

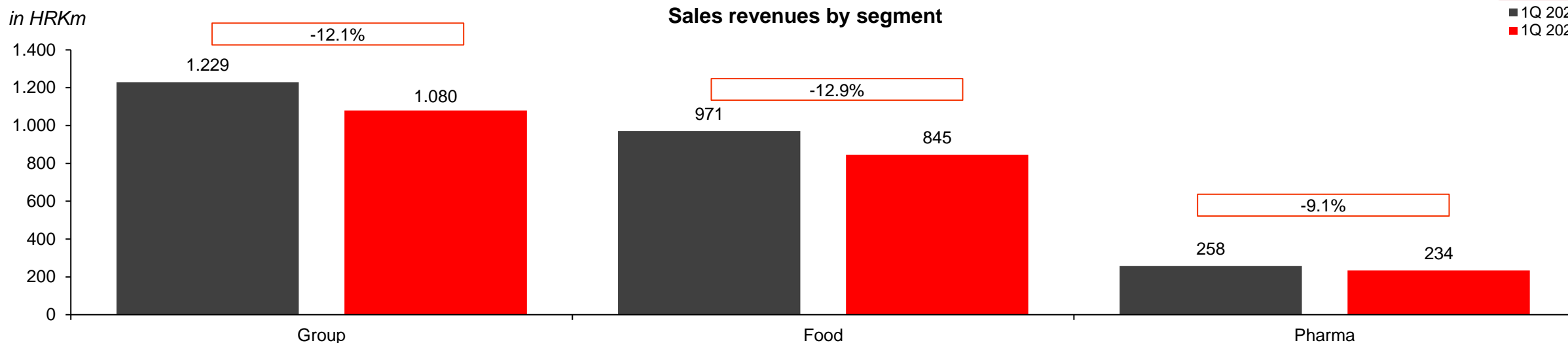


## **Podravka Group business results for 1-3 2021 period**



## Lower level of sales revenues in both segments

in HRKm



### Podravka Group in 1-3 2021<sup>1,2</sup>:

- **Own brands** → 12.2% lower sales,
- **Other sales** → 11.0% lower sales,
- **Total Podravka Group** → 12.1% lower sales.

### Food segment in 1-3 2021<sup>1,2</sup>:

- **Own brands** → 12.9% lower sales, as a result of the exceptionally high demand and sales of food products from all business units in the comparative period,
- **Other sales** → 14.2% lower sales, primarily as a result of lower sales of trade goods (poppy seeds) in the markets of Austria and Romania,
- **Total Food** → 12.9% lower sales.

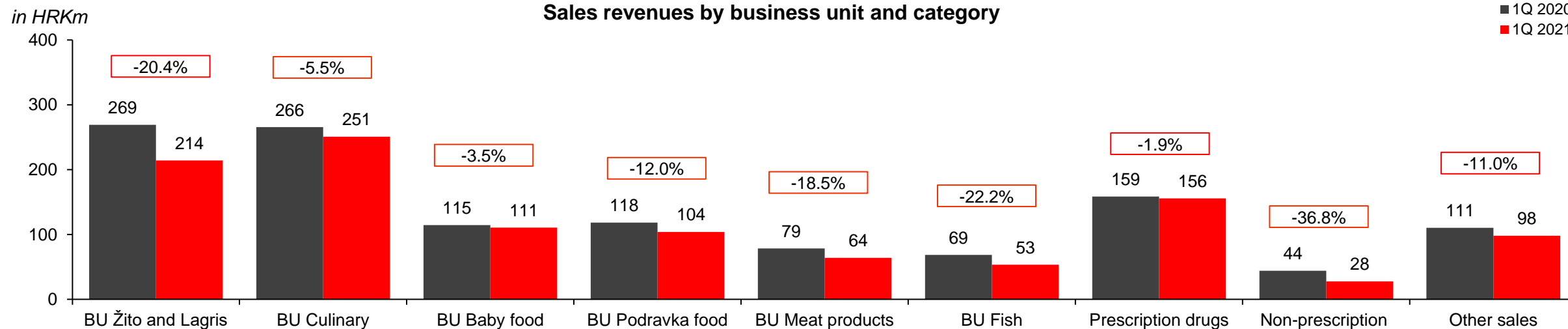
### Pharmaceuticals segment in 1-3 2021<sup>1,2</sup>:

- **Own brands** → 9.5% lower sales, as a result of the exceptionally high demand for pharmaceutical products, primarily in the OTC drugs category, in the comparative period,
- **Other sales** → 7.9% lower sales, due to the decrease in sales of trade goods in the markets of Bosnia and Herzegovina and Croatia,
- **Total Pharma** → 9.1% lower sales.

