



Podravka Group

Always with a heart!



The Finest CEElection Investor Conference, 6th October 2021



The Company

Business

Investment highlights

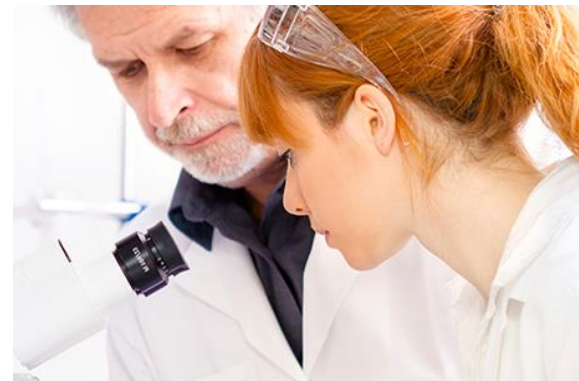
2020 results

1H 2021 results





Founded in
1947



Headquarters in
Koprivnica

74 years
In food business

49 years
In pharmaceutical
business



4,503m HRK
(600m EUR) revenues

4,941m HRK
(659m EUR) assets



6,737*
Employees

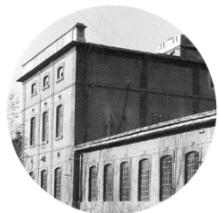


4,650m HRK
(620m EUR) Mcap**

Listed on ZSE
Prime market

Note: figures in this presentation are translated to euros at HRK/EUR FX rate of 7.5; *On 30th June 2021; **Mcap on 30th September 2021, 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

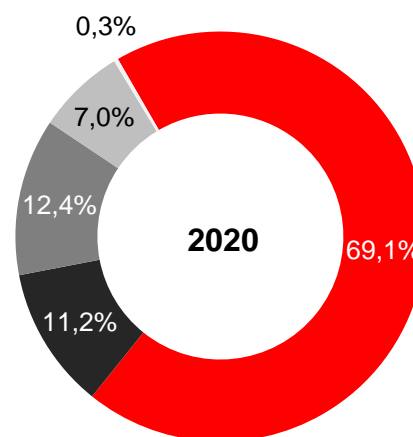


Factories

- 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 2020



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

Market	HRKm	EURm	%
Croatia	1,412	188	31.3%
Slovenia	788	105	17.5%
B&H	480	64	10.7%
Russia	266	35	5.9%
Other m.	1,557	208	34.6%
Group	4,503	600	100.0%

Institutional investors provide stabile ownership structure



Management Board



Martina Dalić
MB president



Ljiljana Šapina
MB member



Davor Doko
MB member



Hrvoje Kolarić
MB member



Marko Đerek
MB member

Ownership structure as at 30 September 2021 and Supervisory Board

President:

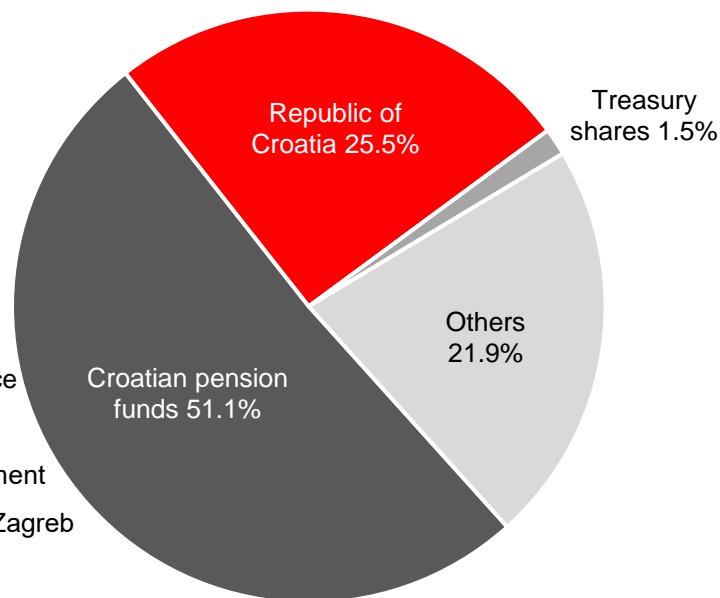
- Želimir Vukina → professional manager with experience in food and pharmaceutical segment

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

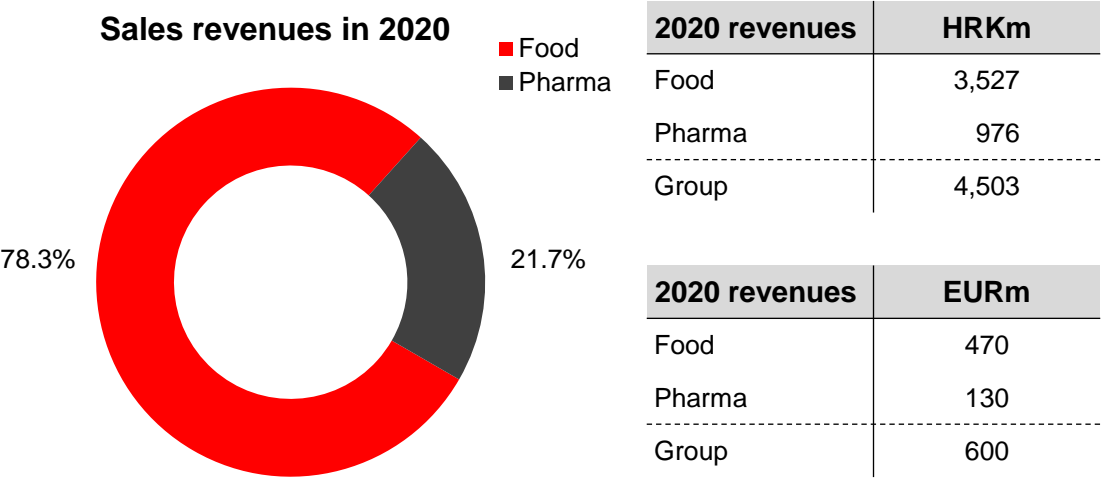


No.	Shareholder	% ownership
1.	Republic of Croatia	25.5%
2.	PBZ Croatia Osiguranje mandatory pension fund category B	15.4%
3.	AZ mandatory pension fund category B	12.9%
4.	Erste Plavi mandatory pension fund category B	9.0%
5.	Raiffeisen mandatory pension fund category B	8.8%
6.	Podravka d.d. – treasury shares	1.5%
	Other shareholders	27.0%
Total		100.0%

