



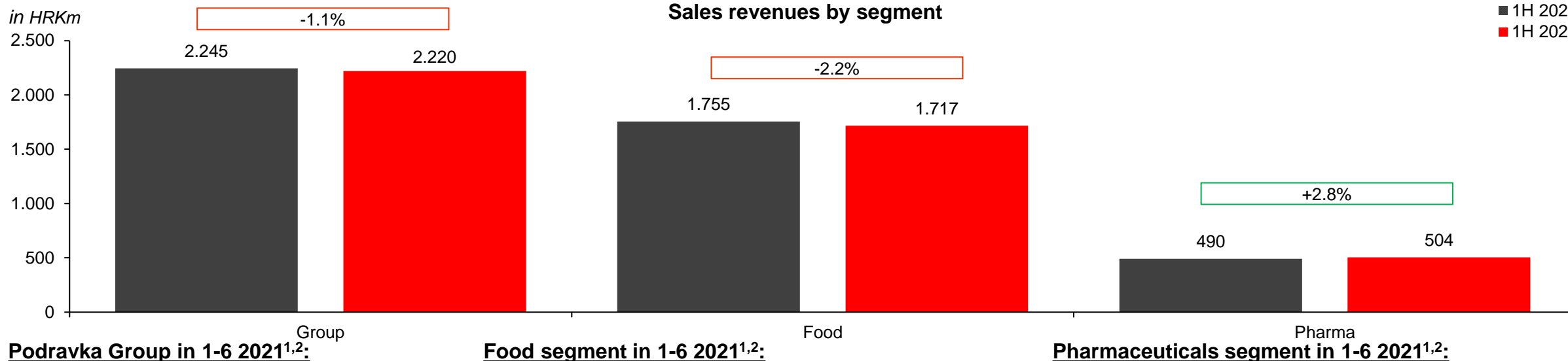
Podravka Group business results for 1-6 2021 period



Lower sales on the Group level



■ 1H 2020
■ 1H 2021



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

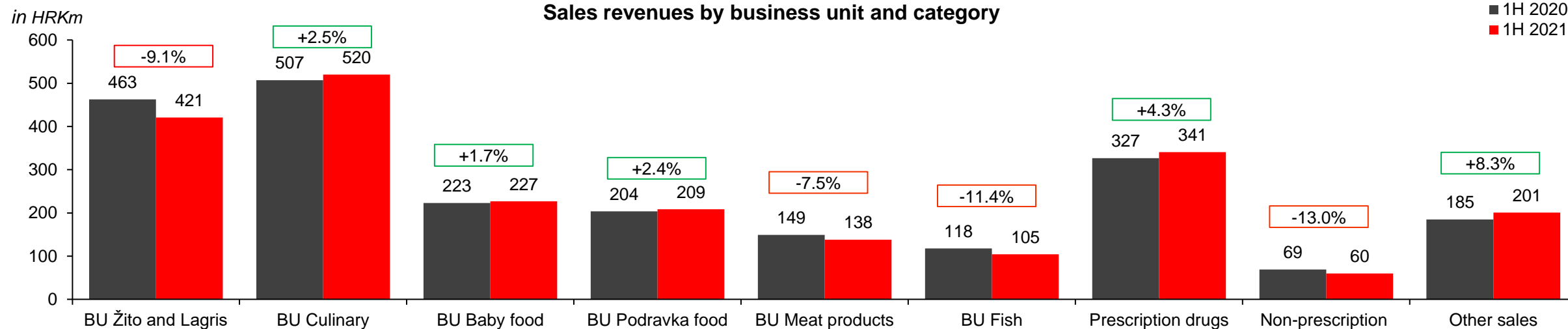
- **Own brands** → 2.7% lower sales, sales increase of the BU Culinary, Podravka food and Baby food, sweets and snacks did not manage to cancel out the lack of the exceptionally high demand and sales of food products from other business units in the comparative period,
- **Other sales** → 7.5% higher 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.

