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Podravka Group
business results for
January – December 2020
UNAUDITED



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Key financial indicators in 1 – 12 2020



Key financial indicators in 1 – 12 2020

(in HRK millions)	2019	2020	Δ	%
Sales revenue	4,409.4	4,503.2	93.8	2.1%
EBITDA ¹	509.0	546.7	37.7	7.4%
Net profit after MI	221.6	248.9	27.3	12.3%
Net cash flow from operating activities	272.9	384.5	111.5	40.9%
Cash capital expenditures	153.9	192.4	38.5	25.0%
Normalized EBITDA ²	515.5	543.1	27.5	5.3%
Normalized net profit after MI	223.6	244.4	20.8	9.3%

(in HRK; market capitalization in HRK _m)	31. 12. 2019	31. 12. 2020	Δ	%
Net debt / normalized EBITDA	1.6	1.4	(0.2)	(15.3%)
Normalized Earnings per share	32.0	35.0	2.9	9.2%
Last price at the end of period	484.0	485.0	1.0	0.2%
Market capitalization	3,380.6	3,391.2	10.5	0.3%
Return on average equity ³	7.3%	7.6%		+26 bp
Return on average assets ⁴	4.7%	5.1%		+41 bp

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

Key highlights in 1 – 12 2020:

- In 1 – 12 2020, the Podravka Group recorded a revenue growth of HRK 93.8m (+2.1%), an increase in operating profit (EBIT) of HRK 48.8m (+17.2%) and an increase in net profit of HRK 27.3m (+12.3%),
- Sales revenues growth is fully a result of own brands sales that grew by HRK 101.5m (+2.5%). The increase in sales of own brands was recorded both in the Food and in the Pharmaceuticals segments,
- A negative impact on operations came from the increase in prices of raw materials and supplies in the Food segment and from unfavourable movements in foreign exchange differences on trade receivables and trade payables and on borrowings on the Group level, which was successfully cancelled out by savings on certain cost levels,
- In very difficult and complex conditions, the company showed a great ability to quickly adapt its business to the new extraordinary situation, thus successfully responding to many challenges with emphasis on the procurement of raw materials and supplies for production purposes, the production process itself and the delivery of sufficient quantities of products to numerous markets where it is present.

¹ Reported EBITDA is calculated in a way that EBIT was increased by the depreciation, amortisation and value adjustments of the non-current assets

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

³ 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 (31.12.2020) and comparative period (31.12.2019) divided by 2. Normalized Net income include the last 12 months period.

⁴ 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 (31.12.2020) and comparative period (31.12.2019) divided by 2. Normalized Net income include the last 12 months period.

Operations of the *Podravka Group* in conditions of COVID-19 disease



Operations of the Podravka Group in conditions of COVID-19 disease

Operations in 2020 were marked by the emergence of COVID-19 disease in all the Podravka Group's markets. In such extraordinary circumstances, especially in conditions of strict measures introduced from March to May, and tightening of measures at the end of the year, mainly in November and December, one of the key companies responsible for ensuring the continuity of production and the regular supply of food and medicines in Croatia is the Podravka Group. Workflows within the company were fully adapted as quickly as possible to the new situation so that the production of food and pharmaceutical products took place in line with the market needs. Although in the beginning of the crisis, the conditions of purchase and supply of raw materials and packaging for production purposes were very difficult, the Podravka Group took all the necessary steps in short time to ensure sufficient quantities of its food and pharmaceutical products, thus meeting the needs of its loyal customers in the numerous markets in which it is present. Given the increase in demand compared to the one planned for the month of March, the production was continually adjusting, and work in Podravka Group's factories was organized in three and four shifts, while home office was organized for all employees of the services for which this was possible, in order to reduce potential risk of the COVID-19 disease within the system.

The change in the work organization represented additional burdens for the IT system security, which is one of the key foundations of business continuity. Any incident in the field of IT security has the potential to cause great financial damage and disrupt the normal business processes. In order to support the increased demands of home offices, a documentation set of policies and work instructions has been defined that were adequately communicated to all users of the Podravka Group's IT system.

In March 2020, within the two weeks, the number of remote client connections to the Podravka Group's servers increased approximately twenty times due to the drastically increased home office for large number of employees and additional information and IT systems support was required. For this reason, in a very short period and with minimal additional necessary investments, the capacities of the IT system were activated, which supported the stated requirements of home offices.

Even before the outbreak of COVID-19 in the European Union, the Podravka Group continuously monitored the situation and took preventive and corrective measures in real time to manage potential health and business risks. With the first outbreak of COVID-19 in the Republic of Croatia, the Crisis Management Team was activated, which adopted measures in accordance with the recommendations of the World Health Organization and the competent national authorities of the Republic of Croatia. With increased attention, the development of the situation in the country and the region was closely monitored, in order to ensure the health safety of employees and ensure business continuity. In addition, a separate e-mail address has been established for the two-way internal communication between employees and the Crisis Management Team, and an internal portal in order to constantly communicate the need to implement the established anti-epidemic measures on a daily basis.

In order to ensure timely and sufficient quantities of raw materials and other goods needed for the smooth running of production and sales processes, the Podravka Group's procurement function during the pandemic carried out a number of activities: intensifying communication with suppliers (especially of strategic categories), using alternative modes of transporting raw materials and supplies from abroad, short-term raising of inventory levels (safety stock) for materials with longer lead time, introducing alternative suppliers wherever possible, agreeing production priorities with Production Planning, and optimising unloading and warehousing with Logistics. By implementing these activities and reacting promptly, the Podravka Group's procurement function has successfully adapted to the new conditions in accordance with the current situation and needs.

In the third and fourth quarters, business operations continued in COVID-19 disease conditions. Despite the opening of borders and the arrival of tourists, part of the restrictive measures were still in force. The shoulder season was absent, and the tourist season itself was shorter than usual due to the worsening epidemiological situation in the second half of August, which made the shoulder season impossible. With the arrival of winter, the measures were tightened and from the end of November, hospitality facilities, cafes, restaurants, hotel restaurants (except for hotel guests) were forced to close their doors and the sales in the Gastro channel decreased (the Gastro channel includes HoReCa customers, institutional customers, industrial customers, etc.). The share of Gastro channel sales of the Adria Region in the total sales revenues of the Podravka Group decreased from 8.6% in the comparative period to 6.6% in the reporting period. The share of Gastro channel sales on international markets in the total sales revenues of the Podravka Group decreased from 1.5% in the comparative period to 1.2% in the reporting period.

Based on the difficult business conditions due to the situation caused by COVID-19 disease, the Podravka Group received state subsidies in Slovenia, Serbia, Montenegro, Kosovo, Poland and Australia in the total estimated amount of HRK 8.3m⁵ in accordance with the conditions for granting subsidies prescribed in individual countries. The situation caused by COVID-19 disease did not encourage new financial risks nor did it cause the need for provisions or impairment of assets. During 2020, financing of all business needs, maintaining liquidity, dividend distribution to shareholders and the decrease in interest rates on borrowings were ensured.

Due to the COVID-19 pandemic, the exponential growth of cyber-attacks has accelerated. Therefore, the involvement of human resources in the Corporate and Information Security sector and IT sector in all elements of the Podravka Group's IT system protection has been strengthened, with an emphasis on proactive activities aimed at reducing the risk of currently greatest security threats to the IT system (Ransomware, etc.). The occurrence of a series of phishing emails with COVID-19 topics was detected, to which users were warned by posts on the intranet and warning emails.

Despite all the above challenges caused by the COVID-19 pandemic, thanks to the intensified efforts of the Corporate and Information Security sector and IT sector, there were no significant security incidents that would cause the unavailability of the IT system and consequently affect the company's business continuity.

⁵ Gross value of subsidies. In the Slovenian market, Žito Group companies were obliged to pay the crisis allowance in the amount of HRK 3.3m based on the subsidies received, so the total estimated net amount of subsidies is HRK 5.0m.

Significant events
in 1 – 12 2020
and after the balance sheet date



Marin Pucar, the President of the Management Board of Podravka and the Croatian Employers' Association passed away

Marin Pucar, the President of the Management Board of Podravka and the Croatian Employers' Association, one of our most prominent businessmen, passed away on 6th January 2021 after a serious illness, in the General Hospital In Koprivnica.

“Once a Podravka person, always a Podravka person!” are the words that Marin Pucar, as the President of the Management Board of Podravka used to say in his always emotional addresses to his Podravka fellows. They were not just words. Every day, with every decision, activity, project, meeting or socializing, he demonstrated how much of his knowledge, enthusiasm, experience and heart he incorporated into the “company with a heart”.



