

INTRODUCTORY STATEMENT FROM THE MANAGEMENT BOARD PRESIDENT

To be

Like all living organisms, organisations also go through various life cycles. They get founded, they grow, they develop and evolve to a certain maturity. Successful organizations are capable of handling various challenges and difficult periods in their path: they are able to deal with successes and failures in the markets, with ups and downs, excessive focus on themselves or on their environment, better or worse financial periods.

Podravka has also been going through such periods in 79/66 years of its existence. Almost to the extreme. From a resolution to close it down to an above-average success. And Podravka was able to recognize the moments and to make steps forward at the right times and in the right places.

What differentiates successful organizations from others is that they stay consistent with their basic purpose of existence and find their ways to survive, to develop and grow in the long run.

In the last fifteen years we have been lacking exactly that used to make Podravka great; innovations that

follow the changes of living habits and the needs of consumers, investments in the new technologies, modernization of doing business compliant to expectations of shareholders, business partners and other interested parties.

But this is not the time to lament about the opportunities and time missed! This is the time to be looking into the future, to be preparing Podravka for a twist and a new step forward, towards achieving such results that only those with the best efficiency indicators achieve.

We have started restructuring the company and with that we wish to end the period of non-profitable business, or not enough profitable business of individual categories and to focus only on those categories and markets which are achieving expected added value and contribute to a total growth of Podravka.

From that point of view one should observe the 2012 business results, which are under heavy influence of one-off items. They primarily relate to the so called “cleanup” of ledgers, i.e. to value adjustments of material and non-material assets.

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Implementing a severance payment program, more than three hundred workers have left the company, and that process continues in this year as well.

You can find the business indicators in this annual report.

Creation and implementation of a five-year plan is essential for Podravka's future, and with this plan we have clearly stated where we want to go and which path to choose to get there, as well as all that is required to achieve those goals. It is our intent to improve our efficiency from one year to the next, so that at the end of the period we be the most successful or among them.

It is twenty years this year as Podravka started to be international and twenty years as it was transformed.

We believe that 2013 is another turning point in Podravka's life cycle, that will bring a new beginning to an efficient business and complete internationalization, after the decades of stagnation.

Only those good, efficient, innovative, creative, big enough to deal with the competition or to be a market leader, will survive in the market, and that market is becoming ever more global.

Podravka will BE that (it has to be)!

We know that Podravka's shareholders, workers, consumers, buyers, suppliers and other stakeholders have great expectations from it. We are convinced that we have created prerequisites to make Podravka's business aligned with those expectations, either to a great extent or completely.

Management Board President



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Podravka Group Business Plan for 2012 adopted

At its last session in December, The Supervisory Board adopted Podravka Group Business Plan for 2012. Also, at this session a resolution was also passed on electing Podravka d.d Supervisory Board deputy president. Dubravko Štimac was elected Supervisory Board deputy president.

Water bottling line in Studenac factory restarted after the fire

Bardi production line for bottling water gallons was the first restarted line in the Studenac factory after the fire in January 2012. After this production line was restarted, the lines for bottling other products under Studena, Studenac and Lero brand have been cleaned and restated.

The fire broke on the first work day of the month, in the packaging preparation compartment. The cause of fire was a burned out controller of the neon lamp. Three persons asked for medical assistance due to excess inhalation of smoke, but fortunately, these were only minor injuries. The fire has not caught the production part, so the 150 workers from the Lipik area were at their posts the next day.

Podravka 11th most wanted employer

MojPosao portal conducted its eighth research on employers of first choice, with more than a 1000 respondents, and Podravka took 11th place. For the first time Podravka took such a high position, and the fact should also be considered that the respondents did not have answers provided, but they themselves provided three most desirable employers. The research was conducted during December 2011, and 34% of the respondents stated safe job as their main criterion when choosing the first choice employer.

Dubravko Štimac - president to Podravka d.d. Supervisory Board

Podravka d.d. Supervisory Board reached a resolution on appointing Dubravko Štimac as Podravka d.d. Supervisory Board president, prof.dr.sc. Mato Crkvenac was appointed his deputy president, and he is a newly appointed member to Podravka d.d. Supervisory Board by the Government Assets Management Agency; he entered the Supervisory Board instead of prof.dr.sc. Ljubo Jurčić. Apart from prof.dr.sc. Mate Crkvenac, Government Assets Management Agency also appointed prof.dr.sc. Ivo Družić as Podravka d.d. Supervisory Board member, who has replaced former

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member Miljenko Javorović. Termination of term by consent has been agreed with Podravka's former Management Board, headed by Miroslav Vitković.

Management Board presiding under Zvonimir Mršić

As decided by Podravka d.d. Supervisory Board at the session held on 24 February, Podravka got a new Management Board, headed by Zvonimir Mršić. Next to Zvonimir Mršić, former major of Koprivnica, new members of Podravka Management Board are dr. sc. Jadranka Ivanković, senior lecturer at Vern college, assistant director of Jadransko osiguranje in Koprivnica Olivija Jakupec, Jorn Pedersen, previous senior vice president of Danish company Uhrenholt and CEO Uhrenholt Russia and Miroslav Klepač, previous Management Board member at Iskon Internet.

Podravka's presentation at 15th International Fair in Mostar

Traditionally Podravka presented itself on 15th International Fair of Economy in Mostar. Partner country this year was Croatia, and considering that neighbouring Bosnia and Herzegovina is one of Podravka's most significant markets, it was an opportunity for the Management Board president Zvonimir Mršić and mem-

ber Olivija Jakupec to visit the fair, but also to hold business meetings with the employees of one of Podravka's numerous branch offices. Podravka has been present in Bosnia since 1992 and is selling a wide range of products in that market. Fair visitors have been given the opportunity to taste some of the products, because at Podravka stand culinary promoters have been daily preparing various delicious meals with Vegeta.

Advancing relations with small and mid-size entrepreneurs

Entrepreneurship and Craft Minister Gordan Maras and Minister of Homeland Defenders Predrag Matić with associates, discussed with Management Board president Zvonimir Mršić how to advance the relations between small and mid-size entrepreneurs and Podravka. As Podravka has many subcontractors and cooperates with cooperatives of homeland defenders, the ministers agreed in expectation that relations with Croatian biggest food-processing company be even more successful, to the satisfaction of both parties. It was said, that the government will help Podravka be more competitive, through incentives and reduced encumbrances, and in return it is expected that Podravka gets fine quality raw material which will be provid-

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ed by the Croatian cooperatives. Also present during this visit were Dražen Pros, deputy minister of Entrepreneurship and Craft, and acting mayor of Koprivnica Vesna Želježnjak.

Podravka hosted Investors Day

Podravka Management Board was a host to the Investors Day - representatives of financial institutions were presented in more detail with the Podravka Group business results for the first quarter 2012. Podravka Group presentation, highlighting the strategic business area Food and Beverages was held by Zvonimir Mršić and Miroslav Klepač, Management Board president and member, while business results of Belupo were commented by the president and member of the Board Stanislav Biondić and Hrvoje Kolarić. Representatives of banks and funds also visited Belupo's factory of creams, ointments and gels.

Hrvoje Kolarić new president of Belupo Management Board

As of 1 May Hrvoje Kolarić is the new president of the Management Board of the pharmaceutical company from Koprivnica, as decided by the new congregation of Belupo Supervisory Board. Previous president

Stanislav Biondić was appointed Management Board member. New members of Belupo Supervisory Board were also elected: Zvonimir Mršić as its president, and Olivija Jakupec and Jorn Pedersen as members. Supervisory Board appointed Miroslav Klepač to be the president and Jadranka Ivanković and Branka Perković to be the members of the Audit Committee. For full seven years Hrvoje Klarić as Management Board member at Belupo was in charge of marketing, sales, logistics, distribution, chain of pharmacies and international markets.

Prime minister Milanović visited Podravka's production facilities

Croatian prime minister Zoran Milanović visited Podravka. During a meeting with Podravka Management Board members, headed by the president Zvonimir Mršić, the Prime minister and his associates were familiarized with the business of Podravka and plans for its future. After the meeting the Prime minister, escorted by the host, visited Podravka's Vegeta and Soups factory.

- Podravka is a company with enormous growth potential. When companies like Podravka will be grow-

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ing and expanding to international markets and creating best quality products, then the situation will be better for us, the Prime minister Milanović said, adding that political influence of the Government on Podravka was detrimental, and there will be much less of it in the future.

Relative to that statement, Podravka Management Board president Zvonimir Mršić said: “We would like our strategic plan to be as more in line with the interests of our biggest shareholders, and that is the Government and pension funds. We would like to present our work to them and then to hear what the government is expecting of us. Investors have recognized us as a company with the highest growth potential, which we plan to use.”

Changes in the Management and Supervisory Boards of Danica meat industry

At the Assembly of Danica d.o.o resolutions have been passed on changes in the Management and Supervisory Boards of Podravka's meat industry. Željko Tonklin was recalled from the position of Danica CEO as of 31 May 2012, and Dragan Habdija, previous HR department director was appointed new Danica CEO as of 1

June 2012. Newly appointed members of Supervisory Board for Danica d.o.o. are Miroslav Klepač - Supervisory Board president, and Zvonimir Mršić - Supervisory Board member.

Vegeta Croatia Open Umag - new name of the biggest Croatian ATP tournament

As of this year the renowned tennis tournament in Umag carries the name after Vegeta, the most renowned original Croatian product. The leading food processing company Podravka and the Umag tournament signed a cooperation contract in Koprivnica, strengthening the connection between these two internationally recognized Croatian brands. Podravka recognized the particularity of the ATP Umag tennis tournament from its very beginnings, and for the seventh year in the row the tournament carries the name of Podravka's brand; until now it used to be Studena, and as of this year it is Vegeta. This is not a coincidence, as Vegeta is a renowned world brand, Podravka product that consumers in almost 50 countries around the world enjoy. Except with the gastronomical contents, Podravka also provided entertainment contents and enriched this grand sport event, where

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after 22 years a Croatian player, Marin Čilić, has again won the cup of this prestigious tennis tournament in the region.

A company of big and strong brands

President of the Republic of Croatia Ivo Josipović visited Podravka, stating that Podravka is a company of big and strong brands, and much is expected from it in the future. After Podravka Management Board Zvonimir Mršić with other members presented the company's business and the future vision of the company, President Josipović was very pleased with what was presented.

- I wanted to confirm with my visit here that I believe that Podravka can be a successful company that will make us proud even after accessing the EU, President Josipović said to the press.

Together with his associates he visited Podravka's semi-industrial laboratory, a part of Podravka's Research and Development department, discussed with Board members and executive managers about Croatia's accession to the European Union and had lunch with Podravka's employees.

Milan Stojanović and Ivana Matovina appointed to the Supervisory Board

At the regular General Assembly of Podravka d.d., newly appointed members to the Supervisory Board, to the four-year term are Milan Stojanović and Ivana Matovina, while Nikola Gregur was recalled. After the submitted report on performed supervision over business activities in 2011, PODRAVKA d.d. Management Board members have been discharged, and their work in managing the company PODRAVKA d.d. in the previous business year has thus been approved. Members of Podravka d.d. Supervisory Board have also been discharged, and their work and performed supervision over business activities of PODRAVKA d.d. has been thus approved.

Studenac Factory anniversary

20th anniversary of restarted production in Studenac factory was celebrated in Lipik. It was an opportunity to recall the war days when production was being started and on 14 July 1992, with great efforts of all Podravka employees the production of mineral water Lipički Studenac, the first mineral water on our market, was started. This festive occasion was an opportunity to gather former employees who are retired today and

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who have greatly contributed in those turbulent times. Podravka's factory in Lipik was the first business entity restored in that area, as it was reminded by the Beverages associate Vlasta Šepetavec, concluding that Podravka employees take the most credit for restarting the production.

The festivity continued with a visit to the factory and springs Studena and Grofovo vrelo, renowned from the mid 19th century.

Tomato Day celebrated in Umag

Festivity organized to honour the red Istrian gold - Tomato Day - was again organized this year. Long-year successful partners in this project - Podravka, the city of Umag and Umag Tourist Association have jointly organized this manifestation which was at the same time educational and professional, touristic and entertaining, and humanitarian. Tomato Day started traditionally with an expert gathering where domestic and foreign experts presented their latest information in growing and processing of tomatoes. Davorka Gajari from Podravka presented the topic Tomato in diet of children and its usage in school meals. Part of the expert gathering was devoted to the 100th anniversary

of tomato processing in Umag, a topic presented by Zdravko Matotan. Participants of the expert gathering visited tomato fields where they could check the application of the latest methods in production of this vegetable and the factory where this year's processing was started.

Evening is traditionally reserved for Tomato fiesta, where Podravka's culinary promoters prepared several thousands portions of pasta with tomato, which was sold to visitors, together with Studena. All the income was intended for treating a little girl Matea Damiani whose father is an employee at Podravka's factory in Umag.

Tomato processing in Podravka's Vegetable factory was started and this year it celebrates the 100th anniversary of tomato processing in Umag. Next to the concentrates production line, a tomato puree production line was also started, and it should be filling up tetra bricks of 500 g.

New Zealand delegacy visited Podravka

Speaker of the House of Representatives of New Zealand dr. Lockwood Smith with his associates visited

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Podravka. During talks with Podravka Management Board President Zvonimir Mršić and its member Jadranka Ivanković, the topic of launching Podravka's products to the market of New Zealand was considered. Podravka has namely been present for a number of years at the market of Australia, which makes the possibility of launching and distributing Podravka's products in the market of New Zealand a lot easier. New Zealand's delegacy accompanied by Podravka's Management Board members visited Podravka's laboratory for semi-industrial production, unique in this part of Europe.

Provision Plan with severance payments

As many as 288 employees of Podravka Group accepted the Provision Plan with severance payments. The Company expects to pay the amount planned for severance payments within 15 months from regular business revenue. Workers who were no longer employed as of 1st September 2012 received severance payments of HRK 4000 net for each year spent at Podravka Group, and the workers included in the second round of the Provision program and were no longer employed as of 30th November 2012 received severance payments amounting to HRK 3000 net for each year

spent at Podravka Group. Provision program was also discussed with the Workers Council. All the changes were introduced with the purpose of aligning Podravka's business with the existing conditions of the market economy, i.e. the purpose of increasing business processes efficiency and making them more rational.

Summer with Podravka

For all the fans of good food, Podravka prepared a summer action through July and August - Summer with Podravka - SOS cookbook 2012. The joint concept included several different product categories - Podravka pasta, tomato products, tomato based ready-made sauces, Eva canned fish, meat cans, SMS olives and olive oils, Studena, Talianetta semi-ready meals... The goal was to offer new, interesting and fast ideas for various combinations of summer meals.

28 apprentices chosen

Podravka successfully completed the first selection process, a part of its own employment program for highly educated apprentices, called SHAPE, and about 800 applicants from all over Croatia applied for this program. 28 finest apprentices were chosen from different fields of expertise, and the basic criterion was

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excellence. From 1 October the apprentices got the opportunity to contribute to shaping the future of Podravka, next to acquiring new knowledge. They are all young people from various parts of Croatia, and about two thirds are from the Koprivnica area. Extensive and detailed selection included satisfying formal preconditions, psychological testing, English language test, after which 218 candidates were left to conduct an interview with the psychologist and in the end 153 candidates had interviews with directors in whose departments where they would be working. In order to make the whole procedure more transparent, the particularity of this selection was that Podravka's interviewers had an e-course for selection interviewing, and that way ensured equal standards of conducting a professional interview. Highly educated young apprentices have various professional profiles and among them there are economists, food technologists, engineers, electrical technicians, graphic technicians, lawyers and journalists.

First e-learning conference

Podravka was hosting and organizing the first e-learning conference in the corporate sector, which gathered the leading experts from Croatia, Great Britain, France

and India. Primary goal was to present the possibilities and challenges in application of e-learning and to remind what it actually brings to companies and how it can be used as a good educational tool. Co-organizer of this conference was Cognita from Zagreb, and partners of this conference were the leading world companies dealing with e-learning (Tell me more from France, SkillSoft from Great Britain and Composica from Israel) and the Faculty of Electrical Engineering and Computing from Zagreb, which is a continuation of a good cooperation between Podravka and the academic community. The conference was supported by the umbrella association of HR workers "Centar HR". This e-learning conference was also humanitarian. All the money from the paid entrance fees was donated to humanitarian purposes, to the "Zlata Bartl" Foundation which supports talented students in technical and technological courses.

Coolerica presented

Listening to the needs and wishes of its consumers, Podravka has again proved as a company that can provide something new and innovating. This is a custom made product which enables every registered user to create an online collection of recipes - Coolerica, from

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the recipes already published on the site. As user recipes present the foundation of this site, and today there is more than 100.000 of them, this enormous collection of recipes and own photos presents much joy to numerous users, because apart from their own, they will be able to put the recipes of other users in their cookbooks, depending on licenses, and also to buy ready-made collections of other users as well, if there is such a permission. For nine years Coolinarika.com holds the status of a favourite culinary web destination, and the 10th place among the most visited sites in Croatia, according to the Gemius Audience. Coolerica was presented at Dove Fashion HR, where special designer Vegeta aprons were presented to the audience in the first evening of the show. The aprons were worn by members of the woman's handball club Podravka Vegeta.

Optimization process at Danica meat industry

Podravka is introducing an optimization process at its meat industry Danica. After a study was performed on justifiability of slaughtering cattle at Podravka's meat industry Danica d.o.o., it was concluded that with the current degree of using the capacities of the slaughtering line, HRK 14 million loss was realized in 2011

and that this trend continued. Podravka Management Board accepted the proposition by Danica management to discontinue the slaughtering line as of 31 December 2012, which will bring additional savings in business. Workers of Danica d.o.o. performing the cattle slaughtering tasks were distributed on other tasks within Podravka Group.

