

Pursuant to Article 277 of the Companies Law ("Official Gazette" no. 152/11. – cleared text, 111/12 and 68/13), and the Resolution on convening the General Assembly of PODRAVKA Inc. of 23 April 2015, PODRAVKA Inc. Management Board announces this

## **INVITATION**

### **TO THE GENERAL ASSEMBLY OF PODRAVKA Inc.**

I. General Assembly of PODRAVKA Inc., headquartered in Koprivnica, A. Starčevića 32 (hereinafter: Company) will be held in Koprivnica, on Wednesday, 3<sup>rd</sup> June 2015 at 12 AM in the conference hall of Company headquarters in Koprivnica, A. Starčevića 32 street.

II. For this General Assembly it is hereby determined and published the following

#### Agenda:

1. Opening of the General Assembly, determination of present and represented shareholders and their proxies;
2. Annual financial reports for PODRAVKA Inc. and Annual consolidated financial reports for Podravka Group for the business year 2014 together with authorized auditor's report and opinion and the Annual Report by PODRAVKA Inc. Management Board on business operations of the Podravka Group and the state of the Company in 2014, and the Supervisory Board's report on performed supervision over Company business in 2014;
3. Passing a resolution on using the Company profit for the business year 2014;
4. Passing a resolution on discharging Company Management Board members for the business year 2014;
5. Passing a resolution on discharging Company Supervisory Board members for the business year 2014;
6. Passing a resolution on increasing the Company share capital, and amendments to the provisions of the Company Articles of Association;
7. Passing a resolution on giving the Company Management Board an authority to acquire own shares, excluding the right of precedence of existing shareholders;
8. Passing a resolution on organized Employee Stock Ownership Plan – ESOP;
9. Management Board report on reasons for partial exclusion of precedence for the existing shareholders to subscription and payment of New shares of the Company;

10. Passing a resolution on share capital increase and issue of regular shares through a public bid, entries in money, with partial exclusion of precedence of the existing shareholders on subscription and payment of new shares, along with the resolution on amendments to Article 13 item 1 and 14 item 1 of the Company Articles of Association;
11. Passing a resolution on listing the Company shares on the Official Market of the Zagreb Stock Exchange Inc.;
12. Passing a resolution on electing Company Supervisory Board members;
13. Passing a resolution on appointing Company auditors for the business year 2015 and determination of their fee;

III. This Resolution comes to force as of the date it is reached.

IV. Company share capital has been divided to 5,420,003 regular shares, of individual nominal amount of HRK 200.00, registered at the computer system of the Central Depository & Clearing Company under the ticker PODR-R-A. Each regular share provides one vote at the General Assembly. All shareholders of PODRAVKA Inc. are entitled to attend and vote at the General Assembly (1 share = 1 vote), who have been entered into the computer system kept by the Central Depository & Clearing Company six days before the General Assembly is being held, i.e. on 27<sup>th</sup> May 2015 as the last day to apply to participate in the work of the General Assembly, and who have by that day – i.e. by 27<sup>th</sup> May 2015 by 4.00 p.m. provided notice of attendance and intention on participating in work of this Assembly to the Company.

V. Shareholders may attend and vote at the General Assembly in person or through a proxy. Authorizations for participation and exercising the right to vote at the General Assembly are provided in written form.

Shareholders may be represented by proxies under the condition they have valid powers of attorney issued by shareholders, or in behalf of shareholders being legal entities, and by persons authorized for representation pursuant to provisions in Article 28 of the Company Articles of Association.

VI. Notice of attendance (to be valid) must contain, and be attached by:

a) shareholders – natural persons:

– name and surname, residence, PIN, account no. at CDCC and total number of shares (no. of votes at the General Assembly).

c) shareholders – legal entities:

– company, legal entity name, headquarters and residence, PIN, account no. at CDCC and total number of shares (no. of votes at the General Assembly).

– photocopy of an excerpt from court or any other register of authorized persons for representation of that legal entity in the current year,

- proxy's power of attorney for representation of legal entity (if legal entity is not represented by a person authorized for representation pursuant to legal provisions).

b) proxies of shareholders – natural persons:

- name and surname, residence and proxy PIN;

- list of shareholders they represent, for each of them no. of account opened at the CDCC and the total number of shares (number of votes at the General Assembly) of all the represented shareholders;

- attached to the application are all individual powers of attorney on the recommended form.

d) proxies of shareholders – natural persons:

- company, i.e. name of the legal entity, headquarters and address and PIN of the proxy;

- list of shareholders they represent, for each of them no. of account opened at the CDCC and the total number of shares (number of votes at the General Assembly) of all the represented shareholders;

- attached to this application are individual powers of attorney in written forms, and if the shareholder is a legal entity, attached is the photocopy of the excerpt from the court register or some other register from the current year in which this legal entity is registered, certified transcript or other public document showing that the power of attorney was signed by the person lawfully authorised to represent that legal entity.

VII. Application for participation at the General Assembly and the powers of attorney, along with all the attachments have to be in Croatian language, and if they are in foreign language they need to be attached with a translation to Croatian language by the registered court interpreter.

Shareholders, representatives and proxies of shareholders who fail to meet obligations to give proper notice of attendance at the General Assembly pursuant to this Invitation, shall not be entitled to attend and make decisions at the General Assembly of the Company.

VIII. Pursuant to provision in Article 28, item 4 of the Company Articles of Association, Koprivnica, shareholders, their proxies and representatives shall bear expenses of their attendance at the General Assembly.

