



Podravka Inc.
business
results for
January -
September
2022 period
UNAUDITED

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General information



General information

Podravka prehrambena industrija Inc., Koprivnica, is incorporated in the Republic of Croatia. Today it is included in leading companies in industry operating in the area of South-Eastern, Central and Eastern Europe. The principal activity of the Company comprises production of a wide range of food products.

The Company is headquartered in Koprivnica, Croatia, Ante Starčevića 32.

The Company's shares are listed on the Prime market of the Zagreb Stock Exchange.

Management Board members as at 30 September 2022

PRESIDENT	Martina Dalić
MEMBER	Ljiljana Šapina
MEMBER	Davor Doko
MEMBER	Milan Tadić
MEMBER	Ivan Ostojić

The unaudited, unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

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 1st April 2021 by an average of 22%, depending on professional qualifications and working conditions (more details below)*
- *The investment cycle of Podravka Inc. is carried out in accordance with the adopted Strategy (more details below)*
- *In October, the Poslovni dnevnik's award for best investor relations won (more details below)*
- *Podravka Inc. marked its 75th 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. 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 June, the General Assembly of shareholders of Podravka Inc. was held (more details below)*
- *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.¹

These trends had a significant negative impact on Podravka Inc.'s operations, where in the 1 – 9 2022 period, the cost of raw materials and supplies in manufacturing increased by HRK 147m or +20.5 %, 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 Podravka Inc. 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. employees. The net salaries of Podravka 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., 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.

¹ 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 Inc.'s 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 Inc. 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 Inc. 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 19m, so that in less than a year Podravka Inc. has invested more than HRK 54m in improving salaries and total employees' earnings.

Podravka Inc. 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 Inc.'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.

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 Inc. 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 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, Podravka Inc. 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 Inc. 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 a production site, the Soups and Vegeta factory, 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 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, Podravka Inc. 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.

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 Inc. received the 2nd 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 Inc. 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 Inc. presented new Vegeta BIO with organically grown vegetables and spices

In March 2022, Podravka Inc. 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. organization

In early March 2022, the Management Board of Podravka Inc. adopted a decision to change the organization of Podravka Inc. The goal of the new organization is to enhance and improve the efficiency of Podravka Inc., 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. Podravka Inc. is divided by the new organization into four business areas (Sales, Business Units, Finance, Supply Chain) and eight corporate functions.