<sup>1</sup>The situation caused by COVID-19 disease positively impacted the sales revenues trends in the first quarter of 2020 when was recorded a prominent effect of stockpiling of food and pharmaceutical products by customers in almost all markets in which the Podravka Group is present. Increased demand in the first quarter of 2020 significantly contributed to sales revenues of both business segments and all business units and categories, but this impact cannot be clearly distinguished from the impact of regular demand for products. The impact of the epidemiological situation in the reporting period, in most countries in which the Podravka Group operates, especially in the Adria region (mostly in Croatia), is completely different from the one recorded in the comparative period. Negative impact on sales revenues in the entire reporting period 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. Epidemiological measures, avoidance of social contacts and wearing masks resulted in the absence of influenza and viral diseases season, specific to the winter period of the year, which contributed to lower sales of Non-prescription drugs. All of the above affected the movements of sales revenues, but this effect cannot be clearly estimated or quantified.

<sup>2</sup>Percentages in the text relate to performance in 1-3 2021 compared to 1-3 2020.

# Lower sales across all business units and categories



## Business unit and category performance in 1-3 2021<sup>1</sup>:

- **BU Žito and Lagris (-20.4%)** → lower sales due to lower sales in categories of Fresh bakery products, Rice, Pulses, porridge and oil products, and private labels, primarily in the markets of the Adria and Central Europe regions,
- **BU Culinary (-5.5%)** → lower sales mostly in Soups category. Growth recorded in Western Europe and Overseas, and New markets regions, which didn't compensate other regions lower sales,
- **BU Baby food, sweets and snacks (-3.5%)** → lower sales, Creamy spreads sales increase partially compensated sales decrease in Baby food and Sweets categories. Lower sales in most regions, sales growth recorded in the Western Europe and Overseas, and New markets regions,
- **BU Podravka food (-12.0%)** → lower sales, due to sales decrease of Vegetables, Flour and Tomato categories. Revenue growth recorded in Western Europe and Overseas markets and Central Europe markets, which partly compensated lower sales of Adria and Eastern Europe regions,
- **BU Meat products, meals and spreads (-18.5%)** → sales decrease, due to lower sales of the Canned ready-to-eat meals, Luncheon meat and Pates categories in Adria region markets,
- **BU Fish (-22.2%)** → lower sales primarily due to sales decrease of the Tuna and Sardine categories in the Adria region,
- **Prescription drugs (-1.9%)** → lower sales due to difficult access to health care institutions in conditions of COVID-19 disease and reduced number of diagnostic procedures in markets of Bosnia and Herzegovina, the Czech Republic and Poland,
- **Non-prescription programme (-36.8%)** → a result of sales decrease of the OTC drugs subcategory (primarily Croatian market), due to exceptionally high demand for Non-prescription drugs in 1-3 2020,
- **Other sales (-11.0%)** → In the Pharmaceuticals segment, sales dropped by HRK 4m, primarily due to lower sales of trade goods in the markets of Bosnia and Herzegovina and Croatia; in the Food segment, sales dropped by HRK 8m mainly due to Lagris trade goods sales decrease (primarily poppy seeds) in the markets of Austria and Romania.

<sup>1</sup>Percentages in the text relate to performance in 1-3 2021 compared to 1-3 2020.