IX. At the Company web-site [www.podravka.com](http://www.podravka.com), as of the day this Invitation to the General Assembly is published, the following forms are available: application for participation at the General Assembly, recommended form for the power of attorney, recommended form of the recall of the existing power of attorney, Management Board report on the reasons for partial exclusion of the right of precedence on subscription of new shares and other information and material proscribed by the Article 280.a of the Companies Law.

X. This invitation and draft resolutions which are being proposed to the General Assembly by the Supervisory and Management Boards will be published in the Official Gazette, HINA and web-site of the Zagreb Stock Exchange ([www.zse.hr](http://www.zse.hr)), HANFA ([www.hanfa.hr](http://www.hanfa.hr)) and the Company ([www.podravka.hr](http://www.podravka.hr)). All the relevant data and documents related to the agenda of the Company General Assembly will be available to the shareholders at the Company headquarters, at the headquarters helpdesk working days from 10 to 14, and at the Company web-site as of the day this invitation is publicly announced.

XI. Shareholders jointly having shares amounting to 5% of the Company share capital, can request in writing that a subject be placed on the Agenda of the General Assembly. The request in question, along with its explanation and proposed Resolution, the Company needs to receive at least 30 days prior to holding of the General Assembly, or on 4th May 2015 at the latest.

Stating their name and last name, each shareholder has been authorized to submit a counter-proposal and an explanation to the proposed resolutions of the Management and Supervisory Boards, referring to the items on the agenda and deliver it to the Company's address at least 14 days prior the General Assembly is being held, or on 14th May 2015 at the latest. Missing this deadline does not have a repercussion in loosing the right to place the counter-proposal at the General Assembly.

It is the obligation of the Management Board to provide an explanation to shareholders questions at the General Assembly on business operations of the Company, if such explanation is necessary for resolving issues on the Agenda.

XII. Participants in the General Assembly are kindly invited to arrive to the reception desk of the Company two hours earlier than the specified time of the General Assembly for the purpose of registration and delivery of materials for participation at the General Assembly.

The public is excluded from the work of the General Assembly.

XIII. If a quorum is not present at the General Assembly called for the 3<sup>rd</sup> June 2015, as provided in Article 29 of the Company Articles of Association, the next General Assembly will be held on 8<sup>th</sup> June 2015 at 12 a.m. at the same venue and with the same agenda. This General Assembly will be held and valid resolutions will be passed regardless of the number of present and represented shareholders.

## DRAFT RESOLUTIONS

Ad 2) Annual financial reports of Podravka Inc. and Annual consolidated financial reports by Podravka Group for the business year 2014 with reports and opinions by authorised auditors based on Article 300 d of the Companies Law have been verified by the Company Management and Supervisory Boards and they are not subject to voting. The stated reports have been published at the Zagreb Stock Exchange, HANFA, HINA and company web site ([www.podravka.com](http://www.podravka.com)).

Supervisory Board's report on performed supervision over Company business operations in 2014 has been published at company web site and there can be a discussion under this item, but the General Assembly makes no resolutions.

### **Ad 3) Resolution on using the Company profit for the business year 2014**

#### **I**

It is determined that net profit for the company PODRAVKA Inc., headquartered in Koprivnica, A. Starčevića 32, MB 03454088, PIN 18928523252 (hereinafter: Company) for the business year 2014, as shown in annual audited financial reports of the Company is HRK 201,673,836.71.

#### **II**

Realized Company net profit for 2014 is distributed as follows:

- HRK 10,083,691.84 is entered in legal reserves;
- HRK 80,000,000.00 is entered in reserves for own shares;
- HRK 3,190,084.87 is entered in other reserves;

#### **III**

After the Company net profit is distributed pursuant to item II of this Resolution, the remaining part of the profit amounting to HRK 108,400,060.00 will be used to increase the Company share capital from Company assets as profit reinvestment, pursuant to Profit Tax Law.

### **Ad 4) Passing a resolution on discharging Company Management Board members for the business year 2014**

Discharge is given to the members of the Company Management Board in respect of their duties carried out in managing the Company in 2014.

### **Ad 5) Passing a resolution on discharging Company Supervisory Board members for the business year 2014**

Discharge is given to the members of the Company Supervisory Board by which their duties and supervision over managing Company business operations in the business year 2014 have been approved.

### **Ad 6) Resolution on increasing the Company share capital from Company funds, and amendments to the provisions of Company Articles of Association**

#### **I**

It is hereby determined that the Company is registered in the court register of the Commercial Court in Varaždin, MB: 010006549, PIN:18928523252. Company share capital was paid in full, and it amounts to 1,084,000,600.00 (in print: one billion eighty four million six hundred) HRK, divided to 5,420,003 (in print: five million four hundred

and twenty thousand and three) shares, each of nominal amount of HRK 200.00 (in print: two hundred).

## II

It is hereby determined that the Company net profit for 2014, as determined by audited annual financial reports of the Company as on 31 December 2014 is HRK 201,673,836.71 (in print: two hundred and one million six hundred seventy three thousand eight hundred and thirty six kunas and seventy one lipas) and that the financial reports for 2014 have been audited and adopted and confirmed without remarks by the auditing company KPMG Croatia Ltd., fulfilling all the presuppositions from Article 330 of the Companies Law to make the resolution on increasing company share capital from Company funds.

## III

Company share capital is increased from Company net profit for 2014, from the amount 1,084,000,600.00 (in print: one billion eighty four million six hundred) kunas to the amount of 108,400,060.00 (in print: hundred and eight million, four hundred thousand and sixty) kunas to the amount of 1,192,400,660.00 (in print: one billion a hundred and ninety two million four hundred thousand six hundred and sixty) kunas.

## IV

Share capital increase will be performed in the way that the value of each of the 5,420,003 (in print: five million four hundred and twenty thousand and three) shares, each of nominal amount of HRK 200.00 (in print: be increased by HRK 20.00 (in print: twenty) to the amount of 220.00 (in print: two hundred and twenty) kunas.

