



Podravka Group

Always with a heart!

WOOD's Winter in Prague, Emerging Europe Conference, December 2014



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:

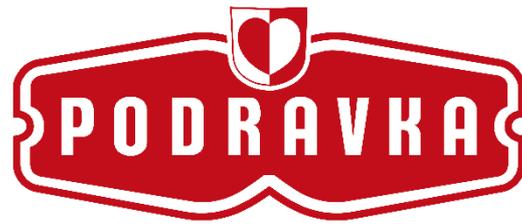
- South East Europe
- Central Europe
- Eastern Europe

SHARE LISTING: the Zagreb Stock Exchange, Croatia

- market capitalization of EUR 207.9 millions*



Note: All figures in presentation are transferred at EUR/HRK exchange rate of 7.6 to avoid FX differences; *MCap on 28/11/2014.



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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



1970

Bottling facility for spring water enters Podravka, non-alcoholic beverages production established



1972

Belupo pharmaceutical company established, pharmaceutical production established



1993

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



2006

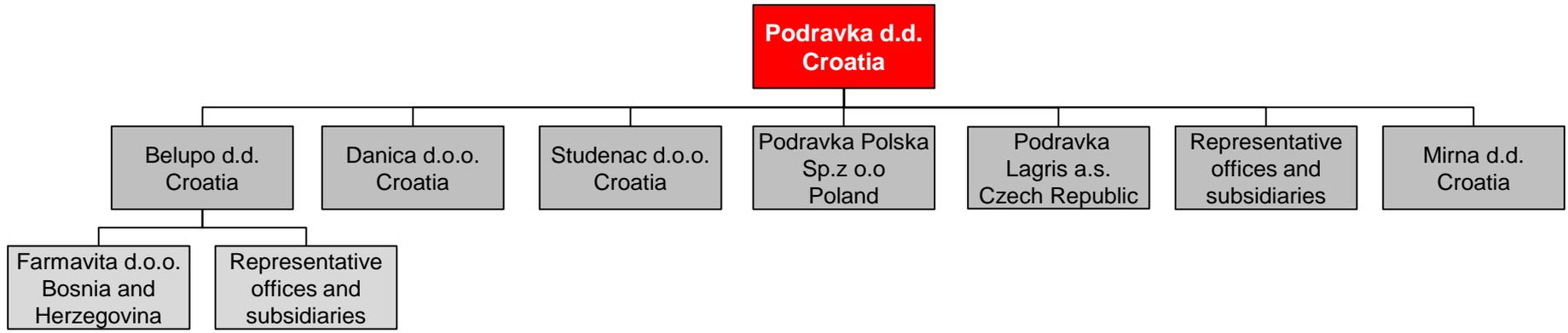
Eva, fish products brand, acquisition



2014

Mirna, fish products producer, enters Podravka

Presence in South-East, Central and Eastern Europe



Podravka Group

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

8 production companies

- Podravka d.d. → various food products
- Belupo d.d. → pharmaceuticals
- Danica d.o.o. → meat products
- Studenac d.o.o. → non-alcoholic beverages
- Podravka Polska Sp.z o.o → seasonings
- Podravka Lagris a.s. → rice, pulses
- Mirna d.d. → fish products
- Farmavita d.o.o. → pharmaceuticals



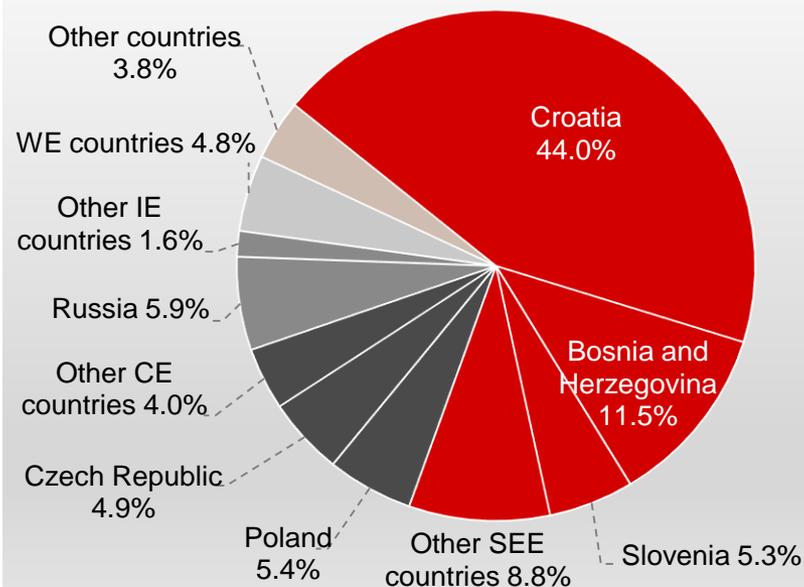
Local production with regional distribution network

14 production facilities

- Croatia → 11 facilities
 - Koprivnica (6 food facilities, 1 pharmaceutical)
 - Lipik (non-alcoholic beverages)
 - Umag (vegetables)
 - Varaždin (vegetables)
 - Rovinj (fish products)
- Bosnia and Herzegovina → 1 facility (pharmaceutical)
- Czech Republic → 1 facility (rice, pulses)
- Poland → 1 facility (seasonings)



Main markets in terms of sales revenues in 2013



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

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

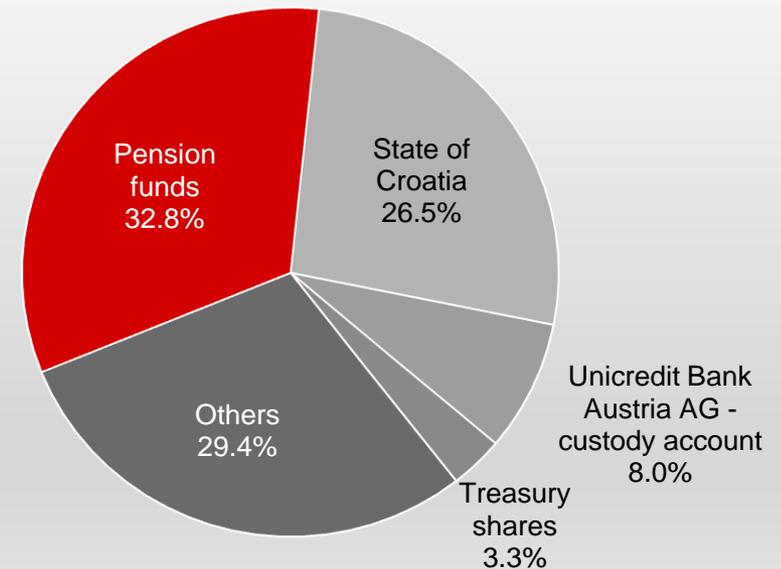
President:

- Petar Vlaić

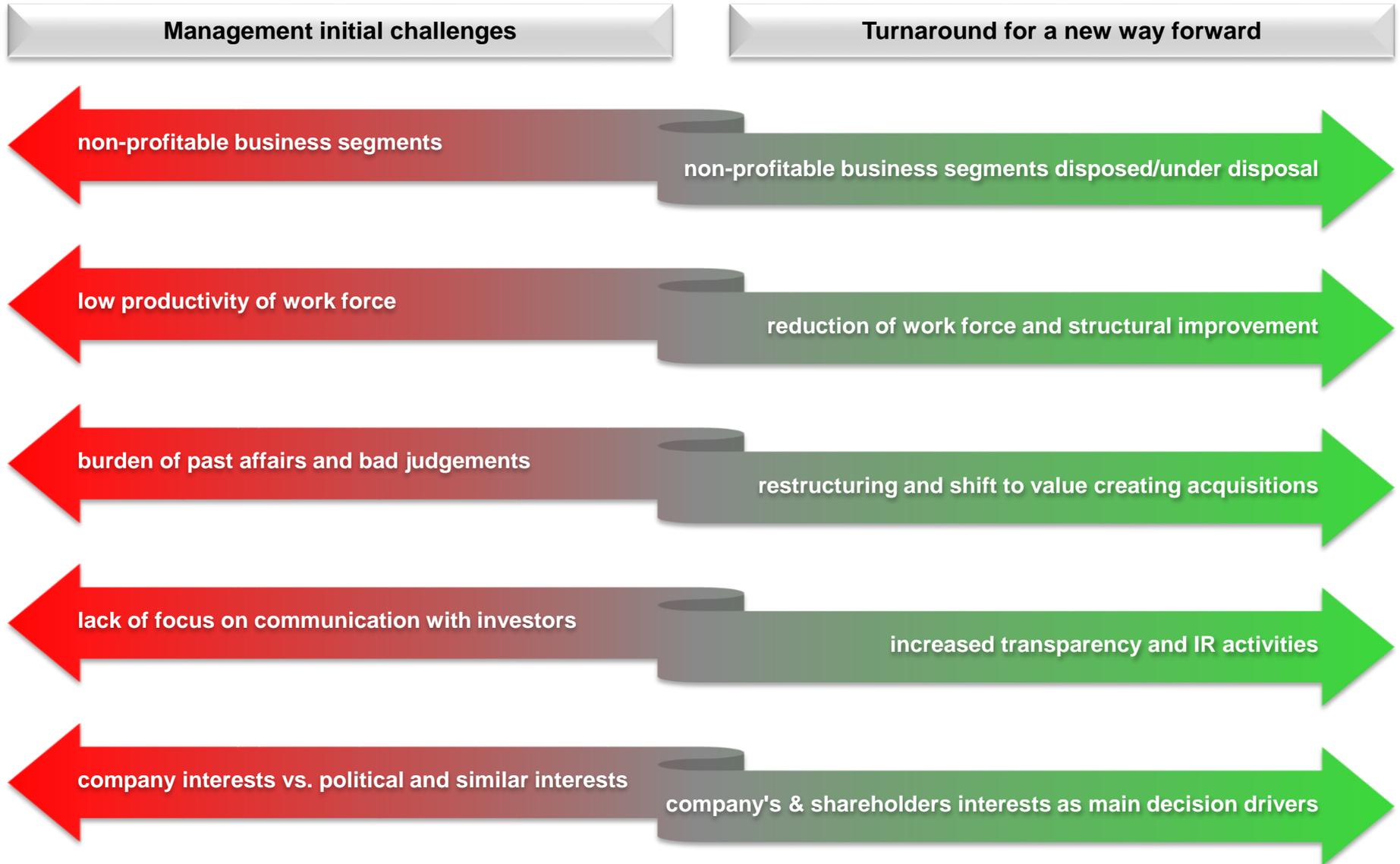
Members:

