



Podravka Group
Business Results for
1-12 2018 period



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Key financial indicators in 1-12 2018

<i>(in HRK millions)</i>	2017	2018	Δ	%
Sales revenue	4,111.2	4,232.1	121.0	2.9%
EBITDA ¹	374.1	463.7	89.7	24.0%
Net profit after MI	18.2	205.7	187.5	1027.2%
Net cash flow from operating activities	473.4	316.9	(156.5)	(33.1%)
Cash capital expenditures	206.2	166.1	(40.1)	(19.4%)
Normalised EBITDA ¹	434.9	464.5	29.6	6.8%
Normalised net profit after MI	165.6	216.2	50.6	30.6%
<i>(in HRK; market capitalization in HRK_m)</i>	31.12.2017	31.12.2018	Δ	%
Net debt / normalised EBITDA	2.1	1.6	(0.5)	(22.2%)
Normalised Earnings per share	23.8	31.0	7.2	30.3%
Last price at the end of period	270.0	375.0	105.0	38.9%
Market capitalization	1,877.1	2,611.7	734.5	39.1%
Return on average equity ²	5.9%	7.5%		+159 bp
Return on average assets ²	3.3%	4.5%		+117 bp

Key highlights in 1-12 2018:

- Sales recorded a growth of HRK 121.0 million due to the increased sales in both business segments, despite the negative effect of foreign exchange differences in the total amount of estimated HRK 50.7 million,
- Own brands recorded a significant sales growth of HRK 124.5 million, where the major growth was recorded by Žito and Lagris business unit, the Baby food, sweets and snacks business unit and the Culinary business unit,
- The decrease in a portion of operating expenses enabled higher investments in the development of own brands through innovation and effective marketing activities and improvement in employee material rights,
- Organic sales growth coupled with decreased operating expenses resulted in a significant increase in net profit in the amount of HRK 187.5 million, mainly as a result of the clearly defined business strategy,
- During 2018, the total debt decreased by more than HRK 300 million, and the average weighted interest rate was lowered to 1.7%,
- Cash used for capital expenditure was strictly controlled, and the structure of expenditure was modified, where the focus was put on investments that result in increased income and/or lower expenses.

¹EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and impairment of assets,
²Normalised.



Management's overview of business results

Management's overview of business results in 2018

The end of each business year is a moment to look back and review what had been done, to analyse the results and see what the year will be remembered for. Year 2018 in Croatia will certainly be remembered as one of the most successful sports years, and in the Podravka Group as the year when one of the best business results were recorded in the seventy years of the company's history. This is a result of a clearly defined business strategy that can be summarised in three points:

- 1) focus on our traditional markets where we are already a renowned manufacturer,
- 2) investment in further development of own brands and product innovation, and
- 3) effective cost management.

During 2018, we directed the main selling activities to regional markets where we recognise further opportunities for organic growth, but also to those international markets where we have been present for decades and where our products have gained the consumer trust. Also, as a primarily branded food manufacturer, we increased investments in the development of our brands through innovation and effective marketing activities. All this resulted in an organic growth of own brands revenues of HRK 124.5 million, or 3.4%, where the most significant growth came from our traditional markets. This result is even more important if we take into account that net effect of foreign exchange differences on sales revenues was estimated negative HRK 50.7 million. If the effect of foreign exchange differences is excluded, the sales of own brands would record an organic growth of estimated 4.7%.

A significant increase in investments in the development of own brands was enabled by a more efficient cost management. The efforts of the company's procurement department, in addition to favourable movements in prices of some raw materials, led to significant savings in raw material costs, while redefining the business model in some international markets at the end of 2017 resulted in material savings in operating expenses. Also, in 2018 we continued to refinance borrowings at more favourable terms, which resulted in savings on interest expense and lowering the average weighted interest rate to 1.7%. At the end of 2017, the approach to planning and approving capital expenditure was redefined, which is one of the most significant cash expenditures for the company. In 2018, this resulted in controlled cash expenditures, but even more important, in the changed structure of the investments where now there is a much larger portion of investments that result in higher revenues and/or lower expenses.

When we summarise everything, the reported business results in 2018 are largely a consequence of the stable and sustainable business model that arises from the clearly defined business strategy. In all this, we have not forgotten our social responsibility towards the community and especially towards our employees. The significant amounts of termination benefits paid in the previous years are now directed to increasing the material rights of the existing employees, which encourages their loyalty to the company, while for 41 seriously ill employees on long-term sick leave, the company paid stimulation termination benefits in the amount of HRK 5.6 million.



Significant events in 1-12 2018

Dividend distribution to shareholders of Podravka Inc.

Podravka continued its consistent policy of dividend distribution. Following the decision of the General Assembly held on 12 June 2018, the dividend distribution to shareholders of Podravka Inc. was approved in the amount of HRK 7.00 per share. The dividend was distributed on 12 July 2018, in the total amount of HRK 48.7 million.



Improvement in material position and rights of Podravka Group's employees

In 2018, a number of measures were defined that improve the material position and rights of employees and create additional preconditions for even more successful and improved business operations. One of the new employee rights that should be pointed out is the payment of HRH 1,000 in the 3rd pension pillar annually for each employee. This measure is aimed at motivating employees to continue working in the Podravka Group for a longer period of time.

Award of the Belgrade Stock Exchange for Investor Relations

In the ceremonial part of the Belgrade Stock Exchange conference held on 15th November 2018 in Belgrade, the Podravka Group was awarded a recognition for many years of good results in investor relations according



to the criteria of transparency to the investors public. The event gathered representatives of 15 major stock companies whose shares are traded on stock exchanges in Belgrade, Ljubljana, Zagreb, Skopje and Sofia, but also a

large number of international, institutional investors. By participating in the Belgrade Stock Exchange conference, the Podravka Group builds contacts with international investor community and regional companies, while the award received is a confirmation of quality relations with the investors community.³

Exposure of the Podravka Group to Agrokor

In the extraordinary administration procedure over companies in the Agrokor concern, Podravka reported receivables in the total amount of HRK 97.4 million, of which HRK 60.9 million is for bills of exchange related to goods sold (the Podravka Group had no financial exposure to the Agrokor concern in terms of loans given, etc.). The extraordinary administration accepted 99.3% of the receivables reported by Podravka, while the remaining portion related to receivables that were due after 9th April 2017. The Podravka Group estimated the recoverability of the reported receivables and impaired receivables in the amount of HRK 44.1 million, which was booked in 2017. As at 4 July 2018, the settlement of Agrokor creditors was voted for, which became effective as of 26th October 2018. An important element of the Agrokor creditors settlement is the payment of the so-called "border debt" to suppliers, which is linked to the operating results of Konzum in the period from

³Source: <http://www.belex.rs>; the logo is intellectual property of the Belgrade Stock Exchange.



2018 to 2021. Since the published monthly reports on the business results of Konzum for 1-11 2018 indicate positive business trends, and the related increased collectability of border receivables, Podravka Inc. adjusted the previous impairment of receivables of HRK 44.1 million to HRK 36.2 million. As at 31 December 2018, receivables of Podravka Inc. from companies in the Agrokor concern headquartered in Croatia amounted to HRK 44.9 million, of which HRK 24.5 million relates to "border debt", HRK 0.2 million to "old debt", while the remaining portion relates to receivables from regular operations.

