

*Podravka inc.*  
Annual  
Report  
for 2023



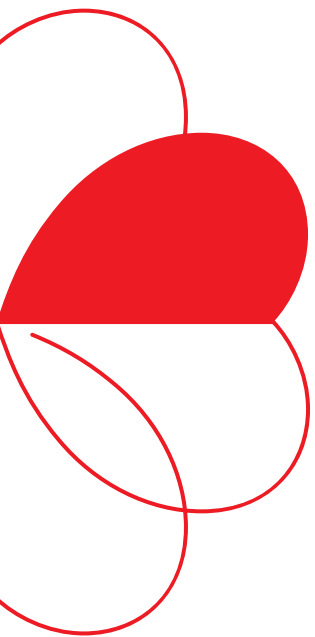
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# Structure and Ownership



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

### Structure of the Podravka Group

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

\* Podravka Inc. holds these ownership interests indirectly through its subsidiary Žito Ltd.

\*\* Podravka Inc. holds these ownership interests indirectly through its subsidiary Belupo Inc.

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

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

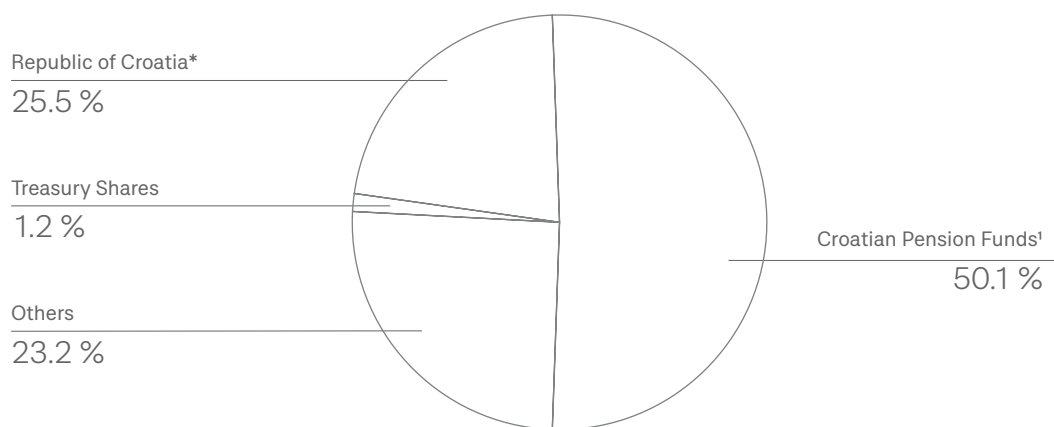
\*\*\*\*\* Business activities are suspended during 2022

Note: Podravka Inc. does not own any subsidiaries.



**OWNERSHIP STRUCTURE OF PODRAVKA INC.**

as of December 31, 2023.



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

**List of ten largest shareholders of Podravka Inc.**

as of 31 December 2023

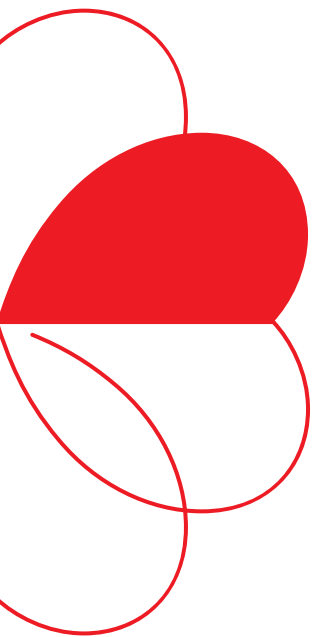
| No. Shareholder  | Number of shares | % of ownership |
|--|------------------|----------------|
| 1. PBZ Croatia Osiguranje mandatory pension fund, category B | 1,097,644        | 15.4%          |
| 2. AZ mandatory pension fund, category B                     | 932,563          | 13.1%          |
|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

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





2

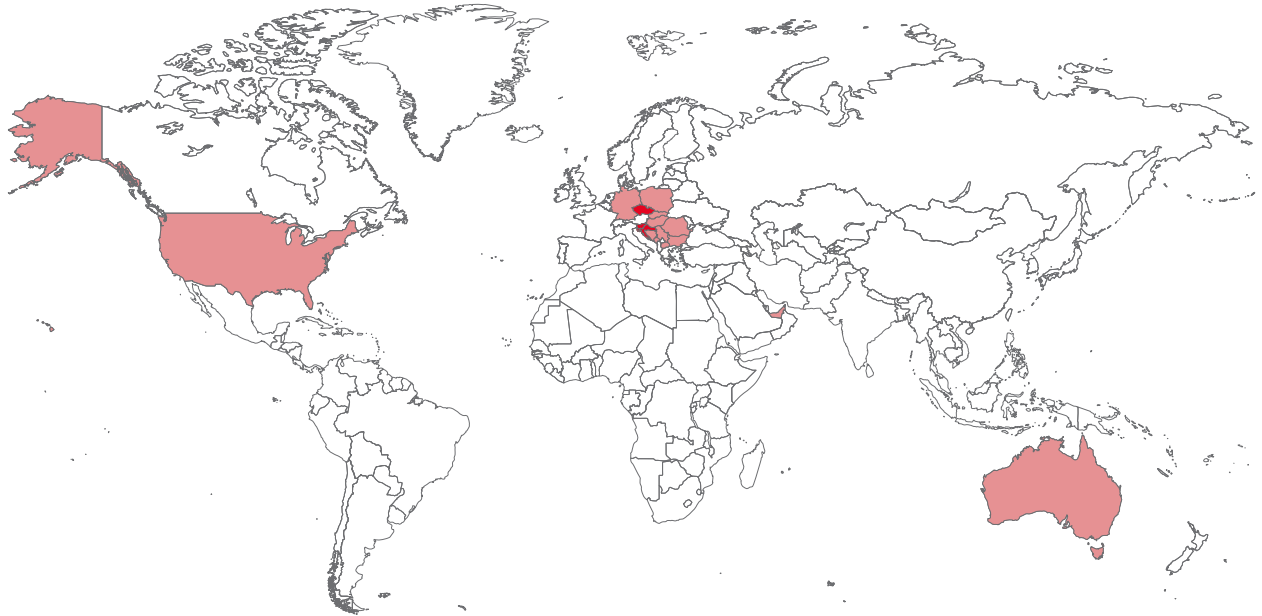
# Corporate Profile



## 2. Corporate profile of the Podravka Inc.

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

-  Countries where Podravka Inc. has production facilities
-  Countries where Podravka inc. has active companies and representative offices



