



Podravka Group

Always with a heart!



Virtual SEE Day, 21st November 2022



The Company

Business

Investment highlights

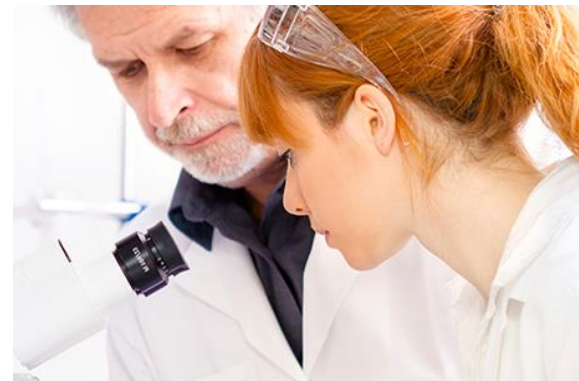
2021 results

9M 2022 results





Founded in
1947



Headquarters in
Koprivnica

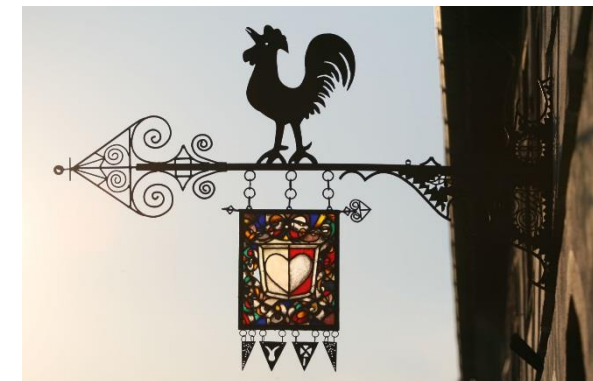
75 years
In food business

50 years
In pharmaceutical
business



4,632m HRK
(618m EUR) revenues

4,909m HRK
(655m EUR) assets



6,406*
Employees

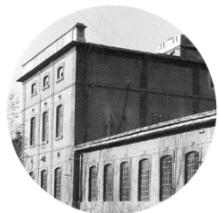


3,901m HRK
(520m EUR) Mcap**

Listed on ZSE
Prime market

Note: figures in this presentation are translated to euros at HRK/EUR FX rate of 7.5; *On 30th Sep 2022; **MCap on 30th September 2022, 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

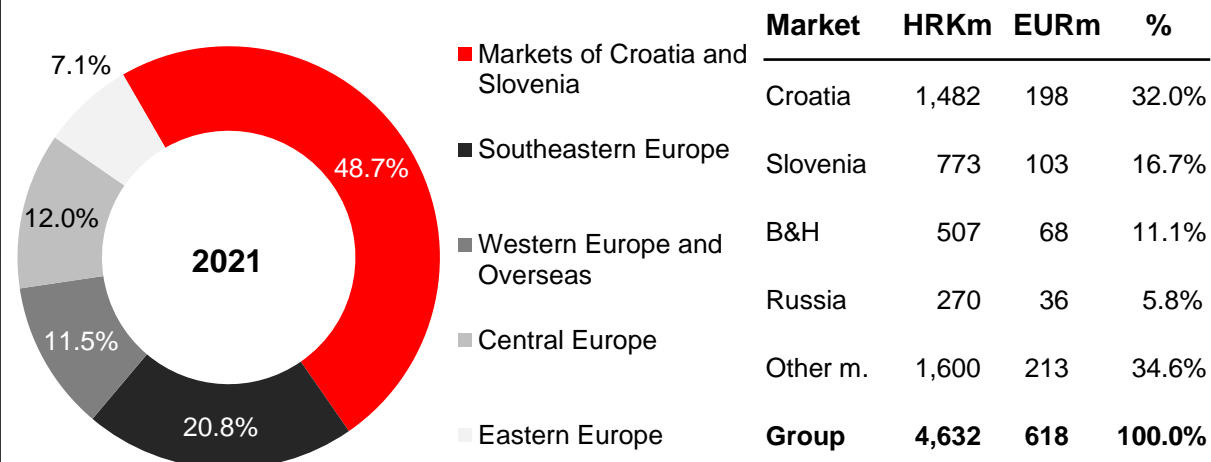


Factories

- Croatia – 9 food and 1 pharmaceutical factory
- Slovenia – 9 food factories
- B&H – 1 pharmaceutical factory
- Czech Republic – 1 food factory



Podravka Group sales split by regions in 2021



Institutional investors provide stabile ownership structure



Management Bord as at 1 July 2022



Martina Dalić
MB president



Ljiljana Šapina
MB member



Davor Doko
MB member



Milan Tadić
MB member



Ivan Ostojić
MB member

Ownership structure as at 30 September 2022 and Supervisory Bord as at 1st November 2022

President:

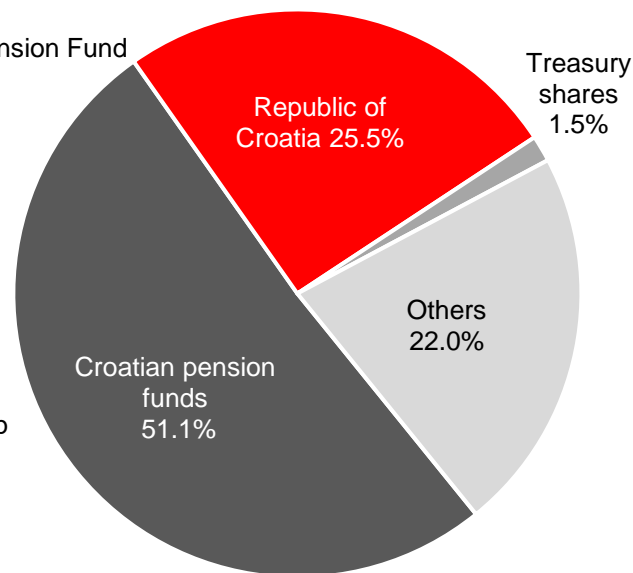
- Damir Grbavac – former president of the Management Bord at Raiffeisen Pension Fund

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
- Tomislav Kitonić → professional manager with experience in food segment
- Marina Dabić → professor at the Faculty of Economics and Business, Zagreb
- Petar Miladin → professor at the Faculty of Law, Zagreb
- Damir Felak – senior expert associate at Hrvatske šume d.o.o.

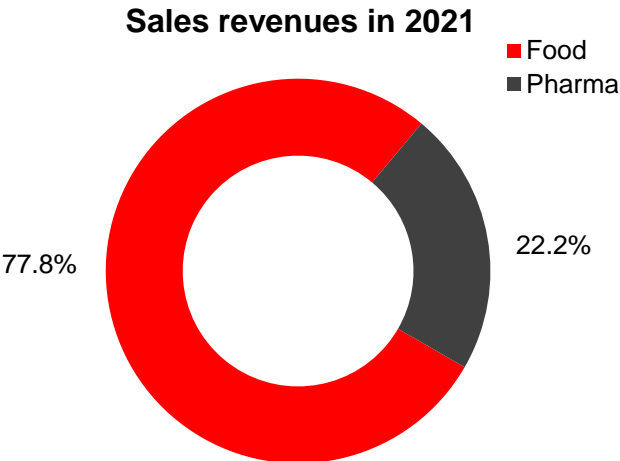


No.	Shareholder	% ownership
1.	Republic of Croatia	25.5%
2.	PBZ Croatia Osiguranje mandatory pension fund category B	15.4%
3.	AZ mandatory pension fund category B	13.1%
4.	Erste Plavi mandatory pension fund category B	9.0%
5.	Raiffeisen mandatory pension fund category B	8.8%
6.	Podravka d.d. – treasury shares	1.5%
	Other shareholders	26.7%
Total		100.0%

Key financial figures



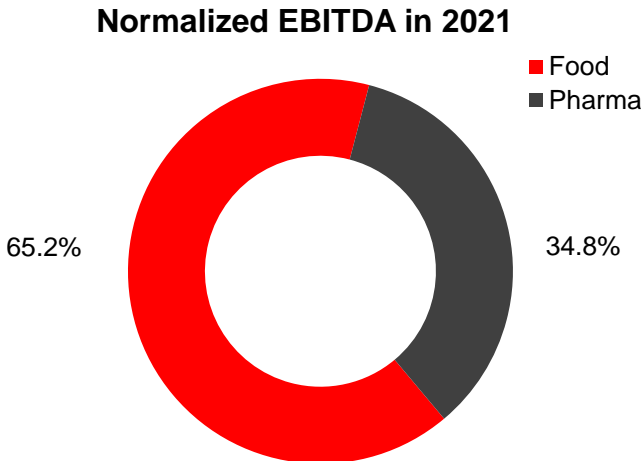
Sales revenues split



2021 revenues	HRKm
Food	3,601
Pharma	1,030
Group	4,632

2021 revenues	EURm
Food	480
Pharma	137
Group	618

Normalized EBITDA split



2021 EBITDA	HRKm
Food	396
Pharma	212
Group	608

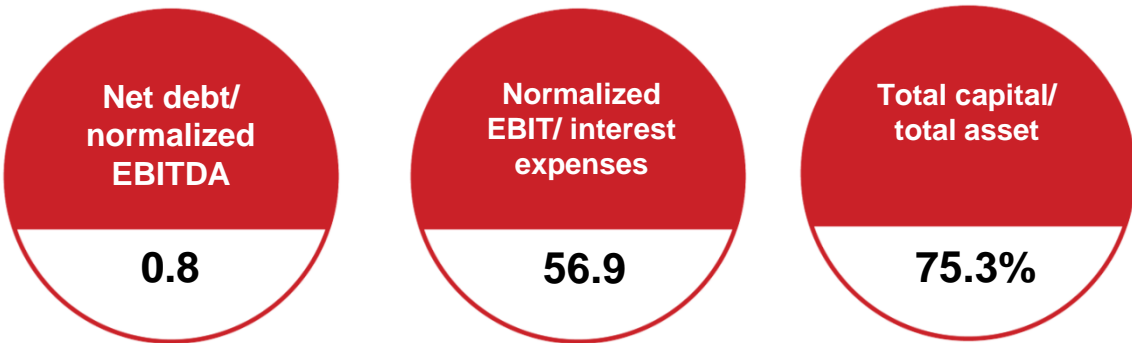
2021 EBITDA	EURm
Food	53
Pharma	28
Group	81

