

KOPRIVNICA, 28<sup>TH</sup> OCTOBER 2021

*Podravka Group*  
business results  
for January – September 2021  
UNAUDITED



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# Key financial indicators in 1 – 9 2021



## Key financial indicators in 1 – 9 2021

(in HRK millions)	1 – 9 2020	1 – 9 2021	Δ	%
Sales revenue	3,328.6	3,383.5	54.9	1.6%
EBITDA <sup>1</sup>	435.5	491.7	56.2	12.9%
Net profit after MI	210.1	259.3	49.1	23.4%
Net cash flow from operating activities	290.5	453.5	163.0	56.1%
Cash capital expenditures	139.8	100.3	(39.4)	(28.2%)
Normalized EBITDA <sup>2</sup>	434.8	492.4	57.6	13.2%
Normalized net profit after MI	209.9	259.8	49.9	23.8%

(in HRK; market capitalization in HRKm)	31.12.2020	30.09.2021	Δ	%
Net debt / normalized EBITDA	1.4	0.7	(0.6)	(44.5%)
Normalized Earnings per share	35.0	42.0	7.1	20.2%
Last price at the end of period	485.0	664.0	179.0	36.9%
Market capitalization	3,391.2	4,649.8	1,258.6	37.1%
Return on average equity <sup>3</sup>	7.6%	8.6%		+99 bp
Return on average assets <sup>4</sup>	5.1%	6.0%		+89 bp

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

### Key highlights in 1 – 9 2021:

- In 1 – 9 2021, the Podravka Group recorded a revenue increase of HRK 54.9m (+1.6%), an increase in operating profit (EBIT) of HRK 55.7m (+20.4%) and an increase in net profit of HRK 49.1m (+23.4%),
- Higher sales revenues in the reporting period are a result of sales revenues increase in both segments, where the Food segment revenues increased by HRK 14.3m (+0.5%), while the Pharmaceuticals segment revenues increased by HRK 40.6m (+5.7%),
- A positive impact on operations came from the optimisation and cost control and positive movements in foreign exchange differences on trade receivables and trade payables, as well as on borrowings at the Group level, which resulted in profitability increase,
- Deleveraging at the Podravka Group level continued by a decrease in total borrowings of HRK 170.6m. The leverage (net debt to normalized EBITDA ratio) for the reporting period was 0.7.

<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. Return on average equity is calculated in a way that normalized Net income is divided by average total shareholder's equity. Average total shareholder's equity is a sum of total shareholder's equity on the last day of reporting period (30.9.2021) and comparative period (31.12.2020) divided by 2. Normalized Net income include the last 12 months period.

<sup>4</sup> Normalized. Return on average assets is calculated in a way that normalized Net income is divided by average total asset. Average total asset is a sum of total asset on the last day of reporting period (30.9.2021) and comparative period (31.12.2020) divided by 2. Normalized Net income include the last 12 months period.

## Operations of the *Podravka Group* in conditions of COVID–19 disease



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

The outbreak of COVID-19 disease marked 2020 in all the Podravka Group's markets and business operations in challenging and difficult conditions, due to the outbreak of COVID-19 disease, continued in 2021 as well.

At the end of 2020, in Croatia and most of the countries in which the Podravka Group operates, the epidemiological situation deteriorated and strict measures were introduced, which also continued in the first half of 2021. Introduction of strict epidemiological measures such as lockdown, introduction of curfew, reduced store opening hours, restrictions on the number of customers in stores, limited movement of people, closure of the Gastro channel, full or partial introduction of online classes, difficult access to health care facilities, reduced number of diagnostic procedures and consequently, lower levels of prescription drugs prescribed also affected the business operations of both segments of the Podravka Group. In May, epidemiological measures in Croatia and other European Union countries were gradually eased and mitigated. The sales of the Gastro channel (the Gastro channel includes HoReCa customers, institutional customers, industrial customers, etc.) is directly affected by restrictive measures. The easing of restrictive measures and the opening of hospitality facilities and state borders in the second quarter started earlier compared to the same period of 2020, which resulted in a better shoulder season. The significant easing of epidemiological measures and opening of all borders in the third quarter resulted in a very successful tourist season and sales growth in the Gastro channel following the opening and significant activation of hospitality activities. The share of Gastro channel sales of the Adria region in total sales revenues of the Podravka Group increased from 6.8% in the comparative period to 8.0% in the reporting period. The share of Gastro channel sales in the 1 – 9 2021 period on international markets in total sales revenues of the Podravka Group increased to 1.6% in the reporting period compared to 1.3% in the comparative period.

In the reporting period, the Podravka Group received subsidies based on difficult business conditions due to the situation caused by COVID-19 disease in Serbia and in Slovenia in the total net amount of HRK 0.8m. The situation caused by COVID-19 disease did not give rise to new financial risks. An event that can be directly related to the impact of the COVID-19 disease is a provision of HRK 1.3m for a receivable from a customer from Africa that has not been collected.

Even before the outbreak of COVID-19 disease in the European Union, the Podravka Group continuously monitored the situation and took preventive and corrective measures in real time to manage potential health and business risks. With the first outbreak of COVID-19 disease in the Republic of Croatia, the Crisis Management Team was activated, which adopted measures in accordance with the recommendations of the World Health Organization and the competent national authorities of the Republic of Croatia. With increased attention, the development of the situation in the country and the region continued to be closely monitored, in order to ensure the health safety of employees and ensure business continuity. In addition, a separate e-mail address has been established for the two-way internal communication between employees and the Crisis Management Team and an internal portal to constantly communicate the need to implement the established anti-epidemic measures on a daily basis.

Work organization is still under strict control and in accordance with current epidemiological measures and the recommendations of the competent institutions. In order to better inform employees, ensure business continuity and reduce all external risks, a corresponding documentation set of policies and work instructions has been defined, which have been adequately communicated to all users of the Podravka Group's IT system. Despite all the challenges caused by the COVID-19 pandemic, thanks to the intensified efforts of the Corporate and Information Security sector and IT sector, there were no significant security incidents that would cause the unavailability of the IT system and consequently affect the company's business continuity.

# Significant events in 1 – 9 2021



***The Supervisory Board appointed Martina Dalić, PhD,  
as the new President of the Management  
Board of Podravka Inc.***

At its meeting held on 3<sup>rd</sup> February, the Supervisory Board of Podravka Inc. unanimously appointed Martina Dalić, PhD, as the new President of the Management Board of Podravka Inc. The mandate of the newly appointed President of the Management Board will last until 23<sup>rd</sup> February 2022, i.e. until the expiration of the mandate of the current Management Board.

Martina Dalić, PhD, is a person with extensive experience in the public and private sectors, but also in international institutions.

She comes to the position of the President of the Management Board of Podravka Inc. from the position of the director of the business consulting company Callidus Certus d.o.o., of which she is also the founder.



In her career in the public sector, she was the Deputy Prime Minister of the Republic of Croatia and Minister of the Economy, Entrepreneurship and Crafts (2016 – 2018), Minister of Finance (2010 – 2011), State Secretary (2004 – 2008) and Assistant Minister of Finance (1997 – 2000). She began her career in the public sector in 1995 at the Ministry of Finance. In addition, in 2011 she was elected a member of the Croatian Parliament and held that mandate until 2015.

She also gained significant experience through the private sector, so from 2008 to 2010 she was the President of the Management Board of Partner banka Zagreb, and from 2000 until 2004 the chief economist of Privredna banka Zagreb, a member of the Intesa Sanpaolo Group.

From 2015 to 2016, she was a permanent advisor for public financial management at the International Monetary Fund, Washington DC.

In the period from 2005 to 2012, Martina Dalić, PhD, was the deputy chief negotiator and negotiator in the negotiating team for the accession of the Republic of Croatia to the European Union for four chapters (Customs union, Taxation, Financial control, and Financial and budgetary provisions).

Martina Dalić, PhD, graduated from the Faculty of Economics and Business in Zagreb, where she began her professional career as an assistant at the Department of Organization and Management. She received her master's degree in 1994, and defended her doctoral thesis in 2012.

She is the author of numerous professional and scientific papers.

### ***The Podravka Group increased employees' earnings***

At the session held on 18<sup>th</sup> March 2021, the Management Board of Podravka Inc. passed decisions improving the status and position of the Podravka Group's employees. These decisions aimed at increasing employees' earnings were implemented as of 1<sup>st</sup> April 2021.

An additional HRK 21m will be invested in measures to improve employees' rights. This investment in improving the material rights of employees will be offset by savings at other cost levels (savings through simplification of the organisation, savings on general and administrative expenses and marketing expenses).

