



*Podravka*  
*Group*  
business  
results for  
January -  
September  
2022

UNAUDITED

# Content

- 3 Key financial indicators  
in 1 – 9 2022
- 5 Significant events in 1 – 9 2022 and  
after the balance sheet date
- 19 Overview of sales revenues  
in 1 – 9 2022
- 25 Profitability  
in 1 – 9 2022
- 29 Key highlights of the  
income statement in 1 – 9 2022
- 32 Key highlights of the balance sheet  
as at 30 September 2022
- 35 Key highlights of the  
cash flow statement in 1 – 9 2022
- 37 Share in 1 – 9 2022
- 41 Additional tables for 1 – 9 2022
- 47 Consolidated financial statements  
in 1 – 9 2022
- 55 Statement of responsibility
- 56 Contact



Key financial  
indicators  
in 1 – 9 2022

## Key financial indicators in 1 – 9 2022

(in HRK millions)	1 – 9 2021	1 – 9 2022	Δ	%
Sales revenue	3,383.5	3,712.6	329.1	9.7%
EBITDA <sup>1</sup>	491.7	519.9	28.2	5.7%
Net profit after MI	259.3	269.1	9.8	3.8%
Net cash flow from operating activities	453.4	519.5	66.1	14.6%
Cash capital expenditures	100.3	292.8	192.5	191.9%
Normalized EBITDA <sup>2</sup>	492.4	516.5	24.0	4.9%
Normalized net profit after MI	259.8	268.7	8.8	3.4%

(in HRK; market capitalization in HRKm)	31.12.2021	30.09.2022	Δ	%
Net debt / normalized EBITDA	0.8	0.5	(0.2)	(31.7%)
Normalized Earnings per share	43.4	44.6	1.2	2.8%
Last price at the end of period	632.0	556.0	(76.0)	(12.0%)
Market capitalization	4,429.2	3,900.6	(528.6)	(11.9%)
Return on average equity <sup>3</sup>	8.8%	8.5%		-29 bp
Return on average assets <sup>4</sup>	6.3%	6.2%		-13 bp

NOTE: Decimal differences in the document are possible due to rounding.

### Key highlights in 1 – 9 2022:

- In 1 – 9 2022, the Podravka Group recorded a revenue increase of HRK 329.1m (+9.7%), where the Food segment revenues increased by HRK 292.0m (+11.1%), while the Pharmaceuticals segment revenues grew by HRK 37.5m (+5.0%) relative to the comparative period,
- Operating profit before depreciation and amortization (EBITDA) increased by HRK 28.2m (+5.7%) while net profit was higher by HRK 9.8m (+3.8%). Significant negative effect on profitability came from price surge of raw materials, packaging and energy in the Food segment, where the cost of raw materials, packaging and energy increased by HRK 269m (+25.3%). Until the end of 2022, an additional negative impact of the price movement of raw materials and packaging and energy is expected in both operating segments,
- Total debt at the Podravka Group level grew by HRK 42.5m or +8.6% due to an increase in short-term debt for the purpose of financing current operations (mainly trade payables) and dividend distribution, while long-term debt is lower by HRK 101.4m (-72.6%). At the end of the reporting period, net debt<sup>5</sup> amounted to HRK 326.9 million, which is HRK 133.7m (-29.0%) lower, while the leverage (net debt to normalized EBITDA ratio) at the end of the reporting period stood at 0.5.

<sup>1</sup> Reported EBITDA is calculated in a way that EBIT was increased by the depreciation, amortization and value adjustments of the non-current assets.

<sup>2</sup> Normalized EBITDA is calculated in a way that normalized EBIT was increased by the depreciation and amortization.

<sup>3</sup> Normalized. Return on average equity is calculated in a way that normalized Net income is divided by average total shareholder's equity. Average total shareholder's equity is a sum of total shareholder's equity on the last day of reporting period (30.9.2022) and comparative period (31.12.2021) divided by 2. Normalized Net income include the last 12 months period.

<sup>4</sup> Normalized. Return on average assets is calculated in a way that normalized Net income is divided by average total asset. Average total asset is a sum of total asset on the last day of reporting period (30.9.2022) and comparative period (31.12.2021) divided by 2. Normalized Net income include the last 12 months period.

<sup>5</sup> Net debt = Financial debt – Cash and Cash equivalents.

Significant  
events  
in 1 – 9 2022  
and after the  
balance sheet  
date



## **Significant events in 1 – 9 2022 and after the balance sheet date**

- *Increase in the prices of raw materials, packaging and energy caused by global disruptions has a negative impact on business despite the efforts undertaken to increase internal efficiency and optimize costs, and the full effects are expected in the coming period (more details below)*
- *Employees' earnings in Podravka Inc. were increased from 1<sup>st</sup> April 2021 by an average of 22 %, depending on professional qualifications and working conditions (more details below)*
- *The investment cycle of the Podravka Group is carried out in accordance with the adopted Strategy (more details below)*
- *Operational restructuring and production modernization in the Žito Group is proceeding according to plan (more details below)*
- *In September, the process of selling property at Moskovska 1, Ljubljana owned by Žito Ltd. completed (more details below)*
- *In October, the Poslovni dnevnik's award for best investor relations won (more details below)*
- *Podravka marked its 75<sup>th</sup> anniversary with a special one-time compensation to employees in October, instead of celebrations and receptions*
- *In March, new Vegeta BIO with organically grown vegetables and spices presented (more details below)*
- *In March, the Decision on the change in Podravka Inc. and the Food segment organization adopted (more details below)*
- *Change in Podravka Inc. organization brought a more prominent application of ESG criteria*
- *In October, Mr. Želimir Vukina resigned from the position of president and member of the Supervisory Board of Podravka Inc.*
- *In September, Mr. Hrvoje Čeović, PhD appointed President of the Management Board of Belupo Inc.*
- *In June, the General Assembly of shareholders of Podravka Inc. was held (more details below)*
- *In May, the position of the general director of Žito Ltd. taken over by Mr. Tomislav Bujanović*
- *In February, the Supervisory Board of Podravka Inc. appointed the new Management Board, which continues to be led by Martina Dalić (more details below)*

### **Price growth of raw materials, packaging and energy**

After a sharp increase in the prices of raw materials, packaging and energy in the second half of 2021 due to a recovery in demand following the weakening of the pandemic and due to disruptions in supply chains, in 2022, the Ukrainian crisis caused an additional rise in prices of all raw materials, packaging and energy. For example, compared to the beginning of 2021, at the end of September 2022 the stock exchange price of natural gas was higher by 741 %, wheat by 67 %, soybean oil by 51 %, skimmed milk powder by 40 %, butter by 120 % etc. <sup>6</sup>

These trends had a significant negative impact on the Podravka Group's operations, primarily in the Food segment, where in the 1 – 9 2022 period, the cost of raw materials, packaging and energy increased by HRK 269m or +25,3 %, and by the end of 2022, additional negative impact is expected. The prices that have been realized in procurement in the past months, which define production costs in the following period, are 5 % to 30 % higher compared to the end of 2021. The energy prices (primarily gas and electricity) have significantly increased, which puts great pressure on the increase in expenses.

Maximum efforts were made to increase business efficiency and optimize costs in order to mitigate the strong increase in prices of raw materials as much as possible with internal reserves, but internal measures cannot cancel out such strong price jumps. Consequently, in order to mitigate to some extent the negative impact of strong growth of prices of raw materials, packaging and energy, at the beginning of the first quarter the Podravka Group corrected food prices in its markets, in the range of 7 % to 10 %, while the second increase in prices occurred at the beginning of the third quarter, in the range of 5 % to 7 %. Also, in order to achieve the greatest possible cost control and reduce the negative impact of gas price growth on the production costs, in the fourth quarter, Podravka Inc. will also use alternative sources of energy, depending on the price of gas, since it has the infrastructure for using fuel oil as an alternative energy source.

### **Employees' net earnings increased**

Despite the growing uncertainty due to the war in Ukraine, the Management Board of Podravka Inc. persisted in implementing the decision on increasing the net salaries that was adopted before the outbreak of the war in Ukraine. This decision increased the net salaries of Podravka Inc. and Mirna Inc. employees, but also the net salaries of Belupo Inc. employees. The net salaries of Podravka Inc. and Mirna Inc. employees were increased for the second time in less than a year. The decisions of the Management Board on the increase in net salaries and earnings, which were supported by the conclusion of an annex to the collective agreement by all unions operating in Podravka Inc., Mirna Inc. and Belupo Inc., were adopted as a result of efforts to continuously improve the material position of employees and protect the value of their earnings from the growing inflation of retail prices.

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<sup>6</sup> Source Mintec global, a specialized platform for monitoring the prices of commodities. These numbers represent price trends on 30 September 2022 compared to 31 December 2020 on world exchanges (Title Transfer Facility, Euronext Paris, Chicago Mercantile Exchange, New Zealand Exchange, European Energy Exchange).

Podravka Inc. has increased the earnings of its employees on two occasions since May 2021 (over the last year and a half) – through salary increases and the introduction of monthly non-taxable payments in accordance with the permitted legal limits for non-taxable payments. The latest salary increase was implemented in March 2022. Due to these increases, in the last 18 months the net earnings of Podravka employees have increased between HRK 823 and HRK 1,470 on average, that is, on average between 14 and 23 percent, depending on professional qualifications. This approach additionally raises the attractiveness of Podravka as an employer and contributes to the achievement of the goals set in the “Declaration of support to strengthening professional equality within the private sector”, of which Podravka is a signatory.

The salary increase in 2022 represents an increase in investments in employees' earnings of around HRK 35m annually, while in 2021 investments in salaries increased by HRK 21m, so that in less than a year Podravka Inc. and Mirna Inc. have invested more than HRK 55m in improving salaries and total employees' earnings.

### ***Podravka Group investment cycle implemented in line with the adopted strategy***

Despite the pressures on operating expenses due to the exceptional rise in raw material prices, the Podravka Group's investment cycle is going according to plan.

The investment in air conditioning of production plants in Koprivnica and Varaždin is completed, which significantly improved working conditions in these production facilities.

The solar power plant at the Danica site was completed and put into operation in mid-October. This investment has additionally increased the share of renewable sources in electricity production, and this is currently the largest integrated (built on the roofs of existing facilities/buildings) solar power plant in the Republic of Croatia.

The solar power plant has an installed capacity of 3,059 kW (a total of 9,272 panels) and an expected electricity production of 3,266,470 kW per year. It has been built on the roofs of the Soups and Vegeta factory (installed capacity 1,744 kW), the Baby food and creamy spreads factory (installed capacity 939 kW) and part of the Danica meat industry (installed capacity 376 kW). Management decided to speed up the implementation of the second and third phases of the solar power plant construction with the planned completion date of the major share of the investment in 2023. The second phase of the solar power plant construction includes the remaining facilities at the Danica site, and the main project is in the process of preparation. The third phase of the investment in solar power plants refers to facilities at the Belupo site.

Works on the reconstruction and modernization of the office building in Koprivnica have been completed, the facility was put into use, and the employees moved into the renovated administration building at the beginning of September. This is the first complete renovation of the building since 1979, when it was built. The renovation included IT and energy reconstruction and overall modernization, due to which the working conditions of employees will be significantly improved and energy consumption will be reduced. As a result of the complete renovation, the number of workplaces in the building increased from the previous 521 to 586, and the energy class was raised from the previous level D to level A. Thanks to the energy



renovation, energy consumption for heating will be reduced by about 82%, which is particularly significant in the circumstances of the huge increase in energy costs. The work on the building was completed on time and within the planned budget, despite numerous challenges such as rising prices and problems with the delivery of materials, especially after the start of the war in Ukraine. HRK 104.5 million was invested in the renovation and modernization, which includes the renovation and modernization of almost 12.5 thousand square meters of interior spaces, as well as the parking lot and the environment.

In the first quarter of 2022, an investment in the expansion of the Soups and Vegeta factory in Koprivnica was launched, whereby in the second quarter 2022 a complete process line was contracted and the conceptual project was completed, while construction work started in October 2022. This investment will ensure stability and security in the availability of industrial pasta as a strategic raw material in the production of soups, which is one of the most profitable categories of the food products portfolio. Also, the majority of the already launched investment in the Soups and Vegeta factory, in the bouillon cubes packaging line, will be finalized by the end of 2022. Initiated investments in modernization of the Kalnik factory by investing in new production lines will be realized by the end of 2022, and will result in raising the level of production efficiency and creating preconditions for production of innovative products. The investment was co-financed with grants in the amount of HRK 19 million. The investment in the line for the production of extruded products in the Cocktail snacks factory was successfully completed in September this year. It is an investment worth almost HRK 30 million, with the implementation of which Podravka further modernized the technological production process and ensured the prerequisites for further growth in sales of existing and new products in the category of breakfast cereals. This investment has also significantly improved working conditions, considering that the investment enabled automation and a continuous and coordinated production process. The investment cycle also includes companies outside the Republic of Croatia, where the most significant investment relates to the bakery concentration project in Slovenia. The implementation of the project is proceeding according to plan, and the expected effect of the project refers to numerous savings, primarily on production costs, and to the optimization of the production process.

