Podravka
GRUPA

Podravka Group annual report for 2023

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Structure and Ownership

Podravka is a joint stock company listed on the Prime Market of the Zagreb Stock Exchange. The Podravka Group is comprised of a number of affiliated companies owned by Podravka Inc.

Structure of the Podravka Group

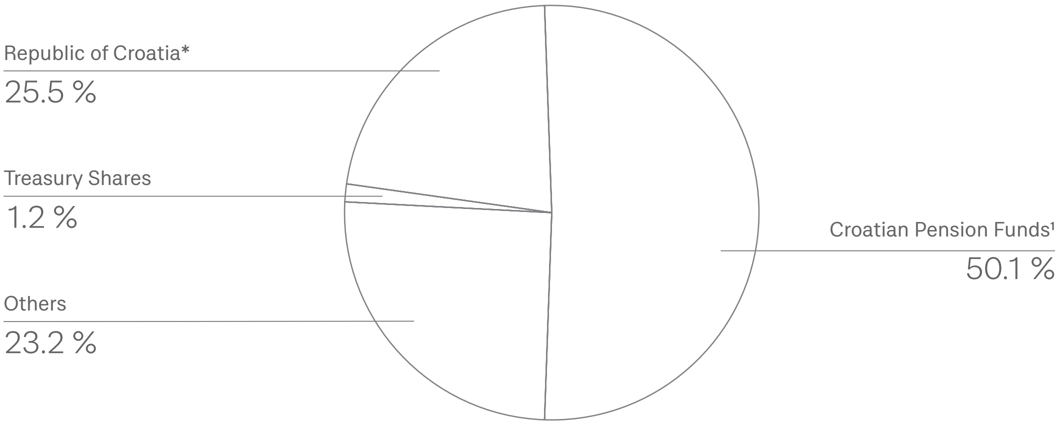
PODRAVKA D.D.

Name of subsidiary	Ownership interest of Podravka Inc.
Žito Ltd., Ljubljana, Slovenia	100.00%
Podravka Ltd., Ljubljana, Slovenia*	100.00%
Intes Storitve Ltd., Maribor, Slovenia*	100.00%
Žito maloprodaja Ltd., Ljubljana, Slovenia*	100.00%
Mirna Inc., Rovinj, Croatia	100.00%
Podravka-Lagris a.s., Dolni Lhota u Luhačovic, Czech Republic	100.00%
Podravka-Polska Sp.z o.o., Warszawa, Poland	100.00%
Podravka-International Kft, Budapest, Hungary	100.00%
Podravka Ltd., Belgrade, Serbia	100.00%
Podravka-Int. Deutschland –"Konar" GmbH, Germany	100.00%
Podravka-International s.r.o., Zvolen, Slovakia***	100.00%
Podravka Ltd., Podgorica, Montenegro	100.00%
Podravka-International Pty Ltd, Silverwater, Australia	100.00%
Podravka EOOD, Sofia *****, Bulgaria	100.00%
Podravka-International s.r.l., Bucharest, Romania	100.00%
Podravka DOOEL, Petrovec, North Macedonia	100.00%
Podravka Ltd., Sarajevo, Bosnia and Herzegovina	100.00%
Podravka USA Inc., New York, USA	100.00%
Podravka Ltd., Moskva, Russia	100.00%
Foodpro Limited, Dar es Salaam, Tanzania****	100.00%
Podravka Gulf Fze, Jebel Ali, Dubai, UAE	100.00%
Belupo Inc., Koprivnica, Croatia	100.00%
Farmavita Ltd. Sarajevo, Vogošća, Bosnia and Herzegovina**	65.00%
Ljekarne Deltis Pharm, Koprivnica, Croatia**	100.00%
Belupo dooel, Skopje, North Macedonia**	100.00%
Belupo s.r.o. Bratislava, Slovakia**	100.00%
Belupo Ltd. Ljubljana, Slovenia**	100.00%

* Podravka Inc. holds these ownership interests indirectly through its subsidiary Žito Ltd.
** Podravka Inc. holds these ownership interests indirectly through its subsidiary Belupo Inc.
*** 25% of ownership interest is held indirectly through the subsidiary Podravka-Lagris a.s., Dolni Lhota u Luhačovic
**** 15% of ownership interest is held indirectly through the subsidiary Podravka-Int. Deutschland – "Konar" GmbH
***** Business activities are suspended during 2022

Note: Podravka Inc. does not own any subsidiaries.

OWNERSHIP STRUCTURE OF PODRAVKA INC.
as of December 31, 2023



1 It includes all mandatory and voluntary pension funds managed by pension companies: AZ, ROMF, PBZCO, and ERSTE.

List of ten largest shareholders of Podravka Inc.
as of 31 December 2023

No.	Shareholder	Number of shares	% of ownership
1	PBZ Croatia Osiguranje mandatory pension fund, category B	1,097,644	15.4%
2	AZ mandatory pension fund, category B	932,563	13.1%
3	RSC* - Croatian Pension Insurance Institute	727,703	10.2%
4	Erste Plavi mandatory pension fund, category B	638,248	9.0%
5	Raiffeisen mandatory pension fund, category B	625,298	8.8%
6	RSC* - Republic of Croatia	452,792	6.4%
7	Capital Fund	406,842	5.7%
8	Pivac Brothers Meat Industry	370,977	5.2%
9	Republic of Croatia	167,281	2.3%
10	OTP banka INC./aggregate custody accounts	97,035	1.4%
Other shareholders		1,603,620	22.5%
	Total	7,120,003	100.0%

*The Restructuring and Sale Centre holds 1,241,504 shares through four accounts, Capital Fund Inc. holds 406,842 shares, the Republic of Croatia additionally holds 167,281 shares on a separate account.

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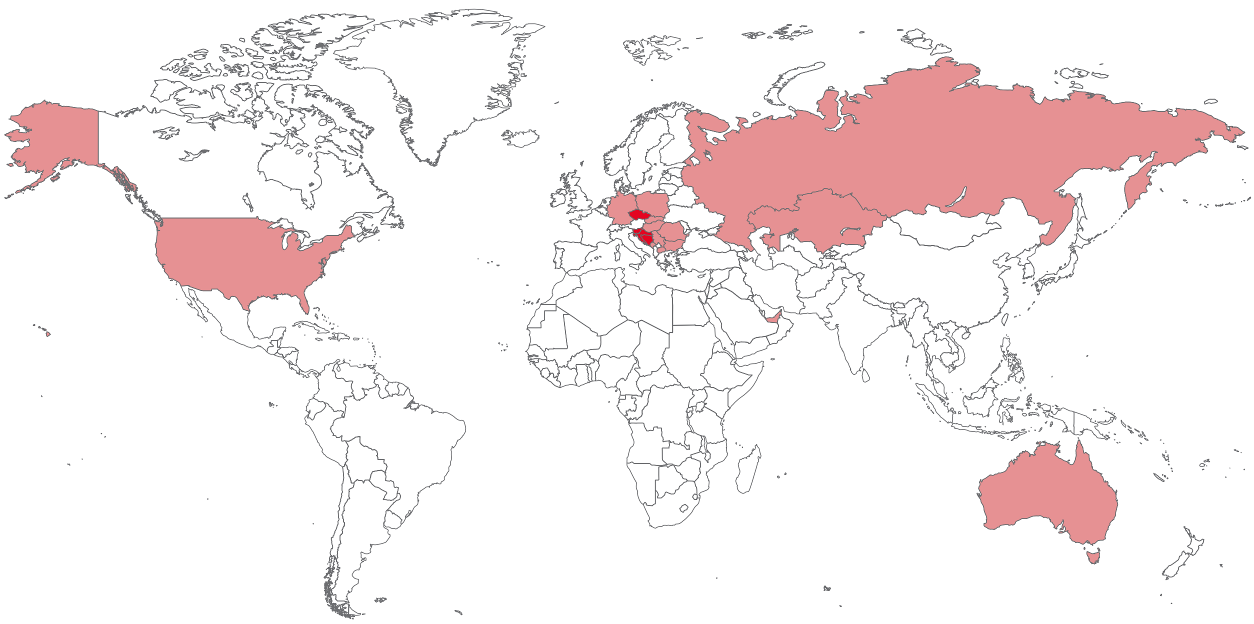
Corporate Profile

- Headquarters: Koprivnica, Republic of Croatia
- The most internationalized company headquartered in the Republic of Croatia
- Leading culinary institution in the Adriatic region

Countries where Podravka Group has production facilities

Countries where Podravka Group has active companies and representative offices



77

Years of experience in the food industry

52

Years of experience in the pharmaceutical industry

Own distribution network in 17 countries worldwide

More than 2/3 of sales revenue generated outside of Croatia

Portfolio with more than 1,800 different products

6,163 employees

Of which more than 4,400 are employed in Croatia

Revenue in 2023 amounted to 713.8 million EUR

17 factories

Of which 11 located in Croatia

1947

The workshop of the Wolf brothers is transitioning into social ownership under the name Podravka

1952

Production of condiments, dried, and sterilized vegetables begins

1957

Establishment of production for famous Podravka soups

1958.

The production of meat products has commenced

1959

Vegeta, a universal food seasoning

1970

The production of baby food begins

1972

The pharmaceutical company Belupo was founded and the production of medicines began

1993

Podravka was privatized and registered as a joint-stock company

2015

Acquisition of Žito, a Slovenian food producer

2017

Establishment of a new pharmaceutical factory, the largest greenfield investment in the history of the Podravka Group

2021

Adoption of the Business Strategy until 2025

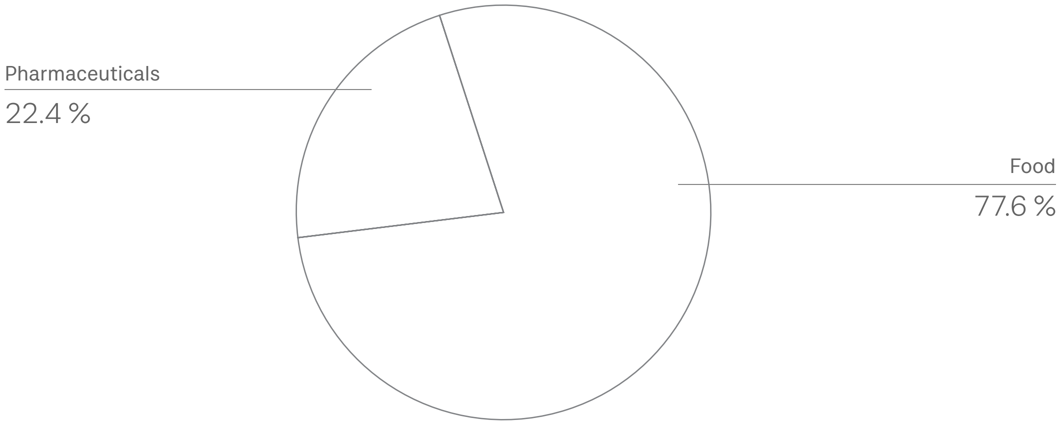
2022

Celebration of Podravka's 75th anniversary

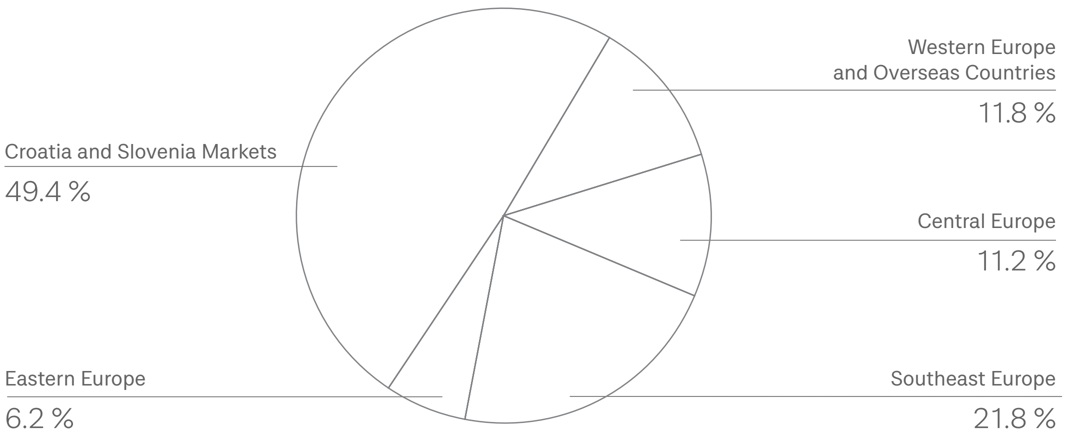
2024

Introduction of the new corporate visual identity; opening of the new Pasta Factory

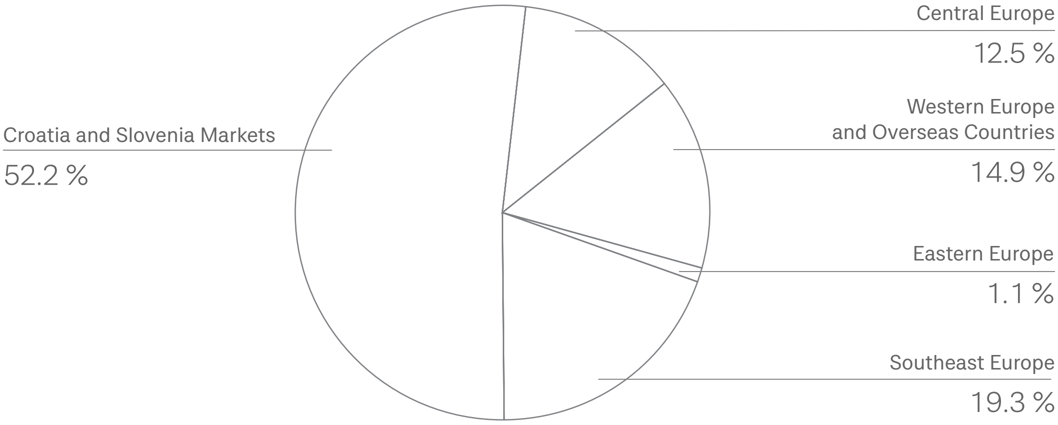
Revenue Structure of Podravka Group by *Segments*



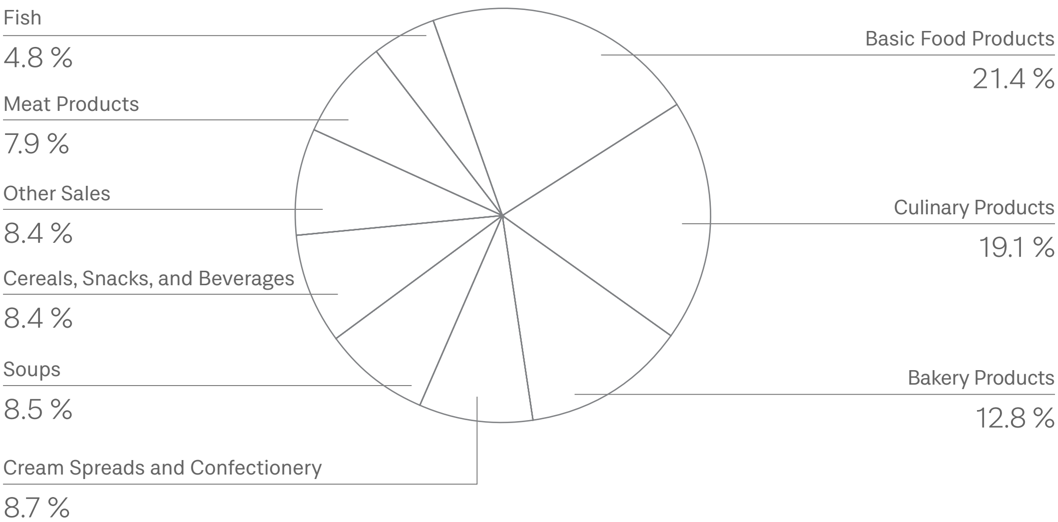
Revenue Structure of Podravka Group *by Markets*



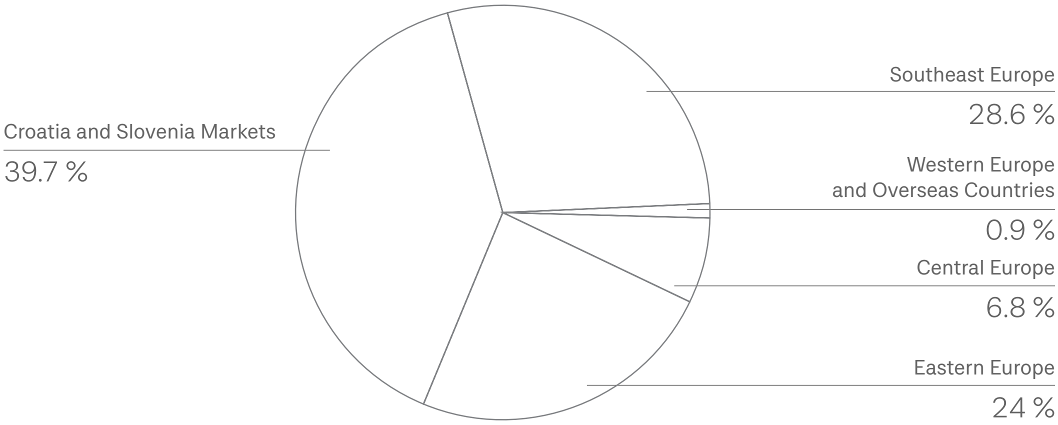
Revenue Structure of *Food segment* by Markets



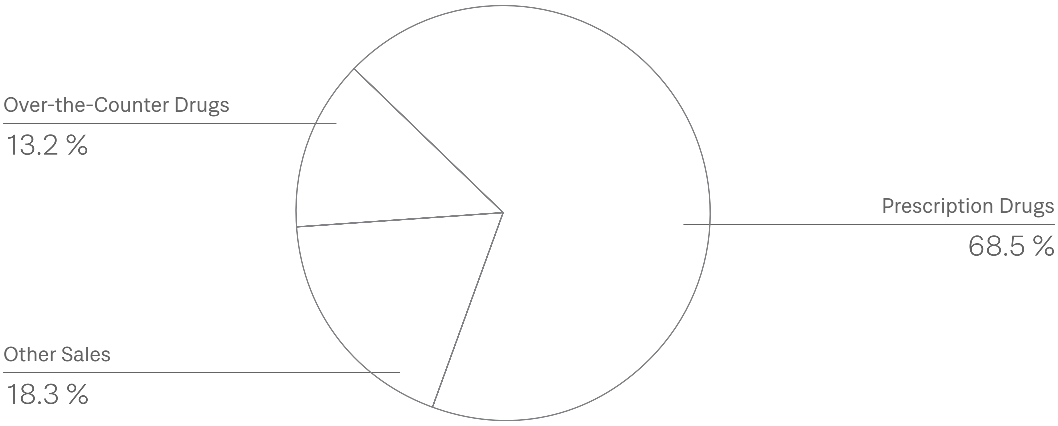
Revenue Structure of *Food segment* by Business Programs



Revenue Structure of *Pharmaceuticals Segment* by Markets



Revenue Structure of *Pharmaceuticals Segment* by Product Groups



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Foreword by the President of the Management Board of Podravka Inc.

Dear all,

It is with great pleasure that I present to you the annual report of the Podravka Group for the year 2023 It was a year in which, despite the continued challenging environment, we achieved outstanding results. Throughout the past year, the Podravka Group not only experienced significant growth in revenue and net profit but also made significant strides in modernizing and transforming our business to strengthen business growth in the years to come. In summary, our data shows that compared to 2022, the Group's revenues increased by seven percent, normalized EBITDA by 10.4 percent, and normalized profit (excluding one-time items) by 14.2 percent. These results are not only a reflection of our business success but also the result of dedicated work, innovation, and business strategy implementation aimed at enhancing our competitiveness and ensuring sustainable growth and development.

However, what is not yet fully visible in the pages that follow, in mere numbers, accounts, and balance sheets, is our commitment to expanding our business in foreign markets, both in the Food segment and in the Pharmaceuticals segment, namely Belupo. In the Food segment, significant progress has been made in strengthening sales in international markets, paving the way for profitable sales growth in the future. Specifically, during the past year, we made a significant effort in negotiations with customers and restructuring sales in international markets, especially in Western and Central European markets, all with one goal – to improve sales and achieve fair and quality conditions for our brands Vegeta, Lino, Lino Lada, Dolcela, Podravka, and others, in all markets. In the Pharmaceuticals segment, Belupo

has improved its market performance efficiency in Croatia, strengthened sales in the markets of Central and Southeastern Europe, and strengthened personnel capacities for product development and innovation.

In an environment marked by challenges such as rising raw material costs and inflation, we managed to limit the impact of rising raw material costs on production costs through procurement efficiency and insistence on competition among suppliers. At the same time, the investment cycle continued as planned, including investments in technology and increased production efficiency, investments in digitalization of production and business, as well as investments in agriculture development. Capital investments in the past year reached 69 million euros, which includes investments in technology, new factories, and digitalization. We have also started implementing artificial intelligence-based tools. Last year, we adopted two key strategies integrated with our business strategy to provide a framework for developing our business in a manner consistent with environmental requirements and consumer needs. We adopted a Sustainable Business Strategy focused on a clean environment, care for employees and the community, responsible corporate governance, and healthy nutrition. An important part of this strategy is the new Nutritional Strategy, confirming our commitment to the principles of healthy and balanced nutrition and defining a framework for the development of new and innovative products based on high-quality ingredients.

In 2023, Podravka Group remained committed to improving the material position of workers and creating a stimulating work environment for our employees. During the past year, a historic transformation of the wage and reward system was implemented in Podravka and Belupo, abandoning the coefficient system after 27 years and introducing a modern and flexible wage system. The new wage system ties wages to the complexity of tasks performed in each job position and opens up space for rewards and advancement based on results and work quality. The introduction of the new wage system also brought a significant increase in the average net salary of our employees, the fifth in a row in the past three years, emphasizing our commitment to their well-being and professional development.

Looking ahead to the future, I am confident that the strategic decisions and investments made in 2023 will serve as a solid foundation for our further growth and success. With a clear focus on expanding market presence, improving product offerings, and adopting sustainable practices, we are well-positioned to seize new opportunities and overcome potential challenges.

In conclusion, I express sincere gratitude to our employees for their work and contribution to the results we achieve. It is precisely this collective contribution and effort that are the key components of all our achievements, guaranteeing further growth of the Podravka Group.

Sincerely,

Martina Dalić, PhD,
President of the Management Board of Podravka Inc.

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Management Board of Podravka Inc.

In accordance with the provisions the Statute of Podravka Inc., the Management Board consists of three to six members appointed by the Supervisory Board. The Management Board is appointed for a period determined by the Supervisory Board (up to five years) with the possibility of reappointment. If the President and individual members of the Management Board are appointed during the term of the existing Management Board, their term expires upon the cessation of the term of that Management Board in its entirety. The beginning of the term is calculated from the date of the Management Board's appointment, unless otherwise determined by the decision of the Supervisory Board.

The members of the Management Board manage the Company's affairs, and the working methods of the Management Board and the division of tasks among its members are regulated by the Rules of Procedure of the Management Board.

The Management Board consists of a President and four members appointed by the Supervisory Board of Podravka Inc.

MEMBERS OF THE MANAGEMENT BOARD OF PODRAVKA INC. IN 2023:

1. Martina Dalić / *President*
2. Davor Doko / *Member*
3. Ivan Ostojić / *Member*
4. Ljiljana Šapina / *Member*
5. Milan Tadić / *Member*

The remuneration of the members of the Management Board of Podravka Inc. is determined by a contract concluded with the Company, approved by the Supervisory Board on behalf of the Company. Members of the Management Board of Podravka Inc. did not receive or were not granted remuneration for membership in the supervisory boards of Podravka Group companies.

CURRICULUM VITAE OF THE MANAGEMENT BOARD MEMBERS

MARTINA DALIĆ
President of the Management Board

Martina Dalić was first appointed President of the Management Board of Podravka Inc. in February 2021. She was reappointed as President of the Management Board of Podravka Inc. in February 2022.

Dr. Martina Dalić is an individual with extensive experience in both the public and private sectors, as well as international institutions.

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

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

She also gained significant experience in the private sector, serving as President of the Management Board of Partner Bank Zagreb from 2008 to 2010, and as Chief Economist of Privredna Banka Zagreb, a member of the Intesa Sanpaolo Group, from 2000 to 2004.

From 2015 to 2016, she was a senior advisor on public finance management at the International Monetary Fund in Washington DC.

From 2005 to 2012, Dr. Martina Dalić served as Deputy Chief Negotiator and negotiator in the negotiating team for the accession of the Republic of Croatia to the European Union for four chapters (Customs Union, Taxation, Financial Control, and Budgetary and Financial Provisions).

Martina Dalić graduated from the Faculty of Economics in Zagreb, where she began her professional career as an assistant at the Department of Organization and Management. She obtained her master's degree in 1994 and earned her Ph.D. in 2012.

She is the author of numerous professional and scientific papers.

DAVOR DOKO

Member of the Management Board

IVAN OSTOJIĆ

Member of the Management Board

Davor Doko was first appointed as a member of the Management Board of Podravka Inc. in May 2017. He was reappointed as a member of the Management Board of Podravka Inc. in February 2022.

He began his professional career in 2000 in the Asset Management Department of Zagrebačka banka as an assistant portfolio manager, where he participated in the establishment of the investment fund management company within Zagrebačka banka. He joined the AZ Mandatory Pension Fund team in 2002 as a portfolio manager responsible for managing the equity portion of the portfolio. As a procurator and chief portfolio manager at the AZ Mandatory Pension Fund, among other responsibilities, he actively participated in the portfolio management process and investment process management. Since 2006, he has been a member of the Management Board of Allianz ZB Ltd., a company managing mandatory pension funds, responsible for investments. During his tenure, he invested in numerous companies in the pharmaceutical and food sectors and developed good business relationships with all major commercial banks in Croatia and international financial institutions. In the AZ voluntary pension funds, as a person responsible for investments, he participated in and managed all parts of the investment process.

He graduated from the Faculty of Economics, University of Zagreb. Throughout his career, he has attended numerous trainings and educational programs and participated in conferences related to investing and the capital market.

Ivan Ostojić was appointed as a member of the Management Board of Podravka Inc. in February 2022, with the term starting on July 1, 2022.
He began his professional career in 1997 at the Ministry of Finance of the Republic of Croatia in the Directorate for the Financial System and Capital Market. After completing his internship, he became an advisor in the Directorate for the Financial System and Capital Market. During 2000-2001, he served as a member of the Management Board of the Directorate for the Supervision of Insurance Companies and President of the Examination Commission for conducting exams for authorized insurance intermediaries or representatives.

In 2001, he moved to Wüstenrot stambena štedionica Inc. Zagreb as Head of the Clients/Loans Department and Procurator.

In 2007, he became a Member of the Management Board of Wüstenrot stambena štedionica Inc. Zagreb responsible for sales and marketing, risk management, and background treasury and loan operations.

He graduated in 1996 from the Faculty of Tourism and Foreign Trade in Dubrovnik, and in 2000, he obtained a master's degree from the Faculty of Political Science in Zagreb, earning the title of Master of Science by defending a thesis titled "Introduction of the Euro and its Impact on the Croatian Banking System."

He is a member of the Supervisory Board of Luka Ploče Inc. He holds an insurance representative license and has completed coaching education.

LJILJANA ŠAPINA

Member of the Management Board

MILAN TADIĆ

Member of the Management Board

Ljiljana Šapina was first appointed as a member of the Management Board of Podravka Inc. in February 2017. She was reappointed as a member of the Management Board of Podravka Inc. in February 2022.

She has been employed at Podravka Inc. since 1984. Throughout her career, she has held various managerial and directorial positions within the company in departments such as Accounting and Finance, Retail Sales, Foodservice Sales, Frozen Foods, Market Operations, and Export Preparation. From 2012, she worked as the director of the Import-Export Logistics department, and in 2015, she transitioned to the position of department head of Import-Export Logistics.

She graduated in Foreign Trade from the Faculty of Economics in Zagreb, and in 2012, she obtained a master's degree from the same faculty.

Milan Tadić was appointed as a member of the Management Board of Podravka Inc. in February 2022.

He began his professional career in 1986 at the Croatian Pension Insurance Institute as a property rights representative. In 2001, he joined Podravka Inc. as a specialist and director of property rights affairs, and later served as the director of the Property Rights Affairs and Contracts Department. In 2003, he became an advisor to the Management Board of Podravka Inc. for international markets, and subsequently served as Executive Director for International Key Customers. In 2005, he became the Executive Director for Central European markets. In 2009, he moved to the Tobacco Factory Rovinj (Adris Group), where he held the position of Executive Director for New Markets, and later as Executive Director for all markets of the Tobacco Factory Rovinj. He returned to Podravka Inc. in 2014 as the Executive Director for Southeast Europe. In 2015, he became Senior Vice President for the Adriatic Region, and in 2016, a member of the Management Board of the Žito Group, and in 2018, a procurator of the Žito Group. Since 2021, he has been the Chief Executive Officer for the Adriatic Region.

He graduated from the Faculty of Law at the University of Osijek and completed the basics of administration and a management education program at the Faculty of Economics at the University of Zagreb. Throughout his career, he has undergone numerous managerial training and education programs in the fields of management and sales.

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Supervisory Board of Podravka Inc.

The Supervisory Board of the Company consists of nine members, eight of whom are elected by the shareholders at the General Meeting with a three-quarters majority of the votes cast, while one member of the Supervisory Board is appointed by the Workers' Council of the Company in the manner and procedure determined by the provisions of the Labor Law. Members of the Supervisory Board are generally elected for a term of four years. The beginning of the term for each member of the Supervisory Board is calculated from the date of election or appointment, unless otherwise determined by the decision on election or appointment. The Supervisory Board supervises the conduct of the Company's affairs, and on matters within its competence, the Supervisory Board decides in accordance with the law, the Statute of Podravka Inc., and the Rules of Procedure of the Supervisory Board.

MEMBERS OF THE SUPERVISORY BOARD OF PODRAVKA INC. IN 2023:

1. Damir Grbavac / *President*
2. Luka Burilović / *Deputy President*
3. Damir Čukman / *Member (from July 1, 2023)*
4. Marina Dabić / *Member (until June 30, 2023)*
5. Damir Felak / *Member*
6. Ksenija Horvat / *Member (worker representative)*
7. Ante Jelčić / *Member (from May 17, 2023)*
8. Tomislav Kitonić / *Member (until June 30, 2023)*
9. Petar Miladin / *Member*
10. Darko Prpić / *Member (from July 1, 2023)*
11. Krunoslav Vitelj / *Member.*

Members of the Supervisory Board and Management Board of the Company are primarily elected based on their expertise, knowledge, and relevant experience, with additional consideration given to the application of the principle of gender equality.

Until July 2023, the Supervisory Board of Podravka Inc. consisted of a President and 8 members, with a female representation of 25%. In mid-2023, there was a change in the composition of the Supervisory Board, resulting in a slightly lower representation of female members (as of December 31, 2023, this percentage was 13%).

Regarding the composition of the Management Board, the Supervisory Board set a goal for female representation of 30%. As this goal was achieved with 40% female members of the Management Board, the Supervisory Board considers it fully fulfilled.

The Supervisory Board supports Podravka Inc.'s direction towards gender equality throughout the entire company, especially in senior management positions.

As of December 31, 2023, Podravka Inc. employed a total of 47% women, with women making up 63% of highly educated workers and 54% in management positions. All of the above positions Podravka Inc. as one of the leading companies in terms of gender equality, and the Supervisory Board considers this employee structure an excellent achievement.

The Supervisory Board of Podravka Inc. has established the following committees: *Audit Committee, Remuneration Committee, and Nomination Committee.*

The Audit Committee in 2023 operated as follows:

1. Ivana Matovina / *President*
2. Tomislav Kitonić / *Deputy President (until June 30, 2023)*
3. Darko Prpić / *Member (from July 21, 2023) and Deputy President (from October 27, 2023)*
4. Damir Grbavac / *Member*

The Remuneration Committee operated as follows:

1. Luka Burilović / *President*
2. Petar Miladin / *Member*
4. Damir Grbavac / *Member*

The Nomination Committee operated as follows:

1. Damir Grbavac / *President*
2. Luka Burilović / *Member*
3. Krunoslav Vitelj / *Member*

Members of the Supervisory Board of Podravka Inc. are entitled to a monthly remuneration determined at a fixed amount according to the Decision of the General Meeting on determining the remuneration for the work of the members of the Supervisory Board of the Company.

CURRICULUM VITAE OF THE SUPERVISORY BOARD MEMBERS

DAMIR GRBAVAC

President of the Supervisory Board

Damir Grbavac was elected as a member of the Supervisory Board of Podravka Inc. in June 2022, with his term starting on July 1, 2022 He has been the Chairman of the Supervisory Board since November 2022.

He chairs the Nomination Committee and is a member of the Audit Committee and the Remuneration Committee of Podravka Inc.

He began his professional career in 1978 at Đuro Đaković Group, starting as a credit officer and rising to the position of Deputy General Director of the Holding. In 1997, he joined Raiffeisenbank Austria Inc. Zagreb as the Director of the Investment Banking Sector. In 1997, he became a member of the Management Board of Raiffeisen Investment, and two years later, he was appointed as the President of the Management Board of Raiffeisen Vrijednosnice Ltd. In 2003, he became an advisor to the Management Board at Raiffeisenbank Austria Inc. Zagreb. From 2004 to 2021, he served as the President of the Management Board of Raiffeisen Pension Company. He has also served as a member of the supervisory boards of companies such as Hrvatski Telekom Inc., Zagreb Stock Exchange Inc., and Podravka Inc. from 2017 to 2019. He has also been a member of the Management Board of the Central Registry of Insured Persons in the first system and the President of the Association of Pension Fund Management Companies and Pension Insurance Companies.

He graduated from the Faculty of Economics in Zagreb in 1978 and obtained his master's degree from the same faculty in 1985.

He holds a license as an authorized manager of pension funds and pension insurance companies.

LUKA BURILOVIĆ

Deputy President of the Supervisory Board

Luka Burilović was first elected as a member of the Supervisory Board of Podravka Inc. in February 2017, with the term starting on February 21, 2017. He was re-elected in June 2022 as a member of the Supervisory Board of Podravka Inc., with the term starting on September 8, 2022.

He chairs the Remuneration Committee and is a member of the Nomination Committee of Podravka Inc.

Dr. Luka Burilović has been the President of the Croatian Chamber of Economy since 2014. He completed his postgraduate specialist studies in economics and management at the Faculty of Economics in Osijek, where he also completed his postgraduate doctoral studies. Before his election as the President of the Croatian Chamber of Economy, he served as the President of the Management Board of Sladorane Inc. in Županja, and prior to that, as the Deputy President of the Management Board. From April 2004 to February 2006, he worked as an assistant minister in the Ministry of Agriculture, Forestry, and Water Management. From 1996 to 2004, he was the Deputy Mayor of Nijemci Municipality, and before that, the owner and director of Agrotehna company in Lipovac. Mr. Burilović is a member of the Supervisory Board of HBOR and Podravka Inc. Among other functions, he is the President of the Croatian National Committee of the International Chamber of Commerce (ICC), a member of the Executive Board of EUROCHAMBRES, and a member of the Executive Board of the Croatian Academy of Sciences and Arts Foundation. He has been awarded the Order of the Croatian Morning Star with the image of Blaž Lorković for his special merits in the economy. He is a veteran of the Homeland War and a reserve officer of the Croatian Armed Forces. He has been awarded the Homeland War Memorial Medal.

DAMIR ČUKMAN

Member of the Supervisory Board

Damir Čukman was elected as a member of the Supervisory Board of Podravka Inc. in May 2023, with his term starting on July 1, 2023.

He began his professional career in 2006 at Erste Securities Ltd., where he held various positions, including head of the asset management department, until 2010. He then became a Portfolio Manager at Erste Ltd. Pension Fund Management Company. In 2016, he was one of the founders and the first president of the CFA Society Croatia, and since 2013, when he founded N3 Capital Partners Ltd., he has served as its CEO. Since 2021, he has been a member of the Supervisory Board of Quattro Logistika Inc.

He graduated in economics from the Zagreb School of Economics and Management in 2006 and attended the Universita Commerciale Luigi Bocconi in Milan and the London School of Economics and Political Science. He has passed the exam to become an authorized investment advisor, as well as all three levels of the CFA exams.

DAMIR FELAK

Member of the Supervisory Board

Damir Felak was elected as a member of the Supervisory Board of Podravka Inc. in June 2022, with his term starting on September 8, 2022.

He began his professional career in 1990 at the Forestry Management, which became part of the Public Company Croatian Forests the following year, where he worked until mid-1997. From 1993 to 1997, he served as the Mayor of Sokolovac Municipality, and from 1997 to 2001, he was the Deputy County Prefect of Koprivnica-Križevci County.

From 2002 to 2015, he worked at Croatian Forests Ltd. as a forester, expert associate, forest district manager, and senior expert associate, and from 2008 to 2012, he was a member of the Management Board of Croatian Forests Ltd. Since 2020, he has been working at Croatian Forests Ltd. as a Senior Expert Associate.

He served as the President of the Croatian Chamber of Forestry Engineers and Wood Technology for ten years, and he has been elected to the Croatian Parliament twice. He is the President of the County Assembly of Koprivnica-Križevci County and has been awarded the Homeland War Memorial Medal, the Homeland Gratitude Medal, and the Order of the Croatian Pleter.

He graduated from the Faculty of Forestry in 1990 and completed postgraduate specialist studies in Strategic Entrepreneurship at the Faculty of Economics in Zagreb in 2013, earning the academic title of University Specialist in Strategic Entrepreneurship.

KSENIJA HORVAT

Member of the Supervisory Board

Ksenija Horvat was first appointed as a member of the Supervisory Board of Podravka Inc. in June 2015 by the Company's Workers' Council, with the term starting on July 1, 2015. She was reappointed by the Company's Workers' Council in June 2023 as a member of the Supervisory Board of Podravka Inc., with the term starting on July 1, 2023.

She began her professional career at Podravka in 1984 in administrative roles, and after successful on-the-job training, she started working in reference positions in the Domestic Market department.

Since 2001, as a representative of the majority union in Podravka – the PPDIV Union, she transitioned to full-time work for the union and has been one of the leading union negotiators for improving the rights of Podravka's workers through the collective agreement for the Podravka Group. In 2002, she was first elected to the Workers' Council of Podravka Inc., where she has been serving as the President since 2013.

She served as a workers' representative on the Supervisory Board of Podravka Inc. from 2004 to 2012, during which time she also held the positions of Deputy Chairman of the Supervisory Board and Acting Chairman of the Supervisory Board in 2009/2010.

ANTE JELČIĆ

Member of the Supervisory Board

Ante Jelčić was elected as a member of the Supervisory Board of Podravka Inc. in May 2023, with his term starting on May 17, 2023.

He began his professional career in 2011 as an investment analyst at PBZ Croatia Insurance, where he stayed until 2023, later becoming the Head of the Financial Market Analysis Department. In 2023, he became a member of the Management Board of Gumiimpex – GRP Ltd., responsible for the Trade Sector, Accounting and Finance, Controlling, IT, Human Resources, and General Affairs. From 2017 to 2019, he was also a member of the Supervisory Board and the Audit Committee of Stanovi Jadran Inc., and from 2018 to 2019, he was the Deputy Chairman of the Supervisory Board and a member of the audit committee of Jadran Inc. Crikvenica.

In 2011, he earned a master's degree in mathematics from the Faculty of Science, University of Zagreb, receiving an award for the best students. Since 2016, he has been teaching Business Simulations at the Graduate University Study of Financial and Business Mathematics at the Faculty of Science, University of Zagreb. He holds the Chartered Financial Analyst (CFA) certificate and is a licensed pension fund manager.

PETAR MILADIN

Member of the Supervisory Board

Petar Miladin was first elected as a member of the Supervisory Board of Podravka Inc. in August 2010, with the term starting on September 8, 2010. He was re-elected in June 2022 as a member of the Supervisory Board of Podravka Inc., with the term starting on September 8, 2022.

He is a member of the Remuneration Committee of Podravka Inc.

Petar Miladin was born in 1973 in Dubrovnik. He completed his secondary education and law studies in Zagreb. After completing his studies, he worked as a trainee at the Municipal and Commercial Court in Zagreb. He passed the bar exam in 1999. He is a full professor at the Faculty of Law, University of Zagreb, teaching Commercial Law, Company Law, and Banking Law. From October 2013 to October 2015, he served as the Vice Dean of the Faculty of Law, University of Zagreb. He obtained a master's degree in Commercial Law and Company Law from the Faculty of Law, University of Zagreb in 1999, defending his master's thesis entitled "Banking Secrecy and Banking Reporting". He defended his doctoral dissertation entitled "Payment by Transfer" on January 27, 2005, at the Faculty of Law, University of Zagreb, and obtained the academic title of Doctor of Social Sciences, field of law. He started working at the Faculty of Law, University of Zagreb on May 5, 1997, as a junior assistant at the Department of Commercial Law and Company Law. He has published about fifty scientific papers in the field of Commercial Law, Banking Law, and Capital Market Law. He teaches Commercial Law and Company Law at the doctoral studies of the Faculty of Law, University of Zagreb. Since February 2019, he has been employed at the Faculty of Law, University of Zagreb as a full professor in permanent employment.

Od veljače 2019. zaposlen je na Pravnom fakultetu Sveučilišta u Zagrebu kao redoviti profesor u trajnom zvanju.

DARKO PRPIĆ

Member of the Supervisory Board

Darko Prpić was elected as a member of the Supervisory Board of Podravka Inc. in May 2023, with his term starting on July 1, 2023.

He serves as the Deputy Chairman of the Audit Committee.

He began his professional career as an analyst at Allianz ZB Ltd., a mandatory pension fund management company. From 2006, he worked as a financial analyst at the Prpić craft for accounting, auditing, and tax consulting. Since 2007, he has been serving as a director at Darfin Ltd., specializing in financial, accounting, and securities valuation consulting. Since 2017, he has been an auditor at UHY Rudan Ltd. and a member of the Supervisory Board at SQ Kapital Ltd.

He graduated from the Faculty of Economics in Zagreb, specializing in Finance, in 2003. Five years later, he became a court-appointed expert in finance, accounting, and securities.

KRUNOSLAV VITELJ

Member of the Supervisory Board

Krunoslav Vitelj was first elected as a member of the Supervisory Board of Podravka Inc. in June 2018, with the term starting on September 8, 2018. He was re-elected in June 2022 as a member of the Supervisory Board of Podravka Inc., with the term starting on September 8, 2022.

He is a member of the Nomination Committee of Podravka Inc.

He began his professional career in 1977 at Podravka, where he held various managerial positions until 1991. In 1991, he became the head of the Koprivnica Municipality Assembly, and in 1993, he moved to the Ministry of the Interior of the Republic of Croatia, Koprivnica-Križevci County Police Administration, as the Head of the Civil Protection, Fire Protection, and Inspection Department. He returned to Podravka in 1995 as an Advisor to the President of the Management Board for Personnel and Legal Affairs. In 1996, he became the Director of the Croatian Chamber of Economy – County Chamber Koprivnica, and since 2021, he has been the President of the Croatian Chamber of Economy – County Chamber Koprivnica.

He graduated from the Faculty of Economics, University of Zagreb, in 1993, where he also obtained his master's degree in 1995. In 2008, he obtained qualifications in Corporate Governance for Members of Supervisory and Management Boards at the Faculty of Economics, University of Zagreb.

TOMISLAV KITONIĆ

Member of the Supervisory Board until June 30, 2023

Tomislav Kitonić was elected as a member of the Supervisory Board of Podravka Inc. in June 2019.

He served as the Deputy Chairman of the Audit

Committee of Podravka Inc. until June 30, 2023.

He began his professional career as a technologist in production at Ledo Inc., later advancing to Deputy Laboratory Manager. In 2000, he became Assistant Production Manager, three years later International Production Operations Manager, and in 2004, Director of Production. He became the President of the Management Board of Ledo Inc. in 2008, where he served for the next 6 years.

Since 2003, he has been a co-owner of Bik Ltd. from Čazma, and since 2014, its 100% owner and Proxy. In 2012, he became a co-owner of Moslavina proizvodi Ltd. from Siščani. During the period 2015–2016, he served as the Appointed Director for Pestova Shpk at the European Bank for Reconstruction and Development (EBRD).

He graduated from the Faculty of Food Technology and Biotechnology in Zagreb in 1998, earning the title of Graduate Engineer of Food Technology. He attended postgraduate studies in Business Management, MBA, at the Faculty of Economics in Zagreb, where he obtained his master's degree in 2006, becoming a Master of Business Administration. He furthered his professional development through education at IEDC – Bled School of Management in Slovenia and Management Central Europe in Belgium, and obtained qualifications in Corporate Governance for Members of Supervisory and Management Boards in Zagreb.

MARINA DABIĆ

Member of the Supervisory Board until June 30, 2023

Marina Dabić was elected as a member of the Supervisory Board of Podravka Inc. in June 2019.

She began her professional career in 1983 at Đuro Đaković, Marsonia Commerce, where she worked in import-export activities and later served as the Director of Imports. From 1995 to 2007, she worked at the Faculty of Mechanical Engineering and Computing in Slavonski Brod, where she also served as the Vice-Dean for Cooperation with Industry from 2004. Since 2007, she has been working at the Faculty of Economics in Zagreb, where she is a full professor and a visiting professor at the Nottingham Business School, Nottingham Trent University (UK), teaching courses in International Business, Open Innovation in Global Networks, and International Entrepreneurship. She is also the Head of International Accreditations at the Faculty of Economics in Zagreb.

She graduated from the Faculty of Economics, University of Zagreb, specializing in Marketing, in 1983. She obtained her master's degree in Marketing with a thesis on Joint Ventures in 1989 and her Ph.D. in Economics with a dissertation on International Technology Transfer and the Position of the Republic of Croatia in International Trade in April 2000.

During 2006-2007, she served as the Director for Strategic Development of the Regional Cooperation Consortium in Science, Medicine, and Technology (RECOOP HST Cedars - Sinai Medical Center), Los Angeles, USA, and the Medical Faculties of Central and Eastern Europe.

She has professional training in knowledge transfer and strategic management from Cedars Sinai Hospital, Los Angeles, and Strathclyde University, Glasgow.

In 2013, she was a visiting professor at Columbus State University, USA, and an invited lecturer at several universities in India, Finland, Denmark, Malta, Italy, and Spain.

Prof. Dr. Marina Dabić has led and/or been the grant holder for more than ten European projects, including Tempus, Erasmus+, Leonardo de Vinchi, and Horizon 2020-RISE.

She is the editor and author of 7 books published by prestigious publishers such as Springer and Palgrave McMillan. She has published 30 book chapters and authored more than a hundred scientific papers indexed in the Scopus database, making her the most cited Croatian scientist in the field of business and economics.

Since 2018, she has been the co-editor of prestigious journals such as Technological Forecasting and Social Change (Elsevier), IEEE-Transaction in Engineering Management, Technology in Society (Elsevier), among others. She is a member of the editorial boards of journals such as the Journal of Business Research, International Journal of Physical Distribution & Logistics Management, Journal of Knowledge Management (Emerald), and others.

Since 2015, Prof. Marina Dabić has been a regular evaluator for the European Commission's prestigious Horizon 2020 projects in the field of circular economy and other projects under the Horizon 2020 framework. She is a member of the EPAS Evaluation Board for the European Foundation for Management Development (EFMD). She was the chair of the AZVO reaccreditation team for the Faculty of Economics in Rijeka and the Faculty of Economics in Osijek, a member of the executive evaluation committee of BICRO, and a consultant for the World Bank. She prepared background reports for OECD and EC HEInnovate. Under her mentorship, 5 doctoral dissertations have been defended.

IVANA MATOVINA

President of the Audit Committee

By decision of the General Assembly, Ivana Matovina was appointed as the Chairwoman of the Audit Committee of Podravka Inc. with her term starting on June 30, 2021.

She began her professional career in 1996 as an Accounting Manager, and from 1997 to 2009, she worked at KPMG Croatia Ltd. After that, until 2011, she worked as a partner and director at Cinotti revizija Ltd./Cinotti savjetovanje Ltd., and in 2011, she founded her companies Antares revizija Ltd./Antares savjetovanje Ltd., specializing in audits, internal audits, accounting, business consulting, and education. From 2009 to 2012, she was a member of the Management Board of the Croatian Auditors' Chamber, and since 2012, she has been a member of the Committee for Financial Reporting Standards and a member of the HANFA Council.

In 1996, she graduated from the Faculty of Economics, University of Zagreb, specializing in Accounting and Finance. In 2000, she became a Chartered Accountant in the UK, and two years later, she obtained the title of Croatian Certified Auditor.

6

Report on the Work of the Supervisory Board of Podravka Inc. and its Committees

During 2023, the Supervisory Board of Podravka Inc. (hereinafter: the Supervisory Board) operated with the following composition: Damir Grbavac – *President*; Luka Burilović – *Deputy President*; Damir Čukman *(from July 1, 2023)*, Marina Dabić *(until June 30, 2023)*, Damir Felak, Ksenija Horvat, Ante Jelčić *(from May 17, 2023)*, Tomislav Kitonić *(until June 30, 2023)*, Petar Miladin, Darko Prpić *(from July 1, 2023)* i Krunoslav Vitelj – *members of the Supervisory Board.*

In accordance with the authorities determined by the provisions of the Companies Act and the Statute of Podravka Inc., the Supervisory Board continuously supervised the conduct of Podravka Inc. and the Podravka Group's affairs during 2023, making decisions and conclusions through 52 agenda items divided into 11 sessions. Regarding attendance at the Supervisory Board meetings, Mr. Grbavac, Mr. Čukman, Ms. Horvat, Mr. Jelčić, Mr. Kitonić, Mr. Prpić, and Mr. Vitelj were present at all meetings, while Mr. Miladin missed four meetings, Ms. Dabić three, Mr. Burilović two, and Mr. Felak one.

In addition to the remuneration for their work in the Supervisory Board, members of the Supervisory Board did not receive other allowances such as travel and other expenses in 2023 In supervising the management of Podravka Inc., the Supervisory Board during 2023 discussed all key issues related to the operations of Podravka Inc. and its subsidiaries. It regularly received written reports on operations, as well as materials with proposals for decisions from the Management Board of Podravka Inc., which it reviewed and decided on in accordance with regulations.

The Management Board of Podravka Inc. reported to the Supervisory Board on all significant business events, business performance, and the general state of affairs of Podravka Inc. and the Podravka Group. The Supervisory Board determined that Podravka Inc. operated in accordance with laws, the Statute of Podravka Inc., decisions of the General Meeting of Podravka Inc., and other relevant regulations and general acts.

During the year, the Supervisory Board reviewed the status of capital investments and approved the selection of contractors for construction and installation works on the construction of a new logistics-distribution center in the Danica business zone. Additionally, the Supervisory Board approved the Real Estate Management Strategy of the Podravka Group - SPP Prehrana and the Business Plan of the Podravka Group for the period from 2024 to 2026.

In 2023, the Supervisory Board accepted the Management Board Report of Podravka Inc. on the operations of Žito Ltd. and the course of the Turnaround process, information on the Development Strategy of Belupo Group for the period up to 2027, and the organization and operation of the SPP Prehrana sales function.

For the efficient performance of its functions, the Supervisory Board operates through the following committees: Audit Committee, Remuneration Committee, and Nomination Committee.

The Audit Committee operated in 2023 with the following composition: Ivana Matovina, Chair of the Audit Committee, Tomislav Kitonić, Deputy Chair of the Audit Committee until June 30, 2023, Darko Prpić, member of the Audit Committee from July 21, 2023, and Deputy Chair of the Audit Committee from October 27, 2023, and Damir Grbavac, member of the Audit Committee.

The Audit Committee held ten meetings in 2023, and all members of the Audit Committee were present at all meetings. The Audit Committee regularly reported to the Supervisory Board on the recommendations made at its meetings and submitted its Work Report for 2022

The Audit Committee reviewed and made recommendations to the Supervisory Board for the adoption of the Annual Financial Statements of Podravka Inc. and the Podravka Group and reports on the state of the Company and its subsidiaries for 2022, with reports from the authorized auditors Ernst & Young Ltd., and quarterly financial statements of Podravka Inc. and the Podravka Group in 2023 Furthermore, the Audit Committee recommended to the Supervisory Board the appointment of the audit firm Ernst & Young Ltd. for the statutory audit of Podravka Inc. for 2023 and the selection of the company Grant Thornton revizija Ltd. as the second audit firm for 2023

The Audit Committee also reviewed the Annual Report on the work of Internal Audit for 2022, quarterly reports on the work of Internal Audit in 2023, and Reports on the follow-up of recommended activities from audit projects in 2022 and 2023

The Nomination Committee operated in 2023 with the following composition: Damir Grbavac, Chair of the Nomination Committee, and Luka Burilović and Krunoslav Vitelj as members of the Nomination Committee. The Nomination Committee held three meetings in 2023, and all members of the Nomination Committee were present at all meetings. The Nomination Committee regularly reported to the Supervisory Board on the recommendations made at its meetings and submitted its Work Report for 2022 at a meeting held in February 2023

At the meeting held in April 2023, the Nomination Committee recommended to the Supervisory Board the candidacy of Darko Prpić and Damir Čukman for appointment as members of the Supervisory Board of Podravka Inc. At the meeting held in July 2023, the Nomination Committee recommended to the Supervisory Board the appointment of Mr. Darko Prpić as a member of the Audit Committee.

The Remuneration Committee operated in 2023 with the following composition: Luka Burilović, Chair of the Remuneration Committee, and Damir Grbavac and Petar Miladin as members of the Remuneration Committee. The Remuneration Committee held two meetings in 2023, and all members of the Remuneration Committee were present at all meetings. The Remuneration Committee regularly reported to the Supervisory Board on the proposals and recommendations made at its meetings and submitted its Work Report for 2022

The Remuneration Committee analyzed the audited annual financial statements and the results of operations of the Podravka Group for 2022, as well as activities related to business restructuring and improvement of business processes, in order to assess their contribution to the success of the company's operations as a basis for proposing the remuneration of the President and members of the Management Board.

The Remuneration Committee also reviewed the Report on the remuneration of members of the Supervisory Board and Management Board in 2022 and made a recommendation to the Supervisory Board of Podravka Inc. to adopt the said Report on remuneration.

The Supervisory Board conducted a self-assessment of its effectiveness, profile, composition, as well as the effectiveness and composition of its committees and the individual performance of its members. The assessment was led by the Chairman of the Supervisory Board without the engagement of external assessors.

The Supervisory Board determined that its overall composition and profile, as well as the composition and profile of its committees, align with the needs and activities of Podravka Inc.

When submitting proposals to the Company's General Meeting regarding the election of new members to the Supervisory Board, members of the Supervisory Board and the Management Board are primarily selected based on their expertise, knowledge, and relevant experience, taking into account the application of the principle of gender equality.

Regarding the composition of the Management Board, the Supervisory Board set a goal for female representation of 30%. Since this goal was achieved with 40% female members of the Management Board, the Supervisory Board considers it fully fulfilled.

The Supervisory Board supports Podravka Inc.'s direction towards gender equality throughout the entire company, especially in senior management positions.

As of December 31, 2023, Podravka Inc. employed a total of 47% women. In the segment of highly educated workers, women constituted 63%, while in management positions, the percentage was 54%.

All of the above positions Podravka Inc. as one of the leading companies in terms of gender equality, and the Supervisory Board considers this employee structure an excellent achievement. Through the assessment process, the Supervisory Board concluded that all members of the Supervisory Board and its committees possess the knowledge, skills, and professional experience required. They actively participated in the work, dedicating adequate time and making effective contributions to discussions and decision-making on all agenda items discussed during the meetings of the Supervisory Board and its committees.

7

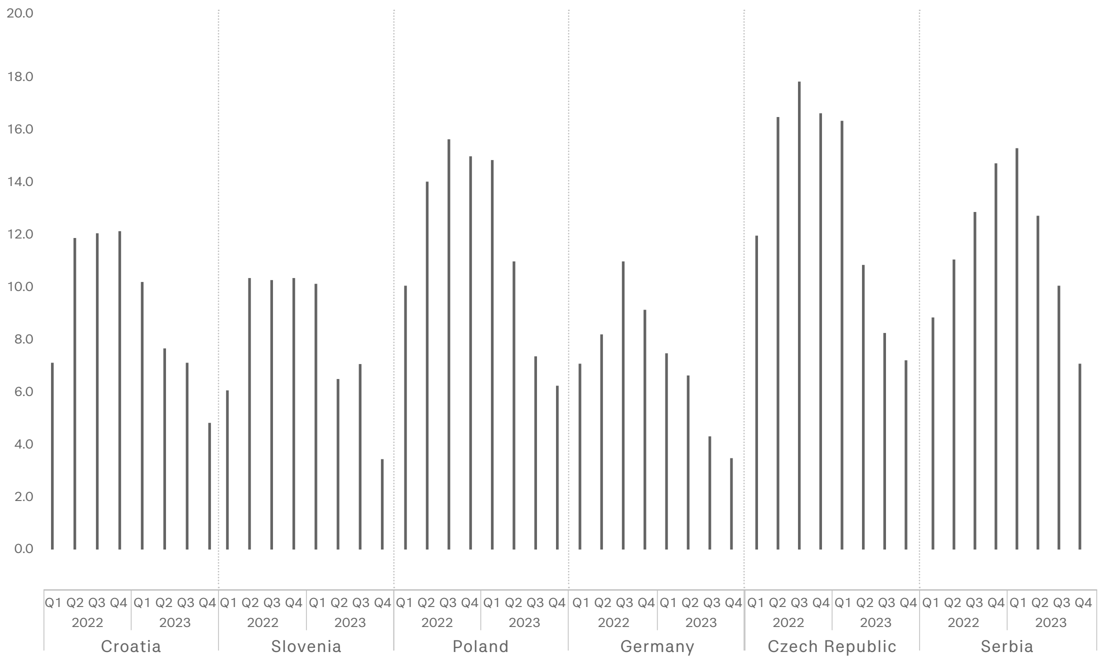
Key Business Indicators

Macroeconomic *Environment*

Podravka Group is a multinational company with production facilities in four countries, distribution companies in 16 countries, including Australia and the USA, and exports its products to more than 60 markets, with almost 70% of sales revenue generated outside of Croatia. We operate in the global market and respond to global challenges - which is why it is necessary to continuously strengthen our competitiveness.

The business results achieved in 2023 were in an environment still marked by challenges such as rising raw material costs and inflation, and we have managed to limit the impact of rising raw material costs on production costs through further process improvements. Podravka Group has made significant strides in the past period, and the plan is to continue in that direction in the future. Continuous investments in business modernization and process improvement, the introduction of new technologies and digitalization, and the enhancement of efficiency and energy efficiency are our priorities.

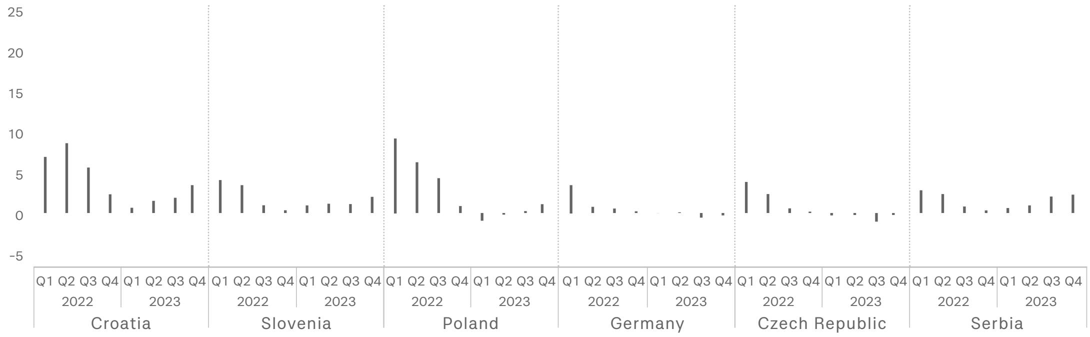
Movement of the inflation rate for selected countries in the period 2022-2023 (% compared to the same quarter of the previous year)



(Source: https://ec.europa.eu/eurostat)

Macroeconomic Environment

Movement of real GDP growth rate for selected countries in the period 2022-2023 (% compared to the same quarter of the previous year)



Source: https://ec.europa.eu/eurostat except for data that were not available at the time of preparing this report (Q4 2023 Croatia: https://podaci.dzs.hr/2023/hr/58249, and Q4 2023 Serbia: https://www.stat.gov.rs/sr-Latn/oblasti/nacionalni-racuni/kvartalni-nacionalni-racuni)

Key *Events*

The business results of Podravka Group show that the company operated successfully in the past year. Such results were primarily achieved thanks to planned activities in all business segments – from sales and procurement to successful investment realization, introduction of numerous new products, expansion of agricultural production, and enhancement of human resources competencies and expertise. During the past period, we focused on achieving set business goals, as well as laying the groundwork for good results in the coming years, namely, successful long-term operations and growth.