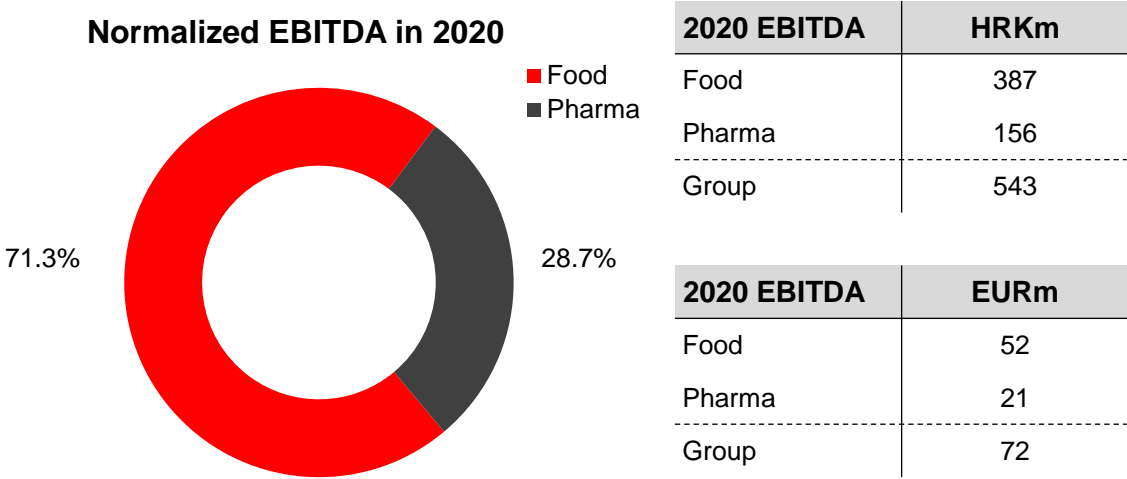
Key financial figures



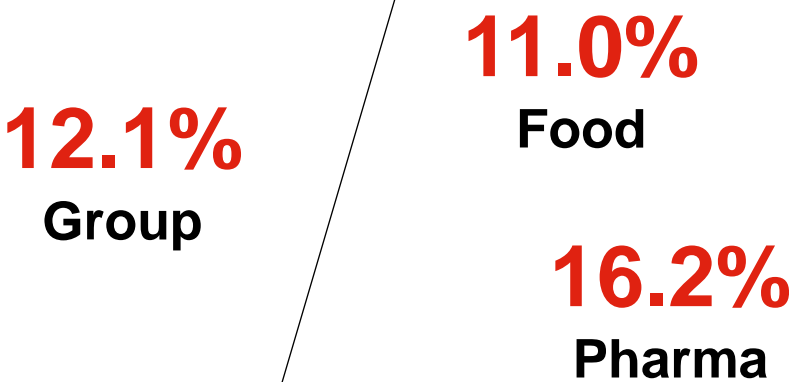
Sales revenues split



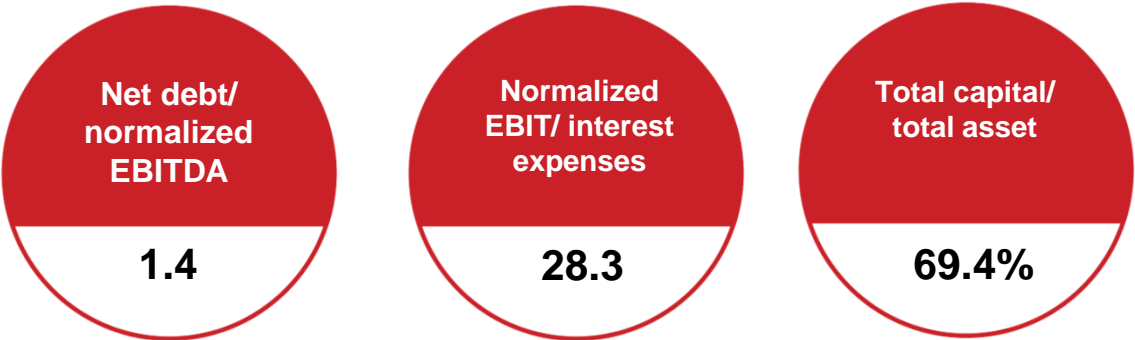
Normalized EBITDA split



Normalized EBITDA margins in 2020



Low and sustainable debt level





The Company

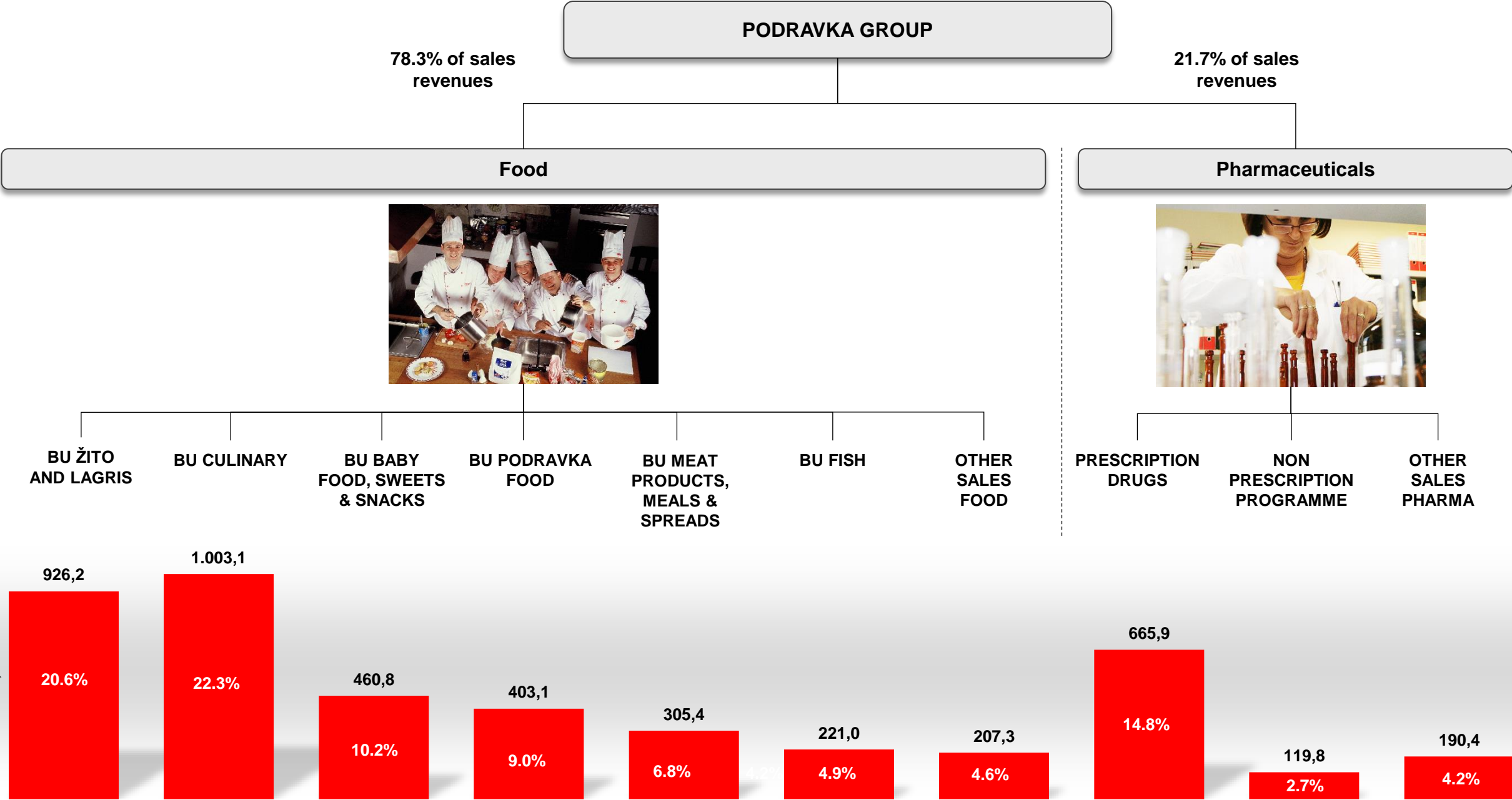
Business

Investment highlights

2020 results

1H 2021 results

A well diversified product portfolio divided in two business areas



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



BU Culinary

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

2020 sales: **1,003 HRK**m; % total sales: **22.3%**



BU Žito & Lagris

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

2020 sales: **926 HRK**m; % total sales: **20.6%**



BU Baby food, sweets & snacks

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

2020 sales: **461 HRK**m; % total sales: **10.2%**



BU Podravka Food

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

2020 sales: **403 HRK**m; % total sales: **9.0%**



BU Meat prod., meals & spreads

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

2020 sales: **305 HRK**m; % total sales: **6.8%**



BU Fish

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

2020 sales: **221 HRK**m; % total sales: **4.9%**



Prescription drugs

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

2020 sales: **666 HRK**m; % total sales: **14.8%**



Non-prescription programme

OTC medicine, dietary products, natural products.

2020 sales: **120 HRK**m; % total sales: **2.7%**



High-quality brands with exceptional recognisability and strong international potential



VEGETA ¹	ADRIA	POL	SLK
	1	1	1
	CZE	HU	RO
	1	2	3

VEGETA

- Best-selling dehydrated food seasoning in Europe confirmed by Nielsen*,
- Sold in more than 60 countries around the world,
- For years No. 1 FMCG brand in Croatia and among top 3 in Adria region,

- Market leader in universal seasonings on 9 markets, including large and demanding markets of Germany, Poland and Australia, and No 2 in Russia,
- Superior Taste Award for 9 products launched in the last several years.

*Note: Based on Nielsen data from dealer panel in 31 European countries (Austria, Belarus, Belgium, B&H, Bulgaria, Check Republic, Denmark, Estonia, France, Greece, Croatia, Ireland, Italy, Latvia, Lithuania, Netherlands, Norway, Germany, Hungary, Poland, Portugal, Romania, Russia, Northern Macedonia, Slovakia, Slovenia, Serbia, Spain, Sweden, Switzerland and Ukraine) Vegeta is a leading trade mark in volume sales in dehydrated food seasoning category in period Aug 2019 – Jul 2020 (copy rights © 2020, The Nielsen Company, all rights reserved).



SOUPS ¹	CRO	SLO
	1	3
	B&H	SER
	1	2

PODRAVKA SOUPS

- Tradition longer than 60 years,
- Leading or very strong market positions in all markets of Adria region,
- Best selling soup on Russian market,

- Sold in more than 40 countries around the world,
- Superior Taste Award for 10 different products launched in the last several years.



LINO ¹	CRO	SLO
	1	1
	B&H	SER
	1	1

LINO

- Umbrella brand for dehydrated baby food and cereals,
- Market leader and synonym for baby food category in Adria region,
- Strong and innovative brand in breakfast cereals,

- Sold in more than 20 countries around the world,
- Trusted brand reward and Best Buy reward in Croatia,
- Super brand reward in Croatia, Slovenia and B&H.

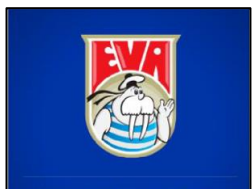


DOLCELA ¹	CRO	SLO
	1	2
	B&H	
	1	

DOLCELA

- Umbrella brand for dehydrated sweets products and ready to eat deserts and cakes,
- 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.



FISH ¹	CRO	SLO
	1	3
	B&H	SER
	2	1

EVA (MEDITERRANEAN ASSORTMENT)

- One of the most recognizable brands in canned fish category in the Adria region,
- Largest canned fish assortment– tuna, sardine, mackerel and Baltic fish,

- Market leader in sardines in Adria region,
- Superior Taste Award for 7 different products.



D07 ^{2, 3}	CRO	RUS	CZE	SLO	B&H	SER	MAC	SLK
	1	4	1	2	1	2	1	1

BELUPO DERMATICS

- Strong international position in niche dermatology segment.

¹Source: Nielsen value market position data for 2020, MAT TY; ²Source: IQVIA volume market position data for 2020; ³Corticosteroids for the treatment of skin disorder.



The Company

Business

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2020 results

1H 2021 results

BUSINESS

STRATEGY

HIGHLIGHTS

Focus on selected markets (Western Europe and Central Europe) and production categories in Food segment,

Acceleration of product development processes in the Pharmaceutical segment through key processes optimization and establishment of firm guidelines for monitoring efficacy,

Increasing operations efficiency through technological modernization and digital transformation of production and logistics processes,

Establishing more advanced function of human resources management,

Further deleveraging and searching for M&A opportunity,

HRK 1.4 bn investments in marketing* to achieve organic growth, HRK 1.7 bn in investments to modernize and digitalize production** and logistics processes and about HRK 2 bn for acquisitions***.

*In Business results publications reported marketing expenses include marketing investments expenses and marketing department expenses, HRK 1,4bn refers to marketing investments expenses; ** HRK 1.7bn refers to CAPEX for 2022-2025 period; ***Indicative amount based on M&A criteria.