His professional career started at the food industry Gavrilović, from which, in 2001, he moved to Danica, the meat industry of Podravka, where in 2002, he became its director of sales, marketing and development. In 2003, he was appointed as the Executive Director of the Croatian market in Podravka. Marin Pucar held the role of a member of the Management Board of Podravka from 2008 to 2012, after which he went to Zvečevo to the position of a member of the Management Board, and in 2014 he became and remained until August 2016, the President of the Management Board of Zvečevo. After that, in February 2017, Marin Pucar returned to Podravka as the President of the Management Board.

Marin Pucar graduated from the Faculty of Economics, University of Zagreb, and completed postgraduate scientific studies in the Marketing Theory and Policy at the same Faculty. He continued his education and, among other things, in 2020 completed his doctoral Management study at the Faculty of Economics in Osijek on the topic “Strategy for managing brand expansion in the Croatian food industry”.

Significant business experience, continuous education, leadership skills and incredible energy, resulted in very successful operations of the Podravka Group under his leadership, as a result of organic growth and business development in the traditional markets where the Podravka Group has been a renowned manufacturer. This was recognized by the business community, so in addition to the numerous functions Marin Pucar held, including the position of the Deputy Chairman of the Board of the Croatian Chamber of Commerce, in September 2020 he was elected the President of the Croatian Employers' Association.

***The Supervisory Board appointed Martina Dalić, PhD,
as the new President of the Management
Board of Podravka Inc.***

At its meeting held on 3rd February, the Supervisory Board of Podravka Inc. unanimously elected Martina Dalić, PhD, as the new President of the Management Board of Podravka Inc. The mandate of the newly appointed President of the Management Board will last until 23rd February 2022, i.e. until the expiration of the mandate of the current Management Board.

Martina Dalić, PhD, is a person with extensive experience in the public and private sectors, but also in international institutions.

She comes to the position of the President of the Management Board of Podravka Inc. from the position of the director of the business consulting company Callidus Certus d.o.o., of which she is also the founder.



In her career in the public sector, she was the Deputy Prime Minister of the Republic of Croatia and Minister of the Economy, Entrepreneurship and Crafts (2016 – 2018), Minister of Finance (2010 – 2011), State Secretary (2004 – 2008) and Assistant Minister of Finance (1997 – 2000). She began her career in the public sector in 1995 at the Ministry of Finance. In addition, in 2011 she was elected a member of the Croatian Parliament and held that mandate until 2015.

She also gained significant experience through the private sector, so from 2008 to 2010 she was the President of the Management Board of Partner banka Zagreb, and from 2000 until 2004 the chief economist of Privredna banka Zagreb, a member of the Intesa Sanpaolo Group.

From 2015 to 2016, she was a permanent advisor for public financial management at the International Monetary Fund, Washington DC.

In the period from 2005 to 2012, Martina Dalić, PhD, was the deputy chief negotiator and negotiator in the negotiating team for the accession of the Republic of Croatia to the European Union for four chapters (Customs union, Taxation, Financial control, and Financial and budgetary provisions).

Martina Dalić, PhD, graduated from the Faculty of Economics and Business in Zagreb, where she began her professional career as an assistant at the Department of Organization and Management. She received her master's degree in 1994, and defended her doctoral thesis in 2012.

She is the author of numerous professional and scientific papers.

Dividend distribution

As at 26th June 2020 the dividend was distributed to all shareholders recorded with the Central Depository and Clearing Company Inc. as at 29th May 2020. The dividend was distributed in the gross amount of HRK 9.00 per share, which equals the amount of the dividend from 2019 and implies the dividend yield of 2.2%⁶. This is a continuation of the implementation of the Podravka Group's dividend distribution policy in line with business results and development plans despite current circumstances and challenges of the Podravka Group's business environment.

Lino Lada ice cream wins Golden Basket product of the year award for 2019

Lino Lada ice cream, produced in cooperation of Podravka and Ledo, has won the Golden Basket award for the best product in 2019 in the Croatian market, a prestigious annual award given by the magazine Ja TRGOVAC. In the category which traditionally has the largest number of applicants and strong competition of top domestic products Lino Lada ice cream won the jury with its unique flavour and innovation. The Golden Basket is a new important recognition for Lino Lada ice cream, which was declared the best in the world by the International Ice Cream Consortium at a competition in Sweden last year. The Lino Lada brand is once again proving to be a favourite cream spread, and winning the Golden Basket for the product of the year for the second year in a row is an additional confirmation of the quality and innovation of Podravka's products.

Podravka won the 2nd prize for best investor relations

During the conference of the Zagreb Stock Exchange and pension funds held in October in Rovinj, Podravka Inc. won the second prize of Poslovni dnevnik for best investor relations. The recognition is awarded by Poslovni dnevnik in cooperation with the Zagreb Stock Exchange for the 11th year in a row with the aim of finding and drawing attention to companies with transparent operations. The award is a great recognition for the effort Podravka Inc. invests in communication with existing shareholders and other investors, all with the aim of maintaining the highest level of transparency to which Podravka Inc. has committed as a member of the Zagreb Stock Exchange Prime Market.

⁶ Dividend yield has been calculated as a ratio between gross amount of the dividend per share (HRK 9.00) and last trading price of the share (HRK 416.00) on the date of the General assembly (30th April 2020) when dividend payout was voted.

Overview of sales revenues in 1 – 12 2020



Overview of sales revenues in 1 – 12 2020

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

Sales revenues by segment in 1 – 12 2020

<i>(in HRK millions)</i>	2019	2020	Δ	%
Food	3,454.0	3,527.0	73.0	2.1%
Own brands	3,220.5	3,319.7	99.2	3.1%
Other sales	233.5	207.3	(26.2)	(11.2%)
Pharmaceuticals	955.4	976.2	20.8	2.2%
Own brands	783.4	785.8	2.3	0.3%
Other sales	172.0	190.4	18.5	10.7%
Podravka Group	4,409.4	4,503.2	93.8	2.1%
Own brands	4,003.9	4,105.4	101.5	2.5%
Other sales	405.5	397.8	(7.7)	(1.9%)

Movements of the Food segment revenues (1 – 12 2020 compared to 1 – 12 2019):

- OWN BRANDS recorded HRK 99.2m higher sales (+3.1%), as a result of the increased demand for food products. The revenue growth was recorded by most business units, with the biggest absolute growth recorded by the business units Culinary and the Baby food, sweets and snacks,
- OTHER SALES recorded HRK 26.2m lower sales (-11.2%), primarily as a result of lower sales of trade goods in some markets following the closure of the Gastro channel in the markets of Croatia and Slovenia (HoReCa and institutional customers – schools, kindergartens, student dorms) in April and May, difficulties in the HoReCa channel business in the third quarter due to a weak tourist season and the re-closure of the HoReCa channel in mid-November,
- Overall, THE FOOD SEGMENT recorded HRK 73.0m (+2.1%) higher sales,

Movements of the Pharmaceuticals segment revenues (1 – 12 2020 compared to 1 – 12 2019):

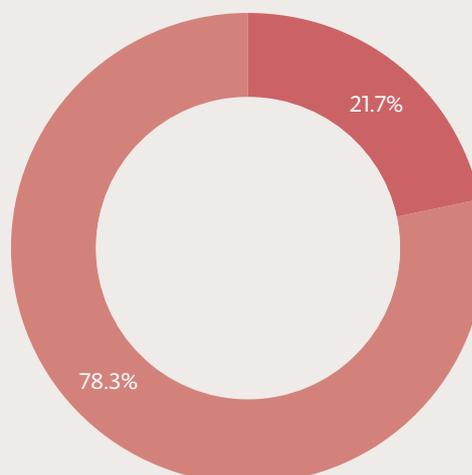
- OWN BRANDS recorded HRK 2.3m higher sales (+0.3%), as a result of the increase in demand for pharmaceutical products, primarily in the OTC drugs category,
- OTHER SALES recorded HRK 18.5m (+10.7%) higher revenues, due to higher sales of trade goods in the markets of Bosnia and Herzegovina and Croatia,
- Overall, THE PHARMACEUTICALS SEGMENT recorded HRK 20.8m (+2.2%) higher sales revenues,

Movements of the Podravka Group revenues (1 – 12 2020 compared to – 12 2019):

- Podravka Group's OWN BRANDS recorded a sales growth of HRK 101.5m (+2.5%),
- The revenues of OTHER SALES are HRK 7.7m (-1.9%) lower,
- Overall, the PODRAVKA GROUP sales revenues are HRK 93.8m (+2.1%) higher.

