



Podravka Group business results for 1 - 9 2022 period



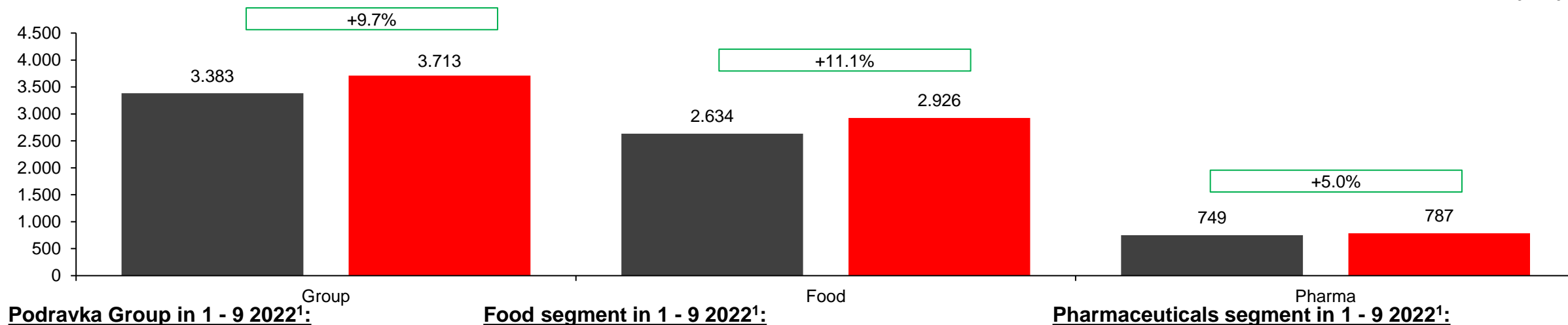
Sales increase in both segment



in HRK_m

Sales revenues by segment

■ 9M 2021
■ 9M 2022



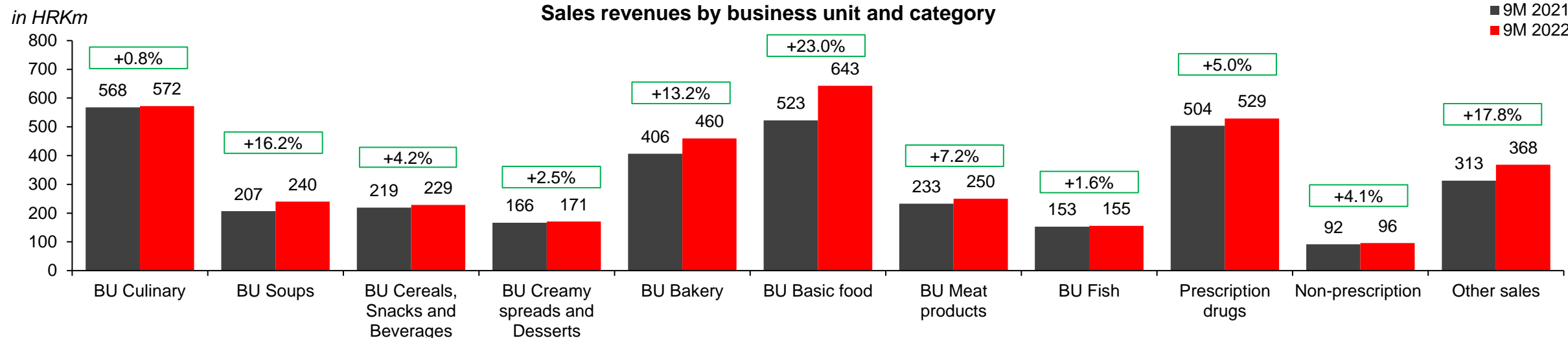
- **Own brands** → 8.9 % higher sales,
- **Other sales** → 17.8 % higher sales,
- **Total Podravka Group** → 9.7 % higher sales.