77

Years of experience in the food industry

52

Years of experience in the pharmaceutical industry

Own distribution network in

17 countries worldwide

More than

$\frac{2}{3}$  of sales revenue generated outside of Croatia

Portfolio with more than **1,800** different products

**6,163** employees

Of which more than **4,400** are employed in Croatia

Revenue in 2023 amounted to

**713.8** million EUR

**17** factories

Of which **11** located in Croatia



2. Corporate profile of the Podravka Inc.



1947

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



1952

Production of condiments, dried, and sterilized vegetables begins



1957

Establishment of production for famous Podravka soups



1958

The production of meat products has commenced



1959

Vegeta, a universal food seasoning



1970

The production of baby food begins



1972

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



1993

Podravka was privatized and registered as a joint-stock company



2015

Acquisition of Žito, a Slovenian food producer



2017

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



2021

Adoption of the Business Strategy until 2025



2022

Celebration of Podravka's 75th anniversary



2024

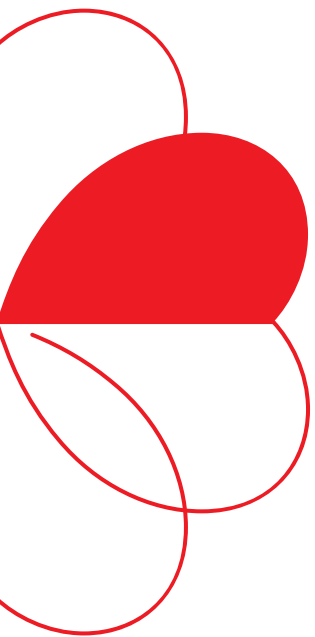
Introduction of the new corporate visual identity; opening of the new Pasta Factory





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



Dear all,

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

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



in Croatia, strengthened sales in the markets of Central and Southeastern Europe, and strengthened personnel capacities for product development and innovation.

In an environment marked by challenges such as rising raw material costs and inflation, we managed to limit the impact of rising raw material costs on production costs through procurement efficiency and insistence on competition among suppliers. At the same time, the investment cycle continued as planned, including investments in technology and increased production efficiency, investments in digitalization of production and business, as well as investments in agriculture development. Capital investments in the past year reached 69 million euros, which includes investments in technology, new factories, and digitalization. We have also started implementing artificial

intelligence-based tools. Last year, we adopted two key strategies integrated with our business strategy to provide a framework for developing our business in a manner consistent with environmental requirements and consumer needs. We adopted a Sustainable Business Strategy focused on a clean environment, care for employees and the community, responsible corporate governance, and healthy nutrition. An important part of this strategy is the new Nutritional Strategy, confirming our commitment to the principles of healthy and balanced nutrition and defining a framework for the development of new and innovative products based on high-quality ingredients.

In 2023, Podravka Group remained committed to improving the material position of workers and creating a stimulating work environment for our employees. During the past year, a historic transformation of the wage and reward system was implemented in Podravka and Belupo, abandoning the coefficient system after 27 years and introducing a modern and flexible wage system. The new

wage system ties wages to the complexity of tasks performed in each job position and opens up space for rewards and advancement based on results and work quality. The introduction of the new wage system also brought a significant increase in the average net salary of our employees, the fifth in a row in the past three years, emphasizing our commitment to their well-being and professional development. Looking ahead to the future, I am confident that the strategic decisions and investments made in 2023 will serve as a solid foundation for our further growth and success. With a clear focus on expanding market presence, improving product offerings, and adopting sustainable practices, we are well-positioned to seize new opportunities and overcome potential challenges.

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

Sincerely,

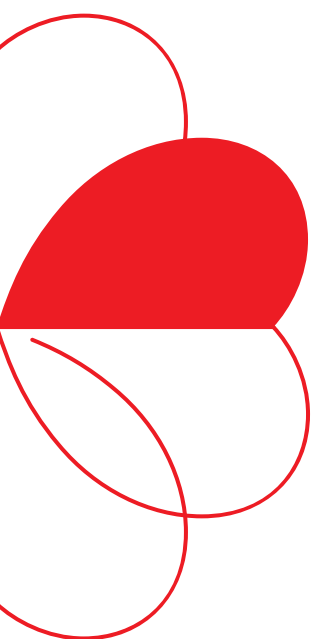
Martina Dalić, PhD

*President of the Management Board of Podravka Inc.*



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# Management Board of Podravka Inc.



#### 4. Management Board of Podravka Inc.

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

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

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

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

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

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



## CURRICULUM VITAE OF THE MANAGEMENT BOARD MEMBERS

MARTINA DALIĆ  
*President of the  
Management Board*



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

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

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

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

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

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

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

Martina Dalić graduated from the Faculty of Economics in Zagreb, where she began her professional career as an assistant at the Department of Organization and Management.

She obtained her master's degree in 1994 and earned her Ph.D. in 2012.

She is the author of numerous professional and scientific papers.



#### 4. Management Board of Podravka Inc.

DAVOR DOKO

*Member of the  
Management Board*



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

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

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

IVAN OSTOJIĆ

*Member of the  
Management Board*



Ivan Ostojić was appointed as a member of the Management Board of Podravka Inc. in February 2022, with the term starting on July 1, 2022.

He began his professional career in 1997 at the Ministry of Finance of the Republic of Croatia in the Directorate for the Financial System and Capital Market. After completing his internship, he became an advisor in the Directorate for the Financial System and Capital Market. During 2000-2001, he served as a member of the Management Board of the Directorate for the Supervision of Insurance Companies and President of the Examination Commission for conducting exams for authorized insurance intermediaries or representatives.

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

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

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

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



LJILJANA ŠAPINA  
Member of the  
Management Board



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

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

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

MILAN TADIĆ  
Member of the  
Management Board



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

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

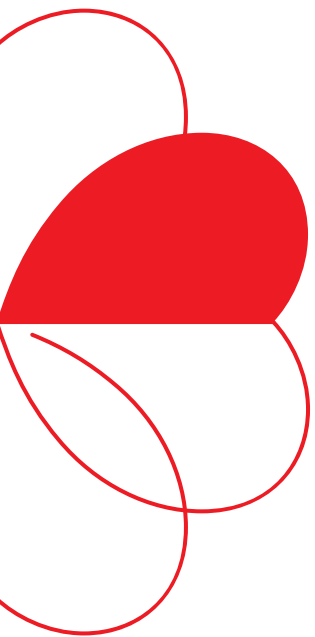
He graduated from the Faculty of Law at the University of Osijek and completed the basics of administration and a management education program at the Faculty of Economics at the University of Zagreb. Throughout his career, he has undergone numerous managerial training and education programs in the fields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





5

Supervisory  
Board of  
Podravka Inc.