Sales revenues by segment in 2020

- Pharmaceuticals segment 21.7%
- Food segment 78.3%



Sales revenues by business unit and category in 1 – 12 2020

(in HRK millions)	2019	2020	Δ	%
BU Culinary	934.7	1,003.1	68.4	7.3%
BU Baby food, sweets & snacks	435.9	460.8	24.9	5.7%
BU Podravka food	401.0	403.1	2.1	0.5%
BU Žito and Lagris ⁷	956.8	926.2	(30.6)	(3.2%)
BU Meat products	284.1	305.4	21.3	7.5%
BU Fish	207.9	221.0	13.1	6.3%
Prescription drugs	670.0	665.9	(4.1)	(0.6%)
Non-prescription programme	113.4	119.8	6.5	5.7%
Other sales	405.5	397.8	(7.7)	(1.9%)
Other sales Food ⁷	233.5	207.3	(26.2)	(11.2%)
Other sales Pharmaceuticals	172.0	190.4	18.5	10.7%
Podravka Group	4,409.4	4,503.2	93.8	2.1%

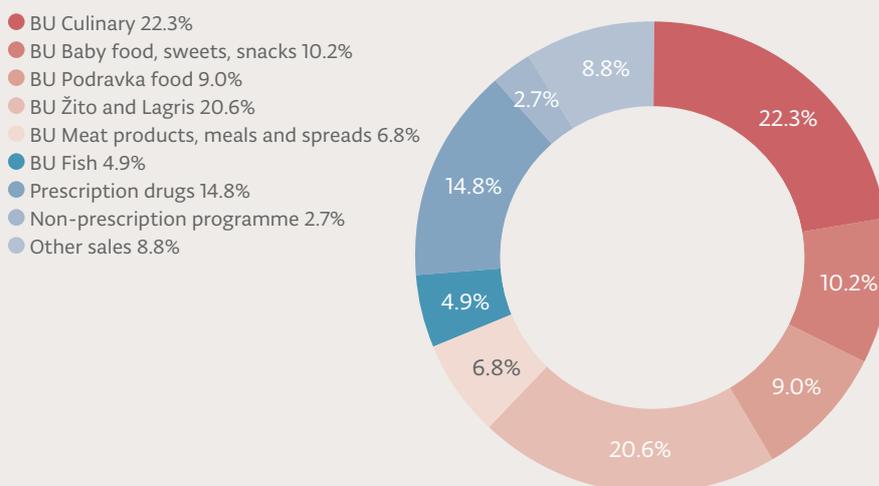
Movements of revenues by business unit and category (1-12 2020 compared to 1-12 2019):

- The CULINARY BUSINESS UNIT recorded HRK 68.4m (+7.3%) higher sales and growth in all regions. The growth was recorded in all categories, and the largest share of the growth comes from the increased demand and sales in categories Seasonings, Soups and Monospices,
- The BABY FOOD, SWEETS AND SNACKS BUSINESS UNIT recorded HRK 24.9m (+5.7%) higher sales, driven by increased demand and sales in the Powdered sweets, Baby food and Creamy spreads categories. The business unit recorded growth in all regions,
- The PODRAVKA FOOD BUSINESS UNIT recorded HRK 2.1m (+0.5%) higher sales, due to the significant growth of the Tomato category. The revenue growth was recorded in the Central Europe, the Western Europe and the Overseas and the New markets regions,
- The ŽITO AND LAGRIS BUSINESS UNIT records HRK 30.6m (-3.2%) lower sales than in the comparative period. The growth in sales of most categories was unable to compensate for the decrease in sales in the categories of fresh bakery products, private labels and confectionery, primarily in the markets of Slovenia, Italy and Germany. The significant revenue growth was recorded in the Central Europe region,

⁷ The difference in relation to the publication of business results for the 1 – 12 2019 period relates to the reclassification of one private label from the BU Žito and Lagris to the trade goods category within other sales.

- The MEAT PRODUCTS, MEALS AND SPREADS BUSINESS UNIT recorded an increase in sales of HRK 21.3m (+7.5%), primarily due to the increase in sales of Canned ready-to-eat meals, Luncheon meat and Pates categories. The sales growth was recorded in all regions where we are present with this product range,
- The FISH BUSINESS UNIT in the observed period recorded a revenue growth of HRK 13.1m (+6.3%) relative to the comparative period, primarily due to higher demand and sales of the Fish salads and Tuna categories. The sales growth was recorded in the Adria, the Central and the Eastern Europe regions,
- The PRESCRIPTION DRUGS CATEGORY recorded HRK 4.1m (-0.6%) lower sales, due to the depreciation of the Russian ruble⁸ in relation to the comparative period and difficult access to healthcare facilities in the conditions of COVID-19 disease.
- The revenues of the NON-PRESCRIPTION PROGRAMME CATEGORY are HRK 6.5m (+5.7%) higher, as a result of the sales growth in the OTC drugs subcategory, primarily in the market of Croatia. A significant impact on the sales growth in the Croatian market comes from the increased demand and sales of the Lupocet and Neofen brands,
- The OTHER SALES category recorded HRK 7.7m (-1.9%) lower sales. In the Food segment, other sales dropped by HRK 26.2m (-11.2%) primarily due to the decrease in sales in the Gastro channel (HoReCa and institutional customers – schools, kindergartens, student dorms) on the Croatian and Slovenian markets following the emergence of COVID-19 disease (lockdown, weaker tourist season, absence of shoulder season and re-closure of the HoReCa channel and introduction of online school in November), and lower demand and sales of trade goods in the markets of the Czech Republic and Slovenia. In the Pharmaceuticals segment, other sales grew by HRK 18.5m (+10.7%), primarily due to the increase in sales of trade goods of the Farmavita company in the market of Bosnia and Herzegovina.

Sales revenues by business unit and category in 2020



⁸ The average cumulative RUB/HRK exchange rate taken from the business system (ERP) in 2020 was 0.092023, while in 2019 it was 0.102383.

Sales revenues by region in 1 – 12 2020

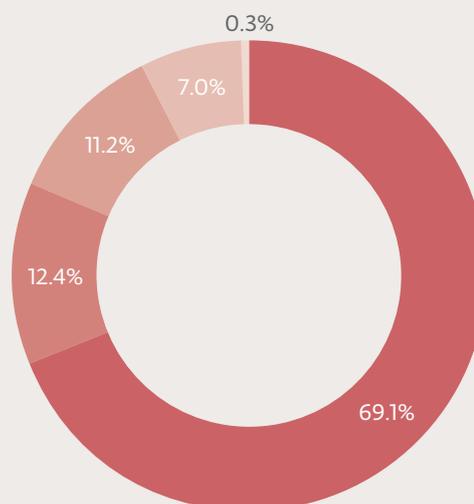
<i>(in HRK millions)</i>	2019	2020	Δ	%
Adria	3,082.6	3,111.5	29.0	0.9%
Food	2,423.9	2,409.9	(14.0)	(0.6%)
Pharmaceuticals	658.7	701.6	42.9	6.5%
WE and Overseas	466.2	505.0	38.7	8.3%
Food	465.4	502.8	37.4	8.0%
Pharmaceuticals	0.8	2.2	1.4	171.3%
Central Europe	509.5	558.4	48.9	9.6%
Food	446.2	495.2	49.0	11.0%
Pharmaceuticals	63.3	63.2	(0.1)	(0.2%)
Eastern Europe	334.9	313.3	(21.6)	(6.5%)
Food	103.3	105.9	2.6	2.5%
Pharmaceuticals	231.6	207.4	(24.3)	(10.5%)
New markets	16.1	15.0	(1.1)	(7.1%)
Food	15.2	13.2	(2.0)	(13.4%)
Pharmaceuticals	0.9	1.8	0.9	96.1%
Podravka Group	4,409.4	4,503.2	93.8	2.1%

Movements of sales revenues by region (1 – 12 2020 compared to 1 – 12 2019):

