WE KNOW WHERE
WE'RE GOING BECAUSE
WE KNOW WHERE
WE COME FROM.

PODRAVKA

Podravka Group business results for 1-6 2019 period - unaudited

Content

Key financial indicators in 1-6 2019

(in HRK millions)	1-6 2018	1-6 2019	Δ	%
Sales revenue	2,035.1	2,139.5	104.4	5.1%
EBITDA[1]	243.5	288.6	45.1	18.5%
Net profit after MI	120.7	140.0	19.4	16.1%
Net cash flow from operating activities	99.0	152.8	53.8	54.3%
Cash capital expenditures	67.4	65.6	(1.8)	(2.7%)

(in HRK; market capitalization in HRKm)	31.12.2018	30.6.2019	Δ	%
Net debt / normalised EBITDA	1.6	1.5	(0.1)	(6.8%)
Normalised Earnings per share	31.1	34.1	3.1	9.9%
Last price at the end of period	375.0	405.0	30.0	8.0%
Market capitalization	2,611.7	2,824.9	213.2	8.2%
Return on average equity[2]	7.5%	7.9%		+46 bp
Return on average assets[2]	4.5%	5.0%		+52 bp

Key highlights in 1-6 2019:

- After 2018, which was one of the most successful business years in our long history and the record first quarter of 2019, the Podravka Group continues with record-high business results in the first half of 2019. The highest half-year profit of HRK 140.0 million is primarily the result of the organic growth without one-off impacts,
- Sales revenues grew by HRK 104.4 million compared to the same period of 2018, due to strong growth of both business segments, following stronger selling and marketing activities and demand for newly launched innovated products,
- Own brands recorded a sales growth of HRK 82.1 million, where the major growth was recorded by the Culinary BU, the Baby food, sweets and snacks BU and the Fish BU,
- The increase in sales of a more profitable range, coupled with operating expenses control, resulted in the profitability growth,
- In 1-6 2019, the Podravka Group continued deleveraging, reducing its borrowings by HRK 144.1 million,
- In the remaining portion of the year, the management's focus will remain on the implementation of the business strategy that can be summarised in three key points: focus on our traditional markets where the Podravka Group is a renowned manufacturer, investments in further development of own brands and product innovation, and effective cost management.

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

Significant events in 1-6 2019

Changes in Supervisory Board

On 18th June 2019, the PODRAVKA Inc. General Assembly was held where it was determined that the term of three members of the Supervisory Board of PODRAVKA Inc. has ended based on their resignations, in accordance with Article 42 of the Act on Amendments to the Mandatory Pension Funds Act. At the same General Assembly, the decision on the election of three new members of the PODRAVKA Inc. Supervisory Board was passed – Marina Dabić, Želimir Vukina and Tomislav Kitonić. The term of the elected members of the PODRAVKA Inc. Supervisory Board started as of 1st July 2019 and lasts four years. At the Supervisory Board meeting held on 1st July 2019, Mr. Želimir Vukina was appointed President of the Supervisory Board of PODRAVKA Inc.

Increased dividend amount for shareholders of Podravka Inc.

At the General Assembly of PODRAVKA Inc. held on 18th June 2019 the proposition of the Management Board of Podravka Inc. was adopted on the dividend distribution in the gross amount of HRK 9.00 per share, which is an increase compared to the previous year when the dividend was distributed to shareholders in the gross amount of HRK 7.00 per share. The dividend will be paid to shareholders on 16th August 2019. This is a continuation of the implementation of the Podravka Group's dividend distribution policy in line with business results and development plans.

Overview of sales revenues in 1-6 2019

Sales revenues by segment in 1-6 2019

Sales revenues by segment				
(in HRK millions)	**1-6 2018**	**1-6 2019**	**Δ**	**%**
Food	**1,602.2**	**1,684.3**	**82.1**	**5.1%**
Own brands	*1,495.4*	*1,566.5*	*71.0*	*4.8%*
Other sales	*106.8*	*117,8*	*11.1*	*10.4%*
Pharmaceuticals	**432.8**	**455.2**	**22.3**	**5.2%**
Own brands	*364.0*	*375.0*	*11.0*	*3.0%*
Other sales	*68.8*	*80.1*	*11.3*	*16.4%*
Podravka Group	**2,035.1**	**2,139.5**	**104.4**	**5.1%**
Own brands	*1,859.4*	*1,941.5*	*82.1*	*4.4%*
Other sales	*175.6*	*198.0*	*22.3*	*12.7%*

Movements of the Food segment revenues (1-6 2019 compared to 1-6 2018):

- **Own brands** recorded 4.8% higher sales, due to the growth in sales of business units Culinary, Baby food, sweets and snacks and Fish, as a result of stronger selling and marketing activities, demand for newly launched products and the expanded distribution of certain categories. If the FX effect is excluded, it is estimated that own brands would also record 4.8% higher sales,
- **Other sales** recorded 10.4% higher revenues, primarily as a result of higher sales of trade goods of the Lagris company. If the FX effect is excluded, other sales record an estimated 10.5% sales growth,
- Consequently, the **Food segment** recorded 5.1% higher sales, while if the FX effect is excluded, it is estimated the sales would be 5.2% higher.

Movements of the Pharmaceuticals segment revenues (1-6 2019 compared to 1-6 2018):

- **Own brands** recorded 3.0% higher sales, primarily due to the increase in sales on the markets of Russia and Croatia. If the FX effect is excluded, own brands record an estimated 3.2% sales growth,
- **Other sales** revenues are 16.4% higher as a result of higher sales of trade goods in the Farmavita company. If the FX effect is excluded, other sales record an equally estimated 16.4% sales growth,
- Consequently, the **Pharmaceuticals segment** recorded 5.2% higher sales, while if the FX effect is excluded, it is estimated the revenues would be 5.3% higher.