Minister of Culture Andrea Zlatar Violić learned about Podravka's cultural history

Minister of Culture Andrea Zlatar Violić, deputy minister Vladimir Stojsavljević and spokesperson for the Ministry Nataša Petrinjak visited Podravka. Primary reason for this visit was the fact that for a number of years Podravka has been supporting various cultural associations and events, and there is also a big collection of paintings of renowned Croatian painters that Podravka holds in its possession. They were welcomed by Miroslav Klepač, Management Board member, and afterwards they were presented with a corporate presentation on the current situation at the company. After the meeting held at Podravka, the Minister of Culture visited Podravka's Food Museum, where the curator Nada Matijaško familiarized the Minister with the display, which in one part records Podravka's rich history.

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Special gathering of Podravka's retirees and employees

For its retirees and employees with 30, 35 and 40 years of service at the company, Podravka organized a special gathering in front of the Vegeta Factory at Danica location. With this example Podravka proved how much it cares for its former employees; some of them spent their entire active life at the company. For decades, Podravka continues the tradition of gathering its retirees and employees and that includes it among the few companies that show due respect and care for the people who have been devoted to the company for so many years. Traditional gathering of the retirees and workers was also held at Podravka's Kalnik factory in Varaždin.

Cooperation between Podravka and Uniline

Signing a business contract, Podravka and one of the fast growing tourist companies Uniline, made an obligation to jointly work on realization of significant business results on some of the key markets around the world. The significance of this cooperation lies in the fact that in joint actions through own channels they will try to expand the offering, but also to significantly increase sales results, primarily on the mar-

kets of Russia, Hungary, Poland, China and others. Using available resources, both parties will use their marketing and sales activities to place the products and to establish them on the stated markets. Such a cooperation will surely bring significant improvement in the context of branding and positioning of Podravka products, but also the products of Uniline, on the level of receptive business. Domestic tourism, domestic food industry, but also the overall domestic economy will profit from such an approach. The contracts were signed by Podravka Management Board president Zvonimir Mršić and Uniline Management Board president Boris Žgomba.

Agreement with homeland defenders cooperatives

Minister of Homeland Defenders Predrag Matić and Podravka Management Board president Zvonimir Mršić signed a Cooperation contract, on repurchasing the products of their cooperatives in the period 2012 to 2014. Except with the repurchase of the raw material, Podravka will help the cooperatives also with a necessary expert help in agricultural production. This contract is a continuation of a three-year cooperation started in 2009. In the previous three years, such a cooperation between the Ministry of Homeland Defend-

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ers, their cooperatives and Podravka enabled the cooperatives safe repurchasing of their products, regular payments and safe market to place their products. The significance of such cooperation is best illustrated by the fact that Podravka has so far repurchased 1,157 tons of raw fruits and vegetables, and the amount of contracts signed between Podravka and the cooperatives amounts to more than HRK 4 million.

50 years of Podravka newsletter

Podravka celebrated 50 years of publishing of its internal newsletter. As part of celebrating this jubilee, a panel discussion was held to the topic "Corporate journalism - the future". Experts mostly from the Corporate Communications and Marketing departments spoke on the importance of communication, emphasizing corporate journalism which has a significant role. Present Management Board president Zvonimir Mršić also worked at the editorship of Podravka newsletter some 20 years ago.

- We are celebrating 50 years of internal communication at Podravka. Even at the time Podravka was an innovator and flagship of trends in the contemporary society and it recognized that the people are the key to suc-

cess, and it is important that they be informed on what is expected of them. During the fifties, Podravka was a forerunner also in marketing, because in 1962 it received an American award for marketing appearance. We wish to be innovative also in the future, among other things Management Board president Zvonimir Mršić said.

Next to the panel discussion, an exhibition "50 years of journalism at Podravka" was also displayed, together with the pictures of Ivan Generalić, doyen of naive art. All citizens interested in this exhibition were invited on the occasion of Open Door, and next to the exhibition they could also visit the Fruit factory, which also celebrated 65 years of integration within Podravka.

Corporate climate and work satisfaction

A survey was conducted within the company on corporate climate and work satisfaction. The survey was conducted on a sample of 10% of employees on different locations and the sample included employees at different posts, functions, gender, age and years of service. The survey consisted of 142 questions covering various areas of work satisfaction (superiors, relations among colleagues, salaries, work conditions, the sense of safe job, and so on...) Attitudes expressed in the survey provide

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the idea of work satisfaction and engagement. Based on the results obtained, Podravka needs to improve its organizational climate and there are great areas to be worked on. The survey also showed parts where advantages can be upgraded. First of all, Podravka employees express strong pride and loyalty towards the company. Cooperation among colleagues, workers and superiors is mostly satisfactory. On the other hand, there are areas that need working on: better communication, understanding of company strategy and goals, clearer advancement systems and criteria, better and systemic education and training, appropriate rewarding and commendations, management stability and increase of responsibilities on all levels. A team of people was therefore appointed, with a task to deal with the existing corporate climate based on the results obtained.

Employees contributing to better sales results

“Easter activities”, “Summer with Podravka” and “Christmas with Podravka” were successful sales actions during the year for which Podravka employees volunteered, in order to contribute to better joint results. The goal of these actions was to help promote and encourage the sales of Podravka’s products and thus realize sales plans set. Inclusion of employees in those actions helped the

work of sales representatives and in realizing Podravka goals in the Croatian market.

A new member to Podravka d.d. Management Board

Podravka d.d. Supervisory Board consented to Podravka Group Business Plan for 2013, along with the Podravka Group Strategy for the upcoming five-year period. Emphasis is on increased operating efficiency of business, profitable growth, with additional strengthening of positions on domestic and key foreign markets. At the same session, as suggested by Management Board president, it was decided that Podravka Management Board be added with another member, with the purpose of strengthening of Podravka Group pharmaceutical part of business and for better synergy between the food processing and pharmaceutical segment of business. Podravka d.d. Supervisory Board appointed Hrvoje Kolarić as the new member of Podravka d.d. Management Board, as of 20 December 2012. Rules of procedure of the Management Board determine also the new duties of individual Management Board members, so Jorn Pederson has become in charge of strategic restructuring, business processes optimization, procurement and logistics, and Olivija Jakupec in charge of sales on all markets.

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Podravka's products rewarded for their quality with 8 Superior Taste Awards in 2012



As many as eight Podravka products received Superior Taste Award, which was awarded to them by the International taste & Quality Institute from Brussels. Podravka's fruit syrup Lemon-mint received three stars, and Superior Taste Award this year was also

received by fruit syrups Orange-cinnamon, Black currant-lime, Strawberry-Vanilla, Raspberry-jasmine and Apple-elder, produced by Podravka in Czech Republic. Podravka's product that can be found in stores in Croatia, Lino lada nougat and Lero fruit syrup Orange-cinnamon, also received Superior Taste Award 2012 for their quality. Almost 1000 food products and beverages from 60 countries around the world were evaluated. In the next three years the awarded Podravka's products can implement on their packaging the internationally recognizable quality sign "Superior Taste Award 2012", which puts them among high quality food products.

Vegeta the strongest Croatian brand in the region

Vegeta is the strongest domestic brand, for the area of approximately 22 million inhabitants, which includes Croatia, Slovenia, Serbia, Bosnia and Herzegovina, Montenegro, Macedonia and Kosovo. This is the result of brands research conducted by Valicon research agency. Supreme product quality, continuous investments in the brand and technology, constant innovations and good consumer actions have brought Vegeta to the position of the strongest Croatian brand, and Vegeta has once proved that it belongs to the very elite of world brands.

Vegeta product range received Kosher certificate

Jewish community Bet Izrael in Croatia awarded Podravka with a Kosher certificate for Vegeta product range. These products are already on the market, and this certificate only expands the products that Podravka produces by Kosher rules. The demand of Kosher products around the world grows 15% annually, and this is not just for religious beliefs. Respecting international standards in safe food production, Kosher products are additionally controlled according to the Jewish principles of Kosher diet, where emphasis is put on production conditions and strict control of

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raw materials, which provides the consumers with additional warranty that the product is of good quality and safe for consumption. As one of the leading food companies in this part of Europe, Podravka will strive to get the Kosher certificate for as many products in its range as possible. Hebrew word “Kosher” literally means “prepared”. It includes food allowed by Torah and which is prepared compliant to strict Jewish rules and customs.

Products of the year

Vegeta and Čokolino won the titles of the “Product of the year” in the categories of “Food” and “Products for children”. Portal žena.hr was the first to organize this competition with reader votes.



Podravka received award for the Best HR Practice in 2012

The fact that Podravka has good management of human resources was again confirmed at the awarding ceremony for the Best employers and Best HR practices in 2012. Podravka has won the second position for the Best HR Practice for the project “HR for non-HR” -

the purpose of this program is to concisely explain the function of managing human resources in a company and the role of a manager in leading the members of their teams. This program is only the first step towards more intense inclusion of central HR in development of human resources in our international representative and branch offices. Podravka has received this award for the second time since this competition is being held, which definitely confirms the continuous practice of good employer management.

Two rewards for Coolinarika and one for Lino at VIDI Web Top 100

At the national competition VIDI Web Top 100 for the best web sites and mobile applications published in 2012, Coolerica by Coolinarika has won the first place in the category “Sport, health, food”. In the category “Mobile web and applications”, Coolinarika application for Windows 8 has been selected among the best ten applications. Apart from the rewards for Coolinarika, Lino brand web site has also been selected among best ten in the same category. The best Croatian web sites have been estimated by the jury comprised of about 40 experts in the area of science, economy, technology and Croatian media.

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Beer pub Kraluš and Podravka klet again among 100 leading Croatian restaurants

For the seventeenth year in the row Podravka klet received the flattering title of one of the hundred leading restaurants in Croatia - Restaurant Croatica. Podravka's beer pub Kraluš also joined Klet, which proves that Podravka's catering business is on a good path, that people with knowledge, quality and fine ideas work there and that they will successfully realize goals set.

Reward for the Best Investor relations for domestic companies

Podravka received a reward as the best domestic company for investor relations. Our company took the second position, while the winning title was taken by HT- Hrvatski telekom. Laureates were selected among 35 companies whose shares have been listed in the official market of the Zagreb Stock Exchange, also among the most solvent ones in the Regular Market of the Zagreb Stock Exchange and all included in the CROBEX10 index.

Sial Fair in Paris rewarded Podravka for innovations

Podravka's innovativeness has again been confirmed, this time with Sial d'Or award for Podravka Lagris



products - pasta in bags which make cooking simpler and more economical with their specific packaging. Sial jury voted that Podravka's pasta in bags is the best innovation in the "savoury products" category. It has also been proclaimed the best nominated product from Czech Republic.

Sial d'Or rewards are being awarded to innovative products that have achieved significant commercial success, and 403 products from 29 countries were evaluated.

Pastas rewarded in Slovakia

Podravka pastas are the best products, as voted by the consumers in Slovakia, and have received an award VOĽA SPOTREBITEĽOV - NAJLEPŠIA NOVINKA 2012 - "Consumer choice - the best new product in 2012". This is a marketing program that tracks, evaluates and promotes new and innovative products which have been launched as of 1 September 2010 till this day. Podravka pastas have won in the pastas category, and the winners have been chosen based on market research which was done on a representative sample of 2000 respondents.

REWARDS

Proof of quality and recognizability in Slovenia

Podravka took a firm position among the fifty renowned brands, as chosen by Slovenian consumers, having found itself on the SI.BRAND TOP50 2012 scale. This gives it the opportunity to use the SI.BRAND 2013 label on its products.

Si.brand is the scale of brands that Slovenian consumers recognize as domestic. The Association Društvo potrošnikov za izvajanje potrošniških raziskav Si.brand, financed from the budget and acting within the Ministry of Economy, conducts a poll among the consumers both online, and on the field, which brands do they associate with certain categories. Only registered brands can participate, and in the food category 65 brands qualified, where Podravka took 30th position. The reward was given by the Consumers Association si.Brand from Ljubljana, where Podravka again proved its quality and market recognizability.

Vegeta “The best selling product” in Lithuania

Vegeta again confirmed its planetary popularity by winning an award as the most popular food seasoning in 2012 in Lithuania. This award is very significant if we take in consideration the fact that the most popular



food products in Lithuania are domestic products, and when choosing hygienic or alcohol products, they prefer foreign manufacturers. Such findings have been presented at the awarding ceremony “The best selling product”, organized by the Lithuanian Association of traders (ALTE) for the fourth year in the row. The Association includes almost 30 foreign and domestic Lithuanian retailers and wholesalers, registered in the country.

The competition “The best selling product” included 43 products in the food category. Manufacturers and suppliers whose products received the awards have the right to carry special ALTE label for the “Best selling product” on their packages.

“Golden Marten” plaque for Belupo

“Golden Marten” plaque was awarded to Belupo, a recognition for the most successful company in the Koprivnica-Križevci county. The plaque was awarded to Stanislav Biondić, Belupo Management

REWARDS

Board member by Dražen Pros, deputy Minister of Entrepreneurship and Trade in the Croatian government.

Trusted Brands research

In the pain killers category Belupo's OTC medication Neofen was proclaimed the winning brand by the readers of Reader's Digest. The European Trusted Brands research was conducted by the magazine Reader's Digest in cooperation with the British agency Wyman Dillon, in September and October 2011 in 15 European countries, also in Croatia. 27,469 respondents participated in the research. Belupo's Neofen, in the category of pain killers, for the third time in a row is the winner of this prestigious reward.

Employer Partner certificate to Belupo for the fifth time in a row

For the fifth time Belupo received the crystal statue and the Employer Partner certificate, awarded by the Selectio Group to the best employers in Croatia. This certificate is awarded with the purpose of improving the sensibility of a wider public on the meaning of human resources management, promotion and advance-

ment of HR processes and recognizing the best organization in public and highlighting those with best management of human resources.

PODRAVKA GROUP RESEARCH AND DEVELOPMENT

Research and Development sector was again formed organizationally and functionally as of 1st October 2012.

Activities within the sector are divided in 3 basic areas:

- development of new and innovated products through the following departments: Product Development (food and food seasonings, sweets, snack and mill and bakery products, fruit, vegetables, condiments and side dishes, baby food, sweet spreads and breakfast cereals, beverages, meat and meat products, fish), Agriculture Development, Sensoring and Nutritionism, Technology Development and Packaging Development
- quality control and sanitary validity of products and environment control (a system of 10 laboratories for food and beverages control: Central physical-chemical laboratory, Central microbiological laboratory for contaminants and pathogens control, laboratories for quality control within factories, and a separate laboratory for meat products control)
- support for maintenance and development of integrated management, based on the following norms: ISO 9001, ISO 14001, ISO 22000, OHSAS

18001, HACCP and other norms and regulations concerning food industry and individual markets (BRC, IFS) through Business Quality department; Regulatory Affairs department deals with product development support, export and regulatory rules; Ecology department deals with disinfection, desinsection, deratization; waste, water and air management, waste water system management and waste water laboratory.

Product development department participates in devising products, from the initial idea, through building product proposal, test production to final product design, compliant to market demands and applicable legislature. But development work does not end here, it continues through tracking the product throughout its life span. Apart from developing products in development units, production and control processes are constantly being improved.

It is with particular attention that we track the development of science in food industry, consumer trends, and products are constantly aligned with current awareness of regular and healthy diet.

PODRAVKA GROUP RESEARCH AND DEVELOPMENT

Apart from this, great attention is paid to development and application of new technologies and the shape of the packaging. This area is important both from the aspect of product quality and ecology and environment protection. We pay special attention to information contained on product declarations, product design, their organoleptic quality, nutritive and other features. The activities are taking place in close cooperation with other departments within the company, but the cooperation with leading experts and institutions outside Podravka is also not ignored.

Development departments use in their work the latest world discoveries and state of the art methods and equipment. Such an example is the Central semi-industrial laboratory, unique in this region. This laboratory is equipped with sophisticated processing equipment that enables fast determination of technological and economic feasibility of ideas and an easy transition of ideas into concepts and new products. This enables creating new opportunities necessary for company's advancement and growth. All stated is performed in order to achieve a higher level of consumer satisfaction with Podravka's products and to ensure their leading position.

Worth emphasizing is the fact that in 2012 the process of employee education in the sector was significantly intensified, first through evaluation of human resources, particularly those with college degrees. We used the Internal Evaluation Center, and this helped us create preconditions for building of new competencies in 2013 and 2014. We also continued to invest in formal education, choosing employees to sign contracts for graduate and post-graduate studies at the Faculty of Food Technology and Biotechnology in Zagreb, Faculty of Graphic Arts in Zagreb, and College of Agriculture in Križevci. We also continued to invest in foreign language courses, IT courses, and our employees actively participated in the work of conferences and expert conventions both in country and abroad, and engaged in writing research works.

Here we also mention contacts in creating preconditions for resolving specific technological problems with the Technology Management from Switzerland, potentials evaluation for cooperation with the Ruđer Bošković Institute, Ericsson Nikola Tesla, Faculty of Electrical Engineering and Computing Zagreb, Veterinary Faculty of Zagreb, and Hungarian health cluster for clinical researches.

PODRAVKA GROUP RESEARCH AND DEVELOPMENT

Important part in 2012 was evaluation of potentials and creation of long-term preconditions for a synergy between the pharmaceutical and food businesses within Podravka Group (Belupo and Podravka).

