



Podravka Inc.
business
results for
January -
June 2023
period
UNAUDITED

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General information



General information

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

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

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

Management Board members as at 30 June 2023

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

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

Significant
events in
1 – 6 2023
and after the
balance sheet
date



Significant events in 1 – 6 2023 and after the balance sheet date

- *New nutrition strategy aimed at a balanced and sustainable diet adopted*
- *Podravka Group Business Sustainability Strategy for the period 2023-2030 adopted*
- *Investment cycle carried out according to plan. In the first quarter of 2023, realized investments amount to almost EUR 21m*
- *Salaries and employee earnings increase again as of July 2023*
- *At the Podravka Inc. General Assembly, dividend distribution of EUR 2.65 per share approved, 53 % higher than last year, and new Supervisory Board members elected*
- *Podravka was awarded the Employer Partner and Mamforce certificates*
- *Podravka and Atlantic joined forces to strengthen the export of Croatian brands*
- *Podravka and citizens provided EUR 74,000 for renovation of school kitchens and dining halls*
- *Podravka is a signatory of the voluntary agreement “United against food waste”*
- *Podravka’s solar power plant received a prestigious award from the Croatian Energy Society*
- *Podravka won seven Superior Taste Awards – the most prestigious world award in the food segment*
- *Vegeta BIO was declared the best product in the category and holder of the “Selected Product of the Year” mark for 2023*
- *Podravka and University North concluded a cooperation agreement*
- *Regular meetings of employees held and the new salary system initially presented*

New nutrition strategy aimed at a balanced and sustainable diet adopted ¹

Podravka adopted the initial nutrition strategy in 2014, and since then has reduced the amount of salt in its products by 300 tonnes and sugar by 1,423 tonnes. In addition to adjustments of the recipes of existing products, which were carried out in such a way that their distinctive flavours were preserved, new products were also developed that support a balanced diet or meet individual lifestyle needs. The range has been enriched with a series of new products without additives, flavour enhancers and colourings, with specific benefits such as gluten-free products, products enriched with proteins, vitamins, minerals, fibres, etc. In addition, Podravka has reduced the use of palm oil and uses RSPO palm oil and in addition launched lines of BIO products as well as products for vegetarians and vegans.

¹ The stated strategy and data in the text refer to Podravka Inc. and all associated companies within the Food segment.

With its new nutrition strategy for the period until 2027, Podravka confirms its focus on healthy, balanced and sustainable nutrition through the development of new and innovative products. Podravka will continue to adjust and supplement its wide range of products in accordance with health recommendations, food trends and consumer needs.

The nutrition strategy for the period until the end of 2027 defines several key goals:

- In 75 % of new and innovative products, reduce the average content of salt and sugar by 20% compared to the current average content,
- In 75 % of new and innovative products, incorporate at least one ingredient that supports a healthy and balanced diet, such as fibres, proteins, vitamins and minerals,
- At least 40 % of new and innovative products should be based on ingredients related to sustainable nutrition, such as fruits, vegetables, legumes, whole grains, plant sources of protein, etc.,
- Support sustainable nutrition with 100% of products. ²

Podravka Group Business Sustainability Strategy for the period 2023-2030 adopted³

Podravka continuously implements activities aimed at sustainability and social responsibility. The annual report for 2022, in addition to business results, already includes as an integral part a report on non-financial aspects of operations. With the adopted Business Sustainability Strategy, Podravka continues to integrate sustainability into all aspects of business operations.

The Strategy defines clear goals that Podravka will achieve in the period until 2030 – by 2030, all electricity in production will come from renewable sources; CO₂ emissions will be reduced by 40% compared to the base year 2022; food products packaging will be 100% recyclable, returnable or compostable, etc. Ten main strategic goals are contained in four strategic activity pillars – clean environment, healthy nutrition, care for employees and the community, and responsible corporate governance. Podravka will invest EUR 100m in achieving the goals of the Sustainable Business Strategy.

Podravka's focus on business sustainability so far is also reflected through key ESG indicators, so in 2022, the energy consumption was reduced by 6.2 % compared to 2021, CO₂ emissions (scope 1) decreased by 9.2 % compared to 2021, energy produced from renewable sources increased by 16.5 % compared to 2021, environmentally acceptable packaging accounted for 87.8 % of the total packaging, own agricultural production of vegetables used as primary raw material met 9.3 % of the needs, etc. Podravka is among gender equality leaders – gender pay gap has been reduced to 1.9 % in 2022, compared to 2.2 % in 2021, the share of women in the workforce is 52 %, and the share of women in the Management Board is 40 %. During 2022, almost EUR 53m

² Sustainable diet is nutritionally adequate (promotes the health and well-being of the individual), has a low impact on the environment during production and consumption, it is available and culturally acceptable (FAO and WHO 2019. Sustainable healthy diets – Guiding principles. Rome).

³ The stated strategy and data in the text refer to Podravka Inc. and all associated companies.

of capital investments were made, of which more than EUR 20m can be linked to taxonomy-eligible activities. In 2022, donations and sponsorships to community amounted to more than EUR 3m.

Realized investments amount to almost EUR 21m

The investment cycle of Podravka is carried out in accordance with the Podravka Group Business Strategy until 2025. During the first six months of 2023, investments of almost EUR 21m were realized. In May 2023, the Ministry of Economy and Sustainable Development, on the basis of the Investment Promotion Act, approved Podravka Inc. the status of the beneficiary of tax support for investments in expanding capacity and increasing business competitiveness. The investments include the construction of a logistics and distribution centre and a plant for tomato processing, the purchase of new machinery and equipment, and the creation of at least 15 new jobs.

