



Podravka Group

Always with a heart!





The Company

Business

Investment highlights

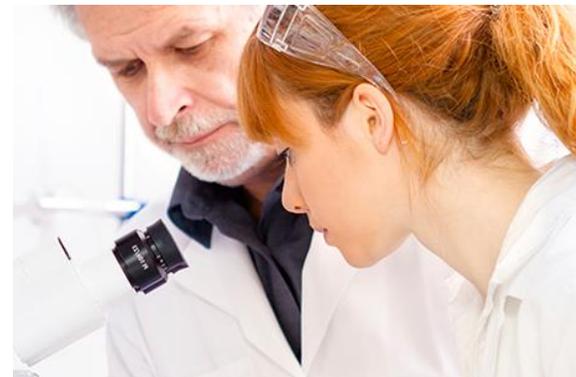
2018 results

H1 2019 results





Founded in
1947.



Headquarters in
Koprivnica

72 years
In food business

47 years
In pharmaceutical
business



4,232m HRK
(571m EUR) revenues

4,846m HRK
(654m EUR) assets



6,517
Employees



3,322.6m HRK*
(448.4m EUR) Mcap

Listed on ZSE
Prime market

Note: figures in this presentation are translated to euros at HRK/EUR FX rate of 7.41; *Mcap on 30th September 2019, calculated on weighted average number of shares excluding treasury shares.

Long tradition in food and pharmaceutical production



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



2015

Acquisition of Žito, Slovenian food producer



2017

New Pharmaceutical factory constructed, the largest greenfield investment in the history of the Group

Podravka Group operates in 24 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



International network of subsidiaries and representative offices

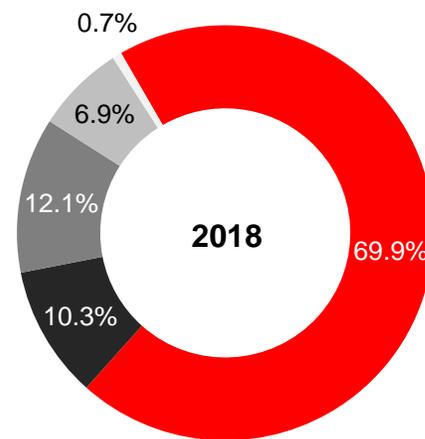


Factories

- Croatia – 9 food and 1 pharmaceutical factory
- Slovenia – 12 food factories
- B&H – 1 pharmaceutical factory
- Czech Republic – 1 food factory



Podravka Group sales split by regions in 2018



- Adria
- WE and Overeas
- Central Europe
- Eastern Europe
- New markets

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 as at 30 September 2019 and Supervisory Board

President:

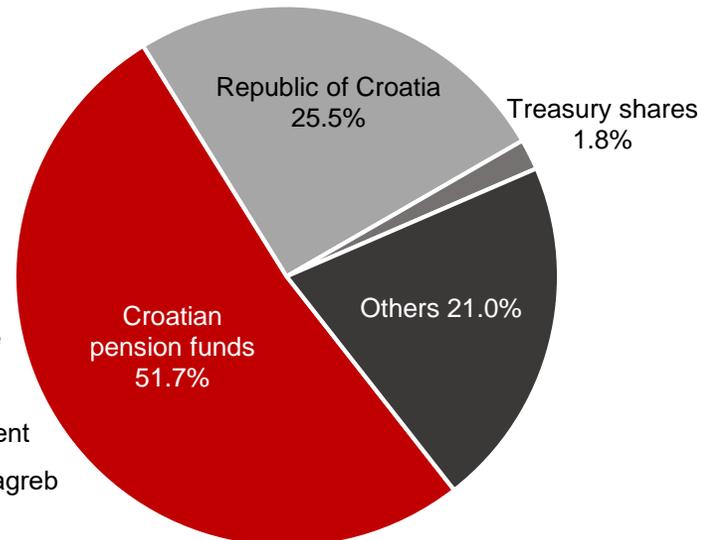
- Želimir Vukina → business consultant at law firm Vukina i partneri d.o.o.

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 → professor at the Faculty of Economics and Business, Zagreb
- Ivana Matovina → certified auditor
- Petar Miladin → professor at the Faculty of Law, Zagreb



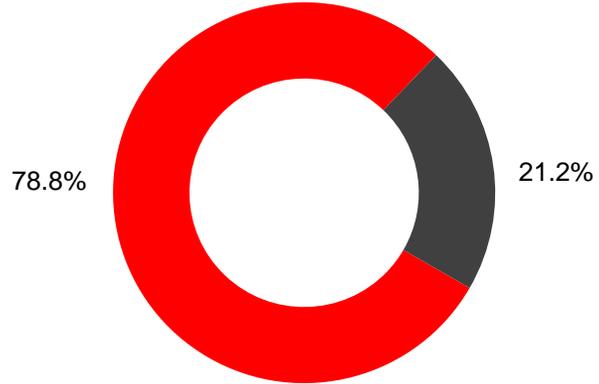
No.	Shareholder	% ownership
1.	Republic of Croatia	25.5%
2.	PBZ Croatia Osiguranje mandatory pension fund category B	15.0%
3.	AZ mandatory pension fund category B	12.7%
4.	Erste Plavi mandatory pension fund category B	10.2%
5.	Raiffeisen mandatory pension fund category B	8.8%
6.	Podravka d.d. – treasury shares	1.8%
	Other shareholders	26.0%
Total		100.0%

Key financial figures

Sales revenues split

Sales revenues in 2018

■ Food
■ Pharma



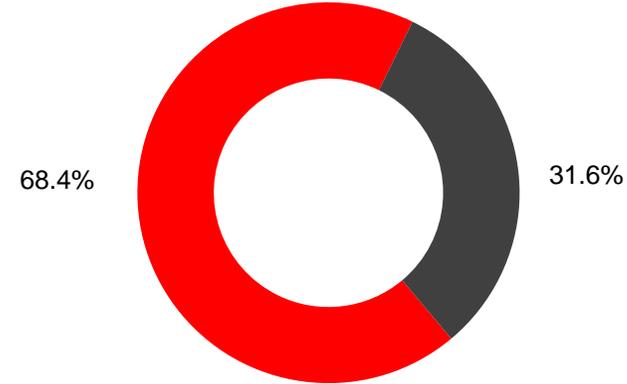
2018 revenues	HRKm
Food	3,335
Pharma	897
<hr/>	
Group	4,232

2018 revenues	EURm
Food	450
Pharma	121
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Group	571

Normalized EBITDA split

EBITDA in 2018

■ Food
■ Pharma



2018 EBITDA	HRKm
Food	318
Pharma	147
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Group	465

2018 EBITDA	EURm
Food	43
Pharma	20
<hr/>	
Group	63

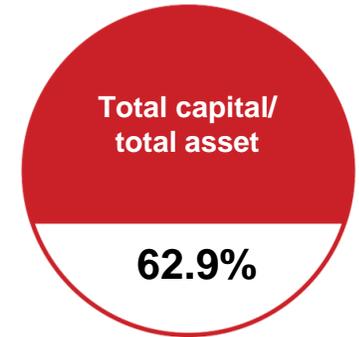
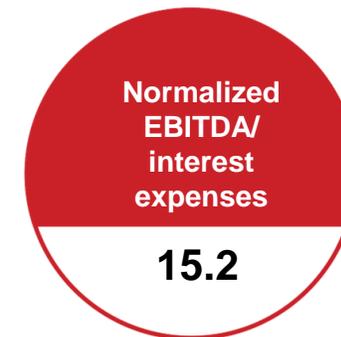
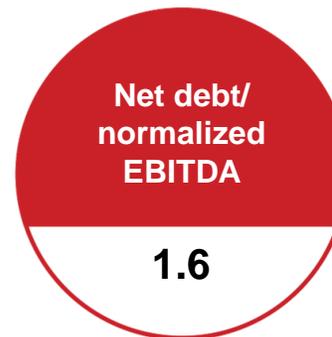
Normalized EBITDA margins in 2018.

