

ANNUAL REPORT 2013

TABLE OF CONTENTS

Podravka Group in 2013	3
Business events in 2013	4
Important events in 2014	11
Podravka Group research and development.....	14
New products.....	17
Rewards and recognitions.....	25
Social community.....	28
Ecology	29
Audits.....	34
Supervisory board and Management board members biographies	36
Podravka d.d. Supervisory board members biographies	37
Podravka d.d. Management board members.....	40
Statement from executives responsible for preparing financial statements	43
Business results.....	44
Statement from executives responsible for preparing financial statements	54
Podravka Group expected development	55
Risk factors	59
Corporate governance	64
Statement on corporate governance	65
General assembly.....	67
Supervisory board.....	68
Management board.....	70
Corporate governance code	71
Annual questionnaire	72
Company securities	82
Share.....	83
Independent auditors' report to the shareholders of Podravka d.d. on the consistency of the annual report	87

PODRAVKA GROUP IN 2013

BUSINESS EVENTS IN 2013

DISTRIBUTION CONTRACT SIGNED WITH BADEL 1862

Podravka and Badel 1862 signed a distribution agreement, pursuant to which the food processing company from Koprivnica becomes the exclusive distributor of Badel 1862 products for the Slovenian market. Since March 1 2013, Podravka will distribute in Slovenia the program of strong alcoholic beverages, wines and juices produced by Badel 1862. The synergy between the two companies is the first step towards stronger cooperation and possibilities of expansion to other markets.

CORPORATE CONFERENCE

The two-day Corporate conference at Podravka brought together market executives and directors from Podravka and Belupo, from 20 countries in which Podravka Group has its own companies and offices. Its aim was to inform and to communicate the company's strategy and business plan for the year 2013. It was organized through lectures, group workshops and presentations. In his opening speech, Podravka Management Board President Zvonimir Mršić noted: - I am confident that we have the opportunity to advance because from the existing position we can reach the positions of the best. This conference is important because the two divisions, food and beverages and pharmaceuticals, have gathered in one place. Only we, together, can make Podravka more successful.

VEGETA - FAVOURITE BRAND FOR CONSUMERS

In a very strong competition among thousands of consumer goods brands, Croatian consumers chose Vegeta as their favourite brand, according to a survey by Ipsos Puls agency. This again proves how Vegeta belongs among elite domestic and international brands of products. The power of the brand shows how well the brand is defined, whether it is well recognized by its consumers and whether they use it. So Vegeta, as the undisputed leader in Croatian market, left behind numerous domestic brands, as well as global giants such as Coca Cola, Milka, Nivea and many others.

PROF. BARTL BIRTHDAY

"Remember me by the good things", these are the words often spoken by prof. Bartl, whose birthday was remembered by workers of Podravka on 20 February. Podravka employees who knew her and admired her extraordinary personality, authority and creativity, remembered and stressed her exceptional contribution to the development of the company, the times spent with the professor and conveyed her thoughts, advices and words to those who did get the opportunity to personally meet her.

COMMON PROMOTION OF PODRAVKA AND UNILINE

At promotional fairs in Tokyo, Osaka and Okinawa, Podravka and Uniline jointly promoted Croatia through the presentation of gastronomic and tourist quality of the destination. This action is just one in a series of activ-

ities of joint operations in markets around the world. The importance of cooperation lies in the potential synergetic effects, and joint action through its own channels is to expand the offer, but also to affect the sales results.

**HOLIDAY SEASON WITH PODRAVKA IN
“INMAGAZIN” BY NOVA TV**

Holidays with Podravka is the name of a new column in InMagazin, a popular daily life style show at Nova TV, which has aroused equal interest by gourmets and connoisseurs, as well as those who are just discovering the secrets of good cooking. Delicious dishes and desserts arise before their eyes, prepared by Podravka's culinary experts, providing useful nutritional information and a range of practical advices to viewers.

LEANCO PROJECT

In cooperation with the consulting company AT Kearney, Podravka started the project “LeaNcO” (Lean Concept of excellence administration) - and the development of lean concepts for excellence in administration. The main objective of the project is to increase the effectiveness and efficiency of the processes and thereby create added value for Podravka. - This project is an integral part of the restructuring of our company, aimed at raising the overall efficiency to a higher level than it is now, so to strengthen its market position and resist ever stronger competition, Zvonimir Mršić, Management Board president said referring to this started project.

**PODRAVKA WITH THE INTERNATIONAL
SYMPOSIUM OF CHEFS**

Under the auspices of the President of Croatia Ivo Josipović and Podravka, the second international symposium of chefs was held in Umag, gathering about 150 chefs from the country and abroad.

- It is a great honor to be amongst the many international chefs, for whom we have daily prepared several tastings of dishes with Podravka's products and I think that we made an excellent marketing move in this segment, said the head of Culinary Promotions Dražen Đurišević.

**BELUPO REPRESENTATIVE OFFICES IN
UKRAINE AND KAZAKHSTAN**

Today Belupo operates in 16 European pharmaceutical markets. In 2013 the company established two new offices - in the capital of Ukraine, Kiev and Almaty, the capital of Kazakhstan. The decision to open two offices is in line with Belupo's corporate strategy, with the aim of expanding and positioning the company in the Eastern European market.

**PODRAVKA TRADITIONALLY ON
INTERNATIONAL ECONOMIC FAIR -
MOSTAR 2013**

International Economic Fair - Mostar 2013 brought together more than 750 exhibitors from 35 countries, Podravka being among them, in cooperation with the Chamber of Commerce Koprivnica-Križevci County. The delegation consisting of the leading men of the neighboring countries, together with the high delegation of our country, after the opening ceremony visited the booth of Podravka, a leading food company in the region. Its branch

office in Bosnia and Herzegovina is among the biggest branch offices per number of employees, and with its presence on this fair it has supported this international gathering from the very beginning.

COOLINARIKA CELEBRATED ITS 10TH BIRTHDAY

For the fifth year in the row in its gastronomical center “Štagelj” Podravka hosted the “Big Cool gathering”. This traditional reunion of Coolinarika users is organized in the year when Coolinarika celebrates its 10th birthday. Over the year Coolinarika users prepare their own smaller gatherings all over the world, where they turn the virtual friendships that they have made on the site into real ones.

PODRAVKA AS MODERN SHAREHOLDING COMPANY

Shareholders of Podravka d.d. adopted at the General Assembly of Podravka d.d. draft resolutions passed by the Management Board and the Supervisory Board of Podravka, aimed at developing a modern joint stock company and the creation of conditions for the recapitalization of the Company, satisfactory growth and further internationalization of business. The government no longer has the option of direct appointment of two members to the Supervisory Board, who will instead be selected at the General Assembly, which puts all the shareholders in an equal position in the election of eight Board members, while one place, under the applicable law, remains reserved for the workers’ representative. This reduces the direct control and influence of the government, and the announced step forward into the development of modern shareholding in Podravka is taking place. The terms for elected members Mato Crkvenac and Ivo Družić continue.

Apart from these resolutions, a draft resolution was also accepted on reducing the company share capital, amounting to HRK 542 mill., with the purpose of covering accumulated losses from previous periods. Reduction of company share capital is performed by reducing the nominal amount of regular shares from HRK 300 to HRK 200 per share. This creates presuppositions for the shareholders to decide on profit distribution.

Business restructuring process also continues. Nominating the new Management Board, Podravka performed a thorough analysis of all business programs and reached a resolution on focusing on key, profitable business programs and development of products which will make it recognizable on numerous European and world markets. In line with that, Podravka announces divesting of business programs of Beverages, Bakery and part of the Frozen products portfolio, thus creating a potential for positive influence on operating profit, amounting to HRK 30 mill.

TASTES FOR ALL LANGUAGES

Podravka celebrated Croatia’s accession to the EU with numerous activities focused on EU market, under the name “Tastes for all languages”. On the occasion of celebrating the Europe Day and presenting the 20th Porin, Podravka organized “EU-Brunch” in Opatija in May, participated at the Euro

Gastro Festival in Dubrovnik, and before the very date of Croatia's accession to the EU, it gave to the citizens of Prague a concert by renowned Croatian singer Gibonni, who presented his new album "20th Century Man" in English language. Apart from that, 28 culinary TV shows were made. Meals characteristic for EU member countries were presented in them, and a link between all meals prepared was "a spoonfull of Vegeta". After the final episode was aired, Podravka also published a special cookbook incorporating all 28 meals of EU member countries.

**COOPERATION BETWEEN PODRAVKA
AND CROATIAN CULINARY
ASSOCIATION (HKS)**

Under the general sponsorship of Podravka and the City of Vinkovci, Vukovar-Srijem county, the 3rd Congress of HKS was held, entitled "Slavonia, Baranja and Srijem - key elements of continental tourism", whereby the 10th anniversary of HKS was also celebrated. Podravka and HKS continue their successful cooperation and develop a wonderful all-Croatian gastronomic story.

**CULINARY RICHNESS AT MOTIFS OF
PODRAVINA**

The manifestation Motifs of Podravina started by a retrospective exhibition of the renowned painter of naive art Mijo Kovačić, which was opened at the Koprivnica Gallery in the presence of the Croatian President Ivo Josipović. The traditional sponsor of this manifestation is Podravka. Next to the inevitable painting and painters, the most attractive was the project "Tastes of Croatia", where Podravka in cooperation with the HKS and renowned restaurants of all counties presented the culinary richness of our country. Motifs of Podravina as a specially designed culinary, tourist, cultural and gastronomically rich postcard was sent to the world, and it was also a way Koprivnica celebrated Croatia's accession to the EU.

VEGETA CROATIA OPEN UMAG

One of the most significant sport and tourist manifestations on these areas, the 24th VEGETA Croatia Open Umag, became the center of economic and social events. Apart from the contribution to sport, Podravka as a long-year partner of one of the most prestigious tennis competitions, also participates in the tourist development of Umag itself. During the tournament, Podravka's culinary promoters prepared every day meals from individual EU countries, offering guests the specialties of the European cuisine. One of the most important events was the closing dinner, where the sponsors presented themselves, and Podravka was a host to its business partners, and offered to them gastronomic delicacies.

INVESTING IN ENERGY EFFICIENCY

Owing to an approved loan by the EBRD amounting to €9.9 million, Podravka will invest in improving own energy efficiency. The loan will finance investments focused on improvements in various factories and the company's headquarters building.

**TOMATO FESTIVAL WITH
HUMANITARIAN NOTE**

Tomato festival commonly organized by Podravka, the Tourist Association of the City of Umag, the City of Umag, confirmed this year the status of the most visited manifestation in Umag. Tomato festival is traditionally of humanitarian character, and purchasing a ticket for a meal prepared with tomatoes, next to a bottle of Studena, funds were raised for treatment of a young girl from Umag Melissa Končar, who was presented with a check to HRK 29,060.00.

**PODRAVKA GROUP PROUD PARTNER OF
KHL MEDVEŠČAK ZAGREB**

Podravka Group became a partner to the hockey club Medveščak Zagreb. Upon presenting the sport team of KHL Medveščak for the season 2013/2014, with its culinary specialties Podravka welcomed the Bears who are playing in the Continental Hockey League (KHL) as of this season. Cooperation with KHL Medveščak Zagreb is aligned with Podravka's strategy of achieving new business success on foreign markets, since Podravka's brands have been present in many countries around the world for a number of years.

**PROVISION PROGRAM FOR SURPLUS
WORKERS**

As suggested by the Unions, Podravka Management Board passed a resolution on continuing the provision program, with severance payments amounting to HRK 4,000.00 net per each year spent at Podravka, continuing the restructuring process. Restructuring necessary leads to surplus workers on individual work places so the Management Board accepted the Unions' proposal on continuation of "socially responsible restructuring of the work force through provision program and severance payments".

**EIGHTH SEASON OF LINO-ALL
ROUNDER**

Having been guest in 168 schools in the past seven seasons, in all counties of Croatia and bringing joy to the hearts of more than 135 000 pupils, Lino All-rounder entered its eighth season. Presence of four top sportsmen thrilled 500 pupils of Đuro Deželić elementary school in Ivanić Grad who loudly supported their second Lino All-rounder from the first to the last minute. This was the 169th Lino All-rounder and it opened the eighth season.

**PARTY FOR PODRAVKA RETIREES AND
ANNIVERSARY-CELEBRATORS**

Podravka's numerous retirees and anniversary-celebrators gathered before the Vegeta and Soups Factory on a party, to again remind themselves what it was like working in and creating Podravka. As it was stated during the party, this was a meeting not of former Podravka workers, because if you are a true Podravka worker, then you remain one as long as you breathe - but this was a meeting of Podravka's workers in a deserved retirement. These are the retirees who stuck to one another through the toughest times, building new factories, and not asking about the working hours and compensations, but creating bigger and better Podravka.

**PODRAVKA'S E-LEARNING
CONFERENCE HELD**

For the second year in the row, in cooperation with domestic and foreign partners from the business and academic community, Podravka from Koprivnica organized a business conference on application of e-learning in the business environment. The specificity of the conference is focus on e-learning application exclusively in the business environment, and the main objective is to promote excellence and innovativeness in application of new technologies. By paying the participation fee, conference participants helped in schooling of the students, as part of the "prof. Zlata Bartl" Foundation. The competition "Knowledge in Focus" was announced for granting two scholarships to young and innovative people interested in e-learning and ready to present the concept ideal for building an e-learning course. The scholarships were awarded at the conference, and the Conference Board rewarded four more students with HRK 5,000.00 for special contribution to the conference and the quality of the works.

NEW GENERATION OF APPRENTICES

After more than 20 young, highly educated people found their first employment at Podravka, a welcoming to the company was organized for the new generation of the apprentices. Among the 400 candidates who applied for the job competition entitled SHAPE, 21 of them got the opportunity to show what they know at Podravka. The best apprentices and mentors were announced, and since the SHAPE participants proved their proactiveness and excellence, the Management Board president handed special recognitions for three apprentices of the first generation and to their mentors.

RECOGNIZE THE EXCELLENT ONES

23 recognitions were awarded to employees participating in the initiative "Recognize the excellent ones", who have been recognized as excellent among more than a 100 nominated employees for their work and contribution to the company. The initiative was started by the Management Board president Zvonimir Mršić, and the rewards were given to those who have won the first place, according to the competition criteria and evaluated competencies. President Mršić pointed out how the company's success depends on the power and excellence of the employees and how the company wishes to recognize and to reward those who give their maximum in order to make the company successful and to go forward.

**VEGETA USED FOR COOKING AT THE
EUROPEAN PARLIAMENT**

Croatian EU Business Council at the European Parliament organized the event "Meet Croatian MEPs", gathering in one place the representatives of the Croatian business community, Croatian representatives at the European parliament and high officials of the EU institutions. When presenting the Croatian business sector, one of the most prominent presentations was the one of Podravka, one of the leading Croatian companies. This was the first such organized gathering of representatives of the Croatian business sector in Brussels, and more than a 100 guests had an opportunity to enjoy the specialties prepared for them by Podravka's culinary promoters.

CHRISTMAS GIVING Pursuant to the Collective Agreement, Podravka Management Board reached a resolution to provide a Christmas bonus to Podravka workers amounting to HRK 1,500.00. Half of that amount, HRK 750.00 is to be paid with the November salary in December, and the other half will be provided in material goods. This way of Christmas bonus payment was accepted by all three unions represented at Podravka: PPDIV, SINPOD and HUS. Workers having their children younger than 15 who are provided with the health insurance through the company, received the gift for every child, amounting to HRK 600.00.

RESOLUTION ON THE NEW INVESTMENT CYCLE - BUILDING OF NEW BELUPO FACTORIES Increasing need for medications of unquestionable pharmaceutical quality was crucial in deciding to start a new investment cycle for Belupo - the building of two new factories, the factory of solid and semi-solid forms of medications and one for cream, ointments and gels, whose capacities will be bigger than the existing ones. Start of the construction of the new factories and the raw materials warehouse will be in January 2015 on a plot of 80,000 square meters, south of the existing factories. About a 100 new jobs are expected from the new factories, and the first products to be delivered in January 2017.

IMPORTANT EVENTS IN 2014

SUPPLY CHAIN REORGANIZATION Podravka Management Board reached a resolution on reorganizing the Supply Chain and the belonging sectors. As of 1 January 2014 the Supply Chain will include two new sectors - Supply Chain Planning and Outsourcing, which will be added to the existing sectors, Production, Procurement, Logistics.

