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Podravka Group
business results for period
January – September 2020
UNAUDITED



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Key financial indicators in 1 – 9 2020



Key financial indicators in 1 – 9 2020

<i>(in HRK millions)</i>	1 – 9 2019	1 – 9 2020	Δ	%
Sales revenue	3,238.5	3,328.6	90.1	2.8%
EBITDA ¹	413.2	435.5	22.3	5.4%
Net profit after MI	194.3	210.1	15.8	8.1%
Net cash flow from operating activities	175.7	290.5	114.8	65.3%
Cash capital expenditures	101.4	139.8	38.3	37.8%
Normalized EBITDA ²	415.4	434.8	19.4	4.7%
Normalized net profit after MI	196.3	209.9	13.6	6.9%
<i>(in HRK; market capitalization in HRKm)</i>	31. 12. 2019	30. 9. 2020	Δ	%
Net debt / normalized EBITDA	1.6	1.4	(0.2)	(11.2%)
Normalized Earnings per share	32.0	33.9	1.9	6.0%
Last price at the end of period	484.0	445.0	(39.0)	(8.1%)
Market capitalization	3,380.6	3,111.5	(269.2)	(8.0%)
Return on average equity ³	7.3%	7.4%		+11 bp
Return on average assets ⁴	4.7%	4.9%		+20 bp

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

Key highlights in 1 – 9 2020:

- In 1 – 9 2020, the Podravka Group recorded a revenue growth of HRK 90.1m (+2.8%), an increase in operating profit (EBIT) of HRK 20.5m (+8.1%) and an increase in net profit of HRK 15.8m (+8.1%),
- Sales revenues growth is fully a result of own brands sales that grew by HRK 103.0m (+3.5%). The increase in sales of own brands was recorded both in the Food and in the Pharmaceuticals segments,
- A negative impact on operations came from the increase in prices of raw materials and supplies in the Food segment and from unfavourable movements in foreign exchange differences on trade receivables and trade payables and on borrowings on the Group level, which was successfully cancelled out by savings on multiple cost levels,
- In very difficult and complex conditions, the company showed a great ability to quickly adapt its business to the new extraordinary situation, thus successfully responding to many challenges with emphasis on the procurement of raw materials and supplies for production purposes, the production process itself and the delivery of sufficient quantities of products to numerous markets where it is present.

¹ Reported EBITDA is calculated in a way that EBIT was increased by the depreciation, amortisation and value adjustments of the non-current assets

² Normalized EBITDA is calculated in a way that normalized EBIT was increased by the depreciation and amortization.

³ Normalized. Return on average equity is calculated in a way that normalized Net income is divided by average total shareholder's equity. Average total shareholder's equity is a sum of total shareholder's equity on the last day of reporting period (30.09.2020) and comparative period (31.12.2019) divided by 2. Normalized Net income include the last 12 months period.

⁴ Normalized. Return on average assets is calculated in a way that normalized Net income is divided by average total asset. Average total asset is a sum of total asset on the last day of reporting period (30.09.2020) and comparative period (31.12.2019) divided by 2. Normalized Net income include the last 12 months period.

Operations of the *Podravka Group* in conditions of COVID-19 disease



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

Operations in the reporting period were marked by the emergence of COVID-19 disease in all the Podravka Group's markets. In such extraordinary circumstances, especially in conditions of strict measures introduced from March to May, one of the key companies responsible for ensuring the continuity of production and the regular supply of food and medicines in Croatia is the Podravka Group. Workflows within the company were fully adapted as quickly as possible to the new situation so that the production of food and pharmaceutical products took place in line with the market needs. Although in the beginning of the crisis, the conditions of purchase and supply of raw materials and packaging for production purposes were very difficult, the Podravka Group took all the necessary steps in short time to ensure sufficient quantities of its food and pharmaceutical products, thus meeting the needs of its loyal customers in the numerous markets in which it is present. Given the increase in demand compared to the one planned for the month of March, the production was continually adjusting, and work in Podravka Group's factories was organized in three and four shifts, while home office was organized for all employees of the services for which this was possible, in order to reduce potential risk of the virus within the system. In the third quarter, business operations continued in COVID-19 disease conditions. Despite the opening of borders and the arrival of tourists, part of the restrictive measures were still in force. The shoulder season was absent, and the tourist season itself was shorter than usual due to the worsening epidemiological situation in the second half of August.

It should be pointed out that despite numerous negative effects of COVID-19 disease on business (increase in prices of raw materials and packaging, increase in prices of transport services, impact of foreign exchange differences, etc.), after positive business trends from the first two months of the current year, the Podravka Group managed to maintain its positive business trends also on the reporting period level, which once again confirms the company's ability to adapt its business in such unforeseen, extraordinary situations. Following the previously mentioned possibly stagnant consumer demand (publication of the 1-3 2020 results) for certain food and pharmaceutical products, the business of the Podravka Group in the second quarter was quite challenging. With the aim of combating COVID-19 disease, numerous measures were introduced, not only in Croatia but also in many countries where the Podravka Group is present (closing kindergartens, schools, HoReCa channel, intercity and inter-county traffic, reducing medical procedures in hospitals, reducing patient admissions in family medicine centres as well as in pharmacies, restricting the number of visits of associates to doctors and pharmacists, closing of borders, shorter working hours of supermarkets, closing of many business entities in which direct contact with people is made), which consequently had a negative effect on the overall economic situation and activity (GDP decline, job losses, liquidity problems of business entities, reduced purchasing power and creation of uncertainty among citizens). The third quarter was less challenging compared to the second quarter, but business conditions remain difficult and challenging due to much weaker tourist season, the absence of shoulder season, the lack of arrivals of the diaspora during the holidays (not only to Croatia but also to neighbouring countries) and the lack of numerous entertainment facilities that further attract tourists. The impact of the overall situation and the introduced measures on the operations of the Podravka Group in 2020 cannot be assessed and quantified at this time.

Based on the difficult business conditions due to the situation caused by COVID-19 disease, the Podravka Group received state subsidies in Slovenia, Serbia, Montenegro, Poland and Australia in the total estimated amount of HRK 8.0m⁵ in accordance with the conditions for granting subsidies prescribed in individual countries. The situation caused by COVID-19 disease did not encourage new financial risks nor did it cause the need for provisions or impairment of assets. The "lockdown" in the second quarter in many countries where the Podravka Group is present, as well as the absence of shoulder season impacted the sales of the Gastro channel (the Gastro channel includes HoReCa customers, institutional customers, industrial customers, etc.). The share of Gastro channel sales of the Adria Region in the total sales revenues of the Podravka Group decreased from 9.0% in the comparative period to 6.8% in the reporting period. The share of Gastro channel sales of international markets in the total sales revenues of the Podravka Group decreased from 1.1% in the comparative period to 0.7% in the reporting period.

The guidelines and recommendations of the Croatian National Civil Protection Headquarters are obeyed and implemented in order to protect the health of employees and minimise potential risks to the company's operations in each segment of the business organisation. Increased attention is being paid to the development of the situation on a daily basis, and appropriate measures are being taken in accordance with the recommendations of the competent authorities, with particular emphasis on the health and safety of our employees and ensuring business continuity. In addition, a special internal communication channel has been established for all inquiries related to these issues, so that all our employees receive all the necessary instructions and information in a timely manner.

⁵ Gross value of subsidies. In the Slovenian market, Žito Group companies were obliged to pay the crisis allowance in the amount of HRK 3.3m based on the subsidies received, so the total estimated net amount of subsidies is HRK 4.7m.

Significant events in 1-9 2020



Dividend distribution

As at 26th June 2020 the dividend was distributed to all shareholders recorded with the Central Depository and Clearing Company Inc. as at 29th May 2020. The dividend was distributed in the gross amount of HRK 9.00 per share, which equals the amount of the dividend from 2019 and implies the dividend yield of 2.2%⁶. This is a continuation of the implementation of the Podravka Group's dividend distribution policy in line with business results and development plans despite current circumstances and challenges of the Podravka Group's business environment.

Lino Lada ice cream wins Golden Basket product of the year award for 2019

Lino Lada ice cream, produced in cooperation of Podravka and Ledo, has won the Golden Basket award for the best product in 2019 in the Croatian market, a prestigious annual award given by the magazine Ja TRGOVAC. In the category which traditionally has the largest number of applicants and strong competition of top domestic products Lino Lada ice cream won the jury with its unique flavour and innovation. The Golden Basket is a new important recognition for Lino Lada ice cream, which was declared the best in the world by the International Ice Cream Consortium at a competition in Sweden last year. The Lino Lada brand is once again proving to be a favourite cream spread, and winning the Golden Basket for the product of the year for the second year in a row is an additional confirmation of the quality and innovation of Podravka's products.

⁶ Dividend yield has been calculated as a ratio between gross amount of the dividend per share (HRK 9.00) and last trading price of the share (HRK 416.00) on the date of the General assembly (30th April 2020) when dividend payout was voted.

