



# Podravka Group

*Always with a heart!*





**2020 results**

1Q 2021 results



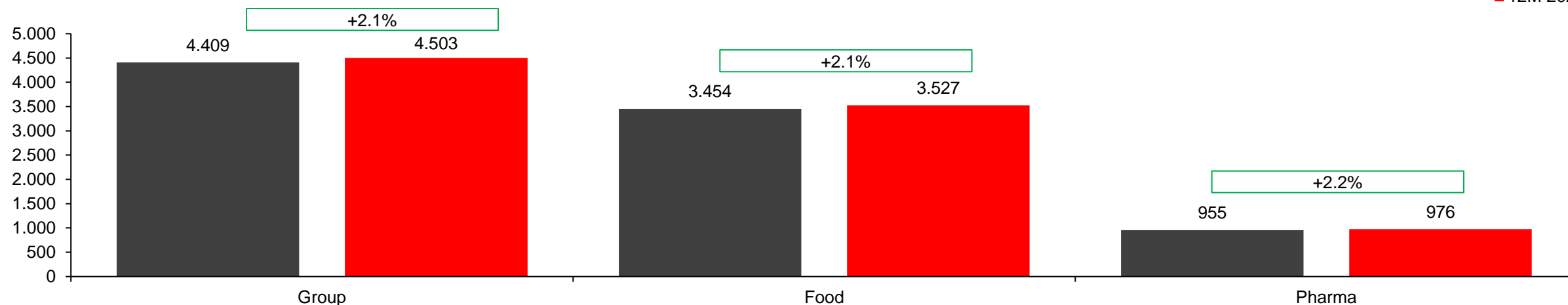
# Sales revenues growth in both segments on a year level



in HRKmn

Sales revenues by segment

■ 12M 2019  
■ 12M 2020



## Podravka Group in 2020<sup>1,2</sup>:

- **Own brands** → 2.5% higher sales,
- **Other sales** → 1.9% lower sales,
- **Total Podravka Group** → 2.1% higher sales.

## Food segment in 2020<sup>1,2</sup>:

- **Own brands** → 3.1% higher sales, due to the increased demand for food products. The revenue growth was recorded by almost all BU, with the biggest absolute growth recorded by BU Culinary and BU Baby food, sweets and snacks,
- **Other sales** → 11.2% lower revenues, due to lower sales of trade goods (some markets), closure of Gastro channel (schools, kindergartens, restaurants, hotels) in Croatia and Slovenia (April and May), difficulties in the HoReCa in 3Q (weak tourist season) and re-closure of HoReCa in November,
- **Total Food** → 2.1% higher sales.

## Pharmaceuticals segment in 2020<sup>1,2</sup>:

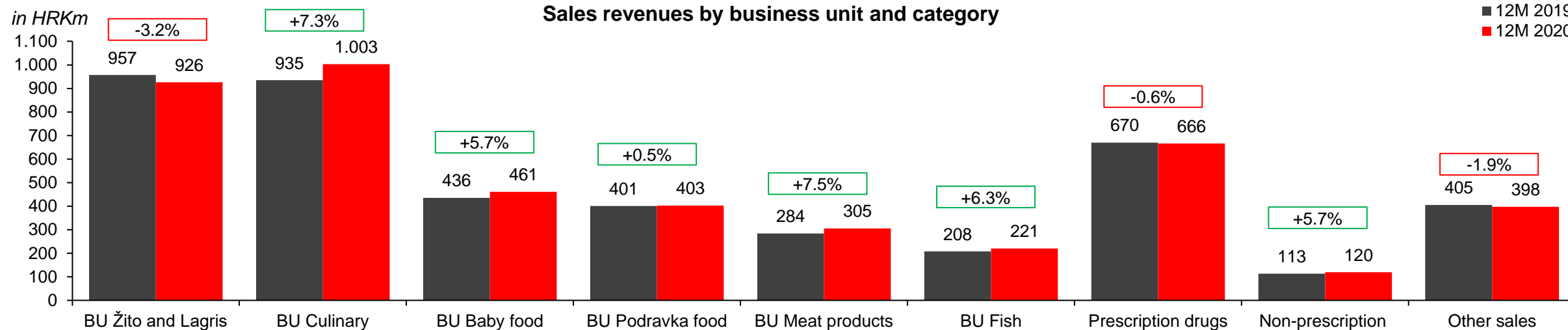
- **Own brands** → 0.3% higher sales, due to the increase in demand for pharmaceutical products, primarily OTC drugs category,
- **Other sales** → 10.7% higher sales, as a result of higher sales of trade goods in the markets of Bosnia and Herzegovina and Croatia,
- **Total Pharma** → 2.2% higher sales.

<sup>1</sup>Given the Podravka Group's range of products, situation caused by COVID-19 disease positively impacted the sales revenues trends in 1Q, but this impact cannot be clearly distinguished from the impact of regular demand for products. A negative impact on sales revenues arises in 2Q and 3Q, while in 4Q sales revenues increased. Mentioned negative impact is primarily related to restrictive measures in April and May aimed at preventing the spread of COVID-19 disease (closing of the Gastro channel, shortened working hours of supermarkets and pharmacies, limiting the number of customers in supermarkets and pharmacies, limiting the number of medical procedures in hospitals, limiting and implementing measures in family medicine centres, limiting the number of visits of associates to doctors and pharmacists, ban on the movement of people outside the place of residence, closing of borders). The easing of the introduced measures started in mid-May, which was a positive moment, but despite this, there was no shoulder season in Croatia. Furthermore, the tourist season was weaker in 2020 than in 2019 and it ended earlier than usual due to the worsening epidemiological situation in Croatia in mid-August, which also impacted the absence of the shoulder season. The epidemiological situation further deteriorated in 4Q, causing the introduction of new restrictive measures in November and further overloading the health system. The Gastro channel (for which the last two months of the year are traditionally very important in terms of revenues) was completely closed, the number of customers in supermarkets was limited, which reduced the frequency of customers daily, and schools and universities were partially closed. Patients' access to the healthcare system was further hindered, as was the contact of pharmaceutical associates with healthcare professionals, which results in increasingly complex work optimization in order to achieve results and makes the introduction of new preparations on the market particularly challenging. All this affected the sales revenues trends, but the effect of the restrictive measures, the weak tourist season and reintroduction of restrictive measures and deterioration of the epidemiological situation on sales revenues cannot be clearly assessed or quantified.

<sup>2</sup>Percentages in the text relate to performance in 1-12 2020 compared to 1-12 2019.



# Sales growth across most of business units



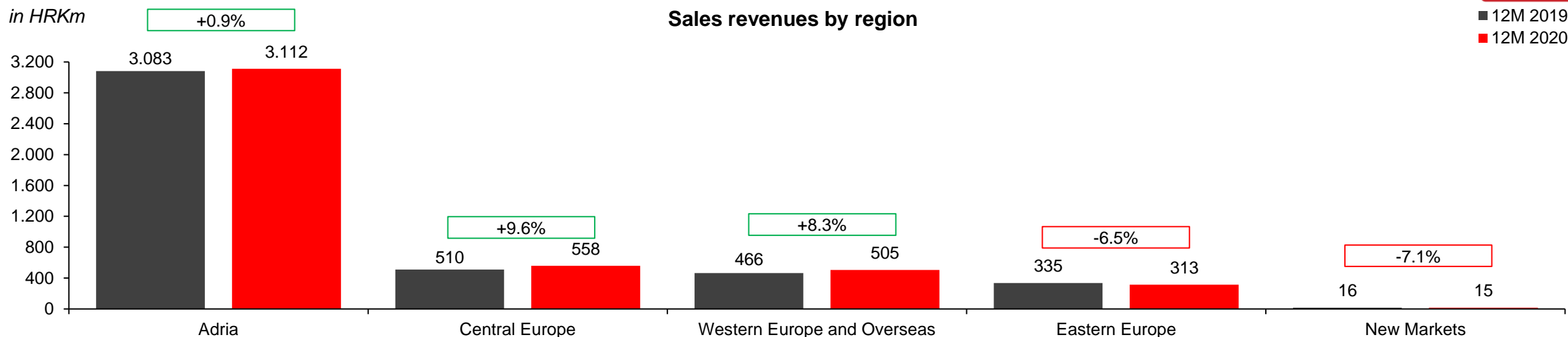
## Business unit and category performance in 2020<sup>1</sup>:

- **BU Žito and Lagris (-3.2%)** → growth in sales of most categories was unable to compensate for the decrease in sales of fresh bakery products category and private labels and confecionary (Slovenia, Italy and Germany). Significant revenue growth was recorded in Central Europe region,
- **BU Culinary (+7.3%)** → growth in all regions and categories, largest share of the growth due to the increased demand and sales in categories Seasoning, Soups and Monospices,
- **BU Baby food, sweets and snacks (+5.7%)** → higher sales, driven by increased demand and sales in Powdered sweets, Baby food and Creamy spreads categories. Growth was recorded in all regions,
- **BU Podravka food (+0.5%)** → due to significant growth of the Tomato category. The revenue growth was recorded in the Central Europe, the WE and the Overseas and the New Markets regions,
- **BU Meat products, meals and spreads (+7.5%)** → increase in sales of categories Canned ready-to-eat meals, Luncheon meats and Pates categories. The sales growth was recorded in all regions where we are present with this product range,
- **BU Fish (+6.3%)** → higher sales due to higher demand and sales of Fish Salads and Tuna categories. Sales growth was recorded in Adria, Central and Eastern Europe regions,
- **Prescription drugs (-0.6%)** → lower sales, primarily due to the depreciation of the Russian ruble<sup>2</sup> in relation to the comparative period and difficult access to healthcare facilities in the conditions of COVID-19 disease,
- **Non-prescription programme (+5.7%)** → due to sales growth in the OTC drugs subcategory, primarily in Croatia, due to significant increase in demand and sales of Lupocet and Neofen brands,
- **Other sales (-1.9%)** → Pharmaceuticals other sales increased by HRK 19m due to sales of trade goods of the Farmavita; Food segment lower sales by HRK 26m due to closure of gastro channel (HoReCa and institutional customers – schools, kindergartens, student dorms) in Croatia and Slovenia following the emergence of COVID-19 disease (lockdown, weaker tourist season, absence of shoulder season and re-closure of the HoReCa channel and introduction of online school in November) and lower demand and sales of trade goods in the markets of the Czech Republic and Slovenia.