Transfer of shares to the Prime market of the Zagreb Stock Exchange

As of 27th December 2018, shares of Podravka Inc. have been listed on the Prime Market of the Zagreb Stock Exchange. The Prime Market is the most demanding market segment, and it includes companies with the highest level of transparency and corporate governance. This positions the Podravka Group as the leader in positive trends of the Croatian capital market development and the Group continues to apply the highest standards of reporting and corporate governance, to provide the investor community with quality information required to make investment decisions.⁴



⁴Source: <https://www.zse.hr>; the logo is intellectual property of the Zagreb Stock Exchange.



Overview of sales revenues in 1-12 2018

Sales revenues by segment in 1-12 2018

Sales revenues by segment				
<i>(in HRK millions)</i>	2017	2018	Δ	%
Food	3,243.7	3,335.3	91.6	2.8%
<i>Own brands</i>	2,987.0	3,093.2	106.2	3.6%
<i>Other sales</i>	256.7	242.1	(14.7)	(5.7%)
Pharmaceuticals	867.5	896.9	29.4	3.4%
<i>Own brands</i>	728.9	747.1	18.2	2.5%
<i>Other sales</i>	138.6	149.8	11.2	8.0%
Podravka Group	4,111.2	4,232.1	121.0	2.9%
<i>Own brands</i>	3,715.8	3,840.3	124.5	3.4%
<i>Other sales</i>	395.3	391.8	(3.5)	(0.9%)

Movements of the Food segment revenues (1-12 2018 compared to 1-12 2017):

- **Own brands** recorded 3.6% higher sales, primarily due to the growth in sales of business units Žito and Lagris, Baby food, sweets and snacks and Culinary, as a result of increased selling and marketing activities, launching of new products and expanded distribution of certain categories. If the FX effect is excluded, it is estimated own brands would record 4.4% higher sales,
- **Other sales** recorded 5.7% lower revenues, primarily as a result of lower sales of trade goods in the Croatian market. If the FX effect is excluded, other sales record an estimated 5.9% sales decrease,
- Consequently, the **Food segment** recorded 2.8% higher sales, while if the FX effect is excluded, it is estimated the sales would be 3.6% higher.

Movements of the Pharmaceuticals segment revenues (1-12 2018 compared to 1-12 2017):

- **Own brands** recorded a 2.5% sales growth, primarily due to the continued trend of the increased demand in the Russian market and the expanded distribution on the markets of the Central Europe region. If the FX effect is excluded, own brands record an estimated 5.9% increase in sales,
- **Other sales** revenues are 8.0% higher as a result of higher sales of trade goods in the Farmavita company, as a result of the strategic focus on the more profitable part of trade goods range. If the FX effect is excluded, other sales record an estimated 8.5% sales growth,
- Consequently, the **Pharmaceuticals segment** recorded 3.4% higher sales, while if the FX effect is excluded, it is estimated the revenues would be 6.4% higher.



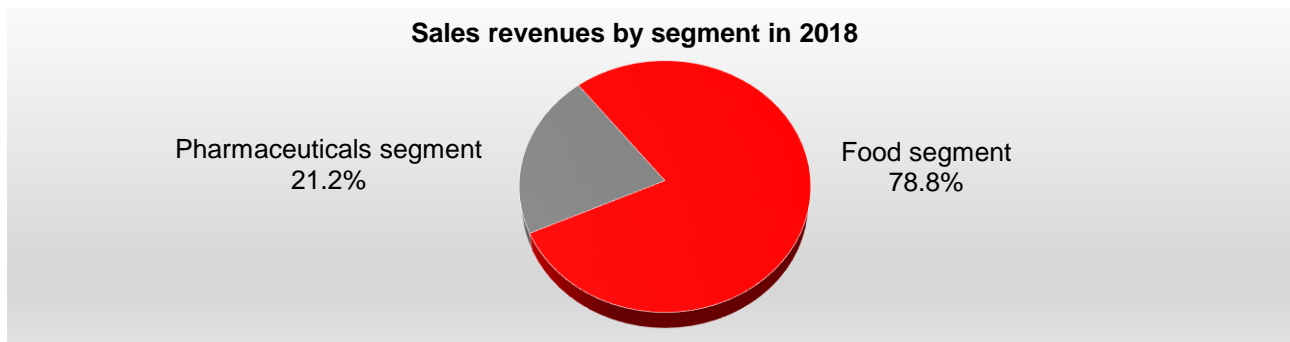
Movements of the Podravka Group revenues (1-12 2018 compared to 1-12 2017):

- **Own brands** of the Podravka Group recorded a 3.4% sales growth, while if the FX effect is excluded, it is estimated the sales of own brands would be 4.7% higher,
- The revenues from **other sales** are 0.9% lower, while if the effect of foreign exchange differences is excluded, other sales would also be 0.9% lower,
- Consequently, the **Podravka Group** recorded 2.9% higher sales, while if the FX effect is excluded, it is estimated the sales would be 4.2% higher.

Estimated net effect of currency exchange rates on sales by segment in 1-12 2018:

<i>(in HRK millions)</i>	Own brands	Other sales	Total
Food	(25.6)	0.6	(25.0)
Pharmaceuticals	(25.1)	(0.6)	(25.7)
Group	(50.6)	(0.1)	(50.7)

- The effect of FX differences on sales is the estimate of the revenue amount in 1-12 2018 had the exchange rates remained at the same levels as in the comparative period,
- The most significant negative effect on revenue is recorded by the Russian ruble (HRK -33.0 million) and the Euro (HRK -8.4 million), while the most significant positive effect is recorded by the Czech Koruna (HRK +2.6 million) and the Serbian dinar (HRK +2.2 million).





Sales revenues by business unit and category in 1-12 2018

Sales revenues by business unit and category				
<i>(in HRK millions)</i>	2017	2018	Δ	%
BU Culinary	880.4	894.0	13.6	1.5%
BU Baby food, sweets and snacks	378.3	411.3	32.9	8.7%
BU Podravka food	388.7	392.0	3.3	0.8%
BU Žito and Lagris	894.0	945.1	51.1	5.7%
BU Meat products	270.9	270.4	(0.5)	(0.2%)
BU Fish	174.6	180.5	5.8	3.3%
Prescription drugs	630.6	643.6	13.0	2.1%
Non-prescription programme	98.3	103.5	5.3	5.4%
Other sales	395.3	391.8	(3.5)	(0.9%)
Podravka Group	4,111.2	4,232.1	121.0	2.9%

Movements of revenues by business unit and category (1-12 2018 compared to 1-12 2017):