Overview of sales revenues in 1 – 9 2020



Overview of sales revenues in 1 – 9 2020

Given the Podravka Group's range of products, the situation caused by COVID-19 disease positively impacted the sales revenues trends in the first quarter, but this impact cannot be clearly distinguished from the impact of regular demand for products. A negative impact on sales revenues arises in the second and the third quarters. This is primarily related to restrictive measures in April and May aimed at preventing the spread of COVID-19 disease (closing of the gastro channel, shortened working hours of supermarkets and pharmacies, limiting the number of customers in supermarkets and pharmacies, limiting the number of medical procedures in hospitals, limiting and implementing measures in family medicine centres, limiting the number of visits of associates to doctors and pharmacists, ban on the movement of people outside the place of residence, closing of borders). The easing of the introduced measures started in mid-May, which was a positive moment, but the measures introduced affected the absence of shoulder season in Croatia. Furthermore, the tourist season was weaker in the reporting than in the comparative period and it ended earlier than usual due to the worsening epidemiological situation in Croatia in mid-August, which also impacted the shoulder season. All this affected the sales revenues trends, but the effect of the restrictive measures and the weak tourist season on sales revenues cannot be clearly assessed or quantified.

Sales revenues by segment in 1 – 9 2020

<i>(in HRK millions)</i>	1 – 9 2019	1 – 9 2020	Δ	%
Food	2,550.3	2,619.7	69.4	2.7%
Own brands	2,371.6	2,468.6	97.0	4.1%
Other sales	178.7	151.1	(27.6)	(15.5%)
Pharmaceuticals	688.2	708.9	20.7	3.0%
Own brands	563.9	569.9	6.0	1.1%
Other sales	124.3	139.0	14.7	11.8%
Podravka Group	3,238.5	3,328.6	90.1	2.8%
Own brands	2,935.5	3,038.5	103.0	3.5%
Other sales	303.0	290.1	(12.9)	(4.3%)

NOTE: at the end of 2019, based on IFRS 15 Revenue from Contracts with Customers, the Pharmaceuticals segment reclassified certain fees for various promotional and marketing activities that had been recorded within marketing expenses to decrease in sales. If the reclassification were applied to the 1-9 2019 period, sales of the Pharmaceuticals would be HRK 9.6m lower in this period, primarily of the prescription drugs category in the Eastern Europe region.

Movements of the Food segment revenues (1 – 9 2020 compared to 1 – 9 2019):

- OWN BRANDS recorded HRK 97.0m higher sales (+4.1%), as a result of the increased demand for food products. The revenue growth was recorded by almost all business units, with the biggest absolute growth recorded by the business units Culinary and the Baby food, sweets and snacks,
- OTHER SALES recorded HRK 27.6m lower sales (-15.5%), primarily as a result of lower sales of trade goods in some markets following the closure of the gastro channel (schools, kindergartens, restaurants, hotels) in April and May and difficulties in the HoReCa channel business in the third quarter due to a weak tourist season,
- Overall, THE FOOD SEGMENT recorded HRK 69.4m (+2.7%) higher sales,

Movements of the Pharmaceuticals segment revenues (1 – 9 2020 compared to 1 – 9 2019):

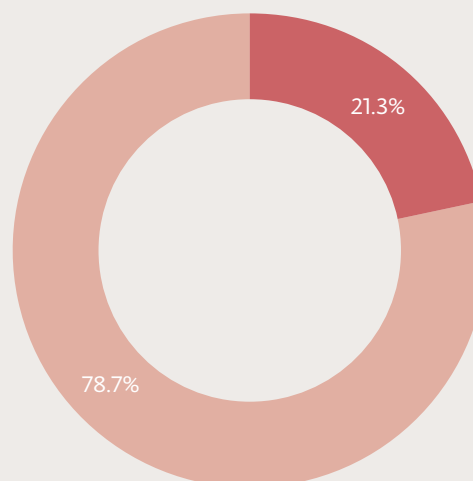
- OWN BRANDS recorded HRK 6.0m higher sales (+1.1%), as a result of the increase in demand for pharmaceutical products primarily in the OTC drugs category,
- OTHER SALES recorded HRK 14.7m (+11.8%) higher revenues, due to higher sales of trade goods in the markets of Bosnia and Herzegovina and Croatia,
- Overall, THE PHARMACEUTICALS SEGMENT recorded HRK 20.7m (+3.0%) higher sales revenues,

Movements of the Podravka Group revenues (1 – 9 2020 compared to 1 – 9 2019):

- Podravka Group's OWN BRANDS recorded a sales growth of HRK 103.0m (+3.5%),
- The revenues from OTHER SALES are HRK 12.9m (-4.3%) lower,
- Overall, the PODRAVKA GROUP sales revenues are HRK 90.1m (+2.8%) higher.

Sales revenues by segment in 1 – 9 2020

- Pharmaceuticals segment 21.3%
- Food segment 78.7%



Sales revenues by business unit and category in 1 – 9 2020

(in HRK millions)	1 – 9 2019	1 – 9 2020	Δ	%
BU Culinary	691.7	749.8	58.1	8.4%
BU Baby food, sweets & snacks ⁷	321.6	342.4	20.8	6.5%
BU Podravka food	301.3	300.7	(0.6)	(0.2%)
BU Žito and Lagris ⁷	688.3	676.1	(12.3)	(1.8%)
BU Meat products	216.2	233.1	16.9	7.8%
BU Fish	152.5	166.5	14.0	9.2%
Prescription drugs	483.0	478.4	(4.6)	(1.0%)
Non-prescription programme	80.9	91.5	10.6	13.1%
Other sales	303.0	290.1	(12.9)	(4.3%)
Other sales Food	178.7	151.1	(27.6)	(15.5%)
Other sales Pharmaceuticals	124.3	139.0	14.7	11.8%
Podravka Group	3,238.5	3,328.6	90.1	2.8%

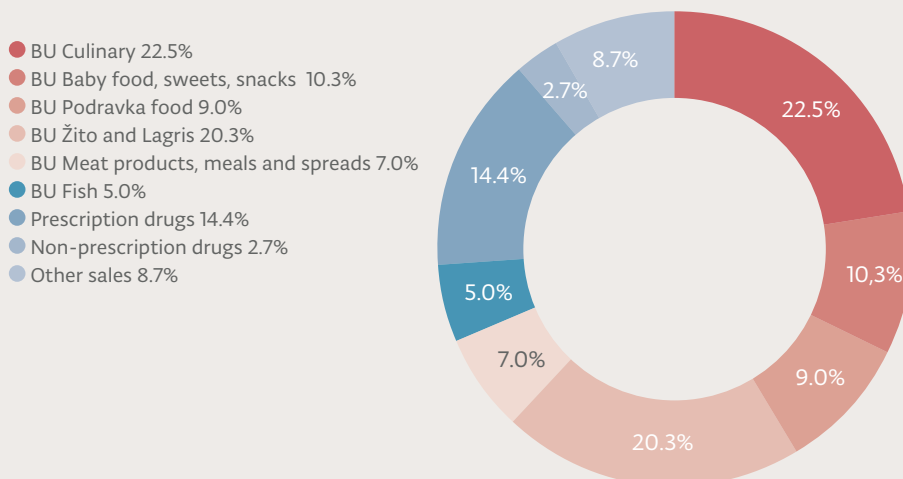
Movements of revenues by business unit and category (1 – 9 2020 compared to 1 – 9 2019):

- The CULINARY BUSINESS UNIT recorded HRK 58.1m (+8.4%) higher sales and growth in all regions. The growth was recorded in all categories, while the largest share of the growth comes from the increased demand and sales in categories Seasonings and Soups,
- The BABY FOOD, SWEETS AND SNACKS BUSINESS UNIT recorded HRK 20.8m (+6.5%) higher sales, driven by increased demand and sales in the Powdered sweets, Baby food and Creamy spreads categories. The business unit recorded growth in all regions except the New markets region,
- The PODRAVKA FOOD BUSINESS UNIT recorded HRK 0.6m (-0.2%) lower sales, where the significant growth of the Tomato category largely cancelled out the decrease in the Vegetables, Fruit and Flour categories. The revenue growth was recorded in the Central Europe region and the Western Europe and the Overseas region,

⁷ The difference in relation to the publication of results for the 1 – 9 2019 period relates to the oily products category (primarily poppy seed) which was reclassified at the end of 2019 from BU Baby food, sweets and snacks to BU Žito and Lagris.

