

KOPRIVNICA, 28TH FEBRUARY 2021

Podravka Inc
business results
for January – December 2021
UNAUDITED



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General information



General information

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

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

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

Management Board members as at 31 December 2021

PRESIDENT	Martina Dalić
MEMBER	Ljiljana Šapina
MEMBER	Davor Doko
MEMBER	Hrvoje Kolarić
MEMBER	Marko Đerek

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

Significant events
in 1 – 12 2021
and after the balance sheet date



Podravka Group Business strategy until 2025 and Three-year business plan

THE STRATEGIC PLAN OF THE PODRAVKA GROUP FOR THE 2021-2025 PERIOD ADOPTED

The Supervisory Board of Podravka Inc. approved in June the Strategic Plan of the Podravka Group (the Strategy) for the 2021 – 2025 period. The Business strategy includes both segments of the Podravka Group, Food and Pharmaceuticals, through three development pillars: focus on selected markets and product categories, increasing business efficiency through technological modernization and digital transformation of production and logistics processes, and acquisitions. The adopted Business strategy of the Podravka Group until 2025 implies investment of around HRK 5 billion in modernization and digitalization of production and logistics processes, marketing and acquisitions, and the main message in the implementation of the Strategy is „Delicious food and good health for our customers through knowledge and heart“.

PODRAVKA INC. THREE-YEAR BUSINESS PLAN 2022-2024 ADOPTED

In December, the Supervisory Board of Podravka Inc. has given its approval to the Management Board for the Podravka Inc. three-year business plan for the 2022-2024 period. With this, the Podravka Inc. has, for the first time in its history, received an operational business plan for a three-year period that is based on the previously adopted Strategic Plan to 2025 and a three-year investment, i.e. capital expenditure, plan. The adopted three-year plan follows the guidelines and objectives laid down in the strategy, providing a detailed overview of all business activities that will be implemented in the forthcoming period.

Strong investment cycle launched

As part of preparatory steps in adopting the Strategy, in April the Supervisory Board gave its consent to the Management Board of Podravka Inc. to launch a strong investment cycle. The investment cycle includes the logistics processes optimization, technical and technological modernization, and digital transformation, in order for the Podravka Inc. to be at the optimal level of development and to be able to adequately respond to the increasing demands it faces. The investment cycle is one of the bases of the Strategy and the Three-year business plan.

In 2021, a logistics processes optimization project was implemented, during which detailed analyses in the supply chain were carried out and measures to improve the process were identified. Logistics optimization is planned through the investment project in the new logistics and distribution centre, which is one of the largest capital investments included in the three-year business plan. It will enable the consolidation of a larger number of the existing warehouses and thus significantly improve the efficiency of logistics and distribution processes, improve overall efficiency, and further strengthen the competitiveness of the Podravka Inc. operations. In addition, the construction and use of a new logistics and distribution centre will have a positive impact on the environment through the reduction of CO₂ emissions. During 2021, the preparation of technical documentation and obtaining permits was started, and through 2022, construction works will begin in the Danica business zone in Koprivnica.

The technical and technological modernization and digital transformation relate to IT and energy reconstruction and modernization of the office building in Koprivnica. During September, the Supervisory Board gave its final approval to the Management Board and in October the reconstruction works on the office building began. The reconstruction and modernization are

carried out in the existing dimensions, with a careful cost management, and are financed from operating cash flow, without further borrowings. The completion is expected in July 2022, and it will contribute to the improvement in working conditions for Podravka's employees, improve the energy efficiency and corporate and IT security of the system.

Podravka Inc. is focused on product development and innovation in products and packaging, increasing product availability and adapting products to the needs of different consumer groups. Therefore, in 2021, the Kalnik Factory in Varaždin started modernization, which includes a fruit processing line, an aseptic line and vacuum boilers, a line for filling vegetable sauces and products in squeeze packaging and relocation of the Tetrapak® line from the Umag Vegetable Factory. The project is applied for the Rural Development Program 2014-2020, for the implementation of measure M.4.2.1. Increase in value added to agricultural products and grants in the amount of HRK 19 million were obtained. Modernization will contribute to increasing sales revenues and reducing production costs, positively affect the quality of raw materials and enable the production of a new range of products, and the completion of works is planned for 2022.

Technological processes modernization has also begun at the Soup and Vegeta Factory in Koprivnica. Thus, in July 2021, the Management Board of Podravka Inc. decided on the technological modernization of production and packaging processes of spice cubes (broths). This is an investment that allows almost doubling the total production capacity of this category of products. This exploits the potential for further growth in many markets and enables further development of the range and innovation in products that generate annual sales revenue of over HRK 30 million.

To improve working conditions, reduce production costs and increase sales revenues, in May 2021, a decision was approved to invest in a line to produce extruded products at the Cocktail snacks factory in Koprivnica. During 2021, construction works were completed and the infrastructure for connections was established, while during 2022, works are expected to be completed and a new line put into operation.

Also, funds were approved for the modernization of the plant for processing fruits and vegetables, new technologies and new products of the Kalnik factory, which will affect the quality of raw materials and enable the production of a new range of products.

Care for employees

DECISIONS TO INCREASE EMPLOYEES' EARNINGS

At the session held on 18th March 2021, the Management Board of Podravka Inc. passed decisions improving the status and position of the Podravka Group's employees. These decisions aimed at increasing employees' earnings were implemented as of 1st April 2021. HRK 21m has been invested in measures to improve employees' rights. This investment in improving the material rights of employees did not affect the efficiency of the Podravka Group's operations as it has been offset by savings at other cost levels (savings through simplification of the organisation, savings on general and administrative expenses and marketing expenses).

