



Podravka Group business results for 1 - 3 2022 period



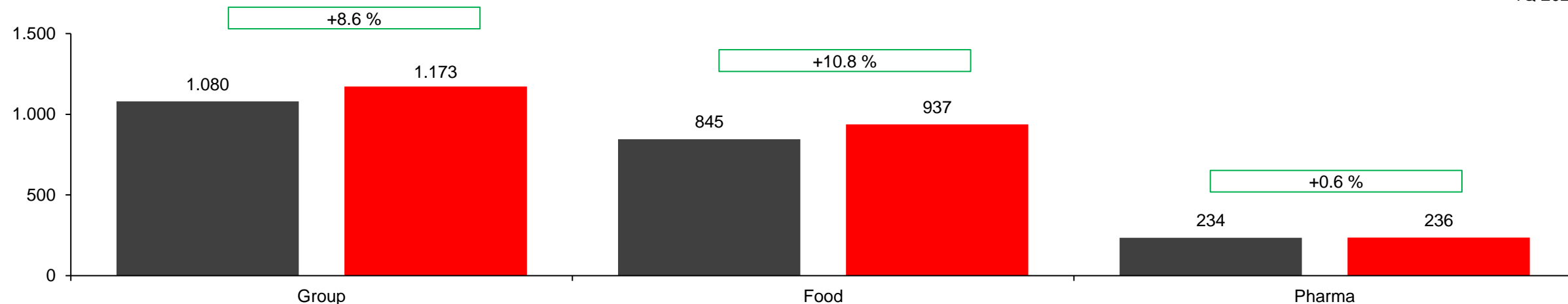
Sales increase in both business segments



in HRK_m

Sales revenues by segment

■ 1Q 2021
■ 1Q 2022



Podravka Group in 1 - 3 2022¹:

- **Own brands** → 7.4 % higher sales,
- **Other sales** → 21.0 % higher sales,
- **Total Podravka Group** → 8.6 % higher sales.

Food segment in 1 - 3 2022¹:

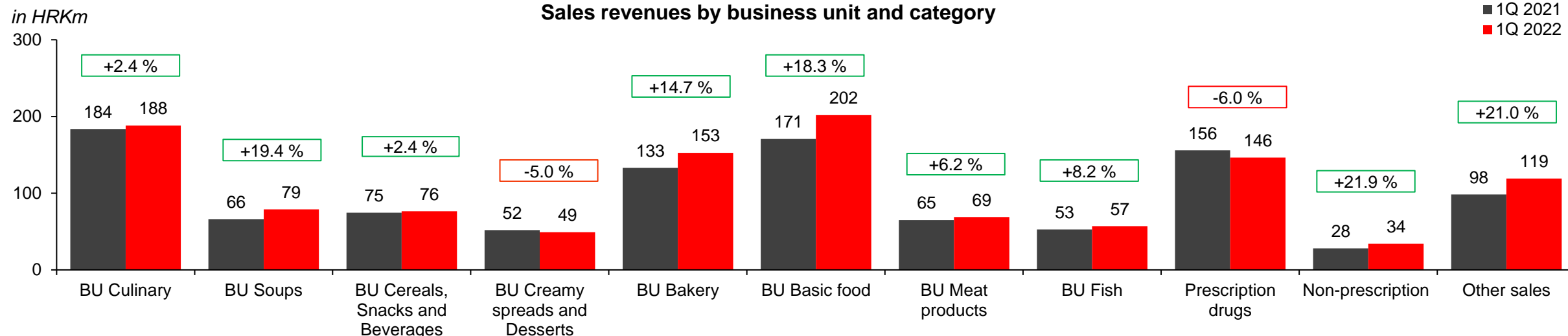
- **Own brands** → 9.5 % higher sales, sales increase of almost all business units,
- **Other sales** → 33.5 % higher sales, primarily as a result of trade goods sales increase in Croatian market, Austria and Slovenia,
- **Total Food** → 10.8 % higher sales.