Normalized EBITDA margins in 2021

13.1%
Group

11.0%
Food
20.5%
Pharma

Low and sustainable debt level





The Company

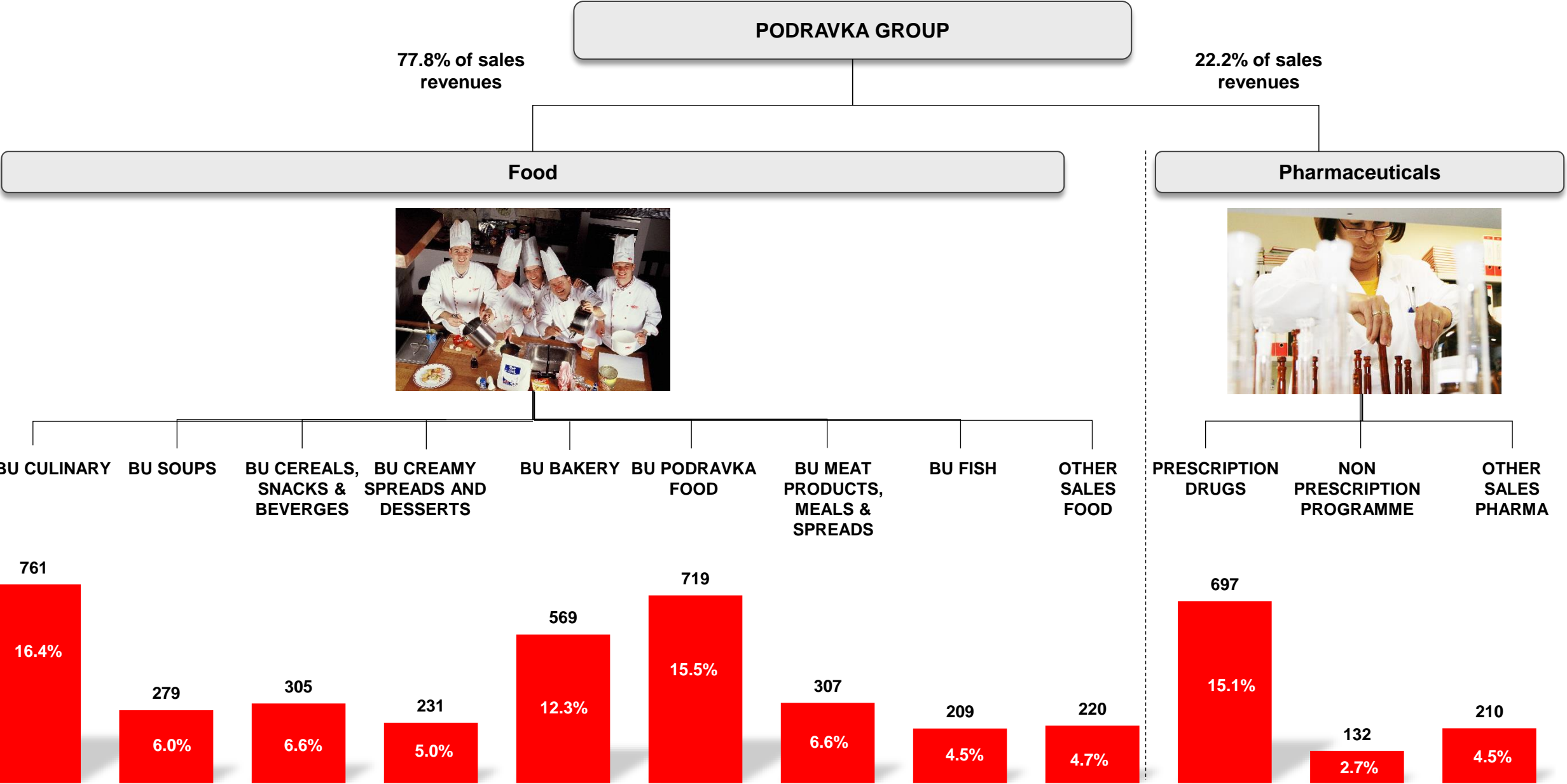
Business

Investment highlights

2021 results

9M 2022 results

A well diversified product portfolio divided in two business areas



Food segment organized in 8 key business units, Pharma segment organized in 2 categories



BU Culinary

Food seasoning.

2021 sales: **761 HRK**m;
% total sales: **16.4%**



BU Soups

Soups, Instant meals.

2021 sales: **279 HRK**m;
% total sales: **6.0%**



BU Cereals, Snack and Beverages

Cereals, Baby food, Snack, Tea and Beverages.

2021 sales: **305 HRK**m;
% total sales: **6.6%**



BU Creamy spreads and Desserts

Creamy spreads, Desserts.

2021 sales: **231 HRK**m;
% total sales: **5.0%**



BU Bakery

Bread, Rolls and salt bakery products, Sweet bakery products, Žito flour, Confectionery.

2021 sales: **569 HRK**m;
% total sales: **12.3%**



BU Basic Food

Condiments, Tomato products, Processed fruit, Vegetables, Podravka flour, Side dishes, Wellness food.

2021 sales: **719 HRK**m;
% total sales: **15.5%**



BU Meat products

Ready meals, Pates, Dried Meat and Sausage Products, Chilled ready meals, Other meat products.

2021 sales: **307 HRK**m;
% total sales: **6.6%**



BU Fish

Fish products, Fish salads, Other fish products.

2021 sales: **209 HRK**m;
% total sales: **4.5%**



Prescription drugs

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

2021 sales: **697 HRK**m;
% total sales: **15.1%**



Non-prescription programme

OTC medicine, dietary products, natural products.

2021 sales: **123 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.

¹Note: 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	2
	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.

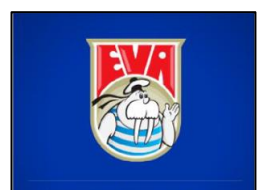


DOLCELA ¹	CRO	SLO
	1	2
	B&H	
	1	

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
	2	4
	B&H	SER
	1	2

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 2021, MAT TY; ²Source: IQVIA volume market position data for 2020; ³Corticosteroids for the treatment of skin disorder.



The Company

Business

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2021 results

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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

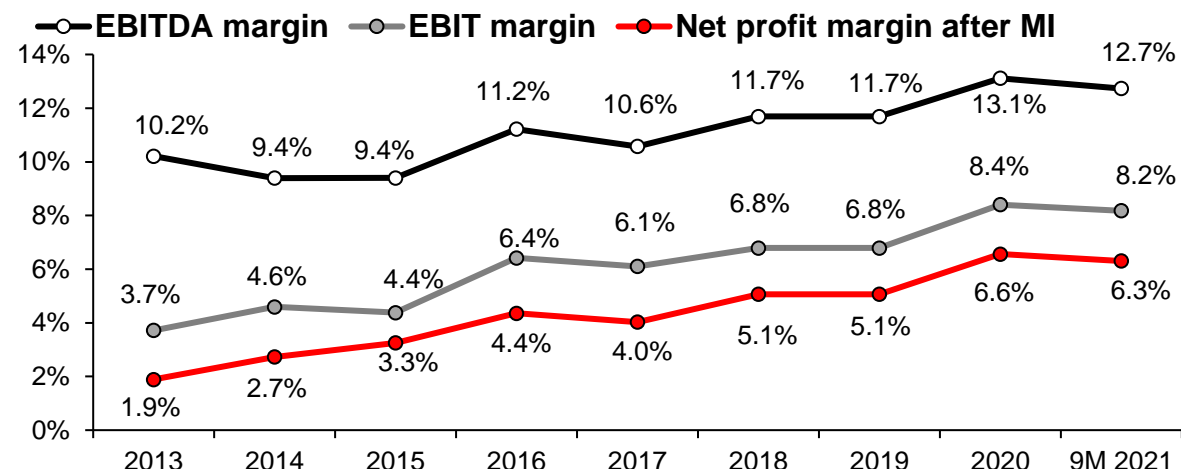


Restructuring related one-off items burdened profitability

(in HRK m)	2013	2014	2015	2016	2017	2018	2019	2020	2021	9M 22
Value adjustments	(81)	(28)	(35)	(11)	(89)	(9)	(11)	10	(9)	(4)
Severance payments	(57)	(72)	(41)	(12)	(40)	(6)	(5)	(4)	(4)	(3)
Other	5	10	298 ¹	8	(18)	4	13	1	14	5
Total net one-offs	(133)	(90)	222	(15)	(147)	(10)	(2)	7	1	(2)

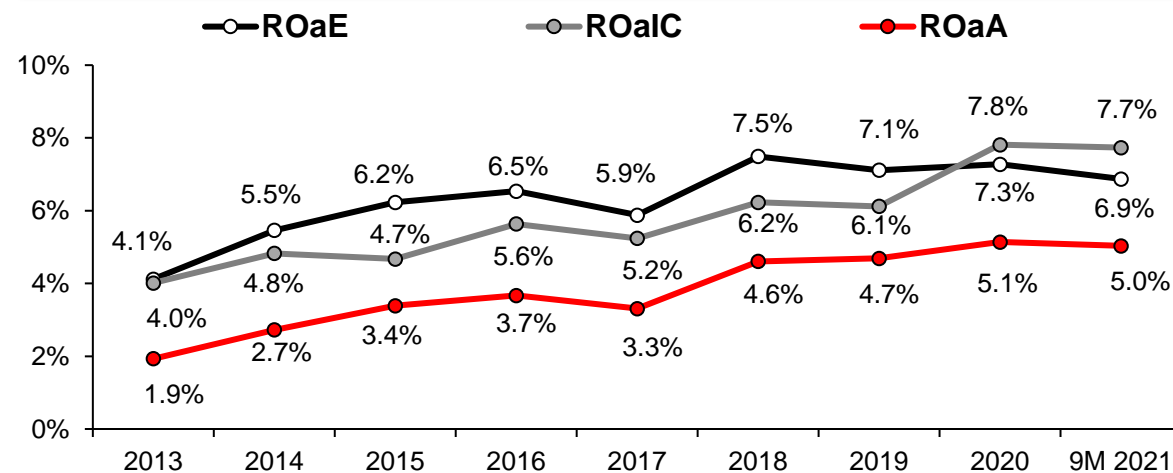
¹HRK 116m of gain on a bargain purchase from Žito acquisition (badwill), HRK 164m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19m refers to other items.

Normalized profitability margins movement²

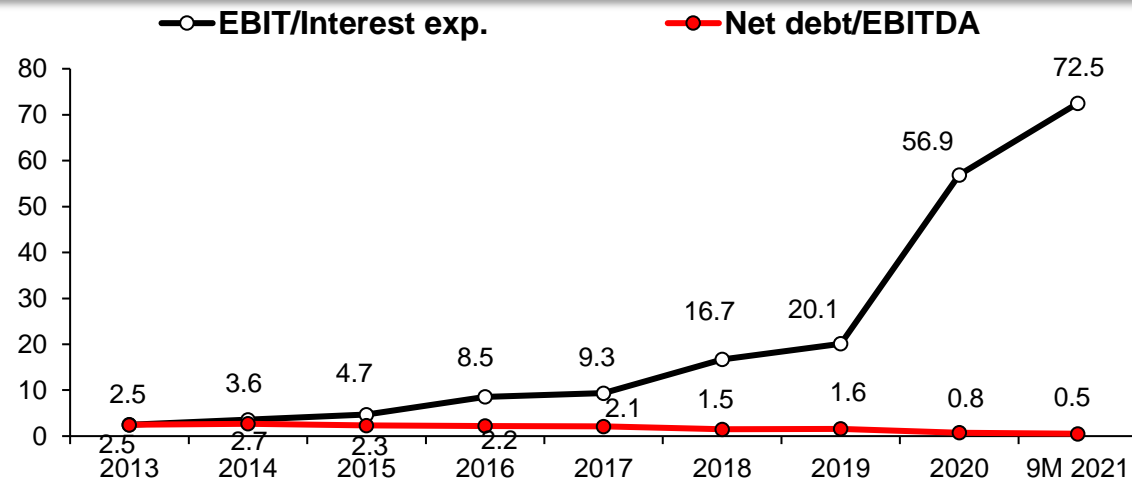


Note: Due to sales revenues reclassification in 2016, 2013-2014 margins are made by approximation.