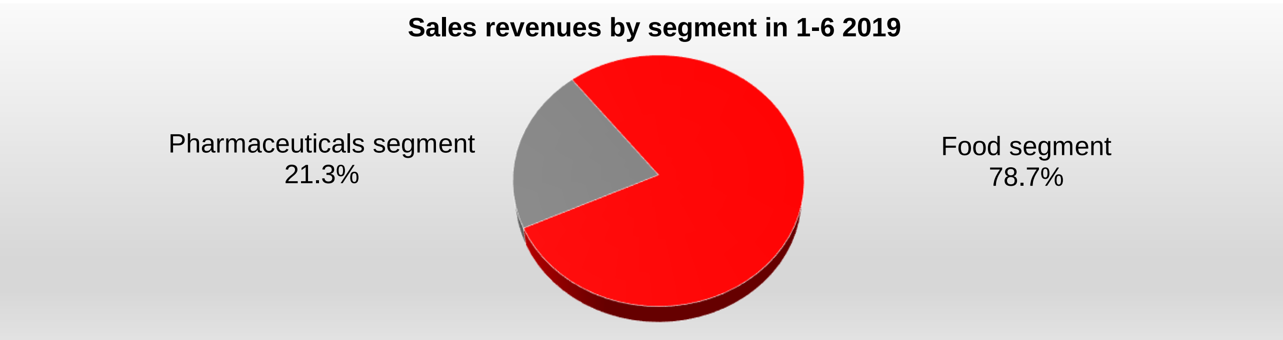
Movements of the Podravka Group revenues (1-6 2019 compared to 1-6 2018):

- **Own brands** of the Podravka Group recorded a 4.4% sales growth, while if the FX effect is excluded, it is estimated the sales of own brands would be 4.5% higher,
- The revenues from **other sales** are 12.7% higher, while if the effect of foreign exchange differences is excluded, other sales would be 12.8% higher,
- Consequently, the **Podravka Group** recorded 5.1% higher sales, while if the FX effect is excluded, it is estimated the sales would be 5.2% higher.

Estimated net effect of currency exchange rates on sales by segment in 1-6 2019:

(in HRK millions)	Own brands	Other sales	Total
Food	(0.9)	(0.2)	(1.1)
Pharmaceuticals	(0.7)	0.0	(0.7)
Group	(1.6)	(0.2)	(1.7)

- The effect of FX differences on sales is the estimate of the revenue amount in 1-6 2019 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 -1.7 million) and the Polish Zloty (HRK -1.3 million), while the most significant positive effect is recorded by the US dollar (HRK +2.3 million).



Sales revenues by business unit and category in 1-6 2019

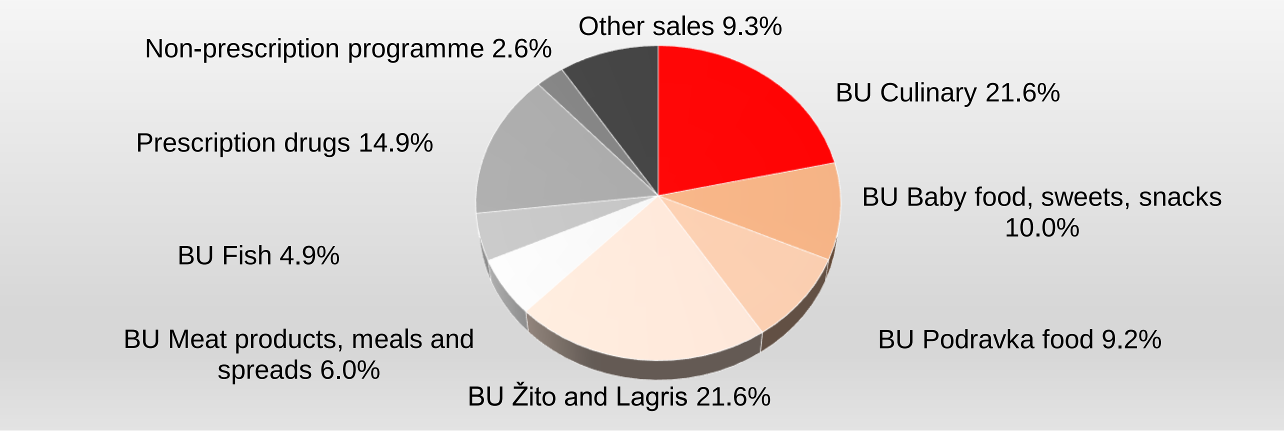
Sales revenues by business unit and category				
(in HRK millions)	**1-6 2018**	**1-6 2019**	**Δ**	**%**
BU Culinary	440.3	462.2	21.9	5.0%
BU Baby food, sweets and snacks	191.5	213.0	21.5	11.2%
BU Podravka food	195.6	196.8	1.2	0.6%
BU Žito and Lagris	453.9	462.8	8.9	2.0%
BU Meat products	125.3	127.8	2.5	2.0%
BU Fish	88.9	104.0	15.1	17.0%
Prescription drugs	312.1	318.4	6.3	2.0%
Non-prescription programme	51.9	56.6	4.7	9.1%
Other sales	175.6	198.0	22.3	12.7%
Other sales Food	*106.8*	*117.8*	*11.1*	*10.4%*
Other sales Pharmaceuticals	*68.8*	*80.1*	*11.3*	*16.4%*
Podravka Group	**2,035.1**	**2,139.5**	**104.4**	**5.1%**

Movements of revenues by business unit and category (1-6 2019 compared to 1-6 2018):

- The **Culinary business unit** recorded 5.0% higher sales, primarily in the categories Seasonings and Soups, due to the optimum mix of selling and marketing activities and the demand for new products, resulting in sales growth in most regions. If the FX effect is excluded, it is estimated the business unit would record 5.2% higher sales,
- The **Baby food, sweets and snacks** business unit recorded 11.2% higher sales, primarily as a consequence of marketing activities in categories Creamy spreads, Baby food and Snacks. In addition, the Creamy spreads and Snacks categories record a revenue growth also as a result of well-received new and innovated products of the Lino Lada and Kviki brands. If the FX effect is excluded, it is estimated the business unit would record 11.1% higher sales,
- The **Podravka Food business unit** recorded 0.6% higher sales, where the increase in sales of the Flour and Condiments categories managed to compensate for lower revenues of the Frozen vegetables category. The Flour and Condiments categories grow due to stronger selling and marketing activities and increased demand, while lower sales of the Frozen Vegetables category is connected to the problems with procurement of raw materials from a supplier from Serbia. If the FX effect is excluded, it is estimated the business unit would record 0.8% higher sales,
- The **Žito and Lagris business unit** records 2.0% higher sales than in the comparative period. This is primarily a result of a continuous growth of the Bakery and mill products category in the markets of Slovenia and Italy. If the FX effect is excluded, it is estimated the business unit would also record 2.0% higher sales,

