

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



**Podravka Group business results  
for 1-3 2020 period - unaudited**



## **Content**

---

|   |           |
|---|-----------|
| <b>Key financial indicators in 1-3 2020.....</b>                          | <b>3</b>  |
| <b>Operations of the Podravka Group in conditions of COVID-19 .....</b>   | <b>4</b>  |
| <b>Overview of sales revenues in 1-3 2020.....</b>                        | <b>5</b>  |
| <b>Profitability in 1-3 2020 .....</b>                                    | <b>11</b> |
| <b>Key characteristics of the income statement in 1-3 2020.....</b>       | <b>14</b> |
| <b>Key characteristics of the balance sheet as at 31 March 2020 .....</b> | <b>16</b> |
| <b>Key highlights of the cash flow statement in 1-3 2020 .....</b>        | <b>18</b> |
| <b>Share in 1-3 2020 .....</b>  | <b>19</b> |
| <b>Additional tables for 1-3 2020.....</b>                                | <b>22</b> |
| <b>Consolidated financial statements in 1-3 2020.....</b>                 | <b>24</b> |
| <b>Statement of liability .....</b>                                       | <b>29</b> |
| <b>Contact .....</b>  | <b>30</b> |



## Key financial indicators in 1-3 2020

| <i>(in HRK millions)</i>                               | 1-3 2019          | 1-3 2020         | Δ        | %        |
|--|-------------------|------------------|----------|----------|
| Sales revenue  | 1,017.4           | 1,228.7          | 211.3    | 20.8%    |
| EBITDA <sup>1</sup>                                    | 156.5             | 177.2            | 20.7     | 13.2%    |
| Net profit after MI                                    | 80.1              | 91.0             | 10.9     | 13.5%    |
| Net cash flow from operating activities                | 50.3              | 134.5            | 84.3     | 167.6%   |
| Cash capital expenditures                              | 24.1              | 47.2             | 23.1     | 95.7%    |
| Normalized EBITDA <sup>2</sup>                         | 156.5             | 174.6            | 18.1     | 11.6%    |
| Normalized net profit after MI                         | 80.1              | 89.3             | 9.1      | 11.4%    |
| <b><i>(in HRK; market capitalization in HRK m)</i></b> | <b>31.12.2019</b> | <b>31.3.2020</b> | <b>Δ</b> | <b>%</b> |
| Net debt / normalized EBITDA                           | 1.6               | 1.4              | (0.2)    | (11.2%)  |
| Normalized Earnings per share                          | 32.0              | 33.3             | 1.3      | 4.0%     |
| Last price at the end of period                        | 484.0             | 370.0            | (114.0)  | (23.6%)  |
| Market capitalization                                  | 3,380.6           | 2,586.0          | (794.6)  | (23.5%)  |
| Return on average equity <sup>3</sup>                  | 7.3%              | 7.3%             |          | +2 bp    |
| Return on average assets <sup>3</sup>                  | 4.7%              | 4.7%             |          | +2 bp    |

### Key highlights in 1-3 2020:

- In 1-3 2020, the Podravka Group recorded a revenue growth of HRK 211.3m (+20.8%), an increase in operating profit (EBIT) of HRK 18.6m (+17.8%) and an increase in net profit of HRK 10.9m (+13.5%),
- Sales revenues grew by HRK 211.3m (+20.8%), of which own brands grew by HRK 198.7m (+21.6%). The double-digit increase in sales of own brands is recorded in both business segments, impacted also by the growing demand as a consequence of stockpiling caused by the COVID-19 (Corona Virus Disease-19),
- A negative impact on operations came from the increase in prices of raw materials and supplies in the Food segment, and from on the Group level significantly unfavourable movements in foreign exchange differences on trade receivables and trade payables, as well as on borrowings,
- In very difficult and complex conditions, especially during the month of March, the company showed a great ability to quickly adapt its business to the new extraordinary situation, thus successfully responding to many challenges with emphasis on the procurement of raw materials and supplies for production purposes, the production process itself and the delivery of sufficient quantities of products to numerous markets where it is present.

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

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

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

<sup>3</sup>Normalized.



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

In the first quarter of 2020, COVID-19 appeared in all the Podravka Group's markets. In the current, new circumstances, the Podravka Group is one of the key companies responsible for ensuring the continuity of production and the regular supply of food and medicines in Croatia. Workflows have been fully adapted as quickly as possible to the new extraordinary situation so that the production of food and pharmaceutical products takes place in line with the increased market needs. Although in the beginning of the crisis, the conditions of purchase and supply of raw materials and packaging for production purposes were very difficult, the Podravka Group took all the necessary steps in short time to ensure sufficient quantities of its food and pharmaceutical products, thus meeting the needs of its loyal customers in the numerous markets in which it is present. Given the increase in demand compared to the one planned for the month of March, the production was continually adjusting, and work in Podravka Group's factories has been organized in three and four shifts, while home office has been organized for all employees of the services for which this is possible, for the purpose of reducing potential risk of the virus within the system.

It should be pointed out that despite numerous negative effects of COVID-19 on business (increase in prices of raw materials and packaging, increase in prices of transport services, impact of foreign exchange differences, etc.), after positive business trends from the first two months of the current year, the Podravka Group managed to maintain and continue with its positive business trends in March, which once again confirms the company's ability to adapt its business in such unforeseen, extraordinary situations. The impact of the COVID-19 situation on sales revenue trends in March certainly exists, but it cannot be clearly distinguished from the impact of regular product demand. In the following period, there is a possibility of a certain stagnation in demand for certain food and pharmaceutical products by consumers, which is normal in circumstances where supplies from manufacturing companies have spilled over to customers' or consumers' stocks. The impact of future trends on the overall business of the Podravka Group in 2020 cannot be estimated at this time, given that it is very difficult to assess the development of the situation regarding the declared pandemic.

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



## Overview of sales revenues in 1-3 2020

Given the Podravka Group's range of products, there was an increased demand in March for certain food and pharmaceutical products, whereby the positive business trend and sales revenue growth from the first two months were strongly driven in March as well. The impact of the situation caused by COVID-19 on sales revenue trends was certainly significant, but it cannot be clearly distinguished from the impact of regular demand for products.

### Sales revenues by segment in 1-3 2020

| Sales revenues by segment |                |                |              |              |
|---------------------------|----------------|----------------|--------------|--------------|
| (in HRK millions)         | 1-3 2019       | 1-3 2020       | Δ            | %            |
| <b>Food</b>               | <b>815.5</b>   | <b>970.9</b>   | <b>155.4</b> | <b>19.1%</b> |
| <i>Own brands</i>         | 757.1          | 915.0          | 157.9        | 20.9%        |
| <i>Other sales</i>        | 58.4           | 55.9           | (2.5)        | (4.3%)       |
| <b>Pharmaceuticals</b>    | <b>201.9</b>   | <b>257.9</b>   | <b>56.0</b>  | <b>27.7%</b> |
| <i>Own brands</i>         | 162.1          | 202.9          | 40.8         | 25.2%        |
| <i>Other sales</i>        | 39.8           | 54.9           | 15.1         | 37.9%        |
| <b>Podravka Group</b>     | <b>1,017.4</b> | <b>1,228.7</b> | <b>211.3</b> | <b>20.8%</b> |
| <i>Own brands</i>         | 919.2          | 1,117.9        | 198.7        | 21.6%        |
| <i>Other sales</i>        | 98.2           | 110.8          | 12.6         | 12.8%        |

**Note:** at the end of 2019, based on *IFRS 15 Revenue from Contracts with Customers*, the Pharmaceuticals segment reclassified certain fees for various promotional and marketing activities that were recorded within marketing expenses to decrease in sales. If the reclassification were applied to the 1-3 2019 period, sales of the Pharmaceuticals would be HRK 2.1m lower, primarily of the prescription drugs category in the Eastern Europe region.

#### Movements of the Food segment revenues (1-3 2020 compared to 1-3 2019):

- **Own brands** recorded HRK 157.9m (+20.9%) higher sales, as a result of the increased demand for food products. The revenue growth was recorded by all business units, with the biggest absolute growth recorded by the Culinary and the Žito and Lagris business units,
- **Other sales** recorded HRK 2.5m (-4.3%) lower sales, primarily as a result of lower sales of trade goods in some markets,
- Overall, the **Food segment** recorded HRK 155.4m (+19.1%) higher sales,