### ***Dividend paid in cash***

In accordance with the results achieved in 2020, the Supervisory Board of Podravka Inc. at the session held on 30<sup>th</sup> April 2021, adopted the proposal of the decision of the Management Board of Podravka Inc. on the use of profit for 2020, and passed it to the General Assembly of Podravka Inc. for its adoption. On 29<sup>th</sup> June 2021, the General Assembly adopted the decision to distribute dividend to the shareholders of Podravka Inc. in the amount of HRK 9 per share, which implies a dividend yield<sup>5</sup> of 1.5%. The dividend was paid on 27<sup>th</sup> August to all shareholders registered in register of shareholders as at 29<sup>th</sup> July 2021.

### ***Strong investment cycle launched***

The Supervisory Board of Podravka gave its consent to the Management Board to launch a strong investment cycle that will take place in several phases. This investment cycle primarily refers to the project of Podravka's logistics processes optimization, IT and energy reconstruction and modernization of the office building in Koprivnica, and technological modernization of production. The project of logistics processes optimization implies the determination of all necessary measures to improve logistics processes, including the possibility of building a new logistics and distribution centre that would fully meet the needs and make Podravka even closer to consumers and markets. The project of IT and energy reconstruction and modernization of the office building in Koprivnica will improve energy efficiency, corporate and IT security of the system and provide appropriate working conditions that will fully meet the prescribed standards and new requirements in the period after the coronavirus pandemic. In addition to the two mentioned and very important projects, in the following period the Podravka Group expects several other important projects that seek to technically and technologically modernize production and digitally transform the company.

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<sup>5</sup> Dividend yield has been calculated as a ratio between gross amount of the dividend per share (HRK 9.00) and last trading price of the share (HRK 596.00) on the date of the General assembly (29<sup>th</sup> June 2021) when dividend payout was voted.

### **Podravka Group Business strategy until 2025 adopted**

The Supervisory Board of Podravka approved the Strategic Plan of the Podravka Group for the 2021 – 2025 period. The strategy includes both segments of the Podravka Group, Food and Pharmaceuticals, through three development pillars: focus on selected markets and product categories, increasing business efficiency through technological modernization and digital transformation of production and logistics processes, and acquisitions.

In the Food segment, the strategy envisages focusing on the markets of Western and Central Europe, which presupposes maintaining the leading position in the Adria region and using this position as a basis to more determinedly and strongly conquer the markets of Western and Central Europe. In order to strengthen exports and market share in the target markets, the product portfolio is divided into 21 product categories. 12 categories have significant growth potential in exports, of which three product categories stand out: seasonings, soups and bakery.

The coming period will be marked by intensive technological and IT modernization aimed at achieving greater production efficiency, but also strengthening the ability to adapt more quickly to the habits and needs of consumers. An integral part of technological modernization will be the production management improvement through the application of so-called Lean Management and Industry 4.0 which will start through a pilot project at the Vegeta and Soups factory and will then be transferred to other factories. The aim of these efforts is to make more efficient use of technology and human resources.

Acquisitions will be selected and implemented in a way that will serve to strengthen the market position and expand business in the target markets of Western and Central Europe.

In the Pharmaceuticals segment, the focus will be on stronger growth in international markets, mainly Central and Eastern Europe, expanding the portfolio with products in additional Anatomical Therapeutic Chemical (ATC) groups and stronger domestic market growth by introducing new products. Growth will be strongly driven by the launch of new molecules in the prescription and non-prescription program.

The implementation of the adopted Strategy implies investment of around HRK 1.7 billion in modernization and digitalization of production and logistics processes, around HRK 1.4 billion in marketing to achieve organic growth, and around HRK 2 billion in acquisitions.

### ***Podravka invests in improving working conditions in factories***

With the aim of improving the microclimatic working conditions in Podravka's factories in Koprivnica and Varaždin, the Management Board of Podravka has adopted a decision on investing in air conditioning and ventilation of these production facilities. These are factories that do not have an adequate air conditioning system, which, especially during the summer months, makes operations difficult. This decision was made in accordance with the company's socially responsible business and care for employees, all with the aim to provide the most comfortable working conditions in these factories. It is estimated that by the end of this year, all these factories will be air-conditioned, which will certainly create better and safer working conditions for the employees.

### ***Work on the IT and energy reconstruction and modernization of Podravka's office building begins***

Podravka's Supervisory Board gave its final approval to the Management Board for the IT and energy reconstruction, as well as the modernization of the office building in Koprivnica, which has been planned for many years, and includes a seven-storey office building, restaurant, parking lot and environment. The reconstruction and modernization of the office building will be carried out in the existing dimensions in a manner appropriate to the challenging business year, by carefully managing costs, and will be financed from operating cash flow, i.e. without additional borrowings. After the analysis of all elements of the final bids, a decision on the selection of a contractor for the IT and energy reconstruction and modernization of Podravka's office building was made and the company Radnik d.d. from Križevci was selected as the most suitable contractor, with a price of HRK 87.8m, which refers to construction and craft works, works of mechanical installations, works on the facade and works on electrical installations. Reconstruction works began on 1<sup>st</sup> October 2021, and the completion is expected in early July 2022.

# Overview of sales revenues in 1 – 9 2021



## Overview of sales revenues in 1 – 9 2021

The situation caused by COVID-19 disease positively impacted the sales revenues trends in 2020 when a prominent effect of stockpiling of food and pharmaceutical products by customers was recorded in almost all markets in which the Podravka Group is present. Increased demand in 2020 significantly contributed to sales revenues of both business segments and almost all business units and categories, but this impact could not be clearly distinguished from the impact of regular demand for products. In the reporting period, the epidemiological situation also had a significant impact in most countries in which the Podravka Group operates, especially in the Adria region (mostly in Croatia), which is different from the one recorded in the same period of 2020. Negative impact on sales revenues in the first three months of 2021 comes from the introduced strict epidemiological measures such as lockdown and curfew, reduced store opening hours, restrictions on the number of customers in stores, limited movement of people, closure of the Gastro channel (includes HoReCa customers, institutional customers, industrial customers, etc.), difficult access to health care facilities, reduced number of diagnostic procedures and consequently, lower levels of prescription drugs prescribed. The positive impact on sales revenues in the reporting period comes from the easing of measures which began in May and a significant easing in the third quarter, which gave a boost to the tourist season and the arrival of foreign guests in Croatia. The successful tourist season, easing of epidemiological measures in the countries where the Podravka Group is present with its range and opening of the Gastro channel in Croatia and abroad positively reflected on the movements of sales revenues, but this effect cannot be clearly estimated or quantified.

## Sales revenues by segment in 1 – 9 2021

<i>(in HRK millions)</i>	1 – 9 2020	1 – 9 2021	Δ	%
<b>Food</b>	<b>2,619.7</b>	<b>2,634.0</b>	<b>14.3</b>	<b>0.5%</b>
<i>Own brands</i>	2,468.6	2,474.2	5.6	0.2%
<i>Other sales</i>	151.1	159.9	8.7	5.8%
<b>Pharmaceuticals</b>	<b>708.9</b>	<b>749.5</b>	<b>40.6</b>	<b>5.7%</b>
<i>Own brands</i>	569.9	595.7	25.8	4.5%
<i>Other sales</i>	139.0	153.7	14.7	10.6%
<b>Podravka Group</b>	<b>3,328.6</b>	<b>3,383.5</b>	<b>54.9</b>	<b>1.6%</b>
<i>Own brands</i>	3,038.5	3,069.9	31.4	1.0%
<i>Other sales</i>	290.1	313.6	23.5	8.1%

*\*Includes the new line of plant-based milk products.*

### **Movements of the Food segment revenues (1 – 9 2021 compared to 1 – 9 2020):**

- OWN BRANDS recorded HRK 5.6m (+0.2%) higher sales, where the increase in sales of business units Culinary, Podravka Food and Baby food, sweets and snacks successfully cancelled out lower sales of other business units in the comparative period,
- OTHER SALES recorded HRK 8.7m (+5.8%) higher sales, primarily as a result of the increase in trade goods sales in Croatian market,
- Overall, THE FOOD SEGMENT recorded HRK 14.3m (+0.5%) higher sales,

### **Movements of the Pharmaceuticals segment revenues (1 – 9 2021 compared to 1 – 9 2020):**

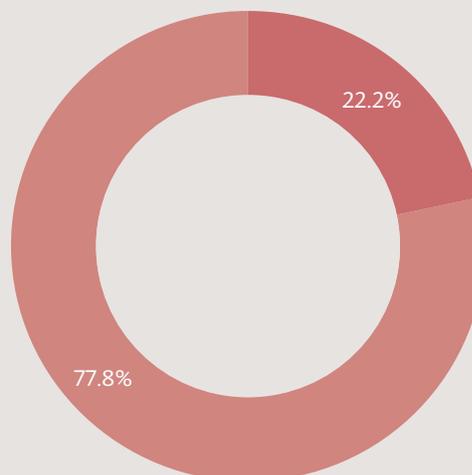
- OWN BRANDS recorded HRK 25.8m higher sales (+4.5%), as a result of sales increase of prescription drugs, primarily in the markets of Russia, Bosnia and Herzegovina and Slovenia,
- OTHER SALES recorded HRK 14.7m (+10.6%) higher revenues, due to the increase in trade goods sales of the Farmavita company in the market of Bosnia and Herzegovina,
- Overall, THE PHARMACEUTICALS SEGMENT recorded HRK 40.6m (+5.7%) higher sales revenues,

### **Movements of the Podravka Group revenues (1 – 9 2021 compared to 1 – 9 2020):**

- Podravka Group's OWN BRANDS recorded an increase in sales of HRK 31.4m (+1.0%),
- The revenues of OTHER SALES are HRK 23.5m (+8.1%) higher,
- Overall, THE PODRAVKA GROUP sales revenues are HRK 54.9m (+1.6%) higher.