Normalized return rates movement²



Normalized debt level 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.

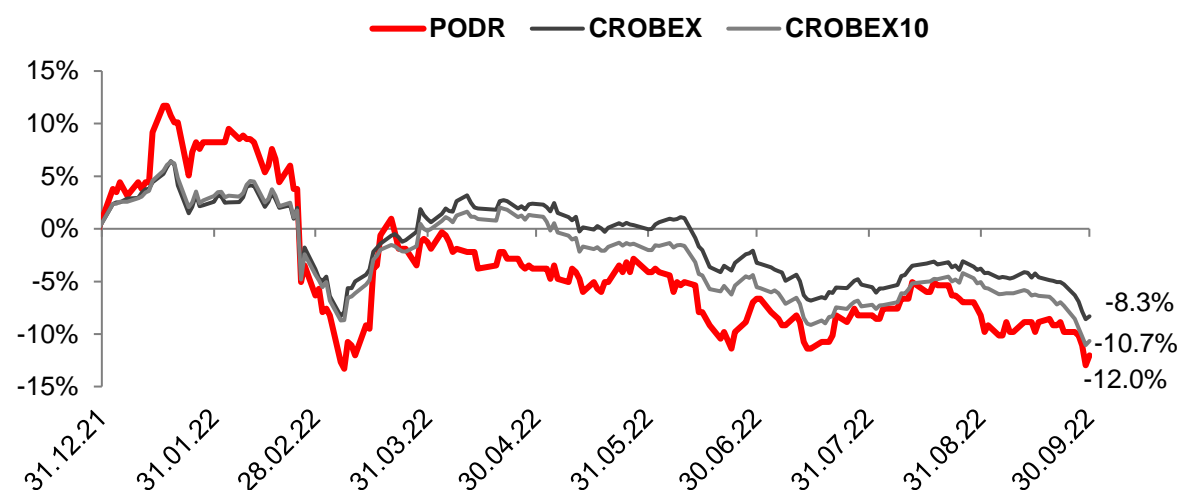
Podravka's share price movement in 1-9 2022



Market activity with PODR share

(HRK; units)	1-9 2021	1-9 2022	% change
Average daily price	573.4	611.7	6.7%
Average daily number of transactions	12	26	125.7%
Average daily volume	1.581	1.059	(33.0%)
Average daily turnover	906,690	647,795	(28.6%)
Reported earnings per share	44 ¹	46	3.1 %
Normalized earnings per share	43 ¹	45	2.8 %

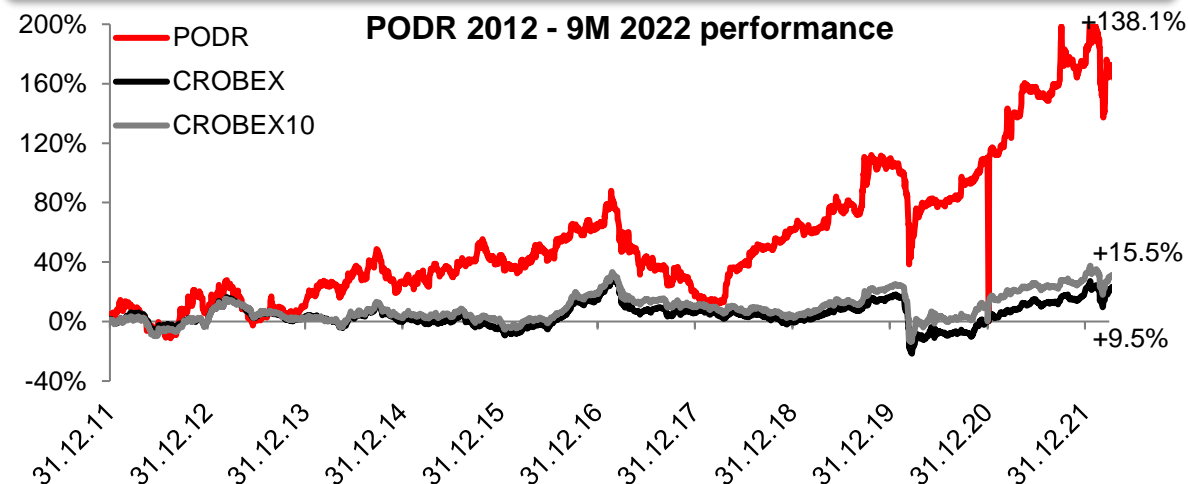
Share price movement in 1-9 2022



Analysts Recommendation Target price Potential²

InterCapital	Hold	HRK 718.00	29.1 %
Raiffeisen BANK	Hold	HRK 633.00	13.8 %
ERSTE Group	Hold to Reduce	HRK 575.00	3.4 %

Historical share price movement

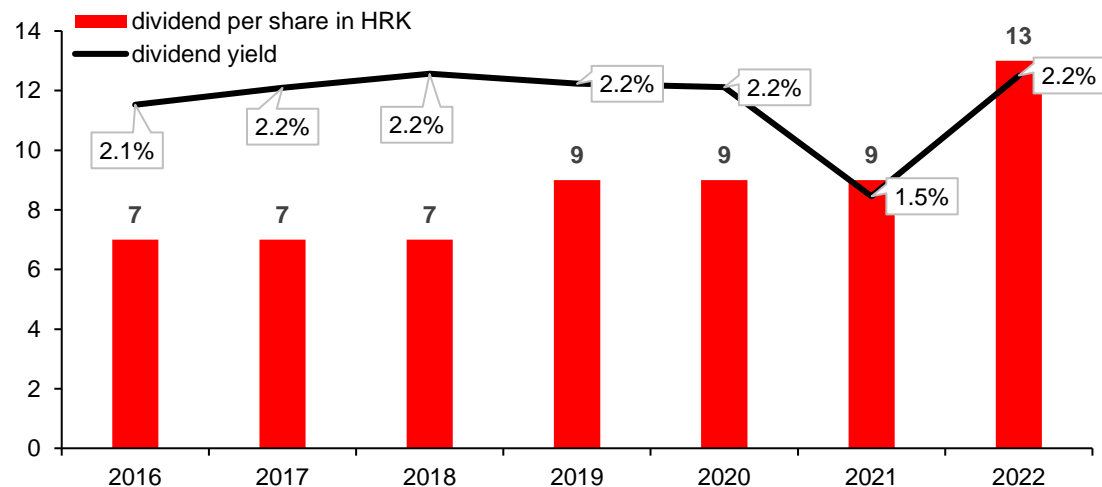


¹Based on FY 2021 results; ²Compared to the last trading price on 30th Sep 2022 (HRK 556.00).

Good performance ensures stabile dividend



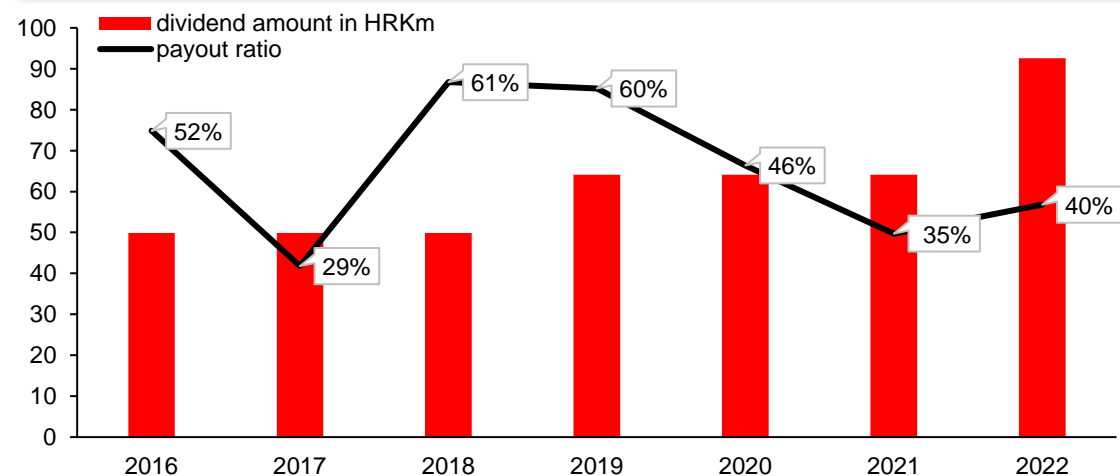
Dividend and dividend yield¹



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	1.9	10.7	14.3	2.1	16.8
Normalized weight. av. peer group ³	1.4	9.6	13.3	1.6	15.3
Podravka Group reported	0.9	6.9	11.2	1.0	12.6
Podravka Group normalized ⁴	0.9	6.7	10.6	1.0	12.9
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 3rd Oct 2022; ³Calculated excluding max. and min. values; ⁴Normalized for items stated in the publication 9M 2022 and 9M 2021 results.



The Company

Business

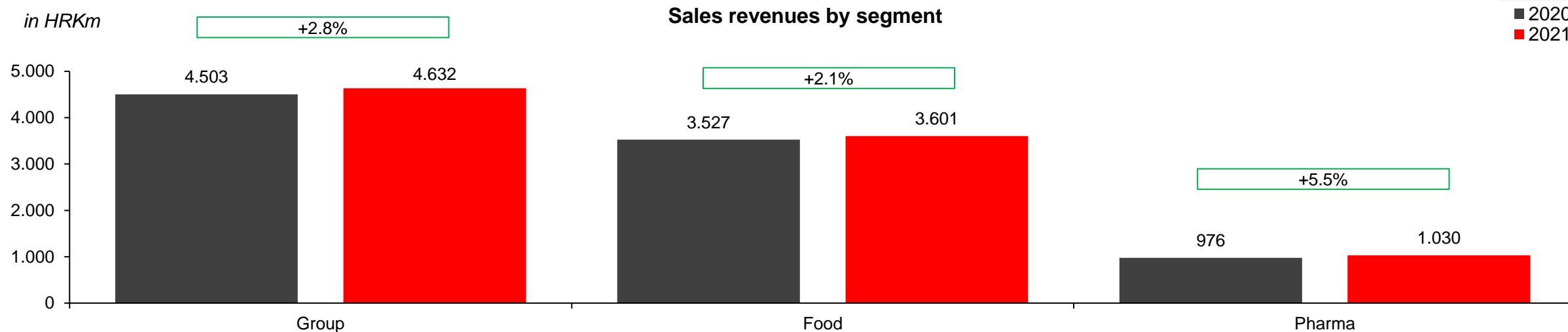
Investment highlights

2021 results

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Sales increase in both business segments



Podravka Group in 1-12 2021^{1,2}:

- **Own brands** → 2.3% higher sales,
- **Other sales** → 8.4% higher sales,
- **Total Podravka Group** → 2.8% higher sales.

