



*Podravka Inc.*  
Annual  
Report  
for 2022

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# <sup>1</sup> Structure and ownership



## 1. 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 INC.	
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%
Šumi bonboni Ltd., Ljubljana, 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.

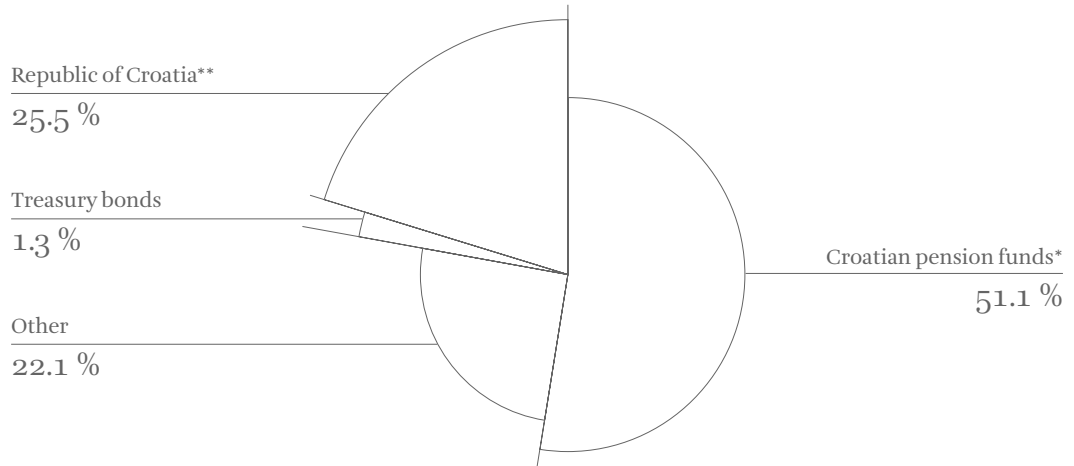
\*\*\* 25% of ownership interest is held indirectly through the subsidiary Podravka-Lagris a.s., Dolni Lhota u Luhačovic

\*\*\*\* 15% of ownership interest is held indirectly through the subsidiary Podravka-Int. Deutschland – “Konar” GmbH

\*\*\*\*\* Business activities are suspended during 2022

**Ownership structure of Podravka Inc.**

**on 31 December 2022**



\* Includes all compulsory and voluntary pensions funds under the management by the pension funds: AZ, ROMF, PBZCO and ERSTE

\*\* The restructuring and Sale Centre holds 1,241,504 shares through four accounts, Kapitalni fond Inc. holds 406,842 shares, The Republic of Croatia additionally holds 167,281 shares on a separate account

**List of the 10 largest shareholders of Podravka Inc.**

**on 31 December 2022**

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	234,697	3.3%
9. HPB - Republic of Croatia	167,281	2.3%
10. Treasury account	93,478	1.3%
Other shareholders	1,743,457	24.5%
<b>Total</b>	<b>7,120,003</b>	<b>100.0%</b>



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

# Corporate profile of the Podravka Group



2. Corporate profile of Podravka

- Seat: Koprivnica, Republic of Croatia
- Most internationalised company seated in the Republic of Croatia
- Leading culinary institution in the Adria region
- Countries in which Podravka Inc. has production

-  Countries in which Podravka Inc. has a representative
-  Active sales companies



75

years experience in food

50

years experience in pharmaceuticals

Own distribution network in

16 countries around the world

More than

2/3 of sales

revenues achieved outside the Republic of Croatia

Portfolio featuring more than

1,800 products

6,299

employees on December 31, 2022

Of these, more than

4,500

work in Croatia

2022 sales revenues

HRK 5,026.8 m

17 factories

of which 11 u Croatia



2. Corporate profile of Podravka



1947

Wolfbrothers' workshop for processing fruit becomes socially owned under the name Podravka.



1952

Production of condiments and dehydrated and sterilised vegetables begins.



1957

Production of famous Podravka soups starts.



1958

Production of meat products starts.



1959

Vegeta, universal food seasoning



1970

Production of baby food starts.



1972

Pharmaceutical company Belupo founded and start of drug production.



1993

Podravka privatized and registered as a shareholding company.



2015

Acquisition of the Slovenian food company Žito.



2017

New pharmaceutical factory built, the largest greenfield investment in the history of the Podravka Group.



2021

Business Strategy until 2025 adopted.



2022

In its 75th year of existence, Podravka invested a total of HRK 396 million in capital investments



<sup>3</sup> Introductory  
word from the  
President of the  
Management  
Board of  
Podravka Inc.



### 3. Introductory word from the President of the Management Board of Podravka Inc.

IN THE PAST YEAR, THE PODRAVKA GROUP ACHIEVED A VERY SOLID RESULT, DESPITE THE HIGHLY CHALLENGING CIRCUMSTANCES.

We have been speaking about global instability since the outbreak of the COVID-19 pandemic; however, the crisis in the Ukraine further hindered already complex operating conditions and caused significant spikes in the prices of energy and raw materials on the global market.

Achieving this result required a great deal of knowledge, capability and the exceptional engagement of all members of the Podravka Group, all its business segments, and all our employees. In the year behind us, our success is a reflection of our strategic planning, carefully planned stock management and procurement processes, and quick adaptations of how we work aimed at maximum optimisation of energy consumption.

We succeeded as we faced these challenges together, without ignoring them, or shrinking under their weight or size. Great thanks go to all of our employees.

Also, overcoming the global disturbances required us to focus on keeping up with the global competition. In addition to active portfolio management, this was performed through three key areas – optimisation of costs, investments in employees, and a strong investment cycle.

Despite the challenges, investments in modernisation and improving working conditions, introduction of new technologies and digitalisation, raising efficacy and energy efficiency have remained priorities of the Podravka Group. Investments on climate control have been completed, new production lines installed, and the expansions on the Soup and Vegeta factory started, which will be the



first new production plant in 15 years. The process to digitalise production has also started, and we can be proud to have the largest rooftop solar electric plant in Croatia, on the Danica factory, thereby further increasing the share of renewable energy generation at Podravka. Further, Podravka has invested major efforts in the production of our own raw materials, which was outlined in the self-sufficiency strategy. Finally, important progress last year was made with the IT and energy reconstruction and modernisation of the Podravka headquarters in Koprivnica, refurbished after 43 years. This has significantly improved the working conditions of employees, and our investments also contribute to energy efficiency. The trend of reducing CO<sub>2</sub> emissions, with 9.2% less CO<sub>2</sub> emitted in 2022 than in 2021 is also a reflection of Podravka's actions to

improve energy efficiency and increase the use of renewable energy.

Last year was also a year for Podravka to celebrate big anniversaries - 75 years of existence, 60 years of soup production, 75 years of Žito and 50 years of Belupo. In 75 years, Podravka has grown from a plant for fruit processing and jam production into a leading Croatian, as well as a true multinational food company. This is best confirmed by the fact that today Podravka has its companies in as many as 16 countries, of which production is in a total of four, and its brands can be purchased in more than 60 countries around the world.

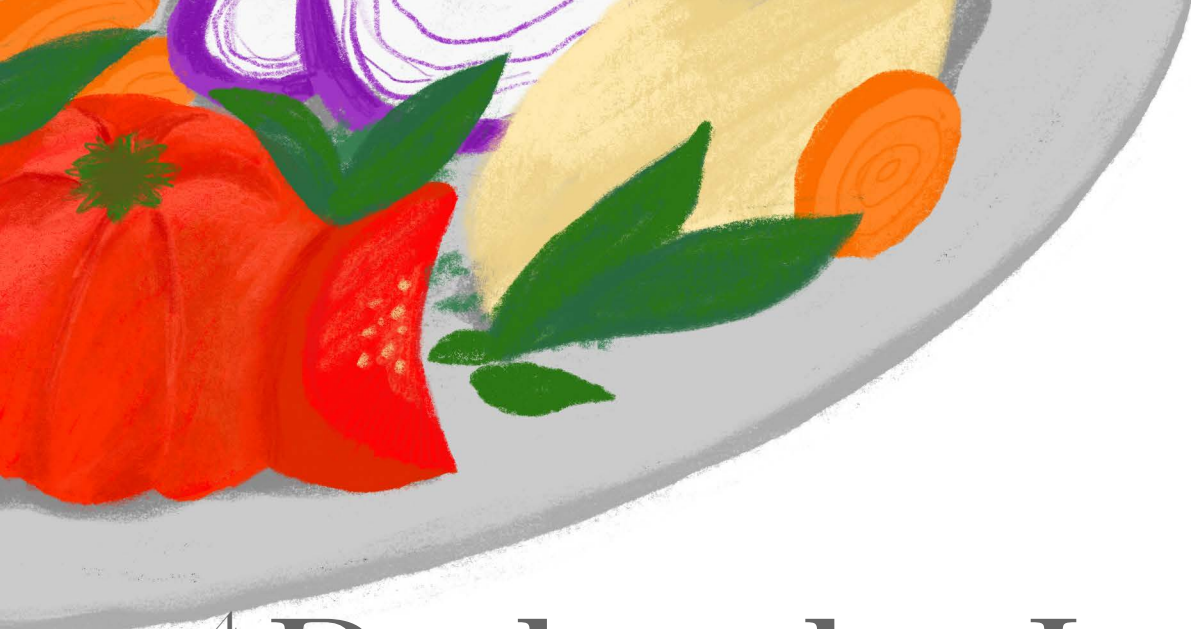
This is great success and reason to celebrate; however, aware of the circumstances of last year, we decided to instead mark the anniversary by focusing on large investments as our investment into the future, and giving a special monetary reward for our employees. This was yet another confirmation of our dedication to continue improving the financial rights and working conditions of our employees,

especially in this period of growing inflation of retail prices. Last year, Podravka raised salaries and earnings twice, and the last increase was made after collective bargaining in December. During 2022, HRK 76.5 million more was invested in the financial position of workers in comparison to 2021.

In December 2022, the incomes of Podravka workers were 18 percent higher than a year earlier. Yet another year of uncertainty lies before us. The circumstances in which we will work and live in 2023 will largely depend on the further course of events in the Ukraine. Our strong position, however, will enable us to quickly adapt to change, to meet our strategic goals including large investments and the completion of important projects, and our dedication to carry out our new Sustainable business strategy.

*predsjednica Uprave Podravke*

dr. sc. MARTINA DALIĆ



<sup>4</sup> Podravka Inc.  
Management  
Board



#### 4. Podravka Inc. Management Board

PURSUANT TO THE PROVISIONS OF THE PODRAVKA INC. STATUTE, the Management Board consists of three to six members appointed by the Supervisory Board. The Management Board is appointed for a term established by the Supervisory Board (to a maximum of five years), with the possibility of reappointment. If the president and individual members of the Management Board are appointed during the mandate of the existing Management Board, their mandate shall have the same duration as the Management Board in its entirety. The start of the mandate begins on the date of appointment of the Management Board, unless otherwise stipulated in a decision by the Supervisory Board. The Management Board manages the Company business, while the functioning of the Management Board and the division of responsibilities among members of the Management Board are governed by the Rules of procedure of the Management Board. The Management Board consists of a president and four members appointed by the Podravka Inc. Supervisory Board.

IN 2022, THE MEMBERS OF THE PODRAVKA INC. MANAGEMENT BOARD WERE:

1. Martina Dalić / *president*
2. Davor Doko / *member*
3. Ljiljana Šapina / *member*
4. Milan Tadić / *member (since 24 February 2022)*
5. Ivan Ostojić / *member (since 1 July 2022)*
6. Marko Đerek / *member (until 23 February 2022)*
7. Hrvoje Kolarić / *member (until 23 February 2022)*

The earnings of the members of the Podravka Inc. Management Board are stipulated in a contract concluded with the Company, and approved by the Supervisory Board on behalf of the Company. The members of the Podravka Inc. Management Board were not approved or paid fees for their membership in the supervisory committees of the Podravka Group companies. During 2022, 60 sessions of the Management Board were held, with a 99.29% attendance rate of members.

**BIOGRAPHIES OF THE MANAGEMENT  
BOARD MEMBERS**

MARTINA DALIĆ  
*President of the  
Management Board*



Martina Dalić was re-appointed as President of the Podravka Management Board in February 2022, with the beginning of the mandate on February 24, 2022.

Martina Dalić, PhD has had a rich career and broad experience in both the private and public sector, and international institutions. Prior to taking over as CEO of Podravka, she served as director of the corporate consulting company Callidus Certus d.o.o., which she founded.

In her public sector career, she served as Government Vice-president 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 public sector career in the Ministry of Finance in 1995. She was also elected to be a Member of Parliament in 2011 and completed her term in 2015.

She has diverse private sector experience, serving as President of the Management Board of Partner

Bank Zagreb, chief economist at Privredna Bank Zagreb from 2008 to 2010, and as chief economist of Privredna Bank Zagreb, a member of the Intesta Sanpaolo Group from 2000 to 2004.

In the period from 2015 to 2016, she was a standing advisory for public finance for the International Monetary Fund in Washington, DC. From 2005 to 2012, Martina Dalić, PhD also served as the deputy chief negotiator and negotiator on the negotiation team for the accession of the Republic of Croatia into European Union membership for four chapters (Customs Union, Taxation, Financial Control, and Budgetary and Financial Provisions).

She graduated in economics from the Faculty of Economics, University in Zagreb, where she began her professional career as an assistant in the Department for Organisation and Management. She received her Master's degree in 1994, and Doctorate in 2012.

She is author of numerous expert and scientific papers.



#### 4. Podravka Inc. Management Board

DAVOR DOKO  
*Member of the  
Management Board*



He was re-appointed a member of the Management Board of Podravka Inc. in February 2022.

He started his professional career in 2000 in the Assets Management department at Zagrebačka banka as assistant portfolio manager, where he participated in founding the company for managing investment funds at Zagrebačka banka. He joined the AZ obligatory pension fund in 2002, as portfolio manager in charge of managing the shareholding part of the portfolio. As procurator and head portfolio manager at the AZ obligatory pension fund, among other tasks he actively participated in the portfolio management process and managing the investment process. Since 2006, he was Management Board member at Allianz ZB Ltd., a company for managing the obligatory pension fund, in charge of investments. During his term, he invested in numerous companies from the pharmaceutical and food sector and developed good business practices with all the major business banks in the Republic of Croatia and international financial institutions. In the AZ voluntary pension funds as person in charge of investment, he participated and managed all parts of the investment process.

He graduated from the Faculty of Economics and Business at Zagreb University. Over his career he took part in numerous trainings and educational courses and participated at conferences related to investments and the capital market.

LJILJANA ŠAPINA  
*Member of the  
Management Board*



She was re-appointed a member of the Management Board of Podravka Inc. in February 2022.

She has been employed at Podravka Inc. since 1984. She gained her rich work experience in various managerial and directorial positions within the company sections Accounting and Finance, Retail, HoReCa Sales, Frozen Program, Markets Joint Affairs and Export Preparation. Since 2012, she worked as a unit manager at Import-export Logistics, and in 2015 she became department head at Import-export Logistics.

She graduated foreign trade at the Faculty of Economics and Business in Zagreb, and in 2012 she received her MA degree from the same Faculty.



#### 4. Podravka Inc. Management Board

MILAN TADIĆ

*Member of the  
Management Board*



Appointed a member of the Management Board of Podravka Inc. in February 2022.

He began his career at the Croatian Pension Insurance Fund as a legal affairs representative in 1986. In 2001, he joined Podravka Inc. as a specialist and director of legal affairs, and later performed the tasks of director of the Service for Legal Affairs and Contracts. In 2003, he became an international markets advisor to the Podravka Inc. Management Board, and later executive director for key international clients. In 2005, he became executive director for Central Europe markets. In 2009, he took a position with the company Adris Group as the executive director of new and executive director of all markets for the Rovinj Tobacco Factory. He returned to Podravka in 2014, as executive director for Southeast Europe markets, and in 2015 was appointed senior vice-president for the Adria region, in 2016, he was the member of the Management Board for the company Žito d.o.o., Ljubljana, and in 2018 the procurator for the Žito Group. In 2021, he was Head Director for the Adria Region. He holds a degree in law from the University of Osijek and completed the basic administration and managerial education programme at the Faculty of Economics, University of Zagreb. During his career he has attended numerous managerial training sessions in the field of management and sales.

IVAN OSTOJIĆ

*Member of the  
Management Board*



Appointed a member of the Management Board of Podravka Inc. in February 2022, with a start of the mandate as of 1 July 2022

He began his career in 1997 in the Ministry of Finance, in the Directorate for the Financial System and Capital Market. After completing his training, he became an advisor in that Directorate. From 2000 – 2001, he served as a member of the Executive Board of the Direction for the Supervision of Insurance Companies, and president of the Examination Commission for Holding Exams for Authorised Insurance Mediators or Agents. In 2001, he joined the Wüstenrot Housing Trust as Head of the Loans Department and procurator, and in 2007 he was appointed a member of the Management Board responsible for sales and marketing, risk management and back office of treasury and loans. In 1996 he received a degree from the Faculty of Tourism and Foreign Trade at the University of Dubrovnik, and in 2000 a Master's degree in political science from the University of Zagreb on the topic "Introduction of the Euro and its influence on the Croatian banking system". He is a member of the Supervisory Board of Luke Ploče d.d. He holds an insurance agent licence and has completed coaching training.

#### 4. Podravka Inc. Management Board

HRVOJE KOLARIĆ  
*Member of the  
Management Board  
of Podravka d.d.  
until 23 February 2022*



His professional career have included the position of director of Pharmaceuticals and Business Development at Bristol Myers Squibb, director of Pharmaceuticals at PharmaSwissa, and director of PharmaSwiss d.o.o., Croatia. He has managed business processes concerning cooperations with Belupo in the production of the cardiological line of products, Pravachol. In his earlier career, he was manager of the Pharmaceutical Department at the Bristol Mayers Squibb representative office for Croatia and BiH, and manager for the allergy and respiratory product lines of the Schering Plough representative office in Croatia. He was appointed a member of the Management Board of Belupo responsible for marketing, sales and international markets in 2005, and reappointed to the same position in 2010. Two years later, he was appointed President of the Management Board of Belupo. He graduated from the Faculty of Pharmacy and Biochemistry, University of Zagreb in 1998. He has actively participated in numerous training sessions to acquire sales and negotiation skills, training for first line management, effective sales, training in finance issues, and more. In addition to his qualifications of Master of Pharmacy, he has also attained the title of Master of Business Administration, President module, from the IEDC in Bled.

MARKO ĐEREK  
*Member of the  
Management Board  
of Podravka d.d.  
until 23 February 2022*



He began his professional career in 1995 as a researcher in the Pliva Research Institute, where he remained until 2003. In the period 1997 – 2002, he was a member of the initial project team for the functional design of the building of the new Research Institute in Zagreb, and in 2003, he became manager of the Pliva Research Institute. In 2004, he became the manager of development projects the Research Institute, and in 2006 transferred to Global Business Development of Pliva as director of corporate products. In 2007, he became director of market support at Pliva.

In 2009, he joined Hrvatska pošta (Croatian Post) as executive director for trading. In 2011, he moved to GlaxoSmithKline as manager of business development for Southeast Europe. In 2013, he took over the function of director of sales and hospital business for Southeast Europe at Pliva/TEVA, where he remained until 2017.

He graduated from the Faculty of Chemical Engineering and Technology, University of Zagreb in 1995 and obtained a Master of Science degree in chemistry from the same institution in 2004. He graduated from the Master of Business Administration (MBA) programme at the Erasmus - Rotterdam School of Management in Rotterdam, Netherlands. During his career, he has participated in numerous scientific and management training programmes and the Acceleration pool education programme at Pliva.

5  
Supervisory  
Board of  
Podravka  
Inc.



## 5. Supervisory Board of Podravka Inc.

THE COMPANY SUPERVISORY BOARD HAS NINE MEMBERS, eight of whom are elected by the shareholders at the General Assembly by a three-quarter majority of votes cast, while one member of the Supervisory Board is appointed by the Worker's Council of the Company, in the manner and by the procedure pursuant to the provisions of the Labour Act. Members of the Supervisory Board are elected or appointed to a four-year term. The start of the mandate for each member of the Supervisory board is calculated from the date of election or appointment, unless otherwise determined by a decision on election or appointment. The Supervisory Board oversees the execution of Company business, and decides on issues from its area of competence in accordance with the law, the Statute of Podravka Inc., and the Rules of procedure of the Supervisory Board.

THE MEMBERS OF THE PODRAVKA INC. SUPERVISORY BOARD IN 2022 WERE:

1. Damir Grbavac / *president (from 1 November 2022) and member (from 1 July 2022)*
2. Želimir Vukina / *president and member (until 31 October 2022)*
3. Luka Burilović / *deputy president*
4. Marina Dabić / *member*
5. Damir Felak / *member (from 8 September 2022)*
6. Ksenija Horvat / *member (workers' representative)*
7. Tomislav Kitonić / *member*
8. Petar Miladin / *member*
9. Dajana Milodanović / *member (until 7 September 2022)*
10. Ivan Ostojić / *member (until 30 June 2022)*
11. Krunoslav Vitelj / *member*

The members of the Company Supervisory Board and Management Board are selected primarily based on their expertise, knowledge and relevant experience, taking into account the principle of equal gender representation.

Until September 2022, the Podravka Inc. Supervisory Board was comprised of a president and eight members, with a ratio of women of 33%. Since there was a change in the number of members of the Supervisory Board in the final quarter of 2022, and consequently a lower representative of women on the board (25% as of 31 December 2022), at the time of submission of a proposal to the General Assembly of the Company pertaining to the selection of new members of the Supervisory Board, the application of the principle of gender equality will be taken into consideration.

Concerning the composition of the Management Board, the Supervisory Board has set the target of 30% female representation. Since this target has been met at the level of 40% of the members of the Management Board, the Supervisory Board assesses that it has been met in full. The Supervisory Board also supports the commitments of Podravka Inc. toward gender equality in representation at the level of the company as a whole, particularly in upper management positions.

On 31 December 2022, Podravka Inc. employed 47% women, in the segment of highly educated workers the ratio of women was 61%, while in higher management functions, this percentage was 43%. These figures place Podravka Inc. among the leading companies for gender equality, and the Supervisory Board considers that this employee structure is an excellent accomplishment.

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

The Audit Committee in 2022 operated in the following composition:

1. Ivana Matovina / *president*
2. Tomislav Kitonić / *deputy president*
3. Želimir Vukina / *member (until 31 October 2022)*
4. Damir Grbavac / *member (from 1 November 2022)*.

The Remuneration Committee operated in the following composition:

1. Luka Burilović / *president*
2. Petar Miladin / *member*
3. Želimir Vukina / *member (until 31 October 2022)*
4. Damir Grbavac / *member (from 1 November 2022)*.

The Appointment Committee operated in the following composition:

1. Damir Grbavac / *president (from 1 November 2022)*
2. Želimir Vukina / *president (until 31 October 2022)*
2. Luka Burilović / *member*
3. Krunoslav Vitelj / *member*.

The members of the Podravka Inc. Supervisory Board are entitled to monthly remuneration confirmed in a fixed amount according to the Decision of the General Assembly on setting the remuneration for the work of members of the Company Supervisory Board.

## CURRICULA VITAE OF MEMBERS OF THE PODRAVKA INC. SUPERVISORY BOARD

DAMIR GRBAVAC

*President of the Supervisory Board*

Damir Grbavac was appointed president of the Supervisory Board of Podravka Inc. on 28 October 2022, with a mandate beginning on 1 November 2022.

He is president of the Appointment Committee and a member of the Audit Committee and Remuneration Committee of Podravka Inc.

He started his professional career in 1978 in the Đuro Đaković Group, holding a range of positions from credit officer to deputy CEO of the Holding company. In 1997, he transferred to Raiffeisenbank Austria d.d. Zagreb to the position of director of the Investment Banking Sector. In 1997, he was appointed to the Management Board of Raiffeisen Investment, and two years later he became president of the Management Board of Raiffeisen Vrijednosnica d.o.o. In 2003, he was appointed a consultant to the Management Board at Raiffeisenbank Austria d.d. Zagreb. From 2004 to 2021, he served as president of the Management Board of the Raiffeisen Pension Fund. Damir Grbavac also served on the Supervisory Boards of Hrvatski Telekom d.d., Zagrebačka banka d.d. and Podravka Inc. from 2017 until 2019. Additionally, he was on the executive council of the Central Deposits Register in its initial composition, and served as president of the Association of Pension Fund and Pension Insurance Fund Management Societies.

He graduated from the Faculty of Economics and Business, University of Zagreb in 1978, and received his Master's degree from the same Faculty in 1985. He is a licensed manager of pension funds and pension insurance companies.

## 5. Supervisory Board of Podravka Inc.

LUKA BURILOVIĆ

*Deputy president of the Supervisory Board*

Luka Burilović was appointed a member of the Podravka Inc. Supervisory Board in June 2022, with a mandate start date of 8 September 2022.

He is president of the Remuneration Committee and a member of the Appointment Committee of Podravka Inc.

He has served as President of the Croatian Chamber of Economy (HGK), since 2014, and is also a member of the Management Board of HBOR (Croatian Bank for Reconstruction and Development), president of the Croatian National Board of the International Trade Chamber, member of the Executive Board of the Association of European Chambers of Commerce, and a member of the Executive Board of the Foundation of the Croatian Academy of Science and Arts. He was president of the management board of Sladorana d.d., Assistant Minister in the Ministry of Agriculture, Forestry and Water Management, and owner and director of the company Agrotehna. He was decorated with the Medal of the Order of the Croatian Morning Star with the figure of Blaž Lorković for exceptional service to business and economics. Upon completing postgraduate specialist studies in economics and management at the Faculty of Economics, University of Osijek, he received his doctorate from the same university.

KSENIJA HORVAT

*Member of the Supervisory Board*

Ksenija Horvat was appointed a member of the Podravka Inc. Supervisory Board in July 2019 by the Company Worker's Council. She is the representative for most unions active in Podravka, the

PPDIV Union and president of the Podravka Inc. Worker's Council since 2013. She was deputy and acting president of the Supervisory Board and her entire professional career has been dedicated to Podravka.

PETAR MILADIN

*Member of the Supervisory Board*

Petar Miladin was appointed a member of the Podravka Inc. Supervisory Board in June 2022, with a mandate start date of 8 September 2022.

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

Since 2019 he has been a full tenured professor at the Faculty of Law, University of Zagreb, and has also served as Vice-Dean at the faculty. He received his Master's Degree in the postgraduate scientific study programme in the field of trade law and company law at the same faculty in 1999, and his doctorate in the field of law from the same faculty in 2005.

KRUNOSLAV VITELJ

*Member of the Supervisory Board*

Krunoslav Vitelj was appointed a member of the Podravka Inc. Supervisory Board in June 2022, with a mandate start date of 8 September 2022.

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

Since 2021 he has served as president of the Croatian Chamber of Economy (HGK) – Koprivnica County Chamber, and before that was head of the Department for Civil Protection, Fire Protection and Inspections at the Police Directorate of Koprivnica-Križevci County, advisor to the president of

the Management Board for human resources and law at Podravka, and director of the HRK – Ko-privnica County Chamber. He graduated from the Faculty of Economics, University of Zagreb in 1993. In 1995 he received his Master's degree, and in 2008 attained qualifications for corporate management for members of supervisory and management boards at the same faculty.

TOMISLAV KITONIĆ

*Member of the Supervisory Board*

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

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

Since 2003, he has been a shareholder in the company Bik d.o.o. from Čazma, and since 2014, its 100% owner and procurator. In 2012, he became part owner of the company Moslavina proizvodi d.o.o. from Sišćana. In 2015/16, he served as the appointed director for Pestova Shpk in the European Bank for Reconstruction and Development (EBRD). He was chairman of the Management Board of Ledo d.d. He graduated from the Faculty of Food Technology and Biotechnology, University of Zagreb in 1998, and completed postgraduate study of Business Administration (MBA) at the Faculty of Economics, University of Zagreb in 2006. He continued his professional development and education in Slovenia and Belgium, and attained his qualifications for corporate management for member of supervisory and executive boards in Zagreb.

MARINA DABIĆ

*Member of the Supervisory Board*

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

She is a full professor at the Faculty of Economics, University of Zagreb, and the Faculty of Economics, University of Ljubljana. She is the most cited Croatian scientist in the field of (corporate) economics, is head of international accreditation for the Faculty of Economics, University of Zagreb, co-editor and member of editorial boards of more than 30 prestigious journals worldwide. Since 2017, she has been a regular evaluator for the European Commission prestigious projects Horizon 2020, and a reviewer for the European Science Foundation and Research Foundation Flanders (FWO). She was the chief and responsible organiser of the IEEE-TEMSCON Europe 2021 conference and a member of the executive board of IEEE TEM. She is the recipient of the EFMD award for improving the quality of business education, and winner of the Phi Beta Delta award for International Scholars at CSU, Georgia, USA, winner of the best article at the Academy of International Business 2021 Award WAIB, recipient of the Mijo Mirković award for the scientific work from the Faculty of Economics, and recipient of the Coat of Arms of Slavonski Brod in 2017.

DAMIR FELAK

*Member of the Supervisory Board*

Damir Felak was appointed a member of the Podravka Inc. Supervisory Board in June 2022, with a mandate start date of 8 September 2022.

He began his professional career in 1990 in the enterprise Šumarsko gospodarstvo, where he



remained until mid-1997. In the period from 1993 to 1997, he served as Head of the municipality of Sokolovac, and from 1997 to 2001 as Deputy Prefect of Koprivnica-Križevci County. From 2002 to 2015, he worked in Hrvatske šume d.o.o. as forest manager, expert associate, forest district manager and senior expert associate, while from 2008 to 2012 he served on the management board of Hrvatske šume d.o.o. Since 2020, he has worked as a senior expert associate at Hrvatske šume d.o.o. He also served as chairman of the Croatian Chamber of Forestry and Wood Technology Engineers for ten years, and was elected to two mandates in the Croatian Parliament. He is president of the County Assembly of Koprivnica-Križevci County, and has been awarded the Homeland War Memorial Medal, Homeland Appreciation Memorial Medal and the medal of the Order of the Croatian Interlace.

He graduated from the Faculty of Forestry, University of Zagreb in 1990, and in 2013 he completed postgraduate specialist study in Strategic Entrepreneurship at the Faculty of Economics, University of Zagreb, attaining the academic title of University specialist of strategic entrepreneurship.

ŽELIMIR VUKINA

*President and member of the Supervisory Board until 1 November 2022*

Želimir Vukina was appointed a member of the Podravka Inc. Supervisory Board in June 2019. Since 2012, he has been employed at the Vukina i Partneri d.o.o. law firm as a business consultant. During his career he was Deputy President of the Management Board of Pliva d.d., General director of Lura d.d., and member of the Management

Board of Adris Group d.d. He graduated from the Faculty of Economics, University of Zagreb in 1985 and underwent professional development in the US, France and Slovenia.

IVAN OSTOJIĆ

*Member of the Supervisory Board until 30 June 2022*

Ivan Ostojić was appointed a member of the Podravka Inc. Supervisory Board in June 2021, with a mandate start date of 30 June 2021.

He began his professional career in 1997 in the Croatian Ministry of Finance in the Directorate for the Financial System and Capital Markets. After completing his internship, he became an advisor in the same Directorate. During 2000–2001, he served as a member of the Executive Board of the Directorate for the Supervision of Insurance Companies, and as president of the Examination Committee for the authorised insurance agent examination. In 2001, he joined Wüstenrot Stambena Štedionica d.d. Zagreb as the head of the Loans Department and served as procurator. In 2007, he became a Member of the Executive Board of Wüstenrot Stambena Štedionica d.d. Zagreb responsible for sales and marketing, risk management and the treasury and loans back office.

He graduated from the Faculty of Tourism and Foreign Trade, University of Dubrovnik in 1996, and received his Master's degree from the Faculty of Political Science, University of Zagreb in 2000, with the defence of his thesis entitled "Introduction of the Euro and the impacts on the Croatian banking system". He is a member of the Supervisory Board of Luke Ploče d.d. and is a licenced insurance agent. He has taken part in coaching training.

5. Supervisory Board of Podravka Inc.

DAJANA MILODANOVIĆ

*Member of the Supervisory Board until 7 September 2022*

Dajana Milodanović was appointed a member of the Podravka Inc. Supervisory Board in June 2018, with a mandate start date of 8 September 2018. Since 2020, she has worked at the Office for the development sales models and sales staff at Hrvatska poštanska banka d.d. She is a member of the City Council of the City of Đurđevac, County Assembly of Koprivnica-Križevci County, president of the Executive Council of the Maslačak kindergarten in Đurđevac, president of the Supervisory Board of the Đurđevac municipal services company, and president of the Supervisory Board of the Association of Sports Societies of Đurđevac. She was a member of the Executive Council of PORA. She graduated in Accounting and Finance at the Faculty of Economics, University of Zagreb in 2004, and in 2011 attained the title of Expert specialist in economics at the Libertas Business College in Zagreb.

IVANA MATOVINA

*President of the Audit Committee of Podravka Inc.*

She began her professional career in 1996 as head of accounting, and from 1997 – 2009 she worked at KPMG Croatia d.o.o. In 2011, she became a partner and director of the company Cinotti revizija d.o.o./ Cinotti savjetovanje d.o.o., and in 2011 established her own companies Antares revizija d.o.o. and Antares savjetovanje d.o.o., which deal with audits, internal reviews, accounting, business consultations and education. From 2009 to 2012, she was a member of the Executive Council of the Croatian Audit Chamber, and from 2012 a member of the Board for financial reporting standards and a member of the HANFA Council. She graduated from the Faculty of Economics, University of Zagreb in 1996, specialisation Accounting and Finance. In 2000, she became a chartered accountant in Great Britain, and two years later, received the qualification of Croatian authorised auditor.

<sup>6</sup> Report on the  
work of the  
Podravka Inc.  
Supervisory  
Board and its  
committees



DURING 2022, THE PODRAVKA INC. SUPERVISORY BOARD (HEREINAFTER: SUPERVISORY BOARD) WAS IN THE FOLLOWING COMPOSITION: Damir Grbavac – president (from 1 November 2022); Želimir Vukina – president (until 31 October 2022); Luka Burilović – deputy president; Marina Dabić, Ksenija Horvat, Tomislav Kitonić, Ivan Ostojić (until 30 June 2022), Damir Grbavac (from 1 July 2022), Petar Miladin, Dajana Milodanović (until 7 September 2022), Damir Felak (from 8 September 2022) and Krunoslav Vitelj – members of the Supervisory Board.

Pursuant to the authorities granted by the provisions of the Companies Act and the Podravka Inc. Statute, the Supervisory Board performed continuous oversight over the work of Podravka Inc. and the Podravka Group during 2022, and passed decisions and conclusions on 64 agenda items covered in 13 sessions, three of which were held in writing. With regard to attendance at Supervisory Boards sessions, Mr. Vukina, Mrs. Dabić, Mr. Grbavac, Mr. Felak and Mr. Vitelj were present at all Supervisory Board sessions, while Mr. Burilović was absent from three sessions, Mr. Miladin from two sessions, and Mrs. Horvat, Mr. Kitonić, Mr. Ostojić and Mrs. Milodanović each from one session of the Supervisory Board. The members of the Supervisory Board, with the exception of the remuneration for their work in the Supervisory Board, did not receive any other payments such as travel or other expenses in 2022. In their oversight of the work of Podravka Inc., during 2022 the Supervisory Board discussed all key issues concerning the operations of Podravka Inc. and its affiliate companies, and received regular written reports on operations, and materials with the proposed decisions of the Podravka Inc. Management Board that pursuant to the regulations considered and decided on them. The Podravka Inc.

Management Board reported to the Supervisory Board on all important business events, the course of operations, and the general state of operations of Podravka Inc. and the Podravka Group.

At the session held in February 2022, the Supervisory Board passed the Decision on appointment of the president and members of the Podravka Inc. Management Board in the mandate beginning on the date 24 February 2022 and lasting until 23 February 2027.

At the session held in May 2022, the Supervisory Board received information on the operations and restructuring activities in the Žito Group, and a report on the status of implementation of the Podravka Group Strategic Plan for the period 2021–2025.

Over the year, the Supervisory Board considered the status of capital investments, and gave its approval to launch the project for the modernisation and increase of capacity for primary processing of tomatoes in continental Croatia.

At the session held in September 2022, the Podravka Inc. Supervisory Board gave its approval to the decision of the management of Žito d.o.o. on the sale of property at the location Moskovska 1, Ljubljana which received the approval of the Žito d.o.o. Supervisory Board and Žito d.o.o. General Assembly.

At the session held in December 2022, the Supervisory Board gave its approval to the Plan of Operations of the Podravka Group for 2023–2025.

The ongoing execution of the supervisory function in the best interests of Podravka Inc., shareholders and other stakeholders in accordance with the legal regulations and internal acts of Podravka Inc. was made possible by the adequate support and information the Supervisory Board received from the Management Board throughout the year. Since the Supervisory Board was regularly informed by the Management Board on all important business

events, operating results, and the status of Podravka Inc. and Podravka Group, the Supervisory Board assesses that its cooperation with the Management Board is good, constructive, and effective. The Supervisory Board operates through the following committees for the sake of efficacy of performing its functions: Audit Committee, Remuneration Committee, and Appointment Committee. In 2022, the Audit Committee operated in the following composition: Ivana Matovina, president of the Audit Committee, Tomislav Kitonić, deputy president of the Audit Committee, and Želimir Vukina, member of the Audit Committee until 31 October 2022 and Damir Grbavac, member of the Audit Committee from 1 November 2022. In 2022, the Audit Committee held eight sessions, one of which was held in writing. Mr. Vukina was absent from one session of the Audit Committee. The Audit Committee regularly reported to the Supervisory Board on the adopted recommendations from its sessions. The Audit Committee considered and gave recommendations to the Supervisory Board for the adoption of the Annual Financial Report of Podravka Inc. and Podravka Group and the report on the standing of the Company and affiliate companies for 2021, with the reports of the authorised auditors Ernst & Young d.o.o. and quarterly financial reports of Podravka Inc. and Podravka Group in 2022. The Audit Committee also considered and discussed the Annual Report on the work of the Internal audit for 2021, quarterly reports on the work of the Internal audit in 2022, and Report on the performed follow up of recommended activities from audit projects in 2021 and 2022. In 2022, the Appointment Committee operated in the composition: Damir Grbavac, president from 1 November 2022, Želimir Vukina, president from 31 October 2022, and Luka Burilović and Krunoslav Vitelj

as members of the Appointment Committee. In 2022, the Appointment Committee held three sessions. All members of the Appointment Committee were present at all sessions. The Appointment Committee regularly informed the Supervisory Board of the adopted recommendations from its sessions. At the session held in February 2022, the Appointment Committee considered and gave recommendations on the candidates of the Supervisory Board for the president and members of the Management Board. At the session held in April 2022, the Appointment Committee gave its recommendations to the Supervisory Board for the proposal of the appointment of candidates Damir Grbavac and Petar Miladin as members of the Supervisory Board. In 2022, the Remuneration Committee acted in the following composition: Luka Burilović, president of the Remuneration Committee and members of the Remuneration Committee: Želimir Vukina until 31 October 2022, Damir Grbavac from 1 November 2022, and Petar Miladin. The Remuneration Committee held six sessions in 2022. All members of the Remuneration Committee were present at all sessions. The Remuneration Committee regularly reported to the Supervisory Board on the adopted proposals and recommendations from its sessions, and submitted the Report on its work for 2021. The Remuneration Committee considered and confirmed the proposal of the content of the Contract on performing the work of president and members of the Management Board and forwarded it to the Podravka Inc. Supervisory Board for its decision. The Remuneration Committee analysed the results of operations of the Podravka Group for 2021, the execution of the investment plan, implementation of the Podravka Group Strategic Plan for 2021-2025 and activities on the restructuring of operations and improvement of business processes, with the

aim of assessing the contributions to the success of company operations as the foundation for the proposal of rewards for the president and members of the Management Board. Based on this, the Remuneration Committee submitted its proposal on the decision on rewards for the president and members of the Podravka Inc. Management Board for business targets achieved in 2021 to the Podravka Inc. Supervisory Board for its decision. The Remuneration Committee considered the proposal of the Remuneration policy and the Report on the remuneration of members of the Supervisory Board and Management Board in 2021 and submitted its recommendations to the Podravka Inc. Supervisory Board to confirm the Remuneration Policy and Report on remunerations. The Supervisory Board conducted a self-assessment of its efficacy, profile and composition, and the efficacy and composition of its committees and individual results of members. The assessment was led by the president of the Supervisory Board without the engagement of an external assessor. The Supervisory Board confirmed that its entire composition and profile, and the composition and profile of its committees correspond to the needs and activities of Podravka Inc. The members of the Supervisory Board and Management Board of the company are selected primarily based on their expertise, knowledge and relevant experience, taking into account the principle of equal gender representation. Until September 2022, the Podravka Inc. Supervisory Board was comprised of a president and eight members, with a ratio of women of 33%. Since there was a

change in the number of members of the Supervisory Board in the final quarter of 2022, and consequently a lower representation of women on the board (25% as of 31 December 2022), at the time of submission of a proposal to the General Assembly of the Company pertaining to the selection of new members of the Supervisory Board, the application of the principle of gender equality will be taken into consideration. Concerning the composition of the Management Board, the Supervisory Board has set the target of 30% female representation. Since this target has been met at the level of 40% of the members of the Management Board, the Supervisory Board assesses that it has been met in full. The Supervisory Board also supports the commitments of Podravka Inc. toward gender equality in representation at the level of the company as a whole, particularly in upper management positions. On 31 December 2022, Podravka Inc. employed 47% women, in the segment of highly educated workers the ratio of women was 61%, while in higher management functions, this percentage was 43%. These figures place Podravka Inc. among the leading companies for gender equality, and the Supervisory Board considers that this employee structure is an excellent accomplishment. The Supervisory Board assessed and confirmed that all the members of the Supervisory Board and its committees possess the knowledge, capabilities and expertise and actively participated in the work, dedicating sufficient time and giving an effective contribution to discussions and decision-making on all matters that were on the agenda of sessions of the Supervisory Board and its committees.



