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

PODRAVKA

Podravka Group business results for 1-9 2019 period - unaudited

Contents

Key financial indicators in 1-9 2019

(in HRK millions)	1-9 2018	1-9 2019	Δ	%
Sales revenue	3,078.3	3,238.5	160.2	5.2%
EBITDA[1]	379.4	413.2	33.8	8.9%
Net profit after MI	185.9	194.3	8.3	4.5%
Net cash flow from operating activities	146.6	175.7	29.1	19.8%
Cash capital expenditures	108.5	101.4	(7.1)	(6.5%)
Normalised EBITDA[1]	367.8	415.4	47.6	12.9%
Normalised net profit after MI	172.2	196.3	24.1	14.0%

(in HRK; market capitalization in HRKm)	31.12.2018	30.9.2019	Δ	%
Net debt / normalised EBITDA	1.6	1.7	0.0	2.7%
Normalised Earnings per share	31.1	34.4	3.4	10.9%
Last price at the end of period	375.0	476.0	101.0	26.9%
Market capitalization	2,611.7	3,322.6	710.9	27.2%
Return on average equity[2]	7.5%	7.9%		+41 bp
Return on average assets[2]	4.5%	5.0%		+51 bp

Key highlights in 1-9 2019:

- In the first nine months of 2019, the Podravka Group recorded a revenue increase of HRK 160.2 million, an increase in operating profit of HRK 13.4 million and an increase in net profit of HRK 8.3 million,
- Sales revenues grew by HRK 160.2 million due to stronger selling and marketing activities and demand for newly launched innovated products, of which own brands grew by HRK 138.1 million. The increase in sales of the more profitable own product range, coupled with the control of operating expenses, resulted in a profitability growth on all levels,
- In 1-9 2019, the Podravka Group reduced its borrowings by HRK 78.8 million, in line with the deleveraging strategy,
- Management focus remains on the implementation of the business strategy that may 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 amortisation and value adjustments,
[2]Normalised.

Significant events in 1-9 2019

Changes in Supervisory Board

As at 18th June 2019 the PODRAVKA Inc. General Assembly was held where it was determined that for three members of the PODRAVKA Inc. Supervisory Board membership in the Supervisory Board of PODRAVKA Inc. had ended based on 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.

Dividend distributed to shareholders of Podravka Inc.

The dividend was paid to shareholders on 16th August 2019 in the gross amount of HRK 9.00 per share, which represents an 28.5% increase compared to the last year when the gross amount of HRK 7.00 per share was paid. 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 1-9 2019

Sales revenues by segment in 1-9 2019

Sales revenues by segment				
(in HRK millions)	**1-9 2018**	**1-9 2019**	**Δ**	**%**
Food	**2,439.0**	**2,550.3**	**111.3**	**4.6%**
Own brands	*2,264.2*	*2,371.6*	*107.4*	*4.7%*
Other sales	*174.9*	*178.8*	*3.9*	*2.2%*
Pharmaceuticals	**639.3**	**688.2**	**48.9**	**7.7%**
Own brands	*533.2*	*563.9*	*30.7*	*5.8%*
Other sales	*106.1*	*124.3*	*18.2*	*17.2%*
Podravka Group	**3,078.3**	**3,238.5**	**160.2**	**5.2%**
Own brands	*2,797.4*	*2,935.4*	*138.1*	*4.9%*
Other sales	*281.0*	*303.1*	*22.1*	*7.9%*

Movements of the Food segment revenues (1-9 2019 compared to 1-9 2018):

- **Own brands** recorded 4.7% higher sales, primarily due to the growth in sales of the Culinary, Baby food, sweets and snacks and Fish business units, 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 4.8% higher sales,
- **Other sales** recorded 2.2% higher revenues, primarily as a result of higher sales of trade goods in the Croatian and Czech markets. If the FX effect is excluded, other sales record an estimated 2.4% sales growth,
- Consequently, the **Food segment** recorded 4.6% higher sales, while foreign exchange differences did not have a significant effect on the revenue growth in the reporting period.

Movements of the Pharmaceuticals segment revenues (1-9 2019 compared to 1-9 2018):

- **Own brands** recorded 5.8% higher sales, primarily due to the increase in demand and a shift of a portion of selling activities in the market of Russia, and the sales increase in the market of Croatia. If the FX effect is excluded, own brands record an estimated 5.3% sales growth
- **Other sales** revenues are 17.2% higher as a result of higher sales of trade goods in the Farmavita company, while foreign exchange differences did not have a significant effect on the revenue growth,
- Consequently, the **Pharmaceuticals segment** recorded 7.7% higher sales, while if the FX effect is excluded, it is estimated the revenues would be 7.3% higher.

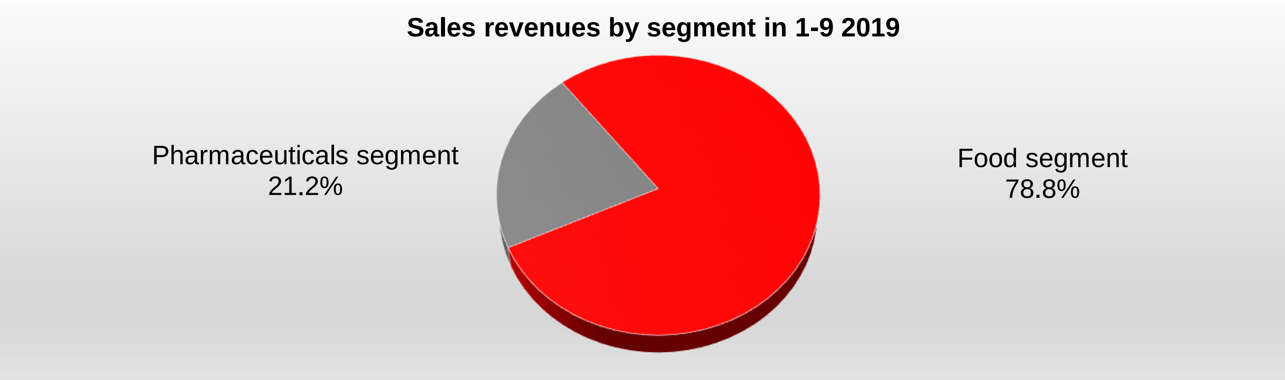
Movements of the Podravka Group revenues (1-9 2019 compared to 1-9 2018):

- **Own brands** of the Podravka Group recorded a 4.9% sales growth, while foreign exchange differences did not have a significant effect on the growth of own brands revenue,
- The revenues from **other sales** are 7.9% higher, while if the effect of foreign exchange differences is excluded, other sales would be 8.0% higher,
- Consequently, the **Podravka Group** recorded 5.2% higher sales, while foreign exchange differences did not have a significant effect on the Podravka Group's revenue growth in the reporting period.

