



CORPORATE COMMUNICATION

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MEDIA RELEASE

Podravka d.d. General Assembly held, indicating a beginning of company development cycle

- Podravka d.d. General Assembly accepted draft resolutions by the Management and Supervisory Boards
- Shareholders equal in electing Supervisory Board members
- Presuppositions for faster company refinancing created
- Accumulated losses from previous periods cleared by reducing share capital
- Business restructuring process continues

At today's session, Podravka d.d. General Assembly accepted the draft resolutions by the Management and Supervisory Boards that were focused on developing Podravka as a modern shareholding company, and on creating presuppositions for Company refinancing, satisfactory growth and further business internationalization.

Compliant to the resolutions and statutory changes, the Government can no longer make immediate nominations of two members to the Supervisory Board, but all members of the Supervisory Board will be elected at the General Assembly, whereby all shareholders will be equal in electing eight Supervisory Board members; one place is reserved for an employee representative, based on legal regulation. Direct managerial influence of the Government is thus reduced and a step is taken towards the already announced development of Podravka as a modern shareholding company, where all shareholders are equal. The terms for elected members Mato Crkvenac and Ivo Družić continue.

Furthermore, accepted resolutions on changing the Articles of Association will create formal preconditions so that the possible refinancing of the Company can be implemented in a manner that the Management Board, with an approval by the Supervisory Board, would be able to pass a resolution on Company refinancing, to the amount of half of the share capital. Such resolution will have an enticing effect on acquiring fresh capital to finance company growth.

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 also creates presuppositions for shareholders to make future resolutions on division of profit (dividend payment, retaining profit, increase of the share capital and similar).



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Podravka continues with the already started restructuring process and implementing measures, the aim of which is to create presuppositions to be able to make steps forward in doing business and return to the path of satisfactory profitability, to the advantage of all the shareholders and employees, but also to the total Croatian economy. A series of restructuring measures started during 2012 and 2013 are underway; the goal of this process is to improve business, reduce operating costs and increase productivity and Company innovativeness. Changes are a part of an overall package of measures aiming to make Podravka a strong international company in the next few years and to ensure its faster and above average growth.

Restructuring implies a change of the management model, in a way that funds from inefficient segments be reallocated to programs that are more efficient and contribute more to the Company. Restructuring measures taken so far, such as Severance Payment Program for surplus workers or product portfolio optimization, are already yielding significant operating savings amounting to HRK 70 mill. annually, and during 2013 other measures of refocusing product portfolio will be taken; additional potential in increasing annual operating profit from these measures is about HRK 30 mill.

Thorough analysis of Podravka administrative processes, with a special focus on reporting, was conducted. The project resulted in a series of measures towards advancement of administrative processes, and annual savings potential is about HRK 20 mill. Planned timeframe for implementation of stated measures is 15 months.

Nominating new Management Board, presiding over Zvonimir Mršić, 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. Podravka can no longer invest in products that do not contribute to the increase of overall profitability. Compliant to that, changes will also be introduced and certain business programs outsourced from the current business.

In line with that, Podravka announces outsourcing 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. In order to ensure further development of these stated business programs, which are not considered essential business programs, in the upcoming period they will get strategic business partners, who will be able to make further investments into their development and market positioning.

"Changes in doing business that Podravka is currently implementing are based on thorough analyses on the situation at the Company. Releasing inner potential and increasing efficiency are essential and are a responsibility of all of us who wish to ensure a long-term and sustainable growth and business development. This is the time to be looking into the future, to be preparing Podravka for a twist and a new step



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forward, towards achieving efficiency results of the best companies. We believe that 2013 is one such turning point in Podravka life cycle; after decades of stagnation it has a new beginning for more efficient business and complete internationalization" - Zvonimir Mršić, Podravka Management Board president said at today's General Assembly of Podravka shareholders.