<sup>1</sup>Percentages in the text relate to performance in 1-12 2020 compared to 1-12 2019. <sup>2</sup>The average cumulative RUB/HRK exchange rate taken from the business system (ERP) in 2020 was 0.092023, while in 2019 it was 0.102383.

# Significant growth recorded in Central Europe region

in HRK m



## Region performance in 2020<sup>1</sup>:

- **Adria (+0.9%)** → **Food** sales 0.6% lower, where growth of most business units to a certain degree compensated the decrease in sales of BU Žito and Lagris and trade goods.; **Pharmaceuticals** sales 6.5% higher mostly due to increase in sales of prescription drugs and trade goods,
- **Central Europe (+9.6%)** → **Food** sales surged 11.0%, due to sales increase of all BU; **Pharmaceuticals** sales down by 0.2% primarily due to the decrease in sales in the market of Poland,
- **WE and Overseas region (+8.3%)** → **Food** sales 8.0% higher, due to the increase in sales of most BU (biggest absolute growth generated by the BU Culinary and BU Meat products, meals and spreads) which successfully cancelled out the lower sales of BU Žito and Lagris, primarily in the category of fresh bakery products and private labels.; **Pharmaceuticals** segment recorded HRK 1m higher revenues (+171.3%) due to increase in sales of prescription drugs,
- **Eastern Europe (-6.5%)** → **Food** sales up by 2.5%, due to the growth of most BU, with the biggest absolute growth by BU Culinary and BU Fish; **Pharmaceuticals** sales down by 10.5% due to the depreciation of the Russian ruble in relation to the comparative period and difficult access to healthcare facilities in the conditions of COVID-19 disease,
- **New markets (-7.1%)** → **Food** sales down by HRK 2m (-13.4%) primarily due to lower sales of trade goods and BU Žito and Lagris; **Pharmaceuticals** recorded HRK 1m revenue growth (+96.1%) due to increase in prescription drugs and non-prescription programme.

<sup>1</sup>Percentages in the text relate to performance in 1-12 2020 compared to 1-12 2019.

<sup>2</sup>The average cumulative RUB/HRK exchange rate taken from the business system (ERP) in 2020 was 0.092023, while in 2019 it was 0.102383.

# Food segment profitability influenced by prices of raw materials and supplies and FX differences



Food segment (in HRKm)	REPORTED				NORMALIZED <sup>1</sup>			
	2019	2020	Δ	%	2019	2020	Δ	%
Sales revenue	3,454	3,527	73	2.1%	3,454	3,527	73	2.1%
Gross profit	1,159	1,191	33	2.8%	1,160	1,191	31	2.7%
EBITDA	326	388	62	18.9%	333	387	54	16.3%
EBIT	164	233	68	41.6%	180	232	52	28.7%
Net profit after MI	138	182	44	31.8%	140	181	41	29.4%
Gross margin	33.5%	33.8%		+23 bp	33.6%	33.8%		+20 bp
EBITDA margin	9.5%	11.0%		+155 bp	9.6%	11.0%		+134 bp
EBIT margin	4.8%	6.6%		+184 bp	5.2%	6.6%		+136 bp
Net profit margin after MI	4.0%	5.2%		+116 bp	4.1%	5.1%		+108 bp

## Food segment profitability in 1-12 2020:

- **Gross profit** → reported gross profit higher 2.8% with the gross margin of 33.8%, while normalized gross profit grew 2.7%. The effect of unfavorable trends in prices of raw materials and supplies was recorded throughout the reporting period and the effect in 1-12 2020 is estimated at negative HRK 33m<sup>2</sup>, primarily in relation to dried vegetables,
- **EBIT** → reported is 41.6% higher, while normalized grew by 28.7%. Negative impact on operating profit came from movements in FX differences on trade receivables and trade payables (HRK -10m in 1-12 2020; HRK +5m in 1-12 2019) and the increase in staff costs of HRK 6m (+0.7%), while a positive impact comes from lower marketing expenses and lower selling and distribution costs. The increase in staff costs is mostly the result of material rights improvement and one-off award to employees in the manufacturing, logistics and distribution segment,
- **Net profit after MI** → reported is HRK 44m higher and normalized is HRK 41m higher than in comparative period. Bottom line was negatively impacted by FX differences on borrowings (HRK -3m in 1-12 2020; HRK -0m in 1-12 2019), largely mitigated by lower finance costs. Tax liability is higher by HRK 24m.

<sup>1</sup>Normalized for one-off impacts.

<sup>2</sup>Obtained as used volumes of raw materials and supplies in 1-12 2020\*prices in 1-12 2020 – used volumes of raw materials and supplies in 1-12 2020\*prices in 1-12 2019.

## Pharmaceuticals segment profitability deteriorated as a result of sales mix and FX differences

Pharma segment (in HRK <sup>m</sup> )	REPORTED				NORMALIZED <sup>1</sup>			
	2019	2020	Δ	%	2019	2020	Δ	%
Sales revenue	955	976	21	2.2%	955	976	21	2.2%
Gross profit	473	468	(5)	(1.0%)	473	466	(8)	(1.6%)
EBITDA	183	159	(24)	(13.2%)	183	156	(27)	(14.7%)
EBIT	119	100	(20)	(16.4%)	119	93	(26)	(22.2%)
Net profit after MI	84	67	(17)	(19.8%)	84	63	(20)	(24.3%)
Gross margin	49.5%	48.0%		-153 bp	49.5%	47.7%		-182 bp
EBITDA margin	19.1%	16.2%		-287 bp	19.1%	16.0%		-316 bp
EBIT margin	12.5%	10.2%		-227 bp	12.5%	9.5%		-297 bp
Net profit margin after MI	8.8%	6.9%		-188 bp	8.8%	6.5%		-227 bp

### Pharmaceuticals segment profitability in 1-12 2020<sup>2</sup>:

- **Gross profit** → reported is lower 1.0% while normalized gross profit is 1.6% lower. The gross margin is 48.0% which is lower than in the comparative period, due to the sales structure, difficulties in functioning of the health system and reduced patient access to doctors. In the sales structure, a share of trade goods which have lower profitability than own brands increased,
- **EBIT** → reported HRK 20m lower, while normalized is down by HRK 26m as a result of very unfavorable movements in FX differences on trade receivables and trade payables (HRK -36m in 1-12 2020; HRK +14m in 1-12 2019), mitigated by lower marketing expenses and lower general and administrative expenses,
- **Net profit after MI** → is HRK 17m lower, while normalized net profit after MI is HRK 20m lower. Bottom line was affected by favorable movements in FX differences on borrowings (HRK -1m in 1-12 2020; HRK -2m in 1-12 2019), higher finance costs and lower finance income. Tax liability is lower by HRK 5m.

<sup>1</sup>Normalized for one-off impacts.

<sup>2</sup>In August 2020, the Pharmaceuticals segment analyzed the used estimate of impairment of inventories of raw materials, supplies and packaging and accordingly amended the impairment policy. The analysis showed that raw materials and packaging have increasingly long lives and that, consequently, a significant part of previously impaired raw materials and packaging is still used in production. The updated estimate of impairment will approximate the actual write-offs of raw materials and packaging. The changed assessment, i.e. policy, resulted in lower costs of goods sold in 1-12 2020 period.

# Group profitability influenced by higher sales, FX differences and cost optimization



Podravka Group	REPORTED				NORMALIZED <sup>1</sup>			
(in HRK m)	2019	2020	Δ	%	2019	2020	Δ	%
Sales revenue	4,409	4,503	94	2.1%	4,409	4,503	94	2.1%
Gross profit	1,632	1,659	28	1.7%	1,633	1,657	24	1.5%
EBITDA	509	547	38	7.4%	516	543	28	5.3%
EBIT	284	332	49	17.2%	300	325	25	8.5%
Net profit after MI	222	249	27	12.3%	224	244	21	9.3%
Gross margin	37.0%	36.8%		-15 bp	37.0%	36.8%		-24 bp
EBITDA margin	11.5%	12.1%		+60 bp	11.7%	12.1%		+37 bp
EBIT margin	6.4%	7.4%		+95 bp	6.8%	7.2%		+42 bp
Net profit margin after MI	5.0%	5.5%		+50 bp	5.1%	5.4%		+36 bp













## Profitability of the Podravka Group in 1-12 2020:

- **Gross profit** → reported is higher 1.7%, while normalized is up by 1.5%. Cost of goods sold increased by 2.4%, which eventually resulted in the gross margin of 36.8% in the reported period,
- **EBIT** → reported is HRK 49m higher, while normalized grew by HRK 25m, primarily as a result of increase in sales in both business segments and savings realized (marketing expenses in both segments and selling and distribution costs in the food segment.). Negative impact came from very unfavorable movements in FX differences on trade receivables and trade payables (HRK -46m in 1-12 2020; HRK +19m in 1-12 2019),
- **Net profit after MI** → is HRK 27m higher, while normalized is HRK 21m higher. Net profit after MI was impacted by unfavorable movements in FX differences on borrowings (HRK -4m in 1-12 2020; HRK -2m in 1-12 2019) and lower finance costs. Tax liability is HRK 19m higher.

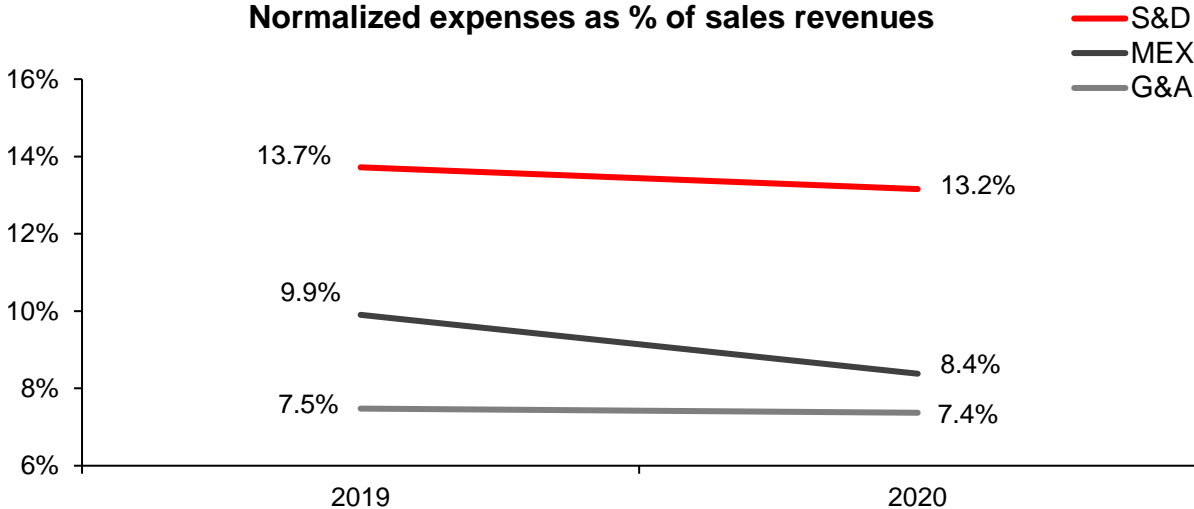
<sup>1</sup>Normalized for one-off impacts.