- The ŽITO AND LAGRIS BUSINESS UNIT records HRK 12.3m (-1.8%) lower sales than in the comparative period. The growth in sales of most categories was unable to compensate for the decrease in sales in the fresh bakery products category and private labels, primarily in the markets of Slovenia, Italy and Germany. The significant revenue growth was recorded in the Central Europe region,
- The MEAT PRODUCTS, MEALS AND SPREADS BUSINESS UNIT recorded an increase in sales of HRK 16.9m (+7.8%), primarily due to the increase in sales of Canned ready-to-eat meals, Pates and Luncheon meat categories. The most significant revenue growth was recorded in the Adria region and the Western Europe and Overseas region,
- The FISH BUSINESS UNIT in the observed period recorded a revenue growth of HRK 14.0m (+9.2%) relative to the comparative period, primarily due to higher demand and sales of the Fish salads, Tuna and Sardine categories. The sales growth was recorded in all regions where we are present with this products range,
- The PRESCRIPTION DRUGS CATEGORY recorded HRK 4.6m (-1.0%) lower sales, primarily due to the reclassification of certain fees for various promotional and marketing activities that were recorded within marketing expenses in the comparative period, while in the reporting period they are recorded as a decrease in sales, as explained in the introductory note of this section. If we correct the comparative period for the reclassification amount, the sales of prescription drugs in the reporting period would grow by HRK 5.0m (+1.0%),
- The revenues of the NON-PRESCRIPTION PROGRAMME CATEGORY are HRK 10.6m (+13.1%) higher, as a result of the sales growth in the OTC drugs subcategory, primarily in the markets of Croatia and Russia. A significant impact on the sales growth in the Croatian market comes from the increased demand and sales of the Lupocet and Neofen brands in the first quarter,
- The OTHER SALES category recorded HRK 12.9m (-4.3%) lower sales. In the Pharmaceuticals segment, other sales grew by HRK 14.7m (+11.8%), primarily due to the increase in sales of trade goods of the Farmavita company. In the Food segment, other sales dropped by HRK 27.6m (-15.5%) primarily due to the decrease in sales in the Gastro channel on the Croatian market following the emergence of COVID-19 disease (lockdown, weaker tourist season, absence of shoulder season), and lower demand and sales of trade goods in the markets of the Czech Republic and Slovenia.

Sales revenues by business unit and category in 1 – 9 2020



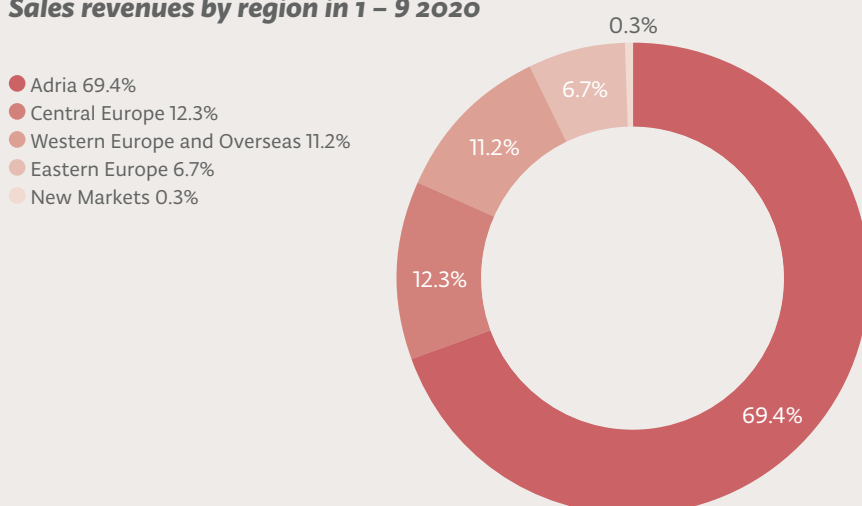
Sales revenues by region in 1 – 9 2020

<i>(in HRK millions)</i>	1 – 9 2019	1 – 9 2020	Δ	%
Adria	2,275.1	2,311.0	35.8	1.6%
Food	1,791.4	1,793.1	1.6	0.1%
Pharmaceuticals	483.7	517.9	34.2	7.1%
WE and Overseas	349.4	373.5	24.2	6.9%
Food	348.8	371.8	23.1	6.6%
Pharmaceuticals	0.6	1.7	1.1	175.7%
Central Europe	368.3	410.8	42.5	11.5%
Food	321.1	363.9	42.7	13.3%
Pharmaceuticals	47.2	46.9	(0.2)	(0.5%)
Eastern Europe	232.5	223.1	(9.4)	(4.0%)
Food	76.5	81.9	5.4	7.1%
Pharmaceuticals	156.0	141.2	(14.8)	(9.5%)
New markets	13.2	10.2	(3.0)	(22.7%)
Food	12.5	9.1	(3.5)	(27.7%)
Pharmaceuticals	0.7	1.1	0.5	72.1%
Podravka Group	3,238.5	3,328.6	90.1	2.8%

Movements of sales revenues by region (1 – 9 2020 compared to 1 – 9 2019):

- The ADRIA REGION recorded HRK 35.8m (+1.6%) higher sales than in the comparative period. In the Food segment, the revenue growth of HRK 1.6m (+0.1%) is recorded following the growth of almost all business units, which cancelled out the decrease in sales of trade goods. Revenues of the Pharmaceuticals segment are HRK 34.2m higher (+7.1%), primarily as a result of the increase in sales of OTC drugs and trade goods,
- Revenues of the WESTERN EUROPE AND OVERSEAS REGION grew by HRK 24.2m (+6.9%) in the reporting period. The Food segment recorded revenue growth of HRK 23.1m (+6.6%), due to the increase in sales of almost all business units, with the biggest absolute growth recorded by the business unit Culinary. This growth of business units successfully cancelled out the lower sales of the Žito and Lagris business unit, primarily in the fresh bakery products category. The revenues of the Pharmaceuticals segment grew by HRK 1.1m (+175.7%) due to the increase in sales of prescription drugs in Western Europe,
- The CENTRAL EUROPE REGION recorded a revenue growth of HRK 42.5m (+11.5%). The Food segment recorded HRK 42.7m higher sales (+13.3%) due to the increase in sales of all business units. The Pharmaceuticals segment recorded a decrease in sales of HRK 0.2m (-0.5%), primarily due to the decrease in sales of prescription drugs in the market of Poland,
- In the reporting period, revenues of the EASTERN EUROPE REGION are HRK 9.4m (-4.0%) lower. The Food segment recorded a revenue growth of HRK 5.4m (+7.1%), following the growth of almost all business units, with the biggest absolute growth recorded by the business unit Culinary. The Pharmaceuticals segment recorded a decrease in sales of HRK 14.8m (-9.5%), as a result of the previously mentioned reclassification of fees for various promotional and marketing activities, as explained in the introductory note of this section and different dynamics of delivery of goods in the comparative period in the Russian market (shift of a portion of selling activities from November and December 2019 to an earlier period),
- The NEW MARKETS REGION recorded a decrease in sales of HRK 3.0m (-22.7%) as a result of a decrease in sales of the Food segment of HRK 3.5m (-27.7%), primarily due to lower sales of trade goods. The Pharmaceuticals segment recorded a revenue growth of HRK 0.5m (+72.1%) following the increase in sales of prescription drugs (dermatological drugs).

Sales revenues by region in 1 – 9 2020



Profitability in 1 – 9 2020



Profitability in 1 – 9 2020

NOTE: the overview and explanation of the EBITDA calculation, overview of one-off items and the overview of methodology of calculation of the normalized result are provided in the “Additional tables for 1-9 2020” section.

In August 2020, the Pharmaceuticals segment analysed the used estimate of impairment of inventories of raw materials, supplies and packaging and accordingly amended the impairment policy. The analysis showed that raw materials and packaging have increasingly long lives and that, consequently, a significant part of previously impaired raw materials and packaging is still used in production. The updated estimate of impairment will approximate the actual write-offs of raw materials and packaging. The changed assessment, i.e. policy, resulted in lower cost of goods sold in the amount of HRK 4.6m (pre-tax) in the 1 – 9 2020 period. If the amended policy were applied from the beginning of 2019, the cost of goods sold would be HRK 2.4m (pre-tax) lower in the comparative period 1 – 9 2019.

Profitability of the Food segment in 1– 9 2020

(in HRK millions)	Profitability of the Food segment				Normalized			
	1 – 9 19	1 – 9 20	Δ	%	1 – 9 19	1 – 9 20	Δ	%
Sales revenue	2,550.3	2,619.7	69.4	2.7%	2,550.3	2,619.7	69.4	2.7%
Gross profit	864.6	890.1	25.5	2.9%	865.8	890.1	24.3	2.8%
EBITDA*	281.5	322.8	41.3	14.7%	283.7	324.9	41.2	14.5%
EBIT	167.5	207.0	39.5	23.6%	169.7	209.1	39.4	23.2%
Net profit after MI	133.3	166.4	33.2	24.9%	135.3	168.2	32.9	24.3%
Gross margin	33.9%	34.0%		+8 bp	33.9%	34.0%		+3 bp
EBITDA margin	11.0%	12.3%		+128 bp	11.1%	12.4%		+128 bp
EBIT margin	6.6%	7.9%		+133 bp	6.7%	8.0%		+133 bp
Net margin after MI	5.2%	6.4%		+113 bp	5.3%	6.4%		+112 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.

