



ANNUAL REPORT
PODRAVKA D.D. 2015

Table of contents

Podravka in 2015	3
Research and development	12
New products.....	15
Awards and recognitions.....	18
Social community	22
Activities in environment protection	24
Podravka management systems audits.....	27
Supervisory Board and Management Board members biographies	30
Podravka Supervisory board members biographies	31
Podravka Management Board members	35
Business results.....	37
Podravka expected development	41
Risk factors.....	46
Corporate governance	52
Statement on corporate governance	53
General Assembly	54
Supervisory board.....	55
Management board.....	57
Corporate governance code	59
Annual questionnaire	60
Company securities	70

PODRAVKA IN 2015

(important business events)

Important business events

ESTABLISHED A REGIONAL OFFICE FOR THE MIDDLE EAST AND NORTH AFRICA

In accordance with the new organization of market management and by redefining the market area of operations and focusing on categories and geographic regions, Podravka has established a regional office for the Middle East and North Africa based in Dubai, the economic headquarters of the United Arab Emirates. Nermin Salman, a manager with extensive international experience, was appointed CEO of Podravka office in Dubai. Podravka's office was opened in the framework of JAFZA (Jebel Ali Free Zone) and Podravka became the first Croatian company that has invested in the free zone, which caused a great deal of interest in the business world region.

In addition, registration of the company in Dar es Salaam has been in procedure (Tanzania) as well as registration of the representative offices in Beijing (China), which is a prerequisite for the beginning of operations in these markets.

EXAMINATION OF ORGANIZATIONAL CLIMATE AND JOB SATISFACTION

Since employee satisfaction is the key to success in every company, Podravka started examination of organizational climate and job satisfaction in 2012, which continued in 2015. The results have provided valuable information on how employees perceive the company, which areas they are satisfied with, and where they see room for improvement.

PODRAVKA STARTS MERGE OF MEAT INDUSTRY DANICA D.O.O.

Continuing the implementation of measures to improve operational efficiency, Podravka's management made the decision to initiate the procedure for merging the limited liability subsidiary DANICA d.o.o. Certain restructuring measures, i.e. business rationalisation, have been implemented in Danica d.o.o. over the past three years. Financial business indicators have been improved, and further improvements can be achieved through the full integration of the meat programme into the Podravka's food segment.

STIMULATIVE SEVERANCE PAYMENTS

Workers deciding to leave the company within this Program will receive severance payments amounting to net HRK 5,000.00 for each year spent at Podravka. Considering these severance payments are above those lawfully granted, Podravka wishes to thank to workers willing to participate in this program for their contribution built in the development of this company. 82 workers decided to take the stimulative severance payment of which 55 are Podravka's employees, 7 are from Danica d.o.o. and 20 from Belupo.

INVESTORS' DAY

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 business results in 2014, positive and negative influences on them and guidelines in business and plans in 2015.

EXPORTERS CLUB IN PODRAVKA

14th meeting of the Exporters Club was held in Podravka, one of the first members of the club, founded on the initiative of the business weekly Lider. The importance of the export initiative was stressed by Prime Minister of Croatia, who participated at the event. On behalf of Podravka, CEO Zvonimir Mrcic presented the company throughout the history, as well as the company's product portfolio and financial results, with a focus on international business while presenting the Phase II of the internationalization of Podravka.

CONTROL OVER THE COMPANY MIRNA D.D. ROVINJ

On 31st March the company took over the control of the company Mirna d.d. Rovinj and due to the specific terms of shares purchase and sales in this company, the acquisition resulted in recognizing the negative goodwill amounting to HRK 24.7 million. The stated revenue is a one-off item recognized in the first consolidation of Mirna d.d. and is shown in the net profit on the day of acquisition.

ACQUISITION OF THE MAJORITY PACKAGE OF REGULAR SHARES OF SLOVENIA'S ŽITO

Podravka concluded with the consortium of sellers a contract on acquiring the shares of the company Žito, food industry d.d. Ljubljana, one of the biggest and renowned producers of food products in Slovenia, also having great recognizability in the markets of SouthEast Europe.

Based on the concluded Contract, and after receiving an approval from the authorised agencies for protection of market competition and after complying to the determined contractual obligations, Podravka will acquire the majority package of 51.55 percent of regular shares of Žito, registered under the no. ISIN SI0031108440, at the price of EUR 180.1 per share, i.e. for the total amount of EUR 33,027,818.

With the stated acquisition Podravka consolidates its position and becomes a leader in several additional product categories, significantly improving its market position.

After this transaction is completed, Podravka Group will be at the top of the food industry in the market of Slovenia. Extending the business in complementary product groups, opportunities are created for production, and sales and marketing synergies, improving the business efficiency of both companies and increasing their competitiveness. It is particularly worth emphasizing that this opens the possibility of selling Žito products through Podravka's sales and distribution network in more than 20 countries around the world.

SPECIAL CONTRIBUTION TO PROMOTION OF EXCELLENCE OF CROATIAN ECONOMY IN THE WORLD

For the first time the Ministry of Foreign and European Affairs gave the award of Croatian diplomacy for the special contribution in promotion of excellence of Croatian economy in the world. Podravka was recognized as the best company and awarded with a golden plaque. The reward is based on the results of a poll conducted among the ambassadors, consuls and economic advisers in diplomatic missions and consulates of the Republic

of Croatia abroad. Croatian diplomats choose three companies that according to their experience gave a special contribution in the previous period and made a particularly professional impression by their appearances abroad. This is another confirmation to excellence in the work of the company which is one of the leading in the SouthEast, Central and Eastern Europe, with companies and branch offices in 23 countries around the world, own distribution network in 10 countries and portfolio of about 800 different products present in more than 40 markets around the world.

OPEN INNOVATION DAY

Podravka held its first Open Innovation Day, one of the most innovative days organized in this company. “May 8 be recorded in the history of Podravka as a day we started a new creative cuisine in the company,” said the president of Podravka Management Board.

THE GENERAL ASSEMBLY SUPPORTED THE RECAPITALIZATION AND ORGANIZED EMPLOYEE STOCK OWNERSHIP

Podravka d.d. General Assembly supported all the draft resolutions by the Management Board and the Supervisory Board which were subject of voting. Among numerous decisions, special attention of the public is drawn to the resolution on share capital increase, related to the resolution on introducing ESOP. Company share capital is additionally increase by issuing of 1.7 million of new regular shares at the price of HRK 300. Only employees can participate in the first round through the ESOP program. ESOP program includes giving the right of precedence to employees of PODRAVKA d.d., DANICA d.o.o., BELUPO d.d. and DELTIS PHARM PHARMACIES to the subscription and payment of the shares within Company share capital increase.

ESOP program will also include a remuneration system, offering every employee who acquires company shares exclusively through the ESOP program within the first round of shares subscription and payment, and who keeps all such acquired shares within the period of two to three years, the Company will award it with additional shares. The key principle that Podravka wishes to emphasize is the principle of equality of all workers in participation in the program. All employees will be offered the same terms of participation in the ESOP program.

Basic goals of ESOP program for Podravka are:

- further development of employee loyalty through participation in company ownership
- increase of Podravka productivity based on mid-term and long-term effects of the program (motivation, efficiency, entrepreneurship, dedication...)
- including employees in share ownership at special terms, because such an opportunity was never given to part of the workers
- connecting employee interests with interests of the owners
- creating additional impetus in achieving company strategy, in the sense of connecting growth interests and profitability on the one hand and long-term benefits for the workers on the other.

**THE SUBSCRIPTION TO NEW PODRAVKA
D.D. SHARES WITHIN THE SHARE
CAPITAL INCREASE STARTS**

At the Zagreb Stock Exchange before actual and potential big investors, Podravka d.d. presented share capital increase process, announcing the beginning of the subscription process to new shares of Podravka d.d.

On 7th July started the subscription of new shares of Podravka d.d., in the first round only for employees of Podravka d.d. and related companies, and in the second round for existing shareholders, i.e. shareholders of Podravka d.d., who as on 3rd June 2015 had shares on their non-materialized securities account held at CDCC, up to:

1,385,360 new shares which were not subject of subscription and payment in the first round, in respect to which the existing shareholders have the pre-emption right of subscription and payment, and depending on the outcome of subscription and payment of new shares in the first round, remaining new shares from the first round which possibly were not subscribed and paid for in the first round.

Funds gathered are primarily planned to be used for financing of the acquisition of the shares of Žito d.d. Ljubljana, for investment in business expansion on new markets and as additional source for financing of the new Belupo factory for solid, semi-solid and liquid drugs, aiming to ensure sufficient production capacities for further growth and development“ – Podravka Management Board president Zvonimir Mršić pointed out during the presentation on share capital increase held today.

**SHARE CAPITAL INCREASE PROCEDURE
AND ESOP PROGRAM SUCCESSFULLY
COMPLETED**

All 1,700,000 new shares were validly subscribed to during the 1st and 2nd Round, and total of HRK 510 million was paid in The interest shown for subscription of shares in the first two rounds of share capital increase procedure was 30 percent higher than the number of available shares. Existing shareholders and employees subscribed and paid in total for more than 2.26 million of new shares out of the maximum available 1.7 million shares, which shows exceptional interest in acquiring of Podravka d.d. shares.

In the 1st Round that was intended exclusively for the employees and lasted from 7th July 2015 to 13th July 2015, a total of 88,475 new shares were subscribed and paid by 615 employees.