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

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

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

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

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

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

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

As of December 31, 2023, Podravka Inc. employed a total of 47% women, with women making up 63% of highly educated workers and 36% in senior management positions. All of the above positions Podravka Inc. as one of the leading companies in terms of gender equality, and the Supervisory Board considers this employee structure an excellent achievement.



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

*The Audit Committee in 2023 operated as follows:*

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

*The Remuneration Committee operated as follows:*

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

*The Nomination Committee operated as follows:*

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

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

## CURRICULUM VITAE OF THE SUPERVISORY BOARD MEMBERS

DAMIR GRBAVAC

*President of the Supervisory Board*

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

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

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

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

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



**LUKA BURILOVIĆ**

*Deputy President of the Supervisory Board*

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

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

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

in the economy. He is a veteran of the Homeland War and a reserve officer of the Croatian Armed Forces. He has been awarded the Homeland War Memorial Medal.

**DAMIR ČUKMAN**

*Member of the Supervisory Board*

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

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

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

**DAMIR FELAK**

*Member of the Supervisory Board*

Damir Felak was elected as a member of the Supervisory Board of Podravka Inc. in June 2022, with



his term starting on September 8, 2022. He began his professional career in 1990 at the Forestry Management, which became part of the Public Company Croatian Forests the following year, where he worked until mid-1997. From 1993 to 1997, he served as the Mayor of Sokolovac Municipality, and from 1997 to 2001, he was the Deputy County Prefect of Koprivnica-Križevci County.

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

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

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

#### KSENIJA HORVAT

*Member of the Supervisory Board*

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

member of the Supervisory Board of Podravka Inc., with the term starting on July 1, 2023.

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

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

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

#### ANTE JELČIĆ

*Member of the Supervisory Board*

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

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



Inc., and from 2018 to 2019, he was the Deputy Chairman of the Supervisory Board and a member of the audit committee of Jadran Inc. Crikvenica.

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

PETAR MILADIN

*Member of the Supervisory Board*

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

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

Petar Miladin was born in 1973 in Dubrovnik. He completed his secondary education and law studies in Zagreb. After completing his studies, he worked as a trainee at the Municipal and Commercial Court in Zagreb. He passed the bar exam in 1999. He is a full professor at the Faculty of Law, University of Zagreb, teaching Commercial Law, Company Law, and Banking Law. From October 2013 to October 2015, he served as the Vice Dean of the Faculty of Law, University of Zagreb. He obtained a master's degree

in Commercial Law and Company Law from the Faculty of Law, University of Zagreb in 1999, defending his master's thesis entitled "Banking Secrecy and Banking Reporting". He defended his doctoral dissertation entitled "Payment by Transfer" on January 27, 2005, at the Faculty of Law, University of Zagreb, and obtained the academic title of Doctor of Social Sciences, field of law. He started working at the Faculty of Law, University of Zagreb on May 5, 1997, as a junior assistant at the Department of Commercial Law and Company Law. He has published about fifty scientific papers in the field of Commercial Law, Banking Law, and Capital Market Law. He teaches Commercial Law and Company Law at the doctoral studies of the Faculty of Law, University of Zagreb. Since February 2019, he has been employed at the Faculty of Law, University of Zagreb as a full professor in permanent employment.

DARKO PRPIĆ

*Member of the Supervisory Board*

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

He serves as the Deputy Chairman of the Audit Committee.

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



2017, he has been an auditor at UHY Rudan Ltd. and a member of the Supervisory Board at SQ Kapital Ltd. He graduated from the Faculty of Economics in Zagreb, specializing in Finance, in 2003. Five years later, he became a court-appointed expert in finance, accounting, and securities.

**KRUNOSLAV VITELJ**

*Member of the Supervisory Board*

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

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

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

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

**TOMISLAV KITONIĆ**

*Member of the Supervisory Board until June 30, 2023*

Tomislav Kitonić was elected as a member of the Supervisory Board of Podravka Inc. in June 2019. He served as the Deputy Chairman of the Audit Committee of Podravka Inc. until June 30, 2023.

He began his professional career as a technologist in production at Ledo Inc., later advancing to Deputy Laboratory Manager. In 2000, he became Assistant Production Manager, three years later International Production Operations Manager, and in 2004, Director of Production.

He became the President of the Management Board of Ledo Inc. in 2008, where he served for the next 6 years. Since 2003, he has been a co-owner of Bik Ltd. from Čazma, and since 2014, its 100% owner and Proxy. In 2012, he became a co-owner of Moslavina proizvodi Ltd. from Sišćani. During the period 2015–2016, he served as the Appointed Director for Pestova Shpk at the European Bank for Reconstruction and Development (EBRD).

He graduated from the Faculty of Food Technology and Biotechnology in Zagreb in 1998, earning the title of Graduate Engineer of Food Technology. He attended postgraduate studies in Business Management, MBA, at the Faculty of Economics in Zagreb, where he obtained his master's degree in 2006, becoming a Master of Business Administration. He



furthered his professional development through education at IEDC – Bled School of Management in Slovenia and Management Central Europe in Belgium, and obtained qualifications in Corporate Governance for Members of Supervisory and Management Boards in Zagreb.

#### MARINA DABIĆ

*Member of the Supervisory Board until June 30, 2023.*

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

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

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

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

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

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

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

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

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

Since 2015, Prof. Marina Dabić has been a regular evaluator for the European Commission's prestigious Horizon 2020 projects in the field of circular economy and other projects under the Horizon 2020 framework. She is a member of the EPAS Evaluation Board for the European Foundation for Management Development (EFMD). She was the chair of the AZVO reaccreditation team for the Faculty of Economics





in Rijeka and the Faculty of Economics in Osijek, a member of the executive evaluation committee of BICRO, and a consultant for the World Bank. She prepared background reports for OECD and EC HEInnovate. Under her mentorship, 5 doctoral dissertations have been defended.

