



Podravka Group

Always with a heart!





The Company

Business

Investment highlights

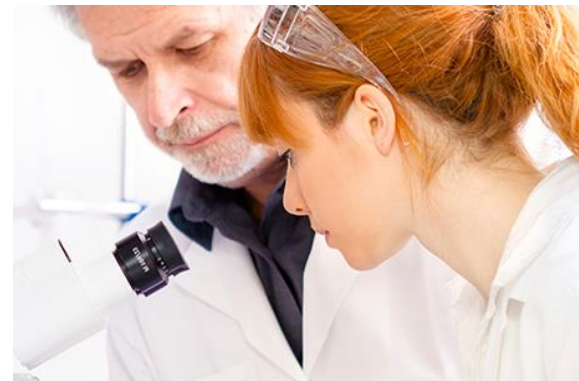
2019 results

1H 2020 results





Founded in
1947



Headquarters in
Koprivnica

73 years
In food business

48 years
In pharmaceutical
business



588m EUR
revenues

651m EUR
assets



6,785
Employees

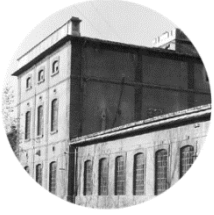


393m EUR*
Mcap

Listed on ZSE
Prime market

Note: figures in this presentation are translated to euros at HRK/EUR FX rate of 7.5; *MCap on 31st August 2020, calculated on weighted average number of shares excluding treasury shares.

Long tradition in food and pharmaceutical production



1947

Wolf brothers workshop became publicly owned under Podravka name



1952

Condiments, dried and sterilized vegetables, etc. production established



1957

Famous Podravka soups production established



1958

Production of meat products established



1959

Vegeta, universal seasoning, production established



1970

Baby food production established



1972

Belupo pharmaceutical company established, pharmaceutical production established



1993

Podravka became a joint-stock company, free share trading from 1994



2015

Acquisition of Žito, Slovenian food producer



2017

New Pharmaceutical factory constructed, the largest greenfield investment in the history of the Group

Podravka Group operates in 24 countries with subsidiaries and representative offices



Own distribution network in 11 countries

1. Bosnia and Herzegovina
2. Czech Republic
3. Montenegro
4. Croatia
5. Hungary
6. Macedonia
7. Poland
8. Slovakia
9. Slovenia
10. Serbia
11. Russia



International network of subsidiaries and representative offices

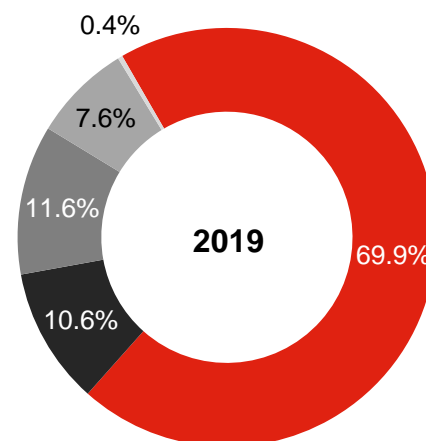


Factories

- Croatia – 9 food and 1 pharmaceutical factory
- Slovenia – 12 food factories
- B&H – 1 pharmaceutical factory
- Czech Republic – 1 food factory



Podravka Group sales split by regions in 2019



- Adria
- WE and Overeas
- Central Europe
- Eastern Europe
- New markets

Market	EURm	%
Croatia	191	32.5%
Slovenia	106	18.0%
B&H	61	10.4%
Russia	40	6.8%
Other markets	190	32.4%
Group	588	100.0%

Institutional investors provide stabile ownership structure



Management Board



Marin Pucar
MB president



Ljiljana Šapina
MB member



Davor Doko
MB member



Hrvoje Kolarić
MB member



Marko Đerek
MB member

Ownership structure as at 30 June 2020 and Supervisory Board

President:

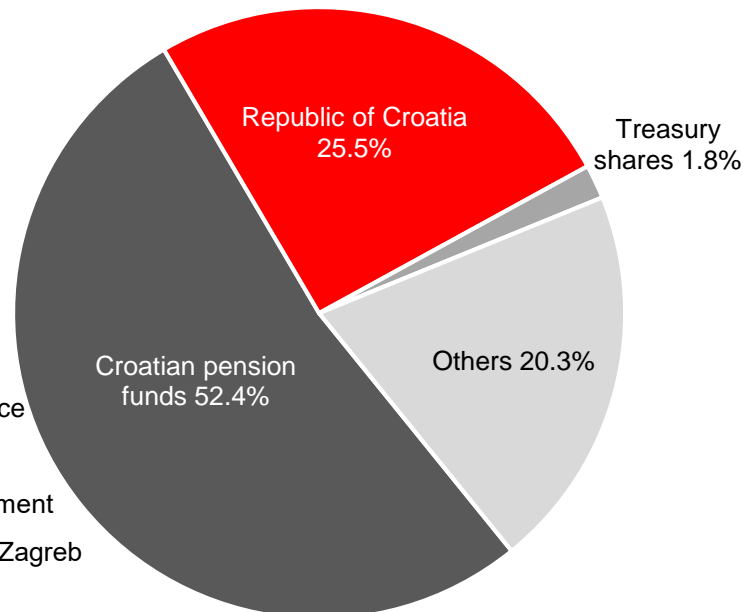
- Želimir Vukina → professional manager with experience in food and pharmaceutical segment

Vice President:

- Luka Burilović → President of Croatian Chamber of Economy

Members:

- Ksenija Horvat → representative of Worker's Council
- Krunoslav Vitelj → director of Koprivnica County Chamber of Commerce
- Dajana Milodanović → banker in HPB
- Tomislav Kitonić → professional manager with experience in food segment
- Marina Dabić → professor at the Faculty of Economics and Business, Zagreb
- Ivana Matovina → certified auditor
- Petar Miladin → professor at the Faculty of Law, Zagreb

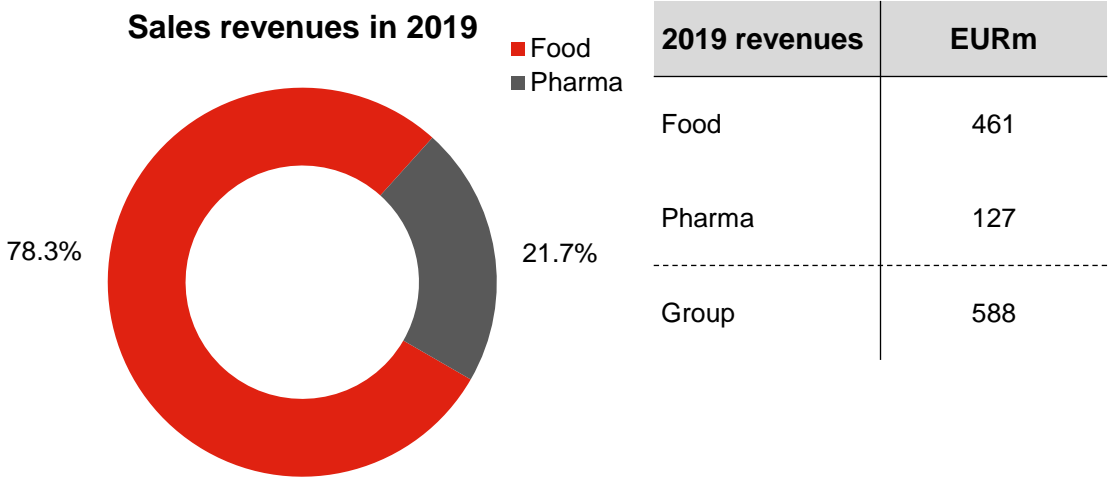


No.	Shareholder	% ownership
1.	Republic of Croatia	25.5%
2.	PBZ Croatia Osiguranje mandatory pension fund category B	15.1%
3.	AZ mandatory pension fund category B	13.1%
4.	Erste Plavi mandatory pension fund category B	10.2%
5.	Raiffeisen mandatory pension fund category B	8.8%
6.	Podravka d.d. – treasury shares	1.8%
	Other shareholders	25.5%
Total		100.0%