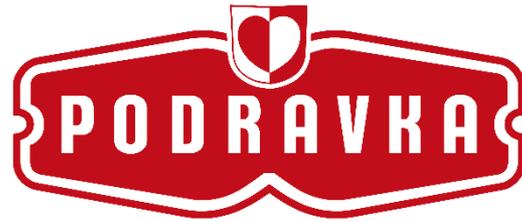
- Dubravko Štimac
- Milan Stojanović

Shareholder structure on 30/09/2014



Current management was introduced in 2012





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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

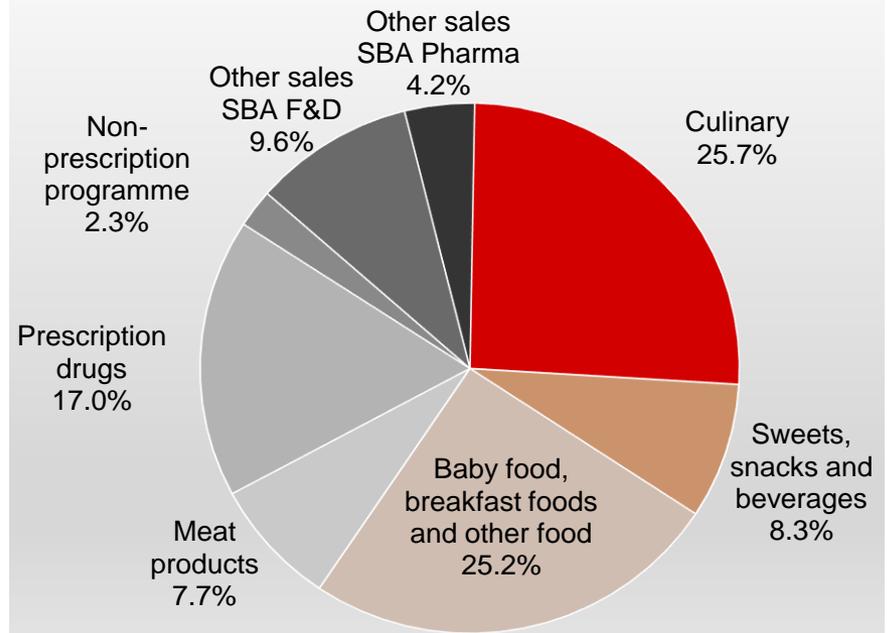
Strategic Business Area Pharmaceuticals

- 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%
Podravka Group	477.1	100.0%

Sales revenues by categories in 2013



Culinary category is the cornerstone of food business

Food seasonings and bouillons

- universal seasonings, special seasonings, liquid marinades, spices, bouillons



Podravka dishes and food mixes

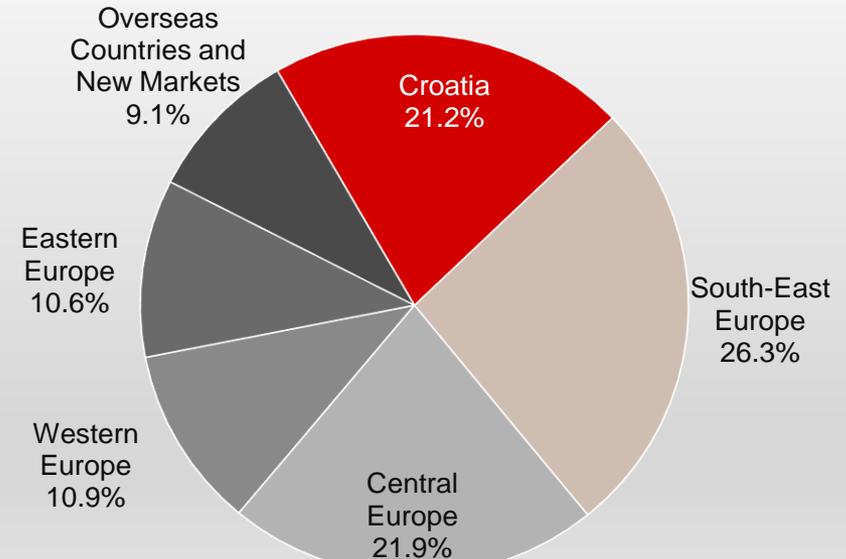
- soups, semi-ready meals, dish mixes, sauces and dressings, mashed potato



Sales revenues in EUR millions

	2013	%
Food seasonings and bouillons	86.9	18.2%
Podravka dishes and food mixes	35.6	7.5%
Culinary	122.5	25.7%

Culinary category sales revenues by markets in 2013



Sweets and snacks with beverages under restructuring

Sweets and snack

- powdered sweets, ready made sweets, cold sweets, salted snacks



Beverages

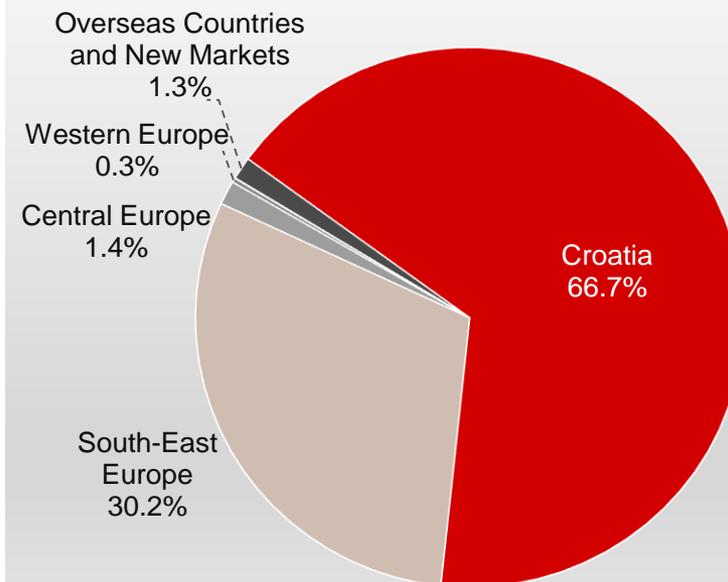
- mineral water, spring water, ice tea, juices, tea, powdered drinks



Sales revenues in EUR millions

	2013	%
Sweets and snacks	19.3	4.0%
Beverages	20.2	4.2%
Sweets, snacks and beverages	39.5	8.3%

Sweets, snacks and drinks category sales revenues by markets in 2013



Baby food, breakfast food and other food category

Baby food and breakfast food

- dehydrated baby food, baby biscuits, cereals for kids, breakfast cereals, spreads