# Optimization of operating expenses in reported period

Operating expenses 2020 vs. 2019 % change	REPORTED	NORMALIZED <sup>1</sup>
Cost of goods sold (COGS)	2.4% 	2.5% 
General and administrative expenses (G&A)	0.4% 	0.6% 
Sales and distribution costs (S&D)	(2.1%) 	(2.0%) 
Marketing expenses (MEX)	(13.6%) 	(13.6%) 
Other expenses / revenues, net	(173.4%) 	(178.6%) 
<b>Total</b>	<b>1.1%</b> 	<b>1.7%</b> 

Normalized expenses as % of sales revenues



## Key highlights of operating expenses in 2020:

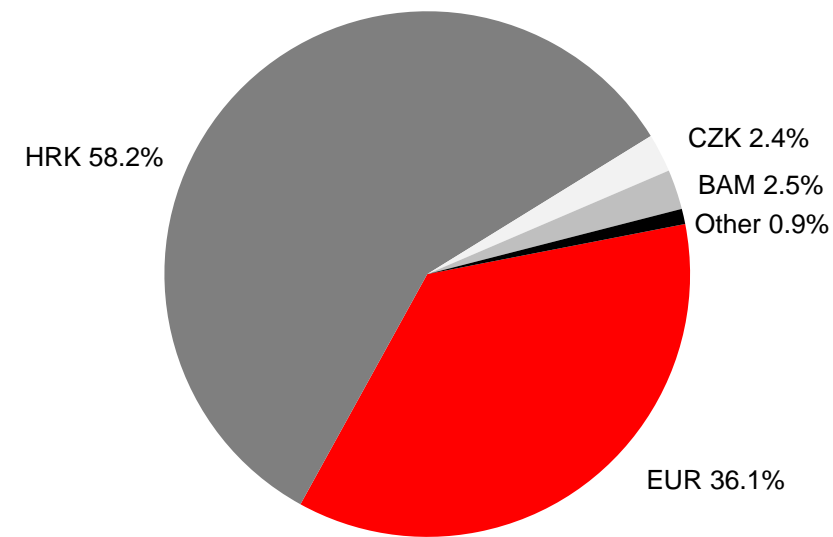
- Cost of goods sold (COGS):**
  - Higher 2.4% (normalized up by 2.5%) as a result of a higher level of sales realized, the structure of sales and the rise in prices of raw materials and supplies (estimated negative impact in the Food segment of HRK 33m). COGS was influenced by the change of impairment of inventories of raw materials, supplies and packaging policy in Pharma segment (slide 22 foot note),
- General and administrative expenses (G&A):**
  - Higher 0.4% (normalized up by 0.6%) which is at the comparative period level,
- Sales and distribution costs (S&D):**
  - Lower 2.1% (normalized down by 2.0%) due to lower costs of daily allowances, transportation costs and energy costs,
- Marketing expenses (MEX):**
  - Lower 13.6%, (Food -12.6%, Pharma -14.9%),
- Other expenses / revenues, net:**
  - HRK -21m in 1-12 2020; HRK +29m in 1-12 2019 due to movements in FX differences on trade receivables and trade payables (HRK -46m in 1-12 2020; HRK +19m in 1-12 2019). This line includes value adjustments that amount to HRK -4m in the reporting period, while in the comparative period they amounted to HRK +9m

<sup>1</sup>Normalized for one-off impacts.

# Net debt decrease with improvement of debt indicators

(u HRK <sup>1</sup> )	2019	2020	% change
Financial debt <sup>2</sup>	878	785	(10.6%)
Cash and cash equivalents	56	52	(6.7%)
Net debt	822	733	(10.8%)
TTM interest expense	15	12	(22.8%)
Net debt / TTM EBITDA	1.6	1.4	(15.3%)
EBITDA / Interest expense	20	28	40.5%
Equity to total assets ratio	65.9%	69.4%	+344 bp

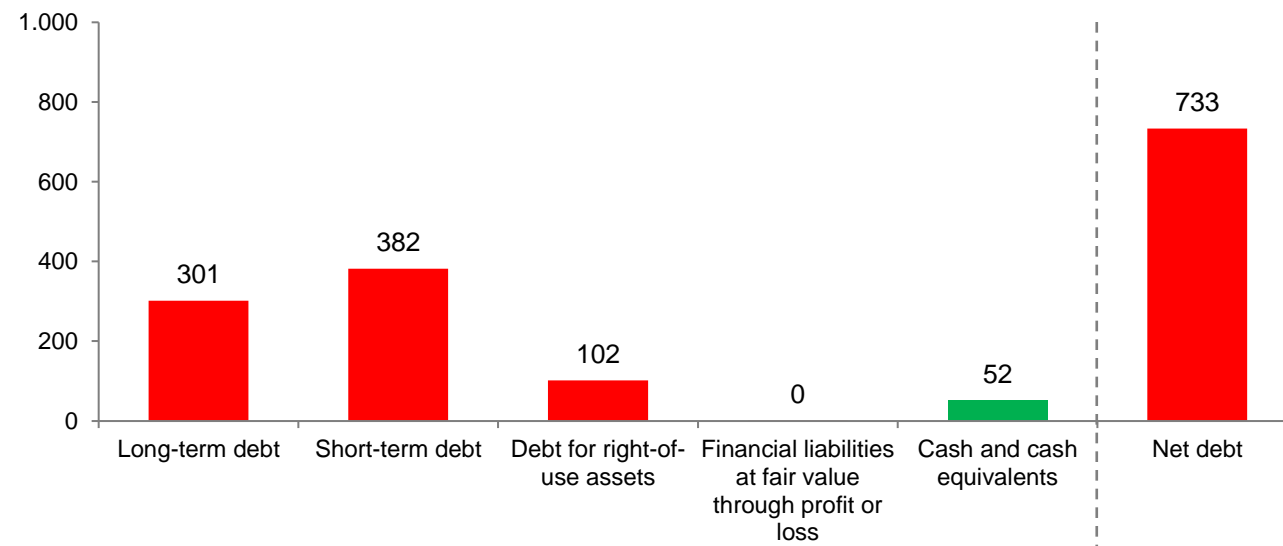
Currency structure of debt as at 31 December 2020



## Key highlights:

- **Financial debt** decrease → due to long-term debt decrease,
- **Long-term debt** decrease → due to regular repayments and refinancing aiming to achieve an optimum currency structure,
- **Short-term debt** increase → due to increase in the current portion of long-term debt and ensuring the required liquidity level in everyday operations.
- Lower **interest expenses** → repayment of a part of borrowings and refinancing under favorable conditions,
- **Weighted average cost of debt excluding liabilities for right-of-use assets:**
  - As at 31 December 2020 → 0.8%,
  - As at 31 December 2016 → 2.5%.




Net debt components in HRK<sup>1</sup> as at 31 December 2020



<sup>1</sup>All P&L figures are calculated on the trailing 12 months level, while BS figures are taken at the end of period, <sup>2</sup>long-term and short-term borrowings + liabilities for right-of-use assets + financial liabilities at fair value through P&L.

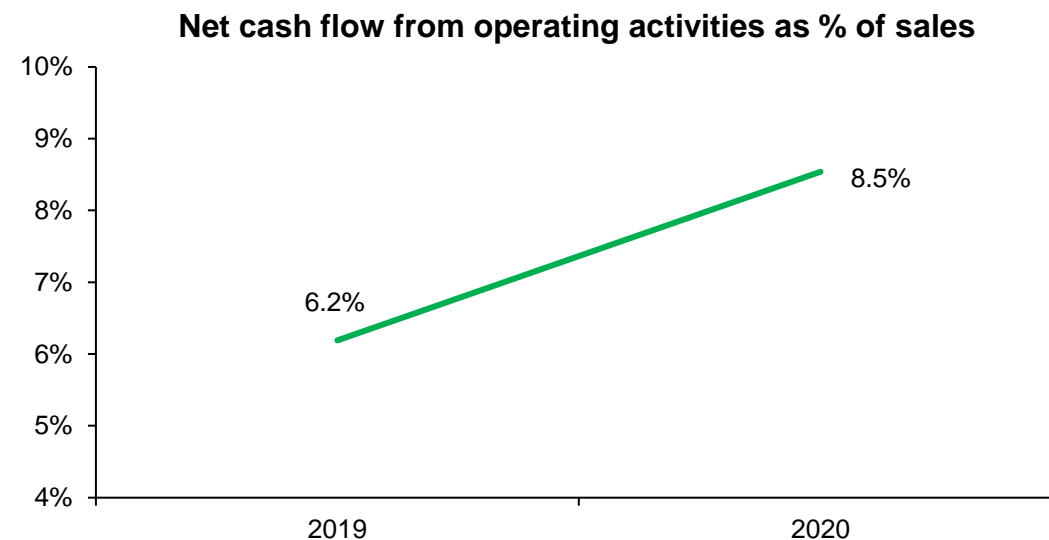
# Significantly higher level of cash flow from operating activities



Working capital movement in BS	31 Dec 2020 / 31 Dec 2019		Impact
Inventories		3.4%	<ul style="list-style-type: none"> <li>The increase in inventories is result of the increase in inventories of raw materials and supplies in the Pharmaceuticals segment, following the increased demand and production volume as a result of the situation caused by COVID-19 disease. Inventories of the Food segment are at the level of the comparative period,</li> </ul>
Trade and other receivables		2.6%	<ul style="list-style-type: none"> <li>The increase is a result of the increase in the number of days to collect receivables in the Pharmaceuticals segment on the Croatian market,</li> </ul>
Trade and other payables		(8.5%)	<ul style="list-style-type: none"> <li>This movement is a result of the cash flow optimization process on the Podravka Group level.</li> </ul>

(in HRKm)	2019	2020	Δ
Net cash from operating activities	273	385	112
Net cash from investing activities	(144)	(187)	(43)
Net cash from financing activities	(284)	(201)	83
Net change of cash and cash equivalents	(156)	(4)	152

- **CAPEX** in 2021 is expected to be at the level of HRK 272m, in 2022-2023 period at the level of HRK 200m.



