

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



**Podravka Group Business results
for 1–3 2019 period**



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Key financial indicators in 1-3 2019

<i>(in HRK millions)</i>	1-3 2018	1-3 2019	Δ	%
Sales revenue	988.9	1,017.4	28.6	2.9%
EBITDA ¹	135.6	156.5	20.8	15.4%
Normalised net profit after MI	69.8	80.1	10.3	14.8%
Net cash flow from operating activities	(41.4)	50.3	91.7	221.3%
Cash capital expenditures	24.5	24.1	(0.4)	(1.5%)

<i>(in HRK; market capitalization in HRKm)</i>	31.12.2018	31.3.2019	Δ	%
Net debt / normalised EBITDA	1.6	1.7	0.1	6.4%
Normalised Earnings per share	31.1	32.5	1.4	4.6%
Last price at the end of period	375.0	371.0	(4.0)	(1.1%)
Market capitalization	2,611.7	2,585.4	(26.3)	(1.0%)
Return on average equity ²	7.5%	7.5%		+6 bp
Return on average assets ²	4.5%	4.8%		+29 bp

Key highlights in 1-3 2019:

- After 2018, which was one of the most successful business years in our long history, the Podravka Group continues with record-high business results. The historical profit for the first quarter of HRK 80.1 million is the result of the organic growth without one-off impacts,
- Sales revenues recorded a growth of HRK 28.6 million as a result of growth in sales of both business segments, where the bigger contribution came from the food segment. This is a result of stronger selling and marketing activities and demand for newly launched products resulting from significant investments in innovation,
- Own brands recorded a sales growth of HRK 13.0 million, where the major growth was recorded by the Baby food, sweets and snacks business unit, the Culinary business unit and the Fish business unit,
- The increase in sales of a more profitable range, coupled with operating expenses control, resulted in the profitability growth on all business levels,
- In 2019, the Podravka Group continued deleveraging, reducing its borrowings by HRK 84.3 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.

¹EBITDA is calculated in a way that EBIT was increased by the depreciation.

²Normalized.



Significant events in 1-3 2019

The beginning of implementation of the Agrokor's creditors settlement

In line with the Agrokor's creditors settlement of 4th July 2018, which became effective as of 26th October 2018, the Fortenova Group became operational on 1st April 2019, thus implementing the plan of financial and ownership restructuring initiated almost two years ago following difficulties in operations of the Agrokor concern. An important element of the Agrokor's creditors settlement is the agreement on the payment of the so-called "border debt" to suppliers, linked to the business results of the company Konzum d.d., i.e. Konzum plus d.o.o. from 2018 to 2021. Since the published monthly business reports of Konzum indicate positive business trends, and the related increased collectability of border receivables, Podravka d.d. in 2018 impaired the receivables of HRK 44.1 million to HRK 36.2 million. During 2019, Podravka d.d. expects the payment of a portion of the border debt for the calendar year 2018, based on the previously mentioned positive trends in the operations of Konzum. As at 31 March 2019, receivables of Podravka d.d. from companies in the Agrokor concern headquartered in Croatia amounted to HRK 48.2 million, of which HRK 24.5 million relates to the "border debt", HRK 0.2 million to "old debt", while the remaining portion relates to receivables from regular operations.





Overview of sales revenues in 1-3 2019

Sales revenues by segment in 1-3 2019

Sales revenues by segment				
(in HRK millions)	1-3 2018	1-3 2019	Δ	%
Food	789.8	815.5	25.7	3.3%
Own brands	741.3	757.1	15.9	2.1%
Other sales	48.6	58.4	9.8	20.2%
Pharmaceuticals	199.0	201.9	2.9	1.4%
Own brands	164.9	162.1	(2.8)	(1.7%)
Other sales	34.1	39.8	5.7	16.7%
Podravka Group	988.9	1,017.4	28.6	2.9%
Own brands	906.2	919.2	13.0	1.4%
Other sales	82.7	98.2	15.5	18.8%

Movements of the Food segment revenues (1-3 2019 compared to 1-3 2018):

- **Own brands** recorded 2.1% higher sales, due to the growth in sales of business units Baby food, sweets and snacks, Culinary 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 record 2.5% higher sales,
- **Other sales** recorded 20.2% 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 19.4% sales growth,
- Consequently, the **Food segment** recorded 3.3% higher sales, while if the FX effect is excluded, it is estimated the sales would be 3.5% higher.

Movements of the Pharmaceuticals segment revenues (1-3 2019 compared to 1-3 2018):

- **Own brands** recorded 1.7% lower sales, primarily due to lower sales in the market of Bosnia and Herzegovina and the changed legislation on the markets of Kosovo and Turkey. If the FX effect is excluded, own brands record an estimated 0.6% decrease in sales,
- **Other sales** revenues are 16.7% higher as a result of higher sales of trade goods in the Farmavita company. If the FX effect is excluded, other sales record an estimated 16.9% sales growth,
- Consequently, the **Pharmaceuticals segment** recorded 1.4% higher sales, while if the FX effect is excluded, it is estimated the revenues would be 2.4% higher.