- The **Meat products, meat solutions and savoury spreads business unit** recorded an increase in sales of 2.0%, primarily due to increase in sales of the categories of canned ready-to-eat meals and luncheons. If the FX effect is excluded, the business unit would record 1.7% higher sales,
- The **Fish business unit** records 17.0% higher sales, primarily due to the increased demand and stronger selling and marketing activities. If the FX effect is excluded, it is estimated the business unit would record 16.9% higher sales,
- The **Prescription drugs category** recorded 2.0% higher sales, with the most significant increase recorded in the markets of Russia and Croatia, which compensated for the decrease in sales in the markets of Turkey, Bosnia and Herzegovina and Kosovo. The decrease in the markets of Turkey and Kosovo is a result of changes in local legislation. If the FX effect is excluded, it is estimated the category would record 2.2% higher sales,
- The sales of the **Non-prescription programme category** are 9.1% higher, primarily as a result of the sales growth in the OTC drugs subcategory in the markets of Croatia and Russia due to increased demand and targeted marketing and selling activities. If the FX effect is excluded, it is estimated the category would record 9.2% higher sales,
- The **Other sales category** recorded 12.7% higher sales as a result of the increase in sales of trade goods of the Lagris company in the Food segment and the increase in sales of trade goods of the Farmavita company in the Pharmaceuticals segment. If the FX effect is excluded, it is estimated the other sales revenues would be 12.8% higher.

Sales revenues by business unit and category in 1-6 2019



Sales revenues by region in 1-6 2019

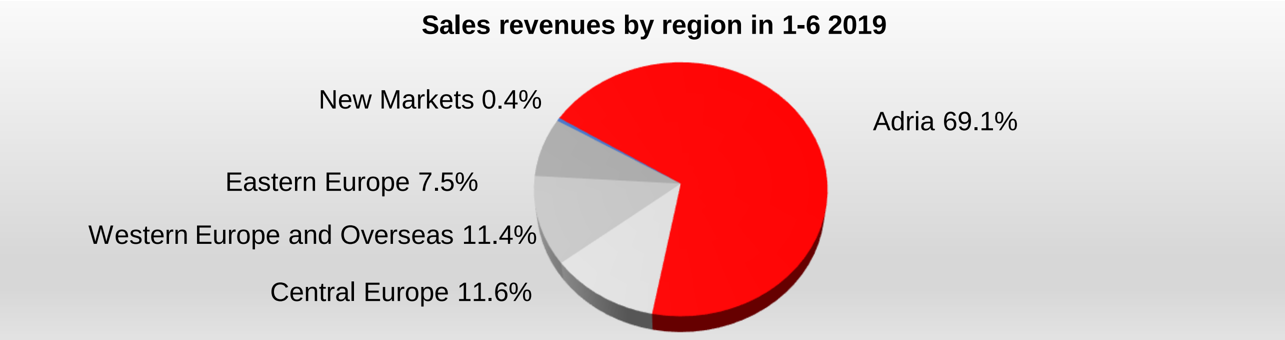
Sales revenues by region				
(in HRK millions)	**1-6 2018**	**1-6 2019**	**Δ**	**%**
Adria	**1,410.3**	**1,478.4**	**68.0**	**4.8%**
*Food**	*1,109.5*	*1,165.0*	*55.5*	*5.0%*
Pharmaceuticals	*300.8*	*313.4*	*12.6*	*4.2%*
WE and Overseas	**215.4**	**244.0**	**28.5**	**13.2%**
Food	*214.8*	*243.3*	*28.5*	*13.3%*
Pharmaceuticals	*0.6*	*0.6*	*0.0*	*7.4%*
Central Europe	**245.6**	**247.8**	**2.2**	**0.9%**
*Food**	*214.1*	*214.7*	*0.6*	*0.3%*
Pharmaceuticals	*31.5*	*33.1*	*1.6*	*5.1%*
Eastern Europe	**147.2**	**160.5**	**13.3**	**9.0%**
Food	*54.0*	*52.9*	*(1.1)*	*(2.0%)*
Pharmaceuticals	*93.2*	*107.6*	*14.4*	*15.4%*
New markets	**16.5**	**8.9**	**(7.7)**	**(46.5%)**
Food	*9.8*	*8.4*	*(1.4)*	*(14.4%)*
Pharmaceuticals	*6.7*	*0.4*	*(6.3)*	*(93.3%)*
Podravka Group	**2,035.1**	**2,139.5**	**104.4**	**5.1%**

*Since the beginning of 2019, as part of reorganisation, the market of Bulgaria was transferred from the Central Europe region to the Adria region. Revenues on the Bulgarian market in 1-6 2019 amounted to HRK 1.6 million, and in 1-6 2018 to HRK 2.1 million.

Movements of revenues by region (1-6 2019 compared to 1-6 2018):

- The **Adria region** recorded 4.8% higher sales, while if the FX effect is excluded, it is estimated the region would also record 4.8% higher sales. In the Food segment, revenue growth is recorded by majority of business units, led by the Baby food, sweets and snacks, Žito and Lagris, and Fish business units, as a result of implemented selling and marketing activities, expanded distribution and launching of new and innovated products, which leads to the stable organic revenue growth. Revenues of the Pharmaceuticals segment were 4.2% higher primarily as a consequence of the increase in sales of trade goods and non-prescription programme,
- Revenues of the **Western Europe and Overseas region** grew by 13.2%, while if the FX effect was excluded, it is estimated the region would record 12.6% higher sales. The revenue growth in the Food segment is the result of an increase in revenues of the Culinary business unit, the continuous growth in revenues of the Žito and Lagris business unit and the increase in sales of trade goods. The Pharmaceuticals segment recorded revenues at the same level as in the comparative period,

- The **Central Europe region** recorded 0.9% higher sales, while if the FX effect was excluded, it is estimated the region would record 1.9% higher sales. The Food segment recorded revenues slightly above the comparative period due to the increase in revenues of the Culinary business unit and the increase in sales of trade goods, compensating for lower revenues of the Žito and Lagris business unit. The Pharmaceuticals segment recorded a 5.1% sales growth, primarily due to the sales growth in the market of the Czech Republic,
- Revenues of the **Eastern Europe region** grew by 9.0%, while if the FX effect was excluded, it is estimated the region would record 10.2% higher sales. In the Food segment, the increase in revenues of the Culinary business unit is annulled by the decrease in revenues of the Podravka Food business unit following lower sales of the Frozen vegetables category, connected to the problems with procurement of raw materials from a supplier from Serbia. In the Pharmaceuticals segment the increased demand in the market of Russia led to the revenue growth of 15.4%,
- The **New markets region** recorded a decrease in sales of HRK 7.7 million, while if the FX effect was excluded, the region would record the identical sales decrease of estimated HRK 7.7 million. The most significant impact on the decrease in revenues of the Food segment came from lower demand in the markets of Africa and Asia. In the Pharmaceuticals segment, the decrease in revenue is a consequence of changes in legislation in the market of Turkey.



