



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

Content:

- 3 General information
- 5 Significant events in 1 – 6 2022 and after the balance sheet date
- 14 Key business highlights of Podravka Inc. in 1 – 6 2022
- 18 Share in 1 – 6 2022
- 21 Additional tables for 1 – 6 2022
- 25 Unconsolidated financial statements for 1 – 6 2022
- 33 Statement of liability
- 34 Contact

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 2022

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

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 2022
and after the
balance sheet
date



Price growth of raw materials, supplies and energy

After a sharp increase in the prices of raw materials, supplies and energy in the second half of 2021 due to a recovery in demand following the weakening of the pandemic and due to disruptions in supply chains, in second quarter of 2022, the Ukrainian crisis caused an additional rise in all prices of raw materials, supplies and energy. For example, compared to the beginning of 2021, at the end of the first half of 2022 the stock exchange price of natural gas is higher by 662 %, wheat by 64 %, soybean oil by 61 %, skimmed milk powder by 59 %, etc.¹

These trends had a significant negative impact on the Podravka Inc. operations, where in the 1 – 6 2022 period, the cost of raw materials and supplies in manufacturing increased by HRK 67m (+16.2%). However, the impact of the rise in the prices of raw materials and supplies was still not fully evident in operational expenses in the first half of 2022 due to stocks of raw materials and supplies purchased at prices in the previous period. The prices that have been realized in procurement in the past months, which define production costs in the next 6-12 months, are 5 % to 30 % higher compared to the end of 2021, i.e. they are 32 % to 75 % higher than in the comparative period. Therefore, in the second half of 2022, an additional negative impact of the price movement of raw materials and supplies is expected compared to the first half of 2022. On the other hand, energy prices (gas and electricity) are constantly increasing. The current market price of gas for the new gas year beginning on 1st October 2022 is up to seven times higher than the currently contracted, which puts great pressure on the increase in expenses.

Maximum efforts were made to increase business efficiency and optimize costs in order to amortize the strong growth of input prices as much as possible with internal reserves, but internal measures cannot mitigate such strong price jumps. Consequently, in order to mitigate to some extent the negative impact of strong growth in prices of raw materials, supplies and energy, at the beginning of the first quarter Podravka Inc. corrected food prices in its markets, mainly in the range of 7 % to 10 %. Also, great attention was paid to procuring sufficient quantities of raw materials and supplies in order to prevent potential supply risks and ensure business continuity.

¹ Source Mintec global, a specialized platform for monitoring the prices of commodities. These numbers represent price trends on 30 June 2022 compared to 31 December 2020 on world exchanges (TFT Netherlands and Central European Gas Hub, Euronext Paris, CME Chicago, NZX New Zealand).

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

In 2021, Podravka Inc. generated less than 2,0 % of total revenues in the markets of Russia and Ukraine. The Russian market is not so significant for Podravka Inc. in terms of total sales revenues or in terms of profitability, therefore overall developments in Russia and Ukraine had no significant impact on the profitability of Podravka Inc. All receivables until then had been secured, there were no problems with the collection of receivables, but the conversion of the Russian ruble was disabled for some time, which coupled with the exchange rate volatility resulted in foreign exchange losses in that period. The Podravka Inc. was not exposed in its operations to banks owned by legal entities from Russia. Management of Podravka Inc. continuously considers all risks associated with the Russian-Ukrainian conflict and assesses that these risks do not threaten Podravka Inc. operations stability.

Employees' net earnings increased

Despite the growing uncertainty due to the war in Ukraine, the Management Board of Podravka Inc. persisted in implementing the decision on increasing the net salaries that was adopted before the outbreak of the war in Ukraine. This decision increased the net salaries of Podravka Inc. employees. By this decision, the net salaries of Podravka Inc. employees were increased for the second time in less than a year. As a result, the average net salary for June 2022 paid to employees of Podravka Inc. whose net salary is calculated based on the system of coefficients (the so-called tariff) was on average 14 % higher than in June 2021. This covers the salaries of more than 3,000 employees. The decisions of the Management Board on the increase in net salaries, which were supported by the conclusion of an annex to the collective agreement by all unions operating in Podravka Inc., were adopted as a result of efforts to continuously improve the material position of employees and protect the value of their earnings from the growing inflation of retail prices.

Taking into account the overall effects of the increase in net salaries and earnings over the past year (the increases implemented in April 2021 and March 2022), the net earnings of Podravka Inc. employees have increased in less than a year on average between HRK 980 and HRK 1,415, or on average between 18% and 33%, depending on qualifications and working conditions. This approach additionally raises the attractiveness of Podravka as an employer and contributes to the achievement of the goals set in the "Declaration of support to strengthening professional equality within the private sector", of which Podravka is a signatory.

The salary increase in 2022 represents an increase in investments in employees' earnings of around HRK 35m annually, while in 2021 investments in earnings of employees increased by HRK 19m, so that in less than a year Podravka Inc. has invested more than HRK 54m in improving salaries and total employees' earnings.

Podravka Inc. investment cycle implemented in line with the adopted strategy

Despite the pressures on operating expenses due to the exceptional rise in raw material prices, the Podravka Inc. investment cycle is going according to plan.

The investment in air conditioning of production plants in Koprivnica and Varaždin is completed which significantly improved working conditions in those production facilities.