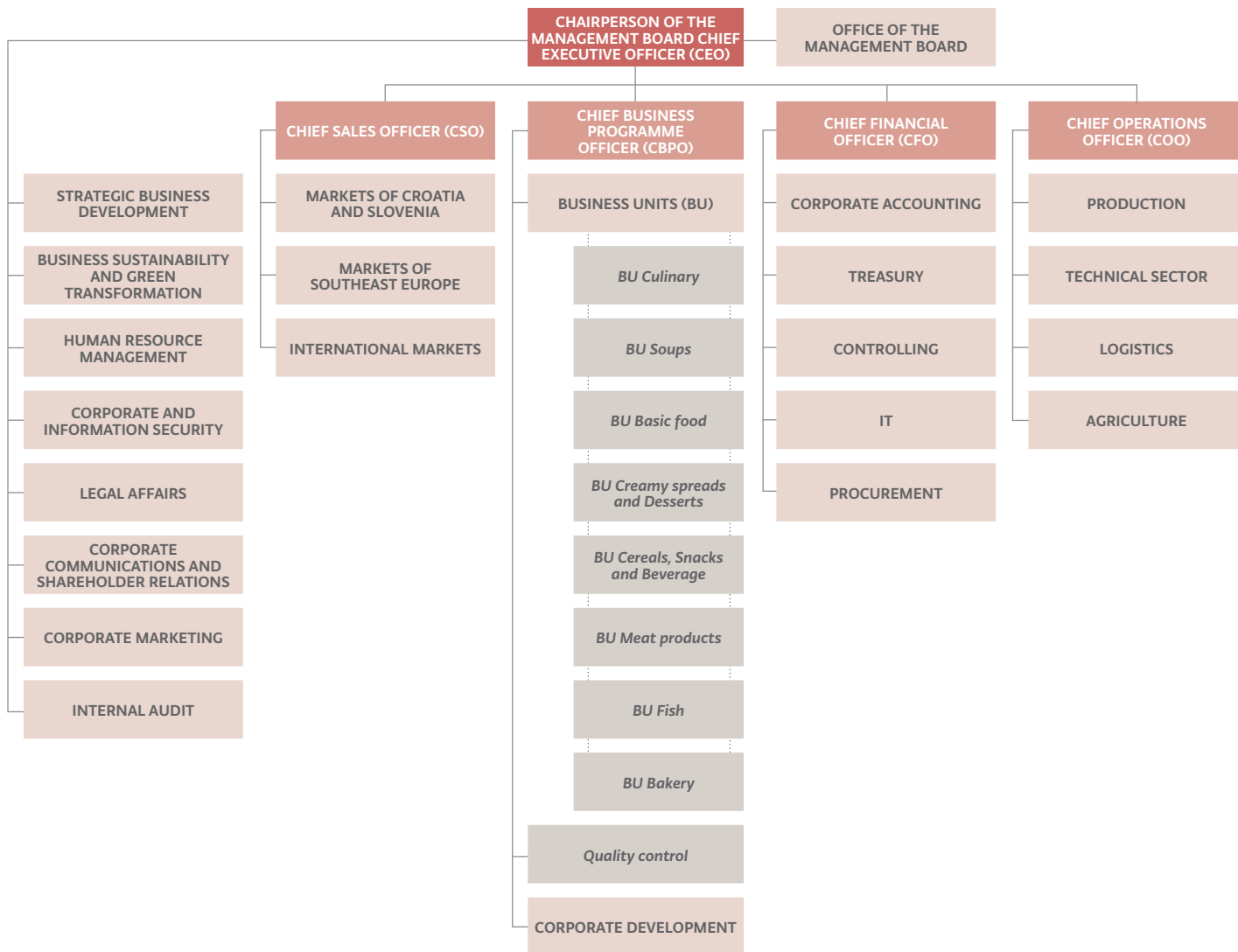
The Sales business area is divided into three main divisions – the markets of the Republic of Croatia and the Republic of Slovenia, the market of Southeastern Europe and the International markets. The former Adria region has been divided into two divisions for a better focus on the two largest markets 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. 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, Podravka Inc. 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 Podravka Inc. and which will define the goals of sustainable development of Podravka Inc., 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 Podravka Inc. In the past year, 16 new managers with respectable careers in Croatian and foreign companies have joined Podravka Inc. 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.

Podravka Inc. 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 Podravka Inc.'s 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 Principles², Podravka 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 30th September 2022, Podravka Inc. is among leaders of gender equality in Croatia, and with the implementation of the new organization from 1st April 2022, the share of women in top management increased from 24 % to 43 %. As at 30th September 2022, 47 % of employees in Podravka Inc. were women, and out of the total number of employees with university education, women make up as much as 61 %. Although there is a gender pay gap of 4.25 %, it is far below the national average (11.2 %) and the EU average (13.0 %). The intention of Podravka Inc. 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 Podravka Inc. for 2021.³

² Available at <https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/dokumenti>.

³ Dostupan na <https://www.podravka.hr/kompanija/investitori/financijska-izvjesca>.

The General Assembly of shareholders of Podravka Inc. held

On 14th 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 1st 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 14th 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, Podravka Inc. 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 4th February 2022, the decision was made to appoint the Management Board that will lead the company in the five-year mandate, starting from 24th 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 1st 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.



Implications of the Russian Ukrainian crisis on the Podravka Inc. operations

In 2021, Podravka Inc. generated less than 2.0 % of total revenues in the markets of Russia and Ukraine. The Russian market is not so significant for Podravka Inc. in terms of total sales revenues or in terms of profitability, therefore overall developments in Russia and Ukraine had no impact on the profitability of Podravka Inc. Management of Podravka Inc. continuously considers all risks associated with the Russian-Ukrainian conflict and assesses that these risks do not threaten Podravka Inc.'s operations stability.

Operations of Podravka Inc. 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 Podravka Inc. 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. The recovery of the Gastro channel (HoReCa customers, institutional customers, industrial customers, etc.) was evident already in the first quarter, primarily in the markets of Croatia and Slovenia. In the reporting period, Podravka Inc. received subsidies in Croatia in the total net amount of HRK 0.8m, 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.



