NORMALIZED ¹			
(in HRK _m)	H1 2017	H1 2018	Δ	%	H1 2017	H1 2018	Δ	%
Sales revenue	407	433	26	6.4%	407	433	26	6.4%
Gross profit	208	220	11	5.4%	215	220	5	2.3%
EBITDA	56	72	16	28.8%	68	72	4	6.1%
EBIT	36	44	8	23.2%	47	44	(4)	(7.8%)
Net profit after MI	30	36	6	21.3%	42	36	(6)	(13.4%)
Gross margin	51.2%	50.7%		-50 bp	52.8%	50.7%		-205 bp
EBITDA margin	13.7%	16.6%		+289 bp	16.6%	16.6%		-5 bp
EBIT margin	8.7%	10.1%		+138 bp	11.7%	10.1%		-156 bp
Net profit margin after MI	7.3%	8.3%		+103 bp	10.3%	8.4%		-191 bp

Pharmaceuticals segment profitability in H1 2018:

- **Normalized gross profit** → higher due to the sales revenues growth and positive impact of the sales structure itself,
- **Normalized EBIT** → lower mainly due to higher depreciation costs related to the new factory and revenues recorded in H1 2017 from the collection of trade receivables, for which provisions were made in 2016,
- **Normalized net profit after MI** → additional negative effect came from lower net finance income and higher tax liability.

One-off impacts in HRK _m	H1 2017	H1 2018
New pharmaceuticals factory expenses	(6)	-
Severance payments	(6)	(0)

¹Normalized for one-off impacts, normalization of results doesn't include potential tax impacts that would arise from the normalization process.

Group profitability movement under the strong influence of Food segment profitability

Podravka Group	REPORTED				NORMALIZED ¹			
(in HRK _m)	H1 2017	H1 2018	Δ	%	H1 2017	H1 2018	Δ	%
Sales revenue	1,951	2,035	84	4.3%	1,951	2,035	84	4.3%
Gross profit	694	761	67	9.7%	700	761	61	8.7%
EBITDA	140	244	104	74.0%	173	246	73	42.1%
EBIT	45	149	104	233.2%	78	151	74	94.7%
Net profit after MI	25	121	96	386.7%	58	123	65	112.7%
Gross margin	35.6%	37.4%		+182 bp	35.9%	37.4%		+150 bp
EBITDA margin	7.2%	12.0%		+479 bp	8.9%	12.1%		+321 bp
EBIT margin	2.3%	7.3%		+504 bp	4.0%	7.4%		+345 bp
Net profit margin after MI	1.3%	5.9%		+466 bp	3.0%	6.0%		+308 bp

Group profitability in H1 2018:

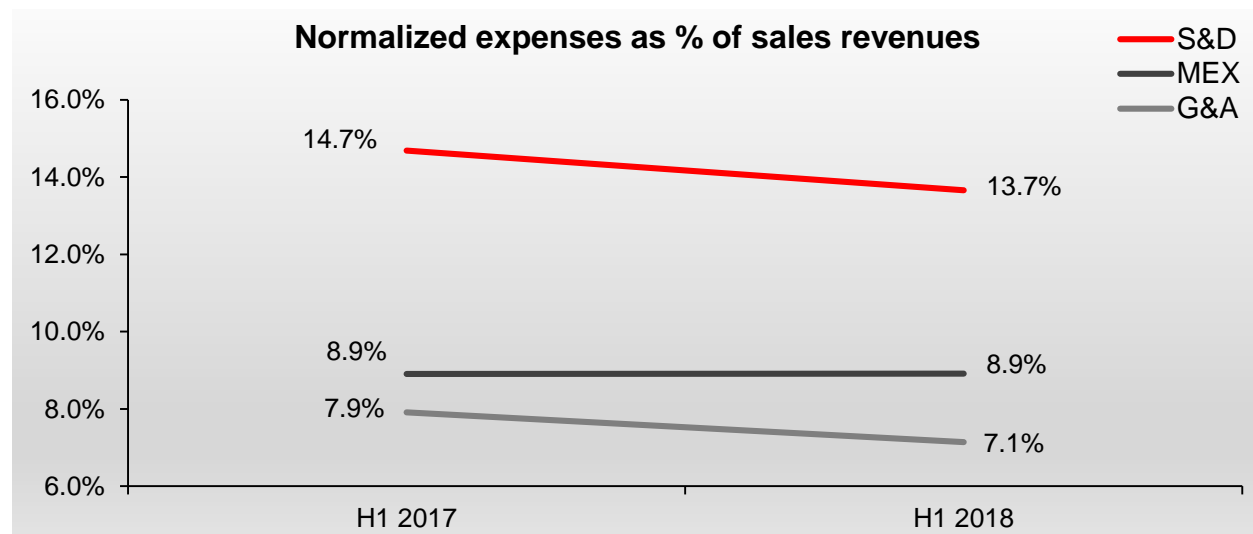
- **Normalized gross profit** → the increase in gross profit came from both business segments,
- **Normalized EBIT** → EBIT growth is the result of the Food segment operating profit growth, while the Pharmaceuticals segment had a negative effect on the growth in Group's operating profit, primarily due to higher depreciation costs related to the new factory,
- **Normalized net profit after MI** → higher as a result of the increase in net profit after minority interests of the Food segment, while the Pharmaceuticals segment had a negative effect on the growth in Group's net profit after minority interests, primarily due to higher depreciation costs related to the new factory.