Estimated net effect of currency exchange rates on sales by segment in 1-9 2019:

(in HRK millions)	Own brands	Other sales	Total
Food	(1.4)	(0.3)	(1.7)
Pharmaceuticals	2.3	(0.1)	2.2
Group	0.9	(0.4)	0.5

- The effect of FX differences on sales is the estimate of the revenue amount in 1-9 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 Polish Zloty (HRK -1.6 million) and the Australian dollar (HRK -0.8 million), while the most significant positive effect is recorded by the US dollar (HRK +2.7 million) and the Russian ruble (HRK +2.3 million).



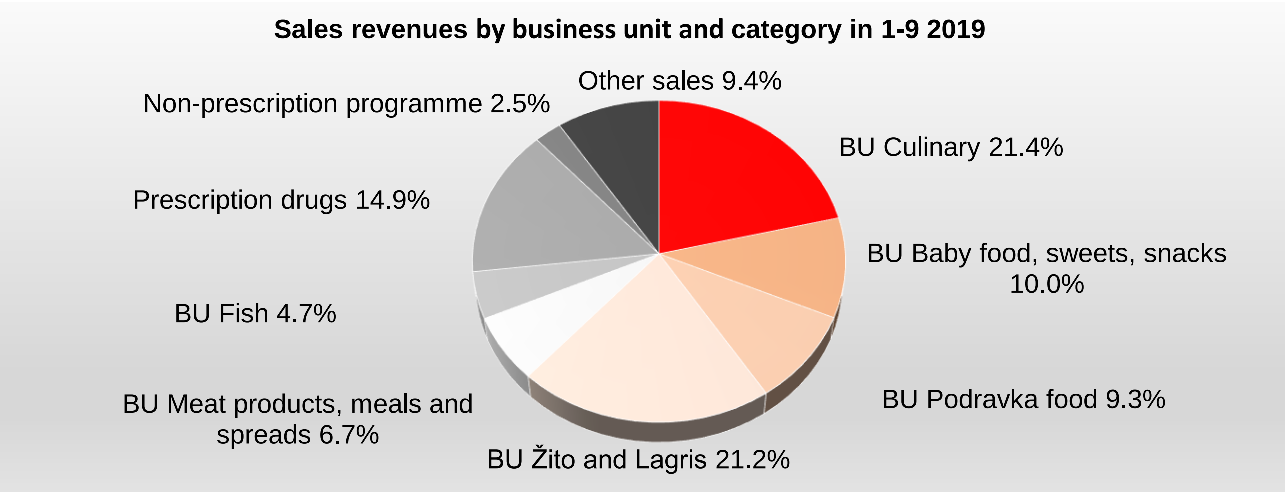
Sales revenues by business unit and category in 1-9 2019

Sales revenues by business unit and category				
(in HRK millions)	**1-9 2018**	**1-9 2019**	**Δ**	**%**
BU Culinary	663.4	691.7	28.4	4.3%
BU Baby food, sweets and snacks	298.9	324.8	25.9	8.7%
BU Podravka food	294.9	301.3	6.3	2.2%
BU Žito and Lagris	674.5	685.1	10.6	1.6%
BU Meat products	203.7	216.2	12.6	6.2%
BU Fish	128.8	152.5	23.7	18.4%
Prescription drugs	459.5	483.0	23.5	5.1%
Non-prescription programme	73.7	80.9	7.2	9.8%
Other sales	281.0	303.1	22.1	7.9%
Other sales Food	*174.9*	*178.8*	*3.9*	*2.2%*
Other sales Pharmaceuticals	*106.1*	*124.3*	*18.2*	*17.2%*
Group Podravka	**3,078.3**	**3,238.5**	**160.2**	**5.2%**

Movements of revenues by business unit and category (1-9 2019 compared to 1-9 2018):

- The **Culinary business unit** recorded 4.3% 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 4.4% higher sales,
- The **Baby food, sweets and snacks** business unit recorded 8.7% higher sales, primarily as a consequence of marketing activities in categories Creamy spreads, Baby food and Snacks. The Creamy spreads and Snacks categories generated the highest revenue growth, 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 8.6% higher sales,
- The **Podravka Food business unit** recorded 2.2% 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. Foreign exchange differences did not have a significant effect on the revenue growth of the Podravka Food business unit,
- The **Žito and Lagris business unit** records 1.6% higher sales than in the comparative period. This is primarily a result of a continuous growth of the Bakery and mill products category. If the FX effect is excluded, it is estimated the business unit would record 1.7% higher sales,

- The **Meat products, meat solutions and savoury spreads business unit** recorded an increase in sales of 6.2%, primarily due to the 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 6.0% higher sales,
- The **Fish business unit** records 18.4% higher sales, primarily due to the increased demand and stronger selling and marketing activities in the Adria region. The revenue growth in the Fish business unit was achieved without significant effect of foreign exchange differences,
- The **Prescription drugs category** recorded 5.1% 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 sales growth in the market of Russia is a result of continuous demand for Belupo products and a shift of a portion of selling activities from November and December 2019 to an earlier period, while 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 4.7% higher sales,
- The sales of the **Non-prescription programme category** are 9.8% higher, primarily as a result of the sales growth in the OTC drugs subcategory in the markets of Croatia, Slovenia 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 9.5% higher sales,
- The **Other sales category** recorded 7.9% higher sales primarily 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 8.0% higher.