## V

After the conducted increase, the Company share capital is 1,192,400,660.00 (in print: one billion a hundred and ninety two million four hundred thousand six hundred and sixty) kunas divided to 5,420,003 (in print: five million four hundred and twenty thousand and three) regular shares, each of nominal amount of HRK 220.00 (in print: two hundred and twenty) kunas.

## VI

By increasing the share capital the relations between the shareholders remain unchanged, in the way that the shares of the increased nominal value belong to the shareholders proportionately according to their present participation in the Company share capital, pursuant to Article 333 of the Companies Law.

## VII

Share capital increase is considered performed as on the day this resolution passed by the General Assembly on share capital increase is registered in the court register of the Commercial Court in Varaždin.

## VII

Pursuant to this Resolution, Article 13 item 1, 14 item 1, 17 and 27 of the Company Articles of Association are also amended (complete text as of 20th June 2013) as follows:

Article 13 of the Company Articles of Association entitled "Share capital amount", paragraph 1 is changed as follows:

"1) Company share capital is 1,192,400,660.00 (in print: one billion a hundred and ninety two million four hundred thousand six hundred and sixty) kunas."

Article 14 of the Company Articles of Association entitled "Number, nominal amount and gender" paragraph 1 changes as follows: "1) Company share capital is divided to 5,420,003 (in print: five million four hundred and twenty thousand and three) regular shares, each of nominal amount of HRK 220.00 (in print: two hundred and twenty) kunas."

Article 17 of the Company Articles of Association entitled "Composition" is changed as follows:

"1) Management Board consists of four members appointed by the Supervisory Board.

2) Persons who do not hold a university degree and at least 5 (five) years of professional experience in management cannot be appointed to the positions of President or member of the Management Board.

Article 27 of the Company Articles of Association entitled "Competence" in paragraph 1, line three, word "2% (two percent)" is replaced by number and words "3% (three percent)".

Other provisions of the Company Articles of Association remain unchanged.

## IX

Amendments to the Company Articles of Association come to force and apply as of the day of entry into the court register of the Commercial Court in Varaždin.

## X.

Company Supervisory Board is authorised to create the complete text of the Company Articles of Association compliant to this resolution. Company Management Board will perform all the activities necessary to register the Resolutions by the Company General Assembly on share capital increase from Company funds and Amendments to the Articles of Association in the Court register of the Commercial Court in Varaždin, in the depository of CDCC and the actions necessary to change company nominal values regarding the listing of shares at the Zagreb Stock Exchange.

## **Ad 7) Resolution on providing authority to the Company Management Board on acquiring own Company shares**

### **I**

Pursuant to the provisions of Article 233 of the Companies Act, General Assembly provides authority to the Company Management Board to acquire own Company shares with the ticker PODR-R-A during the 5 (five) year period, since the day this Resolution is passed, without further special approval from the Company General Assembly, under the following conditions:

1. total number of own Company shares acquired based on this Resolution, together with own shares that the company is already holding, should not be more than 10% (ten percent) of the Company share capital, at the moment of acquiring;
2. Company Management Board has to acquire own shares in the organized market of securities;
3. price at which own shares are being purchased must not be above 10% (ten percent), i.e. below 10% (ten percent) of the average market price which was realized for those shares during previous trading day;
4. in the business year in which the Company acquired own shares, into the reserves for those shares, in that year, the Company needs to enter a part of the profit and show amounts that correspond to the amounts paid for acquiring of own shares, so that the net assets of the Company shown in the financial reports for the last business year, due to acquiring of own shares do not become smaller than the share capital amount and the reserves which, according to the law, Articles of Association or as decided by the Company General Assembly it needs to have, and which is not to be used for payments to the shareholders;
5. Company Management Board has to report to the first upcoming General Assembly on the reasons and purpose of acquiring of own shares, their number, and portion in the share capital, and on the countervalue on what the Company gave for those shares. Company Management Board holds the same obligation towards the Supervisory Board, provided that the Management Board has to submit a report to the Supervisory Board within one month after each individual quarter is completed.

### **II**

With the approval of the Supervisory Board, Company Management Board may dispose with own shares, which it is already holding or it will acquire them based on the provisions of this Resolution by the General Assembly on providing authorisations to the Company Management Board to acquire own shares, even outside organized market (for instance disposing within ESOP program, option shares awarding, Management Board members remuneration program and other programs of disposing with own shares adopted by the Management Board, with previous approval of the Supervisory Board), and that no special resolution is required by the General Assembly, apart from this decision, whereby with this item of the Resolutions by the General Assembly, the right of precedence is excluded for the existing shareholders when disposing with own shares, provided that this resolution be



passed with three-quarter majority of all the votes of the share capital represented at the General Assembly during its passing.

### III

This Resolution comes to force as of the date it is passed.

#### **Ad 8) Resolution on organized Employee Stock Ownership Plan – ESOP program**

With this resolution, organized employee stock ownership plan (ESOP program) is being started on the part of the Podravka Group, composed of PODRAVKA Inc., DANICA Ltd., BELUPO Inc. DELTIS PHARM PHARMACIES. ESOP program is started based on the propositions by the Management and Supervisory Boards for employees participation in share capital increase by public bid, and pursuant to the belief of the Management and Supervisory Board, that by combining the shareholder structure and employees structure of the mentioned companies which comprise Podravka Group, it will ensure to the company a better business result and thus contribute to the prosperity of the Company and of the Group as a whole.

