



Podravka
Group
business
results for
January -
December
2022

UNAUDITED

Content

- 3 Key financial indicators
in 1 – 12 2022
- 5 Significant events in 1 – 12 2022 and
after the balance sheet date
- 17 Overview of sales revenues
in 1 – 12 2022
- 24 Profitability
in 1 – 12 2022
- 28 Key highlights of the
income statement in 1 – 12 2022
- 31 Key highlights of the balance sheet
as at 31 December 2022
- 34 Key highlights of the
cash flow statement in 1 – 12 2022
- 36 Share in 1 – 12 2022
- 40 Climate risks according to
double materiality
- 42 Additional tables for 1 – 12 2022
- 49 Consolidated financial statements
in 1 – 12 2022
- 57 Statement of responsibility
- 58 Contact



Key financial
indicators
in 1 – 12 2022

Key financial indicators in 1 – 12 2022

(in HRK millions)	2021	2022	Δ	%
Sales revenue	4,631.5	5,026.8	395.3	8.5%
EBITDA ¹	592.0	707.2	115.2	19.5%
Net profit after MI	309.2	369.6	60.4	19.5%
Net cash flow from operating activities	517.1	565.4	48.4	9.4%
Cash capital expenditures	170.3	396.8	226.5	133.0%
Normalized EBITDA ²	607.7	627.7	20.1	3.3%
Normalized net profit after MI	304.1	311.1	7.0	2.3%

(in HRK; market capitalization in HRK _m)	31.12.2021	31.12.2022	Δ	%
Net debt / normalized EBITDA	0.8	0.7	(0.0)	(1.6%)
Normalized Earnings per share	43.4	44.3	0.9	2.2%
Last price at the end of period	632.0	634.0	2.0	0.3%
Market capitalization	4,429.2	4,449.7	20.5	0.5%
Return on average equity ³	8.8%	8.3%		-48 bp
Return on average assets ⁴	6.3%	6.1%		-25 bp

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

Key highlights in 1 – 12 2022:

- In 1 – 12 2022, the Podravka Group recorded a revenue increase of HRK 395.3m (+8.5%), where the Food segment revenues increased by HRK 333.0m (+9.2%), while the Pharmaceuticals segment revenues grew by HRK 62.3m (+6.0%) relative to the comparative period,
- Operating profit before depreciation and amortization (EBITDA) in 1 – 12 2022 amounted to HRK 707.2m, and the contribution to its increase of HRK 115.2m (+19.5%) came also from the effect of the sale of property at Moskovska 1, Ljubljana in the amount of HRK 95.8m. Without the effect of one-off items, operating profit before depreciation and amortization (EBITDA) increased by HRK 20.1m (+3.3%) while net profit increased by HRK 7.0m (+2.3%). The increase in normalized profitability was achieved despite the strong increase in prices of raw materials, packaging and energy, primarily in the Food segment, where this cost increased by HRK 340.3m (+24.0%), despite the increase in staff costs of HRK 76.5m (+7.0%) at the entire Group level,
- Total debt at the Podravka Group level grew by HRK 139.3m or +28.2% due to financing regular operations, where the maturity structure of debt was changed in favour of the short-term portion, which is in part a consequence of using more favourable financing terms through short-term credit lines. At the end of the reporting period, net debt⁵ amounted to HRK 468.1m, which is HRK 7.5m (+1.6%) higher, while the leverage (net debt to normalized EBITDA ratio) at the end of the reporting period stood at 0.7.

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 (31.12.2022) and comparative period (31.12.2021) 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 (31.12.2022) and comparative period (31.12.2021) divided by 2. Normalized Net income include the last 12 months period.

⁵ Net debt = Financial debt – Cash and Cash equivalents.

Significant events
in 1 – 12 2022
and after the
balance sheet date



Significant events in 1 – 12 2022 and after the balance sheet date

- *The increase in the prices of raw materials, packaging and energy had a negative impact on the Podravka Group's operations, primarily in the Food segment, where the cost of raw materials, packaging and energy increased by HRK 340.3m or 24.0 % during 2022 (more details below)*
- *In 2022, salaries and earnings of employees were increased twice. The average net salary of Podravka employees in December 2022 is higher than in December 2021 by 14%. Podravka pays monthly tax-free allowances that increase the net salary and, together with it, make up the net earnings paid to the employees. Accordingly, average net earnings paid in December 2022 were 18% higher than in December 2021 (more details below)*
- *The investment cycle of the Podravka Group is carried out in accordance with the adopted Strategy. During 2022, the Podravka Group realized capital expenditure of HRK 396m, which is more than double the amount realized in 2021 (more details below)*
- *Operational restructuring and production modernization in the Žito Group is proceeding according to plan (more details below)*
- *In September, the process of selling property at Moskovska 1, Ljubljana owned by Žito Ltd. was completed (more details below)*
- *In October, the Poslovni dnevnik's award for best investor relations won (more details below)*
- *Podravka marked its 75th anniversary with a special one-time compensation to employees in the amount of HRK 750 and by donating food worth HRK 750,000 to social supermarkets throughout Croatia*
- *In March, the Decision on the change in Podravka Inc. and the Food segment organization adopted (more details below)*
- *Change in Podravka Inc. organization brought a more prominent application of ESG criteria*
- *In November, Mr. Damir Grbavac appointed President of the Supervisory Board of Podravka Inc.*
- *In October, Mr. Želimir Vukina resigned from the position of president and member of the Supervisory Board of Podravka Inc.*
- *In September, Mr. Hrvoje Čević, PhD appointed President of the Management Board of Belupo Inc., who replaced Hrvoje Kolarić, whose mandate expired*
- *In June, the General Assembly of shareholders of Podravka Inc. was held (more details below)*
- *In May, the position of the general director of Žito Ltd. taken over by Mr. Tomislav Bujanović*
- *In February, the Supervisory Board of Podravka Inc. appointed the new Management Board, which continues to be led by Martina Dalić (more details below)*

Increase in prices 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 2022 the stock exchange price of natural gas was higher by 252 %, wheat by 45 %, soybean oil by 47 %, skimmed milk powder by 28 %, butter by 57 % etc.⁶ During the year, stock price increases were even at higher levels. These trends had a significant negative impact on the Podravka Group's operations, primarily in the Food segment, where during 2022, the cost of raw materials, packaging and energy increased by HRK 340.3m or +24.0 %. The prices that have been realized in procurement in 2022, which define production costs in the following period, are 2 % to 88 % higher compared to the procurement in 2021. The energy prices (primarily gas and electricity) have significantly increased, which puts great pressure on the increase in expenses.

In response to the strong rise in the prices of input raw materials, a whole series of measures were taken with the aim of reducing or mitigating the increase in operating expenses. The costs of marketing activities were managed in such a way that we tried to achieve strategic goals with a lower or the same level of marketing investments. In the first part of the year, all business units, through the analysis of their portfolio, carried out the optimization of the product range in such a way that low-profitability products were identified, which were discontinued during the year with a defined dynamic. The optimization of the product range had a negative impact on sales, but it had a positive impact on the profitability of business units. With regard to the trends in energy prices, the dynamics of production was adapted to the movement of energy prices, and alternative cheaper energy sources were used according to the available infrastructure for their use. In procurement, the focus was on the further introduction of new suppliers, and significant savings were achieved through the competition of several suppliers and the increased use of electronic auctions.

The mentioned internal measures mitigated the increase in costs, however, it was not possible to compensate for such strong jumps in the prices of raw materials, packaging and energy. Consequently, in order to mitigate to a certain extent the negative impact of the strong increase in the prices of raw materials, packaging and energy, the Podravka Group corrected the prices of food products on international markets in the range of 7% to 10% at the beginning of the first quarter. In Croatia, the prices of food products were increased once during 2022, at the end of the second quarter, while in other markets, prices were corrected during the third quarter, and the total price correction was in the range of 5 % to 7 %.

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

Salaries and earnings of employees increased twice during the year

During 2022, the salaries and earnings of employees were increased on two occasions as a result of efforts to continuously improve the material position of employees and protect the value of their incomes from the growing inflation of retail prices. Employees of the Podravka Group in Croatia receive, in addition to their net salary, a monthly non-taxable allowance in accordance with legal regulations, which, together with the net salary, makes up the total amount of monthly earnings paid to employees.

The first wave of increases in 2022 was implemented in March when the Management Board of Podravka Inc., despite the strong growth of uncertainty, persisted in implementing the decision on the increase in net salaries and non-taxable earnings that was made before the beginning of the crisis in Ukraine. The second wave of increases in 2022 was implemented in December after the conclusion of the Collective Agreements with the unions operating in the Podravka Group. Both waves of earnings and salary increases include Podravka Inc., Mirna Inc. and Belupo Inc.

During 2022, an additional HRK 76.5m was invested in improving the material position of employees compared to 2021. The overall result of all these efforts is visible in the movement of the average salary and earnings of employees. The average net salary of employees of Podravka Inc. in December 2022 was 14% higher than in December 2021. Average net earnings of employees of Podravka Inc. in December 2022 are higher than those achieved in December 2021 by 18%. The steps made in improving the material position of employees in 2022 brought in Podravka faster salary growth than the national average (8.2% in December), but also inflation (13.4% in December).

Net salaries and earnings of employees of the Žito Group are also increased during 2022, despite the company's ongoing restructuring and reducing the number of employees.

Podravka Group investment cycle implemented in line with the adopted strategy

Despite the pressures on operating expenses due to the exceptional rise in raw material, packaging and energy prices, the Podravka Group's investment cycle is going according to plan. During 2022, the Podravka Group realized capital expenditure of HRK 396m, which is more than double the amount realized in 2021.

The investment in AIR CONDITIONING OF ALL PRODUCTION PLANTS in Koprivnica and Varaždin has been completed. This investment significantly improved working conditions in these factories.

The SOLAR POWER PLANT at the Danica site has been completed and put into operation. 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 investment will greatly contribute to the reduction of electricity costs and result in a higher level of production efficiency at production sites, which is of great importance in conditions of strong increases in energy costs. The second phase of the solar power plant construction includes the remaining facilities at the Danica site, and the project documentation has been fully prepared. The third phase of the investment in solar power plants refers to facilities at the Belupo site.

Works on the RECONSTRUCTION AND MODERNIZATION OF THE OFFICE BUILDING in Koprivnica have been completed, the facility was put into use, and the employees moved into the renovated administration building. 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 works on the building were 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 beginning of the crisis in Ukraine. HRK 104.5m 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.

The investment in the BOUILLON CUBES PACKAGING LINE in the Soups and Vegeta factory, that will result in raising the level of production efficiency, has been finalized and put into operation.

