



Podravka Group business results for 1-9 2021 period



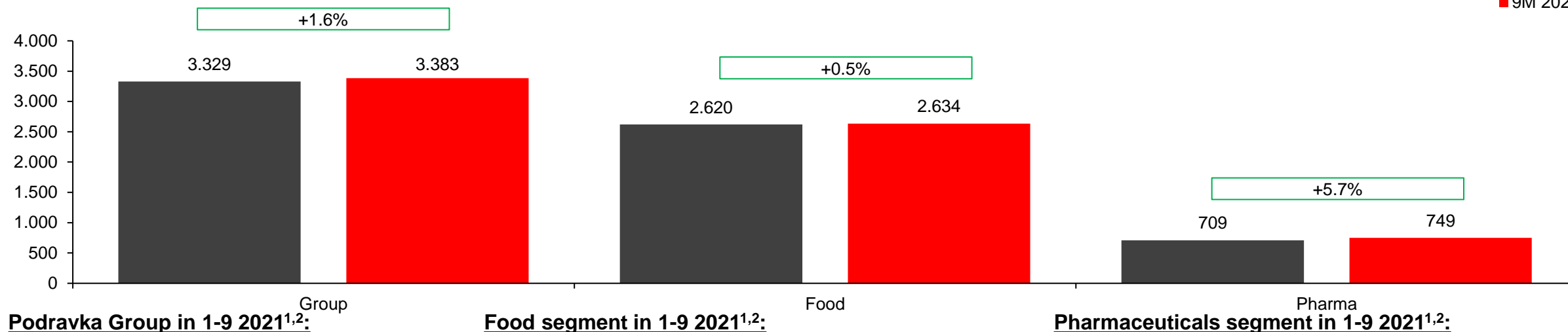
Sales increase in both business segments



in HRKmn

Sales revenues by segment

■ 9M 2020.
■ 9M 2021.



- **Own brands** → 1.0% higher sales,
- **Other sales** → 8.1% higher sales,
- **Total Podravka Group** → 1.6% higher sales.

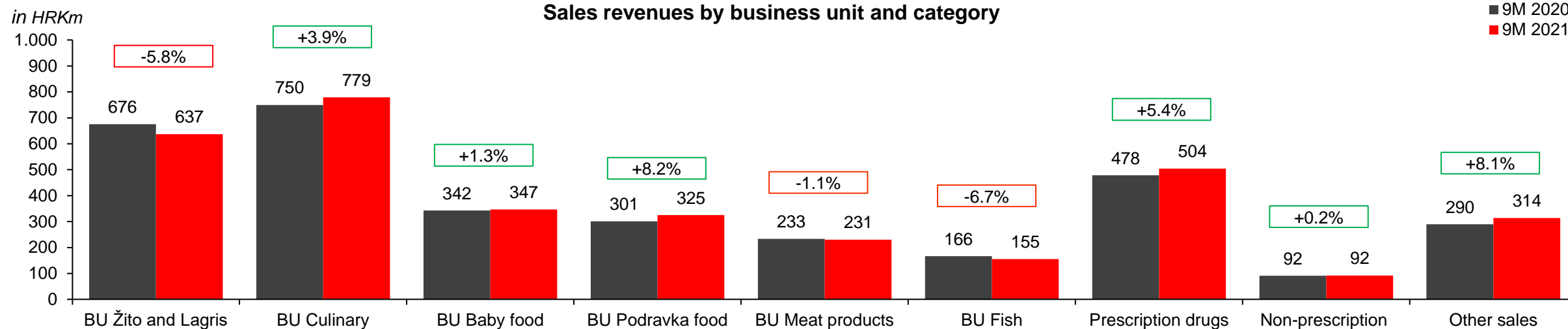
- **Own brands** → 0.2% higher sales, sales increase of the BU Culinary, Podravka food and Baby food, sweets and snacks successfully cancelled out lower sales of other business units in the comparative period,
- **Other sales** → 5.8% higher sales, primarily as a result of trade goods sales increase in Croatian market,
- **Total Food** → 0.5% higher sales.

