



Podravka Group

Always with a heart!





The Company

Business

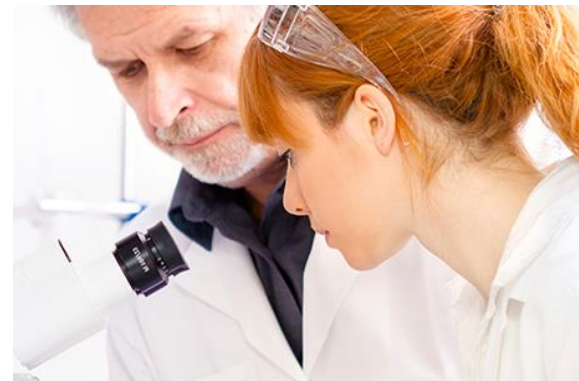
Investment highlights

2019 results





Founded in
1947



Headquarters in
Koprivnica

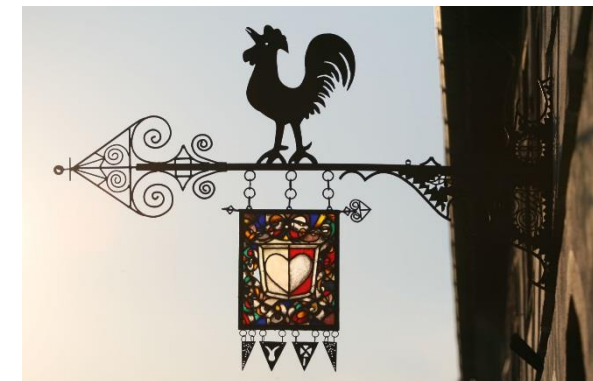
73 years
In food business

48 years
In pharmaceutical
business



4,409m HRK
(588m EUR) revenues

4,884m HRK
(651m EUR) assets



6,652
Employees

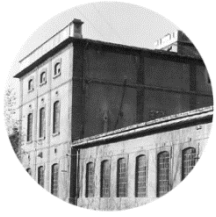


2,586m HRK*
(345m EUR) Mcap

Listed on ZSE
Prime market

Note: figures in this presentation are translated to euros at HRK/EUR FX rate of 7.5; *Mcap on 31st March 2020, calculated on weighted average number of shares excluding treasury shares.

Long tradition in food and pharmaceutical production



1947

Wolf brothers workshop became publicly owned under Podravka name



1952

Condiments, dried and sterilized vegetables, etc. production established



1957

Famous Podravka soups production established



1958

Production of meat products established



1959

Vegeta, universal seasoning, production established



1970

Baby food production established



1972

Belupo pharmaceutical company established, pharmaceutical production established



1993

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



2015

Acquisition of Žito, Slovenian food producer



2017

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

Podravka Group operates in 24 countries with subsidiaries and representative offices



Own distribution network in 11 countries

1. Bosnia and Herzegovina
2. Czech Republic
3. Montenegro
4. Croatia
5. Hungary
6. Macedonia
7. Poland
8. Slovakia
9. Slovenia
10. Serbia
11. Russia



International network of subsidiaries and representative offices

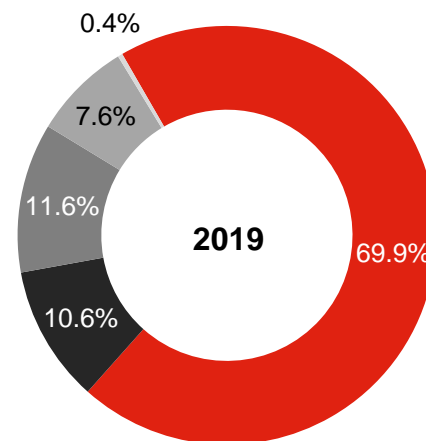


Factories

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



Podravka Group sales split by regions in 2019



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

Market	HRKm	EURm	%
Croatia	1,430	191	32.5%
Slovenia	792	106	18.0%
B&H	460	61	10.4%
Russia	300	40	6.8%
Other m.	1,427	190	32.4%
Group	4,409	588	100.0%

Institutional investors provide stabile ownership structure



Management Board



Marin Pucar
MB president



Ljiljana Šapina
MB member



Davor Doko
MB member



Hrvoje Kolarić
MB member



Marko Đerek
MB member

Ownership structure as at 31 March 2020 and Supervisory Board

President:

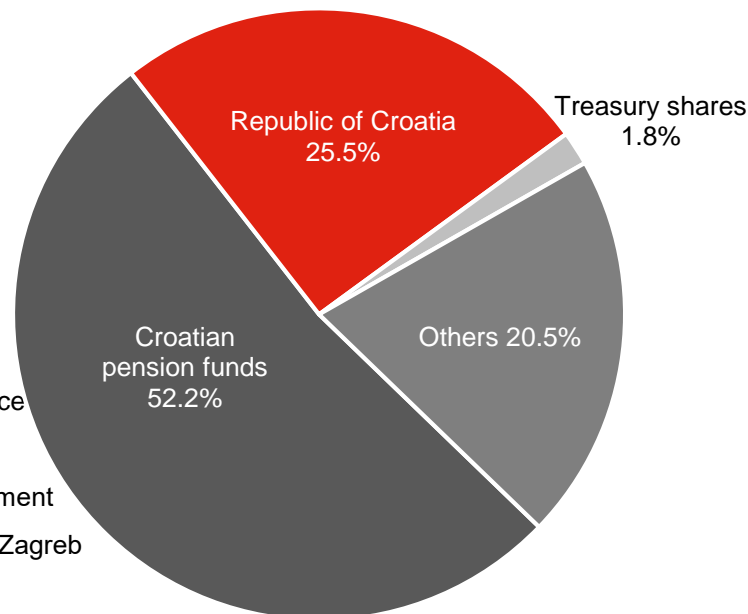
- Želimir Vukina → professional manager with experience in food and pharmaceutical segment

Vice President:

- Luka Burilović → President of Croatian Chamber of Economy

Members:

- Ksenija Horvat → representative of Worker's Council
- Krunoslav Vitelj → director of Koprivnica County Chamber of Commerce
- Dajana Milodanović → banker in HPB
- Tomislav Kitonić → professional manager with experience in food segment
- Marina Dabić → professor at the Faculty of Economics and Business, Zagreb
- Ivana Matovina → certified auditor
- Petar Miladin → professor at the Faculty of Law, Zagreb

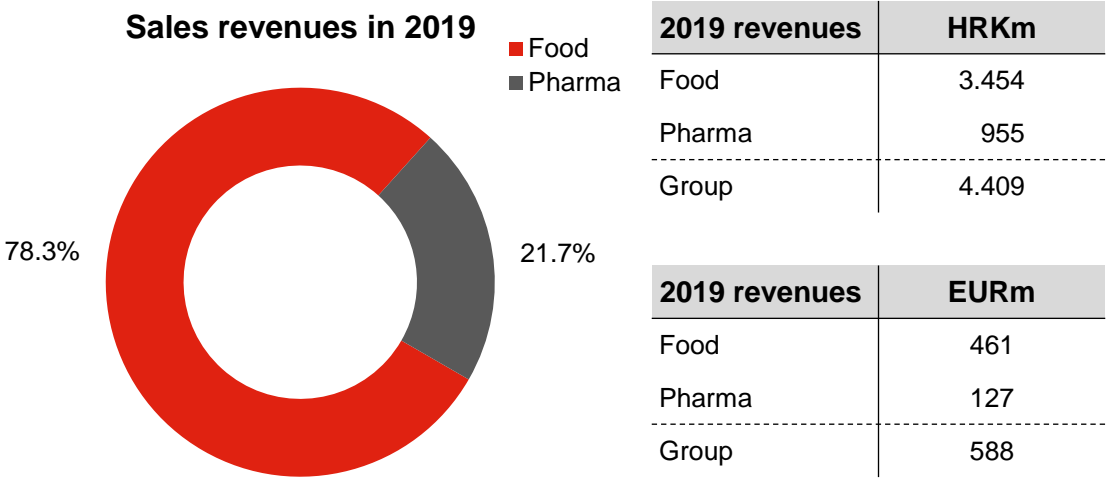


No.	Shareholder	% ownership
1.	Republic of Croatia	25.5%
2.	PBZ Croatia Osiguranje mandatory pension fund category B	15.0%
3.	AZ mandatory pension fund category B	13.1%
4.	Erste Plavi mandatory pension fund category B	10.2%
5.	Raiffeisen mandatory pension fund category B	8.8%
6.	Podravka d.d. – treasury shares	1.8%
	Other shareholders	25.6%
Total		100.0%