The investment in new PRODUCTION LINES OF THE KALNIK FACTORY in Varaždin was realized, and it will result in raising the level of production efficiency and creating preconditions for production of innovative products. With an investment of HRK 40m, Podravka introduced an innovation in the production and packaging of ajvar and other products, and modernized the factory. The project was co-financed by the EU and the Republic of Croatia with grants in the amount of HRK 19m.

The investment in the line for the PRODUCTION OF EXTRUDED PRODUCTS IN THE COCKTAIL SNACKS FACTORY has been successfully completed. It is an investment worth almost HRK 30m, with the implementation of which Podravka further modernized the technological production process, raised the level of production efficiency 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.

An investment in a COMPLETELY ECOLOGICAL AND GREEN TECHNOLOGY FOR THE DISINFECTION OF RAW MATERIALS based on a natural method without the use of chemical substances was realized.

An investment in the EXPANSION OF THE SOUPS AND VEGETA FACTORY in Koprivnica was initiated. This investment will ensure stability and security in the availability of industrial pasta as a strategic raw material in the production of soups, as well as the expansion of the

soup finalization capacity, which is one of the most profitable categories of the food product portfolio. The start of commercial production is expected in the second half of 2023.

An investment in the MODERNIZATION AND INCREASE IN THE PRIMARY PROCESSING CAPACITY OF FRESH TOMATOES IN CONTINENTAL CROATIA is underway, which includes the construction of a factory within the existing Kalnik factory in Varaždin. The investment will ensure an increase in the primary processing capacity of fresh tomatoes and the continuity of own production. The completion of the investment is expected at the beginning of 2024.

An investment in a NEW BREAD PRODUCTION LINE AT THE VIČ BAKERY in Slovenia was launched. The line is worth more than HRK 30m and will result in increased capacity and efficiency.

The project of building a new LOGISTICS AND DISTRIBUTION CENTRE in Koprivnica is carried out according to plan. The conceptual design has been successfully finalized, the designer has been selected, as well as the supplier of logistics technology and the supplier of storage racks. The deadline for completion of the investment will be defined by the period required for machinery delivery and it is expected in the third quarter of 2024. With the construction of the LDC, the Podravka Group will increase its efficiency in the logistics and distribution segment of operations through the optimization of the number of warehouses, minimization of internal transport and better cost control. This will also have a positive impact on the environment through the reduction of carbon dioxide emissions.

The project of production management system DIGITALIZATION at two production sites, the Soups and Vegeta factory and Maribor Bakery has been completed. This way, the monitoring, recording and control of work on production lines are digitized, which will enable better plant efficiency and use of production resources. During 2023, Podravka's other factories will also be digitized with the aim of enabling "paperless production".

Also, the LEAN MANAGEMENT implementation program was launched in Podravka with a focus on improving business processes and increasing productivity in the areas of production, maintenance and logistics. The first results are manifested through an increase in the efficiency of the machinery, i.e. through a reduction in scrap.

Investment in AGRICULTURAL MACHINERY AND IRRIGATION in the Republic of Croatia was realized, and it will result in tripling the areas under irrigation. Namely, own irrigated areas available for planting will increase from around 15 hectares in 2021 to more than 150 hectares in 2023, i.e. in 2024, they will amount to almost 300 hectares. 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. Further procurement of machinery and surface irrigation is being prepared.

During 2022, there were continuous investments in the MODERNIZATION AND MAINTENANCE OF MACHINERY in accordance with the annual maintenance plan. Also, the majority of the investment in the MODERNIZATION OF THE 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, was completed in 2022. The arrival of the rest of the truck fleet is expected in the first quarter of 2023.

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

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

The process of consolidation of the Žito Group bakery will be based on three locations – Maribor, Vrhnika and Ljubljana (Vič). Until now, two production sites have been closed – the bakeries in Novo Mesto and Ljubljana (Bežigrad), and leaving of the site in Ljubljana, Moskovska 1 is currently in progress, since this location has been sold.

The process of increasing the efficiency of the production portfolio in order to increase profitability is underway, which is why part of the unprofitable production categories have been abolished, and part has been moved to outsourced production. During 2022, the process of terminating business cooperation with confectionery products manufacturer for which the Žito Group produced a private label has been finalised.

In addition, in the following period significant investments in the BAKERY MODERNIZATION will be made, of which we should mention a new line of higher capacity for bakery products at Vič, automation of lines in Maribor, and investment in infrastructure and expansion of frozen products storage facilities in Maribor.

As a result of the implemented business restructuring and changes in the organization, the Žito Group efficiency has been improved.

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

The sale of real estate at the location of Moskovska 1, Ljubljana with a total area of 95,505 m² is an integral part of the Podravka Group's Strategic Plan for the 2021 – 2025 period, and the three-year Business Plan of the Podravka Group for the 2022 – 2024 period.

The process of selling this location was initiated in July 2021. A structured sales process was conducted and 7 expressions of interest were received in January 2022, after which 4 non-binding offers were received in March 2022, and 2 binding offers were received in May 2022. Only one bidder submitted a final binding unconditional offer within the prescribed form and deadline, and Management of Žito Ltd. made a decision to accept this offer, which was approved by the Supervisory Board of Žito Ltd., the General Assembly of Žito Ltd., and the Supervisory Board of Podravka Inc.

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

Poslovni dnevnik award for best investor relations won

At the conference of the Zagreb Stock Exchange and the fund industry in Dubrovnik, Poslovni dnevnik's awards for the best investor relations were awarded for the 13th time in a row. On that occasion, Podravka received the 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 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.

Change in Podravka Inc. and the Food segment organization

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

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

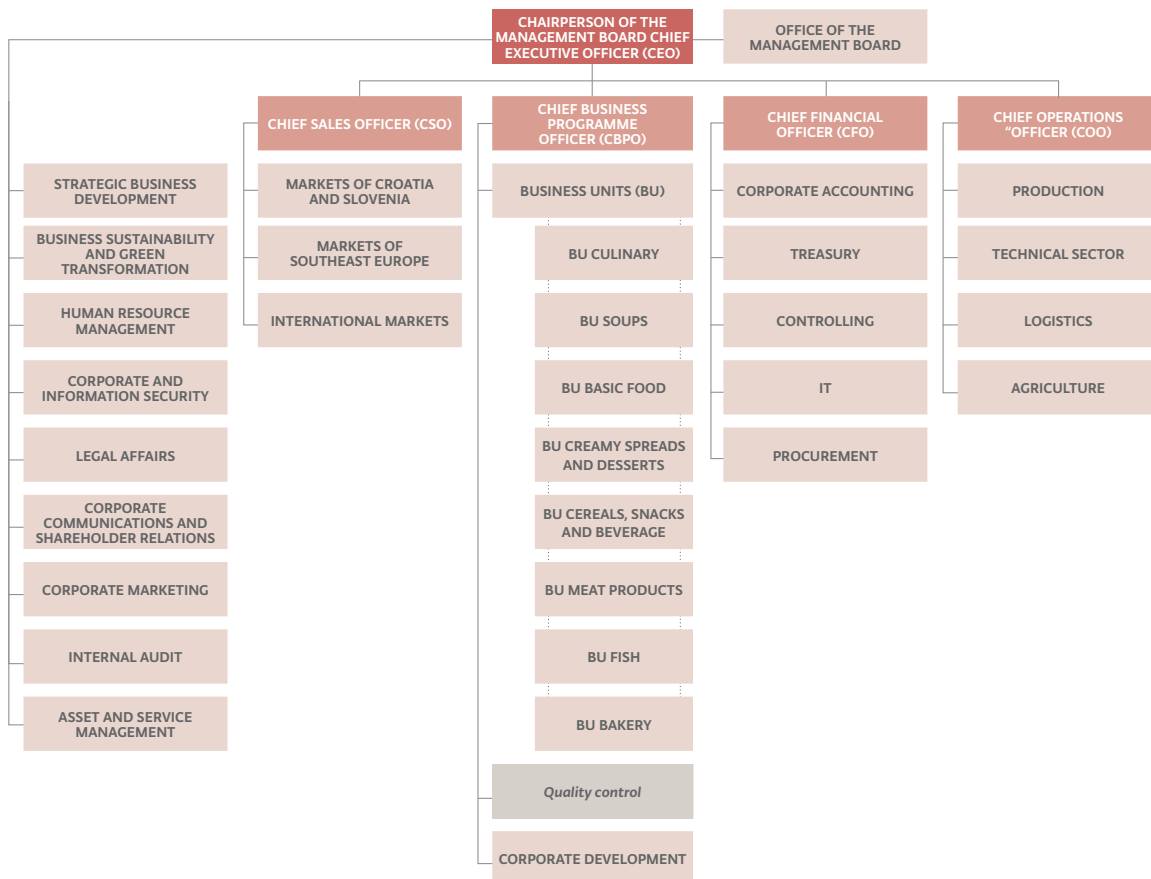
The business area Business Units is divided into eight business units (BU Culinary, BU Soups, BU Cereals, snack and beverages, BU Creamy spreads and desserts, BU Bakery, BU Basic food, BU Meat products, BU Fish) and Quality Control and Corporate Development. The portfolio of

the previous business unit Žito and Lagris has been divided into other business units according to the product categories, while the bakery has been separated into a separate business unit. Management of the BU Bakery is located in Ljubljana, but in all its activities it operates within the business area Business Units. The business area Business Units is managed by the member of the Management Board of Podravka Inc. for business units, Ivan Ostojić.

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

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

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



In line with the business trends and company's needs, and in order to place greater emphasis on strategy management and the impact of green policies, a stronger role is given to the Strategic Business Development and Business Sustainability and Green Transformation sectors. This is the result of the growing global emphasis on sustainable business and the focus of investors on the non-financial part of business. Through a proactive approach, the Podravka Group has integrated the ESG report into its Annual Report and is continuously increasing the range of information in accordance with the relevant European Union regulations in order to provide investors with all relevant information necessary for valuations.

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

In accordance with the ESG criteria and the Code of Ethical Principles⁷, the Podravka Group is committed to equal opportunities and equality of all employees regardless of gender and to a zero tolerance for any form of discrimination. With 40 % of women in the Management Board and 25 % in the Supervisory Board as at 31st December 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 31st December 2022, 52 % of employees in the Podravka Group were women, and out of the total number of employees with university education, women make up as much as 65 %. Although there is a gender pay gap of 1.9 %, it is far below the national average (11.2 %) and the EU average (13.0 %). The intention of the Podravka Group is to further reduce the pay gap between male and female employees in the coming period through various measures.