The second wave of salary raise within the year, the decision on the additional increase in employees' earnings, was passed on 11th February 2022, and is effective from 1st March of the same year. This increase raises the investment in employee salaries by around HRK 35 million

annually. The increase in earnings in the second wave refers to the increase in the performance coefficient by 0.15 for all employees in Podravka Inc. and Mirna Inc. and to the increase in part of the coefficients for skilled and highly skilled workers from 1st March 2022. The increase in part of the coefficients for higher education employees, based on their individual work results, is in force from 1st May 2022. Due to the extension of coefficients range for employees with higher education, an annex to the Podravka Group Collective Agreement was signed.

In total, the Podravka Group invested more than HRK 55 million through two waves of increase in employee earnings. The total average increase in earnings, through both waves of raises, is between HRK 980 and 1,150, or between 18 and 28 percent on average, depending on the education and working conditions of employees.

PODRAVKA INC. INVESTS IN IMPROVING WORKING CONDITIONS IN FACTORIES

With the aim of improving the microclimatic working conditions in Podravka's factories in Koprivnica and Varaždin, the Management Board of Podravka Inc. has adopted a decision on investing in air conditioning and ventilation of these production facilities. This decision was made in accordance with the company's socially responsible business and care for employees, all with the aim to provide the most comfortable working conditions in these factories. It is estimated that by the end of 2022, the Baby food and creamy spreads factory, the Cocktail snacks factory, the Danica factory, the Mill factory and the Kalnik factory will be air-conditioned, which will certainly create better and safer working conditions for the employees.

SOCIAL DIALOGUE

During the 2021, the Podravka Inc. has repeatedly shown how much it values the opinion of its employees. Immediately upon her arrival to the position of President of the Management Board of Podravka Inc., Martina Dalić, PhD, met with union representatives. In July, she participated in regular gatherings of Podravka Inc. workers at several locations: in Danica production, at the Soup and Vegeta factory where the employees of the Baby food and creamy spreads factory were also present, in the seven-storey office building for all employees in the circle (the Mill factory, The Cocktail snacks factory, all units located in the physical vicinity of the headquarters) and in the Kalnik factory in Varaždin.

During the year, regular contacts were held between the Management Board and other directors and trade union representatives.

On 11th February 2022, an amendment to the Podravka Inc. Collective Agreement was concluded, signed by all three unions operating in Podravka Inc. Through the agreed amendments, it has been enabled to increase the range of job complexity coefficients based on employees' individual results.

Sustainable business

PODRAVKA INC. WON NEW RECOGNITION "SUSTAINABLE DEVELOPMENT LEADER 2021"

Based on a national survey conducted on a nationally representative sample by the renowned market research agency Henda, Podravka Inc. was recognized by many respondents as a company that has a positive impact on society and the environment and is thus ranked in the TOP 5 companies in Croatia that consumers consider socially and climate responsible.

CONSTRUCTION OF PODRAVKA'S 2.4 MW SOLAR POWER PLANT WITH CO-FINANCING FROM EU FUNDS

Nurturing socially responsible business and respecting the principles of sustainable development, Podravka Inc. is continuously considering various opportunities to improve relations with the environment and raise the efficiency of the company's business to a higher level.

In this context, Podravka's solar power plant "Podravka – Danica", with a capacity of 2.4 MW, will be built in the Industrial Zone Danica, in Koprivnica. The solar power plant will produce electricity for own consumption. The expected annual production of this power plant is 3.2 GWh and its construction and commissioning will lead to significant savings in the cost of electricity from conventional sources for Podravka's factories, but also to a positive impact on the environment by reducing CO₂ emissions. Also, funds were approved for the modernization of the plant for processing fruits and vegetables, new technologies and new products of the Kalnik factory, which will affect the quality of raw materials and enable the production of a new range of products.

Relationship with the community

Podravka Inc. continuously and through all available channels strives to help the community, including through donations. Caring for the needs and the most vulnerable citizen across the country is woven into the company with a heart, while socially responsible business and helping the community are only part of the principles that guide Podravka Inc. from year to year.

In addition to continuous cooperation with the Croatian Red Cross, Podravka Inc. was among the first companies to organize aid to the victims of the earthquake that hit the Sisačko-moslavačka county the most, and later, during the holidays, another donation was directed to the same area – presents for the children in the Kindergarten Bubamara from Glina.

Podravka Inc. and Handball Club Podravka s.d.d. concluded a new contract. For the first time, a three-year sponsorship agreement was signed that runs from 1st January 2022 to 30th June 2025. The new Sponsorship Agreement provides for a fixed and variable amount of sponsorship.

Also, bearing in mind their importance for the benefit of the community, the support for all other sports clubs and associations that bear Podravka's name continued.

Innovation

NUTRITIONAL VALUE OF PRODUCTS

The development of nutritionally balanced food products in accordance with our times and sustainable development, for the benefit of consumers health of all ages is one of the key goals of Podravka Inc., whose product range regularly helps shape quality meals for individuals and families.

Podravka's nutritional strategy is focused on its own product range in the direction of reformulating the composition of a portion of the range in terms of salt, sugar (reduction of 1-3% per product), saturated fats and trans fats, development of new and innovative products with additional and optimal nutrient content that contribute to health, such as proteins, fibers and probiotics, development of products for children, the elderly and people with special dietary needs, providing mandatory and additional information on nutritional quality, educating consumers and employees of Podravka Inc. and cooperation with the local community.