Pharmaceuticals segment in 1 - 3 2022¹:

- **Own brands** → 1.8 % lower sales, as a result of the Ukrainian crisis and the discontinued deliveries of drugs to the market of Russia,
- **Other sales** → 9.1 % higher sales, due to sales increase of trade goods in Bosnia and Herzegovina and in Croatia,
- **Total Pharma** → 0.6 % higher sales.

²Percentages in the text relate to performance in 1 - 3 2022 compared to 1 - 3 2021.

Sales increase almost all business units



Business unit and category performance in 1 - 3 2022¹:

- **BU Culinary (+2.4 %)** → higher sales mostly due to higher sales of Universal food seasonings, primarily in Southeastern Europe region and WE and Overseas region,
- **BU Soups (+19.4 %)** → higher sales mostly due to sales increase of subcategory Clear soups. Revenue growth was recorded all regions,
- **BU Cereals, Snack and Beverages (+2.4 %)** → higher sales, due to sales increase of the Tea and beverages and Snack categories. Revenue growth was recorded in the Southeastern Europe region and in the Markets of Croatia and Slovenia,
- **BU Creamy spreads and Desserts (-5.0 %)** → lower sales, due to lower sales of Creamy spreads in most regions,
- **BU Bakery (+14.7 %)** → higher sales due to higher sales of the categories Žito Flour, Rolls and salt bakery products, and Bread, primarily in the Markets of Croatia and Slovenia,
- **BU Basic food (+18.3 %)** → higher sales, due to the increase in sales of the categories Side dishes, Vegetables and Podravka Flour. A significant growth was recorded in the Markets of Croatia and Slovenia, and the Central Europe region,
- **BU Meat products (+6.2 %)** → sales increase is a result of the increase in sales of the Ready meals category, primarily in the Southeastern Europe region,
- **BU Fish (+8.2 %)** → higher sales due to sales increase of the Sardine subcategory, with a sales growth in most regions,
- **Prescription drugs (-6.0 %)** → lower sales, mainly as a result of the dermatological drugs sales decrease, primarily in the market of Russia,
- **Non-prescription programme (+21.9 %)** → higher sales as a result of sales increase of the OTC drugs subcategory in the market of Croatia,
- **Other sales (+21.0 %)** → In the Pharmaceuticals segment, sales up by HRK 5m, primarily due to higher sales of trade goods in the market of Bosnia and Herzegovina; in the Food segment, sales up by HRK 16m mainly due to trade goods sales increase in Croatian market.

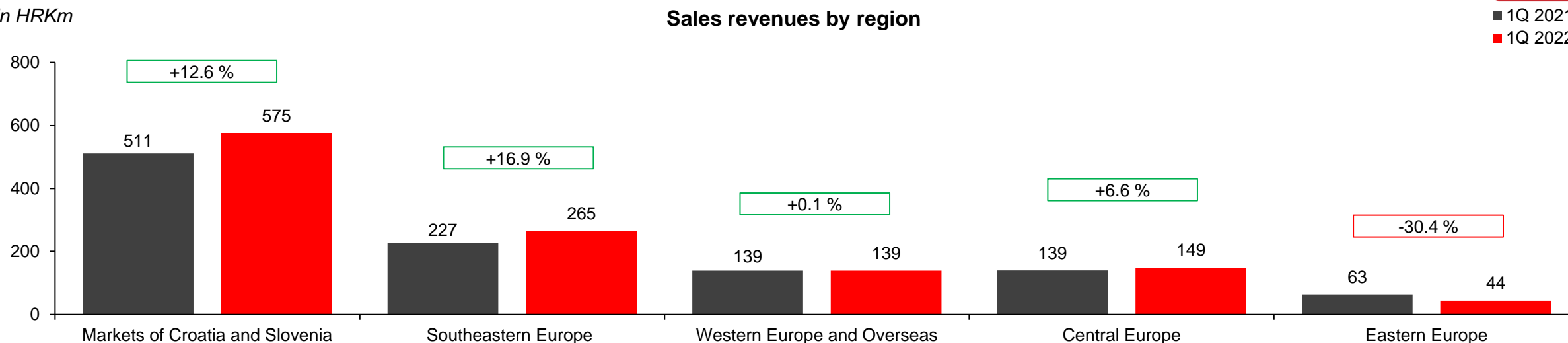
¹Percentages in the text relate to performance in 1-3 2022 compared to 1-3 2021.