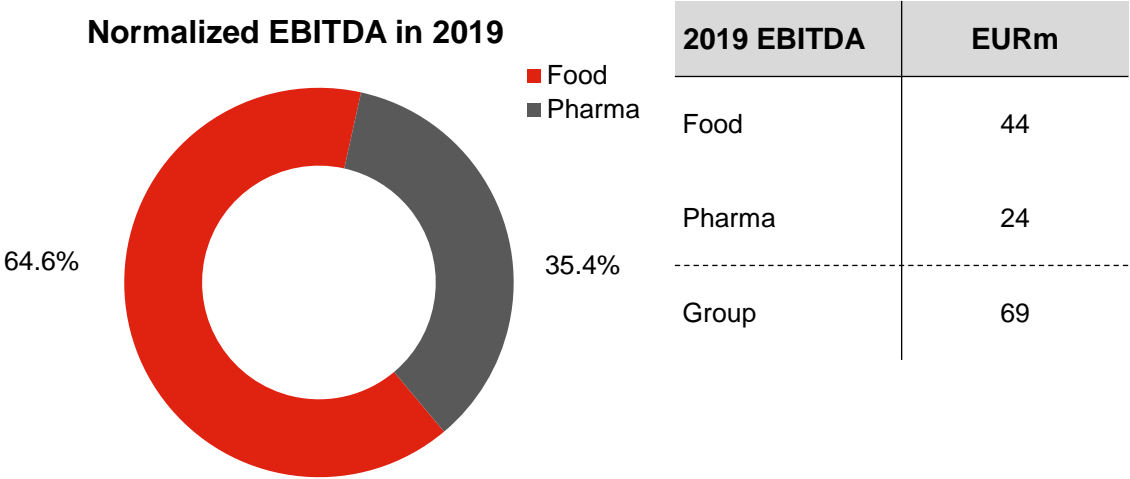
Key financial figures



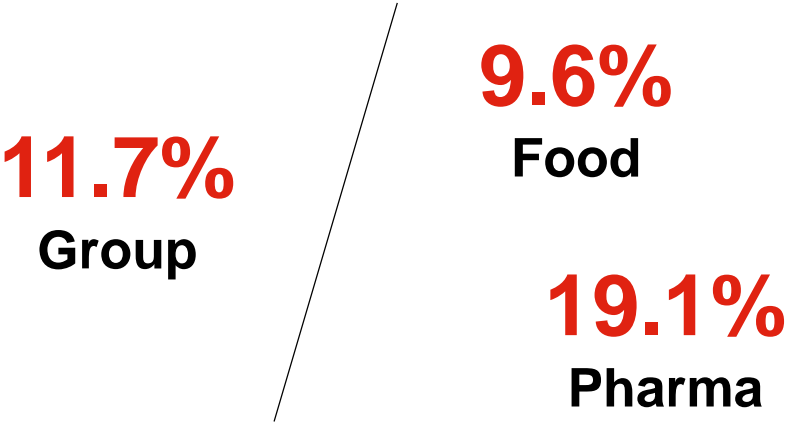
Sales revenues split



Normalized EBITDA split



Normalized EBITDA margins in 2019



Low and sustainable debt level





The Company

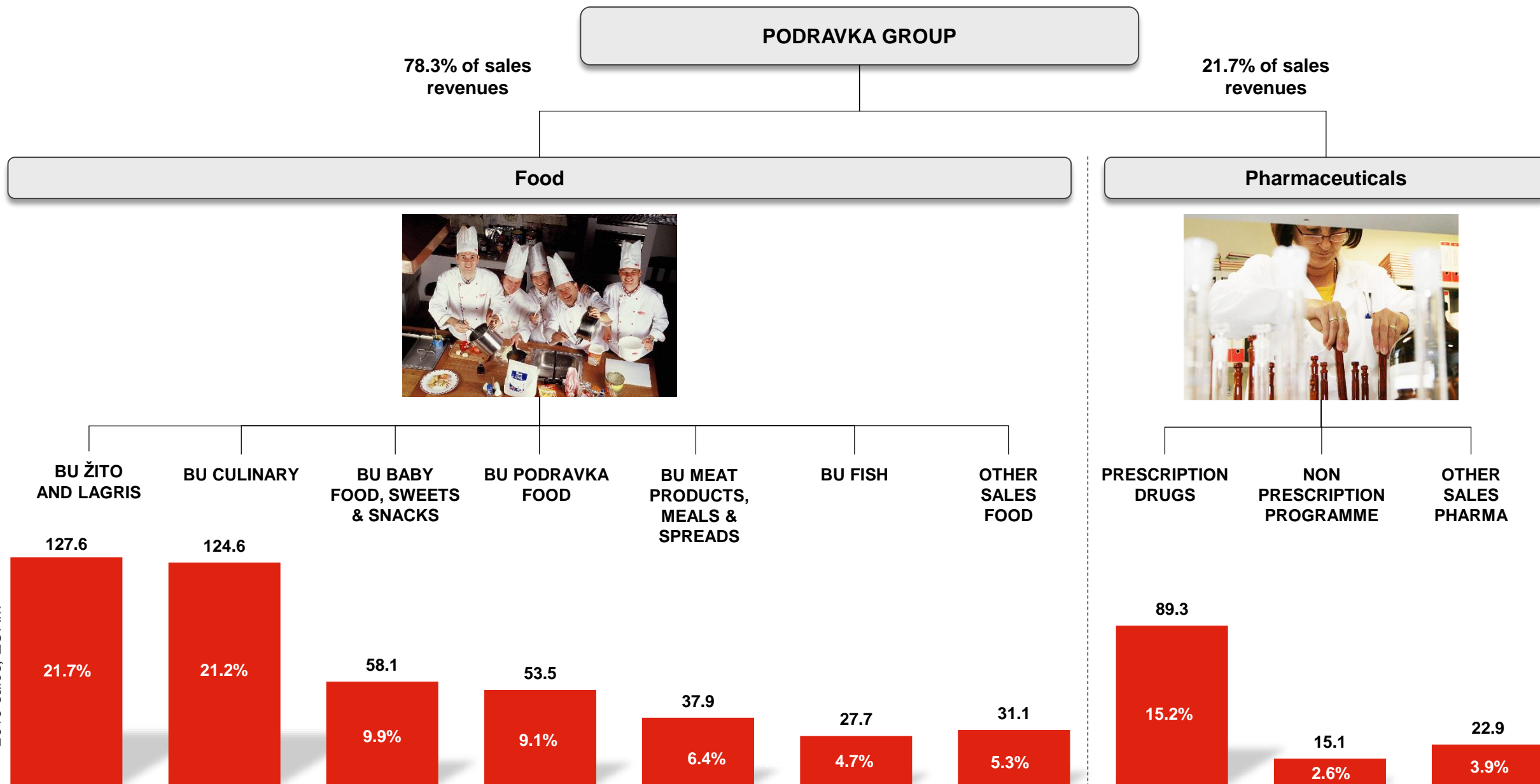
Business

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2019 results

1H 2020 results

A well diversified product portfolio divided in two business areas



2019 sales; EURm

Food segment organized in 6 key business units, Pharma segment in 2 categories



BU Žito & Lagris

Pasta, rice, nature & bio products, pulses & groats, bakery and mill products, tea, confectionery, cereals for adults, private labels, service production.

2019 sales: **128 EURm**; % total sales: **21.7%**



BU Culinary

Seasonings, monospices, soups, ready-to-cook meals and bouillons, food mixes, private labels, service production.

2019 sales: **125 EURm**; % total sales: **21.2%**



BU Baby food, sweets & snacks

Dehydrate baby food, cream spreads, cereals, sweets, snacks, drinks, private labels, service production.

2019 sales: **58 EURm**; % total sales: **9.9%**



BU Podravka Food

Condiments, tomato-based products, sauces, fruit-based products, vegetables, Podravka flour, private labels, service production.

2019 sales: **53 EURm**; % total sales: **9.1%**



BU Meat prod., meals & spreads

Canned meat, sausages, pates, luncheon meat, ready meals, private labels, service production.

2019 sales: **38 EURm**; % total sales: **6.4%**



BU Fish

Canned fish, fish salads, fish pates, private labels, service production.

2019 sales: **28 EURm**; % total sales: **4.7%**



Prescription drugs

For skin problems, for heart and blood vessels, for central nervous system and for 8 more areas.

2019 sales: **89 EURm**; % total sales: **15.2%**



Non-prescription programme







OTC medicine, dietary products, natural products.

2019 sales: **15 EURm**; % total sales: **2.6%**



High-quality brands with exceptional recognisability and strong international potential



	VEGETA¹	ADRIA 1 CZE 2	POL 2 HU 3	SLK 1 RO 3	VEGETA <ul style="list-style-type: none">Culinary brand whose products are sold in over 60 countries in the world,Synonym for universal seasoning category in the Adria region,For years No. 1 FMCG brand in Croatia and among top 3 in Adria region,Number 1 brand in Europe in universal food seasoning category,Superbrand award in more than 15 European countries.	
	SOUPS¹	CRO 1 B&H 1	SLO 4 SER 2		PODRAVKA SOUPS <ul style="list-style-type: none">Dehydrated instant soups,Sold in 25 countries around the world,Market leader or among top 3 in the Adria region,Quadal (Quality Medal) reward in Croatia,Best Buy reward in Croatia and B&H.	
	LINO¹	CRO 1 B&H 1	SLO 1 SER 1		LINO <ul style="list-style-type: none">Umbrella brand for dehydrated baby food, cream spreads and cereals,Synonym for baby food category in Adria region,Sold in more than 20 countries around the world,Trusted brand reward and Best Buy reward in Croatia,Superbrand reward in Croatia, Slovenia and B&H.	
	DOLCELA¹	CRO 1 B&H 1	SLO 3		DOLCELA <ul style="list-style-type: none">Product for preparation of sweets and ready-made sweets,Market leader/strong No. 2 brand in Adria region,Sold in 20 countries around the world,Quadal (Quality Medal) reward in Croatia,Best Buy reward in Croatia and B&H.	
	FISH¹	CRO 1 B&H 2	SLO 4 SER 2		EVA (MEDITERANNEAN ASSORTMENT) <ul style="list-style-type: none">One of the most recognisable brands in canned fish category in the Adria region,Largest canned fish asortment– tuna, sardine, mackerel i baltic fish,Quadal (Quality Medal) reward and Superior taste reward in Croatia,Best Buy reward in Croatia and B&H.	
	D07^{2, 3}	CRO 1 B&H 1	RUS 4 SER 2	CZE 1 MAC 1	SLO 2 SLK 1	BELUPO DERMATICS <ul style="list-style-type: none">Strong international position in niche dermatology segment.

¹Source: Nielsen volume market position data for 2019; ²Source: IQVIA market position data for 2019; ³Corticosteroids for the treatment of skin disorder.



The Company

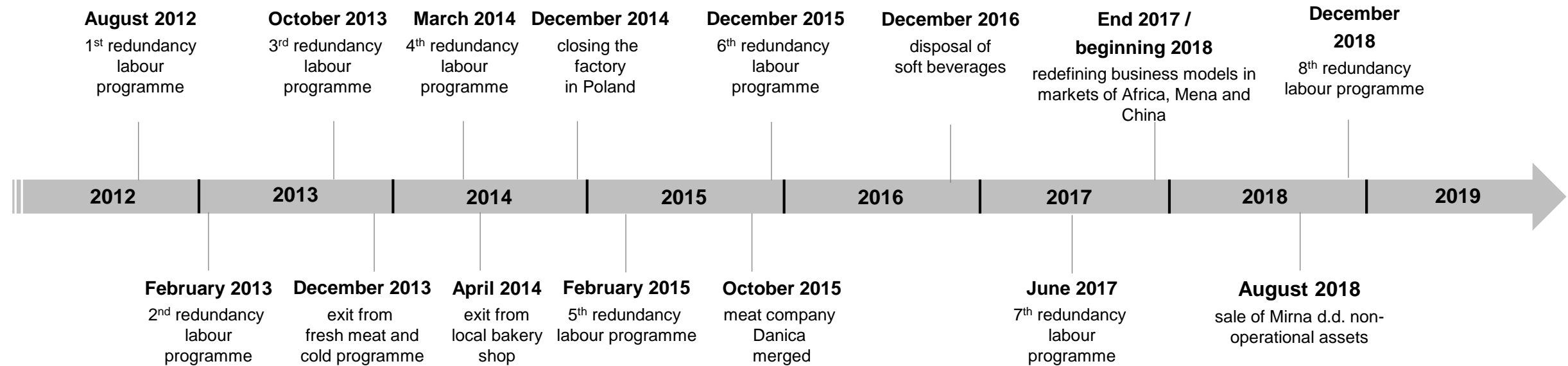
Business

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1H 2020 results

Delivering results through a clearly defined strategic approach



BUSINESS

STRATEGY

HIGHLIGHTS

Organic growth by focusing on traditional markets where Podravka is already known as a renowned manufacturer,

Investment in further development of own brands through innovation and effective marketing activities,

Effective cost control management accompanied with tighter grip on the Capex budget and structural change of the investments,

Refinancing of borrowings under more favorable commercial terms and further deleveraging.