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

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 expired: 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 replaced Dajana Milodanović in the Supervisory Board. Thus, as of September 2022, the Supervisory Board had the following composition: Želimir Vukina, Luka Burilović, Ksenija Horvat, Krunoslav Vitelj, Tomislav Kitonić, Marina Dabić, Petar Miladin, Damir Grbavac and Damir Felak. Želimir Vukina resigned from

⁷ Available at <https://www.podravka.com/investors/corporate-governance/documents/>

the position of president and member of the Supervisory Board as of 1st November 2022, and Damir Grbavac was elected president of the Supervisory Board as of the same day.

The General Assembly also confirmed the proposal of dividend distribution for 2021 to Podravka Inc. shareholders in the amount of HRK 13.00 per share. The dividend was paid on 12th August 2022 to shareholders registered as at 14th July 2022 in the system of the Central Depository and Clearing Company (SKDD) for which the SKDD had the necessary data for the payment of the net amount. Taking into account the last market price of the Podravka share (HRK 600.00) on the date of dividend distribution (12th August 2022), the dividend amount paid implies a dividend yield of 2.2 %. With the continuity of the dividend yield over the years, the Podravka Group puts the emphasis and focus on the realization of the expectations set by the shareholders.

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

At the session of the Podravka Inc. Supervisory Board held on 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.



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

Hrvoje Čević was appointed the new president of the Management Board of Belupo at the Supervisory Board session held on 13th September 2022. His mandate in the Management Board of Belupo began on 1st October 2022 and lasts until 30th September 2025.

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

In 2022, the Podravka Group generated less than 5.1 % of total revenues in the markets of Russia and Ukraine. The Russian market is of great importance for the Pharmaceuticals segment in terms of total sales revenues but also profitability, while in the Food segment the Russian market is not so significant in terms of total sales revenues or in terms of profitability. Management of Podravka Inc. continuously considers all risks associated with the Russian-Ukrainian conflict and assesses that these risks do not threaten Podravka Group's operations stability.

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

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



Overview of sales revenues in 1 – 12 2022



Sales revenues by segment in 1 – 12 2022

(in HRK millions)	2021	2022	Δ	%
Food	3,601.3	3,934.2	333.0	9.2%
<i>Own brands</i>	3,381.5	3,660.0	278.5	8.2%
<i>Other sales</i>	219.8	274.3	54.5	24.8%
Pharmaceuticals	1,030.3	1,092.6	62.3	6.0%
<i>Own brands</i>	820.3	874.0	53.7	6.5%
<i>Other sales</i>	210.0	218.6	8.6	4.1%
Podravka Group	4,631.5	5,026.8	395.3	8.5%
<i>Own brands</i>	4,201.8	4,534.0	332.2	7.9%
<i>Other sales</i>	429.8	492.9	63.1	14.7%

Movements of the Food segment revenues (1 – 12 2022 compared to 1 – 12 2021):

- OWN BRANDS recorded HRK 278.5m (+8.2 %) higher sales due to the increase in sales of almost all business units, other than BU Fish,
- OTHER SALES recorded HRK 54.5m (+24.8 %) higher sales, primarily as a result of the increase in trade goods sales in the markets of Croatia and Slovenia,
- Overall, the FOOD SEGMENT recorded HRK 333.0m (+9.2 %) higher sales.

Movements of the Pharmaceuticals segment revenues (1 – 12 2022 compared to 1 – 12 2021):

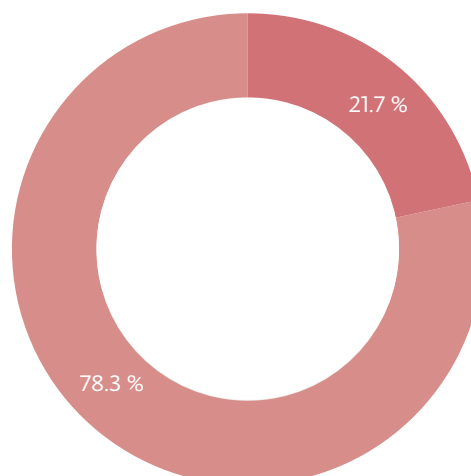
- OWN BRANDS recorded HRK 53.7m (+6.5 %) higher sales, as a result of the increase in sales revenues of Prescription drugs (primarily dermatological drugs and drugs for nervous system) and Non-prescription drugs,
- OTHER SALES recorded HRK 8.6m (+4.1 %) higher revenues, due to the increase in trade goods sales in the markets of Bosnia and Herzegovina, and Croatia,
- Overall, the PHARMACEUTICALS SEGMENT recorded HRK 62.3m (+6.0 %) higher sales revenues.

Movements of the Podravka Group revenues (1 – 12 2022 compared to 1 – 12 2021):

- Podravka Group's OWN BRANDS recorded an increase in sales of HRK 332.2m (+7.9 %),
- The revenues of OTHER SALES are HRK 63.1m (+14.7 %) higher,
- Overall, the PODRAVKA GROUP sales revenues are HRK 395.3m (+8.5 %) higher.

Sales revenues by segment in 2022

- Pharmaceuticals segment 21.7 %
- Food segment 78.3 %



Sales revenues by business units and categories in 1 – 12 2022

NOTE: At the beginning of March 2022, the Podravka Group completed the process of internal reorganization of the Food segment with the aim of increasing business efficiency. The new internal reorganization defined eight business units instead of the previous six. An overview is presented in the “Additional tables for 1 – 12 2022” section for better understanding of the business units.

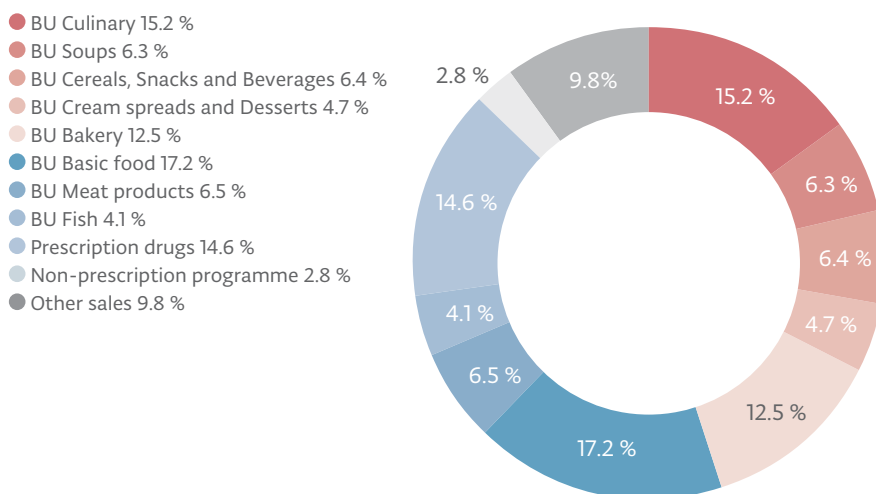
<i>(in HRK millions)</i>	2021	2022	Δ	%
BU Culinary	761.0	763.1	2.1	0.3%
BU Soups	279.4	315.8	36.4	13.0%
BU Cereals, Snack and Beverages	304.9	321.5	16.5	5.4%
BU Creamy spreads and Desserts	231.3	236.4	5.1	2.2%
BU Bakery	569.2	630.4	61.2	10.7%
BU Basic food	719.0	862.4	143.4	19.9%
BU Meat products	307.0	326.1	19.0	6.2%
BU Fish	209.4	204.2	(5.2)	(2.5%)
Prescription drugs	696.9	733.9	37.0	5.3%
Non-prescription programme	123.3	140.1	16.7	13.6%
Other sales	429.8	492.9	63.1	14.7%
<i>Other sales Food</i>	219.8	274.3	54.5	24.8%
<i>Other sales Pharmaceuticals</i>	210.0	218.6	8.6	4.1%
Podravka Group	4,631.5	5,026.8	395.3	8.5%

Movements of sales revenues by business units and categories (1 – 12 2022 compared to 1 – 12 2021):

- The CULINARY BUSINESS UNIT recorded HRK 2.1m (+0.3 %) higher sales. Revenue growth was recorded in almost all markets, which mitigated the decline in revenues on the Russian market following the termination of deliveries. If that market is excluded, the Culinary revenue growth would amount to +4.7 %.
- The SOUPS BUSINESS UNIT recorded HRK 36.4m (+13.0 %) sales growth, with the growth of market shares in most key markets, retention of leading market positions and expansion of partnerships with retail chains. The primary growth of the business units was realized in the markets of Croatia and Slovenia, and the Southeastern Europe,
- The CEREALS, SNACK AND BEVERAGES BUSINESS UNIT recorded HRK 16.5m (+5.4 %) higher sales, through the increase in all categories, primarily in the markets of Croatia, Slovenia, and Bosnia and Herzegovina. Also, with the aim of increasing profitability, the product range was optimized by discontinuing low-profit categories, which primarily refers to the subcategory Cereals for adults,
- The CREAMY SPREADS AND DESSERTS BUSINESS UNIT records HRK 5.1m (+2.2 %) higher sales. The revenue growth was recorded in the Markets of Croatia and Slovenia and in the Southeastern Europe region, with the retention of stable market shares,
- The BAKERY BUSINESS UNIT recorded HRK 61.2m (+10.7%) sales growth, with the simultaneous implementation of the business unit portfolio optimization with the aim of increasing profitability. Revenue growth is primarily realised due to higher sales of the categories Žito Flour, Bread and Rolls and salt bakery products, while the negative impact on revenues came from the termination of business cooperation with a manufacturer of confectionery products for which the Žito Group produced a private label, which will have positive effects on profitability,
- In the observed period, the BASIC FOOD BUSINESS UNIT recorded HRK 143.4m (+19.9 %) higher sales than in the comparative period, primarily due to the increase in sales of the categories Side dishes, Vegetables and Tomato products. Sales growth was recorded in all regions, primarily in the Markets of Croatia and Slovenia, and the Central Europe region,
- In the reporting period, the MEAT PRODUCTS BUSINESS UNIT recorded HRK 19.0m (+6.2 %) higher sales compared to the same period of the previous year, with the simultaneous implementation of the business unit portfolio optimization and the discontinuing of low turnover products, primarily on the Croatian market. The revenue growth was recorded in almost all regions, mostly within the Southeastern Europe region,
- The FISH BUSINESS UNIT recorded HRK 5.2m (-2.5%) lower sales than in the comparative period, primarily due to the decrease in sales of the Tuna subcategory, due to changes in consumer consumption habits, while there was an increase in revenue of the Sardine subcategory,
- The PRESCRIPTION DRUGS CATEGORY recorded HRK 37.0m (+5.3 %) higher sales, due to the increase in sales of dermatological drugs and drugs for nervous system,

- The revenues of the NON-PRESCRIPTION PROGRAMME CATEGORY are HRK 16.7m (+13.6 %) higher, as a result of the increase in sales of the OTC drugs subcategory,
- The OTHER SALES CATEGORY recorded HRK 63.1m (+14.7 %) higher sales. In the Food segment, other sales grew by HRK 54.5m (+24.8 %) mainly due to the increase in trade goods sales in the Croatian market. In the Pharmaceuticals segment, other sales grew by HRK 8.6m (+4.1 %), primarily due to higher trade goods sales in the markets of Bosnia and Herzegovina, and Croatia.