# <sup>7</sup> Key performance indicators





# Macroeconomic environment

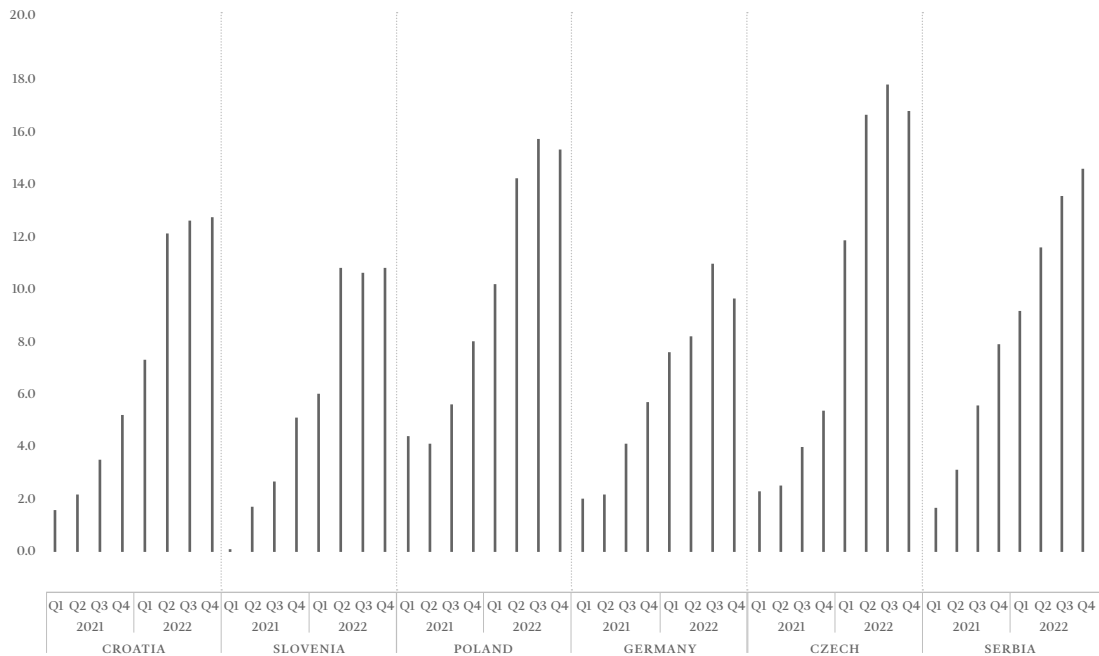
2022 WAS MARKED BY NUMEROUS GLOBAL MARKET CHALLENGES, which Podravka successfully handled. The geopolitical instability and uncertainties caused by the COVID-19 pandemic was only worsened by the crisis in Ukraine, whose consequences are reflected in the strong and continued growth of prices of all raw materials, packaging and energy.

Inflation has grown to levels unseen in decades, resulting in lower real wages and a reduced

purchasing power among consumers.

The main markets of Podravka have not been spared the effects of this global economic turbulence. In the past period, we have succeeded in partially amortising the growth in prices of raw materials, packaging and energy and retaining growth through the optimisation of costs, product line management and discontinuing products that do not positively contribute to profitability, active management of stocks and sales prices, and increased production efficacy.

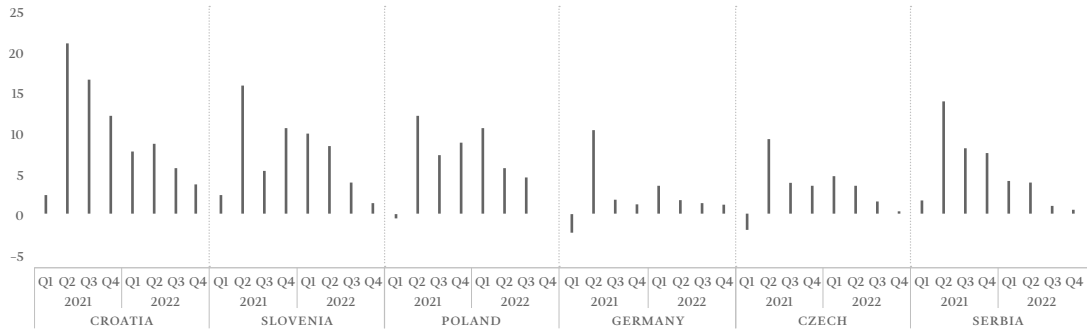
**Inflation rate trends for selected countries in the period 2021 – 2022**  
(% compared with the same quarter of the previous year)



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

MACROECONOMIC ENVIRONMENT

Growth trends of the real GDP for selected countries in the period 2021 – 2022  
(% compared with the same quarter of the previous year)



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

During 2021, Podravka launched a series of projects as part of the five-year Group strategy, and continued their implementation throughout 2022. A part of these projects was directed at increasing efficacy and raising self-sufficiency and corporate social responsibility, which in turn will raise the effectiveness of company operations to a higher level. In the past period, Podravka has made several significant steps forward, and the plan is to continue in that direction in the future, towards more robotisation and production automation, and the use of energy from renewable sources.

Podravka is a multinational company with production in four countries, distribution companies in 16 countries including Australia and the USA, and exports its products to more than 60 markets, making it essential to continue strengthening our competitiveness. We operate on the global market and respond to global challenges. This is why ongoing investments in modernisation of operations, the introduction of new technologies and digitalisation, raising efficacy and energy efficiency are our priorities.

# Key events

## **GROWTH IN PRICES OF RAW MATERIALS, PACKAGING AND ENERGY**

After a strong growth in the prices of raw materials, packaging and energy in the second half of 2021 due to the recovery of demand following a weakening of the pandemic and because of disturbances in the supply chain, in 2022 the Ukraine crisis caused an additional spike in the prices of all raw materials, packaging and energy sources. For example, in comparison to the start of 2021, at the end of 2022 the market price of natural gas was up 252%, wheat by 45%, soy oil by 47%, skimmed milk powder by 28%, butter by 57%, etc. During the year, the rise in stock prices were even higher. These trends had a significant negative impact on the operations of Podravka Inc., primarily in the Food Segment, where the cost of raw materials, packaging and energy rose by HRK 185.8 million or 20.0% in 2022. The prices achieved in procurement procedures in 2022, and which then define the production costs in the future period, were up from 2 to 88% in comparison with procurement in 2021. The price of energy (primarily natural gas and electricity) also rose significantly, placing great pressure on the rise of expenditures. In response to the strong growth of prices of raw materials, an entire series of measures was taken

to reduce or mitigate the growth of operating costs. All business programmes conducted an analysis of their portfolios to optimise the product line, by identifying low-profit products that were then discontinued at a defined dynamic over the rest of the year. Optimisation of the product line had a negative impact on sales, but a positive impact on the profitability of business programmes. Considering the trends in energy prices, the production dynamics were adapted to these trends, and alternative and less expensive energy sources were used in accordance with the available infrastructure for their use. In procurement, the focus was placed on the further introduction of new suppliers and achieving significant savings through competitions of multiple bidders and increasing the application of electronic auctions. These internal measures mitigated the growth in costs; however, it was not possible to compensate for such a strong jump in prices of raw materials, packaging and energy. Consequently, in order to partly mitigate the negative influence of the strong growth in prices for raw materials, packaging and energy, during the first quarter, Podravka Inc. corrected the prices of food products towards its affiliated companies, while on the domestic market, prices of food products were increased once at the end of the second quarter.

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**SALARIES AND EARNINGS OF WORKERS  
INCREASED TWICE DURING THE YEAR**

During 2022, the salaries and earnings of workers were increased twice following our dedication to continuously improve the financial position of workers and to protect the value of their income from the growth inflation in retail prices. Workers of Group in Croatia also receive a monthly non-taxable bonus on top of their salary, in a manner that is in line with the legal regulations, and together with the net salary, forms the total amount of monthly earnings paid out to workers. The first wave of increases in 2022 took place in March, when the Podravka Inc. Management Board, despite the strong growth of uncertainty, remained committed to the decision to increase net salaries and non-taxable earnings that was adopted prior to the start of the crisis in Ukraine. The second wave of increases in 2022 took place in December following the conclusion of collective bargaining with the unions operating in Podravka. During 2022, an additional HRK 50.8 million was invested in improving the financial position of workers in comparison to 2021. The total result of these efforts is visible in the trends of average salary levels and earnings of workers. The average net salary of employees of Podravka Inc. was 14% higher in December 2022 than in December 2021, and the average net earnings of employees of Podravka Inc. was 18% higher in December 2022 than December 2021. The steps taken to improve the financial position of workers in 2022 brought a faster growth of salaries in Podravka than the national average (8.2% in December) and inflation (13.1% in December).

**INVESTMENT CYCLE OF PODRAVKA INC.  
UNFOLDING IN LINE WITH THE ADOPTED  
STRATEGY**

Despite the pressures on the costs of operations due to exceptional growth in the price of raw materials, packaging and energy, the investment cycle of Podravka Inc. is progressing as planned. During 2022, Podravka Inc. implemented capital investments worth HRK 307.3 million, which is about three times the amount invested in 2021. Investments on climate control in all production plants in Koprivnica and Varaždin have been completed. These investments have significantly improved the working conditions in these plants. The solar electric plant at the Danica location has been completed and put into operation. This investment has further increased the ratio of renewable energy in the generation of electricity and is currently the largest integrated (rooftop of an existing structure) solar electric plant in Croatia. The solar plant has an installed capacity of 3,059 kW (total of 9,272 panels) and the expected electricity generation is 3,266,470 kW per year. It was installed on the rooftops of the Soup and Vegeta factory (installed capacity of 1,744 kW), Children's food and cream spreads factory (installed capacity of 939 kW) and on part of the Danica Meat Industry (installed capacity of 376 kW). Pursuant to a decision of the Management Board, implementation of the second and third phases of the solar electric plant has been accelerated, and the majority of the investment is planned for completion in 2023. The investment will largely contribute to reducing the costs of electricity and will result in a higher degree of production efficacy at the production sites, which is important

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under conditions of strong spikes of energy prices. The second phase of solar plant installation will encompass the remaining structures at the Danica location, and the project documentation has been completed. The third phase of investments in solar power will be installed on structures at the Belupo site.

Works on reconstruction and modernisation of the administration building in Koprivnica have been completed and the building put into operations, and employees have moved back in. This is the first comprehensive refurbishment of the building since its construction in 1979. The refurbishment included IT and energy reconstruction and complete modernisation, which will significantly improve the working conditions of employees and reduce energy consumption. The comprehensive refurbishment of the building has increased the number of work places from 521 to 586, and raised the building's energy class from level D to level A. Thanks to the energy refurbishment, energy spent for heating will be decreased by about 82%, which is significant particularly in the circumstances of staggering hikes in energy prices. The works on the building were completed on time and on budget, despite numerous challenges such as increasing prices and issues with the delivery of materials, particularly after the start of the crisis in Ukraine. A total of HRK 104.5 million was invested in the reconstruction and modernisation, including the refurbishment and modernisation of nearly 12,500 square metres of interior space, and works to the parking area and grounds.

Investments on the packaging line for bouillon cubes at the Soup and Vegeta factory were completed and put into operation, and will increase the level

of production efficacy. Investments were made into new production lines at the Kalnik factory in Varaždin, which will also raise production efficacy and create the conditions for the production of new and innovative products. With an HRK 40 million investment, Podravka has introduced innovations into the production and packaging of ajvar and other products, and modernised the factory. The project was co-financed by the EU and Republic of Croatia with an HRK 19 million grant. Investments on the production line for extruded products at the Koktail snack factory has been successfully completed. This is a nearly HRK 30 million investment to further modernise the technological process of production, improve the level of production efficacy and secure the requirements for further growth in sales of existing and new products in the breakfast cereal category. This investment has significantly improved working conditions, since it has enabled automation and a continuous and aligned production process.

An investment has been completed in completely ecological and green technology for insect removal in raw materials, based on natural methods without the use of chemicals.

A new investment has been launched to expand the Soup and Vegeta factory in Koprivnica, which will secure stability and security in the availability of industrial pasta as a strategic raw material in soup production, and will expand the capacity of soup finalisation, as soup is one of the most profitable categories of the food product portfolio. The start of commercial production is expected in the second half of 2023.

An investment is ongoing to modernise and increase the capacity of primary processing of fresh

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tomatoes in continental Croatia, which includes the construction of a factory within the existing Kalnik factory in Varaždin. The investment will ensure an increase in the capacity of primary processing of fresh tomatoes and the continuity of production. The investment is scheduled for completion in early 2024.

The project to construct a new logistics and distribution centre (LDC) in Koprivnica is unfolding as planned. The preliminary design has been successfully finalised, the contractor, supplier of logistics technology and supplier of warehouse shelving have been selected. The deadline for completion of the investment will be defined by the period required to deliver the technology and is currently expected in the third quarter of 2024. Construction of this LDC will increase the efficacy of the Podravka Group in the logistics and distribution segment of operations by optimising the number of warehouses, minimising internal transport and increasing cost control. It will also have a positive impact on the environment thanks to reduced CO<sub>2</sub> emissions.

The project to digitalise the production management system at the Soup and Vegeta factory has been completed. The project has digitalised the tracking, records and control of work on production lines, thereby enabling better factory efficacy and the use of natural resources. During 2023, the remaining Podravka factories will be digitalised, with the aim of enabling “paper-free production”. A programme has been launched to implement LEAN management in Podravka, with a focus on improving business processes and increasing productivity in the areas of production, maintenance and logistics. The first results are reflected through an increased efficacy of the machinery fleet and by reducing unneeded items.

An investment has been completed in agricultural machinery and irrigation in the Republic of Croatia, and the result is a three-fold increase in the land area under irrigation. Irrigated company lands that are available for planning will increase from about 15 hectares in 2021 to more than 150 hectares in 2023 and will be nearly 300 hectares in 2024. The aim of the investment is to reduce the costs of procurement of raw materials and agricultural technical services and to increase self-sufficiency and reduce reliance on imported raw materials. The further procurement of machinery and land irrigation is currently being prepared. During 2022, investments were ongoing into the modernisation and maintenance of machinery, in line with the annual plan of investment maintenance. The majority of investments into the modernisation of the cargo fleet will result in reduced maintenance costs and increased efficacy, timeliness and reliability of transport and distribution of products, and was completed during 2022. The remainder of the cargo fleet is expected to arrive in the first quarter of 2023.

**POSLOVNI DNEVNIK AWARD FOR BEST INVESTOR RELATIONS**

At the conference of the Zagreb Stock Exchange and Fund Industry in Dubrovnik, the 13th annual Poslovni Dnevnik awards were given out for best investor relations. On that occasion, Podravka received the 2nd place award for best investor relations. Poslovni Dnevnik, in cooperation with the Zagreb Stock Exchange, hands out this award to companies that have achieved the best investor relations, and the winners are selected based on statistical criteria pertaining to the abundance of

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the Exchange rules by the issuer, and based on a questionnaire conducted among the participants on the capital market. This is the second time in three years that Podravka has received this award, showing a high level of transparency in reporting, and the timely and continuous communication of all significant events on operations to investors and the public.

**CHANGES TO THE ORGANISATION OF PODRAVKA INC.**

In early March 2022, the Podravka Inc. Management Board adopted a decision to change the organisation of Podravka Inc.. The aim of the new organisation is to improve and advance the efficacy of Podravka Inc., to enable more rapid reactions and adaptations to market changes, to clearly separate the roles and responsibility among organisational units, to clearly establish responsibility and management roles of the corporate functions of Podravka Inc. for the entire Podravka Group, and to ensure rapid and efficient communications. In the new organisation, Podravka Inc. is divided into four business areas (Sales, Business programmes, Finance, Supply Chain) and eight corporate functions. The business area Sales has been divided into three main divisions – markets of the Republic of Croatia and the Republic of Slovenia, markets of Southeast Europe, and International markets. The current Adria region has thus been divided into two divisions to better focus on the two largest markets, Croatia and Slovenia. The business area Sales is managed by the member of the Podravka Inc. Management Board responsible for sales, Milan Tadić.

The business area Business programmes has been

divided into eight business programmes (BP Cuisine, BP Soups, BP Cereals, snacks and beverages, BP Cream spreads and desserts, BP Bakery, BP Staple foods, BP Meat products, BP Fish) and Quality control and Corporate development. The portfolio of the previous business programme Žito and Lagris has been divided into the other business programmes based on which production category they belong, while bakery has been separated into its own business programme. The management of the BP Bakery is seated in Ljubljana, though in all its activities functions within the business area Business Programmes. The business area Business programmes is managed by the member of the Podravka Inc. Management Board for business programmes, Ivan Ostojčić.

The business area Finance has been divided into Corporate accounting, Treasury and Controlling, and after the reorganisation also includes Procurement and IT. The business area Finance is managed by the member of the Podravka Inc. Management Board for finance, Davor Doko.

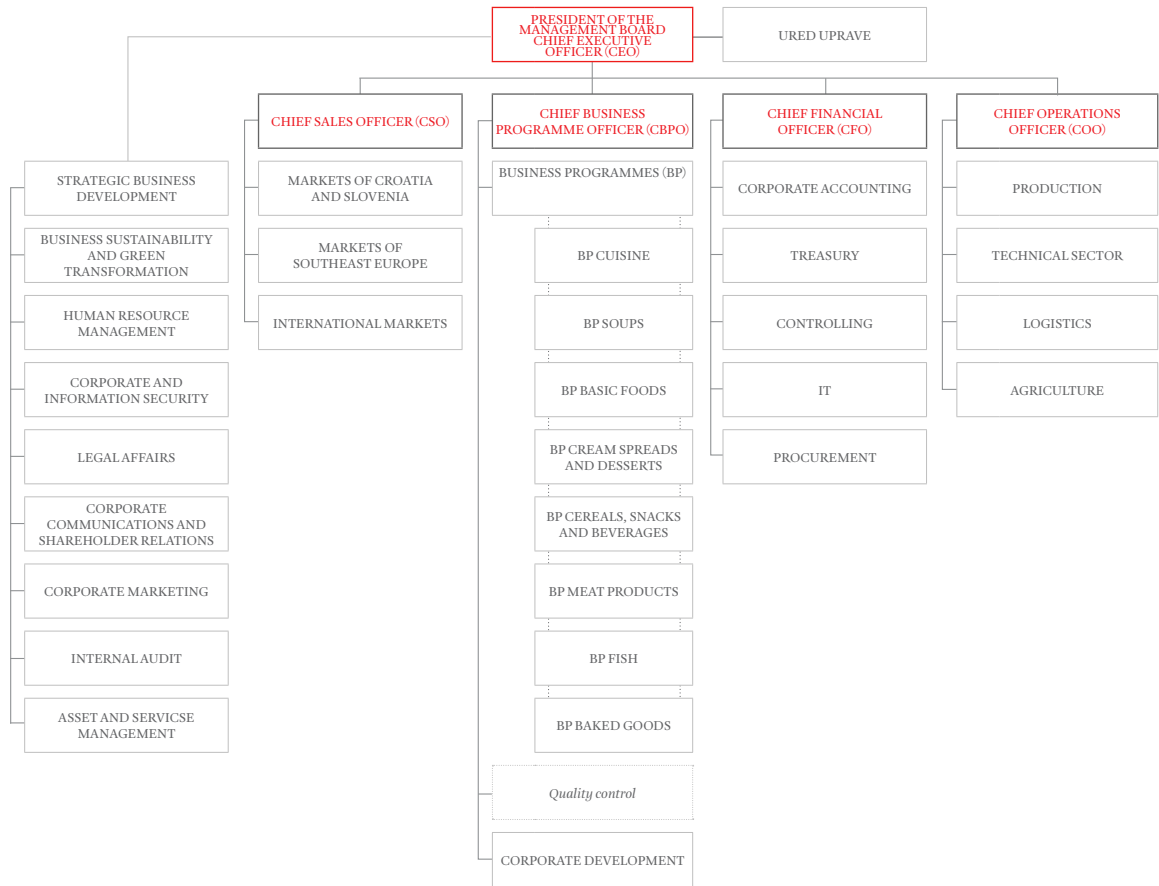
The business area Supply Chain includes Production, Technical sector, Logistics and Agriculture. The sector Production manages all factories in Croatia. The business area Supply Chain is managed by the member of the Podravka Inc. Management Board for the supply chain, Ljiljana Šapina.

The corporate functions include Strategic business development, Corporate sustainability and green transformation, Human resources management, Corporate and IT security, Legal affairs, Corporate communications and shareholder relations, Corporate marketing, Internal audit, Asset and service management, and the Office of the Management Board. The corporate functions are responsible for the management of the appropriate tasks at the level of the Podravka Group, and are managed by the president of the Podravka Inc. Management Board, Martina Dalić.



7. Key performance indicators

KEY EVENTS



In accordance with business trends and company needs, and to place an emphasis on strategy management and the influence of green policy, a stronger role has been given to the sectors Strategic business management, and Corporate sustainability and green transformation. This is the result of the increasing global focus on sustainable business and investor focus on the non-financial part of operations. Podravka Inc. has taken a proactive approach and integrated the ESG report into its Annual Report, and is continually increasing the scope of information in line with the relevant regulations of the European Union, in order to provide investors with all relevant information needed for valuation.

**CHANGES IN THE PODRAVKA INC. ORGANISATION HAVE RESULTED IN A PRONOUNCED APPLICATION OF THE ESG CRITERIA**

In accordance with the ESG criteria and the Business Code of Ethics, Podravka Inc. has committed to equal opportunities and equality of all employees, regardless of sex, and a zero tolerate for any form of discrimination. With 40% women on the Management Board and 25% women on the Supervisory Board on 31 December 2022, Podravka Inc. is among the leaders in gender equality in Croatia, and with

**KEY EVENTS**

the application of the new organisation on 1 April 2022, the share of women in top management has been increased from 24% to 43%. On 31 December 2022, women made up 47% of all employees in Podravka Inc., while among the highly educated workers, women made up 61%. Though there is a 2.7% difference in salary by gender, this is far below the national average (11.2%) and EU average (13.0%). In the forthcoming period, Podravka Inc. intends to further decrease this wage gap between male and female employees through a number of measures.

This year, the Podravka Inc. Management Board adopted the Ordinance on the internal irregularity reporting procedure and the appointment of an Irregularity officer. This regulates the procedures concerning internal irregularity reporting at Podravka Inc., and the procedure for appointing an irregularity officer, in accordance with the Act on the Protection of Persons Reporting Irregularities, with the aim of protecting the rights of its employees and creating a positive and equal working conditions.

**GENERAL SHAREHOLDERS ASSEMBLY OF PODRAVKA INC. SHAREHOLDERS HELD**

On 14 June 2022, the General Shareholders Assembly of Podravka Inc. was held. Pursuant to the decisions of the General Assembly, changes were made to the composition of the Supervisory Board, such that as of 1 July 2022, Damir Grbavac was appointed a new member of the Supervisory Board instead of Ivan Ostojić, who on the same day became a member of the Podravka Inc. Management Board. In September 2022, the mandate expired for four members of the Supervisory Board: Petar Miladin, Luka Burilović, Krunoslav Vitelj and Dajana Milodanović. By virtue of a decision of the General Assembly, Petar Miladin,

Luka Burilović and Krunoslav Vitelj were elected for a new mandate in the Supervisory Board, while in place of Dajana Milodanović, Damir Felak was elected into the Supervisory Board. Accordingly, as of September 2022, the composition of the Supervisory Board was: Želimir Vukina, Luka Burilović, Ksenija Horvat, Krunoslav Vitelj, Tomislav Kitonić, Marina Dabić, Petar Miladin, Damir Grbavac and Damir Felak. Želimir Vukina resigned from his position as president and member of the Supervisory Board as of 1 November 2022 and that same day, Damir Grbavac was elected as president of the Supervisory Board.

The General Assembly confirmed the proposal for the pay-out of dividends for 2021 to shareholders of Podravka Inc. in the amount of HRK 13.00 per share. The dividends were paid out on 12 August 2022 to shareholders who as of 14 July 2022 were recorded in the Central Clearing Depository Company (SKDD), for which SKDD has the appropriate data for the pay-out of the net amount. Taking into account the last market price of Podravka shares (HRK 600.00) on the day of dividend payment (12 August 2022), the paid dividends implies a dividend yield of 2.2%. Through the continuity of dividend yields over the years, Podravka Inc. has placed an emphasis on its commitment to meeting the expectations set by the shareholders.

**IN FEBRUARY, PODRAVKA INC. SUPERVISORY BOARD APPOINTED A NEW MANAGEMENT BOARD UNDER THE LEADERSHIP OF MARTINA DALIĆ**

At the session of the Podravka Inc. Supervisory Board held on 4 February 2022, a decision was made on the appointment of the Management Board that will

**KEY EVENTS**

lead the company in the next five-year mandate, beginning on 24 February 2022. The Supervisory Board appointed Dr. Martina Dalić as the president of the Management Board, and the current members of the Management Board, Davor Doko and Ljiljana Šapina, were appointed for a new mandate. A new member of the Management Board is Milan Tadić, previously the Head Director for the Adria region at Podravka. As of 1 July 2022, the Management Board has been operating in its full composition with the arrival of Ivan Ostojić, who previously was a member of the Wüstenrot stambena štedionica and a member of the Podravka Inc. Supervisory Board.

**IMPLICATIONS OF THE RUSSIAN-UKRAINE CRISIS ON OPERATIONS OF PODRAVKA INC.**

In 2022, Podravka Inc. achieved less than 0.7% of its total revenues on the Russian and Ukraine markets. The Podravka Inc. Management Board is continually considering all the risks associated with the Russian-Ukraine conflict, and has assessed that these risks are not a threat to the stability of operations of Podravka Inc.

**OPERATIONS OF PODRAVKA INC. IN THE CONDITIONS OF THE COVID-19 PANDEMIC**

The first half of 2022 was still strongly marked by the COVID-19 pandemic and the epidemiological measures in effect and with varying duration in individual countries. On all markets where Podravka Inc. operates, the epidemiological measures in the first quarter of 2022 created certain limitations concerning consumer behaviours and impacts on operations. In the second quarter of 2022, the epidemiological measures were completely terminated, which certainly eased daily operations. It is not possible to quantify or assess the impact of the COVID-19 pandemic on the sales Podravka Inc. The recovery of Special sales channels (HoReCa buyers, institutional buyers, industrial buyers, etc.) was already evident in the first quarter of 2022, primarily on the markets of Croatia and Slovenia. In the reporting period, Podravka Inc. did not receive subsidies and there were no financial impacts or risks caused by the disease COVID-19.

# <sup>8</sup> Business results and Shares



# Business results

## INTRODUCTION NOTES

At the beginning of March 2022, Podravka Inc. completed the process of internal reorganization by business units and regions with the aim of increasing business efficiency. The new internal reorganization defined eight business units instead of the previous six, and a new division of regions was made, while the number of regions remained the same. An overview is presented in the “Additional tables for 2022” section for better understanding of business units and regions.

Podravka Inc. calculates EBITDA in a way that EBIT was increased by depreciation and amortization and value adjustments of non-current assets,

while normalized EBITDA is calculated in a way that normalized EBIT was increased by depreciation and amortization. For transparency purposes, in addition to the reported operating results, the Podravka Inc. also presents normalised operating results, without the effect of items treated by management as one-off items. The overview and explanation of value adjustments of non-current assets used in the calculation of EBITDA, overview and explanations of items treated by management as one-off items and the overview of methodology of calculation of normalized result are provided in the “Additional tables for 2022” section.

Decimal differences in tables are possible due to rounding.

## BUSINESS RESULTS

## OVERVIEW OF SALES REVENUES IN 2022

## Sales revenues by business units

(in HRK millions)	2021	2022	Δ	%
BU Culinary	571.5	589.8	18.3	3.2%
BU Soups	226.6	261.3	34.7	15.3%
BU Cereals, Snack and Beverages	226.5	236.7	10.2	4.5%
BU Creamy spreads and Desserts	205.8	209.1	3.3	1.6%
BU Bakery	25.9	29.1	3.2	12.4%
BU Basic food	415.4	483.1	67.6	16.3%
BU Meat products	275.2	291.9	16.7	6.1%
BU Fish	127.9	118.8	(9.1)	(7.1%)
Other sales	127.7	179.3	51.6	40.4%
<b>Total</b>	<b>2,202.7</b>	<b>2,399.1</b>	<b>196.5</b>	<b>8.9%</b>

## SALES REVENUES BY REGION IN 2022

## Sales revenues by region

(in HRK millions)	2021	2022	Δ	%
Markets of Croatia and Slovenia	1,237.4	1,377.4	140.0	11.3%
Southeastern Europe	419.7	460.9	41.2	9.8%
WE and Overseas	303.6	318.4	14.8	4.9%
Central Europe	181.4	202.2	20.8	11.5%
Eastern Europe	60.6	40.3	(20.3)	(33.5%)
<b>Total</b>	<b>2,202.7</b>	<b>2,399.1</b>	<b>196.5</b>	<b>8.9%</b>

In 2022, total sales revenues of Podravka Inc. amounted to HRK 2,399.1m, which is HRK 196.5m (+8.9%) higher than in the comparative period. Almost all

business units recorded a sales increase, while the business unit Fish recorded a sales decrease due to lower sales of the Tuna and Mackerel categories.

## BUSINESS RESULTS

## PROFITABILITY OF PODRAVKA INC. IN 2022

Decimal differences in tables are possible due to rounding.

## Profitability of Podravka Inc.

(in HRK millions)	2021	2022	Δ	%
Sales revenue	2,202.7	2,399.1	196.5	8.9%
Gross profit	663.0	679.4	16.4	2.5%
EBITDA*	291.0	257.2	(33.8)	(11.6%)
EBIT	186.0	140.9	(45.2)	(24.3%)
Net profit	245.1	198.1	(47.0)	(19.2%)
Gross margin	30.1%	28.3%		-178 bp
EBITDA margin	13.2%	10.7%		-249 bp
EBIT margin	8.4%	5.9%		-257 bp
Net margin	11.1%	8.3%		-287 bp

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

## Profitability of Podravka Inc. — normalized

Decimal differences in tables are possible due to rounding.

(in HRK millions)	2021	2022	Δ	%
Sales revenue	2,202.7	2,399.1	196.5	8.9%
Gross profit	663.0	679.4	16.4	2.5%
EBITDA*	292.4	266.5	(26.0)	(8.9%)
EBIT	192.8	159.9	(32.8)	(17.0%)
Net profit	225.5	213.7	(11.8)	(5.2%)
Gross margin	30.1%	28.3%		-178 bp
EBITDA margin	13.3%	11.1%		-217 bp
EBIT margin	8.8%	6.7%		-209 bp
Net margin	10.2%	8.9%		-133 bp

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



**BUSINESS RESULTS**

In 2022, Podravka Inc. recorded an increase in gross profit of HRK 16.4m (+2.5%), while operating profit (EBIT) is HRK 45.2m (-24.3%) lower. At the normalized level, the operating profit (EBIT) is lower by HRK 32.8m (-17.0%).

Negative impact on the operating profit (EBIT) came from: i) an increase in the costs of raw materials, packaging and energy of HRK 185.8m (+20.0%), ii) investing in improving the material status of employees, which resulted in an increase in staff costs of HRK 50.8m (+11.2%), iii) an increase in transportation costs of HRK 6.8m (+23.7%) and iv) the investment cycle, which resulted in an increase in depreciation costs of HRK 6.8m (+6.9%). These negative impacts were partially mitigated through optimization of the product range, management of the production process and the use of alternative energy sources, as well as changes in procurement processes, as explained in the "Increase in prices of raw materials, packaging and energy" section.

Reported net profit is HRK 47.0m lower (-19.2%), while normalized net profit is HRK 11.8m lower (-5.2%). In addition to the impact above the EBIT level, net profit was positively impacted by the higher amount of profit withdrawn from related companies, by HRK +14.8m (+21.2%). The reported tax expense is HRK 16.9m higher (+154.0%), while normalized tax expense is HRK 5.9m lower (-15.9%). As at 31 December 2022, total

assets of Podravka Inc. amounted to HRK 3,624.0m, which is 17.8% higher than at the end of 2021. The significant increase on the assets side was recorded by property, plant and equipment position (HRK +211.1m), inventories position (HRK +180.7m) and debit securities at amortized cost (HRK +113.0m). On the equity and liabilities side, an increase is recorded by short-term borrowings position (HRK +352.9m), reserve position (HRK +130.5m) and trade and other payables position (HRK +98.4m), while the significant decrease was recorded by long-term borrowings position (HRK -13.8m). Indebtedness of Podravka Inc. are HRK 339.1m higher than as at 31 December 2021 due to financing regular business operations, whereby the ageing structure was changed. The long-term debt is lower by HRK 13.8m, while the short-term debt is higher by HRK 352.9m, in part as a result of using more favourable financing terms through short-term credit lines. Cash flow from operating activities in 2022 amounted to positive HRK 167.8m, due to business operations and movements in the working capital. Cash flow from investing activities at the same time amounted to negative HRK 358.2m, primarily due to cash used for the purchase of non-current tangible and intangible assets. In the same period, cash flow from financing activities amounted to positive HRK 253.2m, primarily due to borrowings received. As at 31 December 2022, cash and cash equivalents amounted to HRK 28.9m.

BUSINESS RESULTS

ADDITIONAL TABLES FOR 2022

NEW BUSINESS UNITS AND REGIONS

At the beginning of March 2022, Podravka Inc. completed the process of internal reorganization by business units and regions with the aim of increasing business efficiency. The new internal reorganization defined eight business units instead of the previous six, and a new division of regions was made, while the number of regions remained the same.

*Business units:*

- *BU Culinary: Food Seasonings,*
- *BU Soups: Soups, Instant meals,*
- *BU Cereals, Snack and Drinks: Cereals, Baby food, Snack, Tea and Beverages,*
- *BU Creamy spreads and Desserts: Creamy spreads, Desserts,*
- *BU Bakery: Bread, Rolls and salt bakery products, Sweet bakery products, Confectionery,*

- *BU Core food: Condiments, Tomato products, Processed fruit, Vegetables, Podravka flour, Side dishes, Wellness food,*
- *BU Meat products: Ready meals, Pates, Dried Meat and Sausage Products, Chilled ready meals, Other products,*
- *BU Fish: Fish products, Fish salads, Fish other.*

*Regions:*

- *Markets of Croatia and Slovenia: Croatia, Slovenia,*
- *Southeastern Europe: Bosnia and Herzegovina, North Macedonia, Serbia, Montenegro, Kosovo, Bulgaria, Albania, Greece,*
- *Western Europe and Overseas: Germany, Austria, Switzerland, France, Great Britain, Italy, Scandinavia, Benelux, Ireland, Spain, Portugal, Malta, the USA, Canada, Australia, New Zealand, MENA, Africa, Asia, South America,*
- *Central Europe: Poland, the Czech Republic, Slovakia, Hungary, Romania,*
- *Eastern Europe: the Russian Federation, Ukraine, the Baltics, Uzbekistan, Moldova, Belarus, Georgia.*

## BUSINESS RESULTS

VALUE ADJUSTMENTS AND 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. The table below presents value adjustments to non-current assets in the reporting and the comparative period.

Value adjustments	2021	2022
(in HRK millions)	Podravka Inc.	Podravka Inc.
Investments in subsidiaries	5.3	8.9
Intangible assets	-	0.9
Total	5.3	9.8

Referred to above value adjustments: \*Note 10 – Other expenses, \*\*For 2021 Note 10 – Other expenses, for 2022 Note 9 – Other revenues, \*\*\*Note 9 – Other revenues.

Reported EBITDA calculation	2021	2022
(in HRK millions)	Podravka Inc.	Podravka Inc.
Reported EBIT	186.0	140.9
+amortization and depreciation	99.7	106.5
+value adjustments	5.3	9.8
Reported EBITDA	291.0	257.2

Normalized EBITDA calculation	2021	2022
(in HRK millions)	Podravka Inc.	Podravka Inc.
Normalized EBIT	192.8	159.9
+amortization and depreciation	99.7	106.5
+value adjustments	-	-
Normalized EBITDA	292.4	266.5

## BUSINESS RESULTS

## ONE-OFF ITEMS IN 2022 AND 2021

In 2022, Podravka Inc. incurred HRK 0.4m costs of severance payments for employees on long-term sick leaves, HRK 8.9m of impairment of investment in the related company in Russia, HRK 10.5m of one-off effect of the difference in actuarial calculation according to the new collective agreement (the result of an increase in severance pay for retirement from HRK 10 to HRK 15 thousand) and HRK 0.9m of impairment of intangible assets in a related company. Positive effects in 2022 relate to the sale of part of non-operating assets in the amount of HRK 0.3m and the reversal of impairment of receivables in the amount of HRK 1.3m related to

the related company in Russia. The estimated impact of these one-off items on tax is HRK 3.4m (decreases it).

In 2021, Podravka Inc. incurred HRK 1.8m costs of severance pays for employees on long-term sick leaves, and HRK 5.3m of impairment of investments in subsidiaries. A positive effect comes from reversal of impairment of receivables in the amount of HRK 0.4m and deferred tax asset in the amount of HRK 25.1m based on the revaluation of recoverability of tax on the basis of losses on financial assets. All the above is treated by the company's management as one-off items. The estimated impact of these one-off items on tax is HRK 1.2m (decreases it).

## NORMALIZATION OF PODRAVKA INC. PROFIT AND LOSS STATEMENT

	2021	2022
(in HRK millions)	Podravka Inc.	Podravka Inc.
Reported EBIT	186.0	140.9
+severance payments	1.8	0.4
+reversal of receivable impairment	(0.4)	(1.3)
+investments in subsidiaries	5.3	8.9
+actuarial calculation	-	10.5
+revenue from the sale of the asset	-	(0.3)
+value adjustments of intangible asset	-	0.9
Normalized EBIT	192.8	159.9
Reported Net Income	245.1	198.1
+normalizations above EBIT level	6.7	19.1
+effect of differed tax asset	(25.1)	-
+estimated impact of normalization on taxes	(1.2)	(3.4)
Normalized Net Income	225.5	213.7

# Shares

## SHARE IN 1 – 12 2022

### List of major shareholders as at 31 December 2022

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	234,697	3.3%
9.	HPB - Republic of Croatia	167,281	2.3%
10.	Treasury account	93,478	1.3%
	Other shareholders	1,743,457	24.5%
	<b>Total</b>	<b>7,120,003</b>	<b>100.0%</b>

\*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.

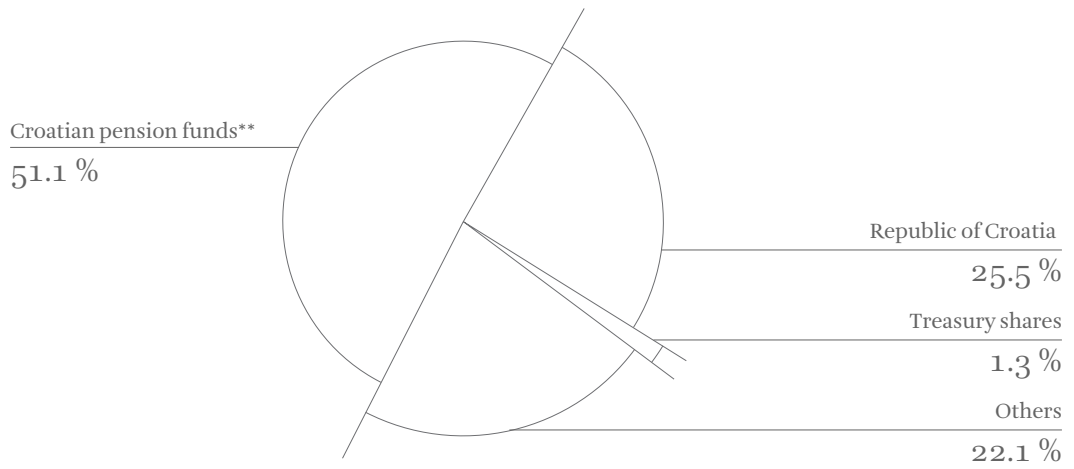
Podravka Inc. has a stable ownership structure where the most significant stake is held by the Republic of Croatia and domestic pension funds. A total of 7,120,003 shares have been issued at nominal price of HRK 220.0 per share. As at 31 December 2022, the Republic of Croatia holds 25.5 % stake, and domestic pension funds (mandatory and voluntary) hold a total of 51.1 % stake. Podravka Inc. has 1.3 % of treasury shares. As at 31 December 2022,

Supervisory Board members owned 153 shares of Podravka Inc., while Management Board members owned 3,510 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, CROBEXIO, CROBEXTI, CROBEXIOTI, CROBEXprime, CROBEXplus, CROBEXnutris and ADRIAprime).

