



ANNUAL REPORT 2014

# Table of contents

Podravka Group in 2014 (Business events).....	3
Podravka Group in 2015 (Business events).....	14
Podravka Group research and development .....	19
Podravka research and development - “innovation is the key to success” .....	20
Belupo research and development .....	22
New products .....	23
Awards & acknowledgments .....	27
Social community .....	35
Activities in the area of environment protection.....	37
Podravka group management systems audits in 2014. ....	44
Supervisory board and Management board members biographies .....	47
Podravka d.d. Supervisory board members biographies.....	48
Podravka d.d. Management board members .....	51
Business results.....	54
Statement from executives responsible for preparing financial statements .....	67
Podravka Group expected development.....	68
Key factors of success .....	70
Risk factors.....	73
Corporate governance .....	79
Statement on corporate governance .....	80
General assembly .....	81
Supervisory board.....	82
Management board.....	84
Corporate governance code.....	86
Annual questionnaire.....	87
Company securities .....	97

**PODRAVKA GROUP IN 2014**  
(Business events)

**NEW INVESTMENT CYCLE WORTH  
HRK 390 MILLION**

On 20 December 2013, Podravka Management and Supervisory Boards reached a resolution on building two new Belupo factories – for solid and semisolid forms of medications. This investment is worth HRK 390 million for the next three years, and it is expected that new factories will be operational in the first quarter 2017. They will employ about a hundred workers. This investment of building a new factory is a great challenge and has strategic importance for Belupo, but also for Podravka Group as well. With the quality of its products, Belupo proved that it can and knows how to be competitive on demanding export markets.

**INCENTIVE PAYMENT**

Podravka Management Board reached a resolution on incentive payment, for increased efforts and contribution by all the workers of Podravka d.d. during 2013, amounting to additional 10 percent. This resolution refers to all the workers of Podravka d.d., except workers with special contracts and workers with signed contracts already stating individual stimulation, i.e. commission. For this purpose Podravka earmarked HRK 1.2 million, and with this resolution once again the company showed its social responsibility towards own workers.

**EXPERIENCE IS GOLD**

Recognized as one of the top employers in Croatia, Podravka has joined the project initiated by the newspapers Poslovni dnevnik and 24sata, “Experience is gold”. The purpose of this project is to connect the students and the companies where they would prefer to work and in that way to gain the experience that will be precious to them when continuing their career.

**PROVISION PROGRAM FOR SURPLUS  
WORKERS**

Early in the year Podravka started creating the severance payment program for surplus workers. Consultations with the Workers Council were performed and Podravka accepted the majority of suggestions provided by the Council, and concerning the Program. The Program included 340 workers of Podravka d.d., Danica d.o.o. and Belupo d.d., and a total of HRK 45 million was earmarked for implementing the Program.

- Implementing this Program we wanted to show our responsibility and social sensitivity towards workers leaving our company, compliant to our current capacities. Implementing it we make the remaining jobs sustainable and create presuppositions for Podravka Group’s future growth and development. Providing severance payments which are higher than those required by law, we want to thank our workers who have integrated their active life into this company for their great contribution to the development of Podravka Group, Management Board president Zvonimir Mršić said.

**RECOGNITION FOR THE PROJECT “WE  
KNOW-WE SHARE-WE GROW”**

The second conference HR Days in the field of human resources management, organized by the portal MojPosao and expert partner SELECTIO, The best HR practice 2013 award ceremony was held.

The portal MojPosao has been conducting the selection of The best HR practice for the fourth year in the row. The election was intended as a recognition to a dedicated and planned work of companies, teams and individuals who were successful at managing their human resources. Recognition as the third-placed best HR practice was awarded to Podravka for the project "We Know-We Share-We Grow". Jasenka Maltarić-Dujnić, HR manager said on the occasion:

- With project such as this one and various other programs we permanently change the company culture, which makes us really proud.

#### **PODRAVKA AND TECNALIA COOPERATION**

Podravka was visited by representatives of Tecnalía, a group of scientists and supreme chefs dealing with research and innovations in food and culinary art.

Podravka, as the project idea carrier and Tecnalía Research & Innovation will cooperate in the fields of developing innovative food products and services, networking through the platform of open innovations and cooperation on European research programs.

- It is a great pleasure that Podravka scientists will be cooperating and sharing experiences with colleagues from the Tecnalía Institute. At Podravka we are intensely working on developing new ideas and products and we are convinced that the work and development of the Competencies center at Koprivnica will result in creation of new, high-quality products to the pleasure of our consumers, Podravka Management Board member Jadranka Ivanković said.

#### **PODRAVKA ACQUIRES CANNED MEAT PRODUCTS AND PATES PIKETA AND CLASSIC**

Management of Podravka, Agrokor and PIK Vrbovec concluded contracts on transfer of trademark, recipes and equipment and on acquiring the business of production and sales of canned meat products and canned pates.

With this act Podravka is taking over from PIK Vrbovec the canned pates program and meat cans for further production and sales on all markets. This is about the canned meat products and pates Piketa and Classic which definitely have a significant growth potential along with the expanded range of Podravka's canned meat, owing to the reputation and acceptance with the consumers. The production of these products will be continued in the production facilities of Podravka's meat industry Danica d.o.o. considering that Danica is already performing service production for PIK Vrbovec.

- This agreement definitely needs to be considered within the context of consolidating domestic food industry. This is about two leading companies focusing on those categories in which they wish to keep or to win leading market positions. Focusing on canned meat program, and within the meat and meat products category, this resolution is very logical and justified,

considering that this way we will strengthen the category and expand the range of canned meat products that we are currently offering our consumers, Zvonimir Mršić, Podravka Management Board president said.

#### COOKING SHOWS AS PART OF IN MAGAZIN BY NOVA TV

Podravka's Culinary center was the filming venue of the third season of popular culinary TV shows as part of In Magazin by Nova TV – Lunch for Tomorrow, Sweet weekend with Podravka and Holidays with Podravka. The main protagonists of the show are Podravka's culinary promoters. According to the research, this culinary show is one of the most popular on Nova TV, and the chefs were rated highly comparing to other chefs and other culinary TV shows that have been aired for years. All in all, cooking is "in", and when it comes to culinary art, then once again the rule is confirmed, Podravka never followed trends, but it dictated them.

#### INCREASE OF BELUPO SHARE CAPITAL

As decided by Podravka Management Board, which is also Belupo's General Assembly, Belupo will be refinanced by reinvesting HRK 86 million of last year's profit, so that the share capital will be doubled comparing to 2011. The share capital that year was HRK 154 million, in 2012 it was increased by the profit of HRK 50 million, and then in 2013 the share capital was additionally increased by HRK 86 million, and in total it is HRK 290 million.

- With the significant increase of the share capital of our pharmaceutical company Belupo, we emphasize the importance of this part of our Group. Reinvesting the profit, as well as with the planned investment cycle, we create preconditions for further growth of the Podravka Group, especially in foreign markets, said Zvonimir Mršić, Podravka Management Board president after the adopted decision on Belupo recapitalization.

For Croatia's largest pharmaceutical company, apart from sales growth, this resolution will create additional conditions for entry into the announced investment cycle – the construction of two new factories – semi-solid, liquid and solid drugs, which will employ several hundred workers.

With this example Podravka Group shows that it will not forget the community in which it operates, and from which it has grown, putting "every kuna" earned into job creation, contributing to economic growth, but the growth of gross domestic product.

#### HELP FOR THE FLOODED SLAVONIA

In the shortest possible period Podravka ensured aid in food and water, for a large number of citizens who have been affected by extensive flooding. The employees prepared more than seven tons of various food items and ensured emergency transport to Eastern Croatia.

In three days 16 pallets of clothing, shoes and hygiene products have been gathered, as instigated by the volunteers association of Podravka called

PULS. When information was received that the flooded population was short in baby food, Podravka employees gathered almost 20,000 portions of Čokolino, Frutolino, Rižolino and Keksolino, and another 1,300 pieces of cans and durable milk was gathered when the employees renounced their own meals from the cafeteria.

Special action was also conducted at the finals of Lino All-rounder on 24 May in Novska. The finals gathering 24 schools from entire Croatia gathered about 1400 participants who donated teddy bears in order to bring joy to the children who had to leave their homes.

Blood donors of Podravka also contributed to the humanitarian activities, starting an initiative of gathering financial aid among Podravka employees. Podravka's association of volunteers PULS also joined this action, and then other employees contributed, earmarking amounts for humanitarian purposes, and according to their own possibilities, and for a time period that is acceptable for them.

In total 790 workers of Podravka, Danica, Belupo and Deltis pharm contributed with their donations. In June almost HRK 70 thousand was collected, and the initiative continues.

#### **EUROMONEY – PODRAVKA AT THE TOP OF THE BEST MANAGED COMPANIES**

Out of 50 companies Podravka achieved the biggest advancement among all the companies in Central and Eastern Europe and is placed among the top best managed companies in Croatia.

Analysts from leading international banks and institutions participated in the survey conducted by the distinguished magazine Euromoney, and the survey participants nominated in their opinion the best managed companies, considering business strategy, corporate governance system, higher management availability, business transparency, shareholders value, information availability and corporate web site efficiency, along with other parameters.

#### **THE BIGGEST CAKE IN CROATIA**

Unique event of preparing the biggest cake in Croatia, organized by the professional Podravka's team, with the help of Croatian Culinary Association and food bloggers was held at Zagreb park Zrinjevac. Podravka's cake weighing 600 kg was the biggest attraction of the desserts festival entitled Slatki gušti.

The visitors got to taste the cake for the amount they choose, and all the funds gathered were donated for inhabitants of the flooded Slavonia region. With this action, Podravka wanted to send the message to the suffering inhabitants that they are not alone and that they still have the support of the company with the heart.

**CREDITING CONTRACT** Podravka signed in London with the European Bank for Reconstruction and Development and other three commercial banks (Erste Group Bank AG, Raiffeisen Bank International AG and Unicredit Bank Austria AG) a contract on syndicated loan amounting to EUR 73.4 million.

With this contract Podravka will be refinancing its existing loans with significantly lower interest rates and prolonged due dates.

European Bank for Reconstruction and Development, as an arranger of this syndication will participate with about EUR 30.0 million of own funds, while EUR 43.4 will be provided from other banks in the syndication – Erste Group Bank AG, Raiffeisen Bank International AG and Unicredit Bank Austria AG. In the previous years Podravka has achieved significant improvements on operating and financial level, which was recognized by the European Bank for Reconstruction and Development and syndicated banks, which have confirmed their trust in stability and business operations of our company by signing this contract.

With this arrangement Podravka continues its restructuring process, with the aim of further regional and international growth and development. The stated amount will be used to restructure the company balance sheet, and saving of HRK 7.5 million is expected on interest costs.

**PODRAVKA D.D. GENERAL ASSEMBLY  
HELD – ALL DRAFT PROPOSALS  
ADOPTED**

General Assembly of shareholders of Podravka d.d. adopted all the draft proposals by the Management and Supervisory Boards. Draft proposal on the retention of Podravka's profit was unanimously adopted, which for 2013 amounts to HRK 51.4 million and is allocated as legal reserves in the amount of HRK 2.6 million, for reserves for own shares in the amount of HRK 45.8 million and for transfer to other reserves in the amount of HRK 3 million.

The General Assembly adopted the draft resolution on approving Management Board members who were managing in 2013, and adopted the draft resolution on the approval of the Supervisory Board by which their duties and supervision over managing business operations of Podravka d.d. in 2013 is accepted.

Since it was established that the current mandate expires for members of the Supervisory Board Dubravko Štimac, Dinko Novoselec, Petar Vlaić and Peter Miladin on September 7 2014, General Meeting of Shareholders adopted the draft decision on their re-appointment to the Supervisory Board. New four-year term for the elected members of the Supervisory Board began on 8 September. Authorized auditing company KPMG Croatia d.o.o. was appointed for auditing the financial statements of Podravka d.d. as well as its subsidiaries and for auditing the consolidated financial statements of the Podravka Group for the business year 2014.

#### COMPLETE CULINARY EXPERIENCE

During the specially created brunch called “The complete culinary experience” new Podravka corporate website was introduced.

Podravka “cooked” the new Podravka.hr adding to the existing values; excellence, passion, trust, consumer satisfaction and creativity that something that consumers often miss today – Inspiration. In one place, new Podravka website offers to its consumers innovative culinary solutions, but also modern corporate communication.

Understanding consumer habits who are more frequently using their mobile phones, the complete website was designed in the responsive web design, enabling complete adjustment of the content to the device on which the site is being viewed, regardless of whether it is a smart phone or computer monitor.

#### 25. VEGETA CROATIA OPEN UMAG – SPECIAL REWARD FOR PODRAVKA

25th Vegeta Croatia Open, the oldest and renowned ATP tournament in Croatia and the region was held in Umag. Apart from top sportsmen, entertainment and surprises during one of the most interesting openings so far, before the games special reward was given to Podravka – a replica of one of the most special tennis cups.

President of the Organizational Board of the tournament Željko Kukurin handed in the special award and the winning cup to Zvonimir Mršić, Management Board president of Podravka that has been a long-year main partner and tournament sponsor.

Apart from supreme tennis, the 25th edition of ATP Vegeta Croatia Open in Umag offered to numerous visitors a supreme gastronomic experience, for which the title sponsor of this great sport event was in charge.

#### IN MEMORY OF PROF. ZLATA BARTL

Traditionally Podravka employees honoured prof. Zlata Bartl. reminiscing the old times. Leader to Podravka team in charge of inventing Vegeta, gave her contribution to the company with her creativity and ideas, but we equally remember her as a person that knew how to express her respect for people, love and life.

Another memorial meeting of prof. Bartl was held in the memorial room in the lobby of Podravka headquarters, gathering representatives of Podravka and professors family.

#### SHARES OF MIRNA D.D. ACQUISITION

Pursuant to the Capital Market Law and the Rules of the Zagreb Stock Exchange, during public auctions for selling the shares MRNA-R-A in extrajudicial settlement, held on 25 August 2014 via trading system of the Zagreb Stock Exchange d.d., as ordered by the INTERKAPITAL VRIJEDNOSNI PAPIRI d.o.o. and HITA-VRIJEDNOSNICE d.d., Podravka d.d. acquired

198,209 shares of the company Mirna d.d. from Rovinj, Giordano Paliaga 8, which is 53.855% of totally issued shares by the stated company.

**“LEANCO” PROJECT IMPLEMENTATION  
COMPLETED**

Podravka was successful at implementing the project “LeaNcO” (Lean Concept of administration excellence) – i.e. the development of “lean” concept of excellence in administration. Its aim was to increase the efficiency of three business processes – finance, administration and reporting process.

The project was managed in cooperation with the consulting company A.T.Kearney, and it consisted of 17 improvement measures, which were a separate, mutually connected projects, having their own project managers and implementation teams. More than 50 employees were included in the implementation of the LeanCo project.

Implementing the above mentioned 17 measures in the processes of finances, administration and reporting, planned annual saving, amounting to 24 million were realized, due to more efficient use of resources and saving in various material costs.

**RESULTS OF MODERN TOMATO  
GROWING**

Using new, modern technologies of tomato growing on Istrian land, Podravka started test production of tomato in cooperation with an Israeli partner. The aim of the project was to improve the growth of industrial tomato, through application of Israeli technology of growing, increased yield of tomato and extended duration of the picking and processing season. New technology guarantees higher yields and extension of the tomato growing season, which was proved at the project presentation and new technologies demonstration.

Results of the trial project are extremely favourable for the manufacturers and for Podravka’s factory. As Podravka Management Board president Zvonimir Mršić said, Podravka showed that it can succeed in Croatian agriculture, because together with its partners, it significantly increased the effectiveness of the Croatian agriculture as the raw base for food processing industry, which is competitive enough and recognized on the European and world markets.

**NINTH SEASON OF LINO ALL-ROUNDER**

After 200 Lino All-rounders held in the past eight years in elementary schools of all Croatian counties, who managed to bring joy and the winning spirit into the hearts of 150,000 pupils, this joint project by Podravka, Sportske novosti and HT entered its ninth season. Through the sport competitions the children gain their winning mentality, but they also learn how to take defeat. This is where they meet the greatest sportsmen of our country and through spending time with them they acquire true sport and human values.

**TOGETHERNESS CONNECTING  
PODRAVKA**

Special bonds of togetherness, friendship and devotion tie Podravka employees who have invested the best years of their lives into company growth and development. Traditional gathering of retired Podravka employees and workers with anniversary years spent at the company gathered about 2000 participants in the big tent. Big smiles, cordial greetings, reminiscence of joint achievements, pride to have belonged to the generations of those meritorious for creation of new products, successful campaigns, conquering new markets – these are all the features of the people gathered at the traditional party.

Podravka Management Board president thanked the retirees and workers celebrating 30, 35 and 40 years of service on their great contribution to the development of the company, promising that the company will always care for their workers, because they are its greatest asset.

**HEALTHY RECESS FOR PUPILS**

Healthy recess is Podravka's project created to improve eating habits in pupils. This is a continuous project of unique menus started in cooperation with the City of Koprivnica and elementary schools in Koprivnica, yielding great results. Positive experiences have been presented to representatives of schools together with a web link Healthy recess, containing texts and advices on nutrition for children, aiming to educate children, their parents and teachers and to encourage them to think and improve quality of everyday diet.