One-off impacts in HRK _m	H1 2017	H1 2018
Severance payments	(27)	(2)
New pharmaceuticals factory expenses	(6)	-

¹Normalized for one-off impacts, normalization of results doesn't include potential tax impacts that would arise from the normalization process.

Lower operating expenses as % of sales revenues

Operating expenses 18 vs. 17 % change	REPORTED	NORMALIZED ¹
Cost of goods sold (COGS)	1.3%	1.9%
General and administrative expenses (G&A)	(18.5%)	(5.9%)
Sales and distribution costs (S&D)	(3.0%)	(3.0%)
Marketing expenses (MEX)	4.3%	4.3%
Other expenses / revenues, net	(38.8%)	(38.8%)
Total	(1.1%)	0.5%



¹Normalized for one-off impacts.

Key highlights of normalized operating expenses in H1 2018:

▪ Cost of goods sold (COGS):

- Higher 1.9% as a consequence of higher sales in both business segments. Recorded costs are also impacted by higher depreciation costs related to the new Belupo factory, which are calculated from July 2017 and amount to HRK 6.2m in H1 2018,

▪ General and administrative expenses (G&A):

- Lower 5.9% primarily as a result of the absence of share option expenses that amounted to HRK 10.0m in H1 2017,

▪ Sales and distribution expenses (S&D):

- Lower 3.0% due to: i) lower selling costs as a result of the changed business model in the MENA markets and terminated business activities in the market of Tanzania, ii) lower amortisation costs where in H1 2017 we had HRK 3.3m of distribution rights amortisation costs, that are not present in H1 2018 and iii) the absence of provisions for trade receivables in the Food segment,

▪ Marketing expenses (MEX):

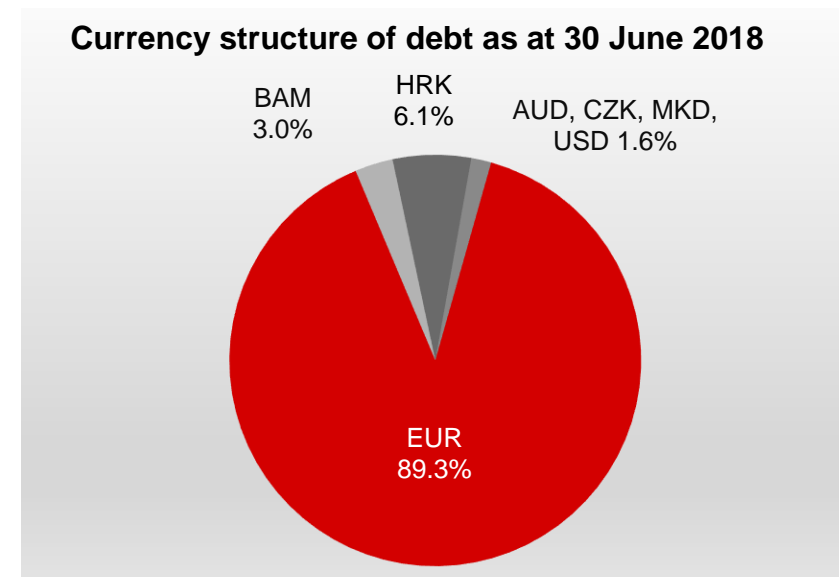
- Growth of 4.3% mainly as a result of higher marketing activities in the Food segment,