- **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:

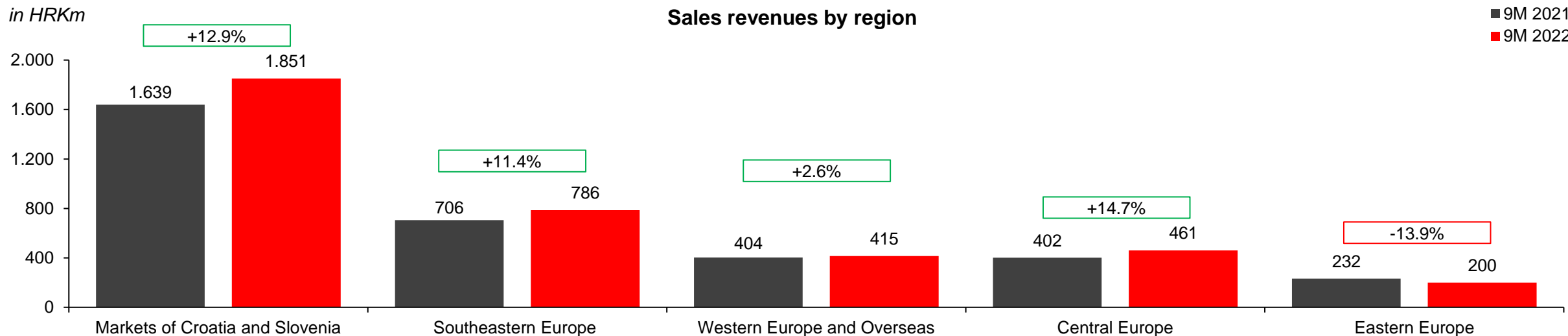
- BU Culinary (+0.8 %)** → higher sales primarily due to Universal seasonings sales increase. Revenue growth was recorded in all regions, except for the Eastern Europe region,
- BU Soups (+16.2 %)** → higher sales mostly due to sales increase of subcategory Clear soups. Revenue growth was recorded all 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 HRKm



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 HRKm)	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:

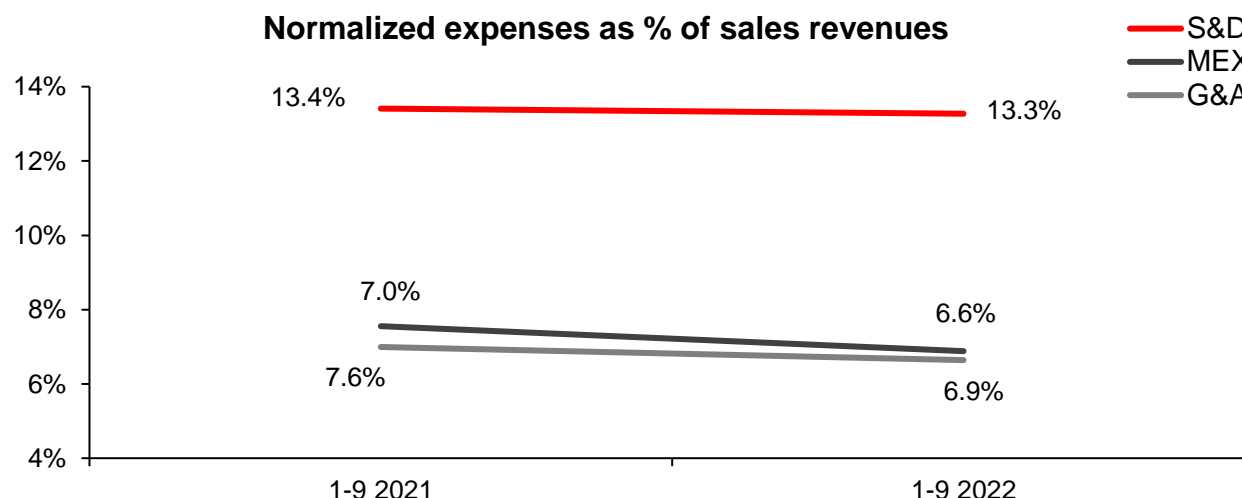
- **Gross profit** → higher 5.8 %, while reported gross margin is 35.6 %,
- **EBIT** → reported higher by HRK 16m, normalized higher by HRK 16m. EBIT was affected by the increase in transport and distribution costs, increase in expenses related to improving the material status of employees and movements 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.