11.0%
Group

9.5%
Food

16.4%
Pharma

Low and sustainable debt level





The Company

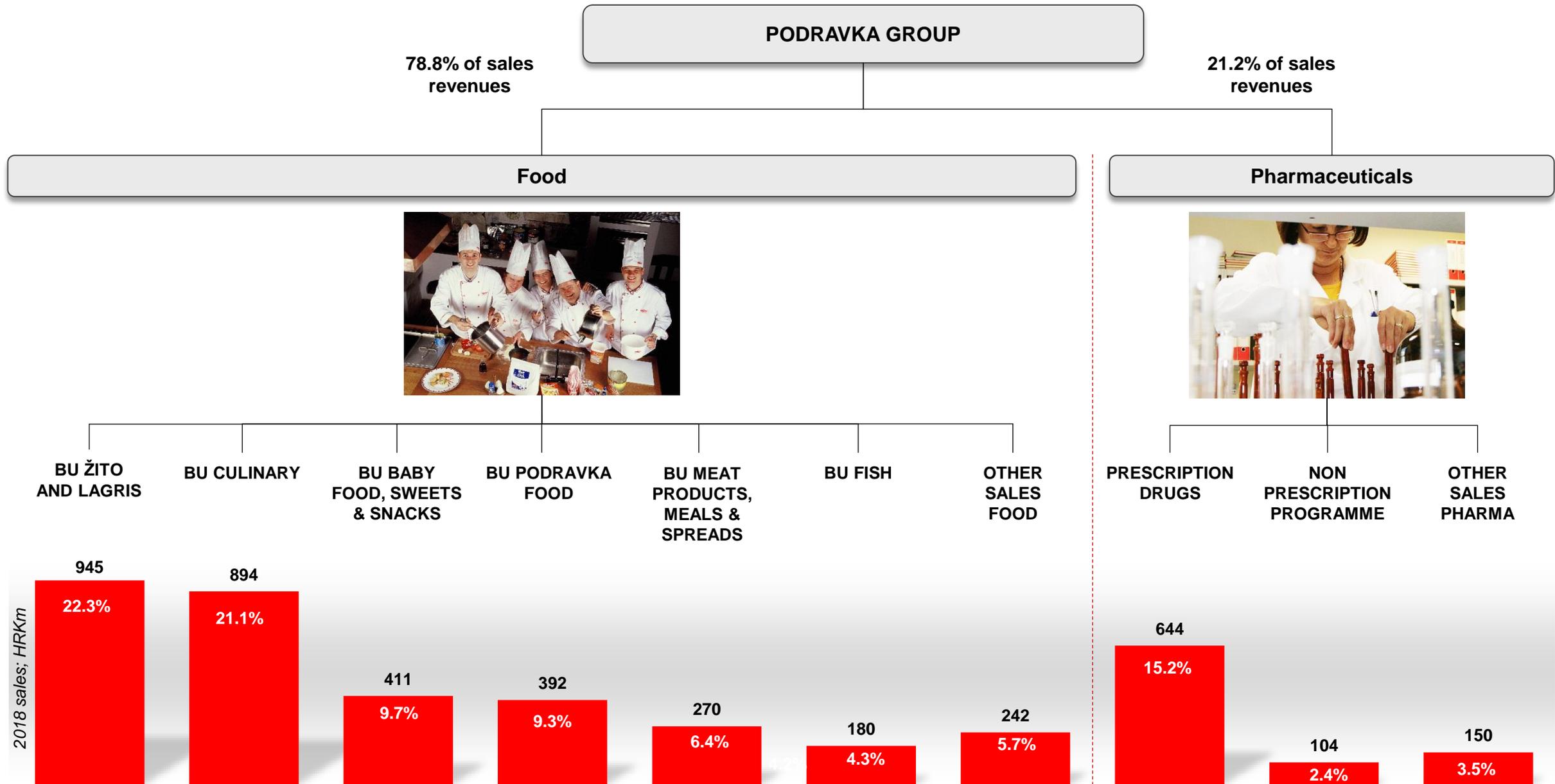
Business

Investment highlights

2018 results

H1 2019 results

A well diversified product portfolio divided in two business areas



Food segment organized in 6 key business units, Pharma segment in 2 categories



BU Žito & Lagris

Pasta, rice, nature & bio products, pulses & groats, bakery and mill products, tea, confectionery, cereals for adults, private labels, service production.

2018 sales: **945 HRK**m; % total sales: **22.3%**



BU Culinary

Seasonings, monospices, soups, ready-to-cook meals and bouillons, food mixes, private labels, service production.

2018 sales: **894 HRK**m; % total sales: **21.1%**



BU Baby food, sweets & snacks

Dehydrate baby food, cream spreads, cereals, sweets, snacks, drinks, private labels, service production.

2018 sales: **411 HRK**m; % total sales: **9.7%**



BU Podravka Food

Condiments, tomato based products, sauces, fruit based products, vegetables, Podravka flour, private labels, service production.

2018 sales: **392 HRK**m; % total sales: **9.3%**



BU Meat prod., meals & spreads

Canned meat, sausages, pates, luncheon meat, ready meals, private labels, service production.

2018 sales: **270 HRK**m; % total sales: **6.4%**



BU Fish

Canned fish, fish salads, fish pates, private labels, service production.

2018 sales: **180 HRK**m; % total sales: **4.3%**



Prescription drugs

For skin problems, for heart and blood vessels, for central nervous system and for 8 more areas.

2018 sales: **644 HRK**m; % total sales: **15.2%**



Non-prescription programme

OTC medicine, dietary products, natural products.

2018 sales: **104 HRK**m; % total sales: **2.4%**



High-quality brands with exceptional recognisability and strong international potential



VEGETA ¹	ADRIA	POL	SLK
	1	2	1
	CZE	HU	RO
	3	3	4

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.



SOUPS ¹	CRO	SLO
	1	4
	B&H	SER
	1	2

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) reward in Croatia,
- Best Buy reward in Croatia and B&H.



LINO ¹	CRO	SLO
	1	1
	B&H	SER
	1	1

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 reward and Best Buy reward in Croatia,
- Superbrand reward in Croatia, Slovenia and B&H.



DOLCELA ¹	CRO	SLO
	1	2
	B&H	
	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) reward in Croatia,
- Best Buy reward in Croatia and B&H.



FISH ¹	CRO	SLO
	2	6
	B&H	SER
	2	3

EVA (MEDITERANNEAN ASSORTMENT)

- One of the most recognisable brands in canned fish category in the Adria region,
- Largest canned fish assortment– tuna, sardine, mackerel i baltic fish,
- Quadal (Quality Medal) reward and Superior taste reward in Croatia,
- Best Buy reward in Croatia and B&H.



D07 ^{2,3}	CRO	RUS	CZE	SLO
	1	5	1	2
	B&H	SER	MAC	SLK
	1	2	1	1

BELUPO DERMATICS

- Strong international position in niche dermatology segment.

¹Source: Nielsen volume market position data for 2018; ²Source: IMS market position data for 2018; ³Corticosteroids for the treatment of skin disorder.