- **Own brands** → 4.5% higher sales, as a result of Prescription drugs sales increase in markets of Russia, Bosnia and Herzegovina and Slovenia,
- **Other sales** → 10.6% higher sales, due to sales increase of trade goods (Farmavita) in Bosnia and Herzegovina,
- **Total Pharma** → 5.7% higher sales.

¹The situation caused by COVID-19 disease positively impacted the sales revenues trends in 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 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 measures which began in May and a significant easing in the third quarter, which gave a boost to the tourist season and the arrival of foreign guests in Croatia. The successful tourist season, easing of epidemiological measures in the countries where the Podravka Group is present with its range and opening of the Gastro channel in Croatia and abroad positively reflected on the movements of sales revenues, but this effect cannot be clearly estimated or quantified.

²Percentages in the text relate to performance in 1-9 2021 compared to 1-9 2020.

Sales increase of most profitable business units



Business unit and category performance in 1-9 2021¹:

- **BU Žito and Lagris (-5.8%)** → lower sales due to lower sales in the categories private labels, Flour, Rice, Pulses, porridge and oil products, primarily in the markets of the Adria and Central Europe regions,
- **BU Culinary (+3.9%)** → higher sales due to sales increase of the Universal seasonings and Soups categories. Significant revenue growth was recorded in the Adria region and the Western Europe and Overseas region,
- **BU Baby food, sweets and snacks (+1.3%)** → 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 (+8.2%)** → higher sales, due to sales increase of the Condiments, Flour and Vegetables categories. Revenue growth was recorded in most regions, primarily in Adria region, which cancelled out lower sales in Eastern Europe region,
- **BU Meat products, meals and spreads (-1.1%)** → sales decrease, due to lower sales of Other meat products, Luncheon meat and Pâtés categories. Central Europe region sales increase mitigated the sales decrease of other regions,
- **BU Fish (-6.7%)** → lower sales primarily due to sales decrease of the Tuna and Sardine categories in the Adria region,
- **Prescription drugs (+5.4%)** → higher sales due to dermatological drugs sales increase, with the greatest contribution to sales increase by the markets of Russia, Bosnia and Herzegovina and Kosovo,
- **Non-prescription programme (+0.2%)** → higher sales due to herbal medicines sales increase in Croatian market,
- **Other sales (+8.1%)** → In the Pharmaceuticals segment, sales up by HRK 15m, primarily due to higher sales of trade goods in the market of Bosnia and Herzegovina; in the Food segment, sales up by HRK 9m mainly due to trade goods sales increase in Croatian market.

¹Percentages in the text relate to performance in 1-9 2021 compared to 1-9 2020.

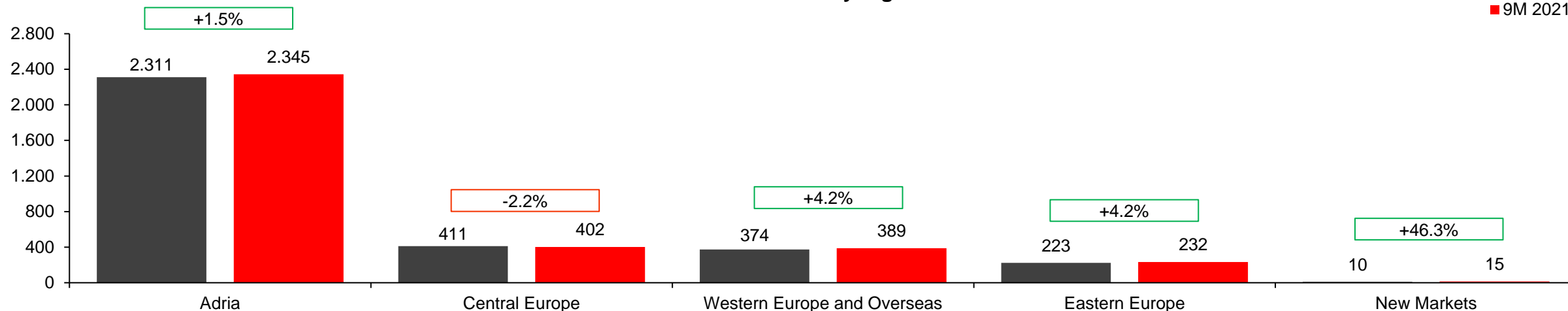
Sales growth of most regions



in HRK m

Sales revenues by region

■ 9M 2020.
■ 9M 2021.