Other food

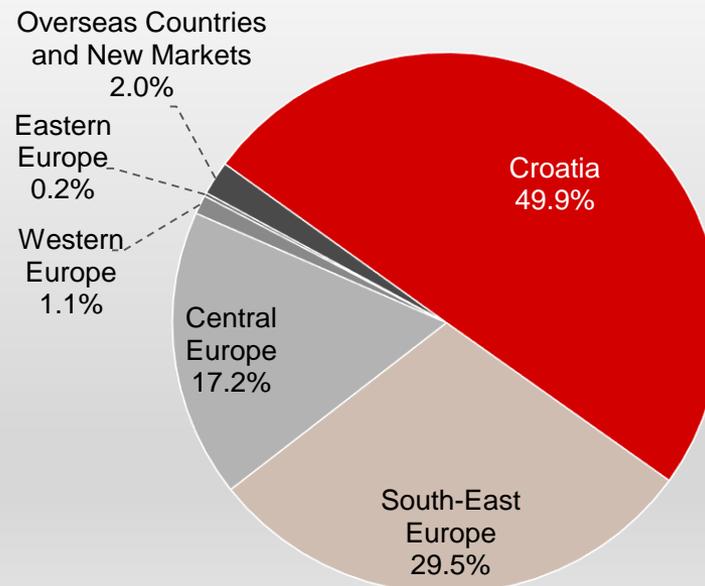
- vegetables, condiments, flour, fish products, tomato based products, rice, pasta, sauces



Sales revenues in EUR millions

	2013	%
Baby food and breakfast foods	42.5	8.9%
Other food	77.6	16.3%
Baby food, breakfast foods and other food	120.2	25.2%

Baby food, breakfast food and other food category sales revenues by markets in 2013



Meat products category and Other sales in F&D business area

Meat products

- canned ready to eat meals and meat sauces, sausages, pâtés, frozen meat



Other sales SBA F&D

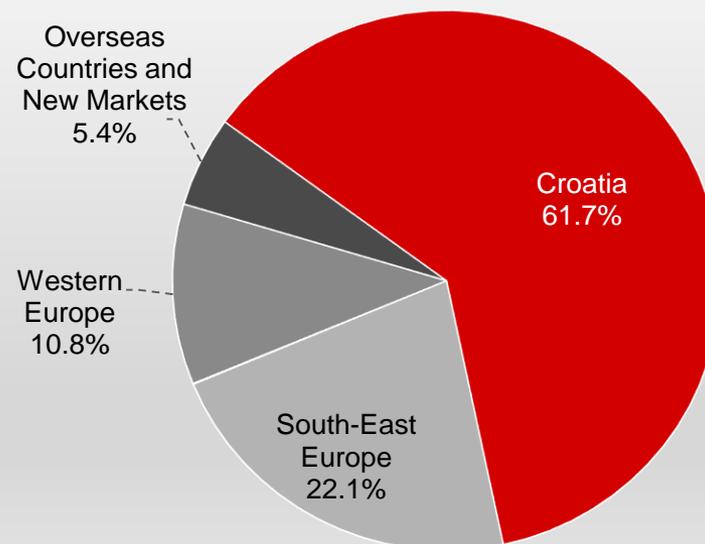
- private labels, service production, trade goods, other



Sales revenues in EUR millions

	2013	%
Meat products	37.0	7.7%
Other sales SBA F&D	45.9	9.6%

Meat products category sales revenues by markets in 2013



Prescription drugs category is the cornerstone of pharmaceutical business

Prescription drugs

- prescription medicine for skin disorders, heart and blood vessels, central nervous system and for 8 more areas



Non-prescription programme

- OTC medicine, dietary products, natural products



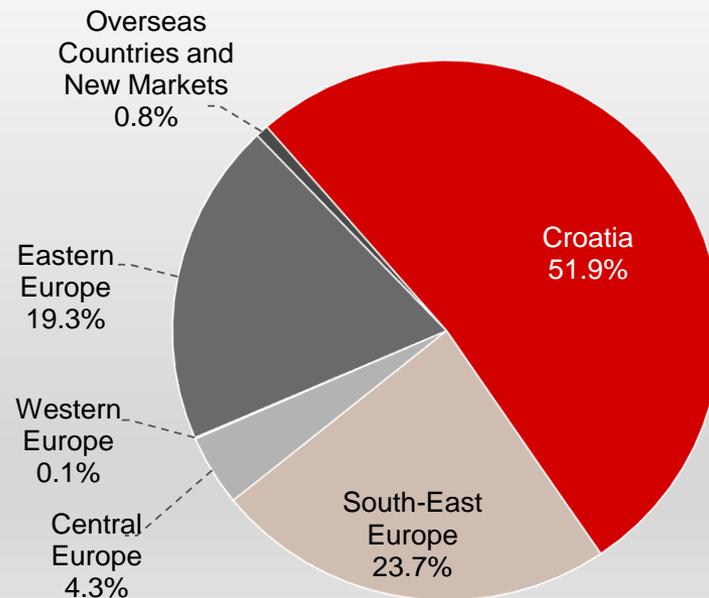
Other sales SBA Pharma

- trade goods, services

Sales revenues in EUR millions

	2013	%
Prescription drugs	81.0	17.0%
Non-prescription programme	11.0	2.3%
Other sales SBA Pharma	20.0	4.2%

SBA Pharmaceuticals sales revenues by markets in 2013





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Main brands I

Vegeta – number 1 seasoning in Europe

- universal dish seasoning
- category synonym in SEE and CE
- 55 years of tradition



Volume market position	Croatia	Slovenia	B&H	Poland	Czech Republic	Russia
Vegeta	1	1	1	3	1	2

Podravka soups

- instant soups
- strong market leader in SEE
- 57 years of tradition



Volume market position	Croatia	Slovenia	B&H	Russia
Podravka soups	1	2	1	7

Main brands II

Lino – brand for kids and adults

- dehydrated baby food, cream spreads, breakfast cereals, drinks, impulse programme
- Čokolino is a synonym for category in SEE
- 44 years of tradition



Volume market position	Croatia	Slovenia	B&H
Dehydrated baby food	1	1	1

Eva – flagship of Mediterranean cuisine

- canned fish, fish salads, fish spreads
- one of the most recognisable brands in canned fish category
- since 2006 under Podravka portfolio



Volume market position	Croatia	Slovenia	B&H
Eva	2	4	1

Main brands III

Dolcela

- products for preparation of sweets
- puddings, whipped cream, cake mixes, desserts, baking additives
- 1967-1997 production for Dr. Oetker, from 1998 own production



Volume market position	Croatia	Slovenia	B&H
Dolcela	1	2	1

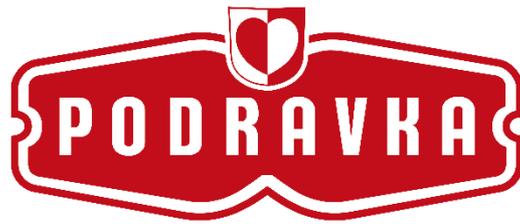
Prescription drugs – strong position in niche markets

- skin disorder drugs
- heart and blood vessels drugs
- central nervous system drugs



Volume market position	Croatia	Russia	Czech Republic	Slovenia	B&H	Serbia	Montenegro	Macedonia	Slovakia
D07*	1	5	2	2	1	2	2	1	4

*Corticosteroids for the treatment of skin disorder.



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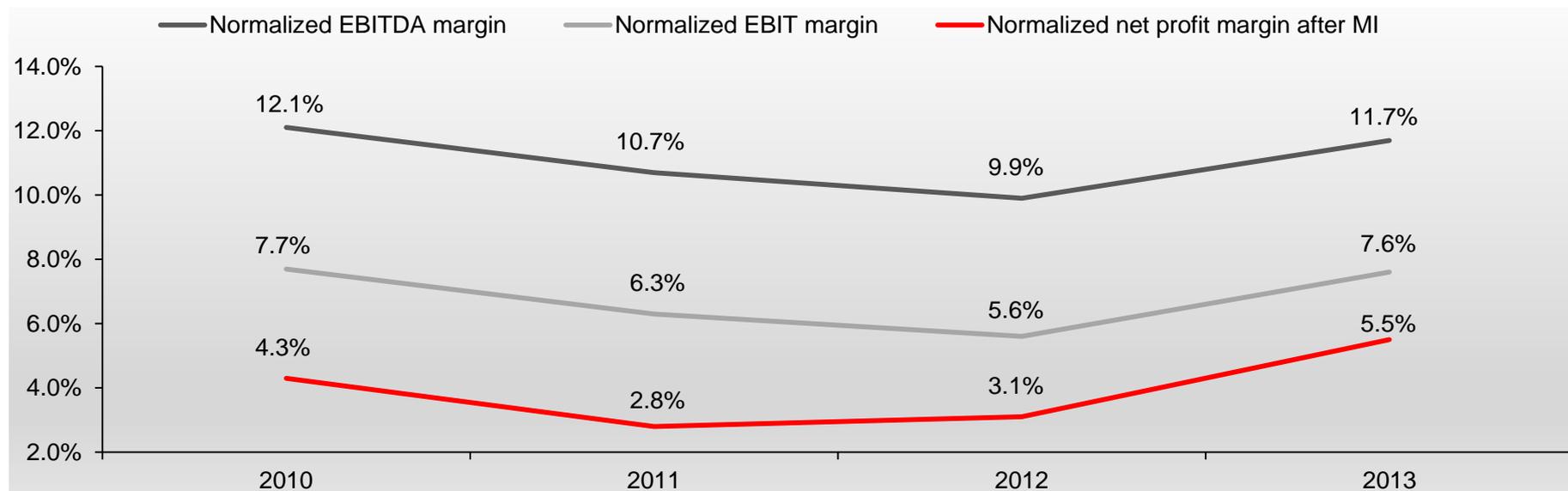
1-9 2014 business results

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Profitability improvement...