SHARES

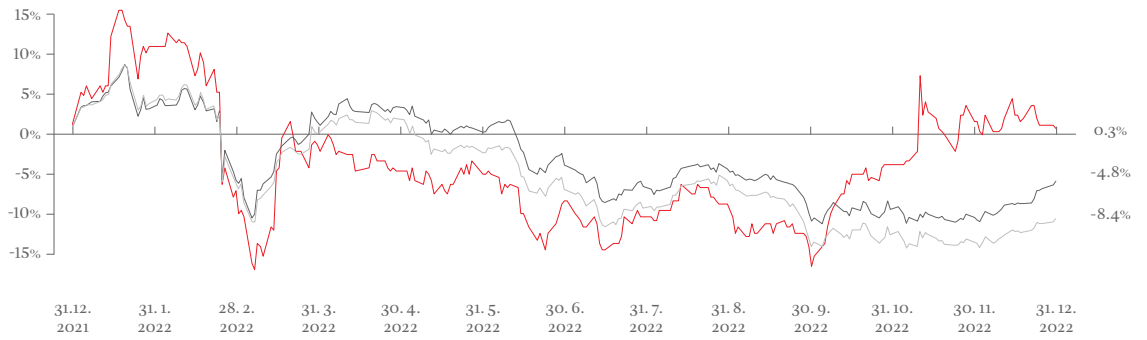
Ownership structure as at 31 December 2022



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

Share price movement in 2022 (%)

PODR CROBEX CROBEXIO



## SHARES

(closing price in HRK; closing points)	31 December 2021	31 September 2022	%
PODR	632.0	634.0	0.3%
CROBEX	2,079.4	1,979.9	(4.8%)
CROBEX10	1,262.3	1,156.2	(8.4%)

In the reporting period, the price of Podravka's share increased by 0.3 % compared to the end of 2021, while the CROBEX and CROBEX10 stock indices decreased by 4.8 % and 8.4 %, respectively.

## Result on the Croatian capital market in 1 – 12 2022

(in HRK; in units) <sup>3</sup>	2021	2022	%
Weighted average daily price	589.2	613.6	4.1%
Average daily number of transactions	13	14	6.3%
Average daily volume	1,488	1,214	(18.4%)
Average daily turnover	876,746.7	744,668.7	(15.1%)

At the annual level, the weighted average daily price of Podravka's share recorded an increase of 4.1 % relative to the comparative period. Compared to 1 – 12 2021, the average daily volume decreased

by 18.4 %, the average daily turnover decreased by 15.1 %, while the average daily number of transactions is 6.3 % higher.

3

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,  $\text{Weighted average daily price in the reporting period} = \text{average daily price} \times (\text{daily volume} / \text{total volume in the reporting period})$ .

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

Block trades are excluded from the calculation.



# Expected development



IN JUNE 2021, THE PODRAVKA INC. SUPERVISORY BOARD GAVE ITS CONSENT FOR THE PODRAVKA GROUP STRATEGIC PLAN for the period from 2021 to 2025 (hereinafter: Strategy). The activities and projects envisaged under the Strategy are successfully unfolding as planned, despite the many global challenges, and Podravka will continue with their implementation in the forthcoming period. The fundamental message guiding Podravka Group in the implementation of the adopted Strategy is Creating a more flavourful world. Always with heart.

The operationalisation of the Strategy is seen through the adoption of three-year business plans, which includes the three-year capital investment plan as an integral part. In December 2022, the three-year Business plan of the Podravka Group for the period 2023 to 2025 was adopted. This plan follows the guidelines and goals of the Strategy, and describes in detail all business activities in both segments of the Podravka Group, Food and Pharmaceuticals, to be implemented in the said period.

Implementation of the adopted Strategy from 2021 to 2025 implies a strong investment cycle aimed at modernization and digitalization of production and logistics processes, energy efficiency and improvement of working conditions. Thus, during 2022, the Podravka Group invested a total of HRK 396 million in capital investments.

The Strategy encompasses both segments of the Podravka Group, Food and Pharmaceuticals, through three development pillars: focus on selected markets and production categories, increased efficiency of operations through technological modernisation and digital transformation of production and logistics processes, and acquisitions.

An integral part of the strategy document is the integrated implementation plan, which clearly outlines the activities and schedules for their implementation.

The planned activities pertain to investments in technical and technological modernisation, construction of the new logistics and distribution centre in Koprivnica, and more significant use of renewable energy sources so as to improve energy efficiency. Together, these pillars will contribute to increasing efficacy, reducing the carbon footprint of production and distribution of products, and aligning the overall operations of the Podravka Group with the highest standards of corporate social responsibility.

The Strategy defines the areas where progress can be made in operations that will further strengthen the capability of the Podravka Group to continuously recognise consumer needs and more quickly adapt to changes in consumer habits, whilst retaining a high level of quality and the highest health standards of its products. In the forthcoming period, the Podravka Group aims to more closely connect with consumers through its wide selection of high quality products, remaining a reliable partner in overcoming the challenges of the contemporary lifestyle.

In the coming period, the Food segment of the Podravka Group will place an emphasis on the development of products and innovations in products and packaging that will be aimed at increasing the accessibility of Podravka products, and their adaptation to the needs and life habits of different consumer groups. The future accelerated growth and development of the Food segment will be based on product categories with a higher export potential, such as food seasonings, soups and

bakery products, with a focus on the wealthier and more potent markets in Western and Central Europe. For the Croatian and Slovenian markets and the markets of Southeast Europe, in the coming period the predominant focus will be on further growth and retaining the strong market position. With this strategic approach, a significant increase is expected in the share of sales on Western and Central European markets in total sales revenues. By implementing the defined measures to raise sales efficacy, for example through the opening of new sales channels and a stronger presence in the gastro segment, and by increasing production efficiency with higher quality management of personnel and processes, with further technological modernisation and digitalisation of production and logistics process, the expected result is that efficiency will be raised to a substantially higher level.

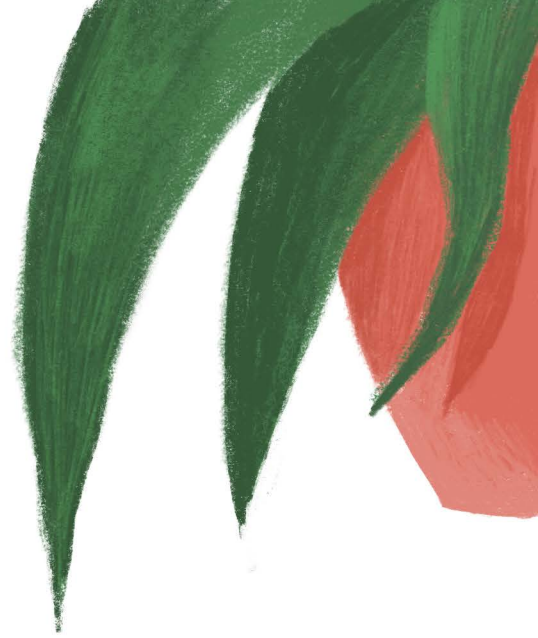
Production digitalisation represents the transition towards Industry 4.0, bringing digital transformation processes into the processing and manufacturing industries. It will enable production to be monitored in real time, maximum document digitalisation, and remove the need for manual work and paper documents. In the forthcoming period, Podravka will increase its self-sufficiency through its own agricultural production and the strengthening of cooperation, to reduce reliance

on imports and to enable stable risk management in the primary supply chain.

The Strategy defines the criteria for the consideration and selection of acquisition targets. Through potential acquisitions in the Food segment, Podravka aims to strengthen its presence and market position in categories that are in the focus of further rapid development.

The second segment of the Podravka Group, Pharmaceuticals, will place the focus in the forthcoming period on a stronger growth on international markets, expanding the portfolio with products with additional anatomical-therapeutic-chemical (ATC) groups, and strong growth on the domestic market through the introduction of new products. Growth will be stimulated by the launch of new molecules in the prescription and over-the-counter programmes. The Strategy envisages an acceleration of the development process of products in the pharmaceutical segment of the company by optimising key processes and establishing tighter guidelines for monitoring efficiency. Through the optimisation of efficiency in procurement and production and logistics capacities, the aim is to improve the operational efficiency of the business. In terms of the inorganic growth of the Pharmaceuticals segment, the company wishes to be an active participant and to proactively seek out acquisition portfolios and manufacturing partnerships.

<sup>10</sup> Brands of  
Podravka  
Inc.



Vegeta is Podravka's best-known and strongest brand that for more than six decades has entered into the kitchens of consumers in more than 50 countries worldwide, from Australia to the USA. The Vegeta brand includes universal seasonings, special seasonings, cooking mixes, single spices, bouillons, soups and many other products. In listening to the dietary needs and preferences of contemporary consumers, Vegeta is always offering new solutions and keeping up with the newest trends, be that in design, packaging, communications or new products. Today, Vegeta is Europe's best selling dehydrated food seasoning, adding that something special to diverse dishes to win over the hearts and tastebuds of its consumers.



The wide selection of Fant seasonings is sure to enrich all culinary skill. Fant makes it easier to prepare even the most complicated dishes, guaranteeing excellent flavour every time. The Fant product line offers a wide range of different dishes, from traditional ones to international cuisine, to new modern dishes that, thanks to Fant, can be made in either a vegetarian or classic version.



The Maestro brand has a long tradition on the Slovenian market, offering consumers security, the warmth of home, and the ability to explore different flavours with a constant guarantee of quality. The product line of single spices and special food seasonings under the Maestro brand has been inspiring creativity in the kitchen for more than 30 years, while the tradition of spice production is longer than 60 years.



A homemade flavour is a key value of the Podravka soups. They are exceptionally easy to prepare, ensuring a high quality meal in just minutes, while still leaving room for creativity. The Podravka groups continually followed the top food trends, and within the broad and diverse product line of clear and cream soups, consumers have been finding their favourite flavours for more than 60 years.

For those needing an even quicker solutions without cooking, the product line of instant Fini-mini soups has the answer. These products are prepared in line with the demands of modern consumers. The Fini-mini brand is further expanding into the category of instant noodles on the markets of Croatia, Slovenia and BiH.

Practical preparation and delicious flavour are characteristics of the Talianetta pastas that enable consumers to prepare a tasty and nutritious meal in just minutes. Talianetta is the answer to the increasing consumer demand for semi-finished and instant dishes, offering fast and high quality solutions for a stand alone meal or as a side dish to other meals.

Lino reveals the rich, diverse and magical world of flavours, tasty and healthy products that are carefully prepared for happy and healthy growth. As a reliable producer of children's food for more than 50 years, Podravka offers a wide line of children's products that contain all the ingredients needed for proper growth and development. In listening to the wants and needs of consumers, the Lino product line also offers several gluten-free options.

A synonym for children's food, Čokolino has always been associated with a carefree childhood, joy and moments of relaxation. Today, the Čokolino brand is a tasty, practical, and perfectly balanced cereal meal for all generations. In addition to the gluten-free options, other products in the line combine the irresistible Čokolino flavour with functional benefits that are relevant to adult consumers.





Lino Lada is a famous brand of cream spreads, thanks to the premium product quality, large selection of flavours, and wide range of packaging operations adapted to different consumer segments and consumption in all situations. Thanks to the innovations and continued investments in building the brand, today Lino Lada stands at the very top of the cream spread market, both in Croatia and in other markets of the Adria region, while the demand for Lino Lada is expanding on other international markets. In addition to cream spreads, Lino Lada is also a desirable flavour in the ice cream category, while on the impulse product shelves it can be found in cereal pillows. Always contemporary, creative and practical,



Dolcela is constantly introducing its consumers to the tastiest desserts and new ways to make them, regardless of whether this is a quick and easy method, or advanced and independent method. In 2022, Dolcela has kept in line with current food trends, and now those who are watching their sugar intake or seeking a snack or dessert rich in protein can also enjoy the sweet life.



The Kviki brand has been providing crispy and delicious snack foods for more than 45 years, delighting consumers with their high quality, fun and quick nibbles. The product line offers a wide range of salty baked and not fried snacks, ensuring the fullness of flavour and recognisable quality, while the carefully selected raw materials are a guarantee of the quality of the finished product. In following current trends, the entire product line of the salty snacks is sold in 100% recyclable packaging, and in recent years, new innovative surprises have been offered, such as the addition of chia seeds, linseeds or sea salt.





Podravka is the dominant market leader in the category of Ready-made meals and sauces. The excellent homestyle flavour and premium quality, and quick preparation times, are the main properties of this wide range of read-made dishes.

Podravka pâtés have been a beloved choice of consumers since 1958. The Podravka Chicken pâté, with its recognisable design, is special because it hides within it a wealth of flavours, thanks to the excellent quality ingredients and the unsurpassable creamy texture. In carefully following global food trends and consumer demands to eat high quality and natural foods, a new generation of Podravka chicken pâtés has been introduced, made of only the finest ingredients. Perfectly spreadable, they contain no preservatives, palm oil, or flavour enhancers. For those looking for a lower cost solution, the Piketa pâtés offer a range of different flavours and packaging options.



The flavour and quality of Podravka cold cuts awaken positive emotions associated with the beloved flavours of childhood. For more than 60 years, these cold cuts have been an excellent protein meal for all generations, regardless of whether they are served cold, as an addition to salads, or prepared on the grill. Thanks to their practical packaging, they are an excellent choice for an outdoor picnic, or to take into the mountains or onto the beach.

Knowledge, experience, dedication and passion are woven into the creation of Podravka's semi-lasting and lasting cured meat products and sausages. A high ratio of meat in the cured meat product line makes these products a valuable source of protein, while the high quality ingredients and selected blend of seasonings give every product a characteristic and well-known flavour and aroma.

In 2022, the newest brand in the Podravka portfolio was introduced - O'Plant. Over the past year, the product line in this brand was focused on a range of plant-based beverages, though in the future the O'Plant line will offer a range of products that are 100% plant-based in different product categories. The long know-how of Podravka and excellent knowledge of local flavours guarantees premium flavour and quality of the newest generation of plant-based products.



The broad line of fish products under the Eva brand is prepared from only the highest quality fish, led by the queen of the Adriatic – the sardine. The exceptional temperature and salinity of the Adriatic Sea is a guarantee of the premium flavour and balanced nutritional value of the Adriatic sardine. The Eva brand includes other products with tuna, mackerel, Baltic fish, fish pâtés and salads. Eva products are packed full of nutrition and made in a completely natural way, making them the ideal choice in a modern and balanced diet.



Podravka tomatoes are an essential ingredient in every cuisine, especially the Mediterranean cuisine, blending in perfectly with an entire series of culinary ingredients. The healthy and natural tomato products contribute to health, and inspire creativity in the preparation of quick and practical dishes, and enjoying the flavours and aromas of the Mediterranean on every occasion, year round.

For more than 70 years, Podravka fruit has been processed from only the highest quality fruits. The recipes of the leader products, such as rosehip jam, mixed fruits, or even plum jam, are identical to the original recipes, ensuring the full flavour of fruit and the most natural sweet satisfaction. Trends have shown that the future of food is in vegetable and legume-based foods.



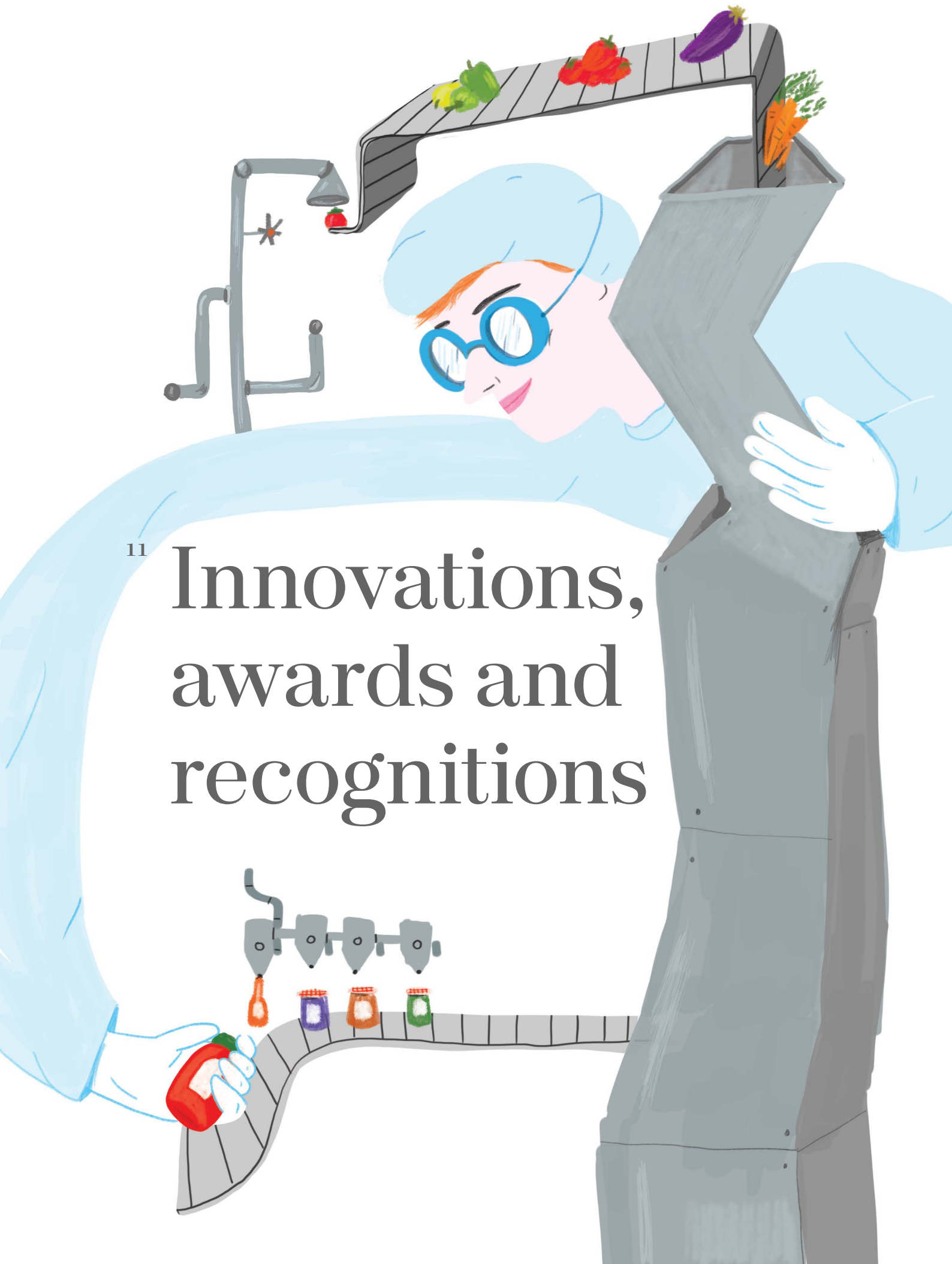
Podravka vegetables in sterilised or pickled products preserve the highest quality nutrition in foods. The products are very practical, ready to consume year round for a wide range of dishes, including salads, sides, stews, sauces and sandwiches.

The perfect texture and flavour are what makes the Podravka condiments – ajvar relish, mustard, ketchup and horseradish – the ideal accompaniment to the most diverse dishes. The flavourful and aromatic Podravka condiments are a must-have in any kitchen, and offer special culinary value, especially those that continue a true treasure trove of nutrients, so they can rightfully be called superfoods.



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# Innovations, awards and recognitions



# Research and development

## ACTIVITIES RELATING TO THE NUTRITION STRATEGY

In recognising its influence in creating a healthy environment for its consumers, and taking responsibility for the nutritional quality of its food products, in 2014, Podravka adopted its first Nutrition Strategy for the period 2014 to 2024. In the past period, significant efforts have been made to reduce salt, sugar, saturated fatty acids and trans fats from different product categories in the Podravka portfolio. The development and innovation of the product line has primarily been focused on products with a reduced salt and sugar content, products without additives, flavour enhancers, colouring, and products enriched with proteins, vitamins, minerals and fibre. Additionally, the use of whole grains, development of products without palm oil or the use of RSPO palm oil, the development of the segment of BIO products, products for vegetarians and vegans, and gluten-free products.

In line with the times and global health guidelines, in 2022 the process to revise the Podravka Nutrition Strategy 2014 – 2024 began, with the aim of setting new, ambitious goals to offer the consumer even more new products that support sustainable options that are good for health and the environment. In February 2023, Podravka adopted a new Nutritional Strategy for the period until 2027, which confirms the focus on healthy,

balanced and sustainable nutrition through the development of new and innovative products. The key goals of the Nutritional Strategy are reducing the average salt and sugar content in at least 75% of our new and innovated products by 20% compared to today, introducing at least one ingredient that supports a healthy and balanced diet in 75% of our new and innovated products at a minimum, basing at least 40% of our new and innovated products on ingredients associated with sustainable diets and supporting sustainable nutrition with 100% of our product portfolio. The direction of the Nutrition Strategy has been aligned with the legislation, Strategy and voluntary guidelines, recommendations, proposals, codes, and commitments of international organisations (FAO UN, WHO, EC), and the associations of the largest food and beverage producers.

The fundamental tool for managing the nutritional quality of Podravka products is the Nutritional profile. The scientifically approved methodology to develop nutritional profiles provides internal recommendations for the content of macro- and micro-nutrients per product serving, in line with the global public health recommendations, the Nutrition Strategy and its goals, technological possibilities, markets and more. By the end of 2022, the nutritional profile was available for all Podravka categories that require nutritional tables.

In 2022, cooperation with Koprivnica-Križevci

RESEARCH AND  
DEVELOPMENT

County continued to develop standards for school meals in primary schools, at the initiation of the County. The project entitled “Smart meals for smart kids” is aimed at improving and standardising children’s meals in 18 county primary schools. Within this project, the Podravka nutritionists created 280 standards for school meals, delivered to schools over the 42 working weeks.

Research and development also participated in introducing the technology of newly registered products into production and the introduction of new analytical techniques to monitor product quality in line with the newest regulatory requirements. Activities are ongoing to improve the process of product development in line with the adopted Business Strategy of the Podravka Group. After two years, the Podravka research and development project entitled “Development of

innovative products from vegetable processing by-products”, co-financed from the European Regional Development Fund has been completed. The aim of the project was to separate the nutritionally valuable parts of pepper biowaste, the seeds and seed core, and to increase the efficacy of processing of ajvar by 10%. In the project, laboratory devices were developed to separate and dry pepper seeds, a conceptual design developed for a device to separate stems, cold pressed pepper seed oil, new plant-based spreads, sauces and liquid soups with flour cakes, assessment of biogas potential, purchase of laboratory devices and completion of roof repairs. The project results were presented at scientific conferences and in scientific journals, and the cold pressed pepper seed oil won a flavour award at the International Taste Institute in Brussels in 2022.

# New products

During 2022, the Vegeta brand, through its Natur line on the Polish market continued the project to expand into new culinary categories through the unique dual concept of the Vegeta Natur seasoning blends. The existing project line of seasoning blends was expanded with five new SKUs that were prepared according to the demands and preferred tastes of Polish consumers, and in line with global food trends.

With the aim of strengthening the brands Vegeta Natur, Vegeta Maestro and Maestro, line extensions were made available with special food seasonings in leader products (Vegeta Natur Grill 100g and Vegeta Natur chicken 100g) and innovations of larger packaging of existing range of single spices, such as curcuma, cinnamon, parsley, oregano and garlic. With this line expansion in the existing line of special products and single spices, the new product Maestro vegetable pickling seasoning 50g was released on the Slovenian market, and the new product Vegeta Maestro colourful pepper grains 14g on the Croatian market.

In the category of all-purpose food seasonings, during summer 2022, the product Vegeta 250g in a limited addition summer tin featuring the motifs of six Croatian cities was released. On the Hungarian market, new packaging for Vegeta was released with a red design, aimed at taking steps towards consumers with a focus on traditional sales channels. On the same market, limited edition packaging



NEW PRODUCTS

of Vegeta in a glass jar with a modern, attractive design was released. The limited edition packaging of Vegeta in a glass jar was also introduced to the Slovenian market.

Podravka soups are a nutritious and practical solution for every occasion and everyone's taste. That is why in 2022, three new soup options were marketed. Mama's soup is a rich combination of chicken and beef broth, complete with meatballs and heart-shaped pasta. Cream of pea and mint soup brings the rich flavour of vegetables with a hint of minty freshness. Cream of chicken soup features an excellent meat flavour and rich creamy texture. The soup project line was also expanded on the US market with new flavours under the Vegeta brand – these are interesting combinations of cream soups (Cream of broccoli and potato, Cream of pumpkin and sweet potato, Cream of tomato and nettle) and rich cereal soups (Rich soup with lentils, Rich soup with red quinoa, Rich five-grain soup, and Rich soup with porcini mushrooms and buckwheat).

In the category of instant meals, Podravka has introduced the popular instant noodles, Asian dishes based on fried noodles and seasonings that have won over young consumers around the world. Three new flavours of the Fini Mini/Podravka noodles have been launched: Chicken, Beef and Vegetable, in single and multi-packs, with the excellent and recognisable flavour of pasta that with the addition of seasonings, chilli and oil becomes a nutritious and tasty meal in just three minutes.

With the popular Kwiki pretzel sticks, pretzels and fish, a new crispy product has been launched – Kwiki maxi pretzels that come in three variations – sprinkled with sea salt and superfood ingredients,





NEW PRODUCTS

linseed or chia seeds. The products are made without palm oil, baked and are very crunchy, packed in 100% recyclable packaging, as the Kviki brand continues to keep up with the current trends. The category of children's snack is growing on the regional markets, opening opportunities for innovations and the stronger expansion of Lino children's snacks with new products. With the existing Lino cookies, that has received new packaging, two new flavours have been introduced: Multigrain and Cocoa. With the new products, the line of on-the-go products in the children's snack line has been expanded. The Lino Keksolino multigrain and cocoa cookies contain four different cereals (wheat, oat, corn and rice), are a source of vitamins, calcium and iron, and contain no palm oil. Launching the Lino dairy desserts is a response to the dynamic nature of the category of ready-made baby foods, that is constantly in demand of new products. Last year, the design of the dairy desserts was refreshed, and can now be found in ready to eat, on-the-go packaging. The new Easy Pack 100% recyclable packaging of Lino Lada Duo and Gold with a spoon in the lid has been met with excellent consumer response, and so it has been expanded into all markets, from Slovenia to Montenegro and proven to be a hit in the cream spread category. In order to help domestic and foreign consumers visiting Croatia connect the Lino Lada brand with the symbol of Croatian origin, the best selling flavours Lino Lada duo, Lino Lada Gold and Lino Lada milk have been linked with the famous inventions of Croatian inventors, and every product has been given four different designs on the topic of recognisable inventions. The Dolcela product line has been expanded with the new Dolcela HI proteins shakes. In addition to being rich in protein, they contain only natural



NEW PRODUCTS

sugar and so are ideal for those watching their sugar intake. They come in four irresistible flavours: Brownie, Raspberry cheesecake, Cookie, and Tiramisu. The Dolcela gluten-free product line has been expanded by another mix – the Dolcela Party cake with a delicate vanilla flavour. Proof that Dolcela is not only reserved for sweet moments is seen in the two mixes - Dolcela Savoury muffins and Dolcela Crescents. The Dolcela Savoury muffins with cheese and tomatoes has an amazing airy and soft muffin structure, and contains grated hard cheese, pieces of sundried tomato, and oregano. With the Dolcela mix, crescents are easy and quick to prepare, and are suitable for vegetarians.

Ajvar chutney has been launched in a new, practical squeeze bottle in both the mild and spicy versions. The new packaging widens the territory of use of the Podravka ajvar and popularises healthy and natural food. Podravka jalapeño ketchup is a new ketchup flavour. Jalapeño peppers are known for their very specific spiciness that has now been added to the newest Podravka ketchup, making this a unique innovation on the ketchup market in Croatia.

In the category of Podravka ready-made meals, the focus was on developing the most popular flavours in international cuisine, as trends of that food group are rising and these products are primarily intended for young consumers. Three popular new flavours were launched - Bolognese sauce, Chilli con carne, and Chicken curry – which enable consumers to enjoy the flavours and aromas of Italian, Mexican and Indian cuisine. The main properties of these new products are that they are quick to prepare, with premium flavour, highest quality ingredients, preservative-free and additive-free, and naturally rich in protein.

In continuing to follow trends, in the 2022 the pâté



NEW PRODUCTS

category presented innovated recipes for the Eva fish pâtés made of 100% selected fillets of tuna, without palm oil, preservatives, flavour and flavour enhancer in a BPA safe packaging with easy peel lid for quicker and easier opening. Four new and excellent flavours have been launched: Eva tuna classic, Eva tuna with vegetables, Eva tuna with sundried tomato, and Eva tuna with capers. For the youngest, Lino Njupalice products were launched. These are two pâtés with a rich and creamy texture adapted for children - Lino Chicken and Lino Tuna. They have a gently and creamy flavour, a subtle and delicious aroma, and fine creamy texture. They are made from natural, specially selected ingredients, and contain no flavour enhancers, flavouring, palm oil or conservatives.

The cured meats product line has been expanded with two new products: Lino chicken ham and Lino turkey ham. These are high quality hams made of chicken or turkey meat (100% breast fillet) just like kids love and should have in their daily diet. The hams are part of the Lino Njupalice brand and have a playful design in practical 60 g slice packaging. The hams are naturally rich in protein, contain chicken and turkey meat (100% breast fillet, highest quality meat position), are gluten-free, and contain no flavour enhancers or added colouring, and contain a reduced salt and fat content.



# Digital innovations

During 2022, Podravka celebrated its 75th anniversary with the online campaign “Good tastes travel far” in Croatia and the region. This topic arounds an emotional reaction from customers, as Podravka is a brand that many grew up with, creating a special connection with the brand. Through the campaign, numerous attractive video recipes from around the world were created, allowing Podravka to use this relevant content to present itself as a global company that has been operating successfully for 75 years, spreading the flavours of Croatia around the world. In the campaign, cooperation was achieved with famous people from Croatia and the region, global influencers, and our employees and consumers, who created a total of 42 recipes. The most popular influencers from 11 markets and 20 famous people from public life shared their favourite recipes that they prepared using the Podravka products. The video recipes were published on Coolinarika and the website <https://www.dobarokusdalekosecuje.com/>, and on all Podravka social media channels.

Originality, native and quick content, consistency and fun in cooperation with influencers on TikTok resulted in excellent results of the online campaign “Tuned to your style” for Vegeta universal for the Slovak market. Creativity in its full glory was shown through the creation of a special gadget (stick) for universal seasoning, which is then used to get “mini seasoning” that consumers can take with them wherever they do to season their food as they like. The campaign communicated to the

target audience, primarily generations y and z, that any meal – kebab, sushi, meat, ice cream – anytime and anywhere can be tasty and adapted to anyone’s style. This modern approach was particularly welcome by young consumers by placing seasoning in a completely different context.

As part of the Eva Easter campaign, a new and interesting campaign was held within the Digital turbine platform, through which Podravka took steps into the world of advertising in gaming applications. Since gaming applications have large numbers of users, and these numbers are increasing daily, thereby reaching a new group of people and introducing the Eva brand to them.

In mid-September, Coolinarika launched its own Tik Tok profile with the aim of attracting a new, young audience. Content creation was in collaboration with Croatian and regional influencers to feature simple and fun recipes and culinary tricks. Already in the first months, the profile had a high number of views.

In November, Coolinarika launched a modern and practical mobile application - Coolinarika Video Baker. This is a tool for recording and creating video recipes in the popular vertical format. In one place, videos can be recorded, edited, with the addition of stickers, musical background and voice records. All dishes within the application can be searched by ingredient and difficulty level. The application is available on Google Play and Apple store.

# Awards and recognitions

## PODRAVKA PRODUCTS AGAIN WIN THE SUPERIOR TASTE AWARDS

The annual Superior Taste Awards celebrate consumer food and beverages. Products are assessed by a group of professional chefs and sommeliers and give a global grade over 70% based on specific criteria – first impression, appearance, aroma, flavour, texture (food) or refreshment (beverage). Members of the global association Chef & Sommelier make up the panel that decides on the awards. In 2022, eight products received STA stars. The highest grade (three stars) was given to Fruit spread 100% from blueberries, and Cold pressed pepper seed oil, while two STA stars went to Vegeta Natur Fix Spaghetti Bolognese, and Vegeta Natur for chicken. One star went to the products Vegeta BIO, Cream of pea soup with mint, and Extra jam strawberry.



## AWARD FOR BEST INVESTOR RELATIONS

At the conference of the Zagreb Stock Exchange and Fund Industry in Dubrovnik, the 13th annual Poslovni Dnevnik awards were given out for best investor relations. On that occasion, Podravka received the 2nd place award for best investor relations. Poslovni Dnevnik, in cooperation with the Zagreb Stock Exchange, hands out this award to companies that have achieved the best investor relations, and the winners are selected based on statistical criteria

AWARDS AND  
RECOGNITIONS

pertaining to the abidance of the Exchange rules by the issuer, and based on a questionnaire conducted among the participants on the capital market. This is the second time in three years that Podravka has received this award, showing a high level of transparency in reporting, and the timely and continuous communication of all significant events on operations to investors and the public.

PODRAVKA WON THE HGK GOLDEN KUNA AWARD  
FOR SUCCESS ACHIEVED IN 2021

Podravka has won the Golden Kuna award of the Croatian Chamber of Economy for economic success achieved in Koprivnica-Križevci County in 2021. Podravka was awarded in the category of large companies, and the most important criteria were excellence in operations, market success, achieved profits and employment.

VEGETA PROCLAIMED EUROPE'S BEST  
DEHYDRATED FOOD SEASONING BY CONSUMER  
CHOICE

Proof that Vegeta is Europe's best selling universal food seasoning was confirmed yet again by the Nielsen agency, based on regular panel sales reports. The collected sales data for 31 European countries showed that Vegeta is the number 1 brand in Europe in terms of volume sales in the category of dehydrated food seasonings. Under the Vegeta brand, the categories of universal food seasonings Vegeta Original and Vegeta Natur, dehydrated special food seasoning Vegeta Natur, and mono-spices are monitored.





AWARDS AND  
RECOGNITIONS

MOMS CHOOSE VEGETA NATUR

In thinking about who has the world's hardest job, who is on call 24/7 and 365 days a year, who decides what to cook and what to wash up with, the marketing concept "Mom's choice" was launched to select the best products and services amongst a national representative sample of moms. This is the first consumer satisfaction survey of products and services exclusively among moms! Every year, the project "Mom's choice" hands out awards to the manufacturers, and in 2022, the title of the brand most chosen by moms was Vegeta Natur.



VEGETA ORIGINAL WINS THE WOMAN'S CHOICE  
AWARD

The Woman's Choice Awards is a prestigious survey that is traditionally organised by the popular Croatian website miss7, and the greatest value of this award is that it comes straight from the consumers, without a mediator, from the women themselves who decide every day what product to buy or whose service to use. For the third year in a row, Vegeta Original took the title as a legendary food seasoning.

SUPERBRANDS AWARD AGAIN IN THE PODRAVKA  
DISPLAY CASES

The brands that offer consumers an emotional and/or physical advantage over the competitors that consumers want (consciously or subconsciously), recognise and that are willing to pay more for – those are Superbrands. Every year, the Superbrand research team conducts comprehensive research on the best brands on a given market. The awards

AWARDS AND  
RECOGNITIONS

are given to professionals in the fields of business, communications, marketing and media research. In 2022, the title of Superbrand in Hungary went to Vegeta, while in Slovakia, this award has already been given to Podravka International s.r.o. nine times.

VEGETA NATUR PYRAMID FOR RED BORSCHT  
AMONG THE BEST IN POLAND

The Vegeta Natur pyramid for red borscht 30 g, sold on the Polish market, has been proclaimed one of the most innovative products launched in the cooking sauces and seasonings category on the Mintel website.

ONLINE CAMPAIGN FOR PODRAVKA UNIVERSAL  
AMONG THE BEST IN SLOVAKIA

The online campaign for Podravka universal “Tuned to your style” (VYLADENÉ K TVOJMU ŠTÝLU) is one of the top 14 best marketing campaigns on the Slovak market. This is the most important competition in Slovakia in which the profession selects the most creative campaigns (Zlatý klinec/ Golden Nail).

LINO CEREALS PROCLAIMED THE COOLEST  
CEREALS

Lino cereals for children have been proclaimed the coolest cereals by youth, and has won the deserved Coolest brands award powered by JoomBoos. This is an award that is given based on Ipsos surveys among young people.



AWARDS AND  
RECOGNITIONS

ČOKOLINO PROTEIN POWER PROCLAIMED  
SELECTED PRODUCT OF THE YEAR

Čokolino Protein Power has been proclaimed the Selected Product of the Year for 2022 in Croatia, amongst the company of just nine selected products that can bear this prestigious seal in this year. The research of what Croatian shoppers buy was conducted by the agency Nielsen IQ. The title is confirmation of the excellence and innovativeness of the Čokolino Protein Power products and a reflection of its high quality and exceptional flavour. The seal gives new consumers confirmation that the Podravka products are excellent and worthy of their trust. Čokolino Protein Power can also boast of having received the same title on the Slovenian market.

VEGETA IN POLAND WINS SEVERAL GOLD  
INNOVATION AWARDS AND TWO GOLDEN INVOICE  
AWARDS

As part of the largest competition on the Polish market, every year the most innovative FMCG products and retail solutions are selected. The awards are given to products and services that have revolutionised the approach to buying, made the food market more attractive and innovative, or directly influenced consumer behaviour in the past year. In 2022, the Golden Innovation award went to Vegeta Natur fix chicken/eggplant in Italian sauce with mozzarella, while Vegeta BIO won honourable mention. Vegeta Natur Fix Pasta casserole with ham, pumpkin and broccoli won honourable mention in the category of Pleasant Cooking.

In the 12th edition of the Golden Invoice awards in Poland, Podravka won two prizes. Podravka

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RECOGNITIONS

Passata was proclaimed the winning product in the category of other wet seasonings and sauces, while Vegeta Natur won honourable mention in the category of powdered seasoning, fixes and instant products.

VEGETA NATUR AND LINO LADA GOLD WERE  
WINNERS OF THE FOOD AWARDS IN HUNGARY

At the Food Competition of the Year held in Hungary, organised by the popular women's magazine *Nők Lapja*, the favourite foods in the FMCG sector are selected in 12 main categories and 47 subcategories. Based on the public vote, the winning products and recipients of the Food Awards were Vegeta Natur in the category of universal seasonings, and Lino Lada Gold in the category of hazelnut spreads.

PODRAVKA WAS AWARDED THE EMPLOYER  
PARTNER CERTIFICATE

Podravka received the prestigious Employer Partner certificate, which SELECTIO Group awards to companies that meet high quality standards in all areas of human resource management.

As the SELECTIO Group points out, Podravka achieved excellent results in attracting and hiring talent and developing, inspiring, motivating and rewarding employees.

# Non-financial report



# Strategic approach to sustainable business

The Sustainable business strategy has been drafted with the aim of integrating sustainability into all aspects of company business, and the definition of clear goals that Podravka Inc. will achieve in the mid-term five-year period. Its main determinants are to reduce the negative effects on climate change, environmental protection, corporate social responsibility, and good corporate governance. In line with the business trends focused on sustainable development and the company needs for integration of the principles of sustainable development into all business processes, the Sector for Corporate sustainability and green transformation was established, and is responsible for:

- Establishment, standardisation and improvement of business processes and best company practices, in line with business trends and the market;
- Management of sustainable development and non-financial reporting;
- Identification of potential to obtain support, subsidies and grants, and

- Cooperation with external partners in the certification of management systems and performance of inspections.

This business decision has placed the emphasis on strategic management of the company's sustainable development, and clearly defined the role of the new Sector in achieving that goal.

This is the result of the increasing global focus on sustainable business and investor emphasis on the sustainable business development. Through this proactive approach, Podravka Inc. integrated ESG reporting into its Annual Report for 2020, and is continually improving the scope and quality of information in line with the relevant EU legislation.