The priority of the investment cycle is investment in modernization, the introduction of new technologies and digitization, raising efficiency and energy efficiency, and further improving working conditions, and the significant capital projects in progress include:

- Construction of a new logistics and distribution centre in Koprivnica,
- Expansion of the Soups and Vegeta factory in Koprivnica,
- Modernization and increase in the primary processing capacity of fresh tomatoes in continental Croatia and investment in agricultural machinery and irrigation,
- Modernization of the Meat industry Danica in Koprivnica,
- Investing in additional solar power plants and reconstruction of the thermal energy production and supply system,
- Digitization of the production management system,
- Renovation of the remaining office spaces at the location of the company's headquarters, after the completion of works on the reconstruction and modernization of the main office building.

The project of building a new LOGISTICS AND DISTRIBUTION CENTRE in Koprivnica is carried out according to plan. The construction of the new LDC is the largest investment within the Podravka Group's Business Strategy until 2025, and the total value of the project is EUR 48m. Construction works began in March 2023 and are performed in line with the planned dynamics, and completion of the works is expected in the second part of 2024. With the start of construction works on the LDC, the implementation of the logistics processes optimization project continues; this project was launched in mid-2021 and resulted in detailed analyses of the supply chain and the definition of measures to improve these processes. The project of the new LDC construction covers 26,000 m² of gross floor plan area and consists of a fully automated

high-bay warehouse, a shipping area, an administrative building and roads with all the necessary infrastructure, and the installation of solar panels on the roofs is planned. The total capacity of the LDC will be almost 62,000 pallet places in different temperature regimes. The selected site for the LDC is in the immediate vicinity of Podravka's factories and it enables connection with the existing export warehouse. The new LDC will meet the expected needs for storage space on the Croatian market in the next ten years, and if needed, it can be expanded in the future. With the construction of the LDC, Podravka 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 realisation of the investment in the EXPANSION OF THE SOUPS AND VEGETA FACTORY IN Koprivnica is carried out in accordance with the planned dynamics. The start of commercial production is expected in the last quarter of 2023. 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 production capacity.

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 is being implemented according to plan, and the beginning of commercial production is expected in the third quarter of 2024. The investment will ensure the increase in the primary processing capacity of fresh tomatoes and continuity of own production. In a broader sense, the investment also includes investment in AGRICULTURAL MACHINERY AND IRRIGATION, which is necessary for the smooth performance of primary production. For the needs of the new factory, Podravka will organize the production of tomatoes on its own land and with subcontractors, in total on approximately 400 hectares. Podravka will continue subcontractor production in Istria, but in order to meet the capacity of the new factory, it will expand cooperation with subcontractors. The purchase of tomatoes in Istria will be performed through the purchase station, the construction of which will begin in the autumn of 2023.

As part of the modernization of the Danica meat industry, an investment in the REPLACEMENT OF THE STERILIZER IN THE MEAT CANNING PLANT has been completed. The investment will ensure an increase in the capacity of the meat product range sterilization process, and contribute to greater safety and efficiency. Also, during the first quarter of 2023, an investment in the LUNCHEON MEAT LINE of the Danica meat industry was launched. The investment will contribute to increasing the efficiency of the luncheon meat production, and its commissioning is expected at the beginning of 2024.

As part of Podravka's investment in ENERGY SUSTAINABILITY AND EFFICIENCY, during the first quarter of 2023 the realization of the second phase of investment in SOLAR POWER PLANTS was initiated. For the implemented first phase of the project – the construction of the largest integrated solar power plant in Croatia project – in July 2023, Podravka received the prestigious award of the Croatian Energy Society "Hrvoje Požar" in the category of the realized project of rational energy management and improvement of environmental quality. During the second quarter, in the implementation of the second phase of the project, a market survey was conducted regarding potential equipment suppliers and the necessary permits were obtained. The scope of the second phase of the investment was expanded compared to the initially

planned and, along with other production and storage locations of Podravka in Croatia, which were not included in the first phase of investment, it also includes the expansion of the Soups and Vegeta factory. The completion of the second phase is expected in the third quarter of 2024. The third phase of the investment in solar power plants will relate to the new logistics and distribution centre in Koprivnica. The completion of the project is expected in the second half of 2025. The investment will greatly contribute to the reduction of electricity costs.

Additionally, as part of Podravka's investments in ENERGY SUSTAINABILITY AND EFFICIENCY, during the first half of 2023, a design solution was created, the designer was selected and the project for the RECONSTRUCTION OF THE THERMAL ENERGY PRODUCTION AND SUPPLY SYSTEM at certain production sites in Koprivnica was contracted and ordered. The investment will ensure the safety and reliability of the thermal energy supply, as well as greater control of the thermal energy cost. The project completion is expected in the second half of 2024.

After completing the project of production management system DIGITALIZATION at the Soups and Vegeta factory, the project continued during the first half of 2023 at other production sites in Croatia. The digitalization of the production site in Varaždin is underway, and the planned completion of the entire project is mid-2024. This way, the monitoring of work on production lines will be digitized, which will enable better plant efficiency and use of production resources.

After the completion of the works on the RECONSTRUCTION AND MODERNIZATION OF THE MAIN OFFICE BUILDING, the renovation of OTHER OFFICE SPACES at the location of the company's headquarters also began. The renovation includes IT and energy reconstruction and overall modernization, which will significantly improve the working conditions of employees and reduce energy consumption. The completion of the project is expected at the end of 2023.

In the first half of 2023, 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 was completed during 2022, and the remaining part of the fleet arrived during the first quarter of 2023. During the second quarter of 2023, a tender for the procurement of additional trucks was conducted. This investment will result in a reduction of maintenance costs and an increase in the efficiency, timeliness and reliability of transport and distribution.

