Podravka Group

Always with a heart!

ZSE WEBCAST, Zagreb, 1st October 2019

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Podravka Group at a glance

BUSINESS:

- Branded food – primary business,
- Generic pharmaceuticals.

2018 FIGURES:

- HRK 4,232m (EUR 571m) of sales,
- HRK 4,846m (EUR 654m) of assets,
- 6,517 employees.

YEAR OF ESTABLISHMENT: 1947

- 72 years in food production,
- 47 years in pharma production,
- Culinary institution in SEE.

HEADQUARTERS:

- Koprivnica, Croatia.

MAIN MARKETS:

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

SHARE LISTING:

- Prime market on ZSE, Croatia,
- 7,120,003 ordinary shares,
- MCap of HRK 3,391.8m (EUR 457.7m).*

Note: figures in this presentation are translated to euros at HRK/EUR FX rate of 7.41; *MCap on 27th Sep 2019, calculated on weighted average number of shares excluding treasury shares.

Podravka Group is present in 24 countries with subsidiaries and representative offices

International network of subsidiaries and representative offices

Podravka d.d. Croatia

- Žito d.d. Slovenia
  - 2 production companies
  - 3 subsidiaries
- 3 production companies
- 21 subsidiaries and representative offices
- Belupo d.d. Croatia
  - 1 production company
  - 13 subsidiaries and representative offices

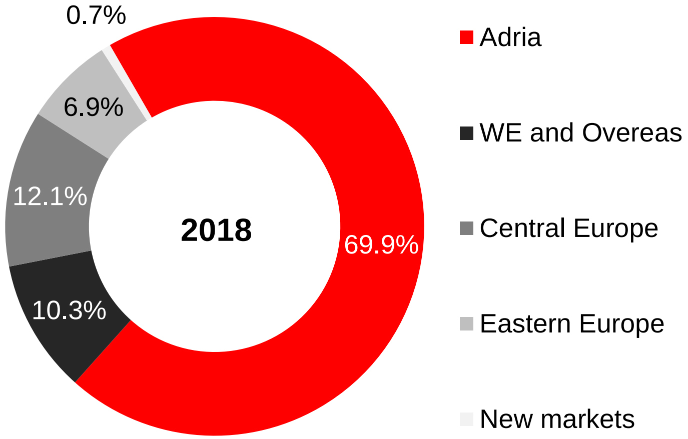
Podravka Group includes

9 production companies
21 subsidiaries
16 representative offices
25 factories

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 2018



Market	HRKm	EURm	%
Croatia	1,370	185	32.4%
Slovenia	769	104	18.2%
B&H	441	60	10.5%
Russia	260	35	6.2%
Other m.	1,391	188	32.9%
Group	**4,232**	**571**	**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

Ownership structure on 30th June, 2019 and Supervisory Board

President:

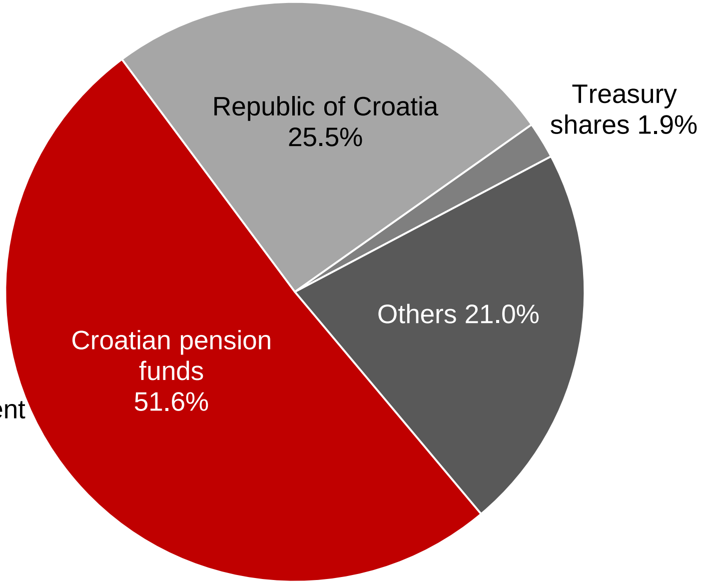
- Želimir Vukina → business consultant at law firm Vukina i partneri d.o.o.

Vice President:

- Luka Burilović → president of Croatian Chamber of Economy

Members:

- Ksenija Horvat → representative of Worker's Council
- Krunoslav Vitelj → director of Koprivnica County Chamber of Commerce
- Dajana Milodanović → banker in HPB
- Tomislav Kitonić → professional manager with experience in food segment
- Marina Dabić → university economy professor
- Ivana Matovina → certified auditor
- Petar Miladin → professor at the Faculty of Law

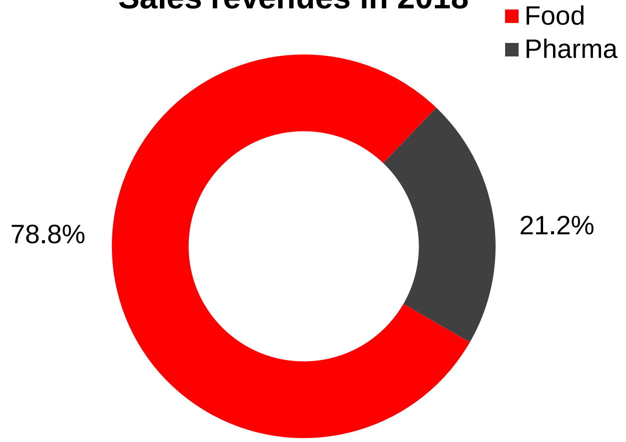


No.	Shareholder	% ownership
1.	Republic of Croatia	25.5%
2.	PBZ Croatia Osiguranje mandatory pension fund category B	15.0%
3.	AZ mandatory pension fund category B	12.7%
4.	Erste Plavi mandatory pension fund category B	10.1%
5.	Raiffeisen mandatory pension fund category B	8.8%
6.	Podravka d.d. – treasury	1.9%
	Other shareholders	26.0%
	Total	**100.0%**

