



Podravka Group business results for 1-12 2020 period



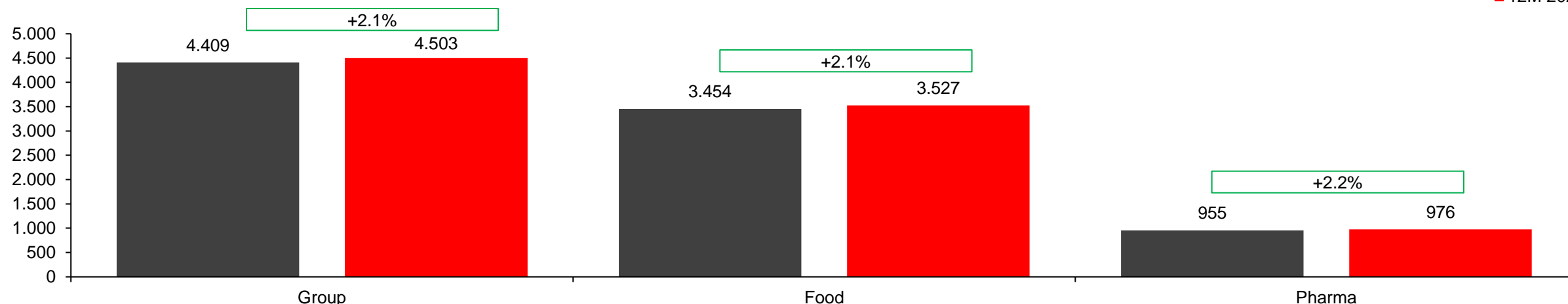
Sales revenues growth in both segments on a year level



in HRKmn

Sales revenues by segment

■ 12M 2019
■ 12M 2020



Podravka Group in 1-12 2020^{1,2}:

- **Own brands** → 2.5% higher sales,
- **Other sales** → 1.9% lower sales,
- **Total Podravka Group** → 2.1% higher sales.

Food segment in 1-12 2020^{1,2}:

- **Own brands** → 3.1% higher sales, due to of the increased demand for food products. The revenue growth was recorded by almost all BU, with the biggest absolute growth recorded by BU Culinary and BU Baby food, sweets and snacks,
- **Other sales** → 11.2% lower revenues, due to lower sales of trade goods (some markets), closure of Gastro channel (HoReCa and institutional customers - schools, kindergartens, restaurants, hotels) in Croatia and Slovenia (April and May), difficulties in the HoReCa in 3Q (weak tourist season) and re-closure of HoReCa in November,
- **Total Food** → 2.1% higher sales.

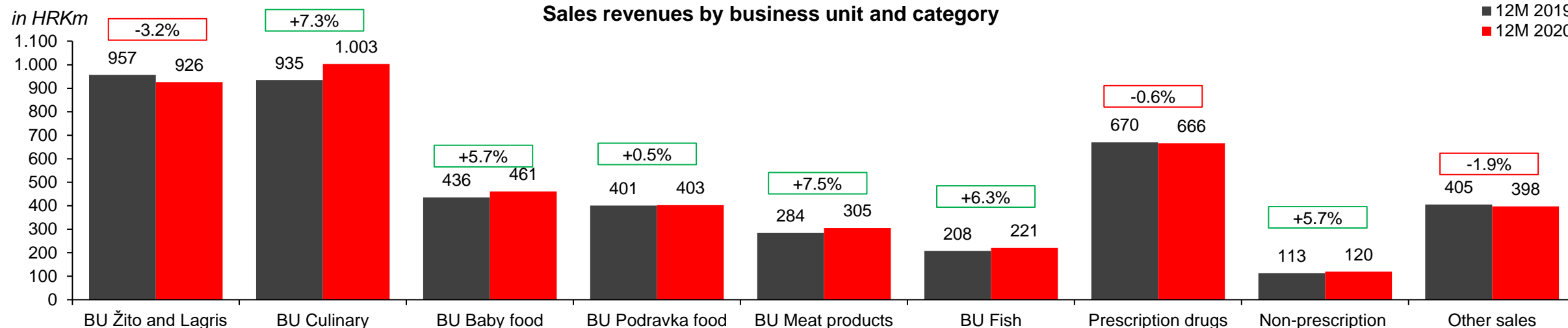
Pharmaceuticals segment in 1-12 2020^{1,2}:

- **Own brands** → 0.3% higher sales, due to the increase in demand for pharmaceutical products, primarily OTC drugs category,
- **Other sales** → 10.7% higher sales, as a result of higher sales of trade goods in the markets of Bosnia and Herzegovina and Croatia,
- **Total Pharma** → 2.2% higher sales.