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

PROVISION PROGRAM FOR SURPLUS WORKERS In early 2014 Podravka started creating the severance payment program for surplus workers. Consulting with the Workers Council was performed and Podravka accepted the majority of suggestions provided by the Council, and concerning the provision for surplus workers. This year's Program will include 340 workers of Podravka d.d., Danica d.o.o. and Belupo d.d., and a total of HRK 45 million will be earmarked for implementing the Program.

NEW DISTRIBUTOR FOR ROMANIA New distributor for Podravka Romania is Whiteland Import-Export. This is a national level distributor with integrated services of sales, marketing and supply (logistics), for modern trade (IKA) and for traditional trade (TT). Whiteland logo and business motto for 2014 is: "Building the future together".

INTERNATIONAL CONGRESS OF AUTOCHTHONOUS CUISINE World culinary masters, experts in gastronomy and workers in tourist industry met in Umag hotel Sol Garden Istra on the 3rd International Congress of Autochthonous Cuisine IAGI (International Art of Gastronomy in Istria). Manifestation was being held under high sponsorship of Croatian president Ivo Josipović and sponsorship of the City of Umag and Istra County, with the participation of numerous partners, Podravka being among the most important ones. This year's partner country was Serbia, and apart from Croatia, participating countries were Slovenia, Tunis, Israel, Palestina, Great Britain, Poland, Albania, and Malta. Along with excellent chefs and lecturers from all continents, Podravka's culinary promoters presented a part of the Croatian autochthonous cuisine, where they were preparing the meals with Podravka's products. Podravka's products were also incorporated in other meals that were presented within the IAGI program.

WE KNOW-WE SHARE-WE GROW

Numerous employees participated so far in the pilot project started by the Human Resources department, “We Know-We Share-We Grow”, where about 40 of them appeared as lecturers and more than a thousand as participants from various parts of the company. Numerous lectures in the category of “Open rostrum” continue this project started by the Human Resources department in the areas of marketing, corporate communications, controlling, human resources and sales, but also “off-topic” lectures. The purpose of these educations is an exchange of our expert knowledge but also experiences and lectures, so to help others to move in the right direction, correct their errors in time or not to repeat them.

THE BEST HR PRACTICE

The second conference HR Days in the field of human resources management, organized by the portal MojPosao and expert partner SELECTIO, The best HR practice 2013 award ceremony was held. The election was intended as a recognition to a dedicated and planned work of companies, teams and individuals who were successful at managing their human resources. This year 16 different projects by 12 different companies applied. Every project was evaluated by the expert jury, taking into account the four criteria: project development context, development process, specific effect and effect on the organization. Recognition as the third placed best HR practice was awarded to Podravka for the project “We Know-We Grow-We Share.

BEST BUY AWARD FOR PODRAVKA'S PRODUCTS

According to the research Best Buy Award performed in B&H, Serbia, Slovenia and Croatia, Podravka is a food brand with the highest number of first positions won in all countries of the region included in this research.

Podravka's products shined in the first place of the latest Best Buy Award research for Croatia. When it comes to food products, Podravka as a company wins consumer votes in 12 categories, which shows the trust that the consumers have towards this domestic producer.

Achieved results are a result of trust and satisfaction that the consumers in the stated countries have towards Podravka's brands. The votes won show the powerful position of our domestic company in the neighbouring region, that according to the Best Buy Award reserch no other food brand has achieved.

COOPERATION WITH TECNALIA RESEARCH & INNOVATION

Podravka was visited by representatives of Tecnalia, a group of scientists and supreme chefs dealing with research and innovations in food and culinary art. Successful cooperation was started last year when the Croatian Ministry of Economy suggested Tecnalia as an example of excellent institution which is a driver in research and development for strengthening the competitiveness of the Spanish and European industry. Podravka, as the project idea carrier and Tecnalia Research & Innovation will cooperate in

the fields of developing innovative food products and services, networking through the platform of open innovations and cooperation on European research programs.

PIVNICA AND KLET AMONG THE BEST RESTAURANTS

Podravska klet and Kraluš again found themselves among the finest restaurants of Croatia. According to the research results and votes by the customers and the very caterers performed within the project 100 leading Croatian restaurant - *Restauranti Croatica*, which included 2400 restaurants, Podravska klet and Pivnica Kraluš continue to maintain the cult status in Croatian catering. This means that all Podravka's facilities can display the label *Restauranta Croatica* at their front door. The label is a guarantee of high quality service, special atmosphere and a menu to please palates of the most demanding consumers. Podravska klet is carrying this prestigious title for the 18th time and is one of the oldest carriers of this recognition, while Pivnica Kraluš received it for the 14th time.

TWO NEW SECTORS - TREASURY AND CORPORATE ACCOUNTING AND TAXES

As decided by the Management Board, the former sector Finances is divided in two new sectors as of 1 April 2014: Treasury and Corporate Accounting and taxes. The purpose is better management of the business processes that have different domains and logic in business and which were formerly united in the Finances sector.

EASTER BONUS TO PODRAVKA'S WORKERS

Compliant to the Collective Agreement, Podravka Management Board reached a resolution on one-time bonus amounting to HRK 400.00 in material goods. Wanting to add to the holiday table of every employee, once again Podravka proved its responsibility and care for its employees. Wanting to improve the home budgets of the workers, traditionally the unions active within Podravka also joined the holiday spirit of giving.

STORIES OF THE SUNDAY CAKE

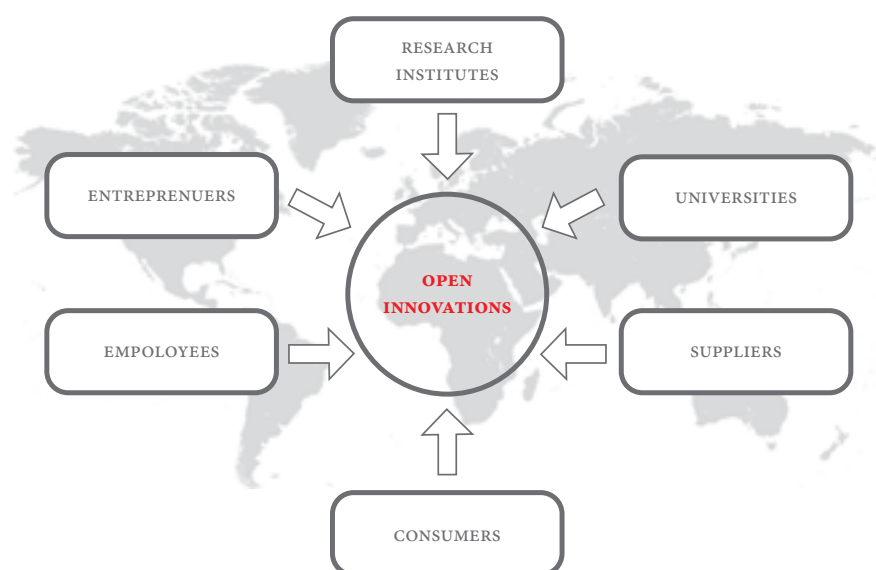
Promotion of the book "Priče o nedjeljnom kolaču" (Stories of the Sunday cake) arisen from successful cooperation of the writer Milana Vlaović and Podravka's Dolcela team, was held as part of the Croatian Food and Wine Festival. Literature and culinary art, as two different arts, are united thanks to the desire that Sundays be spent more often with family and dear ones, with fun, laughter and something sweet. Apart from enjoying the book promotion, the visitors could enjoy the sweet surprises prepared by the recipes from the book, and they were prepared by the members of Podravka team.

This literary-culinary project was realized aiming to celebrate the little moments in our lives, with the little sweets.

PODRAVKA GROUP RESEARCH AND DEVELOPMENT IN 2013

RESEARCHING TO INNOVATE

Starting research and development projects was one of the strategic goals in 2013. After analysis, the model of the so-called "open innovation" was selected, which will be the fastest way to realize the strategic goals of the company. This model represents the association of "natural" competence and knowledge of Podravka's internal resources (employees), with the best R & D potentials from external resources. With that Podravka should receive additional impetus for the development of new and innovative products. External resources actually represent a "network" of Podravka partners from academic circles, research institutes, entrepreneurs, suppliers and consumers.



In the second half 2013 cooperation agreements were signed between Podravka's research and development institute of national interest Ruder Boskovic Institute, Faculty of Food Technology, University of Zagreb, innovative "start-up" company for research and development Amelia d.o.o. from Croatia and one of the largest and most respected scientific institute for research, development and technology transfer in Europe, the Spanish TECNALIA.

Particularly worth mentioning is the fact that Podravka's Research and Development with its project idea directly influenced the establishment of innovative-research-development company Amelia d.o.o from Croatia.

It is important to note that with these institutions specific projects were started, which will yield their first results already in the 2014. Project results will be innovative products, with their specifically designed nutritional profile and enriched with functional ingredients, they will improve the health of our consumers, and consumers with special dietary needs. One part of the research effort is focused on the efficient management of waste from the manufacturing process.

Pursuant to the Croatian tax legislation, Podravka applied 28 research and development projects to the Ministry of Science, Education and Sport in 2012. It was eligible for government incentives for research and development projects as a tax relief, while the feedback for 2013 is expected soon.

NUTRITIVE STRATEGY In 2013 R&D department initiated the creation of a strategic document “Nutritive strategy” that will, in accordance to Podravka’s vision and mission, provide a functional framework for innovations in the development of nutritionally balanced products within existing product brands, while creating opportunities for development of new ones. The ultimate goal is to ensure the long-term and sustainable growth of the company as a whole.

Such products will also be a new opportunity to promote healthy eating habits and active living and additionally contribute to further positive status of Podravka as a socially responsible partner in the region.

SYNERGY POTENTIALS BETWEEN FOOD AND PHARMACEUTICALS PARTS OF BUSINESS Significant efforts are focused on the analysis and finding the best business models of synergy between Food and Pharmaceuticals parts of business, in developing food that provides additional health benefits, next to basic nutritional value. For these purposes, a multidisciplinary team of Podravka and Belupo (Research & Development, Marketing, Business Development, Sales), supplemented by external experts, doctors (KBC Rebro) and scientists (Food Technology and Biotechnology Faculty, University of Zagreb) was established. They have offered some possible development directions for new product, and the so-called functional foods (nutritive strategy), as well as specific food categories and the so-called food for special medical purposes. It is an opportunity to use Podravka’s culinary expertise and sensorics and Belupo expertise in accessing pharmaceutical distribution channels, promotion and advertising for the new era in Podravka’s business to begin, by creating new brands of products.

FOOD INNOVATIONS CENTER, COMPETENCE CENTER KOPRIVNICA We must mention that intensive cooperation between Podravka’s Research and Development department, Marketing department and the City of Koprivnica, in the project of Food Innovation center and Culinary Academy as part of the Food processing cluster of Croatia, resulted in choosing between some 10 projects of national interest to be financed from the EU Structural Funds. The aim of this project is to network the local community, industry (Podravka, Belupo) and the academic community to strengthen SMEs in developing new and innovative products, creating a foundation for new jobs.

SOCIALLY RESPONSIBLE PARTNER One part of the activities in 2012/2013 was focused on school menus project, which aims to promote a diverse and balanced diet in primary schools in Croatia, as a continuation of the very successful city project (all prima-

ry schools from Koprivnica participated, including regional). The project of the City of Koprivnica received positive evaluations by the Ministry of Health and Ministry of Science, Education and Sport, considering it is aligned with the Action Plan for the prevention and reduction of obesity, and with the Strategic Development Plan of public health for the period of 2011 to 2015 in the Croatian Republic.

**RESEARCH AND DEVELOPMENT -
BELUPO D.D.**

During 2013 Research and Development of Belupo performed intensive activities related to the core mission - development of new products, but with equal intensity preparations were being completed for Croatian accession to the European Union and change of the regulatory framework of the business.

The most detailed in these types of jobs is certainly an upgrade of the registration files for all medications from Belupo range. This task, apart from having its strictly defined period of completion, also engages large amounts of different resources in the Research and Development department and Regulatory affairs. Other activities taking place are classic transfer of technological processes, and in particular it should be noted the mounting of new sources of active substances into existing products, intensified this year with new EU regulations, with the effect of improving the profitability of production.

Belupo renewed its manufacturing license for the production site Koprivnica, and within that the production license for ~~the pilot plant~~ ~~was~~ also renewed, which is in the domain of responsibility of the Research and Development. Inspection was conducted by the Ministry of Health of the Republic of Croatia and the Croatian Agency for Medicinal Products and Medical Devices. Successful passing at the confirmed harmonization of Belupo's procedures with GMP regulations and provided further regular commercial production of small series for the market as well as the production of a series of tested drugs for the purpose of conducting clinical trials.

During 2013, Belupo product range was enriched with 16 new products in 7 new and 5 extensions of the existing product brands, and they are offered to the market in 19 different packaging sizes. As per classification, 15 of them belong to the group of medications, and one to the group of food additives. In accordance with the strategic commitment of Belupo, several medications have been introduced from focused groups having effect on the digestive and respiratory tract, as well as oncology medications. Strengthening of the group of medications acting on the cardiovascular and central nervous system and antibiotics was also continued.

NEW PRODUCTS

EVA SARDINES WITH GARLIC AND PARSLEY

A rich assortment of Eva fish products was expanded with the new sardines - Eva sardines with garlic and parsley. This is a unique product on the market, because it is prepared from high quality Adriatic sardines in combination with vegetable oil, garlic and parsley.

EVA ANCHOVY FILLETS IN VEGETABLE OIL

With all the benefits of oily fish, Eva anchovy fillets are an ideal traditional salty appetizer or an indispensable accessory to enrich sauces, spreads, pasta and rice dishes. Eva anchovy fillets in vegetable oil are prepared from manually selected and cleaned Adriatic anchovies, which are filleted and topped with high-quality vegetable oil.

NEW TYPES OF PODRAVKA SAUSAGES

Podravka assortment of sausages for cooking and baking is refreshed with a new design and complemented with two new types of sausage. Next to traditional Kranjska sausage of superior taste and proven quality, consumers can also enjoy the new Weekend sausage of mild flavor and bits of dried red peppers, and the new Hunter's piquant sausage. Grill sausages are semi-permanent smoked sausages seasoned with a carefully selected mixture of spices. In the mixture of spices most prominent is chilli, that completes the product with a spicy note at the end.

PEANUT AND MEDITERANA PATÉ

Family of Podravka patés is increased by two new limited edition flavors - Peanut and Mediterranean patés. Peanut paté is made from high-quality chicken meat without preservatives, based on existing recipe of Podravka chicken paté with the addition of peanuts. Mediterranean paté combines the most valuable ingredients of the Mediterranean - juicy tomatoes, rich olives and light chicken, which distinguishes it from other patés in the range. Added visible pieces of olives and tomatoes visually differentiate this product from others in the range, and the intense flavor is reminiscent of the popular piquant paté.

WINTER PATÉ

Winter paté title actually hides a brand new flavor for consumers on the Croatian market - paté with garlic. It is an in-out item for the winter, and was introduced as a replacement for the summer Mediterranean paté.

HAM PATÉ

Ham paté is made of high quality pork meat with the addition of smoked ham. It is characterized by fine, rounded flavor of smoked ham, and it is intended for lovers of intense meat flavor.

- BAKED BEANS** Baked beans is a meal intended for consumption on its own, but it is also a tasty side dish with various meat dishes. Without additives and suitable for vegetarians. It can be prepared as a main dish with a salad or enriched with spicy sausage or Podravina bacon.
- BEANS WITH SAUERKRAUT** Beans with sauerkraut is a well-known traditional dish based on large beans and sauerkraut. Beans and sauerkraut complement each other perfectly into a rounded taste of domestic cuisine, without added flavoring.
- LERO SYRUP LEMON ELDER** Aiming to constantly provide its customers with innovative and trendy products, Podravka enriched its range of fruit syrups with a new product - Lero syrup elderberry lemon 1 L. A mixture of concentrated lemon juice and elderflower extract tastes like "homemade" elderberry syrup, which is refreshing and suitable for consumption throughout the year.
- STUDENA 0.25 L WITH LINO** Special edition of Studena water 0.25 L with a sports cap and the image of Lino is intended primarily for preschoolers and is the official water of various children's events and activities such as cross-country in schools, children's festivals, Lino All-rounder, etc. However, Studena Lino is often sought by teenagers, athletes, amateurs and all those devoting attention to their health.
- NEW LINO CHOCOLATE MEALS** Lino follows children in their growing up and has created in his factory new chocolate snacks. Lino Crunch duo - crispy, tasty, delicious cereal balls of chocolate and vanilla wrapped in cool packaging. Besides Lino Crunch duo in the classic cardboard packaging of 225 g, there is also an innovative and practical, attractive XXL bag of 500 g. Popular Lino Crunch also arrives in the new, larger XXL package, in a bag of 500 g.
- ČOKOLINO FIT - FAST, NUTRITIOUS AND TASTY** Lino Čokolino Fit contains 30% less sugar, and gives you more energy, vitamins, fiber, magnesium. It is an ideal light meal before a hard workout and quickly restores energy after intense physical activity. It is intended for all ages, especially those who keep an eye on energy intake and try to eat healthy. It is eaten for breakfast, brunch, as a treat for a light dinner.
- LINO ČOKOLINO PLUS** Another novelty from Lino family is Lino Čokolino Plus, a high-quality meal of carefully selected ingredients, with as many as eight vitamins, wheat flakes with chocolate, oat and corn flakes, and for a complete experience there are crunchy cereals with chocolate. Nutritious, easily digestible and simple meal, ideal for children and young families.