The project of building a new logistics and distribution centre in Koprivnica is carried out according to plan. The conceptual design is in the finalization phase, the designer has been selected, and the initial offers for the machinery have been received, with the aim of starting construction works in the first quarter of 2023. The deadline for completion of the investment will be defined by the period required for machinery delivery. With the construction of the LDC, the Podravka Group will increase its efficiency in the logistics and distribution segment of operations through the optimization of the number of warehouses, minimization of internal transport and better cost control. This will also have a positive impact on the environment through the reduction of carbon dioxide.

During the first quarter of 2022, the LEAN management implementation program was launched in Podravka with a focus on improving business processes and increasing productivity in the areas of production, maintenance and logistics. The first results are manifested through an increase in the efficiency of the machine park, i.e. through a reduction in scrap. Also, at two production sites, the Soups and Vegeta factory and Maribor Bakery, a pilot project of production management system digitalization was launched, which digitalizes the monitoring, recording and control of work on production lines, which will enable better plant efficiency and use of

production resources. Completion of the digitization of the entire Soups and Vegeta factory and Maribor Bakery is expected at the end of October 2022. During 2023, Podravka's other factories will also be digitized with the aim of enabling “paperless production”.

Investment in agricultural machinery and irrigation in the Republic of Croatia was realized in the second quarter of 2022, and it will result in tripling the areas under irrigation. Thereby, in 2023, more than 150 hectares of agricultural land will be irrigated. The goal of the investment is to reduce the procurement cost of raw materials and services of agro-technical operations and to increase self-sufficiency and reduce dependence on imported raw materials.

Investments in the modernization and maintenance of machinery have begun in accordance with the annual investment plan, most of which will be finalized by the end of the year. Also, the Podravka Group is investing in the modernization of its truck fleet, which will result in a reduction in maintenance costs and an increase in the efficiency, timeliness and reliability of transport and distribution of products.

### ***Operational restructuring and production modernization in the Žito Group is proceeding according to plan***

The operational restructuring of the Žito Group includes consolidating the bakery business in a smaller number of locations and focusing on bakery production, technological modernization of the bakery and full harmonization of business processes with the business processes of Podravka Inc. As part of the restructuring, sales and production functions have been separated, so Podravka Ltd. Ljubljana took over all sales operations on the Slovenian market for the entire portfolio of the Food segment, including the bakery portfolio. There were also changes in the leadership of the Žito Group, where Tomislav Bujanović took over the position of the general director of Žito in May 2022.

The process of consolidation of the Žito Group bakery will be based on three locations – Maribor, Vrhnika and Ljubljana (Vič). Until now, two production sites have been closed – the bakeries in Novo Mesto and Ljubljana (Bežigrad), and leaving of the site in Ljubljana, Moskvska 1 is currently in progress, since this location has been sold. The process of increasing the efficiency of the production portfolio in order to increase profitability is underway, which is why part of the unprofitable production categories have been abolished, and part has been moved to outsourced production. In addition, in the following period significant investments in the bakery modernization will be made, of which we should mention a new line of higher capacity for bakery products at Vič, automation of lines in Maribor, and investment in infrastructure and expansion of frozen products storage facilities in Maribor.

During 2022, the process of terminating business cooperation with confectionery products manufacturer for which the Žito Group produced a private label has been finalised. This will have a negative impact on the sales revenue of the Žito Group, but will have positive effects on profitability.

As a result of the implemented business restructuring and changes in the organization, the first results in increasing the cost efficiency of the Žito Group are expected until the end of 2022.

### ***The process of selling property at Moskovska 1, Ljubljana owned by Žito Ltd. completed***

The sale of real estate at the location of Moskovska 1, Ljubljana with a total area of 95,505 m<sup>2</sup> is an integral part of the Podravka Group's Strategic Plan for the 2021 – 2025 period, and the three-year Business Plan of the Podravka Group for the 2022 – 2024 period. The strategy includes the restructuring and modernization of the Žito Group, as well as the sale of its non-operating property and the concentration of production sites. The goal of the Strategy is to increase the efficiency of the Žito Group and its stronger focus on the bakery segment in order to successfully transform the company in line with market trends and strengthen its leadership position on the market in the bakery segment.

The process of selling this location was initiated in July 2021, by assessing the market value of property, while in August 2021, an agency was chosen to mediate in the process of selling the property. A structured sales process was conducted and 7 expressions of interest were received in January 2022, after which 4 non-binding offers were received in March 2022, and 2 binding offers were received in May 2022. After all the details of the sales contract were negotiated with both bidders, at the beginning of September 2022, very precise steps for completing the process were defined. The steps were adopted by Management of Žito Ltd. and approved by the Supervisory Board of Žito Ltd. Both bidders were clearly and unequivocally informed in writing about the order of steps in the strict and formal process of submitting final binding unconditional offers. This includes the delivered form for the submission of final binding unconditional offers. Only one bidder submitted a final binding unconditional offer within the prescribed form and deadline, and Management of Žito Ltd. made a decision to accept this offer, which was approved by the Supervisory Board of Žito Ltd., the General Assembly of Žito Ltd., and the Supervisory Board of Podravka Inc.

By the sale of property at Moskovska 1, Ljubljana, Žito Ltd. realized income from the sale above the book value, and this income will be realized in the operating result in the fourth quarter of 2022, given that the conclusion of the transaction and the payment of the sale amount took place on 14<sup>th</sup> October 2022.

### ***Poslovni dnevnik award for best investor relations won***

At the conference of the Zagreb Stock Exchange and the fund industry in Dubrovnik, Poslovni dnevnik's awards for the best investor relations were awarded for the 13th time in a row. On that occasion, Podravka received the 2<sup>nd</sup> award for the best investor relations. Poslovni dnevnik, in cooperation with the Zagreb Stock Exchange, awards the companies that have achieved the best investor relations, and the winners are decided on the basis of statistical criteria related to the issuer's compliance with the Stock Exchange Rules and on the basis of a survey conducted among capital market participants. This is the second time in the last three years that Podravka has received this award, which shows a high level of transparency in reporting and timely and continuous communication of all important business events to investors and the public.

### ***Podravka presented new Vegeta BIO with organically grown vegetables and spices***

In March 2022, Podravka presented its new product – Vegeta BIO – which contains 400 grams of fresh organically grown vegetables. This product was designed in response to the needs of increasingly demanding consumers in Central and Western Europe, and has found its place also on Croatian shelves, following the trends of healthy food. As the increase in consumer awareness of proven and sustainable products is at the highest levels so far, the Vegeta brand, which is an unquestionable guarantee of quality, has brought a novelty that meets all the set consumer prerequisites. Vegeta BIO contains organically grown vegetables and spices, and with a combination of sea salt, it is an ideal universal food seasoning that will perfectly complement any dish. The development of the food portfolio in the BIO segment is in line with nutritional preferences and increasing consumer awareness of the importance of a healthy diet.

One of the most recognizable Croatian brands around the world, Podravka's Vegeta, was declared the best universal food seasoning in Europe, which was confirmed by the prestigious research agency Nielsen, based on regular sales panel reports.

Nielsen's research was conducted on collected sales data for the period from October 2020 to September 2021 for a total of 31 European countries, which showed that Vegeta is in the first place in terms of volume sales in the category of dehydrated food seasonings. Vegeta thus became the number 1 universal food seasoning in Europe, which is the latest in a series of numerous confirmations of continuous quality that has become recognizable on as many as six continents over the course of more than six decades. Throughout its rich history, which begins in 1959, Vegeta has spiced many dishes, inspired millions of consumers and won hearts across Europe and the world – currently it can be found in more than fifty countries

## **Change in Podravka Inc. and the Food segment organization**

In early March 2022, the Management Board of Podravka Inc. adopted a decision to change the organization of Podravka Inc. and the Food segment. The goal of the new organization is to enhance and improve the efficiency of the Podravka Group, enable faster reaction and adjustment to market changes, clearer separation of roles and responsibilities between organizational units, clear definition of responsibilities and management roles of corporate functions of Podravka Inc. for the entire Podravka Group and faster and more efficient communication. The reorganization also ensured the full integration of the Žito Group's activities into the management mechanisms of the Podravka Group and the Žito Group's focus on bakery. Podravka Inc. is divided by the new organization into four business areas (Sales, Business Units, Finance, Supply Chain) and eight corporate functions.

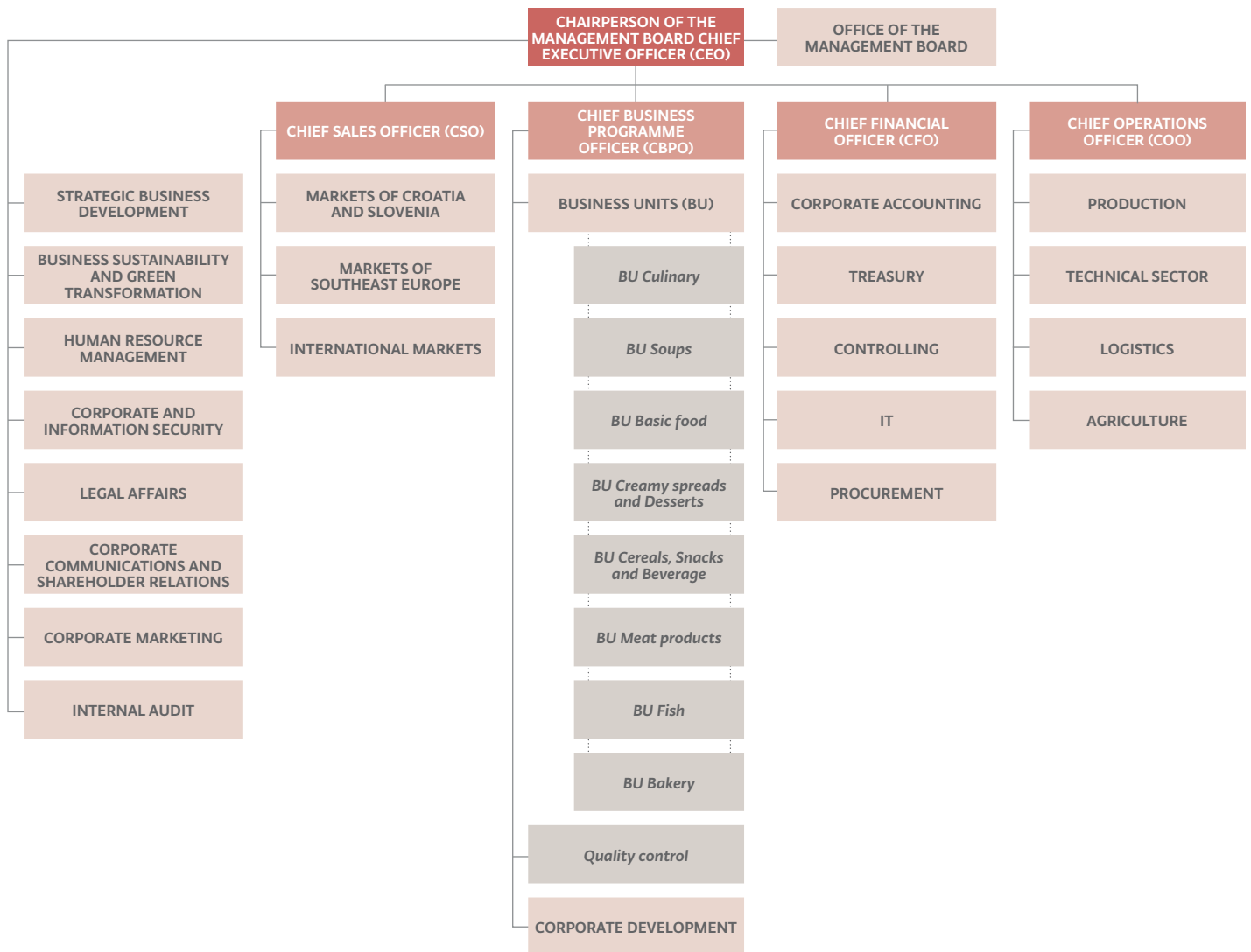
The Sales business area is divided into three main divisions – the markets of the Republic of Croatia and the Republic of Slovenia, the market of Southeastern Europe and the International markets. The former Adria region has been divided into two divisions for a better focus on the two largest markets of Croatia and Slovenia. The Sales business area is managed by the member of the Management Board of Podravka Inc. for sales, Milan Tadić.