Snapshot of key financial figures

Sales revenues split

Sales revenues in 2018

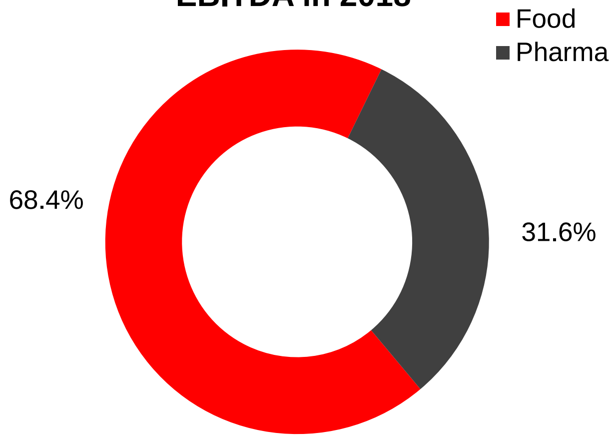


2018 sales	HRKm
Food	3,335
Pharma	897
Group	4,232

2018 sales	EURm
Food	450
Pharma	121
Group	571

Normalized EBITDA split

EBITDA in 2018

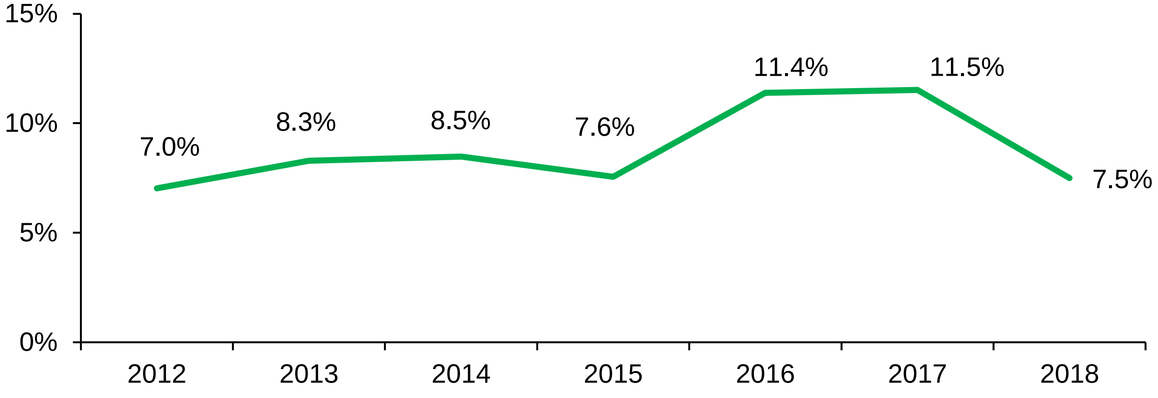


2018 EBITDA	HRKm
Food	318
Pharma	147
Group	465

2018 EBITDA	EURm
Food	43
Pharma	20
Group	63

Stable cash position

Net cash flow from operating activities as % of sales revenues



Low and sustainable debt level

1.6
Net debt/ normalized EBITDA

15.2
Normalized EBIT/ interest expense

62.9%
Equity/ total assets

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

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A well diversified product portfolio divided in two business areas

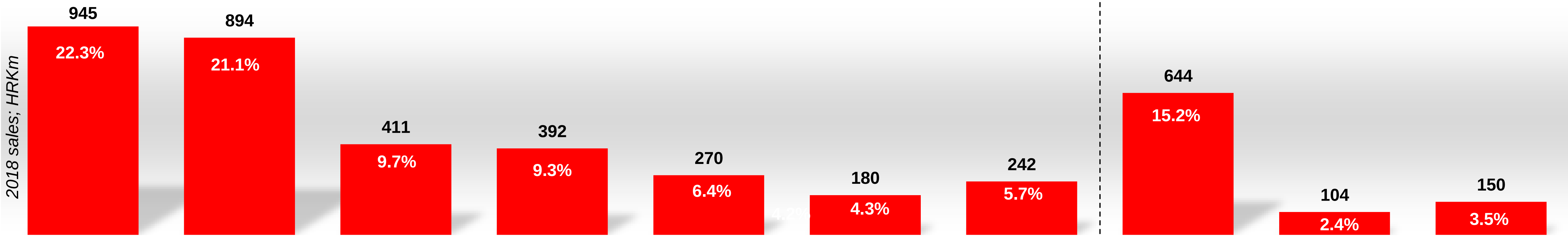
PODRAVKA GROUP

78.8% of sales revenues — **Food**

21.2% of sales revenues — **Pharmaceuticals**

Food:
- BU ŽITO AND LAGRIS
- BU CULINARY
- BU BABY FOOD, SWEETS & SNACKS
- BU PODRAVKA FOOD
- BU MEAT PRODUCTS, MEALS & SPREADS
- BU FISH
- OTHER SALES FOOD

Pharmaceuticals:
- PRESCRIPTION DRUGS
- NON PRESCRIPTION PROGRAMME
- OTHER SALES PHARMA

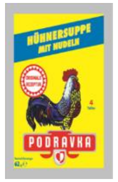


High-quality brands with exceptional recognisability and strong international potential

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	HU	RO
Vegeta	1	2	1	3	3	4



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
Soups	1	4	1	2

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 (MEDITERANNEAN 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	2	6	2	3

BELUPO DERMATICS

- Strong international position in niche dermatology segment.

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

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

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Delivering results through a clearly defined strategic approach

2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019

- **August 2012** – 1st redundancy labour programme
- **February 2013** – 2nd redundancy labour programme
- **October 2013** – 3rd redundancy labour programme
- **December 2013** – exit from fresh meat and cold programme
- **March 2014** – 4th redundancy labour programme
- **April 2014** – exit from local bakery shop
- **December 2014** – closing the factory in Poland
- **February 2015** – 5th redundancy labour programme
- **October 2015** – meat company Danica merged
- **December 2015** – 6th redundancy labour programme
- **December 2016** – disposal of soft beverages
- **June 2017** – 7th redundancy labour programme
- **End 2017 / beginning 2018** – redefining business models in markets of Africa, Mena and China
- **August 2018** – sale of Mirna d.d. non-operational assets
- **December 2018** – 8th redundancy labour programme

BUSINESS STRATEGY HIGHLIGHTS

- Organic growth by focusing on traditional markets where Podravka is already known as a renowned manufacturer,
- Investment in further development of own brands through innovation and effective marketing activities,
- Effective cost control management accompanied with tighter grip on the Capex budget and structural change of the investments,
- Refinancing of borrowings under more favorable commercial terms and further deleveraging.

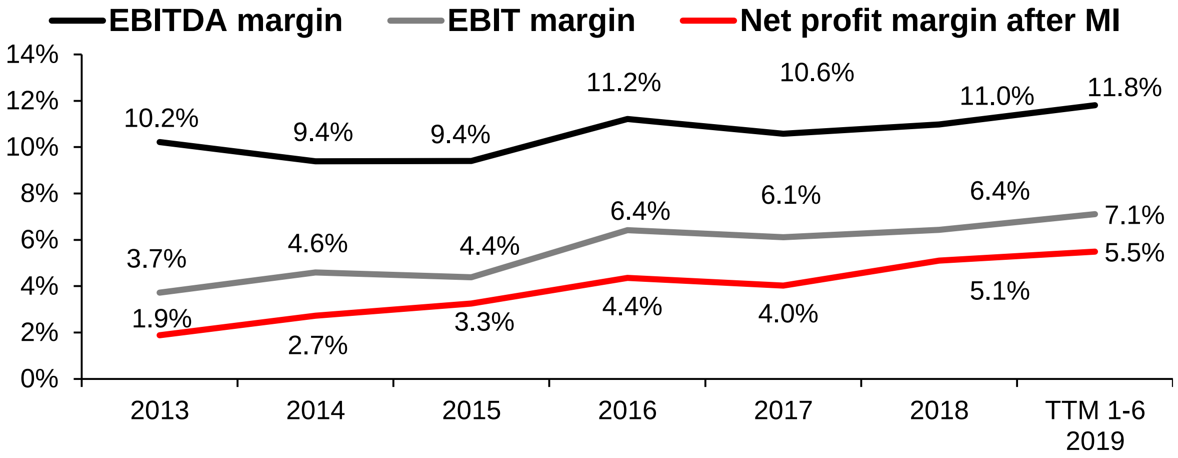
Financial position no longer under the influence of major one-off items