Region performance in 1-9 2021¹:

- **Adria (+1.5%)** → **Food** sales 0.7% higher, due to sales increase of BU Culinary and Podravka food.; **Pharmaceuticals** sales 4.1% higher due to higher demand and sales of trade goods and Prescription drugs,
- **Central Europe (-2.2%)** → **Food** sales lower 3.3%, where sales increase of BU Podravka Food and BU Meat products, meals and spreads was unable to cancel out lower sales of other BU and trade goods; **Pharmaceuticals** sales up by 6.7% due to higher sales of Prescription drugs in Slovakia,
- **WE and Overseas region (+4.2%)** → **Food** sales 4.0% 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 up by HRK 1m (+58.2%) due to Prescription drugs sales increase,
- **Eastern Europe (+4.2%)** → **Food** sales down by 7.7%, due sales decrease in most BU; **Pharmaceuticals** sales up by 11.1% due to sales increase in Prescription drugs and Non-prescription programme,
- **New markets (+46.3%)** → **Food** sales up by HRK 5m (+55.5%) primarily due to sales increase of Universal seasonings and Creamy spreads; **Pharmaceuticals** sales lower HRK 0.3m (-26.7%) due to lower Prescription drugs sales.

¹Percentages in the text relate to performance in 1-9 2021 compared to 1-9 2020.

Food segment profitability influenced by cost savings and positive FX differences

Food segment (in HRK ^m)	REPORTED				NORMALIZED ¹			
	1-9 2020	1-9 2021	Δ	%	1-9 2020	1-9 2021	Δ	%
Sales revenue	2,620	2,634	14	0.5%	2,620	2,634	14	0.5%
Gross profit	890	895	5	0.6%	890	895	5	0.6%
EBITDA	323	330	8	2.3%	325	331	6	1.9%
EBIT	207	215	8	4.1%	209	216	7	3.3%
Net profit after MI	166	175	8	5.0%	168	175	7	4.3%
Gross margin	34.0%	34.0%		+2 bp	34.0%	34.0%		+2 bp
EBITDA margin	12.3%	12.5%		+22 bp	12.4%	12.6%		+16 bp
EBIT margin	7.9%	8.2%		+28 bp	8.0%	8.2%		+22 bp
Net profit margin after MI	6.4%	6.6%		+28 bp	6.4%	6.7%		+24 bp

Food segment profitability in 1-9 2021:

- **Gross profit** → higher 0.6% with the gross margin of 34.0% In the reporting period, positive trends in prices of raw materials and supplies were recorded if compared to 1 – 9 2020. The estimated effect of movements in prices of raw materials and supplies amounted to positive HRK 2m² (primarily meat and dried vegetables),
- **EBIT** → 4.1% higher, normalized 3.3% higher. Positive effect came from cost savings (marketing expenses and general and administrative expenses) and favorable movements in FX differences on trade receivables and trade payables (HRK +2m in 1 – 9 2021; HRK -10m in 1 – 9 2020),
- **Net profit after MI** → higher HRK 8m, while normalized is HRK 7m higher compared to 1-9 2020. Bottom line was positively impacted by FX differences on borrowings (HRK +1m in 1 – 9 2021; HRK -2m in 1 – 9 2020) and lower finance costs. 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 1-9 2021*prices in 1-9 2021 – used volumes of raw materials and supplies in 1-9 2021*prices in 1-9 2020.

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

Pharma segment	REPORTED				NORMALIZED ¹			
(in HRK m)	1-9 2020	1-9 2021	Δ	%	1-9 2020	1-9 2021	Δ	%
Sales revenue	709	750	41	5.7%	709	750	41	5.7%
Gross profit	342	353	11	3.2%	340	353	14	4.1%
EBITDA	113	161	49	43.2%	110	161	52	46.9%
EBIT	66	113	47	72.0%	63	113	50	79.7%
Net profit after MI	44	85	41	93.4%	42	85	43	102.4%
Gross margin	48.3%	47.2%		-115 bp	47.9%	47.2%		-75 bp
EBITDA margin	15.9%	21.5%		+564 bp	15.5%	21.5%		+604 bp
EBIT margin	9.3%	15.1%		+581 bp	8.9%	15.1%		+621 bp
Net profit margin after MI	6.2%	11.3%		+511 bp	5.9%	11.3%		+538 bp

