



Podravka Group

Always with a heart!



Prime Plus webcast, 7th September 2022

Food segment organized in 8 key business units, Pharma segment organized in 2 categories



BU Culinary

Food seasoning.

2021 sales: **761 HRK**m;
% total sales: **16.4%**



BU Soups

Soups, Instant meals.

2021 sales: **279 HRK**m;
% total sales: **6.0%**



BU Cereals, Snack and Beverages

Cereals, Baby food, Snack, Tea and Beverages.

2021 sales: **305 HRK**m;
% total sales: **6.6%**



BU Creamy spreads and Desserts

Creamy spreads, Desserts.

2021 sales: **231 HRK**m;
% total sales: **5.0%**



BU Bakery

Bread, Rolls and salt bakery products, Sweet bakery products, Žito flour, Confectionery.

2021 sales: **569 HRK**m;
% total sales: **12.3%**



BU Basic Food

Condiments, Tomato products, Processed fruit, Vegetables, Podravka flour, Side dishes, Wellness food.

2021 sales: **719 HRK**m;
% total sales: **15.5%**



BU Meat products

Ready meals, Pates, Dried Meat and Sausage Products, Chilled ready meals, Other meat products.

2021 sales: **307 HRK**m;
% total sales: **6.6%**



BU Fish

Fish products, Fish salads, Other fish products.

2021 sales: **209 HRK**m;
% total sales: **4.5%**



Prescription drugs

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

2021 sales: **697 HRK**m;
% total sales: **15.1%**



Non-prescription programme

OTC medicine, dietary products, natural products.

2021 sales: **123 HRK**m;
% total sales: **2.7%**





1H 2022 results



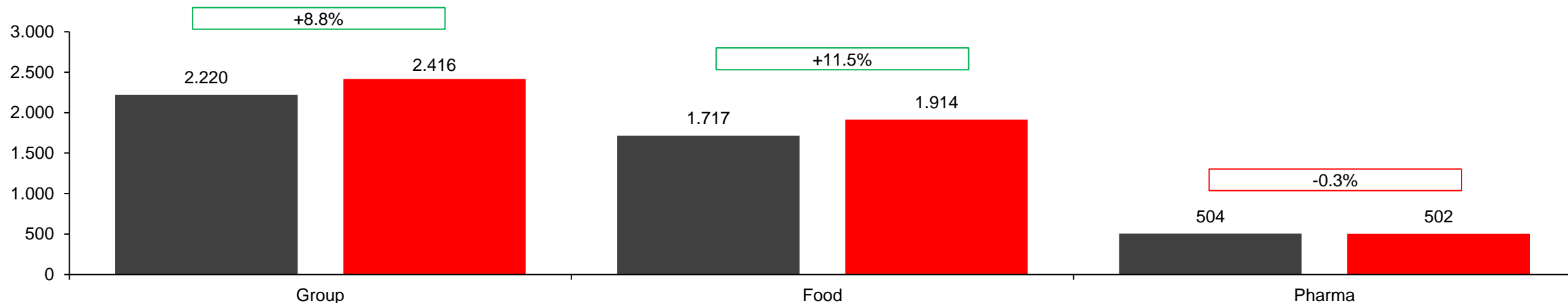
Sales increase in Food segment



■ 1H 2021
■ 1H 2022

in HRK_m

Sales revenues by segment



Podravka Group in 1 - 6 2022¹:

- **Own brands** → 7.7 % higher sales,
- **Other sales** → 20.2 % higher sales,
- **Total Podravka Group** → 8.8 % higher sales.

Food segment in 1 - 6 2022¹:

- **Own brands** → 9.9 % higher sales, sales increase of almost all business units,
- **Other sales** → 37.1 % higher sales, primarily as a result of trade goods sales increase in Croatian market, Slovenia and Austria,
- **Total Food** → 11.5 % higher sales.

Pharmaceuticals segment in 1 - 6 2022¹:

- **Own brands** → 1.4 % lower sales, as a result of the decline in sales revenues of Prescription drugs, primarily dermatological drugs,
- **Other sales** → 4.1 % higher sales, due to sales increase of trade goods in Croatia and Bosnia and Herzegovina,
- **Total Pharma** → 0.3 % lower sales.

