

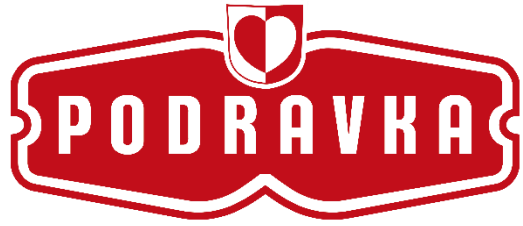


Podravka Group

Always with a heart!

InterCapital LSEG 4rd Annual CIS & CEE Conference, 17th April 2019





The Company

Business

Investment highlights

2018 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 2,585m (EUR 349m).*

Note: figures in this presentation are translated to euros at HRK/EUR FX rate of 7.41; *MCap on 31st March 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



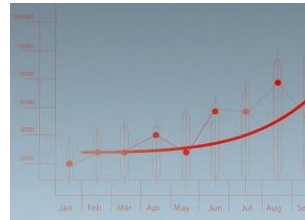
1970

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

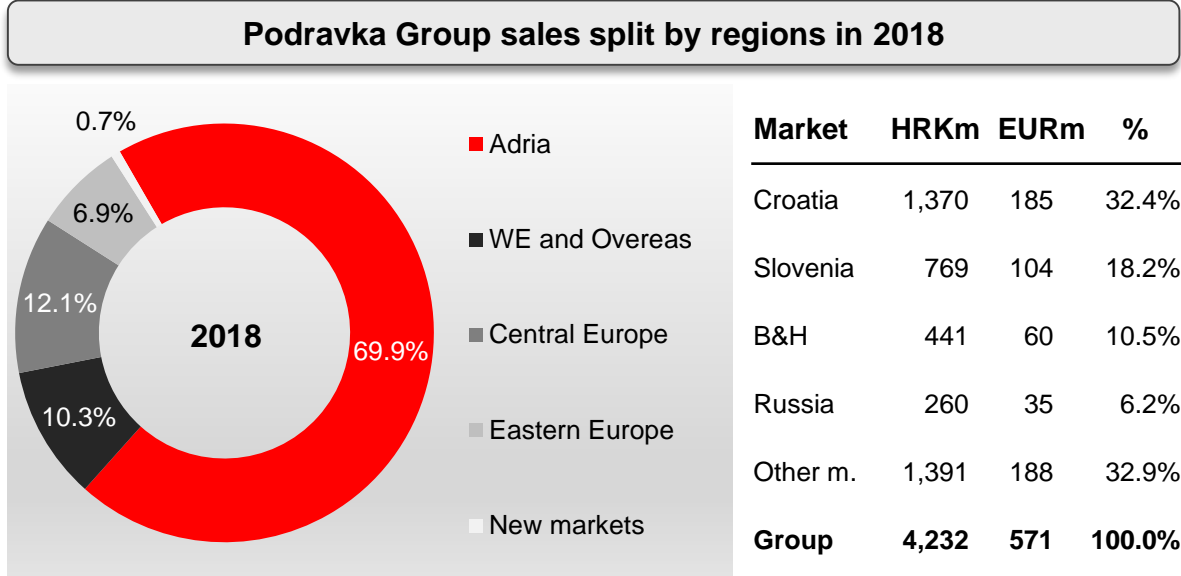
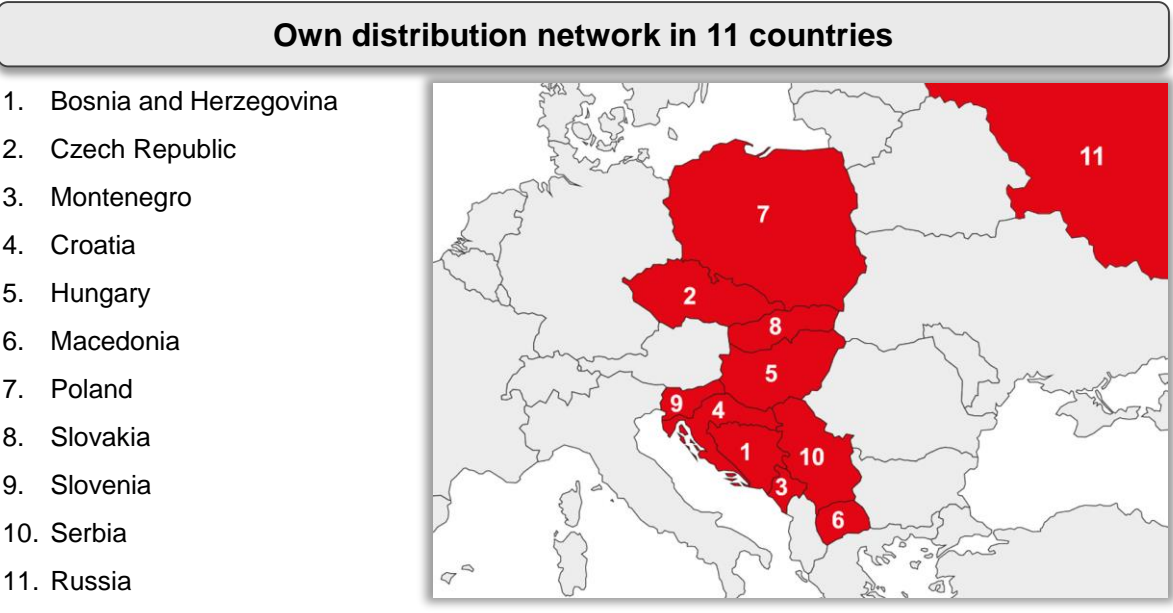
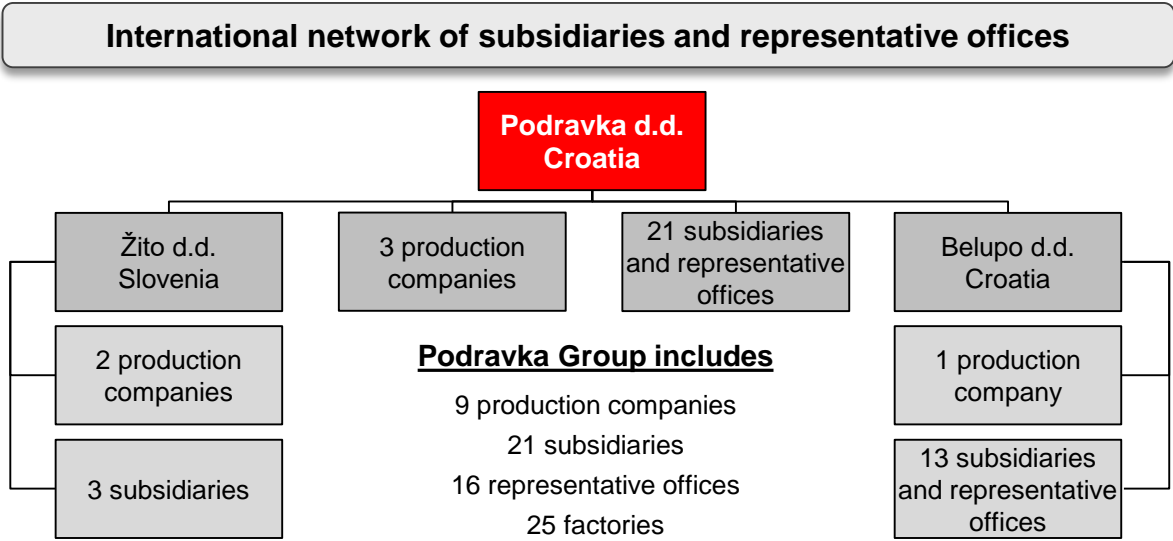
Žito, Slovenian food producer, acquisition