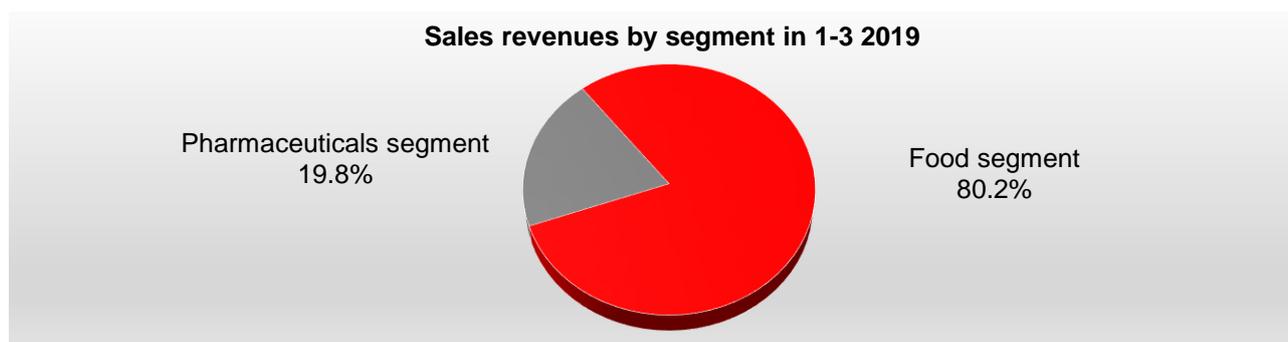
Movements of the Podravka Group revenues (1-3 2019 compared to 1-3 2018):

- **Own brands** of the Podravka Group recorded a 1.4% sales growth, while if the FX effect is excluded, it is estimated the sales of own brands would be 1.9% higher,
- The revenues from **other sales** are 18.8% higher, while if the effect of foreign exchange differences is excluded, other sales would be 18.4% higher,
- Consequently, the **Podravka Group** recorded 2.9% higher sales, while if the FX effect is excluded, it is estimated the sales would be 3.3% higher.

Estimated net effect of currency exchange rates on sales by segment in 1-3 2019:

<i>(in HRK millions)</i>	Own brands	Other sales	Total
Food	(2.4)	0.4	(2.0)
Pharmaceuticals	(1.9)	(0.1)	(2.0)
Group	(4.3)	0.3	(4.0)

- The effect of FX differences on sales is the estimate of the revenue amount in 1-3 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 -3.3 million) and the Polish Zloty (HRK -1.1 million), while the most significant positive effect is recorded by the US dollar (HRK +1.2 million).





Sales revenues by business unit and category in 1-3 2019

Sales revenues by business unit and category				
<i>(in HRK millions)</i>	1-3 2018	1-3 2019	Δ	%
BU Culinary	213.4	219.6	6.2	2.9%
BU Baby food, sweets and snacks	90.8	101.2	10.5	11.5%
BU Podravka food	98.7	95.6	(3.0)	(3.1%)
BU Žito and Lagris	234.5	234.0	(0.5)	(0.2%)
BU Meat products	56.9	54.6	(2.3)	(4.1%)
BU Fish	47.1	52.1	5.1	10.8%
Prescription drugs	139.1	133.7	(5.4)	(3.9%)
Non-prescription programme	25.8	28.3	2.5	9.9%
Other sales	82.7	98.2	15.5	18.8%
<i>Other sales Food</i>	48.6	58.4	9.8	20.2%
<i>Other sales Pharmaceuticals</i>	34.1	39.8	5.7	16.7%
Podravka Group	988.9	1,017.4	28.6	2.9%

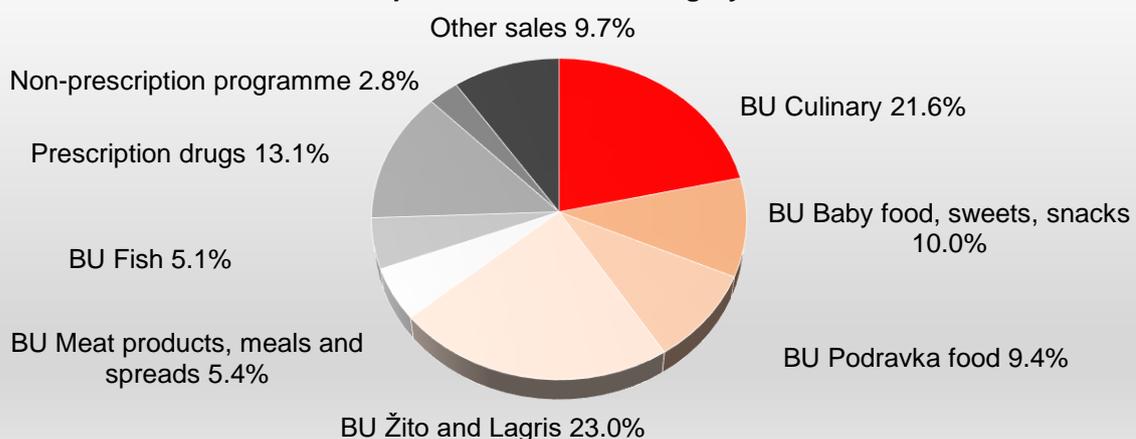
Movements of revenues by business unit and category (1-3 2019 compared to 1-3 2018):

- The **Culinary business unit** recorded 2.9% 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 3.6% higher sales,
- The **Baby food, sweets and snacks** business unit recorded 11.5% 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 11.5% higher sales,
- The **Podravka Food business unit** recorded 3.1% lower sales, where the increase in sales of the Condiments and Flour categories, as a result of stronger selling and marketing activities and increased demand, did not manage to compensate for lower revenues of the Vegetables, Fruit and Tomato categories. The lower revenue of these categories are a consequence of: i) lower sales of frozen vegetables in the market of Russia due to limited packaging capacities of the supplier from Serbia, ii) lower sales of the Fruit and Vegetables categories in the Croatian market due to timing of selling activities related to the pre-Easter period, and iii) lower sales of the Tomato category in the market of Poland due to stronger competitors' selling activities. If the FX effect is excluded, it is estimated the business unit would record 2.5% lower sales,