▪ Other expenses / revenues, net:

- In H1 2018, other income and expenses amounted to negative HRK 4.5m, while in the comparative period they amounted to negative HRK 7.4m. This line item includes foreign exchange differences from trade receivables and trade payables that amounted to negative HRK 11.9m in H1 2018, while in the comparative period they amounted to negative HRK 11.3m.

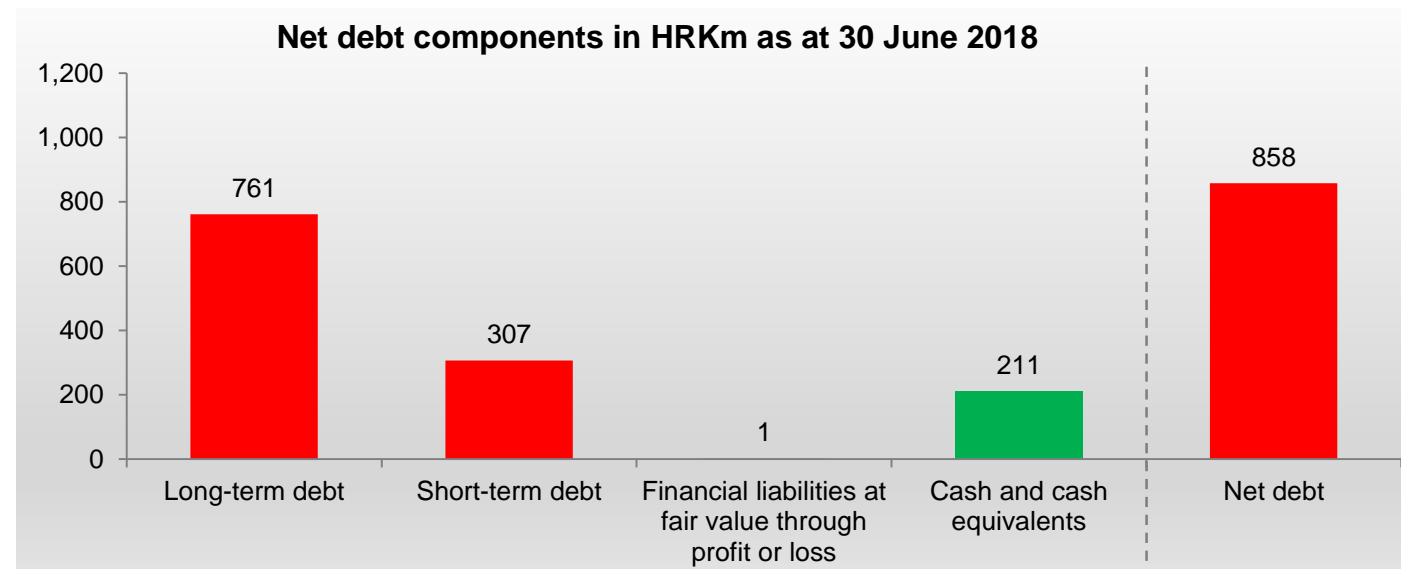
Further improvement of debt indicators

<i>(in HRKm)¹</i>	2017	H1 2018	% change
Net debt	909	858	(5.6%)
Interest expense	27	23	(13.0%)
Net debt / normalized EBITDA	2.1	1.7	(19.2%)
Normalized EBIT / interest expense	9.3	13.9	48.7%
Equity to total assets ratio	57.2%	60.9%	+364 bp






Key highlights:

- Net debt decrease → result of the repayment of a part of borrowings,
- Lower interest expenses → repayment of a part of borrowings,
- Net debt/normalized EBITDA drop due to higher normalized EBITDA,
- **Weighted average cost of debt:**
 - As at 30 June 2018 → 1.7%,
 - As at 31 December 2013 → 4.3%.