### **Sales revenues by segment in 1 – 9 2021**

- Pharmaceuticals segment 22.2%
- Food segment 77.8%



## Sales revenues by business unit and category in 1 – 9 2021

(in HRK millions)	1 – 9 2020	1 – 9 2021	Δ	%
BU Culinary	749.8	779.2	29.3	3.9%
BU Baby food, sweets & snacks	342.4	346.9	4.5	1.3%
BU Podravka food	300.7	325.3	24.6	8.2%
BU Žito and Lagris	676.0	636.8	(39.2)	(5.8%)
BU Meat products	233.1	230.6	(2.5)	(1.1%)
BU Fish	166.5	155.4	(11.1)	(6.7%)
Prescription drugs	478.4	504.1	25.7	5.4%
Non-prescription programme	91.5	91.7	0.2	0.2%
Other sales	290.1	313.6	23.5	8.1%
<i>Other sales Food*</i>	151.1	159.9	8.7	5.8%
<i>Other sales Pharmaceuticals</i>	139.0	153.7	14.7	10.6%
<b>Podravka Group</b>	<b>3,328.6</b>	<b>3,383.5</b>	<b>54.9</b>	<b>1.6%</b>

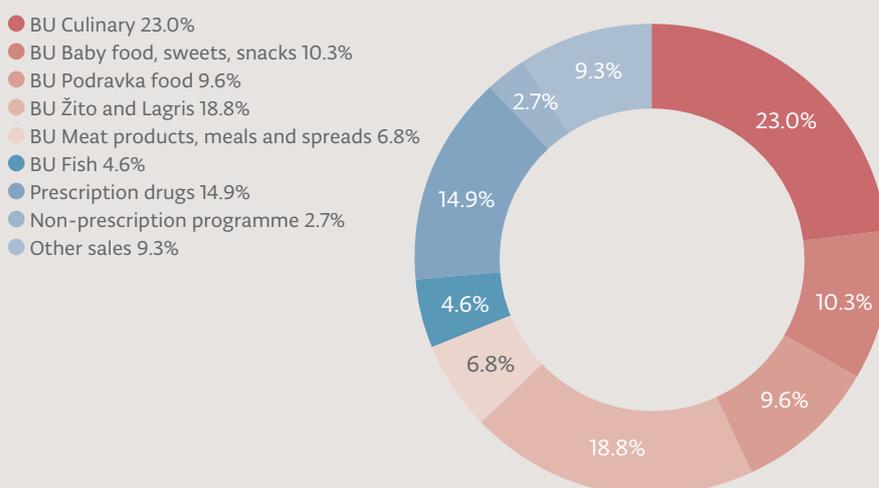
\*Includes the new line of plant-based milk products

## Movements of revenues by business unit and category (1 – 9 2021 compared to 1 – 9 2020):

- The CULINARY BUSINESS UNIT recorded HRK 29.3m (+3.9%) higher sales, primarily due to Universal seasonings and Soups categories sales increase. Significant revenue growth was recorded in the Adria region and the Western Europe and Overseas region,
- The BABY FOOD, SWEETS AND SNACKS BUSINESS UNIT recorded a sales increase of HRK 4.5m (+1.3%), due to sales increase of the categories Creamy spreads, Snacks and Baby food. The business unit recorded a sales increase in most regions, which successfully compensated for lower sales of the Adria region,
- The PODRAVKA FOOD BUSINESS UNIT recorded HRK 24.6m (+8.2%) higher sales, following the increase in sales of the Condiments, Flour, and Vegetables categories. The revenue growth in most regions, primarily in the Adria region, cancelled out lower sales of the Eastern Europe region,
- The ŽITO AND LAGRIS BUSINESS UNIT records HRK 39.2m (-5.8%) lower sales than in the comparative period, primarily as a result of lower sales in the categories private labels, Flour, Rice, Pulses, porridge and oil products, primarily in the markets of the Adria and Central Europe regions,

- The MEAT PRODUCTS, MEALS AND SPREADS BUSINESS UNIT recorded a sales decrease of HRK 2.5m (-1.1%), primarily due to lower sales of the Other meat products, Luncheon meat and Pâtés categories. Central Europe region sales increase mitigated the sales decrease of other regions,
- The FISH BUSINESS UNIT in the observed period recorded HRK 11.1m (-6.7%) lower sales than in the comparative period, primarily due to sales decrease of the Tuna and Sardine categories in the Adria region,
- The PRESCRIPTION DRUGS CATEGORY recorded HRK 25.7m (+5.4%) higher sales, primarily due to dermatological drugs sales increase. The greatest contribution to the increase in sales revenues was made by the markets of Russia, Bosnia and Herzegovina and Kosovo,
- The revenues of the NON-PRESCRIPTION PROGRAMME CATEGORY are HRK 0.2m (+0.2%) higher, as a result of sales increase of the herbal medicines subcategory in the Croatian market,
- The OTHER SALES CATEGORY recorded HRK 23.5m (+8.1%) higher sales. In the Food segment, other sales grew by HRK 8.7m (+5.8%) mainly due to the increase in trade goods sales in Croatian market. In the Pharmaceuticals segment, other sales grew by HRK 14.7m (+10.6%), primarily due to higher trade goods sales in the market of Bosnia and Herzegovina.

### Sales revenues by business unit and category in 1 – 9 2021



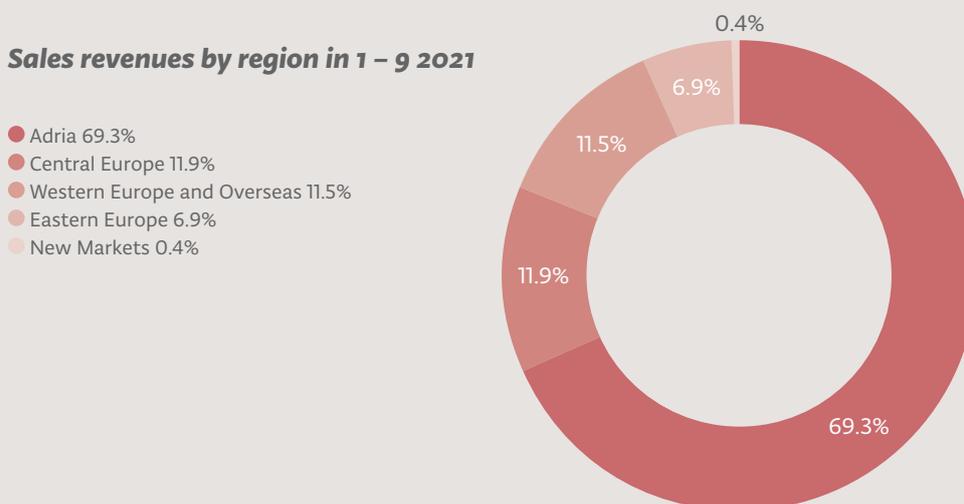
## Sales revenues by region in 1 – 9 2021

<b>(in HRK millions)</b>	<b>1 – 9 2020</b>	<b>1 – 9 2021</b>	<b>Δ</b>	<b>%</b>
<b>Adria</b>	<b>2,311.0</b>	<b>2,345.0</b>	<b>34.0</b>	<b>1.5%</b>
<i>Food</i>	1,793.1	1,806.0	12.9	0.7%
<i>Pharmaceuticals</i>	517.9	539.0	21.1	4.1%
<b>WE and Overseas</b>	<b>373.5</b>	<b>389.2</b>	<b>15.7</b>	<b>4.2%</b>
<i>Food</i>	371.8	386.5	14.7	4.0%
<i>Pharmaceuticals</i>	1.7	2.7	1.0	58.2%
<b>Central Europe</b>	<b>410.8</b>	<b>402.0</b>	<b>(8.9)</b>	<b>(2.2%)</b>
<i>Food</i>	363.9	351.9	(12.0)	(3.3%)
<i>Pharmaceuticals</i>	46.9	50.1	3.2	6.7%
<b>Eastern Europe</b>	<b>223.1</b>	<b>232.4</b>	<b>9.3</b>	<b>4.2%</b>
<i>Food</i>	81.9	75.5	(6.3)	(7.7%)
<i>Pharmaceuticals</i>	141.2	156.9	15.6	11.1%
<b>New markets</b>	<b>10.2</b>	<b>14.9</b>	<b>4.7</b>	<b>46.3%</b>
<i>Food</i>	9.1	14.1	5.0	55.5%
<i>Pharmaceuticals</i>	1.1	0.8	(0.3)	(26.7%)
<b>Podravka Group</b>	<b>3,328.6</b>	<b>3,383.5</b>	<b>54.9</b>	<b>1.6%</b>