LINO CHOCOLATE DRINK Lino chocolate drink is an instant cocoa beverage of chocolate flavor enriched with vitamin D and calcium. A portion of cocoa beverage (15 g of the product + 200 ml milk) contains 32% of the recommended daily allowance of calcium and 15% of the recommended daily amount of vitamin D. It can be drunk as a hot beverage for cold days or a refreshing drink with cold milk for warmer days, as milkshake, for sprinkling pancakes, in addition to Lino semolina or with your favorite Lino čokolino.

DOLCELA LAVA MUFFINS Lava muffin is an extra chocolate muffin whose middle is filled with fine chocolate liquid cream. One pack contains a cake mixture and molds for baking and it suffices for 8 lava muffins. Preparation is very fast and easy - it takes just 10 minutes of baking. Except for muffins, the mixture can be used to prepare a chocolate soufflé and the Lava cake, whose recipe is printed on the packaging. The product is in an attractive box with dark red color in distinctive Dolcela design.

DOLCELA CAKE CREAMS VANILLA AND CHOCOLATE New creams are extremely light, creamy and rich in taste. They are intended for different types of cakes: shortcake, fruit and cakes with crust pastry. Preparation is very quick and easy - to prepare the cream you just add milk, and one pack is enough for one cake.

DOLCELA ICE FANTASIES Dolcela Ice fantasies are ice cream desserts for a perfect summer refreshment. They can be found in four favorite flavors - chocolate, vanilla, strawberry and hazelnut. Preparation is fast and simple, only add milk and freeze until desired firmness. In addition to ice cream desserts, light dessert creams can also be prepared with the Ice fantasies.

DOLCELA YEAST Dolcela instant yeast is used in bakeries and in households for leavening. Next to bread and rolls, dough is used to prepare favourite cakes from grandma's kitchen. In international cuisine it is used for making dough for Italian pizza, focaccia) and panettone ... The product is in a bag of light yellow color and in recognizable Dolcela design.

DOLCELA CUPCAKES WITH CHOCOLATE CREAM Dolcela cupcakes with chocolate cream are appealing cookies, richly decorated with cream and colorful ornaments. The pack contains a cake mixture, cream mix, colorful sugar balls for decorating and baking molds in color. Preparation is very simple and fast, and one pack is enough for 12 cupcakes. In the box there are recipes with additional ideas for preparing the product.

**DOLCELA CUPCAKES WITH
VANILLA CREAM**

Dolcela Cupcakes with vanilla cream are decorated with black and white decorations. They are ideal for all occasions, especially for birthday parties and celebrations. Package contains a chocolate cake mix, vanilla cream mix, crispy rice balls for decoration and molds for baking in color. In the box there are recipes with additional ideas for preparing the product.

NEW FLAVOURS OF PODRAVKA TEAS

After the consumers' favourable reception of new fruity flavors of Podravka teas (Plum, Apple with cinnamon, Raspberry and blackberry with vanilla and Orange with cinnamon and clove), Podravka has decided to expand the teas range with two more fruit flavors - Pear and Lemon and lime. A novelty in the herbal teas line is Nettle. New fruit flavors come packaged in aroma envelopes and they preserve freshness and flavor. Podravka teas in aroma envelopes is joined by the herbal tea Mint.

VEGETA MARINADES

Range of Vegeta products is enriched with new liquid marinades that in only 30 minutes of marinating provide meat, fish and other foods irresistible flavors and shorten the preparation time. New Vegeta marinades do not contain added flavors nor aromas and they are sold in 90 ml bags.

Vegeta Marinade with garlic is an excellent combination of dried garlic, white wine, vinegar, mustard, dried vegetables and seasonings, making marinating simple, and leaving no garlic scent on your fingers. Vegeta Universal marinade is intended for everyone who want a moderate and ideally rounded flavor of meat and fish. It can also be used to season goulash, stews and vegetable soups. Thanks to the excellent combination of oil, vinegar, dehydrated vegetables and seasonings, Universal marinade guarantees an irresistible taste of grilled meats and roasts.

Vegeta Mediterranean marinade pervades its authentic Mediterranean "note" through meat and fish and the flavors and aromas of Mediterranean herbs. What makes it unique is a harmonious combination of olive and sunflower oil, vinegar, dried vegetables and Mediterranean herbs - oregano, marjoram, thyme, bay leaves and rosemary. Vegeta Piquant marinade in a very simple way enables meat, fish, goulash, stews, vegetables soups and other dishes take on a nice piquant flavor and a note of spicyness. It contains the perfect balance of oil and vinegar, chili, red paprika, onion, garlic, celery, cumin, oregano, black pepper, coriander, ginger and other ingredients.

**VEGETA TWIST FOR CRUNCHY
POTATOES**

It is a product for preparation of potatoes. It is used for seasoning of frozen French fries or potato, preparation in oil or in the oven and for seasoning before or after baking. It consists of a unique combination of spices, salt and dried vegetables, and is intended for those who love French fries and baked potato, and with quick preparation of meals, for those who want a guarantee of good taste.

**PODRAVKA SOUPS FOR CHILDREN AND
TALIANETTA**

Three new Podravka soups and two Talianetta products are characterized by mild flavours adapted for children. These products are made of carefully selected ingredients, without added flavours, artificial colours and aromas. Playful design and cheerful colours on the packaging invite children and parents to play and have fun.

Podravka storytelling soup is a clear chicken soup, rich in nourishing pasta. Alphabet pasta encourages children to play the “spelling” game and makes the meal more fun. The soup is completed with various vegetables and chicken meat that additionally rounds up the recognizable chicken flavour.

Podravka star soup is a rich vegetable soup for all those who wish to enjoy the richness of colour and flavours provided by the vegetable united with small star shaped pasta. Large pieces of various vegetables together with seasonings and good-quality pasta make an aromatic and cheerful soup mosaic.

Podravka dumpling soup is a light soup of mild vegetable flavour with green and orange dumplings, whose colour derives exclusively from natural seasonings and vegetables.

Talianetta spaghetti mljacketi are a favourite meal prepared from good-quality spaghetti in characteristic tomato sauce, beef meat, vegetables and aromatic Mediterranean seasonings, that are ready to be enjoyed after only 5 minutes of cooking.

Talianetta pasta smazolina is a meal prepared from spiral shaped pasta that children love so much, in a creamy and nutritious cheese sauce, carefully folded with selected seasonings, and completed with the rich milky taste of cheese. This pasta in juicy sauce is ready in just 8 minutes.

NOURISHING SOUP

Nourishing, rich and spicy soup, perfectly suitable for cold winter days. This soup is of special flavor owing to a combination of spices, dominated by spicy and delicatess red pepper. The taste of beef and fried burger is perfectly combined with the taste of various vegetables. Appearance, but also the taste of the soup is complemented by chunks of potatoes, parsley and good-quality pasta in the shape of small macaroni from durum wheat, but mostly by pieces of dried button mushrooms.

WINTER SOUP

Creamy soup from beans, pasta and vegetables. Just like real homemade bean soup, Winter soup is of characteristic warm light brown color, complemented with chunks of vegetables and high-quality pasta from wheat grits, in the shape of patches. Taste is entirely completed with characteristic blend of seasonings. The soup can also be used as an excellent soup stock for stews.

BAKED PEPPERS AIVAR Podravka baked peppers aivar is prepared according to an original recipe in a traditional method. Peppers and eggplants are baked, peeled and additionally cooked to obtain a creamy dense structure of aivar with special, homemade taste. The very process of picking vegetables to packing of aivar lasts 12 hours. It contains only five ingredients - baked peppers and baked eggplant, oil, table salt and sugar. It is an ideal side dish for meat meals and vegetable dishes, hot and cold platters, stews and goulashes, and it can be used as a spread.

PODRAVKA MIXED SALAD Podravka Mixed salad is made of several kinds of vegetables, whose combination of colors and flavors will satisfy the tastes of lovers of this product. Produced from selected varieties of vegetables, especially pleasant mildly sour taste. The product carries the label "Tradition and quality from domestic field" - no preservatives, according to local recipe, from the finest fruits of nature.

FRUIT SPREAD PLUM WITH CLOVE To the famous plum jam labeled Originally Croatian, Podravka has decided to add another product prepared from this fruit. It is fruit spread Plum jam with cloves, which brings a new, festive flavor. When preparing the spread, the plums are added with clove and plum brandy aroma, providing it with specific aromatic flavor. The product is of very spreadable structure, showing bits of plums. It contains 40 percent fruit per 100 g of the product and is of light flavour.

APPLE AND CINNAMON FRUIT SPREAD This seasonal product is back on the shelves, and because of the high portion of fruit (as much as 60 percent) and light taste, it will win new fans of delicacies. Fruit spread Apple with cinnamon 340 g, which is launched to the market in festive attire is a slightly jellied product, of soft texture, and apples are present in the form of cubes and puree.

TOMATO CONCENTRATE WITH ONION Tomato paste concentrate with onions is a new product in Podravka's range. Produced from the best tomatoes with added aromatic dried onions, recognizable quality of Podravka concentrate, it is an innovation in this segment. By using this product the time of cooking is shortened and every preparation becomes fast and easy. It is recommended for preparation of sauces, soups, stews and similar dishes. Without preservatives.

PODRAVKA BARLEY Podravka Barley is carefully selected, packaged in convenient packaging, which after use can be re- closed. Barley grains are peeled and of yellow-white colour. It belongs among easily digestible grains. It is nutritionally rich and healthy food.

- PODRAVKA SOY** Soybeans unlike other legumes have a high content of high-quality proteins that make up 34% of the composition of the grain. Soy is the only plant that contains all the essential amino acids, without which the body can not function. Rich and healthy victual, it is an excellent source of proteins, vitamins and fiber.
- PODRAVKA CHICKPEA** Chickpea is a legume of light brown colour. For Podravka chickpeas only the finest grains of refined chickpea are used, in packaging that can be easily re-closed. Basic preparation of chickpea is cooking, after which it can be prepared in various ways, as an appetizer, soup, stew, a main dish or a side dish, in addition to vegetable salads or even as part of a dessert.
- PODRAVKA MILLET** Millet are tiny, yellowish, round grains. Millet is considered one of the most important cereals. It is a source of nutrients, has a sweet taste and wide applications. Due to its alkaline composition, it should occupy a special place in the human diet. It is an excellent source of vitamin B complex, magnesium, phosphorus and iron, and dietary fiber. Does not contain gluten.
- PODRAVKA GREEN LENTILS** Green lentils is renowned in vegetarian diet, and recently has been used more and more in conventional diet. It belongs to a group of grain legumes, is an excellent source of proteins, minerals and fibers. It can be added to any cooked meal, because is of neutral taste, and it can also be used for thickening of meals. Cooked lentils goes well with tomatoes, garlic, meat, cured meat products, olive oil and cheese.
- PODRAVKA BUCKWHEAT** Buckwheat is easily digestible victual of specific taste. It is of brown color in the form of triangular grains. It belongs among the leafy vegetables where the grain is used, so we include it among cereals. It is an excellent source of vitamin B complex, magnesium, phosphorus and iron, and dietary fiber. Does not contain gluten.
- PODRAVKA BEANS** Beans are an essential food in our diet. It belongs to a group of grain legumes and one of the best known and most used legumes in the world, and also the largest source of vegetable protein and fiber.
- PODRAVKA RED BEANS** Podravka dry red beans is carefully selected, purified, packaged in convenient packaging, which after use can be easily closed. It is excellent for preparing Mexican dishes as well as an ingredient in a variety of imaginative salads, for preparation of tasty side dishes, dips, sauces and spreads.

NEW BELUPO PRODUCTS In the past business year Belupo launched to the Croatian pharmaceutical market 10 brands of medications, which are produced in 16 pharmaceutical forms from 6 ATC group. They are medications for treatment of respiratory system diseases, malignant diseases, and immune modulators, digestive system problems and changes of the substances, followed by medications for treatment of nervous system, drugs for the treatment of blood and blood-forming organs, drugs for the treatment of heart and cardiovascular vessels. Out of 16 countries where Belupo sells its products, on 9 of them in 2013 15 new preparations (Rx and OTC) were launched, and they are produced in 42 pharmaceutical forms.

HEDERAN TABLETS Belupo's portfolio of OTC products, dietary supplements, is enriched with another Hederan[®] product: Hederan[®] tablets, 20 film-coated tablets in packaging. The product is based on the common ivy leaf extract and helps to relieve cough and maintain normal function of the respiratory system. It is intended for adults and children over six years.

**NEOFEN - SUPPOSITORIES
60 AND 125 MG** Belupo's OTC program is enriched with another new form of Neofen for children - Neofen suppositories 60 and 125 mg. This is big news in the Croatian pharmacotherapy and the only form of ibuprofen in the form of suppositories that is launched to the market. Neofen suppositories are indicated to lower fever, relieve pain and fever in colds and flu, for relieving mild to moderately severe pain such as pain at teething, toothaches, headaches, sprains, strains, as well as relieving sore throats and earaches. The drug is indicated for the treatment of children aged 2-6 years.

REWARDS AND RECOGNITIONS

SUPERIOR TASTE AWARD - REPEATED SUCCESS

Podravka products have again been crowned with a series of awards for their quality and excellence, among them with the Superior Taste Award.

Having received the highest marks, Studenac confirmed its leading position and number of products in various categories with that reward, obtained over the years, were established among the high-quality food products. Consumers recognized and the experts awarded them with the highest recognition.

Superior Taste Award is awarded by the International Taste & Quality Institute from Brussels - one of the leading world organizations evaluating the quality of all the product categories in the food and beverages segment. Next to Studenac, this reward of excellence was also received by other products from the beverages category - Studenac orange-kumquat and Studenac lemon-grapefruit, having received two-star evaluations. Among other products receiving the same reward is Podravka tomato pure, Podravka chopped tomato with basil and oregano, and the label Superior Taste Award this year also goes to Podravka chopped tomato with olives and garlic, Piquant sausage and Chicken pate. In total 1239 international products participated in the competition. 20 percent were rewarded with maximum three stars, 40 percent with two and above 14 percent with one star.

QUDAL FOR THE HIGHEST LEVEL OF QUALITY

QUDAL research showed that Podravka, as evaluated by the experience, opinion and perception of Croatian consumers continues to retain its top position among economic entities when it comes to quality of goods and services offered. From the Croatian consumers it received the highest possible grades when choosing an economic entity offering the highest level of quality in general. Podravka positioned itself as a symbol of quality in the market, because the consumers, besides in the major category, selected it as a synonym of quality in 11 different categories, choosing Podravka brands and their first choice. Consumers have chosen the highest quality products from different food categories, and the carriers of golden medals are Vegeta, jams, sweet spreads, packet soups, canned vegetables, canned fruit, ready-made sauces for pasta or rice, mustard, powder mixtures for cakes, flour and Eva canned fish. This research shows the way Croatian consumers think when it comes to specific quality of products, comparing those products or services with market competition.

QUDAL research is being performed by the Swiss authority ICERTIAS - International Certification Association - headquartered in Zürich, with the support of the leading world consulting and auditing organization PWC - PricewaterhouseCoopers. Aim of this project is to divert public attention to the importance of quality in everyday choice and the right of citizens to the high level of quality, and also to enable consumers to get around better and find easier the products and service of the highest quality in the market.

**CROATIA EFFIE 2013 AWARD TO
FANT FOR CRISPY BREADED MEAT
AND TO LERO**

At the advertising festival Communication Days Podravka won two rewards Effie 2013. They are prestigious rewards being given to the best agencies and advertisers on a national level. Bronze Effie was awarded to Podravka in the food category for the campaign “Fant for crispy breaded meat” by the advertising agencies Imago and Unex Media, and for the beverages category “Lero - when fruit concentrates!” in cooperation with agencies BBDO Zagreb and Unex Media. These rewards received by the experts are an official confirmation that the consumers and experts have recognized Podravka’s products through efficient marketing campaigns.