- The ADRIA REGION recorded HRK 29.0m (+0.9%) higher sales than in the comparative period. In the Food segment, the revenue decrease of HRK 14.0m (-0.6%) is recorded, where the growth of most business units to a certain degree compensated the decrease in sales of the business unit Žito and Lagris and trade goods. Revenues of the Pharmaceuticals segment are HRK 42.9m higher (+6.5%), where the biggest contribution comes from the increase in sales of prescription drugs and trade goods,
- Revenues of the WESTERN EUROPE AND OVERSEAS REGION grew by HRK 38.7m (+8.3%) in the reporting period. The Food segment recorded revenue growth of HRK 37.4m (+8.0%), due to the increase in sales of almost all business units, with the biggest absolute growth generated by the business unit Culinary and the business unit Meat products, meals and spreads. This growth of business units successfully cancelled out the lower sales of the Žito and Lagris business unit, primarily in the category of fresh bakery products and private labels. The revenues of the Pharmaceuticals segment grew by HRK 1.4m (+171.3%) due to the increase in sales of prescription drugs in Western Europe,
- The CENTRAL EUROPE REGION recorded a revenue growth of HRK 48.9m (+9.6%). The Food segment recorded HRK 49.0m higher sales (+11.0%) due to the increase in sales of all business units. The Pharmaceuticals segment recorded a decrease in sales of HRK 0.1m (-0.2%), primarily due to the decrease in sales in the market of Poland,
- In the reporting period, revenues of the EASTERN EUROPE REGION are HRK 21.6m lower (-6.5%). The Food segment recorded a revenue growth of HRK 2.6m (+2.5%), following the growth of most business units, with the biggest absolute growth recorded by the business unit Culinary and the business unit Fish. The Pharmaceuticals segment recorded a decrease in sales of HRK 24.3m (-10.5%), due to the depreciation of the Russian ruble⁹ in relation to the comparative period and difficult access to healthcare facilities in the conditions of COVID-19 disease.
- The NEW MARKETS REGION recorded a decrease in sales of HRK 1.1m (-7.1%) as a result of a decrease in sales of the Food segment of HRK 2.0m (-13.4%), primarily due to lower sales of trade goods and business unit Žito and Lagris. The Pharmaceuticals segment recorded a revenue growth of HRK 0.9m (+96.1%) following the increase in sales of prescription drugs and non-prescription programme.

Sales revenues by region in 2020

- Adria 69.1%
- Central Europe 12.4%
- Western Europe and Overseas 11.2%
- Eastern Europe 7.0%
- New Markets 0.3%



⁹ The average cumulative RUB/HRK exchange rate taken from the business system (ERP) in 2020 was 0.092023, while in 2019 it was 0.102383.

Profitability in 1 – 12 2020



Profitability in 1 – 12 2020

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 – 12 2020" section.

In August 2020, the Pharmaceuticals segment analysed the used estimate of impairment of inventories of raw materials, supplies and packaging and accordingly amended the impairment policy. The analysis showed that raw materials and packaging have increasingly long lives and that, consequently, a significant part of previously impaired raw materials and packaging is still used in production. The updated estimate of impairment will approximate the actual write-offs of raw materials and packaging. The changed assessment, i.e. policy, resulted in lower cost of goods sold in the amount of HRK 6.4m (pre-tax) in the 1 – 12 2020 period. If the amended policy were applied from the beginning of 2019, the cost of goods sold would be HRK 3.4m (pre-tax) lower in the comparative period 1 – 12 2019.

Profitability of the Food segment in 1 – 12 2020

(in HRK millions)	Profitability of the Food segment				Normalized			
	2019	2020	Δ	%	2019	2020	Δ	%
Sales revenue	3,454.0	3,527.0	73.0	2.1%	3,454.0	3,527.0	73.0	2.1%
Gross profit	1,158.6	1,191.1	32.5	2.8%	1,159.7	1,191.1	31.4	2.7%
EBITDA*	326.4	388.1	61.7	18.9%	333.0	387.3	54.4	16.3%
EBIT	164.3	232.7	68.4	41.6%	180.2	232.0	51.7	28.7%
Net profit after MI	137.9	181.8	43.9	31.8%	139.9	181.1	41.2	29.4%
Gross margin	33.5%	33.8%		+23 bp	33.6%	33.8%		+20 bp
EBITDA margin	9.5%	11.0%		+155 bp	9.6%	11.0%		+134 bp
EBIT margin	4.8%	6.6%		+184 bp	5.2%	6.6%		+136 bp
Net margin after MI	4.0%	5.2%		+116 bp	4.1%	5.1%		+108 bp

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

Profitability of the Food segment (1 – 12 2020 compared to 1 – 12 2019):

- In the 1 – 12 2020 period, the Food segment recorded an increase in reported GROSS PROFIT of HRK 32.5m (+2.8%) with the gross margin of 33.8%, while normalized gross profit grew by HRK 31.4m (+2.7%). The effect of unfavourable trends in prices of raw materials and supplies was recorded throughout the reporting period and the effect in the 1 – 12 2020 period is estimated at negative HRK 33.4m¹⁰, primarily in relation to dried vegetables,
- The REPORTED OPERATING PROFIT (EBIT) is HRK 68.4m (+41.6%) higher than in the comparative period, while normalized operating profit is HRK 51.7m (+28.7%) higher. In addition to the impact above the EBIT level, negative impacts on operating profit came from movements in foreign exchange differences on trade receivables and trade payables (HRK -10.4m in 1 – 12 2020; HRK +4.8m in 1 – 12 2019), the increase in staff costs of HRK 5.9m (+0.7%), while a positive impact comes from savings on marketing expenses and lower selling and distribution costs. The increase in staff costs is the result, among other, of improvement of employees' material rights, impacted also by the payment of awards to employees in the manufacturing, logistics and distribution segment for the exceptional efforts made to ensure the continuity of production and regular food supply,
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 43.9m higher (+31.8%), while normalized net profit after minority interests is HRK 41.2m higher (+29.4%) compared to 1 – 12 2019. In addition to the impact above the EBIT level, the net profit was negatively impacted by foreign exchange differences on borrowings (HRK -2.7m in 1 – 12 2020; HRK -0.3m in 1 – 12 2019), which was largely mitigated by lower finance costs. Following the increase in pre-tax profit and lower amount of deferred tax asset, the tax liability is HRK 24.1m higher.

¹⁰ Obtained as used volumes of raw materials and supplies in 1 – 12 2020*prices in 1 – 12 2020 – used volumes of raw materials and supplies in 1 – 12 2020*prices in 1 – 12 2019.

Profitability of the Pharmaceuticals segment in 1 – 12 2020

(in HRK millions)	Profitability of the Pharmaceuticals segment				Normalized			
	2019	2020	Δ	%	2019	2020	Δ	%
Sales revenue	955.4	976.2	20.8	2.2%	955.4	976.2	20.8	2.2%
Gross profit	472.9	468.3	(4.6)	(1.0%)	472.9	465.5	(7.5)	(1.6%)
EBITDA*	182.6	158.6	(24.0)	(13.2%)	182.6	155.7	(26.8)	(14.7%)
EBIT	119.3	99.7	(19.6)	(16.4%)	119.3	92.9	(26.4)	(22.2%)
Net profit after MI	83.6	67.1	(16.5)	(19.8%)	83.6	63.3	(20.4)	(24.3%)
Gross margin	49.5%	48.0%		-153 bp	49.5%	47.7%		-182 bp
EBITDA margin	19.1%	16.2%		-287 bp	19.1%	16.0%		-316 bp
EBIT margin	12.5%	10.2%		-227 bp	12.5%	9.5%		-297 bp
Net margin after MI	8.8%	6.9%		-188 bp	8.8%	6.5%		-227 bp

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

Profitability of the Pharmaceuticals segment (1 – 12 2020 compared to 1 – 12 2019):

- The Pharmaceuticals segment recorded HRK 4.6m (-1.0%) lower reported GROSS PROFIT, while normalized gross profit is HRK 7.5m (-1.6%) lower. The reported gross margin is 48.0%, which is lower than in the comparative period, due to the sales structure, difficulties in functioning of the health system and reduced patient access to doctors, as explained in the introductory note to the “Overview of sales revenues in 1 – 12 2020” section. In the sales structure, a share of trade goods, which have lower profitability than own brands, increased,
- Reported OPERATING PROFIT (EBIT) is HRK 19.6m lower (-16.4%), while normalized operating profit is HRK 26.4m lower (-22.2%). In addition to the impact above the EBIT level, the operating profit is primarily a result of very unfavourable movements in foreign exchange differences on trade receivables and trade payables (HRK -35.5m in 1 – 12 2020; HRK +13.8m in 1 – 12 2019), which was mitigated by lower marketing expenses and lower general and administrative expenses,
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 16.5m lower (-19.8%), while normalized net profit after minority interests is HRK 20.4m lower (-24.3%). In addition to the impact above the EBIT level, net profit after minority interests was impacted by favourable movements in foreign exchange differences on borrowings (HRK -1.4m in 1 – 12 2020; HRK -1.9m in 1 – 12 2019), higher finance costs and lower finance income. Following the decrease in pre-tax profit, tax liability is HRK 5.0m lower.