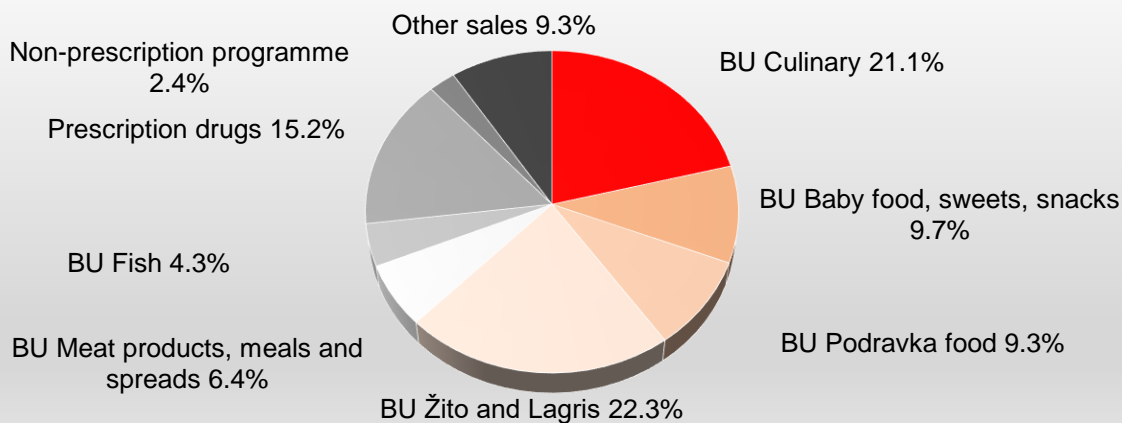
- The **Culinary business unit** recorded 1.5% higher sales, primarily in the categories Soups and Bouillons, due to the optimum mix of selling and marketing activities resulting in sales growth in most regions. If the FX effect is excluded, it is estimated the business unit would record 3.1% higher sales,
- The **Baby food, sweets and snacks business unit** recorded 8.7% higher sales, primarily as a consequence of stronger marketing activities in categories Creamy spreads, Baby food and Snacks in the market of Croatia. In addition, the Creamy spreads category records a revenue growth as a result of well-received new and innovated products of the Lino Lada brand. If the FX effect is excluded, it is estimated the business unit would record 9.0% higher sales,
- The **Podravka Food business unit** recorded 0.8% higher sales mainly due to selling and marketing activities and expanded distribution of the range from the Condiments, Tomato and Flour categories. These managed to compensate for lower revenues of the Vegetables subcategory in the markets of Croatia and Russia. If the FX effect is excluded, it is estimated the business unit would record 1.9% higher sales,
- The **Žito and Lagris business unit** records 5.7% higher sales, mainly due to the continued growth in the Bakery and mill products category in the market of Slovenia and markets of Western Europe and the growth of the Core food category (primarily pasta and rice) in the markets of Central Europe. This growth in categories is a result of stronger selling activities and expanded distribution. If the FX effect is excluded, it is estimated the business unit would record 6.4% higher sales,
- The **Meat products, meat solutions and savoury spreads business unit** recorded mildly lower sales, primarily due to the change of distributor in the DACH region and different dynamics of selling and



marketing activities in the market of Croatia. If the FX effect is excluded, the business unit would record 0.3% higher sales,

- The **Fish business unit** recorded 3.3% higher sales primarily due to stronger selling and marketing activities in the Adria region markets. If the FX effect is excluded, it is estimated the business unit would record 3.2% higher sales,
- The **Prescription drugs category** recorded 2.1% higher sales, with the most significant growth in the markets of the Eastern Europe region due to the continued trend of higher demand, and in the markets of the Central Europe region as a result of the expanded distribution. If the FX effect is excluded, it is estimated the category would record 5.6% higher sales,
- The sales of the **Non-prescription programme category** are 5.4% higher, primarily as a result of the sales growth in the OTC drugs subcategory in the market of Bosnia and Herzegovina due to increased focus on the non-prescription programme, and in the market of Russia. If the FX effect is excluded, it is estimated the category would record 7.9% higher sales,
- The **Other sales category** recorded 0.9% lower sales, primarily as a result of the decrease in sales of trade goods in the Food segment on the Croatian market. If the FX effect is excluded, it is estimated the other sales revenues would also be 0.9% lower.

Sales revenues by business unit and category in 2018





Sales revenues by region in 1-12 2018

Sales revenues by region				
<i>(in HRK millions)</i>	2017	2018	Δ	%
Adria	2,888.7	2,960.3	71.5	2.5%
Food	2,267.8	2,327.6	59.9	2.6%
Pharmaceuticals	621.0	632.6	11.7	1.9%
WE and Overseas	423.4	436.4	13.0	3.1%
Food	420.9	434.7	13.8	3.3%
Pharmaceuticals	2.4	1.7	(0.8)	(31.4%)
Central Europe	482.3	512.5	30.2	6.3%
Food	428.5	452.4	23.9	5.6%
Pharmaceuticals	53.8	60.1	6.3	11.7%
Eastern Europe	286.9	292.4	5.6	1.9%
Food	108.7	103.1	(5.6)	(5.1%)
Pharmaceuticals	178.2	189.3	11.1	6.2%
New markets	29.9	30.6	0.7	2.2%
Food	17.8	17.4	(0.4)	(2.4%)
Pharmaceuticals	12.1	13.2	1.1	9.0%
Podravka Group	4,111.2	4,232.1	121.0	2.9%

Movements of revenues by region (1-12 2018 compared to 1-12 2017):

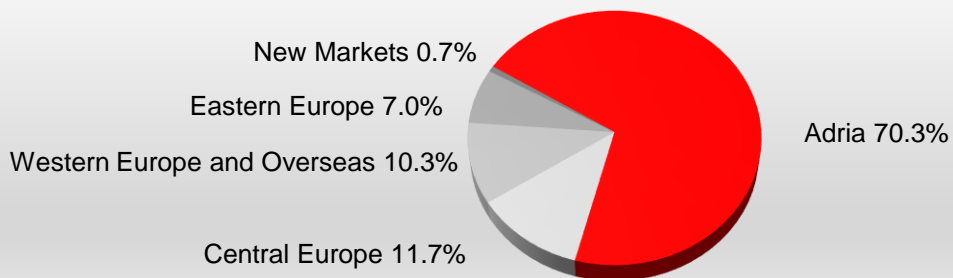
- The **Adria region** recorded 2.5% higher sales, while if the FX effect is excluded, it is estimated the region would record 2.8% higher sales. In the Food segment, all business units record sales growth, primarily as the result of selling and marketing activities, expanding the distribution and launching of new and innovated products, which leads to the stable organic revenue growth and increased profitability. Revenues of the Pharmaceuticals segment were 1.9% higher than in the comparative period, as a consequence of organic growth and increase in other sales related to the more profitable part of trade goods range,
- Revenues of the **Western Europe and Overseas region** grew by 3.1%, while if the FX effect was excluded, it is estimated the region would record 4.6% higher sales. The revenue growth in the Food segment is the result of the continuous expansion of the product range and distribution of the Žito and Lagris business unit in the markets of Italy, Germany and Spain. This compensated for a mild decrease in the Pharmaceuticals segment revenues,
- The **Central Europe region** recorded 6.3% higher sales, while if the FX effect was excluded, it is estimated the region would record 6.7% higher sales. The most significant impact on the Food segment came from the Culinary business unit due to stronger selling and marketing activities and from the Žito



and Lagris business unit, among other as a result of the extended product range. The Pharmaceuticals segment recorded a 11.7% sales growth, primarily due to the increased demand and launching of new products in the markets of Poland, the Czech Republic and Slovakia,

- Revenues of the **Eastern Europe region** grew by 1.9%, while if the FX effect was excluded, it is estimated the region would record 13.5% higher sales. In the Food segment, the decrease in revenues is largely a result of the unfavourable effect of foreign exchange differences, while in the Pharmaceuticals segment the increased demand for the Prescription drugs category annulled the unfavourable effect of foreign exchange differences and led to a 6.2% revenue growth,
- The **New markets region** recorded a 2.2% sales growth, while if the FX effect was excluded, the region would record an estimated 2.7% sales growth. The most significant impact on the decrease in the revenues of the Food segment came from lower sales of the Lagris company trade goods in the Asian market, which was compensated by the increase in sales of the Pharmaceuticals segment.

Sales revenues by region in 2018





Profitability in 1-12 2018

Note: for transparency purposes, in addition to the reported operating results, the Podravka Group also presents normalised operating results, without the effect of items treated by management as one-off items. For the purpose of providing as realistic image of the core business development as possible, the Podravka Group describes movements of the normalised result, while the analysis of the obtained normalised result is provided in the “Additional tables” section.

