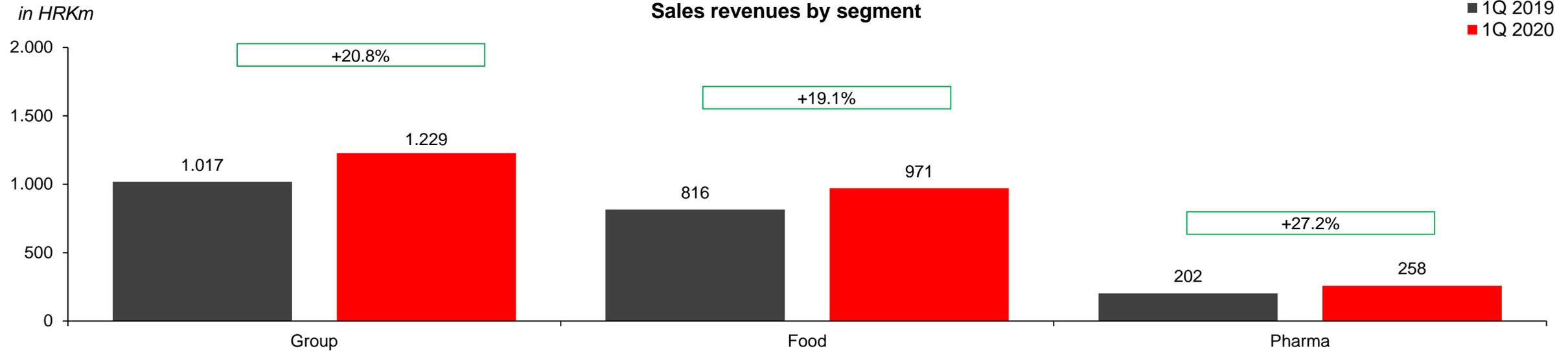




Podravka Group business results for 1-3 2020 period



Strong sales revenues growth in 1Q 2020



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

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

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

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

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

- **Own brands** → 25.2% higher sales, due to the increase in demand for pharmaceutical products,
- **Other sales** → 37.9% higher sales, as a result of higher sales of trade goods in the markets of Bosnia and Herzegovina and Croatia,
- **Total Pharma** → 27.2% higher sales.

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

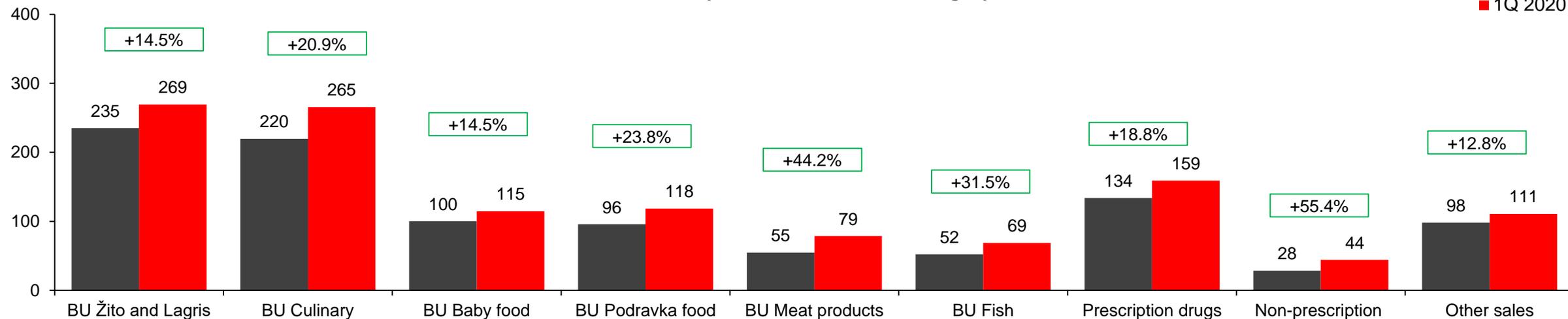
²Percentages in the text relate to performance in 1-3 2020 compared to 1-3 2019.