The business area Business Units is divided into eight business units (BU Culinary, BU Soups, BU Cereals, snack and beverages, BU Creamy spreads and desserts, BU Bakery, BU Basic food, BU Meat products, BU Fish) and Quality Control and Corporate Development. The portfolio of the previous business unit Žito and Lagris has been divided into other business units according to the product categories, while the bakery has been separated into a separate business unit. BU Bakery is located in Ljubljana, but in all its activities it operates within the business area Business Units. The business area Business Units is managed by the member of the Management Board of Podravka Inc. for business units, Ivan Ostojić.

The business area Finance is divided into Corporate Accounting, Treasury and Controlling, and after the reorganization it also includes Procurement and IT. The business area Finance is managed by the member of the Management Board of Podravka Inc. for finance, Davor Doko.

The business area Supply Chain includes Production, Technical Sector, Logistics and Agriculture. The Production Sector manages all factories in Croatia and the Czech Republic, while the Žito Group, as a production company outside Croatia, is fully functionally integrated into the Podravka Group's operations, but it retains its legal personality and position in accordance with Slovenian laws. The Supply Chain business area is managed by the member of the Management Board of Podravka Inc. for the supply chain, Ljiljana Šapina.

Corporate functions include Strategic Business Development, Business Sustainability and Green Transformation, Human Resource Management, Corporate and IT Security, Internal Audit, Legal Affairs, Corporate Communications and Stakeholder Relations, Corporate Marketing and the Office of the Management Board. Corporate functions are in charge of managing appropriate operations at the level of the Podravka Group, and they are managed by the President of the Management Board of Podravka Inc. Martina Dalić.



In line with the business trends and company's needs, and in order to place greater emphasis on strategy management and the impact of green policies, a stronger role is given to the Strategic Business Development and Business Sustainability and Green Transformation sectors. This is the result of the growing global emphasis on sustainable business and the focus of investors on the non-financial part of business. Through a proactive approach, the Podravka Group has integrated the ESG report into its Annual Report and is continuously improving the range of information in accordance with the relevant European Union regulations in order to provide investors with all relevant information necessary for valuations. The next step in the transparency of non-financial reporting is the development of the Green Strategy, which will cover the operations of all parts of the Podravka Group and which will define the goals of sustainable development of the Podravka Group, as well as procedures for achieving the defined goals.

Podravka's management and professional team has recently been strengthened by experts with knowledge and experience, who came from established companies where they had significant careers and excellent business results, and who will bring new business standards and practices

to the Podravka Group. In the past year, 19 new managers with respectable careers in Croatian and foreign companies have joined the Podravka Group. The new organization is equally an opportunity for advancement for Podravka's internal experts and managers who have many years of business experience and knowledge. The teams have been strengthened with new knowledge and experience, while at the same time continuing to invest in own talents and the growth and development of employees. Strengthening the management and professional teams, especially in sales, is an essential prerequisite for fulfilling the strategic commitment related to a stronger move into the markets of Central and Western Europe. The new organization reduced the number of management levels, opened up space for the advancement of Podravka's best experts and managers, and accelerated and simplified decision-making processes.

The Podravka Group is increasingly facing a shortage of labour, especially skilled workers, so foreign workers from Nepal and Tanzania have been hired. With the purpose of attracting young professionals, strengthening talents and enhancing the professional, innovative and creative potential of the Podravka Group employees, an intern recruitment project was launched under the motto "Be a lid to our pot", which will be held regularly every year.

### ***Change of Podravka Inc. organization brought a more prominent application of ESG criteria***

In accordance with the ESG criteria and the Code of Ethical Principles<sup>7</sup>, the Podravka Group is committed to equal opportunities and equality of all employees regardless of gender and to a zero tolerance for any form of discrimination. With 40 % of women in the Management Board and 22 % in the Supervisory Board as at 30<sup>th</sup> September 2022, Podravka Inc. is among leaders of gender equality in Croatia, and with the implementation of the new organization from 1<sup>st</sup> April 2022, the share of women in top management increased from 24 % to 43 %. As at 30<sup>th</sup> September 2022, 52 % of employees in the Podravka Group were women, and out of the total number of employees with university education, women make up as much as 65 %. Although there is a gender pay gap of 2.2 %, it is far below the national average (11.2 %) and the EU average (13.0 %). The intention of the Podravka Group is to further reduce the pay gap between male and female employees in the coming period through various measures.

Management of Podravka Inc. this year also adopted the Rulebook on the procedure for internal reporting of irregularities and the appointment of a confidentiality officer, which regulates the procedure for internal reporting of irregularities in Podravka Inc., and the procedure for appointing the confidentiality officer for internal reporting of irregularities, in accordance with the Act on the Protection of Whistleblowers, all with the aim of protecting the rights of its employees and creating positive and equal working conditions.

More detailed quantitative indicators of the Social criteria are available within the ESG report in the Annual Report of the Podravka Group for 2021.<sup>8</sup>

<sup>7</sup> Available at <https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/dokumenti>.

<sup>8</sup> Available at <https://www.podravka.hr/kompanija/investitori/financijska-izvjesca>.

### ***The General Assembly of shareholders of Podravka Inc. held***

On 14<sup>th</sup> June 2022, the General Assembly of shareholders of Podravka Inc. was held. Based on the decision of the General Assembly, there was a change in the composition of the Supervisory Board, and as of 1<sup>st</sup> July 2022, Damir Grbavac was elected a new member of the Supervisory Board instead of Ivan Ostojić, who became a member of the Management Board of Podravka Inc. on the same day. In September 2022, the mandate of four members of the Supervisory Board expires: Petar Miladin, Luka Burilović, Krunoslav Vitelj and Dajana Milodanović. By the decision of the General Assembly, Petar Miladin, Luka Burilović and Krunoslav Vitelj received new mandates in the Supervisory Board, and Damir Felak will replace Dajana Milodanović in the Supervisory Board. Thus, as of September 2022, the Supervisory Board will have the following composition: Želimir Vukina, Luka Burilović, Ksenija Horvat, Krunoslav Vitelj, Tomislav Kitonić, Marina Dabić, Petar Miladin, Damir Grbavac and Damir Felak.

The assembly also confirmed the dividend distribution proposal to Podravka Inc. shareholders in the amount of HRK 13.00 per share. The dividend was paid on 12th August 2022 to all shareholders registered in the shareholders list as at 14<sup>th</sup> July 2022. Taking into account the last market price of the Podravka share (HRK 600.00) on the date of determining the list for dividend distribution (12th August 2022), the dividend amount paid implies a dividend yield of 2.2%. With the continuity of the dividend yield over the years, the Podravka Group puts the emphasis and focus on the realization of the expectations set by the shareholders.



**Supervisory Board of Podravka Inc. appointed new Management Board in February, under the continued leadership of Martina Dalić**

At the session of the Podravka Inc. Supervisory Board held on 4<sup>th</sup> February 2022, the decision was made to appoint the Management Board that will lead the company in the five-year mandate, starting from 24<sup>th</sup> February 2022. The Supervisory Board appointed Martina Dalić, PhD the President of the Management Board, and previous Board members Davor Doko and Ljiljana Šapina received new mandates. Milan Tadić, previously Podravka's Head Director for the Adria Region, was appointed as a new member of the Management Board. As of 1<sup>st</sup> July 2022, the Management Board operates in full composition following the arrival of Ivan Ostojić, until then a member of the Management Board of Wüstenrot stambena štedionica and a member of the Podravka Inc. Supervisory Board.



As of 24<sup>th</sup> February 2022, the President of the Management Board of Belupo Inc., Hrvoje Kolarić, no longer holds the position of a member of the Management Board of Podravka Inc., with the aim to put a greater focus of Belupo Inc. Management Board on the pharmaceutical business. The Management Board of Belupo Inc. has also been strengthened since 24<sup>th</sup> February 2022 with the former member of Podravka Inc. Management Board, Marko Đerek, whereby the number of Belupo Inc. Management Board was increased to three. After the end of the term in the Management Board of Belupo Inc. (3<sup>rd</sup> May 2022), Hrvoje Kolarić ceased to hold the position of the President of the Management Board of Belupo Inc.

### ***Implications of the Russian Ukrainian crisis on the Podravka Group's operations***

In 2021, the Podravka Group generated less than 6.5 % of total revenues in the markets of Russia and Ukraine. The Russian market is of great importance for the Pharmaceuticals segment in terms of total sales revenues but also profitability, while in the Food segment the Russian market is not so significant in terms of total sales revenues or in terms of profitability. Management of Podravka Inc. continuously considers all risks associated with the Russian-Ukrainian conflict and assesses that these risks do not threaten Podravka Group's operations stability.

### ***Operations of the Podravka Group in conditions of COVID – 19 disease***

The first half of 2022 was still marked by the COVID–19 pandemic and epidemiological measures that differed in scope and duration in individual countries. In all markets where the Podravka Group operates, epidemiological measures in the first quarter created certain restrictions related to consumer behaviour and business itself. In the second quarter, the epidemiological measures were completely lifted, which made everyday business easier, and this was also the case in the third quarter. It is not possible to quantify or assess the impact of COVID–19 disease on sales revenue trends of both business segments. The recovery of the Gastro channel (HoReCa customers, institutional customers, industrial customers, etc.) in the Food segment was evident already in the first quarter, primarily in the markets of Croatia and Slovenia. In the reporting period, the Podravka Group received subsidies in Slovenia and Croatia in the total net amount of HRK 1.1m, while there were no financial impacts or risks caused by COVID–19, or value adjustments or any other situation that could be connected with COVID–19 disease.



# Overview of sales revenues in 1 – 9 2022



## Sales revenues by segment in 1 – 9 2022

(in HRK millions)	1 – 9 2021	1 – 9 2022	Δ	%
<b>Food</b>	<b>2,634.0</b>	<b>2,926.0</b>	<b>292.0</b>	<b>11.1%</b>
<i>Own brands</i>	2,475.1	2,719.5	244.4	9.9%
<i>Other sales</i>	158.9	206.5	47.6	29.9%
<b>Pharmaceuticals</b>	<b>749.5</b>	<b>786.6</b>	<b>37.1</b>	<b>5.0%</b>
<i>Own brands</i>	595.7	624.9	29.1	4.9%
<i>Other sales</i>	153.7	161.7	8.0	5.2%
<b>Podravka Group</b>	<b>3,383.5</b>	<b>3,712.6</b>	<b>329.1</b>	<b>9.7%</b>
<i>Own brands</i>	3,070.8	3,344.4	273.5	8.9%
<i>Other sales</i>	312.7	368.2	55.6	17.8%

### Movements of the Food segment revenues (1 – 9 2022 compared to 1 – 9 2021):

- OWN BRANDS recorded HRK 244.4m (+9.9 %) higher sales due to the increase in sales of all business units,
- OTHER SALES recorded HRK 47.6m (+29.9 %) higher sales, primarily as a result of the increase in trade goods sales in the markets of Croatia and Slovenia,
- Overall, the FOOD SEGMENT recorded HRK 292.0m (+11.1 %) higher sales,

### Movements of the Pharmaceuticals segment revenues (1 – 9 2022 compared to 1 – 9 2021):

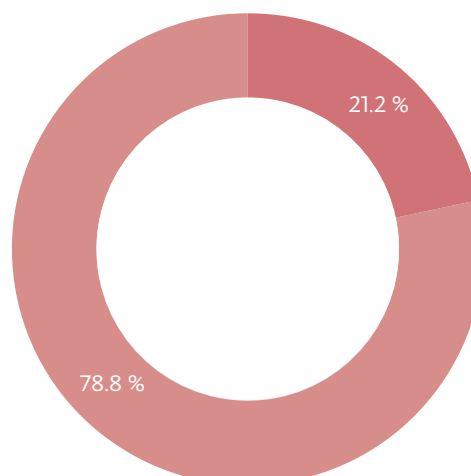
- OWN BRANDS recorded HRK 29.1m (+4.9 %) higher sales, as a result of the increase in sales revenues of Prescription drugs (primarily drugs for nervous system) and Non-prescription drugs,
- OTHER SALES recorded HRK 8.0m (+5.2 %) higher revenues, due to the increase in trade goods sales in the markets of Bosnia and Herzegovina, and Croatia,
- Overall, the PHARMACEUTICALS SEGMENT recorded HRK 37.1m (+5.0 %) higher sales revenues,

### Movements of the Podravka Group revenues (1 – 9 2022 compared to 1 – 9 2021):

- Podravka Group's OWN BRANDS recorded an increase in sales of HRK 273.5m (+8.9 %),
- The revenues of OTHER SALES are HRK 55.6m (+17.8 %) higher,
- Overall, the PODRAVKA GROUP sales revenues are HRK 329.1m (+9.7 %) higher.