Key business
highlights of
Podravka Inc.
in 1 – 9 2022



Key business highlights of Podravka Inc. in 1 – 9 2022

NOTE: At the beginning of March 2022, Podravka Inc. completed the process of internal reorganization by business units and regions 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, while the number of regions remained the same. An overview is presented in the “Additional tables for 1 – 9 2022” section for better understanding of business units and regions.

Decimal differences are possible due to rounding.

Overview of sales revenues in 1 – 9 2022

Sales revenues by business unit

<i>(in HRK millions)</i>	1 – 9 2021	1 – 9 2022	Δ	%
BU Culinary	433.6	455.7	22.1	5.1%
BU Soups	170.3	201.5	31.2	18.3%
BU Cereals, Snack and Beverages	168.3	174.9	6.6	3.9%
BU Creamy spreads and Desserts	147.2	151.2	4.0	2.7%
BU Bakery	19.0	22.3	3.3	17.3%
BU Basic food	309.7	366.7	57.1	18.4%
BU Meat products	207.9	225.9	18.0	8.7%
BU Fish	97.9	90.8	(7.1)	(7.2%)
Other sales	97.7	141.5	43.9	44.9%
Total	1,651.4	1,830.6	179.2	10.8%

Sales revenues by region

<i>(in HRK millions)</i>	1 – 9 2021	1 – 9 2022	Δ	%
Markets of Croatia and Slovenia	916.3	1,030.8	114.4	12.5%
Southeastern Europe	317.5	353.8	36.3	11.4%
WE and Overseas	239.1	263.1	24.0	10.1%
Central Europe	135.1	150.7	15.6	11.5%
Eastern Europe	43.4	32.2	(11.2)	(25.8%)
Total	1,651.4	1,830.6	179.2	10.8%

In the 1 – 9 2022 period, total sales revenues of Podravka Inc. amounted to HRK 1,830.6m, which is HRK 179.2m (+10.8 %) higher than in the comparative period. Almost all business units recorded a sales increase, while the business unit Fish recorded a sales decrease due to lower sales of the Tuna and Sardine categories. Positive trends are also recorded at the level of all regions, except for the Eastern Europe region.

Profitability of Podravka Inc. 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.

Decimal differences are possible due to rounding.

(in HRK millions)	Profitability of Podravka Inc.				Normalized			
	1 – 9 2021	1 – 9 2022	Δ	%	1 – 9 2021	1 – 9 2022	Δ	%
Sales revenue	1,651.4	1,830.6	179.2	10.8%	1,651.4	1,830.6	179.2	10.8%
Gross profit	511.6	548.9	37.3	7.3%	511.6	548.9	37.3	7.3%
EBITDA*	253.8	275.6	21.8	8.6%	254.5	276.0	21.5	8.5%
EBIT	179.4	196.5	17.1	9.6%	180.1	196.9	16.8	9.3%
Net profit	215.7	244.5	28.8	13.4%	216.3	244.8	28.6	13.2%
Gross margin	31.0%	30.0%		-100 bp	31.0%	30.0%		-100 bp
EBITDA margin	15.4%	15.1%		-31 bp	15.4%	15.1%		-33 bp
EBIT margin	10.9%	10.7%		-13 bp	10.9%	10.8%		-15 bp
Net margin	13.1%	13.4%		+30 bp	13.1%	13.4%		+28 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.

In the 1 – 9 2022 period, Podravka Inc. gross profit amounted to HRK 548.9m, which is HRK 37.3m (+7.3 %) higher than in the comparative period. The cost of goods sold increased by 12.5 %, with lower gross margin than in the comparative period, as a result of negative trends in prices of raw materials and supplies. Until the end of 2022, additional negative effect of movements in prices of raw materials, supplies and energy is expected.

The reported operating profit (EBIT) amounted to HRK 196.5m, while in the comparative period it amounted to HRK 179.4m, which is an increase of HRK 17.1m (+9.6 %). In addition to impacts 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 lower provisions for trade receivables and movements in foreign exchange differences on trade receivables and trade payables (HRK +6.2m in 1 – 9 2022; HRK +2.0m in 1 – 9 2021).

Reported net profit amounted to HRK 244.5m, which is HRK 28.8m (+13.4 %) higher compared to 1 – 9 2021, while normalized net profit amounted to HRK 244.8m. Net profit was also affected by movements in foreign exchange differences on borrowings (HRK +0.0m in 1 – 9 2022; HRK +1.0m in 1 – 9 2021) and higher amount of profit withdrawn from related companies. The tax liability is HRK 3.6m higher.