Profitability of the Food segment in 1-12 2018

Profitability of the Food segment					Normalized			
(in HRK millions)	2017	2018	Δ	%	2017	2018	Δ	%
Sales revenue	3,243.7	3,335.3	91.6	2.8%	3,243.7	3,335.3	91.6	2.8%
Gross profit	1,039.3	1,110.8	71.4	6.9%	1,057.9	1,112.3	54.4	5.1%
EBITDA*	243.3	322.9	79.7	32.7%	277.5	317.5	40.0	14.4%
EBIT	8.3	173.3	165.0	1982.4%	134.4	180.5	46.1	34.3%
Net profit after MI	(29.6)	145.0	174.7	589.7%	83.0	149.9	66.9	80.6%
Gross margin	32.0%	33.3%		+126 bp	32.6%	33.3%		+74 bp
EBITDA margin	7.5%	9.7%		+218 bp	8.6%	9.5%		+97 bp
EBIT margin	0.3%	5.2%		+494 bp	4.1%	5.4%		+127 bp
Net margin after MI	(0.9%)	4.3%		+526 bp	2.6%	4.5%		+194 bp

*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and value adjustments.

Normalised profitability of the Food segment (1-12 2018 compared to 1-12 2017):

- The Food segment recorded 5.1% higher normalised **gross profit** due to higher sales revenues and the positive impact of the sales structure itself, as explained in the “Overview of sales revenues in 1-12 2018” section,
- **Operating profit (EBIT)** on the normalised level is HRK 46.1 million higher, primarily as a result of the increase in sales of profitable categories, while an additional positive impact came from lower operating expenses. By redefining the MENA business model and terminating business activities in the market of Tanzania significant savings in operating expenses were made, while an additional positive impact, among other, came from lower share option expenses (HRK 1.1 million in 2018; HRK 12.5 million in 2017). On the other hand, the decrease in operating expenses enabled higher marketing investments in own brands,
- Under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 66.9 million higher at the normalised level. An additional positive effect came from lower interest expense



following the refinancing of borrowings under more favourable commercial terms and positive effects of foreign exchange differences on borrowings, compensating for higher tax expenses.

Profitability of the Pharmaceuticals segment in 1-12 2018

Note: In the middle of 2017, the new Belupo pharmaceuticals factory was completed, the biggest greenfield investment in the company's history, while the production permit, after meeting all the regulatory requirements, was obtained at the end of 2017. This was followed in 2018 by the process of technology transfer from the old factory to the new one. Due to the time frame of obtaining all regulatory permits and the technology transfer process, a portion of newly arisen fixed expenses is not covered by the sale of products from the new factory nor it is absorbed in the cost of inventories of finished products, but is included in the expense for the period, so in 2017 the normalisation of results also included these costs. For 2018, management decided that normalisation will not include these unabsorbed costs, however, for the purpose of enabling a comparable analysis, the text presents what the result would have been had these costs been included in normalisation in 2018. These unabsorbed costs in 2018 amount to HRK 20.3 million (of which HRK 10.9 million relates to depreciation), while in 2017 they amounted to HRK 25.4 million (of which HRK 7.4 million relates to depreciation). It is expected that unabsorbed expenses in 2019 will be at the levels normal for pharmaceutical production, so the results presented will not be corrected for them in the future.

Profitability of the Pharmaceuticals segment					Normalized			
<i>(in HRK millions)</i>	2017	2018	Δ	%	2017	2018	Δ	%
Sales revenue	867.5	896.9	29.4	3.4%	867.5	896.9	29.4	3.4%
Gross profit	444.8	447.7	2.9	0.7%	470.1	452.2	(17.9)	(3.8%)
EBITDA*	130.8	140.8	10.0	7.6%	157.4	147.0	(10.4)	(6.6%)
EBIT	82.8	85.1	2.4	2.9%	116.7	91.3	(25.4)	(21.8%)
Net profit after MI	47.9	60.7	12.8	26.7%	82.6	66.3	(16.3)	(19.7%)
Gross margin	51.3%	49.9%		-136 bp	54.2%	50.4%		-378 bp
EBITDA margin	15.1%	15.7%		+62 bp	18.1%	16.4%		-176 bp
EBIT margin	9.5%	9.5%		-5 bp	13.5%	10.2%		-328 bp
Net margin after MI	5.5%	6.8%		+125 bp	9.5%	7.4%		-213 bp

*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and value adjustments.

Normalised profitability of the Pharmaceuticals segment (1-12 2018 compared to 1-12 2017):

- The Pharmaceuticals segment recorded 3.8% lower normalised **gross profit**, while the gross profit without unabsorbed costs of the new factory in both periods would grow by 0.5%,
- **Operating profit (EBIT)** is HRK 25.4 million lower on the normalised level, while without unabsorbed costs of the new factory in both periods it would be HRK 5.2 million lower. In addition to the effects above the EBIT level, the operating profit was, among other, additionally impacted by: i) foreign



exchange differences on trade receivable and payables (HRK -12.9 million in 2018; HRK -7.3 million in 2017) and ii) recorded revenue from released provisions for trade receivables in 2017, which are significantly lower in 2018,

- Under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 16.3 million lower on the normalised level, while without unabsorbed costs of the new factory in both periods it would be HRK 4.0 million higher. An additional positive effect came from lower interest expense following the refinancing of borrowings under more favourable commercial terms, positive effects of foreign exchange differences on borrowings and lower tax expenses.

Profitability of the Podravka Group in 1-12 2018

Profitability of the Podravka Group					Normalized			
(in HRK millions)	2017	2018	Δ	%	2017	2018	Δ	%
Sales revenue	4,111.2	4,232.1	121.0	2.9%	4,111.2	4,232.1	121.0	2.9%
Gross profit	1,484.1	1,558.4	74.3	5.0%	1,528.1	1,564.5	36.5	2.4%
EBITDA*	374.1	463.7	89.7	24.0%	434.9	464.5	29.6	6.8%
EBIT	91.1	258.4	167.4	183.8%	251.1	271.9	20.7	8.3%
Net profit after MI	18.2	205.7	187.5	1027.2%	165.6	216.2	50.6	30.6%
Gross margin	36.1%	36.8%		+72 bp	37.2%	37.0%		-20 bp
EBITDA margin	9.1%	11.0%		+186 bp	10.6%	11.0%		+40 bp
EBIT margin	2.2%	6.1%		+389 bp	6.1%	6.4%		+32 bp
Net margin after MI	0.4%	4.9%		+442 bp	4.0%	5.1%		+108 bp

*EBITDA is calculated in a way that EBIT was increased by the depreciation and amortization and value adjustments.

Normalised profitability of the Podravka Group (1-12 2018 compared to 1-12 2017):

- The Podravka Group recorded 2.4% higher normalised **gross profit**, while the gross profit without unabsorbed costs of the new factory in both periods would grow by 3.7% due to higher sales revenues, but also due to the positive impact of the sales structure itself, as explained in the “Overview of sales revenues in 1-12 2018” section,
- **Operating profit (EBIT)** is HRK 20.7 million higher on the normalised level, while without unabsorbed costs of the new factory in both periods it would be HRK 41.0 million higher. This is primarily the result of the growth in sales of profitable categories, while an additional positive impact came from lower operating expenses. By redefining the MENA business model and terminating business activities in the market of Tanzania significant savings in operating expenses were made, while an additional positive impact, among other, came from lower share option expenses (HRK 2.1 million in 2018; HRK 12.8 million in 2017). On the other hand, the decrease in these operating expenses enabled higher marketing investments in own brands,



- **Net profit after minority interests** is HRK 50.6 million higher on the normalised level, while without unabsorbed costs of the new factory in both periods it would be HRK 71.9 million higher. An additional impact, in addition to the mentioned above, came from lower interest expense and foreign exchange gains on borrowings.

