

# InterCapital Investors' Day

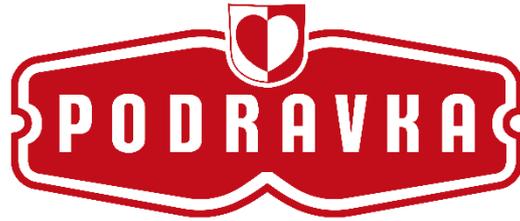


November 2014



*Always with a heart!*





# **The Company**

Restructuring process

9M 2014 business results

Share

Closure

# Podravka Group at a glance

**BUSINESS:** food and pharmaceuticals

**SALES REVENUES:** EUR 477.1 millions in FY13

**TOTAL ASSETS:** EUR 455.0 millions on 31/12/2013

**EMPLOYEES:** 5,558 on 30/09/2014

**YEAR OF ESTABLISHMENT:** 1947

- ✓ 67 years of experience in food production
- ✓ 42 years of experience in pharmaceutical production
- ✓ culinary institution in South East Europe

**HEADQUARTERS:** Koprivnica, Croatia

**MAIN MARKETS:**

- ✓ South East Europe
- ✓ Central Europe
- ✓ Eastern Europe

**SHARE LISTING:** the Zagreb Stock Exchange, Croatia

- ✓ market capitalization of EUR 211.1 millions\*



Note: All figures in presentation are transferred at EUR/HRK exchange rate of 7.6 to avoid FX differences; \*MCap on 24/11/2014.

# Local production with regional distribution network

## 8 production companies within the Group

- holding company
  - 23 subsidiaries
  - 15 representative offices
- } presence in 20 countries

## 14 production facilities

- Croatia → 11 facilities (various food products, pharmaceutical)
- Bosnia and Herzegovina → 1 facility (pharmaceutical)
- Czech Republic → 1 facility (rice, pulses)
- Poland → 1 facility (seasonings)

## Own distribution network in SEE and CE

### South – East Europe

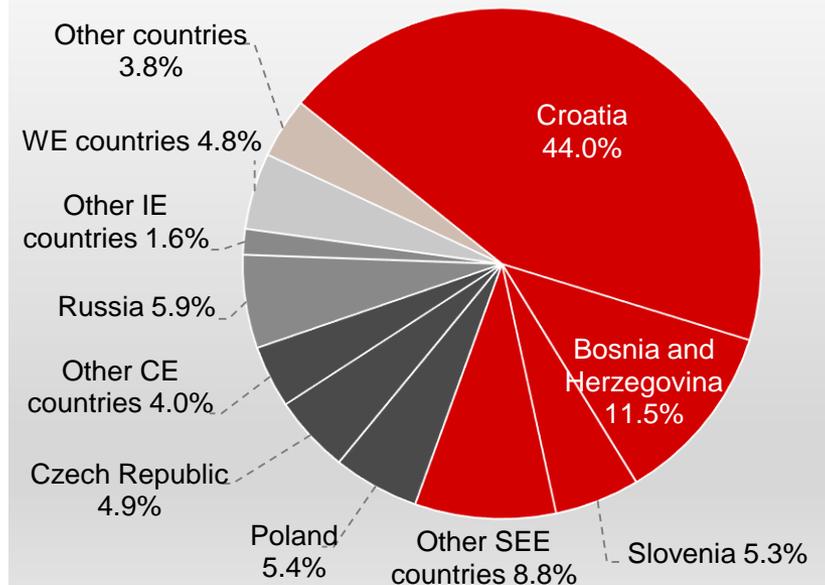
- Croatia
- Bosnia and Herzegovina
- Macedonia
- Montenegro
- Serbia
- Slovenia

### Central Europe

- Czech Republic
- Hungary
- Poland
- Slovakia



## Main markets in terms of sales revenues in 2013



# A well diversified product portfolio divided in two business areas

## Strategic Business Area Food and Drinks

- Culinary category
- Sweets, snacks and beverages category
- Baby food, breakfast foods and other food category
- Meat products category
- Other sales

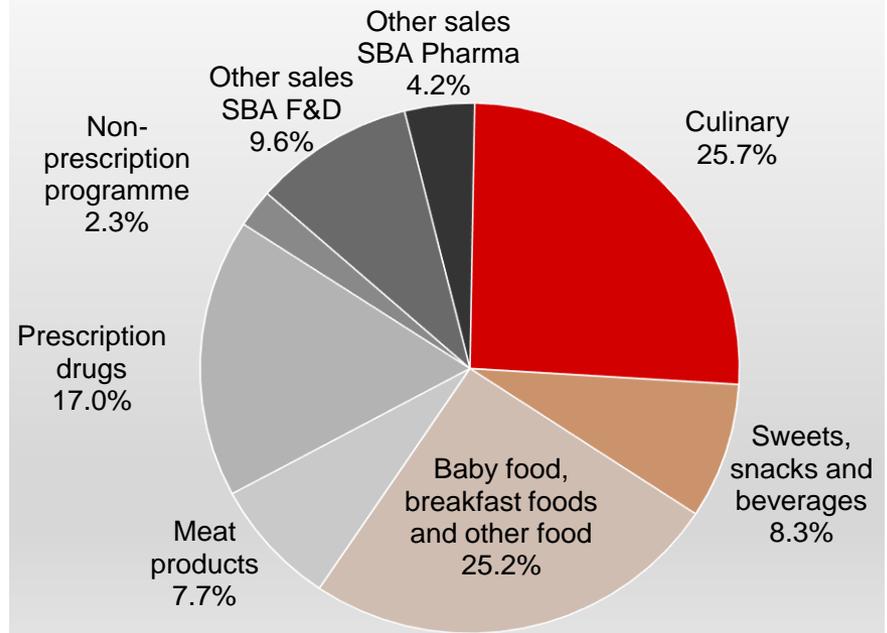
## Strategic Business Area Pharmaceuticals

- Prescription drugs category
- Non-prescription programme category
- Other sales

### Sales revenues in EUR millions

	2013	%
SBA Food and Drinks	365.1	76.5%
SBA Pharmaceuticals	112.0	23.5%
<b>Podravka Group</b>	<b>477.1</b>	<b>100.0%</b>

### Sales revenues by categories in 2013



# Stable ownership structure and developed corporate governance

## Management board



**Zvonimir Mršić**

President



**Jadranka Ivanković**

Member



**Olivija Jakupec**

Member



**Miroslav Klepač**

Member



**Hrvoje Kolarić**

Member

## Supervisory board

### **President:**

- Dubravko Štimac

### **Vice President:**

- Mato Crkvenac

### **Members:**

- Ivana Matovina
- Martinka Marđetko Vuković
- Ivo Družić
- Milan Sojanović
- Petar Vlaić
- Dinko Novoselec
- Petar Miladin