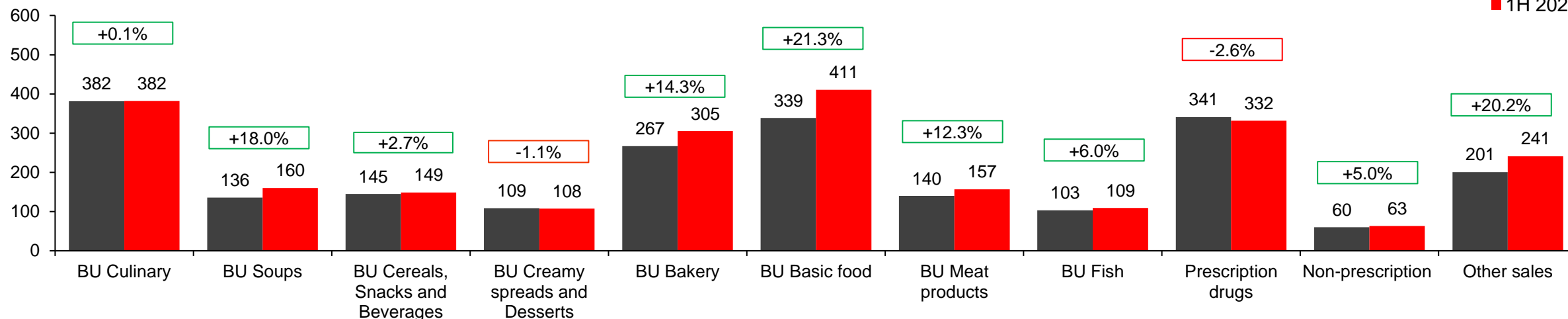
²Percentages in the text relate to performance in 1 - 6 2022 compared to 1 - 6 2021.

Sales increase in almost all business units

in HRKm

Sales revenues by business unit and category

■ 1H 2021
■ 1H 2022



Business unit and category performance in 1 - 6 2022¹:

- **BU Culinary (+0.1 %)** → higher sales mostly due to Monospices and salt sales increase. Revenue growth recorded in the Southeastern Europe region, the Markets of Croatia and Slovenia and the Central Europe region cancelled out the lower sales of the Eastern Europe region,
- **BU Soups (+18.0 %)** → higher sales mostly due to sales increase of subcategory Clear soups. Revenue growth was recorded all regions, except for the Eastern Europe region,
- **BU Cereals, Snack and Beverages (+2.7 %)** → higher sales, due to sales increase of the Tea and beverages and Snack categories. Revenue growth was recorded in the Southeastern Europe region and in the Markets of Croatia and Slovenia,
- **BU Creamy spreads and Desserts (-1.1 %)** → lower sales, due to lower sales of Creamy spreads, revenue growth was recorded in the Southeastern Europe region,
- **BU Bakery (+14.3 %)** → higher sales due to higher sales of the categories Žito Flour, Rolls and salt bakery products, and Bread, primarily in the Markets of Croatia and Slovenia,
- **BU Basic food (+21.3 %)** → higher sales, due to the increase in sales of the categories Side dishes, Vegetables and Podravka Flour. A significant growth was recorded in the Markets of Croatia and Slovenia, and the Central Europe region,
- **BU Meat products (+12.3 %)** → sales increase is a result of the increase in sales of the Ready meals and Pates category, revenue growth recorded in all regions,
- **BU Fish (+6.0 %)** → higher sales due to sales increase of the Sardine subcategory, with a sales growth in most regions,
- **Prescription drugs (-2.6 %)** → lower sales, mainly as a result of the dermatological drugs sales decrease, mostly in the market of Russia,
- **Non-prescription programme (+5.0 %)** → higher sales as a result of sales increase of the OTC drugs subcategory in the market of Croatia,
- **Other sales (+20.2 %)** → In the Food segment, grew by HRK 36m (+37.1 %) mainly due to the increase in trade goods sales in the Croatian market; In the Pharmaceuticals segment, grew by HRK 4m (+4.1 %), primarily due to higher trade goods sales in the markets of Croatia and Bosnia and Herzegovina.

¹Percentages in the text relate to performance in 1-6 2022 compared to 1-6 2021.

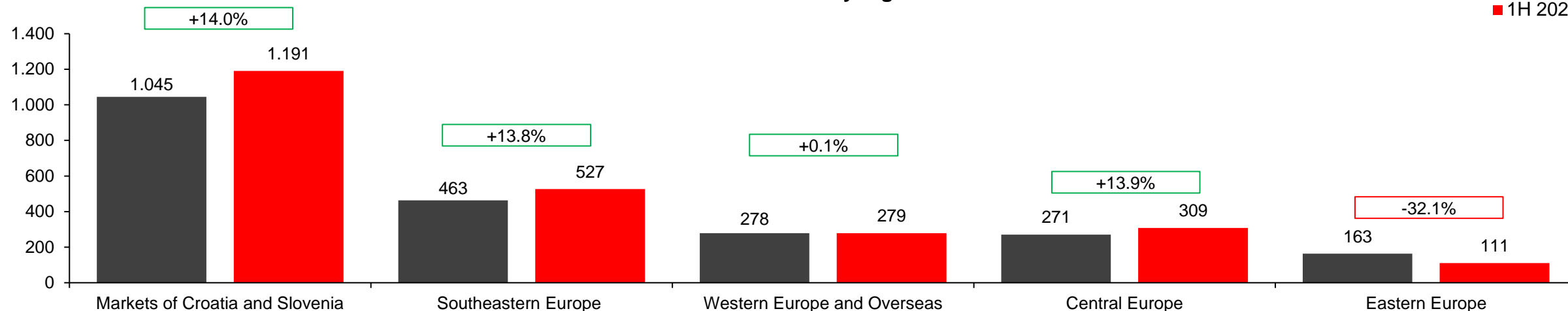
Sales growth of most regions



in HRK m

Sales revenues by region

■ 1H 2021
■ 1H 2022



Region performance in 1 - 6 2022¹:

- **Markets of Croatia and Slovenia (+14.0 %)** → **Food** sales 15.4 % higher, due to sales increase of BU Bakery and Basic food and sales increase in trade goods; **Pharmaceuticals** sales 8.2 % higher due to higher demand and sales Non-prescription programme,
- **Southeastern Europe (+13.8 %)** → **Food** sales higher 15.0 %, due to sales increase of almost all business units with the largest absolute growth generated by the business units Soups and Culinary; **Pharmaceuticals** sales up by 11.4 % due to Prescription drugs sales increase,
- **WE and Overseas region (+0.1 %)** → **Food** sales -0.2 % lower, where the sales increase of BU Meat products, Fish, and trade goods sales increase mitigated the sales decrease by BU Bakery and Creamy spreads and Desserts; **Pharmaceuticals** segment sales revenues up by HRK 1m (+54.0 %) due to an increase in other sales revenues,
- **Central Europe (+13.9 %)** → **Food** sales up by 14.8 %, as a result of a significant sales increase of BU Basic food ; **Pharmaceuticals** sales up by 7.6 % due to higher sales of the prescription drugs category,
- **Eastern Europe (-32.1 %)** → **Food** sales down by -26.8 % primarily due to lower sales of BU Culinary; **Pharmaceuticals** sales lower -34.5 % due to lower sales of Prescription drugs, mostly dermatological drugs.

¹Percentages in the text relate to performance in 1-6 2022 compared to 1-6 2021.

Food segment profitability influenced by price increase of raw materials and supplies

Food segment (in HRK _m)	REPORTED				NORMALIZED ¹			
	1 - 6 2021	1 - 6 2022	Δ	%	1 - 6 2021	1 - 6 2022	Δ	%
Sales revenue	1,717	1,914	197	11.5%	1,717	1,914	197	11.5%
Gross profit	602	642	40	6.6%	602	642	40	6.6%
EBITDA	243	254	11	4.7%	244	250	6	2.5%
EBIT	167	175	8	4.5%	168	170	2	1.3%
Net profit after MI	136	141	5	3.5%	137	136	(1)	(0.5%)
Gross margin	35.1%	33.5%		-155 bp	35.1%	33.5%		-155 bp
EBITDA margin	14.2%	13.3%		-86 bp	14.2%	13.0%		-115 bp
EBIT margin	9.7%	9.1%		-61 bp	9.8%	8.9%		-90 bp
Net profit margin after MI	7.9%	7.4%		-57 bp	8.0%	7.1%		-86 bp

Food segment profitability in 1 - 6 2022:

- **Gross profit** → higher 6.6 % with the gross margin of 33.5 %. In the reporting period, negative trends in prices of raw materials and supplies were recorded if compared to 1 – 6 2021. Cost of raw materials and supplies in manufacturing increased by HRK 133m (+21.6%), primarily related to grains and mill products, meat and meat products, metal packaging and vegetables. In the second half of 2022, additional negative effect of movements in prices of raw materials, supplies and energy is expected,
- **EBIT** → higher 4.5 %, normalized 1.3 % higher. In addition to the impact above the gross profit level, EBIT was negatively affected by the increase in all levels of operating expenses, primarily expenses related to sales growth, while the positive impact comes from favourable movement in foreign exchange differences on trade receivables and trade payables (HRK +6m in 1 – 6 2022; HRK +1m in 1 – 6 2021),
- **Net profit after MI** → higher HRK 5m, normalized lower HRK -1m compared to 1 - 6 2021. Bottom line was impacted by foreign exchange differences on borrowings (HRK +0m in 1 – 6 2022; HRK +1m in 1 – 6 2021) and lower finance costs. Tax expense is HRK 3m higher compared to 1 – 6 2021.

¹Normalized for one-off impact.

Profitability of Pharmaceutical segment under influence of Russia-Ukraine situation



Pharma segment	REPORTED				NORMALIZED ¹			
(in HRK m)	1 - 6 2021	1 - 6 2022	Δ	%	1 - 6 2021	1 - 6 2022	Δ	%
Sales revenue	504	502	(2)	(0.3%)	504	502	(2)	(0.3%)
Gross profit	241	239	(2)	(0.7%)	241	239	(2)	(0.7%)
EBITDA	114	111	(3)	(2.4%)	114	114	(0)	(0.1%)
EBIT	81	78	(4)	(4.7%)	81	80	(1)	(1.4%)
Net profit after MI	61	57	(4)	(6.7%)	61	59	(2)	(3.2%)
Gross margin	47.8%	47.6%		-18 bp	47.8%	47.6%		-18 bp
EBITDA margin	22.5%	22.1%		-48 bp	22.5%	22.6%		+4 bp
EBIT margin	16.2%	15.5%		-71 bp	16.2%	16.0%		-18 bp
Net profit margin after MI	12.2%	11.4%		-78 bp	12.2%	11.8%		-35 bp

Pharmaceuticals segment profitability in 1 - 6 2022:

- **Gross profit** → is lower 0.7 %, the gross margin is 47.6 %. In the second half of 2022, additional negative effect of movements in energy prices is expected,
- **EBIT** → is HRK 4m lower, normalized is HRK 1m lower, as a result of the increase in provisions for trade receivables and the increase in logistics and distribution costs, while a positive impact comes from favourable movements in foreign exchange differences on trade receivables and trade payables (HRK +8m in 1 – 6 2022; HRK +7m in 1 – 6 2021) and from lower marketing expenses and lower general and administrative expenses,
- **Net profit after MI** → is HRK 4m lower, normalized is HRK 2m lower. Bottom line was affected by lower finance costs and movements in foreign exchange differences on borrowings (HRK -1m in 1 – 6 2022; HRK +0m in 1 – 6 2021).