Sales revenues by region in 1-9 2019

Sales revenues by region				
(in HRK millions)	**1-9 2018**	**1-9 2019**	**Δ**	**%**
Adria	**2,168.4**	**2,275.1**	**106.8**	**4.9%**
*Food**	*1,710.3*	*1,791.5*	*81.2*	*4.7%*
Pharmaceuticals	*458.1*	*483.7*	*25.6*	*5.6%*
WE and Overseas	**320.3**	**349.4**	**29.1**	**9.1%**
Food	*319.5*	*348.8*	*29.3*	*9.2%*
Pharmaceuticals	*0.8*	*0.6*	*(0.2)*	*(27.2%)*
Central Europe	**363.2**	**368.3**	**5.1**	**1.4%**
*Food**	*318.7*	*321.1*	*2.4*	*0.8%*
Pharmaceuticals	*44.5*	*47.2*	*2.7*	*6.0%*
Eastern Europe	**205.6**	**232.5**	**26.9**	**13.1%**
Food	*78.6*	*76.5*	*(2.2)*	*(2.8%)*
Pharmaceuticals	*127.0*	*156.0*	*29.1*	*22.9%*
New markets	**20.8**	**13.2**	**(7.6)**	**(36.6%)**
Food	11.9	*12.5*	*0.6*	*5.2%*
Pharmaceuticals	8.9	*0.7*	*(8.2)*	*(92.5%)*
Podravka Group	**3,078.3**	**3,238.5**	**160.2**	**5.2%**

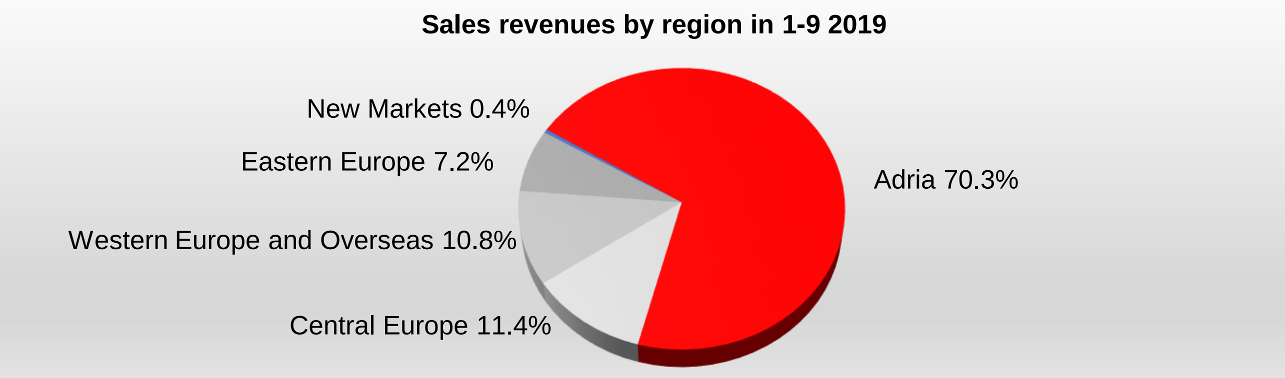
*Since the beginning of 2019, as part of reorganisation, the market of Bulgaria was transferred from the Central Europe region to the Adria region. Revenues on the Bulgarian market in 1-9 2019 amounted to HRK 2.2 million, and in 1-9 2018 to HRK 2.7 million.

Movements of revenues by region (1-9 2019 compared to 1-9 2018):

- The **Adria region** recorded 4.9% higher sales, while foreign exchange differences did not significantly affect the revenue growth in the region. In the Food segment, revenue growth is recorded by all business units as a result of implemented selling and marketing activities, expanded distribution and launching of new and innovated products, while revenues of the Pharmaceuticals segment were 5.6% 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 9.1%, while if the FX effect was excluded, it is estimated the region would record 8.7.% higher sales. In the Food segment, revenue growth was recorded by almost all business units, led by the Culinary and Baby food, sweets and snacks. The Pharmaceuticals segment recorded lower revenues, which did not have a significant impact on the region’s total result,
- The **Central Europe region** recorded 1.4% higher sales, while if the FX effect was excluded, it is estimated the region would record 2.3% higher sales. The Food segment recorded revenues growth

primarily on the back of higher sales of the Culinary business unit and trade goods. The Pharmaceuticals segment recorded a 6.0% total sales growth, primarily due to the increase in sales in the market of the Czech Republic and Slovakia,

- Revenues of the **Eastern Europe region** grew by 13.1%, while if the FX effect was excluded, it is estimated the region would record 12.0% 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, and lower sales of trade goods. In the Pharmaceuticals segment, a significant revenue growth was recorded as a result of continuous demand for Belupo products and a shift of a portion of selling activities from November and December 2019 to an earlier period,
- The **New markets region** recorded a decrease in sales of HRK 7.6 million, while foreign exchange differences did not have a significant effect on the region's result. The Food segment recorded a revenue growth of 5.2%, primarily due to the growth of trade goods, while in the Pharmaceuticals segment, the decrease in revenue is a consequence of changes in legislation in the market of Turkey.



Profitability in 1-9 2019

In the Food segment, in the 1-9 2018 period one-off items related to: i) HRK 0.5 million of termination benefits for seriously ill employees, ii) HRK 1.6 million of ESOP costs, iii) HRK 12.0 million of revenue from the sale of a portion of non-operating assets of Mirna Inc., iv) HRK 3.4 million of estimated tax effect of the mentioned one-off items; while in the 1-9 2019 period they related to the following: i) HRK 0.4 million of termination benefits for seriously ill employees, ii) HRK 1.2 million of impairment costs related to inventories of frozen vegetables, iii) HRK 0.6 million of provision costs for the write-off of a prepayment related to frozen vegetables, iv) HRK 0.2 million of estimated tax effect of the mentioned one-off items. In the Pharmaceuticals segment, in the 1-9 2018 period one-off items related to: i) HRK 0.4 million of ESOP costs, ii) HRK 0.1 million of estimated tax effect of the mentioned one-off items; while there were no one-off items in the 1-9 2019 period.

In the 1-9 2019 period, the adoption of new IFRS 16 resulted in lower lease expense by estimated HRK 27.6 million (Food: estimated HRK 22.0 million, Pharmaceuticals: estimated HRK 5.6 million), while depreciation and amortisation were higher by HRK 26.3 million (Food: HRK 21.0 million, Pharmaceuticals: HRK 5.4 million), and interest expense by HRK 2.0 million (Food: HRK 1.7 million, Pharmaceuticals: HRK 0.3 million).