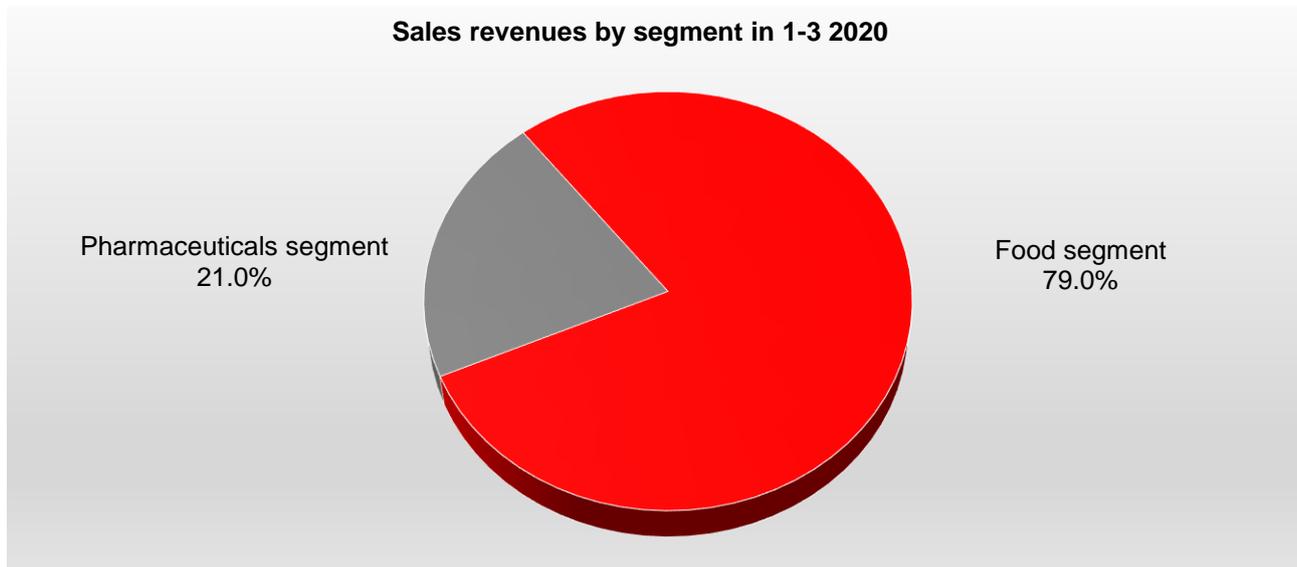


**Movements of the Pharmaceuticals segment revenues (1-3 2020 compared to 1-3 2019):**

- **Own brands** recorded HRK 40.8m (+25.2%) higher sales, as a result of the increase in demand for pharmaceutical products,
- **Other sales** recorded HRK 15.1m (+37.9%) higher revenues, due to higher sales of trade goods in the markets of Bosnia and Herzegovina and Croatia,
- Overall, the **Pharmaceuticals segment** recorded HRK 56.0m (+27.7%) higher sales revenue,

**Movements of the Podravka Group revenues (1-3 2020 compared to 1-3 2019):**

- Podravka Group's **own brands** recorded a sales growth of HRK 198.7m (+21.6%),
- The revenues from **other sales** are HRK 12.6m (+12.8%) higher,
- Overall, the **Podravka Group** sales revenues are HRK 211.3m (+20.8%) higher.





## Sales revenues by business unit and category in 1-3 2020

| Sales revenues by business unit and category |                |                |              |              |
|--|----------------|----------------|--------------|--------------|
| <i>(in HRK millions)</i>                     | 1-3 2019       | 1-3 2020       | Δ            | %            |
| BU Culinary                                  | 219.6          | 265.5          | 45.9         | 20.9%        |
| BU Baby food, sweets and snacks              | 100.2          | 114.7          | 14.5         | 14.5%        |
| BU Podravka food                             | 95.6           | 118.4          | 22.8         | 23.8%        |
| BU Žito and Lagris                           | 235.1          | 269.2          | 34.1         | 14.5%        |
| BU Meat products                             | 54.6           | 78.7           | 24.1         | 44.2%        |
| BU Fish                                      | 52.1           | 68.5           | 16.4         | 31.5%        |
| Prescription drugs                           | 133.7          | 158.9          | 25.1         | 18.8%        |
| Non-prescription programme                   | 28.3           | 44.0           | 15.7         | 55.4%        |
| Other sales                                  | 98.2           | 110.8          | 12.6         | 12.8%        |
| <i>Other sales Food</i>                      | 58.4           | 55.9           | (2.5)        | (4.3%)       |
| <i>Other sales Pharmaceuticals</i>           | 39.8           | 54.9           | 15.1         | 37.9%        |
| <b>Podravka Group</b>                        | <b>1,017.4</b> | <b>1,228.7</b> | <b>211.3</b> | <b>20.8%</b> |

### **Movements of revenues by business unit and category (1-3 2020 compared to 1-3 2019):**

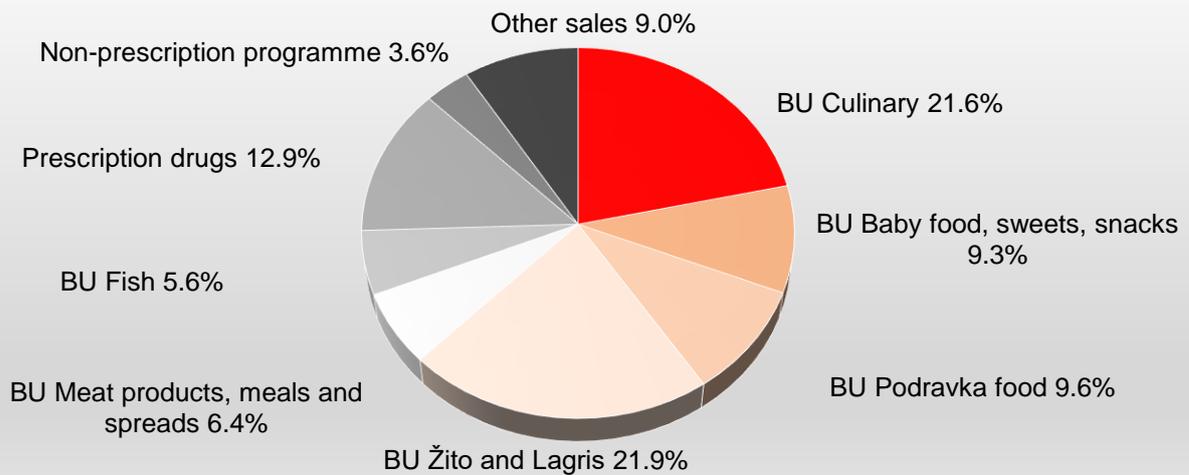
- The **Culinary business unit** recorded HRK 45.9m (+20.9%) higher sales and growth in all regions except the New markets region. The largest share of the growth comes from the increased demand and sales in categories Seasonings and Soups,
- The **Baby food, sweets and snacks** business unit recorded HRK 14.5m (+14.5%) higher sales, driven by increased demand and sales in the Baby food and Powdered sweets categories. The business unit recorded growth in all regions except the New markets region,
- The **Podravka Food business unit** recorded HRK 22.8m (+23.8%) higher sales, following the growth of all categories, primarily the Tomato, Vegetables and Flour categories. The most significant revenue growth was recorded in the Adria and Central Europe regions,
- The **Žito and Lagris business unit** records HRK 34.1m (+14.5%) higher sales than in the comparative period as a result of increased demand and sales of all categories, primarily Rice, Flour and Pasta. The greatest share of the growth came from the Adria and Central Europe regions,
- The **Meat products, meat solutions and savoury spreads business unit** recorded an increase in sales of HRK 24.1m (+44.2%), primarily due to the increase in sales of the categories of Canned ready-to-eat meals, Pates, Sausages and Luncheon meats. The revenue growth was recorded in all regions where this product range is present,
- The **Fish business unit** in the observed period recorded a significant revenue growth of HRK 16.4m (+31.5%) relative to the comparative period, primarily due to higher demand and sales of the Tuna and



Sardine categories. The sales growth is a result of, among other, traditionally higher demand for fish products in Lent,

- The **Prescription drugs category** recorded HRK 25.1m (+18.8%) higher sales, with the most significant increase recorded in the markets of Croatia and Bosnia and Herzegovina,
- The revenues of the **Non-prescription programme category** are HRK 15.7m (+55.4%) higher, as a result of the sales growth in the OTC drugs subcategory, primarily in the Croatian market. A significant impact on the sales growth in the Croatian market comes from the increased demand and sales of the Lupocet and Neofen brands,
- The **Other sales category** recorded HRK 12.6m (+12.8%) higher sales. In the Pharmaceuticals segment, other sales grew by HRK 15.1m (37.9%), primarily due to the increase in sales of trade goods of the Farmavita company. In the Food segment, other sales dropped by HRK 2.5m (-4.3%) due to the closure of schools, kindergartens and HoReCa customers in the Croatian market following the emergence of the COVID-19, and lower demand and sales of Lagris trade goods (primarily poppy seeds) in the markets of the Czech Republic and Great Britain.

