Podravka Group

Always with a heart!

ZSE&LJSE Conference, Zagreb, 30th-31st May 2019

PODRAVKA

The Company

Business

Investment highlights

2018 results

Q1 2019 results

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:

- Zagreb Stock Exchange, Croatia,
- 7,120,003 ordinary shares,
- MCap of HRK 2,718m (EUR 367m).*

Note: figures in this presentation are translated to euros at HRK/EUR FX rate of 7.41; *MCap on 30th April 2019, 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

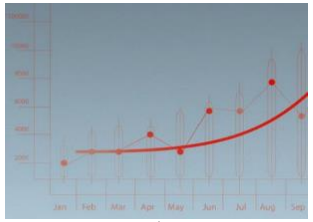
Vegeta, universal seasoning, production established

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 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

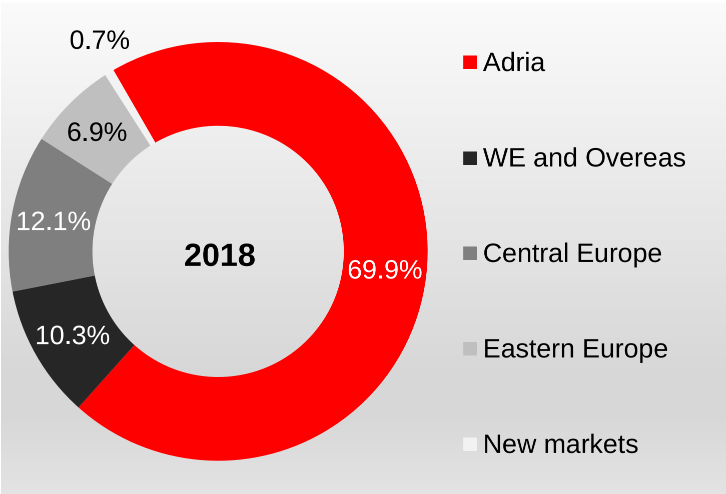
Podravka Group includes

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

Supervisory board

President:

- Dubravko Štimac → president of MB of PBZ CO OPF

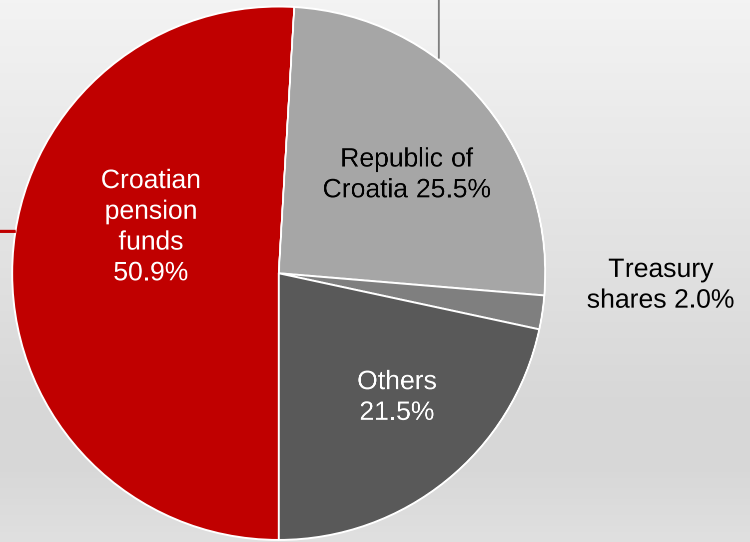
Vice President:

- Luka Burilović → president of Croatian Chamber of Economy

Members:

- Ksenija Horvat → workers representative
- Krunoslav Vitelj → director of regional Croatian Chamber of Economy
- 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

Ownership structure as at 31 March 2019



Audit committee

President:

- Ivana Matovina

Members:

- Dubravko Štimac, Petar Vlaić

Remuneration committee

President:

- Luka Burilović

Members:

- Dubravko Štimac, Petar Miladin

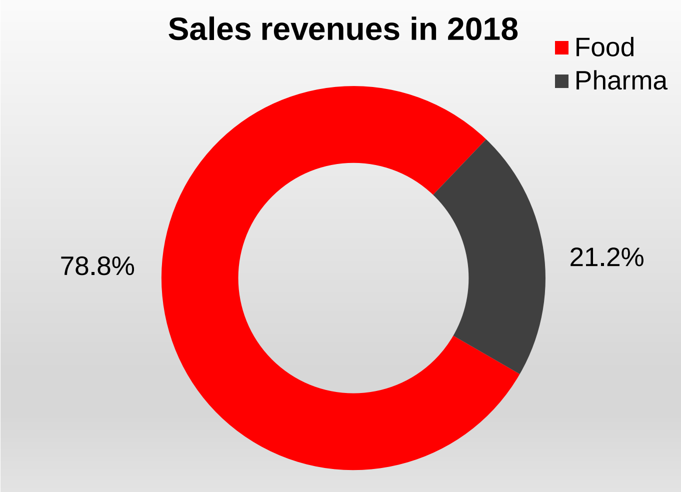
Corporate governance committee

Members:

- Petar Miladin, Petar Vlaić, Luka Burilović

Snapshot of key financial figures

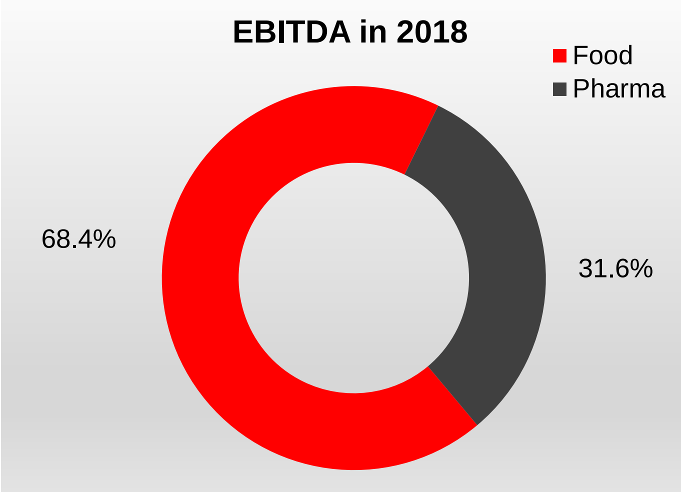
Sales revenues split



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

2018 sales	EURm
Food	450
Pharma	121
Group	571

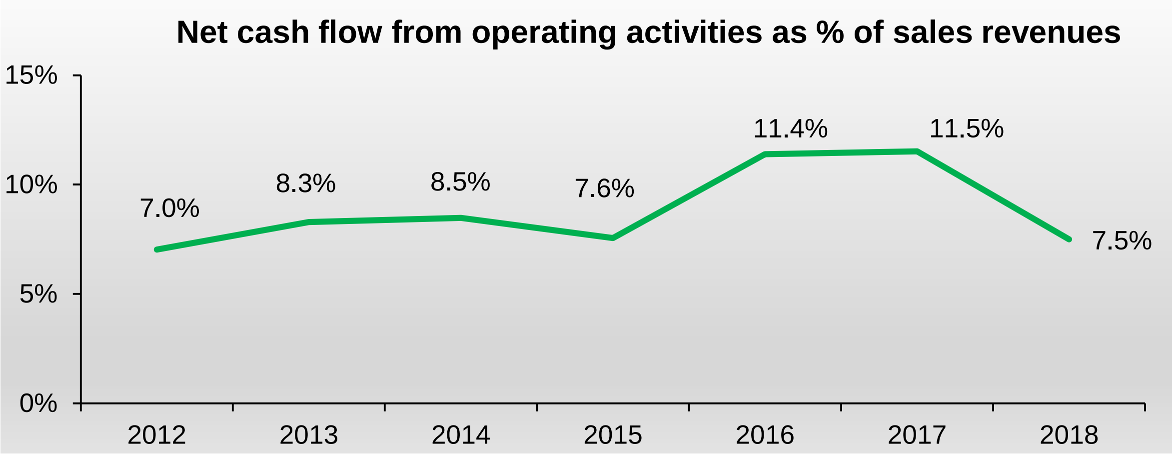
Normalized EBITDA split



2018 EBITDA	HRKm
Food	318
Pharma	147
Group	465

2018 EBITDA	EURm
Food	43
Pharma	20
Group	63

Stable cash position



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.