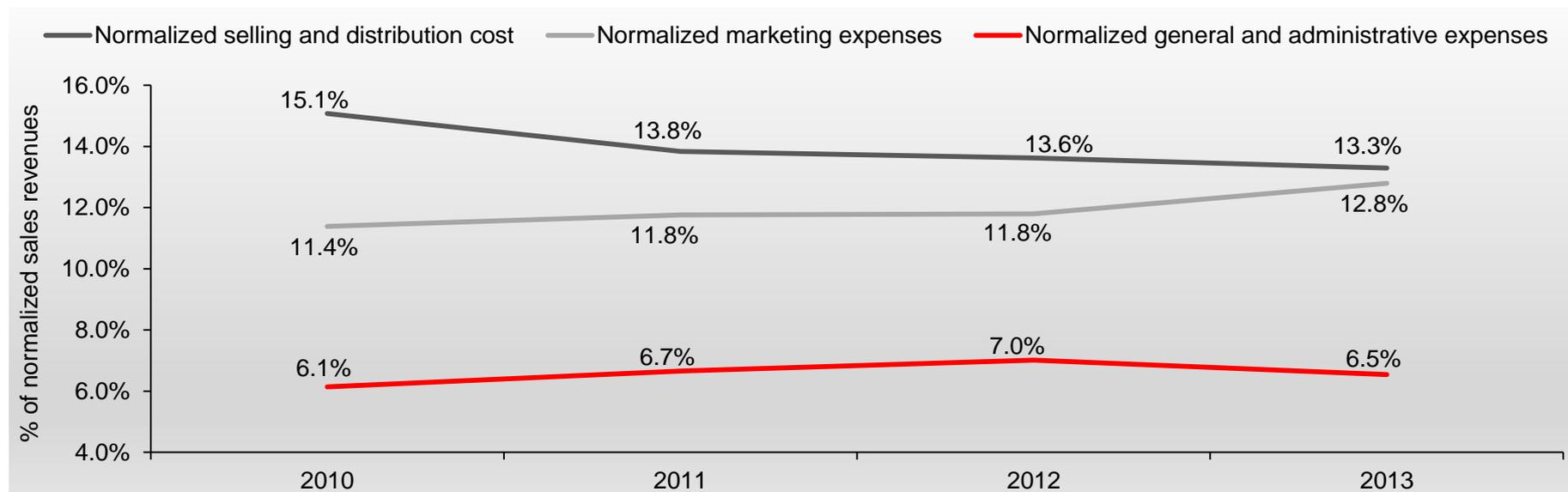
(in EUR millions)	2010	2011	2012	2013	2013/2012	CAGR (10-13)
Normalized sales revenues	463.5	477.0	477.2	477.1	(0.0%)	1.0%
Normalized gross profit	190.4	187.5	186.3	197.7	6.1%	1.3%
Normalized EBITDA	56.2	51.2	47.1	55.8	18.3%	(0.3%)
Normalized EBIT	35.8	30.2	26.9	36.2	34.6%	0.4%
Normalized net profit 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

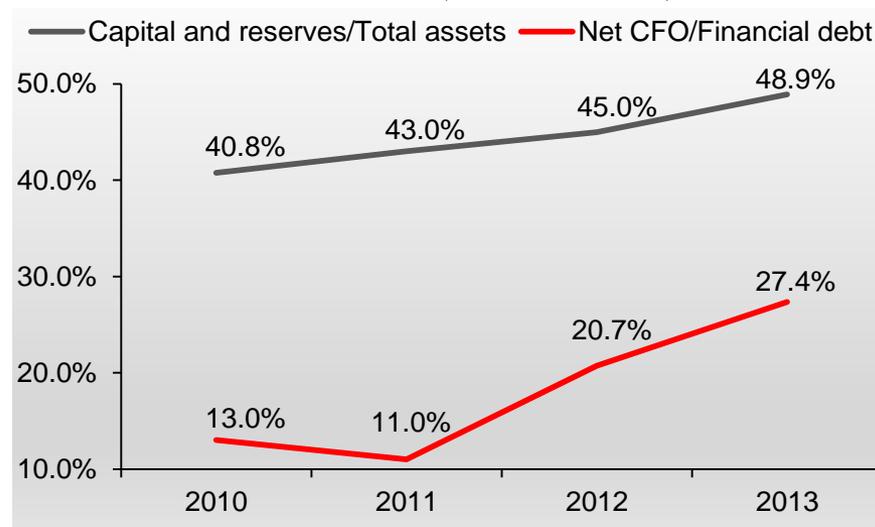
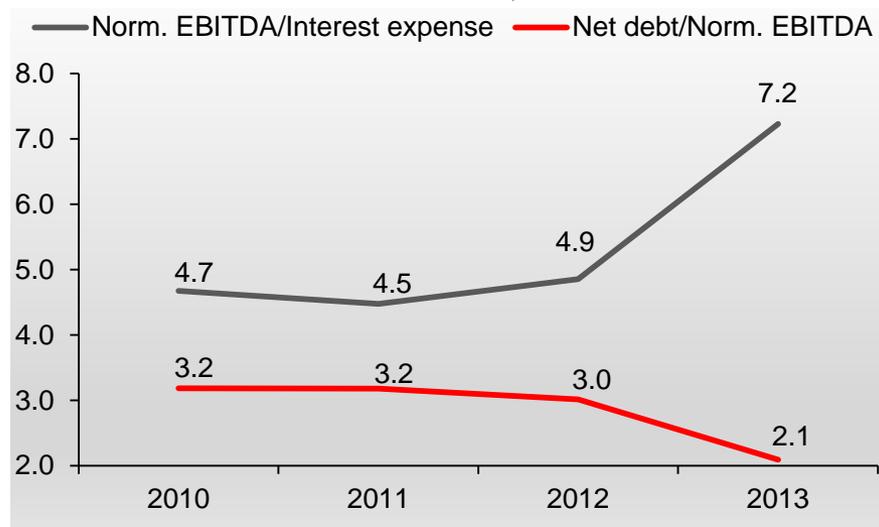
(in EUR millions)	2010	2011	2012	2013	2013/2012	CAGR (10-13)
Cost of goods sold	259.7	276.4	278.4	266.6	(4.2%)	0.9%
General and administrative expenses	28.5	31.8	33.5	31.2	(6.8%)	3.1%
Selling and distribution cost	69.9	66.0	65.0	63.4	(2.4%)	(3.2%)
Marketing expenses	52.8	56.1	56.3	61.0	8.4%	4.9%
Other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