Profitability of the Food segment (1 – 9 2020 compared to 1 – 9 2019):

- In the 1 – 9 2020 period, the Food segment recorded an increase in reported GROSS PROFIT of 2.9% with the gross margin of 34.0%, while normalized gross profit grew by 2.8%. The effect of unfavourable trends in prices of raw materials and supplies continued in the third quarter and the amount of the effect in the 1 – 9 2020 period is estimated at negative HRK 30.4m⁸, primarily in relation to dried vegetables and meat,
- The reported OPERATING PROFIT (EBIT) is 23.6% higher than in the comparative period, while normalized operating profit is 23.2% higher. In addition to the impact above the EBIT level, negative impacts on operating profit came from movements in foreign exchange differences on trade receivables and trade payables (HRK -9.5m in 1 – 9 2020; HRK +3.1m in 1 – 9 2019), the increase in staff costs of HRK 5.7m (+1.0%), while a positive impact comes from savings on marketing expenses and lower selling and distribution costs. The increase in staff costs is largely the result of one-off awards to employees in the manufacturing, logistics and distribution segment paid in the first quarter and awards to employees paid in July,
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 33.2m higher, while normalized net profit after minority interests is HRK 32.9m higher compared to 1-9 2019. In addition to the impact above the EBIT level, the net profit was negatively impacted by foreign exchange differences on borrowings (HRK -2.3m in 1 – 9 2020; HRK +2.3m in 1 – 9 2019), which was mitigated by lower finance costs. Following the increase in pre-tax profit, tax liability is HRK 3.5m higher.

⁸ Obtained as used volumes of raw materials and supplies in 1 – 9 2020*prices in 1 – 9 2020 – used volumes of raw materials and supplies in 1 – 9 2020*prices in 1 – 9 2019.

Profitability of the Pharmaceuticals segment in 1 – 9 2020

(in HRK millions)	Profitability of the Pharmaceuticals segment				Normalized			
	1 – 9 19	1 – 9 20	Δ	%	1 – 9 19	1 – 9 20	Δ	%
Sales revenue	688.2	708.9	20.7	3.0%	688.2	708.9	20.7	3.0%
Gross profit	341.5	342.4	0.9	0.3%	341.5	339.6	(1.9)	(0.6%)
EBITDA*	131.7	112.7	(19.0)	(14.4%)	131.7	109.9	(21.8)	(16.6%)
EBIT	84.7	65.7	(18.9)	(22.4%)	84.7	62.9	(21.8)	(25.7%)
Net profit after MI	61.0	43.7	(17.3)	(28.4%)	61.0	41.7	(19.3)	(31.6%)
Gross margin	49.6%	48.3%		-132 bp	49.6%	47.9%		-172 bp
EBITDA margin	19.1%	15.9%		-324 bp	19.1%	15.5%		-364 bp
EBIT margin	12.3%	9.3%		-303 bp	12.3%	8.9%		-343 bp
Net margin after MI	8.9%	6.2%		-271 bp	8.9%	5.9%		-298 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.

Profitability of the Pharmaceuticals segment (1 – 9 2020 compared to 1 – 9 2019):

- The Pharmaceuticals segment recorded 0.3% higher reported GROSS PROFIT, while normalized gross profit is 0.6% lower. The gross margin is 48.3%, which is lower than in the comparative period, due to the sales structure and reclassification of certain fees for various promotional and marketing activities, as explained in the introductory note to the “ Overview of sales revenues in 1 – 9 2020 “ section. In the sales structure, a share of trade goods which have lower profitability than own brands increased,
- Reported OPERATING PROFIT (EBIT) is HRK 18.9m lower, while normalized operating profit is HRK 21.8m lower. In addition to the impact above the EBIT level, the operating profit is primarily a result of very unfavourable movements in foreign exchange differences on trade receivables and trade payables (HRK -36.0m in 1 – 9 2020; HRK +10.3m in 1 – 9 2019), which was mitigated by lower marketing expenses and lower general and administrative expenses,
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 17.3m lower, while normalized net profit after minority interests is HRK 19.3m lower. In addition to the impact above the EBIT level, net profit after minority interests was impacted by unfavourable movements in foreign exchange differences on borrowings (HRK -1.7m in 1 – 9 2020; HRK +0.2m in 1 – 9 2019), which was mitigated by lower finance costs. Following the decrease in pre-tax profit, tax liability is HRK 4.2m lower.

Profitability of the Podravka Group in 1 – 9 2020

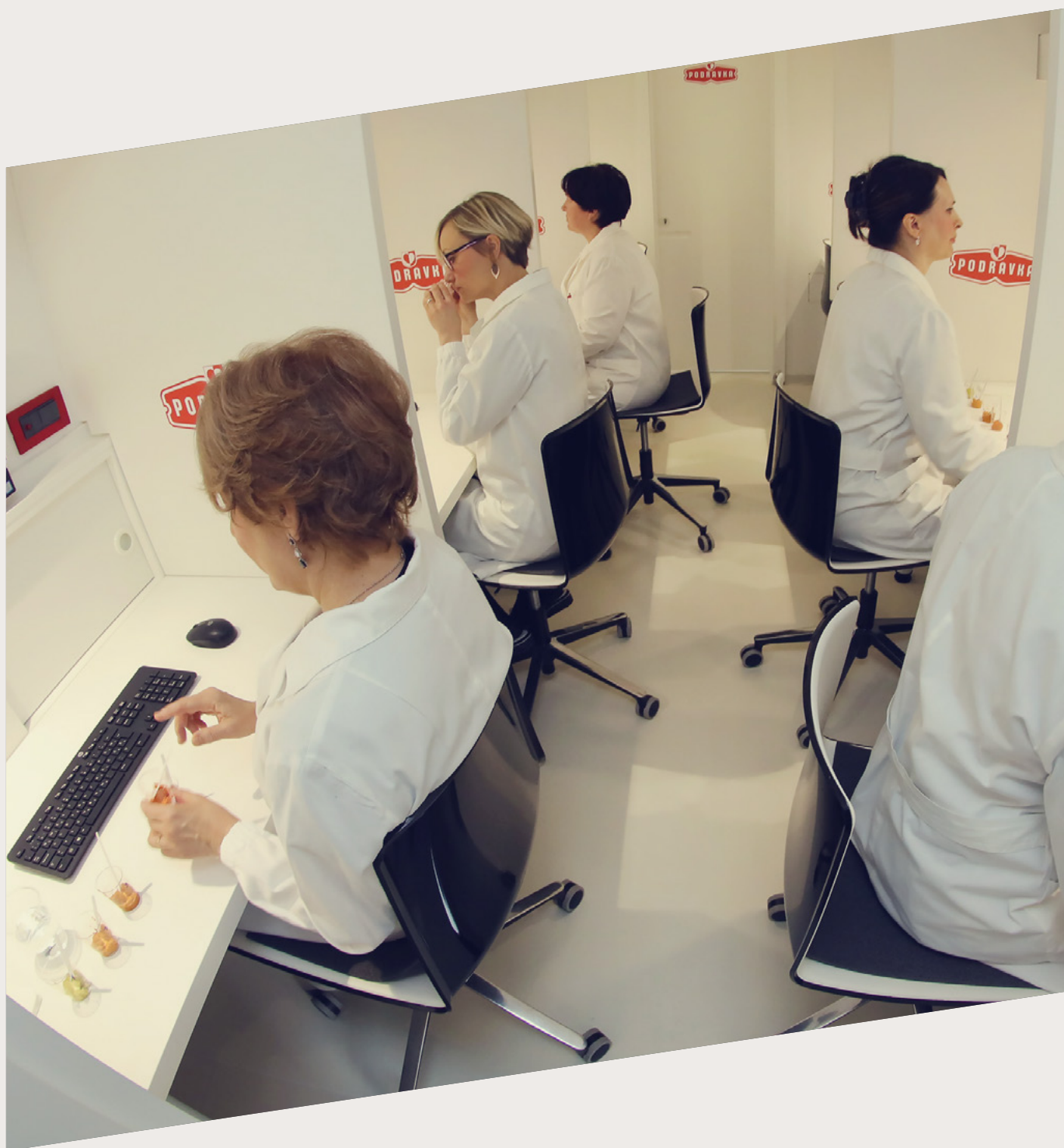
(in HRK millions)	Profitability of the Podravka Group				Normalized			
	1 – 9 19	1 – 9 20	Δ	%	1 – 9 19	1 – 9 20	Δ	%
Sales revenue	3,238.5	3,328.6	90.1	2.8%	3,238.5	3,328.6	90.1	2.8%
Gross profit	1,206.1	1,232.5	26.4	2.2%	1,207.3	1,229.7	22.4	1.9%
EBITDA*	413.2	435.5	22.3	5.4%	415.4	434.8	19.4	4.7%
EBIT	252.2	272.7	20.5	8.1%	254.4	272.0	17.6	6.9%
Net profit after MI	194.3	210.1	15.8	8.1%	196.3	209.9	13.6	6.9%
Gross margin	37.2%	37.0%		-21 bp	37.3%	36.9%		-34 bp
EBITDA margin	12.8%	13.1%		+33 bp	12.8%	13.1%		+24 bp
EBIT margin	7.8%	8.2%		+41 bp	7.9%	8.2%		+32 bp
Net margin after MI	6.0%	6.3%		+31 bp	6.1%	6.3%		+25 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.