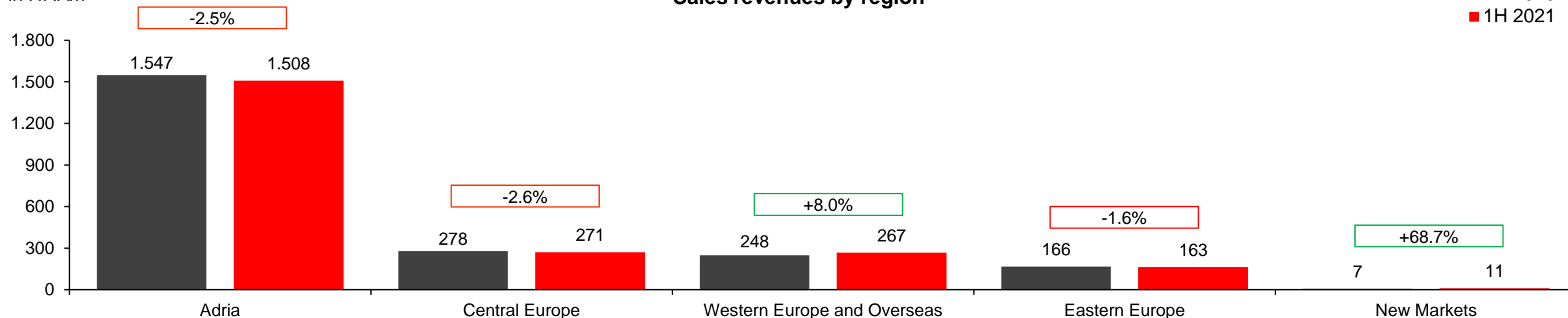
Significant sales growth of WE and Overseas region



in HRKm

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 (in HRK _m)	REPORTED				NORMALIZED ¹			
	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.

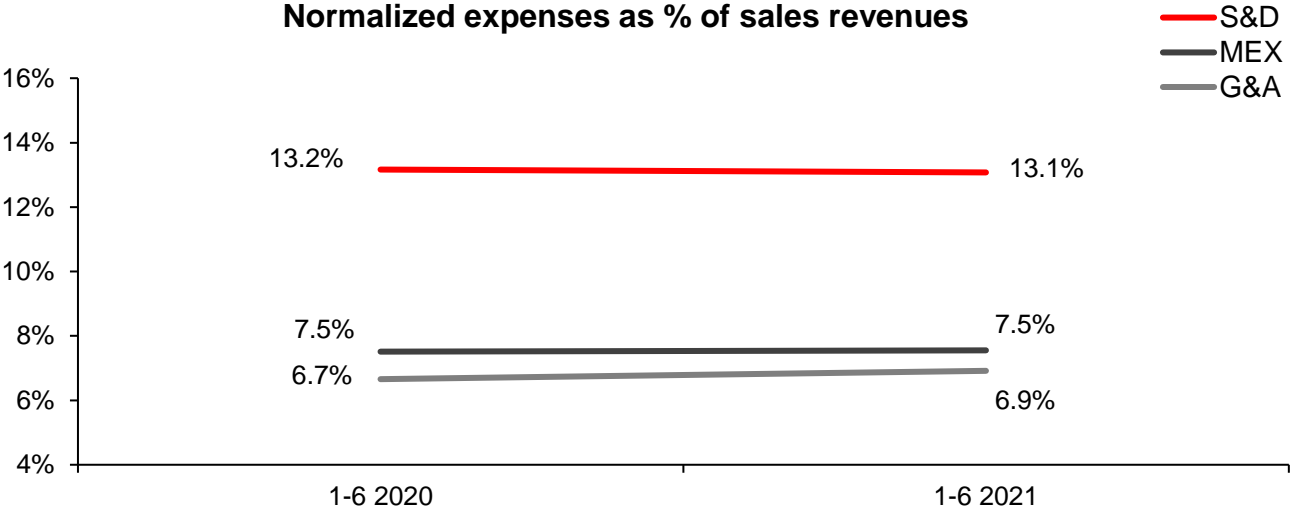
Continuation of operating expenses optimization in reported period