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

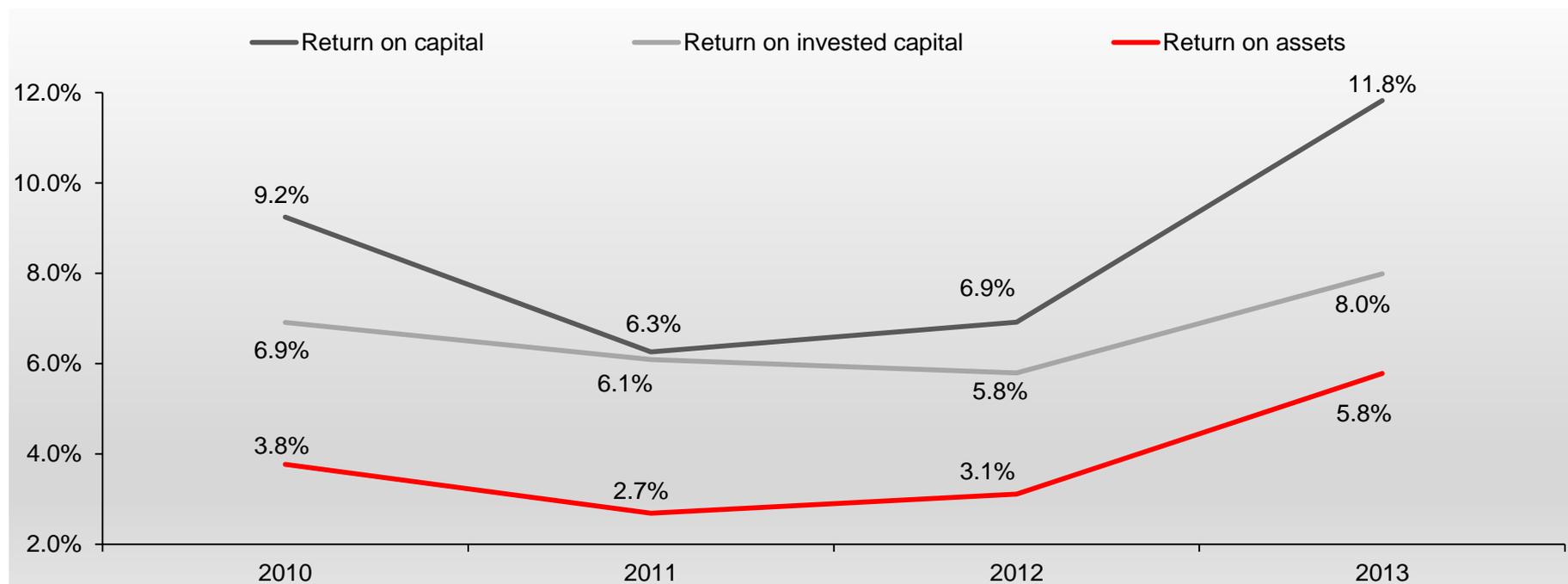
Significantly improved debt position

(in EUR millions)	2010	2011	2012	2013	2013/2012	CAGR (10-13)
Total assets	527.4	498.4	476.0	455.0	(4.4%)	(4.8%)
Capital and reserves	215.1	214.4	214.2	222.6	3.9%	1.1%
Net debt	178.9	162.8	142.1	116.6	(17.9%)	(13.3%)
Financial debt	198.9	182.0	157.6	140.3	(11.0%)	(11.0%)
Interest expense	12.0	11.5	9.7	7.7	(20.6%)	(13.7%)
Net cash flow from operating activities	25.9	20.0	32.7	38.4	17.5%	14.0%
Net debt/Normalized EBITDA	3.2	3.2	3.0	2.1	(30.6%)	(13.1%)
Normalized EBITDA/Interest expense	4.7	4.5	4.9	7.2	48.9%	15.6%
Net CFO/Financial debt	13.0%	11.0%	20.7%	27.4%	+664 bp	n/a
Capital and reserves/Total assets	40.8%	43.0%	45.0%	48.9%	+391 bp	n/a



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



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Significant events in the 1-9 2014

Refinancing of loan liabilities:

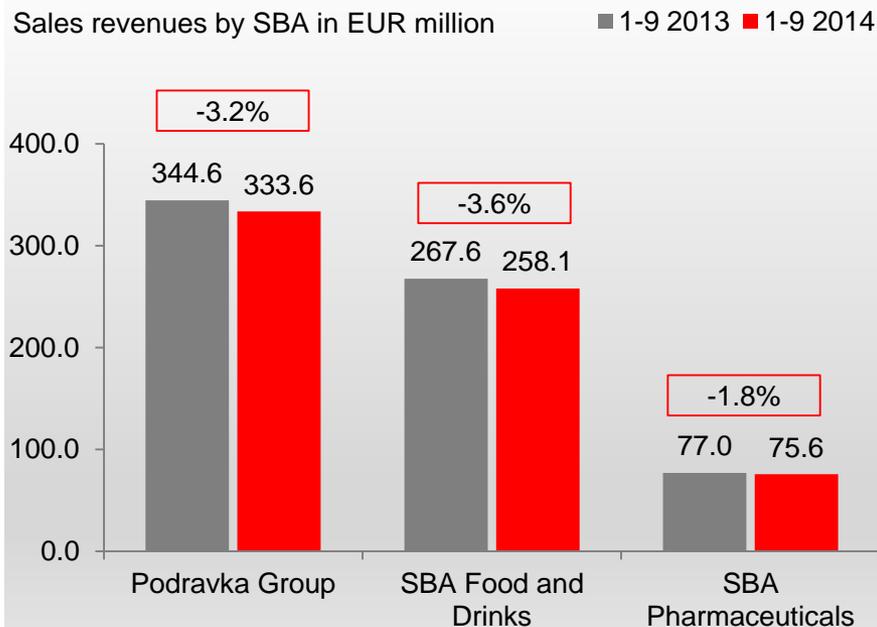
- syndicated loan:
 - EBRD → arranger,
 - three commercial banks (Erste Group Bank AG, Raiffeisen Bank International AG and Unicredit Bank Austria AG),
- refinanced amount of EUR 73.4 million:
 - significantly lower interest rates,
 - prolonged maturity rates.
- purpose → balance sheet restructuring,
- expected savings → EUR 1.0 million on interest rates in July 2014 – December 2015 period.

Continuation of the restructuring process:

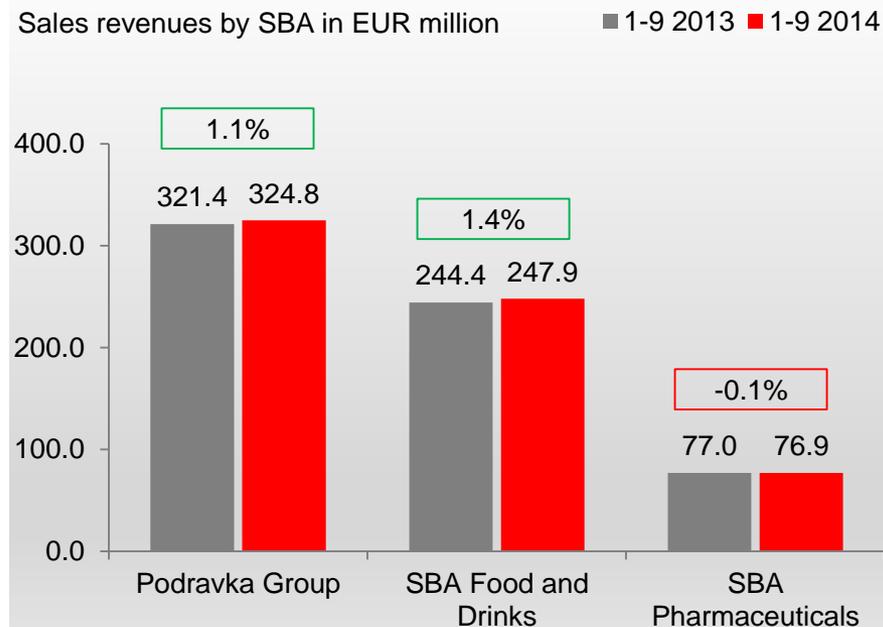
- closing of low-profit segment of bakery in early April,
- beverages segment optimization → better cost structure and gross margin,
- continuation of redundant labour programme:
 - 392 employees left the company with severance payments in 1-9 2014,
 - EUR 4.0 million of expected savings in 2014, EUR 5.5 million of expected savings in 2015.