**ZVONIMIR MRŠIĆ – VICE-PRESIDENT  
OF CROATIAN EXPORTERS  
ASSOCIATION**

On 15th October Croatian exporters held a regular assembly where the members decided on the same president of the Association, and reelected Darinko Bago. New vice-president is Zvonimir Mršić, Podravka Management Board president. Considering Podravka's rich experience in exports and its significant share in total Croatian exports, appointing Zvonimir Mršić as Association vice-president will surely contribute to further development of Croatian export strategy as well as to the competitiveness of the overall Croatian economy on the ever demanding international market.

**DANISH QUEEN MARGARET VISITING  
PODRAVKA**

Ceremonial lunch at Podravka's gastronomic center Štagelj was the finishing item on the agenda of Danish queen Margaret II and her husband prince Henry's visit to Koprivnica. Podravka's culinary masters can be proud because the queen was delighted with domestic delicacies served in the special ambient of Štagelj. Testifying is the fact that the Danish royal couple was detained at lunch for an hour and a half, which is longer than the time predicted by the agenda. Podravka Management Board president Zvonimir Mršić presented the queen Margaret II a specially made book of recipes and after lunch, the queen took a photo with Podravka managers and the Catering team who did a superb job.

## 21<sup>ST</sup> TRADITIONAL BELUPO DAYS

A step towards health was an umbrella title of the 21<sup>st</sup> Traditional Belupo days held from 9 to 11 October in Hotel Parentium in Zelena laguna in Poreč. Traditional Belupo gathering assembled this year faithful friends and partners of Belupo – pharmacists, presidents of chambers and professional associations and representatives of chain drug stores. For the first time Belupo days were visited by the Belupo Supervisory Board president and also Management Board president Zvonimir Mršić, dean to the Pharmaceutical-biochemical Faculty of the Zagreb University, prof. dr. sc. Jerka Dumić and newly elected president of the Croatian Pharmaceutical Association, mr. sc. Darko Takač, mr. pharm.

## THE GENERAL ASSEMBLY OF MIRNA D.D.

As decided by the General Assembly of Mirna d.d., as of 21<sup>st</sup> November 2014 the following Supervisory Board members of Mirna d.d. have been called of: David Ilijevski, Supervisory Board member and president, Željko Bošnjak, Supervisory Board deputy president and member and Ivana Jagačić, Supervisory Board member. Newly elected members to the Supervisory Board of Mirna d.d. as representatives of Podravka, are Mario Baburić, Branka Perković and Marina Diminić Visintin.

After the General Assembly of Mirna d.d., the constituting session of Mirna d.d. Supervisory Board was held. It was determined that the former Management Board president of Mirna d.d. Saša Krobot has submitted an irrevocable resignation, as of 18<sup>th</sup> November 2014. Mirna d.d. Management Board member Marko Kardaš submitted his immediate resignation on 12 November 2014, while Management Board member Siniša Slunjski submitted his immediate resignation on 29 September 2014.

As of 21<sup>st</sup> November 2014 all the previous authorisations issued by the previous Management Board have been recalled and cancelled.

At the same session the Supervisory Board of Mirna d.d. appointed Vladimir Bunić as Management Board member - CEO of Mirna d.d.

After it conducts a detailed analysis of the business of Mirna d.d., Podravka will take all possible actions, within legal framework, in order to remove the need for bankruptcy over Mirna d.d.

## MANAGEMENT BOARD PRESIDENT THANKED ON ACHIEVED RESULTS

Podravka Management Board president Zvonimir Mršić thanked Podravka employees on results achieved so far and reported on business results and Company development plans.

- Our contribution is satisfactory and I therefore hope that by the end of the year the shareholders and investors will be satisfied with what we deliver. It is our goal to influence consumer satisfaction, because a satisfied consumer is the road to success, he said and added:

- In order to ensure company growth, Management Board had enough courage to make a step forward and make a decision on founding new companies on several new markets, opening thus new possibilities. Next year will be even more challenging and we have to achieve internationalization on all levels – from production to Management Board. Mentioning plans in 2015 he pointed out:

- We wish to integrate Mirna d.d. in the Podravka Group system and to finish acquisitions which will bring us new values. It is our intention to continue with the internship process and conduct the innovations in the production planning process, and building a new medication factory is also planned.

#### **INTERNSHIP PROGRAM OF THE SECOND SHAPE GENERATION COMPLETED**

Presenting their internship tasks to the Management Board, to mentors and colleagues, the second SHAPE generation has successfully completed their internship program. Organized by the HR department, SHAPE participants showed what they had been working on over nine months, and Podravka Management Board president Zvonimir Mršić wished them luck in future business career.

Central part of the program was selection of the most successful interns and mentors. Apart from the presentations by the interns, the work of newly founded Podravka Volunteers Association PULS, deriving from tasks of interns from the first SHAPE generation, was also presented. President and Board members have thus also become the first official members of the Association, to which all interested Podravka employees can join.

#### **REWARDING EMPLOYEES AT YEAR END**

The year was completed by rewarding employees living Podravka values in their workplace in everyday life. Therefore the traditional party of Podravka employees also had a ceremonial character, because Podravka Management Board president Zvonimi Mršić awarded the winners of the competition “I am also Podravka employee!” and to the authors of the best ideas in the competition “If I were...” This is a new idea introduced in order to reward the best employees and thus to encourage others to be excellent at their jobs.

**PODRAVKA GROUP IN 2015**  
(Business events)

**NEW MARKET REGIONS AND  
STRENGTHENING OF INTERNATIONAL  
BUSINESS**

Aiming to further internationalize business and to form new market regions, as of 1st January 2015, a business reporting model has also changed.

- With the new organization of markets management and redefining market zones we intend to increase our efforts to a better usability of our size and presence around the world. Optimal balance of category focus and geography regions we create better terms for further growth and development of our company, Zvonimir Mršić, Podravka Management Board president said.

As mentioned, as of 1 January 2015 reporting on Podravka Group business, for the business segment Food, will begin according to the new market regions. There will be four newly formed regions: Adria region with the market of Croatia and present markets of South-East Europe, then the region Europe with the markets of EU, then the region Russia and CIS and the region New markets with America, Asia, Australia and Afrika.

In addition, new company was registered in Dubai (UAE), and procedures have been started for registration of companies in Dar es Salaam (Tanzania) and representative office in Beijing (China), creating preconditions for starting business on these very potent markets.

**PRESTIGIOUS AWARD “PEČAŤ BONITY”**

Podravka Slovakia is the proud holder of “Pečać bonity”, prestigious recognition of independent government organ evaluating company business results.

“Pečać bonity” is an award that Podravka International, s.r.o. received for satisfying demanding business results of companies doing business in Slovakia in 2013. This award has been given by the Slovakian agency for Informing and Marketing and National Information center of the Slovakian Republic. The fact that only 1.2 percent of 224,000 commercial entities acting in Slovakian market become the holders of “Pečać bonity”, says a lot on how demanding the fulfillment of criteria is.

**SENIOR VICE PRESIDENTS FOR EUROPE  
AND ADRIA REGIONS AND FOOD  
SOLUTIONS PROJECT APPOINTED**

Podravka Management Board appointed heads of two newly formed regions – region Europe, region Adria and Food Solution project.

Alexander Gerschbacher has a respectable commercial, marketing and management experience in leading world companies, and will take over the position of senior vice president for Europe region. He will be in charge of market group in the area of Central and Western Europe.

Milan Tadić is appointed to the position of senior vice president for the Adria market, and before this he was in charge of the markets of South-East Europe. With this new function he will be responsible for Podravka's business in the market of Croatia and SouthEast Europe.

Podravka Management Board reached a resolution on appointing the senior vice president for “Food solution”. With this appointment Peter Fuchs will in early April take over the management of HoReCa segment, the project of advancing and developing products and services for this fast growing program, called Food solution.

#### **MIDDLE EAST AND NORTH AFRICA REGIONAL OFFICE**

Podravka founded regional office for Middle East and North Africa, headquartered in Dubai, the economic center in the United Arab Emirates.

It thus officially started doing business in this very demanding, but also potent market. Podravka’s office was opened as part of one of the fastest growing world customs free zones called Jafza (Jebel Ali Free Zone), whereby Podravka also became the first Croatian company to invest in the customs free zone, which instigated great interest of the business world in the region.

Founding this company, the level of complexity and management of the mentioned markets is significantly reduced and the focus on creating additional demand and possibilities for Podravka’s further development on international market.

Nermin Salman was appointed CEO of Podravka office in Dubai. He is a manager with rich international experience, and he is coming from the position of regional manager for Middle East, Iran and North Africa for Gorenje.

#### **VEGETA MARINADES – PRODUKT LETA IN SLOVENIA**

Slovenian consumers recognized Vegeta marinades as the best in the category of food seasonings. For the first time Podravka participated in the selection Produkt leta 2015 in Slovenia, and this reward is given by the consumers for the most innovational product in the past year. This reward is given based on the research on consumer satisfaction with product usage, and is conducted by the agency AC Nielsen.

A specific feature of this election is the consumer choice, because they are the ones who have tried the product, who confirm their satisfaction with what they have tasted and their confirmation is the guarantee to others to check out the quality of the selected products. Recognition for the most innovative product is a confirmation that Podravka creates products which respond to the demands of modern trends and which are recognized by the consumers.

#### **INVESTORS’ DAY HELD AT PODRAVKA**

Interested investors, representatives of investment and retirement funds and broker agencies, business analysts participated at Investors Day held at Podravka. Aim of this dynamic, interactive event was to present to the investor community Podravka Group business results in 2014, positive

and negative influences on them and guidelines in business and plans in 2015. For the first time the Investors Day was held on international level – event could be attended through live streaming by foreign consumers and partners, and the event itself was attended by a foreign analyst from Erste Group, elevating the investor relations to a whole new level.

Podravka Management Board president Zvonimir Mršić presented significant events and share movement in 2014. Management Board members presented individual aspects of Podravka business – Olivija Jakupec presented food, Hrvoje Kolarić pharmaceutical part, and Miroslav Klepač submitted the financial report to the investors.

**INCENTIVE PAYMENT TO PODRAVKA  
EMPLOYEES THIS YEAR AS WELL**

Podravka Management Board reached a resolution on incentive payment, for increased efforts and contribution by all the workers of Podravka d.d. during 2014. This decision refers to all the workers of Podravka d.d. whose pay is calculated based on job complexity coefficient, as well as for workers with contractual pay, and not included in the incentives according to Podravka Rulebook on manager incentives or some other form of individual incentives.

“Paying incentives to our employees we wish to express gratitude on their selfless contribution in achieving business results in the past year. We believe this will be a certain additional encouragement to be prepared to give our best this year as well in creating the future of our company – Zvonimir Mršić, Podravka Management Board president pointed out when passing this resolution.

**PODRAVKA APPOINTS SENIOR VICE  
PRESIDENTS FOR SUPPLY CHAIN AND  
GLOBAL BUSINESS DEVELOPMENT**

Aiming to further strengthen business development and efficiency, Podravka Management Board reached a resolution on appointing senior vice presidents for Supply Chain and Global Business Development.

As of 1st March this year, senior vice president for Supply Chain is Ivan Galović with more than 30 years of rich business experience in Croatia and abroad. Having completed Faculty of Food Technology in 1982, he started his business career at Podravka, working as technologist and technical director at Yeast factory. After that he continued his career at Carlsberg, carrying a series of responsible duties in the area of production, supply chain, general management – in Croatia, but also in other Carlsberg Group companies around the world. Working in Bulgaria, Kazakhstan, Denmark and Malawi, he always stood out by achieving above-average results and with his focus on company growth. He returned to Podravka in 2013 as Supply Chain director, achieving also remarkable business results, and with his appointment to the position of senior vice-president he will be in charge of ensuring further business growth and increasing present level of company efficiency as a whole.

Senior vice-president for Global business development is Mario Baburić, former sector director of Business Development and Controlling.

He graduated from the Faculty of Mechanical Engineering and Shipbuilding, University of Zagreb, and completed MBA in the area of finance at Rotterdam school of business. He has more than fifteen years of business experience, and he came to Podravka in 2012 from Unicredit, where he was in charge of corporate financing, and was particularly successful in mergers and acquisitions, financial and operating restructuring. Considering further strengthening of company's internationalization, as senior vice-president he will primarily be in charge of business development on global level.

“With these appointments we wish to create preconditions to expand their area of operations and responsibilities for all the markets on which we are present around the world, but we also wish to reward those who have completely justified the trust that was given to them. We are convinced that they will contribute to the development of our international business because with their present work they have proven that they can” – Zvonimir Mršić, Podravka Management Board president said about these appointments.

**PODRAVKA GROUP RESEARCH AND DEVELOPMENT**  
(Podravka and Belupo)

## Podravka research and development - “Innovation is the key to success”

Podravka's R&D sector activities take place through the following key areas: Product development (food seasonings and meals; baby food, cream spreads and breakfast cereals; sweets, snack and mill-bakery products; fruit, vegetable products and condiments, fish products and beverages), Nutrition and sensorics, Technology development, Packaging development and Agriculture development. The stated activities are supported by the Quality control, a system of ten laboratories for quality control and sanitary validity (two central and eight factory laboratories), Regulatory affairs and Ecology development. Research and development activities are managed from the director's office.

Foundations for faster development of new and innovative products are created through carefully selected research projects. Such projects are planned and implemented, applying the open innovation model, by networking internal competencies and knowledge with finest potentials from external sources. A significant project in 2014 was creation of own web-page within corporate web-site, presenting the R&D to the public ([www.podravka.hr/kompanija/r-d/](http://www.podravka.hr/kompanija/r-d/)).

Opening the system and by networking, Podravka's R&D accepted the invitations of several international clusters for dedicated research and development projects within EU program Horizon 2020. Results of the competition are expected in 2015. Apart from the European financing schemes, Research and Development department had a significant activity in applying projects for national funds with partners, but it is important to point out, for the projects that were prepared internally.

Project of preparing the founding of Competencies Center Koprivnica entered in 2014 its second phase for preparing for EU funds. Project aims are focused on strengthening of innovation value chain, through connecting economic subjects, local administration and scientific research institutions.

Another important key event in 2014 is publishing Podravka Nutritive strategy 2014-2024, start of culinary research and investment in human resources development.

Podravka Nutritive strategy represents a long-term, strategic and developmental-innovative framework for design of nutritively balanced products according to nutritive profiles. These are the products which should satisfy consumer expectations who take care of own health (less sugar, salt, fat) and those who need to or wish to be on a special diet (such as: gluten-free food, vegetarian food, sportsmen diet, diet for elderly, pregnant women, women in menopause). Numerous research proved how diet depends on numerous factors, among others, life style and cultural habits. Therefore, food designed compliant to nutritive guidelines also has to be adapted to specific national taste.

Continuity of investment in competencies development and knowledge of workers also continued in 2014. There were workshops on development of the so-called “soft” skills and project management.

In 2014, R&D employees participated on local, national and international level through on business and professional conferences, creation of regulatory policy (Croatia, EU), publishing of research and expert works, educations towards academic and professional public, and in the work of the associations.

## Belupo research and development

Belupo's R&D in 2014 was featured by introducing a higher number of new products in the development process. This was enabled by completing bigger and demanding projects in 2013, creating room for new development activities. New development range is comprised of medications, non-prescription or over-the-counter, while categories of food seasonings and medical cosmetics are only symbolically present in the development programs.

Apart from developing new products, activity in which Belupo invests equal amount of resources is maintenance and costs rationalization regarding existing portfolio. This year, as part of those activities, a technology transfer was completed for several financially attractive products, and their production was brought into own production plants. Implementation of financially affordable active substances in Belupo's products, which demands development activities of verifying technological aspects of production, influence on quality and stability of finished product and preparing documentation to apply variations to the regulatory body that needs to approve the change so it can be implemented. Several changes of active substance producers were introduced in that segment this year as well.

Upgrade of the registration files, activity caused by Croatian accession to the European Union, which is conducted in cooperation with the Regulatory Affairs, is advancing and most of the work is already successfully completed.

In cooperation with Belupo's Quality Control and IT departments, chromatographic system Empower was integrated this year. The job of configuring, employee education and final implementation was extremely complex and demanding, but after several months of work, one can express satisfaction with the system.

Just like in previous years, Belupo's portfolio is expanded with products from own development and through purchased files, and this year 13 new products were released. 11 of them are medications, 1 is in the category of alimentary additives and 1 in medical cosmetics. Medications are in the groups with effect on digestive, nervous, cardiovascular and urogenital system and an antibiotic.

2014 at Belupo was a year of mobilization and intensive work on projects of new factories for solid, semi-solid and liquid medications. R&D employees joined in that general effort within their competencies.

## **NEW PRODUCTS IN 2014**

# Podravka

## STRONG INNOVATION CYCLE IN FOOD

During 2014, Podravka had a strong innovation cycle across all food categories, in the domestic market as well as in many international markets.

In the culinary category in the markets of Croatia and Slovenia, the product portfolio has been extended with Podravka broths, a completely new modern generation of products. In addition, in the Croatian market Podravka has entered the category of monospices where it has not been present until now, while in the Polish market it has launched Vegeta cubes and Vegeta marinades, thus also entering new categories in this market. Vegeta cubes have also been launched to the market of Hungary, which is a significant step forward for the Vegeta brand in the markets of Central Europe. A new line within cream soups has been introduced in the soup segment in the market of Croatia, Richness of vegetables, a unique combination of ingredients and the rich vegetable flavour. The segment of dish mixes with the Fant brand has been added new product lines in the regional markets<sup>1</sup> and in the USA.