Profitability of the Podravka Group in 1 – 12 2020

(in HRK millions)	Profitability of the Podravka Group				Normalized			
	2019	2020	Δ	%	2019	2020	Δ	%
Sales revenue	4,409.4	4,503.2	93.8	2.1%	4,409.4	4,503.2	93.8	2.1%
Gross profit	1,631.5	1,659.4	27.9	1.7%	1,632.6	1,656.6	23.9	1.5%
EBITDA*	509.0	546.7	37.7	7.4%	515.5	543.1	27.5	5.3%
EBIT	283.5	332.3	48.8	17.2%	299.5	324.8	25.3	8.5%
Net profit after MI	221.6	248.9	27.3	12.3%	223.6	244.4	20.8	9.3%
Gross margin	37.0%	36.8%		-15 bp	37.0%	36.8%		-24 bp
EBITDA margin	11.5%	12.1%		+60 bp	11.7%	12.1%		+37 bp
EBIT margin	6.4%	7.4%		+95 bp	6.8%	7.2%		+42 bp
Net margin after MI	5.0%	5.5%		+50 bp	5.1%	5.4%		+36 bp

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

Profitability of the Podravka Group (1 – 12 2020 compared to 1 – 12 2019):

- In the observed period, the Podravka Group recorded HRK 27.9m (+1.7%) higher reported GROSS PROFIT, while normalized gross profit grew by HRK 23.9m (+1.5%). Cost of goods sold increased by 2.4%, which resulted in a gross margin of 36.8% in the reporting period,
- The reported OPERATING PROFIT (EBIT) is HRK 48.8m (+17.2%) higher, while normalized operating profit is HRK 25.3m (+8.5%) higher, as a result of the increase in sales in both business segments and savings realised, primarily on marketing expenses in both segments and significant savings on selling and distribution costs in the food segment. The operating profit was also impacted by very unfavourable movements in foreign exchange differences on trade receivables and trade payables (HRK -45.9m in 1 – 12 2020; HRK +18.6m in 1 – 12 2019),
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 27.3m higher (+12.3%), while normalized net profit after minority interests is HRK 20.8m higher (+9.3%). In addition to the impact above the EBIT level, the net profit after minority interests was impacted by unfavourable movements in exchange differences on borrowings (HRK -4.1m in 1 – 12 2020; HRK -2.2m in 1 – 12 2019) which was mitigated by lower finance costs. The tax liability is HRK 19.1m higher.

Key highlights of the income statement in 1 – 12 2020



Key highlights of the income statement in 1 – 12 2020

Other income and expenses, net

In the reporting period, other income and expenses, net amounted to HRK -21.2m, while in the comparative period they amounted to HRK +28.8m, mainly affected by the movements in foreign exchange differences on trade receivables and trade payables that amounted to HRK -45.9m in the 1 – 12 2020 period, while in the comparative period they amounted to HRK +18.6m. This item also includes value adjustments that amount to HRK -3.9m in the reporting period, while in the comparative period they amounted to HRK +9.4m and are provided in the “Additional tables for 1 – 12 2020” section.

Cost of goods sold

Cost of goods sold increased by 2.4% relative to the comparative period due to a higher level of sales realized, the structure of sales and the rise in prices of raw materials and supplies (estimated negative impact in the Food segment of HRK 33.4m¹¹, primarily from dried vegetables). On the normalized level, cost of goods sold grew by 2.5%. Cost of goods sold was also affected by the amended policy for the impairment of raw materials, supplies and packaging in the Pharmaceuticals segment, as explained in the introductory note to the “Profitability in 1 – 12 2020” section.

General and administrative expenses

In relation to the comparative period, general and administrative expenses are HRK 1.4m higher (+0.4%), which is at the comparative period level. On the normalized level, general and administrative expenses are HRK 1.9m higher (+0.6%).

Selling and distribution costs

In the observed period, selling and distribution costs are HRK 13.0m (-2.1%) lower than in the comparative period, primarily as a result of lower costs of daily allowances, transportation costs and energy costs. On the normalized level, selling and distribution costs are lower by HRK 12.4m (-2.0%).

Marketing expenses

In the reporting period, marketing expenses (which include expenses of marketing investments and expenses of marketing department) are HRK 59.3m lower (-13.6%) than in the comparative period. In the Food segment, marketing expenses decreased by HRK 31.8m (-12.6%), while in the Pharmaceuticals segment the decrease amounted to HRK 27.4m (-14.9%).

¹¹ Obtained as used volumes of raw materials and supplies in 1 – 12 2020*prices in 1 – 12 2020 – used volumes of raw materials and supplies in 1 – 12 2020*prices in 1 – 12 2019.

Net finance costs

In the observed period, net finance costs amounted to HRK -18.3m, while in the comparative period they amounted to HRK -17.7m. This is a result of, among other, unfavourable movements in foreign exchange differences on borrowings, which in the 1 – 12 2020 period amounted to HRK -4.1m, while in the comparative period they amounted to HRK -2.2m. Interest expense on borrowings is HRK 3.4m (-22.8%) lower due to refinancing of borrowings under more favourable commercial terms.

Income tax

In the 1 – 12 2020 period, the income tax of the Podravka Group is HRK 19.1m (+49.4%) higher than in the comparative period, as a result of higher level of pre-tax profit and lower amount of deferred tax asset in the Food segment.

Key highlights of the balance sheet as at 31 December 2020



Key highlights of the balance sheet as at 31 December 2020

Property, plant and equipment

Compared to 31 December 2019, property, plant and equipment of the Podravka Group are HRK 9.3m or +0.4% higher, due to the regular realization of capital expenditure.

Inventories

Inventories of the Podravka Group are HRK 32.2m (+3.4%) higher than as at 31 December 2019, as a result of the increase in inventories of raw materials and supplies in the Pharmaceuticals segment, following the increased demand and production volume as a result of the situation caused by COVID-19 disease. Inventories of the Food segment are at the level of the comparative period.

Trade and other receivables

Trade and other receivables of the Podravka Group are HRK 24.2m (+2.6%) higher than as at 31 December 2019 as a result of the increase in the number of days to collect receivables in the Pharmaceuticals segment on the Croatian market.

Cash and cash equivalents

Cash and cash equivalents of the Podravka Group at the end of the observed period are HRK 3.7m lower (-6.7%) compared to 31 December 2019. This is explained in the “Key highlights of the cash flow statement in 1 – 12 2020” section.

Long-term and short-term borrowings

As at 31 December 2020, long-term and short-term borrowings of the Podravka Group are HRK 92.7m lower than as at 31 December 2019. In the observed period, long-term debt is lower by HRK 166.9m due to regular repayments and refinancing aiming to achieve an optimum currency structure. Short-term debt increased by HRK 74.2m as a result of an increase in the current portion of long-term debt and ensuring the required liquidity level in everyday operations.

Trade and other payables

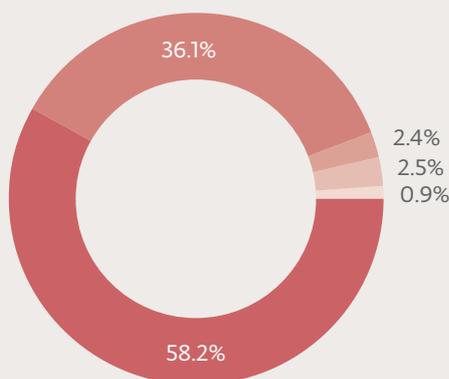
Trade and other payables of the Podravka Group are HRK 51.7m or -8.5% lower compared to 31 December 2019. This is a result of the cash flow optimization process on the Podravka Group level.

Indebtedness

As at 31 December 2020, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities amounted to HRK 785.2m, of which HRK 301.2m relates to long-term borrowings, HRK 382.0m to short-term borrowings, HRK 102.0m 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 31 December 2020 was 1.1%, while if right-of-use assets are excluded it is 0.8%.