During the last quarter in 2012 the Ministry of Economy started a series of meetings to found a food-processing cluster of the Republic of Croatia. This is where our R&D sector, as an industry stakeholder, recognized the possibility to participate in invitations for EU cohesion funds, through the Competencies Center in Koprivnica.

Preconditions for investment in sector research projects were also created, along with those for building the system and networking with external sources of innovations, based on sector strategy till 2017, in the area of food, health and well-being, sustainable production and management of biological resources, technologies transfer and trainings.

Within socially responsible behaviour domain, the sector started with the development of awareness on healthy diet in elementary schools, through the nutritionistic and educational project "Healthy School

Menus", next to the already renowned Lino All-rounder project (which promotes physical activity through play, competitions and socializing). The project is accompanied by education in nutritism and brochures intended for children, parents and teachers. The project has been promoted on a national level and excellently accepted by all stakeholders.

Belupo continues the regular practice of enriching its product portfolio with new products. During 2012, 6 new brands were launched along with 3 extensions of existing ones, which enriched Belupo's portfolio with 8 new active substances in 15 different doses, and with that many packaging sizes.

Out of 15 new doses, there are 13 new prescription medications, 1 OTC product and 1 new diet supplement.

Apart from strengthening of the existing groups of medications, with effect on nervous, bones and muscular system, digestive and respiratory system, this year for the first time we have entered a particularly significant group of oncologic medications with 3 different active substances in 4 doses and packaging sizes.

NEW PRODUCTS

First quarter

Vegeta in new 200 g bottle

Owing to constant innovations, investments in technology and desire to please the consumer requests and to create trends, as of the beginning of the year, Vegeta is sold in new packaging - plastic 200 g bottle. Due to the lightness of the material and ergonomic shape of the bottle, renowned all-purpose food seasoning will now be even easier to use in the kitchen. Another particularity of this product is an excellent double-purpose lid, offering the possibility to use it as a shaker or to take it with a spoon. Below the lid there is a protective foil and its function is to protect the product from air, moisture, generally to preserve the product quality and to ensure the originality of the packaging. This packaging is also practical for carrying outside - for picnics or barbeques.



Fant for crispy breaded meat

New mixtures for crispy breaded meat are intended for all the lovers of crunchy bites, and now they can choose among three kinds: Fant extra crispy bread-ing mix with tomato sauce, Fant extra crispy piquant bread-ing mix with grill sauce and Fant extra crispy bread-ing mix with garlic and white sauce.



NEW PRODUCTS

Fant mixes

Fant mixes for baked pasta enable fast and simple preparation of baked pasta, where pasta does not need cooking. The range consist of Fant mix for baked pasta bolognese, Fant mix for baked pasta with ham and cheese and Fant mix for baked pasta with chicken and mushrooms.



Fant eci-Peci

Fant eci-Peci for baked chicken and Fant eci-Peci for roast pork are classic meals prepared in a new and practical way, without adding oil. Lay the meat in the attached bag, add Fant seasoning and shake, so that the mix is evenly distributed over meat.



Lino Pillows

Lino Pillows are crunchy corn pillows filled with Lino lada. Lino pillows are packed in 80 g bags, and they are filled with dark and white Lino lada. Lino Pillows with dark Lino lada filling provide you a double chocolate pleasure: chocolate taste from the outside, dark Lino lada from the inside. Lino Pillows filled with Lino lada milk provide you with an irresistible combination of tastes of chocolate pillows and delicious milky filling.



NEW PRODUCTS

Second quarter

Lero lemon-mint

Lero lemon-mint is a refreshing, non-carbonated, non-alcoholic beverage with lemon juice and mint flavour: it provides you with a refreshing taste and freshness at any moment. The refreshing taste of lemon juice is enhanced by added aromatic mint, providing a perfect taste of real lemonade, and therefore makes an ideal choice for hot summer days.



Studenac lemon-grapefruit and Studenac orange-kumquat

Refreshing bubbles in mineral water and juice of the tastiest fruit are an ideal combination for quenching thirst. Natural mineral waters Studenac lemon-grapefruit and orange-kumquat offer more than just a refreshment in hot summer days.



NEW PRODUCTS

Dalmatina Sausage

Dalmatina Sausage is characterized by rounded taste and aroma of Mediterranean seasonings, and it will surely be a delicious snack on any occasion.



Ceremony soup

Ceremony soup is a delicious and invigorating soup of characteristic chicken taste, exceptionally rich in meat ingredients and vegetables. It contains visible pieces of chicken meat and chicken meat balls providing it with exceptionally full and rounded meat flavour. Domestic taste of soup is completed with vegetables and pasta.



Third quarter

Pikant Sausage

Pikant Sausage contains a special mix of seasonings, red and green hot peppers and fresh black pepper seeds, providing it with specific piquant taste.



NEW PRODUCTS

Eva Tuna in tomato sauce

Eva Tuna in tomato sauce consists of carefully selected pieces of tuna with added Mediterranean seasonings which are nicely blended with a delicious tomato sauce. Tomato sauce provides tuna pieces with particular juiciness, and Mediterranean seasonings round up the taste and aroma of this ready-made meal which will thrill you on every bite. To be used as a delicious meal on its own or for preparation of more complex meals.



Lero multivitamin nectar

Lero multivitamin nectar is produced from several kinds of fruit and is a source of vitamins A, B, C and E. The portion of the fruit it contains is at least 50%, and apart from this flavour, Lero nectars can also be found as: orange, apple, apricot-apple, black currant, pineapple, cranberry and peach.



NEW PRODUCTS

Fourth quarter

Podravka teas: raspberry and blackberry with vanilla, plum, apple and cinnamon, and orange with cinnamon and cloves

Podravka teas: raspberry and blackberry with vanilla, plum, apple and cinnamon, and orange with cinnamon and cloves are new products offering carefully selected mixture of ground herbs and fruit, rounded and rich taste and aroma. Due to a pleasant fruit flavour, teas are appropriate for consumption in all occasions, and every filter bag is packed in an aroma envelope, a special foil that preserves its freshness and aroma.



Ham Slice and Piquant Ham Slice

Ham Slice and Piquant Ham Slice are made of finest ingredients, and they are characterized by extraordinary juiciness. They are labeled as “light” because they contain 30% less fat, comparing to standard products available in the market. They are the first selection for consumers taking care of their diet, and who wish to enjoy the full flavour at the same time.



NEW PRODUCTS

Hederan Akut Granules

Hederan Akut Granules can be used for relieving cough as they contribute to maintaining health of respiratory paths and soothing cough.

Belupo's portfolio of prescription medication included last year 8 new brands in 25 pharmaceutical forms.

They are medications intended for treating diabetes, oncological preparations, antihypertensives, antilipemics and medications for treating asthma and obstructive chronic bronchitis.



AUDITS

During 2012, 9 audits of the quality management and food safety system were performed, compliant to several international standards.

The audits applied to the entire Podravka Group in the Republic of Croatia, except for Belupo, Podravka Poland and Podravka Lagris, Czech Republic. All Podravka's organizational units and processes participat-

ing in the safe food production chain - "from field to the table", were included in the audit: Procurement → Logistics → Quality Control → Development → Marketing → Production → Maintenance → Human Resources → Sales → and others.

The audit confirms compliance to the following international standards:

NO.	STANDARD	LOCATIONS	AUTHORISED BODY
1	ISO 9001:2008	1. PODRAVKA D.D. (KOPRIVNICA, VARAŽDIN, UMAG, LIPIK) 2. DANICA D.O.O., KOPRIVNICA 3. ITAL-ICE D.O.O., POREČ 4. PODRAVKA POLSKA, POLAND 5. PODRAVKA LAGRIS, CZECH REPUBLIC	CERTIFICATION AUTHORITY SGS
2	HACCP COMPLIANT TO CODEX ALIMENTARIUS	1. PODRAVKA D.D. (KOPRIVNICA, VARAŽDIN, UMAG, LIPIK) 2. DANICA D.O.O., KOPRIVNICA 3. ITAL-ICE D.O.O., POREČ	CERTIFICATION AUTHORITY SGS
3	IFS INTERNATIONAL FOOD STANDARD	1. PODRAVKA D.D. HEADQUARTERS, KOPRIVNICA VEGETA AND SOUPS FACTORY, KOPRIVNICA BABY FOOD AND SWEET SPREADS FACTORY, KOPRIVNICA 2. KALNIK FACTORY, VARAŽDIN 3. PODRAVKA POLSKA, POLAND 4. PODRAVKA LAGRIS, CZECH REPUBLIC	CERTIFICATION AUTHORITY SGS

AUDITS

4	BRC (BRITISH RETAIL CONSORTIUM) GLOBAL STANDARD FOR FOOD SAFETY	1. PODRAVKA D.D. HEADQUARTERS, KOPRIVNICA VEGETA AND SOUPS FACTORY, KOPRIVNICA BABY FOOD AND SWEET SPREADS FACTORY, KOPRIVNICA 2. FRUIT FACTORY, KOPRIVNICA 3. PODRAVKA POLSKA, POLAND	CERTIFICATION AUTHORITY SGS
5	FSSC 22000 FOOD SAFETY SYSTEM CERTIFICATION	1. PODRAVKA D.D. HEADQUARTERS, KOPRIVNICA SNACKS FACTORY, KOPRIVNICA	CERTIFICATION AUTHORITY SGS
6	NSF	1. STUDENAC FACTORY, LIPIK	NSF INTERNATIONAL
7	HALAL	1. DANICA D.O.O.	HALAL CERTIFICATION CENTER
8	KOSHER	1. KALNIK FACTORY, VARAŽDIN 2. VEGETA AND SOUPS FACTORY, KOPRIVNICA 3. FRUIT FACTORY 4. SNACKS FACTORY, KOPRIVNICA 5. MILL	RABI KOTEL DA-DON
9	CERTIFICATE OF GMP COMPLIANCE OF A MANUFACTURER	BELUPO D.D.	STATE INSTITUT FOR DRUG CONTROL, SLOVAK REPUBLIC

Comparing to the previous years, in 2012 the following new certifications were performed:

- certification of processes relating to baby food and sweet spreads range compliant to IFS and BRC standard
- certification of all processes relating to jams range, compliant to BRC standard
- certification of processes relating to powder products range, compliant to FSSC 22000, which makes Podravka the first company in Croatia certified compliant to this certification scheme
- Kosher certificate.

PODRAVKA D.D. SUPERVISORY BOARD MEMBERS BIOGRAPHIES

Dubravko Štimac

Supervisory Board member (till 17 January 2012); Supervisory Board deputy president (till 24 February 2012); Supervisory Board president (from 24 February 2012)

He graduated in 1992 from the Faculty of Economy and Business at the Zagreb University. From that same faculty he received his MA in 1997, Organisation and management course. He was an independent sales clerk at Zagrebačka tvornica papira (Zagreb paper factory) d.o.o. from 1993 till 1994. From 1994 till 1997 he worked as an independent officer in foreign trade at PBZ Investholding d.o.o. where he became the manager of the foreign trade sector. From March 1998 till June 1998 he worked as an assistant director of the Securities center at Privredna banka Zagreb d.d. where he became director of the Securities Ward at the same bank. In January 2001 he became the project manager of the retirement reform at Privredna banka Zagreb d.d. From October 2001 he is the Management Board president of PBZ CROATIA osiguranje d.d., the association for managing obligatory retirement fund. In 1995 and 1996 was a part time lecturer at the Faculty of Economy and Business in Zagreb. He authored several articles and research papers, he participated and spoke at several foreign and domestic conferences with subjects on capital markets.

Mato Crkvenac

Supervisory Board deputy president (till 24 February 2012)

He graduated from the Faculty of Economy and Business in 1968, and received his MA from the Institute of Economic Sciences in Belgrade in 1973. He received his PhD from the Faculty of Economy in Zagreb in 1978. In 1968 he is employed at the Republic Institute for Planning, and in 1973 he becomes sector director at the Republic Institute for Economic Movements and Economic Policy. In 1978 he becomes the general manager at the Republic Institute for Planning and also a member of the Executive Council of the Parliament of SRH, and in 1986 he becomes a representative and deputy chairman of the Parliament of SRH. From 2000 to 2004 he performed the duties of a finance minister in Croatian Government, and from 2004 to 2007 he is a representative in Croatian Parliament. At the same time is part time, and in some periods full time employed, and is from 1973 an assistant and scientific assistant, in 1983 he was elected senior lecturer, in 1987 associate professor, and in 1991 he was elected as full-time professor.

PODRAVKA D.D. SUPERVISORY BOARD MEMBERS BIOGRAPHIES

Dinko Novoselec

Supervisory Board Member

He graduated math at the Faculty of Science in Zagreb. Since 1997 he works at the Croatian National Bank on managing foreign reserves. In late 1998 he transfers to Zagrebačka banka as the head of the analytics department, and in mid 2000 he transfers to ZB Invest, the company for managing the investment funds as the Management Board member. Since 2001 he is a Management Board member of Allianz ZB d.o.o., the company that manages AZ mandatory retirement fund, and in April 2003 he was appointed Management Board president of the Allianz ZB, the company for managing the mandatory retirement fund. In 2000 he receives his CFA (Chartered Financial Analyst) title, a program organized by an American Association of Investment Professionals ICFA.

Petar Vlaić

Supervisory Board Member

He graduated from the Faculty of Electrical Engineering and Computer Science in Ljubljana. In 1993 he is employed as a teacher of physics in Secondary school of chemistry in Ljubljana. In 1994 he transfers to brokerage house Ilirika, where he started as a broker, and

later becomes portfolio manager and trade manager. In 1996 he becomes the first fund manager in the Republic of Croatia in the first Croatian investment fund Kaptol Proinvest. Later on he works as a trade manager in IB Austria, upon which he transfers to the position of fund manager at the Central National Fund, a private investment fund. In 2001 he becomes the Management Board president of Erste d.o.o. for managing Mandatory Pension Fund. He is a long-year journalist, associate for the Ljubljana daily paper Delo with the subjects of Croatian capital market. He holds a license for performing broker activities and portfolio management in Ljubljana, a license for trading in the derivatives market in Ljubljana, a license to perform the activities of an authorized broker in Zagreb and a license of an authorised retirement fund manager.

Petar Miladin

Supervisory Board Member

He graduated from the Faculty of Law in Zagreb. He passed his bar examination in 1999, when he also receives his MA from the Faculty of Law in Zagreb. He defended his doctoral dissertation "Payment by remittance" on 27 January 2005 at the Law faculty of the Zagreb University, receiving his PhD in scientific filed

PODRAVKA D.D. SUPERVISORY BOARD MEMBERS BIOGRAPHIES

of law. He is employed at the Law Faculty in Zagreb in 1997 as a junior assistant at the Department for Commercial Law and Companies Law. In December 1999 he becomes the assistant at the same department where he works as a senior assistant from 2005. He works as an assistant professor at the Faculty of Law in Zagreb since 15 December 2005 and since 1 April 2009 he is full professor. He published over twenty scientific works in the area of commercial law, companies law and banking law.

Martinka Marđetko-Vuković

Supervisory Board Member

In 1979 she graduated from Koprivnica high school and found employment at Podravka as an administrator. In 1990 she finished afterhour two-year School of Agriculture and later worked as planner-analyst in the Economic center at Podravka, and later in Controlling. She is the president of Podravka Independent Union, Worker's council member ever since the first worker councils were formed in 1996, when she was vice president. Today she holds a degree of safety engineer and works as an adviser to sector director for occupational safety in Human resources sector at Podravka d.d.

Ivo Družić

Supervisory Board member (from 24 February 2012)

He graduated from the Faculty of Economy and Business in Zagreb in 1973, received his MA in 1981 and his PhD in 1988 from the same Faculty. He is permanently employed at the Faculty of Economy and Business in Zagreb as a full time professor. He stayed in Brighton, England at the University of Sussex as a Visiting Fellow in 1990/91, and as Research Fellow at the University of Pittsburgh, USA in 1994. He was also a Visiting Professor in 1995 at the University of Beijing in China, and in 1997/98 at the University of Pittsburgh. He is the head of the scientific postgraduate study of the Economy and development at the Faculty of Economy and Business in Zagreb.

Milan Stojanović

Supervisory Board member (from 6 July 2012)

He lives in Sisak and has a mr.sc degree. In 37 years of his service, he spent 35 as a director or a manager in economy, and two years he worked as a professor. His numerous researches and works in marketing and economy have been published, and for his work he received rewards and was twice proclaimed a manager of the year. In the period from 1990 to 1996 he

PODRAVKA D.D. SUPERVISORY BOARD MEMBERS BIOGRAPHIES

was a representative in the Croatian Parliament in two terms. He was also a Management Board president for the Development and Employment Fund in the Republic of Croatia. He is married, and a father of two. He is retired and performs the function of the Supervisory Board President at the Zlatna igla Siscia d.o.o. He is an active speaker of German, and uses English and Russian language.