## Sales revenues by segment in 1 – 9 2022

- Pharmaceuticals segment 21.2 %
- Food segment 78.8 %



## Sales revenues by business unit and category in 1 – 9 2022

**NOTE:** At the beginning of March 2022, the Podravka Group completed the process of internal reorganization of the Food segment with the aim of increasing business efficiency. The new internal reorganization defined eight business units instead of the previous six. An overview is presented in the "Additional tables for 1 – 9 2022" section for better understanding of the business units.

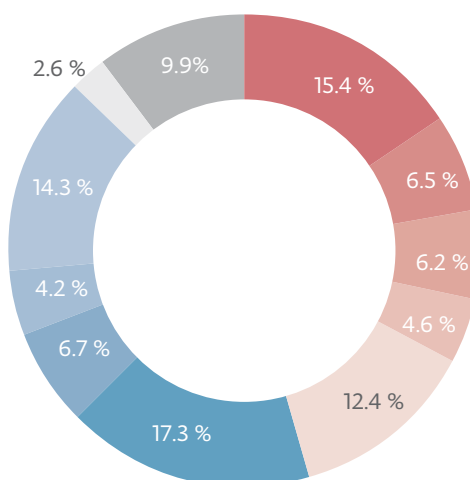
(in HRK millions)	1 – 9 2021	1 – 9 2022	Δ	%
BU Culinary	567.7	572.1	4.4	0.8%
BU Soups	206.8	240.4	33.6	16.2%
BU Cereals, Snack and Beverages	219.3	228.5	9.2	4.2%
BU Creamy spreads and Desserts	166.4	170.6	4.2	2.5%
BU Bakery	406.1	459.8	53.7	13.2%
BU Basic food	522.8	642.8	120.1	23.0%
BU Meat products	233.0	249.8	16.9	7.2%
BU Fish	153.1	155.5	2.4	1.6%
Prescription drugs	503.9	529.3	25.3	5.0%
Non-prescription programme	91.8	95.6	3.8	4.1%
Other sales	312.7	368.2	55.6	17.8%
<i>Other sales Food</i>	<i>158.9</i>	<i>206.5</i>	<i>47.6</i>	<i>29.9%</i>
<i>Other sales Pharmaceuticals</i>	<i>153.7</i>	<i>161.7</i>	<i>8.0</i>	<i>5.2%</i>
<b>Podravka Group</b>	<b>3,383.5</b>	<b>3,712.6</b>	<b>329.1</b>	<b>9.7%</b>

**Movements of sales revenues by business unit and category (1 – 9 2022 compared to 1 – 9 2021):**

- The CULINARY BUSINESS UNIT recorded HRK 4.4m (+0.8 %) higher sales, primarily due to Universal seasonings sales increase. Revenue growth was recorded in all regions, except for the Eastern Europe region,
- The SOUPS BUSINESS UNIT recorded HRK 33.6m (+16.2 %) sales growth, primarily due to the sales increase of the Clear soups subcategory. The business unit recorded revenue growth in all regions, except for the Eastern Europe region,
- The CEREALS, SNACK AND BEVERAGES BUSINESS UNIT recorded HRK 9.2m (+4.2 %) higher sales, due to sales increase of all categories, mostly Snack, and Tea and beverages categories. The revenue growth was recorded in the Southeastern Europe region and in the Markets of Croatia and Slovenia,
- The CREAMY SPREADS AND DESSERTS BUSINESS UNIT records HRK 4.2m (+2.5 %) higher sales than in the comparative period, as a result of higher sales of the Desserts category. The revenue growth was recorded in the Markets of Croatia and Slovenia and in the Southeastern Europe region,
- The BAKERY BUSINESS UNIT recorded HRK 53.7m (+13.2 %) sales growth, primarily due to higher sales of the categories Žito Flour, Bread and Rolls and salt bakery products, primarily in the Markets of Croatia and Slovenia,
- In the observed period, the BASIC FOOD BUSINESS UNIT recorded HRK 120.1m (+23.0 %) higher sales than in the comparative period, primarily due to the increase in sales of the categories Side dishes, Podravka Flour and Vegetables. Sales growth was recorded in all regions, primarily in the Markets of Croatia and Slovenia, and the Central Europe region,
- In the reporting period, the MEAT PRODUCTS BUSINESS unit recorded HRK 16.9m (+7.2 %) higher sales as a result of the sales growth in Ready meals, Other products, and Dried Meat and Sausage Products categories. The revenue growth was recorded in almost all regions,
- The FISH BUSINESS UNIT recorded HRK 2.4m (+1.6 %) higher sales than in the comparative period, due to the increase in sales of the Sardine subcategory, primarily in the Markets of Croatia and Slovenia and in the Western Europe and Overseas region,
- The PRESCRIPTION DRUGS CATEGORY recorded HRK 25.3m (+5.0 %) higher sales, primarily due to the sales increase of drugs for nervous system and dermatological drugs. The biggest absolute sales revenue growth was recorded in the markets of Bosnia and Herzegovina, and Russia,
- The revenues of the NON-PRESCRIPTION PROGRAMME CATEGORY are HRK 3.8m (+4.1 %) higher, as a result of sales increase of the OTC drugs subcategory in the market of Croatia,
- The OTHER SALES CATEGORY recorded HRK 55.6m (+17.8 %) higher sales. In the Food segment, other sales grew by HRK 47.6m (+29.9 %) mainly due to the increase in trade goods sales in the Croatian market. In the Pharmaceuticals segment, other sales grew by HRK 8.0m (+5.2 %), primarily due to higher trade goods sales in the markets of Bosnia and Herzegovina, and Croatia.

## Sales revenues by business unit and category in 1 – 9 2022

- BU Culinary 15.4 %
- BU Soups 6.5 %
- BU Cereals, Snacks and Beverages 6.2 %
- BU Cream spreads and Desserts 4.6 %
- BU Bakery 12.4 %
- BU Basic food 17.3 %
- BU Meat products 6.7 %
- BU Fish 4.2 %
- Prescription drugs 14.3 %
- Non-prescription programme 2.6 %
- Other sales 9.9 %



## Sales revenues by region in 1 – 9 2022

**NOTE:** At the beginning of March 2022, Podravka completed the process of internal reorganization of the Food segment with the aim of increasing business efficiency and a new division of regions was made. An overview is presented in the "Additional tables for 1 – 9 2022" section for better understanding of the regions.

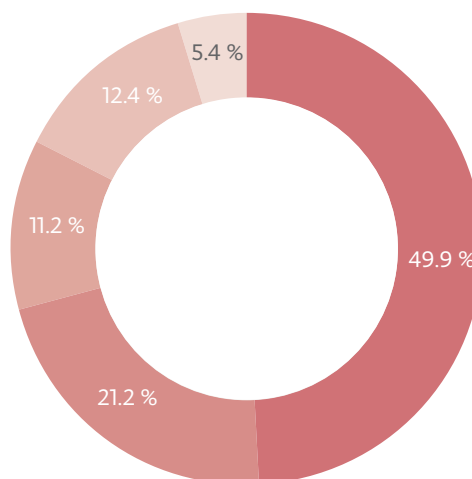
(in HRK millions)	1 – 9 2021	1 – 9 2022	Δ	%
<b>Markets of Croatia and Slovenia</b>	<b>1,639.5</b>	<b>1,851.1</b>	<b>211.6</b>	<b>12.9%</b>
<i>Food</i>	<i>1,322.3</i>	<i>1,512.6</i>	<i>190.3</i>	<i>14.4%</i>
<i>Pharmaceuticals</i>	<i>317.2</i>	<i>338.5</i>	<i>21.3</i>	<i>6.7%</i>
<b>Southeastern Europe</b>	<b>705.5</b>	<b>785.9</b>	<b>80.4</b>	<b>11.4%</b>
<i>Food</i>	<i>483.7</i>	<i>541.9</i>	<i>58.1</i>	<i>12.0%</i>
<i>Pharmaceuticals</i>	<i>221.8</i>	<i>244.1</i>	<i>22.3</i>	<i>10.1%</i>
<b>WE and Overseas</b>	<b>404.1</b>	<b>414.6</b>	<b>10.5</b>	<b>2.6%</b>
<i>Food</i>	<i>400.6</i>	<i>410.9</i>	<i>10.2</i>	<i>2.6%</i>
<i>Pharmaceuticals</i>	<i>3.5</i>	<i>3.7</i>	<i>0.2</i>	<i>6.1%</i>
<b>Central Europe</b>	<b>402.0</b>	<b>460.9</b>	<b>59.0</b>	<b>14.7%</b>
<i>Food</i>	<i>351.9</i>	<i>406.7</i>	<i>54.9</i>	<i>15.6%</i>
<i>Pharmaceuticals</i>	<i>50.1</i>	<i>54.2</i>	<i>4.1</i>	<i>8.2%</i>
<b>Eastern Europe</b>	<b>232.4</b>	<b>200.1</b>	<b>(32.3)</b>	<b>(13.9%)</b>
<i>Food</i>	<i>75.5</i>	<i>54.0</i>	<i>(21.6)</i>	<i>(28.6%)</i>
<i>Pharmaceuticals</i>	<i>156.9</i>	<i>146.2</i>	<i>(10.7)</i>	<i>(6.8%)</i>
<b>Podravka Group</b>	<b>3,383.5</b>	<b>3,712.6</b>	<b>329.1</b>	<b>9.7%</b>

### Movements of sales revenues by region (1 – 9 2022 compared to 1 – 9 2021):

- The **MARKETS OF CROATIA AND SLOVENIA** recorded a sales increase of HRK 211.6m (+12.9 %) relative to the comparative period. Food segment revenues increased by HRK 190.3m (+14.4 %), primarily due to sales increase of the business units Bakery and Basic food and trade goods sales increase. Pharmaceuticals segment revenues are HRK 21.3m higher (+6.7 %), due to higher demand and sales of the Non-prescription programme, trade goods and Prescription drugs compared to the same period of the previous year,
- Revenues of the **SOUTHEASTERN EUROPE REGION** grew by HRK 80.4m (+11.4 %) in the reporting period. The Food segment recorded revenue growth of HRK 58.1m (+12.0 %), due to sales increase of almost all business units, with the largest absolute growth generated by the business units Soups and Basic food. Pharmaceuticals segment revenues are HRK 22.3m higher (+10.1 %) primarily due to Prescription drugs and trade goods sales increase,
- The **WESTERN EUROPE AND OVERSEAS REGION** recorded HRK 10.5m (+2.6 %) higher sales. The Food segment recorded HRK 10.2m (+2.6 %) higher sales due to sales growth of most business units, with the largest absolute growth recorded by business units Culinary and Meat products. The Pharmaceuticals segment revenues are HRK 0.2m (+6.1 %) higher, primarily due to an increase in other sales revenues,
- Revenues of the **CENTRAL EUROPE REGION** are HRK 59.0m (+14.7 %) higher in the reporting period. The Food segment recorded revenue growth of HRK 54.9m (+15.6 %), primarily as a result of a significant sales increase of the Basic food and Culinary business units. The Pharmaceuticals segment revenues are HRK 4.1m higher (+8.2 %) due to higher sales of the Prescription drugs category,
- The **EASTERN EUROPE REGION** recorded a decrease in revenues of HRK 32.3m (-13.9 %) as a result of lower sales of the Food segment of HRK 21.6m (-28.6 %) and a decrease in sales of the Pharmaceuticals segment of HRK 10.7m (-6.8 %).

### Sales revenues by region in 1 – 9 2022

- Markets of Croatia and Slovenia 49.9 %
- Southeastern Europe 21.2 %
- Western Europe and Overseas 11.2 %
- Central Europe 12.4 %
- Eastern Europe 5.4 %







Profitability  
in 1 – 9 2022

## Profitability in 1 – 9 2022

**NOTE:** The overview and explanation of value adjustments to non-current assets used in the EBITDA calculation, the overview and explanation of items treated as one-off by management and the overview of methodology of calculation of the normalized result are provided in the "Additional tables for 1 – 9 2022" section.