Profitability of the Podravka Group (1 – 9 2020 compared to 1 – 9 2019):

- In the observed period, the Podravka Group recorded 2.2% higher reported GROSS PROFIT, while normalized gross profit grew by 1.9%. Cost of goods sold increased by 3.1%, which resulted in a gross margin of 37.0% in the reporting period,
- The reported OPERATING PROFIT (EBIT) is HRK 20.5m higher, while normalized operating profit is HRK 17.6m higher, as a result of the increase in sales in both business segments and savings realised, primarily on marketing expenses. The operating profit was also impacted by very unfavourable movements in foreign exchange differences on trade receivables and trade payables (HRK -45.5m in 1 – 9 2020; HRK +13.4m in 1 – 9 2019),
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 15.8m higher, while normalized net profit after minority interests is HRK 13.6m higher. In addition to the impact above the EBIT level, the net profit after minority interests was impacted by unfavourable movements in exchange differences on borrowings (HRK -4.0m in 1 – 9 2020; HRK +2.5m in 1 – 9 2019) and lower finance costs. The tax liability is HRK 0.8m lower due to lower pre-tax profit of the Pharmaceuticals segment.

Key highlights of the income statement in 1 – 9 2020



Key highlights of the income statement in 1 – 9 2020.

Other income and expenses, net

In the reporting period, other income and expenses, net amounted to HRK -34.8m, while in the comparative period they amounted to HRK +22.8m, mainly affected by the movements in foreign exchange differences on trade receivables and trade payables that amounted to HRK -45.5m in the 1 – 9 2020 period, while in the comparative period they amounted to HRK +13.4m.

Cost of goods sold

Cost of goods sold increased by 3.1% relative to the comparative period due to a higher level of sales realized, the structure of sales and the rise in prices of raw materials and supplies (estimated negative impact in the Food segment of HRK 30.4m⁹, primarily from dried vegetables and meat). An additional impact came from higher staff costs, partly as a result of awards to employees. On the normalized level, cost of goods sold grew by 3.3%. Cost of goods sold was affected by the amended policy for the impairment of raw materials, supplies and packaging in the Pharmaceuticals segment, as explained in the introductory note to the “Profitability in 1 – 9 2020” section.

General and administrative expenses

In relation to the comparative period, general and administrative expenses dropped by HRK 4.4m (-1.9%) primarily as a result of different dynamics of movements in provisions for some expenses and lower costs of services. On the normalized level, general and administrative expenses are HRK 6.1m (-2.6%) lower.

Selling and distribution costs

In the observed period, selling and distribution costs are HRK 3.9m (-0.9%) lower than in the comparative period, primarily as a result of lower other selling costs related to lower costs of daily allowances and the absence of costs in the market of Africa, lower transportation costs and lower other distribution costs. On the normalized level, selling and distribution costs are lower by HRK 3.3m (-0.7%).

Marketing expenses

In the reporting period, marketing expenses (which include expenses of marketing investments and expenses of marketing department) are HRK 43.3m lower (-14.9%) than in the comparative period. In the Food segment, marketing expenses decreased by HRK 17.2m (-11.0%), while in the Pharmaceuticals segment the decrease amounted to HRK 26.1m (-19.3%). From the end of 2019, some promotional and marketing activities have been reclassified in the Pharmaceuticals segment, as explained in the introductory note to the “Overview of sales revenues in 1 – 9 2020” section. If marketing expenses in the Pharmaceuticals segment in 1 – 9 2019 were reclassified, they would be lower by HRK 9.6m in that period, thus marketing expenses in reported period on the Podravka Group level would be HRK 33.8m lower (-12.0%) compared to 1 – 9 2019.

⁹ Obtained as used volumes of raw materials and supplies in 1 – 9 2020*prices in 1 – 9 2020 – used volumes of raw materials and supplies in 1 – 9 2020*prices in 1 – 9 2019.

Net finance costs

In the observed period, net finance costs amounted to HRK -12.5m, while in the comparative period they amounted to HRK -9.2m. This is a consequence of less favourable movements in foreign exchange differences on borrowings, which in the 1-9 2020 period amounted to HRK -4.0m, while in the comparative period they amounted to HRK +2.5m. Interest expense on borrowings is HRK 3.1m (-26.0%) lower due to refinancing of borrowings under more favourable commercial terms.

Income tax

In the 1 – 9 2020 period, the income tax of the Podravka Group is HRK 0.8m (-1.7%) lower than in the comparative period, as a result of lower pre-tax profit in the Pharmaceuticals segment.

Key highlights of the balance sheet as at 30 September 2020



Key highlights of the balance sheet as at 30 September 2020

Property, plant and equipment

Compared to 31 December 2019, property, plant and equipment of the Podravka Group are HRK 7.3m or +0.3% higher, due to the regular realization of capital expenditure.

Inventories

Inventories of the Podravka Group are HRK 155.7m (+16.4%) higher than as at 31 December 2019, and HRK 98.6m (+9.8%) higher than as at 30 September 2019. The increase in inventories compared to 30 September 2019 is primarily a result of the increase in inventories of raw materials and supplies, following the increased demand and production volume as a result of the situation caused by COVID-19 disease, and the increase in inventories of finished products of the fish range for the purpose of ensuring the range sufficiency.

Trade and other receivables

Trade and other receivables of the Podravka Group are HRK 4.3m (-0.5%) lower than as at 31 December 2019, and HRK 12.5m (-1.3%) lower than as at 30 September 2019. The change in relation to 30 September 2019 was affected also by the reclassification of receivables from the Fortenova group (former Agrokor concern) from trade and other receivables to non-current financial assets. As at 30 September 2019 this item was recorded in trade and other receivables, while as at 30 September 2020 it is recorded in non-current financial assets. If the item remained in trade and other receivables, the receivables would, compared to 30 September 2019, be HRK 23.9m (+2.5%) higher, which is in line with regular operations.

Cash and cash equivalents

Cash and cash equivalents of the Podravka Group at the end of the observed period are HRK 75.6m higher (+136.0%) compared to 31 December 2019. This is explained in the “Key highlights of the cash flow statement in 1 – 9 2020” section.

Long-term and short-term borrowings

As at 30 September 2020, long-term and short-term borrowings of the Podravka Group are HRK 19.9m higher than as at 31 December 2019. In the observed period, long-term debt is lower by HRK 94.7m due to regular repayments and refinancing aiming to achieve an optimum currency structure. Short-term debt increased by HRK 114.5m as a result of an increase in the current portion of long-term debt and ensuring additional cash by using short-term credit lines for the purpose of uninterrupted procurement and production process in the situation caused by COVID-19 disease.

Trade and other payables

Trade and other payables of the Podravka Group are HRK 49.8m or +8.2% higher compared to 31 December 2019, and HRK 18.9m (+3.0%) higher compared to 30 September 2019, in line with regular operations.

Indebtedness

As at 30 September 2020, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities amounted to HRK 888.7m, of which HRK 373.4m relates to long-term borrowings, HRK 422.3m to short-term borrowings, HRK 92.9m to liabilities for right-of-use assets, while HRK 0.04m relates to financial liabilities at fair value through profit or loss. The AVERAGE WEIGHTED COST OF DEBT on all the stated liabilities as at 30 September 2020 was 1.2%, while if right-of-use assets are excluded it is 1.0%.

Currency structure of debt as at 30 September 2020



Analysing the debt currency structure, the highest exposure, of 53.6%, was toward the Euro (EUR), while 40.2% of the debt was in the domestic currency (HRK). 2.5% of the debt was in the Czech koruna (CZK), 2.2% in the Bosnia and Herzegovina mark (BAM), while the remainder of 1.5% relates to other currencies.

(in HRK millions)*	2019	1 – 9 2020	Δ	%
Financial debt ¹⁰	878.0	888.7	10.7	1.2%
Cash and cash equivalents	55.6	131.2	75.6	136.0%
Net debt ¹¹	822.4	757.5	(64.9)	(7.9%)
Interest expense	14.9	11.8	(3.1)	(20.9%)
Net debt / normalized EBITDA	1.6	1.4	(0.2)	(11.2%)
Normalized EBIT / Interest expense	20.1	27.0	6.8	33.9%
Equity to assets ratio ¹²	65.9%	66.2%		+32 bp

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

The decrease in net debt as at 30 September 2020 relative to the comparative period is a result of the increase in cash and cash equivalents compared to 31 December 2019. Normalized EBITDA increase with the decline in net debt led to a lower net debt to normalized EBITDA ratio. Normalized EBIT increase with the decrease in interest expense has driven the rise in the interest coverage ratio (Normalized EBIT / Interest expense).