Salaries and employee earnings increase again as of July 2023

Podravka and the unions have completed collective negotiations and reached an agreement on amendments to the Collective Agreement for the Podravka Group. The increase in the basic salary to EUR 260 and in a fixed bonus to EUR 100 were agreed, so the gross salary on the tariff will increase between 7 percent for the lowest coefficients and 4.3 percent for the highest coefficients. It was also agreed that the right to additional health insurance will be included in the collective agreement. Also, the payment of a one-time salary supplement of EUR 82.76 was agreed, which was carried out in June.

Intensive work continues on the creation of a new salary system, which should be finalized by the end of July.

At the Podravka Inc. General Assembly, dividend distribution of EUR 2.65 per share approved, 53 % higher than last year, and new Supervisory Board members elected

At the General Assembly of Podravka Inc. held on 17th May 2023, the shareholders of Podravka Inc. confirmed the proposal of the Management of Podravka Inc. on the payment of a dividend of EUR 2.65 per share, which is 53% more than last year. The dividend was paid on 14th July 2023 to all shareholders in the register of shareholders as at 15th June 2023. Taking into account the last market price of the Podravka Inc. share at the end of 2022 (EUR 84.15), the proposed amount of the dividend implies a dividend yield of 3.1 %. With the continuity of the dividend yield over the years, Podravka Inc. confirms its focus on meeting the expectations set by shareholders.

The terms of the members of the Supervisory Board Marina Dabić and Tomislav Kitonić expired on 30th June this year. The new members of the Supervisory Board are Darko Prpić, Damir Čukman and Ante Jelčić; they were elected for a four-year term, which for Darko Prpić and Damir Čukman began on 1st July this year, while Ante Jelčić began to perform his duties on 17th May.

Podravka was awarded the Employer Partner and Mamforce certificates

In the first quarter, Podravka received two prestigious certificates in the field of human resource management – Employer Partner and Mamforce.

The Employer Partner certificate is awarded by SELECTIO Group to companies that meet high quality standards in all areas of human resource management. In order to meet the criteria for obtaining the certificate, Podravka went through a detailed evaluation of the human resource management system, which evaluates the employer's practices and the experience of the employees in seven key areas. Podravka achieved excellent results in attracting and hiring talent and developing and rewarding employees. In addition to excellent results in these areas, initiatives for proactive change management based on analyses of the current state and future trends and benchmark analyses stand out. Also, by promoting leadership competencies and educating the company's management about change management, Podravka won high marks in the segment of employee education.

The Mamforce certificate is awarded to companies that implement family-friendly and gender-aware human resource management policies.

Podravka and Atlantic joined forces to strengthen the export of Croatian brands

The two leading Croatian manufacturing companies, Podravka and Atlantic Grupa, have agreed a cooperation on foreign markets, specifically in the United States of America and Austria. Atlantic's distribution company in Austria will ensure support for the placement of Podravka's products on the Austrian market, and at the same time, Podravka will launch Atlantic's products

on the US market through its company in the USA. The goal of this cooperation is to maximize mutual synergies and, using the developed business network and market positions in the markets of Austria and the USA, to strengthen the placement of the products of both companies and to improve the recognisability of the brands.

Podravka and citizens provided EUR 74,000 for renovation of school kitchens and dining halls

Podravka, as a socially responsible company, has been supporting financially and with product donations many humanitarian, economic, cultural, sports and scientific projects throughout the Republic of Croatia for decades. Accordingly, throughout February and March 2023, Podravka carried out the campaign “We donate and renovate school kitchens” aimed at helping schools across Croatia to renovate kitchens and dining halls. In the period from 15th February to 15th March, in the campaign “We donate and renovate school kitchens”, EUR 0.10 was allocated from the sale of each blue Vegeta package, Podravka’s most famous brand, for donations to schools.

More than 150 schools from all parts of Croatia sent their applications to the Podravka and Vegeta competition for renovation of school kitchens and dining halls. Among the school applications received, ten of them were selected, and from 20th to 30th March, citizens had the opportunity to vote on the website for three schools to which the funds collected from the sale of the blue Vegeta packaging will be donated.

In the end, in order to help renovate a larger number of schools than initially planned, Podravka doubled the amount collected through the sales campaign and decided to help renovate school kitchens also of the remaining seven schools that entered the finals of the competition. Thus, Podravka and the citizens who participated in the campaign by buying the blue Vegeta packaging together donated EUR 74,000 for the renovation of a total of ten school kitchens and dining halls. Out of this, the three schools with the highest number of votes shared the funds collected through the sales campaign, a total of EUR 37,000, while the remaining amount was divided equally among the remaining seven schools.

For years, Podravka has been cooperating with many schools to improve school nutrition, and this initiative helped ensure the conditions for free meals in as many schools as possible to be of high quality and nutritious. Podravka will continue to develop its socially responsible component also through continuous promotion of an active lifestyle, a nutritionally balanced and healthy diet, all in accordance with the new Nutrition Strategy for the period until 2027.

Podravka is a signatory of the voluntary agreement on the food waste prevention and reduction “United against food waste”

Podravka Inc. is among the 33 signatories who in March 2023 together with the Ministry of Agriculture signed a voluntary agreement “United against food waste” aimed at preventing and reducing food waste. The agreement is one of the measures of the Plan to prevent and reduce food waste in the Republic of Croatia and the reform measure “Improving the food donation system in the Republic of Croatia” from the National Recovery and Resilience Plan.

With their signature, the signatories voluntarily undertake to invest efforts in reducing food waste in their business processes, to donate food, but also to actively communicate with consumers. The ultimate goal of the Agreement is to reduce the generation of food waste in the Republic of Croatia by 30 % by 2028.