Sales revenues by business unit and category in 1 – 12 2022



Sales revenues by region in 1 – 12 2022

NOTE: At the beginning of March 2022, Podravka completed the process of internal reorganization of the Food segment with the aim of increasing business efficiency and a new division of regions was made. An overview is presented in the “Additional tables for 1 – 12 2022” section for better understanding of the regions.

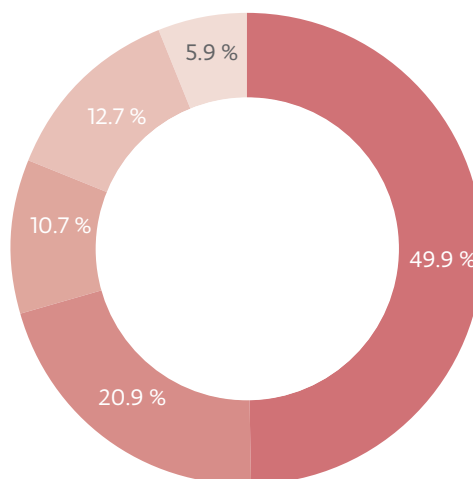
(in HRK millions)	2021	2022	Δ	%
Markets of Croatia and Slovenia	2,255.2	2,507.0	251.7	11.2%
<i>Food</i>	<i>1,818.2</i>	<i>2,047.3</i>	<i>229.2</i>	<i>12.6%</i>
<i>Pharmaceuticals</i>	<i>437.1</i>	<i>459.6</i>	<i>22.5</i>	<i>5.2%</i>
Southeastern Europe	963.3	1,051.3	88.0	9.1%
<i>Food</i>	<i>663.8</i>	<i>728.9</i>	<i>65.0</i>	<i>9.8%</i>
<i>Pharmaceuticals</i>	<i>299.5</i>	<i>322.4</i>	<i>23.0</i>	<i>7.7%</i>
WE and Overseas	532.6	536.8	4.3	0.8%
<i>Food</i>	<i>527.1</i>	<i>531.0</i>	<i>3.9</i>	<i>0.7%</i>
<i>Pharmaceuticals</i>	<i>5.5</i>	<i>5.8</i>	<i>0.4</i>	<i>6.8%</i>
Central Europe	553.8	637.1	83.3	15.0%
<i>Food</i>	<i>486.8</i>	<i>562.7</i>	<i>75.9</i>	<i>15.6%</i>
<i>Pharmaceuticals</i>	<i>67.0</i>	<i>74.4</i>	<i>7.4</i>	<i>11.0%</i>
Eastern Europe	326.6	294.6	(32.0)	(9.8%)
<i>Food</i>	<i>105.4</i>	<i>64.4</i>	<i>(41.0)</i>	<i>(38.9%)</i>
<i>Pharmaceuticals</i>	<i>221.2</i>	<i>230.3</i>	<i>9.1</i>	<i>4.1%</i>
Podravka Group	4,631.5	5,026.8	395.3	8.5%

Movements of sales revenues by region (1 – 12 2022 compared to 1 – 12 2021):

- The **MARKETS OF CROATIA AND SLOVENIA** recorded a sales increase of HRK 251.7m (+11.2 %) relative to the comparative period. Food segment revenues increased by HRK 229.2m (+12.6 %), primarily due to sales increase of the business units Bakery and Basic food and trade goods sales increase. In the market of Croatia and Slovenia, special sales channels achieved strong revenue growth of HRK 144.4m (+38.29 %), primarily due to the growth of the HoReCa channel and the growth of industrial and institutional customers. Pharmaceuticals segment revenues are HRK 22.5m higher (+5.2 %), due to higher sales of the Non-prescription programme and trade goods,
- Revenues of the **SOUTHEASTERN EUROPE REGION** grew by HRK 88.0m (+9.1 %) in the reporting period. The Food segment recorded revenue growth of HRK 65.0m (+9.8 %), due to the increase in sales of almost all business units, with the largest absolute growth generated by the business units Soups and Basic food. Pharmaceuticals segment revenues are HRK 23.0m higher (+7.7 %) primarily due to Prescription drugs and trade goods sales increase,
- The **WESTERN EUROPE AND OVERSEAS REGION** recorded HRK 4.3m (+0.8 %) higher sales. The Food segment recorded HRK 3.9m (+0.7 %) higher sales due to sales growth of most business units, with the largest absolute growth recorded by business units Culinary and Meat products. The Pharmaceuticals segment revenues are HRK 0.4m (+6.8 %) higher, primarily due to an increase in other sales revenues,
- Revenues of the **CENTRAL EUROPE REGION** are HRK 83.3m (+15.0 %) higher in the reporting period. The Food segment recorded revenue growth of HRK 75.9m (+15.6 %), primarily as a result of an increase in sales of the Basic food and Culinary business units. The Pharmaceuticals segment revenues are HRK 7.4m higher (+11.0 %) due to higher sales of the Prescription drugs category,
- The **EASTERN EUROPE REGION** recorded a decrease in revenues of HRK 32.0m (-9.8 %) as a result of lower sales of the Food segment by HRK 41.0m (-38.9 %) and an increase in sales of the Pharmaceuticals segment of HRK 9.1m (+4.1 %), mainly due to the increase in sales of the Prescription drugs category.

Sales revenues by region in 2022

- Markets of Croatia and Slovenia 49.9 %
- Southeastern Europe 20.9 %
- Western Europe and Overseas 10.7 %
- Central Europe 12.7 %
- Eastern Europe 5.9 %





Profitability
in 1 – 12 2022

Profitability in 1 – 12 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 – 12 2022” section.

Profitability of the Food segment in 1 – 12 2022

(in HRK millions)	Profitability of the Food segment				Normalized			
	2021	2022	Δ	%	2021	2022	Δ	%
Sales revenue	3,601.3	3,934.2	333.0	9.2%	3,601.3	3,934.2	333.0	9.2%
Gross profit	1,193.6	1,239.9	46.3	3.9%	1,195.6	1,239.9	44.2	3.7%
EBITDA*	381.3	465.1	83.8	22.0%	396.1	385.6	(10.5)	(2.6%)
EBIT	221.2	300.0	78.8	35.6%	242.6	223.6	(19.0)	(7.8%)
Net profit after MI	202.4	239.6	37.2	18.4%	194.9	177.5	(17.4)	(8.9%)
Gross margin	33.1%	31.5%		-163 bp	33.2%	31.5%		-169 bp
EBITDA margin	10.6%	11.8%		+123 bp	11.0%	9.8%		-120 bp
EBIT margin	6.1%	7.6%		+148 bp	6.7%	5.7%		-105 bp
Net margin after MI	5.6%	6.1%		+47 bp	5.4%	4.5%		-90 bp

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

Profitability of the Food segment (1 – 12 2022 compared to 1 – 12 2021):

- In the 1 – 12 2022 period, the Food segment recorded an increase in GROSS PROFIT of HRK 46.3m (+3.9 %), while OPERATING PROFIT (EBIT) is HRK 78.8m (+35.6 %) higher. The most significant one-off impact on the profitability of Food came from the sale of property at Moskovska 1, Ljubljana, which is explained in the “One-off items in 1 – 12 2022 and 1 – 12 2021” section. At the normalized level, the operating profit (EBIT) is lower by HRK 19.0m (-7.8 %) as a result of a significant increase in certain types of costs, which could not be fully compensated by internal measures and pricing policy,
- A significant negative impact on the OPERATING PROFIT (EBIT) came from: i) an increase in the costs of raw materials, packaging and energy of HRK 340.3m (+24.0 %), ii) investing in improving the material status of employees, which resulted in an increase in staff costs of HRK 69.5m (+8.2 %), iii) an increase in transportation costs of HRK 16.5m (+13.3 %) and iv) the investment cycle, which resulted in an increase in depreciation costs of HRK 8.5m (+5.6 %). These negative impacts were partially mitigated through cost management of marketing investments, optimization of the product range, management of the production process and the use of alternative energy sources, as well as changes in procurement processes, as explained in the “Increase in prices of raw materials, packaging and energy” section),
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 37.2m higher (+18.4 %), while normalized net profit after minority interests is HRK 17.4m lower (-8.9 %) compared to 1 – 12 2021. In addition to the impact above the EBIT level, net profit was negatively impacted by foreign exchange differences on borrowings (HRK -1.7m in 1 – 12 2022; HRK +1.1m in 1 – 12 2021), while finance costs are lower. The reported tax expense is HRK 38.9m higher than in 1 – 12 2021, while normalized tax expense is HRK 4.3m lower.

Profitability of the Pharmaceuticals segment in 1 – 12 2022

(in HRK millions)	Profitability of the Pharmaceutical segment				Normalized			
	2021	2022	Δ	%	2021	2022	Δ	%
Sales revenue	1,030.3	1,092.6	62.3	6.0%	1,030.3	1,092.6	62.3	6.0%
Gross profit	484.5	543.8	59.2	12.2%	484.5	543.8	59.2	12.2%
EBITDA*	210.7	242.2	31.4	14.9%	211.5	242.1	30.5	14.4%
EBIT	144.1	171.1	26.9	18.7%	146.9	175.4	28.5	19.4%
Net profit after MI	106.9	130.0	23.2	21.7%	109.2	133.6	24.4	22.4%
Gross margin	47.0%	49.8%		+274 bp	47.0%	49.8%		+274 bp
EBITDA margin	20.5%	22.2%		+171 bp	20.5%	22.2%		+162 bp
EBIT margin	14.0%	15.7%		+167 bp	14.3%	16.1%		+180 bp
Net margin after MI	10.4%	11.9%		+153 bp	10.6%	12.2%		+163 bp

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

Profitability of the Pharmaceuticals segment (1 – 12 2022 compared to 1 – 12 2021):

- The Pharmaceuticals segment recorded HRK 59.2m (+12.2 %) higher GROSS PROFIT, with an increase in gross margin from 47.0 % to 49.8 %,
- OPERATING PROFIT (EBIT) is higher by HRK 26.9m (+18.7 %), while at a normalized level operating profit (EBIT) is higher by HRK 28.5 million (+19.4 %). The most impact on the growth of operating profit (EBIT) came from the growth of gross profit,
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 23.2m (+21.7 %) higher, while normalized net profit after minority interests is HRK 24.4m (+22.4 %) higher. In addition to the impact above the EBIT level, net profit after minority interests was impacted by lower finance costs and higher tax expense.

