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Podravka Group adopts Business Strategy to 2025

Over the next five years, the Podravka Group plans to invest about HRK 5 billion in the modernisation and digitalisation of production and logistics, marketing and acquisitions

The Supervisory Board of Podravka has given its consent to the Podravka Group Strategic plan for the period 2021 – 2025 (further on: Strategy). During the drafting of the Strategy, the current state of business, historical data and the external environment of Podravka Group were analysed. The Strategy encompasses both divisions of the Podravka Group, Food and Pharmaceuticals (Belupo), through three development pillars: focus on select markets and production categories, increasing efficiency of operations through technological modernisation and digital transformation of production and logistics processes, and acquisitions. An integral part of the strategic document is the integrated implementation plan, with clearly defined activities and implementation schedules.

The Strategy clearly defines the areas for achieving progress in operations, to further strengthen the capability of the Podravka Group to continually recognise the needs of consumers, and to more quickly adapted to changes in consumer habits, while retaining high quality and health standards of products. In the forthcoming period, Podravka Group intends to get closer to its consumers, to remain a reliable partner in overcoming the challenges of modern life, by offering a wide selection of high quality products. The basic message that the Podravka Group will follow in the forthcoming period while implementing the adopted Strategy is “Delicious food and good health for our customers through knowledge and heart”.

In the forthcoming period, the Food division of Podravka Group will place special emphasis on the development of products and product and packaging innovations that are directed at increasing the accessibility of Podravka products, and their adjustments to the needs and habits of different consumer groups. The future accelerated growth and development of the Food division will be based on product categories with a higher export potential, such as seasonings, soups and baked goods, and will be focused on the wealthier markets with high potential in Western and Central Europe. For the Croatian market and the Adria region, these markets will continue to be the dominant focus in the forthcoming period, and further growth is expected to retain the strong market position. With this strategic approach, stronger growth



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of sales revenue share in Western and Central Europe is expected, in terms of total sales revenues.

By implementing the defined measures, such as through the introduction of new sales channels and a stronger presence in the gastro segment, and also through improving production efficiency and better management of human resources, processes and further technological modernisation and digitalisation of production and logistics processes, efficacy will be raised to a significantly higher level. It should be stressed that the Soups and Vegeta factory was selected for the pilot project for implementation of the Lean 4.0 concept. Once this is completed, the intention is to introduce this concept into all production units.

By increasing self-sufficiency through its own agricultural production, and strengthening local cooperation, Podravka plans to reduce its dependence on import over the coming five-year period, to ensure stable risk management in the primary part of the supply chain, thereby strengthening its leader position and competitiveness.

With regard to acquisitions, the Strategy also clearly defines the criteria for the consideration of and selection of acquisition subjects. It is key to stress that with possible acquisitions in the Food division, Podravka Group aims to strengthen its presence and market position on markets and in categories which are in the focus of further accelerated growth.

Within the frame of the adopted business strategy, Podravka Group will work actively to establish more advanced function of its human resources management, to achieve an appropriate structure and further improvements of employee status.

The second division of Podravka Group, Pharmaceuticals (Belupo), will place its focus in the forthcoming period on stronger growth on international markets, particularly Central and Eastern Europe, expansion of the portfolio with products with additional ATC (anatomic therapeutic chemical) groups, and spurring growth on the domestic market with the introduction of new products. Growth will be strongly spurred through the launch of new molecules both in the prescription and over-the-counter programmes.

The Strategy assumes an acceleration of product development processes in the pharmaceutical part of the company through the optimisation of key processes and establishment of firm guidelines for monitoring efficacy. The operational efficacy of business



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will be improved through the optimisation of efficacy in procurement and production and logistics capacities. In terms of the inorganic growth of the Pharmaceuticals division, the company wishes to be an active participant and to proactively seek out acquisitions and production partnerships.

The implementation of the adopted Strategy implies investments in the amount of HRK 1.4 billion in marketing to achieve organic growth, HRK 1.7 billion in investments to modernise and digitalise production and logistics processes, and about HRK 2 billion for acquisitions.