Currency structure of debt as at 31 December 2020

- HRK 58.2%
- EUR 36.1%
- CZK 2.4%
- BAM 2.5%
- Other 0.9%



Analysing the debt currency structure, the highest exposure, of 58.2%, is in the domestic currency (HRK), while the exposure toward the Euro (EUR) has been reduced and is 36.1%. The debt in the Czech koruna (CZK) amounted to 2.4%, in the Bosnia and Herzegovina mark (BAM) to 2.5%, while the remainder of 0.9% relates to other currencies.

(in HRK millions)*	2019	2020	Δ	%
Financial debt ¹²	878.0	785.2	(92.7)	(10.6%)
Cash and cash equivalents	55.6	51.9	(3.7)	(6.7%)
Net debt ¹³	822.4	733.3	(89.0)	(10.8%)
Interest expense	14.9	11.5	(3.4)	(22.8%)
Net debt / normalized EBITDA	1.6	1.4	(0.2)	(15.3%)
Normalized EBIT / Interest expense	20.1	28.3	8.1	40.5%
Equity to assets ratio ¹⁴	65.9%	69.4%		+344 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.

The decrease in net debt as at 31 December 2020 relative to the comparative period is a result of the repayment of a portion of borrowings compared to 31 December 2019. Normalized EBITDA increase with the decline in net debt led to a lower net debt to normalized EBITDA ratio. Normalized EBIT increase with the decrease in interest expense has driven the rise in the interest coverage ratio (Normalized EBIT / Interest expense).

¹² 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 31 December 2020" section.

¹³ Net debt: Financial debt – Cash and cash equivalents.

¹⁴ Equity to assets ratio: total shareholder's equity / total assets. The data is provided in the "Consolidated statements of financial position as at 31 December 2020" section.

Key highlights of the cash flow statement in 1 – 12 2020



Key highlights of the cash flow statement in 1 – 12 2020

(in HRK millions)	2019	2020	Δ
Net cash flow from operating activities	272.9	384.5	111.5
Net cash flow from investing activities	(144.1)	(186.9)	(42.8)
Net cash flow from financing activities	(284.3)	(201.3)	83.0
Net increase / (decrease) of cash and cash equivalents	(155.5)	(3.7)	151.8

Net cash flow from operating activities

In the observed period, net cash flow from operating activities amounted to positive HRK 384.5m 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 reported period amounted to negative HRK 186.9m, primarily as a result of capital expenditure amounting to HRK 192.4m. The most significant CAPITAL EXPENDITURES in 1 – 12 2020 were related to:

- Continued investing activities in Mirna Inc. related to the development of fish business, which increases capacities and competitiveness of the product range,
- Continued investing activities related to modernisation of the line for the production of creamy spreads in the factory of Baby food and creamy spreads, which increases the existing capacities and opens a possibility of expanding the product range,
- Investment in a solar power plant in the vegetable factory Kalnik, which increases the production efficiency and consequently impacts competitiveness,
- Investment in the line for slicing and packaging of sliced products in the factory Danica, which increases the capacities and production efficiency,
- Investment in the capsuling machine for the production of solid drugs in Belupo Inc., which increases the capacity and ensures the continuity of production,
- Investment in the tableting machine for the production of solid, semisolid and liquid drugs in Belupo Inc., which ensures the continuity of production and product quality,
- Investment in the reconstruction of the Štagelj facility, which creates preconditions for the facility commercialization and allows the increase in operating income and profitability of operations,
- Investment in the automatic palletisation of a portion of production in the Vegeta factory, which improves operations and enhances profitability of operations.

In 2021, EXPECTED CAPITAL EXPENDITURES amount to HRK 272.3m and in the 2022-2023 period expected capital expenditures are at a level of approximately HRK 200.0m.

Net cash flow from financing activities

In the 1 – 12 2020 period, net cash flow from financing activities amounted to negative HRK 201.3m, mainly as a result of repayment of borrowings, dividend distribution and repayment of lease liabilities. The difference in relation to the repayment of borrowings in the balance sheet primarily relates to foreign exchange differences.

Share in 1– 12 2020



List of major shareholders as at 31 December 2020

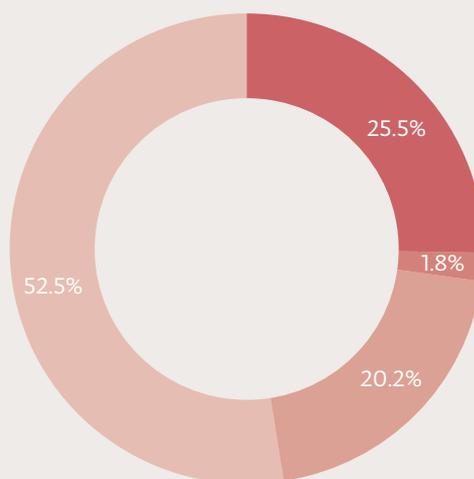
No.	Shareholder	Number of shares	% of ownership
1	Republic of Croatia*	1,815,376	25.5%
2	PBZ Croatia Osiguranje mandatory pension fund, category B	1,097,644	15.4%
3	AZ mandatory pension fund, category B	917,563	12.9%
4	Erste Plavi mandatory pension fund, category B	724,373	10.2%
5	Raiffeisen mandatory pension fund, category B	625,298	8.8%
6	Podravka Inc. - treasury account	127,916	1.8%
	Other shareholders	1,811,833	25.4%
	Total	7,120,003	100.0%

* The Restructuring and Sale Centre holds 1,241,253 shares through four accounts, Kapitalni fond Inc. 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. As at 31 December 2020, the Republic of Croatia holds 25.5% stake, and domestic pension funds (mandatory and voluntary) hold a total of 52.5% stake. Podravka Inc. has 1.8% of treasury shares. Podravka Inc.'s shares have been listed on the Prime Market of the Zagreb Stock Exchange and in six Zagreb Stock Exchange indices (CROBEX, CROBEX10, CROBEXtr, CROBEXprime, CROBEXnutr and ADRIAprime).

Ownership structure as at 31 December 2020

- Republic of Croatia 25.5%
- Treasury shares 1.8%
- Others 20.2%
- Croatian pension funds** 52.5%



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

Share price movement in 1 – 12 2020



(closing price in HRK; closing points)	31 December 2019	31 December 2020	%
PODR	484.0	485.0	0.2%
CROBEX	2,017.4	1,739.3	(13.8%)
CROBEX10	1,199.9	1,087.8	(9.3%)

In the 1 – 12 2020 period, Podravka's share price remained on the comparative period level with a mild increase of 0.2%, while the comparable CROBEX and CROBEX10 stock indices dropped by 13.8% and 9.3%, respectively.

Result on the Croatian capital market in 1 – 12 2020

(in HRK; in units)⁵	2019	2020	%
Weighted average daily price	429.1	413.3	(3.7%)
Average daily number of transactions	12	14	10.7%
Average daily volume	1,110	1,277	15.1%
Average daily turnover	476,423.6	527,877.8	10.8%

Relative to the comparative period, in the 1 – 12 2020 period, the weighted average daily price of Podravka's share decreased by 3.7%. The average daily volume increased by 15.1%, while the average daily turnover and the average daily number of transactions increased by 10.8% and 10.7%, respectively, compared to the 1 – 12 2019 period.

¹⁵The 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 average daily price*(daily volume/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)²⁰

	2019	2020	%
Last price	484.0	485.0	0.2%
Weighted average number of shares ¹⁶	6,984,803	6,992,087	0.1%
Market capitalization ¹⁷	3,380.6	3,391.2	0.3%
EV ¹⁸	4,249.3	4,179.4	(1.6%)
Normalized earnings per share ¹⁹	32.0	35.0	9.2%
EV / sales revenue	1.0	0.9	(3.7%)
EV / normalized EBITDA	8.2	7.7	(6.7%)
EV / normalized EBIT	14.2	12.9	(9.4%)
Last price / normalized earnings per share ratio (P / E)	15.1	13.9	(8.2%)

*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.

¹⁶ 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.

¹⁷ Market Capitalization: Last price * Weighted average number of shares.

¹⁸ Enterprise value: Market Capitalization + Net debt + Minority interests.

¹⁹ 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.

Additional tables for 1 – 12 2020



Calculation of reported EBITDA and normalized EBITDA

EBITDA is calculated in a way that EBIT was increased by depreciation and amortization and value adjustments to non-current assets. The table below presents value adjustments to non-current assets in the reporting and the comparative period.