¹Normalized for one-off impacts.

Group profitability influenced by Food segment profitability

Podravka Group	REPORTED				NORMALIZED ¹			
(in HRK m)	1 - 6 2021	1 - 6 2022	Δ	%	1 - 6 2021	1 - 6 2022	Δ	%
Sales revenue	2,221	2,416	196	8.8%	2,221	2,416	196	8.8%
Gross profit	843	881	38	4.5%	843	881	38	4.5%
EBITDA	357	365	9	2.4%	357	363	6	1.6%
EBIT	249	253	4	1.5%	249	250	1	0.4%
Net profit after MI	198	198	1	0.3%	198	195	(3)	(1.3%)
Gross margin	38.0%	36.5%		-151 bb	38.0%	36.5%		-151 bb
EBITDA margin	16.1%	15.1%		-94 bb	16.1%	15.0%		-106 bb
EBIT margin	11.2%	10.5%		-75 bb	11.2%	10.4%		-87 bb
Net profit margin after MI	8.9%	8.2%		-69 bb	8.9%	8.1%		-83 bb

Profitability of the Podravka Group in 1 - 6 2022:

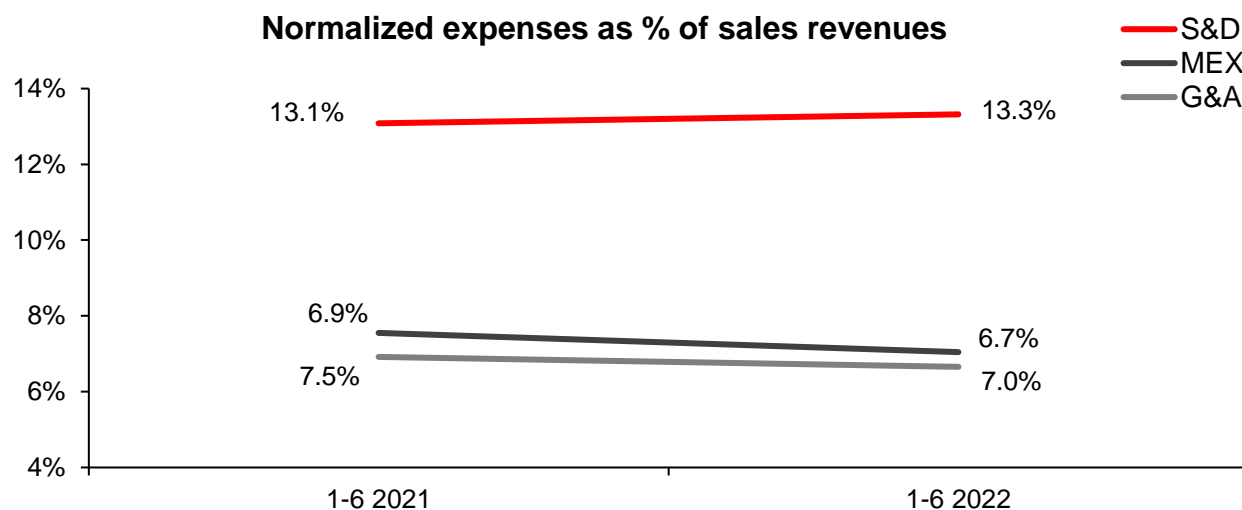
- **Gross profit** → higher 4.5 %, while reported gross margin is 36.5 %,
- **EBIT** → lower by HRK 16m, normalized higher by HRK 1m. EBIT was affected by positive movements in foreign exchange differences on trade receivables and trade payables (HRK +13m in 1 – 6 2022; HRK +8m in 1 – 6 2021) and higher level of operating expenses, especially expenses related to sales growth,
- **Net profit after MI** → is HRK 1m higher, normalized is HRK -3m lower. Bottom line was impacted by movements in FX differences on borrowings borrowings (HRK -1m in 1 – 6 2022; HRK +1m in 1 – 6 2021) relative to the comparative period. The tax expense is HRK 3m higher.

¹Normalized for one-off impacts.

Operating expenses influenced by raw materials and supply prices and FX differences



Operating expenses 1 - 6 22 vs. 1 - 6 21 % change	REPORTED	NORMALIZED ¹
Cost of goods sold (COGS)	11.5 %	11.5 %
General and administrative expenses (G&A)	6.5 %	4.7 %
Sales and distribution costs (S&D)	10.8 %	10.8 %
Marketing expenses (MEX)	1.6 %	1.6 %
Other expenses / (revenues), net	56.1 %	24.8 %
Total	9.7 % 	9.9 %



¹Normalized for one-off impacts.