Double digit sales growth across all business segments

in HRK_m

Sales revenues by business unit and category

■ 1Q 2019
■ 1Q 2020



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

- **BU Žito and Lagris (+14.5%)** → result of increased demand and sales of all categories, primarily Rice, Flour and Pasta. Greatest share of the growth came from Adria and Central Europe regions,
- **BU Culinary (+20.9%)** → due to the increased demand and sales in categories Seasonings and Soups, where higher sales and growth were recorded in all regions except New markets region,
- **BU Baby food, sweets and snacks (+14.5%)** → higher sales, driven by increased demand and sales in the Baby food and Powdered sweets categories. The BU recorded growth in all regions except New markets region,
- **BU Podravka food (+23.8%)** → higher sales and growth of all categories, primarily Tomato, Vegetables and Flour. Significant revenue growth generated in Adria and Central Europe regions,

- **BU Meat products, meat solutions and savory spreads (+44.2%)** → increase in sales of categories Canned ready-to-eat meals, Pates, Sausages and Luncheon meats. Revenue growth was recorded in all regions where this product range is present,
- **BU Fish (+31.5%)** → higher sales due to the higher demand and sales of the Tuna and Sardine categories, as a result of, among other, traditionally higher demand for fish products in Lent,
- **Prescription drugs (+18.8%)** → higher sales with the most significant increase recorded in the markets of Croatia and Bosnia and Herzegovina,
- **Non-prescription programme (+55.4%)** → result of sales growth in the OTC drugs subcategory, primarily in Croatian market, due to significant increase in demand and sales of Lupocet and Neofen brands,
- **Other sales (+12.8%)** → higher sales due to increase in sales of trade goods of the Farmavita.

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

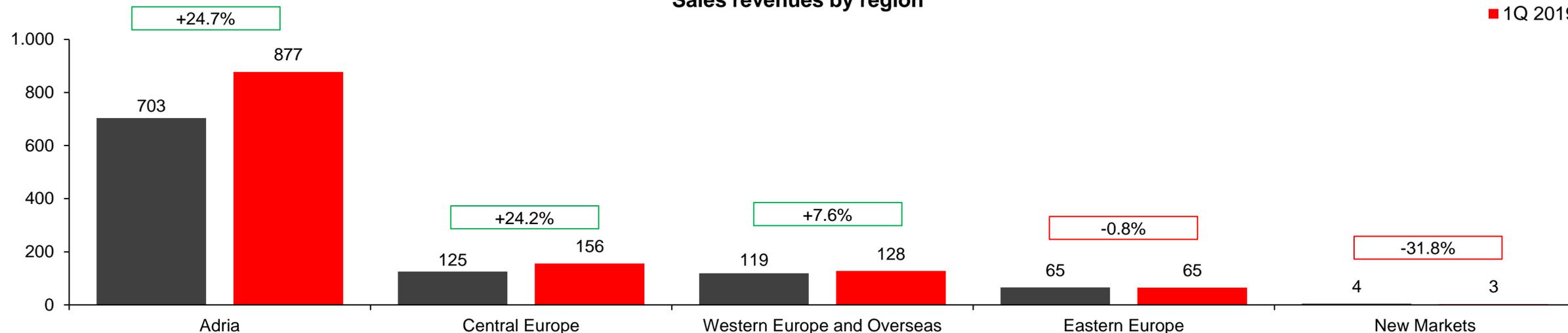
²Percentages in the text relate to performance in 1-3 2020 compared to 1-3 2019.

Major growth recorded in Adria and Central Europe regions

in HRK m

Sales revenues by region

■ 1Q 2020
■ 1Q 2019



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

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

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

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

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

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

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

Food segment profitability in 1-3 2020:

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

¹Normalized for one-off impacts.