Value adjustments	2019			2020		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma
Production line equipment	0.5	0.5	-	0.1	0.1	-
Assets held for sale	7.4	7.4	-	-	-	-
Investments in property	10.4	10.4	-	-	-	-
Claimed receivables related to relationship with Fortenova Group	(12.1)	(12.1)	-	-	-	-
Reversal of impairment	-	-	-	(4.0)	-	(4.0)
Other	3.3	3.3	-	-	-	-
Total	9.4	9.4	-	(3.9)	0.1	(4.0)

The line item Other includes other value adjustments to non-current assets.

Reported EBITDA calculation	2019			2020		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma
Reported EBIT	283.5	164.3	119.3	332.3	232.7	99.7
+depreciation and amortization	216.0	152.7	63.3	218.2	155.3	62.9
+value adjustment	9.4	9.4	-	(3.9)	0.1	(4.0)
Reported EBITDA	509.0	326.4	182.6	546.7	388.1	158.6

Normalized EBITDA calculation	2019			2020		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma
Normalized EBIT	299.5	180.2	119.3	324.8	232.0	92.9
+depreciation and amortization	216.0	152.7	63.3	218.2	155.3	62.9
+value adjustment	-	-	-	-	-	-
Normalized EBITDA	515.5	333.0	182.6	543.1	387.3	155.7

One-off items in 1 – 12 2020 and 1 – 12 2019

In the 1 – 12 2020 period, the Food segment incurred HRK 4.2m costs of severance payments for employees on long-term sick leaves, HRK 0.1m of costs from value adjustments to equipment under construction, HRK 5.3m of income from reversal of impairment of receivables, and HRK 0.2m of cost related to the process of closing a subsidiary in Africa, treated by the company's management as one-off items. As at 31 December 2020, the Pharmaceuticals segment analysed the value of its pharmacies using the discounted cash flow method and comparable market transactions method. Both methods indicate a higher fair value, or market value, than the one recorded in business books, and in accordance with the analysis, the reversal of impairment in the amount of HRK 4.0m (pre-tax) was recognised. This amount is treated as one-off item for the reporting period, as well as income of HRK 2.8m related to returns for defective raw materials received in 2018, and HRK 1.7m of charge for early repayment of a borrowing. The estimated impact of these one-off items on tax of Food is HRK 0.05m (decreases it) and includes tax effect of the reduction of Podravka Inc. stake in the company Foodpro Limited Tanzania (HRK -0.4m) and the tax effect of value adjustment to a loan given by Podravka Inc. to a related company (HRK +0.2m). The estimated impact of these one-off items on tax of Pharmaceuticals is HRK 1.3m (increases it).

In the 1 – 12 2019 period, the Food segment incurred HRK 4.8m costs of severance payments for employees on long-term sick leaves, HRK 1.1m of value adjustments to inventories (related to problems in procurement of raw materials from a supplier from Serbia), HRK 0.6m of provisions for the write-off of prepayment, and HRK 9.4m of value adjustments to non-current assets, treated by the company's management as one-off items. In the same period, the Pharmaceuticals segment did not record any one-off items. The estimated impact of these one-off items on tax of Food is HRK 14.0m (decreases it) and includes tax effect of capital contribution to Podravka Africa (from 31 December 2020 Foodpro Limited Tanzania) by Podravka Inc. (HRK -9.2m) and the tax effect of impairment of receivable of Podravka Inc. from Podravka Moscow (HRK -0.9m).

Normalization of the Profit and Loss Statement by segments

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

*In 2019 includes tax effect of capital contribution to Podravka Africa (from 31 December 2020 Foodpro Limited Tanzania) by Podravka Inc. (HRK -9.2m) and the tax effect of impairment of receivable of Podravka Inc. from Podravka Moscow (HRK -0.9m). In 2020 includes tax effect of reduction of Podravka Inc. stake in the company Foodpro Limited Tanzania (HRK -0.4m) and the tax effect of value adjustment to a loan given by Podravka Inc. to a related company (HRK +0.2m).

Consolidated financial statements in 1 – 12 2020



Consolidated Profit and Loss Statement in 1 – 12 2020

(in HRK thousands)	2019	% of sales revenues	2020	% of sales revenues	% change
Sales revenue	4,409,417	100.0%	4,503,217	100.0%	2.1%
Cost of goods sold	(2,777,903)	(63.0%)	(2,843,802)	(63.2%)	2.4%
Gross profit	1,631,514	37.0%	1,659,415	36.8%	1.7%
General and administrative expenses	(334,556)	(7.6%)	(335,920)	(7.5%)	0.4%
Selling and distribution costs	(605,548)	(13.7%)	(592,555)	(13.2%)	(2.1%)
Marketing expenses	(436,699)	(9.9%)	(377,441)	(8.4%)	(13.6%)
Other (expenses) / income, net	28,834	0.7%	(21,154)	(0.5%)	(173.4%)
Operating profit	283,546	6.4%	332,346	7.4%	17.2%
Financial income	874	0.0%	542	0.0%	(37.9%)
Other financial expenses	(1,519)	(0.0%)	(3,286)	(0.1%)	116.4%
Interest expenses	(14,878)	(0.3%)	(11,486)	(0.3%)	(22.8%)
Net foreign exchange differences on borrowings	(2,173)	(0.0%)	(4,106)	(0.1%)	89.0%
Net finance costs	(17,695)	(0.4%)	(18,335)	(0.4%)	3.6%
Profit before tax	265,851	6.0%	314,010	7.0%	18.1%
Current income tax	(36,605)	(0.8%)	(50,503)	(1.1%)	38.0%
Deferred tax	(2,141)	(0.0%)	(7,373)	(0.2%)	244.3%
Income tax	(38,747)	(0.9%)	(57,876)	(1.3%)	49.4%
Net profit for the year	227,104	5.2%	256,134	5.7%	12.8%
Net profit / (loss) attributable to:					
Equity holders of the parent	221,586	5.0%	248,934	5.5%	12.3%
Non-controlling interests	(5,518)	(0.1%)	(7,200)	(0.2%)	30.5%

Consolidated Balance Sheet as at 31 December 2020

(in HRK thousands)	31 Dec 2019	% share	31 Dec 2020	% share	% change
ASSETS					
Non-current assets					
Goodwill	27,250	0.6%	26,819	0.5%	(1.6%)
Investment property	118,240	2.4%	117,086	2.4%	(1.0%)
Intangible assets	244,559	5.0%	253,155	5.1%	3.5%
Property, plant and equipment	2,212,979	45.3%	2,222,277	45.0%	0.4%
Right-of-use assets	100,168	2.1%	100,318	2.0%	0.1%
Deferred tax assets	149,065	3.1%	141,411	2.9%	(5.1%)
Non-current financial assets	43,178	0.9%	43,291	0.9%	0.3%
Total non-current assets	2,895,439	59.3%	2,904,357	58.8%	0.3%
Current assets					
Inventories	948,260	19.4%	980,437	19.8%	3.4%
Trade and other receivables	948,767	19.4%	972,996	19.7%	2.6%
Financial assets at fair value through profit and loss	12	0.0%	106	0.0%	783.3%
Income tax receivable	5,361	0.1%	2,023	0.0%	(62.3%)
Cash and cash equivalents	55,589	1.1%	51,856	1.0%	(6.7%)
Non-current assets held for sale	30,393	0.6%	28,873	0.6%	(5.0%)
Total current assets	1,988,382	40.7%	2,036,291	41.2%	2.4%
Total assets	4,883,821	100.0%	4,940,648	100.0%	1.2%