Financial indicators continuously improving

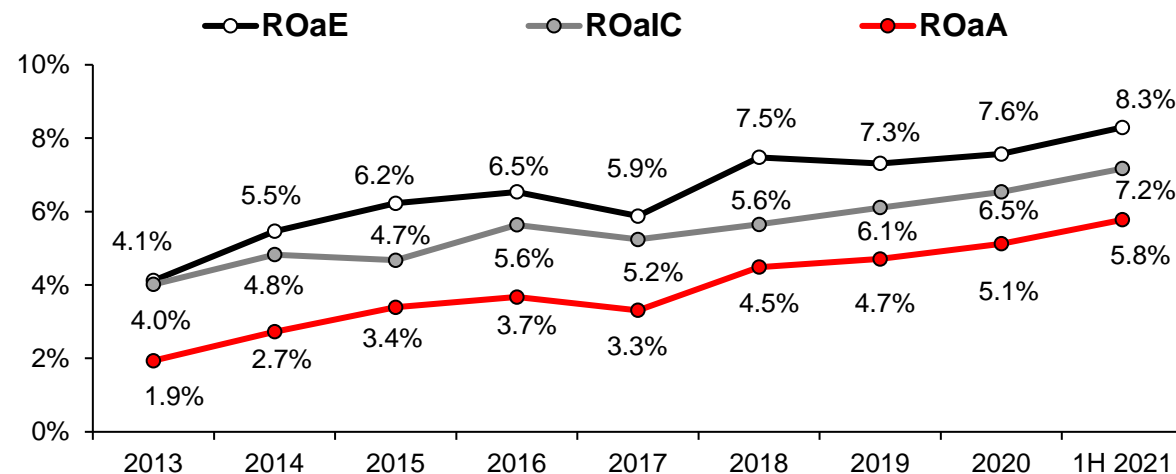


Restructuring related one-off items burdened profitability

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

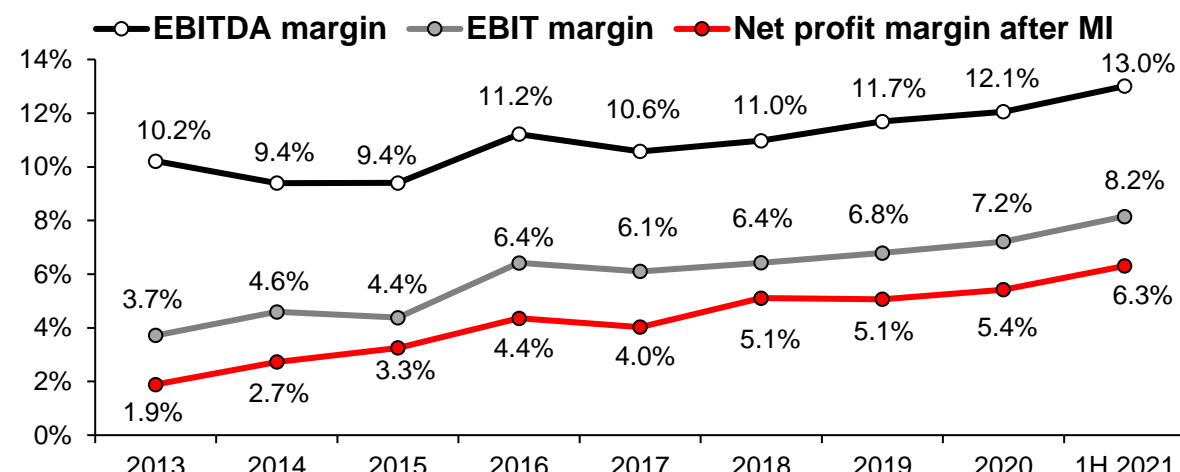
¹HRK 116m of gain on a bargain purchase from Žito acquisition (badwill), HRK 164m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19m refers to other items.

Normalized return rates movement²



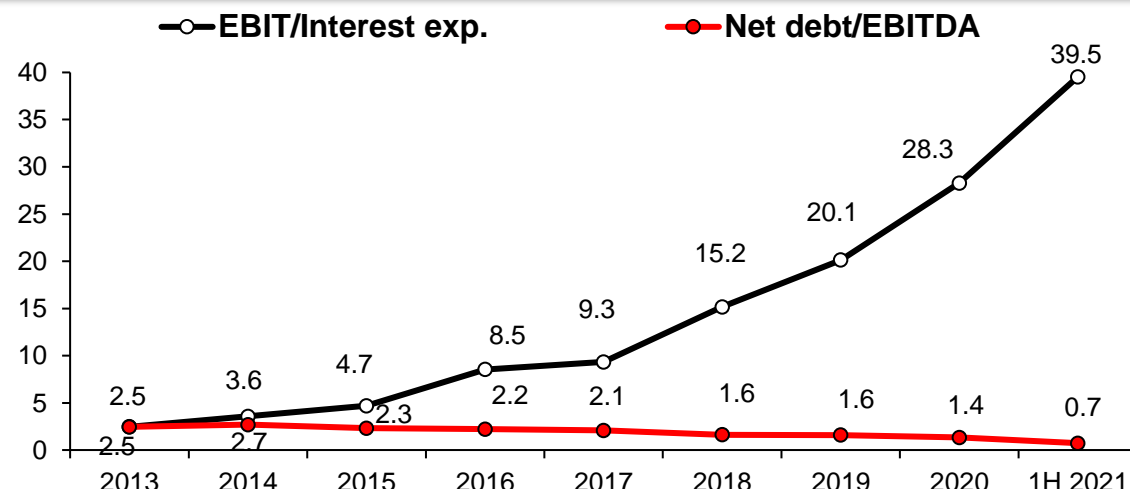
²2015 figures include pro-forma Podravka Group and Žito Group full year figures, excluding consolidation effects and tax incentives for Belupo factories; ²2019, 2020 and 2021 figures include IFRS 16.

Normalized profitability margins movement²



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

Normalized debt level movement²



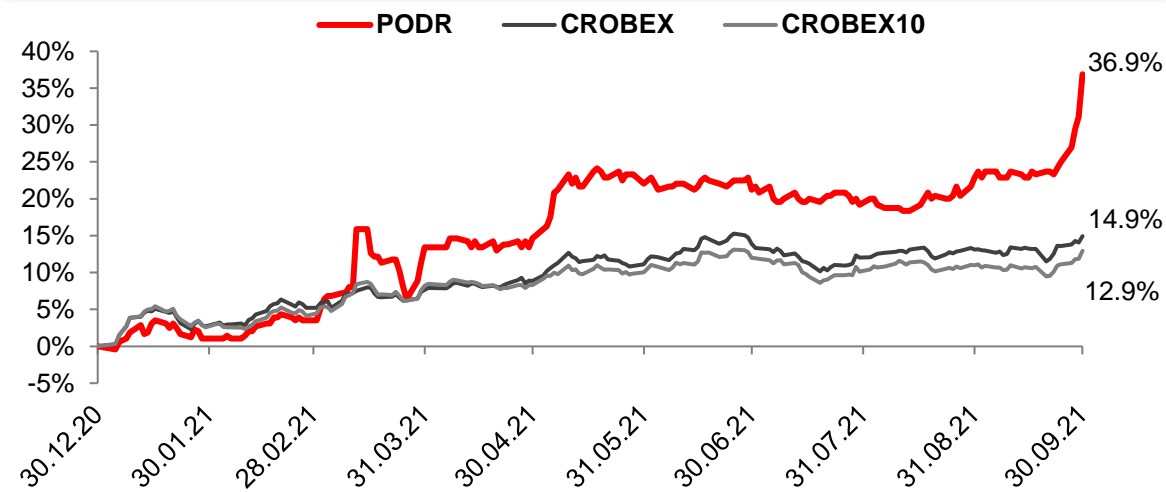
Podravka's share price movement in 1-9 2021



Market activity with PODR share

(HRK; units)	1-9 2020	1-9 2021	% change
Average daily price	404.1	573.4	41.9%
Average daily number of transactions	16	12	(26.7%)
Average daily volume	1,416	1,581	11.7%
Average daily turnover	572,031	906,690	58.5%
Reported earnings per share	36 ¹	41 ²	14.4%
Normalized earnings per share	35 ¹	40 ²	15.5%

Share price movement in 1-9 2021



Analysts

Recommendation

Target price

Potential³



Buy

HRK 551.00

(17.0%)



Hold

HRK 603.00

(9.2%)

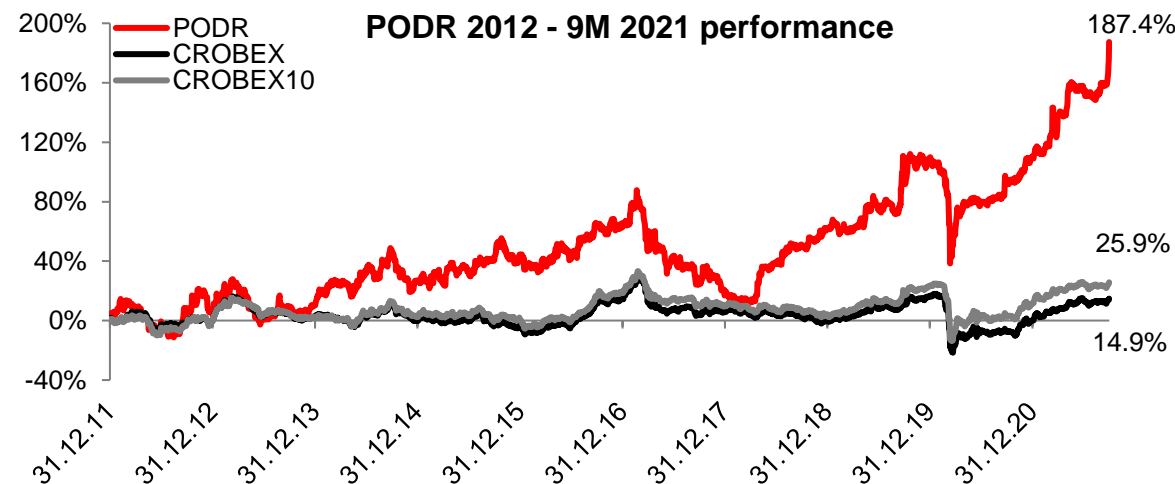


Hold

HRK 595.00

(10.4%)