Provided that the General Assembly reaches a resolution on share capital increase and issuing of regular shares by public bid with entries in money, ESOP program will include giving rights to the employees of the legal entities of PODRAVKA Inc., DANICA Ltd., BELUPO Inc. and DELTIS PHARM PHARMACIES and give them the right of precedence to subscription and payment of the shares, within company share capital increase through a public bid, in the manner that in the first round of this shares subscription and payment, natural persons who have a status of a employee employed at the legal entities of PODRAVKA Inc., DANICA Ltd., BELUPO Inc. i.e. DELTIS PHARM PHARMACIES, on the day the resolution on company share capital increase is passed by the General Assembly, to the maximum 314,640 of new shares from the total of 1,700,000 of new shares that the Company intends to publish hold the right of precedence.

Also, depending on the results of subscription and payment of such shares in the first round, i.e in the case that the stated employees subscribe to and pay more than 314,640 shares, and depending on the results of subscription and payment of shares in the second round by the existing shareholders who will retain the right of precedence in that round to the subscription of new shares, persons with the status of employees of legal entities PODRAVKA Inc., DANICA Ltd., BELUPO Inc. i.e. DELTIS PHARM PHARMACIES will be enabled to acquire company shares in the manner that the total number of new shares which can be acquired by employees is maximum 813,000 company shares at the most (which will represent approximately up to 12% of the company share capital after its increase, provided that the company share capital be increased to the maximum amount planned).

Minimal number of shares for subscription and payment by company employees will not be determined, and individual employee, within ESOP program, will be able to subscribe to maximum of 500 of new shares.

ESOP program will also include a remuneration program for those employees who acquire shares within this share capital increase through the public bid in the first round of shares payment and subscription by transferring additional shares to such shareholders from the segment of own company shares, in the manner that every shareholder who acquires company shares exclusively through ESOP program within the first round of shares subscription and payment and keeps **all** the shares acquired in period from two or three years from the day of acquiring, the company will award additional company shares, as stated in the table below. Those shareholders acquiring company shares exclusively through the ESOP program within the first round of shares subscription and payment will also have the stated right, if they subsequently terminate their status of an employee for any reason.

The right to the subscription and payment of the shares within the described ESOP program, i.e. the right to the transfer of additional company shares in case of keeping all shares acquired based on the described ESOP program, will be independent of the right to an untaxable payment of dividend based on the shares acquired within the described ESOP program (whether by subscription and payment in the first round, whether by transferring additional Company shares) pursuant to tax regulations applicable at any moment.

<b>The right to additional Company shares transfer</b>	
Keeping shares for 2 years	Keeping shares for 3 years
1 additional share is awarded for every 10 acquired shares within company share increase in the public bid in the first round of shares subscription and payment	2 additional shares are awarded for every 10 acquired shares within company share increase in the public bid in the first round of shares subscription and payment

Management Board estimates the amount of expense for the Company, for the purposes of transferring additional shares within previously described remuneration system during the three-year period to be about HRK 60 million. The stated calculation represents a draft calculation based on assumptions including (among others) an average share price of HRK 300,00, continued application of currently applicable tax regulations (Personal Income Tax Law and Rulebook on income tax), with the fund of shares acquired within ESOP program of approximately 300,000 shares and with keeping all such shares by all the employees-shareholders during the overall three-year period from the day they are acquired.

The General Assembly provides the Management Board with an authority, as approved by the Supervisory Board, to adopt the Rulebook to further elaborate the details of this ESOP program, in case such becomes necessary or useful for any reason.

This Resolution comes to force as of the date it is passed.

**Ad 9) Management Board report on the reasons for partial exclusion of the right of precedence to subscription of new shares**

Pursuant to Article 304, and regarding Article 308, item 4 of the Companies Act, Management Board submits to the General Assembly a

**REPORT**

by the Management Board on the reasons for partial exclusion of the shareholder right of precedence on subscription of new shares

Pursuant to Article 308, item 4 and 5 of the Companies Act, the Management Board submits to the General Assembly a Report on the reasons for partial exclusion of the shareholder right of precedence on subscription of new shares.

In 2014 Podravka Group realized a total business income of HRK 3,515.4 million, which makes it one of the most significant food processing and pharmaceutical companies in the region. In the same period Podravka Group realized EBITDA of HRK 319.6 million (normalized EBITDA of HRK 380.5 million) and net profit after minority interest of HRK 92.5 million (normalized net profit after minority interest of HRK 182.6 million).

Podravka Group is one of the leading food processing and pharmaceutical concerns in the region of SouthEast and Central Europe, comprised by the companies and branch offices in 22 countries, with own distribution in 9 countries of Southeast and Central Europe and production capacities in 3 countries. product range is comprised of about 800 different products, while the brands Podravka, Vegeta and Lino are among the most renowned in the region. Podravka Group products are the leaders in the market of Croatia and SouthEast Europe, in the categories: all-purpose food seasonings, dehydrated packet soups, baby food, powdered desserts, fruit and vegetables products, condiments, and so on.

Podravka Group operates on global market and is a direct competition to multinational companies such as Nestle and Unilever and many local and regional manufacturers. Business conditions in the environment are more and more demanding due to negative economic trends in Europe and Russia, reduced purchasing power by the consumers, increased negotiating power of the buyers – chain stores, reduced price of food products and medications and ever increasing influence of the private labels.

The purpose of increasing the company share capital is to finance the production and market expansion of the Podravka Group through investments in organic growth (investment in own capacities) and inorganic growth (acquisitions).

Considering the above stated, with the approval of the Supervisory Board, the Management Board has initiated the procedure of share capital increase.

Successfully completing the procedure of increasing share capital and completing the planned investments, undoubtedly the preconditions would be created for organic growth and winning of the new markets.