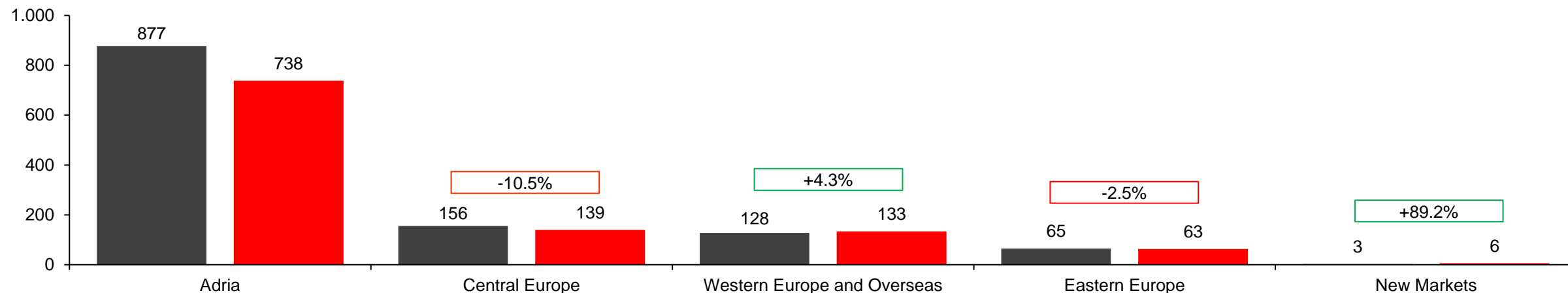
# Lower sales recorded in most regions

in HRK m

## Sales revenues by region

■ 1Q 2020

■ 1Q 2021



## Region performance in 1-3 2021<sup>1</sup>:

- **Adria (-15.9%)** → **Food** sales 15.9% lower, due to the exceptional demand for most product categories recorded in 1-3 2020.; **Pharmaceuticals** sales 12.6% lower due to lower demand and sales of OTC drugs,
- **Central Europe (-10.5%)** → **Food** sales lower 11.2%, where sales increase of BU Podravka Food was unable to cancel out lower sales of BU Žito and Lagris, primarily in the Basic food and Private labels categories, and lower sales of trade goods; **Pharmaceuticals** sales down by 5.5% due to lower sales of Prescription drugs in Poland and the Czech Republic,
- **WE and Overseas region (+4.3%)** → **Food** sales 4.5% higher, due to sales increase of almost all BU, largest contribution from BU Culinary and Podravka Food; **Pharmaceuticals** segment sales revenues down by HRK 0.3m (-43.2%) due to decrease in sales of Prescription drugs (Dermatological drugs) in Germany,
- **Eastern Europe (-2.5%)** → **Food** sales down by 17.5%, due sales decrease in all BU; **Pharmaceuticals** sales up by 8.7% due to increase in sales of dermatological drugs and OTC drugs,
- **New markets (+89.2%)** → **Food** sales up by HRK 3m (+89.2%) primarily due to sales increase of Universal seasonings and Creamy spreads.

<sup>1</sup>Percentages in the text relate to performance in 1-3 2021 compared to 1-3 2020.

## Food segment profitability influenced by cost optimisation and FX differences

Food segment (in HRK <sup>m</sup> )	REPORTED				NORMALIZED <sup>1</sup>			
	1-3 2020	1-3 2021	Δ	%	1-3 2020	1-3 2021	Δ	%
Sales revenue	971	845	(126)	(12.9%)	971	845	(126)	(12.9%)
Gross profit	337	303	(34)	(10.0%)	337	303	(34)	(10.0%)
EBITDA	148	135	(14)	(8.9%)	149	135	(13)	(8.9%)
EBIT	110	98	(12)	(10.9%)	110	98	(12)	(10.9%)
Net profit after MI	87	81	(6)	(7.2%)	88	81	(6)	(7.1%)
Gross margin	34.7%	35.8%		+116 bp	34.7%	35.8%		+116 bp
EBITDA margin	15.3%	16.0%		+70 bp	15.3%	16.0%		+71 bp
EBIT margin	11.3%	11.6%		+26 bp	11.3%	11.6%		+27 bp
Net profit margin after MI	9.0%	9.6%		+59 bp	9.0%	9.6%		+60 bp

### Food segment profitability in 1-3 2021:

- **Gross profit** → lower 10.0% with the gross margin of 35.8%. Positive trends in prices of raw materials and supplies were recorded in comparative period related to 1 – 3 2020. The estimated effect of movements in raw materials and supplies in amounted to positive HRK 1m<sup>2</sup> (mostly meat and wheat),
- **EBIT** → 10.9% lower. Positive effect came from cost optimization (lower provisions for trade receivables, savings on marketing expenses and savings on logistics and distribution costs) and favourable movements in FX differences on trade receivables and trade payables (HRK +2m in 1 – 3 2021; HRK -7m in 1 – 3 2020),
- **Net profit after MI** → HRK 6m lower than in comparative period. Bottom line was positively impacted by FX differences on borrowings (HRK +0m in 1 – 3 2021; HRK -5m in 1 – 3 2020), which compensated for lower finance income. Following the decrease in pre-tax profit, the tax liability is HRK 2m lower.