In the 2nd Round where new shares could be subscribed by the existing shareholders, lasting from 7th July 2015 to 20th July 2015, a total of 2,174,304 new shares were subscribed and paid, where the interest shown exceeded the number of available shares.

The 3rd Round of subscription and payment of new shares was not be conducted, as all the available shares were subscribed and paid during the 1st and the 2nd Round.

CONFERENCE KNOWLEDGE IN FOCUS

In cooperation with domestic and international partners from business and academic community, Podravka organized Knowledge in Focus- business and technological conference on e-learning, collaboration and innovations.

By organizing this conference Podravka continues with the triple-helix approach and, like in the previous two conferences, promotes the importance of association with the business, academic and broader community in order to jointly create a knowledge society.

The registration fee goes to supporting student education as part of the Zlata Bartl Foundation, aimed at promoting and stimulating creative and innovative scientific research work among highly educated young people, particularly in the technical and technological fields, which Professor Zlata Bartl herself was involved in. The Conference raised 30.000,00 kunas which were paid in to the Foundation.

THE CONSTRUCTION OF NEW BELUPO FACTORIES STARTED

Zoran Milanović, the Prime Minister of Croatia, his associates, and other prominent guests were familiarized with the beginning of the construction of new Belupo factory for solid, semisolid and liquid forms of medications worth HRK 400 is also on that track. Factories will be completed in the first quarter 2017 and will employ about a hundred new workers.

The pill-like cornerstone, a piece of art created by the famous sculptor Igor Lenard, was laid by Zvonimir Mršić, President of Podravka Board and Hrvoje Kolarić, President of Management Board of Belupo.

It is the most significant greenfield investments in Croatia this year, which will, once when completed, have a significant impact on GDP growth and an increase in exports, pointed Zvonimir Mrcic, President of Podravka Management Board and Supervisory Board President of Belupo. Podravka Group is on the right track of growth and development; the completed share capital increase procedure brought in the company's „bloodstream“ HRK 510 million.

CORPORATE CONFERENCE FOCUSED ON SETTING AMBITIOUS GOALS

Podravka's corporate conference gathered all company's executive directors, directors of companies from 23 countries in which Podravka operates and representatives of marketing and marketing directors of individual markets. The conference was, among other things, marked by setting of goals and further activities in order to finish the current business year successfully and start the new business year equally ready and ambitiously.

VEGETA IN NEW PACKAGING AND VIDEO

Vegeta - a brand that follows your each and every move in the kitchen and inspires you to new and exciting dishes, has a new packaging. The most famous Podravka brand and your faithful companion in every tastful meal for over the 50 years, these days will be in new packaging design in the

stores. New packaging design in the future will be present in more than 50 markets of the world.

Passion for cooking, creativity and freedom to express ourselves in our own way, are the main features of the Vegeta video, in which creation were engaged the most creative minds from all over the region.

PODRAVKA AMONG TOP 10 CROATIAN EXPORTERS

Podravka has been listed in the top 10 Croatian exporters and is the only food company among them. Being very successful over the years, Podravka took over Mirna, bought Slovenian Žito, proceeded a very successful share capital increase, while enriching the export offensive with significant investments on international market, and thanks to the high growth rate Podravka got the special place on the list of the best ones.

HUMANITY OF PODRAVKA AND ITS EMPLOYEES DURING REFUGEE CRISIS

At the very beginning of the refugee crisis that engulfed Croatia, Podravka responded as a true company with a heart, providing water, baby food and other products for the needy and suffering people. With each product Podravka gave its heart and compassion in the first place, which is far more important than the 15,000 bottles of water, 12,000 snacks and Lino lada and 4500 cans and jam which ended in the hands of refugees. Good organization and humanity of Podravka's employees proved Podravka to be a company with high sensitivity and heart.

ANNUAL GATHERING OF PENSIONERS AND JUBILARIANS

Podravka continues its established tradition of annual gathering of pensioners and jubilarians. Numerous Podravka's pensioners and jubilarians gathered in the big tent placed in front the Soup and Vegeta factory to remind themselves of the times they spent working in Podravka.

NON-REPAYABLE GRANTS FOR KALNIK FACTORY

Factory Kalnik Varazdin and the project "Modernization of vegetable processing", which is registered for the competition through the Rural Development Program Croatia, Measure 04th, received a non-refundable grant of 6.3 million HRK for co-financing the project, that will be paid during 2016. The project includes the modernization of the factory with 7 new investments which will significantly improve the production process. This percentage represents the maximum amount of aid that could be obtained, since the investment is HRK 12.6 million in total.

NEW HIGHLY EDUCATED TRAINEES WITHIN THE SHAPE PROGRAM

35 new trainees began their career on 2nd November in Podravka. The SHAPE program has recruited 95 trainees with university degrees, 35 of them in the first, 25 in the second and 35 in the third generation. Additionally, Podravka has provided employment program for as many as 37 trainees with secondary education.

**BELUPO PROFIT REINVESTED FOR THE
THIRD YEAR IN A ROW**

Beginning of April the Belupo Supervisory Board adopted the consolidated audited financial report of Belupo and its subsidiaries for the last business year. Belupo profit was reinvested for the third year, and the share capital was increased by HRK 189.7 million. After the share capital increase of Podravka d.d. was successfully processed, the share capital of Podravka d.d. was again increased, being paid in cash in October 2015, and now amounts to HRK 410 million.

**PUBLIC OFFERING FOR SHARES
TAKEOVER OF COMPANY ŽITO D.D. WAS
SUCCESSFUL**

Upon completion of the purchase of shares pursuant to a public offering, Podravka has, together with the 183,386 shares of Žito d.d., which it already owned at the date of publication of the takeover bid, a total of 308,820 shares of Žito d.d., which represents 86.80 percent of all issued shares of Žito d.d.. The takeover bid lasted from 23 October 2015 until 23 November 2015. The offer was accepted by 4,291 shareholders, who together were the holders of 125,434 shares of Žito d.d., which represents 35.25% of all issued shares of Žito d.d.

New members to the Supervisory Board of Žito d.d. were also elected: Miroslav Klepač as president, Petar Vlaić as deputy president and Ivan Galović and Rajko Stanković.

I AM ALSO PODRAVKA EMPLOYEE!

Employees whose daily efforts and dedication show that they truly live Podravka values were again awarded, this time in the competition "I am also Podravka employee". From a total of 384 nominations received, 28 employees were awarded. Those were employees nominated through evaluation assessment and argumentation of those who nominated them. The awards were presented at a special Dolcela event with the famous singer Saša Lozar.

OPEN DOOR DAYS

Due to a great interest of children and parents, Podravka once again opened the door for the children of its employees and organized the second Open Door Days this year. Event for children of employees marked the program organized in Podravka headquarters. The valuable event enriched Podravka by unique ornaments on its Christmas tree, children gained new discoveries and unforgettable moments of socializing while parents filled their hearts with a completely new and precious experience.

SWEET HOLIDAYS, EVERYONE!

Podravka's culinary promoters and representatives of the county associations of the Croatian Culinary Association visited a number of institutions in order to share cookies. The aim was to awaken and keep the Christmas spirit by expressing care for our dearest and nearest, but also to remind us of the importance of helping the all citizens, especially children without parental care and the helpless and disabled.

Podravka's team, with the help of Croatian Culinary Association, organized the humanitarian action „Sweet holidays, everyone!“ to share the sweet surprise all across Croatia. Podravka's culinary promoters and representatives of the county associations of the Croatian Culinary Association visited a number of institutions in order to share cookies. The aim was to awaken and keep the Christmas spirit by expressing care for our dearest and nearest, but also to remind us of the importance of helping the citizens in need, especially children without parental care and the helpless and disabled.

**HIGH-LEVEL DELEGATION OF THE
UNITED STATES OF AMERICA VISITED
PODRAVKA**

Delegation was comprised of H.E.Mrs. Julieta Valls Noyes, the ambassador and Mr. Damjan Benčić, Commercial Section Chief.

After the meeting held at the company headquarters, they visited the factory of Vegeta and Podravka meals, so that the USA delegation could see the production process of Podravka's most renowned brand Vegeta, which is being exported to more than 50 countries around the world, USA being one of them.

**REPRESENTATIVES OF THE CANADIAN
EMBASSY ZAGREB VISITED PODRAVKA**

Shortly after the high-level delegation of the United States of America, the representatives of the Canadian Embassy Zagreb visited Podravka as well. His Excellency, Mr. Daniel Maksymiuk, Ambassador and Mrs. Synthia Dodig, Commissioner for Trade in Podravka with Zvonimir Mrcic, CEO of Podravka and Olivia Jakupec, member of Podravka Management Board discussed the business, since Podravka is the largest Croatian exporter to the Canadian market in the segment of food and beverages.

**REGISTRY OF VOLUNTARY STEM CELLS
DONORS**

Pulse Association in cooperation with the Ana Rukavina Foundation organized a praiseworthy action - entry in the Registry of voluntary hematopoietic stem cells donors. 84 Podravka's employees entered the Register, becoming a potential stem cell donors and hope to the suffering and in need. Podravka showed its humanity and willingness to help the ill people, who find our support crucial for their recovery and life.