The Company

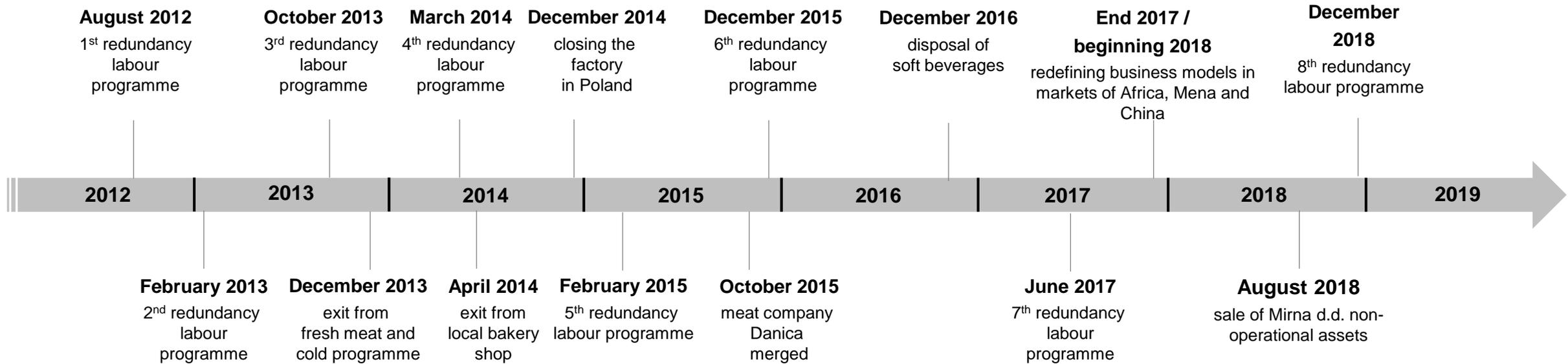
Business

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2018 results

H1 2019 results

Delivering results through a clearly defined strategic approach



BUSINESS

Organic growth by focusing on traditional markets where Podravka is already known as a renowned manufacturer,

STRATEGY

Investment in further development of own brands through innovation and effective marketing activities,

HIGHLIGHTS

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.

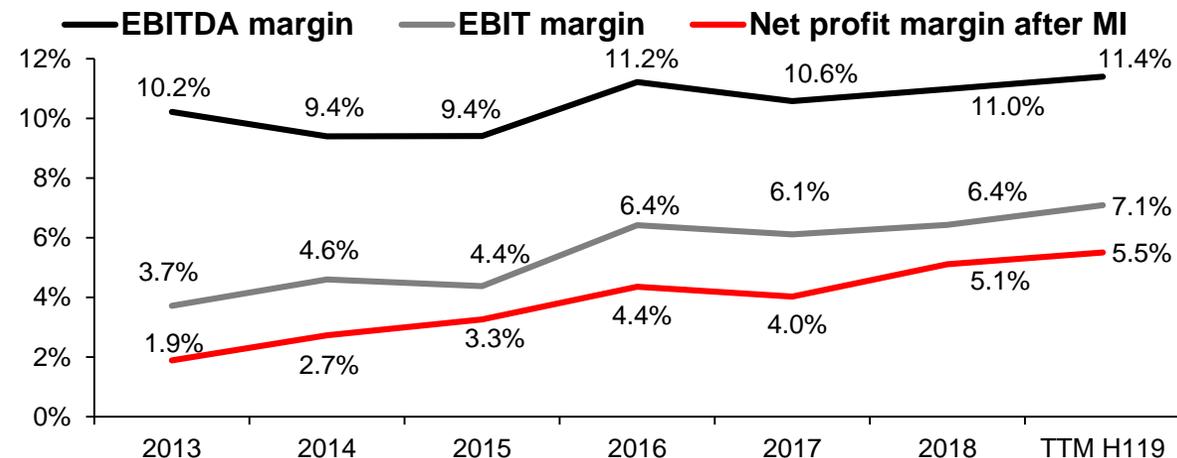
Financial position no longer under the influence of major one-off items

Restructuring related one-off items burdened profitability

(in HRK m)	FY12	FY13	FY14	FY15	FY16	FY17	FY18	H119
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)	-

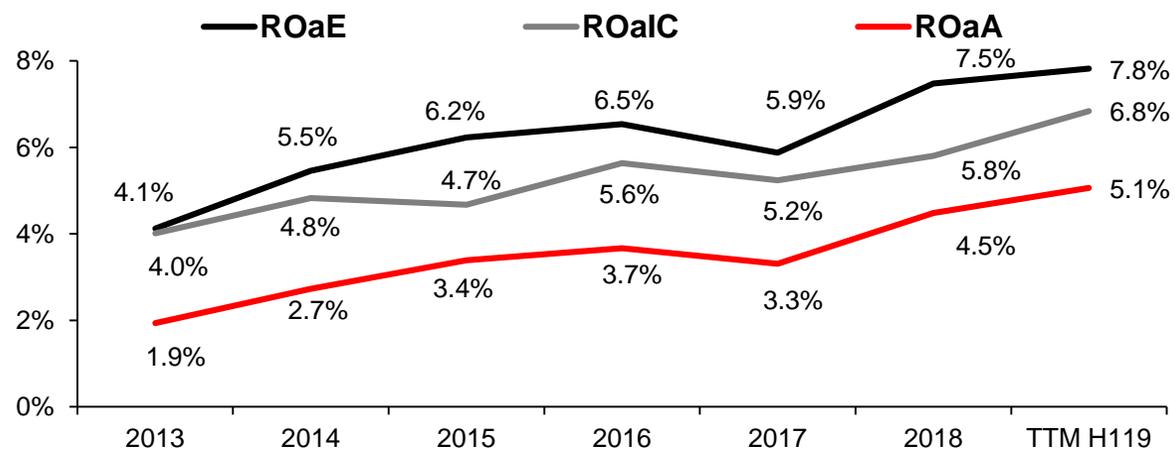
¹HRK 116m of gain on a bargain purchase from Žito acquisition (badwill), HRK 164m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19m refers to other items.

Normalized profitability margins movement²

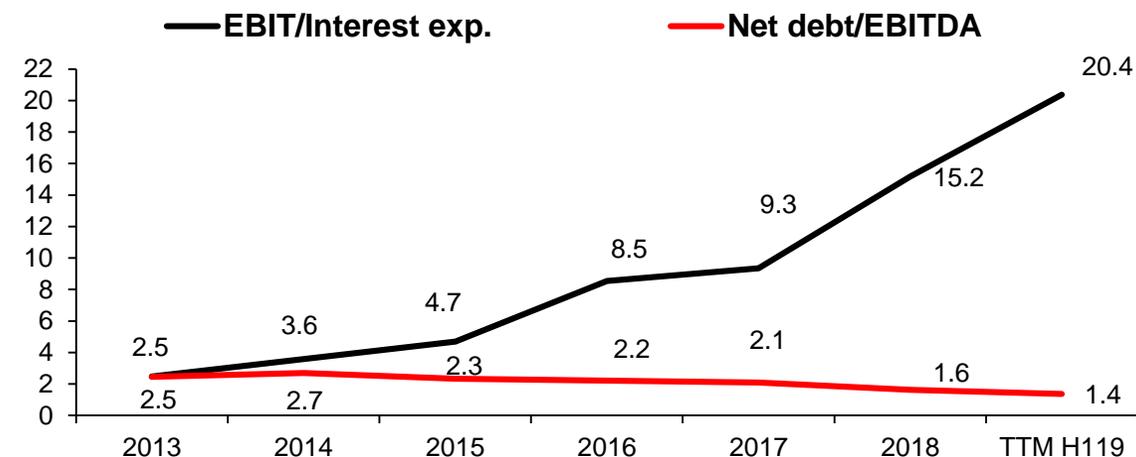


Note: Due to sales revenues reclassification in 2016, 2013-2014 margins are made by approximation.

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; IFRS 16 influence excluded from H1 2019.