Food segment in 1-12 2021^{1,2}:

- **Own brands** → 1.8% 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** → 6.8% higher sales, primarily as a result of trade goods sales increase in Croatian market, Benelux and Slovenia,
- **Total Food** → 2.1% higher sales.

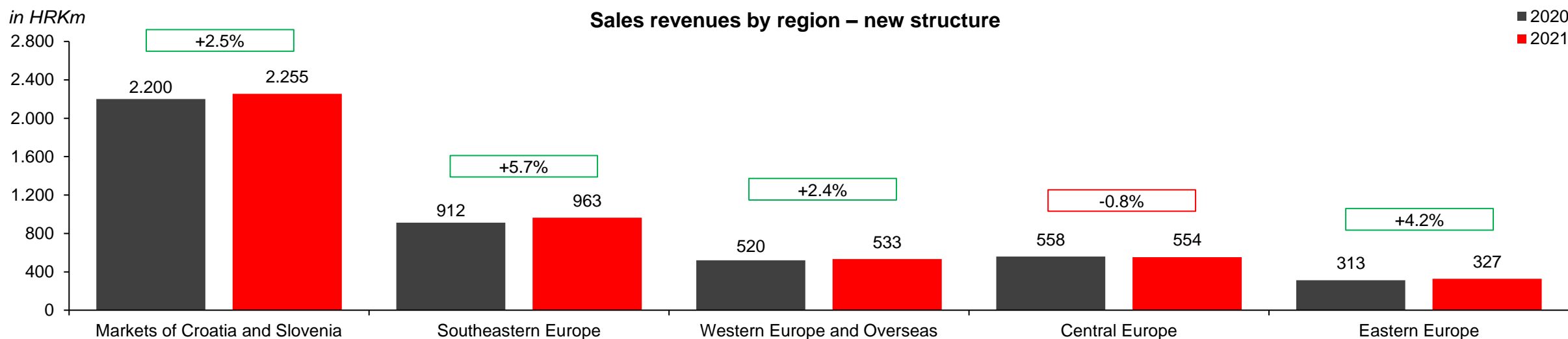
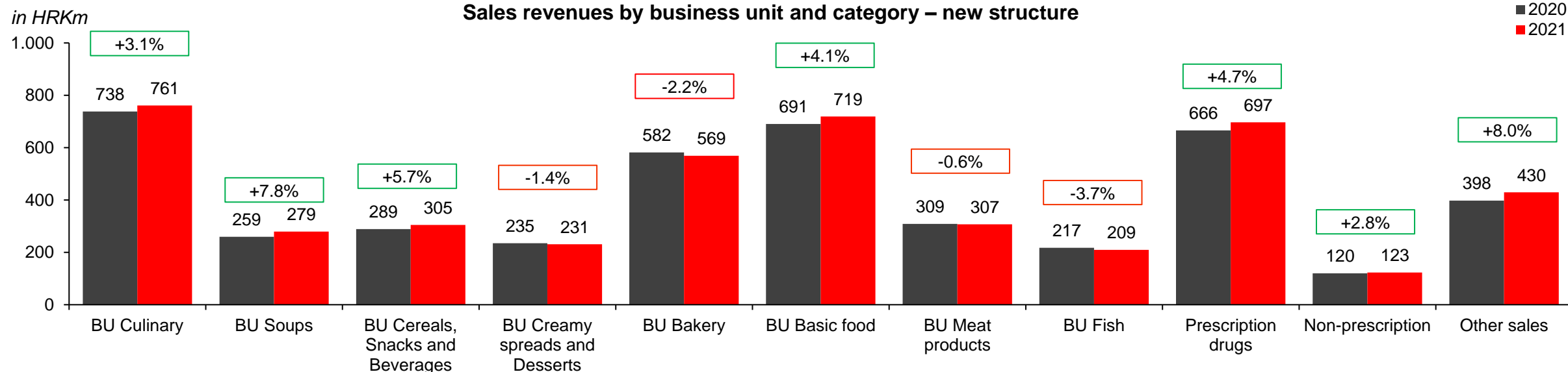
Pharmaceuticals segment in 1-12 2021^{1,2}:

- **Own brands** → 4.4% higher sales, as a result of Prescription drugs sales increase in markets of Russia, Bosnia and Herzegovina and Slovenia,
- **Other sales** → 10.3% higher sales, due to sales increase of trade goods in Bosnia and Herzegovina,
- **Total Pharma** → 5.5% 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 2021, 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 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. Positive trends continued until the end of 2021 since there was no new lockdown, as was the case in the comparative period. The successful tourist season, easing of epidemiological measures in the countries where the Podravka Group is present with its range, opening of the Gastro channel in Croatia and abroad and the absence of strict epidemiological measures in the fourth quarter 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 1-12 2021 compared to 1-12 2020.

Sales increase in most profitable business units and most regions



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

Food segment profitability influenced by cost savings and positive FX differences

Food segment (in HRK ^m)	REPORTED				NORMALIZED ¹			
	2020	2021	Δ	%	2020	2021	Δ	%
Sales revenue	3,527	3,601	74	2.1%	3,527	3,601	74	2.1%
Gross profit	1,191	1,194	3	0.2%	1,191	1,196	5	0.4%
EBITDA	388	381	(7)	(1.8%)	387	396	9	2.3%
EBIT	233	221	(12)	(4.9%)	232	243	11	4.6%
Net profit after MI	182	202	21	11.3%	181	195	14	7.6%
Gross margin	33.8%	33.1%		-63 bp	33.8%	33.2%		-57 bp
EBITDA margin	11.0%	10.6%		-42 bp	11.0%	11.0%		+2 bp
EBIT margin	6.6%	6.1%		-46 bp	6.6%	6.7%		+16 bp
Net profit margin after MI	5.2%	5.6%		+46 bp	5.1%	5.4%		+28 bp

Food segment profitability in 1-12 2021:

- **Gross profit** → higher 0.2% with the gross margin of 33.1% In the reporting period, negative trends in prices of raw materials and supplies were recorded if compared to 2020. The estimated effect of movements in prices of raw materials and supplies in 2021 amounted to negative HRK 17m² (primarily grains and mill products, fats and oils),
- **EBIT** → 4.9% lower, normalized 4.6% higher. Positive effect came from cost savings (marketing expenses) and favourable movements in FX differences on trade receivables and trade payables (HRK +4m in 1 – 12 2021; HRK -10m in 1 – 12 2020),
- **Net profit after MI** → higher HRK 21m, while normalized is HRK 14m higher compared to 1-12 2020. Bottom line was positively impacted by FX differences on borrowings (HRK +1m in 1 – 12 2021; HRK -3m in 1 – 12 2020) and lower finance costs. Tax cost is HRK 26m lower due to deferred tax effect.

¹Normalized for one-off impacts.

²Obtained as used volumes of raw materials and supplies in 1-12 2021*prices in 1-12 2021 – used volumes of raw materials and supplies in 1-12 2021*prices in 1-12 2020.

Profitability improvement in Pharmaceutical segment

Pharma segment (in HRK _m)	REPORTED				NORMALIZED ¹			
	2020	2021	Δ	%	2020	2021	Δ	%
Sales revenue	976	1,030	54	5.5%	976	1,030	54	5.5%
Gross profit	468	485	16	3.5%	466	485	19	4.1%
EBITDA	159	211	52	32.9%	156	212	56	35.8%
EBIT	100	144	44	44.6%	93	147	54	58.2%
Net profit after MI	67	107	40	59.2%	63	109	46	72.5%
Gross margin	48.0%	47.0%		-94 bp	47.7%	47.0%		-65 bp
EBITDA margin	16.2%	20.5%		+421 bp	16.0%	20.5%		+458 bp
EBIT margin	10.2%	14.0%		+378 bp	9.5%	14.3%		+475 bp
Net profit margin after MI	6.9%	10.4%		+350 bp	6.5%	10.6%		+411 bp

Pharmaceuticals segment profitability in 1-12 2021:

- **Gross profit** → reported is higher 3.5% while normalized is 4.1% higher. The gross margin is 47.0%, which is lower than in the comparative period, due to the increase in portion of trade goods in sales revenues,
- **EBIT** → reported HRK 44m higher, while normalized is up by HRK 54m as a result of positive movement of FX differences on trade receivables and trade payables (HRK +10m in 1 – 12 2021; HRK -36m in 1 – 12 2020),
- **Net profit after MI** → reported is HRK 40m higher, while normalized is HRK 46m higher. Bottom line was affected by favorable movements in FX differences on borrowings (HRK +0m in 1-12 2021; HRK -1m in 1-12 2020) and lower finance costs. Tax cost 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			
	2020	2021	Δ	%	2020	2021	Δ	%
Sales revenue	4,503	4,632	128	2.8%	4,503	4,632	128	2.8%
Gross profit	1,659	1,678	19	1.1%	1,657	1,680	24	1.4%
EBITDA	547	592	45	8.3%	543	608	65	11.9%
EBIT	332	365	33	9.9%	325	390	65	19.9%
Net profit after MI	249	309	60	24.2%	244	304	60	24.4%
Gross margin	36.8%	36.2%		-62 bp	36.8%	36.3%		-51 bp
EBITDA margin	12.1%	12.8%		+64 bp	12.1%	13.1%		+106 bp
EBIT margin	7.4%	7.9%		+51 bp	7.2%	8.4%		+120 bp
Net profit margin after MI	5.5%	6.7%		+115 bp	5.4%	6.6%		+114 bp

Profitability of the Podravka Group in 1-12 2021:

- **Gross profit** → reported is higher 1.1%, while normalized is up by 1.4%. Cost of goods sold are up by 3.9%, while reported gross margin is 36.2%,
- **EBIT** → reported is HRK 33m higher, while normalized grew by HRK 65m. EBIT was positively affected by lower marketing costs and favorable movements in FX differences on trade receivables and trade payables (HRK +13m in 1 – 12 2021; HRK -46m in 1 – 12 2020),
- **Net profit after MI** → reported is HRK 60m higher, while normalized is HRK 60m higher. Bottom line was impacted by favorable movements in FX differences on borrowings (HRK +1m in 1-12 2021; HRK -4m in 1-12 2020) and lower finance costs. Tax cost is HRK 16m lower due to the effects of deferred tax in the Food segment.

¹Normalized for one-off impacts.