Restructuring related one-off items burdened profitability

(in HRKm)	2012	2013	2014	2015	2016	2017	2018	H1 2019
Value adjustments	(32)	(81)	(28)	(35)	(11)	(89)	(9)	-
Severance payments	(50)	(57)	(72)	(41)	(12)	(40)	(6)	-
Other	(44)	5	10	298[1]	8	(18)	4	-
Total net one-offs	(126)	(133)	(90)	222	(15)	(147)	(10)	-

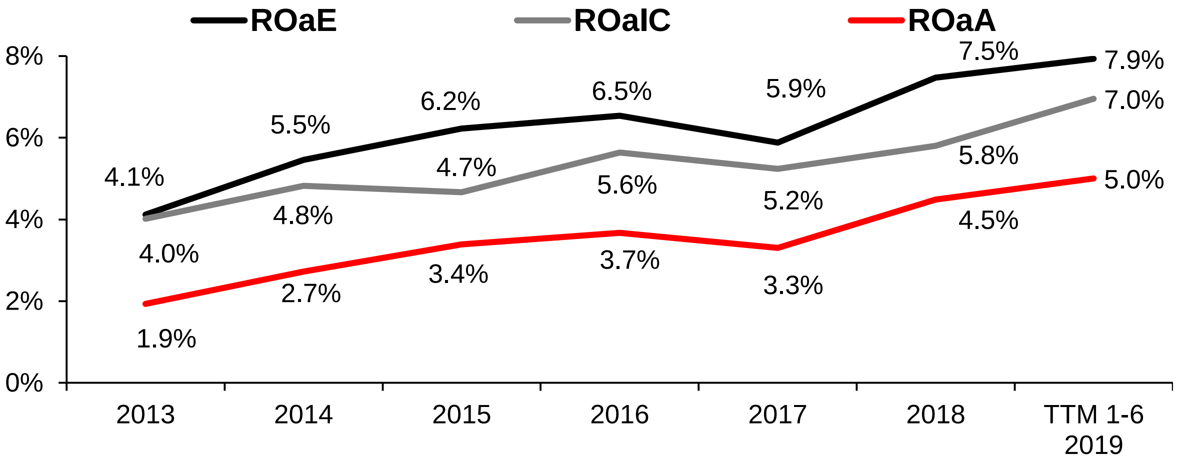
[1]HRK 116m of gain on a bargain purchase from Žito acquisition (badwill), HRK 164m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19m refers to other items.

Normalized profitability margins movement[2]

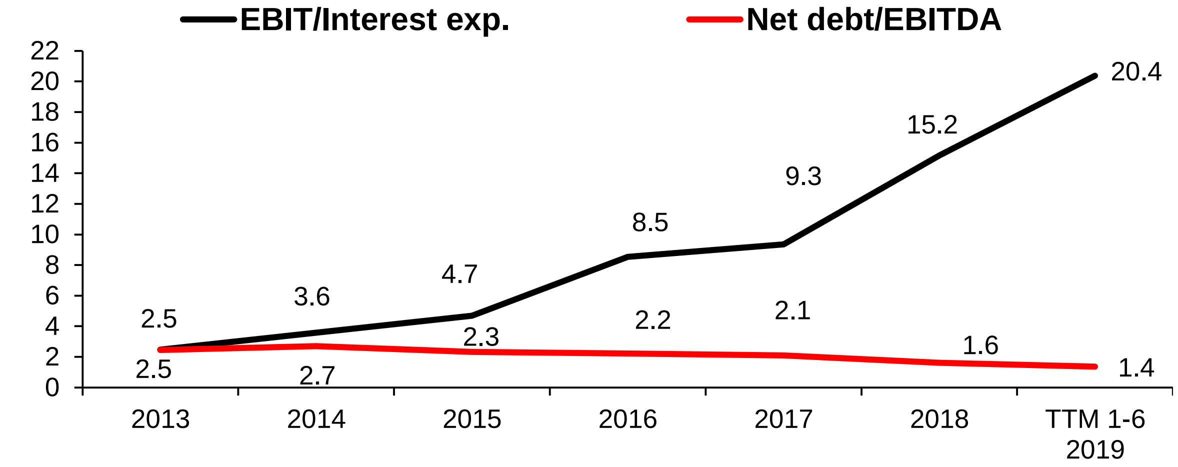


Note: Due to sales revenues reclassification in 2016, 2013-2014 margins are made by approximation.

Normalized return rates movement[2]



Normalized debt level movement[3]



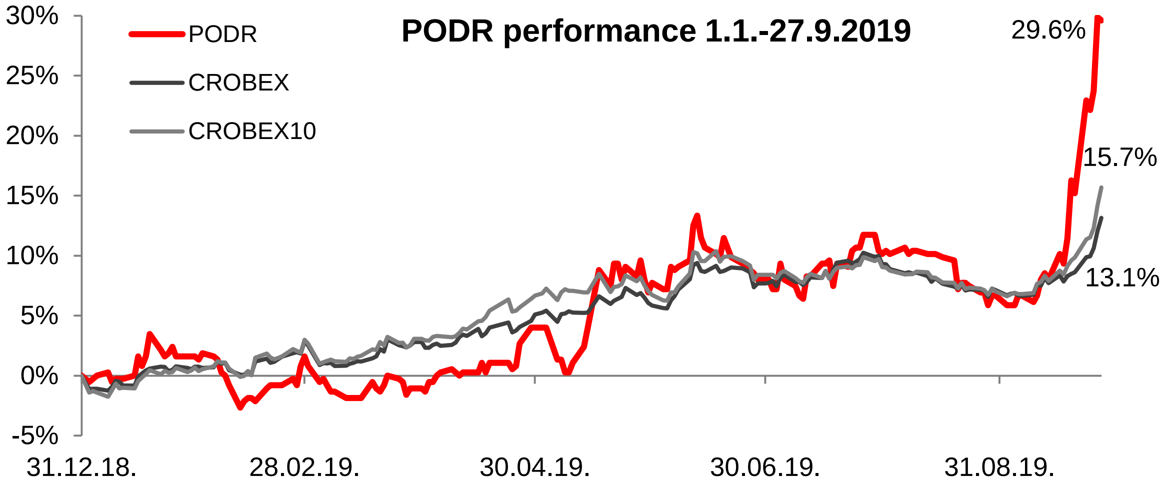
[2]2015 figures include pro-forma Podravka Group and Žito Group full year figures, excluding consolidation effects and tax incentives for Belupo factories; [3]MRS16 influence excluded.