In the category of baby food, breakfast cereals and other food, the existing portfolio has been extended in the regional markets with extensions of the existing products, but also with new product categories, mainly in the segment of baby food and breakfast cereals, such as baby biscuits, semolina and impulse range of products, where Lino vaffers represent the most important product. During 2014, efforts were also made to consolidate complementary categories of fish, tomato, pasta and sauces into a single Mediterranean concept with the main aim to further build up the Mediterranean category and consolidate the communication platform for the Mediterranean food.

In the category of sweets, snacks and beverages there was an extension of the range of powdered sweets in the ready-made sweets line (innovation in no-bake cake mixes Dolcela Cheesecake and Chococake), Želin line, baking additives line, frozen desserts and base products for the preparation of sweets (e.g. coconut, ground sugar, cocoa, etc.) in the regional markets under the Dolcela brand, and three new flavours of Kviki crackers in the snack segment.

In the meat products category there was a significant change in the pâtés subcategory in April when, by acquiring Piketa and Classic brands from the company PIK Vrbovec, Podravka became the strong second seller of pâtés in the Croatian market, with the tendency of further strengthening and growth in the regional markets. In the subcategory of sausage products, the focus in 2014 was on the internationalization of the existing product range (to the markets of Macedonia, Sweden, Bosnia and Herzegovina) and on the extension of the product range in the value segment in the Croatian market (through the “Danica” brand). At the end of the year, the product range in the Croatian market was extended by new products, Bacon salamy, XXL Gourmand sausages and Safalada.

<sup>1</sup> Regional markets include: Bosnia and Herzegovina, Slovenia, Serbia, Montenegro, Macedonia, Kosovo.

# Belupo

## EMINENS SR (ROPINIROLE) PROLONGED RELEASE TABLETS 2 AND 4 MG

Pharmacotherapeutic group: dopamine agonist

ATC flag: N04BC04

Ropinirole is non-ergoline D2/D3 dopamine agonist that stimulates striatal dopamine receptors.

Ropinirole alleviates dopamine deficiency, characteristic of Parkinson's disease, by stimulating striatal dopamine receptors.

Ropinirole affects hypothalamus and pituitary gland by inhibiting prolactin secretion.

Eminens SR is used to treat Parkinson's disease under following conditions:

- as initial monotherapy, to delay levodopa treatment introduction
- as addition to levodopa during disease, while levodopa's effect decreases or becomes inconsistent and so called "on-off" fluctuations of treatment effect appear ("dose completion" or "on-off" fluctuations type).

Eminens SR tablets are intended for oral use. They have to be taken once per day at approximately same time. Prolonged release tablets can be taken regardless of meals, and individual dose titration is recommended according to the efficacy and tolerability.

Eminens SR tablets 2 and 4 mg are on Croatian market since September 2014.

## MOKSONIDIN TBL. 28X0.2 MG MOKSONIDIN TBL. 28X0.4MG

### MOKSONIDINE

Moksonidin Belupo is a new medicine in Belupo's portfolio and is on the market since March 2014. It comes to the market that has 15% annual growth as the second generic parallel to the originator. It is used as an anti-hypertensive with central effect on the central nervous system by stimulating imidazoline receptors in the brainstem. It is rarely used as monotherapy or first-choice antihypertensive, but is frequently added as second or forth medicament. It can be combined with any other antihypertensive with additive antihypertensive effect. It is mostly combined with ACE inhibitors, Ca channel blockers and beta-blockers.

## VINER MINT® 50 MG CHEWING TABLETS VINER MINT® 100 MG CHEWING TABLETS SILDENAFIL

VINER MINT (sildenafil) belongs to the phosphodiesterase inhibitor type 5 medicament group. ATC classifies it as G04BE – Drugs used for erectile dysfunction

VINER MINT chewing tablets are on market since April 2014 and have enhanced the overall market share of the VINER tbl. on croatian market, which in 2014 amounted to 20%.

VINER MINT treatment is intended for men with erectile dysfunction, also known by the name of impotence.

Adhere to the instructions given by the doctor when using VINER MINT tablets. Likewise, if there is any uncertainty on how to use the medicine, doctor's advice should be asked for. Typical daily dose of VINER MINT is 50 mg – 100 mg and it should be taken an hour before sexual activity. The whole tablet should be chewed and swallowed without water.

**LUPOCET FORTE FTBL. 10X1000 MG**  
**LUPOCET FTBL. 18X500 MG**

In 2014, Belupo extended its non-prescription programme category by two new products of the Lupocet brand: Lupocet 500 mg film-coated tablets and Lupocet forte 1000 mg film-coated tablets. Lupocet 500 mg film-coated tablets contain 500 mg of paracetamol and are used to relieve pain and to reduce fever in adults and children aged over 4 years. Lupocet forte 1000 mg film-coated tablets contain 1000 mg of paracetamol and are used to relieve mild to moderate pain (including osteoarthritis) and to reduce fever in adults and children aged over 16 years.

**AWARDS & ACKNOWLEDGMENTS**  
(Podravka and Belupo)

**PODRAVKA – FOOD BRAND WITH THE  
HIGHEST NUMBER OF FIRST PLACES IN  
REGION WON**

According to Best Buy Award research conducted in Bosnia and Herzegovina, Serbia, Slovenia and Croatia, Podravka is the food brand which has won the most first places among all tested countries in the region.

Best Buy Award researches for the period 2013/2014 and 2014/2015 show that consumers in the region, if judged by the number of first places in different researched categories won, value food products under the brand of Podravka the most. According to the numerous best price-quality ratio Best Buy Award categories, products of Podravka are number one choice by the consumers in Serbia, Bosnia and Herzegovina, Slovenia and Croatia.

In addition to the first place by the consumers' votes, products of Podravka are often highly positioned to the second or third place in researched categories. Votes won indicate that products of Podravka are affordable to the consumers in region, while keeping the high level of quality.

Podravka's products have shined on the first place of the Best Buy Award research for Croatia. When it comes to the food products, Podravka, as a company, has won consumers' votes in as many as 12 categories, which indicates the trust consumers cherish for the domestic producer.

Best Buy Award researches carried out in countries in the region for the period 2013/2014 show that Podravka canned vegetables, compotes and canned ready-made meals, Vegeta food seasonings, Dolcela powder pudding and Eva canned fish.

Consumers of Serbia chose Podravka pickled gherkins and Ajvar (chutney) as number one products regarding the most favorable purchase.

On the other hand, consumers of Slovenia think that Podravka jams offer the highest value for the money invested.

**PODRAVSKA KLET AND KRALUŠ AGAIN  
AMONG THE FINEST RESTAURANTS OF  
CROATIA**

In accordance to the research results and guests' and caterers' votes carried out as the part of 100 top Croatian restaurants project – Restauranti Croatica, that covered 2400 restaurants, Podravska klet and Kraluš beer pub retained their cult status in Croatian catering.

This means that all Podravka's facilities can put the label Restaura Croatia at their front door. The label is a guarantee of high quality service, special atmosphere and a menu to please the palates of the most demanding consumers.

While it is the 14th award to Kraluš beer pub, Podravska klet won this prestigious award for the 18th time and is one of the most enduring and constant award winners.

#### “SLOVAK SUPERBRANDS 2014”

”Slovak Superbrands 2014” is the name of the acknowledgement Podravka gained on Slovak market, thereby once again confirming its strength and brand awareness on international market.

Podravka had already received this award, given by the leading experts in Slovakia, in 2006 and in 2013. By continuing the successful series, Podravka is proved to be on the top, owing to its strength and brand awareness.

The award was given to Podravka by the leading Slovak brand experts, thereby placing it at the very top for quality and brand awareness, thus contributing to company’s reputation. Speaking of, Vegeta is in Slovakia sold under the brand Podravka. It is in fact the same food seasoning product, also keeping all Vegeta’s recognizable attributes (blue color, cook, vegetables...), but by the name of Podravka.

#### HALAL CERTIFICATES TO PODRAVKA FACTORIES

Four Podravka factories have received Halal certificates from the Centre for Halal Quality Certification – Vegeta and Soups Factory, Baby Food Factory, Fruit Factory and Kalnik Factory. The certificates certify that the products in these factories are produced according to Halal requirements and standards and are suitable for consumption to people of Muslim religion.

- Last year we increased export by 6 percent and company moved forward to the markets where Halal certification is a prerequisite for products to be sold, pointed out Zvonimir Mršić, Podravka Management Board president. The fact that 70 percent of the Muslim community around the world live and feed in accordance with Halal standards, so that the global Halal market is a population of 1.6 billion Muslims in the world, indicates the very scope of the underlying potential.

#### “LAUR CONSUMENTA” – TO VEGETA IN POLAND

Vegeta as the strongest brand in all-purpose food seasonings was awarded the Laur consumenta of the decade for the period 2004 – 2014.

It is the most prestigious award a product can be given in Poland that has placed Vegeta alongside global brands such as Nestle, Bosch, Philips, Raiffeisen... In order to promote Vegeta as of the strongest brand in Poland, this sign will be applied on Vegeta packaging and will be used in media campaign.

#### MIXX – FOR MINI WEB PAGE “ZABAVA U TVOM TANJURU” (“FUN ON YOUR PLATE”)

Mini web page “Fun on your plate” created in collaboration with digital agency Nivas, was awarded Mixx award in “Direct Response and Lead Generation” category, in Rovinj, on national advertising festival “Communication days”.

Campaign “Fun on your plate” originated from the unconventional idea of helping mothers who want their children to eat more soups and vegetables,

while keeping them entertained. On the awarded mini web page, children and adults can read everything about Podravka's new "fun" products. The main goal was to connect parents and their children through games and creativity, showing them thereby that playing in kitchen is finally allowed.

Mixx award, organized by HURA and IAB Croatia, is awarded every year to the most creative and effective work in online advertising.

**"CROPAK OF THE YEAR 2014" TO  
PODRAVKA'S PACKAGING**

As part of FEST CROPAK 2014 packaging festival, organized by the Institute for Packaging and Printing Tectus-IatT, Tectus d.o.o. Zagreb company and professional magazine Ambalaža/REGprint, awards for best packaging on Croatian market CROPAK 2014 and best packaging on regional market REGPAK 2014 have been awarded. More than 140 products applied, a Podravka's Rich Soups won: CROPAK of the year 2014 and CROPAK in category: Croatian Product/Series Packaging.

It is the first time for Podravka to win CROPAK of the year award (the award has been continuously awarded for 11 years in the row) and it allows it direct placement for the World Star Award for packaging, under the auspices of WPO (World Packaging Organisation).

**"SUPERIOR TASTE AWARD 2014" FOR  
ALL PODRAVKA'S APPLIED PRODUCTS**

All products applied, gained this year's recognition for superior quality and taste from the International Taste and Quality Institute.

Seven of Podravka's products were awarded Superior Taste Award 2014 in the formal ceremony in Brussels – an additional recognition for superior quality, independently from the product category. The award went to Podravka lemon and lime tea, plum flavoured tea, Vegeta marinade with garlic, Podravka beef goulash, and the newest Podravka's products - Podravka gellatine stocks. All three types of stocks – chicken, beef and vegetable stock – gained the recognition for their excellence and quality. All applied products are evaluated as the best in international competition, and the importance of this award is best illustrated by the fact that the winners were decided by a jury of 120 top chefs, sommeliers and experts coming from 12 most famous European culinary associations.

The most perfect taste of every category, i.e. product evaluations are determined in a blind test, without packaging or any product identification, only based on its appearance, aroma, taste, texture and general appearance.

**PODRAVKA AWARDED WITH ZLATNA  
KUNA (GOLDEN MARTEN) HGK**

Podravka was awarded Zlatna kuna (Golden marten) by Croatian Chamber of Economy on the formal session of Economic Council of County Chamber of Koprivnica. Acknowledgement was given to the Management Board member of Podravka, Jadranka Ivanković by the county head of Koprivnica-Križevci County, Darko Koren.

It is an acknowledgement given to companies and individuals for their successes in the economy of Koprivnica-Križevci County in 2013 in following categories: the most successful small business, the most successful medium business and the most successful large company.

Chairman of the Awarding Commission, Julijo Kuruc, explained Podravka's nomination for this acknowledgement by the fact that company, despite the crisis, remained on its feet, became international, have created capacities to go out into the world, have opened new acquisitions and increased sales. Besides that, according to the Ipsos Puls agency research, customers have recognized Podravka as the most successful Croatian company on European market. That justifies its leading position in brand awareness and customers confidence.

**ACCORDING TO IPSOS PULS PODRAVKA  
– COMPANY WITH THE STRONGEST  
BRANDS**

Podravka has once again confirmed its status as a company with the strongest domestic brands in Adriatic region which includes markets of Croatia, Slovenia, B&H and Serbia. These are the results of the research performed by Ipsos Puls agency, which used the so-called "brand score" indicator, which enables different product categories brands comparison and shows brand strength on the market. Different aspects of consumers' relation to the brand were taken into account while making calculations, in order to find out whether consumers recognize and use the brand. The survey included at least 1000 examinees of different age, education and gender, aging from 15 to 64 in each country.

The research has recognized Vegeta as the strongest domestic brand in the region, along with Podravka soups that took high 3rd place, according to the strength of domestic brands. Vegeta remained the strongest brand on Croatian market, ahead of all domestic and international brands. Its success is even more remarkable when taking in account that it is the only Croatian brand that found its place on individual national leading list of every market in the region.

There are more Podravka's products among the first 50 most famous brands in Croatia, Slovenia, Serbia and B&H – pickled and canned vegetables, fruit spreads, stocks and Dolcela puddings and baking aids/mixes and Čokolino in baby food category.

**NEW HALAL CERTIFICATES AWARDED**

Podravka's restaurant Podravska klet is the holder of the first Halal certificate catering in Koprivnica-Križevci County. This certificate implies production process, products and services characteristics compliant to Sharia law. Respectively, it confirms that dishes prepared in this restaurant, listed as one of the top hundred best restaurants in Croatia, are suitable for people of the Islamic religion to consume. Certificate was awarded in Koprivnica by the delegation of the Center for Halal Quality Certification led by the Head of the Centre Aldin Dugonjić and chief imam of Varaždin Abdulah Effendi Imširović.

Halal quality certificates were, beside Podravka klet restaurant, also awarded to some Podravka's products. After four factories received Halal certificates in May (Soups and Vegeta factory, Baby food and fruit spreads, Fruits and Kalnik), Snacks factory now also became certificate holder. Vegeta also certified 57 more products. In total, 230 products of Podravka now hold Halal certificate. Awarded certificates are valid for the whole world, and products that hold the Halal certificate are periodically checked by the Center for Halal Quality Certification within the Islamic community in Croatia.

**PODRAVKA AWARDED SUPERBRAND IN  
CZECH REPUBLIC**

Podravka confirmed its international recognizability by its reinstatement among the holders of famous Superbrand award in Czech Republic. In the fierce competition, only 35 brands were awarded at the award ceremony of the internationally known Superbrand award. Considering it is awarded on the basis of consumer's preferences and jury of top experts, Superbrand is even more significant. Podravka has already received Superbrand award in Czech Republic – for years 2007, 2012 and 2013, what can be recognized as the great acknowledgement to the Podravka products value.

**EMPLOYER PARTNER CERTIFICATE**

Owing to the successfully built employee management system, Podravka was awarded Employer Partner Certificate.

By the detailed analysis of the human resources management system and in comparison with other organizations, it was concluded that Podravka met all the high quality standards of Employer Partner Certificate. By its successful approach to the human resources management, Podravka has proved itself as desirable employer and business partner. At the formal awarding ceremony, analysis results of the five human resources fields were presented by the professional evaluation team: Strategy, Recruitment and selection, Work, Motivation and rewarding, Training and Employee Relations development.

Podravka has met all the high standards in all five areas and therefore was evaluated with the highest grades in the area of Recruitment and selection, owing to transparent employment procedures and apprentice employment program "SHAPE your future with a heart".

**PRESTIGIOUS AWARD "PEČAŤ BONITY"  
AWARDED TO PODRAVKA SLOVAKIA**

Podravka Slovakia became the proud owner of the "Pečať bonity" acknowledgement, prestigious acknowledgement given by independent state body that evaluates business results of the companies. "Pečať bonity" is an award that Podravka International s.r.o. received for the fulfillment of the challenging criteria defined in order to estimate business results of the companies operating in Slovakia in 2013. The award is given by the Slovak Information and Marketing Agency and The National Information Centre of the Slovak Republic, which developed assessment model of the business

entities using predictive methods of financial analysis. This model estimates overall reliability of business entities based on detailed financial results. It expresses company's solvency, credibility, ability of invested capital assessment and ability to meet its obligations to the partners. The fact that only 1.2 percent of the 224,000 commercial entities operating on the Slovak market got the "Pečać bonity" award speaks on how demanding it is to meet all the required criteria.