The ultimate goal of this approach is to provide shareholders with all the relative information they need to assess the company.

# Risks

## RISK FACTORS

In its operations, Podravka Inc. is exposed to risks that are typical for economic entities that operate on the domestic and foreign markets, particularly those in the food and pharmaceutical industries. External factors pertain to influences such as economic, political, technological, and social risks, risks relating to changes in legislation and, in recent years, the increasing risk of the influence of climate change on individual parts of the business system. The influence of climate change on the operations of Podravka Inc. is evident primarily in parts of the business system such as agricultural production and procurement, in view of market prices and the availability of certain raw materials.

Podravka Inc. ensures compliance with all standards governing individual areas, thereby reducing its exposure to external risk factors. Further, Podravka Inc. is exposed to various internal risk factors that the company can influence through its regular business policies, procedures and decisions.

With the aim of risk management, at the end of 2022, Podravka Inc. adopted the Risk Management Policy of the Podravka Group, with the aim of defining the framework of action to effectively protect the company from financial risks, and to analyse and report on key risks through the Enterprise Risk Management (ERM) system.

ERM implies the implementation of integrated analyses and reporting on the key risks the company is exposed to, determining potential events that could negatively impact company results, and managing the identified risks. Reporting on ERM is

entrusted to the Treasury Sector of Podravka Inc., which performs reporting in cooperation with other organisational units and affiliated companies of the Podravka Group, while each organisational unit or affiliated company is responsible for the active management of risks arising in their daily activities. An integral part of the ERM is the active reporting to the Management Board on critical events that could jeopardize profitability or cause significant loss in monetary resources of the company, while these events are still in their early phase. This enables timely and appropriate decisions to be made on specific business activities, for the purpose of managing those corporate risks.

## FINANCIAL RISKS

Within its operations, Podravka Inc. is exposed to a range of financial risks, particularly foreign currency exchange, interest rate, price and credit risks, and liquidity risk. Podravka Inc. actively manages foreign currency, interest rate, credit and liquidity risks through its adopted policies, and sets guidelines for the management of financial risks.

## FOREIGN CURRENCY EXCHANGE RISK

Podravka Inc. conducts certain transactions in foreign currencies, and in that sense, is exposed to risks in the changes in exchange rates. During 2022, the highest exposure to changes in the exchange rate of the Croatian kuna (HRK) was in relation to EUR, USD, PLN, AUD, HUF and RUB.

Currency exchange risks ensue from the operations

## RISKS

of affiliate companies on foreign markets, and the procurement of raw materials on the international market, which is largely performed in the currencies EUR and USD. Furthermore, Podravka Inc. is partially financed in euro-denominated loans. Due to the currency exchange regime and activities of the Croatian National Bank (CNB) in the year preceding transition from the kuna to the euro, the volatility of exchange rates of the Croatian kuna against the year did not deviate significantly from the usual volatility of these currencies.

During 2022, Podravka Inc. continued applying its model of managing transaction currency exchange risks entitled Layer hedging. This model is applied on the basket of the currency in which there is exposure for Podravka Inc. Integral parts of the model include identifying risk and measuring exposure, the process of contracting derivatives of financial instruments for the purpose of protection, and the controlling and reporting system. Additionally, the model includes parameters of exposure limits that are the triggers for contracting the prescribed protection levels. Via the Bloomberg terminals, macroeconomic projections are monitored regularly and financial instrument derivatives contracted with the aim of managing currency exchange risk. With the adoption of the Risk Management Policy of the Podravka Group at the end of 2022, the protection model against foreign currency risk has been improved with additional activities to monitor market trends, regular analyses of all currencies in which there is exposure, and the possibilities of contracting various financial instruments with the aim of protection of the currency exchange risk. Also, transactions from affiliate companies towards Podravka Inc. are made wherever possible in the domestic currency of the company in which the

affiliated company operates. In this way, the foreign currency risk has largely been transferred from the affiliated company to Podravka Inc. which actively manages those monetary inflows and aligns them with outflows wherever possible, using natural hedging to reduce the total exposure to the currency exchange risk.

During 2022, Podravka Inc. concluded fx forward transactions with the aim of managing the currency exchange risk for the currencies EUR, AUD, CAD and USD.

## INTEREST RATE RISK

Podravka Inc. has contracted the majority of its bank liabilities with a fixed interest rate, and therefore is not exposed to significant interest rate risks. Podravka Inc. has contracted a framework line of credit with banks that carry a variable interest rate, and in the case of use of these said lines of credit, Podravka Inc. will be exposed to interest rate risk, though this risk will be limited to a limited and minor portion of the credit portfolio. Additionally, Podravka Inc. has assets that achieve revenues from interest, and which pertain to deposits and loans approved to affiliate companies. The exposure of Podravka Inc. to interest rate risk arising from assets is not significant, since for deposits these are only small amounts that are occasionally locked in, while for loans approved to affiliated companies, the interest rates are tied to the Decision on the disclosure of interest rates on loans between affiliated entities that is released by the Ministry of Finance.

Podravka continuously monitors changes and projections of interest rates in order to ensure a timely reaction as needed.

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CREDIT RISK AND COLLECTION RISK

Podravka Inc. does business with creditworthy buyers, with insurance as needed, aimed at reducing the potential risk of financial loss as a consequence of default of contractual obligations. The exposure of Podravka Inc. on the basis of these claims, and the credit position of other contractual parties, is monitored continuously.

Podravka conducts business with the companies of Fortenova Group, and regularly monitors and standing of claims and exposure.

During 2022, the existing business processes were revised and the new Policy for customer credit risk management and collection of claims was adopted in the Podravka Group. The policy considers existing and new external customers of Podravka Inc. through the prism of approved lines of credit and customer risk categories. In the case the set parameters are exceeded, action is taken in line with the Policy, and this is systematically monitored through the relevant module in SAP. Claims are analysed on a weekly basis and the appropriate measures taken for their collection, in accordance with the parameters of the adopted Policy.

Protection measures are defined in line with the financial indicators of a certain buyer, in which services that provide the necessary information (financial reports, assessments, etc) may be used. Company exposure and credit exposure are monitored and controlled through lines of credit set by the company and insurance company, and are continuously revised and changes in line with the needs and market situation.

During 2022, the Podravka Group had no significant reports of claims pertaining to the insurance of claim collection.

LIQUIDITY RISK

Podravka Inc. manages liquidity risk by maintaining optimal amounts of funds in accounts, with adequate sources of financing from available lines of credit, for the purpose of the efficient management of short-term and long-term credit requirements and securing the necessary liquidity.

Continuous management of monetary flows in Podravka Inc., through regular monitoring of customer claims and liabilities to suppliers, banks and other financial institutions enables the timely management of acceptable levels of liquidity needed to maintain regular operations of the Podravka Group.

PRICE RISK

The cost of raw materials and materials subject to changing prices on the market can have an important role in the costs of finished products. Price volatility on the market of agricultural and food raw materials is particularly pronounced, as this market is considered one of the most vulnerable markets of the modern world. The risk of inaccessible goods on the market due to increasingly common inclement weather caused by climate change (long-term drought, floods, etc.), livestock disease, the COVID-19 pandemic, energy crisis, supply chain disturbances, and political and social unrest in certain companies (current war in Ukraine) all significantly impact an increase in the price and availability of input materials.

In order to reduce these influences, Podravka Inc. acts towards developing partnership relations with long-term suppliers, while parallelly developing

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relationships with new suppliers on target EU markets and third countries. Timely contracting, consolidation of procurement volumes to strengthen the market position, division of risk in part to suppliers, optimisation of processes and specification of materials, introducing replacement raw materials, alternative suppliers and actively implementing Commodity Risk Management, are just some of the activities the Group successfully applies to better forecast price movements and to reduce the risk of price volatility on the market.

**RISKS ASSOCIATED WITH CLIMATE CHANGE, ON THE PRINCIPLE OF DUAL MATERIALITY**



These activities of Podravka Inc. are not specified in the Delegated Regulation on the EU taxonomy of climate sustainable activities, meaning that these areas do not have a significant negative impact on climate, as their production processes do not emit large quantities of greenhouse gases. Environmental protection is one of the priorities of Podravka Inc., and it is implemented through application of the principles of sustainable development and cleaner manufacturing. All activities must be aligned with the valid national legislation concerning environmental protection, and the regulations of countries in which the company operates. Where there are no national regulations, international standards are applied. For many years, Podravka Inc. has rationally used the best sources of energy and raw materials, with careful waste management,

and continually works to prevent negative impacts on the environment during manufacturing. By adopting the Sustainable Development Strategy at the start of 2023, Podravka Inc. places further emphasis on the integration of sustainability principles into its operations as a whole. Considering the core activities, Podravka Inc. can make the largest contribution to the global sustainable development targets by:

- Investing in energy efficiency and renewable energy sources;
- Reducing waste generation in production and using environmentally acceptable packaging;
- Investing in agricultural production based on sustainability principles;
- Developing products that have a nutritional composition that benefits consumer health;
- Contributing to the community and caring for company employees, and
- Ensuring transparent corporate governance.

In production processes, the only greenhouse gas emitted is CO<sub>2</sub>. The production process is increasingly using renewable energy (woodchip furnaces, solar power plant on the rooftop of the Kalnik factory in Varaždin and on the rooftops of the Danica industrial zone in Koprivnica), while the planned capital investments will further increase the share of renewable energy used at the level of Podravka Inc.

In 2022, out of the total amount of Podravka Inc. capital expenditures, HRK 138.5 million can be associated with taxonomy eligible activities.

Investments into increasing energy efficiency of properties and plants in turn have lower energy consumption, further reduction of CO<sub>2</sub> emissions, and therefore a reduction in the negative



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distribution part of operations (fleet), CO<sub>2</sub> and very small amounts of CH<sub>4</sub> and N<sub>2</sub>O are emitted, which is evident in the differences between total CO<sub>2</sub> emissions and total GHG emissions (both figures shown in the table on the section of Impacts of operations on the environment). Investments into the fleet and the procurement and use of new cargo vehicles have reduced CO<sub>2</sub> emissions, and contributed to the environmental goal of preventing climate change.

In 2022, Podravka Inc. emitted 15,449.6 tonnes CO<sub>2</sub>, which is 6.2% less than in 2021. This is primarily the result of lower consumption of gas and increased use of renewable energy (wood chips), and a reduced amount of fuel consumed.



The effect of climate change on operations of the Podravka Group is most evident in agricultural production, on property, and on the availability and price of certain raw materials. Negative financial impacts of extreme weather conditions associated with climate change in 2022 amounted to HRK 2.5 million, while such financial impacts were not recorded in 2021.

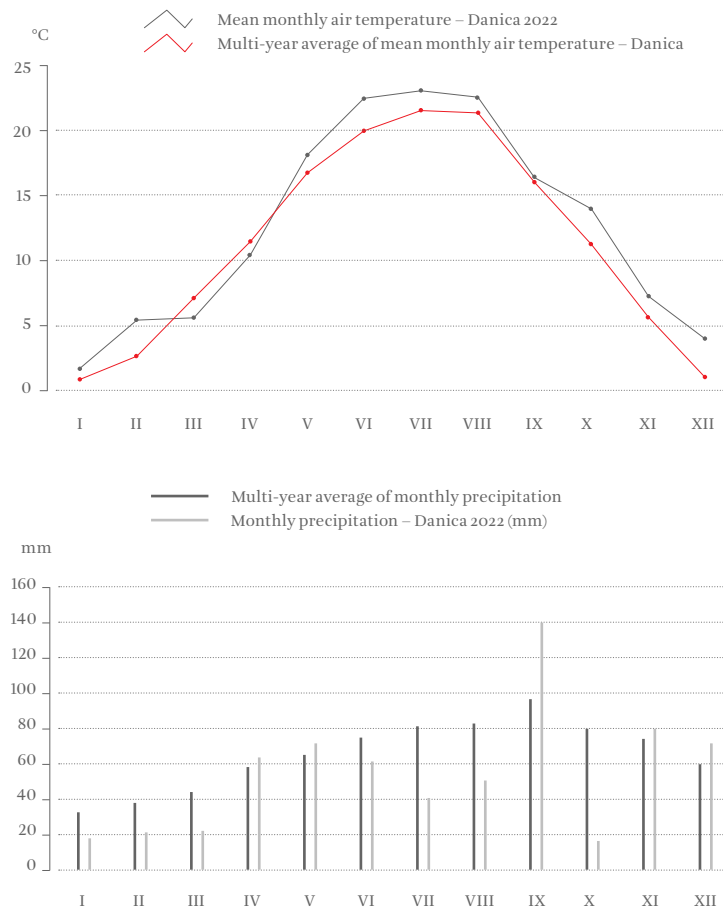
In agricultural production, negative impacts arise from climate extremes, such as a lack of precipitation during the growing season, insufficient and/or poorly distributed precipitation, increased air temperature, increased number and duration of heat waves, increased number of severe weather events (storm winds, heavy rains in short time periods, hail, spring frost, long-lasting drought, temperature extremes) which influence the appearance of pests on plants and consequently result in crop damages.

Temperature fluctuations in the daily averages are the primary negative impact of climate change on vegetable production. Vegetables, like other agricultural crops, have specific temperature requirements for each phenophase, and for the overall life cycle. The above average temperatures recorded in 2022 increased water requirements, leading to heat stress of plants and reducing yields. In 2022, above average temperatures were recorded in all months except March and April, with a precipitation deficit in the winter and summer months.

Temperature is one of the most important factors for the development, growth and yield of crops. In recent years, a trend has been noted of an increased number of days with extremely high air temperatures, which has increased the threat of our area from heat stress in agriculture from 0% to 44%. Heat stress results in the drop of buds, poor blossom development, less pollen production, reduced access to carbohydrates. An example is that air temperatures over 25°C drastically impact pollination in tomato, which is one of the important raw materials for production in the Food segment. Drought creates the greatest problems in agricultural production, with declines in yield of up to 50%.

Floods are another important stress that reduce agricultural yields. In 2022, following storms and excessive rain in a short time period, flood damage was recorded on certain agricultural lands. Since temperature is the most important environmental factor that influences the dynamics of insect populations, the ratio of overwintering individuals increases (due to the warm winter months). Due to above average warm summer months, the number of generations of pests increases on vegetables and other crops. Therefore, during 2022, Podravka Inc. invested significant efforts into crop protection to

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minimise negative impacts on yields. The financial result of this was an increase in the costs of production of primary raw materials.

Storms accompanied by hail that affected a part of crops in May and June 2022 destroyed the entire crops of peppers and cucumbers, and part of the crops of peas and corn. Containers with seedlings intended for planting were also destroyed. Considering that the field was completely under water, it was not possible to immediately start planting of the remaining seedlings, and these were instead donated to partner farmers to avoid them from being lost on the field (seedling donation valued at approximately

HRK 40,000).

In addition to storms, drought was a strong factor in 2022, negatively impacting yields and causing damages to peas. All agricultural crops were insured against damages caused by wind, storm, fire, etc., such that through the insurance, the damages caused by storms and hail to peppers, cucumbers and peas were covered in the amount of HRK 1.1 million. The effects of climate change due to storms were also recorded on property in which raw and finished materials are stored. The majority of the existing warehouse spaces was constructed in times when construction standards did not forecast the

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extremes we face today. Storms in 2022 caused damages to several warehouse structures, and the resulting damage required repairs and adaptations of parts of the buildings, since similar weather conditions can be expected in the future period. In addition to breakage, damage was in the form of water penetrating through the roof and drainage eaves, since the large amount of water caused the collapse of the drainage system and water entered into the premises. Therefore, an unplanned HRK 0.3 million was spent on repairs to damaged warehouse space caused by storms in 2022, and the damages to stocks stored in those warehouses damaged by storms was HRK 1.1 million.

In *procurement* of raw materials and primary agricultural raw materials, there has also been an observed effect of climate change in view of the availability and price of certain materials due to temperature shocks, drought, changes in the quantity and

distribution of precipitation, and the shortened growing season. In the two most important procurement categories of agricultural traded commodities (cereals and fresh vegetables), market prices grew in 2022. For other raw materials, climate change impacted the availability and price, particularly raw materials based on tomatoes and olives due to the extreme droughts and wildfires in Portugal and Spain, and on raw materials based on corn due to 15% lower yields.

The influence of climate change also comes from changes in temperature patterns in the winter months, so in the last quarter of 2022, less natural gas was consumed than planned due to the warmer winter than expected. This also represents a positive impact on energy costs given the rising prices of natural gas in 2022.

# ESG *report*

ESG is an acronym for three fundamental groups of goals to be achieved within sustainable development initiatives. These goals are:

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

Podravka Inc. compiles this ESG report as a separate section of the Annual Report as part of Non-financial reporting; however, the ESG principles are integrated into the operations of Podravka Inc. and are considered by the management in the making of all decisions.

The integration of ESG goals into operations of Podravka Inc. is seen through the application of the precautionary principle in operations in the following manner:

- With the aim of reducing and avoiding negative environmental impacts, all business processes are carefully planned and executed so as to cause a minimum burden to the environment, investments are continually being made in new and “green” technologies, waste management systems and the use of biowaste from processing are improved, while guidelines for sustainable packaging are followed when choosing packaging,
- With the aim of protecting employee and consumer health, employees are sent for regular health examinations, with access to additional health insurance; high standards of food safety and quality are applied, with a heightened sense of food safety

culture; nutritionally balanced products are development and education conducted on a proper and balanced diet.

These elements are described in greater detail in the sections that apply the application of each of the ESG indicators.

The ESG indicators for Podravka Inc. have been prepared using selected GRI Standards or part of their content for sustainability reporting.

The scope of the Non-financial reporting of Podravka Inc. is equivalent to the scope of the Financial reporting of Podravka Inc., meaning that the entire consolidated corporate organisation is included in the calculation of ESG criteria.

#### *Notes:*

Difference in application of Environmental (E) criteria for 2020 and 2021 in relation to previously published Annual Reports of Podravka Inc. for 2020 and 2021 is associated with the scope of data included in the calculation and the emission factors used. Also, in previous reports, assessments were used for certain data, since actual data were not available for the reporting period at the time of reporting.

Due to the complexity of the system and need to prepare the system for data collection for non-financial reporting, in previously published Annual reports of the Podravka Group for 2020 and 2021,

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only production at the company location at Ante Starčevića 32, Koprivnica. In this Annual Report, the E criteria for the previous reporting periods have been corrected and now include all properties owned by Podravka Inc. and which Podravka Inc. uses as the lessee. In order to equalise the scope of the ESG report with the scope of Financial reporting, branch offices have also been included in the calculation of E criteria.

Derogations are also the result of corrections of the relevant emission factors used for specific energy sources for 2020 and 2021 in relation to previously

published Annual Reports. The availability of updated emission factors for the reporting period is limited, given the different reporting periods of specific entities in their respective countries. In this year's report, the relevant factors have been used (NIR, report of individual electricity producers/suppliers, emission factors published on the official websites of relevant national ministries or agencies) as published for 2020 and 2021, while in 2022 where the emission factors for 2022 were not available, the most recently released emission factors were used.

# Influence of operations on the environment (*criteria E*)

Environmental criteria	Unit	2020	2021	2022
Total GHG emissions (scope 1)	000 t	15.4	16.5	15.5
Total GHG emissions (scope 2)*	000 t	4.9	3.3	3.7
Total CO <sub>2</sub> emissions (scope 1)	000 t	15.4	16.5	15.4
Total CO <sub>2</sub> emissions (scope 2)	000 t	4.9	3.3	3.7
Total CO <sub>2</sub> emissions from wood chips**	000 t	10.2	8.5	9.4
Total penalties from environmental impacts	mil. HRK	-	-	-
Total energy consumption	000 MWh	125.6	126.8	124.2
Energy consumption from renewables	000 MWh	25.9	22.5	26.2
Electricity consumption	000 MWh	28.8	28.6	28.7
Coal consumption	000 t	-	-	-
Natural gas consumption	000 m <sup>3</sup>	5,966.3	6,184.4	5,112.7
Crude oil / diesel consumption	000 m <sup>3</sup>	1.5	1.6	1.6
Electricity generation from renewable sources	000 MWh	0.7	0.7	1.1
Energy generated from renewable sources	000 MWh	25.9	22.5	26.2
Total energy generated	000 MWh	25.9	22.5	26.2
Total waste generated	000 t	4.3	4.2	5.6
Hazardous waste generated	000 t	-	0.1	-
Recycled waste	000 t	1.5	1.5	1.2
Total water consumptions	000 m <sup>3</sup>	579.1	530.4	541.7
% recirculated water	percent	12.5%	11.7%	16.2%
Total recirculated water	000 m <sup>3</sup>	72.3	61.8	87.8
Emissions into water	000 m <sup>3</sup>	-	-	-
Activities with a negative impact on biodiversity	Yes/no	No	No	No
Environmental protection policy ***	Yes/no	Yes	Yes	Yes

\* In most cases, electricity distributors only have data on CO<sub>2</sub> emissions during the generation of the electricity they deliver, while data on emissions of other greenhouse gases are not available. For the calculation of GHG emissions from fuel used, the most recent version of the Calculator for the calculation of GHG emissions made available by the GHG Protocol Organisation was used (<https://ghgprotocol.org/calculation-tools>).

\*\* Wood chips are a CO<sub>2</sub> neutral fuel and are not included in the calculation of total CO<sub>2</sub> emissions (scope 1).

\*\*\* <https://www.podravka.hr/kompanija/odgovornost/okolis/politika-zastite-okolisa/>.

## INFLUENCE ON CLIMATE CHANGE

## ENERGY SOURCES

Podravka Inc. is continually developing and improving processes, products and services with the aim of reducing the negative environmental impacts. As a large energy consumer, Podravka Inc. is working towards increasing its energy efficiency and promoting long-term sustainability of its operations. Systematic care is given to the security of energy supply and increasing energy self-sufficiency through investments into renewable energy sources and in-house generation. In the past period, a strong investment cycle was launched to increase the share of renewable sources of electrical and heat energy, with the aim of greater energy efficiency of equipment and processes. In this way, in addition to lowering costs, the emissions of greenhouse gases (primarily CO<sub>2</sub>) were also reduced, which is in line with the Sustainable Development Strategy of the Podravka Group.

Due to the geopolitical situation, 2022 was very challenging in the sense of optimising energy consumption and controlling energy costs. In the third quarter, the supplier of natural gas for Podravka Inc. changed the contractual conditions, changing the previously fixed price to an average monthly market price of natural gas. Following the expected price shock due to increased energy prices, and with the aim of maintaining the continuity of business processes, especially production, specific measures were taken. An energy mix was used that included cheaper energy sources (wood chips, heating oil, mazut) depending on the production location. However, aware of the fact that the use of heating oil and mazut increases CO<sub>2</sub> emissions,

production plans were altered so as to minimise the use of these energy sources. Given the reduced scope of production in the final quarter of 2022, and the warmer than usual winter, at the annual level Podravka Inc. used 17.3% less natural gas, with a higher share of renewable energy sources (wood chips) in comparison with 2021.

As a result of these negative impacts on energy prices, the optimisation of production plans and the achieved energy savings, the share of energy costs at the level of Podravka Inc. in total operating costs showed a small increase of 2.9% in comparison to 2.3% in 2021, while a total of 2.1% less energy was spent than in 2021. In 2022, Podravka Inc. emitted 15,449.6 tonnes of CO<sub>2</sub>, in comparison with 16,477.7 tonnes of CO<sub>2</sub> in 2021, which is a 6.2% decrease in emissions. This trend is primarily the result of the reduced total energy consumption, above all the reduced consumption of natural gas and the reduced consumption of diesel fuel.

In 2022, with the aim of achieving energy self-sufficiency and efficiency, the following investments were made:

- Installation and equipping of a solar plant on the Danica industrial zone in Koprivnica. The total installed capacity of the solar plant is 3059 kW (9272 photovoltaic panels) and will produce 3,266,470 kWh of electricity annually, making this the largest rooftop solar plant in Croatia,
- Energy and IT refurbishment of the administration building and restaurant, with renovation of the complete external façade, refurbishment of all working and auxiliary rooms, replacement of the heating, electrical, IT and fire protection installations, installation of highly efficient heat pumps for heating and HVAC equipment, and new lighting. The administration building has gone from a D energy

**INFLUENCE OF OPERATIONS ON THE ENVIRONMENT (CRITERIA E)**

class to an A energy class, while the restaurant has been upgraded from the E to B energy class,

- Climate control of the production plants of Podravka Inc. where HVAC systems based on highly efficient heat pumps have been installed in several factories,

- Reconstruction of the ammoniac cooling system of the Danica meat industry, where a glycol-based cooling circuit has been installed as the medium for heat transfer, to abide by the prescribe technological conditions in cooling chambers, thereby removing ammoniac from 66% of the workspace. Highly efficient equipment has been installed to reduce electricity consumption.

**TRANSPORT AND COOLING DEVICES**

Road transport has a strong influence on climate and new investments into new technologies are continuously needed to reduce its negative impacts. Diesel fuel is the most widely used fuel in the Podravka Inc. fleet. In 2022, the share of diesel consumption was at 95.2% in comparison with 95.7% in 2021. In 2022, improvements were achieved in reducing negative environmental impacts with a renewal of the cargo fleet. Through the procurement and exploitation of new cargo vehicles bearing the EURO VI standard, on average 1.03% less CO<sub>2</sub> was emitted in 2022 in comparison with the year before, despite covering more kilometres and consuming more fuel due to the growth in sales at the level of Podravka Inc.

For the purpose of protecting the air from fluorinated greenhouse gases, records are kept on all cooling devices, which are serviced and controlled for leakage by authorised service centres. Regular controls of leakage of controlled compounds from cooling devices was performed, and no leakages detected.

**WASTE MANAGEMENT**

**REDUCING WASTE GENERATION IN PRODUCTION**

In 2022, Podravka Inc. produced a total of 5147.6 tonnes of non-hazardous waste, of which 1200.3 tonnes was recycled, and 25.5 tonnes of hazardous waste, which was 55.7% less than in 2021. In 2022, there was an increase in the generation of non-hazardous waste at Podravka Inc. in relation to 2021, following a change in service providers for the handling of biodegradable waste and which due to their business processes cannot receive by-products, but these instead must be classified as waste. Podravka Inc. aims through its activities to find optimal solutions to reduce the waste sent to landfills, by increasing the share of recycling, reuse and composting wherever possible. In relying on the circular economy guidelines, in 2022 a contract was signed with an animal food producer where part of the by-products will be used as a raw material for the production of animal foods.

The Podravka research project entitled “Development of innovative products from vegetable processing by-products”, co-financed with just over EUR 363,000 from the European Regional Development Fund, was completed in 2022. The main objective of the project was to research the technological options for separating nutritionally valuable parts of pepper by-products – seeds and the seed core – to increase the efficacy of the technological processing process for ajvar chutney by about 10%. The specific goals were to conceptually develop and practically confirm the separation of seeds and core on laboratory level devices, to develop new products from pepper seeds and their by-products, to develop a concept for the separation of pepper stems, and to research the biogas potential of all waste flows from Podravka’s Kalnik factory in Varaždin.



**INFLUENCE OF  
OPERATIONS ON  
THE ENVIRONMENT  
(CRITERIA E)**

**REDUCING PACKAGING WASTE**

Podravka Inc. contributes to reducing waste and the sustainable management waste by selecting packaging for its many product lines. In 2022, the share of recyclable, environmentally acceptable packaging materials was 87.8% in the total procurement quantity of Podravka Inc., which is a slight increase compared to 87.4% in the comparable period.

The complete line of shrink sleeve packaging, including the brands Lino Lada, Vegeta, Maestro and Podravka, has been transferred from the use of PVC (polyvinyl chloride) foil to the more environmental acceptable and thinner PET foil. Testing is ongoing of recycled foils on universal food seasonings to ensure that the packaging is environmentally acceptable. The sticker “recycle me” has been added to all transport boxes. Composite flexible packaging in the Dolcela Premium line of puddings has reduced the plastic mass by 15% per unit product. The newest Lino Lada line of on-the-go packaging is in 100% recyclable packaging, as are the majority of other Lino Lada packaging, and by the end of 2023, all Lino Lada packaging will be 100% recyclable. Identical activities are being performed for other product line packaging for Podravka products, which also requires additional testing of product shelf life.

**PROTECTION OF WATER AND AQUATIC  
RESOURCES**

In 2022, Podravka Inc. consumed 541,624.5 m<sup>3</sup> water, which is 2.1% more than in 2021 with the simultaneous increase in the share of recycled water in production to 16.2% in comparison with 11.7% in the previous period.

Podravka Inc. performs treatment and pre-treatment of wastewater, with analytical testing of samples by authorised laboratories in accordance with the valid legal regulations and water use permits for wastewater effluents for every location. The project to overhaul the wastewater treatment device at the Danica industrial zone in Koprivnica began in 2021 and continued in 2022 to ensure treatment of wastewaters from all factories and organisational units on site. The project includes the construction repairs of concrete sections of the device to repair worn surfaces, to extend the life of the device, and to reduce risks of water loss into the environment due to cracking.

**IMPACTS ON BIODIVERSITY**

Podravka Inc. holds 567.7 hectares of agricultural land in Koprivnica-Križevci County, of which 65.7 ha is owned by the company and 502 ha is part of a 50-year lease. From 4000 to 5200 tonnes of cereal and vegetable crops are produced on these lands. The most common cereal crops are wheat, corn, rye, oat, rapeseed and buckwheat, while the most common vegetable crops are peas, beets, peppers, cucumbers and tomatoes. With the aim of achieving greater self-sufficiency in the production of primary raw materials, in addition to the existing vegetable crops, 3 ha of eggplant and 1 ha of chilli pepper were planted in 2022. Of the total vegetables used as primary raw materials in production in 2022, inhouse production met only 9.3% of the company needs.

In 2022, 155 hectares of agricultural land planted with vegetable crops were irrigated using ground water from wells. In order to conserve the agricultural land upon which Podravka grows cereals,

**INFLUENCE OF  
OPERATIONS ON  
THE ENVIRONMENT  
(CRITERIA E)**

oil crops and vegetables, alternating crop rows is strictly adhered to, green fertilisation is used, investments are made to raise and preserve quality by adding calcium and humus to the soil, crop growth is monitored using unmanned aerial vehicles to detect changes to plants (outbreak of pests or disease), and only small, affected plant surfaces (small consumption of pesticides) are treated on time. In recent years, investments have been made into agricultural machinery with the aim of more efficient management of agricultural production, and to raise soil quality. In 2022, part of the agricultural plots received calcium inputs and new drainage, and investments were made into irrigation, procurement of agricultural machinery and an agro-weather station. The aims of the investments are to

achieve more efficient production with the use of less fuel, the timely execution of agricultural operations, and achieving higher yields with less plant protection substances through the use of more precise treatments. Investment into an agro-weather station reduces the need to use machinery and reduces the use of plant protection substances. Investments in irrigation enable savings in water consumption, increase in yields and higher quality raw materials.

During 2022, no significant irregularities were recorded concerning the non-abidance of laws or regulations in the field of environmental protection, and accordingly, there were no monetary or non-monetary sanctions imposed.

# Corporate social responsibility *(criteria S)*

Social criteria	Unit	2020	2021	2022
Employee protection / whistle-blower protection policy*	Yes/No	Yes	Yes	Yes
Community donations and financing	mil. HRK	9.0	9.9	10.0
Political donations	mil. HRK	-	-	-
Human rights protection policy*	Yes/No	Yes	Yes	Yes
Child labour avoidance policy*	Yes/No	Yes	Yes	Yes
Product guarantee and recall policy**	Yes/No	Yes	Yes	Yes
Equal opportunity policy*	Yes/No	Yes	Yes	Yes
Fair rewards policy*	Yes/No	Yes	Yes	Yes
Business ethics policy*	Yes/No	Yes	Yes	Yes
Anti-corruption and ethics policy*	Yes/No	Yes	Yes	Yes
Occupational health and safety management policy***	Yes/No	Yes	Yes	Yes
Remuneration policy****	Yes/No	No	Yes	Yes
UN global initiative for corporate social responsibility and sustainable development*****	Yes/No	No	No	No
Total number of employees on 31 December	Number	3,154	3,185	3,218
Number of women in total employees on 31 December	Number	1,462	1,475	1,506
Average age of employees on 31 December	Number	46	48	47
% disabled persons in the work force on 31 December	Percent	1.8%	2.4%	2.4%
Gender pay gap*****	Percent	4.9%	4.3%	2.7%
Lost work hours due to workplace injuries*****	Hours	8,520	15,992	10,720
Number of workplace injuries*****	Number	57	60	59
Workplace injury rate resulting in fatality*****	Number	-	-	-
Workplace injury rate resulting in lost work hours*****	Number	11.7	10.5	9.2
Workplace injury rate that can be recorded*****	Number	12.8	15.7	13.4
Severe workplace injury rate	Number	1.7	2.1	1.2
% employee turnover	Percent	4.3%	4.2%	5.5%
% employees who are union members	Percent	56.4%	55.7%	54.2%
Number of part-time employees	Number	-	1	1

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Number of seasonal employees	Number	71	105	116
Number of occasional contract employees (audit, consultants)	Number	24	18	25
Worker education and training policy	Yes/No	Yes	Yes	Yes
Total cost of worker education and training	mil. HRK	1.8	2.0	4.2
Total hours spend on education and training	Hours	38,041	39,355	45,476
Total number of suppliers on 31 December	Number	2,845	2,781	3,044
Total number of domestic suppliers	Number	2,296	2,248	2,504
Quarterly conference calls with investors	Yes/No	No	No	No

\*Contained within the Code of Business Ethics of the Podravka Group, available at: <https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/dokumenti/>

\*\*Available at: <https://www.podravka.hr/kompanija/odgovornost/kvaliteta-i-sigurnost-hrane/sigurnost-hrane/politika-sustava-sigurnosti-hrane-i-kvalitete/>

\*\*\*Implemented at Podravka Inc. and available at: <https://www.podravka.hr/kompanija/odgovornost/politika-ohs/>.

\*\*\*\*Available in the Decision of the General Assembly in 2021 at: <https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/glavna-skupstina/>

\*\*\*\*\*Podravka Inc. is not an official party to the initiative but supports the initiative in the way that all 10 UN Global Compact principles have been integrated into its operations, code and rulebooks.

\*\*\*\*\*Calculated based on achieved work hours, by calculated the average hourly wage of female employees and the average hourly wage of male employees (including all taxable and non-taxable earnings, without severance costs) and divided by the total achieved hours paid by the employer.

\*\*\*\*\*Derogations in 2021 in relation to the Annual Report of Podravka Inc. for 2021 due to the specificity of the HR system in transferring sick leave time from the previous period into the considered period, and the results of expert analysis procedures.

**CONTRIBUTION TO CONSUMER HEALTH**

In recognising its responsibility in the production of healthier food for consumers by raising the nutritional quality of products, in the past period, significant efforts have been invested to reduce salt, sugar, saturated fatty acids and trans-fats in different product categories in the Podravka portfolio. The development and innovation of the product line was primarily directed at products with a reduced share of “critical” ingredients, products without additives, flavour enhancers, colouring, and products enriched with proteins, vitamins, minerals and fibre. Additionally, the emphasis has been placed on the use of wholegrains, development of products without palm oil or the use of RSPO palm fats, development of the BIO product segment, products for vegetarians and vegans, and gluten-free products.

The Podravka Nutrition Strategy for 2014–2024 was adopted, setting goals for the development of new, healthy and environmentally friendly products.

The Nutrition Strategy is aligned with the recommendations and codes of international organisations (FAO, UN, WHO, EC) and the associations of the largest food and beverage manufacturers.

A fundamental tool for managing the nutritional quality of Podravka products are the nutritional profiles. Scientifically evaluated methodologies to develop nutritional profiles represent the internal recommended criteria for the content of macro- and micro-nutrients per product serving, within the framework of the Podravka categories. They are based on the global public health recommendations, the Podravka Nutrition Strategy for 2014–2024, technological possibilities and market demands. By the end of 2022, all Podravka categories for which nutritional tables are required were covered with nutritional profiles.

Under Vegeta, the best known brand of Podravka Inc., and in response to the needs of increasingly demanding consumers in Central and Western Europe, in 2022, Podravka Inc. presented its line Vegeta BIO, featuring organically growth vegetables and spices in combination with sea salt. Consumers in Australia and New Zealand were offered new bouillon made of premium ingredients and without flavour enhancers and preservatives. The Vegeta Natur line of seasoning blends for the Polish market was expanded with five new products, that are also compliance with the global dietary trends.

The Lino product line includes innovations intended for all consumers, above all children. The new Lino Keksolino multigrain and cocoa cookies contain 4 types of cereals (wheat, oak, corn and rice), are a source of vitamins, calcium and iron, and do not contain palm fat. The Kviki line contains products free of palm fat.

Innovations are also ongoing in the category of Podravka soups, where recipes have been developed in line with nutritional trends, without the use of yeast extract, palm fat, flavour enhancers or flavouring. The new soup Cream of pea with mint is a combination of nutritious peas with the light refreshment of mint in a nutritious meal.

In the category of pâtés, new products have been developed from 100% chicken breast, without flavouring, preservatives, palm oil or flavour enhancers, and are a source of protein. Lino hams are gluten free and free of flavour enhancers and additional colouring, and contain a reduced amount of salt and fats.

One of the most innovative products in the Podravka Inc. portfolio is Ajvar squeeze, made only from vegetables without any preservatives, gluten, artificial colouring or flavours, suitable for vegans

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and vegetarians, and with a practical packaging. Jalapeño ketchup is an extension of the Podravka ketchup line with all the characteristics of ketchup, i.e., contains sea salt and is free of added preservatives, artificial colours or flavours.

The brand Dolcela has enriched its products with protein and offers consumers the possibilities of having a healthy meal after sports activities and during busy days. The Dolcela Hi Protein American pancakes and Dolcela Hi Protein Shakes are free of added sugar, while the Hi Protein Instant Puddings contain 12 g of protein per serving and a reduced share of sugar.

Through the selection of innovation in all segments of its portfolio, Podravka Inc. is continually focusing its attention on developing products with exceptional nutritional benefits, and promoting health dietary habits among consumers. The long-term goal is to be a socially responsible company and socially responsible partner that will offer consumers the desired products, and help them to improve their health through a balanced and nutritious diet, while offer partners a product line that is in step with consumer dietary trends.

**EMPLOYEE RELATIONS**

Employees are the greatest value of Podravka Inc., and success is based on creative, dynamic and expert employees who with their knowledge, motivation and enthusiasm are the key to success of the Podravka Inc. In February 2023, Podravka received the prestigious Employer Partner certificate, thanks to excellent results in attracting and hiring talent and developing, inspiring, motivating and rewarding employees.

In early 2022, a new organisation was implemented for the Human Resources Management Sector,

thereby creating the conditions for the transformation of human resources. Now this Sector has been successfully positioned as a strategic function, instead of an administrative function, and can act in accordance with the Strategy of the Podravka Group and respond to the needs of the business and market trends, as seen in a series of activities carried out in 2022.

Employee wellbeing is a permanent focus of the company, and in 2022, significant steps were made to advance the financial rights and working conditions of employees. Successful cooperation with social partners has resulted in amendments to the Collective Agreement that have significantly increased salaries and other financial earnings of workers. Additionally, excellence in achieving business results is rewarded, and talent is identified and new accomplishments recognised.

Care for employees is also extended to their children. Increasing the gift for children, family week in which children can visit the company, and increasing awards and stipends for the children of deceased workers shows that the Podravka Group puts the welfare of employees and their families in first place.

An additional step forward in communications with workers has been through the introduction of Open Door Days in the Human Resource Management Sector, and through regular management tours of factories and other business units. With the subsidence of the epidemiological situation, sector and corporate gatherings again became possible, which further strengthens the team spirit.

A comprehensive examination of corporate climate, culture and employee engagement has given everyone the opportunity to indicate the strengths of Podravka, and which areas need further improvement.