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



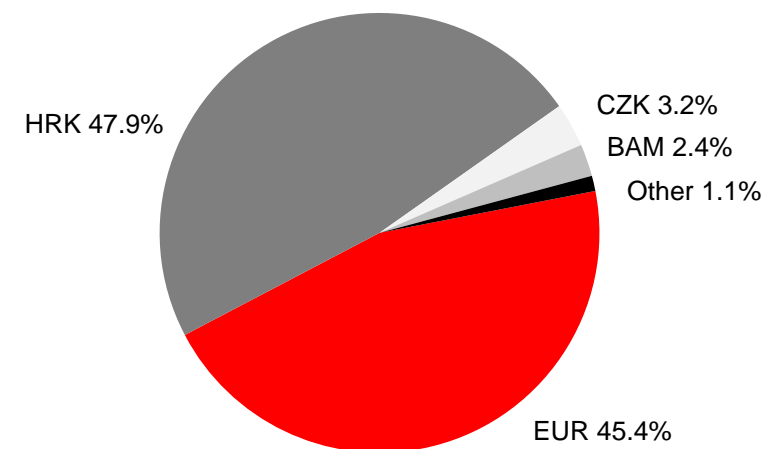
¹Normalized for one-off impacts.

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

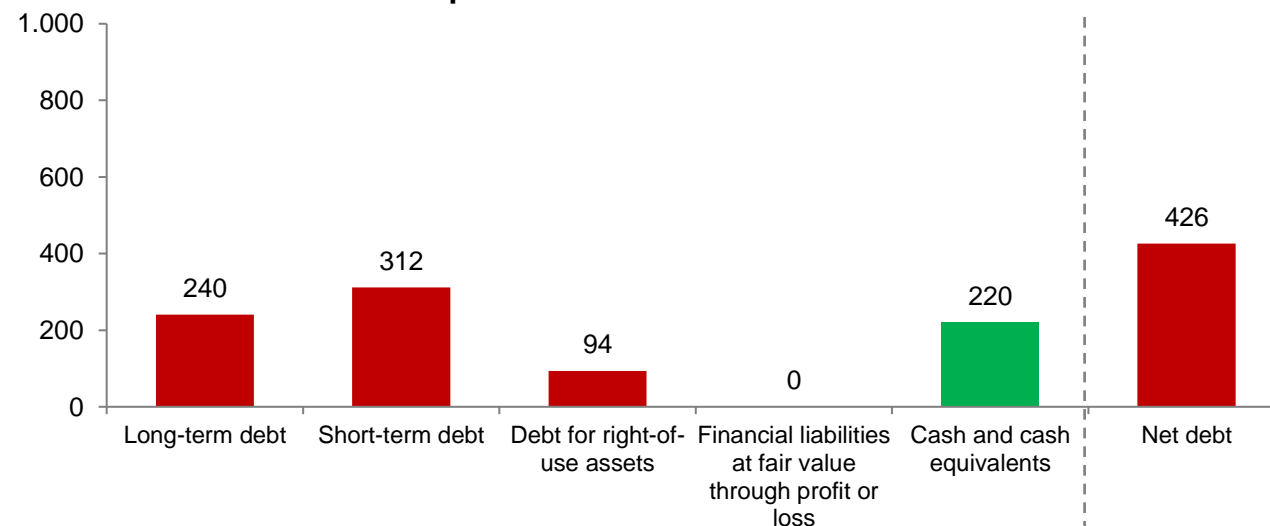
Currency structure of debt as at 30 June 2021



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.

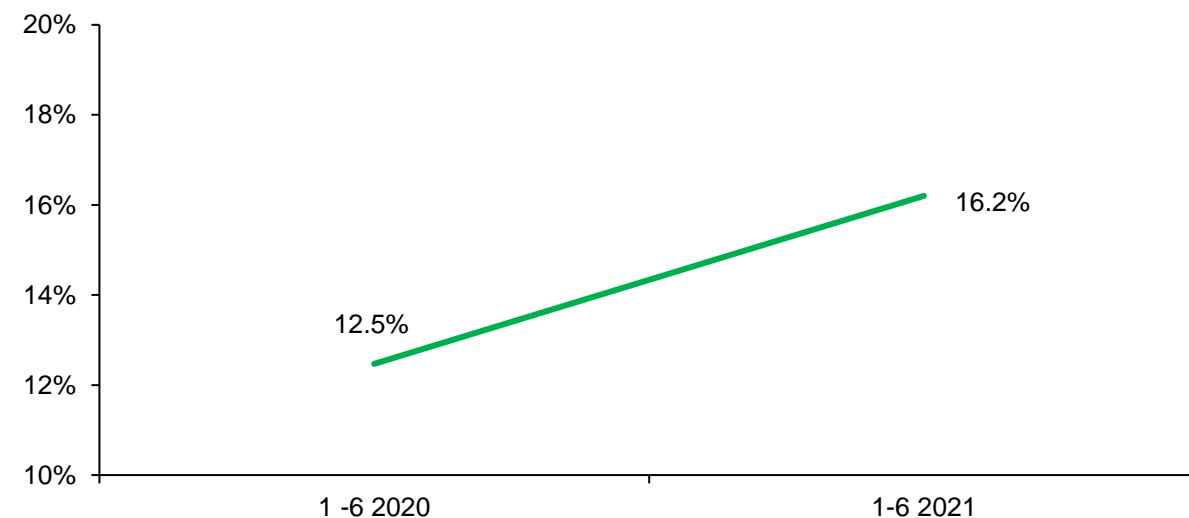
High level of cash flow from operating activities