BEST BUY AWARD

Having received the Best Buy Award recognition, Podravka brands can proudly carry the medal reserved for products and services of supreme quality and excellent price. The respondents were replying to questions which company, domestic or foreign, in any sector of economy would they point out as an example of best price and quality ratio.

- Best Buy Award 2013/2014 - Soups - Bosnia and Herzegovina market
- Best Buy Award 2013/2014 - Marmalades - Bosnia and Herzegovina market
- Best Buy Award 2013/2014 - Marmalades - Slovenia market

**NAJMUESLI 2013 - RECOGNITION BY
EXPERTS AND CONSUMERS**

In the competition Najmuesli 2013 organized by the portal zdravakrava.hr, according to the experts commission, Podravka’s Provita crunchy muesli found itself at the very top, taking second place. Editorship of the portal Zdrava krava nominated in total seven products in the category of muesli with dried fruit. The criterion in the evaluation were recognizability, availability and emotional experience. Muesli that according to the professional criteria have entered among the top 3, were voted for by the readers and competed for the title Najmuesli with dried fruit, as recommended by Zdrava krava. Podravka Provita crunchy muesli with berries, confirmed its recognizability and quality, and received this award from experts and consumers.

**PRZEBOJOWY PRODUKT FMCG I ZŁOTY
PARAGON 2013 FOR PODRAVKA’S
PRODUCTS IN POLAND**

Podravka’s products received two awards in the competition of retail products. Both awards are an indication of how important quality is to customers. In the competition for the prize Hit Product FMCG Podravka pasta was chosen by a panel of experts from the FMCG sector. In the competition for Złoty Paragon 2013, the best among 430 products in 60 categories were selected. And again Podravka pasta was declared among the best. The most popular all-purpose seasoning Vegeta was also awarded in Poland.

LAUR KONSUMENTA 2013

In Poland Vegeta received another extremely valuable award, since its Polish consumers assigned it the first place in the category of all-purpose food seasonings. The “Laur Konsumenta 2013” award was given for familiarity in the Polish market. This is one of the largest and most recognizable projects aimed

at detecting opinions of consumers in Poland. The study provides manufacturers and distributors answers to the most important question - which products and services are currently the most popular in their category. Recognizability and quality of Podravka's products is primarily confirmed by the fact that the category of universal food seasonings received 43 percent of the vote.

**SUPERBRANDS SLOVAKIA 2013
FOR VEGETA**

Vegeta received the big award "Superbrands Slovakia 2013" where it is sold under the brand Podravka - seasoning, while maintaining all the distinctive attributes of Vegeta (blue color, cook, vegetables). Podravka has already won the Superbrands Slovakia in 2006, thereby confirming the power and familiarity of the brand on the Slovak market, where it has been present since the '60s of the last century.

**AWARD "THE MOST SELLING PRODUCT"
FOR VEGETA IN LITHUANIA**

Vegeta has confirmed its popularity once again by winning the award for the most popular seasoning in 2012 in Lithuania. The recognition is very valuable if we take into account the fact that the most popular food products in Lithuania are domestic Lithuanian products. Such findings were presented at the awarding ceremony, "The best-selling product," organized by the Association of Lithuanian commercial enterprises (ALTE). Participants were divided into 66 categories and the winners were chosen based on consumption indicators - sales results for the year 2012, according to commercial networks "Maxima LT", "Rimi Lietuva", "Palinka" and "Norfos mažmena".

SI.BRAND 2013 FOR PODRAVKA

On the scale SI.BRAND TOP50 2012 Podravka has taken a strong position and acquired the right to use the label SI.BRAND 2013 on its products. Si.brand is the scale of brands that Slovenian consumers recognize as domestic. Društvo potrošnikov za izvajanje potrošniških raziskav Si.brand, which is financed from the budget and operates within the Ministry of Economy, carries out a survey among consumers via the Internet and in the field, which brands are associated with certain categories. The award was presented by the Association of consumers si.Brand from Ljubljana, and once again Podravka proved its quality and familiarity in this market.

**GOLDEN MARTEN FOR BELUPO AS THE
MOST SUCCESSFUL COMPANY**

At the formal session of the Economic Council of Koprivnica County, Belupo was awarded a plaque "Golden Marten" for the most successful company in Koprivnica-Križevci County. It is a traditional award that highlights the best quality companies in the county economy, and the terms for obtaining it are business image, the impact that the company has on the industry and its contribution to overall economic growth.

**FARMAVITA RECEIVES RECOGNITION
"THE MOST DESIRABLE EMPLOYER"**

Pharmaceutical company in Bosnia and Herzegovina, Farmavita, mostly owned by Belupo, received a recognition for the most desirable employer. This research was organized by Development studio and the portal Posao.ba.

SOCIAL COMMUNITY

Owing to the values saturated through the company culture, socially responsible behaviour is a constituent part of Podravka's identity and business activities. From its very beginnings Podravka has been aware of its influence and responsibility towards the social community into which it is deeply rooted. Implementing concrete projects, for more than half a century Podravka Group contributes to development and elevating the standards of living of its employees, but also of the wide social community. Engaging own potentials, the company activates connections and exchange of knowledge, experiences and information, creates and stimulates initiatives and projects with the purpose of sustainable economic development, improving the quality of living and environment protection. Engagement to satisfy the needs of the social community in which it operates is portrayed in the three following key areas:

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

CARING FOR THE SOCIAL COMMUNITY

Socially responsible behaviour, i.e. advancement of the society and citizens' quality of living is Podravka's goal. From the time it was founded, Podravka invests in humanitarian projects, science and education, sustainable development, culture, art and sport. When evaluating projects, the advantage is given to quality, specialties and value that project realization would present for the community in which Podravka Group daily operates.

HEALTHY LIVING

Next to many activities performed in 2013 in the area of healthy living, worth noting is the School menus project - its goal is to promote diverse and balanced diet in elementary school throughout Croatia, as a continuation of a very successful city project (all elementary schools participated). This valuable project by the City of Koprivnica received positive evaluations by the Ministry of Health and Ministry of science, education and sports, considering it is aligned with the Action Plan for prevention and reduction of obesity and Strategic plan of development of public health for the period 2011-2015 for the Republic of Croatia.

CONTINUOUS EDUCATION OF ADULTS

For a number of years Podravka Group pays special attention to the process of life-long learning and continuous investment into the development of its employees on all levels. Apprenticeship program, Evaluation center, internal workshops and lectures, e-education development and internal knowledge base are established. Significant funds are being invested in education of own employees, considering they are one of the basic values and significant strength in this company's growth and development.

ECOLOGY

PODRAVKA'S ENVIRONMENT PROTECTION ACTIVITIES IN 2013

Podravka is committed to preservation and protection of the environment in which it performs all required business activities. Therefore exceptional attention is paid to the protection and improvement of environmental quality in which it achieves its economic, environmental and social performance.

Consequently, in the field of environment protection during the 2013 dedicated work on achieving the following fundamental objectives was continued:

- further education of employees to make them more aware and to advance their attitude towards the environment
- continuous reduction of waste water creation and release
- managing waste as a useful raw material and resource
- protection against all kinds of pests for all organizational units
- improvement in the work of the laboratory and waste water treatment device
- active participation in the work of the organizations covering the area of environment protection.

In line with the defined goals of Podravka in the area of environment protection, and within the authorities and responsibilities of the department, a whole series of planned activities was performed in 2013, resulting in significant environmental, social and economic achievements.

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

CONTINUOUS REDUCTION OF WASTE WATER CREATION AND RELEASE

Significant progress in reduction of waste water creation and release was realized in Podravka during 2013 through improving the waste water treatment device operation. This improvement was performed through the following activities, at the locations Danica and Starčevićeva street:

- good management and control of the waste water pre-treatment device
- sludge concentration and organization of recovery
- control of all waste water flows
- preparation of waste water and sludge samples for authorised control
- surveillance of the drain system and sewage systems recovery

MANAGING WASTE AS A USEFUL RAW MATERIAL AND RESOURCE

With the purpose of more efficient waste management, during 2013 additional activities have been undertaken at Podravka in order to realize a better waste management.

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

- formation and establishing a new area for waste sorting and temporary storage (“recycling yard”)
- organization of recovery and sorting of all kinds of waste - harmless, harmful, communal, bulk, side-products, raw materials and finished products
- control of record keeping and packaging material control
- tracking amounts and movement of harmful substances and reporting

PEST PROTECTION FOR ALL ORGANIZATIONAL UNITS AND BUSINESS PROCESSES

Appropriate protection against all kinds of pests (desinfection, disinsection, deratisation=DDD) for all organizational units and business processes within Podravka during 2013 resulted in high quality of produced products. All the regular DDD measured, as well as extraordinary DDD interventions were performed according to the set plan.

IMPROVING THE WORK OF THE WASTE WATER LABORATORY

Significant improvement of work of the waste waters laboratory was realized in 2013 by better analytical control of all the waste water streams, and systematic tracking of quality and quantity of waste waters in Podravka.

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

In 2013 Podravka was a regular member of the following:

- Croatian Business Council for Sustainable Development (HR PSOR)
- Environment Protection Community in Economy at the Croatian Chamber of Economy
- Economic and Interest Association of Beverages Producers (GIUPP)
- Eko-ozra

OTHER ACTIVITIES OF THE ECOLOGY DEPARTMENT

Next to the activities that were systematized earlier, Ecology department in 2013 contributed to Podravka’s business with the following activities:

- air emissions control
- annual report creation for Environment Polluters Register (ROO)
- acquiring water licenses
- preparation of necessary investments and investment maintenance
- tracking legislature in the field of environment protection and adjustment of activities
- creation and updating of internal rulebooks in the area of environment protection
- participation in inspections and surveillances: water licenses, sanitary validity, environment protection inspection, veterinary inspection
- participation in the work of HACCP teams
- monitoring the raw materials fumigation process and provision of wasted materials for personal protective equipment

- preparation of materials on environment protection for Podravka Group Annual Report 2012
- participation in activities regarding ETS (Emissions international trading system)
- participation in devising and implementation of the European movement week

BELUPO'S ENVIRONMENT PROTECTION ACTIVITIES IN 2013

In carrying out its business activities Belupo as a member of the Podravka Group is committed to sustainable development and pays particular attention to environmental protection in the existing production activities, development of new products and technologies and in building new production plants. In these activities, the consumption of raw materials and energy, the collection and recycling of waste and emissions, Belupo limits adverse impacts on the environment regardless of the increase in production capacities in factories.

Complying to government regulations regarding environment protection and internal regulations such as the Operational Plans, Rulebooks, Standard Operating Procedures and work instructions describing procedures and tasks, environment pollution control is established. Constant progress in environmental protection is achieved through continuous training of employees, especially new employees, with the purpose of strengthening environmental awareness of every employee. That way the environment protection is advanced and better living conditions provided in line with the social responsibility towards the community.

WASTE MANAGEMENT

Environment is mostly polluted by waste, so proper waste disposal is systematically organized. The waste is recorded according to operating units, it is separated, and properly stored and intended for thermal processing. Sorting and separate collection of waste, increased the amount of waste for recycling, and reduced the amount of waste deposited at the landfill. With the principle of effective waste management, all the waste is disposed of in a safe and environmentally responsible manner, it is recycled or thermally treated. By proper management, most of the waste becomes secondary raw material, which is the aim of saving natural resources.

AIR PROTECTION

Great attention is paid to air emissions by monitoring the emissions of particulate matter and organic solvents from technological outlets as well as emissions of NO₂, CO and CO₂ from power outlets. In accordance with legal regulations, measurement of air emissions from stationary sources of technological installations and from stationary energy sources are regularly performed by authorized institutions. Borderline values of the emissions are within allowed limits, and they are being recorded, and measurement results are regularly submitted to the Environmental Protection Agency. Belupo in their plants and laboratories installed the latest equipment with filters suitable for the reduction of dust and organic solvents emissions. Fil-

ters of class EU-4, EU-6 and H-13 are built in the exhausts of the production plants and they very effectively prevent the release of dust particles in the atmosphere.

A device with active carbon was installed for control of organic solvents, and it performs the absorption of ethanol. The plant is automated and regeneration or replacement of active carbon is done after it is saturated. Plants using organic solvents were reported to the registry at the Ministry of Environment and Nature Protection and by keeping mandatory records of consumption of organic solvents the amount of solvent emissions is controlled. In order to protect the air of fluorinated greenhouse gases, a record is kept on all cooling devices that use controlled or replacement means that deplete the ozone layer. Servicing and control of permeability through authorized repairers is also performed..

WATER PROTECTION Water protection is carried out in accordance with the Water license for wastewater discharge of Podravka factories at the locations Danica, Koprivnica. Technological and sanitary waters are drained from the site Belupo in a separate sewage, they are mixed with waste waters of other plants and are being drained to the device for mechanical and biological treatment. Analysis of wastewater are regularly performed by certified laboratories, in accordance with the legal provisions and the water license. Wastewater meet the borderline values proscribed by legislation. Storm water does not burden the device, but are drained in a separate sewer into a natural recipients. In accordance with the principles of cleaner production, the project of water recirculation was implemented, resulted in significant savings of water, and also the replacement of the entire system of clean water supply was implemented to stop the unnecessary leakage of potable water, which is evident in water consumption being reduced each year.

A record is kept on all means used for washing, cleaning and disinfection, and all the means have the water license. Maintenance and cleaning of systems for wastewater are being regularly performed, and waterproofing documentation has also been created. In case of accidental contamination of area and internal drainage system, Operational Plan of intervention measures for the protection of water is implemented, and all employees are familiarized with it, and in line with it the risks of water pollution are reduced to the smallest possible measure.

RISKS MONITORING To minimize the potential environmental incident, Belupo has created an Operational Plan for the protection of waters against sudden pollution as well as Preventive operational plan for environmental protection. Proper handling of hazardous substances and chemicals is an integral part of employee training, minimizing the possibility of an incident. Hazardous substances are properly stored depending on their properties, and on the quantities of hazardous substances on the site, the Ministry of Environment

and Nature Protection is regularly informed, together with the Environment Protection Agency and the National Protection and Rescue service.

In order to avoid the possibility of hazardous substances incident, Risk Assessment has been performed, together with the Operational Plan for the Protection and Rescue. Potential impacts on material goods, possibility of endangering employees and the environment as a consequence of hazardous substances have been elaborated, and that way the risk of incidents has been reduced to a minimum.

ENVIRONMENT POLLUTION REGISTER

Through the database of the Environmental Protection Agency registration is conducted on all pollutions and environmental emissions, separately for all types of waste with the finite manner and place of provision, calculation of quantities and discharge of emissions into air and water. Closing the production site for antibiotics in Ludbreg, final disposal of all types of waste was conducted, as well as check out of the location of pollutant emissions into the environment.

Belupo is a socially responsible company and with its active and responsible attitude towards environment protection, which is systematically being performed for many years, it seeks to maintain a healthy and clean environment.

AUDITS

In 2013 audits by the authorised certification companies were performed on the quality management and food safety systems, according to several international standards. Audits referred to the overall Podravka Group in the Republic of Croatia, except for Belupo, Podravka Poland and Podravka Lagris, Czech Republic. All organizational units and processes within Podravka, participating in the safe food production chain - “from field to the table” were included: Procurement→ Logistics→ Quality Control→ R&D→ Marketing→ Production→ Maintenance→ Human Resources→ Sales→ and others. Audits confirmed compliance to the following international standards:

no.	STANDARD	LOCATIONS	AUTHORISED BODY
1	ISO 9001:2008	Podravka d.d. (all locations in Croatia) Danica d.o.o., Koprivnica Ital-ice d.o.o., Poreč Podravka Polska, Polans Podravka Lagris, Czech Republic*	Certification authority SGS *for Podravka Lagris Certification authority Qualifood
2	HACCP prema Codex Alimentariusu	Podravka d.d. (all locations in Croatia) Danica d.o.o., Koprivnica Ital-ice d.o.o., Poreč	Certification authority SGS
3	IFS International Food Standard	Podravka d.d. headquarters, Koprivnica Vegeta and soups factory, Koprivnica Baby food and sweet spreads factory, Koprivnica Kalnik Factory, Varaždin Podravka Polska, Poland Podravka Lagris, Czech Republic*	Certification authority SGS *za Podravka Lagris certifikacijska kuća Qualifood
4	BRC (British Retail Consortium) Global Standard for Food Safety	Podravka d.d. headquarters, Koprivnica Vegeta and soups factory, Koprivnica Baby food and sweet spreads factory, Koprivnica Podravka Polska, Poland	Certification authority SGS
5	FSSC 22000 Food Safety System Certification	Podravka d.d. headquarters, Koprivnica Snacks Factory, Koprivnica Danica d.o.o., Koprivnica	Certification authority SGS
6	NSF	Studenac Factory, Lipik	NSF International
7	HALAL	Danica d.o.o., Koprivnica Vegeta and soups factory, Koprivnica Baby food and sweet spreads factory, Koprivnica Kalnik Factory, Varaždin Fruits Factory, Koprivnica	Halal Certification Center
8	KOSHER	Kalnik Factory, Varaždin Vegeta and soups factory, Koprivnica Fruits Factory, Koprivnica Snacks Factory, Koprivnica Mill, Koprivnica	Rabi Kotel Da-Don

Comparing to previous years, in 2013 there have been the following changes:

- certification of jams and marmalades production process according to BRC standard was discontinued, considering the cooperation with the customer who set that demand was also discontinued
- certification of processes by Danica d.o.o. meat industry according to FSSC 22000
- Halal certification for products: Vegeta, baby food, cream spreads, fruit and vegetable products at four production locations

**EN ISO 9001:2008 CERTIFICATE TO
FARMAVITA**

Farmavita was successful at recertification audit, performed by the certification authority TUV NORD. EN ISO 9001:2008 certificate is a confirmation of successful implementation of all business processes compliant to guidelines of GMP standard and quality system implemented within the company.