Profitability of the Food segment in 1-9 2019

Profitability of the Food segment					Normalized			
(in HRK millions)	1-9 2018	1-9 2019	Δ	%	1-9 2018	1-9 2019	Δ	%
Sales revenue	2,439.0	2,550.3	111.3	4.6%	2,439.0	2,550.3	111.3	4.6%
Gross profit	827.7	864.6	36.9	4.5%	827.7	865.8	38.1	4.6%
EBITDA*	280.8	281.5	0.7	0.2%	269.2	283.7	14.5	5.4%
EBIT	181.9	167.5	(14.4)	(7.9%)	170.3	169.7	(0.6)	(0.4%)
Net profit after MI	144.5	133.3	(11.2)	(7.7%)	130.4	135.3	4.9	3.8%
Gross margin	33.9%	33.9%		-3 bp	33.9%	33.9%		+1 bp
EBITDA margin	11.5%	11.0%		-48 bp	11.0%	11.1%		+9 bp
EBIT margin	7.5%	6.6%		-89 bp	7.0%	6.7%		-33 bp
Net margin after MI	5.9%	5.2%		-70 bp	5.3%	5.3%		-4 bp

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

Profitability of the Food segment (1-9 2019 compared to 1-9 2018):

- In the 1-9 2019 period, the Food segment recorded an increase in reported **gross profit** of 4.5%, while the gross margin recorded is 33.9%. 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 1-9 2019” section,
- The reported **operating profit (EBIT)** is lower in part as a consequence of HRK 12.0 million of extraordinary income in the comparative period (sale of a portion of non-operating assets of Mirna Inc.),

while normalised operating profit is slightly below the comparative period. It should be noted that the company in the observed period, in line with its strategy, increased marketing investments by HRK 13.6 million (+13.9%), which contributed to the sales growth that successfully compensated for higher staff costs of HRK 41.0 million (+7.4%) and costs related to the sales growth. Higher staff costs are a result of the planned improvement in material rights of employees,

- Reported **net profit after minority interests** is lower primarily as a consequence of the effect of the sale of a portion of non-operating assets of Mirna Inc. in the comparative period. Normalised net profit after minority interests is HRK 4.9 million higher as a result of the previously mentioned factors and lower tax.

Profitability of the Pharmaceuticals segment in 1-9 2019

Profitability of the Pharmaceuticals segment					**Normalized**			
(in HRK millions)	**1-9 2018**	**1-9 2019**	**Δ**	**%**	**1-9 2018**	**1-9 2019**	**Δ**	**%**
Sales revenue	639.3	688.2	48.9	7.7%	639.3	688.2	48.9	7.7%
Gross profit	316.5	341.5	25.0	7.9%	316.5	341.5	25.0	7.9%
EBITDA*	98.6	131.7	33.1	33.6%	98.6	131.7	33.1	33.6%
EBIT	56.9	84.7	27.8	48.8%	56.9	84.7	27.8	48.8%
Net profit after MI	41.5	61.0	19.5	47.1%	41.8	61.0	19.2	45.8%
Gross margin	49.5%	49.6%		+11 bp	49.5%	49.6%		+11 bp
EBITDA margin	15.4%	19.1%		+372 bp	15.4%	19.1%		+372 bp
EBIT margin	8.9%	12.3%		+340 bp	8.9%	12.3%		+340 bp
Net margin after MI	6.5%	8.9%		+238 bp	6.5%	8.9%		+232 bp

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

Profitability of the Pharmaceuticals segment (1-9 2019 compared to 1-9 2018):

- The Pharmaceuticals segment recorded 7.9% higher reported **gross profit**, while the gross margin at the same time is 49.6%. This is a result of higher sales revenue and the positive impact of the sales structure itself, as explained in the “Overview of sales revenues in 1-9 2019” section,
- Reported **operating profit (EBIT)** is HRK 27.8 million higher as a result of the increase in sales and favourable movements in foreign exchange differences on trade receivables and trade payables (HRK +10.3 million in 1-9 2019; HRK -8.0 million in 1-9 2018). This allowed stronger marketing investments of HRK 4.8 million (+12.2) and compensated for higher staff costs of HRK 14.0 million (+8.3). Higher staff costs are a result of the planned improvement in the material rights of employees,
- As a result of the previously mentioned factors, reported **net profit after minority interests** is HRK 19.5 million higher, which compensated for the less favourable movements in foreign exchange

differences on borrowings than in the comparative period (HRK +0.2 million in 1-9 2019; HRK +5.6 million in 1-9 2018).

Profitability of the Podravka Group in 1-9 2019

Profitability of the Podravka Group					Normalized			
(in HRK millions)	1-9 2018	1-9 2019	Δ	%	1-9 2018	1-9 2019	Δ	%
Sales revenue	3,078.3	3,238.5	160.2	5.2%	3,078.3	3,238.5	160.2	5.2%
Gross profit	1,144.2	1,206.1	61.9	5.4%	1,144.2	1,207.3	63.1	5.5%
EBITDA*	379.4	413.2	33.8	8.9%	367.8	415.4	47.6	12.9%
EBIT	238.8	252.2	13.4	5.6%	227.2	254.4	27.1	11.9%
Net profit after MI	185.9	194.3	8.3	4.5%	172.2	196.3	24.1	14.0%
Gross margin	37.2%	37.2%		+7 bp	37.2%	37.3%		+11 bp
EBITDA margin	12.3%	12.8%		+43 bp	11.9%	12.8%		+88 bp
EBIT margin	7.8%	7.8%		+3 bp	7.4%	7.9%		+47 bp
Net margin after MI	6.0%	6.0%		-4 bp	5.6%	6.1%		+47 bp

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

Profitability of the Podravka Group (1-9 2019 compared to 1-9 2018):

- The Podravka Group recorded 5.4% higher reported **gross profit**, where the strong impact comes from both business segments. In this, cost of goods sold increased by 5.1%, which resulted in the gross margin of 37.2%,
- Reported **operating profit (EBIT)** is HRK 13.4 million higher, while normalised operating profit is by HRK 27.1 million higher. This is a result of the increase in sales in both segments and favourable movements in foreign exchange differences on trade receivables and trade payables (HRK +13.4 million in 1-9 2019; HRK -13.4 million in 1-9 2018), which allowed stronger marketing investment of HRK 18.4 million (+13.4%) and compensated higher staff costs of HRK 55.0 million (+7.6%) and costs related to the sales growth. Higher staff costs are a result of the planned improvement in material rights of employees,
- Reported **net profit after minority interests** is HRK 8.3 million higher, while normalised net profit after minority interests is HRK 24.1 million higher. In addition to the previously mentioned factors, normalised net profit was also affected by less favourable movements in foreign exchange differences on borrowings than in the comparative period (HRK +2.5 million in 1-9 2019; HRK +9.1 million in 1-9 2018).