Profitability in 1-6 2019

Note: in the 1-6 2018 period, one-off items amounted to HRK 0.2 million (termination benefits) in the Food segment, while in the 1-6 2019 period they amounted to HRK 0.1 million (termination benefits) and HRK 2.7 million (impairment of inventories), both in the Food segment. The adoption of new IFRS 16 resulted in lower lease expense by estimated HRK 18.2 million (Food estimated HRK 14.5 million, Pharmaceuticals estimated HRK 3.7 million), while depreciation and amortisation were higher by HRK 17.3 million (Food HRK 13.8 million, Pharmaceuticals HRK 3.5 million), and interest expense by HRK 1.4 million (Food HRK 1.1 million, Pharmaceuticals HRK 0.2 million).

Profitability of the Food segment in 1-6 2019

Profitability of the Food segment				
(in HRK millions)	**1-6 2018**	**1-6 2019**	**Δ**	**%**
Sales revenue	1,602.2	1,684.3	82.1	5.1%
Gross profit	541.0	574.4	33.4	6.2%
EBITDA*	171.7	194.9	23.1	13.5%
EBIT	105.5	120.3	14.8	14.0%
Net profit after MI	84.5	94.0	9.5	11.3%
Gross margin	33.8%	34.1%		+33 bp
EBITDA margin	10.7%	11.6%		+85 bp
EBIT margin	6.6%	7.1%		+56 bp
Net margin after MI	5.3%	5.6%		+31 bp

*EBITDA is calculated in a way that EBIT was increased by depreciation and amortisation.

Profitability of the Food segment (1-6 2019 compared to 1-6 2018):

- In the 1-6 2019 period, the Food segment recorded an increase in **gross profit** of 6.2%, while the gross margin recorded is 34.1%. This is a result of higher sales revenues and the positive impact of the sales structure itself, as explained in the “Overview of sales revenues in 1-6 2019” section,
- The increase in **operating profit (EBIT)** of HRK 14.8 million is primarily a result of the previously mentioned factors and favourable movements in foreign exchange differences on trade receivables and trade payables (HRK -6.0 million in 1-6 2018; HRK +2.2 million in 1-6 2019). The increase in sales of the profitable range successfully compensated for the increase in certain operating expenses, primarily marketing expenses, staff costs and costs related to the sales growth. In line with the Group's strategy, higher investments in brand development were continued through effective marketing activities, while the increase in staff costs is a consequence of the planned improvement in material rights of the Podravka Group employees.

- Under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 9.5 million higher, which compensated for the less favourable movements in foreign exchange differences on borrowings than in the comparative period (HRK +4.6 million in 1-6 2018; HRK -0.0 million in 1-6 2019).

Profitability of the Pharmaceuticals segment in 1-6 2019

Profitability of the Pharmaceuticals segment				
(in HRK millions)	**1-6 2018**	**1-6 2019**	**Δ**	**%**
Sales revenue	432.8	455.2	22.3	5.2%
Gross profit	219.6	229.4	9.8	4.5%
EBITDA*	71.8	93.8	22.0	30.6%
EBIT	43.7	62.6	18.9	43.2%
Net profit after MI	36.1	46.0	9.9	27.3%
Gross margin	50.7%	50.4%		-34 bp
EBITDA margin	16.6%	20.6%		+401 bp
EBIT margin	10.1%	13.8%		+366 bp
Net margin after MI	8.3%	10.1%		+176 bp

*EBITDA is calculated in a way that EBIT was increased by depreciation and amortisation.

Profitability of the Pharmaceuticals segment (1-6 2019 compared to 1-6 2018):

- The Pharmaceuticals segment recorded 4.5% higher **gross profit**, while the gross margin at the same time is 50.4%. This is a result of the sales structure, as explained in the “Overview of sales revenues in 1-6 2019” section, and the increase in COGS,
- **Operating profit (EBIT)** is HRK 18.9 million higher as a result, in addition to the mentioned above, of favourable movements in foreign exchange differences on trade receivables and trade payables (HRK -5.9 million in 1-6 2018; HRK +8.9 million in 1-6 2019), which compensated for the increase in certain operating expenses, primarily marketing expenses and staff costs related to the improvement in the material rights of employees,
- Under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 9.9 million higher, which compensated for the less favourable movements in foreign exchange differences on borrowings than in the comparative period (HRK +8.1 million in 1-6 2018; HRK +0.8 million in 1-6 2019) and higher tax expense.

Profitability of the Podravka Group in 1-6 2019

Profitability of the Podravka Group				
(in HRK millions)	**1-6 2018**	**1-6 2019**	**Δ**	**%**
Sales revenue	2,035.1	2,139.5	104.4	5.1%
Gross profit	760.6	803.8	43.1	5.7%
EBITDA*	243.5	288.6	45.1	18.5%
EBIT	149.2	182.9	33.7	22.6%
Net profit after MI	120.7	140.0	19.4	16.1%
Gross margin	37.4%	37.6%		+19 bp
EBITDA margin	12.0%	13.5%		+152 bp
EBIT margin	7.3%	8.5%		+122 bp
Net margin after MI	5.9%	6.5%		+62 bp

*EBITDA is calculated in a way that EBIT was increased by depreciation and amortisation.

Profitability of the Podravka Group (1-6 2019 compared to 1-6 2018):

- The Podravka Group recorded 5.7% higher **gross profit**, where the stronger impact comes from the Food segment as a result of a favourable sales structure. In this, cost of goods sold increased by 4.8%, which resulted in the gross margin of 37.6%,
- **Operating profit (EBIT)** is HRK 33.7 million higher, as a result of the previously mentioned factors and favourable movements in foreign exchange differences on trade receivables and trade payables (HRK -11.9 million in 1-6 2018; HRK +11.1 million in 1-6 2019). This more than successfully compensated for the increase in certain operating expenses, primarily marketing expenses, staff costs and costs related to the sales growth. In line with the Group's strategy, higher investments in brand development were continued through effective marketing activities, while the increase in staff costs is a consequence of the planned improvement in material rights of the Podravka Group employees,
- Under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 19.4 million higher, which compensated for the less favourable movements in foreign exchange differences on borrowings than in the comparative period (HRK +12.8 million in 1-6 2018; HRK +0.7 million in 1-6 2019) and higher tax expense.