¹⁰ Financial debt: long-term and short-term borrowings + liabilities for right-of-use assets + financial liabilities at fair value through profit or loss. The data is provided in the "Consolidated statements of financial position as at 30 September 2020" section.

¹¹ Net debt: Financial debt – Cash and cash equivalents.

¹² Equity to assets ratio: total shareholder's equity / total assets. The data is provided in the "Consolidated statements of financial position as at 30 September 2020" section.

Key highlights of the cash flow statement in 1 – 9 2020



Key highlights of the cash flow statement in 1 – 9 2020

(in HRK millions)	1 – 9 2019	1 – 9 2020	Δ
Net cash flow from operating activities	175.7	290.5	114.8
Net cash flow from investing activities	(97.4)	(135.0)	(37.6)
Net cash flow from financing activities	(160.1)	(79.9)	80.2
Net increase / (decrease) of cash and cash equivalents	(81.8)	75.6	157.4

Net cash flow from operating activities

In the observed period, net cash flow from operating activities amounted to positive HRK 290.5m as a result of operating business and dynamics of movements in the working capital.

Net cash flow from investing activities

Net cash flow from investing activities in the reported period amounted to negative HRK 135.0m, primarily as a result of CAPITAL EXPENDITURE amounting to HRK 139.8m. The most significant capital expenditures in 1 – 9 2020 are the same as in the first half due to the situation caused by COVID-19 disease, and were related to:

- Continued investing activities in Mirna Inc. related to the development of fish business, which increases capacities and competitiveness of the product range,
- Continued investing activities related to modernisation of the line for the production of creamy spreads in the factory of baby food and creamy spreads, which increases the existing capacities and opens a possibility of expanding the product range,
- Investment in a solar power plant in the vegetable factory Kalnik, which increases the production efficiency and consequently impacts competitiveness,
- Investment in the line for slicing and packaging of sliced products in the factory Danica, which increases the capacities and production efficiency,
- Investment in the capsuling machine for the production of solid drugs in Belupo Inc., which increases the capacity and ensures the continuity of production,
- Investment in the tableting machine for the production of solid, semisolid and liquid drugs in Belupo Inc., which ensures the continuity of production and product quality.

In 2020, EXPECTED CAPITAL EXPENDITURES are at a level of HRK 200.0m¹³ and in the 2021 – 2023 period at a level of approximately HRK 200.0m.

Net cash flow from financing activities

In the 1 – 9 2020 period, net cash flow from financing activities amounted to negative HRK 79.9m, mainly as a result of dividend distribution and repayment of lease liabilities. The difference in relation to the repayment of borrowings in the balance sheet primarily relates to foreign exchange differences.

¹³The CAPEX amount approved for 2020 was HRK 298.0m, however, due to the situation caused by COVID-19 disease, it is unrealistic to expect that the approved amount will be fully used.

Share in 1 – 9 2020



List of major shareholders as at 30 September 2020

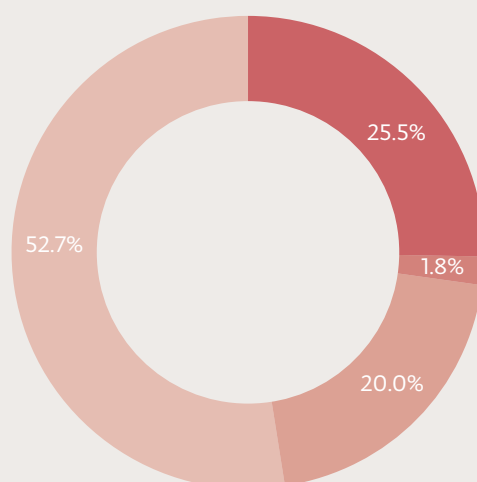
No.	Shareholder	Number of shares	% of ownership
1	Republic of Croatia*	1,815,376	25.5%
2	PBZ Croatia Osiguranje mandatory pension fund, category B	1,097,644	15.4%
3	AZ mandatory pension fund, category B	932,563	13.1%
4	Erste Plavi mandatory pension fund, category B	724,941	10.2%
5	Raiffeisen mandatory pension fund, category B	625,298	8.8%
6	Podravka Inc. - treasury account	127,916	1.8%
	Other shareholders	1,796,265	25.2%
	Total	7,120,003	100.0%

* The Restructuring and Sale Centre holds 1,241,253 shares through four accounts, Kapitalni fond Inc. holds 406,842 shares, the Republic of Croatia additionally holds 167,281 shares on a separate account.

Podravka Inc. has a stable ownership structure where the most significant stake is held by the Republic of Croatia and domestic pension funds. As at 30 September 2020, the Republic of Croatia holds 25.5% stake, and domestic pension funds (mandatory and voluntary) hold a total of 52.7% stake. Podravka Inc. has 1.8% of treasury shares. Podravka Inc.'s shares have been listed on the Prime Market of the Zagreb Stock Exchange and in six Zagreb Stock Exchange indices (CROBEX, CROBEX10, CROBEXtr, CROBEXprime, CROBEXnutr and ADRIAprime).

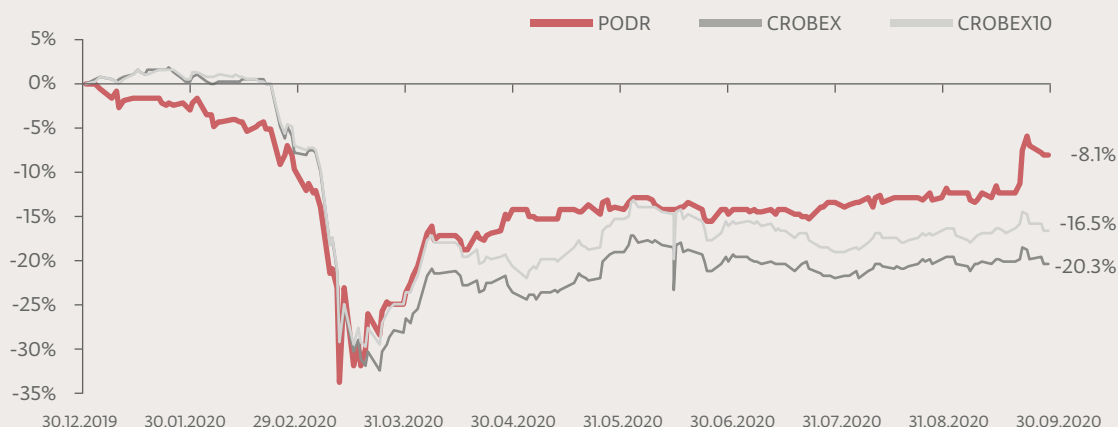
Ownership structure as at 30 September 2020

- Republic of Croatia 25.5%
- Treasury shares 1.8%
- Others 20.0%
- Croatian pension funds** 52.7%



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

Share price movement in 1 – 9 2020



(closing price in HRK; closing points)	31 December 2019	30 September 2020	%
PODR	484.0	445.0	(8.1%)
CROBEX	2,017.4	1,608.5	(20.3%)
CROBEX10	1,199.9	1,001.8	(16.5%)

In the 1 – 9 2020 period, Podravka's share price decreased by 8.1%, while the comparable CROBEX and CROBEX10 stock indices plummeted by 20.3% and 16.5%, respectively.

Result on the Croatian capital market in 1 – 9 2020

(in HRK; in units)¹⁴	1 – 9 2019	1 – 9 2020	%
Weighted average daily price	412.2	404.1	(2.0%)
Average daily number of transactions	12	16	36.6%
Average daily volume	1,065	1,416	32.9%
Average daily turnover	439,142.5	572,030.7	30.3%

After the first half of 2020, marked by a mild recovery of share prices compared to the first quarter of 2020, in the 1 – 9 2020 period the weighted average daily price of Podravka's share decreased by 2.0% relative to the comparative period. The average daily volume increased by 32.9%, while the average daily turnover and the average daily number of transactions increased by 30.3% and 36.6%, respectively, compared to the 1 – 9 2019 period.

¹⁴The weighted average daily price in the reporting period is calculated as the sum of the weighted average daily prices in the reporting period, multiplied by the daily volume weight. The daily volume weight is calculated as a ratio of daily volume and total volume in the reporting period. The formula, Weighted average daily price in the reporting period = \sum average daily price*(daily volume/total volume in the reporting period). Other indicators are calculated as the average of average daily transactions/volume/turnover in the reporting period. Block trades are excluded from the calculation.