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



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

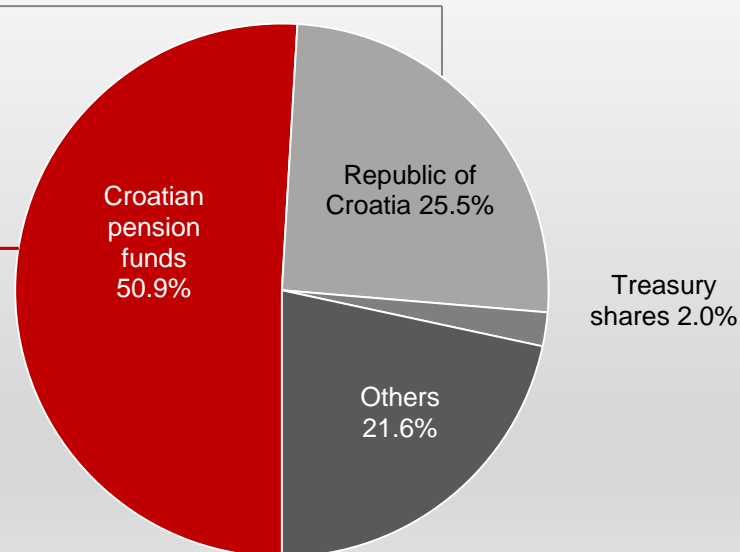
Vice President:

- 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

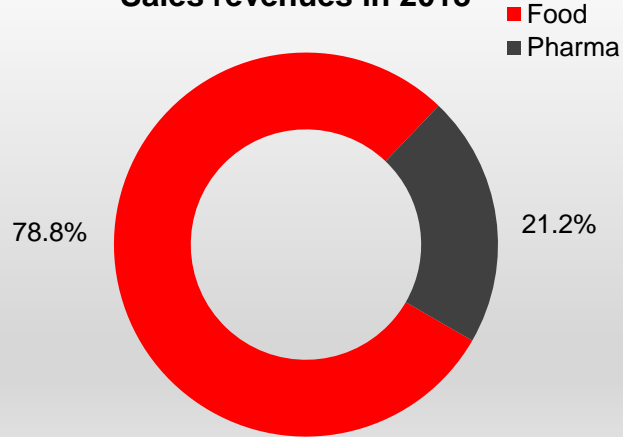
Members:

- Petar Miladin, Petar Vlaić, Luka Burilović

Snapshot of key financial figures

Reported sales revenues split

Sales revenues in 2018

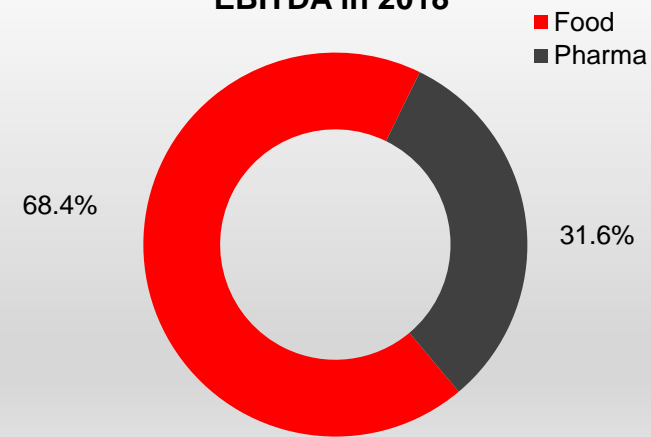


2018 sales	HRKm
Food	3,335
Pharma	897
Group	4,232

2018 sales	EURm
Food	450
Pharma	121
Group	571

Normalized EBITDA split

EBITDA in 2018

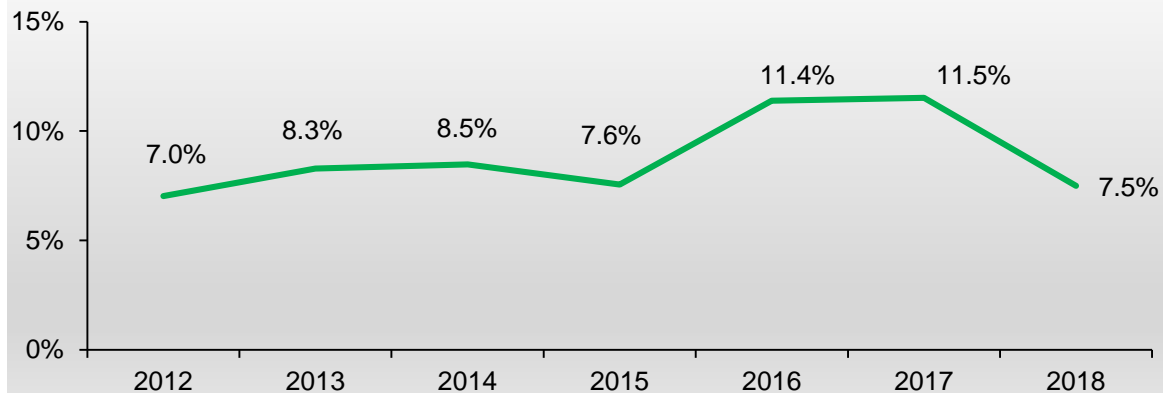


2018 EBITDA	HRKm
Food	318
Pharma	147
Group	465

2018 EBITDA	EURm
Food	43
Pharma	20
Group	63

Stable cash position

Net cash flow from operating activities as % of sales revenues



Low and sustainable debt level

1.6
Net debt/
normalized
EBITDA

15.2
Normalized
EBIT/
interest
expense

62.9%
Equity/
total
assets

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



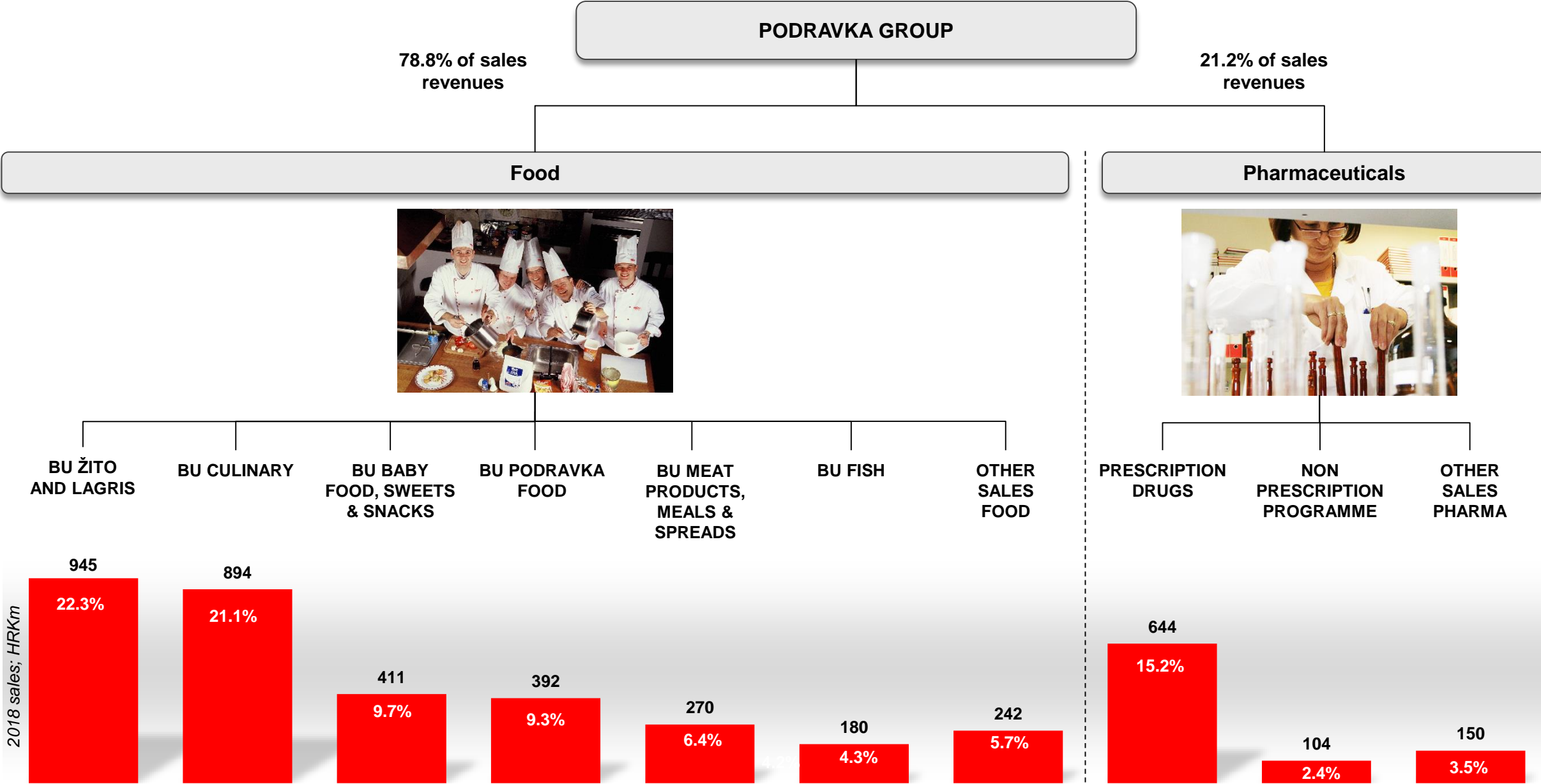
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A well diversified product portfolio divided in two business areas



Food segment organised in 6 key business programmes

Food segment products overview							2018 sales; % of total			
BU ŽITO AND LAGRIS <ul style="list-style-type: none">Core food, bakery and mill products, tea, confectionery, cereals for adults, private labels, service production.								HRK 945m	EUR 128m	22.3%
BU CULINARY <ul style="list-style-type: none">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 <ul style="list-style-type: none">Dehydrate baby food, cream spreads, cereals, sweets, snacks, drinks, private labels, service production.								HRK 411	EUR 56m	9.7%
BU PODRAVKA FOOD <ul style="list-style-type: none">Condiments, tomato, sauces, fruit, vegetables, Podravka flour, private labels, service production.								HRK 392m	EUR 53m	9.3%
BU MEAT PRODUCTS, MEALS AND SPREADS <ul style="list-style-type: none">Canned meat, sausages, other meat, Food Solution, private labels, service production.								HRK 270m	EUR 36m	6.4%
BU FISH <ul style="list-style-type: none">Fish products, private labels, service production.								HRK 180m	EUR 24m	4.3%
OTHER SALES <ul style="list-style-type: none">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		
<div><div><div><div>PRESCRIPTION DRUGS</div><div><ul style="list-style-type: none">For skin disordersFor heart and blood vessels,For central nervous system,For 8 more areas.</div></div></div></div> <div></div> <div><div><div></div><div></div><div></div></div></div> <div><div>HRK 644m</div><div>EUR 87m</div><div>15.2%</div></div>	<div><div><div><div>NON-PRESCRIPTION PROGRAMME</div><div><ul style="list-style-type: none">OTC medicine,Dietary products,Natural products.</div></div></div></div> <div></div> <div><div><div></div><div></div><div></div></div></div> <div><div>HRK 104m</div><div>EUR 14m</div><div>2.4%</div></div>	<div><div><div><div>OTHER SALES</div><div><ul style="list-style-type: none">Trade goods,Services.</div></div></div></div> <div><div></div></div> <div><div>HRK 150m</div><div>EUR 20m</div><div>3.5%</div></div>				