Successful implementation of share capital increase would create necessary positive effects for Company business and development. It is Management Board's estimate that it is in the interest of the Company to increase the portion of employees in the ownership structure and that way increase the higher level of motivation and identification with the Company, regarding the intended further growth of the Company. It is Management Board's intention that with this and some other measures to encourage the development of good and appropriate relations and mutual understanding between the employees and the Management Board as the employer, and shareholders and the Company. Management Board believes that by intertwining the shareholder structure and employees structure it will ensure better financial results for the Company, achieve better motivation and care for the existing employees, next to the improved business results and acquiring a safe position of the Company in the ever demanding domestic and foreign markets. Management Board hereby expresses belief that the advantages of such intertwining is also evident in the fact that the employee, who is also a shareholder of the company, can better see and understand the problems, not only of the work within the company, but also in managing the company, which greatly contributes to the prosperity of the company as a whole.

Management and the Supervisory Board have therefore suggested to start the ESOP program for part of the Podravka Group including the employees of PODRAVKA Inc., DANICA Ltd., BELUPO Inc. DELTIS PHARM PHARMACIES, by employees' participation in company share capital increase by public bid, and to additionally increase the effects of such employee shareholding program is rewarding of employees who acquire shares within company share increase by public bid in the first round of subscription and payment of the shares, by transferring to such shareholders additional company shares from the own share segment. In such case, every shareholder who acquires company shares exclusively through the ESOP program within company share increase by public bid in the first round of subscription and payment and keeps all shares acquired that way in the period of two to three years from the day of acquiring, the Company would award additional company shares, all with the purpose of encouraging such employees-shareholders to keep the shares acquired within this suggested company share increase for two to three years from the day of acquiring. Even those shareholders acquiring company shares exclusively through the ESOP program within the company share increase by public bid in the first round of shares subscription and payment will also have the stated right, if they subsequently terminate their status of an employee for any reason.

Additional incentive for the employees to acquire and keep such shares is also a favourable tax treatment that such shares have in case of those employees who would have the right to participate in the ESOP program, i.e. in case of employees of Podravka Inc. Namely, Personal Income Tax Law and Rulebook on Income Tax Law imply that the income from the capital is not determined based on dividend revenue if such revenue is realized within ESOP program, based on employee shareholding program, under the terms of those regulations.

It is expected that the stated incentives would lead to keeping the ownership of such shares by the employees to the expected period of two to three years from the day of acquiring, which would contribute to maintaining the stability in the shareholding structure. The purpose of intertwining the employees' and shareholding structure is to primarily protect the interests of the Company through gathering the employees and shareholders around the mutual goal and to bind them to the Company.

By employees' participation in the suggested share capital increase, employees would be given the opportunity to acquire shares in total of 813.000 company shares (which will be approximately 12% of the total share capital after its increase with the condition of maximally increased company share capital), which provides such employees-shareholders substantial authorities according to the Companies Act, including for instance the possibility of convening the General Assembly at minority's request. That way employees as company shareholders would be able to influence the company's business policy in the interest of the company, but also in their own interest. It is worth pointing out that when providing a part of Podravka Group employees with the right to acquire 813,000 of the company shares at the most (which will be approximately 12% of the Company share capital after its increase, with maximum planned company share increase), for the existing shareholders their right of precedence would be excluded only on 314,640 from the total of 1,700,000 shares, while for the remaining part i.e. comparing to acquiring company shares above those 314,640 to the maximum number of 813.000 company shares (with the condition of maximum predicted share capital increase), employees could subscribe and pay the shares only after the existing shareholders would get the opportunity to use their right of precedence on subscription of new shares.

Taking into consideration the interests of the Company, but also of the existing shareholders, and all of the above, it is Management Board's evaluation that the suggested model of share capital increase with partial exclusion of the right of precedence to the shareholders upon subscribing to new shares is an optimum model for the following reasons:

- includes realization of numerous expected benefits from including employees in the shareholding structure;
- includes all of the existing shareholders in the process of share capital increase, with only partial exclusion of their right of precedence, in relation to the 314,640 shares comparing to 1,700,000 shares that the Company plans to issue within the planned share capital increase, which according to Management Board's opinion, leads to no significant changes in the shareholders structure after the share capital is increased;
- existing shareholders will have the right to subscribe to and pay all the shares which are not subscribed and not paid by the employees in the first round, next to the 1,385,360 shares for which the right of precedence is not excluded upon subscription;
- new shares are issued at the price of HRK 300.00 per share, which is an approximate average price traded with company shares in the past year on the organized market (price range from HRK 266.00 to 349.50 according to the

information on 17th April 2015) so the existing shareholders whose right of precedence is suggested to be partially excluded upon the subscription of new shares, and pursuant to the status on 20th April 2015, on the organized market they can buy Company shares at the price which approximately corresponds to the price at which new shares will be issued and thus annul possible, even slight effects of the partial exclusion of the right of precedence which could arise for the existing shareholders.

Management Board is therefore convinced that it is justified to partially exclude the right of precedence for the existing shareholders on subscription of new shares, for the maximum of 314,640 shares from the total maximum of 1.700.000 which will be issued within the planned increase of the share capital. Previously described company interests are this way totally achieved, to the benefit of the company and its shareholders. Management Board feels that there are no negative effects of such resolution to the existing shareholders or they are slight, where the Management Board estimates that such an insignificant effect on the existing shareholders can be compensated in the capital market at approximately the same terms as if the right of precedence of the existing shareholders even was not partially excluded. Management Board's report is duly noted.