The Company

Business

Investment highlights

2018 results

Q1 2019 results

A well diversified product portfolio divided in two business areas

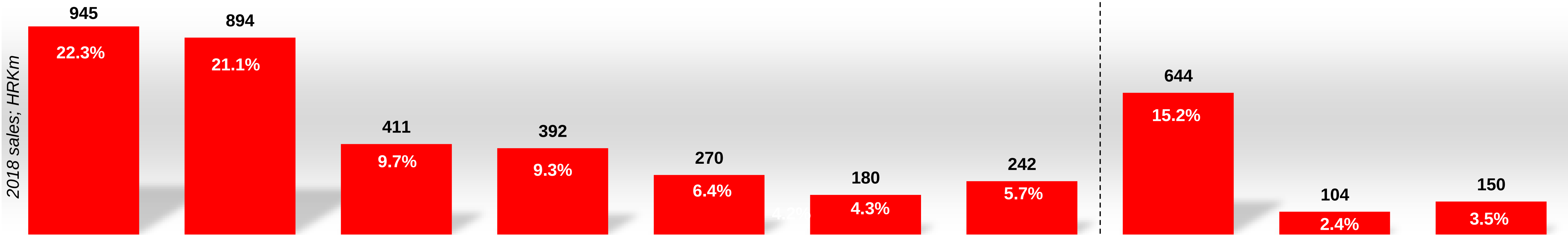
PODRAVKA GROUP

78.8% of sales revenues — **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

21.2% of sales revenues — **Pharmaceuticals**

- PRESCRIPTION DRUGS
- NON PRESCRIPTION PROGRAMME
- OTHER SALES PHARMA



Food segment organised in 6 key business programmes

Food segment products overview		2018 sales;		% of total
BU ŽITO AND LAGRIS ▪ Core food, bakery and mill products, tea, confectionery, cereals for adults, private labels, service production.		HRK 945m	EUR 128m	22.3%
BU CULINARY ▪ Seasonings, monospices, soups, ready-to-cook meals and bouillons, food mixes, private labels, service production.		HRK 894m	EUR 121m	21.1%
BU BABY FOOD, SWEETS & SNACKS ▪ Dehydrate baby food, cream spreads, cereals, sweets, snacks, drinks, private labels, service production.		HRK 411	EUR 56m	9.7%
BU PODRAVKA FOOD ▪ Condiments, tomato, sauces, fruit, vegetables, Podravka flour, private labels, service production.		HRK 392m	EUR 53m	9.3%
BU MEAT PRODUCTS, MEALS AND SPREADS ▪ Canned meat, sausages, other meat, Food Solution, private labels, service production.		HRK 270m	EUR 36m	6.4%
BU FISH ▪ Fish products, private labels, service production.		HRK 180m	EUR 24m	4.3%
OTHER SALES ▪ Trade goods, other.		HRK 242m	EUR 33m	5.7%

Prescription drugs category is a cornerstone of pharmaceutical business

Pharmaceutical segment products overview

2018 sales; % of total

PRESCRIPTION DRUGS

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

HRK 644m EUR 87m 15.2%

NON-PRESCRIPTION PROGRAMME

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

HRK 104m EUR 14m 2.4%

OTHER SALES

- Trade goods,
- Services.

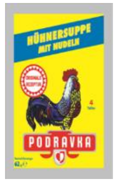
HRK 150m EUR 20m 3.5%

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.

The Company

Business

Investment highlights

2018 results

Q1 2019 results

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.

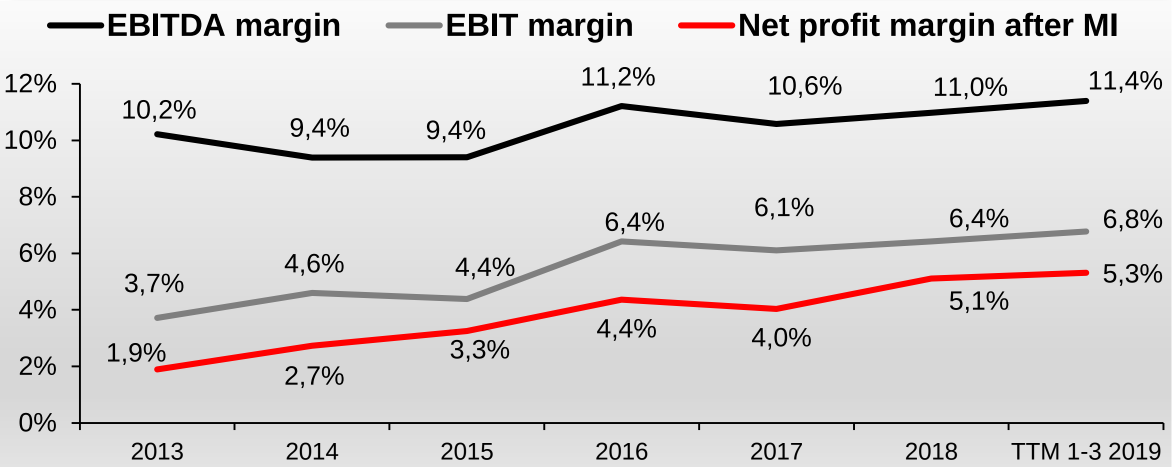
Financial position no longer under the influence of major one-off items

Restructuring related one-off items burdened profitability

(in HRKm)	2012	2013	2014	2015	2016	2017	2018	Q1 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)	-

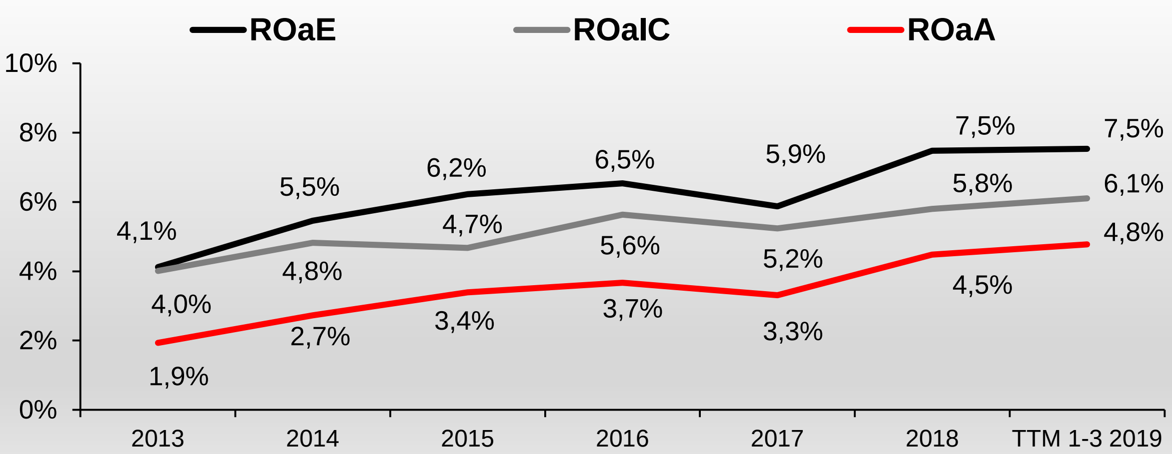
[1]HRK 116m of gain on a bargain purchase from Žito acquisition (badwill), HRK 164m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19m refers to other items.

Normalized profitability margins movement[1]

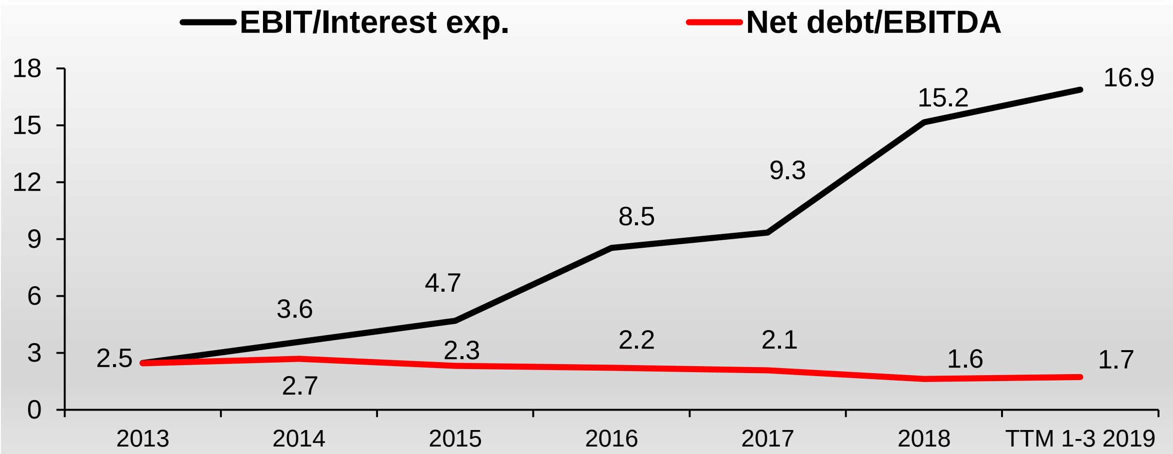


Note: Due to sales revenues reclassification in 2016, 2013-2014 margins are made by approximation.