Key characteristics of the income statement in 1-6 2019

Other income and expenses, net

In 1-6 2019, other income and expenses, net amounted to HRK +16.7 million, while in the comparative period they amounted to HRK -4.5 million. This line item also includes foreign exchange differences on trade receivables and trade payables that amounted to HRK +11.1 million in 1-6 2019, while in the comparative period they amounted to HRK -11.9 million.

Cost of goods sold

Cost of goods sold in the observed period is 4.8% higher compared to 1-6 2018, as a result of higher sales realised, the sales structure itself and higher staff costs in line with the planned improvement in material rights of employees.

General and administrative expenses

In 1-6 2019, general and administrative expenses were 3.0% higher than in the comparative period, primarily as a result of higher staff costs and different dynamics of movements in provisions.

Selling and distribution costs

In the observed period, selling and distribution costs are 4.9% higher compared to 1-6 2018. The increase in selling and distribution costs is related to the increase in sales, but also to the increase in staff costs in line with the planned improvement of material rights of employees.

Marketing expenses

In line with the Group's strategy, marketing expenses in the observed period are 7.0% higher than in 1-6 2018. This is a result of stronger investments in the promotion of newly launched products and further development of own brands through effective marketing activities.

Net finance costs

In the observed period, net finance costs amounted to HRK -8.0 million, while in the comparative period they amounted to HRK +3.8 million. This is primarily a consequence of movements in foreign exchange differences on borrowings, which in 1-6 2019 amounted to HRK +0.7 million, while in the comparative period they amounted to HRK +12.8 million.

Income tax

In 1-6 2019, the income tax of the Podravka Group was higher than in the comparative period, primarily as a result of higher profit before tax.

Key characteristics of the balance sheet as at 30 June 2019

Property, plant and equipment

Compared to 31 December 2018, property, plant and equipment of the Podravka Group are HRK 29.4 million lower due to normal depreciation in the current period.

Inventories

Inventories of the Podravka Group are HRK 61.1 million higher compared to 31 December 2018, and HRK 99.7 million higher compared to 30 June 2018. The increase compared to the same period of the previous year is primarily a consequence of the strategic increase in inventories of the fish range due to increased demand and production, and the increase in inventories of raw materials and supplies, in line with the planned production dynamics.

Trade and other receivables

Trade and other receivables of the Podravka Group are HRK 34.4 million higher compared to 31 December 2018, and HRK 26.9 million higher compared to 30 June 2018. These departures are in line with normal operations.

Cash and cash equivalents

Cash and cash equivalents of the Podravka Group at the end of the observed period are HRK 64.2 million lower compared to 31 December 2018, as explained in the "Key characteristics of the cash flow statement in 1-6 2019" section.

Long-term and short-term borrowings

As at 30 June 2019, long-term and short-term borrowings of the Podravka Group are HRK 144.1 million lower than as at 31 December 2018, as a result of repayment of a portion of borrowings.

Trade and other payables

Trade and other payables of the Podravka Group are HRK 62.6 million higher compared to 31 December 2018, and HRK 54.6 million higher compared to 30 June 2018. The increase in trade and other payables compared to 31 December 2018 is the result, in addition to normal operations, of the increase in the dividend payable, approved by the General Assembly.

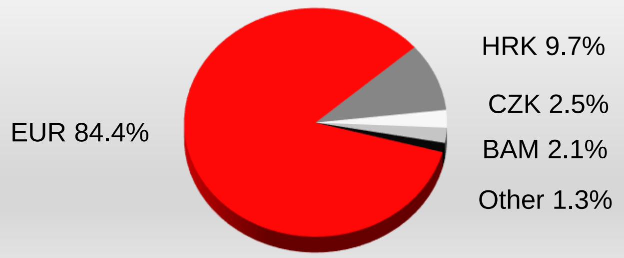
Indebtedness

The new accounting standard IFRS 16 is effective as of 1st January 2019, which prescribes the manner of recognising, measuring, presenting and disclosing leases, i.e. prescribes the obligation of a lessee to recognise assets and liabilities for all leases, other than leases with a term of up to 12 months or when the underlying asset is of low value. Accordingly, the Podravka Group includes right-of-use assets (leases) in debt as at 30 June 2019 in the amount of HRK 100.7 million. By this, the total amount of debt is lower by

HRK 43.4 million compared to 31 December 2018. If the right-of-use assets were excluded, the indebtedness would be HRK 144.2 million lower as a result of repayment of a portion of borrowings.

As at 30 June 2019, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities amounted to HRK 922.8 million, of which HRK 494.3 million relates to long-term borrowings, HRK 327.3 million to short-term borrowings, HRK 100.7 million to liabilities for right-of-use assets, and HRK 0.4 million to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 30 June 2019 was 1.6%, while if the liabilities for right-of-use assets are excluded it was 1.5%.

Currency structure of debt as at 30 June 2019



Analysing the debt currency structure (including liabilities for right-of-use assets), the highest exposure, of 84.4%, was toward the Euro (EUR), while 9.7% of the debt was in the domestic currency (HRK). 2.5% of the debt was in the Czech koruna (CZK), 2.1% of the debt was in the Bosnia and Herzegovina mark (BAM), while the remainder of 1.3% relates to other currencies.

(in HRK millions)*	**2018**	**1-6 2019**	**Δ**	**%**
Net debt	755.1	775.9	20.8	2.7%
Interest expense	17.9	16.5	(1.5)	(8.2%)
Net debt / normalised EBITDA	1.6	1.5	(0.1)	(6.8%)
Normalised EBIT / Interest expense	15.2	18.7	3.6	23.5%
Equity to total assets ratio	62.9%	63.3%		+38 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 increase in net debt as at 30 June 2019 compared to 31 December 2018 is the result of the adoption of the new IFRS 16, i.e. presentation of leases as liabilities and their inclusion in debt. If we calculated net debt as at 30 June 2019 excluding the liability for right-of-use assets, it would amount to HRK 675.1 million and would be HRK 80.0 million lower than at the end of 2018. The decrease in net debt is primarily a result of the repayment of a portion of borrowings, whereby the borrowings were reduced by HRK 144.1 million. If interest expense was calculated excluding the liabilities for right-of-use assets, it would amount to HRK 15.1 million in 1-6 2019. Without the effect of the new IFRS 16, it is estimated that the net debt to normalised EBITDA ratio would be 1.4, while the interest coverage ratio would be 20.2.