Sales revenues by business unit and category in 1-3 2020





## Sales revenues by region in 1-3 2020

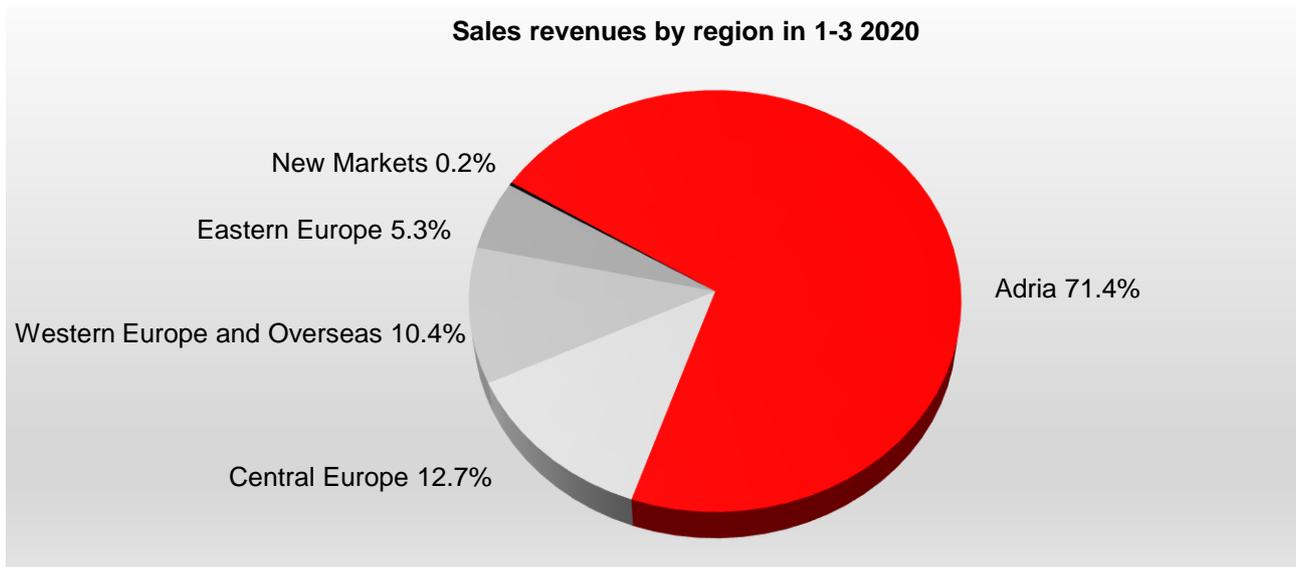
| Sales revenues by region |                |                |              |                |
|--------------------------|----------------|----------------|--------------|----------------|
| <i>(in HRK millions)</i> | 1-3 2019       | 1-3 2020       | Δ            | %              |
| <b>Adria</b>             | <b>703.5</b>   | <b>877.2</b>   | <b>173.8</b> | <b>24.7%</b>   |
| <i>Food</i>              | 553.8          | 676.3          | 122.5        | 22.1%          |
| <i>Pharmaceuticals</i>   | 149.7          | 200.9          | 51.2         | 34.2%          |
| <b>WE and Overseas</b>   | <b>118.8</b>   | <b>127.9</b>   | <b>9.1</b>   | <b>7.6%</b>    |
| <i>Food</i>              | 118.6          | 127.2          | 8.6          | 7.3%           |
| <i>Pharmaceuticals</i>   | 0.2            | 0.7            | 0.4          | 182.4%         |
| <b>Central Europe</b>    | <b>125.4</b>   | <b>155.8</b>   | <b>30.4</b>  | <b>24.2%</b>   |
| <i>Food</i>              | 108.5          | 136.7          | 28.1         | 25.9%          |
| <i>Pharmaceuticals</i>   | 16.9           | 19.1           | 2.2          | 13.3%          |
| <b>Eastern Europe</b>    | <b>65.4</b>    | <b>64.9</b>    | <b>(0.5)</b> | <b>(0.8%)</b>  |
| <i>Food</i>              | 30.3           | 27.7           | (2.6)        | (8.5%)         |
| <i>Pharmaceuticals</i>   | 35.1           | 37.1           | 2.1          | 5.8%           |
| <b>New markets</b>       | <b>4.3</b>     | <b>3.0</b>     | <b>(1.4)</b> | <b>(31.8%)</b> |
| <i>Food</i>              | 4.3            | 3.0            | (1.4)        | (31.8%)        |
| <i>Pharmaceuticals</i>   | 0.0            | 0.0            | 0.0          | n/a            |
| <b>Podravka Group</b>    | <b>1,017.4</b> | <b>1,228.7</b> | <b>211.3</b> | <b>20.8%</b>   |

### Movements of revenues by region (1-3 2020 compared to 1-3 2019):

- The **Adria region** recorded HRK 173.8m (+24.7%) higher sales than in the comparative period. In the Food segment, the revenue growth of HRK 122.5m (+22.1%) is recorded following the growth of all business units. Revenues of the Pharmaceuticals segment are HRK 51.2m higher (+34.2%), primarily as a result of the increase in sales of OTC drugs,
- Revenues of the **Western Europe and Overseas region** grew by HRK 9.1m (+7.6%) in the reporting period. The Food segment recorded revenue growth of HRK 8.6m (+7.3%), due to the increase in sales of business units Culinary and the Meat products, meat solutions and savoury spreads. The revenues of the Pharmaceuticals segment grew by HRK 0.4m (+184,2%) due to the increase in sales of prescription drugs,
- The **Central Europe region** recorded a revenue growth of HRK 30.4m (+24.2%). The Food segment recorded HRK 28.1m higher sales (+25.9%) due to the increase in sales of all business units, primarily Žito and Lagris, and Culinary. The Pharmaceuticals segment recorded a total sales growth of HRK 2.2m (+13.3%), primarily due to the increase in sales of prescription drugs in the market of the Czech Republic,



- Revenues of the **Eastern Europe region** in the first quarter decreased by HRK 0.5m (-0.8%). The Food segment recorded the revenue decrease of HRK 2.6m (-8.5%), where the growth of the Culinary business unit and other business units largely compensated for the decrease in revenues of the Podravka food business unit resulting from lower sales of the Frozen vegetables category. In the Pharmaceuticals segment, a revenue growth of HRK 2.1m (+5.8%) was recorded, as a result of a continuous increase in demand for Belupo products in the prescription drugs category,
- The **New markets region** recorded a decrease in sales of HRK 1.4m (-31.8%) as a result of a decrease in sales of the Food segment of HRK 1.4m (-31.8%), primarily due to lower sales of the Culinary and the Baby food, sweets and snacks business units.





## Profitability in 1-3 2020

**Note:** the overview and explanation of the EBITDA calculation, overview of one-off items and the overview of methodology of calculation of the normalized result are provided in the “Additional tables for 1-3 2020” section.

### Profitability of the Food segment in 1-3 2020

| Profitability of the Food segment |        |        |       |         | Normalized |        |       |         |
|-----------------------------------|--------|--------|-------|---------|------------|--------|-------|---------|
| (in HRK millions)                 | 1-3 19 | 1-3 20 | Δ     | %       | 1-3 19     | 1-3 20 | Δ     | %       |
| Sales revenue                     | 815.5  | 970.9  | 155.4 | 19.1%   | 815.5      | 970.9  | 155.4 | 19.1%   |
| Gross profit                      | 287.2  | 336.7  | 49.5  | 17.2%   | 287.2      | 336.7  | 49.5  | 17.2%   |
| EBITDA*                           | 115.4  | 148.3  | 32.9  | 28.5%   | 115.4      | 148.6  | 33.1  | 28.7%   |
| EBIT                              | 78.9   | 109.8  | 30.9  | 39.2%   | 78.9       | 110.0  | 31.1  | 39.5%   |
| Net profit after MI               | 62.9   | 87.3   | 24.4  | 38.8%   | 62.9       | 87.5   | 24.6  | 39.1%   |
| Gross margin                      | 35.2%  | 34.7%  |       | -54 bp  | 35.2%      | 34.7%  |       | -54 bp  |
| EBITDA margin                     | 14.2%  | 15.3%  |       | +112 bp | 14.2%      | 15.3%  |       | +115 bp |
| EBIT margin                       | 9.7%   | 11.3%  |       | +163 bp | 9.7%       | 11.3%  |       | +166 bp |
| Net margin after MI               | 7.7%   | 9.0%   |       | +128 bp | 7.7%       | 9.0%   |       | +130 bp |

\*EBITDA is calculated in a way that EBIT was increased by depreciation and amortisation and value adjustments of non-current assets; normalized EBITDA is calculated in a way that normalized EBIT was increased by depreciation and amortisation.

#### Profitability of the Food segment (1-3 2020 compared to 1-3 2019):

- In the 1-3 2020 period, the Food segment recorded an increase in reported **gross profit** of 17.2%, as a result of significantly higher sales revenue. The gross margin is 34.7%, a bit lower than in the comparative period due to different sales structure and unfavourable trends in prices of raw materials and supplies. In the sales structure, a share of product range with profitability lower than the Food profitability average increased, while the effect of movements in prices of raw materials and supplies in the 1-3 2020 period amounts to negative HRK 11.5m<sup>4</sup>, primarily due to dried vegetables and meat,
- The reported **operating profit (EBIT)** is 39.2% higher, while normalized operating profit grew by 39.5%. A significant impact on operating profit in the observed period, in addition to the impact above the EBIT level, came from the increase in costs related to sales movements (logistics and distribution), unfavourable movements in exchange differences on trade receivables and trade payables (HRK -6.9m in 1-3 2020; HRK +2.9m in 1-3 2019) and the increase in staff costs of HRK 9.9m (+5.5%). The increase in staff costs is largely the result of a one-off award to employees in the manufacturing, logistics and

<sup>4</sup>Obtained as used volumes of raw materials and supplies in 1-3 2020\*prices in 1-3 2020 – used volumes of raw materials and supplies in 1-3 2020\*prices in 1-3 2019.



distribution segment for their outstanding efforts to ensure continuity of production and regular food supply,

- Reported **net profit after minority interests** is HRK 24.4m higher, while normalized net profit after minority interests is HRK 24.6m higher than in the comparative period. In addition to the impact above the EBIT level, we should mention unfavourable movements in foreign exchange differences on borrowings (HRK -5.2m in 1-3 2020; HRK +0.9m in 1-3 2019), partly mitigated by higher finance income and lower finance costs. Following the increase in pre-tax profit, tax liability is higher by HRK 3.8m.