High-quality brands with exceptional recognisability and strong international potential

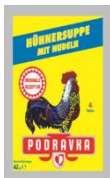


VEGETA

- 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 (MEDITERRANEAN 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

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



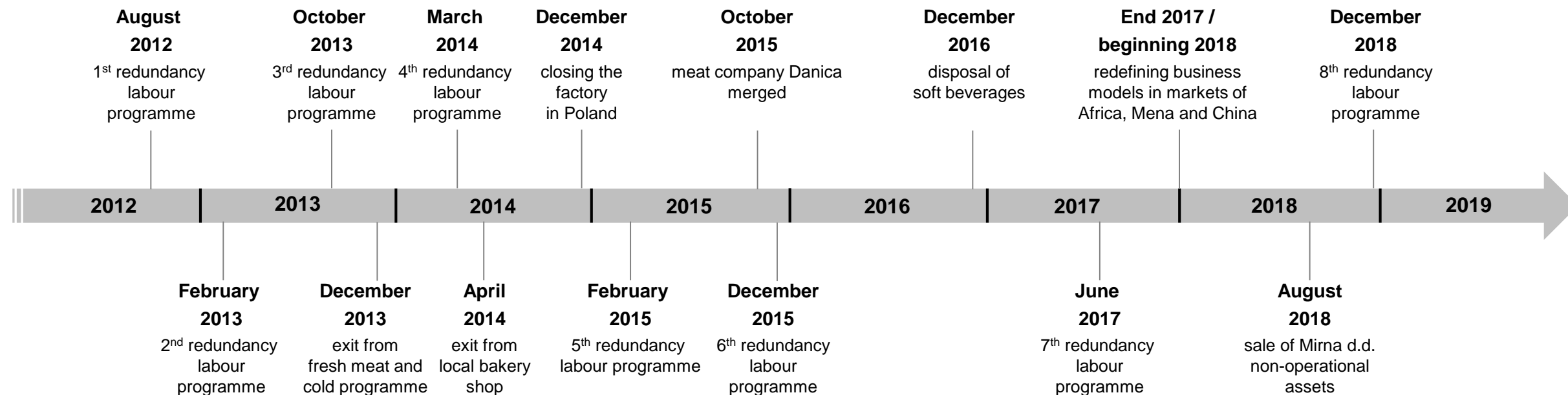
The Company

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2018 results

Delivering results through a clearly defined strategic approach



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.

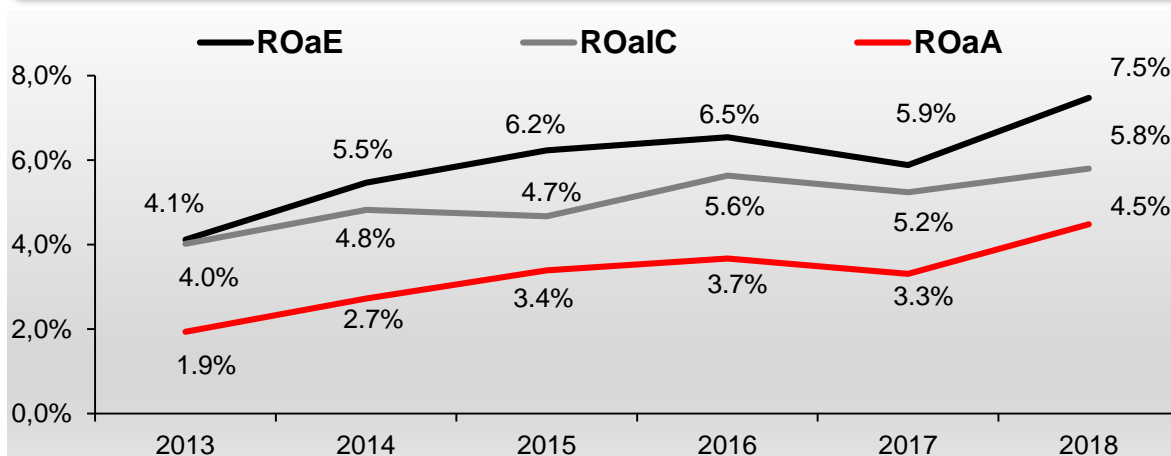
Financial position under the influence of one-off items

Restructuring related one-off items burdened profitability

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

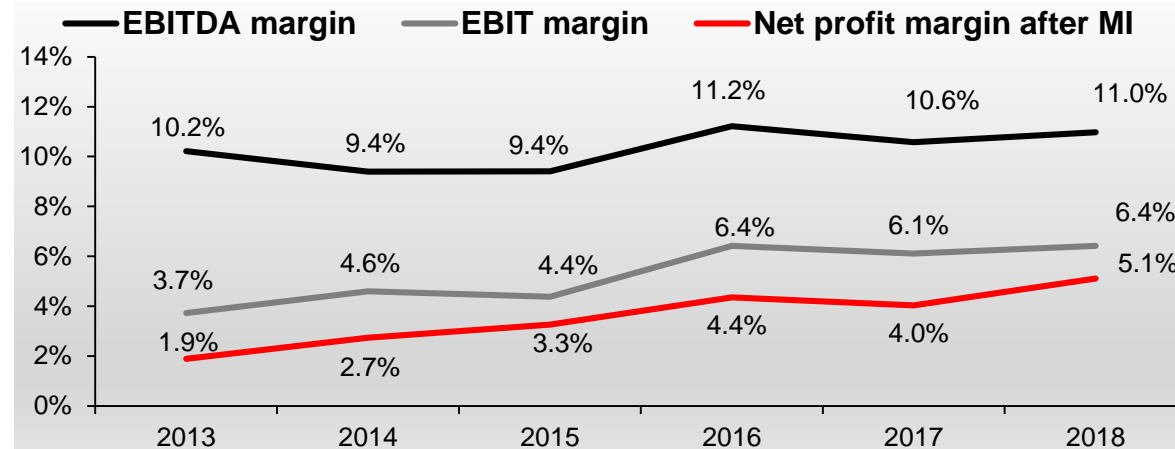
¹HRK 116m of gain on a bargain purchase from Žito acquisition (badwill), HRK 164m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19m refers to other items.