Key highlights of operating expenses in 1 - 6 2022:

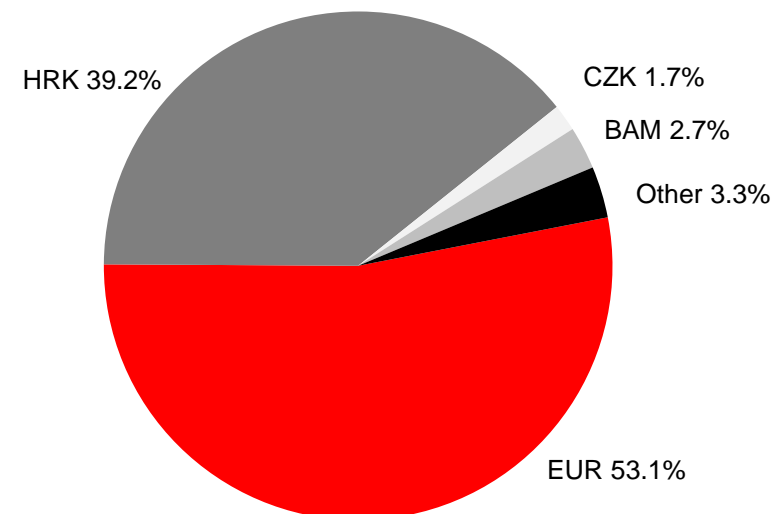
- **Cost of goods sold (COGS):**
 - Higher 11.5 % due to a higher level of sales realized, the structure of sales and movements in prices of raw materials and supplies (cost of raw materials and supplies in manufacturing increased by HRK 133m (+21.6 %), primarily due to the increase in prices of grains and mill products, meat and meat products, metal packaging and vegetables). In the second half of 2022 it is expected to face additional negative effect of movements in prices of raw materials and supplies in the Food segment and negative effect of movements of energy prices in Food and Pharma segment.
- **General and administrative expenses (G&A):**
 - Higher 6.5 % (normalized up by 4.7 %) following the increase in costs of services, staff costs and other expenses relative to the comparative period,
- **Sales and distribution costs (S&D):**
 - Higher 10.8 % due to higher costs of transportation following the increase in prices of transportation, and higher energy and staff costs,
- **Marketing expenses (MEX):**
 - Higher 1.6 % (Food +5.0 %, Pharma -2.2 %),
- **Other expenses (revenues), net:**
 - Amounted to HRK -28m in 1 - 6 2022 (positive effect); HRK -18m in 1 - 6 2021 (positive effect), mainly due to negative movements in FX differences on trade receivables and trade payables (HRK +13m in 1 - 6 2022; HRK +8m in 1 - 6 2021) and income from sale of non-operating assets.

Continuous decline of indebtedness and improvement of debt indicators



(in HRKm) ¹	2021.	1 - 6 2022	% change
Financial debt ²	494	388	(21.4%)
Cash and cash equivalents	33	220	559.1%
Net debt	461	169	(63.4%)
TTM interest expense	7	6	(14.8%)
Net debt / TTM EBITDA	0.8	0.3	(63.7%)
EBITDA / Interest expense	57	67	17.6%
Equity to total assets ratio	75.3%	71.9%	-334 bp

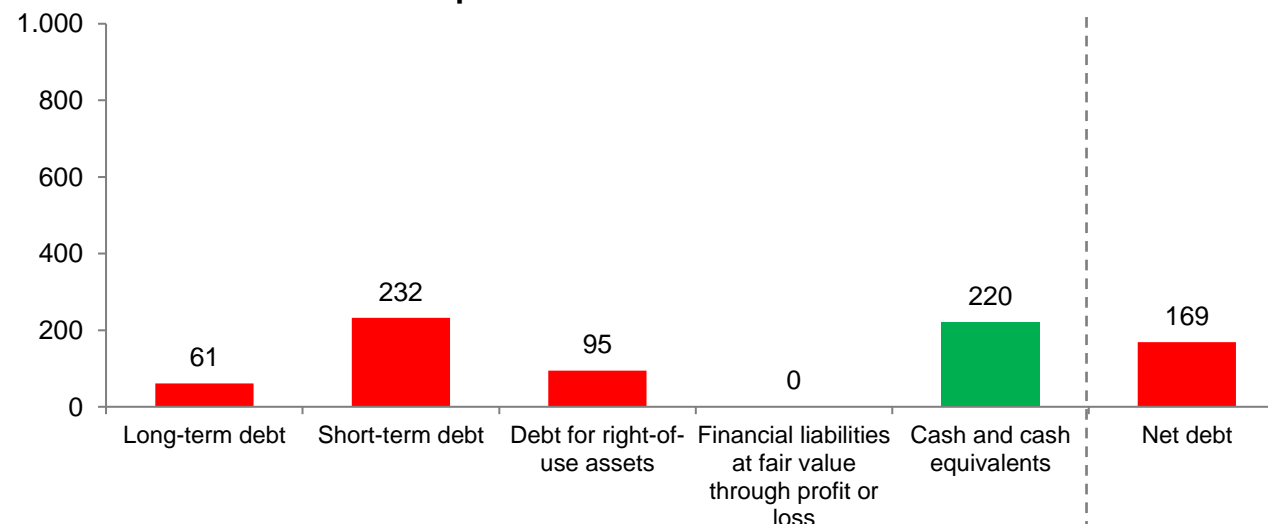
Currency structure of debt as at 30 June 2022