**INTERNATIONAL CHARACTER OF LINO
ALL-ROUNDER**

Expanding outside the Croatian borders, Lino All-rounder was given an international character. The second season of the project of Podravka and Sportske novosti was opened in BiH. Primary school children from Tomislavgrad hosted the first Lino All-rounder this season, in which were involved 12 primary schools in 11 towns in BiH. Podravka BiH, under the sponsorship of the Federal Ministry of Education, Science, Culture and Sport, Ministry of Education and Culture of the Republic of Serbia, seven county / cantonal ministries and pedagogical institutes and the Department of pre-school and primary education of Brcko District and mediasupport by Sports News, is the organizer of the project Lino All-rounder.

RESEARCH AND DEVELOPMENT PODRAVKA

Support for opening new markets

Activities of Research and development sector are carried out through the following key areas: Product development (food additives and meals, baby food, cream spreads and breakfast cereals, desserts, snacks and milling and bakery products, processed fruits, vegetables and condiments, fish products products, meat products and beverages), Nutrition and sensors, development of technology, development of packaging and development of agriculture. Support to these activities is provided by Quality control, a system of twelve laboratories for quality control and safety (two central and 10 operational laboratories), and Regulatory Affairs and Development Ecology development.

In 2015 a new generation of Lino products for infants was launched (from the age of 4 months up): Lino processed baby food based on cereals enriched with probiotics and Lino purees based on fruit, cereals and dairy ingredients. Enrichment with probiotics (good bacteria) and nutritional profiling was a development and technological innovation. In terms of development, it was a research and development project that was run by the internal capacity of Research and development of Podravka and external stakeholders - Food Technology and Biotechnology University of Zagreb and doctors pediatricians, but in terms of technology, by the realization of investment in production.

The project of nutraceuticals - synergy pharmaceuticals and nutrition, which went on continuously for more than 3 years, and was guided by the office director for research and development, was successfully finished. The project goals were achieved by creating a sales plan of products for special use in 2016 and by the decision of the Board of Podravka on the establishment of a new organizational unit Nutraceuticals, starting 1st January, 2016.

Computerization of business activities in sectors continued in 2015. It is especially worth mentioning the project implementation of SAP modules RDM (Eng. Recipe Development Module), which was installed in order to establish a more efficient document management and create preconditions for the computerization of the product development process. The quality control method optimization project continued, and the investment cycle is focused on the rapid and practical methods of quality control and health safety.

Integration processes of Danica do.o., Mirna d.o.o. and Podravka's biggest acquisition in history - Žito d.d. represented a special organizational and functional challenge.

During the year, intense activities were performed regarding accreditation procedure of Podravka's Research and Development, as a scientific organization at the Ministry of science, education and sport of the Republic of Croatia. A document "R&D Strategic program 2013-2018" was compiled,

including extensive other documentation, which was sent for review to the Croatian Agency for Science and Higher Education. After having evaluated the quality of the material, in mid July the Agency recommended to the Minister in charge of science and higher education to issue a letter of expectations, and thus having successfully completed this project.

Activities of culinary research as well as research of the new area for more efficient product development were regularly performed, through education, culinary and nutritional workshops, culinary prototypes and preparations for reconstruction of the new laboratory in 2016.

Activities in implementing the Nutritive strategy 2014-2024 also continued.

On 22nd May 2015 an agreement was signed between Podravka and Zagreb University on long-term cooperation, starting as of November 2015. Podravka was visited by a distinguished scientist and doctor from Mayo Clinic, USA, dr. Hensrud, due to potential in the area of research and development.

As initiated by Podravka's Research and Development department and supported by the Management Board, in 2014 Open Innovation project was started, implementation team was formed, aiming to establish a new organizational and process model implying usage of internal and external sources of ideas, in order to develop new technologies or services, or to improve the existing ones. In 2015 planned activities within that project continued, and in cooperation with the Human Resources department 1st Innovation Day was held (8th May 2015), and soon 2nd Innovation Day (13th November 11 2015). After conducting an internal research, this brought the desired shift towards promoting the value of employee innovativeness. Additionally, the Management Board passed a new internal act – Rulebook on encouraging employee innovativeness within open innovations in Podravka d.d.

Aiming to test the legal framework, education and internal communication, on 30th October 2015 pilot project by the Human Resources for the Research and Development department started, called "Ideas move the heart. Heart moves everything else...".

R&D presented their contribution on product equipping, their "know-how", active participation in breaking new markets, especially MENA region, Tanzania and China, at the Corporate conference on marketing and sales in September 2015.

Continuous investment in employee competencies and knowledge development continued during the year, and R&D employees participated actively on local, national and international level, by participating at business and expert conferences, creating a regulatory policy (CRO, EU), publishing research and professional works, providing education for the interested academic and social public and by participating in the work of various associations.

NEW PRODUCTS

The focus in 2015 was on revitalising the key portfolio by adding value to the existing portfolio, and on the creation of new differentiated lines of products that strengthen the Podravka portfolio, attract new customers and contribute to the growth of overall categories. Podravka has implemented its investment cycle on domestic and international markets, and was particularly active in opening new markets.

One of the most important marketing events for the company was the start of the revitalisation programme for Podravka's most international brand - **Vegeta**, which included several steps: a new visual identity to bring the brand a feel of the modern and natural, new formulations of special food seasoning lines (Vegeta Grill and Vegeta Twist) in accordance with the company's nutritional strategies and the new communications platforms, which take exceptional advantage of digital communication channels alongside classical channels. This is the result of the new positioning, aimed at rejuvenating the brand and creating an emotional connection with consumers and making products more attractive to the Millennials generation. 2015 was also the year of **Podravka soups**. A great step forward was made in the innovation of the cream soup sector: the cream soup line was relaunched with new and improved formulas in accordance with the nutritional strategy and a contemporary visual identity, as a continuation towards building a unique premium line Wealth of Vegetables, and relaunching the line of instant soups Fini-Mini.

A great innovation cycle was also made in the brand Lino, with the introduction of a series of new products in the Children's food line, with new benefits for consumers: the gluten free and probiotic enriched 4+ line, the line intended for preparation with water resulting from investments in new technologies, the multigrain Junior line, and the fruit puree line. The Lino brand also intensified and innovated its communication with consumers in the Kids line (cereals and cream spreads), which has ultimately resulted in a strengthening of the brand's market position in the Adria region.

In the Desserts category, with the **brand Dolcela**, the portfolio of puddings has been revitalised through recipe innovations. The brand has also entered into the category of cake decorations, with the aim of attracting new consumers and strengthening the loyalty of existing customers. In communications with customers, Dolcela has launched an original mobile application, enabling customers to have continuous and interactive inspirations with their favourite desserts to take pleasure in those little moments.

The creation of Podravka's **Mediterranean platform** was completed in 2015, and brings together the category of tomato, fish, pasta and tomato-based sauce. The new visual identity has been implemented in all categories, and a new communication platform created as an added value to bring the concept of the Podravka Mediterranean culinary expertise closer to the consumers of the Adria region and Central Europe.

In the category of **Meat products**, the acquired Piketa and Classic brands were integrated into the Podravka portfolio and visual identity, and the focus was placed on optimisation of the portfolio.

In the newly created **Food solution** category, a pilot project of frozen ready-made meals was implemented for the HORECA channel on the Croatian market. Podravka ready-made meals enable buyers in the HORECA channel to offer their guests some of the best known classic Croatian dishes, such as Dalmatian pasticada (braised beef), sarma (cabbage rolls) or bean stew, as the result of creations by Podravka's culinary experts and technologists. This is a true innovation in this distribution channel.

Another important focal point in 2015 was the opening of **New markets**, through the preparation and adaptation of product lines. The key brand is Vegeta, and in addition to the Vegeta universal and special seasonings, the Vegeta soups line was launched. Products from the category Lino World and from the Dolcela desserts line were also launched, specially targeted towards the markets of the MENA region.

FURTHER DEVELOPMENT OF DIGITAL COMMUNICATION

In 2015, significant efforts were focused on the further development of digital communication. A total of 13 new online communications platforms were launched, including new language versions of the corporate websites and new applications and profiles for established communications channels. Coolinarika was modernised in terms of its content and functionality in 2015, which resulted in 23.9 million unique visitors (13% increase over 2014) and 643.4 million page views. Strong progress was also made in the production of online video content through the filming of video-recipes and their multiple use through placements on all current Podravka online communication platforms.

AWARDS AND RECOGNITIONS

REPEATED SUCCESS - SUPERBRAND IN SLOVAKIA

Slovak Superbrands 2015 is a recognition that Podravka has received for the third year in a row, and four times overall, for the Slovak market. Podravka first won Superbrands Slovakia in 2006, and proved its status again in 2013 and 2014. The Superbrand award was given to Podravka by the leading Slovak experts for trademarks, ranking the company among the very best for quality and recognisability, thus spurring our company's reputation.

VEGETA MARINADE – PRODUCT OF THE YEAR IN SLOVENIA

Slovene consumers have recognised Vegeta Marinade as the best in the category Food Seasonings. This year was Podravka's first in participating in the Product of the Year (Produkt Leta) 2015 in Slovenia, and the awards ceremony was held at the Cankarjevo Dom hall in Ljubljana. Product of the Year is an award voted by consumers for the most innovative products in the preceding year. The award is granted based on customer satisfaction surveys conducted by the agency AC Nielsen.