Podravka's solar power plant received a prestigious award from the Croatian Energy Society

Podravka received the annual award of the “Hrvoje Požar” Foundation of the Croatian Energy Society in the category of the realized project of rational energy management and improvement of environmental quality for the largest integrated solar power plant in Croatia construction project.

With the solar power plant project in the Danica industrial zone in Koprivnica, Podravka has already increased the share of use of energy from renewable sources to 26 %. Preparations for the expansion of the power plant are underway, and additional solar power plants will also be built on the roofs of the Cocktail pastry factory and part of the warehouse in Koprivnica, as well as on the warehouse in Dugopolje. Additional expansion is also planned for the already existing solar power plant at the Kalnik plant in Varaždin. After the completion of all solar power plants, Podravka will have an installed capacity of more than 13,000 kW, i.e. its own electricity production of almost 14,000,000 kWh annually.

Podravka recently presented the Sustainable Business Strategy for the period until 2030, which defines four main pillars of action – and one of them is a clean environment, where among the main goals set is the use of 100% of electricity and 50% of thermal energy from renewable sources in production in the EU.

Podravka won seven Superior Taste Awards – the most prestigious world award in the food segment

This year, Podravka again recorded great success at the Superior Taste Award international quality evaluation – with seven awards for the quality and taste of its products. Podravka has been participating in this evaluation since 2008, for 15 years in a row, and to date, Podravka's products have won more than 150 Superior Taste Awards. Companies from more than 120 countries of the world compete for the awards, and the award is granted by a jury composed of excellent world chefs and sommeliers, with over 200 members from more than 20 countries.

Vegeta BIO was declared the best product in the category and holder of the “Selected Product of the Year” mark for 2023

Vegeta BIO universal food seasoning offers a natural taste and ingredients grown according to the rules of organic farming, and the product is also suitable for vegetarians and vegans. 120 grams of the product contains 375 grams of fresh vegetables. With more than ten types of vegetables and herbs and sea salt, it is perfect for seasoning dishes, without the need to use additional salt. Vegeta BIO was developed in accordance with the Podravka's Nutrition Strategy.

Vegeta BIO was declared the best product in the category and holder of the “Selected Product of the Year” mark for 2023. This is an award for marketing innovation voted by consumers themselves.

Podravka and University North concluded a cooperation agreement

On the occasion of the opening of the new building of the University North in the Koprivnica campus, which, among other things, has modern laboratories for the education of experts in the field of food technology, Podravka and the University signed an agreement expanding the existing cooperation. Podravka becomes the teaching base of the University – that is, it will participate in scientific research and professional projects of the University, enable the organization and execution of professional practice, enable the control of learned skills, organize guest lectures at certain courses with the aim of presenting practical experiences, etc. On the other hand, the University North committed to prepare students for practice classes well, to work out methods of testing the acquired practical knowledge, etc.

Regular meetings of employees held and the new salary system initially presented

Regular meetings of Podravka employees were held at the beginning of April in Podravka's factories Danica, Soups and Vegeta factory, Kalnik and in the business headquarters in Koprivnica. There, a new salary system was initially presented, which is currently in the preparatory phase. The existing system was established in 1997, and during the last year numerous analyses were carried out that confirm its obsolescence and complexity. The new system would be based on tariff classes into which the jobs performed by an individual employee will be classified according to the complexity of the job, and it will improve quality and increase the fairness and transparency of the way salaries and rewards are determined.

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

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 the stability of operations.



Key business
highlights of
Podravka Inc.
in 1 – 6 2023



Key business highlights of Podravka Inc. in 1 – 6 2023

NOTE: Pursuant to the Act on the introduction of the euro as the official currency in the Republic of Croatia, as of 1 January 2023, Podravka Inc. adjusted the reporting of data published in previous periods in such a way that it converted the data previously published in HRK into EUR, applying the fixed conversion rate of EUR 1 = HRK 7.5345 in accordance with the rules for conversion and rounding from the aforementioned Act.

Decimal differences are possible due to rounding.

Overview of sales revenues in 1–6 2023

Sales revenues by business units

<i>(in EUR millions)</i>	1 – 6 2022	1 – 6 2023	Δ	%
BU Culinary	40.5	41.6	1.2	2.9%
BU Soups	18.0	19.7	1.7	9.2%
BU Cereals, Snack and Beverages	15.0	17.2	2.2	14.8%
BU Creamy spreads and Desserts	13.0	14.9	1.8	14.0%
BU Bakery	1.4	1.3	(0.1)	(7.0%)
BU Basic food	30.0	36.0	6.1	20.2%
BU Meat products	18.7	18.1	(0.7)	(3.6%)
BU Fish	9.1	7.9	(1.2)	(13.5%)
Other sales	11.5	11.8	0.2	1.9%
Total	157.2	168.4	11.1	7.1%

* As a result of the internal reorganization, the Confectionery category, which was within the BU Bakery, during the reporting period became an integral part of the BU Creamy spreads and Desserts. Therefore, historical data was adjusted due to new organizational structure.

Sales revenues by region

<i>(in EUR millions)</i>	1 – 6 2022	1 – 6 2023	Δ	%
Markets of Croatia and Slovenia	85.8	95.1	9.3	10.8%
Southeastern Europe	32.5	34.7	2.1	6.6%
WE and Overseas	23.6	23.0	(0.6)	(2.5%)
Central Europe	12.4	13.1	0.7	5.4%
Eastern Europe	2.9	2.5	(0.4)	(12.6%)
Total	157.2	168.4	11.1	7.1%

In the 1 – 6 2023 period, total sales revenues of Podravka Inc. amounted to EUR 168.4m, which is EUR 11.1m (+7.1 %) higher than in the comparative period. Sales increase was recorded by business units Basic food, Cereals, snack and drinks, Creamy spreads and desserts, Soups, Culinary, and other sales.