## Audit committee

### **President:**

- Dinko Novoselec

### **Members:**

- Petar Vlaić
- Ivana Matovina
- Mato Crkvenac

## Remuneration committee

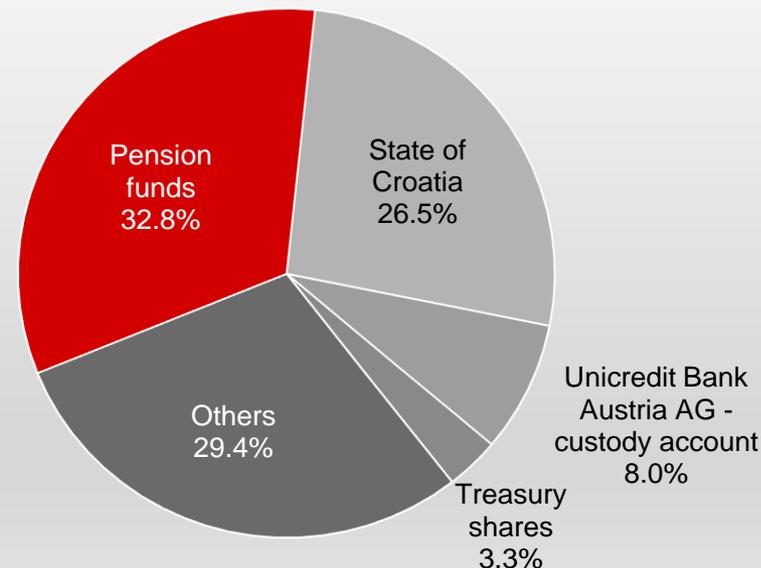
### **President:**

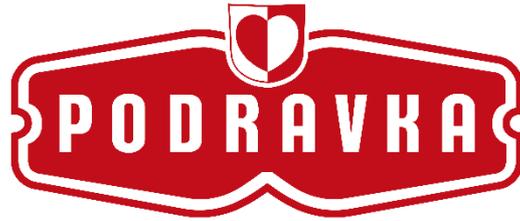
- Petar Vlaić

### **Members:**

- Dubravko Štimac
- Milan Stojanović

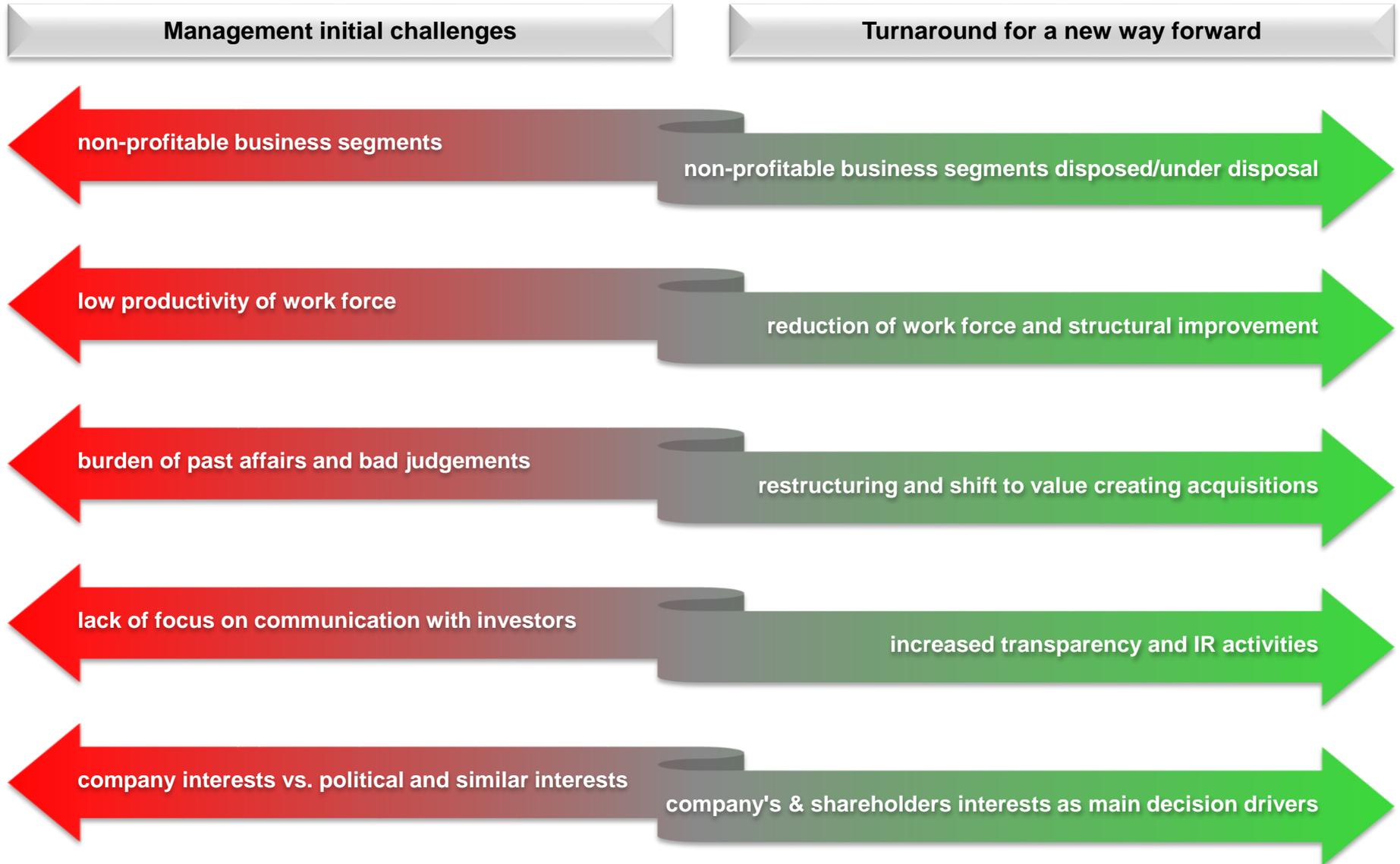
## Shareholder structure on 30/09/2014





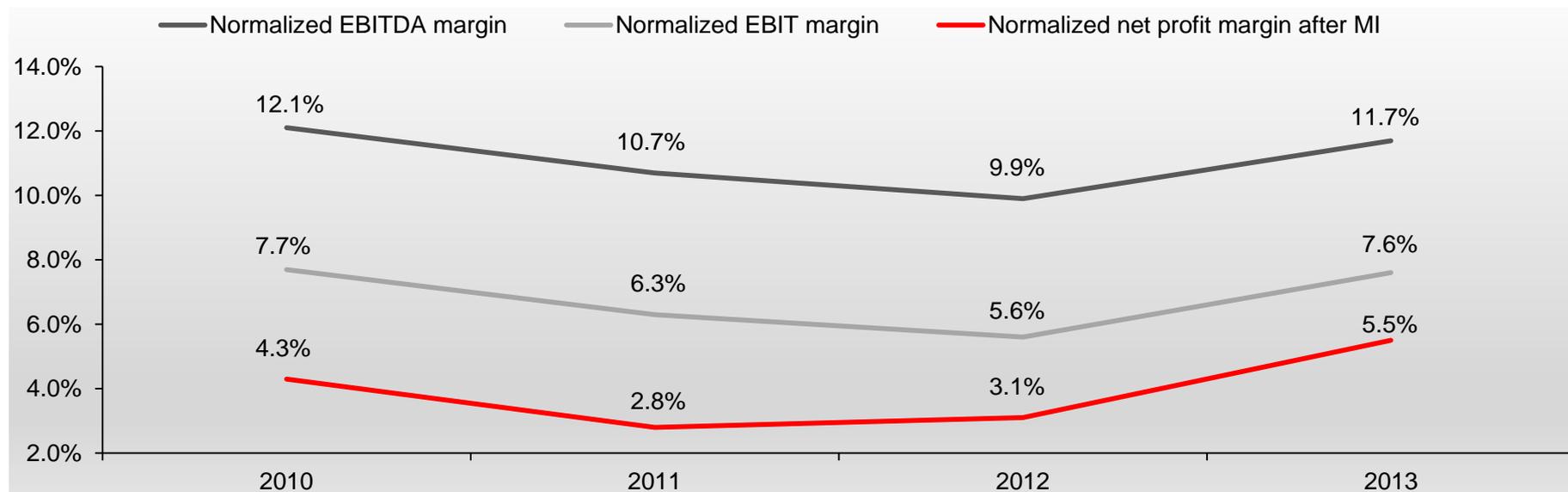
The Company  
**Restructuring process**  
9M 2014 business results  
Share  
Closure