Normalized return rates movement¹



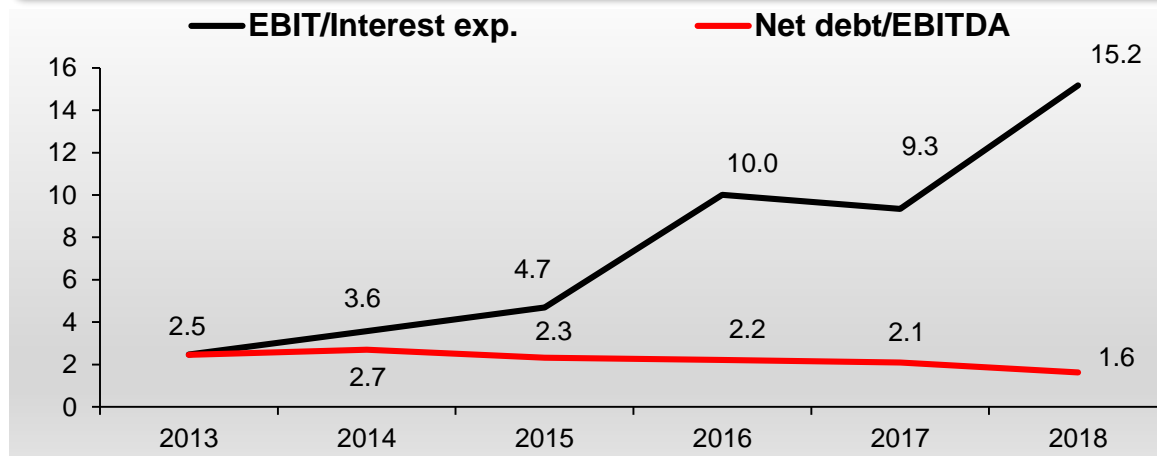
¹2015 figures include pro-forma Podravka Group and Žito Group full year figures, excluding consolidation effects and tax incentives for Belupo factories.

Normalized profitability margins movement¹



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

Normalized debt level movement¹



Expansion of pharmaceutical capacities to satisfy international demand

Construction of new pharmaceutical facility

Project:

- Production facility for solid oral forms,
- Production facility for semi solid and liquid forms,
- Project started in 2015, ended in 2017.

Project reasoning:

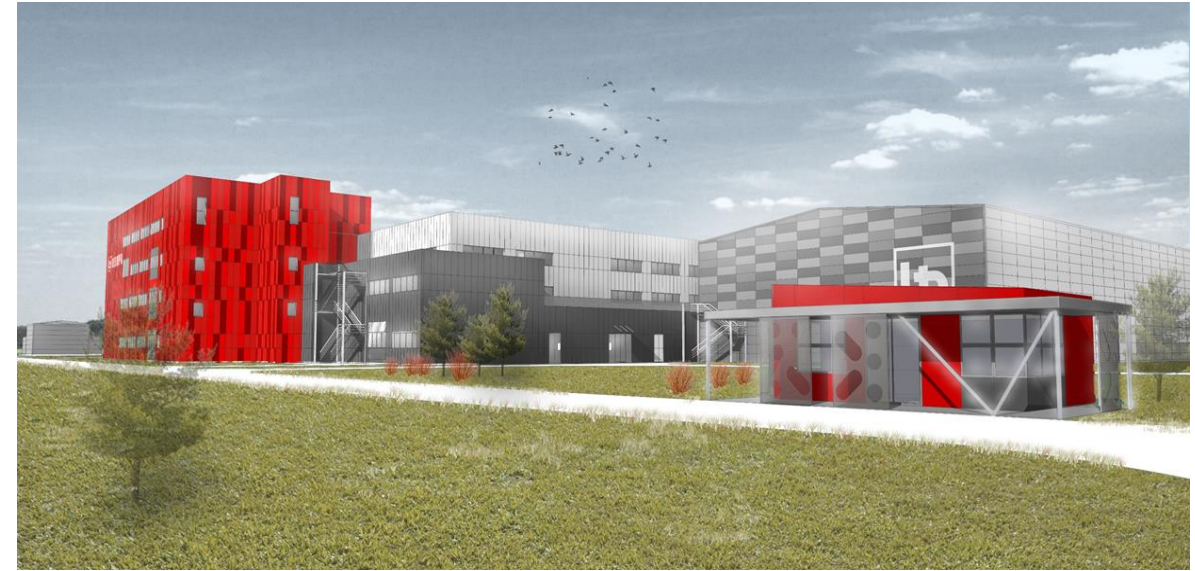
- Insufficient production capacities due to perennial volume growth → 150% capacity increase,
- Investment in new technologies that will enable production of new-age products in the form of foams, sprays, bandages etc.

Project financing:

- Total value of investment HRK 535m (EUR 70m),
- 55% loan from HBOR, 45% own funds,
- Government incentive through income tax benefits in the amount of 40% of total investment.

Business reasons for choosing Croatia as facilities location:

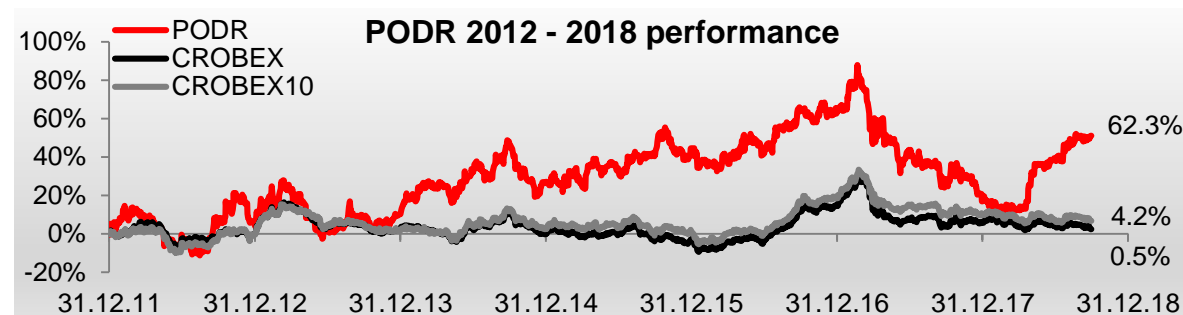
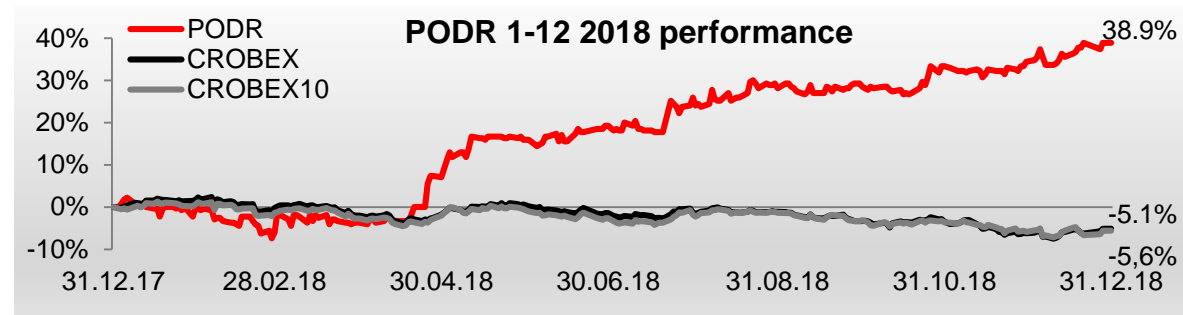
- High speed in obtaining all permits,
- Tax incentives for strategic investments,
- Availability of highly-educated workforce at acceptable cost level,
- Incentives for hiring young workforce,
- Proximity to other Belupo locations.



Podravka's share price movement in 2018

(HRK; units)	2017	2018	% change
Weighted average daily price	352.2	317.1	(10.0%)
Average daily number of transactions	16	12	(25.8%)
Average daily volume	1,128	1,457	29.1%
Average daily turnover	397,344.8	461,891.8	16.2%
Reported earnings per share	2.6	29.5	1,025%
Normalized earnings per share	23.8	31.0	30.3%

Analysts	Recommendation	Target price	Potential ¹
 InterCapital	Under review	-	n/a
 Raiffeisen BANK	Hold	HRK 371	0.0%
 ERSTE Group	Accumulate	HRK 405	9.2%
 UniCredit	Buy	HRK 399	7.5%
 WOOD & COMPANY	Hold	HRK 354	(4.6%)



Peer group multiples ²	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.0	11.5	15.3	2.8	18.3
Normalized weight. av. peer group ³	1.5	10.5	16.6	2.2	19.5
Podravka Group reported	0.8	7.3	13.1	0.8	12.6
Podravka Group normalized ⁴	0.8	7.3	12.4	0.8	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.

¹Compared to the last price on 31st March 2019; ²Obtained from Bloomberg on 3rd April 2019; ³Calculated excluding max. and min. values; ⁴Normalized for items stated in the publication of 2018 and 2017 results.



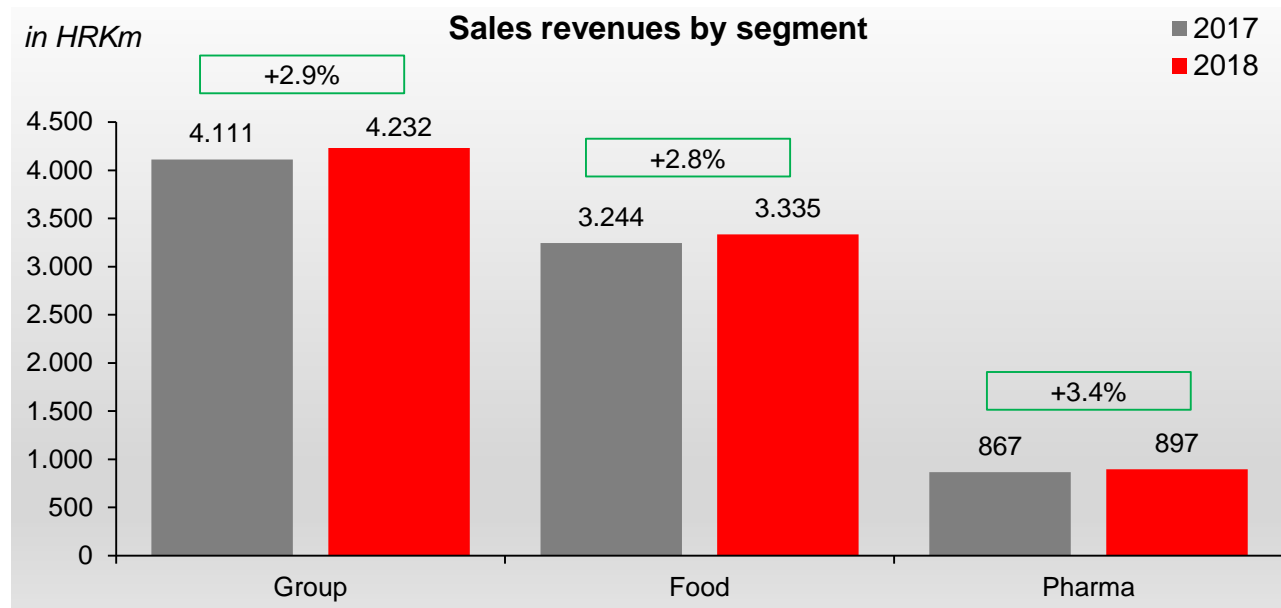
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Own brands records significant organic growth of 3.4%



Net foreign exchange (FX) impact on sales revenues:

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

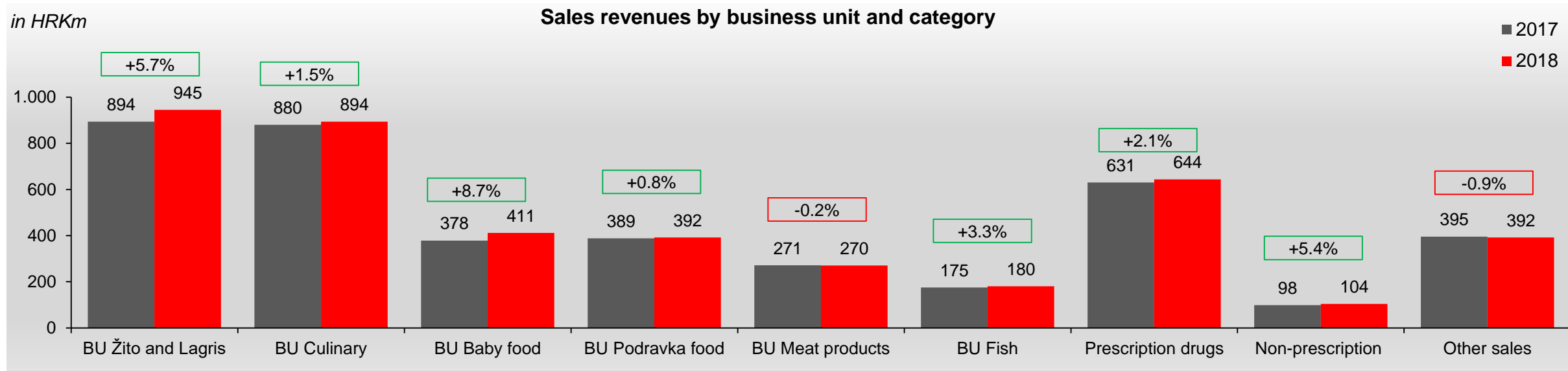
Pharmaceuticals segment in 2018:

- 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).

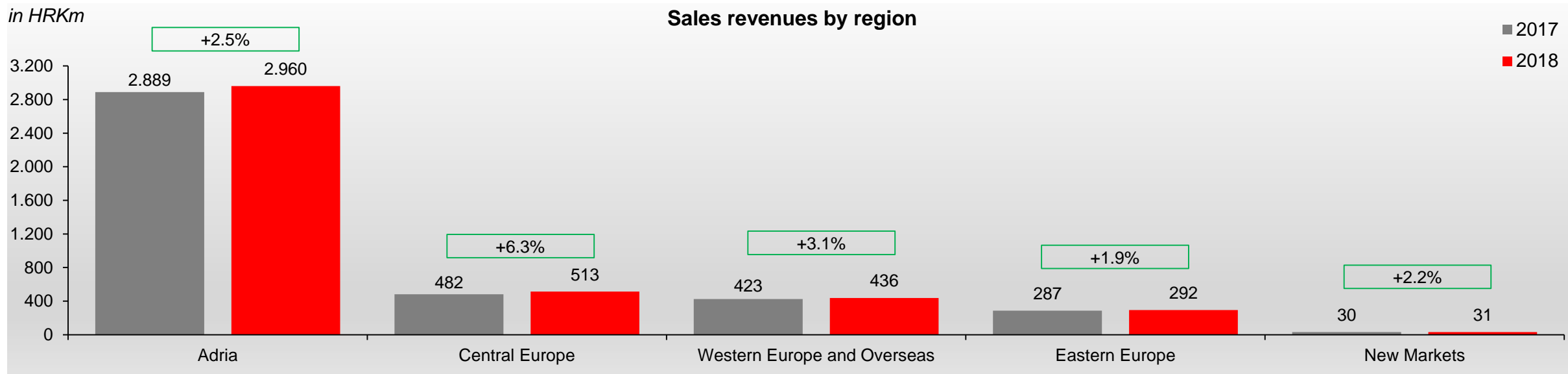
Supporting growth through innovation and effective marketing activities



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 segment (in HRKm)	REPORTED				NORMALIZED ¹			
	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

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

Profitability improvement despite negative FX impact

Pharmaceuticals segment	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

¹Normalized 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 HRK _m)	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:

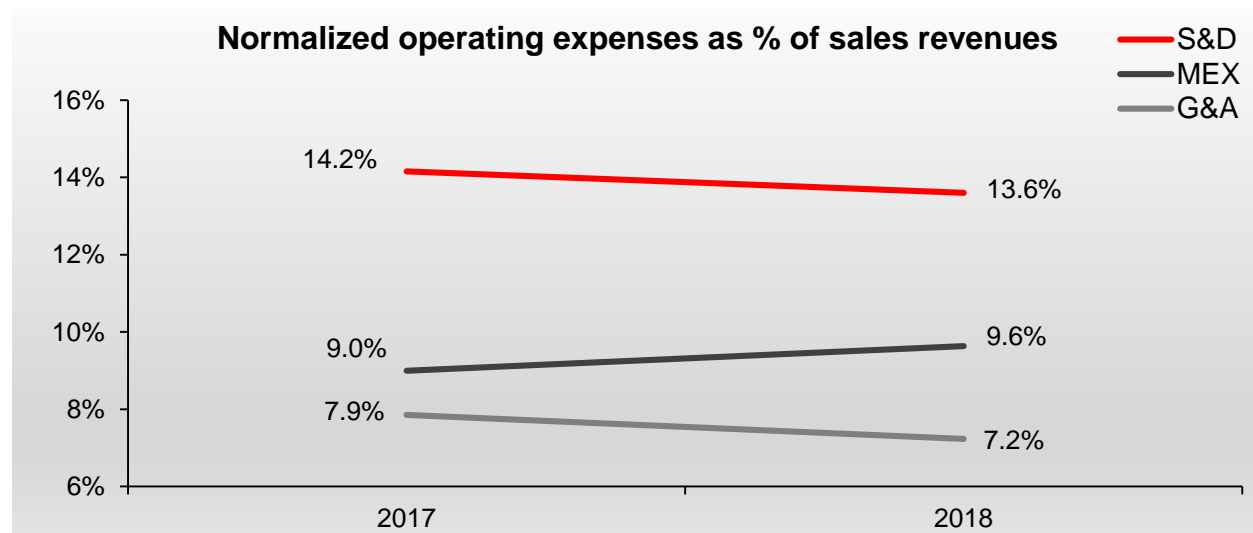
- **Normalized gross profit** → higher 2.4%, while without unabsorbed costs of the new factory in both periods would grow by 3.7% due to higher sales revenues and positive impact of sales structure itself,
- **Normalized EBIT** → higher HRK 21m, while without unabsorbed costs of the new factory in both 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 HRK _m	2017	2018
Severance payments	(40)	(6)
New Belupo factory expenses + depreciation	(25)	-
Other (expenses)/revenues above EBIT	(6)	(6)
Value adjustments (expenses)/revenues	(89)	(1)
ESOP financial expenses	(4)	(2)
Estimated impact on taxes	16	5