Podravka's share price movement in 1-6 2019

Market activity with PODR share

(HRK; units)	1-6 2018	1-6 2019	% change
Average daily price	282	392	38.9%
Average daily number of transactions	13	10	(22.1%)
Average daily volume	1,493	997	(33.2%)
Average daily turnover	420,770	390,438	(7.2%)
Reported earnings per share	29.5	32.3	9.3%
Normalized earnings per share	31.1	34.1	9.9%

Share price movement



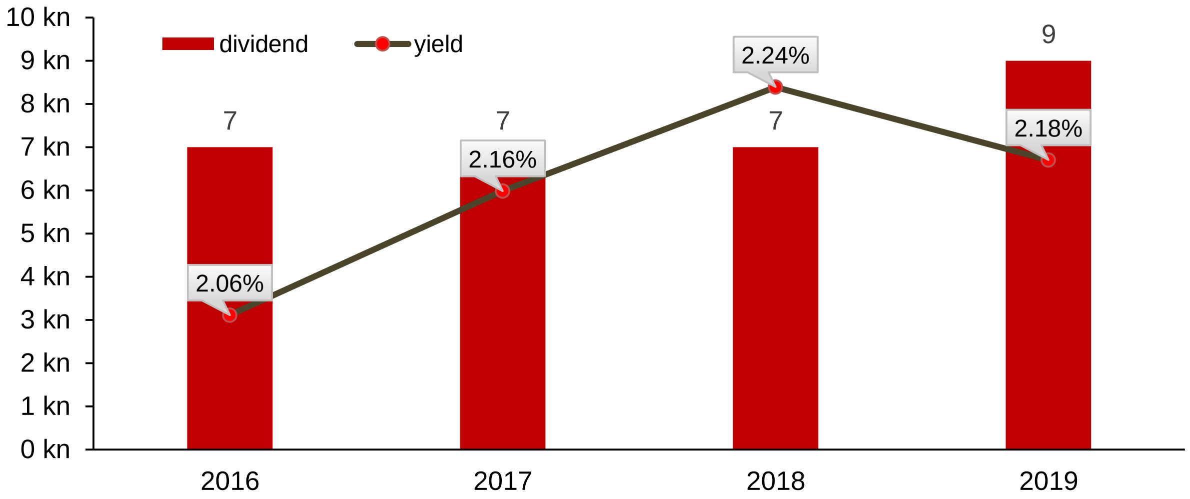
Peer group

Peer group multiples[1]	EV/Sales	EV/ EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.1	12.8	17.3	2.7	19.8
Normalized weight. av. peer group[2]	1.6	11.8	16.9	2.1	19.7
Podravka Group reported	1.0	8.3	14.4	1.1	15.1
Podravka Group normalized[3]	1.0	8.2	13.7	1.1	14.2

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

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

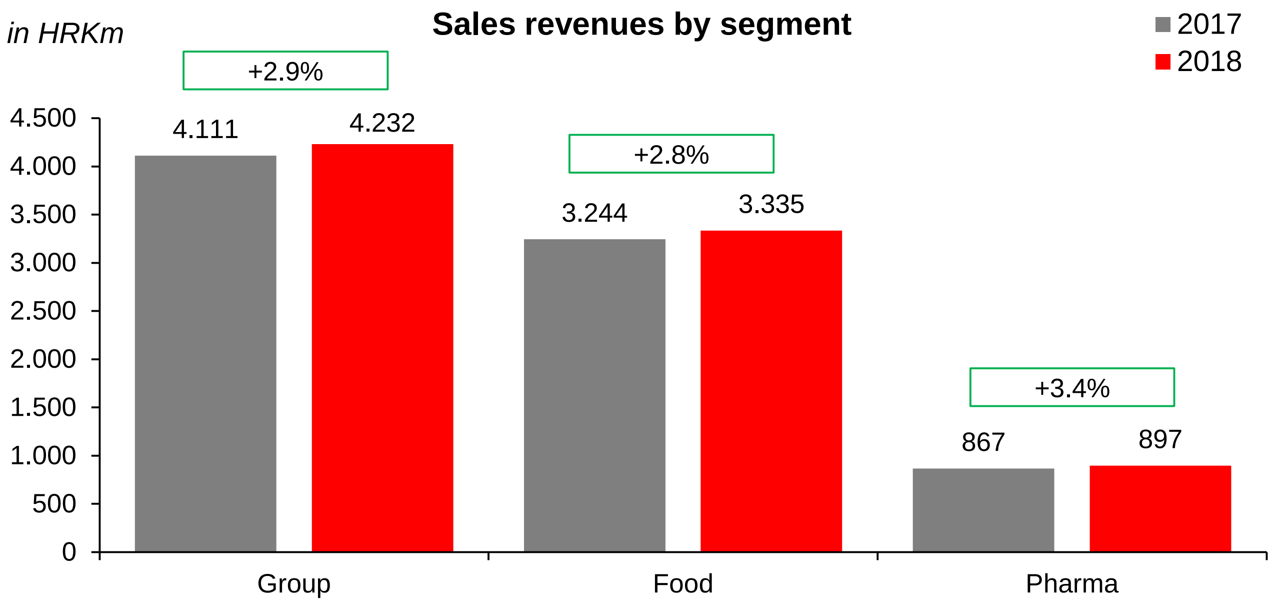
Dividend and dividend yield[4]



[1]Obtained from Bloomberg on 26th September 2019; [2]Excluding max. and min. values; [3]Normalized for items stated in the publication of 1-6 2019 and 2018 results; [4]Based on the last price on the day of the General Assembly.

PODRAVKA

Own brands records significant organic growth of 3.4%



Net foreign exchange (FX) impact on sales revenues:

HRKm	Own brands	Other sales	Total
Food	(26)	1	(25)
Pharmaceuticals	(25)	(1)	(26)
Group	(51)	0	(51)

Currency	*HRKm*
RUB	(33)
EUR	(8)
Other	(10)
Total	(51)

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

Food segment in 2018:

- **Own brands** → 3.6% higher sales (+4.4% excl. FX), primarily due to the continued growth in sales of business units Žito and Lagris, Baby food, sweets and snacks and Culinary, as a result of increased selling and marketing activities, launching of new products and expanded distribution of certain categories,
- **Other sales** → 5.7% lower sales (-5.9% excl. FX), as a result of lower sales of trade goods in the Croatian market,
- **Total Food** → 2.8% higher sales (+3.6% excl. FX).