Pharmaceuticals segment profitability in 1-9 2021:

- **Gross profit** → reported is higher 3.2% while normalized is 4.1% higher. The gross margin is 47.2%, 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 47m higher, while normalized is up by HRK 50m as a result of savings on selling costs, positive movement of FX differences on trade receivables and trade payables (HRK +10m in 1 – 9 2021; HRK -36m in 1 – 9 2020) and lower provisions for trade receivables,
- **Net profit after MI** → reported is HRK 41m higher, while is HRK 43m higher. Bottom line was affected by favorable movements in FX differences on borrowings (HRK +0m in 1-9 2021; HRK -2m in 1-9 2020). Tax liability is higher by HRK 9m.

¹Normalized for one-off impacts.

Group profitability influenced by positive FX differences













Podravka Group (in HRK m)	REPORTED				NORMALIZED ¹			
	1-9 2020	1-9 2021	Δ	%	1-9 2020	1-9 2021	Δ	%
Sales revenue	3,329	3,384	55	1.6%	3,329	3,384	55	1.6%
Gross profit	1,233	1,250	16	1.3%	1,230	1,249	19	1.6%
EBITDA	436	492	56	12.9%	435	492	58	13.2%
EBIT	273	328	56	20.4%	272	329	57	21.0%
Net profit after MI	210	259	49	23.4%	210	260	50	23.8%
Gross margin	37.0%	36.9%		-12 bp	36.9%	36.9%		-3 bp
EBITDA margin	13.1%	14.5%		+145 bp	13.1%	14.6%		+149 bp
EBIT margin	8.2%	9.7%		+151 bp	8.2%	9.7%		+156 bp
Net profit margin after MI	6.3%	7.7%		+135 bp	6.3%	7.7%		+137 bp

Profitability of the Podravka Group in 1-9 2021:

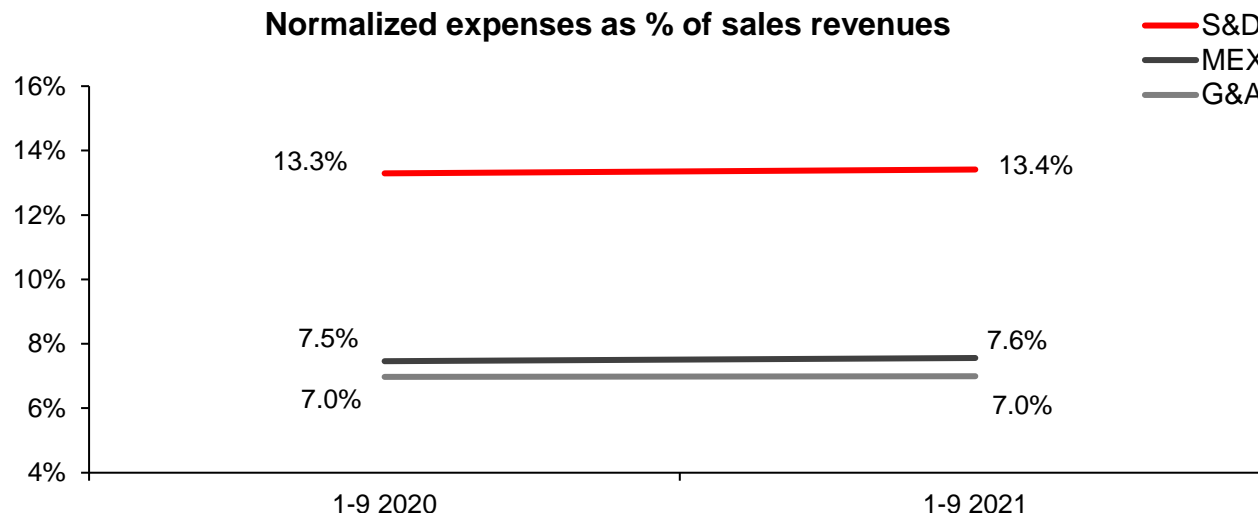
- **Gross profit** → reported is higher 1.3%, while normalized is up by 1.6%. Cost of goods sold are up by 1.8%, while reported gross margin is at the comparative period level,
- **EBIT** → reported is HRK 56m higher, while normalized grew by HRK 57m. EBIT was positively affected by favorable movements in FX differences on trade receivables and trade payables (HRK +12m in 1 – 9 2021; HRK -46m in 1 – 9 2020) and lower provisions for trade receivables,
- **Net profit after MI** → reported is HRK 49m higher, while normalized is HRK 50m higher. Bottom line was impacted by favorable movements in FX differences on borrowings (HRK +1m in 1-9 2021; HRK -4m in 1-9 2020) and lower finance costs. Tax liability is HRK 14m higher.