Profitability of the Podravka Group in 1 – 12 2022

(in HRK millions)	Profitability of the Podravka Group				Normalized			
	2021	2022	Δ	%	2021	2022	Δ	%
Sales revenue	4,631.5	5,026.8	395.3	8.5%	4,631.5	5,026.8	395.3	8.5%
Gross profit	1,678.1	1,783.6	105.5	6.3%	1,680.2	1,783.6	103.5	6.2%
EBITDA*	592.0	707.2	115.2	19.5%	607.7	627.7	20.1	3.3%
EBIT	365.3	471.1	105.8	29.0%	389.5	399.0	9.5	2.4%
Net profit after MI	309.2	369.6	60.4	19.5%	304.1	311.1	7.0	2.3%
Gross margin	36.2%	35.5%		-75 bp	36.3%	35.5%		-79 bp
EBITDA margin	12.8%	14.1%		+129 bp	13.1%	12.5%		-63 bp
EBIT margin	7.9%	9.4%		+148 bp	8.4%	7.9%		-47 bp
Net margin after MI	6.7%	7.4%		+68 bp	6.6%	6.2%		-38 bp

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

Profitability of the Podravka Group (1 – 12 2022 compared to 1 – 12 2021):

- In the observed period, the Podravka Group recorded HRK 105.5m (+6.3 %) higher GROSS PROFIT, where a positive impact came from both business segments,
- OPERATING PROFIT (EBIT) is HRK 105.8m (+29.0 %) higher, while at a normalized level operating profit (EBIT) is HRK 9.5m (+2.4 %) higher. The growth of the normalized operating profit of Pharmaceuticals compensated for the lower normalized operating profit of Food segment,
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 60.4m higher (+19.5 %), while normalized net profit after minority interests is HRK 7.0m higher (+2.3 %). Growth in normalized net profit after minority interests at the Group level is the result of growth in normalized net profit after minority interests in Pharmaceuticals, which compensated for the lower normalized net profit after minority interests in Food segment.

Key highlights of the income statement in 1 – 12 2022



Key highlights of the income statement in 1 – 12 2022

Podravka group (in HRK millions)	Reported				Normalized			
	2021	2022	Δ	%	2021	2022	Δ	%
Cost of goods sold	2,953.4	3,243.2	289.8	9.8%	2,951.4	3,243.2	291.8	9.9%
General and administrative expenses	346.1	379.7	33.6	9.7%	330.5	355.5	25.1	7.6%
Selling and distribution costs	619.4	673.1	53.7	8.7%	619.4	673.1	53.7	8.7%
Marketing expenses	373.8	373.5	(0.3)	(0.1%)	373.8	373.5	(0.3)	(0.1%)
Other expenses (income), net	(26.5)	(113.7)	(87.2)	329.8%	(33.0)	(17.5)	15.5	(47.0%)
Total operating expenses	4,266.2	4,555.8	289.5	6.8%	4,242.0	4,627.8	385.8	9.1%

Cost of goods sold

Cost of goods sold increased by 9.8 % relative to the comparative period due to movements in prices of raw materials, packaging and energy, as explained in the “Increase in prices of raw materials, packaging and energy” section, and investments in improving the material status of employees.

General and administrative expenses

In relation to the comparative period, general and administrative expenses are HRK33.6m higher (+9.7 %), due to investments in improving the material status of employees and higher costs of services, relative to the comparative period. On the normalized level, general and administrative expenses increased by HRK 25.1m (+7.6 %).

Selling and distribution costs

In the observed period, selling and distribution costs are HRK 53.7m (+8.7 %) higher than in the comparative period, primarily as a result of higher costs of transportation and distribution, higher energy costs and investments in improving the material status of employees.

Marketing expenses

In the reporting period, marketing expenses (which include marketing investments expenses and marketing department expenses) are HRK 0.3m lower (-0.1 %) than in the comparative period. At the same time, the costs of marketing investments are lower by HRK 4.3m (-2.2 %) where strategic goals were tried to be achieved with a lower or the same level of marketing investments, while the costs of the marketing department are higher by HRK 4.0m (+2.2 %) as a result of investing in improving the material status of employees.

Other expenses (income), net

In the reporting period, other expenses and income, net amounted to HRK -113.7m (positive impact), while in the comparative period they amounted to HRK -26.5m (positive impact). This was mainly affected by income from sale of non-operating assets which in 2022 amounted to HRK -101.8m, while last year they amounted to HRK -1.6m. Foreign exchange differences from trade receivables and trade payables in 2022 amounted HRK -7.7m, while in 2021 they amounted to HRK +13.5m. The analysis of income from the sale of non-operating assets is provided in the “One-off items in 1 – 12 2022 and 1 – 12 2021” section.

Net finance costs

In the observed period, net finance costs amounted to HRK -8.2m (negative impact), while in the comparative period they amounted to HRK -6.0m (negative impact). This is mainly a result of movements in foreign exchange differences on borrowings (HRK -2.1m in 1 – 12 2022; HRK +1.2m in 1 – 12 2021). A positive impact comes from HRK 1.4m (-20.5 %) lower interest expense on borrowings, due to regular repayment of borrowings.

Income tax

The reported income tax of the Podravka Group in 1 – 12 2022 is HRK +44.1m (+106.3 %) higher compared to the comparative period, while normalized income tax is higher by HRK +1.2m (+1.7 %).

Key highlights
of the balance
sheet as at
31 December
2022



Key highlights of the balance sheet as at 31 December 2022

Property, plant and equipment

Property, plant and equipment of the Podravka Group are HRK 59.8m or +2.7% higher compared to 31 December 2021, due to the realized capital investments in the reporting period.

Inventories

Inventories of the Podravka Group are HRK 325.0m (+34.8 %) higher than as at 31 December 2021. This is a result of the strategic increase in inventories of the Food segment, with the aim of procuring sufficient amount of raw materials to ensure business continuity and control of future expenses of raw materials and packaging, but also a result of the increase in prices of raw materials and packaging.

Trade and other receivables

Trade and other receivables of the Podravka Group are HRK 136.7m (-13.3 %) lower than as at 31 December 2021, as a result of lower trade receivables in the Pharmaceuticals segment due to implemented new business terms with customers, which positively affected the collection period.

Cash and cash equivalents

Cash and cash equivalents of the Podravka Group at the end of the observed period are HRK 131.8m higher (+395.7 %) compared to 31 December 2021. This is explained in the “Key highlights of the cash flow statement in 1 – 12 2022” section.

Long-term and short-term borrowings

As at 31 December 2022, long-term and short-term borrowings of the Podravka Group are HRK 140.3m higher than as at 31 December 2021 due to financing current operations, whereby the maturity structure was changed. In the observed period, long-term debt is lower by HRK 111.1m, while short-term debt is higher by HRK 251.5m, in part as a result of using more favourable financing terms through short-term credit lines.

Trade and other payables

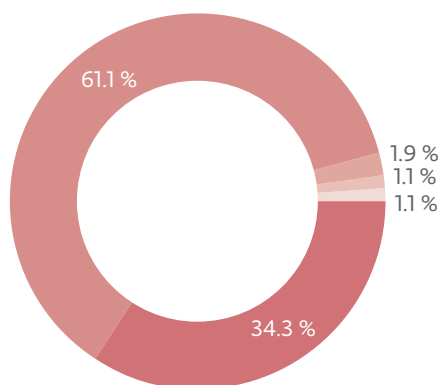
Trade and other payables of the Podravka Group are HRK 184.3m or +34.7 % higher compared to 31 December 2021. The movement is primarily a result of the increase in trade payables due to procurement of raw materials and packaging, the increase in prices of raw materials and packaging procured in the reporting period, and due to higher level of capital expenditure.

Indebtedness

As at 31 December 2022, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities amounted to HRK 633.2m, of which HRK 28.6m relates to long-term borrowings, HRK 510.4m to short-term borrowings, while HRK 94.2m relates to liabilities for right-of-use assets. The AVERAGE WEIGHTED COST OF DEBT on all the stated liabilities as at 31 December 2022 was 0.9 %, while if right-of-use assets are excluded it was 0.7 %.

Currency structure of debt as at 31 December 2022

- HRK 34.3 %
- EUR 61.6 %
- CZK 1.9 %
- BAM 1.1 %
- Other 1.1 %



Analysing the debt currency structure, the highest exposure, of 61.6 %, was in the Euro (EUR), while the exposure toward the Croatian kuna (HRK) was 34.3 %. The debt share in the Czech koruna (CZK) amounted to 1.9 %, in the Bosnia and Herzegovina mark (BAM) to 1.1 %, while the remainder of 1.1 % relates to other currencies.

(in HRK millions)*	2021	2022	Δ	%
Financial debt ⁸	493.8	633.2	139.3	28.2%
Cash and cash equivalents	33.3	165.1	131.8	395.7%
Net debt ⁹	460.5	468.1	7.5	1.6%
Interest expense	6.8	5.4	(1.4)	(20.5%)
Net debt / normalized EBITDA	0.8	0.7	(0.0)	(1.6%)
Normalized EBIT / Interest expense	56.9	73.3	16.4	28.8%
Equity to assets ratio ¹⁰	75.3%	71.8%		-346 bp

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

Net debt increase as at 31 December 2022 relative to the comparative period is the result of an increase in short-term debt. The increase in normalized EBITDA higher than the increase in net debt led to a lower net debt to normalized EBITDA ratio. The decrease in interest expense and the increase in normalized EBIT have driven the rise in the interest coverage ratio (Normalized EBIT / Interest expense).

⁸ Financial debt: long-term and short-term borrowings + lease liabilities + financial liabilities at fair value through profit or loss. The data is provided in the "Consolidated statements of financial position as at 31 December 2022" section.

⁹ Net debt: Financial debt – Cash and cash equivalents.

¹⁰ 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 2022" section.

Key highlights of the cash flow statement in 1 – 12 2022



Key highlights of the cash flow statement in 1 – 12 2022

(in HRK millions)	2021	2022	Δ
Net cash flow from operating activities	517.1	565.4	9.4%
Net cash flow from investing activities	(156.4)	(433.5)	(177.1%)
Net cash flow from financing activities	(379.2)	(0.1)	100.0%
Net increase / (decrease) of cash and cash equivalents	(18.6)	131.8	810.5%

Net cash flow from operating activities

In the observed period, net cash flow from operating activities amounted to positive HRK 565.4m as a result of operating business and dynamics of movements in the working capital.

