



Podravka Group

Always with a heart!





2019 results

1Q 2020 results



Strong sales revenues growth continues in 2019

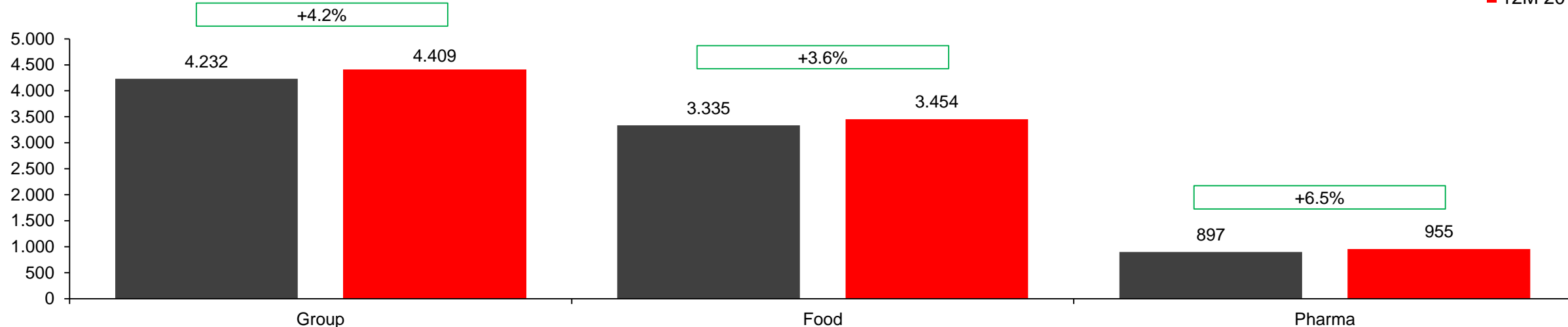


in HRKm

Sales revenues by segment

■ 12M 2018

■ 12M 2019



Podravka Group in 2019¹:

- **Own brands** → 4.3% higher sales,
- **Other sales** → 3.5% higher sales,
- **Total Podravka Group** → 4.2% higher sales.

Food segment in 2019¹:

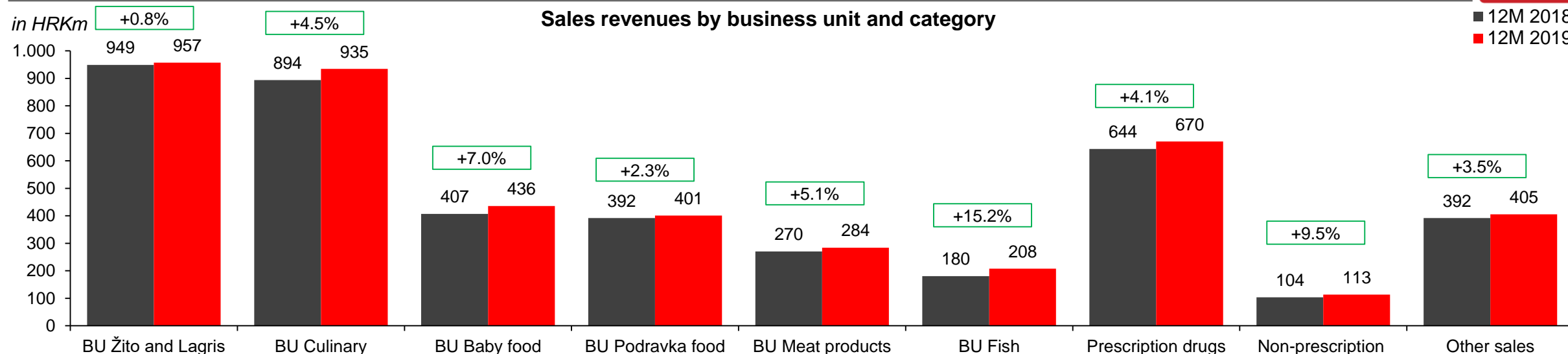
- **Own brands** → 4.1% higher sales, due to the sales growth of all business units, increased demand for newly launched products and the expanded distribution of certain categories. BU Culinary, BU Baby food, sweets and snacks and BU Fish had the most significant impact on the revenue increase,
- **Other sales** → 3.5% lower revenues, as a lower sales of trade goods in the markets of Bosnia and Herzegovina and Serbia,
- **Total Food** → 3.6% higher sales.

Pharmaceuticals segment in 2019¹:

- **Own brands** → 4.9% higher sales, due to the increase in demand and sales in the markets of Russia, Croatia, Serbia and Slovakia,
- **Other sales** → 14.8% higher sales, as a result of higher sales of trade goods in the markets of Bosnia and Herzegovina and Croatia,
- **Total Pharma** → 6.5% higher sales

¹Percentages in the text relate to performance in 2019 compared to 2018.

Sales growth across all business segments



Business unit and category performance in 2019¹:

- **BU Žito and Lagris (+0.8%)** → result of a continuous growth of the Bakery and Mill products and Pasta categories, compensating the lower sales of the Confectionery and Pulses, Porridges and Oil products categories,
- **BU Culinary (+4.5%)** → higher sales primarily in the categories Seasonings, Soups and Food mixes, due to the optimum sales mix and increased demand for new products,
- **BU Baby food, sweets and snacks (+7.0%)** → higher sales, driven by marketing activities in categories Creamy spreads, Baby food and Snacks and by excellently received new and innovated products of the Lino Lada and Kviki brands,
- **BU Podravka food (+2.3%)** → higher sales of the Flour, Condiments and Tomato categories, which managed to compensate for lower revenues of the Frozen vegetables category that is connected to problems with procurement of raw materials from a supplier from Serbia,
- **BU Meat products, meat solutions and savory spreads (+5.1%)** → the increase in sales of ready-to-eat meals and luncheon meats categories,
- **BU Fish (+15.2%)** → higher sales due to the increased demand and stronger sales in the Adria region,
- **Prescription drugs (+4.1%)** → higher sales in the markets of Russia, Serbia and Slovakia, which compensated for the decrease in sales in the markets of Turkey, Bosnia and Herzegovina and Kosovo, due to changes in local legislation. Sales increase is a result of continuous demand for Belupo products and significant selling activities in the second half of the year,
- **Non-prescription programme (+9.5%)** → growth in the OTC drugs and the natural products subcategory in Croatia, Slovenia and Russia due to increased demand and targeted marketing and selling activities,
- **Other sales (+3.5%)** → higher sales as a result of the increase in sales of trade goods of the Farmavita.

¹Percentages in the text relate to performance in 2019 compared to 2018.

Growth acceleration in Eastern Europe

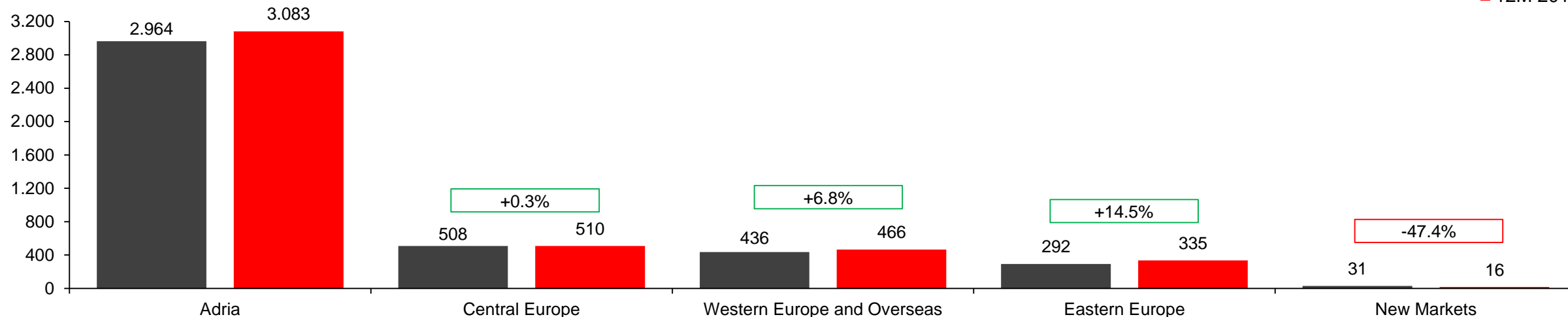


in HRKm

Sales revenues by region

■ 12M 2018

■ 12M 2019



Region performance in 2019¹:

- **Adria (+4.0%)** → **Food** sales 3.9% higher, revenue growth is recorded by all BU, as a result of expanded distribution and launching of new and innovated products; **Pharmaceuticals** sales 4.1% higher primarily as a result of the increase in sales of trade goods and non-prescription programme,
- **Central Europe (+0.3%)** → **Food** sales 0.4% lower, where the significant increase in sales of the BU Culinary was not able to compensate for the decrease in sales of the BU Žito and Lagris in Rice, Pulses, Groats and Oil products categories and trade goods; **Pharmaceuticals** sales recorded 5.4% sales growth, primarily due to the sales growth in the market of the Czech Republic and Slovakia following increased selling activities in the second half of the year,
- **WE and Overseas region (+6.8%)** → **Food** sales 7.1% higher, revenue growth in all business units, led by the BU Culinary and BU Meat products, meat solutions and savory spreads;

Pharmaceuticals segment recorded lower revenues -52.4% (HRK -0.9m) without any significant impact on the region's performance,

- **Eastern Europe (+14.5%)** → **Food** sales 0.2% higher, due to significant increase in revenues of the BU Culinary, BU Žito and Lagris, and BU Fish compensated for the decrease in sales of the BU Podravka Food following lower sales of the Frozen vegetables category, connected to the problems with procurement of raw materials from a supplier from Serbia and lower sales of trade goods; **Pharmaceuticals** sales rose 22.4% due to continuous growing demand for Belupo products and in the markets of Russia and Ukraine and significant selling activities in the second half of the year,
- **New markets (-47.4%)** → **Food** sales recorded a revenue down by 12.9%, due to lower sales of BU Baby food, sweets & snack; **Pharmaceuticals** segment, recorded the decrease in revenue is a consequence of changes in legislation in the market of Turkey.

¹Percentages in the text relate to performance in 2019 compared to 2018.

Food segment profitability backed by favorable sales mix

Food segment (in HRKm)	REPORTED				NORMALIZED ¹			
	2018	2019	Δ	%	2018	2019	Δ	%
Sales revenue	3,335	3,454	119	3.6%	3,335	3,454	119	3.6%
Gross profit	1,111	1,159	48	4.3%	1,112	1,160	47	4.3%
EBITDA	323	326	4	1.1%	318	333	15	4.8%
EBIT	173	164	(9)	(5.2%)	181	180	(1)	(0.3%)
Net profit after MI	145	138	(7)	(4.9%)	150	140	(10)	(6.8%)
Gross margin	33.3%	33.5%		+24 bp	33.3%	33.6%		+23 bp
EBITDA margin	9.7%	9.5%		-23 bp	9.5%	9.6%		+11 bp
EBIT margin	5.2%	4.8%		-44 bp	5.4%	5.2%		-20 bp
Net profit margin after MI	4.3%	4.0%		-36 bp	4.5%	4.1%		-45 bp

Food segment profitability in 2019¹:

- **Gross profit** → reported gross profit higher 4.3% as a result of higher sales revenues and the positive impact of the sales structure itself. Estimated effect of movements in prices of raw materials and supplies amounts to negative HRK 26m²,
- **EBIT** → reported EBIT is 5.2% lower, while normalized operating profit is slightly below 2018 level. In line with its strategy, the company increased marketing investments by HRK 20m (+11.5%), that contributed to the increase in sales which successfully compensated for higher staff costs of HRK 42m (+5.5%) and costs related to the sales growth. Higher staff costs are a result of the planned improvement in material rights of employees,
- **Net profit after MI** → reported net profit is HRK 7m lower, while normalized net profit after MI is HRK 10m lower than in the comparative period. On top of impacts above the EBIT level, impact on net profit after MI came from less favorable movements in FX differences on borrowings (HRK -0m in 2019; HRK +6m in 2018).

¹Normalized for one-off impacts.

²Obtained as used volumes of raw materials and supplies in 2019*prices in 2019 – used volumes of raw materials and supplies in 2019*prices in 2018.

Profitability improvement in Pharmaceuticals segment continues

Pharma segment (in HRK _m)	REPORTED				NORMALIZED ¹			
	2018	2019	Δ	%	2018	2019	Δ	%
Sales revenue	897	955	59	6.5%	897	955	59	6.5%
Gross profit	448	473	25	5.6%	452	473	21	4.6%
EBITDA	141	183	42	29.7%	147	183	36	24.2%
EBIT	85	119	34	40.1%	91	119	28	30.6%
Net profit after MI	61	84	23	37.9%	66	84	17	26.2%
Gross margin	49.9%	49.5%		-41 bp	50.4%	49.5%		-92 bp
EBITDA margin	15.7%	19.1%		+341 bp	16.4%	19.1%		+272 bp
EBIT margin	9.5%	12.5%		+299 bp	10.2%	12.5%		+230 bp
Net profit margin after MI	6.8%	8.8%		+199 bp	7.4%	8.8%		+136 bp

Pharmaceuticals segment profitability in 2019¹:

- **Gross profit** → higher 5.6% as a result of higher sales revenue and the positive impact of the sales structure itself,
- **EBIT** → higher HRK 34m higher (40.1%), while normalized operating profit increased by 30.6% as a result of the significant increase in sales and favourable movements in FX differences on trade receivables and trade payables (HRK +14m in 2019; HRK -13m in 2018). This compensated for higher staff costs of HRK 20m (+8.7%), which is in line with the planned improvement in the material rights of employees,
- **Net profit after MI** → higher HRK 23m, while normalized net profit after MI is HRK 17m higher as a result of impacts above the EBIT level, which compensated less favourable movements in FX differences on borrowings (HRK -2m in 2019; HRK +6m in 2018).

¹Normalized for one-off impacts.

Group profitability margins increased in 2019



Pharma segment (in HRK ^m)	REPORTED				NORMALIZED ¹			
	2018	2019	Δ	%	2018	2019	Δ	%
Sales revenue	4,232	4,409	177	4.2%	4,232	4,409	177	4.2%
Gross profit	1,558	1,632	73	4.7%	1,565	1,633	68	4.4%
EBITDA	464	509	45	9.8%	465	516	51	10.9%
EBIT	258	284	25	9.7%	272	300	28	10.1%
Net profit after MI	206	222	16	7.7%	216	224	7	3.3%
Gross margin	36.8%	37.0%		+18 bp	37.0%	37.0%		+6 bp
EBITDA margin	11.0%	11.5%		+59 bp	11.0%	11.7%		+71 bp
EBIT margin	6.1%	6.4%		+32 bp	6.4%	6.8%		+36 bp
Net profit margin after MI	4.9%	5.0%		+16 bp	5.1%	5.1%		-4 bp













Profitability of the Podravka Group in 2019¹:

- **Gross profit** → higher 4.7%, strong impact comes from both business segments as a result of a favorable sales structure. Cost of goods sold increased by 3.9%, which resulted in the gross margin of 37.0%. Estimated effect of movements in prices of raw materials and supplies of the Food segment amounts to negative HRK 26m²,
- **EBIT** → is HRK 25m higher, while normalized is HRK 28m higher, due to the increase in sales in both business segments and favorable movements in FX differences on trade receivables and trade payables (HRK +19m in 2019; HRK -20m in 2018). EBIT was also impacted by stronger marketing investments of HRK 18m (+8.1%), higher staff costs of HRK 63m (+6.2%) and costs related to the sales growth,
- **Net profit after MI** → higher HRK 16m, while normalized net profit after MI is HRK 7m higher. On top of impacts above the EBIT level, bottom line was impacted by less favorable movements in FX differences on borrowings compared to 2018 (HRK -2m in 2019; HRK +12m in 2018).

¹Normalized for one-off impacts.

²Obtained as used volumes of raw materials and supplies in 2019*prices in 2019 – used volumes of raw materials and supplies in 2019*prices in 2018.