PRODUCT INNOVATION AND AWARDS

Guided by such principles, numerous new products have emerged. Lino joined the protein range with the new Čokolino Protein Power and gluten-free Čokolino was also presented to consumers. Also, for its youngest consumers, Lino has prepared Lino Frutolino BIO ready-made porridges, produced according to strict EU environmental standards.

One of the world's leading trends are plant-based products, which is the result of strengthening global environmental initiatives. Under the O'Plant brand, Podravka Inc. launched six herbal drinks based on almonds, oats and rice that are 100% of plant origin, without added sugar and lactose-free, and the range also includes Green Beast Burger – a plant-based burger based on pea protein.

DEVELOPMENT OF A PERSONALIZED CONCEPT FOR THE REDUCTION OF EXCESS WEIGHT IN CHILDREN

In a joint scientific research project, the children's hospital Srebrnjak, Belupo and Podravka Inc. will develop a personalized concept for the reduction of excess weight and maintenance of a healthy body weight in the treatment of chronic diseases in children and adults. Overweight and obesity are global public health problems and risk factors for the development of main chronic non-communicable diseases. The project is fully in line with the Smart Specialization Strategy of the Republic of Croatia and the priorities of Belupo, which has positioned itself as one of the key players in food supplements production.

Nutritional quality and health are at the core and heart of Podravka's and Belupo's business. The value of the project, under the slogan "Food for Health", is HRK 9 million, including a non-refundable HRK 6.8 million from EU funds, and most of the funds will be invested in conducting a clinical study, research and development of new products, patent, but also in hiring new professionals.

NEW COOLINARIKA WON THE MIXX AWARD FOR THE BEST WEBSITE

In addition to the launch of the new site at the beginning of the year, the most important event for Coolinarika was the MIXX award (best digital projects in the field of marketing communications) for the best website in the Best Website category.

Coolinarika has undergone a conceptual change that meets the challenge of the digital age and the needs of users and has continued to provide answers to questions about what and how to cook today. Through the smart algorithm Taste Machine, the so-called taste profile is created for each user, by following their movement through the website, allowing personalization of content through understanding the needs of individuals. Coolinarika has also become adapted for mobile devices as a natural response to the needs of smartphone users. Simple, fast and smart application that meets all the culinary needs of visitors with a personalized approach deserved to become the owner of the valuable MIXX statue.

Increasing the quality and security of the supply chain of primary raw materials

Due to the extreme climatic conditions in the recent years, it is not possible to produce enough high-quality raw materials that would be healthy and affordable. However, the Podravka Inc. is actively working to increase the quality and security of the supply chain of primary raw materials by taking certain adaptation measures, such as installing irrigation systems on production areas, building a system of drainage of excess rainwater from endangered production areas, reducing pesticides and fertilizers in agriculture, etc.

Also, in 2021, for the first time, the production of cucumbers (1.17 ha) and peppers (3.5 ha) was organized, which resulted in positive changes in production, from a higher number of seasonal workers, the introduction of new production technologies, irrigation and mechanization. At the same time, Podravka's tomato processing factory in Umag was actively working on the purchase and processing of tomatoes – around 1.9 million seedlings on an area of more than 100 hectares. In parallel with the expansion of vegetable production (cucumbers, peppers, peas and beets), cereals (wheat, corn, rye) and oilseeds (oilseed rape) were also sown. These increases in own production are the direction in which the Podravka Inc. is going and wants to go, and the current expansion of production has created the conditions for further growth and development.

Dividend paid in cash

In accordance with the results achieved in 2020, the Supervisory Board of Podravka Inc. at the session held on 30th April 2021, adopted the proposal of the decision of the Management Board of Podravka Inc. on the use of profit for 2020, and passed it to the General Assembly of Podravka Inc. for its adoption. On 29th June 2021, the General Assembly adopted the decision to distribute dividend to the shareholders of Podravka Inc. in the amount of HRK 9 per share, which implies a dividend yield¹ of 1.5%. The dividend was paid on 27th August to all shareholders registered in register of shareholders as at 29th July 2021.

Podravka share won Zagreb Stock Exchange award

Share of Podravka Inc. was declared the “Top Turnover Stock” at the 10th Zagreb Stock Exchange Awards for 2021. This category considers statistical indicators during the year and share turnover on the capital market. Zagreb Stock Exchange awards are a recognition of excellence and a further incentive for successful business of participants in the capital market.

¹ Dividend yield has been calculated as a ratio between gross amount of the dividend per share (HRK 9.00) and last trading price of the share (HRK 596.00) on the date of the General assembly (29th June 2021) when dividend payout was voted.

Events after the balance sheet date

SUPERVISORY BOARD OF PODRAVKA INC. APPOINTED NEW MANAGEMENT BOARD 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 next Management Board that will be led in the five-year mandate by Martina Dalić, PhD, the current President of the Management Board of Podravka Inc. The new Management Board mandate began on 24th February 2022. Previous Board members Davor Doko and Ljiljana Šapina received a new mandate. The new Management Board members are Milan Tadić, until the appointment Podravka's Head Director for the Adria Region, and Ivan Ostojić, arriving from the position of a member of the Management Board of Wüstenrot stambena štedionica and member of the Podravka Inc. Supervisory Board, and whose mandate will begin as of 1st July 2022



The decision on the new Management Board of Podravka Inc. was adopted almost a month before the expiration of the mandate of the previous Management Board, which confirms the focus of the Supervisory Board on continuous improvement of the quality of corporate governance and the success of the current leadership of the President of the Management Board Martina Dalić, PhD.