Significant influence of external and restructuring factors on sales revenues

REPORTED



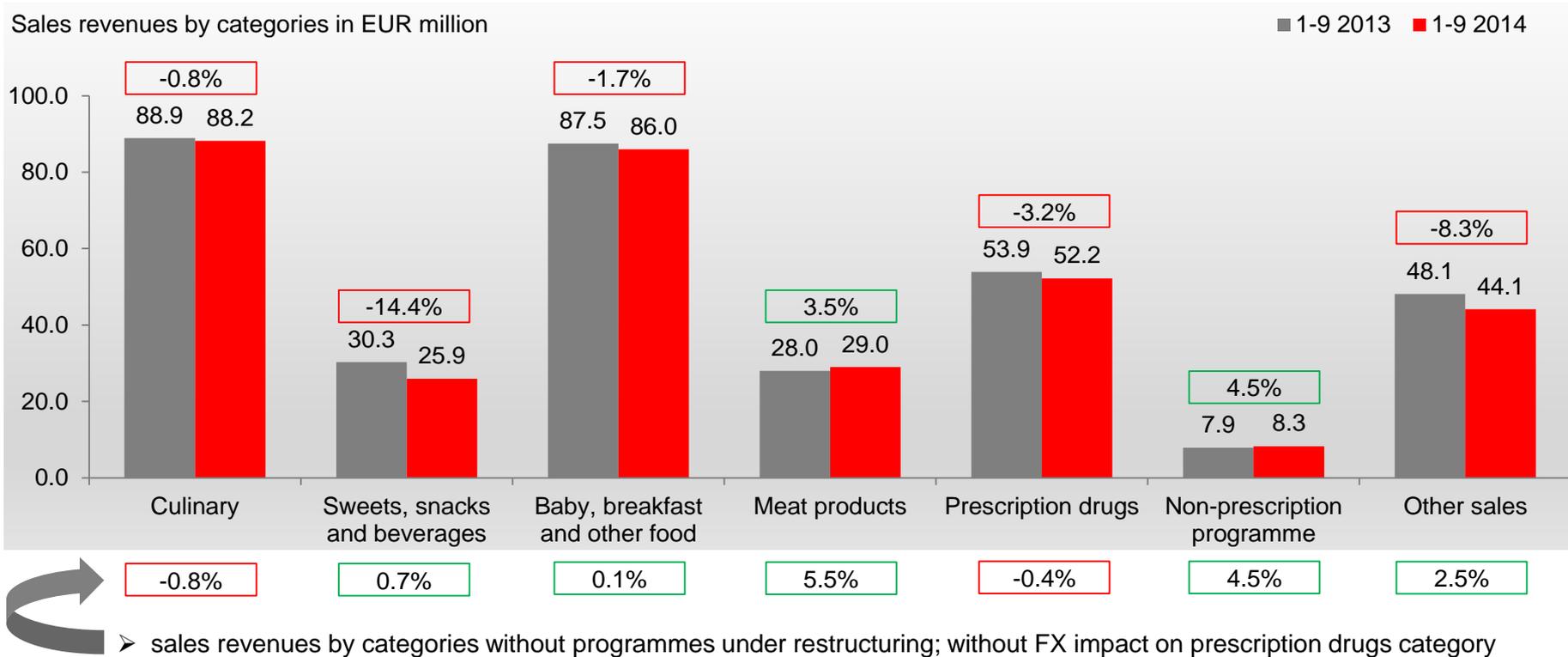
NO PROGRAMMES UNDER RESTRUCTURING AND FX



The biggest impacts on sales revenues:

- EUR -11.6 million → lower sales revenues from programmes under restructuring that were not (fully) present in 1-9 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 pharmaceutical segment the market of Russia in H1 2014 as a protection measure from the depreciation of the Russian ruble.

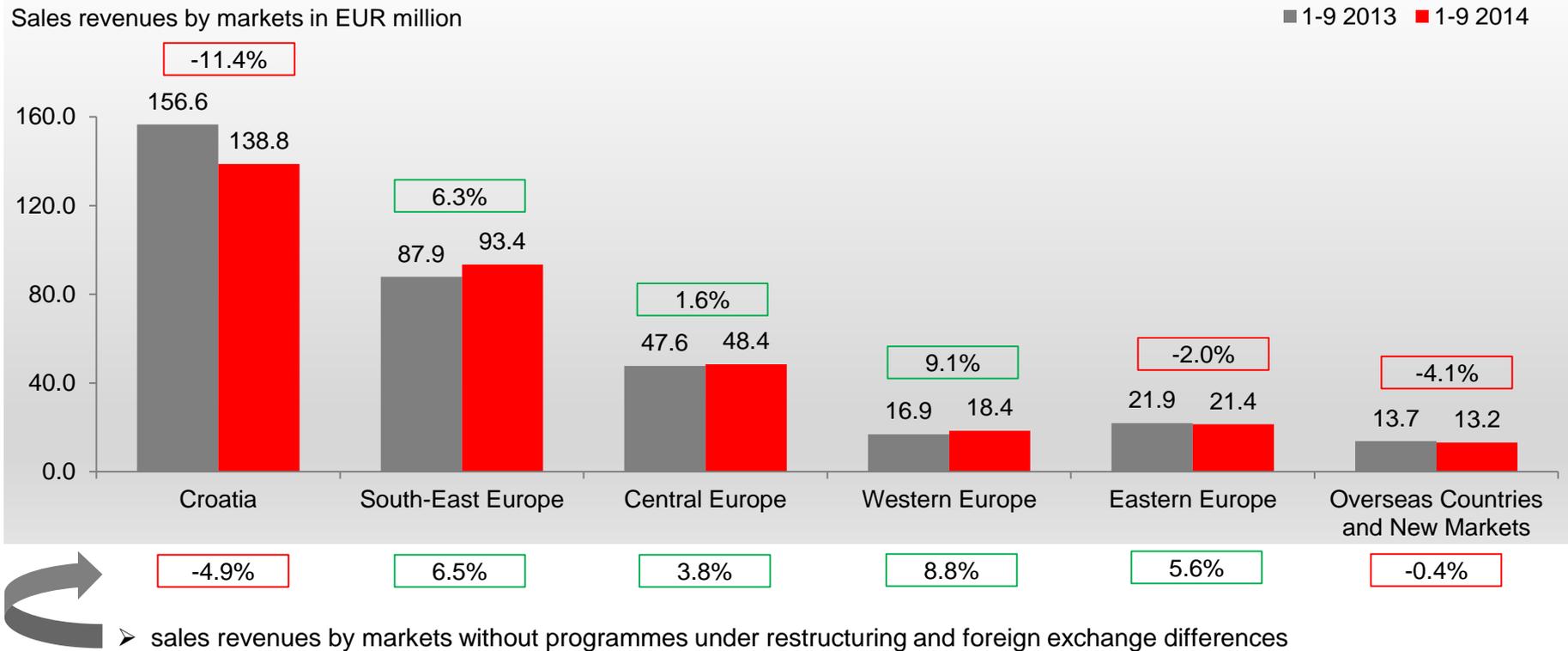
Growth of majority of categories without programmes under restructuring



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%



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		
	1-9 2014	1-9 2013	% change	1-9 2014	1-9 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 1-9 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:

1-9 2014:

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

1-9 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		
	1-9 2014	1-9 2013	% change	1-9 2014	1-9 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:

1-9 2014:

- EUR -0.4 million of severance payments.

1-9 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		
	1-9 2014	1-9 2013	% change	1-9 2014	1-9 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:

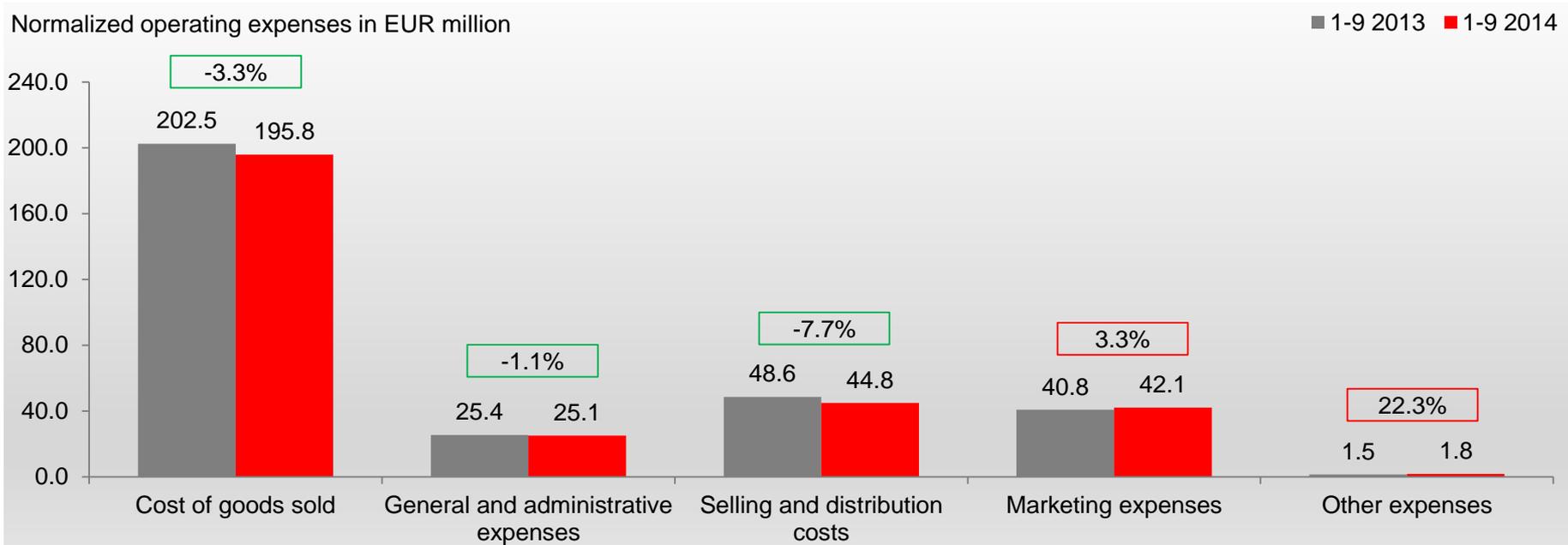
1-9 2014:

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

1-9 2013:

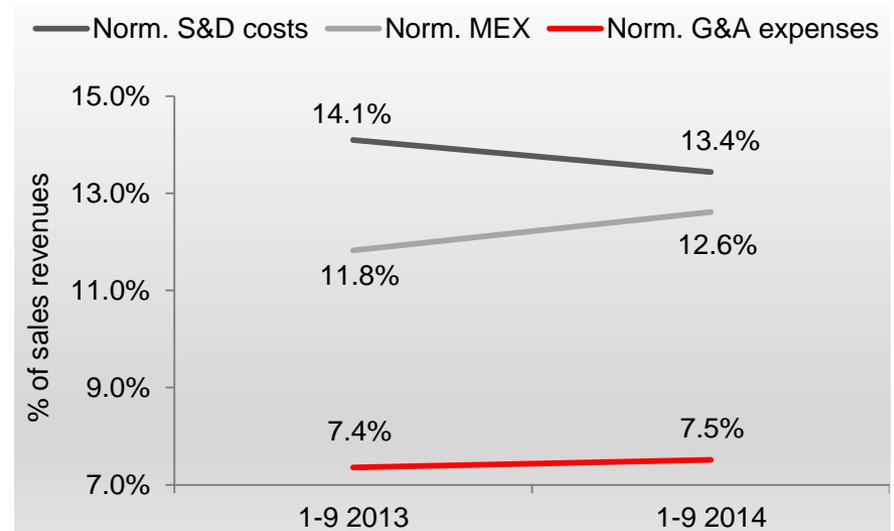
- EUR -5.2 million of net effect,
- most significant item EUR -5.5 million of severance payments.

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.



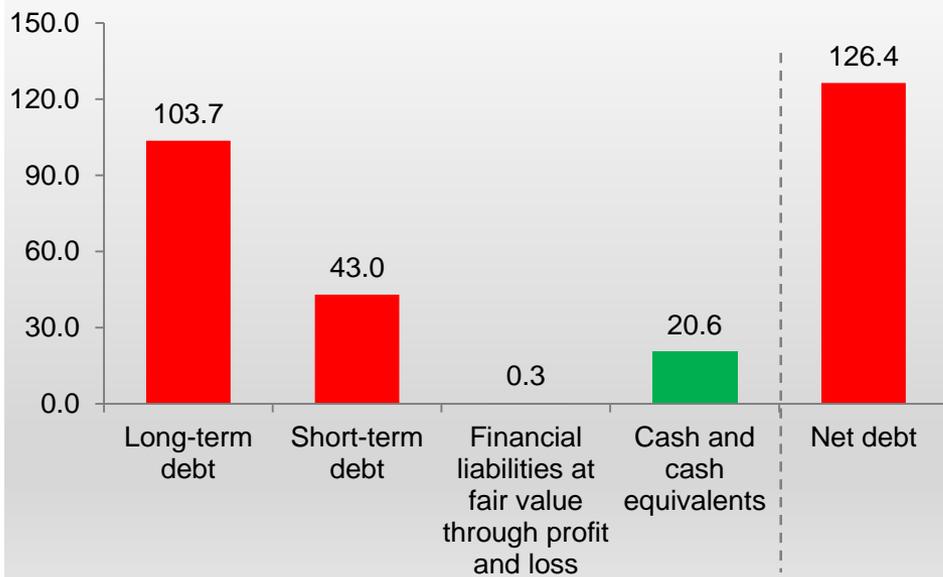
Still low level of indebtedness

(in EUR thousands)	1-9 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

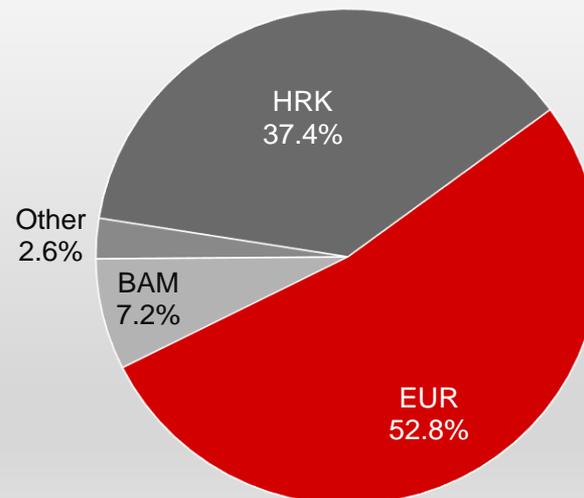
Key highlights:

- 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.