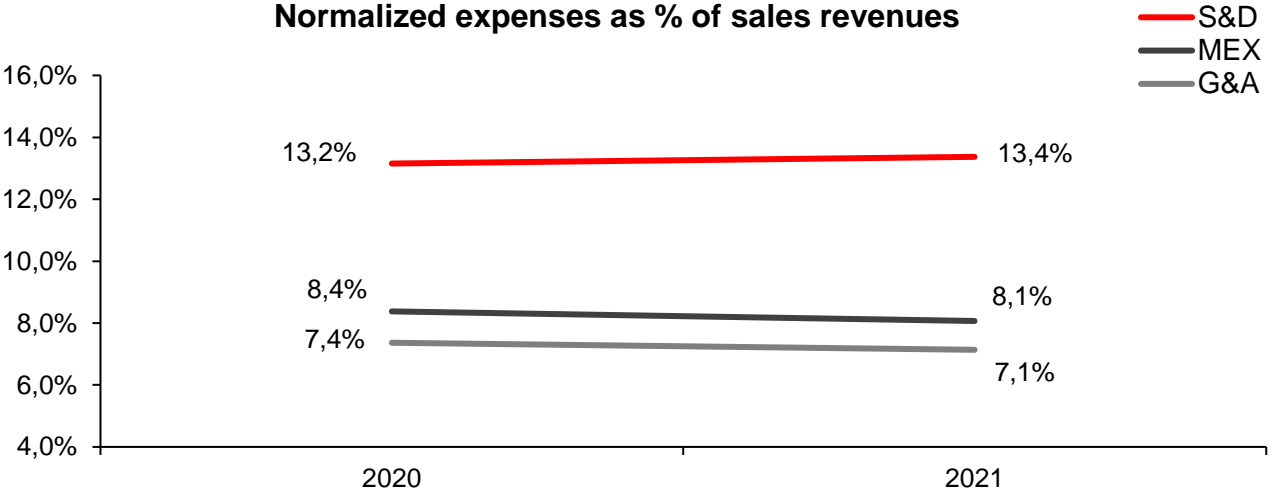
Operating expenses increase mitigated by positive FX differences

Operating expenses 1-12 21 vs. 1-12 20 % change	REPORTED	NORMALIZED ¹
Cost of goods sold (COGS)	3,9% 	3,7% 
General and administrative expenses (G&A)	3,0% 	(0,4%) 
Sales and distribution costs (S&D)	4,5% 	4,5% 
Marketing expenses (MEX)	(1,0%) 	(1,0%) 
Other expenses / revenues, net	(225,0%) 	(209,8%) 
Total	2,3% 	1,5% 

Key highlights of operating expenses in 1-12 2021:

- **Cost of goods sold (COGS):**
 - Higher 3.9% (normalized up by 3.7%) higher level of sales realized, the structure of sales, improved material rights of employees and movements in prices of raw materials and supplies (estimated negative impact in the Food segment of HRK 17m),
- **General and administrative expenses (G&A):**
 - Higher 3.0% (normalized down by 0.4%) following the improved material rights of employees and other expenses relative to 2020,
- **Sales and distribution costs (S&D):**
 - Higher 4.5% (normalized up by 4.5%) due of improving material rights of employees, higher costs of transportation services and other expenses,
- **Marketing expenses (MEX):**
 - Lower 1.0% (Food -3.6%, Pharma +2.8%),
- **Other expenses (revenues), net:**
 - Amounted to HRK -27m in 1-12 2021 (positive effect); HRK +21m in 1-12 2020 (negative effect), mainly due to positive movements in FX differences on trade receivables and trade payables (HRK +13m in 1-12 2021; HRK -46m in 1-12 2020).

Normalized expenses as % of sales revenues



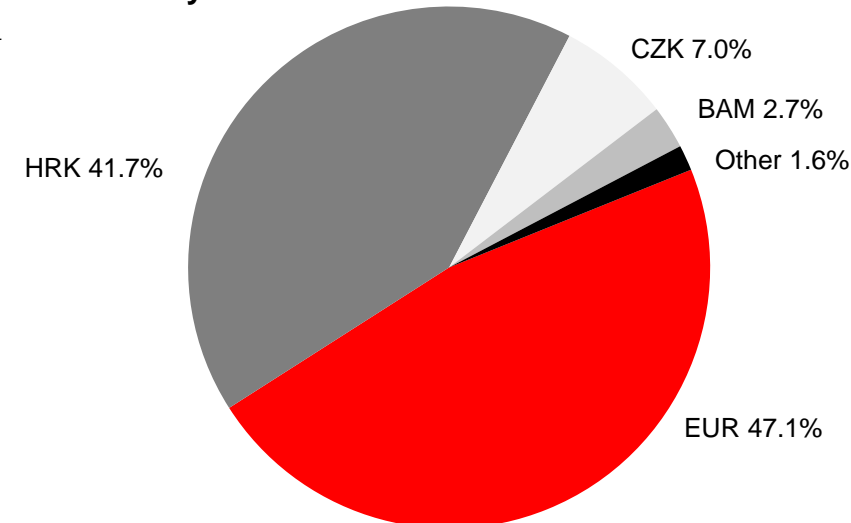
¹Normalized for one-off impacts.

Significant decline of indebtedness and improvement of debt indicators



(in HRKm) ¹	2020	2021	% change
Financial debt ²	785	494	(37.1%)
Cash and cash equivalents	52	33	(35.8%)
Net debt	733	461	(37.2%)
TTM interest expense	12	7	(40.4%)
Net debt / TTM EBITDA	1.4	0.8	(43.9%)
EBITDA / Interest expense	28	57	101.3%
Equity to total assets ratio	69,4%	75,3%	+592 bp

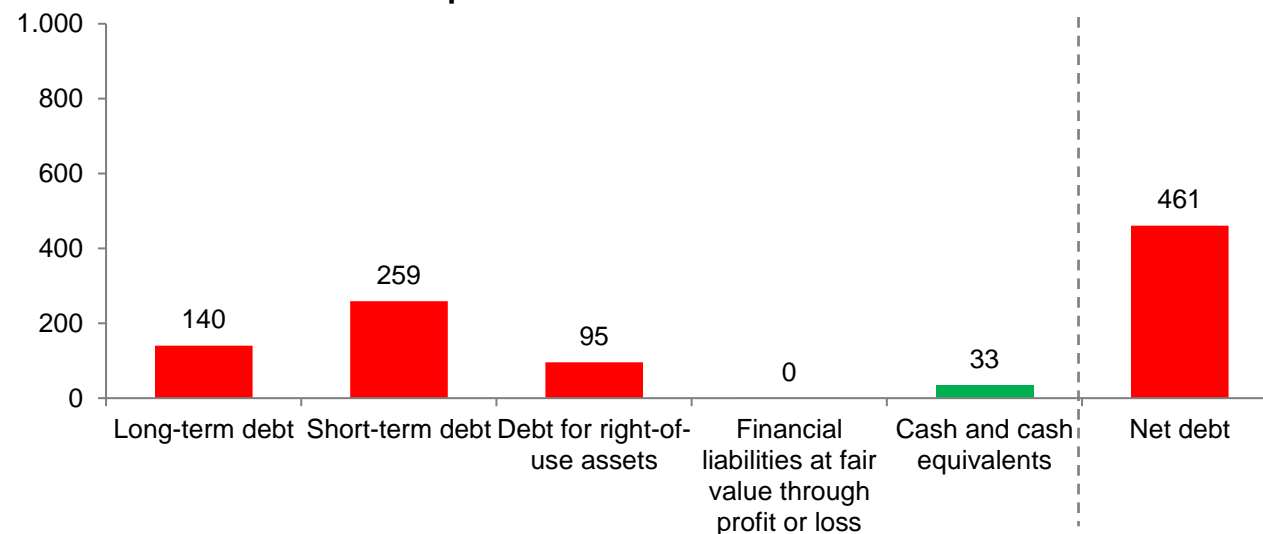
Currency structure of debt as at 31 December 2021



Key highlights:




- **Financial debt** decrease → due to all debt components decrease,
- **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** → refinancing of borrowings under more favorable commercial terms with a continuous decrease in the total borrowings,
- **Weighted average cost of debt excluding liabilities for right-of-use assets:**
 - As at 31 December 2021 → 0.9%,
 - As at 31 December 2016 → 2.5%.

Net debt components in HRKm as at 31 December 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.

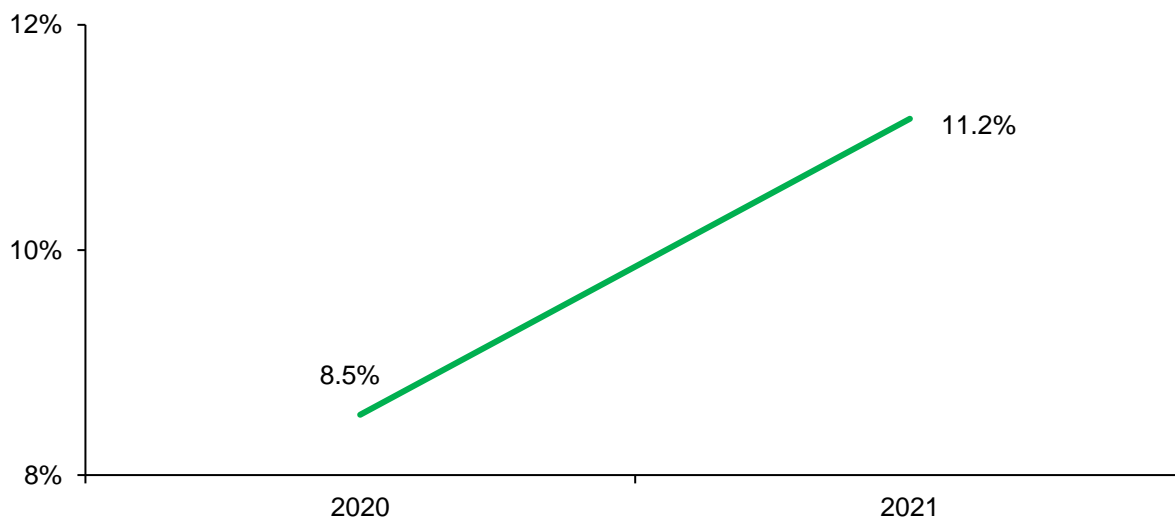
High level of cash flow from operating activities

Working capital movement in BS	31 Dec 2021 / 31 Dec 2020		Impact
Inventories		(4.8%)	<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		5.5%	<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		(4.3%)	<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)	2020	2021	Δ
Net cash from operating activities	385	517	133
Net cash from investing activities	(187)	(156)	31
Net cash from financing activities	(201)	(379)	(178)
Net change of cash and cash equivalents	(4)	(19)	(15)

- **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.