### **Profitability of the Pharmaceuticals segment in 1-3 2020**

| Profitability of the Pharmaceuticals segment |        |        |        |         | Normalized |        |        |          |
|--|--------|--------|--------|---------|------------|--------|--------|----------|
| <i>(u milijunima kuna)</i>                   | 1-3 19 | 1-3 20 | Δ      | %       | 1-3 19     | 1-3 20 | Δ      | %        |
| Sales revenue                                | 201.9  | 257.9  | 56.0   | 27.7%   | 201.9      | 257.9  | 56.0   | 27.7%    |
| Gross profit                                 | 96.8   | 120.5  | 23.7   | 24.5%   | 96.8       | 117.7  | 20.9   | 21.6%    |
| EBITDA*                                      | 41.0   | 28.8   | (12.2) | (29.7%) | 41.0       | 26.0   | (15.0) | (36.6%)  |
| EBIT   | 25.5   | 13.2   | (12.3) | (48.3%) | 25.5       | 10.4   | (15.1) | (59.4%)  |
| Net profit after MI                          | 17.2   | 3.7    | (13.5) | (78.5%) | 17.2       | 1.8    | (15.5) | (89.6%)  |
| Gross margin                                 | 48.0%  | 46.7%  |        | -121 bp | 48.0%      | 45.6%  |        | -231 bp  |
| EBITDA margin                                | 20.3%  | 11.2%  |        | -914 bp | 20.3%      | 10.1%  |        | -1023 bp |
| EBIT margin                                  | 12.6%  | 5.1%   |        | -752 bp | 12.6%      | 4.0%   |        | -861 bp  |
| Net margin after MI                          | 8.5%   | 1.4%   |        | -710 bp | 8.5%       | 0.7%   |        | -785 bp  |

\*EBITDA is calculated in a way that EBIT was increased by depreciation and amortisation and value adjustments of non-current assets; normalized EBITDA is calculated in a way that normalized EBIT was increased by depreciation and amortisation.

### **Profitability of the Pharmaceuticals segment (1-3 2020 compared to 1-3 2019):**

- The Pharmaceuticals segment recorded 24.5% higher reported **gross profit**, while normalized gross profit is 21.6% higher. This is a result of significantly higher sales revenues. At the same time, the gross margin is 46.7%, which is lower than in the comparative period, due to the sales structure and reclassification of certain fees for various promotional and marketing activities. In the sales structure, a share of trade goods which have lower profitability than own brands increased,
- Reported **operating profit (EBIT)** is HRK 12.3m lower, while normalized operating profit is HRK 15.1m lower. In addition to the impact above the EBIT level, a significant impact on operating profit came from very unfavourable movements in foreign exchange differences on trade receivables and trade payables (HRK -27.1m in 1-3 2020; HRK +7.6m in 1-3 2019). To a lesser extent, the impact also came from the increase in staff costs of HRK 1.9m (+3.4%),
- Reported **net profit after minority interests** is HRK 13.5m lower, while normalized net profit after minority interests is HRK 15.5m lower. In addition to the impact above the EBIT level, we should mention



unfavourable movements in foreign exchange differences on borrowings (HRK -6.3m in 1-3 2020; HRK -0.7m in 1-3 2019), partly mitigated by higher finance income and lower finance costs. Following the decrease in pre-tax profit, tax liability is lower by HRK 2.6m.

### **Profitability of the Podravka Group in 1-3 2020**

| Profitability of the Podravka Group |         |         |       |        | Normalized |         |       |         |
|-------------------------------------|---------|---------|-------|--------|------------|---------|-------|---------|
| (in HRK millions)                   | 1-3 19  | 1-3 20  | Δ     | %      | 1-3 19     | 1-3 20  | Δ     | %       |
| Sales revenue                       | 1,017.4 | 1,228.7 | 211.3 | 20.8%  | 1,017.4    | 13228.7 | 211.3 | 20.8%   |
| Gross profit                        | 384.0   | 457.2   | 73.2  | 19.1%  | 384.0      | 454.4   | 70.3  | 18.3%   |
| EBITDA*                             | 156.5   | 177.2   | 20.7  | 13.2%  | 156.5      | 174.6   | 18.1  | 11.6%   |
| EBIT                                | 104.4   | 123.0   | 18.6  | 17.8%  | 104.4      | 120.4   | 16.0  | 15.3%   |
| Net profit after MI                 | 80.1    | 91.0    | 10.9  | 13.5%  | 80.1       | 89.3    | 9.1   | 11.4%   |
| Gross margin                        | 37.7%   | 37.2%   |       | -54 bp | 37.7%      | 37.0%   |       | -77 bp  |
| EBITDA margin                       | 15.4%   | 14.4%   |       | -96 bp | 15.4%      | 14.2%   |       | -117 bp |
| EBIT margin                         | 10.3%   | 10.0%   |       | -25 bp | 10.3%      | 9.8%    |       | -46 bp  |
| Net margin after MI                 | 7.9%    | 7.4%    |       | -47 bp | 7.9%       | 7.3%    |       | -61 bp  |

\*EBITDA is calculated in a way that EBIT was increased by depreciation and amortisation and value adjustments of non-current assets; normalized EBITDA is calculated in a way that normalized EBIT was increased by depreciation and amortisation.

### **Profitability of the Podravka Group (1-3 2020 compared to 1-3 2019):**

- In the observed period, the Podravka Group recorded 19.1% higher reported **gross profit**, while normalized gross profit at the same time grew by 18.3%. A significant impact on the increase in gross profit came from both business segments. In addition, cost of goods sold increased by 21.8%, which eventually resulted in the gross margin of 37.2% in the reporting period,
- The reported **operating profit (EBIT)** is HRK 18.6m higher, while normalized operating profit is HRK 16.0m higher, primarily as a result of the strong increase in sales in both business segments. Negative impact on operating profit came from higher costs related to the sales growth (logistics and distribution), very unfavourable movements in exchange differences on trade receivables and trade payables (HRK -33.9m in 1-3 2020; HRK +10.6m in 1-3 2019) and the increase in staff costs of HRK 11.8m (+5.0%),
- Reported **net profit after minority interests** is HRK 10.9m higher, while normalized net profit after minority interests is HRK 9.1m higher. In addition to the impact above the EBIT level, net profit after minority interests was impacted by unfavourable movements in exchange differences on borrowings (HRK -11.5m in 1-3 2020; HRK +0.2m in 1-3 2019), partly mitigated by higher finance income and lower finance costs. Following the increase in pre-tax profit, tax liability is higher by HRK 1.2m.



## Key characteristics of the income statement in 1-3 2020

### **Other income and expenses, net**

In the reporting period, other income and expenses, net amounted to HRK -30.8m, while in the comparative period they amounted to HRK +12.8m. This line item was mainly affected by the movements in foreign exchange differences on trade receivables and trade payables that amounted to HRK -33.9m in the 1-3 2020 period, while in the comparative period they amounted to HRK +10.6m.

### **Cost of goods sold**

Cost of goods sold increased by 21.8% relative to the comparative period due to a number of factors. The most significant impact came from a higher level of sales realized, the structure of sales and the rise in prices of raw materials and supplies (estimated negative impact in the Food segment of HRK 11.5m<sup>5</sup>, primarily from dried vegetables and meat). An additional impact came from higher staff costs, partly as a result of a one-off award to employees for their outstanding efforts to ensure continuity of production and regular food supply. On the normalized level, cost of goods sold grew by 22.3%.

### **General and administrative expenses**

In relation to the comparative period, general and administrative expenses dropped by HRK 0.5m (-0.6%) primarily as a result of different dynamics of movements in provisions for some expenses and lower costs of services. On the normalized level, general and administrative expenses are HRK 0.7m (-1.0%) lower.

### **Selling and distribution costs**

In the observed period, selling and distribution costs are HRK 9.8m (+7.0%) higher than in the comparative period, as a result of the sales increase and staff costs increase. The increase in staff costs is partly a result of a one-off award to employees for their outstanding efforts to ensure continuity of production and regular food supply.

### **Marketing expenses**

In the reporting period, marketing expenses are HRK 1.7m (+2.1%) higher than in the comparative period, of which in the Food segment the growth amounted to HRK 1.4m (+3.3%), while in the Pharmaceuticals segment the growth amounted to HRK 0.3m (+0.9%). It should be noted that from the end of 2019 some promotional and marketing activities have been reclassified in the Pharmaceuticals segment, as explained in the introductory note to the "Overview of sales revenues in 1-3 2020" section. If marketing expenses in the Pharmaceuticals segment in 1-3 2019 were reclassified, they would be lower by HRK 2.1m in this period.

---

<sup>5</sup>Obtained as used volumes of raw materials and supplies in 1-3 2020\*prices in 1-3 2020 – used volumes of raw materials and supplies in 1-3 2020\*prices in 1-3 2019.



### **Net finance costs**

In the observed period, net finance costs amounted to HRK -9.9m, while in the comparative period they amounted to HRK -4.8m. This is primarily a consequence of less favourable movements in foreign exchange differences on borrowings, which in the 1-3 2020 period amounted to HRK -11.5m, while in the comparative period they amounted to HRK +0.2m. Interest expense on borrowings is HRK 1.2m (-27.5%) lower due to refinancing of borrowings under more favourable commercial terms, while finance income is HRK 4.7m higher.

### **Income tax**

In the 1-3 2020 period, the income tax of the Podravka Group is HRK 1.2m (+6.5%) higher than in the comparative period, as a result of higher level of profit before tax in the Food segment.



## **Key characteristics of the balance sheet as at 31 March 2020**

### **Property, plant and equipment**

Compared to 31 December 2019, property, plant and equipment of the Podravka Group are HRK 8.3m higher, or +0.4%, due to the normal realization of capital expenditure and impact of foreign exchange differences.

### **Inventories**

Inventories of the Podravka Group are HRK 29.2m, or 3.1%, higher than as at 31 December 2019, and HRK 88.8m (+10.0%) higher than as at 31 March 2019, primarily due to the increase in inventories of raw materials and supplies in the observed period, following the increased demand and production volume, especially in March, as a result of the situation caused by the COVID-19.

### **Trade and other receivables**

Trade and other receivables of the Podravka Group are HRK 127.0m or 13.4% higher than as at 31 December 2019, and HRK 130.6m (+13.8%) higher than as at 31 March 2019, in line with the regular operations and realized sales in the reporting period.