Profitability of Podravka Inc. in 1 – 6 2023

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 – 6 2023" section.

On 2nd May 2023, the Ministry of Economy and Sustainable Development approved to Podravka Inc. the status of the beneficiary of investment support from the Investment Promotion Act. The status was approved based on investments to expand capacity and increase business competitiveness through construction and equipment at the sites in the City of Koprivnica and the City of Varaždin. The project investment plans the construction of a new logistics and distribution centre and a new plant for tomato processing, the purchase of new machinery and equipment, and the creation of at least 15 new jobs. Taking into account the probability of activation of the assets declared in the application for the acquisition of the status of the support beneficiary in the three-year investment period, the business plans in the possible period of use of the support, and the plans for tax corrections of the planned accounting profit, Podravka Inc. determined the amount of incentives that can be used in the total amount of EUR 19,718 thousand. Deferred tax assets were recorded in the same amount.

(in EUR millions)	Profitability of Podravka Inc.				Normalized			
	1 – 6 2022	1 – 6 2023	Δ	%	1 – 6 2022	1 – 6 2023	Δ	%
Sales revenue	157.2	168.4	11.1	7.1%	157.2	168.4	11.1	7.1%
Gross profit	49.8	46.8	(3.0)	(6.0%)	49.8	46.8	(3.0)	(6.0%)
EBITDA*	27.2	22.0	(5.1)	(18.9%)	27.2	22.0	(5.2)	(18.9%)
EBIT	20.3	14.2	(6.0)	(29.7%)	20.3	14.3	(6.0)	(29.8%)
Net profit	23.9	42.4	18.5	77.3%	24.0	22.7	(1.2)	(5.1%)
Gross margin	31.7%	27.8%		-388 bp	31.7%	27.8%		-388 bp
EBITDA margin	17.3%	13.1%		-419 bp	17.3%	13.1%		-420 bp
EBIT margin	12.9%	8.5%		-443 bp	12.9%	8.5%		-444 bp
Net margin	15.2%	25.2%		+998 bp	15.2%	13.5%		-174 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 – 6 2023 period, Podravka Inc. recorded a decrease in gross profit of EUR 3.0m (-6.0 %), while operating profit (EBIT) is EUR 6.0m (-29.7 %) lower than in the comparative period.

A negative impact on the operating profit (EBIT) came from: i) an increase in the costs of raw materials, packaging and energy of EUR 9.2m (+13.2 %), ii) investing in improving the material status of employees of EUR 3.8m (+12.9 %), iii) the investment cycle, which resulted in an increase in depreciation costs of EUR 0.9m (+13.0 %). These negative impacts were partially mitigated through optimization of the product range, management of the production process, and changes in procurement processes.

Net profit is EUR 18.5m higher (+77.3 %) which was positively impacted by tax incentives in accordance with the Investment Promotion Act in the amount of EUR 19.7m, while the normalized net profit was lower by EUR 1.2m (-5.1 %).

Key highlights
of the balance
sheet as at
30 June 2023
and of the cash
flow statement in
period 1 – 6 2023



Key highlights of the balance sheet as at 30 June 2023

As at 30 June 2023, total assets of Podravka Inc. amounted to EUR 526.9m, which is 9.5 % higher than as at 31 December 2022.

Property, plant and equipment

Property, plant and equipment of Podravka Inc. are EUR 13.3m or +9.6 % higher compared to 31 December 2022, due to the realized capital investments in the reporting period.

Inventories

Inventories of Podravka Inc. are EUR 2.5m (-3.1 %) lower than as at 31 December 2022 and are maintained at the optimum level.

Compared to 30 June 2022, inventories of Podravka Inc. are EUR 12.4m (+18.5 %) higher. On the one hand, this is a result of the strategic volume increase in inventories with the aim of ensuring a sufficient amount of raw materials at favourable purchase prices in order to mitigate market turbulence on the final product prices. On the other hand, the increase in the prices of raw materials and supplies also had an impact on the increase in inventories.

Trade and other receivables

Trade and other receivables of Podravka Inc. are EUR 17.0m (+25.5 %) higher than as at 31 December 2022, as a result of loans given to related companies in the reporting period.

Trade and other receivables of Podravka Inc. are EUR 7.0m (+9.1 %) higher than as at 30 June 2022, also as a result of loans given to related companies in the reporting period.

Cash and cash equivalents

Cash and cash equivalents of Podravka Inc. at the end of the observed period are EUR 19.4m higher (+506.5 %) compared to 31 December 2022.

Long-term and short-term borrowings

As at 30 June 2023, long-term and short-term borrowings of Podravka Inc. are EUR 1.5m higher than as at 31 December 2022 due to financing current operations, whereby the increase relates to the short-term debt.

Trade and other payables

Trade and other payables of Podravka Inc. are EUR 24.0m or +50.3 % higher compared to 31 December 2022. The movement is mainly a result of the liability to pay the approved dividend for 2022, and regular operations.

Trade and other payables of Podravka Inc. are EUR 0.7m, or +1.0 % higher compared to 30 June 2022.

Key highlights of the cash flow statement in 1–6 2023

Net cash flow from operating activities in 1 – 6 2023 amounted to positive EUR 23.3m, due to business operations and movements in the working capital. Net cash flow from investing activities at the same time amounted to negative EUR 9.8m, primarily due to cash used for the purchase of non-current tangible and intangible assets and loans given to related companies. In the same period, net cash flow from financing activities amounted to positive EUR 5.9m, primarily due to borrowings received. As at 30 June 2023, cash and cash equivalents amounted to EUR 23.3m.