Sales growth of most regions

in HRKm



■ 1Q 2021
■ 1Q 2022



Region performance in 1 - 3 2022¹:

- **Markets of Croatia and Slovenia (+12.6 %)** → **Food** sales 13.3 % higher, due to sales increase of BU Bakery and Core food and sales increase in trade goods; **Pharmaceuticals** sales 9.8 % higher due to higher demand and sales Non-prescription programme,
- **Southeastern Europe (+16.9 %)** → **Food** sales higher 17.8 %, due to sales increase of all business units; **Pharmaceuticals** sales up by 15.1 % due to higher sales of Prescription drugs,
- **WE and Overseas region (+0.1 %)** → **Food** sales -0.2 % lower, where the sales increase of BU Culinary, Fish and Meat products and trade goods sales increase largely cancelled out the sales decrease by other BU; **Pharmaceuticals** segment sales revenues up by HRK 1m (+122.1 %) due to Prescription drugs sales increase,
- **Central Europe (+6.6 %)** → **Food** sales up by 9.2 %, as a result of a significant sales increase of BU Core food ; **Pharmaceuticals** sales down by 11.1 % due to lower sales of both drugs categories and lower sales of trade goods,
- **Eastern Europe (-30.4 %)** → **Food** sales down by -4.1 % primarily due to lower sales of BU Culinary; **Pharmaceuticals** sales lower -45.3 %) due to lower sales of Prescription drugs and Non-prescription programme due to the discontinued deliveries of drugs to the market of Russia.

¹Percentages in the text relate to performance in 1-3 2022 compared to 1-3 2021.

Food segment profitability influenced by price increase of raw materials and supplies

Food segment (in HRK ^m)	REPORTED				NORMALIZED ¹			
	1 - 3 2021	1 - 3 2022	Δ	%	1 - 3 2021	1 - 3 2022	Δ	%
Sales revenue	845	937	92	10.8 %	845	937	92	10.8 %
Gross profit	303	325	22	7.2 %	303	325	22	7.2 %
EBITDA	135	142	7	5.0 %	135	142	7	5.0 %
EBIT	98	103	5	5.4 %	98	103	5	5.5 %
Net profit after MI	81	83	2	2.8 %	81	84	2	2.9 %
Gross margin	35.8 %	34.7 %		-117 bb	35.8 %	34.7 %		-117 bb
EBITDA margin	16.0 %	15.1 %		-85 bb	16.0 %	15.2 %		-84 bb
EBIT margin	11.6 %	11.0 %		-57 bb	11.6 %	11.0 %		-56 bb
Net profit margin after MI	9.6 %	8.9 %		-70 bb	9.6 %	8.9 %		-69 bb

Food segment profitability in 1 - 3 2022:

- **Gross profit** → higher 7.2 % with the gross margin of 34.7 %. In the reporting period, negative trends in prices of raw materials and supplies were recorded if compared to 1 - 3 2021. The estimated effect of movements in prices of raw materials and supplies in reported period amounted to negative HRK 42m² (primarily grains and mill products, fats and oils, vegetables and metal packaging),
- **EBIT** → higher 5.4 %, normalized 5.5 % higher. In addition to the impact above the gross profit level, EBIT was affected by the increase in some operating expenses, primarily marketing expenses and expenses related to sales growth, as well as unfavourable movement in foreign exchange differences on trade receivables and trade payables (HRK +0m in 1 – 3 2022; HRK +2m in 1 – 3 2021),
- **Net profit after MI** → higher HRK 2m compared to 1 - 3 2021. Bottom line was positively impacted by FX differences on borrowings (HRK -1m in 1 – 3 2022; HRK +0m in 1 – 3 2021) and lower finance costs. Tax cost is HRK 3m higher.