**LINO CHOCOLATE DRINK PRODUCT OF  
THE YEAR IN BABY FOOD CATEGORY**

Lino chocolate drink is the product of the year in baby food category – as decided by female readers of portal žena.hr, the first and biggest portal for women in Croatia, with more than 600 thousands of fans. Total of 490 products in 20 categories were applied to the competition, and Lino chocolate drink stood out as the most popular among baby food products. 35 thousand readers with total of 392 thousand votes, voted for the stated products, which represents a competition with the highest number of votes in Croatia.

**MEDICAL SCIENCES ACADEMY –  
ACKNOWLEDGEMENT TO BELUPO**

At their annual and election assembly, members of Croatian Medical Sciences Academy thanked Belupo and its Management Board president Hrvoje Kolarić on financial support which has been provided by this Croatian pharmaceutical company to the Academy. "Modern medical science is a generator of any society's advancement and carrier of its development. This is a truth which has been recognized by Belupo a long time ago. In line with our abilities, we will continue to support the great effort and exceptional contribution by the members of the Academy, to the development and affirmation of doctors' position and medical science as such", Belupo Management Board president Hrvoje Kolarić said to the distinguished members.

**BELUPO RECEIVES A RULING AND A  
LICENSE FOR WHOLESALE TRADING OF  
MEDICATIONS**

Agency for Medicinal Products and Medical Devices issued Belupo d.d. with a Ruling and a License for wholesale trading of medication, for issuing licenses for mediation with drugs and for issuing a confirmation on good practice in wholesale trading with medications. This Ruling is just another evidence that Belupo d.d. completes the conditions regarding facilities, installations, equipment, employees and documentation and rules of the good manufacturing practice in wholesale trading of medication for the location 48000 Koprivnica, Ulica Danica 5, for wholesale of medication in original packaging of the manufacturer.

**FARMAVITA THE MOST DESIRABLE  
EMPLOYER IN PHARMACEUTICAL  
SECTOR IN B&H IN 2014**

Citizens of B&H evaluated last year Belupo's pharmaceutical company Farmavita as the most desirable employer for whom they would like to work. This great research showed that the most desirable companies, Farmavita being among them, are those which have earned this acknowledgement of being best of the best for their investing in the brand, in people and their development and for showing equal respect to employees and their clients.

**“BEST BUY AWARD HEALTH 2014/2015”  
FOR LUPOCET**

Croatian consumers evaluated Belupo’s brand Lupocet as the best price/quality ratio, awarding it 1st place in the category HEADACHE medication. According to this market research, Belupo’s brand Lupocet won the certificate Best Buy Award Health 2014/2015, supported by the Swiss agency ICERTIAS (International Certification Association GmbH), on a sample of 1,200 participants, exclusively users of pharmaceutical products, teas, food supplements and preparations.

**SOCIAL COMMUNITY**

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

From its very beginnings Podravka 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 Group contributes to development and elevating 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.

Aiming to advance the quality of living in the society in which it operates, ever since it was founded, Podravka invests in science and education, sustainable development, culture, art, sport and gladly promotes corporate social responsibility.

We are guided by the values permeated in the company culture; creativity, trust, passion, innovation and excellence and we therefore proudly provide support to those projects where we find these true values.

Engagement to satisfy the needs of the social community in which it operates is portrayed in the three following key areas:

- promoting healthy living
- professional education for employees and impetus for their excellence and creativity
- feeling for the needs of the social community in which we operate.

**ACTIVITIES IN THE AREA OF ENVIRONMENT PROTECTION**  
(Podravka and Belupo)

## Environment protection activities at Podravka

Podravka operates on the principles of environment preservation and protection in which it performs necessary business activities. It therefore pays significant attention to protection and advancement of the environment quality in which it realizes economic, environmental and social results. Foundation of all the activities in the environment protection activities is the Environment Protection policy, whose grounds are guidelines for constant improvement and reduction of all kinds of pollution.

In line with that, in the area of environment protection, during 2014 dedicated work on achieving following goals is continued:

- 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 and resource
- protection against all kinds of pests for all organizational units
- active participation in the work of the organizations covering the area of environment protection.

In line with the defined goals of Podravka in the area of environment protection, and within the authorities and responsibilities of the Ecology department, a whole series of planned activities was performed in 2014, resulting in significant environmental, social and economic achievements.

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

### CONTINUOUS REDUCTION OF WASTE WATER CREATION AND RELEASE

Significant progress in reduction of waste water creation and release was realized in Podravka during 2014 through improving the waste water treatment device operation. This improvement was performed through the following activities, at the locations Danica and Starčevićeva street (headquarters):

- good management and control of the waste water pre-treatment device
- sludge concentration and organization of recovery
- preparation of waste water and sludge samples for authorised controls
- surveillance of the drain system and sewage systems recovery
- investment in waste water device equipment
- efficient management of the waste water device ensuring the quality of output water compliant to regulations as per Water license
- internal analytical control of the waste water and systemic tracking of waste water quality and quantity

**MANAGING WASTE AS A USEFUL RAW  
MATERIAL AND RESOURCE**

With the purpose of more efficient waste management, during 2014 additional activities have been undertaken at Podravka in order to realize a better waste management.

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

- managing the new area for waste sorting and temporary storage (“recycling yard”)
- organization of recovery and sorting of all kinds of waste – harmless, harmful, communal, bulk, side-products, raw materials and finished products past expiry date
- pollution and waste creation reduction
- control of record keeping and packaging material control
- tracking amounts and movement of harmful substances and reporting
- waste management procedure advancement.

**PEST PROTECTION FOR ALL  
ORGANIZATIONAL UNITS AND  
BUSINESS PROCESSES**

Podravka d.d. is the only company in Croatia with own department for pest control, aiming to have a more efficient implementation of those activities in all the production and warehouse facilities within Croatia. Apart from the existing database for logging all the conducted measures, new database was implemented: Podravka IKS (internal pest control), enabling insight on occurrence of pests in real time, in any of the production or warehouse facility, and with this - a faster and more efficient implementation of necessary measures. Next to this, the database automatically generates a graphic overview of pest occurrence trends and is a constituent part of obligatory pest control measures plan.

**IMPROVEMENT OF WORK OF THE  
WASTE WATERS LABORATORY AND  
WASTER WATER DEVICE**

Significant improvement of work of the waste waters laboratory was realized in 2014 by better analytical control of all the waste water streams, and systematic tracking of quality and quantity of waste waters in Podravka.

Efficient management of the waste water device ensures the quality of output water compliant to regulations as per water license.

**PARTICIPATION IN THE WORK OF THE  
ORGANIZATIONS COVERING THE AREA  
OF ENVIRONMENT PROTECTION**

In 2014 Podravka was a regular member of the following:

- Croatian business council for sustainable development (HR PSOR)
- Environment protection community in economy at the Croatian Chamber of economy
- Economic and interest association of beverages producers (GIUPP) and
- Eko-ozra.

**OTHER ACTIVITIES IN ENVIRONMENT  
PROTECTION**

Next to the activities that were systematized earlier, Ecology department in 2014 contributed to Podravka’s business with the following activities:

- air emissions control

- tracking energy sources
- annual report creation for Environment Polluters Register (ROO)
- acquiring water licenses
- preparation of necessary investments and investment maintenance
- tracking legislature in the field of environment protection and adjustment of activities
- creation and updating of internal rulebooks in the area of environment protection
- participation in inspections and surveillances: water licenses, sanitary validity, environment protection inspection, veterinary inspection
- participation in the work of HACCP teams
- preparation of materials on environment protection for Podravka Group Annual Report 2013
- participation in activities regarding ETS (Emissions international trading system) deriving from Kyoto protocol
- replacing R-22 coolant with ecologically acceptable freons
- participation in devising and implementation of the European movement week

## Environment protection activities at Belupo

Respecting government regulations on environment protection, and internal regulations such as Operating plan, Rulebooks, Standard operating procedures and Work instructions describing procedures and tasks, a control over environment pollution is achieved. Education of new employees was performed aiming to strengthen the ecological awareness of every employee, advancing thus environment preservation and ensuring better life terms, compliant to social responsibility towards the community.

### WASTE MANAGEMENT

Environment is mostly polluted by waste, so proper waste management is still systematically conducted. The waste is registered according to work units, it is sorted for recycling, and wastes intended for thermal processing are properly stored. Separating and separate collecting of waste, amounts of waste for recycling have increased, and amounts of waste for pound and thermal processing have decreased. Following the principle of economic waste management, all the waste that is generated is disposed off in a safe and ecologically acceptable manner, it was recycled or heat processed.

Among the overall 249 tons of waste in 2014 within Belupo, 30 different kinds of waste were detected.

WASTE TYPE	DANGEROUS WASTE	INERT WASTE	MUNICIPAL WASTE
Količina otpada	42,98 t	184,48 t	21,58 t

PROCESSING METHOD / ON OVERALL AMOUNT	RECYCLING	HEAT TREATMENT	DEPONUM
Količina otpada	65 %	25 %	10 %

By appropriate management, majority of waste has become secondary raw material, which is aligned with the aim of preserving natural resources, and to reduce waste disposal costs.

#### AIR PROTECTION

Air emissions are paid great attention by tracking the emissions of dust and organic solvent, originating from technological drains, and emissions of NO<sub>2</sub>, CO and CO<sub>2</sub> from energetic drains.

Pursuant to the law, regular emissions measurements are performed for those from technological facilities and from non-mobile energetic sources by an authorised institution.

During 2014 gas emissions measurements were performed for gases from the engine room and dust from solid medications production drain. Borderline values of the emissions are within allowed limits. Records were composed of this, and measurement results were submitted to the Environment Protection Agency.

All integrated filters for reducing dust emissions are regularly controlled, along with the work of devices with active carbon performing the absorption of solvents. The work of the facility is automated and regeneration or replacement of active carbon is performed after the active carbon is saturated, and the computer record on tracking the facility ensures also tracking of atmosphere emissions. Facilities in which organic solvents are used have been reported with the register at the Ministry of environment and nature protection, and keeping a log of organic solvents usage, the amount of solvents spent is also controlled.

In order to protect the air from green gases emission, logs are kept on cooling devices in which controlled or replacement agents damaging the ozone layer are being used, and servicing and permeability control are performed by authorised service providers. Regular control of permeability of controlled agents from cooling devices was performed during 2014.

#### WATER PROTECTION

Water protection is performed pursuant to the Water license for draining the waste waters for Podravka factories location at Danica.

During 2014 a new Water license was acquired with the demands on controlling the parameters for pharmaceutical industry, compliant to EU regulations.

Technological and sanitary waters are drained from Belupo location through a separate sewage, they are mixed with waste waters of other factories and drained to a device for mechanical and biological cleaning. Waste waters controls are regularly performed by authorised laboratories, compliant to the Law and Water license. Even according to the stricter criteria of the new Water license, due to appropriate handling of waste and dangerous substances which are not drained in the sewage, waste waters are compliant with the borderline values set by the legislative. Precipitation waters are not burdening the device, but are being drained through a separate system into a natural recipient.

Logs are kept on the agents used for water disinfection and all the agents own Water licenses. Maintenance and cleaning of the system for waste water drainage is regular, and documentation has been composed of its watertightness. In case of emergency pollution of the facility and internal drainage system, operating intervention plan for water protection is implemented, and all the employees are familiar with it, and it is being used to bring the pollution risks to the smallest possible measure.

#### **RISKS MONITORING**

In order to reduce the possibility of ecological incident, Belupo has an operating plan for protecting waters from sudden pollution. Proper handling of dangerous substances and chemicals is a constituent part of the employee education, thus reducing the possibility of an incident to a minimum. In 2014 the toxicology class was performed for employees working with dangerous substances, as well as education of persons responsible for working with dangerous substances by the Croatian Toxicology and Antidoping Institute.

Amounts of dangerous substances have been updated compliant to the new regulation and have been reported to the Environment protection agency and Government Agency for protection and rescue.

Aiming to avoid a possibility of an incident with dangerous substances, Endangerment evaluation has been built, as well as an Operating plan for protection and rescue, elaborating on potential effects on material goods, possible endangerment of the employees and the environment as a consequence of using dangerous substances, and in that way the risk of incident be reduced to the smallest possible measure.

#### **ENVIRONMENT POLLUTION REGISTER**

Using the database ROO of the Environment protection agency, all air emissions and pollutions have been registered, separately for all kinds of waste with definite method and disposal site, and with calculation of amounts and location of air and water emissions.

Closing the antibiotics facility in Ludbreg, final disposal of all kinds of wastes was performed, along with unregistering the location as environment polluter.

**BUILDING A NEW PRODUCTION  
FACILITY - PROCLAMATION OF  
EVALUATING THE PROJECT EFFECTS ON  
THE ENVIRONMENT**

Pursuant to the Croatian Law on building the facilities for pharmaceutical products, a Feasibility Study on environment protection was compiled, and based on it the Environment Protection Ministry issued a Ruling that for building a new factory no environment effect study is necessary. Environment protection study included all the potential pollutions that could emerge, as well as measures that have to be done in order to keep the pollutions within limits. Croatian Waters provided the necessary Water licenses. Both documents are necessary in order to acquire a location permit and for building a new factory.

**PODRAVKA GROUP MANAGEMENT  
SYSTEMS AUDITS IN 2014**

During 2014, audits by authorised certification authorities were performed on the quality management and food safety systems, 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 participating 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 audits confirm compliance to the following international standards:

NO.	STANDARD	LOCATIONS	AUTHORISED BODY
1	ISO 9001:2008	Podravka d.d. (sve lokacije u RH) Danica d.o.o., Koprivnica Podravka Polska, Poljska Podravka Lagris, Češka*	Certification authority SGS  *for Podravka Lagris Certification authority TÜV SÜD
2	HACCP prema Codex Alimentariusu	Podravka d.d. (sve lokacije u RH) Danica d.o.o., Koprivnica	Certification authority SGS
3	IFS Food, Version 6 International Featured Standards	Centrala Podravka d.d., Koprivnica Tvornica juha i Vegete, Koprivnica Tvornica Dječje hrane i kremnih namaza, Koprivnica Tvornica Kalnik, Varaždin Podravka Polska, Poljska Podravka Lagris, Češka* Danica d.o.o., Koprivnica	Certification authority SGS  *for Podravka Lagris Certification authority TÜV SÜD
4	BRC, Issue 6 (British Retail Consortium) Global Standard for Food Safety	Centrala Podravka d.d., Koprivnica Tvornica juha i Vegete, Koprivnica Tvornica Dječje hrane i kremnih namaza, Koprivnica Podravka Polska, Poljska	Certification authority SGS
5	FSSC 22000 Food Safety System Certification	Danica d.o.o., Koprivnica	Certification authority SGS
6	NSF	Tvornica Studenac, Lipik	NSF International

NO.	STANDARD	LOCATIONS	
7	HALAL	Danica d.o.o., Koprivnica Tvornica juha i Vegete, Koprivnica Tvornica Dječje hrane i kremnih namaza, Koprivnica Tvornica Kalnik, Varaždin Tvornica Voće, Koprivnica Tvornica Koktel peciva, Koprivnica Podravska klet, Koprivnica	Halal certification center
8	KOSHER	Tvornica Kalnik, Varaždin Tvornica juha i Vegete, Koprivnica Tvornica Voće, Koprivnica Tvornica Koktel peciva, Koprivnica	Rabi Kotel Da-Don

Comparing to the previous years, in 2014 the following changes took place:

- Ital-ice d.o.o. is no longer certified, considering it has been divested from Podravka Group's business
- certification is no longer performed according to standard FSSC 22000 at Snacks factory, considering the cooperation has been discontinued with the buyer who requested it
- Mill factory is no longer certified for Kosher, due to low demand for such certified products
- Danica d.o.o. meat industry is being certified according to IFS standard
- certain products in the range of Snacks factory and Podravska klet restaurant are Halal certified

**SUPERVISORY BOARD AND MANAGEMENT BOARD  
MEMBERS BIOGRAPHIES**

## Podravka d.d. Supervisory Board members biographies

### DUBRAVKO ŠTIMAC

SUPERVISORY BOARD PRESIDENT

Dubravko Štimac was elected Podravka Supervisory Board president in February 2012. Early 2012 he became Supervisory Board deputy president of Podravka and in 2006 he was appointed to the position of Supervisory Board member of Podravka. Member of Podravka Remuneration Committee. He started his professional career as an independent sales clerk at Zagrebačka tvornica papira and continued it as an independent officer in foreign trade at PBZ Investholding d.o.o., where he also became the manager of the foreign trade sector. In January 2001 he became the project manager of the retirement reform at Privredna banka Zagreb d.d. From October 2001 he was the Management Board president of PBZ CROATIA osiguranje d.d., the association for managing obligatory retirement fund. He graduated in 1992 from the Faculty of Economy and Business at the Zagreb University, where he also received his MA in Organization and Management course. He participated in the Securities Processing Training Program in New York, organized by the Bank of New York, and in the Fund Management at City University Business School in London.

### MATO CRKVENAC

SUPERVISORY BOARD DEPUTY  
PRESIDENT

Mato Crkvenac was elected Podravka Supervisory Board Deputy President in February 2012, and was appointed by the Government Assets Management Agency (GAMA). Member of Podravka Audit Committee. He started his professional career at the Republic Institute for Planning, and five years later he became sector director at the Republic Institute for Economic Movements and Economic Policy. In 1978 he became 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 became 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 afterwards the duties of a representative in Croatian Parliament. At the Faculty of Economy and Business in Zagreb he was an assistant and scientific assistant, and was also elected senior lecturer. Four years later he was elected as associate professor and in 1991 as full-time professor. He graduated from the Faculty of Economy and Business, and received his MA from the Institute of Economic Sciences in Belgrade. He received his PhD from the Faculty of Economy in Zagreb.