THREE RECOGNITIONS FOR PODRAVKA AT THE COMMUNICATIONS DAYS

At the national advertising festival, Communication Days in Rovinj, Podravka received three important recognitions. The corporate website www.podravka.hr was proclaimed the best website, winning the Mixx award in the website category. In the competition for most effective ad campaign, Podravka's campaign "Heart of your Dish" won a bronze Effie award in the Food category. Belupo proved that the pharmaceutical industry, typically perceived to be a conservative advertiser, when paired with a good creative agency can create solutions with a recognisable X factor, which brought its Neofen campaign the IdejaX award.

SEVENTEEN PRODUCTS RECEIVE SUPERIOR TASTE AWARD

Seventeen Podravka products have received recognition for their superior quality and taste from the International Product Taste and Quality Institute at its official awards ceremony in Brussels. This is further recognition of the superiority of taste and confirmation of our quality, regardless of the product category. These prestigious awards went to the products: Podravka Lemon-Lime tea, Studena, Podravka Ajvar (mild and spicy), Podravka liver pate, Lino Wafelada Duo, Fant fine stew spice blend, Fant fine oven baked stew blend, Podravka cream of squash soup, Vegeta Asia, Fant spice blend for oven-baked stuffed peppers, Podravka cream of mushroom soup, Podravka cream of asparagus soup, Vegeta beer-based marinade, Dolcela Gourmet vanilla pudding with strawberry pieces, Dolcela gourmet chocolate pudding with orange zest, and Lino choco drink.

PODRAVKA TAKES THE SILVER MEDAL AT THE 24TH WORLD FOOD FAIR IN MOSCOW

The 24th annual World Food Fair was held at Moscow's Krasnaja Presnja Expo Centre, and Podravka took part. An important event at the fair was the International Expert Tasting of Food Products and Beverages "Product of the Year 2015". Podravka presented its Ajvar Mild vegetable relish. For its high quality and exceptional natural flavour, Ajvar Mild received the silver medal in the category "Processed fruit and vegetable products".

**PODRAVKA AGAIN RECEIVES THE
RECOGNITION PEČAT BONITY**

Podravka Slovakia has repeated its success, by again receiving the recognition Pečata bonity. This is a prestigious prize awarded by the Slovak Agency for Information and Marketing, and the National Information Centre of the Slovak Republic, which has developed a model to assess business entities using predictive financial analysis methods. The criteria for receiving this recognition are exceptionally demanding, and only a small percentage of business entities present on the Slovak market can boast of having the recognition Pečata bonity.

**PODRAVKA WINS PRESTIGIOUS W³
MARKETING AWARD**

In cooperation with the Adcorp marketing agency, Podravka's company in Sydney came up with a very interesting marketing campaign for various communication platforms based on online marketing, to promote the wide range of Vegeta products on the Australian market. In addition to achieving impressive results, the campaign also took the prestigious silver medal at the W³ Awards competition in the food and beverage category.

**VEGETA.HR AND PODRAVKA.HR – BEST
WEBSITES IN 2015**

Podravka has once again proved that it is a trendsetter in digital communication, with two Masterweb prizes won in the category of Best Corporate Website in 2015.

At the conference Web::Strategy 16 – Digital Marketing Laboratory, an event that brings together the leading experts from the fields of IT and digital marketing and pointing the way for future trends, the Masterweb prizes are given out to the very best, including Podravka.

In the category of best corporate website in 2015, among the three prize winning solutions, two were Podravka websites: Vegeta.hr (by: Nivas d.o.o.) and Podravka.hr (by: Web.burza).

**FOURTH YEAR IN A ROW – SLOVAK
SUPERBRANDS**

On the Slovak market, Podravka is proud to bear the mark “Slovak Superbrands 2016”. This is a renowned recognition given to Podravka for the fifth time, and this is the fourth year in a row. In Slovakia, Vegeta is sold under the tradename Podravka, though this is the same food seasoning product, and still bears all the recognisable Vegeta attributes (blue colour, chef, vegetables...).

**PODRAVKA SOUPS - A WEALTH OF
VEGETABLES – PRODUCT OF THE YEAR
IN SLOVENIA**

After Slovenian consumers selected Vegeta Marinade as a Product of the Year in 2015, this year they gave their volte to the Podravka soups - a Wealth of vegetables as the best in the soup category. The prize Product of the Year (Produkt leta) is awarded every year for new products on the market and is voted by consumers participating in independent surveys. The assess new products in four categories: innovativeness, attractiveness, satisfaction and intent to buy. The mark 'Produkt leta' is a guarantee for consumers that the products bearing this market are the best product in that category, and facilitating the decision to buy it.

**BEST PRODUCT AT “PRODEXPO 2016”
IN MOSCOW**

Podravka presented its products and business capabilities at the 23rd annual international food fair ProdExpo 2016 in Moscow. An important part of the fair was the international competition Best product – 2016, where Podravka received the gold medal for its products Vegeta and Sweet Paprika. This is the largest fair for food products, beverages and raw materials for their production in the region of Russia and Eastern Europe, with more than 2000 exhibitors from 65 countries.

**WOMEN CHOSE PRODUCT OF THE YEAR
- VEGETA AND LINO LADA JAFFA**

Within the Product of the Year project, organized for the fourth time by the most visited Croatian portal for women. žena.hr, among the most popular products according to court readers portal žena.hr. on the Croatian market two Podravka products found their place. In the category of finished products and foods Vegeta universal Award won the award Product of the Year, and in the category of Baby food the reward went to Lino Lada.

Among more than 500 nominated products in the segment of consumer goods, almost twenty-eight thousand readers portal žena.hr responded the voting. Readers chose the most popular products divided into 27 categories.

SOCIAL COMMUNITY

**PODRAVKA - SOCIALLY RESPONSIBLE
PARTNER FOR THE COMMUNITY IN
WHICH IT ACTS**

Podravka promotes application of norms of socially responsible business, and compliance of economy with development goals of the social community and with preserving the environment for future generations.

Socially responsible business is the constituent part of the identity and business activities of Podravka, and it represents yet another added value for the company, next to creativity, trust, passion, consumer satisfaction and excellence.

Namely, being aware of its influence and responsibility towards the social community, Podravka is actively involved in life processes of its employees, but also of the entire community in which it operates. It actively supports and conduct the programs of informing and counseling about preserving the health of its employees, members of their families and the local community. Also, with the high standards of product quality, over the long number of years Podravka has built and kept the trust of its consumers. Relationships with partners are being built and maintained through mutual respect and trust, and in its production processes Podravka tends to use as little as possible of the non-renewable resources and to produce less waste, having environment protection in mind. Present in the homes for over 60 years, it tries to be the company which achieves gains consumer trust by providing culinary pleasure as well as by caring for their health.

Implementing specific projects, it contributes to the development and increasing the quality of life of its employees, but also of the wider social community and ever since it was founded, it has been investing in science and education, sustainable development, culture, art and sport, and promoting corporate social responsibility. Promoting healthy living, professionally upgrading the employees and encouraging their excellence and creativity, as well as the sensitivity for the needs of the social community, Podravka acts socially responsibly towards organizations, associations and subjects in local community of its headquarters, as well as in other regions where it has subsidiaries.

In its future business Podravka will with pleasure continue to satisfy the desires and needs of the social community, as well as those of the consumers in more than 40 countries around the world, because their confidence is the confirmation of our positive action.

ACTIVITIES IN ENVIRONMENT PROTECTION

Podravka d.d. continuously develops and improves processes, products and services, aiming to reduce negative effect on the environment. The basis of such activities in the area of environment protection is the Environment Protection Policy, whose core are the guidelines for permanent improvement and reduction of all kinds of pollutions. The Ecology department defines goals that are focused on coordination, internal communication and giving proposals for improving the activities in the area of environment protection.

All the operative tasks in the Ecology department have been performed aiming to improve the results in regular activities of waste water purification, waste management, pest control, waste water control and participation in the work of organizations in the area of environment protection.

Aiming to timely inform the employees on the obligations deriving from regulations on environment protection, a List of laws and regulations is continuously being kept and systemically maintained at Podravka, tracking all the changes in environment protection.

In 2015 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.

Based on defined fundamental goals of Podravka in the area of environment protection, a series of planned activities were performed in 2015, resulting in significant economic, environmental and social achievements.

Most significant accomplishments in 2015

Biomass boiler room construction project started in the industrial zone Danica. All the conditions for issuing a construction permit have been met, and construction start is planned in 2016.

Intended purpose of the new plant is the production of steam, and as basic fuel forest biomass will be used. Biomass belongs in the category of renewable energy sources and introducing such technology contributes to measures for reducing CO₂ emissions from the energy sector, which once again proved that Podravka contributes to preserving the environment.

- The first solar collector was installed for preparation of hot water at location A. Starčevića 32, Koprivnica, aiming to reduce the consumption of natural gas, the primary power source, and thus reduce produced CO₂.
- For management needs, the Management Board procured an electric car Tesla, and also leased two electric cars Mitsubishi i-MiEV, intended

for local driving. Procuring these vehicles with reduced CO₂ emissions, Podravka one again proved how it sets and tracks new trends, and most importantly, it takes care about environment protection and energy efficiency.