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

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

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

Pharmaceuticals segment profitability in 1-3 2020:

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

¹Normalized for one-off impacts.

Group profitability influenced by sales structure of both business segments

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

Profitability of the Podravka Group in 1-3 2020:

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

¹Normalized for one-off impacts.

Generated sales level compensated the increase in certain operating expenses

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

Key highlights of operating expenses in 1-3 2020:

Cost of goods sold (COGS):

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

General and administrative expenses (G&A):

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

Sales and distribution costs (S&D):

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

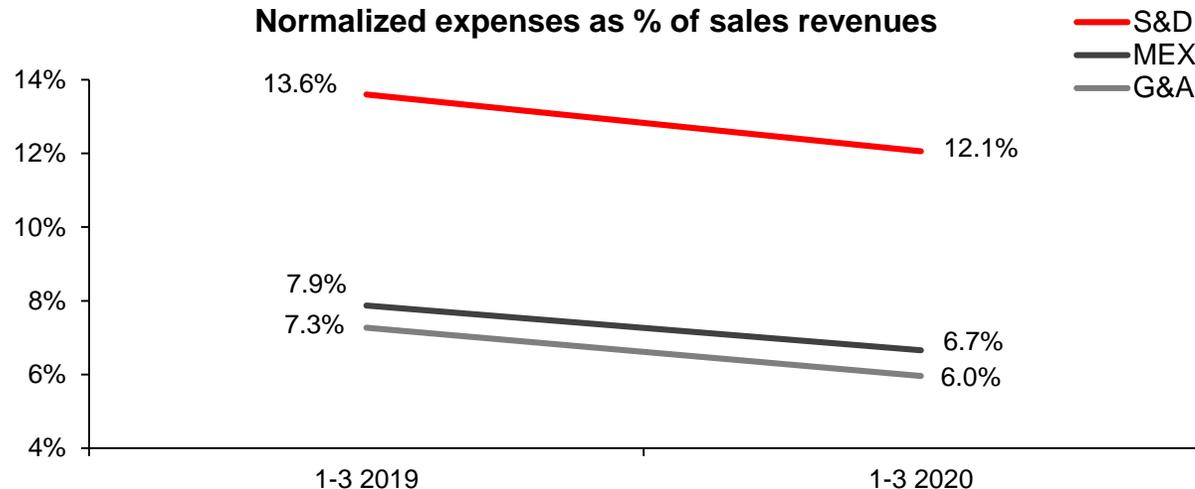
Marketing expenses (MEX):

- Higher 2.1%, (Food segment +3.3%, Pharmaceuticals segment +0.9%). 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 1-3 2019 were reclassified, they would be lower by HRK 2m for the period,

Other expenses / revenues, net:

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

Normalized expenses as % of sales revenues

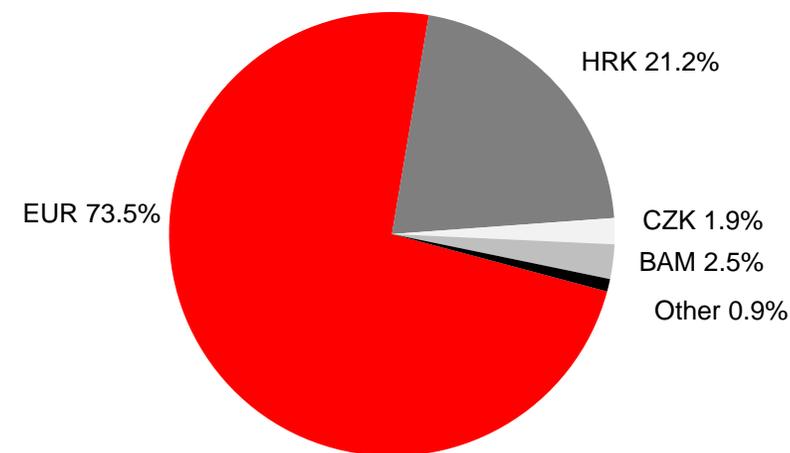


¹Normalized for one-off impacts.