Key highlights
of the balance
sheet as at
30 September
2022 and of
the cash flow
statement in
period 1 – 9 2022



Key highlights of the balance sheet as at 30 September 2022

As at 30 September 2022, total assets of Podravka Inc. amounted to HRK 3,605.5m, which is 17.2 % higher than at the end of 2021.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of Podravka Inc. are HRK 155.1m or +18.8 % higher compared to 31 December 2021, due to the realized capital investments in the reporting period.

INVENTORIES

Inventories of Podravka Inc. are HRK 199.3m (+45.5 %) higher than as at 31 December 2021, and HRK 161.3m (+33.9 %) higher than as at 30 September 2021. This is a result of the strategic increase in inventories of Podravka Inc., 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 Podravka Inc. are HRK 133.5m (+27.9 %) higher than as at 31 December 2021, and HRK 25.2m (+4.2 %) higher than as at 30 September 2021, as a result of sales revenues growth in the reporting period.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents of Podravka Inc. at the end of the observed period are HRK 41.3m higher (+1,651.8 %) compared to 31 December 2021.

LONG-TERM AND SHORT-TERM BORROWINGS

As at 30 September 2022, long-term and short-term borrowings of Podravka Inc. are HRK 219.0m higher than as at 31 December 2021. In the observed period, long-term debt is lower by HRK 13.8m, due to regular repayment of borrowings, while short-term debt is higher by HRK 232.8m, due to the need for financing short-term liabilities, primarily trade payables, dividend distribution and due to higher level of capital expenditure.

TRADE AND OTHER PAYABLES

Trade and other payables of Podravka Inc. are HRK 153.0m or +58.4 % higher compared to 31 December 2021, and HRK 66.9m (+19.2 %) higher compared to 30 September 2021. The movement is primarily a result of the increase in trade payables due to procurement of sufficient raw materials and supplies, the increase in prices of raw materials and supplies procured in the reporting period, and due to higher level of capital expenditure.

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

Cash flow from operating activities in 1 – 9 2022 amounted to positive HRK 116.3m, due to business operations and movements in the working capital. Cash flow from investing activities at the same time amounted to negative HRK 210.5m, primarily due to cash used for the purchase of non-current tangible and intangible assets. In the same period, cash flow from financing activities amounted to positive HRK 135.5m, primarily due to borrowings received. As at 30 September 2022, cash and cash equivalents amounted to HRK 43.8m.

Share in

1 - 9 2022



List of major shareholders as at 30 September 2022

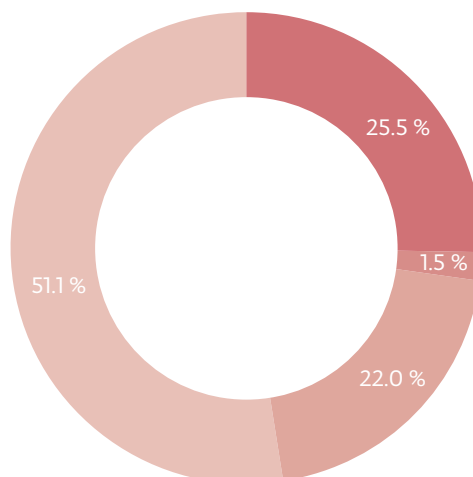
No.	Shareholder	Number of shares	% of ownership
1.	PBZ Croatia Osiguranje mandatory pension fund, category B	1,097,644	15.4%
2.	AZ mandatory pension fund, category B	932,563	13.1%
3.	RSC* - Croatian Pension Insurance Institute	727,703	10.2%
4.	Erste Plavi mandatory pension fund, category B	638,248	9.0%
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%
	Total	7,120,003	100.0%

* 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>	31 December 2021	30 September 2022	%
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)⁴</i>	1 – 9 2021	1 – 9 2022	%
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.

⁴ 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.

An illustration featuring a woman's face in profile at the top right, wearing dark sunglasses and having orange lips. Below her, a hand in a white sleeve is shown watering a small green plant with a blue watering can. The text is centered on the left side of the page.

Additional
tables for
1 – 9 2022

Additional tables for 1 – 9 2022

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 reporting and the comparative periods.