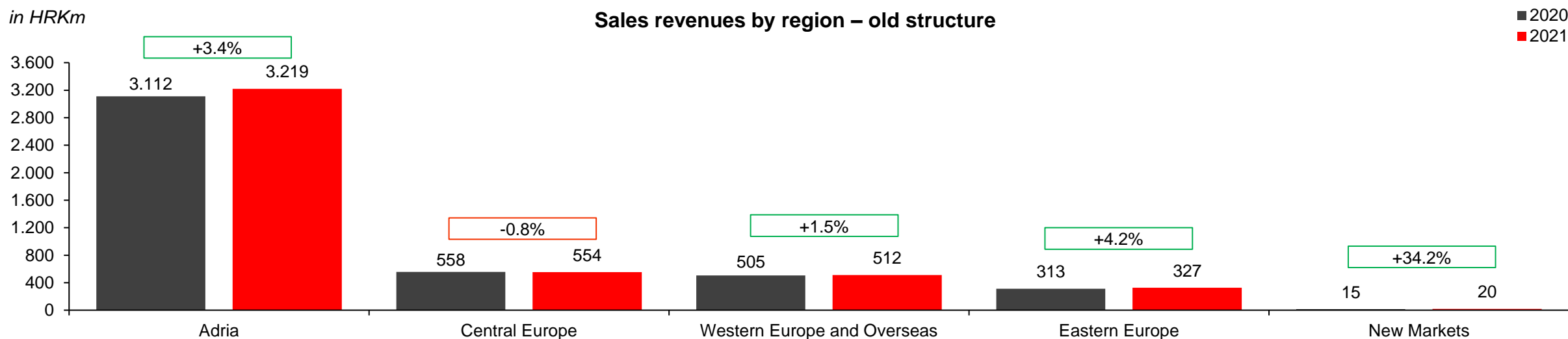
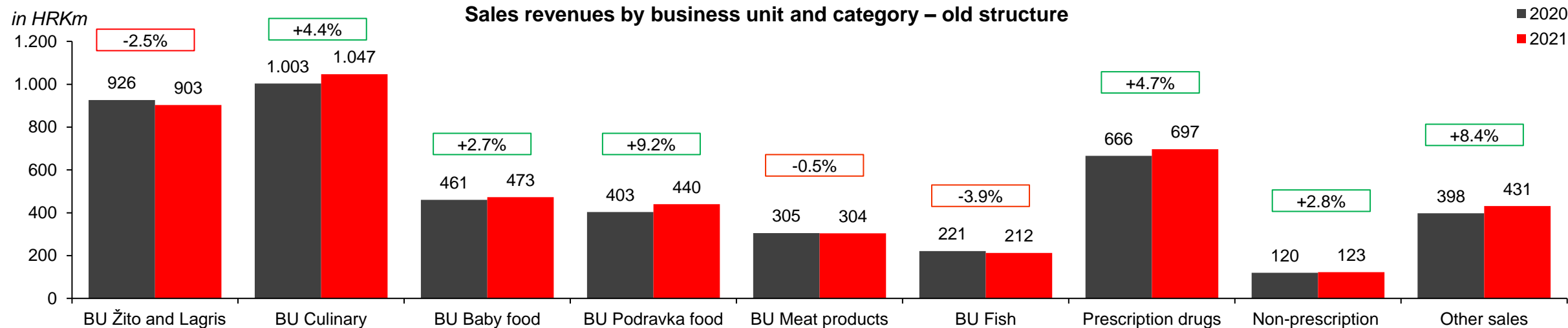
Net cash flow from operating activities as % of sales



Normalization of the Profit and Loss Statement by segments



Reported and normalized profitability	2020			2021		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma
Reported gross profit	1,659.4	1,191.1	468.3	1,678.1	1,193.6	484.5
+revenues from return of raw materials	(2.8)	-	(2.8)	-	-	-
+write-off of raw materials and packaging	-	-	-	2.0	2.0	-
Normalized gross profit	1,656.6	1,191.1	465.5	1,680.2	1,195.6	484.5
Reported EBITDA	546.7	388.1	158.6	592.0	381.3	210.7
+revenues from return of raw materials	(2.8)	-	(2.8)	-	-	-
+write-off of raw materials and packaging	-	-	-	2.0	2.0	-
+severance payments	4.2	4.2	-	4.2	1.8	2.5
+reversal of impairment of receivables	(5.3)	(5.3)	-	(0.4)	(0.4)	-
+cost related to the process of closing subsidiary in Africa	0.2	0.2	-	1.6	1.6	-
+provision for estimated potential risks	-	-	-	9.8	9.8	-
+gain on sale of property	-	-	-	(1.6)	-	(1.6)
Normalized EBITDA	543.1	387.3	155.7	607.7	396.1	211.5
Reported EBIT	332.3	232.7	99.7	365.3	221.2	144.1
+normalizations above EBITDA level	(3.6)	(0.8)	(2.8)	15.6	14.8	0.9
+product line equipment	0.1	0.1	-	-	-	-
+intangible assets	-	-	-	7.7	6.6	1.1
+tangible assets	-	-	-	0.9	-	0.9
+reversal of impairment	(4.0)	-	(4.0)	-	-	-
Normalized EBIT	324.8	232.0	92.9	389.5	242.6	146.9
Reported Net profit after MI	248.9	181.8	67.1	309.2	202.4	106.9
+normalizations above EBIT level	(7.5)	(0.7)	(6.8)	24.2	21.4	2.8
+pre-payment fee	1.7	-	1.7	-	-	-
+effect of deferred tax asset	-	-	-	(25.1)	(25.1)	-
+estimated impact of normalization on taxes*	1.3	(0.0)	1.3	(4.3)	(3.8)	(0.4)
Normalized Net profit after MI	244.4	181.1	63.3	304.1	194.9	109.2



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



The Company

Business

Investment highlights

2021 results

9M 2022 results



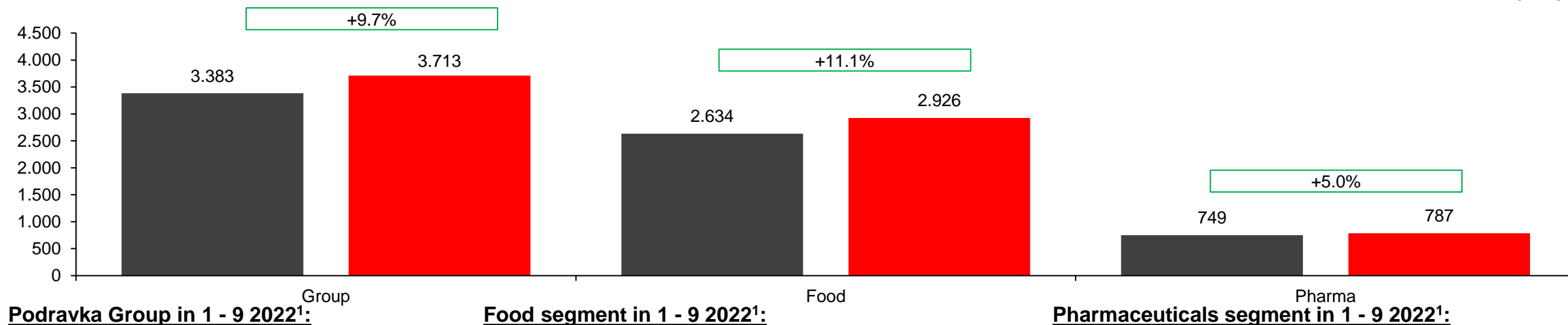
Sales increase in both segment



in HRK_m

Sales revenues by segment

■ 9M 2021
■ 9M 2022



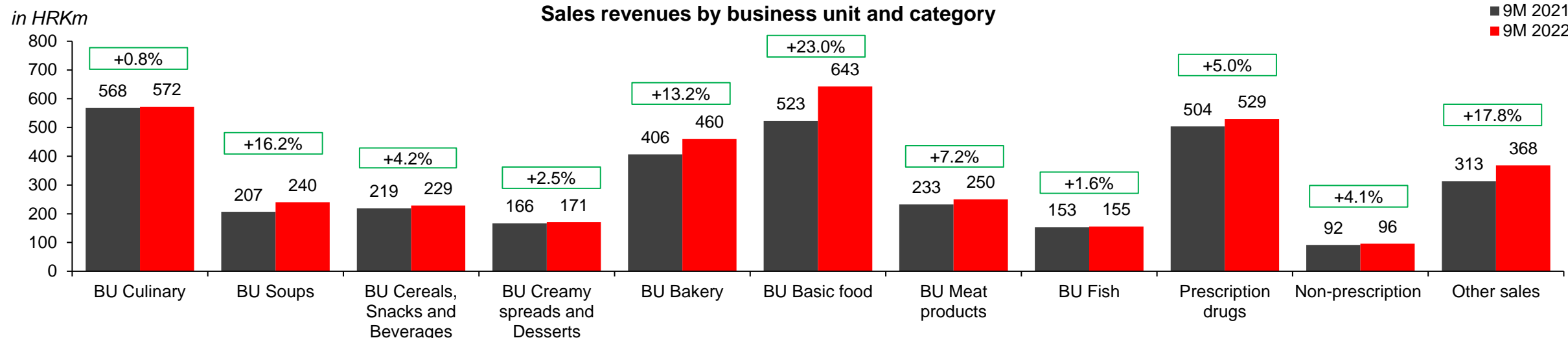
- **Own brands** → 8.9 % higher sales,
- **Other sales** → 17.8 % higher sales,
- **Total Podravka Group** → 9.7 % higher sales.

- **Own brands** → 9.9 % higher sales, sales increase of all business units,
- **Other sales** → 29.9 % higher sales, primarily as a result of trade goods sales increase in markets of Croatia and Slovenia,
- **Total Food** → 11.1 % higher sales.

- **Own brands** → 4.9 % higher sales, as a result of sales increase of Prescription drugs and Non-prescription drugs,
- **Other sales** → 5.2 % higher sales, due to sales increase of trade goods in Bosnia and Herzegovina and Croatia,
- **Total Pharma** → 5.0 % higher sales.

¹Percentages in the text relate to performance in 1 - 9 2022 compared to 1 - 9 2021.