SUCCESSFULLY IMPLEMENTED CHANGES IN THE OPERATING MODEL IN INTERNATIONAL MARKETS AS THE BASIS FOR STRONG GROWTH IN THE FOOD SEGMENT IN THE FOLLOWING YEARS

Almost 70% of Podravka Group's sales revenue comes from outside Croatia, and further internationalization, both in the Food and Pharmaceutical segments, is one of the key determinants of the Business Strategy. Therefore, in the past year, we largely focused on activities aimed at changing and improving operations in international markets, especially in Western and Central Europe, with the aim of strengthening growth and improving profitability in the coming years. In the Food segment, this primarily involves market restructuring in Poland, the Czech Republic, and Hungary, through the discontinuation of some unprofitable assortments and harmonization of pricing policies with those in Western Europe. In the German market, Podravka has improved the way products are placed by turning to its own distribution to major retail chains, while the distributor has been changed in traditional/ethnic stores. All changes are in line with the strategy that identifies the German and Central European markets as a priority for sales expansion. Additionally, Podravka Group and Atlantic Group have agreed to cooperate in foreign markets, specifically in the United States and Austria, to jointly strengthen the export of Croatian brands. Atlantic's distribution company in Austria now provides support for the placement of Podravka products in the Austrian market, while Podravka, through its company in the USA, places Atlantic's products on the US market. This way, mutual synergies are maximized, and by using the developed business network and market positions in Austria and the USA, the placement of products from both companies is strengthened, raising brand awareness. With these changes, we have ensured that Podravka's products are sold at prices that bring appropriate profit, i.e., they are not sold at prices lower than those on the domestic market in markets with higher purchasing power. In the Pharmaceutical segment, a series of activities were

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carried out to expand and improve sales in the markets of Central and Southeast Europe, to strengthen diversity in the export structure.

Thanks to these efforts, sales revenue in the Food segment in 2023 amounted to EUR 553.7 million, which is 6% or EUR 31.5 million more compared to 2022. This refers to non-normalized sales revenue, meaning that the revenue growth includes the effect of the aforementioned restructuring of international markets, which temporarily led to a decrease in sales of certain categories to improve sales profitability and establish a stable basis in the upcoming period. Sales revenue in the Pharmaceutical segment increased by EUR 15.2 million (+10.5%) compared to the corresponding period, reflecting expansion into export markets, as well as changes in the placement of Belupo products in the Croatian market.

ADOPTED SUSTAINABLE BUSINESS STRATEGY OF PODRAVKA GROUP FOR THE PERIOD 2023 TO 2030

The Sustainable Business Strategy of Podravka Group until 2030 was presented last May. The main areas of action defined by the Strategy include a clean environment, healthy nutrition, care for employees and the community, and responsible corporate governance.

These strategic pillars contain ten main goals, including obtaining 100% electric and 50% thermal energy from renewable sources in production within the EU, reducing carbon dioxide emissions by 60% at the level of Podravka Inc., or 40% at the Group level, further enhancing corporate culture and climate in all organizational units, and so on.

Key investments that support and enable the achievement of Podravka Group's sustainability goals include expansions of solar power plants, construction of cogeneration plants, concentration of bakery production in Slovenia at one location, modernization of the vehicle fleet, and construction of a new logistics distribution center in Koprivnica. Podravka Group will invest one hundred million euros in achieving sustainability goals.

Additionally, in the field of healthy nutrition, Podravka will increase the number of products with lower salt, added sugar, and saturated fat content per serving, as well as products containing positive ingredients and/or promoting healthy, balanced, and sustainable nutrition. In the area of a clean environment, Podravka will focus on goals such as reducing its own CO_2 emissions, increasing the share of renewable energy sources (RES) in total energy consumption, using recyclable packaging, reducing mineral fertilizers and pesticides in agricultural production, and many others. When it comes to caring for employees and the community, Podravka will continue to actively work on gender equality and reducing the gender pay gap, improving employees' material rights and working conditions, as well as developing the skills, new knowledge, and competencies of employees. By supporting various cultural, sports, and humanitarian organizations and associations, Podravka Group will continue to support the community in which it operates and promote awareness of the importance of balanced and healthy nutrition and the importance of reducing and managing food waste.

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ADOPTED NEW NUTRITIONAL STRATEGY FOCUSED ON BALANCED AND SUSTAINABLE NUTRITION

The Nutritional Strategy is part of the Sustainability Strategy and Business Strategy. Podravka, through its Nutritional Strategy for the period up to 2027, reaffirms its commitment to healthy, balanced, and sustainable nutrition through the development of new and innovative products. We continue to adapt and complement our wide range of products in line with health recommendations, dietary trends, and consumer needs. This includes products with lower levels of salt and added sugars, enriched with fibers, proteins, vitamins, and minerals, as well as products based on fruits, vegetables, legumes, whole grains, plant-based protein sources, and more.

Podravka adopted its initial Nutritional Strategy in 2014 and, since then until the adoption of the new one, has reduced the amount of salt in its products by a total of 300 tons and sugar by 1,423 tons. Salt reduction was mainly implemented in the assortment of soups, broth cubes, Fant, and meat products. Sugar reduction was primarily applied in baby food, breakfast cereals, and fruit spreads. In addition to adjusting the recipes of existing products in a way that preserved their recognizable and consumer-favorite flavors, new products supporting balanced nutrition or catering to specific life needs have been developed. The range has been enriched with a variety of new products without additives, flavor enhancers, and colorings, offering specific benefits such as gluten-free products, products enriched with proteins, vitamins, minerals, fibers, and more. Furthermore, Podravka has reduced the use of palm oil and switched to RSPO-certified palm oil, while also launching lines of organic products and products for vegetarians and vegans.

The Nutritional Strategy for the period until the end of 2027 defines several key objectives:

- Reduce the average salt and sugar content by 20% in 75% of new and innovative products compared to the current average content.
- Incorporate at least one ingredient supporting healthy and balanced nutrition, such as fibers, proteins, vitamins, and minerals, in 75% of new and innovative products.
- Base at least 40% of new and innovative products on ingredients associated with sustainable nutrition, such as fruits, vegetables, legumes, whole grains, plant-based protein sources, and more.
- Ensure that 100% of products support sustainable nutrition.

REALIZED INVESTMENTS AMOUNTED TO 69 MILLION EUROS, ALMOST 31% MORE THAN IN 2022.

The investment cycle of Podravka Group is in full swing and is being carried out in line with the Business Strategy of Podravka Group until 2025. So far, almost 150 million euros have been invested as part of the investment cycle, of which 68.9 million euros were realized in 2023. The investment cycle also includes an additional nearly one hundred million euros in 2024. The priorities of the investment cycle include investments in modernization, the introduction of new technologies and digitalization, increasing efficiency and energy efficiency, and further improving working conditions. It is important to note that, alongside the intensive investment cycle of the past two years, Podravka Group is in a continuous deleveraging process, indicating business stability.

In 2023, Podravka completed the construction of a new PASTA FACTORY. This investment is worth

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more than 15 million euros, with seven million euros invested in building infrastructure and eight million euros in technology and assembly. This is also the first newly built factory in the Food segment in the last 17 years. The Pasta Factory is built on over 4,800 m2 and houses two fully automated processing lines for the production of short and twisted pasta, as well as three automated lines for packaging and palletizing products. The new Pasta Factory produces industrial pasta used for the production of Podravka soups and twisted and short pasta under the Zlato polje brand. The construction of the factory also includes the possibility of further expanding technological capacities and product range, as well as further investment in renewable energy sources, namely solar power plants. The construction of the factory and assembly of the lines ultimately lasted only one year, and with this investment, Podravka further ensures its own pasta production, modernizes the technological process of production, and further boosts the growth of the soup category, as well as the development of new products. Additionally, during the third quarter of 2023, an investment was launched in a production line for instant noodles products at the Pasta Factory. The investment will ensure in-house production, contribute to production efficiency, and increase production flexibility. The project is expected to be completed by the end of 2024, followed by the first in-house production.

THE CONSTRUCTION OF THE LOGISTICS-DISTRIBUTION CENTER in Koprivnica is the largest investment within the Business Strategy of Podravka Group until 2025, with a total value of 48 million euros. Construction began in March 2023, and completion is expected in the second half of this year. The logistics-distribution center will meet the expected needs for storage space in the Croatian market over the next ten years and will be able to expand in the future if necessary. With this investment, Podravka Group will increase its efficiency in the logistics-distribution segment of operations through the optimization of the number of storage spaces, minimizing internal transport, and better cost control. It will also have a positive impact on the environment by reducing carbon dioxide emissions.

As part of investments in energy sustainability and efficiency, Podravka initiated the implementation of the second phase of INVESTMENTS IN SOLAR POWER PLANTS during the first quarter of 2023, co-financed with funds from the Modernization Fund in the amount of over 3.3 million euros. For the completed first phase of the project - the largest integrated solar power plant project in Croatia, Podravka received the prestigious award from the Croatian Energy Society "Hrvoje Požar" in the category for realized projects of energy rationalization and environmental improvement last year. The completion of the second phase of the project is expected in the third quarter of 2024, which will include other production and storage locations of Podravka Inc. not covered by the first phase, as well as the Pasta Factory and facilities at Belupo. The third phase of solar power plant investments will focus on the new logistics-distribution center in Koprivnica. The project is expected to be completed in the second half of 2025. The investment will greatly contribute to reducing electricity costs.

As part of the MODERNIZATION OF THE MEAT INDUSTRY DANICA, an investment in the canned meat production facility was completed, introducing a new modern product sterilization system worth 2.4 million euros. With the introduction of the new system, the sterilization capacity will increase by 25%, and significant savings in thermal energy will be achieved.

Key Events

Compared to the previous sterilization system, water consumption will be reduced by as much as 70%. The investment represents a step forward in improving and modernizing the production process in the meat products and processed meat factory, aiming at cost optimization and efficiency improvement. The new sterilization system will significantly ease the workload for employees in the production facility as the entire process of filling and emptying the sterilizers is automated. Additionally, during the first nine months of 2023, an investment was launched in the deli meat slicing line of the meat industry Danica. The investment will contribute to increasing the efficiency of deli meat production, and the commissioning is expected in early 2024.

Throughout 2023, INVESTMENTS IN THE CONCENTRATION AND MODERNIZATION OF BAKERY OPERATIONS IN SLOVENIA continued - Podravka Group completed the first major investment as part of the restructuring of Žito's business, with a total value of around five million euros. This involved a new automated bread production line with a capacity of up to 2,400 pieces per hour at the Vič Bakery in Ljubljana. The new line features low energy consumption, and a 20% reduction in maintenance costs is expected. Furthermore, investments were initiated in the procurement of new production lines for pastry and bread production at the Maribor bakery, with a value exceeding eight million euros, expected to be completed in the third quarter of 2024. The concentration and modernization of bakery operations will result in the optimization of the production process, better control of production costs, and create conditions for the production of new products. The project to relocate frozen food production from Ljubljana to Maribor was successfully implemented. The investment will ensure continuity in the production of frozen food assortments and a higher level of production efficiency.

An investment in the MODERNIZATION AND CAPACITY INCREASE OF FRESH TOMATO PRIMARY PROCESSING IS UNDERWAY IN CONTINENTAL CROATIA, involving the construction of a facility within the existing Kalnik factory in Varaždin. This investment aims to ensure an increase in the capacity of fresh tomato primary processing and the continuity of in-house production. The commercial production in the new facility is expected to begin in the third quarter of this year. In a broader sense, the investment includes AGRICULTURAL MECHANIZATION AND IRRIGATION necessary for smooth primary production operations. For the needs of the new factory, Podravka will organize tomato production on its own land and with cooperatives covering an area of approximately 400 hectares. Cooperative production with Podravka will continue in Istria, and cooperation with cooperatives will be expanded to meet the capacity needs of the new factory.

After completing the project to DIGITIZE PRODUCTION MANAGEMENT SYSTEMS at the Soup and Vegeta Factory, the project continued during 2023 at other production locations in Croatia and Slovenia. The digitalization of the production site in Varaždin is currently underway, with the overall project planned for completion by mid-2024. This will enable the monitoring of operations on production lines digitally, enhancing operational efficiency and resource utilization. Additionally, with the aim of reducing procurement costs, increasing efficiency, transparency, and standardization of procurement processes across Podravka Group, investments were made in digitalizing procurement processes, successfully implemented by the end

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of 2023. A new IT SOLUTION FOR PLANNING AND REPORTING PROFITABILITY was selected by the end of 2023, enabling further digitalization of planning and profitability reporting processes for business segments and markets. This investment will enhance flexibility and automation in planning and reporting processes, with the system expected to be fully operational by the third quarter of 2024. Additionally, the transition project of the existing SAP system to SAP S/4HANA version is ongoing, aiming to improve business operations and financial-accounting processes.

Towards the end of the year, a decision was made to continue INVESTING IN AGRICULTURAL MACHINERY and related equipment. This investment will result in cost savings in agrotechnical operations and ensure the necessary raw materials for the new tomato primary processing facility in continental Croatia.

Furthermore, a decision was made to CONSTRUCT A CENTRAL TRANSPORT AND MAINTENANCE FACILITY WITH ACCOMPANYING BUILDINGS, aiming to improve working conditions for logistics employees and enhance the efficiency of logistical processes. Construction is expected to commence in the first quarter, with completion anticipated in the third quarter of 2024.

After the completion of the renovation and modernization works on the administrative building, THE RENOVATION OF OTHER OFFICE SPACES AT THE COMPANY'S HEADQUARTERS HAS COMMENCED. The renovation includes IT and energy reconstruction as well as overall modernization, which will significantly improve working conditions for employees and reduce energy consumption.

SALARIES AND EARNINGS OF PODRAVKA INC. EMPLOYEES WERE INCREASED TWICE IN 2023, WITH AN AVERAGE INCREASE OF ALMOST 19%

The past year was characterized by the continuation of increasing material rights for workers. Throughout 2023, workers' salaries were increased twice (in July and December), totaling five increases over the past two and a half years. Additionally, Podravka and the unions reached an agreement in July 2023 on a new salary system for all Podravka Inc. and Belupo employees, which came into effect on December 1, 2023. Podravka thus introduced a fairer and more modern salary system, replacing the previous tariff system, which dated back to 1997. This corrected numerous inconsistencies in job evaluation and opened clearer opportunities for advancement.

During the implementation of the new system, THE SALARY INCREASE WAS AT LEAST €150 GROSS. FOR A THIRD OF THE WORKERS OR MORE, WHOSE JOBS WERE NOT ADEQUATELY EVALUATED IN THE OLD SALARY SYSTEM, THIS INCREASE WAS HIGHER. In addition to their monthly salary, Podravka employees receive a non-taxable supplement, which the employer disburses to all employees in equal monthly amounts based on limits set for these payments by the Income Tax Regulations. In 2023, this supplement amounted to €82.95 net monthly.

As a result of these extensive changes, THE AVERAGE NET EARNINGS OF WORKERS whose salaries were based on coefficients in the old system AMOUNTED TO €1,164 FOR DECEMBER 2023, which is an increase of ALMOST 19% COMPARED TO DECEMBER 2022. Meanwhile, the average net earnings of workers whose

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salaries were paid based on contracts amounted to €1,881 for December 2023, which is 14% higher than for December 2022.

ULTIMATELY, THE AVERAGE EARNINGS OF ALL WORKERS (EXCLUDING MANAGEMENT) FOR DECEMBER 2023 AMOUNTED TO €1,217 NET, WHICH IS 18.4% HIGHER THAN FOR DECEMBER 2022.[2]

2 More detailed information on December income can be found in Podravka Inc.'s Annual Report for the year 2023, in Chapter Financial Reports, Note 12: Employee Costs.

Under the new system, jobs are classified according to the level of complexity, into corresponding pay grades. The gross contracted salary of a worker depends on the complexity level of their job, and no one can have a gross salary lower than the minimum of the pay grade into which their job is classified. Moreover, a higher basis for calculating salary supplements for special working conditions (such as shift work or overtime) and the calculation of seniority supplements have been introduced. Additionally, the new system provides greater opportunities for advancement and rewards based on work performance, which was not possible before because the previous system was solely based on educational qualifications. The new salary system has corrected longstanding injustices and inconsistencies that have burdened Podravka's workers for many years.

THE TURNAROUND OF ŽITO HAS BEEN SUCCESSFULLY COMPLETED

Podravka has successfully completed the restructuring of Žito Ltd. Ljubljana, which is an integral part of the Podravka Group. The goal of the business restructuring and modernization is to increase efficiency and competitiveness in the production of bakery products. The entire turnaround is strategically focused on the bakery sector, creating better conditions to strengthen the market position of Žito's bakery products in Slovenia and expand their availability in the Croatian market.

The turnaround was implemented through five pillars of business improvement, including increased production efficiency and technological modernization, active portfolio management, simplification of the Žito Group's organizational structure, restructuring of sales organization and retail, and standardization of processes with Podravka Inc.

The project began in January 2022, consolidating the number of production locations. The production of the dough assortment and frozen products was consolidated in Maribor and Vrhnika, daily production in Vič, and small series production in Lesce. A total of 8.2 million euros has been invested through the investment cycle so far. By the end of the year, an additional eight million euros will be invested, bringing the total investment to 16.2 million euros, financed by proceeds from real estate sales. Some of the investments include a new bread production line in Vič, automation of lines in Maribor, and expansion of frozen product storage capacity in Maribor. Additionally, as part of the restructuring, sales and production functions were separated, with Podravka Ljubljana taking over all distribution activities in the Slovenian market for the entire Food segment portfolio, including the bakery portfolio.

AT THE PODRAVKA INC. GENERAL ASSEMBLY, A DECISION WAS PASSED TO PAY A DIVIDEND OF 2.65 EUROS PER SHARE, WHICH IS 53% HIGHER THAN IN 2022, AND NEW MEMBERS OF THE SUPERVISORY BOARD WERE ELECTED

At the General Assembly of Podravka Inc. held on May

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17, 2023, shareholders of Podravka Inc. approved the proposal of the Podravka Inc. Management Board to pay a dividend of 2.65 euros per share, which is 53% higher than the previous year. The dividend was paid on July 14, 2023, to all shareholders registered in the shareholders' book as of June 15, 2023. Considering the last market price of Podravka shares at the end of 2022 (84.15 EUR), the paid dividend amount implies a dividend yield of 3.1%. By maintaining a consistent dividend yield over the years, the Podravka Group confirms its focus on meeting the expectations set by shareholders.

The terms of office for Marina Dabić and Tomislav Kitonić on the Supervisory Board expired on June 30, 2023. New members of the Supervisory Board are Darko Prpić, Damir Čukman, and Ante Jelčić. They were elected for a four-year term, which began on July 1, 2023, for Darko Prpić and Damir Čukman, while Ante Jelčić started his duty on May 17, 2023.

PODRAVKA'S STOCK REACHED ITS HISTORICALLY HIGHEST VALUE

Podravka's share reached its historically highest value at the end of 2023. The closing price in 2023 was 163 euros, making its value 93.7% higher than the last realized value in 2022. The market value of the company reached as much as 1,143.6 million euros. The significance of Podravka's share was recognized by the investment community, and Podravka received a special award from the Zagreb Stock Exchange. We won the Zagreb Stock Exchange award in two categories – for the Share with the highest turnover and the Share of the year according to the public's choice. The fact that Podravka's share attracted the highest investor interest indicates that the investment community recognized Podravka as a company worth investing in.

PODRAVKA IS DEVELOPING SUPERFOODCHEF-AI BY COOLINARIKA, THE FIRST AI ASSISTANT IN THE FOOD INDUSTRY IN THE REGION

Podravka has become the first in the food industry in the region to launch an innovative digital product driven by artificial intelligence (AI), thereby joining the ranks of leading brands worldwide that have integrated generative AI technology into their digital channels.

The product, SuperfoodChef-AI by Coolinarika, is a personal AI assistant for nutritionally balanced diet developed to enhance user experience on the largest regional culinary platform - Coolinarika. Coolinarika is one of the most visited portals in Croatia and a central hub for recipe exchange in the entire region, with nearly 70,000 daily users. It has long been recognized as a pioneer in setting innovative trends in the market. In addition to the website, SuperfoodChef-AI is also available on the Coolinarika mobile application.

The first Croatian AI kitchen assistant was developed through a partnership between Podravka and the leading regional IT company Infobip, as well as the international digital agency C3 Croatia - 01 Content & Technology. Currently, it is in the beta development phase, undergoing further enhancements and upgrades.

THE YEAR MARKED BY AWARDS

Podravka received numerous awards during 2023, ranging from corporate-level recognitions like the Zagreb Stock Exchange awards to acknowledgments for the coolest cereals, as exemplified by the Lino children's cereals. These awards are the result of hard work,

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continuous business improvement, investment in production, the security, and satisfaction of our consumers, further affirming our commitment to excellence. They signify the strong position of our high-quality products, not only in Croatia but also in the region and the world, providing additional motivation for all future plans and achievements.

Last year, Podravka received two Zagreb Stock Exchange awards – the award for the Share of the Year and the award for the Share with the Highest Turnover. Similarly, Poslovni dnevnik and the Zagreb Stock Exchange recognized Podravka as one of the companies that best cooperate with investors, presenting it with a second award, marking the third time in the last four years. Thanks to the company's excellent performance, the President of the Management Board, Martina Dalić, was named Businesswoman of the Year by the jury of Večernji list and Poslovni dnevnik. Podravka consistently and timely communicates its business outcomes, as well as all other news related to the company. This was reflected last year in the prestigious PR award GrandPRix presented by the Croatian Public Relations Association. The award was given for the project commemorating Podravka's 75th anniversary, which involved numerous activities – from investments and donations to culinary shows, and more. Belupo also received recognition, winning the Golden Kuna plaque as the most successful large company in the Koprivnica-Križevci County.

On several occasions in 2023, Podravka's significant efforts in the context of ESG (Environmental, Social, and Governance) were recognized. The company received two certificates in the field of human resource management – Employer Partner and Mamforce, as well as the annual award from the "Hrvoje Požar" Foundation of the Croatian Energy Society in the category for the realized project of rational energy management and environmental quality improvement for the construction of the largest integrated solar power plant in Croatia. Additionally, in December 2023, Belupo received a certificate of appreciation for participating in the voluntary action "Čep za lijek" (Cap for Medicine), through which more than five hundred kilograms of plastic caps were collected. The proceeds from the sale of caps will be used to purchase medications for members of the Leukemia and Lymphoma Patients Association.

Numerous awards were also granted to Podravka's products. Eight of them were awarded the Superior Taste Award, while Vegeta was once again declared the best-selling universal spice in Europe. Lino Njupalice in the category of meat pâtés, and Dolcela muffins in the category of cake mixes and creams, were declared the best by the "Chosen by Moms" award. Dolcela HI protein shakes received the "Živjeti zdravo" (Live Healthy) quality assurance label, and Vegeta BIO was named the best product in its category and awarded the "Chosen Product of the Year" label for 2023. Also, at the traditional annual IQVIA Pharmaceutical Market Forum, Belupo received an award in the Commercial Performance Award category – the best company in the OTC (Over-the-Counter) segment. Lupocet was especially highlighted as the leading brand in the OTC market in Croatia.

Other markets also recognized Podravka's achievements. At the 23rd sensory evaluation of bread, bakery products, fine pastries, cookies, pasta, and fresh desserts in the cold chain, as many as 35 of Žito's products, out of a total of 37 submitted, received gold awards. The "Vegeta in your pocket" campaign won a

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bronze award (bronze pie) at the Digital Pie competition in the Slovakian market, where Podravka has also been awarded the Superbrand title for the tenth time. With the AI.VAR campaign for Podravka ajvar in the Slovenian market, Podravka won the most important award for digital communications in the region – the SoMo Borac trophy, and the year ended with the most sought-after international design quality mark. Podravka and the Bruketa&Žinić&Grey agency received the Red Dot Award for the design of the Vegeta&Spirulina packaging, earning the title "Red Dot Best of the Best," awarded to the best among all Red Dot recipients.

PODRAVKA AND CITIZENS RAISED 74,000 EUROS FOR THE RENOVATION OF SCHOOL KITCHENS AND DINING ROOMS

Podravka, as a socially responsible company, has been providing financial support and product donations to numerous humanitarian, economic, cultural, sports, and scientific projects throughout the Republic of Croatia for decades. In line with this, during February and March 2023, Podravka conducted the campaign "Donating and Renovating School Kitchens" aimed at helping schools across Croatia renovate their kitchens and dining rooms. From February 15th to March 15th, for every sale of the Vegeta blue packaging, Podravka's most renowned brand, 0.10 euros were allocated for school donations.

Ultimately, in order to assist in the renovation of a larger number of schools than initially planned, Podravka doubled the amount collected through a special sales campaign. As a result, Podravka and the citizens who participated in the campaign by purchasing the Vegeta blue packaging together donated 74,000 euros for the renovation of a total of ten school kitchens and dining rooms.

PODRAVKA BECAME A SIGNATORY TO THE VOLUNTARY AGREEMENT ON PREVENTING AND REDUCING FOOD WASTE CALLED "TOGETHER AGAINST FOOD WASTE"

Podravka is among the 33 signatories who, along with the Ministry of Agriculture, signed the voluntary agreement "Together Against Food Waste" in March 2023, aimed at preventing and reducing food waste. The agreement is one of the measures of the Plan to Prevent and Reduce Food Waste in the Republic of Croatia and the reform measures "Improvement of the Food Donation System in the Republic of Croatia" from the National Recovery and Resilience Plan.

By signing, the participants voluntarily commit to making efforts to reduce food waste in their business processes, donating food, and actively communicating with consumers. The ultimate goal of the Agreement is to reduce food waste in the Republic of Croatia by 30% by 2028.

PODRAVKA AND THE UNIVERSITY NORTH HAVE SIGNED A COOPERATION AGREEMENT

On the occasion of the ceremonial opening of the new building of the University of North in the campus of Koprivnica, Podravka and the University signed an agreement in June of last year to expand their existing collaboration. Podravka becomes a teaching base of the University, meaning it will participate in scientific research and professional projects of the University, facilitate the organization and implementation of internships, enable the assessment of acquired skills, arrange guest lectures in certain courses to present practical experiences, and more. On the other hand, the University of North has committed to adequately prepare students for practical training, develop methods for assessing acquired practical knowledge, and other related tasks.

8

Bussines Results and Shares

Bussines *Results*

INTRODUCTORY NOTE

Pursuant to the Act on the introduction of the euro as the official currency in the Republic of Croatia, as of 1 January 2023 the Group adjusted the reporting of data published in previous periods in such a way that it converted the data previously published in HRK into EUR, applying the fixed conversion rate of EUR 1 = HRK 7.5345 in accordance with the rules for conversion and rounding from the aforementioned Act.

Decimal differences in the document are possible due to rounding.

SALES REVENUES BY SEGMENT IN 2023

Sales revenues by segment

(in EUR millions)	1 - 12 2022	1 - 12 2023	Δ	%
Food	522.2	553.6	31.5	6.0%
Own brands	*485.8*	*507.1*	*21.3*	*4.4%*
Other sales	*36.4*	*46.6*	*10.1*	*27.9%*
Pharmaceuticals	145.0	160.2	15.2	10.5%
Own brands	*116.0*	*130.9*	*14.9*	*12.9%*
Other sales	*29.0*	*29.3*	*0.3*	*1.0%*
Podravka Group	667.2	713.8	46.7	7.0%
Own brands	*601.8*	*638.1*	*36.3*	*6.0%*
Other sales	*65.4*	*75.8*	*10.4*	*15.9%*

Movements of the Food segment revenues (2023 compared to 2022):

- *Own brands* recorded EUR 21.3m (+4.4%) higher sales due to the increase in sales of almost all business units,
- *Other sales* recorded EUR 10.1m (+27.9%) higher sales, primarily as a result of the development of distribution on the US market,
- Overall, the *Food segment* recorded EUR 31.5m (+6.0%) higher sales. The revenue growth includes the effect of the restructuring of international markets, which in the short term brought a decrease in the sales of certain categories in order to improve the profitability of sales, but also to create a stable base in the coming period.

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Movements of the Pharmaceuticals segment revenues (2023 compared to 2022):

- *Own brands* recorded EUR 14.9m (+12.9%) higher sales, as a result of the increase in sales revenues of Prescription drugs and Non-prescription drugs,
- *Other sales* recorded EUR 0.3m (+1.0%) higher revenues, due to the increase in trade goods sales in the market of Bosnia and Herzegovina, and due to the increase in sale of services on the market of Croatia,
- Overall, the *Pharmaceuticals segment* recorded EUR 15.2m (+10.5%) higher sales revenues.

Movements of the Podravka Group revenues (2023 compared to 2022):

- Podravka Group's ***own brands*** recorded an increase in sales of EUR 36.3m (+6.0%),
- The revenues of ***other sales*** are EUR 10.4m (+15.9%) higher,
- Overall, the ***Podravka Group*** sales revenues are EUR 46.7m (+7.0%) higher.

SALES REVENUES BY BUSINESS UNITS AND CATEGORIES IN 2023

Sales revenues by business units and categories

(in EUR millions)	1 - 12 2022	1 - 12 2023	Δ	%
BU Culinary	101.3	105.5	4.2	4.1%
BU Soups	41.9	47.0	5.1	12.2%
BU Cereals, Snack and Beverages	42.7	46.6	3.9	9.2%
BU Creamy spreads and Desserts	45.6	47.9	2.3	4.9%
BU Bakery	69.5	70.9	1.3	1.9%
BU Basic food	114.4	118.7	4.3	3.8%
BU Meat products	43.3	44.0	0.7	1.7%
BU Fish	27.1	26.6	(0.5)	(2.0%)
Prescription drugs	97.4	109.8	12.4	12.7%
Non-prescription programme	18.6	21.2	2.6	13.8%
Other sales	65.4	75.8	10.4	15.9%
Other sales Food	*36.4*	*46.6*	*10.1*	*27.9%*
Other sales Pharmaceuticals	*29.0*	*29.3*	*0.3*	*1.0%*
Podravka Group	667.2	713.8	46.7	7.0%

*As a result of the internal reorganization, the Confectionery category, which was within the BU Bakery, during the reporting period became an integral part of the BU Creamy spreads and Desserts. Therefore, historical data was adjusted due to new organizational structure.

Bussines Results

Movements of sales revenues by business units and categories (2023 compared to 2022):

- The *Culinary business unit* recorded EUR 4.2m (+4.1%) higher sales. Revenue growth was recorded mainly in the markets of Southeastern Europe, and Croatia and Slovenia. The revenue growth includes the effect of the restructuring of the market of Poland, where, despite lower revenues following the portfolio shrinking and optimization, profitability increased,
- The *Soups business unit* recorded EUR 5.1m (+12.2%) sales growth. The revenue growth of the business unit was realised in the key markets of the Southeastern Europe, and Croatia and Slovenia. The new Noodles subcategory contributes to an additional positive trend within the Soups business unit,
- The Cereals, Snack and Beverages business unit recorded EUR 3.9m (+9.2%) higher sales. The sales revenue growth was recorded in all categories, primarily in the markets of Croatia, Bosnia and Herzegovina, Slovenia, North Macedonia, and Serbia. Also, with the aim of increasing profitability, the product range was optimized with the introduction of new products and a greater focus on more profitable categories, primarily the Baby Food category,
- The *Creamy spreads and Desserts business unit* records EUR 2.3m (+4.9%) higher sales. The revenue growth was recorded in the market of Croatia and in the Southeastern Europe region in almost all categories. As a result of the internal reorganization, the Confectionery category, which was within the BU Bakery, during the reporting period became an integral part of the BU Creamy spreads and Desserts,
- The *Bakery business unit* recorded EUR 1.3m (+1.9%) sales growth, with the simultaneous implementation of the business unit portfolio optimization and the reduction of the number of products with the aim of increasing profitability. Revenue growth is primarily realised due to higher sales of the subcategories Bread, and Cakes and biscuit cakes. Also, the Turnaround of Žito project was successfully completed with the aim of restructuring operations and modernizing production in order to increase efficiency and competitiveness in the segment of the production of bakery products, which created even better conditions for strengthening the market position of the business unit. The most significant revenue growth was recorded in the Western Europe region,
- In the observed period, the *Basic food business unit* recorded EUR 4.3m (+3.8%) higher sales due to the increase in sales of almost all categories, primarily Processed fruit, Condiments and Flour. The Croatian market, which is also the most important market in the business unit portfolio, contributes most to the growth of sales revenues,
- In the reporting period, the *Meat products business* unit recorded EUR 0.7m (+1.7%) higher sales, with the simultaneous implementation of the business unit portfolio optimization and the discontinuing of low turnover products with the aim of increasing profitability, primarily on the Croatian market,
- he *Fish business unit* recorded EUR 0.5m (-2.0%) lower sales, which is primarily caused by the decline in revenues of the Tuna subcategory due to changes in consumer spending habits. In addition, the focus in the business unit is placed on those products and markets that are more profitable, which is manifested as a decrease in sales with an increase in profitability. During the reporting period, new innovative products were launched within the Fish salads category, which record a positive growth trend,
- The *Prescription drugs category* recorded EUR 12.4m (+12.7%) higher sales, primarily due to the increase in sales of dermatological drugs, drugs for systemic infections, and cardiovascular drugs,

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- The revenues of the *Non-prescription programme category* are EUR 2.6m (+13.8%) higher, as a result of the increase in sales of the OTC (Over-the-Counter) drugs subcategory,
- The *Other sales category* recorded EUR 10.4m (+15.9%) higher sales. In the Food segment, other sales increased by EUR 10.1m (+27.9%), mainly due to the development of distribution on the US market which includes the revenues from the distribution of Atlantic Grupa's products. In the Pharmaceuticals segment, other sales grew by EUR 0.3m (+1.0%), primarily due to higher trade goods sales in the markets of Bosnia and Herzegovina, and Croatia.

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SALES REVENUES BY REGION IN 2023

Sales revenues by region

(in EUR millions)	1 - 12 2022	1 - 12 2023	Δ	%
Markets of Croatia and Slovenia	332.8	352.9	20.1	6.0%
Food	*271.8*	*289.2*	*17.4*	*6.4%*
Pharmaceuticals	*61.0*	*63.6*	*2.6*	*4.3%*
Southeastern Europe	139.5	152.6	13.1	9.4%
Food	*96.7*	*106.8*	*10.1*	*10.4%*
Pharmaceuticals	*42.8*	*45.8*	*3.0*	*7.0%*
WE and Overseas	71.3	84.1	12.8	18.0%
Food	*70.5*	*82.7*	*12.2*	*17.3%*
Pharmaceuticals	*0.8*	*1.5*	*0.7*	*86.9%*
Central Europe	84.6	80.2	(4.3)	(5.1%)
Food	*74.7*	*69.4*	*(5.3)*	*(7.1%)*
Pharmaceuticals	*9.9*	*10.9*	*1.0*	*10.2%*
Eastern Europe	39.1	44.1	5.0	12.8%
Food	*8.5*	*5.7*	*(2.9)*	*(33.8%)*
Pharmaceuticals	*30.6*	*38.5*	*7.9*	*25.8%*
Southeastern Europe	139.5	152.6	13.1	9.4%

Movements of sales revenues by region (2023 compared to 2022):

- The *Markets of Croatia and Slovenia* recorded a sales increase of EUR 20.1m (+6.0%). Food segment revenues increased by EUR 17.4m (+6.4%), primarily due to sales increase of the business units Basic food and Cereals, Snack and Beverages. In the market of Croatia and Slovenia, the Retail sales channel achieved the strongest revenue growth of EUR 13.7m (+6.8%), while Special sales channels recorded revenue growth of EUR 3.5m (+5.1%). It should be noted that the restructuring of the sales organization was carried out in the Slovenian market in order to improve its efficiency and focus. Pharmaceuticals segment revenues are EUR 2.6m higher (+4.3%), due to higher sales of Prescription drugs and the Non-prescription programme. On the Croatian market, in the Pharmaceuticals segment, a change in the commercial model and performance was implemented with the aim of improving profitability,
- Revenues of the *Southeastern Europe region* grew by EUR 13.1m (+9.4%) in the reporting period. The Food segment recorded revenue growth of EUR 10.1m (+10.4%), due to the increase in sales of almost all business units, with the largest absolute growth generated by the business units Culinary and Soups. Pharmaceuticals segment revenues are EUR 3.0m higher (+7.0%), primarily due to Prescription drugs and

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Non-prescription programme sales increase,

- The *Western Europe and Overseas region* recorded EUR 12.8m (+18.0%) higher sales. The Food segment recorded EUR 12.2m (+17.3%) higher sales primarily due to the development of distribution on the US market, and sales increase in the Culinary and Bakery business units. At the same time, on the German market, Podravka improved the way it markets its products, turning to its own distribution to large retail chains, while in traditional/ethnic stores, the distributor was changed, which created a basis for revenue growth with better profitability in the future. The Pharmaceuticals segment revenues are EUR 0.7m (+86.9%) higher, primarily due to an increase in Prescription drugs revenues,
- The revenues of *Central Europe* in the reporting period are lower by EUR 4.3m (-5.1%). In the Food segment, a decrease in revenue of EUR 5.3m (-7.1%) was recorded, as a result of a decrease in revenues of the Basic food and Culinary business units. The lower result of Central Europe is primarily related to the targeted process of restructuring, and shrinking and optimizing the portfolio on the markets of Poland and the Czech Republic, which resulted in increased profitability and a sustainable base for growth in the future period. In the Pharmaceuticals segment, revenue growth of EUR 1.0m (+10.2%) was achieved primarily due to higher revenues of the Prescription drugs category,
- The *Eastern Europe region* recorded an increase in revenues of EUR 5.0m (+12.8%), as a result of the increase in sales of the Pharmaceuticals segment of EUR 7.9m (+25.8%) due to the increase in sales of the Prescription drugs category. The Food segment recorded EUR 2.9m (-33.8%) lower revenue following the termination of operations on the Russian market.

PROFITABILITY OF THE FOOD SEGMENT IN 2023

Profitability of the Food segment

(in EUR millions)	1 - 12 2022	1 - 12 2023	Δ	%
Sales revenue	522.2	553.6	31.5	6.0%
Gross profit	164.6	168.7	4.2	2.5%
EBITDA*	61.7	52.5	(9.3)	(15.0%)
EBIT	39.8	29.3	(10.6)	(26.5%)
Net profit after MI	31.8	43.3	11.5	36.2%
Gross margin	31.5%	30.5%		-104 bp
EBITDA margin	11.8%	9.5%		-235 bp
EBIT margin	7.6%	5.3%		-234 bp
Net margin after MI	6.1%	7.8%		+173 bp

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

Bussines Results

Profitability of the Food segment — normalized

(in EUR millions)	1 - 12 2022	1 - 12 2023	Δ	%
Sales revenue	522.2	553.6	31.5	6.0%
Gross profit	164.6	168.7	4.2	2.5%
EBITDA*	51.2	52.5	1.3	2.5%
EBIT	29.7	29.6	(0.1)	(0.4%)
Net profit after MI	23.6	24.0	0.4	1.7%
Gross margin	31.5%	30.5%		-104 bp
EBITDA margin	9.8%	9.5%		-33 bp
EBIT margin	5.7%	5.3%		-34 bp
Net margin after MI	4.5%	4.3%		-18 bp

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

Profitability of the Food segment (2023 compared to 2022):

- In the 1 - 12 2023 period, the Food segment recorded an increase in *gross profit* of EUR 4.2m (+2.5%). *Operating profit before depreciation and amortisation* (EBITDA) is EUR 9.3m (-15.0%) lower, while *normalised operating profit before depreciation and amortisation* (EBITDA) is EUR 1.3m (+2.5%) higher,
- The increase in the *normalized operating profit before depreciation and amortisation* (EBITDA) was achieved despite the negative impact of the increase in the costs of raw materials, packaging and energy by EUR 3.9m (+1.7%), with additional investments in improving the material status of employees, which resulted by an increase in staff costs by EUR 5.1m (+4.5%). These impacts were mitigated through the optimization of the product range, the management of the production process, and the increase in the procurement processes efficiency. In addition to creating greater competition through the increased number of suppliers, an integral part of the procurement processes improvement is the regular use of electronic auctions, so in 2023 the number of conducted electronic auctions is 56% higher than in 2022, and the value of procured items that were carried out through electronic auctions is 92% higher compared to 2022,
- *Net profit after minority interests (MI)* is EUR 11.5m higher (+36.2%) which also contains impact of tax benefits based on the Investment Promotion Act in the amount of EUR 19.7m, while at the normalized level it is higher by EUR 0.4m (+1.7%).

Bussines Results

PROFITABILITY OF THE PHARMACEUTICALS SEGMENT IN 2023

Profitability of the Pharmaceutical segment

(in EUR millions)	1 - 12 2022	1 - 12 2023	Δ	%
Sales revenue	145.0	160.2	15.2	10.5%
Gross profit	72.2	80.0	7.8	10.8%
EBITDA*	32.1	39.5	7.3	22.9%
EBIT	22.7	30.0	7.3	32.1%
Net profit after MI	17.3	23.0	5.8	33.5%
Gross margin	49.8%	49.9%		+15 bp
EBITDA margin	22.2%	24.6%		+248 bp
EBIT margin	15.7%	18.7%		+306 bp
Net margin after MI	11.9%	14.4%		+248 bp

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

Profitability of the Pharmaceutical segment — normalized

(in EUR millions)	1 - 12 2022	1 - 12 2023	Δ	%
Sales revenue	145.0	160.2	15.2	10.5%
Gross profit	72.2	80.0	7.8	10.8%
EBITDA*	32.1	39.5	7.3	22.9%
EBIT	23.3	30.2	6.9	29.6%
Net profit after MI	17.7	23.2	5.5	30.8%
Gross margin	49.8%	49.9%		+15 bp
EBITDA margin	22.2%	24.7%		+249 bp
EBIT margin	16.1%	18.8%		+278 bp
Net margin after MI	12.2%	14.5%		+225 bp

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

Bussines Results

Profitability of the Pharmaceuticals segment (2023 compared to 2022):

- The Pharmaceuticals segment recorded EUR 7.8m (+10.8%) higher *gross profit*, with a retention of the stable gross margin,
- *Operating profit before depreciation and amortisation (EBITDA)* is higher by EUR 7.3m (+22.9%) while normalized profit before depreciation and amortisation (EBITDA) is higher by EUR 7.4m. The most significant impact on the increase in operating profit before depreciation and amortisation (EBITDA) came from the growth of sales revenues and lower marketing expenses,
- *Net profit after minority interests (MI)* is EUR 5.8m (+33.5%) higher, while normalized net profit after minority interest is EUR 5.5m (+30.8%) higher. In addition to the impact above the EBIT level, net profit after minority interests was impacted by higher tax expense following the higher profit before tax.

PROFITABILITY OF THE PODRAVKA GROUP IN 2023

Profitability of the Podravka Group

(in EUR millions)	1 - 12 2022	1 - 12 2023	Δ	%
Sales revenue	667.2	713.8	46.7	7.0%
Gross profit	236.7	248.7	12.0	5.1%
EBITDA*	93.9	91.9	(1.9)	(2.0%)
EBIT	62.5	59.3	(3.3)	(5.2%)
Net profit after MI	49.1	66.4	17.3	35.3%
Gross margin	35.5%	34.8%		-64 bp
EBITDA margin	14.1%	12.9%		-119 bp
EBIT margin	9.4%	8.3%		-107 bp
Net margin after MI	7.4%	9.3%		+194 bp

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

Bussines Results

Profitability of the Podravka Group — normalized

(in EUR millions)	1 - 12 2022	1 - 12 2023	Δ	%
Sales revenue	667.2	713.8	46.7	7.0%
Gross profit	236.7	248.7	12.0	5.1%
EBITDA*	83.3	91.9	8.6	10.4%
EBIT	53.0	59.7	6.8	12.8%
Net profit after MI	41.3	47.2	5.9	14.2%

Gross margin	35.5%	34.8%		-64 bp
EBITDA margin	12.5%	12.9%		+39 bp
EBIT margin	7.9%	8.4%		+43 bp
Net margin after MI	6.2%	6.6%		+42 bp

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

Profitability of the Podravka Group (2023 compared to 2022):

- In the observed period, the Podravka Group recorded EUR 12.0m (+5.1%) higher *gross profit*, where the positive impact came both from the Food and the Pharmaceuticals segments,
- *Operating profit before depreciation and amortisation* (EBITDA) is EUR 1.9m (-2.0%) lower, while *normalised operating profit before depreciation and amortisation* (EBITDA) is EUR 8.6m (+10.4%) higher,
- *Net profit after minority interests* is EUR 17.3m higher (+35.3%). *Normalized net profit after minority interests* is EUR 5.9m (+14.2%) higher, due to the growth in net profit of the Food and the Pharmaceuticals.

Bussines Results

KEY HIGHLIGHTS OF THE INCOME STATEMENT IN 2023

Podravka Group — izvještajno

(in EUR millions)	1 - 12 2022	1 - 12 2023	Δ	%
Cost of goods sold	430.4	465.1	34.7	8.1%
General and administrative expenses	50.4	53.7	3.3	6.6%
Selling and distribution costs	89.3	89.0	(0.4)	(0.4%)
Marketing expenses	49.6	47.9	(1.7)	(3.4%)
Other expenses (income), net	(15.1)	(1.1)	14.0	(92.6%)
Total operating expenses	604.7	654.6	49.9	8.3%

Podravka Group — normalizirano

(in EUR millions)	1 - 12 2022	1 - 12 2023	Δ	%
Cost of goods sold	430.4	465.1	34.7	8.1%
General and administrative expenses	47.2	53.2	6.0	12.6%
Selling and distribution costs	89.3	89.0	(0.4)	(0.4%)
Marketing expenses	49.6	47.9	(1.7)	(3.4%)
Other expenses (income), net	(2.3)	(1.0)	1.3	(55.3%)
Total operating expenses	614.2	654.1	39.9	6.5%

COST OF GOODS SOLD

Cost of goods sold increased by 8.1% relative to the comparative period due to movements in prices of raw materials, packaging and energy, and investments in improving the material status of employees. The increase in the cost of production materials was mitigated by improving production processes and procurement processes. In addition to creating greater competition through the increased number of suppliers, an integral part of the procurement processes improvement is the regular use of electronic auctions, so in 2023 the number of conducted electronic auctions is 56% higher than in 2022, and the value of procured items that were carried out through electronic auctions is 92% higher compared to 2022.

GENERAL AND ADMINISTRATIVE EXPENSES

In relation to the comparative period, general and administrative expenses are EUR 3.3m higher (+6.6%), primarily due to higher depreciation cost and investments in improving the material status of employees.

SELLING AND DISTRIBUTION COSTS

In the observed period, selling and distribution costs are EUR 0.4m (-0.4%) lower than in the comparative period, primarily as a result of lower other selling costs and lower net provisions for trade receivables.

MARKETING EXPENSES

In the reporting period, marketing expenses (which include marketing investments expenses and marketing department expenses) are 3.4% lower than in the comparative period. In this, the costs of marketing investments are lower by EUR 1.5m (-5.7%) due to the focus on achieving better efficiency with lower investments, while the costs of the marketing department are lower by EUR 0.2m (-1.0%).

OTHER EXPENSES (INCOME), NET

In the reporting period, other expenses and income, net amounted to EUR -1.1m (positive impact), while in the comparative period they amounted to EUR -15.1m (positive impact). This was mainly affected by the income from sale of non-operating assets, which in 1 - 12 2023 amounted to EUR 0.56m, while in the previous period the income from the sale of non-operating assets amounted to EUR 14.1m.

NET FINANCE COSTS

In the observed period, net finance costs amounted to EUR 0.6m (negative impact), while in the comparative period they amounted to EUR 1.1m (negative impact).

INCOME TAX

The reported income tax of the Podravka Group in 1 – 12 2023 amounted to EUR -9.0m due to tax incentives based on the Investment Promotion Act, while in the comparative period it amounted to EUR +11.4m.

The effects of tax incentives based on the Investment Promotion Act are explained in the introductory notes in the “Profitability in 1 – 12 2023” section.

KEY HIGHLIGHTS OF THE BALANCE SHEET AS OF 31 DECEMBER 2023

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of the Podravka Group are EUR 41.6m or +13.8% higher compared to 31 December 2022, due to the realized capital investments implemented within the strong investment cycle on the basis of the adopted Business Strategy.

INVENTORIES

Inventories of the Podravka Group are EUR 16.2m (-9.7%) lower than as of 31 December 2022 and are maintained at the optimum level in accordance with the needs of operations.

TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Podravka Group are EUR 10.2m (+8.7%) higher than as of 31 December 2022 as a result of the increase in sales revenues in the reporting period.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Podravka Group at the end of the observed period are EUR 20.6m higher (+94.1%) compared to 31 December 2022. This is explained in the “Key highlights of the cash flow statement in 1 – 12 2023” section.

Bussines Results

LONG-TERM AND SHORT-TERM BORROWINGS

As at 31 December 2023, long-term and short-term borrowings of the Podravka Group are EUR 27.5m lower than as at 31 December 2022 as a result of regular repayment of borrowings. Considering the strong cash flow from operating activities, the continuous deleveraging is carried out with simultaneous strong investments in the investment cycle.

TRADE AND OTHER PAYABLES

Trade and other payables of the Podravka Group are EUR 22.1m (or +23.3%) higher compared to 31 December 2022.

Here it is important to point out that this movement is primarily a result of higher liabilities related to the realization of capital investments, as well as the increase in the prices of raw materials and packaging in the reporting period.

INDEBTEDNESS

As at 31 December 2023, the total debt of the Podravka Group related to borrowings and other interest-bearing financial liabilities amounted to EUR 57.4m, of which EUR 0.5m relates to long-term borrowings, EUR 43.5m to short-term borrowings, while EUR 13.4m relates to liabilities for right-of-use assets. The AVERAGE WEIGHTED COST OF DEBT on all the stated liabilities as of 31 December 2023 was 1.2%, while if right-of-use assets are excluded it was 0.8%.

(in EUR millions)*	2022	1 - 12 2023	Δ	%
Financial debt[3]	84.0	57.4	(26.6)	(31.6%)
Cash and cash equivalents	21.9	42.5	20.6	94.1%
Net debt[4]	62.1	14.9	(47.2)	(76.0%)
Interest expense	0.7	0.7	(0.0)	(5.3%)
Net debt / normalized EBITDA	0.7	0.2	(0.6)	(78.2%)
Normalized EBIT / Interest expense	73.3	87.3	14.0	19.1%
Equity to assets ratio[5]	71.8%	73.9%		+210 bp

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

Net debt decrease as at 31 December 2023 compared to 31 December 2022 is the result of an increase in the line item cash and cash equivalents of EUR 20.6m and the decrease in financial debt of EUR 26.6m. The increase in normalized EBITDA and the decrease in net debt led to a lower net debt to normalized EBITDA ratio. The increase in normalized EBIT has driven the rise in the interest coverage ratio (Normalized EBIT / Interest expense).

3
Financial debt: long-term and short-term borrowings + lease liabilities + financial liabilities at fair value through profit or loss. The data is provided in the “Consolidated statements of financial position as at 31 December 2023” section.

4
Net debt: Financial debt – Cash and cash equivalents.

5
Equity to assets ratio: total shareholder's equity / total assets. The data is provided in the "Consolidated statements of financial position as at 31 December 2023“ section.

Bussines Results

KEY HIGHLIGHTS OF THE CASH FLOW STATEMENT IN 2023

(in EUR millions)	1 - 12 2022	1 - 12 2023	Δ
Net cash flow from operating activities	75.0	115.4	53.8%
Net cash flow from investing activities	(57.5)	(39.6)	31.1%
Net cash flow from financing activities	(0.0)	(55.2)	n/a
Net increase / (decrease) of cash and cash equivalents	17.5	20.6	17.8%

NET CASH FLOW FROM OPERATING ACTIVITIES

In the observed period, net cash flow from operating activities amounted to positive EUR 115.4m as a result of operating business and dynamics of movements in the working capital. In other words, it is higher than the EBITDA which amounted to EUR 91.9m.

NET CASH FLOW FROM INVESTING ACTIVITIES

Net cash flow from investing activities in the reporting period amounted to negative EUR 39.6m, primarily due to cash capital expenditures in the amount of EUR 73.8m and receipts from investments in debt instruments in the amount of EUR 32.3m. The most significant capital expenditures in 1 - 12 2023 were related to:

- investment in the new Pasta factory, which creates preconditions for the consolidation of pasta production in order to improve business,
- investment in the construction of a new logistics and distribution centre with the aim of increasing efficiency in the logistics and distribution segment of business through optimization of the number of warehouse spaces, minimization of internal transport, greater control of costs and reduction of carbon dioxide emissions,
- investment activities related to the Bakery concentration project in order to improve production efficiency and reduce operating expenses,
- investment in the construction of the new tomato factory in continental Croatia and the purchase of agricultural machinery and irrigation equipment for the purpose of increasing the primary processing capacity for fresh tomatoes and ensuring continuity of own production,
- investment in replacing the sterilizer in the meat canning facility of the Danica factory, which will result in raising the level of production efficiency and increasing the profitability of the canned meat range,
- investment in the luncheon meat line in the meat canning facility of the Danica factory, which will result in raising the level of production efficiency and increasing the profitability of the canned meat range,
- investment in the relocation of the frozen food range in Slovenia in order to ensure the continuity of production and a higher level of production efficiency
- investment in the maintenance of the existing IT and communication infrastructure in order to maintain business continuity,
- investment activities related to the modernization of

the truck fleet aimed at reducing maintenance costs and improving the efficiency, timeliness and reliability of transport and distribution,

- investment in additional solar power plants and reconstruction of the thermal energy production and supply system that will reduce energy consumption,
- renovation of the remaining office spaces at the location of the company's headquarters, after the completion of works on the reconstruction and modernization of the administrative building. The renovation includes IT and energy reconstruction and overall modernization, which will significantly improve the working conditions of employees and reduce energy consumption,
- continued investment activities related to the production digitization project in order to improve production efficiency and reduce operating expenses,
- investment in the digitization of the procurement process in order to reduce procurement costs, increase efficiency, transparency and standardization of procurement processes at the Podravka Group level,
- investment in the transition of the existing SAP system to the SAP S/4HANA version, which will improve operations and efficiency of business processes, primarily those in finance and accounting.

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

In 2024, expected capital expenditures are at a level of almost EUR 100m.

NET CASH FLOW FROM FINANCING ACTIVITIES

In the 1 - 12 2023 period, net cash flow from financing activities amounted to negative EUR 55.2m primarily due to regular repayment of borrowings, and due to the dividend distribution

ADDITIONAL TABLES FOR 2023

CALCULATION OF REPORTED AND NORMALIZED EBITDA

EBITDA is calculated in a way that EBIT was increased by depreciation and amortization and value adjustments to non-current assets. Value adjustments to non-current assets in the reporting and the comparative periods are presented in the table below.

Value adjustments	1 - 12 2022			1 - 12 2023		
(in EUR millions)	Group	Food	Pharma	Group	Food	Pharma
Intangible assets	0.99	0.40	0.59	0.33	0.15	0.19
Tangible assets	-	-	-	0.54	0.16	0.38
Total	0.99	0.40	0.59	0.87	0.30	0.57

Bussines Results

Reported EBITDA calculation	1 - 12 2022			1 - 12 2023		
(in EUR millions)	Group	Food	Pharma	Group	Food	Pharma
Reported EBIT	62.52	39.82	22.70	59.26	29.26	29.99
+amortization and depreciation	30.36	21.51	8.85	31.83	22.90	8.93
+value adjustments	0.99	0.40	0.59	0.87	0.30	0.57
Reported EBITDA	93.87	61.72	32.14	91.95	52.46	39.49

Normalized EBITDA calculation	1 - 12 2022			1 - 12 2023		
(in EUR millions)	Group	Food	Pharma	Group	Food	Pharma
Normalized EBIT	52.96	29.68	23.28	59.74	29.56	30.18
+amortization and depreciation	30.36	21.51	8.85	31.83	22.90	8.93
+value adjustments	-	-	-	0.38	-	0.38
Normalized EBITDA	83.32	51.18	32.13	91.95	52.45	39.49

ONE-OFF ITEMS IN 2023 AND 2022

In 2023, the Podravka Group received tax incentives based on the Investment Promotion Act in the amount of EUR 19.7m, which is treated as a one-time item. The effects of tax incentives based on the Investment Promotion Act are explained in the introductory notes in the “Profitability in 1 – 12 2023” section.

In 2023, the Food segment incurred EUR 0.49m costs of severance payments for employees (the restructuring of the Žito Group, the restructuring in Poland, and long-term sick leaves), EUR 0.56m income from the sale of non-operating assets, and EUR 0.14m of costs related to the restructuring of the Žito Group production. Impairment of tangible assets amounted to EUR 0.16m, while impairment of intangible assets also amounted to EUR 0.15m. Income from the write-off of liabilities amounted to EUR 0.1m. The normalization below the EBIT results primarily refers to the received tax benefits in accordance with the Investment Promotion Act in the amount of EUR 19.72m, and a one-off tax expense due to the change in the tax rate in Slovenia in the amount of EUR 0.16m. The estimated impact of these one-off items on tax is EUR 0.09m (decreases it).

In 2023, the Pharmaceuticals segment incurred EUR 0.19m costs related to the impairment of non-current intangible assets. The estimated impact of these one-off items on tax of Pharmaceuticals amounts to EUR 0.03m (decreases it).

In 2022, the Food segment incurred EUR 0.73m costs of severance payments for employees (the restructuring on the market of Russia, the restructuring of the Žito Group production, and long-term sick leaves). Income from the sale of assets amounted to EUR 13.50m, of which EUR 12.71m refers to the sale of property in Ljubljana, while EUR 0.79m refers to the sale of other non-operating assets. Costs related to the process of selling the property in Ljubljana amounted

Bussines Results

to EUR 0.43m, while EUR 0.37m refers to costs related to the restructuring of the Žito Group. According to the new collective agreement, severance pay for retirement was increased from 1.3 to 2.0 thousand euros, which resulted in a one-off impact on the result of EUR 1.45m. Imapirment of non-current intangible assets amounted to EUR 0.40m. The company's management treats all of the above as one-off items. The estimated impact of these one-off items on tax of Food is EUR 1.90m (increases it).

In 2022, the Pharmaceuticals segment incurred EUR 0.30m costs of severance payments related to restructuring of operations in Russia, EUR 0.61m of income from the sale of vehicles also related to the restructuring of operations on the market of Russia, EUR 0.31m of actuarial calculation difference according to the new collective agreement (result of the increase in severance pay for retirement from 1.3 to 2.0 thousand euros), and EUR 0.59m of costs related to impairment of non-current intangible assets. The company's management treats all of the above as one-off items. The estimated impact of these one-off items on tax of Pharmaceuticals is EUR 0.10m (decreases it).