**SUPERVISORY BOARD AND MANAGEMENT BOARD
MEMBERS BIOGRAPHIES**

PODRAVKA D.D. SUPERVISORY BOARD MEMBERS BIOGRAPHIES

DUBRAVKO ŠTIMAC
SUPERVISORY BOARD PRESIDENT
(FROM 24 FEBRUARY 2012)

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

MATO CRKVENAC
SUPERVISORY BOARD DEPUTY
PRESIDENT (FROM 24 FEBRUARY 2012)

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

DINKO NOVOSELEC
SUPERVISORY BOARD MEMBER
(FROM 7 JULY 2010)

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

PETAR VLAIĆ
SUPERVISORY BOARD MEMBER
(FROM 7 JULY 2010)

He graduated from the Faculty of Electrical Engineering and Computer Science in Ljubljana. In 1993 he is employed as a teacher of physics in Secondary school of chemistry in Ljubljana. In 1994 he transfers to brokerage house Ilirika, where he started as a broker, and later becomes portfolio manager and trade manager. In 1996 he becomes the first fund manager in the Republic of Croatia in the first Croatian investment fund Kaptol Proinvest. Later on he works as a trade manager in IB Austria, upon which he transfers to the position of fund manager at the Central National Fund, a private investment fund. In 2001 he becomes the Management Board president of Erste d.o.o. for managing Mandatory Pension Fund. He is a long-year journalist, associate for the Ljubljana daily paper Delo with the subjects of Croatian capital market. He holds a license for performing broker activities and portfolio management in Ljubljana, a license for trading in the derivatives market in Ljubljana, a license to perform the activities of an authorized broker in Zagreb and a license of an authorised retirement fund manager.

PETAR MILADIN
SUPERVISORY BOARD MEMBER
(FROM 7 JULY 2010)

He graduated from the Faculty of Law in Zagreb. He passed his bar examination in 1999, when he also receives his MA from the Faculty of Law in Zagreb. He defended his doctoral dissertation "Payment by remittance" in 2005 at the Law faculty of the Zagreb University, receiving his PhD in scientific field of law. He is employed at the Law Faculty in Zagreb in 1997 as a junior assistant at the Department for Commercial Law and Companies Law. In December 1999 he becomes the assistant at the same department where he works as a senior assistant from 2005. He works as an assistant professor at the Faculty of Law in Zagreb since 15 December 2005 and since 2009 he is full professor. He published over twenty scientific works in the area of commercial law, companies law and banking law.

MARTINKA MARĐETKO-VUKOVIĆ
SUPERVISORY BOARD MEMBER
(FROM 8 APRIL 2011)

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

IVO DRUŽIĆ
SUPERVISORY BOARD MEMBER
(FROM 24 FEBRUARY 2012)

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

Professor in 1995 at the University of Beijing in China, and in 1997/98 at the University of Pittsburgh. He is the head of the scientific postgraduate study of the Economy and development at the Faculty of Economy and Business in Zagreb.

IVANA MATOVINA
SUPERVISORY BOARD MEMBER
(FROM 6 JULY 2012)

She graduated in 1996 from the Faculty of Economy and Business at the Zagreb University, Finance and Accounting course. She received the qualification of the UK Association of Chartered Certified Accountants in 2000, and two years later she becomes certified Croatian auditor. From 1996 to 1997 she was accounting manager at Adriana d.o.o., and till 2009 she was a director at KPMG Croatia d.o.o. for audit, internal audit, accounting and business counseling and education, in the country and abroad. In the period from 2009 to 2011 she is a partner, owner and director of Cinotti revizija d.o.o./Cinotti savjetovanje d.o.o. for auditing, internal auditing, accounting and business counseling and education. From 2011 she is a founder and director of Antares revizija d.o.o./Antares savjetovanje d.o.o. for auditing, internal auditing, accounting and business counseling and education, where she works today. From 2012 she is a member of the Council of HANFA and the Committee for financial reporting standards, and from 2009 to 2012 she was a member of Croatian Auditing Chamber Management Council. She is fluent in English, and also uses Italian language.

MILAN STOJANOVIĆ
SUPERVISORY BOARD MEMBER
(FROM 6 JULY 2012)

He lives in Sisak and has a mr.sc degree. In 37 years of his service, he spent 35 as a director or a manager in economy, and two years he worked as a professor. His numerous researches and works in marketing and economy have been published, and for his work he received rewards and was twice proclaimed a manager of the year. In the period from 1990 to 1996 he was a representative in the Croatian Parliament in two terms. He was also a Management Board president for the Development and Employment Fund in the Republic of Croatia. He is married, and a father of two. He is retired and performs the function of the Supervisory Board President at the Zlatna igla Siscia d.o.o. He is an active speaker of German, and uses English and Russian language.

PODRAVKA D.D. MANAGEMENT BOARD MEMBERS BIOGRAPHIES

ZVONIMIR MRŠIĆ
MANAGEMENT BOARD PRESIDENT
(FROM 24 FEBRUARY 2012)

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

JADRANKA IVANKOVIĆ
MANAGEMENT BOARD MEMBER
(FROM 24 FEBRUARY 2012)

She graduated from the Faculty of Economy and Business, where she received her MA from Business economy, Business management course. In 2010 she received her PHD from social sciences, Marketing branch. In 1988 she worked at Podravka at the positions of an independent controlling analyst, since 1993 she worked as Advertising Project Manager and in 1995 she becomes head of Sales Promotion Department for Foreign Markets. In 1997 she becomes a member of the Team for Podravka restructuring to achieve profitable growth. That same year she was appointed Marketing director at Podravka. In 1999 she becomes Team Leader for Strategic Projects at Podravka and in 2000 she is Management Board member in charge of finance for Podravka’s company in Slovenia. In 2001 she becomes executive director of the strategic business unit Desserts program. In 2004 she was appointed assistant Podravka Management Board president. Since 2009 she is a lecturer, and in 2010 she is senior lecturer at Vern University of Applied Sciences. In 2013 she was appointed president of the Food Processing Cluster with the Investment and Competitiveness Agency of the Republic of Croatia. She was also appointed manager of the Foundation for scholarships to students from the Koprivnica-Križevci county, which is a part of the Koprivnica Chamber of Economy. She graduated from Podravka’s Management Academy POMAK, received a Professional Diploma in Retail Management and MBA from business school Center, Brdo kod Kranja. She is fluent in English, uses German and Russian language.

OLIVIJA JAKUPEC
MANAGEMENT BOARD MEMBER
(FROM 24 FEBRUARY 2012)

She graduated from the Faculty of Organization and Informatics in Varaždin, Marketing. Since 1992 she is employed at Podravka as Product manager for Ferrero, being in charge of promotion and realization of marketing activities in the Croatian market, in cooperation with Ferrero representative. In 1993 she becomes marketing manager in Podravka's company in Bulgaria, where she worked on founding and registering the company, cooperated with importers and advertising agencies on promotion of Podravka's products. In 1997 she was appointed director of Podravka's company in Russia where she also worked on founding a company, setting up business processes within the company, cooperated with importers and distributors, advertising and research agencies. In 2001 she becomes Market Communication manager. In 2004 she transfers to Nexe Group and becomes director of Nexe company in Bosnia and Herzegovina. Since 2007 she worked as assistant director at Jadransko osiguranje branch office in Koprivnica. She attended international business school Center, Brdo kod Kranja in the area of business processes and perfection of management skills. She speaks English and Russian language.

MIROSLAV KLEPAČ
MANAGEMENT BOARD MEMBER
(FROM 24 FEBRUARY 2012)

He graduated from the Faculty of Economy and Business at the Zagreb University, Banking and Finance course. Since 1998 he worked as Finance Associate for CAIB - Investment Bank of Austria Creditanstalt Group at Central and EastEuropean markets and on managing merge and acquisition projects. Since 2000 he worked as T-com (HT d.d.) CEO advisor on financial and operating analyses and activities within the acquisitions group. In 2002 he was appointed Controlling director at T Mobile d.o.o., and in 2004 he becomes executive director at T Mobile d.o.o. In 2005 he was appointed Management Board member for Allianz Zagreb d.d. In 2009 he becomes HT Management Board member for Bosnia and Herzegovina. In 2008 he becomes Management Board member and Chief Financial Officer at Iskon Internet d.d. He received his MBA from International Business School Bled, Slovenia. He attended numerous international professional seminars in the area of finance, controlling, project management and human resources development. He speaks English, uses German Language.

JORN PEDERSEN
MANAGEMENT BOARD MEMBER
(FROM 24 FEBRUARY 2012)

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

velopment Director and Managing Director. In 2008 he transfers to Sarmat Group, Donetsk, Ukraine, where he is General Director. For a part of that year he also works as Management Consultant (Company doctor and interim Management in Croatia, Romania and Germany). In 2009 he is CEO for BornPoultry A/S, Bornholm Denmark (supreme chicken products). Before he was appointed Podravka Management Board Member in February 2012, he worked as Senior Vice President at Uhrenholt A/S and CEO Uhrenholt Russia & CIS (Food products to Food Service and Retail channels). He is also a Board Member in Gourmet Bornholm (an organisation of Gourmet Food Producers) and Board Member Confederation of Danish Industry.

HRVOJE KOLARIĆ
MANAGEMENT BOARD MEMBER
(FROM 20 DECEMBER 2012)

President of Belupo's Management Board and Management Board Member of Podravka, Hrvoje Kolarić was born in Koprivnica in 1971. He is married, and a father of two. He graduated from the Faculty of Pharmaceutical and Biochemical Sciences of the University of Zagreb in 1998. He attended numerous education courses to acquire sales and negotiating skills, training for the first management tier, sales efficiency, qualifications in financial matters etc. In the career of Mr. Hrvoje Kolarić (Master of Business Administration, IEDC) there stands out the prestigious position of the Director of BMS Pharmaceuticals in charge of product niche and business development. He also worked as the Director of PharmaSwiss d.o.o. Croatia and a manager of pharmaceutical operations (the exclusive representative of Bristol-Myers Squibb, Fujisawa, Ibsen Boufor and Ferring for the countries emerging from the former Yugoslavia). He also managed the business processes related to the cooperation with Belupo in the production of cardiological line of Pravachol (pravastatin). In his early career he also managed the Pharmaceuticals Department of the Bristol-Myers Squibb Representation Office for Croatia and Bosnia-Herzegovina, and subsequently the allergology and respiratory line of products of the Schering-Plough Representation Office in Croatia. In May 2005, he was appointed as Management Board member in Belupo, in charge of marketing, sales and international markets, and has been reappointed in May 2010. In 2012 he was appointed Belupo Management Board president.

**STATEMENT FROM EXECUTIVES RESPONSIBLE
FOR PREPARING FINANCIAL STATEMENTS**

MANAGEMENT REPORT ON THE ACHIEVED BUSINESS RESULTS OF THE PODRAVKA GROUP FOR YEAR 2013

MAIN BUSINESS CHARACTERISTICS AND SIGNIFICANT EVENTS IN FOR YEAR 2013

All levels of profitability of the Podravka Group recorded a significant increase in the year 2013 and all profit margins achieved a considerable positive shift.

Total Podravka Group sales in 2013 amounted HRK 3.626,0 million, and remained at last year's level. Sales in the Strategic Business Area (SBA) Food and Beverages totalled HRK 2.774,7 million which is a 1% decrease compared to the same period last year. However, adjusted for the lower sales effects in programmes under restructuring (fresh meat, beverages, frozen and bakery products) total sales of SBA F&B were 1% higher compared to previous year. Sales in SBA Pharmaceuticals amounted to HRK 851,2 million, which is an increase of 3%.

Sales on foreign markets recorded a growth of 6%, driven by the both SBAs in all foreign markets.

Group Gross profit has climbed to HRK 1.502,7 million, which is 6% higher compared with prior year. Gross profit margin has reached a level of 41.4%, representing an increase of 240bp.

Total operating costs have decreased by 1% yoy basis, driven by lower labour costs due to the completion of the redundancy program and favourable trends in raw material prices. Total impact of these costs reductions was partially offset by increase of marketing expenditures and research and development costs focused on innovation programme, launches of the new products on the market and to ensure planned market share positions.

The **EBITDA** is showing HRK 360,1 million, representing an increase of 24%, while EBITDA margin has reached level of 9.9%. Adjusted for non-recurring items effects, EBITDA would reach HRK 423,6 million, which is an increase of 20% compared to last year's EBITDA, presented in a comparable manner. Podravka Group 2013 business results were significantly impacted by non-recurring items in the amount of HRK 133,4 million, mainly relating to assets value adjustments and severance payments in line with restructuring process. These extraordinary items also had a major impact on the Group's consolidated net profit and overshadowed the underlying operating improvement.

The Podravka Group **Net profit** excluding non-recurring items has climbed to HRK 201,8 million, which is an increase of 81% compared to the previous year's results, presented in a comparable manner. Reported net profit amounted to HRK 68,4 million, which is HRK 83,9 million higher compared to previous year.

The **Net debt** as of 31 December 2013 amounted HRK 886,5 million and it is 18% lower compared to the year-end of 2012, which is .HRK 193 million difference.

The Podravka Group **total assets value** as of 31 December 2013 is HRK 3.458,2 million and is HRK 159,5 million lower compared to the year end of 2012. The highest contribution in asset decrease is coming from inventories, trade and other receivables and long term assets. On liabilities side, a decrease is coming from lower loans and suppliers liabilities.

An improvement in **cash flow** management has enabled lower net debt, showing 18% decrease comparing to previous year.

KEY FINANCIAL INDICATORS

FINANCIAL STATUS	2013	2012	% change
Total assets	3.458	3.618	-4%
Cash and equivalents	180	118	52%
Capital and reserves	1.691	1.628	4%
Net debt	887	1080	-18%
Cash flow from operating activities	292	248	18%

PROFITABILITY KPIs	2013	2012
Net margin	1,8%	-0,4%
EBITDA* margin	11,7%	9,9%
RoE	4,0%	-0,9%
RoA	1,9%	-0,4%
EpS	12,7	-2,7

LIQUIDITY KPIs	2013	2012
Current ratio	1,7	1,6

INDEBTNESS KPIs	2013	2012
Financial leverage	1,1	1,2
Indebttness ratio	0,51	0,55
Net debt/EBITDA*	2,1	3,0
Equity ratio	49%	45%
Debt/equity ratio	52%	66%
EBIT*/interest ratio	4,1	2,7

*adjusted for long term assets impairment and non-recurring items

Following pages include key Group strategic segments attributes related to continuing business.