Key characteristics of the income statement in 1-12 2018

Other income and expenses, net

In 2018, other income and expenses amounted to HRK -11.6 million, while in the comparative period they amounted to HRK -25.1 million. In 2018, this line item includes HRK 12.0 million of other income from the sale of a portion of non-operating assets of Mirna d.d and impairments presented in the "Presentation of the normalisation of the Income statement in 1-12 2018" section. This line item also includes foreign exchange differences from trade receivables and trade payables that amounted to HRK -19.5 million in 2018, while in the comparative period they amounted to HRK -12.5 million.

Costs of goods sold

Cost of goods sold in the observed period is 1.8% higher compared to 2017, while at the normalised level and without unabsorbed costs of the new factory in both periods it would be 2.5% higher. This is a consequence of higher sales in both business segments and the sales structure itself.

General and administrative expenses

In 2018, general and administrative expenses were 15.5% lower than in the comparative period, primarily as a result of lower costs of termination benefits. At the normalised level, general and administrative expenses are 5.2% lower due to, among other, termination of operations in the market of Tanzania at the end of 2017 and lower share option expenses (HRK 2.1 million in 2018; HRK 12.8 million in 2017).

Selling and distribution costs

In the observed period, selling and distribution costs are 9.6% lower compared to 2017 primarily due to significant impairment of receivables from the Agrokor companies that were charged in 2017. At the normalised level, selling and distribution costs are 1.1% lower due to, among other, changed business model in the MENA markets, terminated business activities in the market of Tanzania and lower amortisation. Lower amortisation costs are a result of HRK 3.3 million of distribution rights amortisation costs in 2017, that are not present in 2018.

Marketing expenses

In 2018, marketing expenses are 10.3% higher than in the comparative period, mainly as a result of stronger investments in further development of own brands.



Net finance costs

In the observed period, net finance costs amounted to HRK -7.9 million, while in the comparative period they amounted to HRK -40.2 million. Foreign exchange differences on borrowings in 2018 amounted to HRK +11.5 million, while in 2017 they amounted to HRK -10.3 million. The ESOP programme expenses in 2018 amounted to HRK 2.1 million, while in 2017 they amounted to HRK 3.8 million. At the same time, interest expense is 33.3% lower due to refinancing of borrowings under more favourable commercial terms.

Income tax

In 2018, income tax of the Podravka Group was higher than in the comparative period, primarily as a result of higher profit before tax realised in the Food segment. The sale of a portion of non-operating assets of Mirna d.d. in the observed period resulted in releasing deferred tax liability in the amount of HRK 4.4 million.

Key characteristics of the balance sheet as at 31 December 2018

Property, plant and equipment

Compared to 31 December 2017, property, plant and equipment of the Podravka Group are HRK 72.5 million higher, primarily as a result of reclassification of land and buildings in Rijeka from assets held for sale to regular assets.

Inventories

Inventories of the Podravka Group are HRK 42.4 million higher compared to 31 December 2017. The increase in inventories was impacted by the increase in inventories of raw materials as a result of business requirements and business decisions to increase inventories of certain raw materials, and the increase in inventories of finished products due to, among other, dynamics of withdrawing finished products by customers.

Trade and other receivables

Trade and other receivables of the Podravka Group are HRK 3.9 million lower compared to 31 December 2017. The decrease in trade and other receivables is a result of, among other, better collection of receivables in the Pharmaceuticals segment.

Cash and cash equivalents

Cash and cash equivalents of the Podravka Group at the end of the observed period are HRK 151.0 million lower compared to 31 December 2017, as explained in the "Key characteristics of the cash flow statement in 1-12 2018" section.



Long-term and short-term borrowings

As at 31 December 2018, long-term and short-term borrowings of the Podravka Group are HRK 303.7 million lower than as at 31 December 2017, as the result of repayment of a portion of borrowings.

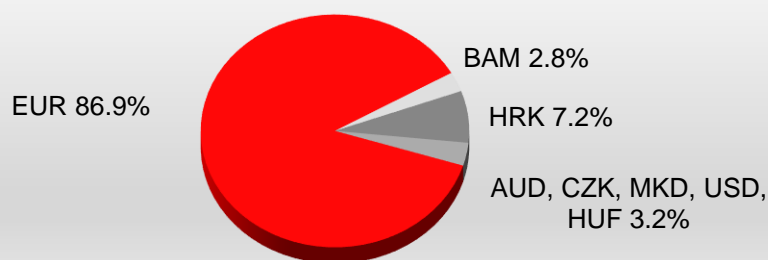
Trade and other payables

Trade and other payables of the Podravka Group are HRK 49.5 million lower compared to 31 December 2017 as a consequence of working capital management, better collection of trade and other receivables and financial risks management.

Indebtedness

As at 31 December 2018, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities amounted to HRK 966.2 million, of which HRK 623.5 million relates to long-term borrowings, HRK 342.3 million to short-term borrowings, and HRK 0.4 million to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 31 December 2018 was 1.7%.

Currency structure of debt as at 31 December 2018



Analysing the debt currency structure, the highest exposure, of 86.9%, was toward the Euro, while 7.2% of the debt was in the domestic currency. The Bosnia and Herzegovina mark accounted for 2.8% of the debt, while the remainder of 3.2% relates to the Australian dollar (AUD), the Czech koruna (CZK), the Macedonian denar (MKD) and the US dollar (USD).

<i>(in HRK millions)*</i>	2017	2018	Δ	%
Net debt	909.1	755.1	(154.0)	(16.9%)
Interest expense	26.9	17.9	(8.9)	(33.3%)
Net debt / normalised EBITDA	2.1	1.6	(0.5)	(22.2%)
Normalised EBIT / Interest expense	9.3	15.2	5.8	62.3%
Equity to total assets ratio	57.2%	62.9%		+566 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 31 December 2018 compared to 31 December 2017 is primarily the result of the repayment of a portion of borrowings. The increase in normalised EBITDA coupled with the decrease in net debt led to a lower net debt to normalised EBITDA ratio. The increase in normalised EBIT coupled with lower interest expense impacted the increase in the interest coverage ratio.

Key characteristics of the cash flow statement in 1-12 2018

<i>(in HRK millions)</i>	2017	2018	Δ
Net cash flow from operating activities	473.4	316.9	(156.5)
Net cash flow from investing activities	(190.5)	(126.1)	64.4
Net cash flow from financing activities	(258.5)	(341.9)	(83.4)
Net increase / (decrease) of cash and cash equivalents	24.5	(151.0)	(175.4)

Net cash flow from operating activities

In 2018, net cash flow from operating activities is HRK 156.5 million lower than in the comparative period, primarily as a result of different dynamics of movements in working capital.

Net cash flow from investing activities

Net cash flow from investing activities in the period under consideration amounted to negative HRK 126.1 million. This is primarily the result of capital expenditure amounting to HRK 166.1 million, which was partly neutralised by the sale of a portion of non-operating assets of Mirna d.d. The most significant **capital expenditure** in 2018 was related to:

- Modernisation of equipment in the Kalnik factory, investment in the *ajvar* line, sterilised vegetables and steam boiler room, which improves the production efficiency and business profitability,
- Development of fish business in Mirna d.d. which increases capacities and competitiveness of the production range,
- New line for pastry packaging in the Koktel factory, ensuring the production continuity and creating preconditions for the product range extension of salty, long-life pastry and biscuits packaging,
- Production line for strained tomato in the Vegetables factory Umag, increasing the production capacity, ensuring production continuity and safety and enabling the product range extension,
- Modernisation of the rice packaging line in the Lagris factory, enabling the production continuity, and
- Modernisation of agricultural production (irrigation system, agricultural machinery).