Historical share price movement

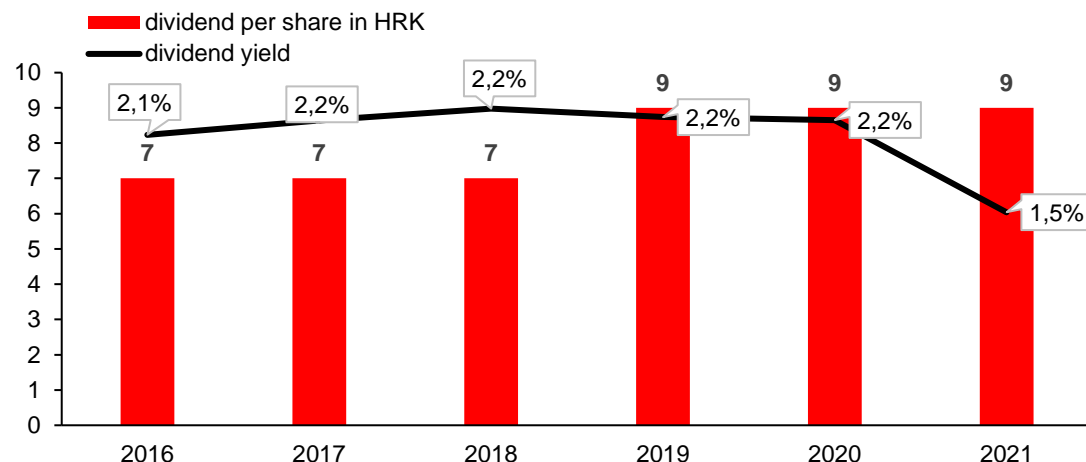


¹Based on 2020 results; ²Based on 1H 2020 results; ³Compared to the last price on 30th October 2021 (HRK 664.00).

Good performance ensures stabile dividend



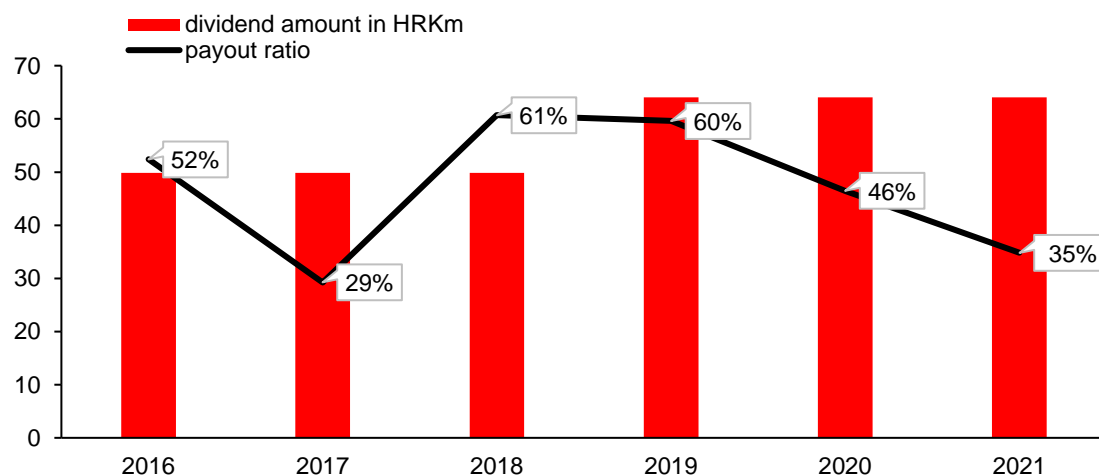
Dividend and dividend yield¹



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,
- Focus on dividend per share amount, not on the payout ratio.

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	2.2	20.2	14.8	2.6	17.5
Normalized weight. av. peer group ³	1.7	12.2	13.5	2.0	16.7
Podravka Group reported	1.1	8.8	13.9	1.3	16.3
Podravka Group normalized ⁴	1.1	8.8	14.1	1.3	16.5

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 1st October 2021; ³Calculated excluding max. and min. values; ⁴Normalized for items stated in the publication 1-6 2021 and 1-6 2020 results.



The Company

Business

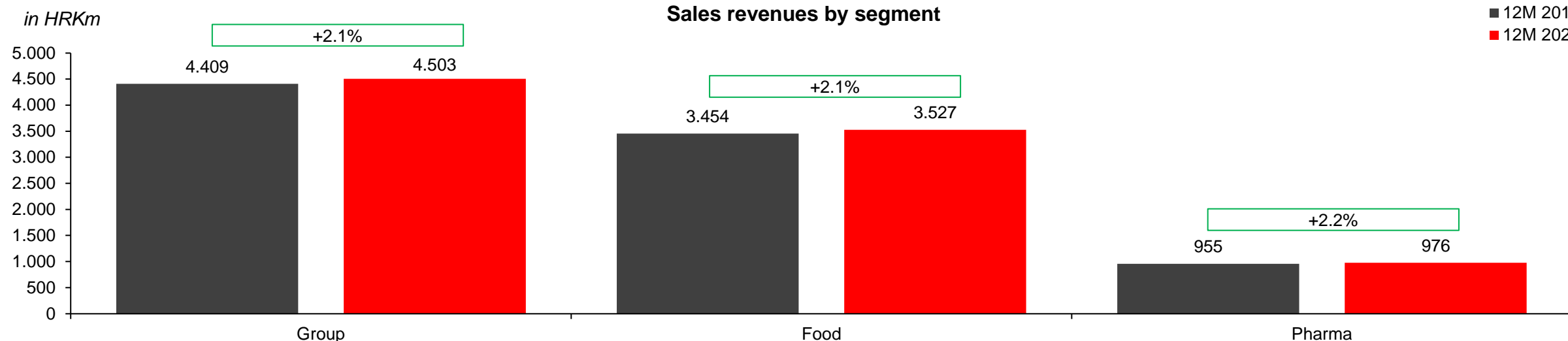
Investment highlights

2020 results

1H 2021 results



Sales revenues growth in both segments on a year level



Podravka Group in 2020^{1,2}:

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

Food segment in 2020^{1,2}:

- **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.

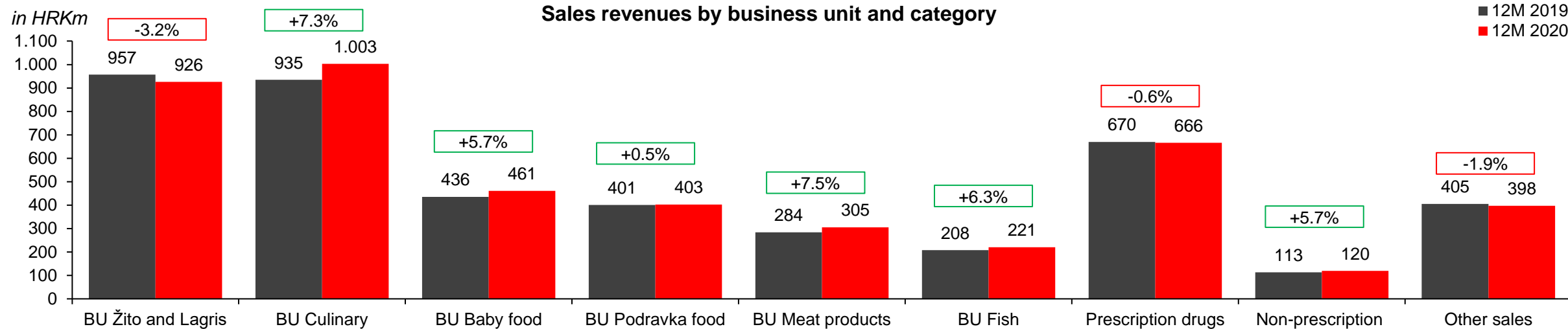
Pharmaceuticals segment in 2020^{1,2}:

- **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.

¹Given 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.

²Percentages in the text relate to performance in 1-12 2020 compared to 1-12 2019.

Sales growth across most of business units



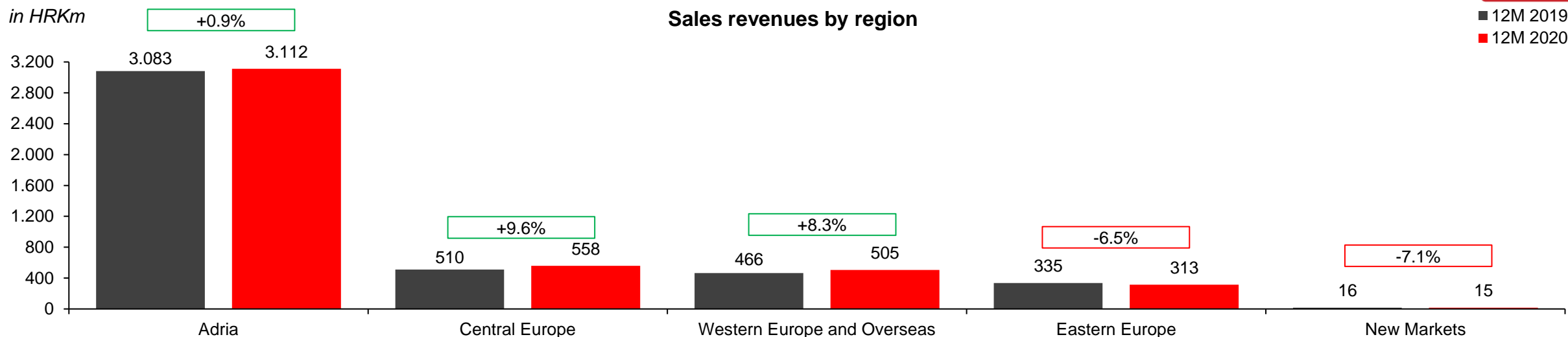
Business unit and category performance in 2020¹:

- **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 ruble² 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.