Normalization of the Profit and Loss Statement by segments

Reported and normalized profitability		1 - 12 2022			1 - 12 2023	
(in EUR millions)	Group	Food	Pharma	Group	Food	Pharma
Reported EBITDA	93.87	61.72	32.14	91.95	52.46	39.49
+severance payments	*1.02*	*0.73*	*0.30*	*0.49*	*0.49*	*0.00*
+income from the sale of asset in Ljubljana	*(12.71)*	*(12.71)*	-	-	-	-
+income from the sale of other asset	*(1.41)*	*(0.79)*	*(0.61)*	*(0.56)*	*(0.56)*	-
+cost related to asset sale process in Ljubljana	*0.43*	*0.43*	-	-	-	-
+cost of restructuring Žito group	*0.37*	*0.37*	-	*0.14*	*0.14*	-
+actuarial calculation	*1.76*	*1.45*	*0.31*	-	-	-
+liabilities write off	-	-	-	*(0.08)*	*(0.08)*	-
Normalized EBITDA	83.32	51.18	32.13	91.94	52.45	39.49
Reported EBIT	62.52	39.82	22.70	59.26	29.26	29.99
+normalizations above EBITDA level	*(10.55)*	*(10.54)*	*(0.01)*	*(0.00)*	*(0.01)*	*0.00*
+ value adjustment of intangible assets	*0.99*	*0.40*	*0.59*	*0.33*	*0.15*	*0.19*
+ value adjustment of tangible assets	-	-	-	*0.16*	*0.16*	-
Normalized EBIT	52.96	29.68	23.28	59.74	29.56	30.18
Reported Net profit after MI	49.06	31.80	17.26	66.36	43.32	23.04
+normalizations above EBIT level	*(9.56)*	*(10.14)*	*0.58*	*0.49*	*0.30*	*0.19*
+effect of deferred tax asset	-	-	-	*(19.72)*	*(19.72)*	-
+change in tax rate - Slovenia	-	-	-	*0.16*	*0.16*	-
+estimated impact of normalization on taxes	*1.79*	*1.90*	*(0.10)*	*(0.13)*	*(0.09)*	*(0.03)*
Normalized Net profit after MI	41.29	23.56	17.73	47.17	23.97	23.20

Shares

SHARE IN 2023

List of major shareholders as at 31 December 2023

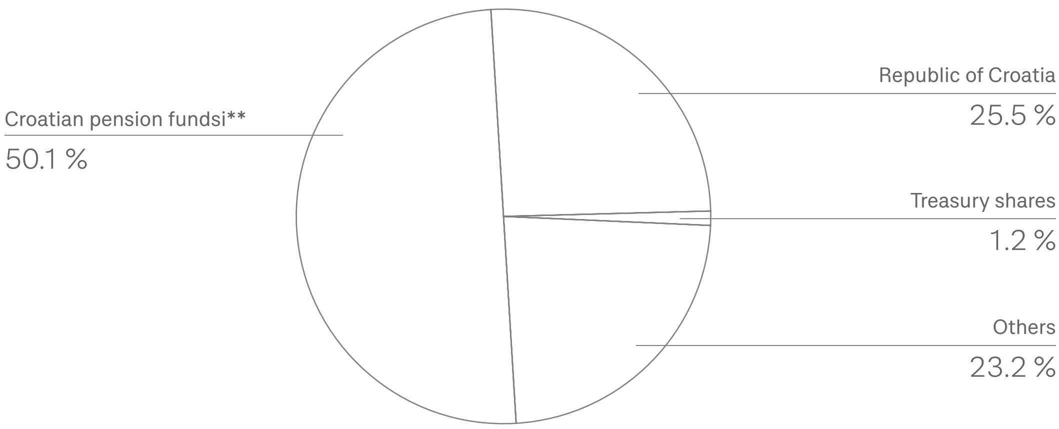
No.	Shareholder	Number of shares	% of ownership
1	PBZ Croatia Osiguranje mandatory pension fund, category B	1,097,644	15.4%
2	AZ mandatory pension fund, category B	932,563	13.1%
3	RSC* - Croatian Pension Insurance Institute	727,703	10.2%
4	Erste Plavi mandatory pension fund, category B	638,248	9.0%
5	Raiffeisen mandatory pension fund, category B	625,298	8.8%
6	RSC* - Republic of Croatia	452,792	6.4%
7	Capital Fund	406,842	5.7%
8	Pivac Brothers Meat Industry	370,977	5.2%
9	Republic of Croatia	167,281	2.3%
10	OTP banka INC./aggregate custody accounts	97,035	1.4%
	Other shareholders	1,603,620	22.5%
	Total	7,120,003	100.0%

*The Restructuring and Sale Centre holds 1,241,504 shares through four accounts, Capital Fund Inc. holds 406,842 shares, the Republic of Croatia additionally holds 167,281 shares on a separate account.

Podravka Inc. has a stable ownership structure where the most significant stake is held by the Republic of Croatia and domestic pension funds. A total of 7,120,003 shares have been issued at nominal price of EUR 30.0 per share. As at 31 December 2023, the Republic of Croatia holds 25.5% stake, and domestic pension funds (mandatory and voluntary) hold a total of 50.1% stake. Podravka Inc. has 1.2% of treasury shares. Podravka Inc.'s shares have been listed on the Prime Market of the Zagreb Stock Exchange and in eight Zagreb Stock Exchange indices (CROBEX, CROBEX10, CROBEXtr, CROBEX10tr, CROBEXprime, CROBEXplus, CROBEXnutris and ADRIAprime). During 2023, the company purchased 47,659 of its own shares (compared to 44,290 own shares in 2022).

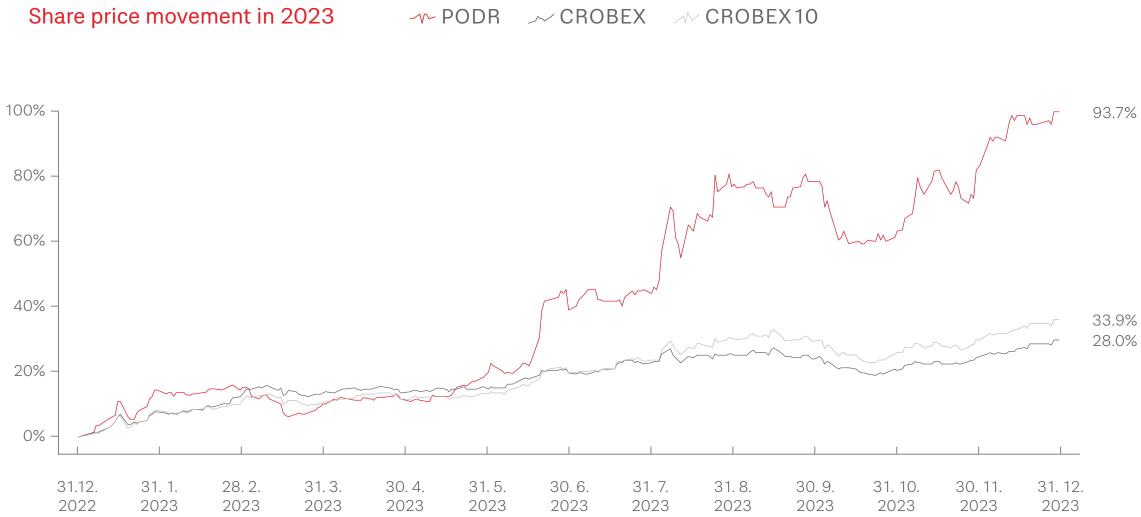
Shares

Ownership structure as at 31 December 2023



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

Share price movement in 2023



Shares

(closing price in EUR; closing points)	31 December 2022	31 December 2023	%
PODR	84.1	163.0	93.7%
CROBEX	1,979.9	2,533.9	28.0%
CROBEX10	1,156.2	1,548.6	33.9%

At the end of 2023, the Podravka's share reached its highest level in history so far. The last price in 2023 was EUR 163, which made its value 93.7% higher than the last price in 2022. The market value of the company then reached as much as EUR 1,143.6m. At the same time, the stock indices grew, where CROBEX increased by 28.0%, while CROBEX10 increased by 33.9%.

Result on the Croatian capital market in 2023

(in EUR; in units)[6]	1 - 12 2022	1 - 12 2023	%
Weighted average daily price	81.4	129.9	59.5%
Average daily number of transactions	14	14	(0.2%)
Average daily volume	1.214	1.366	12.6%
Average daily turnover	95,633.4	176,797.9	84.9%

In the 1 - 12 2023 period, the weighted average daily price of Podravka's share recorded an increase of 59.5% relative to the comparative period. Compared to 1 - 12 2022, the average daily number of transactions is 0.2% lower, the average daily volume increased by 12.6%, and the average daily turnover increased by 84.9%.

6
The weighted average daily price in the reporting period is calculated as the sum of the weighted average daily prices in the reporting period, multiplied by the daily volume weight. The daily volume weight is calculated as a ratio of daily volume and total volume in the reporting period. *The formula, Weighted average daily price in the reporting period = Σ average daily price*(daily volume/total volume in the reporting period).*

Other indicators are calculated as the average of average daily transactions/volume/turnover in the reporting period.

Block trades are excluded from the calculation.

Shares

Valuation

(in EUR millions; last price and earnings per share in EUR)*	2022	1 - 12 2023	%
Last price	84.1	163.0	93.7%
Weighted average number of shares	7,018,424	7,015,732	(0.0%)
Market capitalization	590.6	1,143.6	93.6%
EV	662.1	1,169.9	76.6%
Normalized earnings per share	5.9	6.7	14.3%
EV / sales revenue	1.0	1.6	65.0%
EV / normalized EBITDA	7.9	12.7	60.0%
EV / normalized EBIT	12.5	19.6	56.5%
Last price / normalized earnings per share ratio (P / E)	14.3	24.2	69.5%

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

7
The weighted average number of shares is calculated on the basis of previous 12 months period by dividing the sum of the weighted number of shares of each individual month by the total number of calendar days in the previous 12 months. The weighted number of shares on a monthly basis is calculated by reducing the total number of issued shares by the amount of treasury shares and multiplying the difference by the number of days of that month.

8
Market Capitalization: Last price * Weighted average number of shares.

9
Enterprise value: Market Capitalization + Net debt + Minority interests.

10
Normalized earnings per share is calculated in a way that normalized Net income after minority interests is divided with weighted average number of shares. Normalized Net income after minority interests include the last 12 months period.

9

Expected Development

In June 2021, the Supervisory Board of Podravka Inc. approved the Strategic Plan of the Podravka Group for the period from 2021 to 2025 (hereinafter: Strategy). It is an integral part of the strategic document and an integrated implementation plan with clearly defined activities and corresponding deadlines for implementation. Despite all global challenges, the activities and projects envisaged by the Strategy are being successfully implemented according to plan, and Podravka will continue their implementation in the coming period. That is, all activities being implemented, detailed information about which is available, among other things, in this Annual Report, are based precisely on the Strategy.

During 2023, two strategies were adopted, integrated with the business Strategy – the Sustainable Business Strategy, focusing on a clean environment, employee and community care, responsible corporate governance, and healthy nutrition, and the new Nutritional Strategy reaffirming our commitment to the principles of healthy and balanced nutrition, and defining a framework for the development of new and innovative products based on high-quality ingredients.

The Strategy encompasses both segments of the Podravka Group, Food and Pharmaceuticals, through three developmental pillars:
- Focus on selected markets and product categories,
- Increased business efficiency through technological modernization and digital transformation of production and logistics processes, and
- Acquisitions.

The Strategy defines areas for business breakthroughs that will further strengthen the Podravka Group's ability to continuously recognize consumer needs and adapt even more quickly to changes in consumption habits, while maintaining the high quality and highest health standards of its products. The aim of the Podravka Group is to be even closer to its consumers, remaining their reliable partner in facing the challenges of modern lifestyle with a wide range of high-quality products.

The implementation of the adopted Strategy involves a strong investment cycle. So far, almost 150 million euros have been invested as part of the investment cycle, of which almost 69 million euros were realized in 2023. The investment cycle also includes an additional almost one hundred million euros in 2024. The investment cycle priorities include investments in modernization, introduction of new technologies and digitalization, increasing efficiency and energy efficiency, and further improvement of working conditions. It is important to note that the Podravka Group, along with an intensive investment cycle in the last two years, is in a continuous deleveraging process, indicating business stability.

In an environment characterized by challenges such as rising raw material costs and inflation, we have managed, through procurement efficiency and insistence on competition among suppliers, to limit the impact of rising raw material costs on production costs.

The past year was marked by the continuation of increasing material rights for workers. During 2023, workers' wages were increased twice (in July and December), totaling five increases in the past two and a half years. Additionally, as of December 1, 2023, a new, fairer, and more modern wage system came into effect at Podravka Inc. and Belupo, replacing the previous tariff system dating back to 1997. This rectified numerous inconsistencies in job evaluation and opened up clearer opportunities for advancement. The new wage system ties salaries to the complexity of tasks performed at each job position and provides space for rewarding and advancing based on results and work quality. The introduction of the new wage system also led to a significant increase in the average net salary of our employees.

In the coming period, the Food segment of the Podravka Group will continue to focus on product development and innovations in products and packaging aimed at increasing the availability of Podravka's products and adapting them to the needs and lifestyle habits of different consumer groups. The future accelerated growth and development of the Food segment will be based on product categories with higher export potential and focus on wealthier and more potent markets in Western and Central Europe, leading to a significant increase in the share of these markets in total sales revenue. Regarding the Croatian and Slovenian markets and the markets of Southeast Europe, dominance will continue in the next period, with a focus on further growth, maintaining high market positions, and further growth of corporate and institutional customer channels. Podravka will continue to increase self-sufficiency through its own agricultural production and strengthening cooperation, reducing dependence on imports, and enabling stable risk management in the primary part of the supply chain.

The other segment of the Podravka Group, Pharmaceuticals, will continue to focus on stronger growth in international markets in the coming period, expanding the portfolio with products in additional Anatomical Therapeutic Chemical (ATC) groups, and stronger growth in the domestic market by introducing new products. Growth will be driven by the launch of new molecules in the prescription and over-the-counter programs. The strategy anticipates accelerating the product development process of the pharmaceutical part of the company by optimizing key processes and establishing stronger guidelines for monitoring effectiveness.

The operationalization of the Strategy is carried out through the adoption of business plans for a three-year period, which includes a three-year plan of capital investments. Thus, in December 2023, the three-year Business Plan of the Podravka Group for the period from 2024 to 2026 was adopted, which, following the guidelines and objectives set by the Strategy, elaborates in detail all business activities of both segments of the Podravka Group, Food and Pharmaceuticals, to be implemented in the covered period.

The strategic decisions and investments made in 2023 are a solid foundation for further growth and success. With a clear focus on expanding market presence, improving product offerings, and adopting sustainable practices, we are well positioned to seize new opportunities and overcome potential challenges.

10
Brands of the Podravka Group

FOOD

VEGETA is the most famous and powerful brand of Podravka Inc., which, over more than six decades of its existence, has entered the kitchens of consumers in over sixty countries around the world, from Australia to the USA. Under the Vegeta brand, there are universal food seasonings, special food seasonings, meal preparation mixtures, monosodium glutamate, broths, and many others. Listening to the dietary needs and preferences of modern consumers, Vegeta has always provided new culinary solutions and followed the latest trends, whether it be in design, packaging, communication, or new products. For millions of consumers, Vegeta is an inspiration and aid in everyday cooking, serving culinary ideas through numerous recipes. Today, Vegeta is also the best-selling dehydrated food seasoning in Europe, seasoning various dishes daily and winning the hearts and palates of its consumers.

FANT meal preparation mixtures will enrich everyone's culinary skills with their wide range and make every culinary attempt successful and delicious. Fant provides an answer to the daily question "what to cook today," enabling the easy preparation of even the most complicated dishes and guaranteeing excellent taste every time. In the wide assortment of Fant products, it is possible to find a variety of dishes, from traditional ones, through international cuisine dishes, to new, more modern dishes that can now, thanks to Fant, be prepared in a vegetarian or classic version.

MAESTRO is a brand with a rich tradition in the Slovenian market that provides consumers with security, the warmth of home, and allows them to explore different flavors with a constant guarantee of quality. The range of monosodium glutamate and special food seasonings under the Maestro brand has been an inspiration for creativity in the kitchen for over thirty years, while the tradition of spice production has lasted for more than sixty years. With the wide range of Maestro spices, herbs, and spice mixtures, anyone can easily become a maestro in their own kitchen.

The convenience of preparation and excellent taste are the characteristics of TALIANETTA pasta, which allow consumers to prepare a tasty and nutritious meal in just a few minutes. Talianetta is a response to the growing demand from consumers for semi-prepared and instant meals, offering quick and quality solutions for a standalone meal or as a side dish to other dishes.

The homemade taste is the key value of PODRAVKA SOUPS. They are extremely easy to prepare, provide a quality meal in a few minutes, and yet leave room for creativity. Podravka soups continuously follow the latest trends in nutrition, and within the wide and diverse range of clear and cream soups, consumers have found their favorite flavors for over 65 years.

For those seeking solutions without cooking, products from the FINI MINI range are available - instant soups and noodles, meals ready in just a few minutes. The products within this category are carefully prepared to meet the needs of modern consumers who appreciate the convenience and excellent taste of recognizable quality.

ČOKOLINO has always been associated with carefree childhood, joy, happiness, and moments of relaxation. Today, the Čokolino brand represents a tasty and practical, perfectly balanced cereal meal for all generations. In addition to the gluten-free variant, extensions in the assortment combine the irresistible taste of Čokolino with functional benefits relevant to adult consumers. Since 2023, another star has been added to the Čokolino assortment - Čokolino Dark. In the new Čokolino strategy, which encourages all ages to engage in physical activity and sports, the best Croatian football goalkeeper and new Čokolino ambassador - Dominik Livaković - fits in perfectly.

LINO reveals a rich, diverse, and wonderful world of flavors, tasty and healthy products carefully prepared for happy and healthy growth. A hit among small and large consumers alike, Lino Pillows cereals offer enjoyment in a crispy creamy taste, and, listening to the wishes and needs of consumers, Lino cereals also offer wholegrain and gluten-free solutions. As a reliable producer of baby food for over fifty years, Podravka offers a wide range of Baby Food that provides all the necessary ingredients for a child's growth and development. Thanks to convenient packaging, natural and fine Lino baby products are ideal for consumption outside the home.

LINO LADA is a well-known brand of cream spreads, primarily thanks to the top quality of the products, the widest selection of flavors, and a large offer of packaging adapted to various consumer segments and consumption in every situation. Due to its innovativeness and continuous investment in brand building, Lino Lada is today at the top of the cream spread market, both in Croatia and in other countries of the Adriatic region, while the demand for Lino Lada is expanding to other international markets. Lino Lada proudly introduced a new ambassador, one of the most famous footballers of today, Luka Modrić.

In addition to cream spreads, Lino Lada is one of the most desirable flavors in the ice cream category, while it can also be found in cereal pillows on impulse product shelves.

KVIKI brand has been bringing everyone crispy snacks of excellent taste for over 45 years and delighting many consumers with its quality, fun, and quick bites. The assortment offers a wide selection of savory baked, not fried snacks, ensuring fullness of taste and recognizable quality, and selected raw materials guarantee the quality of the final products. Kviki is the perfect snack for every sports gathering, movie night, party, and all the most important moments in life we share with others. Whether laughing or crying, winning or losing, Kviki encourages spending more time with loved ones.

1001 CVET and Podravka teas ensure you find your perfect cup of pleasure among a wide selection of unique blends made from the finest and highest-quality ingredients. 1001 Cvet/Podravka teas are a good habit that comes from nature, consisting of carefully grown and picked, and even more carefully combined ground medicinal herbs and fruits in a ratio that gives them an unforgettable aroma. With the new paper aroma packaging, which is environmentally sustainable and 100% recyclable, further care is taken to preserve nature.

Always modern, creative, and practical, DOLCELA constantly introduces its consumers to the most delicious desserts and new ways of use, whether it's about simple and quick or advanced and independent dessert preparation. In 2023, Dolcela is keeping up with current food trends, so now everyone who cares about sugar intake or is looking for a protein-rich snack or dessert can enjoy sweets.

Podravka is the dominant market leader in the CATEGORY OF READY MEALS AND SAUCES. Excellent homemade flavors and top quality, as well as quick preparation, are the main features of the wide range of ready meals. In 2023, a new line of products intended for HoReCa customers was launched - Gastro pouch ready meals. These products, due to the new type of packaging, represent an innovation in this product segment, while retaining all the main characteristics that distinguish the Podravka range of ready meals - excellent taste, high quality, quick, simple preparation, storage, and distribution in ambient conditions. In a time when the entire HoReCa channel is facing a shortage of skilled kitchen staff, ready meals in pouches represent the ideal solution.

PODRAVKA PÂTÉS have been a favorite choice of consumers since 1958. Podravka Chicken Pâté, popularly known as Retrica, with its recognizable design, is special because it preserves the true treasure of taste thanks to the excellent quality of ingredients and unbeatable creamy texture. Carefully following global food trends and consumers' desires to eat quality and natural food, a new generation of Podravka chicken pâtés has been introduced, made from top-quality ingredients. They do not contain preservatives, palm oil, or flavor enhancers, and, moreover, they are perfectly creamy. For those looking for economical solutions, there are Piketa pâtés, available in various flavors and packaging.

PODRAVKA COLD CUTS evoke the positive emotions in consumers that awaken the dear flavors of childhood. For over sixty years, they have been an excellent protein meal for all generations, whether served as a cold cut, added to salads, or grilled. Also, due to their practical packaging, they are a favorite choice for outdoor activities, hiking, or the beach.

Knowledge, experience, dedication, and passion are woven into the creation of PODRAVKA SEMI-DRY AND DRY CURED MEAT PRODUCTS AND SAUSAGES. The high meat content of the semi-dry assortment makes these products a valuable source of protein, while quality ingredients and selected spice blends ensure each product has its characteristic and well-known aroma and taste.

O'PLANT is the youngest brand in Podravka's portfolio. O'Plant has the very demanding task of bringing together various plant-based products into a compact, recognizable concept, thus creating prerequisites for further development of the plant-based platform and Podravka in new market segments. O'Plant originated from the category of plant-based drinks, but it is precisely in 2023 that it experiences its full breadth through the market launch of numerous novelties, such as O'Plant nuggets, patties, vegetable spreads, as well as plant-based burgers and cevapcici. O'Plant products are not only an excellent plant alternative to meat dishes but also function as a nutritious and natural vegetable side dish that perfectly complements classic meat dishes.

A rich assortment of fish products under the brands EVA AND MIRELA is prepared from the highest quality fish, led by the queen of the Adriatic, Adriatic sardine. The exceptional temperature and salinity of the Adriatic Sea guarantee the Adriatic sardine a top-notch taste and balanced nutritional value. The Eva brand assortment also includes products from tuna, mackerel, Baltic fish, fish pâtés, and salads. Eva and Mirela products are full of valuable nutrients, prepared in a completely natural way, making them an ideal part of a modern balanced diet.

PODRAVKA TOMATOES are a staple in every kitchen, especially in the Mediterranean, an essential ingredient that blends perfectly with a whole range of culinary ingredients. Healthy and natural tomato products contribute to health, allow creativity in preparing quick and practical dishes, and enjoy Mediterranean flavors and aromas on every occasion throughout the year.

For 75 years, PODRAVKA FRUIT has been processed from top-quality fruit. The recipes of leading products, such as rosehip jam, mixed fruit, or plum jam, are identical to the original recipes today, guaranteeing the familiar full fruit taste and the most natural delicious pleasure. Trends suggest that the future of food lies in vegetable and legume-based products.

PODRAVKA VEGETABLES in sterilized or pickled assortment preserve the highest nutritional values. The products are very practical and ready for consumption throughout the year for various versions of salads, side dishes, sauces, stews, and sandwiches.

Perfect texture and proven taste make PODRAVKA CONDIMENTS, ajvar, mustard, ketchup, and horseradish, ideal additions to a wide variety of dishes. Podravka's tasty and aromatic condiments are an indispensable product in every kitchen and have special gastronomic value, with some products containing a real treasure trove of nutrients, which rightfully classify them as superfoods.

ZLATO POLJE is synonymous with a modern kitchen with products such as rice, pasta, mashed potatoes, oat flakes, semolina, and breakfast cereals. Through a wide range, Zlato polje offers convenient products for the whole day, whether it's breakfast cereals full of natural ingredients and vitamins or a convenient side dish for every lunch.

ŽITO fresh bakery products cover the segments of half-baked bread (dvopek), fresh bread, and pastries. The secret of the products is a combination of tradition and innovation in using the best ingredients, where the best of Slovenian culinary tradition is retained in combination with modern technologies.

LAGRIS is a well-known Czech brand that has been combining naturalness and tradition for thirty years. Within its wide and diverse range, it offers products such as rice, legumes, poppy seeds, potato-based products, products for a healthy lifestyle, as well as gluten-free flours and bread mixes. The high quality of Lagris products is ensured by certified high standards in production. The raw materials for Lagris products are stored using a unique technology under controlled conditions, thus perfectly preserving the quality and original flavors of the products.

With a hundred years of experience, GORENJKA is synonymous with high-quality chocolate products with the finest cocoa. Gorenjka's rich assortment delights all chocolate lovers with milk and dark chocolate for eating and cooking, as well as other products such as mini rolls, cubes, and chocolate with rice.

Caramels, jelly candies, gummy bears, filled candies - both children and adults will enjoy ŠUMI candies. These candies are special due to their high content of natural fruit juice, vitamins, and minerals. They do not contain artificial colors or flavors, and a tradition of 145 years inspires trust. Plant-based candies are made according to the original recipe characterized by a refined selection of herbal flavors and natural fruit juice extracts.

NATURA brand is synonymous with products grown in an environmentally friendly way, and Bio Natura carefully selected organic products. From untouched parts of nature come foods that ensure a healthy and safe diet.

PHARMACEUTICALS

BELUPO offers products in the categories of Rx medicines, OTC synthetic and herbal medicines, dietary supplements, disinfectants, and enteral nutrition in the Croatian market. It is present in 12 out of the existing 14 ATC categories and is the market leader in prescription medicines in Croatia according to IMS data for 2022. Belupo is present in international markets with almost all brands also available in the domestic market, although the product portfolio varies from market to market.

Belupo's portfolio of medicines is well-known among business partners, patients, and consumers, and efforts are made to continuously enrich it with new products based on market trends.

BELOSALIC brand (lotion, spray, and ointment) is the best-selling brand in Belupo's portfolio and is also the best-selling medicine in the markets of Russia, Ukraine, Kazakhstan, and Poland. Belosalic belongs to the group of topical corticosteroid medicines, classified as "potent corticosteroids." Belosalic medicines are applied to the skin surface to reduce redness and itching caused by certain skin diseases and have been part of Belupo's portfolio since 2000.

BELOSALIC
BETAMETAZON, SALICILNA KISELINA

Under the BELOGENT brand, there are also medicines containing active ingredients from the group of potent corticosteroids, as well as the antibiotic gentamicin. Belogent is used in skin diseases responsive to local corticosteroid treatment, such as psoriasis, dermatitis, eczema, seborrhea, and other skin changes complicated by secondary infection caused by microorganisms sensitive to gentamicin or suspected of such infections. Belogent cream and ointment are the best-selling Belupo prescription medicines in the markets of the Czech Republic, Slovakia, and Macedonia.

BELOGENT
BETAMETAZON, GENTAMICIN

NEOFEN brand (tablets and gel for adults, syrup and suppositories for children) based on ibuprofen is the best-selling Belupo OTC brand in the market of Bosnia and Herzegovina, as well as in the market of Slovenia, under the name Ibubel. It contains the active ingredient ibuprofen, except in Neofen combo where the active ingredients are ibuprofen and paracetamol. Neofen tablets relieve pain, reduce inflammation, and lower elevated body temperature. Neofen Plus gel is applied for local treatment of rheumatic pain, muscle pain, back pain, pain and swelling caused by sprains, strains, and other sports injuries, as well as for neuralgia (pain caused by nerve damage). Neofen Combo is intended for use in adults over 18 years of age for the

NEOFEN

short-term relief of mild to moderate pain associated with migraine, headache, back pain, menstrual pain, toothache, rheumatic and muscular pain, pain due to non-inflammatory arthritis, as well as for symptoms of colds and flu, sore throat, and fever. This medicine is particularly suitable for pain requiring stronger analgesia than with individual ibuprofen or paracetamol. Neofen children's forms (syrup and suppositories) are intended for the treatment of children over three months of age (Neofen suppositories 125 mg for children over two years of age) for short-term use to reduce elevated body temperature, relieve mild to moderate pain, sore throat, and earache.

IRUZID brand is a tablet medicine used in the treatment of high blood pressure. Well-known in the cardio segment, it is the best-selling prescription medicine in Belupo's portfolio in the market of Bosnia and Herzegovina.

IRUZID
lizinopril/hidroklorotiazid

Medicines under the NORMABEL brand contain the active ingredient diazepam and come in tablet form and as a solution for injection. Normabel tablets are used in the treatment of anxiety, anxiety-associated insomnia, muscle spasm, and cerebral spasticity. They are also used as an adjunct to treatment for certain types of epilepsy (e.g., myoclonus) and for sedation in minor diagnostic and therapeutic procedures.

NORMABEL
DIAZEPAM

Looking at Belupo's over-the-counter portfolio, in 2023, as in the past three years, the best-selling OTC brand in the Croatian market was Belupo's brand LUPOCET. Belupo is the unit and financial leader in the ATC group N, which includes the Lupocet brand, as well as in the ATC group M, which includes the Neofen brand in the Croatian market of over-the-counter medicines according to IMS data for 2023. portfelju od 2000. godine.

LUPOCET

11

Innovations, Awards and Recognitions

Research and *Development*

ACTIVITIES RELATED TO THE NUTRITIONAL STRATEGY

In line with Podravka's Nutritional Strategy, first published in 2014, significant efforts have been made by the end of 2022 to reduce salt, sugar, saturated fats, and trans fats in various categories of Podravka's products, in order to offer consumers products of improved nutritional quality. Thus, an average of 17% of salt has been removed from salty categories of Podravka's products such as soups, stock cubes, meal mixes, meat pâtés, ready meals, semi-preserved and preserved sausage products, and bread, while an average of 30% of sugar has been removed from sweet categories of Podravka's products such as breakfast cereals and baby food.

Considering the current guidelines for healthy and sustainable nutrition, revised guidelines for the Nutritional Strategy for the period until 2027 were adopted in 2023, with commitments confirming a focus on promoting healthy, balanced, and sustainable nutrition through greater availability of nutritionally improved products, taking into account the type and composition of new and innovated products.

The focus of Podravka's Nutritional Strategy in the upcoming period is on:

- actively managing the nutritional quality of products within all categories
- developing and innovating products according to consumer needs
- motivating consumers to improve their nutrition and adopt principles of sustainable nutrition
- setting trends in the development of nutritionally quality and sustainable products.

Measures to achieve the set goals by 2027 include developing and innovating products with limited content of salt, added sugars, and saturated fats, as well as developing products with ingredients associated with healthy and sustainable nutrition. Key commitments are to reduce the average salt and added sugar content by 20% in at least 75% of new and innovated products, and to incorporate at least one ingredient supporting healthy and balanced nutrition, such as fiber, proteins, vitamins, and minerals. Furthermore, at least 40% of new and innovated products are to be based on ingredients linked to sustainable nutrition, such as fruits, vegetables, legumes, whole grains, and plant protein sources, with 100% of products supporting sustainable nutrition.

The primary tool for managing the nutritional quality of Podravka's products is the nutritional profile, whose scientifically validated methodology represents the development of internally recommended criteria for the content of macro and micro nutrients per serving of the product. In order to encourage the development and innovation of products and achieve

Research and Development

goals for the new period, the nutritional profiles of all Podravka's categories were revised in 2023. Using existing independent nutritional profiling systems (e.g., Nutri-score, Health Star Rating), periodic product analysis is conducted to further monitor progress in improving the nutritional quality of Podravka's portfolio.

In 2023, significant progress was made in improving the nutritional quality of existing products, with the salt content reduced by an average of 17% in some products, while the sugar content was reduced by an average of 10%. New products were developed with reduced or no added salt, reduced or no added sugar, and reduced fat content. At least one positive ingredient and an ingredient associated with sustainable nutrition, such as proteins, fibers, whole grain raw materials, various vegetables, legumes, vitamins, minerals, and microalgae, were incorporated into new and innovated products.

In 2023, 46% of products from Podravka's overall portfolio met internal nutritional profile criteria regarding salt, added sugar, and saturated fats content, while 27% of products were developed based on ingredients associated with sustainable nutrition, with their average share being 65.5%.

The commitment of the Nutritional Strategy for the entire production portfolio of Podravka to support sustainable nutrition means that each product, through various forms of its communication, helps make sustainable nutrition accessible and can be a useful part of the solution to achieve universally available, healthy, sustainable dietary patterns.

In 2023, cooperation continued with the local community to develop regulations for school meals in elementary schools, whose founder is the Koprivnica-Križevci County. The project called "Smart Meal for Smart Kids" aims to improve and standardize nutrition in 18 county elementary schools. In 2023, over 3,400 children were involved in the project, for whose school meals Podravka's nutritionists created 201 standards, prepared in schools over forty working weeks.

As part of additional nutritional support to the local community, Podravka's nutritionists prepared 50 hours of educational workshops for children and parents in 2023.

New *Products*

FOOD

In the category of universal food seasonings and broths, several product innovations have been launched with the aim of strengthening market positions, brand image, and attracting younger consumers to the category. Vegeta & Spirulina, a universal food seasoning, is a unique product on the market as it contains a superfood ingredient, spirulina algae. Four products of Vegeta Natur pasty food additives – Onion Paste, Garlic Paste, Basil Paste, and Vegetable Paste, represent a true innovation in the market that builds a new potent category of food additives, addresses new consumption opportunities, and strengthens the brand's image through attributes of practicality, modernity, and naturalness. The launch of three Podravka liquid bases – Beef Stock, Chicken Stock, and Vegetable Stock, brings freshness to the traditional broth category and provides a cooking solution for younger consumers looking for convenience, excellent taste, and speed.

In the category of mono-seasonings and special food additives, product innovations in 2023 included extensions of the assortment of special food additives such as Vegeta Natur Grill Vegetables 30g and Vegeta Natur Grill Spicy Chicken 30g, as well as new larger packages of existing popular mono-seasonings such as oregano and garlic. In addition to these assortment expansions in existing lines of special food additives and mono-seasonings, a new product, Maestro Smoked Paprika 40g, was launched in the Slovenian market.

New Products

In the Polish market during 2023, the Vegeta brand continued to expand into new culinary categories through the unique dual concept of Vegeta Natur meal mixes. The existing range of meal mix products was expanded with five new products prepared in accordance with global food trends and tailored to the needs and tastes of Polish consumers.

Podravka soups are a nutritious and practical solution for every occasion and everyone's taste. For those for whom practicality is paramount, Podravka soups introduced liquid cream soups in four delicious flavors in 2023: tomato, mushroom, pumpkin, and vegetable flavor. In addition to rich flavor, these soups are characterized by practical packaging that preserves all the qualities of nutritious soup while allowing for quick and easy preparation. Simply heat the soups, and they are ready to be enjoyed with the rich vegetable taste of premium ingredients.

Vegetable soup with pasta is an addition to the line of Podravka's most renowned soups – "Pijevac" and "Kravica." Packaged in an iconic yellow-blue design, it brings an excellent vegetable taste thanks to the recognizable brick in the bag, plenty of pasta, and even six types of dried vegetables.

Tuna salads represent a category of fish products that have seen significant value growth in the Croatian market in recent years, as well as in the markets of the region. Based on these positive indicators, Marž Šime, along with the well-known flavors of Eva tuna salad (Mexicana, Dalmatina, Mediterana, Red quinoa, and Couscous), prepared innovations in their assortment. For consumers looking for added value in products, two new flavors have been introduced, and the entire line of salads has been refreshed. Eva tuna

New Products

salads Protein and Balance are new functional salads that contain juicy pieces of tuna in an enticing combination with legumes, vegetables, and grains. These new salads are a tasty and healthy meal ready to be enjoyed at any time of the day and wherever you are.

Lino Lada decided to enrich the year 2023 with the new Lino Lada Gold Creamy spread. The new product responds to the demand of consumers who love the taste of Lino Lada Gold spread with chopped hazelnuts but are bothered by those very chopped hazelnuts. The new Lino Lada chocolate hazelnut spread has the recognizable Gold taste and aroma, excellent texture, and spreadability. It is ideal for spreading on pancakes, for making cakes and tortes, as an addition to ice creams, cereals, puddings, and other desserts. Fans of premium chocolate hazelnut spreads now finally have a golden choice: Lino Lada Gold Creamy or Lino Lada Gold with chopped hazelnuts.

Preparing yeast dough is no longer just for the bravest. Dolcela has a new mixture for Croissants with which you can prepare the softest and most delicious croissants. You only need to add oil and warm water to the contents of the bag, and in less than half an hour, you'll have 24 tasty bread croissants ready.

The Dolcela premium pudding line is now richer with another creamy treat, Dolcela premium chocolate-banana pudding. It's an excellent duo that you can prepare as a standalone dessert or as a cream for tasty and simple cakes and pastries.

New Products

In the category of Podravka canned ready meals, the year 2023 was marked by Podravka Beef Goulash and the celebration of the great milestone of 65 years of existence of this Podravka icon and one of the best-selling products from Podravka's portfolio. This product is an icon, recognizable for its red vintage design featuring a friendly cow in a yellow circle. Through generations, it has been synonymous with proven quality, excellent taste, and the warmth of home. To mark the 65th anniversary, the product's visual packaging has been refreshed and rejuvenated while retaining the brand's recognizability and all visual and qualitative constants.

Ready meals in pouches represent the latest Podravka innovation in innovative packaging for well-known flavors and products. Designed for the HoReCa channel, this product line combines familiar Podravka flavors with new, innovative packaging – exactly what customers in the HoReCa channel demand. Best-selling products like meatballs in tomato sauce, beans with hamburger or baked beans as a vegetarian option, Bolognese sauce, chicken paprikash, or the timeless beef goulash have found their way to the palates of a wide range of consumers in the HoReCa channel, justifying the launch of this product line.

The redesign of the sliced meat range in cans is a novelty in the Podravka meat products category. This very traditional category has been embellished with a new design to make it more attractive to younger consumers. The basic colors remain the same, so consumers can still recognize them, but they are presented in a new light.

New Products

In the pate category, Podravka Chicken Gold Pate was introduced in 2023. It was created as a result of the longstanding tradition and experience of our master craftsmen. Made from carefully selected chicken meat, it is an excellent source of protein. It does not contain palm oil, flavor enhancers, artificial flavors, or preservatives, making it a perfect and safe choice for a quick and tasty meal or snack.

New packaging for Lino Njuplica in 95g cans has been launched for the youngest consumers. Enriched with milk spread, adapted to children's diets, they are characterized by a gentle and creamy taste and a mild and desirable aroma. Made from natural, specially selected ingredients, they do not contain flavor enhancers, artificial flavors, palm oil, or preservatives.

The range of cured meats has been expanded with a new product, FIT&FINA Homemade Ham (slices). It is a high-quality ham made from the finest and highest quality cuts of pork. It is a semi-dry lightly smoked product with low salt content, low fat content, and naturally rich in proteins. This nutritionally valuable product will delight every individual focused on a healthy lifestyle and is also an excellent choice for those involved in sports, as well as those who care about ensuring that their family eats healthy, delicious, and exceptionally high-quality food.

Eleven new and innovative products from the cured meat range were launched on the United States market: Beef Jerky, Sudjuk 454g, Beef Prosciutto, Chajna 454g, Kulen 454g, Winter 454g, Srijemska 454g, Parizer 454g, Tirolska 454g, Bacon, and Kranjska Sausage 454g, as well as two products from the frozen formed meat range: Beef Cevapi 726g and Beef and Pork Cevapi 726g. The United States market has

New Products

recognized the sales potential of this range under the recognizable Podravka brand in order to continuously strengthen the positive brand image that ensures outstanding product quality and meets the expectations, desires, and needs of consumers.

Before the barbecue season, a new range of 4 PODRAVKA BBQ SAUCES has been launched on the market. BBQ sauce consumers are a very demanding culinary audience, so these products have been developed with special care. Whether it's the classic BBQ sauce, jalapeno, spicy hot, or with honey, each of them has found its fans among grill masters.

Podravka has rebranded its plant-based products, including Green beast burger, Veggie Nuggets, and Soy and Vegetable Patties, under the umbrella brand O'Plant, which encompasses alternatives to animal-derived products, now collectively known as O'Plant burger. Additionally, this segment of the O'Plant assortment has been expanded with a new product, O'Plant Ćevapčići. O'Plant burger and Ćevapčići are based on pea protein and provide a complete meat alternative. They are rich in proteins, fibers, and essential amino acids, offering a flavorful and juicy experience.

In recent years, the Čokolino brand has been increasingly establishing its position among consumers who primarily consume cereals for breakfast. Čokolino has become a favorite meal among all generations of consumers, and in response to their desires and specific dietary needs, a new product has been developed – Čokolino Dark. Made from 100% whole oat flour rich in fibers, sweetened exclusively with dates and chocolate, and enriched with cocoa, this nutritious cereal meal will provide a long-lasting feeling of satiety. It's also an excellent source of proteins, magnesium, and vitamins B and C group. It can be prepared with regular or plant-based milk in just a few minutes.

New Products

Market circumstances and challenges in price positioning, as well as a clearer focus on the defined target group aged 18 to 35, have resulted in the repositioning of Čokolino extensions. This involves emphasizing the functional benefits, visual expression of the product line, replacing the signature brand Lino with Podravka, and innovating the product Protein Power, which has been available since March 2023 in 350g packaging (Čokolino Plus and Fit remain in 400g). Recognizing the strengths that Čokolino has over its competitors, the functional benefits of each Čokolino extension have been further visually emphasized.

The breakfast cereal category requires constant dynamism, nutritional innovation, new flavors, and shapes. A real hit among both small and large consumers, Lino Pillows cereal, is now offered in an even larger size – for even more crunchiness. With promotional packaging, all lovers of these cereal pillows filled with the finest Lino Lada will never have to worry about running out of their favorite breakfast cereals again.

Following global trends in the baby Food segment, the assortment has been enriched with a new functional product, Lino Rižolino Apple with Fennel, designed for babies aged 4+ months. Parents of infants seek products aimed at their digestion and immunity. This new extension of the familiar flavor of Lino Rižolino, with the addition of the functional ingredient fennel, has a beneficial effect on reducing digestive cramps and strengthens the immune system.

The Children's snack category is growing in the regional markets, opening up opportunities for innovations and a stronger expansion of "on the go" products. The assortment of Lino Frutolino BIO ready-made

New Products

fruit purees in convenient pouch packaging has been expanded with two new flavors, Lino Frutolino BIO Apple, Mango, and Peach, and Lino Frutolino BIO Pear, Apple, and Fennel. Lino Frutolino BIO Apple, Mango, and Peach offer a perfect combination of rich fruit flavors, while Lino Frutolino BIO Pear, Apple, and Fennel, with its composition, have a beneficial effect on the child's digestive system and soothe cramps. The assortment of Lino Frutolino BIO pouches, now available in six diverse flavors, is ideal for parents who want to offer babies from six months of age a tasty meal full of 100% organic fruit, without added sugar.

The launch of Lino milk desserts is a response to the dynamic nature of the ready-made porridge category, which requires continuous expansion of the assortment. Lino milk porridges have what no one else in the milk porridge market has – taste – delicious and original, in the recognizable grainy texture of Lino grain porridges, in "ready to eat", "on the go" packaging. Last year, the assortment of Lino milk porridges was expanded with a product that combines mild fruit flavors of apricot and pear, with a creamy texture and nutrition provided by 87% milk rich in calcium. It ensures a fine taste, necessary nutrients, and energy for little ones aged eight months and older.

This year, the Podravka tea families have been joined by new functional teas - Broncho, Detox, Immuno, and Digest. Broncho, a refined herbal blend containing plantain and thyme, is an indispensable companion in alleviating problems with colds, coughs, and dry and irritated throats. Immuno is a fruit-herbal tea with a refreshing peach flavor and the addition of vitamin C, zinc, and echinacea. It's an excellent combination that will boost your immunity during

New Products

the winter months. Detox, a herbal blend with nettle and cumin, promotes natural excretion processes, and thus detoxifies the body. Digest is an excellent tea blend that has a beneficial effect on digestion, providing a relaxed feeling after meals.

1001 Cvet has added Ursi tea to its assortment last year. The unique blend of Ursi tea has anti-inflammatory properties, heals mild lower urinary tract infections, and has been proven to act against various types of bacteria.

In line with the goal of increasing positive environmental impact, 1001 Cvet / Podravka teas are now available in paper packaging that is fully recyclable. The teas will now feature eco-friendly labels and the FSC (Forest Stewardship Council) logo to further raise consumer awareness of the importance of environmental care. Transitioning to 100% recyclable packaging for 1001 Cvet and Podravka teas is one of several projects Podravka is working on to reduce the proportion and mass of packaging materials and increase the share of sustainable materials in which it packages its products.

New Products

PHARMACEUTICALS

In 2023, Belupo expanded its range of over-the-counter (OTC) drugs with a new product under the flagship brand Lupocet – Lupocet Trio 1000 mg/200 mg/12.2 mg oral solution powder in a sachet.

Lupocet Trio is an over-the-counter medication containing three active ingredients (paracetamol, guaifenesin, and phenylephrine hydrochloride), belonging to the pharmacotherapeutic group of Analgesics, Anilides (paracetamol, combinations excluding psycholeptics); (ATC code: N02BE51).

Lupocet Trio is intended for short-term relief of symptoms associated with colds, chills, and flu accompanied by mild to moderate pain and/or fever, nasal congestion, and to promote expectoration in productive cough. Indicated for use in adults and adolescents aged 16 and older. Each single-dose sachet contains 1000mg of paracetamol, 200mg of guaifenesin, and 12.2mg of phenylephrine hydrochloride. Lupocet Trio comes in a package of ten individual sachets and is available over the counter in pharmacies.

The Tamosin brand from Belupo's urological drug range in 2023 was expanded with a new drug, Tamosin Combo 6mg/0.4mg prolonged-release tablets. Pharmacotherapeutic group: Alpha-adrenoreceptor antagonists (ATC code: G04CA53).

It is used for the treatment of moderate to severe symptoms of urinary retention (urgency to urinate, increased frequency of urination) and symptoms of emptying the bladder associated with benign prostatic hyperplasia (BPH) in men who do not respond adequately to monotherapy. One tablet contains a layer with 6mg of solifenacin succinate, equivalent to 4.5mg of free base solifenacin, and a layer with 0.4mg of tamsulosin hydrochloride, equivalent to 0.37mg of free base tamsulosin. Tamosin Combo 6 mg/0.4mg prolonged-release tablets come in a package of thirty tablets. It is available by prescription at pharmacies.

Digital *innovations*

The Vegeta campaign "We Donate and Renovate School Kitchens," aimed at helping elementary schools equip their kitchens and/or dining areas, was declared the global campaign of the month for March on the Digital Turbine platform.

Implemented with the support of Omnicom Media Group and Httpool by Aleph on the leading independent mobile advertising platform, and considering the outstanding results achieved (287,000 video views and a 92% video completion rate), Vegeta strategically reached its target audience and achieved its goal of raising funds to renovate school kitchens to provide healthy and quality meals to students. Podravka and citizens together raised 74,000 euros for the renovation of school kitchens and dining areas, with over 150 schools from all parts of Croatia submitting their applications in just four weeks.

Vegeta has been present on TikTok since September 2023, and in just four months since the profile was opened, it has achieved impressive numbers. The total number of video views is 2,017,429, with 84,435 likes, 5,014 followers, and the hashtag #vegetapodravka reaching 2,700,000. The total number of saves for video content is 12,283, indicating that users revisit published content and try to recreate some of the recipes.

A redesigned Vegeta website with a fresh, modern look adapted to a younger target population has also been launched. Users can now create personal profiles, log in with usernames, and save favorite recipes for quick access. The success is evident from the increased retention time, which has gone from forty seconds to two and a half minutes.

The launch of the innovative product Ajvar Squeeze in the Croatian market was accompanied by a digital campaign aimed at informing about the product and attracting younger consumers. The media mix was tailored to these goals, with particularly notable results from Snapchat AR lenses. The average lens viewing time was 39.73 seconds, with 115,000 shares (average 25,000) and 14,000 saves.

In the Slovenian market, another innovative "product" was used in the campaign for Ajvar Squeeze - AI. ChatGPT was implemented on the landing page, generating automatic responses to user inputs as part of the competition to present Ajvar Squeeze in a fun way as the best innovation in history. The campaign reached over 250,000 users, received

Digital innovations

5,200 competition entries, and achieved a 40% better CTR compared to similar campaigns.

The corporate campaign "Food that Cares for You" took a comprehensive approach through a 360° media mix, including innovative advertising on digital OOH screens, where recipes tailored to their age group and specific time of day were seen by 241,903 people. The campaign also had additional DOOH activation, with over 15,993 citizens of Zagreb participating. During the campaign period, Coolinarika.com recorded a 6.69% increase in users in Croatia and 3.63% more sessions.

In October 2023, the Superfood Chefbot by Coolinarika project was launched. It is the first personal AI assistant for nutritionally balanced diet in the region, which shows users the importance of diverse and nutritious food in a simple and engaging way, and helps them with culinary and nutritional advice and recipe recommendations, with a focus on so-called superfood ingredients.

The Superfood Chefbot was developed by integrating the latest ChatGPT technology to further raise awareness and educate about the importance of healthy eating and thus enhance the user experience. Podravka has thus joined the leading brands in the world that have integrated generative AI technology into their digital channels.

In the first month since its launch, Chefbot exchanged over one hundred thousand messages, a record result considering the benchmark in other industries where the number of exchanged messages on a monthly basis is up to nine times lower. The usage results in the first three months are 101,429 users and even 343,792 messages exchanged. The average time users spend interacting with Chefbot is three minutes. Since SuperfoodChef-AI by Coolinarika is an innovative product and the first in the industry in the region, Coolinarika is once again setting a benchmark in the food industry.

At the end of May, at Belupo's main annual event for pharmacists, the Belupoint digital educational platform for healthcare professionals was presented to two hundred pharmacists. Belupo recognized the needs of healthcare professionals and utilized all digital technologies to establish and maintain communication with healthcare professionals to enable them to educate and improve remotely. The platform is intuitive and easy to use, offering a wide range of content formats, including textual, audio, and video, as well as on-demand and live interactive webinars, quizzes, and virtual visits. By the end of the year, the platform has 1,300 satisfied users, a database of 160 expert articles, and 24 webinars.

At the end of the year, the Zdravo Budi portal for the general population was redesigned for refreshment and better user experience. Additionally, the portal was enriched with two additional columnists – a family medicine doctor and a pharmacist, accompanied by a digital outdoor and online campaign. The number of patient questions and articles increased by ten percent compared to the previous year.

Digital innovations

A new website, Askapro.hr, was created to provide users with quality and reliable content on recognizing, preventing, and treating heart attacks and strokes, as well as detailed information about the Aska pro drug.

Awards and *recognitions*

PODRAVKA WON TWO AWARDS FROM THE ZAGREB STOCK EXCHANGE

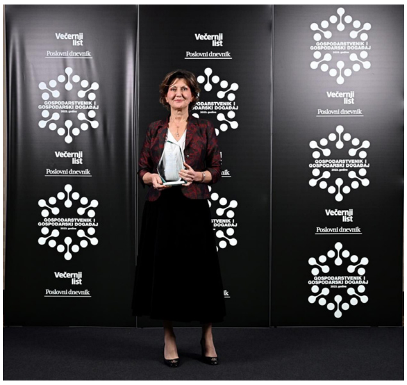
Podravka won two awards from the Zagreb Stock Exchange in December 2023 – the Stock of the Year Award and the Highest Turnover Stock Award. This is evidence of excellent business performance, recognized by both investors and the investment community. In 2023, Podravka's stock reached a record value, mirroring the company's overall success. This increased investor interest demonstrates that the company continues to operate in line with its Group Business Strategy and plans, even in challenging circumstances.

THE AWARD FROM POSLOVNI DNEVNIK FOR THE BEST INVESTOR RELATIONS

At the conference of the Zagreb Stock Exchange and the fund industry in Rovinj, the 14th edition of the Poslovni dnevnik Awards for the best investor relations was presented. On this occasion, Podravka was awarded the second prize for the best investor relations. This marks the third time in the last four years that Podravka has received this award, demonstrating a high level of transparency in reporting and timely and continuous communication of all significant events related to business with investors and the public.

Awards and recognitions

THE PRESIDENT OF THE MANAGEMENT BOARD OF PODRAVKA WAS DECLARED THE BUSINESSWOMAN OF THE YEAR



Martina Dalić, the President of the Management Board of Podravka, was named the Businesswoman of the Year by the expert jury in December of last year. The awards are presented by Večernji list and Poslovni dnevnik, and last year marked the eighth edition of the ceremony. The President of the Management Board of Podravka was one of the five nominees in the Businessperson of the Year category, and the expert jury decided whose business activities were crucial and positively impacted economic developments in the country.

THE COMMUNICATION CAMPAIGN CELEBRATING 75 YEARS OF PODRAVKA WON THE PRESTIGIOUS PR AWARD GRANDPRIX

Podravka also won the bronze Grand PRix award presented by the Croatian Public Relations Association. The awarded project commemorated Podravka's 75th anniversary through numerous activities, including investments, donations, culinary shows, and more. In the execution of this extensive project, Podravka received assistance from the agencies Communication Office Colić, Laco, and partners, as well as OMD Croatia. The entire campaign was based on the company's commitment to community engagement in the regions where it operates.

PODRAVKA HAS BEEN AWARDED THE POSLODAVAC PARTNER AND MAMFORCE CERTIFICATES

Podravka was awarded two prestigious certificates in the field of human resources management in the first quarter of 2023 - the Poslodavac Partner and Mamforce certificates. The Poslodavac Partner certificate is awarded by SELECTIO Group to companies that meet high standards of quality in all areas of human

Awards and recognitions

resources management. Podravka has achieved excellent results in attracting and hiring talent as well as in developing and rewarding employees. On the other hand, the Mamforce certificate is awarded to companies that implement family-responsible and gender-aware human resources management policies.

PODRAVKA'S SOLAR POWER PLANT RECEIVED A PRESTIGIOUS AWARD FROM THE CROATIAN ENERGY SOCIETY

In July 2023, Podravka received the annual award from the "Hrvoje Požar" Foundation of the Croatian Energy Society in the category for the implemented project of energy efficiency and environmental quality improvement for the construction of the largest integrated solar power plant in Croatia.

Through the solar power plant project in the Danica industrial zone in Koprivnica, Podravka has already increased its share of renewable energy utilization to 26%. Expansion of the same power plant is underway, and additional solar power plants will be built on the roofs of the Cocktail Pastries factory and part of the warehouse in Koprivnica, as well as on the warehouse in Dugopolje and the Mirna factory in Rovinj. Additional expansion is also planned for the existing solar power plant at the Kalnik factory in Varaždin.

PODRAVKA RECEIVED THE AWARD FROM THE CROATIAN BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (HRPSOR) FOR THE MOST SIGNIFICANT PROGRESS IN SUSTAINABLE BUSINESS PRACTICES

Thanks to numerous activities and positive business practices, HRPSOR recognized Podravka as a company that has made the most significant progress in successfully implementing sustainable practices.

Awards and recognitions

The improvements in business and sustainability practices primarily stemmed from the implementation of the Sustainable Business Strategy until 2030, which encompasses environmental stewardship, healthy nutrition, care for employees and the community, and responsible corporate governance.

VEGETA WINS PRESTIGIOUS AWARD IN BERLIN

Podravka, along with the agency Bruketa&Žinić&Grey, received the Red Dot Award for the design of the Vegeta&Spirulina packaging. The Red Dot Award, given for 67 years, is considered the most sought-after international quality mark for design, and the Vegeta&Spirulina packaging won the title "Red Dot Best of the Best," awarded to the best among all Red Dot winners. Specifically, those who have distinguished themselves with very high design quality.

Vegeta&Spirulina is a product launched by Podravka to commemorate its 75th anniversary. It is a limited edition of the popular seasoning with algae, which, due to its properties, is also called a superfood. The design was inspired by the fact that the product was launched before Christmas and was intended as a gift for those who expect more from food. Recyclable materials were used, without glue. The cans can be reused for other purposes, as well as the paper wrapper, which, because of the printed content, can be added to the home recipe collection. The awarded limited edition served as inspiration for the regular packaging launched this summer, which follows the principles of sustainability and recyclability.

PODRAVKA WINS EIGHT SUPERIOR TASTE AWARDS - THE MOST PRESTIGIOUS GLOBAL

Awards and recognitions

AWARDS IN THE FOOD SEGMENT

In 2023, Podravka achieved great success at the international quality assessment Superior Taste Award. A total of eight Podravka products won awards. The highest ratings were awarded to the Blueberry 100% Fruit Spread, which received three STA stars for the second consecutive year. Vegeta&Spirulina, Vegeta Natur Grill Classic, and Podravka Spicy Chicken Pate each received two STA stars, while Vegeta Natur Chicken Blend in Cream Sauce with Herbs, Podravka Beef Goulash, and O'Plant Veggie Burger each received one STA star. The Superior Taste Award is an annual award for any consumer food or beverage. In Brussels, a group of professional chefs and sommeliers blindly taste and evaluate the products based on criteria such as first impression, appearance, aroma, taste, texture (food), or final sensation (drinks).

VEGETA IS NUMBER 1 IN EUROPE

Once again, the esteemed research agency Nielsen confirmed that Vegeta is the best-selling universal seasoning in Europe based on regular reports from the retail panel. Sales data for 31 European countries show that Vegeta is the number 1 in Europe in terms of sales volume in the category of dehydrated food supplements. Under the Vegeta brand, categories such as the universal food additive Vegeta Original and Vegeta Natur, dehydrated special food additives Vegeta Natur, and monosodium glutamate are monitored.

WOMEN CHOOSE VEGETA AS THE BEST FOOD SEASONING

The Woman's Choice Awards is a prestigious selection traditionally organized by the popular Croatian portal miss7. The greatest value of this award comes from the hands of end-users, without intermediaries, from the women who decide daily which product to buy or

Awards and recognitions

whose service to use. For the fourth year in a row, Vegeta has won the title of the legendary food seasoning.

LINO NJUPALICE AND DOLCELA MUFFINS VOTED BEST BY MOMS

Moms have chosen - Lino Njupalice meat pates are the best in the category of meat pates, and Dolcela muffins are the winners in the category of Cake Mixes and Creams in 2023 according to the Moms' Choice. It is a consumer satisfaction survey of products and services in which only mothers participate. Mothers are the ones who care about what to cook and what to buy, and in online surveys, they rate products or services available on the Croatian market that they regularly use or have recently used.

DOLCELA HI PROTEIN SHAKES OWNERS OF THE "LIVE HEALTHY" SEAL

Dolcela Hi protein shakes have been awarded the "Live Healthy" seal of approval. The seal of approval is part of the National "Live Healthy" program and is based on positive labeling of products that nutritionally meet the highest criteria. By labeling food with the "Live Healthy" seal of approval, consumers are further informed and provided with the opportunity for an easier choice of food whose composition is recommended for proper nutrition.

VEGETA BIO DECLARED THE BEST PRODUCT IN ITS CATEGORY AND THE BEARER OF THE "SELECTED PRODUCT OF THE YEAR" SEAL FOR 2023

Vegeta BIO universal food additive offers a natural taste and ingredients grown according to organic farming rules, suitable for vegetarians and vegans. In 120 grams of the product, there are 375 grams of fresh

Awards and recognitions

vegetables. With more than ten types of vegetables and spices and sea salt, Vegeta BIO is ideal for seasoning dishes without the need for additional salt. Vegeta BIO was developed in accordance with Podravka's Nutritional Strategy and was declared the best product in its category and the bearer of the "Selected Product of the Year" seal for 2023. This is an award for marketing innovation voted on by consumers themselves.

ŽITO PRODUCTS RECEIVE 35 GOLD MEDALS FOR THE QUALITY OF BREAD AND BAKERY PRODUCTS

At the 23rd sensory assessment of bread, bakery pastries, fine pastries, cookies, pasta, and fresh pastries in the cold chain, as many as 35 Žito products, out of a total of 37 submitted, received gold awards. The assessment is organized every year by the Chamber of Commerce of Slovenia, under the auspices of the Chamber of Agriculture and Food Companies. The commission, composed of experts in the field of baking, evaluates the appearance of the product, the properties of the crust and the middle, as well as the smell and taste.