Normalized return rates movement[1]



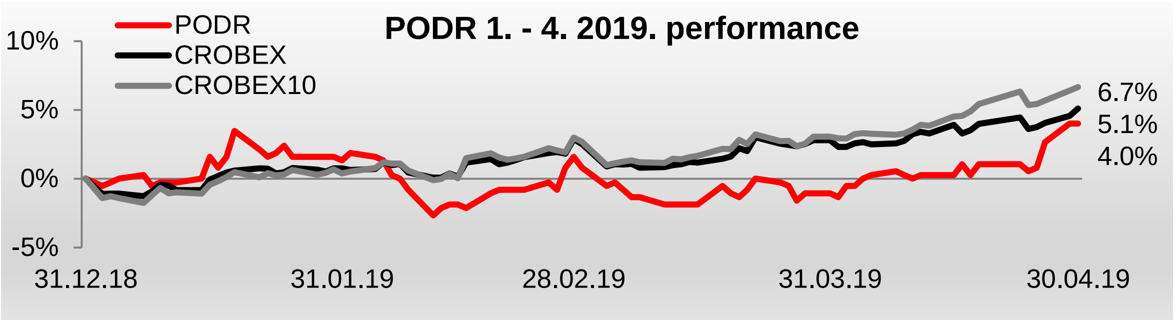
Normalized debt level movement[1]

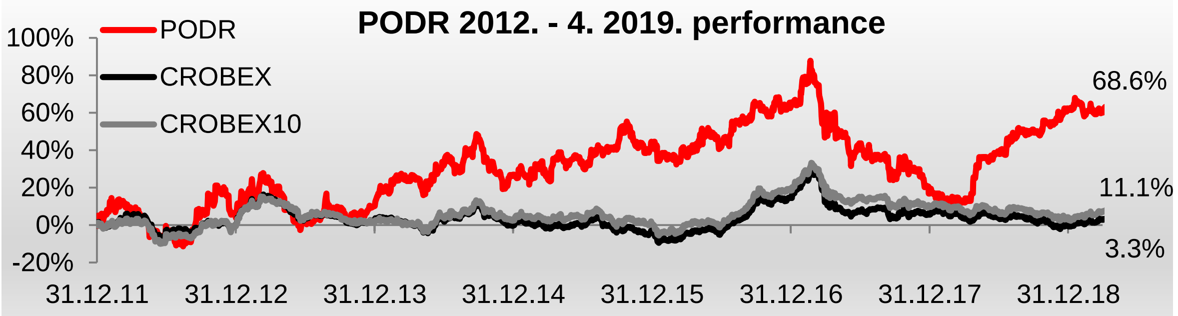


[1]2015 figures include pro-forma Podravka Group and Žito Group full year figures, excluding consolidation effects and tax incentives for Belupo factories.

Podravka's share price movement in 1-3 2019

(HRK; units)	1-3 2018	1-3 2019	% change
Average daily price	265	374	41.1%
Average daily number of transactions	13	9	(30.2%)
Average daily volume	1,534	454	(70.4%)
Average daily turnover	406,530	169,641	(58.3%)
Reported earnings per share	29.5	31.0	5.0%
Normalized earnings per share	31.1	32.5	4.6%





Analysts	Recommendation	Target price	Potential[1]
InterCapital	Buy	431 HRK	10.5%
Raiffeisen BANK	Hold	371 HRK	(4.9%)
ERSTE Group	Accumulate	405 HRK	3.8%
UniCredit	Buy	399 HRK	2.3%
WOOD & COMPANY	Hold	354 HRK	(9.2%)

Peer group multiples[2]	EV/Sales	EV/ EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.1	12.4	17.4	2.8	24.3
Normalized weight. av. peer group[3]	1.6	11.8	19.5	2.2	22.7
Podravka Group reported	0.7	7.4	13.1	0.9	12.6
Podravka Group normalized[4]	0.7	7.4	12.5	0.9	12.0

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

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

[1]Compared to the last price on 30th April 2019; [2]Obtained from Bloomberg on 2nd May 2019; [3]Calculated excluding max. and min. Values; [4]Normalized for items stated in the publication of 1-3 2019 and 2018 results.

The Company

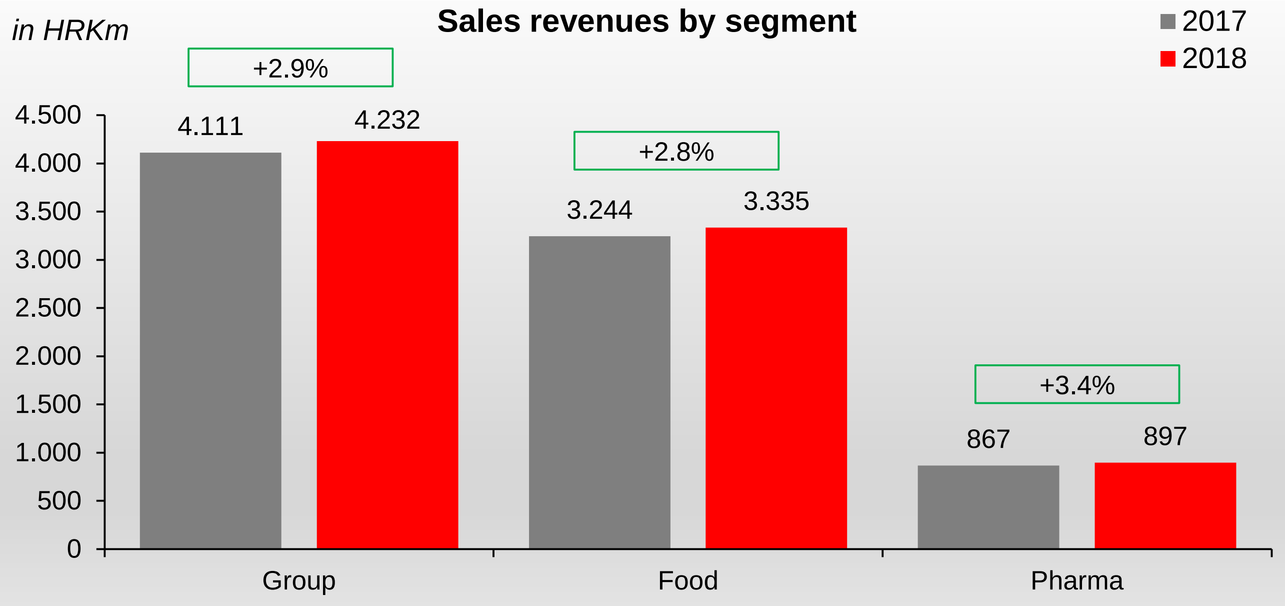
Business

Investment highlights

2018 results

Q1 2019 results

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).

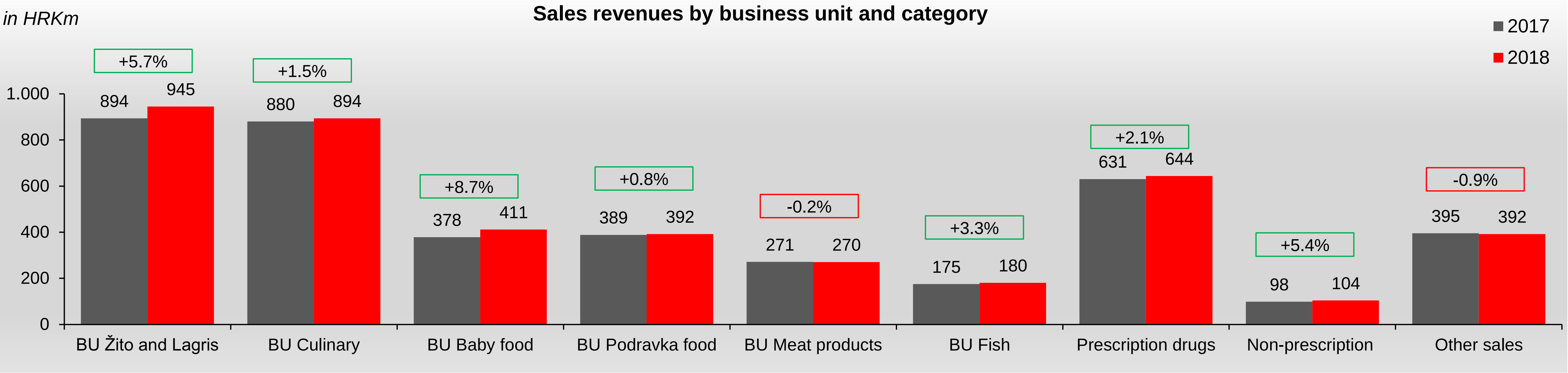
Pharmaceuticals segment in 2018:

- **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).