**IVANA MATOVINA**

*President of the Audit Committee*

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

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

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



6

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



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

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

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

The Management Board of Podravka Inc. reported to the Supervisory Board on all significant business events,

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

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

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

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

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



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

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

The Audit Committee also reviewed the Annual Report on the work of Internal Audit for 2022, quarterly reports on the work of Internal Audit in 2023, and Reports on the follow-up of recommended activities from audit projects in 2022 and 2023. The Nomination Committee operated in 2023 with the following composition: Damir Grbavac, Chair of the Nomination Committee, and Luka Burilović and Krunoslav Vitelj as members of the Nomination Committee. The Nomination Committee held three meetings in 2023, and all members of the Nomination Committee were present at all meetings. The Nomination Committee regularly reported to the Supervisory Board on the recommendations made at its meetings and submitted its Work Report for 2022 at a meeting held in February 2023.

At the meeting held in April 2023, the Nomination Committee recommended to the Supervisory Board the candidacy of Darko Prpić and Damir Čukman for appointment as members of the Supervisory Board of Podravka Inc. At the meeting held in July 2023, the Nomination Committee recommended to the Supervisory Board the appointment of Mr. Darko Prpić as a member of the Audit Committee. The Remuneration Committee operated in 2023 with the following composition: Luka Burilović, Chair of the Remuneration Committee, and Damir Grbavac and Petar Miladin as members of the Remuneration Committee. The Remuneration Committee held two meetings in 2023, and all members of the Remuneration Committee were present at all meetings.

The Remuneration Committee regularly reported to the Supervisory Board on the proposals and recommendations made at its meetings and submitted its Work Report for 2022.

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

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



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

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

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

Regarding the composition of the Management Board, the Supervisory Board set a goal for female representation of 30%. Since this goal was achieved with 40% female members of the Management Board, the Supervisory Board considers it fully fulfilled. The Supervisory Board supports Podravka Inc.'s direction towards gender equality throughout the entire company, especially in senior management positions.

As of December 31, 2023, Podravka Inc. employed a total of 47% women. In the segment of highly educated workers, women constituted 63%, while in senior management positions, the percentage was 36%.

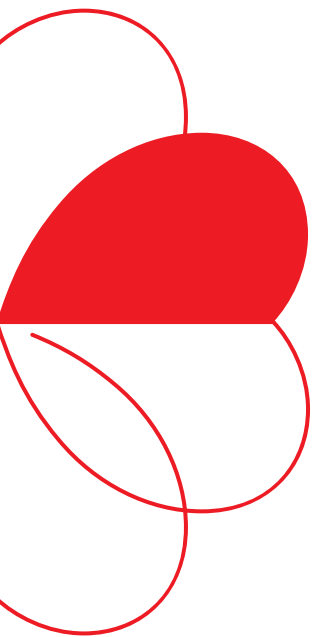
All of the above positions Podravka Inc. as one of the leading companies in terms of gender equality, and the Supervisory Board considers this employee structure an excellent achievement.

Through the assessment process, the Supervisory Board concluded that all members of the Supervisory Board and its committees possess the knowledge, skills, and professional experience required. They actively participated in the work, dedicating adequate time and making effective contributions to discussions and decision-making on all agenda items discussed during the meetings of the Supervisory Board and its committees.



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# Key Business Indicators

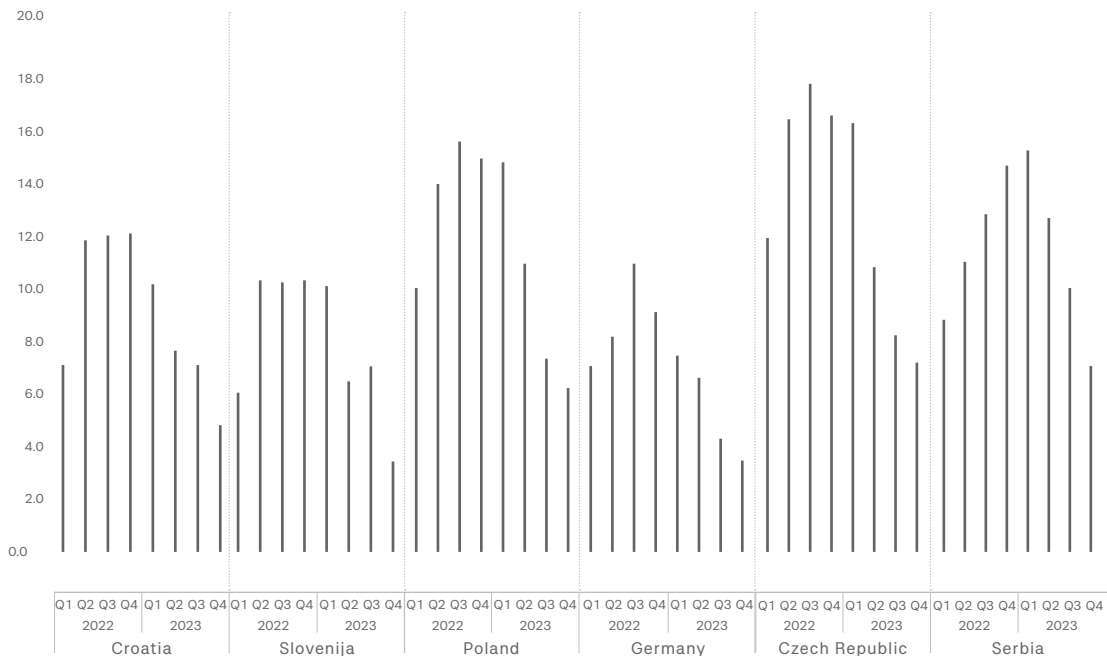


# Macroeconomic Environment

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

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

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

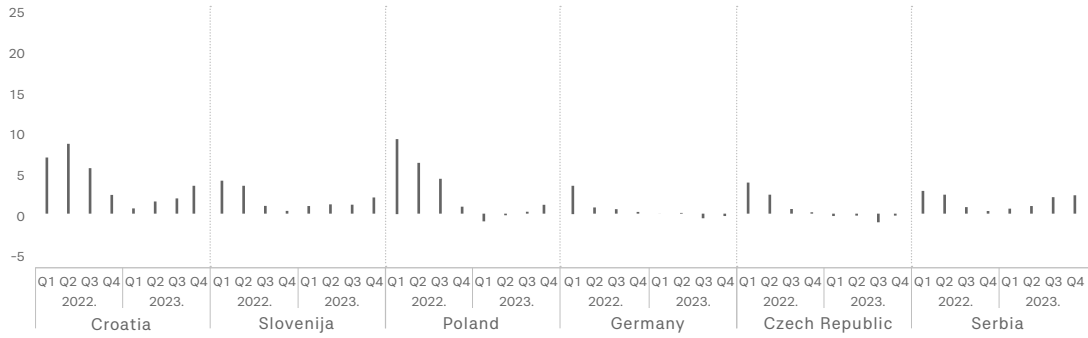


Source: <https://ec.europa.eu/eurostat>



Macroeconomic Environment

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



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





# Key Events

The business results of Podravka Group show that the company operated successfully in the past year. Such results were primarily achieved thanks to planned activities in all business segments – from sales and procurement to successful investment realization, introduction of numerous new products, expansion of agricultural production, and enhancement of human resources competencies and expertise.