Net cash flow from investing activities

Net cash flow from investing activities in the reporting period amounted to negative HRK 433.5m, primarily as a result of cash capital expenditures amounting to HRK 396.8m, which is by HRK +226.5m (+133.0 %) higher compared to the same period of the previous year. The most significant CAPITAL EXPENDITURES in 1 – 12 2022 were related to:

- investment in IT and energy renovation of the Office building with the aim of increasing energy efficiency and improving working conditions,
- investment in production line for extruded products in order to increase production and reduce operating expenses,
- investment in an automatic line for making bread and a shock freezer (part of the bakery concentration project) in order to improve production efficiency and reduce operating expenses,
- investment in the expansion of the Soups and Vegeta factory, which creates preconditions for the consolidation of pasta production in order to improve business,
- investment in the construction of a new logistics and distribution centre with the aim of increasing efficiency in the logistics and distribution segment of business through optimization of the number of warehouse spaces, minimization of internal transport, greater control of costs and reduction of carbon dioxide emissions,
- continuation of investment activities related to investing in the solar power plant in order to increase the use of green energy and reduce costs,
- continuation of investment activities related to investing in a fruit processing line, aseptic line and vacuum boilers, which ensures business continuity and increases productivity.

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

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

Net cash flow from financing activities

In the 1 – 12 2022 period, net cash flow from financing activities amounted to negative HRK 0.1m, and it increased by HRK 379.1m primarily due to the higher amount of borrowings received. The difference in relation to the repayment of borrowings in the balance sheet primarily relates to foreign exchange differences.

Share in

1 – 12 2022



List of major shareholders as at 31 December 2022

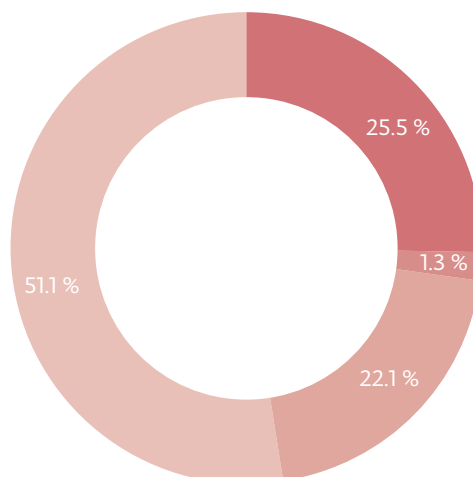
No.	Shareholder	Number of shares	% of ownership
1.	PBZ Croatia Osiguranje mandatory pension fund, category B	1,097,644	15.4%
2.	AZ mandatory pension fund, category B	932,563	13.1%
3.	RSC* - Croatian Pension Insurance Institute	727,703	10.2%
4.	Erste Plavi mandatory pension fund, category B	638,248	9.0%
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	234,697	3.3%
9.	Republic of Croatia	167,281	2.3%
10.	OTP banka D.D./aggregate custody account	119,999	1.7%
	Other shareholders	1,716,936	24.1%
	Total	7,120,003	100.0%

*The Restructuring and Sale Centre holds 1,241,504 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. A total of 7,120,003 shares have been issued at nominal price of HRK 220.0 per share. As at 31 December 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 1.3 % 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).

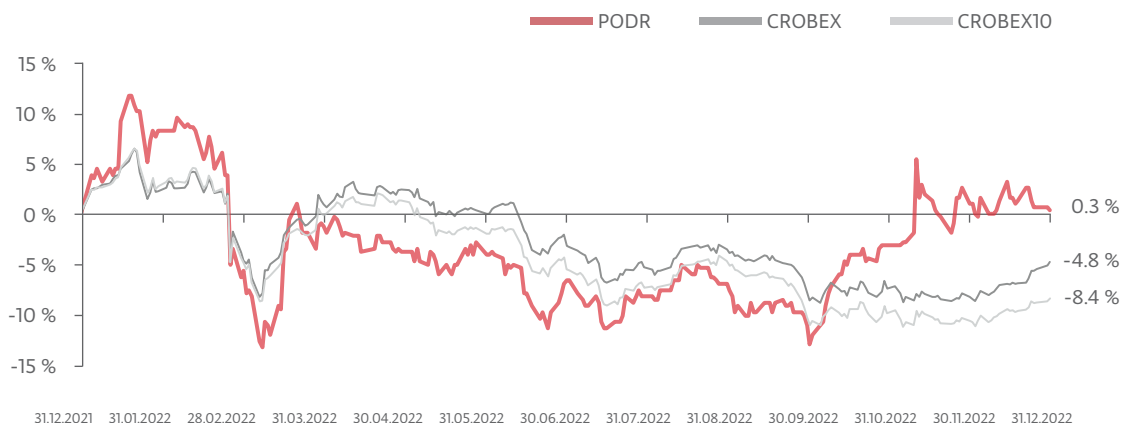
Ownership structure as at 31 December 2022

- Republic of Croatia 25.5 %
- Treasury shares 1.3 %
- Others 22.1 %
- 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 – 12 2022



(closing price in HRK; closing points)	31 December 2021	31 December 2022	%
PODR	632.0	634.0	0.3%
CROBEX	2,079.4	1,979.9	(4.8%)
CROBEX10	1,262.3	1,156.2	(8.4%)

In the reporting period, the price of Podravka's share increased by 0.3 % compared to the end of 2021, while the CROBEX and CROBEX10 stock indices decreased by 4.8 % and 8.4 %, respectively.

Result on the Croatian capital market in 1 – 12 2022

(in HRK; in units)¹¹	2021	2022	%
Weighted average daily price	589.2	613.6	4.1%
Average daily number of transactions	13	14	6.3%
Average daily volume	1,488	1,214	(18.4%)
Average daily turnover	876,746.7	744,668.7	(15.1%)

At the annual level, the weighted average daily price of Podravka's share recorded an increase of 4.1 % relative to the comparative period. Compared to 1 – 12 2021, the average daily volume decreased by 18.4 %, the average daily turnover decreased by 15.1 %, while the average daily number of transactions is 6.3 % higher.

¹¹ 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 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)^{2*}

	2021	2022	%
Last price	632.0	634.0	0.3%
Weighted average number of shares ¹²	7,008,269	7,018,424	0.1%
Market capitalization ¹³	4,429.2	4,449.7	0.5%
EV ¹⁴	4,953.0	4,988.8	0.7%
Normalized earnings per share ¹⁵	43.4	44.3	2.2%
EV / sales revenue	1.1	1.0	(7.2%)
EV / normalized EBITDA	8.2	7.9	(2.5%)
EV / normalized EBIT	12.7	12.5	(1.7%)
Last price / normalized earnings per share ratio (P / E)	14.6	14.3	(1.8%)

*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.

¹² 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.

¹³ Market Capitalization: Last price * Weighted average number of shares.

¹⁴ Enterprise value: Market Capitalization + Net debt + Minority interests.

¹⁵ 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.

Climate risks according to double materiality




Climate risks according to double materiality

Environmental protection is one of the Podravka Group's priorities, and it is carried out by applying the principles of sustainable development and cleaner production. All activities must be in accordance with the applicable national legal provisions regarding environmental protection as well as the regulations of the countries in which the company operates. In case of the absence of national regulations, international standards are applied.

CO₂ is emitted in the production process, while there are no emissions of other greenhouse gases. In the production process, the use of renewable energy sources is increasingly prevalent (wood chip boiler, photovoltaic power plant at the Kalnik factory in Varaždin, and the power plant on the roofs of the Danica industrial zone in Koprivnica), and through planned capital investments, the share of renewable energy sources at the Group level will further increase. Through a strong investment cycle, investments were continued in increasing the energy efficiency of property and plant and, consequently, lower consumption of energy sources, which further reduces CO₂ emissions and thus the negative impact on the climate. CO₂ and very small amounts of CH₄ and N₂O are emitted through the logistics and distribution part of the business (vehicle fleet). Investments in the vehicle fleet and the procurement and use of new freight vehicles reduce CO₂ emissions and contribute to the environmental goal of preventing climate change.

The effect of climate change on the operations of the Podravka Group is most visible in the Food segment, and its greatest impact is recorded in agricultural production, on assets, and the availability and prices of certain raw materials. The negative financial impact of extreme weather associated with climate change in 2022 amounted to HRK 2.5m, while no such financial impact was recorded in 2021. In AGRICULTURAL PRODUCTION, a storm accompanied by hail, which affected part of the crops in May and June 2022, completely destroyed the planted pepper and cucumber crops and part of the pea and corn crops. Containers with seedlings intended for planting were also destroyed. Given that the field was completely under water, it was not possible to immediately start planting the remaining seedlings, and part of them was donated to subcontractors so that they would not perish in the field (the value of the donated seedlings was approximately HRK 40,000). In addition to the stormy weather, in 2022 the drought had a negative effect on yields and caused damage to peas. All agricultural crops were insured against damage caused by wind, storm, fire, etc., so the insurance covered damage caused by the storm and hail on peppers, cucumbers and peas in the amount of HRK 1.1m. The impact of climate change in the form of storms was also recorded on PROPERTY where raw materials and finished products are stored. Most existing warehouses were built at a time when construction standards did not anticipate the extremes we face today. Due to storms, several warehouses were damaged in 2022, and the resulting damage required the repair and adjustment of parts of the buildings, given that similar weather problems are expected in the future as well. In addition to breakages, there was also damage caused by the penetration of water through roofs and gutters, considering that due to the large amount of water, the drainage system collapses and water enters the premises. Unplanned HRK 0.3m was spent on the repair and restoration of damage to warehouses damaged by storms in 2022, and the reported damage to the inventories of goods stored in facilities damaged by storms amounted to HRK 1.1m. In the PROCUREMENT of raw materials and primary agricultural raw materials, the impact of climate change was also recorded, in the form of the availability and price of certain raw materials due to temperature shocks, droughts, changes in the amount and distribution of precipitation, reduction in the period of vegetation.

An illustration featuring a person's face in profile at the top right, wearing dark sunglasses and having a white beard. Below the face, a hand 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 – 12 2022

Calculation of reported and normalized EBITDA

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

Value adjustments	2021			2022		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma
Intangible assets	7.7	6.6	1.1	7.4	3.0	4.4
Tangible assets	0.9	-	0.9	-	-	-
Total	8.6	6.6	2.0	7.4	3.0	4.4

Reported EBITDA calculation	2021			2022		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma
Reported EBIT	365.3	221.2	144.1	471.1	300.0	171.1
+amortization and depreciation	218.2	153.5	64.7	228.7	162.0	66.7
+value adjustments	8.6	6.6	2.0	7.4	3.0	4.4
Reported EBITDA	592.0	381.3	210.7	707.2	465.1	242.2

Normalized EBITDA calculation	2021			2022		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma
Normalized EBIT	389.5	242.6	146.9	399.0	223.6	175.4
+amortization and depreciation	218.2	153.5	64.7	228.7	162.0	66.7
+value adjustments	-	-	-	-	-	-
Normalized EBITDA	607.7	396.1	211.5	627.7	385.6	242.1

One-off items in 1 – 12 2022 and 1 – 12 2021

In the 1 – 12 2022 period, the Food segment incurred HRK 5.5m costs of severance payments for employees, related to long-term sick leaves, operational restructuring on the Russian market and restructuring of Žito production. Income from the sale of assets amounted to HRK 101.8m, of which HRK 95.8m relates to the sale of property in Ljubljana, HRK 5.4m relates to the sale of the production plant in Poland, and HRK 0.5m relates to the sale of assets in Croatia, while HRK 0.1m relates to the sale of assets in Slovenia. Costs related to the sale of a property in Ljubljana amounted to HRK 3.2m, while HRK 2.8m relates to the cost related to the restructuring of the Žito Group. According to the new collective agreement, severance pay for retirement was increased from HRK 10 to HRK 15 thousand, which resulted in a one-off impact on the result of HRK 10.9m. Value adjustments of long-term intangible assets amounted to HRK 3.0 million. All the above is treated by the company's management as one-off items.