# Normalization of the Profit and Loss Statement by segments



Reported and normalized profitability	2019			2020		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma
<b>Reported gross profit</b>	<b>1,631.5</b>	<b>1,158.6</b>	<b>472.9</b>	<b>1,659.4</b>	<b>1,191.1</b>	<b>468.3</b>
+impairment of inventories	1.1	1.1	-	-	-	-
+revenues from return of raw materials	-	-	-	(2.8)	-	(2.8)
<b>Normalized gross profit</b>	<b>1,632.6</b>	<b>1,159.7</b>	<b>472.9</b>	<b>1,656.6</b>	<b>1,191.1</b>	<b>465.5</b>
<b>Reported EBITDA</b>	<b>509.0</b>	<b>326.4</b>	<b>182.6</b>	<b>546.7</b>	<b>388.1</b>	<b>158.6</b>
+impairment of inventories	1.1	1.1	-	-	-	-
+revenues from return of raw materials	-	-	-	(2.8)	-	(2.8)
+reversal of impairment of other receivables	-	-	-	(5.3)	(5.3)	-
+cost related to the process of closing subsidiary in Africa	-	-	-	0.2	0.2	-
+severance payments (long term sick-leave)	4.8	4.8	-	4.2	4.2	-
+provisions for the prepayment write-off	0.6	0.6	-	-	-	-
<b>Normalized EBITDA</b>	<b>515.5</b>	<b>333.0</b>	<b>182.6</b>	<b>543.1</b>	<b>387.3</b>	<b>155.7</b>
<b>Reported EBIT</b>	<b>283.5</b>	<b>164.3</b>	<b>119.3</b>	<b>332.3</b>	<b>232.7</b>	<b>99.7</b>
+normalizations above EBITDA level	6.5	6.5	-	(3.6)	(0.8)	(2.8)
+product line equipment	0.5	0.5	-	0.1	0.1	-
+assets held for sale	7.4	7.4	-	-	-	-
+investment property	10.4	10.4	-	-	-	-
+receivables related to relationship with Fortenova Group	(12.1)	(12.1)	-	-	-	-
+reversal of impairment	-	-	-	(4.0)	-	(4.0)
+other	3.3	3.3	-	-	-	-
<b>Normalized EBIT</b>	<b>299.5</b>	<b>180.2</b>	<b>119.3</b>	<b>324.8</b>	<b>232.0</b>	<b>92.9</b>
<b>Reported Net profit after MI</b>	<b>221.6</b>	<b>137.9</b>	<b>83.6</b>	<b>248.9</b>	<b>181.8</b>	<b>67.1</b>
+normalizations above EBIT level	16.0	16.0	-	(7.5)	(0.7)	(6.8)
+pre-payment fee	-	-	-	1.7	-	1.7
+estimated impact of normalization on taxes	(14.0)	(14.0)	-	1.3	(0.0)	1.3
<b>Normalized Net profit after MI</b>	<b>223.6</b>	<b>139.9</b>	<b>83.6</b>	<b>244.4</b>	<b>181.1</b>	<b>63.3</b>



2020 results

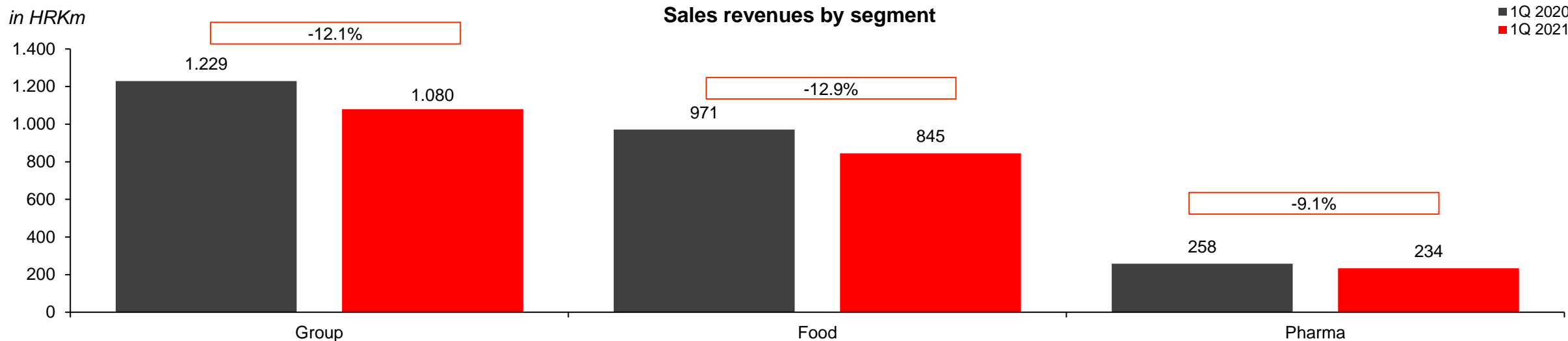
**1Q 2021 results**





## Lower level of sales revenues in both segments

in HRK<sub>m</sub>



### Podravka Group in 1-3 2021<sup>1,2</sup>:

- **Own brands** → 12.2% lower sales,
- **Other sales** → 11.0% lower sales,
- **Total Podravka Group** → 12.1% lower sales.

### Food segment in 1-3 2021<sup>1,2</sup>:

- **Own brands** → 12.9% lower sales, as a result of the exceptionally high demand and sales of food products from all business units in the comparative period,
- **Other sales** → 14.2% lower sales, primarily as a result of lower sales of trade goods (poppy seeds) in the markets of Austria and Romania,
- **Total Food** → 12.9% lower sales.

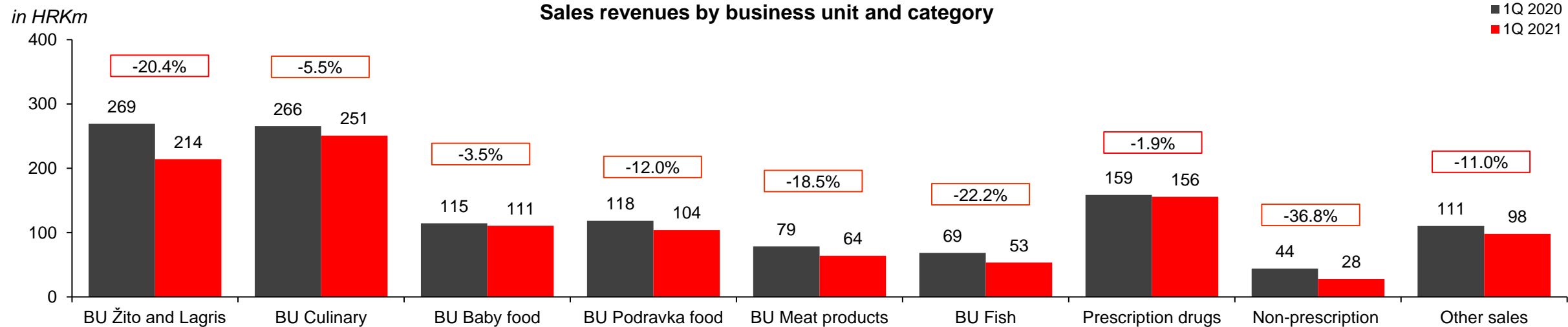
### Pharmaceuticals segment in 1-3 2021<sup>1,2</sup>:

- **Own brands** → 9.5% lower sales, as a result of the exceptionally high demand for pharmaceutical products, primarily in the OTC drugs category, in the comparative period,
- **Other sales** → 7.9% lower sales, due to the decrease in sales of trade goods in the markets of Bosnia and Herzegovina and Croatia,
- **Total Pharma** → 9.1% lower sales.

<sup>1</sup>The situation caused by COVID-19 disease positively impacted the sales revenues trends in the first quarter of 2020 when was recorded a prominent effect of stockpiling of food and pharmaceutical products by customers in almost all markets in which the Podravka Group is present. Increased demand in the first quarter of 2020 significantly contributed to sales revenues of both business segments and all business units and categories, but this impact cannot be clearly distinguished from the impact of regular demand for products. The impact of the epidemiological situation in the reporting period, in most countries in which the Podravka Group operates, especially in the Adria region (mostly in Croatia), is completely different from the one recorded in the comparative period. Negative impact on sales revenues in the entire reporting period comes from the introduced strict epidemiological measures such as lockdown and curfew, reduced store opening hours, restrictions on the number of customers in stores, limited movement of people, closure of the Gastro channel (includes HoReCa customers, institutional customers, industrial customers, etc.), difficult access to health care facilities, reduced number of diagnostic procedures and consequently, lower levels of prescription drugs prescribed. Epidemiological measures, avoidance of social contacts and wearing masks resulted in the absence of influenza and viral diseases season, specific to the winter period of the year, which contributed to lower sales of Non-prescription drugs. All of the above affected the movements of sales revenues, but this effect cannot be clearly estimated or quantified.

<sup>2</sup>Percentages in the text relate to performance in 1-3 2021 compared to 1-3 2020.

# Lower sales across all business units and categories



## Business unit and category performance in 1-3 2021<sup>1</sup>:

- **BU Žito and Lagris (-20.4%)** → lower sales due to lower sales in categories of Fresh bakery products, Rice, Pulses, porridge and oil products, and private labels, primarily in the markets of the Adria and Central Europe regions,
- **BU Culinary (-5.5%)** → lower sales mostly in Soups category. Growth recorded in Western Europe and Overseas, and New markets regions, which didn't compensate other regions lower sales,
- **BU Baby food, sweets and snacks (-3.5%)** → lower sales, Creamy spreads sales increase partially compensated sales decrease in Baby food and Sweets categories. Lower sales in most regions, sales growth recorded in the Western Europe and Overseas, and New markets regions,
- **BU Podravka food (-12.0%)** → lower sales, due to sales decrease of Vegetables, Flour and Tomato categories. Revenue growth recorded in Western Europe and Overseas markets and Central Europe markets, which partly compensated lower sales of Adria and Eastern Europe regions,
- **BU Meat products, meals and spreads (-18.5%)** → sales decrease, due to lower sales of the Canned ready-to-eat meals, Luncheon meat and Pates categories in Adria region markets,
- **BU Fish (-22.2%)** → lower sales primarily due to sales decrease of the Tuna and Sardine categories in the Adria region,
- **Prescription drugs (-1.9%)** → lower sales due to difficult access to health care institutions in conditions of COVID-19 disease and reduced number of diagnostic procedures in markets of Bosnia and Herzegovina, the Czech Republic and Poland,
- **Non-prescription programme (-36.8%)** → a result of sales decrease of the OTC drugs subcategory (primarily Croatian market), due to exceptionally high demand for Non-prescription drugs in 1-3 2020,
- **Other sales (-11.0%)** → In the Pharmaceuticals segment, sales dropped by HRK 4m, primarily due to lower sales of trade goods in the markets of Bosnia and Herzegovina and Croatia; in the Food segment, sales dropped by HRK 8m mainly due to Lagris trade goods sales decrease (primarily poppy seeds) in the markets of Austria and Romania.