During the past period, we focused on achieving set business goals, as well as laying the groundwork for good results in the coming years, namely, successful long-term operations and growth.

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

Almost 70% of Podravka Group's sales revenue comes from outside Croatia, and further internationalization, both in the Food and Pharmaceutical segments, is one of the key determinants of the Business Strategy. Therefore, in the past year, we largely focused on activities aimed at changing and improving operations in international markets,

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



Key Events

at prices lower than those on the domestic market in markets with higher purchasing power. In the Pharmaceutical segment, a series of activities were carried out to expand and improve sales in the markets of Central and Southeast Europe, to strengthen diversity in the export structure.

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

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

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

These strategic pillars contain ten main goals, including obtaining 100% electric and 50% thermal energy from renewable sources in production within

the EU, reducing carbon dioxide emissions by 60% at the level of Podravka Inc., or 40% at the Group level, further enhancing corporate culture and climate in all organizational units, and so on.

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

Additionally, in the field of healthy nutrition, Podravka will increase the number of products with lower salt, added sugar, and saturated fat content per serving, as well as products containing positive ingredients and/or promoting healthy, balanced, and sustainable nutrition. In the area of a clean environment, Podravka will focus on goals such as reducing its own CO<sub>2</sub> emissions, increasing the share of renewable energy sources (RES) in total energy consumption, using recyclable packaging, reducing mineral fertilizers and pesticides in agricultural production, and many others. When it comes to caring for employees and the community, Podravka will continue to actively work on gender equality and reducing the gender pay gap, improving employees' material rights and working conditions, as well as developing the skills, new knowledge, and competencies of employees. By supporting various cultural, sports, and humanitarian organizations and associations, Podravka Group will continue to support the community in which it operates and promote awareness of the importance of balanced



Key Events

and healthy nutrition and the importance of reducing and managing food waste.

**ADOPTED NEW NUTRITIONAL STRATEGY FOCUSED ON BALANCED AND SUSTAINABLE NUTRITION**

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

Podravka adopted its initial Nutritional Strategy in 2014 and, since then until the adoption of the new one, has reduced the amount of salt in its products by a total of 300 tons and sugar by 1,423 tons. Salt reduction was mainly implemented in the assortment of soups, broth cubes, Fant, and meat products. Sugar reduction was primarily applied in baby food, breakfast cereals, and fruit spreads. In addition to adjusting the recipes of existing products in a way that preserved their recognizable and consumer-favorite flavors, new products supporting balanced nutrition or catering to specific life needs have been developed. The range has been enriched with a variety of new products without additives, flavor enhancers, and colorings, offering specific

benefits such as gluten-free products, products enriched with proteins, vitamins, minerals, fibers, and more. Furthermore, Podravka has reduced the use of palm oil and switched to RSPO-certified palm oil, while also launching lines of organic products and products for vegetarians and vegans.

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

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

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

The investment cycle of Podravka Group is in full swing and is being carried out in line with the Business Strategy of Podravka Group until 2025. So far, almost 150 million euros have been invested as part of the investment cycle, of which 68.9 million euros were realized in 2023. The investment cycle also includes an additional nearly one hundred million euros in 2024. The priorities of the investment cycle



Key Events

include investments in modernization, the introduction of new technologies and digitalization, increasing efficiency and energy efficiency, and further improving working conditions. It is important to note that, alongside the intensive investment cycle of the past two years, Podravka Group is in a continuous deleveraging process, indicating business stability. In 2023, Podravka completed the construction of a new Pasta Factory. This investment is worth more than 15 million euros, with seven million euros invested in building infrastructure and eight million euros in technology and assembly. This is also the first newly built factory in the Food segment in the last 17 years. The Pasta Factory is built on over 4,800 m<sup>2</sup> and houses two fully automated processing lines for the production of short and twisted pasta, as well as three automated lines for packaging and palletizing products. The new Pasta Factory produces industrial pasta used for the production of Podravka soups and twisted and short pasta under the Zlato polje brand. The construction of the factory also includes the possibility of further expanding technological capacities and product range, as well as further investment in renewable energy sources, namely solar power plants. The construction of the factory and assembly of the lines ultimately lasted only one year, and with this investment, Podravka further ensures its own pasta production, modernizes the technological process of production, and further boosts the growth of the soup category, as well as the development of new products. Additionally, during the third quarter of 2023, an investment was launched in a production line for instant noodles products at the Pasta Factory. The investment will ensure in-house production, contribute to production efficiency, and increase production flexibility. The project is expected to be completed by the end of 2024, followed

by the first in-house production.

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

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



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of solar power plant investments will focus on the new logistics-distribution center in Koprivnica. The project is expected to be completed in the second half of 2025. The investment will greatly contribute to reducing electricity costs.

As part of the MODERNIZATION OF THE MEAT INDUSTRY DANICA, an investment in the canned meat production facility was completed, introducing a new modern product sterilization system worth 2.4 million euros. With the introduction of the new system, the sterilization capacity will increase by 25%, and significant savings in thermal energy will be achieved. Compared to the previous sterilization system, water consumption will be reduced by as much as 70%. The investment represents a step forward in improving and modernizing the production process in the meat products and processed meat factory, aiming at cost optimization and efficiency improvement. The new sterilization system will significantly ease the workload for employees in the production facility as the entire process of filling and emptying the sterilizers is automated. Additionally, during the first nine months of 2023, an investment was launched in the deli meat slicing line of the meat industry Danica. The investment will contribute to increasing the efficiency of deli meat production, and the commissioning is expected in early 2024.

An investment in the MODERNIZATION AND CAPACITY INCREASE OF FRESH TOMATO PRIMARY PROCESSING IS UNDERWAY IN CONTINENTAL CROATIA, involving the construction of a facility within the existing Kalnik factory in Varaždin. This investment aims to ensure an increase in the capacity of fresh tomato primary processing and the

continuity of in-house production. The commercial production in the new facility is expected to begin in the third quarter of this year. In a broader sense, the investment includes AGRICULTURAL MECHANIZATION AND IRRIGATION necessary for smooth primary production operations. For the needs of the new factory, Podravka will organize tomato production on its own land and with cooperatives covering an area of approximately 400 hectares. Cooperative production with Podravka will continue in Istria, and cooperation with cooperatives will be expanded to meet the capacity needs of the new factory.