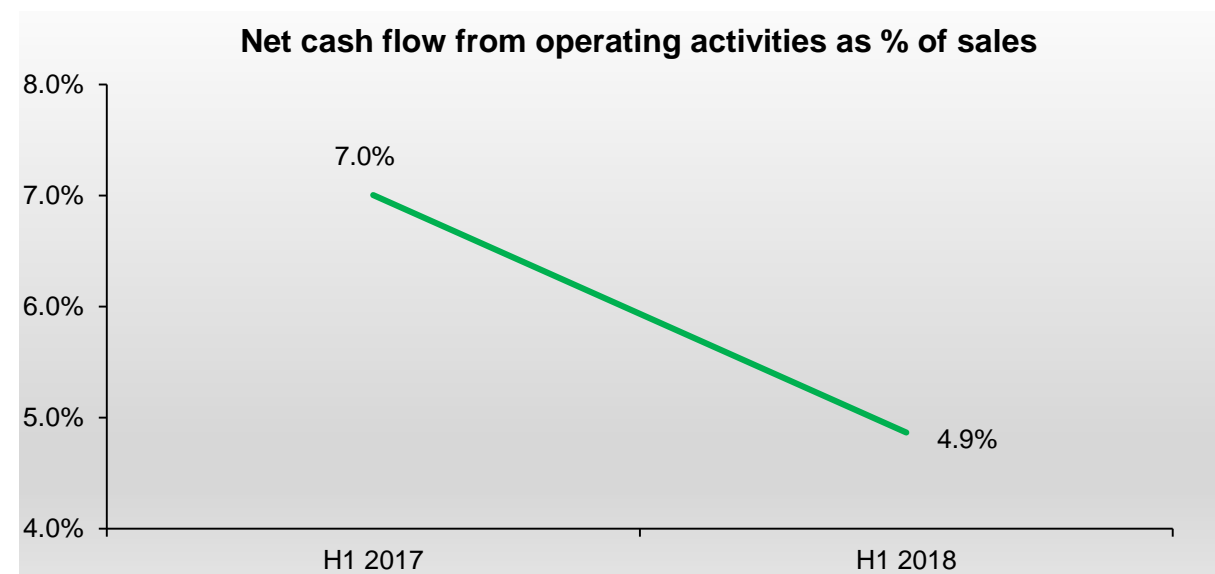
¹All P&L figures are calculated on the trailing 12 months level, while BS figures are taken at the end of period.

Lower level of net cash from operating activities reflects working capital movement in H1 2018

Working capital movement in BS	30 June 2018 / 30 June 2017		Impact
Inventories		3.7%	<ul style="list-style-type: none"> 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		(10.1%)	<ul style="list-style-type: none"> The significant decrease in trade and other receivables is a result of significant impairments at the end of 2017 related to receivables from the Agrokori companies in the amount of HRK 44.1m, and better collection of receivables in the Pharmaceuticals segment.
Trade and other payables		5.7%	<ul style="list-style-type: none"> The increase in trade and other payables compared to 30 June 2017 was impacted by the increase in other payables, as a result of the approved dividend payable that was booked in June this year, while in 2017 it was booked in July.

(in HRKm)	H1 2017	H1 2018	Δ
Net cash from operating activities	137	99	(38)
Net cash from investing activities	(120)	(65)	55
Net cash from financing activities	(69)	(185)	(116)
Net change of cash and cash equivalents	(52)	(151)	(99)

- **CAPEX** in 2018 is expected to be at the level of HRK 217m, in 2019 at the level of HRK 250 - 300m, and in 2020 and 2022 at the level of approximately HRK 200m.



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Podravka Group

Always with a heart!

Erste Investor Conference, Stegersbach, 10th-11th October 2018