# Current management was introduced in 2012



# Profitability improvement...

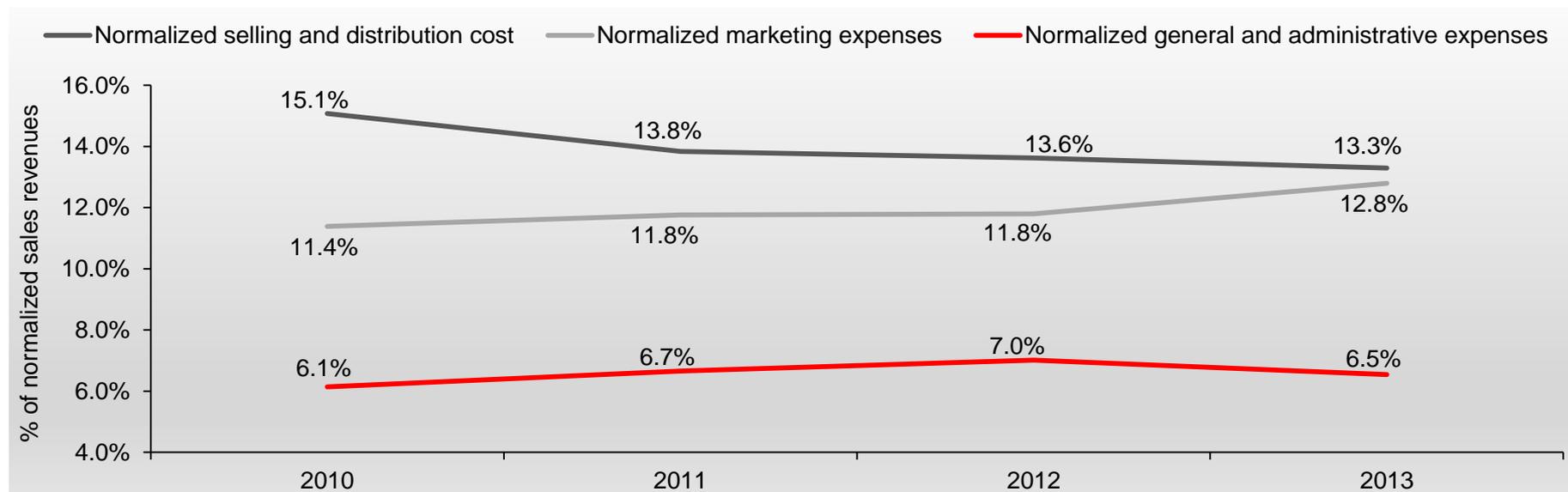
(in EUR millions)	2010	2011	2012	2013	2013/2012	CAGR (10-13)
Normalized sales revenues	463.5	477.0	477.2	477.1	(0.0%)	1.0%
Normalized gross profit	190.4	187.5	186.3	197.7	6.1%	1.3%
Normalized EBITDA	56.2	51.2	47.1	55.8	18.3%	(0.3%)
Normalized EBIT	35.8	30.2	26.9	36.2	34.6%	0.4%
Normalized net profit after MI	19.9	13.4	14.8	26.3	77.6%	9.8%
Normalized gross profit margin	41.1%	39.3%	39.0%	41.4%	+240 bp	n/a
Normalized EBITDA margin	12.1%	10.7%	9.9%	11.7%	+180 bp	n/a
Normalized EBIT margin	7.7%	6.3%	5.6%	7.6%	+200 bp	n/a
Normalized net profit margin after MI	4.3%	2.8%	3.1%	5.5%	+240 bp	n/a



Normalized: Excluding one-off items.

## ...as a result of business optimisation

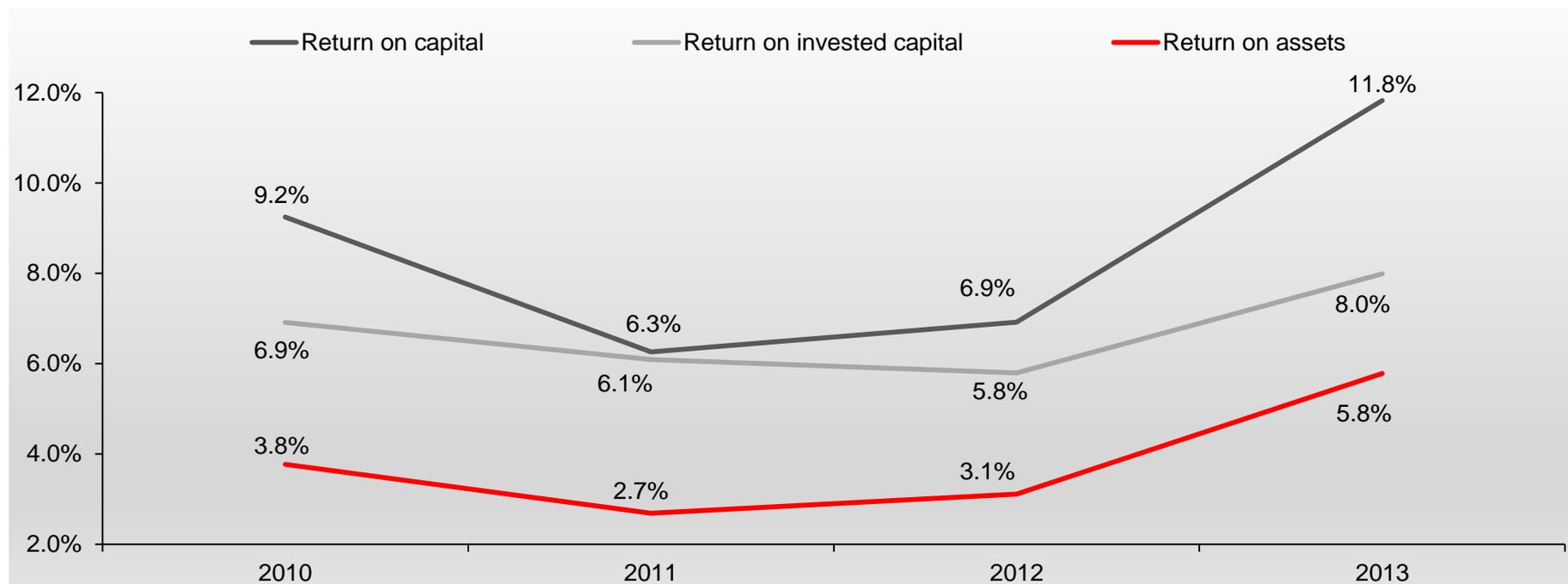
(in EUR millions)	2010	2011	2012	2013	2013/2012	CAGR (10-13)
Cost of goods sold	259.7	276.4	278.4	266.6	(4.2%)	0.9%
General and administrative expenses	28.5	31.8	33.5	31.2	(6.8%)	3.1%
Selling and distribution cost	69.9	66.0	65.0	63.4	(2.4%)	(3.2%)
Marketing expenses	52.8	56.1	56.3	61.0	8.4%	4.9%
Other expenses	4.1	10.4	5.0	11.4	128.6%	40.7%
Depreciation	14.5	10.6	14.4	7.4	(48.8%)	(20.3%)
<b>Total normalized operating expenses</b>	<b>429.4</b>	<b>451.4</b>	<b>452.5</b>	<b>441.0</b>	<b>(2.5%)</b>	<b>0.9%</b>
Net effect of one-off items	8.8	8.1	12.6	19.0	50.5%	29.1%
<b>Total reported operating expenses</b>	<b>438.2</b>	<b>459.5</b>	<b>465.1</b>	<b>460.0</b>	<b>(1.1%)</b>	<b>1.6%</b>



Note: Operating expenses excluding one-off items; Total operating expenses include all expenses between sales and EBIT level.

## Returns on investments are showing stable growth

(in EUR 000)	2010	2011	2012	2013	2013/2012	CAGR (10-13)
Number of employees (in units)	6,570	6,377	6,115	5,717	(6.5%)	(4.5%)
Sales revenues/Number of employees	70.5	74.8	78.0	83.5	6.9%	5.8%
Net profit/Number of employees	3.0	2.1	2.4	4.6	90.0%	15.0%
Return on assets	3.8%	2.7%	3.1%	5.8%	+267 bp	n/a
Return on capital	9.2%	6.3%	6.9%	11.8%	+491 bp	n/a
Return on invested capital	6.9%	6.1%	5.8%	8.0%	+219 bp	n/a