Financial indicators continuously improving

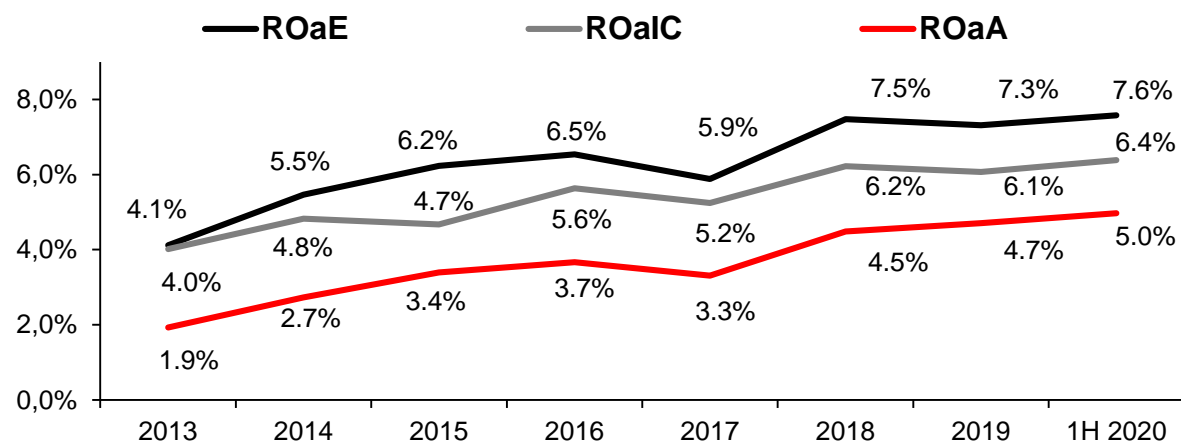


Restructuring related one-off items burdened profitability

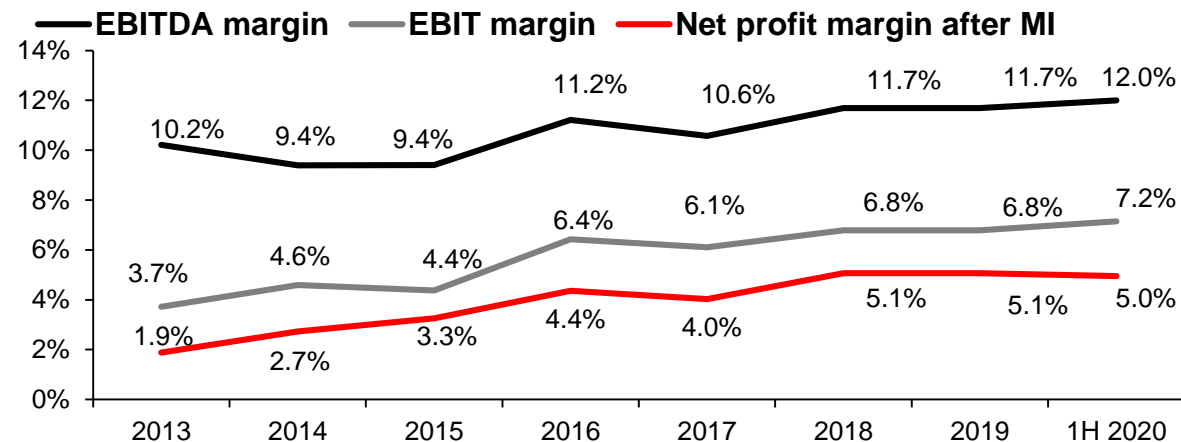
(in EURm)	2012	2013	2014	2015	2016	2017	2018	2019	1H 2020
Value adjustments	(4)	(11)	(4)	(5)	(1)	(12)	(1)	(1)	0
Severance payments	(7)	(8)	(10)	(5)	(2)	(5)	(1)	(1)	(0)
Other	(6)	1	1	40 ¹	1	(2)	1	2	0
Total net one-offs	(17)	(18)	(12)	30	(2)	(20)	(1)	(0)	0

¹EUR 15m of gain on a bargain purchase from Žito acquisition (badwill), EUR 22m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, EUR 3m refers to other items.

Normalized return rates movement²

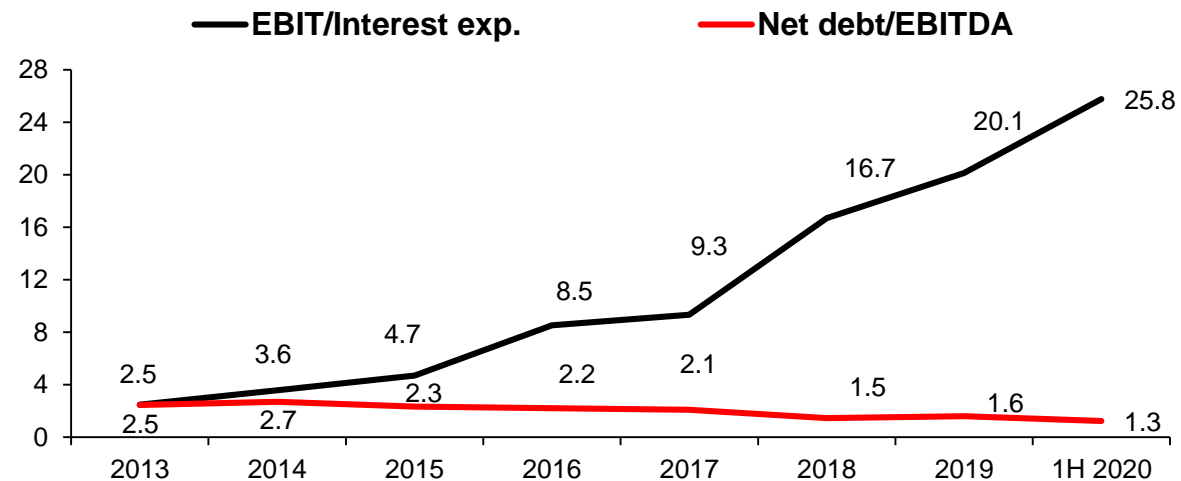


Normalized profitability margins movement²



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

Normalized debt level movement²



²2015 figures include pro-forma Podravka Group and Žito Group full year figures, excluding consolidation effects and tax incentives for Belupo factories; 2019 and 1H 2020 figures include IFRS 16; 1H 2020 calculated as TTM.

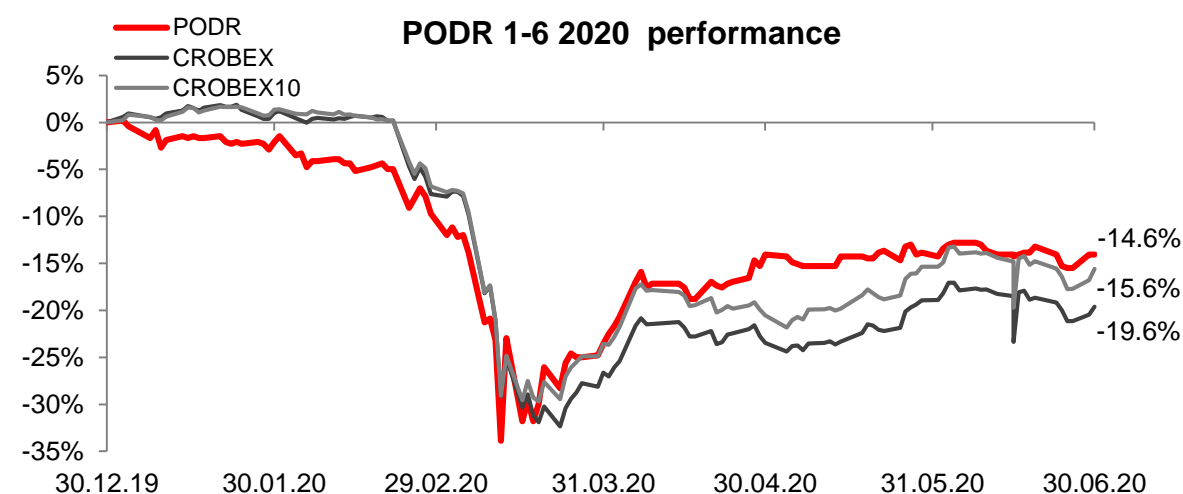
Podravka's share price movement in 1-6 2020



Market activity with PODR share

(HRK; units)	1-6 2019	1-6 2020	% change
Average daily price	391.5	397.3	1.5%
Average daily number of transactions	10	20	99.3%
Average daily volume	997	1,607	61.2%
Average daily turnover	390,437.7	638,704.3	63.6%
Reported earnings per share	32 ¹	35	9.6%
Normalized earnings per share	32 ¹	35	7.7%

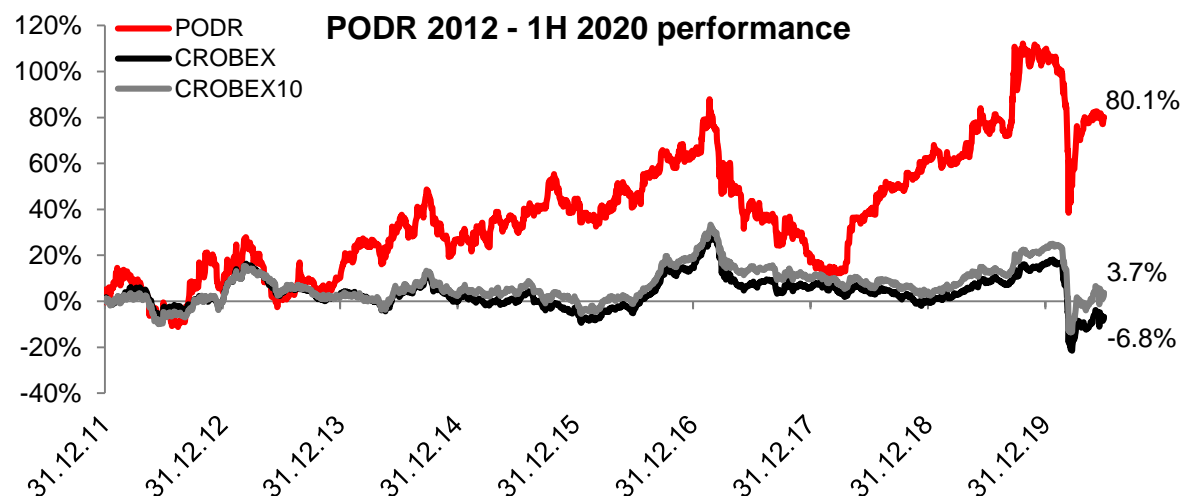
Share price movement



Analysts Recommendation Target price Potential²

InterCapital	Under review	-	-
Raiffeisen BANK	Hold	HRK 433.0	2.6%
ERSTE Group	Accumulate	HRK 480.00	13.7%
WOOD & COMPANY	Hold	HRK 443.00	5.0%