Sales increase of all business units



Business unit and category performance in 1 - 9 2022¹:

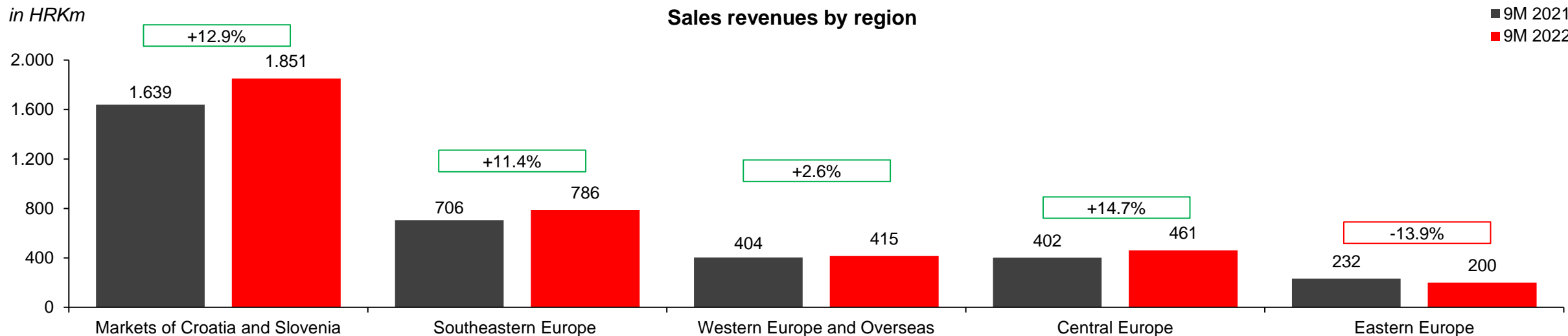
- BU Culinary (+0.8 %)** → higher sales primarily due to Universal seasonings sales increase. Revenue growth was recorded in all regions, except for the Eastern Europe region,
- BU Soups (+16.2 %)** → higher sales mostly due to sales increase of subcategory Clear soups. Revenue growth was recorded all regions, except for the Eastern Europe region,
- BU Cereals, Snack and Beverages (+4.2 %)** → higher sales, due to sales increase of all categories, mostly the Snack and Tea and beverages categories. The revenue growth was recorded in the Southeastern Europe region and in the Markets of Croatia and Slovenia,
- BU Creamy spreads and Desserts (+2.5 %)** → higher sales, due to higher sales of the Desserts category. The revenue growth was recorded in the Markets of Croatia and Slovenia and in the Southeastern Europe region,
- BU Bakery (13.2 %)** → higher sales due to higher sales of the categories Žito Flour, Bread and Rolls and salt bakery products, primarily in the Markets of Croatia and Slovenia,
- BU Basic food (+23.0 %)** → higher sales, due to the increase in sales of the categories Side dishes, Podravka Flour and Vegetables. Sales growth was recorded in all regions, primarily in the Markets of Croatia and Slovenia, and the Central Europe region,
- BU Meat products (+7.2 %)** → sales increase is a result of the sales growth in Ready meals, Other products, and Dried Meat and Sausage Products categories. The revenue growth was recorded in almost all regions,
- BU Fish (+1.6 %)** → higher sales due to sales increase of the Sardine subcategory, primarily in the Markets of Croatia and Slovenia and in the Western Europe and Overseas region,
- Prescription drugs (+5.0 %)** → higher sales, mainly as a result of sales increase of drugs for nervous system and dermatological drugs. The biggest absolute sales revenue growth was recorded in the markets of Bosnia and Herzegovina, and Russia,
- Non-prescription programme (+4.1 %)** → higher sales as a result of sales increase of the OTC drugs subcategory in the market of Croatia,
- Other sales (+17.8 %)** → In the Food segment, grew by HRK 48m mainly due to the increase in trade goods sales in the Croatian market; In the Pharmaceuticals segment, grew by HRK 8m, primarily due to higher trade goods sales in the markets of Bosnia and Herzegovina and Croatia.

¹Percentages in the text relate to performance in 1-9 2022 compared to 1-9 2021.

Sales growth of most regions



in HRK m



Region performance in 1 - 9 2022¹:

- **Markets of Croatia and Slovenia (+12.9 %)** → **Food** sales 14.4 % higher, due to sales increase of BU Bakery and Basic food and sales increase in trade goods; **Pharmaceuticals** sales 6.7 % higher due to higher demand and sales Non-prescription programme, trade goods and Prescription drugs,
- **Southeastern Europe (+11.4 %)** → **Food** sales higher 12.0 %, due to sales increase of almost all business units with the largest absolute growth generated by the business units Soups and Basic food; **Pharmaceuticals** sales up by 10.1 % due to Prescription drugs and trade goods sales increase,
- **WE and Overseas region (+2.6 %)** → **Food** sales +2.6% higher, due to sales growth of most business units, with the largest absolute growth recorded by business units Culinary and Meat products; **Pharmaceuticals** segment sales revenues up by HRK 0.2m (+6.1 %) due to an increase in other sales revenues,
- **Central Europe (+14.7 %)** → **Food** sales up by 15.6 %, as a result of a significant sales increase of BU Basic food and Culinary; **Pharmaceuticals** sales up by 8.2 % due to higher sales of the Prescription drugs category,
- **Eastern Europe (-13.9 %)** → **Food** sales down by -28.6 %; **Pharmaceuticals** sales lower -6.8 %.

¹Percentages in the text relate to performance in 1-9 2022 compared to 1-9 2021.

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



Food segment (in HRKm)	REPORTED				NORMALIZED ¹			
	1 - 9 2021	1 - 9 2022	Δ	%	1 - 9 2021	1 - 9 2022	Δ	%
Sales revenue	2,634	2,926	292	11.1%	2,634	2,926	292	11.1%
Gross profit	895	939	44	4.9%	895	939	44	4.9%
EBITDA	330	341	11	3.2%	331	340	9	2.7%
EBIT	215	220	5	2.1%	216	219	3	1.4%
Net profit after MI	175	175	(0)	(0.1%)	175	173	(3)	(1.5%)
Gross margin	34.0%	32.1%		-190 bp	34.0%	32.1%		-190 bp
EBITDA margin	12.5%	11.7%		-89 bp	12.6%	11.6%		-94 bp
EBIT margin	8.2%	7.5%		-66 bp	8.2%	7.5%		-72 bp
Net profit margin after MI	6.6%	6.0%		-67 bp	6.7%	5.9%		-75 bp

Food segment profitability in 1 - 9 2022:

- **Gross profit** → higher 4.9 % with the gross margin of 32.1 %, as a result of the negative effect of trends in prices of raw materials, packaging and energy where the cost of raw materials, packaging and energy increased by HRK 269m (+25.3 %), primarily related to cereals and mill products, meat and meat products, vegetables, and fats and oils. Until the end of 2022, additional negative effect of movements in prices of raw materials, supplies and energy is expected,
- **EBIT** → reported higher 2.1 %, normalized higher 1.4 %. In addition to the impact above the gross profit level, EBIT was negatively affected by the increase in all levels of operating expenses, primarily transport and distribution costs and expenses related to improving the material status of employees. The positive impact comes from favourable movement of FX differences on trade receivables and trade payables (HRK +6m in 1 – 9 2022; HRK +2m in 1 – 9 2021),
- **Net profit after MI** → reported lower HRK -0m, normalized lower HRK -3m compared to 1 - 9 2021. Bottom line was impacted by FX differences on borrowings HRK -1m in 1 – 9 2022; HRK +1m in 1 – 9 2021) and lower finance costs. Tax expense is HRK 3m higher compared to 1 – 9 2021.

¹Normalized for one-off impact.

Profitability of Pharmaceutical segment under influence of sales revenues and OPEX increase

Pharma segment	REPORTED				NORMALIZED ¹			
(in HRK m)	1 - 9 2021	1 - 9 2022	Δ	%	1 - 9 2021	1 - 9 2022	Δ	%
Sales revenue	750	787	37	5.0%	750	787	37	5.0%
Gross profit	353	383	29	8.2%	353	383	29	8.2%
EBITDA	161	179	18	10.9%	161	176	15	9.3%
EBIT	113	125	12	10.5%	113	127	13	11.9%
Net profit after MI	85	95	10	11.9%	85	96	11	13.5%
Gross margin	47.2%	48.6%		+147 bp	47.2%	48.6%		+147 bp
EBITDA margin	21.5%	22.8%		+121 bp	21.5%	22.4%		+89 bp
EBIT margin	15.1%	15.9%		+79 bp	15.1%	16.1%		+100 bp
Net profit margin after MI	11.3%	12.0%		+75 bp	11.3%	12.2%		+91 bp

Pharmaceuticals segment profitability in 1 - 9 2022:

- **Gross profit** → is higher 8.2 %, the gross margin is 48.6 %. In the second half of 2022, additional negative effect of movements in energy prices is expected,
- **EBIT** → is HRK 12m higher, normalized is HRK 13m higher, as a result of the increase in transport and distribution costs, increase in expenses related to improving the material status of employees, and movements in FX differences on trade receivables and trade payables (HRK -2m in 1 – 9 2022; HRK +10m in 1 – 9 2021), which was partly cancelled out by lower expenses of marketing investments,
- **Net profit after MI** → is HRK 10m higher, normalized is HRK 11m higher. Bottom line was affected by lower finance costs and movements in FX differences on borrowings (HRK -1m in 1 – 9 2022; HRK +0m in 1 – 9 2021). Tax expense is HRK 2m higher.

¹Normalized for one-off impacts.

Group profitability influenced by price increase of raw materials, packaging and energy



Podravka Group	REPORTED				NORMALIZED ¹			
(in HRK m)	1 - 9 2021	1 - 9 2022	Δ	%	1 - 9 2021	1 - 9 2022	Δ	%
Sales revenue	3,384	3,713	329	9.7%	3,384	3,713	329	9.7%
Gross profit	1,249	1,322	73	5.8%	1,249	1,322	73	5.8%
EBITDA	492	520	28	5.7%	492	517	24	4.9%
EBIT	328	345	16	5.0%	329	346	16	5.0%
Net profit after MI	259	269	10	3.8%	260	269	9	3.4%
Gross margin	36.9%	35.6%		-131 bp	36.9%	35.6%		-131 bp
EBITDA margin	14.5%	14.0%		-53 bp	14.6%	13.9%		-64 bp
EBIT margin	9.7%	9.3%		-42 bp	9.7%	9.3%		-42 bp
Net profit margin after MI	7.7%	7.2%		-41 bp	7.7%	7.2%		-44 bp

Profitability of the Podravka Group in 1 - 9 2022:

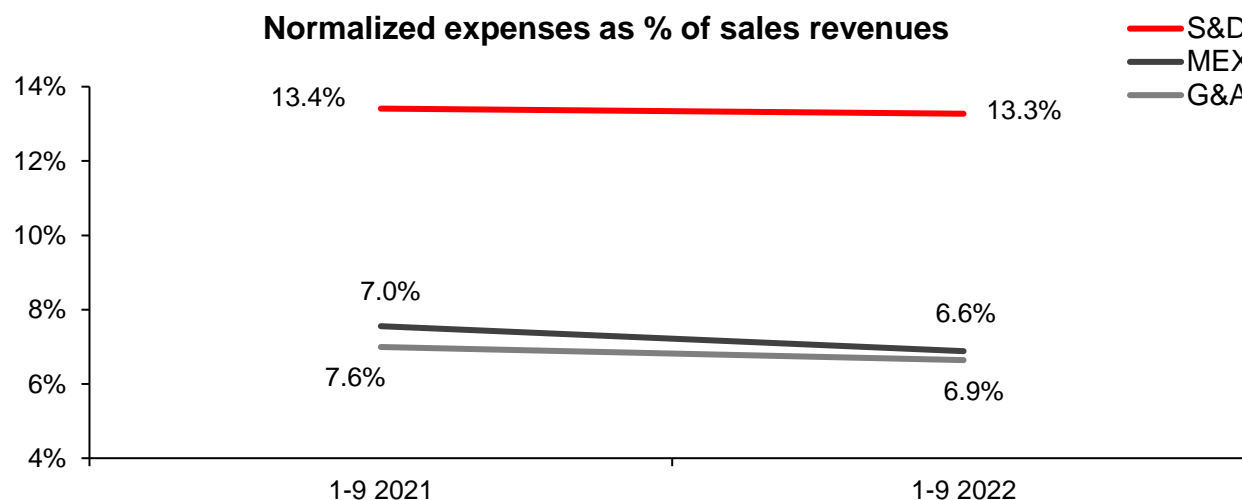
- **Gross profit** → higher 5.8 %, while reported gross margin is 35.6 %,
- **EBIT** → reported higher by HRK 16m, normalized higher by HRK 16m. EBIT was affected by the increase in transport and distribution costs, increase in expenses related to improving the material status of employees and movements in FX differences on trade receivables and trade payables (HRK +4m in 1 – 9 2022; HRK +12m in 1 – 9 2021), while the positive impact comes from lower costs of marketing investments,
- **Net profit after MI** → reported is HRK 10m higher, normalized is HRK 9m higher. Bottom line was impacted by movements in FX differences on borrowings borrowings (HRK -2m in 1 – 9 2022; HRK +1m in 1 – 9 2021) and lower finance costs relative to the comparative period. The tax expense is HRK 5m higher.