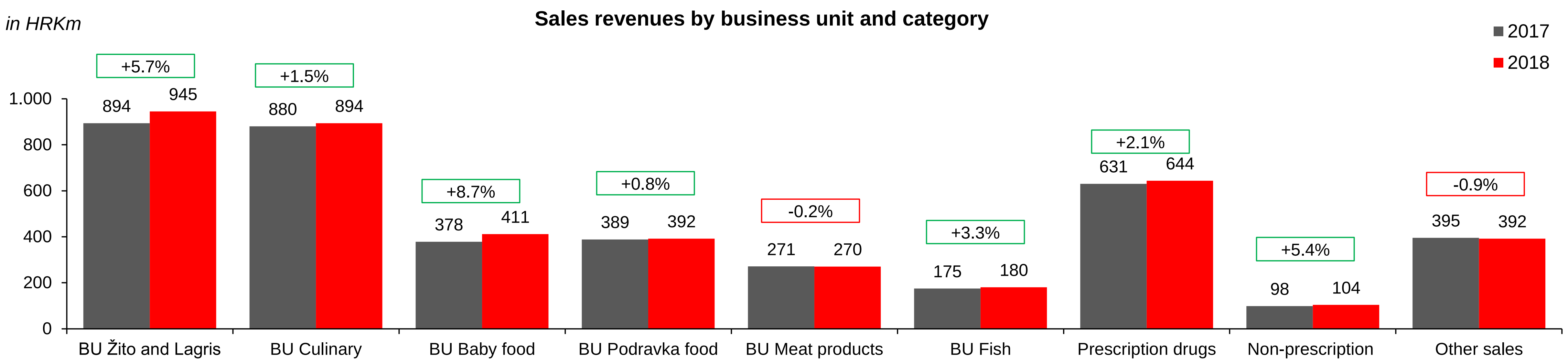
Pharmaceuticals segment in 2018:

- **Own brands** → 2.5% higher sales (+5.9% excl. FX), primarily due to the continued trend of the increased demand in the Russian market and the expanded distribution on the markets of the Central Europe,
- **Other sales** → 8.0% higher sales (+8.5% excl. FX) as a result of higher sales of trade goods in the Farmavita company due to strategic focus on the more profitable trade goods range,
- **Total Pharmaceuticals** → 3.4% higher sales (+6.4% excl. FX).

Podravka Group in 2018:

- **Own brands** → 3.4% higher sales (+4.7% excl. FX),
- **Other sales** → 0.9% lower sales (-0.9% excl. FX),
- **Total Podravka Group** → 2.9% higher sales (+4.2% excl. FX).

Supporting growth through innovation and effective marketing activities



Business unit and category performance in 2018:

- **BU Žito and Lagris (+5.7%; +6.4% excl. FX)** → continuous growth in the Bakery and mill products in the market of Slovenia and markets of Western Europe as well as growth of Core food category in markets of Central Europe,
- **BU Culinary (+1.5%; +3.1% excl. FX)** → sales growth in most regions primarily driven by Soups and Bouillons, due to optimum mix of selling and marketing activities,
- **BU Baby food, sweets and snacks (+8.7%; +9.0% excl. FX)** → sales growth due to stronger marketing activities in categories Creamy spreads, Baby food and Snacks in the market of Croatia; new and innovated products of the Lino Lada brand continue to drive growth in the Creamy spreads category,
- **BU Podravka food (+0.8%; +1.9% excl. FX)** → higher sales due to selling and marketing activities and expanded distribution in the Condiments, Tomato and Flour categories,
- **BU Meat products, meat solutions and savoury spreads (-0.2%; +0.3% excl. FX)** → lower sales resulting from different dynamics of selling and marketing activities in market of Croatia and change of distributor in the DACH region,
- **BU Fish (+3.3%; +3.2% excl. FX)** → higher sales primarily due to stronger selling and marketing activities in the Adria region market,
- **Prescription drugs (+2.1%; +5.6% excl. FX)** → the most significant growth in the markets of the Eastern Europe region due to the continued trend of higher demand, and in the markets of the Central Europe region as a result of the expanded distribution,
- **Non-prescription programme (+5.4%; +7.9% excl. FX)** → higher sales as a consequence of the growth in the OTC drugs subcategory in the market of Bosnia and Herzegovina due to increased focus on the non-prescription programme, and in the market of Russia,
- **Other sales (-0.9%; -0.9% excl. FX)** → lower trade goods sales revenues in the Food segment on the Croatian market.

Food profitability is a result of favorable sales structure and efficient cost management

Food	REPORTED				NORMALIZED			
(in HRKm)	**2017**	**2018**	**Δ**	**%**	**2017**	**2018**	**Δ**	**%**
Sales revenue	3,243	3,335	92	2.8%	3,244	3,335	92	2.8%
Gross profit	1,039	1,111	71	6.9%	1,058	1,112	54	5.1%
EBITDA	243	323	80	32.7%	277	317	40	14.4%
EBIT	8	173	165	1,982.4%	134	180	46	34.3%
Net profit after MI	(30)	145	175	589.7%	83	150	67	80.6%
Gross margin	32.0%	33.3%		+126 bp	32.6%	33.3%		+74 bp
EBITDA margin	7.5%	9.7%		+218 bp	8.6%	9.5%		+97 bp
EBIT margin	0.3%	5.2%		+494 bp	4.1%	5.4%		+127 bp
Net profit margin after MI	(0.9%)	4.3%		+526 bp	2.6%	4.5%		+194 bp

<u>Food segment profitability in 2018:</u>

- **Normalized gross profit** → higher HRK 54m as a consequence of higher sales revenues and favourable sales structure,
- **Normalized EBIT** → higher HRK 46m, as a result of increase in sales of profitable categories and lower operating expenses such as: i) changed business model in the MENA markets, ii) terminated business activities in the market of Tanzania, iii) lower share option expenses (HRK 1m in 2018; HRK 12m in 2017). Decrease in operating expenses enabled higher marketing investments in own brands,
- **Normalized net profit after MI** → higher HRK 67m due to, apart from aforementioned, lower interest expense and positive FX effects on borrowings, compensating for higher tax expenses.