### Profitability of the Food segment in 1 – 9 2022

(in HRK millions)	Profitability of the Food segment				Normalized			
	1 – 9 21	1 – 9 22	Δ	%	1 – 9 21	1 – 9 22	Δ	%
Sales revenue	2,634.0	2,926.0	292.0	11.1%	2,634.0	2,926.0	292.0	11.1%
Gross profit	895.4	939.2	43.8	4.9%	895.4	939.2	43.8	4.9%
EBITDA*	330.3	341.0	10.7	3.2%	331.0	340.1	9.1	2.7%
EBIT	215.4	220.0	4.6	2.1%	216.1	219.1	3.0	1.4%
Net profit after MI	174.8	174.6	(0.2)	(0.1%)	175.4	172.8	(2.6)	(1.5%)
Gross margin	34.0%	32.1%		-190 bp	34.0%	32.1%		-190 bp
EBITDA margin	12.5%	11.7%		-89 bp	12.6%	11.6%		-94 bp
EBIT margin	8.2%	7.5%		-66 bp	8.2%	7.5%		-72 bp
Net margin after MI	6.6%	6.0%		-67 bp	6.7%	5.9%		-75 bp

\* EBITDA is calculated in a way that EBIT was increased by depreciation and amortization and value adjustments of non-current assets; normalized EBITDA is calculated in a way that normalized EBIT was increased by depreciation and amortization.

### Profitability of the Food segment (1 – 9 2022 compared to 1 – 9 2021):

- In the 1 – 9 2022 period, the Food segment recorded an increase in GROSS PROFIT of HRK 43.8m (+4.9 %) but with lower gross margin. The lower gross margin is the result of the negative effect of trends in prices of raw materials, packaging and energy where the cost of raw materials, packaging and energy increased by HRK 269m (+25.3 %), primarily related to cereals and mill products, meat and meat products, vegetables, and fats and oils. Until the end of 2022, additional negative effect of movements in prices of raw materials, supplies and energy is expected,
- Reported OPERATING PROFIT (EBIT) is HRK 4.6m (+2.1 %) higher than in the comparative period, while normalized operating profit is HRK 3.0m (+1.4 %) 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 transport and distribution costs and expenses related to improving the material status of employees. The positive impact comes from favourable movement in foreign exchange differences on trade receivables and trade payables (HRK +6.2m in 1 – 9 2022; HRK +1.6m in 1 – 9 2021),
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 0.2m lower (-0.1 %), while normalized net profit after minority interests is HRK 2.6m lower (-1.5 %) compared to 1 – 9 2021. In addition to the impact above the EBIT level, net profit was impacted by foreign exchange differences on borrowings (HRK -1.0m in 1 – 9 2022; HRK +1.0m in 1 – 9 2021) and lower finance costs. Consequently, the tax expense is HRK 2.9m higher compared to 1 – 9 2021.

## Profitability of the Pharmaceuticals segment in 1 – 9 2022

(in HRK millions)	Profitability of the Pharmaceutical segment				Normalized			
	1 – 9 21	1 – 9 22	Δ	%	1 – 9 21	1 – 9 22	Δ	%
Sales revenue	749.5	786.6	37.1	5.0%	749.5	786.6	37.1	5.0%
Gross profit	353.4	382.5	29.1	8.2%	353.4	382.5	29.1	8.2%
EBITDA*	161.4	179.0	17.5	10.9%	161.4	176.4	15.0	9.3%
EBIT	113.0	124.8	11.8	10.5%	113.0	126.5	13.4	11.9%
Net profit after MI	84.5	94.5	10.1	11.9%	84.5	95.8	11.4	13.5%
Gross margin	47.2%	48.6%		+147 bp	47.2%	48.6%		+147 bp
EBITDA margin	21.5%	22.8%		+121 bp	21.5%	22.4%		+89 bp
EBIT margin	15.1%	15.9%		+79 bp	15.1%	16.1%		+100 bp
Net margin after MI	11.3%	12.0%		+75 bp	11.3%	12.2%		+91 bp

\* EBITDA is calculated in a way that EBIT was increased by depreciation and amortization and value adjustments of non-current assets; normalized EBITDA is calculated in a way that normalized EBIT was increased by depreciation and amortization.

### Profitability of the Pharmaceuticals segment (1 – 9 2022 compared to 1 – 9 2021):

- The Pharmaceuticals segment recorded HRK 29.1m (+8.2 %) higher GROSS PROFIT, with the increase in the gross margin which at the end of the reporting period stood at 48.6 %. Until the end of 2022, additional negative effect of movements in energy prices is expected,
- Reported OPERATING PROFIT (EBIT) increased by HRK 11.8m (+10.5 %), while normalized operating profit is HRK 13.4m (+11.9 %) higher. In addition to effects above the gross profit level, EBIT was negatively affected by the increase in transport and distribution costs, increase in expenses related to improving the material status of employees, and movements in foreign exchange differences on trade receivables and trade payables (HRK -2.0m in 1 – 9 2022; HRK +10.4m in 1 – 9 2021), which was partly cancelled out by lower expenses of marketing investments,
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 10.1m (+11.9 %) higher, while normalized net profit after minority interests is HRK 11.4m (+13.5 %) higher. In addition to the impact above the EBIT level, net profit after minority interests was impacted by movements in foreign exchange differences on borrowings (HRK -0.9m in 1 – 9 2022; HRK +0.3m in 1 – 9 2021) and lower finance costs. The higher level of pre-tax profit resulted in the increase in tax expense of HRK 2.3m.

## Profitability of the Podravka Group in 1 – 9 2022

(in HRK millions)	Profitability of the Podravka Group				Normalized			
	1 – 9 21	1 – 9 22	Δ	%	1 – 9 21	1 – 9 22	Δ	%
Sales revenue	3,383.5	3,712.6	329.1	9.7%	3,383.5	3,712.6	329.1	9.7%
Gross profit	1,248.9	1,321.7	72.8	5.8%	1,248.9	1,321.7	72.8	5.8%
EBITDA*	491.7	519.9	28.2	5.7%	492.4	516.5	24.0	4.9%
EBIT	328.4	344.8	16.4	5.0%	329.1	345.6	16.4	5.0%
Net profit after MI	259.3	269.1	9.8	3.8%	259.8	268.7	8.8	3.4%
Gross margin	36.9%	35.6%		-131 bp	36.9%	35.6%		-131 bp
EBITDA margin	14.5%	14.0%		-53 bp	14.6%	13.9%		-64 bp
EBIT margin	9.7%	9.3%		-42 bp	9.7%	9.3%		-42 bp
Net margin after MI	7.7%	7.2%		-41 bp	7.7%	7.2%		-44 bp

\* EBITDA is calculated in a way that EBIT was increased by depreciation and amortization and value adjustments of non-current assets; normalized EBITDA is calculated in a way that normalized EBIT was increased by depreciation and amortization.

### Profitability of the Podravka Group (1 – 9 2022 compared to 1 – 9 2021):

- In the observed period, the Podravka Group recorded HRK 72.8m (+5.8 %) higher GROSS PROFIT, with the gross margin of 35.6 %,
- Reported OPERATING PROFIT (EBIT) is HRK 16.4m (+5.0 %) higher. In addition to the impact above the gross profit level, the operating profit was negatively impacted by the increase in transport and distribution costs, increase in expenses related to improving the material status of employees and movements in foreign exchange differences on trade receivables and trade payables (HRK +4.1m in 1 – 9 2022; HRK +12.0m in 1 – 9 2021), while the positive impact comes from lower costs of marketing investments,
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 9.8m higher (+3.8 %), while normalized is HRK 8.8m higher (+3.4 %). In addition to the impact above the EBIT level, net profit after minority interests was impacted by movements in foreign exchange differences on borrowings (HRK -1.9m in 1 – 9 2022; HRK +1.3m in 1 – 9 2021) and lower finance costs relative to the comparative period. The tax expense is HRK 5.3m higher.

# Key highlights of the income statement in 1 – 9 2022



## Key highlights of the income statement in 1 – 9 2022

Podravka group (in HRK millions)	Reported				Normalized			
	1 – 9 21	1 – 9 22	Δ	%	1 – 9 21	1 – 9 22	Δ	%
Cost of goods sold	2,134.6	2,390.9	256.3	12.0%	2,134.6	2,390.9	256.3	12.0%
General and administrative expenses	237.2	253.2	15.9	6.7%	236.5	246.5	9.9	4.2%
Selling and distribution costs	453.7	492.9	39.2	8.6%	453.7	492.9	39.2	8.6%
Marketing expenses	255.6	255.3	(0.3)	(0.1%)	255.6	255.3	(0.3)	(0.1%)
Other expenses (income), net	(26.1)	(24.6)	1.5	(5.9%)	(26.1)	(18.6)	7.5	(28.8%)
<b>Total operating expenses</b>	<b>3,055.1</b>	<b>3,367.8</b>	<b>312.7</b>	<b>10.2%</b>	<b>3,054.4</b>	<b>3,367.1</b>	<b>312.7</b>	<b>10.2%</b>

### Cost of goods sold

Cost of goods sold increased by 12.0 % relative to the comparative period due to a higher level of sales realized, the structure of sales and movements in prices of raw materials, packaging and energy (cost of raw materials, packaging and energy in the Food segment increased by HRK 269m (+25.3 %), which primarily relates to grains and mill products, meat and meat products, vegetables, and fats and oils). Until the end of 2022, additional negative effects of movements in prices of raw materials and packaging and energy are expected in both segments.

### General and administrative expenses

In relation to the comparative period, general and administrative expenses are HRK 15.9m higher (+6.7 %), due to the improvement in the material status of employees and costs of services, relative to the comparative period. On the normalized level, general and administrative expenses increased by HRK 9.9m (+4.2 %).

### Selling and distribution costs

In the observed period, selling and distribution costs are HRK 39.2m (+8.6 %) higher than in the comparative period, primarily as a result of higher costs of transportation and distribution, higher energy costs and improvement in the material status of employees.

### Marketing expenses

In the reporting period, marketing expenses (which include marketing investments expenses and marketing department expenses) are HRK 0.3m lower (-0.1 %) than in the comparative period. In the Food segment, marketing expenses increased by HRK 7.0m (+5.1 %), while in the Pharmaceuticals segment they decreased by HRK 7.3m (-6.1 %).

**Other expenses (income), net**

In the reporting period, other expenses and income, net amounted to HRK -24.6m (positive impact), while in the comparative period they amounted to HRK -26.1m (positive impact). This was mainly due to movements in foreign exchange differences on trade receivables and trade payables, which amounted to HRK +4.1m in the 1 – 9 2022 period, while in the comparative period they amounted to HRK +12.0m, income from sale of non-operating assets and impairment cost of non-current intangible assets of the Pharmaceuticals segment in the amount of HRK 4.2m. Income from sale of non-operating assets includes HRK 5.5m of income from sale of non-operating assets in Poland and Croatia of the Food segment and HRK 4.6m of income from sale of vehicles, related to the operational restructuring on the Russian market (explained in the “Additional tables for 1 – 9 2022” section).

**Net finance costs**

In the observed period, net finance costs amounted to HRK -6.0m, while in the comparative period they amounted to HRK -4.1m. This is mainly a result of movements in foreign exchange differences on borrowings (HRK -1.9m in 1 – 9 2022; HRK +1.3m in 1 – 9 2021). A positive impact comes from HRK 1.2m (-23.6 %) lower interest expense on borrowings, due to regular repayment of borrowings.

**Income tax**

In the 1 – 9 2022 period, the income tax of the Podravka Group amounted to HRK 63.7m, which is HRK +5.3m (+9.1 %) higher than in the comparative period.

Key highlights  
of the balance  
sheet as at  
30 September  
2022





## **Key highlights of the balance sheet as at 30 September 2022**

### **Property, plant and equipment**

Property, plant and equipment of the Podravka Group are HRK 136.9m or +6.2 % higher compared to 31 December 2021, due to the realized capital investments in the reporting period.

### **Inventories**

Inventories of the Podravka Group are HRK 322.4m (+34.5 %) higher than as at 31 December 2021, and HRK 222.8m (+21.6 %) higher than as at 30 September 2021. This is a result of the strategic 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, but also of the increase in prices of raw materials and packaging.