**PROFITABILITY OF THE
PODRAVKA GROUP**

PODRAVKA GROUP (CONTINUED BUSINESS)	REPORTED RESULT		ADJUSTED RESULT*		change (2/3)	change (4/5)	
	1.-12.2013	1.-12.2012	1.-12. 2013**	1.-12. 2012**			
<i>in HRK million</i>							
	1	2	3	4	5	6	7
Sales revenue		3.501,1	3.482,7	3.501,1	3.482,7	1%	1%
Gross profit		1.477,3	1.380,6	1.477,3	1.380,6	7%	7%
EBITDA*		374.1	310.9	436.0	373.4	20%	17%
EBIT		187.0	137.0	248.9	199.5	36%	25%
Net profit		124.3	17.8	226.8	143.4	598%	58%
Profit margins %							
Gross margin		42,2	39,6	42,2	39,6	256bp	256bp
EBITDA margin		10,7	8,9	12,5	10,7	176bp	173bp
EBIT margin		5,3	3,9	7,1	5,7	141bp	138bp
Net margin		3,6	0,5	6,5	4,1	304bp	236bp

*without non-recurring items

**EBITDA is calculated based on EBIT increased by amortization and adjustments of tangible and intangible assets

Podravka Group business results in 2013 were characterized by a significant increase in profitability with visible improvement in profit margins. The level of sales is almost the same as last year, but since Cost of goods sold were lower, gross profit increased by 7% and amounted to HRK 1.477,3 million with a gross margin of 42,2%. The EBITDA in 2013 amounted to HRK 374,1 million and was higher by 20%, calculated by increasing the operating profit by both the amount of amortisation and value adjustments of tangible and intangible assets which in the observed period are HRK 51,5 million and in the same period last year were HRK 32,3 million. The specified value adjustments of assets were primarily affected by adjustments of tangible property that is held for sale and impairment of intangible assets and brands. Apart from asset adjustments, the 2013 results were affected by the following negative extraordinary items: severance payments (HRK 57,2 million), restructuring related costs (HRK 8,8 million) and provisions for non-business related legal proceedings (HRK 1,9 million), while positive extraordinary items referred to income arising from leasing returns in the amount of HRK 4,4 million. Net profit level is additionally corrected for positive one off item related to

the adjusted value of deferred tax assets (HRK 10,9 million). If business results were examined without the impact of extraordinary items, the EBITDA would amount to HRK 436 million, which is an increase of 17 % compared to the EBITDA for the year 2012 presented in a comparable manner.

Financial costs decreased by 11% in the observed period, which had more positive impact on the net profit which if corrected for extraordinary items totals HRK 226,8 million. The corrected net margin is 6,5% and is 236bp higher compared to the year 2012.

STRUCTURE OF OPERATING COSTS

Costs	1.-12. 2013.		1.-12. 2012.		Indeks 2:4
		%		%	
<i>in HRK million</i>					
1	2	3	4	5	6
Costs of goods sold	2.023,8	60,9	2.102,1	62,5	96,3
Sales and distribution costs	471,4	14,2	474,2	14,1	99,4
Marketing costs	452,9	13,6	410,8	12,2	110,2
General and administration costs	314,1	9,5	338,2	10,1	92,9
Other operating costs	61,5	1,9	37,9	1,1	162,3
Total operating costs	3.323,7	100,0	3.363,2	100,0	98,8

*reclassification of banking fees related to loans in financial costs

The total costs/expenses of the Podravka Group amounted to HRK 3.323,7 million which is lower by HRK 40 million compared to the year 2012. All costs recorded a significant decrease, except Marketing expenses that are higher in order to accompany the Innovation program and the introduction of new products into the market. The fall in the Cost of goods sold of 4% provides the largest contribution to the above reduction in total costs/expenses, resulting from lower labour costs due to the completion of the redundancy program and favourable trends in raw material prices. The results of the restructuring process and better organization are visible from the decline in General and administrative expenses, which were 7% lower (or HRK 24 million) in the observed period compared to last year. Likewise, Selling and distribution costs decreased as well.

SBA RESULTS

On the sales of the Podravka Group we report as follows:

SBA "Food and Beverages"

1. Culinary category

- Food seasoning and bouillons
- Podravka dishes and food mixes

2. Sweets, snack and beverages category
 - Beverages
 - Sweets and snack
3. Baby food, breakfast foods and other food category
 - Baby food and breakfast foods
 - Other food (vegetables, condiments, bakery, fish products, tomato based products, rice and other)
4. Meat and meat products category
5. SBA Food and Beverages - Other sales

SBA “Pharmaceuticals”

6. Ethical drugs
7. Non-prescription drugs
8. SBA Pharmaceuticals - Other sales

SALES REVENUE PER STRATEGIC BUSINESS AREAS

SBA	1.-12. 2013.		1.-12. 2012.		Indeks 2:4	
		%		%		
<i>in HRK million</i>						
	1	2	3	4	5	6
Food and Beverages	2.649,8	75,7	2.657,0	76,3	99,7	
Pharmaceuticals	851,3	24,3	825,7	23,7	103,1	
Total	3.501,1	100,0	3.482,7	100,0	100,5	

Sales of the SBA Food and Beverages totalled HRK 2.649,8 million, and is 0,3% lower compared to the year 2012. A lower level of sales results from the drop of sales of the SBA F&B in Croatia, but the most significant influence on negative sales trends of this SBA in Croatia arises from the restructuring process that has covered the low profitable programs. In 2013 Podravka intentionally reduced the sales of fresh meat and through the restructuring process decided to divest Beverages, Bakery and a part of the Frozen program as a result of which respective sales were HRK 37 million less or respectively, the sales of fresh meat was HRK 31 million and the frozen and bakery programs about HRK 6 million less in 2013. With the exception of sales drop in programmes which are restructuring (fresh meat, beverages, frozen and bakery products), total sales of SBA F&B is 1.1% higher compared to previous year. Other markets recorded good sales results in the SBA F&B, with the highest contribution coming from the markets of Poland, Slovenia, Russia and Austria.

The SBA Pharmaceuticals achieved sales in the amount of HRK 851,3 million, which is a 3% increase of sales compared to the year 2012, generated by

a higher level of sales on foreign markets, which have recorded a 9% growth with the highest contribution from the markets of Russia and Bosnia and Herzegovina. Volumes sold on Croatian market are higher, but due to the price drop, sales declined by 2%. Price drop occurred on the whole ethical drug market in Croatia as a result of changes in Croatian health system.

SALES REVENUE PER CATEGORY

Red. br.	CATEGORY	1.-12. 2013.		1.-12. 2012.		Index 2:4
		Amount	%	Amount	%	
<i>in HRK million</i>						
0	1	2	3	4	5	6
1.	Culinary	931,2	26,6	90,8	25,9	103,3
	Food seasonings and bouillons	661,2	18,9	631,1	18,1	104,8
	Podravka dishes and food mixes	271,1	7,7	271,7	7,8	99,8
2.	Sweets, snack and beverages	173,9	5,0	165,2	4,7	105,3
	Beverages	27,7	0,8	25,0	0,7	110,8
	Sweets and snack	146,2	4,2	140,2	4,0	104,3
3.	Baby food, breakfast foods and other food	912,3	26,1	899,1	25,8	101,5
	Baby food and breakfast foods	323,5	9,2	310,8	8,9	104,1
	Other food	588,8	16,8	588,3	16,9	100,1
4.	Meat and meat products	281,6	8,0	344,1	9,9	81,8
5.	Sba food and beverages - organic sales	2.300,1	65,7	2.311,2	66,4	99,5
6.	Sba food and beverages - other sales	349,7	10,0	345,8	9,9	101,1
7.	Sba food and beverages - total sales	2.649,8	75,7	2.657,0	76,3	99,7
8.	Ethical drugs	615,6	17,6	596,3	17,1	103,2
9.	Non-prescription drugs	83,9	2,4	81,0	2,3	103,6
10.	Sba pharmaceuticals - organic sales	699,5	20,0	677,3	19,4	103,3
11.	Sba pharmaceuticals - other sales	151,8	4,3	148,4	4,3	102,3
12.	Sba pharmaceuticals - total sales	851,3	24,3	825,7	23,7	103,1
13.	Podravka group - total sales	3.501,1	100,0	3.482,7	100,0	100,5

The Culinary category achieved sales growth of 3% compared with the year 2012, with the largest contribution from the Food seasoning product group. Sales of the Food seasonings have increased significantly in Poland, and good sales results were also achieved in Russia, Germany and Slovenia. Podravka dishes and food mixes showed almost the same level of sales as last year, with the product group Soups increasing sales in foreign markets, most notably in Russia and Kosovo.

The Category Sweets, snack and beverages has a 5% higher level of sales in 2013 mainly due to an increase in sales of Sweets and snack, which grew

by 4% in the observed period, the said increase being achieved in Croatia, Slovenia and Bosnia and Herzegovina.

The sales increase of the category Baby food, breakfast foods and other food is 2% and the major contributor is the higher level of sales of Baby food on the markets of both Slovenia and Croatia. Likewise, the product group Fishery products and Tomato based products achieved sales growth in both the domestic market and foreign markets.

The decline in sales of the category of Meat and meat products of 18% was largely the result of reduced sales of fresh meat, although a drop of sales was also recorded by other product groups such as sausages, pâtés and lunch-eon meat.

The SBA Pharmaceuticals recorded a 3% growth of ethical drugs generated by the sales growth of dermatics and drugs for the muscular skeletal system, drugs acting on the senses and drugs for malignant disease and immunomodulators. Sales of the non-prescription program in 2013 were higher by 4%, due to the growth of OTC drugs

**ALES REVENUE OF THE PODRAVKA
GROUP PER MARKET¹**

MARKETS	1.-12. 2013.		1.-12. 2012.		Indeks 2:4	
	Amount	%	Amount	%		
<i>in HRK millions</i>						
	1	2	3	4	5	6
Croatia		1.483,5	42,4	1.579,4	45,3	93,9
South-Eastern Europe		916,1	26,2	877,7	25,2	104,4
Central and Eastern Europe		788,7	22,5	727,9	20,9	108,4
Western Europe and overseas countries		312,8	8,9	297,7	8,5	105,1
Total		3.501,1	100,0	3.482,7	100,0	100,5

¹ South-Eastern Europe - Albania, Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia, Slovenia, Serbia
 Central and Eastern Europe - Czech Republic, Hungary, Poland, Slovakia, Baltic countries, Romania, Russia, Ukraine; Bulgaria and other Eastern European countries
 Western Europe, overseas country - Austria, Australia, Benelux, France, Italy, Canada, Germany, USA, Scandinavia, Switzerland, Turkey, Great Britain and other overseas countries and Western European countries

The Croatian market achieved sales of HRK 1.483,5 million, which accounted for 42% of the total sales of the Podravka Group continuing business.

The domestic market declined 6% in 2013 compared with the year 2012, partly as a result of the targeted reduction in sales of the low profitable program, and partly from the prolonged recession in Croatian economy, which in 2013 showed no signs of recovery. With the exception of sales drop of restructuring programmes in Croatia (fresh meat, beverages, frozen and bakery products), sales drop is 4% compared to year 2012.

Total sales in foreign markets amounted to HRK 2.017,6 million and are 6% higher compared to previous year, with an increase in all foreign markets. The largest absolute increase was in the market of South-Eastern Europe, with the most significant contribution from Slovenia, Serbia and Macedonia, but the rest of the market also grew. Central and Eastern Europe achieved sales growth of 8%, which is primarily derived from sales growth in Poland. Western European markets, overseas countries recorded a growth of 5% primarily resulting from higher sales in Austria and Germany.

**PROFITABILITY OF THE
SBA FOOD AND BEVERAGES**

SBA FOOD & BEVERAGES	REPORTED RESULTS		ADJUSTED RESULTS*		change (2/3)	change (4/5)	
	1.-12. 2013.	1.-12. 2012.	1.-12. 2013.*	1.-12. 2012.*			
<i>in HRK millions</i>							
	1	2	3	4	5	6	7
Sales revenue		2.649,8	2.657,0	2.649,8	2.657,0	0%	0%
Gross profit		1.044,1	991,9	1.044,1	991,9	5%	5%
EBITDA**		189,0	141,4	243,9	197,9	34%	23%
EBIT		58,9	23,5	151,3	102,3	151%	48%
Net profit		32,0	-65,0	113,5	44,6	n/a	154%
Profit margins %							
Gross margin		39,4	37,3	39,4	37,3	207bp	207bp
EBITDA margin		7,1	5,3	9,2	7,5	181bp	175bp
EBIT margin		2,2	0,9	5,7	3,9	134bp	186bp
Net margin		1,2	-2,5	4,3	1,7	366bp	260bp

* without non-recurring items

**EBITDA is calculated based on EBIT increased by amortization and adjustments of tangible and intangible assets

Profitability of the SBA Food and beverages increased at all levels in 2013, resulting with Net profit from continuing operations. Non-recurring items in the SBA F&B in EBIT level amount to HRK 92,4 million, while in net

profit level amount to HRK 81,5 million (in 2012 amounted to HRK 109,6 million at the net profit level, and HRK 78,8 million at EBIT level), and if the results are analysed without the influence of extraordinary items a large positive shift in profitability and significant leap in profit margins is evident. Consequently, the gross profit of the SBA F&B increased by 5% in the period, amounting to HRK 1.044,1 million, while the gross margin is 39.4%. The adjusted EBITDA rose by 34% compared to the same period last year and shows HRK 243,9 million, with EBITDA margin at 9,2%. The adjusted net profit amounted to HRK 113,5 million, the corresponding margin increased by 260bp and is now 4,3%.

**PROFITABILITY OF THE SBA
PHARMACEUTICALS**

SBA PHARMACEUTICALS	REPORTED RESULTS		CORRECTED RESULTS*		change (2/3)	change (4/5)	
	1.-12. 2013.	1.-12. 2012.	1.-12. 2013.*	1.-12. 2012.*			
<i>in HRK millions</i>							
	1	2	3	4	5	6	7
Sales revenue		851,3	825,7	851,3	825,7	3%	3%
Gross profit		484,1	458,9	484,1	458,9	5%	5%
EBITDA**		184,3	169,3	191,3	175,6	9%	9%
EBIT		127,6	113,5	148,3	129,4	12%	15%
Net profit		91,8	82,8	112,5	98,7	11%	14%
Profit margins %							
Gross margin		56,8	55,6	56,8	55,6	129bp	129bp
EBITDA margin		21,7	20,5	22,5	21,3	115bp	120bp
EBIT margin		15,0	13,8	17,4	15,7	124bp	175bp
Net margin		10,8	10,0	13,2	12,0	75bp	127bp

* without non-recurring items

**EBITDA is calculated based on EBIT increased by amortization and adjustments of tangible and intangible assets

The gross profit of the SBA Pharmaceuticals was HRK 484,1 million, 5% higher than in the year 2012, and the gross margin increased by 129bp and now stands at 56,9%. Other levels of profitability also increased compared to 2012, but slightly lower EBITDA and EBIT margins in 2013 partly result from negative exchange rate differences in 2013 which were HRK 10 million, while last year they were positive and amounted to HRK 3 million, and increased costs due to the opening of new branch offices (in Poland, the Ukraine and Kazakhstan).

In this period the recorded extraordinary items were severance payments in

the amount of HRK 7,1 million and goodwill impairment in the amount of HRK 13,6 million.

DISCONTINUED OPERATIONS

According to Management Board decision dated June 20 2013, Podravka Group has announced its intention to exit the Beverages business segment in order to improve business activities, reduce operating costs and improve innovation and competitiveness of the Company in its key business segments. The Beverages segment was classified as discontinued operations in the 2013 annual financial statements in line with IFRS 5.

DISCONTINUED OPERATIONS	REPORTED RESULT			
		1.-12. 2013.	1.-12. 2012.	change (2/3)
<i>in HRK millions</i>				
	1	2	3	4
Sales revenue		124,9	144,0	-13%
Gross profit		25,4	35,1	-28%
EBITDA*		(14,0)	(21,1)	-34%
EBIT		(56,0)	(33,2)	69%
Net loss		(56,0)	(33,2)	69%
Profit margins (%)				
Gross margin		20,3	24,4	-404bp
EBITDA margin		(11,2)	(14,7)	344bp
EBIT margin		(44,8)	(23,1)	-2178bp
Net margin		(44,8)	(23,1)	-2178bp

**EBITDA is calculated based on EBIT increased by amortization and adjustments of tangible and intangible assets*

As a part of the discontinued operations costs, Group has recognised expenses in the amount of HRK 29 million relating to the write-down of the value of the disposal group to the lower of its carrying amount and its fair value less costs to sell and HRK 1,6 million (2012: HRK 1,1 million) related to the employees severance costs.



COMPANY MANAGEMENT

Koprivnica, 1st April 2014

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of the Podravka Group for the period January – December 2013 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations of the Group and all related companies involved in the consolidation.

Corporate accounting and taxes Director:
Iva Brajević



Board Member:
Miroslav Klepač

PODRAVKA GROUP EXPECTED DEVELOPMENT

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

Business focus of SBA Food and Beverages will be on brands that have a perspective on international markets, and these are Podravka, Vegeta and Lino. These brands are expected to significantly contribute to incomes and to realize above average growth.

Continued growth and market development is also expected from SBA Pharmaceutical, which will be given a more significant support than earlier. Additionally, we would like to achieve a synergy of business areas of food and pharmaceuticals.