¹Percentages in the text relate to performance in 1-12 2020 compared to 1-12 2019. ²The 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 2020¹:

- **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.

¹Percentages in the text relate to performance in 1-12 2020 compared to 1-12 2019.

²The 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 ¹			
	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 33m², 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.

¹Normalized for one-off impacts.

²Obtained 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 _m)	REPORTED				NORMALIZED ¹			
	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 2020²:

- **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.

¹Normalized for one-off impacts.

²In 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 ¹			
(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:

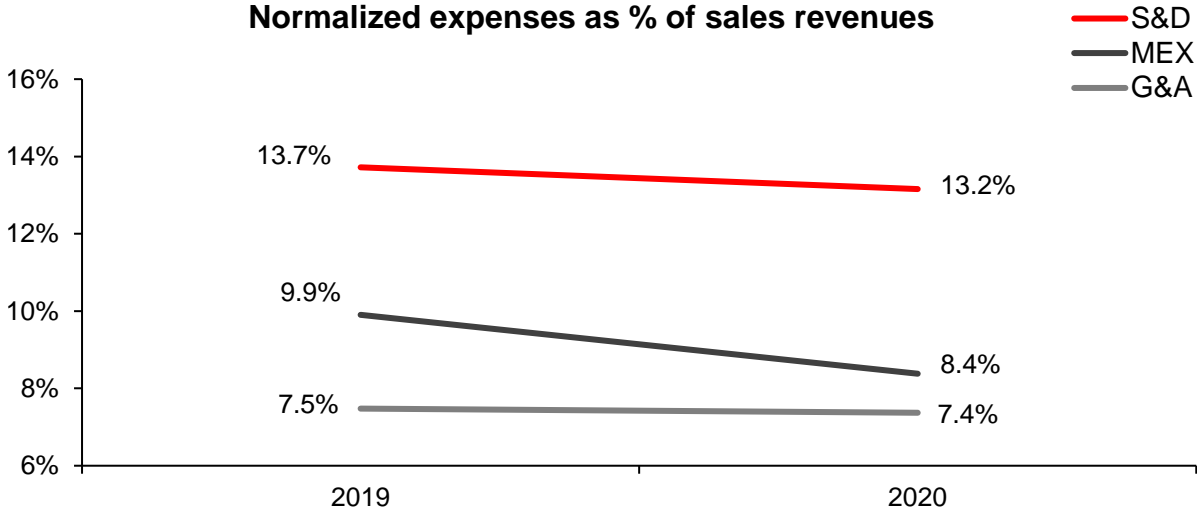
- **Gross profit** → reported is higher 1.7%, while normalized is up by 1.5%. Cost of goods sold increased by 2.4%, which eventually resulted in the gross margin of 36.8% in the reported period,
- **EBIT** → reported is HRK 49m higher, while normalized grew by HRK 25m, primarily as a result of increase 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.

¹Normalized for one-off impacts.

Optimization of operating expenses in reported period

Operating expenses 2020 vs. 2019 % change	REPORTED	NORMALIZED ¹
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%) 
Total	1.1% 	1.7% 

Normalized expenses as % of sales revenues



Key highlights of operating expenses in 2020:

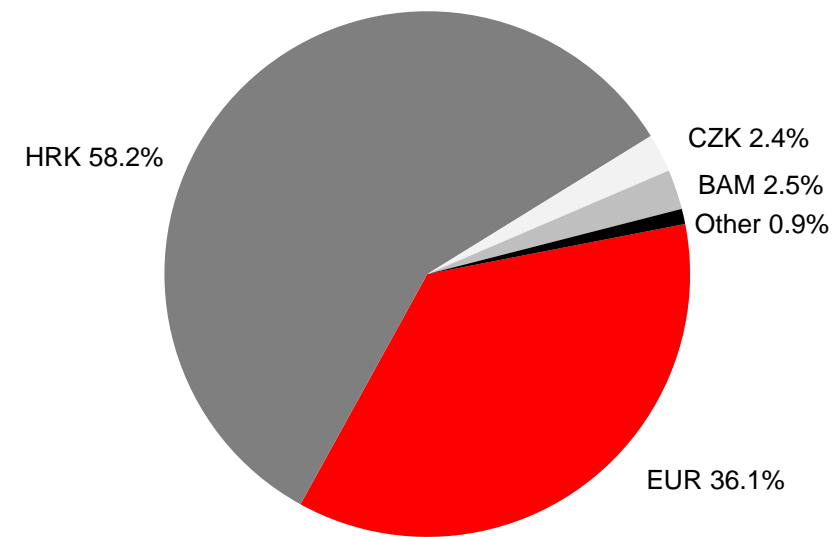
- Cost of goods sold (COGS):**
 - Higher 2.4% (normalized up by 2.5%) as a result of a higher level of sales realized, the structure of sales and the rise in prices of raw materials and supplies (estimated negative impact in the Food segment of HRK 33m). COGS was influenced by the change of impairment 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

¹Normalized for one-off impacts.

Net debt decrease with improvement of debt indicators

(u HRKm) ¹	2019	2020	% change
Financial debt ²	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

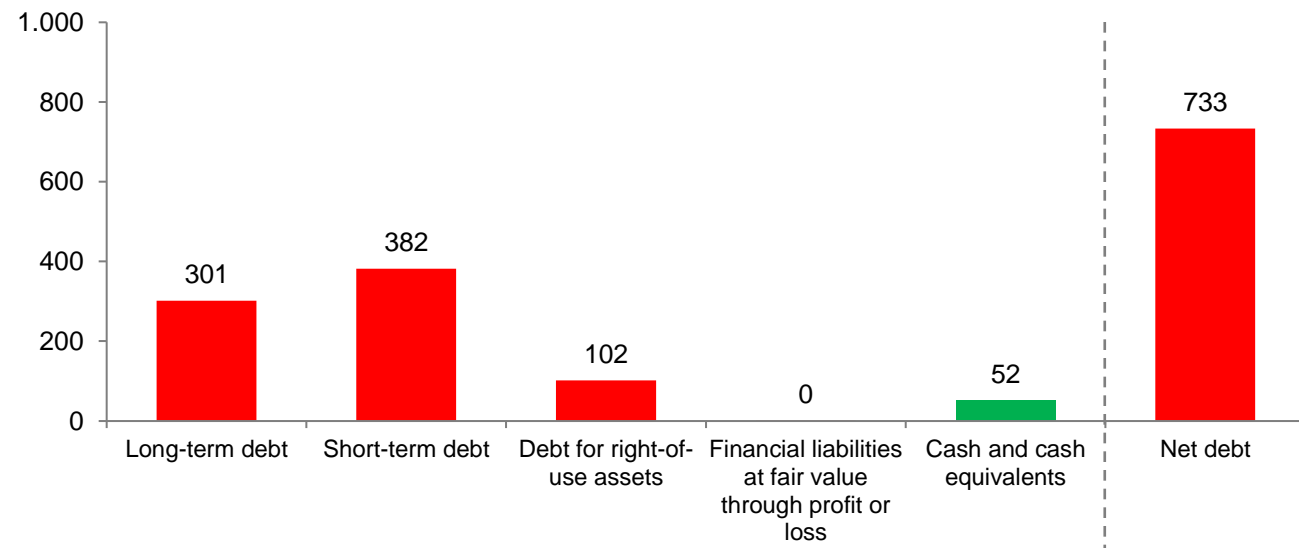
Currency structure of debt as at 31 December 2020



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 HRKm as at 31 December 2020



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

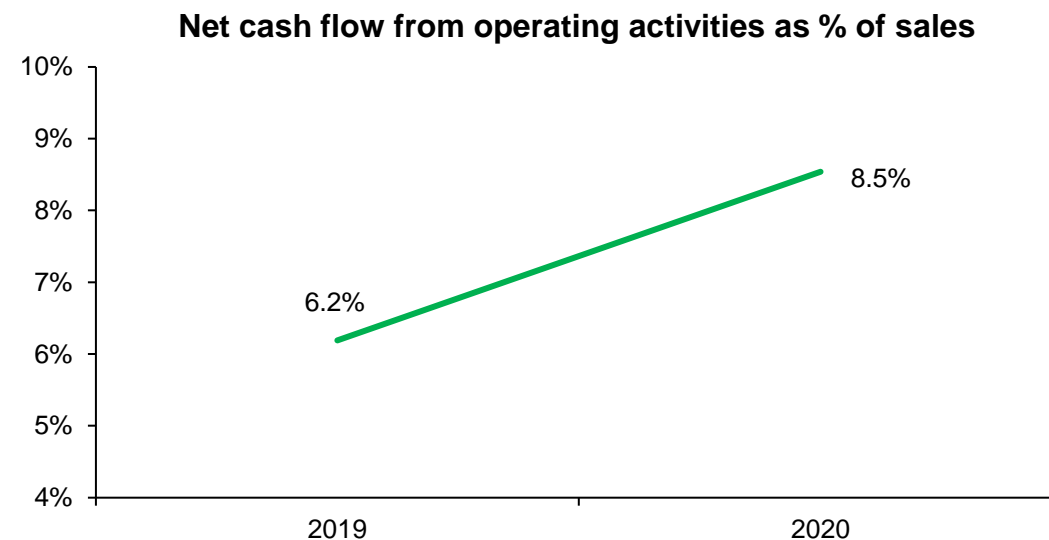
Significantly higher level of cash flow from operating activities



Working capital movement in BS	31 Dec 2020 / 31 Dec 2019		Impact
Inventories		3.4%	<ul style="list-style-type: none"> 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,
Trade and other receivables		2.6%	<ul style="list-style-type: none"> The increase is a result of the increase in the number of days to collect receivables in the Pharmaceuticals segment on the Croatian market,
Trade and other payables		(8.5%)	<ul style="list-style-type: none"> This movement is a result of the cash flow optimization process on the Podravka Group level.