One-off impacts in HRKm	2017	2018
Severance payments	(31)	(5)
Other (expenses)/revenues above EBIT	(6)	(6)
Value adjustments (expenses)/revenues	(89)	4
ESOP financial expenses	(3)	(2)
Estimated impact on taxes	16	4

Profitability improvement despite negative FX impact

Pharmaceuticals	REPORTED				NORMALIZED			
(in HRKm)	2017	2018	Δ	%	2017	2018	Δ	%
Sales revenue	867	897	29	3.4%	867	897	29	3.4%
Gross profit	445	448	3	0.7%	470	452	(18)	(3.8%)
EBITDA	131	141	10	7.6%	157	147	(10)	(6.6%)
EBIT	83	85	2	2.9%	117	91	(25)	(21.8%)
Net profit after MI	48	61	13	26.7%	83	66	(16)	(19.7%)
Gross margin	51.3%	49.9%		-136 bp	54.2%	50.4%		-378 bp
EBITDA margin	15.1%	15.7%		+62 bp	18.1%	16.4%		-176 bp
EBIT margin	9.5%	9.5%		-5 bp	13.5%	10.2%		-328 bp
Net profit margin after MI	5.5%	6.8%		+125 bp	9.5%	7.4%		-213 bp

Pharmaceutical segment profitability in 2018:

- **Normalized gross profit** → lower 4%, while without unabsorbed costs of the new factory would grow 0.5% due to higher sales revenues and positive impact of the sales structure itself,
- **Normalized EBIT** → lower HRK 25m, but lower HRK 5m without unabsorbed costs of the new factory costs in both periods. In addition to the effects above EBIT level, an additional impact came from foreign exchange differences on trade receivables and payables (HRK -13m in 2018; HRK -7m in 2017) and recorded revenue from released provisions for trade receivables in 2017, which are significantly lower in 2018,
- **Normalized net profit after MI** → lower HRK 16m, but higher HRK 4m without a portion of new factory costs in both periods. An additional positive effect came from lower interest expense, positive effects of foreign exchange differences on borrowings and lower tax expenses.

One-off impacts in HRKm	2017	2018
Value adjustments (expenses)/revenues	-	(5)
New Belupo factory expenses + depreciation	(25)	-
Severance payments	(9)	(1)
ESOP financial expenses	(1)	(0)
Estimated impact on taxes	-	1

Group profitability improvement as result of sustainable organic growth with increased cost discipline

Podravka Group	REPORTED				NORMALIZED			
(in HRKm)	2017	2018	Δ	%	2017	2018	Δ	%
Sales revenue	4,111	4,232	121	2.9%	4,111	4,232	121	2.9%
Gross profit	1,484	1,558	74	5.0%	1,528	1,565	36	2.4%
EBITDA	374	464	90	24.0%	435	465	30	6.8%
EBIT	91	258	167	183.8%	251	272	21	8.3%
Net profit after MI	18	206	187	1,027.2%	166	216	51	30.6%
Gross margin	36.1%	36.8%		+72 bp	37.2%	37.0%		-20 bp
EBITDA margin	9.1%	11.0%		+186 bp	10.6%	11.0%		+40 bp
EBIT margin	2.2%	6.1%		+389 bp	6.1%	6.4%		+32 bp
Net profit margin after MI	0.4%	4.9%		+442 bp	4.0%	5.1%		+108 bp

Group profitability in 2018:

- **Normalized gross profit** → higher 2.4%, while without unabsorbed costs of the new factory in both periods would grow by 3.7% due to higher sales revenues and positive impact of sales structure itself,
- **Normalized EBIT** → higher HRK 21m, while without unabsorbed costs of the new factory in both periods it would be HRK 41 million higher as an additional consequence of i) the absence of share option expense, ii) lower selling and distribution cost and iii) higher marketing expenses,
- **Normalized net profit after MI** → higher HRK 51m, while without unabsorbed costs of the new factory in both periods it would be HRK 72 million higher as a result of, apart from aforementioned, lower interest cost and foreign exchange gains on borrowings.

One-off impacts in HRKm	2017	2018
Severance payments	(40)	(6)
New Belupo factory expenses + depreciation	(25)	-
Other (expenses)/revenues above EBIT	(6)	(6)
Value adjustments (expenses)/revenues	(89)	(1)
ESOP financial expenses	(4)	(2)
Estimated impact on taxes	16	5

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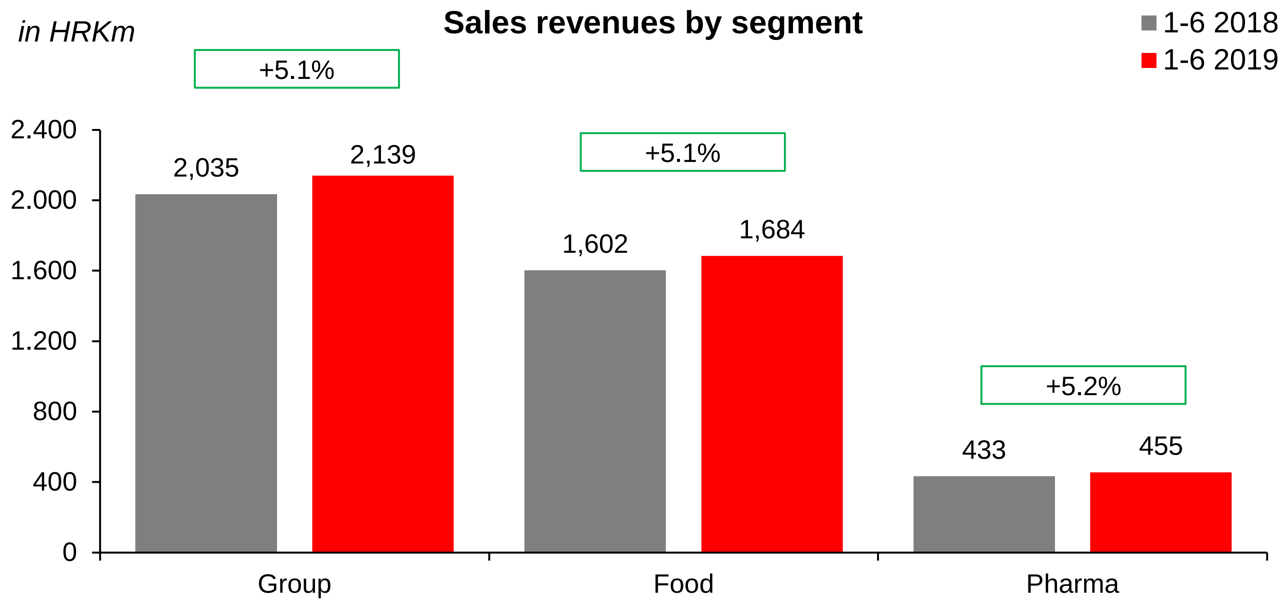
Strong sales revenues growth by 5.1%



Net foreign exchange (FX) impact on sales revenues:

- FX impact on sales revenues shows for how much sales revenues would have been higher or lower in 1-6 2019 if FX rates had remained on the same levels as in 1-6 2018.

HRKm	Own brands	Other sales	Total
Food	(1)	(0)	(1)
Pharmaceuticals	(1)	0	(1)
Group	(2)	(0)	(2)

Currency	*HRKm*
RUB	(2)
PLN	(1)
USD	2
Other	(1)
Total	(2)

Food segment results in period 1-6 2019[1]:

- **Own brands**→ 4.8% higher revenues (+4.8% excl. FX), due to the growth in sales of business units Culinary, Baby food, sweets and snacks and Fish, as a result of stronger selling and marketing activities, demand for newly launched products and the expanded distribution of certain categories,
- **Other sales**→ 10.4% higher revenues (+10.5% excl. FX), primarily as a result of higher sales of trade goods of the Lagris company,
- **Food segment** → 5.1% higher revenues (+5.2% excl. FX).