In Croatia and in the markets of South-East Europe, Podravka aims to be the leading manufacturer of branded food products and to maintain the leader position it has in numerous food and beverages and pharmaceuticals categories.

In the markets of Central Europe Podravka Group aims to advance its business and to develop the product range, also to maintain the leading position in the all-purpose food seasonings category, offering also other products in selected categories.

Significant profit growth is also expected in the markets of Eastern and Western Europe, particularly on those where the full potentials of Podravka strongest brand Vegeta has not been used yet. Podravka is also present in the markets of overseas countries where it offers its products in the ethnic segment, and it is striving to offer its products on consolidated retail market.

GENERAL STRATEGIC GOALS

- To satisfy the interests of owners and stakeholders, through growth, business development and internal efficiency.
- To be the leading food company on defined strategic markets.
- To be recognizable supplier of pharmaceutical products in the region.
- To be the leader or strong second place competitor in defined strategic business programs, on strategic markets.
- The level of expenses and production efficiency to be in line or above of average in industries in which Podravka does business on key markets.
- Reduce costs of procurement, sales and distribution, general and administrative costs and thus enable higher investments into marketing, research and product development.

- Better financial management to improve cash flow, necessary for optimal operating business.
- To contribute to general community development with its activities.

- PILLARS OF SUCCESS**
- I Strengths and values
 - II Profitable growth
 - III Operating efficiency

I. STRENGTHS AND VALUES **Employees**

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

Quality

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

Podravka's brands and consumer trust

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

Long-year tradition

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

Wide distribution network

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

Partner relations

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

II. PROFITABLE GROWTH **Vegeta, Podravka and Lino**

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

Market development

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

Internationalization

The company does business on more than 40 markets around the world. Our goal is to increase that number, by winning new markets, in food but also in pharmaceutical products.

Business investments

By increasing operating efficiency, additional capital is released, and Podravka Group intends to invest it into further business. As one of the main steps we can mention the expansion of the existing production capacities of Belupo.

Strategic partnerships and acquisitions

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

Synergy of food part and pharmaceutical part

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

Sustainable development

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

III. OPERATING EFFICIENCY

Cost efficiency

Key element to a more efficient company is cost management: Podravka will continue to perfect its processes and activities, with the purpose of better control and reducing costs in business.

Internal competencies development

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

Restructuring of non-profitable businesses

Podravka aims to focus on profitability by restructuring certain areas and thus release the capital for investment into profitable categories.

Purifying the products range

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

Strategy cascading - clear goals and responsibility

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

Generating the base for profitable growth

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

STRATEGY THROUGH BUSINESS PERSPECTIVES

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

1. Learning and growth

- Continuous increase of overall knowledge and competencies in the company
- Further development of innovative and competitive culture

2. Internal processes

- Focus on permanent advancement of internal processes
- New products development, market development and distribution channel development
- Social responsibility and sustainable development care

3. Buyers and consumers

- Focus on achieving the highest level of consumer satisfaction
- Advancing relations with buyers and partners

4. Finance

- To satisfy the interests of shareholders
- Reducing costs, increasing profitability and return on capital

RISK FACTORS

In its operations, Podravka Group is exposed to risks typical of economic entities operating on individual national and regional markets, especially to those in the food or pharmaceutical industry. Business operations are also exposed to various economic and political risks that may have an impact on implementation of strategic decisions, and the regular business. So negative market developments may affect the realization of strategic business decisions and regular operations, i.e. decline in demand for products, whether at the level of a country, but also beyond. The legislation of some countries, such as tax legislation, limitations in defining market prices, product safety, complaints, protection of intellectual property and trademarks, patents, market competition, safety and protection of employees, corporate policies, regulations related to employment and labor law, and etc. also have an impact on the possibility of achieving the planned growth and profitability on a certain market.

Lack of adjustment to the rules could have a significant impact on costs associated with business, as well as the general reputation of the company. Therefore, Podravka uses its own as well as external experts from various fields of expertise in order to ensure compliance with the norms that regulate specific areas.

Likewise, sales and operations are influenced by the social and political unrest or natural disasters that may occur in an area, which is evident in situations where companies are doing business in countries such as Russia, Ukraine, Turkey and other emerging markets that on the one hand have a high growth potential, but are exposing the company to greater political, economic and social risks.

Nevertheless, Podravka expects that its years-long presence and recognizing opportunities in those markets will allow it to continue to develop its business and through innovation and adaptation of the product range as well as the appropriate selling price and rebates Podravka will be adjusting itself in tweaking macroeconomic conditions in each market to readily respond to their challenges.

BRANDS MANAGEMENT

Business conditions in the markets in which the Podravka Group operates were challenging, not only because of the Croatian accession to the EU, but also because of reduced purchasing power in the domestic, but also in other markets in the region. Despite the signs of market recovery in the Western Europe, consumer demand is growing slowly and is very sensitive price-wise. In fact, the success of companies that are focused on recognizable brand products, largely depends on their ability to be innovative and cost-competitive at the same time.

Consumer habits, tastes and preferences are constantly changing, so Podravka Group is constantly faced with the need to try and anticipate them and adapt its products and brands to these changes. Podravka Group is faced with the need to continuously create and develop innovative solutions and products to meet the expectations of its customers, since it is one of the important factors in achieving sales plans, and overall business results.

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

BUSINESS SEGMENTS MANAGEMENT

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

In line with this business strategy, and upon completion of the previous and assessment of future possibilities for achieving results, during 2013 Podravka Management Board reached a resolution to initiate the procedure to divest the business programs Beverages, Bakery and part of the Frozen program.

CLIENT RELATIONS MANAGEMENT

The Croatian market in 2013 was marked by EU accession and continuation of the retail consolidation trend, regional expansion, while the market of Southeast Europe was marked by entries of foreign retail chains, etc.

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

Their marketing strategies, action plans at points of sale and those oriented to strengthening the recognizability of Podravka brands have effect on the intensity of products demand and thereby negotiating position when defining the terms and conditions with customers.

Apart from that, Podravka is making efforts through the harmonization and optimization of existing pricing policies and price levels in existing markets in the EU / CEE region to ensure conditions for continued success of long-term growth and avoid erosion of profit margins. Podravka works on reducing the risk of achieving the planned sales realization.

**MANAGING THE RISKS OF
MANAGEMENT AND HUMAN
RESOURCES**

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

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

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

All products and business processes are based on the principles of quality management, including the selection of key suppliers of raw materials, in order to ensure the required quality of the finished product. Podravka is taking constant care on the sanitary validity and product safety, compliant to the legislature of the Republic of Croatia, European Union and all the countries where it does business.

FINANCIAL RISKS

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

Exposure to currency, interest rate and credit risk is a part of regular business. Management of these risks is carried out by the treasury department, but its main role is to actively manage the investment of excess liquidity, as well as financial assets and liabilities, and to manage and control the exposure to financial risks.

CURRENCY RISK

Podravka Group conducts certain transactions in foreign currencies, and is therefore exposed to fluctuations in exchange rates. The biggest exposure to exchange rate fluctuations during 2013 was in comparison to EUR, GBP, USD and RUB.

Exposure to foreign exchange differences arises not only from subsidiaries doing business in foreign markets, but also the procurement of raw food materials in the international market is greatly performed in EUR and USD.

Likewise, Podravka Group is in majority financed through loans in foreign currencies. Kuna exchange rate compared to EUR has remained relatively stable over the year, with the expected seasonal fluctuations. Exchange rate stability is a consequence of the relatively low demand for foreign currency in the market since the economic entities have been getting rid of their debts, and it is expected that the similar trend will continue in the following year. On the other hand, in order to further protect itself from exposure to currency risk of RUB, by concluding forward contracts, additional measures of its active monitoring and minimization have been implemented.

INTEREST RATE RISK Podravka Group is not significantly exposed to interest rate risk as for most loans with variable interest rate, interest rate swap for fixed interest rate was concluded.

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

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

Podravka Group achieved most of its total procurement turnover from the domestic market, while the majority of transactions with foreign suppliers is realized with suppliers from the EU territory, so the abolition of customs barriers 2013 led to reduction of costs of procurement of certain strategic raw materials.

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

To mitigate these impacts, Podravka Group's Procurement department through managing strategic procurement categories and key suppliers, is working towards developing partnerships with long-year suppliers, as well as developing relationships with new suppliers in the target markets of the EU and third countries, towards the consolidation of purchasing volumes with the aim of strengthening market positions and full use of Commodity Risk Management, conducting tenders and using new import regimes (tri-angulation) and thus acts to lower procurement costs.

CREDIT RISK AND RISK OF REFUND

Credit risk is the risk of non-fulfillment of financial obligations of one party regarding financial instrument, which might cause financial loss to the other party. Significant risk is also related to the high level of claims by the buyers.

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

New buyers are accepted after they have satisfied the detailed examination of credit worthiness and after reviewing the credit risk of a country. Remaining claims are often controlled and charge risks analysed.

Protection measures for individual category of buyers are defined according to financial indicators for an individual buyer,

where several services are used in order to get the required information:

(financial reports, borrowing power evaluation and similar). Analysing the Company exposure and credit exposure is tracked and controlled through credit limits, which are being changed and checked at least once a year.

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

LIQUIDITY RISK

Podravka Group manages liquidity risk by maintaining adequate reserves and credit lines, continuously comparing the planned and realized cash flow and monitoring due receivables and current liabilities.

CORPORATE GOVERNANCE

STATEMENT ON CORPORATE GOVERNANCE

In compliance to the basic purpose of its business relating to ensuring growth and successful business, growth value for the shareholders, the Management Board and the Supervisory Board of Podravka d.d. in their business also support the principles of corporate governance.

Podravka d.d. continuously tracks reforms in the area of corporate governance and strives to constant advancement of the relations with the shareholders, investors and overall public, introducing high standards in the mutual communication.

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

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

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

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

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

Consolidated annual report of the company and annual report on business status of the company are submitted as one annual report, which includes the lower subsidiaries of Podravka d.d.

SUBSIDIARIES OF PODRAVKA D.D. The Group consists of the Company and the following subsidiaries, where the Company owns and controls more than 50%:

Name of subsidiary	Share (%)		Principal activity
	2013	2012	
Belupo d.d., Koprivnica, Croatia	100%	100%	Production and distribution of pharmaceuticals
Belupo doel Skopje*, Macedonia	100%	100%	Sales and distribution of pharmaceuticals
Belupo s.r.o. Bratislava*, Slovakia	100%	100%	Sales and distribution of pharmaceuticals
Belupo Ljubljana*, Slovenia	100%	100%	Sales and distribution of pharmaceuticals
Deltis Pharm Koprivnica pharmacies*, Croatia	100%	100%	Sales and distribution of pharmaceuticals
Farmavita d.o.o. Vogošća*, Bosnia and Herzegovina	65%	65%	Production and distribution of pharmaceuticals
Danica d.o.o., Koprivnica, Croatia	100%	100%	Meat production and processing
Lero d.o.o., Rijeka, Croatia	100%	100%	Beverages production
Ital-Ice d.o.o., Poreč, Croatia	100%	100%	Ice-cream production
KOTI Nekretnine d.o.o., Koprivnica, Croatia	100%	100%	Services
Podravka Inženjering d.o.o., Koprivnica, Croatia	100%	100%	Services
Poni trgovina d.o.o., Koprivnica, Croatia	100%	100%	Commercial goods sales
Studenac d.o.o. Koprivnica, Croatia	100%	-	Beverages production and sales
Lagris a.s., Lhota u Luhačovic, Czech Republic	100%	100%	Rice production and sale
Podravka-Polska Sp.z o.o., Kostrzyn, Poland	100%	100%	Seasonings production and sales
Podravka-International Kft, Budapest, Hungary	100%	100%	Food and beverages production and sales
Podravka d.o.o., Ljubljana, Slovenia	100%	100%	Food and beverages production and sales
Podravka d.o.o., Beograd, Serbia	100%	100%	Food and beverages production and sales
Podravka-Int. Deutschland -"Konar" GmbH, Germany	100%	100%	Food and beverages production and sales
Podravka-International s.r.o., Zvolen**, Slovačka	100%	100%	Food and beverages production and sales
Podravka d.o.o., Podgorica, Montenegro	100%	100%	Food and beverages production and sales
Podravka International, Turska***, Turkey	100%	100%	Food and beverages production and sales
Podravka-International Pty Ltd, Sydney, Austria	99%	99%	Food and beverages production and sales
Sana d.o.o., Hoče, Slovenia	100%	100%	Wafers production
Podravka-International s.r.l., Bucharest, Romania	100%	100%	Food and beverages production and sales
Podravka d.o.o., Skopje, Macedonia	100%	100%	Food and beverages production and sales
Podravka d.o.o., Sarajevo, Bosnia and Herzegovina	100%	100%	Food and beverages production and sales
Podravka-International e.o.o.d., Sofia, Bulgaria	100%	100%	Food and beverages production and sales
Podravka-International Inc. Wilmington, USA	100%	100%	Food and beverages production and sales

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

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

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

GENERAL ASSEMBLY

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

General Assembly can pass a valid resolution if it is represented by at least 30% (thirty percent) of the number of shares that get the right to vote. The General Assembly is presided by the president appointed by the Supervisory Board, and suggested by the Management Board.

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

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

SUPERVISORY BOARD

Supervisory Board has nine members, eight of them are chosen by the shareholders at the General Assembly by three-quarter majority of votes, while one member is appointed by the Worker's Council as stipulated by the provisions of the Labour Law. Members of the Supervisory Board are elected, i.e. appointed to a four-year term of office. The beginning of their term for every member of the Supervisory Board is as of the day of the election, unless otherwise determined by an election resolution.

Supervisory Board supervises business operations of the Group, and on issues in their domain Supervisory Board makes decisions based on the Law, Articles of Association of PODRAVKA d.d. and the Rules of Procedure of the Supervisory Board.

Supervisory Board members of Podravka d.d. in 2013:

Dubravko Štimac - president
Mato Crkvenac - deputy president
Ivo Družić - member
Ivana Matovina - member
Petar Miladin - member
Dinko Novoselec - member
Milan Stojanović - member
Petar Vlaić - member
Martinka Marđetko Vuković - member.

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

THE AUDIT COMMITTEE

The Audit Committee members were:
Dinko Novoselec - president of the Committee
Mato Crkvenac - member
Petar Vlaić - member
Ivana Matovina - member.

The Audit Committee is authorised to monitor the financial reporting procedure, to monitor the efficiency of the internal control system, internal audit and risk management system, to supervise the audit of annual financial and consolidated reports, to track the independence of independent auditors or auditing companies performing the audit, and particularly contracts on additional services, to discuss plans and annual report by the internal audit, and to discuss significant issues related to this area, to provide recommendations to the General Assembly on choosing an independent auditor or auditing company.

The Audit Committee held seven sessions in 2013.

THE REMUNERATION COMMITTEE

The Remuneration Committee members were:

Petar Vlaić - president of the Committee

Dubravko Štimac - member

Milan Stojanović - member.

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

Remuneration Committee held two sessions in 2013.

Supervisory Board members are entitled to a fixed monthly remuneration as decided at the General Assembly on remunerations for Supervisory Board members. In 2013 Podravka d.d. Supervisory Board members have been paid HRK 2.386.978,19, and if this amount is added with the remunerations to members of the Supervisory Boards of Belupo d.d. and Danica d.o.o., Supervisory Board members of Podravka Group have been paid HRK 2.522.578,31.

MANAGEMENT BOARD

On its session held on 24 February 2012 the Supervisory Board reached a resolution on appointing the president and members to Podravka d.d. Management Board. Zvonimir Mršić was appointed Management Board president, and Jadranka Ivanković, Olivija Jakupec, Miroslav Klepač and Jorn Pedersen were appointed Management Board members. The term of Podravka d.d. Management Board president and members is 5 (five) years and it started as of the day this resolution was passed.

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

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

Management Board members of Podravka d.d. in 2013:

Zvonimir Mršić - president
Jadranka Ivanković - member
Olivija Jakupec - member
Miroslav Klepač - member
Jorn Pedersen - member
Hrvoje Kolarić - member.

Salary to an individual Podravka d.d. Management Board member has been determined by a management contract signed between an individual Management Board member and the Company.

Gross salaries paid in 2013 to Podravka d.d. Management Board members amount to HRK 7.721.290,05, and if this amount is added with remunerations for Management Board members for Belupo d.d., Podravka Group Management Board members have been paid gross salaries of HRK 10.451.994,17.