The project of building a new logistics and distribution centre in Koprivnica is carried out according to plan. The conceptual design is in the finalization phase, the designer has been selected, and the initial offers for the machinery have been received, with the aim of starting construction works in the first quarter of 2023, while the deadline for completion of the investment will be defined by a deadline for machinery delivery. With the construction of the LDC, the Podravka Inc. will increase its efficiency in the logistics and distribution segment of operations through the optimization of the number of warehouses, minimization of internal transport and greater cost control. This will also have a positive impact on the environment through the reduction of carbon dioxide.

During the first quarter of 2022, the LEAN management implementation program was launched in Podravka Inc. with a focus on improving business processes and increasing productivity in the areas of production, maintenance and logistics. The first results are manifested through an increase in the efficiency of the machine park, i.e. through a reduction in scrap. Also, at production site, the Soups and Vegeta factory, a pilot project of production management system digitalization was launched, which digitalizes the monitoring, recording and control of work on production lines, which will enable better plant efficiency and use of production resources. Completion of the digitization of the entire Soups and Vegeta factory is planned during third quarter 2022.

At the end of the third quarter of 2022, the solar power plant at the Danica site is expected to start operating, which will increase the share of renewable sources in electricity production. Solar power plant will have an installed capacity of 3,059 kW (a total of 9,272 panels) and an estimated own electricity production of 3,266,470 kW per year. The solar power plant will be built on the roofs of the Soups and Vegeta factory (installed capacity 1,744 kW), the Baby food and creamy spreads factory (installed capacity 939 kW) and the Danica meat industry (installed capacity 376 kW). A decision was made to speed up the implementation of the second and third phases of the construction of the solar power plant with the planned completion date of the investments in 2023. The second phase of the construction of the solar power plant includes the remaining facilities at the Danica site, and the main project is in the process of preparation.

In the first quarter of 2022, an investment in the expansion of the Soups and Vegeta factory in Koprivnica was launched, whereby in second quarter 2022 a complete process line was contracted and a conceptual project was completed, while construction work is expected to start in third quarter 2022. This investment will ensure stability and security in the availability of industrial pasta as a strategic raw material in the production of soups, which is one of the most profitable categories of the food products portfolio. For the Soups and Vegeta factory it should be noted that the already launched investment in the bouillon cubes packaging line, will be finalized according to the investment plan. Initiated investments in new production lines in the Kalnik factory will be realized by the end of 2022, and will result in raising the level

of production efficiency and creating preconditions for production of innovative products. Regarding the investment in the line for the production of extruded products in the Cocktail snacks factory, in third quarter 2022 the completion of the installation and the beginning of production are expected.

Investment in agricultural machinery and irrigation in the Republic of Croatia was realized second quarter 2022 and put into operation, and it will result in a tripling of agricultural areas under irrigation. The goal of the investment is to reduce the procurement cost of raw materials and services of agro-technical operations and to increase self-sufficiency and reduce dependence on imported raw materials. Investments in the modernization and maintenance of machinery have begun in accordance with the annual investment plan, most of which will be finalized by the end of the year. Also, the Podravka Inc. is investing in the modernization of its truck fleet, which will result in a reduction in maintenance costs and an increase in the efficiency, timeliness and reliability of transport and distribution of products. In second quarter 2022, 6 new trucks were purchased, while the purchase of an additional 8 trucks is expected by the end of 2022.

Works on the reconstruction and modernization of the office building in Koprivnica are proceeding according to plan and completion is expected by the end of July.

Change in Podravka Inc. organization

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

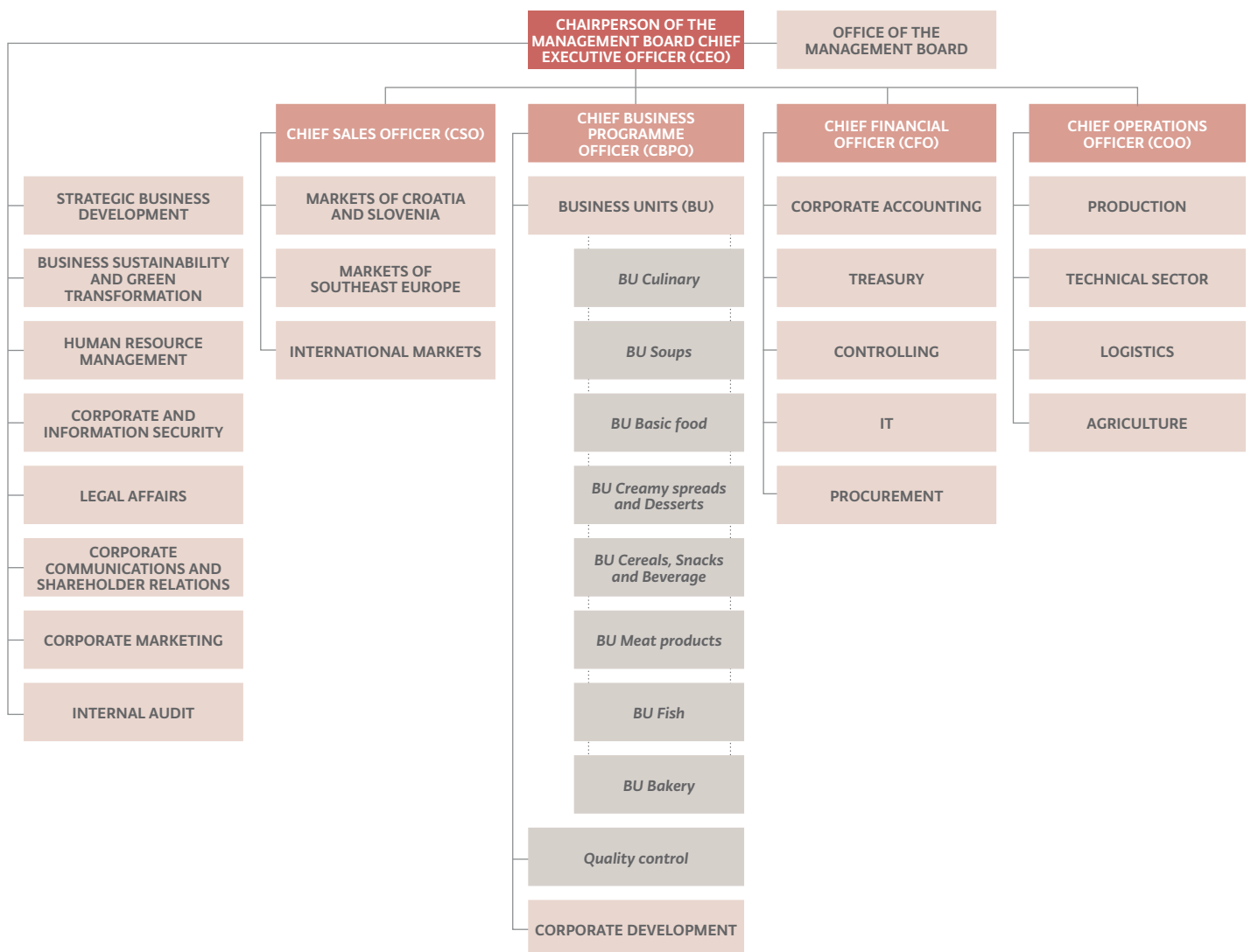
The Sales business area is divided into three main divisions – the markets of the Republic of Croatia and the Republic of Slovenia, the market of Southeastern Europe and the International markets. The former Adria region has been divided into two divisions for a better focus on the two largest markets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