In 2019, **capital expenditure is expected** to be at a level of approximately HRK 210.0 million, in 2020 at a level of HRK 200 - 250 million and in the 2021-2023 period at a level of approximately HRK 200 million.



Net cash flow from financing activities

In 2018, net cash flow from financing activities amounted to negative HRK 341.9 million, primarily as a result of repaid borrowings in the amount of HRK 410.1 million, which is in line with the Group's focus on reducing debt.

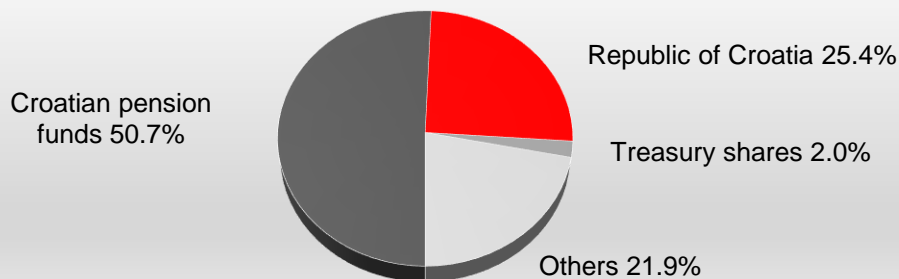
Share in 1-12 2018

List of major shareholders as at 31 December 2018

No.	Shareholder	Number of shares	% of ownership
1	Republic of Croatia	1,808,390	25.4%
2	PBZ Croatia Osiguranje mandatory pension fund, category B	1,052,100	14.8%
3	AZ mandatory pension fund, category B	902,874	12.7%
4	Erste Plavi mandatory pension fund, category B	674,669	9.5%
5	Raiffeisen mandatory pension fund, category B	625,298	8.8%
6	Podravka d.d. - treasury account	145,775	2.0%
	Other shareholders	1,910,897	26.8%
	Total	7,120,003	100.0%

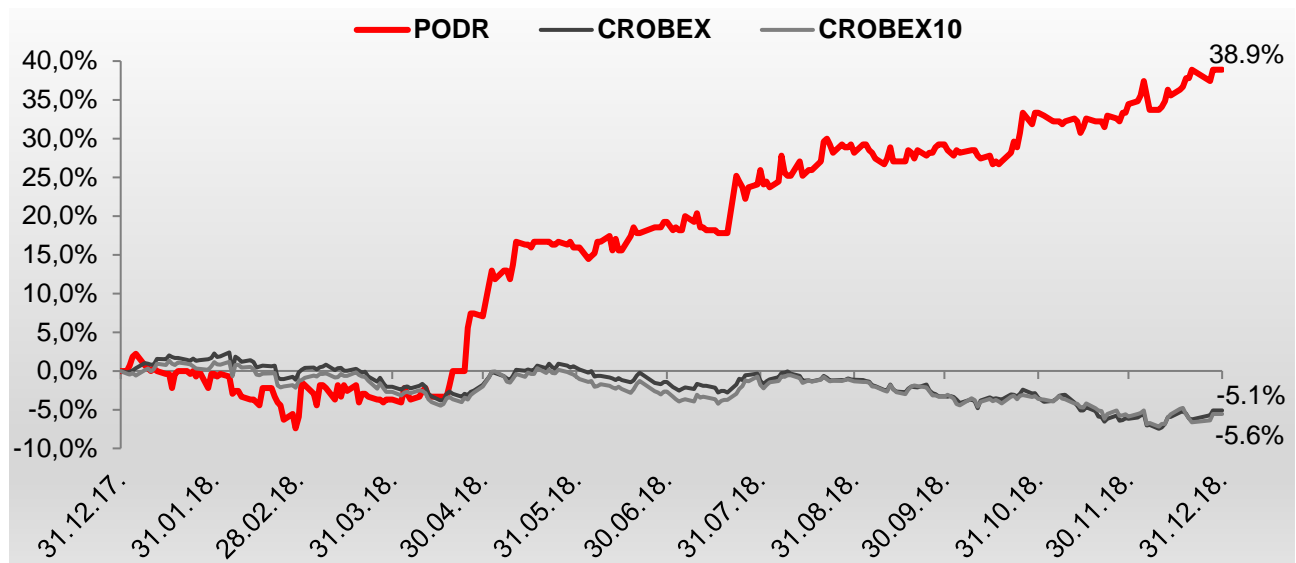
Podravka Inc. has a stable ownership structure where the most significant share is held by domestic pension funds and the Republic of Croatia. As at 31 December 2018, domestic pension funds (mandatory and voluntary) hold a total of 50.7% shares, the Republic of Croatia holds 25.4% shares and Podravka Inc. has 2.0% of treasury shares. Podravka Inc.'s shares have been listed on the Prime Market of the Zagreb Stock Exchange since 27 December 2018, under the PODR ticker symbol, while in the period from 7 December 1998 to 26 December 2018 they were listed on the Official Market of the Zagreb Stock Exchange.

Ownership structure as at 31 December 2018





Share price movement in 1-12 2018



<i>(closing price in HRK; closing points)</i>	31 December 2017	31 December 2018	%
PODR	270.0	375.0	38.9%
CROBEX	1,842.9	1,748.8	(5.1%)
CROBEX10	1,076.9	1,017.1	(5.6%)

In 2018., the price Podravka's share grew by 38.9%, while domestic stock indices Crobex and Crobex10 dropped by 5.1% and 5.6%, respectively.

Performance in the Croatian capital market in 1-12 2018

<i>(in HRK; in units)⁵</i>	2017	2018	%
Weighted average daily price	352.2	317.1	(10.0%)
Average daily number of transactions	16	12	(25.8%)
Average daily volume	1,128	1,457	29.1%
Average daily turnover	397,344.8	461,891.8	16.2%

In 2018, the average weighted daily price of the Podravka's share was 10.0% lower than in the comparative period. At the same time, the average daily number of transactions decreased, while the average daily volume and daily turnover increased.

⁵Average daily price calculated as the weighted average of average daily prices in the period, where the weight is daily volume. Other indicators calculated as the average of average daily transactions/volume/turnover.



Valuation

<i>(in HRK millions; earnings per share in HRK)*</i>	2017	2018	%
Last price	270.0	375.0	38.9%
Weighted average number of shares	6,952,372	6,964,479	0.2%
Market capitalization	1,877.1	2,611.7	39.1%
EV ⁶	2,822.9	3,409.1	20.8%
Normalized earnings per share	23.8	31.0	30.3%
EV / Sales revenue	0.7	0.8	17.3%
EV / normalized EBITDA	6.5	7.3	13.1%
EV / normalized EBIT	11.2	12.5	11.6%
Last price / Normalized earnings per share ratio (P / E)	11.3	12.1	6.6%

***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.

⁶Enterprise value: Market Capitalization + Net debt + Minority interests.



Additional tables for 1.-12. 2018.