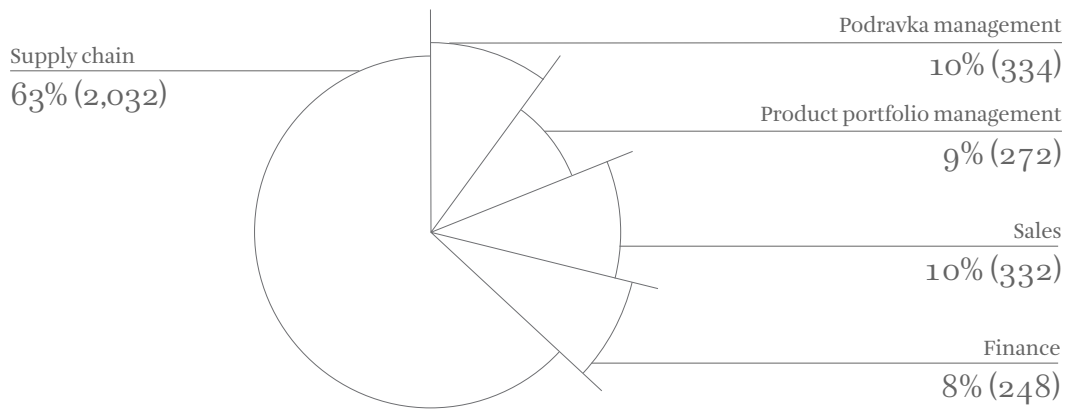
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In 2022, a significant development cycle was started, which included the management and workers in order to further strengthen them with the acquisition of new knowledge, skills and competences,

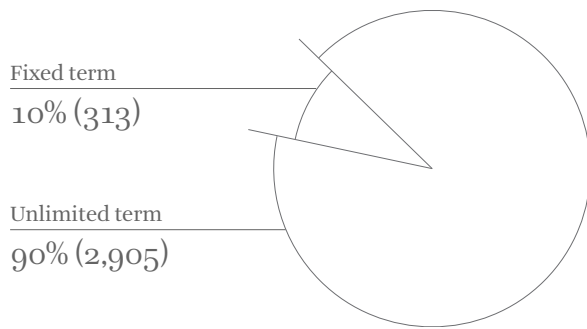
taking care of their physical and emotional wellbeing. With regular physical examinations and additional specialist examinations, employees also have access to the Programme of developing and building resilience in dealing with stress and unpredictable situations, both in corporate situations and in their private lives.

**OVERVIEW OF THE BASIC HUMAN RESOURCE INDICATORS**

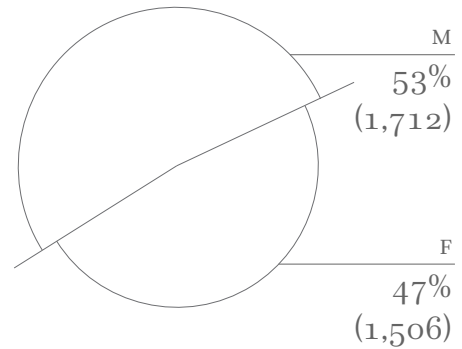
Podravka Inc. on 31 December 2022 - HC - 3,218



**Group workers**

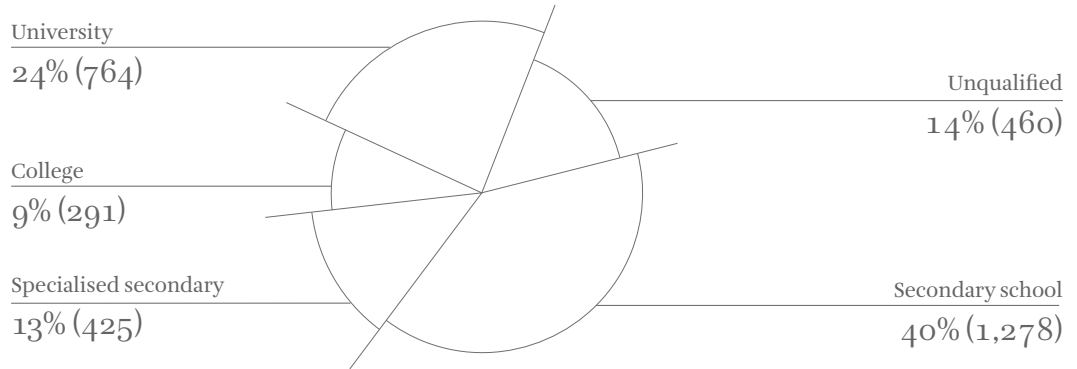


**Gender structure**

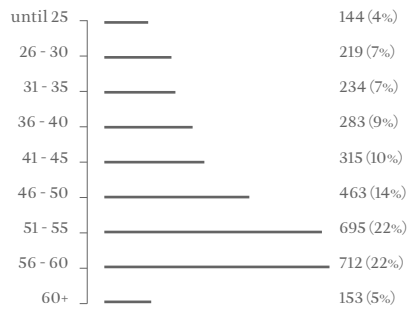


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**Workplace qualifications**



**Age structure**



Average age 47.0 years old

**Citizenship**





## LABOUR RELATIONS

## IMPROVING THE FINANCIAL RIGHTS OF WORKERS

In 2022, the Podravka Inc. Management Board, in dialogue with social partners, adopted a series of measures to improve the status and position of workers and improve their financial rights and working conditions. The initiative to increase worker salaries began in 2021 and continued into 2022. The aim of increasing the financial rights of workers is to enable workers to participate in the company results, positioning Podravka Inc. as a desirable employer, attracting young workers and retaining a highly qualified work force.

In March 2022, for the second time in under a year, worker salaries and earnings were increased. The round of salary and earning increases in March 2022 encompassed just over 3000 workers of Podravka Inc. Salary increases resulted from an increase in the coefficient for all workers, and increases of individual work complexity coefficients.

Salary increases continued in May 2022, taking an individual approach to assess worker success. This increase was aimed at workers with university qualifications who were recognised according to previously defined criteria and rules for their exceptional work efficacy and excellence, and innovativeness and contributions to company business processes.

In September 2022, negotiations began with social partners and continued until mid-November when the amended Collective Agreement was signed for Podravka Inc., valid for all employees, regardless of union membership, and the following was agreed:

- Salary increase by raising the basic salary by HRK 30 and the fixed supplement by HRK 40,
- Earning increase by raising the monthly reward supplement by HRK 250 and the monthly transport supplement by HRK 50,
- Raising per diems, maternity leave amounts and gift for children to the legal maximum,
- Raising the retirement bonus from HRK 10,000 to 15,000,
- Reducing worker participation for the daily mean to EUR 0.50.

Based on the expected good results for 2022, a special reward in the amount of HRK 3,500 was agreed, of which HRK 2,000 was paid out in December 2022 and the remainder will be paid in equal instalments of HRK 125 through 2023. This has allowed for the maximum rewards amount for work results that was adopted in the autumn package of measures by the Government of Croatia.

During 2022, an additional HRK 50.8 million was invested in improving the financial position of workers in comparison to 2021. The total result of all these efforts is seen in the trends of average salaries and earnings of workers. In December 2022, the average net salary of workers of Podravka Inc. was 14% higher than in December 2021. The average net earnings of workers of Podravka Inc. was 18% higher in December 2022 than in December 2021. These steps taken to improve the financial position of workers in 2022 brought Podravka a faster growth in salaries than the national average (8.2% in December) and inflation (13.1% in December). To celebrate Podravka's 75th anniversary, the workers of Podravka Inc. received a HRK 750 net payment in October 2022.

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**DIALOGUE WITH SOCIAL PARTNERS**

At the level of Podravka Inc., workers participate through their representatives in the Worker's Council to promote their rights and interests towards the employer, and through the institute of workers meetings and the worker's representative in the Podravka Inc. Supervisory Board.

In addition to dialogue with the Worker's Council, Podravka Inc. nurtures social dialogue with unions operating in the Podravka Group: PPDIV Union, Independent Union of Podravka, Worker's Union of the Podravka Group – SINPOD, New Union, and Union of Istria, Kvarner and Dalmatia. Of the total number of employees in the Podravka Group, on 31 December 2022, 54.2% of employees were union members.

**DIRECT COMMUNICATIONS WITH WORKERS**

The company places a strong emphasis on communications with workers, and the president of the Management Board is often personally involved. During 2022, the president of the Management Board visited all factories on several occasions and directly communicated with the workers concerning Management Board decisions pertaining to changes in organisation, changes in salary, investments and technological improvements, and improvements in the working conditions of employees.

Furthermore, through participation in the sessions of the Worker's Council and workers meetings, held as part of the legal requirements, the Management Board of Podravka Inc. regularly presented operating results, thereby enabling all workers to obtain relevant information about operations.

**EDUCATION AND THE DEVELOPMENT OF  
HUMAN RESOURCE COMPETENCIES**

In 2022, a new plan for the development of management and employees was defined so as to attain the necessary knowledge, skills and competencies needed for the future. The management development programme has been structured so as to respond to individual development needs of all levels of management. In addition to adopted business knowledge and skills, a strong emphasis has been placed on the topics of cooperation, leadership and change management.

All legally required education is carried out, with further investments made into specialised business knowledge of workers in different areas – IT, product development, quality control, procurement, human resource management, and many others. The focus has been placed on additional qualifications or pre-qualifications through which expert knowledge and skills of deficit professions are acquired.

**MANAGEMENT DEVELOPMENT**

On the basis of the results of the Management Assessment, which encompassed both upper and middle management, a two-year management development programme has been developed that will ensure the development of competencies and knowledge needed to achieve the Strategy and further company growth.

In addition to attaining and developing competencies for the leaders of the future, improving strategic, leadership, technological and corporate competencies at all levels of management, this programme also builds, motivates, inspires and engages teams.

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In 2022, five modules of the programme were carried out, with an emphasis on the development of leadership skills and digital transformation. The programme will continue in 2023.

**PROGRAMME TO DEVELOP LEVEL 1 MANAGER  
COMPETENCIES**

The development of Level 1 managers is exceptionally important, as they are in daily contact with a large number of workers. In addition to business knowledge, they need to know how to motivate and engage their workers, and to openly communicate and designate work tasks. The Podravka Inc. Management Board has given its full support to developing this programme to develop this leadership level, which is set to begin in 2023.

**DEVELOPMENT OF WORKERS AND TEAMS**

In 2022, approval was granted to launch a programme to recognise workers with the best mastery and expertise so as to ensure the transfer of that knowledge to future generations and to create a digital knowledge database available on different platforms – machine panel, mobile phone and computer.

Team development is a programme created to improve the harmonisation of team members and to ensure good quality communication within organisational units. This programme is intended for teams that have completed larger organisation changes (mergers/separation of individual units or changes in management).

**SURVEYING THE ORGANISATIONAL CLIMATE**

As one of the initiatives, 16 focus groups were organised with 164 workers of Podravka Inc. to more clearly detect worker needs and their perceptions of their experiences at work to date, their relations with colleagues and superiors, and all other elements that leave the strongest impression on workers and create a specific image of Podravka as an employer.

The survey enabled clearer insight into the current Employer Value Proposition (EVP) of Podravka and steps needed for additional improvements were identified.



In 2022, a comprehensive survey on the organisation climate, culture and worker engagement in Croatia and affiliate companies abroad was conducted under the motto “Your opinion matters”. The aim was to answer the question of what workers think about working at Podravka Inc., what is important to them at work, and what they would like to change. Also, an answer was obtained about where the company strengths lie, and where there is additional room for improvement of the climate, culture, business process and working conditions. The best assessed areas were relations with colleagues, relations with superiors, and organisation and level of information, as further confirmation of the togetherness and team spirit of Podravka Inc. workers. Based on the results, an activity plan was drawn up and work will begin to further improve worker satisfaction.

**EMPLOYMENT AND ATTRACTING TALENT****EMPLOYMENT**

During 2022, new recruitments at Podravka Inc. were made in the seasonal workforce for the needs of Agriculture and Production, interns with university qualifications, workers in technical professions, and workers in specialist positions. The main tools were external competitions on specialised job portals and internal competitions enabling employees to develop within the company. In order for employee selection to be as efficient as possible in as little time as possible and with less spending of resources of both the candidate and Podravka Inc. as the employer, online psychological testing has been implemented.

Following the natural outflow of workers in 2022 (due to retirement), the need for workers in the technical professions in production plans was settled with the employment of workers from Nepal and Tanzania, since the domestic labour market was not able to meet the labour demands. The new workers have received everything they need for successful integration into the Podravka Inc. system, and to overcome the language and cultural barriers.

Hiring seasonal workers for work in agriculture is becoming more and more challenging every year, since the production of vegetables is in the “outdoor factory” and working conditions are difficult due to weather conditions (heat, mud), body position during work, etc., and this has been further exacerbated by the extremes caused by climate change. The greater need for employment was settled with domestic seasonal workers.

Newly employed persons at Podravka Inc. are included in the onboarding programme “Welcome

to our table” to facilitate their rapid integration into the work environment and to meet the requirements of their jobs.

**SHAPE 2.2.**

With the aim of attracting and recruiting young workers, Podravka Inc. launched the competition Shape 2.2 under the slogan “Be a lid to our pot”. After several rounds of selection, 25 young colleagues with up to 3 years work experience were selected and obtained the opportunity to gain their first or early work experience, skills and competencies, to become familiarised with the leading business practices in different areas in the food industry, participate in interesting and innovative projects with excellent support of experienced mentors and colleagues. The Shape 2.2 programme has been designed for them, and includes general, educational and specialist parts, with work on project tasks.

**COOPERATION WITH EDUCATION INSTITUTIONS**

The long-term successful cooperation between Podravka Inc. and education institutions continued in 2022. The improved epidemiological situation enabled the return of a large number of students who undergo practical learning in the company. In 2022, a total of 132 students engaged in practical learning at Podravka Inc.

Our successful cooperation with adult education institutions is expanding in the area of attaining additional qualifications or pre-qualifications that are needed in the workplace.

In 2022, Podravka Inc. participated in career days, organised by education institutions and student associations. Numerous managers and experts are

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an active part of the academic population, and participate as guest speakers or panellists in numerous events in public venues or at faculties and business schools.

**GENDER EQUALITY**

Professional equality and equal opportunity are true instruments that turn legislation and rhetorical solutions into real and visible results. Therefore, job applications at Podravka Inc. are not gender defined and men and women are equally employed and, depending on their qualifications, have equal opportunities for development and advancement. This is also guaranteed under the Code of Business Ethics of the Podravka Group. In the past year, 49% of women advanced in Podravka Inc. Among the workers at Podravka Inc., 47% are women and among highly educated employees holding the title of Master or Doctor of Science, the share of women is 61%. The Management Board of Podravka Inc. is comprised of 40% women, which is aligned with the EU Strategy for gender equality to 2025. The percentage of women in the Podravka Inc. Management Board is higher than the Croatian average, and the average of nearly 90% of countries that are members of the OECD and G20 according to the most recent day. The share of 25% women in the Supervisory Board is also above the Croatian average.

**CARE FOR WORKERS**

Considering the uncertain times in recent years, all interested workers are able to participate in the programme Future Resilience. The programme includes ten workshops/topics created with the aim of developing and building resilience in dealing with stress and unpredictable situations, both in

business situations and in their personal lives, with telephone support of experts throughout the entire resilience building process. Telephone support for workers was no limited only to those attending the workshop, but was open to all company workers. Workers have recognised the benefits of the programme, and the number of attendees is constantly rising.

**OCCUPATIONAL HEALTH AND SAFETY**

**OPTIMAL HEALTH PROTECTION IN CONDITIONS  
OF THE COVID-19 PANDEMIC**

At the start of 2022, operations were still under the prominent influence of the COVID-19 pandemic, meaning circumstances of heightened caution and the evaluation of risks and possible consequences. Therefore, the Podravka Inc. Management Board passed decisions and issued instructions to actively manage the potential risks.

Workers in the corporate and administrative organisation units, who regularly work at the office, were given the option of working from home, while work in the office was performed only by workers essential for ensuring the continuity of business processes. Taking into account the employer obligations for employee remote work, the occupational safety experts provided remote workers instructions on how to properly perform their work and organise their workspace to ensure proper and ergonomic work on their computer.

The previously established implementing measures and preventative procedures for preventing the spread of the viral infection SARS-COV-2 within the organisation were further strengthened by a control mechanism in the formation of a multidisciplinary team entrusted with checking the abidance of measures and activities concerning COVID-19. They

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included advice on how to properly wear medicinal or face masks in closed spaces and in certain situations in open spaces, instructions for keeping physical distance whenever possible, regular maintenance of hygiene and disinfection, abiding by the limitations of the number of persons at meetings and in restaurants, and gatherings in closed and open spaces, unless necessary for maintaining the continuity of operations, and avoiding contact of workers during shift changes to reduce the possibilities of transmission of the virus and infections. Through communications with all employees, support was provided through the available communications channels and the display of printed informational instructions and posters highlighted the individual responsibility of each person for their own health, and health of those around them, and colleagues in the workspace. Through the intranet communications channels and previously established separate e-mail address for two-way internal communications, employees were able to ask questions and receive answers on how to act in certain situations.

Through this comprehensive and structured approach, the appropriate conditions were secured for work in every segment of operations, both in production and logistics, and in administrative processes. As a result, the company did not experience any significant disturbances in the production and distribution of its products at any time, while the health of all stakeholders in company operations was optimally protected.

**OCCUPATIONAL HEALTH AND SAFETY POLICY**

- The Occupational Health and Safety Policy is based on the introduced standard ISO 45001. Podravka continually implements and promotes a culture of occupational health and safety of its employees, through the application and

improvement of the requirements of the standard ISO 45001 and its principles, with commitments to:

- Protect the health of all employees by providing a secure and healthy work environment,
- Continuously train and educate workers so as to strengthen the competencies of employees and strengthen awareness of occupational health and safety,
- Conduct risk assessments, identification and elimination of hazards, and minimisation and control of risk for the health and safety of all stakeholders in operations,
- Operate in line with the fundamental company values, legal and regulatory requirements, valid regulations, implemented standards and recognised rules of occupational safety,
- Implementation of the set goals of occupational health and safety and monitoring the efficiency of achieving the set goals,
- Transparent communication and understanding of the needs and expectations of all interested parties enables their participation the process of improving the occupational health and safety system,
- Timely information of all stakeholders in the occupational health and safety system on the risks for security and health that they may be exposed to in the workplace and via informative brochures.

**ACTIVITIES IN THE IMPLEMENTATION OF  
OCCUPATIONAL SAFETY**

Podravka Inc. is a complex business system with a series of technological processes that include various hazards and risks for employee health and safety. The effective management of risks is a challenge that all stakeholders in the occupational health and safety system face continually. The result of

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successful operation of the occupational health and safety system of Podravka Inc. in 2022 was seen in the 1.7% lower number of workplace injuries and 33.0% fewer lost work hours due to workplace injuries in comparison to 2021.

The main challenges that have determined the activities in the organisation and implementation of occupational safety measures in 2022 were:

- Protection of occupational health and safety following the outbreak of the new strain of the virus SARS-COV-2 in early 2022,
- Organisation of remote work for all employees in the administration building, during the one-year works on comprehensive energy and IT reconstruction of the company headquarters, in which the continuity of business was maintained in full,
- Changes in the business organisation of the company and changes in the binding regulations in the field of occupational safety.

The Occupational safety committee was established as an advisor body of specific organisational units for the constant improvement of occupational safety, planning and supervision of the rules of occupational safety, organisation of the performance of occupational safety tasks, reporting and training, and prevention of occupational risks and risks associated with work.

Pursuant to the legal regulations and the agreement on defining working conditions of the Workers' Council, the Workers' Council was regularly notified of all important issues concerning occupational safety.

Examinations and inspections of work gear used are performed according to set plans by persons authorised for occupational safety tasks to verify that they meet the safety and health requirements for work gear.

Workers have access to health care in specialised occupational health offices, and in that way have health supervision that is adequate for the hazards, detriments and strains of their work. In order to determine their health suitability for performing certain tasks, workers undergo physical examinations. Additional health care is also provided for workers through complete physical exams in health polyclinics.

In line with the requirements prescribed under special regulations, foreign workers were required to meet the conditions prescribed in the current provisions of the national legislation on workplace safety and the provisions adopted pursuant thereto, and to prepare for safe work by using the adapted literature.

During 2022, working conditions were significantly improved. After the reconstruction of the company headquarters, which included IT and energy reconstruction, employees obtained contemporary, fully equipped work stations. Testing and measuring the work environment, especially the physical factors at work stations with the aim of protecting worker health and safety, showed that the working conditions have been significantly improved in all aspects of the working environment, from efficiency systems of heating, cooling, ventilation and climate control, which were absent prior to the refurbishment, new electrical energy network, new water supply and sewage infrastructure, and better fire alarm system. The working conditions have also been improved in five factories in Koprivnica and Varaždin, in which contemporary climate control systems have been installed, enabling appropriate working conditions.

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**CORPORATE SOCIAL RESPONSIBILITY**

During 2022, Podravka Inc. implemented a series of socially responsible initiatives and projects, in line with its long-standing practice and strong corporate social responsibility component. Podravka Inc. provides sponsorships and donations to assist many charities, and economic, cultural, sports and scientific projects throughout Croatia.

In an economically challenging year, Podravka Inc. decided to direct its aid to those most in need. At Christmas, it donated 75 palettes of food valued at HRK 750,000 to 11 locations of social grocery stores across Croatia, which held those in society who are most in need with food and hygiene supplies.

In cooperation with Croatian Caritas, Croatian Red Cross and the UNICEF office in Croatia, financial support was provided to refugees and child victims of the aggression in the Ukraine. Podravka supported many projects of numerous charity associations, preschools and parishes. In addition, Podravka Inc. directed financial support to numerous institutions, donating to help the Social Welfare Centre in Koprivnica and the Cardiovascular Disease Department of Dubrava Clinical Hospital.

In 2022, cooperation continued with Koprivnica-Križevci County to develop new standards for school meals in primary schools operated by the county. The project entitled "Smart meals for smart kids" is directed towards improving and standardising children's meals in 18 county primary schools. As part of the project, the Podravka nutritionists created 280 standards for school meals, delivered to schools during the 42 work weeks.

Further, Podravka Inc. donated financial assistance for numerous cultural events and projects, and scientific and student associations and

organisations. Podravka Inc. has always stimulated an active lifestyle, with an emphasis on the development and education of children through sport, and the importance of the role of sport in the community, and in 2022, the company was the main sponsor of the handball club, HC Podravka Vegeta. Despite the global challenges and difficult business year, in 2022, Podravka Inc. made HRK 10.0 million in sponsorships and donations, which is 0.9% more than in 2021.

**SUPPLY CHAIN**

Managing procurement categories and relations with suppliers are the fundamental principles of the supply chain in Podravka Inc. The entire procurement line of Podravka Inc. is segmented into procurement categories for which a specific procurement strategy, and the initiatives and tasks for their implementation, are defined. Depending on the specificities of individual procurement categories, annual, semi-annual or monthly tenders are conducted, or bids are requested from potential suppliers on the global market through targeted market research and monitoring the competition. In 2022, the Procurement Sector continue to seek out alternative raw materials and suppliers. In order to secure transparency of procurement processes and to increase the efficacy of procurement functions, the sophisticated eNabava (eProcurement) tool is used, and digitalised procurement functions is one in a series of key levels of continued development of Procurement of Podravka Inc. The optimal division of quantities and use of the eNabava platform have achieved significant and positive financial effects. Through the use of the



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eNabava platform, 1073 activities were performed during 2022, and in these processes, cost avoidance savings were achieved in the amount of HRK 61 million, or a 4.6% lower procurement price. A part of these savings were achieved through more intensive use of the eNabava (and eAuction) tool, to achieve savings of 4.0% or a lower cost of HRK 11.6 million. In addition, the procurement process was shortened and overall transparency and efficacy of procurement increased.

Managing relations with suppliers is of strategic importance to Podravka Inc. Segmentation and a differential approach to supplies, with regard to their contribution to created added value for the company, significantly contribute to the success of operations. Creating partnership relations with key suppliers is one of the main goals of the supply chain, as partnership relations ensure the security of supply, better use of resources, and reduced

costs of operations, which ultimately improve the company's competitiveness. During 2022, the focus was placed on local suppliers and on suppliers with whom the company has partnership relations, which in the situation of significant disturbances in the supply of agricultural and food products, and especially in conditions of global supply chain disturbances and geopolitical uncertainty, offers the security of product supply in the required quantity, contracted quality, and on time. In 2022, Podravka Inc. traded with 3044 suppliers, of which 2504 were domestic suppliers. In abiding by the high quality standards for input raw materials and other materials and the necessary level of technical and technological equipment of the selected suppliers, Podravka Inc. operates with direct manufacturers, primary producers, small business, family farms, veteran associations, subcontractors, distributors, wholesalers and large multinational companies.

## CERTIFICATION OF MANAGEMENT SYSTEMS

No.	Standard	Scope of the certificate	Authorised body
1	ISO 9001:2015 Quality management system	Podravka Inc.	Certification company SGS
2	HACCP according to the Codex Alimentarius	Podravka Inc.	Certification company SGS
3	IFS Food, Version 6.1 i 7. International Featured Standards – Food	1. Podravka Inc., Soup and Vegeta factory 2. Podravka Inc., Children's food and cream spread factory 3. Podravka Inc., Production of semi-finished and finished meals 4. Podravka Inc., Kalnik factory 5. Podravka Inc., Danica production	Certification company SGS
4	BRC, Issue 8 British Retail Consortium Global Standard for Food Safety	1. Podravka Inc., Soup and Vegeta factory 2. Podravka Inc., Children's food and cream spread factory	Certification company SGS
5	HALAL	1. Podravka Inc., Danica production 2. Podravka Inc., Soup and Vegeta factory 3. Podravka Inc., Children's food and cream spread factory 4. Podravka Inc., Kalnik factory 5. Podravka Inc., Voće factory 6. Podravka Inc., Cocktail roll factory	Centre for certification of Halal quality
6	KOSHER	1. Podravka Inc., Kalnik factory 2. Podravka Inc., Soup and Vegeta factory 3. Podravka Inc., Voće factory 4. Podravka Inc., Cocktail roll factory 5. Podravka Inc., Mill	Rabin Kotel Da-Don
7	BIO	Podravka Inc.	Bio Garantie
8	AOECS The AOECS Standard for Gluten-Free Foods	Podravka Inc., Cocktail roll factory	Certification company SGS
9	VEGAN European Vegetarian label	1. Podravka Inc., Kalnik factory 2. Podravka Inc., Cocktail roll factory 3. Podravka Inc., Soup and Vegeta factory 4. Podravka Inc., Danica production	Friends of Animals association
10	RSPO Supply Chain Certification Standard	1. Podravka Inc., Soup and Vegeta factory 2. Podravka Inc., Children's food and cream spread factory	Certification company SGS

12. Non-financial report

**CORPORATE SOCIAL  
RESPONSIBILITY  
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No.	Standard	Scope of the certificate	Authorised body
11	ISO 27001:2013 Information security management system	Podravka Inc.	Certification company SGS
12	ISO 45001:2018 Occupational health and safety management system	1. Podravka Inc., Koprivnica 2. Soup and Vegeta factory	Certification company SGS

Notes: the specific scope of an individual certificate is listed on the certificate.

# Corporate governance (*criteria G*)

Criteria Corporate Governance	Unit	2020	2021	2022
Number of members of the audit committee	Number	3	3	3
Number of sessions of the audit committee	Number	7	8	8
Independent of the audit committee	Percentage	100.0%	100.0%	100.0%
Period of employment of the auditor *	Years	1	1	1
Auditors from the Big 4	Yes/no	Yes	Yes	Yes
Internal audit	Yes/no	Yes	Yes	Yes
Number of members of the Management Board on 31 December				
Board on 31 December	Number	5	5	5
Age range of members of the Management Board on 31 December				
Board on 31 December	Number	46 - 56	47-57	48-61
Average age of members of the Management Board on 31 December				
Board on 31 December	Number	50	52	54
% women on the Management Board	Percent	20.0%	40.0%	40.0%
Former CEO or equivalent on the Supervisory Board	Yes/no	No	No	No
Duration of the mandate of the president of the Management Board (CEO) on 31 December				
Management Board (CEO) on 31 December	Years	3	1	2
Duration of the mandate of the chief financial officer (CFO) on 31 December				
financial officer (CFO) on 31 December	Years	3	4	5
Date of start of the mandate of the CEO	Date	24.02.2017	04.02.2021	24.02.2022
Date of start of the mandate of the CFO**	Date	01.05.2017	01.05.2017	24.02.2022
Number of sessions of the Management Board	Number	40	57	60
Attendance of members of the Management Board at sessions				
Board at sessions	Percent	99.0%	99.3%	99.3%
Average mandate of current members of the Supervisory Board on 31 December				
Supervisory Board on 31 December	Years	5	5	5
Structure of the Supervisory Board by gender on 31 December				
Structure of the Supervisory Board by gender on 31 December	Women and men	4 women 5 men	3 women 6 men	2 women 6 men
Independence of the Supervisory Board***	Percent	88.9%	88.9%	87.5%
Number of sessions of the Supervisory Board	Number	12	13	13

Attendance of members of the Supervisory Board at sessions				
Percent	58.3%	76.9%	92.2%	
Number of executive functions (management) on 31 December				
Number	52	50	58	
Number of women in executive functions (management) on 31 December				
Number	12	11	19	
Average age of persons in executive functions on 31 December				
Number	46	47	47	
Range of ages of persons in executive functions on 31 December				
Number	35 - 65	36-60	33-61	
Higher class of regular shares with unequal voting rights	Yes/no	No	No	No
Unequal voting rights issued shares – including preferred	Yes/no	No	No	No
Number of positions in management boards held by the CEO				
Number	-	-	-	

\*In line with the recommendations of the Audit Committee, the Supervisory Board passes the proposed decision on appointment of an auditor for the current business year and forwards it to the General Assembly for adoption.

\*\* Podravka Inc. Management Board receives a 5-year mandate.

\*\*\*A member of the Supervisory Board is also the workers' representative and therefore cannot be considered an independent member.

#### EXTERNAL INITIATIVES OF PODRAVKA INC.

Podravka Inc. is committed to the following external initiatives:

- Corporate Management Code of the Croatian Agency for the Supervision of Financial Services (HANFA) and the Zagreb Stock Exchange;
- Ethics Code of the Croatian Chamber of Economy (HGK);
- Foundation of the Croatian Chamber of Economy, Koprivnica County Chamber, for the financial support of pupils and students;
- Croatian Diversity Charter, 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 largest global initiative for corporate social responsibility

and sustainable development, such that all 10 principles from the agreement have been integrated into operations through internal codes and ordinances;

- Global Food Safety Initiative (GFSI) which issues guidelines and criteria for GFSI recognised certification schemes (IFS, BRC, SQF, GLOBAL G.A.P., FSSC 2000, etc.) Podravka supports the GFSI guidelines and criteria such that it is certified according to GFSI recognised standards of food safety (IFS and BRC), and has adopted the Supply chain security policy and Food safety and quality system policy;
- Roundtable on Sustainable Palm Oil (RSPO) certification of part of the company's product line, which represents the independent assessment in the supply chain of palm oil,
- BIO certification of organic products and their distribution, through which food is produced ecologically and supports sustainability and biological diversity,
- GMO-free food policy.

**STATEMENT ON THE APPLICATION OF THE  
CORPORATE GOVERNANCE CODE**

Management of Podravka Inc. submits a Statement on the Application of the Corporate Governance Code on the basis of the Accounting Act.

Podravka Inc. continuously monitors the development of regulations in the area of corporate governance and improves relations with shareholders, investors, and the public, applying high standards in mutual communications.

In acting in accordance with the valid legislation of the Republic of Croatia and abiding by the special corporate governance guidelines of the OECD and Code of Corporate Governance of HANFA and the Zagreb Stock Exchange, Podravka Inc. was among the first joint stock companies whose shares are listed on the market to develop a Code of Corporate Governance, to equalise the rights of all shareholders and to ensure an open, professional and transparent approach in relations with investor and the general public.

The key corporate governance principles that Podravka Inc. abides by are:

- Transparency of operations,
- Clearly defined rules of procedures for the Management Board, Supervisory Board and its committees, and the General Assembly,
- Avoiding conflicts of interest,
- Effective internal control, and
- Efficient system of responsibility.

Podravka Inc. and its affiliate companies in Croatia and abroad support the ethical principles and principles of modern corporate governance.

With the aim of having a better corporate governance system, Podravka Inc. adopted the Conflict of Interest Management Policy, which establishes the mechanisms for early recognition of possible conflicts of interest, prevents their occurrence, and

measures aimed at removing their consequences and for general prevention to be taken in the case a conflict of interest is detected.

Aware of the importance of responsibly and ethnically based conduct in operations, Podravka Inc. has adopted the Code of Business Ethics of the Podravka Group (hereinafter: Code of Ethics), with which it is committed to abiding by the principles of ethics in all business relations and has accepted the obligation to act in accordance with the principles of responsibility, truthfulness, efficiency, transparency, quality, acting in good faith, and abiding by good business customs towards business partners, the corporate and social environment, and its employees. The Code of Ethics defines the corporate principles that encompass legality and transparency in operations, professionalism and objectivity, public relations, product quality, a safe working environment, stance towards the environment, and relations with the community. In addition to corporate principles, the Code of Ethics also defines the principles of conduct that include the secrecy and confidentiality of information, communications, attitudes towards Company assets, management style, conflict of interest, criteria for business gifts, meals and representation, and the strictest prohibition of corruption, bribes, extortion and all similar conduct. The Code of Ethics also strictly prohibits the exploitation of child labour. Podravka Inc. continually promotes policies of diversity and non-discrimination. Employee diversity is one of the strengths of Podravka Inc., and all employees are equal. Every form of discrimination or harassment of employees on the basis of bias or prejudice is prohibited, such as discrimination due to race or ethnic group, skin colour, sex, language, religion, political or other beliefs, national or social origin, financial status, union membership, education, social position, marital or family status,

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age, health condition, disability, genetic heritage, gender identity, expression or sexual orientation, and any other characteristics protected under the applicable laws.

Podravka Inc. encourages equality among all employees, and offers equal opportunities for employment, education, advancement and reward of all its employees. In line with this policy, Podravka Inc. is a signatory of the Croatian Diversity Charter.

Every employee has the right to submit a written report to human resources and/or legal affairs of known or suspected violations of the Code of Ethics. The Code of Ethics prescribes the protection of employees filing reports of violations of the Code, and pertains to the prohibition of sanctions or discrimination in their future work.

The Podravka Group Code of Business Ethics is available at the following link: <https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/dokumenti/>.

Podravka Inc. applies the Remuneration policy as approved by the Company General Assembly and confirmed for a period of four years, from 2022 to 2025. The principles of the Remuneration policy are established such that they ensure competitiveness and stimulate the attractiveness and interest for the position of member of the Company Management Board with the suitably qualified profile of an expert with the necessary capabilities, skills and experience.

The company Podravka Inc. fills out two questionnaires once every year: one that states whether the provisions of the Code of Corporate Governance have been abided by and, where derogations exist, lists which provisions and provides reasoning thereto (Compliance questionnaire), and a second

that provides more information about the corporate governance practices (Governance practices questionnaire). Both questionnaires are submitted to HANFA, and the Compliance questionnaire is also submitted to the Zagreb Stock Exchange and is published on the Podravka website, at the link: <https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/dokumenti/>.

**GENERAL ASSEMBLY**

At the General Assembly, shareholders attain the right to vote in person, via a legal representative, or proxy. The right to participate and use the right to vote at the General Assembly is held by shareholders entered into the computer system of the Central Clearing Depository Company, and who register to participate at the General Assembly at least seven days prior to the convening of the General Assembly.

The General Assembly may legally decide if at least 30% (thirty percent) of the total number of shares with the right to vote are represented. The General Assembly is chaired by the president of the General Assembly, who is appointed by the Supervisory Board at the proposal of the Management Board.

At the General Assembly, shareholders, representatives and shareholder proxies vote via ballots marked with the number of votes belonging to an individual participant of the General Assembly.

All materials relating to the composition and convening of the General Assembly are available on the Podravka Inc. website at the link:

<https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/glavna-skupstina/>.

**MANAGEMENT SYSTEMS**

## MANAGEMENT OF COMPANY BUSINESS PROCESSES

Efficient company management systems are the result of ongoing recognition and introduction of market demands, work to maintain and improve the system in accordance with standards, the regulations of the Republic of Croatia, European Union and other countries in which Podravka Inc. operates, and the implementation of food safety and quality systems.

As a leading food company in Southeast, Central and Eastern Europe, Podravka Inc. is certified according to the leading standards in food safety IFS Food (International Featured Standard-Food) and BRCGS Food Safety (British Retail Consortium Global Standard) which confirm the safety of company products. The leading standards in the food industry by which the company operates today are built upon the fundamental management system in compliance with the standard ISO 9001 Quality management systems.

The high quality of products is ensured through the quality of all ingredients, modern technological processes, and knowledge applied in production, as well as the defined business processes that ensure the set goals are met.

Maintaining and improving the established management system relies on mutual cooperation and good communication with suppliers, buyers and all interested parties in the food supply chain. Meeting customer demands is one of the company's primary goals, and it enjoys the loyalty of numerous customers in the region and the world who have recognised the value and quality of products that are safe for consumption and acceptable for the environment.

The efficacy of management systems is achieved through ongoing employee training to ensure they possess a high level of technological knowledge and corporate governance. In managing business processes and creating new trends of both products and operations, the company tradition is always respected.

A part of the company product line is certified according to the RSPo (Roundtable on Sustainable Palm Oil) standard that ensures the sustainable development of the palm oil industry. Podravka Inc. proves its consciousness and support of the concepts of sustainability and preservation of biological diversity through certification of part of its products with the BIO certificate for organic products.

In order for the management of business processes to be effective, the company considers the potential risks throughout its operations, and has set up a culture of proactive and preventative action.

The Podravka Group pays special attention to the system based on assessment of critical points throughout the supply chain, for the purpose of protection against intentional contamination or fraud. With the introduction of the supply chain security system, Podravka Inc. has committed to implementing food protection system through the Food Defence methodology and the Food Fraud assessments.

Security of the Podravka Inc. supply chain is performed in line with the leading food safety standards, IFS Food and BRCGS Food Safety, and in line with the criteria of the Customs-Trade Partnership Against Terrorism (C-TPAT) of the USA, and the Authorised Economic Operator (AEO) programme of the European Union.



## BRAND MANAGEMENT

On most of the markets in which Podravka Inc. operates, the business conditions are challenging due to the local, regional and global competition, and due to recent global events and a real drop in consumer spending power, increasing client strength, and new market and consumer trends. During 2022, the greatest impacts were from the war in Ukraine which has strongly spurred the growth of prices of raw materials and energy, resulting ultimately in a jump in retail prices of products. The Russian-Ukraine conflict directly impacts the global security of food supply and affordable food prices. In the situation when consumers have become extremely price sensitive, but also demanding concerning the functional characteristics of products, the success of companies oriented towards products of recognisable brands relies greatly on their ability to be innovative, different, while remaining price relevant. The advantage of Podravka Inc. is a secure supply chain and sufficient quantities of goods, and customer faith in the brands and product quality. Consumer habits, tastes and preferences are constantly changing, therefore Podravka Inc. is constantly facing the need for their timely identification and forecasting in order to adapt its products and brands to those changes. The result is the continuous design and development of innovative solutions, in line with customer and client expectations, since this is an exceptionally important factor in achieving sales plans and overall business results. Through these continuous innovations within the existing product line, and launching new categories and groups of products, Podravka Inc. has confirmed that it is the leader of food trends in Croatia, and beyond.

## MANAGEMENT OF BUSINESS SEGMENTS

The company views the achievement of its goals through organic and inorganic growth of operations, and places great importance on its influence on the possibility of that growth, through optimisation and prioritisation of strategic segments of product categories, markets and sales channels. Podravka Inc. therefore places great attention to the evaluation and making of decisions on strategic investments, and consideration of opportunities that can potentially create added value for investors. Furthermore, special attention is paid to monitoring and analysing products, segments, distribution channels and markets, for which it is assessed that they do not have long-term potential to achieve the desired business results or that they have particular market potential. Through acquisition activities, expanding operations onto new markets, and developing new products and distribution channels, Podravka Inc. is further internationalising its operations and diversifying its product portfolio. In this way, it is reducing the risk of business dependence on a specific product, market or business partner. In the corporate environment marked by constant change and market challenges, Podravka Inc. is aiming to retain its position through continuous adaptations, especially in the distribution part, examining the efficacy of distribution, and the development of new and different route-to-market strategies to make the existing model more efficient.

## MANAGEMENT OF CLIENT RELATIONS

Podravka Inc. is aware of the exceptional importance of developing and maintaining relations with

its clients so as to ensure the desired position of its products in sales locations on the global market. Through its marketing strategy, innovations, plans for recognisable and unique activities at sale locations, and execution of activities oriented towards strengthening the individuality and recognisability of brands, Podravka Inc. acts to intensify product demand, while strengthening its negotiation position when defining business terms with clients. Additionally, Podravka Inc. invests efforts to secure the conditions for the continued and successful long-term growth and to evade profit margin erosions by optimising the existing price policies, maximising the use of the synergy effect, raising efficacy, and adapting price levels on existing markets.

#### MANAGEMENT OF HUMAN RESOURCE RISKS

The foundation of success of Podravka Inc. and a feature of its employees is business ethics and excellence, dedication to achieving goals, growth and development. Respect, trust and teamwork based on dialogue and transparency form a strong basis for ongoing progress.

Through a series of proactive measures, Podravka Inc. creates an environment in which employees are engaged and loyal. The Company recognises and rewards individuals who achieve excellent results, show exceptional effort, and stimulate innovation and efficiency.

#### OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

In 2020, Podravka Inc. implemented the Occupational health and safety management system (ISO 45001:2018) in its Soup and Vegeta factory

(production, warehousing and distribution of dried semi-finished products, food seasonings, dehydrated soups, sauces, semi-finished meals, spice blends and single spices).

During the supervisory audit in 2022, the management system proved to be fully compliant with the requirements of the standard according to which the audit was performed.

The screening process of the management system proved to be capable of ensuring permanent suitability, adequacy, and efficacy of the management system.

#### INFORMATION SECURITY SYSTEM

Due to the digital transformation of operations, exponential growth in cyberattacks have been detected in recent years. In nearly all relevant reports, the risk of cybernetic attacks has been listed as the greatest risk for interruptions in operations in the corporate environment.

In line with trends and true threats, the security of information systems is one of the key foundations for the continuity of operations, as any incident in this segment has the potential for massive financial damages caused by longer interruptions of business processes.

During 2022, due to the pandemic caused by the SARS-COV-2 virus, working from home became the “new normal” for part of employees who are able to perform their work in this way. The appearance of a series of phishing e-mails on the COVID-19 topic was detected, of which users were warned via the intranet and through warning e-mails. On nearly all mobile devices possessing the adequate technical prerequisites, business data protection systems were implemented, in addition to multifactor authentication (MFA).

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A strong investment cycle has continued into advanced tools for the protection of the IT system, such as network traffic analysers, tool for automated PEN test, central log management system, and network segmentation.

Despite all these challenges caused by the SARS-COV-2 virus pandemic, thanks to the increased efforts of the sector of Corporate and Information Security and IT, no significant security incidents were recorded that would cause inaccessibility of the IT system and consequentially impact the continuity of company operations.

# Financial statements



## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

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

The annual financial statements for the Group (the Company and its subsidiaries) are published separately and issued simultaneously with the separate 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 d.d.  
Ante Starčevića 32  
48 000 Koprivnica  
Republic of Croatia

Koprivnica, 4 April, 2023

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Podravka d.d.

Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Podravka d.d. (the Company), which comprise the statement of financial position as at 31 December 2022, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its 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 financial statements* section of our report.

We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 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 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 financial statements.

Key Audit Matter	How we addressed Key Audit Matter
<p>Impairment of investments in subsidiaries and related loans</p> <p>Impairments of the Company's investments in subsidiaries and related loans are disclosed in Note 10 Other expenses. In addition, Note 20 Investments in subsidiaries and Note 37 Related party transactions disclose the underlying assets in the financial statements and a description of the accounting policy and key judgements and estimates are included in Note 3 Summary of significant accounting policies and Note 6 Key accounting judgements and estimates, respectively.</p> <p>Management annually performs impairment tests for investments in subsidiaries and related loans where indicators of impairment exists. For investments identified as such, management assesses potential impairment loss by comparing the carrying amount with the recoverable amount. 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, the timing of future operating expenditure, and the most appropriate discount and long term growth rates.</p> <p>Due to complexity and judgement used in the assessment of impairment indicators, and the application of valuation techniques, impairment of Company's investments in subsidiaries and related loans is considered a key audit matter.</p>	<p>Audit procedures included understanding of the investment impairment process and walk through of controls implemented within. We examined the methodology used by management to assess the carrying value of respective investment in subsidiaries and related loans to determine its compliance with IFRS as adopted by the EU and consistency of application.</p> <p>For the investments where impairment indicators were not identified by the Company, we evaluated the management's impairment indicators assessment by considering factors such as insufficient net assets, declining financial performance, or existence of any overdue loans and receivables.</p> <p>We evaluated the assumptions used in the current year assessment of impairment indicators and tested whether these assumptions are in line with the results achieved in the current year as well as current development in the industry and the Company's expectations for the key inputs.</p> <p>In respect of impairment tests performed by management, we evaluated the subsidiaries' future cash flow forecasts and the process by which they were prepared. We compared the budget inputs in the models to the approved budgets and forecast inputs in the models to management plans.</p> <p>We compared current year actual results with the figures included in the prior year forecasts to evaluate assumptions used. We also compared management's key assumption for long-term growth rate by comparing it to historical growth results and market data.</p> <p>We performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis and tested the appropriateness of discount rates used in the calculation with the assistance of the specialists. We also assessed the completeness of the impairment charges by comparing calculated impairment loss with accounting records.</p> <p>We also assessed on the adequacy of the relevant disclosures in the financial statements and if these are in line with the requirements of the IFRS as adopted by the EU.</p>





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Key Audit Matter	How we addressed Key Audit Matter
<p>Impairment of brands</p> <p>A description of the key judgements and estimates regarding impairment of the Company's brands are included in Note 3 Summary of significant accounting policies and Note 6 Key accounting judgements and estimates. The assets are presented in Note 16 Intangible assets.</p> <p>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.</p> <p>Considering the above mentioned, we believe that the assessment of recoverable amounts of brands is a key audit matter.</p>	<p>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 intangible assets to determine its compliance with IFRS as adopted by the EU and consistency of application.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>We also assessed on the adequacy of the relevant disclosures in the financial statements and if these are in line with the requirements of the IFRS as adopted by the EU.</p>





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Key Audit Matter	How we addressed Key Audit Matter
<p>Recognition of revenue: valuation of customer discounts, incentives and rebates</p> <p>As indicated in Note 3 Summary of significant accounting policies and Note 8 Sales revenue to the financial statements, the Company 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.</p> <p>At the reporting date, amounts for discounts, incentives and rebates that have been incurred and not yet paid 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.</p> <p>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.</p>	<p>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 applicable accounting standards. We walked through and tested the operation effectiveness of the controls over revenue recognition process.</p> <p>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.</p> <p>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.</p> <p>On a sample of key customers, we inspected respective contractual terms and recalculated the amount of discounts, incentives and rebates. Where our recalculation based on contractual terms differed from management records, we obtained support for the differences to vouch their validity.</p> <p>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 Company's accounting records.</p> <p>We also assessed on the adequacy of the relevant disclosures in the financial statements and if these are in line with the requirements of the IFRS as adopted by the EU.</p>

## 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 Annual Report, but does not include financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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 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 financial statements;
2. the enclosed Management Report is prepared in accordance with requirements of Article 21 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 of the Accounting Act.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit of 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 financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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*

We were 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 14 June 2022, representing a total period of uninterrupted engagement appointment of 4 years.

### *Consistence with Additional Report to Audit Committee*

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 4 April 2023 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 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 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 financial statements, as contained in the attached electronic file PodravkaInc.-2022-12-31.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 financial statements in accordance with ESEF Regulation.

Furthermore, management is responsible for maintaining an internal control system that reasonably ensures the preparation of 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 financial statements included in the annual report, in XHTML format and
- selecting and using XBRL codes in accordance with ESEF regulation

Audit Committee is responsible for overseeing the preparation of the 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 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 financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the 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.



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### *Conclusion*

Based on the procedures performed and evidence gathered, the financial statements presented in ESEF format for the year ended on 31 December 2022, 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 financial statements and annual report for the year ended 31 December 2022, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

The partner in charge of the audit resulting in this independent auditor's report is Berislav Horvat.

**ERNST & YOUNG**  
d.o.o.  
Zagreb, Radnička cesta 50

Berislav Horvat  
President of the Management Board and Certified auditor

4 April 2023

Ernst & Young d.o.o.  
Radnička cesta 50  
10000 Zagreb  
Republic of Croatia

**SEPARATE STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2022**

<i>(in thousands of HRK)</i>	<i>Note</i>	<b>2022</b>	<b>2021</b>
Revenue from sales	8	2,399,146	2,202,680
Cost of goods sold	11	<u>(1,719,768)</u>	<u>(1,539,680)</u>
<b>Gross profit</b>		<b><u>679,378</u></b>	<b><u>663,000</u></b>
Other income	9	8,152	8,740
General and administrative expenses	11	(171,920)	(150,991)
Selling and distribution costs	11	(231,197)	(207,025)
Marketing expenses	11	(133,074)	(122,535)
Other expenses	10	<u>(10,477)</u>	<u>(5,149)</u>
<b>Operating profit</b>		<b><u>140,862</u></b>	<b><u>186,040</u></b>
Finance income	13	87,564	73,630
Finance expenses	14	<u>(2,401)</u>	<u>(3,565)</u>
<b>Profit before tax</b>		<b><u>226,025</u></b>	<b><u>256,105</u></b>
Income tax	15	(27,946)	(11,001)
<b>Net profit for the year</b>		<b><u>198,079</u></b>	<b><u>245,104</u></b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial profit/(loss) - (net of deferred tax)		1,806	(416)
<b>Total other comprehensive income</b>		<b><u>1,806</u></b>	<b><u>(416)</u></b>
<b>Total comprehensive income</b>		<b><u>199,885</u></b>	<b><u>244,688</u></b>

The accompanying accounting policies and notes form an integral part of these separate financial statements.

## SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(in thousands of HRK)

	<i>Note</i>	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	16	87,062	85,770
Property, plant and equipment	17	1,037,334	826,190
Right-of-use assets	18	34,614	39,427
Investment property	19	105,601	107,574
Investments in subsidiaries	20	977,403	984,188
Non-current financial assets	21	37,342	37,359
Deferred tax assets	15	77,850	74,129
<b>Total non-current assets</b>		<b>2,357,206</b>	<b>2,154,637</b>
<b>Current assets</b>			
Inventories	22	618,163	437,462
Trade and other receivables	23	503,168	478,856
Financial assets at fair value through profit and loss	24	91	-
Debit instruments at amortized cost	25	113,012	-
Income tax receivables		2,383	1,194
Cash and cash equivalents	26	28,912	2,500
Non-current assets held for sale	27	1,075	1,075
<b>Total current assets</b>		<b>1,266,804</b>	<b>921,087</b>
<b>Total assets</b>		<b>3,624,010</b>	<b>3,075,724</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Issued capital	28	1,566,401	1,566,401
Share premium	28	183,541	186,031
Treasury shares	28	(42,448)	(39,388)
Reserves	29	770,134	639,649
Retained earnings	30	235,896	253,248
<b>Total equity</b>		<b>2,713,524</b>	<b>2,605,941</b>
<b>Non-current liabilities</b>			
Borrowings	32	1,002	14,799
Lease liabilities	18	23,791	28,548
Non-current provisions for employee benefits	33	32,165	24,739
Other non-current provisions	33	11,423	11,577
<b>Total non-current liabilities</b>		<b>68,381</b>	<b>79,663</b>
<b>Current liabilities</b>			
Trade and other payables	34	360,599	262,164
Financial liabilities at fair value through profit or loss	31	-	35
Borrowings	32	448,526	95,601
Lease liabilities	18	11,943	11,981
Current provisions for employee benefits	33	20,877	20,179
Other current provisions	33	160	160
<b>Total current liabilities</b>		<b>842,105</b>	<b>390,120</b>
<b>Total liabilities</b>		<b>910,486</b>	<b>469,783</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,624,010</b>	<b>3,075,724</b>

The accompanying accounting policies and notes form an integral part of these separate financial statements.



## SEPARATE STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2022

<i>(in thousands of HRK)</i>	Issued capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total
<b>As at 1 January 2021</b>	<b>1,566,401</b>	<b>182,875</b>	<b>(47,569)</b>	<b>510,313</b>	<b>199,852</b>	<b>2,411,872</b>
<i>Comprehensive income</i>						
Profit for the year	-	-	-	-	245,104	245,104
Actuarial losses (net of deferred tax)	-	-	-	(416)	-	(416)
<b>Other comprehensive income</b>	-	-	-	<b>(416)</b>	-	<b>(416)</b>
<b>Total comprehensive income</b>	-	-	-	<b>(416)</b>	<b>245,104</b>	<b>244,688</b>
<i>Transactions with owners recognised directly in equity</i>						
Allocation from retained earnings (note 29)	-	-	-	129,752	(129,752)	-
Exercise of options	-	(1,627)	8,181	-	1,171	7,725
Fair value of share-based payment transactions (note 36)	-	4,783	-	-	-	4,783
Dividend declared	-	-	-	-	(63,127)	(63,127)
<b>Total transactions with owners recognised directly in equity</b>	-	<b>3,156</b>	<b>8,181</b>	<b>129,752</b>	<b>(191,708)</b>	<b>(50,619)</b>
<b>As at 31 December 2021</b>	<b>1,566,401</b>	<b>186,031</b>	<b>(39,388)</b>	<b>639,649</b>	<b>253,248</b>	<b>2,605,941</b>
<i>Comprehensive income</i>						
Profit for the year	-	-	-	-	198,079	198,079
Actuarial profit (net of deferred tax)	-	-	-	1,806	-	1,806
<b>Other comprehensive income</b>	-	-	-	<b>1,806</b>	-	<b>1,806</b>
<b>Total comprehensive income</b>	-	-	-	<b>1,806</b>	<b>198,079</b>	<b>199,885</b>
<i>Transactions with owners recognised directly in equity</i>						
Allocation from retained earnings (note 29 (i))	-	-	-	128,679	(128,679)	-
Exercise of options	-	(8,259)	23,631	-	4,473	19,845
Fair value of share-based payment transactions (note 36)	-	5,769	-	-	-	5,769
Purchase of treasury shares	-	-	(26,691)	-	-	(26,691)
Dividend declared	-	-	-	-	(91,225)	(91,225)
<b>Total transactions with owners recognised directly in equity</b>	-	<b>(2,490)</b>	<b>(3,060)</b>	<b>128,679</b>	<b>(215,431)</b>	<b>(92,302)</b>
<b>As at 31 December 2022</b>	<b>1,566,401</b>	<b>183,541</b>	<b>(42,448)</b>	<b>770,134</b>	<b>235,896</b>	<b>2,713,524</b>

The accompanying accounting policies and notes form an integral part of these separate financial statements.

## SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

<i>(in thousands of HRK)</i>	<i>Note</i>	<b>2022</b>	<b>2021</b>
<b>Profit before tax</b>		<b>226,025</b>	<b>256,105</b>
Depreciation and amortization	<i>11</i>	106,511	99,670
Impairment of long-term intangible assets	<i>16</i>	926	-
Impairment of investment	<i>10</i>	8,923	5,101
Impairment / (reversal of impairment) of loans given and interest	<i>9, 10</i>	586	(1,642)
Remeasurement of financial assets and liabilities at FVTPL	<i>13, 14</i>	(126)	17
Dividend income	<i>13</i>	(84,652)	(69,862)
Share-based payment transactions	<i>36</i>	5,769	4,783
Gain on disposal of non-current assets	<i>9</i>	(1,383)	(251)
Impairment on trade receivables and other receivables		4,248	324
Increase in provisions		10,172	3,684
Interest income	<i>13</i>	(2,786)	(2,921)
Interest expense	<i>14</i>	2,312	3,548
Foreign exchange differences		(148)	(251)
<b>Total adjustments</b>		<b>50,352</b>	<b>42,200</b>
<b>Changes in working capital:</b>			
(Increase)/decrease in inventories		(180,701)	19,843
Decrease/(increase) in receivables		3,071	(14,057)
Increase/(decrease) in payables		69,065	(32,636)
<b>Cash generated from operations</b>		<b>167,812</b>	<b>271,455</b>
Income tax paid		(34,242)	(38,428)
Interest paid		(2,226)	(3,806)
<b>Net cash from operating activities</b>		<b>131,344</b>	<b>229,221</b>
<b>Cash flows from investing activities</b>			
Increase of investments in subsidiaries		(2,138)	(5,039)
Investment in debt instruments at amortised cost		(112,905)	-
Purchase of property, plant, equipment and intangibles		(307,319)	(103,637)
Proceeds from sale of property, plant, equipment and intangibles		2,228	343
Loans given		(67,653)	-
Proceeds from loans given		68,960	1,425
Interest received		571	3,772
Dividends received		60,083	45,421
<b>Net cash from investing activities</b>		<b>(358,173)</b>	<b>(57,715)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		722,591	97,121
Repayment of borrowings		(358,948)	(200,270)
Purchase of treasury shares		(26,691)	-
Sale of treasury shares		20,827	7,983
Repayment of lease liabilities		(13,272)	(13,340)
Dividend paid		(91,266)	(62,782)
<b>Net cash from financing activities</b>		<b>253,241</b>	<b>(171,288)</b>
<b>Net increase of cash and cash equivalents</b>		<b>26,412</b>	<b>218</b>
Cash and cash equivalents at beginning of year		2,500	2,282
<b>Cash and cash equivalents at the end of year</b>	<i>26</i>	<b>28,912</b>	<b>2,500</b>

The accompanying accounting policies and notes form an integral part of these separate financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 1 – GENERAL INFORMATION

##### History and incorporation

Podravka prehrambena industrija d.d., Koprivnica ('the Company'), is incorporated in the Republic of Croatia. In 1934, the brothers Wolf opened in Koprivnica a fruit processing unit, the predecessor of the Company. Today, the Company is one of the leading companies in industry operating in the area of South-Eastern, Central and Eastern Europe. The principal activity of the Company comprises production of a wide range of foodstuffs. The Company was established as a joint stock company under entity's registration number 010006549 and personal identification number 18928523252.

The Company 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 28.

Podravka d.d. is the ultimate parent company of the Group.

During 2022, 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 2022:**

President	Želimir Vukina	(01.07.2019. - 31.10.2022.)
President	Damir Grbavac	(01.11.2022. - 30.06.2026.)
Deputy President	Luka Buričević	(08.09.2018. - 07.09.2026.)
Member	Marina Dabić	(01.07.2019. - 30.06.2023.)
Member	Tomislav Kitonić	(01.07.2019. - 30.06.2023.)
Member	Ksenija Horvat	(01.07.2019. - 30.06.2023.)
Member	Damir Felak	(08.09.2022. - 07.09.2026.)
Member	Petar Miladin	(08.09.2018. - 07.09.2026.)
Member	Dajana Milodanović	(08.09.2018. - 07.09.2022.)
Member	Krunoslav Vitelj	(08.09.2018. - 07.09.2026.)
Member	Ivan Ostojić	(30.06.2021. - 30.06.2022.)

##### *Management Board:*

President	Martina Dalić	(04.02.2021. - 23.02.2027.)
Member	Davor Doko	(01.05.2017. - 23.02.2027.)
Member	Marko Đerek	(19.07.2017. - 23.02.2022.)
Member	Hrvoje Kolarić	(24.02.2017. - 23.02.2022.)
Member	Ljiljana Šapina	(24.02.2017. - 23.02.2027.)
Member	Milan Tadić	(24.02.2022. - 23.02.2027.)
Member	Ivan Ostojić	(01.07.2022. - 23.02.2027.)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 2 – BASIS OF PREPARATION

(i) *Statement of compliance*

The separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“EU IFRS”).

These financial statements represent those of the Company only. The consolidated financial statements of the Company and its subsidiaries (“the Group”), which the Company is also required to prepare in accordance with EU IFRS and Croatian law, are published separately and issued simultaneously with these separate financial statements.

The Financial statements are available on the Company’s website.

These financial statements were authorised for issue by the Management Board on 4 April 2023.

(ii) *Basis of measurement*

The financial statements of the Company have been prepared on the historical cost basis, except where stated otherwise (see note 7).

(iii) *Functional and presentation currency*

These financial statements are prepared in the Croatian kuna (“HRK”), which is also the functional currency, rounded to the nearest thousand.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented in these financial statements.

##### **3.1 Investments in subsidiaries**

Subsidiaries are entities in which the Company has the power, directly or indirectly, to exercise control over the operations. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

Investments in subsidiaries are accounted for initially at cost and subsequently at cost less impairment losses. Investments in subsidiaries are tested annually for impairment (note 6).

##### **3.2 Non-current assets held for sale**

Non-current assets and disposal groups (which may include both non-current and current assets and liabilities directly associated with those assets) are classified in the statement of financial position as 'held for sale' if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting date rather than through continuing use. Non-current assets classified as held for sale in the current period's separate statement of financial position are not reclassified in the comparative separate statement of financial position.

Held-for-sale property, plant and equipment or disposal groups as a whole are measured at the lower of their carrying amounts and fair values less costs to sell. Held-for-sale property, plant and equipment are not depreciated.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.3 Revenue recognition

The Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expect to be entitled in exchange for those goods or services. 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.

This core principle is delivered in a five-step model framework.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

In determining the transaction price, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer.

Company's sales contracts generally comprise of only one performance obligation. As such, the Company does not disclose information about the allocation of the transaction price.

##### *(i) Revenue from sales of products and merchandise – wholesale*

The Company manufactures and sells its own products and goods of third parties (for which the Company is a distributor) in the wholesale market. Revenue is recognised when the Company 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 specific 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.

##### *(ii) Revenue from sales of products and merchandise – retail*

Sales of products and goods sold in retail stores are recognised when the Company sells a product to the customer. Retail sales are usually in cash or by credit card. The Company 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, by reference to stage of completion, on the basis of the actual service provided as a proportion of the total services to be provided.

##### *(iv) Finance 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.4 Leases

Lease is a contract or part of the contract that conveys the right to control the use of an asset (identified asset) for a period of time in exchange for consideration. The Company leases certain property (including long-term lease of agricultural land), plant and equipment.

The Company adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company also 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 HRK 35 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.

At the commencement date of the lease the Company recognizes right-of-use assets at cost. The cost of right-of-use assets comprises of the amount of the initial measurement of the lease liability, all lease payments plus all direct costs and less any lease incentives received. The asset is activated when it is put into use.

The Company 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.

Variable lease payments that do not depend on the index or rate are not included in lease liabilities but are recognized in the income statement in the period in which they are incurred.

Subsequently, right-of-use asset company as a lessee measures at cost less any accumulated depreciation and any accumulated impairment losses and adjusts for any remeasurement of the lease liability.

Asset is amortized from the commencement date of the lease until the end of the useful life of the asset.

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).

Lease term includes the non-cancellable period during which the lessee is entitled to use the asset that is the subject of the lease and begins on the date on which the lessee makes the determined assets available to the lessee. Lease term includes periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.4 Leases (continued)

The statement of comprehensive income includes the cost of depreciation of the right-of-use assets and interest expenses on lease liabilities (see note 18).

Leases where the significant portion of risks and rewards of ownership are not retained by the Company are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

##### *Sale and leaseback*

Sale and leaseback transactions include the sale of some assets and return/lease of the same.

If the transfer of an asset by the lessee is a sale, the Company as a seller-lessee shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. In this case the Company as a seller-lessee shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Company shall make the adjustments to measure the sale proceeds at fair value. Any below-market terms shall be accounted for as a prepayment of lease payments and any above-market terms shall be accounted for as additional financing provided by the buyer-lessor to the seller-lessee. All potential adjustments are measured on the basis of the more readily determinable of the difference between the fair value of the consideration for the sale and the fair value of the asset and the difference between the present value of the contractual payments for the lease and the present value of payments for the lease at market rates.

If the transfer of an asset is not a sale, the Company as a lessee shall continue to recognize the transferred asset and shall recognize a financial liability equal to the transfer proceeds.

##### 3.5 Foreign currency transactions

##### *Transactions and balances in foreign currencies*

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into functional currency at foreign exchange rates ruling at the date of transaction.

##### 3.6 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the separate statement of comprehensive income over the period of the borrowing using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.6 Borrowings and borrowing costs (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

##### 3.7 Government grants

Government grants are not recognised until there is reasonable assurance that the Company 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 Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the separate 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 losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

##### 3.8 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.

##### 3.9 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business unit), 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 separate level, the following segments are internally monitored and reported:

- BU Culinary
- BU Basic Food
- BU Meat products
- BU Soups
- BU Cereals, Snacks and Beverages
- BU Creamy spreads and Desserts
- BU Fish
- BU Bakery
- Other sales

The Company identifies operating segments on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker (which was identified as being the Management Board of the Company) in order to allocate resources to the segments and to assess their performance. During 2022, the Company reconsidered internal monitoring and reporting by segments and accordingly defined business programs with associated product groups and improved the methodology of calculating the profit of business segments. Details on the operating segments are disclosed in note 8 to the separate financial statements. Comparative information is presented using the comparability principle.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.10 Taxation

###### (i) *Income tax*

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss to the extent that it relates to items in equity, in which case it is recognised in other comprehensive income. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in the statement of other comprehensive income or in equity.

Income tax for the current year is calculated on the basis of the tax laws enacted at the balance sheet date.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

###### (ii) *Deferred tax assets and liabilities*

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences that relate to investments in subsidiaries and joint ventures when it is probable that no significant change is expected in the foreseeable future. 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

###### (iii) *Tax exposures*

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

###### (iv) *Value added tax (VAT)*

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the separate statement of financial position on a net basis. Where a provision has been made for impairment of receivables, impairment loss is recorded for the gross amount receivable, including VAT.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.11 Property, plant and equipment

Property, plant and equipment are included in the separate statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the separate statement of comprehensive income during the financial period in which they are incurred.

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 residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

##### 3.12 Investment property

Investment property is property (land, buildings, or a part of a building, or both) held to earn rentals or for capital appreciation (or both). Investment property is treated as long-term investments.

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.

Subsequent expenditure is capitalised when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred. If the Company starts using the investment property, it is reclassified to property, plant and equipment.

The Company discloses the fair value of investment property on the basis of periodical independent valuations by expert valuers.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.13 Intangible assets

Intangible assets may be acquired in exchange for a non-cash asset or assets, or a combination of cash and non-cash items, whereby the cost of such intangible asset is determined at fair value unless the exchange transaction lacks commercial substance or the fair value of items received or assets disposed of cannot be reliably measured, in which case the carrying value is determined as the carrying amount of the asset disposed of.

##### *(i) Brands and distribution rights*

Product distribution rights and some brands 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 distribution rights over their useful lives estimated at 3-15 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 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 3.14).

##### *(ii) Computer software*

Acquired 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. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.14 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (except for 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the Company's assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is expensed immediately.

In situation when an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

##### 3.15 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).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.16 Trade receivables

###### (i) 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.

###### (ii) Bills of exchange

For the purpose of collecting its receivables, the Company receives security instruments.

Bills of exchange received from customers with respect to outstanding trade receivables may be discounted with factoring companies prior to their maturity. If a bill of exchange bears a recourse right, the factoring company takes over the receivable management, but does not assume the credit risk of non-collection of the receivable from the original (principal) debtor. Based on factoring company's payments, the Company records collection of receivables from the original (principal) debtor and simultaneously records receivables for the discounted bill of exchange and liabilities for recourse right.

For bills of exchange collected from the principal debtor upon maturity, receivables from the principal debtor are closed following the collection of the bill of exchange.

##### 3.17 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 separate statement of financial position.

##### 3.18 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 Company 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.

##### 3.19 Employee benefits

###### (i) Pension obligations and post-employment benefits

In the normal course of business through salary payment, the Company makes payments to mandatory pension funds managed 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 Company is not obliged to provide any other post-employment benefits with respect to these pension schemes.

###### (ii) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.19 Employee benefits (continued)

###### (iii) Regular retirement benefits

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 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 Company 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 Company 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 Company 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. At the end of the reporting period estimates of the number of equity instruments expected to be vested are reviewed, and the impact of the revision is reflected in the statement of comprehensive income and in reserves for employee benefits which are settled by equity instruments.

##### 3.20 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of discounting is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation, determined using the estimated risk free interest rate as the discount rate. Where discounting is used, the reversal of such discounting in each year is recognized as a financial expense and the carrying amount of the provision increases in each year to reflect the passage of time.

Provisions for restructuring costs are recognized when the Company has a detailed formal plan for the restructuring that has been communicated to parties concerned.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.21 Financial instruments

###### A. Financial assets

###### (i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

###### (ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI) – debt instruments;
- fair value through other comprehensive income (FVOCI) – equity instruments;
- or FVTPL (fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instruments that is not held for trading, the Company may irrevocably elect to present subsequent changes in the instrument's fair value in OCI. This election is made on an instruments-by-instruments basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.21 Financial instruments (continued)

###### A Financial assets (continued)

###### (ii) Classification and subsequent measurement (continued)

###### *Business model assessment*

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Trade receivables are held in the business model of holding for the purpose of collection.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

###### *Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, relevant for the purpose of classifying financial assets at amortised cost, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing the main criterion, i.e. whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The structure of the Company's financial assets is simple and primarily relates to trade receivables without a significant financial component, loans given and short-term deposits in banks, 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'.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.21 Financial instruments (continued)

###### A Financial assets (continued)

###### (ii) Classification and subsequent measurement (continued)

###### *Subsequent measurement and gains and losses*

The table below provides an overview of key provisions of the accounting policy used by the Company for subsequent measurement of financial assets and recognition of gains and losses on each class of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<b>Debt instruments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity instruments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the instruments. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

###### (iii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **3.21 Financial instruments (continued)**

##### **B. Financial liabilities**

##### **(i) Recognition and initial measurement**

Debt securities are initially recognised when they are originated. All other financial liabilities are initially recognised when the Company 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.

##### **(ii) Classification and subsequent measurement**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### **(iii) Derecognition**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### **C. Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### **D. Derivative financial instruments and hedging activities**

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. 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.

##### **(i) Hedge accounting**

The company designates individual derivative instruments as hedging instruments against commodity price risk, exchange rate risk, and interest rate risk by applying fair value hedge or cash flow hedge. The hedge against commodity price risk is recorded and calculated as fair value hedge or as cash flow hedge, depending on the nature of the transaction.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.21 Financial instruments (continued)

##### D. Derivative financial instruments and hedging activities (continued)

###### (i) Hedge accounting (continued)

When establishing a hedging relationship, the Company records the relationship between the hedging instrument and the hedged item, together with the risk management objectives and the strategy for conducting various hedging transactions. Furthermore, when establishing the hedging relationship and on each reporting date, the Company documents whether the hedging instrument is effective in offsetting changes in the fair value or cash flows of the hedged item that can be attributed to the hedged risk, and that is when the hedging relationship meets all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk is not decisive for changes in value resulting from that economic relationship and
- the hedging ratio in the hedging relationship is equal to the ratio resulting from the amount of the hedged item that the entity actually hedges against the risk and the amount of the hedging instrument that the entity actually uses to hedge the amount of the item from the risk.

If the hedging relationship ceases to meet the hedging effectiveness requirements related to the hedging ratio, but the risk management objective for that particular hedging relationship remains the same, the Company adjusts the hedging ratio for the established hedging relationship (i.e. rebalances the hedging) to again meet the eligibility criteria.

###### (ii) Fair value hedge

In case of need and according to a decision, the Company uses fair value hedge for changes in the value of inventories of goods that the Company uses in its business and are exposed to fluctuations in market prices and for firm obligations arising from contractual agreements for the purchase of goods. A change in the fair value of eligible hedging instruments is recognized in the income statement in the line “Financial expenses or Financial income” except when the hedged item is an equity instrument designated to be carried at fair value through other comprehensive income. In this case, the change in fair value is recognized through other comprehensive income.

The carrying amount of a hedged item that is not measured at fair value is adjusted for the change in fair value attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at fair value through other comprehensive income, the carrying amount is not adjusted because it is already recorded and measured at fair value, but the hedging gain or loss is recognized in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument for which the fair value through other comprehensive income option has been selected, the gain or loss from the hedge remains in other comprehensive income to match that of the hedging instrument.

When hedging gains or losses are recognized in the income statement, they are recognized on the same line as the hedged item.

###### (iii) Cash flow hedge

In case of need and according to a decision, the Company adopts cash flow hedge for anticipated very likely transactions of purchase of goods that the Company uses in its business and are exposed to fluctuations in market prices.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.21 Financial instruments (continued)

##### D. Derivative financial instruments and hedging activities (continued)

##### (iii) Cash flow hedge (continued)

The effective part of changes in the fair value of derivative instruments and other eligible hedging instruments that are designated and suitable as cash flow hedges is recognized in other comprehensive income and accumulated in the item “Cash flow hedge reserves”, limited to the cumulative change in the fair value of the hedged item since inception of the hedging relationship. The profit or loss related to the ineffective part is recognized immediately in the profit and loss account and is included in the item “Financial expenses or Financial income”. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or non-financial liability, gains and losses previously recognized in other comprehensive income and accumulated in equity are reclassified and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

Furthermore, if the Company expects that part or all of the loss accumulated in the cash flow hedge reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Company ceases to account for hedge accounting only when the hedging relationship (or part thereof) ceases to meet the eligibility criteria (taking into account also rebalancing, if applicable). This includes cases when the hedging instrument expires or is sold, terminated or settled. The cessation is calculated prospectively.

In the case of a fair value hedge, the adjustment of the fair value of the book value of the hedged item resulting from the hedged risk is amortized in the income statement from that date.

When cash flow hedges are involved, any gain or loss recognized in other comprehensive income and accumulated in the cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is immediately reclassified to profit or loss.

During 2022 and 2021, the Company had no transactions related to hedge accounting.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.21 Financial instruments (continued)

###### E. Impairment of non-derivative financial assets

###### *Recognition of impairment losses*

The Company recognises loss allowances for estimated credit losses (ECLs) on:

- financial assets measured at amortised cost;
- debt instruments measured at FVOCI; and
- contract assets.

The Company 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 and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company 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 Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if the receivable is past due for a period longer than the average collection period in the normal course of the Company's operations in the relevant market.

The Company assumes that the credit risk on a financial asset has increased significantly if early warning indicators have been activated in accordance with the Company's policy or contractual terms of the instrument.

The Company considers a financial asset to be fully or partially in default if:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company 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 Company in accordance with the contract and the cash flows that the Company 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) adjusted for the macroeconomic impact. The calculation of the historical rate is adjusted for extraordinary and specific circumstances, if required.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.21 Financial instruments (continued)

##### E. Impairment of non-derivative financial assets (continued)

###### *Credit-impaired financial assets*

At each reporting date, the Company 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.

###### *Presentation of allowance for ECL in the statement of financial position.*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

###### *Write-off of financial assets*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company 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.

##### 3.22 Reclassification of items in the Separate Statement of Changes in Equity

In accordance with the EU Transparency Directive by which ESMA (European Securities and Markets Authority) introduces the obligation to implement ESEF (European single electronic format based on the XBRL format) for Issuers, the Company has reclassified items of the Statement of Changes in Equity with the aim of optimal use of valid taxonomy.

The effects of reclassification are as follows:

###### *Separate Statement of Changes in Equity*

*(in thousands of HRK)*

	<b>2021 before reclassification</b>	<b>Reclassification</b>	<b>2021 after reclassification</b>
Reserve for treasury shares	147,604	(147,604)	-
Legal reserves	53,556	(53,556)	-
Other reserves	438,489	(438,489)	-
Other reserves	-	639,649	639,649
<b>Total</b>	<b>639,649</b>	<b>-</b>	<b>639,649</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 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 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 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).

At the date of authorization 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 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*,** issued on 23 January 2020 and 15 July 2020 respectively.
- **Amendments to IFRS 16 *Leases*:** Lease Liability in a Sale and Leaseback, issued on 22 September 2022.

The Company does not expect the adoption of these standards and interpretations to have a material impact on the Company'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 2022:

- **Amendments to IFRS 3 *Business Combinations*; IAS 16 *Property, Plant and Equipment*; IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and *Annual Improvements 2018-2020*,** all issued on 14 May 2020, (effective date for annual periods beginning on or after 1 January 2022).

The adoption of these standards and interpretations did not have a significant impact on the Company's financial statements.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 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 33).

(iii) *Consequences of certain legal actions*

The Company 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 Company's obligations arising from these legal actions are recognised on a consistent basis.

The Company 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 Company. The Company 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 Company.

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 Company is a plaintiff in a particular court case, any economic benefits expected to flow to the Company 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 Company's obligations arising from legal actions are recognised on a consistent basis and estimated on a case by case principle (see note 33).

(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 Company 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 Company 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

*(iv) Recoverability of trade and other receivables (continued)*

In cases where the Company 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 Company 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 Company 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 brands*

The Company tests brands for impairment on an annual basis in accordance with accounting policy 3.13. For the purposes of impairment testing, brands with indefinite useful lives and brands with finite useful lives have been allocated to cash generating units within reportable segments.

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.

*Brands*

Brands relate to acquired rights of use of logos, trademarks and brand names which the Company 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 Company 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 products and categories which comprise a certain brand and which the Company developed bearing in mind its corporate selling 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 after tax (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 Adria region as at 31 December 2022 the Company 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.

When calculating the recoverable amount of brands whose dominant market is the Adria region (a total of 4 brands), rates equal to the weighted average cost of capital after tax (WACC) per individual market and the food industry were used, ranging from 6.97% to 10.71% (2021: ranging from 3.34% to 6.19%), while the applied terminal growth rate ranges from 2.93% to 3.01% (2021: a rate of 2% was used for all brands).



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)**

(v) *Impairment testing for brands (continued)*

*Brands (continued)*

<b>Valuation technique</b>	<b>Brand</b>	<b>Significant inputs</b>	<b>Value</b>	<b>Sensitivity of the input to fair value</b>
Method of non-payment of royalties	Brand 1	Weighted average cost of capital	2022: 8.01% 2021: 4.02%	Increase in weighted average cost of capital by 76 basis points (2021: 413) with unchanged terminal growth rate would result in a decrease in fair value in the amount of HRK 7 thousand (2021: HRK 55 thousand)
		Terminal growth rate	2022: 3.01% 2021: 2.00%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 93 basis points (2021: 515) would result in a decrease in fair value in the amount of HRK 15 thousand (2021: HRK 32 thousand)
Method of non-payment of royalties	Brand 2	Weighted average cost of capital	2022: 10.71% 2021: 6.19%	Increase in weighted average cost of capital by 6,449 basis points (2021: 1,981) with unchanged terminal growth rate would result in a decrease in fair value in the amount of HRK 5 thousand (2021: HRK 27 thousand)
		Terminal growth rate	2022: 3.00% 2021: 2.00%	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 (2021: 8,100 basis points – decrease of HRK 25 thousand)
Method of non-payment of royalties	Brand 3	Weighted average cost of capital	2022: 7.47% 2021: 3.66%	Increase in weighted average cost of capital by 50 basis points (2021: 454) with unchanged terminal growth rate would result in a decrease in fair value in the amount of HRK 25 thousand (2021: HRK 30 thousand)
		Terminal growth rate	2022: 2.93% 2021: 2.00%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 59 basis points (2021: 571) would result in a decrease in fair value in the amount of HRK 18 thousand (2021: HRK 27 thousand)
Method of non-payment of royalties	Brand 4	Weighted average cost of capital	2022: 6.97% 2021: 3.34%	Increase in weighted average cost of capital by 983 basis points (2021: 666) with unchanged terminal growth rate would result in a decrease in fair value in the amount of HRK 6 thousand (2021: HRK 7 thousand)
		Terminal growth rate	2022: 3.00% 2021: 2.00%	Decrease in terminal growth rate with unchanged weighted average cost of capital by 1,700 basis points (2021: 950) would result in a decrease in fair value in the amount of HRK 1 thousand (2021: HRK 18 thousand)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) *Impairment testing for brands (continued)*

*Brands (continued)*

During 2022 and 2021, the Company had no impairment losses with respect to brands.

(vi) *Impairment test for property, plant and equipment, investment property and assets held for sale*

The Company annually performs analysis of impairment indicators for property, plant and equipment in order to assess whether their recoverable amount indicates potential impairment of their carrying amount.

For property, plant and equipment held for sale, the Company estimates their recoverable amount upon classification of such assets as held for sale 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 Company 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 Company 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 Company 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.

In 2022 and 2021, the Company had no impairment costs related to property, plant and equipment, investment property and assets held for sale.

(vii) *Impairment test for investments in subsidiaries*

The Company annually performs analysis of impairment indicators for investments in subsidiaries where indications of impairment exist, based on the results of a static analysis of the Company's exposure compared to the net assets of the subsidiary. For investments identified as such, the Company estimates the recoverable amount and compares it with the carrying amount. The calculation of the recoverable amount is generally based on five-year business plans for the respective subsidiaries which the Company developed 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) with respect to the applicable business segment and the analysis of its competitors.

The calculation of the recoverable amount implies a terminal growth rate for cash flows after the projected period of 2.00% for the subsidiary in the Czech Republic (2021: 2.00%), and 2.00% for the subsidiary in Poland (2021: 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 as the weighted average cost of capital after tax for the respective market and the food industry (in case of the company in the Czech Republic the post-tax discount rate amounts to 8.04% (2021: 5.25%), and for the company in Poland to 9.38% (2021: 5.54%). The expected rate of average annual revenue growth in the projected five-year period was 2.12% for the company in the Czech Republic (2021: 2.02%), and 9.18% for the company in Poland (2021: 6.06%).