### **Trade and other receivables**

Trade and other receivables of the Podravka Group are HRK 104.6m (-10.2 %) lower than as at 31 December 2021, and HRK 116.4m (-11.2 %) lower than as at 30 September 2021, as a result of lower trade receivables in the Pharmaceuticals segment due to implemented new business terms with customers on the Russian market, which positively affected the collection period.

### **Cash and cash equivalents**

Cash and cash equivalents of the Podravka Group at the end of the observed period are HRK 176.2m higher (+528.9 %) compared to 31 December 2021. This is explained in the “Key highlights of the cash flow statement in 1 – 9 2022” section.

### **Long-term and short-term borrowings**

As at 30 September 2022, long-term and short-term borrowings of the Podravka Group are HRK 50.3m higher than as at 31 December 2021. In the observed period, long-term debt is lower by HRK 101.4m, due to regular repayment of borrowings, while short-term debt is higher by HRK 151.7m, due to the need for financing short-term liabilities, primarily trade payables and dividend distribution.

### **Trade and other payables**

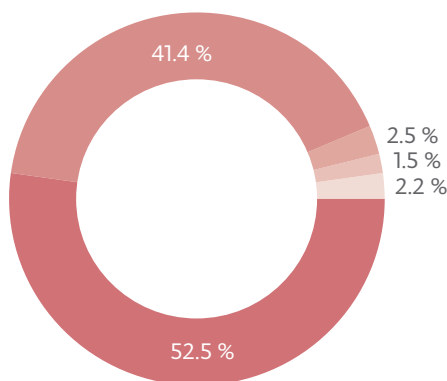
Trade and other payables of the Podravka Group are HRK 282.7m or +53.2 % higher compared to 31 December 2021, and HRK 132.9m (+19.5 %) higher compared to 30 September 2021. The movement is primarily a result of the increase in trade payables due to procurement of raw materials and packaging, the increase in prices of raw materials and packaging procured in the reporting period, and due to higher level of capital expenditure.

## Indebtedness

As at 30 September 2022, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities amounted to HRK 536.3m, of which HRK 38.3m relates to long-term borrowings, HRK 410.6m to short-term borrowings, HRK 87.3m to liabilities for right-of-use assets, while HRK 0.1m relates to financial liabilities at fair value through profit or loss. The AVERAGE WEIGHTED COST OF DEBT on all the stated liabilities as at 30 September 2022 was 1.0 %, while if right-of-use assets are excluded it was 0.7 %.

## Currency structure of debt as at 30 September 2022

- HRK 52.5 %
- EUR 41.4 %
- CZK 2.5 %
- BAM 1.5 %
- Other 2.2 %



Analysing the debt currency structure, the highest exposure, of 52.5 %, was in the domestic currency (HRK), while the exposure toward the Euro (EUR) was 41.4 %. The debt share in the Czech koruna (CZK) amounted to 2.5 %, in the Bosnia and Herzegovina mark (BAM) to 1.5 %, while the remainder of 2.2 % relates to other currencies.

(in HRK millions)*	2021	1 – 9 2022	Δ	%
Financial debt <sup>9</sup>	493.8	536.3	42.5	8.6%
Cash and cash equivalents	33.3	209.5	176.2	528.9%
Net debt <sup>10</sup>	460.5	326.9	(133.7)	(29.0%)
Interest expense	6.8	5.6	(1.2)	(18.2%)
Net debt / normalized EBITDA	0.8	0.5	(0.2)	(31.7%)
Normalized EBIT / Interest expense	56.9	72.5	15.6	27.5%
Equity to assets ratio <sup>11</sup>	75.3%	71.5%		-378 bp

\* NOTE: All indicators are calculated in a way that income statement items are calculated at the level of the last 12 months, while balance sheet items are taken at the period end.

Net debt decrease as at 30 September 2022 relative to the comparative period is a result of the significant increase in line item cash and cash equivalents compared to 31 December 2021. The decrease in net debt led to a lower net debt to normalized EBITDA ratio. Decrease in interest expense has driven the rise in the interest coverage ratio (Normalized EBIT / Interest expense).

<sup>9</sup> Financial debt: long-term and short-term borrowings + liabilities for right-of-use assets + financial liabilities at fair value through profit or loss. The data is provided in the "Consolidated statements of financial position as at 30 September 2022" section.

<sup>10</sup> Net debt: Financial debt – Cash and cash equivalents.

<sup>11</sup> Equity to assets ratio: total shareholder's equity / total assets. The data is provided in the "Consolidated statements of financial position as at 30 September 2022" section.

# Key highlights of the cash flow statement in 1 – 9 2022



## Key highlights of the cash flow statement in 1 – 9 2022

<i>(in HRK millions)</i>	<b>1 – 9 2021</b>	<b>1 – 9 2022</b>	<b>Δ</b>
Net cash flow from operating activities	453.4	519.5	66.1
Net cash flow from investing activities	(88.0)	(265.5)	(177.4)
Net cash flow from financing activities	(253.8)	(77.9)	175.9
<b>Net increase / (decrease) of cash and cash equivalents</b>	<b>111.7</b>	<b>176.2</b>	<b>64.5</b>

### **Net cash flow from operating activities**

In the observed period, net cash flow from operating activities amounted to positive HRK 519.5m as a result of operating business and dynamics of movements in the working capital.

### **Net cash flow from investing activities**

Net cash flow from investing activities in the reporting period amounted to negative HRK 265.5m, primarily as a result of cash capital expenditures amounting to HRK 292.8m. The most significant CAPITAL EXPENDITURES in 1 – 9 2022 were related to:

- investment in IT and energy renovation of the Office building with the aim of increasing energy efficiency and improving working conditions,
- investment in production line for extruded products in order to increase production and reduce operating expenses,
- investment in an automatic line for making bread and a shock freezer (part of the bakery concentration project) in order to improve production efficiency and reduce operating expenses,
- investment in the expansion of the Soups and Vegeta factory, which creates preconditions for the consolidation of pasta production in order to improve business,
- continuation of investment activities related to investing in the solar power plant in order to increase the use of green energy and reduce costs,
- continuation of investment activities related to investing in a fruit processing line, aseptic line and vacuum boilers, which ensures business continuity and increases productivity.

The above capital expenditures are expected to positively impact the operating profitability increase.

In 2022, EXPECTED CAPITAL EXPENDITURES amount to HRK 480.0m, in 2023 expected capital expenditures are at a level of approximately HRK 800.0m, while in 2024 expected capital expenditures amount to HRK 600.0m and in 2025 at a level of approximately HRK 350.0m.

### **Net cash flow from financing activities**

In the 1 – 9 2022 period, net cash flow from financing activities amounted to negative HRK 77.9m, mainly as a result of repayment of borrowings and dividend distribution. The difference in relation to the repayment of borrowings in the balance sheet primarily relates to foreign exchange differences.

# Share in 1 – 9 2022



### List of major shareholders as at 30 September 2022

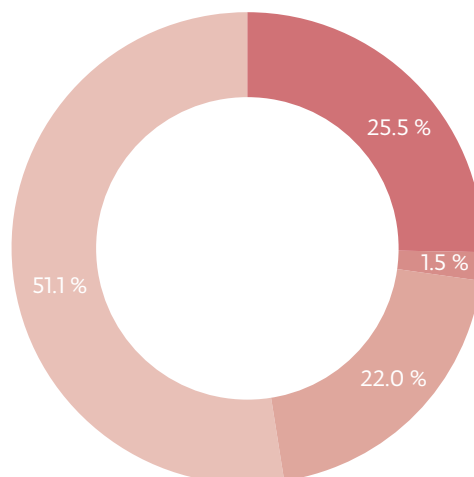
No.	Shareholder	Number of shares	% of ownership
1.	PBZ Croatia Osiguranje mandatory pension fund, category B	1,097,644	15.4%
2.	AZ mandatory pension fund, category B	932,563	13.1%
3.	RSC* - Croatian Pension Insurance Institute	727,703	10.2%
4.	Erste Plavi mandatory pension fund, category B	638,248	9.0%
5.	Raiffeisen mandatory pension fund, category B	625,298	8.8%
6.	RSC* - Republic of Croatia	452,792	6.4%
7.	Capital Fund	406,842	5.7%
8.	Pivac Brothers Meat Industry	226,659	3.2%
9.	Republic of Croatia	167,281	2.3%
10.	Podravka Inc. - treasury account	106,029	1.5%
	Other shareholders	1,738,944	24.4%
	<b>Total</b>	<b>7,120,003</b>	<b>100.0%</b>

\* The Restructuring and Sale Centre holds 1,241,504 shares through four accounts, Capital Fund holds 406,842 shares, the Republic of Croatia additionally holds 167,281 shares on a separate account.

Podravka Inc. has a stable ownership structure where the most significant stake is held by the Republic of Croatia and domestic pension funds. A total of 7,120,003 shares have been issued at nominal price of HRK 220.0 per share. As at 30 September 2022, the Republic of Croatia holds 25.5 % stake, and domestic pension funds (mandatory and voluntary) hold a total of 51.1 % stake. Podravka Inc. has 1.5 % of treasury shares. Podravka Inc.'s shares have been listed on the Prime Market of the Zagreb Stock Exchange and in eight Zagreb Stock Exchange indices (CROBEX, CROBEX10, CROBEXtr, CROBEX1otr, CROBEXprime, CROBEXplus, CROBEXnutris and ADRIAprime).

#### Ownership structure as at 30 September 2022

- Republic of Croatia 25.5 %
- Treasury shares 1.5 %
- Others 22.0 %
- Croatian pension funds\*\* 51.1 %



\*\* Includes all mandatory and voluntary pension funds managed by the pension companies: AZ, ROMF, PBZCO and ERSTE.

## Share price movement in 1 – 9 2022



<i>(closing price in HRK; closing points)</i>	<b>31 December 2021</b>	<b>30 September 2022</b>	<b>%</b>
PODR	632.0	556.0	(12.0%)
CROBEX	2,079.4	1,906.3	(8.3%)
CROBEX10	1,262.3	1,127.7	(10.7%)

In the reporting period, the price of Podravka's share dropped by 12.0 % compared to 1 – 9 2021, while the CROBEX and CROBEX10 stock indices decreased by 8.3 % and 10.7 %, respectively.

## Result on the Croatian capital market in 1 – 9 2022

<i>(in HRK; in units)<sup>12</sup></i>	<b>1 – 9 2021</b>	<b>1 – 9 2022</b>	<b>%</b>
Weighted average daily price	573.4	611.7	6.7%
Average daily number of transactions	12	26	125.7%
Average daily volume	1,581	1,059	(33.0%)
Average daily turnover	906,690.2	647,795.4	(28.6%)

In the 1 – 9 2022 period, the weighted average daily price of Podravka's share recorded an increase of 6.7 % relative to the comparative period. Compared to 1 – 9 2021, the average daily volume decreased by 33.0 %, the average daily turnover decreased by 28.6 %, while the average daily number of transactions is 125.7 % higher.

<sup>12</sup> The weighted average daily price in the reporting period is calculated as the sum of the weighted average daily prices in the reporting period, multiplied by the daily volume weight. The daily volume weight is calculated as a ratio of daily volume and total volume in the reporting period. The formula, Weighted average daily price in the reporting period =  $\sum \text{average daily price} \cdot (\text{daily volume} / \text{total volume in the reporting period})$ .

Other indicators are calculated as the average of average daily transactions/volume/turnover in the reporting period. Block trades are excluded from the calculation.

## Valuation

(in HRK millions; last price and earnings per share in HRK)<sup>2\*</sup>

	2021	1 – 9 2022	%
Last price	632.0	556.0	(12.0%)
Weighted average number of shares <sup>13</sup>	7,008,269	7,015,512	0.1%
Market capitalization <sup>14</sup>	4,429.2	3,900.6	(11.9%)
EV <sup>15</sup>	4,953.0	4,296.7	(13.3%)
Normalized earnings per share <sup>16</sup>	43.4	44.6	2.8%
EV / sales revenue	1.1	0.9	(19.0%)
EV / normalized EBITDA	8.2	6.8	(16.6%)
EV / normalized EBIT	12.7	10.6	(16.8%)
Last price / normalized earnings per share ratio (P / E)	14.6	12.5	(14.4%)

\*NOTE: All indicators are calculated in a way that income statement items are calculated at the level of the last 12 months, while balance sheet items are taken at the period end.