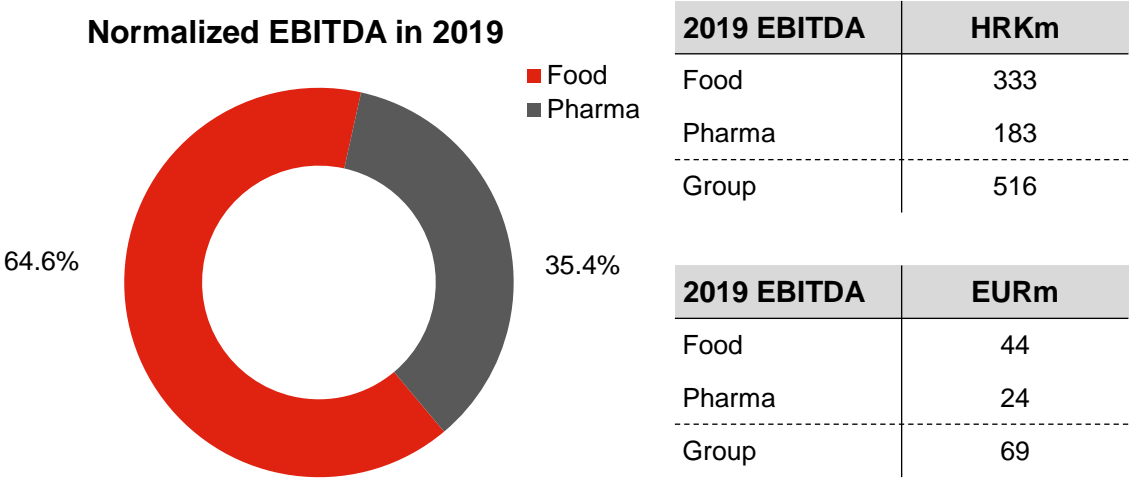
Key financial figures



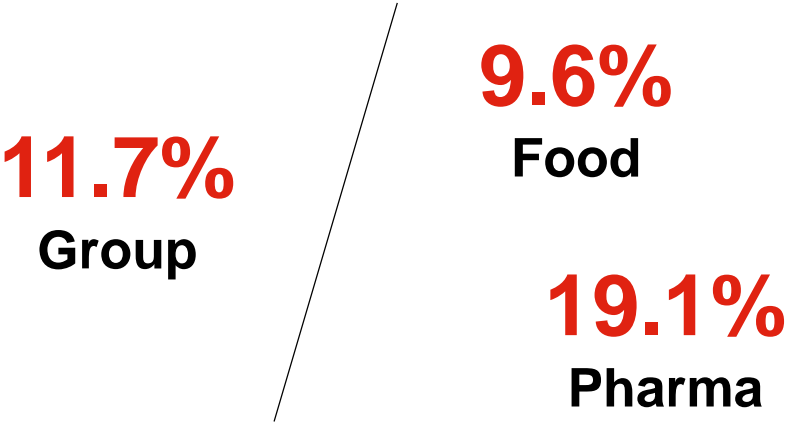
Sales revenues split



Normalized EBITDA split



Normalized EBITDA margins in 2019



Low and sustainable debt level





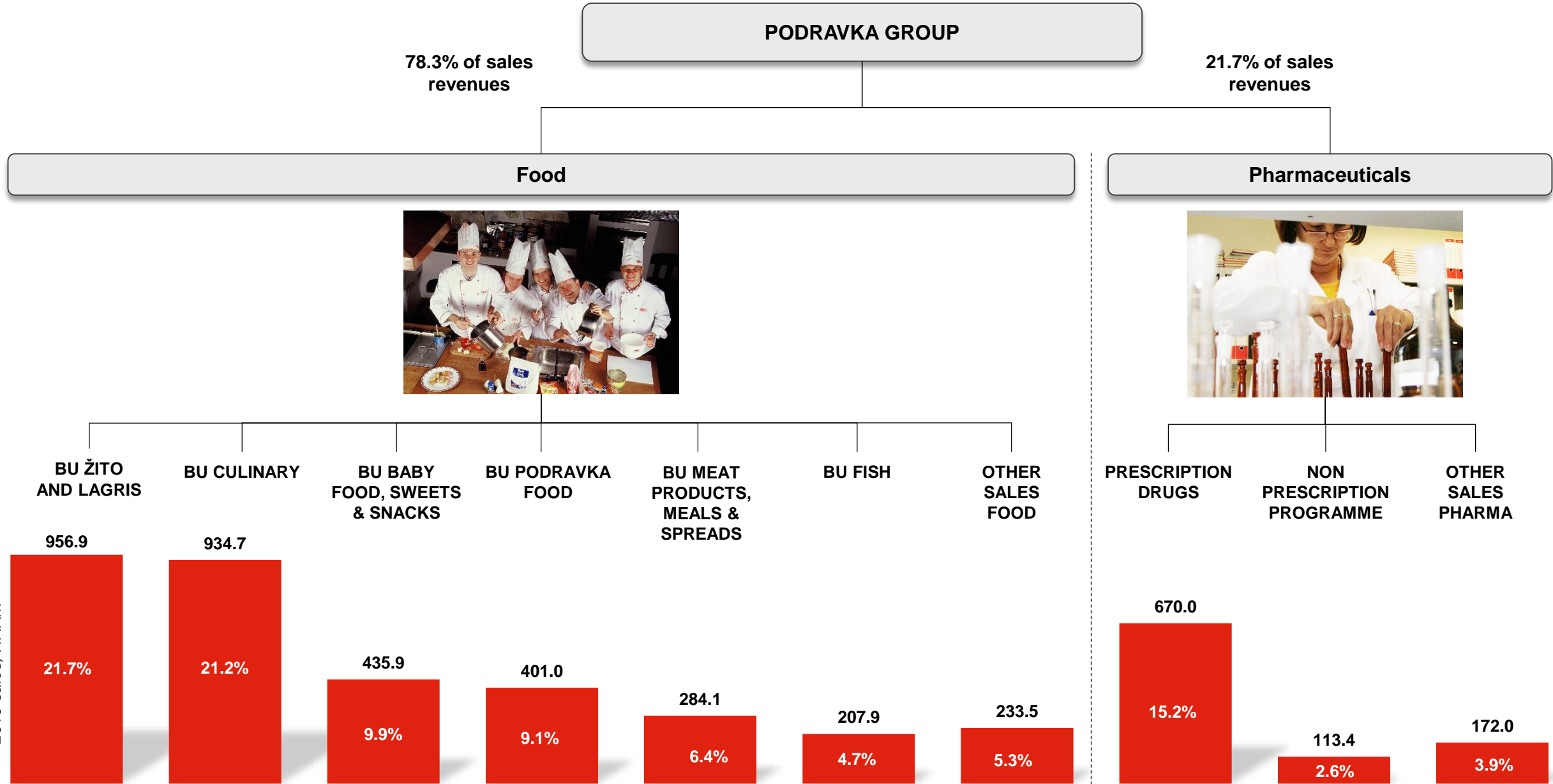
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A well diversified product portfolio divided in two business areas



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



BU Žito & Lagris

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

2019 sales: **957 HRK**m; % total sales: **21.7%**



BU Culinary

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

2019 sales: **935 HRK**m; % total sales: **21.2%**



BU Baby food, sweets & snacks

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

2019 sales: **436 HRK**m; % total sales: **9.9%**



BU Podravka Food

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

2019 sales: **401 HRK**m; % total sales: **9.1%**



BU Meat prod., meals & spreads

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

2019 sales: **284 HRK**m; % total sales: **6.4%**



BU Fish

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

2019 sales: **208 HRK**m; % total sales: **4.7%**



Prescription drugs

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

2019 sales: **670 HRK**m; % total sales: **15.2%**



Non-prescription programme


OTC medicine, dietary products, natural products.