During 2022, the Company had impairment costs related to a share in the subsidiary Podravka d.o.o. Moscow in the amount of HRK 8,923 thousand since the value of the investment in the company was not recoverable.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 7 – DETERMINATION OF FAIR VALUES

The Company 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 to the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties in which case the Management 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 Company has made the following significant fair value estimates, as further explained in detail in the following notes:

- note 21: Non-current financial assets
- note 24: Financial assets at fair value through profit or loss
- note 27: Non-current assets held for sale
- note 31: Financial liabilities at fair value through profit or loss
- note 36: Share-based payments

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 8 – SALES REVENUE

##### Sales revenue

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Revenue from sale of products and merchandise	2,366,897	2,171,980
Revenue from services	32,249	30,700
	<b><u>2,399,146</u></b>	<b><u>2,202,680</u></b>

##### *Key customers*

Sales to major customers owned or controlled by the same third-party Group represent approximately 10% of the Company's total revenue in 2022 (2021: approximately 11% of the total revenue).

Third-party sales in Croatia account for 50% (2021: 50%) of the total revenue from external customers, whereas the remaining 50% (2021: 50%) represent foreign sales.

For management purposes, the Company 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 Company are as follows:

- BU Culinary
- BU Basic Food
- BU Meat products
- BU Soups
- BU Cereals, Snacks and Beverages
- BU Creamy spreads and Desserts
- BU Fish
- BU Bakery
- 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 Company'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 statement of comprehensive income.

In 2022, the Company improved methodology of segment revenue calculation, which resulted in a change in the presented data for 2021.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 8 – SALES REVENUE (CONTINUED)**

**Segment revenues and results (continued)**

	Segment revenues	Segment expenses	Segment depreciation	Segment profits/ (loss)
<i>(in thousands of HRK)</i>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>
BU Culinary	589,820	398,653	10,405	180,762
BU Basic food	483,068	448,938	24,725	9,405
BU Meat products	291,858	283,897	11,208	(3,247)
BU Soups	261,321	189,330	6,207	65,784
BU Cereals, Snacks and Beverages	236,666	185,033	13,569	38,064
BU Creamy, Spreads and Desserts	209,116	171,906	13,711	23,499
BU Fish	118,832	117,425	1,063	344
BU Bakery	29,139	27,560	668	911
Other sales	179,326	138,585	3,358	37,383
	<b>2,399,146</b>	<b>1,961,327</b>	<b>84,914</b>	<b>352,905</b>
Financial income (note 13)				87,564
Other income (note 9)				8,152
Central administration costs				(209,718)
Other expenses (note 10)				(10,477)
Financial expenses (note 14)				(2,401)
<b>Profit before tax</b>				<b>226,025</b>

	Segment revenues	Segment expenses	Segment depreciation	Segment profits/ (loss)
<i>(in thousands of HRK)</i>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
BU Culinary	571,548	366,740	11,251	193,557
BU Basic food	415,433	392,719	25,155	(2,441)
BU Meat products	275,185	263,716	11,279	190
BU Soups	226,609	154,832	6,079	65,698
BU Cereals, Snacks and Beverages	226,516	169,475	11,218	45,823
BU Creamy, Spreads and Desserts	205,840	158,976	11,828	35,036
BU Fish	127,902	124,090	1,573	2,239
BU Bakery	25,924	23,061	537	2,326
Other sales	127,724	95,919	2,184	29,621
	<b>2,202,681</b>	<b>1,749,528</b>	<b>81,104</b>	<b>372,049</b>
Financial income (note 13)				73,630
Other income (note 9)				8,740
Central administration costs				(189,600)
Other expenses (note 10)				(5,149)
Financial expenses (note 14)				(3,565)
<b>Profit before tax</b>				<b>256,105</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 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 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 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 Fish comprises the following product groups: Fish products, Fish salads, and Fish others.

BU Bakery comprises the following product groups: Bread, Rolls and salt bakery products, Sweet bakery products, Žito flour, and Confectionery.

Other sales comprise the following product groups: merchandise and food services.

Business unit (BU) comprise own brands, business to business (B2B), private labels and service production.

The accounting policies of the reportable segments are the same as the Company'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 income, finance expenses, and income tax expense.

The Company does not follow detailed breakdown of balance sheet by segment but only by the two main segments on consolidated level.

#### Geographical information

The Company operates in five principal geographical areas by which it reports the following sales:

<i>(in thousands of HRK)</i>	<u>2022</u>	<u>2021</u>
Markets of Croatia and Slovenia	1,377,384	1,237,406
Southeastern Europe	460,919	419,739
WE and Overseas	318,385	303,598
Central Europe	202,179	181,377
Eastern Europe	40,279	60,560
	<u>2,399,146</u>	<u>2,202,680</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 8 – SALES REVENUE (CONTINUED)**

**Geographical information (continued)**

Below is a more detailed overview of countries by geographical area:

Markets of Croatia and Slovenia	Southeastern Europe	International markets				
		WE and Overseas			Central Europe	Eastern Europe
		Western Europe	Overseas			
Croatia Slovenia	Bosnia and Herzegovina North Macedonia Serbia Montenegro Kosovo Bulgaria Albania Greece	Germany Austria Switzerland France Great Britain Italy Sweden Ireland Spain Portugal	USA Canada Australia New Zealand Iraq United Arab Emirates Kuwait Qatar Saudi Arabia Turkey	Jordan Cyprus Egypt Libya Kenya Burkina Faso China Japan Israel Bolivia	Poland Czech Republic Slovakia Hungary Romania	Russian Federation Ukraine Kazakhstan Estonia Lithuania Latvia Belarus Armenia Kyrgyzstan Georgia

**NOTE 9 – OTHER INCOME**

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Grant income	3,362	2,051
Foreign exchange gains on receivables and payables	3,097	4,085
Gain from the sale and disposal of property, plant, equipment and intangibles (note 16 & 17)	1,022	182
Gain from the sale of investment property	349	-
Interest income relating to trade receivables	308	304
Gains on write-off right-of-use assets	14	69
Reversal of impairment of loans given to subsidiary	-	1,642
Reversal of impairment of other receivables	-	407
	<b>8,152</b>	<b>8,740</b>

Grant income relates to non-refundable government grants in agriculture and research of innovative technologies. Interest income relating to trade receivables relates to statutory penalty interests collected by the Company.

In 2022, the Company generated net income from sale and disposal of property, plant and equipment in the amount of HRK 1,022 thousand (2021: HRK 182 thousand) and net income from the sale of investment property in the amount of HRK 349 thousand (2021: HRK 0).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### NOTE 10 - OTHER EXPENSES

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Write-off on investments (note 20)	8,923	5,101
Impairment loss on intangible assets (note 16)	926	-
Impairment of loans and interest	586	-
Interest expense relating to trade payables and other interests	42	48
	<b>10,477</b>	<b>5,149</b>

During 2022, the Company had an impairment loss on investments in a subsidiary in the amount of 8,923 thousand (2021: HRK 5,101 thousand).

#### NOTE 11 – EXPENSES BY NATURE

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Raw material, supplies and energy	1,134,702	936,082
Staff costs (note 12)	494,358	446,286
Cost of goods sold	333,700	289,917
Depreciation and amortisation	106,511	99,670
Advertising and promotion	84,344	77,633
Services	71,414	72,881
Transport	35,346	28,579
Rental costs	12,486	8,964
Taxes and contributions independent of operating results	12,026	12,205
Entertainment	5,115	3,924
Daily allowances and other business travel expenses	4,740	3,388
Impairment of trade and other receivables, net	4,248	731
Telecommunications	3,373	3,744
Packaging waste disposal fee	2,761	2,825
Professional education	2,645	959
Bank charges	1,771	1,825
Legal expenses	669	918
Other expenses	5,039	4,212
Changes in value of inventory	(59,289)	25,488
<b>Total cost of goods sold, selling and distribution expenses, marketing expenses and general and administrative costs</b>	<b>2,255,959</b>	<b>2,020,231</b>

Costs of services include audit fees. Fees for the audit of the Company's financial statements amounted to HRK 1,054 thousand (2021: HRK 1,224 thousand). Fees for the assurance engagements performed to the Company amounted to HRK 71 thousand (2021: HRK 53 thousand). During 2022, the Company did not receive any non-audit services from the auditor.

Depreciation and amortisation include HRK 1,808 thousand of government grants for co-financing of assets (2021: HRK 1,820 thousand).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****NOTE 11 – EXPENSES BY NATURE (continued)**

The following tables present expenses by nature contained in cost of goods sold:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Raw material and supplies	1,049,915	941,853
Cost of goods sold	333,698	289,917
Staff costs	233,000	212,195
Depreciation and amortisation	61,086	59,794
Production services	23,075	19,385
Taxes and contributions independent of operating results	6,151	6,356
Other expenses (transport, rent, education etc.)	12,843	10,180
	<b>1,719,768</b>	<b>1,539,680</b>

The Company reports gross profit as revenue from the sale of products less cost of goods sold as shown in the specification above.

Depreciation and amortisation costs allocated to each function are as follows:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Cost of goods sold	61,086	59,794
Selling, logistics and distribution costs	21,645	19,552
General and administrative expenses	21,499	18,362
Marketing expenses	2,281	1,962
	<b>106,511</b>	<b>99,670</b>

Staff costs allocated to each function are as follows:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Cost of goods sold	233,000	212,195
Selling, logistics and distribution costs	117,186	107,351
General and administrative expenses	112,245	95,903
Marketing expenses	31,927	30,837
	<b>494,358</b>	<b>446,286</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### NOTE 12 – STAFF COSTS

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Salaries	398,069	371,445
Transportation	11,487	11,138
Share-based payment transactions (note 36)	5,769	4,783
Termination benefits	797	1,865
Other costs of employees	78,236	57,055
	<b>494,358</b>	<b>446,286</b>

As at 31 December 2022, the number of staff employed by the Company was 3,231 (2021: 3,199 employees).

The average number of employees during 2022 is 3,258 employees (2021: 3,249 employees).

Of the total share-based payment cost of HRK 5,769 thousand, the amount of HRK 3,839 thousand relates to stock options, while the amount of HRK 1,930 thousand relates to shares (2021: stock options HRK 4,783 thousand).

In 2022, termination and retirement benefits of HRK 797 thousand were paid to 49 employees (2021: termination and retirement benefits of HRK 1,865 thousand were paid to 31 employees).

Other staff costs relate mainly to non-taxable employee benefits, Christmas and Easter bonuses in the amount of HRK 30,284 thousand (2021: HRK 18,556 thousand), costs of meals and accommodation of employees in the amount of HRK 9,351 thousand (2021: HRK 8,194 thousand and holiday allowance in the amount of HRK 9,188 thousand (2021: HRK 9,225 thousand)).

#### NOTE 13 – FINANCE INCOME

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Dividends income from related parties and other	84,652	69,862
Interest on related party loans	2,466	2,660
Interest on term deposits	320	261
Remeasurement of financial assets and liabilities at FVTPL	126	-
Net foreign exchange gain on borrowings	-	847
	<b>87,564</b>	<b>73,630</b>

Dividend received refers to income on the basis of declared dividends in subsidiaries Belupo, d.d., Koprivnica in the amount of HRK 28,000 thousand, Žito d.o.o., Ljubljana in the amount of HRK 22,577 thousand, Podravka d.o.o.el., Skopje in the amount of HRK 8,898 thousand, Podravka-International Kft., Budapest in the amount of HRK 5,841 thousand, Podravka-International s.r.o., Zvolen in the amount of HRK 2,342 thousand, and Podravka d.o.o. Sarajevo, Sarajevo in the amount of HRK 16,969 thousand (2021: in subsidiaries Belupo, d.d. Koprivnica in the amount of HRK 28,000, Žito d.o.o., Ljubljana in the amount of HRK 24,441 thousand, Podravka d.o.o.el., Skopje in the amount of HRK 6,967 thousand, Podravka-International Kft., Budapest in the amount of HRK 3,977 thousand, Podravka-International s.r.o., Zvolen in the amount of HRK 2,984 thousand, Podravka d.o.o. Sarajevo in the amount of HRK 2,487 thousand, and Podravka – Lagris a.s., Dolni Lhota u Luhačovic in the amount of HRK 995 thousand).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022**

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**NOTE 14 – FINANCE EXPENSES**

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Interest expense and similar charges	2,312	3,548
Net foreign exchange loss on borrowings	89	-
Remeasurement of financial instruments at fair value	-	17
	<b>2,401</b>	<b>3,565</b>

**NOTE 15 – INCOME TAX**

Tax (income)/expense consists of:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Current income tax	33,045	36,907
Deferred income tax	(5,099)	(25,906)
	<b>27,946</b>	<b>11,001</b>

*Reconciliation of the effective tax rate*

A reconciliation of tax expense per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
<b>Profit before taxation</b>	<b>226,024</b>	<b>256,105</b>
Tax calculated at 18%	40,684	46,099
Non-taxable income	(15,237)	(12,575)
Non-deductible expenses	1,494	1,551
Tax incentives (research and development, education and other)	(295)	(117)
Reassessment of recoverability of deferred tax	-	(24,433)
Tax paid abroad	1,300	476
<b>Income tax</b>	<b>27,946</b>	<b>11,001</b>
<b>Effective tax rate</b>	<b>12%</b>	<b>4%</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 15 – INCOME TAX (CONTINUED)**

*Deferred tax assets*

Deferred tax assets arose from the following:

<b>2022</b>	<b>Opening balance</b>	<b>Recognised in profit or loss</b>	<b>Recognised directly in equity</b>	<b>Closing balance</b>
	<i>(in thousands of HRK)</i>			
<b>Basis:</b>				
Financial assets	50,388	1,177	-	51,565
Provisions	8,532	425	(396)	8,561
Property, plant and equipment/ assets held for sale	6,747	(47)	-	6,700
Inventory	4,042	3,050	-	7,092
Share based payments	2,739	690	(982)	2,447
Receivables	952	(140)	-	812
Intangible assets	729	(56)	-	673
	<b>74,129</b>	<b>5,099</b>	<b>(1,378)</b>	<b>77,850</b>

<b>2021</b>	<b>Opening balance</b>	<b>Recognised in profit or loss</b>	<b>Recognised directly in equity</b>	<b>Closing balance</b>
	<i>(in thousands of HRK)</i>			
<b>Basis:</b>				
Financial assets	24,739	25,649	-	50,388
Provisions	8,106	335	91	8,532
Property, plant and equipment/ assets held for sale	6,813	(66)	-	6,747
Inventory	4,015	27	-	4,042
Share based payments	2,135	861	(257)	2,739
Receivables	1,052	(100)	-	952
Intangible assets	720	9	-	729
Investment tax credit	809	(809)	-	-
	<b>48,389</b>	<b>25,906</b>	<b>(166)</b>	<b>74,129</b>

The most significant effect on the increase in deferred tax assets in 2022 relates to temporary differences arisen on the impairment of inventories.

Deferred tax assets recognised with respect to impairment losses on tangible and intangible assets do not expire as they are utilised in the moment of realisation of the respective assets. Deferred tax assets on long-term provisions for employee benefits (jubilee awards and termination benefits) will be realised in a period longer than one year.

On 10 November 2022, the Company 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 HRK 37.5 million tax incentives that can be used for a maximum of 10 years.

In December 2022, the Company started with the investment, and the application submitted is being supplemented. The Company has not yet acquired the status of holder of incentive measures and therefore no potential future benefits have been recorded or deferred tax assets have been recognized at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 16 – INTANGIBLE ASSETS

<i>(in thousands of HRK)</i>	<b>Software</b>	<b>Distribution rights</b>	<b>Brands</b>	<b>Investments in progress</b>	<b>Total</b>
<b>Cost</b>					
At 1 January 2021	241,222	29,410	58,076	7,084	335,792
Additions	-	-	-	15,400	15,400
Transfers	14,781	-	-	(14,781)	-
Disposals	(63)	-	-	-	(63)
Transfers from non-current assets	-	-	-	18	18
<b>At 31 December 2021</b>	<b>255,940</b>	<b>29,410</b>	<b>58,076</b>	<b>7,721</b>	<b>351,147</b>
<b>Accumulated amortisation</b>					
At 1 January 2021	(208,689)	(29,410)	(13,572)	-	(251,671)
Amortisation	(13,765)	-	-	-	(13,765)
Disposals	59	-	-	-	59
<b>At 31 December 2021</b>	<b>(222,395)</b>	<b>(29,410)</b>	<b>(13,572)</b>	<b>-</b>	<b>(265,377)</b>
<b>Carrying amount</b>					
<b>As at 31 December 2021</b>	<b>33,545</b>	<b>-</b>	<b>44,504</b>	<b>7,721</b>	<b>85,770</b>
<b>Cost</b>					
At 1 January 2022	255,940	29,410	58,076	7,721	351,147
Additions	-	-	-	18,046	18,046
Transfer from property, plant and equipment	-	-	-	(241)	(241)
Transfers	22,953	-	-	(22,953)	-
Disposals	(848)	-	-	-	(848)
Transfers from non-current assets	-	-	-	3,145	3,145
Impairment (i)	-	-	-	(926)	(926)
<b>At 31 December 2022</b>	<b>278,045</b>	<b>29,410</b>	<b>58,076</b>	<b>4,792</b>	<b>370,323</b>
<b>Accumulated amortisation</b>					
At 1 January 2022	(222,395)	(29,410)	(13,572)	-	(265,377)
Amortisation	(18,732)	-	-	-	(18,732)
Disposals	848	-	-	-	848
<b>At 31 December 2022</b>	<b>(240,279)</b>	<b>(29,410)</b>	<b>(13,572)</b>	<b>-</b>	<b>(283,261)</b>
<b>Carrying amount</b>					
<b>As at 31 December 2022</b>	<b>37,766</b>	<b>-</b>	<b>44,504</b>	<b>4,792</b>	<b>87,062</b>

Accumulated amortization and impairment losses include a total of HRK 1,510 thousand relating to accumulated impairment losses (2021: HRK 1,510 thousand of accumulated impairment losses).

(i) In 2022, the Company impaired software under construction in the amount of HRK 926 thousand (2021: HRK 0).

The total intangible assets with indefinite useful lives as at 31 December 2022 relate to brands and amount to HRK 44,504 thousand (31 December 2021: HRK 44,504 thousand).

Investments in progress mostly relate to licence agreements and IT modernisation.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 17 – PROPERTY, PLANT AND EQUIPMENT**

<i>(in thousands of HRK)</i>	<b>Land and buildings</b>	<b>Equipment and fittings</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Cost</b>				
At 1 January 2021	1,826,805	1,260,537	64,085	3,151,427
Additions	-	-	87,957	87,957
Transfers	15,438	49,518	(64,956)	-
Transfer from related companies	-	-	280	280
Transfer to related companies	-	(45)	-	(45)
Transfer to intangible assets	-	-	(18)	(18)
Disposals	-	(15,752)	-	(15,752)
<b>At 31 December 2021</b>	<b>1,842,243</b>	<b>1,294,258</b>	<b>87,348</b>	<b>3,223,849</b>
<b>Accumulated depreciation</b>				
At 1 January 2021	(1,378,900)	(960,959)	-	(2,339,859)
Depreciation charge for the year	(31,246)	(42,196)	-	(73,442)
Transfer to related companies	-	31	-	31
Disposals	-	15,611	-	15,611
<b>At 31 December 2021</b>	<b>(1,410,146)</b>	<b>(987,513)</b>	<b>-</b>	<b>(2,397,659)</b>
<b>Carrying amount</b>				
<b>As at 31 December 2021</b>	<b>432,097</b>	<b>306,745</b>	<b>87,348</b>	<b>826,190</b>
<b>Cost</b>				
At 1 January 2022	1,842,243	1,294,258	87,348	3,223,849
Additions	-	-	289,154	289,154
Transfer	143,811	107,076	(250,887)	-
Purchase of used assets	-	49	-	49
Transfer from related companies	-	62	57	119
Transfer to related companies	-	(218)	-	(218)
Transfer to intangible assets	-	-	(3,145)	(3,145)
Transfer to investment property	-	-	(115)	(115)
	-	-	241	241
Disposals	(2,021)	(28,338)	-	(30,359)
<b>At 31 December 2022</b>	<b>1,984,033</b>	<b>1,372,889</b>	<b>122,653</b>	<b>3,479,575</b>
<b>Accumulated depreciation</b>				
At 1 January 2022	(1,410,146)	(987,513)	-	(2,397,659)
Depreciation charge for the year	(31,610)	(43,247)	-	(74,857)
Used assets write-offs	-	(49)	-	(49)
Transfer to related companies	-	205	-	205
Disposals	2,018	28,101	-	30,119
<b>At 31 December 2022</b>	<b>(1,439,738)</b>	<b>(1,002,503)</b>	<b>-</b>	<b>(2,442,241)</b>
<b>Carrying amount</b>				
<b>As at 31 December 2022</b>	<b>544,295</b>	<b>370,386</b>	<b>122,653</b>	<b>1,037,334</b>

During 2022 and 2021, the Company had no impairment of property and equipment.

Investments in progress relate mainly to investments in modernisation of buildings, production capacities and extension of the product range.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

*Mortgaged assets*

As at 31 December 2022, the Company has no land and buildings pledged as collateral against the Company's borrowings (2021: HRK 0).

NOTE 18 – LEASES

**Right-of-use assets and the movements during the period**

	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Total</b>
<i>(in thousands of HRK)</i>				
<b>Cost</b>				
As at 1 January 2021	11,943	7,586	32,247	<b>51,776</b>
Additions/decrease	(317)	5,529	15,227	<b>20,439</b>
Disposals and write-off's	(20)	(3,128)	(13,150)	<b>(16,298)</b>
<b>Balance at 31 December 2021</b>	<b>11,606</b>	<b>9,987</b>	<b>34,324</b>	<b>55,917</b>
<b>Accumulated depreciation</b>				
As at 1 January 2021	592	3,506	13,308	<b>17,406</b>
Depreciation charge for the year	273	3,103	9,428	<b>12,804</b>
Disposals and write-off's	(19)	(2,210)	(11,491)	<b>(13,720)</b>
<b>Balance at 31 December 2021</b>	<b>846</b>	<b>4,399</b>	<b>11,245</b>	<b>16,490</b>
<b>As at 31 December 2021</b>	<b>10,760</b>	<b>5,588</b>	<b>23,079</b>	<b>39,427</b>
<b>Cost</b>				
As at 1 January 2022	11,606	9,987	34,324	<b>55,917</b>
Additions/decrease	-	2,060	6,704	<b>8,764</b>
Disposals and write-off's	-	(2,416)	(3,685)	<b>(6,101)</b>
<b>Balance at 31 December 2022</b>	<b>11,606</b>	<b>9,631</b>	<b>37,343</b>	<b>58,580</b>
<b>Accumulated depreciation</b>				
As at 1 January 2022	846	4,399	11,245	<b>16,490</b>
Depreciation charge for the year	276	3,747	9,224	<b>13,247</b>
Disposals and write-off's	-	(2,416)	(3,355)	<b>(5,771)</b>
<b>Balance at 31 December 2022</b>	<b>1,122</b>	<b>5,730</b>	<b>17,114</b>	<b>23,966</b>
<b>As at 31 December 2022</b>	<b>10,484</b>	<b>3,901</b>	<b>20,229</b>	<b>34,614</b>

**Lease liabilities and the movements during period**

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
As at 1 January	40,529	35,776
Increase of lease liabilities during the year (net)	8,420	17,791
Interest expense	483	556
Exchange rate difference	57	302
Lease liabilities payments	(13,755)	(13,896)
<b>As at 31 December</b>	<b>35,734</b>	<b>40,529</b>
Current portion of long term liability for right-of-use assets	11,943	11,981
Long term liability for right-of-use assets	23,791	28,548

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 18 – LEASES (CONTINUED)

Amounts recognised in the statement of comprehensive income

	<u>2022</u>	<u>2021</u>
	<i>(u tisućama kuna)</i>	
Expenses related to short-term leases and leases of low-value assets etc.	14,824	11,979
Depreciation expense of right-of-use assets	13,247	12,804
Interest expense of lease liabilities	483	556
<b>Total amount recognised in the statement of comprehensive income</b>	<b>28,554</b>	<b>25,339</b>

NOTE 19 – INVESTMENT PROPERTY

*(in thousands of HRK)*

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b>Cost</b>			
At 1 January 2021	89,246	59,242	148,488
<b>At 31 December 2021</b>	<b>89,246</b>	<b>59,242</b>	<b>148,488</b>
<b>Accumulated depreciation</b>			
At 1 January 2021	(14,129)	(25,304)	(39,433)
Depreciation charge for the year	-	(1,481)	(1,481)
<b>At 31 December 2021</b>	<b>(14,129)</b>	<b>(26,785)</b>	<b>(40,914)</b>
<b>Carrying amount</b>			
<b>At 31 December 2021</b>	<b>75,117</b>	<b>32,457</b>	<b>107,574</b>
<b>Cost</b>			
At 1 January 2022	89,246	59,242	148,488
Transfer from property, plant and equipment	-	115	115
	(606)	-	(606)
<b>At 31 December 2022</b>	<b>88,640</b>	<b>59,357</b>	<b>147,997</b>
<b>Accumulated depreciation</b>			
At 1 January 2022	(14,129)	(26,785)	(40,914)
Depreciation charge for the year	-	(1,482)	(1,482)
<b>At 31 December 2022</b>	<b>(14,129)</b>	<b>(28,267)</b>	<b>(42,396)</b>
<b>Carrying amount</b>			
<b>At 31 December 2022</b>	<b>74,511</b>	<b>31,090</b>	<b>105,601</b>

During 2022, the Company did reclassify portion of property, plant and equipment to investment property in the amount of HRK 115 thousand (2021: 0 thousand).

Operating expenses for investment property amount to HRK 1,545 thousand (2021: HRK 1,412 thousand), while rental income from a smaller part of the property amounts to HRK 711 thousand (2021: HRK 970 thousand).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 20 – INVESTMENTS IN SUBSIDIARIES**

Subsidiaries in which the Company has an ownership interest and control:

Name of subsidiary	Country	Ownership interest in%			Equity share in thousands of HRK		Principal activity
		31.12.2022.	31.12.2021.	31.12.2022.	31.12.2021.		
Žito d.o.o.	Slovenia	100.00	100.00	440,110	440,110	Sale and distribution of food and beverages	
Belupo d.d.	Croatia	100.00	100.00	393,153	393,153	Production and distribution of pharmaceuticals	
Podravka Lagris a.s.	Czech Republic	100.00	100.00	68,754	68,754	Rice production and sale	
Podravka-Polska Sp.z o.o.	Poland	100.00	100.00	18,854	18,854	Sale and distribution of food and beverages	
FOODPRO LIMITED*	Tanzania	100.00	100.00	-	-	Production and sale of food and beverages	
Podravka-International Kft.	Hungary	100.00	100.00	5,343	5,343	Sale and distribution of food and beverages	
Mirna d.d.	Croatia	100.00	99.44	45,406	45,202	Fish processing and production	
Podravka Gulf Fze	UAE	100.00	100.00	-	-	Sale and distribution of food and beverages	
Podravka-Int. Deutschland – “Konar” GmbH	Germany	100.00	100.00	1,068	1,068	Sale and distribution of food and beverages	
Podravka-International s.r.o.	Slovakia	75.00	75.00	1,034	1,034	Sale and distribution of food and beverages	
Podravka d.o.o. Podgorica	Montenegro	100.00	100.00	1,029	1,029	Sale and distribution of food and beverages	
Podravka-International s.r.l.	Bulgaria	100.00	100.00	1,007	1,007	Sale and distribution of food and beverages	
Podravka-International Pty. Ltd	Australia	100.00	100.00	801	801	Sale and distribution of food and beverages	
Podravka-International s.r.l.	Romania	100.00	100.00	126	126	Sale and distribution of food and beverages	
Podravka d.o.o.el Petrovec	North Macedonia	100.00	100.00	42	42	Sale and distribution of food and beverages	
Podravka d.o.o. Sarajevo	Bosnia & Herz.	100.00	100.00	40	40	Sale and distribution of food and beverages	
Podravka USA Inc.	USA	100.00	100.00	636	636	Sale and distribution of food and beverages	
Podravka d.o.o.	Russia	100.00	100.00	-	6,989	Sale and distribution of food and beverages	
Podravka d.o.o. Beograd	Serbia	100.00	100.00	-	-	Sale and distribution of food and beverages	
				<b>977,403</b>	<b>984,188</b>		

\*15% of ownership interest is held indirectly through the subsidiary Podravka-Int. Deutschland – “Konar” GmbH

During 2022 the Company increased share capital of the subsidiary Podravka d.o.o., Russia by the amount of HRK 1,934 thousand and fully adjusted the value of the investment in that subsidiary in the amount of HRK 8,923 thousand. In 2022, the Company completed the process of transferring the shares of minority shareholders of the subsidiary Mirna d.d. and on that basis the investment was increased in the amount of HRK 204 thousand.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### NOTE 20 – INVESTMENTS IN SUBSIDIARIES (CONTINUED)

During 2021, the Company increased share capital of the subsidiary FOODPRO LIMITED, Tanzania by a payment in cash in the amount of HRK 3,314 thousand, of the subsidiary Podravka d.o.o., Russia in the amount 1,652 thousand and of the subsidiary Mirna d.d., Croatia in the amount of HRK 74 thousand.

#### NOTE 21 – NON-CURRENT FINANCIAL ASSETS

	<u>2022</u>	<u>2021</u>
	<i>(in thousands of HRK)</i>	
Financial instruments	54,133	54,133
Impairment of financial instruments	(17,736)	(17,736)
Investments in other equity investments	598	580
Loans to related companies	334	365
Deposits and other	13	13
Loans to third parties	-	4
	<u>37,342</u>	<u>37,359</u>

Loans to related parties are described in note 37.

In 2022 and 2021 there were no changes with respect to the financial instruments.

#### NOTE 22 – INVENTORIES

	<u>2022</u>	<u>2021</u>
	<i>(in thousands of HRK)</i>	
Raw materials and supplies	308,228	163,576
Finished goods	217,180	168,929
Merchandise	59,998	82,589
Work in progress	32,757	22,368
	<u>618,163</u>	<u>437,462</u>

During 2022, the Company recognized net impairment loss with respect to inventories in the amount of HRK 16,944 thousand (2021: HRK 148 thousand of net impairment loss with respect to inventories). The movement in inventory impairment provision is included in the statement of comprehensive income in line item 'Cost of goods sold'.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 23 – TRADE AND OTHER RECEIVABLES**

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Trade receivables	300,774	310,667
Accumulated impairment losses on receivables	(94,050)	(94,405)
Impairment of receivables for expected credit losses	(439)	(49)
<b>Net trade receivables</b>	<b>206,285</b>	<b>216,213</b>
Related party trade receivables	218,510	185,699
Provision for related party trade receivables	(15,404)	(11,374)
Loans and interest receivable from related parties	83,846	82,016
Net VAT receivable	4,470	-
Prepaid expenses	2,281	3,065
Receivables from employees	858	747
Advances to suppliers	332	232
Other receivables	1,990	2,258
	<b>503,168</b>	<b>478,856</b>

Loans given to and interest receivable from related parties include short-term loans and current portion of long-term loans given to related parties and interest receivable from related parties (see note 37).

Movements in the impairment allowance for trade receivables are as follows:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
<b>At 1 January</b>	105,828	114,420
Increase	4,791	2,635
Amounts collected	(154)	(1,438)
Written off as uncollectible	(572)	(9,789)
<b>At 31 December</b>	<b>109,893</b>	<b>105,828</b>

Impairment losses on trade receivables and income from subsequent collection of impaired receivables are included within 'Selling and distribution costs'.

Ageing analysis of trade receivables that are not impaired:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Undue	304,961	275,037
Up to 90 days	58,819	86,513
91-180 days	18,826	10,915
181-360 days	26,785	18,073
	<b>409,391</b>	<b>390,538</b>

**Major customers**

Trade receivables from major customers owned or controlled by the same third party group as at 31 December 2022 amount to HRK 68,829 thousand (2021: HRK 74,246 thousand).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**NOTE 24 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>2022</u>	<u>2021</u>
	<i>(in thousands of HRK)</i>	
Forward contracts	91	-
	<u>91</u>	<u>-</u>

In 2022, the Company 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 2022, the forward contracts had a fair value of HRK 91 thousand (31 December 2021: HRK forward contracts did not have a positive fair value).

The nominal value of forward exchange contracts at 31 December 2022 amounted to HRK 1,589 thousand with maturities between 20 January 2023 and 20 March 2023 (2021: HRK 2,738 thousand with maturities between 20 January 2022 and 21 March 2022).

Gains and losses recognised as changes in the market value of forward exchange contracts are recognized in the statement of comprehensive income, under 'financial income/financial expenses'.

*Fair value measurement*

The fair value of forward exchange contracts is based on the quotation of the exchange rate. In accordance with the input variables used, the assessment is categorized in the fair value hierarchy as level 2 (see note 7).

**NOTE 25 – DEBT INSTRUMENTS AT AMORTIZED COST**

	<u>2022</u>	<u>2021</u>
	<i>(in thousands of HRK)</i>	
Government treasury bills	113,012	-
	<u>113,012</u>	<u>-</u>

The company has a short-term investment in zero coupon treasury bills issued by the Federal Republic of Germany with maturity in June 2023. They are held until maturity with the purpose of realizing the nominal amount.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 26 – CASH AND CASH EQUIVALENTS**

	<u>2022</u>	<u>2021</u>
	<i>(in thousands of HRK)</i>	
Cash in banks	21,447	2,491
Deposits	7,460	-
Cash in hand	5	9
	<u>28,912</u>	<u>2,500</u>

Cash in banks refers to transaction accounts at commercial banks bearing an average interest rate ranging from 0.00% to 0.29%.

Deposits refer to foreign currency funds placed with a commercial bank for a period of one month.

The Company has certain transactions in foreign currencies and cash on bank accounts mainly in EUR (HRK 7,731 thousand), USD (HRK 4,310 thousand), AUD (HRK 3,656 thousand), CAD (HRK 2,884 thousand) and HRK (2,821 thousand) at 31 December 2022).

**NOTE 27 – NON-CURRENT ASSETS HELD FOR SALE**

	<u>2022</u>	<u>2021</u>
	<i>(in thousands of HRK)</i>	
Land and buildings	1,075	1,075
	<u>1,075</u>	<u>1,075</u>

*(i) Land and buildings*

The total amount of assets held for sale relates to a property in Koprivnica and land in Žminj for which the Company is still seeking a buyer and expects to sell.

*(ii) Fair value measurement*

Fair value measurement is classified, according to inputs used in fair value measurement, 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:

<b>Valuation methods and techniques</b>	<b>Significant unobservable inputs</b>
<i>Property</i> For buildings and land, the comparative method is used	Among other factors, the estimated discount rate considers the underlying quality of the property and its location on similar locations for a comparative type of property.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 28 – SHARE CAPITAL**

	<b>Number of shares</b>	<b>Ordinary shares</b>	<b>Share premium</b>	<b>Treasury shares</b>	<b>Total</b>
		<i>(in thousands of HRK)</i>			
At 1 January 2021	<b>6,992,087</b>	<b>1,566,401</b>	<b>182,875</b>	<b>(47,569)</b>	<b>1,701,707</b>
Exercise of options	22,000	-	(1,627)	8,181	<b>6,554</b>
Fair value of share based payments	-	-	4,783	-	<b>4,783</b>
<b>At 31 December 2021</b>	<b>7,014,087</b>	<b>1,566,401</b>	<b>186,031</b>	<b>(39,388)</b>	<b>1,713,044</b>
At 1 January 2022	<b>7,014,087</b>	<b>1,566,401</b>	<b>186,031</b>	<b>(39,388)</b>	<b>1,713,044</b>
Purchase of treasury shares	(44,290)	-	-	(26,691)	<b>(26,691)</b>
Exercise of options	56,728	-	(8,259)	23,631	<b>15,372</b>
Fair value of share based payments	-	-	5,769	-	<b>5,769</b>
<b>At 31 December 2022</b>	<b>7,026,525</b>	<b>1,566,401</b>	<b>183,541</b>	<b>(42,448)</b>	<b>1,707,494</b>

As at 31 December 2022, the Company's share capital amounted to HRK 1,566,401 thousand, distributed among 7,120,003 shares out of which 93,478 relates to treasury shares (2021: HRK 1,566,401 thousand, distributed among 7,120,003 shares out of which 105,916 relates to treasury shares). Nominal value of one share amounts to HRK 220.00. All issued shares are fully paid in.

During 2022 the Company purchased 44,290 treasury shares, while in 2021 the Company did not purchase any treasury shares.

The shareholder structure as at the reporting date was as follows:

	<b>2022</b>		<b>2021</b>	
	<b>Number of shares</b>	<b>% of ownership</b>	<b>Number of shares</b>	<b>% of ownership</b>
PBZ CO OMF - Category B	1,097,644	15.42%	1,097,644	15.42%
AZ OMF category B	932,563	13.10%	917,563	12.89%
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 Inc.	406,842	5.71%	406,842	5.71%
MESNA INDUSTRIJA BRAĆA PIVAC Ltd	234,697	3.30%	226,578	3.18%
HPB - Republic of Croatia	167,281	2.35%	167,281	2.35%
Treasury account	93,478	1.31%	105,916	1.49%
Other shareholders	1,743,457	24.49%	1,754,138	24.64%
<b>Total</b>	<b>7,120,003</b>	<b>100.00%</b>	<b>7,120,003</b>	<b>100.00%</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 29 – RESERVES**

	<b>Reserves for treasury shares</b>	<b>Legal reserves</b>	<b>Other reserves</b>	<b>Total</b>
<i>(in thousands of HRK)</i>				
At 1 January 2021	147,604	43,864	318,845	510,313
Allocation of profits	-	9,692	120,060	129,752
Actuarial loss (net of deferred tax)	-	-	(416)	(416)
<b>At 31 December 2021</b>	<b>147,604</b>	<b>53,556</b>	<b>438,489</b>	<b>639,649</b>
At 1 January 2022	147,604	53,556	438,489	639,649
Allocation of profits (i)	-	12,255	116,424	128,679
Actuarial profit (net of deferred tax)	-	-	1,806	1,806
<b>At 31 December 2022</b>	<b>147,604</b>	<b>65,811</b>	<b>556,719</b>	<b>770,134</b>

The legal reserve is required under Croatian law according to 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 are non-distributable. Other reserves mainly relate to (non-distributable) reserves required by the Company's Articles of Association and actuarial gains and losses related to the assessment of long-term provisions for employee benefits.

*(i) Allocation of profits*

In 2022, the General Assembly reached a decision to allocate the Company's profit from 2021 in the amount of HRK 245,104 thousand as follows: the amount of HRK 12,255 thousand to legal reserves, the amount of HRK 116,424 thousand to other reserves, the amount of HRK 91,225 thousand for the declared dividend (HRK 13.00 per share), while the remainder of HRK 25,200 thousand is retained in unallocated profit.

**NOTE 30 – RETAINED EARNINGS**

The movement in retained earnings is as follows:

	<u>2022</u>	<u>2021</u>
	<i>(in thousands of HRK)</i>	
<b>At 1 January</b>	<b>253,248</b>	<b>199,852</b>
- profit for the year (after tax)	198,079	245,104
- exercise of options	4,473	1,171
- dividend declared	(91,225)	(63,127)
- transfer to reserves	(128,679)	(129,752)
<b>At 31 December</b>	<b>235,896</b>	<b>253,248</b>

At 4 April 2022, the General Assembly reached a decision on dividend distribution in amount of HRK 91,225 thousand, HRK 13.00 per share (2021: HRK 63,127 thousand, HRK 9.00 per share).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 31 – FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>2022</u>	<u>2021</u>
	<i>(in thousands of HRK)</i>	
Forwards	-	35
	<u>-</u>	<u>35</u>

As at 31 December 2022, there were no financial liabilities at the fair value of currency forward contracts (2021: liabilities amount to HRK 35 thousand).

**NOTE 32 – BORROWINGS**

	<u>2022</u>	<u>2021</u>
	<i>(in thousands of HRK)</i>	
<b>Non-current borrowings</b>		
Banks in Croatia	-	14,799
Related party borrowings	1,002	-
	<u>1,002</u>	<u>14,799</u>
<b>Current borrowings</b>		
Banks in Croatia	380,212	94,461
Related party borrowings	68,314	1,140
	<u>448,526</u>	<u>95,601</u>
<b>Total borrowings</b>	<u>449,528</u>	<u>110,400</u>

During 2022, the company concluded agreements on revolving facilities with commercial banks that can be used for financing through short-term loans, issuing guarantees and letters of intent, and opening letters of credit.

During 2021, the Company, together with Belupo d.d. and Žito d.o.o., by commercial bank borrowings, refinanced the remaining amount of credit obligations under the syndicated loan with the EBRD and commercial banks concluded in 2016 in the total amount of EUR 123 million.

Short-term borrowings from banks in Croatia mostly refer to loans from the previously mentioned revolving facilities and, to a lesser extent, to the current maturity of a long-term borrowing for refinancing concluded in 2021.

According to the currently valid loan agreements and revolving facilities with banks, the Company 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.