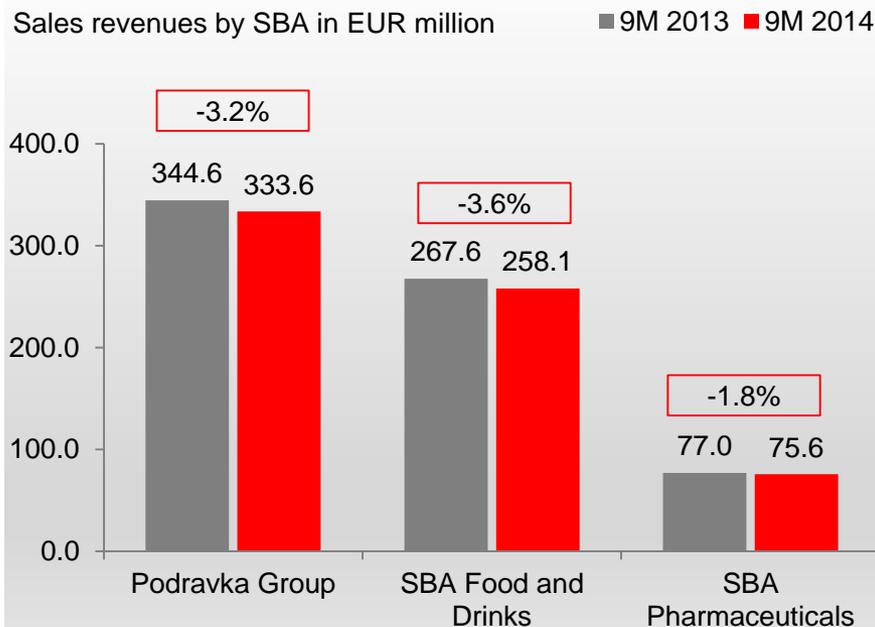
Note: Return on invested capital calculated as:  $EBIT \times (1 - \text{effective tax rate of } 20\%) / (\text{capital and reserves} + \text{long and short term financial debt})$ ; Ratios calculated excluding one-off items.



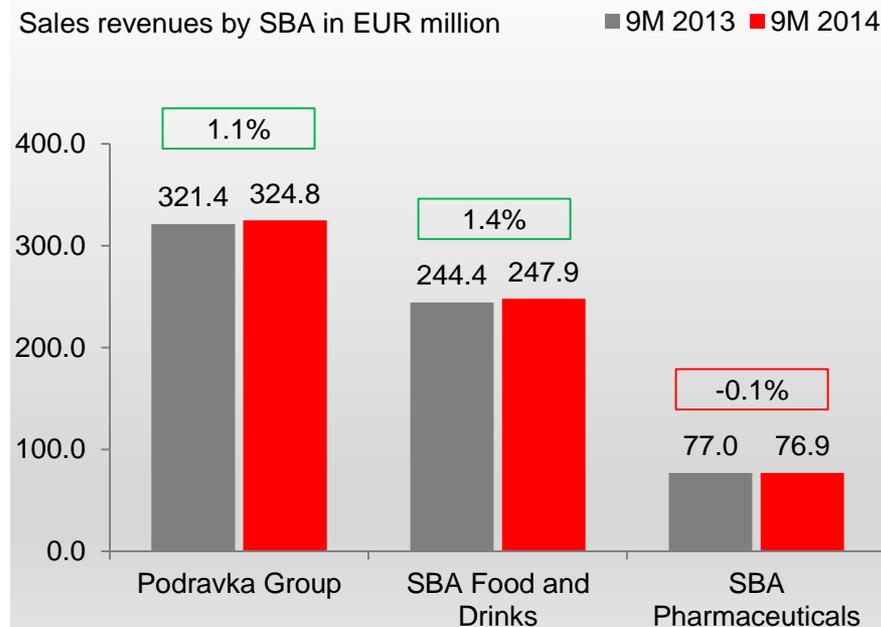
The Company  
Restructuring process  
**9M 2014 business results**  
Share  
Closure

# Significant influence of external and restructuring factors on sales revenues

## REPORTED



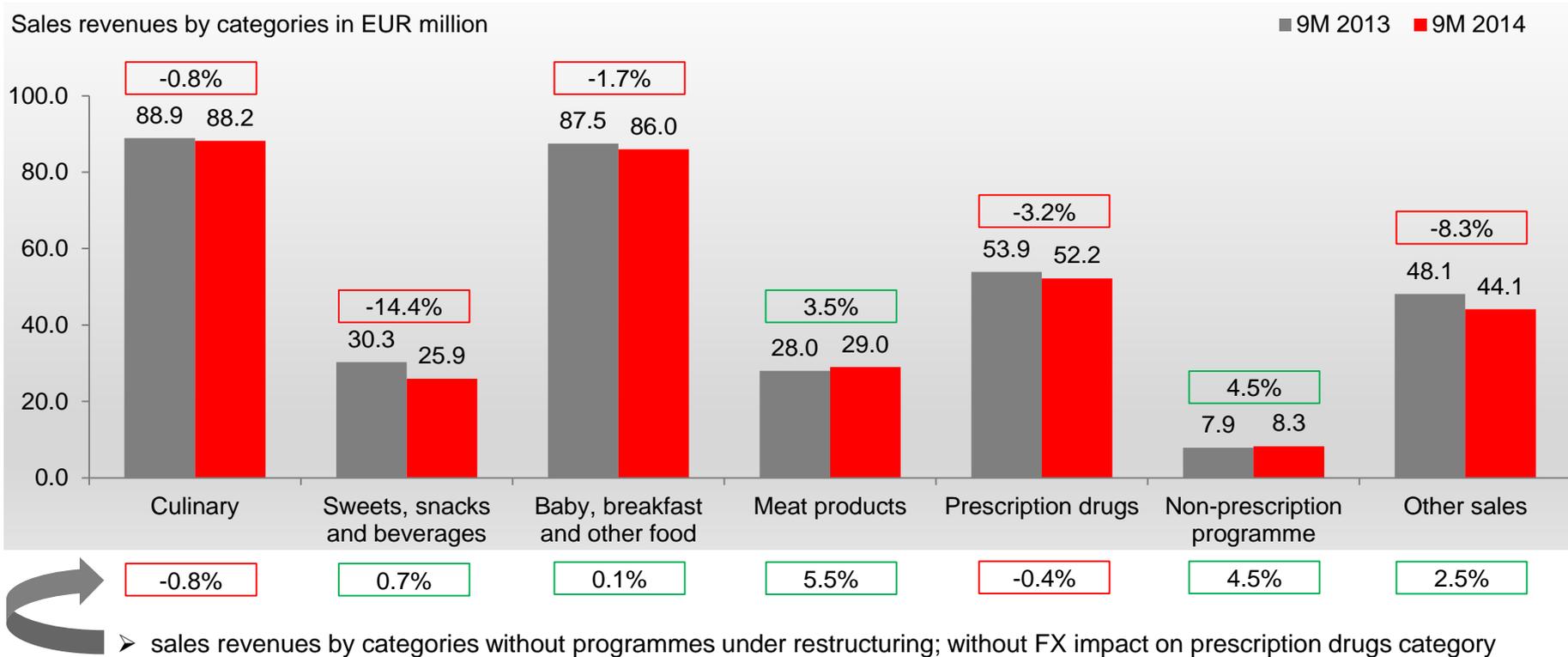
## NO PROGRAMMES UNDER RESTRUCTURING AND FX



### The biggest impacts on sales revenues:

- EUR -11.6 million → lower sales revenues from programmes under restructuring that were not (fully) present in 9M 2014,
- EUR -2.8 million → negative impact of net foreign exchange differences (FX),
- EUR -5.4 million → estimated negative impact from the decision of the Croatian Health Insurance Fund to reduce purchase prices of prescription drugs in May 2013 and February 2014,
- EUR -2.6 million → lower sales revenues of beverages in 3Q 2014 yoy because of exceptionally unfavourable weather conditions,
- reduction of exposure to distributors (through a decrease in inventories) in the market of Russia in H1 2014 as a protection measure from the depreciation of the Russian ruble.