¹Normalized for one-off impacts.

²Obtained as used volumes of raw materials and supplies in 1 - 3 2022*prices in 1 - 3 2022 – used volumes of raw materials and supplies in 1 - 3 2022*prices in 1 - 3 2021.

Decreased profitability of Pharmaceutical segment due to negative FX differences

Pharma segment (in HRK _m)	REPORTED				NORMALIZED ¹			
	1 - 3 2021	1 - 3 2022	Δ	%	1 - 3 2021	1 - 3 2022	Δ	%
Sales revenue	234	236	1	0.6 %	234	236	1	0.6 %
Gross profit	109	111	2	1.7 %	109	111	2	1.7 %
EBITDA	49	29	(21)	(42.3 %)	49	29	(21)	(42.3 %)
EBIT	33	12	(21)	(63.5 %)	33	12	(21)	(63.5 %)
Net profit after MI	24	6	(19)	(77.0 %)	24	6	(19)	(77.0 %)
Gross margin	46.4 %	47.0 %		+54 bb	46.4 %	47.0 %		+54 bb
EBITDA margin	21.1 %	12.1 %		-898 bb	21.1 %	12.1 %		-898 bb
EBIT margin	14.2 %	5.2 %		-907 bb	14.2 %	5.2 %		-907 bb
Net profit margin after MI	10.3 %	2.4 %		-796 bb	10.3 %	2.4 %		-796 bb

Pharmaceuticals segment profitability in 1 - 3 2022:

- **Gross profit** → is higher 1.7 %, the gross margin is 47.0 %,
- **EBIT** → is HRK 21m lower, as a result of negative movement of FX differences on trade receivables and trade payables (HRK -24m in 1 – 3 2022; HRK +4m in 1 – 3 2021), while a positive impact came from lower marketing expenses and lower general and administrative expenses,
- **Net profit after MI** → is HRK 19m lower. Bottom line was affected by lower finance costs, while movements in foreign exchange differences on borrowings are at the level of the comparative period (HRK -0m in 1 – 3 2022; HRK -0m in 1 – 3 2021). The lower level of pre-tax profit resulted in the decrease in tax expense of HRK 3m.

¹Normalized for one-off impacts.

Group profitability influenced by negative FX differences in Pharmaceutical segment















Podravka Group	REPORTED				NORMALIZED ¹			
(in HRK m)	1 - 3 2021	1 - 3 2022	Δ	%	1 - 3 2021	1 - 3 2022	Δ	%
Sales revenue	1,080	1,173	93	8.6 %	1,080	1,173	93	8.6 %
Gross profit	412	436	24	5.8 %	412	436	24	5.8 %
EBITDA	185	170	(14)	(7.7 %)	185	171	(14)	(7.6 %)
EBIT	131	115	(16)	(12.2 %)	131	116	(16)	(12.1 %)
Net profit after MI	105	89	(16)	(15.6 %)	106	89	(16)	(15.5 %)
Gross margin	38.1 %	37.1 %		-100 bp	38.1 %	37.1 %		-100 bp
EBITDA margin	17.1 %	14.5 %		-257 bp	17.1 %	14.6 %		-256 bp
EBIT margin	12.1 %	9.8 %		-232 bp	12.2 %	9.9 %		-232 bp
Net profit margin after MI	9.7 %	7.6 %		-217 bp	9.8 %	7.6 %		-217 bp

Profitability of the Podravka Group in 1 - 3 2022:

- **Gross profit** → higher 5.8 %. Cost of goods sold are up by 10.4 %, while reported gross margin is 37.1 %,
- **EBIT** → lower by HRK 16m. EBIT was affected by unfavourable movements in FX differences on trade receivables and trade payables (HRK -24m in 1 – 3 2022; HRK +6m in 1 – 3 2021), dominantly from Pharmaceutical segment, and higher level of expenses related to sales growth,
- **Net profit after MI** → is HRK 16m lower. Bottom line was impacted by movements in FX differences on borrowings (HRK -1m in 1-3 2022; HRK -0m in 1-3 2021). Tax expense amounted to HRK 21m which is at the level of the comparative period..

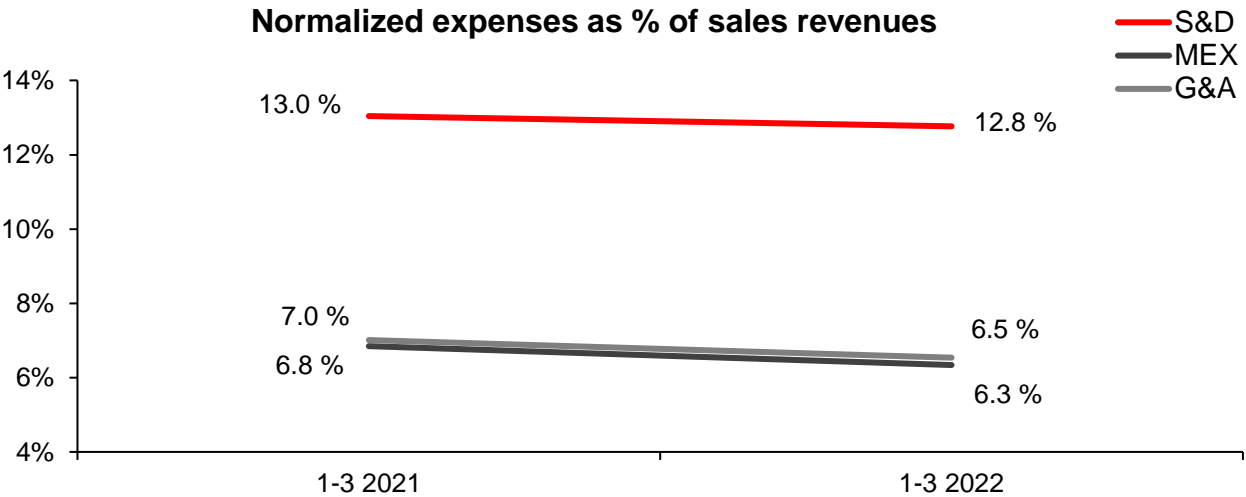
¹Normalized for one-off impacts.

Increase in operating expenses influenced by negative FX differences

Operating expenses 1 - 3 22 vs. 1 - 3 21 % change	REPORTED	NORMALIZED ¹
Cost of goods sold (COGS)	10.4 % 	10.4 % 
General and administrative expenses (G&A)	1.4 % 	1.3 % 
Sales and distribution costs (S&D)	6.3 % 	6.3 % 
Marketing expenses (MEX)	0.6 % 	0.6 % 
Other expenses / revenues, net	290.3 % 	290.3 % 
Total	11.5 % 	11.5 % 

Key highlights of operating expenses in 1 - 3 2022:

- **Cost of goods sold (COGS):**
 - Higher 10.4 % higher level of sales realized, the structure of sales, and movements in prices of raw materials and supplies (estimated negative impact in the Food segment of HRK 42m),
- **General and administrative expenses (G&A):**
 - Higher 1.4 % (normalized up by 1.3 %) following the increase of other expenses relative to comparative period,
- **Sales and distribution costs (S&D):**
 - Higher 6.3 % due to higher costs of transportation services and other expenses,
- **Marketing expenses (MEX):**
 - Higher 0.6 % (Food +6.6 %, Pharma -5.7 %),
- **Other expenses (revenues), net:**
 - Amounted to HRK +19m in 1 - 3 2022 (negative effect); HRK -10m in 1 - 3 2021 (positive effect), mainly due to negative movements in FX differences on trade receivables and trade payables (HRK -24m in 1 - 3 2022; HRK +6m in 1 - 3 2021).