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



¹Normalized 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,

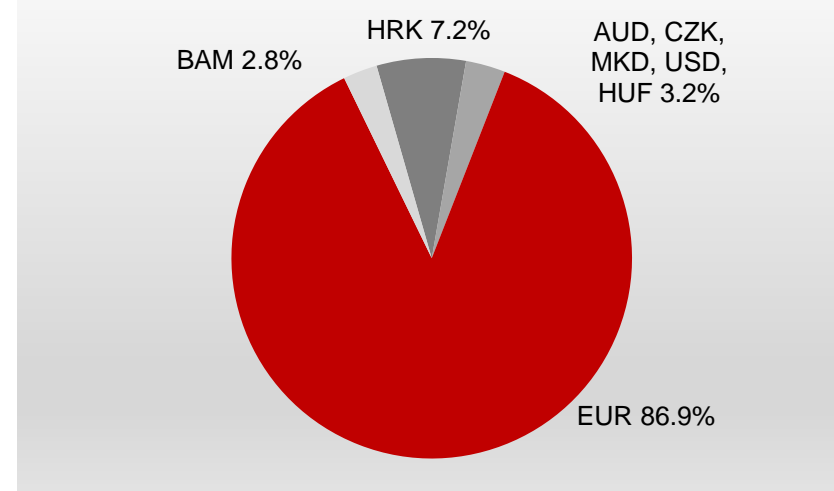
Other expenses / revenues, net:

- 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

<i>(in HRKm)¹</i>	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

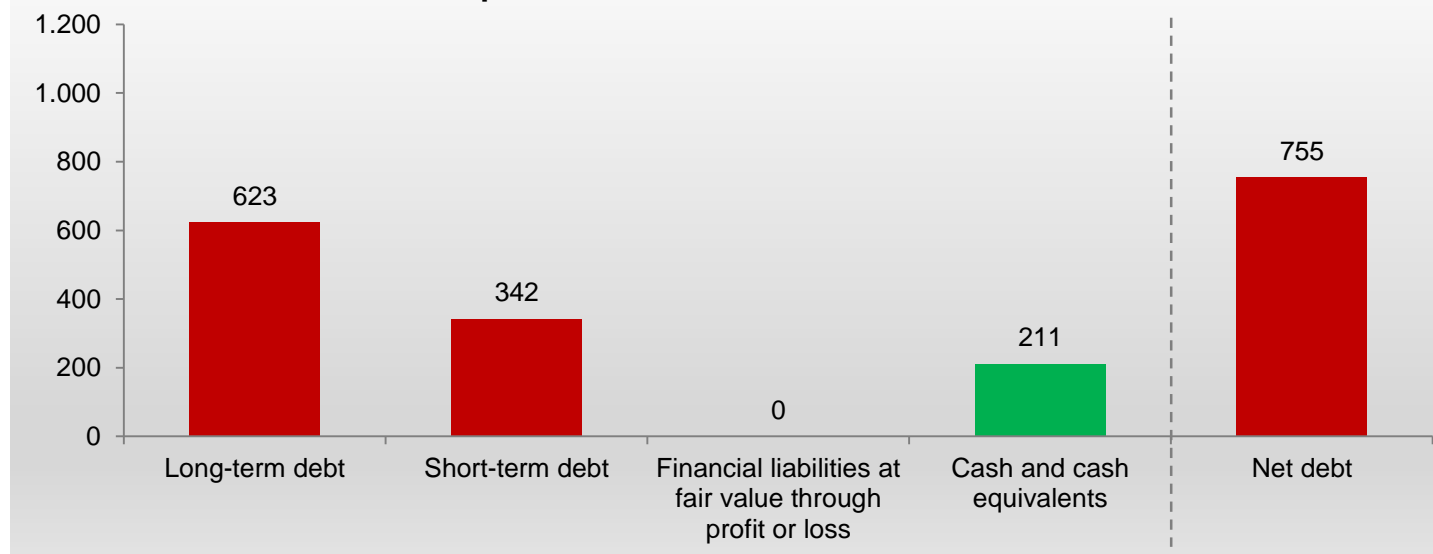
Currency structure of debt as at 31 December 2018



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



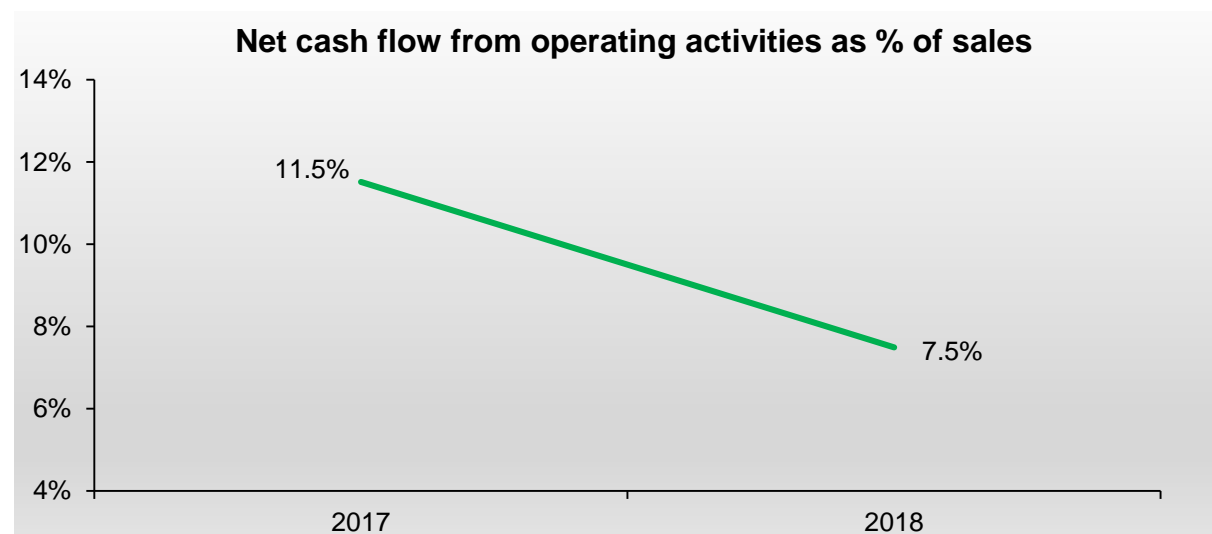
¹All P&L figures are calculated on the trailing 12 months level, while BS figures are taken at the end of period.

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%	<ul style="list-style-type: none"> 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%)	<ul style="list-style-type: none"> Result of, among other, better collection of receivables in the Pharmaceuticals segment,
Trade and other payables		(8.5%)	<ul style="list-style-type: none"> 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.



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

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