Pharma segment results in period 1-6 2019[1]:

- **Own brands**→ 3.0% higher sales (3.2% excl. FX), due to increase in sales on Russian and Croatian market,
- **Other sales**→ 16.4% higher revenues (+16.4% excl. FX), as a result of higher sales in the Farmavita company,
- **Pharmaceutical segment**→ 5.2% higher revenues (+5.3% excl. FX).

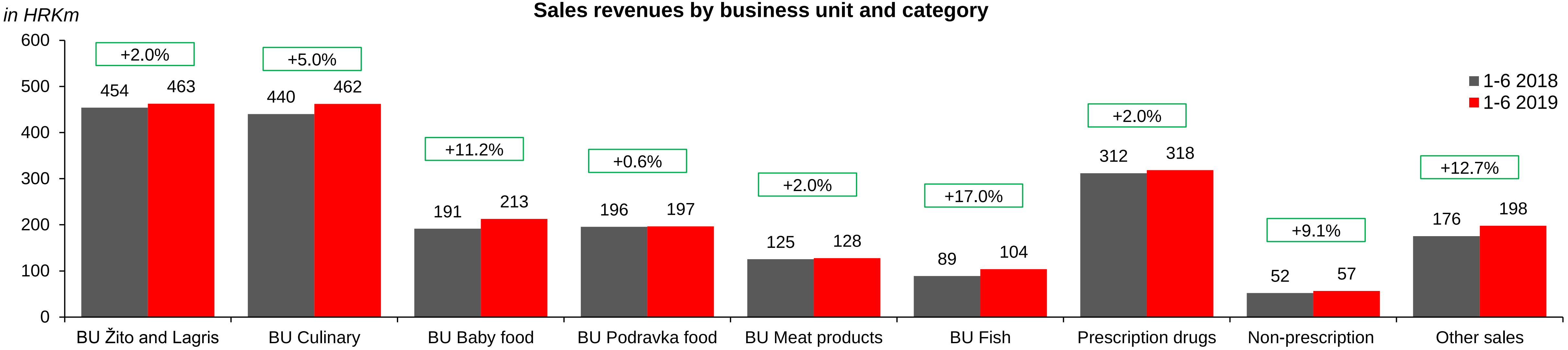
Podravka Group results in period 1-6 2019[1]:

- **Own brands** → 4.4% higher revenues (+4.5% excl. FX),
- **Other sales**→ 12.7% higher revenues (+12.8% excl. FX),
- **Podravka Group**→ 5.1% higher sales (+5.2% excl. FX).

[1]Percentages in the text relate to performance in 1-6 2019 compared to 1-6 2018

Sales growth across all business segments

Sales revenues by business unit and category



Business unit and category performance in 1-6 2019[1]

- **BU Žito and Lagris (+2.0%; +2.0% excl. FX)** → growth of the Bakery and mill products category in the markets of Slovenia and Italy,
- **BU Culinary (+5.0%; +5.2% excl. FX)** → higher sales in the categories Seasonings and Soups, due to the optimum mix of selling and marketing activities and the demand for new products, resulting in sales growth in most regions,
- **BU Baby food, sweets and snacks (+11.2%; +11.1% excl. FX)** → higher sales, primarily as a consequence of marketing activities in categories Creamy spreads, Baby food and Snacks, as well as a result of well received new and innovated products of the Lino Lada and Kviki brands,
- **BU Podravka food (+0,6%; +0,8% excl. FX)** → higher sales of the Flour and Condiments, as result of stronger selling and marketing activities as well as increased demand, managed to compensate for lower revenues of the Frozen vegetables category, connected to the problems with procurement of raw materials from a supplier from Serbia,
- **BU Meat products, meat solutions and savoury spreads (+2.0%; +1.7% excl. FX)** → increase in sales of the categories of Canned ready-to-eat meals and Luncheons,
- **BU Fish (+17.0%; +16.9% excl. FX)** → higher sales, primarily due to the increased demand and stronger selling and marketing activities,
- **Prescription drugs (+2.0%; +2.2% excl. FX)** → higher sales in the markets of Russia and Croatia, which compensated for the decrease in sales in the markets of Turkey, Bosnia and Herzegovina and Kosovo, due to changes in local legislation,
- **Non-prescription programme (+9.1%; +9.2% excl. FX)** → growth in the OTC drugs subcategory in Croatia and Russia due to increased demand and targeted marketing and selling activities,
- **Other sales (+12.7%; +12.8% excl. FX-a)** → higher sales as a result of the increase in sales of trade goods of the Lagris and Farmavita.

[1]Percentages in the text relate to performance in 1-6 2019 compared to 1-6 2018

Food segment profitability backed by favorable sales mix

Food	REPORTED			
(in HRKm)	**1-6 2018**	**1-6 2019**	**Δ**	**%**
Sales revenue	1,602	1,684	82	5.1%
Gross profit	541	574	33	6.2%
EBITDA	172	195	23	13.5%
EBIT	105	120	15	14.0%
Net profit after MI	85	94	10	11.3%
Gross margin	33.8%	34.1%		+33 bp
EBITDA margin	10.7%	11.6%		+85 bp
EBIT margin	6.6%	7.1%		+56 bp
Net profit margin after MI	5.3%	5.6%		+31 bp

Food segment profitability in 1-6 2019:

- **Gross margin**→ higher 6.2% as a result of higher sales revenues and the positive impact of the sales structure itself,
- **EBIT** → higher HRK 15m as result of the increase in sales of the profitable range as well as favourable movements in foreign exchange differences on trade receivables and trade payables (HRK +2m in 1-6 2019; HRK -6m in 1-6 2018). Aforementioned successfully compensated for the increase in certain operating expenses, primarily marketing expenses, staff costs and costs related to the sales growth. In line with the Group's strategy, higher investments in brand development were continued through effective marketing activities, while the increase in staff costs is a consequence of the planned improvement in material rights of the Podravka Group employees,
- **Net margin after MI** → higher HRK 10m higher, which compensated for the less favourable movements in foreign exchange differences on borrowings than in the comparative period (HRK -0m in 1-6 2019; HRK +5m in 1-6 2018).

Profitability improvement in Pharmaceuticals segment

Pharmaceuticals	REPORTED			
(in HRKm)	**1-6 2018**	**1-6 2019**	**Δ**	**%**
Sales revenue	433	455	22	5.2%
Gross profit	220	229	10	4.5%
EBITDA	72	94	22	30.6%
EBIT	44	63	19	43.2%
Net profit after MI	36	46	10	27.3%
Gross margin	50.7%	50.4%		-34 bp
EBITDA margin	16.6%	20.6%		+401 bp
EBIT margin	10.1%	13.8%		+366 bp
Net profit margin after MI	8.3%	10.1%		+176 bp

Pharmaceuticals segment profitability in 1-6 2019:

- **Gross profit**→ 4.5% higher a result of the sales structure and the increase in COGS,
- **EBIT** → HRK 19m higher as a result, in addition to the mentioned above, of favourable movements in foreign exchange differences on trade receivables and trade payables (HRK -6 million in 1-6 2018; HRK +9m in 1-6 2019), which compensated for the increase in certain operating expenses, primarily marketing expenses and staff costs related to the improvement in the material rights of employees,
- **Net profit after MI** → HRK 10m higher, which compensated for the less favourable movements in foreign exchange differences on borrowings than in the comparative period (HRK +8m in 1-6 2018; HRK +1m in 1-6 2019) and higher tax expense.