Share in 1 – 6 2023



List of major shareholders as at 30 June 2023

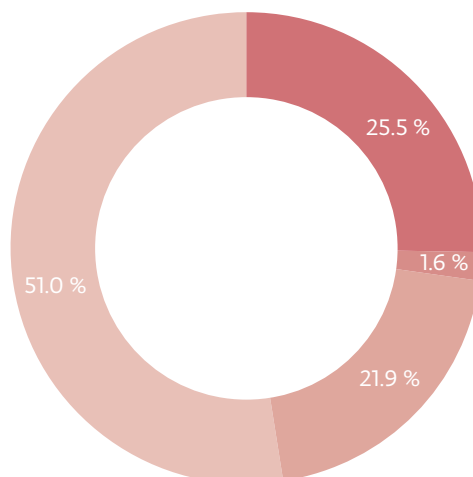
No.	Shareholder	Number of shares	% of ownership
1.	PBZ Croatia Osiguranje mandatory pension fund, category B	1,097,644	15.4%
2.	AZ mandatory pension fund, category B	932,563	13.1%
3.	RSC* - Croatian Pension Insurance Institute	727,703	10.2%
4.	Erste Plavi mandatory pension fund, category B	638,248	9.0%
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 Inc./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, Capital fund 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 EUR 30,0 per share. As at 30 June 2023, the Republic of Croatia holds 25.5 % stake, and domestic pension funds (mandatory and voluntary) hold a total of 51.0 % stake. Podravka Inc. has 1.6 % 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, CROBEX10tr, CROBEXprime, CROBEXplus, CROBEXnutris and ADRIAprime).

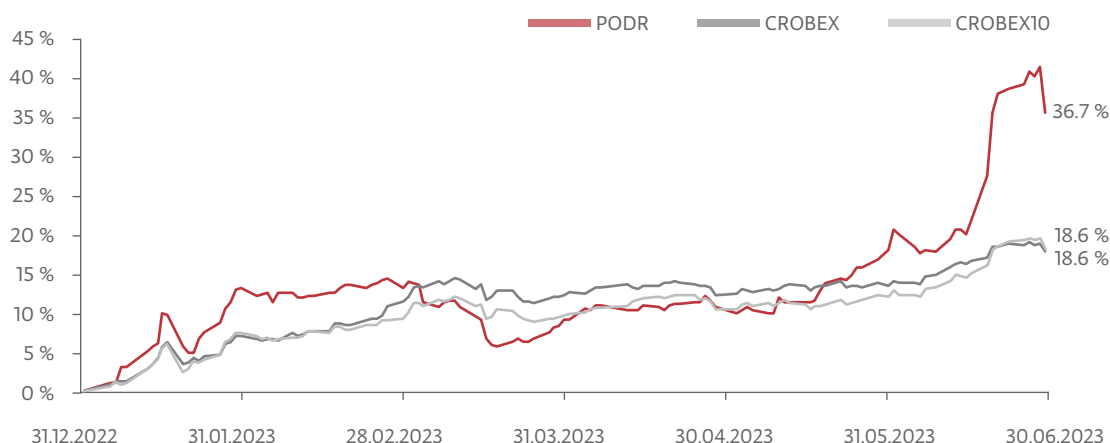
Ownership structure as at 30 June 2023

- Republic of Croatia 25.5 %
- Treasury shares 1.6 %
- Others 21.9 %
- Croatian pension funds** 51.0 %



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

Share price movement in 1–6 2023



(closing price in EUR; closing points)	31 December 2022	30 June 2023	%
PODR	84.1	115.0	36.7%
CROBEX	1,979.9	2,347.6	18.6%
CROBEX10	1,156.2	1,371.6	18.6%

In the reporting period, the price of Podravka's share increased by 36.7 % compared to the end of 2022. At the same time, the CROBEX and CROBEX10 stock indices increased by 18.6 %.


Result on the Croatian capital market in 1–6 2023

(in EUR; in units)⁴	1-6 2022	1-6 2023	%
Weighted average daily price	82.9	97.4	17.4%
Average daily number of transactions	19	11	(42.6%)
Average daily volume	1,154	738	(36.0%)
Average daily turnover	93,385.0	71,323.1	(23.6%)

In the 1–6 2023 period, the weighted average daily price of Podravka's share recorded an increase of 17.4 % relative to the comparative period. Compared to 1 – 6 2022, the average daily number of transactions is 42.6 % lower, the average daily volume decreased by 36.0 %, and the average daily turnover decreased by 23.6 %.

⁴ The weighted average daily price in the reporting period is calculated as the sum of the weighted average daily prices in the reporting period, multiplied by the daily volume weight. The daily volume weight is calculated as a ratio of daily volume and total volume in the reporting period. The formula, Weighted average daily price in the reporting period = \sum 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.

An illustration featuring a man's face in profile at the top right, wearing dark sunglasses and having a white mustache. Below him, 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 – 6 2023

Additional tables for 1 – 6 2023

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

Reported EBITDA calculation	1-6 2022	1-6 2023
(in EUR millions)	Podravka Inc.	Podravka Inc.
Reported EBIT	20.27	14.25
+amortization and depreciation	6.89	7.78
+value adjustments	-	-
Reported EBITDA	27.16	22.03

Normalized EBITDA calculation	1-6 2022	1-6 2023
(in EUR millions)	Podravka Inc.	Podravka Inc.
Normalized EBIT	20.31	14.26
+amortization and depreciation	6.89	7.78
+value adjustments	-	-
Normalized EBITDA	27.20	22.05

One-off items in 1 – 6 2023 and 1–6 2022

In the 1 – 6 2023 period, Podravka Inc. incurred EUR 0.02m costs of severance payments for employees on long-term sick leaves, treated by the company's management as one-off item. The estimated impact of one-off items above the EBIT level on tax amounts to EUR 3 thousand (decreases it). The normalization below the EBIT result primarily refers to the received tax benefit in accordance with the Investment Promotion Act in the amount of EUR 19.72m.