Overview of the Profit and Loss Statement normalization in 1-12 2018

Reported and normalized profitability	2017			2018		
(in HRK millions)	Group	Food	Pharma	Group	Food	Pharma
Reported gross profit	1,484.1	1,039.3	444.8	1,558.4	1,110.8	447.7
+ new Belupo factory expenses + depreciation	25.4	-	25.4	-	-	-
+ impairment of inventories	16.0	16.0	-	6.1	1.6	4.5
+ depreciation included in COGS	2.6	2.6	-	-	-	-
Normalized gross profit	1,528.1	1,057.9	470.1	1,564.5	1,112.3	452.2
Reported EBITDA	374.1	243.3	130.8	463.7	322.9	140.8
+ new Belupo factory expenses - depreciation	18.0	-	18.0	-	-	-
+ impairment of inventories	-	-	-	6.1	1.6	4.5
+ severance payments ⁷	39.9	31.3	8.6	5.6	4.7	0.9
+ sale of Mirna d.d. non-operational assets	-	-	-	(12.0)	(12.0)	-
+ expense related to China closing	1.3	1.3	-	-	-	-
+ initial impact of IFRS 9	-	-	-	1.2	0.4	0.8
+ other one-off items	1.6	1.6	-	-	-	-
Normalised EBITDA	434.9	277.5	157.4	464.5	317.5	147.0
Reported EBIT	91.1	8.3	82.8	258.4	173.3	85.1
+ new Belupo factory expenses + depreciation	25.4	-	25.4	-	-	-
+ impairment of inventories	16.0	16.0	-	6.1	1.6	4.5
+ severance payments	39.9	31.3	8.6	5.6	4.7	0.9
+ sale of Mirna d.d. non-operational assets	-	-	-	(12.0)	(12.0)	-
+ expense related to China closing	1.3	1.3	-	-	-	-
+ value adjustments related to Agrokor	44.1	44.1	-	(7.9)	(7.9)	-
+ other impairments	28.9	28.9	-	11.1	11.1	-
+ depreciation	2.9	2.9	-	9.4	9.4	-
+ initial impact of IFRS 9	-	-	-	1.2	0.4	0.8
+ other one-off items	1.6	1.6	-	-	-	-
Normalized EBIT	251.1	134.4	116.7	271.9	180.5	91.3
Reported net profit after MI	18.2	(29.6)	47.9	205.7	145.0	60.7
+ normalization above EBIT level	160.0	126.1	34.0	13.4	7.2	6.2
+ ESOP programme expenses	3.8	3.1	0.7	2.1	1.6	0.4
+ estimated impact on taxes	(16.5)	(16.5)	-	(5.0)	(4.0)	(1.0)
Normalised net profit after MI	165.6	83.0	82.6	216.2	149.9	66.3

⁷In 2018, the total cost of termination benefits is HRK 8.8 million, but for normalization purposes, only the amount related to termination benefits for seriously ill employees on long-term sick leave was taken into account.



Consolidated financial statements in 1-12 2018

Consolidated Profit and Loss Statement in 1-12 2018

<i>(in HRK thousands)</i>	2017	% of sales revenues	2018	% of sales revenues	%
Sales revenue	4,111,170	100.0%	4,232,149	100.0%	2.9%
Cost of goods sold	(2,627,059)	(63.9%)	(2,673,716)	(63.2%)	1.8%
Gross profit	1,484,111	36.1%	1,558,434	36.8%	5.0%
General and administrative exp.	(368,873)	(9.0%)	(311,693)	(7.4%)	(15.5%)
Selling and distribution costs	(629,393)	(15.3%)	(568,884)	(13.4%)	(9.6%)
Marketing expenses	(369,638)	(9.0%)	(407,778)	(9.6%)	10.3%
Other (expenses) / income, net	(25,126)	(0.6%)	(11,636)	(0.3%)	(53.7%)
Operating profit	91,080	2.2%	258,443	6.1%	183.8%
Financial income	5,091	0.1%	1,642	0.0%	67.7%
Other financial expenses	(8,140)	(0.2%)	(3,143)	(0.1%)	(61.4%)
Interest expenses	(26,871)	(0.7%)	(17,926)	(0.4%)	(33.3%)
Net foreign exchange differences on borrowings	(10,265)	(0.2%)	11,488	0.3%	211.9%
Net finance costs	(40,184)	(1.0%)	(7,939)	(0.2%)	(80.2%)
Profit before tax	50,896	1.2%	250,504	5.9%	392.2%
Current income tax	(15,658)	(0.4%)	(27,158)	(0.6%)	73.4%
Deferred tax	(11,407)	(0.3%)	(11,766)	(0.3%)	3.1%
Income tax	(27,065)	(0.7%)	(38,924)	(0.9%)	43.8%
Net profit for the year	23,831	0.6%	211,580	5.0%	787.8%
Net profit / (loss) attributable to:					
Equity holders of the parent	18,249	0.4%	205,711	4.9%	1027.2%
Non-controlling interests	(5,581)	(0.1%)	(5,868)	(0.1%)	5.1%



Consolidated Balance Sheet as at 31 December 2018

<i>(in HRK thousands)</i>	31 Dec 2017	% share	31 Dec 2018	% share	% change
ASSETS					
Non-current assets					
Goodwill	27,402	0.5%	26,783	0.6%	(2.3%)
Investment property	0	0.0%	134,187	2.8%	100.0%
Intangible assets	240,235	4.7%	236,175	4.9%	(1.7%)
Property, plant and equipment	2,317,992	45.8%	2,256,318	46.6%	(2.7%)
Deferred tax assets	170,386	3.4%	152,079	3.1%	(10.7%)
Non-current financial assets	9,746	0.2%	6,366	0.1%	(34.7%)
Total non-current assets	2,765,760	54.6%	2,811,908	58.0%	1.7%
Current assets					
Inventories	805,805	15.9%	848,230	17.5%	5.3%
Trade and other receivables	947,493	18.7%	938,766	19.4%	(0.9%)
Financial assets at fair value through profit and loss	511	0.0%	296	0.0%	(42.1%)
Income tax receivable	1,569	0.0%	5,834	0.1%	271.8%
Cash and cash equivalents	362,082	7.2%	211,106	4.4%	(41.7%)
Non-current assets held for sale	178,161	3.5%	29,921	0.6%	(83.2%)
Total current assets	2,295,621	45.4%	2,034,153	42.0%	(11.4%)
Total assets	5,061,382	100.0%	4,846,061	100.0%	(4.3%)
<i>(in HRK thousands)</i>	31 Dec 2017	% share	31 Dec 2018	% share	% change
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,689,947	33.4%	1,691,884	34.9%	0.1%
Reserves	766,862	15.2%	796,850	16.4%	3.9%
Retained earnings / (accumulated losses)	403,303	8.0%	516,603	10.7%	28.1%
Attributable to equity holders of the parent	2,860,112	56.5%	3,005,337	62.0%	5.1%
Non-controlling interests	36,671	0.7%	42,369	0.9%	15.5%
Total shareholders' equity	2,896,783	57.2%	3,047,706	62.9%	5.2%
Non-current liabilities					
Borrowings	915,210	18.1%	623,454	12.9%	(31.9%)
Provisions	74,122	1.5%	70,611	1.5%	(4.7%)
Other non - current liabilities	22,465	0.4%	20,703	0.4%	(7.8%)
Deferred tax liability	46,692	0.9%	40,213	0.8%	(13.9%)
Total non-current liabilities	1,058,489	20.9%	754,981	15.6%	(28.7%)
Current liabilities					
Trade and other payables	719,791	14.2%	658,861	13.6%	(8.5%)
Income tax payable	5,433	0.1%	15,914	0.3%	192.9%
Financial liabilities at fair value through profit and loss	1,631	0.0%	415	0.0%	(74.6%)
Borrowings	354,304	7.0%	342,332	7.1%	(3.4%)
Provisions	24,951	0.5%	25,852	0.5%	3.6%
Total current liabilities	1,106,110	21.9%	1,043,374	21.5%	(5.7%)
Total liabilities	2,164,599	42.8%	1,798,355	37.1%	(16.9%)
Total equity and liabilities	5,061,382	100.0%	4,846,061	100.0%	(4.3%)