The maturity of long-term borrowings is as follows:

	<u>2022</u>	<u>2021</u>
	<i>(in thousands of HRK)</i>	
From 1 to 2 years	1,002	14,799
	<u>1,002</u>	<u>14,799</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 32 – BORROWINGS (CONTINUED)**

The average interest rates at the reporting date were as follows:

	2022			2021		
	HRK	EUR	HUF	HRK	EUR	HUF
<b>Non-current borrowings</b>						
<i>Banks in Croatia</i>						
Fixed interest rate	-	0.35%	-	0.81%	0.35%	-
<i>Loans from related parties</i>						
Fixed interest rate	-	1.78%	-	-	-	-
<b>Current borrowings</b>						
Banks	0.38%	0.28%	-	0.51%	-	-
Loans from related parties	2.68%	2.64%	2.68%	-	-	2.28%

An overview of borrowings by fixed and variable interest rates is as follows:

	2022		2021	
	fixed	variable	fixed	variable
<i>(in thousands of HRK)</i>				
Non-current borrowings	1,002	-	14,799	-
Current borrowings	448,526	-	94,461	1,140
	<b>449,528</b>	<b>-</b>	<b>109,260</b>	<b>1,140</b>

In accordance with the decision of the Ministry of Finance on the publication of the interest rate on borrowings between related parties, the Company classifies the interest rate on borrowings from related companies as a fixed interest rate.

The fair value of the Company's long-term borrowings is as follows:

<i>(in thousands of HRK)</i>	Carrying value	Fair value	Carrying value	Fair value
	2022	2022	2021	2021
<b>Non-current borrowings</b>				
Banks in Croatia	-	-	14,799	14,799
Related parties	1,002	1,002	-	-
	<b>1,002</b>	<b>1,002</b>	<b>14,799</b>	<b>14,799</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 32 – BORROWINGS (CONTINUED)**

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
EUR	251,666	44,398
HRK	196,809	64,862
HUF	1,053	1,140
	<b>449,528</b>	<b>110,400</b>

The Company has the following undrawn borrowing bank:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Up to 1 year	159,321	299,775
From 1 to 3 years	485,975	-
	<b>645,296</b>	<b>299,775</b>

These comprise unused short-term revolving facilities, guarantees and letters of credit which the Company uses with several commercial banks.

Reconciliation of movements in liabilities with cash flows from financing activities:

	<b>Loans</b>	<b>Liabilities for right-of- use assets</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
<i>(in thousands of HRK)</i>					
At 1 January 2022	110,400	40,529	1,713,044	253,248	2,117,221
<i>Cash transactions:</i>					
Loans received	722,591	-	-	-	722,591
Loans repayment	(358,948)	(13,272)	-	-	(372,220)
Financial leasing repayment	-	-	(26,691)	-	(26,691)
Dividend paid	-	-	-	(91,225)	(91,225)
<b>Total cash transactions</b>	<b>363,643</b>	<b>(13,272)</b>	<b>(26,691)</b>	<b>(91,225)</b>	<b>232,455</b>
<i>Non-cash transactions:</i>					
The impact of changes in exchange rates	22	57	-	-	79
Other non-cash transactions	(24,537)	8,420	-	-	(16,117)
Total other changes related to capital	-	-	21,141	73,873	95,014
<b>At 31 December 2022</b>	<b>449,528</b>	<b>35,734</b>	<b>1,707,494</b>	<b>235,896</b>	<b>2,428,652</b>

Other non-cash transactions on borrowings mainly relate to refinancing of a borrowing.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 33 – PROVISIONS**

<i>(in thousands of HRK)</i>	<b>Jubilee awards</b>	<b>Unused holiday</b>	<b>Retirement benefits</b>	<b>Bonuses</b>	<b>Legal cases</b>	<b>Total</b>
<b>As at 31 December 2021:</b>						
Non-current	8,612	-	16,127	-	11,577	36,316
Current	1,674	7,025	-	11,480	160	20,339
<b>At 1 January 2022</b>	<b>10,286</b>	<b>7,025</b>	<b>16,127</b>	<b>11,480</b>	<b>11,737</b>	<b>56,655</b>
Increase in provisions	194	8,522	9,328	9,284	669	27,997
Utilised during the year	(1,652)	(7,025)	(581)	(9,946)	(823)	(20,027)
<b>At 31 December 2022</b>	<b>8,828</b>	<b>8,522</b>	<b>24,874</b>	<b>10,818</b>	<b>11,583</b>	<b>64,625</b>
<b>As at 31 December 2022:</b>						
Non-current	7,291	-	24,874	-	11,423	43,588
Current	1,537	8,522	-	10,818	160	21,037
	<b>8,828</b>	<b>8,522</b>	<b>24,874</b>	<b>10,818</b>	<b>11,583</b>	<b>64,625</b>

*(i) Legal cases*

Legal provisions relate to a number of legal proceedings initiated against the Company which stem from regular commercial activities and court cases including former employees. The expenses relating to the provisions are included in the separate statement of comprehensive income within Other income or Administrative expenses. Based on the expert opinion of legal advisers, 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 2022.

*(ii) Bonuses*

In 2022, the Company recognised HRK 10,818 thousand of provisions for bonuses to management (2021: HRK 11,480 thousand).

*(iii) Jubilee awards and regular retirement benefits*

According to the Collective Labour Agreement signed by companies in Croatia, the Company has an obligation to pay jubilee awards, retirement and other benefits to its employees. In accordance with the respective agreement, the employees are entitled to a regular retirement benefit (without stimulating retirement benefit) in the net amount of HRK 15 thousand net, of which HRK 5 thousand are taxable. No other post-retirement benefits are provided. The present values of these liabilities, the related current service cost and past service cost were measured using the projected credit unit method. Management considers the Croatian corporate bond market to be a deep market.

The actuarial estimates have been derived on the basis of the following key assumptions:

	<b>2022</b>	<b>2021</b>
Discount rate	3.20%	0.75%
Fluctuation rate	7.70%	7.80%
Average expected remaining working lives (in years)	13	13

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 33 – PROVISIONS (CONTINUED)**

Changes in the present value of the defined benefit obligation during the period:

<i>(in thousands of HRK)</i>	<b>2022</b>		<b>2021</b>	
	<b>Jubilee awards</b>	<b>Retirement benefits</b>	<b>Jubilee awards</b>	<b>Retirement benefits</b>
At 1 January	10,286	16,127	10,535	15,097
Past service cost	71	9,922	52	39
Current service cost	445	863	526	573
Interest expense	260	745	73	116
Actuarial (profit)/losses	(582)	(2,202)	773	507
Benefits paid	(1,652)	(581)	(1,673)	(205)
<b>At 31 December</b>	<b>8,828</b>	<b>24,874</b>	<b>10,286</b>	<b>16,127</b>

**NOTE 34 – TRADE AND OTHER PAYABLES**

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Trade payables	225,284	142,784
Related party payables	21,181	25,031
Other liabilities	114,134	94,349
	<b>360,599</b>	<b>262,164</b>

As at 31 December 2022 and 31 December 2021 the carrying amounts of payables approximate their fair values due to the short-term nature of those liabilities.

Other payables include the following:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Other accrued expenses	45,312	31,024
Salaries and other benefits to employees	36,981	34,334
Deferred income	23,878	20,492
Dividends payable	3,554	2,930
Package waste disposal fee payable	652	700
Accrued interest	293	208
Net VAT payable	-	2,581
Other payables	3,464	2,080
	<b>114,134</b>	<b>94,349</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 35 – RISK MANAGEMENT**

Categories of financial instruments are as follows:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
<b>Financial assets at amortised cost</b>		
Trade receivables (including bills of exchange received)	411,806	393,156
Government treasury bills	113,012	-
Short-term loans	81,431	79,398
Cash and cash equivalents	28,912	2,500
Long-term loans	334	369
Long-term deposits	13	13
	<b>635,508</b>	<b>475,436</b>
<b>Financial assets at fair value through other comprehensive income</b>		
Equity instruments	<b>598</b>	<b>580</b>
	<b>598</b>	<b>580</b>
<b>Financial assets at fair value through profit and loss</b>		
Financial instruments	36,397	36,397
Forward contracts	91	-
	<b>36,488</b>	<b>36,397</b>
<b>Total financial assets</b>	<b>672,594</b>	<b>512,413</b>
<b>Financial liabilities at amortised cost</b>		
Lease liabilities	35,734	40,529
Borrowings	449,528	110,400
Trade and interest payables	246,758	168,023
	<b>732,020</b>	<b>318,952</b>
<b>Financial liabilities at fair value through profit and loss</b>		
Forwards contract	-	35
	-	<b>35</b>
<b>Total financial liabilities</b>	<b>732,020</b>	<b>318,987</b>

**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 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 24.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**NOTE 35 – RISK MANAGEMENT (CONTINUED)**

**Fair value of financial instruments (continued)**

The Company 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 borrowings and leases approximates 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 industry. The emergence of risk is influenced by various internal and external factors, therefore the Company uses various resources from individual areas of expertise, with which it tries to reduce exposure to external risk factors. The impact of internal risks is tried to be reduced through regular business policies, decisions and procedures.

As part of continuous risk management, at the end of 2022 the Group adopted the Podravka Group Risk Management Policy, the purpose of which is to determine the framework of action with the aim of effective protection against financial risks and the analysis and reporting of key risks through the Enterprise Risk Management (ERM).

Enterprise Risk Management refers to the process of integrated analysis and reporting of key risks to which the company 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 Company is exposed to various financial risks, especially the price risk, credit risk, and liquidity risk. The company actively manages the currency, interest rate and credit risks and liquidity risk through adopted policies and set guidelines for the implementation of activities and processes related to financial risk management.

**Capital risk management**

The gearing ratio at the reporting date was as follows:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Debt (long- and short-term borrowings including forward contract)	449,528	110,435
Cash and cash equivalents	(28,912)	(2,500)
Net debt	<u>420,616</u>	<u>107,935</u>
Equity	2,713,524	2,605,941
Net debt to equity ratio	16%	4%

Debt is defined as long-term and short-term borrowings. Equity includes all capital and reserves.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**NOTE 35 – 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 Company. The Company 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.

The Company 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 Company’s exposure and the credit ratings of its counterparties are continuously monitored.

*The Company’s exposure to major customers*

The control of the Company’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 Policy considers existing and new external customers of the Company through the prism of the approved amount of credit limits and customer risk categories. In case of exceeding the given parameters, it is acted in accordance with the Policy, and everything is systematically monitored through the relevant module in SAP. Receivables are analyzed on a weekly basis and the necessary measures are taken for their collection, all in accordance with the parameters of the adopted Policy.

Risk mitigation measures are defined based on the financial performance indicators for individual category of customers, using services where the required information is available (financial statements, credit ratings). The Company’s exposure and credit exposure are continuously monitored through credit limits set by the Company and insurer, which are continuously revised and adjusted in accordance with the needs and situation on the market.

During 2022, the Company did not have significant damage claims related to the insurance of receivable collection.

*Liquidity risk management*

The Company manages liquidity risk by maintaining optimum amounts of cash on accounts, in addition to adequate sources of financing from credit lines available, for the purpose of the efficient management of short- and long-term funding and liquidity requirements.

The process of continuous monitoring of cash flows, matching the maturity profiles of trade receivables and payables to customers and suppliers, banks and other financial institutions, enables timely ensuring optimum liquidity level required for Company’s operating purposes.

Regular cash flow planning in all related companies, which includes guidelines set by the Company aimed at regular settlement of all liabilities and adjustment of other contractual relationships, greatly contributes to the optimization and more efficient liquidity management of the Company.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 35 – RISK MANAGEMENT (CONTINUED)**

**Financial risks (continued)**

*Liquidity risk analysis*

The following tables detail the Company's remaining contractual maturity for its financial liabilities and its financial assets presented in the statement of financial position at each reporting period end. 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 Company.

<i>as at 31 December 2022</i>	<b>Net book value</b>	Contracted cash flow	Up to one year	1 - 5 years	over 5 years
	<i>(in thousands of HRK)</i>				
<i>Non-interest bearing liabilities:</i>					
Trade and interest payables	<b>246,758</b>	246,758	246,758	-	-
	<b>246,758</b>	246,758	246,758	-	-
<i>Interest bearing liabilities:</i>					
Loans and borrowings	<b>449,528</b>	450,887	449,875	1,012	-
Lease liabilities	<b>35,734</b>	41,367	12,321	14,381	14,665
	<b>485,262</b>	492,254	462,196	15,393	14,665
	<b>732,020</b>	739,012	708,954	15,393	14,665
<i>Non-interest bearing assets:</i>					
Trade receivables (including interests)	<b>411,806</b>	411,806	411,806	-	-
Financial instruments	<b>36,995</b>	36,995	-	36,995	-
Cash and cash equivalents	<b>28,912</b>	28,912	28,912	-	-
Forward contracts	<b>91</b>	91	91	-	-
	<b>477,804</b>	477,804	440,809	36,995	-
<i>Interest bearing assets:</i>					
Short-term loans	<b>81,765</b>	84,019	83,675	344	-
Debit instruments at amortized cost	<b>113,012</b>	114,321	114,321	-	-
Long-term deposits	<b>13</b>	13	-	13	-
	<b>194,790</b>	198,353	197,996	357	-
	<b>672,594</b>	676,157	638,805	37,352	-
<b>Net liquidity position</b>	<b>(59,426)</b>	(62,855)	(70,149)	21,959	(14,665)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 35 – RISK MANAGEMENT (CONTINUED)**

**Financial risks (continued)**

*Liquidity risk management (continued)*

*Liquidity risk analysis (continued)*

<i>as at 31 December 2021</i>	<b>Net book value</b>	Contracted cash flow	Up to one year	1 - 5 years	over 5 years
	<i>(in thousands of HRK)</i>				
<i>Non-interest bearing liabilities:</i>					
Trade and interest payables	<b>168,023</b>	168,023	168,023	-	-
Forward contracts	<b>35</b>	35	35	-	-
	<b>168,058</b>	168,058	168,058	-	-
<i>Interest bearing liabilities:</i>					
Loans and borrowings	<b>110,400</b>	110,772	95,960	14,812	-
Financial lease liabilities	<b>40,529</b>	48,152	12,816	20,249	15,087
	<b>150,929</b>	158,924	108,776	35,061	15,087
	<b>318,987</b>	326,982	276,834	35,061	15,087
<i>Non-interest bearing assets:</i>					
Trade receivables (including interests)	<b>393,156</b>	393,156	393,156	-	-
Financial instruments	<b>36,977</b>	36,977	-	36,977	-
Cash and cash equivalents	<b>2,500</b>	2,500	2,500	-	-
	<b>432,633</b>	432,633	395,656	36,977	-
<i>Interest bearing assets:</i>					
Long-term and short-term loans	<b>79,767</b>	82,248	81,859	389	-
Long-term deposits	<b>13</b>	13	-	13	-
	<b>79,780</b>	82,261	81,859	402	-
	<b>512,413</b>	514,894	477,515	37,379	-
<b>Net liquidity position</b>	<b>193,426</b>	187,912	200,681	2,318	(15,087)

**NOTE 35 – RISK MANAGEMENT (CONTINUED)**

**Financial risks (continued)**

*Market risks*

(i) *Interest rate risk management*

The majority of the Company's debt has been contracted at a fixed interest rate and is therefore not significantly exposed to the risk of changes in interest rates. The company has a contracted revolving facility at a bank that carries a variable interest rate and in case of using this line, the company will be exposed to the interest rate risk, but this risk will be limited to a smaller part of the credit portfolio. The company continuously monitors changes and projections of interest rates so that it can respond in a timely manner if necessary.

*Interest rate sensitivity analysis*

On December 31, 2022 and December 31, 2021, the Company was not exposed to the risk of interest rate changes, considering that there were no debts with variable interest rates on the reporting dates.

(ii) *Price risk*

The Company's success depends on adequate sources of raw materials, as well as their prices on the market, the efficiency of the production process and product distribution to its customers.

The cost of raw materials could have a significant role in the cost of finished products that the Company manufactures, therefore, it is subject to fluctuations of market prices of agricultural and food 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 the COVID-19 pandemic, have caused difficulties in the past period related to the availability of certain materials, which has resulted in a global increase in purchase prices.

*Risks of raw material procurement and product delivery*

The Company realises most of the procurement on the domestic market, 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 Company'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 (African swine fever) cause global disruptions on the meat market, while political or social unrest in certain countries, 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 global pandemic of the COVID-19 virus has further increased the supply risk, which is primarily manifested in the availability of the necessary materials due to the functioning of the entire supply chain in difficult circumstances.

Operating in such conditions, the procurement function of the Company 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. Also, by continuously monitoring new technological solutions and introducing replacement raw materials where possible, the Company actively works on the mitigation and/or elimination of the risk of procurement of raw materials and availability of products.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 35 – RISK MANAGEMENT (CONTINUED)**

**Financial risks (continued)**

**Market risks (continued)**

*(ii) Price risk (continued)*

*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 Company, 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 Company'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 cereals (wheat) and commodity market segment (hazelnut, sugar, spices, cocoa, powdered milk), and in the last year also in the segment of meat and meat products following the increased demand in the market of China.

Protective customs and trade mechanisms in the EU that, on one hand, protect EU producers, on the other hand pose a risk in terms of increased customs duties (antidumping) for certain raw materials from third countries.

The global pandemic of the COVID-19 virus has further increased on the one hand the supply risk, which is primarily manifested in the availability of the necessary materials due to the functioning of the entire supply chain in difficult circumstances, but also the risk of price changes.

To minimise these impacts, the Company's procurement function continuously monitors movements in prices and market trends, conducts joint tenders for certain strategic procurement categories, uses new procurement techniques (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 cost-driver analysis and technical analyses of all relevant inputs are only some of the measures taken by the Company for the purpose of best estimates of price movements and the minimisation of market price volatility risk.

*(iii) Currency risk*

The carrying amounts of the Company's foreign currency denominated financial assets and financial liabilities at the reporting date are as follows.

	<b>Liabilities</b>		<b>Assets</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
European Union (EUR)	388,313	141,586	215,926	84,053
USA (USD)	3,849	2,738	21,362	17,139
Poland (PLN)	3,554	61	27,502	21,592
Australia (AUD)	11	-	16,854	9,684
Romania (RON)	-	1,085	10,166	8,115
Other currencies	3,289	2,597	14,831	19,234
	<b>399,016</b>	<b>148,067</b>	<b>306,641</b>	<b>159,817</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**NOTE 35 – RISK MANAGEMENT (CONTINUED)**

**Financial risks (continued)**

*Market risks (continued)*

(iii) *Currency risk (continued)*

*Foreign currency sensitivity analysis*

The Company performs certain transactions in foreign currencies and is therefore exposed to risks of changes in exchange rates, with the highest exposure during 2022 to changes in the exchange rate of the Croatian kuna against EUR, USD, PLN, AUD and RON.

Currency risks arise from operations with related parties in foreign markets and the purchase of food raw materials in the international market which is largely in EUR and USD. In addition, the Company has a part of borrowings denominated in EUR.

During 2022, the Company continued to apply the model of managing transaction currency risk called Layer hedging. This model is applied to the group of currencies to which the Company is exposed. The integral parts of the model include the identification of risk sources and exposure measurement, process of contracting derivative financial instruments for hedging purposes and the control and reporting system. By adopting the risk management policy, at the end of 2022 the Podravka Group model of currency risk hedge was improved with additional activities of monitoring of market trends, regularly performing analyses of all currencies in which there is an exposure and the possibility of contracting various financial instruments that aim to protect against currency risk. The Company actively manages its monetary inflows in foreign currencies and harmonizes them with outflows, where possible, i.e. it uses natural hedging, thus reducing total exposure to currency risk.

During 2022, the Company concluded fx forward contracts for managing currency risk of the following foreign currencies EUR, AUD, CAD and USD.

The currency risk analysis is based on the official exchange rates for the currencies analysed above as per the Croatian National Bank which were as follows, except for the Russian ruble for which the Bloomberg exchange rate is used:

	<u>31 Dec 2022</u>	<u>31 Dec 2021</u>
EUR	7.5345	7.517174
USD	7.064035	6.643548
AUD	4.801185	4.824887
PLN	1.609661	1.635555
RON	1.522275	1.518805

The following table details the Company's sensitivity to a 10% increase and decrease in Croatian kuna against the relevant foreign currencies where the Company has significant exposure (EUR, USD, AUD, PLN and RON). With the transition of the Republic of Croatia to the euro as the local currency from January 1, 2023, the currency risk of that position was eliminated. 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 Croatian kuna changes against the relevant currency for the percentage specified above. For an inversely proportional change of Croatian kuna against the relevant currency, there would be an equal and opposite impact on the profit.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 35 – RISK MANAGEMENT (CONTINUED)**

**Financial risks (continued)**

*Market risks (continued)*

*(iii) Currency risk (continued)*

*Foreign currency sensitivity analysis (continued)*

	<b>EUR exposure</b>		<b>USD exposure</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Increase/(decrease) of net result +10%	-	(5,753)	1,751	1,440
Increase/(decrease) of net result -10%	-	5,753	(1,751)	(1,440)

	<b>PLN exposure</b>		<b>AUD exposure</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Increase/(decrease) of net result +10%	2,395	2,153	1,684	968
Increase/(decrease) of net result -10%	(2,395)	(2,153)	(1,684)	(968)

	<b>RON exposure</b>	
	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Increase/(decrease) of net result +10%	1,017	703
Increase/(decrease) of net result -10%	(1,017)	(703)

*(iv) Sales function based risks*

The Company generates 50% (2021: 50%) of its revenue on the domestic market, whereas 50% (2021: 50%) of the sales are generated on international markets. The Company 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 domestic operations, the Company expects increased risks associated with maintaining market position. To lessen this effect, the Company aims to further strengthen its competitiveness by increasing productivity, modernising its technology and strengthening its product brands.

The Company is making efforts through harmonization and optimization of existing pricing policies and price levels for existing markets in the EU/CEE to secure a basis for the continuing successful long-term growth and avoid decrease in profit margins.



**NOTE 35 – RISK MANAGEMENT (CONTINUED)**

**Business risks management**

The company is also exposed to risks that result from regular business activities and are typical of the food industry. Significant risks include the risk of industry and competition, the risk of IT system disorders, the risks related to human capital and the climate impact risk.

**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 Company seeks to constantly improve the processes and meet market conditions. In the food industry, where the focus is on products and brands, the Company complies with legislative, health and manufacturing regulations. Clear legal regulation creates most of the production and sales processes within the Company and is subject to change, depending on the bodies adopting it. By implementing better internal processes, the Company seeks to eliminate the majority of potential threats.

At the time of the corona crisis, the food industry proved to be important in overcoming crisis situations. Disruptions in global supply chains pose a challenge to food producers, who have to contend with shortages of certain raw materials and difficult production conditions. Timely production planning and taking into account all unforeseen circumstances reduces the risk of production unreadiness to respond to extraordinary demands. The shortage of skilled labour due to the pandemic can greatly jeopardize production processes and their smooth and timely operation. Preventive measures to prevent the spread of virus infection in production facilities proved to be of immense importance for the continuity of production.

**Competition risk**

The Company 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 Company is paying attention to in order to be different from competition.

In addition, the reputation of the brand, or the Company, is intangible value that differentiates it from the competition and creates the advantage. The fact that the Company is focused on securing the highest level of quality of its products contributes to the reputation that depends on many own products on the market on a daily basis.

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 Company undertakes to maintain and increase the existing market positions and margins.

**NOTE 35 – RISK MANAGEMENT (CONTINUED)**

**Business risks management (continued)**

**Risks of IT system disruptions**

The Company intensely uses IT systems that enable it to efficiently manage the Company, 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 Company 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 Company 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 Company regularly implements proactive actions to improve the IT system security by applying the best recommended security practices.

The Company 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 Company's IT systems is additionally reduced.

Podravka d.d. has implemented and certified the IT security management system based on the ISO 27001 standard in December 2020.

**Human resource risk management**

Business ethics and excellence, commitment to achieving goals and to work, extra effort and commitment, and daily commitment, growth and development are the basis of the Company's success and the characteristics of its employees.

Respect and trust, as well as teamwork based on dialogue and transparency in work, are encouraged and supported and form a solid foundation for continuous progress.

Through a series of proactive measures, the Company creates an environment where employees are engaged and loyal. The Company recognizes and rewards individuals who achieve excellent results, show exceptional effort and encourage innovation and efficiency.

In 2022, the Company identified the main risks related to human capital:

- Timely recruitment and retention of skilled labour for the needs of Production
- Unfavourable age structure of employees and retirement in the coming years

During 2022, the implementation of the Human Resources Strategy continued, in which some of the main pillars are Workforce transformation and renewal, and Professional development and new career options.

**NOTE 35 – RISK MANAGEMENT (CONTINUED)**

**Business risks management (continued)**

**Human resource risk management (continued)**

The Company addresses these risks and will focus on specific initiatives/activities aimed at minimizing the main risks:

1. Intensifying cooperation with educational institutions
2. Employer image management – better *Employer Branding*
3. Programs that encourage intergenerational and multicultural cooperation and understanding
4. Programs for trainees and new employees
5. Improvements in the promotion and reward system
6. Employment of young workers and supply of workforce from new pools
7. Increasing automation and digitization – in the Production domain

In addition, the Company uses a number of other proactive measures and controls to minimise possible risks.

More details about initiatives and projects implemented by the Company can be found in the Relations with employees section.

**Climate related risk**

The activities performed by the Company are not listed in the Delegated Regulation on the EU taxonomy of climate sustainable activities, which 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. Environmental protection is one of the priorities of the Company, and is carried out by applying the principle of sustainable development and cleaner production. All activities must be in accordance with the effective national legal provisions regarding the environmental protection, as well as the regulations of the countries in which the company operates. In case of non-existence of national regulations, international standards are applied. For many years, the Company has rationally used the best sources of energy and raw materials, carefully manages waste and continuously works on the prevention of negative environmental impact of production. Taking into account its main activities, the Company can make the greatest contribution to the global objectives of sustainable development through:

- investment in energy efficiency and renewable energy sources;
- reduction in the generation of waste in production and use of environmentally acceptable packaging;
- investment in agricultural production on the sustainability principle;
- development of products that contribute to the consumer health with their nutritional composition;
- contribution to the community and care for the employees of the company; and
- transparent corporate governance.

CO<sub>2</sub> is emitted in the production process, while there are no emissions of other greenhouse gases. In the production process, the use of renewable energy sources is increasingly prevalent (wood chip boiler, photovoltaic power plant at the Kalnik factory in Varaždin, and the power plant on the roofs of the Danica industrial zone in Koprivnica), and through planned capital investments, the share of renewable energy sources at the Group level will further increase.

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 CO<sub>2</sub> emissions and thus the negative impact on the climate. CO<sub>2</sub> and very small amounts of CH<sub>4</sub> and N<sub>2</sub>O are emitted through the logistics and distribution part of the business (vehicle fleet). Investments in the vehicle fleet and the procurement and use of new freight vehicles reduce CO<sub>2</sub> emissions and contribute to the environmental objective of preventing climate change.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 36 – SHARE-BASED PAYMENTS**

**Employee share options**

Options for the purchase of Podravka d.d. shares were granted to key management of the Company. 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. The vesting period normally starts at the date of option contract signed. Options are acquired separately for each business year.

All the mentioned deadlines are valid unless any of the circumstances foreseen by each of the contracts from the mentioned period have occurred, which refers to the early termination of the mandate, violation of the contract provisions, leaving the company, transfer to a new position within the company, in which case the options should generally be exercised within 6 months from the occurrence of any of the above-mentioned circumstances.

The following share-based payment options were effective as at 31 December 2022:

<b>Date of issue</b>	<b>Number of options</b>	<b>Vesting terms</b>	<b>Contracted vesting period</b>
<i>Options granted to key management</i>			
As at 17 May 2017	4,668	Employment until contracted vesting period	06.01.2024
As at 31 July 2018	15,000	Employment until contracted vesting period	31.12.2023
As at 31 July 2018	6,668	Employment until contracted vesting period	06.01.2024
As at 10 December 2019	22,500	Employment until contracted vesting period	31.12.2024
As at 28 May 2019	2,500	Employment until contracted vesting period	31.12.2024
As at 10 December 2019	6,668	Employment until contracted vesting period	06.01.2024
As at 29 September 2020	22,500	Employment until contracted vesting period	31.12.2025
As at 29 September 2020	6,668	Employment until contracted vesting period	06.01.2024
As at 2 December 2020	6,600	Employment until contracted vesting period	31.12.2025
As at 30 April 2021	32,500	Employment until contracted vesting period	31.12.2026
<b>Total</b>	<b>126,272</b>		

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 36 – SHARE-BASED PAYMENTS (CONTINUED)**

**Employee 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 (note 7). Service and non-market performance conditions are not taken into account in determining fair value.

Input variables for calculation of fair value:

<b>Share option programme for key management</b>	<b>2022</b>	<b>2021</b>
Fair value at grant date in kuna	137	124
Share price in kuna at grant date (weighted average)	495	460
Exercise price in kuna (weighted average)	444	420
Expected volatility (weighted average)	20%	19%
Expected life (weighted average in years)	2.3	2.5
Risk-free interest rate (based on government bonds)	3.29%	3.51%

**Expense recognised in profit  
or loss**

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Equity-settled share-based payment transactions	3,839	4,783

The exercise price of share options for key management falls within the range HRK 352 to HRK 589.

Movement in the number of share options and respective exercise prices in HRK is as follows:

	<b>2022</b>		<b>2021</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding at 1 January	183,000	420	172,500	381
Exercised	(56,728)	319	(22,000)	363
Granted	-	-	32,500	632
<b>At 31 December</b>	<b>126,272</b>	<b>444</b>	<b>183,000</b>	<b>420</b>
<b>Unused as at 31 December</b>	<b>39,672</b>	<b>356</b>	<b>84,800</b>	<b>355</b>

As at 31 December 2022, there are 126,272 of outstanding options (2021: 183,000 options). During 2022, 56,728 options were exercised (2021: 22,000 options).

The weighted average exercise price of outstanding options at the end of 2022 is HRK 444 (2021: HRK 420). The price of all unexercised share options is lower than the share market price as at 31 December 2022. The weighted average remaining validity of options is 2.3 years at year end (2021: 2.5 years).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**NOTE 36 – SHARE-BASED PAYMENTS (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 exercised 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 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 fulfillment of long-term business plans and discretionary decisions of the Supervisory Board in 2025.

The following allocation of shares was effective as at 31 December 2022:

	<u>2022</u>	<u>2021</u>
Number of allocated shares	2,218	-

*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.

<b>Recognized in profit or loss</b>	<u>2022</u>	<u>2021</u>
	<i>(in thousands of HRK)</i>	
Equity-settled share-based payment transactions	1,930	-

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 37 – RELATED PARTY TRANSACTIONS**

*Transactions with subsidiaries*

**REVENUE**

*Sales revenue*

	Revenue from sale of products and merchandise		Revenue from services	
	2022	2021	2022	2021
	<i>(in thousands of HRK)</i>		<i>(in thousands of HRK)</i>	
Company:				
Podravka d.o.o. Sarajevo, Sarajevo	172,504	158,079	604	779
Podravka d.o.o. Ljubljana, Ljubljana	142,157	130,973	2,211	2,134
Podravka-Polska Sp.z o.o., Warsaw	107,078	98,667	730	692
Podravka d.o.o.el Petrovec. Petrovec	81,681	68,507	430	486
Podravka d.o.o. Beograd, Beograd	78,707	75,831	399	513
Podravka-Int.Deutschland-"Konar" GmbH, Munchen	78,673	80,986	154	206
Podravka USA Inc, New York	50,795	50,046	1,479	947
Podravka-International Pty. Ltd., Silverwater	39,320	32,432	65	64
Podravka d.o.o. Podgorica, Podgorica	35,793	31,038	145	213
Podravka International s. r. l., Bucharest	29,482	22,655	318	70
Mirna d.d., Rovinj	26,684	24,019	2,855	2,686
Podravka-International s r.o., Zvolen	25,200	20,821	250	243
Podravka – Lagris a.s., Dolni Lhota in Luhačovic	21,916	14,229	521	632
Podravka-International Kft., Budapest	16,345	15,135	177	205
Podravka d.o.o., Moscow	6,190	28,528	20	47
Podravka EOOD, Sofija	4,018	3,953	39	19
Žito d.o.o., Ljubljana	596	984	3,868	3,621
Belupo d.d., Koprivnica	403	78	10,918	10,007
Ljekarne Deltis Pharm, Koprivnica	6	6	2	-
Farmavita d.o.o. Sarajevo, Vogošće	-	-	443	455
Belupo d.o.o. Ljubljana, Ljubljana	-	-	37	38
Belupo d.o.o.el Skopje, Skopje	-	-	19	23
Šumi bomboni d.o.o., Ljubljana	-	-	3	-
<b>Total related party sales</b>	<b>917,548</b>	<b>856,967</b>	<b>25,687</b>	<b>24,080</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 37 – RELATED PARTY TRANSACTIONS (CONTINUED)**

*Transactions with subsidiaries (continued)*

**REVENUE (continued)**

**Investment revenue**

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Dividends from subsidiaries	84,627	69,851
Interest income	2,466	2,661
	<b>87,093</b>	<b>72,512</b>

**EXPENSES**

*Payments to Supervisory Board, members of the Management Board and directors*

Payments of members of the Management Board and directors:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Salaries, bonuses and other benefits paid	28,381	28,296
Share-based payments reimbursement	10,853	2,634
	<b>39,234</b>	<b>30,930</b>

Management of the Company which consists of the Management Board and directors has 38 persons (2021: 33 persons).

During 2022, options were exercised by the active members of the Management Board and directors in the amount of HRK 9,624 thousand (2021: HRK 2,634 thousand). For details see note 36.

During 2022, a total of HRK 2,460 thousand was paid as compensation to members of the Supervisory Board and the Audit Committee (2021: HRK 2,041 thousand).

**LOANS RECEIVABLE**

*Loans receivable*

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
At beginning of year	79,763	80,073
Increase during the year	70,932	-
Repayments received	(70,614)	(1,406)
Other changes	1,587	1,067
Foreign exchange difference	97	29
<b>At end of year</b>	<b>81,765</b>	<b>79,763</b>
Maturity: within one year	(81,431)	(79,398)
<b>Non-current loans receivable</b>	<b>334</b>	<b>365</b>



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**NOTE 37 – RELATED PARTY TRANSACTIONS (CONTINUED)**

*Transactions with subsidiaries (continued)*

**LOANS RECEIVABLE (CONTINUED)**

*Loans receivable (continued)*

The reported net receivables from related parties include loans to subsidiaries as follows:

	<b>Interest rate</b>	<b>2022</b>	<b>2021</b>
		<i>(in thousands of HRK)</i>	
Mirna d.d., Rovinj	2.68% p.a.	81,376	79,398
Podravka Gulf FZE, Dubai	2.68% p.a.	389	365
		<b>81,765</b>	<b>79,763</b>

The average interest rate is 2.68% p.a. The maturity of long-term loans is as follows:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
From 1 to 2 years	308	183
From 2 to 5 years	26	182
	<b>334</b>	<b>365</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 37 – RELATED PARTY TRANSACTIONS (CONTINUED)**

*Transactions with subsidiaries (continued)*

**TRADE RECEIVABLES AND PAYABLES**

	Current trade receivables		Current trade payables	
	2022	2021	2022	2021
	<i>(in thousands of HRK) (in thousands of HRK)</i>			
Company:				
Mirna d.d., Rovinj	46,851	39,636	6,693	719
Podravka d.o.o. Beograd, Beograd	33,216	42,603	-	-
Podravka d.o.o. Ljubljana, Ljubljana	25,902	11,367	-	-
Podravka-Polska Sp.z o.o., Warsaw	22,673	21,592	-	-
Podravka USA Inc., New York	14,707	11,948	-	-
Podravka-International Pty. Ltd., Silverwater	13,198	9,684	-	-
Podravka d.o.o., Moscow	-	8,341	-	-
Podravka International S. R. L., Bucharest	10,160	8,115	-	1,085
Belupo d.d., Koprivnica	6,373	1,710	593	480
Podravka d.o.o.el Petrovec, Petrovec	5,151	257	-	78
Podravka-International s r.o., Zvolen	4,644	379	-	-
Podravka d.o.o. Podgorica, Podgorica	4,576	5,346	-	-
Podravka – Lagris a.s., Dolni Lhota in Luhačovic	4,171	3,301	1,481	1,113
Podravka d.o.o. Sarajevo, Sarajevo	4,068	3,054	72	5,987
Podravka-International Kft., Budapest	2,822	433	487	373
Podravka EOOD, Sofia	2,077	1,821	-	-
Žito d.o.o., Ljubljana	1,394	677	10,941	13,297
Podravka-Int.Deutschland-„Konar“ GmbH, Munchen	900	3,904	-	-
Farmavita d.o.o. Sarajevo, Vogošća	148	152	-	-
Šumi bomboni d.o.o. Ljubljana	64	-	-	-
Belupo d.o.o. Ljubljana, Ljubljana	9	-	-	-
Belupo d.o.o.el Skopje, Skopje	2	4	-	-
Podravka Gulf Fze, Dubai	-	-	911	1,869
Ljekarne Deltis Pharm, Koprivnica	-	1	3	30
<b>Total related party receivables and payables</b>	<b>203,106</b>	<b>174,325</b>	<b>21,181</b>	<b>25,031</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 37 – RELATED PARTY TRANSACTIONS (CONTINUED)**

*Transactions with subsidiaries (continued)*

**OTHER RECEIVABLES**

**Other interest receivables from related parties**

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Mirna d.d., Rovinj	4,805	2,607
FOODPRO Limited, Dar es Salaam	715	665
Podravka Gulf FZE, Dubai	7	11
Write-offs	(3,112)	(665)
	<b>2,415</b>	<b>2,618</b>

**Guarantees and warranties to subsidiaries**

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Belupo d.d., Koprivnica	96,310	209,712
Podravka – Lagris a.s., Dolni Lhota in Luhačovic	37,491	66,252
Žito d.o.o., Ljubljana	13,562	40,592
Podravka d.o.o. Beograd, Beograd	338	337
	<b>147,701</b>	<b>316,893</b>

**BORROWINGS**

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Belupo d.d. Koprivnica	65,000	-
Podravka-International s r.o., Zvolen	2,260	-
Podravka - International Kft, Budapest	1,053	1,140
Podravka-Int.Deutschland-„Konar“ GmbH, Munchen	1,002	-
	<b>69,315</b>	<b>1,140</b>

In 2022, the Company used borrowings from subsidiaries.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**NOTE 37 – RELATED PARTY TRANSACTIONS (CONTINUED)**

*Transactions with subsidiaries (continued)*

**INTEREST PAYABLE**

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Belupo d.d., Koprivnica	148	-
Podravka-International Kft., Budapest	2	2
Podravka-Int.Deutschland-„Konar“ GmbH, Munchen	2	-
Podravka-International s.r.o. Zvolen	1	-
	<b>153</b>	<b>2</b>

**NOTE 38 – CONTINGENT LIABILITIES**

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Guarantees – related parties	147,701	316,893
Guarantees – third parties	5,757	7,658
	<b>153,458</b>	<b>324,551</b>

Guarantees and warranties given relate to the potential liability of the Company on the basis of borrowings of related parties toward banks. In addition, they relate to Company's contingent liabilities on the basis of customs guarantees and performance guarantees given to customers.

With respect to guarantees and warranties granted, contingent liabilities have not been recognised in the separate statement of financial position as at 31 December, as management estimated that as at 31 December 2022 and 2021 it is not probable that they will result in liabilities for the Company.

**NOTE 39 – COMMITMENTS**

In 2022, the purchase costs of tangible fixed assets contracted with suppliers amounted to HRK 220,636 thousand (2021: HRK 136,051 thousand), which are not yet realised or recognised in the statement of financial position.

Contracted payments of liabilities under the contract on mutual guarantees concluded with Žito d.o.o. amount to HRK 4 thousand (2021: HRK 34 thousand).

The future payments under operating leases in 2022 relate to the usage of IT equipment and other operating leases as follows:

	<b>2022</b>	<b>2021</b>
	<i>(in thousands of HRK)</i>	
Up to 1 year	5,498	5,483
From 1 to 5 years	3,749	7,266
	<b>9,247</b>	<b>12,749</b>

**BILJEŠKE UZ FINANCIJSKE IZVJEŠTAJE (NASTAVAK)  
ZA GODINU KOJA JE ZAVRŠILA 31. PROSINCA 2022.**

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**NOTE 40 – EVENTS AFTER THE REPORTING DATE**

According to the Law on the introduction of the euro as the official currency in the Republic of Croatia from 1 January, 2023, the Company made all the necessary adjustments to the information system and ensured compliance with the Law and enabled further uninterrupted development of all business processes.

There were no other significant events after the balance sheet date that would require reconciliation or disclosure in the financial statements.

**NOTE 41 – APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were adopted by the Management Board and approved for issue on 4 April 2023.

Signed on behalf of the Company on 4 April 2023:

**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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Republic of Croatia

Creating  
a delicious world.  
*Always with  
a heart.*