- Active participation in activities deriving from obligations defined by EU Emissions Trading System (EU ETS). Plans for tracking green gas emissions have been revised, considering the changes arisen from the fact that Danica d.o.o. was reintegrated to Podravka d.d. Podravka's ETS team consisting of authorised and additionally authorised representatives, contributes with its activities to timely compliance to legal obligations and submits emission units to the EU Register and provides guidelines for purchasing emission units.
- At the location A. Starčevića 32, Koprivnica ESCO model was introduced with the purpose of achieving rational way of water usage
- All power sources are continuously tracked, and more precise tracking of relations between consumption and production of heat energy is introduced
- Pursuant to legislature, appointed Commissioner for waste and Deputy commissioner for waste have attended and successfully completed the program of basic education for waste management
- Sewage system at the location Starčevićeva, Koprivnica was tested for water tightness
- On all locations of Podravka d.d. waste management system advancement was continued, allocating an area for temporary warehousing of waste and by educating the employees.

PODRAVKA MANAGEMENT SYSTEMS AUDITS IN 2015



During 2015, audits by authorised certification authorities were performed on the quality management and food safety systems, compliant to several international standards.

Audits performed refer to the entire Podravka Group in the Republic of Croatia, except for Belupo, Podravka Lagris, Czech Republic and Mirna d.d.

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. (ALL LOCATIONS IN CROATIA) DANICA D.O.O., KOPRIVNICA	CERTIFICATION AUTHORITY SGS
2	HACCP COMPLIANT TO CODEX ALIMENTARIUS	PODRAVKA D.D. (ALL LOCATIONS IN CROATIA) DANICA D.O.O., KOPRIVNICA	CERTIFICATION AUTHORITY SGS
3	IFS FOOD, VERSION 6 INTERNATIONAL FEATURED STANDARDS - FOOD	PODRAVKA D.D. HEADQUARTERS, KOPRIVNICA VEGETA AND SOUPS FACTORY, KOPRIVNICA BABY FOOD AND SWEET SPREADS FACTORY, KOPRIVNICA DANICA FACTORY, KOPRIVNICA KALNIK FACTORY, VARAŽDIN VEGETABLE FACTORY, UMAG	CERTIFICATION AUTHORITY SGS
4	BRC, ISSUE 6 (BRITISH RETAIL CONSORTIUM) GLOBAL STANDARD FOR FOOD SAFETY	PODRAVKA D.D. HEADQUARTERS, KOPRIVNICA VEGETA AND SOUPS FACTORY, KOPRIVNICA BABY FOOD AND SWEET SPREADS FACTORY, KOPRIVNICA	CERTIFICATION AUTHORITY SGS
5	FSSC 22000 FOOD SAFETY SYSTEM CERTIFICATION	DANICA D.O.O., KOPRIVNICA	CERTIFICATION AUTHORITY SGS
6	NSF	STUDENAC FACTORY, LIPIK	NSF INTERNATIONAL
7	HALAL	DANICA FACTORY, KOPRIVNICA VEGETA AND SOUPS FACTORY, KOPRIVNICA BABY FOOD AND SWEET SPREADS FACTORY, KOPRIVNICA KALNIK FACTORY, VARAŽDIN FRUIT FACTORY, KOPRIVNICA SNACKS FACTORY, KOPRIVNICA PODRAVSKA KLET RESTAURANT, KOPRIVNICA	HALAL CERTIFICATION CENTER

NO.	STANDARD	LOCATIONS	AUTHORISED BODY
8	KOSHER	KALNIK FACTORY, VARAŽDIN VEGETA AND SOUPS FACTORY, KOPRIVNICA FRUIT FACTORY, KOPRIVNICA SNACKS FACTORY, KOPRIVNICA MILL, KOPRIVNICA	RABI KOTEL DADON
9	EQM - EMIRATES QUALITY MARK	STUDENAC FACTORY, LIPIK	ESMA

Comparing to the years before, during 2015 the following changes have been introduced:

- Kosher certification for Mill, at market request
- auditing for Vegetable Factory, Umag, in compliance with IFS standard
- EQM auditing for Studenac Factory Lipik (Studena and Studenac) by ESME.

SUPERVISORY BOARD AND MANAGEMENT BOARD MEMBERS BIOGRAPHIES

Podravka Supervisory Board members biographies

DUBRAVKO ŠTIMAC
PODRAVKA SUPERVISORY BOARD
PRESIDENT

Dubravko Štimac, Podravka Supervisory Board president 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. 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. Early 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. In 2006 he was appointed to the position of Supervisory Board member of Podravka, and deputy president in 2012. He is a member of Podravka Remuneration Committee. He has been performing the duties of Supervisory Board president since 24th February 2012.

MATO CRKVENAC
PODRAVKA SUPERVISORY BOARD
DEPUTY PRESIDENT

Mato Crkvenac, Podravka Supervisory Board deputy president 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. 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 associate professor and in 1991 as full-time professor. He is a member of Podravka Audit Committee. of Podravka Supervisory Board deputy president since 24th February 2012.

IVO DRUŽIĆ
PODRAVKA SUPERVISORY BOARD
MEMBER

Ivo Družić, Podravka Supervisory Board member graduated from the Faculty of Economy in Zagreb in 1973, and received his MA in 1981 and PhD in 1988. He is permanently employed at the Faculty of Economy and Business in Zagreb as a full time professor. He is also 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). He also published 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 has been performing the duty of Supervisory Board member since 23rd February 2012.

MILAN STOJANOVIĆ

PODRAVKA SUPERVISORY BOARD
MEMBER

Milan Stojanović, Podravka Supervisory Board member graduated in 1978 from the Faculty of Industrial pedagogy in Zagreb, and in 1986 he received his MA from the Faculty of political sciences in Zagreb. He spent 35 years of service as a director or a manager in the field of economy. At the same time, in the period from 1990 to 1996, he was a representative in the Croatian Parliament in two terms. He was also a Management Board president for the Development and Employment Fund in the Republic of Croatia. He published series of research papers in marketing and economy and twice elected as manager of the year. He is retired and performs the function of the Supervisory Board President at Zlatna igla Siscia d.o.o. He is also a member of Podravka Remuneration Committee. He has been performing the 6th July 2012.

IVANA MATOVINA

PODRAVKA SUPERVISORY BOARD
MEMBER

Ivana Matovina, Podravka Supervisory Board member graduated in 1996 from the Faculty of Economy in Zagreb, Accounting and Finance course. She started her professional career as accounting manager, and in 1997 she became a director of KPMG Croatia. In 2009 she became a partner and director of Cinotti revizija i savjetovanje d.o.o. and worked in fields of auditing, internal auditing, accounting and business counseling and education. In late 2011 she founded Antares revizija i savjetovanje d.o.o., where she worked 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, lecturer for the Croatian auditing chamber (Audit course), and since 2008 she teaches at the Zagreb School of economy and management. She is also a certified Croatian auditor and certified accountant of Great Britain. She is a Member of Podravka Audit Committee and member of Supervisory Board of BELUPO d.d. Podravka Supervisory Board member since 6th July 2012.

DINKO NOVOSELEC

PODRAVKA SUPERVISORY BOARD
MEMBER

Dinko Novoselec, Podravka Supervisory Board member graduated math at the Faculty of Science in Zagreb, and in 2000 he received his CFA (Chartered Financial Analyst) title, a program organized by an American Association of Investment Professionals (CFA Institute). 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 is the president of Podravka Audit Committee. Hsupervisory Board member since 7th September 2010.

PETAR VLAIĆ
PODRAVKA SUPERVISORY BOARD
MEMBER

Petar Vlaić, Podravka Supervisory Board member 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 (CFA Institute). He started his professional career as a broker in Ilirika, Slovenia 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. While working at the association for private investment fund management, he was also a Supervisory Board member of numerous Croatian companies. He is a member of Podravka Audit Committee and president to the Remuneration Committee. He has been performing the duties of

PETAR MILADIN
PODRAVKA SUPERVISORY BOARD
MEMBER

Petar Miladin, graduated from Law Faculty in Zagreb and in 1999 he received his MA from Commercial and Companies law. 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. He is employed at the Law Faculty in Zagreb in 1997 as a junior assistant at the Department for Commercial Law and Companies Law. . He published over twenty scientific works in the area of commercial law, companies law and banking law. He has been performing the duties of Supervisory Board member since 7th September 2010.

KSENIJA HORVAT
PODRAVKA SUPERVISORY BOARD
MEMBER

Ksenija Horvat, Supervisory Board member, began her career in Podravka in 1984 in an administrative position, and after successfully continuing her education while working, she took on commercial tasks for the Croatian market, where she works even today.

In 2001, serving as the representative of the largest union in Podravka, PP-DIV, she took on a full time role in the union and has since been one of the leading union negotiators in improving the rights of Podravka employees through the collective agreements for the Podravka Group. In 2002, she was first elected into the Podravka Workers' Council, and from 2013 to the

present day, she has served as chairwoman of that Council. She first served as the workers' representative in the Podravka Supervisory Board from 2004–2012, and in that period also served as vice-chairperson of the Supervisory Board, and interim chairperson of the Supervisory Board in the period 2009–2010. Ksenija Horvat was appointed member of the Podravka d.d. Supervisory Board in 1st July 2015 by the company Workers' Council.

MARTINKA MARĐETKO-VUKOVIĆ
PODRAVKA SUPERVISORY BOARD
MEMBER

Martinka Marđetko-Vuković, Supervisory Board member, holds a degree of safety engineer, and also finished two-year School of Agriculture. She started her professional career in Podravka in 1979 as an administrator, and later advanced to the position 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 works as an adviser to sector director for occupational safety at Human resources. She was elected Supervisory Board member by the company Workers' Council. She was performing the duties of Supervisory Board member since 8th April 2011 till 30th June 2015.