Group profitability influenced by favourable sales structure of the Food segment

Podravka Group	REPORTED			
(in HRKm)	**1-6 2018**	**1-6 2019**	**Δ**	**%**
Sales revenue	2,035	2,139	104	5.1%
Gross profit	761	804	43	5.7%
EBITDA	244	289	45	18.5%
EBIT	149	183	34	22.6%
Net profit after MI	121	140	19	16.1%
Gross margin	37.4%	37.6%		+19 bp
EBITDA margin	12.0%	13.5%		+152 bp
EBIT margin	7.3%	8.5%		+122 bp
Net profit margin after MI	5.9%	6.5%		+62 bp

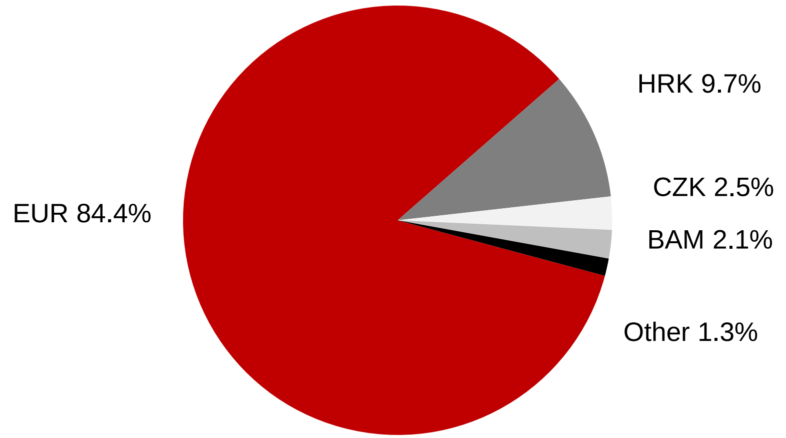
Group profitability in 1-6 2019:

- **Gross profit**→ 5.7% higher gross profit, where the stronger impact comes from the Food segment as a result of a favourable sales structure. In this, cost of goods sold increased by 4.8%, which resulted in the gross margin of 37.6%,
- **EBIT** → HRK 34m higher, as a result of the previously mentioned factors and favourable movements in foreign exchange differences on trade receivables and trade payables (HRK -12min 1-6 2018; HRK +11m 1-6 2019). This more than successfully compensated for the increase in certain operating expenses, primarily marketing expenses, staff costs and costs related to the sales growth. In line with the Group's strategy, higher investments in brand development were continued through effective marketing activities, while the increase in staff costs is a consequence of the planned improvement in material rights of the Podravka Group employees,
- **Net profit after MI** → is HRK 19m higher, which compensated for the less favourable movements in foreign exchange differences on borrowings than in the comparative period (HRK +13m in 1-6 2018; HRK +1 million in 1-6 2019) and higher tax expense.

The increase in net debt is the result of the adoption of the new IFRS 16

(in HRKm)[1]	2018	1-6 2019	% change
Net debt	755	776	2.7%
Interest expense	18	16	(8.2%)
Net debt / normalized EBITDA	1.6	1.5	(6.8%)
Normalized EBIT / interest expense	15.2	18.7	23.5%
Equity to total assets ratio	62.9%	63.3%	+38 bp

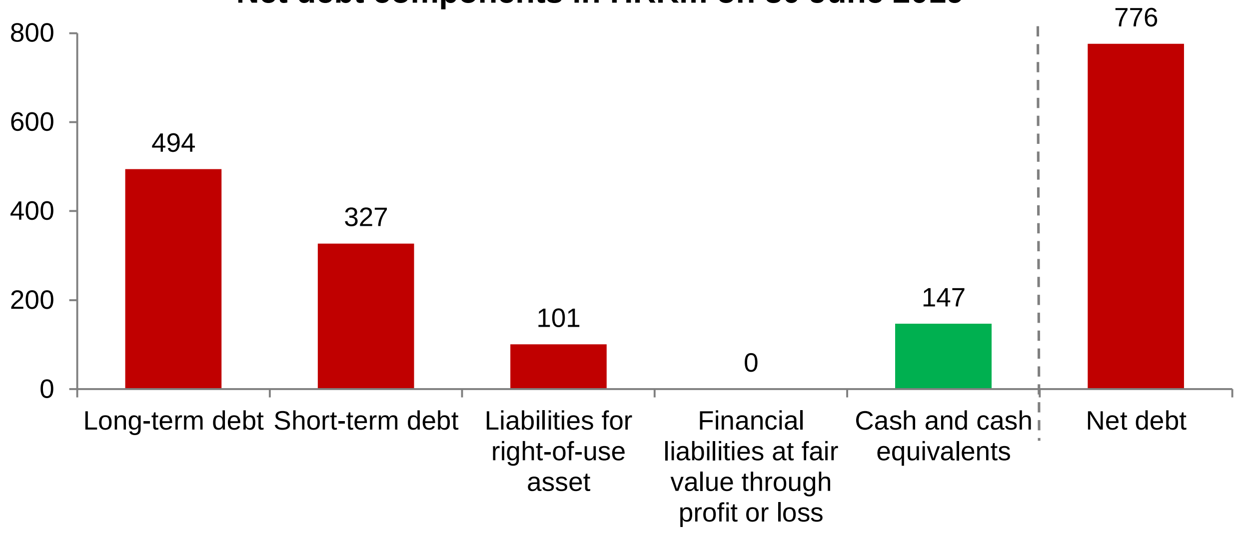
Currency structure of debt on 30 June 2019



Key highlights:

- Net debt increase → due to inclusion of right-of-use assets (leases) in debt according to new accounting standard IFRS 16 as well as lower amount of cash and cash equivalents,
- Lower interest expenses → repayment of a part of borrowings,
- Decrease in Net debt/normalized EBITDA due to higher normalized EBITDA. Without inclusion of right-of-use assets (leases) in debt according to new accounting standard IFRS 16, the net debt to normalised EBITDA ratio would amount to estimated 1.4,
- **Weighted average cost of debt excluding liabilities for right-of-use assets:**
  - As at 30 June 2019 → 1.5 %,
  - As at 31 December 2013 → 4.3%.

Net debt components in HRKm on 30 June 2019



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

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PODRAVKA

Podravka Group

Always with a heart!

ZSE WEBCAST, Zagreb, 1st October 2019