2019 sales: **113 HRK**m; % total sales: **2.6%**





High-quality brands with exceptional recognisability and strong international potential





	VEGETA ¹	ADRIA	POL	SLK	VEGETA <ul style="list-style-type: none">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.
1		2	1		
CZE		HU	RO		
2	3	3			

	SOUPS ¹	CRO	SLO	PODRAVKA SOUPS <ul style="list-style-type: none">Dehydrated instant soups,Sold in 25 countries around the world,Market leader or among top 3 in the Adria region,Quadal (Quality Medal) reward in Croatia,Best Buy reward in Croatia and B&H.
1		4		
B&H		SER		
1	2			

	LINO ¹	CRO	SLO	LINO <ul style="list-style-type: none">Umbrella brand for dehydrated baby food, cream spreads and cereals,Synonym for baby food category in Adria region,Sold in more than 20 countries around the world,Trusted brand reward and Best Buy reward in Croatia,Superbrand reward in Croatia, Slovenia and B&H.
1		1		
B&H		SER		
1	1			

	DOLCELA ¹	CRO	SLO	DOLCELA <ul style="list-style-type: none">Product for preparation of sweets and ready-made sweets,Market leader/strong No. 2 brand in Adria region,Sold in 20 countries around the world,Quadal (Quality Medal) reward in Croatia,Best Buy reward in Croatia and B&H.
1		3		
B&H				
1				

	FISH ¹	CRO	SLO	EVA (MEDITERANNEAN ASSORTMENT) <ul style="list-style-type: none">One of the most recognisable brands in canned fish category in the Adria region,Largest canned fish assortment– tuna, sardine, mackerel i baltic fish,Quadal (Quality Medal) reward and Superior taste reward in Croatia,Best Buy reward in Croatia and B&H.
1		4		
B&H		SER		
2	2			

	D07 ^{2, 3}	CRO	RUS	CZE	SLO	BELUPO DERMATICS <ul style="list-style-type: none">Strong international position in niche dermatology segment.
1		5	1	2		
B&H		SER	MAC	SLK		
1	2	1	1			

¹Source: Nielsen volume market position data for 2019; ²Source: IQVIA market position data for 2019; ³Corticosteroids for the treatment of skin disorder.



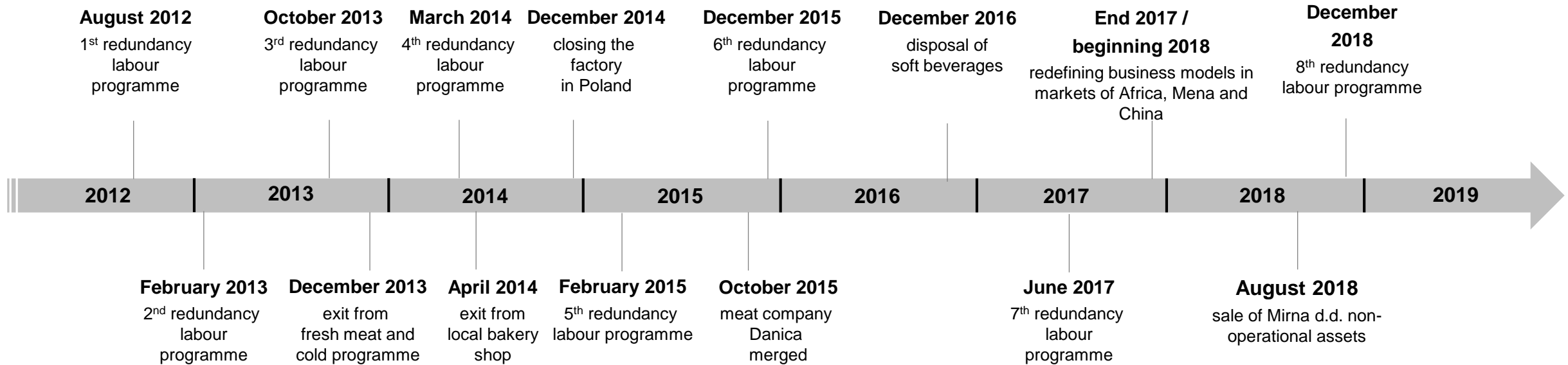
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Delivering results through a clearly defined strategic approach



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.

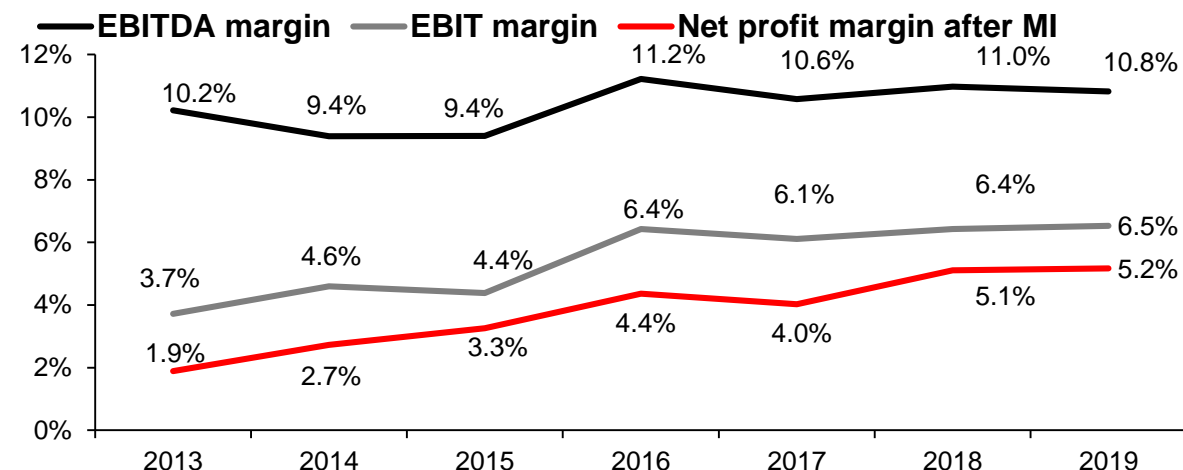
Financial position no longer under the influence of major one-off items

Restructuring related one-off items burdened profitability

(in HRK m)	2012	2013	2014	2015	2016	2017	2018	2019
Value adjustments	(32)	(81)	(28)	(35)	(11)	(89)	(9)	(11)
Severance payments	(50)	(57)	(72)	(41)	(12)	(40)	(6)	(5)
Other	(44)	5	10	298 ¹	8	(18)	4	13
Total net one-offs	(126)	(133)	(90)	222	(15)	(147)	(10)	(2)

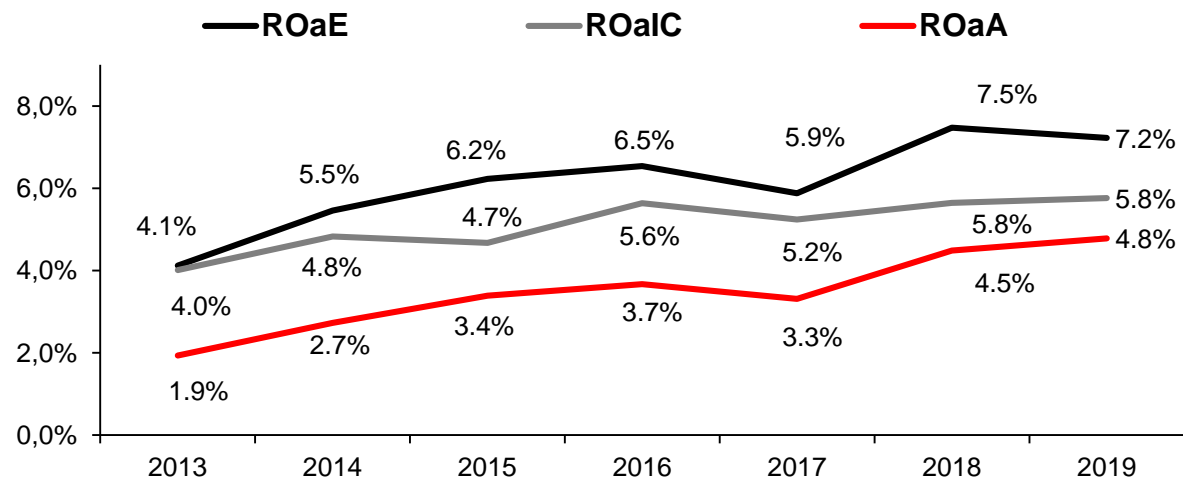
¹HRK 116m of gain on a bargain purchase from Žito acquisition (badwill), HRK 164m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19m refers to other items.