Historical share price movement

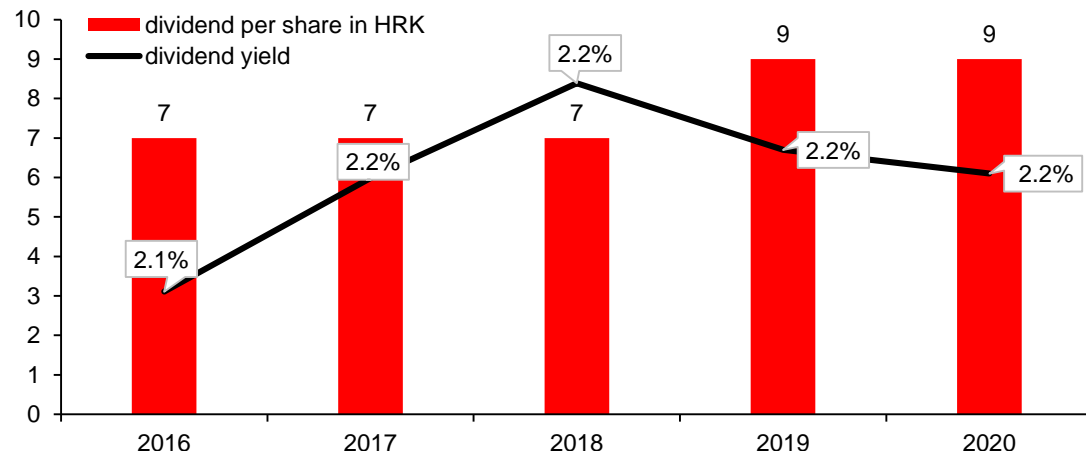


¹Calculated on the FY 2019 basis; ²Compared to the last price on 31st August 2020 (HRK 422.00).

Good performance turned Podravka into a dividend player



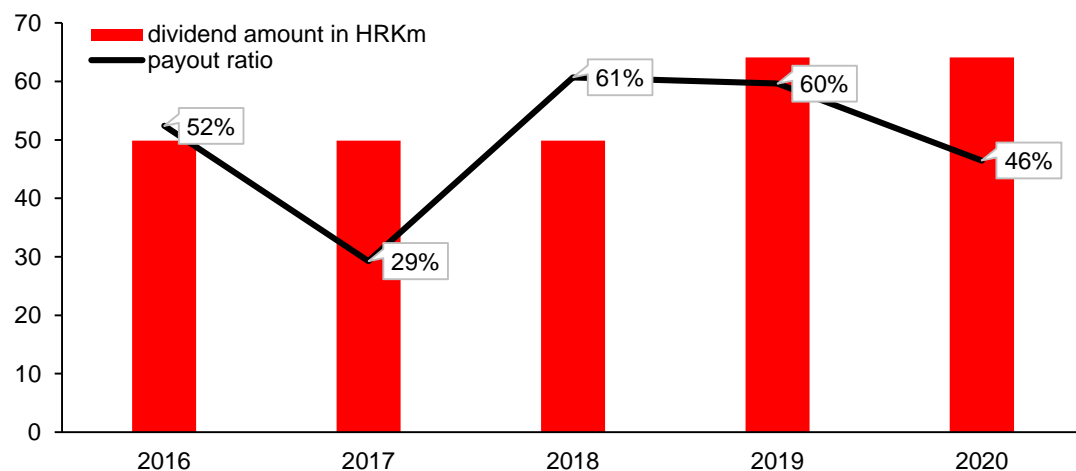
Dividend and dividend yield¹



Dividend policy of Podravka Inc.

- Podravka Inc. started with regular dividend payout in 2016,
- Dividend policy defines, that Podravka Inc. will assess the possibility of dividend payment and, if possible, propose to the General Assembly dividend payment in the amount of at least 25% of the available funds for dividend payment after part of the net profit of Podravka Inc. is allocated to the legal and other reserves of Podravka Inc.,
- Legal reserves are 5% of total net profit of Podravka Inc.,
- The amount of dividend accounted for Podravka Inc. treasury shares is retained in undistributed profit.

Dividend policy of Podravka Inc.



Peer group multiples comparison

Peer group multiples ²	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.3	13.2	17.4	3.0	19.8
Normalized weight. av. peer group ³	1.7	12.2	16.5	2.3	18.4
Podravka Group reported	0.8	6.9	11.9	0.9	12.1
Podravka Group normalized ⁴	0.8	6.9	11.5	0.9	12.2

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

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

¹DY calculation is based on last mkt. price on the GA date, ²Obtained from Bloomberg on 31st August 2020; ³Calculated excluding max. and min. values; ⁴Normalized for items stated in the publication 1H 2020 and 2019 results.



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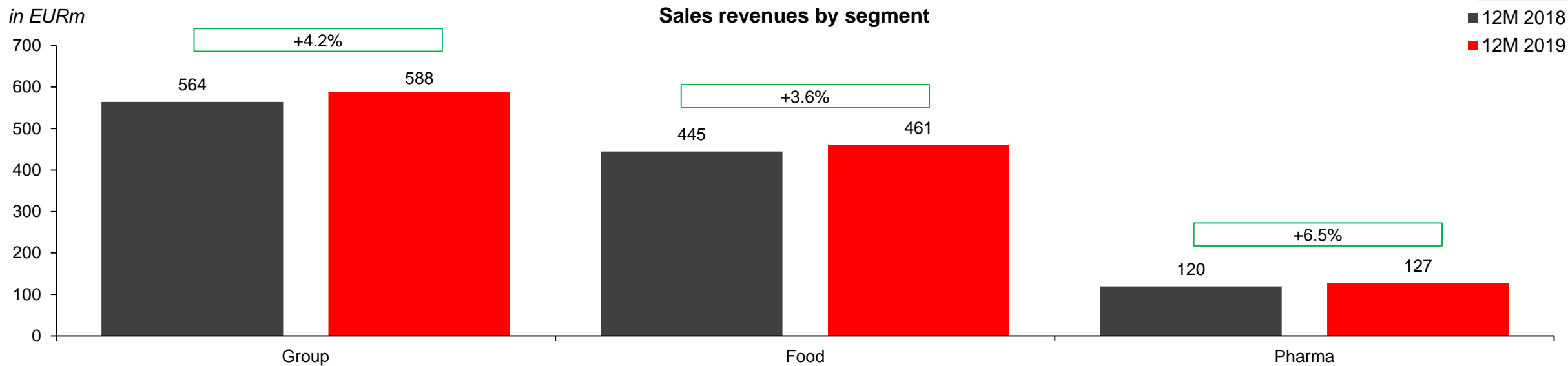
1H 2020 results



Strong sales revenues growth continues in 2019



in EURm



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, as a result of stronger selling and marketing activities, 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

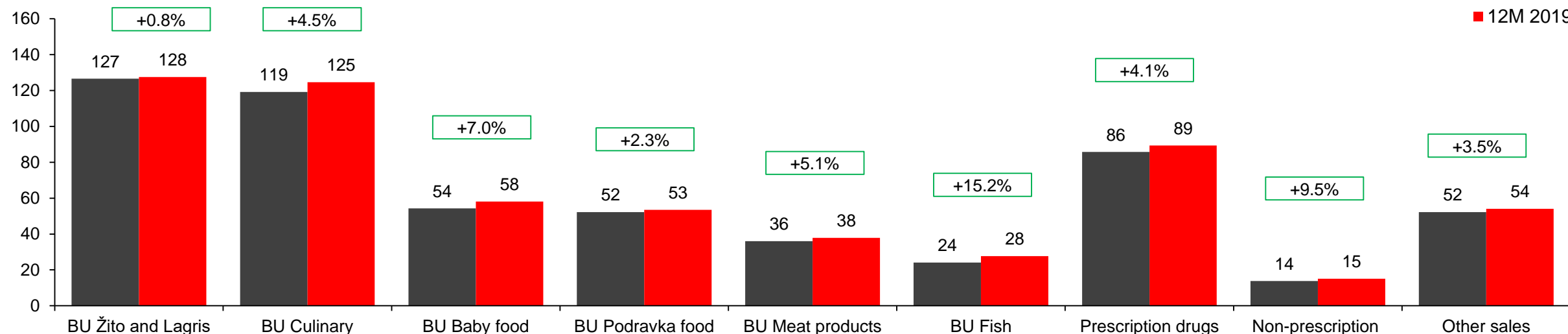
¹Percentages in the text relate to performance in 2019 compared to 2018.

Sales growth across all business segments



in EURm

Sales revenues by business unit and category



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 mix of selling and marketing activities and the 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 selling and marketing activities 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.

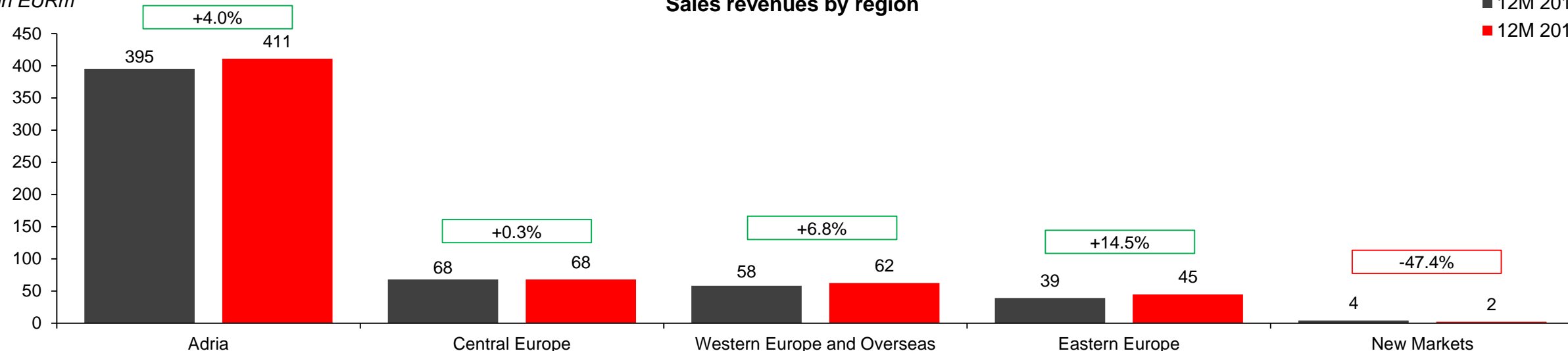
¹Percentages in the text relate to performance in 2019 compared to 2018.