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



Podravka's share price movement in 1-6 2021



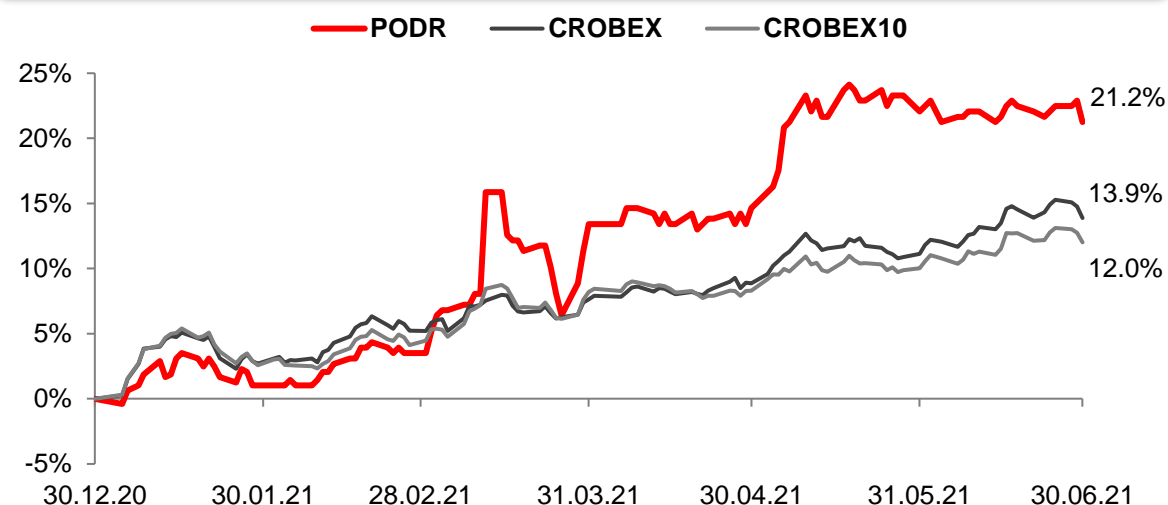
Market activity with PODR share

(HRK; units)	1-6 2020	1-6 2021	% change
Average daily price	397.3	537.3	35.2%
Average daily number of transactions	20	11	(42.7%)
Average daily volume	1,607	1,108	(31.0%)
Average daily turnover	638,704	595,519	(6.8%)
Reported earnings per share	36 ¹	41	14.4%
Normalized earnings per share	35 ¹	40	15.5%

Analyst coverage

Analysts	Recommendation	Target price	Potential ²
InterCapital	Buy	HRK 551.00	(6.3%)
Raiffeisen BANK	Hold	HRK 603.00	2.6%
ERSTE Group	Hold	HRK 595.00	1.2%

PODR share price movement in 1-6 2021



Peer group

Peer group multiples ³	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.3	12.9	15.4	2.7	18.4
Normalized weight. av. peer group ⁴	1.7	12.4	14.3	2.1	17.1
Podravka Group reported	1.0	7.4	11.7	1.1	13.5
Podravka Group normalized ⁵	1.0	7.4	11.9	1.1	13.6

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 588.0) on 30th Jun 2021, ³Obtained from Bloomberg on 20th Jul 2021; ⁴Calculated excluding max. and min. values; ⁵Normalized for items stated in the publication 1-6 2021 results and publication 1-6 2020 results.

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Podravka Group business results for 1-6 2021 period