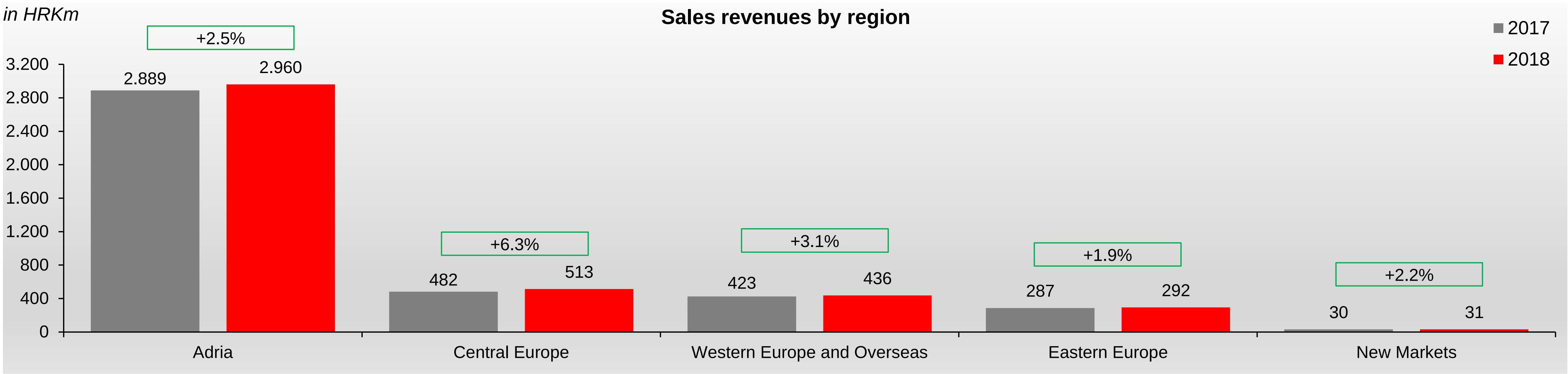
Supporting growth through innovation and effective marketing activities



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.

Most significant growth came from traditional markets



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 with 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 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	REPORTED				NORMALIZED[1]			
(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

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 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

[1]Normalized for one-off impacts, the analysis of the obtained normalised result is provided on slide 28.

Profitability improvement despite negative FX impact

Pharmaceuticals	REPORTED				NORMALIZED[1]			
(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

[1]Normalized for one-off impacts, the analysis of the obtained normalised result is provided on slide 28.

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

Podravka Group	REPORTED				NORMALIZED[1]			
(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:

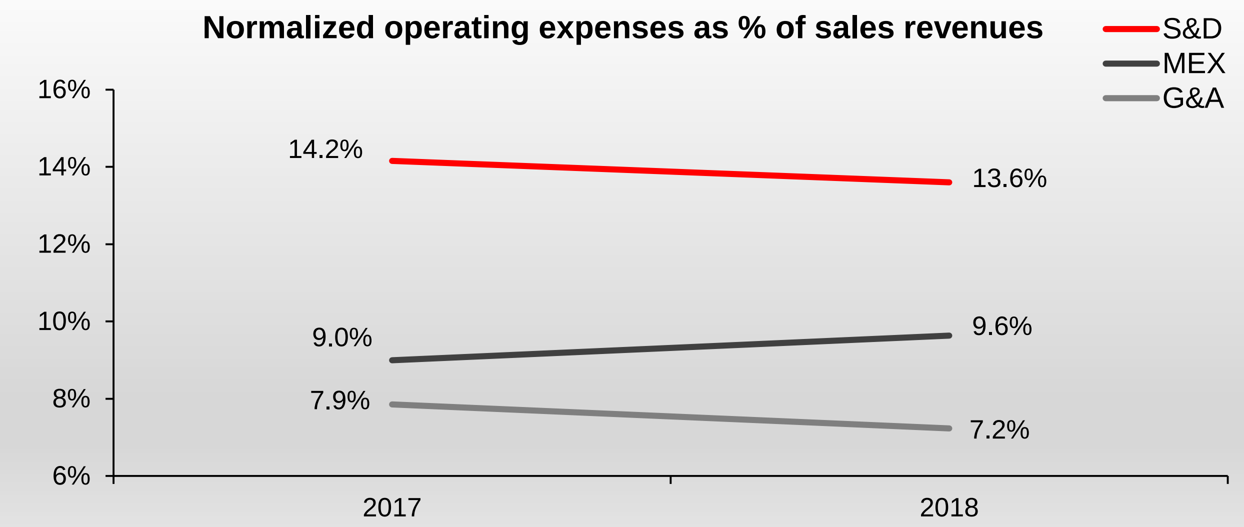
- **Normalized gross profit** → higher 2.4%, while without unabsorbed costs of the new factory in both periods would grow by 3.7% due to higher sales revenues and positive impact of sales structure itself,
- **Normalized EBIT** → higher HRK 21m, while without unabsorbed costs of the new factory in both 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

[1]Normalized for one-off impacts, the analysis of the obtained normalised result is provided on slide 28.

Lower operating expenses as % of sales revenues

Operating expenses 18 vs. 17 % change	REPORTED	NORMALIZED[1]
Cost of goods sold (COGS)	1.8%	2.5%
General and administrative expenses (G&A)	(15.5%)	(5.2%)
Sales and distribution costs (S&D)	(9.6%)	(1.1%)
Marketing expenses (MEX)	10.3%	10.3%
Other expenses / revenues, net	(53.7%)	24.5%
Total	**(13.3%)**	**6.2%**



[1]Normalized for one-off impacts.

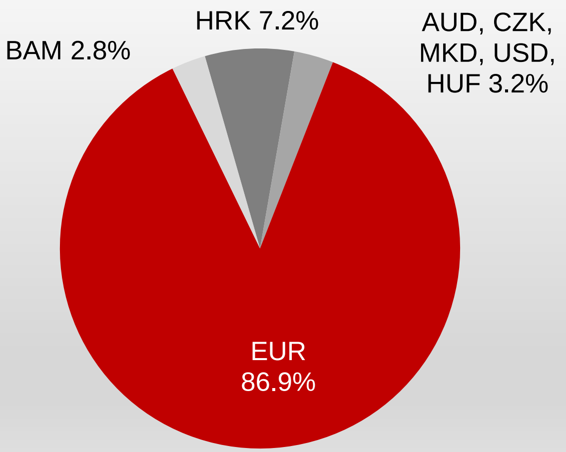
Key highlights of normalized operating expenses in 2018:

- **Cost of goods sold (COGS):**
  - Higher 1.8%, while at the normalised level and without unabsorbed costs of the new factory in both periods it would be 2.5% higher due to higher sales and sales structure itself,
- **General and administrative expenses (G&A):**
  - Lower 15.5% due to lower costs of termination benefits. At the normalised level, G&A expenses are 5.2% lower due to termination of operations in market of Tanzania at the end of 2017 and lower share option expenses (HRK 2m in 2018; HRK 13m in 2017),
- **Sales and distribution expenses (S&D):**
  - Lower 9.6% as a result of significant impairment of receivables from the Agrokor companies that were charged in 2017. At the normalised level, S&D costs are 1.1% lower due to: i) changed business model in the MENA markets ii) terminated business activities in the market of Tanzania and iii) lower amortisation costs as a result of HRK 3m of distribution rights amortisation costs in 2017 that are not present in 2018,
- **Marketing expenses (MEX):**
  - Growth of 10.3% mainly as a result of higher marketing activities in both business segments,
- **Other expenses / revenues, net:**
  - In 2018, other income and expenses amounted to HRK -12m, while in the comparative period they amounted to HRK -25m. Difference is a result of HRK 12m of other income from the sale of a portion of non-operating assets of Mirna d.d., various impairments (details provided on slide 28) as well as foreign exchange differences from trade receivables and trade payables (HRK -20m in 2018; HRK -13m in 2017).