Key highlights:




- **Financial debt** decrease → due to decrease in level of long-term and short-term debt,
- **Long-term debt** decrease → due to regular repayments of long-term debt,
- **Short-term debt** increase → due to regular repayments of short-term debt,
- Lower **interest expenses** → continuous decrease in the total borrowings,
- **Weighted average cost of debt excluding liabilities for right-of-use assets:**
 - As at 30 June 2022 → 0.7 %,
 - As at 31 December 2016 → 2.5 %.

Net debt components in HRKm as at 30 June 2022



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.

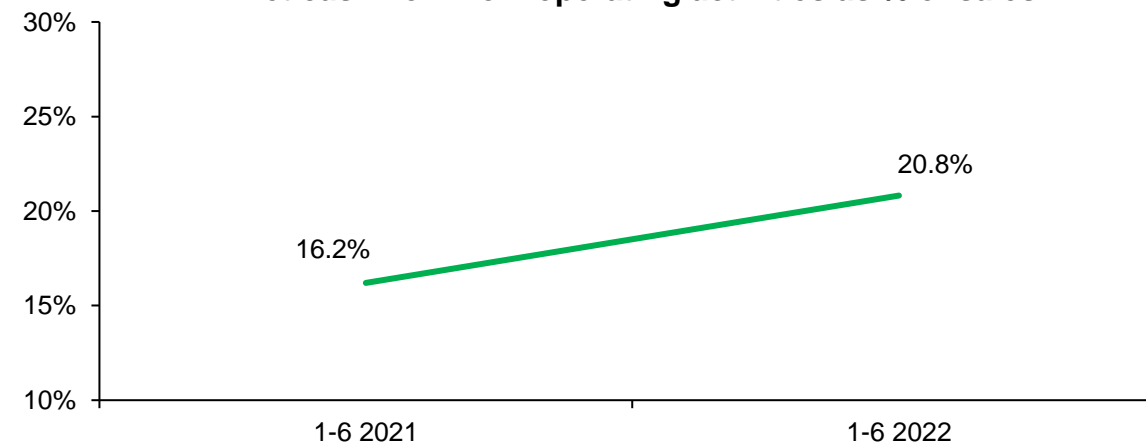
High level of cash flow from operating activities

Working capital movement in BS	31 June 2021 / 31 June 2020		Impact
Inventories		8.5 %	<ul style="list-style-type: none"> This movement is primarily the result of the increase in inventories of the Food segment, with the aim of procuring sufficient amount of raw materials to ensure business continuity and control of future expenses of raw materials and packaging, as well as of the increase in prices of raw materials and packaging,
Trade and other receivables		(2.8 %)	<ul style="list-style-type: none"> This movement is a result of lower sales revenues in the Pharmaceuticals segment in the reporting period,
Trade and other payables		30.1 %	<ul style="list-style-type: none"> This movement is a result of regular operations of the Food segment, but also of movements in prices of raw materials and supplies in the reporting period, as well as of higher provisions for declared dividend for the shareholders of Podravka Inc.

(in HRKm)	1 – 6 2021	1 – 6 2022	Δ
Net cash from operating activities	360	503	143
Net cash from investing activities	(49)	(183)	(134)
Net cash from financing activities	(143)	(134)	9
Net change of cash and cash equivalents	168	186	18

- CAPEX** in 2022 is expected to be at the level of HRK 500m, in 2023 is expected to be at the level of HRK 500m and in 2024-2024 period is expected to be at the level of HRK 250m.