### **Cash and cash equivalents**

Cash and cash equivalents of the Podravka Group at the end of the observed period are HRK 209.3m higher (+376.5%) compared to 31 December 2019. This is explained in the "Key characteristics of the cash flow statement in 1-3 2020" section.

### **Long-term and short-term borrowings**

As at 31 March 2020, long-term and short-term borrowings of the Podravka Group are HRK 146.0m higher than as at 31 December 2019. In order to ensure the smooth flow of the supply and production process in a situation of increased demand and production, in the first quarter of 2020 the Podravka Group ensured additional cash by using short-term credit lines.

### **Trade and other payables**

Trade and other payables of the Podravka Group are HRK 119.6m or +19.7% higher compared to 31 December 2019, and HRK 122.5m (+20.3%) higher compared to 31 March 2019, in line with regular operations.



## Indebtedness

As at 31 March 2020, total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities amounted to HRK 1,021.1m, of which HRK 503.8m relates to long-term borrowings, HRK 418.0m to short-term borrowings, HRK 99.3m to liabilities for right-of-use assets. The **average weighted cost of debt** on all the stated liabilities as at 31 March 2020 was 1.2%, while if right-of-use assets are excluded it is 1.0%.

**Currency structure of debt as at 31 March 2020**



Analysing the debt currency structure, the highest exposure, of 73.5%, was toward the Euro (EUR), while 21.2% of the debt was in the domestic currency (HRK). 1.9% of the debt was in the Czech koruna (CZK), 2.5% of the debt was in the Bosnia and Herzegovina mark (BAM), while the remainder of 0.9% relates to other currencies.

| <i>(in HRK millions)*</i>          | <b>2019</b> | <b>1-3 2020</b> | <b>Δ</b> | <b>%</b> |
|------------------------------------|-------------|-----------------|----------|----------|
| Financial debt <sup>6</sup>        | 878.0       | 1,021.1         | 143.1    | 16.3%    |
| Cash and cash equivalents          | 55.6        | 264.9           | 209.3    | 376.5%   |
| Net debt <sup>7</sup>              | 822.4       | 756.2           | (66.2)   | (8.0%)   |
| Interest expense                   | 14.9        | 13.7            | (1.2)    | (8.0%)   |
| Net debt / normalized EBITDA       | 1.6         | 1.4             | (0.2)    | (11.2%)  |
| Normalized EBIT / Interest expense | 20.1        | 23.1            | 2.9      | 14.6%    |
| Equity to total assets ratio       | 65.9%       | 63.1%           |          | -279 bp  |

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

The decrease in net debt as at 31 March 2020 relative to the comparative period is a result of the increase in cash and cash equivalents position compared to 31 December 2019. Normalized EBITDA increase with the

<sup>6</sup>Financial debt: long-term and short-term borrowings + liabilities for right-of-use assets + financial liabilities at fair value through profit or loss. The data is provided in the "Consolidated statements of financial position as at 31 March 2020" section.

<sup>7</sup>Net debt: Financial debt – Cash and cash equivalents.



decline in net debt led to a lower net debt to normalized EBITDA ratio. Normalized EBIT increase with the decrease in interest expense has driven the rise in the interest coverage ratio.

## Key highlights of the cash flow statement in 1-3 2020

| <i>(in HRK millions)</i>                                      | 1-3 2019      | 1-3 2020     | Δ            |
|---|---------------|--------------|--------------|
| Net cash flow from operating activities                       | 50.3          | 134.5        | 84.3         |
| Net cash flow from investing activities                       | (23.5)        | (46.3)       | (22.9)       |
| Net cash flow from financing activities                       | (92.8)        | 121.1        | 213.8        |
| <b>Net increase / (decrease) of cash and cash equivalents</b> | <b>(66.0)</b> | <b>209.3</b> | <b>275.3</b> |

### Net cash flow from operating activities

In the observed period, net cash flow from operating activities amounted to positive HRK 134.5m as a result of operating business growth and dynamics of movements in the working capital.

### Net cash flow from investing activities

Net cash flow from investing activities in the reported period amounted to negative HRK 46.3m, primarily as a result of capital expenditure amounting to HRK 47.2m. The most significant **capital expenditures** in 1-3 2020 were related to:

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

In 2020 **expected capital expenditures** are at a level of HRK 298.0m and in the 2021-2023 period at a level of approximately HRK 200.0m.



## Net cash flow from financing activities

In the 1-3 2020 period, net cash flow from financing activities amounted to positive HRK 121.1m, mainly as a result of borrowings received in the net amount of HRK 130.8m. The difference in relation to the repayment of borrowings in the balance sheet primarily relates to foreign exchange differences.

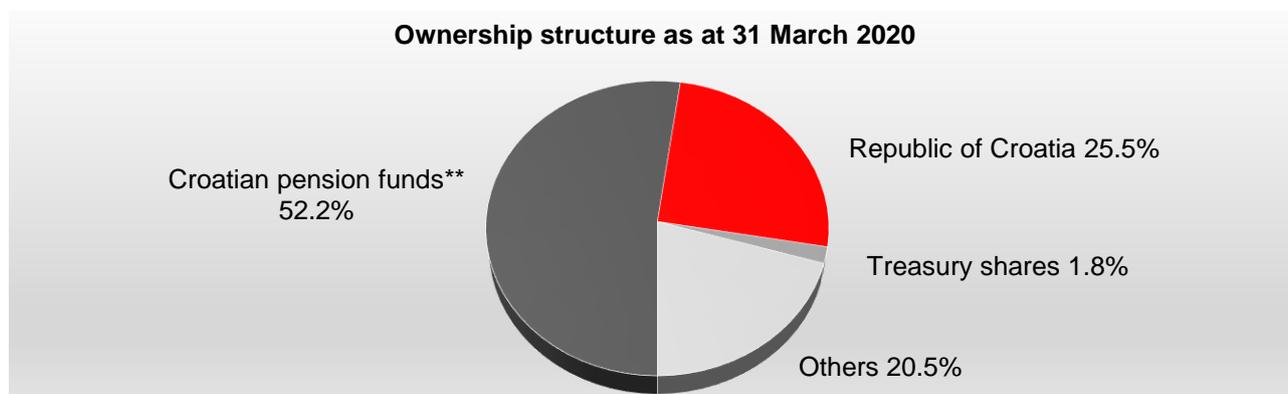
## Share in 1-3 2020

### List of major shareholders as at 31 March 2020

| No. | Shareholder   | Number of shares | % of ownership |
|-----|---|------------------|----------------|
| 1.  | Republic of Croatia*                                      | 1,815,376        | 25.5%          |
| 2.  | PBZ Croatia Osiguranje mandatory pension fund, category B | 1,070,901        | 15.0%          |
| 3.  | AZ mandatory pension fund, category B                     | 932,563          | 13.1%          |
| 4.  | Erste Plavi mandatory pension fund, category B            | 724,941          | 10.2%          |
| 5.  | Raiffeisen mandatory pension fund, category B             | 625,298          | 8.8%           |
| 6.  | Podravka Inc. - treasury account                          | 127,916          | 1.8%           |
|     | Other shareholders  | 1,823,008        | 25.6%          |
|     | <b>Total</b>  | <b>7,120,003</b> | <b>100.0%</b>  |

\*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.

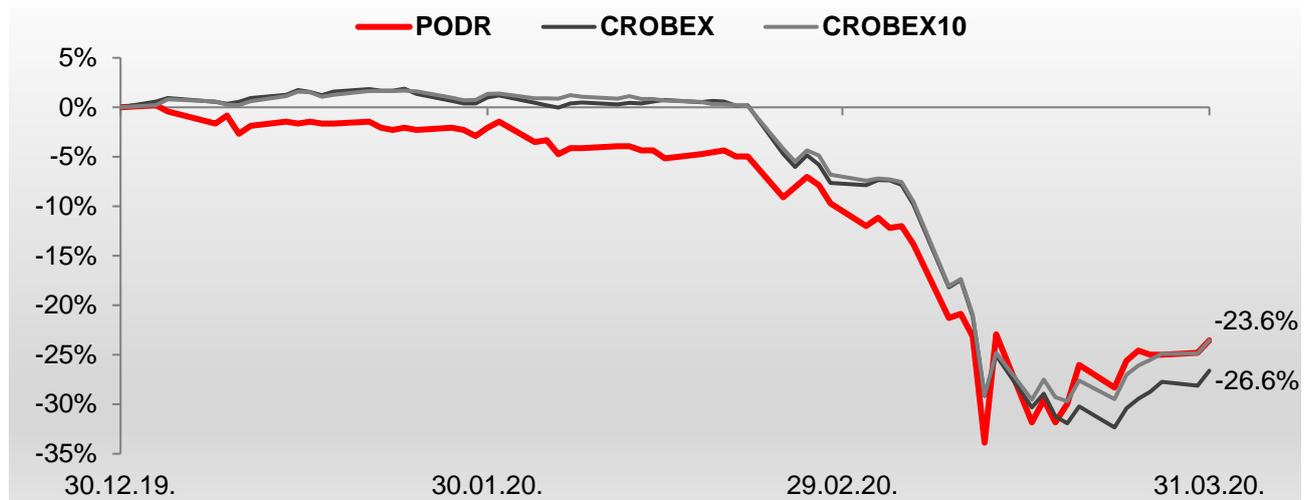
Podravka Inc. has a stable ownership structure where the most significant share is held by the Republic of Croatia and domestic pension funds. As at 31 March 2020, the Republic of Croatia holds 25.5% shares, and domestic pension funds (mandatory and voluntary) hold a total of 52.2% shares. Podravka Inc. has 1.8% of treasury shares. Podravka Inc.'s shares have been listed on the Prime Market of the Zagreb Stock Exchange and in six Zagreb Stock Exchange indices (CROBEX, CROBEX10, CROBEXtr, CROBEXprime, CROBEXnutr and ADRIAprime).