### IVANA MATOVINA

SUPERVISORY BOARD MEMBER

Ivana Matovina was elected Podravka Supervisory Board member in July 2012. Member of Podravka Audit Committee. Today she is a certified Croatian auditor and certified accountant of Great Britain. She started her professional career as accounting manager, and in 1997 she became a director of KPMG Croatia. Two years later she becomes a partner and director of Cinotti revizija i savjetovanje d.o.o. and works on fields of auditing, internal auditing, accounting and business counseling and education. At the end of 2011 she founds Antares revizija i savjetovanje d.o.o., where she works on a range of accounting and business counseling services. She was a member of the Croatian Auditing Chamber Management Council and is a current

member of the Council of HANFA and the Committee for financial reporting standards. She graduated from the Faculty of Economy and Business at the Zagreb University, Finance and Accounting course.

**MARTINKA MARĐETKO VUKOVIĆ**  
SUPERVISORY BOARD MEMBER

Martina Marđetko Vuković was appointed Podravka Supervisory Board member in April 2012 by company Worker's council. She starts her professional career in Podravka in 1979 as an administrator, and later advanced to the function of planner-analyst. She performed her professional duties in the Economic center at Podravka, and later in Controlling. She is the president of Podravka Independent Union, and also the member of Worker's council, ever since the first worker councils were formed in 1996, when she was vice president. Today she holds a degree of safety engineer, has also finished two-year School of Agriculture and works as an adviser to sector director for occupational safety in Human resources sector at Podravka d.d.

**IVO DRUŽIĆ**  
SUPERVISORY BOARD MEMBER

Ivo Družić was appointed Podravka Supervisory Board member in February 2012 by the Government Asset Management Agency (GAMA). He is permanently employed at the Faculty of Economy and Business in Zagreb as a full time professor. He is the head of the scientific postgraduate study of the Economy and development at the Faculty of Economy and Business in Zagreb. 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 authored two books and co-authored six (two of which he also edited), 19 scientific papers in magazines with international critical review, 10 papers in Proceedings from international scientific conferences and 18 papers in domestic magazines and proceedings. He received his MA at the Faculty of Economy and Business in Zagreb in 1981, where he also received his PhD seven years later.

**MILAN STOJANOVIĆ**  
SUPERVISORY BOARD MEMBER

Milan Stojanović was appointed Podravka Supervisory Board member in July 2012. He is also a member of Podravka Remuneration Committee. He spent 35 years of service as a director or a manager in economy. At the same time, in the period from 1990 to 1996, he was a representative in the Croatian Parliament in two terms. He is retired and performs the function of the Supervisory Board President at Zlatna igla Siscia d.o.o. He was also a Management Board president for the Development and Employment Fund in the Republic of Croatia. His numerous researches and works in marketing and economy have been published. He was twice proclaimed a manager of the year. He received an academic title of Master of Science.

**PETAR VLAIĆ**  
SUPERVISORY BOARD MEMBER

Petar Vlaić was appointed Podravka Supervisory Board member in September 2012. He is also a Member of Podravka Audit Committee and President to the Remuneration Committee. He started his professional career as a broker in Ilirika and later he advanced to the position as portfolio manager and trade manager. Upon his arrival to Zagreb he became the first fund manager in the Republic of Croatia in the first Croatian investment fund Kaptol Proinvest. Later on he worked as a trade manager in IB Austria, upon which he transferred to the position of fund manager at the Central National Fund, a private investment fund. In 2001 he became the Management Board president of Erste d.o.o. for managing Mandatory Pension Fund. In late 2003 Erste MRF and Helios MRF were merged with the Blue Fund and the fund changed its name to Erste Blue Mandatory Pension Fund, and the management company changed to Erste d.o.o. for management of mandatory pension fund. While working at the association for private investment fund management, he was also a Supervisory Board member of numerous Croatian companies. He graduated from the Faculty of Electrical Engineering and Computer Science in Ljubljana. He also received CFA (Chartered Financial Analyst) title, through program organized by American Institute of Chartered Financial Analysts ICFA.

**DINKO NOVOSELEC**  
SUPERVISORY BOARD MEMBER

Dinko Novoselec was appointed Podravka Supervisory Board member in September 2012. President to Podravka Audit Committee. He started his professional career at the Croatian National Bank on managing foreign reserves. In late 1998 he transferred to Zagrebačka banka as the head of the analytics department, and afterwards he transferred 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. He graduated math at the Faculty of Science in Zagreb. In 2000 he received his CFA (Chartered Financial Analyst) title, a program organized by an American Association of Investment Professionals ICFA.

**PETAR MILADIN**  
SUPERVISORY BOARD MEMBER

Petar Miladin was appointed Podravka Supervisory Board member in September 2010. He was 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 became the assistant at the same department where he worked as a senior assistant later on. He worked as a senior lecturer at the Faculty of Law in Zagreb since 15 December 2005 and since 2009 he is associate professor. He published over twenty scientific works in the area of commercial law, companies law and banking law. Immediately after graduation he worked as an apprentice at Municipal and Commercial Court in Zagreb. He completed Postgraduate scientific study of commercial and company law at the Faculty of Law in Zagreb, receiving his MA. He defended his doctoral dissertation "Payment by remittance" in 2005 at the Law Faculty of the Zagreb University, receiving his PhD in scientific field of law.

## Podravka d.d. Management Board members biographies

**ZVONIMIR MRŠIĆ**  
MANAGEMENT BOARD PRESIDENT

Zvonimir Mršić was appointed Podravka Management Board president in February 2012. He joined Podravka in 1990, where for eight years he built his professional career as the head of and Manager of Public Relations Department. Apart from building his professional career, he also realized a very successful political career as a Deputy Mayor of the City of Koprivnica, and later Mayor of Koprivnica in three terms. He graduated from the Faculty of Political Sciences in Zagreb and 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. Among others, he is a member of the Croatian Association of Employers Council, and in October 2014 he was elected deputy president of Croatian Exporters Association (CEA).

**OLIVIJA JAKUPEC**  
MANAGEMENT BOARD MEMBER

Olivija Jakupec was appointed Podravka Management Board member in February 2012. Since 1992 she was employed at Podravka as Product manager for Ferrero, being in charge of promotion and realization of marketing activities in the Croatian market. A year later she became marketing manager in Podravka's company in Bulgaria, where she worked on founding and registering the company and on promoting activities on the market.

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. In 2001 she returned to Koprivnica and became Market Communication manager. In 2004 she transferred to Nexe Group and became director of Nexe company in Bosnia and Herzegovina. Since 2007 she worked as assistant director at Jadransko osiguranje branch office in Koprivnica. She returned to Podravka in 2012 as Management Board member.

She graduated from the Faculty of Organization and Informatics in Varaždin, Marketing. She attended international business school Center, Brdo kod Kranja.

**MIROSLAV KLEPAČ**  
MANAGEMENT BOARD MEMBER

Miroslav Klepač was appointed Podravka Management Board member in February 2012. He started his professional career as Finance Associate for CAIB - Investment Bank of Austria Creditanstalt Group at Central and East European markets and on managing mergers 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. Two years later he was appointed Controlling director at T Mobile d.o.o., and in 2004 he became executive director at T Mobile d.o.o. A year later he was appointed Management Board member for Allianz Zagreb d.d. In 2008 he became Management Board member and Chief Financial Officer at Iskon Internet

d.d. In 2009 he became HT Management Board member for Bosnia and Herzegovina.

He graduated from the Faculty of Economy and Business at the Zagreb University, Banking and Finance course. He received his MBA from International Business School Bled, Slovenia. He attended numerous international professional seminars in the area of finance, controlling, project management and human resources development.

**HRVOJE KOLARIĆ**  
MANAGEMENT BOARD MEMBER

Hrvoje Kolarić was appointed Podravka Management Board member in December 2012. 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 his career prestigious positions of the Director of BMS Pharmaceuticals in charge of product niche and business development and the Director of PharmaSwiss d.o.o. and PharmaSwiss d.o.o. Croatia stand out. 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 he also managed the Pharmaceuticals Department of the Bristol-Myers Squibb Representation Office for Croatia and Bosnia-Herzegovina, and subsequently the allergology and respiratory line of products of the Schering-Plough Representation Office in Croatia. In May 2005, he was appointed as Management Board member in Belupo, in charge of marketing, sales and international markets, and has been reappointed in May 2010. In 2012 he was appointed Belupo Management Board president. Beside the title of Master of Pharmacy that he gained from the Faculty of Pharmaceutical and Biochemical Sciences of the University of Zagreb, he also received the title of Master of Business Administration, President Module, IEDC, Bled.

**JORN PEDERSEN**  
MANAGEMENT BOARD MEMBER FROM  
24<sup>TH</sup> FEBRUARY 2012 TO  
18<sup>TH</sup> JUNE 2014.

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 was 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 numerous countries, 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. 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.

**JADRANKA IVANKOVIĆ**

MANAGEMENT BOARD MEMBER FROM  
24<sup>TH</sup> FEBRUARY 2012 TO  
22<sup>TH</sup> DECEMBER 2014.

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

## **BUSINESS RESULTS**

MAIN BUSINESS HIGHLIGHTS  
OF PODRAVKA GROUP IN 2014  
(CONTINUING AND DISCONTINUED  
OPERATIONS)

Podravka Group's profitability improved in 2014 on the account of significant profitability growth in food segment.

**Podravka Group's** sales revenues amounted to HRK 3,502.6 million and were 3.4% lower when compared to the 2013. Strategic Business Area Food and Drinks delivered HRK 2,662.4 million of sales revenues that were 4.1% lower when compared to 2013, while Strategic Business Area Pharmaceuticals delivered HRK 840.3 million of sales revenues that were 1.3% lower when compared to 2013. Reported sales revenues were negatively affected by programmes under restructuring, negative net foreign exchange differences and the decision of the Croatian Health Insurance Fund on decrease in prices of prescription drugs in May 2013 and February 2014. Excluding programmes under restructuring and foreign exchange, Podravka Group recorded sales revenues slightly higher than in 2013.

Podravka Group's **gross profit** amounted to HRK 1,475.9 million which is 1.8% lower when compared to 2013. Gross margin reached a level of 42.1% which is 69 basis points higher than in 2013 when it was 41.4%. The increase in gross margin came on the back of lower costs of goods sold as a result of favourable key raw material price movements, as well as lower depreciation and personnel expenses.

Podravka Group's **operating profitability (EBIT)** delivered 18.8% yoy growth in 2014 and reached HRK 155.7 million, while EBIT margin improved by 83 basis points from 3.6% to 4.4%. More efficient collection of trade receivables, lower impairment costs of a portion of non-current assets, and the savings made in the logistics and marketing functions compensated for an increase of negative net realized foreign exchange differences related to the depreciation of the Russian rouble.

**Net profit after minorities** recorded 38.8% yoy growth in 2014 and amounted to HRK 92.5 million. Lower financing expenses related to the more favourable refinancing terms, together with aforementioned impacts, had additional positive effect on the net profit margin after minorities which improved by 80 basis points and reached 2.6%.

**Excluding the impact of one off-items**, Podravka Group in 2014 saw an increase in gross margin by 57 basis points when compared to 2013, while other profitability levels were lower than in 2013.

**Net debt** on 31.12.2014 was HRK 856.8 million which is 3.4% lower when compared to the end of 2013 on the account of higher cash and cash equivalents by HRK 41.1 million.

**Total assets** on 31.12.2014 posted 1.5% growth when compared to 31.12.2013 due to 0.9% increase in non-current assets and 1.9% increase in current assets. Non-current assets grew mostly due to an increase in intangible assets as a result of the acquisition of canned meat programme and

brands of PIK Vrbovec d.d. for further production and sales for all markets, whereby certain intangible assets such as trademarks, recipes, etc. were also acquired. Current assets grew as a result of increase in inventory, cash and cash equivalents and non-current assets held for sale.

**KEY FINANCIAL INDICATORS  
(CONTINUING AND DISCONTINUED  
OPERATIONS)**

<b>FINANCIAL POSITION (IN HRKM)</b>	<b>2014</b>	<b>2013</b>	<b>CHANGE</b>
Total assets	3,508.6	3,458.2	1.5%
Cash and cash equivalents	220.5	179.5	22.8%
Capital and reserves	1,785.3	1,691.4	5.6%
Financial debt	1,077.3	1,066.0	1.1%
Cash flow from operating activities	286.9	291.8	(1.7%)

<b>PROFITABILITY INDICATORS (IN HRKM)</b>	<b>2014</b>	<b>2013</b>	<b>CHANGE</b>
Gross margin	42.1%	41.4%	+69 bp
EBITDA* MARGIN	9.1%	9.9%	-85 bp
EBIT MARGIN	4.4%	3.6%	+83 bp
Net profit margin after minority interests	2.6%	1.8%	+80 bp
Return on equity (RoE)	5.3%	3.9%	+138 bp
Return on assets (RoA)	2.7%	2.0%	+73 bp

<b>DEBT INDICATORS (IN HRKM)</b>	<b>2014</b>	<b>2013</b>	<b>CHANGE</b>
Net debt	856,769	886,533	(3.4%)
Interest expense	43,543	52,926	(17.7%)
Net debt / Normalized EBITDA	2.3	2.1	6.5%
Normalized EBITDA / Interest expense	8.7	7.9	10.3%
Equity to total assets ratio	50.9%	48.9%	+197 bp

<b>MULTIPLIKATORI</b>	<b>2014.</b>	<b>2013.</b>	<b>PROMJENA</b>
EV / Normalized sales revenues	0.7	0.6	11.8%
EV / Normalized EBITDA	6.5	5.5	19.0%
EV / Normalized EBIT	10.1	8.5	19.1%
Last price per share / Normalized** earnings per share	8.7	6.9	26.4%

\*EBITDA was calculated in a way that EBIT was increased by the depreciation and impairment of goodwill, non-tangible assets, real-estates, plants, equipment and assets available for sale.

\*\*Normalization includes corrections for one-off items and impairment of goodwill, non-tangible assets, real-estates, plants, equipment and assets available for sale.

EV = Enterprise value: Market capitalization + Net debt + Minority interests

Following pages include key Group's business characteristics related to the Strategic Business Units that represent continuing operations. As explained in note 7 of audited financial statements, the Group classified beverages segment as discontinued operations. Since the date of reclassification, beverages segment hasn't been monitored and analysed as strategic business area.

#### SALES REVENUES BY STRATEGIC BUSINESS AREAS (CONTINUING OPERATIONS)

SALES REVENUES (CONTINUING OPERATIONS)	REPORTED RESULT				
	2014	% OF SALES REVENUES	2013	% OF SALES REVENUES	CHANGE
IN HRK MILLIONS					
SBA Food and drinks	2,571.8	75.4%	2,649.8	75.7%	(2.9%)
SBA Pharmaceuticals	840.3	24.6%	851.3	24.3%	(1.3%)
Podravka Group	3,412.1	100.0%	3,501.1	100.0%	(2.5%)

Sales of the **Strategic Business Area Food and Beverages** recorded HRK 2,571.8 million in 2014 which is 2.9% lower when compared to 2013. The most significant impact on reported sales of the Strategic Business Area Food and Beverages came from programmes under restructuring. As part of the restructuring process, at the end of 2013 the company abandoned unprofitable segments of fresh meat and frozen food and in early April the company abandoned unprofitable segment of bakery. By exiting the aforementioned programmes, sales revenues in 2014 were HRK 60.5 million lower when compared to the 2013.

Foreign exchange differences (especially Czech koruna and Australian dollar) also negatively contributed to the reported sales revenues. If foreign exchange differences had remained on the 2013 levels, sales revenues would be HRK 13.7 million higher.

Reported sales of the **Strategic Business Area Pharmaceuticals** in 2014 were impacted by two negative factors that the company was unable to fully compensate by increasing the sales volume on one hand or by some forms of foreign exchange risk hedge on the other.

In May 2013 and February 2014, the Croatian Health Insurance Fund prescribed a decrease in prices of a large portion of prescription drugs, resulting in a direct negative effect on sales of this category in the Croatian market, estimated at HRK 57.2 million. The negative effect of this prescribed price reduction is partly compensated by a 7.0% volume growth in the market of Croatia.

Furthermore, the decrease in value of the Russian ruble against the Croatian kuna, but also many other currencies, resulted in lower sales recorded in kuna. If the Russian ruble exchange rate had remained at 2013 levels, HRK 29.3 million higher sales would have been recorded in kuna. It should be pointed out that the volume of sales in the Russian market is higher by 4.9% and in Russian rubles by 13.0%. If the effect of foreign exchange differences is excluded, sales of the pharmaceuticals segment are 1.9% higher, and if the estimated effect of the prescribed decrease in prices of prescription drugs is also excluded, the growth in sales would be 8.6%.