Key characteristics of the income statement in 1-9 2019

Other income and expenses, net

In the reporting period, other income and expenses, net amounted to HRK +22.8 million, while in the comparative period they amounted to HRK +5.1 million. This line item also includes foreign exchange differences on trade receivables and trade payables that amounted to HRK +13.4 million in 1-9 2019, while in the comparative period they amounted to HRK -13.4 million.

Cost of goods sold

Higher sales realised, the sales structure itself and higher staff costs impacted the increase in costs of goods sold of 5.1% compared to the comparative period.

General and administrative expenses

General and administrative expenses grew by 8.6% compared to the comparative period, primarily as a result of higher staff costs and different dynamics of movements in provisions.

Selling and distribution costs

The increase in sales and higher staff costs impacted the increase in selling and distribution costs, which are 5.6% higher in the observed period than in the comparative period.

Marketing expenses

In line with the Group's strategy, marketing expenses in the observed period are 9.2% higher than in the comparative period, of which the costs of marketing investments are 13.4% higher, while the remaining portion relates to expenses of the marketing department. 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 -9.2 million, while in the comparative period they amounted to HRK -7.0 million. This is primarily a consequence of movements in foreign exchange differences on borrowings, which in 1-9 2019 amounted to HRK +2.5 million, while in the comparative period they amounted to HRK +9.1 million. Interest expense on borrowings are 17.1% lower due to refinancing of borrowings under more favourable commercial terms.

Income tax

In 1-9 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 September 2019

Property, plant and equipment

Compared to 31 December 2018, property, plant and equipment of the Podravka Group are HRK 36.8 million lower due to normal depreciation in the current period.

Inventories

Inventories of the Podravka Group are HRK 157.2 million higher compared to 31 December 2018, and HRK 99.0 million higher compared to 30 September 2018. The increase compared to 30 September 2018 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 18.1 million higher compared to 31 December 2018, and HRK 17.5 million higher compared to 30 September 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 81.8 million lower compared to 31 December 2018, and HRK 16.7 million lower compared to 30 September 2018. This is explained in the "Key characteristics of the cash flow statement in 1-9 2019" section.

Long-term and short-term borrowings

As at 30 September 2019, long-term and short-term borrowings of the Podravka Group are HRK 78.8 million lower than as at 31 December 2018, as a result of repayment of a portion of borrowings.

Trade and other payables

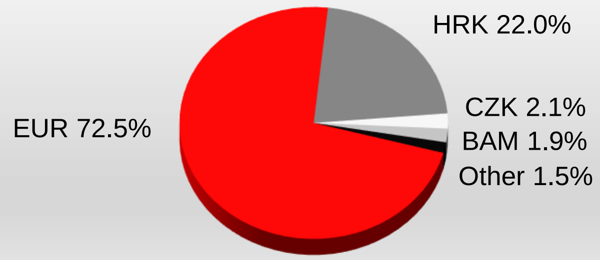
Trade and other payables of the Podravka Group are HRK 21.4 million lower compared to 31 December 2018, and HRK 2.3 million higher compared to 30 September 2018. These departures are in line with normal operations.

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, 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 September 2019 in the amount of HRK 97.4 million. By this, the total amount of debt is higher by HRK 18.4 million compared to 31 December 2018. If the right-of-use assets were excluded, the indebtedness would be HRK 79.1 million lower as a result of repayment of a portion of borrowings. Financial liabilities at fair value through profit or loss are HRK 0.2 million lower.

As at 30 September 2019, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities amounted to HRK 984.6 million, of which HRK 505.7 million relates to long-term borrowings, HRK 381.3 million to short-term borrowings, HRK 97.4 million to liabilities for right-of-use assets, and HRK 0.2 million to swap and forward contract liabilities. The **average weighted cost of debt** on all the stated liabilities as at 30 September 2019 was 1.3%, while if the liabilities for right-of-use assets were excluded it was 1.2%.

Currency structure of debt as at 30 September 2019



Analysing the debt currency structure (including liabilities for right-of-use assets), the highest exposure, of 72.5%, was toward the Euro (EUR), while 22.0% of the debt was in the domestic currency (HRK). 2.1% of the debt was in the Czech koruna (CZK), 1.9% of the debt was in the Bosnia and Herzegovina mark (BAM), while the remainder of 1.5% relates to other currencies.

(in HRK millions)*	2018	1-9 2019	Δ	%
Net debt	755.1	855.2	100.1	13.3%
Interest expense	17.9	15.5	(2.5)	(13.8%)
Net debt / normalised EBITDA	1.6	1.7	0.0	2.7%
Normalised EBIT / Interest expense	15.2	19.4	4.2	27.6%
Equity to total assets ratio	62.9%	63.8%		+95 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 September 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 September 2019 excluding the liability for right-of-use assets, it would amount to HRK 757.8 million and would be HRK 2.7 million higher than at the end of 2018. The increase in net debt is primarily a result of the decrease in cash and cash equivalents of HRK 81.8 million, while borrowings decreased by HRK 78.8 million, and financial liabilities at fair value through profit or loss are HRK 0.2 million lower. If normalised EBITDA was calculated excluding the liabilities for right-of-use assets, it would amount to HRK 484.7 million in 1-9 2019 at the level of the last 12 months. If interest expense was calculated excluding the liabilities for right-of-use assets, it would amount to HRK 13.5 million in 1-9 2019 at the level of the last 12 months. Consequently, without the effect of the new IFRS 16, it is estimated that the net debt to normalised EBITDA ratio would be 1.6, while the interest coverage ratio would be 22.1.