Podravka's share price movement in 1-9 2019

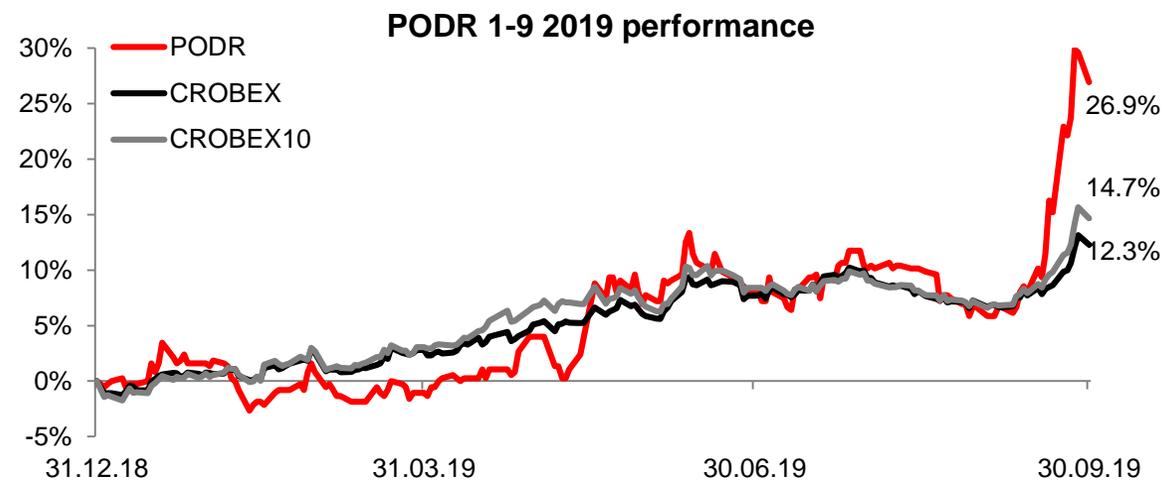
Market activity with PODR share

(HRK; units)	1-9 2018	1-9 2019	% change
Average daily price	298	412	38.4%
Average daily number of transactions	11	12	0.8%
Average daily volume	1,378	1.065	(22.7%)
Average daily turnover	410,631	439.143	6.9%
Reported earnings per share	30 ¹	32 ²	9.5%
Normalized earnings per share	31 ¹	34 ²	10%

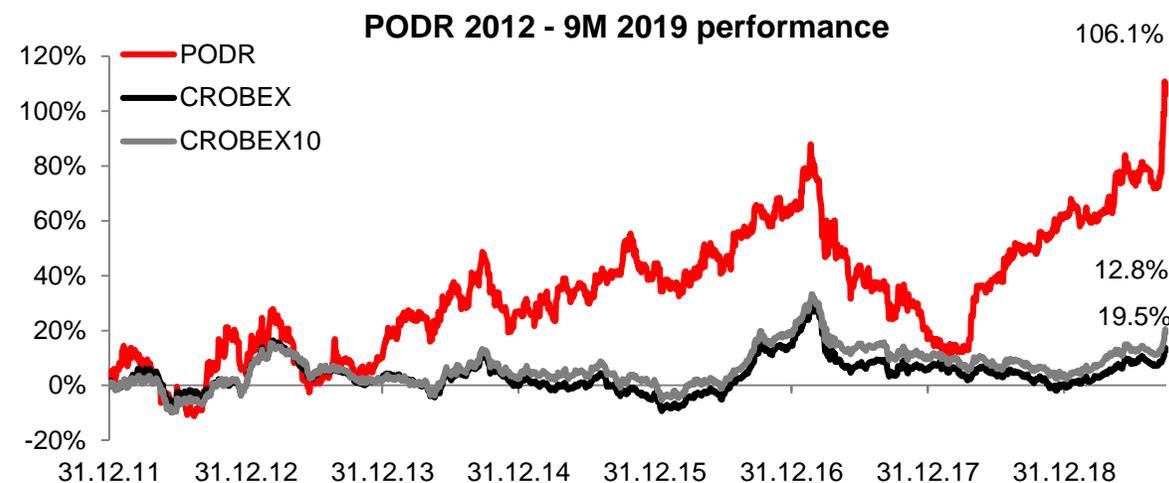
Key statistics about PODR share

- Second most liquid share in Prime market in Q3 2019 period,
- 2 market makers (Intercapital and Zagrebačka banka),
- Followed by 3 analyst research notes with recommendation and target price (Intercapital, Raiffeisen bank, Erste Group).

2019 share price movement



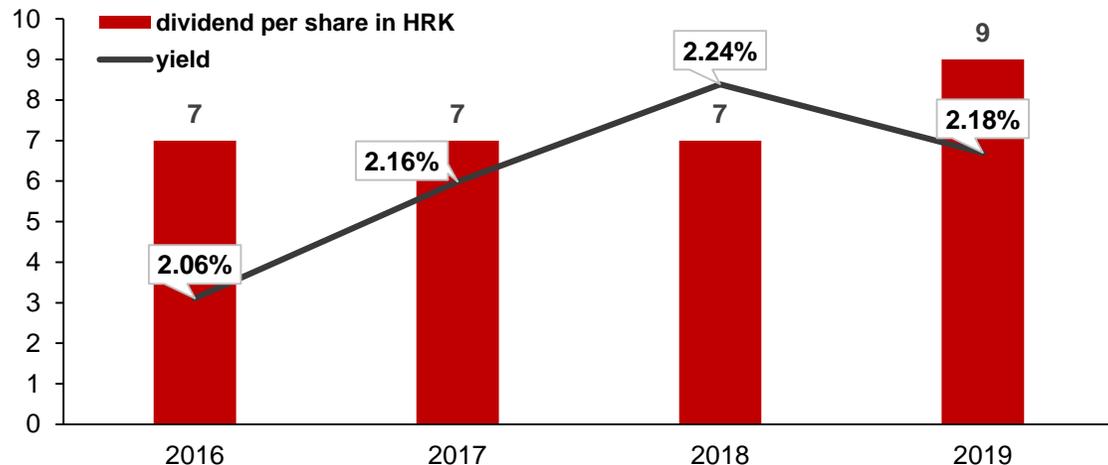
Historical share price movement



¹Calculated on the FY 2018 basis; ²Calculated on the H1 2019 TTM basis

Good performance turned Podravka into a dividend player

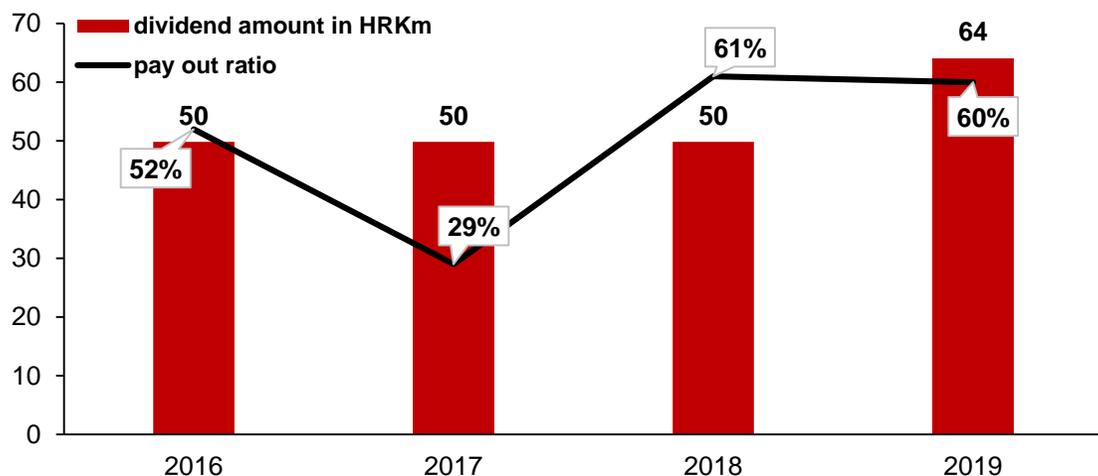
Dividend and dividend yield¹



Dividend policy of Podravka Inc.

- Podravka Inc. started with regular dividend payout in 2016,
- Dividend policy defines, that Podravka Inc. will assess the possibility of dividend payment and, if possible, propose to the General Assembly dividend payment in the amount of at least 25% of the available funds for dividend payment after part of the net profit of Podravka Inc. is allocated to the legal and other reserves of Podravka Inc.,
- Legal reserves are 5% of total net profit of Podravka Inc.,
- The amount of dividend accounted for Podravka Inc. treasury shares is retained in undistributed profit.

Payout ratio (dividend amount/ (net income - legal reserves))



Peer group multiples comparison

Peer group multiples ²	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 ³	1.6	11.8	16.9	2.1	19.7
Podravka Group reported	1.0	8.1	14.2	1.1	14.8
Podravka Group normalized ⁴	1.0	8.1	13.4	1.1	14.0

Peer Group Food: Atlantic Grupa, Ebro, Hochdorf, La Doria, McCormick, Orkla;

Peer Group Pharma: Alkaloid, Richter Gedeon, Hikma Pharmaceuticals, Krka, Recordati, Stada Arzneimittel.