Reported EBITDA calculation	1 – 9 2021	1 – 9 2022
(in HRK millions)	Podravka Inc.	Podravka Inc.
Reported EBIT	179.4	196.5
+amortization and depreciation	74.4	79.1
Reported EBITDA	253.8	275.6

Normalized EBITDA calculation	1 – 9 2021	1 – 9 2022
(in HRK millions)	Podravka Inc.	Podravka Inc.
Normalized EBIT	180.1	196.9
+amortization and depreciation	74.4	79.1
Normalized EBITDA	254.5	276.0

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

In the 1 – 9 2022 period, Podravka Inc. incurred HRK 0.4m costs of severance payments for employees on long-term sick leaves, treated by the company's management as one-off item.

The estimated impact of this one-off item on tax is HRK 0.1m (decreases it).

In the 1 – 9 2021 period, Podravka Inc. incurred HRK 0.7m costs of severance payments for employees on long-term sick leaves, treated by the company's management as one-off item.

The estimated impact of this one-off item on tax is HRK 0.1m (decreases it).

Normalization of Podravka Inc. Profit and Loss Statement

<i>(in HRK millions)</i>	1 – 9 2021	1 – 9 2022
	<i>Podravka d.d.</i>	<i>Podravka d.d.</i>
Reported EBIT	179.4	196.5
+severance payments (long term sick-leave)	0.7	0.4
Normalized EBIT	180.1	196.9
Reported Net Income	215.7	244.5
+normalizations above EBIT level	0.7	0.4
+estimated impact of normalization on taxes	(0.1)	(0.1)
Normalized Net Income	216.3	244.8

New business units and regions

At the beginning of March 2022, Podravka Inc. completed the process of internal reorganization by business units and regions 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, while the number of regions remained the same.

BUSINESS UNITS:

- BU CULINARY: Food Seasonings,
- BU SOUPS: Soups, Instant meals,
- BU CEREALS, SNACK AND DRINKS: 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, Confectionery,
- BU CORE 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 other.

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, Georgia.

Unconsolidated financial statements in 1 – 9 2022



Unconsolidated Profit and Loss Statement in 1 – 9 2022

<i>(in HRK thousands)</i>	1 – 9 2021	% of sales revenues	1 – 9 2021	% of sales revenues	% change
Sales revenue	1,651,436	100.0%	1,830,606	100.0%	10.8%
Cost of goods sold	(1,139,797)	(69.0%)	(1,281,706)	(70.0%)	12.5%
Gross profit	511,639	31.0%	548,900	30.0%	7.3%
General and administrative expenses	(106,040)	(6.4%)	(112,500)	(6.1%)	6.1%
Selling and distribution costs	(156,223)	(9.5%)	(169,424)	(9.3%)	8.5%
Marketing expenses	(74,864)	(4.5%)	(80,688)	(4.4%)	7.8%
Other (expenses) / income, net	4,872	0.3%	10,245	0.6%	(110.3%)
Operating profit	179,384	10.9%	196,533	10.7%	9.6%
Financial income	72,298	4.4%	86,566	4.7%	19.7%
Other financial expenses	(1,549)	(0.1%)	(432)	(0.0%)	(72.1%)
Interest expenses	(1,548)	(0.1%)	(762)	(0.0%)	(50.8%)
Net foreign exchange differences on borrowings	962	0.1%	41	0.0%	(95.7%)
Net finance costs	70,164	4.2%	85,413	4.7%	21.7%
Profit before tax	249,548	15.1%	281,946	15.4%	13.0%
Current income tax	(35,796)	(2.2%)	(41,965)	(2.3%)	17.2%
Deferred tax	1,943	0.1%	4,526	0.2%	132.9%
Income tax	(33,853)	(2.0%)	(37,439)	(2.0%)	10.6%
Net profit for the year	215,695	13.1%	244,507	13.4%	13.4%