**Ad 10) Passing a resolution on share capital increase and issue of regular shares through a public bid in the Republic of Croatia, entries in money, with partial exclusion of precedence of the existing shareholders on subscription and payment of new shares, along with the resolution on amendments to Article 13, item and 14 1 of the Articles of Association**

#### I

Company share capital is HRK 1,192,400,660.00 (in print: one billion a hundred and ninety two million four hundred thousand six hundred and sixty). Company share capital is divided to 5,420,003 (in print: five million four hundred and twenty thousand and three) regular shares, each of nominal amount of HRK 220.00 (in print: two hundred and twenty). The share capital has been fully paid.

#### II

With this resolution, company share capital is increased from the amount 1,192,400,660.00 (in print: one billion a hundred and ninety two million four hundred thousand six hundred and sixty) kunas for the amount of 374,000,000.00 (in print: three hundred seventy four million) kunas to the amount of 1,566,400,660.00 (in print: one billion five hundred sixty six million four hundred thousand six hundred and sixty) kunas.

#### III

Increase of the Company share capital mentioned in Article II of this Resolution will be performed by payment in money, by issuing 1,700,000 (in print: one million seven hundred thousand) of new regular shares to the name, of individual nominal value of HRK 220.00 (in print: two hundred and twenty) (hereinafter: New shares).

#### IV

New shares are issued in nonmaterialized form, in the form of an electronic record in the computer system of the CDCC, with the ticker awarded by the CDCC.

Each new share provides the right to one vote at the General Assembly of the Company. New shares are issued to a name and provide the shareholders with the same rights as all the existing shares, i.e. all the rights determined by the Law and Company Articles of Association, as of the day the share capital increase is registered with the court register.

#### V

New shares are issued for the amount higher than the part of the share capital pertaining to them. Pursuant to Article 304, item 3. of the Companies Act, the price of New shares is determined to be HRK 300,00 (in print: three hundred) per New share.

#### VI

In order to conduct the resolution on company share capital increase, pursuant to the provisions of the Article 308 paragraph 4 of the Companies Act, the right of precedence is excluded partially for the existing shareholders to the subscription and payment of New shares.

The right of precedence to the subscription and payment of New shares is excluded for the existing shareholders, for the maximum of 314,640 shares of the total maximum of 1,700,000 shares which will be issued in the procedure of share capital increase.

#### VII

Company share capital increase based on this resolution is performed by public bid of the New shares in the Republic of Croatia, with partial exclusion of the right of precedence of the existing shareholders on the subscription of New shares, with the subscription and payment of New shares in maximum three rounds.

#### VII

New shares will be subscribed through a written statement (Subscription form). Subscription and payment of New shares will be performed in the manner determined in the public calls for subscription of New shares. Management Board will publish a public call for subscription of new shares in the first and second round within 8 (eight) days at the most after the Croatian agency for supervision of financial services (HANFA) submits to the Company the resolution approving the Shares issue prospectus. Public calls for subscription of new shares will be published on Company web-site and at least in one daily Croatian publication.

#### IX

Subscription and payment of New shares will be performed in at least three rounds, as follows:

First round:

In the first round, natural persons with the status of a employee in any of the following companies have the right to the subscription and payment of the shares: PODRAVKA Inc., DANICA Ltd., BELUPO Inc. and DELTIS PHARM PHARMACIES as on the day the Resolution on company share capital increase is passed by the General Assembly, to the maximum of

- 314,640 New shares (New shares from the first round), and
- depending on the outcome of the subscription and payment of New shares in the second round, additional 498,360 of New shares from the second round with the right of precedence (as defined below) regarding which the existing shareholders do not use the right of precedence on subscription and payment in the second round, as explained below,

i.e. max 813.000 of New shares.

In the first round the shares are subscribed and paid within 7 (seven) days as of the day which will be published in the public call for subscription of shares in the first round. In the public call for subscription of shares, there will be detailed information on time and place for the subscription through the Subscription form and the deadline for payment of the amount for the subscribed shares.

Minimum number of shares to be subscribed by employees is not determined, and maximum number of shares that an individual employee can subscribe and pay is 500 of new shares (Maximum right of employees subscription). If the Subscription forms should contain more than the Maximum right of employees subscription, only the maximum number of shares will be considered.

If the total number of subscribed and paid shares in the first round be:

- a) higher than 314,640 New shares from the first round (in case the existing shareholders in the second round use the right of precedence and payment of 1,385,360 New shares from the second round with using the right of precedence (as defined below), or
- b) higher than 314,640 New shares in the first round (in case in the second round the existing shareholders do not completely use the right of precedence to subscription and payment of 1,385,360 New shares from the second round, with using the right of precedence), increased by the number of New shares from the second round with using the right of precedence (as defined below) in relation to which the existing shareholders did not use the right of precedence to subscription and payment in the second round, but to the maximum of 498,360 of such new shares from the Second round with using the right of precedence, or
- c) in any case, higher than 813,000 of New shares,



allocation of shares will be performed in the manner that an individual employee will be allocated with shares proportionately to the portion of validly subscribed and paid shares in the first round for that particular employee in the total shown demand for subscription and payment of shares in the first round, where for every employee who subscribes and pays 10 or less shares in the first round allocation is guaranteed for such subscribed and paid number of shares in the first round. If the number of shares received by allocation is not dividable by 10, employees subscribing and paying more than 10 shares in the first round will be allocated with that number of shares corresponding to the next smaller number dividable by 10. If the number of shares resulting from such allocation is smaller than 10, such a participant of the first round will be allocated with 10 shares.

Management Board has been authorised, with the compliance of the Supervisory Board, to adopt additional rules of allocation in the first round, in case this proves necessary and such will be publicly announced together with the public call for employees to subscription of shares in the first round.