¹DY based on market price on the General Assembly date; ²Obtained from Bloomberg on 26th Sep 2019; ³Calculated excluding max. and min. values; ⁴Normalized for items stated in the publication of H1 2019 and 2018 results.



The Company

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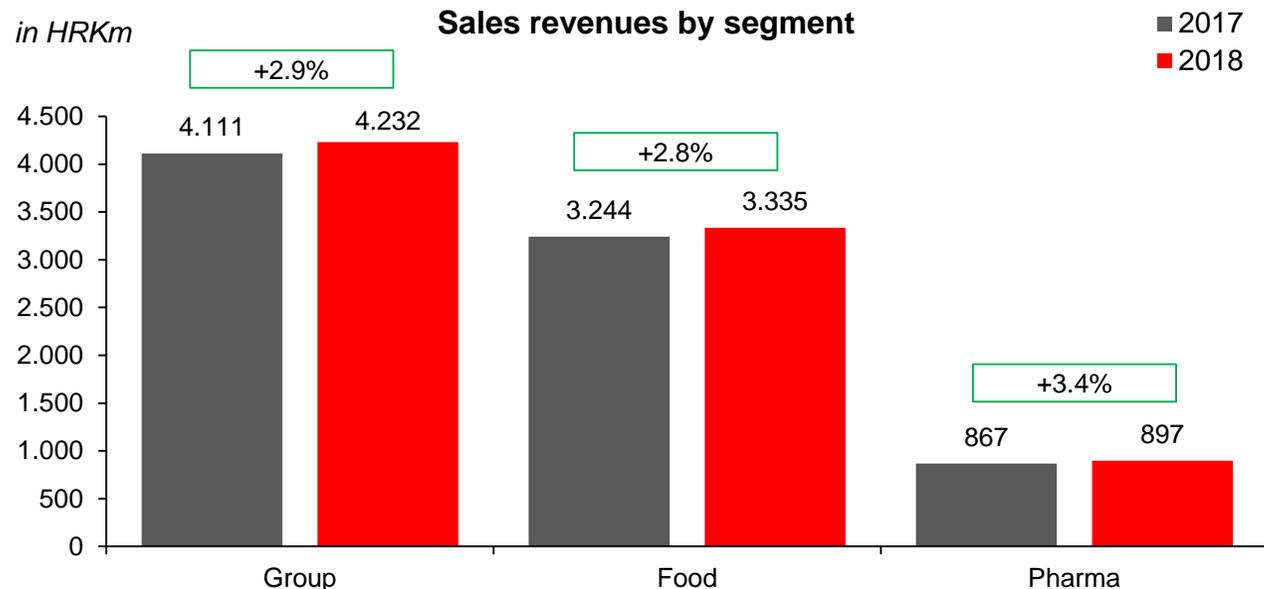
Investment highlights

2018 results

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Own brands recorded significant organic growth by 3.4%



FX impact on sales revenues:

- 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.

HRK _m	Own brands	Other sales	Total	Currency	HRK _m
Food	(26)	1	(25)	RUB	(33)
Pharma	(25)	(1)	(26)	EUR	(8)
Group	(51)	0	(51)	Other	(10)

Food segment performance in 2018:

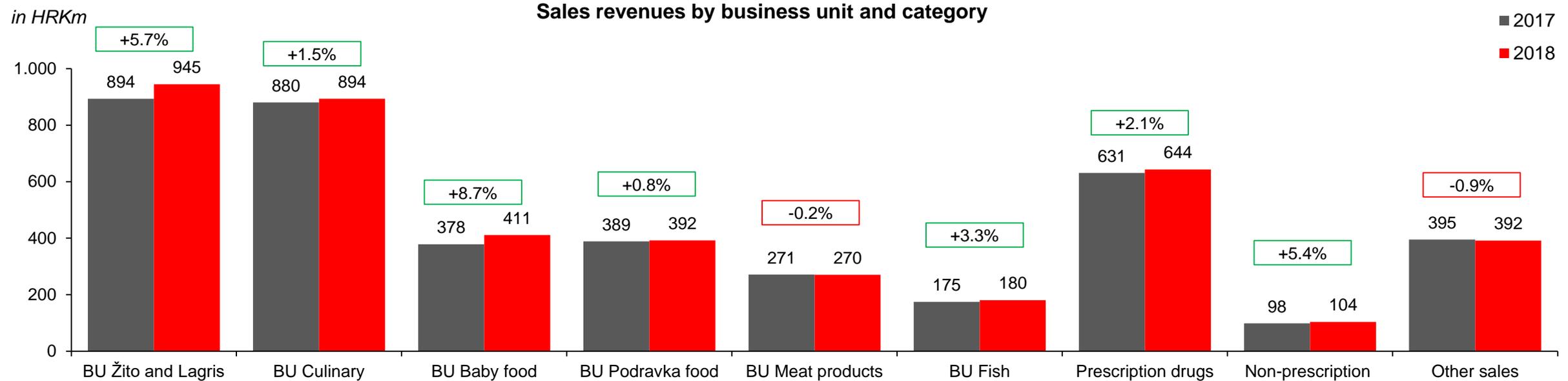
- Own brands** → 3.6% higher sales (+4.4% excl. FX), primarily due to the continued growth in sales of business units Žito and Lagris, Baby food, sweets and snacks and Culinary, as a result of increased selling and marketing activities, launching of new products and expanded distribution of certain categories,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

Pharmaceutical segment performance 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 performance 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).



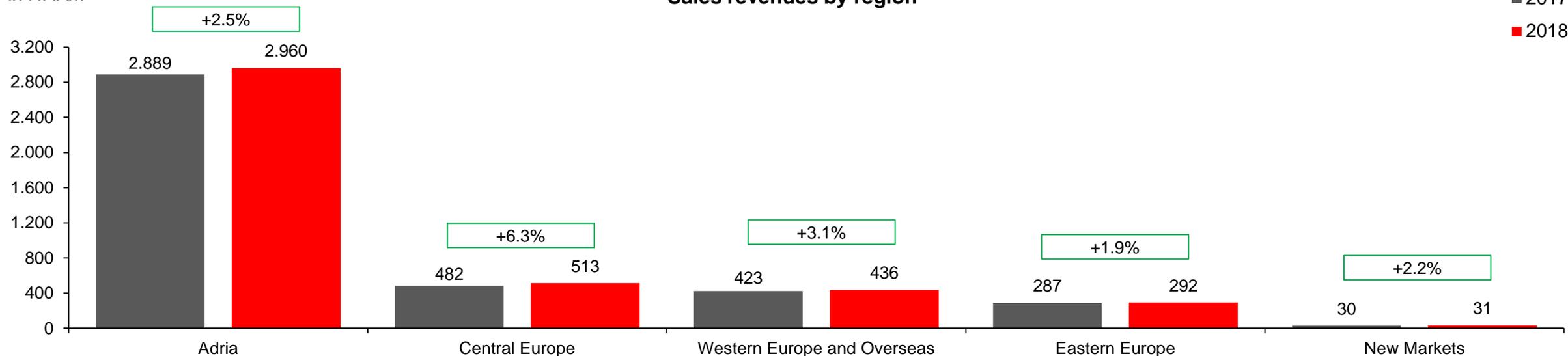
Business unit and category performance in 2018:

- 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.

Most significant growth came from traditional markets

in HRKm

Sales revenues by region



Region performance in 2018:

- **Adria (+2.5%; +2.8% excl. FX)** → food sales 2.6% higher driven by sales growth in all business units, primarily as the result of new and innovated products as well as selling and marketing activities; **pharmaceuticals** sales 1.9% higher due to organic growth and increase in other sales related to the more profitable part of trade goods range,
- **Central Europe (+6.3%, +6.7% excl. FX)** → food sales 5.6% higher where the most significant impact on the Food segment came from the Culinary business unit and from the Žito and Lagris business unit as a result of the extended product range; **pharmaceuticals** sales rose 11.7% due to the increased demand and launching of new products in the markets of Poland, the Czech Republic and Slovakia,

- **Western Europe and Overseas (+3.1%; +4.6% excl. FX)** → food sales 3.3% 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. This compensated for a mild decrease in the **pharmaceuticals** segment revenues,
- **Eastern Europe (+1.9%, +13.5% excl. FX)** → food sales 5.1% lower mainly as a result of the unfavourable effect of foreign exchange differences, while in the **pharmaceuticals** segment the increased demand for the Prescription drugs category annulled the unfavorable effect of foreign exchange differences and led to a 6.2% revenue growth,
- **New markets (+2.2%; +2.7% excl. FX)** → decrease in the revenues of the **food** segment came from lower sales of the Lagris company trade goods in the Asian market, which was compensated by the increase in sales of the **pharmaceuticals** segment.