LINO CHILDREN'S CEREALS ARE THE COOLEST BRAND FOR THE THIRD TIME

Lino children's cereals have been named the coolest cereals according to youth preferences and have rightfully won the Coolest Brand award for the third time, as organized by JoomBoos. This award is based on Ipsos research among young people aged 12 to 24. Sales results and the long-standing leadership position of Lino cereals in the children's cereal segment in Croatia have once again been confirmed in 2023 by Ipsos.

Awards and recognitions

PODRAVKA DEFENDS THE SUPERBRAND TITLE IN SLOVAKIA

Brands that offer consumers significant emotional and/or physical advantages over their competitors, which consumers (consciously or subconsciously) desire and are willing to pay more for, bear the title of Superbrand. Every year, the Superbrands research team conducts extensive research on the best brands operating in a particular market. The award is given by professionals in business, communication, marketing, and media research. In 2023, the Superbrand title in Slovakia is once again in the hands of Podravka International s.r.o. for the tenth time.

Superbrands 2022

BRONZE AWARD FOR VEGETA IN SLOVAKIA

The campaign "Vegeta in your pocket" won a bronze award (bronze pie) at the Digital Pie competition in the Slovak market. In this campaign targeted at young people, the traditional brand label was successfully removed. The first container for Podravka's universal seasoning that consumers can take with them was designed, and with an excellent selection of influencers and visual communication, the campaign was presented to a younger generation. Thanks to this, Vegeta reached a new audience in an unconventional way, organically achieving over 4.4 million views and hundreds of thousands of interactions.

TWO GOLD AWARDS FOR VEGETA IN POLAND

In the Polish market, Podravka won the Złoty Paragon 2023 (Golden Receipt 2023) award for the product Vegeta 200g, and as part of the Złote Innowacje 2023 (Golden Innovations 2023) competition, the product Vegeta Natur Piramida for white borscht won an award.

Awards and recognitions

PODRAVKA WINS THE MOST IMPORTANT AWARD FOR DIGITAL COMMUNICATIONS IN THE REGION

Podravka won the most important award for digital communications in the region - the SoMo Fighter figurine. The award was won by the AI.VAR campaign for Podravka ajvar in the Slovenian market in the category of digital activation. The combination of Podravka's traditional ajvar product and artificial intelligence in a fun way was created in collaboration with Agency 101. At the core of the activation is the integration of ChatGPT, creating AI.VAR - a playful AI counterpart to Ajvar Squeeze.

BELUPO RECEIVED A CERTIFICATE OF APPRECIATION FOR PARTICIPATING IN THE VOLUNTARY ACTION "ČEP ZA LIJEK" (CAP FOR MEDICINE)

In December 2023, Belupo was awarded a certificate of appreciation for participating in the voluntary action "Čep za lijek" (Cap for Medicine). At the initiative of the Quality Control employees, the Environmental Protection department of Belupo joined the project of the Association of Leukemia and Lymphoma Patients "Plastic Caps for Expensive Medicines." Through this initiative, more than five hundred kilograms of plastic caps were collected. The association will use the proceeds from the sale of these caps to purchase medicines for its members. It takes approximately eight tons of caps to collect enough funds for one therapeutic cycle.

BELUPO AWARDED THE GOLDEN KUNA FOR THE MOST SUCCESSFUL LARGE COMPANY IN THE COUNTY

Awards and recognitions

In October 2023, Belupo was awarded the Golden Kuna plaque as the most successful large company in the Koprivnica-Križevci County. This award is a testament to their persistent work and excellent results achieved in a challenging economic environment.
AWARD AT BELUPO'S OTC DIVISION

At the annual IQVIA Pharmaceutical Market Forum, Belupo was awarded in the category of Commercial Performance Award - the best company in the OTC (over-the-counter). Lupocet was particularly highlighted as the leading brand in the OTC market in Croatia. Despite holding one of the leading positions in the OTC market for years, this award, given in exceptionally strong competition, is another confirmation of the market recognition of Belupo's OTC brands.

BELUPO ISSUED THE EU GMP CERTIFICATE BY HALMED

Belupo was reissued the EU GMP certificate as evidence of applying international GMP standards and guidelines related to the development, production, and distribution of medicines. The EU GMP certificate is proof that Belupo operates in accordance with the requirements of good manufacturing practice for conducting activities related to the production and import of medicines and tested medicines and meets the legal conditions for further operation.

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Non-financial Report

Strategic Approach to *Sustainable Business*

In March 2023, the Management Board of Podravka Inc. adopted the Sustainable Business Strategy of Podravka Group until 2030 to further strengthen the implementation of sustainability principles in the company's business model. The Sustainable Business Strategy is based on four pillars – clean environment, healthy nutrition, care for employees and the community, and good governance, with the following main objectives:

- 100% of electrical energy from renewable sources in production in the European Union
- 50% of thermal energy from renewable sources in production in the European Union
- 60% reduction in CO_2 emissions at the level of Podravka Inc.
- 40% reduction in CO_2 emissions at the level of Podravka Group
- 100% recyclable, returnable, or compostable packaging for all food products
- 5% reduction in food waste per ton of products produced
- 20% reduction in salt and sugar in 75% of new and innovated products
- Improvement of corporate culture and climate in all organizational units
- Continuous improvement of workers' material rights
- Joining the UN Global Compact

These ten strategic objectives are further elaborated through 45 specific objectives with established implementation deadlines, with the year 2022 taken as the baseline. Podravka Group invests approximately one hundred million euros by 2025 to achieve these strategic objectives.

The success in achieving the strategic objectives in 2023 is explained in the ESG report, within the scope of each individual KPI. Monitoring of corporate sustainability reporting in accordance with applicable regulations, and thus reporting on the implementation of objectives from the Sustainable Business Strategy, will be the responsibility of the Audit Committee. Coordination of activities related to the implementation of the Sustainable Business Strategy and non-financial reporting at the level of Podravka Group is the responsibility of the Business Sustainability and Green Transformation sector.

Risks

RISK MANAGEMENT AND RISK FACTORS

Podravka Group is exposed to risks typical for economic entities operating in domestic and international markets, especially those in the food and pharmaceutical industries. External factors relate to environmental influences such as economic, political, technological, and social risks, risks related to changes in regulatory frameworks, and in recent years, the increasingly pronounced risk of the impact of climate change on certain parts of the business system. Podravka Group ensures compliance with norms regulating specific areas, thereby reducing exposure to external risk factors. Furthermore, Podravka Group is exposed to various internal risk factors that the company can influence through its regular business policies, procedures, and decisions.

At the end of 2023, a comprehensive analysis of ESG risks, opportunities, and key stakeholders at the level of Podravka Group was conducted. Risks and opportunities were examined through the prism of their impact on the environment, society, and through elements of corporate governance in the short (up to 1 year), medium (1-3 years), and long term (3+ years). Among the significant risks are the impact of extreme weather conditions on the assets and operations of Podravka Group, further detailed in this report, as well as the availability and quality of raw materials, disruptions in the supply chain, changes in consumer preferences, data protection and security, and a large number of new sustainability regulations with short implementation deadlines. High risks include those associated with the negative impact of inflation and workforce.

The most significant risks of Podravka Group related to the workforce are timely recruitment and retention of qualified workforce and unfavorable age structure of workers, as well as retirement in the coming years. Risk mitigation measures include recruiting younger workers from new pools, intensifying collaboration with educational institutions, managing the employer's image, developing programs that encourage intergenerational and multicultural cooperation and understanding, intern and newcomer programs, and improving the advancement and reward system.

Podravka Group implements Centralized Enterprise Risk Management (ERM). An integral part of ERM is active reporting to the Management Board on critical events that could jeopardize profitability or cause significant loss of company funds while still in the early stage of manifestation. This allows for timely and appropriate decision-making on certain business activities to manage corporate risks. Centralized enterprise risk management involves conducting integrated analyses and reporting on key strategic, operational, and financial risks to which Podravka Group is exposed, identifying potential events that could negatively affect the Group's results, and managing identified risks. All organizational units and companies of Podravka Group participate in ERM reporting, with each organizational unit or company responsible for actively managing the risks arising from their business activities. A comprehensive ERM report is submitted to the Management Board and the Supervisory Board.

Risks

FINANCIAL RISKS

Within its operations, Podravka Group is exposed to various financial risks, especially currency, interest rate, price, and credit risks, which the Group actively manages through adopted policies and guidelines.

Systematic monitoring and management of market risks are carried out in accordance with the principles of the adopted Risk Management Policy of Podravka Group, aimed at establishing a framework of action and defining a procedure for effective protection against currency, interest rate, and commodity risks to which Podravka Group is exposed. The main objectives of such monitoring and management of market risks are to protect and reduce the volatility of the cash flow and net result of the Group.

The Risk Management Policy of Podravka Group defines permitted derivative financial instruments that can be used to hedge market risks, as well as the permitted manner of their use, relating to forwards and swaps, and, where justified, options and futures. The Group can use hedging instruments to mitigate specific market risks related to highly probable transactions and transactions arising from recognized assets or liabilities – expected inflows from customers, outflows to suppliers, cash flow related to borrowing, and exposure to fluctuations in commodity prices – as well as market risks related to already recognized balance sheet positions.

CURRENCY RISK

With the transition to the euro in 2023, the majority of Podravka Group's currency risk has been eliminated. However, Podravka Group conducts certain transactions in other foreign currencies and is thus exposed to the risk of exchange rate fluctuations. The highest exposure to the euro exchange rate during 2023 occurred in relation to RUB, AUD, USD, PLN, and HUF.

During 2023, the principles of managing transactional currency risk were continued to be applied within the framework of the Risk Management Policy. Through this Policy, the model for protecting against currency risk has been enhanced with additional activities of monitoring market trends, conducting regular analyses of all currencies in which there is exposure, and defining the possibilities and scope of contracting permitted derivative financial instruments aimed at protecting against currency risk. This approach applies to a basket of currencies in which Podravka Group has exposure that cannot be reduced by natural, balance sheet protection. Integral parts of the approach include identifying and measuring exposure, the process of contracting permitted derivative financial instruments to achieve the determined level of protection, and a system of control and reporting. Additionally, exposure limit parameters have been set as triggers for contracting the prescribed level of protection. Bloomberg terminal is regularly used to monitor macroeconomic projections and to contract derivative financial instruments to manage currency risk. Inflows from associated companies are sought to be directed to Podravka Inc., wherever possible, in the local currency of the country where the associated company operates. In this way, currency risk is largely transferred from associated companies to Podravka Inc., which actively manages it.

During 2023, Podravka Group entered into FX forward transactions to manage currency risk in USD, PLN, and HUF.

Risks

INTEREST RATE RISK

Podravka Group's interest rate risk arises from unfavorable movements in variable interest rates or conclusion of credit arrangements at new higher interest rates reflecting unfavorable market trends and conditions. Given the geographic disposition of Podravka Group, it may be exposed to fluctuations in the interest rates of the respective countries.

Podravka Group has credit arrangements contracted with banks at fixed and variable interest rates. The contracted variable interest rates are mostly tied to EURIBOR, and to a lesser extent to PRIBOR, ESTR, and SOFR. The predominant use of these credit arrangements at a fixed interest rate results in Podravka Group having a low exposure to interest rate risk from the standpoint of indebtedness. Additionally, Podravka Group is not exposed to interest rate risk affecting the fluctuations in the value of financial assets.

Podravka Group continuously monitors changes and projections of interest rates to be able to react promptly and adequately to financing needs and to maximize protection against interest rate risk, in accordance with the Risk Management Policy. This includes analyzing and determining expected indebtedness and expected market conditions, and, accordingly, determining the target structure of credit line portfolios, determining the optimal maturity, and optimizing financing terms.

CREDIT RISK AND COLLECTION RISK

Podravka Group operates with creditworthy customers, ensuring, as necessary, receivables, with the aim of reducing the potential risk of financial loss resulting from non-fulfillment of contractual obligations. The exposure of Podravka Group based on incurred receivables, as well as the credit position of other contracting parties, is continuously monitored.

Control of Podravka Group's exposure to its most significant customers is carried out by regularly monitoring receivables and implementing certain measures for payment and delivery control, as well as obtaining adequate payment security instruments.

Business collaboration with new customers, or the continuation of collaboration with existing customers with deferred payment, begins after they meet the criteria for assessing creditworthiness defined by the Group. Receivables are analyzed on a weekly basis, and necessary measures are taken for their collection.

During 2023, existing business processes were reviewed, and the adopted Policy for Managing Customer Credit Risks and Collection of Receivables in Podravka Group began to be implemented in Belupo Inc., Žito Group, Podravka Polska Sp.z o.o., and Podravka-Lagris a.s. The policy considers existing and new external customers through approved credit limits and customer risk categories. In case of exceeding the set parameters, actions are taken in accordance with the Policy, and everything is systematically monitored through the relevant module in SAP. Receivables are analyzed on a weekly basis, and necessary measures are taken for their collection, all in accordance with the parameters of the adopted Policy.

Protection measures are defined based on the financial indicators of the individual customer's operations, using services through which necessary information is available (financial reports, credit ratings, etc.). The company's exposure and credit exposure are monitored and controlled through credit limits set by the company and insurers, which are continuously reviewed and changed according to needs and market conditions.

During 2023, Podravka Group did not have significant claims related to receivables insurance.

LIQUIDITY RISK

Podravka Group manages liquidity risk by maintaining optimal amounts of funds in accounts, continuously forecasting future cash flows, monitoring realized ones, and arranging adequate sources of financing through which it can ensure necessary liquidity in the short term and under known conditions.

Podravka Group continuously monitors and plans all its receivables and obligations to suppliers, employees, banks, and other financial institutions, tax obligations, and other obligations with the aim of ensuring timely provision of the required level of liquidity. Accordingly, contracted payment deadlines are monitored to settle obligations within the agreed deadline. In this way, Podravka Group manages its own liquidity risk, aiming, among other things, not to impair the liquidity of its business partners, manage the manifestation of legal risk in the area of supplier relations, and the risk of disrupting relations with stakeholders or disturbances in the supply chain.

PRICE RISK

The cost of raw materials and materials is subject to market price changes and can play a significant role in the costs of finished products. The volatility of prices in the agricultural and food raw materials market is particularly pronounced because this market is among the most sensitive markets in the modern world. Risks of unavailability of goods on the market due to increasingly frequent weather disasters caused by climate change (multi-year droughts, floods, etc.), livestock diseases, energy crises, disruptions in supply chains, and political or social unrest in certain countries (current war in Ukraine and the Middle East) significantly affect the rise in prices and the availability of input materials.

To mitigate these impacts, Podravka Group works towards developing partnerships with long-term suppliers, while simultaneously developing relationships with new suppliers in targeted EU and third-country markets. Timely contracting, consolidation of procurement volumes to strengthen market positions, sharing risks partly with suppliers, optimizing processes and material specifications, introducing alternative raw materials, introducing alternative suppliers, and actively implementing Commodity Risk Management are some of the activities successfully carried out by the Group to better assess price movements and reduce price volatility risks in the market.

Additionally, within the Risk Management Policy and within the framework of the adopted Accounting Methodology for Hedging, in the context of market price change risk, Podravka Group may, depending on the need and according to established principles, use defined permissible derivative financial instruments to protect against market price change risks of relevant goods. In this regard, principles for analyzing exposure, monitoring effectiveness, and reporting on commodity risks that would be subject to protection through derivative financial instruments have been defined.

Risks

RISKS RELATED TO CLIMATE CHANGE BASED ON THE PRINCIPLE OF DOUBLE MATERIALITY

Podravka Group operates through two main business segments, Food and Pharmaceuticals. According to the Delegated Regulation on EU taxonomy, the activities of the Food and Pharmaceuticals segment are not defined as activities that can significantly contribute to climate change mitigation and adaptation. This means that these activities do not have a significant negative impact on the climate because large amounts of greenhouse gases are not emitted in the production process.

Podravka Group strong cycle of capital investments is focused on increasing the energy efficiency of properties and facilities, leading to reduced energy consumption and consequently lower CO_2 emissions, thereby reducing the negative impact on the climate. Investments in the fleet and the subsequent operation of new commercial vehicles reduce CO_2 emissions per kilometer traveled, and the use of routing applications optimizes the distribution of goods, directly contributing to the environmental goal of mitigating negative trends in climate change.

In 2023, Podravka Group reduced energy consumption (electricity in MWh, energy from natural gas and wood chips in MWh, diesel fuel consumption) while simultaneously producing 3,567.9 MWh of electricity from renewable sources from its own solar power plants, which is 228.9% more than in 2022. Podravka Group emitted 40.4 tons of CO_2 in 2023, which is 7.9% higher compared to 2022, primarily as a result of changes in the regulatory treatment of CO_2 emissions from wood chips.

The impact of climate change on Podravka Group business is most evident in the Food segment, with its greatest effect seen in agricultural production and through the availability and prices of certain raw materials. The negative financial impact of extreme weather events associated with climate change in 2023 amounted to EUR 91.8 thousand, while in 2022, the financial impact was approximately EUR 331.8 thousand.

Climate risks are most pronounced in the agricultural sector, given the climate variations that have reached a level affecting global food supply (quantity, quality, and production location), and there is a pronounced need for adaptations in this sector.

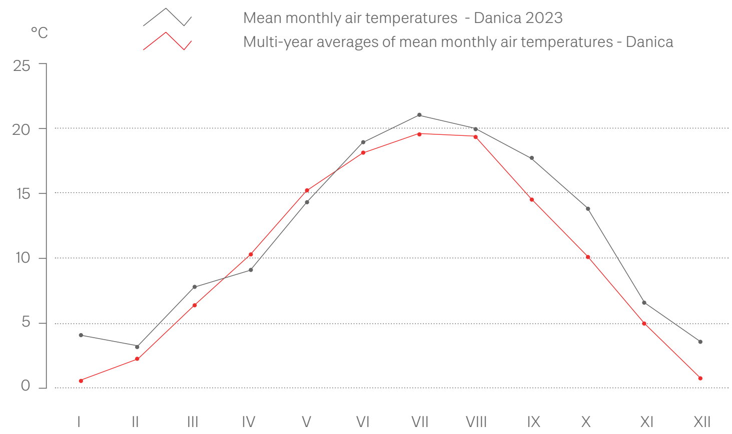
Lack of rainfall during the growing season, insufficient and/or poorly distributed rainfall, rising air temperatures, an increase in the number and duration of heatwaves, and an increase in the number of extreme weather events (stormy winds, heavy rainfall in short periods, flooding of agricultural areas, hailstorms, spring frosts, prolonged droughts, temperature extremes) cause significant damage to agricultural production.

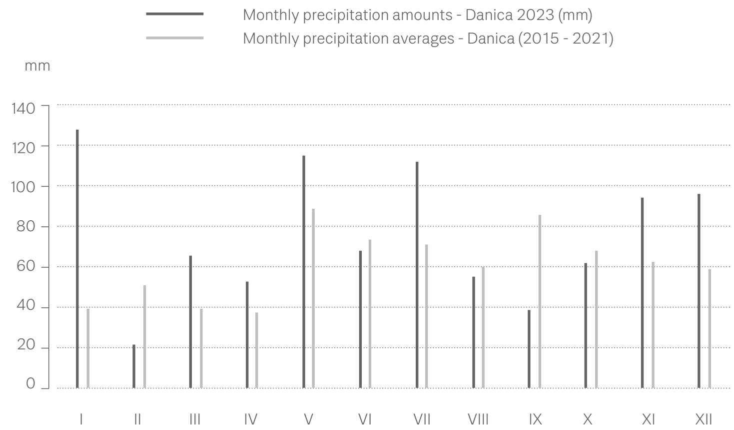
In Podravka Group agricultural production, vegetables

Risks

prevail, which are most sensitive to climate extremes, especially to daily temperature fluctuations because vegetables, like other agricultural crops, have basic temperature requirements for each phenophase as well as for the entire life cycle. This is particularly evident during sensitive phenophases such as flowering. Many physiological, biochemical, and metabolic plant activities depend on temperature, so heat stress causes bud drop, poor flower development, reduced pollen production, and decreased carbohydrate availability. For example, temperatures above 30ºC drastically affect the pollination of tomatoes, one of the important raw materials in the Food segment.

In recent years, there has been an increase in the number of extremely high temperatures, and the vulnerability of our region to heat stress in agriculture has increased from 0% to 44%. In 2023, above-average temperatures were recorded in all months except April and May, significant rainfall deficit in September and October, and above-average rainfall in January, March, May, July, November, and December. During the growing season, there was above-average rainfall, and drought periods were observed in August and September.





Risks

In 2023, there was no significant negative impact of drought; however, the negative impact was caused by abundant and prolonged rainy periods during winter, spring, and summer. Rainfall during the growing season was not evenly distributed but arrived in heavy storm episodes.

Continuous rains for twenty days led to difficulties in assisting young, newly planted plants that were submerged for several days in May and June since machinery couldn't access the fields.

Hailstorms in June 2023 affected some crops. Large amounts of rainfall during all summer months negatively impacted tomato yields by preventing machinery from entering the fields and increasing the incidence of late blight in crops. The total damage to tomatoes and seed peppers amounted to EUR 91.8 thousand.

As temperature is the most important environmental factor affecting the dynamics of pest populations, the expansion of their geographical range has been witnessed in the last two decades, driven by global warming. Warm winter months increase the proportion of overwintering individuals, and above-average warm summer months increase the number of pest generations on vegetables and other field crops.

In 2023, the European corn borer caused damage to seed peppers due to untimely treatment and the inability of machinery to access flooded fields. Two additional automatic weather stations were installed in locations within Podravka Inc.'s agricultural areas. Their use provides insight into weather data and the climate situation in desired agricultural areas. By constantly monitoring microclimates in vegetable crops and other field crops, the occurrences of certain diseases and pests in monitored crops can be calculated very accurately.

In 2023, there was no recorded negative impact of climate change on assets due to stormy weather. Climate change also affects the availability of fish in Mirna Inc. due to changes in wind blowing patterns. In 2023, the autumn months were extremely unfavorable for catching small blue fish due to strong winds, resulting in catches lower than expected or completely absent in certain catch periods. In addition to climate change, the availability of fish raw material is also affected by current regulations that have introduced a series of restrictions on the catch of small blue fish, aiming to achieve sustainable fisheries. Therefore, 10% less fish was purchased in 2023 compared to planned, or 3% less fish than in 2022. All of the above resulted in increased demand for fish raw material at the end of 2023 at the EU level. Given the fishing ban regulation, further demand growth is expected in the first months of 2024. Consequently, an increase in fish prices is also expected, which stabilized in 2023 with a slight increase compared to 2022 (when the price increase was almost 40%).

Climate change has also been recorded in the procurement of raw materials and primary agricultural raw materials, in terms of availability, quality, and price of certain raw materials. In the two most significant procurement categories of primary agricultural raw materials - cereals and fresh vegetables - problems related to quality (wheat) and availability (fresh vegetables) were recorded. Climate change also affected the availability and price of other raw materials, mainly tomato-based and olive-based raw materials due to extreme droughts and fires in Portugal and Spain.

ESG *Report*

ESG is an acronym for the three fundamental groups of objectives set within the framework of sustainable economic development initiative:

- Environmental (E),
- Social (S),
- Corporate Governance (G).

Podravka Group compiles this ESG report as a separate chapter of the Annual Report within the scope of the Non-Financial Reporting. ESG principles are integrated into Podravka Group's operations and are considered when making business decisions, as further explained in chapters describing the application of each ESG indicator.

ESG indicators for Podravka Group are prepared using selected GRI Standards[11] or parts of their content for sustainability reporting.

The scope of Podravka Group's Non-Financial Report is equal to the scope of its Financial Report, meaning that the entire business organization is consolidated in calculating ESG criteria. No related entity is excluded from the scope of this report.

11
The Global Reporting Initiative (GRI) is an international, independent, nonprofit organization for standards that promotes economic, environmental, and social sustainability. It does so by helping companies, governments, and other organizations understand and communicate their impacts on issues such as climate change, human rights, and corruption. Established in 1997 in partnership with the United Nations Environment Programme (UNEP), GRI has developed Sustainability Reporting Standards, providing companies with a comprehensive framework for sustainability reporting that is globally accepted.

The impact of business on the environment *(criterion E)*

Note: Differences in data compared to Podravka Group's Annual Report for 2022 are the result of adjustments to the methodology of data collection and coverage at the level of the entire business system, following new standards for sustainability reporting. The energy from the total gas consumed in Croatia in 2022, as well as the conversion of the gas consumed into cubic meters, has been adjusted and recalculated in accordance with the changes to the General Terms and Conditions of Gas Supply that came into effect in October 2022, for the purpose of data comparability relative to the base year 2022.

Environmental Criteria	Unit	2022	2023
Total GHG emissions (scope 1)*	000 t	37.5	40.4
Total GHG emissions (scope 2)*	000 t	30.3	12.6
Total CO_2 emissions (scope 1)	000 t	37.5	40.4
Total CO_2 emissions (scope 2)	000 t	30.3	12.6
Total CO_2 emissions from sustainable wood chips**	000 t	9.4	2.7
Environmental impact-related fines	mil. EUR	0.0	0.0
Total energy consumption	000 MWh	272.7	252.2
Utilized energy from renewable sources	000 MWh	27.1	10.8
Electricity consumption	000 MWh	77.5	75.2
Coal consumption	000 t	0.0	0.0
Natural gas consumption	000 m3	10,761.8	10,077.7
Crude oil / diesel consumption	000 m3	2.6	2.5
Electricity generated from renewable sources	000 MWh	1.1	3.6
Total energy generated	000 MWh	26.4	10.5
Energy generated from renewable sources	000 MWh	26.4	10.5
Total waste generated	000 t	12.6	13.1
Hazardous waste generated	000 t	0.1	0.1
Recycled waste	000 t	5.8	6.9
Total water consumption	000 m3	936.4	927.1
% of water recycled in production	Percent	43.4%	70.0%

The impact of business on the environment (criterion E)

Total recycled water in production	000 m3	406.6	648.8
Water emissions	000 m3	0.0	0.0
Activities with negative impact on biodiversity	Yes/No	No	No
Environmental protection policy***	Yes/No	Yes	Yes

*Total greenhouse gas emissions and total CO_2 emissions are identical, given the availability of relevant emission factors only for CO_2. Emissions from consumed electrical and thermal energy are included in the calculation of emissions from scope 2.
** Certified wood chips are CO_2-neutral fuel and are not included in the calculation of total CO_2 emissions (scope 1), so they are shown separately.
*** Link to the environmental protection policy

GREENHOUSE GAS EMISSIONS

In 2023, Podravka Group emitted 40.4 tons of CO_2, which is 7.9% higher compared to the corresponding period. This increase is a result of the treatment of CO_2 emissions from wood chips in 2023 compared to 2022, as explained in more detail in the Energy section. In the Annual Report of Podravka Group for 2022, only energy and fuel were taken into account for calculating greenhouse gas emissions, while the scope of emissions in the Annual Report of Podravka Group for 2023 was expanded to include emissions from refrigerants (freons). Greenhouse gas emissions from refrigeration units were calculated based on the quantities of refrigerants added to refrigeration units within the reporting period, as visible from the service cards of device servicers. Greenhouse gas emissions for 2022 were also adjusted to include emissions from freons.

For calculating CO_2 emissions in scope 1, the GHG Protocol methodology and the scope of the EU ETS system were applied. The increase in CO_2 emissions in scope 1 in 2023, compared to 2022, is the result of the manifestation of transitional risk based on regulatory changes, related to the use of wood chips as fuel.

The availability of updated emission factors for the reporting period is limited, given the different reporting deadlines of individual economic entities in individual countries. In this year's report, relevant emission factors published for 2023 were used for calculating greenhouse gas emissions (NIR, reports of individual electricity producers/suppliers, emission factors published on the official websites of relevant national ministries/agencies, and relevant emission factor databases available on websites). In cases where emission factors for 2023 were not available, the last available emission factors were used. The GWP base from the GHG Protocol was used to calculate emissions from refrigeration units (freons), while emission factors from the NIR were used to calculate greenhouse gas emissions from fuel (vehicle fleet).

ENERGY SOURCES

Podravka Group, as a major energy consumer, seeks to reduce its consumption and costs and contribute to the sustainability of its operations. During 2023, energy supply security was increased, losses were reduced, energy efficiency was increased, production of own electrical and thermal energy from renewable sources was increased, and dependence on fossil fuels was reduced. Trainings were conducted, and instructions were provided to users on the efficient use of energy in immediate consumption.

The impact of business on the environment (criterion E)

In the reporting period, Podravka Group reduced its total energy consumption by 7.5% compared to 2022, with electricity consumption reduced by 3%, wood chips energy consumption reduced by 17.2%, and consumption of energy from natural gas reduced by 7.5% The share of electricity from renewable sources in production was 5%, which entirely relates to electricity produced from its own solar power plants. In 2023, solar power plants produced 3,567.9 MWh, which is 228.9% more than in 2022 when 1,084.9 MWh was produced. In 2023, Podravka Group consumed 3,533.7 MWh, which is an increase in the consumption of its own electrical energy from renewable sources by 326.3% compared to the corresponding period. The share of thermal energy from renewable sources in production decreased from 17% in 2022 to 5% in 2023, also due to regulatory changes in the treatment of emissions from wood chips.

When it comes to the energy mix of the Food segment, Podravka Group increased the share of wood chips compared to gas in the central steam boiler in Koprivnica. The boiler achieved a reduction in energy consumption per unit of produced final energy, and when selecting and purchasing new technological and energy equipment, greater attention was paid to energy efficiency and selection of higher energy classes.

Wood chips (forest biomass) is used as fuel in the energy plant for heat production, namely in the boiler for steam production in the Danica industrial zone, supplying factories with the necessary thermal energy for technological purposes. The biomass boiler has a capacity of 3.3 MW and has been in operation since 2017, replacing the use of gas by approximately 2,000,000 m3/year.

Podravka Group, as a major energy consumer, has been part of the international carbon emissions trading system (EU ETS) since 2013, with its two energy plants. Participation in the EU ETS is enabled for operators of installations in the industrial and energy sectors with stationary installations of ≥20 MW thermal energy and which use fossil fuels (gas, coal, fuel oil - non-renewable energy sources) as fuel. Podravka Group fulfills all obligations under the European Union Emissions Trading System (EU ETS). The facilities at Ante Starčevića 32 and the Danica industrial zone in Koprivnica possess valid permits for greenhouse gas emissions and are compliant with the rules of the 4th trading period for greenhouse gas emissions, valid from 2021 to 2030. The biomass boiler (wood chips) is also part of the ETS system.

In the previous fuel categorization, until December 31, 2022, all wood chips was in the biomass category and was considered a renewable energy source. Therefore, CO_2 emissions from this fuel were not included in the scope 1 emissions calculation but were separately reported in the ESG report.

The ETS authority in Croatia decided that as of January 1, 2023, procedures for monitoring biomass were required, i.e., for each batch of biomass to demonstrate compliance with sustainability criteria. If the biomass used for combustion is not compliant with regulations, the carbon content in that biomass is considered fossil carbon. Biomass suppliers, whether supplying, storing, chipping, and/or further trading, must possess a certificate confirming that the biomass complies with the certification scheme rules.

Since the regulation came into force at the end of 2022, and a National Biomass Sustainability System

The impact of business on the environment (criterion E)

was not established in Croatia, suppliers did not have sufficient time for certification. For this reason, sustainable wood chips biomass meeting the specified criteria could not be procured in Croatia at the beginning of 2023. Suppliers certified under one of the approved European Union schemes (SURE) capable of supplying sustainable wood biomass began appearing in the market only in July 2023. Therefore, since July 2023, Podravka Group has started procuring and using wood chips from sustainable cultivation systems, following the SURE scheme.

For quantities of wood chips with sustainability certification (2,070 tons, or 6,897 MWh), CO_2 emissions are not included in scope 1 emissions and are considered climate-neutral, and are separately presented in the emissions analytics (ESG report, table with "E" indicators).

The remaining quantity of wood chips procured until July 2023 is treated as fossil fuel (5,048 tons, or 14,069 MWh), and the CO_2 emission of 5,525.96 tons from unsustainable cutting is included in scope 1 emissions.

Žito Group achieved a 30.6% reduction in cubic meters of natural gas consumption in 2023 compared to 2022 through the optimization of production processes and the implementation of the bakery concentration project. During the same period, electricity consumption from the grid in MWh decreased by 8.8%.

Podravka Lagris implemented a technical innovation of using organic by-products as an energy source, resulting in savings equivalent to the consumption of 156.8 MWh of gas compared to 2022. In 2023, natural gas consumption in m3 was reduced by 17.4% compared to the corresponding period, while total electricity consumption in MWh in 2023 was 12% lower than in 2022.

The main capital investments of the Food segment in 2023, aimed at achieving energy efficiency and self-sufficiency goals, relate to the construction of solar power plants.

Preparations were made in 2023 for the installation of solar power plants in Koprivnica, Varaždin, and Dugopolje. The investment in solar power plants will increase the capacity of own electricity production from renewable sources to 8,772.1 kW to a total of 12,836 kW, with expected annual electricity production of 13,668,095 kWh. Almost all projects were granted co-financing from the Modernization Fund.

Investments in renewable energy sources are also being made at locations of the Žito Group. In 2024, the commissioning of solar power plants at locations in Maribor is planned. The total electricity production is expected to be 315,352 kWh annually. The reduction in electricity consumption by 227,236 kWh annually also results from the optimization of certain work processes, i.e., the installation of devices for transforming and filtering electricity with harmonic control function. In 2023, Žito Group installed energy-efficient lighting sources at all locations without compromising work ergonomics.

At the end of 2023, Podravka Lagris completed and commissioned a 54.6 kW solar power plant.

In addition, the installation of a new and more energy-efficient compressor for the production of compressed air in Podravka Inc. ensures the supply security of all air technological consumers in an energy-efficient manner. Furthermore, high-efficiency equipment has been installed in the substation, which, besides energy savings, provides security and reliability in supplying electrical energy to all consumers of the Cocktail Pastries factory.

The Pharmaceuticals segment primarily uses electricity and natural gas as main energy sources, with extra light fuel oil available as an alternative to natural gas for three out of five boilers at the production site. There is systematic attention to energy supply security, and with the aim of reducing negative environmental impact, a project investing in renewable energy sources from internal production has been initiated. In 2023, the Pharmaceuticals segment reduced electricity consumption by 5.7% compared to the corresponding period.

Capital investments in the Pharmaceuticals segment are also aimed at achieving energy efficiency. A plan is in place for the expansion of a solar power plant at the Koprivnica location, which will be used for electricity production for internal consumption, with an installed capacity of 2,787 kWh, assuming an annual production of 2,998.57 MWh. With the construction of the power plant and the reference annual consumption of delivered energy from the grid, a lower electricity consumption of 13.62% and lower CO_2 greenhouse gas emissions of 434.27 tCO_2/year are estimated.

The Pharmaceuticals segment continuously works on improving all processes, both energy and production-related, resulting in a reduction in energy consumption by 4,188 MWh in 2023 compared to 2022, as well as a 8.7% reduction in greenhouse gas emissions from gas and fuel oil consumption compared to 2022.

TRANSPORT

Road transport has a significant impact on the climate, and continuous investment in new technologies is necessary to reduce its negative effects. Diesel fuel has the highest representation among the fuels used in the Podravka Inc. fleet, with its consumption reduced by 5.1% in 2023 compared to 2022.

In 2023, the Food segment continues to invest in the fleet by procuring and operating new EURO VI standard freight vehicles while optimizing routes. In 2023, Podravka Inc. acquired six new freight vehicles, increasing the fleet's load capacity. However, this did not result in a decrease in fuel consumption or subsequent lower emissions from the fleet.

Due to the bakery concentration project and production centralization in Slovenia, the movement of freight vehicles has been optimized, resulting in a reduction in fuel consumption by 17.3% compared to 2022.

The construction of a new logistics distribution center (LDC) proceeded as planned in 2023. With the construction of the LDC, the need for part of the existing warehousing space ceases. Eight main finished goods warehousing locations will be closed, and approximately 45,000 pallets will be relocated to the new LDC with a total capacity of 56,000 pallets. All of this will result in a reduction in kilometers traveled in inter-warehousing, thereby reducing CO_2 emissions due to lower fuel consumption (estimated reduction of 5,777 liters per year).

Optimization of logistics operations and increased energy efficiency is also evident through the procurement of electric forklifts for the new LDC, which

The impact of business on the environment (criterion E)

contain Li-ION batteries without sulfuric acid. This reduces the consumption of electricity for battery charging and makes them environmentally friendly, with effects expected by the end of 2024.

It is important to mention the implementation of the Skytrack software for optimal management of transport vehicles. The project started in mid-2023, and full implementation is in the final stage, with actual effects expected in 2024. The projected reduction in kilometers traveled is 1-2%. Gas consumption for forklifts decreased by 4.9% in 2023 compared to 2022.

In 2023, the Pharmaceuticals segment also renewed part of its fleet by purchasing vehicles of a higher environmental class, which implies a long-term reduction in greenhouse gas emissions. With the change in product distribution models from April 1, 2023, there was also a decrease in the total number of shipments by 81.86% (during 2022, the total number of shipments was 3,715, compared to 1,577 in 2023).

AGRICULTURAL PRODUCTION

The calculation of emissions from agricultural production was made according to the GHG Protocol in accordance with the FLAG emission calculation methodology and is presented separately from other emissions, i.e., emissions from agriculture are not included in the total GHG emissions of Podravka Inc. listed in the ESG table with environmental criteria ("E").

Category	Scope	Total, t CO_2
Land management	Scope 1	672.67
	Scope 2	-
	Scope 3	293.22
Carbon removal	Scope 1	471.67

Podravka Inc.'s agricultural production emitted 672.7 tons of CO_2 through applied agronomic operations in scope 1 and 293.2 tons of CO_2 in scope 3, relating to CO_2 emissions from the production of fertilizers and pesticides used in 2023.

Simultaneously, there was a carbon removal effect of 471.2 tons of CO_2 in 2023 achieved through reduced tillage methods.

In 2023, agricultural production achieved a carbon intensity of 0.14 tons of CO_2 per ton of primary raw material produced.

POLLUTION

Food segment utilizes small and medium-sized combustion devices (stationary sources) for its production and storage processes, hot water preparation, and heating across all organizational units. The primary source of emissions in the production processes of the Food segment is the combustion of fossil fuels. Biomass, a renewable energy source, has been used in 2023, representing a significant measure in reducing the use of fossil fuels and emissions. Biomass has been used in Podravka Inc. for five years, thereby meeting the steam requirements in multiple factories.

The most significant air pollutants from all plants are NOx and CO, which are measured by authorized companies. Measurement results for all plants are below the emission limit values prescribed by law and subordinate legislation. Regular servicing of combustion devices by authorized service providers is carried out for air protection, along with preventive maintenance of equipment.

The impact of business on the environment (criterion E)

For cooling in industrial processes, air conditioning in office and storage areas, and in hospitality and retail outlets, the Food segment uses refrigeration equipment with refrigerants (freons). To reduce the negative impact of fluorinated greenhouse gases on the environment and the ozone layer, refrigeration units are regularly serviced and checked for leaks by authorized service providers. Greenhouse gas emissions based on refrigerant replenishment are included in scope 1 CO_2 emissions. All devices are reported in the PNOS application (Notification of stationary devices and equipment) in accordance with legal obligations. Ammonia is used in the cooling systems for technological processes in the Danica Factory, with a transition to glycol. The entire preparation and distribution system is under constant supervision, with regular maintenance and statutory testing.

Podravka Group applies the principle of storing raw materials in chambers with modified atmospheres using nitrogen to eliminate pests in all stages of development without affecting the quality, color, and taste of the raw materials. This method represents a non-toxic treatment of raw materials without residual chemicals. It is safe for human health and has no harmful environmental impact.

Podravka Lagris, as one of the leading producers of rice and legumes in the Czech Republic, pays great attention to reducing the use of insecticides as a means of protecting stored raw materials from pests. In 2023, 9,518 tons of raw materials were treated using the nitrogen atmosphere method, which is completely environmentally neutral. Air filtration uses nitrogen from its own production, which is returned unchanged to the atmosphere at the end of the process.

The Pharmaceutical segment uses refrigerants in its cooling systems that have a negative impact on the ozone layer due to their chemical composition. To prevent adverse environmental impacts and comply with legal regulations, leakage testing is carried out by authorized service providers. Records of all refrigeration units are regularly updated, and servicing is performed to prevent malfunctions that may lead to the release of harmful gases into the environment.

Air emissions from stationary sources are of great importance to Belupo. The company has energy and technological emissions. Throughout 2023, preventive maintenance continued, and all installed dust filter controls for reducing emissions were regularly checked, as well as the operation of activated carbon adsorbers. Plant operation is automated, and activated carbon regeneration is carried out upon saturation, with computerized recording ensuring emission monitoring into the atmosphere. Plants using organic solvents are registered with the Ministry of Economy and Sustainable Development. Control of solvent consumption for each REGVOC plant is monitored through record-keeping. Air emission monitoring was conducted in accordance with legal regulations. The measured pollutant values from these sources are far below the emission limit values prescribed by legal regulations. Prescribed records are maintained and reports are submitted to the relevant ministry.

Continued preventive maintenance of cooling systems and stationary emissions to minimize unwanted air emissions is the primary task of the Pharmaceutical segment in the future.

Belupo Inc. does not possess an environmental permit and is not obliged to obtain one because its production

The impact of business on the environment (criterion E)

does not involve chemical or biological processing, only physical processes. Nevertheless, the company has established systems to reduce emissions with the aim of minimizing its negative environmental impact.

WASTE MANAGEMENT

With the sustainable business strategy of Podravka Group, three goals related to waste reduction have been defined. The reduction of food waste in production per ton of product produced is associated with the implementation of the Voluntary Agreement signed by Podravka Group with the Ministry of Agriculture of the Republic of Croatia. During 2023, activities related to defining the methodology for monitoring and measuring food waste quantities and separating food waste for further use were carried out.

The amount of municipal waste per ton of production in 2023 decreased by 4.1% compared to 2022. During the same period, the total amount of waste generated per ton of product produced that goes to the landfill decreased by 16.5% compared to 2022.

In 2023, Podravka Group generated 13,082.3 tons of waste, of which 12,221.3 tons were non-hazardous waste. Of the total amount of non-hazardous waste generated, 56.3% was recycled waste. The total amount of mixed municipal waste decreased by 11.5%, while non-hazardous waste decreased by 11.3% compared to 2022.

Within the Food segment, Podravka Group deals with waste while respecting the waste hierarchy and following global trends in waste management. In 2023, a total of 5,758.2 tons of non-hazardous waste were produced, of which 440.4 tons were municipal waste. Compared to 2022, in 2023, the amount of waste going to the landfill decreased by 15%, while the share of recycled waste increased by 34.8%. Hazardous waste amounted to 16.23 tons, which is 36.3% less than the previous year.

Continuous waste reduction is an important goal for Podravka Group, which strives to find optimal solutions for reducing waste disposed of in landfills, while increasing recycling, reuse, and composting opportunities whenever possible.

Within the Žito Group, the total amount of waste decreased by 21.6% compared to 2022, while mixed municipal waste decreased by 31.8%. About 70% of the generated waste from various packaging materials was recycled, while the remaining 30% was redirected for energy production.

Podravka Lagris produced a total of 127.2 tons of non-hazardous waste in 2023, of which 71.8% consisted of recycled waste. Podravka Lagris did not produce hazardous waste, while 0.5 tons of hazardous waste were produced in 2022.

The Pharmaceutical segment integrates waste management processes into its activities, involving responsible waste management practices and the development of a culture of proper waste handling. At Belupo Inc., a waste sorting project was initiated in 1997, continuously improved over the years and due to changes in legal regulations. Employees of Belupo Inc. are regularly educated on proper waste sorting methods to ensure the functioning of the system.

The Pharmaceutical segment generates hazardous and non-hazardous waste through its activities, mainly

The impact of business on the environment (criterion E)

from production, laboratory, and equipment maintenance processes. Waste is sorted at the source according to key numbers and temporarily stored on-site until handed over to an authorized collector. Special attention is given to waste that can be recycled or reused in any other way. All waste generated during 2023 was disposed of safely and environmentally friendly. Through proper management, a significant portion of the waste has become secondary raw material, aiming to conserve natural resources and reduce the amount of waste sent to landfills.

In 2023, the Pharmaceutical segment generated 15.2% less mixed municipal waste compared to the corresponding period.

WASTE REDUCTION IN PRODUCTION PROCESSES

Podravka Group activities are also aimed at reducing waste in production processes. Within the Food segment, great attention is focused on reducing food waste in the production process. In March 2023, Podravka Inc. signed a "Voluntary Agreement on the Prevention and Reduction of Food Waste" with the Ministry of Agriculture, committing to implementing activities aimed at reducing food waste over the five-year duration of the agreement. These activities include food donation, process optimization to reduce food waste surpluses, raising consumer awareness about ways they can contribute to preventing and reducing food waste, and educating Podravka Inc. employees.

The Pharmaceutical segment continuously works on improving production processes, which positively impacts the reduction of waste generated. Throughout 2023, intensive work was done to optimize the production process on production lines for six products, reducing machine downtime and increasing production efficiency. Furthermore, analytical process optimization opportunities were identified, leading to a reduction in the number of analyses for some products, contributing to the optimization of material approval procedures. All these activities contribute to reducing the quantities of various types of waste per unit of product produced, and the project continues into 2024.

REDUCTION OF PACKAGING WASTE

Within the Food segment, efforts are actively made to achieve the Podravka Group's Sustainable Business Strategy by 2030. One of the main goals concerns food products, which are planned to be packaged in 100% recyclable, returnable, or compostable packaging by 2030. In 2023, the share of recyclable packaging in the Food segment's total procurement of packaging materials was 89.4%.

During 2023, testing was conducted at production sites in the Food segment for products currently packaged in composite flexible packaging materials. These materials cannot be recycled (due to their composite or mixed composition), and the goal is to replace them with mono-flexible packaging materials that can be recycled. A portion of the Food segment's product range is undergoing shelf-life testing in flexible packaging made of new material compositions. These are mono-materials based on polypropylene (PP) or polyethylene (PE) that are recyclable. The entire range of transport cardboard packaging now carries the FSC label. Shelf-ready package (SRP) packaging has been optimized at the Food segment level to reduce ink consumption in packaging design for better recycling. New transport box packaging transitions to

The impact of business on the environment (criterion E)

brown cardboard, reducing ink consumption, and also applying the Forest Stewardship Council (FSC) label, indicating responsible forest material sourcing to inform consumers that Podravka Group cares about forests.

1001 Cvet/Podravka teas now come in paper packaging that is fully recyclable. The teas feature an ECO FRIENDLY label and the FSC logo to raise consumer awareness about environmental care. Transitioning to 100% recyclable packaging for 1001 Cvet and Podravka teas is one of several projects Podravka is working on to reduce the proportion and mass of packaging materials and increase the share of sustainable materials in which it packages its products.

Podravka Group has also reduced the amount of packaging used for Podravka cream soups, while keeping the content of the pouch, i.e., the product weight, the same. Specifically, the new pouch for packaged soups is 11% smaller, resulting in 11% less waste. This means that 2.19 tons less plastic film will be used annually.

Regarding the share of recycled packaging materials in Podravka's plastic packaging, successful tests were conducted in 2023 on shrink sleeve films with a recycled content (30%) in polyethylene terephthalate (PET). Therefore, in the upcoming period, rPET will be introduced into the assortment of such packaging. Furthermore, tests are ongoing on thermo-shrinking wrapping films with a recycled content in polyethylene (PE), as well as tests on polypropylene squeeze bottles with a recycled content, while monitoring the product's shelf life.

The Žito Group contributes to achieving strategic goals by reducing the amount of packaging on the product through reducing thickness/weight, adjusting the shape or size of the packaging without compromising product quality and safety. Active search and testing of new, more environmentally friendly materials that still provide adequate product protection continue. Apart from tea bag packaging, which is recyclable, Žito Group actively seeks alternatives for composite packaging that is not suitable for recycling, for frozen food programs, ground products, and cocoa powder. Žito's permanent bakery products are packaged in recyclable packaging. The cereal packaging has been optimized by removing part of the plastic film, making it 100% recyclable, as is the case with the entire bakery packaging (bread, bakery pastries, nut rolls, sweets).

Podravka Lagris contributes to waste reduction and sustainable waste management by choosing recyclable packaging for a wide range of its products. In 2023, the share of recyclable, environmentally friendly packaging materials in Podravka Lagris's total procurement amounted to 98.6% (compared to 98.3% in 2022).

Efforts are actively made to test recyclable materials for other products. Therefore, in the upcoming period, the Food segment plans to reduce the use of printing inks and varnishes on all packaging materials, adjust packaging design to the circular economy, transition to paper instead of plastic wherever possible, reduce the weight of all packaging materials, introduce plastic materials with recycled plastic content, and switch from composite to mono materials that will be fully recyclable.

The Pharmaceutical segment also continuously works on reducing packaging waste through various projects. In 2023, by introducing a new product distribution model, the consumption of cardboard packaging was reduced by 20.81%. Furthermore, work continues

The impact of business on the environment (criterion E)

on the paperless project, aiming to reduce printing in all applicable areas. The number of prints in 2023 decreased by 22% compared to the same period. As part of the "Optimization of printed packaging" project, the weight of 274 types of instructions was reduced by 17%, and the weight of 55 types of commercial boxes decreased by an average of 5%.

At the beginning of 2023, there was a change in the packaging of the OTC portfolio. Following sustainability principles in packaging application, the use of metallized cardboard was discontinued, meaning that all secondary packaging of the OTC portfolio is recyclable.

In the Pharmaceutical segment, the share of recyclable packaging in the total procurement amounted to 67%, which is an increase of 9% compared to the previous year.

PROTECTION OF WATER AND WATER RESOURCES

In 2023, Podravka Group reduced water consumption by 1%, while simultaneously increasing the amount of recycled water by 59.6%. The share of recycled water in total water consumption was 70.0% compared to 43.4% in 2022.

Wastewater treatment and pretreatment of wastewater from the Food segment, as well as analytical testing by authorized laboratories of wastewater samples (taken from control manholes), are carried out in accordance with applicable legal regulations and water permits for wastewater discharge for each location.

In 2021, a project for the remediation of wastewater treatment plants in the Danica industrial zone was initiated. The wastewater treatment plant treats wastewater from all factories and organizational units on the site (Baby Food and Spreads Factory, Soup and Vegeta Factory, Danica Factory, Transport, and Belupo Inc.). The project included the construction remediation of concrete parts of the plant to renew worn surfaces, extend the life of the plant, and reduce the risk of water leakage into the environment due to cracking. The remediation project was divided into several phases to ensure uninterrupted production during the remediation, allowing for smooth operations. The construction remediation of the wastewater treatment plant continued in 2023.

An investment in a new product sterilization system was completed in the Danica factory, representing a step forward in the modernization of meat product and processed food production. The new system significantly facilitates operational tasks in the plant, as the entire process of filling and emptying sterilizers is automated.

In 2023, Žito Group reduced water consumption by 34.3% compared to 2022 as a result of business optimization and the implementation of the bakery consolidation project. By optimizing certain work processes and implementing a plan of capital investments, Žito Group plans to continue reducing water consumption in the pastry production process.

The Pharmaceutical segment ensures the protection of water and water resources by aligning all its processes with legal regulations and internal acts. Technological and sanitary waters are drained from the Belupo Inc. site through separate sewage systems, mixed with wastewater from other factories, and directed to a mechanical and biological treatment plant. Wastewater

The impact of business on the environment (criterion E)

analyses are regularly conducted by authorized laboratories every three months, in accordance with legal provisions and water permits, ensuring that the wastewater meets prescribed limit values. Rainwater is drained through separate sewage systems into a natural recipient. Regular maintenance and cleaning of wastewater drainage systems are carried out.

In 2023, a complete cleaning and inspection of the old sewer system were carried out, and a water tightness test was performed according to the standard HRN EN 1610:2015, based on which a plan for the remediation of inadequate sections was made.

Through the project of optimizing production processes, the number of necessary cleaning cycles of production lines for six products is reduced, thereby reducing water consumption per unit of product manufactured. In 2023, a 7.4% lower water consumption was achieved compared to 2022, as a result of the implementation of these projects.

Through its activities, the Pharmaceutical segment does not obstruct the achievement of a good environmental status of marine waters, nor does it contribute to the deterioration of the state of marine waters.

IMPACT ON BIODIVERSITY

Podravka Inc. in the Koprivnica-Križevci County area owns 565.83 hectares of agricultural land, of which 66.49 hectares are owned directly, and 499.34 hectares are leased for a period of fifty years. The agricultural land is used to produce 4,000 to 5,200 tons of crops (wheat, maize, oilseed rape, soybeans, sunflower, seed wheat) and vegetables (peas, beets, peppers, cucumbers, tomatoes, chili peppers, seed peppers). In 2023, wheat, oilseed rape, maize, and sunflower had the largest share of agricultural land, while peas, tomatoes, peppers, and beets had the largest share among vegetables. Of the total vegetables used as primary raw materials in Podravka Inc.'s production in 2023, 13.3% was satisfied from its own production.

In 2023, irrigation was carried out on 155 hectares of agricultural land under vegetable crops (sprinklers and drip irrigation), using groundwater, i.e., wells. The total irrigation capacity is 251 hectares. Investments in irrigation systems lead to water savings, increased yields, and improved raw material quality.

To preserve agricultural land, crop rotation is strictly adhered to, green manure is applied, investments are made in improving and preserving soil quality by adding calcium and humus to the soil, crop growth is monitored by drones to detect changes in plants (appearance of pests or diseases), and only small infected areas of plants are treated in a timely manner to reduce pesticide consumption.

In 2023, liming and humification were carried out, and drainage pipes were installed on part of the agricultural parcels. Based on the results of soil analysis of agricultural land conducted in 2023, increased soil acidity was detected on some parcels, and the liming process was carried out. Additionally, humification was performed on some agricultural land. In line with the goals of the Sustainable Business Strategy, 93 tons of calcium were introduced into the soil through liming in 2023 (350 tons of calcium were introduced into the soil in 2022). Humification was carried out on part of the agricultural land, and 2,900 tons of green manure seeds were sown (1,820 tons of green manure seeds were sown in 2022).

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In 2023, 20% more mineral fertilizers per ton of primary raw material produced and 197% more protective agents per ton of primary raw material produced were used compared to 2022. The increased percentages are the result of increased vegetable production compared to 2022 and adverse weather conditions that significantly reduced yields. Vegetables require higher amounts of fertilizers and more treatments due to higher susceptibility to diseases and pests compared to crops. Due to adverse weather conditions and the occurrence of diseases on vegetable crops (especially tomatoes), vegetable yields were 82% lower than planned in 2023, while agrotechnical operations were carried out according to plan and within agrotechnical deadlines.

In 2023, Podravka Inc. carried out conservation tillage on 33% of the areas it cultivates to ensure that conservation tillage systems continuously cover the soil with growing plants or plant residues. This prevents soil erosion and degradation, increases soil biodiversity, reduces weed incidence, improves water permeability, and reduces water evaporation from the soil.

To more efficiently manage agricultural production, investments have been made in mechanization in recent years to better monitor fuel consumption, protective agents, and fertilizers, and to react promptly to the appearance of diseases and pests. Additionally, investments were made in meteorological stations to monitor moisture levels, rainfall, and other parameters important for the proper and optimized use of plant protection products.

During 2023, no significant irregularities related to non-compliance with environmental laws and regulations were recorded, and accordingly, no monetary or non-monetary sanctions were imposed.
The Pharmaceutical segment contributes to biodiversity conservation, among other things, by providing relevant information to end-users on the proper disposal of unused medicines through medication instructions, while disposal bins for unused medicines have been placed in all pharmacies.

Belupo continuously monitors changes in legislation, implementing them into its internal processes. The State Inspectorate regularly conducts inspections at Belupo to verify compliance with the prescribed legal regulations. During the reporting period, no cases of non-compliance with laws and regulations resulting in monetary fines or non-monetary sanctions were recorded.

In the implementation of the goals of the Podravka Group's Sustainable Business Strategy, Podravka Inc., in cooperation with Croatian Forests, planted a total of 14,000 tree seedlings, including 4,000 pedunculate oak seedlings in the Koprivnica area and 10,000 common beech seedlings in the Delnice area. Belupo Inc., in cooperation with Croatian Forests and the Koprivnica Municipal Company, planted 1,000 beech, oak, and chestnut seedlings in the Crna Gora Forest Park in the Koprivnica area.

Corporate Social Responsibility *(Criterion S)*

Social Criteria	Unit	2022	2023
Protection of employees / whistleblower policy*	Yes/no	Yes	Yes
Community giving and financing	mil. EUR	3.1	3.1
Political donations	mil. EUR	0.0	0.0
Human rights policy*	Yes/no	Yes	Yes
Policy against child labor exploitation*	Yes/no	Yes	Yes
Product quality assurance and recall policy**	Yes/no	Yes	Yes
Equal opportunity policy*	Yes/no	Yes	Yes
Fair reward policy*	Yes/no	Yes	Yes
Business ethics policy*	Yes/no	Yes	Yes
Anti-corruption and ethical policy*	Yes/no	Yes	Yes
Occupational health and safety management policy***	Yes/no	Yes	Yes
Receipt policy****	Yes/no	Yes	Yes
UN Global Compact for Corporate Social Responsibility and Sustainable Development*****	Yes/no	No	No
Total number of employees as of December 31	Number	6,299	6,163
Number of women among total employees as of December 31	Number	3,292	3,267
Average age of employees as of December 31	Number	46	46
% of disabled in workforce as of December 31	Percentage	3.2%	3.4%
Gender pay gap ratio******	Percentage	1.9%	2.8%
Lost work hours due to workplace injuries	Number of hours	26,599	32,127
Number of workplace injuries	Number	92	103
Fatality workplace injury rate	Number	0	0
Workplace injuries resulting in lost work hours rate	Number	7.7	10.0
Recordable workplace injuries rate	Number	10.0	11.2
Severe workplace injuries rate	Number	0.7	0.4
Employee turnover rate	Percentage	11.3%	11.6%

Corporate Social Responsibility (Criterion S)

% of employees who are union members	Percentage	40.8%	40.0%
Number of part-time employees	Number	67	58
Number of seasonal employees	Number	166	50
Number of employees on contract basis (auditors, consultants)	Number	31	21
Employee education and training policy	Yes/no	Yes	Yes
Total cost of employee education and training	mil. EUR	0.7	0.9
Total number of hours spent on employee education and training	Number of hours	106,717	114,657
Total number of suppliers as of December 31	Number	10,178	9,717
Total number of domestic suppliers as of December 31	Number	6,346	5,964
Quarterly conference calls with investors	Yes/no	No	Yes

*Contained within the Code of Ethics in the business of Podravka Group, available at https://www.podravka.hr/en/company/investors/corporate-governance/documents/
**Available in the Policy on Food Safety and Quality System Podravka
***Available at https://www.podravka.hr/en/company/sustainability/management-systems/policy-system-for-health-and-safety-at-work
****Available in the Decisions of the General Assembly 2021 at https://www.podravka.hr/en/company/investors/corporate-governance/general-assembly/
*****Podravka Inc. is not an official signatory of the initiative, but supports the initiative by integrating all 10 principles of the Global Compact into its operations, codes, and regulations.
******Calculated based on actual working hours, by calculating the average hourly wage of female employees and male employees (including total taxable and non-taxable income of employees, excluding severance costs), and dividing it by the total hours worked paid by the employer.

CONTRIBUTION TO CONSUMER HEALTH

Taking into account current guidelines for healthy and sustainable nutrition, in the Food segment in 2023, a revised Nutritional Strategy for the period up to 2027 was adopted, confirming the focus on promoting healthy, balanced, and sustainable nutrition through greater availability of nutritionally superior products. The Nutritional Strategy represents a significant enhancement of the Sustainable Business Strategy.

Podravka's Nutritional Strategy focuses on actively managing the nutritional quality of products across all categories, developing and innovating products according to consumer needs, motivating consumers to improve their diets and adopt sustainable nutrition principles, and setting trends in the development of nutritionally high-quality and sustainable products.