Operations of *Podravka Inc.* in conditions of COVID–19 disease



Operations of Podravka Inc. in conditions of COVID-19 disease

The outbreak of COVID-19 disease marked 2020 in all the Podravka Inc.'s markets, and business operations in challenging and difficult conditions, due to the outbreak of COVID-19 disease, continued in 2021 as well.

At the end of 2020, in Croatia and most of the countries in which the Podravka Inc. operates, the epidemiological situation deteriorated and strict measures were introduced, which also continued in the first half of 2021. Introduction of strict epidemiological measures such as lockdown, introduction of curfew, reduced store opening hours, restrictions on the number of customers in stores, limited movement of people, closure of the Gastro channel (the Gastro channel includes HoReCa customers, institutional customers, industrial customers, etc.), full or partial introduction of online classes affected the business operations of Podravka Inc. In May, epidemiological measures in Croatia and other European Union countries were gradually eased and mitigated. The easing of restrictive measures and the opening of hospitality facilities and state borders in the second quarter started earlier compared to the same period of 2020, which resulted in a better shoulder season. The significant easing of epidemiological measures and opening of all borders in the third quarter resulted in a very successful tourist season and sales growth in the Gastro channel following the opening and significant activation of hospitality activities. The more favourable epidemiological situation compared to 2020 continued in the fourth quarter as well, which had a positive impact on sales, but this effect cannot be quantified.

In the reporting period, Podravka Inc. did not receive subsidies based on difficult business conditions due to the situation caused by COVID-19 disease. The situation caused by COVID-19 disease did not give rise to new financial risks.

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

Work organization is still under strict control and in accordance with current epidemiological measures and the recommendations of the competent institutions. In order to better inform employees, ensure business continuity and reduce all external risks, a corresponding documentation set of policies and work instructions has been defined, which have been adequately communicated to all users of the Podravka Inc.'s IT system. Despite all the challenges caused by the COVID-19 pandemic, thanks to the intensified efforts of the Corporate and Information Security sector and IT sector, there were no significant security incidents that would cause the unavailability of the IT system and consequently affect the company's business continuity.

Key business
highlights of
Podravka Inc.
in 1 – 12 2021



Key business highlights of Podravka Inc. in 1 – 12 2021

The situation caused by COVID-19 disease positively impacted the sales revenues trends in 2020 when a prominent effect of food products stockpiling by customers was recorded in almost all markets in which Podravka Inc. is present. Increased demand in 2020 significantly contributed to sales revenues of almost all business units and categories, but this impact could not be clearly distinguished from the impact of regular demand for products. In 2021, the epidemiological situation also had a significant impact in most countries in which Podravka Inc. operates, especially in the Adria region (mostly in Croatia), which is different from the one recorded in 2020. Negative impact on sales revenues in the first three months of 2021 comes from the introduced strict epidemiological measures such as lockdown and curfew, reduced store opening hours, restrictions on the number of customers in stores, limited movement of people, closure of the Gastro channel (includes HoReCa customers, institutional customers, industrial customers, etc.). The positive impact on sales revenues in the reporting period comes from the easing of measures which began in May and a significant easing in the third quarter, which gave a boost to the tourist season and the arrival of foreign guests in Croatia. Positive trends continued in the second half of 2021 since there was no new lockdown, as was the case in the comparative period. The successful tourist season, easing of epidemiological measures in the countries where Podravka Inc. is present with its range, opening of the Gastro channel in Croatia and abroad and the absence of strict epidemiological measures in the fourth quarter positively reflected on the movements of sales revenues, but this effect cannot be clearly estimated or quantified.

Decimal differences are possible due to rounding.

Overview of sales revenues in 1 – 12 2021

Sales revenues by business unit

(in HRK millions)	2020	2021	Δ	%
BU Culinary	760.9	799.1	38.3	5.0%
BU Baby food, sweets & snacks	399.1	416.3	17.2	4.3%
BU Podravka food	344.9	386.0	41.0	11.9%
BU Žito and Lagris	58.4	69.0	10.6	18.1%
BU Meat products	275.1	272.3	(2.8)	(1.0%)
BU Fish	141.5	130.8	(10.8)	(7.6%)
Other sales*	132.2	129.2	(3.0)	(2.3%)
Total	2,112.2	2,202.7	90.5	4.3%

*Includes the new line of plant-based milk products.

Sales revenues by region

<i>(in HRK millions)</i>	2020	2021	Δ	%
Adria	1,595.9	1,657.1	61.3	3.8%
WE and Overseas	271.2	285.5	14.3	5.3%
Central Europe	173.6	181.4	7.8	4.5%
Eastern Europe	58.8	60.6	1.8	3.0%
New markets	12.8	18.1	5.3	41.9%
Total	2,112.2	2,202.7	90.5	4.3%

In 2021, total sales revenues of Podravka Inc. amounted to HRK 2,202.7m, which is HRK 90.5m (+4.3%) higher than in the comparative period. Most business units recorded a sales increase, while the business unit Meat products, meals and spreads and the business unit Fish recorded sales decline due to exceptionally high demand and sales of food products in the comparative period. Positive movements are also recorded at the level of regions, where the sales increase was recorded in all regions, with the highest absolute growth in the Adria region.