#### Second round:

Those company shareholders hold the right to subscription and payment of shares in the second round who, compliant to the rules of the CDCC, who have registered shares on their account of nonmaterialized securities on the day of Passing of the Resolution by the General Assembly on company share capital increase, to the maximum of

- 1,385,360 New shares that have not been the subject of subscription and payment in the first round and in relation to which the shareholders have the right of precedence to subscription and payment (New shares from the second round, with using the right of precedence), and
- depending on the outcome of the subscription and payment of New shares from the first round, remaining New shares from the first round that by some chance are not subscribed and paid in the first round (together below): New shares from the second round).

In the second round the shares are subscribed and paid within 14 (fourteen) days as of the day stated in the public call for subscription of shares in the second round. In the public call for subscription of shares, there will be detailed information on time and place for the subscription through the Subscription form and the deadline for payment of the amount for the subscribed shares.

Minimum number of shares for subscription in the second round is not determined. Maximum number of New shares from the second round, with using the right of precedence that an individual shareholder will be able to subscribe in the second round is calculated in the way that the total number of New shares from the second round, with using the right of precedence (1,385,360) be divided to the number 5,242,492 (total number of existing company shares (5,420,003 shares) reduced by the number of own company shares (177,511 shares) and multiplied with the number of shares that an individual existing shareholder holds on the day of passing of the Resolution by the General Assembly on share capital increase (Maximum right of subscription of New shares from the second round, with using the right of

precedence). In case the calculation does not result in a whole number, the result is rounded to the previous whole number. If the Subscription forms should contain more than the Maximum right of subscription of New shares from the Second round, with using the right of precedence, only the maximum number of New shares (1,700,000) will be considered only under the below stated terms.

New shares from the second round, with using the right of precedence, in relation to which the shareholders did not use the right of precedence, and for which the employees did not subscribe nor pay in the first round, as well as the New shares from the first round which for some reason will not be subscribed and paid in the first round (together below: Remaining new shares), will be awarded to the existing shareholders who have entirely used their right of precedence upon the subscription of New shares from the second round with using the right of precedence, and who have subscribed and paid more than the Maximum right of subscription of New shares from the second round with using the right of precedence. In case the total number of subscribed and paid shares of the existing shareholders who have used their right of precedence upon subscription of the New shares from the second round with using the right of precedence, and who have subscribed and paid more than the Maximum right of subscription of New shares from the second round with using the right of precedence be higher than the remaining New Shares, the allocation of such shares for every such existing shareholder will be performed proportionately to the share of validly subscribed and paid New shares from the second round of every such shareholder, and which exceeds the number of shares based on the Maximum right of subscription of New shares from the second round with using the right of precedence for that shareholder, in the total shown demand for subscription and payment of New shares from the second round with using the right of precedence for that shareholder, in the total shown demand for subscription and payment of New shares from the second round by all of the existing shareholder who have at the moment of subscription and payment exceeded the Maximum right of subscription.

Subscriptions in the first and the second round will start at the same time, and the number of Remaining new shares which can be subscribed and paid in the second round (if there will be any) by the existing shareholders will be determined, with respecting the employees' rights to subscriptions and payment in the first round.

Management Board has been authorised, with the compliance of the Supervisory Board, to adopt additional rules of allocation of New shares in the second round, in case this proves necessary and such will be publicly announced together with the public call for existing shareholders to subscription of shares in the second round.

#### Third round:

Within 5 (five) working days as of the day of completion of the second round Management Board will pass the resolution on potential implementation of the third round and will announce the public call for subscription of the remaining New shares which potentially are not subscribed and paid in the first and second round (New shares in the third round).

Management Board is authorised, at their own discretion to decide not to hold the third round of subscription and payment of New shares in the third round, if the

success threshold is achieved in the first and second round of subscription and payment, i.e. if minimum 60% (sixty percent) of the total amount of the issue, i.e. at least 1,020,000 of New shares, and if the Management Board concludes that it is not affordable to conduct the third round.

In case the Management Board decides to conduct the third round of subscription and payment of New shares in the third round, all the investors, regardless of whether they participated or not in the first or the second round hold the right to subscription and payment of such New shares in the third round, and the subscription and payment of New shares in the third round will last for about 7 (seven) days as of the day stated in the public call for subscription of shares in the third round. In the public call for subscription of shares, there will be detailed information on time and place for the subscription through the Subscription form and the deadline for payment of the amount for the subscribed shares.

Minimum number of shares for subscription in the third round is not determined. Maximum number of New shares from the third round that individual investor will be able to subscribe and pay in the third round corresponds to the total number of New shares in the third round (Maximum right of subscription comparing to New shares in the third round). If the Subscription forms should contain more than the Maximum right of subscription relative to New shares in the third round, only the Maximum right of subscription relative to New shares in the third round will be considered.

In case the total number of subscribed and paid shares in the third round be higher than the New shares in the third round, the allocation of such New shares to individual investor will be performed in the way that New shares will be allocated to an individual investor in the third round proportionately to the share of validly subscribed and paid shares in the third round of that investor in the totally shown demand for subscription and payment of New shares in the third round.

Management Board has been authorised, with the compliance of the Supervisory Board, to adopt additional rules of allocation of New shares in the third round, in case this proves necessary and such will be publicly announced together with the public call to the shareholders and other investors to subscription of shares in the third round.

## X

In case the Company shares for the account of the shareholder are being held by the custody bank, the subscription of New shares can be performed, i.e. the Subscription form can be completed and sent by the custody bank or the shareholder to which the custody bank has issued an appropriate power of attorney for the subscription.

## XI

Based on the completely paid subscription for each New share, after the entry in the Court register, an appropriate number of new shares will be issued, with the ticker as awarded by the CDCC, to the name, each of the nominal amount of HRK 220.00 (in print: two hundred twenty) in nonmaterialized form.