Normalized profitability margins movement²



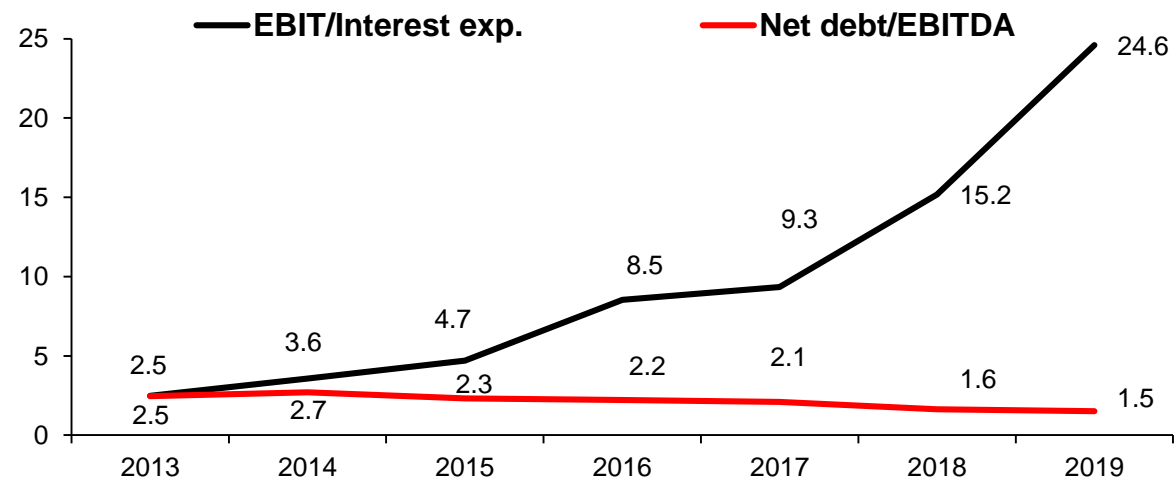
Note: Due to sales revenues reclassification in 2016, 2013-2014 margins are made by approximation.

Normalized return rates movement²



²2015 figures include pro-forma Podravka Group and Žito Group full year figures, excluding consolidation effects and tax incentives for Belupo factories; IFRS 16 influence excluded from 2019 figures.

Normalized debt level movement²



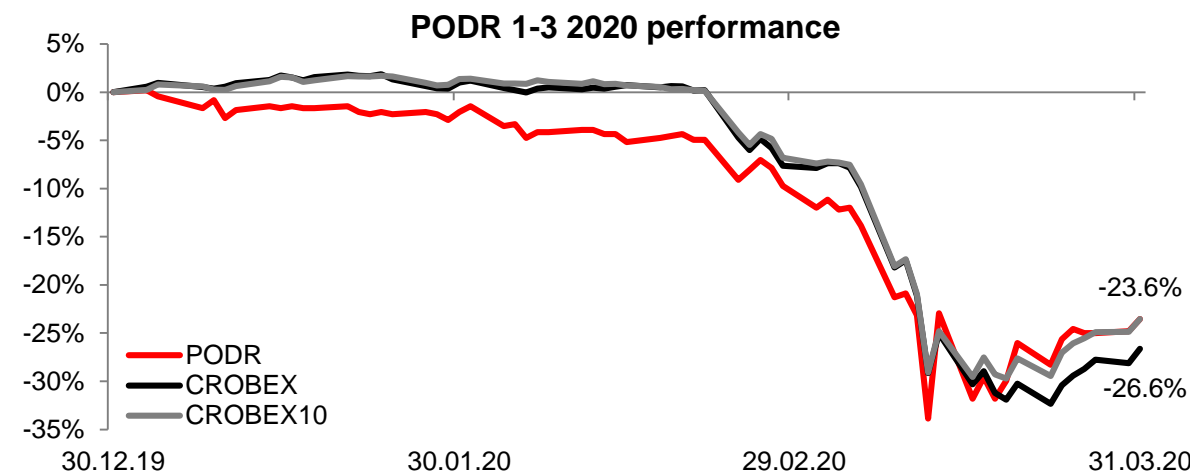
Podravka's share price movement in 1-3 2020



Market activity with PODR share

(HRK; units)	1-3 2019	1-3 2020	% change
Average daily price	373.9	392.9	5.1%
Average daily number of transactions	9	23	160.1%
Average daily volume	454	2,078	358.0%
Average daily turnover	169,641.4	816,476.3	381.3%
Reported earnings per share	32 ¹	n/a	-
Normalized earnings per share	32 ¹	n/a	-

Share price movement

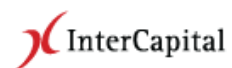


Analysts

Recommendation

Target price

Potential²



Buy

HRK 431.00

16.5%



Under review

-

n/a



Accumulate

HRK 480.00

29.7%

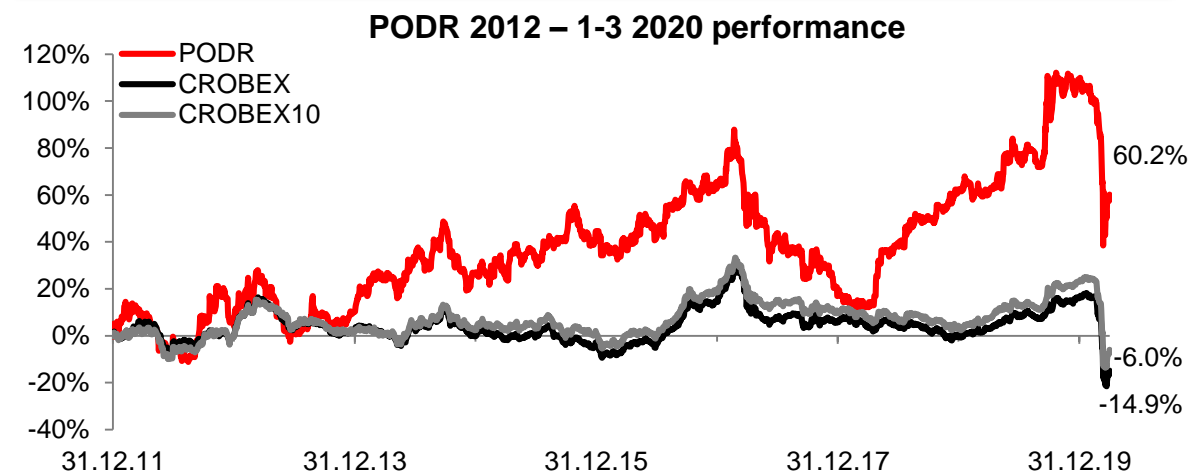


Hold

HRK 443.00

19.7%

Historical share price movement

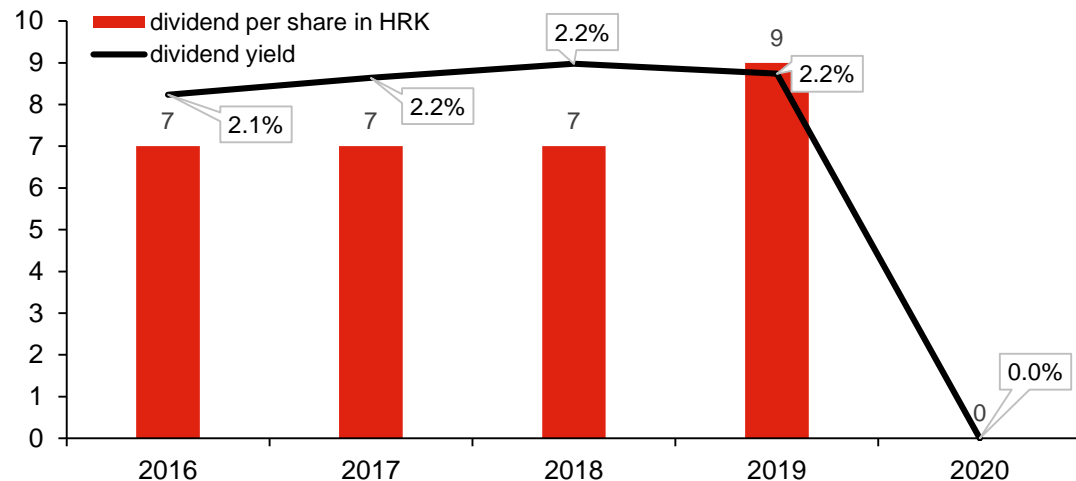


¹Calculated on the FY 2019 basis; ²Compared to the last price on 31st March 2020.