Ivana Matovina

Supervisory Board member (from 6 July 2012)

She graduated in 1996 from the Faculty of Economy and Business at the Zagreb University, Finance and Accounting course. She received the qualification of the UK Association of Chartered Certified Accountants in 2000, and two years later she becomes certified Croatian auditor. From 1996 to 1997 she was accounting manager at Adriana d.o.o., and till 2009 she was a director at KPMG Croatia d.o.o. for audit, internal audit, accounting and business counseling and education. She is a professional KPMG trainer, a permanent member of international team in Croatia and CEE region, a lecturer to domestic and foreign clients at the KPMG BME Academia, Hungary. In the period from 2009 to 2011 she is a partner, owner and di-

rector of Cinotti revizija d.o.o./Cinotti savjetovanje d.o.o. for auditing, internal auditing, accounting and business counseling and education. From 2011 she is a founder and director of Antares revizija d.o.o./Antares savjetovanje d.o.o. for auditing, internal auditing, accounting and business counseling and education, where she works today. From 2005 she is a lecturer for the Croatian Chamber of Auditors, Auditing subject. She also teaches the same subject at ZŠEM (Zagreb School of Economics and Management) from 2008, and as of then she also teaches HZRIFD. From 2012 she is a member of the Council of HANFA and the Committee for financial reporting standards, and from 2009 to 2012 she was a member of Croatian Auditing Chamber Management Council.

Ljubo Jurčić

Supervisory Board president (till 24 February 2012)

He graduated from the Foreign Trade Faculty in Zagreb in 1981, and received his Master's degree in 1985 from the Faculty of Economy and Business in Zagreb. From that same Faculty he received his PhD in economic sciences in 1997. Having graduated, he finds his employment at Tvornica elektrotehničkih proizvoda Zagreb, and in 1986 he is employed at Progres, a com-

PODRAVKA D.D. SUPERVISORY BOARD MEMBERS BIOGRAPHIES

pany for research and development services and consulting in Zagreb as the foreign trade adviser. At Tvornica elektrotehničkih proizvoda in 1987 he becomes the foreign trade director. Since 1986 he is employed at the Faculty of Economy and Business in Zagreb as a part-time assistant, and became full time employee in 1990. He published numerous scientific and expert works, lectured at many expert lectures and is the editor of "Ekonomist" magazine. He is a member of several professional associations (European Economic Association, International Economics and Finance Society, International Input-Output Association, New York Academy of Sciences, American Management Association).

Miljenko Javorović

Supervisory Board member (till 24 February 2012)

He graduated from the Faculty of Economy and Business at the Zagreb University, received his MA from the Law Faculty, Zagreb University, at the postgraduate study "Fiscal system and fiscal politics". He is perfecting his knowledge at various courses and educations. In 1989 he becomes authorised auditor, in 2000 authorised agent and authorised insurance representative, and in 2007 authorised tax adviser. He is starting

his career at Služba društvenog knjigovodstva as senior counselor for business inspections and legal person control. From 1993 to 2000 he is the Management Board President of Invest consult d.o.o. From 2000 to 2006 he is the Management Board President of Libertas osiguranje d.d., and since 2006 he holds the position of Management Board President of Hrvatsko mirovinsko investicijsko društvo d.o.o. He lectures numerous seminars in the areas of accounting, auditing, finance and insurance. He is the head of numerous seminars for financial inspectors and auditors and head and lecturer at seminars for tax regulations. He is also editor in chief for the "Novosti" magazine published by Libertas osiguranje d.d. He publishes scientific and professional works.

Karmen Antolić (till 15 March 2012)

Supervisory Board Member

In 1986 she graduated from the University of Zagreb School of Medicine, and in 1994 she specialized Internal medicine. After that she finished an education on ultrasound diagnostics for internal organs, Postgraduate Course of the European Society of Gastrointestinal Endoscopy (ESEG) and the course for permanent education of candidates for medical court experts in

PODRAVKA D.D. SUPERVISORY BOARD MEMBERS BIOGRAPHIES

practice. She works today as a doctor of internal medicine in a private internal medicine clinic. She participated in many studies and projects. She is a member of the Croatian Society of Gastro-enterology, Hypertension Association, president for Koprivnica branch of HSS political party and Management Board President for pharmacies in Koprivnica.

Nikola Gregur (till 6 July 2012)

Supervisory Board Member

He graduated from the Faculty of Economy and Business at the Zagreb University. Since 1978 he has been working in Sloga Koprivnica shoe factory, and his last position was assistant director for accounting and finance. Since 1990 he is the Executive Council President for Koprivnica county and the war president of Koprivnica county Emergency center. After the county was formed in 1993 he becomes deputy county head and remains in that position till 1997 when he is the head of the Koprivnica-križevci county, carrying that duty till 2001. In 2002 he is an adviser to Belupo Management Board President, and since 2004 he is the director to Croatia osiguranje d.d. Koprivnica branch office.

PODRAVKA D.D. MANAGEMENT BOARD MEMBERS

Zvonimir Mršić

Management Board president (from 24 February 2012)

He graduated from the Faculty of Political Sciences in Zagreb in 1990, and is an ABD from the postgraduate study Marketing theory and Politics at the Faculty of Economy and Business in Zagreb. From 1990 to 1998 he is employed at Podravka at different jobs, from journalist, head of PR related departments to Manager of Public Relations Department. In 2000 he becomes the Head of Public Relations and Protocol Office of the City of Zagreb, and since October 2000 he is Investor Relations Manager at Podravka. From 1997 to 1999 he is Deputy Mayor of the City of Koprivnica, and then since 2001 to 2012 he is the Mayor of Koprivnica in three terms. He participated in the Homeland War, and is honored with medals for participating in the war operations "Storm" and "Flash", and with The Homeland War Memorial as Croatian Army reservist. He completed the FBA (Fundamentals of Business Administration) at the Faculty of Economy and Business, University of Zagreb and a Certified Program for Supervisory Board Members. He is a member of the Croatian Public Relation Association and a Member of the Presidency for the Cities Association. He published numerous newspaper articles. He is an author

of the first Podravka's educational film on sales promotion and of several professional articles in the field of Public Relations and Marketing. He edited several books.

Jadranka Ivanković

Management Board member (from 24 February 2012)

She graduated from the Faculty of Economy and Business, where she received her MA from Business economy, Business management course. In 2010 she received her PHD from social sciences, Marketing branch. In 1988 she worked at Podravka at the positions of an independent controlling analyst, since 1993 she worked as Advertising Project Manager and in 1995 she becomes head of Sales Promotion Department for Foreign Markets. In 1997 she becomes a member of the Team for Podravka restructuring to achieve profitable growth. That same year she was appointed Marketing director at Podravka. In 1999 she becomes Team Leader for Strategic Projects at Podravka and in 2000 she is Management Board member in charge of finance for Podravka's company in Slovenia. In 2001 she becomes executive director of the strategic business unit Deserts program. In 2004 she was appointed assistant Podravka Management Board president. Since 2009 she

PODRAVKA D.D. MANAGEMENT BOARD MEMBERS

is a lecturer, and in 2010 she is senior lecturer at Vern University of Applied Sciences. She graduated from Podravka's Management Academy POMAK, received a Professional Diploma in Retail Management and MBA from business school Center, Brdo kod Kranja.

Olivija Jakupec

Management Board member (from 24 February 2012)

She graduated from the Faculty of Organization and Informatics in Varaždin, Marketing. Since 1992 she is employed at Podravka as Product manager for Ferrero, being in charge of promotion and realization of marketing activities in the Croatian market, in cooperation with Ferrero representative. In 1993 she becomes marketing manager in Podravka's company in Bulgaria, where she worked on founding and registering the company, cooperated with importers and advertising agencies on promotion of Podravka's products. In 1997 she was appointed director of Podravka's company in Russia where she also worked on founding a company, setting up business processes within the company, cooperated with importers and distributors, advertising and research agencies. In 2001 she becomes Market Communication manager. In 2004 she transfers to Nexe Group and becomes director of Nexe company

in Bosnia and Herzegovina. Since 2007 she worked as assistant director at Jadransko osiguranje branch office in Koprivnica. She attended international business school Center, Brdo kod Kranja in the area of business processes and perfection of management skills.

Miroslav Klepač

Management Board member (from 24 February 2012)

He graduated from the Faculty of Economy and Business at the Zagreb University, Banking and Finance course. Since 1998 he worked as Finance Associate for CA IB - Investment Bank of Austria Creditanstalt Group at Central and EastEuropean markets and on managing merge and acquisition projects. Since 2000 he worked as T-com (HT d.d.) CEO advisor on financial and operating analyses and activities within the acquisitions group. In 2002 he was appointed Controlling director at T Mobile d.o.o., and in 2004 he becomes executive director at T Mobile d.o.o. In 2005 he was appointed Management Board member for Allianz Zagreb d.d. In 2009 he becomes HT Management Board member for Bosnia and Herzegovina. In 2008 he becomes Management Board member and Chief Financial Officer at Iskon Internet d.d. He attended numerous international professional seminars in the

PODRAVKA D.D. MANAGEMENT BOARD MEMBERS

area of finance, controlling, project management and human resources development.

Jorn Pedersen

Management Board member (from 24 February 2012)

He received his Master of Business Administration degree in 1985 for Strategic Planning, from the Copenhagen School of Business and Administration. His work experience includes more than 20 years in the international FMCG business with several leadership positions in many different countries, particularly emerging markets and emerging companies. In 1985 he is employed as Section Head Far East for IFU (Semi Governmental Financing institution), working partly in Copenhagen, partly in South Korea, China and Philippines. From 1989 to 2007 he finds his positions at Carlsberg in Malawi, Turkey and the Balkan region, working as Business Assistant to Vice President, Business Controller, Sales and Marketing Director, Regional Manager, Deputy Managing Director at Panonska pivovara d.o.o. in Croatia, Department Manager, Business Development Manager, Business Development Director and Managing Director. In 2008 he transfers to Sarmat Group, Donetsk, Ukraine, where he is General Director. For a part of that year he also works as

Management Consultant (Company doctor and interim Management in Croatia, Romania and Germany). In 2009 he is CEO for BornPoultry A/S, Bornholm Denmark (supreme chicken products). Before he was appointed Podravka Management Board Member in February 2012, he worked as Senior Vice President at Uhrenholt A/S and CEO Uhrenholt Russia & CIS (Food products to Food Service and Retail channels). He is also a Board Member in Gourmet Bornholm (an organisation of Gourmet Food Producers) and Board Member Confederation of Danish Industry.

Hrvoje Kolaric

Management Board member (from 20 December 2012)

President of Belupo's Board of Directors and Management Board Member of Podravka, was born in Koprivnica in 1971. He is married, and a father of two. He graduated from the Faculty of Pharmaceutical and Biochemical Sciences of the University of Zagreb in 1998. He attended numerous education courses to acquire sales and negotiating skills, training for the first management tier, sales efficiency, qualifications in financial matters etc. In the career of Mr. Hrvoje Kolaric (Master of Business Administration, IEDC) there stands out the prestigious position of the Director of

PODRAVKA D.D. MANAGEMENT BOARD MEMBERS

BMS Pharmaceuticals in charge of product niche and business development. He also worked as the Director of PharmaSwiss d.o.o. Croatia and a manager of pharmaceutical operations (the exclusive representative of Bristol-Myers Squibb, Fujisawa, Ibsen Boufor and Ferring for the countries emerging from the former Yugoslavia). He also managed the business processes related to the cooperation with Belupo in the production of cardiological line of Pravachol (pravastatin). In his early career Mr. Kolarić also managed the Pharmaceuticals Department of the Bristol-Myers Squibb Representation Office for Croatia and Bosnia-Herzegovina, and subsequently the allergologic and respiratory line of products of the Schering-Plough Representation Office in Croatia. In May 2005, he was appointed as the Member of the Board of Directors in Belupo, in charge of marketing, sales and international markets, and has been reappointed in May 2010. He was appointed Belupo Management Board president in 2012.

Miroslav Vitković

Management Board president (till 24 February 2012)

He graduated from the Faculty of Food Technology and Biotechnology in 1992. He finished IEDC Bled Business School and many professional seminars. Af-

ter completing his studies, he started his employment with Podravka, where he has performed the duties of import officer, sales director of Podravka International - Prague, after which he was sales director of Podravka International - Bratislava. Since 2001 he was executive director for the markets of Croatia and South-East Europe. Since 2003 till 2008 Mr. Vitković has been performing the duties of Podravka Management Board member in charge of Croatian market, and in July 2008 he becomes Deputy President of Podravka's Management Board. He is appointed Podravka Management Board President on 21 December 2009.

Marin Pucar

Management Board member (till 24 February 2012)

He graduated from the Faculty of Economy and Business at the Zagreb University. In addition to many educational programs and courses, he acquired a Professional Diploma in Retailing Management at the Leeds Metropolitan University and he attended Podravka's Management Academy POMAK. Having finished his studies, he got his first job at Gavrilović meat industry where he was engaged in various working positions: from salesman, product manager to brand manager. He found his employment at Podravka in 2001 as

PODRAVKA D.D. MANAGEMENT BOARD MEMBERS

the Sales Director in Podravka's Meat Industry Danica, after that he became the Director of Sales, Marketing and Development. In early 2003 he was appointed director of Meat Program for Croatia and Southeast Europe, and in late 2003 he became a Sales Executive for Croatian Market until July 2008, when he was appointed member of Podravka's Management Board.

Lidija Kljajić

Management Board member (till 24 February 2012)

She graduated from the Faculty of Economy and Business at the Zagreb University, Finance and Accounting course. Over her career she attended series of seminar and professional educations in the area of finance and participated at Young Executive Program by Carlsberg. She graduated from POMAK (Podravka Managers Academy, Fundamental Business Administration and Leader programs) and from Leeds Metropolitan University (Retailing Management program, Professional diploma). She starts her career as an accounting officer at the local trading company in Đurđevac and continues as an independent officer at the Foreign Currency sector at Podravka banka. In 1999 she becomes Treasury director at Panonska pivovara d.o.o. today's Carlsberg Croatia Brewery. In 2001 she is em-

ployed at Podravka as director for Financing in local currency, and since 2004 to 2007 she is the head of the Podravka Management Board President's Office. Except for organizing the operations within this Office, she is also in charge of the Investor Relations Office. Since 2007 she is the director of the Controlling sector at Podravka. In October 2009 she is appointed member of Podravka Management Board.

Krunoslav Bešvir

Management Board member (till 24 February 2012)

He graduated from the Faculty of Economy and Business at the Zagreb University, Foreign Trade course. Over his professional career he participated at numerous educations organized by IEDC Slovenia: International summer school for junior managers, marketing seminars, general management program (seven modules); then POMAK (Podravka Management Academy), education program organized by Leeds Metropolitan University (Professional Diploma in Retailing Management). He is employed at Podravka in 1998 as product manager in charge of Baby food in Marketing sector. Following that position he is marketing manager for Podravka d.o.o., Sarajevo, B&H, and in 2001 he is the director of Podravka d.o.o. Belgrade, Serbia. In

PODRAVKA D.D. MANAGEMENT BOARD MEMBERS

2007 he is the director for the Southeast Europe markets, and in 2008 he is the director for Food business program. In October 2009 he is appointed member of Podravka Management Board.

Miroslav Repić

Management Board member (till 24 February 2012)

He graduated from the Faculty of Food Technology and Biotechnology in 1986. He also finished several business modules and seminars at IEDC Bled Business School and many expert seminars. During his career he attended several internal seminars organized by Podravka with the purpose of expanding professional knowledge and management skills. Having graduated, he found his employment at Podravka where he works even today. He performed the tasks of lead technologist at the Yeast factory, then he was the director of the Yeast factory, and among other functions within Podravka, he was also the head of joint venture project with Elite International B. V., Holland, in the coffee production business, and head of the yeast business disinvestment project. After that he was the director of Central European Market sector in the period from 2004 to 2005. He was the Production sector director from 2005 to 2008. He was the Production sector di-

rector from 2005 to 2008. Since 2008 until he is appointed member of Podravka Management Board, he is responsible for “business to business” product categories intended for big industrial buyers at Podravka level and for the entire process of tendering, contracting and realization of service production. He was appointed Podravka d.d. Management Board member on 31 May 2010.

BUSINESS RESULTS

Sales revenue of the Podravka Group amounted to HRK 3,626.7 million and is HRK 1.5 million higher compared to the year 2011.

Sales of the SBA Food and Beverages totalled HRK 2,799.3 million, which represents a sales drop of 1% compared to the year 2011. A somewhat lower level of sales results from the drop of this SBA in Croatia (-2%) as the domestic demand is still weak due to the long-term recession. The main economic indicators in Croatia continue to record unfavourable trends - unemployment has recorded a growth of 6.2%¹, the real net salary is 2.6%² lower, the real retail trade recorded a drop of 4.1%³, which all together has negative impact on consumption. On the other hand, the market of South-East Europe has recorded a 2% increase of sales in the SBA Food and Beverages with the highest contribution from the markets of Bosnia and Herzegovina, Macedonia and Kosovo. In addition, the market of Western Europe, overseas countries and the Orient

has grown 3% with the highest contribution from the markets of Australia and the USA.

The SBA Pharmaceuticals achieved sales in the amount of HRK 827.4 million, which is a 4% increase of sales at annual level. This growth is generated by a higher level of sales on foreign markets (11%) of which the most prominent markets are Russia and Bosnia and Herzegovina. Sales on the market of Croatia is 2% lower compared to the year 2011. The sales structure analysed according to the ATC⁴ classification shows that the most significant growth was achieved by dermatic drugs, drugs with effect on the blood and blood-forming organs and drugs for the digestive system and the metabolism.

Sales revenues per product groups

The BP Podravka Food achieved an increase of sales of 1% compared to the year 2011, with the highest contribution from the product group Baby food, sweets and

¹ Source: Central Bureau of Statistics, Croatian Employment Centre; data refers to the period 1.-12.2012.

² Source: Central Bureau of Statistics; data refers to the period 1.-12.2012.

³ Source: Central Bureau of Statistics; data refers to the period 1.-12.2012.