Profitability of Podravka Inc. in 1 – 12 2021

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 2021" section.

Decimal differences in the document are possible due to rounding.

<i>(in HRK millions)</i>	Profitability of Podravka Inc.				Normalized			
	2020	2021	Δ	%	2020	2021	Δ	%
Sales revenue	2,112.2	2,202.7	90.5	4.3%	2,112.2	2,202.7	90.5	4.3%
Gross profit	634.4	663.0	28.6	4.5%	634.4	663.0	28.6	4.5%
EBITDA*	267.3	291.0	23.8	8.9%	266.3	292.4	26.2	9.8%
EBIT	167.7	186.0	18.3	10.9%	167.9	192.8	24.9	14.8%
Net profit	193.8	245.1	51.3	26.5%	194.0	225.5	31.5	16.2%
Gross margin	30.0%	30.1%		+6 bp	30.0%	30.1%		+6 bp
EBITDA margin	12.7%	13.2%		+56 bp	12.6%	13.3%		+67 bp
EBIT margin	7.9%	8.4%		+51 bp	7.9%	8.8%		+80 bp
Net margin	9.2%	11.1%		+195 bp	9.2%	10.2%		+105 bp

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

In the 1 – 12 2021 period, Podravka Inc. gross profit amounted to HRK 663.0m, which is HRK 28.6m (+4.5%) higher than in the comparative period. The cost of goods sold increased by 4.2%, with a mild gross margin increase which stood at 30.1% at the end of the reporting period. The reported operating profit (EBIT) amounted to HRK 186.0m, while it amounted to HRK 167.7m in the comparative period, which is an increase of HRK 18.3m (+10.9%). In addition to impacts above the gross profit level, EBIT was impacted by the increase in selling costs and costs of logistics and distribution, while the positive impact came from savings on marketing expenses, savings on general and administrative expenses and positive movements in foreign exchange differences on trade receivables and trade payables (HRK +4.1m in 1 – 12 2021; HRK -8.8m in 1 – 12 2020). Reported net profit amounted to HRK 245.1m, which is HRK 51.3m (+26.5%) higher compared to 1 – 12 2020, while normalized net profit amounted to HRK 225.5m. Net profit was positively affected by movements in foreign exchange differences on borrowings (HRK +0.8m in 1 – 12 2021; HRK -2.1m in 1 – 12 2020), and the increase in finance income. Following the effect of deferred tax, the tax liability is HRK 19.0m lower.

As at 31 December 2021, total assets of Podravka Inc. amounted to HRK 3,075.7m, which is 0.6% higher than at the end of 2020. The significant increase on the assets side was recorded by deferred tax assets position (HRK +25.7m) and property, plant and equipment position (HRK +14.6m), while the significant decrease was recorded by inventories position (HRK -19.8m) and trade and other receivables position (HRK -7.5m). On the equity and liabilities side, an increase is recorded by reserves position (HRK +129.3m) and retained earnings position (HRK +53.4m), while the significant decrease was recorded by long-term borrowings position (HRK -77.7m), short-term borrowings position (HRK -70.9m) and trade and other payables position (HRK -34.8m). Indebtedness of Podravka Inc. decreased in the reporting period due to the repayment of a portion of borrowings, which are in total (long-term and short-term) lower by HRK 148.6m.

Cash flow from operating activities in 1 – 12 2021 amounted to positive HRK 229.2m, due to business operations and movements in the working capital. Cash flow from investing activities at the same time amounted to negative HRK 57.7m, primarily due to cash used for the purchase of non-current tangible and intangible assets. In the same period, cash flow from financing activities amounted to negative HRK 171.3m, due to the repayment of borrowings and the dividend distribution. As at 31 December 2021, cash and cash equivalents amounted to HRK 2.5m.

Share in 1 – 12 2021



List of major shareholders as at 31 December 2021

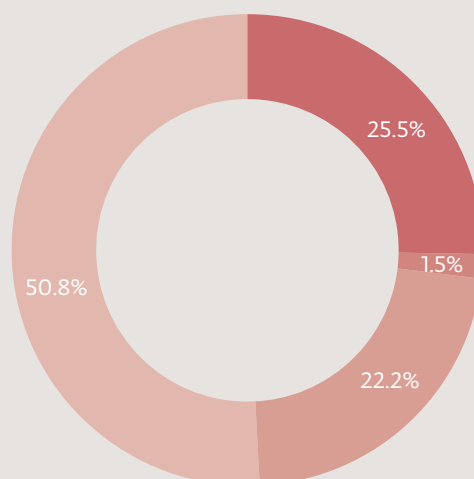
No.	Shareholder	Number of shares	% of ownership
1.	Republic of Croatia*	1,815,627	25.5%
2.	PBZ Croatia Osiguranje mandatory pension fund, category B	1,097,644	15.4%
3.	AZ mandatory pension fund, category B	917,563	12.9%
4.	Erste Plavi mandatory pension fund, category B	638,248	9.0%
5.	Raiffeisen mandatory pension fund, category B	625,298	8.8%
6.	Podravka Inc. - treasury account	105,916	1.5%
	Other shareholders	1,919,707	27.0%
	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 2021, the Republic of Croatia holds 25.5% stake, and domestic pension funds (mandatory and voluntary) hold a total of 50.8% stake. Podravka Inc. has 1.5% of treasury shares. Podravka Inc.'s shares have been listed on the Prime Market of the Zagreb Stock Exchange and in six Zagreb Stock Exchange indices (CROBEX, CROBEX10, CROBEXtr, CROBEXprime, CROBEXnutr and ADRIAprime).