Further improvement of debt indicators

(in HRKm)[1]	2017	2018	% change
Net debt	909	755	(16.9%)
Interest expense	27	18	(33.3%)
Net debt / normalized EBITDA	2.1	1.6	(22.2%)
Normalized EBIT / interest expense	9.3	15.2	62.3%
Equity to total assets ratio	57.2%	62.9%	+566 bp

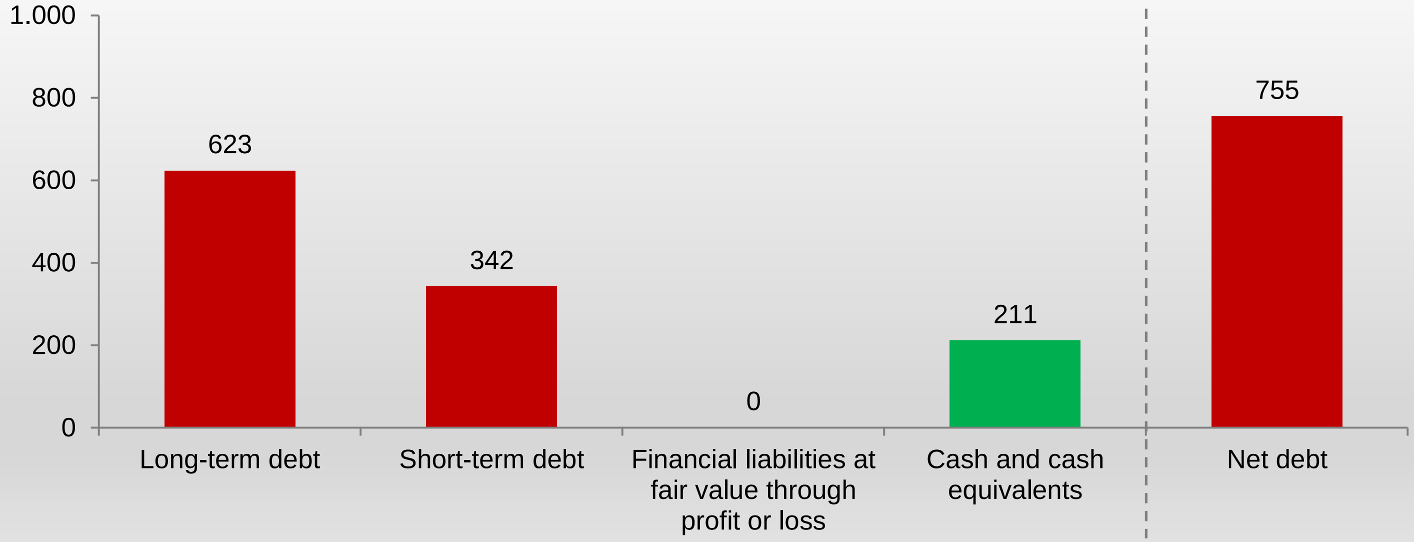
Currency structure of debt as at 31 December 2018



Key highlights:

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

Net debt components in HRKm as at 31 December 2018



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

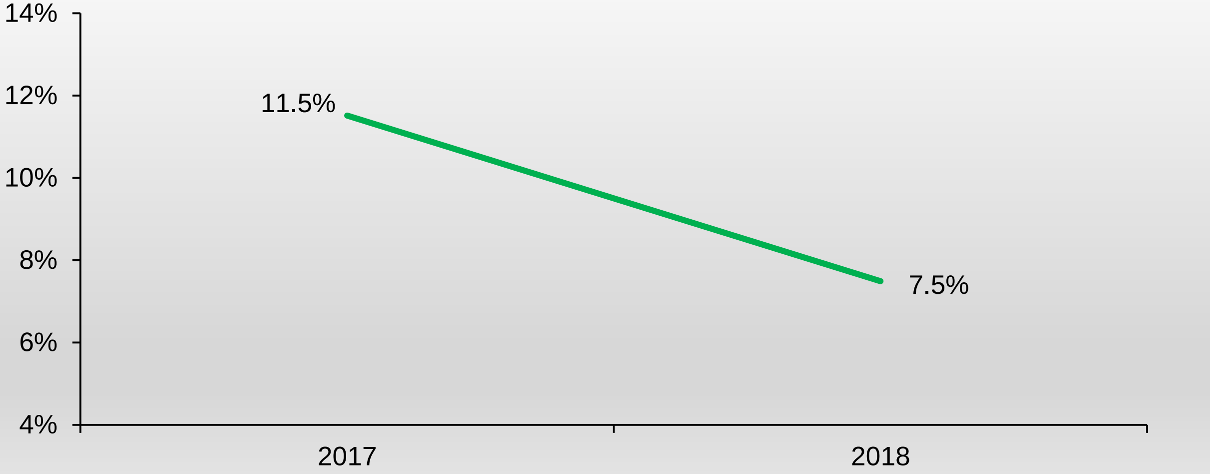
Lower level of net cash from operating activities reflects working capital movement in 2018

Working capital movement in BS	31 December 2018 / 31 December 2017	Impact
Inventories	5.3%	▪ Impacted mainly by the increase in inventories of raw materials and supplies as a result of business requirements and decisions related to the increase in inventories of certain raw materials, and the increase in inventories of finished products due to, among other, dynamics of drawing finished products by customers,
Trade and other receivables	(0.9%)	▪ Result of, among other, better collection of receivables in the Pharmaceuticals segment,
Trade and other payables	(8.5%)	▪ Lower HRK 49m compared to 31 December 2017 as a consequence of working capital management, better collection of trade and other receivables and financial risks management.

(in HRKm)	2017	2018	Δ
Net cash from operating activities	473	317	(156)
Net cash from investing activities	(190)	(126)	64
Net cash from financing activities	(258)	(342)	(83)
Net change of cash and cash equivalents	**(25)**	**(151)**	**(175)**

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

Net cash flow from operating activities as % of sales



One-off items in 2018 and 2017

One-off items	2017			2018			Δ		
(in HRKm)	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)
+Warzyvko & Perfecta brands	(18)	(18)	-	-	-	-	18	18	-
+impairment of inventories	(11)	(11)	-	(6)	(2)	(5)	5	9	(5)
+assets in MENA	(1)	(1)	-	-	-	-	1	1	-
+assets in Africa	(16)	(16)	-	(4)	(4)	-	12	12	-
+value adjustments related to Agrokor	(44)	(44)	-	8	8	-	52	52	-
+other one-off value adjustments	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

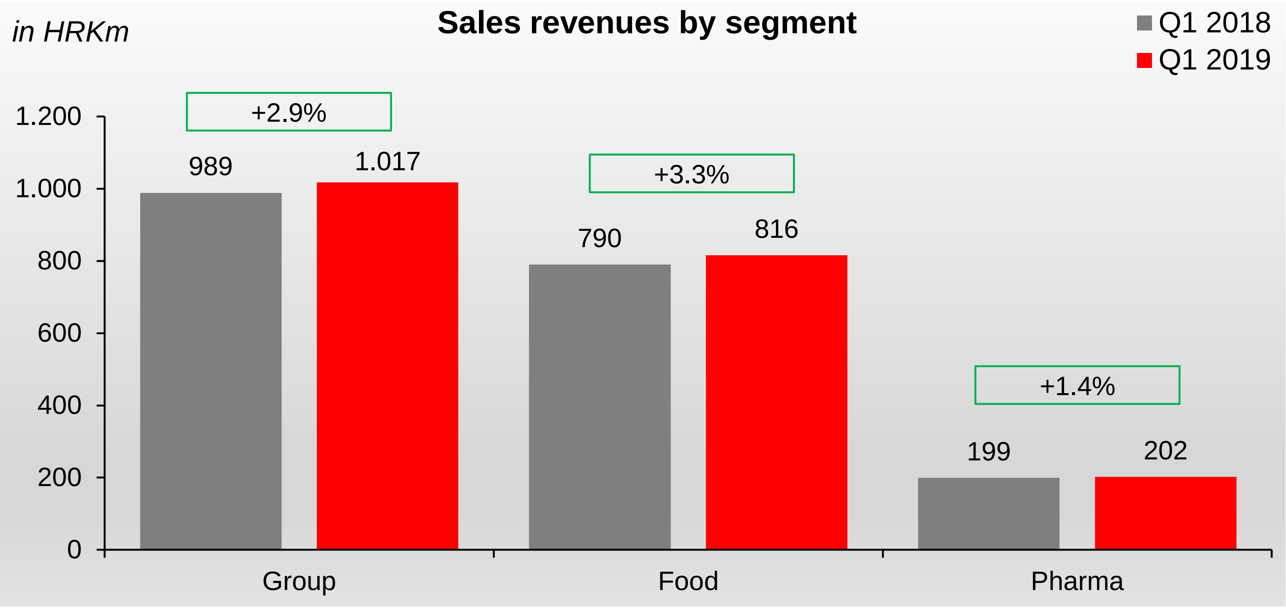
Business

Investment highlights

2018 results

Q1 2019 results

Sales revenues in 1-3 2019 surpassed a billion kuna



Net foreign exchange (FX) impact on sales revenues:

HRKm	Own brands	Other sales	Total
Food	(2.4)	0.4	(2.0)
Pharmaceuticals	(1.9)	(0.1)	(2.0)
Group	(4.3)	0.3	(4.0)

Currency	*HRKm*
RUB	(3.3)
PLN	(1.1)
Other	0.4
Total	(4.0)

- FX impact on sales revenues shows for how much sales revenues would have been higher or lower in 1-3 2019 if FX rates had remained on the same levels as in 1-3 2018.

Food segment in 1-3 2019[1]:

- **Own brands** → 2.1% higher sales (+2.5% excl. FX), due to the growth in sales of business units Baby food, sweets and snacks, Culinary 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** → 20.2% higher sales (+19.4% excl. FX), as a result of higher sales of trade goods of the Lagris company,
- **Total Food** → 3.3% higher sales (+3.5% excl. FX).

Pharmaceuticals segment in 1-3 2019[1]:

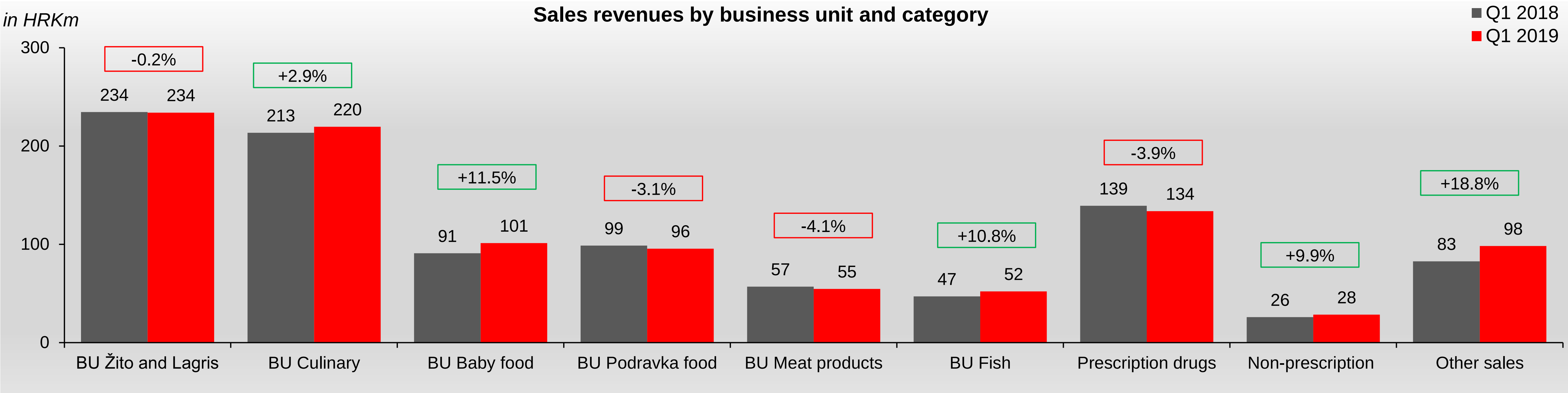
- **Own brands** → 1.7% lower sales (-0.6% excl. FX), due to lower sales in the market of Bosnia and Herzegovina and the changed legislation on the markets of Kosovo and Turkey,
- **Other sales** → 16.7% higher sales (+16.9% excl. FX) as a result of higher sales of trade goods in the Farmavita company,
- **Total Pharmaceuticals** → 1.4% higher sales (+2.4% excl. FX).

Podravka Group in 1-3 2019[1]:

- **Own brands** → 1.4% higher sales (+1.9% excl. FX),
- **Other sales** → 18.8% higher sales (+18.4% excl. FX),
- **Total Podravka Group** → 2.9% higher sales (+3.3% excl. FX).

[1]Percentages in the text relate to performance in 1-3 2019 compared to 1-3 2018.

Sales growth largely driven by growth in the Food segment

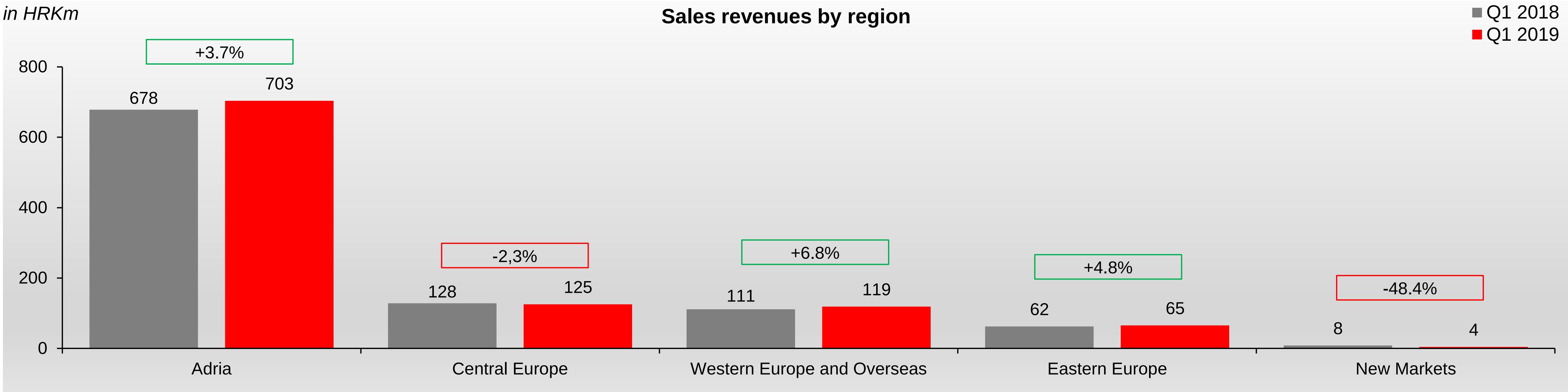


Business unit and category performance in 1-3 2019[1]:

- **BU Žito and Lagris (-0.2%; -0.1% excl. FX)** → growth of the Bakery and mill products did not manage to compensate for lower sales of the Confectionery category due to aggressive competitors' discounts as well as lower sales of the Tea category because of a warm season,
- **BU Culinary (+2.9%; +3.6% excl. FX)** → sales growth primarily in the categories Seasonings and Soups, where the sales growth was recorded in most regions,
- **BU Baby food, sweets and snacks (+11.5%; +11.5% 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 (-3.1%; -2.5% excl. FX)** → lower sales of frozen vegetables in the market of Russia, timing of selling activities related to the pre-Easter period in the Croatian market and stronger competitors' selling activities in the market of Poland,
- **BU Meat products, meat solutions and savoury spreads (-4.1%; -4.2% excl. FX)** → decrease in sales due to lower selling and marketing activities in the Pâtés and Sausages categories in the Croatian market, related to the timing of activities in the pre-Easter period,
- **BU Fish (+10.8%; +10.9% excl. FX)** → higher sales, due to the increased demand and stronger selling and marketing activities, related to the pre-Easter fasting period,
- **Prescription drugs (-3.9%; -2.6% excl. FX)** → decrease recorded in the market of Bosnia and Herzegovina and in the markets of Kosovo and Turkey following changes in legislation,
- **Non-prescription programme (+9.9%; +10.7% excl. FX)** → growth in the OTC drugs subcategory in the markets of Croatia and Russia due to increased demand and targeted marketing and selling activities,
- **Other sales (+18.8%; +18.4% excl. FX)** → higher trade goods sales of Lagris and Farmavita.

[1]Percentages in the text relate to performance in 1-3 2019 compared to 1-3 2018.