### Movements of sales revenues by region (1 – 9 2021 compared to 1 – 9 2020):

- The ADRIA REGION recorded a sales increase of HRK 34.0m (+1.5%) relative to the comparative period. Food segment revenues increased by HRK 12.9m (+0.7%), primarily due to sales increase of the business units Culinary and Podravka food. Pharmaceuticals segment revenues are HRK 21.1m higher (+4.1%), due to higher demand and sales of trade goods and Prescription drugs compared to the same period of the previous year,
- Revenues of the WESTERN EUROPE AND OVERSEAS REGION grew by HRK 15.7m (+4.2%) in the reporting period. The Food segment recorded revenue growth of HRK 14.7m (+4.0%), due to sales increase of almost all business units, with the largest absolute growth generated by the business units Culinary, Podravka Food, and Baby food, sweets and snacks. Pharmaceuticals segment revenues are HRK 1.0m higher (+58.2%) due to Prescription drugs sales increase,
- The CENTRAL EUROPE REGION recorded HRK 8.9m (-2.2%) lower revenues. The Food segment recorded HRK 12.0m lower sales (-3.3%), where the sales increase of the business units Podravka Food and Meat products, meals and spreads was unable to cancel out lower sales of other business units and trade goods. The Pharmaceuticals segment recorded sales increase of HRK 3.2m (+6.7%), primarily due to sales increase of Prescription drugs in the market of Slovakia,
- In the reporting period, revenues of the EASTERN EUROPE REGION are HRK 9.3m higher (+4.2%). The Food segment recorded a revenue decrease of HRK 6.3m (-7.7%) and lower sales by most business units. The Pharmaceuticals segment recorded a sales increase of HRK 15.6m (+11.1%), due to the increase in sales of Prescription drugs and Non-prescription programme,
- The NEW MARKETS REGION recorded a sales growth of HRK 4.7m (+46.3%) as a result of Food segment sales increase of HRK 5.0m (+55.5%), primarily due to the sales increase of Universal seasonings and Creamy spreads. Sales revenues of the Pharmaceuticals segment are HRK 0.3m (-26.7%) lower than in the comparative period due to lower sales of Prescription drugs than in the comparative period.

### Sales revenues by region in 1 – 9 2021



# Profitability in 1 – 9 2021



## Profitability in 1 – 9 2021

**NOTE:** The overview and explanation of value adjustments to non-current assets used in the EBITDA calculation, the overview and explanation of items treated as one-off by management and the overview of methodology of calculation of the normalized result are provided in the "Additional tables for 1 – 9 2021"

### Profitability of the Food segment in 1 – 9 2021

(in HRK millions)	Profitability of the Food segment				Normalized			
	1 – 9 20	1 – 9 21	Δ	%	1 – 9 20	1 – 9 21	Δ	%
Sales revenue	2,619.7	2,634.0	14.3	0.5%	2,619.7	2,634.0	14.3	0.5%
Gross profit	890.1	895.4	5.4	0.6%	890.1	895.4	5.4	0.6%
EBITDA*	322.8	330.3	7.5	2.3%	324.9	331.0	6.1	1.9%
EBIT	207.0	215.4	8.4	4.1%	209.1	216.1	7.0	3.3%
Net profit after MI	166.4	174.8	8.4	5.0%	168.2	175.4	7.2	4.3%
Gross margin	34.0%	34.0%		+2 bp	34.0%	34.0%		+2 bp
EBITDA margin	12.3%	12.5%		+22 bp	12.4%	12.6%		+16 bp
EBIT margin	7.9%	8.2%		+28 bp	8.0%	8.2%		+22 bp
Net margin after MI	6.4%	6.6%		+28 bp	6.4%	6.7%		+24 bp

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

### Profitability of the Food segment (1 – 9 2021 compared to 1 – 9 2020):

- In the 1 – 9 2021 period, the Food segment recorded an increase in GROSS PROFIT of HRK 5.4m (+0.6%), while the reported gross margin stood at the comparative period level. In the reporting period, positive trends in prices of raw materials and supplies were recorded if compared to 1 – 9 2020. The estimated effect of movements in prices of raw materials and supplies in 1 – 9 2021 amounted to positive HRK 2.0m<sup>6</sup> compared to 1 – 9 2020, primarily related to meat and dried vegetables,
- The reported OPERATING PROFIT (EBIT) is HRK 8.4m (+4.1%) higher than in the comparative period, while normalized operating profit is HRK 7.0m (+3.3%) higher. In addition to the impact above the gross profit level, the positive effect comes from savings on marketing expenses and savings on general and administrative expenses. In addition to achieved cost control and optimisation, EBIT was also impacted by positive movements in foreign exchange differences on trade receivables and trade payables (HRK +1.6m in 1 – 9 2021; HRK -9.5m in 1 – 9 2020),

<sup>6</sup> Obtained as used volumes of raw materials and supplies in 1 – 9 2021\*prices in 1 – 9 2021 – used volumes of raw materials and supplies in 1 – 9 2021\*prices in 1 – 9 2020.

- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 8.4m higher (+5.0%), while normalized net profit after minority interests is HRK 7.2m higher (+4.3%) compared to 1 – 9 2020. In addition to the impact above the EBIT level, net profit was positively impacted by foreign exchange differences on borrowings (HRK +1.0m in 1 – 9 2021; HRK -2.3m in 1 – 9 2020) and lower finance costs. Following the increase in pre-tax profit, the tax liability is HRK 5.1m higher.

### Profitability of the Pharmaceutical segment in 1 – 9 2021

(in HRK millions)	Profitability of the Pharmaceutical segment				Normalized			
	1 – 9 20	1 – 9 21	Δ	%	1 – 9 20	1 – 9 21	Δ	%
Sales revenue	708.9	749.5	40.6	5.7%	708.9	749.5	40.6	5.7%
Gross profit	342.4	353.4	11.0	3.2%	339.6	353.4	13.8	4.1%
EBITDA*	112.7	161.4	48.7	43.2%	109.9	161.4	51.5	46.9%
EBIT	65.7	113.0	47.3	72.0%	62.9	113.0	50.1	79.7%
Net profit after MI	43.7	84.5	40.8	93.4%	41.7	84.5	42.7	102.4%
Gross margin	48.3%	47.2%		-115 bp	47.9%	47.2%		-75 bp
EBITDA margin	15.9%	21.5%		+564 bp	15.5%	21.5%		+604 bp
EBIT margin	9.3%	15.1%		+581 bp	8.9%	15.1%		+621 bp
Net margin after MI	6.2%	11.3%		+511 bp	5.9%	11.3%		+538 bp

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

### Profitability of the Pharmaceuticals segment (1 – 9 2021 compared to 1 – 9 2020):

- The Pharmaceuticals segment recorded HRK 11.0m (+3.2%) higher reported GROSS PROFIT and HRK 13.8m (+4.1%) higher normalized gross profit. The reported gross margin was 47.2%, which is lower than in the comparative period, due to the increase in the share of trade goods in sales revenues and the decrease in the share of Non-prescription drugs programme,
- Reported OPERATING PROFIT (EBIT) is HRK 47.3m (+72.0%) higher, while normalized is HRK 50.1m (+79.7%) higher. In addition to the impact above the gross profit level, EBIT was affected by the savings on selling costs and positive movements in foreign exchange differences on trade receivables and trade payables (HRK +10.4m in 1 – 9 2021; HRK -36.0m in 1 – 9 2020), as well as lower provisions for trade receivables,
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 40.8m (+93.4%) higher, while normalized is HRK 42.7m (+102.4%) higher. In addition to the impact above the EBIT level, net profit after minority interests was impacted by favourable movements in foreign exchange differences on borrowings (HRK +0.3m in 1 – 9 2021; HRK -1.7m in 1 – 9 2020) and lower finance costs. The higher level of pre-tax profit resulted in the increase in tax liability of HRK 8.9m.