- The **Žito and Lagris business unit** records sales slightly below the comparative period. The continuous growth of the Bakery and mill products category in the market of Slovenia and markets of Western Europe did not manage to compensate for lower sales of the Confectionery category due to aggressive competitors' discounts, lower sales of the Tea category due to a warm season that is unfavourable to the category sales, and lower sales of private labels. If the FX effect is excluded, it is estimated the business unit would record 0.1% lower sales,
- The **Meat products, meat solutions and savoury spreads business unit** recorded a decrease in sales of 4.1%, primarily due to lower selling and marketing activities in the Pâtés and Sausages categories in the Croatian market, related, among other things, to the timing of activities in the pre-Easter period. If the FX effect is excluded, the business unit would record 4.2% lower sales,
- The **Fish business unit** records 10.8% higher sales, primarily due to the increased demand and stronger selling and marketing activities, related, among other, to the pre-Easter fasting period. If the FX effect is excluded, it is estimated the business unit would record 10.9% higher sales,
- The **Prescription drugs category** recorded 3.9% lower sales, with the most significant decrease recorded in the market of Bosnia and Herzegovina and in the markets of Kosovo and Turkey following changes in legislation. If the FX effect is excluded, it is estimated the category would record 2.6% lower sales,
- The sales of the **Non-prescription programme category** are 9.9% 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 10.7% higher sales,
- The **Other sales category** recorded 18.8% higher sales as a result of the increase in sales of trade goods of the Lagris company in the Food segment. In the Pharmaceuticals segment, the increase in sales of trade goods is recorded by the company Farmavita. If the FX effect is excluded, it is estimated the other sales revenues would be 18.4% higher.

Sales revenues by business unit and category in 1-3 2019





Sales revenues by region in 1-3 2019

Sales revenues by region				
<i>(in HRK millions)</i>	1-3 2018	1-3 2019	Δ	%
Adria	678.5	703.5	25.0	3.7%
<i>Food*</i>	534.7	553.8	19.0	3.6%
<i>Pharmaceuticals</i>	143.8	149.7	5.9	4.1%
WE and Overseas	111.2	118.8	7.6	6.8%
<i>Food</i>	110.9	118.6	7.6	6.9%
<i>Pharmaceuticals</i>	0.3	0.2	(0.0)	(12.0%)
Central Europe	128.3	125.4	(2.9)	(2.3%)
<i>Food*</i>	110.7	108.5	(2.1)	(1.9%)
<i>Pharmaceuticals</i>	17.7	16.9	(0.8)	(4.5%)
Eastern Europe	62.4	65.4	3.0	4.8%
<i>Food</i>	28.3	30.3	2.0	7.1%
<i>Pharmaceuticals</i>	34.1	35.1	1.0	2.9%
New markets	8.4	4.3	(4.1)	(48.4%)
<i>Food</i>	5.2	4.3	(0.8)	(16.1%)
<i>Pharmaceuticals</i>	3.2	0.0	(3.2)	(100.0%)
Podravka Group	988.9	1,017.4	28.6	2.9%

*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 1-3 2019 amounted to HRK 0.7 million, and in 1-3 2018 to HRK 0.9 million.

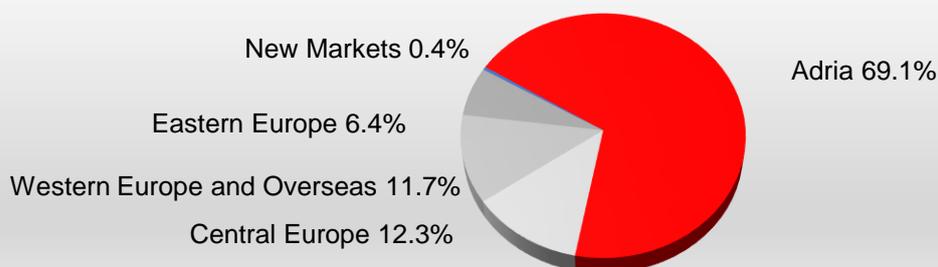
Movements of revenues by region (1-3 2019 compared to 1-3 2018):

- The **Adria region** recorded 3.7% higher sales, while if the FX effect is excluded, it is estimated the region would record 3.8% higher sales. In the Food segment, revenue growth is primarily recorded by the Culinary, Baby food, sweets and snacks and Fish business units in most markets, 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 4.1% higher primarily as a consequence of increase in other sales,
- Revenues of the **Western Europe and Overseas region** grew by 6.8%, while if the FX effect was excluded, it is estimated the region would record 6.2% higher sales. The revenue growth in the Food segment is the result of the continuous growth in revenues of the Žito and Lagris business unit in the markets of Italy and Germany, and the increase in sales of Lagris trade goods on all markets of the region. This compensated for a mild decrease in the Pharmaceuticals segment revenues,