Valuation

(in HRK millions; last price and earnings per share in HRK)*

	2019	1 – 9 2020	%
Last price	484.0	445.0	(8.1%)
Weighted average number of shares ¹⁵	6,984,803	6,992,087	0.1%
Market capitalization ¹⁶	3,380.6	3,111.5	(8.0%)
EV ¹⁷	4,249.3	3,919.7	(7.8%)
Normalizirana dobit po dionici ¹⁸	32.0	33.9	6.0%
EV / sales revenue	1.0	0.9	(9.6%)
EV / normalized EBITDA	8.2	7.3	(11.1%)
EV / normalized EBIT	14.2	12.4	(12.9%)
Last price / normalized earnings per share ratio (P / E)	15.1	13.1	(13.3%)

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

¹⁵ The weighted average number of shares is calculated on the basis of previous 12 months period by dividing the sum of the weighted number of shares of each individual month by the total number of calendar days in the previous 12 months. The weighted number of shares on a monthly basis is calculated by reducing the total number of issued shares by the amount of treasury shares and multiplying the difference by the number of days of that month.

¹⁶ Market Capitalization: Last price * Weighted average number of shares.

¹⁷ Enterprise value: Market Capitalization + Net debt + Minority interests.

¹⁸ Normalized earnings per share is calculated in a way that normalized Net income after minority interests is divided with weighted average number of shares. Normalized Net income after minority interests include the last 12 months period.

Additional tables for 1 – 9 2020



Calculation of reported EBITDA

EBITDA is calculated in a way that EBIT was increased by depreciation and amortization and value adjustments to non-current assets. In the 1 – 9 2020 and 1 – 9 2019 periods, there were no value adjustments to non-current assets.

Reported EBITDA calculation		1 – 9 2019			1 – 9 2020		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma	
Reported EBIT	252.2	167.5	84.7	272.7	207.0	65.7	
+depreciation and amortization	161.1	114.0	47.1	162.8	115.8	47.0	
+value adjustment	-	-	-	-	-	-	
Reported EBITDA	413.2	281.5	131.7	435.5	322.8	112.7	

Normalized EBITDA calculation		1 – 9 2019			1 – 9 2020		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma	
Normalized EBIT	254.4	169.7	84.7	272.0	209.1	62.9	
+depreciation and amortization	161.1	114.0	47.1	162.8	115.8	47.0	
Normalized EBITDA	415.4	283.7	131.7	434.8	324.9	109.9	

One-off items in 1 – 9 2020 and 1 – 9 2019

In the 1 – 9 2020 period, the Food segment incurred HRK 2.1m costs of severance payments for employees on long-term sick leaves, treated by the company's management as one-off item. In the same period, the Pharmaceuticals segment realized HRK 2.8m income, related to returns for defective raw materials received in 2018, treated by the company's management as one-off item. The estimated impact of these one-off items on taxes is HRK 0.5m.

In the 1 – 9 2019 period, the Food segment incurred HRK 0.4m costs of severance payments for employees on long-term sick leaves, HRK 1.2m of value adjustments to inventories (related to problems in procurement of raw materials from Serbia), and HRK 0.6m of provisions for the write-off of prepayment, treated by the company's management as one-off items. In the same period, the Pharmaceuticals segment did not record any one-off items. The estimated impact of these one-off items on taxes is HRK -0.2m.

Normalization of the Profit and Loss Statement by segments

<i>Reported and normalized profitability</i>	1 – 9 2019			1 – 9 2020		
	<i>Group</i>	<i>Food</i>	<i>Pharma</i>	<i>Group</i>	<i>Food</i>	<i>Pharma</i>
(in HRK millions)						
Reported gross profit	1,206.1	864.6	341.5	1,232.5	890.1	342.4
+impairment of inventories	1.2	1.2	-	-	-	-
+revenues from return of raw materials	-	-	-	(2.8)	-	(2.8)
Normalized gross profit	1,207.3	865.8	341.5	1,229.7	890.1	339.6
Reported EBITDA	413.2	281.5	131.7	435.5	322.8	112.7
+impairment of inventories	1.2	1.2	-	-	-	-
+revenues from return of raw materials	-	-	-	(2.8)	-	(2.8)
+severance payments (long term sick-leave)	0.4	0.4	-	2.1	2.1	-
+provisions for the prepayment write-off	0.6	0.6	-	-	-	-
Normalized EBITDA	415.4	283.7	131.7	434.8	324.9	109.9
Reported EBIT	252.2	167.5	84.7	272.7	207.0	65.7
+impairment of inventories	1.2	1.2	-	-	-	-
+revenues from return of raw materials	-	-	-	(2.8)	-	(2.8)
+severance payments (long term sick-leave)	0.4	0.4	-	2.1	2.1	-
+provisions for the prepayment write-off	0.6	0.6	-	-	-	-
Normalizirani EBIT	254.4	169.7	84.7	272.0	209.1	62.9
Reported Net profit after MI	194.3	133.3	61.0	210.1	166.4	43.7
+impairment of inventories	1.2	1.2	-	-	-	-
+revenues from return of raw materials	-	-	-	(2.8)	-	(2.8)
+severance payments (long term sick-leave)	0.4	0.4	-	2.1	2.1	-
+provisions for the prepayment write-off	0.6	0.6	-	-	-	-
+estimated impact of normalization on taxes	(0.2)	(0.2)	-	0.5	(0.4)	0.9
Normalized Net profit after MI	196.3	135.3	61.0	209.9	168.2	41.7

Consolidated financial statements in 1 – 9 2020



Consolidated Profit and Loss Statement in 1 – 9 2020

(in HRK thousands)	1 – 9 2019	% of sales revenues	1 – 9 2020	% of sales revenues	%
Sales revenue	3,238,498	100.0%	3,328,610	100.0%	2.8%
Cost of goods sold	(2,032,422)	(62.8%)	(2,096,128)	(63.0%)	3.1%
Gross profit	1,206,077	37.2%	1,232,483	37.0%	2.2%
General and administrative exp.	(238,580)	(7.4%)	(234,160)	(7.0%)	(1.9%)
Selling and distribution costs	(446,397)	(13.8%)	(442,473)	(13.3%)	(0.9%)
Marketing expenses	(291,712)	(9.0%)	(248,382)	(7.5%)	(14.9%)
Other (expenses) / income, net	22,767	0.7%	(34,765)	(1.0%)	252.7%
Operating profit	252,155	7.8%	272,703	8.2%	8.1%
Financial income	998	0.0%	1,030	0.0%	(3.3%)
Other financial expenses	(745)	(0.0%)	(670)	(0.0%)	(10.1%)
Interest expenses	(11,971)	(0.4%)	(8,858)	(0.3%)	(26.0%)
Net foreign exchange differences on borrowings	2,479	0.1%	(4,025)	(0.1%)	(262.4%)
Net finance costs	(9,240)	(0.3%)	(12,523)	(0.4%)	35.5%
Profit before tax	242,915	7.5%	260,180	7.8%	7.1%
Current income tax	(32,865)	(1.0%)	(40,945)	(1.2%)	24.6%
Deferred tax	(12,303)	(0.4%)	(3,465)	(0.1%)	(71.8%)
Income tax	(45,168)	(1.4%)	(44,410)	(1.3%)	(1.7%)
Net profit for the year	197,747	6.1%	215,770	6.5%	9.1%
Net profit / (loss) attributable to:					
Equity holders of the parent	194,289	6.0%	210,108	6.3%	8.1%
Non-controlling interests	(3,459)	(0.1%)	(5,662)	(0.2%)	63.7%

Consolidated Balance Sheet as at 30 September 2020

(in HRK thousands)	31 Dec 2019	% share	30 Sep 2020	% share	% change
ASSETS					
Non-current assets					
Goodwill	27,250	0.6%	27,250	0.5%	0.0%
Investment property	118,240	2.4%	117,529	2.3%	(0.6%)
Intangible assets	244,559	5.0%	246,025	4.8%	0.6%
Property, plant and equipment	2,212,979	45.3%	2,220,323	43.5%	0.3%
Right-of-use assets	100,168	2.1%	91,379	1.8%	(8.8%)
Deferred tax assets	149,065	3.1%	144,521	2.8%	(3.0%)
Non-current financial assets	43,178	0.9%	43,293	0.8%	0.3%
Total non-current assets	2,895,439	59.3%	2,890,320	56.6%	(0.2%)
Current assets					
Inventories	948,260	19.4%	1,104,000	21.6%	16.4%
Trade and other receivables	948,767	19.4%	944,425	18.5%	(0.5%)
Financial assets at fair value through profit and loss	12	0.0%	628	0.0%	n/a
Income tax receivable	5,361	0.1%	3,444	0.1%	(35.8%)
Cash and cash equivalents	55,589	1.1%	131,179	2.6%	136.0%
Non-current assets held for sale	30,393	0.6%	28,789	0.6%	(5.3%)
Total current assets	1,988,382	40.7%	2,212,465	43.4%	11.3%
Total assets	4,883,821	100.0%	5,102,785	100.0%	4.5%