Unconsolidated Balance Sheet as at 30 September 2022

(in HRK thousands)	31 Dec 2021	% share	30 Sep 2022	% share	% change
ASSETS					
Non-current assets					
Goodwill	85,770	2.8%	86,097	2.4%	0.4%
Intangible assets	826,190	26.9%	981,330	27.2%	18.8%
Property, plant and equipment	39,427	1.3%	35,538	1.0%	(9.9%)
Right-of-use assets	107,574	3.5%	106,578	3.0%	(0.9%)
Investment property	984,188	32.0%	986,326	27.4%	0.2%
Non-current financial assets	37,359	1.2%	37,422	1.0%	0.2%
Deferred tax assets	74,129	2.4%	78,230	2.2%	5.5%
Total non-current assets	2,154,637	70.1%	2,311,521	64.1%	7.3%
Current assets					
Inventories	437,462	14.2%	636,717	17.7%	45.5%
Trade and other receivables	478,856	15.6%	612,354	17.0%	27.9%
Financial assets at fair value through profit and loss	0	0.0%	0	0.0%	n/a
Income tax receivable	1,194	0.0%	0	0.0%	(100.0%)
Cash and cash equivalents	2,500	0.1%	43,794	1.2%	n/a
Non-current assets held for sale	1,075	0.0%	1,075	0.0%	0.0%
Total current assets	921,087	29.9%	1,293,940	35.9%	40.5%
Total assets	3,075,724	100.0%	3,605,461	100.0%	17.2%

Unconsolidated Balance Sheet as at 30 September 2022

(in HRK thousands)	31 Dec 2021	% share	30 Sep 2022	% share	% change
EQUITY AND LIABILITIES					
Shareholders' equity					
Subscribed capital	1,566,401	50.9%	1,566,401	43.4%	0.0%
Capital gains	186,031	6.0%	186,160	5.2%	0.1%
Treasury shares	(39,388)	(1.3%)	(45,300)	(1.3%)	15.0%
Reserves	639,649	20.8%	768,328	21.3%	20.1%
Retained earnings / (accumulated losses)	253,248	8.2%	279,789	7.8%	10.5%
Attributable to equity holders of the parent	2,605,941	84.7%	2,755,378	76.4%	5.7%
Non-current liabilities					
Borrowings	14,799	0.5%	1,001	0.0%	(93.2%)
Lease liabilities	28,548	0.9%	25,104	0.7%	(12.1%)
Non-current provisions for employee benefits	24,739	0.8%	24,739	0.7%	0.0%
Other non-current provisions	11,577	0.4%	11,355	0.3%	(1.9%)
Total non-current liabilities	79,663	2.6%	62,199	1.7%	(21.9%)
Current liabilities					
Trade and other payables	262,164	8.5%	415,213	11.5%	58.4%
Income tax payable	0	0.0%	15,888	0.4%	n/a
Financial liabilities at fair value through profit and loss	35	0.0%	98	0.0%	180.0%
Borrowings	95,601	3.1%	328,426	9.1%	243.5%
Lease liabilities	11,981	0.4%	11,545	0.3%	(3.6%)
Current provisions for employee benefits	20,179	0.7%	16,554	0.5%	(18.0%)
Other current provisions	160	0.0%	160	0.0%	0.0%
Total current liabilities	390,120	12.7%	787,884	21.9%	102.0%
Total liabilities	469,783	15.3%	850,083	23.6%	81.0%
Total equity and liabilities	3,075,724	100.0%	3,605,461	100.0%	17.2%

Unconsolidated Cash Flow Statement in 1 – 9 2022

(in HRK thousands)	1 – 9 2021	1 – 9 2022	% change
Profit before tax	249,548	281,946	13.0%
Depreciation and amortization	74,369	79,054	6.3%
Reversal of impairment of loans given and interest	(1,518)	(1,440)	5.1%
Remeasurement of financial instruments at fair value	(241)	63	126.1%
Dividend income	(69,862)	(84,652)	(21.2%)
Share based payment transactions	5,424	3,721	(31.4%)
(Profit)/Loss on disposal of long-term assets	(269)	(677)	(151.7%)
(Profit)/Loss on disposal of assets held for sale	0	(1)	(100.0%)
Impairment/(Reversal of impairment) of trade and other receivables	5,477	851	(84.5%)
Increase/(Decrease) in provisions	(1,312)	(3,844)	(193.0%)
Interest income	(2,195)	(1,914)	12.8%
Interest expense	3,097	1,131	(63.5%)
Effect of changes in foreign exchange rates	(1,035)	(257)	75.2%
Total adjustments	11,935	(7,965)	(166.7%)
Changes in working capital:			
(Increase)/Decrease in inventories	(18,125)	(199,255)	(999.3%)
(Increase)/Decrease in trade receivables	(88,144)	(86,243)	2.2%
(Decrease)/Increase in trade payables	51,858	153,873	196.7%
Cash generated from operations	207,072	142,356	(31.3%)
Income tax paid	(19,287)	(24,889)	(29.0%)
Interest paid	(3,328)	(1,157)	65.2%
Net cash from operating activities	184,457	116,310	(36.9%)