Net cash flow from operating activities as % of sales



Financial indicators overview

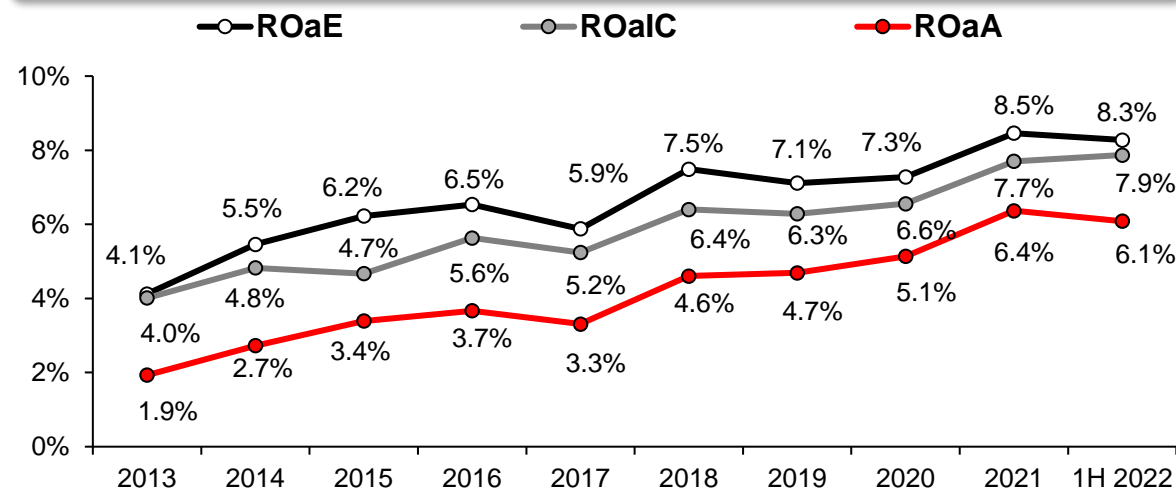


Restructuring related one-off items burdened profitability

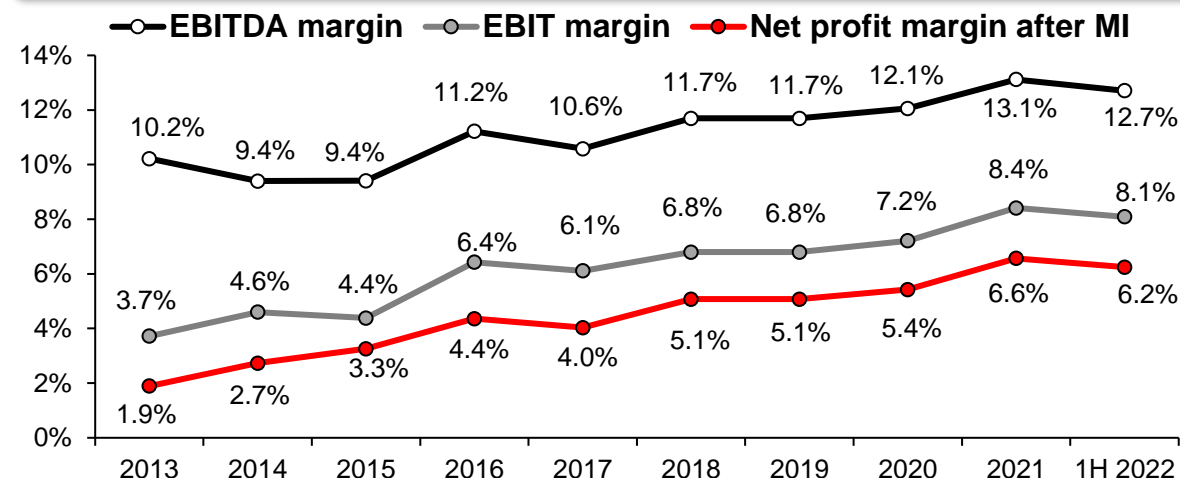
(in HRK m)	2013	2014	2015	2016	2017	2018	2019	2020	2021	1H 22
Value adjustments	(81)	(28)	(35)	(11)	(89)	(9)	(11)	10	(9)	0
Severance payments	(57)	(72)	(41)	(12)	(40)	(6)	(5)	(4)	(4)	(3)
Other	5	10	298 ¹	8	(18)	4	13	1	14	6
Total net one-offs	(133)	(90)	222	(15)	(147)	(10)	(2)	7	1	2