¹Given the Podravka Group's range of products, situation caused by COVID-19 disease positively impacted the sales revenues trends in 1Q, but this impact cannot be clearly distinguished from the impact of regular demand for products. A negative impact on sales revenues arises in 2Q and 3Q, while in 4Q sales revenues increased. Mentioned negative impact is primarily related to restrictive measures in April and May aimed at preventing the spread of COVID-19 disease (closing of the Gastro channel, shortened working hours of supermarkets and pharmacies, limiting the number of customers in supermarkets and pharmacies, limiting the number of medical procedures in hospitals, limiting and implementing measures in family medicine centres, limiting the number of visits of associates to doctors and pharmacists, ban on the movement of people outside the place of residence, closing of borders). The easing of the introduced measures started in mid-May, which was a positive moment, but despite this, there was no shoulder season in Croatia. Furthermore, the tourist season was weaker in 2020 than in 2019 and it ended earlier than usual due to the worsening epidemiological situation in Croatia in mid-August, which also impacted the absence of the shoulder season. The epidemiological situation further deteriorated in 4Q, causing the introduction of new restrictive measures in November and further overloading the health system. The Gastro channel (for which the last two months of the year are traditionally very important in terms of revenues) was completely closed, the number of customers in supermarkets was limited, which reduced the frequency of customers daily, and schools and universities were partially closed. Patients' access to the healthcare system was further hindered, as was the contact of pharmaceutical associates with healthcare professionals, which results in increasingly complex work optimization in order to achieve results and makes the introduction of new preparations on the market particularly challenging. All this affected the sales revenues trends, but the effect of the restrictive measures, the weak tourist season and reintroduction of restrictive measures and deterioration of the epidemiological situation on sales revenues cannot be clearly assessed or quantified.

²Percentages in the text relate to performance in 1-12 2020 compared to 1-12 2019.

Sales growth across most of business units



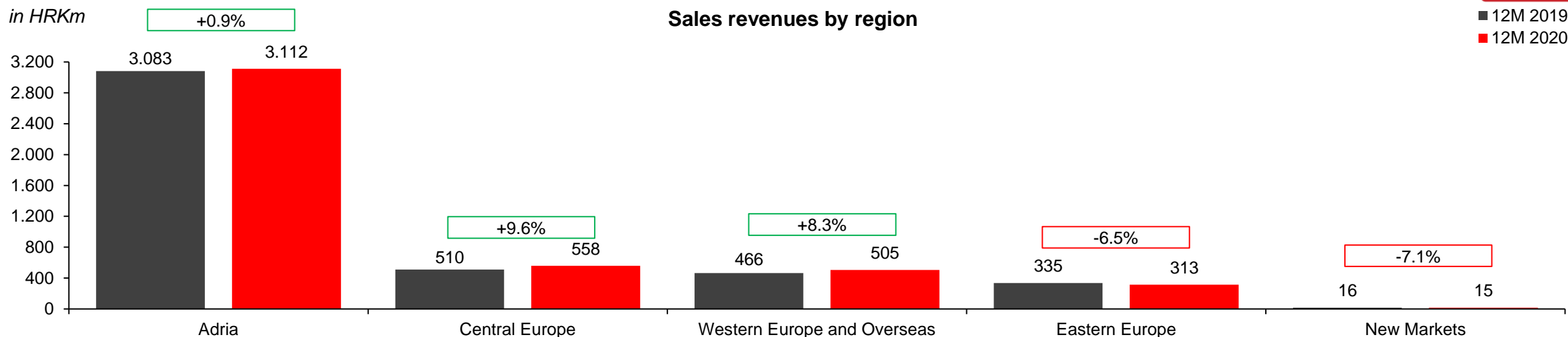
Business unit and category performance in 1-12 2020¹:

- **BU Žito and Lagris (-3.2%)** → growth in sales of most categories was unable to compensate for the decrease in sales of fresh bakery products category and private labels and confecionary (Slovenia, Italy and Germany). Significant revenue growth was recorded in Central Europe region,
- **BU Culinary (+7.3%)** → growth in all regions and categories, largest share of the growth due to the increased demand and sales in categories Seasoning, Soups and Monospices,
- **BU Baby food, sweets and snacks (+5.7%)** → higher sales, driven by increased demand and sales in Powdered sweets, Baby food and Creamy spreads categories. Growth was recorded in all regions,
- **BU Podravka food (+0.5%)** → due to significant growth of the Tomato category. The revenue growth was recorded in the Central Europe, the WE and the Overseas and the New Markets regions,
- **BU Meat products, meals and spreads (+7.5%)** → increase in sales of categories Canned ready-to-eat meals, Luncheon meats and Pates categories. The sales growth was recorded in all regions where we are present with this product range,
- **BU Fish (+6.3%)** → higher sales due to higher demand and sales of Fish Salads and Tuna categories. Sales growth was recorded in Adria, Central and Eastern Europe regions,
- **Prescription drugs (-0.6%)** → lower sales, primarily due to the depreciation of the Russian ruble² in relation to the comparative period and difficult access to healthcare facilities in the conditions of COVID-19 disease,
- **Non-prescription programme (+5.7%)** → due to sales growth in the OTC drugs subcategory, primarily in Croatia, due to significant increase in demand and sales of Lupocet and Neofen brands,
- **Other sales (-1.9%)** → Pharmaceuticals other sales increased by HRK 19m due to sales of trade goods of the Farmavita; Food segment lower sales by HRK 26m due to closure of Gastro channel (HoReCa and institutional customers – schools, kindergartens, student dorms) in Croatia and Slovenia following the emergence of COVID-19 disease (lockdown, weaker tourist season, absence of shoulder season and re-closure of the HoReCa channel and introduction of online school in November) and lower demand and sales of trade goods in the markets of the Czech Republic and Slovenia.

¹Percentages in the text relate to performance in 1-12 2020 compared to 1-12 2019. ²The average cumulative RUB/HRK exchange rate taken from the business system (ERP) in 2020 was 0.092023, while in 2019 it was 0.102383.

Significant growth recorded in Central Europe region

in HRK m



Region performance in 1-12 2020¹:

- **Adria (+0.9%)** → **Food** sales 0.6% lower, where growth of most business units to a certain degree compensated the decrease in sales of BU Žito and Lagris and trade goods.; **Pharmaceuticals** sales 6.5% higher mostly due to increase in sales of prescription drugs and trade goods,
- **Central Europe (+9.6%)** → **Food** sales surged 11.0%, due to sales increase of all BU; **Pharmaceuticals** sales down by 0.2% primarily due to the decrease in sales in the market of Poland,
- **WE and Overseas region (+8.3%)** → **Food** sales 8.0% higher, due to the increase in sales of most BU (biggest absolute growth generated by the BU Culinary and BU Meat products, meals and spreads) which successfully cancelled out the lower sales of BU Žito and Lagris, primarily in the category of fresh bakery products and private labels.; **Pharmaceuticals** segment recorded HRK 1m higher revenues (+171.3%) due to increase in sales of prescription drugs,
- **Eastern Europe (-6.5%)** → **Food** sales up by 2.5%, due to the growth of most BU, with the biggest absolute growth by BU Culinary and BU Fish; **Pharmaceuticals** sales down by 10.5% due to the depreciation of the Russian ruble in relation to the comparative period and difficult access to healthcare facilities in the conditions of COVID-19 disease.
- **New markets (-7.1%)** → **Food** sales down by HRK 2m (-13.4%) primarily due to lower sales of trade goods and BU Žito and Lagris; **Pharmaceuticals** recorded HRK 1m revenue growth (+96.1%) due to increase in prescription drugs and non-prescription programme.

¹Percentages in the text relate to performance in 1-12 2020 compared to 1-12 2019.

²The average cumulative RUB/HRK exchange rate taken from the business system (ERP) in 2020 was 0.092023, while in 2019 it was 0.102383.

Food segment profitability influenced by prices of raw materials and supplies and FX differences



Food segment (in HRKm)	REPORTED				NORMALIZED ¹			
	2019	2020	Δ	%	2019	2020	Δ	%
Sales revenue	3,454	3,527	73	2.1%	3,454	3,527	73	2.1%
Gross profit	1,159	1,191	33	2.8%	1,160	1,191	31	2.7%
EBITDA	326	388	62	18.9%	333	387	54	16.3%
EBIT	164	233	68	41.6%	180	232	52	28.7%
Net profit after MI	138	182	44	31.8%	140	181	41	29.4%
Gross margin	33.5%	33.8%		+23 bp	33.6%	33.8%		+20 bp
EBITDA margin	9.5%	11.0%		+155 bp	9.6%	11.0%		+134 bp
EBIT margin	4.8%	6.6%		+184 bp	5.2%	6.6%		+136 bp
Net profit margin after MI	4.0%	5.2%		+116 bp	4.1%	5.1%		+108 bp

Food segment profitability in 1-12 2020:

- **Gross profit** → reported gross profit higher 2.8% with the gross margin of 33.8%, while normalized gross profit grew 2.7%. The effect of unfavorable trends in prices of raw materials and supplies was recorder throughout the reporting period and the effect in 1-12 2020 is estimated at negative HRK 33m², primarily in relation to dried vegetables,
- **EBIT** → reported is 41.6% higher, while normalized grew by 28.7%. Negative impact on operating profit came from movements in FX differences on trade receivables and trade payables (HRK -10m in 1-12 2020; HRK +5m in 1-12 2019) and the increase in staff costs of HRK 6m (+0.7%), while a positive impact comes from lower marketing expenses and lower selling and distribution costs. The increase in staff costs is mostly the result of material rights improvement and one-off award to employees in the manufacturing, logistics and distribution segment,
- **Net profit after MI** → reported is HRK 44m higher and normalized is HRK 41m higher than in comparative period. Bottom line was negatively impacted by FX differences on borrowings (HRK -3m in 1-12 2020; HRK -0m in 1-12 2019), largely mitigated by lower finance costs. Tax liability is higher by HRK 24m.

¹Normalized for one-off impacts.

²Obtained as used volumes of raw materials and supplies in 1-12 2020*prices in 1-12 2020 – used volumes of raw materials and supplies in 1-12 2020*prices in 1-12 2019.

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

Pharma segment (in HRK _m)	REPORTED				NORMALIZED ¹			
	2019	2020	Δ	%	2019	2020	Δ	%
Sales revenue	955	976	21	2.2%	955	976	21	2.2%
Gross profit	473	468	(5)	(1.0%)	473	466	(8)	(1.6%)
EBITDA	183	159	(24)	(13.2%)	183	156	(27)	(14.7%)
EBIT	119	100	(20)	(16.4%)	119	93	(26)	(22.2%)
Net profit after MI	84	67	(17)	(19.8%)	84	63	(20)	(24.3%)
Gross margin	49.5%	48.0%		-153 bp	49.5%	47.7%		-182 bp
EBITDA margin	19.1%	16.2%		-287 bp	19.1%	16.0%		-316 bp
EBIT margin	12.5%	10.2%		-227 bp	12.5%	9.5%		-297 bp
Net profit margin after MI	8.8%	6.9%		-188 bp	8.8%	6.5%		-227 bp

Pharmaceuticals segment profitability in 1-12 2020²:

- **Gross profit** → reported is lower 1.0% while normalized gross profit is 1.6% lower. The gross margin is 48.0% which is lower than in the comparative period, due to the sales structure, difficulties in functioning of the health system and reduced patient access to doctors. In the sales structure, a share of trade goods which have lower profitability than own brands increased,
- **EBIT** → reported HRK 20m lower, while normalized is down by HRK 26m as a result of very unfavorable movements in FX differences on trade receivables and trade payables (HRK -36m in 1-12 2020; HRK +14m in 1-12 2019), mitigated by lower marketing expenses and lower general and administrative expenses,
- **Net profit after MI** → is HRK 17m lower, while normalized net profit after MI is HRK 20m lower. Bottom line was affected by favorable movements in FX differences on borrowings (HRK -1m in 1-12 2020; HRK -2m in 1-12 2019), higher finance costs and lower finance income. Tax liability is lower by HRK 5m.

¹Normalized for one-off impacts.

²In August 2020, the Pharmaceuticals segment analysed the used estimate of impairment of inventories of raw materials, supplies and packaging and accordingly amended the impairment policy. The analysis showed that raw materials and packaging have increasingly long lives and that, consequently, a significant part of previously impaired raw materials and packaging is still used in production. The updated estimate of impairment will approximate the actual write-offs of raw materials and packaging. The changed assessment, i.e. policy, resulted in lower cost of goods sold in the amount of HRK 6m (pre-tax) in the 1-12 2020 period. If the amended policy were applied from the beginning of 2019, the cost of goods sold would be HRK 3m (pre-tax) lower in the comparative period 1-12 2019.

Group profitability influenced by higher sales, FX differences and cost optimisation













Podravka Group (in HRK ^m)	REPORTED				NORMALIZED ¹			
	2019	2020	Δ	%	2019	2020	Δ	%
Sales revenue	4,409	4,503	94	2.1%	4,409	4,503	94	2.1%
Gross profit	1,632	1,659	28	1.7%	1,633	1,657	24	1.5%
EBITDA	509	547	38	7.4%	516	543	28	5.3%
EBIT	284	332	49	17.2%	300	325	25	8.5%
Net profit after MI	222	249	27	12.3%	224	244	21	9.3%
Gross margin	37.0%	36.8%		-15 bp	37.0%	36.8%		-24 bp
EBITDA margin	11.5%	12.1%		+60 bp	11.7%	12.1%		+37 bp
EBIT margin	6.4%	7.4%		+95 bp	6.8%	7.2%		+42 bp
Net profit margin after MI	5.0%	5.5%		+50 bp	5.1%	5.4%		+36 bp