- The **Central Europe region** recorded 2.3% lower sales, while if the FX effect was excluded, it is estimated the region would record 1.8% lower sales. The most significant impact on the Food segment came from the Žito and Lagris business unit, following the decrease in sales of the Core food category in the market of the Czech Republic and the Podravka food business unit due to the decrease in revenues of the Tomato category in the market of Poland, in both cases as a consequence of fewer selling and marketing activities and strong competitors' selling activities. The Pharmaceuticals segment recorded a 4.5% sales decrease, primarily due to lower demand in the market of Poland,
- Revenues of the **Eastern Europe region** grew by 4.8%, while if the FX effect was excluded, it is estimated the region would record 10.1% higher sales. In the Food segment, the increase in revenues is recorded by the Culinary business unit in the markets of the Baltic region, as a result of stronger selling and marketing activities and trade goods of the Lagris company. In the Pharmaceuticals segment the increased demand for the Non-prescription drugs category annulled the unfavourable effect of foreign exchange differences and led to a 2.9% revenue growth,
- The **New markets region** recorded a decrease in sales of HRK 4.1 million, while if the FX effect was excluded, the region would record the identical sales decrease of estimated HRK 4.1 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.

Sales revenues by region in 1-3 2019





Profitability in 1-3 2019

Note: in the 1-3 2019 and 1-3 2018 periods there were no materially significant one-off items, so the normalised result for these periods is not presented. The implementation of new IFRS 16 resulted in lease expense lower by estimated HRK 8.6 million (Food estimated HRK 6.8 million, Pharmaceuticals estimated HRK 1.8 million), while depreciation is higher by HRK 8.2 million (Food HRK 6.4 million, Pharmaceuticals HRK 1.7 million), and interest expense by HRK 0.6 million (Food HRK 0.5 million, Pharmaceuticals HRK 0.1 million).

Profitability of the Food segment in 1-3 2019

Profitability of the Food segment				
(in HRK millions)	1-3 2018	1-3 2019	Δ	%
Sales revenue	789.8	815.5	25.7	3.3%
Gross profit	268.8	287.2	18.4	6.9%
EBITDA*	102.5	115.4	12.9	12.6%
EBIT	68.8	78.9	10.1	14.6%
Net profit after MI	53.8	62.9	9.1	16.9%
Gross margin	34.0%	35.2%		+119 bp
EBITDA margin	13.0%	14.2%		+118 bp
EBIT margin	8.7%	9.7%		+96 bp
Net margin after MI	6.8%	7.7%		+90 bp

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

Profitability of the Food segment (1-3 2019 compared to 1-3 2018):

- The Food segment recorded 6.9% higher **gross profit** as a result of higher sales revenues and the positive impact of the sales structure itself, as explained in the “Overview of sales revenues in 1-3 2019” section,
- **Operating profit (EBIT)** is HRK 10.1 million higher, primarily as a result of the previously mentioned factors and favourable movements in foreign exchange differences on trade receivables and trade payables (HRK +2.9 million in 1-3 2019; HRK -4.4 million in 1-3 2018). The increase in sales of the profitable range successfully compensated for the increase in certain operating expenses, primarily marketing expenses and staff costs. 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 9.1 million higher, while an additional negative effect came from higher tax expenses resulting from higher profit before tax.

Profitability of the Pharmaceuticals segment in 1-3 2019

Profitability of the Pharmaceuticals segment				
<i>(in HRK millions)</i>	1-3 2018	1-3 2019	Δ	%
Sales revenue	199.0	201.9	2.9	1.4%
Gross profit	102.7	96.8	(5.9)	(5.8%)
EBITDA*	33.1	41.0	7.9	23.8%
EBIT	18.8	25.5	6.7	35.4%
Net profit after MI	16.0	17.2	1.3	7.9%
Gross margin	51.6%	48.0%		-367 bp
EBITDA margin	16.6%	20.3%		+367 bp
EBIT margin	9.5%	12.6%		+317 bp
Net margin after MI	8.0%	8.5%		+51 bp

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

Profitability of the Pharmaceuticals segment (1-3 2019 compared to 1-3 2018):

- The Pharmaceuticals segment recorded 5.8% lower **gross profit**, due to a changed sales structure where the sales of profitable own brands decreased, and sales of trade goods increased,
- **Operating profit (EBIT)** is HRK 6.7 million higher as a result, in addition to the mentioned above, of the optimisation of certain operating expenses and favourable movements in foreign exchange differences on trade receivables and trade payables (HRK +7.6 million in 1-3 2019; HRK -2.3 million in 1-3 2018),
- Under the impact of the previously mentioned factors, **net profit after minority interests** is HRK 1.3 million higher. An additional effect came from higher net finance costs caused by movements in foreign exchange differences on borrowings (HRK -0.7 million in 1-3 2019; HRK +4.9 million in 1-3 2018).



Profitability of the Podravka Group in 1-3 2019

Profitability of the Podravka Group				
<i>(in HRK millions)</i>	1-3 2018	1-3 2019	Δ	%
Sales revenue	988.9	1,017.4	28.6	2.9%
Gross profit	371.5	384.0	12.5	3.4%
EBITDA*	135.6	156.5	20.8	15.4%
EBIT	87.7	104.4	16.7	19.1%
Net profit after MI	69.8	80.1	10.3	14.8%
Gross margin	37.6%	37.7%		+17 bp
EBITDA margin	13.7%	15.4%		+166 bp
EBIT margin	8.9%	10.3%		+139 bp
Net margin after MI	7.1%	7.9%		+82 bp

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

Profitability of the Podravka Group (1-3 2019 compared to 1-3 2018):

- The Podravka Group recorded 3.4% higher **gross profit**, where the increase in gross profit of the food segment compensated for the lower gross profit of the pharmaceuticals segment. In this, cost of goods sold increased by 2.6%, which resulted in the gross margin of 37.7%,
- **Operating profit (EBIT)** is HRK 16.7 million higher, as a result of the previously mentioned factors and favourable movements in foreign exchange differences on trade receivables and trade payables (HRK +10.6 million in 1-3 2019; HRK -6.7 million in 1-3 2018). The increase in sales of the profitable range successfully compensated for the increase in certain operating expenses, primarily marketing expenses and staff costs. 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 10.3 million higher. An additional effect came from higher net finance costs, mainly caused by movements in foreign exchange differences on borrowings (HRK +0.2 million in 1-3 2019; HRK +4.9 million in 1-3 2018) and higher tax expenses.