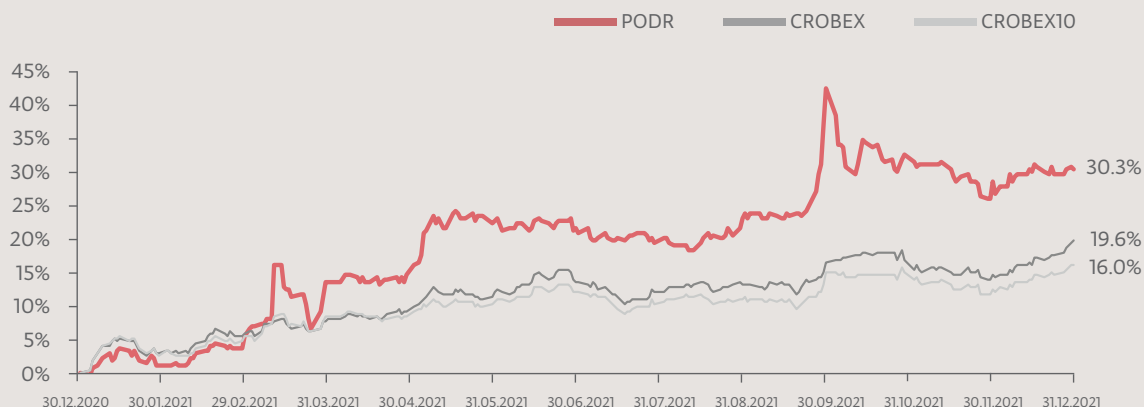
Ownership structure as at 31 December 2021

- Republic of Croatia 25.5%
- Treasury shares 1.5%
- Others 22.2%
- Croatian pension funds** 50.8%



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

Share price movement in 1 – 12 2021



(closing price in HRK; closing points)	31 December 2020	31 December 2021	%
PODR	485.0	632.0	30.3%
CROBEX	1,739.3	2,079.4	19.6%
CROBEX10	1,087.8	1,262.3	16.0%

In the reporting period, the price of Podravka's share recorded a double-digit growth of 30.3% compared to the end of 2020, while the comparable CROBEX and CROBEX10 stock indices increased by 19.6% and 16.0%, respectively.

Result on the Croatian capital market in 1 – 12 2021

(in HRK; in units)²	2020	2021	%
Weighted average daily price	413.3	589.2	42.6%
Average daily number of transactions	14	13	(0.5%)
Average daily volume	1,277	1,488	16.5%
Average daily turnover	527,877.8	876,746.7	66.1%

At the annual level, the weighted average daily price of Podravka's share recorded a significant increase of 42.6% relative to the comparative period. Compared to 1-12 2020, the average daily volume increased by 16.5%, the average daily turnover increased by 66.1%, while the average daily number of transactions is 0.5% lower.

² 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.

Additional tables for 1 – 12 2021



Additional tables for 1 – 12 2021

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	2020	2021
(in HRK millions)	Podravka Inc.	Podravka Inc.
Investments in subsidiaries	2.1	5.3
Loans to subsidiaries	(0.9)	-
Total	1.2	5.3

Reported EBITDA calculation	2020	2021
(in HRK millions)	Podravka Inc.	Podravka Inc.
Reported EBIT	167.7	167.7
+amortization and depreciation	98.4	98.4
+value adjustments	1.2	1.2
Reported EBITDA	267.3	267.3

Normalized EBITDA calculation	2020	2021
(in HRK millions)	Podravka Inc.	Podravka Inc.
Normalized EBIT	167.9	192.8
+amortization and depreciation	98.4	99.7
Normalized EBITDA	266.3	292.4

One-off items in 1 – 12 2021 and 1 – 12 2020

In the 1 – 12 2021 period, Podravka Inc. incurred HRK 1.8m costs of severance payments for employees on long-term sick leaves and HRK 5.3m of impairment cost of investments in subsidiaries. A positive effect comes from reversal of impairment of receivables in the amount of HRK 0.4m and 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 estimated impact of these one-off items on tax is HRK 1.2m (decreases it).

In the 1 – 12 2020 period, Podravka Inc. incurred HRK 4.2m costs of severance payments for employees on long-term sick leaves, HRK 5.3m of income from reversal of impairment of receivables, HRK 0.05m of cost related to the process of closing a related company in Africa, HRK 0.9m of income from value adjustment to a loan given to a related company, and HRK 2.1m of costs from value adjustment of a stake in a related company. All the above is treated by the company's management as one-off items. The estimated impact of these one-off items on tax is HRK 0.03m (decreases it).