Key highlights of the cash flow statement in 1-6 2019

(in HRK millions)	1-6 2018	1-6 2019	Δ
Net cash flow from operating activities	99.0	152.8	53.8
Net cash flow from investing activities	(65.0)	(62.8)	2.1
Net cash flow from financing activities	(185.0)	(154.1)	30.9
Net increase / (decrease) of cash and cash equivalents	**(151.0)**	**(64.2)**	**86.8**

Net cash flow from operating activities

In 1-6 2019, net cash flow from operating activities is HRK 53.8 million higher than in the comparative period, primarily as a result of operating business growth and 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 62.8 million. This is primarily the result of capital expenditure amounting to HRK 65.6 million. The most significant **capital expenditure** in 1-6 2019 was related to:

- The production line for gluten-free products in the Snacks factory, enabling the expansion of the product range,
- Continued investment activities in Mirna d.d. related to the development of fish business, which increases capacities and competitiveness of the product range, and installation of a modern wastewater treatment machine, improving the safety of production processes,
- Investment in development of information technologies with the aim to improve business.

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 1-6 2019, net cash flow from financing activities amounted to negative HRK 154.1 million, primarily as a result of continuation of repayment of borrowings in the net amount of HRK 141.9 million.

Share in 1-6 2019

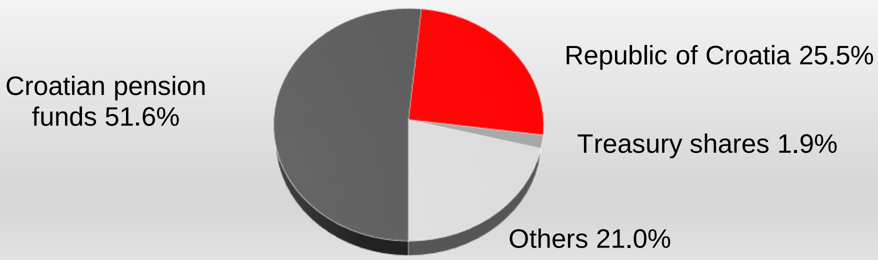
List of major shareholders as at 30 June 2019

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	1,070,901	15.0%
3.	AZ mandatory pension fund, category B	902,874	12.7%
4.	Erste Plavi mandatory pension fund, category B	720,064	10.1%
5.	Raiffeisen mandatory pension fund, category B	625,298	8.8%
6.	Podravka d.d. - treasury account	132,775	1.9%
	Other shareholders	1,852,715	26.0%
	Total	**7,120,003**	**100.0%**

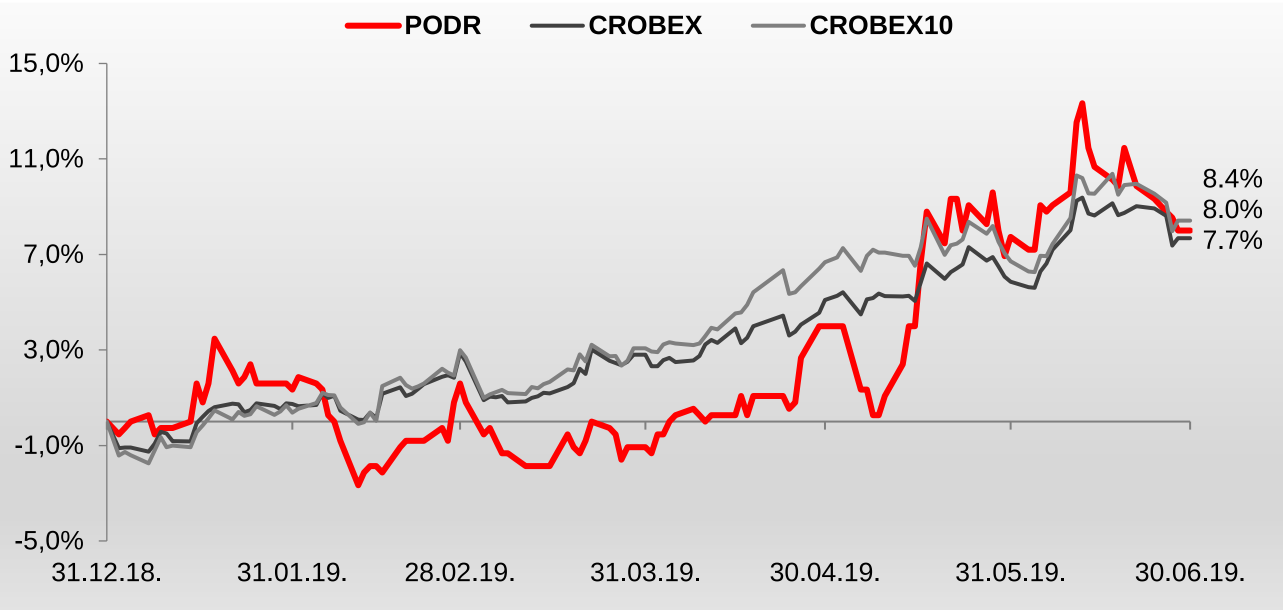
*The Restructuring and Sale Centre holds 1,241,253 shares through four accounts, Kapitalni fond d.d. holds 406,842 shares, the Republic of Croatia additionally holds 167,281 shares on a separate account.

Podravka Inc. has a stable ownership structure where the most significant share is held by domestic pension funds and the Republic of Croatia. As at 30 June 2019, domestic pension funds (mandatory and voluntary) hold a total of 51.6% shares, and the Republic of Croatia 25.5%. Podravka Inc. has 1.9% of treasury shares. Podravka Inc.'s shares have been listed on the Prime Market of the Zagreb Stock Exchange.

Ownership structure as at 30 June 2019



Share price movement in 1-6 2019



(closing price in HRK; closing points)	31 December 2018	30 June 2019	%
PODR	375.0	405.0	8.0%
CROBEX	1,748.8	1,883.1	7.7%
CROBEX10	1,017.1	1,102.7	8.4%

In 1-6 2019, the price of the Podravka's share grew by 8.0%, while domestic stock indices Crobex and Crobex10 grew by 7.7% and 8.4%, respectively.