Key characteristics of the income statement in 1-3 2019

Other income and expenses, net

In 1-3 2019, other income and expenses, net amounted to HRK +12.8 million, while in the comparative period they amounted to HRK -2.2 million. This line item also includes foreign exchange differences on trade receivables and trade payables that amounted to HRK +10.6 million in 1-3 2019, while in the comparative period they amounted to HRK -6.7 million.

Cost of goods sold

Cost of goods sold in the observed period is 2.6% higher compared to 1-3 2018, in line with higher sales realised and the sales structure itself.

General and administrative expenses

In 1-3 2019, general and administrative expenses were 4.9% higher than in the comparative period, primarily as a result of higher provisions for prepaid expenses.

Selling and distribution costs

In the observed period, selling and distribution costs are 4.4% higher compared to 1-3 2018, where the growth came primarily from the food segment, while the pharmaceuticals segment recorded lower selling and distribution costs. The increase in selling and distribution costs is related to the increase in sales, but also to the planned increase in staff costs.

Marketing expenses

In line with the Group's strategy, marketing expenses in the observed period are 1.9% higher than in 1-3 2018, primarily as a result of stronger investments in further development of own brands through effective marketing activities.

Net finance costs

In the observed period, net finance costs amounted to HRK -4.8 million, while in the comparative period they amounted to HRK -0.2 million. This was impacted by movements in foreign exchange differences on borrowings, which in 1-3 2019 amounted to HRK +0.2 million, while in 1-3 2018 they amounted to HRK +4.9 million.

Income tax

In 1-3 2019, the 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.



Key characteristics of the balance sheet as at 31 March 2019

Property, plant and equipment

Compared to 31 December 2018, property, plant and equipment of the Podravka Group are HRK 18.9 million lower due to normal depreciation in the current period.

Inventories

Inventories of the Podravka Group are HRK 40.4 million higher compared to 31 December 2018, and HRK 49.3 million higher compared to 31 March 2018. The increase in comparison to the same period of the previous year is a consequence of different dynamics of drawing finished products by customers related to the timing of the pre-Easter period, resulting in the increase in inventories of finished products.

Trade and other receivables

Trade and other receivables of the Podravka Group are HRK 6.4 million higher compared to 31 December 2018, and HRK 10.2 million lower compared to 31 March 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 66.0 million lower compared to 31 December 2018, as explained in the "Key characteristics of the cash flow statement in 1-3 2019" section.

Long-term and short-term borrowings

As at 31 March 2019, long-term and short-term borrowings of the Podravka Group are HRK 84.3 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 55.2 million lower compared to 31 December 2018, and HRK 3.3 million higher compared to 31 March 2018. These departures are in line with normal operations.

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, unless for leases with a term of 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 31 March 2019, which increased the total amount of debt by HRK 18.0 million compared to 31 December 2018. If the right-of-use assets are excluded, the indebtedness would be HRK 84.1 million lower as a result of continued repayment of a portion of borrowings.



As at 31 March 2019, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities amounted to HRK 984.2 million, of which HRK 553.5 million relates to long-term borrowings, HRK 328.0 million to short-term borrowings, HRK 102.1 million to liabilities for right-of-use assets, and HRK 0.6 million to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 31 March 2019 was 1.7%, while if the liabilities for right-of-use assets are excluded it was 1.6%.

Currency structure of debt as at 31 March 2019



Analysing the debt currency structure (including liabilities for right-of-use assets), the highest exposure, of 86.2%, was toward the Euro (EUR), while 7.5% of the debt was in the domestic currency (HRK). In the Czech koruna (CZK) was 3.1% of the debt, in the Bosnia and Herzegovina mark (BAM) was 2.1% of the debt, while the remainder of 1.1% relates to other currencies.

<i>(in HRK millions)*</i>	2018	1-3 2019	Δ	%
Net debt	755.1	839.1	84.0	11.1%
Interest expense	17.9	17.1	(0.8)	(4.6%)
Net debt / normalised EBITDA	1.6	1.7	0.1	6.4%
Normalised EBIT / Interest expense	15.2	16.9	1.7	11.2%
Equity to total assets ratio	62.9%	63.8%		+93 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 31 March 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 calculate net debt as at 31 March 2019 excluding the liability for right-of-use assets, it would amount to HRK 737.0 million and would be HRK 18.1 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 84.3 million. If interest expense is calculated excluding the liabilities for right-of-use assets, it would amount to HRK 16.5 million in 1-3 2019. Without the effect of new IFRS 16, the net debt to normalised EBITDA ratio would amount to estimated 1.5, while the interest coverage ratio would be estimated 17.5.