¹Normalized for one-off impacts.

Operating expenses increase compensated by positive FX differences

Operating expenses 1-9 21 vs. 1-9 20 % change	REPORTED	NORMALIZED ¹
Cost of goods sold (COGS)	1.8% 	1.7% 
General and administrative expenses (G&A)	1.3% 	1.9% 
Sales and distribution costs (S&D)	2.5% 	2.5% 
Marketing expenses (MEX)	2.9% 	2.9% 
Other expenses / revenues, net	(175.0%) 	(175.0%) 
Total	(0.0%) 	(0.1%) 

Normalized expenses as % of sales revenues



Key highlights of operating expenses in 1-9 2021:

- **Cost of goods sold (COGS):**
 - Higher 1.8% (normalized up by 1.7%) as a result of a higher 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 2m).
- **General and administrative expenses (G&A):**
 - Higher 1.3% (normalized up by 1.9%) due different dynamics of movements in provisions and higher exercise of share options than in the comparative period,
- **Sales and distribution costs (S&D):**
 - Higher 2.5% (normalized up by 2.5%) due to higher staff costs and costs of services,
- **Marketing expenses (MEX):**
 - Higher 2.9%, (Food -1.5%, Pharma +8.5%),
- **Other expenses (revenues), net:**
 - Amounted to HRK -26m in 1-9 2021 (positive effect); HRK +35m in 1-9 2020 (negative effect), mainly due to movements in FX differences on trade receivables and trade payables (HRK +12m in 1-9 2021; HRK -46m in 1-9 2020).

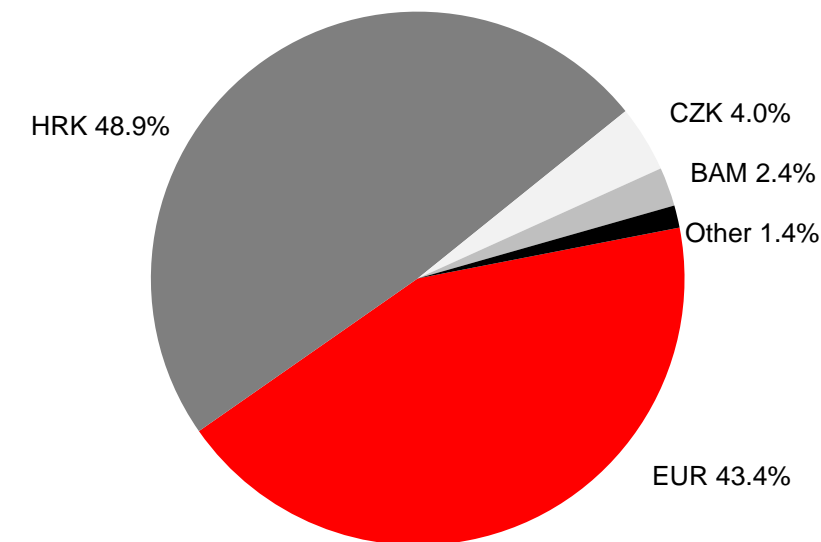
¹Normalized for one-off impacts.