In the 1 – 6 2022 period, Podravka Inc. incurred EUR 0.04m costs of severance payments for employees on long-term sick leaves, treated by the company's management as one-off item. The estimated impact of this one-off item on tax is EUR 6 thousand (decreases it).

Normalization of Podravka Inc. Profit and Loss Statement

(in EUR millions)	1-6 2022	1-6 2023
	Podravka Inc.	Podravka Inc.
Reported EBIT	20.27	14.25
+severance payments (long-term sick leave)	0.04	0.02
Normalized EBIT	20.31	14.26
Reported Net Income	23.92	42.42
+normalizations above EBIT level	0.04	0.02
+tax benefits according to Investment Promotion Act	-	(19.72)
+estimated impact of normalization on taxes	(0.006)	(0.003)
Normalized Net Income	23.95	22.72

Unconsolidated financial statements in 1 – 6 2023



Unconsolidated Profit and Loss Statement in 1-6 2023

<i>(in EUR thousands)</i>	1-6 2022	% of sales revenues	1-6 2023	% of sales revenues	% change
Sales revenue	157,245	100.0%	168,392	100.0%	7.1%
Cost of goods sold	(107,458)	(68.3%)	(121,604)	(72.2%)	13.2%
Gross profit	49,787	31.7%	46,788	27.8%	(6.0%)
General and administrative expenses	(9,709)	(6.2%)	(11,359)	(6.7%)	17.0%
Selling and distribution costs	(14,163)	(9.0%)	(13,514)	(8.0%)	(4.6%)
Marketing expenses	(6,758)	(4.3%)	(7,819)	(4.6%)	15.7%
Other (expenses) / income. net	1,116	0.7%	153	0.1%	86.3%
Operating profit	20,273	12.9%	14,249	8.5%	(29.7%)
Financial income	7,627	4.9%	11,590	6.9%	51.9%
Other financial expenses	(14)	(0.0%)	(27)	(0.0%)	101.1%
Interest expenses	(66)	(0.0%)	(259)	(0.2%)	290.2%
Net foreign exchange differences on borrowings	(8)	(0.0%)	(18)	(0.0%)	(128.6%)
Net finance costs	7,540	4.8%	11,286	6.7%	49.7%
Profit before tax	27,813	17.7%	25,534	15.2%	(8.2%)
Current income tax	(4,087)	(2.6%)	3,927	2.3%	(196.1%)
Deferred tax	196	0.1%	12,962	7.7%	n/a
Income tax	(3,891)	(2.5%)	16,889	10.0%	(534.0%)
Net profit for the year	23,922	15.2%	42,423	25.2%	77.3%

Unconsolidated Balance Sheet as at 30 June 2023

(in EUR thousands)	31 Dec 2022	% share	30 June 2023	% share	% change
ASSETS					
Non-current assets					
Intangible assets	11,555	2.4%	11,935	2.3%	3.3%
Property, plant and equipment	137,678	28.6%	150,940	28.6%	9.6%
Right-of-use assets	4,594	1.0%	4,216	0.8%	(8.2%)
Investment property	14,016	2.9%	13,917	2.6%	(0.7%)
Investments in subsidiaries	129,724	27.0%	129,724	24.6%	0.0%
Non-current financial assets	4,956	1.0%	4,935	0.9%	(0.4%)
Deferred tax assets	10,333	2.1%	23,243	4.4%	124.9%
Total non-current assets	312,856	65.0%	338,910	64.3%	8.3%
Current assets					
Inventories	82,044	17.1%	79,516	15.1%	(3.1%)
Trade and other receivables	66,782	13.9%	83,809	15.9%	25.5%
Financial assets at fair value through profit and loss	12	0.0%	5	0.0%	(58.3%)
Debit securities at amortized cost	14,999	3.1%	0	0.0%	(100.0%)
Income tax receivables	316	0.1%	1,243	0.2%	293.4%
Cash and cash equivalents	3,837	0.8%	23,272	4.4%	506.5%
Non-current assets held for sale	143	0.0%	143	0.0%	0.0%
Total current assets	168,133	35.0%	187,988	35.7%	11.8%
Total assets	480,989	100.0%	526,898	100.0%	9.5%

Unconsolidated Balance Sheet as at 30 June 2023

(in EUR thousands)	31 Dec 2022	% share	30 June 2023	% share	% change
EQUITY AND LIABILITIES					
Shareholders' equity					
Issued capital	207,897	43.2%	213,600	40.5%	2.7%
Share premium	24,360	5.1%	18,475	3.5%	(24.2%)
Treasury shares	(5,634)	(1.2%)	(7,796)	(1.5%)	38.4%
Reserves	102,214	21.3%	109,636	20.8%	7.3%
Retained earnings / (accumulated loss)	31,309	6.5%	47,837	9.1%	52.8%
Attributable to equity holders of the parent	360,146	74.9%	381,752	72.5%	6.0%
Non-current liabilities					
Borrowings	133	0.0%	133	0.0%	0.0%
Lease liabilities	3,158	0.7%	2,753	0.5%	(12.8%)
Non-current provisions for employee benefits	4,269	0.9%	4,269	0.8%	0.0%
Other non-current provisions	1,516	0.3%	1,562	0.3%	3.0%
Total non-current liabilities	9,076	1.9%	8,717	1.7%	(4.0%)
Current liabilities					
Trade and other payables	47,860	10.0%	71,940	13.7%	50.3%
Income tax payable	0	0.0%	0	0.0%	n/a
Borrowings	59,530	12.4%	61,041	11.6%	2.5%
Lease liabilities	1,585	0.3%	1,619	0.3%	2.1%
Current provisions for employee benefits	2,771	0.6%	1,800	0.3%	(35.0%)
Other current provisions	21	0.0%	20	0.0%	(4.8%)
Total current liabilities	111,767	23.2%	136,429	25.9%	22.1%
Total liabilities	120,843	25.1%	145,146	27.5%	20.1%
Total equity and liabilities	480,989	100.0%	526,898	100.0%	9.5%