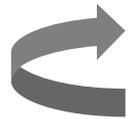
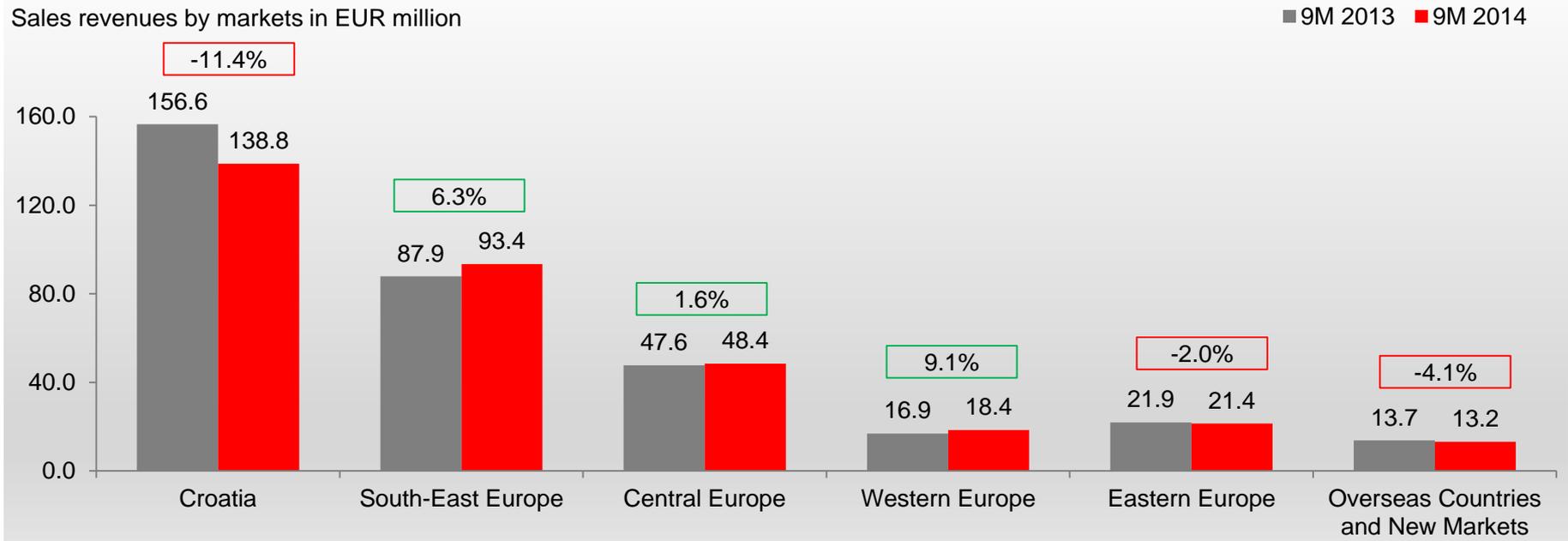
# Growth of majority of categories without programmes under restructuring



## Key highlights:

- culinary → negative impact of the markets of Croatia and Australia, growth on the markets of Western and Eastern Europe,
- sweets, snacks and beverages → EUR 2.6 million lower sales of beverages in 3Q 2014 affected by unfavourable weather conditions,
- meat products → growth in the market of Croatia and in the market of Western Europe,
- prescription drugs (RX) → negative impact of price reduction on the market of Croatia; volume growth → Croatia +12%, Russia +11%,
- non-prescription programme → OTC drugs subcategory growth on the markets of Croatia and Russia.

# Reported sales revenues in foreign markets up 3.6%



➤ sales revenues by markets without programmes under restructuring and foreign exchange differences

## Key highlights:

- Croatia → 0.8% lower sales revenues without programmes under restructuring and price reduction in prescribed drugs category,
- South-East Europe → sales revenue growth of Eva & Dolcela brands, baby & breakfast food assortment, RX drugs & trade goods,
- Central Europe → negative impact of Czech krone, sales revenue growth of bouillons, tomato based products & RX for skin disorder,
- Western Europe → sales revenue growth of universal seasonings, especially on the market of Germany,
- Eastern Europe → negative impact of Russian rouble, sales revenue growth of universal seasoning on the market of Romania, sales revenue growth of soups on the market of Russia,
- Overseas Countries & New Markets → negative impact of Australian dollar and distribution model change in Australia and USA.

# Profitability improvement in food and drinks business segment

SBA Food and Drinks <i>(in EUR million)</i>	REPORTED RESULT			EXCLUDING ONE-OFF ITEMS		
	9M 2014	9M 2013	% change	9M 2014	9M 2013	% change
Sales revenue	258.1	267.6	(3.6%)	258.1	267.6	(3.6%)
Gross profit	98.0	100.0	(1.9%)	98.0	100.0	(1.9%)
EBITDA	22.2	22.6	(1.8%)	27.5	26.9	2.3%
EBIT	12.2	12.1	1.1%	17.5	16.4	6.9%
Net profit after MI	6.1	7.2	(15.6%)	11.3	11.5	(2.2%)
Gross margin	38.0%	37.4%	+63 bp	38.0%	37.4%	+64 bp
EBITDA margin	8.6%	8.4%	+16 bp	10.7%	10.1%	+61 bp
EBIT margin	4.7%	4.5%	+22 bp	6.8%	6.1%	+67 bp
Net profit margin after MI	2.4%	2.7%	-34 bp	4.4%	4.3%	+6 bp

## Key highlights:

- gross margin growth → EUR 7.6 million lower cost of goods sold,
- EBIT margin growth → additional impact of EUR 1.2 million lower other operating expenses,
- lower net profit margin after MI → higher tax liabilities compared to 9M 2013 when the tax base was significantly lowered by tax losses from previous periods carried forward,
- normalized results better than reported on all levels.

## One-off items:

9M 2014:

- EUR -5.2 million of net effect,
- most significant item EUR -6.7 million of severance payments.

9M 2013:

- EUR -4.4 million of net effect,
- most significant item EUR -4.7 million of severance payments.

# Prescription drugs price reduction significantly influenced profitability

SBA Pharmaceuticals <i>(in EUR million)</i>	REPORTED RESULT			EXCLUDING ONE-OFF ITEMS		
	9M 2014	9M 2013	% change	9M 2014	9M 2013	% change
Sales revenue	75.6	77.0	(1.8%)	75.6	77.0	(1.8%)
Gross profit	39.8	42.2	(5.7%)	39.8	42.2	(5.7%)
EBITDA	11.3	13.7	(17.6%)	11.7	14.5	(19.6%)
EBIT	7.2	9.4	(23.8%)	7.6	10.2	(26.1%)
Net profit after MI	4.7	5.6	(16.1%)	5.1	6.4	(20.7%)
Gross margin	52.6%	54.8%	-214 bp	52.6%	54.8%	-214 bp
EBITDA margin	15.0%	17.8%	-287 bp	15.5%	18.9%	-343 bp
EBIT margin	9.5%	12.2%	-273 bp	10.0%	13.3%	-329 bp
Net profit margin after MI	6.2%	7.3%	-106 bp	6.7%	8.3%	-160 bp

## Key highlights:

- lower gross margin → price reduction on prescription drugs led to lower sales revenues, growth of cost of goods sold due to larger production volumes,
- lower EBIT margin → mitigated by EUR 0.3 million lower other operating expenses,
- lower net profit margin after minorities → mitigated by EUR 0.5 million lower interest expenses on loans and lower tax liability.

## One-off items:

9M 2014:

- EUR -0.4 million of severance payments.

9M 2013:

- EUR -0.8 million of severance payments.

# The positive effects of the restructuring process are still not fully noticeable

Podravka Group <i>(in EUR million)</i>	REPORTED RESULT			EXCLUDING ONE-OFF ITEMS		
	9M 2014	9M 2013	% change	9M 2014	9M 2013	% change
Sales revenue	333.6	344.6	(3.2%)	333.6	344.6	(3.2%)
Gross profit	137.8	142.1	(3.0%)	137.8	142.1	(3.0%)
EBITDA	33.5	36.3	(7.8%)	39.2	41.4	(5.4%)
EBIT	19.4	21.5	(9.8%)	25.1	26.6	(5.8%)
Net profit after MI	10.8	12.8	(15.8%)	16.4	18.0	(8.9%)
Gross margin	41.3%	41.2%	+6 bp	41.3%	41.2%	+6 bp
EBITDA margin	10.0%	10.5%	-50 bp	11.7%	12.0%	-28 bp
EBIT margin	5.8%	6.2%	-43 bp	7.5%	7.7%	-21 bp
Net profit margin after MI	3.2%	3.7%	-48 bp	4.9%	5.2%	-31 bp

## Key highlights:

- gross margin growth → EUR 6.6 million lower cost of goods sold,
- lower EBIT margin → mitigated by EUR 1.5 million lower other operating expenses,
- lower net profit margin after minorities → mitigated by EUR 0.9 million lower interest expenses on loans, negative impact of higher tax liabilities,
- normalized result better than reported on all levels.