Net debt decrease in spite of financial debt increase

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

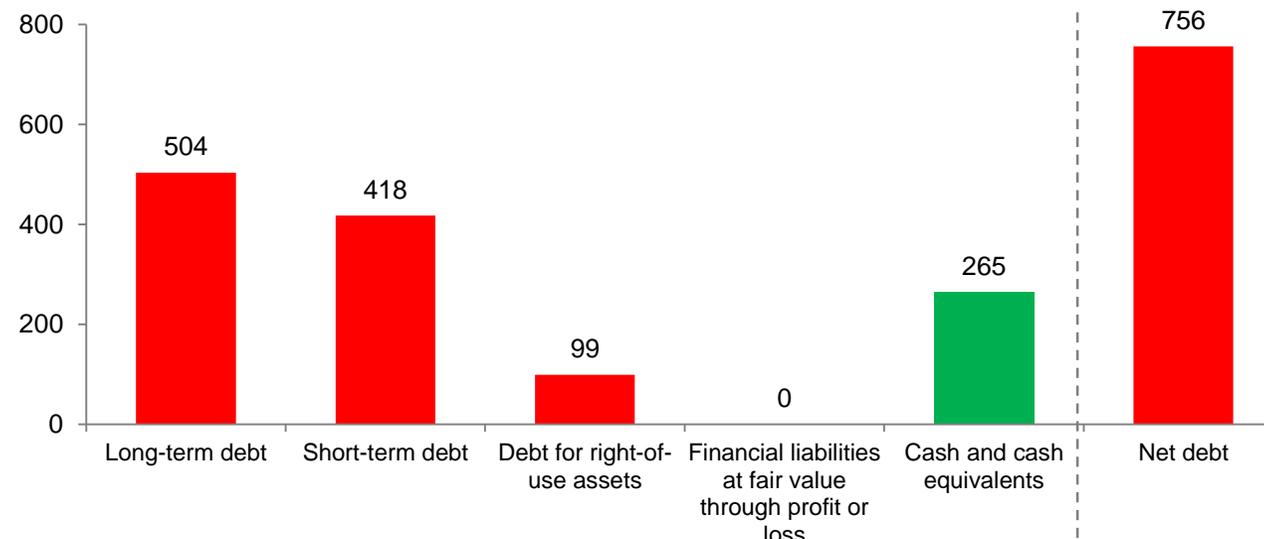
Currency structure of debt as at 31 March 2020



Key highlights:

- Financial debt increase → short-term debt increase to insure enough liquidity to ease supply and production process in situation of increased demand and production,
- Net debt decrease → due to higher level of cash and cash equivalents,
- Lower interest expenses → repayment of a part of borrowings and refinancing under favorable conditions,
- **Weighted average cost of debt excluding liabilities for right-of-use assets:**
 - As at 31 March 2020 → 1.0%,
 - As at 31 December 2019 → 4.3%.