Growth acceleration in Eastern Europe



in EURm

Sales revenues by region



Region performance in 2019¹:

- **Adria (+4.0%)** → **Food** sales 3.9% higher, revenue growth is recorded by all business units, 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, Porridges 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% (EUR -0.1m) 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	REPORTED				NORMALIZED ¹			
(in EURm)	2018	2019	Δ	%	2018	2019	Δ	%
Sales revenue	445	461	16	3.6%	445	461	16	3.6%
Gross profit	148	154	6	4.3%	148	155	6	4.3%
EBITDA	43	44	0	1.1%	42	44	2	4.8%
EBIT	23	22	(1)	(5.2%)	24	24	(0)	(0.3%)
Net profit after MI	19	18	(1)	(4.9%)	20	19	(1)	(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 EUR 3m²,
- **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 EUR 3m (+11.5%), that contributed to the increase in sales which successfully compensated for higher staff costs of EUR 6m (+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 EUR 1m lower, while normalized net profit after MI is EUR 1m 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 (EUR -0m in 2019; EUR +1m 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	REPORTED				NORMALIZED ¹			
(in EURm)	2018	2019	Δ	%	2018	2019	Δ	%
Sales revenue	120	127	8	6.5%	120	127	8	6.5%
Gross profit	60	63	3	5.6%	60	63	3	4.6%
EBITDA	19	24	6	29.7%	20	24	5	24.2%
EBIT	11	16	5	40.1%	12	16	4	30.6%
Net profit after MI	8	11	3	37.9%	9	11	2	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 EUR 5m (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 (EUR +2m in 2019; EUR -2m in 2018). This compensated for higher staff costs of EUR 3m (+8.7%), which is in line with the planned improvement in the material rights of employees,
- **Net profit after MI** → higher EUR 3m which, while normalized net profit after MI is EUR 2m higher, as a result of impacts above the EBIT level, which compensated less favourable movements in FX differences on borrowings (EUR -0m in 2019; EUR +1m in 2018).

¹Normalized for one-off impacts.

Group profitability margins increased in 2019



Group segment	REPORTED				NORMALIZED ¹			
(in EURm)	2018	2019	Δ	%	2018	2019	Δ	%
Sales revenue	564	588	24	4.2%	564	588	24	4.2%
Gross profit	208	218	10	4.7%	209	218	9	4.4%
EBITDA	62	68	6	9.8%	62	69	7	10.9%
EBIT	34	38	3	9.7%	36	40	4	10.1%
Net profit after MI	27	30	2	7.7%	29	30	1	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:

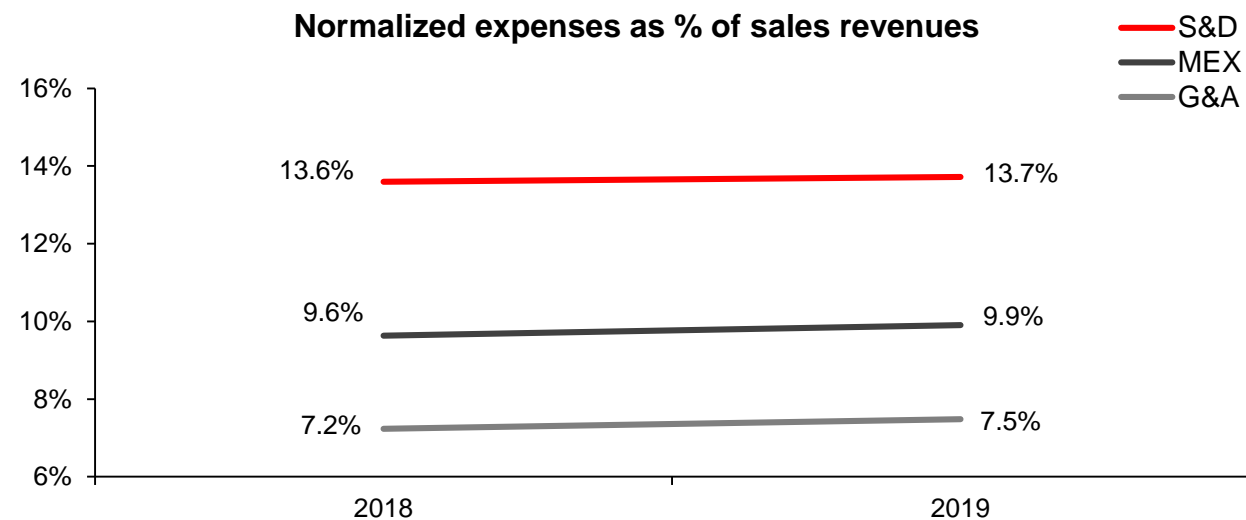
- **Gross profit** → higher 4.7%, strong impact comes from both business segments as a result of a favorable sales structure. Cost of goods sold increased by 3.9%, which resulted in the gross margin of 37.0%. Estimated effect of movements in prices of raw materials and supplies of the Food segment amounts to negative EUR 3m²,
- **EBIT** → is EUR 3m higher, while normalized is EUR 4m higher, due to the increase in sales in both business segments and favorable movements in FX differences on trade receivables and trade payables (EUR +3m in 2019; EUR -3m in 2018). EBIT was also impacted by stronger marketing investments of EUR 2m (+8.1%), higher staff costs of EUR 8m (+6.2%) 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** → higher EUR 2m, while normalized net profit after MI is EUR 1m 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 (EUR -0m in 2019; EUR +2m 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:

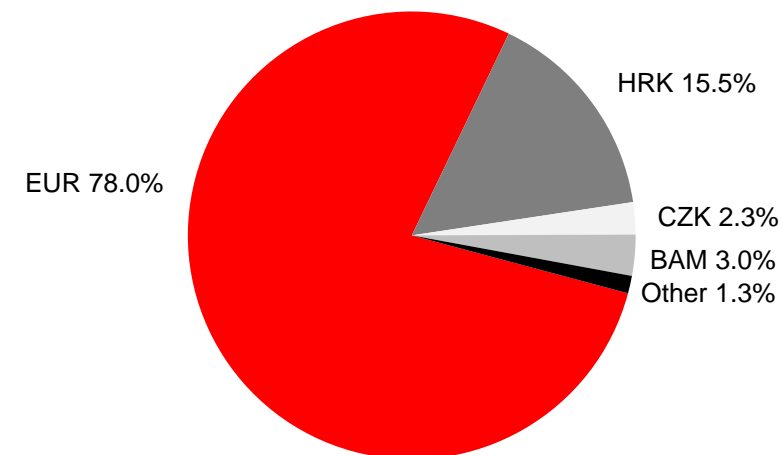
- EUR +4m in 2019; EUR -2m in 2018. Value adjustments and foreign exchange differences on trade receivables and trade payables (EUR +3m in 1-12 2019; EUR -3m in 1-12 2018) are included. Decrease in provision for receivables related to Fortenova Group, (ex Agrokor), made in 2019, is recorded within other income and expenses, net, while the decrease in provision for receivables made in 2018 is included in selling and distribution costs.

¹Normalized for one-off impacts.

Further improvement of debt indicators

(in EURm) ¹	2018	2019	% change
Net debt	101	110	8.9%
Interest expense	2	2	(17.0%)
Net debt / normalized EBITDA	1.6	1.6	(1.8%)
Normalized EBIT / interest expense	15	20	32.7%
Equity to total assets ratio	62.9%	65.9%	+303 bp

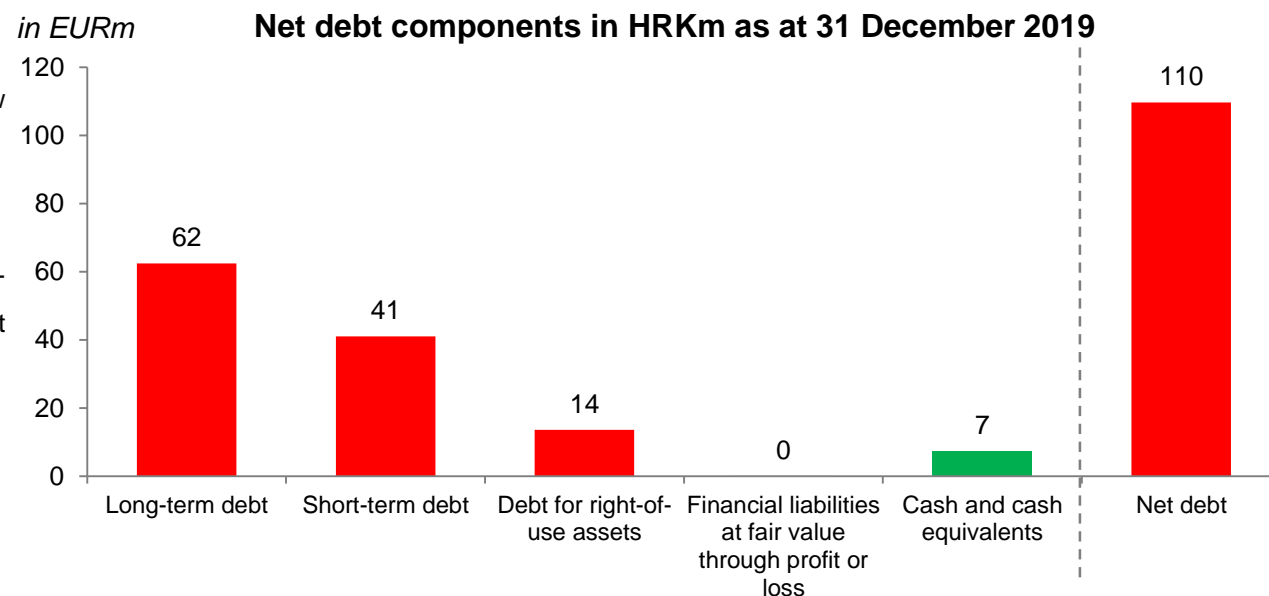
Currency structure of debt as at 31 December 2019



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,
- Increase in Net debt/normalized EBITDA due to higher Net debt. 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