⁴ Anatomic-therapeutic-chemical system of drug classification

BUSINESS RESULTS

snack (3%) primarily based on a higher level of sales of cream spreads. Fruit and vegetable products, side dishes and other recorded a sales drop of 1% due to a lower level of sales of Mill and bakery products. The increase of sales of 2% realised in the product group Fish and fishery products results from a higher level of sales achieved on the markets of Croatia, Slovenia and Slovakia.

The sales of the BP Dishes and food seasoning is 1% lower with a 3% drop of Food seasoning but a 3% sales increase of Podravka dishes. This increase of Podravka dishes mostly results from a higher level of sales of soups on the market of South-East Croatia.

The drop of sales of the BP Meat of 5% occurred as a result of reduced sales volume of fresh meat characterised by a low profit margin. On the other hand, the sales of cured meat products, meat spreads and

canned ready-to-serve meals shows a higher level of sales than in the year 2011.

The sales level of the BP Beverages is 7% lower compared to the year 2011, but the organic growth of this business program dropped 1%. Particular product groups within the BP Beverages, for example Mineral water and Syrups, have achieved good sales results and recorded double digit sales growth.

Sales revenues of the Podravka Group per market⁵

Sales in the amount of HRK 1,707.3 million, which is 47.1% of the total sales of the Podravka Group, was realized on the market of Croatia. The Croatian market achieved a 2% lower level of sales mainly due to negative trends in domestic economy and weak demand. Sales on foreign markets amount to HRK 1,919.4 million which is a growth of 2% and the share of foreign markets in total sales is 52.9%. The market of Eastern

5 South-East Europe - Albania, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Slovenia, Serbia

Central Europe - Czech Republic, Hungary, Poland, Slovakia

Western Europe, overseas countries and the Orient - Austria, Australia, Benelux, France, Italy, Canada, Germany, USA, Scandinavia, Switzerland, Turkey, Great Britain and other overseas countries and Western European countries

Eastern Europe - Baltic countries, Romania, Russia, the Ukraine, Bulgaria, and other Eastern European countries

BUSINESS RESULTS

Europe recorded the highest absolute sales growth, primarily due to a higher level of sales in Russia (17%). The market of South-East Europe also achieved a significant sales growth with the highest contribution from Bosnia and Herzegovina (2%), Kosovo (15%) and Macedonia (6%). The market of Western Europe, overseas countries and the Orient achieved a sales growth of 3% with the highest contribution from the markets of Australia (15%) and the USA (11%), Although the market of Central Europe recorded a lower level of growth of 2% it should be noted that sales in the last quarter of 2012 are higher than in the same period of the year 2011, which has mitigated the total drop of sales on this market in the year 2012.

Structure of operating costs and expenses

The total operating costs and expenses of the Podravka Group are HRK 3,502.5 million and are 2% higher compared to the year 2011, with the highest contribution coming from the increase of General and administrative expenses due to severance payments. A part of these expenses had been returned by the end of the year in the form of lower employee costs in the amount of HRK 10.3 million, while savings on the grounds of the mentioned reduction of employees in the year 2013

are expected in the amount of approximately HRK 32 million. Apart from this, the reclassification of costs and expenses in 2012 also influenced the increase of General and administrative expenses, the effect of which amounts to about HRK 19 million higher General and administrative expenses. In year 2012, Cost of goods sold and Marketing expenses are slightly higher than year before.

Profitability of the Podravka Group

The total sales revenue of the Podravka Group recorded a mild increase (for HRK 1.5 million), while Cost of goods sold grew faster, so that the gross profit in 2012 is 1% lower compared to the year 2011. This resulted in a lower gross margin by 30bp, thus the gross margin for the year 2012 is 39%.

The business results for the Podravka Group for 2012 are under a significant influence of non-recurrent items which at the EBIT level are HRK 95.9 million, while at the net profit level they are HRK 126.7 million. Namely, in the year 2012 value reductions were made of intangible assets acquired in previous periods according to the recorded market trends and of tangible assets that are not in the function of creating new

BUSINESS RESULTS

value and these adjustments together amount to a total of HRK 32.3 million. In addition, other non-recurrent items which had negative impact on the business results are HRK 63.6 million and refer to expenses that result from the redundancy program (HRK 49.9 million), reservations on the grounds of tax bills (HRK 4.6 million) and reservations for the court proceedings which does not come out from operations (HRK 9.1 million). The level of net profit was also additionally corrected for the adjusted value of deferred tax assets (HRK 30.8 million). The EBITDA is HRK 289.3 million and the corresponding margin is at the level of 8%. The EBITDA is calculated so that the operating profit is increased by amortization and value adjustments of both tangible and intangible assets (which were HRK 32.3 million in the year 2012 and HRK 64.8 million in 2011).

In year 2012, corrections of the financial statements were made in comparative financial statements for previous periods as a result of the harmonization of accounting policies of the Podravka Group with the amendments of the IFRS and adoption of particular accounting policies which had not been defined in earlier periods. Mentioned corrections refer to the following:

- a) The treatment of capitalized premiums on life insurance policies of employees (a correction was made of the loss brought forward from earlier periods and the results for the year 2011);
- b) Correction of the initial value of the SMS brand (as a result of the harmonization of accounting policy for recognizing assets taken over as compensation for unrecoverable debt);
- c) A review of inter-company margins showed the need for redefining the average inter-company margin rate which has been applied in eliminating the effects of stocks within the group (so a correction was made for the loss brought forward from previous periods and the results for the year 2011, accordingly).
- d) In year 2012 Podravka Group made corrections of revaluation of land and buildings from year 1999.

Profitability of SBA Food & Beverages

The sales of the SBA Food and Beverages is 1% lower but the gross profit dropped 3% due to higher Cost of goods sold. Accordingly, the gross margin is 34.2% and is 70bp lower than in the year 2011.

Extraordinary items which in the observed period

BUSINESS RESULTS

burden the SBA Food and Beverages are HRK 80 million at the EBIT level and HRK 110.8 million at the net profit level.

Profitability of SBA Pharmaceuticals

Sales of the SBA Pharmaceuticals increased 4%, while the gross profit is 5% higher and therefore profitability grew at all levels. As earlier mentioned, corrections for 2011 were made due to the treatment of capitalized premiums on life insurance policies of employees. Extraordinary items noted in this period are severance payments (HRK 6.2 million) and pharmacy rights adjustments (HRK 9.7 million).

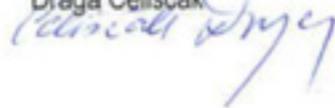
STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated and audited financial statements of the Podravka Group for the period January - December 2012 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 the Group and all related companies involved in the consolidation.

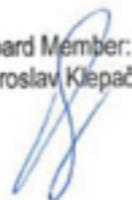
Compared to previously disclosed consolidated and unaudited financial statements of the Podravka Group for the period January - December 2012, corrections of revaluation of land and buildings from year 1999 were made, and Belupo d.d. increased the amount of reinvested profits.

During the observed period, there were no changes in accounting policies of the Podravka Group.

Director of Finance:
Draga Čeliščak



Board Member:
Miroslav Klepač



PODRAVKA GROUP EXPECTED DEVELOPMENT

Achieving growth

The goal of Podravka Group is to grow in strategic business areas - Food and Beverages and Pharmaceuticals. It is based on further development of existing and creation of new products, within highly profitable categories; also the goal is achieving operating efficiency and long-term profitability. Planned realization of this goal is not just organic, but also inorganic - through acquisitions and strategic alliances, on strategic markets and in strategic programs.

Business focus will be on brands that have a perspective on international markets, and these are Podravka, Vegeta and Lino. These brands are expected to significantly contribute to incomes and to realize an above-average growth. Additionally, we would like to achieve a synergy between business areas of food and pharmaceuticals. In Croatia and in the markets of South-East Europe, Podravka aims to be the leading manufacturer of branded food products and to maintain the leader position it has in numerous categories.

In the markets of Central Europe, Podravka aims to advance its business and to develop the product range, also to maintain the leading position in the all-purpose

food seasonings category, offering also other products in selected categories. Significant profit growth is also expected in the markets of Eastern Europe and Middle East, particularly on those where the full potentials of Podravka strongest brand Vegeta has not been used yet.

Podravka is also present in the markets of Western Europe and overseas countries where it offers its products in the ethnic segment, and it is striving to offer its products on consolidated retail market.

General strategic goals

- To satisfy the interests of owners and stakeholders, through growth, business development and internal efficiency.
- To be the leading food company on defined strategic markets.
- To be a recognizable supplier of pharmaceutical products.
- To be the leader or strong second place competitor in defined strategic business programs, on strategic markets.
- The level of expenses and production efficiency to be in line or ahead of average in industry in which Podravka does business on key markets.

PODRAVKA GROUP EXPECTED DEVELOPMENT

- Reduce costs of procurement, sales and distribution, general and administrative costs and thus enable higher investments into marketing, research and product development.
- Better financial management to improve cash flow, necessary for optimal operating business.
- To contribute to general community development with its activities.

Strategy through business perspectives

Podravka wishes to differentiate from other companies by its ability to understand consumer needs, product brands, high quality of products and business processes, building corporate culture at the same time and to have motivated and satisfied employees in line with key values. These elements can be shown through four business perspectives.

1. Human resources

- Compliant to Podravka's key values, building corporate culture and motivated and satisfied employees are a precondition to successful development, and employees are the biggest value of this company, the source of its competitive advantage.

2. Processes

- The focus of Podravka's growth and development strategy is based on own brands and acquisitions, development of key brands, improvement of operating efficiency of all the elements in the value chain,
- Extending the product assortment in strategic business areas, particularly in strategic markets, product innovations and their added value,
- Increase and strengthening of marketing investment efficiency,
- State-of-the-art world technology in the production of the overall product range, guaranteeing high quality of products.

3. Buyers and consumers

- Podravka is a food processing company focused on achieving the highest level of satisfaction of its clients and consumers,
- Environment protection is one of Podravka's priorities, and it is implemented throughout the principles of sustainable development and clean production.

4. Finance

- In relation with the owners, the goal is to grow the return on capital and share value.

PODRAVKA GROUP EXPECTED DEVELOPMENT

Key factors of success

1. Employees

Based on implementing Corporate Policy and strategic guidelines of the company, the organization and management of human resources have become the key areas in strengthening of Podravka's competitiveness. Employees have been given the highest significance, since their knowledge and competencies positively distinguish the company from the competition and provide it with competitive advantage. Knowledge and competencies are the most valuable assets today. „Podravka's employees are its biggest strength, and their loyalty is company's basic value“.

2. Quality and image

Podravka has always been a synonym for high quality and supreme products - each product having the name Podravka is the result of many years of tradition, know-how and caring for the health and well-being of the consumer. All the products and business processes are based on principles of quality management, and the satisfaction of clients and consumers is the focus. Podravka is obliged to satisfy the demands of clients and consumers and to constantly improve the quality of products and business processes. Podravka is tak-

ing constant care on the sanitary validity and product safety, compliant to the legislature of the Republic of Croatia, European Union and all the countries where it does business. Knowledge, expertise and constant care for employee education ensures innovated products and processes for the global market. The center of Podravka's activities is constant improvement of the management system.

3. Innovativeness

Podravka is trying to be the leading food processing company in the region, especially in new and innovated products that maintain the attribute of supreme quality and satisfy consumer needs. Podravka is offering a high number of modern, high-quality products which are practical to use. Aiming to be a trend setter and leader in innovations on the market, through team work the company is constantly working on creating new products which will be in line with all company's values.

4. Trust and satisfaction of clients and consumers

Podravka is a food processing company focused on achieving the highest level of satisfaction of its clients and consumers. Existing and future clients and consumers are the most valuable external potential and

PODRAVKA GROUP EXPECTED DEVELOPMENT

they are therefore approached with special care in an open and responsible communication. Podravka regularly measures the fulfillment of their needs and expectations. Feedback is analysed with the purpose of increasing clients and consumers trust and satisfaction and constant improvement of products and production processes. Podravka builds confidence based on mutual respect of employees, as well as consumers and clients.

5. Power, growth and sustainable development

Food processing and pharmaceuticals are Podravka's basic businesses. In the food industry Podravka wishes to be an innovative leader of the region, including SouthEast, Central and Eastern Europe. In pharmaceutical business, through recognizable partnership approach with selected therapeutic groups it ensures growth and long term values for employees, users and society as a whole.

A power and a feature of Podravka is its presence on international markets. Significant growth is based on an approach on international markets where we still have not fulfilled our full potential, particularly on markets of Eastern Europe and Middle East.

Podravka operates on principles of sustainable development. Preserving the environment is the precondition of society development as a whole. In its development Podravka pays special attention to development of the social community and the region in which it operates.

Industry trends

We are witnessing constant changes in our environment. In order for the companies to hold on to their consumers and continue to have successful business, they need to react in due time and keep track of the market trends. Everything that happens on social, geo-political or financial aspects affects company business and plans. It is therefore a mission of any successful company to adapt its business according to the situation in the surrounding.

Several global trends, particularly the recession, have significantly influenced the changes in business. In the markets we mostly see negative trends in consumption and reduced expenditures in households for food and beverages, considering that the consumers are becoming ever more price-sensitive, and this sensitivity is the result of inflation, unemployment and economic growth rate decrease.

PODRAVKA GROUP EXPECTED DEVELOPMENT

Apart from the stated negative economic markets trends, industry challenges which proved crucial in the last several years are as follows:

- Food industry:
 - consolidation in trade and among manufacturers,
 - import of cheap products from developing countries, particularly China and India,
 - security, political and economic situation around the world.
- Pharmaceutical industry:
 - increased competition (generic products),
 - increased control of costs for health insurance,
 - reduced number of products in development.

The main factors of change present with the consumers can be shown in two groups:

- socio-demographic trends: polarization of the purchasing power of the population (very high and very low purchasing power), increasing the importance of the older population, individualization, association and networking.
- consumer behaviour trends: paying attention to health, requesting product availability in all circumstances, the importance of experience in product consumption.

In the last couple of years the consumers have been following the trend of active living, bringing the need to make the products healthy, available and that the consumers can select the kind of product that they like the most. Increasing is the care for own health, so food industries follow the trends of organic products and raw materials, the offering of fresh fruit and vegetables, healthy and safe food of known composition and origin, “natural” products with increased percentage of fruit and vegetables and increased trends related to development of products for strengthening the immune system and providing body with additional health benefits.

Emphasizing the need for individualism and caring for own well-being is a trend that has in the food industry been reflected through an increased influence of products that are “just for me” or “better for me” and the products focused on solving individual health issues.

Due to increased globalization and information availability, consumers have developed a trend of diverse - both domestic and foreign cuisine, enjoying different and autochthonous meals and beverages.

PODRAVKA GROUP EXPECTED DEVELOPMENT

Market positions of food categories in 2012

Croatia and other ex-Yu markets	CRO	SLO	B&H	MAC	SRB	MN
ALL-PURPOSE SEASONINGS	MARKET LEADER	MARKET LEADER	MARKET LEADER	MARKET LEADER	2 ND MARKET POSITION	PRESENT IN THE MARKET
SOUPS	MARKET LEADER	2 ND MARKET POSITION	MARKET LEADER	MARKET LEADER	2 ND MARKET POSITION	MARKET LEADER
DEHYDRATED BABY FOOD	MARKET LEADER	MARKET LEADER	MARKET LEADER	MARKET LEADER	2 ND MARKET POSITION	MARKET LEADER
CANNED FISH	MARKET LEADER	PRESENT IN THE MARKET	MARKET LEADER	MARKET LEADER	2 ND MARKET POSITION	MARKET LEADER
MINERAL WATER NON-CARBONATED	2 ND MARKET POSITION	PRESENT IN THE MARKET	3 RD MARKET POSITION	3 RD MARKET POSITION	PRESENT IN THE MARKET	PRESENT IN THE MARKET
DEHYDRATED SWEETS	MARKET LEADER	2 ND MARKET POSITION	MARKET LEADER	MARKET LEADER	3 RD MARKET POSITION	PRESENT IN THE MARKET

Central Europe and Russia	CZ	HU	PL	SLK	RUS
ALL-PURPOSE SEASONINGS	MARKET LEADER	2 ND MARKET POSITION	MARKET LEADER	MARKET LEADER	MARKET LEADER
SOUPS	PRESENT IN THE MARKET	PRESENT IN THE MARKET	PRESENT IN THE MARKET	PRESENT IN THE MARKET	PRESENT IN THE MARKET
RICE	PRESENT IN THE MARKET	PRESENT IN THE MARKET	PRESENT IN THE MARKET	PRESENT IN THE MARKET	PRESENT IN THE MARKET

Legend

			
MARKET LEADER	2 ND MARKET POSITION	3 RD MARKET POSITION	PRESENT IN THE MARKET

Source: research panel (MEMRB, AC Nielsen)

RISK FACTORS

Business environment risk

Business environment risk is determined by political, economic and social conditions in the country, but also in the region, having effect on business successfulness of domestic companies. Among other things, as influenced by GDP growth rates, changes in life standard, degree of political, economic and social development significantly determine the development of food industry.

Political risk of an individual country includes all risks related to possible political instability, and in its extremity includes the integrity and existence of a country. Considering current internal and external political relations, Croatia is a stabile parliamentary democratic country whose main foreign affairs goal is successful integration into European Union.