CORPORATE GOVERNANCE CODE

ANNUAL QUESTIONNAIRE

MAIN COMPANY INFORMATION: PODRAVKA D.D., ANTE STARČEVIĆA 32, KOPRIVNICA, OIB:
18928523252

CONTACT PERSON AND CONTACT PHONE: BRANKA PERKOVIĆ, +38548651219

DATE OF QUESTIONNAIRE COMPLETE: 26.03.2014.

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

COMPANY HARMONIZATION TO THE PRINCIPLES OF CORPORATE GOVERNANCE CODE

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

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

Yes No

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

Yes No

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

Yes No

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

Yes No

SHAREHOLDERS AND GENERAL MEETING

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

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

Yes No

6. Does each share of the company have one voting right? (If not, explain)
- Yes No
7. Does the company treat all shareholders equally? (If not, explain)
- Yes No
8. Has the procedure for issuing power of attorney for voting at the general assembly been fully simplified and free of any strict formal requirements? (If not, explain)
- Yes No
9. Has the company ensured that the shareholders of the company who, for whatever reason, are not able to vote at the assembly in person, have proxies who are obliged to vote in accordance with instructions received from the shareholders, with no extra costs for those shareholders? (If not, explain)
- Yes No
- Shareholders, who are not able to vote at the assembly in person, by themselves, acting at their own discretion, determine proxies who are obliged to vote in accordance with instructions received from the shareholders.
10. Did the management or Management Board of the company, when convening the assembly, set the date for defining the status in the register of shares, which will be relevant for exercising voting rights at the general assembly of the company, by setting that date prior to the day of holding the assembly and not earlier than 6 days prior to the day of holding the assembly? (If not, explain)
- Yes No
11. “Were the agenda of the assembly, as well as all relevant data and documentation with explanations relating to the agenda, announced on the website of the company and put at the disposal of shareholders on the company’s premises as of the date of the first publication of the agenda? (If not, explain)”
- Yes No
12. Does the decision on dividend payment or advance dividend payment include information on the date when shareholders acquire the right to dividend payment, and information on the date or period during which the dividend will be paid? (If not, explain)
- Yes No
- In 2013 the Company did not pay any dividends.

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

Yes No

In 2013 the Company did not pay any dividends.

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

Yes No

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

Yes No

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

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

Yes No

Registration of participants in advance as a condition of participating at the General Assembly is stipulated due to a large number of small shareholders, with the intention of maintaining order and regularity of the session being held.

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

Yes No

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

Yes No

There were no such legal actions.

**MANAGEMENT AND
SUPERVISORY BOARD**

Please provide the names of management board members and their functions:

Zvonimir Mršić (president of the Management Board), **Jadranka Ivan-ković** (member of the Management Board), **Olivija Jakupec** (member of the Management Board), **Miroslav Klepač** (member of the Management Board), **Jorn Pedersen** (member of the Management Board) i **Hrvoje Kolarčić** (member of the Management Board)

Please provide the names of supervisory board and their functions:

Dubravko Štimac (president of the Supervisory Board), **Mato Crkvenac** (deputy president of the Supervisory Board), **Ivo Družić** (member of the Supervisory Board), **Petar Miladin** (member of the Supervisory Board), **Dinko Novoselec** (member of the Supervisory Board), **Petar Vlaić** (member of the Supervisory Board), **Martinka Marđetko-Vuković** (member of the Supervisory Board), **Ivana Matovina** (member of the Supervisory Board), **Milan Stojanović** (member of the Supervisory Board).

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

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

Yes No

20. Did the Supervisory or Management Board pass its internal code of conduct? (If not, explain)

Yes No

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

Yes No

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

Yes No

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

Yes No

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

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

Yes No

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

Yes No

The Supervisory Board members are entitled to a fixed monthly remuneration as stated in the General Assembly Resolution on remunerations for the Supervisory Board members of Podravka Inc. Remunerations and other incomes given by the Company for the Management Board and Supervisory Board members are published in the Company's Annual Report for 2013.

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

Yes No

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

Yes No

There were no such transactions.

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

Yes No

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

Yes No

There is no such contract or agreement.

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

Yes No

There is no such contract or agreement.

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

Yes No

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

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

Yes No

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

Yes No

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

Yes No

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

Yes No

36. Did the committee assess the quality of the internal control and risk management system, with the aim of adequately identifying and publishing the main risks the company is exposed to (including the risks related to the compliance with regulations), as well as managing those risks in an adequate manner? (If not, explain)

Yes No

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

Yes No

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

Yes No

Internal audit function exists.

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

Yes No

There is no obligation of submitting requested information.

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

Yes No

There is no obligation of submitting requested information.

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

Yes No

There is no obligation of submitting requested information.

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

Yes No

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

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

Yes No

There were no such activities.

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

Yes No

**AUDIT AND MECHANISMS
OF INTERNAL AUDIT**

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

53. Does the company have an external auditor?

Yes No

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

Yes No

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

Yes No

The external auditor is providing services related to tax advising and study on transferred prices for some subsidiaries of the Group

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

Yes No

There is no obligation of submitting requested information.

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

Yes No

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

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

Yes No

COMPANY SECURITIES

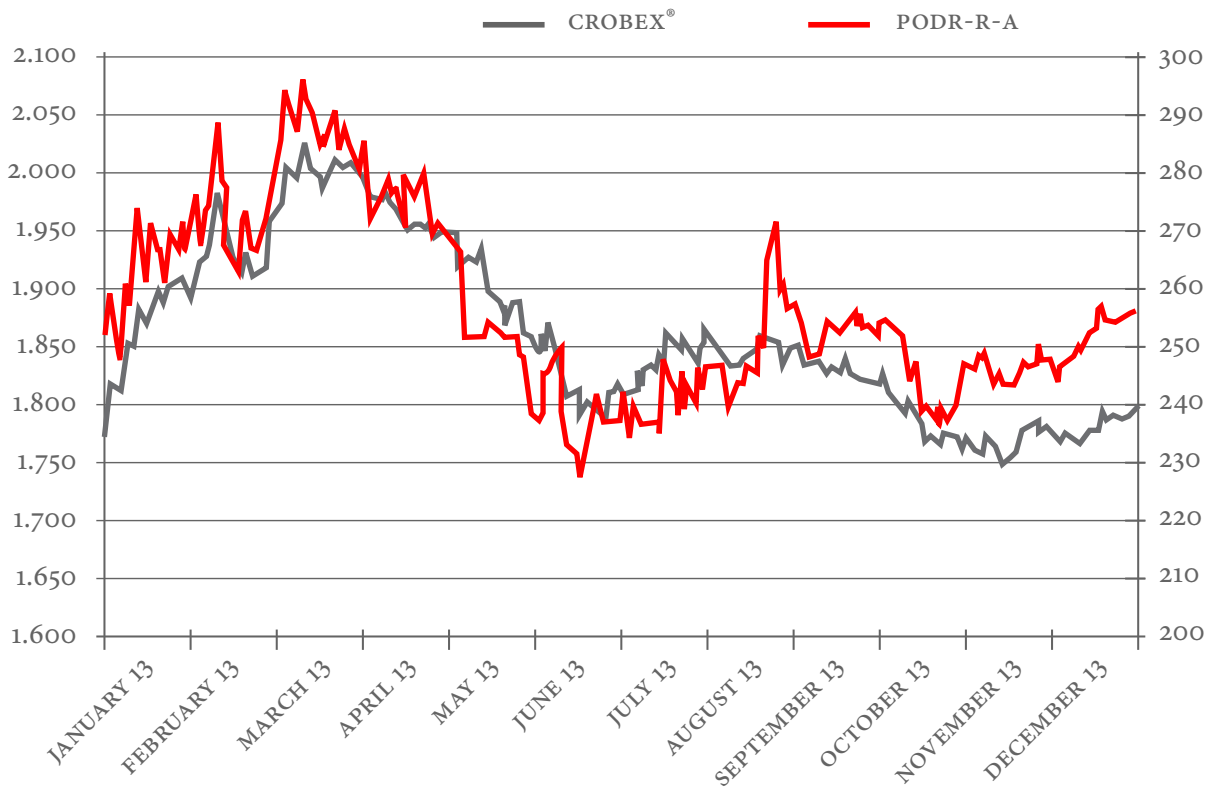
SHARE

Turnover and price of Podravka share

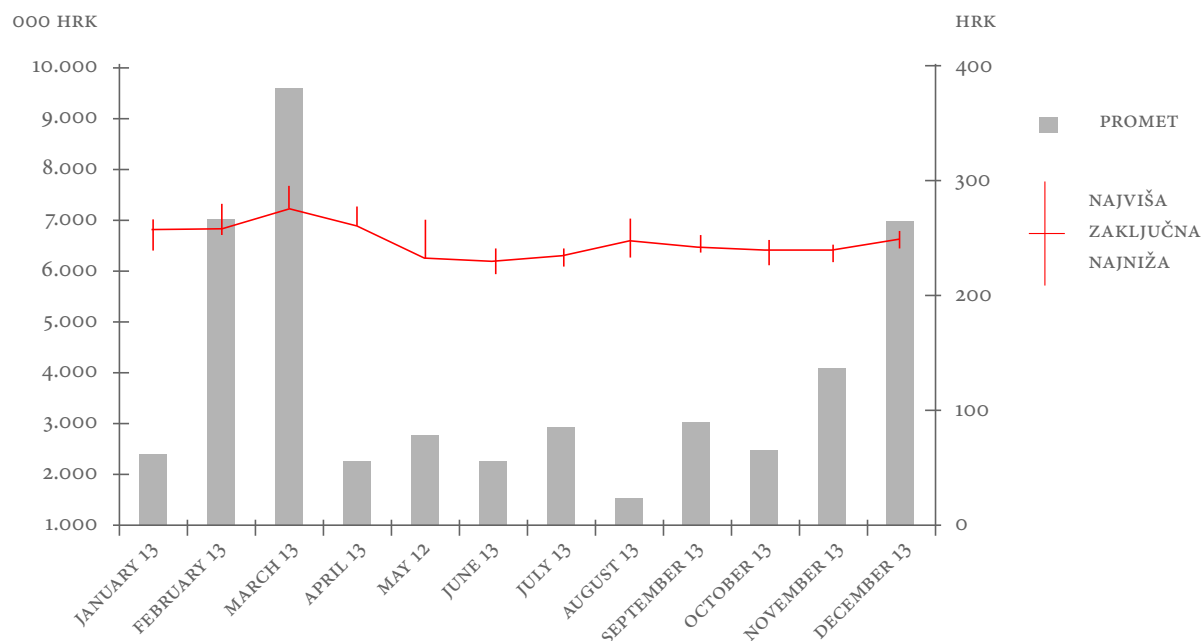
Share turnover within the order book at the Zagreb Stock Exchange reduced during 2013 by 6.8%, while Podravka share turnover also decreased by 17%. Total turnover of Podravka share in 2013 was HRK 48,090,857, which is 1.8% of the regular turnover within the order book at the Zagreb Stock Exchange (2% in 2012).

Comparison of Podravka share and CROBEX movement

The lowest selling price of the share in 2011 was HRK 223.00 and it was realized in June, while the highest selling price was 300,00 and it was realized in March. Podravka share ends the year 2013 at HRK 254.55, which is 6.1% increase comparing to the close price in 2012, while at the same time CROBEX was growing by 3.1 %.



Turnover and price of Podravka share



Podravka share turnover per quarters in 2013

Period	2013		2012	
	Turnover (HRK)	Volume	Turnover (HRK)	Volume
I quarter	19,570,828	70,151	17,865,149	70,472
II quarter	7,226,769	28,576	11,264,022	49,570
III quarter	7,457,689	30,230	11,710,775	50,397
IV quarter	13,835,570	55,772	17,117,985	65,935
Total	48,090,857	184,729	57,957,931	236,374

Source: ZSE

The highest turnover of Podravka share was in the first and fourth quarter of 2013, while added turnovers from these quarters make 70% of the total turnover in 2013.

Stock market indices

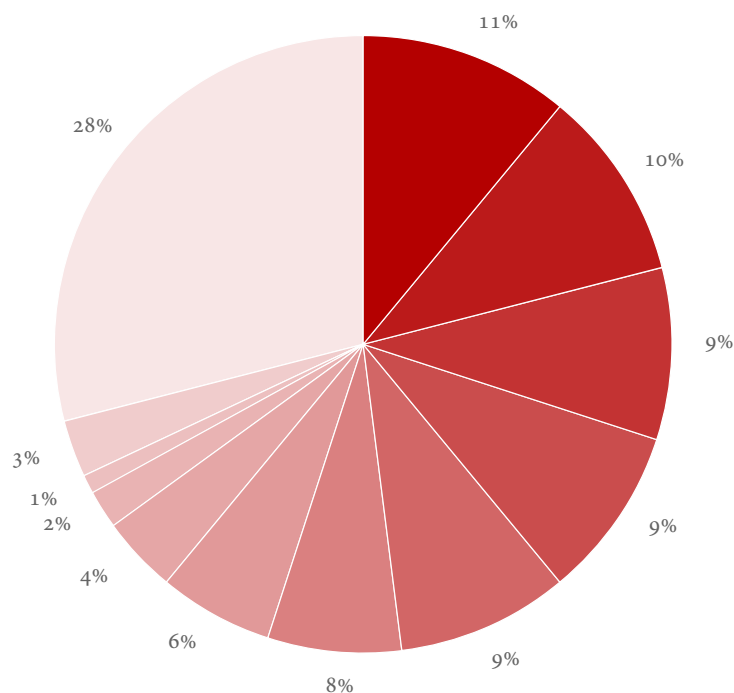
Podravka share has been listed in stock market indices based on its high solvency and high number of shares in free float. Next to the official index of the Zagreb Stock Exchange CROBEX, Podravka share is also listed in CROBEX10.

Portion of Podravka share in stock market indices on 31 December 2013

CROBEX	8.54%
CROBEX10	3.48%

Recommendations of analysts on 31 December 2013

Intercapital	hold
Raiffeisen Bank	buy
Erste Bank	hold
Hypo-Alpe-Adria Bank	hold



Shareholder structure on 31 December 2013

DRŽAVNI URED ZA UPRAVLJANJE DRŽAVNOM IMOVINOM / HZMO	575.598
DRŽAVNI URED ZA UPRAVLJANJE DRŽAVNOM IMOVINOM / REPUBLIKA HRVATSKA	536.160
ERSTE PLAVI OMF	514.863
AZ OMF	488.106
PBZ CROATIA OSIGURANJE OMF	477.957
UNICREDIT BANK AUSTRIA AG*	426.041
KAPITALNI FOND D.D.	321.804
RAIFFEISEN OMF	201.266
PBZ D.D.*	98.891
PBZ D.D./STATE STREET CLIENT ACCOUNT	87.103
TREZORSKI RAČUN	177.511
OTHER SHAREHOLDERS	1.512.703
TOTAL	5.420.003

*omnibus custody account

CIPI - Croatian Institute for Pension Insurance

MPF - Mandatory Pension Fund

Treasury account status

Considering the fact that there was no acquiring or releasing of own shares in 2013, on 31 December 2013 the situation was unchanged comparing to the year before, and the number of shares was 177,511 of own shares.

Shares owned by members of the Supervisory and Management Boards of Podravka d.d. on 31 December 2013

The Supervisory Board	2 shares
Management Board	2.137 shares

Annual Report is accepted and approved for publishing by Podravka d.d.
Management Board, on 29 April 2014.

Management Board President
Zvonimir Mršić

Handwritten signature of Zvonimir Mršić in blue ink.



Independent auditors' report to the shareholders of Podravka d.d. on the consistency of the annual report

The accompanying annual report for the year ended 31 December 2013 ("the Annual Report") contains information derived from the audited consolidated financial statements of Podravka d.d. ("the Company") as of and for the year ended 31 December 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 1 April 2014. Those financial statements, and this Annual report, do not reflect the effects of events that occurred subsequent to that date.

This Annual report does not contain all the information and disclosures applied in the preparation of the audited consolidated financial statements of the Company. Accordingly, this Annual report should be read together with the audited consolidated financial statements of the Company.

Management's Responsibility for the annual report

Management is responsible for the preparation and content of the Annual report in accordance with Article 18 of the Accounting Act of the Republic of Croatia.

Auditors' Responsibility

Our responsibility is to express an opinion on the consistency of the information in the Annual report with the audited consolidated financial statements based on our procedures, which were considered appropriate in accordance with Article 17 of the Accounting Act of the Republic of Croatia.

Opinion

In our opinion, the information given in the accompanying Annual report for the financial year for which the consolidated financial statements are prepared is consistent with those financial statements.


KPMG Croatia
d.o.o. za reviziju
Eurotower 17. kat
Ivana Lučića 2a, 10000 Zagreb, Croatia

29 April 2014

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.