Normalization of Podravka Inc. Profit and Loss Statement

	2020	2021
<i>(in HRK millions)</i>	<i>Podravka Inc.</i>	<i>Podravka Inc.</i>
Reported EBIT	167.7	186.0
+severance payments (long term sick-leave)	4.2	1.8
+investments in subsidiaries	2.1	5.3
+loans to subsidiaries	(0.9)	-
+reversal of receivable impairment	(5.3)	(0.4)
+cost related to closing of affiliated company in Africa	0.0	-
Normalized EBIT	167.9	192.8
Reported Net Income	193.8	245.1
+normalizations above EBIT level	0.2	6.7
+differed tax asset	-	(25.1)
+estimated impact of normalization on taxes	(0.0)	(1.2)
Normalized Net Income	194.0	225.5

Unconsolidated financial statements in 1 – 12 2021



Unconsolidated Profit and Loss Statement in 1 – 12 2021

<i>(in HRK thousands)</i>	2020	% of sales revenues	2021	% of sales revenues	% change
Sales revenue	2,112,160	100.0%	2,202,681	100.0%	4.3%
Cost of goods sold	(1,477,751)	(70.0%)	(1,539,680)	(69.9%)	4.2%
Gross profit	634,409	30.0%	663,000	30.1%	4.5%
General and administrative expenses	(153,949)	(7.3%)	(150,991)	(6.9%)	(1.9%)
Selling and distribution costs	(185,248)	(8.8%)	(207,026)	(9.4%)	11.8%
Marketing expenses	(125,050)	(5.9%)	(122,535)	(5.6%)	(2.0%)
Other (expenses) / income, net	(2,470)	(0.1%)	3,593	0.2%	(245.4%)
Operating profit	167,691	7.9%	186,041	8.4%	10.9%
Financial income	65,082	3.1%	72,784	3.3%	11.8%
Other financial expenses	(3,452)	(0.2%)	(1,613)	(0.1%)	(53.3%)
Interest expenses	(3,340)	(0.2%)	(1,952)	(0.1%)	(41.5%)
Net foreign exchange differences on borrowings	(2,145)	(0.1%)	846	0.0%	139.4%
Net finance costs	56,145	2.7%	70,064	3.2%	24.8%
Profit before tax	223,837	10.6%	256,105	11.6%	14.4%
Current income tax	(33,680)	(1.6%)	(36,907)	(1.7%)	9.6%
Deferred tax	3,675	0.2%	25,906	1.2%	604.9%
Income tax	(30,005)	(1.4%)	(11,001)	(0.5%)	(63.3%)
Net profit for the year	193,832	9.2%	245,104	11.1%	26.5%

Unconsolidated Balance Sheet as at 31 December 2021

(in HRK thousands)	31 Dec 2020	% share	31 Dec 2021	% share	% change
ASSETS					
Non-current assets					
Goodwill	84,121	2.8%	85,770	2.8%	2.0%
Intangible assets	811,568	26.6%	826,190	26.9%	1.8%
Property, plant and equipment	34,370	1.1%	39,427	1.3%	14.7%
Right-of-use assets	109,055	3.6%	107,574	3.5%	(1.4%)
Investment property	984,250	32.2%	984,188	32.0%	(0.0%)
Non-current financial assets	37,691	1.2%	37,359	1.2%	(0.9%)
Deferred tax assets	48,389	1.6%	74,129	2.4%	53.2%
Total non-current assets	2,109,444	69.0%	2,154,637	70.1%	2.1%
Current assets					
Inventories	457,305	15.0%	437,462	14.2%	(4.3%)
Trade and other receivables	486,337	15.9%	478,855	15.6%	(1.5%)
Financial assets at fair value through profit and loss	49	0.0%	0	0.0%	(100.0%)
Income tax receivable	145	0.0%	1,194	0.0%	723.4%
Cash and cash equivalents	2,282	0.1%	2,500	0.1%	9.6%
Non-current assets held for sale	1,075	0.0%	1,075	0.0%	0.0%
Total current assets	947,193	31.0%	921,086	29.9%	(2.8%)
Total assets	3,056,637	100.0%	3,075,723	100.0%	0.6%

Unconsolidated Balance Sheet as at 31 December 2021

(in HRK thousands)	31 Dec 2020	% share	31 Dec 2021	% share	% change
EQUITY AND LIABILITIES					
Shareholders' equity					
Subscribed capital	1,566,401	51.2%	1,566,401	50.9%	0.0%
Capital gains	182,875	6.0%	186,031	6.0%	1.7%
Treasury shares	(47,569)	(1.6%)	(39,388)	(1.3%)	(17.2%)
Reserves	510,313	16.7%	639,649	20.8%	25.3%
Retained earnings / (accumulated losses)	199,852	6.5%	253,248	8.2%	26.7%
Attributable to equity holders of the parent	2,411,872	78.9%	2,605,941	84.7%	8.0%
Non-current liabilities					
Borrowings	92,489	3.0%	14,799	0.5%	(84.0%)
Lease liabilities	25,830	0.8%	28,548	0.9%	10.5%
Non-current provisions for employee benefits	23,941	0.8%	24,739	0.8%	3.3%
Other non-current provisions	10,741	0.4%	11,577	0.4%	7.8%
Total non-current liabilities	153,001	5.0%	79,663	2.6%	(47.9%)
Current liabilities					
Trade and other payables	296,989	9.7%	262,163	8.5%	(11.7%)
Income tax payable	476	0.0%	0	0.0%	(100.0%)
Financial liabilities at fair value through profit and loss	66	0.0%	35	0.0%	(47.0%)
Borrowings	166,507	5.4%	95,601	3.1%	(42.6%)
Lease liabilities	9,946	0.3%	11,981	0.4%	20.5%
Current provisions for employee benefits	17,639	0.6%	20,179	0.7%	14.4%
Other current provisions	141	0.0%	160	0.0%	13.5%
Total current liabilities	491,764	16.1%	390,119	12.7%	(20.7%)
Total liabilities	644,765	21.1%	469,782	15.3%	(27.1%)
Total equity and liabilities	3,056,637	100.0%	3,075,723	100.0%	0.6%