The business area Business Units is divided into eight business units (BU Culinary, BU Soups, BU Cereals, snack and beverages, BU Creamy spreads and desserts, BU Bakery, BU Basic food, BU Meat products, BU Fish) and Quality Control and Corporate Development. The portfolio of the previous business unit Žito and Lagris has been divided into other business units according to the product categories, while the bakery has been separated into a separate business unit. BU Bakery is located in Ljubljana, but in all its activities it operates within the business area Business Units. The business area Business Units is managed by the member of the Management Board of Podravka Inc. for business units, Ivan Ostojić.

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

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

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



In line with the business trends and company's needs, and in order to place greater emphasis on strategy management and the impact of green policies, a stronger role is given to the Strategic Business Development and Business Sustainability and Green Transformation sectors. This is the result of the growing global emphasis on sustainable business and the focus of investors on the non-financial part of business. Through a proactive approach, the Podravka Inc. has integrated the ESG report into its Annual Report and is continuously improving the range of information in accordance with the relevant European Union regulations in order to provide investors with all relevant information necessary for valuations. The next step in the transparency of non-financial reporting is the development of the Green Strategy, which will cover the operations of all parts of the Podravka Inc. and which will define the goals of sustainable development of the Podravka Inc., as well as procedures for achieving the defined goals.

Podravka's management and professional team has recently been strengthened by experts with knowledge and experience, who came from established companies where they had significant careers and excellent business results, and who will bring new business standards and practices to the Podravka Inc. In the past year, 12 new managers with respectable careers in Croatian and foreign companies have joined the Podravka Inc. The new organization is equally an opportunity for advancement for Podravka's internal experts and managers who have many years of business experience and knowledge. The teams have been strengthened with new knowledge and experience, while at the same time continuing to invest in own talents and the growth and development of employees. Strengthening the management and professional teams, especially in sales, is an essential prerequisite for fulfilling the strategic commitment related to a stronger move into the markets of Central and Western Europe. The new organization reduced the number of management levels, opened up space for the advancement of Podravka's best experts and managers, and accelerated and simplified decision-making processes.

The Podravka Inc. is increasingly facing a shortage of labour, especially skilled workers, so foreign workers from Nepal and Tanzania have been hired. With the purpose of attracting young professionals, strengthening talents and enhancing the professional, innovative and creative potential of the Podravka Inc. employees, an intern recruitment project was launched under the motto "Be a lid to our pot", which will be held regularly every year.

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

In accordance with the ESG criteria and the Code of Ethical Principles², the Podravka Inc. is committed to equal opportunities and equality of all employees regardless of gender and to a zero tolerance for any form of discrimination. With 40 % of women in the Management Board and 33 % in the Supervisory Board as at 30th June 2022, Podravka Inc. is among leaders of gender equality in Croatia, and with the implementation of the new organization from 1st April 2022, the share of women in top management increased from 24 % to 43 %. As at 30th June 2022, 48 % of employees in the Podravka Inc. were women, and out of the total number of employees with university education, women make up as much as 61 %. Although there is a gender pay gap of 4.25 %, it is far below the national average (11.2 %) and the EU average (13.0 %). The intention of the Podravka Inc. is to further reduce the pay gap between male and female employees in the coming period through various measures. More detailed quantitative indicators of the Social criteria are available within the ESG report in the Annual Report of the Podravka Inc. for 2021.³

² Available at <https://www.podravka.com/investors/corporate-governance/documents>.

³ Available at <https://www.podravka.com/investors/financial-reports>.