Good performance turned Podravka into a dividend player



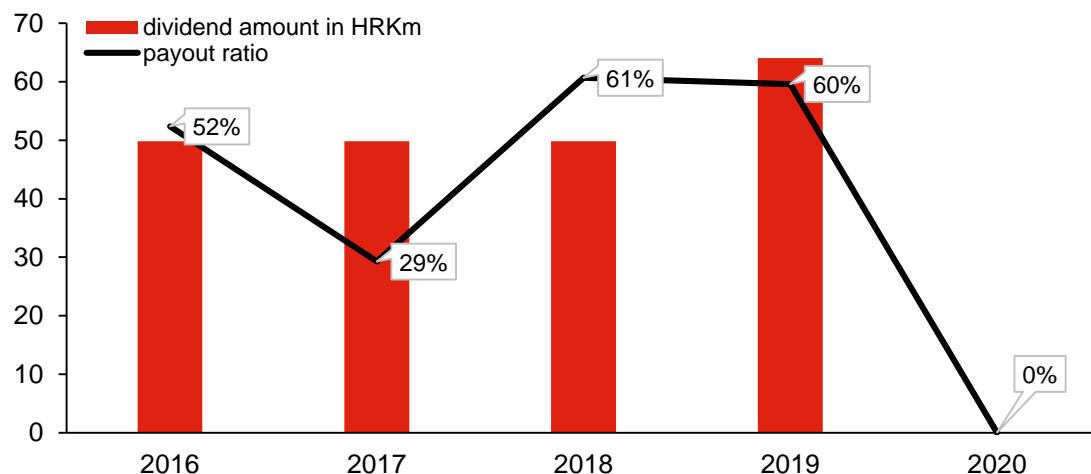
Dividend and dividend yield¹



Dividend policy of Podravka Inc.

- Podravka Inc. started with regular dividend payout in 2016,
- Dividend policy defines, that Podravka Inc. will assess the possibility of dividend payment and, if possible, propose to the General Assembly dividend payment in the amount of at least 25% of the available funds for dividend payment after part of the net profit of Podravka Inc. is allocated to the legal and other reserves of Podravka Inc.,
- Legal reserves are 5% of total net profit of Podravka Inc.,
- The amount of dividend accounted for Podravka Inc. treasury shares is retained in undistributed profit,
- In 2020 Management Board, with approval of Supervisory Board, proposed no dividend distribution and to retain total 2019 net profit of Podravka Inc. due to global situation caused by COVID-19 pandemic in order to preserve the continuity of the business and to minimize potential risks.

Dividend policy of Podravka Inc.



Peer group multiples comparison

Peer group multiples ²	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.1	11.4	16.0	2.6	19.2
Normalized weight. av. peer group ³	1.6	10.8	15.6	2.1	19.5
Podravka Group reported	0.8	6.8	12.2	0.8	11.7
Podravka Group normalized ⁴	0.8	6.7	11.5	0.8	11.6
Peer Group Food: Atlantic Grupa, Ebro, Hochdorf, La Doria, McCormick, Orkla;					
Peer Group Pharma: Alkaloid, Richter Gedeon, Hikma Pharmaceuticals, Krka, Recordati, Stada Arzneimittel.					

¹DY calculation is based on last mkt. price on the GA date, ²Obtained from Bloomberg on 15th Apr 2020; ³Calculated excluding max. and min. values; ⁴Normalized for items stated in the publication 2019 results and 2018 results.



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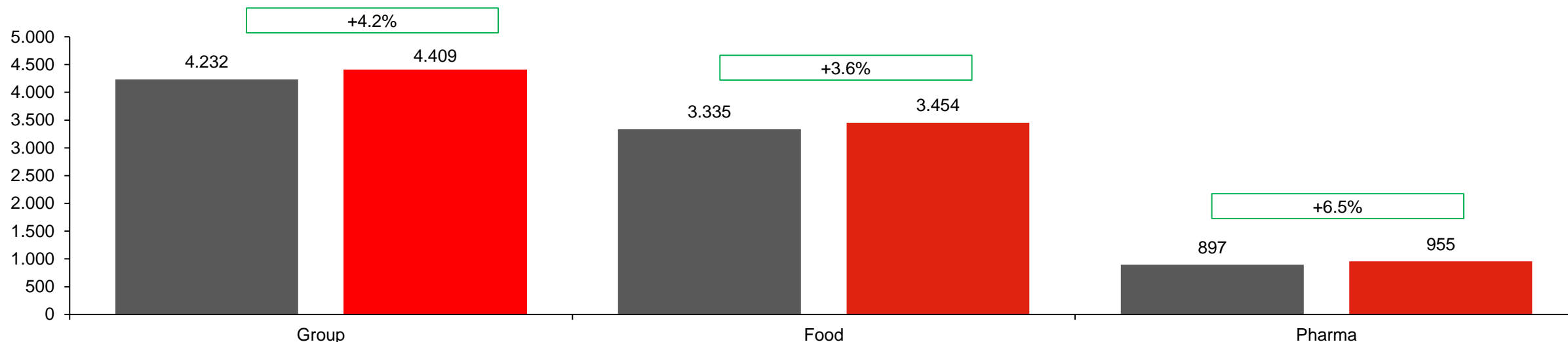
Strong sales revenues growth continues in 2019



in HRKm

Sales revenues by segment

■ 12M 2018
■ 12M 2019



Food segment in 2019¹:

- **Own brands** → 4.1% higher sales, due to the sales growth of all business units, as a result of stronger selling and marketing activities, demand for newly launched products and the expanded distribution of certain categories. BU Culinary, BU Baby food, sweets and snacks and BU Fish had the most significant impact on the revenue increase,
- **Other sales** → 3.5% lower revenues, as a lower sales of trade goods in the markets of Bosnia and Herzegovina and Serbia,
- **Total Food** → 3.6% higher sales.

Pharmaceuticals segment in 2019¹:

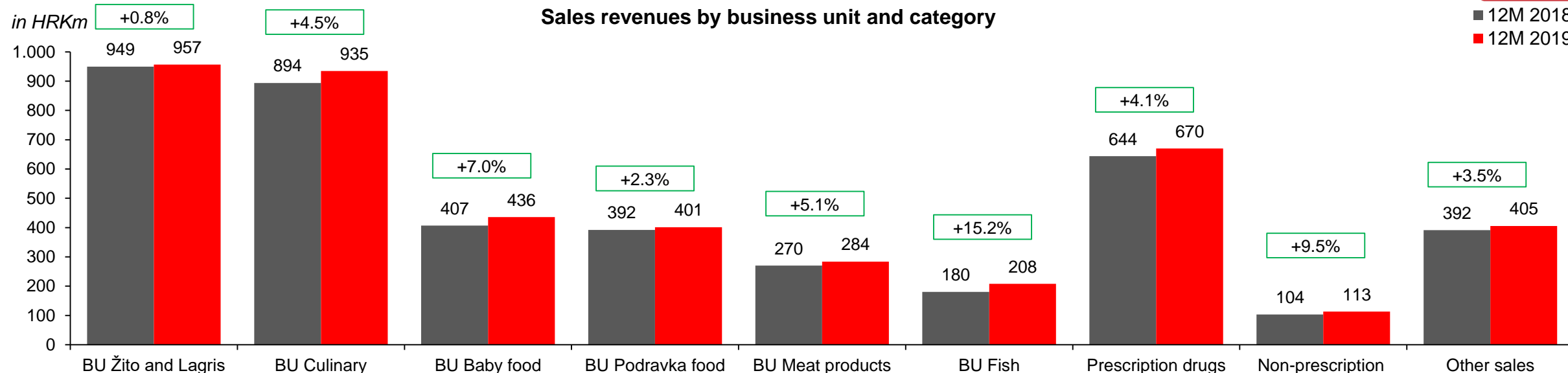
- **Own brands** → 4.9% higher sales, due to the increase in demand and sales in the markets of Russia, Croatia, Serbia and Slovakia,
- **Other sales** → 14.8% higher sales, as a result of higher sales of trade goods in the markets of Bosnia and Herzegovina and Croatia,
- **Total Pharma** → 6.5% higher sales

Podravka Group in 2019¹:

- **Own brands** → 4.3% higher sales,
- **Other sales** → 3.5% higher sales,
- **Total Podravka Group** → 4.2% higher sales.

¹Percentages in the text relate to performance in 2019 compared to 2018.