Podravka Management Board members

ZVONIMIR MRŠIĆ

MANAGEMENT BOARD PRESIDENT

Zvonimir Mršić, Management Board president 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). He joined Podravka in 1990, where until 1998 he built his professional career as the head of and Manager of Public Relations Department. Apart from building his professional career, he also accomplished a very successful political career as a Deputy Mayor of the City of Koprivnica, and later Mayor of Koprivnica in three terms. He has been performing the duties of Management Board president since 24th February 2012.

OLIVIJA JAKUPAC

MANAGEMENT BOARD MEMBER

Olivija Jakupac, Management Board member graduated from the Faculty of Organization and Informatics in Varaždin, Marketing and she also attended international business school Center, Brdo kod Kranja. She started her professional career in 1992 when 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 on the Russian market. In 2001 she returned to Koprivnica and became Market Communication manager. In 2004 she transferred to Noxe Group and became director of Noxe company in Bosnia and Herzegovina. Since 2007 she worked as assistant director at Jadransko osiguranje branch office in Koprivnica. She has been performing the duties of Management Board member since 24th February 2012.

MIROSLAV KLEPAČ

MANAGEMENT BOARD MEMBER

Miroslav Klepač, Management Board member 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. 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 in charge of strategy. 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, and in 2009 he became HT Management Board member for Bosnia and Herzegovina, and afterwards Supervisory Board member for that company. He has been performing the duties of Podravka Management Board member since 24th February 2012.

HRVOJE KOLARIĆ
MANAGEMENT BOARD MEMBER

Hrvoje Kolarić, Management Board member, graduated from the Faculty of Pharmaceutical and Biochemical Sciences of the University of Zagreb in 1998, and from International Business School (IEDC) Bled, Slovenia also received the title of Master of Business Administration (MBA). He actively participated in numerous education courses to acquire sales and negotiation skills, training for the first management tier, sales efficiency, qualifications in financial matters etc. In his career, prestigious positions stand out, such as Director of pharmaceuticals and business development at Bristol-Myers Squibb and the Director of pharmaceuticals of PharmaSwiss d.o.o. and company director of PharmaSwiss d.o.o. Croatia. He also managed the business processes related to cooperation with Belupo in the production of cardiological line of Pravachol. 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. Two years later he was appointed Belupo Management Board president. He has been performing the duties of Management Board member since 20th December 2012.

BUSINESS RESULTS

**MAIN BUSINESS HIGHLIGHTS OF
PODRAVKA INC. IN 2015 (CONTINUING
AND DISCONTINUED OPERATIONS)**

In 2015, Podravka Inc. recorded sales of HRK 1,870.6 million, which is a 6.5% growth compared to the same period of the previous year. The increase in sales is primarily a result of the increase in sales of the culinary category and the baby food, breakfast foods and other food category.

Total operating expenses of Podravka Inc. in 2015 amounted to HRK 1,794.2 million, which is 9.2% higher than in 2014. The most significant growth was recorded by sales and distribution costs and marketing expenses.

Following the movements of operating income and expenses, the operating profit of Podravka Inc. in 2015 amounts to HRK 91.2 million, while in 2014 it amounted to HRK 130.3 million. The operating result was also affected by the integration of Mirna and Danica in 2015.

In 2015, net finance income of HRK 53.1 million were recorded, while tax liability is negative and increases the net profit by HRK 12.7 million due to, among other things, utilisation of tax losses of the consolidated company Danica. Consequently, in 2015, Podravka Inc. recorded net profit of HRK 157.0 million.

Total assets of Podravka Inc. as at 31 December 2015 amount to HRK 3,259.1 million and compared to the end of 2014 they are higher by 26.2%, as a consequence of the consolidation of companies Mirna and Danica. The most significant change was recorded on non-current tangible assets that increased by 43.9% in the observed period. On the equity and liabilities side, the most significant change was recorded in the item share capital, which increased by 58.5% following the decision on reinvestment of the net profit for 2014 and issuing of 1,700,000 new shares with the nominal value of HRK 220.00 per share. On 3 June 2015, the General Assembly adopted the decision to reinvest net profit for 2014 in a way that a portion of the net profit is used to increase the registered capital of Podravka Inc.

Cash flow from operating activities in 2015 amounted to HRK 92.7 million as a result of the realised operating business and changes in the working capital. Cash flow from investing activities at the same time amounted to negative HRK 533.4 million, primarily due to cash used for the acquisition of equity and debt financial instruments, in relation to the acquisition of the Žito Group. In the same period, cash flow from financing activities amounted to positive HRK 447.4 million, primarily due to receipts from issued 1,700,000 new shares. In 2015, total cash and cash equivalents increased by HRK 6.6 million, and consequently, cash and cash equivalents as at 31 December 2015 amounted to HRK 95.4 million.

Podravka Inc. has classified beverages segment as discontinued operations. Since the date of reclassification, beverages segment hasn't been monitored and analysed as continuing operations. Following pages include key company's business characteristics related to continuing operations.

MAIN BUSINESS HIGHLIGHTS OF PODRAVKA INC'S CONTINUING BUSINESS OPERATIONS IN 2015

(IN HRKM)	2015	% OF SALES	2014	% OF SALES	CHANGE
SALES REVENUES	1,781.7	100.0%	1,668.2	100.0%	6.8%
COST OF GOODS SOLD	(1,178.7)	(66.2%)	(1,035.8)	(62.1%)	13.8%
GROSS PROFIT	603.0	33.8%	632.3	37.9%	(4.6%)
OTHER INCOME	14.8	0.8%	18.1	1.1%	(18.3%)
GENERAL AND ADMINISTRATIVE EXPENSES	(165.0)	(9.3%)	(182.7)	(11.0%)	(9.7%)
SELLING AND DISTRIBUTION COSTS	(178.4)	(10.0%)	(166.1)	(10.0%)	7.4%
MARKETING EXPENSES	(160.8)	(9.0%)	(143.3)	(8.6%)	12.2%
OTHER EXPENSES	(5.0)	(0.3%)	(6.3)	(0.4%)	(20.8%)
OPERATING PROFIT	108.6	6.1%	151.9	9.1%	(28.5%)
FINANCIAL INCOME	94.4	5.3%	116.8	7.0%	(19.2%)
FINANCIAL EXPENSES	(41.3)	(2.3%)	(45.1)	(2.7%)	(8.4%)
NET FINANCIAL INCOME / (EXPENSES)	53.1	3.0%	71.7	4.3%	(25.9%)
PROFIT BEFORE TAX	161.7	9.1%	223.6	13.4%	(27.7%)
INCOME TAX	12.7	0.7%	(0.4)	(0.0%)	(3,392.7%)
NET PROFIT FROM CONTINUOUS OPERATIONS	174.4	9.8%	223.2	13.4%	(21.9%)

Podravka Inc. recorded HRK 1.7 billion of sales revenues from continuing business operations in 2015, which is 6.8% higher when compared to 2014. Operating profit amounted to HRK 108.6 million in the period under consideration, which is 28.5% lower when compared to the 2014. Net profit from continuous operations reached HRK 174.4 million in 2015, compared to HRK 223.2 million in 2014.

**MAIN BUSINESS HIGHLIGHTS OF
PODRAVKA INC'S DISCONTINUING
BUSINESS OPERATIONS IN 2015**

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.

(IN HRKM)	2015	% OF SALES	2014	% OF SALES	CHANGE
SALES REVENUES	88.9	100.0%	87.8	100.0%	1.2%
COST OF GOODS SOLD	(57.6)	(64.7%)	(59.1)	(67.3%)	(2.6%)
GROSS PROFIT	31.4	35.3%	28.7	32.7%	9.1%
OPERATING EXPENSES	(37.3)	(41.9%)	(39.1)	(44.5%)	(4.6%)
OTHER EXPENSES	(11.5)	(12.9%)	(11.2)	(12.7%)	2.4%
OPERATING LOSS	(17.4)	(19.6%)	(21.5)	(24.5%)	(19.2%)
LOSS BEFORE INCOME TAX	(17.4)	(19.6%)	(21.5)	(24.5%)	(19.2%)
INCOME TAX	-	-	-	-	-
NET LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	(17.4)	(19.6%)	(21.5)	(24.5%)	(19.2%)

Sales revenues from beverage segment in 2015 were slightly above comparable period. At the same time, cost of goods sold dropped by 2.6%, which resulted with 9.1% gross profit improvement. Operating expenses were 4.6% lower, resulting with HRK 17.4 million of operating loss in 2015.

PODRAVKA EXPECTED DEVELOPMENT

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

Further internationalization of business, preserving position on domestic market, modernization of processes will be the company focus in the upcoming periods. Apart from organic growth, further expansion is expected inorganically - by acquisitions and strategic alliances.

In Food business a strong investment cycle is started, and an additional growth potential is continued in cooperation between two business areas, aiming to achieve synergy.

In the markets of Adria region, Podravka aims to be the leading manufacturer of branded products, by supporting all activities related to strengthening market positions in food, consolidating the food part of business and expanding the product range. In Europe region, Podravka strives advancing business, focusing on profitable categories, and strengthening presence in the markets of Western Europe.

In the markets of Russia, Baltic and cis, Podravka is recognizable and well positioned. Growth is planned to be achieved by expanding the product range and strengthening distribution in chains.