The primary tool for managing the nutritional quality of Podravka's products is the nutritional profile, whose scientifically validated methodology involves the development of internally recommended criteria for the content of macro and micronutrients per serving of the product. Through existing independent nutritional profiling systems, periodic product analysis is conducted to further monitor progress in improving the nutritional quality of Podravka's portfolio. In 2023, the nutritional profiles of all Podravka categories were revised.

Corporate Social Responsibility (Criterion S)

In 2023, significant progress was made in improving the nutritional quality of existing products, with the salt content of some products reduced by an average of 17%, while the sugar content was reduced by an average of 10%. New products were developed with reduced or no added salt, reduced or no added sugar, and reduced fat content. Furthermore, in some new and innovated products, at least one positive ingredient and an ingredient associated with sustainable nutrition, such as proteins, fibers, whole grain raw materials, various vegetables, legumes, vitamins, minerals, and microalgae, were incorporated. In 2023, 46% of products from the total portfolio of the Food segment met internal nutritional profile criteria regarding salt, added sugar, and saturated fat content, while 27% of products were developed based on ingredients associated with sustainable nutrition, with an average content of 65.5%.

EMPLOYEE RELATIONS

The success of the company is based on creative, dedicated, and skilled employees who, with their knowledge and motivation, are the key to Podravka's success.

In the context of challenges in the global labor market that Croatian employers have faced in recent years, one of the primary goals of human resource management is to ensure a quality workforce. Since some necessary occupations have proven to be deficient in the labor market, in 2023, employees and workers from distant countries were employed. The employment of foreign workers involved activities for their integration into the company and the local community. Additionally, proprietary training and retraining programs were initiated to make existing employees internally more mobile and multifunctional.

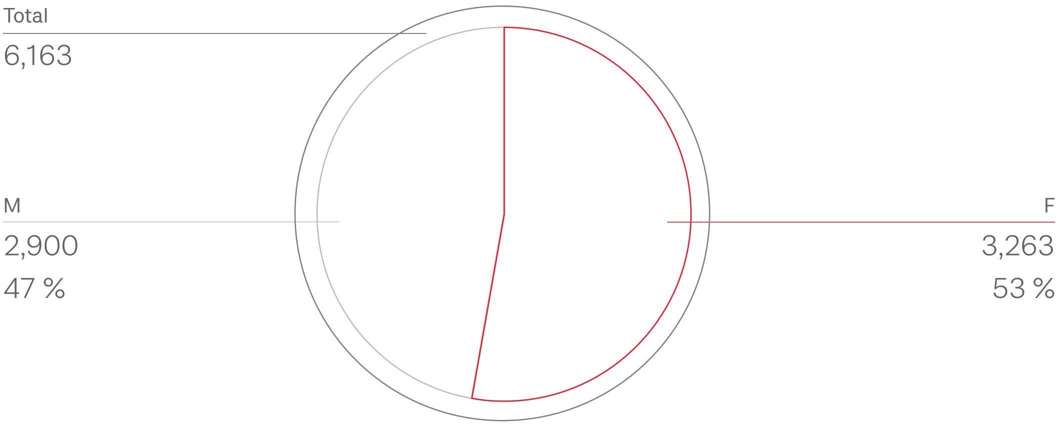
To retain its employees, whether they are seasonal or permanent workers, Podravka Group in 2023, as in the past two years, paid great attention to continuously improving the material and non-material rights of workers and improving working conditions. By introducing a new salary system and increasing salaries in two phases in 2023, continuous training, providing opportunities for career development, and caring for employee health, it is possible to influence the reduction of workforce turnover and create a more positive working environment for young and prospective individuals who want to work and live in Croatia.

In line with the goal of Podravka Group's Sustainable Business Strategy by 2030, Podravka received two prestigious certificates in the first quarter of 2023 in the field of human resource management - Employer Partner and Mamforce. The Mamforce certificate is awarded to companies that implement family-friendly and gender-sensitive human resource management policies. The Employer Partner certificate is awarded by SELECTIO Group to companies that meet high standards of quality in all areas of human resource management. Podravka has achieved excellent results in talent attraction and recruitment, distinguished itself with initiatives for proactive change management, and educational and competency development programs.

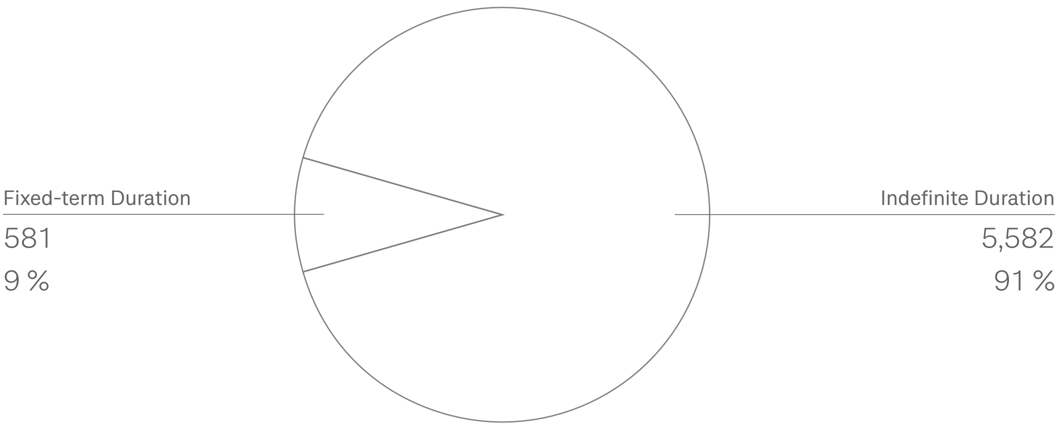
Corporate Social Responsibility (Criterion S)

Overview of basic human resources indicators of Podravka Group on December 31, 2023

Gender structure

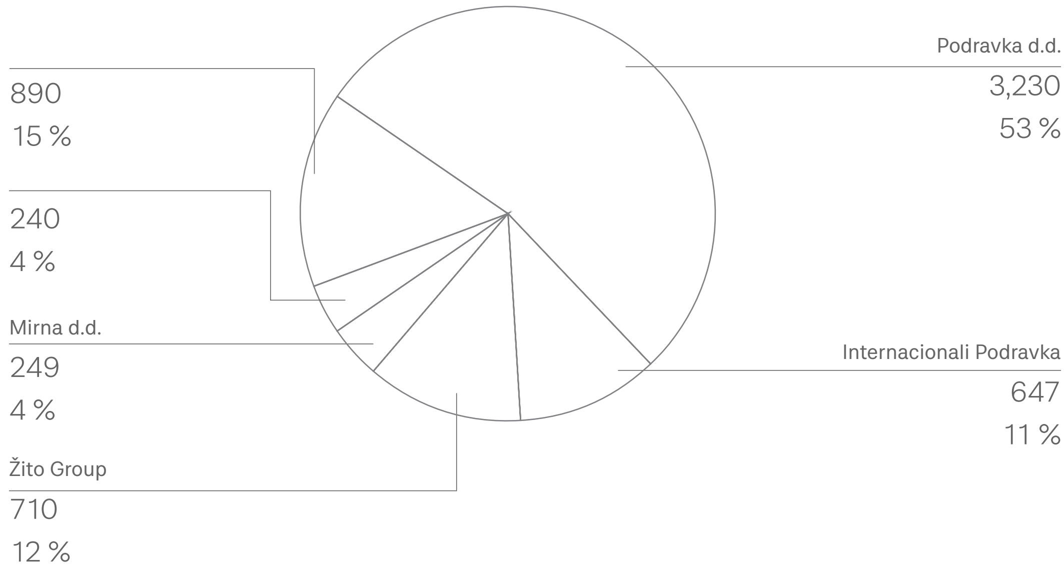


Type of Employment Relationship

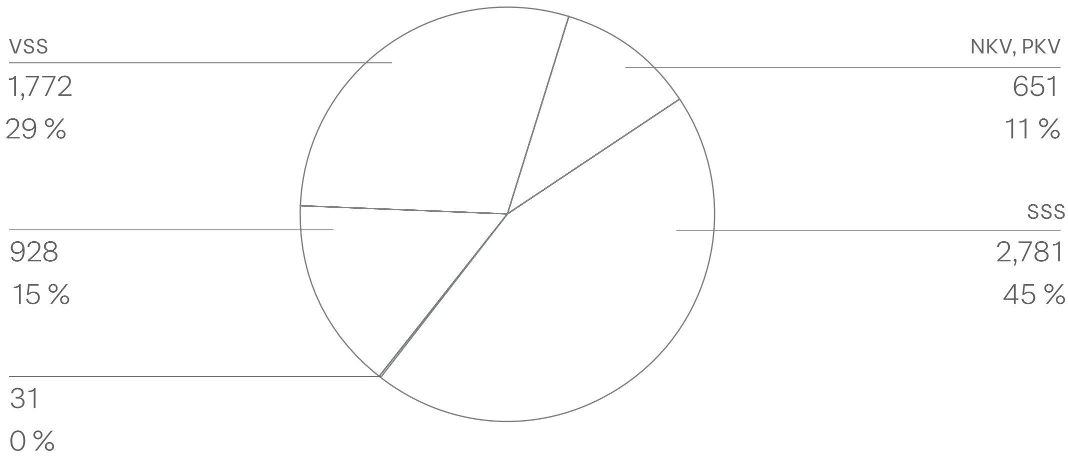


Corporate Social Responsibility (Criterion S)

Podravka Group on December 31, 2023

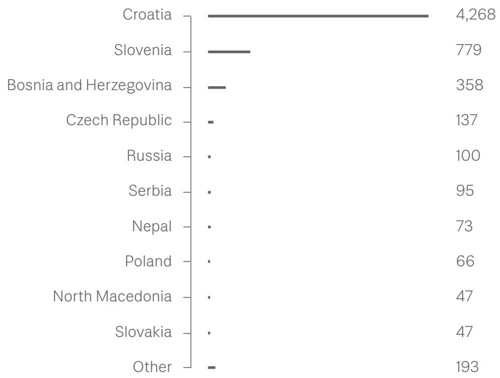


Job Position Qualification

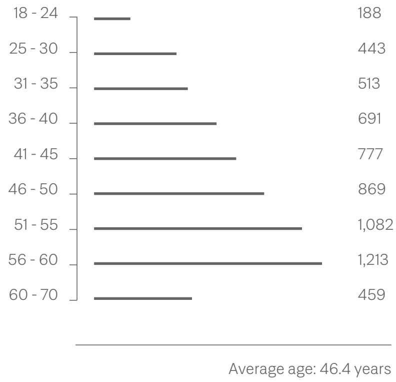


Corporate Social Responsibility (Criterion S)

Citizenship



Age Structure



EMPLOYMENT RELATIONSHIPS

COLLECTIVE BARGAINING AND IMPROVEMENT OF WORKERS' MATERIAL RIGHTS

The initiative to increase workers' incomes began in 2021 and continued throughout 2022 and 2023. During 2023, Podravka's management conducted negotiations with social partners in three negotiation cycles, agreeing on a series of measures to improve the position of workers and enhance their material rights and working conditions. The goals of the three negotiation cycles were primarily focused on increasing wages and incomes for workers, retaining qualified labor, attracting young workers from the local pool, and positioning Podravka as a desirable employer.

In 2023, wages and incomes for workers were increased twice, and a new wage system was introduced, achieving the goal set in the Sustainable Business Strategy. Through the additions to Collective Agreements III, IV, and V, concluded during 2023, wages were increased, a new wage system was introduced, and a total of EUR 11.2 million was invested for Podravka Inc. and Belupo Inc.

Annex III on Amendments to Collective Agreements of the Podravka Group, concluded on June 14, 2023, increased the basic salary from EUR 253.50 to EUR 260 and the fixed allowance from EUR 67.69 to EUR 100. A one-time payment was also agreed upon in June 2023, amounting to EUR 82.76 net. Additionally, Annex III stipulated the right of workers to additional health insurance.

Annex IV on Amendments to Collective Agreements of the Podravka Group, concluded on July 19, 2023, established a new wage system effective from December 1, 2023, for Podravka Inc. and Belupo Inc.

Annex V on Amendments to Collective Agreements of the Podravka Group, concluded on November 2, 2023, further improved the material rights of workers at Podravka Inc. and Belupo Inc., by adding a bonus of EUR 150 gross to the basic salary for each worker whose position falls within wage grades 1 to 8.

The new wage system applied to Podravka Inc. and Belupo Inc., in addition to the general wage increase of EUR 150 gross for all workers, corrected inconsistencies and inappropriate evaluations of certain job positions, resulting in a wage increase of over EUR 150 gross for about 30% of Podravka Inc. workers. As a result, the average net income for workers (excluding management) for December 2023 was EUR 1,217 net, which is 18.4% higher than for December 2022.

DIALOGUE WITH SOCIAL PARTNERS

Social dialogue in the Podravka Group is continuously enhanced through cooperation with the Workers' Council and trade unions. A high level of collaboration is achieved through regular meetings between the Human Resources Management sector and social partners, including negotiations on workers' material rights. During 2023, the employer held meetings with unions and the Workers' Council on numerous topics affecting the economic or social status of workers.

In accordance with the Collective Agreement, the employer quarterly informs the Workers' Council about overtime work, the number and type of employed workers, the employee structure, and other related issues. The employer informs the Workers' Council about business results and the business situation, organization of work, expected development of business activities and their impact on the economic and social position of workers, changes in salaries, number and type of workers, labor costs, proportion and reasons for introducing overtime work, employee structure, occupational health and safety measures, and measures to improve working conditions, results of inspections in the field of labor and workplace safety, as well as other important issues affecting the workers' position.

At the level of the Podravka Group, workers participate in decision-making through their representatives in the Workers' Council, who advocate for their rights and interests towards the employer, as well as through worker assemblies and worker representatives in the Supervisory Board of Podravka Inc. Consultations on the intention to make such decisions are conducted for all decisions affecting workers' positions. During 2023, the employer presented 65 decisions to the Workers' Council of Podravka Inc., on which the Workers' Council provided positive feedback. Representatives of the employer attended all sessions where these topics were discussed.

The topics discussed were of common interest to the employer and workers, so worker representatives were involved in the decision-making process regarding changes to the Regulations on organization, Regulations on job classification, decisions on work schedule and redistribution of working hours, consultations prior to the decision to terminate the Employment Contract, decisions on the work schedule and use of annual leave, development plans, organizational changes, and employment plans.

In addition to dialogue with the Workers' Council, the Podravka Group fosters social dialogue with representative trade unions operating in the Podravka Group - PPDIV Union, Independent Podravka Union, and Podravka Group Workers' Union - SINPOD. In addition to these representative unions, Novi Union and Istria, Kvarner, and Dalmatia Union also operate in Podravka Inc. As of December 31, 2023, 40% of the employees in the Podravka Group are members of unions.

DIRECT COMMUNICATION WITH WORKERS

Communication with workers occurs with a high frequency. One of the direct communication methods is worker assemblies, which are held several times a year at all locations where Podravka Inc. operates, with excellent attendance by workers. During these assemblies, workers can directly acquaint themselves with the company's strategy, important projects of various organizational units, investments, and other significant initiatives. At these events, workers can directly address the President and members of the Management Board. In 2023, worker assemblies were held three times, and the President of the Management Board visited all factories, directly communicating decisions of the Management Board regarding organizational changes, wage increases and material rights, introduction of a new wage system, investments and technological advancements, improvements in working conditions, and also answering all questions raised by the workers.

In 2023, a monthly company newsletter called "Podravka Info" was introduced, prepared by the Corporate Communication and Stakeholder Relations sector, providing workers with the most important information about Podravka Inc.'s operations, numerous investments being undertaken, new products, news related to work locations, as well as everything else that Podravka Inc. is doing in the context of production and business. Each issue also offers an opportunity for colleagues to get to know each other better.

Podravka Group organizes annual holiday gatherings for all workers at all locations every year, as well as traditional meetings of workers, retirees, and long-serving employees with several decades of service in Podravka Inc. and Belupo Inc., to express gratitude for their many years of work. In spring 2023, a picnic was organized for all workers and their families, joined by workers from other companies within the Podravka Group.

In addition to the above, the results of business operations were regularly presented at meetings of the Workers' Council and worker assemblies, allowing all workers to receive relevant information about the business.

TRAINING AND COMPETENCY DEVELOPMENT

Podravka Group ensures necessary competencies through systematic investment in the development of workers and management to maintain existing skills and acquire new knowledge and competencies.
To increase professional knowledge and technical skills, 114,657 hours of off-the-job training were conducted in 2023.

In addition to attending one-day and multi-day seminars and various courses, workers have the opportunity to participate in professional conferences and meetings. There is also the possibility of attending formal education and internships, learning foreign languages, in line with business needs and worker potential. All legally required training is conducted, with additional investments in specialized business knowledge for workers from various business areas. Emphasis is placed on additional qualifications or retraining to acquire expertise and skills in deficient occupations, with six workers sent to MBA studies in 2023.

"COMPASS" PROJECT

In line with the goals of the Sustainable Business Strategy, Podravka Group continuously monitors the work of its employees to ensure the best work results and enable career development according to their potential. Based on the assessment of work quality and potential, employees are educated and guided in their further work through the COMPASS project, designed and launched in 2023 for workers with high qualifications in Podravka Inc.

The main goals of COMPASS are the identification of the best workers, successors, and potentials, through clear criteria. Through the method of roundtables, discussions were structured on the work performance and potential of all workers to calibrate assessments and objectify them as much as possible. In 2023, 43 roundtables were held in all business areas, covering 894 workers. An educational and developmental path was defined for them, which will be implemented over the next 12 months.

MANAGEMENT DEVELOPMENT PROGRAM

Management development programs that started in 2022 continued in 2023. They are structured to address the individual development needs of all levels of management, from senior managers to first-level supervisors who directly manage a large number of workers. In addition to acquiring business knowledge and skills, emphasis is placed on cooperation, leadership, and change management topics. Participants in this program acquire strategic, leadership, technological, and business competencies at all levels, as well as competencies for team building, motivation, inspiration, and engagement.

PROGRAM "KNOWLEDGE FOR EXCELLENCE"

The development of first-level managers is extremely important as they are in daily contact with a large number of employees. In addition to business knowledge, they must all be able to motivate and engage their employees, as well as communicate openly and delegate tasks effectively. The Human Resources Management sector, in accordance with the Sustainable Business Strategy, has designed a comprehensive program aimed at all first-level managers, enabling them to raise the standards of their managerial role, gain a better understanding of key processes in the company, better comprehend their own role and its impact on business results, and adopt new management and communication practices.

The "Knowledge for Excellence" program was structured and implemented in three parts:

1. Internal Podravka Academy: This part of the program focused on acquiring professional knowledge and gaining a better understanding of the company and its processes through lectures and presentations by 34 internal experts from all organizational units.
2. External Training and Education: First-level managers participated in training sessions and educational programs conducted by external partners. These sessions focused on improving communication skills, understanding the role of a manager, delegation,

giving feedback, and conflict management.

3. Online Learning Platform: The program utilized the LPC for Business platform, providing participants with access to a rich online content library available 24/7.

As part of the "Knowledge for Excellence" program, 264 first-level managers attended lectures covering 23 different topics, totaling almost seventy hours of education.

ORGANIZATIONAL CLIMATE, CULTURE, AND ENGAGEMENT SURVEY

In 2023, a comprehensive survey of organizational climate, culture, and employee engagement was conducted in Croatia and related companies abroad under the slogan "Your Opinion Matters to Us." This survey aimed to understand employees' experiences working in the company, their priorities at work, and areas for improvement. The results highlighted areas of strength within the organization and identified opportunities for enhancing the climate, culture, business processes, and working conditions. Key areas such as interpersonal relationships with colleagues, relationships with superiors, and organization and information received positive evaluations, reinforcing the unity and team cohesion among Podravka Inc. employees. Based on the survey results, an action plan was developed to further enhance employee satisfaction.

EMPLOYMENT AND EMPLOYEE ATTRACTION

During 2023, Podravka Inc. employed seasonal workers for the Agriculture and Production sectors, university graduates, technical workers, and workers in specialized positions. Recruitment efforts included external job postings on specialized portals and internal job postings allowing for internal staff rotation. To streamline the selection process, online psychological testing was introduced.

Due to the retirement of 79 employees during 2023, there was a need to hire technical workers. Since there were not enough local candidates, 156 foreign workers were hired. These workers, primarily from Nepal and Tanzania, underwent cultural integration programs and language courses to facilitate their adjustment to the workplace. They were also included in all company social events to foster integration.

The Agriculture sector had increased seasonal labor needs in 2023 due to expanded farming areas. Local recruitment efforts successfully met these needs, with some workers being trained for more complex tasks in production processes.

Newly hired university graduates at Podravka Inc. participated in the "Welcome to our Table" onboarding program to facilitate their integration into the work environment. Similar onboarding programs were implemented by other companies within the Podravka Group to ensure smooth transitions for new employees into both their roles and the organization.

SHAPE 2.2 PROGRAM

With the aim of attracting and employing young workers, Podravka Inc. launched the Shape 2.2 competition in September 2022, employing 25 young colleagues who had the opportunity to gain their first or early work experience, skills, and competencies in 2023. They were able to participate in interesting and innovative projects with the support of experienced mentors and colleagues, being employed in various specialist positions.

COLLABORATION WITH EDUCATIONAL AND ACADEMIC INSTITUTIONS

The long-standing successful cooperation between the Podravka Group and educational institutions continued in 2023.

Podravka Inc. participated in numerous career days organized by educational institutions and student associations in 2023. Podravka's managers and experts actively engage with the academic community, participating in various public events at universities and business schools as guest lecturers or panelists. Additionally, Podravka sponsored projects such as the Transportikum project by the Faculty of Transport and Traffic Sciences, the work of the Biology Students Association (BIUS), and many others.

Podravka's experts participated in the working group for the development and promotion of the national Biogovernance Strategy until 2035. They also contributed to the implementation of university study programs at the Faculty of Food Technology and Biotechnology of the University of Zagreb and the University of Applied Sciences in Koprivnica. Furthermore, a Cooperation Agreement was signed between Podravka and the University of Applied Sciences in Koprivnica, making Podravka a teaching base for the University. Through this agreement, Podravka enables the conduct of practical training in its premises and organizes guest lectures for certain courses in cooperation with the University, facilitating joint project preparation. In 2023, a Podravka expert participated in the reaccreditation of the University of Applied Sciences in Koprivnica conducted by the Agency for Science and Higher Education.

Collaboration with the local community continued with the development of standards for school meals in primary schools under the jurisdiction of the Koprivnica-Križevci County. The project "Smart Meal for Smart Children" aimed to improve and standardize nutrition in 18 county primary schools. In 2023, over 3,400 children were included in the project, for whom Podravka's nutritionists created 201 norms, implemented in schools over forty working weeks.

Belupo Inc. also continuously encourages cooperation with academic and educational institutions, primarily with the Faculty of Medicine, the Faculty of Pharmacy and Biochemistry, and the Faculty of Food Technology and Biotechnology, to strengthen partnerships and position itself as the top choice for employers.

During 2023, Belupo Inc.'s production plant served as a place for gaining new knowledge for numerous students from the Koprivnica High School, the Osijek Medical School, the Kutina Technical School, and students from the Faculty of Pharmacy and Biochemistry in Zagreb.

In collaboration with the research team of the Ruđer Bošković Institute, Belupo Inc. is conducting a research and development project titled "Development of Innovative Formulations of Clinical Nutrition". The project aims to develop new formulations of clinical nutrition designed to provide nutritional support to individuals at risk or suffering from malnutrition, diabetes patients, and oncology patients. The innovative aspect of this multidisciplinary scientific-industrial research lies in formulations with new sensory properties adapted to our region and the dietary habits of Croatian consumers. The majority of financial resources are invested in research and development of new formulations, patent protection, and employment of new experts.

GENDER EQUALITY

The Podravka Group consciously incorporates professional equality and equal opportunities into all human resources management processes. For example, job applications are not gender-defined, and women and men are equally employed. Similarly, depending on qualifications, they have equal opportunities for development and advancement. When opening managerial and specialist positions, as well as during promotions, additional competent female candidates are actively sought. In the selection process for MBA studies, care was taken to ensure equal representation of candidates, resulting in three female and three male participants in the MBA program.

The proportion of women in the Podravka Inc. Management Board is 40%, already in line with the EU's Gender Equality Strategy by 2025. Among the employees of the Podravka Group, 53% are women, while in Podravka Inc. itself, the proportion of women in the entire workforce is 47%.

The proportion of women in management positions in the Podravka Group during the reporting period was 54%, an increase compared to 49% in 2022. At the same time, the proportion of women in positions requiring a high level of education is 66%, compared to 65% in 2022.

With the introduction of a new pay system, which is fairer compared to the tariff system for certain positions, a new base salary was defined regardless of the gender of the employee, resulting in a reduction in the gender pay gap from 2.7% in 2022 to 2.3% in 2023 in Podravka Inc. However, at the Podravka Group level, the gender pay gap increased from 1.9% in 2022 to 2.8% in 2023, due to the employment of women in the production of fish products (in lower pay grades) in jobs requiring fine and precise manual work. Despite the increase at the Podravka Group level, the difference in wages between genders is kept within the range of 0-3%, as envisaged by the Podravka Group's Sustainable Business Strategy until 2030.

EMPLOYEE CARE

Just as during the pandemic, when caring for the health and well-being of employees was a high priority, in 2023, remote work was made available to all employees whose job processes allowed it.

In addition to regular check-ups enriched with additional specialist examinations, in line with the goal of the Sustainable Business Strategy related to improving healthcare, all employees were also able to participate in the Future Resilience program. The program includes ten topics designed to develop resilience in dealing with stressful and unpredictable situations, both in business and private life, as well as telephone support from psychologists throughout the resilience-building process. Telephone psychological support for employees is not limited only to workshop participants. All company employees can request it.

OCCUPATIONAL HEALTH AND SAFETY

POLICY AND MANAGEMENT SYSTEM FOR OCCUPATIONAL HEALTH AND SAFETY

In 2023, a new Occupational Health and Safety Policy was adopted in accordance with the requirements arising from the HRN ISO 45001:2018 standard.

The commitment to reducing potential health and safety risks at work is an integral part of the company's business activities, aimed at creating a safe and healthy environment for employees and other stakeholders. Active assessment of effectiveness and continuous investment in measures to improve the health and safety protection system ensure the prerequisites for achieving the objectives defined by the Policy. The company records and investigates every case of health and safety incidents and accidents to minimize or eliminate such cases. The principle that health and safety measures in the workplace should not involve financial expenses for employees is respected. Necessary safety equipment, including personal protective equipment, is provided to prevent workplace injuries, illnesses, and accidents, as well as to handle emergencies. The company continuously analyzes and monitors health and safety risks caused by its activities and applies principles of health and safety management, including the hierarchy of control over the application of occupational safety rules - elimination, substitution, technical control, administrative control, work procedures, and personal protective equipment. In 2023, Podravka Inc. confirmed full compliance with the requirements of the ISO 45001:2018 standard and recertified the occupational health and safety management system.

The correct and consistent application of rules and measures in the field of occupational safety was also confirmed during the SMETA audit.

ACTIVITIES IN THE FIELD OF OCCUPATIONAL HEALTH AND SAFETY

Unlike previous years, in 2023, the COVID-19 disease did not pose difficulties and restrictions in business operations. Considering that the COVID-19 disease has not disappeared, the Crisis Management Team of Podravka Inc. continued to monitor the epidemiological situation, prepared to react promptly by implementing adequate measures to protect the health of all stakeholders in the company's operations.

The significant changes in the company's business organization during 2023 and changes in mandatory regulations in the field of occupational health and safety necessitated the reconsideration, revision, and assessment of risks to the life and health of workers and other stakeholders in occupational health and safety to prevent or reduce risks in all jobs and workplaces within the company.

Given the ongoing legal obligation for training and professional development, in accordance with the risk assessment, 1,238 employees were trained to work safely. Continuous training was also conducted for those authorized by the employer to conduct occupational safety. To ensure better training for all authorized personnel for occupational safety, additional multiple training sessions by external educators in the field of occupational safety were organized. During 2023, 53 foreign workers were trained to work safely, 21 foreign workers were trained for forklift handling and operation, and 37 foreign workers were

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trained for manual forklift and platform handling, with documentation for organizing and conducting occupational safety adapted to the language and script the foreign worker understands.

In addition to conventional educational methods used in training for work, such as self-education, workshops, and lectures, educational materials and e-courses were developed in Croatian and English for certain areas of occupational safety. E-courses in the field of occupational safety have proven to be very practical, intuitive, and accepted by users. They save time since users access them at their convenience. During 2023, 538 e-courses in the field of occupational safety were held.

In line with personnel and organizational changes and the results of elections for workers' representatives for occupational safety, new Committees for Occupational Safety were appointed for certain organizational units. They act as advisory bodies for continuous improvement of occupational safety, planning and monitoring the application of rules, organizing the performance of occupational safety tasks, informing and training, and preventing risks related to work and its effects on the health and safety of workers.

In accordance with legal provisions and the Agreement on the arrangement of working conditions of the Workers' Council, the Workers' Council is informed quarterly about significant issues regarding workers' positions from the perspective of occupational health and safety.

According to the schedule and before putting new parts of work equipment into operation, persons authorized to perform occupational safety tasks conducted inspections or testing of work equipment to verify compliance with health and safety requirements. Also, tests of workplace environmental factors and installations were conducted within prescribed deadlines.

Workers continue to have access to healthcare through occupational medicine services in specialist medical offices, to be under health surveillance similar to hazards, hazards, and efforts during their work, and to preserve their work ability and health.

Workers are referred to health examinations to determine their fitness for performing certain jobs with special working conditions. Additional healthcare protection is provided to workers through specific medical examinations in health polyclinics, all aimed at preserving work ability. The employer pays for additional health insurance premiums for selected insurers.

Belupo Inc. conducts occupational safety measures based on risk assessment conducted for all job positions. Protective measures stem from the assessment or activities undertaken such as workplace visits to determine risks, health surveillance of workers performing jobs with special working conditions, and conducting legally prescribed tests that indicate quantitative risk values for certain risks (e.g., noise intensity, vibration, concentration of chemicals used in the air, etc.). Risk assessments are conducted by occupational safety experts in collaboration with employer representatives for occupational safety, workers, and external entities such as authorized bodies for testing work equipment, environmental parameters, and others. After determining a certain risk at the workplace in these processes, protective measures are taken.

Belupo Inc. uses a significant number of different chemicals in its business processes, so, in addition to occupational safety experts and collaborators, within the Occupational Safety Service, there is also a responsible person for working with hazardous chemicals who contributes to the safety and protection of employees through their work. Care for workers working with hazardous chemicals is ensured by organizing professional training for responsible persons and immediate performers, internal employee training, and the application of work instructions.

In order to prevent accidents, workplace injuries, occupational and other diseases, and in accordance with regulations, all prescribed legal activities were carried out in 2023. Considering the legal obligation for training and professional development, according to the risk assessment in Belupo Inc., training was conducted for 113 workers to work safely. In accordance with legal provisions and regulations, Belupo Inc. sends workers for medical examinations for occupational medicine. Additional healthcare protection for employees is provided through systematic examinations in health polyclinics.

IMPROVING WORKING CONDITIONS AT WORKPLACES

During 2023, the improvement of working conditions for employees in administrative units, i.e., corporate functions, whose workplaces are not at Podravka's headquarters, continued. Additionally, working conditions for union representatives operating within the Podravka Group, the Fund for Support of Seriously Ill Individuals, and members of Podravka Inc.'s Workers' Council were enhanced.

Employees were provided with modern, ergonomically designed, and equipped spaces. Testing and measuring of the work environment, especially physical factors at workplaces aimed at protecting workers' health and safety, showed that working conditions were significantly improved in all aspects of the work environment, from an efficient heating, cooling, ventilation, air conditioning system, electrical grid, new sanitary infrastructure, to the improvement of fire alarm and technical security systems.

CORPORATE SOCIAL RESPONSIBILITY

During 2023, Podravka implemented a series of socially responsible initiatives and projects, in line with the company's long-standing practice and strong socially responsible component. The Podravka Group supported many humanitarian, economic, cultural, sports, and scientific projects across Croatia through sponsorships and donations.

In terms of supporting cultural events, Podravka continued to sponsor numerous cultural projects in the past year, especially those focused on preserving local customs and traditions, such as Podravski Motifs, Renaissance Festival, or Picokijada. Support was also provided at the national level, sponsoring the seventieth edition of the Pula Film Festival and Greencajt, a sustainability festival held in Zagreb.

As in previous years, Podravka Inc. and Belupo Inc. continuously promote an active lifestyle, emphasizing the development and upbringing of children through sports, as well as highlighting the importance of sports in the community. In 2023, the two largest

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sports sponsorships of the Podravka Group continued – Podravka Vegeta handball club and Slaven Belupo football club. Through sponsorships, Podravka also supported numerous other sports clubs and associations. Podravka Inc. became a gold sponsor of the Croatian Athletics Federation in 2023, thus contributing to the additional promotion and development of Croatian athletics, the Olympic spirit, an active lifestyle, and healthy eating habits. An active lifestyle is also associated with the unique hiking experience Highlander, of which Podravka is a proud partner. Numerous hikers were able to enjoy Podravka products on Velebit Mountain, as well as in the distant USA. It is worth noting that Belupo Inc. financially supported the international sports and educational event "Humanijada", which brings together students from biomedical faculties in Croatia and Bosnia and Herzegovina. The Žito Group had the status of a regional partner of the FIS Nordic World Ski Championships and the Ski Jumping World Cup in Planica.

In 2023, Podravka Inc. organized two donation contests. A total of 67 associations and institutions were donated to. Humanitarian, cultural, artistic, educational, health, environmental, and sports projects were supported, as well as those focusing on the well-being of children and youth.

In August 2023, the Žito Group provided assistance to those affected by weather disasters, floods, and landslides in Slovenia. Donations were made to the Food Bank, the Red Cross, Slovenian Caritas, the Association of Friends of Youth (ZPM) Moste – Polje, and the Radio 1 Foundation. Among the major charitable activities was participation in the campaign "People with Open Arms", and in October, funds were raised for Europa Donna – the Slovenian Association for the Fight Against Breast Cancer.

The goal of the Vegeta campaign "We Donate and Renovate School Kitchens" was to raise funds for the renovation of school kitchens and dining rooms in Croatian primary schools. During the campaign, 0.10 EUR from each sale of Vegeta blue packaging for school donations was set aside. More than 150 applications were received, ten finalists were selected, and ultimately, citizens voted on the website to select three schools to receive the funds. However, in order to help more schools than initially planned, Podravka Inc. doubled the funds and decided to donate to the remaining schools that entered the final, seven of them, thus ultimately ten schools renovated their kitchens and dining rooms. The total donation amount was 74,000 EUR, of which the three winning schools shared 37,000 EUR, while the same amount was shared among the remaining seven finalists.

A similar activity was carried out in the markets of Slovenia, Bosnia and Herzegovina, Serbia, North Macedonia, and Montenegro, where donations were focused on hospitality schools to encourage students' interest in vocational education.

As part of additional nutrition support to the local community, Podravka's nutritionists prepared fifty hours of educational workshops for children and parents.

In line with the Sustainable Business Strategy, Podravka Inc. launched the marketing campaign "Food that Cares for You" in 2023. The goal was to communicate the results of Podravka's Nutritional Strategy implementation, raising consumer awareness about reducing the levels of salt and sugar in Podravka's products, as well as other improvements regarding their nutritional quality. The Podravka Group aims to provide consumers with food that represents a healthier choice in terms of its nutritional content, is convenient and quick to prepare, while still retaining the familiar taste that everyone enjoys. The "Food that Cares for You" campaign was conducted during March and April, but activities targeting various consumer groups continued throughout the year. Additionally, products featured in the marketing campaign on Podravka's website were marked with the label "Food that Cares for You." Post-testing of the marketing campaign showed an increase in consumer awareness regarding critical product ingredients (sugar and salt), and a significantly higher perception of the Podravka Group as a company committed to the principles of healthy and balanced nutrition among those who noticed the campaign.

Furthermore, the AI Superfoodchefbot Coolinarike was launched, focusing on the topic of "superfoods." Through the use of the latest technology, Coolinarike users are informed in a fun and interactive way about foods rich in vitamins, minerals, fiber, proteins, fatty acids, and antioxidants. Chefbot provides tips and recipes from Coolinarike's rich database, focusing on superfood ingredients, thus supporting, inspiring, and motivating users to adopt healthier eating habits and a nutritionally balanced diet. Coolinarike's platform also communicated targeted recipes, tips, and articles related to the zero waste theme, aiming to raise awareness about reducing or completely eliminating waste generated during production processes, consumption, and daily activities. The goal of the zero waste movement is to maximize resource utilization, minimize energy and raw material use, and reduce waste disposal space, all to minimize the negative impact on the environment.

During 2023, the "Food to Health" project was implemented, officially named "Development of a Personalized Concept for Reducing Excess Weight and Maintaining Healthy Body Weight in the Treatment of Chronic Diseases in Children and Adults," conducted by the Srebrnjak Children's Hospital in collaboration with Belupo Inc. and Podravka Inc. In collaboration with the research team of the Ruđer Bošković Institute, Belupo Inc. conducted a research and development project "Development of Innovative Formulations of Clinical Nutrition," aiming to develop new formulations of clinical nutrition designed to provide nutritional support to individuals at risk of or suffering from malnutrition, diabetes, and oncology patients. The innovative aspect of this multidisciplinary scientific-industrial research team lies in formulations with new sensory properties tailored to our region and the eating habits of Croatian consumers.

Belupo Inc. launched the digital education platform called Belupoint in 2023, aimed at educating all healthcare professionals to provide them with the best user experience in education, precisely when they need it - in their daily work. Belupoint serves as a starting point for education and the best source of expert information in the fields of medicine, pharmacy, and nutritionism, in line with the latest guidelines, studies, and treatment trends (and self-treatment). The rich content, including expert articles, webinars, video materials, instructions, product information, and many other resources, represents an invaluable resource to help them stay informed, connected, and engaged in a new digital community. In the company's desire to become and remain a reference point for knowledge acquisition, a slogan was created that best describes Belupoint's DNA – "Knowledge and

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Point" because knowledge simply has no alternative.

SUPPLIER CHAIN MANAGEMENT

Management of procurement categories and supplier relationships are fundamental principles of the Podravka Group's supply chain. The entire procurement range of the Group is segmented into procurement categories for which targeted procurement strategies, initiatives, and tasks are defined for their implementation.

Depending on the specificities of individual procurement categories, annual, semi-annual, or monthly tenders are conducted, and/or potential suppliers are sought globally through market research and competition monitoring.

During 2023, the Procurement Sector continued to find alternative raw materials and suppliers. Sophisticated eProcurement tools are used to ensure transparency of procurement processes and increase procurement function efficiency, and digitalization of the procurement function is one of the key levers for the continuous development of Podravka Group's procurement. In 2023, a new tool (SAP Ariba) was introduced to further standardize procurement processes at the Podravka Group level, increase transparency and efficiency of procurement processes, and replicate good business practices applied in the central procurement of the Podravka Group.

By focusing strongly on expanding the supplier base and introducing alternative suppliers, especially for strategic materials, and by using the eProcurement platform, significant positive financial effects were achieved. During 2023, cost avoidance savings of EUR 16 million were achieved in procurement processes, with a 7% lower procurement price, some of which was achieved through intensified use of eProcurement tools (eAuctions), shortening the procurement process time, and increasing transparency and efficiency of procurement.

Managing relationships with suppliers is of strategic importance for the Podravka Group. Supplier segmentation and a differentiated approach to suppliers, based on their contribution to creating added value for the company, significantly contribute to business success. Establishing partnership relationships with key suppliers is one of the main goals of the supply chain because such relationships ensure supply security, better resource utilization, and reduced operating costs, ultimately leading to increased company competitiveness. In 2023, the focus was on local suppliers and suppliers with whom the company maintains partnership relationships, offering supply security, ensuring the required quantity, quality, and timeliness of product delivery, especially in the context of significant disruptions in the market for agricultural-food products, particularly in conditions of global supply chain disruption and geopolitical uncertainty.

In 2023, the Podravka Group achieved turnover with 9,717 suppliers, of which 5,964 were domestic suppliers. Respecting high standards of quality of input materials and necessary levels of technical-technological equipment of approved suppliers, the Podravka Group operates with direct producers, primary producers, small businesses, family farms, veterans' associations, subcontractors, distributors, wholesalers, and large multinational companies.

The Podravka Group operates in accordance with

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the OECD Guidelines for Corporate Governance and supports the Universal Declaration of Human Rights and the largest global initiative for sustainable development and corporate sustainability, the UN Global Compact. Additionally, the Podravka Group has implemented the guidelines of the international standard ISO 26000 Social Responsibility. Accordingly, the Group expects its suppliers to share the same value system and behave in accordance with the principles defined in the "Code of Conduct for Suppliers" of the Podravka Group.

VALUE CHAIN MANAGEMENT IN RELATION TO CUSTOMERS AND CONSUMERS

In the Food segment, the year 2023 in the Croatian market was marked by the introduction of the Euro (EUR) amidst significant inflation and rising prices of inputs for food production. Podravka Group responded to these challenges primarily through internal restructuring, business process optimization, and cost savings in procurement procedures. However, as it was not possible to absorb the increase in production costs through these means entirely, the prices of food products were raised in the first half of 2023. Furthermore, the Food segment participated in implementing the decision of the Government of the Republic of Croatia to administratively establish prices for thirty products in the Croatian market.

The "Picoq" project was implemented as an innovative way of displaying products at sales points with the aim of strengthening the visual presence of Podravka's brands in the markets of Croatia and Slovenia. Modernization of operations was carried out in both markets, involving new organization of sales teams and management methods. In Croatia, quality preparation for the tourist season with key customers was conducted in the first half of 2023, resulting in its successful realization. In the retail channel of the Slovenian market, a reorganization and optimization of sales and logistic processes took place in 2023, along with the implementation of a project to improve visibility at sales points, reorganization, and digitalization of systems to increase sales operational efficiency, and the reorganization and efficiency improvement of order reception by introducing a call center.

Due to the inability to reach agreement on commercial terms, there was a halt in cooperation with the major customer Kaufland in the Croatian and Central and Western European markets.

In the segment of corporate and institutional customers of Podravka Inc., 2023 was characterized by dynamic movements. Despite negative trends in the prices of most basic raw materials, sales to corporate and institutional customers (B2B segment) continued to grow. Careful management and activities towards key corporate and institutional customers resulted in significant growth in sales volume and value of own products and trade goods in the HoReCa segment and industrial customers, making them sales growth generators in 2023.

During 2023, a detailed analysis of sales organization to corporate and institutional customers was conducted to increase operational efficiency. Through the reorganization of the Sales sector, emphasis was placed on further development in the corporate and institutional (industrial and HoReCa) customer segments. Several development projects were initiated in categories of assortment essential for consolidating Podravka Inc.'s position as a significant supplier of products and value-added raw materials to business partners who incorporate them into their own final products and services.

In the markets of Southeast Europe in 2023, a trend of changing consumer habits due to inflation and, consequently, an increase in the share of private labels in total sales was observed. Additionally, many countries experienced government intervention in the form of retail price limitations. Podravka Group maintained business continuity and stability in all markets of the region despite negative trends in the business environment, and expansion of product assortment was achieved in some markets.

In the Central European markets in 2023, there was also a change in consumer habits due to inflation and, consequently, an increase in the market share of private labels. In the Polish market, restructuring of the product portfolio was carried out with a focus on the profitability of operations, along with the reorganization of the sales team to increase efficiency in processing all sales channels. In the Czech Republic, significant impact came from the volatility of the supply chain related to the rice segment and instability in the global market. The stabilization of maritime transport after the COVID-19 pandemic was again disrupted by conflicts in the Middle East, negatively affecting the supply of raw materials from Asia for the needs of the Lagris factory in the Czech Republic.

In the Western European markets, the year 2023 was marked by two significant events: the reorganization of overall operations in the German market and a change in the distribution model. The focus was on developing their own sales organization and direct engagement with customers. Additionally, active efforts were made to expand the network of partners to ensure the availability of Food segment products at more sales points. In 2023, collaboration with Atlantic began as a new distributor for key customers in the Austrian market.

Significant activities were also recorded in overseas countries in 2023. A new business model was implemented in the United States and Canada, resulting in collaboration with new principals and significant financial growth. Local production of Podravka's meat product range was initiated, providing Podravka Inc. with greater strength as a reputable supplier. In Australia, the business was influenced by fluctuations in the AUD and disruptions in supply channels due to the situation in the Aden Gulf, leading to a transformation of operations aimed at strengthening sales in modern sales channels.

Business in Eastern European markets and new markets in 2023 was significantly influenced by inflation, changes in consumer habits, and conflicts in Ukraine and the Middle East.

In the Pharmaceuticals segment, Belupo operationalized the company's strategy in 2023 with a focus on providing high-quality patient care through drug availability and more efficient risk management in the market. As a manufacturer of generic drugs, Belupo aims to improve patient healthcare by expanding its portfolio and positively impacting healthcare cost reduction, particularly in key categories where Belupo Inc. is a leader in regional markets.

Belupo prioritizes patient health, with a strong focus on procurement management and the availability of key raw materials. The previous year was marked by the unavailability of drugs from various therapeutic groups, negatively impacting patient healthcare in Europe and confirming that quality supply chain management is a priority for the pharmaceutical industry. Belupo Inc. pays significant attention to the quality and availability of active ingredients in drugs (APIs) and revised procurement processes for key raw materials in 2023, significantly reducing the risk of drug shortages.

Significant emphasis is also placed on relationships with clients, partners, and distributors. Through the reorganization of regional activities in 2023, with business activities divided into clusters, the company emphasizes regional synergies that will contribute to better cooperation with customers and patients.

In line with the reorganization of market access for more efficient management, Belupo Inc. adopted a new sales and distribution model in the Croatian market in 2023. This model will enable the company to focus on partners more effectively and organize business more efficiently in the Croatian market.

Corporate Governance *(Criterion G)*

Corporate Governance Criteria	Unit	2022	2023
Number of members in the audit committee	Number	3	3
Number of audit committee meetings	Number	8	10
Independence of the audit committee	Percentage	100.0%	100.0%
Auditor employment period*	Number of years	1	1
Auditor from Big 4	Yes/No	Yes	Yes
Internal audit	Yes/No	Yes	Yes
Number of Management Board members on December 31	Number	5	5
Management Board age range on December 31	Number	38-61	34-64
Average age of Management Board members on December 31	Number	52	50
% of women in the Management Board	Percentage	40.0%	40.0%
Former CEO or equivalent in the Supervisory Board	Yes/No	No	No
CEO term duration on December 31	Number of years	2	3
CFO term duration on December 31	Number of years	6	7
CEO start date	Date	24.02.2022	24.02.2022
CFO start date**	Date	24.02.2022	24.02.2022
Number of Management Board meetings	Number	60	55
Presence of Management Board members at meetings	Percentage	99.3%	98.6%
Average tenure of current Supervisory Board members on December 31	Number of years	5	5
Gender structure of the Supervisory Board on December 31	Number of women and men	2 women and 6 men	1 woman and 8 men
Independence of the Supervisory Board***	Percentage	87.5%	88.9%
Number of Supervisory Board meetings	Number	13	11
Presence of Supervisory Board members at meetings	Percentage	92.2%	89.5%
Number of executive positions on December 31	Number	222	234
Number of women in executive positions on December 31	Number	108	126
Average age of individuals in executive positions on December 31	Number	48	49
Age range of individuals in executive positions on December 31	Number	33-67	34-64
Multiple classes of common shares with unequal voting rights	Yes/No	No	No
Unequal voting rights of issued shares, including preferred shares	Yes/No	No	No
Number of positions in boards held by the CEO	Number	0	0

*In line with the recommendation of the Audit Committee, the Supervisory Board proposes the decision on the appointment of the auditor for the ongoing business year and submits it to the General Assembly for approval.
**The Management Board of Podravka Inc. receives a mandate for five years.
***A member of the Supervisory Board is also a workers' representative and is not considered an independent member

Corporate Governance (Criterion G)

EXTERNAL INITIATIVES OF PODRAVKA GROUP

Podravka Inc. has committed to the following external initiatives:

- Corporate Governance Code of the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange,
- Code of Ethics in Business of the Croatian Chamber of Economy (HGK),
- Foundation of the Croatian Chamber of Economy County Chamber Koprivnica for the sponsorship of pupils and students,
- Diversity Charter Croatia, and
- Croatian Society of Food Technologists, Biotechnologists, and Nutritionists (HDPNB).

Podravka Inc. also supports the following voluntary external initiatives:

- OECD Guidelines for Corporate Governance,
- The United Nations Global Compact as the world's largest initiative for socially responsible business and sustainable development, by integrating all ten principles from the agreement into business through internal codes and regulations,
- Global Food Safety Initiative (GFSI), which issues guidelines and criteria for GFSI recognized certification schemes such as IFS, BRC, SQF, GLOBAL G.A.P., FSSC 2000, etc. Podravka supports GFSI guidelines and criteria by being certified according to GFSI recognized food safety standards IFS and BRC and by adopting Supply Chain Security Policy and Food Safety and Quality System Policy,
- RSPO (Roundtable on Sustainable Palm Oil) certification for certain range of company's products, which represents an independent assessment in the palm oil supply chain,
- BIO certification of organic products and their distribution, which oversees organic food production that supports sustainability and biological diversity, and
- Non-genetically modified organism (GMO) food.

Belupo Inc. has committed to the following external initiatives:

- Ethical Code of the Croatian Employers' Association - Association of Medicine Manufacturers,
- Code of Conduct of the European Generic medicines Association (EGA) in interaction with the healthcare community,
- Foundation of the Croatian Chamber of Economy County Chamber Koprivnica for the sponsorship of pupils and students, and
- Section of the Community for Environmental Protection in the Economy of the County Chamber Koprivnica.

Žito Ltd. has committed to the following external initiatives:

- Responsibility of the Slovenian baking sector to increase the content of whole (wholemeal) ingredients in bakery products, and
- Partnership for products from whole grains aimed at increasing the use of whole grain ingredients in consumers' daily diet.

Mirna Inc. has committed to support and participate in initiatives of the City of Rovinj and the Istrian County for the protection of the environment and the Adriatic Sea.

STATEMENT ON THE APPLICATION OF THE CORPORATE GOVERNANCE CODE

The Management Board of Podravka Inc. submits a Statement on the Application of the Corporate

Corporate Governance (Criterion G)

Governance Code based on the Accounting Act. Podravka Inc. continuously monitors the development of regulations in the field of corporate governance and enhances relationships with shareholders, investors, and the general public, applying high standards in mutual communication.

In accordance with current legislation and particularly respecting the OECD Guidelines for Corporate Governance and the Corporate Governance Code of HANFA and the Zagreb Stock Exchange, Podravka Inc. is among the first joint-stock companies whose shares are listed on the regulated market to have accepted the Corporate Governance Code to equalize the rights of all shareholders and to adopt an open, professional, and transparent approach in relations with investors and the general public.

The key principles of corporate governance that Podravka Inc. respects include:

- Transparency of operations,
- Clearly defined procedures for the work of the Management Board, Supervisory Board and its committees, and the General Assembly,
- Avoidance of conflicts of interest,
- Effective internal control, and
- An effective system of accountability.

Podravka Inc. fills out two questionnaires annually. One to declare whether it has complied with the provisions of the Corporate Governance Code and from which provisions of the Code it has deviated, stating the reasons (Compliance Questionnaire), and the other to provide detailed information about its corporate governance practices (Governance Practices Questionnaire). Both questionnaires are submitted to HANFA, and the Compliance Questionnaire is published on the Zagreb Stock Exchange and Podravka's website at the link https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/dokumenti/.

In order to better regulate the corporate governance system, Podravka Inc. has adopted a Conflict of Interest Management Policy establishing mechanisms for early detection of potential conflicts of interest, prevention of their occurrence, and measures to be taken in case of detecting an existing conflict of interest.

Aware of the importance of responsible and ethically grounded conduct in business, Podravka Inc. has adopted the Code of Ethics in the Business of the Podravka Group, committing to respect ethical principles in all its business relationships and accepting the obligation to act in accordance with the principles of responsibility, truthfulness, efficiency, transparency, quality, acting in good faith, and respecting good business practices towards business partners, the social environment, and its own employees. The Code of Ethics defines business principles encompassing legality and transparency of operations, professionalism and objectivity in work, relations with the public, product quality, work in a safe environment, environmental responsibility, and relations with the community. In addition to business principles, the Code of Ethics defines behavioral principles covering confidentiality of information, communication, handling of Company property, management style, conflict of interest, criteria for business gifts, meals, and representation, and strict prohibition of corruption, bribery, extortion, and any similar behavior. The Code of Ethics also strictly prohibits the exploitation of child labor.

Every employee has the right, in writing, to inform

Corporate Governance (Criterion G)

the Human Resources Management sector and/or the Legal Affairs sector about potential or committed violations or non-compliance with the Code of Ethics, which provides protection to employees who file a report and prohibits sanctions or discrimination in future work.

The Code of Ethics in the business of the Podravka Group can be found at the link https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/dokumenti/, and in 2024, the adoption of a new Code of Ethics aligned with recent European standards and trends in socially responsible business is expected.

The Podravka Group continuously promotes a policy of diversity and non-discrimination. Employee diversity is one of the strengths of the Podravka Group, and all employees are equal, with any form of discrimination and harassment based on bias or prejudice such as discrimination based on race, ethnicity, or color, gender, language, religion, political or other beliefs, national or social origin, property status, union membership, education, social status, marital or family status, age, health status, disability, genetic heritage, gender identity, expression, or sexual orientation, and any other characteristics protected by applicable laws, being prohibited.

Moreover, in Podravka Inc. and Belupo Inc., in accordance with the Whistleblower Protection Act, a Regulation has been adopted regulating the procedure for internal reporting of irregularities and the procedure for appointing a confidential person for internal reporting of irregularities. Reporting irregularities can be done in written or oral form, with the written form including any form of communication that ensures a written record. Oral reporting can be done by telephone and, upon the request of the reporter, through a physical meeting within a reasonable period.

The Regulation on the procedure for internal reporting of irregularities and the appointment of a confidential person can be found at the following links:

https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/dokumenti/

https://belupoint.podravka.hr/unutarnja-prijava-nepravilnosti/Documents/Pravilnik%20o%20postupku%20unutarnjeg%20prijavljivanja%20nepravilnosti%20i%20imenovanju%20povjerljive%20osobe%202022..pdf

In 2023, the Žito Group adopted a Regulation on the prevention and suppression of mobbing and appointed a commissioner for receiving reports and acting in case of mobbing.

Podravka Inc. applies the Remuneration Policy approved by the General Assembly of the Company and determined for a period of four years, from 2022 to 2025. The principles and principles of the Remuneration Policy are established to ensure competitiveness and encourage the attraction and interest in the position of a member of the Management Board of the Company with appropriate high-quality professional skills, abilities, and experience. The Remuneration Policy can be found at the link https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/glavna-skupstina/

In line with the goal of the Sustainable Business Strategy, in April 2023, following the announcement of the revised Annual Report of the Podravka Group for 2022, an online conference call was held with investors and analysts, where the President of the Management Board, Dr. sc. Martina Dalić, presented significant activities and key impacts on the business of the Podravka Group in 2022, while the Member of the Management Board for Finance, Davor Doko, presented financial results and answered questions.

GENERAL ASSEMBLY

At the General Assembly, shareholders have the right to vote in person, through a legal representative, or proxy. Shareholders registered in the computer system of the Central Depository & Clearing Company Inc. have the right to participate and exercise voting rights at the General Assembly if they apply for participation at least seven days before the General Assembly.

The General Assembly may validly decide if at least 30% (thirty percent) of the total number of shares with voting rights are represented at it. The General Assembly is chaired by the Chairman of the General Assembly appointed by the Supervisory Board upon the proposal of the Management Board.

At the General Assembly, shareholders, proxies, and shareholder representatives vote using ballot papers indicating the number of votes belonging to each participant at the General Assembly.

All materials related to the convening and holding of the General Assembly are available on the Podravka Inc. website at the link https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/glavna-skupstina/.

CERTIFICATION OF MANAGEMENT SYSTEMS

No.	Standard	Scope of Certification	Authorized Body
1	ISO 9001:2015 Quality ManagementSystem	1) Podravka Inc. 2) Belupo Inc.	Certification body SGS Certification body SGS
		3) Žito Group and the sales segment of Podravka Ltd. Ljubljana	SIQ - Slovenian Institute of Quality
2	HACCP according to Codex Alimentarius	1) Podravka Inc.	Certification body SGS
		2) Mirna Inc.	
3	IFS Food, Version 7. International Featured Standards - Food	1) Podravka Inc., Soups and Vegeta Factory 2) Podravka Inc., Baby Food and Cream Spreads Factory 3) Podravka Inc., Semi-Prepared and Ready Meals Production 4) Podravka Inc., Kalnik Factory 5) Podravka Inc., Danica Production 6) Mirna Inc.	Certification body SGS
		7) Podravka - Lagris a.s.	TÜV SÜD
		Žito Group: 1) HQ Management and Shared Services 2) Žito PC Gorenjka 3) Žito PC Bread and Bakery Products 4) Žito PC Bakery Vrhnika 5) Žito PC Gradišče 6) Žito PC Šumi 7) Vič Bakery	QA – Quality Austria

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No.	Standard	Scope of Certification	Authorized Body
4	BRCGS, Issue 9 British Retail Consortium Global Standard for Food Safety	1) Podravka Inc., Soups and Vegeta Factory 2) Podravka Inc., Baby Food and Cream Spreads Factory	Certification body SGS
5	HALAL	1) Podravka Inc., Danica Factory 2) Podravka Inc., Soups and Vegeta Factory 3) Podravka Inc., Baby Food and Cream Spreads Factory 4) Podravka Inc., Kalnik Factory 5) Podravka Inc., Cocktail Pastries Factory 6) Mirna Inc., Rovinj	Halal Quality Certification Center
		7) PC ŠUMI, Krško	Islamic Association in Slovenia
6	KOSHER	1) Podravka Inc., Kalnik Factory 2) Podravka Inc., Soups and Vegeta Factory 3) Podravka Inc., Cocktail Pastries Factory 4) Podravka Inc., Mill	Rabin Kotel Da-Don
7	BIO	1) Podravka Inc.	Bio Garantie
		2) Žito Group and Podravka Ltd.	Institute kon-cert, Maribor
		3) Podravka - Lagris a.s.	AGCERT AG, CZ
8	AOECS The AOECS Standard for Gluten-Free Foods	1) Podravka Inc., Cocktail Pastries Factory 2) Žito Group - Crispy Breads	Certification body SGS
		3) Podravka - Lagris a.s.	Společnost pro bezlepkovou dietu z.s., CZ
9	VEGAN European Vegetarian label	1) Podravka Inc., Kalnik Factory 2) Podravka Inc., Cocktail Pastry Factory 3) Podravka Inc., Soups and Vegeta Factory 4) Podravka Inc., Danica Production	The Association Friends of Animals
		5) Žito Group	Padma Institute
10	RSPO Supply Chain Certification Standard	1) Podravka Inc., Soups and Vegeta Factory 2) Podravka Inc., Baby Food and Cream Spreads Factory	Certification body SGS
		3) Žito Group, Frozen Food 4) PC Gorenjka 5) PC Šumi, Krško	BV – Bureau Veritas Ltd. Slovenia, Ljubljana
11	ECOVADIS	Žito Group Management and Shared Services	Ecovadis system
12	Rainforest Alliance, version 1.2.	1) Žito Group: - Gorenjka Business Unit - Bread and Pastry Business Unit	BV – Bureau Veritas Ltd. Slovenia, Ljubljana (Ceres), Certification of Environmental Standards
13	ISO 26000:2010 Guidance on social responsibility	Podravka Inc. Certificate of Compliance HR23/3192	Certification body SGS

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No.	Standard	Scope of Certification	Authorized Body
14	ISO 27001:2022 Information security management system	Podravka Inc.	Certification body SGS
15	ISO 45001:2018 Occupational health and safety management system	1) Podravka Inc., Koprivnica 2) Soups and Vegeta Factory	Certification body SGS
16	ISO 13485:2016 Quality management system for medical products	Belupo Inc.	Certification company UDEM Adriatic Ltd.
17	EU GMP certificate	Belupo Inc.	HALMED
18	The GMP Certificate for Russia	Belupo Inc.	Ministry of Industry and Trade of the Russian Federation
19	The GMP Certificate for Ukraine	Belupo Inc.	Regulatory Agency of Ukraine

Note: The specific scope of each certificate is stated in the certificate itself.