Favorable sales mix compensated the increase in certain operating expenses

Operating expenses 19 vs. 18 % change	REPORTED	NORMALIZED
Cost of goods sold (COGS)	3.9% 	4.1% 
General and administrative expenses (G&A)	7.3% 	7.7% 
Sales and distribution costs (S&D)	6.4% 	5.1% 
Marketing expenses (MEX)	7.1% 	7.1% 
Other expenses / revenues, net	n/a 	n/a 
Total	3.8% 	3.8% 

Key highlights of operating expenses in 2019:

Cost of goods sold (COGS):

- Higher 3.9%, as a result of higher sales realized, sales structure itself, increase in prices of raw materials and supplies and higher staff costs,

General and administrative expenses (G&A):

- 7.3% up, due to higher staff costs and different dynamics of movements in provisions,

Sales and distribution costs (S&D):

- Higher 6.4%, due to the increase in sales and increase in staff costs. Decrease in provision for receivables related to relationship with Fortenova Group (ex Agrokor), made in 2019, is recorded within other income and expenses, net, while the decrease in provision for receivables made in 2018 was included in selling and distribution costs,

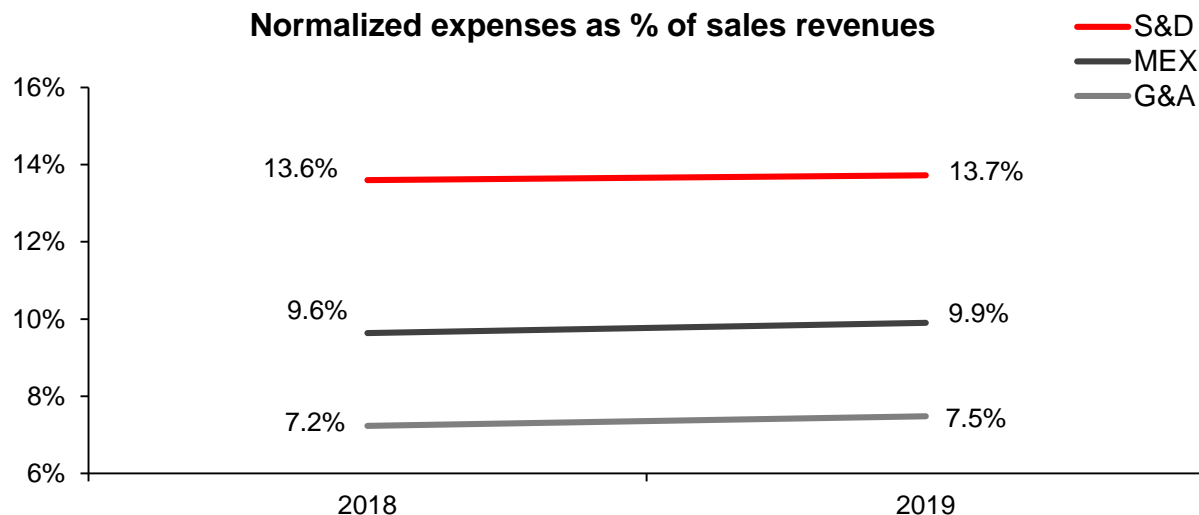
Marketing expenses (MEX):

- Higher 7.1%, out of which costs of marketing investments are up by 8.1%, while the remaining portion relates to marketing department expenses. This is a result of stronger investments in newly launched products promotion and further development of own brands through effective and diverse marketing activities,

Other expenses / revenues, net:

- HRK +29m in 2019; HRK -12m in 2018. Value adjustments and foreign exchange differences on trade receivables and trade payables (HRK +19m in 1-12 2019; HRK -20m in 1-12 2018) are included. Decrease in provision for receivables related to Fortenova Group, (ex Agrokor), made in 2019, is recorded within other income and expenses, net, while the decrease in provision for receivables made in 2018 is included in selling and distribution costs.

Normalized expenses as % of sales revenues

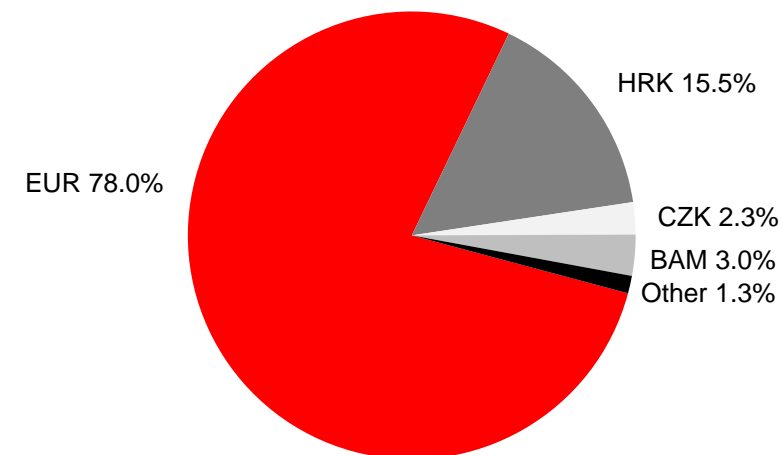


¹Normalized for one-off impacts.

Further improvement of debt indicators

(in HRKm) ¹	2018	2019	% change
Net debt	755	822	8.9%
Interest expense	18	15	(17.0%)
Net debt / normalized EBITDA	1.6	1.6	(1.8%)
Normalized EBIT / interest expense	15.2	20.1	32.7%
Equity to total assets ratio	62.9%	65.9%	+303 bp

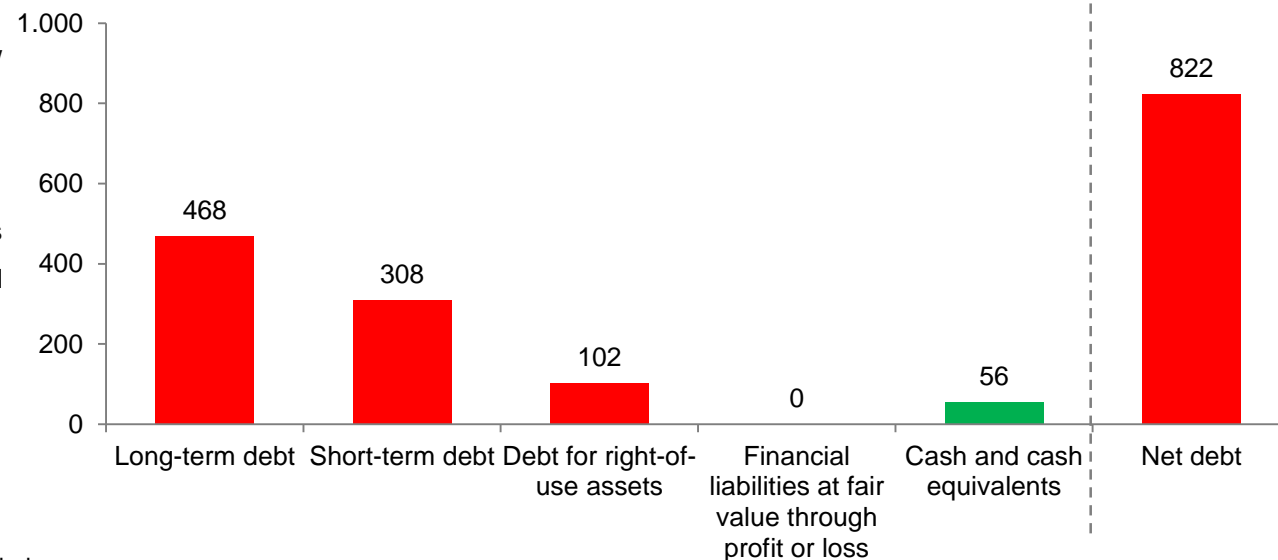
Currency structure of debt as at 31 December 2019



Key highlights:




- Net debt increase → due to inclusion of right-of-use assets (leases) in debt according to new accounting standard IFRS 16 as well as lower amount of cash and cash equivalents,
- Lower interest expenses → repayment of a part of borrowings,
- Decrease in Net debt/normalized EBITDA → Without inclusion of right-of-use assets (leases) in debt according to new accounting standard IFRS 16, the net debt to normalized EBITDA ratio would amount to estimated 1.5,
- **Weighted average cost of debt excluding liabilities for right-of-use assets:**
 - As at 31 December 2019 → 1.2%,
 - As at 31 December 2013 → 4.3%.