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



## Share price movement in 1-3 2020



| <i>(closing price in HRK; closing points)</i> | 31 December 2019 | 31 March 2020 | %       |
|---|------------------|---------------|---------|
| PODR  | 484.0            | 370.0         | (23.6%) |
| CROBEX  | 2,017.4          | 1,480.5       | (26.6%) |
| CROBEX10                                      | 1,199.9          | 917.3         | (23.6%) |

In the first quarter of 2020, the price of Podravka's share dropped identically as the CROBEX10 stock index, by 23.6%, while the CROBEX stock index in the same period dropped by 26.6%.

## Result on the Croatian capital market in 1-3 2020

| <i>(in HRK; in units)<sup>8</sup></i> | 1-3 2019  | 1-3 2020  | %      |
|---------------------------------------|-----------|-----------|--------|
| Weighted average daily price          | 373.9     | 392.9     | 5.1%   |
| Average daily number of transactions  | 9         | 23        | 160.1% |
| Average daily volume                  | 454       | 2,078     | 358.0% |
| Average daily turnover                | 169,641.4 | 816,476.3 | 381.3% |

The 1-3 2020 period in the domestic capital market was marked by significant price correction, volatility and increased liquidity relative to the comparative period. The weighted average daily price of Podravka's share increased by 5.1% compared to 1-3 2019. The average daily volume increased by 358.0%, while the average daily turnover and the average daily number of transactions in relation to the comparative period increased by 381.3% and 160.1%, respectively.

<sup>8</sup>The weighted average daily price in the reporting period is calculated as the sum of the weighted average daily prices in the reporting period, multiplied by the daily volume weight. The daily volume weight is calculated as a ratio of daily volume and total volume in the reporting period. The formula, *Weighted average daily price in the reporting period =  $\sum$  average daily price\*(daily volume/total volume in the reporting period)*.

Other indicators are calculated as the average of average daily transactions/volume/turnover in the reporting period. Block trades are excluded from the calculation.



## Valuation

| <i>(in HRK millions; last price and earnings per share in HRK)*</i> | 2019      | 1-3 2020  | %       |
|---|-----------|-----------|---------|
| Last price  | 484.0     | 370.0     | (23.6%) |
| Weighted average number of shares <sup>9</sup>                      | 6,984,803 | 6,989,215 | 0.1%    |
| Market capitalization <sup>10</sup>                                 | 3,380.6   | 2,586.0   | (23.5%) |
| EV <sup>11</sup>  | 4,249.3   | 3,389.9   | (20.2%) |
| Normalized earnings per share                                       | 32.0      | 33.3      | 4.0%    |
| EV / sales revenue  | 1.0       | 0.7       | (23.9%) |
| EV / normalized EBITDA  | 8.2       | 6.4       | (22.9%) |
| EV / normalized EBIT  | 14.2      | 10.7      | (24.3%) |
| Last price / normalized earnings per share ratio (P / E)            | 15.1      | 11.1      | (26.5%) |

**\*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.

<sup>9</sup>The weighted average number of shares is calculated on the basis of previous 12 months period by dividing the sum of the weighted number of shares of each individual month by the total number of calendar days in the previous 12 months. The weighted number of shares on a monthly basis is calculated by reducing the total number of issued shares by the amount of treasury shares and multiplying the difference by the number of days of that month.

<sup>10</sup>Market Capitalization: Last price \* Weighted average number of shares.

<sup>11</sup>Enterprise value: Market Capitalization + Net debt + Minority interests.



## Additional tables for 1-3 2020

### Calculation of reported and normalized EBITDA

EBITDA is calculated in a way that EBIT was increased by depreciation and amortization and value adjustments of non-current assets. In the 1-3 2020 and 1-3 2019 periods there were no value adjustments to non-current assets.

| Reported EBITDA calculation | 1-3 2019     |              |             | 1-3 2020     |              |             |
|-----------------------------|--------------|--------------|-------------|--------------|--------------|-------------|
| <i>(in HRK millions)</i>    | Group        | Food         | Pharma      | Group        | Food         | Pharma      |
| <b>Reported EBIT</b>        | <b>104.4</b> | <b>78.9</b>  | <b>25.5</b> | <b>123.0</b> | <b>109.8</b> | <b>13.2</b> |
| +amortization               | 52.1         | 36.5         | 15.5        | 54.2         | 38.5         | 15.6        |
| +value adjustments          | -            | -            | -           | -            | -            | -           |
| <b>Reported EBITDA</b>      | <b>156.5</b> | <b>115.4</b> | <b>41.0</b> | <b>177.2</b> | <b>148.3</b> | <b>28.8</b> |

| Normalized EBITDA calculation | 1-3 2019     |              |             | 1-3 2020     |              |             |
|-------------------------------|--------------|--------------|-------------|--------------|--------------|-------------|
| <i>(in HRK millions)</i>      | Group        | Food         | Pharma      | Group        | Food         | Pharma      |
| <b>Normalized EBIT</b>        | <b>104.4</b> | <b>78.9</b>  | <b>25.5</b> | <b>120.4</b> | <b>110.0</b> | <b>10.4</b> |
| +amortization                 | 52.1         | 36.5         | 15.5        | 54.2         | 38.5         | 15.6        |
| <b>Normalized EBITDA</b>      | <b>156.5</b> | <b>115.4</b> | <b>41.0</b> | <b>174.6</b> | <b>148.6</b> | <b>26.0</b> |

### One-off items in 1-3 2020

In the 1-3 2020 period, the Food segment incurred HRK 0.3m costs of severance payments for employees on long-term sick leaves, treated by the company's management as one-off item. In the same period, the Pharmaceuticals segment realized income of HRK 2.8m, related to returns for defective raw materials received in 2018, treated by the company's management as one-off item. The estimated tax impact of these one-off items is HRK 0.9m.

In the 1-3 2019 period, there were no events treated by the company's management as one-off items.



## Normalization of the Profit and Loss Statement by segments

| Reported and normalized profitability       | 1-3 2019     |              |             | 1-3 2020     |              |              |
|---|--------------|--------------|-------------|--------------|--------------|--------------|
| <i>(in HRK millions)</i>                    | Group        | Food         | Pharma      | Group        | Food         | Pharma       |
| <b>Reported gross profit</b>                | <b>384.0</b> | <b>287.2</b> | <b>96.8</b> | <b>457.2</b> | <b>336.7</b> | <b>120.5</b> |
| +revenues from return of raw materials      | -            | -            | -           | (2.8)        | -            | (2.8)        |
| <b>Normalized gross profit</b>              | <b>384.0</b> | <b>287.2</b> | <b>96.8</b> | <b>454.4</b> | <b>336.7</b> | <b>117.7</b> |
| <b>Reported EBITDA</b>                      | <b>156.5</b> | <b>115.4</b> | <b>41.0</b> | <b>177.2</b> | <b>148.3</b> | <b>28.8</b>  |
| +revenues from return of raw materials      | -            | -            | -           | (2.8)        | -            | (2.8)        |
| +severance payments (long term sick-leave)  | -            | -            | -           | 0.3          | 0.3          | -            |
| <b>Normalized EBITDA</b>                    | <b>156.5</b> | <b>115.4</b> | <b>41.0</b> | <b>174.6</b> | <b>148.6</b> | <b>26.0</b>  |
| <b>Reported EBIT</b>                        | <b>104.4</b> | <b>78.9</b>  | <b>25.5</b> | <b>123.0</b> | <b>109.8</b> | <b>13.2</b>  |
| +normalization above EBITDA level           | -            | -            | -           | (2.5)        | 0.3          | (2.8)        |
| <b>Normalized EBIT</b>                      | <b>104.4</b> | <b>78.9</b>  | <b>25.5</b> | <b>120.4</b> | <b>110.0</b> | <b>10.4</b>  |
| <b>Reported Net profit after MI</b>         | <b>80.1</b>  | <b>62.9</b>  | <b>17.2</b> | <b>91.0</b>  | <b>87.3</b>  | <b>3.7</b>   |
| +normalization above EBIT level             | -            | -            | -           | (2.5)        | 0.3          | (2.8)        |
| +estimated impact of normalization on taxes | -            | -            | -           | 0.9          | (0.0)        | 0.9          |
| <b>Normalized Net profit after MI</b>       | <b>80.1</b>  | <b>62.9</b>  | <b>17.2</b> | <b>89.3</b>  | <b>87.5</b>  | <b>1.8</b>   |