Sales growth across all business segments



Business unit and category performance in 2019¹:

- **BU Žito and Lagris (+0.8%)** → result of a continuous growth of the Bakery and Mill products and Pasta categories, compensating the lower sales of the Confectionery and Pulses, Groats and Oil products categories,
- **BU Culinary (+4.5%)** → higher sales primarily in the categories Seasonings, Soups and Food mixes, due to the optimum mix of selling and marketing activities and the demand for new products,
- **BU Baby food, sweets and snacks (+7.0%)** → higher sales, driven by marketing activities in categories Creamy spreads, Baby food and Snacks and by excellently received new and innovated products of the Lino Lada and Kviki brands,
- **BU Podravka food (+2.3%)** → higher sales of the Flour, Condiments and Tomato categories, which managed to compensate for lower revenues of the Frozen vegetables category that is connected to problems with procurement of raw materials from a supplier from Serbia,
- **BU Meat products, meat solutions and savory spreads (+5.1%)** → the increase in sales of ready-to-eat meals and luncheon meats categories,
- **BU Fish (+15.2%)** → higher sales due to the increased demand and stronger selling and marketing activities in the Adria region,
- **Prescription drugs (+4.1%)** → higher sales in the markets of Russia, Serbia and Slovakia, which compensated for the decrease in sales in the markets of Turkey, Bosnia and Herzegovina and Kosovo, due to changes in local legislation. Sales increase is a result of continuous demand for Belupo products and significant selling activities in the second half of the year,
- **Non-prescription programme (+9.5%)** → growth in the OTC drugs and the natural products subcategory in Croatia, Slovenia and Russia due to increased demand and targeted marketing and selling activities,
- **Other sales (+3.5%)** → higher sales as a result of the increase in sales of trade goods of the Farmavita.

¹Percentages in the text relate to performance in 2019 compared to 2018.

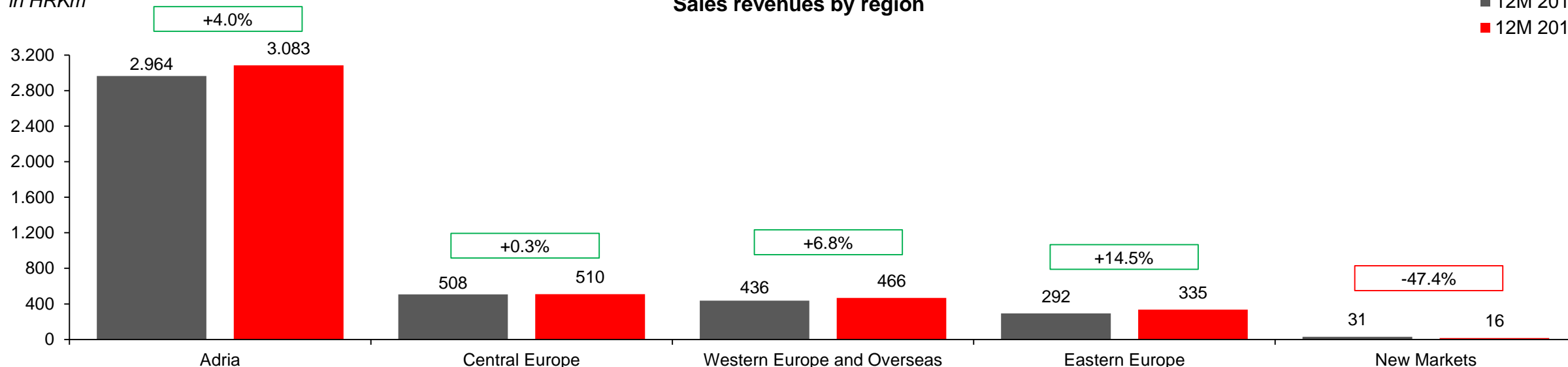
Growth acceleration in Eastern Europe



in HRKm

Sales revenues by region

■ 12M 2018
■ 12M 2019



Region performance in 2019¹:

- **Adria (+4.0%)** → **Food** sales 3.9% higher, revenue growth is recorded by all business units, as a result of implemented selling and marketing activities, expanded distribution and launching of new and innovated products; **Pharmaceuticals** sales 4.1% higher primarily as a result of the increase in sales of trade goods and non-prescription programme,
- **Central Europe (+0.3%)** → **Food** sales 0.4% lower, where the significant increase in sales of the BU Culinary was not able to compensate for the decrease in sales of the BU Žito and Lagris in Rice, Pulses, Groats and Oil products categories and trade goods; **Pharmaceuticals** sales recorded 5.4% sales growth, primarily due to the sales growth in the market of the Czech Republic and Slovakia following increased selling activities in the second half of the year,
- **WE and Overseas region (+6.8%)** → **Food** sales 7.1% higher, revenue growth in all business units, led by the BU Culinary and BU Meat products, meat solutions and savory spreads;
- **Eastern Europe (+14.5%)** → **Food** sales 0.2% higher, due to significant increase in revenues of the BU Culinary, BU Žito and Lagris, and BU Fish compensated for the decrease in sales of the BU Podravka Food following lower sales of the Frozen vegetables category, connected to the problems with procurement of raw materials from a supplier from Serbia and lower sales of trade goods; **Pharmaceuticals** sales rose 22.4% due to continuous growing demand for Belupo products and in the markets of Russia and Ukraine and significant selling activities in the second half of the year,
- **New markets (-47.4%)** → **Food** sales recorded a revenue down by 12.9%, due to lower sales of BU Baby food, sweets & snack; **Pharmaceuticals** segment, recorded the decrease in revenue is a consequence of changes in legislation in the market of Turkey.

¹Percentages in the text relate to performance in 2019 compared to 2018.

Food segment profitability backed by favorable sales mix

Food segment (in HRKm)	REPORTED				NORMALIZED ¹			
	2018	2019	Δ	%	2018	2019	Δ	%
Sales revenue	3,335	3,454	119	3.6%	3,335	3,454	119	3.6%
Gross profit	1,111	1,159	48	4.3%	1,112	1,160	47	4.3%
EBITDA	323	326	4	1.1%	318	333	15	4.8%
EBIT	173	164	(9)	(5.2%)	181	180	(1)	(0.3%)
Net profit after MI	145	138	(7)	(4.9%)	150	140	(10)	(6.8%)
Gross margin	33.3%	33.5%		+24 bp	33.3%	33.6%		+23 bp
EBITDA margin	9.7%	9.5%		-23 bp	9.5%	9.6%		+11 bp
EBIT margin	5.2%	4.8%		-44 bp	5.4%	5.2%		-20 bp
Net profit margin after MI	4.3%	4.0%		-36 bp	4.5%	4.1%		-45 bp

Food segment profitability in 2019¹:

- **Gross profit** → reported gross profit higher 4.3% as a result of higher sales revenues and the positive impact of the sales structure itself. In addition, the estimated effect of movements in prices of raw materials and supplies amounts to negative HRK 26m²,
- **EBIT** → reported EBIT is 5.2% lower, while normalized operating profit is slightly below 2018 level. In line with its strategy, the company increased marketing investments by HRK 20m (+11.5%), that contributed to the increase in sales which successfully compensated for higher staff costs of HRK 42m (+5.5%) and costs related to the sales growth. Higher staff costs are a result of the planned improvement in material rights of employees,
- **Net profit after MI** → reported net profit is HRK 7m lower, while normalized net profit after minority interests is HRK 10m lower than in the comparative period. On top of impacts above the EBIT level, it is necessary to point out less favorable movements in foreign exchange differences on borrowings (HRK -0m in 2019; HRK +6m in 2018).

¹Normalized for one-off impacts.

²Obtained as used volumes of raw materials and supplies in 2019*prices in 2019 – used volumes of raw materials and supplies in 2019*prices in 2018.