The General Assembly of shareholders of Podravka Inc. held

On 14th June 2022, the General Assembly of shareholders of Podravka Inc. was held. Based on the decision of the General Assembly, there was a change in the composition of the Supervisory Board, and as of 1st July 2022, Damir Grbavac was elected a new member of the Supervisory Board instead of Ivan Ostojić, who became a member of the Management Board of Podravka Inc. on the same day. In September 2022, the mandate of four members of the Supervisory Board expires: Petar Miladin, Luka Burilović, Krunoslav Vitelj and Dajana Milodanović. By the decision of the General Assembly, Petar Miladin, Luka Burilović and Krunoslav Vitelj received new mandates in the Supervisory Board, and Damir Felak will replace Dajana Milodanović in the Supervisory Board. Thus, as of September 2022, the Supervisory Board will have the following composition: Želimir Vukina, Luka Burilović, Ksenija Horvat, Krunoslav Vitelj, Tomislav Kitonić, Marina Dabić, Petar Miladin, Damir Grbavac and Damir Felak.

The assembly also confirmed the dividend distribution proposal to Podravka Inc shareholders in the amount of HRK 13.0 per share. The dividend will be paid on 12th August 2022 to all shareholders registered in the shareholders list as at 14th July 2022. Taking into account the last market price of the Podravka share (HRK 590.0) on the last day of the reporting period (30th June 2022), the confirmed dividend amount implies a dividend yield of 2.2%. With the continuity of the dividend yield over the years, the Podravka Inc. puts the emphasis and focus on the realization of the expectations set by the shareholders.

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

At the session of the Podravka Inc. Supervisory Board held on 4th February 2022, the decision was made to appoint the Management Board that will lead the company in the five-year mandate, starting from 24th February 2022. The Supervisory Board appointed Martina Dalić, PhD the President of the Management Board, and previous Board members Davor Doko and Ljiljana Šapina received new mandates. Milan Tadić, previously Podravka's Head Director for the Adria Region, was appointed as a new member of the Management Board. As of 1st July 2022, the Management Board operates in full composition following the arrival of Ivan Ostojić, until then a member of the Management Board of Wüstenrot stambena štedionica and a member of the Podravka Inc. Supervisory Board.



Podravka Inc. presented new Vegeta BIO with organically grown vegetables and spices

In March 2022, Podravka presented its new product – Vegeta BIO – which contains 400 grams of fresh organically grown vegetables. This product was designed in response to the needs of increasingly demanding consumers in Central and Western Europe, and has found its place also on Croatian shelves, following the trends of healthy food. As the increase in consumer awareness of proven and sustainable products is at the highest levels so far, the Vegeta brand, which is an unquestionable guarantee of quality, has brought a novelty that meets all the set consumer prerequisites. Vegeta BIO contains organically grown vegetables and spices, and with a combination of sea salt, it is an ideal universal food seasoning that will perfectly complement any dish. The development of the food portfolio in the BIO segment is in line with nutritional preferences and increasing consumer awareness of the importance of a healthy diet.

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

The first half of 2022 was still strongly marked by the COVID-19 pandemic and epidemiological measures that differed in scope and duration in individual countries. In all markets where the Podravka Inc. operates, epidemiological measures in the first quarter created certain restrictions related to consumer behaviour and business itself. In the second quarter, the epidemiological measures were completely lifted, which made everyday business easier. It is not possible to quantify or assess the impact of COVID-19 disease on sales revenue trends of both business segments. The recovery of the Gastro channel (HoReCa customers, institutional customers, industrial customers, etc.) was evident already in the first quarter, primarily in the markets of Croatia and Slovenia. In the reporting period, Podravka Inc. didn't receive any subsidies, there were no financial impacts or risks caused by COVID-19, or value adjustments or any other situation that could be connected with COVID-19 disease.



Key business
highlights of
Podravka Inc.
in 1 – 6 2022



Key business highlights of Podravka Inc. in 1 – 6 2022

NOTE: At the beginning of March 2022, Podravka Inc. completed the process of internal reorganization by business units and regions with the aim of increasing business efficiency. The new internal reorganization defined eight business units instead of the previous six, and a new division of regions was made, while the number of regions remained the same. An overview is presented in the “Additional tables for 1 – 6 2022” section for better understanding of business units and regions.

Decimal differences are possible due to rounding.

Overview of sales revenues in 1 – 6 2022

Sales revenues by business unit

<i>(in HRK millions)</i>	1 – 6 2021	1 – 6 2022	Δ	%
BU Culinary	296.7	304.8	8.1	2.7%
BU Soups	111.8	135.6	23.8	21.3%
BU Cereals, Snack and Beverages	110.6	113.0	2.3	2.1%
BU Creamy spreads and Desserts	95.5	94.0	(1.4)	(1.5%)
BU Bakery	12.0	15.0	3.0	25.3%
BU Basic food	196.1	225.8	29.7	15.1%
BU Meat products	127.5	141.2	13.7	10.8%
BU Fish	64.3	68.4	4.1	6.4%
Other sales	63.5	86.9	23.4	36.9%
Total	1,078.0	1,184.8	106.8	9.9%

Sales revenues by region

<i>(in HRK millions)</i>	1 – 6 2021	1 – 6 2022	Δ	%
Markets of Croatia and Slovenia	578.8	646.3	67.5	11.7%
Southeastern Europe	204.6	245.2	40.6	19.9%
WE and Overseas	171.6	177.9	6.4	3.7%
Central Europe	91.1	93.4	2.3	2.5%
Eastern Europe	32.0	22.0	(10.0)	(31.4%)
Total	1,078.0	1,184.8	106.8	9.9%

In the 1 – 6 2022 period, total sales revenues of Podravka Inc. amounted to HRK 1,184.8m, which is HRK 106.8m (+9.9 %) higher than in the comparative period. Almost all business units recorded a sales increase, while the business unit Creamy spreads and desserts recorded a sales decrease due to lower sales of the Creamy spreads category. Positive trends are also recorded at the level of all regions, except for the Eastern Europe region.