(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
Reported gross profit	1,631.5	1,158.6	472.9	1,659.4	1,191.1	468.3
+impairment of inventories	1.1	1.1	-	-	-	-
+revenues from return of raw materials	-	-	-	(2.8)	-	(2.8)
Normalized gross profit	1,632.6	1,159.7	472.9	1,656.6	1,191.1	465.5
Reported EBITDA	509.0	326.4	182.6	546.7	388.1	158.6
+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	-	-	-	-
Normalized EBITDA	515.5	333.0	182.6	543.1	387.3	155.7
Reported EBIT	283.5	164.3	119.3	332.3	232.7	99.7
+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	-	-	-	-
Normalized EBIT	299.5	180.2	119.3	324.8	232.0	92.9
Reported Net profit after MI	221.6	137.9	83.6	248.9	181.8	67.1
+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
Normalized Net profit after MI	223.6	139.9	83.6	244.4	181.1	63.3



The Company

Business

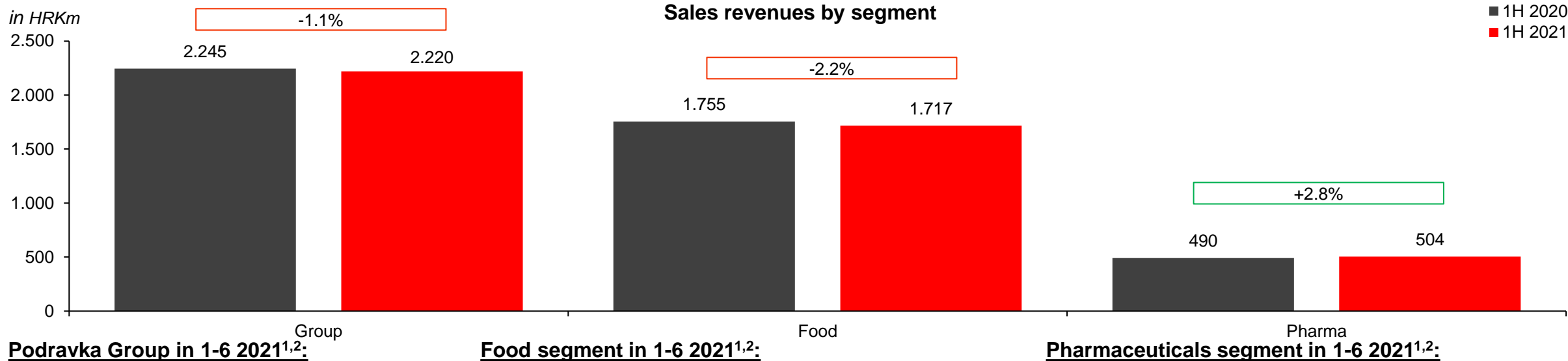
Investment highlights

2020 results

1H 2021 results



Lower sales on the Group level



- **Own brands** → 2.0% lower sales,
- **Other sales** → 8.3% higher sales,
- **Total Podravka Group** → 1.1% lower sales.

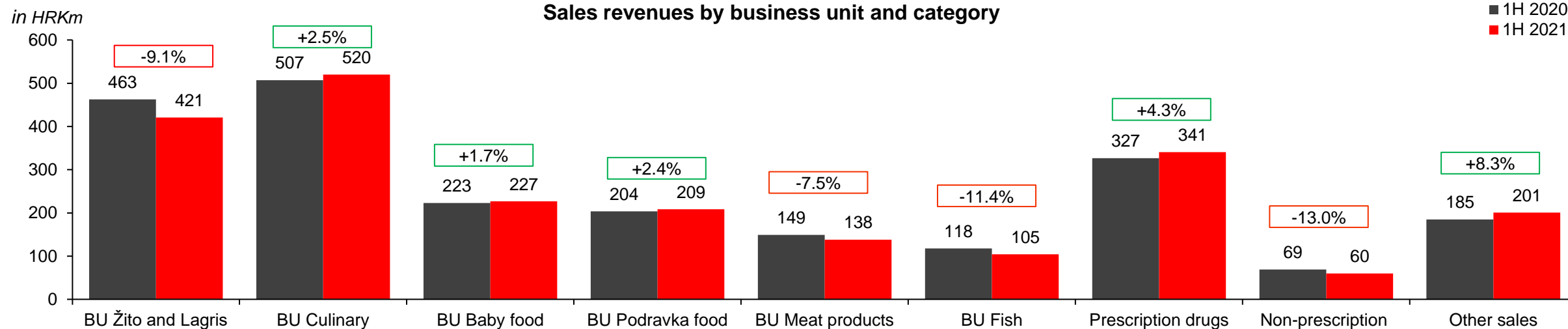
- **Own brands** → 2.7% lower sales, sales increase of the BU Culinary, Podravka food and Baby food, sweets and snacks did not manage to cancel out the lack of the exceptionally high demand and sales of food products from other business units in the comparative period,
- **Other sales** → 7.5% higher sales, primarily as a result of sales increase of trade goods on Croatian market,
- **Total Food** → 2.2% lower sales.

- **Own brands** → 1.3% higher sales, as a result of Prescription drugs sales increase in Slovakia and Kosovo,
- **Other sales** → 9.2% higher sales, due to sales increase of trade goods (Farmavita) in Bosnia and Herzegovina,
- **Total Pharma** → 2.8% higher sales.

¹The situation caused by COVID-19 disease positively impacted the sales revenues trends in the first half of 2020 when a prominent effect of stockpiling of food and pharmaceutical products by customers was recorded in almost all markets in which the Podravka Group is present. Increased demand in the first half of 2020 significantly contributed to sales revenues of both business segments and almost all business units and categories, but this impact could not be clearly distinguished from the impact of regular demand for products. In the reporting period, the epidemiological situation also had a significant impact in most countries in which the Podravka Group operates, especially in the Adria region (mostly in Croatia), which is different from the one recorded in the same period of 2020. Negative impact on sales revenues in the first three months of 2021 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. The positive impact on sales revenues in the reporting period comes from the easing of epidemiological measures in April and May and a significant easing in June, which gave a boost to the tourist season and the arrival of foreign guests in Croatia. All of the above affected the movements of sales revenues, but this effect cannot be clearly estimated or quantified.

²Percentages in the text relate to performance in 1-6 2021 compared to 1-6 2020.

Sales increase of most profitable business units



Business unit and category performance in 1-6 2021¹:

- **BU Žito and Lagris (-9.1%)** → lower sales due to lower sales in the categories of Flour, Rice, Pulses, porridge and oil products, and private labels, primarily in the markets of the Adria and Central Europe regions,
- **BU Culinary (+2.5%)** → higher sales due to sales increase of the Universal seasonings category, Sales growth recorded in most regions,
- **BU Baby food, sweets and snacks (+1.7%)** → higher sales, due to sales increase of the category's Creamy spreads, Snacks and Baby food. Sales increase recorded in most regions, which successfully compensated for lower sales of the Adria regions,
- **BU Podravka food (+2.4%)** → higher sales, due to sales increase of the Condiments, Tomato and Flour categories. Revenue growth was recorded in the markets of the Western Europe and Overseas and the Central Europe, which cancelled out lower sales of other regions,
- **BU Meat products, meals and spreads (-7.5%)** → sales decrease, due to lower sales of the Luncheon meat, Canned ready-to-eat meals and Sausages categories in the markets of the Adria and the Western Europe and Overseas regions,
- **BU Fish (-11.4%)** → lower sales primarily due to sales decrease of the Tuna and Sardine categories in the Adria region,
- **Prescription drugs (+4.3%)** → higher sales following sales increase of most subcategories, with the greatest contribution to sales increase by the markets of Slovakia, Kosovo, and Bosnia and Herzegovina,
- **Non-prescription programme (-13.0%)** → sales decrease is a result of OTC drugs sales decrease (mostly Croatia), as a result of exceptionally high demand for Non-prescription drugs in 1-6 2021,
- **Other sales (+8.3%)** → In the Pharmaceuticals segment, sales up by HRK 9m, primarily due to higher sales of trade goods in the market of Bosnia and Herzegovina; in the Food segment, sales up by HRK 7m mainly due trade goods sales increase in the market of Croatia.

¹Percentages in the text relate to performance in 1-6 2021 compared to 1-6 2020.