Profitability improvement in Pharmaceuticals segment continues

Pharma segment (in HRK _m)	REPORTED				NORMALIZED ¹			
	2018	2019	Δ	%	2018	2019	Δ	%
Sales revenue	897	955	59	6.5%	897	955	59	6.5%
Gross profit	448	473	25	5.6%	452	473	21	4.6%
EBITDA	141	183	42	29.7%	147	183	36	24.2%
EBIT	85	119	34	40.1%	91	119	28	30.6%
Net profit after MI	61	84	23	37.9%	66	84	17	26.2%
Gross margin	49.9%	49.5%		-41 bp	50.4%	49.5%		-92 bp
EBITDA margin	15.7%	19.1%		+341 bp	16.4%	19.1%		+272 bp
EBIT margin	9.5%	12.5%		+299 bp	10.2%	12.5%		+230 bp
Net profit margin after MI	6.8%	8.8%		+199 bp	7.4%	8.8%		+136 bp

Pharmaceuticals segment profitability in 2019¹:

- **Gross profit** → higher 5.6% as a result of higher sales revenue and the positive impact of the sales structure itself,
- **EBIT** → higher HRK 34m higher (40.1%), while normalized operating profit increased by 30.6% as a result of the significant increase in sales and favourable movements in foreign exchange differences on trade receivables and trade payables (HRK +14m in 2019; HRK -13m in 2018). This compensated for higher staff costs of HRK 20m (+8.7%), which is in line with the planned improvement in the material rights of employees,
- **Net profit after MI** → higher HRK 23m which, while normalized net profit after minority interests is HRK 17m higher. This is primarily a result of impacts above the EBIT level, which compensated less favourable movements in foreign exchange differences on borrowings (HRK -2m in 2019; HRK +6m in 2018).

¹Normalized for one-off impacts.

Group profitability influenced by both business segments

Pharma segment (in HRK ^m)	REPORTED				NORMALIZED ¹			
	2018	2019	Δ	%	2018	2019	Δ	%
Sales revenue	4,232	4,409	177	4.2%	4,232	4,409	177	4.2%
Gross profit	1,558	1,632	73	4.7%	1,565	1,633	68	4.4%
EBITDA	464	509	45	9.8%	465	516	51	10.9%
EBIT	258	284	25	9.7%	272	300	28	10.1%
Net profit after MI	206	222	16	7.7%	216	224	7	3.3%
Gross margin	36.8%	37.0%		+18 bp	37.0%	37.0%		+6 bp
EBITDA margin	11.0%	11.5%		+59 bp	11.0%	11.7%		+71 bp
EBIT margin	6.1%	6.4%		+32 bp	6.4%	6.8%		+36 bp
Net profit margin after MI	4.9%	5.0%		+16 bp	5.1%	5.1%		-4 bp













Profitability of the Podravka Group in 2019¹:

- **Gross profit** → higher 4.7%, strong impact comes from both business segments as a result of a favorable sales structure. Cost of goods sold increased by 3.9%, which resulted in the gross margin of 37.0%. Estimated effect of movements in prices of raw materials and supplies of the Food segment amounts to negative HRK 26m²,
- **EBIT** → is HRK 25m higher, while normalized is HRK 28m higher, as a result of the increase in sales in both business segments and favorable movements in FX differences on trade receivables and trade payables (HRK +19m in 2019; HRK -20m in 2018), which allowed stronger marketing investments of HRK 18m (+8.1%), compensated higher staff costs of HRK 63m (+6.2%) and costs related to the sales growth. Higher staff costs are a result of the planned improvement in material rights of employees,
- **Net profit after MI** → higher 8m, while normalized net profit after MI is HRK 7m higher. On top of impacts above the EBIT level, it is necessary to point out less favorable movements in FX differences on borrowings compared to 2018 (HRK -2m in 2019; HRK +12m in 2018).

¹Normalized for one-off impacts.

²Obtained as used volumes of raw materials and supplies in 2019*prices in 2019 – used volumes of raw materials and supplies in 2019*prices in 2018.

Favorable sales mix compensated the increase in certain operating expenses

Operating expenses 19 vs. 18 % change	REPORTED	NORMALIZED
Cost of goods sold (COGS)	3.9% 	4.1% 
General and administrative expenses (G&A)	7.3% 	7.7% 
Sales and distribution costs (S&D)	6.4% 	5.1% 
Marketing expenses (MEX)	7.1% 	7.1% 
Other expenses / revenues, net	n/a 	n/a 
Total	3.8% 	3.8% 

Key highlights of operating expenses in 2019:

Cost of goods sold (COGS):

- Higher 3.9%, as a result of higher sales realized, sales structure itself, increase in prices of raw materials and supplies and higher staff costs,

General and administrative expenses (G&A):

- 7.3% up, due to higher staff costs and different dynamics of movements in provisions,

Sales and distribution costs (S&D):

- Higher 6.4%, due to the increase in sales and increase in staff costs. Decrease in provision for receivables related to relationship with Fortenova Group (ex Agrokor), made in 2019, is recorded within other income and expenses, net, while the decrease in provision for receivables made in 2018 was included in selling and distribution costs,

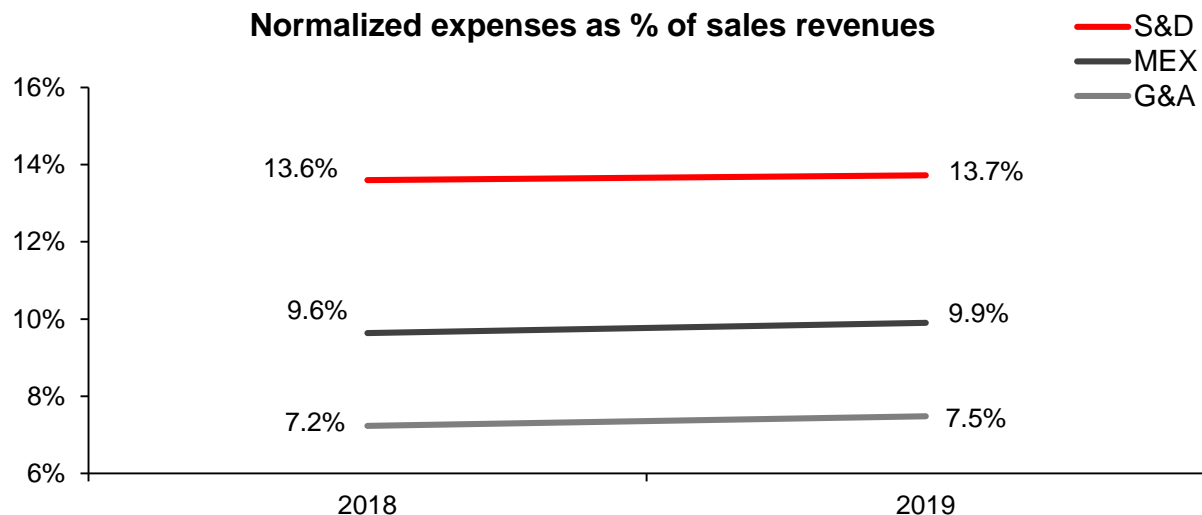
Marketing expenses (MEX):

- Higher 7.1%, out of which costs of marketing investments are up by 8.1%, while the remaining portion relates to marketing department expenses. This is a result of stronger investments in newly launched products promotion and further development of own brands through effective and diverse marketing activities,

Other expenses / revenues, net:

- HRK +29m in 2019; HRK -12m in 2018. Value adjustments and foreign exchange differences on trade receivables and trade payables (HRK +19m in 1-12 2019; HRK -20m in 1-12 2018) are included. Decrease in provision for receivables related to Fortenova Group, (ex Agrokor), made in 2019, is recorded within other income and expenses, net, while the decrease in provision for receivables made in 2018 is included in selling and distribution costs.

Normalized expenses as % of sales revenues

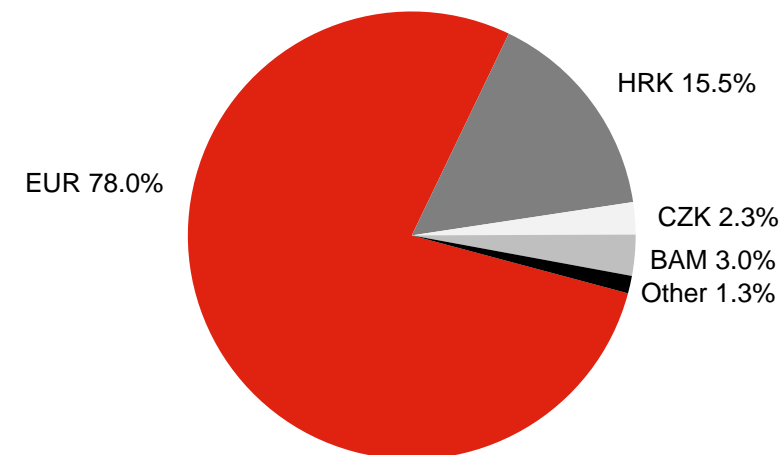


¹Normalized for one-off impacts.