## One-off items:

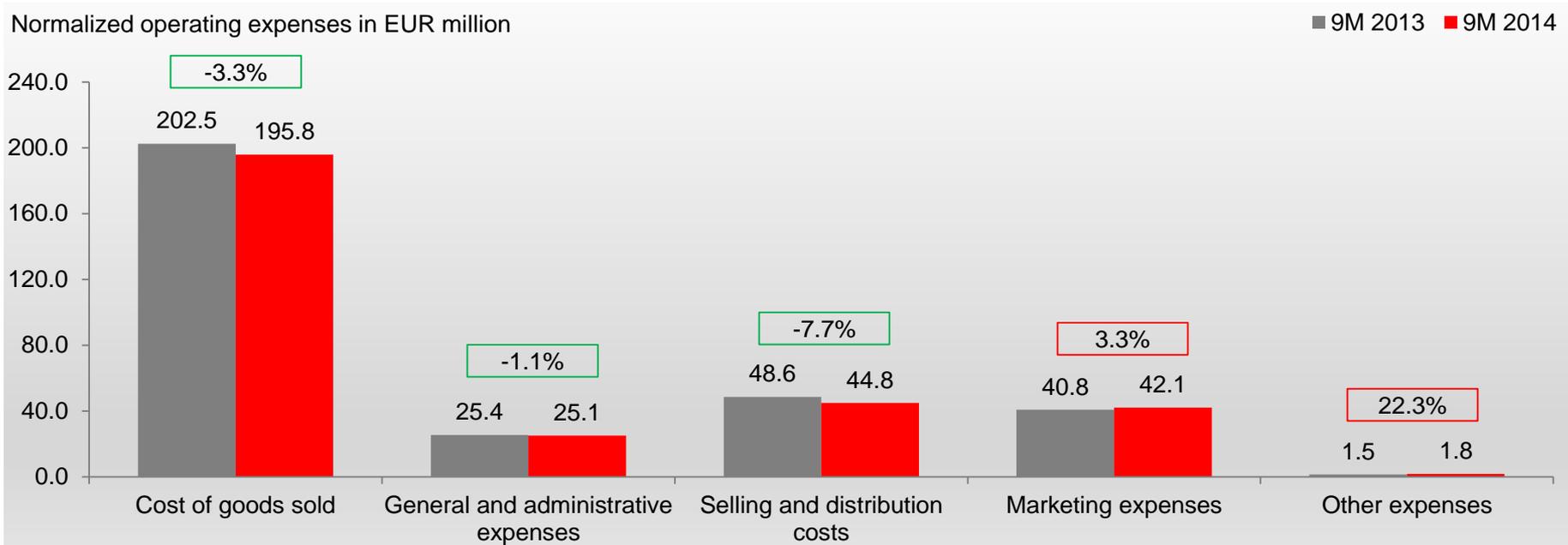
9M 2014:

- EUR -5.6 million of net effect,
- most significant item EUR -7.0 million of severance payments.

9M 2013:

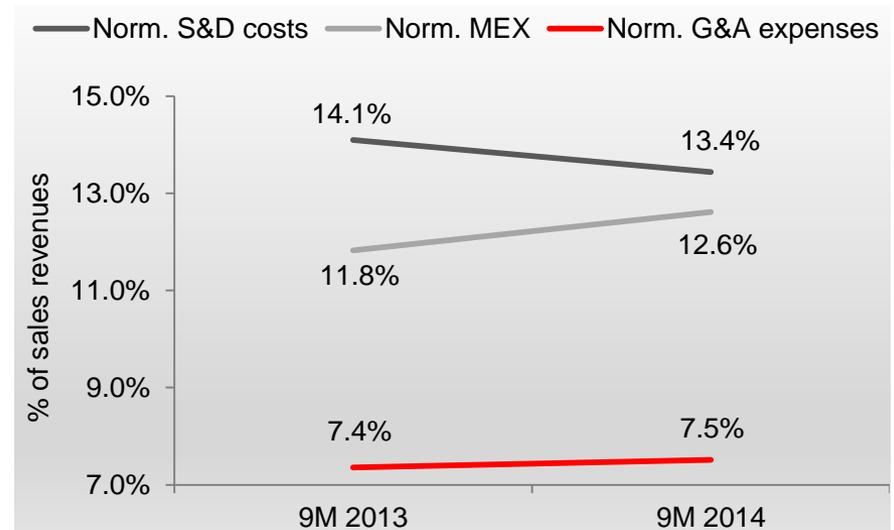
- EUR -5.2 million of net effect,
- most significant item EUR -5.5 million of severance payments.

# Total normalized operating expenses lower by EUR 9.0 million



## Key highlights:

- cost of goods sold → positive impact of favourable trends of key raw material prices, lower personnel expenses,
- general and administrative expenses → lower personnel expenses,
- selling and distribution costs → lower reservations for trade account receivables, lower rental costs,
- marketing expenses → stronger marketing activities in the segments of baby food and breakfast food,
- other expenses → slightly higher net realized FX differences.



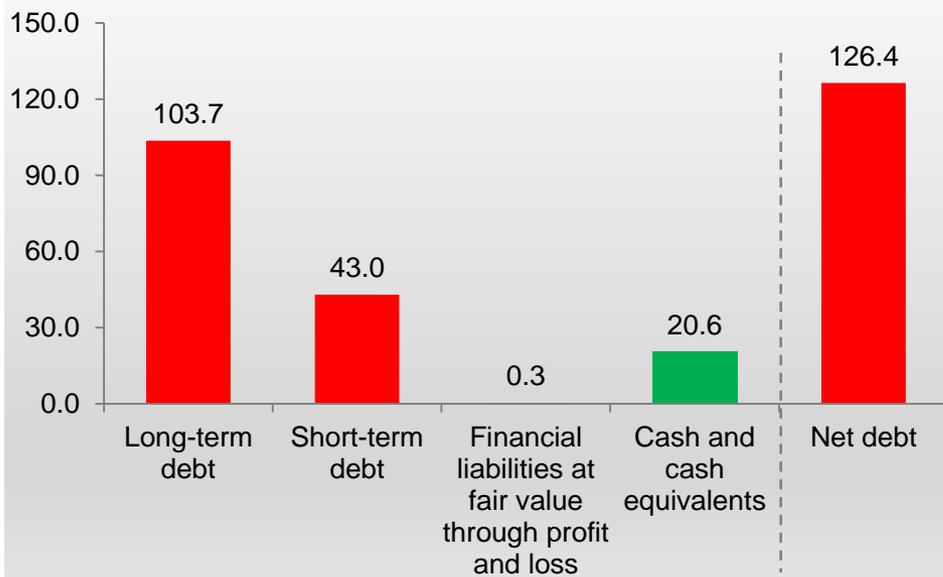
## Low level of indebtedness

(in EUR thousands)	9M 2014	2013	% change
Net debt	126,398	116,649	8.4%
Interest expense	6,098	6,964	(12.4%)
Net debt/Norm. EBITDA	2.4	2.1	12.9%
Norm. EBITDA/Interest expense	8.8	8.0	9.6%
Equity to total assets ratio	49.9%	48.9%	+98 bp

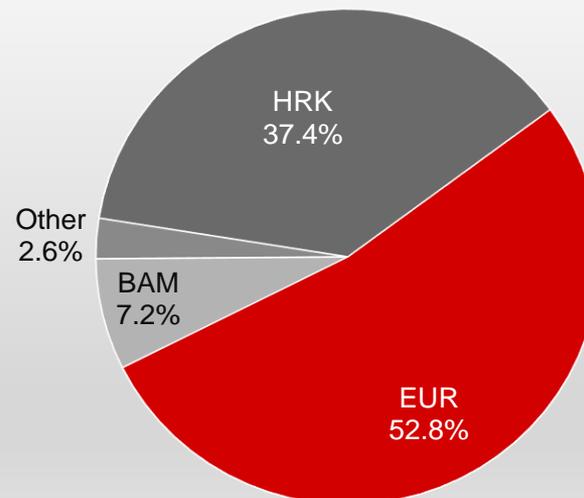
### Key highlights:

- net debt growth → result of EUR 6.7 million financial debt increase and EUR 3.0 million lower cash and cash equivalents,
- lower interest expenses → result of refinancing under favourable commercial terms and repayment of a part of a loan,
- weighted average cost of debt → 3.4% on 30.09.2014.