## Consolidated financial statements in 1-3 2020

### Consolidated Profit and Loss Statement in 1-3 2020

| <i>(in HRK thousands)</i>                      | 1-3 2019        | % of sales revenues | 1-3 2020        | % of sales revenues | %             |
|--|-----------------|---------------------|-----------------|---------------------|---------------|
| Sales revenue                                  | 1,017,410       | 100.0%              | 1,228,741       | 100.0%              | 20.8%         |
| Cost of goods sold                             | (633,389)       | (62.3%)             | (771,558)       | (62.8%)             | 21.8%         |
| <b>Gross profit</b>                            | <b>384,021</b>  | <b>37.7%</b>        | <b>457,182</b>  | <b>37.2%</b>        | <b>19.1%</b>  |
| General and administrative exp.                | (73,903)        | (7.3%)              | (73,438)        | (6.0%)              | (0.6%)        |
| Selling and distribution costs                 | (138,418)       | (13.6%)             | (148,176)       | (12.1%)             | 7.0%          |
| Marketing expenses                             | (80,111)        | (7.9%)              | (81,829)        | (6.7%)              | 2.1%          |
| Other (expenses) / income, net                 | 12,805          | 1.3%                | (30,764)        | (2.5%)              | 340.3%        |
| <b>Operating profit</b>                        | <b>104,394</b>  | <b>10.3%</b>        | <b>122,976</b>  | <b>10.0%</b>        | <b>17.8%</b>  |
| Financial income                               | 238             | 0.0%                | 4,946           | 0.4%                | n/a           |
| Other financial expenses                       | (823)           | (0.1%)              | (187)           | (0.0%)              | (77.3%)       |
| Interest expenses                              | (4,350)         | (0.4%)              | (3,154)         | (0.3%)              | (27.5%)       |
| Net foreign exchange differences on borrowings | 162             | 0.0%                | (11,456)        | (0.9%)              | n/a           |
| <b>Net finance costs</b>                       | <b>(4,773)</b>  | <b>(0.5%)</b>       | <b>(9,851)</b>  | <b>(0.8%)</b>       | <b>106.4%</b> |
| <b>Profit before tax</b>                       | <b>99,621</b>   | <b>9.8%</b>         | <b>113,124</b>  | <b>9.2%</b>         | <b>13.6%</b>  |
| Current income tax                             | (14,590)        | (1.4%)              | (19,089)        | (1.6%)              | 30.8%         |
| Deferred tax                                   | (3,272)         | (0.3%)              | 63              | 0.0%                | (101.9%)      |
| <b>Income tax</b>                              | <b>(17,862)</b> | <b>(1.8%)</b>       | <b>(19,026)</b> | <b>(1.5%)</b>       | <b>6.5%</b>   |
| <b>Net profit for the year</b>                 | <b>81,759</b>   | <b>8.0%</b>         | <b>94,098</b>   | <b>7.7%</b>         | <b>15.1%</b>  |
| Net profit / (loss) attributable to:           |                 |                     |                 |                     |               |
| <b>Equity holders of the parent</b>            | <b>80,150</b>   | <b>7.9%</b>         | <b>91,008</b>   | <b>7.4%</b>         | <b>13.5%</b>  |
| Non-controlling interests                      | (1,609)         | (0.2%)              | (3,090)         | (0.3%)              | 92.1%         |



## Consolidated Balance Sheet as at 31 March 2020

| <i>(in HRK thousands)</i>                                   | 31 Dec 2019      | % share       | 31 Mar 2020      | % share       | % change     |
|---|------------------|---------------|------------------|---------------|--------------|
| <b>ASSETS</b>   |                  |               |                  |               |              |
| <b>Non-current assets</b>                                   |                  |               |                  |               |              |
| Goodwill  | 27,250           | 0.6%          | 27,250           | 0.5%          | 0.0%         |
| Investment property   | 118,240          | 2.4%          | 118,005          | 2.2%          | (0.2%)       |
| Intangible assets   | 244,559          | 5.0%          | 250,628          | 4.8%          | 2.5%         |
| Property, plant and equipment                               | 2,212,979        | 45.3%         | 2,221,233        | 42.2%         | 0.4%         |
| Right-of-use assets   | 100,168          | 2.1%          | 97,878           | 1.9%          | (2.3%)       |
| Deferred tax assets   | 149,065          | 3.1%          | 148,707          | 2.8%          | (0.2%)       |
| Non-current financial assets                                | 43,178           | 0.9%          | 43,293           | 0.8%          | 0.3%         |
| <b>Total non-current assets</b>                             | <b>2,895,439</b> | <b>59.3%</b>  | <b>2,906,994</b> | <b>55.2%</b>  | <b>0.4%</b>  |
| <b>Current assets</b>                                       |                  |               |                  |               |              |
| Inventories   | 948,260          | 19.4%         | 977,433          | 18.6%         | 3.1%         |
| Trade and other receivables                                 | 948,767          | 19.4%         | 1,075,808        | 20.4%         | 13.4%        |
| Financial assets at fair value through profit and loss      | 12               | 0.0%          | 4,623            | 0.1%          | n/a          |
| Income tax receivable                                       | 5,361            | 0.1%          | 4,215            | 0.1%          | (21.4%)      |
| Cash and cash equivalents                                   | 55,589           | 1.1%          | 264,855          | 5.0%          | 376.5%       |
| Non-current assets held for sale                            | 30,393           | 0.6%          | 30,115           | 0.6%          | (0.9%)       |
| <b>Total current assets</b>                                 | <b>1,988,382</b> | <b>40.7%</b>  | <b>2,357,049</b> | <b>44.8%</b>  | <b>18.5%</b> |
| <b>Total assets</b>   | <b>4,883,821</b> | <b>100.0%</b> | <b>5,264,043</b> | <b>100.0%</b> | <b>7.8%</b>  |
| <b>EQUITY AND LIABILITIES</b>                               |                  |               |                  |               |              |
| <b>Shareholders' equity</b>                                 |                  |               |                  |               |              |
| Share capital   | 1,698,636        | 34.8%         | 1,696,520        | 32.2%         | (0.1%)       |
| Reserves  | 853,580          | 17.5%         | 867,297          | 16.5%         | 1.6%         |
| Retained earnings / (accumulated losses)                    | 620,878          | 12.7%         | 711,887          | 13.5%         | 14.7%        |
| <b>Attributable to equity holders of the parent</b>         | <b>3,173,094</b> | <b>65.0%</b>  | <b>3,275,704</b> | <b>62.2%</b>  | <b>3.2%</b>  |
| Non-controlling interests                                   | 46,335           | 0.9%          | 47,640           | 0.9%          | 2.8%         |
| <b>Total shareholders' equity</b>                           | <b>3,219,429</b> | <b>65.9%</b>  | <b>3,323,344</b> | <b>63.1%</b>  | <b>3.2%</b>  |
| <b>Non-current liabilities</b>                              |                  |               |                  |               |              |
| Borrowings  | 468,088          | 9.6%          | 503,782          | 9.6%          | 7.6%         |
| Provisions  | 73,578           | 1.5%          | 74,742           | 1.4%          | 1.6%         |
| Other non - current liabilities                             | 19,363           | 0.4%          | 19,288           | 0.4%          | (0.4%)       |
| Right-of-use asset liability                                | 70,218           | 1.4%          | 67,244           | 1.3%          | (4.2%)       |
| Deferred tax liability                                      | 39,083           | 0.8%          | 39,265           | 0.7%          | 0.5%         |
| <b>Total non-current liabilities</b>                        | <b>670,330</b>   | <b>13.7%</b>  | <b>704,321</b>   | <b>13.4%</b>  | <b>5.1%</b>  |
| <b>Current liabilities</b>                                  |                  |               |                  |               |              |
| Trade and other payables                                    | 606,571          | 12.4%         | 726,163          | 13.8%         | 19.7%        |
| Income tax payable  | 17,755           | 0.4%          | 30,597           | 0.6%          | 72.3%        |
| Financial liabilities at fair value through profit and loss | 292              | 0.0%          | 0                | 0.0%          | (100.0%)     |
| Borrowings  | 307,742          | 6.3%          | 418,007          | 7.9%          | 35.8%        |
| Current portion of long-term debt for right-of-use asset    | 31,610           | 0.6%          | 32,033           | 0.6%          | 1.3%         |
| Provisions  | 30,092           | 0.6%          | 29,578           | 0.6%          | (1.7%)       |
| <b>Total current liabilities</b>                            | <b>994,062</b>   | <b>20.4%</b>  | <b>1,236,378</b> | <b>23.5%</b>  | <b>24.4%</b> |
| <b>Total liabilities</b>                                    | <b>1,664,392</b> | <b>34.1%</b>  | <b>1,940,699</b> | <b>36.9%</b>  | <b>16.6%</b> |
| <b>Total equity and liabilities</b>                         | <b>4,883,821</b> | <b>100.0%</b> | <b>5,264,043</b> | <b>100.0%</b> | <b>7.8%</b>  |