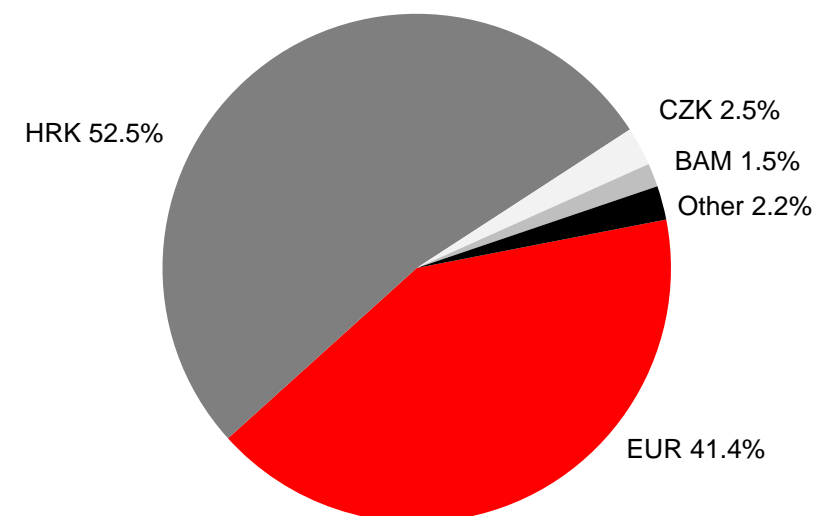
¹Normalized for one-off impacts.

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

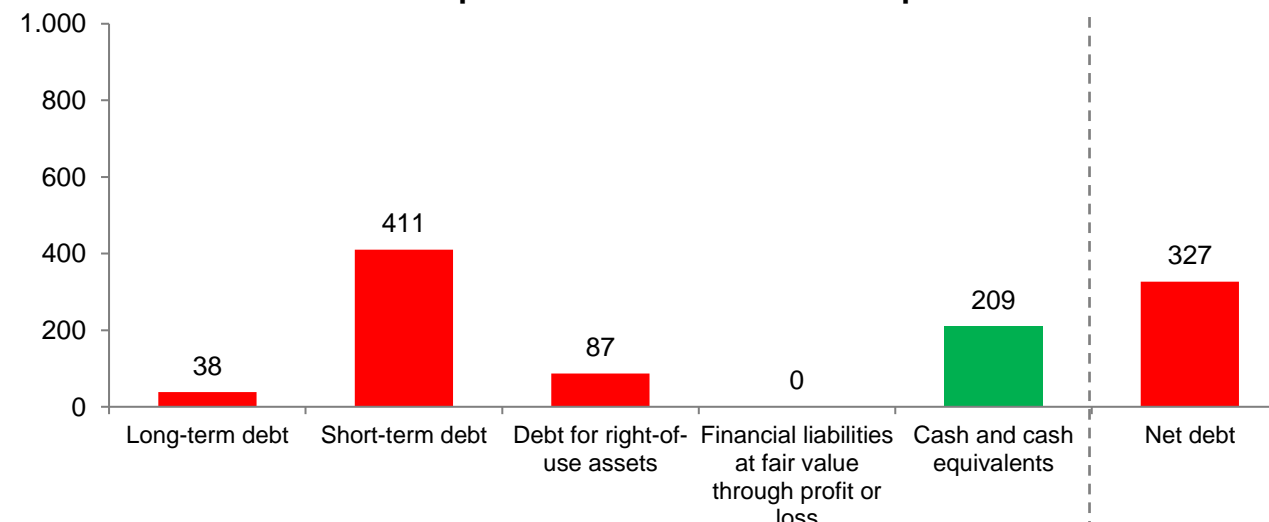
Currency structure of debt as at 30 September 2022



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.