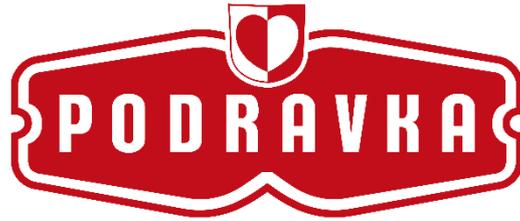
Net debt components in EUR million on 30/09/2014



Currency structure of debt on 30/09/2014

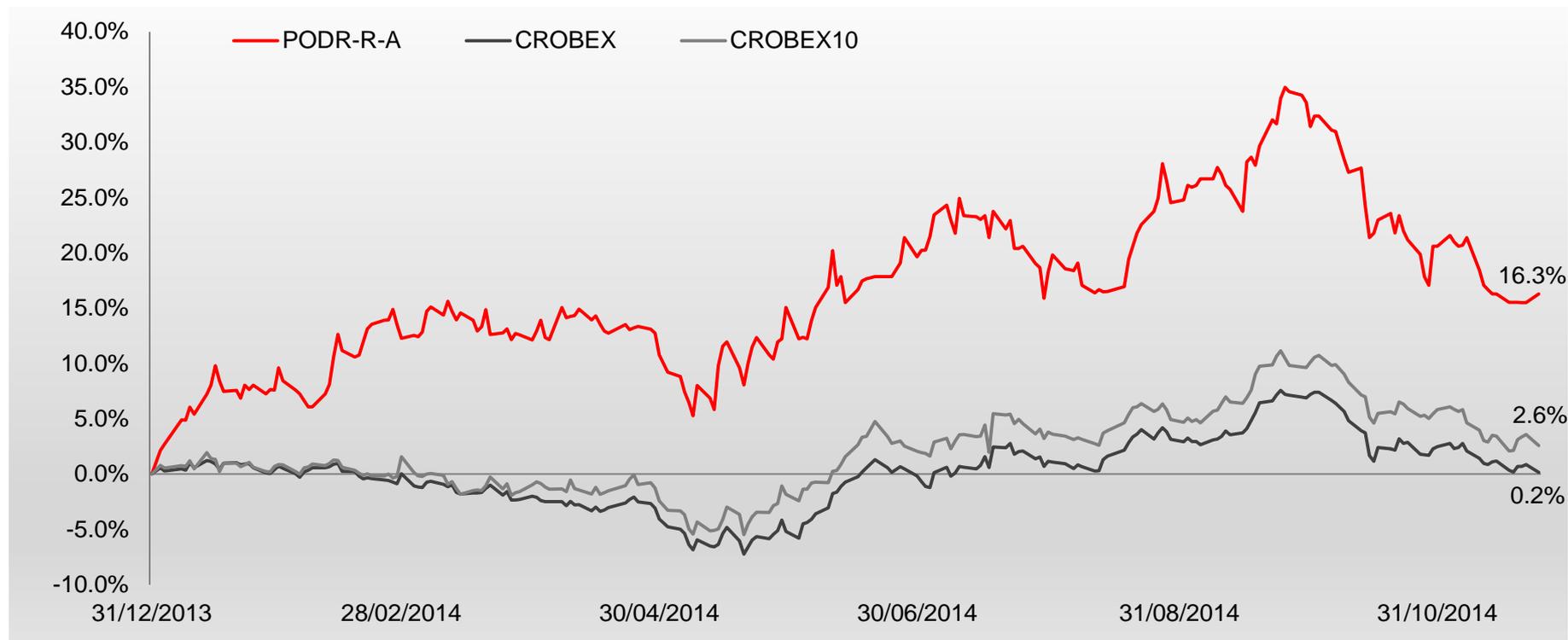


Note: P&L indicators calculated on the trailing twelve month basis; BS indicators taken on 30/09/2014.



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## In 2014 stable growth of Podravka's share



	24/11/2014	31/12/2013	% change
PODR-R-A (closing price in EUR)	38.9	33.5	16.3%
CROBEX (closing points)	1,797.2	1,794.3	0.2%
CROBEX10 (closing points)	1,020.4	994.9	2.6%
	1-10 2014	1-10 2013	% change
Average daily number of transactions	14	9	46.4%
Average daily volume (units)	1,631	676	141.4%
Average daily turnover (EUR)	63,971	23,484	172.4%

## Podravka is being traded below peer group level

Company	Country	Business	EV/Sales	EV/EBITDA	EV/EBIT	P/E
Atlantic Grupa d.d.	Croatia	Food	1.0	8.5	12.4	15.0
Greencore Group plc	Ireland	Food	1.1	12.3	18.0	16.6
Nestle S.A.	Switzerland	Food	2.8	14.6	17.8	24.1
Orkla ASA	Norway	Food	1.9	14.0	19.0	25.5
Otmuchow S.A.	Poland	Food	0.5	6.6	13.1	26.2
Premier Foods plc	UK	Food	1.8	7.3	12.3	-
Unilever plc	UK	Food	2.2	12.6	14.4	18.4
<b>Average Food</b>			<b>1.6</b>	<b>10.9</b>	<b>15.3</b>	<b>20.9</b>
<b>Adjusted* average Food</b>			<b>1.6</b>	<b>11.0</b>	<b>15.1</b>	<b>21.1</b>
Hikma Pharmaceuticals plc	UK	Pharma	4.1	11.5	13.8	18.9
Krka d.d.	Slovenia	Pharma	1.6	5.9	8.4	11.3
Recordati S.p.A	Italy	Pharma	3.1	11.2	13.2	17.8
Richter Gedeon Nyrt.	Hungary	Pharma	1.8	10.6	20.4	20.7
Stada Arzneimittel AG	Germany	Pharma	1.7	8.1	13.0	13.6
<b>Average Pharma</b>			<b>2.5</b>	<b>9.5</b>	<b>13.8</b>	<b>16.5</b>
<b>Adjusted* average Pharma</b>			<b>2.2</b>	<b>10.0</b>	<b>13.4</b>	<b>16.8</b>
Podravka Group EBITDA Food			56.9%	56.9%	56.9%	56.9%
Podravka Group EBITDA Pharma			43.1%	43.1%	43.1%	43.1%
<b>Weighted average peer group</b>			<b>2.0</b>	<b>10.3</b>	<b>14.6</b>	<b>19.0</b>
<b>Weighted adj. average peer group</b>			<b>1.9</b>	<b>10.5</b>	<b>14.4</b>	<b>19.2</b>
<b>Podravka Group reported</b>			<b>0.7</b>	<b>7.7</b>	<b>22.6</b>	<b>32.2</b>
<b>Podravka Group normalized**</b>			<b>0.7</b>	<b>6.4</b>	<b>9.9</b>	<b>8.5</b>

Source: Bloomberg, data obtained on 24/11/2014; for Podravka Group PPS on 24/11/2014, BS figures on 30/09/2014, 9M 2014 P&L figures on TTM basis.  
\*Excluding maximal and minimal value to eliminate the effect of extreme values; \*\*Calculated excluding one-off items.