Key highlights of the cash flow statement in 1-3 2019

<i>(in HRK millions)</i>	1-3 2018	1-3 2019	Δ
Net cash flow from operating activities	(41.4)	50.3	91.7
Net cash flow from investing activities	(23.7)	(23.5)	0.2
Net cash flow from financing activities	(101.1)	(92.8)	8.4
Net increase / (decrease) of cash and cash equivalents	(166.3)	(66.0)	100.3

Net cash flow from operating activities

In 1-3 2019, net cash flow from operating activities is HRK 91.7 million higher 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 23.5 million. This is primarily the result of capital expenditure amounting to HRK 24.1 million. The most significant **capital expenditure** in 1-3 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,
- 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 1-3 2019, net cash flow from financing activities amounted to negative HRK 92.8 million, primarily as a result of repaid borrowings in the amount of HRK 85.1 million, which is in line with the Group's focus on reducing debt.



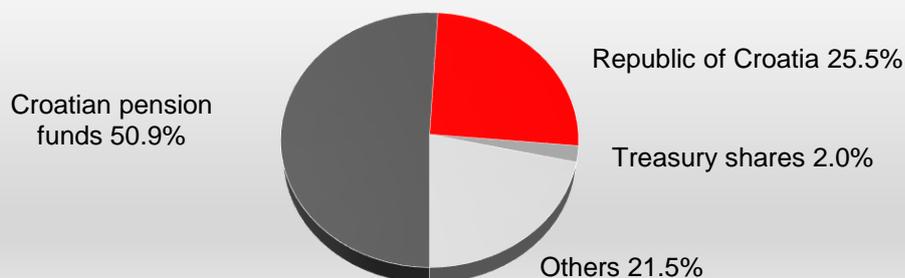
Share in 1-3 2019

List of major shareholders as at 31 March 2019

No.	Shareholder	Number of shares	% of ownership
1.	Republic of Croatia	1,814,979	25.5%
2.	PBZ Croatia Osiguranje mandatory pension fund, category B	1,070,282	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	1,892,715	26.5%
Total		7,120,003	100.0%

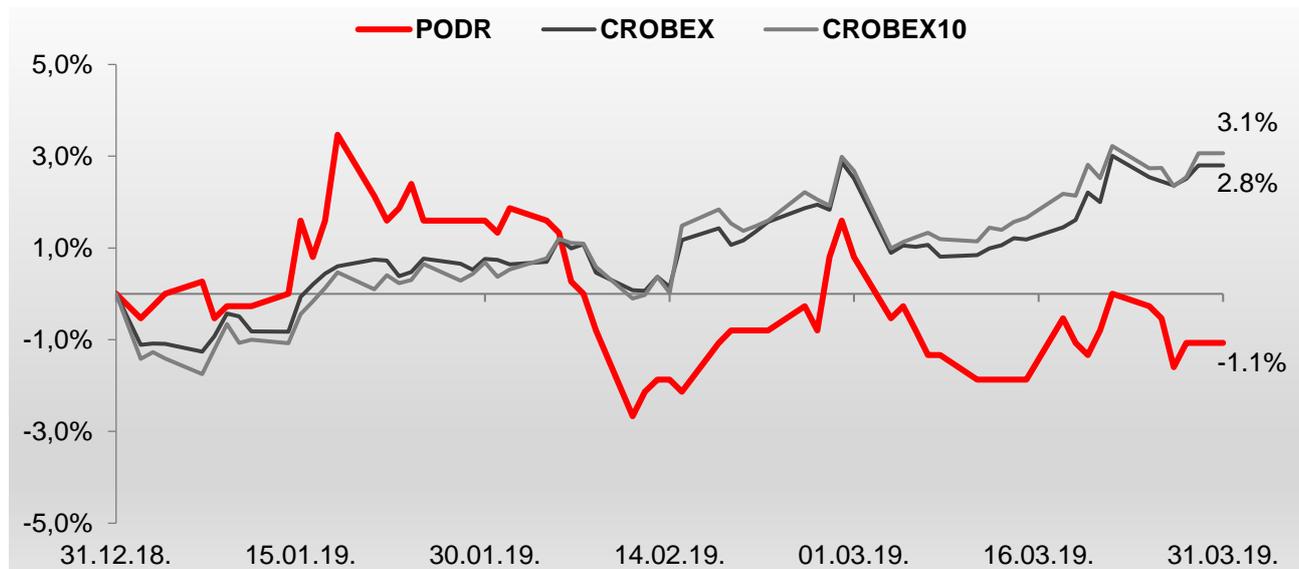
Podravka Inc. has a stable ownership structure where the most significant share is held by domestic pension funds and the Republic of Croatia. As at 31 March 2019, domestic pension funds (mandatory and voluntary) hold a total of 50.9% shares, and the Republic of Croatia 25.5%. Podravka Inc. has 2.0% of treasury shares. Podravka Inc.'s shares have been listed on the Prime Market of the Zagreb Stock Exchange.

Ownership structure as at 31 March 2019





Share price movement in 1-3 2019



<i>(closing price in HRK; closing points)</i>	31 December 2018	31 March 2019	%
PODR	375.0	371.0	(1.1%)
CROBEX	1,748.8	1,797.8	2.8%
CROBEX10	1,017.1	1,048.2	3.1%

In 1-3 2019, the price of the Podravka's share dropped by 1.1%, while domestic stock indices Crobex and Crobex10 grew by 2.8% and 3.1%, respectively.