Unconsolidated Cash Flow Statement in 1 – 12 2021

(in HRK thousands)	2020	2021	%
Profit before tax	223,837	256,105	14.4%
Depreciation and amortization	98,370	99,670	1.3%
Impairment of investments	2,102	5,101	142.7%
Reversal of impairment of loans given and interest	(878)	(1,642)	(87.0%)
Remeasurement of financial instruments at fair value	(268)	17	106.3%
Dividend income and other	(61,671)	(69,862)	(13.3%)
Share based payment transactions	8,566	4,783	(44.2%)
(Profit) / Loss on disposal of long-term assets	(838)	(251)	70.0%
Impairment/(reversal of impairment) of trade and other receivables	(5,570)	324	105.8%
Increase/(Decrease) in provisions	(194)	3,684	n/p
Interest income	(3,142)	(2,921)	7.0%
Interest expense	6,792	3,548	(47.8%)
Effect of changes in foreign exchange rates	3,597	(251)	(107.0%)
Total adjustments	46,866	42,200	(10.0%)
Changes in working capital:			
(Increase) / Decrease in inventories	(19,404)	19,843	202.3%
(Increase) / Decrease in trade receivables	25,264	(14,057)	(155.6%)
(Decrease) / Increase in trade payables	(45,714)	(32,636)	28.6%
Cash generated from operations	230,849	271,455	17.6%
Income tax paid	(48,137)	(38,428)	20.2%
Interest paid	(6,814)	(3,806)	44.1%
Net cash from operating activities	175,898	229,221	30.3%

Unconsolidated Cash Flow Statement in 1 – 12 2021

(in HRK thousands)	2020	2021	%
Cash flow from investing activities			
Increase of investments in subsidiaries	(2,102)	(5,039)	(139.7%)
Purchase of property, plant, equipment and intangibles	(98,029)	(103,637)	(5.7%)
Proceeds from sale of property, plant, equipment and intangibles	1,178	343	(70.9%)
Loans given	(16,900)	0	100.0%
Proceeds from given loans	14,490	1,425	(90.2%)
Interest received	1,193	3,772	216.2%
Dividends received	37,070	45,421	22.5%
Net cash flow from investing activities	(63,100)	(57,715)	8.5%
Cash flow from financing activities			
Proceeds from borrowings	242,517	97,121	(60.0%)
Repayment of borrowings	(281,449)	(200,270)	28.8%
Sale of treasury shares	0	7,983	100.0%
Repayment of lease	(11,217)	(13,340)	(18.9%)
Dividend pay-out	(62,546)	(62,782)	(0.4%)
Net cash from financing activities	(112,695)	(171,288)	(52.0%)
Net (decrease) / increase of cash and cash equivalents	102	218	113.7%
Cash and cash equivalents at beginning of the year	2,180	2,282	4.7%
Cash and cash equivalents at the end of year	2,282	2,500	9.6%

Unconsolidated Statement of Changes in Equity in 1 – 12 2021

(in HRK thousands)	Subscribed capital	Capital gains	Treasury shares	Provision for treasury shares	Legal reserves	Other reserves	Retained earnings	Total
As at 1 January 2020	1,566,401	178,031	(47,569)	147,604	36,605	246,480	150,057	2,277,609
<i>Comprehensive income</i>	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	193,832	193,832
Actuarial losses (net of deferred tax)	-	-	-	-	-	(1,484)	-	(1,484)
Other comprehensive income	-	-	-	-	-	(1,484)	-	(1,484)
Total comprehensive income	-	-	-	-	-	(1,484)	193,832	192,348
<i>Transactions with owners recognized directly in equity</i>	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	-	-	7,259	73,849	(81,108)	-
Exercise of options	-	(3,722)	-	-	-	-	-	(3,722)
Fair value of share-based payment transactions	-	8,566	-	-	-	-	-	8,566
Dividends paid	-	-	-	-	-	-	(62,929)	(62,929)
Total transactions with owners recognized directly in equity	-	4,844	-	-	7,259	73,849	(144,037)	(58,085)
As at 31 December 2020	1,566,401	182,875	(47,569)	147,604	43,864	318,845	199,852	2,411,872
<i>Comprehensive income</i>	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	245,104	245,104
Actuarial losses (net of deferred tax)	-	-	-	-	-	(416)	-	(416)
Other comprehensive income	-	-	-	-	-	(416)	-	(416)
Total comprehensive income	-	-	-	-	-	(416)	245,104	244,688
<i>Transactions with owners recognized directly in equity</i>	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	-	-	9,692	120,060	(129,752)	-
Exercise of options	-	(1,627)	8,181	-	-	-	1,171	7,725
Fair value of share-based payment transactions	-	4,783	-	-	-	-	-	4,783
Dividend announced	-	-	-	-	-	-	(63,127)	(63,127)
Total transactions with owners recognized directly in equity	-	3,156	8,181	-	9,692	120,060	(191,708)	(50,619)
As at 31 December 2021	1,566,401	186,031	(39,388)	147,604	53,556	438,489	253,248	2,605,941

Notes to the financial statements

In 1 – 12 2021 period there were no changes in accounting policies.

Podravka Inc. Annual Report for 2020 available at:

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



MANAGEMENT BOARD

Koprivnica, 28 February 2022

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Unaudited financial statements of Podravka Inc. for the period 1 - 12 2021 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.

Unaudited financial statements of Podravka Inc. for the period 1 - 12 2021 were approved by the Management Board of PODRAVKA Inc. on 28 February 2022.

Corporate Accounting Director:
Julijana Artner Kukec

Board Member:
Davor Doko



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