Profitability of Podravka Inc. In 1 – 6 2022

NOTE: The overview and explanation of value adjustments to non-current assets used in the EBITDA calculation, the overview and explanation of items treated as one-off by management and the overview of methodology of calculation of the normalized result are provided in the “Additional tables for 1 – 6 2022” section.

Decimal differences are possible due to rounding.

(in HRK millions)	Profitability of Podravka Inc.				Normalized			
	1 – 6 2021	1 – 6 2022	Δ	%	1 – 6 2021	1 – 6 2022	Δ	%
Sales revenue	1,078.0	1,184.8	106.8	9.9%	1,078.0	1,184.8	106.8	9.9%
Gross profit	343.0	375.1	32.1	9.4%	343.0	375.1	32.1	9.4%
EBITDA*	186.3	204.7	18.4	9.9%	186.8	204.9	18.1	9.7%
EBIT	137.3	152.8	15.5	11.3%	137.8	153.0	15.2	11.0%
Net profit	156.7	180.2	23.6	15.0%	157.1	180.5	23.3	14.9%
Gross margin	31.8%	31.7%		-16 bp	31.8%	31.7%		-16 bp
EBITDA margin	17.3%	17.3%		0 bp	17.3%	17.3%		-3 bp
EBIT margin	12.7%	12.9%		+16 bp	12.8%	12.9%		+13 bp
Net margin	14.5%	15.2%		+68 bp	14.6%	15.2%		+66 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 2022 period, Podravka Inc. gross profit amounted to HRK 375.1m, which is HRK 32.1m (+9.4 %) higher than in the comparative period. The cost of goods sold increased by 10.2 %, with a gross margin at the level of the comparative period. The reported operating profit (EBIT) amounted to HRK 152.8m, while in the comparative period it amounted to HRK 137.3m, which is an increase of HRK 15.5m (+11.3 %). In addition to impacts above the gross profit level, EBIT was mainly impacted by the increase in selling costs and costs of logistics and distribution, and a positive impact comes from movements in foreign exchange differences on trade receivables and trade payables (HRK +6.0m in 1 – 6 2022; HRK +1.7m in 1 – 6 2021). Reported net profit amounted to HRK 180.2m, which is HRK 23.6m (+15.0 %) higher compared to 1 – 6 2021, while normalized net profit amounted to HRK 180.5m. Net profit was also affected by movements in foreign exchange differences on borrowings (HRK -0.1m in 1 – 6 2022; HRK +0.9m in 1 – 6 2021). The tax liability is HRK 3.5m higher.

As at 30 June 2022, total assets of Podravka Inc. amounted to HRK 3,422.5m, which is 11.3 % higher than at the end of 2021. The significant increase on the assets side was recorded by property, plant and equipment position (HRK +115.1m), trade and other receivables position (HRK +99.8m), and inventories position (HRK +68.2m), while there was no significant decrease on the assets side. On the equity and liabilities side, an increase is recorded by trade and other payables position (HRK +274.6m), and provisions position (HRK +128.7m), while a decrease was recorded by retained earnings position (HRK -38.6m), long-term borrowings position (HRK -13.8m) and short-term provisions for employee benefits (HRK -8.6m). 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 19.1m.

Cash flow from operating activities in 1 – 6 2022 amounted to positive HRK 210.8m, due to business operations and movements in the working capital. Cash flow from investing activities at the same time amounted to negative HRK 116.7m, 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 30.1m, primarily due to the repayment of borrowings. As at 30 June 2022, cash and cash equivalents amounted to HRK 66.4m.

Share in 1 – 6 2022



List of major shareholders as at 30 June 2022

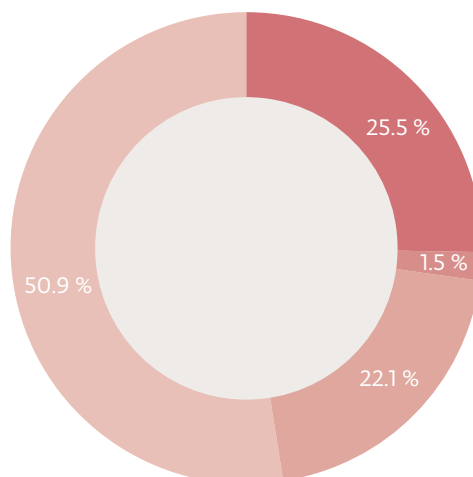
No.	Shareholder	Number of shares	% of ownership
1.	PBZ Croatia Osiguranje mandatory pension fund, category B	1,097,644	15.4%
2.	AZ mandatory pension fund, category B	921,563	12.9%
3.	RSC* - Croatian Pension Insurance Institute	727,703	10.2%
4.	Erste Plavi mandatory pension fund, category B	638,248	9.0%
5.	Raiffeisen mandatory pension fund, category B	625,298	8.8%
6.	RSC* - Republic of Croatia	452,792	6.4%
7.	Capital Fund	406,842	5.7%
8.	Pivac Brothers Meat Industry	226,659	3.2%
9.	Republic of Croatia	167,281	2.3%
10.	Podravka Inc. - treasury account	107,252	1.5%
	Other shareholders	1,748,721	24.6%
	Total	7,120,003	100.0%

* The Restructuring and Sale Centre holds 1,241,504 shares through four accounts, Capital Fund holds 406,842 shares, the Republic of Croatia additionally holds 167,281 shares on a separate account.