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

Food (in HRK _m)	REPORTED				NORMALIZED ¹			
	2017	2018	Δ	%	2017	2018	Δ	%
Sales revenue	3,244	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%	278	318	40	14.4%
EBIT	8	173	165	1,982.4%	134	181	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

Food segment profitability in 2018:

- **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 HRK_m

	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

¹Normalized for one-off impacts, the analysis of the obtained normalised result is provided on slide 24.

Profitability improvement in pharmaceutical segment despite negative FX impact

Pharmaceuticals (in HRK _m)	REPORTED				NORMALIZED ¹			
	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 3.8%, while without unabsorbed costs of the new factory in both periods it would be 0.5% higher due to higher sales revenues and positive impact of the sales structure itself,
- **Normalized EBIT** → lower HRK 25m, while without unabsorbed costs of the new factory in both periods it would be HRK 5m lower. In addition to the effects above EBIT level, an additional impact came from FX 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, while without unabsorbed costs of the new factory in both periods it would be HRK 4m higher. An additional positive effect came from lower interest expense, positive FX effects on borrowings and lower tax expenses

One-off impacts in HRK_m

	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

¹Normalized for one-off impacts, the analysis of the obtained normalised result is provided on slide 24.

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

Podravka Group (in HRK _m)	REPORTED				NORMALIZED ¹			
	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 it would be 3.7% higher 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 41m higher as an additional consequence of i) the absence of share option expense (HRK 2m in 2018; HRK 13m in 2017), 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 72m higher as a result of, apart from aforementioned, lower interest cost and positive FX effects on borrowings.

One-off impacts in HRK_m

	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

¹Normalized for one-off impacts, the analysis of the obtained normalised result is provided on slide 24.

One-off items in 2018 and 2017

One-off items <i>(in HRKm)</i>	2017			2018			Δ		
	Group	Food	Pharma	Group	Food	Pharma	Group	Food	Pharma
+expense related to China closing	(1)	(1)	-	-	-	-	1	1	-
+sale of Mirna d.d. non-operational assets	-	-	-	12	12	-	12	12	-
+severance payments expenses	(40)	(31)	(9)	(6)	(5)	(1)	34	27	8
+value adjustments (expenses)/revenues	(89)	(89)	-	(9)	(5)	(5)	80	85	(5)
+ <i>Warzyvko & Perfecta brands</i>	(18)	(18)	-	-	-	-	18	18	-
+ <i>impairment of inventories</i>	(11)	(11)	-	(6)	(2)	(5)	5	9	(5)
+ <i>assets in MENA</i>	(1)	(1)	-	-	-	-	1	1	-
+ <i>assets in Africa</i>	(16)	(16)	-	(4)	(4)	-	12	12	-
+ <i>value adjustments related to Agrokor</i>	(44)	(44)	-	8	8	-	52	52	-
+ <i>other one-off value adjustments</i>	1	1	-	(7)	(7)	-	(8)	(8)	-
+depreciation expenses	(3)	(3)	-	(9)	(9)	-	(7)	(7)	-
+ESOP programme expenses	(3)	(2)	(1)	(2)	(2)	(0)	-	-	-
+new Belupo factory expenses (+depreciation)	(25)	-	(25)	-	-	-	25	-	25
+other one-off expenses	(2)	(2)	-	-	-	-	2	2	-
+initial impact of IFRS 9	-	-	-	(1)	(0)	(1)	(1)	(0)	(1)
+estimated impact on taxes	16	16	-	5	4	1	(11)	(12)	1



The Company

Business

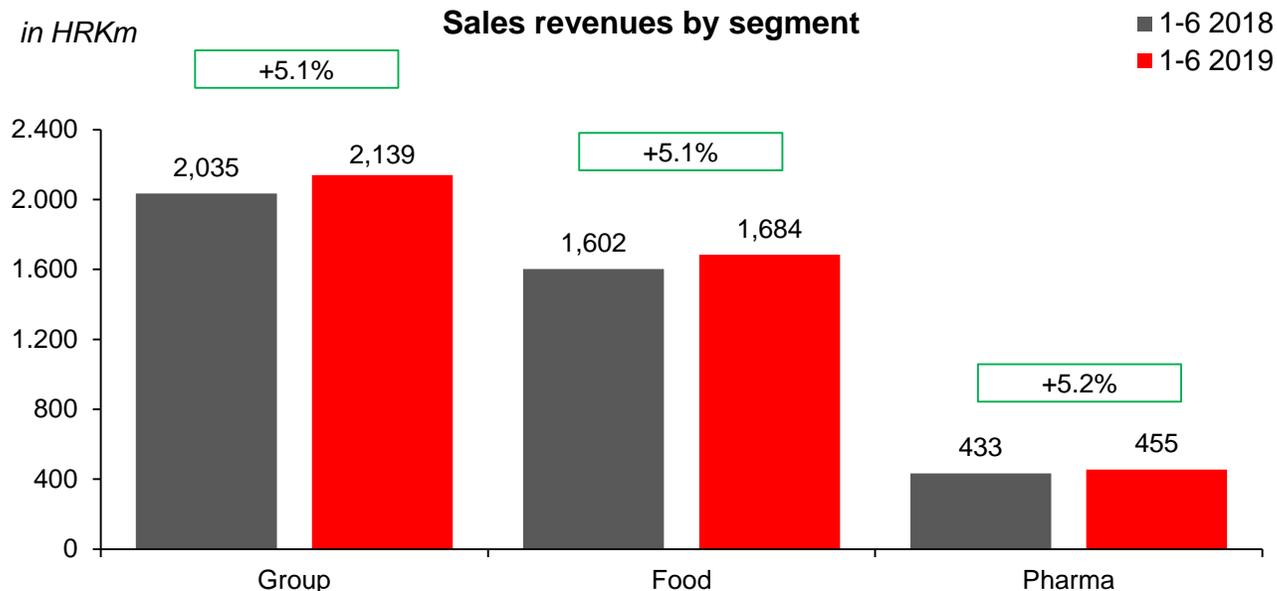
Investment highlights

2018 results

H1 2019 results



Strong sales revenues growth by 5.1%



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.

HRK _m	Own brands	Other sales	Total	Currency	HRK _m
Food	(1)	(0)	(1)	RUB	(2)
Pharmaceuticals	(1)	0	(1)	PLN	(1)
Group	(2)	(0)	(2)	USD	2
				Other	(1)

Food segment performance in 1-6 2019:

- 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 performance in 1-6 2019:

- 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 performance in 1-6 2019:

- 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).