Strong performance of Adria region which is up by 3.7%



Region performance in 1-3 2019[1]:

- **Adria (+3.7%; +3.8% excl. FX) → Food** sales 3.6% higher due to growth of the Culinary, Baby food, sweets and snacks and Fish business units in most markets, due to implemented selling and marketing activities, expanded distribution and launching of new and innovated products; **Pharmaceuticals** sales 4.1% higher as a result of increase in other sales,
- **Central Europe (-2.3%, -1.8% excl. FX) → Food** sales 1.9% lower because of weaker sales of Žito and Lagris business unit, following the decrease in sales of the Core food category in the market of the Czech Republic and the Podravka food business unit due to the decrease in revenues of the Tomato category in the market of Poland, in both cases as a consequence of fewer selling and marketing activities and strong competitors' selling activities; **Pharmaceuticals** sales 4.5% lower due to lower demand in the market of Poland,
- **Western Europe and Overseas (+6.8%; +6.2% excl. FX) → Food** sales 6.9% higher as result of the continuous growth in revenues of the Žito and Lagris business unit in the markets of Italy and Germany, and the increase in sales of Lagris trade goods on all markets of the region; this compensated for a decrease in the **Pharmaceuticals** segment revenues,
- **Eastern Europe (+4.8%, +10.1% excl. FX) → Food** sales 7.1% higher as result of growth in revenues of Culinary business unit in the markets of the Baltic region, as a result of stronger selling and marketing activities and trade goods of the Lagris company; **Pharmaceuticals** sales rose 2.9% due to increased demand for the Non-prescription drugs category which annulled the unfavourable effect of foreign exchange differences,
- **New markets (-48.4%; -48.4% excl. FX) → Food** sales 16.1% 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.

[1]Percentages in the text relate to performance in 1-3 2019 compared to 1-3 2018.

Food segment profitability backed by favorable sales mix

Food	REPORTED			
(in HRKm)	**1-3 2018**	**1-3 2019**	**Δ**	**%**
Sales revenue	790	816	26	3.3%
Gross profit	269	287	18	6.9%
EBITDA	102	115	13	12.6%
EBIT	69	79	10	14.6%
Net profit after MI	54	63	9	16.9%
Gross margin	34.0%	35.2%		+119 bp
EBITDA margin	13.0%	14.2%		+118 bp
EBIT margin	8.7%	9.7%		+96 bp
Net profit margin after MI	6.8%	7.7%		+90 bp

Food segment profitability in 1-3 2019:

- **Gross profit** → higher 6.9% as a result of higher sales revenues and the positive impact of the sales structure itself,
- **EBIT** → higher HRK 10m 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 +3m in 1-3 2019; HRK -4m in 1-3 2018). Previously mentioned has compensated the increase in expenses related to higher investments in brand development through effective marketing activities and increase in staff costs as a consequence of the planned improvement in material rights of the Podravka Group employees,
- **Net profit after MI** → higher HRK 9m higher, while an additional negative effect came from higher tax expenses resulting from higher profit before tax.

Pharma impacted by own brands sales decline, but keeps up with cost savings

Pharmaceuticals	REPORTED			
(in HRKm)	**1-3 2018**	**1-3 2019**	**Δ**	**%**
Sales revenue	199	202	2	1.4%
Gross profit	103	97	(6)	(5.8%)
EBITDA	33	41	8	23.8%
EBIT	19	26	7	35.4%
Net profit after MI	16	17	1	7.9%
Gross margin	51.6%	48.0%		-367 bp
EBITDA margin	16.6%	20.3%		+367 bp
EBIT margin	9.5%	12.6%		+317 bp
Net profit margin after MI	8.0%	8.5%		+51 bp

Pharmaceuticals segment profitability in 1-3 2019:

- **Gross profit** → lower 5.8% due to a changed sales structure where the sales of profitable own brands decreased, and sales of trade goods increased,
- **EBIT** → higher HRK 7m as a result of the optimisation of certain operating expenses, favourable movements in foreign exchange differences on trade receivables and trade payables (HRK +8m in 1-3 2019; HRK -2m in 1-3 2018) and increase in sales of lower profitable product range,
- **Net profit after MI** → higher HRK 1m where an additional effect came from higher net finance costs caused by movements in foreign exchange differences on borrowings (HRK -1m in 1-3 2019; HRK +5m in 1-3 2018).

Group profitability driven by Food segment profitability

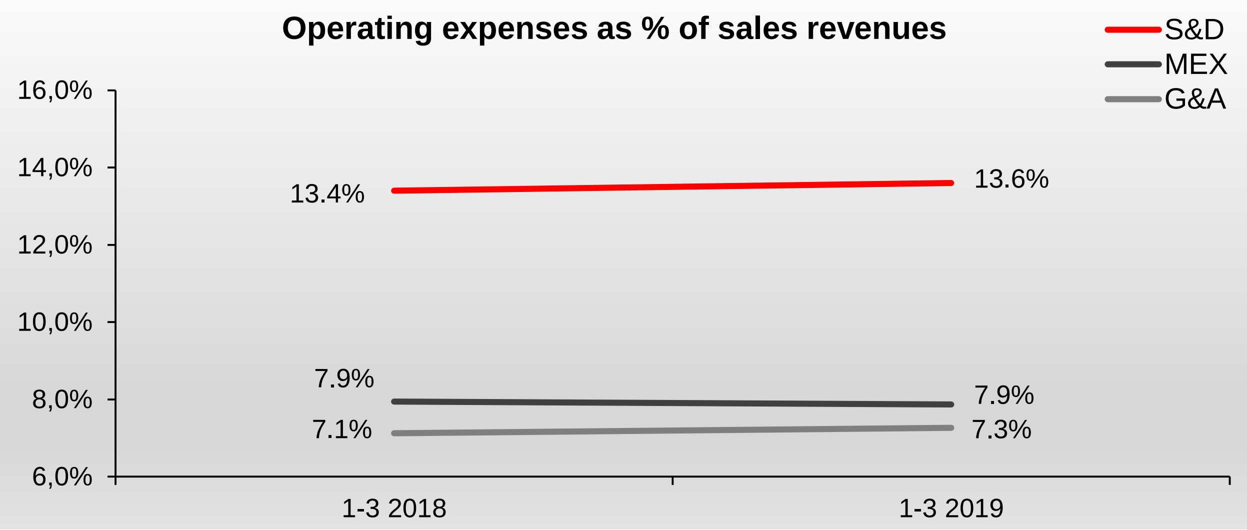
Podravka Group	REPORTED			
(in HRKm)	**1-3 2018**	**1-3 2019**	**Δ**	**%**
Sales revenue	989	1.017	29	2.9%
Gross profit	372	384	13	3.4%
EBITDA	136	156	21	15.4%
EBIT	88	104	17	19.1%
Net profit after MI	70	80	10	14.8%
Gross margin	37.6%	37.7%		+17 bp
EBITDA margin	13.7%	15.4%		+166 bp
EBIT margin	8.9%	10.3%		+139 bp
Net profit margin after MI	7.1%	7.9%		+82 bp

Group profitability in 1-3 2019:

- **Gross profit** → higher 3.4%, where the increase in gross profit of the food segment compensated for the lower gross profit of the pharmaceuticals segment. In this, cost of goods sold increased by 2.6%, which resulted in the gross margin of 37.7%,
- **EBIT** → HRK 17m higher, as a result of positive impact of sales structure in Food segment and favourable movements in foreign exchange differences on trade receivables and trade payables (HRK +11m in 1-3 2019; HRK -7m in 1-3 2018). Before mentioned has compensated the increase in certain operating expenses related to higher investments in brand development through effective marketing activities and increase in staff costs is a consequence of the planned improvement in material rights of the Podravka Group employees,
- **Net profit after MI** → HRK 10m higher where an additional effect came from higher net finance costs, mainly caused by movements in foreign exchange differences on borrowings (HRK +0.2m in 1-3 2019; HRK +5m in 1-3 2018) and higher tax expenses an additional negative effect came from the increase in net finance costs 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)	2.6%
General and administrative expenses (G&A)	4.9%
Sales and distribution costs (S&D)	4.4%
Marketing expenses (MEX)	1.9%
Other expenses / revenues, net	n/a
Total	1.3%