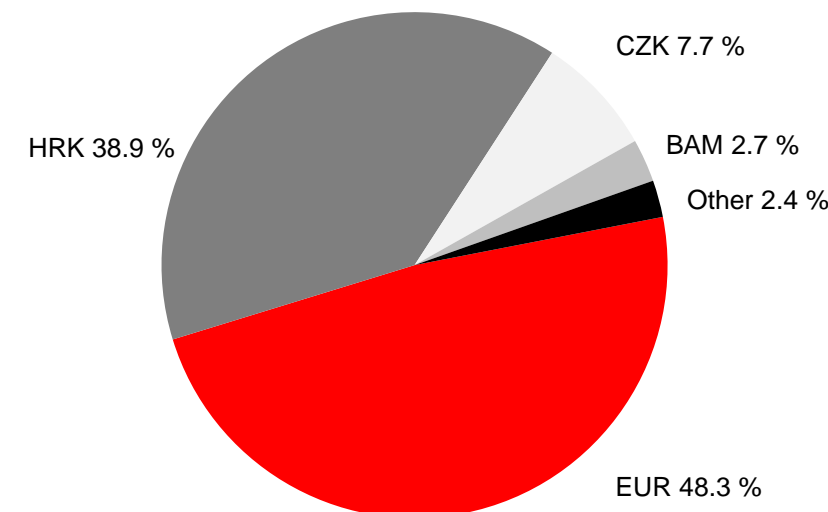
¹Normalized for one-off impacts.

Continuous decline of indebtedness and improvement of debt indicators



(in HRKm) ¹	2021.	1. - 3. 2022	% change
Financial debt ²	494	436	(11.8 %)
Cash and cash equivalents	33	215	545.0 %
Net debt	461	221	(52.0 %)
TTM interest expense	7	6	(7.4 %)
Net debt / TTM EBITDA	0,8	0,4	(50.9 %)
EBITDA / Interest expense	57	59	3.5 %
Equity to total assets ratio	75.3 %	72.8 %	-246 bp

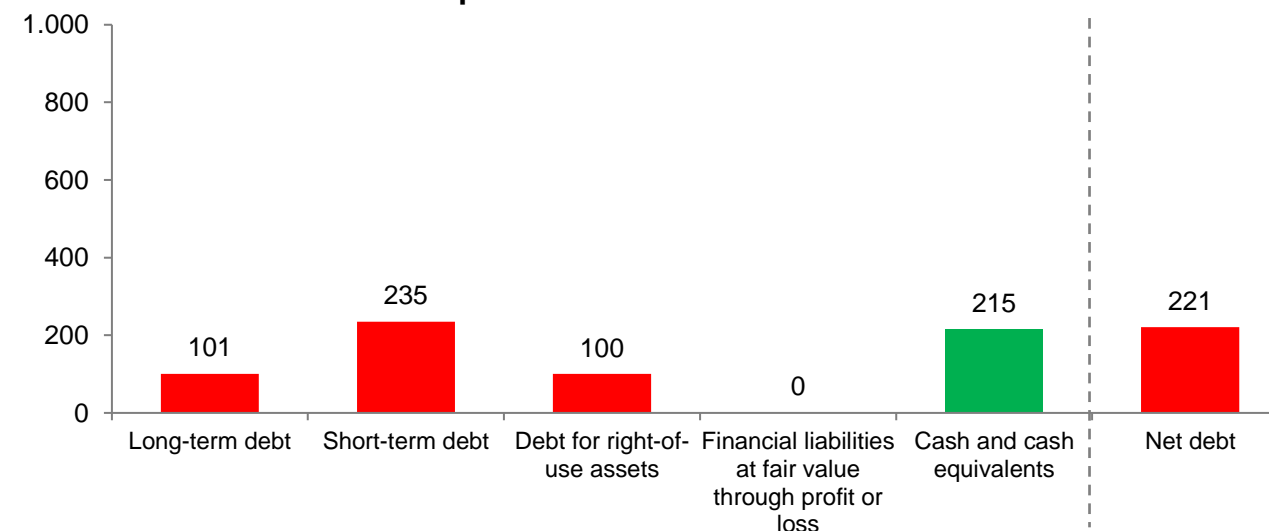
Currency structure of debt as at 31 March 2022