<sup>1</sup>Normalized for one-off impacts.

<sup>2</sup>Obtained as used volumes of raw materials and supplies in 1-3 2021\*prices in 1-3 2021 – used volumes of raw materials and supplies in 1-3 2021\*prices in 1-3 2020.

# Pharmaceuticals segment profitability a result of cost optimization and positive FX differences



Pharma segment (in HRKm)	REPORTED				NORMALIZED <sup>1</sup>			
	1-3 2020	1-3 2021	Δ	%	1-3 2020	1-3 2021	Δ	%
Sales revenue	258	234	(24)	(9.1%)	258	234	(24)	(9.1%)
Gross profit	121	109	(12)	(9.7%)	118	109	(9)	(7.5%)
EBITDA	29	49	21	71.5%	26	49	23	90.1%
EBIT	13	33	20	152.8%	10	33	23	221.8%
Net profit after MI	4	24	21	551.1%	2	24	22	1,256.5%
Gross margin	46.7%	46.4%		-29 bp	45.6%	46.4%		+81 bp
EBITDA margin	11.2%	21.1%		+992 bp	10.1%	21.1%		+1101 bp
EBIT margin	5.1%	14.2%		+911 bp	4.0%	14.2%		+1021 bp
Net profit margin after MI	1.4%	10.3%		+888 bp	0.7%	10.3%		+963 bp

## Pharmaceuticals segment profitability in 1-3 2021:

- **Gross profit** → reported is lower 9.7% while normalized is 7.5% lower. The gross margin is 46.4% which is at the level of comparative period,
- **EBIT** → reported HRK 20m higher, while normalized is up by HRK 23m as a result of savings and cost optimization, primarily on marketing expenses. A positive impact also came from movements in FX differences on trade receivables and trade payables (HRK +4m in 1 – 3 2021; HRK -27m in 1 – 3 2020),
- **Net profit after MI** → reported is HRK 21m higher, while normalized net profit after MI is HRK 22m higher. Bottom line was affected by favorable movements in FX differences on borrowings (HRK -0m in 1-3 2021; HRK -6m in 1-3 2020). Tax liability is higher by HRK 4m.

<sup>1</sup>Normalized for one-off impacts.

## Group profitability influenced by cost optimization and positive FX differences

Podravka Group	REPORTED				NORMALIZED <sup>1</sup>			
(in HRK m)	1-3 2020	1-3 2021	Δ	%	1-3 2020	1-3 2021	Δ	%
Sales revenue	1,229	1,080	(149)	(12.1%)	1,229	1,080	(149)	(12.1%)
Gross profit	457	412	(45)	(9.9%)	454	412	(43)	(9.4%)
EBITDA	177	185	7	4.2%	175	185	10	5.9%
EBIT	123	131	8	6.6%	120	131	11	9.2%
Net profit after MI	91	105	14	15.6%	89	106	16	18.1%
Gross margin	37.2%	38.1%		+94 bp	37.0%	38.1%		+117 bp
EBITDA margin	14.4%	17.1%		+267 bp	14.2%	17.1%		+291 bp
EBIT margin	10.0%	12.1%		+214 bp	9.8%	12.2%		+238 bp
Net profit margin after MI	7.4%	9.7%		+234 bp	7.3%	9.8%		+250 bp













### Profitability of the Podravka Group in 1-3 2021:

- **Gross profit** → reported is lower 9.9%, while normalized is down by 9.4%. Cost of goods sold decreased by 13.4%, with the increase in reported gross margin, which amounted to 38.1% at the end of the reporting period,
- **EBIT** → reported is HRK 8m higher, while normalized grew by HRK 11m, as a result of cost optimization and savings, primarily on marketing expenses in both segments, on logistics and distribution costs and lower provisions for trade receivables in the Food segment. Positive impact came also from favorable movements in FX differences on trade receivables and trade payables (HRK +6m in 1 – 3 2021; HRK -34m in 1 – 3 2020),
- **Net profit after MI** → reported is HRK 14m higher, while normalized is HRK 16m higher. Net profit after MI was impacted by favorable movements in FX differences on borrowings (HRK -0m in 1-3 2021; HRK -12m in 1-3 2020) and lower finance costs. Tax liability is HRK 2m higher.