Speaking about the Food segment, it should be noted that Podravka Inc., as one of the leading food companies in Southeast, Central, and Eastern Europe, has been certified for two decades according to the leading food safety standards IFS Food (International Featured Standard-Food) and BRCGS Food Safety, which confirm the safety of the company's products. The leading standards of the food industry by which the company operates are built on a fundamental management system in accordance with the ISO 9001 Quality Management Systems standard, the regulations of the European Union and the Republic of Croatia, and other countries in which the company operates.

Podravka Inc. is traditionally characterized by high product quality, which results from the use of quality raw materials, the introduction of modern technological processes, the application of knowledge and competencies of employees, and established business processes that ensure the achievement of the company's set goals. Continuous improvement of the established management system is achieved by investing in competent employees with a high level of technological knowledge and corporate governance, in collaboration with suppliers, customers, as well as all stakeholders in the food chain. When creating new trends, the company respects tradition and meets the requirements of consumers, who, along with products safe for consumption and environmentally safe, are one of the primary goals of the company.

The application of sustainability principles by Podravka Inc. is demonstrated by certifying part of the assortment according to the RSPO (Roundtable on Sustainable Palm Oil) standard, which relates to the sustainable development of the palm oil industry, and certifying part of the products with BIO certification of organic products. During 2023,

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the goal from the Sustainable Business Strategy was achieved by introducing 100% RSPO MB certified palm oil in the production of cream spreads.

The Podravka Group pays special attention to a system based on the assessment of critical areas throughout the supply chain with the aim of protection from intentional contamination and counterfeiting. The security of the company's supply chain is based on the application of methodologies such as Threat Assessment (Food Defence), Vulnerability Assessment of Input Materials (Food Fraud) in accordance with the leading food safety standards IFS Food and BRCGS Food Safety, as well as on the criteria of the Customs-Trade Partnership Against Terrorism (C-TPAT) of the United States and the Authorized Economic Operator (AEO) program implemented by the European Union.

The company's management system is in the phase of corporate transformation that focuses on optimizing business processes and integrating management systems in line with the Podravka Group's Sustainable Business Strategy until 2030.

In early September 2023, after an audit according to the international standard ISO 26000 Social Responsibility, compliance of Podravka Inc.'s management system with social responsibility guidelines was confirmed. With ISO 26000, Podravka Inc. demonstrates compliance with the following seven principles of socially responsible business:

1. Responsibility
2. Transparency
3. Ethical behavior
4. Respect for stakeholder interests
5. Respect for the rule of law
6. Respect for international standards of behavior
7. Respect for human rights

With the implementation of ISO 26000, in 2023, Podravka became a member of SEDEX (Supplier Ethical Data Exchange), a non-profit organization comprising more than 75,000 companies worldwide. SEDEX aims to improve ethical and responsible business practices in global supply chains, facilitating management, assessment, and reporting on sustainability in the supply chain. By joining SEDEX, Podravka enhances management within its supply chain as the platform enables members to exchange information on suppliers' ethical actions, including labor rights, health and safety, environmental practices, and business ethics.

During 2023, the process of alignment with the SURE Directive on promoting the use of energy from renewable sources (Directive (EU) 2018/2001 – RED II) was initiated, namely the procedure for obtaining an appropriate certificate on the sustainable use of biomass at the level of Podravka Inc.

Products in the Pharmaceuticals segment are manufactured in accordance with GMP, GDP, ISO 13485, and ISO 9001 requirements, other applicable regulatory requirements, and professional requirements. The application of GMP standards (Good Manufacturing Practice) ensures that products are manufactured uniformly and monitored to a quality standard suitable for their use according to applicable regulations. Wholesale must meet GDP requirements (Good Distribution Practice) to maintain the quality and integrity of medicines throughout the supply chain. Belupo Inc. has ISO 9001 Quality Management System and ISO 13485

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Quality Management System for medical devices certification.

Although medicines approved for marketing have undergone analyses and are safe for use and of appropriate quality, side effects can occur even with over-the-counter medicines. Belupo Inc. advises customers in its drug instructions to inform a doctor or pharmacist about any potential side effects. This includes any possible side effects not listed in the prescribed instructions. The instructions also state that side effects can be reported directly through the national adverse drug reaction reporting system – via the Croatian Agency for Medicinal Products and Medical Devices (HALMED) website or through the HALMED application. Additionally, HALMED continuously encourages healthcare professionals and patients to report any suspected adverse drug reactions, actively contributing to the monitoring and preservation of drug safety.

The number of reported adverse reactions to Belupo products over the years:

Year	Number of Reported Adverse Reactions
2020	538
2021	310
2022	563
2023	542

The number of reported adverse reactions during 2023 showed a slight decrease.

INFORMATION SECURITY SYSTEM

Due to the digital transformation of the business environment in recent years, there has been exponential growth in cyber attacks. In almost all relevant reports, the risk of cyber attacks is ranked as the top risk for business interruption in the corporate environment. Therefore, information system security represents one of the key foundations for business continuity, as any incident in this segment can result in significant financial losses caused by the disruption of business processes in the long term.

Despite all the challenges mentioned, and thanks to the increased efforts of Podravka's Corporate and Information Security and Information Technology sectors, no significant security incidents that would cause unavailability of the information system and consequently impact the company's business continuity were recorded.

At the end of 2023, the Information Security Management System was successfully recertified based on the ISO/IEC 27001:2022 standard for ICT service activities in support of processes related to the development, production, storage, sale, and distribution of food products.

TRANSITION TO SAP S/4HANA SYSTEM

Considering the technological development of systems in the form of the SAP S/4HANA technological platform, the Podravka Group realized that a potential transition to new SAP solutions could improve business processes and their efficiency. Consequently, the Podravka Group conducted an analysis of possibilities related to the transition to SAP S/4HANA solution and concluded that the transformation of the ERP system is the optimal next step for the company.

Corporate Governance (Criterion G)

The approach to the transformation of the SAP ERP system involves retaining and transforming functionalities and business processes that are in line with best practices and as such bring a competitive advantage to the Podravka Group. Processes that have deviated from best business practices over time, as well as new functionalities brought by SAP S/4HANA, are planned to be re-established by the company following best business practices.

Report on Requirements Specified in the *Taxonomy Regulation*

12
(EU) 2021/2178

13
(EU) 2021/2139 and
(EU) 2023/2486

In accordance with the Delegated Act on disclosures[12] and technical screening criteria for all 6 environmental objectives (Delegated Acts[13]), the Report on Requirements Specified in the Taxonomy Regulation in 2023 covers all environmental objectives:

- Mitigating climate change (CCM)
- Adapting to climate change (CCA)
- Sustainable use and protection of water and marine resources (WTR)
- Transition to a circular economy (CE)
- Pollution prevention and control (PPC)
- Protection and restoration of biodiversity and ecosystems (BIO)

Podravka Group operates through two business segments - Food and Pharmaceuticals. The main activities of the Food segment are not listed as eligible in the Delegated Act on Climate (EU 2021/2139), which means that those activities do not have a significant negative impact on the climate and environment. However, certain revenues, capital expenditures and operating expenses can be associated with the EU taxonomy eligible activities.

The main activity of the Pharmaceuticals segment, pharmaceutical production, is a taxonomy-eligible activity within the Pollution Prevention and Control (PPC) environmental objective. The pharmaceutical production activity has been analyzed according to the technical screening criteria specified in the Delegated Act for the Pollution Prevention and Control objective, as well as the criteria for "does not significantly harm" the remaining environmental objectives. Due to the scope and complexity of the technical screening criteria, there is currently partial compliance.

The preparation of this report requires a multidisciplinary approach. Coordination, data collection, and calculation of key performance indicators were carried out by the Business Sustainability and Green Transformation sector with the help of employees from across the Podravka Group system, especially production companies. In the Pharmaceuticals segment, significant engagement comes from employees from all parts of the Pharmaceuticals segment, as pharmaceutical production is a taxonomy-eligible activity. In the Food segment, the emphasis is on involving production companies in the preparation of the report, while at the level of Podravka Inc., significant engagement comes from the Technical sector, Logistics sector, Asset Management sector, Accounting sector, Controlling

Report on Requirements Specified in the Taxonomy Regulation

sector, Human Resources sector, and all employees involved in planning and implementing capital investments.

The report is prepared on a consolidated basis and includes all companies that make up the Podravka Group. During the calculation process of taxonomy key performance indicators (KPIs), care was taken to ensure that each item is included in the calculation of only one KPI to avoid double counting.

The analysis of revenues and expenses by activities was conducted in accordance with the Delegated Act on disclosures and Delegated Acts specifying the technical screening criteria. The analysis of capital expenditures was done by first determining a list of realized capital expenditures in 2023, which, according to the Delegated Acts, can be linked to taxonomy-eligible activities. The assessment of compliance with capital expenditures was not carried out because it was not possible to determine the criterion "does not significantly harm" for capital expenditures for the adaptation to climate change (CCA) environmental objective since the assessment of climate risks and sensitivity analysis was not conducted during 2023, it is not part of the investment studies for capital investments of the Podravka Group, and relevant national regulations do not require such an assessment and analysis.

In 2023, the Group initiated a comprehensive project to align its operations with new regulations (Corporate Sustainability Reporting Directive - CSRD and European Sustainability Reporting Standards - ESRS), including the preparation of a climate risk assessment and adaptation plan for the Podravka Group. The climate risk assessment was prepared in early 2024 and cannot be applied to the reporting period for 2023, therefore, for all taxonomy-eligible activities identified and described in this report, no analysis was conducted according to the technical screening criteria and the criterion "does not significantly harm" because without a climate risk assessment, taxonomy compliance cannot be achieved.

1. KEY PERFORMANCE INDICATOR REVENUES (KPI REVENUES)

Podravka Group generates its business revenues from two business segments (Food and Pharmaceuticals), i.e., from two core activities: the production of food products and the production of pharmaceutical products. According to the EU taxonomy, activities related to the production of food products are not included in the list of taxonomy activities, i.e., they are not covered by the EU taxonomy and are considered NON-TAXONOMY COMPLIANT ACTIVITIES. However, despite this, the Food segment contributes to and can contribute to environmental objectives through its operations. In accordance with EU Delegated Regulation 2023/2486, the main activity of the Pharmaceuticals segment, the production of medicines, is a TAXONOMY-COMPLIANT ACTIVITY with a significant contribution to the objective of preventing and controlling pollution.

In 2023, Podravka Group achieved business revenues[14] amounting to EUR 716.9 million, of which EUR 713.8 million were external sales revenues and EUR 3.1 million were other revenues. Out of the total external sales revenues, a total of EUR 121.9 million in revenues can be associated with taxonomy-compliant activities, including:

14 Business revenues of Podravka Group are explained in the Consolidated Financial Reports, Note 8 (Revenue from sales) and Note 9 (Other revenues).

Report on Requirements Specified in the Taxonomy Regulation

- Revenues from the sale of medicines (PPC 1.2.)
- Revenues from the sale of electricity from solar plants (CCM 7.6.)
- Revenues from the sale of by-products in food production (CCM 5.5.)
- Revenues from the sale of used goods (CE 5.4.)
- Revenues from services related to personal and commercial vehicles (CCM 6.5. and 6.6.)

The main activity of the Pharmaceuticals segment, the PRODUCTION OF MEDICINES, is a taxonomy-compliant activity (PPC 1.2.). Sales of manufactured medicines generated EUR 119.7 million in revenues, which are not fully compliant with the EU taxonomy criteria as they do not fully meet the technical verification criteria and the "does not cause significant harm" criteria for other environmental objectives.

In the food production process, by-products are generated, which Podravka Group sells to customers who use those by-products as raw materials. In 2023, EUR 1.3 million in REVENUES WERE GENERATED FROM THE SALE OF BY-PRODUCTS (food waste from the production process), which can be associated with the taxonomy-compliant activity of Collection and transport of non-hazardous waste in fractions separated at source (CCM 5.5.).

From the PRODUCTION OF ELECTRICITY using solar photovoltaic technology, 34.2 MWh of electricity was sold to the grid, generating revenue of EUR 2.7 thousand. These revenues can be associated with the taxonomy-compliant activity of Installation, maintenance, and repair of renewable energy technologies (CCM 7.6.). The production of electricity from solar plants is associated with solar plants at the Kalnik factory in Varaždin and the Danica location in Koprivnica. The electricity produced by solar plants is used for internal purposes, and only the surplus electricity is sold to the grid, generating revenue.

In 2023, EUR 0.9 million in revenues were generated from the SALE OF WOODEN PALLETS, which can be associated with the taxonomy activity of Sale of used goods (CE 5.4.). Additionally, EUR 12.2 thousand in REVENUES WERE GENERATED FROM TRANSPORTATION AND VEHICLE MAINTENANCE SERVICES, of which EUR 11.3 thousand can be associated with the taxonomy activity of Transport services for goods (CCM 6.6.) and EUR 0.9 thousand is associated with the activity of Transport of motorcycles, cars, and light commercial vehicles (CCM 6.5.).

From other revenues in 2023, EUR 1.2 million can be associated with taxonomy-compliant activities. EUR 0.5 million in revenues were generated from the SALE OF NON-OPERATING ASSETS, which can be associated with the taxonomy activity of Acquisition and ownership of buildings (CCM 7.7.). THE SALE OF LONG-TERM TANGIBLE ASSETS (personal and commercial vehicles, food production machinery, wooden pallets, electronic equipment, forklifts) generated EUR 0.3 million in revenues, which can be associated with the taxonomy activity of Sale of used goods (CE 5.4.). Additionally, EUR 0.4 million in revenues were generated from the SALE OF ROYALTIES AND THE SALE OF RIGHTS TO USE REGISTRATION DOSSIERS, which can be associated with the taxonomy activity of Medicine production (PPC 1.2.).

The numerator of the Key Performance Indicator Revenues (KPI Revenues) is EUR 123.0 million and includes:

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- Revenues associated with activities 5.5., 6.5., 6.6., 7.6., and 7.7. contributing to the achievement of the Climate Change Mitigation goal in total,
- Revenues associated with activity 5.4. contributing to achieving the Circular Economy goal, and
- Revenues from activity 1.2. Medicine production contributing to the Pollution Prevention and Control goal, amounting to EUR 109.4 million.

Revenue Share/Total Revenue		
	Aligned with taxonomy by objective	Taxonomically acceptable by objective
CCM	0.0%	0.3%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.0%
PPC	0.0%	16.8%
BIO	0.0%	0.0%

The denominator of the KPI Revenue is 715.3 million EUR and includes external sales revenue of the Podravka Group (Note 8) and a portion of other income (Note 9). From Other income (3.1 million EUR), the total amounts of the following items are included in the denominator of KPI Revenue:

- Gains from the sale and disposal of tangible and intangible assets,
- Gains from the sale of assets held for sale,
- Other income.

From all of the above, it follows that the key performance indicator Revenue (KPI Revenue) for the Podravka Group in 2023 amounted to 17.2%, compared to 2.1% in 2022.

FINANCIAL YEAR 2023	YEAR			CRITERION OF SIGNIFICANT CONTRIBUTION						CRITERION OF NO SIGNIFICANT HARM (H)									
Economic activities (1)	Label (a) (2)	Revenue (3)	Revenue share, year 2023 (4)	Mitigation of climate change (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum protective measures (17)	"Share of revenue from taxonomy-aligned (A.1) or acceptable (A.2) activities year 2022 (18)"	Enabling Activity Category (19)	Transition Activity Category (20)
Podravka Group		EUR	%	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D/N	D/N	D/N	D/N	D/N	D/N	D/N	%	O	P
A. TAXONOMICALLY ACCEPTABLE ACTIVITIES																			
A.1. Environmentally sustainable activities (aligned with the taxonomy)																			
Revenues from environmentally sustainable activities (aligned with the taxonomy) (A.1.)		0.00	0.0%																
From what, enabler																			
From what, transitional																			
A. 2. Taxonomically acceptable but environmentally unsustainable activities (not aligned with the taxonomy)																			
Collection and transportation of non-hazardous waste in fractions separated at the source	CCM 5.5.	1,258,020.49	0.2%	EL	N	N	N	N	N								0.0%		
Transportation of motorcycles, passenger cars, and light commercial vehicles	CCM 6.5.	905.3	0.0%	EL	N	N	N	N	N								0.1%		
Road freight transport services	CCM 6.6.	11,339.0	0.0%	EL	N	N	N	N	N								0.0%		
Installation, maintenance, and repair of technologies for renewable energy sources	CCM 7.6.	2,694.2	0.0%	EL	N	N	N	N	N								0.0%		
Purchase and ownership of buildings	CCM 7.7.	541,752.8	0.1%	EL	N	N	N	N	N								2.0%		
Sale of used goods	CE 5.4.	1,137,319.5	0.2%	N	N	N	N	EL	N								0.0%		
Production of pharmaceuticals	PPC 1.2.	120,064,126.8	16.8%	N	N	N	EL	N	N								0.0%		
Income from taxonomically acceptable but environmentally unsustainable activities (not aligned with the taxonomy) (A.2.)		123,016,158.2	17.2%	0.2%	0.0%	0.0%	0.0%	0.2%	0.0%								2.1%		
Income from taxonomically acceptable activities (A.1.+A.2.)		123,016,158.2	17.2%	0.2%	0.0%	0.0%	0.0%	0.2%	0.0%								2.1%		
B. TAXONOMICALLY UNACCEPTABLE ACTIVITIES																			
Revenue from taxonomically unacceptable activities		592,263,880.82	82.8%																
TOTAL		715,280,039.00	100.0%																

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2. THE CAPITAL EXPENDITURE (CAPEX) KEY PERFORMANCE INDICATOR (KPI CAPEX)

Capital investments (capital expenditures) at the Podravka Group level involve investments resulting in an increase in long-term tangible and intangible assets during the reporting period, as a result of invoiced and advanced amounts for a specific item in a minimum amount of 664 EUR.

The methodology for calculating the taxonomy-compliant KPI CAPEX for 2023 is identical to the methodology applied in the Annual Report of the Podravka Group for 2022. By analyzing capital expenditures incurred in 2023, capital expenditures that can be associated with descriptions of environmentally acceptable activities defined in the Delegated Act on Climate[15] and Delegated Regulation (EU) 2023/2486 have been identified, and the amount of these capital expenditures has been included in the numerator for calculating KPI CAPEX, which amounted to 36.0 million EUR at the Podravka Group level. Only invoiced investments are included in KPI CAPEX, while advances are not taken into account. The numerator also includes an amount of 7.7 million EUR based on the increase in the assets under the right of use.
The capital expenditures of the Podravka Group in 2023 that can be associated with environmentally acceptable activities are as follows:

15 (EU) 2021/2139

Objective: Mitigation of Climate Change (CCM)

- 4.20. Cogeneration of energy for heating/cooling and electrical energy from bioenergy
- 4.24. Production of energy for heating/cooling from bioenergy
- 4.9. Transmission and distribution of electrical energy
- 5.3. Construction, expansion, and operation of wastewater collection and treatment systems
- 5.4. Renovation of wastewater collection and treatment systems
- 6.5. Transportation by motorcycles, cars, and light commercial vehicles
- 6.6. Road transport services of goods
- 7.1. Construction of new buildings
- 7.2. Renovation of existing buildings
- 7.3. Installation, maintenance, and repair of equipment for energy efficiency
- 7.5. Installation, maintenance, and repair of instruments and devices for measuring, regulating, and controlling the energy efficiency of buildings
- 7.6. Installation, maintenance, and repair of technologies for energy production from renewable sources
- 7.7. Acquisition and ownership of buildings

Objective: Pollution Prevention and Control (PPC)

- 1.2. Pharmaceutical production

Objective: Sustainable Use and Protection of Water and Marine Resources (WTR)

- 2.1. Water supply
- 2.2. Treatment of municipal wastewater

All capital expenditures that can be associated with taxonomy-compliant activities have been identified as taxonomy non-compliant since a climate risk assessment and sensitivity analysis were not conducted for 2023, making it impossible to determine compliance with the "do no significant harm" criteria for the climate change adaptation objective (CCA). Investment studies of the Podravka Group in 2023 covered an analysis of investment profitability and accompanying documentation in accordance with the applicable and relevant national regulations.

The share of capital expenditures/

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total capital expenditures

	Aligned with taxonomy by goal	Taxonomy -compliant by goal
CCM	0.0%	48.2%
CCA	0.0%	0.0%
WTR	0.0%	0.2%
CE	0.0%	0.0%
PPC	0.0%	5.2%
BIO	0.0%	0.0%

The total amount of taxonomy-compliant capital expenditures[16] for Podravka Group in 2023 was EUR43.7 million, representing the numerator of KPU CAPEX, while the denominator includes an amount of EUR81.8 million, representing the sum of increases in the following positions:

- Right-of-use assets,
- Tangible assets,
- Intangible assets.

From the above, it follows that the key performance indicator (KPU CAPEX) for Podravka Group for 2023 is 53.5%, compared to 43.1% in 2022.

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The information is available in the Consolidated Financial Reports - Note 18 (Intangible assets), Note 19 (Tangible assets), and Note 20 (Assets under the right of use).

FINANCIAL YEAR 2023	YEAR			CRITERION OF SIGNIFICANT CONTRIBUTION						CRITERION OF NO SIGNIFICANT HARM (H)										
Economic activities (1)	Label (a) (2)	Revenue (3)	Revenue share. year 2023 (4)	Mitigation of climate change (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum protective measures (17)	Share of revenue from taxonomy-aligned (A.1) or acceptable (A.2) activities year 2022 (18)"	Enabling Activity Category (19)	Transition Activity Category (20)
Podravka Group		EUR	%	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D/N	D/N	D/N	D/N	D/N	D/N	D/N	%	O	P
A. TAXONOMICALLY ACCEPTABLE ACTIVITIES																			
A.1. Environmentally sustainable activities (aligned with the taxonomy)																			
Activity 1																			
Activity 1 (d)																			
Activity 2																			
Revenues from environmentally sustainable activities (aligned with the taxonomy) (A.1.)		0.0	0.0%																
From what. enabler																			
From what. transitional																			
A.2. Taxonomically acceptable but environmentally unsustainable activities (not aligned with the taxonomy) (g)																			
Cogeneration of energy for heating/cooling and electrical energy from bioenergy	CCM 4.20	14.355,0	0.0%	EL	N	N	N	N	N								0.0%		
Production of energy for heating/cooling from bioenergy	CCM 4.24.	52.579,9	0.1%	EL	N	N	N	N	N								0.1%		
Transmission and distribution of electrical energy	CCM 4.9.	7.559,3	0.0%	EL	N	N	N	N	N								0.0%		
Construction. expansion. and operation of wastewater collection and treatment systems	CCM 5.3.	4.558,3	0.0%	EL	N	N	N	N	N								0.0%		
Renewal of wastewater collection and treatment systems	CCM 5.4.	79.165,3	0.1%	EL	N	N	N	N	N								0.4%		
Transportation of motorcycles. passenger cars. and light commercial vehicles	CCM 6.5.	1.855.620,1	2.3%	EL	N	N	N	N	N								4.2%		
Road freight transport services	CCM 6.6.	1.330.332,3	1.6%	EL	N	N	N	N	N								3.9%		
Construction of new buildings	CCM 7.1.	25.021.690,1	30.6%	EL	N	N	N	N	N								0.4%		
Renovation of existing buildings	CCM 7.2.	1.583.269,1	1.9%	EL	N	N	N	N	N								22.9%		
Installation. maintenance. and repair of equipment for energy efficiency	CCM 7.3.	824.983,7	1.0%	EL	N	N	N	N	N								3.2%		
Installation. maintenance. and repair of instruments and devices for measuring. regulating. and controlling the energy efficiency of buildings	CCM 7.5.	40.701,2	0.0%	EL	N	N	N	N	N								0.0%		
Installation. maintenance. and repair of technologies for energy production from renewable sources	CCM 7.6.	1.076.186,8	1.3%	EL	N	N	N	N	N								2.7%		
Purchase and ownership of buildings	CCM 7.7.	7.480.266,6	9.1%	EL	N	N	N	N	N								5.4%		
Water supply	WTR 2.1.	31,6	0.0%	N	N	EL	N	N	N								0.0%		
Wastewater treatment	WTR 2.2.	140.281,2	0.2%	N	N	EL	N	N	N								0.0%		
Production of pharmaceuticals	PPC 1.2.	4.231.747,9	5.2%	N	N	N	EL	N	N								0.0%		
Income from taxonomically acceptable but environmentally unsustainable activities (not aligned with the taxonomy) (A.2.)		43.743.328,4	53.5%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%								43.1%		
A. Income from taxonomically acceptable activities (A.1. + A.2.)		43.743.328,4	53.5%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%								43.1%		
B. TAXONOMICALLY UNACCEPTABLE ACTIVITIES																			
Revenue from taxonomically unacceptable activities (B)		38.023.671,6	46.5%																
TOTAL		81.767.000,0	100%																

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3. KEY PERFORMANCE INDICATOR OPERATIONAL EXPENSES (KPU OPEX)

In accordance with the Delegated Act on disclosures[17], operational expenses included in the calculation of KPU OPEX refer to direct non-capitalized costs related to research and development, building refurbishment measures, short-term leases, maintenance and repair, and all other direct expenses for the daily servicing of real estate, facilities, and equipment carried out by the company or third parties entrusted with such tasks, necessary for the proper functioning of such assets. KPU OPEX does not include costs of raw materials and supplies, wages of employees operating machinery, project management costs for research and development, and costs of electricity, fluids, or reagents required for the operation of real estate, facilities, and equipment.

Similar to 2022, in 2023, the scope of KPU OPEX was conservatively determined, and only expenses identified as taxonomically acceptable were included in the numerator. Since the calculation of KPU OPEX requires significant development of internal analytics systems, which represents a project that cannot be realized in the short term, in 2023, it was not possible to develop analytics for some expense accounts. Therefore, such accounts were included only in the denominator, and the numerator estimate was not carried out. In 2023, the scope of accounts from which costs were extracted for the calculation of KPU OPEX was expanded, and a detailed analysis of expenses for the Food and Pharmaceuticals segments was conducted concerning the acceptable activities of the EU taxonomy. As the Pharmaceutical segment's activities are taxonomically acceptable, the costs of current maintenance of production technology were included in the calculation of KPU OPEX, whereas such costs were not considered in the Food segment.

In 2023, the denominator for calculating KPU OPEX amounted to 31.1 million EUR, including:

- Wages of employees engaged in research and development, cleaning and maintenance of real estate, maintenance of drug production technology, and IT system maintenance,
- Costs of cleaning services for buildings and premises,
- Material costs for cleanliness maintenance,
- Current maintenance costs,
- Costs of materials for current maintenance,
- Miscellaneous costs related to vehicle maintenance,
- Costs of various types of leases (short-term leases).

The numerator amounted to 12.2 million EUR, including:

- Current maintenance costs related to activities CCM 4.24, 4.9, 5.2, 5.3, 5.4, 6.5, 6.6, 7.3, 7.7, WTR 2.1, 2.2, and PPC 1.2,
- Wages of employees engaged in cleaning and maintenance tasks in the Food segment and in the Pharmaceutical segment, including cleaning and maintenance of real estate, maintenance of production technology, and R&D in pharmaceuticals,
- Cleaning service costs,
- Costs of cleaning materials,
- Costs related to maintaining the good condition of the fleet (passenger and commercial vehicles),
- Rental expenses for real estate,
- Rental expenses for passenger and commercial vehicles,
- Rental expenses for production equipment in pharmaceuticals,
- Costs of protective clothing for employees in cleaning and maintenance of the Pharmaceutical segment.

17 (EU) 2021/2178, Annex I, points 1.1.3.1. and 1.1.3.2.

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As with capital expenses, operational expenses related to taxonomically acceptable activities were recognized as taxonomically non-compliant because a climate risk assessment and sensitivity analysis were not conducted for 2023, making it impossible to determine compliance with the criterion of "do no significant harm" to the climate adaptation goal.

Ratio of operational expenses/ total operational expenses

	Aligned with taxonomy by goal	Taxonomy -compliant by goal
CCM	0.0%	30.7%
CCA	0.0%	0.0%
WTR	0.0%	1.0%
CE	0.0%	0.0%
PPC	0.0%	7.4%
BIO	0.0%	0.0%

From all the above, it follows that THE KEY PERFORMANCE INDICATOR OPEX (KPU OPEX) for Podravka Group in 2023 is 39.2%, compared to 12.3% in 2022.

FINANCIAL YEAR 2023	YEAR			CRITERION OF SIGNIFICANT CONTRIBUTION						CRITERION OF NO SIGNIFICANT HARM (H)									
Economic activities (1)	Label (a) (2)	Revenue (3)	Revenue share, year 2023 (4)	Mitigation of climate change (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum protective measures (17)	Share of revenue from taxonomy-aligned (A.1) or acceptable (A.2) activities year 2022 (18)"	Enabling Activity Category (19)	Transition Activity Category (20)
Podravka Group		EUR	%	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D;N; N/EL (b)(c)	D/N	D/N	D/N	D/N	D/N	D/N	D/N	%	O	P
A. TAXONOMICALLY ACCEPTABLE ACTIVITIES																			
A.1. Environmentally sustainable activities (aligned with the taxonomy)																			
Revenues from environmentally sustainable activities (aligned with the taxonomy) (A.1.)		0.0	0.0%																
From what, enabler			%																
From what, transitional			%																
A.2. Taxonomically acceptable but environmentally unsustainable activities (not aligned with the taxonomy)(f)																			
Production of energy for heating/cooling from bioenergy	CCM 4.24.	74,483.6	0.2%	EL	N	N	N	N	N								0.0%		
Transmission and distribution of electrical energy	CCM 4.9.	9,467.0	0.0%	EL	N	N	N	N	N								0.0%		
Renovation of water collection, purification, and supply systems	CCM 5.2.	22,103.6	0.1%	EL	N	N	N	N	N								0.0%		
Construction, expansion, and operation of wastewater collection and purification systems	CCM 5.3.	3,334.1	0.0%	EL	N	N	N	N	N								0.0%		
Renewal of systems for collecting and purifying wastewater	CCM 5.4.	29,814.8	0.1%	EL	N	N	N	N	N								0.1%		
Transport of motorcycles, passenger cars, and light commercial vehicles	CCM 6.5.	577,514.5	1.9%	EL	N	N	N	N	N								1.0%		
Road freight transport services	CCM 6.6.	236,738.3	0.8%	EL	N	N	N	N	N								1.1%		
Installation, maintenance, and repair of energy efficiency equipment	CCM 7.3.	499,550.6	1.6%	EL	N	N	N	N	N								0.0%		
Purchase and ownership of buildings	CCM 7.7.	8,100,293.3	26.1%	EL	N	N	N	N	N								10.1%		
Water supply	WTR 2.1.	129,532.3	0.4%	N	N	EL	N	N	N								0.0%		
Wastewater treatment	WTR 2.2.	174,641.6	0.6%	N	N	EL	N	N	N								0.0%		
Production of pharmaceuticals	PPC 1.2.	2,312,575.2	7.4%	N	N	N	EL	N	N								0.0%		
Operating expenses of taxonomy-acceptable but environmentally unsustainable activities (not aligned with the taxonomy) (A.2.)		12,170,048.7	39.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%								12.3%		
Operating expenses of taxonomy-acceptable activities (A.1. + A.2.)		12,170,048.7	39.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%								12.3%		
B. TAXONOMICALLY UNACCEPTABLE ACTIVITIES																			
Operating expenses of taxonomically unacceptable activities		18,910,741.3	60.8%																
TOTAL		31,080,790.0	100.0%																

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Financial reports

The Management Board is required to prepare the consolidated financial statements for each financial year which give a true and fair view of the financial position of the Company and its subsidiaries ("the Group") 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 Group 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 consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. After making enquiries, the Management Board has a reasonable expectation that the Group 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 consolidated financial statements.

The Management Board is also responsible for the preparation of the Annual report and the Statement on implementation of the corporate governance code in accordance with the Croatian Accounting Act. The Annual report and the Statement on implementation of corporate governance code are authorised and signed by the Management Board. The Management Board is responsible for the submission to the Supervisory Board of its Annual report together with the annual consolidated and separate financial statements, following which the Supervisory Board is required to approve the annual consolidated financial statements for submission to the General Assembly of Shareholders for adoption.

The separate financial statements of the Company are published separately and issued simultaneously with the annual consolidated financial statements.

Martina Dalić
President of the Management Board

Davor Doko
Member of the Management Board

Ljiljana Šapina
Member of the Management Board

Milan Tadić
Member of the Management Board

Ivan Ostojić
Member of the Management Board

Podravka
PREHRAMBENA INDUSTRIJA D.D.
KOPRIVNICA 173

Podravka d.d.
Ante Starčevića 32
48 000 Koprivnica
Republic of Croatia

Koprivnica, 4 April 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Podravka d.d.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Podravka d.d. (the Company) and its subsidiaries (together- the Group), which comprise the consolidated statement of financial position as at 31 December 2023, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How we addressed Key Audit Matter
Impairment of brands and goodwill A description of the key judgements and estimates regarding impairment of the Group's brands and goodwill are included in Note 3 Material accounting policy information and Note 6 Key accounting judgements and estimates. The asset is presented in Note 17 Goodwill and Note 18 Intangible assets. The determination of recoverable amount, being the higher of value-in-use and fair value less costs to dispose, requires management judgement in both identifying and valuing the relevant cash generating units. Recoverable amounts are generally measured by using appropriate valuation techniques, such as present value techniques based on management's view of variables and market conditions, including future price and volume growth rates, the timing of future operating expenditure, and the most appropriate discount, long term growth rates and royalty rate. Considering the above mentioned, we believe that the assessment of recoverable amounts of brands and goodwill is a key audit matter.	Audit procedures included understanding of the assets impairment process and walk through of controls implemented within. We examined the methodology used by management to assess the carrying value of respective brands and goodwill to determine its compliance with IFRS as adopted by the EU and consistency of application. We evaluated the future cash flow forecasts and the process by which they were prepared. We compared the budget inputs in the model to the approved budgets and forecast inputs in the model to management plans. We compared current year actual results with the figures included in the prior year forecast to evaluate assumptions used. We also evaluated management's key assumption for long-term growth rate by comparing it to historical growth results. We performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis and tested the appropriateness of discount rates and royalty rates used in the calculation with the assistance of the specialists. We also assessed on the adequacy of the relevant disclosures in the consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU.

Key Audit Matter	How we addressed Key Audit Matter
Recognition of revenue: valuation of customer discounts, incentives and rebates As indicated in Note 3 Material accounting policy information and Note 8 Sales revenue to the consolidated financial statements, the Group recognizes revenue net of volume rebates, trade discounts, returns, listing fees and various promotional and marketing activities that are integral part of contracts with customers. Revenue measurement and presentation therefore involves estimates related to such agreements or actions. At the reporting date, amounts for discounts, incentives and rebates that have been incurred and not yet confirmed by the customers are estimated and accrued. Due to the variety of contractual terms across the markets, management is required to monitor a large number of individual customer arrangements in order to estimate the discounts, incentives and rebates amounts at the reporting date. This is considered complex and includes risk of incorrect inclusion or non-inclusion of discounts, incentives and rebates in the current period and year-end accruals, or incorrect calculation of these amounts recorded as at the reporting date. Due to the above mentioned, measurement and presentation of these costs is considered a key audit matter due to the judgements required and the number of unique customer arrangements they relate to.	Our audit procedures included understanding of the revenue recognition process including discounts, incentives and rebates recognition and assessing compliance with the policies in terms of IFRS as adopted by the EU. We walked through and tested the operation effectiveness of the controls over revenue recognition process. Based on a sample, we assessed revenue transactions taking place at either side of the balance sheet date as well as credit notes issued after the reporting date to evaluate whether that revenue was recognised in the correct period. We also developed an expectation of the current year sales revenue balance considering historical revenue and discounts, incentives and rebates information, compared it to the actual sales revenues and examined unexpected differences. On a sample of key customers, we inspected respective contractual terms and recalculated the amount of discounts, incentives and rebates. Where our recalculation differed to contractual terms, we obtained support for the differences to vouch their validity. We obtained customer confirmations of amounts outstanding at the reporting date for a sample of customers and gained understanding of any significant differences between customer confirmations received and the Group's accounting records. In addition, we assessed on the adequacy of the relevant disclosures in the consolidated financial statements and if these are in line with the requirements of the IFRS as adopted by the EU.

Other information

Management is responsible for the other information. Other information comprises the Management Report, Non-financial Report and Corporate Governance Statement included in the Group's Annual Report, but does not include consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Management Report, Non-financial Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act, whether the Non-financial Report is prepared in accordance with the requirements of Article 21a of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 22 and 24 of the Accounting Act.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management Report and Corporate Governance Statement is consistent, in all material respects, with the enclosed consolidated financial statements;

2. the enclosed Management Report is prepared in accordance with requirements of Article 21 and 24 of the Accounting Act;

3. the enclosed Non-financial Report is prepared in accordance with requirements of Article 21a of the Accounting Act; and

4. the enclosed Corporate Governance Statement includes the information specified in Article 22 and 24 of the Accounting Act.

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit of consolidated financial statements, we are also required to report if we have identified material misstatements in the Management Report, Non-financial Report and Corporate Governance Statement. We have nothing to report in this respect.

Responsibilities of management and Audit Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

Appointment of Auditor and Period of Engagement

Ernst & Young d.o.o was initially appointed as auditors of the Company on 18 June 2019. Our appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 17 May 2023, representing a total period of uninterrupted engagement appointment of 5 years.

Grant Thornton revizija d.o.o. was initially appointed as auditors of the Company on 17 May 2023, representing a total period of uninterrupted engagement appointment of 1 year.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 4 April 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the consolidated financial statements.

Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting

Independent report on the compliance of consolidated financial statements prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20,83/21 and 151/22) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (the ESEF Regulation).

We have conducted a reasonable assurance engagement on whether the consolidated financial statements, as contained in the attached electronic file *PodravkaGroup-2023-12-31.zip*, are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the management and Audit Committee
Management is responsible for the preparation of the consolidated financial statements in accordance with ESEF Regulation.
Furthermore, management is responsible for maintaining an internal control system that reasonably ensures the preparation of consolidated financial statements without material non-compliances with ESEF Regulation requirements, whether due to fraud or error.
Management is also responsible for:

- the public disclosure of consolidated financial statements included in the annual report, in XHTML format and
- selecting and using XBLR codes in accordance with ESEF regulation.

Audit Committee is responsible for overseeing the preparation of the consolidated financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibilities
Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the consolidated financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard for Assurance Engagements ISAE 3000 (revised)- Assurance engagements other than audits or reviews of historical financial information.

Work performed
The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with ESEF regulation.

In respect of the subject matter, we have performed the following procedures:

- we read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, devise and implement procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the consolidated financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the consolidated financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
    - the XBRL markup language was used,
    - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
    - the labeled elements comply with the common labeling rules under the ESEF Regulation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion
Based on the procedures performed and evidence gathered, the consolidated financial statements presented in ESEF format for the year ended on 31 December 2023, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation. Further to this conclusion, as well as the opinion contained in this independent auditor's report related to accompanying consolidated financial statements and annual report for the year ended 31 December 2023, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

The partners in charge of the audit resulting in this independent auditor's report are Berislav Horvat for Ernst & Young d.o.o. and Vedran Miloš for Grant Thornton revizija d.o.o.

Berislav Horvat
President of the Management Board and Certified auditor

4 April 2024

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb
Republic of Croatia

Vedran Miloš
Director and Certified auditor

4 April 2024

Grant Thornton revizija d.o.o.
Ulica Grada Vukovara 284
10000 Zagreb
Republic of Croatia

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousands of EUR)	*Note*	2023	2022
Revenues	*8*	713,848	667,175
Cost of goods sold	*11*	(465,141)	(430,445)
Gross profit		248,707	236,730
Other income	*9*	3,136	17,002
General and administrative expenses	*11*	(53,720)	(50,392)
Selling and distribution costs	*11*	(88,976)	(89,339)
Marketing expenses	*11*	(47,874)	(49,566)
Other expenses	*10*	(2,018)	(1,914)
Operating profit		59,255	62,521
Financial income	*13*	1,182	117
Financial expenses	*14*	(1,821)	(1,203)
Profit before tax		58,616	61,435
Income tax	*15*	8,964	(11,353)
Profit for the year		67,580	50,082
Other comprehensive income:			
Items that will not be reclassified to profit or loss account			
Actuarial profit - (net of deferred tax)		86	805
Items that can be subsequently reclassified to profit and loss account			
Exchange differences on translation of foreign operations		5	590
Total other comprehensive income		91	1,395
Total comprehensive income		67,671	51,477
Profit attributable to:			
Equity holders of the parent		66,362	49,058
Non-controlling interests		1,218	1,024
Total comprehensive income attributable to:			
Equity holders of the parent		66,453	50,435
Non-controlling interests		1,218	1,042
Earnings per share (in EUR)			
- Basic	*16*	9.4	7.0
- Diluted	*16*	9.4	6.9

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

(in thousands of EUR)	*Note*	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Goodwill	*17*	3,776	3,876
Intangible assets	*18*	33,439	32,082
Property, plant and equipment	*19*	342,366	300,791
Right-of-use assets	*20*	13,200	11,140
Investment property	*21*	13,819	14,016
Non-current financial assets	*23*	5,734	5,728
Deferred tax assets	*15*	25,385	16,962
Total non-current assets		437,719	384,595
Current assets			
Inventories	*24*	150,826	167,062
Trade and other receivables	*25*	128,255	118,036
Financial assets at fair value through profit and loss	*26*	59	12
Debt instruments at amortized cost	27	7,957	39,767
Income tax receivable		3,292	533
Cash and cash equivalents	*28*	42,528	21,913
Non-current assets held for sale	*29*	7,434	4,304
Total current assets		340,351	351,627
Total assets		778,070	736,222
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued capital	*30*	213,600	207,897
Share premium	*30*	17,479	24,780
Treasury shares	*30*	(6,929)	(5,634)
Reserves	*31*	172,144	163,898
Retained earnings	*32*	168,056	128,241
Attributable to equity holders of the parent		564,350	519,182
Non-controlling interests	*33*	10,642	9,424
Total shareholders' equity		574,992	528,606
Non-current liabilities			
Borrowings	*35*	534	3,797
Lease liabilities	*20*	8,137	6,253
Non-current provisions for employee benefits		7,482	7,596
Other non-current provisions	*36*	5,068	4,686
Other non-current liabilities	*37*	2,427	2,799
Deferred tax liability	*15*	4,352	4,166
Total non-current liabilities		28,000	29,297
Current liabilities			
Trade and other payables	*38*	117,091	94,976
Income tax payable		1,845	3,608
Financial liabilities at fair value through profit and loss	*34*	9	-
Borrowings	*35*	43,507	67,738
Lease liabilities	*20*	5,254	6,249
Current provisions for employee benefits	*36*	7,192	5,564
Other current provisions	*36*	180	184
Total current liabilities		175,078	178,319
Total liabilities		203,078	207,616
Total equity and liabilities		778,070	736,222

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousands of EUR)	Issued capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total
As at 1 January 2022	207,897	25,415	(5,228)	144,706	109,123	481,913	8,400	490,313
Comprehensive income								
Profit for the year	-	-	-	-	49,058	49,058	1,024	50,082
Foreign exchange differences	-	-	-	572	-	572	18	590
Actuarial profit (net of deferred tax)	-	-	-	805	-	805	-	805
Other comprehensive income	-	-	-	1,377	-	1,377	18	1,395
Total comprehensive income	-	-	-	1,377	49,058	50,435	1,042	51,477
Transactions with owners and transfers recognised directly in equity								
Allocation from retained earnings (note 31)	-	-	-	17,824	(17,824)	-	-	-
Exercise of options	-	(1,947)	3,136	-	(34)	1,155	-	1,155
Fair value of share-based payment transactions	-	1,312	-	-	-	1,312	-	1,312
Dividend declared	-	-	-	-	(12,082)	(12,082)	-	(12,082)
Purchase of treasury shares	-	-	(3,542)	-	-	(3,542)	-	(3,542)
Additional acquisition of minority interests (note 33)	-	-	-	(9)	-	(9)	(18)	(27)
Total transactions with owners recognised directly in equity	-	(635)	(406)	17,815	(29,940)	(13,166)	(18)	(13,184)
As at 31 December 2022	207,897	24,780	(5,634)	163,898	128,241	519,182	9,424	528,606
Comprehensive income								
Profit for the year	-	-	-	-	66,362	66,362	1,218	67,580
Foreign exchange differences	-	-	-	5	-	5	-	5
Actuarial profit (net of deferred tax)	-	-	-	86	-	86	-	86
Other comprehensive income	-	-	-	91	-	91	-	91
Total comprehensive income	-	-	-	91	66,362	66,453	1,218	67,671
Transactions with owners and transfers recognised directly in equity								
Allocation from retained earnings (note 31)	-	-	-	8,155	(8,155)	-	-	-
Exercise of options	-	(2,430)	3,955	-	187	1,712	-	1,712
Fair value of share-based payment transactions (note 40)	-	832	-	-	-	832	-	832
Dividend declared	-	-	-	-	(18,579)	(18,579)	-	(18,579)
Purchase of treasury shares (note 30)	-	-	(5,250)	-	-	(5,250)	-	(5,250)
Increase in share capital - HRK to EUR conversion	5,703	(5,703)	-	-	-	-	-	-
Total transactions with owners recognised directly in equity	5,703	(7,301)	(1,295)	8,155	(26,547)	(21,285)	-	(21,285)
As at 31 December 2023	213,600	17,479	(6,929)	172,144	168,056	564,350	10,642	574,992

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousands of EUR)	*Note*	2023	2022
Profit before tax		58,616	61,435
Depreciation and amortization	*11*	31,825	30,355
Impairment of property, plant and equipment	*10*	86	8
Impairment of intangible assets	*10*	783	981
(Reversal of impairment)/Impairment of trade receivables and other receivables		(368)	700
Reversal of impairment of loans given and interest		(4)	(34)
Impairment of long term financial assets	*9*	-	11
Gain on disposal of non-current assets		(760)	(13,868)
Remeasurement of financial assets and liabilities at FVTPL	13	(38)	(17)
Share-based payment transactions		832	1,312
Gain on write-off of liabilities		(75)	-
Gain on disposal of assets held for sale		(54)	(988)
Increase in provisions		1,973	1,577
Interest income	*13*	(1,141)	(97)
Dividend income and similar		(3)	(4)
Interest expense	*14*	1,563	882
Foreign exchange differences		63	428
Total adjustments		34,682	21,246
Changes in working capital:			
Decrease/(Increase) in inventories		16,236	(43,138)
(Increase)/Decrease in receivables		(9,932)	18,709
Increase in payables		21,335	23,550
Cash generated from operations		120,937	81,802
Income taxes paid		(3,947)	(5,899)
Interest paid		(1,583)	(858)
Net cash from operating activities		115,407	75,045
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibles		(73,780)	(52,662)
Investment in debt instruments at amortised cost		(15,912)	(39,750)
Proceeds from investment in debt instruments at amortised cost		48,293	-
Proceeds from sale of assets held for sale	*29*	231	2,981
Proceeds from sale of property, plant, equipment and intangibles		970	31,758
Loans given		(7)	(2)
Proceeds from loans given		4	40
Interest received		570	97
Dividends received		3	4
Net cash from investing activities		(39,628)	(57,534)
Cash flows from financing activities			
Dividend paid		(18,467)	(12,087)
Additional acquisition of minority interests		-	(27)
Purchase of treasury shares	*30*	(5,250)	(3,543)
Sale of treasury shares		2,625	2,764
Proceeds from borrowings		65,771	89,460
Repayment of borrowings		(93,034)	(71,128)
Repayment of leases		(6,809)	(5,457)
Net cash from financing activities		(55,164)	(18)
Net (decrease) in cash and cash equivalents		20,615	17,493
Cash and cash equivalents at beginning of year		21,913	4,420
Cash and cash equivalents at the end of year	*28*	42,528	21,913

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

NOTE 1 – GENERAL INFORMATION

History and incorporation

Podravka prehrambena industrija d.d., Koprivnica ("the Company") is incorporated in the Republic of Croatia. The principal activities of the Group comprise production of a wide range of food products as well as production and distribution of drugs, pharmaceutical products, cosmetics, auxiliary medical preparations and other chemicals. The Group consists of the parent company Podravka d.d. and its subsidiaries as stated in note 22. Podravka d.d. was established as a joint stock company under the entity registration number 010006549 and personal identification number 18928523252.

The Group is headquartered in Koprivnica, Croatia Ante Starčevića 32.

The main location of the Company's operations is Koprivnica, the Republic of Croatia.

The Company's shares were listed on the official market of the Zagreb Stock Exchange until 27 December 2018, since when they have been listed on the Prime Market of the Zagreb Stock Exchange. The shareholder structure is shown in note 30.
Podravka d.d. is the ultimate parent company of the Group.
During 2023, there were no changes in the Company's name or other identification of the reported entity.

General Assembly

The General Assembly of the Company consists of the shareholders of Podravka d.d.

Supervisory Board:

Members of the Supervisory Board in 2023:

President	Damir Grbavac	(01 July 2022 to 30 June 2026)
Deputy President	Luka Burilović	(02 Feb. 2017 to 07 Sept. 2026)
Member	Marina Dabić	(01 July 2019 to 30 June 2023)
Member	Tomislav Kitonić	(01 July 2019 to 30 June 2023)
Member	Ante Jelčić	(17 May 2023 to 16 May 2027)
Member	Ksenija Horvat	(01 July 2015 to 30 June 2027)
Member	Damir Felak	(08 Sept. 2022 to 07 Sept. 2026)
Member	Petar Miladin	(08 Sept. 2022 to 07 Sept. 2026)
Member	Damir Čukman	(01 July 2023 to 30 June 2027)
Member	Krunoslav Vitelj	(08 Sept. 2018 to 07 Sept. 2026)
Member	Darko Prpić	(01 July 2023 to 30 June 2027)

Management Board:

President	Martina Dalić	(02 Feb. 2021 to 23 Feb. 2027)
Member	Davor Doko	(01 May 2017 to 23 Feb 2027)
Member	Ljiljana Šapina	(24 Feb. 2017 to 23 Feb. 2027)
Member	Milan Tadić	(24 Feb. 2022 to 23 Feb 2027)
Member	Ivan Ostojić	(01 July 2022 to 23 Feb. 2027)

NOTE 2 – BASIS OF PREPARATION

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Financial statements are presented for the Group. The financial statements of the Group comprise the consolidated financial statements of the Company and its subsidiaries. The separate financial statements of the Company, which the Company is also required to prepare in accordance with EU IFRS, are published separately and issued simultaneously with these consolidated financial statements. The consolidated financial statements are available on the Company's website.

Changes in accounting policies are explained in note 5.

These financial statements were authorised for issue by the Management Board on 4 April 2024.

(ii) Basis of measurement

The consolidated financial statements of the Group have been prepared on the historical cost basis, except where stated otherwise (see note 6).

(iii) Functional and presentation currency

The items included in the Group's financial statements are expressed in the currency of the primary economic environment in which the Company operates (functional currency) rounded to the nearest thousand.

Given that the Republic of Croatia introduced the euro as the official currency on 1 January 2023, in accordance with the Law on the Introduction of the Euro as the official currency in the Republic of Croatia, the Group changed the presentation currency for the purposes of preparing financial statements for the year ended 31 December 2023 from kuna to euros, and the financial statements for the year ended 31 December 2023 were first time prepared in euros. From 1 January 2023, the euro is also the functional currency of the Group (until 1 January 2023, it was kuna).

Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, the Group did not publish the third balance sheet in the financial statements for the year ended 31 December 2023 in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, given that it has determined that the change in the presentation currency has no significant impact on the Groups's financial statements, due to the stable HRK/EUR exchange rate over the past few years.

(iv) Gross profit

Gross profit is the difference between the total revenues generated from the sale of products and services and the costs contained in the products sold.

(v) Operating profit

Operating profit is gross profit increased by other income and reduced by sales, distribution, marketing, general, administrative, research and development expenses and other expenses.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of Podravka d.d. ("the Company") and entities controlled by Podravka d.d. (its subsidiaries) as at and for the year ended 31 December 2023. Control is achieved if the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(i) Subsidiaries
Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

(ii) Business combination
The Group uses the acquisition method of accounting to account for business combinations.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

(iii) Non-controlling interests
Non-controlling interests are initially measured by their proportionate share of recognised net assets of the acquiree at the acquisition date. Changes in the Group's share in the subsidiary that do not result in loss of control are accounted for as transactions with owners.

3.2 Goodwill

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

3.3 Revenue recognition

Revenue is recognised, net of value-added tax, volume rebates, trade discounts, returns, listing fees and various promotional and marketing activities that are an integral part of contracts with customers.

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer.

Group's sales contracts generally comprise of only one performance obligation. As such, the Group do not disclose information about the allocation of the transaction price.

(i) Revenue from sale of products and merchandise – wholesale

The Group manufactures and sells its own products and goods of third parties (for which the Group is a distributor) in the wholesale market. Revenue is recognised when the Group transfers the promised goods or services to the wholesaler.

Products are sold with volume discounts and customers have a right to return products in the wholesale market in case of defects. Sales are recorded based on the price specified in the sales contracts, net of estimated volume rebates and trade discounts and returns. The volume discounts are assessed based on contracts with customers. No element of financing is deemed present in the sales.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Revenue recognition (continued)

(ii) Revenue from sale of products and merchandise – retail

Sales of products and goods sold in retail stores are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card. The Group does not operate any customer loyalty programmes.

(iii) Revenue from services

Sales of services, such as private label production, are recognised in the accounting period in which the services are rendered.

(iv) Financial income

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the right to receive payment is established.

3.4 Leases

The Podravka Group leases certain property (including long-term lease of agricultural land), plant and equipment.

The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value in the amount up to EUR 5 thousand (low-value assets). Assessment of asset of a low value starts from the assessment of new assets, regardless of the age of that asset at the time of assessment. If a lessee subleases an asset the head lease does not qualify as a lease of a low value asset. In short-term leases and leases of a low value asset, lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

The Podravka Group at the commencement date also recognizes lease liabilities at the present value of the minimum future lease payments (discounted value). Interest rate implicit in the lease contract is used for discounting or if that rate cannot be readily determined, the incremental borrowing rate at the commencement date is used.

Lease liabilities are measured at the effective interest rate method and re-measured to include changes due to reassessments (changes in fixed payments, lease terms, discount rates and other similar changes).

In the statement of financial position, right-of-use assets is reported as a separate line under long term assets, lease liabilities are disclosed as a separate item within long-term and short-term liabilities.

The statement of comprehensive income includes the cost of depreciation of the right-of-use assets and interest expenses on lease liabilities (see note 20).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions associated with them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or loss already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.6 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the General Assembly of the Company's shareholders.

3.7 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

At the consolidated level, the Group internally monitors and reports the following segments:

- BU Culinary
- BU Soups
- BU Cereals, Snacks and Beverages
- BU Creamy spreads and Desserts
- BU Bakery
- BU Basic Food
- BU Fish
- BU Meat products
- Pharmaceuticals
- Other sales

The Group identifies business segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Management Board of the Company) in order to allocate resources to the segments and to assess their performance. During 2023, the Group reconsidered internal monitoring and reporting by segment, reorganizing individual product groups within existing segments.

Territorial analysis of operations by segment is presented in note 8.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Taxation

(i) Income taxes

Current tax is the expected tax liability on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax liability in respect of previous years.

(ii) Deferred tax assets and liabilities

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax asset recognised on the basis of tax losses carried forward is recognised in accordance with tax legislation of the country where the company operates for the period envisaged by the law and is discharged at the expiry of this period if it is not used until then.

(iii) Investment tax credits

Investment tax credits are incentives arising from government incentive schemes which enable the Group to reduce its income tax liability or liabilities arising from other specified taxes in future periods, and are linked to the construction or acquisition of certain assets and/or performance of certain activities and/or fulfilment of certain specific conditions prescribed in the relevant regulation for investment incentives by the relevant authorities. Tax investment credits are initially recognized as a deferred tax asset and an income tax benefit in the amount equal to the lower of the maximum authorized credit and the estimated amount of credit that the Group expected it will be able to utilize until the incentive expires. Deferred tax assets recognized as a result of investment tax credits is utilized during the period of the incentive, i.e. until the expiration of the credits (if so specified) in accordance with and subject to the availability of tax obligations in future years against which the credits can be offset.

3.9 Property, plant and equipment

Land and assets under construction are not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 to 50 years
Equipment	3 to 30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date and when necessary.

Gains and losses on disposals are determined as the difference between the income from the disposal and the asset's carrying amount, and are recognised in profit or loss within other income/expenses.

3.10 Investment property

Investment property is carried at historical cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation of buildings is calculated using the straight-line method over their useful lives generally ranging from 10 to 50 years, depending on the type of the building.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Intangible assets

(i) Licences, brands, distribution rights and registration files

Product distribution rights and right over use of registration files generally have a definite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost of licences, distribution rights and registrations, and brands with definite useful lives over their useful lives estimated from 3 to 15 years.

Rights to acquired trademarks and know-how are carried at cost and have an indefinite useful life, since based on an analysis of all of the relevant factors at the reporting date, there is no foreseeable limit to the period of time over which the identified rights are expected to generate net cash inflows. Intangible assets with indefinite useful lives are tested annually for impairment and are stated at cost less accumulated impairment loss (note 3.15).

(ii) Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives estimated at 5 years.

(iii) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment loss, on the same basis as intangible assets that are acquired separately.

3.12 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (apart from inventories and deferred taxes) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Intangible assets with indefinite useful lives and other intangible assets are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is expensed immediately.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Inventories

Inventories of raw materials and spare parts are stated at the lower of cost, determined using the weighted average cost method, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Merchandise is carried at the lower of purchase cost and selling price (less applicable taxes and rebates).

3.14 Trade receivables

Trade receivables are recognised initially at cost which is equal to the fair value at the moment of recognition and subsequently measured at amortised cost using the effective interest method, if significant; if not, at nominal amount less an allowance for impairment.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less. Bank overdrafts are included within current liabilities on the consolidated statement of financial position.

3.16 Share capital

Share capital consists of ordinary shares. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds of those transactions. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium.

If the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

3.17 Employee benefits

(i) Pension obligations and post-employment benefits

In the normal course of business through salary payment, the Group makes payments to mandatory pension funds operated by third parties on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group is not obliged to provide any other post-employment benefits with respect to these pension schemes.

(ii) Termination benefits

Termination benefits are recognized when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as expenses when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Employee benefits (continued)

(iii) Regular retirement benefits

Retirement benefits falling due more than 12 months after the reporting date are discounted to their present value based on the calculation performed at each reporting date by an independent actuary, using assumptions regarding the number of staff likely to earn regular retirement benefits, estimated benefit cost and the discount rate which is determined as the average expected rate of return on investment in government and corporate bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

(iv) Long-term employee benefits

The Group recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined annually by an independent actuary, using assumptions regarding the likely number of staff to whom the benefits will be payable, estimated benefit cost and the discount rate which is determined as the average expected rate of return on investment in corporate bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

(v) Short-term employee benefits

The Group recognises a provision for employee bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Share-based payments

The Group operates a remuneration plan in the form of stock options and shares. Certain members of management receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for equity instruments.
Share-based payments to employees for services rendered that were settled by equity instruments are measured at fair value of the equity instruments at the grant date. The fair value of share-based payments settled by equity is recognized as expenditure over the period of acquiring the conditions, based on estimates relating to equity instruments for which conditions will eventually be vested.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Financial instruments

A. Financial assets

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

The structure of the Group's financial assets is simple and primarily relates to trade receivables without a significant financial component, loans given and short-term deposits in banks at fixed interest rates, while forward contracts are of insignificant amount. This significantly reduces the complexity of the assessment whether the financial assets meet the criterion of 'solely payments of principal and interest'.