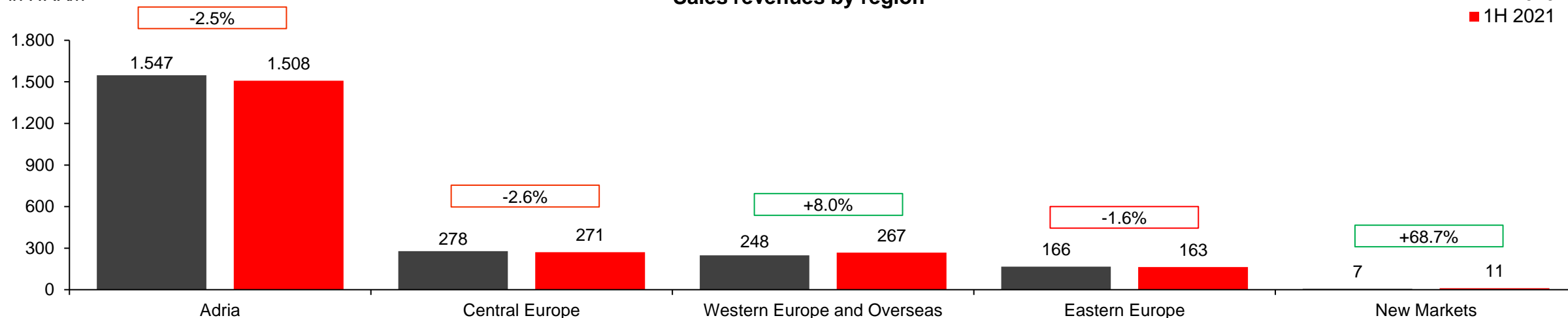
Significant sales growth of WE and Overseas region



in HRK m

Sales revenues by region

■ 1H 2020
■ 1H 2021



Region performance in 1-6 2021¹:

- **Adria (-2.5%)** → **Food** sales 3.8% lower, due to the exceptional demand for most product categories recorded in 1-6 2020.; **Pharmaceuticals** sales 1.9% higher due to higher demand and sales of Prescription drugs,
- **Central Europe (-2.6%)** → **Food** sales lower 4.7%, where sales increase of BU Podravka Food and BU Meat products, meals and spreads was unable to cancel out lower sales of other business units; **Pharmaceuticals** sales up by 13.9% due to lower sales of Prescription drugs in Slovakia,
- **WE and Overseas region (+8.0%)** → **Food** sales 8.2% higher, due to sales increase of almost all BU with the largest absolute growth generated by BU Culinary, Podravka Food, and Baby food, sweets and snacks; **Pharmaceuticals** segment sales revenues down by HRK 0.5m (-47.5%) due to decrease in sales of Prescription drugs,
- **Eastern Europe (-1.6%)** → **Food** sales down by 1.6%, due sales decrease in most BU; **Pharmaceuticals** sales up by 2.9% due to sales increase in Prescription drugs,
- **New markets (+68.7%)** → **Food** sales up by HRK 4m (+77.5%) primarily due to sales increase of Universal seasonings and Creamy spreads; **Pharmaceuticals** sales stood at the same level as in 1-6 2020.

¹Percentages in the text relate to performance in 1-6 2021 compared to 1-6 2020.

Food segment profitability influenced by cost optimization and FX differences

Food segment (in HRK ^m)	REPORTED				NORMALIZED ¹			
	1-6 2020	1-6 2021	Δ	%	1-6 2020	1-6 2021	Δ	%
Sales revenue	1,755	1,717	(39)	(2.2%)	1,755	1,717	(39)	(2.2%)
Gross profit	599	602	34	0.6%	599	602	4	0.6%
EBITDA	227	243	16	6.9%	228	244	16	7.0%
EBIT	150	167	17	11.3%	151	168	17	11.4%
Net profit after MI	120	136	17	13.9%	120	137	17	14.0%
Gross margin	34.1%	35.1%		+98 bp	34.1%	35.1%		+98 bp
EBITDA margin	13.0%	14.2%		+120 bp	13.0%	14.2%		+122 bp
EBIT margin	8.6%	9.7%		+118 bp	8.6%	9.8%		+120 bp
Net profit margin after MI	6.8%	7.9%		+112 bp	6.8%	8.0%		+113 bp

Food segment profitability in 1-6 2021:

- **Gross profit** → higher 0.6% with the gross margin of 35.1% due to the increase in portion of a more profitable product range in sales revenues. Positive trends in prices of raw materials and supplies were recorded in reporting period related to 1 – 6 2020. The estimated effect of movements in raw materials and supplies in amounted to positive HRK 5m² (mostly meat and wheat),
- **EBIT** → 11.3% higher, normalized 11.4% higher. Positive effect came from cost optimization (savings on marketing expenses and savings on logistics and distribution costs), favorable movements in FX differences on trade receivables and trade payables (HRK +1m in 1 – 6 2021; HRK -4m in 1 – 6 2020) and lower provisions for trade receivables,
- **Net profit after MI** → HRK 17m lower than in comparative period. Bottom line was positively impacted by FX differences on borrowings (HRK +1m in 1 – 6 2021; HRK -3m in 1 – 6 2020) and lower finance income. Following the increase in pre-tax profit, the tax liability is HRK 5m higher.

¹Normalized for one-off impacts.

²Obtained as used volumes of raw materials and supplies in 1-6 2021*prices in 1-6 2021 – used volumes of raw materials and supplies in 1-6 2021*prices in 1-6 2020.

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



Pharma segment	REPORTED				NORMALIZED ¹			
(in HRK _m)	1-6 2020	1-6 2021	Δ	%	1-6 2020	1-6 2021	Δ	%
Sales revenue	490	504	14	2.8%	490	504	14	2.8%
Gross profit	237	241	4	1.6%	234	241	7	2.8%
EBITDA	93	114	21	22.5%	90	114	24	26.3%
EBIT	61	81	20	32.8%	59	81	23	39.2%
Net profit after MI	42	61	19	46.3%	40	61	21	53.4%
Gross margin	48.3%	47.8%		-57 bp	47.8%	47.8%		+1 bp
EBITDA margin	18.9%	22.5%		+362 bp	18.3%	22.5%		+420 bp
EBIT margin	12.5%	16.2%		+365 bp	11.9%	16.2%		+423 bp
Net profit margin after MI	8.5%	12.2%		+362 bp	8.1%	12.2%		+401 bp

Pharmaceuticals segment profitability in 1-6 2021:

- **Gross profit** → reported is higher 1.6% while normalized is 2.8% higher. The gross margin is 47.8%, which is lower than in the comparative period, due to the increase in portion of trade goods in sales revenues and the decrease in the share of Non-prescription drugs programme,
- **EBIT** → reported HRK 20m higher, while normalized is up by HRK 23m as a result of savings on selling costs, positive movement of FX differences on trade receivables and trade payables (HRK +7m in 1 – 6 2021; HRK -14m in 1 – 6 2020) and lower provisions for trade receivables,
- **Net profit after MI** → reported is HRK 19m higher, while normalized net profit after MI is HRK 21m higher. Bottom line was affected by favorable movements in FX differences on borrowings (HRK +0m in 1-6 2021; HRK -3m in 1-6 2020). Tax liability is higher by HRK 4m.

¹Normalized for one-off impacts.

Group profitability influenced by cost optimization and positive FX differences















Podravka Group	REPORTED				NORMALIZED ¹			
(in HRK m)	1-6 2020	1-6 2021	Δ	%	1-6 2020	1-6 2021	Δ	%
Sales revenue	2,245	2,221	(25)	(1.1%)	2,245	2,221	(25)	(1.1%)
Gross profit	836	843	7	0.9%	833	843	10	1.2%
EBITDA	320	357	37	11.4%	318	357	40	12.5%
EBIT	212	249	37	17.5%	209	249	40	19.2%
Net profit after MI	162	198	36	22.3%	160	198	38	23.9%
Gross margin	37.2%	38.0%		+75 bp	37.1%	38.0%		+87 bp
EBITDA margin	14.3%	16.1%		+180 bp	14.1%	16.1%		+194 bp
EBIT margin	9.4%	11.2%		+177 bp	9.3%	11.2%		+191 bp
Net profit margin after MI	7.2%	8.9%		+170 bp	7.1%	8.9%		+180 bp

Profitability of the Podravka Group in 1-6 2021:

- **Gross profit** → reported is higher 0.9%, while normalized is up by 1.2%. Cost of goods sold decreased by 2.3%, with the increase in reported gross margin, which stood to 38.0% at the end of 1-6 2021,
- **EBIT** → reported is HRK 37m higher, while normalized grew by HRK 40m, as a result of cost optimization and savings (lower selling costs and lower marketing expenses), favorable movements in FX differences on trade receivables and trade payables (HRK +8m in 1 – 6 2021; HRK -17m in 1 – 6 2020) and lower provisions for trade receivables,
- **Net profit after MI** → reported is HRK 36m higher, while normalized is HRK 38m higher. Net profit after MI was impacted by favorable movements in FX differences on borrowings (HRK +1m in 1-6 2021; HRK -6m in 1-6 2020) and lower finance costs. Tax liability is HRK 9m higher.

¹Normalized for one-off impacts.