Net debt components in HRKm as at 31 December 2019



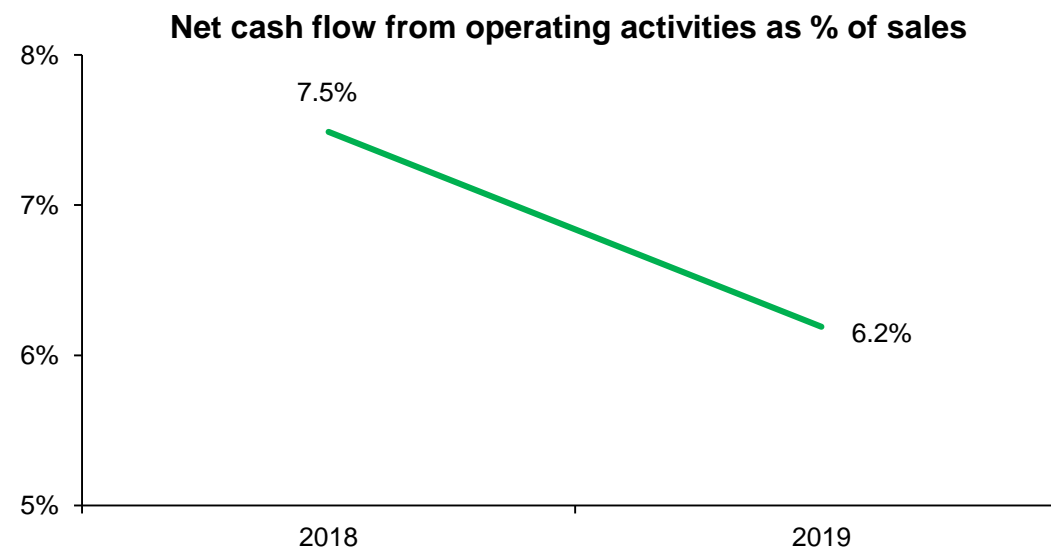
¹All P&L figures are calculated on the trailing 12 months level, while BS figures are taken at the end of period.

Cash flow and working capital movement in 2019

Working capital movement in BS	30 Dec 2019 / 30 Dec 2018		Impact
Inventories		11.8%	<ul style="list-style-type: none"> The increase in inventories is result of the strategic increase in inventories of the fish range due to increased demand and production and the increase in inventories of raw materials and supplies, which is in line with the planned production dynamics
Trade and other receivables		1.1%	<ul style="list-style-type: none"> This movement is in line with regular operations.
Trade and other payables		(7.9%)	<ul style="list-style-type: none"> This movement is in line with regular operations.

(in HRKm)	2018	2019	Δ
Net cash from operating activities	317	273	(44)
Net cash from investing activities	(126)	(144)	(18)
Net cash from financing activities	(342)	(284)	58
Net change of cash and cash equivalents	(151)	(156)	(5)

- **CAPEX** in 2020 is expected to be at the level of HRK 298m, in 2021-2023 period at the level of HRK 200 m.



Financial indicators continuously improving

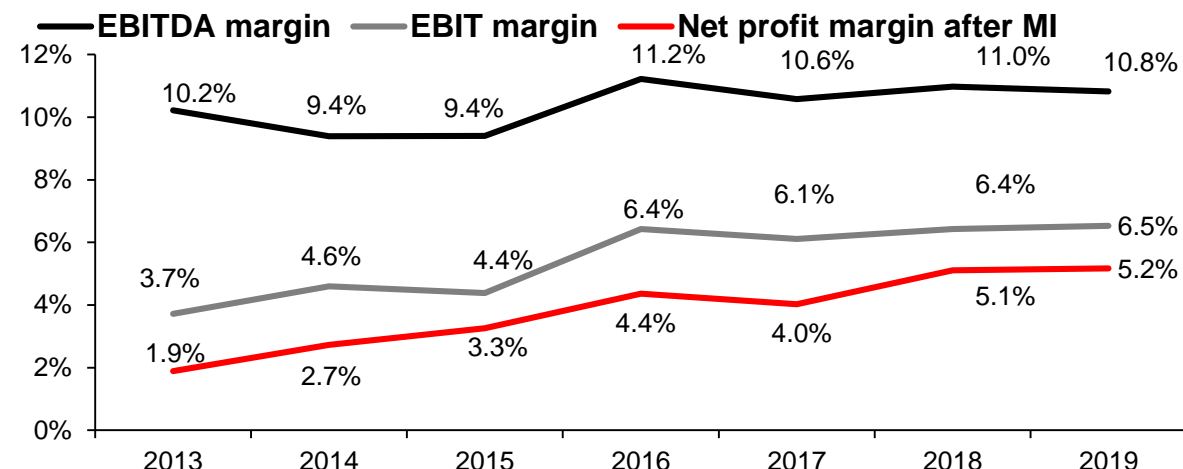


Restructuring related one-off items burdened profitability

(in HRK m)	2012	2013	2014	2015	2016	2017	2018	2019
Value adjustments	(32)	(81)	(28)	(35)	(11)	(89)	(9)	(11)
Severance payments	(50)	(57)	(72)	(41)	(12)	(40)	(6)	(5)
Other	(44)	5	10	298 ¹	8	(18)	4	13
Total net one-offs	(126)	(133)	(90)	222	(15)	(147)	(10)	(2)

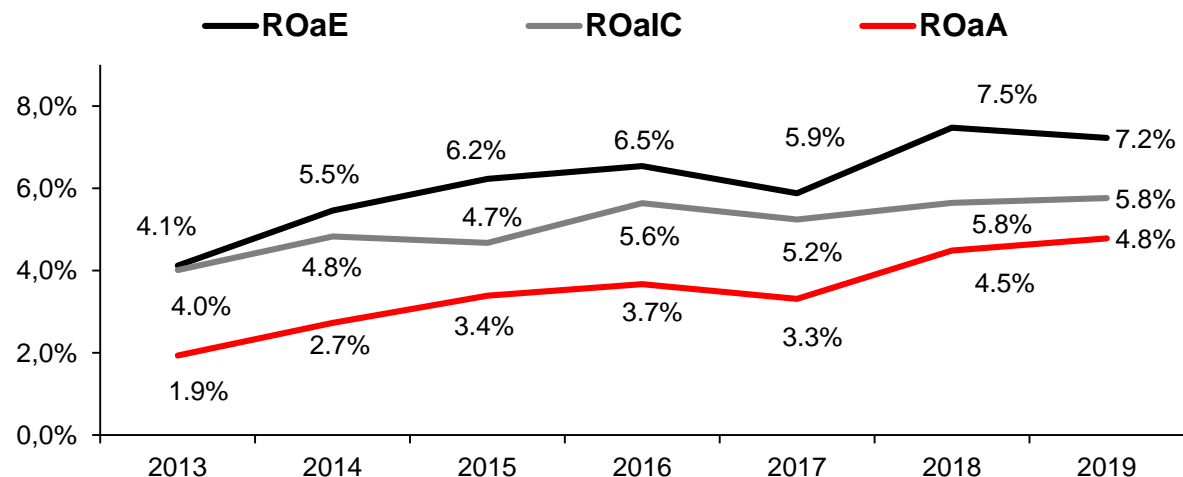
¹HRK 116m of gain on a bargain purchase from Žito acquisition (badwill), HRK 164m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19m refers to other items.

Normalized profitability margins movement²



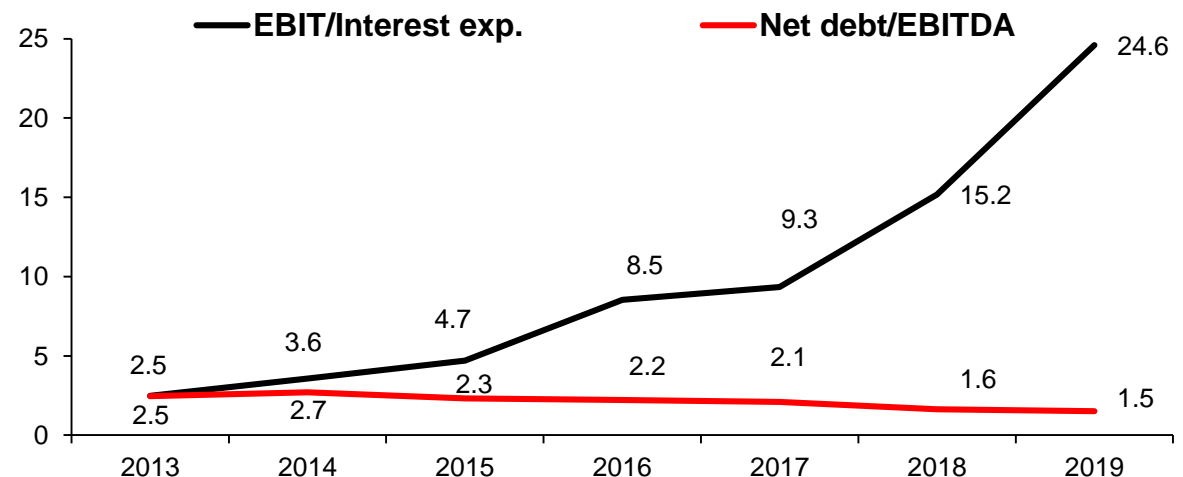
Note: Due to sales revenues reclassification in 2016, 2013-2014 margins are made by approximation.