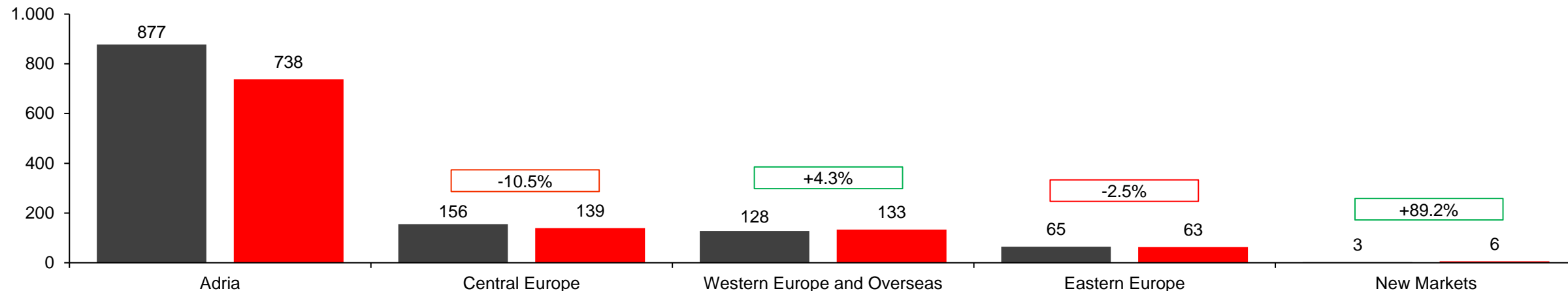
<sup>1</sup>Percentages in the text relate to performance in 1-3 2021 compared to 1-3 2020.

# Lower sales recorded in most regions

in HRK m

Sales revenues by region

■ 1Q 2020  
■ 1Q 2021



## Region performance in 1-3 2021<sup>1</sup>:

- **Adria (-15.9%)** → **Food** sales 15.9% lower, due to the exceptional demand for most product categories recorded in 1-3 2020.; **Pharmaceuticals** sales 12.6% lower due to lower demand and sales of OTC drugs,
- **Central Europe (-10.5%)** → **Food** sales lower 11.2%, where sales increase of BU Podravka Food was unable to cancel out lower sales of BU Žito and Lagris, primarily in the Basic food and Private labels categories, and lower sales of trade goods; **Pharmaceuticals** sales down by 5.5% due to lower sales of Prescription drugs in Poland and the Czech Republic,
- **WE and Overseas region (+4.3%)** → **Food** sales 4.5% higher, due to sales increase of almost all BU, largest contribution from BU Culinary and Podravka Food; **Pharmaceuticals** segment sales revenues down by HRK 0.3m (-43.2%) due to decrease in sales of Prescription drugs (Dermatological drugs) in Germany,
- **Eastern Europe (-2.5%)** → **Food** sales down by 17.5%, due sales decrease in all BU; **Pharmaceuticals** sales up by 8.7% due to increase in sales of dermatological drugs and OTC drugs,
- **New markets (+89,2%)** → **Food** sales up by HRK 3m (+89.2%) primarily due to sales increase of Universal seasonings and Creamy spreads.

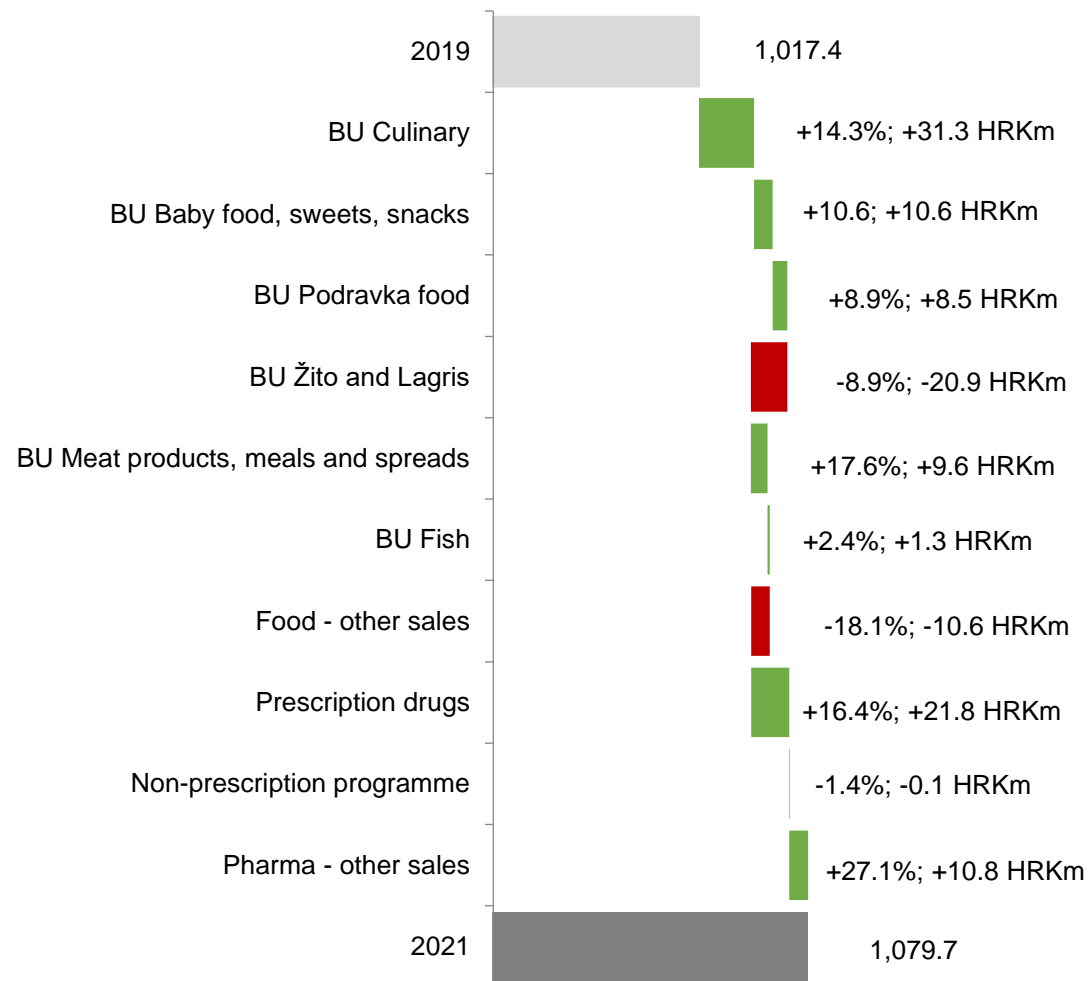
<sup>1</sup>Percentages in the text relate to performance in 1-3 2021 compared to 1-3 2020.

# Sales revenues 1-3 2021 vs. 1-3 2019 period



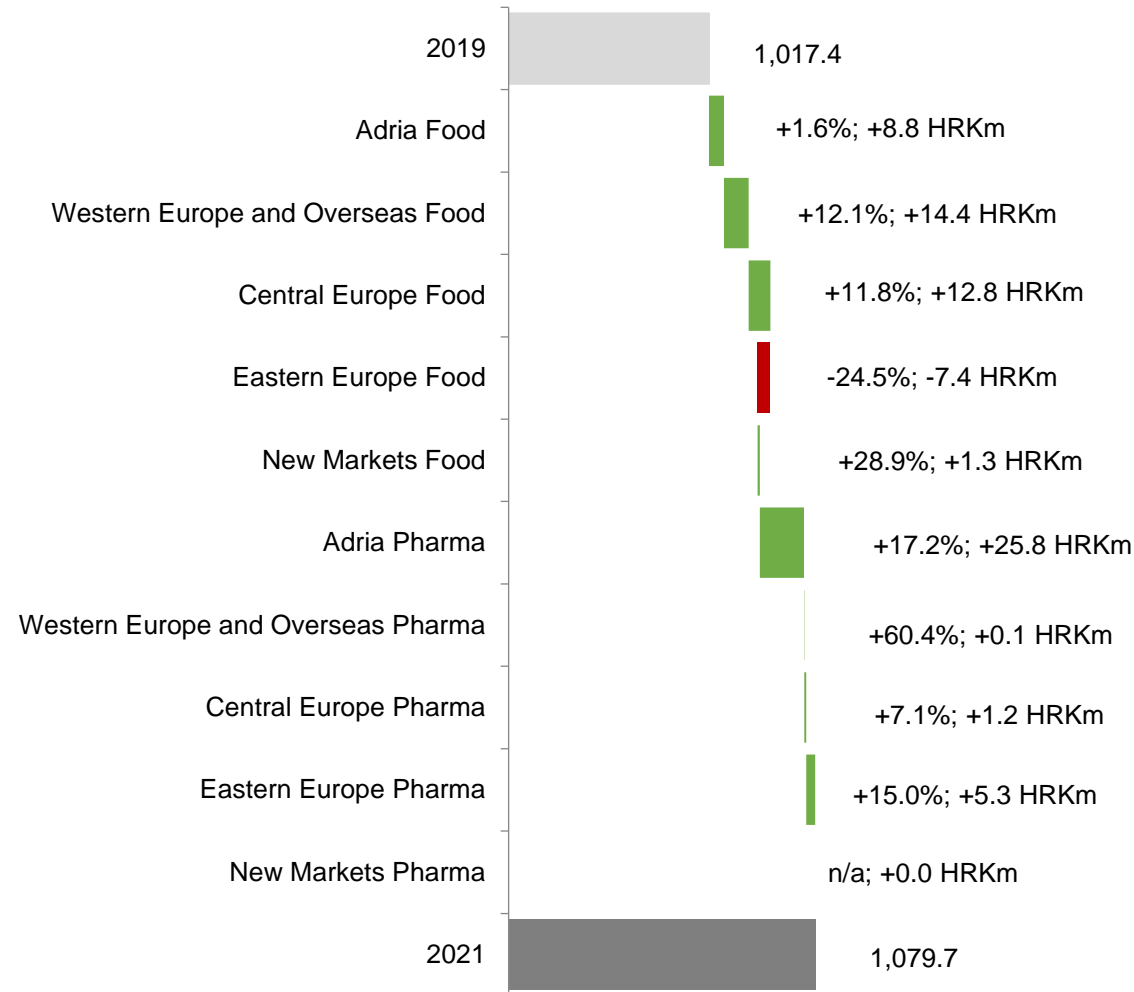
## BU & Categories 1Q 2021 vs. 1Q 2019

+62.3 HRK



## Regions 1Q 2021 vs. 1Q 2019

+62.3 HRK



- Food segment sales up by +29.8 HRK (+3.7%); Pharmaceutical segment sales up by +32.4 HRK (+16.1%)