Consolidated Balance Sheet as at 31 December 2020

<i>(in HRK thousands)</i>	31 Dec 2019	% share	31 Dec 2020	% share	% change
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,698,636	34.8%	1,706,048	34.5%	0.4%
Reserves	853,580	17.5%	951,174	19.3%	11.4%
Retained earnings / (accumulated losses)	620,878	12.7%	714,828	14.5%	15.1%
Attributable to equity holders of the parent	3,173,094	65.0%	3,372,050	68.3%	6.3%
Non-controlling interests	46,335	0.9%	54,932	1.1%	18.6%
Total shareholders' equity	3,219,429	65.9%	3,426,982	69.4%	6.4%
Non-current liabilities					
Borrowings	468,088	9.6%	301,194	6.1%	(35.7%)
Provisions	73,578	1.5%	78,474	1.6%	6.7%
Other non - current liabilities	19,363	0.4%	19,129	0.4%	(1.2%)
Right-of-use asset liability	70,218	1.4%	68,642	1.4%	(2.2%)
Deferred tax liability	39,083	0.8%	39,034	0.8%	(0.1%)
Total non-current liabilities	670,330	13.7%	506,473	10.3%	(24.4%)
Current liabilities					
Trade and other payables	606,571	12.4%	554,909	11.2%	(8.5%)
Income tax payable	17,755	0.4%	4,747	0.1%	(73.3%)
Financial liabilities at fair value through profit and loss	292	0.0%	66	0.0%	(77.4%)
Borrowings	307,742	6.3%	381,978	7.7%	24.1%
Current portion of long-term debt for right-of-use asset	31,610	0.6%	33,322	0.7%	5.4%
Provisions	30,092	0.6%	32,171	0.7%	6.9%
Total current liabilities	994,062	20.4%	1,007,193	20.4%	1.3%
Total liabilities	1,664,392	34.1%	1,513,666	30.6%	(9.1%)
Total equity and liabilities	4,883,821	100.0%	4,940,648	100.0%	1.2%

Consolidated Cash Flow Statement in 1 – 12 2020

<i>(in HRK thousands)</i>	2019	2020	% change
Profit / (loss) for the year	227,104	256,134	12.8%
Income tax	38,747	57,876	49.4%
Depreciation and amortization	216,023	218,225	1.0%
(Profit) / loss on impairment of property, plant, equipment and intangibles	3,746	0	(100.0%)
Reversal of impairment	0	(4,000)	n/a
(Profit) / Loss on impairment of assets held for sale	7,410	0	(100.0%)
Reversal of impairment of other receivables	0	(5,299)	(100.0%)
Impairment of investment property	10,399	0	(100.0%)
Reversal of impairment of non-current financial assets	(12,124)	0	100.0%
Impairment of non-current assets	0	132	100.0%
Remeasurement of financial instruments at fair value	161	(321)	(299.4%)
Share based payment transactions	7,554	0	(100.0%)
Exercise of options	0	11,120	100.0%
Subsidiary liquidation	0	242	100.0%
(Profit) / Loss on disposal of property, plant, equipment and intangibles	(2,860)	364	112.7%
(Profit) / Loss on disposal of assets held for sale	(1,043)	(1,320)	(26.6%)
(Profit) / Loss on write off of right-of-use assets	(75)	(41)	45.3%
Impairment of trade receivables	2,989	(189)	(106.3%)
(Decrease) / Increase in provisions	7,207	4,375	(39.3%)
Interest income	(476)	(211)	55.7%
Interest expense	13,067	12,176	(6.8%)
Interest expense on right-of-use assets	2,773	2,595	(6.4%)
Effect of changes in foreign exchange rates	87	11,707	n/a
Changes in working capital:			
(Increase) / Decrease in inventories	(100,030)	(32,177)	67.8%
(Increase) / Decrease in trade receivables	(38,176)	(18,740)	50.9%
(Decrease) / Increase in trade payables	(59,137)	(53,450)	9.6%
Cash generated from operations	323,345	459,198	42.0%
Income tax paid	(33,720)	(59,953)	(77.8%)
Interest paid	(16,684)	(14,791)	11.3%
Net cash from operating activities	272,941	384,454	40.9%

Consolidated Cash Flow Statement in 1 – 12 2020

<i>(in HRK thousands)</i>	2019	2020	% change
Cash flow from investing activities			
Decrease of investments in subsidiaries and third parties	20	0	(100.0%)
Purchase of property, plant, equipment and intangibles	(153,897)	(192,417)	(25.0%)
Proceeds from sale of property, plant, equipment and intangibles	7,106	3,200	(55.0%)
Proceeds from sale of assets held for sale	1,628	2,091	28.4%
Proceeds from sale of rights	500	0	(100.0%)
Loans given	(41)	(39)	4.9%
Repayment of loans receivable	70	71	1.4%
Collected interest	460	189	(58.9%)
Collected dividend	16	0	(100.0%)
Net cash from investing activities	(144,138)	(186,905)	(29.7%)
Cash flow from financing activities			
Dividend payout	(62,177)	(62,546)	(0.6%)
Acquisition of additional non-controlling interests	(12)	0	100.0%
Sale of treasury shares	6,130	0	(100.0%)
Proceeds from borrowings	409,950	389,411	(5.0%)
Repayment of borrowings	(602,865)	(491,496)	18.5%
Repayment of lease	(35,346)	(36,651)	(3.7%)
Net cash from financing activities	(284,320)	(201,282)	29.2%
Net (decrease) / increase of cash and cash equivalents	(155,517)	(3,733)	97.6%
Cash and cash equivalents at beginning of the year	211,106	55,589	(73.7%)
Cash and cash equivalents at the end of year	55,589	51,856	(6.7%)

Consolidated Statement of Changes in Equity in 1 – 12 2020

(in HRK thousands)	Share capital	Reserve for treasury shares	Legal reserves	Reinvested profit reserve	Statutory reserves	Other reserves	Retained earnings/ accumulated loss	Total	Non-controlling interests	Total
As at 31 December 2018	1,691,884	147,604	58,445	189,738	61,790	339,273	516,603	3,005,337	42,369	3,047,706
Comprehensive income	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	221,586	221,586	5,518	227,104
Foreign exchange differences	-	-	-	-	-	1,787	-	1,787	94	1,881
Actuarial losses (net of deferred tax)	-	-	-	-	-	(1,095)	-	(1,095)	-	(1,095)
Other comprehensive income	-	-	-	-	-	692	-	692	94	786
Total comprehensive income	-	-	-	-	-	692	221,586	222,278	5,612	227,890
Transactions with owners recognized directly in equity	-	-	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	7,913	-	2,256	44,234	(54,403)	-	-	-
Additional acquisition of minority interests	-	-	-	-	-	1,635	-	1,635	(1,647)	(12)
Exercise of options	(802)	-	-	-	-	-	-	(802)	-	(802)
Fair value of share-based payment transactions	7,554	-	-	-	-	-	-	7,554	-	7,554
Dividends paid	-	-	-	-	-	-	(62,908)	(62,908)	-	(62,908)
Total transactions with owners recognized directly in equity	6,752	-	7,913	-	2,256	45,869	(117,311)	(54,521)	(1,647)	(56,168)
As at 31 December 2019	1,698,636	147,604	66,358	189,738	64,046	385,834	620,878	3,173,094	46,335	3,219,429
Comprehensive income	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	248,934	248,934	7,201	256,135
Foreign exchange differences	-	-	-	-	-	8,141	-	8,141	485	8,626
Subsidiary liquidation	-	-	-	-	-	-	-	-	-	-
Actuarial losses (net of deferred tax)	-	-	-	-	-	(2,602)	-	(2,602)	-	(2,602)
Other comprehensive income	-	-	-	-	-	5,539	-	5,539	485	6,024
Total comprehensive income	-	-	-	-	-	5,539	248,934	254,473	7,686	262,159
Transactions with owners recognized directly in equity	-	-	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	10,238	-	3,505	78,312	(92,055)	-	-	-
Subsidiary liquidation	-	-	-	-	-	-	-	-	911	911
Exercise of options	(3,708)	-	-	-	-	-	-	(3,708)	-	(3,708)
Fair value of share-based payment transactions	11,120	-	-	-	-	-	-	11,120	-	11,120
Dividends paid	-	-	-	-	-	-	(62,929)	(62,929)	-	(62,929)
Total transactions with owners recognized directly in equity	7,412	-	10,238	-	3,505	78,312	(154,984)	(55,517)	911	(54,606)
As at 31 December 2020	1,706,048	147,604	76,596	189,738	67,551	469,685	714,828	3,372,049	54,932	3,426,982

Notes to the financial statements

In accounting policies in 2020, the model for calculating expected credit losses for trade receivables has been amended by including macroeconomic impact in the calculation. In order to take into account the specifics of the business segments, the current model for determining the value adjustment of inventories was separated and adjusted to the model for the Food segment and the model for the Pharmaceuticals segment.



MANAGEMENT BOARD

Koprivnica, 26 February 2021

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated unaudited financial statements of Podravka Group for the period 1 - 12 2020 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.

Consolidated unaudited financial statements of Podravka Group for the period 1 - 12 2020 were approved by the Management Board of PODRAVKA Inc. on 26 February 2021.

Corporate Accounting Director:

Julijana Artner Kukec

Board Member:

Davor Doko

PODRAVKA
RAMBENA INDUSTRIJA, d.d.
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