Podravka Inc. has a stable ownership structure where the most significant stake is held by the Republic of Croatia and domestic pension funds. A total of 7,120,003 shares have been issued at nominal price of HRK 220.0 per share. As at 30 June 2022, the Republic of Croatia holds 25.5 % stake, and domestic pension funds (mandatory and voluntary) hold a total of 50.9 % stake. Podravka Inc. has 1.5 % of treasury shares. Podravka Inc.'s shares have been listed on the Prime Market of the Zagreb Stock Exchange and in eight Zagreb Stock Exchange indices (CROBEX, CROBEX10, CROBEXtr, CROBEX10tr, CROBEXprime, CROBEXplus, CROBEXnutris and ADRIAprime).

Ownership structure as at 30 June 2022

- Republic of Croatia 25.5 %
- Treasury shares 1.5 %
- Others 22.1 %
- Croatian pension funds** 50.9 %



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

Share price movement in 1 – 6 2022



(closing price in HRK; closing points)	31 December 2021	30 June 2022	%
PODR	632.0	590.0	(6.6%)
CROBEX	2,079.4	2,012.1	(3.2%)
CROBEX10	1,262.3	1,192.3	(5.6%)

In the reporting period, the price of Podravka's share dropped by 6.6 % compared to 1 – 6 2021, while the CROBEX and CROBEX10 stock indices decreased by 3.2 % and 5.6 %, respectively.

Result on the Croatian capital market in 1 – 6 2022

(in HRK; in units)⁴	1 – 6 2021	1 – 6 2022	%
Weighted average daily price	537.3	624.9	16.3%
Average daily number of transactions	11	26	133.4%
Average daily volume	1.108	1.484	33.8%
Average daily turnover	595,518.6	903,622.9	51.7%

In the 1 – 6 2022 period, the weighted average daily price of Podravka's share recorded an increase of 16.3 % relative to the comparative period. Compared to 1 – 6 2021, the average daily volume increased by 33.8 %, the average daily turnover increased by 51.7 %, while the average daily number of transactions is 133.4 % higher.

⁴ The weighted average daily price in the reporting period is calculated as the sum of the weighted average daily prices in the reporting period, multiplied by the daily volume weight. The daily volume weight is calculated as a ratio of daily volume and total volume in the reporting period. The formula, Weighted average daily price in the reporting period = $\sum \text{average daily price} \cdot (\text{daily volume} / \text{total volume in the reporting period})$.

Other indicators are calculated as the average of average daily transactions/volume/turnover in the reporting period. Block trades are excluded from the calculation.

An illustration featuring a person with orange hair and sunglasses in the upper right, and a hand in a white sleeve watering a green plant with blue water in the lower left. The text is centered in the middle.

Additional
tables for
1 – 6 2022

Additional tables for 1 – 6 2022

EBITDA is calculated in a way that EBIT was increased by depreciation and amortization and value adjustments to non-current assets. There were no value adjustments to non-current assets in the reporting and the comparative periods.

Reported EBITDA calculation	1 – 6 2021	1 – 6 2022
(in HRK millions)	Podravka Inc.	Podravka Inc.
Reported EBIT	137.3	152.8
+amortization and depreciation	49.0	51.9
Reported EBITDA	186.3	204.7

Normalized EBITDA calculation	1 – 6 2021	1 – 6 2022
(in HRK millions)	Podravka Inc.	Podravka Inc.
Normalized EBIT	137.8	153.0
+amortization and depreciation	49.0	51.9
Normalized EBITDA	186.8	204.9

One-off items in 1 – 6 2022 and 1 – 6 2021

In the 1 – 6 2022 period, Podravka Inc. incurred HRK 0.3m costs of severance payments for employees on long-term sick leaves, treated by the company's management as one-off item.

The estimated impact of this one-off item on tax is HRK 0.05m (decreases it).

In the 1 – 6 2021 period, Podravka Inc. incurred HRK 0.6m costs of severance payments for employees on long-term sick leaves, treated by the company's management as one-off item.

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

Normalization of Podravka Inc. Profit and Loss Statement

<i>(in HRK millions)</i>	1 – 6 2021	1 – 6 2022
	<i>Podravka Inc.</i>	<i>Podravka Inc.</i>
Reported EBIT	137.3	152.8
+severance payments (long term sick-leave)	0.6	0.3
Normalized EBIT	137.8	153.0
Reported Net Income	156.7	180.2
+normalizations above EBIT level	0.6	0.3
+estimated impact of normalization on taxes	(0.1)	(0.0)
Normalized Net Income	157.1	180.5

New business units and regions

At the beginning of March 2022, Podravka Inc. completed the process of internal reorganization by business units and regions with the aim of increasing business efficiency. The new internal reorganization defined eight business units instead of the previous six, and a new division of regions was made, while the number of regions remained the same.