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

Normalized return rates movement²

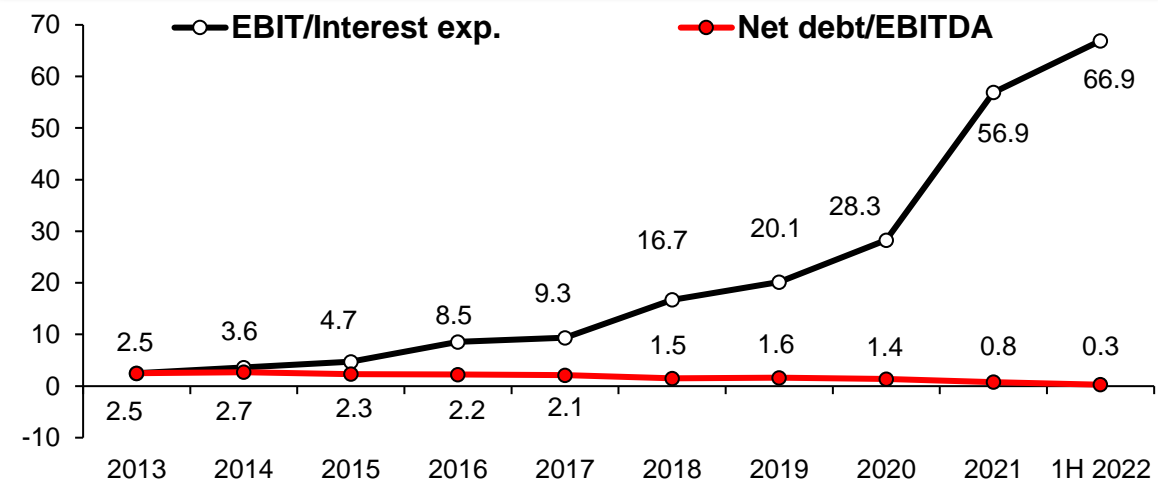


Normalized profitability margins movement²



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

Normalized debt level movement²

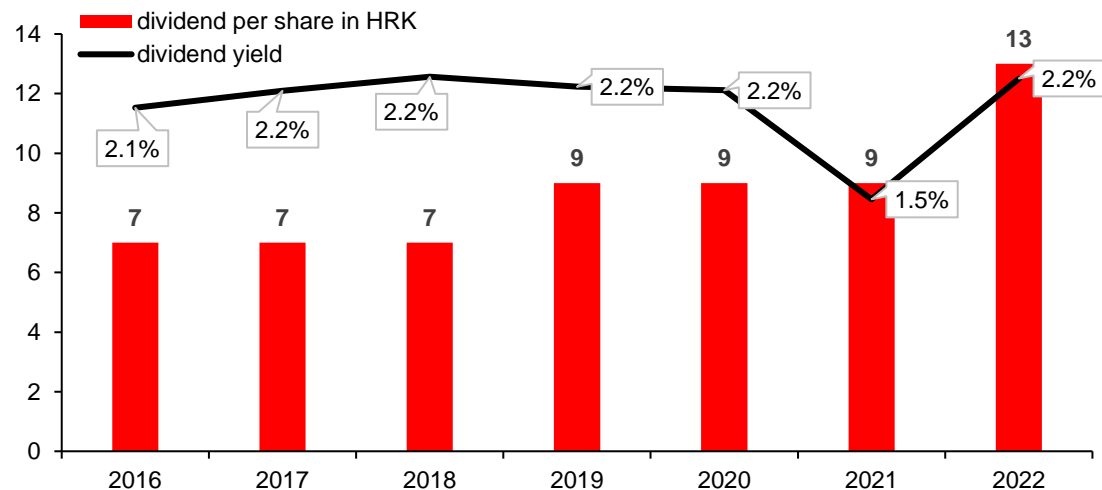


²2015 figures include pro-forma Podravka Group and Žito Group full year figures, excluding consolidation effects and tax incentives for Belupo factories; ²2019, 2020, 2021 and 1H 2022 figures include IFRS 16.

Podravka share remains with stable dividend yield



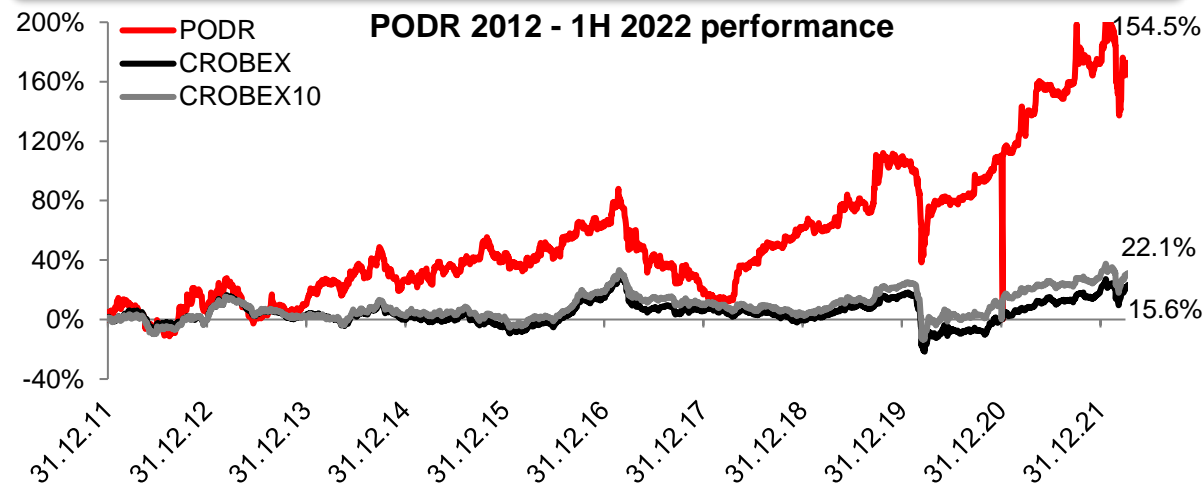
Dividend and dividend yield¹



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,
- Focus on dividend per share amount, not on the payout ratio.

Historical share price movement



Peer group multiples comparison

Peer group multiples ²	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.1	10.7	17.2	2.3	18.9
Normalized weight. av. peer group ³	1.5	9.0	16.5	1.7	17.9
Podravka Group reported	0.9	7.3	11.9	1.1	13.4
Podravka Group normalized ⁴	0.9	7.1	11.2	1.1	13.7

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 18th Jul 2022, based on last price on 30th Jun 2022 (HRK 590.00); ³Calculated excluding max. and min. values; ⁴Normalized for items stated in the publication 1H 2022 and 1H 2021 results.

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Podravka Group

Always with a heart!



Prime Plus webcast, 7th September 2022