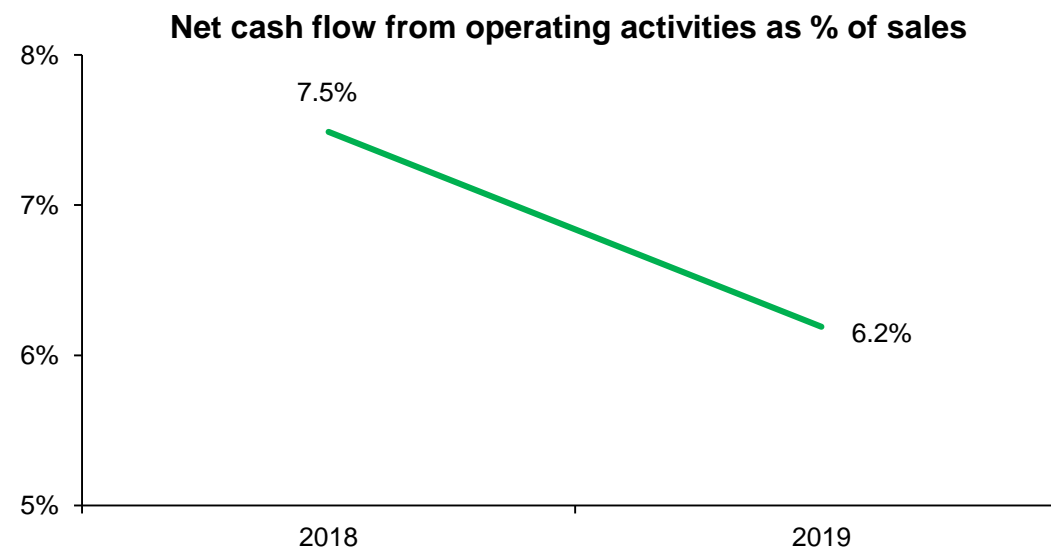
¹All P&L figures are calculated on the trailing 12 months level, while BS figures are taken at the end of period.

Cash flow and working capital movement in 2019

Working capital movement in BS	31 Dec 2019 / 31 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 EURm)	2018	2019	Δ
Net cash from operating activities	42	36	(6)
Net cash from investing activities	(17)	(19)	(2)
Net cash from financing activities	(46)	(38)	8
Net change of cash and cash equivalents	(20)	(21)	(1)

- **CAPEX** in 2020 is expected to be at the level of EUR 40m, in 2021-2023 period at the level of EUR 27m.



One-off items in 2019 and 2018



Reported and normalized profitability	2018			2019		
(in EUR millions)	Group	Food	Pharma	Group	Food	Pharma
Reported gross profit	207.8	148.1	59.7	217.5	154.5	63.1
+ impairment of inventories	0.8	0.2	0.6	0.1	0.1	-
Normalized gross profit	208.6	148.3	60.3	217.7	154.6	63.1
Reported EBITDA	61.8	43.1	18.8	67.9	43.5	24.3
+ initial impact of IFRS 9	0.2	0.1	0.1	-	-	-
+ severance payments (long term sick-leave)	0.7	0.6	0.1	0.6	0.6	-
+ impairment of inventories	0.7	0.2	0.6	0.1	0.1	-
+ sale of Mirna Inc., non-operational assets	(1.6)	(1.6)	-	-	-	-
+ reservation for advanced payment	-	-	-	0.1	0.1	-
Normalized EBITDA	62.0	42.4	19.6	68.7	44.4	24.3
Reported EBIT	34.5	23.1	11.3	37.8	21.9	15.9
+ normalization above EBITDA level	0.1	(0.7)	0.8	0.9	0.9	-
+ impairment of production line equipment	0.6	0.6	-	0.1	0.1	-
+ impairment of asset held for sale	2.0	2.0	-	1.0	1.0	-
+ impairment of investment property	-	-	-	1.4	1.4	-
+ claimed receivables related to relationship with Fortenova Group	(1.1)	(1.1)	-	(1.6)	(1.6)	-
+ other value adjustments	0.1	0.1	-	0.4	0.4	-
Normalized EBIT	36.3	24.1	12.2	39.9	24.0	15.9
Reported net profit after MI	27.4	19.3	8.1	29.5	18.4	11.1
+ normalization above EBIT level	1.8	1.0	0.8	2.1	2.1	-
+ ESOP programme net expenses	0.3	0.2	0.1	-	-	-
+ estimated impact on taxes	(0.7)	(0.5)	(0.1)	(1.9)	(1.9)	-
Normalized net profit after MI	28.8	20.0	8.8	29.8	18.7	11.1



The Company

Business

Investment highlights

2019 results

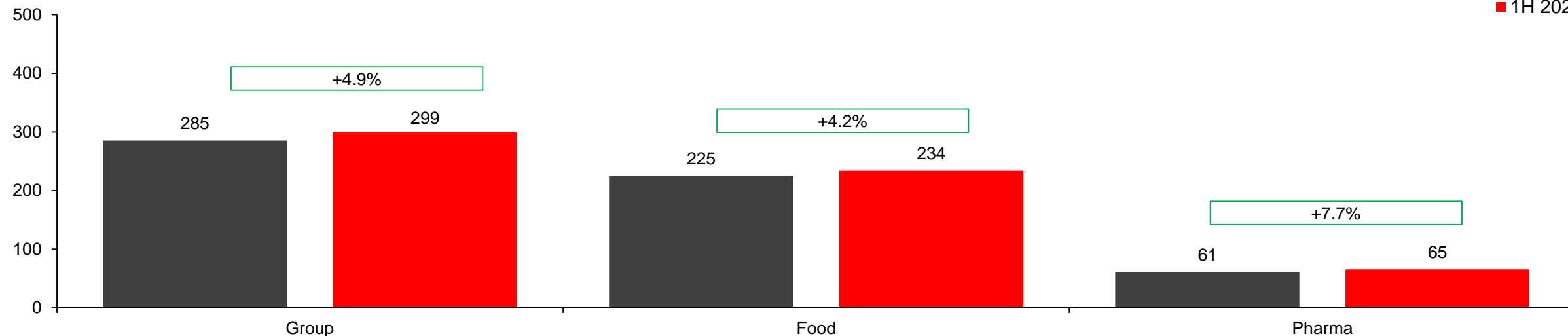
1H 2020 results



Sales revenues growth in 1H 2020



in EURm



Podravka Group in 1-6 2020^{1,2}:

- **Own brands** → 6.1% higher sales,
- **Other sales** → 6.5% lower sales,
- **Total Podravka Group** → 4.9% higher sales.

Food segment in 1-6 2020^{1,2}:

- **Own brands** → 6.2% higher sales, due to of the increased demand for food products. The revenue growth was recorded by almost all business units, with the biggest absolute growth recorded by BU Culinary and Meat products, meat solutions and savory spreads,
- **Other sales** → 23.1% lower revenues, as a lower sales of trade goods in some markets following the closure of gastro channel (schools, kindergartens, restaurants, hotels),
- **Total Food** → 4.2% higher sales.

Pharmaceuticals segment in 1-6 2020^{1,2}:

- **Own brands** → 5.5% higher sales, due to the increase in demand for pharmaceutical products, primarily OTC drugs category,
- **Other sales** → 17.9% higher sales, as a result of higher sales of trade goods in the markets of Bosnia and Herzegovina and Croatia,
- **Total Pharma** → 7.7% 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 in positive terms, but it cannot be clearly distinguished from the impact of regular demand for products. Restrictive measures introduced in mid-March aimed at preventing the spread of COVID-19 had a negative impact on sales revenues (closing of 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 is a positive moment, but the effect of the introduction of restrictive measures on sales revenues cannot be clearly assessed or quantified.

²Percentages in the text relate to performance in 1-6 2020 compared to 1-6 2019.

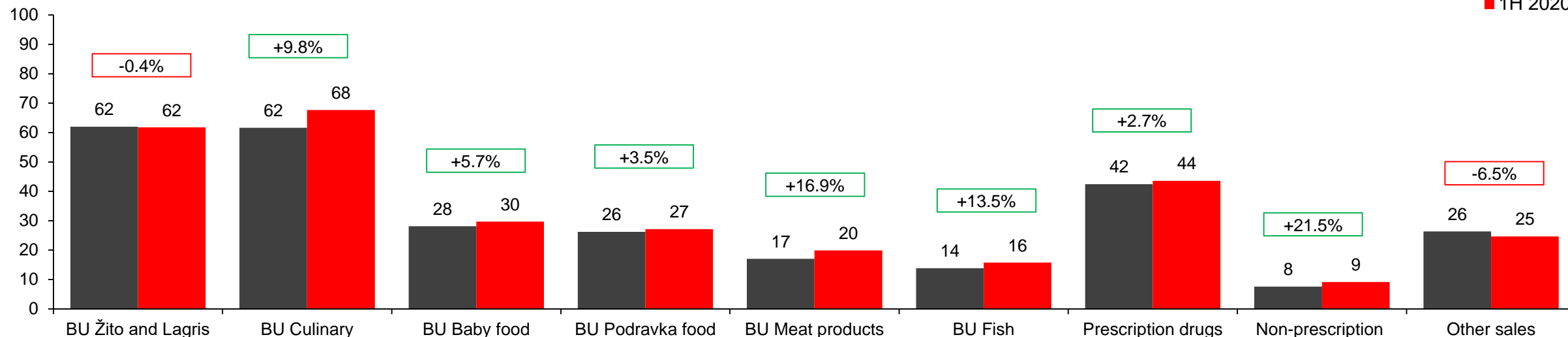
Sales growth across almost all business units



in EURm

Sales revenues by business unit and category

■ 1H 2019
■ 1H 2020



Business unit and category performance in 1-6 2020^{1,2}:

- **BU Žito and Lagris (-0.4%)** → growth in sales of most categories was unable to compensate for the decrease in sales of fresh bakery products category (Slovenia and Italy). Significant revenue growth was recorded in Central Europe region,
- **BU Culinary (+9.8%)** → sales growth due to the increased demand and sales in categories Seasonings and Soups. Higher sales and growth were recorded in all regions except New markets region,
- **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 except New markets region,
- **BU Podravka food (+3.5%)** → higher sales due to Tomato category growth. Most significant revenue growth was generated in Adria and Central Europe regions,
- **BU Meat products, meat solutions and savory spreads (+16.9%)** → increase in sales of categories Canned ready-to-eat meals, Pates and Luncheon meats. Most significant revenue growth was recorded in Adria and Western Europe and Overseas regions,
- **BU Fish (+13.5%)** → higher sales due to the higher demand and sales of the Tuna and Sardine categories. Sales growth was recorded in Adria, Central Europe and Eastern Europe regions,
- **Prescription drugs (+2.7%)** → higher sales with the most significant increase recorded in Bosnia and Herzegovina, Croatia and Serbia,
- **Non-prescription programme (+21.5%)** → result of sales growth in the OTC drugs subcategory, primarily in Croatia, due to significant increase in demand and sales of Lupocet and Neofen brands in March,
- **Other sales (-6.5%)** → Pharmaceuticals other sales increased by HRK 14m due to sales of trade goods of the Farmavita; Food segment lower sales by HRK 27m due to closure of gastro channel in Croatia following the emergence of COVID-19 and lower sales of Lagris trade goods.