Profitability of the Podravka Group in 1-12 2020:

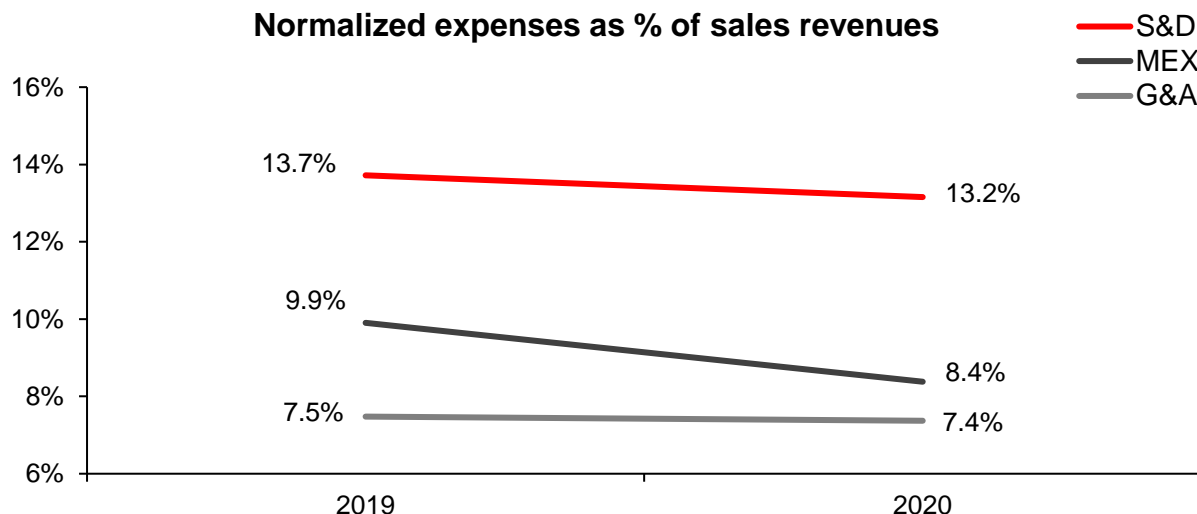
- **Gross profit** → reported is higher 1.7%, while normalized is up by 1.5%. Cost of goods sold increased by 2.4%, which eventually resulted in the gross margin of 36.8% in the reported period,
- **EBIT** → reported is HRK 49m higher, while normalized grew by HRK 25m, primarily as a result of increase in sales in both business segments and savings realized (marketing expenses in both segments and selling and distribution costs in the food segment.). Negative impact came from very unfavorable movements in FX differences on trade receivables and trade payables (HRK -46m in 1-12 2020; HRK +19m in 1-12 2019),
- **Net profit after MI** → is HRK 27m higher, while normalized is HRK 21m higher. Net profit after MI was impacted by unfavorable movements in FX differences on borrowings (HRK -4m in 1-12 2020; HRK -2m in 1-12 2019) and lower finance costs. Tax liability is HRK 19m higher.

¹Normalized for one-off impacts.

Optimisation of operating expenses in reported period

Operating expenses 2020 vs.2019 % change	REPORTED	NORMALIZED ¹
Cost of goods sold (COGS)	2.4% 	2.5% 
General and administrative expenses (G&A)	0.4% 	0.6% 
Sales and distribution costs (S&D)	(2.1%) 	(2.0%) 
Marketing expenses (MEX)	(13.6%) 	(13.6%) 
Other expenses / revenues, net	(173.4%) 	(173.4%) 
Total	1.1% 	1.7% 

Normalized expenses as % of sales revenues



Key highlights of operating expenses in 1-12 2020:

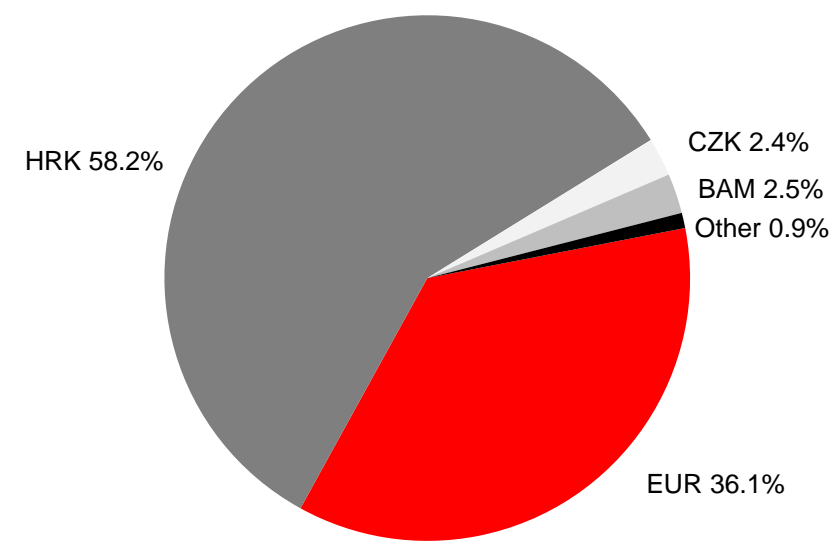
- Cost of goods sold (COGS):**
 - Higher 2.4% (normalized up by 2.5%) as a result of a higher level of sales realized, the structure of sales and the rise in prices of raw materials and supplies (estimated negative impact in the Food segment of HRK 33m). COGS was influenced by the change of impairment of inventories of raw materials, supplies and packaging policy in Pharma segment (slide 6 foot note),
- General and administrative expenses (G&A):**
 - Higher 0.4% (normalized up by 0.6%) which is at the comparative period level,
- Sales and distribution costs (S&D):**
 - Lower 2.1% (normalized down by 2.0%) due to lower costs of daily allowances, transportation costs and energy costs,
- Marketing expenses (MEX):**
 - Lower 13.6%, (Food -12.6%, Pharma -14.9%),
- Other expenses / revenues, net:**
 - HRK -21m in 1-12 2020; HRK +29m in 1-12 2019 due to movements in FX differences on trade receivables and trade payables (HRK -46m in 1-12 2020; HRK +19m in 1-12 2019). This line includes value adjustments that amount to HRK -4m in the reporting period, while in the comparative period they amounted to HRK +9m

¹Normalized for one-off impacts.

Net debt decrease with improvement of debt indicators

(u HRKm) ¹	2019	2020	% change
Financial debt ²	878	785	(10.6%)
Cash and cash equivalents	56	52	(6.7%)
Net debt	822	733	(10.8%)
TTM interest expense	15	12	(22.8%)
Net debt / TTM EBITDA	1.6	1.4	(15.3%)
EBITDA / Interest expense	20	28	40.5%
Equity to total assets ratio	65.9%	69.4%	+344 bp

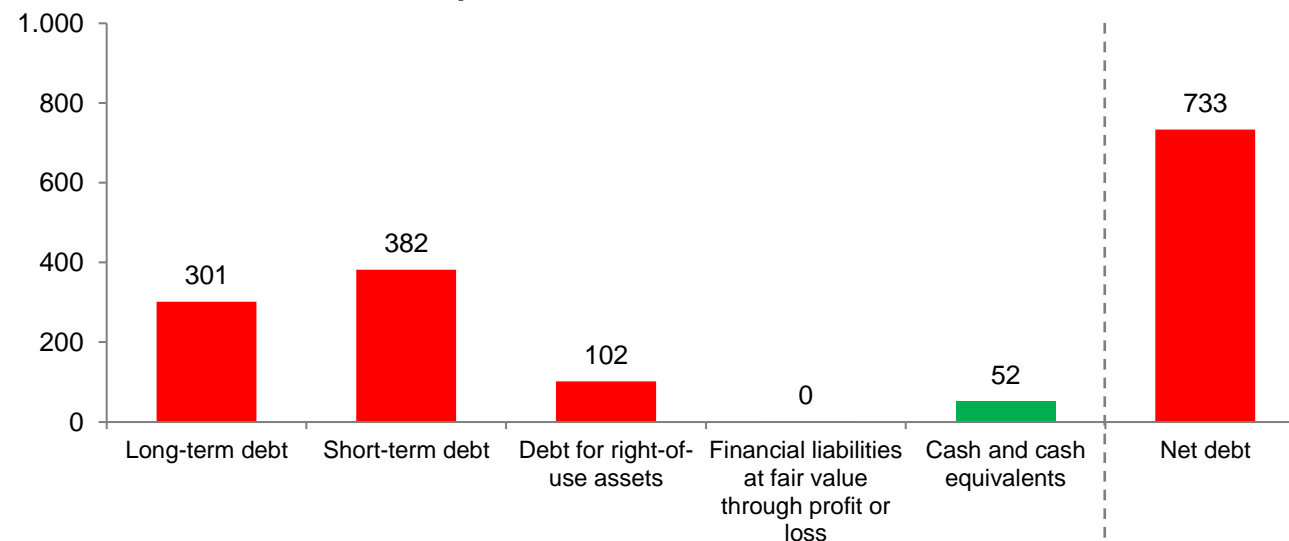
Currency structure of debt as at 31 December 2020



Key highlights:

- **Financial debt** decrease → due to long-term debt decrease,
- **Long-term debt** decrease → due to regular repayments and refinancing aiming to achieve an optimum currency structure,
- **Short-term debt** increase → due to increase in the current portion of long-term debt and ensuring the required liquidity level in everyday operations.
- 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 December 2020 → 0.8%,
 - As at 31 December 2013 → 4.3%.