Consolidated Balance Sheet as at 30 September 2020

<i>(in HRK thousands)</i>	31 Dec 2019	% share	30 Sep 2020	% share	% change
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,698,636	34.8%	1,700,745	33.3%	0.1%
Reserves	853,580	17.5%	952,804	18.7%	11.6%
Retained earnings / (accumulated losses)	620,878	12.7%	676,002	13.2%	8.9%
Attributable to equity holders of the parent	3,173,094	65.0%	3,329,551	65.2%	4.9%
Non-controlling interests	46,335	0.9%	50,742	1.0%	9.5%
Total shareholders' equity	3,219,429	65.9%	3,380,293	66.2%	5.0%
Non-current liabilities					
Borrowings	468,088	9.6%	373,414	7.3%	(20.2%)
Provisions	73,578	1.5%	73,915	1.4%	0.5%
Other non - current liabilities	19,363	0.4%	18,834	0.4%	(2.7%)
Right-of-use asset liability	70,218	1.4%	62,085	1.2%	(11.6%)
Deferred tax liability	39,083	0.8%	38,705	0.8%	(1.0%)
Total non-current liabilities	670,330	13.7%	566,953	11.1%	(15.4%)
Current liabilities					
Trade and other payables	606,571	12.4%	656,329	12.9%	8.2%
Income tax payable	17,755	0.4%	20,266	0.4%	14.1%
Financial liabilities at fair value through profit and loss	292	0.0%	39	0.0%	(86.6%)
Borrowings	307,742	6.3%	422,281	8.3%	37.2%
Current portion of long-term debt for right-of-use asset	31,610	0.6%	30,848	0.6%	(2.4%)
Provisions	30,092	0.6%	25,776	0.5%	(14.3%)
Total current liabilities	994,062	20.4%	1,155,539	22.6%	16.2%
Total liabilities	1,664,392	34.1%	1,722,492	33.8%	3.5%
Total equity and liabilities	4,883,821	100.0%	5,102,785	100.0%	4.5%

Consolidated Cash Flow Statement in 1 – 9 2020

(in HRK thousands)	1 – 9 2019	1 – 9 2020	%
Profit / (loss) for the year	197,748	215,770	9.1%
Income tax	45,168	44,410	(1.7%)
Depreciation and amortization	161,051	162,826	1.1%
Reversal of impairment of assets held for sale	(48)	0	100.0%
Remeasurement of financial instruments at fair value	(535)	(870)	(62.6%)
Share based payment transactions	1,153	5,831	405.7%
Subsidiary liquidation	0	140	100.0%
(Profit) / Loss on disposal of property, plant, equipment and intangibles	(1,501)	(869)	42.1%
(Profit) / Loss on disposal of assets held for sale	4	(768)	n/a
(Profit) / Loss on write off of right-of-use assets	3	(36)	n/a
Impairment of trade receivables	1,081	2,958	173.6%
(Decrease) / Increase in provisions	4,688	(3,978)	(184.9%)
Interest income	(374)	(146)	61.0%
Interest expense	10,631	7,534	(29.1%)
Interest expense on right-of-use assets	2,001	1,994	(0.3%)
Effect of changes in foreign exchange rates	(5,190)	11,388	319.4%
Changes in working capital:			
(Increase) / Decrease in inventories	(157,214)	(155,740)	0.9%
(Increase) / Decrease in trade receivables	(20,119)	1,480	107.4%
(Decrease) / Increase in trade payables	(22,273)	45,296	303.4%
Cash generated from operations	216,274	337,220	55.9%
Income tax paid	(27,525)	(37,087)	(34.7%)
Interest paid	(13,048)	(9,652)	(26.0%)
Net cash from operating activities	175,701	290,481	65.3%

Consolidated Cash Flow Statement in 1 – 9 2020

(in HRK thousands)	1 – 9 2019	1 – 9 2020	%
Cash flow from investing activities			
Decrease of investments in subsidiaries and third parties	20	0	(100.0%)
Purchase of property, plant, equipment and intangibles	(101,416)	(139,760)	(37.8%)
Proceeds from sale of property, plant, equipment and intangibles	3,165	4,645	46.8%
Proceeds from sale of rights	500	0	(100.0%)
Loans given	(55)	(40)	27.3%
Repayment of loans receivable	46	36	(21.7%)
Collected interest	374	130	(65.2%)
Net cash from investing activities	(97,366)	(134,989)	(38.6%)
Cash flow from financing activities			
Dividend payout	(62,940)	(62,938)	0.0%
Acquisition of additional non-controlling interests	145	0	(100.0%)
Sale of treasury shares	5,307	0	(100.0%)
Proceeds from borrowings	325,714	364,800	12.0%
Repayment of borrowings	(402,974)	(353,982)	12.2%
Repayment of lease	(25,354)	(27,782)	(9.6%)
Net cash from financing activities	(160,103)	(79,902)	50.1%
Net (decrease) / increase of cash and cash equivalents	(81,768)	75,590	192.4%
Cash and cash equivalents at beginning of the year	211,106	55,589	(73.7%)
Cash and cash equivalents at the end of year	129,338	131,179	1.4%

Consolidated Statement of Changes in Equity in 1 – 9 2020

<i>(in HRK thousands)</i>	Share capital	Reserve for treasury shares	Legal reserves	Reinvested profit reserve	Statutory reserves	Other reserves	Retained earnings/ accumulated loss	Total	Non-controlling interests	Total
As at 31 December 2018	1,691,884	147,604	58,445	189,738	61,790	339,273	516,603	3,005,337	42,369	3,047,706
Comprehensive income	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	221,586	221,586	5,518	227,104
Foreign exchange differences	-	-	-	-	-	1,787	-	1,787	94	1,881
Actuarial losses (net of deferred tax)	-	-	-	-	-	(1,095)	-	(1,095)	-	(1,095)
Other comprehensive income	-	-	-	-	-	692	-	692	94	786
Total comprehensive income	-	-	-	-	-	692	221,586	222,278	5,612	227,890
Transactions with owners recognized directly in equity	-	-	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	7,913	-	2,256	44,234	(54,403)	-	-	-
Additional acquisition of minority interests	-	-	-	-	-	1,635	-	1,635	(1,647)	(12)
Exercise of options	(802)	-	-	-	-	-	-	(802)	-	(802)
Fair value of share-based payment transactions	7,554	-	-	-	-	-	-	7,554	-	7,554
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(62,908)	(62,908)	-	(62,908)
Total transactions with owners recognized directly in equity	6,752	-	7,913	-	2,256	45,869	(117,311)	(54,521)	(1,647)	(56,168)
As at 31 December 2019	1,698,636	147,604	66,358	189,738	64,046	385,834	620,878	3,173,094	46,335	3,219,429
Comprehensive income	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	210,108	210,108	5,662	215,770
Foreign exchange differences	-	-	-	-	-	7,169	-	7,169	555	7,724
Subsidiary liquidation	-	-	-	-	-	-	-	-	911	911
Other comprehensive income	-	-	-	-	-	7,169	-	7,169	1,466	8,635
Total comprehensive income	-	-	-	-	-	7,169	210,108	217,277	7,128	224,405
Transactions with owners recognized directly in equity	-	-	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	10,238	-	3,505	78,312	(92,055)	-	-	-
Additional acquisition of minority interests	-	-	-	-	-	-	-	-	-	-
Exercise of options	(3,722)	-	-	-	-	-	-	(3,722)	-	(3,722)
Fair value of share-based payment transactions	5,831	-	-	-	-	-	-	5,831	-	5,831
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Announced dividend to non-controlling stake owners	-	-	-	-	-	-	-	-	(2,721)	(2,721)
Dividends paid	-	-	-	-	-	-	(62,929)	(62,929)	-	(62,929)
Total transactions with owners recognized directly in equity	2,109	-	10,238	-	3,505	78,312	(154,984)	(60,820)	(2,721)	(63,541)
As at 30 September 2020	1,700,745	147,604	76,596	189,738	67,551	471,315	676,002	3,329,551	50,742	3,380,293

Notes to the financial statements

In accounting policies in 2020, the model for calculating expected credit losses for trade receivables has been amended by including macroeconomic impact in the calculation. In order to take into account the specifics of the business segments, the current model for determining the value adjustment of inventories was separated and adjusted to the model for the Food segment and the model for the Pharmaceuticals segment.



MANAGEMENT BOARD

Koprivnica, 29 October 2020

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated unaudited financial statements of Podravka Group for the period 1 - 9 2020 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations of Podravka Group and all subsidiary companies involved in the consolidation.

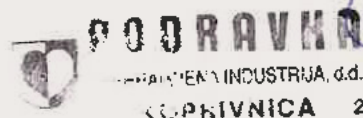
Consolidated unaudited financial statements of Podravka Group for the period 1 - 9 2020 were approved by the Management Board of PODRAVKA d.d. on 29 October 2020.

Corporate Accounting Director:

Julijana Artner Kukec

Board Member:

Davor Đoko



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