Performance in the Croatian capital market in 1-6 2019

(in HRK; in units)[3]	1-6 2018	1-6 2019	%
Weighted average daily price	281.8	391.5	38.9%
Average daily number of transactions	13	10	(22.1%)
Average daily volume	1,493	997	(33.2%)
Average daily turnover	420,770.2	390,437.7	(7.2%)

In 1-6 2019, the average weighted daily price of the Podravka's share was 38.9% higher than in the comparative period. At the same time, the average daily number of transactions, the average daily volume and daily turnover decreased.

[3]Weighted average 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

*(in HRK millions; earnings per share in HRK)**	**2018**	**1-6 2019**	**%**
Last price	375.0	405.0	8.0%
Weighted average number of shares	6,964,479	6,974,970	0.2%
Market capitalization	2,611.7	2,824.9	8.2%
EV[4]	3,409.1	3,645.3	6.9%
Normalized earnings per share	31.1	34.1	9.9%
EV / sales revenue	0.8	0.8	4.4%
EV / normalized EBITDA	7.3	7.1	(3.0%)
EV / normalized EBIT	12.5	11.8	(5.6%)
Last price / normalized earnings per share ratio (P / E)	12.1	11.9	(1.8%)

***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.

[4]Eng. Enterprise value: market capitalization + net debt + minority interests.

Consolidated financial statements in 1-6 2019

Consolidated Profit and Loss Statement in 1-6 2019

(in HRK thousands)	1-6 2018	% of sales revenues	1-6 2019	% of sales revenues	%
Sales revenue	2,035,063	100.0%	2,139,489	100.0%	5.1%
Cost of goods sold	(1,274,429)	(62.6%)	(1,335,722)	(62.4%)	4.8%
Gross profit	**760,635**	**37.4%**	**803,768**	**37.6%**	**5.7%**
General and administrative exp.	(147,508)	(7.2%)	(151,871)	(7.1%)	3.0%
Selling and distribution costs	(278,018)	(13.7%)	(291,601)	(13.6%)	4.9%
Marketing expenses	(181,410)	(8.9%)	(194,095)	(9.1%)	7.0%
Other (expenses) / income, net	(4,498)	(0.2%)	16,658	0.8%	(470.4%)
Operating profit	**149,200**	**7.3%**	**182,859**	**8.5%**	**22.6%**
Financial income	1,366	0.1%	536	0.0%	60.7%
Other financial expenses	(365)	(0.0%)	(817)	(0.0%)	124.0%
Interest expenses	(9,911)	(0.5%)	(8,439)	(0.4%)	(14.9%)
Net foreign exchange differences on borrowings	12,756	0.6%	717	0.0%	(94.4%)
Net finance costs	**3,846**	**0.2%**	**(8,002)**	**(0.4%)**	**308.1%**
Profit before tax	**153,046**	**7.5%**	**174,857**	**8.2%**	**14.3%**
Current income tax	(10,970)	(0.5%)	(21,636)	(1.0%)	97.2%
Deferred tax	(19,647)	(1.0%)	(10,639)	(0.5%)	(45.9%)
Income tax	**(30,617)**	**(1.5%)**	**(32,275)**	**(1.5%)**	**5.4%**
Net profit for the year	**122,429**	**6.0%**	**142,582**	**6.7%**	**16.5%**
Net profit / (loss) attributable to:					
Equity holders of the parent	**120,672**	**5.9%**	**140,049**	**6.5%**	**16.1%**
Non-controlling interests	(1,757)	(0.1%)	(2,532)	(0.1%)	44.1%

Consolidated Balance Sheet as at 30 June 2019

(in HRK thousands)	31 Dec 2018	% share	30 Jun 2019	% share	% change
ASSETS					
Non-current assets					
Goodwill	26,783	0.6%	26,783	0.5%	0.0%
Investment property	134,187	2.8%	132,383	2.7%	(1.3%)
Intangible assets	236,175	4.9%	241,481	4.9%	2.2%
Property, plant and equipment	2,256,318	46.6%	2,226,894	45.0%	(1.3%)
Right-of-use asset	-	-	99,867	2.0%	100.0%
Deferred tax assets	152,079	3.1%	140,863	2.8%	(7.4%)
Non-current financial assets	6,366	0.1%	6,753	0.1%	6.1%
Total non-current assets	**2,811,908**	**58.0%**	**2,875,024**	**58.1%**	**2.2%**
Current assets					
Inventories	848,230	17.5%	909,332	18.4%	7.2%
Trade and other receivables	938,766	19.4%	973,213	19.7%	3.7%
Financial assets at fair value through profit and loss	296	0.0%	155	0.0%	(47.6%)
Income tax receivable	5,834	0.1%	4,872	0.1%	(16.5%)
Cash and cash equivalents	211,106	4.4%	146,920	3.0%	(30.4%)
Non-current assets held for sale	29,921	0.6%	30,318	0.6%	1.3%
Total current assets	**2,034,153**	**42.0%**	**2,064,810**	**41.8%**	**1.5%**
Total assets	**4,846,061**	**100.0%**	**4,939,834**	**100.0%**	**1.9%**

(in HRK thousands)	31 Dec 2018	% share	30 Jun 2019	% share	% change
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,691,884	34.9%	1,694,108	34.3%	0.1%
Reserves	796,850	16.4%	847,414	17.2%	6.3%
Retained earnings / (accumulated losses)	516,603	10.7%	539,364	10.9%	4.4%
Attributable to equity holders of the parent	**3,005,337**	**62.0%**	**3,080,886**	**62.4%**	**2.5%**
Non-controlling interests	42,369	0.9%	44,604	0.9%	5.3%
Total shareholders' equity	**3,047,706**	**62.9%**	**3,125,490**	**63.3%**	**2.6%**
Non-current liabilities					
Borrowings	623,454	12.9%	494,325	10.0%	(20.7%)
Provisions	70,611	1.5%	72,848	1.5%	3.2%
Other non - current liabilities	20,703	0.4%	20,085	0.4%	(3.0%)
Lease liability	-	-	67,717	1.4%	100.0%
Deferred tax liability	40,213	0.8%	39,541	0.8%	(1.7%)
Total non-current liabilities	**754,981**	**15.6%**	**694,516**	**14.1%**	**(8.0%)**
Current liabilities					
Trade and other payables	658,861	13.6%	721,414	14.6%	9.5%
Income tax payable	15,914	0.3%	15,182	0.3%	(4.6%)
Financial liabilities at fair value through profit and loss	415	0.0%	369	0.0%	(11.1%)
Borrowings	342,332	7.1%	327,338	6.6%	(4.4%)
Current portion of long-term debt for right-of-use asset	-	-	33,023	0.7%	100.0%
Provisions	25,852	0.5%	22,502	0.5%	(13.0%)
Total current liabilities	**1,043,374**	**21.5%**	**1,119,828**	**22.7%**	**7.3%**
Total liabilities	**1,798,355**	**37.1%**	**1,814,344**	**36.7%**	**0.9%**
Total equity and liabilities	**4,846,061**	**100.0%**	**4,939,834**	**100.0%**	**1.9%**