Unconsolidated Cash Flow Statement in 1 – 9 2022

(in HRK thousands)	1 – 9 2021	1 – 9 2022	% change
Cash flow from investing activities			
Increase of investments in subsidiaries	(1,726)	(2,138)	(23.9%)
Purchase of property, plant, equipment and intangibles	(59,303)	(225,151)	(279.7%)
Proceeds from sale of property, plant, equipment and intangibles	287	751	161.7%
Proceeds from sale of of assets held for sale	0	1	100.0%
Given loans	0	(45,078)	(100.0%)
Repayment of loan receivable	1,078	832	(22.8%)
Collected interest	1,294	196	(84.9%)
Collected dividend	22,421	60,083	168.0%
Net cash flow from investing activities	(35,949)	(210,504)	(485.6%)
Cash flow from financing activities			
Proceeds from borrowings	97,121	439,746	352.8%
Repayment of borrowings	(141,444)	(196,037)	(38.6%)
Purchase of treasury shares	0	(17,583)	(100.0%)
Sale of treasury shares	7,983	10,442	30.8%
Repayment of lease	(9,515)	(9,829)	(3.3%)
Dividend pay-out	(63,196)	(91,251)	(44.4%)
Net cash from financing activities	(109,051)	135,488	224.2%
Net (decrease)/Increase of cash and cash equivalents	39,457	41,294	4.7%
Cash and cash equivalents at beginning of the period	2,282	2,500	9.6%
Cash and cash equivalents at the end of the period	41,739	43,794	4.9%

Unconsolidated Statement of Changes in Equity in 1 – 9 2022

<i>(in HRK thousands)</i>	<i>Subscribed capital</i>	<i>Capital gains</i>	<i>Treasury shares</i>	<i>Provision for treasury shares</i>	<i>Legal reserves</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total</i>
As at 1 January 2021	1,566,401	182,875	(47,569)	147,604	43,864	318,845	199,852	2,411,872
<i>Comprehensive income</i>	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	245,104	245,104
Actuarial losses (net of deferred tax)	-	-	-	-	-	(416)	-	(416)
Other comprehensive income	-	-	-	-	-	(416)	-	(416)
Total comprehensive income	-	-	-	-	-	(416)	245,104	244,688
<i>Transactions with owners recognized directly in equity</i>	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	-	-	9,692	120,060	(129,752)	-
Exercise of options	-	(1,627)	8,181	-	-	-	1,171	7,725
Fair value of share-based payment transactions	-	4,783	-	-	-	-	-	4,783
Dividends paid	-	-	-	-	-	-	(63,127)	(63,127)
Total transactions with owners recognized directly in equity	-	3,156	8,181	-	9,692	120,060	(191,708)	(50,619)
As at 31 December 2021	1,566,401	186,031	(39,388)	147,604	53,556	438,489	253,248	2,605,941
<i>Comprehensive income</i>	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	244,507	244,507
Actuarial losses (net of deferred tax)	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	244,507	244,507
<i>Transactions with owners recognized directly in equity</i>	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	-	-	12,255	116,424	(128,679)	-
Exercise of options	-	(3,592)	11,671	-	-	-	1,938	10,017
Fair value of share-based payment transactions	-	3,721	-	-	-	-	-	3,721
Purchase of treasury shares	-	-	(17,583)	-	-	-	-	(17,583)
Dividend announced	-	-	-	-	-	-	(91,225)	(91,225)
Total transactions with owners recognized directly in equity	-	129	(5,912)	-	12,255	116,424	(217,966)	(95,070)
As at 30 September 2022	1,566,401	186,160	(45,300)	147,604	65,811	554,913	279,789	2,755,378

Notes to the financial statements

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

Podravka Inc. Annual Report for 2021 available at:

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



MANAGEMENT BOARD

Koprivnica, 28 October 2022

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Unaudited financial statements of Podravka Inc. 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.

Corporate Accounting Director:
Julijana Artner Kuček

Board Member:
Davor Doko



Contact

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