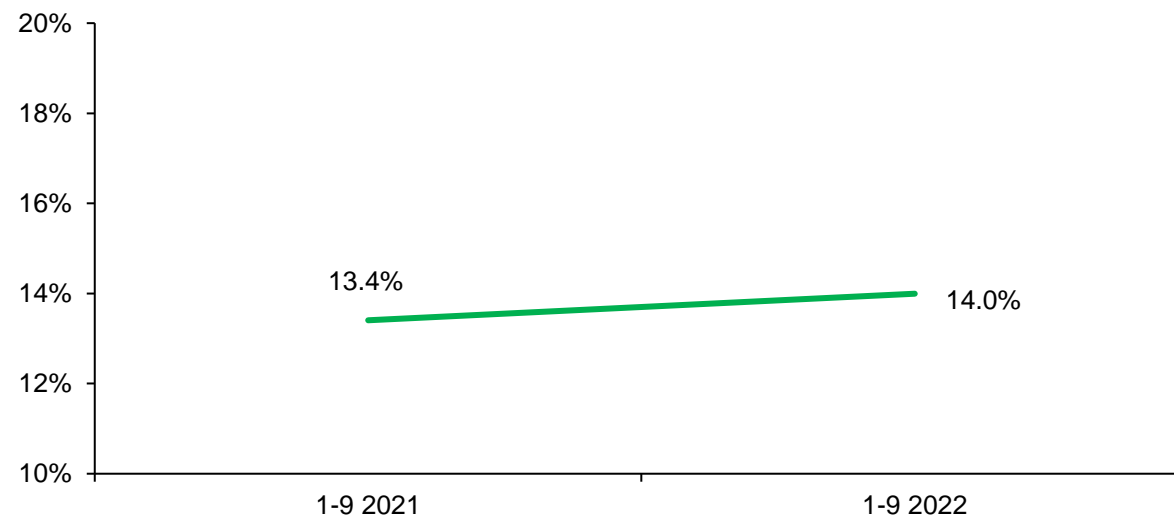
High level of cash flow from operating activities

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



Podravka's share price movement in 1 - 9 2022



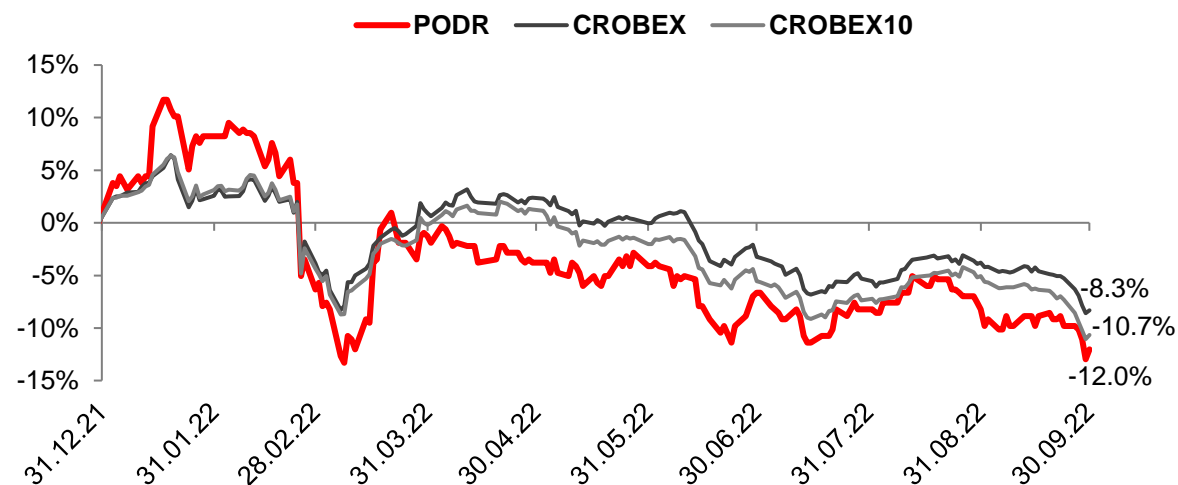
Market activity with PODR share

(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	45	3.1 %
Normalized earnings per share	43 ¹	45	2.8 %

Analyst coverage

Analysts	Recommendation	Target price	Potential ²
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 %

PODR share price movement in 1 - 9 2022



Peer group

Peer group multiples ³	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	1.9	10.7	14.2	2.1	16.7
Normalized weight. av. peer group ⁴	1.4	9.5	10.2	1.6	11.5
Podravka Group reported	0.9	6.9	11.3	1.0	12.2
Podravka Group normalized ⁵	0.9	6.8	10.6	1.0	12.5

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 556.0) on 30th Sep 2022, ³Obtained from Bloomberg on 3rd Oct 2022; ⁴Calculated excluding max. and min. values; ⁵Normalized for items stated in the publication 1 - 9 2022 results and publication 1 - 9 2021 results.

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