## Profitability of the Podravka Group in 1 – 9 2021

(in HRK millions)	Profitability of the Podravka Group				Normalized			
	1 – 9 20	1 – 9 21	Δ	%	1 – 9 20	1 – 9 21	Δ	%
Sales revenue	3,328.6	3,383.5	54.9	1.6%	3,328.6	3,383.5	54.9	1.6%
Gross profit	1,232.5	1,248.9	16.4	1.3%	1,229.7	1,248.9	19.2	1.6%
EBITDA*	435.5	491.7	56.2	12.9%	434.8	492.4	57.6	13.2%
EBIT	272.7	328.4	55.7	20.4%	272.0	329.1	57.1	21.0%
Net profit after MI	210.1	259.3	49.1	23.4%	209.9	259.8	49.9	23.8%
Gross margin	37.0%	36.9%		-12 bp	36.9%	36.9%		-3 bp
EBITDA margin	13.1%	14.5%		+145 bp	13.1%	14.6%		+149 bp
EBIT margin	8.2%	9.7%		+151 bp	8.2%	9.7%		+156 bp
Net margin after MI	6.3%	7.7%		+135 bp	6.3%	7.7%		+137 bp

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

### Profitability of the Podravka Group (1 – 9 2021 compared to 1 – 9 2020):

- In the observed period, the Podravka Group recorded HRK 16.4m (+1.3%) higher reported GROSS PROFIT, while normalized gross profit was HRK 19.2m (+1.6%) higher. Cost of goods sold increased by 1.8%, while reported gross margin is at the comparative period level,
- The reported OPERATING PROFIT (EBIT) is HRK 55.7m (+20.4%) higher, while normalized is HRK 57.1m (+21.0%) higher. In addition to the impact above the gross profit level, the increase in operating profit was impacted by favourable movements in foreign exchange differences on trade receivables and trade payables (HRK +12.0m in 1 – 9 2021; HRK -45.5m in 1 – 9 2020) and lower provisions for trade receivables,
- Reported NET PROFIT AFTER MINORITY INTERESTS is HRK 49.1m higher (+23.4%), while normalized is HRK 49.9m higher (+23.8%). In addition to the impact above the EBIT level, net profit after minority interests was impacted by favourable movements in foreign exchange differences on borrowings (HRK +1.3m in 1 – 9 2021; HRK -4.0m in 1 – 9 2020) relative to the comparative period and lower finance costs. The tax liability is HRK 14.0m higher.

## Key highlights of the income statement in 1 – 9 2021



## Key highlights of the income statement in 1 – 9 2021

Podravka Group (in HRK millions)	Reported				Normalized			
	1 – 9 20	1 – 9 21	Δ	%	1 – 9 20	1 – 9 21	Δ	%
Cost of goods sold	2,096.1	2,134.6	38.5	1.8%	2,099.0	2,134.6	35.7	1.7%
General and administrative expenses	234.2	237.2	3.1	1.3%	232.0	236.5	4.5	1.9%
Selling and distribution costs	442.5	453.7	11.2	2.5%	442.5	453.7	11.2	2.5%
Marketing expenses	248.4	255.6	7.2	2.9%	248.4	255.6	7.2	2.9%
Other expenses (income), net	34.8	(26.1)	(60.8)	(175.0%)	34.8	(26.1)	(60.8)	(175.0%)
<b>Total operating expenses</b>	<b>3,055.9</b>	<b>3,055.1</b>	<b>(0.8)</b>	<b>(0.0%)</b>	<b>3,056.6</b>	<b>3,054.4</b>	<b>(2.2)</b>	<b>(0.1%)</b>

### Cost of goods sold

Cost of goods sold increased by 1.8% relative to the comparative period due to a higher level of sales realized, the structure of sales and movements in prices of raw materials and supplies (estimated positive impact in the Food segment of HRK 2.0m<sup>7</sup>, primarily from meat and dried vegetables). On the normalized level, cost of goods sold increased by 1.7%.

### General and administrative expenses

In relation to the comparative period, general and administrative expenses are HRK 3.1m higher (+1.3%) due to different dynamics of movements in provisions and higher exercise of share options than in the comparative period. On the normalized level, general and administrative expenses are HRK 4.5m higher (+1.9%).

### Selling and distribution costs

In the observed period, selling and distribution costs are HRK 11.2m (+2.5%) higher than in the comparative period, primarily as a result of higher staff costs and costs of services.

### Marketing expenses

In the reporting period, marketing expenses (which include marketing investments expenses and marketing department expenses) are HRK 7.2m higher (+2.9%) than in the comparative period. In the Food segment, marketing expenses decreased by HRK 2.1m (-1.5%), while in the Pharmaceuticals segment they are HRK 9.3m (+8.5%) higher.

<sup>7</sup> Obtained as used volumes of raw materials and supplies in 1 – 9 2021\*prices in 1 – 9 2021 - used volumes of raw materials and supplies in 1 – 9 2021\*prices in 1 – 9 2020.

**Other expenses (income), net**

In the reporting period, other expenses and income, net amounted to HRK -26.1m (positive impact), while in the comparative period they amounted to HRK +34.8m (negative impact), mainly due to positive movements in foreign exchange differences on trade receivables and trade payables, which amounted to HRK +12.0m in the 1 – 9 2021 period, while in the comparative period they amounted to HRK -45.5m.

**Net finance costs**

In the observed period, net finance costs amounted to HRK -4.1m, while in the comparative period they amounted to HRK -12.5m. This is mainly a result of favourable movements in foreign exchange differences on borrowings (HRK +1.3m in 1 – 9 2021; HRK -4.0m in 1 – 9 2020) and of HRK 3.3m lower finance costs. At the same time, interest expense on borrowings is HRK 3.6m (-40.2%) lower due to refinancing of borrowings under more favourable commercial terms, with a continuous decrease in the total borrowings.

**Income tax**

In the 1 – 9 2021 period, the income tax of the Podravka Group is HRK 14.0m (+31.5%) higher than in the comparative period, as a result of higher level of pre-tax profit in both segments.

# Key highlights of the balance sheet as at 30 September 2021



## **Key highlights of the balance sheet as at 30 September 2021**

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

Property, plant and equipment of the Podravka Group are HRK 40.4m or -1.8% lower compared to 31 December 2020, due to the regular depreciation of the current period.

### **Inventories**

Inventories of the Podravka Group are HRK 52.9m (+5.4%) higher than as at 31 December 2020, and HRK 70.7m (-6.4%) lower than as at 30 September 2020. The decrease in inventories compared to 30 September 2020 is primarily the result of the decrease in inventories of both segments in the reporting period.

### **Trade and other receivables**

Trade and other receivables of the Podravka Group are HRK 64.9m (+6.7%) higher than as at 31 December 2020 and HRK 93.4m (+9.9%) higher than as at 30 September 2020, in line with the regular operations of both segments 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 111.7m higher (+215.3%) compared to 31 December 2020. This is explained in the “Key characteristics of the cash flow statement in 1 – 9 2021” section.

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

As at 30 September 2021, long-term and short-term borrowings of the Podravka Group are HRK 170.6m lower than as at 31 December 2020. In the observed period, long-term debt is lower by HRK 122.1m, while short-term debt is lower by HRK 48.5m as a result of regular repayment of borrowings.

### **Trade and other payables**

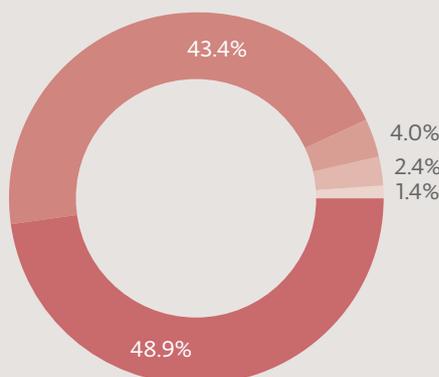
Trade and other payables of the Podravka Group are HRK 126.2m or +22.7% higher compared to 31 December 2020, and HRK 24.8m (+3.8%) higher compared to 30 September 2020. The movement in relation to 30 September 2020 is primarily a result of regular operations in the reporting period.

## Indebtedness

As at 30 September 2021, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities amounted to HRK 613.5m, of which HRK 179.1m relates to long-term borrowings, HRK 333.5m to short-term borrowings, HRK 100.9m to liabilities for right-of-use assets, while there were no financial liabilities at fair value through profit or loss. The AVERAGE WEIGHTED COST OF DEBT on all the stated liabilities as at 30 September 2021 was 0.95%, while if right-of-use assets are excluded it was 0.65%.

## Currency structure of debt as at 30 September 2021

- HRK 48.9%
- EUR 43.4%
- CZK 4.0%
- BAM 2.4%
- Other 1.4%



Analysing the debt currency structure, the highest exposure, of 48.9%, is in the domestic currency (HRK), while the exposure toward the Euro (EUR) was 43.4%. The debt share in the Czech koruna (CZK) amounted to 4.0%, in the Bosnia and Herzegovina mark (BAM) to 2.4%, while the remainder of 1.4% relates to other currencies.