Consolidated Cash Flow Statement in 1-12 2018

<i>(in HRK thousands)</i>	2017	2018	%
Profit / (loss) for the year	23,831	211,580	787.8%
Income tax	27,065	38,924	43.8%
Depreciation	194,046	192,671	(0.7%)
(Profit) / loss on impairment of property, plant, equipment and intangibles	22,619	4,809	(78.7%)
(Profit) / loss on impairment of assets held for sale	1,612	16,318	912.3%
Impairment of investments	0	885	100.0%
Reversal of the impairment of non-current assets	(2,115)	0	100.0%
Subsidiary liquidation	0	(2,211)	(100.0%)
Remeasurement of financial instruments at fair value	(1,653)	(1,000)	39.5%
Capital reserve ESOP	(2,750)	(4,961)	(80.4%)
Share based payment transactions	19,305	5,632	(70.8%)
(Profit) / Loss on disposal of property, plant, equipment and intangibles	1,223	3,254	166.1%
(Profit) / Loss on disposal of assets held for sale	(23)	(11,805)	n/a
(Profit) / Loss from the sale of shares	0	(121)	(100.0%)
Impairment of trade receivables	44,871	(3,431)	(107.6%)
Capital equity adjustments for own shares ESOP	0	2,093	100.0%
(Decrease) / Increase in provisions	1,562	(2,610)	(267.1%)
Interest income	(5,091)	(641)	87.4%
Income from sale of rights	0	(750)	(100.0%)
Interest expense	31,247	18,993	(39.2%)
Effect of changes in foreign exchange rates	5,598	(16,775)	(399.7%)
Changes in working capital:			
(Increase) / decrease in inventories	(32,210)	(42,425)	(31.7%)
(Increase) / decrease in receivables	186,572	8,458	(95.5%)
Increase / (decrease) in payables	(2,353)	(59,261)	n/a
Cash generated from operating activities	513,356	357,626	(30.3%)
Income tax paid	(6,407)	(20,652)	(222.3%)
Interest paid	(33,541)	(20,033)	40.3%
Net cash from operating activities	473,408	316,941	(33.1%)
Cash flow from investing activities			
Disposal of shares and interest	7,187	0	(100.0%)
Sale of assets held for sale	595	0	(100.0%)
Lower investment in related and unrelated companies	0	200	100.0%
Purchase of property, plant, equipment and intangibles	(206,239)	(166,135)	19.4%
Proceeds from sale of property, plant, equipment and intangibles	3,498	38,568	1002.6%
Proceeds from sale of rights	0	438	100.0%
Loans given	(35)	(37)	(4.3%)
Repayment of loans receivable	97	130	34.0%
Proceeds from other investments	(672)	121	118.0%
Collected interest	5,091	641	(87.4%)
Dividend received	0	21	100.0%
Net cash from investing activities	(190,478)	(126,053)	33.8%
Cash flow from financing activities			
Dividend payout	(48,642)	(48,724)	(0.2%)
Additional acquisition of non-controlling interest	(863)	0	100.0%
Purchase of treasury shares	0	(2,557)	(100.0%)
Sale of treasury shares	6,945	2,092	(69.9%)
Proceeds from borrowings	182,590	117,392	(35.7%)
Repayment of borrowings	(398,489)	(410,068)	(2.9%)
Net cash from financing activities	(258,459)	(341,865)	(32.3%)
Net (decrease) / increase of cash and cash equivalents	24,471	(150,977)	(717.0%)
Cash and cash equivalents at beginning of the year	337,611	362,082	7.2%
Cash and cash equivalents at the end of year	362,082	211,106	(41.7%)



Consolidated Statement of Changes in Equity in 1-12 2018

<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 2016	1,681,261	147,604	41,937	189,738	55,555	177,809	583,272	2,877,176	49,218	2,926,394
<i>Comprehensive income</i>										
Profit for the year	-	-	-	-	-	-	18,250	18,250	5,581	23,831
Foreign exchange differences	-	-	-	-	-	3,755	-	3,755	(430)	3,325
Profit or loss from revaluation of financial assets available for sale	-	-	-	-	-	827	-	827	-	827
Actuarial losses (net of deferred tax)	-	-	-	-	-	(999)	-	(999)	-	(999)
Other comprehensive income	-	-	-	-	-	3,583	-	3,583	(430)	3,153
Total comprehensive income	-	-	-	-	-	3,583	18,250	21,833	5,151	26,984
<i>Transactions with owners recognised directly in equity</i>										
Dividends paid to the minority shareholder	-	-	-	-	-	-	-	-	(15,776)	(15,776)
Allocation from retained earnings	-	-	8,966	-	3,015	137,596	(149,577)	-	-	-
Exercise of options	(3,269)	-	-	-	-	-	-	(3,269)	-	(3,269)
Fair value of share-based payment transactions	11,955	-	-	-	-	-	-	11,955	-	11,955
Dividends paid	-	-	-	-	-	-	(48,642)	(48,642)	-	(48,642)
Additional acquisition of minority interests	-	-	-	-	-	1,059	-	1,059	(1,922)	(863)
Total transactions with owners recognised directly in equity	8,686	-	8,966	-	3,015	138,655	(198,219)	(38,897)	(17,698)	(56,595)
As at 31 December 2017	1,689,947	147,604	50,903	189,738	58,570	320,047	403,303	2,860,112	36,671	2,896,783
<i>Comprehensive income</i>										
Profit for the year	-	-	-	-	-	-	205,711	205,711	5,868	211,579
Foreign exchange differences	-	-	-	-	-	(14,378)	-	(14,378)	(170)	(14,548)
Actuarial losses (net of deferred tax)	-	-	-	-	-	937	-	937	-	937
Other comprehensive income	-	-	-	-	-	(13,441)	-	(13,441)	(170)	(13,611)
Total comprehensive income	-	-	-	-	-	(13,441)	205,711	192,270	5,698	197,968
<i>Transactions with owners recognised directly in equity</i>										
Allocation from retained earnings	-	-	7,542	-	3,220	32,947	(43,709)	-	-	-
Related company liquidation	-	-	-	-	-	(280)	-	(280)	-	(280)
Exercise of options	7,362	-	-	-	-	-	-	7,362	-	7,362
Fair value of share-based payment transactions	(2,868)	-	-	-	-	-	-	(2,868)	-	(2,868)
Purchase of treasury shares	(2,557)	-	-	-	-	-	-	(2,557)	-	(2,557)
Dividends paid	-	-	-	-	-	-	(48,702)	(48,702)	-	(48,702)
Total transactions with owners recognised directly in equity	1,937	-	7,542	-	3,220	32,667	(92,411)	(47,045)	-	(47,045)
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



Notes to the financial statements

In 2018, accounting policies were added a point Investment property according to which this type of assets is measured at cost. The company adjusted policies in accordance with the new IFRS 9, especially in part of impairment of trade receivables for expected non-collection based on historical experience.

President of the Management Board:

Marin Pucar

A handwritten signature in blue ink, appearing to read "Pucar", written over a faint circular stamp.



Statement of liability

Koprivnica, 22 February 2019

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of Podravka Group for the period 1 - 12 2018 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 financial statements of Podravka Group for the period 1 - 12 2018 were approved by the Management Board of PODRAVKA d.d. on 22 February 2019.

Corporate Accounting and Taxes Director:

Julijana Artner Kuček

Handwritten signature of Julijana Artner Kuček in blue ink.

Board Member:

Davor Doko

Handwritten signature of Davor Doko in blue ink.



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