## Food segment profitability influenced by cost optimization and positive FX differences

Food segment (in HRK <sup>m</sup> )	REPORTED				NORMALIZED <sup>1</sup>			
	1-3 2020	1-3 2021	Δ	%	1-3 2020	1-3 2021	Δ	%
Sales revenue	971	845	(126)	(12.9%)	971	845	(126)	(12.9%)
Gross profit	337	303	(34)	(10.0%)	337	303	(34)	(10.0%)
EBITDA	148	135	(14)	(8.9%)	149	135	(13)	(8.9%)
EBIT	110	98	(12)	(10.9%)	110	98	(12)	(10.9%)
Net profit after MI	87	81	(6)	(7.2%)	88	81	(6)	(7.1%)
Gross margin	34.7%	35.8%		+116 bp	34.7%	35.8%		+116 bp
EBITDA margin	15.3%	16.0%		+70 bp	15.3%	16.0%		+71 bp
EBIT margin	11.3%	11.6%		+26 bp	11.3%	11.6%		+27 bp
Net profit margin after MI	9.0%	9.6%		+59 bp	9.0%	9.6%		+60 bp

### Food segment profitability in 1-3 2021:

- **Gross profit** → lower 10.0% with the gross margin of 35.8%. Positive trends in prices of raw materials and supplies were recorded in comparative period related to 1 – 3 2020. The estimated effect of movements in raw materials and supplies in amounted to positive HRK 1m<sup>2</sup> (mostly meat and wheat),
- **EBIT** → 10.9% lower. Positive effect came from cost optimization (lower provisions for trade receivables, savings on marketing expenses and savings on logistics and distribution costs) and favourable movements in FX differences on trade receivables and trade payables (HRK +2m in 1 – 3 2021; HRK -7m in 1 – 3 2020),
- **Net profit after MI** → HRK 6m lower than in comparative period. Bottom line was positively impacted by FX differences on borrowings (HRK +0m in 1 – 3 2021; HRK -5m in 1 – 3 2020), which compensated for lower finance income. Following the decrease in pre-tax profit, the tax liability is HRK 2m lower.

<sup>1</sup>Normalized for one-off impacts.

<sup>2</sup>Obtained as used volumes of raw materials and supplies in 1-3 2021\*prices in 1-3 2021 – used volumes of raw materials and supplies in 1-3 2021\*prices in 1-3 2020.



# Pharmaceuticals segment profitability a result of cost optimization and positive FX differences



Pharma segment (in HRK <sub>m</sub> )	REPORTED				NORMALIZED <sup>1</sup>			
	1-3 2020	1-3 2021	Δ	%	1-3 2020	1-3 2021	Δ	%
Sales revenue	258	234	(24)	(9.1%)	258	234	(24)	(9.1%)
Gross profit	121	109	(12)	(9.7%)	118	109	(9)	(7.5%)
EBITDA	29	49	21	71.5%	26	49	23	90.1%
EBIT	13	33	20	152.8%	10	33	23	221.8%
Net profit after MI	4	24	21	551.1%	2	24	22	1,256.5%
Gross margin	46.7%	46.4%		-29 bp	45.6%	46.4%		+81 bp
EBITDA margin	11.2%	21.1%		+992 bp	10.1%	21.1%		+1101 bp
EBIT margin	5.1%	14.2%		+911 bp	4.0%	14.2%		+1021 bp
Net profit margin after MI	1.4%	10.3%		+888 bp	0.7%	10.3%		+963 bp

## Pharmaceuticals segment profitability in 1-3 2021:

- **Gross profit** → reported is lower 9.7% while normalized is 7.5% lower. The gross margin is 46.4% which is at the level of comparative period,
- **EBIT** → reported HRK 20m higher, while normalized is up by HRK 23m as a result of savings and cost optimization, primarily on marketing expenses. A positive impact also came from movements in FX differences on trade receivables and trade payables (HRK +4m in 1 – 3 2021; HRK -27m in 1 – 3 2020),
- **Net profit after MI** → reported is HRK 21m higher, while normalized net profit after MI is HRK 22m higher. Bottom line was affected by favorable movements in FX differences on borrowings (HRK -0m in 1-3 2021; HRK -6m in 1-3 2020). Tax liability is higher by HRK 4m.

<sup>1</sup>Normalized for one-off impacts.

## Group profitability influenced by cost optimization and positive FX differences













Podravka Group	REPORTED				NORMALIZED <sup>1</sup>			
(in HRK m)	1-3 2020	1-3 2021	Δ	%	1-3 2020	1-3 2021	Δ	%
Sales revenue	1,229	1,080	(149)	(12.1%)	1,229	1,080	(149)	(12.1%)
Gross profit	457	412	(45)	(9.9%)	454	412	(43)	(9.4%)
EBITDA	177	185	7	4.2%	175	185	10	5.9%
EBIT	123	131	8	6.6%	120	131	11	9.2%
Net profit after MI	91	105	14	15.6%	89	106	16	18.1%
Gross margin	37.2%	38.1%		+94 bp	37.0%	38.1%		+117 bp
EBITDA margin	14.4%	17.1%		+267 bp	14.2%	17.1%		+291 bp
EBIT margin	10.0%	12.1%		+214 bp	9.8%	12.2%		+238 bp
Net profit margin after MI	7.4%	9.7%		+234 bp	7.3%	9.8%		+250 bp

### Profitability of the Podravka Group in 1-3 2021:

- **Gross profit** → reported is lower 9.9%, while normalized is down by 9.4%. Cost of goods sold decreased by 13.4%, with the increase in reported gross margin, which amounted to 38.1% at the end of the reporting period,
- **EBIT** → reported is HRK 8m higher, while normalized grew by HRK 11m, as a result of cost optimization and savings, primarily on marketing expenses in both segments, on logistics and distribution costs and lower provisions for trade receivables in the Food segment. Positive impact came also from favorable movements in FX differences on trade receivables and trade payables (HRK +6m in 1 – 3 2021; HRK -34m in 1 – 3 2020),
- **Net profit after MI** → reported is HRK 14m higher, while normalized is HRK 16m higher. Net profit after MI was impacted by favorable movements in FX differences on borrowings (HRK -0m in 1-3 2021; HRK -12m in 1-3 2020) and lower finance costs. Tax liability is HRK 2m higher.

<sup>1</sup>Normalized for one-off impacts.

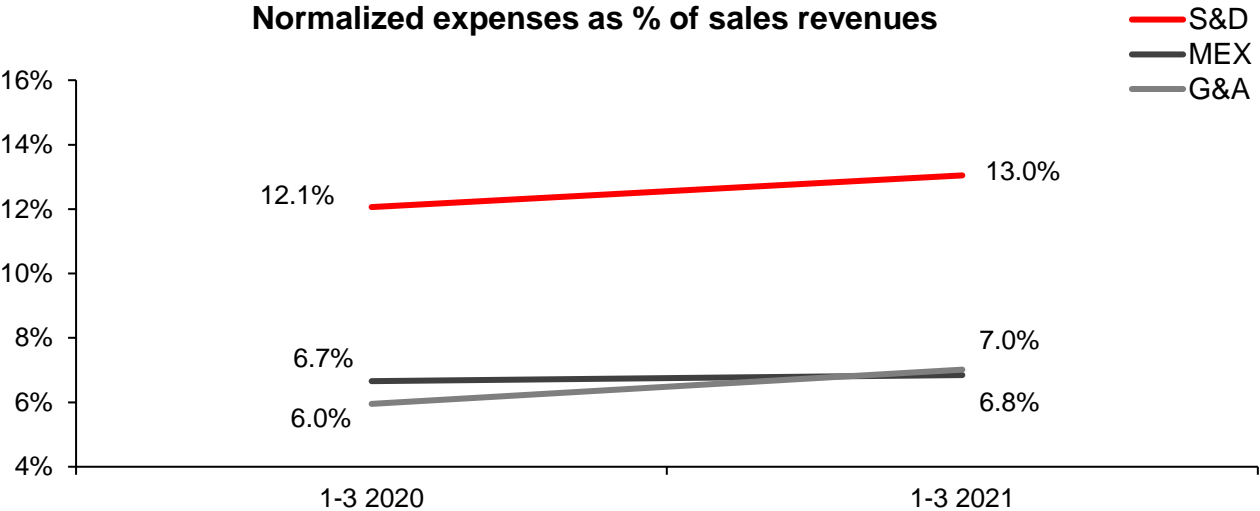
# Continuation of operating expenses optimization in reported period

Operating expenses 1-3 21 vs. 1-3 20 % change	REPORTED	NORMALIZED <sup>1</sup>
Cost of goods sold (COGS)	(13.4%) 	(13.8%) 
General and administrative expenses (G&A)	3.5% 	3.4% 
Sales and distribution costs (S&D)	(4.9%) 	(4.9%) 
Marketing expenses (MEX)	(9.7%) 	(9.7%) 
Other expenses / revenues, net	(132.8%) 	(132.8%) 
<b>Total</b>	<b>(14.2%)</b> 	<b>(14.4%)</b> 

## Key highlights of operating expenses in 1-3 2021:

- **Cost of goods sold (COGS):**
  - Lower 13.4% (normalized down by 13.8%) as a result of a lower level of sales realized, the structure of sales and decrease in prices of raw materials and supplies (estimated positive impact in the Food segment of HRK 1m).
- **General and administrative expenses (G&A):**
  - Higher 3.5% (normalized up by 3.4%) due to different dynamics of movements in provisions,
- **Sales and distribution costs (S&D):**
  - Lower 4.9% (normalized down by 4.9%) due to lower provisions for trade payables and lower costs of transportation and services,
- **Marketing expenses (MEX):**
  - Lower 9.7%, (Food -10.9%, Pharma -8.4%),
- **Other expenses / revenues, net:**
  - Amounted to HRK -10m in 1-3 2021; HRK +31m in 1-3 2020 due to movements in FX differences on trade receivables and trade payables (HRK +6m in 1-3 2021; HRK -34m in 1-3 2020).