Further improvement of debt indicators

(in HRKm) ¹	2018	2019	% change
Net debt	755	822	8.9%
Interest expense	18	15	(17.0%)
Net debt / normalized EBITDA	1.6	1.6	(1.8%)
Normalized EBIT / interest expense	15.2	20.1	32.7%
Equity to total assets ratio	62.9%	65.9%	+303 bp

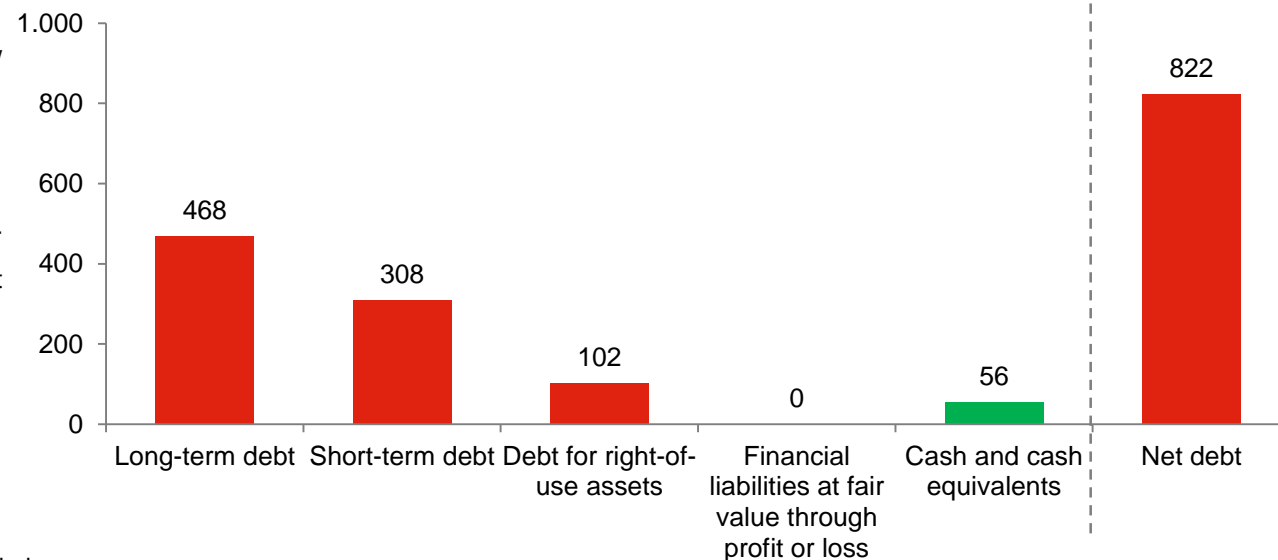
Currency structure of debt as at 31 December 2019



Key highlights:

- Net debt increase → due to inclusion of right-of-use assets (leases) in debt according to new accounting standard IFRS 16 as well as lower amount of cash and cash equivalents,
- Lower interest expenses → repayment of a part of borrowings,
- Increase in Net debt/normalized EBITDA due to higher Net debt. Without inclusion of right-of-use assets (leases) in debt according to new accounting standard IFRS 16, the net debt to normalized EBITDA ratio would amount to estimated 1.5,
- **Weighted average cost of debt excluding liabilities for right-of-use assets:**
 - As at 31 December 2019 → 1.2%,
 - As at 31 December 2013 → 4.3%.




Net debt components in HRKm as at 31 December 2019



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

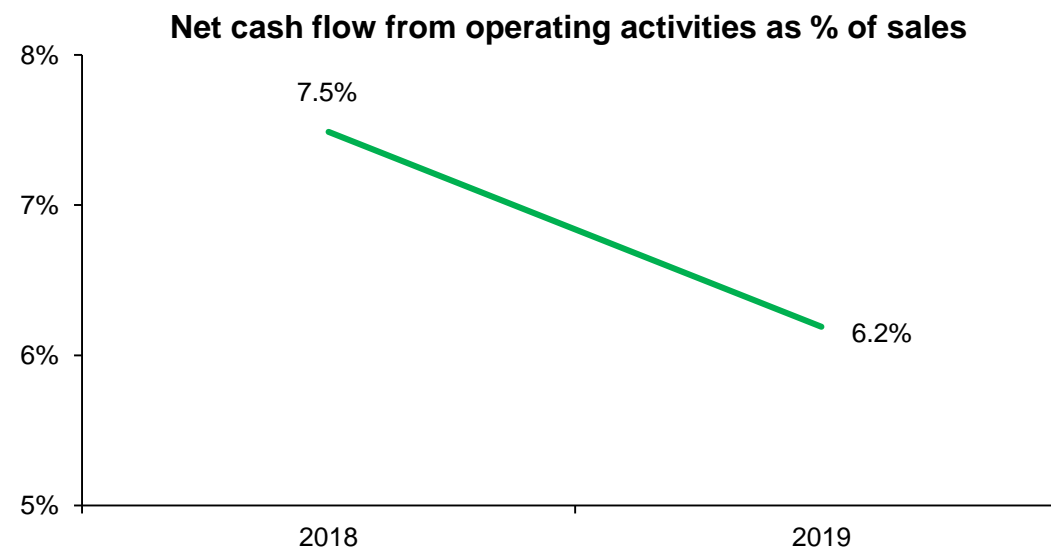
Cash flow and working capital movement in 2019



Working capital movement in BS	30 Dec 2019 / 30 Dec 2018		Impact
Inventories		11.8%	<ul style="list-style-type: none"> The increase in inventories is result of the strategic increase in inventories of the fish range due to increased demand and production and the increase in inventories of raw materials and supplies, which is in line with the planned production dynamics
Trade and other receivables		1.1%	<ul style="list-style-type: none"> This movement is in line with normal operations.
Trade and other payables		(7.9%)	<ul style="list-style-type: none"> This movement is in line with regular operations.

(in HRKm)	2018	2019	Δ
Net cash from operating activities	317	273	(44)
Net cash from investing activities	(126)	(144)	(18)
Net cash from financing activities	(342)	(284)	58
Net change of cash and cash equivalents	(151)	(156)	(5)

- **CAPEX** in 2020 is expected to be at the level of HRK 298m, in 2021-2023 period at the level of HRK 200 m.



One-off items in 2019 and 2018

Reported and normalized profitability	2018			2019		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma
Reported gross profit	1,558.4	1,110.8	447.7	1,631.5	1,158.6	472.9
+ impairment of inventories	6.1	1.6	4.5	1.1	1.1	-
Normalized gross profit	1,564.5	1,112.3	452.2	1,632.6	1,159.7	472.9
Reported EBITDA	463.7	322.9	140.8	509.0	326.4	182.6
+ initial impact of IFRS 9	1.4	0.6	0.8	-	-	-
+ severance payments (long term sick-leave)	5.6	4.7	0.9	4.8	4.8	-
+ impairment of inventories	6.1	1.6	4.5	1.1	1.1	-
+ sale of Mirna Inc, non-operational assets	(12.0)	(12.0)	-	-	-	-
+ reservation for advanced payment	-	-	-	0.6	0.6	-
Normalized EBITDA	464.7	317.7	147.0	515.5	333.0	182.6
Reported EBIT	258.4	173.3	85.1	283.5	164.3	119.3
+ normalization above EBITDA level	1.0	(5.2)	6.2	6.5	6.5	-
+ impairment of production line equipment	4.8	4.8	-	0.5	0.5	-
+ impairment of asset held for sale	14.8	14.8	-	7.4	7.4	-
+ impairment of investment property	-	-	-	10.4	10.4	-
+ claimed receivables related to relationship with Fortenova Group	(7.9)	(7.9)	-	(12.1)	(12.1)	-
+ other value adjustments	0.9	0.9	-	3.3	3.3	-
Normalized EBIT	272.0	180.7	91.3	299.5	180.2	119.3
Reported net profit after MI	205.7	145.0	60.7	221.6	137.9	83.6
+ normalization above EBIT level	13.6	7.4	6.2	16.0	16.0	-
+ ESOP programme net expenses	2.1	1.6	0.4	-	-	-
+ estimated impact on taxes*	(5.1)	(4.1)	(1.0)	(14.0)	(14.0)	-
Normalized net profit after MI	216.3	150.0	66.3	223.6	139.9	83.6

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Podravka Group

Always with a heart!