Normalized return rates movement²



²2015 figures include pro-forma Podravka Group and Žito Group full year figures, excluding consolidation effects and tax incentives for Belupo factories; IFRS 16 influence excluded from 2019 figures.

Normalized debt level movement²



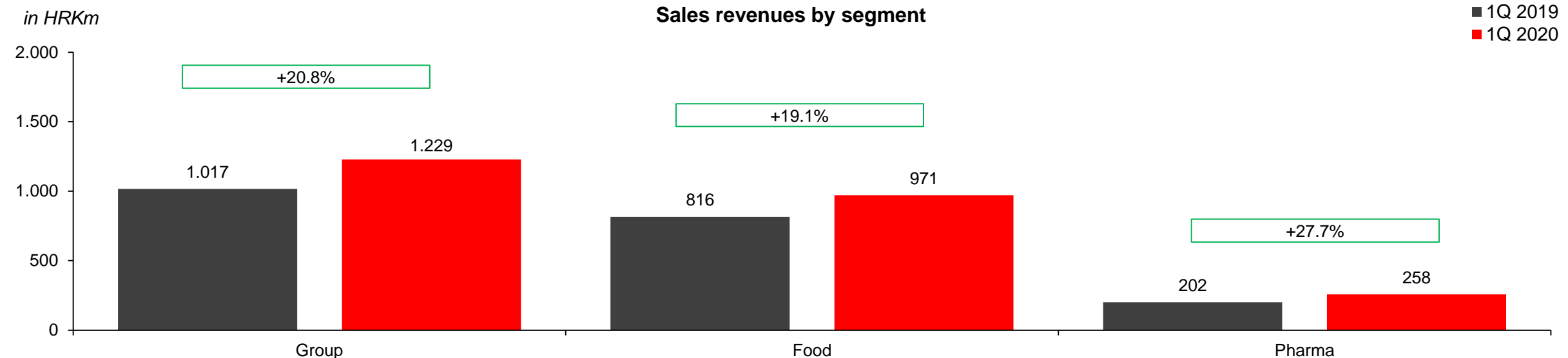


2019 results

1Q 2020 results



Strong sales revenues growth in 1Q 2020



Podravka Group in 1-3 2020^{1,2}:

- **Own brands** → 21.6% higher sales,
- **Other sales** → 12.8% higher sales,
- **Total Podravka Group** → 20.8% higher sales.

Food segment in 1-3 2020^{1,2}:

- **Own brands** → 20.9% higher sales, due to of the increased demand for food products. The revenue growth was recorded by all business units, with the biggest absolute growth recorded by the Culinary and the Žito and Lagris business units,
- **Other sales** → 4.3% lower revenues, as a lower sales of trade goods in some markets,
- **Total Food** → 19.1% higher sales.

Pharmaceuticals segment in 1-3 2020^{1,2}:

- **Own brands** → 25.2% higher sales, due to the increase in demand for pharmaceutical products,
- **Other sales** → 37.9% higher sales, as a result of higher sales of trade goods in the markets of Bosnia and Herzegovina and Croatia,
- **Total Pharma** → 27.7% higher sales.

¹Given the Podravka Group's range of products, there was an increased demand in March for certain food and pharmaceutical products, whereby the positive business trend and sales revenue growth from the first two months were strongly driven in March as well. The impact of the situation caused by COVID-19 on sales revenue trends was certainly significant, but it cannot be clearly distinguished from the impact of regular demand for products.

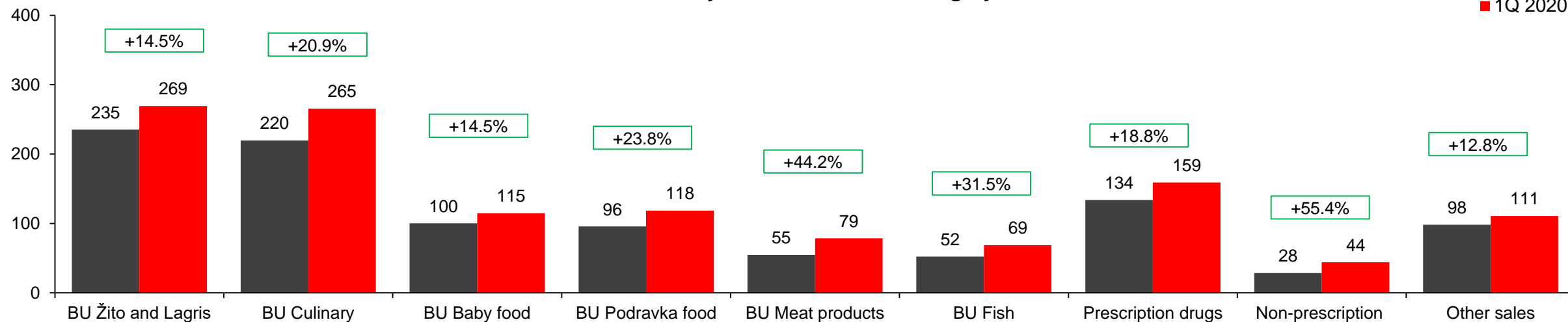
²Percentages in the text relate to performance in 1-3 2020 compared to 1-3 2019.

Double digit sales growth across all business segments

in HRKmn

Sales revenues by business unit and category

■ 1Q 2019
■ 1Q 2020



Business unit and category performance in 1-3 2020^{1,2}:

- **BU Žito and Lagris (+14.5%)** → result of increased demand and sales of all categories, primarily Rice, Flour and Pasta. Greatest share of the growth came from Adria and Central Europe regions,
- **BU Culinary (+20.9%)** → due to the increased demand and sales in categories Seasonings and Soups, where higher sales and growth in all regions except the New markets region,
- **BU Baby food, sweets and snacks (+14.5%)** → higher sales, driven by increased demand and sales in the Baby food and Powdered sweets categories. The BU recorded growth in all regions except the New markets region,
- **BU Podravka food (+23.8%)** → higher sales and growth of all categories, primarily Tomato, Vegetables and Flour. Significant revenue growth generated in Adria and Central Europe regions,
- **BU Meat products, meat solutions and savory spreads (+44.2%)** → increase in sales of categories Canned ready-to-eat meals, Pates, Sausages and Luncheon meats. Revenue growth was recorded in all regions where this product range is present,
- **BU Fish (+31.5%)** → higher sales due to the higher demand and sales of the Tuna and Sardine categories, as a result of, among other, traditionally higher demand for fish products in Lent,
- **Prescription drugs (+18.8%)** → higher sales with the most significant increase recorded in the markets of Croatia and Bosnia and Herzegovina,
- **Non-prescription programme (+55.4%)** → result of sales growth in the OTC drugs subcategory, primarily in Croatian market, due to significant increase in demand and sales of Lupocet and Neofen brands,
- **Other sales (+12.8%)** → higher sales due to increase in sales of trade goods of the Farmavita.

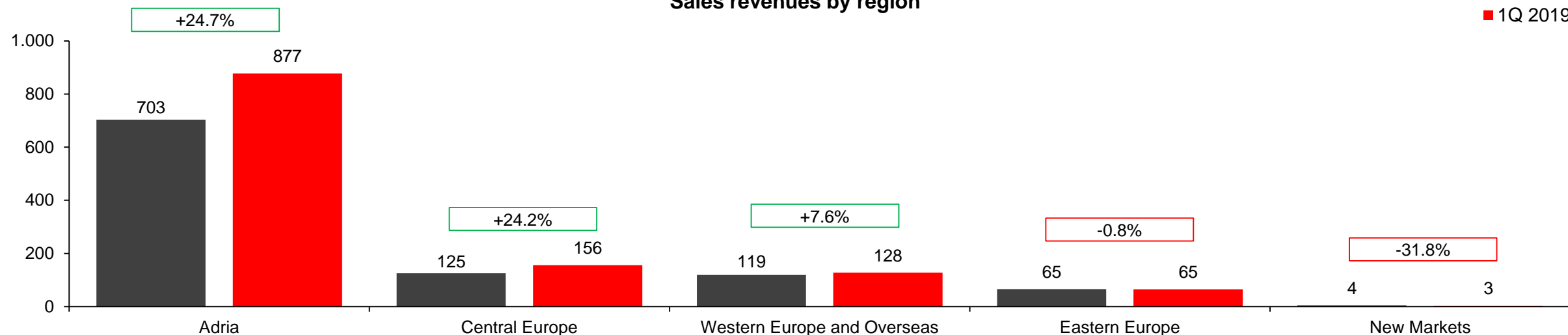
¹Given the Podravka Group's range of products, there was an increased demand in March for certain food and pharmaceutical products, whereby the positive business trend and sales revenue growth from the first two months were strongly driven in March as well. The impact of the situation caused by COVID-19 on sales revenue trends was certainly significant, but it cannot be clearly distinguished from the impact of regular demand for products.