#### SALES REVENUE PER CATEGORY (CONTINUING OPERATIONS)

SALES REVENUES (CONTINUING OPERATIONS) IN HRK MILLIONS	2014	% OF SALES REVENUES	2013	% OF SALES REVENUES	CHANGE
<b>SBA Food and drinks</b>	<b>2,571.8</b>	<b>75.4%</b>	<b>2,649.9</b>	<b>75.7%</b>	<b>(2.9%)</b>
<b>Culinary</b>	<b>899.4</b>	<b>26.4%</b>	<b>931.2</b>	<b>26.6%</b>	<b>(3.4%)</b>
Food seasonings and bouillons	630.6	18.5%	660.5	18.9%	(4.5%)
Podravka dishes and food mixes	268.8	7.9%	270.7	7.7%	(0.7%)
<b>Sweets, snacks and beverages</b>	<b>171.2</b>	<b>5.0%</b>	<b>175.3</b>	<b>5.0%</b>	<b>(2.3%)</b>
Beverages	25.7	0.8%	28.9	0.8%	(11.1%)
Sweets and snacks	145.5	4.3%	146.4	4.2%	(0.6%)
<b>Baby food, breakfast foods and other food</b>	<b>887.3</b>	<b>26.0%</b>	<b>913.3</b>	<b>26.1%</b>	<b>(2.8%)</b>
Baby food and breakfast foods	314.8	9.2%	323.2	9.2%	(2.6%)
Other food	572.5	16.8%	590.1	16.9%	(3.0%)
<b>Meat products</b>	<b>300.8</b>	<b>8.8%</b>	<b>280.9</b>	<b>8.0%</b>	<b>7.1%</b>
<b>Other sales</b>	<b>313.1</b>	<b>9.2%</b>	<b>349.2</b>	<b>10.0%</b>	<b>(10.3%)</b>
<b>SBA Pharmaceuticals</b>	<b>840.3</b>	<b>24.6%</b>	<b>851.3</b>	<b>24.3%</b>	<b>(1.3%)</b>
Prescription drugs	597.1	17.5%	615.6	17.6%	(3.0%)
Non-prescription programme	90.0	2.6%	83.9	2.4%	7.4%
Other sales	153.1	4.5%	151.8	4.3%	0.9%
<b>Podravka Group</b>	<b>3,412.1</b>	<b>100.0%</b>	<b>3,501.1</b>	<b>100.0%</b>	<b>(2.5%)</b>

Sales of the **culinary category** in 2014 were negatively impacted by foreign exchange differences and lower results in the markets of Poland, Croatia and Slovenia. In the Polish market, deliveries were intentionally decreased in the fourth quarter in order to optimise inventories at distributors and sellers. The culinary category in the Croatian market in 2014 was negatively impacted by poor macroeconomic situation, as well as under the pressure on business by foreign competition and private labels. In line with internal procedures of risk management, in the fourth quarter of 2014 the company intentionally reduced the exposure to some key customers in the Slovenian market, which was especially reflected on lower deliveries of the culinary category product range. We should point out the growth in sales of the culinary category in the market of Western Europe, especially German, Austrian and Scandinavian markets, as a result of achieving the strategic goal of strengthening positions in Western Europe.

Reported sales of the **sweets, snacks and beverages category** were negatively affected by adverse weather conditions in 2014 which impacted beverages assortment (teas in bag and vitamin instant drinks that are not classified for sale) and by somewhat lower sales revenues of sweets and snacks subcategory as a result of lower sales in the Slovenian market, which was a consequence of the intentionally decreased exposure to some key customers.

Reported sales of the **baby food, breakfast foods and other food category** in 2014 were negatively impacted by programmes under restructuring, which the company abandoned at the end of 2013 (frozen food) and at the beginning of April 2014 (bakery), and by lower sales in the Slovenian market, which was a consequence of the intentionally decreased exposure to some key customers. The strongest growth was achieved by the Mediterranean food subcategory with the Eva brand and tomato-based products.

In 2014, the **meat products category** recorded a 7.1% growth in reported sales, as a result of a double-digit growth rate of the sausage products subcategory in the Croatian market. The category was negatively impacted by the programme under restructuring, abandoned by the company at the end of 2013 (fresh meat) and positively impacted by the acquisitions of a portion of the PIK product range.

Reported sales of the **prescription drugs category** in 2014 were negatively affected by the decision of the Croatian Health Insurance Fund on the decrease in prices of prescription drugs in the market of Croatia in May 2013 and February 2014. The estimated effect of this decision is a decrease in sales of HRK -57.2 million. It is important to note that in 2014 sales in the Croatian market were 7.0% higher in terms of volume compared to 2013, which mitigated the effect of the prescribed decrease in prices of prescription drugs. The second negative effect is attributed to the depreciation of the Russian ruble, causing a drop in sales of HRK 29.3 million. We should point out that the reported income relates to sales by the Podravka

Group to the distributors in Russia, while the sales of the distributors in the Russian market are higher in terms of volume by 4.9%, and in the local currency by 13.0%. The positive effect is recorded in the markets of Bosnia and Herzegovina and Poland, where a double-digit growth rate in sales was achieved.

The **non-prescription programme category** recorded a growth in reported sales of 7.4%, mainly due to the growth in sales of the OTC medicine subcategory in the Croatian and Russian markets.

Reported sales of **the other sales category** in 2014 were negatively impacted by the abandoning of a programme under restructuring (cooled products distribution) at the end of 2013, whereby the comparative period is higher. If the effect of the programme under restructuring is excluded, a 2.6% growth in sales was achieved, largely affected by the distribution of the Zvečevo product range in the market of Bosnia and Herzegovina.

#### SALES REVENUE BY MARKETS (CONTINUING OPERATIONS)

SALES REVENUES (CONTINUING OPERATIONS) IN HRK MILLIONS	2014	% OF SALES REVENUES	2013	% OF SALES REVENUES	CHANGE
Croatia	1,357.0	39.8%	1,483.5	42.4%	(8.5%)
South-East Europe	950.3	27.9%	916.1	26.2%	3.7%
Central Europe	540.6	15.8%	546.6	15.6%	(1.1%)
Western Europe	190.4	5.6%	174.9	5.0%	8.9%
Eastern Europe	239.3	7.0%	242.1	6.9%	(1.2%)
Overseas Countries and New Markets	134.5	3.9%	137.9	3.9%	(2.5%)
Podravka Group	3,412.1	100.0%	3,501.1	100.0%	(2.5%)

The market of South-East Europe: Albania, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Slovenia, Serbia.

The market of Central Europe: Bulgaria, Czech, Hungary, Poland, Romania, Slovakia.

The market of Western Europe: Austria, Italy, Germany, Scandinavian countries, Switzerland, other countries of Western Europe.

The market of Eastern Europe: Baltic countries, Russia, Ukraine, other countries of Eastern Europe.

Overseas Countries and New Markets: Africa, Australia, Middle East, Canada, USA, other countries.

Reported sales of the **market of Croatia** were negatively impacted by the programmes under restructuring (from the beginning of 2014 there are almost no sales of fresh meat and frozen programme, from April 2014 there are no sales of bakery products) and the decision to decrease the prices of prescription drugs by the Croatian Health Insurance Fund in May 2013 and February 2014. The estimated effect of the prescribed decrease in prices of prescription drugs is HRK 57.2 million. If the programmes under restructuring and the acquisition of the PIK product range are excluded, sales in the market of Croatia are 3.4% lower, particularly reflected in lower sales of the culinary category and the baby food, breakfast foods and other food category. The drop in sales of these categories was partly mitigated by the growth in sales of the sausage products subcategory and the non-prescription programme category. It should also be mentioned that the overall operations in the Croatian market were impacted by the unfavourable economic situation characterized by the trend of a decrease in gross domestic product in all three quarters of 2014, a high average registered unemployment rate of 19.7%, and the decrease in prices of food and non-alcoholic beverages of 2.2% . The pressure of competition could also be felt, by renowned brands as well as by private labels, aimed at increasing their market shares primarily through discount prices.

The **market of South-East Europe** recorded a 3.7% growth in reported sales as a result of growth of all markets of South-East Europe, except for the Slovenian market due to an intentional decrease in exposure to some key customers. In the fourth quarter of 2014, Podravka intentionally reduced deliveries to some key customers in the Slovenian market in order to decrease its exposure to them, in line with internal procedures for receivables risk management.

Reported sales of the **market of Central Europe**, negatively impacted by foreign exchange differences and lower service production (classified as other sales), recorded 1.1% lower sales in 2014. Double-digit growth in sales of the prescription drugs category in the market of Poland should be pointed out, while in the food segment, deliveries were intentionally decreased in the fourth quarter in order to optimise inventories at distributors and sellers.

The **market of Western Europe** records an 8.9% increase in reported sales in 2014 compared to 2013. The large majority of the markets of Western Europe recorded growth in sales, especially significant in the markets of Germany, Austria and Scandinavia.

Reported sales of the **market of Eastern Europe** were negatively impacted by the depreciation of the Russian ruble resulting in 1.2% lower reported sales in the period under consideration. If the effect of foreign exchange differences is excluded, sales are 10.9% higher compared to 2013. It should be pointed out that sales in the market of Russia present the sales of the Podravka Group to its distributors, not the sales to customers in the market

itself. The sales of the Podravka Group's products by the distributors in the Russian market in the food segment are 25.0% higher with respect to the volume, and in the local currency 22.0% higher, while in the pharmaceutical segment they are 4.9% higher with respect to the volume, and in the local currency 13.0% higher. These results indicate that the demand for the Podravka Group's products is increasing.

Reported sales of **Overseas Countries and New Markets** were negatively impacted by the depreciation of the Australian and American dollar. The changed distribution model in the market of Australia and replacement of the distributor in the market of the USA had additional negative effects on sales. These activities resulted in a short-term change in the delivery dynamics.

#### PROFITABILITY OF THE PODRAVKA GROUP (CONTINUING OPERATIONS)

PODRAVKA GROUP (CONTINUING OPERATIONS)	REPORTED RESULT			EXCLUDING ONE-OFF ITEMS			
	(IN HRKM)	2014	2013	CHANGE	2014	2013	CHANGE
Sales revenues		3,412.1	3,501.1	(2.5%)	3,412.1	3,501.1	(2.5%)
Gross profit		1,444.5	1,477.3	(2.2%)	1,445.2	1,482.4	(2.5%)
EBITDA*		329.2	374.0	(12.0%)	390.9	432.5	(9.6%)
EBIT		178.8	186.9	(4.3%)	257.6	300.3	(14.2%)
Net profit after MI		115.7	122.5	(5.6%)	194.5	225.0	(13.6%)
Gross margin		42.3%	42.2%	+14 bp	42.4%	42.3%	+1 bp
EBITDA MARGIN		9.6%	10.7%	-103 bp	12.4%	12.5%	-90 bp
EBIT MARGIN		5.2%	5.3%	-10 bp	7.5%	8.6%	-103 bp
Net profit margin after MI		3.4%	3.5%	-11 bp	5.7%	6.4%	-73 bp
Neto marža nakon MI		3,4%	3,5%	-11 bb	5,7%	6,4%	-73 bb

\* EBITDA was calculated in a way that EBIT was increased by the depreciation and impairment of goodwill, non-tangible assets, real-estates, plants, equipment and assets available for sale.

\*\* Normalization includes corrections for one-off items and impairment of goodwill, non-tangible assets, real-estates, plants, equipment and assets available for sale.

With successful reduction of majority of operating expenses, Podravka Group was able to cushion negative impact of lower sales revenues on profitability levels in 2014. Gross margin posted 14 bp growth and amounted to 42.3%, where negative impact of sales revenues drop was mitigated by lower costs of goods sold. Other operating expenses were down by HRK 21.5

million which resulted in 5.2% EBIT margin. In 2014 we saw lower finance costs related to the more favourable terms of refinanced borrowings. Lower finance costs, along with the aforementioned impacts, had an additional positive effect on the reported net profit margin after minority interests, which amounted to HRK 115.7 million.

One-off items had negative effect of HRK 78.8 million in 2014, while in 2013 they had negative effect of HRK 102.5 million. The largest portion of one-off items in 2014 relates to severance payments in the amount of HRK 72.1 million, while in 2013 the largest portion relates to severance payments in the amount of HRK 54.7 million and to value adjustments of non-current assets.

#### OPERATING EXPENSES STRUCTURE OF PODRAVKA GROUP (CONTINUING OPERATIONS)

PODRAVKA GROUP (CONTINUING OPERATIONS)	REPORTED RESULT			EXCLUDING ONE-OFF ITEMS		
	(IN HRKM)	2014	2013	CHANGE	2014	2013
Cost of goods sold	1,967.6	2,023.8	(2.8%)	1,966.9	2,018.7	(2.6%)
General and administrative expenses	336.7	314.1	7.2%	262.0	254.7	2.9%
Selling and distribution costs	438.9	471.4	(6.9%)	440.3	469.5	(6.2%)
Marketing expenses	445.2	452.9	(1.7%)	445.2	452.9	(1.7%)
Other expenses	62.0	61.5	0.9%	44.0	10.1	335.6%
Total operating expenses	3,250.4	3,323.7	(2.2%)	3,158.4	3,205.9	(1.5%)

\* Normalization includes corrections for one-off items and impairment of goodwill, non-tangible assets, real-estates, plants, equipment and assets available for sale.

Total operating expenses from continuing operations of Podravka Group amounted to HRK 3,250.4 million in 2014 and are 2.2% lower when compared to 2013. Favourable price trends of key raw materials and lower staff costs resulted in decrease of cost of goods sold by 2.8%. In the meantime general and administrative expenses increased by 7.2% as a result of higher severance payments and advisory services related to business development. Selling and distribution costs fell by HRK 32.5 million mostly as a result of improvement in the organisation of logistics functions, i.e. the saving made in costs of distribution and warehousing of finished goods compared to the same period of the previous year. A more efficient collection of trade receivables, resulting in lower provisions for receivables, as well as lower staff costs also made a significant contribution to the lowering of selling and distribution costs. Marketing expenses are 1.7% lower due to a somewhat reduced number of campaigns in certain categories in the fourth quarter of 2014 and focusing on digital advertising channels, resulting not only in

planned communication reach, but also in savings in costs of their realisation. Other expenses mainly include impairment costs of non-current assets and net realised foreign exchange losses. In 2014, impairment costs of non-current assets were almost three times lower than in 2013, while net realised foreign exchange losses were almost four times higher than in 2013.

#### PROFITABILITY OF THE STRATEGIC BUSINESS AREA FOOD AND DRINKS (CONTINUING OPERATIONS)

SBA F&D (CONTINUING OPERATIONS) (IN HRKM)	REPORTED RESULT			EXCLUDING ONE-OFF ITEMS		
	2014	2013	CHANGE	2014	2013	CHANGE
Sales revenues	2,571.8	2,649.8	(2.9%)	2,571.8	2,649.8	(2.9%)
Gross profit	981.0	993.2	(1.2%)	981.7	998.3	(1.7%)
EBITDA*	207.2	192.9	7.4%	261.9	244.3	7.2%
EBIT	98.6	69.6	41.7%	170.5	162.3	5.1%
Net profit after MI	52.1	32.5	60.3%	123.9	114.3	8.4%
Gross margin	38.1%	37.5%	+66 bp	38.2%	37.7%	+50 bp
EBITDA MARGIN	8.1%	7.3%	+78 bp	10.2%	9.2%	+96 bp
EBIT MARGIN	3.8%	2.6%	+121 bp	6.6%	6.1%	+50 bp
Net profit margin after MI	2.0%	1.2%	+80 bp	4.8%	4.3%	+50 bp

\* EBITDA was calculated in a way that EBIT was increased by the depreciation and impairment of goodwill, non-tangible assets, real-estates, plants, equipment and assets available for sale.

\*\* Normalization includes corrections for one-off items and impairment of goodwill, non-tangible assets, real-estates, plants, equipment and assets available for sale.

Strategic Business Area Food and Drinks delivered considerable growth of profitability margins on all levels in 2014 when compared to the 2013. Reported gross margin grew by 66 basis points when compared to the 2013 as a result of lower costs of goods sold due to favourable price trends of key raw materials and lower staff costs. The increase in reported operating margin (EBIT) of 121 basis points was, along with the effect above the level of gross profit, positively impacted by effects of a more efficient collection of trade receivables, lower impairment costs of a portion of non-current assets, and the saving made in the logistics and marketing functions. In 2013, impairment costs of non-current assets were considerably higher and amounted to HRK 37.9 million.

Reported net profit margin after minority interests in 2014 was 2.0% due to the effects above the level of operating profit, lower finance costs related to

more favourable terms of refinanced borrowings and the positive impact of tax benefits related to the intention to reinvest a portion of profit.

One-off items had negative effect of HRK 71.9 million in 2014, while in 2013 they had negative effect of HRK 81.8 million. The largest portion of one-off items in 2014 relates to severance payments in the amount of HRK 64.1 million, while in 2013 the largest portion relates to severance payments in the amount of HRK 48.5 million and to value adjustments of non-current assets.