The Pharmaceuticals segment incurred HRK 2.2m costs of severance pays related to the operational restructuring on the Russian market, HRK 4.6m of income from sale of vehicles related to the operational restructuring on the Russian market, HRK 2.3m of difference in actuarial calculation according to the new collective agreement (the result of an increase in severance pay for retirement from HRK 10 to HRK 15 thousand) and HRK 4.4m of impairment costs on non-current intangible assets. All the above is treated by the company's management as one-off items.

The estimated impact of these one-off items on tax of Food is HRK 14.3m (increases it), and on tax of Pharmaceuticals HRK 0.8m (decreases it) and also includes the tax impact of the decrease in the Podravka Inc.'s stake in the company Podravka Russia (HRK -1.4m).

In the 1 – 12 2021 period, the Food segment incurred HRK 1.8m costs of severance pays for employees on long-term sick leaves, HRK 2.0m of costs of write-offs of raw materials and packaging, HRK 6.6m of impairment of intangible assets, HRK 9.8m of provisions for estimated potential risks, HRK 0.4m of income from reversal of impairment of receivables, and HRK 1.6m of cost related to the process of closing a subsidiary in Africa. A positive effect comes from deferred tax asset in the amount of HRK 25.1m based on the revaluation of recoverability of tax on the basis of losses on financial assets. All the above is treated by the company's management as one-off items.

The Pharmaceuticals segment recorded HRK 2.5m costs of severance pays for employees and the gain on sale of property in the amount of HRK 1.6m, cost of impairment of intangible assets in the amount of HRK 1.1m and cost of impairment of tangible assets in the amount of HRK 0.9m, treated by the company's management as one-off items.

The estimated impact of these one-off items on tax of Food is HRK 3.8m (decreases it) and includes tax effect of the reduction of Podravka Inc. stake in the company Foodpro Limited Tanzania (HRK -0.6m) and the tax effect of value adjustment to the investment in the company Podravka Poland (HRK -0.3m), while the impact on tax of Pharmaceuticals is HRK 0.4m (decreases it).

Normalization of the Profit and Loss Statement by segments

Reported and normalized profitability (in HRK millions)	2021			2022		
	Group	Food	Pharma	Group	Food	Pharma
Reported gross profit	1,678.1	1,193.6	484.5	1,783.6	1,239.9	543.8
+write-off of raw materials and packaging	2.0	2.0	-	-	-	-
Normalized gross profit	1,680.2	1,195.6	484.5	1,783.6	1,239.9	543.8
Reported EBITDA	592.0	381.3	210.7	707.2	465.1	242.2
+write-off of raw materials and packaging	2.0	2.0	-	-	-	-
+severance payments	4.2	1.8	2.5	7.7	5.5	2.2
+reversal of impairment of receivables	(0.4)	(0.4)	-	-	-	-
+cost related to the process of closing subsidiary in Africa	1.6	1.6	-	-	-	-
+provision for estimated potential risks	9.8	9.8	-	-	-	-
+revenues from the sale of asset in Ljubljana	-	-	-	(95.8)	(95.8)	-
+revenues from the sale of the other asset ¹⁶	(1.6)	-	(1.6)	(10.6)	(6.0)	(4.6)
+cost related to asset sale process in Ljubljana	-	-	-	3.2	3.2	-
+cost of restructuring Žito group	-	-	-	2.8	2.8	-
+actuarial calculation	-	-	-	13.2	10.9	2.3
Normalized EBITDA	607.7	396.1	211.5	627.7	385.6	242.1
Reported EBIT	365.3	221.2	144.1	471.1	300.0	171.1
+normalizations above EBITDA level	15.6	14.8	0.8	(79.5)	(79.4)	(0.1)
+value adjustments of intangible assets	7.7	6.6	1.1	7.4	3.0	4.4
+value adjustments of tangible assets	0.9	-	0.9	-	-	-
Normalized EBIT	389.5	242.6	146.9	399.0	223.6	175.4
Reported Net profit after MI	309.2	202.4	106.9	369.6	239.6	130.0
+normalizations above EBIT level	24.2	21.4	2.8	(72.0)	(76.4)	4.4
+effect of deferred tax asset	(25.1)	(25.1)	-	-	-	-
+estimated impact of normalization on taxes ¹⁷	(4.3)	(3.8)	(0.4)	13.5	14.3	(0.8)
Normalized Net profit after MI	304.1	194.9	109.2	311.1	177.5	133.6

¹⁶ In 2021, the income from the sale of property includes the sale of a property in Ludbreg in the amount of HRK 1.6m in the Pharmaceuticals segment. In 2022, all income from the sale of property relates to the Food segment, HRK 5.4m from the sale of property in Poland, HRK 0.3m from the sale of property in Rijeka, HRK 0.1m from the sale of property owned by Mirna, and HRK 0.1m from the sale of property in Slovenia.

¹⁷ 2021 also includes the tax impact of the decrease in Podravka Inc.'s stake in the company Foodpro Limited Tanzania (HRK -0.6m) and the tax impact of the impairment of the investment in the company Podravka Poland (HRK -0.3m). In 2022, the tax impact of the decrease in Podravka Inc.'s stake in the company Podravka Russia (HRK -1.4m) is included.

New business units and regions

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

BUSINESS UNITS:

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

REGIONS:

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

Historical overview of sales revenues by business units and categories in period 1 – 12

Sales revenues by business units and categories

(in HRK millions)	2019	2020	2021	2022
BU Culinary	686.8	738.0	761.0	763.1
BU Soups	241.4	259.3	279.4	315.8
BU Cereals, Snack and Beverages	272.1	288.6	304.9	321.5
BU Creamy spreads and Desserts	214.6	234.6	231.3	236.4
BU Bakery	642.1	582.1	569.2	630.4
BU Basic food	671.4	690.6	719.0	862.4
BU Meat products	287.5	309.0	307.0	326.1
BU Fish	204.6	217.5	209.4	204.2
Prescription drugs	670.0	665.8	696.9	733.9
Non-prescription programme	113.4	119.9	123.3	140.1
Other sales	405.5	397.8	429.8	492.9
<i>Other sales Food</i>	<i>233.5</i>	<i>207.3</i>	<i>219.8</i>	<i>274.3</i>
<i>Other sales Pharmaceuticals</i>	<i>172.0</i>	<i>190.4</i>	<i>210.0</i>	<i>218.6</i>
Podravka Group	4,409.4	4,503.2	4,631.5	5,026.8

Historical overview of sales revenues by regions in period 1 – 12

Sales revenues by region

(in HRK millions)	2019	2020	2021	2022
Markets of Croatia and Slovenia	2,221.8	2,199.9	2,255.2	2,507.0
<i>Food</i>	<i>1,806.3</i>	<i>1,765.9</i>	<i>1,818.2</i>	<i>2,047.3</i>
<i>Pharmaceuticals</i>	<i>415.5</i>	<i>434.0</i>	<i>437.1</i>	<i>459.6</i>
Southeastern Europe	860.8	911.6	963.3	1,051.3
<i>Food</i>	<i>617.6</i>	<i>644.0</i>	<i>663.8</i>	<i>728.9</i>
<i>Pharmaceuticals</i>	<i>243.2</i>	<i>267.6</i>	<i>299.5</i>	<i>322.4</i>
WE and Overseas	482.4	520.0	532.6	536.8
<i>Food</i>	<i>480.6</i>	<i>516.0</i>	<i>527.1</i>	<i>531.0</i>
<i>Pharmaceuticals</i>	<i>1.7</i>	<i>4.0</i>	<i>5.5</i>	<i>5.8</i>
Central Europe	509.5	558.4	553.8	637.1
<i>Food</i>	<i>446.2</i>	<i>495.2</i>	<i>486.8</i>	<i>562.7</i>
<i>Pharmaceuticals</i>	<i>63.3</i>	<i>63.2</i>	<i>67.0</i>	<i>74.4</i>
Eastern Europe	334.9	313.3	326.6	294.6
<i>Food</i>	<i>103.3</i>	<i>105.9</i>	<i>105.4</i>	<i>64.4</i>
<i>Pharmaceuticals</i>	<i>231.6</i>	<i>207.4</i>	<i>221.2</i>	<i>230.3</i>
Podravka Group	4,409.4	4,503.2	4,631.5	5,026.8

Consolidated
financial
statements
in 1 – 12 2022



Consolidated Profit and Loss Statement in 1 – 12 2022

(in HRK thousands)	2021	% of sales revenues	2022	% of sales revenues	% change
Sales revenue	4,631,519	100.0%	5,026,830	100.0%	8.5%
Cost of goods sold	(2,953,381)	(63.8%)	(3,243,188)	(64.5%)	9.8%
Gross profit	1,678,138	36.2%	1,783,642	35.5%	6.3%
General and administrative expenses	(346,110)	(7.5%)	(379,678)	(7.6%)	9.7%
Selling and distribution costs	(619,421)	(13.4%)	(673,128)	(13.4%)	8.7%
Marketing expenses	(373,762)	(8.1%)	(373,454)	(7.4%)	(0.1%)
Other (expenses) / income, net	26,453	0.6%	113,684	2.3%	329.8%
Operating profit	365,299	7.9%	471,066	9.4%	29.0%
Financial income	629	0.0%	884	0.0%	40.6%
Other financial expenses	(954)	(0.0%)	(1,489)	(0.0%)	56.2%
Interest expenses	(6,848)	(0.1%)	(5,446)	(0.1%)	(20.5%)
Net foreign exchange differences on borrowings	1,154	0.0%	(2,130)	(0.0%)	284.7%
Net finance costs	(6,019)	(0.1%)	(8,182)	(0.2%)	35.9%
Profit before tax	359,280	7.8%	462,884	9.2%	28.8%
Current income tax	(51,256)	(1.1%)	(71,635)	(1.4%)	39.8%
Deferred tax	9,798	0.2%	(13,900)	(0.3%)	241.9%
Income tax	(41,458)	(0.9%)	(85,535)	(1.7%)	106.3%
Net profit for the year	317,822	6.9%	377,349	7.5%	18.7%
Net profit / (loss) attributable to:					
Equity holders of the parent	309,221	6.7%	369,631	7.4%	19.5%
Non-controlling interests	8,601	0.2%	7,718	0.2%	10.3%