Key highlights of the cash flow statement in 1-9 2019

(in HRK millions)	1-9 2018	1-9 2019	Δ
Net cash flow from operating activities	146.6	219.4	72.8
Net cash flow from investing activities	(69.0)	(97.4)	(28.4)
Net cash flow from financing activities	(293.8)	(160.1)	133.7
Net increase / (decrease) of cash and cash equivalents	**(216.1)**	**(38.1)**	**178.0**

Net cash flow from operating activities

In 1-9 2019, net cash flow from operating activities is HRK 72.8 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 97.4 million. This is primarily the result of capital expenditure amounting to HRK 101.4 million. The most significant **capital expenditure** in 1-9 2019 was related to:

- Continued investment activities in Mirna Inc. 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,
- The production line for gluten-free products in the Snacks factory, enabling the expansion of the product range and investment in the new industrial oven for baking salty snacks, which ensures the continuity and safety of production,
- Investment in modernisation of the line for the production of creamy spreads, increasing the existing capacities and possibilities for growth of the existing products and the expansion 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 175.0 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 1-9 2019, net cash flow from financing activities amounted to negative HRK 160.1 million, primarily as a result of continuation of repayment of borrowings in the net amount of HRK 77.3 million. The difference in relation to the repayment of borrowings in the balance sheet relates to foreign exchange differences.

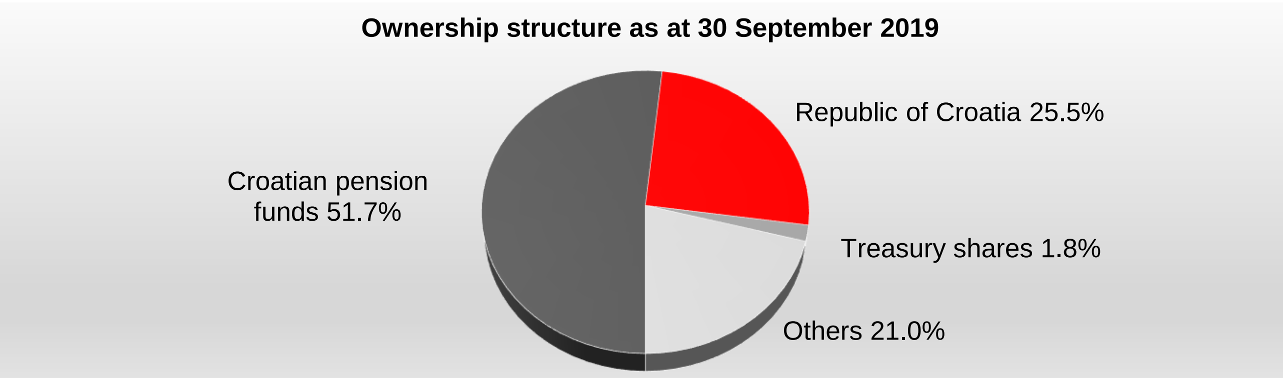
Share in 1-9 2019

List of major shareholders as at 30 September 2019

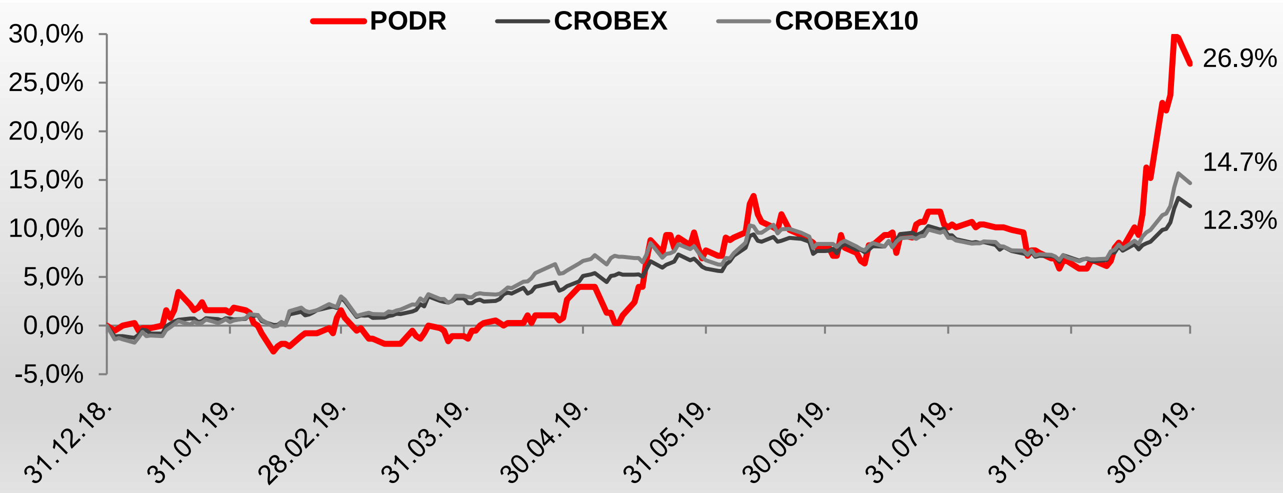
No.	Shareholder	Number of shares	% of ownership
1.	Republic of Croatia*	1,815,376	25.5%
2.	PBZ Croatia Osiguranje mandatory pension fund, category B	1,070,901	15.0%
3.	AZ mandatory pension fund, category B	902,874	12.7%
4.	Erste Plavi mandatory pension fund, category B	724,316	10.2%
5.	Raiffeisen mandatory pension fund, category B	625,298	8.8%
6.	Podravka d.d. - treasury account	130,275	1.8%
	Other shareholders	1,850,963	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 September 2019, Republic of Croatia holds 25.5% shares and domestic pension funds (mandatory and voluntary) all together hold a total of 51.7% shares. Podravka Inc. has 1.8% of treasury shares. Podravka Inc.'s shares have been listed on the Prime Market of the Zagreb Stock Exchange.



Share price movement in 1-9 2019



(closing price in HRK; closing points)	31 December 2018	30 September 2019	%
PODR	375.0	476.0	26.9%
CROBEX	1,748.8	1,963.5	12.3%
CROBEX10	1,017.1	1,166.2	147%

In 1-9 2019, the price of the Podravka's share grew by 26.9%, while domestic stock indices Crobex and Crobex10 grew by 12.3% and 14.7%, respectively.