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 in positive terms, but it cannot be clearly distinguished from the impact of regular demand for products. Restrictive measures introduced in mid-March aimed at preventing the spread of COVID-19 had a negative impact on sales revenues (closing of 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 is a positive moment, but the effect of the introduction of restrictive measures on sales revenues cannot be clearly assessed or quantified.

²Percentages in the text relate to performance in 1-6 2020 compared to 1-6 2019.

Significant growth recorded in Adria and Central Europe regions

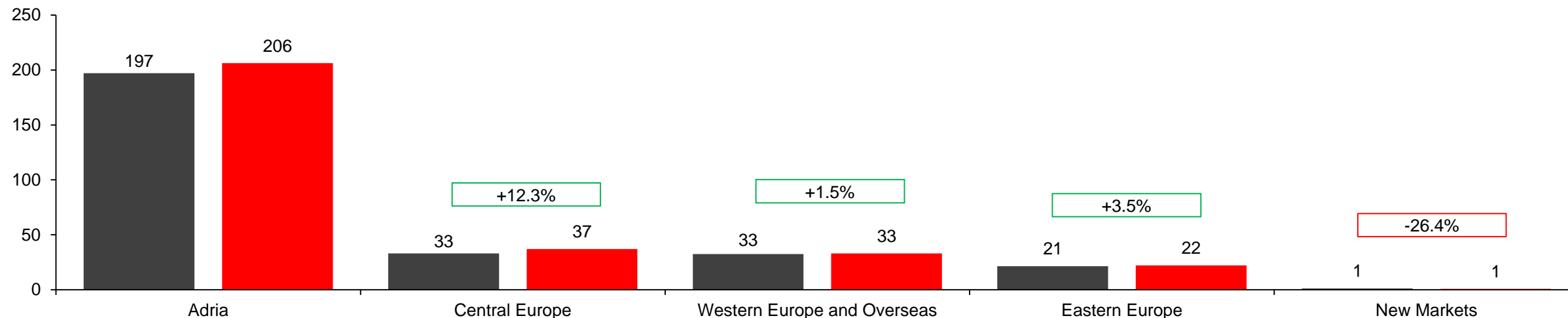


in EURm

Sales revenues by region

■ 1H 2019

■ 1H 2020



Region performance in 1-6 2020^{1,2}:

- **Adria (+4.6%)** → **Food** sales 2.9% higher where revenue growth is recorded in all business units; **Pharmaceuticals** sales 11.0% higher primarily as a result of the increase in sales of OTC drugs and trade goods,
- **Central Europe (+12.3%)** → **Food** sales surged 14.9%, due to the increase in sales of all business units; **Pharmaceuticals** sales down by 4.9% primarily due to the decrease in sales in the market of Poland,
- **WE and Overseas region (+1.5%)** → **Food** sales 1.3% higher, due to the increase in sales of BU Culinary, Podravka Food and Meat products, meat solutions and savory spreads which successfully compensated for the lower sales of BU Žito and Lagris in fresh bakery products category; **Pharmaceuticals** segment recorded EUR 0.1m higher revenues (+78.3%) due to increase in sales of prescription drugs,
- **Eastern Europe (+3.5%)** → **Food** sales up by 7.7%, due to the growth of BU Culinary and Fish; **Pharmaceuticals** sales rose 1.4% as a result of the increase in sales of the OTC drugs category,
- **New markets (-26.4%)** → **Food** sales down by HRK 2.7m (-32.0%) primarily due to lower sales of the BU Baby food, sweets and snacks; **Pharmaceuticals** recorded HRK 0.3m revenue growth (+77.9%) due to increase in prescription drugs 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 in positive terms, but it cannot be clearly distinguished from the impact of regular demand for products. Restrictive measures introduced in mid-March aimed at preventing the spread of COVID-19 had a negative impact on sales revenues (closing of 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 is a positive moment, but the effect of the introduction of restrictive measures on sales revenues cannot be clearly assessed or quantified.

²Percentages in the text relate to performance in 1-6 2020 compared to 1-6 2019.

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



Food segment (in EURm)	REPORTED				NORMALIZED ¹			
	1-6 2019	1-6 2020	Δ	%	1-6 2019	1-6 2020	Δ	%
Sales revenue	225	234	9	4.2%	225	234	9	4.2%
Gross profit	77	80	3	4.3%	77	80	3	3.8%
EBITDA	26	30	4	16.7%	26	30	4	15.1%
EBIT	16	20	4	25.0%	16	20	4	22.4%
Net profit after MI	13	16	3	27.3%	13	16	3	24.2%
Gross margin	34.1%	34.1%		+2 bp	34.3%	34.1%		-14 bp
EBITDA margin	11.6%	13.0%		+138 bp	11.7%	13.0%		+123 bp
EBIT margin	7.1%	8.6%		+143 bp	7.3%	8.6%		+128 bp
Net profit margin after MI	5.6%	6.8%		+124 bp	5.7%	6.8%		+110 bp

Food segment profitability in 1-6 2020:

- **Gross profit** → reported gross profit higher 4.3% with the gross margin at the level of comparative period of 34.1%, while normalized gross profit grew 3.8%. The effect of unfavorable trends in prices of raw materials and supplies continued in the second quarter and the amount of the effect in the 1-6 2020 period is estimated at negative EUR 3m², primarily in relation to dried vegetables and meat,
- **EBIT** → reported EBIT is 25.0% higher, while normalized grew by 22.4%. Negative impact on operating profit came from movements in FX differences on trade receivables and trade payables (EUR -1m in 1-6 2020; HRK +0m in 1-6 2019), the increase in costs related to sales (logistics and distribution) and the increase in staff costs of EUR 1m (+2.3%), while a positive impact comes from lower marketing expenses. The increase in staff costs is largely the result of one-off award to employees in the manufacturing, logistics and distribution segment paid in the first quarter, and a provision for award to employees paid in July.
- **Net profit after MI** → reported net profit after MI is EUR 3m higher, while normalized net profit after MI is EUR 3m higher than in comparative period. Bottom line was negatively impacted by FX differences on borrowings (EUR -0m in 1-6 2020; EUR -0m in 1-6 2019), partly mitigated by lower finance costs. Tax liability is higher by EUR 0m.

¹Normalized for one-off impacts.

²Obtained as used volumes of raw materials and supplies in 1-6 2020*prices in 1-6 2020 – used volumes of raw materials and supplies in 1-6 2020*prices in 1-6 2019.

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

Pharma segment (in EURm)	REPORTED				NORMALIZED ¹			
	1-6 2019	1-6 2020	Δ	%	1-6 2019	1-6 2020	Δ	%
Sales revenue	61	65	5	7.7%	61	65	5	7.7%
Gross profit	31	32	1	3.3%	31	31	1	2.1%
EBITDA	13	12	(0)	(1.1%)	13	12	(1)	(4.1%)
EBIT	8	8	(0)	(2.0%)	8	8	(1)	(6.6%)
Net profit after MI	6	6	(1)	(9.0%)	6	5	(1)	(13.2%)
Gross margin	50.4%	48.3%		-205 bp	50.4%	47.8%		-263 bp
EBITDA margin	20.6%	18.9%		-168 bp	20.6%	18.3%		-226 bp
EBIT margin	13.8%	12.5%		-125 bp	13.8%	11.9%		-182 bp
Net profit margin after MI	10.1%	8.5%		-157 bp	10.1%	8.1%		-196 bp

Pharmaceuticals segment profitability in 1-6 2020:

- **Gross profit** → higher 3.3% while normalized gross profit is 2.1% higher. The gross margin is 48.3% 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 EUR 0m lower, while normalized is down by EUR 1m as a result of very unfavorable movements in FX differences on trade receivables and trade payables (EUR -2m in 1-6 2020; EUR +1m in 1-6 2019), mitigated by lower marketing expenses and lower general and administrative expenses,
- **Net profit after MI** → is HRK 1m lower, while normalized net profit after MI is HRK 1m lower. Bottom line was affected by unfavorable movements in FX differences on borrowings (EUR -0m in 1-6 2020; EUR +0m in 1-6 2019), partly mitigated by lower finance costs. Tax liability is lower by EUR 0m.

¹Normalized for one-off impacts.

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















Podravka Group	REPORTED				NORMALIZED ¹			
(in EURm)	1-6 2019	1-6 2020	Δ	%	1-6 2019	1-6 2020	Δ	%
Sales revenue	285	299	14	4.9%	285	299	14	4.9%
Gross profit	107	111	4	4.0%	108	111	4	3.3%
EBITDA	38	43	4	10.9%	39	42	3	8.9%
EBIT	24	28	4	15.8%	25	28	3	12.6%
Net profit after MI	19	22	3	15.4%	19	21	2	12.2%
Gross margin	37.6%	37.2%		-34 bp	37.7%	37.1%		-59 bp
EBITDA margin	13.5%	14.3%		+77 bp	13.6%	14.1%		+52 bp
EBIT margin	8.5%	9.4%		+88 bp	8.7%	9.3%		+64 bp
Net profit margin after MI	6.5%	7.2%		+65 bp	6.7%	7.1%		+46 bp

Profitability of the Podravka Group in 1-6 2020:

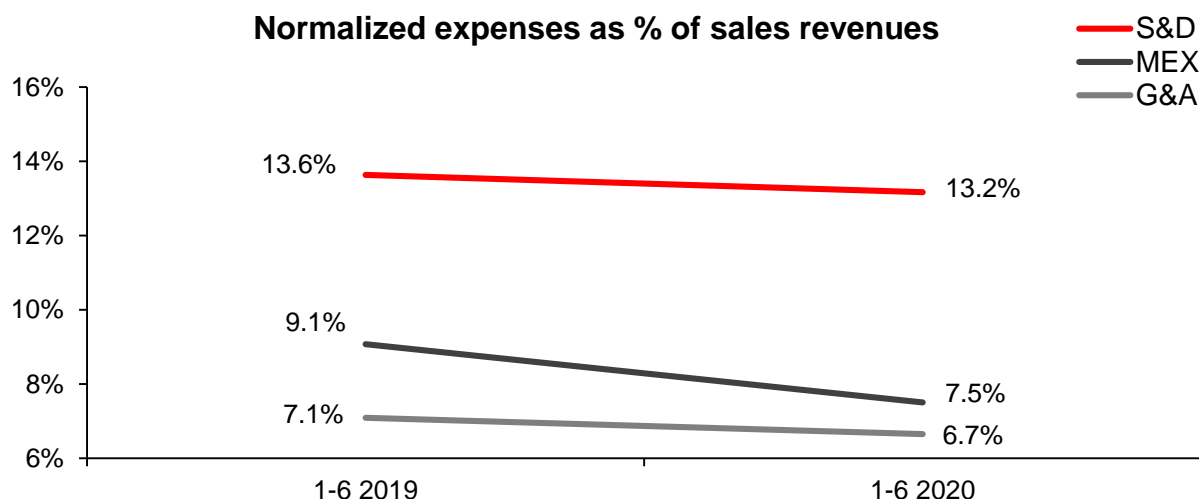
- **Gross profit** → reported is higher 4.0%, while normalized grew by 3.3%. Cost of goods sold increased by 5.5%, which eventually resulted in the gross margin of 37.2% in the reported period,
- **EBIT** → reported is EUR 4m higher, while normalized grew by EUR 3m, primarily as a result of increase in sales in both business segments and savings realized (marketing expenses). 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 (EUR -2m in 1-6 2020; EUR +1m in 1-6 2019) and the increase in staff costs of EUR 1m (+1.8%), which is largely the result of one-off award to employees in the manufacturing, logistics and distribution segment paid in the first quarter, and a provision for award to employees paid in July,
- **Net profit after MI** → is EUR 3m higher, while normalized is EUR 2m higher. Net profit after MI was impacted by unfavorable movements in FX differences on borrowings (EUR -1m in 1-6 2020; EUR +0m in 1-6 2019), partly mitigated by lower finance costs. Tax liability is higher by EUR 0m.

¹Normalized for one-off impacts.

Generated sales level compensated the increase in certain operating expenses

Operating expenses 1H20 vs.1H19 % change	REPORTED	NORMALIZED ¹
Cost of goods sold (COGS)	5.5% 	5.9% 
General and administrative expenses (G&A)	(1.5%) 	(1.6%) 
Sales and distribution costs (S&D)	1.4% 	1.4% 
Marketing expenses (MEX)	(13.1%) 	(13.1%) 
Other expenses / revenues, net	162.2% 	162.2% 
Total	3.9% 	4.2% 

Normalized expenses as % of sales revenues



Key highlights of operating expenses in 1-6 2020:

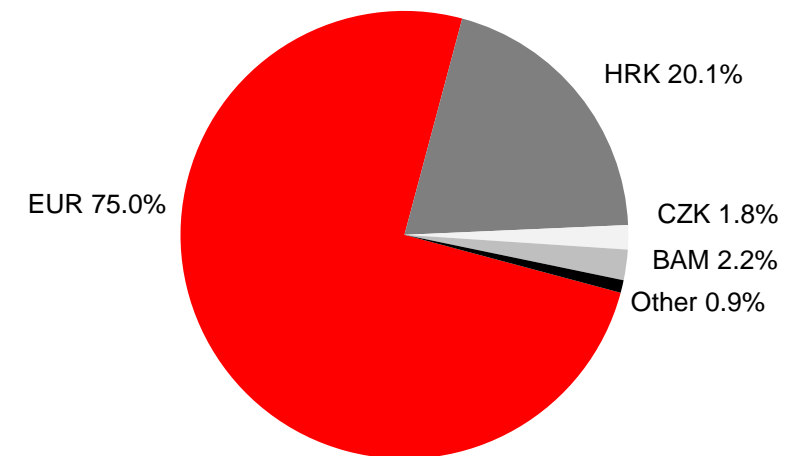
- Cost of goods sold (COGS):**
 - Higher 5.5%, normalized up by 5.9%, as a result of a higher level of sales realized, the structure of sales and the rise in prices of raw materials and supplies (estimated negative impact in the Food segment of EUR 3m, primarily from dried vegetables and meat) and higher staff costs, partly as a result of awards to employees,
- General and administrative expenses (G&A):**
 - Down by 1.5%, normalized down by 1.6%, 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 1.4%, due to the sales increase and staff costs increase (partly a result of awards to employees),
- Marketing expenses (MEX):**
 - Lower 13.1%, (Food segment -11.7%, Pharmaceuticals segment -14.8%). At the end of 2019 some promotional and marketing activities have been reclassified in the Pharmaceuticals segment. If marketing expenses in the Pharmaceuticals segment in 1-6 2019 were reclassified, they would be lower by EUR 1m for the period,
- Other expenses / revenues, net:**
 - EUR -1m in 1-6 2020, while EUR +2m in 1-6 2019. Mainly affected by the movements in FX differences on trade receivables and trade payables that amounted to EUR -2m in the 1-6 2020 period, while in 1-6 2019 they amounted to EUR +1m.

¹Normalized for one-off impacts.

Net debt decrease with improvement of debt indicators

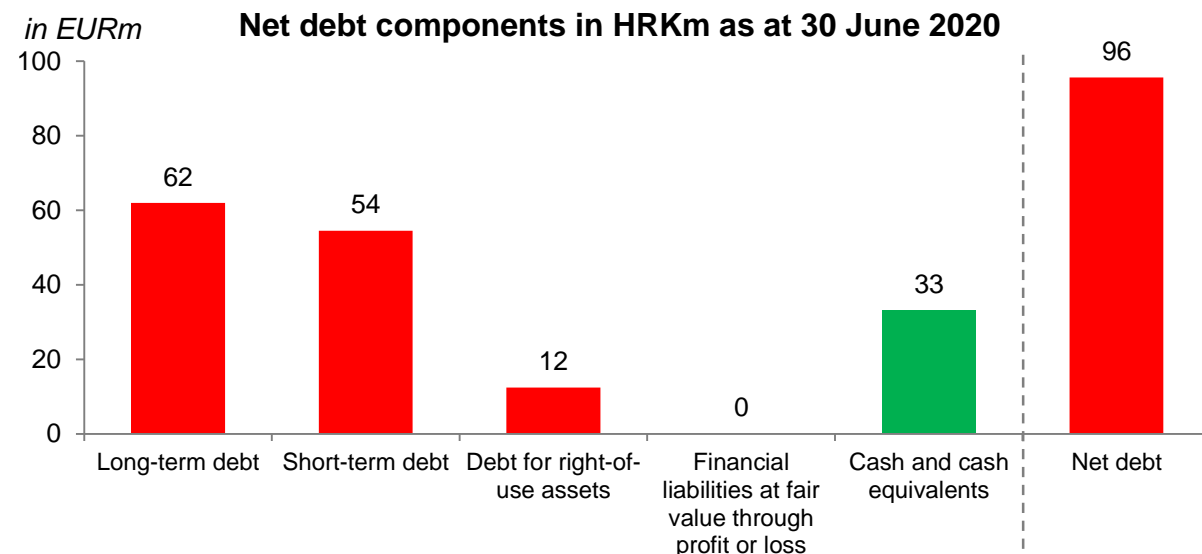
(u EURm) ¹	2019	1-6 2020	% change
Financial debt ²	117	129	10.0%
Cash and cash equivalents	7	33	348.3%
Net debt	110	96	(12.8%)
TTM interest expense	2	2	(15.8%)
Net debt / TTM EBITDA	1.6	1.3	(17.0%)
EBITDA / Interest expense	20	26	28.1%
Equity to total assets ratio	65.9%	65.3%	-67 bp

Currency structure of debt as at 30 June 2020



Key highlights:




- Financial debt increase → short-term debt increase to ensure 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 30 June 2020 → 1.0%,
 - As at 31 December 2013 → 4.3%.



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

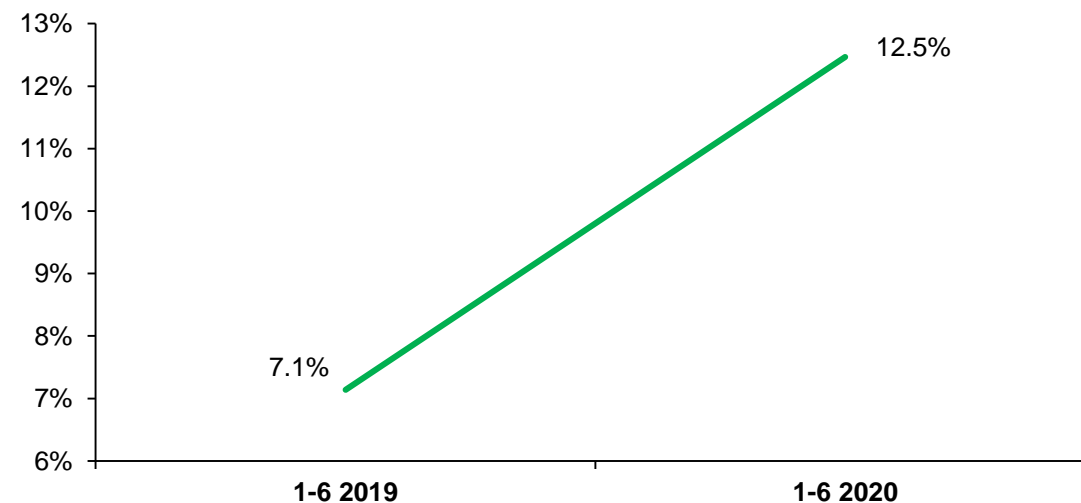


Working capital movement in BS	30 Jun 2020 / 30 Jun 2019		Impact
Inventories		13.8%	<ul style="list-style-type: none"> The increase in inventories is result of the increase in inventories of raw materials and supplies in the observed period, following the increased demand and production volume as a result of the situation caused by the COVID-19. and the increase in inventories of finished products of the fish range for the purpose of ensuring the range sufficiency,
Trade and other receivables		(8.4%)	<ul style="list-style-type: none"> Decrease is a result of lower withdrawal volumes of goods by the customers of the Podravka Group in the second quarter, due to stocks made in March, and lower activity of end customers in the second quarter, while receivables from the first quarter were regularly collected,
Trade and other payables		(13.7%)	<ul style="list-style-type: none"> This movement is primarily as a result of different dynamics of dividend distribution (June 2020 vs. August 2019).

(in EURm)	1-6 2019	1-6 2020	Δ
Net cash from operating activities	20	40	17
Net cash from investing activities	(8)	(12)	(4)
Net cash from financing activities	(21)	1	21
Net change of cash and cash equivalents	(9)	26	34

- **CAPEX** in 2020 is expected to be at the level of EUR 40m, in 2021-2023 period at the level of EUR 27m.

Net cash flow from operating activities as % of sales



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Podravka Group

Always with a heart!