<sup>1</sup>Normalized for one-off impacts.



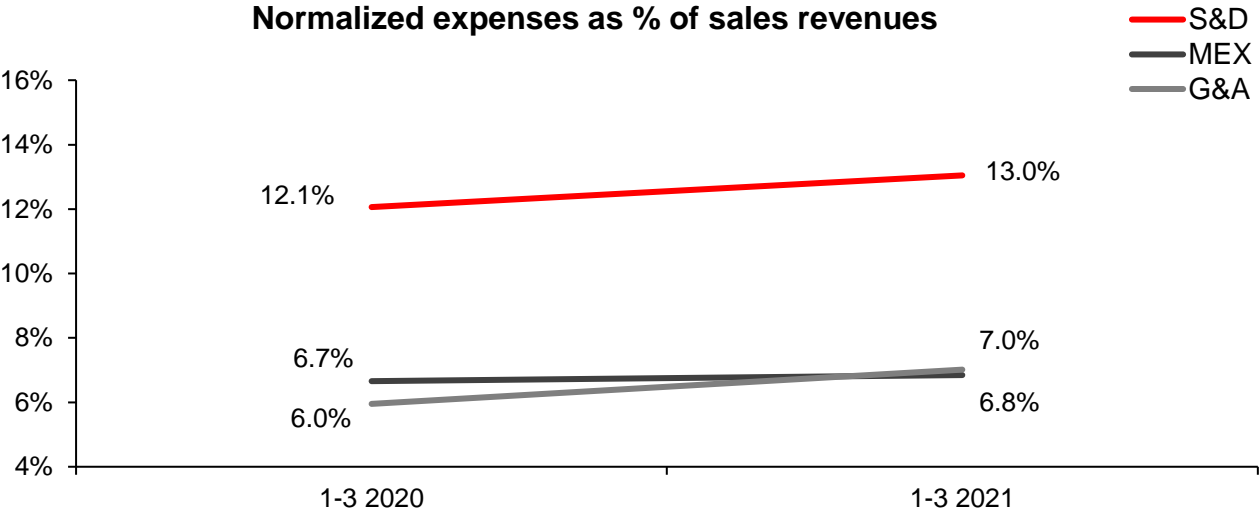
# Continuation of operating expenses optimization in reported period

Operating expenses 1-3 21 vs. 1-3 20 % change	REPORTED	NORMALIZED <sup>1</sup>
Cost of goods sold (COGS)	(13.4%) 	(13.8%) 
General and administrative expenses (G&A)	3.5% 	3.4% 
Sales and distribution costs (S&D)	(4.9%) 	(4.9%) 
Marketing expenses (MEX)	(9.7%) 	(9.7%) 
Other expenses / revenues, net	(132.8%) 	(132.8%) 
<b>Total</b>	<b>(14.2%)</b> 	<b>(14.4%)</b> 

## Key highlights of operating expenses in 1-3 2021:

- **Cost of goods sold (COGS):**
  - Lower 13.4% (normalized down by 13.8%) 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 1m).
- **General and administrative expenses (G&A):**
  - Higher 3.5% (normalized up by 3.4%) due to different dynamics of movements in provisions,
- **Sales and distribution costs (S&D):**
  - Lower 4.9% (normalized down by 4.9%) due to lower provisions for trade payables and lower costs of transportation and services,
- **Marketing expenses (MEX):**
  - Lower 9.7%, (Food -10.9%, Pharma -8.4%),
- **Other expenses / revenues, net:**
  - Amounted to HRK -10m in 1-3 2021; HRK +31m in 1-3 2020 due to movements in FX differences on trade receivables and trade payables (HRK +6m in 1-3 2021; HRK -34m in 1-3 2020).