BUSINESS UNITS:

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

REGIONS:

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

Unconsolidated financial statements in 1 – 6 2022



Unconsolidated Profit and Loss Statement in 1 – 6 2022

<i>(in HRK thousands)</i>	1 – 6 2021	% of sales revenues	1 – 6 2022	% of sales revenues	% change
Sales revenue	1,078,004	100.0%	1,184,760	100.0%	9.9%
Cost of goods sold	(734,990)	(68.2%)	(809,642)	(68.3%)	10.2%
Gross profit	343,014	31.8%	375,118	31.7%	9.4%
General and administrative expenses	(68,367)	(6.3%)	(73,153)	(6.2%)	7.0%
Selling and distribution costs	(93,286)	(8.7%)	(106,711)	(9.0%)	14.4%
Marketing expenses	(47,330)	(4.4%)	(50,915)	(4.3%)	7.6%
Other (expenses) / income, net	3,232	0.3%	8,412	0.7%	(160.3%)
Operating profit	137,264	12.7%	152,750	12.9%	11.3%
Financial income	46,919	4.4%	57,468	4.9%	22.5%
Other financial expenses	(1,478)	(0.1%)	(102)	(0.0%)	(93.1%)
Interest expenses	(1,128)	(0.1%)	(499)	(0.0%)	(55.7%)
Net foreign exchange differences on borrowings	860	0.1%	(59)	(0.0%)	(106.9%)
Net finance costs	45,173	4.2%	56,808	4.8%	25.8%
Profit before tax	182,437	16.9%	209,558	17.7%	14.9%
Current income tax	(26,568)	(2.5%)	(30,796)	(2.6%)	15.9%
Deferred tax	795	0.1%	1,479	0.1%	86.1%
Income tax	(25,773)	(2.4%)	(29,317)	(2.5%)	13.8%
Net profit for the year	156,664	14.5%	180,241	15.2%	15.0%

Unconsolidated Balance Sheet as at 30 June

(in HRK thousands)	31 Dec 2021	% share	30 June 2022	% share	% change
ASSETS					
Non-current assets					
Goodwill	85,770	2.8%	88,013	2.6%	2.6%
Intangible assets	826,190	26.9%	941,283	27.5%	13.9%
Property, plant and equipment	39,427	1.3%	37,203	1.1%	(5.6%)
Right-of-use assets	107,574	3.5%	106,834	3.1%	(0.7%)
Investment property	984,188	32.0%	984,188	28.8%	0.0%
Non-current financial assets	37,359	1.2%	37,389	1.1%	0.1%
Deferred tax assets	74,129	2.4%	75,392	2.2%	1.7%
Total non-current assets	2,154,637	70.1%	2,270,302	66.3%	5.4%
Current assets					
Inventories	437,462	14.2%	505,664	14.8%	15.6%
Trade and other receivables	478,856	15.6%	578,616	16.9%	20.8%
Financial assets at fair value through profit and loss	0	0.0%	0	0.0%	n/a
Income tax receivable	1,194	0.0%	427	0.0%	(64.2%)
Cash and cash equivalents	2,500	0.1%	66,441	1.9%	2557.6%
Non-current assets held for sale	1,075	0.0%	1,075	0.0%	0.0%
Total current assets	921,087	29.9%	1,152,223	33.7%	25.1%
Total assets	3,075,724	100.0%	3,422,525	100.0%	11.3%

Unconsolidated Balance Sheet as at 30 June 2022

(in HRK thousands)	31 Dec 2021	% share	30 June 2022	% share	% change
EQUITY AND LIABILITIES					
Shareholders' equity					
Subscribed capital	1,566,401	50.9%	1,566,401	45.8%	0.0%
Capital gains	186,031	6.0%	188,195	5.5%	1.2%
Treasury shares	(39,388)	(1.3%)	(43,541)	(1.3%)	10.5%
Reserves	639,649	20.8%	768,328	22.4%	20.1%
Retained earnings / (accumulated losses)	253,248	8.2%	214,643	6.3%	(15.2%)
Attributable to equity holders of the parent	2,605,941	84.7%	2,694,026	78.7%	3.4%
Non-current liabilities					
Borrowings	14,799	0.5%	1,001	0.0%	(93.2%)
Lease liabilities	28,548	0.9%	26,224	0.8%	(8.1%)
Non-current provisions for employee benefits	24,739	0.8%	24,739	0.7%	0.0%
Other non-current provisions	11,577	0.4%	11,258	0.3%	(2.8%)
Total non-current liabilities	79,663	2.6%	63,222	1.8%	(20.6%)
Current liabilities					
Trade and other payables	262,164	8.5%	536,753	15.7%	104.7%
Income tax payable	0	0.0%	14,503	0.4%	n/a
Financial liabilities at fair value through profit and loss	35	0.0%	0	0.0%	(100.0%)
Borrowings	95,601	3.1%	90,274	2.6%	(5.6%)
Lease liabilities	11,981	0.4%	12,013	0.4%	0.3%
Current provisions for employee benefits	20,179	0.7%	11,574	0.3%	(42.6%)
Other current provisions	160	0.0%	160	0.0%	0.0%
Total current liabilities	390,120	12.7%	665,277	19.4%	70.5%
Total liabilities	469,783	15.3%	728,499	21.3%	55.1%
Total equity and liabilities	3,075,724	100.0%	3,422,525	100.0%	11.3%