Croatia started the accession process by signing the Stabilization and Accession Agreement, and now is rapidly fulfilling its political, economic and legal criteria for membership in the European Union (Copenhagen criteria). A component of this Agreement relating to strengthening of regional cooperation has an immediate effect on strengthening the stability of

the wide region, which is one of the preconditions for successful economic development. Compliant with the goal of successful accession to the European Union, a significant part of its activities Croatia has focused on reforms necessary to successfully align with legal legacy (acquis communautaire) of the European Union, as well as the development and maintenance of intense partnership relations with member countries of the European Union. It is to be expected that the adjustment process will effect the food industry business of individual companies in the food industry as well, and in various aspects of their activities, such as quality control, environment protection, health protection that will need to be in compliance to criteria and standards of the European Union.

Industrial risk

As a complex group with business in several economic branches, Podravka is faced with challenges present in the food and meat industry, beverages industry and pharmaceutical industry, both in the country and abroad. Food and meat industry are faced with changes in the consumer and diet habits, changes in life style and all the greater development of consumer awareness on own diet habits. The stated changes

RISK FACTORS

place before the meat and food industry the challenge of continuous product range adjustment to the needs and demands of consumers, as well as adjustment to the advancement of quality of the existing products, which on the other hands requires innovation, investments in technological development, production processes and human resources. One also needs to consider duration and costs of registration of new products on domestic and foreign markets. As a company that achieves large portion of its profit in foreign markets, Podravka is faced with strict criteria of quality control while exporting. But continuous growth of sales on foreign markets is a sign of successful compliance of quality criteria and standards of the countries into which we are exporting and where we have our production facilities. Including Croatia into regional and world economic and political organizations, accession to the European Union, opens up a range of possibilities for Podravka, but also places before it specific demands where food industry needs to adjust rapidly and is being exposed to a wider competition. Considering the wide range of products divided into groups, i.e. segments, each segment is exposed to specific risks effecting the successfulness of business and financial results of Podravka. Vegeta is Podravka's most impor-

tant strategic product recognizable around the world. The significance of sales revenues from this product presents a potential risk for Podravka in case of drastic production reduction and/or sales drop on domestic/foreign market.

Business results achieved in beverages segment are significantly influenced by weather that greatly determines the level of water consumption and consumption of other non-alcoholic beverages. Therefore sale in this segment is subject to oscillations in years of bad weather. Belupo pharmaceutical industry faces the risk of the pharmaceutical industry. The most prominent problems in this segment are prices of pharmaceutical, changes in the list of the Croatian Health Institute, problems of collecting due payments from variety store suppliers, facing reforms of the health system, reduction of profit margins and ecological risk, i.e. the problem of waste management and old medicines management. To be more successful in facing these risks, Podravka devotes special attention to tracking world trends in food industry and is trying to keep up with the latest technological achievements, offering to the market innovated and new products which are taking a growing share in the newly acquired value.

RISK FACTORS

Competition risk

Importance of the food industry, food and beverages production sector, is also emphasized by the information on high share of this sector in the total industrial production. Food and beverages production traditionally takes the highest share in the total processing industry. Food industry is featured by constant and growing demand which is among other a consequence of life standard growth and eating habits change, causing also a powerful competition within the sector. The potential and achieved growth rates in the food and beverages industry have largely affected the increase of competition in this sector. Besides, the present globalization process, political stability, development and liberalization of the markets, as well as the increase in living standards have greatly affected the removal of market boundaries and increase in the competition degree in the food industry. Additional effect of domestic companies being exposed to competition from large food processing companies derives from accessing the European Union. Also, candidate countries aligning its legislature with *acquis communautaire*, and the countries included in the stabilization and accession process, completely removes the obstacles in accession of these markets to the inner market of the European Union and place new

standards and norms. The result of the stated processes is a high exposure of local food processing companies to the global competition, creating simultaneously new business opportunities for local companies by fast opening of foreign markets. On the other hand, accession to the European Union and opening foreign markets to domestic companies such as Podravka, which already has a significant presence in foreign markets, opens the possibilities of further development, new business opportunities, strengthening market positions in the markets in the region. Also, to emphasize, food processing industry is also determined by local consumer and eating habits and needs, so domestic food processing companies, such as Podravka, that continuously works on advancing the quality of its products and extension of its range, they manage not only to maintain, but also to strengthen its business and market position in the domestic market. As a company with a defined development and investment strategy, Podravka has the strengths needed to successfully adapt to competition demands of the domestic and foreign market.

Risk of trade

During the previous years various multinational chain stores have entered the Croatian market. This also

RISK FACTORS

means increased concentration of products by foreign producers in domestic market. Besides, many domestic food processing companies have their own chains, i.e. distribution and sales capacities. For the products of domestic food processing companies to find their place in the commercial chains and stores, a clear and recognizable marketing strategy and continuous strengthening of product brands in order to intensify the demand for products and thus strengthen the negotiating power of the food industry toward trade. Since the development of the distribution segment is headed in the direction of transferring the key role to the consumer, trading companies that need to take into consideration the comments from end-consumers. This creates a space for companies such as Podravka, to win a fair position in the commercial chains due to their fine marketing campaign. Podravka has developed partnership relations in commercial chains and together with them works on recognizing changes in consumer demands and preparing their products to satisfy those demands.

Business risk

Corporations are daily exposed to business risk that includes the risk of bad business and reduction of

company stability. Bad business decisions, bad financial results of an individual segment, non-efficient cost control and similar increase the business risk and can result in instability of company business.

Podravka systematically uses certain indicators to track business risk. Any significant deviation of liquidity indicators, profitability and indebtedness from their normal values presents the signal of increased business risk, requesting appropriate measures to be taken to ensure stability in company's business.

Activities that Podravka performs in its business are exposed to various financial risks, including the effect of market prices change, changes in exchange rates and interest rates.

A potential risk of Podravka's business is in the fact that Podravka Group does business in various countries with various currencies as legal payment means. Due to stated exposure of Kuna-Euro exchange rate movement (a large portion of Podravka's financial commitments has a currency clause in Eur) and the minority depends on Kuna-US Dollar movement, Podravka's business results can in certain measure be in-

RISK FACTORS

fluenced by changes in the stated currencies. Managing the solvency risk implies maintaining sufficient funds and turn capital and ensuring the availability of financial means in the form of credits. Financial assets that could potentially lead Podravka Group into a credit risk includes mostly money and financial equivalents, claims from buyers and credits given. Podravka Group keeps its money in large banks, therefore the risk is negligible. Claims from buyers are shown reduced for reservations for suspicious, disputable and sued claims. Most of the loans is shown in relation to variable interest rates related to EURIBOR, LIBOR, PRIBOR and ZIBOR.

Risk of management and staffing

Podravka's today's business results are based on experienced and expert workers in this company. Current expert, experienced and motivated management on all levels affects company results. Special attention is paid to educating employees, which is of great significance for Podravka's development. Key managers and experts leaving the company hypothetically might have a negative effect on results. Podravka continuously invests in employees development in order to be able to fill key positions with its own resources.

Ecologic risk

Just like any other manufacturer, as part of its production activities Podravka also creates waste, part of which is also toxic waste. Podravka is therefore subject to various regulations related to health, occupational safety, environment protection and waste management regulations. Podravka has a developed environment protection policy which, among other things, defines the policy of waste water management, waste management, hazardous waste management, laboratory controls, and so on, which minimizes the risk of significant costs due to violating existing laws and regulations.

Financial risk management and company exposure to price, credit, liquidity and cash flow risk

As the Group is exposed to price changes of raw material for the food industry, world trends on the commodity exchange are carefully monitored and "market reports" of strategic suppliers are used as the grounds to react on a spot market at the moment when prices of raw material are most favourable.

Credit risk and the risk of outstanding payments or non-fulfillment of contractual liabilities from custom-

RISK FACTORS

ers have impact on the Group's contingent financial loss which is the reason why the Group has adopted the "Credit Risk Management Procedure" that it applies in dealing with customers. The Group collects payment insurance instruments whenever possible in order to protect itself from contingent financial risk and loss due to non-fulfilled payments or contractual liabilities. The Group is largely financed by loans in foreign currency and is therefore exposed to the risk of exchange rate differences. The Group uses loans with fixed and variable interest rates where the majority of loans has been agreed with variable interest rates and is therefore exposed to the risk of interest rate changes.

The Management establishes an adequate frame of liquidity risk management in order to manage short-term, medium-term and long-term financial and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves and credit lines, continuously comparing the planned and realized cash flow and monitoring due receivables and current liabilities.

ECOLOGY

Podravka operates on the principles of environment preservation and in this area the Ecology department pays significant attention to protection and advancement of the environment in which it performs its activities.

Based on that, in the area of environment protection the following key goals for 2012 have been defined:

- further education of employees to make them more aware and to advance their attitude towards the environment
- continually reduce waste water creation and release
- managing waste as a useful raw material
- protection against all kinds of pests for all organizational units
- improving the work of the waste water laboratory
- participation in the work of the organizations covering the area of environment protection activities.

In line with the defined goals, and within the authorities and responsibilities of the department, in the area of environment protection a whole series of planned activities was performed in 2012, and significant environmental, social and economic results were achieved.

All the operating tasks were performed with the purpose of improving results of regular activities, such as waste water treatment, waste management, introduction of “cleaner production” measures, pest control, waste water control and participation in the work of the organizations in the area of environment protection.

Also, the Ecology department has successfully applied its projects to the public tender for non-refundable funds in the Program of increasing competitiveness and adjustment of Croatian agricultural-food-processing industry in the common EU market, published in mid June 2012 by the Ministry of Agriculture. Financial funds amounting to HRK 536,810.44 have been awarded to Podravka in this tender, for investments in environment protection and energetic efficiency in the food-processing industry.

Continuous reduction of waste water creation and release

Significant reduction of waste water creation and release was realized in Podravka during 2012 through improving the waste water treatment device operation. This improvement was performed through the follow-

ECOLOGY

ing activities, at the locations Danica and Starčevićeva street (headquarters):

- replacement of the centrifuge for sludge concentration
- recirculation pump replacement
- transporter for concentrated sludge reconstruction
- replacement of turbines in fat separation during aeration
- replacement of walking grids
- agents for trial degreasing of waste water tested
- screening and draft solutions created for introduction of waste waters neutralization system at Starčevićeva street location (headquarters)
- screening and draft solution created for reduced encumbering and reduction of parameters within maximum allowed concentrations (MDK) - BioAmp tested system did not provide satisfactory results.

Waste water release at the location of Industrial zone Danica was reduced by more than 30.000 m³ through these actions, which automatically had a positive effect on the economic sustainability of the company, i.e. costs reduction for waste water removal by 29% (more than HRK 1.7 million) comparing to 2011.

Managing waste as a useful raw material

With the purpose of more efficient waste management, in 2012 significantly better waste management was achieved in 2012, which resulted in significant reduction of utility services costs by as much as 24%.

Efficient waste management in Podravka was achieved by applying the following activities:

- new basis was built and investment plan created for building an area for temporary deposition of waste - „Eko-yard“
- selection and removal of “side-products” in majority of factories implemented
- activities for resolving bio-waste, based on the Waste Law, executed
- creation of new Waste Management Plans
- replacement of energy source in the “Vegetables” factory in Umag
- expansion of the system for greasy rags replacement
- actions for implementation of alternative kinds of fuels produced from bio-waste executed

ECOLOGY

Protection against all kinds of pests for all organizational units

Significantly better protection against all kinds of pests (desinfection, desinsection, deratisation=DDD) for all organizational units within Podravka during 2012 resulted in great reduction of costs on included dislocated locations around Croatia by more than 50%. Improvements in pest control have been realized through the following activities:

- implementation of DDD measured in all units within Podravka in the area of the Republic of Croatia
- systematization of DDD department
- preconditions for replacement of classic fumigation by more modern methods (increased temperatures usage)
- preconditions for protection against birds as pests performed.

Improving the work of the waste water laboratory

Significant improvement of the work of the waste waters laboratory was realized in 2012 by better analytical control of all the waste water streams, replacement of the laboratory pH-meter and systematic tracking of quality and quantity of waste waters in Podravka.

Participation in the work of the organizations covering the area of environment protection

In 2012, as the regular member of Croatian Business Council for sustainable Development (HR PSOR), Podravka participated in its work, as well as in the work of the Croatian Employers Association (HUP), Economic-interest association of beverages manufacturers (GIUPP) and Eko-ozra.

SOCIAL COMMUNITY

Owing to the values saturated throughout the company culture, socially responsible business is a constituent part of Podravka Group's identity and business activities.

From its very beginnings, the company has been aware of its influence and responsibility towards the social community into which it is deeply rooted. Implementing concrete projects, for more than half a century Podravka contributes to development and raises the standards of living of its employees, but also of the wide social community. Engaging own potentials, the company activates connections and exchange of knowledge, experiences and information, creates and stimulates initiatives and projects with the purpose of sustainable economic development, improving the quality of living and environment protection. Podravka's engagement into satisfying the needs of the social community in which it operates is portrayed through three key areas:

- healthy living,
- concern for the social community in which we operate,
- continuous education of the employees and encouraging excellence and creativity in education and science.



SOCIAL COMMUNITY

For a number of years Podravka is devoting special attention to life-long learning and continuous investment into employee development on all the levels. Podravka has a special program for trainees, has its own evaluation center, internal workshops and lectures, it is developing the concept of e-learning and has an internal knowledge database.



STATEMENT ON CORPORATE GOVERNANCE

In compliance to the basic purpose of its business relating to ensuring growth and successful business, growth value for the shareholders, the Management Board and the Supervisory Board of Podravka d.d. in their business also support the principles of corporate governance. Podravka d.d. continuously tracks reforms in the area of corporate governance and strives to constant advancement of the relations with the shareholders, investors and overall public, introducing high standards in the mutual communication.

Pursuant to the valid legislature of the Republic of Croatia, and taking into account OECD guidelines for corporate governance, Podravka d.d. has accepted Corporate Governance Code for aligning the rights of all shareholders and an open, professional and transparent approach in relations with the investors and overall public.

Key principles that Podravka d.d. takes into account are:

- rights and obligations of the shareholders,
- equal treatment of all shareholders,
- obligations and responsibilities of the Management and Supervisory Boards of Podravka d.d.,
- reporting and transparency.

Aware of the importance and ethically founded behaviour of the business entities as part of the Croatian economy, Podravka d.d. accepted the Code of Ethics in its business, both in text and content, as verified by the Croatian Chamber of Economy Assembly.

As a signer of this Code, Podravka d.d. is obliged to respect the ethics principles in all of its business relations and has committed to respect the principles of ethics in all of its business relations and as such has accepted the obligation of working in compliance to the principles of responsibility, efficiency, transparency, quality, working in good faith and respecting the principles of good business conduct with partners, business and social environment and own employees. As recommended in the Code of Ethics in Business, Management Board of Podravka d.d. verified and passed its own Code of Ethics of Podravka Group. The intention was that Podravka and all of its associated companies in country and abroad develop their own principles of ethics, based on the principles of modern corporate governance. Consolidated annual report of the company and annual report on business status of the company are submitted as one annual report, which includes the lower subsidiaries of Podravka d.d.

STATEMENT ON CORPORATE GOVERNANCE

SUBSIDIARIES OF PODRAVKA D.D.	COUNTRY	SHARE (%)		PRINCIPAL ACTIVITY
		2012	2011	
BELUPO D.D., KOPRIVNICA	CROATIA	100%	100%	PRODUCTION AND DISTRIBUTION OF PHARMACEUTICALS
BELUPO DOEL SKOPJE*	MACEDONIA	100%	100%	SALES AND DISTRIBUTION OF PHARMACEUTICALS
BELUPO S.R.O. BRATISLAVA*	SLOVAKIA	100%	100%	SALES AND DISTRIBUTION OF PHARMACEUTICALS
BELUPO LJUBLJANA*	SLOVENIA	100%	100%	SALES AND DISTRIBUTION OF PHARMACEUTICALS
DELTA PHARM KOPRIVNICA PHARMACIES*	CROATIA	100%	100%	SALES AND DISTRIBUTION OF PHARMACEUTICALS
FARMAVITA D.O.O. VOGOŠĆA*	BOSNIA AND HERZEGOVINA	65%	65%	PRODUCTION AND DISTRIBUTION OF PHARMACEUTICALS
DANICA D.O.O., KOPRIVNICA	CROATIA	100%	100%	MEAT PRODUCTION AND PROCESSING
LERO D.O.O., RIJEKA	CROATIA	100%	100%	BEVERAGES PRODUCTION
ITAL-ICE D.O.O., POREČ	CROATIA	100%	100%	ICE-CREAM PRODUCTION
KOTI NEKRETNINE D.O.O., KOPRIVNICA	CROATIA	100%	100%	SERVICES
PODRAVSKO UGOSTITELJSTVO D.O.O., KOPRIVNICA	CROATIA	0%	100%	PURCHASE AND SALES OF GOODS, CATERING SERVICES
PODRAVKA INŽENJERING D.O.O., KOPRIVNICA	CROATIA	100%	100%	SERVICES
PONI TRGOVINA D.O.O., KOPRIVNICA	CROATIA	100%	100%	COMMERCIAL GOODS SALES
LAGRIS A.S., LHOTA U LUHAČOVIC	CZECH REPUBLIC	100%	100%	RICE PRODUCTION AND SALE
PODRAVKA-POLSKA SP.Z O.O., KOSTRZYN	POLAND	100%	100%	SEASONINGS PRODUCTION AND SALES
PODRAVKA-INTERNATIONAL KFT, BUDAPEST	HUNGARY	100%	100%	FOOD AND BEVERAGES PRODUCTION AND SALES
PODRAVKA D.O.O., LJUBLJANA	SLOVENIA	100%	100%	FOOD AND BEVERAGES PRODUCTION AND SALES
PODRAVKA D.O.O., BEOGRAD	SERBIA	100%	100%	FOOD AND BEVERAGES PRODUCTION AND SALES

STATEMENT ON CORPORATE GOVERNANCE

PODRAVKA-INT. DEUTSCHLAND -"KONAR" GMBH	GERMANY	100%	100%	FOOD AND BEVERAGES PRODUCTION AND SALES
PODRAVKA-INTERNATIONAL S.R.O., ZVOLEN**	SLOVAČKA	100%	100%	FOOD AND BEVERAGES PRODUCTION AND SALES
PODRAVKA D.O.O., PODGORICA	MONTENEGRO	100%	100%	FOOD AND BEVERAGES PRODUCTION AND SALES
PODRAVKA INTERNATIONAL, TURSKA***	TURKEY	100%	100%	FOOD AND BEVERAGES PRODUCTION AND SALES
PODRAVKA-INTERNATIONAL PTY LTD, SYDNEY	AUSTRIA	99%	99%	FOOD AND BEVERAGES PRODUCTION AND SALES
SANA D.O.O., HOČE	SLOVENIA	100%	100%	WAFERS PRODUCTION
PODRAVKA-INTERNATIONAL S.R.L., BUCHAREST	ROMANIA	100%	100%	FOOD AND BEVERAGES PRODUCTION AND SALES
PODRAVKA D.O.O., SKOPJE	MACEDONIA	100%	100%	FOOD AND BEVERAGES PRODUCTION AND SALES
PODRAVKA D.O.O., SARAJEVO	BOSNIA AND HERZEGOVINA	100%	100%	FOOD AND BEVERAGES PRODUCTION AND SALES
PODRAVKA-INTERNATIONAL E.O.O.D., SOFIA	BULGARIA	100%	100%	FOOD AND BEVERAGES PRODUCTION AND SALES
PODRAVKA-INTERNATIONAL INC. WILMINGTON	USA	100%	100%	FOOD AND BEVERAGES PRODUCTION AND SALES

*The Group holds the stated share indirectly through Belupo d.d. subsidiary

**25% of the share the Group holds indirectly through Lagris a.s., Lhota u Luhačovic subsidiary

***25% of the share the Group holds through Danica d.o.o., Koprivnica subsidiary

GENERAL ASSEMBLY

At the General Assembly the shareholders get to vote in person, through their proxy or authorized person. Shareholders entered in the computer system of the Central Depository & Clearing Company who apply for participation at the General Assembly for seven days at the latest before the General Assembly was being held, have the right of participation and vote at the General Assembly.