Performance in the Croatian capital market in 1-3 2019

<i>(in HRK; in units)³</i>	1-3 2018	1-3 2019	%
Weighted average daily price	265.0	373.9	41.1%
Average daily number of transactions	13	9	(30.2%)
Average daily volume	1,534	454	(70.4%)
Average daily turnover	406,529.9	169,641.4	(58.3%)

In 1-3 2019, the average weighted daily price of the Podravka's share was 41.1% higher than in the comparative period. At the same time, the average daily number of transactions, the average daily volume and daily turnover decreased.

³Weighted 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

<i>(in HRK millions; earnings per share in HRK)*</i>	2018	1-3 2019	%
Last price	375.0	371.0	(1.1%)
Weighted average number of shares	6,964,479	6,968,618	0.1%
Market capitalization	2,611.7	2,585.4	(1.0%)
EV ⁴	3,409.1	3,468.3	1.7%
Normalized earnings per share	31.1	32.5	4.6%
EV / sales revenue	0.8	0.7	(11.5%)
EV / normalized EBITDA	7.3	7.1	(2.6%)
EV / normalized EBIT	12.5	12.0	(4.1%)
Last price / normalized earnings per share ratio (P / E)	12.1	11.4	(5.4%)

***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.

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



Consolidated financial statements in 1-3 2019

Consolidated Profit and Loss Statement in 1-3 2019

<i>(in HRK thousands)</i>	1-3 2018	% of sales revenues	1-3 2019	% of sales revenues	%
Sales revenue	988,852	100.0%	1,017,410	100.0%	2.9%
Cost of goods sold	(617,340)	(62.4%)	(633,389)	(62.3%)	2.6%
Gross profit	371,512	37.6%	384,021	37.7%	3.4%
General and administrative exp.	(70,447)	(7.1%)	(73,903)	(7.3%)	4.9%
Selling and distribution costs	(132,535)	(13.4%)	(138,418)	(13.6%)	4.4%
Marketing expenses	(78,611)	(7.9%)	(80,111)	(7.9%)	1.9%
Other (expenses) / income, net	(2,245)	(0.2%)	12,805	1.3%	(670.3%)
Operating profit	87,674	8.9%	104,394	10.3%	19.1%
Financial income	453	0.0%	238	0.0%	47.4%
Other financial expenses	(290)	(0.0%)	(823)	(0.1%)	183.8%
Interest expenses	(5,179)	(0.5%)	(4,350)	(0.4%)	(16.0%)
Net foreign exchange differences on borrowings	4,860	0.5%	162	0.0%	(96.7%)
Net finance costs	(156)	(0.0%)	(4,773)	(0.5%)	2,960.0%
Profit before tax	87,518	8.9%	99,620	9.8%	13.8%
Current income tax	(13,551)	(1.4%)	(14,590)	(1.4%)	7.7%
Deferred tax	(2,848)	(0.3%)	(3,272)	(0.3%)	14.9%
Income tax	(16,400)	(1.7%)	(17,862)	(1.8%)	8.9%
Net profit for the year	71,119	7.2%	81,759	8.0%	15.0%
Net profit / (loss) attributable to:					
Equity holders of the parent	69,807	7.1%	80,150	7.9%	14.8%
Non-controlling interests	(1,311)	(0.1%)	(1,609)	(0.2%)	22.7%



Consolidated Balance Sheet as at 31 March 2019

<i>(in HRK thousands)</i>	31 Dec 2018	% share	31 Mar 2019	% share	% change
ASSETS					
Non-current assets					
Goodwill	26,783	0.6%	26,783	0.5%	0.0%
Investment property	134,187	2.8%	133,483	2.7%	(0.5%)
Intangible assets	236,175	4.9%	236,258	4.8%	0.0%
Property, plant and equipment	2,256,318	46.6%	2,237,426	45.6%	(0.8%)
Right-of-use asset	0	0.0%	101,365	2.1%	100.0%
Deferred tax assets	152,079	3.1%	148,594	3.0%	(2.3%)
Non-current financial assets	6,366	0.1%	6,374	0.1%	0.1%
Total non-current assets	2,811,908	58.0%	2,890,283	58.9%	2.8%
Current assets					
Inventories	848,230	17.5%	888,661	18.1%	4.8%
Trade and other receivables	938,766	19.4%	945,173	19.3%	0.7%
Financial assets at fair value through profit and loss	296	0.0%	17	0.0%	(94.3%)
Income tax receivable	5,834	0.1%	5,428	0.1%	(7.0%)
Cash and cash equivalents	211,106	4.4%	145,121	3.0%	(31.3%)
Non-current assets held for sale	29,921	0.6%	29,885	0.6%	(0.1%)
Total current assets	2,034,153	42.0%	2,014,285	41.1%	(1.0%)
Total assets	4,846,061	100.0%	4,904,568	100.0%	1.2%
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,691,884	34.9%	1,691,884	34.5%	0.0%
Reserves	796,850	16.4%	797,850	16.3%	0.1%
Retained earnings / (accumulated losses)	516,603	10.7%	596,753	12.2%	15.5%
Attributable to equity holders of the parent	3,005,337	62.0%	3,086,487	62.9%	2.7%
Non-controlling interests	42,369	0.9%	43,854	0.9%	3.5%
Total shareholders' equity	3,047,706	62.9%	3,130,341	63.8%	2.7%
Non-current liabilities					
Borrowings	623,454	12.9%	553,503	11.3%	(11.2%)
Provisions	70,611	1.5%	72,366	1.5%	2.5%
Other non - current liabilities	20,703	0.4%	20,492	0.4%	(1.0%)
Lease liability	0	0.0%	70,325	1.4%	100.0%
Deferred tax liability	40,213	0.8%	39,958	0.8%	(0.6%)
Total non-current liabilities	754,981	15.6%	756,644	15.4%	0.2%
Current liabilities					
Trade and other payables	658,861	13.6%	603,697	12.3%	(8.4%)
Income tax payable	15,914	0.3%	26,918	0.5%	69.1%
Financial liabilities at fair value through profit and loss	415	0.0%	597	0.0%	43.9%
Borrowings	342,332	7.1%	328,016	6.7%	(4.2%)
Current portion of long-term debt for right-of-use asset	0	0.0%	31,759	0.6%	100.0%
Provisions	25,852	0.5%	26,596	0.5%	2.9%
Total current liabilities	1,043,374	21.5%	1,017,583	20.7%	(2.5%)
Total liabilities	1,798,355	37.1%	1,774,227	36.2%	(1.3%)
Total equity and liabilities	4,846,061	100.0%	4,904,568	100.0%	1.2%