B. Financial liabilities

Financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

C. Derivative financial instruments and hedging activities

The Group holds derivative financial instruments to hedge its foreign currency. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

During 2023 and 2022, Group had no transactions related to hedge accounting.

D. Impairment of non-derivative financial assets

Recognition of impairment losses

The Group recognises loss allowances for expected credit loss (ECLs) on:

- financial assets measured at amortised cost;
- debt instruments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss (ECLs) .

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if early warning indicators have been activated in accordance with the Group's policy or contractual terms of the instrument.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Financial instruments (continued)

D. Impairment of non-derivative financial assets

The Group considers a financial asset to be fully or partially in default if:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are estimate of credit losses. Credit losses are measured as the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. Regular external trade receivables that are not past due and uncollected receivables past due up to 360 days from the maturity date are impaired using the percentage that reflects the expectations of the non-collection of trade receivables (ECL). The percentage of impairment is determined on the basis of the average of the previous three-year period (historical rate) separately for each of the Group's companies, adjusted for the macroeconomic impact. The calculation of the historical rate is adjusted for extraordinary and specific circumstances, if required.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a significant delay of payment by the borrower;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Write-off of financial assets

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount of a financial asset upon the legal statute of limitation and it generally expects no recovery of the amount written off.

NOTE 4 – NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of issue of these financial statements, the following standards, amendments and interpretations issued by the International Accounting Standards Board are not yet effective.

- Amendments to IAS 1 *Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current, issued on 23 January 2020 and 15 July 2020 respectively (effective date for annual periods beginning on or after 1 January 2024).

- Amendments to IFRS 16 Leases: *Lease Liability in a Sale and Leaseback*, issued on 22 September 2022 (effective date for annual periods beginning on or after 1 January 2024).

At the date of issue of these financial statements the following standards, revisions and interpretations issued by the International Accounting Standards Board were not yet adopted by the EU:

- Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates:* Lack of Exchangeability (issued on 15 August 2023*).*

- Amendments to IAS 7 *Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures:* Supplier Finance Arrangements (issued on 25 May 2023*)*.

The Group does not expect the adoption of these standards and interpretations to have a material impact on the Group's financial statements.

NOTE 5 – IMPACT OF NEW ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2023:

- Amendments to IAS 12 *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).

- Amendments to IAS 12 *Income taxes:* International Tax Reform – Pillar Two Model Rules, issued on 23 May 2023 (effective date for annual periods beginning on or after 1 January 2023).

- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: Disclosure of Accounting policies, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).

- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors:* Definition of Accounting Estimates, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).

The adoption of these standards and interpretations did not have a significant impact on the Group's financial statements.

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with Financial reporting standards as adopted by the European Union (EU IFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of EU IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in more detail below.

(i) Deferred tax assets recognition

The deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on previous years taxable profits and expectations of future income that are believed to be reasonable under the existing circumstances (see note 15).

(ii) Actuarial estimates used in determining obligations for employee benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Due to the long-term nature of those plans, these estimates contain an element of uncertainty (see note 36).

(iii) Consequences of certain legal actions

The Group is involved in a number of legal actions which have arisen from the regular course of operations. Management makes estimates of probable outcomes of the legal actions, and the provisions for the Group's obligations arising from these legal actions are recognised on a consistent basis.

The Group recognises a provision in the total expected amount of outflows of economic benefits as a result of the court case, which is generally the claim amount plus penalty interest (if applicable), if it is more likely than not, based on the opinion of management after consultation with legal advisers, that the outcome of the court case will be unfavourable for the Group. The Group does not recognise provisions for court cases or the expected related legal costs and penalty interest (if applicable) in cases where management estimates that an unfavourable outcome of the court case is less likely than a favourable outcome for the Group.

Where indications exist of a possible settlement in relation to a particular court case, a provision is recognised, based on the best estimate of management made in consultation with its legal advisers, in the amount of the expected settlement less any existing amounts already provided for in relation to that particular court case.

Where the Group is a plaintiff in a particular court case, any economic benefits expected to flow to the Group as a result are recognised only when virtually certain which is generally as at the date of inflow of these economic benefits.

Provisions for the Group's obligations arising from legal actions are recognised on a consistent basis and estimated on a case by case principle.

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(iv) Recoverability of trade and other receivables

The recoverable amount of trade and other receivables is estimated at present value of future cash flows discounted at the market interest rate at the measurement date. Short-term receivables with no stated interest rate are measured by the amount of original invoice if the effect of discounting is not significant.

The Group regularly reviews the ageing structure of trade receivables and monitors the average collection period. In cases where debtors with extended payment periods are identified, the Group reduces the related credit limits and payment days for future transactions and, in cases where it deems it necessary, imposes restrictions on future transactions until the outstanding balance is repaid either entirely or in part. In cases where the Group identifies receivables toward debtors which have entered into pre-bankruptcy or bankruptcy proceedings, an impairment loss is immediately recognised in full.

By applying the percentage that reflects expectations on the non-collection of trade receivables (expected credit loss), the Group impairs undue regular external trade receivables and past due uncollected receivables up to 360 days from the maturity date.

In the process of regulating the collection of overdue debts, the Group actively negotiates with the respective debtors taking into account expectations of future business relations, significance of exposure to an individual debtor, possibilities of compensation, exercise of instruments of security (if any) or seizure of assets.

(v) Impairment testing for goodwill, brands and rights

The Group tests goodwill, brands and rights for impairment on an annual basis in accordance with accounting policy 3.14. For the purposes of impairment testing, goodwill, brands and rights with indefinite useful lives and brands and rights with finite useful lives have been allocated to cash generating units within reportable segments at their net carrying amount at the reporting date as follows:

	Goodwill	Brands	Rights
Operating segment	*(in thousands of EUR)*		
BU Culinary	-	968	-
BU Soups	-	-	-
BU Cereals, Snack and Beverages	-	3,536	-
BU Creamy spreads and Desserts	-	681	-
BU Bakery	-	3,684	-
BU Basic food	3,776	910	-
BU Meat products	-	-	-
BU Fish	-	2,495	-
Pharmaceuticals	-	-	6,678
Other - unallocated	-	-	2,066
	3,776	12,274	8,744

The recoverable amount of cash generating units is determined based on value-in-use calculations or fair value. These calculations use cash flow projections from financial budgets approved by management and cover a period of five years.

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Impairment testing for goodwill, brands and rights (continued)

Goodwill

Goodwill relates entirely to goodwill arising on acquisition of the subsidiary Podravka Lagris a.s. The Group annually performs an impairment test in order to assess whether the recoverable amount of goodwill indicates potential impairment of its carrying amount. The calculation of the recoverable amount of goodwill is based on five-year plans for sales on the Czech market and business plans of the subsidiary developed by the Group bearing in mind its corporate selling and marketing strategy, relevant markets trends (such as estimated movements in gross domestic product, market share of relevant products and categories) and the analysis of its competitors.

The calculation of the recoverable amount implies a terminal growth rate for cash flows after the projected five-year period amounting to 2.50% (2022: 2.00%). Cash flows created from such plans are discounted using the post-tax discount rate which reflects the risk of the underlying asset, and which has been defined for the purposes of the impairment test for goodwill as the weighted average cost of capital after tax for the Czech market and the food industry and amounts to 6.75% (2022: 8.04%).

As a result of the impairment testing of goodwill, the Group had no impairment losses relating to goodwill during 2023 and 2022.

The sensitivity analysis of presumptions indicates the need for the impairment of goodwill in case of an increase in the weighted average cost of capital rate by 598 basis points or a decrease in the terminal growth rate (assuming unchanged weighted average cost of capital) by 2,295 basis points.

Brands

Brands relate to acquired rights of use of logos, trademarks and brand names which the Group allocates to business segments in accordance with internal categorisation of products to which the specific brand relates, whereby the brand value is either allocated entirely to a specific segment or where applicable and where a brand relates to products and categories which relate to several segments, it is allocated based on the share of gross margin of the brand in each of the segments.

The Group annually performs impairment tests in order to assess whether the recoverable amount of brands indicates potential impairment of their carrying amount whereby the primary focus is on brands where the difference between the recoverable amount and the carrying amount indicates a significant sensitivity to changes in key variables used in impairment testing. The calculation of the recoverable amount of brands is based on five-year plans for sales of product and categories which comprise a certain brand and which the Group developed bearing in mind its corporate and marketing strategy, trends on relevant markets where the brands are sold (such as estimated movements in gross domestic product, market share of relevant products and categories) and the analysis of its competitors.

Cash flows created from such plans are discounted using the post-tax discount rate which reflects the risk of the underlying asset, and which has been defined for the purposes of the impairment test for brands as the weighted average cost of capital (WACC) for the primary market the brand is sold on and the food industry.

For the purpose of recoverable amount of brands whose dominant market is the Markets of Croatia and Slovenia, as at 31 December 2023 the Group applied an income approach – the method of non-payment of royalties.

The basis of the method of non-payment of royalties is that the value of intangible assets equals the amount that the owner would pay for the licence over the assets if it had not been owned, i.e. the value equals post-tax discounted expenses saved if royalties, i.e. the compensation for the use of trademarks, are not paid.

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Impairment testing for goodwill, brands and rights (continued)

Brands (continued)

When calculating the recoverable amount of brands whose dominant market is the Markets of Croatia and Slovenia (a total of 5 brands), rates equal to the weighted average cost of capital after tax (WACC) per individual market and the food industry were used, ranging from 5.58% to 10.42% (2022: ranging from 6.97% to 12.61%), while the applied terminal growth rates range from 2.80% to 3.45% (2022: the applied terminal growth rates range from 2.93% to 3.40%). The recoverable amount of brands resulting from the discounted cash flow method is as follows:

	Book value		Recoverable amount	
	2023	2022	2023	2022
Brands	*(in thousands of EUR)*			
Brand 1	836	836	1,517	1,122
Brand 2	2,057	2,057	17,946	15,108
Brand 3	2,806	2,806	4,071	3,104
Brand 4	58	58	246	189
Brand 5	438	438	2,632	1,457

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Impairment testing for goodwill, brands and rights (continued)

Brands (continued)

Valuation technique	Brand	Significant inputs	Value	Sensitivity of the input to fair value
Method of non-payment of royalties	Brand 1	Weighted average cost of capital	2023: 6.64% 2022: 8.01%	Increase in weighted average cost of capital by 321 basis points (2022: 179) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 3 thousand (2022: EUR 1 thousand)
		Terminal growth rate	2023: 2.85% 2022: 3.01%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 415 basis points (2022: 226) would result in a decrease in fair value in the amount of EUR 5 thousand (2022: EUR 1 thousand)
Method of non-payment of royalties	Brand 2	Weighted average cost of capital	2023: 8.86% 2022: 10.71%	Increase in weighted average cost of capital by 5,664 basis points (2022: 6,449) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 4 thousand (2022: EUR 664)
		Terminal growth rate	2023: 3.18% 2022: 3.00%	Even in case of a significant decrease in the terminal growth rate with unchanged weighted average cost of capital, there will be no decrease in fair value of the brand (the same refers for 2022)
Method of non-payment of royalties	Brand 3	Weighted average cost of capital	2023: 6.10% 2022: 7.47%	Increase in weighted average cost of capital by 151 basis points (2022: 50) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 233 (2022: EUR 3 thousand)
		Terminal growth rate	2023: 2.82% 2022: 2.93%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 179 basis points (2022: 59) would result in a decrease in fair value in the amount of EUR 2 thousand (2022: EUR 2 thousand)
Method of non-payment of royalties	Brand 4	Weighted average cost of capital	2023: 5.58% 2022: 6.97%	Increase in weighted average cost of capital by 972 basis points (2022: 983) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 374 (2022: EUR 796)
		Terminal growth rate	2023: 2.80% 2022: 3.00%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 1,620 basis points (2022: 1,700) would result in a decrease in fair value in the amount of EUR 111 (2022: EUR 133)
Method of non-payment of royalties	Brand 5	Weighted average cost of capital	2023: 10.42% 2022: 12.61%	Increase in weighted average cost of capital by 4,388 basis points (2022: 2,519) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 2 thousand (2022: EUR 929)
		Terminal growth rate	2023: 3.45% 2022: 3.40%	Even in case of a significant decrease in the terminal growth rate with unchanged weighted average cost of capital, there will be no decrease in fair value of the brand (the same refers for 2022)

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Impairment testing for goodwill, brands and rights (continued)

Brands (continued)

When calculating the recoverable amount of brands whose dominant market is the Slovenian market (a total of 25 brands), rates equal to the weighted average cost of capital after tax (WACC) per individual market and the food industry were used, ranging from 5.58% to 8.57% (2022: ranging from 6.94% to 11.27%) while the applied terminal growth rate ranges from 0% to 2.95% (2022: ranging from 2.18% to 3.04%).

The recoverable amount of brands resulting from the discounted cash flow method is as follows:

	Book value		Recoverable amount	
	2023	2022	2023	2022
Brands	*(in thousands of EUR)*			
Brand 1	1,712	1,712	8,583	5,934
Brand 2	519	519	4,667	3,983
Brand 3	398	398	1,175	985
Brand 4	121	121	482	437
Brand 5	87	87	653	240
Brand 6	92	92	387	190
Brand 7	38	38	355	154
Brand 8	-	-	-	-
Brand 9	421	421	5,136	3,909
Brand 10	254	254	1,075	770
Brand 11	38	38	149	90
Brand 12	322	322	608	511
Brand 13	239	239	4,631	5,717
Brand 14	212	212	2,862	2,154
Brand 15	97	97	726	440
Brand 16	-	-	-	-
Brand 17	291	291	416	681
Brand 18	334	334	1,636	1,075
Brand 19	-	-	-	-
Brand 20	486	486	9,745	8,681
Brand 21	-	20	-	-
Brand 22	35	79	35	-
Brand 23	27	27	47	-
Brand 24	208	208	509	-
Brand 25	24	24	60	-

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Impairment testing for goodwill, brands and rights (continued)

Brands (continued

Valuation technique	Brand	Significant inputs	Value	Sensitivity of the input to fair value
Method of non-payment of royalties	Brand 1	Weighted average cost of capital	2023: 6.50% 2022: 7.86%	Increase in weighted average cost of capital by 1,920 basis points (2022: 1,519) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 4 thousand (2022: EUR 8 thousand)
		Terminal growth rate	2023: 2.23% 2022: 2.28%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 7,393 basis points (2022: 4,148) would result in a decrease in fair value in the amount of EUR 1 thousand (2022: EUR 6 thousand)
Method of non-payment of royalties	Brand 2	Weighted average cost of capital	2023: 5.66% 2022: 6.94%	Increase in weighted average cost of capital by 2,654 basis points (2022: 2,956) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 2 thousand (2022: EUR 1 thousand)
		Terminal growth rate	2023: 2.72% 2022: 2.92%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 50,372 basis points would result in a decrease in fair value in the amount of EUR 1 thousand (2022: Even in case of a significant decrease in the terminal growth rate with unchanged weighted average cost of capital, there will be no decrease in fair value of the brand)
Method of non-payment of royalties	Brand 3	Weighted average cost of capital	2023: 5.62% 2022: 6.97%	Increase in weighted average cost of capital by 582 basis points (2022: 623) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 1 thousand (2022: EUR 398)
		Terminal growth rate	2023: 2.80% 2022: 2.97%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 808 basis points (2022: 917) would result in a decrease in fair value in the amount of EUR 1 thousand (2022: EUR 265)
Method of non-payment of royalties	Brand 4	Weighted average cost of capital	2023: 6.51% 2022: 8.24%	Increase in weighted average cost of capital by 1,239 basis points (2022: 1,676) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 1 thousand (EUR 398)
		Terminal growth rate	2023: 2.82% 2022: 2.58%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 2,542 basis points (2022: 5,458) would result in a decrease in fair value in the amount of EUR 1 thousand (2022: EUR 796)
Method of non-payment of royalties	Brand 5	Weighted average cost of capital	2023: 6.07% 2022: 7.40%	Increase in weighted average cost of capital by 3,093 basis points (2022: 990) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 3 thousand (2022: EUR 398)
		Terminal growth rate	2023: 2.06% 2022: 2.18%	Even in case of a significant decrease in the terminal growth rate with unchanged weighted average cost of capital, there will be no decrease in fair value of the brand (2022: 1,858 basis points – decrease of EUR 398)

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Impairment testing for goodwill, brands and rights (continued)

Brands (continued)

Valuation technique	Brand	Significant inputs	Value	Sensitivity of the input to fair value
Method of non-payment of royalties	Brand 6	Weighted average cost of capital	2023: 5.58% 2022: 6.97%	Increase in weighted average cost of capital by 992 basis points (2022: 453) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 1 thousand (2022: EUR 398)
		Terminal growth rate	2023: 2.80% 2022: 3.00%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 1,680 basis points (2022: 620) would result in a decrease in fair value in the amount of EUR 1 thousand (2022: EUR 398)
Method of non-payment of royalties	Brand 7	Weighted average cost of capital	2023: 5.58% 2022: 6.97%	Increase in weighted average cost of capital by 2,682 basis points (2022: 1,373) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 1 thousand (2022: EUR 531)
		Terminal growth rate	2023: 2.80% 2022: 3.00%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 50,280 basis points (2022: 3,100) would result in a decrease in fair value in the amount of EUR 687 (2022: EUR 398)
Method of non-payment of royalties	Brand 9	Weighted average cost of capital	2023: 5.58% 2022: 6.97%	Increase in weighted average cost of capital by 3,722 basis points (2022: 3,913) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 825 (2022: EUR 133)
		Terminal growth rate	2023: 2.80% 2022: 3.00%	Even in case of a significant decrease in the terminal growth rate with unchanged weighted average cost of capital, there will be no decrease in fair value of the brand (the same refers for 2022.)
Method of non-payment of royalties	Brand 10	Weighted average cost of capital	2023: 7.48% 2022: 8.81%	Increase in weighted average cost of capital by 1,562 basis points (2022: 1,249) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 1 thousand (2022: EUR 265)
		Terminal growth rate	2023: 2.87% 2022: 2.94%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 4,037 basis points (2022: 2,764) would result in a decrease in fair value in the amount of EUR 735 (2022: EUR 398)
Method of non-payment of royalties	Brand 11	Weighted average cost of capital	2023: 5.58% 2022: 7.05%	Increase in weighted average cost of capital by 892 basis points (2022: 625) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 328 (2022: EUR 531)
		Terminal growth rate	2023: 2.80% 2022: 2.97%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 1,430 basis points (2022: 917) would result in a decrease in fair value in the amount of EUR 230 (2022: EUR 398)

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Impairment testing for goodwill, brands and rights (continued)

Brands (continued)

Valuation technique	Brand	Significant inputs	Value	Sensitivity of the input to fair value
Method of non-payment of royalties	Brand 12	Weighted average cost of capital	2023: 7.52% 2022: 8.91%	Increase in weighted average cost of capital by 438 basis points (2022: 379) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 420 (2022: EUR 265)
		Terminal growth rate	2023: 2.83% 2022: 2.82%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 613 basis points (2022: 542) would result in a decrease in fair value in the amount of EUR 1 thousand (2022: EUR 929)
Method of non-payment of royalties	Brand 13	Weighted average cost of capital	2023: 5.58% 2022: 7.07%	Increase in weighted average cost of capital by 6,762 basis points (2022: 14,893) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 408 (2022: EUR 531)
		Terminal growth rate	2023: 2.80% 2022: 2.96%	Even in case of a significant decrease in the terminal growth rate with unchanged weighted average cost of capital, there will be no decrease in fair value of the brand (the same refers for 2022)
Method of non-payment of royalties	Brand 14	Weighted average cost of capital	2023: 7.34% 2022: 8.76%	Increase in weighted average cost of capital by 7,666 basis points (2022: 7,274) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 475 (2022: EUR 398)
		Terminal growth rate	2023: 2.86% 2022: 2.92%	Even in case of a significant decrease in the terminal growth rate with unchanged weighted average cost of capital, there will be no decrease in fair value of the brand (the same refers for 2022)
Method of non-payment of royalties	Brand 15	Weighted average cost of capital	2023: 5.85% 2022: 7.23%	Increase in weighted average cost of capital by 2,135 basis points (2022: 1,587) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 438 (2022: EUR 531)
		Terminal growth rate	2023: 2.85% 2022: 3.04%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 9,485 basis points (2022: 4,204) would result in a decrease in fair value in the amount of EUR 261 (2022: EUR 664)
Method of non-payment of royalties	Brand 17	Weighted average cost of capital	2023: 5.58% 2022: 7.02%	Increase in weighted average cost of capital by 247 basis points (2022: 578) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 129 (2022: EUR 1 thousand)
		Terminal growth rate	2023: 0.0% 2022: 2.98%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 332 basis points (2022: 838) would result in a decrease in fair value in the amount of EUR 317 (2022: EUR 1 thousand)

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Impairment testing for goodwill, brands and rights (continued)

Brands (continued)

Valuation technique	Brand	Significant inputs	Value	Sensitivity of the input to fair value
Method of non-payment of royalties	Brand 18	Weighted average cost of capital	2023: 8.57% 2022: 11.27%	Increase in weighted average cost of capital by 2,643 basis points (2022: 2,253) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 1 thousand (2022: EUR 796)
		Terminal growth rate	2023: 2.95% 2022: 2.62%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 550,295 basis points (2022: 950) would result in a decrease in fair value in the amount of EUR 114 (2022: Even in case of a significant decrease in the terminal growth rate with unchanged weighted average cost of capital, there will be no decrease in fair value of the brand)
Method of non-payment of royalties	Brand 20	Weighted average cost of capital	2023: 5.58% 2022: 6.97%	Increase in weighted average cost of capital by 7,302 basis points (2022: 10,053) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 282 (2022: EUR 1 thousand)
		Terminal growth rate	2023: 2.80% 2022: 2.99%	Even in case of a significant decrease in the terminal growth rate with unchanged weighted average cost of capital, there will be no decrease in fair value of the brand (the same refers for 2022)
Method of non-payment of royalties	Brand 23	Weighted average cost of capital	2023: 5.58% 2022: -	Increase in weighted average cost of capital by 1,642 basis points with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 352
		Terminal growth rate	2023: 0% 2022: -	Decrease in terminal growth rate with unchanged weighted average cost of capital by 635 basis points would result in a decrease in fair value in the amount of EUR 258
Method of non-payment of royalties	Brand 24	Weighted average cost of capital	2023: 5.58% 2022: -	Increase in weighted average cost of capital by 2,552 basis points with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 230
		Terminal growth rate	2023: 2.80% 2022: -	Decrease in terminal growth rate with unchanged weighted average cost of capital by 540 basis points would result in a decrease in fair value in the amount of EUR 118
Method of non-payment of royalties	Brand 25	Weighted average cost of capital	2023: 5.74% 2022: -	Increase in weighted average cost of capital by 2,726 basis points with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 199
		Terminal growth rate	2023: 2.80% 2022: -	Decrease in terminal growth rate with unchanged weighted average cost of capital by 640 basis points would result in a decrease in fair value in the amount of EUR 151

During 2023, the Group recognised brand impairment in the amount of EUR 70 thousand (2022: EUR 277 thousand).

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Impairment testing for goodwill, brands and rights (continued)

Rights

Rights relate to registration files (pharmaceutical segment), distribution rights relating either to a specific segment or to several segments combined and acquired rights for operating pharmacies (pharmaceutical segment). Registration files and distribution rights have finite useful lives over which they are amortised and impaired in the event circumstances arise which indicate a need for impairment in excess of the regular amortisation charge. Pharmaceutical rights relate to acquired rights to perform pharmaceutical activities that are fully allocated to the segment "Pharmaceuticals". In accordance with local legislation such rights do not expire (the Group does not expect regulatory changes in this respect).

The Group annually performs impairment tests in order to assess whether the recoverable amount of pharmaceutical rights indicates potential impairment of their carrying amount. Rights with an unlimited useful lives are allocated for the purpose of impairment testing to cash-generating units within the business segments and their net carrying value at the reporting date is EUR 5,126 thousand (2022: EUR 5,312 thousand).

The recoverable value of cash-generating units is determined by calculations of value in use based on projections of discounted cash flows on the basis of financial plans approved by the Management Board, which cover a five-year period from the reporting date.

Key assumptions on which projections of future discounted cash flows are based include an average revenue growth rate in the five-year period from 2025 onward of 2.5%, and for 2024 it varies from 2.5% to 10%.

In cash flows after the five-year period, a terminal growth rate of 2 % was used, and the present value of net future cash flows was calculated using discount rates based on the average weighted cost of capital of 8.14% after taxation (for assets that generate the majority of income on the Croatian market) (2022: 8.14% after taxation).

During 2023, the Group recognised impairment costs on rights in the amount of EUR 404 thousand (2022: EUR 581 thousand).

During 2023, the Group had impairment cost on pharmacy rights for one pharmacy unit in the amount of EUR 411 thousand. Simultaneously for two pharmacy units it had the effect of reversal of impairment in the amounts of EUR 132 thousand and EUR 93 thousand, respectively (2022: the Group did not have impairment cost on pharmacy rights). Following the impairment test, the Group further compared similar transactions on the pharmacy market through revenue and operating profit multipliers that also indicate that the carrying amount is not higher than the fair value. Management views the cash-generating unit as a single pharmacy unit in a particular geographical area.

Three pharmacy units show sensitivity to key assumptions.

Sensitivity analysis for the pharmacy unit with a carrying value of EUR 200 thousand at the reporting date (2022: EUR 611 thousand) indicates that with the decrease in terminal growth rate of 50 basis points (with unchanged weighted average cost of capital) there would be a need for additional impairment in the amount of EUR 22 thousand. The sensitivity analysis also shows that with an increase in the weighted average cost of capital by 50 basis points (to 8.64%), with unchanged terminal growth rate from key assumptions, the value of the additional impairment would be EUR 26 thousand.

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Impairment testing for goodwill, brands and rights (continued)

Rights (continued)

Sensitivity analysis for the pharmacy unit with a carrying value of EUR 1,800 thousand at the reporting date (2022: EUR 1,707 thousand) indicates that with the terminal growth rate of -0.5% (with unchanged weighted average cost of capital) there would be a need for impairment in the amount of EUR 5 thousand. The sensitivity analysis also shows that with an increase in the weighted average cost of capital by 110 basis points (to 9.24%), with unchanged terminal growth rate from key assumptions, the value of the impairment would be EUR 120 thousand.

Sensitivity analysis for the pharmacy unit with a carrying value of EUR 2,700 thousand at the reporting date (2022: EUR 2,568 thousand) indicates that with the terminal growth rate of 0.5% (with unchanged weighted average cost of capital) there would be a need for impairment in the amount of EUR 6 thousand. The sensitivity analysis also shows that with an increase in the weighted average cost of capital by 100 basis points (to 9.14%), with unchanged terminal growth rate from key assumptions, the value of the impairment would be EUR 137 thousand.

(vi) Impairment test for property, plant and equipment, investment property and assets held for sale

The Group annually performs analysis of impairment indicators for property, plant and equipment in order to assess whether the recoverable amount indicates potential impairment of their carrying amount. In 2023, the Group did not recognise impairment of property and plant (2022: EUR 0 thousand). During 2023, the Group recognised impairment of equipment in the amount of EUR 86 thousand (2022: EUR 8 thousand).

For property, plant and equipment held for sale, upon classification of such assets as held for sale the Group estimates their recoverable amount based on an independent expert valuer's estimate of the fair value of these assets less costs to sell and records these assets at the lower of their carrying amount and the recoverable amount. Generally, the Group considers with significant confidence that the recoverable amount of such assets will be realized through sale or disposal in the short term and in cases where there has been a delay in disposal due to circumstances which do not require reclassification of such assets into property, plant and equipment, the Group considers whether there have been significant changes in the circumstances and expectations related to the disposal process which would require re-assessment of their fair value. If a significant change in circumstances has not occurred, but the asset relates to property which is intended to be used until disposal, the Group approximates the possible impairment that could arise from the date of classification of such assets as held for sale up to the reporting date at the level of depreciation that would have been recognised had those assets not been classified as held for sale.

NOTE 7 – DETERMINATION OF FAIR VALUES

The Group has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and finance department in relation to the monitoring of all significant fair value measurements, consultation with external experts and the responsibility to report, with respect the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties in which case the Board and the finance department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

All significant issues related to fair values estimates are reported to the Supervisory Board and the Audit Committee.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1* - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2* - inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3* - input variables for assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

In preparing these financial statements, the Group has made the following significant fair value estimates, as further explained in detail in the following notes:

- note 23: Non-current financial assets
- note 26: Financial assets at fair value through profit or loss
- note 29: Non-current assets held for sale
- note 34: Financial liabilities at fair value through profit or loss
- note 40: Share-based payments

NOTE 8 – SALES REVENUE

Sales revenue

	2023	2022
	(in thousands of EUR)	
Revenue from sale of products and merchandise	710,086	663,479
Revenue from services	3,762	3,696
	713,848	667,175

For management purposes, the Group is organised in business units based on the similarity in the nature of individual product groups and has identified reportable segments in accordance with quantitative thresholds for segment reporting. The reportable segments of the Group are as follows:

- BU Culinary
- BU Soups
- BU Cereals, Snacks and Beverages
- BU Creamy spreads and Desserts
- BU Bakery
- BU Basic Food
- BU Fish
- BU Meat products
- Pharmaceuticals
- Other sales

The reportable segments are part of the internal financial reporting to the Management Board which was identified as the chief operating decision maker. The Management Board reviews the internal reports regularly and assesses the segment performance, and uses those reports in making operating decisions.

Segment revenues and results

Set out below is an analysis of the Group's revenue and results by its reportable segments, presented in accordance with IFRS 8 *Operating segments* and a reconciliation of segment profits to profit or loss before tax as presented in the consolidated statement of comprehensive income. The revenue presented below relates to third-party sales. Inter-segment revenues are eliminated on consolidation.

(in thousands of EUR)	Segment revenues 2023	Segment expenses 2023	Segment depreciation 2023	Segment profits/(loss) 2023
BU Culinary	105,435	69,918	1,986	33,531
BU Soups	47,004	33,192	939	12,873
BU Cereals, Snack and Beverages	46,616	34,236	2,146	10,234
BU Cream spreads and Desserts	47,853	41,426	2,505	3,922
BU Bakery	70,862	64,672	2,663	3,527
BU Basic food	118,714	113,804	5,112	(202)
BU Meat products	44,003	40,321	1,517	2,165
BU Fish	26,564	24,121	917	1,526
Other sales	46,589	41,560	729	4,300
Pharmaceutical	160,208	120,072	8,930	31,206
	713,848	583,322	27,444	103,082
Finance income (note 13)				1,182
Other income (note 9)				3,136
Central administration costs				(44,945)
Other expenses (note 10)				(2,018)
Finance expenses (note 14)				(1,821)
Profit before tax				58,616

NOTE 8 – SALES REVENUE (CONTINUED)

Segment revenues and results (continued)

(in thousands of EUR)	Segment revenues 2022	Segment expenses 2022	Segment depreciation 2022	Segment profits/(loss) 2022
BU Culinary	101,287	69,286	2,031	29,970
BU Soups	41,919	28,820	1,031	12,068
BU Cereals, Snack and Beverages	42,673	31,920	2,175	8,578
BU Cream spreads and Desserts	45,609	41,281	2,413	1,915
BU Bakery	69,519	61,430	2,668	5,421
BU Basic food	114,418	107,123	4,481	2,814
BU Meat products	43,278	42,470	1,563	(755)
BU Fish	27,106	26,898	942	(734)
Other sales	36,356	31,473	664	4,219
Pharmaceutical	145,010	112,238	8,848	23,924
	667,175	552,939	26,816	87,420
Finance income (note 13)				117
Other income (note 9)				17,002
Central administration costs				(39,987)
Other expenses (note 10)				(1,914)
Finance expenses (note 14)				(1,203)
Profit before tax				61,435

Balance sheet by segments

	31 December 2023			31 December 2022		
(in thousands of EUR)	Total	Pharmaceuticals	Food Segments	Total	Pharmaceuticals	Food Segments
ASSETS						
Total non-current assets	437,719	113,590	324,129	384,595	119,114	265,481
Total current assets	340,351	115,214	225,137	351,627	95,827	255,800
Total assets	778,070	228,804	549,266	736,222	214,941	521,281
LIABILITIES						
Equity	564,350	185,692	378,658	519,182	170,035	349,147
Minority interest	10,642	10,642	-	9,424	9,424	-
Total long-term liabilities	28,000	3,722	24,278	29,297	6,487	22,810
Total current liabilities	175,078	28,748	146,330	178,319	28,995	149,324
Total equity and liabilities	778,070	228,804	549,266	736,222	214,941	521,281

Group does not follow detailed breakdown of balance sheet by segment but only by the two main segments on consolidated level.

NOTE 8 – SALES REVENUE (CONTINUED)

Segment revenues and results (continued)

BU Culinary comprises the following product groups: Universal seasonings, Special seasonings, Monospices and salts, Bouillons, and Food mixes.

BU Soups comprises the following product groups: Soups, and Instant meals.

BU Cereals, Snack and Beverages comprises the following product groups: Cereals, Baby food, Snack, Tea, and Beverages.

BU Creamy spreads and desserts comprises the following product groups: Creamy spreads, and Desserts.

BU Bakery comprises the following product groups: Bread, Rolls and salt bakery products, Sweet bakery products, Žito flour, and Confectionery.

BU Basic Food comprises the following product groups: Condiments, Tomato products, Processed fruit, Vegetables, Podravka flour, Side dishes, and Wellness food.

BU Meat products comprises the following product groups: Ready meals, Pates, Dried Meat and Sausage Products, Chilled ready meals, and Other products.

BU Fish comprises the following product groups: Fish products, Fish salads, and Fish others.

The Pharmaceutical segment comprises the following: ethical drugs (medically prescribed drugs), non-prescription program (drugs for which no medical prescription is required), nutraceuticals and trade goods and services. Pharmaceuticals segment is regulated by the Croatian Institute for Health Insurance, which provides prescription drug prices and by the relevant regulatory authorities in connection with the registration of medicines in the Croatian market. Foreign markets in this segment have similar regulation characteristics.

The Other segment comprises the following product groups: merchandise and food services.

Business unites (BU) comprise own brands, B2B, private labels and service production.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, other income, other expenses, finance expenses, and income tax expense.

Geographical information

The Group operates in five principal geographical areas by which it reports third-party sales:

(in thousands of EUR)	2023	2022
Markets of Croatia and Slovenia	352,876	332,712
Southeastern Europe	152,577	139,537
Western Europe and Overseas	84,044	71,259
Central Europe	80,240	84,563
Eastern Europe	44,111	39,104
	713,848	667,175

NOTE 8 – SALES REVENUE (CONTINUED)

Information about major customers

Third-party sales in Croatia account for 33% (2022: 32%) of the total revenue from external customers, whereas the remaining 67% (2022: 68%) represent foreign sales. Top 20 customers participate with 34% (2022: 32%) in the value of external sales in total income.

Sales to major customers owned or controlled by the same third party group represent approximately 10% of the Group's total revenue in 2023 (2022: approximately 9% of the total revenue). Below is a more detailed overview of countries by geographical area:

Markets of Croatia and Slovenia	Southeastern Europe	International markets				
		Western Europe and Overseas			Central Europe	Eastern Europe
		Western Europe	Overseas			
Croatia	Bosnia and Herzegovina	Germany	USA	Libya	Poland	Russian Federation
Slovenia	North Macedonia	Austria	Canada	Burkina Faso	Czech Republic	Ukraine
	Serbia	Switzerland	Australia	China	Slovakia	Kazakhstan
	Montenegro	France	New Zealand	Japan	Hungary	Estonia
	Kosovo	Great Britain	Iraq	Taiwan	Romania	Lithuania
	Bulgaria	Italy	United Arab Emirates	Israel		Latvia
	Albania	Denmark	Kuwait	Mongolia		Moldova
	Greece	Sweden	Qatar	Bolivia		Belarus
		Netherlands	Saudi Arabia	South Korea		Armenia
		Belgium	Turkey	Kongo		Kyrgyzstan
		Ireland	Jordan	Lebanon		Georgia
		Spain	Cyprus	Senegal		Uzbekistan
		Portugal	Egypt			
			Fiji			
			Ghana			
			Levant			

NOTE 9 – OTHER INCOME

	2023	2022
	(in thousands of EUR)	
Grant income	1,636	1,249
Gain on disposal of property, plant, equipment and intangibles	703	13.790
Gains on write-off right-of-use assets	56	32
Gain on disposal of assets held for sale	54	988
Other income	687	804
Reversal of impairment of other receivables	-	93
Gains on investment property	-	46
	3,136	17,002

In 2023, the Group generated income from sale and disposal of tangible assets in the amount of EUR 703 thousand (2022: EUR 13,790 thousand, mostly related to sales of property in Slovenia).

Grant income mainly refers to non-repayable state grants for the employment of disabled persons, non-repayable state grants for agriculture and energy, and research and development programmes.

NOTE 10 – OTHER EXPENSES

	2023	2022
	(in thousands of EUR)	
Interest and foreign exchange differences on trade receivables and payables	1,105	896
Impairment of property, plant, equipment and intangibles	869	989
Interest expense relating to trade payables and other	44	18
Investment expenditure - share adjustment	-	11
	2,018	1,914

NOTE 11 – EXPENSES BY NATURE

	2023	2022
	(in thousands of EUR)	
Raw materials supplies, energy and cost of goods sold including change in inventory	371,780	344,267
Staff costs (note 12)	155,993	149,152
Services (i)	34,112	32,642
Depreciation and amortisation (ii)	31,825	30,355
Advertising and promotion	23,890	25,340
Transport	20,350	20,140
Entertainment	4,117	3,600
Rental expense	3,609	3,108
Taxes and contributions independent of operating results	3,413	3,381
Cost of disposal of packaging, administrative fees, etc	2,152	1,832
Insurance premiums	2,011	1,731
Daily allowances and other business travel expenses	1,960	1,497
Telecommunications	1,262	1,286
Litigation expenses	438	289
(Reversal of impairment)/impairment of trade receivables (note 25)	(369)	794
Other	(832)	328
Total cost of goods sold, selling and distribution costs, marketing costs and general and administrative costs	655,711	619,742

(i) Costs of services include audit fees. Fees for the dual-audit of the Group's financial statements amounted to EUR 534 thousand (2022: EUR 380 thousand for the statutory auditor's fee). Fees for the additional auditing services amounted to EUR 20 thousand (2022: EUR 18 thousand). During 2023, the Company contracted auditor for sustainability consulting services in the amount of EUR 83 thousand (2022: EUR 0).

(ii) Depreciation and amortisation include EUR 351 thousand of government grants for co-financing of assets (2022: EUR 241 thousand).

The Group reports gross profit as revenue from the sale of products less operating expenses as shown in the specification above with the net effect of other income (note 9) and other expenses (note 10).

NOTE 11 – EXPENSES BY NATURE (CONTINUED)

The following tables present expenses by nature contained in cost of goods sold:

	2023	2022
	(in thousands of EUR)	
Raw material and changes in inventory	266,189	249,125
Cost of goods sold	98,505	87,194
Staff costs	65,717	61,833
Depreciation and amortisation	17,379	17,028
Production services	11,004	10,428
Taxes and contributions independent of operating results	1,531	1,500
Other expenses (transport, rent, education, etc.)	4,816	3,337
Cost of goods sold	465,141	430,445

The Group reports gross profit as revenue from the sale of products less cost of goods sold as shown in the specification above.

Depreciation and amortisation allocated to each function is as follows:

	2023	2022
	(in thousands of EUR)	
Cost of goods sold	17,379	17,028
General and administrative expenses	6,428	5,367
Selling, logistics and distribution costs	6,417	6,365
Marketing expenses	1,601	1,595
	31,825	30,355

Staff costs allocated to each function is as follows:

	2023	2022
	(in thousands of EUR)	
Cost of goods sold	65,717	61,833
Selling, logistics and distribution costs	42,928	40,687
General and administrative expenses	32,971	32,039
Marketing expenses	14,377	14,593
	155,993	149,152

NOTE 12 – STAFF COSTS

	2023	2022
	(in thousands of EUR)	
Net salaries	80,903	78,783
Taxes and contributions from salaries	31,565	29,241
Contributions on salaries	16,584	15,572
Christmas and Easter bonuses, holiday allowance	4,931	4,912
Cash awards	5,307	4,674
Meals	4,089	3,242
Transportation	3,781	3,421
Share-based payments (note 40)	832	1,312
Termination and retirement benefits	1,100	1,133
Other costs of employees	6,901	6,862
	155,993	149,152

As at 31 December 2023, the number of staff employed by the Group was 6,163 (2022: 6,299). The average number of employees of the Group during 2023 is 6,232 employees (2022: 6,465 employees). Of the total cost of share-based payments of EUR 832 thousand (2022: EUR 1,312 thousand), the amount of EUR 325 thousand relates to stock options (2022: EUR 976 thousand), while the amount of EUR 507 thousand relates to shares (2022: EUR 336 thousand). In 2023, termination and retirement benefits of EUR 1,100 thousand were paid to 231 employees (2022: termination and retirement benefits of EUR 1,133 thousand were paid to 165 employees).

NOTE 13 – FINANCE INCOME

	2023	2022
	(in thousands of EUR)	
Interest on term deposits	539	56
Remeasurement of financial instruments at fair value through profit or loss	38	17
Dividend income	3	3
Other interests	602	41
	1,182	117

NOTE 14 – FINANCE EXPENSES

	2023	2022
	(in thousands of EUR)	
Interest and fee expense	1,569	920
Net foreign exchange loss on borrowings	252	283
	1,821	1.203

NOTE 15 – INCOME TAX

Income tax expense consists of:

	2023	2022
	(in thousands of EUR)	
Impact of the incentive obtained on the 2022 income tax liability reduction	(3,966)	-
Current income tax for 2023	10,409	9,508
Impact of the incentive obtained on the 2023 income tax liability reduction	(7,116)	-
Tax paid abroad and Tax for the previous year	103	-
Deferred tax (income)/expense	(8,394)	1,845
	(8,964)	11,353

Effective tax rate reconciliation

A reconciliation of tax expense per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

	2023	2022
	(in thousands of EUR)	
Profit before taxation	58,616	61,435
Income tax at 18%	10,551	11,058
Non-taxable income	-	(7)
Non-deductible expenses	940	667
Tax incentives (research and development, education and other)	(19,918)	(240)
Recognition of previously unrecognized temporary differences and tax losses as deferred tax assets	(380)	-
Temporary differences and tax losses not recognised as deferred tax assets	140	187
Effect of different tax rates	(681)	(475)
Effect of change in tax rate on deferred tax assets and liabilities	181	-
Tax for the previous year	-	(11)
Tax paid abroad	203	174
Income tax	(8,964)	11,353
Effective tax rate	-15%	18%

Investment tax credit

In March 2015, pursuant to the Investment Promotion and Development of Investment Climate Act, the subsidiary Belupo d.d. became eligible to receive incentive measures. The Ministry of Economy approved the tax incentive measures, as a subsidy for qualifying costs of new employment linked to the investment project and an incentive for capital expenditure related to the investment project, in the form of an investment tax credit in the amount of EUR 21.7 million for which the subsidiary will be able to reduce its future income tax liabilities and/or receive cash reimbursements as an incentive for employment related to the investment project.

The subsidiary has the right to use the investment tax credit in the next 10 years from the date of approval by the relevant authorities. The execution of the investment project is subject to supervision by the relevant institutions and the subsidiary is not permitted to reduce the number of new jobs (related to the terms of the incentive measures) in addition to other conditions, throughout the period of the incentive measures, but no less than 5 years. If the conditions of the tax incentive are not met, the subsidiary would have to retroactively pay income tax inclusive of any penalty interest.

NOTE 15 – INCOME TAX (CONTINUED)

Investment tax credit (continued)

Based on the assessment of the recoverability of the tax incentive made by the management of the subsidiary and the Group, in financial statements for 2015, the subsidiary and Group initially recognised the entire amount of approved tax incentives as a deferred tax asset and an income tax benefit. In future years, the deferred tax asset will be utilised in accordance with the utilization of the tax incentive, i.e. in accordance with and subject to the availability of tax obligations against which the credits can be offset and/or amounts of cash reimbursements the subsidiary receives as incentives for new employment as part of the investment project. In 2023, the remaining deferred tax asset of EUR 3.1 million was used from this basis.

On 10 November 2022, the Company Podravka d.d. applied for approval of the status of holder of incentive measures based on the Investment Promotion Act. The Act allows for tax incentives in the amount of 50% of the investment amount up to the amount of the investment in the equivalent value of EUR 50 million, and 25% of the incentive for the value of the investment that exceeds the equivalent value of EUR 50 million. Incentives are not approved for the part of the investment that potentially exceeds the equivalent value of EUR 100 million. The theoretical holder of incentive measures can achieve a maximum of EUR 37.5 million tax incentives that can be used for a maximum of 10 years.

On 02 May 2023 The Ministry of Economy and Sustainable Development awarded Podravka the status of beneficiary of investment support, based on the project of investing in expanding capacities and increasing competitiveness through construction and equipping in area of Koprivnica and Varaždin. The approved tax advantage can be used from 2023, from payment of the corporate income tax payment for 2022, with the realization of the conditions of maintaining the investment during the period of using the tax advantage and employing at least 15 new jobs related to the investment and keeping them during the period of use.

The approved incentive measures have a maximum intensity of EUR 34,300 thousand. Based on the assessment of the possible use of the tax benefit by the Management of the Company, Podravka d.d. initially recognized EUR 19,718 thousand of tax benefits as deferred tax asset and tax income, and taking into account the anticipated level of investment as well as the anticipated availability of taxable profits. In the coming years, deferred tax assets will be used in accordance with the use of the tax benefit, i.e. the availability of tax liability, which the Company will be able to reduce based on the incentive measure. During December 2022, the Company started with the investment and in 2022 used part of the total incentives and reduced the income tax liability by the amount of EUR 3,966 thousand. In 2023, EUR 3,989 thousand of deferred tax assets were also used on this basis. The remaining amount of deferred tax assets amounts to EUR 11,764 million.

Unused tax losses

In accordance with tax regulations, as at 31 December 2023 the Group has unused tax losses in the amount of EUR 14.1 million (2022: EUR 12.3 million) which consist of tax losses in Slovenia (in the amount of EUR 2.3 million), Tanzania (in the amount of EUR 3 million), Poland (in the amount of EUR 3.1 million), Germany (in the amount of EUR 69 thousand), Russia (in the amount of EUR 95 thousand), Bulgaria (in the amount of EUR 2.7 thousand), Australia (in the amount of EUR 142 thousand), the USA (in the amount of EUR 35 thousand), and Croatia (in the amount of EUR 5.4 million).
Unused tax losses carried forward were recognized as deferred tax assets in the amount of EUR 511 thousand. In the financial statements, the Group did not recognize deferred tax assets for the remaining tax losses since it is not probable that the tax losses will be utilized by the companies they relate to.

NOTE 15 – INCOME TAX (CONTINUED)

Unused tax losses (continued)

Unused tax losses (gross) at the reporting date were as follows:

	2023	2022
	(in thousands of EUR)	
Tax losses expiring at 31 December 2023	-	171
Tax losses expiring at 31 December 2024	581	581
Tax losses expiring at 31 December 2025	1,117	1,117
Tax losses expiring at 31 December 2026	1,723	1,846
Tax losses expiring at 31 December 2027	4,196	1,472
Tax losses expiring at 31 December 2028	245	-
Tax losses with no expiration date	5,657	7,106
	13,519	12,293

Deferred tax assets

Deferred tax assets arise from the following:

2023	Opening balance	Recognised in profit or loss	Recognised directly in equity	Foreign exchange differences	Closing balance
		(in thousands of EUR)			
Basis:					
Intangible assets	514	59	-	-	573
Property, plant and equipment	927	(18)	-	-	909
Financial assets	6,880	46	-	-	6,926
Provisions	2,539	(241)	(18)	-	2,280
Share-based payments	326	(4)	-	-	322
Inventories	2,059	37	-	-	2,096
Investment tax credit	3,127	8,637	-	-	11,764
Unutilised tax losses carried forward	481	30	-	-	511
Receivables	109	(105)	-	-	4
Deferred tax assets	16,962	8,441	(18)	-	25,385

The most significant effect on the increase in deferred tax assets in 2023 is on the basis of investment tax credit, and the most significant decrease is the result of the decrease in previously unrecognised provisions.

2022	Opening balance	Recognised in profit or loss	Recognised directly in equity	Foreign exchange differences	Closing balance
		(in thousands of EUR)			
Basis:					
Intangible assets	515	(1)	-	-	514
Property, plant and equipment	936	(9)	-	-	927
Financial assets	6,724	156	-	-	6,880
Provisions	2,844	(216)	(89)	-	2,539
Share-based payments	364	92	(130)	-	326
Inventories	1,699	360	-	-	2,059
Investment tax credit	6,016	(2,889)	-	-	3,127
Unutilised tax losses carried forward	698	(204)	-	(13)	481
Receivables	126	(17)	-	-	109
Deferred tax assets	19,922	(2,728)	(219)	(13)	16,962

NOTE 15 – INCOME TAX (CONTINUED)

Deferred tax liability

Deferred tax liabilities arise from the following:

2023	Opening balance	Recognised in profit or loss	Foreign exchange differences	Closing balance
	(in thousands of EUR)			
Basis:				
Intangible assets	(1,267)	(123)	-	(1,390)
Property, plant and equipment	(2,899)	(73)	10	(2,962)
	(4,166)	(196)	10	(4,352)

2022	Opening balance	Recognised in profit or loss	Foreign exchange differences	Closing balance
	(in thousands of EUR)			
Basis:				
Intangible assets	(1,350)	86	(3)	(1,267)
Property, plant and equipment	(3,691)	797	(5)	(2,899)
	(5,041)	883	(8)	(4,166)

NOTE 16 – EARNINGS/ (LOSS) PER SHARE

Basic earnings per share

Basic earnings per share are determined by dividing the Group's net earnings or losses with the weighted average number of ordinary shares in issue during the year, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share

Diluted earnings per share were calculated as the basic earnings per share, including the impact of the number of share options granted to employees, of which 45,800 were not exercised (2022: 49,172 options). The price of all unexercised share options is lower than the share market price as at 31 December 2023. The value of diluted earnings per share is the lower of the basic earnings per share obtained and the diluted earnings per share obtained.

Basic and diluted weighted average number of shares is as follows:

	2023	2022
Ordinary shares as at 1 January	7,120,003	7,120,003
Effect of treasury shares	(86,784)	(93,478)
Weighted average number of shares at 31 December (basic)	7,033,219	7,026,525
Effect of share based payments	45,800	49,172
Weighted average number of shares at 31 December (diluted)	7,079,019	7,075,697

Basic and diluted earnings per share for the Group as a whole was as follows:

	2023	2022
Basic earnings per share		
Profit for the year attributable to the owners of parent company (in thousands of EUR)	66,362	49,058
Basic earnings per share (in EUR)	9.4	7.0
Diluted earnings per share		
Profit for the year attributable to the owners of parent company (in thousands of EUR)	66,362	49,058
Diluted earnings per share (in EUR)	9.4	6.9

NOTE 17 – GOODWILL

(in thousands of EUR)	2023	2022
Cost		
At 1 January	8,933	8,933
At 31 December	8,933	8,933
Accumulated impairment losses		
At 1 January	5,057	5,203
Effect of foreign exchange differences	100	(146)
At 31 December	5,157	5,057
Carrying amount at 31 December	3,776	3,876

During 2023 and 2022 there was no impairment of goodwill. A more detailed description of the approach and methods used in impairment testing is provided in note 6(v).

NOTE 18 – INTANGIBLE ASSETS

(in thousands of EUR)	Software and licences	Rights, registration files, know how	Brands	Intangible assets in progress	Total
Cost					
At 1 January 2022	40,030	33,575	26,921	5,477	106,003
Effect of foreign exchange differences	(4)	4	66	1	67
Additions	8	-	-	3,435	3,443
Transfers	3,169	2,075	-	(5,244)	-
Disposals and write-off's	(217)	(691)	-	(19)	(927)
Transfer to tangible fixed assets	(24)	19	-	389	384
Impairment of assets	-	-	(157)	(502)	(659)
At 31 December 2022	42,962	34,982	26,830	3,537	108,311
Accumulated amortisation and impairments					
At 1 January 2022	(33,699)	(24,901)	(14,322)	-	(72,922)
Effect of foreign exchange differences	(2)	(3)	(56)	-	(61)
Disposals and write-off's	217	691	-	-	908
Amortisation	(2,789)	(1,048)	-	-	(3,837)
Transfer to tangible fixed assets	24	(19)	-	-	5
Impairment of assets	-	(202)	(120)	-	(322)
At 31 December 2022	(36,249)	(25,482)	(14,498)	-	(76,229)
Carrying amount as at 31 December 2022	6,713	9,500	12,332	3,537	32,082
Cost					
At 1 January 2023	42,962	34,982	26,830	3,537	108,311
Effect of foreign exchange differences	49	-	(11)	-	38
Additions	-	-	-	6,083	6,083
Transfers	2,784	646	-	(3,430)	-
Disposals and write-off's	(374)	(170)	-	(2)	(546)
Transfer from tangible fixed assets	15	5	-	85	105
Transfer from assets held for sale	97	-	-	-	97
Impairment of assets	-	-	(70)	(309)	(379)
At 31 December 2023	45,533	35,463	26,749	5,964	113,709
Accumulated amortisation and impairments					
At 1 January 2023	(36,249)	(25,482)	(14,498)	-	(76,229)
Effect of foreign exchange differences	(56)	-	23	-	(33)
Disposals and write-off's	372	170	-	-	542
Amortisation	(3,033)	(1,002)	-	-	(4,035)
Transfer from tangible fixed assets	(15)	-	-	-	(15)
Transfer from assets held for sale	(95)	-	-	-	(95)
Impairment of assets	-	(405)	-	-	(405)
At 31 December 2023	(39,076)	(26,719)	(14,475)	-	(80,270)
Carrying amount as at 31 December 2023	6,457	8,744	12,274	5,964	33,439

Of the total amount of accumulated amortisation and impairment losses, EUR 5,510 thousand relates to accumulated impairment losses (2022: EUR 4,727 thousand).

The total intangible assets with indefinite useful lives as at 31 December 2023 amount to EUR 21,019 thousand and relate to brands and other rights.

During 2023, the Group recognised brand impairment costs in the amount of EUR 70 thousand (2022: EUR 277 thousand). Also, during 2023, the Group recognised impairment of rights in the amount of EUR 405 thousand (2022: EUR 581 thousand). In 2023, the Group recognised impairment of intangible assets in progress in the amount of EUR 309 thousand (2022: EUR 123 thousand).

NOTE 19 – PROPERTY, PLANT AND EQUIPMENT

(in thousands of EUR)	Land and buildings	Equipment	Assets under construction	Total
Cost				
At 1 January 2022	388,900	346,579	13,093	748,572
Effect of foreign exchange differences	261	296	(30)	527
Additions	143	196	48,905	49,244
Purchase of used assets	-	7	-	7
Transfers	20,143	20,997	(41,140)	-
Disposals and write-off's	(17,293)	(10,105)	-	(27,398)
Transfer to intangible assets (i)	-	5	(389)	(384)
Transfer to assets held for sale (ii)	(7,013)	(3,300)	(21)	(10,334)
Transfer to investment property	-	-	(15)	(15)
Impairment of assets (iii)	-	-	(8)	(8)
At 31 December 2022	385,141	354,675	20,395	760,211
Accumulated depreciation and impairments				
At 1 January 2022	(237,295)	(218,386)	(43)	(455,724)
Effect of foreign exchange differences	(113)	(94)	-	(207)
Disposals and write-off's	743	9,839	-	10,582
Purchase of used assets	-	(7)	-	(7)
Depreciation charge for the year	(7,453)	(13,800)	-	(21,253)
Transfer to intangible assets (i)	-	(5)	-	(5)
Transfer to assets held for sale (ii)	4,805	2,389	-	7,194
At 31 December 2022	(239,313)	(220,064)	(43)	(459,420)
Carrying amount as at 31 December 2022	145,828	134,611	20,352	300,791
Cost				
At 1 January 2023	385,141	354,675	20,395	760,211
Effect of foreign exchange differences	(90)	(122)	(12)	(224)
Additions	(2)	-	67,699	67,697
Transfers	6,450	22,940	(29,390)	-
Disposals and write-off's	(2,172)	(13,020)	-	(15,192)
Transfer to intangible assets (i)	-	(15)	(90)	(105)
Transfer from assets held for sale	-	28	-	28
Transfer to assets held for sale (ii)	(10,610)	-	-	(10,610)
Impairment of assets (iii)	-	-	(3)	(3)
At 31 December 2023	378,717	364,486	58,599	801,802
Accumulated depreciation and impairments				
At 1 January 2023	(239,313)	(220,064)	(43)	(459,420)
Effect of foreign exchange differences	(146)	(97)	-	(243)
Disposals and write-off's	2,049	12,888	-	14,937
Depreciation charge for the year	(7,548)	(14,301)	-	(21,849)
Transfer to intangible assets (i)	-	15	-	15
Transfer to assets held for sale (ii)	7,120	87	-	7,207
Impairment of assets (iii)	-	(83)	-	(83)
At 31 December 2023	(237,838)	(221,555)	(43)	(459,436)
Carrying amount as at 31 December 2023	140,879	142,931	58,556	342,366

(i) During 2023, the Group transferred property, plant and equipment to intangible assets in the net amount of EUR 90 thousand (2022: EUR 389 thousand).
(ii) During 2023, the Group transferred property, plant and equipment to assets held for sale in the amount of EUR 3,403 thousand (2022: EUR 3,140 thousand).
(iii) During 2023, the Group recognised impairment of equipment in the amount of EUR 86 thousand (2022: EUR 8 thousand).

NOTE 19 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets under construction mainly relate to investments in modernisation of production capacities and extension of the product range.

During 2023, the Group had no investments related to interest expense capitalisation in property and equipment.

Mortgaged assets

Buildings, land and equipment of the Group with a net carrying amount of EUR 41,767 thousand (2022: EUR 43,961 thousand) are pledged as collateral against the Group's borrowings.

NOTE 20 – LEASES

Movements in right-of-use assets:

(in thousands of EUR)	Land	Buildings	Total land and buildings	Equipment	Total
Cost					
As at 1 January 2022	1,540	8,798	10,338	12,995	23,333
Exchange rate effect	-	60	60	(1)	59
Increase/(Decrease)	-	2,459	2,459	1,568	4,027
Disposals and write-off's	-	(929)	(929)	(1,430)	(2,359)
Balance at 31 December 2022	1,540	10,388	11,928	13,132	25,060
Accumulated depreciation					
As at 1 January 2022	111	5,040	5,151	5,806	10,957
Exchange rate effect	-	36	36	1	37
Decrease	-	(12)	(12)	(525)	(537)
Depreciation charge for the year	36	2,184	2,220	3,060	5,280
Disposals and write-off's	-	(671)	(671)	(1,146)	(1,817)
Balance at 31 December 2022	147	6,577	6,724	7,196	13,920
As at 31 December 2022	1,393	3,811	5,204	5,936	11,140
Cost					
As at 1 January 2023	1,540	10,388	11,928	13,132	25,060
Exchange rate effect	1	(30)	(29)	(16)	(45)
Increase	267	6,321	6,588	1,399	7,987
Disposals and write-off's	(64)	(1,569)	(1,633)	(1,340)	(2,973)
Balance at 31 December 2023	1,744	15,110	16,854	13,175	30,029
Accumulated depreciation					
As at 1 January 2023	147	6,577	6,724	7,196	13,920
Exchange rate effect	2	(34)	(32)	(36)	(68)
Decrease	-	(13)	(13)	(57)	(70)
Depreciation charge for the year	45	2,632	2,677	3,069	5,746
Disposals and write-off's	(8)	(1,434)	(1,442)	(1,257)	(2,699)
Balance at 31 December 2023	186	7,728	7,914	8,915	16,829
As at 31 December 2023	1,558	7,382	8,940	4,260	13,200

NOTE 20 – LEASES (CONTINUED)

Movements in lease liabilities for right-of-use assets:

	2023	2022
	(in thousands of EUR)	
As at 1 January	12,502	12,631
Interest expense	278	292
Increase of lease liabilities during the year (net)	7,783	5,018
Lease liabilities payments	(7,087)	(5,502)
Exchange rate difference	(85)	63
As at 31 December	13,391	12,502
Current portion of long term liability for right-of-use assets	5,254	6,249
Long term liabilty for right-of-use assets	8,137	6,253

Amounts recognised in the statement of comprehensive income:

	2023	2022
	(in thousands of EUR)	
Depreciation expense of right-of-use assets	5,746	5,280
Expenses related to short-term leases and leases of low-value assets etc.	4,236	4,019
Interest expense	278	292
Total amount recognised in the statement of comprehensive income	10,260	9,591

NOTE 21 – INVESTMENT PROPERTY

(in thousands of EUR)	Total
Cost	
As at 1 January 2022	19,698
Exchange rate effect	5
Disposals and write-off's	(1,455)
Transfer from property, plant and equipment	15
Balance at 31 December 2022	18,263
Accumulated depreciation	
As at 1 January 2022	(4,381)
Exchange rate effect	(2)
Disposals and write-off's	362
Depreciation charge for the year	(226)
Balance at 31 December 2022	(4,247)
Net book value at 31 December 2022	14,016
Cost	
As at 1 January 2023	18,263
Balance at 31 December 2023	18,263
Accumulated depreciation	
As at 1 January 2023	(4,247)
Depreciation charge for the year	(197)
Balance at 31 December 2023	(4,444)
Net book value at 31 December 2023	13,819

Operating expenses for investment property amount to EUR 272 thousand (2022: EUR 275 thousand), while rental income from the property amounts to EUR 108 thousand (2022: EUR 335 thousand).