General Assembly can pass a valid resolution if it is represented by at least 30% (thirty percent) of the number of shares that get the right to vote. The president and deputy president to the General Assembly are elected by the General Assembly for the period of four years, as proposed by the Supervisory Board. General Assembly of Podravka d.d. held on 25 March 2010 passed a resolution on electing the president and deputy president to the General Assembly the four-year term, where Hrvoje Matic was elected president to the General Assembly, and Ivan Mesić as its deputy president.

Shareholders, proxies and authorized persons get the right to vote at the General Assembly using voting ballots marked with the number of votes belonging to an

individual participant at the General Assembly. Resolutions passed by the General Assembly are also available at Podravka's web site in the Investors/Corporate governance/General Assembly section.

SUPERVISORY BOARD

Supervisory Board has nine members, six of which are elected by the shareholders at the General Assembly by the three-quarter majority of all votes given. Two members of the Supervisory Board are named by the Government Assets Management Agency (GAMA), while one member is named by the Worker's Council as stipulated by the provisions of the Labour Law. Members of the Supervisory Board shall be appointed to a four-year term of office. The term of office of each member of the Supervisory Board begins as of their election and appointment, respectively. Supervisory Board supervises business operations of the Group, and on issues in their domain Supervisory Board makes decisions based on the Rules of Procedure of the Supervisory Board.

Supervisory Board members of Podravka d.d. in 2012

- Ljubo Jurčić - president (till 23 February 2012)
- Miljenko Javorović - member (till 23 February 2012)
- Dubravko Štimac - member (till 17th January 2012); Supervisory Board deputy president (till 23 February 2012); Supervisory Board president (from 24 February 2012)

- Mato Crkvenac - deputy president (from 24 February 2012)
- Ivo Družić - member (from 24 February 2012)
- Karmen Antolić - member (till 15 March 2012)
- Nikola Gregur - member (till 6 July 2012)
- Ivana Matovina - member (from 6 July 2012)
- Milan Stojanović - member (from 6 July 2012)
- Martinka Marđetko-Vuković - member (appointed by the Workers Council on 8 April 2011)
- Dinko Novoselec - member
- Petar Vlaić - member
- Petar Miladin - member

At the session held on 29 March 2012, Supervisory Board reached a resolution on appointing the Audit Committee, with the following president and members:

- Dinko Novoselec - president of the Committee
- Mato Crkvenac - member
- Petar Vlaić - member.

This resolution cancels the previous resolution passed by the Supervisory Board on appointing the Audit Committee. The Audit Committee is authorised to monitor the financial reporting procedure, to monitor the efficiency of the internal control system, internal

SUPERVISORY BOARD

audit and risk management system, to supervise the audit of annual financial and consolidated reports, to track the independence of independent auditors or auditing companies performing the audit, and particularly contracts on additional services, to discuss plans and annual report by the internal audit, and to discuss significant issues related to this area, to provide recommendations to the General Assembly on choosing an independent auditor or auditing company. At the session held on 30 October 2012, Supervisory Board reached a resolution on appointing a different member to the Audit Committee, and making Ivana Matovina a member of that Committee. The Audit Committee held five sessions in 2012.

At the session held on 29 March 2012, Supervisory Board reached a resolution on appointing the Remuneration Committee, with the following members:

- Petar Vlaić - president of the Committee
- Dubravko Štimac - member
- Milan Stojanović - member.

The Remuneration Committee is authorised to suggest the policy of rewarding Management Board members, the fixed and variable parts of salaries, retirement

plan and severance payments, to suggest objective criteria for evaluation of business successfulness, which are necessary to calculate the variable parts of the remuneration, and which again is to be in sync with long-term interests of the shareholders and company objectives that the Supervisory Board has set; to suggest the remuneration for individual Management Board members compliant to Company Remuneration Policy and estimate of individual Board member's activities, to suggest additional contents in contracts of Board members, to consult at least with Supervisory Board president and Management Board president on their attitudes regarding remunerations to Management Board members, to track amounts and structure of the remunerations to the management and to provide general recommendations to the Management Board regarding that, to suggest a remuneration method and the amount of the remuneration to Supervisory Board members. Remuneration Committee held two sessions in 2012.

Supervisory Board members are entitled to a fixed monthly remuneration as decided at the General Assembly on remunerations for Supervisory Board members. In 2012 Podravka d.d. Supervisory Board members were paid HRK 2,094 thousand (in 2011: HRK 1,803 thousand.)

MANAGEMENT BOARD

On 24 February 2012 Miroslav Vitković, Krunoslav Bešvir, Lidija Kljajić, Marin Pucar and Miroslav Repić resigned to their positions at Podravka d.d. Management Board. On its session held on 24 February 2012 the Supervisory Board reached a resolution on appointing the new president and members to Podravka d.d. Management Board. Zvonimir Mršić was appointed Management Board president, and Jadranka Ivanković, Olivija Jakupec, Miroslav Klepač and Jorn Pedersen were appointed Management Board members.

The term of Podravka d.d. Management Board president and members is 5 (five) years and it started as of the day this resolution was passed. Pursuant to the provisions of Podravka d.d. Articles of Association, president and members of the Board are appointed to the period as determined by the Supervisory Board (five years at the most) and they can be reappointed. Start date of their terms is as of the day the Management Board is elected. Members of the Management Board manage the business affairs of the Company, and the way they operate and divide tasks among each other is determined by the Rules of Procedure of the Management Board.

At the session held on 20 December 2012 the Supervisory Board reached a Resolution on appointing Hrvoje Kolarić as Podravka d.d. Management Board member, with the term of office expiry when the entire Management Board's term expires.

Management Board members in 2012

- Miroslav Vitković - president (till 24 February 2012)
- Lidija Kljajić - member (till 24 February 2012)
- Marin Pucar - member (till 24 February 2012)
- Krunoslav Bešvir - member (till 24 February 2012)
- Miroslav Repić - member (till 24 February 2012)
- Zvonimir Mršić - president (from 24 February 2012)
- Jadranka Ivanković - member (from 24 February 2012)
- Olivija Jakupec - member (from 24 February 2012)
- Miroslav Klepač - member (from 24 February 2012)
- Jorn Pedersen - member (from 24 February 2012)
- Hrvoje Kolarić - member (from 20 December 2012)

Salary to an individual Podravka d.d. Management Board member has been determined by a management contract signed between an individual Management Board member and the Company. Gross salaries paid in 2012 to Podravka d.d. Management Board members amount to HRK 6,471 thousand (2011: HRK

MANAGEMENT BOARD

6,404 thousand), and if this amount is added with remunerations for Management Board members for Belupo d.d. and Danica d.o.o., Podravka Group Management Board members have been paid gross salaries of HRK 10,551 thousand (2011: HRK 10,160 thousand).

CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE

MAIN COMPANY INFORMATION: PODRAVKA D.D., ANTE STARČEVIĆA 32, KOPRIVNICA, OIB: 18928523252
CONTACT PERSON AND CONTACT PHONE: BRANKA PERKOVIĆ, +38548651219
DATE OF QUESTIONNAIRE COMPLETE: 26.04.2013.

All the questions contained in this questionnaire relate to the period of one business to which annual financial statements also relate. If question in questionnaire ask for explanation, it is needed to explain answer. All answers in questionnaire will be measured in percentage as explained in the beginning of each chapter.

Company harmonization to the principles of corporate governance code

Answers to this questionnaire chapter will be valued with max. 20% of whole questionnaire valuation of company harmonization to the principles of Corporate Governance Code

1. “Did the Company accept the application of the Corporate Governance Code or did it accept its own policy of corporate governance?”

Yes No

2. “Does the Company have adopted principles of corporate governance within its internal policies?”

Yes No

3. Does the Company announce within its annual financial reports the compliance with the principles of ‘comply or explain’

Yes No

4. Does the Company take into account the interest of all shareholders in accordance with the principles of Corporate Governance Code while making decisions?

Yes No

CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE

Shareholders and general meeting

Answers to this questionnaire chapter will be valued with max. 30% of whole questionnaire valuation of company harmonization to the principles of Corporate Governance Code.

5. Is the company in a cross-shareholding relationship with another company or other companies? (If not, explain)

Yes No

6. Does each share of the company have one voting right? (If not, explain)

Yes No

7. Does the company treat all shareholders equally? (If not, explain)

Yes No

8. Has the procedure for issuing power of attorney for voting at the general assembly been fully

simplified and free of any strict formal requirements? (If not, explain)

Yes No

9. Has the company ensured that the shareholders of the company who, for whatever reason, are not able to vote at the assembly in person, have proxies who are obliged to vote in accordance with instructions received from the shareholders, with no extra costs for those shareholders? (If not, explain)

Yes No

10. Did the management or Management Board of the company, when convening the assembly, set the date for defining the status in the register of shares, which will be relevant for exercising voting rights at the general assembly of the company, by setting that date prior to the day of holding the assembly and not earlier than 6 days prior to the day of holding the assembly? (If not, explain)

Yes No

CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE

11. “Were the agenda of the assembly, as well as all relevant data and documentation with explanations relating to the agenda, announced on the website of the company and put at the disposal of shareholders on the company’s premises as of the date of the first publication of the agenda? (If not, explain)”

Yes No

12. Does the decision on dividend payment or advance dividend payment include information on the date when shareholders acquire the right to dividend payment, and information on the date or period during which the dividend will be paid? (If not, explain)

Yes No

In 2012 the Company did not pay any dividends.

13. Is the date of dividend payment or advance dividend payment set to be not later than 30 days after the date of decision making? (If not, explain)

Yes No

In 2012 the Company did not pay any dividends.

14. Were any shareholders favoured while receiving their dividends or advance dividends? (If so, explain)

Yes No

15. Are the shareholders allowed to participate and to vote at the general assembly of the company using modern communication technology? (If not, explain)

Yes No

There are no preconditions for such participation of shareholders at the General Assembly.

16. Have the conditions been defined for participating at the general assembly by voting through proxy voting (irrespective of whether this is permitted pursuant to the law and articles of association), such as registration for participation in advance, certification of powers of attorney etc.? (If so, explain)

Yes No

Registration of participants in advance as a condition of participating at the General Assembly is stipulated due to a large number of small share-

CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE

holders, with the intention of maintaining order and regularity of the session being held.

17. Did the management of the company publish the decisions of the general assembly of the company?

Yes No

18. Did the management of the company publish the data on legal actions, if any, challenging those decisions? (If not, explain)

Yes No

There were no such legal actions.

Management and supervisory board

Please provide the names of management board members and their functions

Miroslav Vitković (president of the Management Board, resigned on 24.02.2012.), Lidija Kljajić (member of the Management Board, resigned on 24.02.2012.), Marin Pucar (member of the Management Board, resigned on 24.02.2012.), Krunoslav Bešvir (member of the Management Board, re-

signed on 24.02.2012.), Miroslav Repić (member of the Management Board, resigned on 24.02.2012.), Zvonimir Mršić (president of the Management Board, appointed on 24.02.2012.), Jadranka Ivanković (member of the Management Board, appointed on 24.02.2012.), Olivija Jakupec (member of the Management Board, appointed on 24.02.2012.), Miroslav Klepač (member of the Management Board, appointed on 24.02.2012.), Jorn Pedersen (member of the Management Board, appointed on 24.02.2012.) and Hrvoje Kolarić (member of the Management Board, appointed on 20.12.2012.).

Please provide the names of supervisory board and their functions

Ljubo Jurčić (president of the Supervisory board, recalled on 23.02.2012.), Miljenko Javorović (member of the Supervisory board, recalled on 23.02.2012.), Mato Crkvenac (deputy president of the Supervisory board, appointed on 23.02.2012.), Ivo Družić (member of the Supervisory board, appointed on 23.02.2012.), Dubravko Štimac (president of the Supervisory board), Karmen Antolić (member of the Supervisory board, resigned on 15.03.2012.), Petar Miladin

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(member of the Supervisory board), **Dinko Novoselec** (member of the Supervisory board), **Petar Vlaić** (member of the Supervisory board), **Martinka Marđetko-Vuković** (member of the Supervisory board), **Nikola Gregur** (member of the Supervisory board, recalled on 06.07.2012.), **Ivana Matovina** (member of the Supervisory board, elected on 06.07.2012.) and **Milan Stojanović** (member of the Supervisory board, elected on 06.07.2012.).

Answers to this questionnaire chapter will be valued with max. 20% of whole questionnaire valuation of company harmonization to the principles of Corporate Governance Code

19. Did the Supervisory or Management Board adopt a decision on the master plan of its activities, including the list of its regular meetings and data to be made available to Supervisory Board members, regularly and in a timely manner? (If not, explain)

Yes No

20. Did the Supervisory or Management Board pass

its internal code of conduct? (If not, explain)

Yes No

21. Is the Supervisory Board composed of, i.e. are non-executive directors of the Management Board mostly independent members? (If not, explain)

Yes No

22. Is there a long-term succession plan in the company? (If not, explain)

Yes No

23. Is the remuneration received by the members of the Supervisory or Management Board entirely or partly determined according to their contribution to the company's business performance? (If not, explain)

Yes No

The remuneration is fixed and in no part does it depend on efficiency of Company's business.

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24. Is the remuneration to the members of the Supervisory or Management Board determined by a decision of the general assembly or in the articles of association of the company? (If not, explain)

Yes No

25. Have detailed records on all remunerations and other earnings of each member of the Supervisory or Management Board received from the company or from other persons related to the company, including the structure of such remuneration, been made public? (If not, explain)

Yes No

The Supervisory Board members are entitled to a fixed monthly remuneration as stated in the General Assembly Resolution on remunerations for the Supervisory Board members of Podravka Inc. Remunerations and other incomes given by the Company for the Management Board and Supervisory Board members are published in the Company's Annual Report for 2012.

26. Does every member of the Supervisory or Management Board inform the company of each change relating to their acquisition or disposal of shares of the company, or to the possibility to exercise voting rights arising from the company's shares, not later than five trading days, after such a change occurs (If not, explain)

Yes No

27. Were all transactions involving members of the Supervisory or Management Board or persons related to them and the company and persons related to it clearly presented in reports of the company? (If not, explain)

Yes No

There were no such transactions.

28. Are there any contracts or agreements between members of the Supervisory or Management Board and the company?

Yes No

CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE

29. Did they obtain prior approval of the Supervisory or Management Board? (If not, explain)

Yes No

There is no such contract or agreement.

30. Are important elements of all such contracts or agreements included in the annual report? (If not, explain)

Yes No

There is no such contract or agreement.

31. Did the Supervisory or Management Board establish the appointment committee?

Yes No

Entire Supervisory board has performed the function of the appointment committee.