Revenue growth is expected also on New markets, and particularly due to established business in the market of China, Middle East and Africa, with which Podravka shows determination in further strengthening of business internationalization. In the mentioned markets, full potential of Podravka's strongest brands - Podravka, Dolcela and Lino - will try to be used.

- 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 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 industry average 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 solutions for the consumers.
 - To contribute to general community development with its activities.

Key factors of success

Three pillars of success:

COMPANY STRENGTHS AND VALUES

Employees

Key of Podravka's success are dynamic, creative and successful employees and their knowledge and skills. Creativity, trust, passion, consumer satisfaction and excellence are the key values of Podravka and they make comparative advantage in the market.

Quality

A feature that is a value of every Podravka's product is quality. Every product carrying the name Podravka 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. Consumer trust is necessary for company growth and is a key element for building a successful brand.

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 partners and consumers are the most valuable external potential of the company 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.

PROFITABLE GROWTH

Vegeta, Podravka and Lino

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

Market development

Podravka Group consists of Podravka d.d. and 35 companies, which is a proof of company strength and the quality of 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

Key factor of company development will be further internationalization of business, with a powerful step forward to international markets, which would significantly increase revenues on those markets in the upcoming period.

Business investments

By increasing operating efficiency, additional capital is released, and Podravka intends to invest it into further business. An investment cycle is started along with significant investments in marketing on markets from which future growth is expected.

Strategic partnerships and acquisitions

Podravka 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

Compliant to principles of sustainability and responsible business, Podravka tries to use less resources and to produce less waste. We are therefore devoted to listening to the needs of consumers, employees and local communities, dedicated work on development and quality products, and constant care for health and environment.

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 discontinuing low-profitable segments, Podravka showed that it puts focus on profitability by restructuring certain areas of business and thus tries to release the capital intended for investment in more profitable categories.

Purifying the production range

Taking care of the products range Podravka aims to understand the con-

sumer, to provide it with high-quality products, to strengthen own brands and to take care of brand profitability at the same time.

Strategy cascading – clear goals and responsibility

Podravka gives importance to strategy, goals and cascading to lower organization units, introducing into its business a Balanced scorecard solution. This clearly defines individual responsibilities and obligations that need to be fulfilled, in order to realize the goals set.

Generating the base for profitable growth

By using all resources we will actively work 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, they 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 is exposed to risks typical of economic entities operating on individual national and regional markets, especially to those common in food industry. Podravka 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 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 expects its yearlong 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 will continue to adjust to macro-economic conditions of every individual market, to readily respond to their challenges

BRANDS MANAGEMENT

Business conditions in the markets in which the Podravka 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 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 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 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 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 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.

In 2015 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.

CLIENT RELATIONS MANAGEMENT

Podravka 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 affects the intensity of product demand and thereby negotiates positions when defining the terms and conditions with customers.

Besides, Podravka 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's growth, which is continuously investing in their professional development and education. Podravka 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 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 quality raw materials, modern technological processes and knowledge applied in their production. Podravka takes care of health and nutritional needs of its users, 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.

Quality assurance is based on quality control system, implementation, maintenance and development of integrated management system that is based on norms, regulations and principles in accordance with Podravka's quality management and food safety system, as well as on continuous employee education.

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.

FINANCIAL RISKS

Due to its business activities Podravka 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 conducts certain transactions in foreign currencies, and is therefore exposed to fluctuations in exchange rates. The biggest exposure to exchange rate fluctuations during 2015 was in comparison to RUB and RSD.

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 is in majority financed through loans in foreign currencies. The exchange rate of Croatian Kuna remained relatively stable during 2015, where mild depreciation pressure has been under control. This is the consequence of a mild economic recovery, foreign capital inflows and current account balance surplus. Podravka Inc. concluded forward agree-

ments during 2015 with the purpose of managing USD, RUB and HUF currency risk.

Interest rate risk

Podravka 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 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 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 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.

Also, there is a trend of primary raw materials producers' consolidation on the European and global level, which could lead to a higher procurement prices in the future.

In order to reduce those influences, Podravka 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, Podravka 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 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 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.

Liquidity risk

Podravka 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

Statement on 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.

Aware of the importance of responsible and ethically founded behaviour of business subjects, Podravka d.d. accepted the Ethics Code in business, obliging to respect ethics principles in all of its business relations and has accepted an obligation to act in compliance to principles of responsibility, truthfulness, 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 stick to the ethics 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 is 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.

PODRAVKA SUPERVISORY BOARD MEMBERS OF IN 2015:

Dubravko Štimac – president
Mato Crkvenac – deputy president
Ivo Družić – member
Ivana Matovina – member
Petar Miladin – member
Dinko Novoselec – member
Milan Stojanović – member
Petar Vlaić – member
Martinka Mardetko-Vuković – member till 30th June, 2015 (representing Workers)
Ksenija Horvat – member since 1st July, 2015 (representing Workers)

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

The Audit Committee members were:

Dinko Novoselec – president of the Committee
Mato Crkvenac – member
Petar Vlaić – member
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 an auditing company.

The Audit Committee held six sessions in 2015.

The Remuneration Committee members were:

Petar Vlaić – Committee president

Dubravko Štimac – member

Milan Stojanović – member.

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

Remuneration Committee held two sessions in 2015.

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

In 2015 members of Podravka d.d. Supervisory Board were paid HRK 1,474,000 HRK, if this amount is added with the remunerations to members of the Supervisory Boards of Belupo d.d., Danica d.o.o., Mirna d.o.o. and Žito d.d., Supervisory Board members of Podravka Group have been paid HRK 1,891,171.73.

Management Board

Management Board consists of four members appointed by the Supervisory 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. The term of office begins as of the date of Management Board appointment. 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.

On its session held on 18th June 2014, the Supervisory Board approved reaching an agreement with Management Board member Jorn Pedersen on discontinuation of his term and membership at Podravka d.d. Management Board as of 18th June 2014.

On its session held on 22nd December 2014, the Supervisory Board approved reaching an agreement with Management Board member Jadranka on discontinuation of her term and membership at Podravka d.d. Management Board as of 22nd December 2014.

PODRAVKA MANAGEMENT BOARD MEMBERS IN 2015:

Zvonimir Mršić – president
Olivija Jakupec – member
Miroslav Klepač – member
Hrvoje Kolarić – member

Salary to an individual Podravka d.d. Management Board member has been determined by a management contract signed with the Company, and approved by the Supervisory Board on behalf of the company. Gross salaries and rewards paid in 2015 to Podravka d.d. Management Board members amount to HRK 6,715,729, and if this amount is added with remunerations

for Management Board members for Belupo d.d., Podravka Group Management Board members have been paid gross salaries of HRK 10.649.807. During 2015, Management Board members were awarded with 30,527 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, +385 48 651 441

DATE OF QUESTIONNAIRE COMPLETE: 25.02.2016.

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 2015 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 2015 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), **Olivija Jakupec** (member of the Management Board), **Miroslav Klepač** (member of the Ma-

nagement Board) 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 Mardetko-Vuković** (member of the Supervisory Board until 30,6,2015), **Ivana Matovina** (member of the Supervisory Board), **Milan Stojanović** (member of the Supervisory Board) and **Ksenija Horvat** (member of the Supervisory Board from 1,7,2015)

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 articles of association of the company? (If not, explain)

Yes No

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

Yes No

The Supervisory Board members are entitled to a fixed monthly remuneration as stated in the General Assembly Resolution on remunerations for the Supervisory Board members of Podravka Inc. Remunerations and other incomes given by the Company for the Management Board and Supervisory Board members are published in the Company's Annual Report for 2015.

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. Jesu li bitni elementi svih takvih ugovora ili sporazuma sadržani u godišnjem izvješću? (ako ne, objasniti)

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, due diligence for one target company and forensic consulting services for one subsidiary of the Group.

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 MOVEMENT OF PODRAVKA'S SHARE

Total turnover of Podravka's share in 2015 grew by 13.4 percent compared to 2014, while total turnover of all shares at Zagreb Stock Exchange in the same period recorded a decline of 11.5 percent. Total turnover of Podravka share in 2015 was HRK 129.8 million, which is 5.4 percent of total shares turnover at the Zagreb Stock Exchange.

Increase of Podravka share turnover in 2015 is a result of Podravka share price increase, but also a result of traded volumes comparing to 2014. Traded volume of Podravka share in 2015 was 9.1 percent higher comparing to 2014, where the most intense trading took place in the second and third quarter.