After completing the PROJECT TO DIGITIZE PRODUCTION MANAGEMENT SYSTEMS at the Soup and Vegeta Factory, the project continued during 2023 at other production locations in Croatia and Slovenia. The digitalization of the production site in Varaždin is currently underway, with the overall project planned for completion by mid-2024. This will enable the monitoring of operations on production lines digitally, enhancing operational efficiency and resource utilization. Additionally, with the aim of reducing procurement costs, increasing efficiency, transparency, and standardization of procurement processes across Podravka Group, investments were made in digitalizing procurement processes, successfully implemented by the end of 2023. A new IT SOLUTION FOR PLANNING AND REPORTING PROFITABILITY was selected by the end of 2023, enabling further digitalization of planning and profitability reporting processes for business segments and markets. This investment will enhance flexibility and automation in planning and reporting processes, with the system expected to be fully operational by the third quarter of 2024. Additionally, the transition project of the existing SAP system to SAP S/4HANA



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version is ongoing, aiming to improve business operations and financial-accounting processes.

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

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

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

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

The past year was characterized by the continuation of increasing material rights for workers. Throughout 2023, workers' salaries were increased twice (in July and December), totaling five increases over the past two and a half years. Additionally, Podravka and the unions

reached an agreement in July 2023 on a new salary system for all Podravka Inc. and Belupo employees, which came into effect on December 1, 2023.

Podravka thus introduced a fairer and more modern salary system, replacing the previous tariff system, which dated back to 1997. This corrected numerous inconsistencies in job evaluation and opened clearer opportunities for advancement.

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

As a result of these extensive changes, THE AVERAGE NET EARNINGS of workers whose salaries were based on coefficients in the old system amounted to €1,164 FOR DECEMBER 2023, which is an INCREASE OF ALMOST 19% COMPARED TO DECEMBER 2022. Meanwhile, the average net earnings of workers whose salaries were paid based on contracts amounted to €1,881 for December 2023, which is 14% higher than for December 2022.

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

Under the new system, jobs are classified according to the level of complexity, into corresponding pay grades. The gross contracted salary of a worker depends

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More detailed information on December income can be found in Chapter Financial Reports in Note 12. Employee Expenses.



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on the complexity level of their job, and no one can have a gross salary lower than the minimum of the pay grade into which their job is classified. Moreover, a higher basis for calculating salary supplements for special working conditions (such as shift work or overtime) and the calculation of seniority supplements have been introduced.

Additionally, the new system provides greater opportunities for advancement and rewards based on work performance, which was not possible before because the previous system was solely based on educational qualifications. The new salary system has corrected longstanding injustices and inconsistencies that have burdened Podravka's workers for many years.

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

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

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

**PODRAVKA'S STOCK REACHED ITS HISTORICALLY HIGHEST VALUE**

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

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

Podravka has become the first in the food industry in the region to launch an innovative digital product driven by artificial intelligence (AI), thereby joining



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the ranks of leading brands worldwide that have integrated generative AI technology into their digital channels.

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

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

## THE YEAR MARKED BY AWARDS

Podravka received numerous awards during 2023, ranging from corporate-level recognitions like the Zagreb Stock Exchange awards to acknowledgments for the coolest cereals, as exemplified by the Lino children's cereals. These awards are the result of hard work, continuous business improvement, investment in production, the security, and satisfaction of our consumers, further affirming our commitment to excellence. They signify the strong position of our high-quality products, not only in Croatia but also in the region and the world, providing additional motivation for all future plans and achievements.

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

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





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five hundred kilograms of plastic caps were collected. The proceeds from the sale of caps will be used to purchase medications for members of the Leukemia and Lymphoma Patients Association.

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

Other markets also recognized Podravka's achievements. At the 23rd sensory evaluation of bread, bakery products, fine pastries, cookies, pasta, and fresh desserts in the cold chain, as many as 35 of Žito's products, out of a total of 37 submitted, received gold awards. The "Vegeta in your pocket" campaign won a bronze award (bronze pie) at the Digital Pie competition in the Slovakian market, where Podravka has also been awarded the Superbrand title for the tenth time. With the ALVAR campaign for Podravka ajvar in the Slovenian market, Podravka won the most important award for digital communications in the region – the SoMo Borac trophy, and the year ended with the most sought-after international design quality mark. Podravka and the Bruketa&Žinić&Grey agency received

the Red Dot Award for the design of the Vegeta&Spirulina packaging, earning the title "Red Dot Best of the Best," awarded to the best among all Red Dot recipients.

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

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

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



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

Podravka is among the 33 signatories who, along with the Ministry of Agriculture, signed the voluntary agreement "Together Against Food Waste" in March 2023, aimed at preventing and reducing food waste. The agreement is one of the measures of the Plan to Prevent and Reduce Food Waste in the Republic of Croatia and the reform measures "Improvement of the Food Donation System in the Republic of Croatia" from the National Recovery and Resilience Plan. By signing, the participants voluntarily commit to making efforts to reduce food waste in their business processes, donating food, and actively communicating with consumers. The ultimate goal of the Agreement is to reduce food waste in the Republic of Croatia by 30% by 2028.

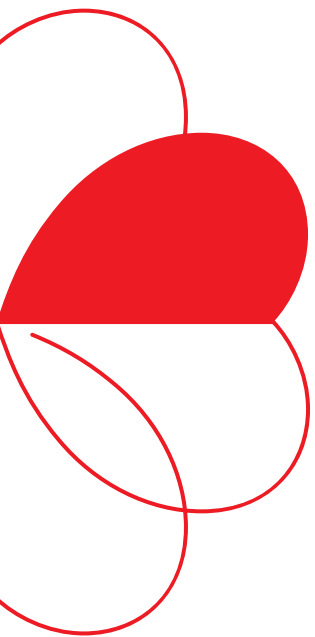
**PODRAVKA AND THE UNIVERSITY NORTH HAVE SIGNED A COOPERATION AGREEMENT**

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



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# Bussines Results and Shares



# Bussines Results

## INTRODUCTORY NOTE

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

Decimal differences in the document are possible due to rounding.