(in HRK millions)*	2020	1 – 9 2021	Δ	%
Financial debt <sup>8</sup>	785.2	613.5	(171.7)	(21.9%)
Cash and cash equivalents	51.9	163.5	111.7	215.3%
Net debt <sup>9</sup>	733.3	450.0	(283.4)	(38.6%)
Interest expense	11.5	7.9	(3.6)	(31.0%)
Net debt / normalized EBITDA	1.4	0.7	(0.6)	(44.5%)
Normalized EBIT / Interest expense	28.3	48.2	19.9	70.5%
Equity to assets ratio <sup>10</sup>	69.4%	71.2%		+179 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.

Net debt decrease as at 30 September 2021 relative to the comparative period is a result of the repayment of a portion of borrowings compared to 31 December 2020. Normalized EBITDA increase with the 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 (Normalized EBIT / Interest expense).

<sup>8</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 30 September 2021" section.

<sup>9</sup> Net debt: Financial debt – Cash and cash equivalents.

<sup>10</sup> Equity to assets ratio: total shareholder's equity / total assets. The data is provided in the "Consolidated statements of financial position as at 30 September 2021" section.

# Key highlights of the cash flow statement in 1 – 9 2021



### Key highlights of the cash flow statement in 1 – 9 2021

<i>(in HRK millions)</i>	1 – 9 2020	1 – 9 2021	Δ
Net cash flow from operating activities	290.5	453.4	163.0
Net cash flow from investing activities	(135.0)	(88.0)	47.0
Net cash flow from financing activities	(79.9)	(253.8)	(173.9)
<b>Net increase / (decrease) of cash and cash equivalents</b>	<b>75.6</b>	<b>111.7</b>	<b>36.1</b>

#### **Net cash flow from operating activities**

In the observed period, net cash flow from operating activities amounted to positive HRK 453.5m as a result of operating business and dynamics of movements in the working capital.

#### **Net cash flow from investing activities**

Net cash flow from investing activities in the reporting period amounted to negative HRK 88.0m, primarily as a result of cash capital expenditures amounting to HRK 100.3m. The most significant CAPITAL EXPENDITURES in 1 – 9 2021 were related to:

- investment in vegetable sauces production line, which creates preconditions for new products production and increases the existing vegetable processing capacity,
- investment in the fruit processing line, aseptic line and vacuum boilers, which ensures business continuity and increases productivity,
- investment in the Tetra Pak line relocation from the Umag factory to the Kalnik factory, which will result in the consolidation of vegetable-based products production,
- continued investing activities in the Štagelj facility reconstruction, which creates preconditions for the facility commercialization and allows operating income increase,
- investment in the improvement of poppy seeds production technology in the Lagris factory in the Czech Republic, aimed at improving business and operating revenue growth,
- investment in the line for the production of extruded products in the Cocktail snacks factory in order to increase capacities,
- investment in the reconstruction of the weighing room in the solid drugs factory of Belupo Inc., which ensures business continuity.

All the above capital expenditures are expected to positively impact the operating profitability increase.

In 2021, EXPECTED CAPITAL EXPENDITURES amount to HRK 200.0m and in the 2022-2023 period expected capital expenditures are at a level of approximately HRK 500.0m.

#### **Net cash flow from financing activities**

In the 1 – 9 2021 period, net cash flow from financing activities amounted to negative HRK 253.8m, mainly as a result of repayment of borrowings and dividend distribution. The difference in relation to the repayment of borrowings in the balance sheet primarily relates to foreign exchange differences.

# Share in 1– 9 2021



### List of major shareholders as at 30 September 2021

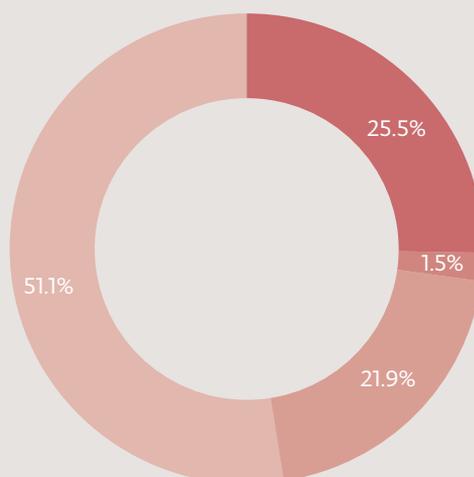
No.	Shareholder	Number of shares	% of ownership
1.	Republic of Croatia*	1,815,376	25.5%
2.	PBZ Croatia Osiguranje mandatory pension fund, category B	1,097,644	15.4%
3.	AZ mandatory pension fund, category B	917,563	12.9%
4.	Erste Plavi mandatory pension fund, category B	638,617	9.0%
5.	Raiffeisen mandatory pension fund, category B	625,298	8.8%
6.	Podravka Inc. - treasury account	105,916	1.5%
	Other shareholders	1,919,589	27.0%
	<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 Inc. 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 stake is held by the Republic of Croatia and domestic pension funds. A total of 7,120,003 shares have been issued at nominal price of HRK 220.0 per share. As at 30 September 2021, the Republic of Croatia holds 25.5% stake, and domestic pension funds (mandatory and voluntary) hold a total of 51.1% stake. Podravka Inc. has 1.5% 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).

### Ownership structure as at 30 September 2021

- Republic of Croatia 25.5%
- Treasury shares 1.5%
- Others 21.59%
- Croatian pension funds\*\* 51.1%



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

## Share price movement in 1 – 9 2021



<b>(closing price in HRK; closing points)</b>	<b>31 December 2020</b>	<b>30 September 2021</b>	<b>%</b>
PODR	485.0	664.0	36.9%
CROBEX	1,739.3	1,999.2	14.9%
CROBEX10	1,087.8	1,228.5	12.9%

In the reporting period, the price of Podravka's share recorded a double-digit growth of 36.9% compared to the end of 2020, while the comparable CROBEX and CROBEX10 stock indices increased by 14.9% and 12.9%, respectively.

## Result on the Croatian capital market in 1 – 9 2021

<b>(in HRK; in units)<sup>11</sup></b>	<b>1 – 9 2020</b>	<b>1 – 9 2021</b>	<b>%</b>
Weighted average daily price	404.1	573.4	41.9%
Average daily number of transactions	16	12	(26.7%)
Average daily volume	1,416	1,581	11.7%
Average daily turnover	572,030.7	906,690.2	58.5%

Relative to the comparative period, in the 1 – 9 2021 period, the weighted average daily price of Podravka's share recorded a significant increase of 41.9%. Compared to 1 – 9 2020, the average daily volume increased by 11.7%, the average daily turnover increased by 58.5%, while the average daily number of transactions is 26.7% lower.

<sup>11</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

(in HRK millions; last price and earnings per share in HRK)<sup>2\*</sup>

	2020	1 – 9 2021	%
Last price	485.0	664.0	36.9%
Weighted average number of shares <sup>12</sup>	6,992,087	7,002,724	0.2%
Market capitalization <sup>13</sup>	3,391.2	4,649.8	37.1%
EV <sup>14</sup>	4,179.4	5,273.9	26.2%
Normalized earnings per share <sup>15</sup>	35.0	42.0	20.2%
EV / sales revenue	0.9	1.2	24.7%
EV / normalized EBITDA	7.7	8.8	14.1%
EV / normalized EBIT	12.9	13.8	7.3%
Last price / normalized earnings per share ratio (P / E)	13.9	15.8	13.9%

\*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>12</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>13</sup> Market Capitalization: Last price \* Weighted average number of shares.

<sup>14</sup> Enterprise value: Market Capitalization + Net debt + Minority interests.

<sup>15</sup> Normalized earnings per share is calculated in a way that normalized Net income after minority interests is divided with weighted average number of shares. Normalized Net income after minority interests include the last 12 months period.

# Additional tables for 1 – 9 2021



### Calculation of reported and normalized EBITDA

EBITDA is calculated in a way that EBIT was increased by depreciation and amortization and value adjustments to non-current assets. There were no value adjustments to non-current assets in the reporting and the comparative periods.

<b>Reported EBITDA calculation</b>		<b>1 – 9 2020</b>			<b>1 – 9 2021</b>		
<b>(in HRK millions)</b>	<b>Group</b>	<b>Food</b>	<b>Pharma</b>	<b>Group</b>	<b>Food</b>	<b>Pharma</b>	
Reported EBIT	272.7	207.0	65.7	328.4	215.4	113.0	
+depreciation and amortization	162.8	115.8	47.0	163.3	114.9	48.4	
+value adjustment	-	-	-	-	-	-	
<b>Reported EBITDA</b>	<b>435.5</b>	<b>322.8</b>	<b>112.7</b>	<b>491.7</b>	<b>330.3</b>	<b>161.4</b>	

<b>Normalized EBITDA calculation</b>		<b>1 – 9 2020</b>			<b>1 – 9 2021</b>		
<b>(in HRK millions)</b>	<b>Group</b>	<b>Food</b>	<b>Pharma</b>	<b>Group</b>	<b>Food</b>	<b>Pharma</b>	
Normalized EBIT	272.0	209.1	62.9	329.1	216.1	113.0	
+depreciation and amortization	162.8	115.8	47.0	163.3	114.9	48.4	
+value adjustment	-	-	-	-	-	-	
<b>Normalized EBITDA</b>	<b>434.8</b>	<b>324.9</b>	<b>109.9</b>	<b>492.4</b>	<b>331.0</b>	<b>161.4</b>	

### **One-off items in 1 – 9 2021 and 1 – 9 2020**

In the 1 – 9 2021 period, the Food segment incurred HRK 0.7m costs of severance payments for employees on long-term sick leaves, treated by the company's management as one-off item. The Pharmaceuticals segment did not record any one-off items in the reporting period. The estimated impact of the above one-off item on tax of the Food segment is HRK 0.1m (decreases it).