Consolidated Cash Flow Statement in 1-3 2019

<i>(in HRK thousands)</i>	1-3 2018	1-3 2019	%
Profit / (loss) for the year	71,118	81,759	15.0%
Income tax	16,400	17,862	8.9%
Depreciation	47,945	52,059	8.6%
Reversal of impairment of assets held for sale	0	(48)	(100.0%)
Subsidiary liquidation	(2,211)	0	100.0%
Remeasurement of financial instruments at fair value	(202)	461	328.2%
(Profit) / loss on disposal of property, plant, equipment and intangibles	(4)	(217)	n/a
(Profit) / loss on disposal of assets held for sale	(5)	(1)	80.0%
Impairment of trade receivables	1,131	1,620	43.2%
(Decrease) / increase in provisions	(2,180)	2,499	214.6%
Interest income	(453)	(66)	85.4%
Interest expense	5,469	3,908	(28.5%)
Interest expense on the right-of-use assets	0	633	100.0%
Effect of changes in foreign exchange rates	(9,358)	1,626	117.4%
Changes in working capital:			
(Increase) / decrease in inventories	(33,529)	(40,432)	(20.6%)
(Increase) / decrease in trade receivables	(9,022)	(8,230)	8.8%
Increase / (decrease) in trade payables	(117,284)	(54,942)	53.2%
Cash generated from operations	(32,185)	58,491	281.7%
Income tax paid	(3,138)	(3,454)	(10.1%)
Interest paid	(6,109)	(4,760)	22.1%
Net cash from operating activities	(41,432)	50,277	221.3%
Cash flow from investing activities			
Purchase of property, plant, equipment and intangibles	(24,471)	(24,116)	1.5%
Proceeds from sale of property, plant, equipment and intangibles	260	368	41.5%
Proceeds from sale of rights	0	200	100.0%
Loans given	0	(1)	(100.0%)
Repayment of loans receivable	52	9	(82.7%)
Collected interest	453	66	(85.4%)
Net cash from investing activities	(23,706)	(23,474)	1.0%
Cash flow from financing activities			
Additional acquisition of non-controlling interest	0	145	100.0%
Proceeds from borrowings	7,727	71,621	826.9%
Repayment of borrowings	(108,865)	(156,678)	(43.9%)
Repayment of lease liabilities	0	(7,876)	(100.0%)
Net cash from financing activities	(101,138)	(92,788)	8.3%
Net (decrease) / increase of cash and cash equivalents	(166,276)	(65,985)	60.3%
Cash and cash equivalents at beginning of the year	362,082	211,106	(41.7%)
Cash and cash equivalents at the end of year	195,806	145,121	(25.9%)



Consolidated Statement of Changes in Equity in 1-3 2019

<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 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
<i>Comprehensive income</i>										
Profit for the year	-	-	-	-	-	-	80,150	80,150	1,609	81,759
Foreign exchange differences	-	-	-	-	-	855	-	855	(124)	731
Actuarial losses (net of deferred tax)	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	855	-	855	(124)	731
Total comprehensive income	-	-	-	-	-	855	80,150	81,005	1,485	82,490
<i>Transactions with owners recognised directly in equity</i>										
Allocation from retained earnings	-	-	-	-	-	-	-	-	-	-
Additional acquisition of minority interests	-	-	-	-	-	145	-	145	-	145
Exercise of options	-	-	-	-	-	-	-	-	-	-
Fair value of share-based payment transactions	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-
Total transactions with owners recognised directly in equity	-	-	-	-	-	145	-	145	-	145
As at 31 March 2019	1,691,884	147,604	58,445	189,738	61,790	340,273	596,753	3,086,487	43,854	3,130,341



Notes to the financial statements

From 1 January 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 31 March 2019 Podravka Group right-of-use asset amounts to 101.4 mil. HRK and lease liabilities amounts to 102.1 mil. HRK.

President of the Management Board:

Marin Pucar

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



Statement of liability

Koprivnica, 30 April 2019

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of Podravka Group for the period 1 - 3 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 financial statements of Podravka Group for the period 1 - 3 2019 were approved by the Management Board of PODRAVKA d.d. on 30 April 2019.

Corporate Accounting Director:

Julijana Artner Kuček

Board Member:

Davor Doko





Contact

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