Key highlights:




- **Financial debt** decrease → due to decrease in level of long-term and short-term debt,
- **Long-term debt** decrease → due to regular repayments of long-term debt,
- **Short-term debt** increase → due to regular repayments of short-term debt,
- Lower **interest expenses** → continuous decrease in the total borrowings,
- **Weighted average cost of debt excluding liabilities for right-of-use assets:**
 - As at 31 March 2021 → 1.0 %,
 - As at 31 December 2016 → 2.5 %.

Net debt components in HRKm as at 31 March 2022



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.

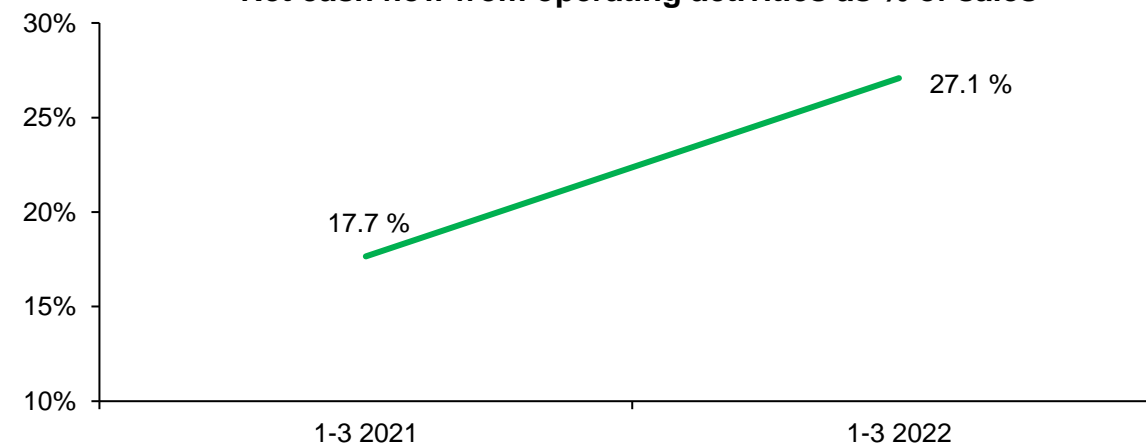
High level of cash flow from operating activities

Working capital movement in BS	31 Mar 2021 / 31 Mar 2020		Impact
Inventories		0.8 %	<ul style="list-style-type: none"> This movement is primarily the result of the increase in inventories of the Food segment with the aim of procuring sufficient amount of raw materials to ensure business continuity and control of future expenses of raw materials and packaging,
Trade and other receivables		0.6 %	<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		19.5 %	<ul style="list-style-type: none"> This movement is a result of regular operations, but also of movements in prices of raw materials and supplies in the reporting period.

(in HRKm)	1 – 3 2021	1 – 3 2022	Δ
Net cash from operating activities	191	318	127
Net cash from investing activities	(14)	(62)	(48)
Net cash from financing activities	(51)	(74)	(23)
Net change of cash and cash equivalents	(126)	(182)	(55)

- CAPEX** in 2022 is expected to be at the level of HRK 500m, in 2023 is expected to be at the level of HRK 500m and in 2024-2024 period is expected to be at the level of HRK 250m.