²Percentages in the text relate to performance in 1-3 2020 compared to 1-3 2019.

Major growth recorded in Adria and Central Europe regions

in HRKm

Sales revenues by region



Region performance in 1-3 2020^{1,2}:

- **Adria (+24.7%)** → **Food** sales 22.1% higher where revenue growth is recorded in all business units; **Pharmaceuticals** sales 34.2% higher primarily as a result of the increase in sales of OTC drugs,
- **Central Europe (+24.2%)** → **Food** sales surged 25.9%, due to the increase in sales of all business units, primarily Žito and Lagris, and Culinary; **Pharmaceuticals** sales up by 13.3% primarily due to the increase in sales of prescription drugs in the market of the Czech Republic,

- **WE and Overseas region (+7.6%)** → **Food** sales 7.3% higher, due to the increase in sales of BU Culinary and the Meat products, meat solutions and savory spreads; **Pharmaceuticals** segment recorded HRK 0.4m higher revenues (+184.2%) due to increase in sales of prescription drugs,
- **Eastern Europe (-0,8%)** → **Food** sales 8.5% lower, where growth of the BU Culinary and other BU's largely compensated for revenue decrease of BU Podravka food resulting from lower sales of Frozen vegetables category; **Pharmaceuticals** sales rose 5.8% due to continuous growing demand for Belupo products in the prescription drugs category,
- **New markets (-31.8%)** → **Food** sales down by 31.8% primarily due to lower sales of the Culinary and the Baby food, sweets and snacks business units.

¹Given the Podravka Group's range of products, there was an increased demand in March for certain food and pharmaceutical products, whereby the positive business trend and sales revenue growth from the first two months were strongly driven in March as well. The impact of the situation caused by COVID-19 on sales revenue trends was certainly significant, but it cannot be clearly distinguished from the impact of regular demand for products.

²Percentages in the text relate to performance in 1-3 2020 compared to 1-3 2019.

Food segment profitability influenced by sales mix and prices of materials and supplies

Food segment (in HRKm)	REPORTED				NORMALIZED ¹			
	1-3 2019	1-3 2020	Δ	%	1-3 2019	1-3 2020	Δ	%
Sales revenue	816	971	155	19.1%	816	971	155	19.1%
Gross profit	287	337	50	17.2%	287	337	50	17.2%
EBITDA	115	148	33	28.5%	115	149	33	28.7%
EBIT	79	110	31	39.2%	79	110	31	39.5%
Net profit after MI	63	87	24	38.8%	63	88	25	39.1%
Gross margin	35.2%	34.7%		-54 bp	35.2%	34.7%		-54 bp
EBITDA margin	14.2%	15.3%		+112 bp	14.2%	15.3%		+115 bp
EBIT margin	9.7%	11.3%		+163 bp	9.7%	11.3%		+166 bp
Net profit margin after MI	7.7%	9.0%		+128 bp	7.7%	9.0%		+130 bp

Food segment profitability in 1-3 2020:

- **Gross profit** → reported gross profit higher 17.2% as a result of significantly higher sales revenues. The gross margin is 34.7%, a bit lower than in the comparative period due to different sales structure and unfavorable trends in prices of raw materials and supplies. In the sales structure, a share of product range with profitability lower than the Food profitability average increased, while the effect of movements in prices of raw materials and supplies in the 1-3 2020 period amounts to negative HRK 12m², primarily due to dried vegetables and meat,
- **EBIT** → reported EBIT is 39.2% higher, while normalized grew by 39.5%. A significant impact, in addition to the impact above the EBIT level, came from the increase in costs related to sales movements (logistics and distribution), unfavorable movements in FX on trade receivables and trade payables (HRK -7m in 1-3 2020; HRK +3m in 1-3 2019) and the increase in staff costs of HRK 10m (+5.5%). The increase in staff costs is largely the result of a one-off award to employees in the manufacturing, logistics and distribution segment,
- **Net profit after MI** → reported net profit is 24m higher, while normalized net profit after MI is HRK 25m higher than 1-3 2019. Bottom line was affected by unfavorable movements in FX differences on borrowings (HRK -5m in 1-3 2020; HRK +1m in 1-3 2019), partly mitigated by higher finance income and lower finance costs. Tax liability is higher by HRK 4m.

¹Normalized for one-off impacts.

²Obtained as used volumes of raw materials and supplies in 1-3 2020*prices in 1-3 2020 – used volumes of raw materials and supplies in 1-3 2020*prices in 1-3 2019.

Pharmaceuticals segment profitability deteriorated as a result of sales mix and FX differences

Pharma segment (in HRK m)	REPORTED				NORMALIZED ¹			
	1-3 2019	1-3 2020	Δ	%	1-3 2019	1-3 2020	Δ	%
Sales revenue	202	258	56	27.7%	202	258	56	27.7%
Gross profit	97	1201	24	24.5%	97	118	21	21.6%
EBITDA	41	29	(12)	(29.7%)	41	26	(15)	(36.6%)
EBIT	26	13	(12)	(48.3%)	26	10	(15)	(59.4%)
Net profit after MI	17	4	(14)	(78.5%)	17	2	(16)	(89.6%)
Gross margin	48.0%	46.7%		-121 bp	48.0%	45.6%		-231 bp
EBITDA margin	20.3%	11.2%		-914 bp	20.3%	10.1%		-1023 bp
EBIT margin	12.6%	5.1%		-752 bp	12.6%	4.0%		-861 bp
Net profit margin after MI	8.5%	1.4%		-710 bp	8.5%	0.7%		-785 bp

Pharmaceuticals segment profitability in 1-3 2020:

- **Gross profit** → higher 24.5% while normalized gross profit is 21.6% higher as a result of significantly higher sales revenues. The gross margin is 46.7%, which is lower than in the comparative period, due to the sales structure and reclassification of certain fees for various promotional and marketing activities. In the sales structure, a share of trade goods which have lower profitability than own brands increased,
- **EBIT** → reported HRK 12m lower (-48.3%), while normalized is down by 59.4% as a result of the significant impact of very unfavorable movements in FX differences on trade receivables and trade payables (HRK -27m in 1-3 2020; HRK +8m in 1-3 2019). To a lesser extent, the impact also came from the increase in staff costs of HRK 2m (+3.4%),
- **Net profit after MI** → is HRK 14m lower, while normalized net profit after MI is HRK 16m lower. Bottom line was affected by unfavorable movements in FX differences on borrowings (HRK -6m in 1-3 2020; HRK -1m in 1-3 2019), partly mitigated by higher finance income and lower finance costs. Tax liability is lower by HRK 3m.

¹Normalized for one-off impacts.

Group profitability influenced by sales structure of both business segments













Pharma segment	REPORTED				NORMALIZED ¹			
(in HRKm)	1-3 2019	1-3 2020	Δ	%	1-3 2019	1-3 2020	Δ	%
Sales revenue	1,017	1,229	211	20.8%	1,017	1,229	211	20.8%
Gross profit	384	457	73	19.1%	384	454	70	18.3%
EBITDA	157	177	21	13.2%	157	175	18	11.6%
EBIT	104	123	19	17.8%	104	120	16	15.3%
Net profit after MI	80	91	11	13.5%	80	89	9	11.4%
Gross margin	37.7%	37.2%		-54 bp	37.7%	37.0%		-77 bp
EBITDA margin	15.4%	14.4%		-96 bp	15.4%	14.2%		-117 bp
EBIT margin	10.3%	10.0%		-25 bp	10.3%	9.8%		-46 bp
Net profit margin after MI	7.9%	7.4%		-47 bp	7.9%	7.3%		-61 bp

Profitability of the Podravka Group in 1-3 2020:

- **Gross profit** → reported is higher 19.1%, while normalized grew by 18.3%. Cost of goods sold increased by 21.8%, which eventually resulted in the gross margin of 37.2% in the reporting period,
- **EBIT** → reported is HRK 19m higher, while normalized grew by HRK 16m, primarily as a result of strong increase in sales in both business segments. Negative impact came from higher costs related to the sales growth (logistics and distribution), very unfavorable movements in FX differences on trade receivables and trade payables (HRK -34m in 1-3 2020; HRK +11m in 1-3 2019) and the increase in staff costs of HRK 12m (+5.0%),
- **Net profit after MI** → is HRK 11m higher, while normalized is HRK 9m higher. Net profit after MI was impacted by unfavorable movements in FX differences on borrowings (HRK -12m in 1-3 2020; HRK +0m in 1-3 2019), partly mitigated by higher finance income and lower finance costs. Tax liability is higher by HRK 1m.