Significant decline of indebtedness and improvement of debt indicators



(in HRKm) ¹	2020	1-9 2021	% change
Financial debt ²	785	614	(21.9%)
Cash and cash equivalents	52	164	215.3%
Net debt	733	450	(38.6%)
TTM interest expense	12	8	(31.0%)
Net debt / TTM EBITDA	1.4	0.7	(44.5%)
EBITDA / Interest expense	28	48	70.5%
Equity to total assets ratio	69.4%	71.2%	+179 bp

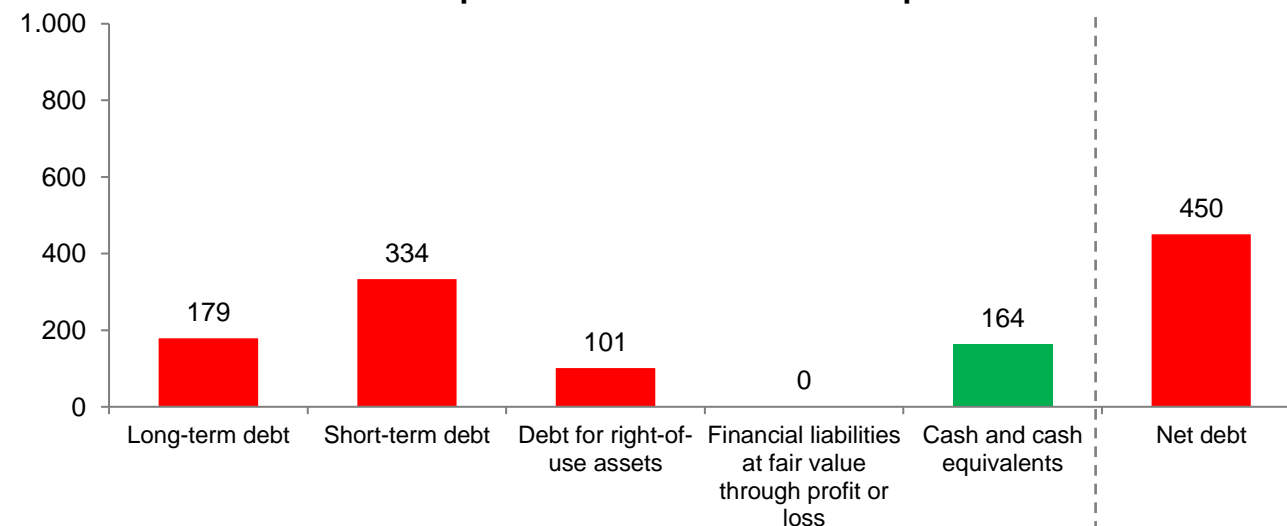
Currency structure of debt as at 30 September 2021



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 → 0.65%,
 - As at 31 December 2016 → 2.5%.

Net debt components in HRKm as at 30 September 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.

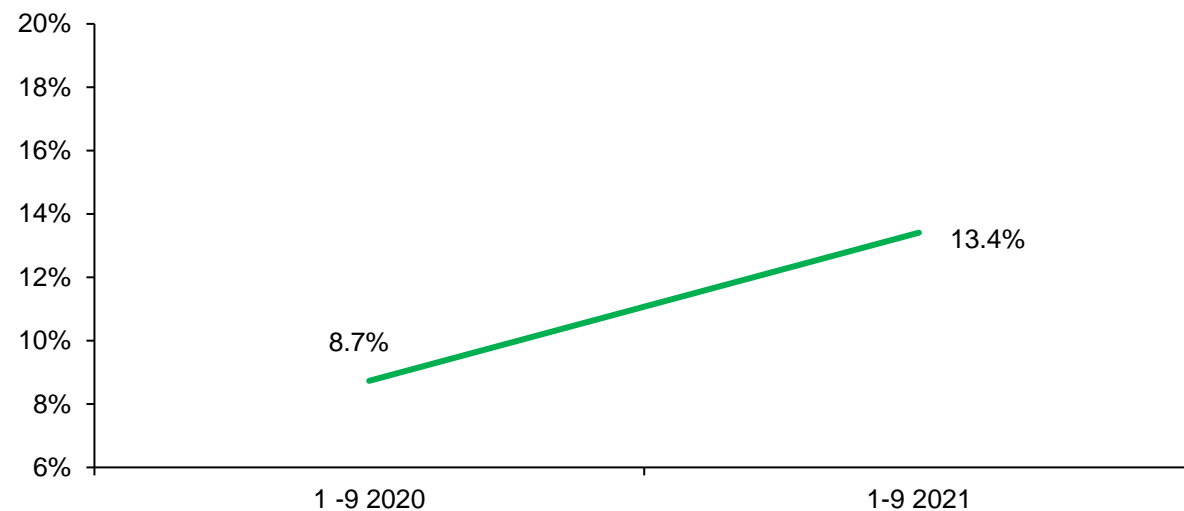
High level of cash flow from operating activities