## Consolidated Cash Flow Statement in 1-3 2020

| <i>(in HRK thousands)</i>   | 1-3 2019        | 1-3 2020        | %              |
|---|-----------------|-----------------|----------------|
| <b>Profit / (loss) for the year</b>                                       | <b>81,759</b>   | <b>94,098</b>   | <b>15.1%</b>   |
| Income tax  | 17,862          | 19,026          | 6.5%           |
| Depreciation and amortization   | 52,059          | 54,183          | 4.1%           |
| Reversal of impairment of assets held for sale                            | (48)            | 0               | 100.0%         |
| Remeasurement of financial instruments at fair value                      | 461             | (4,903)         | (1163.6%)      |
| Share based payment transactions  | 0               | 1,606           | 100.0%         |
| (Profit) / Loss on disposal of property, plant, equipment and intangibles | (217)           | (598)           | (175.6%)       |
| (Profit) / Loss on disposal of assets held for sale                       | (1)             | 0               | 100.0%         |
| (Profit) / Loss on write off of right-of-use assets                       | 0               | (71)            | (100.0%)       |
| Impairment of trade receivables   | 1,620           | 1,875           | 15.7%          |
| (Decrease) / Increase in provisions                                       | 2,499           | 649             | (74.0%)        |
| Interest income   | (66)            | (42)            | 36.4%          |
| Interest expense  | 3,908           | 2,661           | (31.9%)        |
| Interest expense on right-of-use assets                                   | 633             | 681             | 7.6%           |
| Effect of changes in foreign exchange rates                               | 1,626           | 19,492          | 1098.8%        |
| <b>Changes in working capital:</b>  |                 |                 |                |
| (Increase) in inventories   | (40,432)        | (29,173)        | 27.8%          |
| (Increase) / decrease in trade receivables                                | (8,230)         | (128,914)       | (1466.4%)      |
| Increase / (Decrease) in trade payables                                   | (54,942)        | 113,461         | 306.5%         |
| <b>Cash generated from operations</b>                                     | <b>58,491</b>   | <b>144,031</b>  | <b>146.2%</b>  |
| Income tax paid   | (3,454)         | (6,143)         | (77.9%)        |
| Interest paid   | (4,760)         | (3,339)         | 29.9%          |
| <b>Net cash from operating activities</b>                                 | <b>50,277</b>   | <b>134,549</b>  | <b>167.6%</b>  |
| <b>Cash flow from investing activities</b>                                |                 |                 |                |
| Purchase of property, plant, equipment and intangibles                    | (24,116)        | (47,184)        | (95.7%)        |
| Proceeds from sale of property, plant, equipment and intangibles          | 368             | 801             | 117.7%         |
| Proceeds from sale of rights  | 200             | 0               | (100.0%)       |
| Loans given   | (1)             | 0               | 100.0%         |
| Repayment of loans receivable   | 9               | 4               | (55.6%)        |
| Collected interest  | 66              | 42              | (36.4%)        |
| <b>Net cash from investing activities</b>                                 | <b>(23,474)</b> | <b>(46,337)</b> | <b>(97.4%)</b> |
| <b>Cash flow from financing activities</b>                                |                 |                 |                |
| Acquisition of additional non-controlling interests                       | 145             | 0               | (100.0%)       |
| Proceeds from borrowings  | 71,621          | 228,628         | 219.2%         |
| Repayment of borrowings   | (156,678)       | (97,870)        | 37.5%          |
| Repayment of lease  | (7,876)         | (9,704)         | (23.2%)        |
| <b>Net cash from financing activities</b>                                 | <b>(92,788)</b> | <b>121,054</b>  | <b>230.5%</b>  |
| <b>Net increase/(decrease) of cash and cash equivalents</b>               | <b>(65,985)</b> | <b>209,266</b>  | <b>417.1%</b>  |
| Cash and cash equivalents at beginning of the year                        | 211,106         | 55,589          | (73.7%)        |
| <b>Cash and cash equivalents at the end of year</b>                       | <b>145,121</b>  | <b>264,855</b>  | <b>82.5%</b>   |



## Consolidated Statement of Changes in Equity in 1-3 2020

| <i>(in HRK thousands)</i>   | Share capital    | Reserve for treasury shares | Legal reserves | Reinvested profit reserve | Statutory reserves | Other reserves | Retained earnings/accumulated loss | Total            | Non-controlling interests | Total            |
|---|------------------|-----------------------------|----------------|---------------------------|--------------------|----------------|------------------------------------|------------------|---------------------------|------------------|
| <b>As at 31 December 2018</b>                                       | <b>1,691,884</b> | <b>147,604</b>              | <b>58,445</b>  | <b>189,738</b>            | <b>61,790</b>      | <b>339,273</b> | <b>516,603</b>                     | <b>3,005,337</b> | <b>42,369</b>             | <b>3,047,706</b> |
| <i>Comprehensive income</i>   | -                | -                           | -              | -                         | -                  | -              | -                                  | -                | -                         | -                |
| Profit for the year   | -                | -                           | -              | -                         | -                  | -              | 221,586                            | 221,586          | 5,518                     | 227,104          |
| Foreign exchange differences  | -                | -                           | -              | -                         | -                  | 1,787          | -                                  | 1,787            | 94                        | 1,881            |
| Actuarial losses (net of deferred tax)                              | -                | -                           | -              | -                         | -                  | (1,095)        | -                                  | (1,095)          | -                         | (1,095)          |
| Other comprehensive income  | -                | -                           | -              | -                         | -                  | 692            | -                                  | 692              | 94                        | 786              |
| <b>Total comprehensive income</b>                                   | -                | -                           | -              | -                         | -                  | 692            | 221,586                            | 222,278          | 5,612                     | 227,890          |
| <i>Transactions with owners recognized directly in equity</i>       | -                | -                           | -              | -                         | -                  | -              | -                                  | -                | -                         | -                |
| Allocation from retained earnings                                   | -                | -                           | 7,913          | -                         | 2,256              | 44,234         | (54,403)                           | -                | -                         | -                |
| Additional acquisition of minority interests                        | -                | -                           | -              | -                         | -                  | 1,635          | -                                  | 1,635            | (1,647)                   | (12)             |
| Exercise of options   | (802)            | -                           | -              | -                         | -                  | -              | -                                  | (802)            | -                         | (802)            |
| Fair value of share-based payment transactions                      | 7,554            | -                           | -              | -                         | -                  | -              | -                                  | 7,554            | -                         | 7,554            |
| Purchase of treasury shares   | -                | -                           | -              | -                         | -                  | -              | -                                  | -                | -                         | -                |
| Dividends paid  | -                | -                           | -              | -                         | -                  | -              | (62,908)                           | (62,908)         | -                         | (62,908)         |
| <b>Total transactions with owners recognized directly in equity</b> | <b>6,752</b>     | <b>-</b>                    | <b>7,913</b>   | <b>-</b>                  | <b>2,256</b>       | <b>45,869</b>  | <b>(117,311)</b>                   | <b>(54,521)</b>  | <b>(1,647)</b>            | <b>(56,168)</b>  |
| <b>As at 31 December 2019</b>                                       | <b>1,698,636</b> | <b>147,604</b>              | <b>66,358</b>  | <b>189,738</b>            | <b>64,046</b>      | <b>385,834</b> | <b>620,878</b>                     | <b>3,173,094</b> | <b>46,335</b>             | <b>3,219,429</b> |
| <i>Comprehensive income</i>   | -                | -                           | -              | -                         | -                  | -              | -                                  | -                | -                         | -                |
| Profit for the year   | -                | -                           | -              | -                         | -                  | -              | 91,008                             | 91,008           | 3,090                     | 94,098           |
| Foreign exchange differences  | -                | -                           | -              | -                         | -                  | 13,718         | -                                  | 13,718           | 936                       | 14,654           |
| Actuarial losses (net of deferred tax)                              | -                | -                           | -              | -                         | -                  | -              | -                                  | -                | -                         | -                |
| Other comprehensive income  | -                | -                           | -              | -                         | -                  | 13,718         | -                                  | 13,718           | 936                       | 14,654           |
| <b>Total comprehensive income</b>                                   | -                | -                           | -              | -                         | -                  | 13,718         | 91,008                             | 104,726          | 4,026                     | 108,752          |
| <i>Transactions with owners recognized directly in equity</i>       | -                | -                           | -              | -                         | -                  | -              | -                                  | -                | -                         | -                |
| Allocation from retained earnings                                   | -                | -                           | -              | -                         | -                  | -              | -                                  | -                | -                         | -                |
| Additional acquisition of minority interests                        | -                | -                           | -              | -                         | -                  | -              | -                                  | -                | -                         | -                |
| Exercise of options   | (3,722)          | -                           | -              | -                         | -                  | -              | -                                  | (3,722)          | -                         | (3,722)          |
| Fair value of share-based payment transactions                      | 1,606            | -                           | -              | -                         | -                  | -              | -                                  | 1,606            | -                         | 1,606            |
| Purchase of treasury shares   | -                | -                           | -              | -                         | -                  | -              | -                                  | -                | -                         | -                |
| Announced dividend to non-controlling stake owners                  | -                | -                           | -              | -                         | -                  | -              | -                                  | -                | (2,721)                   | (2,721)          |
| Announced dividend  | -                | -                           | -              | -                         | -                  | -              | -                                  | -                | -                         | -                |
| <b>Total transactions with owners recognized directly in equity</b> | <b>(2,116)</b>   | <b>-</b>                    | <b>-</b>       | <b>-</b>                  | <b>-</b>           | <b>-</b>       | <b>-</b>                           | <b>(2,116)</b>   | <b>(2,721)</b>            | <b>(4,837)</b>   |
| <b>As at 31 March 2020</b>  | <b>1,696,520</b> | <b>147,604</b>              | <b>66,358</b>  | <b>189,738</b>            | <b>64,046</b>      | <b>399,552</b> | <b>711,886</b>                     | <b>3,275,704</b> | <b>47,640</b>             | <b>3,323,344</b> |



## **Notes to the financial statements**

In 1-3 2020 period there were no changes in accounting policies.

President of the Management Board:

Marin Pucar

A handwritten signature in blue ink, appearing to read "Marin Pucar", written over the printed name.



## Statement of liability

Koprivnica, 30 April 2020

### STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated unaudited financial statements of Podravka Group for the period 1 - 3 2020 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations of Podravka Group and all subsidiary companies involved in the consolidation.

Consolidated unaudited financial statements of Podravka Group for the period 1 - 3 2020 were approved by the Management Board of PODRAVKA d.d. on 30 April 2020.

Corporate Accounting Director:

Julijana Artner Kukec



Board Member:

Davor Doko



## Contact

---

Podravka d.d.

Ante Starčevića 32, 48 000 Koprivnica

[www.podravka.hr](http://www.podravka.hr)

Investor Relations

e-mail: [ir@podravka.hr](mailto:ir@podravka.hr)

Tel: +385 48 65 16 35