## Normalized expenses as % of sales revenues



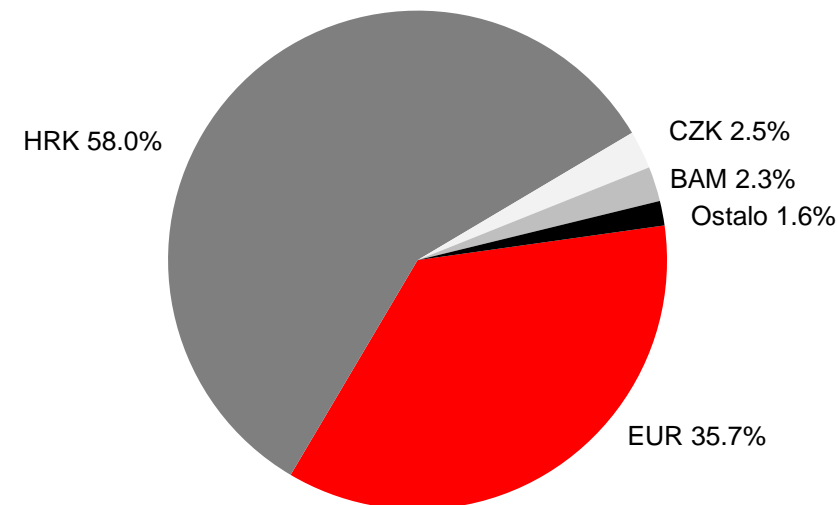
<sup>1</sup>Normalized for one-off impacts.



# Continuation of deleveraging with debt indicators improvement

(in HRKm) <sup>1</sup>	2020	1-3 2021	% change
Financial debt <sup>2</sup>	785	745	(5.2%)
Cash and cash equivalents	52	178	243.4%
Net debt	733	567	(22.7%)
TTM interest expense	12	10	(9.7%)
Net debt / TTM EBITDA	1.4	1.0	(24.2%)
EBITDA / Interest expense	28	32	14.5%
Equity to total assets ratio	69.4%	69.1%	-24 bp

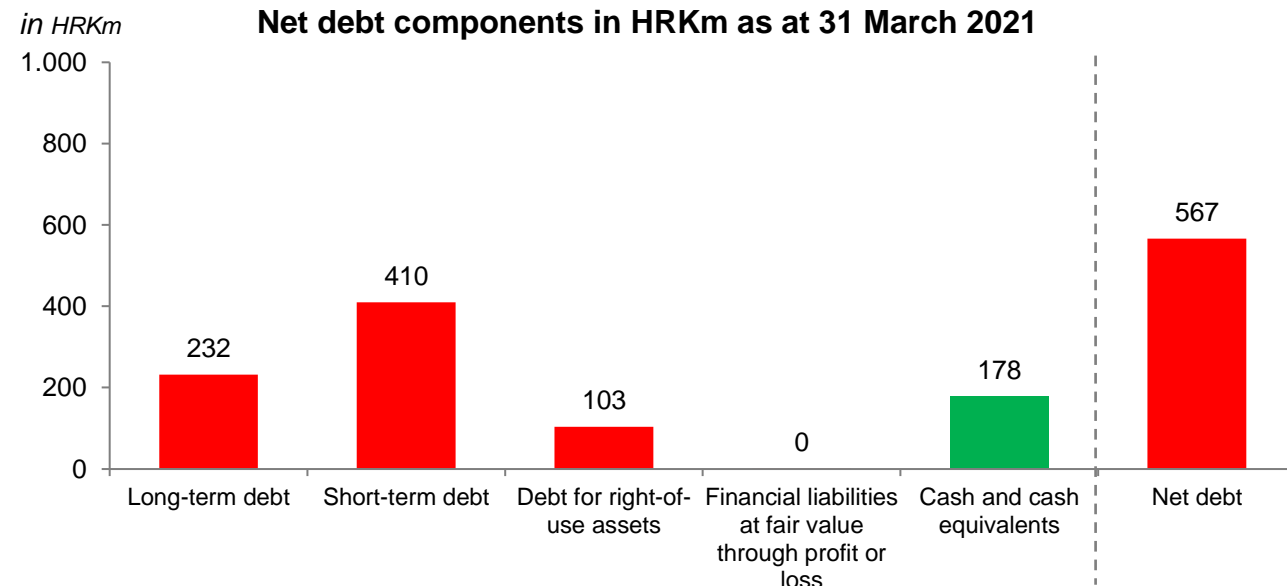
Currency structure of debt as at 31 March 2021



## Key highlights:

- **Financial debt** decrease → due to long-term debt decrease,
- **Long-term debt** decrease → due to regular repayments of long-term debt,
- **Short-term debt** increase → due to short-term borrowings ensuring the required liquidity level in everyday operations,
- 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 March 2021 → 0.8%,
  - As at 31 December 2016 → 2.5%.