¹Normalized for one-off impacts.

Operating expenses influenced by price movements of raw materials, packaging and energy



Operating expenses 1 - 9 22 vs. 1 - 9 21 % change	REPORTED	NORMALIZED ¹
Cost of goods sold (COGS)	12.0 %	12.0 %
General and administrative expenses (G&A)	6.7 %	4.2 %
Sales and distribution costs (S&D)	8.6 %	8.6 %
Marketing expenses (MEX)	(0.1 %)	(0.1 %)
Other expenses / (revenues), net	(5.9 %)	(28.8 %)
Total	10.2 %	10.2 %



Key highlights of operating expenses in 1 - 9 2022:

Cost of goods sold (COGS):

- Higher 12.0 % due to a higher level of sales realized, the structure of sales and movements in prices of raw materials, packaging and energy (cost of raw materials, packaging and energy in the Food segment increased by HRK 269m (+25.3 %), which primarily relates to grains and mill products, meat and meat products, vegetables, and fats and oils). Until the end of 2022, additional negative effects of movements in prices of raw materials and packaging and energy are expected in both segments,

General and administrative expenses (G&A):

- Higher 6.7 % (normalized up by 4.2 %) due to the improvement in the material status of employees and costs of services, relative to the comparative period,

Sales and distribution costs (S&D):

- Higher 8.6 % due to higher costs of transportation and distribution, higher energy costs and improvement in the material status of employees,

Marketing expenses (MEX):

- Lower 0,1 % (Food +5.1 %, Pharma -6.1 %),

Other expenses (revenues), net:

- Amounted to HRK -25m in 1 - 9 2022 (positive effect); HRK -26m in 1 - 9 2021 (positive effect), mainly due to movements in FX differences on trade receivables and trade payables (HRK 4m in 1 - 9 2022; HRK +12m in 1 - 9 2021), income from sale of non-operating assets and impairment cost of non-current intangible assets of the Pharmaceuticals segment in the amount of HRK 4m.

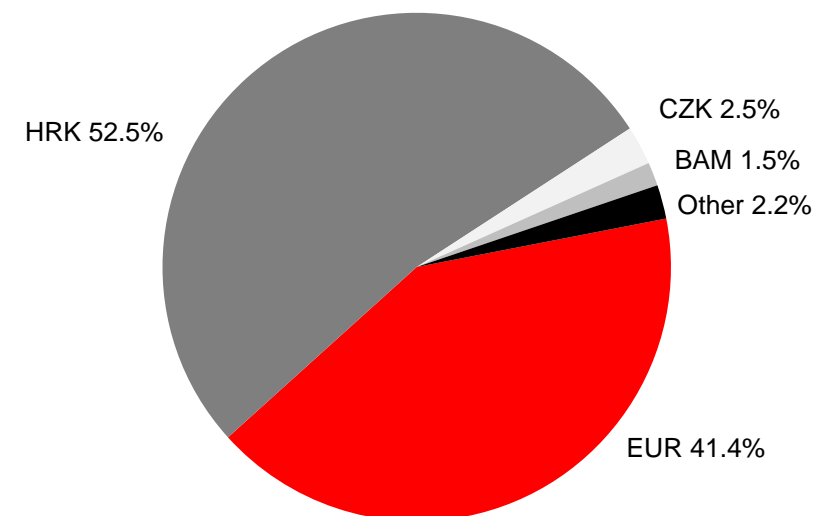
¹Normalized for one-off impacts.

Continuous decline of indebtedness and improvement of debt indicators



(in HRKm) ¹	2021	1 - 9 2022	% change
Financial debt ²	494	536	8.6%
Cash and cash equivalents	33	210	528.9%
Net debt	461	327	(29.0%)
TTM interest expense	7	6	(18.2%)
Net debt / TTM EBITDA	0.8	0.5	(31.7%)
EBITDA / Interest expense	57	73	27.5%
Equity to total assets ratio	75.3%	71.5%	-378 bp

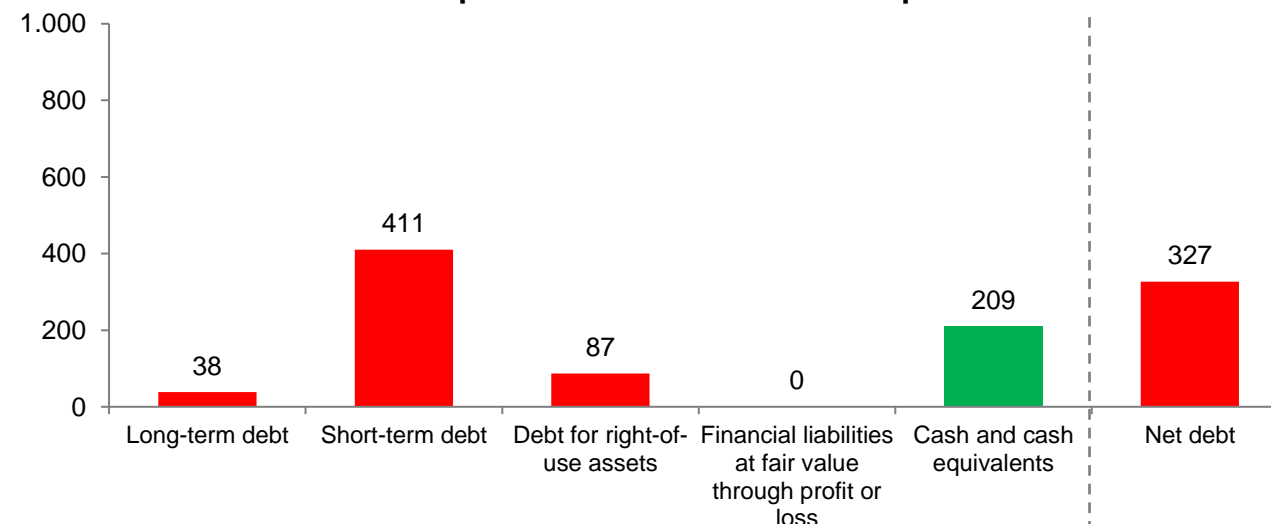
Currency structure of debt as at 30 September 2022



Key highlights:




- **Financial debt** increase → due to increase in short-term debt,
- **Long-term debt** decrease → due to regular repayments of long-term debt,
- **Short-term debt** increase → due to the need for financing short-term liabilities, primarily trade payables and dividend distribution,
- Lower **interest expenses** → continuous decrease in the total borrowings,
- **Weighted average cost of debt excluding liabilities for right-of-use assets:**
 - As at 30 September 2021 → 0.7 %,
 - As at 31 December 2016 → 2.5 %.

Net debt components in HRKm as at 30 September 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.

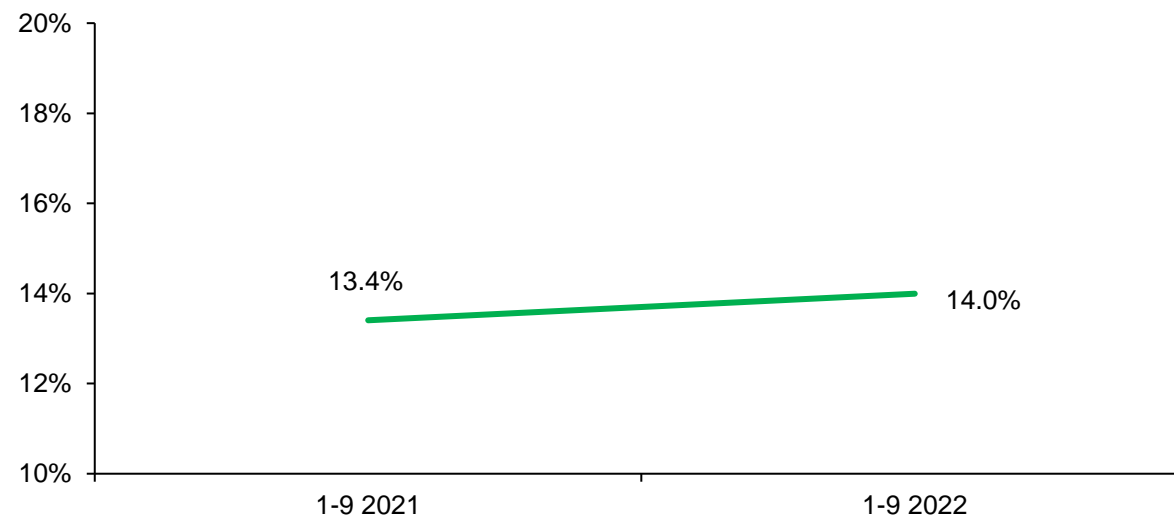
High level of cash flow from operating activities

Working capital movement in BS	30 Sep 2021 / 30 Sep 2020		Impact
Inventories		21.6 %	<ul style="list-style-type: none"> This movement is primarily the result of the strategic 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, but also of the increase in prices of raw materials and packaging,
Trade and other receivables		(11.2 %)	<ul style="list-style-type: none"> This movement is a result of lower trade receivables in the Pharmaceuticals segment due to implemented new business terms with customers on the Russian market, which positively affected the collection period,
Trade and other payables		19.5 %	<ul style="list-style-type: none"> This movement is primarily a result of the increase in trade payables due to procurement of raw materials and packaging, the increase in prices of raw materials and packaging procured in the reporting period, and due to higher level of capital expenditure.

(in HRKm)	1 – 9 2021	1 – 9 2022	Δ
Net cash from operating activities	453	520	66
Net cash from investing activities	(88)	(266)	(177)
Net cash from financing activities	(254)	(78)	176
Net change of cash and cash equivalents	112	176	65

- CAPEX** in 2022 is expected to be at the level of HRK 480m, in 2023 expected CAPEX is at a level of approximately HRK 800m, while in 2024 CAPEX amount to HRK 600m and in 2025 at a level of approximately HRK 350m.

Net cash flow from operating activities as % of sales



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Podravka Group

Always with a heart!



Virtual SEE Day, 21st November 2022