In the 1 – 9 2020 period, the Food segment incurred HRK 2.1m 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 recorded HRK 2.8m of income related to returns for defective raw materials received in 2018. The estimated impact of the above one-off item on tax of the Food segment is HRK 0.4m (decreases it). The estimated impact of the one-off item on tax of the Pharmaceuticals segment is HRK 0.9m (increases it).

## Normalization of the Profit and Loss Statement by segments

<b>Reported and normalized profitability</b>	<b>1 – 9 2020</b>			<b>1 – 9 2021</b>		
<b>(in HRK millions)</b>	<b>Group</b>	<b>Food</b>	<b>Pharma</b>	<b>Group</b>	<b>Food</b>	<b>Pharma</b>
<b>Reported gross profit</b>	<b>1,232.5</b>	<b>890.1</b>	<b>342.4</b>	<b>1,248.9</b>	<b>895.4</b>	<b>353.4</b>
+revenues from return of raw materials	(2.8)	-	(2.8)	-	-	-
<b>Normalized gross profit</b>	<b>1,229.7</b>	<b>890.1</b>	<b>339.6</b>	<b>1,248.9</b>	<b>895.4</b>	<b>353.4</b>
<b>Reported EBITDA</b>	<b>435.5</b>	<b>322.8</b>	<b>112.7</b>	<b>491.7</b>	<b>330.3</b>	<b>161.4</b>
+revenues from return of raw materials	(2.8)	-	(2.8)	-	-	-
+severance payments (long term sick-leave)	2.1	2.1	-	0.7	0.7	-
<b>Normalized EBITDA</b>	<b>434.8</b>	<b>324.9</b>	<b>109.9</b>	<b>492.4</b>	<b>331.0</b>	<b>161.4</b>
<b>Reported EBIT</b>	<b>272.7</b>	<b>207.0</b>	<b>65.7</b>	<b>328.4</b>	<b>215.4</b>	<b>113.0</b>
+revenues from return of raw materials	(2.8)	-	(2.8)	-	-	-
+severance payments (long term sick-leave)	2.1	2.1	-	0.7	0.7	-
<b>Normalized EBIT</b>	<b>272.0</b>	<b>209.1</b>	<b>62.9</b>	<b>329.1</b>	<b>216.1</b>	<b>113.0</b>
<b>Reported Net profit after MI</b>	<b>210.1</b>	<b>166.4</b>	<b>43.7</b>	<b>259.3</b>	<b>174.8</b>	<b>84.5</b>
+normalizations above EBIT level	(0.7)	2.1	(2.8)	0.7	0.7	-
+estimated impact of normalization on taxes	0.5	(0.4)	0.9	(0.1)	(0.1)	-
<b>Normalized Net profit after MI</b>	<b>209.9</b>	<b>168.2</b>	<b>41.7</b>	<b>259.8</b>	<b>175.4</b>	<b>84.5</b>

# Consolidated financial statements in 1 – 9 2021



## Consolidated Profit and Loss Statement in 1 – 9 2021

(in HRK thousands)	1 – 9 2020	% of sales revenues	1 – 9 2021	% of sales revenues	% change
Sales revenue	3,328,610	100.0%	3,383,487	100.0%	1.6%
Cost of goods sold	(2,096,128)	(63.0%)	(2,134,632)	(63.1%)	1.8%
<b>Gross profit</b>	<b>1,232,483</b>	<b>37.0%</b>	<b>1,248,855</b>	<b>36.9%</b>	<b>1.3%</b>
General and administrative expenses	(234,160)	(7.0%)	(237,227)	(7.0%)	1.3%
Selling and distribution costs	(442,473)	(13.3%)	(453,715)	(13.4%)	2.5%
Marketing expenses	(248,382)	(7.5%)	(255,602)	(7.6%)	2.9%
Other (expenses) / income, net	(34,765)	(1.0%)	26,084	0.8%	175.0%
<b>Operating profit</b>	<b>272,703</b>	<b>8.2%</b>	<b>328,395</b>	<b>9.7%</b>	<b>20.4%</b>
Financial income	1,030	0.0%	806	0.0%	(21.8%)
Other financial expenses	(670)	(0.0%)	(929)	(0.0%)	38.6%
Interest expenses	(8,858)	(0.3%)	(5,293)	(0.2%)	(40.2%)
Net foreign exchange differences on borrowings	(4,025)	(0.1%)	1,298	0.0%	(132.3%)
<b>Net finance costs</b>	<b>(12,523)</b>	<b>(0.4%)</b>	<b>(4,118)</b>	<b>(0.1%)</b>	<b>(67.1%)</b>
<b>Profit before tax</b>	<b>260,180</b>	<b>7.8%</b>	<b>324,278</b>	<b>9.6%</b>	<b>24.6%</b>
Current income tax	(40,945)	(1.2%)	(45,407)	(1.3%)	10.9%
Deferred tax	(3,465)	(0.1%)	(13,012)	(0.4%)	275.5%
<b>Income tax</b>	<b>(44,410)</b>	<b>(1.3%)</b>	<b>(58,418)</b>	<b>(1.7%)</b>	<b>31.5%</b>
<b>Net profit for the year</b>	<b>215,770</b>	<b>6.5%</b>	<b>265,859</b>	<b>7.9%</b>	<b>23.2%</b>
Net profit / (loss) attributable to:					
<b>Equity holders of the parent</b>	<b>210,108</b>	<b>6.3%</b>	<b>259,250</b>	<b>7.7%</b>	<b>23.4%</b>
Non-controlling interests	(5,662)	(0.2%)	(6,609)	(0.2%)	16.7%

## Consolidated Balance Sheet as at 30 September 2021

(in HRK thousands)	31 Dec 2020	% share	30 Sep 2021	% share	% change
<b>ASSETS</b>					
<b>Non-current assets</b>					
Goodwill	26,819	0.5%	26,819	0.5%	0.0%
Investment property	117,086	2.4%	115,806	2.3%	(1.1%)
Intangible assets	253,155	5.1%	255,054	5.0%	0.8%
Property, plant and equipment	2,222,277	45.0%	2,181,853	42.7%	(1.8%)
Right-of-use assets	100,318	2.0%	98,913	1.9%	(1.4%)
Deferred tax assets	141,411	2.9%	128,316	2.5%	(9.3%)
Non-current financial assets	43,291	0.9%	43,145	0.8%	(0.3%)
<b>Total non-current assets</b>	<b>2,904,357</b>	<b>58.8%</b>	<b>2,849,907</b>	<b>55.7%</b>	<b>(1.9%)</b>
<b>Current assets</b>					
Inventories	980,437	19.8%	1,033,301	20.2%	5.4%
Trade and other receivables	972,996	19.7%	1,037,861	20.3%	6.7%
Financial assets at fair value through profit and loss	106	0.0%	287	0.0%	170.8%
Income tax receivable	2,023	0.0%	5,507	0.1%	172.2%
Cash and cash equivalents	51,856	1.0%	163,522	3.2%	215.3%
Non-current assets held for sale	28,873	0.6%	23,266	0.5%	(19.4%)
<b>Total current assets</b>	<b>2,036,291</b>	<b>41.2%</b>	<b>2,263,744</b>	<b>44.3%</b>	<b>11.2%</b>
<b>Total assets</b>	<b>4,940,648</b>	<b>100.0%</b>	<b>5,113,651</b>	<b>100.0%</b>	<b>3.5%</b>