Consolidated Cash Flow Statement in 1-6 2019

(in HRK thousands)	1-6 2018	1-6 2019	%
Profit / (loss) for the year	**122,429**	**142,582**	**16.5%**
Income tax	30,617	32,275	5.4%
Depreciation and amortization	94,331	105,787	12.1%
Impairment (profit) / loss on property, plant, equipment and intagibles	12	-	(100.0%)
Reversal of impairment of assets held for sale	-	(48)	(100.0%)
Subsidiary liquidation	(2,211)	-	100.0%
Remeasurement of financial instruments at fair value	(1,092)	95	108.7%
Share based payment transactions	(122)	(711)	(482.8%)
(Profit) / loss on disposal of property, plant, equipment and intangibles	364	(1,000)	(374.7%)
(Profit) / loss on disposal of assets held for sale	80	4	(95.0%)
Impairment of trade receivables	441	696	57.8%
(Decrease) / increase in provisions	(7,839)	(1,112)	85.8%
Interest income	(1,366)	(173)	87.3%
Income from sale of rights	(750)	-	100.0%
Interest expense	10,276	7,435	(27.6%)
Interest expense on the right-of-use assets	-	1,363	100.0%
Effect of changes in foreign exchange rates	(20,270)	(5,158)	74.6%
Changes in working capital:			
(Increase) / decrease in inventories	(3,876)	(61,102)	n/a
(Increase) / decrease in trade receivables	1,222	(36,059)	n/a
Increase / (decrease) in trade payables	(100,289)	(1,673)	98.3%
Cash generated from operations	**121,957**	**183,201**	**50.2%**
Income tax paid	(12,157)	(21,266)	(74.9%)
Interest paid	(10,802)	(9,177)	15.0%
Net cash from operating activities	**98,998**	**152,758**	**54.3%**
Cash flow from investing activities			
Lower investment in related and unrelated companies	-	20	100.0%
Purchase of property, plant, equipment and intangibles	(67,384)	(65,562)	2.7%
Proceeds from sale of property, plant, equipment and intangibles	758	2,008	164.9%
Proceeds from sale of rights	238	500	110.1%
Loans given	(37)	(16)	56.8%
Repayment of loans receivable	106	29	(72.6%)
Collected interest	1,366	173	(87.3%)
Net cash from investing activities	**(64,953)**	**(62,848)**	**3.2%**
Cash flow from financing activities			
Additional acquisition of non-controlling interest	-	145	100.0%
Sale of treasury shares	-	4,435	100.0%
Proceeds from borrowings	17,382	148,038	751.7%
Repayment of borrowings	(202,408)	(289,966)	(43.3%)
Repayment of lease liabilities	-	(16,748)	(100.0%)
Net cash from financing activities	**(185,026)**	**(154,096)**	**16.7%**
Net (decrease) / increase of cash and cash equivalents	**(150,981)**	**(64,186)**	**57.5%**
Cash and cash equivalents at beginning of the year	362,082	211,106	(41.7%)
Cash and cash equivalents at the end of year	**211,101**	**146,920**	**(30.4%)**

Consolidated Statement of Changes in Equity in 1-6 2019

(in HRK thousands)	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 2017	**1.689.947**	**147,604**	**50,903**	**189,738**	**58,570**	**320,047**	**403,303**	**2,860,112**	**36,671**	**2,896,783**
Comprehensive income										
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**
Transactions with owners recognised directly in equity										
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**
Comprehensive income										
Profit for the year	-	-	-	-	-	-	140.049	140.049	2.532	142.581
Foreign exchange differences	**-**	-	-	-	-	(3.984)	-	(3.984)	(297)	(4.281)
Actuarial losses (net of deferred tax)	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(3.984)**	**-**	**(3.984)**	**(297)**	**(4.281)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(3.984)**	**140.049**	**136.065**	**2.235**	**138.300**
Transactions with owners recognised directly in equity										
Allocation from retained earnings	-	-	7,913	-	2,256	44,234	(54,403)	-	-	-
Additional acquisition of minority interests	-	-	-	-	-	145	-	145	-	145
Exercise of options	2,935	-	-	-	-	-	-	2,935	-	2,935
Fair value of share-based payment transactions	(711)	-	-	-	-	-	-	(711)	-	(711)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(62,885)	(62,885)	-	(62,885)
Total transactions with owners recognised directly in equity	**2,224**	**-**	**7,913**	**-**	**2,256**	**44,379**	**(117,288)**	**(60,516)**	**-**	**(60,516)**
As at 30 June 2019	**1,694,108**	**147,604**	**66,358**	**189,738**	**64,046**	**379,668**	**539,364**	**3,080,886**	**44,604**	**3,125,490**

Notes to the financial statements

From 1.1.2019 Group applies IFRS 16 Leases. According to new standard, Group recognises right-of-use assets based on cost method, and lease liability in amount of present value of minimum future lease payments. Exceptions from this recognition is applied for short term leases and leases of low value asset. Right-of-use asset is depreciated by the end of asset's useful life, and lease liabilities are measured at the effective interest rate method. In the statement of financial position, right-of-use assets are included within tangible asset and lease liabilities are reported within long term and short term liabilities. As at 30.6.2019 Podravka Group right-of-use asset amounts to 99.9 mil. HRK and lease liabilities amounts to 100.7 mil. HRK.

President of the Management Board:

Marin Pucar

Statement of liability

Koprivnica, 23 July 2019

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated unaudited financial statements of Podravka Group for the period 1 - 6 2019 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 - 6 2019 were approved by the Management Board of PODRAVKA d.d. on 23 July 2019.

Corporate Accounting Director:
Julijana Artner Kukec

Artner

Board Member:
Davor Doko

PODRAVKA
PREHRAMBENA INDUSTRIJA, d.d.
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