The Company

Business

Main brands

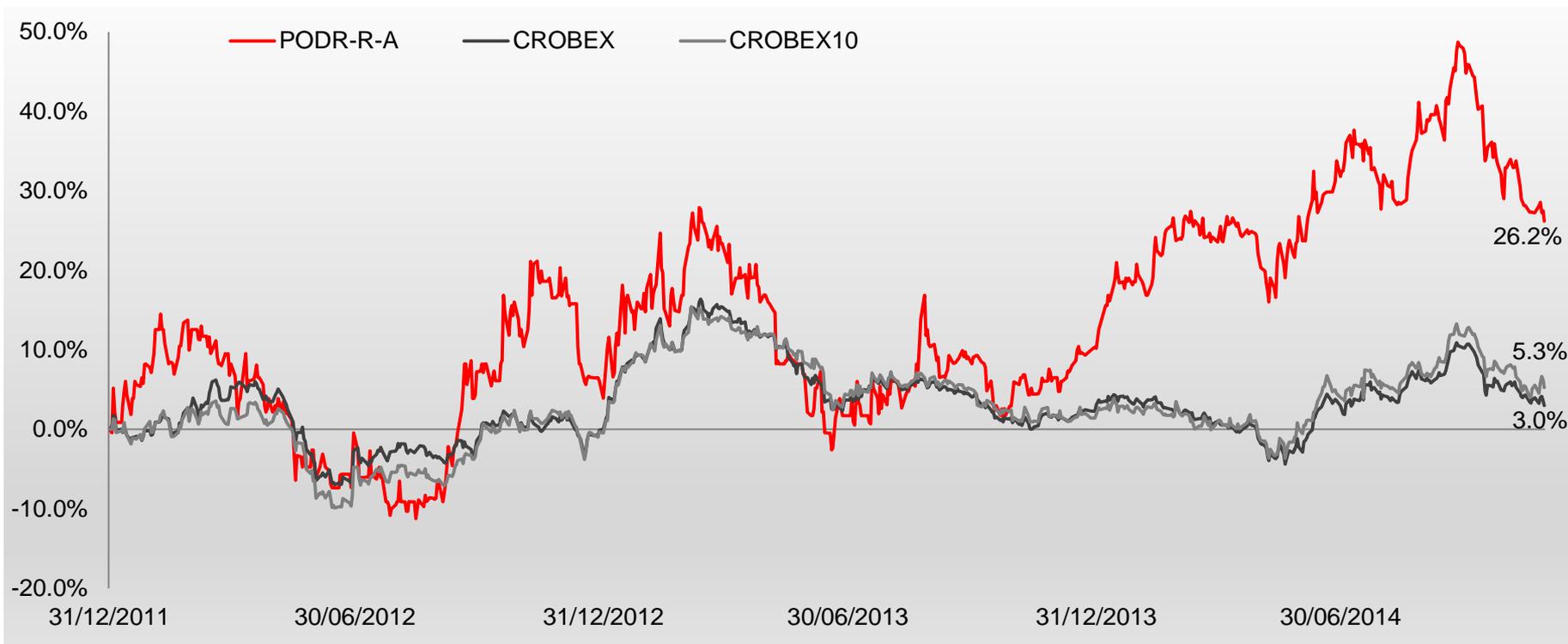
Financials

1-9 2014 business results

Share

Closure

Podravka's share outperformed ZSE indices since 2012

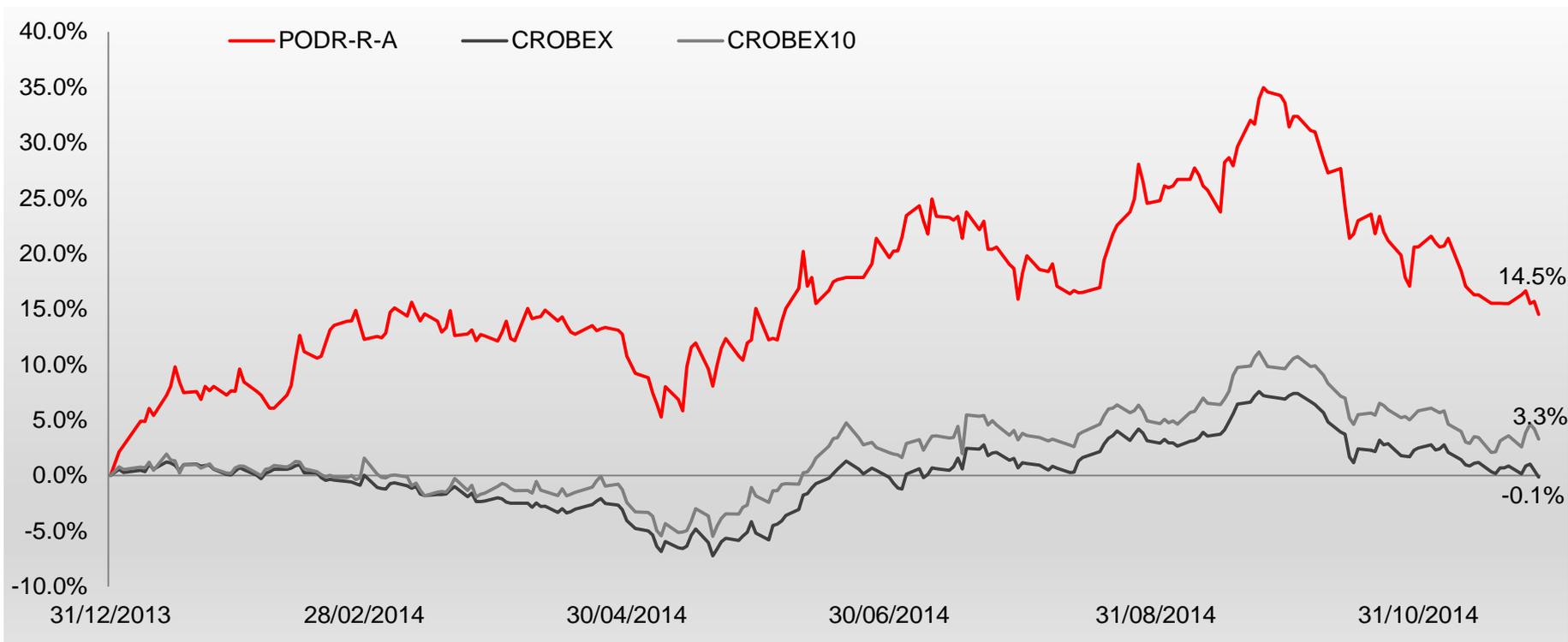


	28/11/2014	31/12/2011	% change
PODR-R-A (closing price in EUR)	38.4	30.4	26.2%
CROBEX (closing points)	1,792.0	1,740.2	3.0%
CROBEX10 (closing points)	1,027.5	976.2	5.3%

Two Market Makers in charge of providing liquidity for Podravka share:

- Interkapital Securities d.o.o. → agreement signed on 09/09/2013,
- Zagrebačka banka d.d., part of UniCredit Group → agreement signed on 08/09/2014.

In 2014 stable growth of Podravka's share



	28/11/2014	31/12/2013	% change
PODR-R-A (closing price in EUR)	38.4	33.5	14.5%
CROBEX (closing points)	1,792.0	1,794.3	-0.1%
CROBEX10 (closing points)	1,027.5	994.9	3.3%
	1-11 2014	1-11 2013	% change
Average daily number of transactions	13	9	45.4%
Average daily volume (units)	1,543	694	122.2%
Average daily turnover (EUR)	60,543	23,930	153.0%

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	8.2	11.9	14.1
Greencore Group plc	Ireland	Food	1.1	13.0	18.9	24.9
Nestle S.A.	Switzerland	Food	2.8	14.8	18.0	24.3
Orkla ASA	Norway	Food	1.8	13.6	18.5	24.7
Otmuchow S.A.	Poland	Food	0.6	6.8	13.5	27.3
Premier Foods plc	UK	Food	1.8	7.2	12.1	-
Unilever plc	UK	Food	2.3	12.7	14.6	18.5
Average Food			1.6	10.9	15.3	22.3
Adjusted* average Food			1.6	11.0	15.3	23.1
Hikma Pharmaceuticals plc	UK	Pharma	4.3	12.0	14.3	19.6
Krka d.d.	Slovenia	Pharma	1.6	5.8	8.3	11.2
Recordati S.p.A	Italy	Pharma	3.1	11.5	13.5	18.2
Richter Gedeon Nyrt.	Hungary	Pharma	1.8	10.6	20.4	20.7
Stada Arzneimittel AG	Germany	Pharma	1.7	8.0	12.8	13.3
Average Pharma			2.5	9.6	13.9	16.6
Adjusted* average Pharma			2.2	10.0	13.6	17.0
Podravka Group EBITDA Food			56.9%	56.9%	56.9%	56.9%
Podravka Group EBITDA Pharma			43.1%	43.1%	43.1%	43.1%
Weighted average peer group			2.0	10.3	14.7	19.9
Weighted adj. average peer group			1.9	10.6	14.6	20.5
Podravka Group reported			0.7	7.6	22.4	31.7
Podravka Group normalized**			0.7	6.3	9.8	8.4

Source: Bloomberg, data obtained on 01/12/2014; for Podravka Group PPS on 28/11/2014, BS figures on 30/09/2014, 10/2013 – 9/2014 P&L figures.

*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

1 Y Target price: HRK 272.70
Plus than 100% increase
HRK 272.70
HRK 272.70

Potential for Efficiency Improvement Offsets Organic Weakness

Company	2012	2013	2014F	2015F	2016F
BEVITA	3,626.66	4,063.63	4,610.20	5,167.74	5,845.74
BRANA	29,291	29,830	30,220	30,620	31,020
PODRAVKA (Accumulate)	100,000	100,000	100,000	100,000	100,000
BBT	10,000	10,000	10,000	10,000	10,000

GENERAL SHARE INFORMATION

Market cap: 1,420,000
Sector: Food & Beverage, Pharmaceuticals
Dividend yield: 0.3
P/E ratio: 18.26

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 be used for new investments in the core operations. In that process there will be more investments in assets and operating expenses. Because of the fact we didn't take into account impacts on the operating profitability.

Based on trends in the food and pharmaceutical sectors in Croatia and region, we still see demand from the company, we expect sales CAGR of 3.5% in the projected period from 2013 - 2016. In the region, business case (BCA) for food and beverage we hold a slightly more conservative approach and expect sales growth at CAGR of 1.5%, and in the pharmaceutical at CAGR of 0.5%.

One of visibility in commodity prices, we do not expect significant changes of gross margins in projected period, because the company has still enough space to cover additional expenses related to production. We expect operating margin to increase in the projected period to 10.00%.

Our analysis also shows a fair value of the company in the amount of HRK 1,324 million or HRK 272.70 per share, which is a potential growth by 30.0% compared to the current market value of the company's stock. Accordingly, we give to the shares of the company a **STRONG BUY recommendation.**

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Lead of Research
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yordanar.bajic@intercapital.hr

FIMA SECURITIES

Podravka d.d.

Recommendation: POBR R.A. ADO

1 Y Target price: HRK 272.70
Plus than 100% increase
HRK 272.70
HRK 272.70

STRONG BUY

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Hypo ALPE ADRIA
SUPPORTIVE, FRIENDLY, FAIR

Podravka

Buy

1 Y Target price: HRK 53.2
Plus than 100% increase
HRK 53.2
HRK 53.2

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Company Update
Podravka

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Plus than 100% increase
HRK 53.2
HRK 53.2

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HRK 53.2
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Podravka
Accumulate

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Plus than 100% increase
HRK 48.2
HRK 48.2

STRONG BUY

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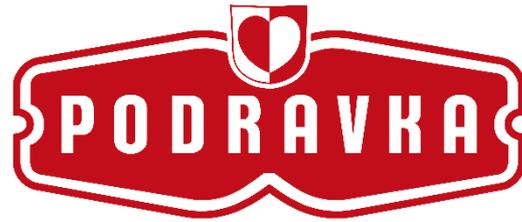
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Analysts	Date of the recommendation	Recommendation	Target price	Price on 28/11/2014	Potential
Interkapital Securities d.o.o.	31/03/2014	Strong buy	EUR 49.0	EUR 38.4	27.9%
FIMA Securities d.o.o.	28/05/2014	Under revision	n/a	EUR 38.4	n/a
Hypo Alpe-Adria-Bank d.d.	12/11/2014	Buy	EUR 53.2	EUR 38.4	38.6%
Raiffeisenbank Austria d.d.	30/05/2014	Buy	EUR 45.3	EUR 38.4	18.0%
Erste Group Bank AG	18/09/2014	Accumulate	EUR 48.2	EUR 38.4	25.6%



The Company
Business
Main brands
Financials
1-9 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



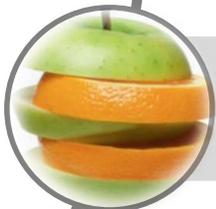
Further potential for restructuring and business optimisation



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

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Podravka Group

Always with a heart!

WOOD's Winter in Prague, Emerging Europe Conference, December 2014