PODRAVKA SHARE TURNOVER AND VOLUMES PER QUARTERS IN 2015

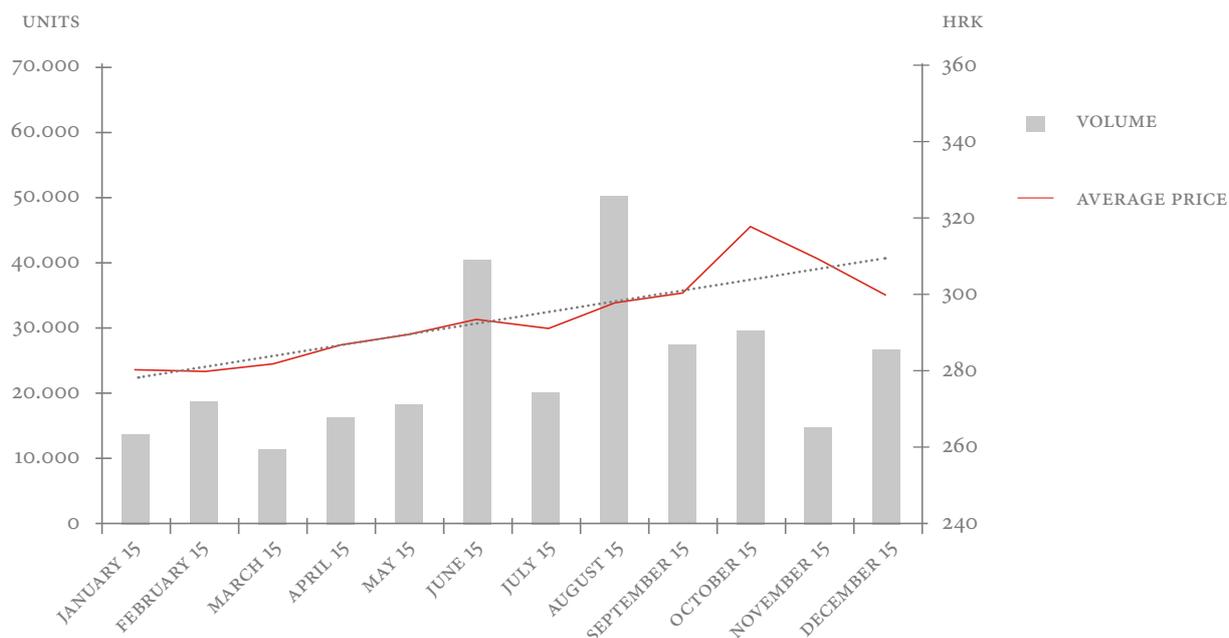
PERIOD	2015		2014	
	TURNOVER (HRK)	VOLUME	TURNOVER (HRK)	VOLUME
I QUARTER	18,120,072	61,019	33,532,617	119,513
II QUARTER	32,535,496	104,433	25,538,697	88,063
III QUARTER	50,125,904	156,371	36,425,008	114,085
IV QUARTER	29,009,901	98,931	18,975,991	64,057
TOTAL	129,791,374	420,754	114,472,313	385,718

SOURCE: ZSE

In 2015, the average daily price¹ of the Podravka's share was HRK 318.8 and it was 7.4% higher when compared to the comparative period. Closing price of Podravka's share as at 31 December 2015 was HRK 334.0, which is 13.8% higher when compared to 31 December 2014.

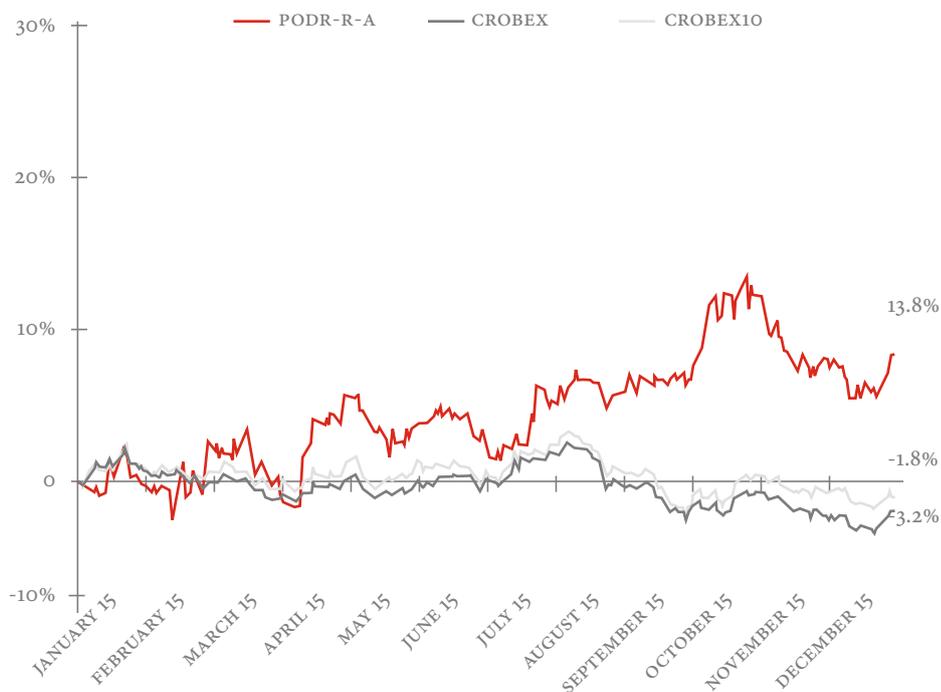
¹ Average daily price calculated as the weighted average of average daily prices in the period, where the weight is daily volume.

VOLUME AND AVERAGE PRICE MOVEMENT OF PODRAVKA'S SHARE



With the above stated share price increase, Podravka's share outperformed stock indices CROBEX and CROBEX10, which in the same period dropped by 3.2% and 1.8%, respectively.

Movement of average daily price of Podravka share and indices CROBEX and CROBEX10 in 2015

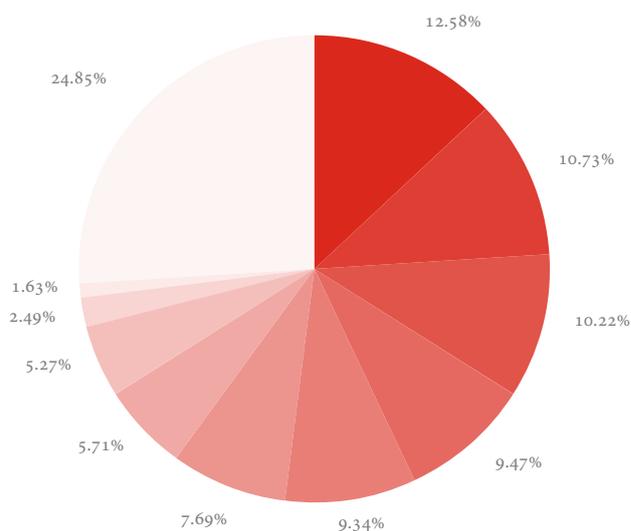


STOCK MARKET INDICES Podravka share has been listed in four indices of the Zagreb Stock Exchange – CROBEX, CROBEX10, CROBEXnutris and CROBEXtr – and in foreign STOXX® indices.

ANALYST RECOMMENDATIONS AS AT 26 FEBRUARY 2016

RECOMMENDATION PROVIDER	YEASTE OF THE RECOMMENDATION	RECOMMENDATION	TARGET PRICE
INTERCAPITAL SECURITIES	31.07.2015	BUY	HRK 364,78
RAIFFEISENBANK AUSTRIA	08.01.2016	HOLD	HRK 353.00
ERSTE GROUP BANK AG	25.01.2016	ACCUMULATE	HRK 355.00
UNICREDIT GROUP	24.03.2015	BUY	HRK 398,96
WOOD & COMPANY	16.11.2015	HOLD	HRK 371.00

OWNERSHIP STRUCTURE



SHAREHOLDER	NO. OF SHARES
AZ MANDATORY PENSION FUND, CATEGORY B	895.953
PBZ CROATIA OSIGURANJE MANDATORY PENSION FUND, CATEGORY B	764.274
SPMA* - CROATIAN PENSION INSURANCE INSTITUTE	727.703
SPMA* - REPUBLIC OF CROATIA	674.461
ERSTE PLAVI MANDATORY PENSION FUND, CATEGORY B	665.166
UNICREDIT BANK AUSTRIA AG - CUSTODY ACCOUNT	547.341
KAPITALNI FOND D.D.	406.842
RAIFFEISEN MANDATORY PENSION FUND, CATEGORY B	375.448
PODRAVKA D.D. - TREASURY ACCOUNT	177.511
AZ PROFIT VOLUNTARY PENSION FUND	115.779
OTHER SHAREHOLDERS	1.769.525
TOTAL	7.120.003

*State Property Management Administration

TREASURY ACCOUNT STATUS

As at 31 December 2015 Podravka Inc. had 177,511 of treasury shares, which is the same number as at 31 December 2014. On 31 December 2015, Supervisory Board members owned 19 shares of Podravka Inc., while Management Board members owned 6,035 shares of Podravka Inc.

Statement of Management's responsibilities

The Management Board of Podravka d.d. (“the Company”) is required to prepare the unconsolidated financial statements for each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and its cash flows, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

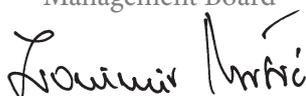
The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the unconsolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business. After making enquiries, the Management Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the unconsolidated financial statements.

The Management Board is responsible for the preparation of the annual report pursuant to legal and regulatory requirements specified in Article 18 of the Accounting Act (Official Gazette 109/07, 54/13, 121/14 of the Republic of Croatia) and for submission to the Supervisory Board of its annual report together with the annual unconsolidated financial statements, following which the Supervisory Board is required to approve the annual unconsolidated financial statements for submission to the General Assembly of Shareholders for adoption.

The consolidated financial statements of the Company and its subsidiaries (together referred to as “the Group”) and the annual report on the Group are published separately and issued simultaneously with these annual unconsolidated financial statements.

The annual report on the Company and the unconsolidated financial statements were authorised by the Management Board on 22 March 2016 for issue to the Supervisory Board and are signed below to signify this.

Zvonimir Mršić
President of the
Management Board



Miroslav Klepač
Member of the
Management Board