Unconsolidated Cash Flow Statement in 1 – 6 2022

<i>(in HRK thousands)</i>	1 – 6 2021	1 – 6 2022	% change
Profit before tax	182,437	209,558	14.9%
Depreciation and amortization	48,994	51,903	5.9%
Reversal of impairment of loans given and interest	(558)	(1,018)	(82.4%)
Remeasurement of financial instruments at fair value	(38)	(44)	(15.8%)
Dividend income	(45,410)	(56,234)	(23.8%)
Share based payment transactions	4,751	3,721	(21.7%)
(Profit) / Loss on disposal of long-term assets	(132)	(705)	(434.1%)
(Profit) / Loss on disposal of assets held for sale	0	(1)	(100.0%)
Impairment / (Reversal of impairment) of trade and other receivables	407	225	(44.7%)
Increase / (Decrease) in provisions	3,268	(8,923)	(373.0%)
Interest income	(1,470)	(1,190)	19.0%
Interest expense	2,606	602	(76.9%)
Effect of changes in foreign exchange rates	(1,028)	(121)	88.2%
Total adjustments	11,390	(11,785)	(203.5%)
Changes in working capital:			
(Increase) / Decrease in inventories	2,589	(68,203)	n/a
(Increase) / Decrease in trade receivables	(67,268)	(86,820)	(29.1%)
(Decrease) / Increase in trade payables	22,484	183,789	717.4%
Cash generated from operations	151,632	226,539	49.4%
Income tax paid	(10,874)	(15,089)	(38.8%)
Interest paid	(2,771)	(685)	75.3%
Net cash from operating activities	137,987	210,765	52.7%

Unconsolidated Cash Flow Statement in 1 – 6 2022

<i>(in HRK millions)</i>	1 – 6 2021	1 – 6 2022	% change
Cash flow from investing activities			
Increase of investments in subsidiaries	(1,726)	0	100.0%
Purchase of property, plant, equipment and intangibles	(32,483)	(162,972)	(401.7%)
Proceeds from sale of property, plant, equipment and intangibles	173	749	332.9%
Proceeds from sale of of assets held for sale	0	1	100.0%
Repayment of loan receivable	799	410	(48.7%)
Collected interest	479	71	(85.2%)
Collected dividend	3,977	44,994	1031.4%
Net cash flow from investing activities	(28,781)	(116,747)	(305.6%)
Cash flow from financing activities			
Proceeds from borrowings	55,121	76,690	39.1%
Repayment of borrowings	(86,633)	(95,686)	(10.4%)
Purchase of treasury shares	0	(9,080)	(100.0%)
Sale of treasury shares	6,205	4,577	(26.2%)
Repayment of lease	(6,262)	(6,564)	(4.8%)
Dividend pay-out	(56)	(14)	75.0%
Net cash from financing activities	(31,625)	(30,077)	4.9%
Net (decrease) / increase of cash and cash equivalents	77,581	63,941	(17.6%)
Cash and cash equivalents at beginning of the year	2,282	2,500	9.6%
Cash and cash equivalents at the end of year	79,863	66,441	(16.8%)

Unconsolidated Statement of Changes in Equity in 1 – 6 2022

<i>(in HRK thousands)</i>	<i>Subscribed capital</i>	<i>Capital gains</i>	<i>Treasury shares</i>	<i>Provision for treasury shares</i>	<i>Legal reserves</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Total</i>
As at 1 January 2021	1,566,401	182,875	(47,569)	147,604	43,864	318,845	199,852	2,411,872
<i>Comprehensive income</i>	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	245,104	245,104
Actuarial losses (net of deferred tax)	-	-	-	-	-	(416)	-	(416)
Other comprehensive income	-	-	-	-	-	(416)	-	(416)
Total comprehensive income	-	-	-	-	-	(416)	245,104	244,688
<i>Transactions with owners recognized directly in equity</i>	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	-	-	9,692	120,060	(129,752)	-
Exercise of options	-	(1,627)	8,181	-	-	-	1,171	7,725
Fair value of share-based payment transactions	-	4,783	-	-	-	-	-	4,783
Dividends paid	-	-	-	-	-	-	(63,127)	(63,127)
Total transactions with owners recognized directly in equity	-	3,156	8,181	-	9,692	120,060	(191,708)	(50,619)
As at 31 December 2021	1,566,401	186,031	(39,388)	147,604	53,556	438,489	253,248	2,605,941
<i>Comprehensive income</i>	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	180,241	180,241
Actuarial losses (net of deferred tax)	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	180,241	180,241
<i>Transactions with owners recognized directly in equity</i>	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	-	-	12,255	116,424	(128,679)	-
Exercise of options	-	(1,557)	4,927	-	-	-	990	4,360
Fair value of share-based payment transactions	-	3,721	-	-	-	-	-	3,721
Purchase of treasury shares	-	-	(9,080)	-	-	-	-	(9,080)
Dividend announced	-	-	-	-	-	-	(91,157)	(91,157)
Total transactions with owners recognized directly in equity	-	2,164	(4,153)	-	12,255	116,424	(218,846)	(92,156)
As at 30 June 2022	1,566,401	188,195	(43,541)	147,604	65,811	554,913	214,643	2,694,026

Notes to the financial statements

In 1 – 6 2022 period there were no changes in accounting policies.

Podravka Inc. Annual Report for 2021 available at:

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



MANAGEMENT BOARD

Koprivnica, 22 July 2022

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Unaudited financial statements of Podravka Inc. for the period 1 - 6 2022 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations.

Unaudited financial statements of Podravka Inc. for the period 1 - 6 2022 were approved by the Management Board of PODRAVKA Inc. on 22 July 2022.

Corporate Accounting Director:
Julijana Artner Kukec



Board Member:
Davor Doko

Contact

Podravka Inc.
Ante Starčevića 32, 48 000 Koprivnica
www.podravka.hr

Investor Relations
e-mail: ir@podravka.hr
Tel: +385 48 65 16 35