Net debt components in HRKm as at 31 December 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.

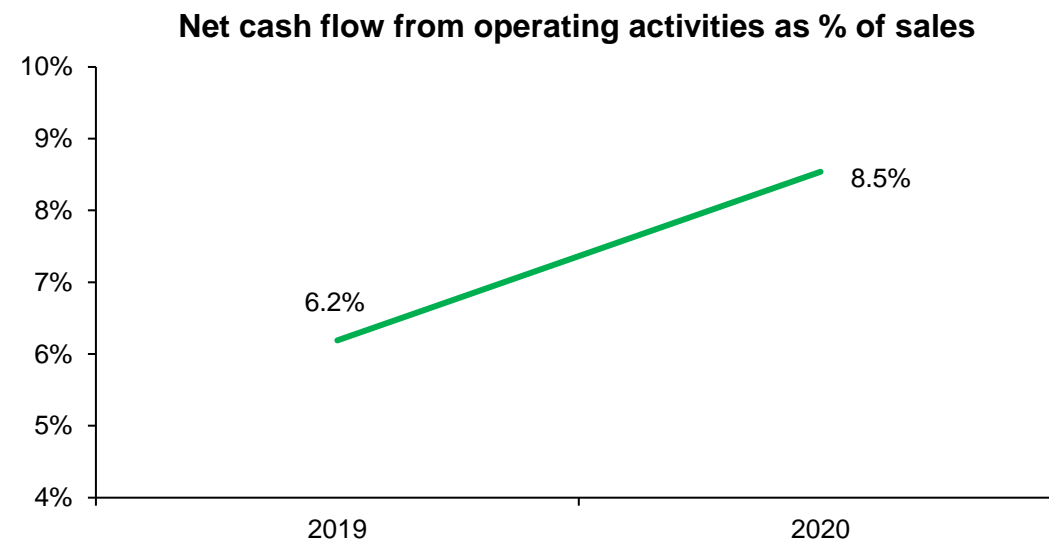
Significantly higher level of cash flow from operating activities



Working capital movement in BS	31 Dec 2020 / 31 Dec 2019		Impact
Inventories		3.4%	<ul style="list-style-type: none"> The increase in inventories is result of the increase in inventories of raw materials and supplies in the Pharmaceuticals segment, following the increased demand and production volume as a result of the situation caused by COVID-19 disease. Inventories of the Food segment are at the level of the comparative period,
Trade and other receivables		2.6%	<ul style="list-style-type: none"> The increase is a result of the increase in the number of days to collect receivables in the Pharmaceuticals segment on the Croatian market,
Trade and other payables		(8.5%)	<ul style="list-style-type: none"> This movement is a result of the cash flow optimization process on the Podravka Group level.

(in HRKm)	2019	2020	Δ
Net cash from operating activities	273	385	112
Net cash from investing activities	(144)	(187)	(43)
Net cash from financing activities	(284)	(201)	83
Net change of cash and cash equivalents	(156)	(4)	152