Share price movement in 1-9 2019

(in HRK; in units)[3]	1-9 2018	1-9 2019	%
Weighted average daily price	297.9	412.2	38.4%
Average daily number of transactions	11	12	0.8%
Average daily volume	1,378	1,065	(22.7%)
Average daily turnover	410,631.4	439,142.5	6.9%

In 1-9 2019, the average weighted daily price of the Podravka's share was 38.4% higher than in the comparative period. The average daily volume decreased by 22.7%, the average daily turnover increased by 6.9%, while the average daily number of transactions remained almost unchanged. The Podravka's share was the second most liquid share on the Zagreb Stock Exchange Prime Market in the third quarter of 2019.

[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; last price and earnings per share in HRK)**	**2018**	**1-9 2019**	**%**
Last price	375.0	476.0	26.9%
Weighted average number of shares	6,964,479	6,980,302	0.2%
Market capitalization	2,611.7	3,322.6	27.2%
EV[4]	3,409.1	4,223.4	23.9%
Normalized earnings per share	31.1	34.4	10.9%
EV / sales revenue	0.8	1.0	19.4%
EV / normalized EBITDA	7.3	8.2	12.4%
EV / normalized EBIT	12.5	14.1	12.6%
Last price / normalized earnings per share ratio (P / E)	12.1	13.8	14.5%

***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]Enterprise value: Market Capitalization + Net debt + Minority interests.

Consolidated financial statements in 1-9 2019

Consolidated Profit and Loss Statement in 1-9 2019

(in HRK thousands)	1-9 2018	% of sales revenues	1-9 2019	% of sales revenues	%
Sales revenue	3,078,302	100.0%	3,238,498	100.0%	5.2%
Cost of goods sold	(1,934,120)	(62.8%)	(2,032,422)	(62.8%)	5.1%
Gross profit	**1,144,182**	**37.2%**	**1,206,077**	**37.2%**	**5.4%**
General and administrative exp.	(220,787)	(7.2%)	(238,580)	(7.4%)	8.1%
Selling and distribution costs	(422,571)	(13.7%)	(446,397)	(13.8%)	5.6%
Marketing expenses	(267,139)	(8.7%)	(291,712)	(9.0%)	9.2%
Other (expenses) / income, net	5,103	0.2%	22,767	0.7%	(346.1%)
Operating profit	**238,789**	**7.8%**	**252,155**	**7.8%**	**5.6%**
Financial income	1,230	0.0%	998	0.0%	18.9%
Other financial expenses	(17,351)	(0.6%)	(12,704)	(0.4%)	(26.8%)
Interest expenses on borrowings	(14)	(0.0%)	(12)	(0.0%)	(17.1%)
Net foreign exchange differences on borrowings	9,101	0.3%	2,479	0.1%	(72.8%)
Net finance costs	**(7,034)**	**(0.2%)**	**(9,240)**	**(0.3%)**	**31.4%**
Profit before tax	**231,754**	**7.5%**	**242,915**	**7.5%**	**4.8%**
Current income tax	(24,579)	(0.8%)	(32,865)	(1.0%)	33.7%
Deferred tax	(17,237)	(0.6%)	(12,303)	(0.4%)	(28.6%)
Income tax	**(41,816)**	**(1.4%)**	**(45,168)**	**(1.4%)**	**8.0%**
Net profit for the year	**189,938**	**6.2%**	**197,747**	**6.1%**	**4.1%**
Net profit / (loss) attributable to:					
Equity holders of the parent	**185,945**	**6.0%**	**194,289**	**6.0%**	**4.5%**
Non-controlling interests	(3,993)	(0.1%)	(3,459)	(0.1%)	(13.4%)

Consolidated Balance Sheet as at 30 September 2019

(in HRK thousands)	31 Dec 2018	% share	30 Sep 2019	% share	% change
ASSETS					
Non-current assets					
Goodwill	26,783	0.6%	26,783	0.5%	0.0%
Investment property	134,187	2.8%	131,347	2.6%	(2.1%)
Intangible assets	236,175	4.9%	238,920	4.8%	1.2%
Property, plant and equipment	2,256,318	46.6%	2,219,476	44.5%	(1.6%)
Right-of-use assets	0	0.0%	96,078	1.9%	
Deferred tax assets	152,079	3.1%	138,832	2.8%	(8.7%)
Non-current financial assets	6,366	0.1%	6,781	0.1%	6.5%
Total non-current assets	**2,811,908**	**58.0%**	**2,858,217**	**57.3%**	**1.6%**
Current assets					
Inventories	848,230	17.5%	1,005,443	20.2%	18.5%
Trade and other receivables	938,766	19.4%	956,896	19.2%	1.9%
Financial assets at fair value through profit and loss	296	0.0%	585	0.0%	97.6%
Income tax receivable	5,834	0.1%	4,951	0.1%	(15.1%)
Cash and cash equivalents	211,106	4.4%	129,338	2.6%	(38.7%)
Non-current assets held for sale	29,921	0.6%	29,920	0.6%	(0.0%)
Total current assets	**2,034,153**	**42.0%**	**2,127,133**	**42.7%**	**4.6%**
Total assets	**4,846,061**	**100.0%**	**4,985,350**	**100.0%**	**2.9%**

(in HRK thousands)	31 Dec 2018	% share	30 Sep 2019	% share	% change
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,691,884	34.9%	1,696,796	34.0%	0.3%
Reserves	796,850	16.4%	846,841	17.0%	6.3%
Retained earnings / (accumulated losses)	516,603	10.7%	593,581	11.9%	14.9%
Attributable to equity holders of the parent	**3,005,337**	**62.0%**	**3,137,218**	**62.9%**	**4.4%**
Non-controlling interests	42,369	0.9%	45,574	0.9%	7.6%
Total shareholders' equity	**3,047,706**	**62.9%**	**3,182,792**	**63.8%**	**4.4%**
Non-current liabilities					
Borrowings	623,454	12.9%	505,668	10.1%	(18.9%)
Provisions	70,611	1.5%	71,888	1.4%	1.8%
Other non - current liabilities	20,703	0.4%	20,053	0.4%	(3.1%)
Lease liability	0	0.0%	62,269	1.2%	
Deferred tax liability	40,213	0.8%	39,137	0.8%	(2.7%)
Total non-current liabilities	**754,981**	**15.6%**	**699,015**	**14.0%**	**(7.4%)**
Current liabilities					
Trade and other payables	658,861	13.6%	637,445	12.8%	(3.3%)
Income tax payable	15,914	0.3%	20,221	0.4%	27.1%
Financial liabilities at fair value through profit and loss	415	0.0%	170	0.0%	(59.0%)
Borrowings	342,332	7.1%	381,270	7.6%	11.4%
Current portion of long-term debt for right-of-use asset	0	0.0%	35,175	0.7%	
Provisions	25,852	0.5%	29,262	0.6%	13.2%
Total current liabilities	**1,043,374**	**21.5%**	**1,103,543**	**22.1%**	**5.8%**
Total liabilities	**1,798,355**	**37.1%**	**1,802,558**	**36.2%**	**0.2%**
Total equity and liabilities	**4,846,061**	**100.0%**	**4,985,350**	**100.0%**	**2.9%**