## SALES REVENUES BY BUSINESS UNITS IN 2023

### Sales revenues by business units

| (in EUR millions)               | 1 - 12 2022 | 1 - 12 2023 | Δ     | %      |
|---------------------------------|-------------|-------------|-------|--------|
| BU Culinary                     | 78.3        | 82.4        | 4.2   | 5.3%   |
| BU Soups                        | 34.7        | 38.4        | 3.7   | 10.7%  |
| BU Cereals, Snack and Beverages | 31.4        | 35.7        | 4.3   | 13.8%  |
| BU Creamy spreads and Desserts  | 28.9        | 33.0        | 4.1   | 14.2%  |
| BU Bakery                       | 2.7         | 2.6         | (0.1) | (4.6%) |
| BU Basic food                   | 64.1        | 72.7        | 8.5   | 13.3%  |
| BU Meat products                | 38.7        | 39.2        | 0.4   | 1.1%   |
| BU Fish                         | 15.8        | 17.1        | 1.4   | 8.7%   |
| Other sales                     | 23.8        | 24.6        | 0.8   | 3.5%   |
| Total                           | 318.4       | 345.7       | 27.3  | 8.6%   |

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



## Business Results

## SALES REVENUES BY REGION IN 2023

## Sales revenues by region

| (in EUR millions)               | 1 - 12 2022 | 1 - 12 2023 | Δ     | %       |
|---------------------------------|-------------|-------------|-------|---------|
| Markets of Croatia and Slovenia | 182.8       | 201.4       | 18.6  | 10.2%   |
| Southeastern Europe             | 61.2        | 70.3        | 9.1   | 14.9%   |
| WE and Overseas                 | 42.3        | 44.7        | 2.4   | 5.7%    |
| Central Europe                  | 26.8        | 24.6        | (2.3) | (8.4%)  |
| Eastern Europe                  | 5.3         | 4.8         | (0.6) | (10.6%) |
| Total                           | 318.4       | 345.7       | 27.3  | 8.6%    |

In the 1 – 12 2023 period, total sales revenues of Podravka Inc. amounted to EUR 345.7m, which is EUR 27.3m (+8.6%) higher than in the comparative period. The revenue growth includes the effect of the restructuring of international markets, which in the short term brought a decrease in the sales of certain categories in order to improve the profitability of sales, but also to create a stable base in the coming period.

Revenue growth was recorded by all business units except the BU Bakery, which recorded a slight decrease of EUR 0.1m. It is important to point out that during 2023, BU Bakery carried out the process of product portfolio optimization and the reduction of the number of items with the aim of increasing profitability.

Most markets achieved revenue growth. In the market of Central Europe, revenues were EUR 2.3m (-8.4%)

lower. The lower result of Central Europe is primarily related to the targeted process of restructuring, and shrinking and optimizing the portfolio on the markets of Poland and the Czech Republic, which resulted in increased profitability and a sustainable base for growth in the future period.

The lower result of Eastern Europe results from the termination of operations on the Russian market.



## Business Results

PROFITABILITY OF  
PODRAVKA INC. IN 2023

Note: The overview and explanation of value adjustments to non-current assets used in the EBITDA calculation, the overview and explanation of items treated as one-off by management and the overview of methodology of calculation of the normalized result are provided in the “Additional tables for 1 – 12 2023” section.

On 2nd May 2023, the Ministry of Economy and Sustainable Development approved to Podravka Inc. the status of the beneficiary of investment support from the Investment Promotion Act. The status was approved based on investments to expand capacity and increase business competitiveness through

construction and equipment at the sites in the City of Koprivnica and the City of Varaždin. The project investment plans the construction of a new logistics and distribution centre and a new plant for tomato processing, the purchase of new machinery and equipment, and the creation of at least 15 new jobs. Taking into account the probability of activation of the assets declared in the application for the acquisition of the status of the support beneficiary in the three-year investment period, the business plans in the possible period of use of the support, and the plans for tax corrections of the planned accounting profit, Podravka Inc. determined the amount of incentives that can be used in the total amount of EUR 19,718 thousand. Deferred tax assets were recorded in the same amount.

## Profitability of Podravka Inc.

| (in EUR millions) | 1 - 12 2022 | 1 - 12 2023 | Δ    | %       |
|-------------------|-------------|-------------|------|---------|
| Sales revenue     | 318.4       | 345.7       | 27.3 | 8.6%    |
| Gross profit      | 90.2        | 91.4        | 1.3  | 1.4%    |
| EBITDA*           | 34.1        | 36.6        | 2.5  | 7.3%    |
| EBIT              | 18.7        | 20.5        | 1.8  | 9.4%    |
| Net profit        | 26.3        | 47.4        | 21.1 | 80.3%   |
| Gross margin      | 28.3%       | 26.4%       |      | -187 bp |
| EBITDA margin     | 10.7%       | 10.6%       |      | -13 bp  |
| EBIT margin       | 5.9%        | 5.9%        |      | +5 bp   |
| Net margin        | 8.3%        | 13.7%       |      | +545 bp |

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



## Business Results

## Profitability of Podravka Inc. – Normalized

| (in EUR millions) | 1 - 12 2022 | 1 - 12. 2023 | Δ     | %       |
|-------------------|-------------|--------------|-------|---------|
| Sales revenue     | 318.4       | 345.7        | 27.3  | 8.6%    |
| Gross profit      | 90.2        | 91.4         | 1.3   | 1.4%    |
| EBITDA*           | 35.4        | 36.1         | 0.7   | 2.0%    |
| EBIT              | 21.2        | 20.5         | (0.7) | (3.5%)  |
| Net profit        | 28.4        | 27.7         | (0.7) | (2.3%)  |
| <hr/>             |             |              |       |         |
| Gross margin      | 28.3%       | 26.4%        |       | -187 bp |
| EBITDA margin     | 11.1%       | 10.4%        |       | -68 bp  |
| EBIT margin       | 6.7%        | 5.9%         |       | -74 bp  |
| Net margin        | 8.9%        | 8.0%         |       | -90 bp  |

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

In the 1 – 12 2023 period, Podravka Inc. recorded an increase in gross profit of EUR 1.3m (+1.4%). Operating profit before depreciation and amortization (EBITDA) is EUR 2.5m (+7.3%) higher, while normalized operating profit before depreciation and amortisation (EBITDA) is EUR 0.7m (+2.0%) higher than in the comparative period.