The investors are becoming the holders of the New Company shares by their registration with the CDCC repository, and the subscription will be performed compliant to the rules of CDCC, as soon as the share capital increase is conducted in the court register.

New shares will be included in the Official Market of the Zagreb Stock Exchange, together with all the already issued shares which are included in the Official market, pursuant to valid regulations.

New shares, issued pursuant to this resolution will be tradeable on a regulated market after they are listed in the Official market.

## XII

The success of subscription and payment of New shares and the exact amount of company share increase is determined according to the status of subscription and payment on the day of deadline for subscription and payment of New shares in the second i.e. third quarter (if it will be held), in the upcoming period of 3 (three) working days at the latest.

Issue of new shares will be considered successfully completed if under the previous terms and deadline for subscription and payment at least 60% (sixty percent) of the total amount of issue is subscribed and paid, i.e. at least 1,020,000 of New shares. With compliance of the Supervisory Board, Company Management Board will determine the success of issue of New shares, the exact amount of share capital increase and the exact number of New shares.

If the subscription of new shares is not successful, within 7 (seven) days after the deadline for subscription and payment of New shares in the second i.e. third round (if it will be held) expires, and pursuant to determination in the public call for subscription of New shares, it will return to the investors the funds paid to the account number that the investors state in their subscription form. In the stated case the company will not incur any costs of the payment transaction or any other costs, nor pay the interests to the investors. Within the same deadline and under the same terms, the Company will return to individual investors funds that they have potentially overpaid.

## XIII

If the share capital increase is not entered in the court register within 12 (twelve) months as this resolution is passed, the statement on subscription (Subscription form) will no longer be obligatory for the investor, and the performed subscriptions will be returned without delay to the investors in the way and under the terms described in the previous Item XII of this Resolution.

## XIV

This resolution comes to force as of the day it is passed, and it is applied under the condition that the Resolution passed by the General Assembly on company share capital increase from Company funds, and the Resolution on amendments to Articles

13 and 14 of the Company Articles of Association as of 3<sup>rd</sup> June 2015 is entered with the Court register of the Commercial Court in Varaždin. Management Board is ordered to take all the legal actions in order to implement this Resolution, including creation and delivery of the New shares issue prospectus, publication of this prospectus after it is approved by the authorised body, and taking actions in order to enter this resolution and the related share capital increase in the Court register of the Commercial Court in Varaždin and into the repository of the CDCC.

## XV

Pursuant to this Resolution, Articles 13, item 1 and 14 item 1 of the Articles of Association (complete text as of 20 June 2013, with changes adopted at the General Assembly held on 3rd June 2015) in the way that after the issuing of the New shares pursuant to this Resolution and pursuant to the results of subscription and payment of New shares, in Article 13, item 1 of the Articles of Association, the amount of share capital is changed, and in Article 14, item 1 of the Articles of Association, the number of regular shares to which the company share capital is divided is changed, where the Company Supervisory Board is authorised to align the Article 13, item 1 and Article 14, item 1 of the Articles of Association with the determined amount of the share capital increase and the number of New shares, and to determine the complete text of the Articles of Association, after the Company Management Board, with the compliance of the Supervisory Board determines the success of the issue of new shares, the exact amount of share capital increase and the exact number of New shares. Such amendments to the Company Articles of Association come to force and apply as of the day of entry into the court register.

### **Ad 11) Resolution on listing the Company shares on the Official Market of the Zagreb Stock Exchange Inc.**

#### I

With this Resolution it is determined that maximum 1,700,000 of New shares of Podravka be listed in the official market of the Zagreb Stock Exchange Inc., which will be issued pursuant to the Resolution of 3 June 2015 on share capital increase and issuing of regular shares by public bid, entries in money, with partial exclusion of the right of precedence at subscription of new shares.

#### II

Management Board is authorised to take all the necessary actions in line with the applicable regulations, with the purpose of listing all New shares of the Company into the Official market of the Zagreb Stock Exchange Inc., including, but without limitation to the creation and submission to the authorised body the Prospectus necessary for listing of the New shares.

#### III

This Resolution comes to force as of the date it is passed.

### **Ad 12) Passing a Resolution on electing Supervisory Board members**

I

It is hereby determined that for the Supervisory Board members of Podravka Inc.:

1. Mato Crkvenac, dr. sc. in retirement, Karlovac and
2. Ivo Družić, prof. dr. sc. at the Faculty of Economy and Business in Zagreb, Zagreb

their term at the Supervisory Board of Podravka Inc. ends on 23 February 2016, after their term expires.

II

Members elected to PODRAVKA Inc. Supervisory Board are:

1. Mato Crkvenac, dr. sc. in retirement, Karlovac and
2. Ivo Družić, prof. dr. sc. at the Faculty of Economy and Business in Zagreb, Zagreb.

Term of the elected Supervisory Board members of Podravka Inc. begins as of 24th February 2016 and lasts 4 (four) years.

**Ad 13) Resolution on appointing Company auditors of for the business year 2015 and determination of their fee**

I

The financial statements of the parent company PODRAVKA Food Processing Industry Inc. Koprivnica and of its affiliated (subsidiary) companies, along with consolidated financial statements of the PODRAVKA Group for the business year 2015 shall be audited by the authorised auditor: KPMG Croatia Ltd. headquartered in Zagreb, Eurotower, Ivana Lučića 2a/17.

II

The Management Board of Podravka d.d. is authorized to enter in appropriate agreements on auditing with the above mentioned Auditing Company and to determine remuneration for their service.

III

This Resolution comes to force as of the date it is passed.

Podravka Inc.  
Koprivnica