Unconsolidated Cash Flow Statement in 1-6 2023

(in EUR thousands)	1-6 2022	1-6 2023	% change
Profit / (loss) for the year	27,813	25,534	(8.2%)
Depreciation and amortization	6,889	7,782	13.0%
Impairment / (reversal of impairment) of loans given and interest	(135)	(52)	61.5%
Remeasurement of financial assets and liabilities at FVTPL	(6)	16	366.7%
Dividend income	(7,464)	(11,116)	(48.9%)
Share-based payment transactions	494	252	(49.0%)
Gain on disposal of non-current assets	(94)	(17)	81.9%
Impairment on trade receivables and other receivables	30	(772)	(2673.3%)
Increase in provisions	(1,184)	(926)	21.8%
Interest income	(158)	(474)	(200.0%)
Interest expense	80	270	237.5%
Foreign exchange differences	(16)	13	181.3%
Total adjustments	(1,564)	(5,024)	(221.2%)
Changes in working capital:			
(Increase)/Decrease in inventories	(9,052)	2,528	127.9%
(Increase) in receivables	(11,523)	(12,183)	(5.7%)
Increase in payables	24,393	9,766	(60.0%)
Cash generated from operations	30,067	20,621	(31.4%)
Income tax paid	(2,003)	3,000	249.8%
Interest paid	(91)	(273)	(200.0%)
Net cash from operating activities	27,973	23,348	(16.5%)

Unconsolidated Cash Flow Statement in 1-6 2023

(in EUR thousands)	1-6 2022	1-6 2023	% change
Cash flows from investing activities			
Proceeds from investing in marketable securities	0	15,173	100.0%
Purchase of property, plant, equipment and intangibles	(21,629)	(20,575)	4.9%
Proceeds from sale of property, plant, equipment and intangibles	99	27	(72.7%)
Loans given	0	(9,800)	(100.0%)
Proceeds from loans given	54	3,052	5551.9%
Interest received	9	155	1622.2%
Dividends received	5,972	2,150	(64.0%)
Net cash from investing activities	(15,495)	(9,818)	36.6%
Cash flows from financing activities			
Proceeds from borrowings	10,179	81,933	704.9%
Repayment of borrowings	(12,700)	(72,701)	(472.4%)
Purchase of treasury shares	(1,205)	(3,020)	(150.6%)
Sale of treasury shares	607	581	(4.3%)
Repayment of lease liabilities	(871)	(883)	(1.4%)
Dividend paid	(2)	(5)	(150.0%)
Net cash from financing activities	(3,992)	5,905	247.9%
Net (decrease) / increase of cash and cash equivalents	8,486	19,435	129.0%
Cash and cash equivalents at beginning of year	332	3,837	1055.7%
Cash and cash equivalents at the end of year	8,818	23,272	163.9%

Unconsolidated Statement of Changes in Equity in 1-6 2023

(in EUR thousands)	Subscribed capital	Capital gains	Treasury shares	Other reserves	Retained earnings	Total
As at 1 January 2022	207,897	24,690	(5,228)	84,895	33,612	345,866
<i>Comprehensive income</i>						
Profit for the year	-	-	-	-	26,290	26,290
Actuarial losses (net of deferred tax)	-	-	-	240	-	240
Other comprehensive income	-	-	-	240	-	240
Total comprehensive income	-	-	-	240	26,290	26,530
<i>Transactions with owners recognized directly in equity</i>						
Allocation from retained earnings	-	-	-	17,079	(17,079)	-
Exercise of options	-	(1,096)	3,136	-	594	2,634
Fair value of share-based payment transactions	-	766	-	-	-	766
Purchase of treasury shares	-	-	(3,542)	-	-	(3,542)
Dividends paid	-	-	-	-	(12,108)	(12,108)
Total transactions with owners recognized directly in equity	-	(330)	(406)	17,079	(28,593)	(12,250)
As at 31 December 2022	207,897	24,360	(5,634)	102,214	31,309	360,146
<i>Comprehensive income</i>						
Profit for the year	-	-	-	-	42,423	42,423
Actuarial losses (net of deferred tax)	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	42,423	42,423
<i>Transactions with owners recognized directly in equity</i>						
Allocation from retained earnings	-	-	-	7,422	(7,422)	-
Exercise of options	-	(434)	858	-	106	530
Fair value of share-based payment transactions	-	252	-	-	-	252
Purchase of treasury shares	-	-	(3,020)	-	-	(3,020)
Dividend announced	-	-	-	-	(18,579)	(18,579)
Adjustment of Issued Capital and Shares - EUR Conversion	5,703	(5,703)	-	-	-	-
Total transactions with owners recognized directly in equity	5,703	(5,885)	(2,162)	7,422	(25,895)	(20,817)
As at 30 June 2023	213,600	18,475	(7,796)	109,636	47,837	381,752

Notes to the financial statements

In 1 – 6 2023 period there were no changes in accounting policies.

The audited Annual report of the Podravka Group for 2022 are available at:

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



MANAGEMENT BOARD

Koprivnica, 17 July 2023

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

According to our best knowledge unaudited financial statements of Podravka Inc. for the period 1 - 6 2023 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations.

Corporate Accounting Director:
Julijana Artner Kuček



Board Member:

Davor Doko

Contact

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