¹Normalized for one-off impacts.

Generated sales level compensated the increase in certain operating expenses

Operating expenses 1Q20 vs.1Q19 % change	REPORTED	NORMALIZED ¹
Cost of goods sold (COGS)	21.8% 	22.3% 
General and administrative expenses (G&A)	(0.6%) 	(1.0%) 
Sales and distribution costs (S&D)	7.0% 	7.0% 
Marketing expenses (MEX)	2.1% 	2.1% 
Other expenses / revenues, net	340.3% 	340.3% 
Total	21.1% 	21.4% 

Key highlights of operating expenses in 1-3 2020:

Cost of goods sold (COGS):

- Higher 21.8%, normalized up by 22.3%, as a result of a higher level of sales realized, the structure of sales and the rise in prices of raw materials and supplies (estimated negative impact in the Food segment of HRK 12m, primarily from dried vegetables and meat) and higher staff costs, partly as a result of a one-off award to employees,

General and administrative expenses (G&A):

- Down by 0.6%, normalized down by 1.0%, as a result of different dynamics of movements in provisions for some expenses and lower costs of services,

Sales and distribution costs (S&D):

- Higher 7.0%, due to the sales increase and staff costs increase (partly a result of a one-off award to employees),

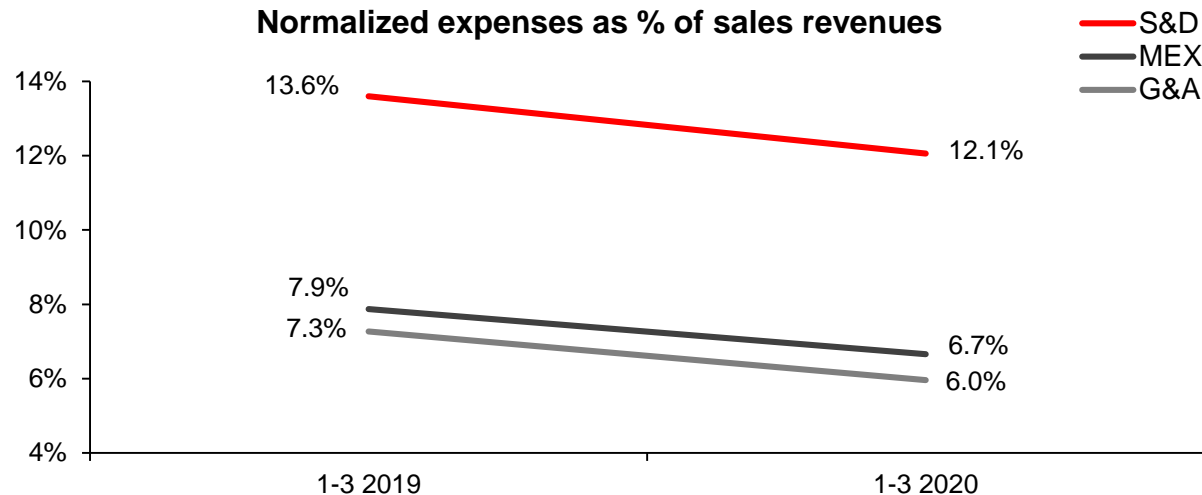
Marketing expenses (MEX):

- Higher 2.1%, (Food segment +3.3%, Pharmaceuticals segment (+0.9%). From the end of 2019 some promotional and marketing activities have been reclassified in the Pharmaceuticals segment. If marketing expenses in the Pharmaceuticals segment in 1-3 2019 were reclassified, they would be lower by HRK 2m for the period.

Other expenses / revenues, net:

- HRK -31m in 1-3 2020, while HRK +13m in 1-3 2019. Mainly affected by the movements in FX differences on trade receivables and trade payables that amounted to HRK -34m in the 1-3 2020 period, while in 1-3 2019 they amounted to HRK +11m.

Normalized expenses as % of sales revenues

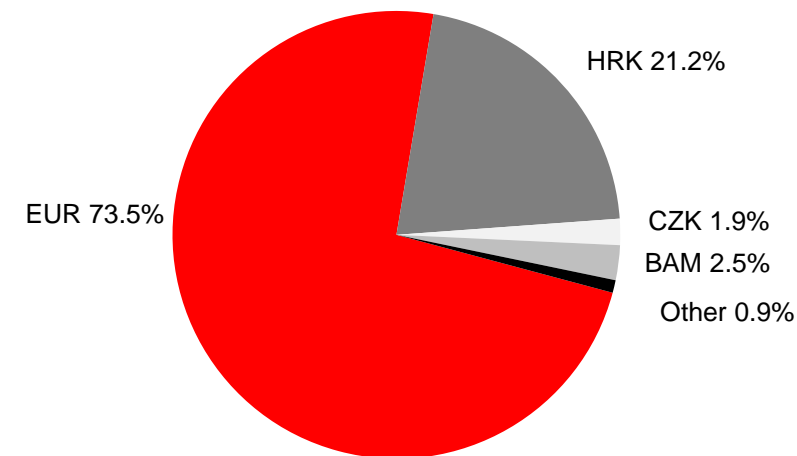


¹Normalized for one-off impacts.

Net debt decrease in spite of financial debt increase

(in HRKm) ¹	2019	1-3 2020	% change
Financial debt ²	878	1,021	16.3%
Cash and cash equivalents	56	265	376.5%
Net debt	822	756	(8.0%)
TTM interest expense	15	14	(8.0%)
Net debt / TTM EBITDA	2	1	(11.2%)
EBITDA / Interest expense	20	23	14.6%
Equity to total assets ratio	65.9%	63.1%	-279 bp

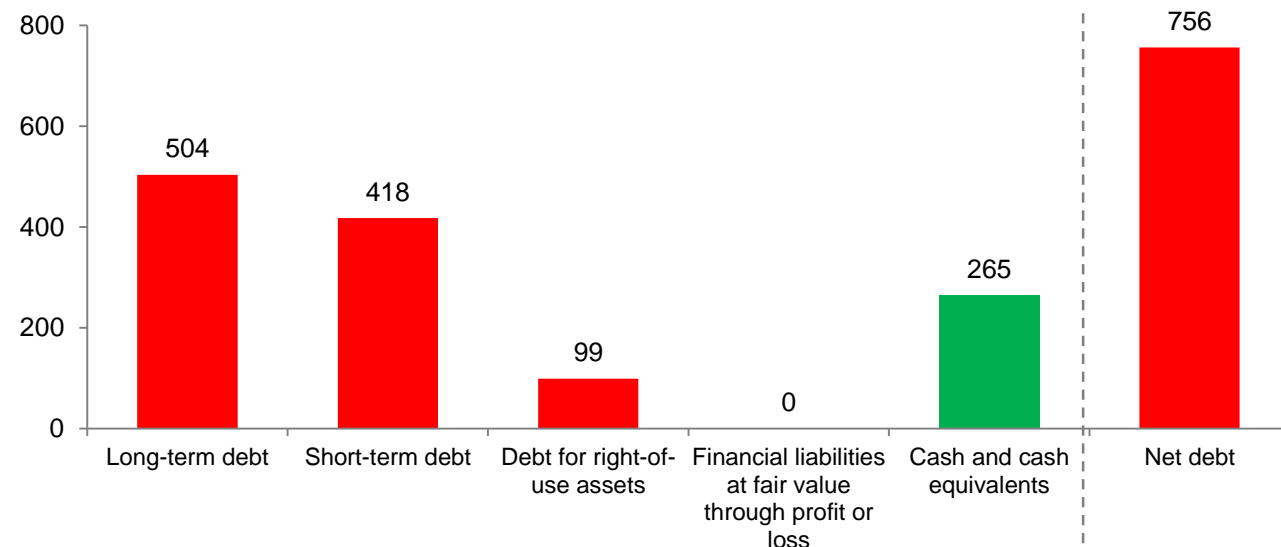
Currency structure of debt as at 31 March 2020



Key highlights:




- Financial debt increase → short-term debt increase to insure enough liquidity to ease supply and production process in situation of increased demand and production,
- Net debt decrease → due to higher level of cash and cash equivalents,
- Lower interest expenses → repayment of a part of borrowings and refinancing under favorable conditions,
- Weighted average cost of debt excluding liabilities for right-of-use assets:**
 - As at 31 March 2020 → 1.0%,
 - As at 31 December 2013 → 4.3%.