#### PROFITABILITY OF THE STRATEGIC BUSINESS AREA PHARMACEUTICALS (CONTINUING OPERATIONS)

SBA PHARMACEUTICALS (CONTINUING OPERATIONS)	REPORTED RESULT			EXCLUDING ONE-OFF ITEMS		
	(IN HRKM)	2014	2013	CHANGE	2014	2013
Sales revenues	840.3	851.3	(1.3%)	840.3	851.3	(1.3%)
Gross profit	463.5	484.1	(4.3%)	463.5	484.1	(4.3%)
EBITDA*	122.0	181.1	(32.6%)	128.9	188.2	(31.5%)
EBIT	80.2	117.3	(31.6%)	87.1	138.0	(36.9%)
Net profit after MI	63.6	90.0	(29.3%)	70.5	110.7	(36.3%)
Gross margin	55.2%	56.9%	-171 bp	55.2%	56.9%	-171 bp
EBITDA MARGIN	14.5%	21.3%	-675 bp	15.3%	22.1%	-677 bp
EBIT MARGIN	9.5%	13.8%	-423 bp	10.4%	16.2%	-585 bp
Net profit margin after MI	7.6%	10.6%	-300 bp	8.4%	13.0%	-461 bp

\* EBITDA was calculated in a way that EBIT was increased by the depreciation and impairment of goodwill, non-tangible assets, real-estates, plants, equipment and assets available for sale.

\*\* Normalization includes corrections for one-off items and impairment of goodwill, non-tangible assets, real-estates, plants, equipment and assets available for sale.

Despite the sales volume growth, the prescribed decrease in prices of prescription drugs and foreign exchange losses considerably affected profitability in 2014. Sales volume growth led to a mild increase in cost of goods sold which, along with lower sales following the prescribed decrease in prices of prescription drugs in the Croatian market and the depreciation of the Russian ruble, reduced the reported gross margin. Reported operating margin in 2014 was negatively impacted by a considerable increase in other expenses, dominated by net realised foreign exchange losses, which is directly related to the depreciation of the Russian ruble, the effect of which could not be fully avoided by the company. Lower finance costs following the repayment of a portion of borrowings, and lower tax liability due to

lower profit after tax mitigated the decrease in reported net profit margin after minority interests.

One-off items had negative effect of HRK 6.9 million in 2014, while in 2013 they had negative effect of HRK 20.7 million. One-off items in 2014 relate to severance payments, while in 2013 the largest portion relates to value adjustments of non-current assets in the amount of HRK 13.6 million.

#### DISCONTINUED OPERATIONS

By the Management Board decision dated 20 June 2013, the Company announced its intention to exit the Beverages segment in order to improve business activities, reduce operating costs and strengthen innovation and competitiveness of the Company in its key business areas. At the reporting date, the Company classified the Beverages segment as discontinued operations in accordance with IFRS.

DISCONTINUED OPERATIONS (IN HRKM)	REPORTED RESULT			EXCLUDING ONE-OFF ITEMS		
	2014	2013	CHANGE	2014	2013	CHANGE
Sales revenues	90.6	124.9	(27.5%)	90.6	124.9	(27.5%)
Gross profit	31.5	25.5	23.5%	31.5	25.5	23.6%
EBITDA*	(11.0)	(13.9)	(20.9%)	(11.0)	(12.3)	(10.6%)
EBIT	(23.2)	(55.9)	(58.5%)	(11.9)	(25.0)	(52.4%)
Net profit after MI	(23.2)	(55.9)	(58.5%)	(11.9)	(25.0)	(52.4%)
Gross margin	34.8%	20.4%	+1.435 bp	34.8%	20.4%	+1.435 bp
EBITDA MARGIN	n/a	n/a	n/a	n/a	n/a	n/a
EBIT MARGIN	n/a	n/a	n/a	n/a	n/a	n/a
Net profit margin after MI	n/a	n/a	n/a	n/a	n/a	n/a

\* EBITDA was calculated in a way that EBIT was increased by the depreciation and impairment of goodwill, non-tangible assets, real-estates, plants, equipment and assets available for sale.

\*\* Normalization includes corrections for one-off items and impairment of goodwill, non-tangible assets, real-estates, plants, equipment and assets available for sale.

One-off items had negative effect of HRK 11.3 million in 2014, while in 2013 they had negative effect of HRK 30.9 million. One-off items in both years mostly relate to value adjustments of non-current assets.

Koprivnica, 13<sup>th</sup> February 2015

## STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of the Podravka Group for the period January – December 2014 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.



Corporate accounting and Taxes:

Iva Brajević

Board Member:

Miroslav Klepač



## **PODRAVKA GROUP EXPECTED DEVELOPMENT**

**ACHIEVING GROWTH** Podravka Group's aim is market growth and development through efficient management of product range, focusing on key brands (Vegeta, Podravka, Belupo, Lino and Dolcela), achieving operating efficiency and long-term profitability.

In the following period, business focus will be on internationalization, the aim of which is to further increase shares on international markets, and to preserve positions on domestic market. Apart from organic growth, inorganic growth is also expected through acquisitions and strategic partners.

In both strategic business areas, Food processing and Pharmaceuticals, a strong investment cycle has been started, marketing investments have been significantly increased, which will result in increasing revenues on markets on which future growth is expected. As an additional growth potential, cooperation between these two business areas will be continued, aiming to create synergy.

On domestic markets Podravka Group aims to be the leading producer of branded products, to keep the leading position which it realizes in a large number of food and pharmaceutical categories and to support all the activities related to extending the product range in the markets of South-East Europe.

In the markets of Central Europe, Podravka Group strives for advancing the business and expand the existing product range, to keep the leading position in the category of all-purpose food seasonings. Pharmaceutical segment presents an increasing part on this market.

In the markets of Western and Eastern Europe we expect continued growth, since Podravka Group brands are well positioned and recognized on these markets. In order to achieve growth, the plan is to expand the product range and to increase presence on retail market.

Above-average revenue growth is expected on markets of Overseas countries and New markets, especially due to business focus on markets of China, Middle East and Africa, whereby Podravka Group shows determination in further strengthening of business internationalization. Full potential of Podravka's strongest brands - Vegeta, Podravka and Lino will try to be used. During 2014 Podravka created majority of preconditions for strong step forward on these markets.

**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 recognizable supplier of pharmaceutical products in the region.
- To be the leader or strong second place competitor in defined strategic business programs, on strategic markets.
- To increase the internationalization rate by developing business on international 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.
- 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 provide new and innovative culinary and pharmaceutical solutions for the consumers.
- To contribute to general community development with its activities.

## Key factors of success

Three pillars of success:

### I. COMPANY STRENGTHS AND VALUES

#### *Employees*

Key of Podravka's success are dynamic, creative and successful people and their knowledge and skills. Innovativeness, entrepreneurship and desire to win are the key values of Podravka and they make comparative advantage in the market.

#### *Quality*

A feature that is a value of every Podravka Group's product is - quality. Every product carrying the name Podravka and Belupo is a result of year-long tradition, know-how and caring for consumer health and well-being.

#### *Podravka's brands and consumer trust*

Proof of Podravka's brands power and care for the consumer is the trust that we gained in Croatia, region, Europe and around the world. You do not buy consumers' trust, you build it and cherish it.

#### *Long-year tradition*

Over the years Podravka has been building and preserving the trust of its consumers, focusing on two important elements – quality and consumer care.

#### *Wide distribution network*

Podravka has a developed distribution network in Croatia and nine countries of the region, including Central and SouthEastern Europe.

#### *Partner relations*

Existing and future clients and consumers are the most valuable external potential and they are therefore approached with special care in an open and responsible communication. The company builds confidence based on mutual respect of employees, as well as consumers and clients.

## II PROFITABLE GROWTH

### *Vegeta, Podravka, Belupo and Lino*

Podravka will be focusing on brands having significant perspective on international markets, and we expect above average growth from them - Vegeta, Podravka, Belupo and Lino brands.

### *Market development*

Podravka Group consists of 30 companies and branch offices outside Croatia, which is a proof of quality and the service that we provide. The goal of every company and branch office is to actively develop the business and to maintain or achieve leader positions in the market.

### *Internationalization*

Company's business focus will be on powerful step forward to international markets, i.e. strengthening of the internationalization, in order to significantly increase revenues on those markets in the upcoming period.

### *Business investments*

By increasing operating efficiency, additional capital is released, and Podravka Group intends to invest it into further business. As one of the main steps we can mention the expansion of the existing production capacities of Belupo. Investment cycle is started, along with significant investments in marketing in the markets where further growth is expected.

### *Strategic partnerships and acquisitions*

Podravka Group plans its business development on organic and inorganic growth – acquisitions and strategic alliances.

### *Synergy of food part and pharmaceutical part*

The company aims to accomplish a synergy between the food part and the pharmaceutical part, since there are common elements and new markets and categories that can be developed from such cooperation.

### *Social responsibility and sustainable development*

Podravka tries to use less resources and to produce less waste, and it is particularly taking care on preserving the environment, and on society development. The company is also included in life processes of its employees and the entire community.

## III OPERATING EFFICIENCY

### **Cost efficiency**

Key element to a more efficient company is cost management: Podravka will try to perfect its processes and activities with the aim of better control and costs share reduction in the overall business.

### *Internal competencies development*

Sharing knowledge among employees, through own educations and experience, Podravka takes care of the competencies of its employees, improving internal processes and encouraging innovations within the company.

#### *Restructuring of non-profitable businesses*

Podravka continues its restructuring process, with the aim of further regional and international growth and development. After divesting non-profitable segments last year, Podravka showed that it puts focus on profitability by restructuring certain areas and it thus intends to release the capital for investing in profitable categories.

#### *Purifying the production range*

Taking care of the products range Podravka aims to understand the consumer, to provide it with high-quality products, the strengthen own brands and to take care of brand profitability at the same time.

#### *Strategy cascading – clear goals and responsibility*

Important aspects for Podravka are strategy, goals and cascading to lower organization units, introducing Balanced Scorecard into its business. With that it aims to communicate to every employee their responsibilities and tasks on their way to realization of set goals.

#### *Generating the base for profitable growth*

By actively working on increasing efficiency of the whole Group, by strengthening of internal capabilities and by investing to focus on strategic brands on key markets.

#### *Strategy through business perspectives*

Aiming to cascade the strategy and with a desire that every employee knows in what way to participate in realization of multi-year plans of the company, Podravka is in the process of implementing the Balanced Scorecard system. Additionally, the desire is to track more efficiently whether the key projects and initiatives are aligned with the strategy and goals set. With that purpose indicators have been set to track goals fulfillment through 4 business perspectives:

1. Learning and growth
  - Continuous increase of overall knowledge and competencies in the company
  - Further development of innovative and competitive culture
2. Internal processes
  - Focus on permanent advancement of internal processes
  - New products development, market development and distribution channel development
  - Social responsibility and sustainable development care
3. Buyers and consumers
  - Focus on achieving the highest level of consumer satisfaction
  - Advancing relations with buyers and partners
4. Finance
  - To satisfy the interests of shareholders
  - Reducing costs, increasing profitability and return on capital

## **RISK FACTORS**

In its operations, Podravka Group is exposed to risks typical of economic entities operating on individual national and regional markets, especially to those common in food or pharmaceutical industry. Podravka Group is also exposed to various economic and political risks that can influence the realization of strategic business decisions and regular business, whether within a country or beyond.

The legislation of some countries, such as tax legislation, limitations in defining market prices, product safety, complaints, protection of intellectual property and trademarks, patents, market competition, safety and protection of employees, corporate policies, regulations related to employment and labor law, and etc. also have an impact on the possibility of achieving the planned growth and profitability on a certain market. Lack of adjustment to the rules could have a significant impact on costs associated with business, as well as the general reputation of the company.

Therefore, Podravka Group uses its own as well as external experts from various fields of expertise in order to ensure compliance with the norms that regulate specific areas. Equally, sales and operation are under influence of social and political unrests, which becomes evident in situations when the companies do business in the developing countries, with big growth potentials on the one hand but expose the company to increased political, economic and social risks on the other. In spite of that, Podravka Group expects its year-long presence and recognizing opportunities on those markets will enable it to continue to develop its business. Through innovations and product range adjustments, together with sales prices and negotiating policies with the buyers, Podravka Group will continue to adjust to macroeconomic conditions of every individual market, to readily respond to their challenges.

#### BRANDS MANAGEMENT

Business conditions in the markets in which the Podravka Group operates are challenging because of international and local competition, but also because of reduced purchasing power in the domestic and some other markets in the region. In the situation when consumer demand grows slowly and is price-sensitive, the success of companies that are focused on recognizable brand products, largely depends on their ability to be innovative and cost-competitive at the same time.

Also, consumer habits, tastes and preferences are constantly changing, so Podravka Group is constantly faced with the need to try and anticipate them and adapt its products and brands to these changes. The result of that is constant creation and development of innovative solutions of Podravka Group in line with expectations of its customers, since it is one of the important factors in achieving sales plans, and overall business results.

Through the continuous innovations so far, within the existing product range and launch of new categories, Podravka Group confirms to be the trend setter in food in Croatia and the region.

## BUSINESS SEGMENTS MANAGEMENT

As a company that sees the achievement of its goals through organic and inorganic business growth, optimal selection of strategic segments of product categories, markets and sales channels have a significant impact on the opportunities of that growth. For that reason Podravka Group pays great attention to evaluation and decision-making on strategic investments and considering the opportunities that can potentially contribute to the achievement of added value for investors. In addition, special attention is paid to monitoring and analysis of the segments and markets that are estimated to have no long-term potential to realize desired business results.

Podravka Group business is partially under the influence of weather changes, which can have a direct influence on annual revenue plan, where this influence is mostly evident in the Beverages segment, a part of Company business that the company plans to divest by selling it to the highest bidder. Likewise, having evaluated the potentials of the Bakery segment, during 2014 Podravka Group divested this business program.

In 2014 activities have been initiated which should result in strengthening the presence in the markets of Middle East, China and Africa. That way we wish to show focus on better usability of the potential and available capacities and optimization of the focus on categories and geographic regions to create better grounds for further growth and development of Podravka Group.

## CLIENT RELATIONS MANAGEMENT

Podravka Group is aware of the extreme importance of developing and maintaining relationships with its clients in order to ensure the desired position of its products at points of sale.

With its marketing strategies, action plans at points of sale and those oriented to strengthening the recognizability of Podravka brands, Podravka Group affects the intensity of product demand and thereby negotiates positions when defining the terms and conditions with customers.

Besides, Podravka Group invests efforts that through harmonization and optimization of the existing pricing policies and price levels on existing markets, it ensures grounds for further successful long-term growth. Avoiding the erosion of the profit margins is thus affected, i.e. the reduction of risk of not achieving the planned sales realization.

## MANAGING THE RISKS OF MANAGEMENT AND HUMAN RESOURCES

Improving business processes, as one of the important goals requires changes in the qualification structure of employees (something that was intensely worked on over the past years), and with high-quality social programs the age structure of the company is affected. Personnel potential is one of the essential factors for Podravka Group's growth, which is continuously investing in their professional development and education. Podravka Group conducts periodic evaluation of management results, including evaluation of their management skills in order to achieve the conditions for long-term realization of its objectives.

**MANAGING THE RISKS OF ECOLOGY,  
QUALITY ASSURANCE AND PRODUCT  
SAFETY**

The quality and safety of Podravka Group products are priceless for preserving the reputation of its brands, as well as the company in general. High quality of its products is guaranteed by excellent raw materials, modern technological processes and knowledge applied in their production. Podravka Group takes care of health and nutritional needs of its users, and convenience and practical nature in their consumption and safety. Therefore, special attention is paid to defining and implementing activities that are based on assessment of critical areas in the chain of production and supply in order to protect them from contamination and counterfeiting.

All products and business processes are based on the principles of quality management, including the selection of key suppliers of raw materials, in order to ensure the required quality of the finished product. Podravka is taking constant and systemic 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, as well as on adjustment and safety of IT systems which are used as a support to the overall business of Podravka Group.

**FINANCIAL RISKS**

Due to its business activities Podravka Group is exposed to a series of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Exposure to currency, interest rate and credit risk is a part of regular business. Treasury sector manages the stated risks, i.e. financial departments of individual companies, together with active management of investing the surplus liquidity and active management of financial assets and liabilities.

*Currency risk*

Podravka Group conducts certain transactions in foreign currencies, and is therefore exposed to fluctuations in exchange rates. The biggest exposure to exchange rate fluctuations during 2014 was in comparison to RUB, CZK and AUD.

Exposure to foreign exchange differences arises not only from subsidiaries doing business in foreign markets, but also the procurement of raw food materials in the international market is greatly performed in EUR and USD. Likewise, Podravka Group is in majority financed through loans in foreign currencies. The exchange rate of Croatian Kuna compared to EUR remained relatively stable during the year, with mild depreciation pressures to domestic currency and expected seasonal oscillations. This is the consequence of lack of economic recovery, i.e. reduced demand for kuna in the market and reduced inflow of foreign currency, and similar movements are expected in the next year as well. Belupo d.d. the company within Podravka Group realizes significant part of its revenues on Russian market and is thus exposed to changes in RUB exchange rate, whose volatility was extremely high during 2014. With the purpose of active surveillance and minimizing

currency risks, in 2014 forward agreements were concluded as available hedging instruments and correction of prices in RUB.

#### *Interest rate risk*

Podravka Group is not significantly exposed to the risk of changing the interest rates, since for most of the loans with variable interest rates, interest rate swap was concluded, replacing a part of the liabilities having variable interest rates with liabilities having fixed interest rates.

#### *Price risk*

Podravka Group business success depends on adequate sources of raw materials, as well as their prices on the market, the efficiency of the production process and product distribution to its customers.