Working capital movement in BS	30 Sep 2021 / 30 Sep 2020		Impact
Inventories		(6.4%)	<ul style="list-style-type: none"> This movement is primarily the result of the decrease in inventories in both business segments in the reporting period,
Trade and other receivables		9.9%	<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		3.8%	<ul style="list-style-type: none"> This movement is mostly in line with the regular operations of both segments in the reporting period.

(in HRKm)	1-9 2020	1-9 2021	Δ
Net cash from operating activities	290	453	163
Net cash from investing activities	(135)	(88)	47
Net cash from financing activities	(78)	(254)	(174)
Net change of cash and cash equivalents	76	112	36

- **CAPEX** in 2021 is expected to be at the level of HRK 200m, in 2022-2023 period at the level of HRK 500m.

Net cash flow from operating activities as % of sales



Podravka's share price movement in 1-9 2021



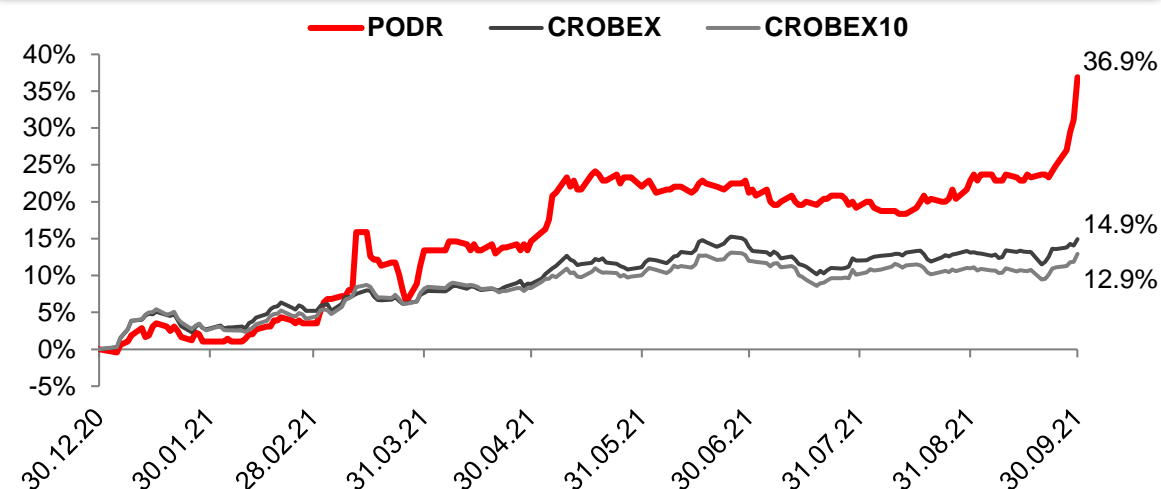
Market activity with PODR share

(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	43	19.6%
Normalized earnings per share	35 ¹	42	20.2%

Analyst coverage

Analysts	Recommendation	Target price	Potential ²
InterCapital	Buy	HRK 551.00	(17.0%)
Raiffeisen BANK	Hold	HRK 603.00	(9.2%)
ERSTE Group	Hold	HRK 595.00	(10.4%)

PODR share price movement in 1-9 2021



Peer group

Peer group multiples ³	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.3	19.8	15.0	2.7	17.9
Normalized weight. av. peer group ⁴	1.7	12.2	13.7	2.1	17.1
Podravka Group reported	1.1	8.6	13.3	1.3	15.6
Podravka Group normalized ⁵	1.1	8.6	13.5	1.3	15.8

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 2020 results, ²Compared to the last trading price (HRK 664.0) on 30th Sep 2021, ³Obtained from Bloomberg on 27th Oct 2021; ⁴Calculated excluding max. and min. values; ⁵Normalized for items stated in the publication 1-9 2021 results and publication 1-9 2020 results.

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