32. Did the Supervisory or Management Board establish the remuneration committee?

Yes No

33. Did the Supervisory or Management Board establish the audit committee?

Yes No

34. Was the majority of the committee members selected from the group of independent members of the Supervisory Board? (If not, explain)

Yes No

35. Did the committee monitor the integrity of the financial information of the company, especially the correctness and consistency of the accounting methods used by the company and the group it belongs to, including the criteria for the consolidation of financial reports of the companies belonging to the group? (If not, explain)

Yes No

36. Did the committee assess the quality of the internal control and risk management system, with the aim of adequately identifying and publishing the main risks the company is exposed to (including the risks

CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE

related to the compliance with regulations), as well as managing those risks in an adequate manner? (If not, explain)

Yes No

37. Has the committee been working on ensuring the efficiency of the internal audit system, especially by preparing recommendations for the selection, appointment, reappointment and dismissal of the head of internal audit department, and with regard to funds at his/her disposal, and the evaluation of the actions taken by the management after findings and recommendations of the internal audit? (If not, explain)

Yes No

38. If there is no internal audit system in the company, did the committee consider the need to establish it? (If not, explain)

Yes No

Internal audit function exists.

39. Did the committee monitor the independence and impartiality of the external auditor, especially with regard to the rotation of authorised auditors within the audit company and the fees the company is paying for services provided by external auditors? (If not, explain)

Yes No

40. Did the committee monitor nature and quantity of services other than audit, received by the company from the audit company or from persons related to it? (If not, explain)

Yes No

41. Did the committee prepare rules defining which services may not be provided to the company by the external audit company and persons related to it, which services may be provided only with, and which without prior consent of the committee? (If not, explain)

Yes No

CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE

42. Did the committee analyse the efficiency of the external audit and actions taken by the senior management with regard to recommendations made by the external auditor? (If not, explain)

Yes No

43. Did the audit committee ensure the submission of high quality information by dependent and associated companies, as well as by third parties (such as expert advisors)? (If not, explain)

Yes No

44. Was the documentation relevant for the work of the Supervisory Board submitted to all members on time? (If not, explain)

Yes No

45. Do Supervisory Board or Management Board meeting minutes contain all adopted decisions, accompanied by data on voting results? (If not, explain)

Yes No

46. Has the Supervisory or Management Board evaluated their work in the preceding period, including evaluation of the contribution and competence of individual members, as well as of joint activities of the Board, evaluation of the work of the committees established, and evaluation of the company's objectives reached in comparison with the objectives set?

Yes No

47. Did the company publish a statement on the remuneration policy for the management, Management Board and the Supervisory Board as part of the annual report? (If not, explain)

Yes No

There is no obligation of submitting requested information.

48. Is the statement on the remuneration policy for the management or executive directors permanently available on the website of the company? (If not, explain)

Yes No

CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE

There is no obligation of submitting requested information.

49. Are detailed data on all earnings and remunerations received by each member of the management or each executive director from the company published in the annual report of the company? (If not, explain)

Yes No

There is no obligation of submitting requested information.

50. Are all forms of remuneration to the members of the management, Management Board and Supervisory Board, including options and other benefits of the management, made public, broken down by items and persons, in the annual report of the company? (If not, explain)

Yes No

There is no obligation of submitting requested information. Total amounts of remunerations to the Management Board and Supervisory Board members are published in the Company's Annual Report for 2012.

51. Are all transactions involving members of the management or executive directors, and persons related to them, and the company and persons related to it, clearly presented in reports of the company? (If not, explain)

Yes No

There were no such activities.

52. Does the report to be submitted by the Supervisory or Management Board to the general assembly include, apart from minimum information defined by law, the evaluation of total business performance of the company, of activities of the management of the company, and a special comment on its cooperation with the management? (If not, explain)

Yes No

CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE

Audit and mechanisms of internal audit

Answers to this questionnaire chapter will be valued with max. 20% of whole questionnaire valuation of company harmonization to the principles of Corporate Governance Code

53. Does the company have an external auditor?

Yes No

54. Is the external auditor of the company related with the company in terms of ownership or interests?

Yes No

55. Is the external auditor of the company providing to the company, him/herself or through related persons, other services?

Yes No

56. Has the company published the amount of charges paid to the independent external auditors for the audit carried out and for other services provided? (If not, explain)

Yes No

There is no obligation of submitting requested information.

57. Does the company have internal auditors and an internal audit system established? (If not, explain)

Yes No

CORPORATE GOVERNANCE CODE - ANNUAL QUESTIONNAIRE

Transparency and the public of organization of business

Answers to this questionnaire chapter will be valued with max. 20% of whole questionnaire valuation of company harmonization to the principles of Corporate Governance Code

58. Are the semi-annual, annual and quarterly reports available to the shareholders?

Yes No

59. Did the company prepare the calendar of important events??

Yes No

60. Did the company establish mechanisms to ensure that persons who have access to or possess inside information understand the nature and importance of such information and limitations related to it?

Yes No

61. Did the company establish mechanisms to ensure supervision of the flow of inside information and possible abuse thereof?

Yes No

62. Has anyone suffered negative consequences for pointing out to the competent authorities or bodies in the company or outside, shortcomings in the application of rules or ethical norms within the company?

Yes No

63. Did the management of the company hold meetings with interested investors, in the last year?

Yes No

64. Do all the members of the management, Management Board and Supervisory Board agree that the answers provided in this questionnaire are, to the best of their knowledge, entirely truthful?

Yes No

SHARE

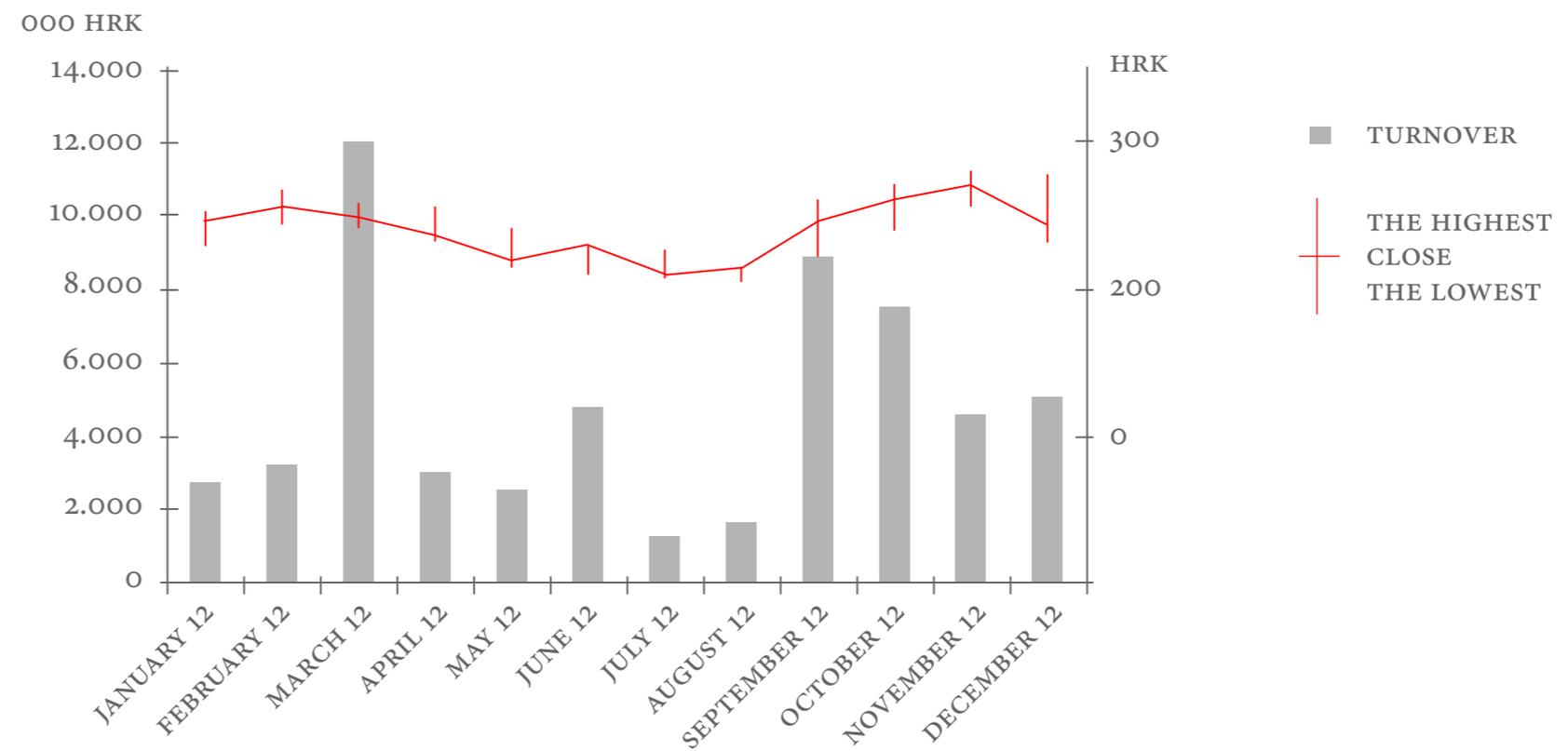
Podravka share has been listed in the Official Market of the Zagreb Stock Exchange on 7 December 1998 with the symbol PODR-R-A, and its nominal value is HRK 300.00. It is one of the fifteen most solvent shares of the Zagreb Stock Exchange in 2012 with significant annual turnover.

Turnover and price

Regular share turnover at the Zagreb Stock Exchange reduced during 2012 by 44.3%, while Podravka share

turnover also decreased by 49.6%. Total turnover of Podravka share in 2012 was HRK 57,957,931, which is 2% of the regular turnover at the Zagreb Stock Exchange (2.2% in 2011). Podravka share ends the year 2012 at HRK 240.02, which is 3.9% increase comparing to the close price in 2011. The lowest selling price of the share in 2012 was HRK 205.04 and it was realized in August, while the highest selling price was 279.91 and it was realized in November.

Turnover and price of Podravka share



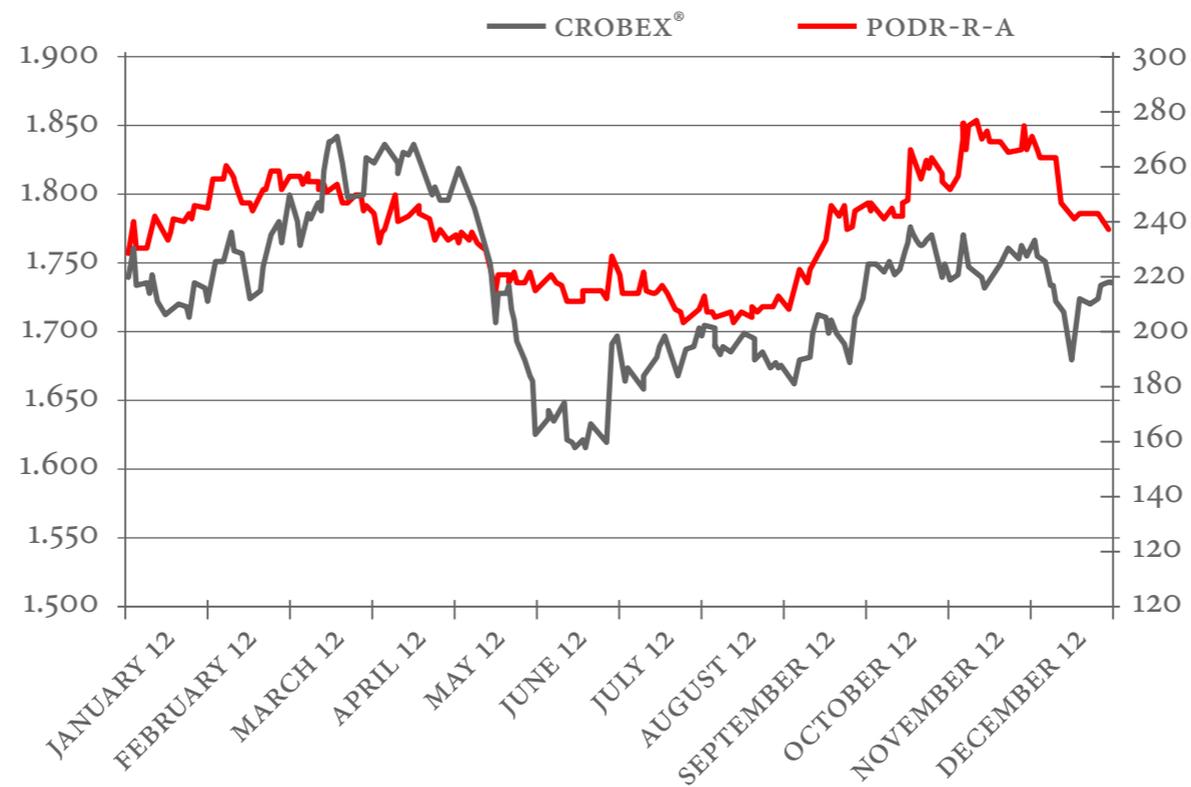
SHARE

Podravka share turnover per quarters in 2012

PERIOD	2011		2012	
	TURNOVER (HRK)	VOLUMEN	TURNOVER (HRK)	VOLUMEN
I. KVARTAL	33.885.183	104.393	17.865.149	70.472
II. KVARTAL	33.192.752	103.135	11.264.022	49.570
III. KVARTAL	33.635.111	116.519	11.710.775	50.397
IV. KVARTAL	14.249.041	58.106	17.117.985	65.935
TOTAL	114.962.087	382.153	57.957.931	236.374

Source: ZSE

The highest turnover of Podravka share was in the first and fourth quarter of 2012, while added turnovers from these quarters make 60% of the total turnover in 2012.



Comparison of Podravka share and CROBEX movement

SHARE

Stock market indices

Podravka share has been listed in several stock market indices based on its high solvency and high number of shares in free float. Apart from the official index of the Zagreb Stock Exchange CROBEX, the share has also been listed in CROBEX10 and regional index Dow Jones STOXX Sub Balkan 30.

Portion of Podravka share in stock market indices on 31 December 2012

CROBEX	8.92%
CROBEX 10	11.07%

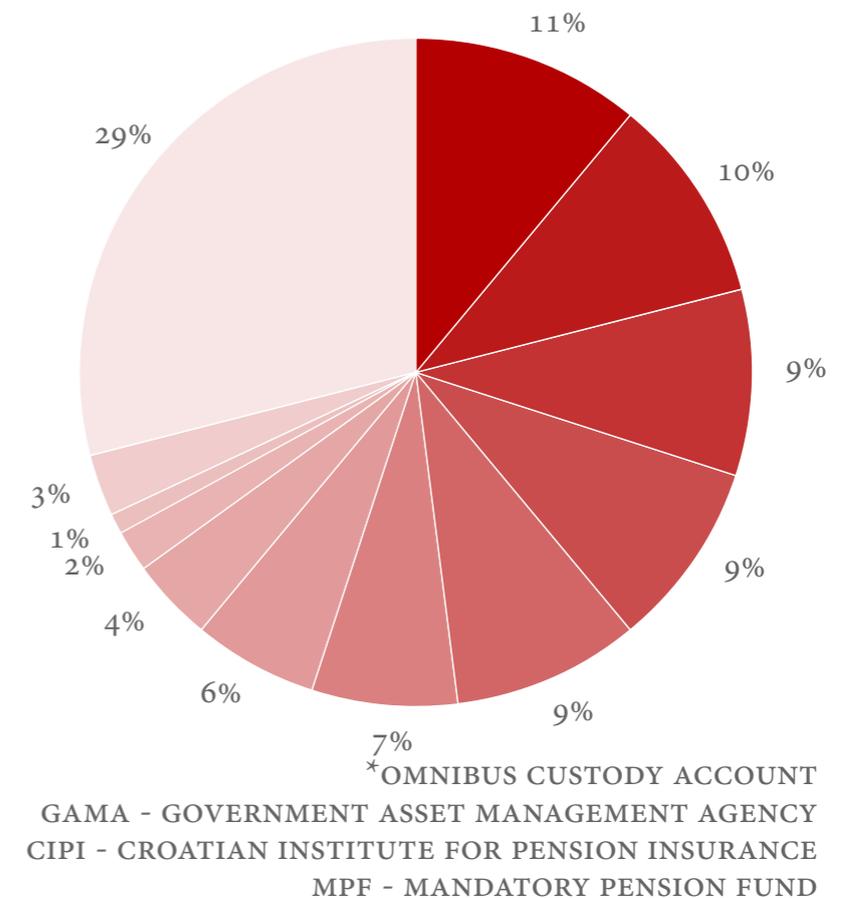
Recommendations of analysts on 31 December 2012

Intercapital	Hold
Raiffeisen Bank	Hold
Erste Bank	Hold
Hypo-Alpe-Adria Bank	Under revision

Shareholder structure on 31 December 2012

■ GAMA/CIPI	575,598
■ GAMA/R. OF CROATIA	535,629
■ ERSTE PLAVI MPF	514,863
■ AZ MPF	488,106
■ PBZ CROATIA OSIGURANJE MPF	477,957

■ UNICREDIT BANK AUSTRIA AG*	407,744
■ KAPITALNI FOND D.D.	321,804
■ RAIFFEISEN MPF	201,369
■ PBZ D.D.*	96,492
■ PBZ D.D./STATE STREET CLIENT ACCOUNT	73,241
■ TREASURY ACCOUNT	177,511
■ OTHER SHAREHOLDERS	1,549,689
■ TOTAL	5,420,003



SHARE

Treasury account status

Considering the fact that there was no acquiring or re-leasing of own shares in 2012, on 31 December 2012 the situation was unchanged comparing to 31 December 2011, when there were 177,511 of own shares.

Shares owned by members of the Supervisory and Management Boards of Podravka d.d. at 31 December 2012

Supervisory Board	2 shares
Management Board	1.868 shares

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
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MISSION

Providing **innovative culinary experience** and **healthy living solutions** for you.

VISION

**Dedicated to improve everyday quality of life for
our consumers, customers and employees by being
innovative and international.**