The cost of raw materials could have a significant role in the cost of finished products that Podravka Group manufactures, therefore, it is subject to fluctuations of prices on the raw materials markets, the impact of which can't always be compensated through the sale price for the buyer.

Podravka Group realizes most of the total procurement traffic from the domestic market, while the majority of traffic with the foreign suppliers is realized with those from the EU territory.

Protective customs and trade mechanisms in the EU protecting producers, represent a risk in terms of increased customs duties for certain raw materials from third countries. Unavailability of goods in the market due to adverse weather conditions (droughts, floods, etc.), political and social unrest in some countries or speculation with key agri-food products are also risks with increased influence on the business of Podravka Group.

In order to reduce those influences, Podravka Group Procurement department manages the strategic procurement categories and key suppliers in the way to develop partnership relations with long-year and new suppliers. Also, by enlarging the procurement volumes, full usage of the Commodity Risk management, conducting tenders and using new regimes of import (triangulation), Podravka Group works on reducing procurement costs.

#### *Credit risk and risk of refund*

Credit risk is the risk of non-payment, i.e. noncompliance of contractual obligations by the company buyers which affects the possible company loss.

Podravka Group bears a limited credit risk in transactions with related subsidiaries since it sells the products in those transactions to its own subsidiaries, and it can be assumed that the subsidiaries will duly meet their obligations to Podravka. Generally, Podravka Group has no major problems in practice with collecting from unaffiliated buyers, so this item carries no influence to the assessment of the relation towards subsidiaries.

New buyers are accepted, and with the existing ones business cooperation continues, with payment delay after they have satisfied the set company parameters examining creditworthiness. Claims are analysed weekly and necessary measures are taken for their collection.

Protection measures for individual category of buyers are defined according to financial indicators of individual buyer's business, where several services are used through which necessary information are available (financial reports, credit rating and similar). Company exposure analysis and credit exposure is being tracked and controlled through credit limits set by the company and insurers who are constantly controlled and changed as needed.

Podravka Group has no significant concentration of credit risks with one person or groups of persons with similar features.

#### *Liquidity risk*

Podravka 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.

## **CORPORATE GOVERNANCE**

In compliance to the basic purpose of its business relating to ensuring sustainable business growth and value growth 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.

Acting in compliance to Croatian legislature and taking into account the guidelines of OECD for corporate governance and Corporate Governance Code by HANFA and Zagreb stock Exchange, Podravka d.d. was among the first listed companies to compile a Corporate Governance Code with the purpose of equalizing the rights of all the shareholders and open, professional and transparent approach to investor relations and the overall public.

Key principles of corporate governance that Podravka d.d. takes into account are:

- business transparency
- clear procedures for operation of the Supervisory Board, Management Board and other entities for important decision making
- avoiding conflict of interest
- efficient internal control and
- efficient system of responsibility.

As a signer of the Business Ethics 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.

Podravka d.d. and all of its subsidiaries in country and abroad develop and stick by ethical principles and 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.

## 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 General Assembly is presided by the president appointed by the Supervisory Board, and suggested by the Management Board.

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, eight of them are chosen by the shareholders at the General Assembly by three-quarter majority of votes, while one member is appointed 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 beginning of their term for every member of the Supervisory Board is as of the day of the election, unless otherwise determined by an election resolution. Supervisory Board supervises business operations of the Group, and on issues in their domain Supervisory Board makes decisions based on the Law, Articles of Association of PODRAVKA d.d. and the Rules of Procedure of the Supervisory Board.

### SUPERVISORY BOARD MEMBERS OF PODRAVKA D.D. IN 2014

1. Dubravko Štimac – president
2. Mato Crkvenac – deputy president
3. Ivo Družić – member
4. Ivana Matovina – member
5. Petar Miladin – member
6. Dinko Novoselec – member
7. Milan Stojanović – member
8. Petar Vlaić – member
9. Martinka Marđetko-Vuković – member.

Podravka d.d. Supervisory Board also founded two committees: Audit Committee and Remuneration Committee.

The Audit Committee members were:

1. Dinko Novoselec – president of the Committee
2. Mato Crkvenac – member
3. Petar Vlaić – member
4. Ivana Matovina – member.

The Audit Committee is authorised to monitor the financial reporting procedure, to monitor the efficiency of the internal control system, internal 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.

The Audit Committee held six sessions in 2014.

The Remuneration Committee members were:

1. Petar Vlaić – president of the Committee

2. Dubravko Štimac – member
3. 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 2014.

Supervisory Board members are entitled to a fixed monthly remuneration as decided at the General Assembly on remunerations for Supervisory Board members.

In 2014 Podravka d.d. Supervisory Board members have been paid HRK 1.736.026,19, and if this amount is added with the remunerations to members of the Supervisory Boards of Belupo d.d. and Danica d.o.o., Supervisory Board members of Podravka Group have been paid HRK 137.400,10.

## Management board

At their session held on 24 February 2012, Supervisory Board reached a resolution on appointing the president and members to the Management Board, in five year term.

Zvonimir Mršić was appointed Management Board president, while Jadranka Ivanković, Olivija Jakupec, Miroslav Klepač and Jorn Pedersen were appointed members. The term of Podravka d.d. Management Board president and members started as of the day this resolution was passed.

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.

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 18 June 2014, the Supervisory Board approved contracting an agreement with Management Board member Jorn Pedersen, whose term and membership at Podravka d.d. Management Board was terminated as of 18 June 2014.

At the session held on 22 December 2014, the Supervisory Board approved contracting an agreement with Management Board member Jadranka Ivanković, whose term and membership at Podravka d.d. Management Board was terminated as of 22 December 2014.

### MANAGEMENT BOARD MEMBERS IN 2014

1. Zvonimir Mršić – president
2. Jadranka Ivanković – member till 22 December 2014
3. Olivija Jakupec – member
4. Miroslav Klepač – member
5. Jorn Pedersen – member till 18 June 2014
6. Hrvoje Kolarić – member.

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, and approved by the Supervisory Board on behalf of the company. Gross salaries paid in 2014 to Podravka d.d. Management Board members amount to HRK 7.349.301, and if this amount is added with remunerations for Management Board mem-

bers for Belupo d.d., Podravka Group Management Board members have been paid gross salaries of HRK 9.980.059.

During 2014, Management Board members were awarded with 40,658 of the Company optional shares.

# **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: 21.01.2015

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

## 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

Shareholders, who are not able to vote at the assembly in person, by themselves, acting at their own discretion, determine proxies who are obliged to vote in accordance with instructions received from the shareholders.

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

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 2014 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 2014 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 shareholders, 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:**

**Zvonimir Mršić** (president of the Management Board), **Jadranka Ivanović** (member of the Management Board until 22,12,2014), **Olivija Jakupec** (member of the Management Board), **Miroslav Klepač** (member of the Management Board), **Jorn Pedersen** (member of the Management

Board until 18,6,2014) and **Hrvoje Kolarić** (member of the Management Board)

**Please provide the names of supervisory board and their functions:**

**Dubravko Štimac** (president of the Supervisory Board), **Mato Crkvenac** (deputy president of the Supervisory Board), **Ivo Družić** (member of the Supervisory Board), **Petar Miladin** (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), **Ivana Matovina** (member of the Supervisory Board), **Milan Stojanović** (member of the Supervisory Board)

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.

24. Is the remuneration to the members of the Supervisory or Management Board determined by a decision of the general assembly or in the artic-

les 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 2014.

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

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 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

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

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

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

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

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

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

**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

The external auditor is providing services related to tax advising and study on transferred prices for some subsidiaries of the Group and due diligence for two target companies.

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

**TRANSPARANCY 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

## **COMPANY SECURITIES**

**TURNOVER, VOLUME AND PRICE OF  
PODRAVKA SHARE**

Total turnover of Podravka share in 2014 grew by 138.0 percent compared to 2013, while total turnover of all shares at Zagreb Stock Exchange in the same period recorded a mild decline of 0.4 percent. Podravka share recorded the highest increase of total turnover among all the companies in CROBEX10 index. Total turnover of Podravka share in 2014 was HRK 114.5 million, which is 4,2 percent of total shares turnover at the Zagreb Stock Exchange.

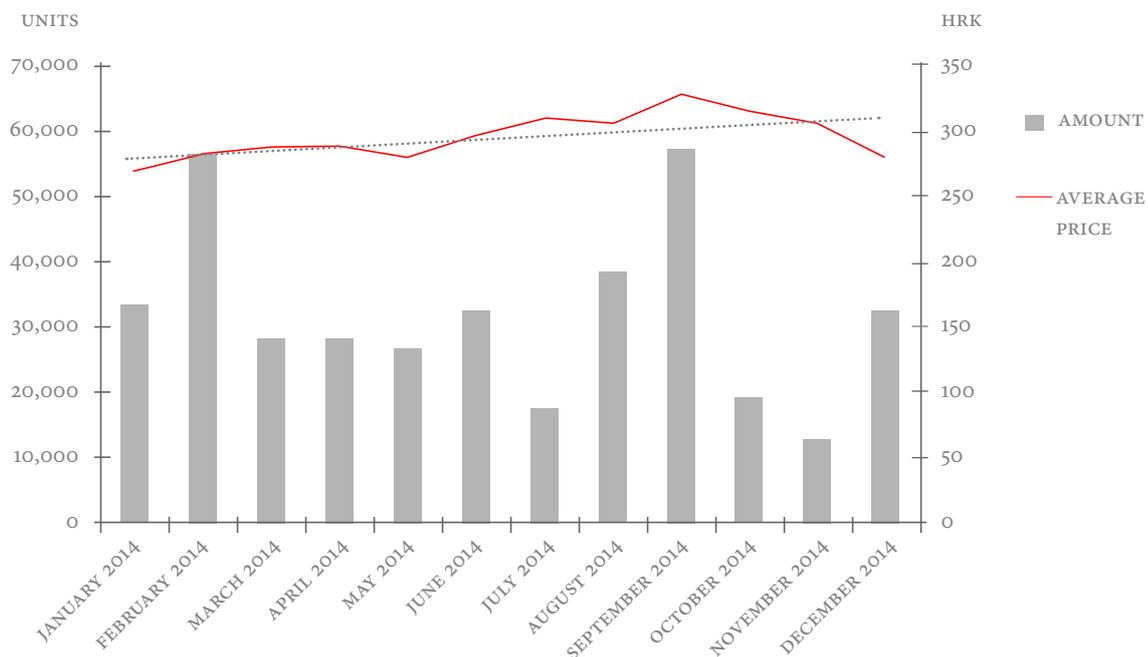
Increase of Podravka share turnover in 2014 is a result of Podravka share price increase, but also a result of traded volumes comparing to 2013. Traded volume of Podravka share in 2014 was 108.8 percent higher comparing to 2013, where the most intense trading took place in the first and third quarter.

**PODRAVKA SHARE TURNOVER AND VOLUMES PER QUARTERS IN 2014**

PERIOD	2014.		2013.	
	TURNOVER (HRK)	AMOUNT	TURNOVER (HRK)	AMOUNT
I QUARTER	33,532,617	119,513	19,570,827	70,151
II QUARTER	25,538,697	88,063	7,226,769	28,576
III QUARTER	36,425,008	114,085	7,457,689	30,230
IV QUARTER	18,975,991	64,057	13,835,571	55,772
TOTAL	114,472,313	385,718	48,090,857	184,729

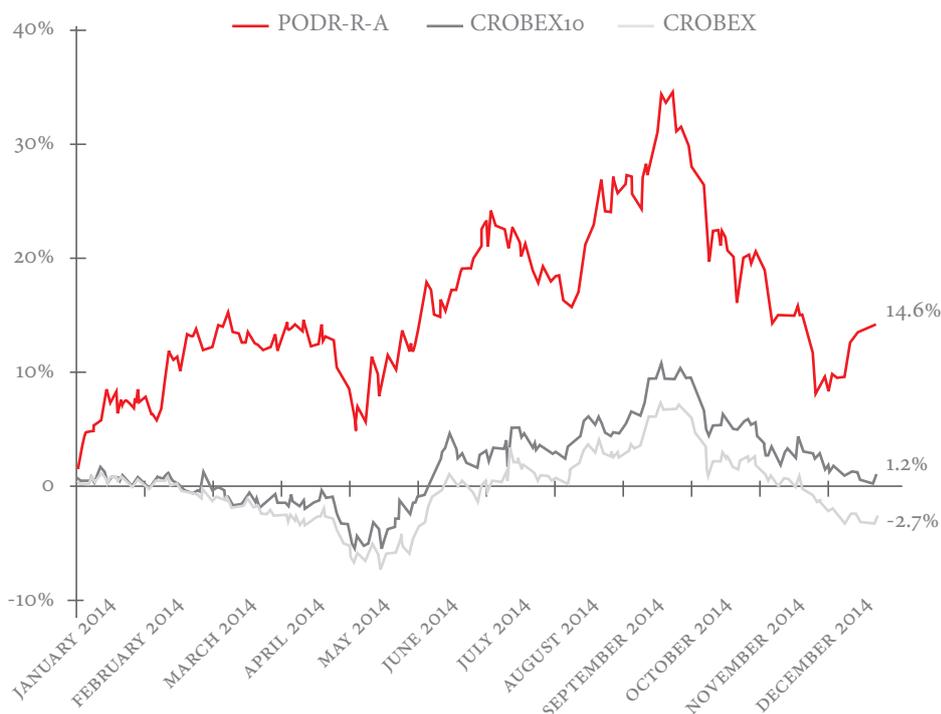
Podravka share average price in 2014 was HRK 296.78 and it was 14.0 percent higher comparing to the average price in 2013. Close price of Podravka share at 31 December 2014 was HRK 293.47, which is 15.3 percent growth comparing to close price on 31 December 2013.

## TURNOVER AND AVERAGE PRICE OF PODRAVKA SHARE



With the above stated share price increase, Podravka's share outperformed stock indices CROBEX and CROBEX10, which in the same period dropped by 2.7% and grew by 1.2%, respectively.

Movement of average daily price of Podravka share and indices CROBEX and CROBEX10

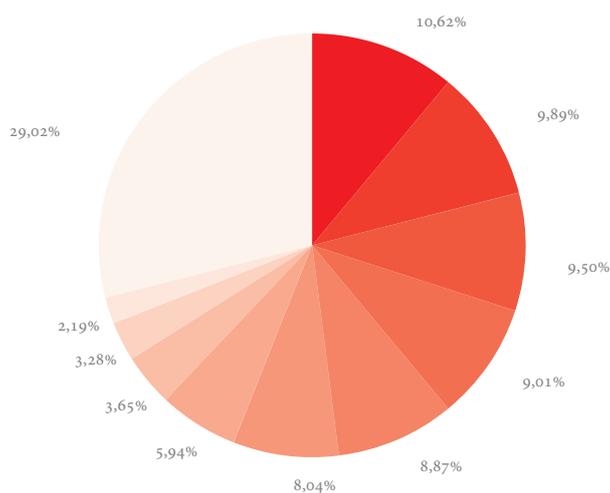


**STOCK MARKET INDICES** Podravka share has been listed in four indices of the Zagreb Stock Exchange – CROBEX, CROBEX<sub>10</sub>, CROBEXnutris and CROBEXtr – and in foreign STOXX® indices.

**RECOMMENDATIONS OF ANALYSTS ON 31 DECEMBER 2014**

RECOMMENDATION PROVIDER	RECOMMENDATION DATE	RECOMMENDATION	TARGET PRICE (HRK)
Interkapital vrijednosni papiri d.o.o.	31 March 2014	Strongly buy	372.70
FIMA Vrijednosnice d.o.o.	28 May 2014	Under revision	n/p
Hypo Alpe-Adria-Bank d.d.	12 November 2014	Buy	404.00
Raiffeisenbank Austria d.d.	30 May 2014	Buy	344.00
Erste Group Bank AG	18 September 2014	Buy	366.00

**OWNERSHIP STRUCTURE**



SHAREHOLDER	NUMBER OF SHARES
STATE PROPERTY MANAGEMENT ADMINISTRATION / CROATIAN PENSION INSURANCE FUND*	575,598
STATE PROPERTY MANAGEMENT ADMINISTRATION/ REPUBLIC OF CROATIA	536,259
ERSTE PLAVI MANDATORY PENSION FUND, CATEGORY B	514,863
AZ MANDATORY PENSION FUND, CATEGORY B	488,106
PBZ CROATIA OSIGURANJE MANDATORY PENSION FUND - CATEGORY B	480,921
UNICREDIT BANK AUSTRIA AG - CUSTODY ACCOUNT	435,910
KAPITALNI FOND D.D.	321,804
RAIFFEISEN MANDATORY PENSION FUND, CATEGORY B	197,766
PODRAVKA D.D. - TREASURY ACCOUNT	177,511
CUSTODY ACCOUNT / STATE STREET BANK AND TRUST COMPANY, BOSTON	118,475
OTHER SHAREHOLDERS	1,572,790
<b>TOTAL</b>	<b>5,420,003</b>

\*CROATIAN INSTITUTE FOR PENSION INSURANCE

**TREASURY ACCOUNT STATUS**

Considering that during 2014 there were no acquiring or releasing of own shares, on 31 December 2014 the situation was unchanged comparing to the year before, and the number of shares was 177,511 of own shares. On 31 December 2014, Supervisory Board members owned 5 shares of Podravka d.d., while Management Board members owned 1,943 shares of Podravka d.d.