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



Normalization of the Profit and Loss Statement by segments



Reported and normalized profitability	2019			2020		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma
Reported gross profit	1,631.5	1,158.6	472.9	1,659.4	1,191.1	468.3
+impairment of inventories	1.1	1.1	-	-	-	-
+revenues from return of raw materials	-	-	-	(2.8)	-	(2.8)
Normalized gross profit	1,632.6	1,159.7	472.9	1,656.6	1,191.1	465.5
Reported EBITDA	509.0	326.4	182.6	546.7	388.1	158.6
+impairment of inventories	1.1	1.1	-	-	-	-
+revenues from return of raw materials	-	-	-	(2.8)	-	(2.8)
+reversal of impairment of other receivables	-	-	-	(5.3)	(5.3)	-
+cost related to the process of closing subsidiary in Africa	-	-	-	0.2	0.2	-
+severance payments (long term sick-leave)	4.8	4.8	-	4.2	4.2	-
+provisions for the prepayment write-off	0.6	0.6	-	-	-	-
Normalized EBITDA	515.5	333.0	182.6	543.1	387.3	155.7
Reported EBIT	283.5	164.3	119.3	332.3	232.7	99.7
+normalizations above EBITDA level	6.5	6.5	-	(3.6)	(0.8)	(2.8)
+product line equipment	0.5	0.5	-	0.1	0.1	-
+assets held for sale	7.4	7.4	-	-	-	-
+investment property	10.4	10.4	-	-	-	-
+receivables related to relationship with Fortenova Group	(12.1)	(12.1)	-	-	-	-
+reversal of impairment	-	-	-	(4.0)	-	(4.0)
+other	3.3	3.3	-	-	-	-
Normalized EBIT	299.5	180.2	119.3	324.8	232.0	92.9
Reported Net profit after MI	221.6	137.9	83.6	248.9	181.8	67.1
+normalizations above EBIT level	16.0	16.0	-	(7.5)	(0.7)	(6.8)
+pre-payment fee	-	-	-	1.7	-	1.7
+estimated impact of normalization on taxes	(14.0)	(14.0)	-	1.3	(0.0)	1.3
Normalized Net profit after MI	223.6	139.9	83.6	244.4	181.1	63.3

Podravka's share price movement in 1-12 2020



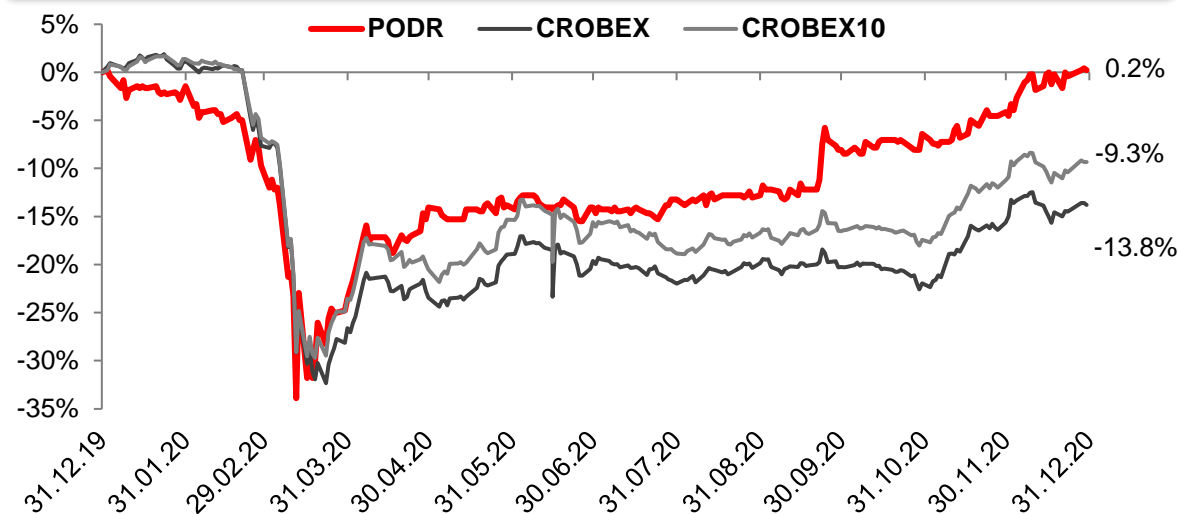
Market activity with PODR share

(HRK; units)	2019	2020	% change
Average daily price	429.1	413,3	(3.7%)
Average daily number of transactions	12	14	10.7%
Average daily volume	1,110	1,277	15.1%
Average daily turnover	476,424	527,878	10.8%
Reported earnings per share	31	36	12.2%
Normalized earnings per share	32	35	9.2%

Analyst coverage

Analysts	Recommendation	Target price	Potential ¹
InterCapital	Buy	HRK 551.00	13.6%
Raiffeisen BANK	Hold	HRK 433.00	(10.7%)
ERSTE Group	Accumulate	HRK 480.00	(1.0%)
WOOD COMPANY	Hold	HRK 443.00	(8.7%)

PODR share price movement in 1-12 2020



Peer group

Peer group multiples ²	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.1	12.3	16.2	2.5	18.1
Normalized weight. av. peer group ³	1.6	11.7	14.9	1.9	17.1
Podravka Group reported	1.0	7.9	13.0	1.0	14.2
Podravka Group normalized ⁴	1.0	7.9	13.3	1.0	14.4

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

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

¹Compared to the last trading price (HRK 485.0) on 30th Dec 2020, ²Obtained from Bloomberg on 22nd Feb 2021; ³Calculated excluding max. and min. values; ⁴Normalized for items stated in the publication 1-12 2020 results and 2019 results.

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Podravka Group business results for 1-12 2020 period