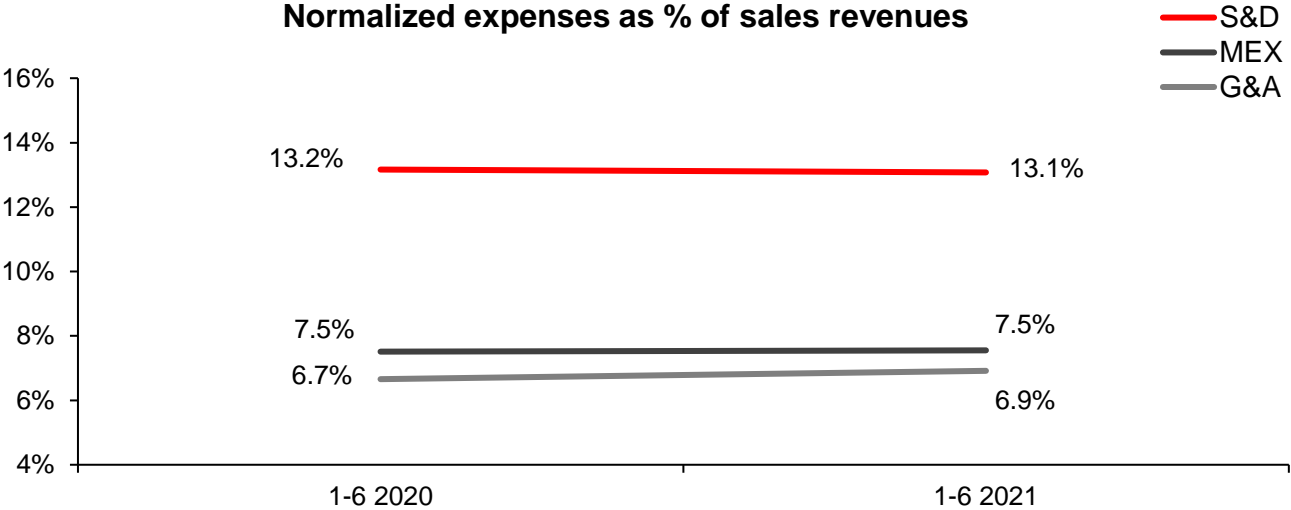
Continuation of operating expenses optimization in reported period

Operating expenses 1-6 21 vs. 1-6 20 % change	REPORTED	NORMALIZED ¹
Cost of goods sold (COGS)	(2.3%) 	(2.5%) 
General and administrative expenses (G&A)	3.0% 	2.8% 
Sales and distribution costs (S&D)	(1.7%) 	(1.7%) 
Marketing expenses (MEX)	(0.6%) 	(0.6%) 
Other expenses / revenues, net	(270.1%) 	(270.1%) 
Total	(3.0%) 	(3.2%) 

Key highlights of operating expenses in 1-6 2021:

- **Cost of goods sold (COGS):**
 - Lower 2.3% (normalized down by 2.5%) 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 5m).
- **General and administrative expenses (G&A):**
 - Higher 3.0% (normalized up by 2.8%) due different dynamics of movements in provisions and higher exercise of share options than in the comparative period,
- **Sales and distribution costs (S&D):**
 - Lower 1.7% (normalized down by 1.7%) due to lower provisions for trade payables and lower transportation costs,
- **Marketing expenses (MEX):**
 - Lower 0.6%, (Food -4.7%, Pharma +4.4%),
- **Other expenses (revenues), net:**
 - Amounted to HRK -18m in 1-6 2021 (positive effect); HRK +10m in 1-6 2020 (negative effect), mainly due to movements in FX differences on trade receivables and trade payables (HRK +8m in 1-6 2021; HRK -17m in 1-6 2020).

Normalized expenses as % of sales revenues



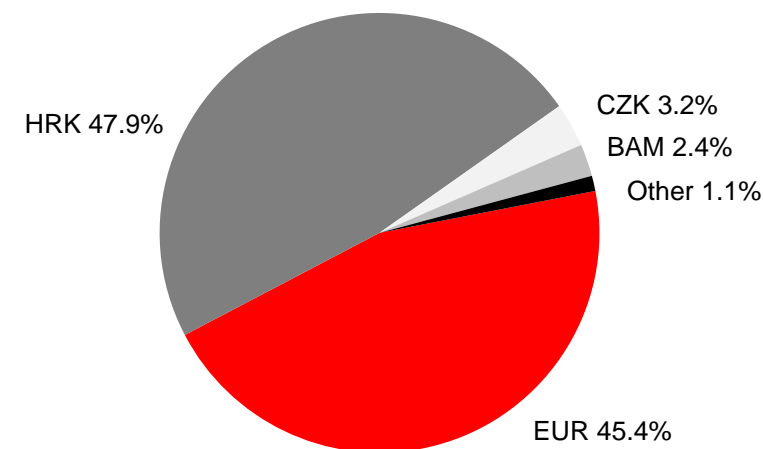
¹Normalized for one-off impacts.

Significant decline of indebtedness and improvement of debt indicators



(in HRKm) ¹	2020	1-6 2021	% change
Financial debt ²	785	647	(17.7%)
Cash and cash equivalents	52	220	324.6%
Net debt	733	426	(41.9%)
TTM interest expense	12	9	(19.6%)
Net debt / TTM EBITDA	1.4	0.7	(45.8%)
EBITDA / Interest expense	28	40	39.8%
Equity to total assets ratio	69,4%	70,0%	+60 bp

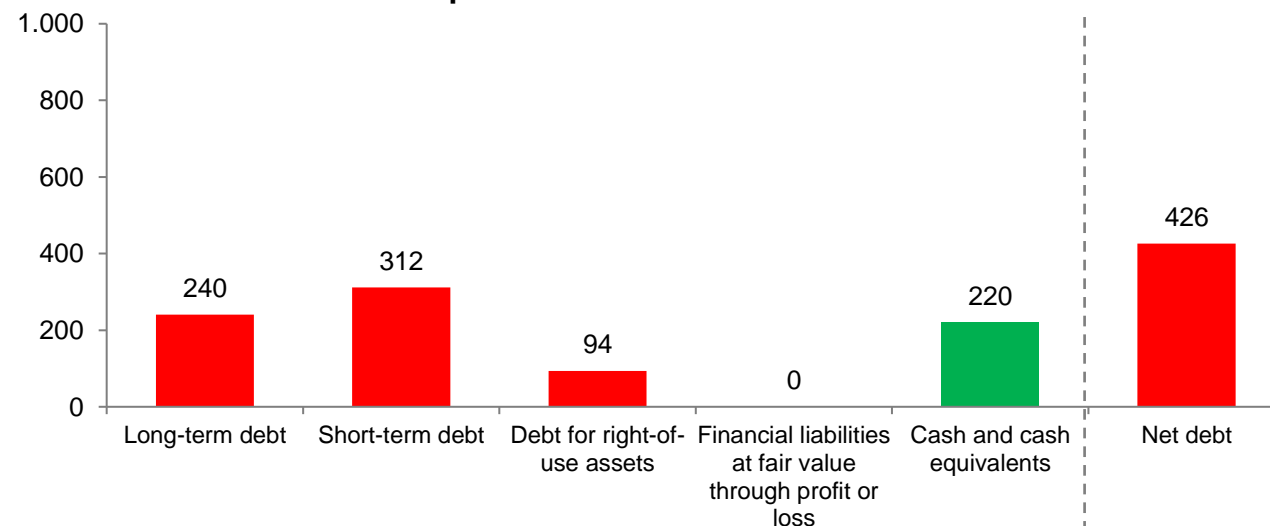
Currency structure of debt as at 30 June 2021



Key highlights:




- **Financial debt** decrease → due to long-term and short-term debt decrease,
- **Long-term debt** decrease → due to regular repayments of long-term debt,
- **Short-term debt** increase → due to regular repayments of long-term debt and shift of portion of long-term debt into short-term debt,
- 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 30 June 2021 → 0.7%,
 - As at 31 December 2016 → 2.5%.

Net debt components in HRKm as at 30 June 2021



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

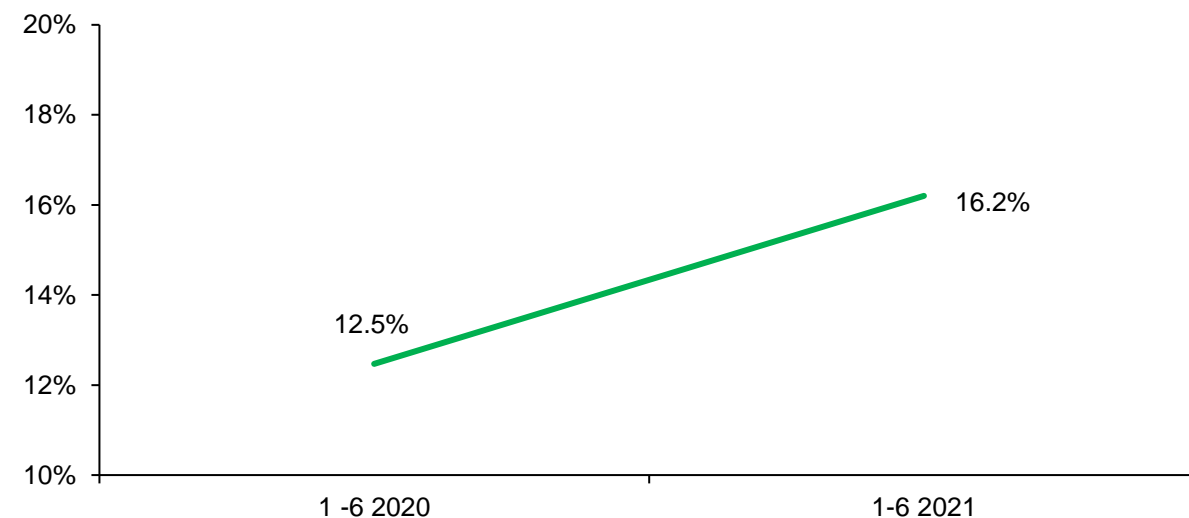
High level of cash flow from operating activities

Working capital movement in BS	30 Jun 2021 / 30 Jun 2020		Impact
Inventories		(2.5%)	<ul style="list-style-type: none"> This movement is primarily the result of the decrease in inventories of the Food segment in the reporting period,
Trade and other receivables		12.0%	<ul style="list-style-type: none"> This movement is in line with the regular operations of both segments in the reporting period,
Trade and other payables		12.6%	<ul style="list-style-type: none"> This movement is a result of different dynamics of dividend distribution (June 2020 vs. August 2021).

(in HRKm)	1-6 2020	1-6 2021	Δ
Net cash from operating activities	280	360	80
Net cash from investing activities	(90)	(49)	42
Net cash from financing activities	4	(143)	(147)
Net change of cash and cash equivalents	194	168	(25)

- **CAPEX** in 2021 is expected to be at the level of HRK 250m, in 2022-2023 period at the level of HRK 300-400m.

Net cash flow from operating activities as % of sales



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Always with a heart!



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