## Consolidated Balance Sheet as at 30 September 2021

<i>(in HRK thousands)</i>	31 Dec 2020	% share	30 Sep 2021	% share	% change
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Share capital	1,706,048	34.5%	1,719,082	33.6%	0.8%
Reserves	951,174	19.3%	1,086,790	21.3%	14.3%
Retained earnings / (accumulated losses)	714,828	14.5%	771,404	15.1%	7.9%
<b>Attributable to equity holders of the parent</b>	<b>3,372,050</b>	<b>68.3%</b>	<b>3,577,276</b>	<b>70.0%</b>	<b>6.1%</b>
Non-controlling interests	54,932	1.1%	61,141	1.2%	11.3%
<b>Total shareholders' equity</b>	<b>3,426,982</b>	<b>69.4%</b>	<b>3,638,417</b>	<b>71.2%</b>	<b>6.2%</b>
<b>Non-current liabilities</b>					
Borrowings	301,194	6.1%	179,089	3.5%	(40.5%)
Provisions	78,474	1.6%	76,493	1.5%	(2.5%)
Other non - current liabilities	19,129	0.4%	18,114	0.4%	(5.3%)
Right-of-use asset liability	68,642	1.4%	67,978	1.3%	(1.0%)
Deferred tax liability	39,034	0.8%	38,846	0.8%	(0.5%)
<b>Total non-current liabilities</b>	<b>506,473</b>	<b>10.3%</b>	<b>380,520</b>	<b>7.4%</b>	<b>(24.9%)</b>
<b>Current liabilities</b>					
Trade and other payables	554,910	11.2%	681,105	13.3%	22.7%
Income tax payable	4,747	0.1%	18,025	0.4%	279.7%
Financial liabilities at fair value through profit and loss	66	0.0%	0	0.0%	(100.0%)
Borrowings	381,977	7.7%	333,508	6.5%	(12.7%)
Current portion of long-term debt for right-of-use asset	33,322	0.7%	32,922	0.6%	(1.2%)
Provisions	32,171	0.7%	29,154	0.6%	(9.4%)
<b>Total current liabilities</b>	<b>1,007,193</b>	<b>20.4%</b>	<b>1,094,714</b>	<b>21.4%</b>	<b>8.7%</b>
<b>Total liabilities</b>	<b>1,513,666</b>	<b>30.6%</b>	<b>1,475,234</b>	<b>28.8%</b>	<b>(2.5%)</b>
<b>Total equity and liabilities</b>	<b>4,940,648</b>	<b>100.0%</b>	<b>5,113,651</b>	<b>100.0%</b>	<b>3.5%</b>

## Consolidated Cash Flow Statement in 1 – 9 2021

<i>(in HRK thousands)</i>	1 – 9 2020	1 – 9 2021	% change
<b>Profit / (Loss) for the year</b>	<b>215,770</b>	<b>265,860</b>	<b>23.2%</b>
Income tax	44,410	58,418	31.5%
Depreciation and amortization	162,826	163,339	0.3%
Reversal of impairment of non-current asset	0	766	100.0%
Remeasurement of financial instruments at fair value	(870)	(247)	71.6%
Share based payment transactions	5,831	7,361	26.2%
Subsidiary liquidation	140	0	(100.0%)
(Profit) / Loss on disposal of property, plant, equipment and intangibles	(869)	(716)	17.6%
(Profit) / Loss on disposal of assets held for sale	(768)	(4,280)	(457.3%)
(Profit) / Loss on write off of right-of-use assets	(36)	(124)	(244.4%)
Impairment of trade receivables	2,958	876	(70.4%)
(Decrease) / Increase in provisions	(3,978)	(4,997)	(25.6%)
Interest income	(146)	(486)	(232.9%)
Dividend income	0	(12)	(100.0%)
Interest expense	7,534	4,335	(42.5%)
Interest expense on right-of-use assets	1,994	1,887	(5.4%)
Effect of changes in foreign exchange rates	11,388	(2,385)	(120.9%)
<b>Changes in working capital:</b>			
(Increase) / Decrease in inventories	(155,740)	(52,865)	66.1%
(Increase) / Decrease in trade receivables	1,480	(66,928)	n/a
(Decrease) / Increase in trade payables	45,296	124,720	175.3%
<b>Cash generated from operations</b>	<b>337,220</b>	<b>494,522</b>	<b>46.6%</b>
Income tax paid	(37,087)	(34,662)	6.5%
Interest paid	(9,652)	(6,416)	33.5%
<b>Net cash from operating activities</b>	<b>290,481</b>	<b>453,444</b>	<b>56.1%</b>

## Consolidated Cash Flow Statement in 1 – 9 2021

<b>(in HRK thousands)</b>	<b>1 – 9 2020</b>	<b>1 – 9 2021</b>	<b>% change</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant, equipment and intangibles	(139,760)	(100,338)	28.2%
Proceeds from sale of property, plant, equipment and intangibles	3,107	1,405	(54.8%)
Proceeds from sale of assets held for sale	1,538	10,405	576.5%
Loans given	(40)	(2)	94.0%
Repayment of loans receivable	36	21	(43.1%)
Collected interest	130	486	273.8%
Collected dividends	0	12	100.0%
<b>Net cash from investing activities</b>	<b>(134,989)</b>	<b>(88,012)</b>	<b>34.8%</b>
<b>Cash flow from financing activities</b>			
Dividend pay-out	(62,938)	(63,196)	(0.4%)
Acquisition of additional non-controlling interests	0	(74)	(100.0%)
Sale of treasury shares	0	7,983	100.0%
Proceeds from borrowings	364,800	198,731	(45.5%)
Repayment of borrowings	(353,982)	(369,116)	(4.3%)
Repayment of lease	(27,782)	(28,095)	(1.1%)
<b>Net cash from financing activities</b>	<b>(79,902)</b>	<b>(253,767)</b>	<b>(217.6%)</b>
<b>Net (decrease) / increase of cash and cash equivalents</b>	<b>75,590</b>	<b>111,666</b>	<b>47.7%</b>
Cash and cash equivalents at beginning of the year	55,589	51,856	(6.7%)
<b>Cash and cash equivalents at the end of year</b>	<b>131,179</b>	<b>163,522</b>	<b>24.7%</b>

## Consolidated Statement of Changes in Equity in 1 – 9 2021

(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 1 January 2020	1,698,636	147,604	66,358	189,738	64,046	385,834	620,878	3,173,094	46,334	3,219,428
<i>Comprehensive income</i>	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	248,934	248,934	7,200	256,134
Foreign exchange differences	-	-	-	-	-	8,141	-	8,141	487	8,628
Actuarial losses (net of deferred tax)	-	-	-	-	-	(2,602)	-	(2,602)	-	(2,602)
Other comprehensive income	-	-	-	-	-	5,539	-	5,539	487	6,026
<b>Total comprehensive income</b>	-	-	-	-	-	5,539	248,934	254,473	7,687	262,160
<i>Transactions with owners recognized directly in equity</i>	-	-	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	10,238	-	3,505	78,312	(92,055)	-	-	-
Subsidiary liquidation	-	-	-	-	-	-	-	-	911	911
Exercise of options	(3,708)	-	-	-	-	-	-	(3,708)	-	(3,708)
Fair value of share-based payment transactions	11,120	-	-	-	-	-	-	11,120	-	11,120
Dividends paid	-	-	-	-	-	-	(62,929)	(62,929)	-	(62,929)
<b>Total transactions with owners recognized directly in equity</b>	7,412	-	10,238	-	3,505	78,312	(154,984)	(55,517)	911	(54,605)
As at 31 December 2020	1,706,048	147,604	76,596	189,738	67,551	469,685	714,828	3,372,050	54,932	3,426,983
<i>Comprehensive income</i>	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	259,250	259,250	6,609	265,859
Foreign exchange differences	-	-	-	-	-	(3,965)	-	(3,965)	(293)	(4,258)
Other comprehensive income	-	-	-	-	-	(3,965)	-	(3,965)	(293)	(4,258)
<b>Total comprehensive income</b>	-	-	-	-	-	(3,965)	259,250	255,286	6,316	261,602
<i>Transactions with owners recognized directly in equity</i>	-	-	-	-	-	-	-	-	-	-
Allocation from retained earnings	-	-	9,712	-	2,621	127,215	(139,548)	-	-	-
Additional acquisition of minority interests	-	-	-	-	-	33	-	33	(107)	(74)
Exercise of options	5,673	-	-	-	-	-	-	5,673	-	5,673
Fair value of share-based payment transactions	7,361	-	-	-	-	-	-	7,361	-	7,361
Dividends paid	-	-	-	-	-	-	(63,127)	(63,127)	-	(63,127)
<b>Total transactions with owners recognized directly in equity</b>	13,034	-	9,712	-	2,621	127,248	(202,675)	(50,060)	(107)	(50,167)
As at 30 September 2021	1,719,082	147,604	86,308	189,738	70,172	592,968	771,404	3,577,276	61,141	3,638,417

# Notes to the financial statements

In 1 – 9 2021 period there were no changes in accounting policies.

The audited Annual report of the Podravka Group for 2020 are available at:

*<https://www.podravka.com/investors/financial-reports/>*



MANAGEMENT BOARD

Koprivnica, 28 October 2021

## STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated unaudited financial statements of Podravka Group for the period 1 - 9 2021 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 2021 were approved by the Management Board of PODRAVKA Inc. on 28 October 2021.

Corporate Accounting Director:

Julijana Artner Kukec



Board Member:

Dayor Doko

# Contact

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