<sup>13</sup> The weighted average number of shares is calculated on the basis of previous 12 months period by dividing the sum of the weighted number of shares of each individual month by the total number of calendar days in the previous 12 months. The weighted number of shares on a monthly basis is calculated by reducing the total number of issued shares by the amount of treasury shares and multiplying the difference by the number of days of that month.

<sup>14</sup> Market Capitalization: Last price \* Weighted average number of shares.

<sup>15</sup> Enterprise value: Market Capitalization + Net debt + Minority interests.

<sup>16</sup> Normalized earnings per share is calculated in a way that normalized Net income after minority interests is divided with weighted average number of shares. Normalized Net income after minority interests include the last 12 months period.



An illustration of a woman's face in profile, wearing dark sunglasses and having orange lips. Below her, a hand is shown watering a small green plant with a blue watering can. The background is white.

Additional  
tables for  
1 – 9 2022

## Calculation of reported and normalized EBITDA

EBITDA is calculated in a way that EBIT was increased by depreciation and amortization and value adjustments to non-current assets. There were no value adjustments to non-current assets in the comparative period, while the value adjustment to non-current assets in the reporting period relates to intangible assets of the Pharmaceuticals segment.

<b>Reported EBITDA calculation</b>	<b>1 – 9 2021</b>			<b>1 – 9 2022</b>		
<b>(in HRK millions)</b>	<b>Group</b>	<b>Food</b>	<b>Pharma</b>	<b>Group</b>	<b>Food</b>	<b>Pharma</b>
Reported EBIT	328.4	215.4	113.0	344.8	220.0	124.8
+depreciation and amortization	163.3	114.9	48.4	170.9	121.0	50.0
+value adjustment	-	-	-	4.2	-	4.2
<b>Reported EBITDA</b>	<b>491.7</b>	<b>330.3</b>	<b>161.4</b>	<b>519.9</b>	<b>341.0</b>	<b>179.0</b>

<b>Normalized EBITDA calculation</b>	<b>1 – 9 2021</b>			<b>1 – 9 2022</b>		
<b>(in HRK millions)</b>	<b>Group</b>	<b>Food</b>	<b>Pharma</b>	<b>Group</b>	<b>Food</b>	<b>Pharma</b>
Normalized EBIT	329.1	216.1	113.0	345.6	219.1	126.5
+depreciation and amortization	163.3	114.9	48.4	170.9	121.0	50.0
+value adjustment	-	-	-	-	-	-
<b>Normalized EBITDA</b>	<b>492.4</b>	<b>331.0</b>	<b>161.4</b>	<b>516.5</b>	<b>340.1</b>	<b>176.4</b>

### One-off items in 1 – 9 2022 and 1 – 9 2021

In the 1 – 9 2022 period, the Food segment incurred HRK 4.6m costs of severance payments for employees (long-term sick leaves, operational restructuring on the Russian market and restructuring of Žito production) and HRK 5.5m of income from sale of non-operating assets in Poland and Croatia, treated as one-off items.

The Pharmaceuticals segment incurred HRK 2.1m costs of severance payments related to the operational restructuring on the Russian market, treated as one-off item, HRK 4.6m income from sale of vehicles related to the operational restructuring on the Russian market and HRK 4.2m of impairment costs on non-current intangible assets.

The estimated impact of these one-off items on tax of Food is HRK 0.9m (decreases it), and on tax of Pharmaceuticals HRK 0.3m (decreases it).

In the 1 – 9 2021 period, the Food segment incurred HRK 0.7m costs of severance payments for employees on long-term sick leaves, treated as one-off item.

The Pharmaceuticals segment did not record any one-off items in the 1 – 9 2021 period.

The estimated impact of the above one-off item on tax of the Food segment is HRK 0.1m (decreases it).

### Normalization of the Profit and Loss Statement by segments

Reported and normalized profitability (in HRK millions)	1 – 9 2021			1 – 9 2022		
	Group	Food	Pharma	Group	Food	Pharma
Reported EBIT	328.4	215.4	113.0	344.8	220.0	124.8
+severance payments	0.7	0.7	-	6.7	4.6	2.1
+income from sale of non-operating assets	-	-	-	(10.1)	(5.5)	(4.6)
+ value adjustment to non-current assets	-	-	-	4.2	-	4.2
<b>Normalized EBIT</b>	<b>329.1</b>	<b>216.1</b>	<b>113.0</b>	<b>345.6</b>	<b>219.1</b>	<b>126.5</b>
Reported Net profit after MI	259.3	174.8	84.5	269.1	174.6	94.5
+normalizations above EBIT level	0.7	0.7	-	0.7	(0.9)	1.6
+estimated impact of normalization on taxes	(0.1)	(0.1)	-	(1.2)	(0.9)	(0.3)
<b>Normalized Net profit after MI</b>	<b>259.8</b>	<b>175.4</b>	<b>84.5</b>	<b>268.7</b>	<b>172.8</b>	<b>95.8</b>

### ***New business units and regions***

At the beginning of March 2022, the Podravka Group completed the process of internal reorganization of the Food segment with the aim of increasing business efficiency. The new internal reorganization defined eight business units instead of the previous six and a new division of regions was made.

#### **BUSINESS UNITS:**

- BU CULINARY: Food Seasonings,
- BU SOUPS: Soups, Instant meals,
- BU CEREALS, SNACK AND BEVERAGES: Cereals, Baby food, Snack, Tea and Beverages,
- BU CREAMY SPREADS AND DESSERTS: Creamy spreads, Desserts,
- BU BAKERY: Bread, Rolls and salt bakery products, Sweet bakery products, Žito flour, Confectionery,
- BU BASIC FOOD: Condiments, Tomato products, Processed fruit, Vegetables, Podravka flour, Side dishes, Wellness food,
- BU MEAT PRODUCTS: Ready meals, Pates, Dried Meat and Sausage Products, Chilled ready meals, Other products,
- BU FISH: Fish products, Fish salads, Fish others.

#### **REGIONS:**

- MARKETS OF CROATIA AND SLOVENIA: Croatia, Slovenia,
- SOUTHEASTERN EUROPE: Bosnia and Herzegovina, North Macedonia, Serbia, Montenegro, Kosovo, Bulgaria, Albania, Greece,
- WESTERN EUROPE AND OVERSEAS: Germany, Austria, Switzerland, France, Great Britain, Italy, Scandinavia, Benelux, Ireland, Spain, Portugal, Malta, the USA, Canada, Australia, New Zealand, MENA, Africa, Asia, South America,
- CENTRAL EUROPE: Poland, the Czech Republic, Slovakia, Hungary, Romania,
- EASTERN EUROPE: the Russian Federation, Ukraine, the Baltics, Uzbekistan, Moldova, Belarus, Armenia, Kyrgyzstan, Georgia.

## Historical overview of sales revenues by business units and categories in period 1 – 9

<b>(in HRK millions)</b>	<b>REPORTED REVENUES</b>			
	<b>1 – 9 2019</b>	<b>1 – 9 2020</b>	<b>1 – 9 2021</b>	<b>1 – 9 2022</b>
BU Culinary	503.8	547.7	567.7	572.1
BU Soups	183.3	197.5	206.8	240.4
BU Cereals, Snack and Beverages	197.5	208.8	219.3	228.5
BU Creamy spreads and Desserts	156.1	173.5	166.4	170.6
BU Bakery	464.1	425.3	406.1	459.8
BU Basic food	498.0	516.1	522.8	642.8
BU Meat products	218.9	236.0	233.0	249.8
BU Fish	149.9	163.7	153.1	155.5
Prescription drugs	483.0	478.3	503.9	529.3
Non-prescription programme	80.9	91.6	91.8	95.6
Other sales	303.1	290.1	312.7	368.3
<i>Other sales Food</i>	<i>178.8</i>	<i>151.1</i>	<i>158.9</i>	<i>206.5</i>
<i>Other sales Pharmaceuticals</i>	<i>124.3</i>	<i>139.0</i>	<i>153.7</i>	<i>161.7</i>
<b>Podravka Group</b>	<b>3,238.5</b>	<b>3,328.6</b>	<b>3,383.5</b>	<b>3,712.6</b>

## Historical overview of sales revenues by regions in period 1 – 9

(in HRK millions)	Sales revenues by region			
	1 – 9 2019	1 – 9 2020	1 – 9 2021	1 – 9 2022
<b>Markets of Croatia and Slovenia</b>	<b>1,644.4</b>	<b>1,635.6</b>	<b>1,639.5</b>	<b>1,851.1</b>
<i>Food</i>	1,338.6	1,316.2	1,322.3	1,512.6
<i>Pharmaceuticals</i>	305.8	319.4	317.2	338.5
<b>Southeastern Europe</b>	<b>630.7</b>	<b>675.4</b>	<b>705.5</b>	<b>785.9</b>
<i>Food</i>	452.8	476.9	483.7	541.9
<i>Pharmaceuticals</i>	177.9	198.5	221.8	244.1
<b>WE and Overseas</b>	<b>362.6</b>	<b>383.7</b>	<b>404.1</b>	<b>414.6</b>
<i>Food</i>	361.3	380.9	400.6	410.9
<i>Pharmaceuticals</i>	1.3	2.8	3.5	3.7
<b>Central Europe</b>	<b>368.3</b>	<b>410.8</b>	<b>402.0</b>	<b>460.9</b>
<i>Food</i>	321.1	363.9	351.9	406.7
<i>Pharmaceuticals</i>	47.2	46.9	50.1	54.2
<b>Eastern Europe</b>	<b>232.5</b>	<b>223.1</b>	<b>232.4</b>	<b>200.1</b>
<i>Food</i>	76.5	81.9	75.5	54.0
<i>Pharmaceuticals</i>	156.0	141.2	156.9	146.2
<b>Podravka Group</b>	<b>3,238.5</b>	<b>3,328.6</b>	<b>3,383.5</b>	<b>3,712.6</b>

Consolidated  
financial  
statements  
in 1 – 9 2022



## Consolidated financial statements in 1 – 9 2022

<b>(in HRK thousands)</b>	<b>1 – 9 2021</b>	<b>% of sales revenues</b>	<b>1 – 9 2022</b>	<b>% of sales revenues</b>	<b>% change</b>
Sales revenue	3,383,487	100.0%	3,712,616	100.0%	9.7%
Cost of goods sold	(2,134,632)	(63.1%)	(2,390,929)	(64.4%)	12.0%
<b>Gross profit</b>	<b>1,248,855</b>	<b>36.9%</b>	<b>1,321,686</b>	<b>35.6%</b>	<b>5.8%</b>
General and administrative expenses	(237,227)	(7.0%)	(253,156)	(6.8%)	6.7%
Selling and distribution costs	(453,715)	(13.4%)	(492,907)	(13.3%)	8.6%
Marketing expenses	(255,602)	(7.6%)	(255,341)	(6.9%)	(0.1%)
Other (expenses) / income, net	26,084	0.8%	24,552	0.7%	(5.9%)
<b>Operating profit</b>	<b>328,395</b>	<b>9.7%</b>	<b>344,834</b>	<b>9.3%</b>	<b>5.0%</b>
Financial income	806	0.0%	357	0.0%	(55.7%)
Other financial expenses	(929)	(0.0%)	(414)	(0.0%)	(55.5%)
Interest expenses	(5,293)	(0.2%)	(4,044)	(0.1%)	(23.6%)
Net foreign exchange differences on borrowings	1,298	0.0%	(1,921)	(0.1%)	248.0%
<b>Net finance costs</b>	<b>(4,118)</b>	<b>(0.1%)</b>	<b>(6,021)</b>	<b>(0.2%)</b>	<b>46.2%</b>
<b>Profit before tax</b>	<b>324,278</b>	<b>9.6%</b>	<b>338,812</b>	<b>9.1%</b>	<b>4.5%</b>
Current income tax	(45,407)	(1.3%)	(53,323)	(1.4%)	17.4%
Deferred tax	(13,012)	(0.4%)	(10,383)	(0.3%)	(20.2%)
<b>Income tax</b>	<b>(58,418)</b>	<b>(1.7%)</b>	<b>(63,705)</b>	<b>(1.7%)</b>	<b>9.1%</b>
<b>Net profit for the year</b>	<b>265,859</b>	<b>7.9%</b>	<b>275,107</b>	<b>7.4%</b>	<b>3.5%</b>
Net profit / (loss) attributable to:					
<b>Equity holders of the parent</b>	<b>259,250</b>	<b>7.7%</b>	<b>269,088</b>	<b>7.2%</b>	<b>3.8%</b>
Non-controlling interests	(6,609)	(0.2%)	(6,019)	(0.2%)	(8.9%)