NOTE 22 – SUBSIDIARIES

Group consists of the Company and the following subsidiaries in which the Company has an ownership and control:

Name of subsidiary	Country	2023	2022	Principal activity
Belupo d.d., Koprivnica	Croatia	100.00%	100.00%	Production and distribution of pharmaceuticals
Belupo dooel, Skopje*	North Macedonia	100.00%	100.00%	Sale and distribution of pharmaceuticals
Belupo s.r.o. Bratislava*	Slovakia	100.00%	100.00%	Sale and distribution of pharmaceuticals
Belupo d.o.o. Ljubljana*	Slovenia	100.00%	100.00%	Sale and distribution of pharmaceuticals
Ljekarne Deltis Pharm, Koprivnica*	Croatia	100.00%	100.00%	Sale and distribution of pharmaceuticals
Farmavita d.o.o. Sarajevo, Vogošća*	Bosnia and Herzegovina	65.00%	65.00%	Production and distribution of pharmaceuticals
Mirna d.d., Rovinj	Croatia	100.00%	100.00%	Fish processing and production
Podravka-Lagris a.s., Dolni Lhota u Luhačovic	Czech Rep.	100.00%	100.00%	Rice production and sale
Podravka-Polska Sp.z o.o., Warszawa	Poland	100.00%	100.00%	Seasonings sale and distribution
Podravka-International Kft, Budapest	Hungary	100.00%	100.00%	Sale and distribution of food and beverages
Podravka d.o.o., Belgrade	Serbia	100.00%	100.00%	Sale and distribution of food and beverages
Podravka-Int. Deutschland –"Konar" GmbH	Germany	100.00%	100.00%	Sale and distribution of food and beverages
Podravka-International s.r.o., Zvolen **	Slovakia	100.00%	100.00%	Sale and distribution of food and beverages
Podravka d.o.o., Podgorica	Montenegro	100.00%	100.00%	Sale and distribution of food and beverages
Podravka-International Pty Ltd, Silverwater	Australia	100.00%	100.00%	Sale and distribution of food and beverages
Podravka EOOD, Sofia	Bulgaria	100.00%	100.00%	Sale and distribution of food and beverages
Podravka-International s.r.l., Bucharest	Romania	100.00%	100.00%	Sale and distribution of food and beverages
Podravka DOOEL, Petrovec	North Macedonia	100.00%	100.00%	Sale and distribution of food and beverages
Podravka d.o.o., Sarajevo	Bosnia and Herzegovina	100.00%	100.00%	Sale and distribution of food and beverages
Podravka USA Inc., New York	USA	100.00%	100.00%	Sale and distribution of food and beverages
Podravka d.o.o., Moscow	Russia	100.00%	100.00%	Sale and distribution of food and beverages
Foodpro Limited, Dar es Salaam***	Tanzania	100.00%	100.00%	Production and distribution of food
Podravka Gulf Fze, Jebel Ali, Dubai	UAE	100.00%	100.00%	Sale and distribution
Žito d.o.o., Ljubljana	Slovenia	100.00%	100.00%	Production and distribution of food
Intes Storitve d.o.o., Maribor****	Slovenia	100.00%	100.00%	Production and distribution of food
Šumi bonboni d.o.o., Ljubljana****	Slovenia	100.00%	100.00%	Production and distribution of food
Žito maloprodaja d.o.o., Ljubljana****	Slovenia	100.00%	100.00%	Sale of food and beverages - retail
Podravka d.o.o., Ljubljana****	Slovenia	100.00%	100.00%	Sale and distribution of food and beverages

* The Group holds these ownership interests indirectly through its subsidiary Belupo d.d.

** 25% of ownership interest is held indirectly through the subsidiary Podravka-Lagris a.s., Dolni Lhota u Luhačovic

*** 15% of ownership interest is held indirectly through the subsidiary Podravka-Int. Deutschland – "Konar" GmbH

**** The Group holds these ownership interests indirectly through its subsidiary Žito d.o.o.; during 2023, the company Šumi bonboni d.o.o., Ljubljana was merged with the company ŽITO d.o.o., Ljubljana

NOTE 23 – NON-CURRENT FINANCIAL ASSETS

	2023	2022
	(in thousands of EUR)	
Financial instruments	7,185	7,185
Impairment of financial instruments	(2,354)	(2,354)
Equity instruments	708	708
Deposits and other	195	189
	5,734	5,728

Equity instruments mainly relate to investments in unquoted equity instruments.

NOTE 24 – INVENTORIES

	2023	2022
	(in thousands of EUR)	
Finished goods	67,401	64,175
Raw materials and supplies	59,968	79,026
Merchandise	16,551	17,496
Work in progress	6,906	6,365
	150,826	167,062

In 2023, the Group recognised net gain on value adjustments to certain inventories in the amount of EUR 552 thousand (2022: net impairment loss of EUR 1,172 thousand). The movement in inventory impairment provision is included in the statement of comprehensive income in line item ‘Cost of goods sold’.

NOTE 25 – TRADE AND OTHER RECEIVABLES

	2023	2022
	(in thousands of EUR)	
Current receivables		
Trade receivables	143,352	133,445
Impairment of receivables	(23,273)	(23,948)
Impairment of receivables for expected credit losses	(10)	(104)
Net trade receivables	120,069	109,393
Net VAT receivable	2,690	2,495
Prepaid expenses	2,203	2,834
Advances to suppliers	415	782
Receivables from employees	170	209
Loans given	1	1
Other receivables	2,707	2,322
	128,255	118,036

Movements in the impairment allowance for trade receivables are as follows:

	2023	2022
	(in thousands of EUR)	
At 1 January	24,052	23,721
Increase	100	883
Amounts collected	(469)	(89)
Written off as uncollectable	(400)	(463)
At 31 December	23,283	24,052

Impairment losses on trade receivables and subsequent collections are included in 'Selling and distribution expenses'.

Ageing analysis of trade receivables which have not been impaired:

	2023	2022
	(in thousands of EUR)	
Not due	93,942	91,860
0-90 days	23,665	14,376
91-180 days	1,366	1,838
181-360 days	1,096	1,319
	120,069	109,393

Major customers

Trade receivables from major customers owned or controlled by the same third party from regular business as at 31 December 2023 amount to EUR 18,215 thousand (2022: EUR 15,600 thousand).

NOTE 26 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	(in thousands of EUR)	
Forward contracts	59	12
	59	12

In 2023, the Group used forward contracts with commercial banks with the primary intention of managing the fluctuation of the exchange rates of foreign currencies. As at 31 December 2023, the forward contracts had a fair value of EUR 59 thousand (2022: EUR 12 thousand).

The nominal value of forward exchange contracts at 31 December 2023 in the sold currency translated at the CNB exchange rate amounted to EUR 4,633 thousand with maturities between 8 January 2024 and 9 December 2024 (2022: EUR 211 thousand with maturities between 20 January 2023 and 20 March 2023).

Gains and losses recognized as changes in the market value of the currency forward contracts are recorded in the statement of comprehensive income within ‘financial income/financial expenses, net’.

Fair value measurement

The fair value of forward exchange contracts is based on the quotation of the exchange rate. In accordance with the used input variables, evaluation is categorized in the fair value hierarchy as level 2 (see note 7).

NOTE 27 – DEBT INSTRUMENTS AT AMORTIZED COST

	2023	2022
	(in thousands of EUR)	
Government treasury bills	7,957	39,767
	7,957	39,767

At 31 December 2023, the Group has a short-term investment in zero coupon treasury bills issued by the Federal Republic of Germany with maturity in 2024, while as at 31 December 2022 it had a short-term investment in zero coupon treasury bills issued by the Federal Republic of Germany with maturity in 2023. They are held until maturity with the purpose of realizing the nominal amount.

NOTE 28 – CASH AND CASH EQUIVALENTS

	2023	2022
	(in thousands of EUR)	
Short-term deposits up to 3 months	29,646	990
Short-term deposits	12,851	20,886
Cash in hand	31	37
	42,528	21,913

Cash in banks refers to transaction accounts at commercial banks bearing an interest rate ranging from 0.0% to 6.4%.

Deposits refer to funds deposited with commercial banks for a period of up to three months.

The Group has certain transactions in foreign currencies and cash on bank accounts mainly in EUR (EUR 31,922 thousand), BAM (EUR 4,890 thousand), PLN (EUR 1,385 thousand), USD (EUR 1,020 thousand) and CZK (EUR 533 thousand), while in other currencies it holds EUR 2,778 thousand.

NOTE 29 – NON-CURRENT ASSETS HELD FOR SALE

	2023	2022
	(in thousands of EUR)	
Land and buildings	6,449	2,977
Equipment	985	1,327
	7,434	4,304

In 2023, the Group sold a portion of non-current assets held for sale with the carrying value of EUR 177 thousand and realised gain on sale in the amount of EUR 54 thousand. In addition the Group transferred property, plant and equipment to assets held for sale in the amount of EUR 3,403 thousand.
Of the total amount of land and buildings held for sale, EUR 2,547 thousand relates to land and buildings on the market of Slovenia, EUR 157 thousand to land and buildings in Tanzania, EUR 3,633 thousand to land and buildings in Croatia, and EUR 112 thousand to land and buildings on the market of Bosnia and Herzegovina.

Fair value measurement

Land and buildings held for sale in the amount of EUR 7,434 thousand are measured at fair value less costs to sell due to the fact that this value is lower than the net carrying value prior to classification as held for sale. The Group has made an estimation of fair value on classification date and regularly checks if estimation needs to be revised.

Fair value measurement according to inputs used in evaluation is classified as level 3 (see note 7). The following table summarizes the valuation methods and techniques as well as significant inputs used in measuring the fair value at the classification date:

Valuation methods and techniques	Significant unobservable inputs
Property For buildings and land, cost and comparative methods are used. *Equipment* For equipment, the cost method is used	Following an examination of the actual transactions, information regarding realized transactions of comparable size was discovered. When using the cost method, factors that affect the building's value are considered, including age impairment, normal construction costs, defects, and damage.

Equipment held for sale

The amount of EUR 371 thousand as at 31 December 2023 relates to equipment in the production plant in Tanzania (2022: EUR 417 thousand), and equipment on the market of Slovenia in the amount of EUR 614 thousand (2022: EUR 909 thousand).

NOTE 30– SHARE CAPITAL

	Number of shares	Ordinary shares	Share premium	Treasury shares	Total
	(in pcs)	*(in thousands of EUR)*			
At 1 January 2022	7,014,087	207,897	25,415	(5,228)	228,084
Purchase of treasury shares (i)	(44,290)	-	-	(3,542)	(3,542)
Exercise of options (i)	56,728	-	(1,947)	3,136	1,189
Fair value of share based payments (i)	-	-	1,312	-	1,312
At 31 December 2022	7,026,525	207,897	24,780	(5,634)	227,043
At 1 January 2023	7,026,525	207,897	24,780	(5,634)	227,043
Purchase of treasury shares (i)	(47,659)	-	-	(5,250)	(5,250)
Exercise of options (i)	54,353	-	(2,430)	3,955	1,525
Fair value of share based payments (i)	-	-	832	-	832
Increase in share capital - HRK to EUR conversion	-	5,703	(5,703)	-	-
At 31 December 2023	7,033,219	213,600	17,479	(6,929)	224,150

As at 31 December 2023, the Company's share capital amounted to EUR 213,600 thousand, distributed among 7,120,003 shares out of which 86,784 relates to treasury shares (2022: EUR 207,897 thousand, distributed among 7,120,003 shares out of which 93,478 relates to treasury shares). In 2023, the General Assembly made a decision to increase the nominal value of the share from EUR 29.20 to EUR 30.00 in order to align the share capital with the Companies Act due to the introduction of the euro as the official currency in the Republic of Croatia, which resulted in an increase in the share capital in the amount of EUR 5,703 thousand. All issued shares are fully paid.

(i) Share based payments

During 2023, the Company purchased 47,659 treasury shares (2022: 44,290 treasury shares).

The shareholder structure as at the reporting date was as follows:

	2023		2022	
Structure of ownership	Number of shares	% of ownership	Number of shares	% of ownership
PBZ CO OMF - category B	1,097,644	15.42	1,097,644	15.42
AZ OMF category B	932,563	13.10	932,563	13.10
CERP - Croatian Pension Insurance Institute	727,703	10.22	727,703	10.22
Erste plavi OMF category B	638,248	8.96	638,248	8.96
Raiffeisen OMF category B	625,298	8.78	625,298	8.78
CERP - Republic of Croatia	452,792	6.36	452,792	6.36
Kapitalni fond d.d.	406,842	5.71	406,842	5.71
Mesna industrija braća Pivac d.o.o.	370,977	5.21	234,697	3.30
HPB- Republic of Croatia	167,281	2.35	167,281	2.35
OTP Banka d.d./aggregrate custody account	97,035	1.36	119,999	1.69
Other shareholders	1,603,620	22.52	1,716,936	24.11
Total	7,120,003	100.00	7,120,003	100.00

NOTE 31 – RESERVES

(in thousands of EUR)	Reserves for treasury shares	Legal reserves	Reserves for reinvested profit	Statutory reserves	Other reserves	Total
At 1 January 2022	19,590	11,455	25,183	9,313	79,165	144,706
Allocation of profits	-	1,627	-	576	15,621	17,824
Foreign exchange rate differences	-	-	-	-	572	572
The effect of acquiring additional minority interest	-	-	-	-	(9)	(9)
Actuarial losses (net of tax)	-	-	-	-	805	805
At 31 December 2022	19,590	13,082	25,183	9,889	96,154	163,898
At 1 January 2023	19,590	13,082	25,183	9,889	96,154	163,898
Allocation of profits (i)	-	1,315	-	733	6,107	8,155
Foreign exchange rate differences	-	-	-	-	5	5
Actuarial gains (net of tax)	-	-	-	-	86	86
At 31 December 2023	19,590	14,397	25,183	10,622	102,352	172,144

The legal reserve is required under Croatian law according under which the Company is committed to build up legal reserves to a minimum of 5% of the profit for the year until the total reserve reaches 5% of the share capital. Both legal reserves and reserves for treasury shares, as well as reserves for reinvested profits, are non-distributable. Other reserves mainly relate to (non-distributable) reserves required by the Company's Articles of Association and foreign exchange translation reserves related to subsidiaries abroad, and actuarial gains and losses related to the assessment of long-term provisions for employee benefits.

(i) Allocation of profits

In 2023, the General Assembly reached a decision to allocate the Company's profit from 2022 in the amount of EUR 26,290 thousand as follows: the amount of EUR 1,315 thousand to legal reserves, the amount of 6,107 thousand to other reserves, the amount of EUR 18,579 thousand for the declared dividend (EUR 2.65 per share), while the remainder of EUR 289 thousand is retained in unallocated profit.

In addition, in 2023, in accordance with the decisions of its General Assembly, the company Belupo d.d. allocated the Company's profit from 2022 as follows: the amount of EUR 733 thousand to statutory reserves, and the remainder of EUR 13,924 thousand to retained earnings.

NOTE 32 – RETAINED EARNINGS

Movement in retained earnings is presented as follows:

	2023	2022
	(in thousands of EUR)	
At 1 January	128,241	109,123
- profit for the year	66,362	49,058
- exercise of options	187	(35)
- dividend declared	(18,579)	(12,082)
- transfer to legal and other reserves	(8,155)	(17,823)
At 31 December	168,056	128,241

At 17 May 2023, the General Assembly reached a decision on dividend distribution in amount of EUR 18,579 thousand, EUR 2.65 per share (2022: EUR 12,082 thousand, EUR 1.19 per share).

NOTE 33 – NON-CONTROLLING INTERESTS

Podravka Group has non-controlling interests arising from acquisitions of 65% of ownership interest in subsidiary Farmavita d.o.o. Sarajevo.

Summary financial information for the company Farmavita d.o.o., Sarajevo as at 31 December 2023 (excluding consolidation eliminations) are as follows:

	2023	2022
(in thousands of EUR)		
Statement of financial position		
Non-current assets	10,130	9,592
Current assets	26,291	22,639
Current liabilities	(7,142)	(7,338)
Non-current liabilities	(1,020)	(255)
Net assets	28,259	24,638
Statement of comprehensive income for the period		
Sales revenue	37,632	35,907
(Loss)/Profit after tax	3,622	3,086
Other comprehensive income	-	18
Total comprehensive income for the period	3,622	3,104
Statement of cash flows		
Net increase in cash and cash equivalents	2,853	324

NOTE 33 – NON-CONTROLLING INTERESTS (CONTINUED)

The movement in non-controlling interest was as follows:

	2023	2022
	(in thousands of EUR)	
Balance at 1 January	9,424	8,400
Effect of acquiring non-controlling interests	-	(18)
Foreign exchange differences	-	18
Share in current year profit	1,218	1,024
Balance at 31 December	10,642	9,424

NOTE 34 - FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	(in thousands of EUR)	
Forwards	9	0
	9	0

As at 31 December 2023, financial liabilities at the fair value of currency forward contracts amount to EUR 9 thousand (2022: EUR 0 thousand).

NOTE 35 – BORROWINGS

	2023	2022
	(in thousands of EUR)	
Non-current borrowings		
Banks in Croatia	-	3,718
Banks abroad	469	-
Finance lease	65	79
	534	3,797
Current borrowings		
Banks in Croatia	42,927	60,404
Banks abroad	543	7,283
Finance lease	37	51
	43,507	67,738
Total borrowings	44,041	71,535

Short-term borrowings from banks in Croatia mostly refer to revolving loans from commercial banks and, to a lesser extent, to the current maturity of the long-term borrowing of Belupo d.d. for the refinancing, concluded at the end of 2020.

According to the currently valid loan agreements and revolving facilities with banks, the Group is obliged to maintain the financial indicator of net debt coverage with EBITDA, which is calculated as the ratio of net financial debt to EBITDA on a consolidated basis.

Bank borrowings in the amount of EUR 2,712 thousand (2022: EUR 9,128 thousand) are secured by mortgages over the Group's land and buildings and movables with a net carrying value of EUR 41,767 thousand (note 19).

The lease liabilities of the Group are as follows:

	Minimum lease payments		Finance cost		Present value	
	2023	2022	2023	2022	2023	2022
	(in thousands of EUR)					
Up to 1 year	40	56	(3)	(5)	37	51
Between 1 and 5 years	67	83	(2)	(4)	65	79
Total	107	139	(5)	(9)	102	130

	2023	2022
Included in the consolidated financial statements within:		
Current borrowings	37	51
Non-current borrowings	65	79
	102	130

NOTE 35 – BORROWINGS (CONTINUED)

The maturity of non-current borrowings is as follows:

	2023	2022
	(in thousands of EUR)	
Between 1 and 2 years	497	3,750
Between 2 and 5 years	37	47
	534	3,797

Fixed and variable interest rates by major currencies are as follows:

	2023		2022		
	EUR	Other	HRK	EUR	Other
Non-current borrowings					
Banks in Croatia					
variable interest rate	-	-	0.64%	-	-
fixed interest rate	0.59%	-	0.59%	0.35%	-
Banks abroad					
variable interest rate	-	-	-	4.54%	-
fixed interest rate	-	4.40%	-	0.35%	5.00%
Financial leases					
variable interest rate	7.26%	-	-	5.59%	-
fixed interest rate	-	3.89%	-	-	3.89%
Current borrowings					
Banks					
variable interest rate	-	-	-	2.29%	7.63%
fixed interest rate	0.75%	-	0.38%	0.28%	-

An overview of borrowings by fixed and variable interest rates is as follows:

	2023		2022	
	fixed	variable	fixed	variable
	(in thousands of EUR)			
Non-current borrowings	484	49	2,678	1,119
Current borrowings	43,478	30	58,979	8,759
	43,962	79	61,657	9,878

The average weighted cost of debt on the Group’s interest-bearing liabilities as at 31 December 2023 was 0.84% (31 December 2022: 0.66%).

NOTE 35 – BORROWINGS (CONTINUED)

The carrying amounts and fair values of the Group's long-term borrowings are as follows:

	Carrying value		Fair value	
	2023	2022	2023	2022
	(in thousands of EUR)			
Non-current borrowings				
Banks in Croatia	-	3,717	-	3,688
Banks abroad	470	-	435	-
Finance leases	64	80	63	80
	534	3,797	498	3,768

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2023	2022
	(in thousands of EUR)	
Croatian kuna	-	26,522
EUR	43,008	43,287
Other currencies	1,033	1,726
	44,041	71,535

The Group has the following undrawn bank borrowing facilities:

	2023	2022
	(in thousands of EUR)	
Available for withdrawal within a year	47,467	28,978
From 1- 3 years	24,500	64,500
	71,967	93,478

These comprise unused revolving facilities, guarantees and letters of credit which the Group has available with several commercial banks.

NOTE 35 – BORROWINGS (CONTINUED)

Reconciliation of movements in liabilities with cash flows from financing activities:

	Loans	Lease liabilities	Share capital	Other reserves	Retained earnings	Non-controlling interests	Total
(in thousands of EUR)							
At 1 January 2023	71,535	12,502	227,043	163,898	128,241	9,424	612,643
Cash transactions:							
Loans received	65,771	-	-	-	-	-	65,771
Loans repayments	(93,034)	-	-	-	-	-	(93,034)
Repayment of lease liabilities	-	(6,809)	-	-	-	-	(6,809)
Sale of treasury shares	-	-	2,625	-	-	-	2,625
Purchase of treasury shares	-	-	(5,250)	-	-	-	(5,250)
Dividend paid	-	-	-	-	(18,467)	-	(18,467)
Total cash transactions	(27,263)	(6,809)	(2,625)	-	(18,467)	-	(55,164)
Non-cash transactions:							
Effect of change in exchange rates	(149)	(27)	-	5	-	-	(171)
Actuarial losses (net of deferred tax)	-	-	-	86	-	-	86
Transfer from retained earnings (note 31)	-	-	-	8,155	(8,155)	-	-
Other non-cash transactions	(82)	8,059	-	-	187	-	8,164
Gain from right-of-use assets write-off	-	(334)	-	-	-	-	(334)
Total other changes related to equity	-	-	(268)	-	66,250	1,218	67,200
At 31 December 2023	44,041	13,391	224,150	172,144	168,056	10,642	632,424

NOTE 36 – PROVISIONS

(in thousands of EUR)	Jubilee awards	Unused holiday accruals	Retirement benefits	Termination benefits and bonuses	Legal cases	Total
As at 31 December 2022						
Non-current	1,860	-	5,736	-	4,686	12,282
Current	266	2,375	-	2,923	184	5,748
At 1 January 2023	2,126	2,375	5,736	2,923	4,870	18,030
Increase of provisions	298	2,533	610	3,692	538	7,671
Utilised during the year	(377)	(1,805)	(638)	(2,799)	(160)	(5,779)
At 31 December 2023	2,047	3,103	5,708	3,816	5,248	19,922
Non-current	1,774	-	5,708	-	5,068	12,550
Current	273	3,103	-	3,816	180	7,372
	2,047	3,103	5,708	3,816	5,248	19,922

(i) Legal cases

Legal provisions relate to a number of legal proceedings initiated against the Group which stem from regular commercial activities and court cases including former employees. The expenses relating to the provisions are included in the consolidated statement of comprehensive income within Other income or Administrative expenses. Based on the expert opinion of legal counsels, the Group's Management believes that the outcome of these legal proceedings will not give rise to any significant losses beyond the amounts provided as at 31 December 2023.

(ii) Termination benefits and bonuses

As at 31 December 2023, the Group recognised EUR 3,816 thousand of provisions for bonuses to key management (2022: EUR 2,900 thousand and EUR 23 thousand of provisions for short-term termination benefits relating to redundancy).

(iii) Jubilee awards and regular retirement benefits

According to the Collective Labour Agreement signed by the Group companies, the Group has an obligation to pay jubilee awards, retirement and other benefits to its employees. No other post-retirement benefits are provided. The present values of these obligations, the related current service cost and past service cost were measured using the projected credit unit method. The management believes that the Croatian corporate bond market is a deep market.

The actuarial estimates have been derived on the basis of the following key assumptions:

	2023	2022
Discount rate	3.00% - 4.10%	3.20% - 4.11%
Fluctuation rate	4.50% - 12.80%	4.50% - 12.70%
Average years of service (in years)	21	21

NOTE 36 – PROVISIONS (CONTINUED)

Changes in the present value of the defined benefit obligation during the period:

	2023		2022	
(in thousands of EUR)	Jubilee awards	Retirement benefits	Jubilee awards	Retirement benefits
At 1 January	2,126	5,736	2,401	4,896
Past service cost	6	(88)	11	1,654
Current service cost	192	632	301	439
Interest expense	56	153	47	117
Actuarial (gains) / losses	44	(87)	(266)	(823)
Benefits paid	(377)	(638)	(368)	(547)
At 31 December	2,047	5,708	2,126	5,736

NOTE 37 – OTHER NON-CURRENT LIABILITIES

	2023	2022
	(in thousands of EUR)	
Deferred income on government incentives	2,427	2,433
Other non-current liabilities	-	366
	2,427	2,799

Deferred income on government grants relates to non-monetary government grant to subsidiary in Slovenia and it is based on the amount of contributions for the employment of disabled persons.

In accordance with the relevant regulations, the aforementioned contributions are not paid into the government budget and it can be used for the acquisition of qualifying non-current tangible assets during three years' period. The amount of unpaid contributions is then recognized as government grant and transferred to profit or loss on a systematic basis over the useful life of the related assets. If the grant is not used for the acquisition of non-current assets within the prescribed period, unpaid contributions become payable.

The amount of deferred income on government grants that is expected to be transferred to profit or loss in the period of up to one year on a basis of depreciation of qualifying assets, or the amount of unpaid contributions, which will not qualify as a government grant and will become payable within one year, is recognized as a current liability in trade and other payables.

NOTE 38 – TRADE AND OTHER PAYABLES

	2023	2022
	(in thousands of EUR)	
Trade payables	69,935	61,937
Other payables	47,156	33,039
	117,091	94,976

At 31 December 2023 and 2022, the carrying amounts of trade and other payables approximate their fair values due to the short-term nature of those liabilities.

Other liabilities include the following:

	2023	2022
	(in thousands of EUR)	
Accrued expenses	21,786	14,579
Salaries and other benefits to employees	13,046	11,120
Deferred income	7,056	4,398
Advances received	1,314	466
Taxes, contributions and value added tax	1,149	682
Dividends payable	584	472
Packaging waste disposal fee payable	87	87
Accrued interest	16	36
Other payables	2,118	1,199
	47,156	33,039

NOTE 39 – RISK MANAGEMENT

Categories of financial instruments are as follows:

	2023	2022
	(in thousands of EUR)	
Financial assets at amortised cost		
Long-term deposits (note 23)	195	189
Short-term loans (note 25)	1	1
Trade receivables (note 25)	120,069	109,393
Government treasury bills (note 27)	7,957	39,767
Cash and cash equivalents (note 28)	42,528	21,913
	170,750	171,263
Financial assets through other comprehensive income		
Equity instruments	708	708
Financial instruments	4,831	4,831
Forward contracts (note 26)	59	12
	4,890	4,843
Total financial assets	176,348	176,814
Financial liabilities at amortised cost		
Finance lease liabilities (note 35)	102	130
Borrowings (note 35)	43,939	71,405
Lease liabilities (note 20)	13,391	12,502
Trade and interest payables (note 38)	69.951	61,973
	127,383	146,010
Financial liabilities at fair value through profit or loss		
Forward contract (note 34)	9	-
	9	-
Total financial liabilities	127,392	146,010

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and other financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Financial instruments held to maturity in the normal course of operations are carried at the lower of cost and the net amount less the portion repaid. Fair value is determined as the amount at which a financial instrument can be exchanged between willing and knowledgeable parties in an arm's-length transaction, except in the event of forced sale or liquidation.

At the reporting date, the carrying amounts of cash and cash equivalents, short-term deposits and short-term borrowings approximate their market value due to the short-term nature of those assets and liabilities and due to the fact that a majority of these assets and liabilities are at variable interest rates approximating market interest rates.

Financial assets arising from currency forward contracts are measured at fair value as explained in note 26.

NOTE 39 – RISK MANAGEMENT (CONTINUED)

Fair value of financial instruments (continued)

The Podravka Group considers that the carrying amount of investments in unquoted and quoted equity instruments with no active market approximates their fair value due to the fact that the respective instruments were acquired at a price willingly agreed by knowledgeable and unrelated parties.

The carrying amounts of finance lease liabilities and borrowings and lease liabilities approximate their fair values as these liabilities bear variable interest rates or fixed interest rate approximating market interest rates.

Risk factors

In its operations, the company is exposed to risks typical for economic entities operating on the domestic and foreign markets, especially those from the food and pharmaceutical industries.

External risk factors refer to influences from the environment such as economic, political, technological, social, risk related to changes in legislation and in recent years the increasingly pronounced impact of climate change on certain parts of the business system. The Podravka Group ensures compliance with the standards governing individual areas and thereby reduces exposure to external risk factors. The Podravka Group can influence the impact of internal risk factors through regular business policies, procedures and decisions.

The Podravka Group continues with the continuous implementation of the Enterprise Risk Management (ERM) process.

Enterprise Risk Management refers to the process of integrated analysis and reporting of key strategic, operational and financial risks to which the Podravka Group is exposed, identification of potential events that may negatively affect the company's results, and management of identified risks.

Financial risks

In its operations, the Podravka Group is exposed to financial risks, such as the currency risk, interest rate risk, price risk, credit risk, and liquidity risk. The Podravka Group actively manages these risks through adopted policies and set guidelines related to financial risk management.

Capital risk management

The gearing ratio at the reporting date was as follows:

	2023	2022
	(in thousands of EUR)	
Debt (non-current and current borrowings including forwards)	44,050	71,534
Cash and cash equivalents	(42,528)	(21,913)
Net debt	1,522	49,621
Equity	574,992	528,606
Net debt to equity ratio	0.26%	9.39%

Debt is defined as long-term and short-term borrowings. Equity includes all capital and reserves.

NOTE 39 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

Credit risk management

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in a possible financial loss for the Podravka Group. Thus, Podravka d.d. adopted "Policy of customer credit risk management and collection of receivables in the Podravka Group" and applies it in operations with customers, based on which it takes security instruments, wherever possible, for the purpose of hedging possible financial risks and loss as a consequence of default.

During 2023, the existing business processes were revised and the application of the adopted Policy of customer credit risk management and collection of receivables in the Podravka Group began in the companies Belupo d.d., the Žito Group, Podravka Polska Sp.z o.o. and Podravka-Lagris a.s.

The Podravka Group enters into business only with counterparties with good credit ratings, securing, when needed, receivables for the purpose of decreasing the risk of financial loss as a consequence of default. The Podravka Group's exposure based on receivables, and the credit ratings of its counterparties are continuously monitored.

The Group's exposure to major customers

The control of the Group's exposure to major customers is carried out through regular monitoring of receivables and certain measures to control the collection and delivery of goods, as well as the acquisition of adequate collection security instruments.

The Group accepts new customers and continues cooperation with existing customers with payment delays subject to meeting the Group's credit risk parameters. Receivables are analysed on a weekly basis and necessary measures are taken with respect to their collection.

Risk mitigation instruments are defined based on the financial performance ratios for individual customers, using internet services where the required information is available (financial statements, credit ratings). The company's exposure and credit rating are continuously monitored through credit limits set by the company and insurer, which are continuously controlled and adjusted if appropriate in accordance with the needs and situation on the market.

During 2023, the Podravka Group did not have significant damage claims related to the insurance of receivable collection.

Liquidity risk management

The Podravka Group manages liquidity risk by maintaining optimum amounts of cash on accounts, continuously forecasting future cash flows and monitoring realised ones and contracting adequate sources of financing from which it can in short-term and at familiar conditions ensure liquidity requirements.

The Podravka Group continuously monitors and plans all its receivables and all trade payables, liabilities to employees, banks and other financial institutions, taxes payable and other payables with the aim of timely ensuring required liquidity level.

NOTE 39 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

Liquidity risk analysis

Tables below show contracted maturity of financial liabilities and financial assets of the Podravka Group stated in the consolidated statement of financial position at the end of each reporting period.

The tables have been drawn up based on the undiscounted cash flows based on contracted terms at reporting date and include cash flows from both interest and principal.

The liquidity risk analysis below shows no potential deficit of short-term liquidity for the Podravka Group.

as at 31 December 2023	Net book value	Contracted cashflow	Up to one year	1 - 5 years	over 5 years
		(in thousands of EUR)			
Non-interest bearing liabilities:					
Forward contracts	9	9	9	-	-
Trade and interest payables	69,951	69,951	69,885	66	-
	69,960	69,960	69,894	66	-
Interest bearing liabilities					
Finance lease liabilities	102	108	40	68	-
Borrowings	43,939	44,004	43,534	470	-
Lease liabilities	13,391	14,528	5,516	6,772	2,240
	57,432	58,640	49,090	7,310	2,240
	127,392	128,600	118,984	7,376	2,240
Non-interest bearing assets:					
Trade receivables	120,069	120,069	119,915	154	-
Financial instruments	5,539	5,539	-	5,539	-
Forward contracts	59	59	59	-	-
Cash and cash equivalents	42,528	42,528	42,528	-	-
	168,195	168,195	162,502	5,693	-
Interest bearing assets:					
Long-term loans	1	1	1	-	-
Long-term deposits	195	195	130	65	-
Debit securities at amortized cost	7,957	7,957	7,957	-	-
	8,153	8,153	8,088	65	-
	176,348	176,348	170,590	5,758	-
Net liquidity position	48,956	47,748	51,606	(1,618)	(2,240)

NOTE 39 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

Liquidity risk management (continued)

Liquidity risk analysis (continued)

as at 31 December 2022	Net book value	Contracted cash flow	Up to one year	1 - 5 years	over 5 years
			(in thousands of EUR)		
Non-interest bearing liabilities:					
Trade and interest payables	61,974	61,974	61,903	71	-
	61,974	61,974	61,903	71	-
Interest bearing liabilities					
Finance lease liabilities	130	142	58	84	-
Borrowings	71,405	71,511	67,777	3,734	-
Lease liabilities	12,502	13,443	6,356	4,943	2,144
	84,037	85,096	74,191	8,761	2,144
	146,011	147,070	136,094	8,832	2,144
Non-interest bearing assets:					
Trade receivables	109,393	109,393	109,158	235	-
Financial instruments	5,539	5,539	-	5,539	-
Forward contracts	12	12	12	-	-
Cash and cash equivalents	21,913	21,913	21,913	-	-
	136,857	136,857	131,083	5,774	-
Interest bearing assets:					
Long-term and short-term loans	1	1	1	-	-
Long-term deposits	190	190	129	61	-
Debit instruments at amortized cost	39,767	40,289	40,289	-	-
	39,958	40,480	40,419	61	-
	176,815	177,337	171,502	5,835	-
Net liquidity position	30,804	30,267	35,408	(2,997)	(2,144)

NOTE 39 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

Market risks

(i) Interest rate risk management

The Podravka Group has credit arrangements at fixed and variable interest rates. However, the dominant use of these arrangements is at fixed interest rates, therefore the Podravka Group is not significantly exposed to the risk of changes in interest rates.

Exposure to changes in interest rates on borrowings and loans in accordance with the agreed dates of changes in interest rates is as follows:

	2023	2022
	(in thousands of EUR)	
EURIBOR based bank loans	-	2,323
EURIBOR based finance lease	80	101
TZMF bill of exchange based loans*	-	3,717
PRIBOR based bank loans**	-	1,374
€STR based bank loans***	-	2,362
	80	9,877

** Treasury bills of the Ministry of Finance*
*** Prague Interbank Offer Rate*
****Euro short-term rate*

Interest rate sensitivity analysis

The sensitivity analysis below is determined based on the exposure to changes in contractual interest rates at the reporting date. For floating rate liabilities, the analysis is prepared by calculating the effect of a reasonably possible increase in interest rates on floating rate debt on the expected contractual cash flows of such debt compared to those calculated using the interest rates applicable at the current reporting period end date.

The estimated effect of an increase in interest rates of 50 basis points on the Podravka Group's result before tax for the reporting periods is as follows:

31 December 2023	Contractual cash flows	up to 1 year	from 1 to 2 years	from 2 to 5 years
	(in thousands of EUR)			
At current interest rates	89	35	25	29
At current interest rates +50 basis points	89	35	25	29
Effect of increase in interest rate by 50 basis points	-	-	-	-

31 December 2022	Contractual cash flows	up to 1 year	from 1 to 2 years	from 2 to 5 years
	(in thousands of EUR)			
At current interest rates	10,116	8,993	1,093	30
At current interest rates +50 basis points	10,161	9,035	1,096	30
Effect of increase in interest rate by 50 basis points	(45)	(42)	(3)	-

At the reporting date the Group's exposure to interest rate risk is not deemed to be significant.

NOTE 39 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

Market risks (continued)

(ii) Price risk

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

The cost of raw materials can play a significant role in the cost of finished products the Podravka Group produces, therefore, it is subject to fluctuations of market prices of agricultural, food and pharmaceutical raw materials, whose impact cannot always be mitigated through the sale price for the buyer.

Protective customs and trade mechanisms in the EU protecting EU producers represent a risk in terms of increased customs duties (antidumping) for certain raw materials from third countries.

Also, frequent disruptions on the global market caused by environmental and geopolitical factors and a consolidation in the sector of primary production of raw materials, as well as global disruptions in the supply chain caused by uncertainty and fluctuations in container transport prices, energy crisis and the current wars in Ukraine and Israel and terrorist attacks in the Red Sea, have higher purchase prices as a consequence.

Risks of raw material procurement and product delivery

The Podravka Group realises the procurement on the domestic and foreign markets, while the majority of turnover with foreign suppliers relates to suppliers from EU member states. Among procurement function risks, the risk of availability of goods on market is one of the most significant, due to its possible impact on the Podravka Group's operations.

Over the last years, this risk is more prominent due to more frequent adverse weather conditions caused by climate change on the global level (long droughts, floods, etc.). The consequence are lower yields of some agricultural plants often coupled with their lower quality, which leads to the deficit of these raw materials in the free market (fresh and dried vegetables), even for several consecutive seasons.

More frequent livestock diseases cause global disruptions on the meat market, while political or social unrest in certain countries (wars in Ukraine and Israel, and terrorist attacks in the Red Sea), state interventions on market (hazelnut, cocoa) or speculation with key agricultural and food products (wheat, sugar) are a constant threat in the global business environment.

The increasing instability of maritime transport contributes to further price volatility that is reflected in all types of raw materials as it has a global impact on the functioning of the entire supply chain from Canada, African countries to Eastern markets.

Disruptions in the market of pharmaceutical products, due to a significant increase in energy prices, disruptions in global supply chains and the inflation significantly contribute to the extension of delivery times and the increase in procurement costs. The war in Israel has so far not had negative consequences on the procurement and delivery of pharmaceutical products, although it is not yet known whether it may cause any delay or interruption of delivery. However, the blockage of the Suez Canal from the end of 2023 results in an increase in transport costs and extension of delivery times due to the rerouting of ships around southern Africa. The delivery times of some European suppliers have been extended due to the lack of production capacity (minimum 3 to 6 months).

NOTE 39 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

Market risks (continued)

(ii) Price risk (continued)

Risks of raw material procurement and product delivery (continued)

The procurement function of the Podravka Group minimizes these impacts through managing the strategic procurement categories and key suppliers, consolidation of purchasing volumes with the aim to strengthen market positions and ensure availability of raw materials for the production in required volumes, of satisfying quality and on time. The Podravka Group works intensively on approving alternative suppliers and introducing substitute raw materials, optimizing procurement processes and material specifications in order to reduce the risk of unavailability of materials and increase flexibility and competitiveness with the aim of mitigating and/or eliminating the negative effects of disruptions on the procurement market.

Risks of price fluctuations of basic raw materials

The market of agricultural and food products, as the most significant source of raw materials for the Group, is among the most sensitive markets of the modern world. Therefore, the volatility of prices of agricultural and food raw materials is a significant element in the Group's business environment, especially in conditions of prominent disruptions on the global and local markets. One of the reasons lies in the already mentioned risks of availability of goods due to environmental, geopolitical and social factors and speculations with key agricultural and food products, especially those in the wheat and sugar sectors.

Exceptional price volatility is particularly relevant in the commodity market segment (hazelnut, sugar, spices, cocoa, powdered milk, wheat, semolina) due to disruptions in the supply chain and climate change on the one hand, and on the other hand due to increased demand in the Chinese market. Furthermore, producers in the EU increasingly have to comply with various production conditions that producers in other parts of the world are not obliged to comply with, regarding the strictest environmental standards, CO2 emissions and the use of permitted plant protection products, regulations on animal welfare, etc.

Protective customs and trade mechanisms in the EU that, on one hand, protect EU producers and customers, on the other hand pose a risk in terms of increased customs duties (antidumping) for certain raw materials from third countries, as well as the impossibility of supplying certain materials that in those countries have not been observed as a health risk (use of certain types of pesticides) and as such are allowed for use in those countries.

The trend of rising prices of pharmaceutical raw materials from Chinese manufacturers, which had a significant impact during 2022, was stopped and stabilized during 2023, in which there were no significant price increases. The increase in prices of raw materials from Chinese and Indian producers was influenced by alternative longer and more expensive transport routes. European suppliers, due to labour shortages and labour cost increases, more frequently request the raw material price increases by 15-20% compared to suppliers from China and India.

To minimise these impacts, the Podravka Group's procurement function continuously monitors movements in prices and market trends, conducts joint tenders for certain strategic procurement categories, uses new procurement techniques (Ariba, e-procurement, internet auctions) to increase the efficiency of the sourcing process and reduce the cost of procurement. Timely contracting, allocating a portion of risk to our suppliers, optimisation of material specifications and introduction of replacement raw materials, as well as active implementation of the Commodity Risk Management with strengthening of causality analyses in the movements of procurement costs, are only some of the measures taken by the Podravka Group for the purpose of best estimates of price movements and the minimisation of market price volatility risk.

NOTE 39 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

Market risks (continued)

(iii) Currency risk

The carrying amounts of the Podravka Group's financial assets and financial liabilities denominated in foreign currencies at the reporting date are as follows.

	Liabilities		Assets	
	2023	2022	2023	2022
	(in thousands of EUR)		*(in thousands of EUR)*	
Bosnia and Herzegovina (BAM)	5,278	3,986	25,550	21,868
Poland (PLN)	3,680	4,183	7,565	8,262
Serbia (RUB)	1,486	1,058	6,400	4,880
USA (USD)	3,112	1,186	4,639	3,535
Czech (CZK)	2,513	3,895	3,040	2,686
Other currencies	4,802	5,027	10,431	11,410
	20,871	19,335	57,625	52,641

Foreign currency sensitivity analysis

After the transition to the euro currency in 2023, the Podravka Group eliminated a good part of the currency risk, which was present since the Podravka Group operates on foreign markets and procures raw materials on the international market. However, the Podravka Group performs certain transactions in other foreign currencies so the highest exposure during 2023 was to changes in the exchange rate of the Euro against RUB, AUD, USD, PLN and HUF.

During 2023, the application of the principles of transactional currency risk management within the framework of the Risk Management Policy continued. Through this Policy, the currency risk protection model has been improved by additional activities of monitoring market trends, regular analysis of all currencies in which there is exposure, and defining the possibility and scope of contracting permitted derivative financial instruments aimed at currency risk protection. This approach is applied to the group of currencies to which the Podravka Group has exposure that cannot be reduced by natural, balance sheet protection. Through the Bloomberg terminal, macroeconomic projections are regularly monitored and derivative financial instruments are contracted with the aim of managing currency risk.

During 2023, Podravka d.d. concluded fx forward contracts for managing currency risk of the following foreign currencies: USD, PLN and HUF.

NOTE 39 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

Market risks (continued)

(iii) Currency risk (continued)

Foreign currency sensitivity analysis (continued)

The currency risk analysis is based on the official exchange rates for the currencies analysed above as per the European Central Bank which were as follows, except for the Russian ruble for which the Bloomberg exchange rate is used:

	31 December 2023	31 December 2022
BAM	1.9558	1.9558
PLN	4.3395	4.6808
RSD	117.1737	117.3233
USD	1.1050	1.0666
CZK	24.7240	24.1158

The following table details the Podravka Group's sensitivity to a 10% increase and decrease in Euro against the relevant foreign currencies where the Podravka Group has significant exposure (PLN, RSD, USD and CZK). The sensitivity analysis includes only outstanding cash items in foreign currency and their translation at the end of the period based on the percentage change in currency exchange rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates a decrease in profit where Euro changes against the relevant currency for the percentage specified above. For an inversely proportional change of Euro against the relevant currency, there would be an equal and opposite impact on the profit.

	BAM exposure		PLN exposure	
	2023	2022	2023	2022
	(in thousands of EUR)		*(in thousands of EUR)*	
Increase/(decrease) of net result +10%	-	-	389	408
Increase/(decrease) of net result -10%	-	-	(389)	(408)

	RSD exposure		USD exposure	
	2023	2022	2023	2022
	(in thousands of EUR)		*(in thousands of EUR)*	
Increase/(decrease) of net result +10%	491	382	153	235
Increase/(decrease) of net result -10%	(491)	(382)	(153)	(235)

	CZK exposure	
	2023	2022
	(in thousands of EUR)	
Increase/(decrease) of net result +10%	53	(121)
Increase/(decrease) of net result -10%	(1,474)	121

NOTE 39 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

Market risks (continued)

(iv) Sales function based risks

The Podravka Group generates 33% (2022: 32%) of its revenue on the Croatian market, whereas 67% (2022: 68%) of the sales are generated on international markets.

The Podravka Group determines the selling prices and rebates in accordance with the macroeconomic conditions prevailing in each of the markets, which is at the same time the maximum sales function based risk.

As for operations on the Croatian market, the Podravka Group expects increased risks related to the consolidation of the market and the strengthening of the bargaining power of customers, as well as maintaining the market position. In order to reduce this impact, the Company strives to diversify its customer base, further strengthen its own competitiveness by increasing efficiency, modernizing technology and strengthening product brands, as well as visibility through investments in marketing activities in order to respond to the price elasticity of end consumers.

The Podravka Group is making efforts through optimization of existing pricing policies and price levels in markets where it operates to secure a basis for the continuing successful long-term growth and avoid decrease in profit margins.

Business risks management

Industry risks

In the food industry, market trends as well as consumer habits change in a very short period of time. Due to this risk, the Podravka Group seeks to constantly improve the processes and meet market conditions. In the food and pharmaceutical industries, where the focus is on products and brands, the Group complies with legislative, health and manufacturing regulations. However, the legal regulations according to which the production and sales processes within the Group Podravka are harmonized are subject to change, depending on the bodies that adopt them. By improving internal processes, the Podravka Group strives to eliminate most potential threats.

The continuing risks in global supply chains pose a challenge for food manufacturers. Volatility of prices on the market of agricultural and food raw materials, as well as the risk of unavailability of goods on the market due to increasingly frequent weather disasters caused by climate change (perennial droughts, floods, etc.), outbreaks of livestock diseases, volatility of energy sources, disruptions in supply chains, and political or social unrest in certain countries affects the rise in prices and the availability of raw materials. The risk of external shocks and unpreparedness for extraordinary demands is reduced by further developing competition among suppliers, process optimization, timely contracting of procurement, consolidating procurement volumes, as well as timely production planning and taking into account unpredictable circumstances.

Global economic and political volatility and commodity price inflation are negatively affecting the supply chain of medicines and other medical equipment worldwide due to challenges in production, distribution and trade. The difficult supply of raw materials is particularly relevant to manufacturers and suppliers of active substances (API), resulting in global shortages of certain medicines in 2023. Timely ordering, introducing tested alternative manufacturers, optimizing transport and internal resources, aims to ensure the timeliness and availability of raw materials and materials that are necessary for the production of medicinesin order to reduce the risk and maintain a sufficient supply of drugs for the domestic population.

NOTE 39 – RISK MANAGEMENT (CONTINUED)

Business risks management (continued)

Competition risk

The Group sells products both on the Croatian and international markets, and is exposed to numerous competitors in all product categories. Innovations, adjustments of the product price, quality and packaging are key changes that the Group is paying attention to in order to be different from competition.

In addition, the reputation of the brand, or the Podravka Group, is intangible value that differentiates it from the competition and creates the advantage. Monitoring of consumer habits and preferences that are subject to constant changes, and adjustments to them, are one of a series of activities that the Podravka Group undertakes to maintain and increase the existing market positions and margins.

Risks of IT system disruptions

The Podravka Group intensely uses IT systems that enable it to efficiently manage the Group, communicate with customers and suppliers, and collect all the information that management can rely on in making decisions.

Given the high degree of automation of business processes through the use of IT systems, the Group takes the necessary measures to minimise IT system disruptions due to problems with IT equipment, the space in which it is located, viruses and unauthorised external breaches into the systems.

As each IT system disruption causes significant problems in operating systems and financial losses, the Podravka Group has implemented IT system recovery procedures through the construction of an auxiliary IT room that assumes the function of the main IT system room in case of a problem. In the normal operating mode, both IT system rooms work in the active-active mode.

The Group regularly implements proactive actions to improve the IT system security by applying the best recommended security practices.

The Group regularly implements automated PEN tests using a specialized software solution and performs remedy activities to minimize the risk of using the vulnerability of the system for spreading the malicious code and the risk of unauthorized external breaches into the IT systems.

Also, following the implementation of advance security monitoring systems, monitored on a daily basis, the risk of external breaches into the Podravka Group's IT systems is additionally reduced.

Podravka d.d. has implemented and certified the IT security management system based on the ISO/IEC 27001:2013 standard in December 2020, and at the end of 2023, the IT security management system was recertified in line with the ISO/IEC 27001:2022 standard.

Human resource risk management

Considering the challenges on the labour market and the general lack of labour force and the increasing number of shortage occupations in the Republic of Croatia, the Podravka Group observes the two greatest risks from the aspect of timely recruitment and retention of skilled labour and unfavourable age structure of employees and retirement in the coming years.

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NOTE 39 – RISK MANAGEMENT (CONTINUED)

Business risks management (continued)

Human resource risk management (continued)

Accordingly, in 2022 the Podravka Group initiated and in 2023 continued a number of activities to mitigate these risks such as employment of young workers from new pools, intensifying cooperation with educational institutions, employer image management, developing programs that encourage intergenerational and multicultural cooperation and understanding, programs for trainees and new employees, and improvements in the promotion and reward system.

Climate related risk

The Podravka Group operates through two main business segments, Food and Pharmaceuticals. These activities Company are not listed in the Delegated Regulation on the EU taxonomy of climate sustainable activities, which means that these activities that do not have a significant negative impact on the climate because large amounts of greenhouse gases are not emitted in the production process.

Through a strong investment cycle, investments were continued in increasing the energy efficiency of property and plant and, consequently, lower consumption of energy sources, which further reduces CO2 emissions and thus the negative impact on the climate.

Investments in the vehicle fleet and the consequent exploitation of new freight vehicles reduce CO2 emissions per kilometre driven, and the use of a routing application optimizes the distribution of goods, which directly contributes to the environmental goal of mitigating the negative trends of climate change.

NOTE 40 – SHARE-BASED PAYMENT TRANSACTIONS

Key management share options

Options for the purchase of Podravka d.d. shares were granted to key management of the Group. The exercise price of the granted option equals the weighted average share price of Podravka d.d. shares as per the Zagreb Stock Exchange in the year the option is granted. Options are acquired separately for each business year. Share purchase options may be exercised after the expiration of at least two and at most five years from the year to which the share purchase option applies. In case of termination of employment, the acquired options can be exercised within 3 years from the date of termination of employment.

The following share-based payment options were effective as at 31 December 2023:

Date of issue	Number of options	Vesting terms	Contracted vesting period
Options granted to key management of the Group			
As at 10 December 2019	15,000	Service during the contracted vesting period	31 Dec 2024
As at 29 September 2020	22,500	Service during the contracted vesting period	31 Dec 2025
As at 2 December 2020	3,300	Service during the contracted vesting period	31 Dec 2025
As at 30 April 2021	32,500	Service during the contracted vesting period	31 Dec 2026
As at 13 September 2021	5,000	Service during the contracted vesting period	31 Dec 2026
As at 13 September 2021	2,000	Service during the contracted vesting period	31 Dec 2026
Total share options	80,300		

NOTE 40 – SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Key management share options (continued)

Fair value measurement

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the historical volatility of the share price, particularly over the historical period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). In accordance with the input variables used, the fair value estimate of the option is categorised in the fair value hierarchy as level 1. Service and non-market performance conditions are not taken into account in determining fair value.

Input variables for calculation of fair value:

Share option programme for key management	2023	2022
Fair value at grant date (weighted average)	20	18
Share price at grant date (weighted average)	73	65
Exercise price (weighted average)	65	58
Expected volatility (weighted average)	21%	3%
Expected life (weighted average in years)	2.2	2.5
Risk-free interest rate (based on government bonds)	2.86%	3.16%

Expense recognised in profit or loss	2023	2022
	(in thousands of EUR)	
Equity-settled share-based payment transactions	325	976

The exercise price of share options for key management falls within the range EUR 42 to EUR 78.

Movement in the number of share options and respective exercise prices in EUR is as follows:

	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 January	142,772	58	252,500	55
Exercised	(62,472)	53	(105,728)	50
Expired	-	-	(4,000)	-
Outstanding at 31 December	80,300	65	142,772	58
Unused at 31 December	45,800	58	49,172	53

As at 31 December 2023, there are 80,300 of outstanding options (2022: 142,772 options). In 2023, 62,472 options were exercised (2022: 105,728 options).

The weighted average exercise price of outstanding options at the end of 2023 is EUR 65 (2022: EUR 58). The price of all unexercised share options is lower than the share market price as at 31 December 2023. The weighted average remaining validity of options is 2.2 years at year end (2022: 2.5 years).

NOTE 40 – SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Shares for the Company's management

At the level of the Company, there are long-term plans for the allocation of shares to the Company's key management for the period from 2022 to 2024.

The share allocation program applies to the Company's Management Board, and the right is acquired in the event that a member of the Management Board has the right to the payment of an annual bonus. The total number of shares to which a member of the Management Board is entitled for a particular business year is determined by multiplying a certain number of monthly salaries by the amount of monthly salary expressed in gross amount and subsequently divided by the share price of the Company, which is calculated as the average price realized on the Zagreb Stock Exchange during the six months preceding the date of the decision of the Supervisory Board. The Supervisory Board shall determine the number of shares to be awarded to a member of the Management Board in such a way that the total number of shares is reduced by the number of shares whose market value on the date of award corresponds to the value of the legally required duties.

The schedule of allocation of the total number of shares will be determined in such a way that 50% of the total number of shares for the year in question are allocated to the Member of the Management Board within 30 days of the decision of the Supervisory Board, while the right of the Member of the Management Board to allocate the remaining 50% of shares will depend on the fulfilment of long-term business plans and discretionary decisions of the Supervisory Board in 2025.

In accordance with the plan for the allocation of shares to key management for 2023, the Company's Management Board has acquired the right to allocate shares, with 50% of the total number of shares for 2023 being allocated within 30 days of the Supervisory Board's decision in 2024. With the last share price of 163 euros on 31 December 2023, the estimate for 50% of the number of shares without reduction for prescribed duties is 2,308 shares.

For 2022, the Company's Management Board acquired the right to allocate shares. With the last share price of 84.15 euros on 31 December 2022, the estimate of 50% of the number of shares available for allocation without impairment for prescribed duties was 3,272 shares.

During 2023, 1,883 shares (minus the prescribed benefits) were allocated to members of the Management Board in accordance with right from 2022.
The allocation of the remaining 50% of total shares for 2023 and 2022 is dependent on the implementation of long-term plans, on which the Supervisory Board will make a decision in 2025.

Fair value measurement

Variables in measuring the cost of share-based payment transactions are the gross salary, the number of gross salaries and the share price on the measurement date.

Recognized in profit or loss	2023	2022
	(in thousands of EUR)	
Equity-settled share-based payment transactions	507	336

NOTE 41 – RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are its related parties, are eliminated through consolidation and are not presented in this note.

Payments to members of the Supervisory Board and Management Board

	2023	2022
	(in thousands of EUR)	
Salaries, bonuses and other benefits paid	2,215	2,122
Share-based payments reimbursement	3,452	1,576
	5,667	3,698

Management of the Group consists of the Management Board of the Company and the Management Boards of the two largest groups and consists of 11 persons (2022: 11 persons).

During 2023, share-based payments were realized by the active members of the Management Boards in the amount of EUR 3,452 thousand (2022: EUR 1,576 thousand). For details see note 40.

During 2023, a total of EUR 363 thousand (2022: EUR 384 thousand) was paid to members of the Supervisory Board and the Audit Committee of the Company and members of the Supervisory Boards of the two largest groups.

NOTE 42 – CONTINGENT LIABILITIES

	2023	2022
	(in thousands of EUR)	
Guarantees and warranties given	3,596	3,131
	3,596	3,131

Guarantees and warranties mainly relate to the potential liability of the Belupo Group on the basis of performance guarantees, potential liability of Podravka d.d. on the basis of customs guarantees and performance guarantees, potential liability of Podravka-Lagris a.s. on the basis of customs guarantees, and the potential liability of the Žito Group on the basis of performance guarantees.

With respect to guarantees and warranties granted, contingent liabilities have not been recognised in the consolidated statement of financial position as at 31 December as the Management Board estimated that, as at 31 December 2023 and 2022, it is not probable that they will result in liabilities for the Group.

NOTE 43 – COMMITMENTS

In 2023, the purchase costs of tangible fixed assets contracted with suppliers amounted to EUR 41,098 thousand (2022: EUR 35,708 thousand), which are not yet realised or recognised in the consolidated statement of financial position.

The future payments under operating leases in 2023 relate to the usage of IT equipment and other operating leases, as follows:

	2023	2022
	(in thousands of EUR)	
Up to 1 year	1,243	1,419
From 1 to 5 years	515	1,286
	1,758	2,705

NOTE 44 – EVENTS AFTER THE REPORTING DATE

There were no significant events after the balance sheet date that would require reconciliation or disclosure in the financial statements.

NOTE 45 – APPROVAL OF FINANCIAL STATEMENTS

The financial statements were adopted by the Management Board and approved for issue on 4 April 2024.
Signed on behalf of the Company on 4 April 2024:

Martina Dalić
President of the Management Board

Davor Doko
Member of the Management Board

Ljiljana Šapina
Member of the Management Board

Milan Tadić
Member of the Management Board

Ivan Ostojić
Member of the Management Board

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Podravka GRUPA

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Always with a heart.