Net cash flow from operating activities as % of sales



Podravka's share price movement in 1 - 3 2022



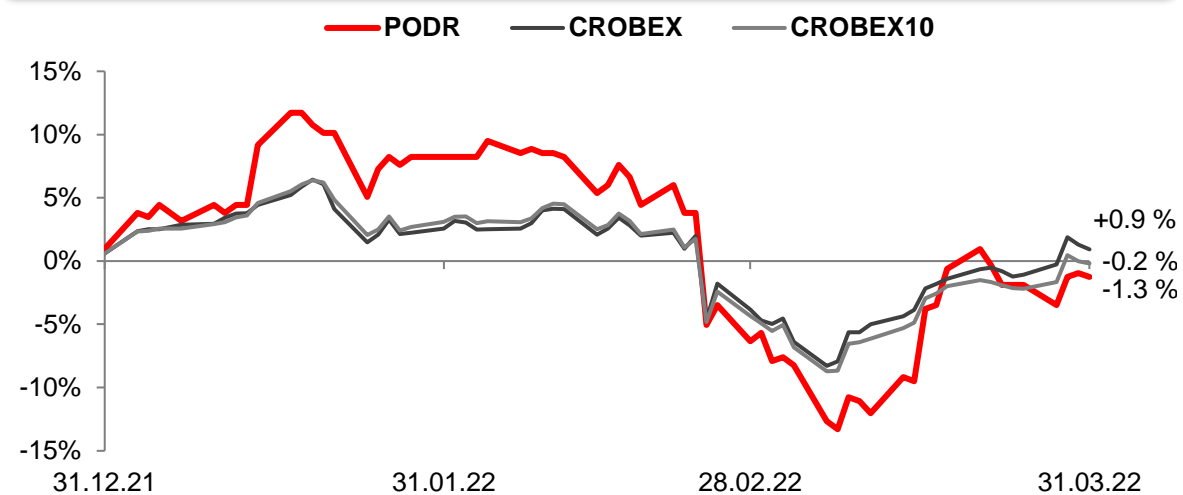
Market activity with PODR share

(HRK; units)	1 – 3 2021	1 – 3 2022	% change
Average daily price	506.7	637.1	25.7 %
Average daily number of transactions	12	26	116.4 %
Average daily volume	1,286	1,484	15.4 %
Average daily turnover	651,487	903,623	38.7 %
Reported earnings per share	44 ¹	42	(5.4 %)
Normalized earnings per share	43 ¹	41	(5.4 %)

Analyst coverage

Analysts	Recommendation	Target price	Potential ²
InterCapital	Hold	HRK 718.00	15.1 %
Raiffeisen BANK	Hold	HRK 633.00	1.4 %
ERSTE Group	Hold to Reduce	HRK 575.00	(7.4 %)

PODR share price movement in 1 - 3 2022



Peer group

Peer group multiples ³	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.1	10.9	17.1	2.5	19.3
Normalized weight. av. peer group ⁴	1.4	9.1	16.3	1.8	18.6
Podravka Group reported	1.0	8.2	13.5	1.2	15.1
Podravka Group normalized ⁵	1.0	8.0	12.6	1.2	15.4

Peer group food: Atlantic Grupa, Ebro, Hochdorf, La Doria, McCormick, Orkla;

Peer group pharma: Alkaloid, Richter Gedeon, Hikma Pharmaceuticals, Krka, Recordati, Stada Arzneimittel.

¹Based on results for 2021, ²Compared to the last trading price (HRK 624.0) on 31st Mar 2022, ³Obtained from Bloomberg on 22nd Apr 2022; ⁴Calculated excluding max. and min. values; ⁵Normalized for items stated in the publication 1 - 3 2022 results and publication 1 - 3 2021 results.

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