## Consolidated Balance Sheet as at 30 September 2022

(in HRK thousands)	31 Dec 2021	% share	30 Sep 2022	% share	% change
<b>ASSETS</b>					
<b>Non-current assets</b>					
Goodwill	28,103	0.6%	28,103	0.5%	0.0%
Intangible assets	249,235	5.1%	243,102	4.5%	(2.5%)
Property, plant and equipment	2,206,453	44.9%	2,343,377	43.3%	6.2%
Right-of-use assets	93,234	1.9%	84,346	1.6%	(9.5%)
Investment property	115,406	2.4%	114,213	2.1%	(1.0%)
Non-current financial assets	43,209	0.9%	43,306	0.8%	0.2%
Deferred tax assets	150,101	3.1%	138,144	2.6%	(8.0%)
<b>Total non-current assets</b>	<b>2,885,741</b>	<b>58.8%</b>	<b>2,994,591</b>	<b>55.3%</b>	<b>3.8%</b>
<b>Current assets</b>					
Inventories	933,710	19.0%	1,256,139	23.2%	34.5%
Trade and other receivables	1,026,086	20.9%	921,481	17.0%	(10.2%)
Financial assets at fair value through profit and loss	0	0.0%	0	0.0%	n/a
Income tax receivable	6,426	0.1%	3,063	0.1%	(52.3%)
Cash and cash equivalents	33,306	0.7%	209,468	3.9%	528.9%
Non-current assets held for sale	23,683	0.5%	27,100	0.5%	14.4%
<b>Total current assets</b>	<b>2,023,211</b>	<b>41.2%</b>	<b>2,417,251</b>	<b>44.7%</b>	<b>19.5%</b>
<b>Total assets</b>	<b>4,908,952</b>	<b>100.0%</b>	<b>5,411,842</b>	<b>100.0%</b>	<b>10.2%</b>

## Consolidated Balance Sheet as at 30 September 2022

(in HRK thousands)	31 Dec 2021	% share	30 Sep 2022	% share	% change
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Subscribed capital	1,566,401	31.9%	1,566,401	28.9%	0.0%
Capital gains	191,489	3.9%	190,666	3.5%	(0.4%)
Treasury shares	(39,387)	(0.8%)	(45,300)	(0.8%)	15.0%
Reserves	1,090,288	22.2%	1,225,091	22.6%	12.4%
Retained earnings / (accumulated losses)	822,186	16.7%	861,815	15.9%	4.8%
<b>Attributable to equity holders of the parent</b>	<b>3,630,977</b>	<b>74.0%</b>	<b>3,798,673</b>	<b>70.2%</b>	<b>4.6%</b>
Non-controlling interests	63,289	1.3%	69,245	1.3%	9.4%
<b>Total shareholders' equity</b>	<b>3,694,266</b>	<b>75.3%</b>	<b>3,867,918</b>	<b>71.5%</b>	<b>4.7%</b>
<b>Non-current liabilities</b>					
Borrowings	139,740	2.8%	38,322	0.7%	(72.6%)
Lease liabilities	62,769	1.3%	52,048	1.0%	(17.1%)
Non-current provisions for employee benefits	52,825	1.1%	50,515	0.9%	(4.4%)
Other non-current provisions	34,265	0.7%	34,927	0.6%	1.9%
Other non-current liabilities	18,445	0.4%	17,908	0.3%	(2.9%)
Deferred tax liability	37,984	0.8%	37,758	0.7%	(0.6%)
<b>Total non-current liabilities</b>	<b>346,028</b>	<b>7.0%</b>	<b>231,478</b>	<b>4.3%</b>	<b>(33.1%)</b>
<b>Current liabilities</b>					
Trade and other payables	531,316	10.8%	813,976	15.0%	53.2%
Income tax payable	2,419	0.0%	19,347	0.4%	699.9%
Financial liabilities at fair value through profit and loss	35	0.0%	98	0.0%	180.0%
Borrowings	258,884	5.3%	410,629	7.6%	58.6%
Lease liabilities	32,403	0.7%	35,241	0.7%	8.8%
Current provisions for employee benefits	42,221	0.9%	31,773	0.6%	(24.7%)
Other current provisions	1,380	0.0%	1,382	0.0%	0.1%
<b>Total current liabilities</b>	<b>868,658</b>	<b>17.7%</b>	<b>1,312,446</b>	<b>24.3%</b>	<b>51.1%</b>
<b>Total liabilities</b>	<b>1,214,686</b>	<b>24.7%</b>	<b>1,543,924</b>	<b>28.5%</b>	<b>27.1%</b>
<b>Total equity and liabilities</b>	<b>4,908,952</b>	<b>100.0%</b>	<b>5,411,842</b>	<b>100.0%</b>	<b>10.2%</b>

## Consolidated Cash Flow Statement in 1 – 9 2022

<b>(in HRK thousands)</b>	<b>1 – 9 2021</b>	<b>1 – 9 2022</b>	<b>% change</b>
<b>Profit before tax</b>	<b>324,278</b>	<b>338,813</b>	<b>4.5%</b>
Depreciation and amortization	163,339	170,940	4.7%
Adjustment for impairment losses of trade and other receivables	876	3,822	336.3%
Reversal of impairment of given loans and interests	0	(247)	(100.0%)
Impairment of property, plant, equipment	766	4,170	444.4%
Remeasurement of financial instruments at fair value	(247)	63	125.5%
Share based payment transactions	7,361	3,172	(56.9%)
(Profit)/Loss on sale and disposal of non-current assets	(840)	(7,579)	(802.3%)
(Profit)/Loss on disposal of assets held for sale	(4,280)	(5,521)	(29.0%)
(Decrease)/Increase in provisions	(4,997)	(12,094)	(142.0%)
Interest income	(486)	(328)	32.5%
Dividend income	(12)	(27)	(125.0%)
Interest expenses	6,222	4,105	(34.0%)
Effect of changes in foreign exchange rates	(2,385)	940	139.4%
<b>Total adjustments</b>	<b>165,317</b>	<b>161,416</b>	<b>(2.4%)</b>
<b>Changes in working capital:</b>			
(Increase)/Decrease in inventories	(52,865)	(322,429)	(509.9%)
(Increase)/Decrease in trade receivables	(66,928)	100,782	250.6%
(Decrease)/Increase in trade payables	124,720	278,275	123.1%
<b>Cash generated from operations</b>	<b>494,522</b>	<b>556,857</b>	<b>12.6%</b>
Income tax paid	(34,662)	(32,950)	4.9%
Interest paid	(6,416)	(4,395)	31.5%
<b>Net cash from operating activities</b>	<b>453,444</b>	<b>519,512</b>	<b>14.6%</b>

## Consolidated Cash Flow Statement in 1 – 9 2022

<i>(in HRK thousands)</i>	<b>1 – 9 2021</b>	<b>1 – 9 2022</b>	<b>% change</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant, equipment and intangibles	(100,338)	(292,842)	(191.9%)
Proceeds from sale of property, plant, equipment and intangibles	1,405	8,668	516.9%
Proceeds from sale of assets held for sale	10,405	18,120	74.1%
Loans given	(2)	(14)	(600.0%)
Repayment of loans given	21	261	1142.9%
Interest received	486	328	(32.5%)
Dividend received	12	27	125.0%
<b>Net cash from investing activities</b>	<b>(88,011)</b>	<b>(265,452)</b>	<b>(201.6%)</b>
<b>Cash flow from financing activities</b>			
Dividend pay-out	(63,196)	(91,056)	(44.1%)
Acquisition of additional non-controlling interests	(74)	(204)	(175.7%)
Purchase of treasury shares	0	(17,584)	(100.0%)
Sale of treasury shares	7,983	10,442	30.8%
Proceeds from borrowings	198,731	453,283	128.1%
Repayment of borrowings	(369,116)	(403,654)	(9.4%)
Repayment of lease	(28,095)	(29,125)	(3.7%)
<b>Net cash from financing activities</b>	<b>(253,767)</b>	<b>(77,898)</b>	<b>69.3%</b>
<b>Net (decrease)/increase of cash and cash equivalents</b>	<b>111,666</b>	<b>176,162</b>	<b>57.8%</b>
Cash and cash equivalents at beginning of the year	51,856	33,306	(35.8%)
<b>Cash and cash equivalents at the end of year</b>	<b>163,522</b>	<b>209,468</b>	<b>28.1%</b>

## Consolidated Statement of Changes in Equity in 1 – 9 2022

<i>(in HRK thousands)</i>	Subscribed capital	Capital gains	Treasury shares	Provision for treasury shares	Legal reserves	Reinvested profit reserve	Statutory reserves	Other reserves	Retained earnings/accumulated loss	Total	Non-controlling interests	Total
As at 1 January 2021	1,566,401	187,215	(47,568)	147,604	76,596	189,738	67,551	469,685	714,828	3,372,050	54,932	3,426,982
<i>Comprehensive income</i>	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	309,221	309,221	8,601	317,822
Foreign exchange differences	-	-	-	-	-	-	-	502	-	502	(137)	365
Actuarial losses (net of deferred tax)	-	-	-	-	-	-	-	(969)	-	(969)	-	(969)
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	<b>(467)</b>	-	<b>(467)</b>	<b>(137)</b>	<b>(604)</b>
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	<b>(467)</b>	<b>309,221</b>	<b>308,754</b>	<b>8,464</b>	<b>317,218</b>
<i>Transactions with owners recognized directly in equity</i>	-	-	-	-	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	-	-	9,712	-	2,621	127,215	(139,548)	-	-	-
Additional acquisition of minority interests	-	-	-	-	-	-	-	33	-	33	(107)	(74)
Exercise of options	-	(1,986)	8,181	-	-	-	-	-	812	7,007	-	7,007
Fair value of share-based payment transactions	-	6,260	-	-	-	-	-	-	-	6,260	-	6,260
Dividends paid	-	-	-	-	-	-	-	-	(63,127)	(63,127)	-	(63,127)
<b>Total transactions with owners recognized directly in equity</b>	-	<b>4,274</b>	<b>8,181</b>	-	<b>9,712</b>	-	<b>2,621</b>	<b>127,248</b>	<b>(201,862)</b>	<b>(49,826)</b>	<b>(107)</b>	<b>(49,933)</b>
As at 31 December 2021	1,566,401	191,489	(39,387)	147,604	86,308	189,738	70,172	596,466	822,187	3,630,978	63,289	3,694,267
<i>Comprehensive income</i>	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	269,088	269,088	6,019	275,107
Foreign exchange differences	-	-	-	-	-	-	-	583	-	583	72	655
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	<b>583</b>	-	<b>583</b>	<b>72</b>	<b>655</b>
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	<b>583</b>	<b>269,088</b>	<b>269,671</b>	<b>6,091</b>	<b>275,762</b>
<i>Transactions with owners recognized directly in equity</i>	-	-	-	-	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	-	-	12,255	-	4,339	117,694	(134,289)	-	-	-
Additional acquisition of minority interests	-	-	-	-	-	-	-	(69)	-	(69)	(135)	(204)
Exercise of options	-	(3,995)	11,671	-	-	-	-	-	(4,141)	3,535	-	3,535
Fair value of share-based payment transactions	-	3,172	-	-	-	-	-	-	-	3,172	-	3,172
Treasury shares purchase	-	-	(17,584)	-	-	-	-	-	-	(17,584)	-	(17,584)
Dividends paid	-	-	-	-	-	-	-	-	(91,030)	(91,030)	-	(91,030)
<b>Total transactions with owners recognized directly in equity</b>	-	<b>(823)</b>	<b>(5,913)</b>	-	<b>12,255</b>	-	<b>4,339</b>	<b>117,625</b>	<b>(229,460)</b>	<b>(101,976)</b>	<b>(135)</b>	<b>(102,111)</b>
As at 30 September 2022	1,566,401	190,666	(45,300)	147,604	98,563	189,738	74,511	714,674	861,815	3,798,673	69,245	3,867,918

# Notes to the financial statements

In 1 – 9 2022 period there were no changes in accounting policies.

The audited Annual report of the Podravka Group for 2021 are available at:

*<https://www.podravka.com/investors/financial-reports/>*



MANAGEMENT BOARD

Koprivnica, 28 October 2022

## STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated unaudited financial statements of Podravka Group for the period 1 - 9 2022 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations of Podravka Group and all subsidiary companies involved in the consolidation.

Corporate Accounting Director:  
Julijana Artner Kuček

Board Member:  
Davor Doko



# Contact

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