## Normalized expenses as % of sales revenues



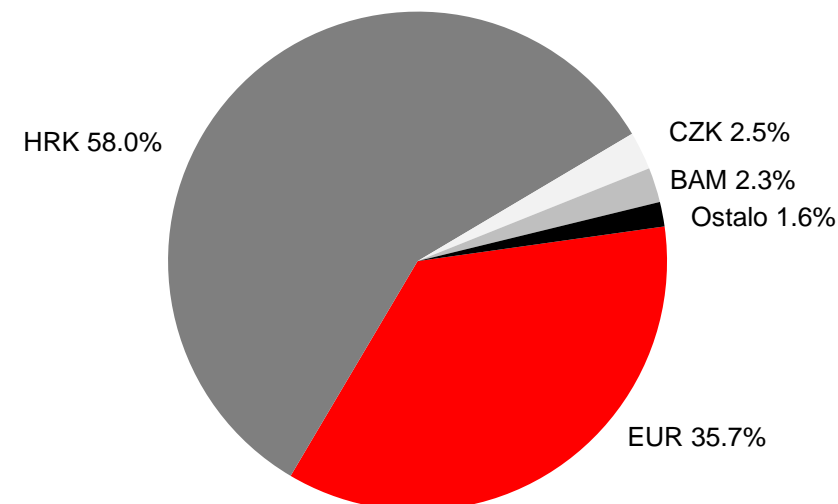
<sup>1</sup>Normalized for one-off impacts.

# Continuation of deleveraging with debt indicators improvement



(in HRKm) <sup>1</sup>	2020	1-3 2021	% change
Financial debt <sup>2</sup>	785	745	(5.2%)
Cash and cash equivalents	52	178	243.4%
Net debt	733	567	(22.7%)
TTM interest expense	12	10	(9.7%)
Net debt / TTM EBITDA	1.4	1.0	(24.2%)
EBITDA / Interest expense	28	32	14.5%
Equity to total assets ratio	69.4%	69.1%	-24 bp

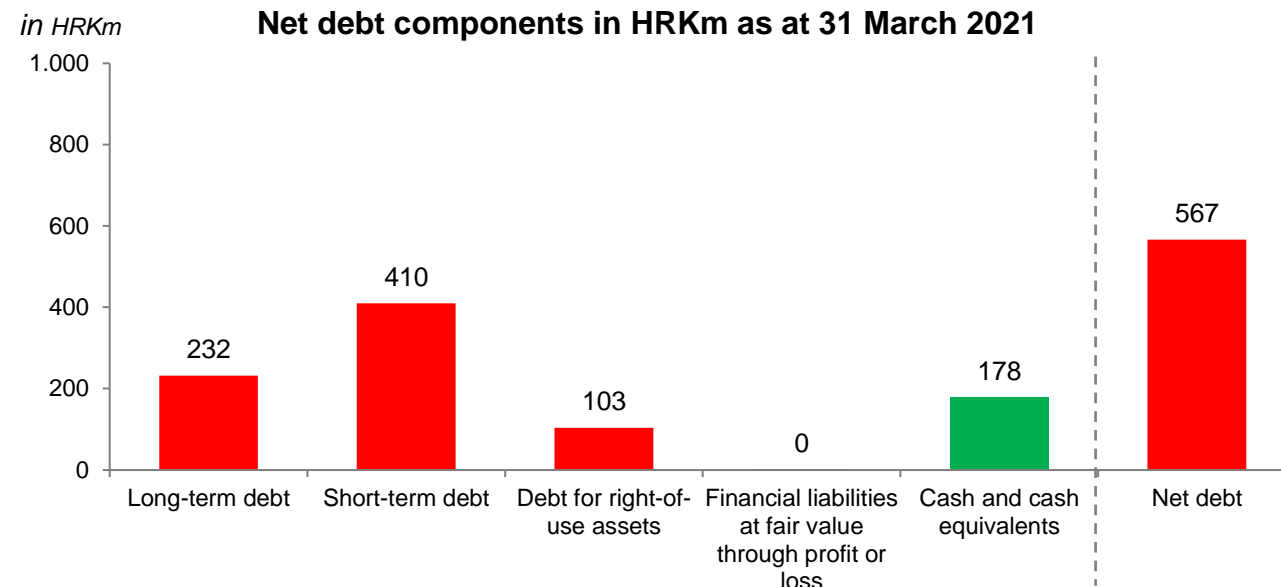
Currency structure of debt as at 31 March 2021



## Key highlights:

- **Financial debt** decrease → due to long-term debt decrease,
- **Long-term debt** decrease → due to regular repayments of long-term debt,
- **Short-term debt** increase → due to short-term borrowings ensuring the required liquidity level in everyday operations,
- Lower **interest expenses** → refinancing of borrowings under more favorable commercial terms with a continuous decrease in the total borrowings,
- **Weighted average cost of debt excluding liabilities for right-of-use assets:**
  - As at 31 March 2021 → 0.8%,
  - As at 31 December 2016 → 2.5%.




Net debt components in HRKm as at 31 March 2021



<sup>1</sup>All P&L figures are calculated on the trailing 12 months level, while BS figures are taken at the end of period, <sup>2</sup>long-term and short-term borrowings + liabilities for right-of-use assets + financial liabilities at fair value through P&L.

# Significantly higher level of cash flow from operating activities

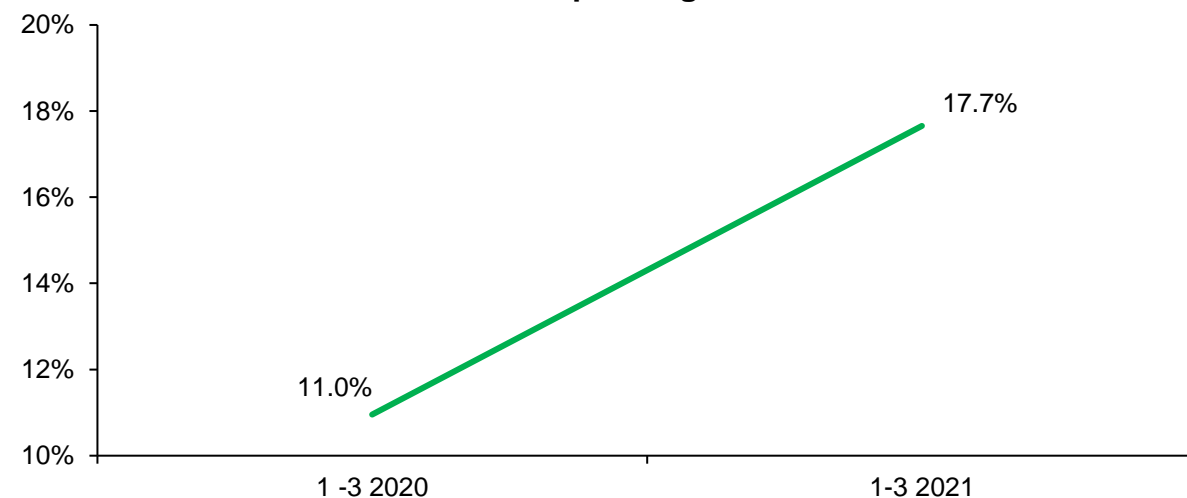


Working capital movement in BS	31 Mar 2021 / 31 Mar 2020		Impact
Inventories		3.6%	<ul style="list-style-type: none"> <li>This movement is primarily the result of the increase in inventories of raw materials and supplies in the Pharmaceuticals segment in 1-3 2021, partly due to the procurement of sufficient amounts of raw materials and supplies for ensuring production continuity and market supply of drugs with respect to the situation caused by COVID-19 disease, and partly due to lower sales than expected on the Croatian market. Inventories of the Food segment are lower than in the comparative period.</li> </ul>
Trade and other receivables		(4.2%)	<ul style="list-style-type: none"> <li>This movement is in line with the regular operations of the Food segment in the reporting period and exceptional sales growth of food products in the comparative period, while in the Pharmaceuticals segment the increase in receivables is a result of the increase in the number of days to collect receivables on the Croatian market in the reporting period.</li> </ul>
Trade and other payables		(9.7%)	<ul style="list-style-type: none"> <li>The movement is mostly a result of the procurement of sufficient amounts of raw materials and supplies for ensuring production continuity and market supply of food products from the Food segment in the comparative period.</li> </ul>

(in HRKm)	1-3 2020	1-3 2021	Δ
Net cash from operating activities	135	191	56
Net cash from investing activities	(46)	(14)	33
Net cash from financing activities	121	(51)	(172)
Net change of cash and cash equivalents	<b>209</b>	<b>126</b>	<b>(83)</b>

- **CAPEX** in 2021 is expected to be at the level of HRK 272m, in 2022-2023 period at the level of HRK 200m.