Net debt components in HRKm as at 31 March 2021



<sup>1</sup>All P&L figures are calculated on the trailing 12 months level, while BS figures are taken at the end of period, <sup>2</sup>long-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

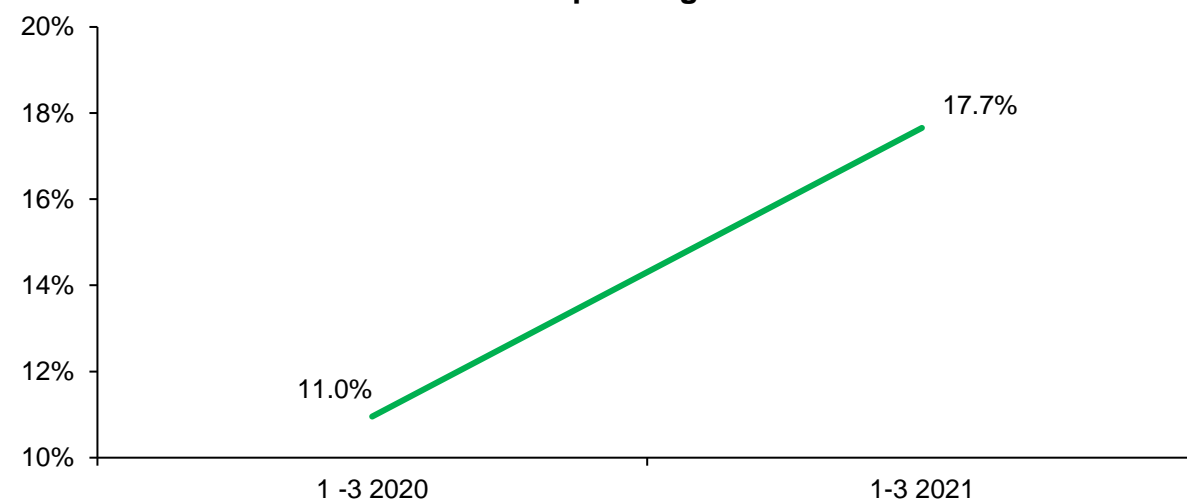


Working capital movement in BS	31 Mar 2021 / 31 Mar 2020		Impact
Inventories		3.6%	<ul style="list-style-type: none"> <li>This movement is primarily the result of the increase in inventories of raw materials and supplies in the Pharmaceuticals segment in 1-3 2021, partly due to the procurement of sufficient amounts of raw materials and supplies for ensuring production continuity and market supply of drugs with respect to the situation caused by COVID-19 disease, and partly due to lower sales than expected on the Croatian market. Inventories of the Food segment are lower than in the comparative period.</li> </ul>
Trade and other receivables		(4.2%)	<ul style="list-style-type: none"> <li>This movement is in line with the regular operations of the Food segment in the reporting period and exceptional sales growth of food products in the comparative period, while in the Pharmaceuticals segment the increase in receivables is a result of the increase in the number of days to collect receivables on the Croatian market in the reporting period.</li> </ul>
Trade and other payables		(9.7%)	<ul style="list-style-type: none"> <li>The movement is mostly a result of the procurement of sufficient amounts of raw materials and supplies for ensuring production continuity and market supply of food products from the Food segment in the comparative period.</li> </ul>

(in HRKm)	1-3 2020	1-3 2021	Δ
Net cash from operating activities	135	191	56
Net cash from investing activities	(46)	(14)	33
Net cash from financing activities	121	(51)	(172)
Net change of cash and cash equivalents	<b>209</b>	<b>126</b>	<b>(83)</b>

- **CAPEX** in 2021 is expected to be at the level of HRK 272m, in 2022-2023 period at the level of HRK 200m.