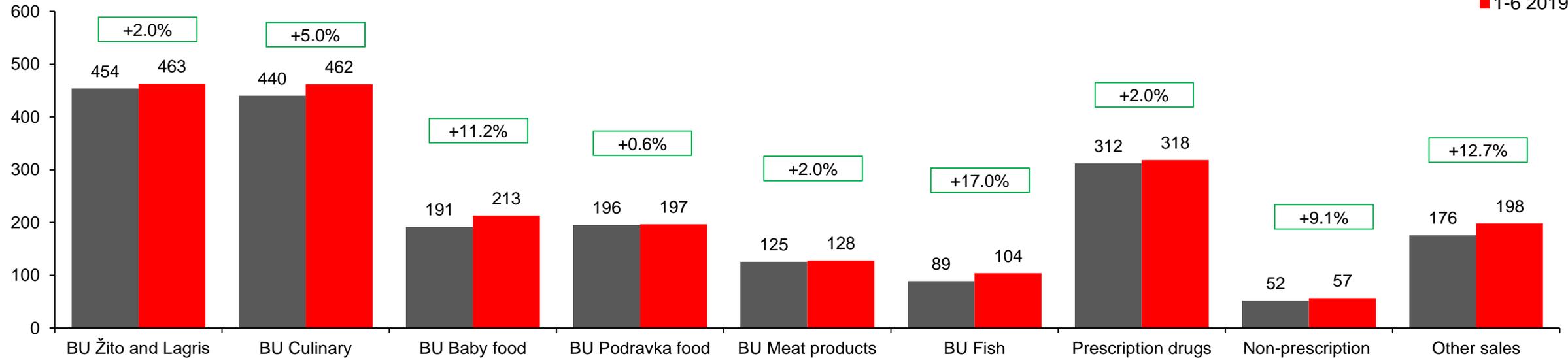
Sales growth across all business segments



in HRK_m

Sales revenues by business unit and category

■ 1-6 2018
■ 1-6 2019



Business unit and category performance in 1-6 2019:

- 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 a 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 B&H and markets of Turkey 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.

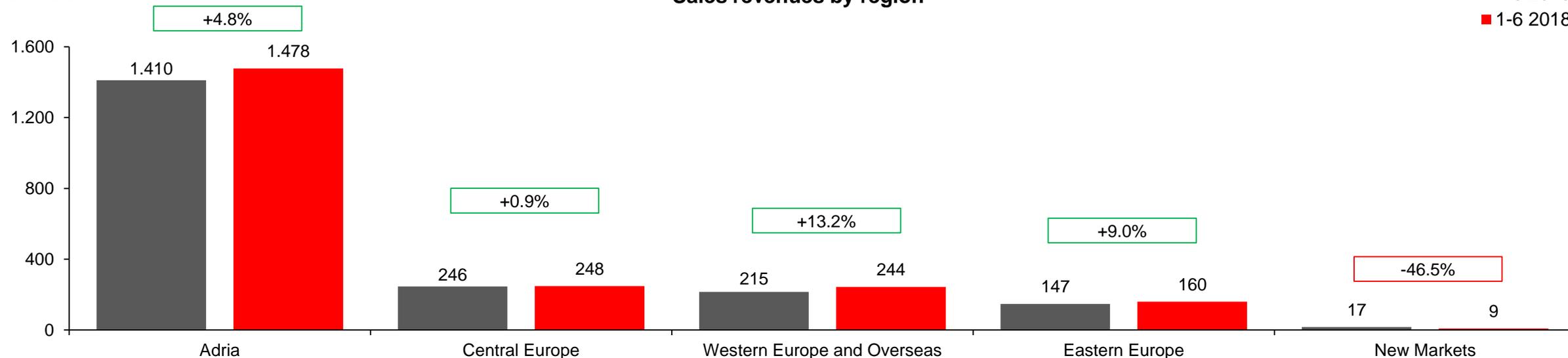
Growth acceleration in Western Europe and Overseas region



in HRKm

Sales revenues by region

■ 1-6 2019
■ 1-6 2018



Region performance in 1-6 2019:

- **Adria (+4.8%; +4.8% excl. FX)** → **Food** sales 5.0% higher due to growth of the Baby food, sweets and snacks, Žito and Lagris and Fish business units, as a result of implemented selling and marketing activities, expanded distribution and launching of new and innovated products; **Pharmaceuticals** sales 4.2% higher mostly as a result of the increase in sales of trade goods and non-prescription programme,
- **Central Europe (+0.9%, +1.9% excl. FX)** → **Food** sales 0.3% higher due to the increase in revenues of the Culinary business unit and the increase in sales of trade goods, compensating for lower revenues of the Žito and Lagris business unit; **Pharmaceuticals** sales recorded a 5.1% sales growth, primarily due to the sales growth in the market of the Czech Republic,
- **Western Europe and Overseas (+13.2%; +12.6% excl. FX)** → **Food** sales 13.3% higher due to

growth of Culinary business unit, the continuous growth in revenues of the Žito and Lagris business unit and the increase in sales of trade goods; **Pharmaceuticals** segment recorded revenues at the same level as in the comparative period,

- **Eastern Europe (+9.0%, +10.2% excl. FX)** → **Food** sales 2.0% lower because the increase in revenues of the Culinary business unit is annulled by the decrease in revenues of the Podravka Food business unit following lower sales of the Frozen vegetables category, connected to the problems with procurement of raw materials from a supplier from Serbia; **Pharmaceuticals** sales rose 15.4% due to increased demand in the market of Russia,
- **New markets (-46.5%; -46.5% excl. FX)** → **Food** sales 14.4% lower where the most significant impact came from lower demand in the markets of Africa and Asia; in the **Pharmaceuticals** decrease in revenue is a consequence of changes in legislation in the market of Turkey.

Food segment profitability backed by favorable sales mix

Food (in HRK _m)	REPORTED			
	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 profit** → higher 6.2% as a result of higher sales revenues and the positive impact of the sales structure itself. In sales revenues structure, own brands recorded 4.8% increase 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 recorded 10.4% higher revenues, primarily as a result of higher sales of trade goods of the Lagris company,
- **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 profit after MI** → higher HRK 10m, 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 (in HRK ^m)	REPORTED			
	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 higher sales. Own brands recorded 3.0% higher sales primarily due to Russian and Croatian market while other sales boosted 16.4% due to higher sales of trade goods in Farmavita. The sales structure and increase in COGS influenced gross profit increase as well,
- **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 -6m 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 (in HRK _m)	REPORTED			
	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, 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 -12m 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** → 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 +1m in 1-6 2019) and higher tax expense.

Favorable sales mix compensated the increase in certain operating expenses

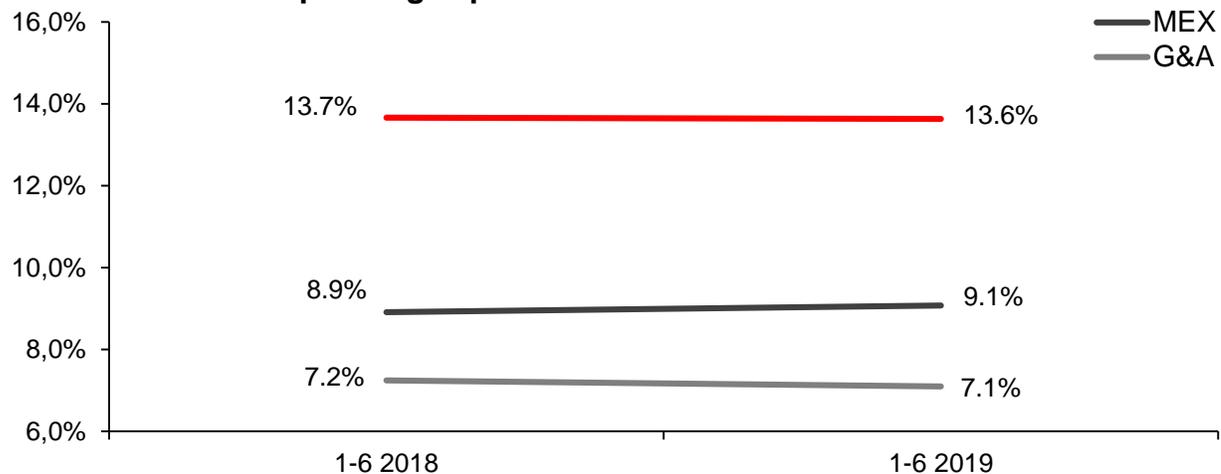
Operating expenses 19 vs. 18 % change

	REPORTED	
Cost of goods sold (COGS)	4.8%	
General and administrative expenses (G&A)	3.0%	
Sales and distribution costs (S&D)	4.9%	
Marketing expenses (MEX)	7.0%	
Other expenses / revenues, net	n/p	
Total	3.8%	

Key highlights of operating expenses in 1-6 2019:

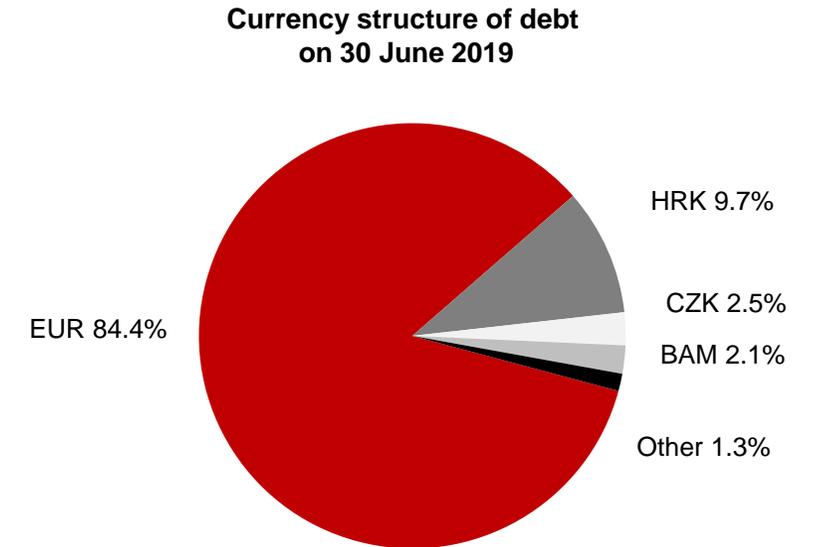
- **Cost of goods sold (COGS):**
 - Higher 4.8%, as a result of higher sales realised, the sales structure itself and higher staff costs in line with the planned improvement in material rights of employees,
- **General and administrative expenses (G&A):**
 - Higher 3.0%, primarily as a result of higher staff costs and different dynamics of movements in provisions,
- **Sales and distribution costs (S&D):**
 - Higher 4.9%, where the increase is related to the increase in sales, but also to the increase in staff costs in line with the planned improvement of material rights of employees,
- **Marketing expenses (MEX):**
 - Higher 7.0% as a result of stronger investments in the promotion of newly launched products and further development of own brands through effective marketing activities,
- **Other expenses / revenues, net:**
 - In 1-6 2019, other income and expenses, net amounted to HRK +17m, while in the comparative period they amounted to HRK -5m. This line item also includes foreign exchange differences on trade receivables and trade payables that amounted to HRK +11m in 1-6 2019, while in the comparative period they amounted to HRK -12m.

Operating expenses as % of sales revenues



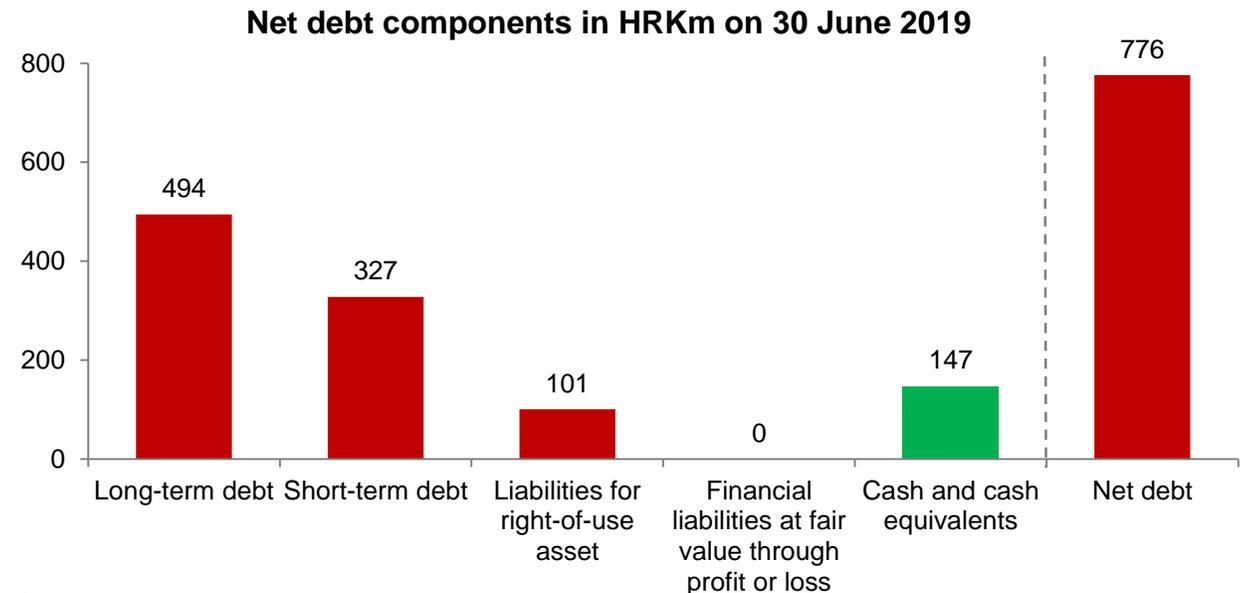
The increase in net debt is the result of the adoption of the new IFRS 16

<i>(in HRKm)</i> 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



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%.



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

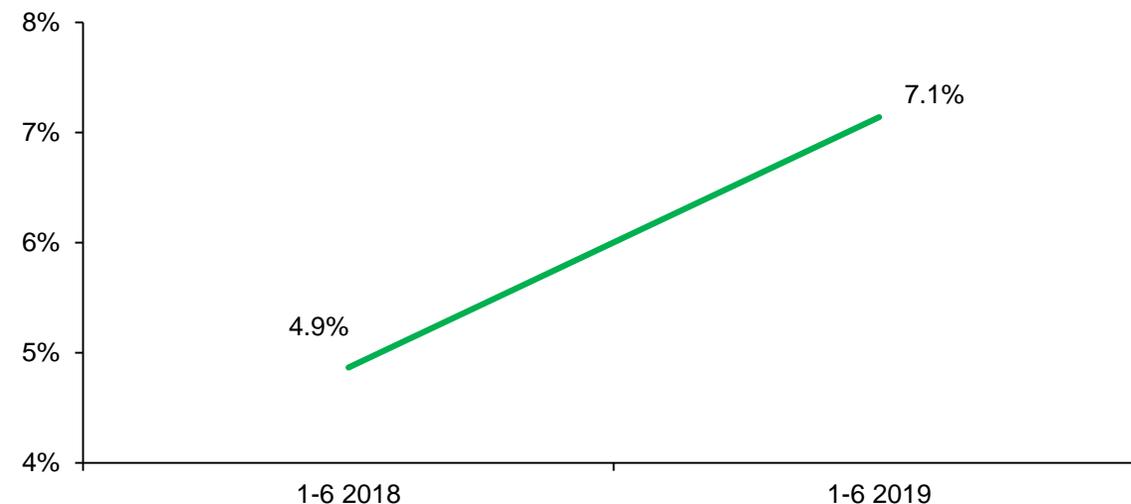
Higher level of net cash from operating activities as a result of operating business growth

Working capital movement in BS	30 June 2019 / 30 June 2018		Impact
Inventories		12.3%	<ul style="list-style-type: none"> The increase in inventories is a consequence of the strategic increase in inventories of the fish range due to increased demand and production, and the increase in inventories of raw materials and supplies, in line with the planned production dynamics.
Trade and other receivables		2.8%	<ul style="list-style-type: none"> This movement is in line with normal operations.
Trade and other payables		8.2%	<ul style="list-style-type: none"> This movement is in line with normal operations, as well as the increase in the dividend payable, approved by the General Assembly.

(in HRK _m)	1-6 2018	1-6 2019	Δ
Net cash from operating activities	99	153	54
Net cash from investing activities	(65)	(63)	2
Net cash from financing activities	(185)	(154)	31
Net change of cash and cash equivalents	(151)	(64)	87

- **CAPEX** in 2019 is expected to be at the level of HRK 210m, in 2020 at the level of HRK 200 - 250m, and in 2021 and 2023 at the level of approximately HRK 200m.

Net cash flow from operating activities as % of sales



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