Net cash flow from operating activities as % of sales





# Financial indicators continuously improving

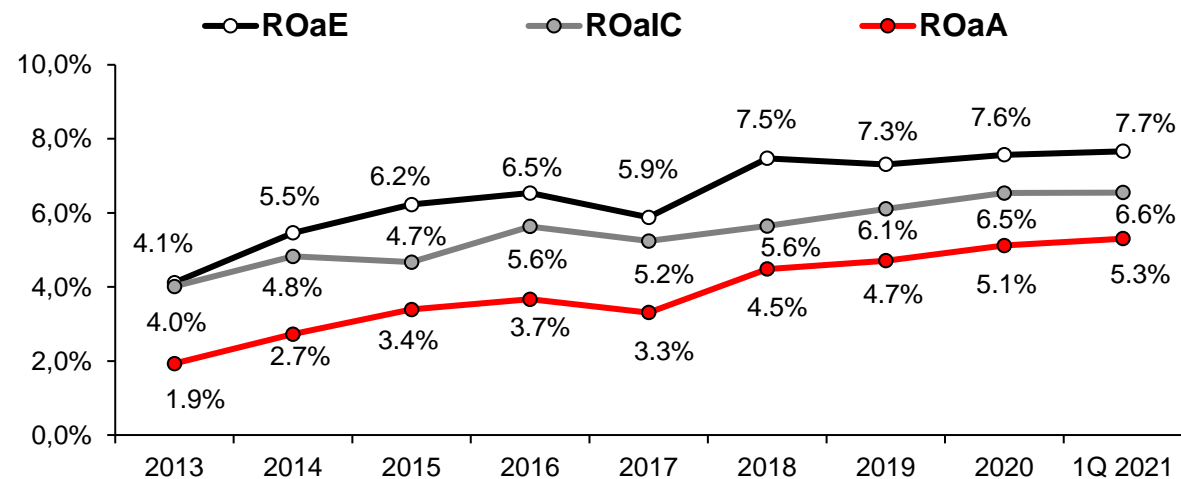


## Restructuring related one-off items burdened profitability

(in HRK m)	2012	2013	2014	2015	2016	2017	2018	2019	2020	1Q 21
Value adjustments	(32)	(81)	(28)	(35)	(11)	(89)	(9)	(11)	10	0
Severance payments	(50)	(57)	(72)	(41)	(12)	(40)	(6)	(5)	(4)	(0)
Other	(44)	5	10	298 <sup>1</sup>	8	(18)	4	13	1	(0)
Total net one-offs	(126)	(133)	(90)	222	(15)	(147)	(10)	(2)	7	(0)

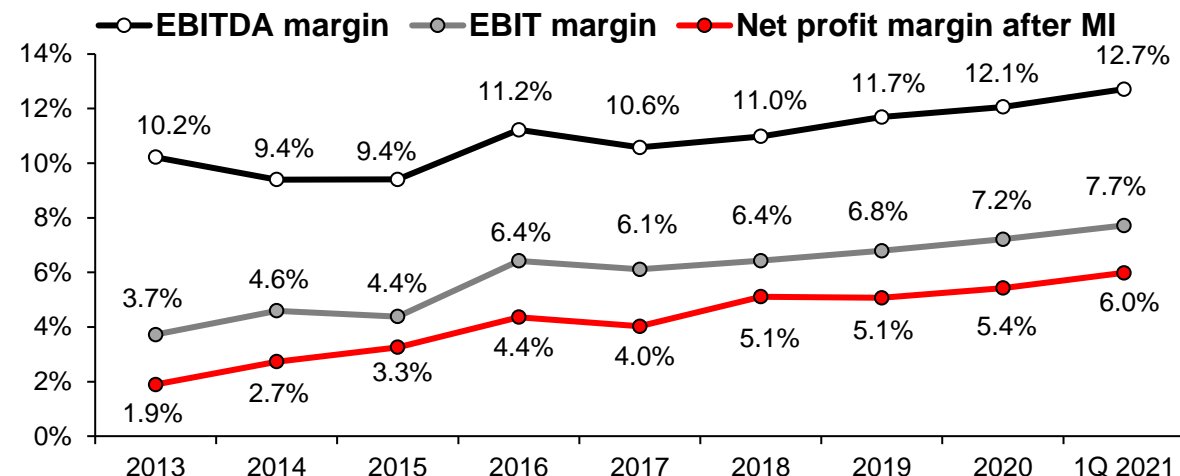
<sup>1</sup>HRK 116m of gain on a bargain purchase from Žito acquisition (badwill), HRK 164m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19m refers to other items.

## Normalized return rates movement<sup>2</sup>



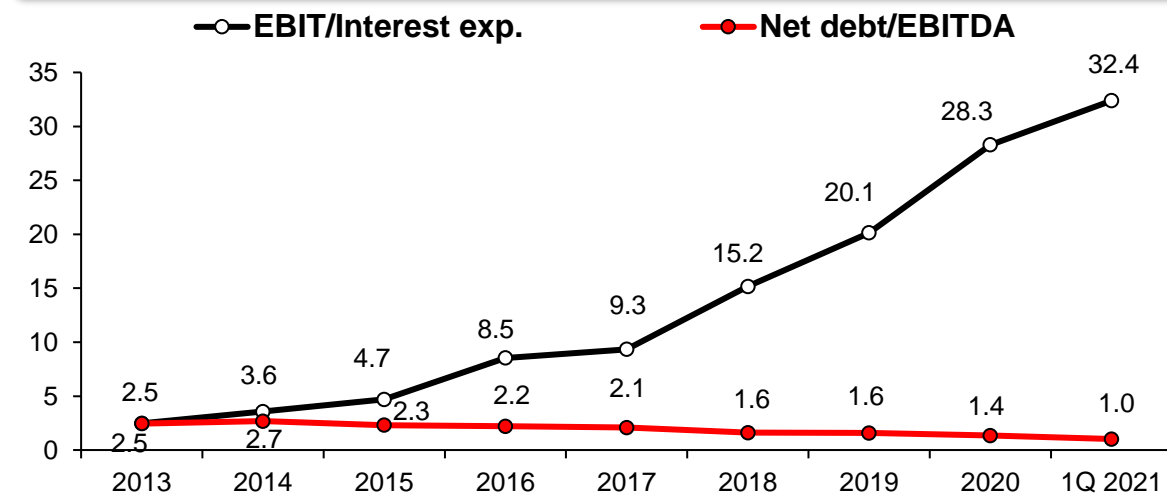
<sup>2</sup>2015 figures include pro-forma Podravka Group and Žito Group full year figures, excluding consolidation effects and tax incentives for Belupo factories; <sup>2</sup>2019, 2020 and 1Q 2021 figures include IFRS 16.

## Normalized profitability margins movement<sup>2</sup>



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

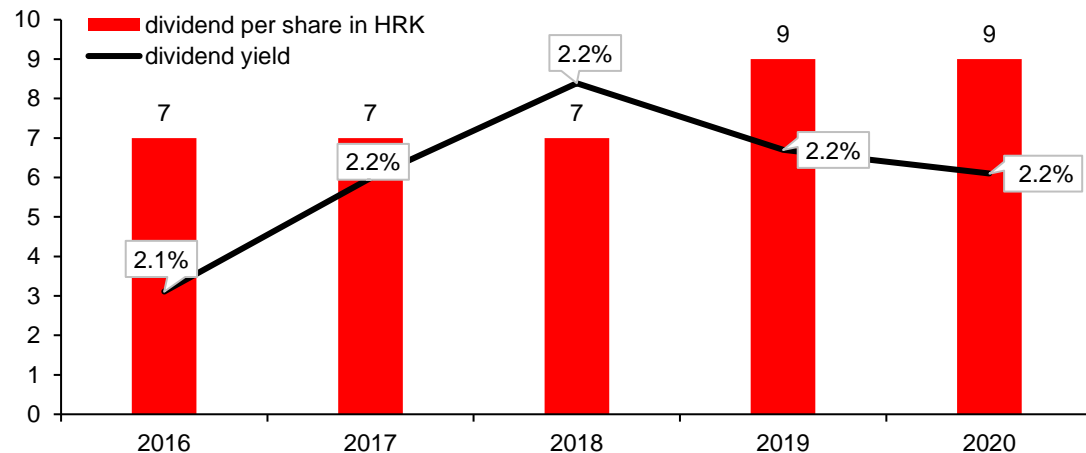
## Normalized debt level movement<sup>2</sup>



# Good performance turned Podravka into a dividend player



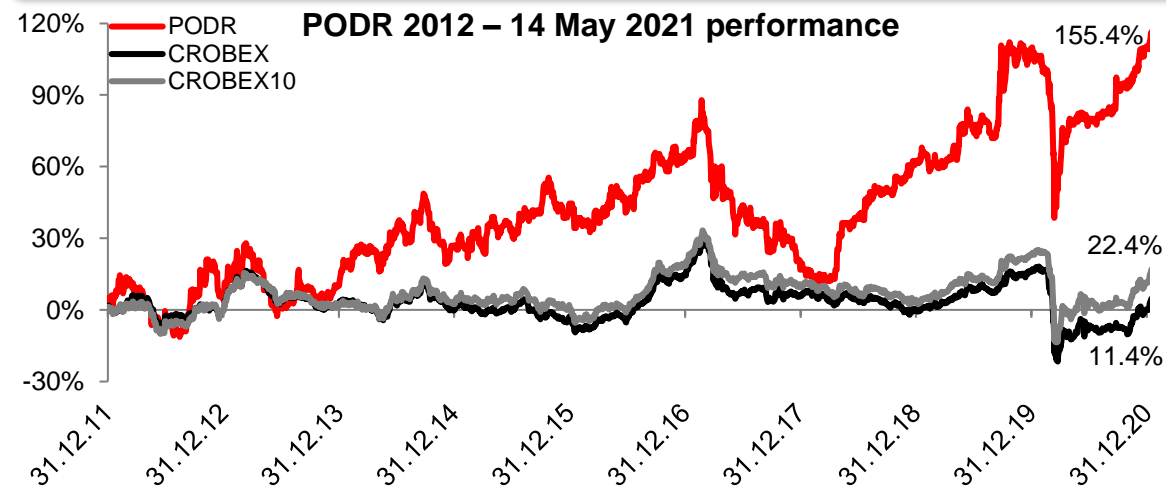
## Dividend and dividend yield<sup>1</sup>



## 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,
- Announced dividend of HRK 9.00 per share in 2021 (to be confirmed by General Assembly on 29 June), record date 29 July, ex date 28 July, payment date 27 Aug.

## Historical share price movement



<sup>1</sup>DY calculation is based on last mkt. price on the GA date, <sup>2</sup>Obtained from Bloomberg on 24<sup>th</sup> March 2021, based on last price on 24<sup>th</sup> March 2021 (HRK 600.00); <sup>3</sup>Calculated excluding max. and min. values; <sup>4</sup>Normalized for items stated in the publication 1Q 2021 and 1Q 2020 results.

## Peer group multiples comparison

Peer group multiples <sup>2</sup>	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.3	12.9	15.3	2.8	18.4
Normalized weight. av. peer group <sup>3</sup>	1.7	12.5	14.4	2.1	17.4
Podravka Group reported	1.1	8.7	14.2	1.2	15.9
Podravka Group normalized <sup>4</sup>	1.1	8.7	14.4	1.2	16.1

**Peer Group Food:** Atlantic Grupa, Ebro, Hochdorf, La Doria, McCormick, Orkla;

**Peer Group Pharma:** Alkaloid, Richter Gedeon, Hikma Pharmaceuticals, Krka, Recordati, Stada Arzneimittel.

Podravka Inc.

Ante Starčevića 32, 48 000 Koprivnica

[www.podravka.hr](http://www.podravka.hr)

Investor Relations

[ir@podravka.hr](mailto:ir@podravka.hr)

tel: +385 48 65 16 35





# Podravka Group

*Always with a heart!*