# Analyst coverage reveals positive expectations

**COMPANY ANALYSIS - Podravka Group**  
InterCapital Research

**Food and Pharmaceutical** March 31st 2014

**STRONG BUY**

**Potential for Efficiency Improvement Offsets Organic Weakness**

INDICATOR	2012	2013	2014*	2015*	2016*
Revenue	206.91	206.91	206.91	206.91	206.91
EBITDA	20.91	20.91	20.91	20.91	20.91
EBIT	18.91	18.91	18.91	18.91	18.91
Net Income	16.91	16.91	16.91	16.91	16.91
EPS	0.16	0.16	0.16	0.16	0.16
EV/EBITDA	10.0	10.0	10.0	10.0	10.0
EV/EBIT	11.0	11.0	11.0	11.0	11.0
EV/Net Income	12.0	12.0	12.0	12.0	12.0
EV/Share	13.0	13.0	13.0	13.0	13.0
EV/FCF	14.0	14.0	14.0	14.0	14.0
EV/FCF*	15.0	15.0	15.0	15.0	15.0
EV/FCF**	16.0	16.0	16.0	16.0	16.0
EV/FCF***	17.0	17.0	17.0	17.0	17.0
EV/FCF****	18.0	18.0	18.0	18.0	18.0
EV/FCF*****	19.0	19.0	19.0	19.0	19.0
EV/FCF*****	20.0	20.0	20.0	20.0	20.0

**Podravka Group ("the company") presents attractive cash generating story in our coverage, as well as a compelling long-term opportunity for regional expansion.**

**We continue to see potential for the company to improve efficiency.** Despite of organic expansion being cost effectively improved the profitability, with reduced fixed costs, we see potential for the company to improve efficiency. Despite of organic expansion being cost effectively improved the profitability, with reduced fixed costs, we see potential for the company to improve efficiency. Despite of organic expansion being cost effectively improved the profitability, with reduced fixed costs, we see potential for the company to improve efficiency.

**Based on trends in the food and pharmaceutical sectors in Croatia and region, as well as data obtained from the company, we expect sales CAGR of 3.5% in the projected period from 2013 - 2016. In the region, turnover has been flat and margins are held at single digit, with conservative approach and expect sales growth at CAGR of 1.5%, and in the USA Pharmaceutical at CAGR of 4.5%.**

**Circle of visibility is completely open, we do not expect significant changes of gross margins in projected period, because the company has flat enough sales to cover additional expenses related to production. We expect operating margin to increase in the projected period to 10.0%.**

**Our analysis also shows a fair value of the company in the amount of EUR 1,204m or EUR 21.70 per share, which is a potential growth to 30.0% compared to the current market value of the company's shares. Accordingly, we give to the shares of the company a **STRONG BUY** recommendation.**

**Yordanar Bajic, CFA**  
Lead Analyst  
Tel: +385 1 4422 525  
yordanar.bajic@intercapital.hr

**FIMA SECURITIES**

**Podravka d.d.**

**Recommendation: POBR R.A. ADO**  
Target price: POBR R.A. HRK 283.1

**STRONG BUY**

**Podravka Group ("the company") presents attractive cash generating story in our coverage, as well as a compelling long-term opportunity for regional expansion.**

**We continue to see potential for the company to improve efficiency.** Despite of organic expansion being cost effectively improved the profitability, with reduced fixed costs, we see potential for the company to improve efficiency. Despite of organic expansion being cost effectively improved the profitability, with reduced fixed costs, we see potential for the company to improve efficiency.

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**HYPO ALPE ADRIA BANK**  
SUPPORTIVE, FRIENDLY, FAIR

**Podravka**

**Buy**

**Update on new plants and higher margins**

**SGR results will not surprise**

**Podravka received 2Q 2014 results that with 3rd quarterly are in a nice trend in wider sales of Food and Pharmaceutical division. The company reported 2Q 2014 results that with 3rd quarterly are in a nice trend in wider sales of Food and Pharmaceutical division. The company reported 2Q 2014 results that with 3rd quarterly are in a nice trend in wider sales of Food and Pharmaceutical division.**

**We see the company as attractive restructuring story with potential to improve its efficiency.** Podravka's primary goal is to reach profitability levels of peer group and we think that the company is on the right way to do that. Company has already taken some measures to increase profitability and like reducing the number of employees, diverting from low profitable units and revising the product portfolio. Besides that, in 2014 Podravka announced some capital investments which will result with higher production efficiency.

**On the other side, the company is still operating in unfavorable macroeconomic conditions in the key markets. Besides that, business result is harmed by restructuring related costs like severance payments (HRK 57.2 mln in 2013).** Furthermore, Podravka's foreign operations in Eastern markets could be endangered by potential escalation of Russia-Ukraine conflict.

**Plasma to grow on new plants.** Announced construction of new Serbian facilities, resulted in 3rd quarter, is to improve the effect of building on POCF program. The project was initially approved by management and subsequently listed in Croatia in 2013. The project is to improve the effect of building on POCF program. The project was initially approved by management and subsequently listed in Croatia in 2013.

**Member of CROED: yes**  
**Company web: www.podravka.hr**

**FIMA Securities d.o.o.**  
Tel: +385 1 4422 525  
fima@fima.hr

**Company Update**  
Podravka

**Buy**

**Update on new plants and higher margins**

**SGR results will not surprise**

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**Podravka**  
Accumulate

**Update on new plants and higher margins**

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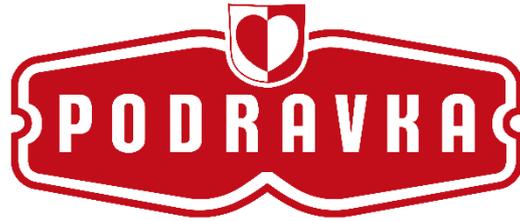
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Analysts	Date of the recommendation	Recommendation	Target price	Price on 24/11/2014	Potential
Interkapital Securities d.o.o.	31/03/2014	Strong buy	EUR 49.0	EUR 38.9	25.9%
FIMA Securities d.o.o.	28/05/2014	Under revision	n/a	EUR 38.9	n/a
Hypo Alpe-Adria-Bank d.d.	12/11/2014	Buy	EUR 53.2	EUR 38.9	36.5%
Raiffeisenbank Austria d.d.	30/05/2014	Buy	EUR 45.3	EUR 38.9	16.2%
Erste Group Bank AG	18/09/2014	Accumulate	EUR 48.2	EUR 38.9	23.7%



The Company  
Restructuring process  
9M 2014 business results  
Share  
**Closure**

# Future lays outside the region

## INTERNATIONALIZATION AS KEY DRIVER OF FUTURE GROWTH

- strong focus on the internationalization in the future
- reduction of dependence on the region:
  - ✓ the region accounted for 70% of sales revenues in 2013,
  - ✓ the market of Croatia accounted for 44% of sales revenues in 2013.
- the region offers limited potential for growth because of:
  - ✓ unfavourable macroeconomic outlook,
  - ✓ high market shares of Podravka brands in the region.

The region*	2013	2014	2015
Population (in millions)	23.34	23.30	23.26
Average unemployment rate	19.9%	19.7%	19.6%
Average GDP growth	1.4%	1.9%	2.6%

Volume market position**	Croatia	Slovenia	B&H
Vegeta	1	1	1
Podravka soups	1	2	1
Dehydrated baby food	1	1	1
Eva	2	4	1
Dolcela	1	2	1

## CONTINUATION OF THE RESTRUCTURING PROCESS

- disposal of the beverages segment:
  - ✓ will result in further reduction of sales and distribution costs.
- optimisation of internal processes,
- investments in modernisation and robotization,
- workforce optimization with structural age/education improvement.

## CONSTRUCTION OF BELUPO FACTORIES

- current Belupo factory is over capacitated:
  - ✓ work in 3 shifts.
- growing demand for Belupo products:
  - ✓ 12% volume growth of prescription drugs on the market of Croatia in 1-9 2014,
  - ✓ 11% volume growth of prescription drugs on the Russian market in 1-9 2014.



\*Source: Canadean, the region - Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia, Slovenia; \*\*Source: Nielsen.

# Unlocked potential



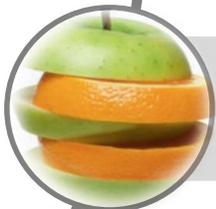
Further potential for restructuring and business optimisation



Quality brands with potential for further growth and international expansion



Own R&D department with 56 years of tradition



Acquisition capacity



Market valuation below peer group level leaves potential for share growth

## Contact

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# InterCapital Investors' Day



November 2014



*Always with a heart!*