Net debt components in HRK^m as at 31 March 2020



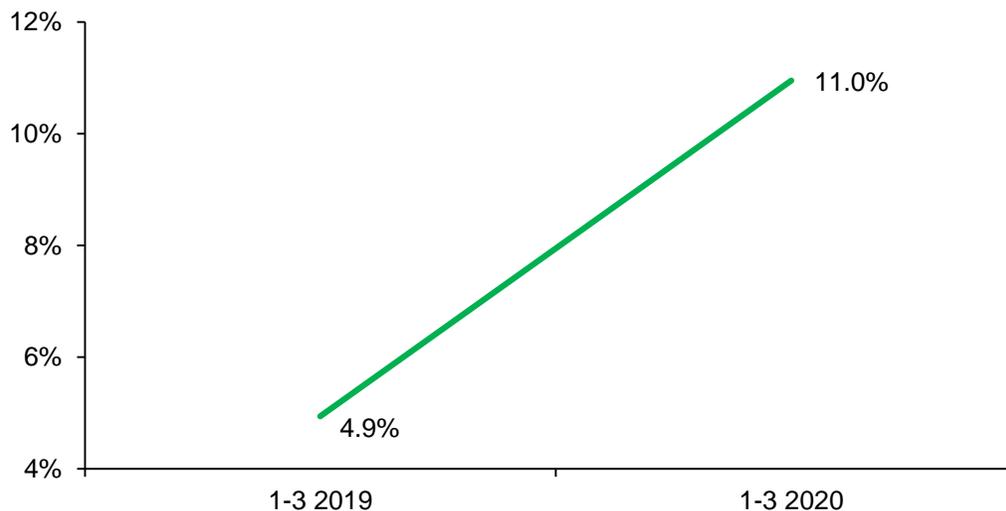
¹All P&L figures are calculated on the trailing 12 months level, while BS figures are taken at the end of period, ²long-term and short-term borrowings + liabilities for right-of-use assets + financial liabilities at fair value through P&L.

Significantly higher level of cash flow from operating activities

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

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

Net cash flow from operating activities as % of sales



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

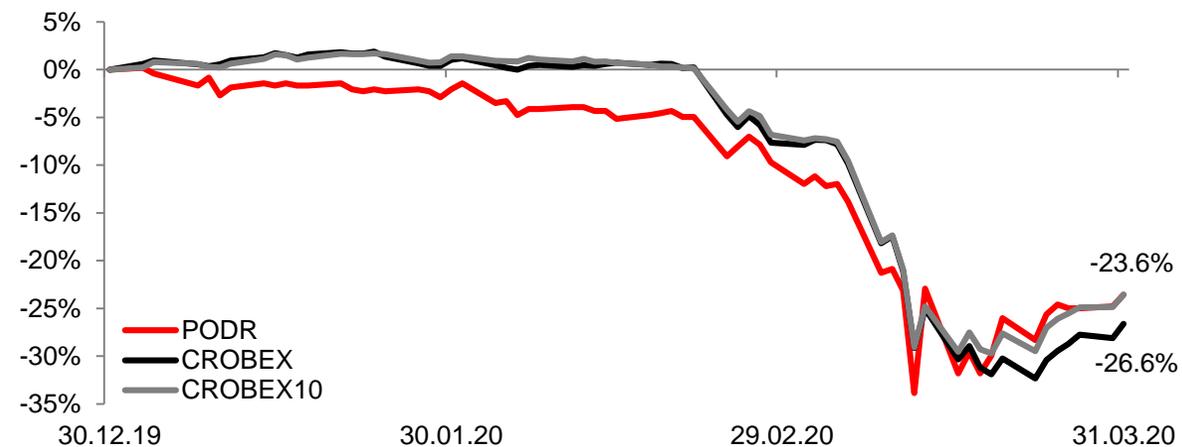
Podravka's share price movement in 1-3 2020



Market activity with PODR share

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

PODR share price movement in 1-3 2020



Analyst coverage

Analysts	Recommendation	Target price	Potential ²
InterCapital	Buy	HRK 431.00	3.6%
Raiffeisen BANK	Hold	HRK 433,00	4.1%
ERSTE Group	Accumulate	HRK 480.00	15.4%
WOOD COMPANY	Hold	HRK 443.00	6.5%

Peer group

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

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

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

¹Calculated on FY 2019 basis, ²Compared to the last trading price on 30th Apr 2020, ³Obtained from Bloomberg on 15th Apr 2020; ⁴Calculated excluding max. and min. values; ⁵Normalized for items stated in the publication 1Q 2020 results and 2019 results.

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Podravka Group business results for 1-3 2020 period