Net cash flow from operating activities as % of sales



# Podravka's share price movement in 1-3 2021



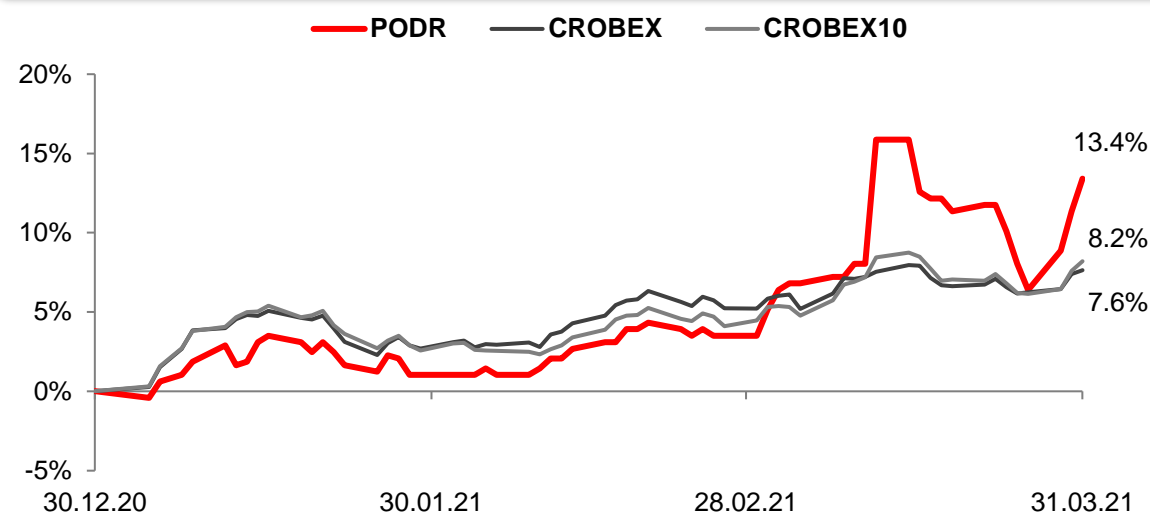
## Market activity with PODR share

(HRK; units)	1-3 2020	1-3 2021	% change
Average daily price	392.9	506.7	29.0%
Average daily number of transactions	23	12	(48.4%)
Average daily volume	2,078	1,286	(38.1%)
Average daily turnover	816,476	651,487	(20.2%)
Reported earnings per share	36 <sup>1</sup>	38	5.7%
Normalized earnings per share	35 <sup>1</sup>	37	9.2%

## Analyst coverage

Analysts	Recommendation	Target price	Potential <sup>2</sup>
InterCapital	Buy	HRK 551.00	0.2%
Raiffeisen BANK	Hold	HRK 433.00	(21.3%)
ERSTE Group	Accumulate	HRK 480.00	(12.7%)
WOOD & COMPANY	Hold	HRK 443.00	(19.5%)

## PODR share price movement in 1-3 2021



## Peer group

Peer group multiples <sup>3</sup>	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.3	12.8	15.2	2.8	18.2
Normalized weight. av. peer group <sup>4</sup>	1.7	12.3	14.3	2.1	17.2
Podravka Group reported	1.0	8.1	13.1	1.1	14.6
Podravka Group normalized <sup>5</sup>	1.0	8.1	13.3	1.1	14.8

**Peer group food:** Atlantic Grupa, Ebro, Hochdorf, La Doria, McCormick, Orkla;

**Peer group pharma:** Alkaloid, Richter Gedeon, Hikma Pharmaceuticals, Krka, Recordati, Stada Arzneimittel.

<sup>1</sup>Based on 2020 results, <sup>2</sup>Compared to the last trading price (HRK 550.0) on 31<sup>st</sup> Mar 2021, <sup>3</sup>Obtained from Bloomberg on 26<sup>th</sup> Apr 2021; <sup>4</sup>Calculated excluding max. and min. values; <sup>5</sup>Normalized for items stated in the publication 1-3 2021 results and publication 1-3 2020 results.

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## **Podravka Group business results for 1-3 2021 period**