Consolidated Cash Flow Statement in 1-9 2019

(in HRK thousands)	1-9 2018	1-9 2019	%
Profit / (loss) for the year	**189,938**	**197,748**	**4.1%**
Income tax	41,816	45,168	8.0%
Depreciation and amortization	140,605	161,051	14.5%
Reversal of impairment of assets held for sale	(88)	(48)	45.5%
Subsidiary liquidation	(2,211)	0	100.0%
Remeasurement of financial instruments at fair value	(692)	(535)	22.7%
Capital reserve ESOP	(4,961)		(100.0%)
Share based payment transactions	5,632	1,153	(79.5%)
(Profit) / loss from sale of shares	(121)	0	(100.0%)
(Profit) / loss on disposal of property, plant, equipment and intangibles	1,351	(1,501)	(211.1%)
(Profit) / loss on disposal of assets held for sale	(11,822)	4	100.0%
(Profit) / loss from sale of right-of-use assets	0	3	
Impairment of trade receivables	1,146	1,081	(5.7%)
Adjustment of capital premium – treasury shares ESOP	872	0	(100.0%)
(Decrease) / increase in provisions	(5,926)	4,688	179.1%
Interest income	(507)	(374)	26.2%
Income from sale of rights	(750)	0	100.0%
Interest expense	15,259	10,631	(30.3%)
Interest expense on the right-of-use assets	0	2,001	100.0%
Effect of changes in foreign exchange rates	(14,557)	(5,190)	64.3%
Changes in working capital:			
(Increase) / decrease in inventories	(100,631)	(157,214)	(56.2%)
(Increase) / decrease in trade receivables	8,129	(20,119)	(347.5%)
Increase / (decrease) in trade payables	(83,787)	(22,273)	73.4%
Cash generated from operations	**178,695**	**259,986**	**45.5%**
Income tax paid	(16,277)	(27,525)	(69.1%)
Interest paid	(15,803)	(13,048)	17.4%
Net cash from operating activities	**146,616**	**219,413**	**49.7%**
Cash flow from investing activities			
Lower investment in related and unrelated companies	200	20	(100.0%)
Purchase of property, plant, equipment and intangibles	(108,517)	(101,416)	6.5%
Proceeds from sale of property, plant, equipment and intangibles	38,385	3,165	(91.8%)
Proceeds from sale of rights	238	500	110.1%
Loans given	(37)	(55)	(49.7%)
Repayment of loans receivable	124	46	(63.0%)
Expenditure on other services	121	0	(100.0%)
Collected interest	507	374	(26.3%)
Dividends received	16	0	(100.0%)
Net cash from investing activities	**(68,962)**	**(97,366)**	**(41.2%)**
Cash flow from financing activities			
Dividend paid	(48,718)	(62,940)	29.2%
Additional acquisition of non-controlling interest	0	145	100.0%
Sale of treasury shares	0	5,307	100.0%
Proceeds from borrowings	70,899	325,714	359.4%
Repayment of borrowings	(315,939)	(402,974)	(27.5%)
Repayment of lease liabilities	0	(25,354)	(100.0%)
Net cash from financing activities	**(293,758)**	**(160,103)**	**45.5%**
Net (decrease) / increase of cash and cash equivalents	**(216,105)**	**(38,056)**	**82.4%**
Cash and cash equivalents at beginning of the year	362,082	211,106	(41.7%)
Cash and cash equivalents at the end of year	**145,978**	**173,050**	**18.5%**

Consolidated Statement of Changes in Equity in 1-9 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	-	-	-	-	-	-	194,289	194,289	3,459	197,748
Foreign exchange differences	-	-	-	-	-	(4,557)	-	(4,557)	(254)	(4,811)
Actuarial losses (net of deferred tax)	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(4,557)**	**-**	**(4,557)**	**(254)**	**(4,811)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(4,557)**	**194,289**	**189,732**	**3,205**	**192,937**
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	3,759	-	-	-	-	-	-	3,759	-	3,759
Fair value of share-based payment transactions	1,153	-	-	-	-	-	-	1,153	-	1,153
Dividends paid	-	-	-	-	-	-	(62,908)	(62,908)	-	(62,908)
Total transactions with owners recognised directly in equity	**4,912**	**-**	**7,913**	**-**	**2,256**	**44,379**	**(117,311)**	**(57,851)**	**-**	**(57,851)**
As at 30 September 2019	**1,696,796**	**147,604**	**66,358**	**189,738**	**64,046**	**379,095**	**593,581**	**3,137,218**	**45,574**	**3,182,792**

Notes to the financial statements

From 1.1.2019 Group applies IFRS 16 Leases. According to new standard, Group recognizes 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 long term tangible asset and lease liabilities are reported within long term and short term liabilities. As at 30.9.2019 Podravka Group right-of-use asset amounts to 96.1 mil. HRK and lease liabilities amounts to 97,4 mil. HRK

Predsjednik Uprave:

Marin Pucar

Statement of liability

Koprivnica, 29. October 2019

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated unaudited financial statements of Podravka Group for the period 1 - 9 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 - 9 2019 were approved by the Management Board of PODRAVKA d.d. on 29 October 2019.

Corporate Accounting Director:
Julijana Artner Kukec

Artner

Board Member:
Davor Doko

PODRAVKA
PREHRAMBENA INDUSTRIJA, d.d.
KOPRIVNICA 2

Contact

Podravka d.d.

Ante Starčevića 32, 48 000 Koprivnica

www.podravka.hr

Investor Relations

e-mail: ir@podravka.hr

Tel: 048 65 16 35