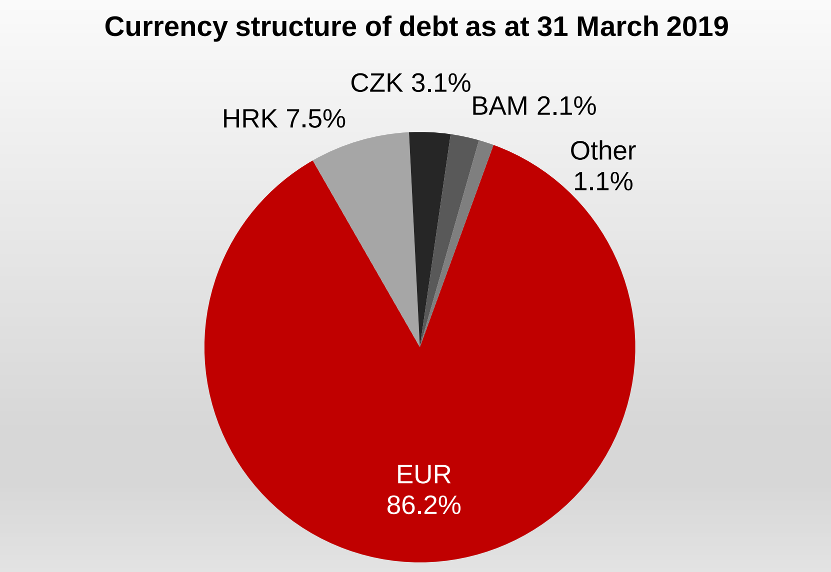


Key highlights of operating expenses in 1-3 2019:

- **Cost of goods sold (COGS):**
  - Higher 2.6%, in line with higher sales realised and the sales structure itself,
- **General and administrative expenses (G&A):**
  - Higher 4.9% primarily as a result of higher provisions for prepaid expenses,
- **Sales and distribution expenses (S&D):**
  - Higher 4.4% where the growth came primarily from the food segment, while the pharmaceuticals segment recorded lower selling and distribution costs. The increase in selling and distribution costs is related to the increase in sales, but also to the planned increase in staff costs,
- **Marketing expenses (MEX):**
  - Higher 1.9% as a result of stronger investments in further development of own brands through effective marketing activities,
- **Other expenses / revenues, net:**
  - In 1-3 2019, other income and expenses, net amounted to HRK +13m, while in the comparative period they amounted to HRK -2m. This line item also includes foreign exchange differences on trade receivables and trade payables that amounted to HRK +11m in 1-3 2019, while in the comparative period they amounted to HRK -7m.

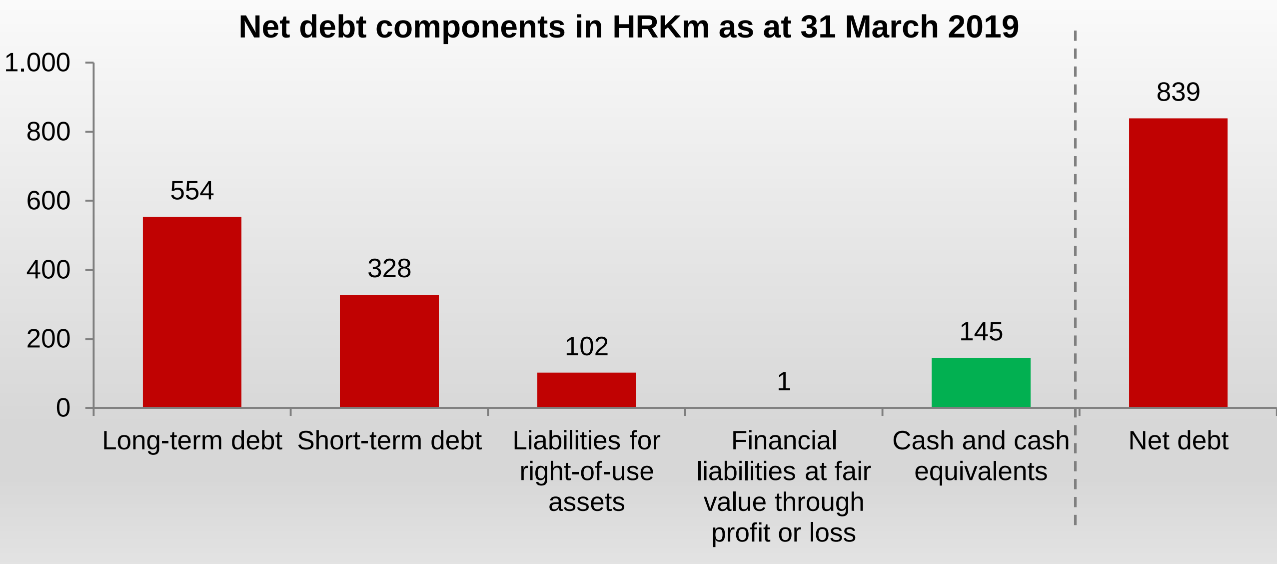
The increase in net debt is the result of the adoption of the new IFRS 16

(in HRKm)[1]	2018	1-3 2019	% change
Net debt	755	839	11.1%
Interest expense	18	17	(4.6%)
Net debt / normalized EBITDA	1.6	1.7	6.4%
Normalized EBIT / interest expense	15.2	16.9	11.2%
Equity to total assets ratio	62.9%	63.8%	+93 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,
- Net debt/normalized EBITDA rose due to inclusion of right-of-use assets (leases) in debt according to new accounting standard IFRS 16; without the effect of new IFRS 16, the net debt to normalised EBITDA ratio would amount to estimated 1.5,
- **Weighted average cost of debt:**
  - As at 31 March 2019 → 1.7%,
  - As at 31 December 2013 → 4.3%.



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

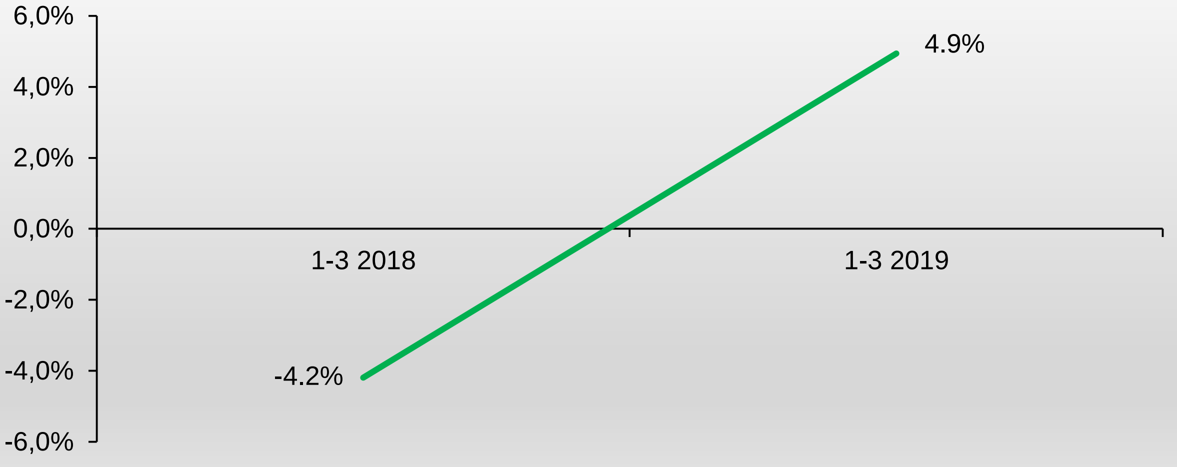
Lower level of net cash from operating activities reflects working capital movement in 1-3 2019

Working capital movement in BS	31 March 2019 / 31 March 2018	Impact
Inventories	4.8%	▪ The increase in inventories is a consequence of different dynamics of drawing finished products by customers related to the timing of the pre-Easter period, resulting in the increase in inventories of finished products.
Trade and other receivables	0.7%	▪ This movement is in line with normal operations.
Trade and other payables	(8.4%)	▪ This movement is in line with normal operations.

(in HRKm)	1-3 2018	1-3 2019.	Δ
Net cash from operating activities	(41)	50	92
Net cash from investing activities	(24)	(23)	0
Net cash from financing activities	(101)	(93)	8
Net change of cash and cash equivalents	**(166)**	**(66)**	**100**

- **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



Contact

Podravka d.d.

Ante Starčevića 32, 48 000 Koprivnica, Croatia

www.podravka.hr

Investor relations

ir@podravka.hr

tel: +385 48 65 16 65

Podravka Group

Always with a heart!

ZSE&LJSE Conference, Zagreb, 30th-31st May 2019