Consolidated Balance Sheet as at 31 December 2022

(in HRK thousands)	31 Dec 2021	% share	31 Dec 2022	% share	% change
ASSETS					
Non-current assets					
Goodwill	28,103	0.6%	29,206	0.5%	3.9%
Intangible assets	249,235	5.1%	241,716	4.4%	(3.0%)
Property, plant and equipment	2,206,453	44.9%	2,266,313	40.9%	2.7%
Right-of-use assets	93,234	1.9%	83,935	1.5%	(10.0%)
Investment property	115,406	2.4%	105,601	1.9%	(8.5%)
Non-current financial assets	43,209	0.9%	43,159	0.8%	(0.1%)
Deferred tax assets	150,101	3.1%	127,801	2.3%	(14.9%)
Total non-current assets	2,885,741	58.8%	2,897,731	52.2%	0.4%
Current assets					
Inventories	933,710	19.0%	1,258,731	22.7%	34.8%
Trade and other receivables	1,026,086	20.9%	889,347	16.0%	(13.3%)
Financial assets at fair value through profit and loss	0	0.0%	91	0.0%	n/a
Debit securities at amortized cost	0	0.0%	299,621	5.4%	n/a
Income tax receivable	6,426	0.1%	4,015	0.1%	(37.5%)
Cash and cash equivalents	33,306	0.7%	165,103	3.0%	395.7%
Non-current assets held for sale	23,683	0.5%	32,427	0.6%	36.9%
Total current assets	2,023,211	41.2%	2,649,335	47.8%	30.9%
Total assets	4,908,952	100.0%	5,547,066	100.0%	13.0%

Consolidated Balance Sheet as at 31 December 2022

(in HRK thousands)	31 Dec 2021	% share	31 Dec 2022	% share	% change
EQUITY AND LIABILITIES					
Shareholders' equity					
Subscribed capital	1,566,401	31.9%	1,566,401	28.2%	0.0%
Capital gains	191,489	3.9%	186,705	3.4%	(2.5%)
Treasury shares	(39,387)	(0.8%)	(42,447)	(0.8%)	7.8%
Reserves	1,090,288	22.2%	1,234,883	22.3%	13.3%
Retained earnings / (accumulated losses)	822,186	16.7%	966,234	17.4%	17.5%
Attributable to equity holders of the parent	3,630,977	74.0%	3,911,776	70.5%	7.7%
Non-controlling interests	63,289	1.3%	71,005	1.3%	12.2%
Total shareholders' equity	3,694,266	75.3%	3,982,781	71.8%	7.8%
Non-current liabilities					
Borrowings	139,740	2.8%	28,605	0.5%	(79.5%)
Lease liabilities	62,769	1.3%	47,113	0.8%	(24.9%)
Non-current provisions for employee benefits	52,825	1.1%	57,229	1.0%	8.3%
Other non-current provisions	34,265	0.7%	35,308	0.6%	3.0%
Other non-current liabilities	18,445	0.4%	21,091	0.4%	14.3%
Deferred tax liability	37,984	0.8%	31,392	0.6%	(17.4%)
Total non-current liabilities	346,028	7.0%	220,738	4.0%	(36.2%)
Current liabilities					
Trade and other payables	531,316	10.8%	715,610	12.9%	34.7%
Income tax payable	2,419	0.0%	27,182	0.5%	n/a
Financial liabilities at fair value through profit and loss	35	0.0%	0	0.0%	(100.0%)
Borrowings	258,884	5.3%	510,371	9.2%	97.1%
Lease liabilities	32,403	0.7%	47,083	0.8%	45.3%
Current provisions for employee benefits	42,221	0.9%	41,918	0.8%	(0.7%)
Other current provisions	1,380	0.0%	1,383	0.0%	0.2%
Total current liabilities	868,658	17.7%	1,343,547	24.2%	54.7%
Total liabilities	1,214,686	24.7%	1,564,285	28.2%	28.8%
Total equity and liabilities	4,908,952	100.0%	5,547,066	100.0%	13.0%

Consolidated Cash Flow Statement in 1 – 12 2022

<i>(in HRK thousands)</i>	2021	2022	% change
Profit before tax	359,280	462,884	28.8%
Depreciation and amortization	218,166	228,712	4.8%
Impairment of intangible assets	7,674	7,390	(2.9%)
Adjustment for impairment losses of trade and other receivables	533	5,273	889.3%
Reversal of impairment of given loans and interests	0	(254)	(100.0%)
Reversal of non-current financial assets	0	84	100.0%
Impairment of property, plant, equipment	766	59	(100.0%)
Remeasurement of financial instruments at fair value	75	(126)	(268.0%)
Share based payment transactions	6,260	9,888	58.0%
(Profit) / Loss on sale and disposal of non-current assets	(396)	(104,488)	n/a
(Profit) / Loss on disposal of assets held for sale	(5,272)	(7,447)	(41.3%)
(Decrease) / Increase in provisions	20,046	11,880	(40.7%)
Interest income	(613)	(728)	(18.8%)
Dividend income	(12)	(27)	(125.0%)
Interest expenses	7,784	6,646	(14.6%)
Effect of changes in foreign exchange rates	(950)	3,207	437.6%
Total adjustments	254,061	160,069	(37.0%)
Changes in working capital:			
(Increase) / Decrease in inventories	46,727	(325,021)	(795.6%)
(Increase) / Decrease in trade receivables	(53,649)	140,962	362.7%
(Decrease) / Increase in trade payables	(23,058)	177,441	869.5%
Cash generated from operations	583,361	616,335	5.7%
Income tax paid	(58,224)	(44,444)	23.7%
Interest paid	(8,077)	(6,467)	19.9%
Net cash from operating activities	517,060	565,424	9.4%

Consolidated Cash Flow Statement in 1 – 12 2022

(in HRK thousands)

	2021	2022	% change
Cash flow from investing activities			
Purchase of property, plant, equipment and intangibles	(170,264)	(396,780)	(133.0%)
Investment in debt instruments at amortized cost	0	(299,495)	(100.0%)
Proceeds from sale of property, plant, equipment and intangibles	1,669	239,280	n/a
Proceeds from sale of assets held for sale	11,532	22,457	94.7%
Loans given	(3)	(15)	(400.0%)
Repayment of loans given	20	298	n/a
Interest received	613	728	18.8%
Dividend received	12	27	125.0%
Net cash from investing activities	(156,421)	(433,500)	(177.1%)
Cash flow from financing activities			
Dividend pay-out	(62,782)	(91,071)	(45.1%)
Acquisition of additional non-controlling interests	(74)	(204)	(175.7%)
Purchase of treasury shares	0	(26,691)	(100.0%)
Sale of treasury shares	7,983	20,827	160.9%
Proceeds from borrowings	226,847	674,035	197.1%
Repayment of borrowings	(512,326)	(535,911)	(4.6%)
Repayment of lease	(38,837)	(41,112)	(5.9%)
Net cash from financing activities	(379,189)	(127)	100.0%
Net (decrease) / increase of cash and cash equivalents	(18,550)	131,797	810.5%
Cash and cash equivalents at beginning of the year	51,856	33,306	(35.8%)
Cash and cash equivalents at the end of year	33,306	165,103	395.7%

Consolidated Statement of Changes in Equity in 1 – 12 2022

<i>(in HRK thousands)</i>	Subscribed capital	Capital gains	Treasury shares	Other reserves	Retained earnings/ accumulated loss	Total	Non-controlling interests	Total
As at 1 January 2021	1,566,401	187,215	(47,568)	951,174	714,828	3,372,050	54,932	3,426,982
<i>Comprehensive income</i>	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	309,221	309,221	8,601	317,822
Foreign exchange differences	-	-	-	502	-	502	(137)	365
Actuarial losses (net of deferred tax)	-	-	-	(969)	-	(969)	-	(969)
Other comprehensive income	-	-	-	(467)	-	(467)	(137)	(604)
Total comprehensive income	-	-	-	(467)	309,221	308,754	8,464	317,218
<i>Transactions with owners recognized directly in equity</i>	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	-	139,548	(139,548)	-	-	-
Additional acquisition of minority interests	-	-	-	33	-	33	(107)	(74)
Exercise of options	-	(1,986)	8,181	-	812	7,007	-	7,007
Fair value of share-based payment transactions	-	6,260	-	-	-	6,260	-	6,260
Dividends paid	-	-	-	-	(63,127)	(63,127)	-	(63,127)
Total transactions with owners recognized directly in equity	-	4,274	8,181	139,581	(201,863)	(49,827)	(107)	(49,934)
As at 31 December 2021	1,566,401	191,489	(39,387)	1,090,288	822,186	3,630,977	63,289	3,694,266
<i>Comprehensive income</i>	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	369,631	369,631	7,718	377,349
Foreign exchange differences	-	-	-	4,306	-	4,306	133	4,439
Other comprehensive income	-	-	-	10,375	-	10,375	133	10,508
Total comprehensive income	-	-	-	10,375	369,631	380,006	7,851	387,857
<i>Transactions with owners recognized directly in equity</i>	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	-	134,289	(134,289)	-	-	-
Additional acquisition of minority interests	-	-	-	(69)	-	(69)	(135)	(204)
Exercise of options	-	(14,672)	23,631	-	(264)	8,695	-	8,695
Fair value of share-based payment transactions	-	9,888	-	-	-	9,888	-	9,888
Treasury shares purchase	-	-	(26,691)	-	-	(26,691)	-	(26,691)
Dividends paid	-	-	-	-	(91,030)	(91,030)	-	(91,030)
Total transactions with owners recognized directly in equity	-	(4,784)	(3,060)	134,220	(225,583)	(99,207)	(135)	(99,342)
As at 31 December 2022	1,566,401	186,705	(42,447)	1,234,883	966,234	3,911,776	71,005	3,982,781

Notes to the financial statements

In 1–12 2022 period there were no changes in accounting policies.

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

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



MANAGEMENT BOARD

Koprivnica, 23 February 2023

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

According to our best knowledge consolidated unaudited financial statements of Podravka Group for the period 1 - 12 2022 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations of Podravka Group and all subsidiary companies involved in the consolidation.

Corporate Accounting Director:
Julijana Artner Kukec

Board Member:
Davor Doko



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