Net debt components in HRKm as at 31 March 2020



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.

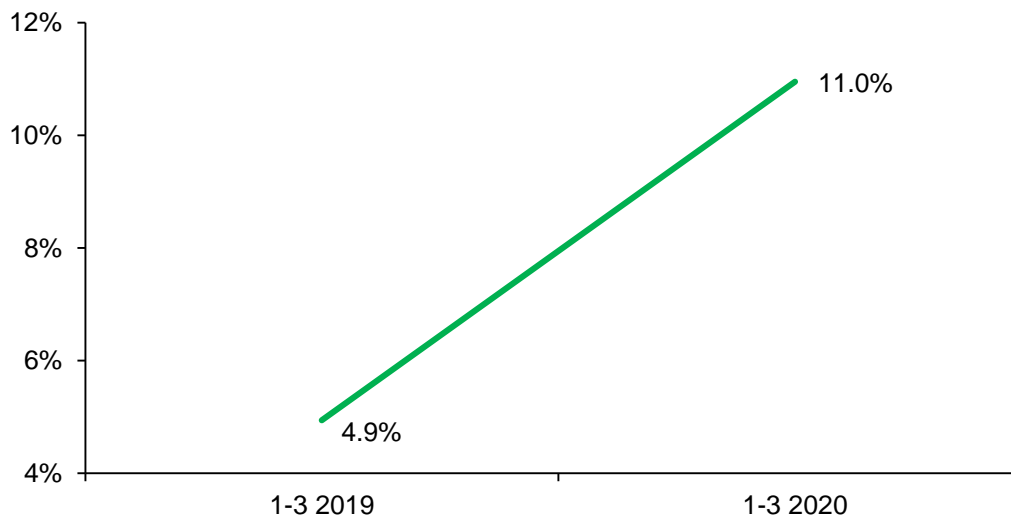
Significantly higher level of cash flow from operating activities

Working capital movement in BS	31 Mar 2020 / 31 Mar 2019	Impact
Inventories	 10.0%	<ul style="list-style-type: none"> The increase in inventories is result of the increase in inventories of raw materials and supplies in the observed period, following the increased demand and production volume, especially in March, as a result of the situation caused by the COVID-19,
Trade and other receivables	 13.8%	<ul style="list-style-type: none"> This movement is in line with regular operations and realized sales level,
Trade and other payables	 20.3%	<ul style="list-style-type: none"> This movement is in line with regular operations.

(in HRKm)	1-3 2019	1-3 2020	Δ
Net cash from operating activities	50	135	84
Net cash from investing activities	(24)	(46)	(23)
Net cash from financing activities	(93)	121	214
Net change of cash and cash equivalents	(66)	209	275

- **CAPEX** in 2020 is expected to be at the level of HRK 298m, in 202-2023 period at the level of HRK 200 m.

Net cash flow from operating activities as % of sales



Podravka's share price movement in 1-3 2020



Market activity with PODR share

(HRK; units)	1-3 2019	1-3 2020	% change
Average daily price	373.9	392.9	5.1%
Average daily number of transactions	9	23	160.1%
Average daily volume	454	2,078	358.0%
Average daily turnover	169,641.4	816,476.3	381.3%
Reported earnings per share	32 ¹	33	4.8%
Normalized earnings per share	32 ¹	33	4.0%

Peer group

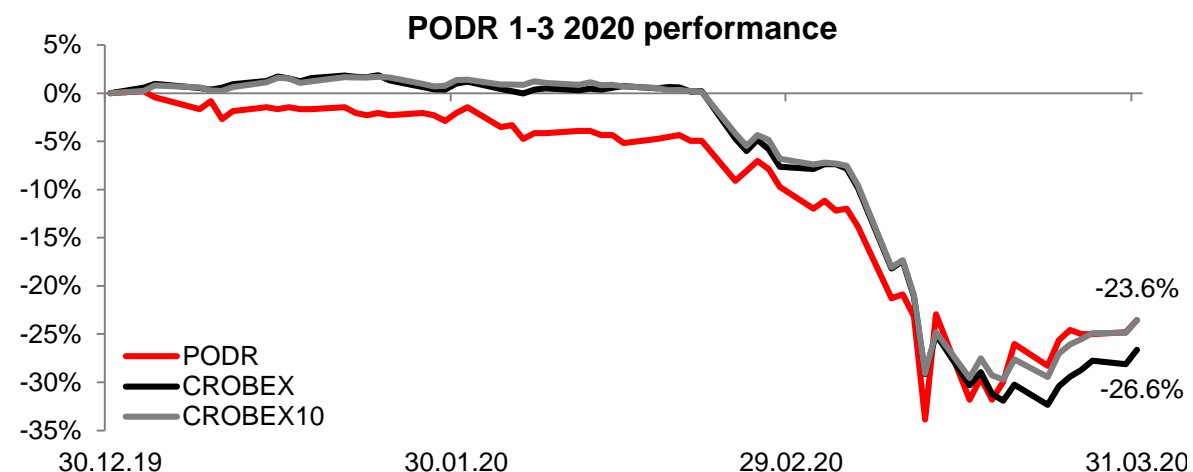
Peer group multiples ²	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.0	11.4	16.0	2.5	19.3
Normalized weight. av. peer group ³	1.6	10.7	15.5	2.1	19.6
Podravka Group reported	0.7	6.4	11.2	0.8	11.1
Podravka Group normalized ⁴	0.7	6.4	10.7	0.8	11.1

Peer Group Food: Atlantic Grupa, Ebro, Hochdorf, La Doria, McCormick, Orkla;

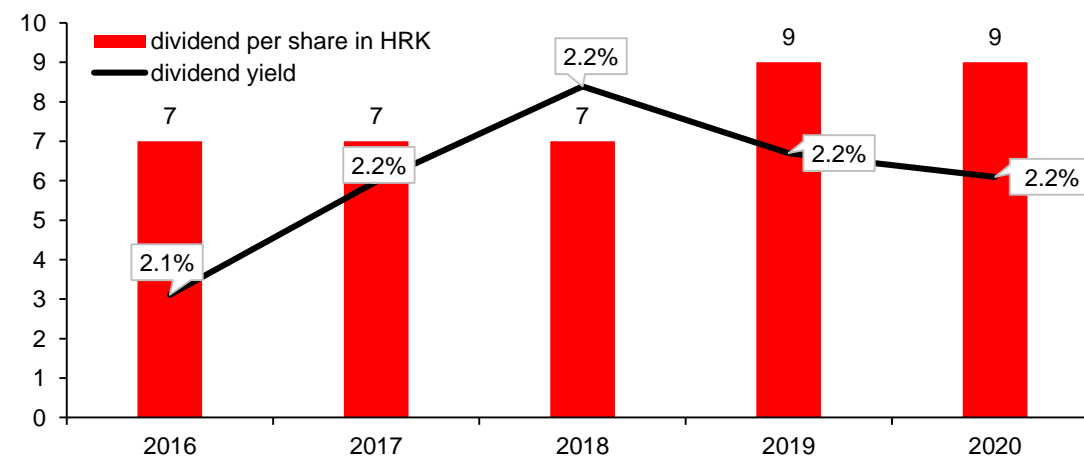
Peer Group Pharma: Alkaloid, Richter Gedeon, Hikma Pharmaceuticals, Krka, Recordati, Stada Arzneimittel.

¹Calculated on FY 2019 basis, ²Obtained from Bloomberg on 15th Apr 2020; ³Calculated excluding max. and min. values; ⁴Normalized for items stated in the publication 1Q 2020 results and 2019 results, ¹DY calculation is based on last mkt. price on the GA date.

Share price movement



Dividend and dividend yield⁵



Podravka d.d.

Ante Starčevića 32, 48 000 Koprivnica

www.podravka.hr

Investor Relations

ir@podravka.hr

tel: 048 65 16 35





Podravka Group

Always with a heart!