The increase in the normalized operating profit before depreciation and amortisation (EBITDA) was achieved despite the increase in the costs of raw materials, packaging and energy by EUR 10.6m (+7.2%), and with additional investments in improving the material status of employees, which resulted by an increase in costs of EUR 6.1m (+9.3%). These impacts were mitigated through the optimization of the product range, the management of the production process,

and changes in the procurement processes. In addition to creating greater competition through the increased number of suppliers, an integral part of the procurement processes improvement is the regular use of electronic auctions, so in 2023 the number of conducted electronic auctions is 56% higher than in 2022, and the value of procured items that were carried out through electronic auctions is 92% higher compared to 2022.

Net profit is EUR 21.1m higher (+80.3%) which was positively impacted by tax incentives in accordance with the Investment Promotion Act in the amount of EUR 19.7m, while the normalized net profit was lower by EUR 0.7m (-2.3%).



Business Results

**KEY HIGHLIGHTS OF THE BALANCE SHEET  
AS AT 31 DECEMBER 2023**

As at 31 December 2023, total assets of Podravka Inc. amounted to EUR 527.0m, which is 9.6% higher than as at 31 December 2022.

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment of Podravka Inc. are EUR 37.6m or +27.3% higher compared to 31 December 2022, due to the realized capital investments implemented within the strong investment cycle on the basis of the adopted Business Strategy.

**INVENTORIES**

Inventories of Podravka Inc. are EUR 14.4m (-17.5%) lower than as at 31 December 2022 and are maintained at the optimum level in accordance with the needs of operations.

**TRADE AND OTHER RECEIVABLES**

Trade and other receivables of Podravka Inc. are EUR 8.3m (+12.5%) higher than as at 31 December 2022, as a result of higher trade receivables due to regular development of operations and loans given to related companies in the reporting period.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents of Podravka Inc. at the end of the observed period are EUR 12.9m higher (+335.2%) compared to 31 December 2022.

**LONG-TERM AND SHORT-TERM BORROWINGS**

As at 31 December 2023, long-term and short-term borrowings of Podravka Inc. are EUR 1.0m lower than as at 31 December 2022 due to repayment of short-term borrowings.

Considering the strong cash flow from operating activities, the continuous deleveraging is carried out with simultaneous strong investments in the investment cycle.

**TRADE AND OTHER PAYABLES**

Trade and other payables of Podravka Inc. are EUR 20m or +41.9% higher compared to 31 December 2022.

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

**KEY HIGHLIGHTS OF THE CASH FLOW STATEMENT  
IN 2023**

Net cash flow from operating activities in 1 – 12 2023 amounted to positive EUR 69.8m, due to business operations and movements in the working capital. In other words, it is higher than EBITDA which amounted to EUR 36.6m Net cash flow from investing activities at the same time amounted to negative EUR 40.9m, primarily due to cash used for the purchase of non-current tangible and intangible assets and loans given to related companies. In the same period, net cash flow from financing activities amounted to negative EUR 16.0m, primarily due to the paid dividend. As at 31 December 2023, cash and cash equivalents amounted to EUR 16.7m.





## Business Results

## ADDITIONAL TABLES FOR 2023

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

| Value adjustments<br>(in EUR millions) | 1-12 2022<br>Podravka Inc. | 1-12 2023<br>Podravka Inc. |
|--|----------------------------|----------------------------|
| Investments in subsidiaries            | 1.18                       | 0.36                       |
| Tangible assets                        | -                          | 0.08                       |

|                   |      |      |
|-------------------|------|------|
| Intangible assets | 0.12 | 0.16 |
| Total             | 1.31 | 0.59 |

| Reported EBITDA calculation<br>(in EUR millions) | 1-12 2022<br>Podravka Inc. | 1-12 2023<br>Podravka Inc. |
|--|----------------------------|----------------------------|
| Reported EBIT                                    | 18.70                      | 20.46                      |
| +amortization and depreciation                   | 14.14                      | 15.58                      |
| +value adjustments                               | 1.31                       | 0.59                       |
| Izvještajna EBITDA                               | 34.14                      | 36.63                      |

| Normalized EBITDA calculation<br>(in EUR millions) | 1-12 2022<br>Podravka Inc. | 1-12 2023<br>Podravka Inc. |
|--|----------------------------|----------------------------|
| Normalized EBIT                                    | 21.23                      | 20.48                      |
| +amortization and depreciation                     | 14.14                      | 15.58                      |
| +value adjustments                                 | -                          | -                          |
| Normalized EBITDA                                  | 35.36                      | 36.06                      |



## Business Results

## ONE-OFF ITEMS IN 2023 AND 2022

In the 1 - 12 2023 period, Podravka Inc. incurred EUR 0.05m costs of severance payments for employees on long-term sick leaves, cost of impairment of investment in the related company in Russia in the amount of EUR 0.36m, impairment of tangible assets related to equipment in the amount of EUR 0.08m, and impairment of intangible assets in the amount of EUR 0.16m. Positive effects during 2023 refer to the sale of part of non-operating assets in the amount of EUR 0.54m and the write-off of liabilities in the amount of EUR 0.08m. The normalization below the EBIT result primarily refers to the received tax benefits in accordance with the Investment Promotion Act in the amount of EUR 19.72m. The estimated impact of these one-off items on tax amounts to EUR 4 thousand (decreases it).

In the 1 - 12 2022 period, Podravka Inc. incurred EUR

0.05m costs of severance payments for employees on long-term sick leaves, cost of impairment of investment in the related company in Russia in the amount of EUR 1.18m, a one-off impact of actuarial calculation difference according to the new collective agreement (result of the increase in severance pay for retirement) in the amount of EUR 1.39m and impairment of intangible assets in a related company of EUR 0.12m. Positive effects during 2022 refer to the sale of part of non-operating assets in the amount of EUR 0.05m and the reversal of impairment of receivables in the amount of EUR 0.18m with respect to the related company in Russia. The estimated impact of these one-off items on tax amounts to EUR 0.456m (decreases it).

## NORMALIZATION OF PODRAVKA INC. PROFIT AND LOSS STATEMENT

| (in EUR millions)                                   | 1 - 12 2022<br>Podravka Inc. | 1 - 12 2023<br>Podravka Inc. |
|---|------------------------------|------------------------------|
| <b>Reported EBIT</b>                                | <b>18.70</b>                 | <b>20.46</b>                 |
| +severance payments (long-term sick leave)          | 0.05                         | 0.05                         |
| +actuarial calculation                              | 1.39                         | -                            |
| +sale of non-operating assets                       | (0.05)                       | (0.54)                       |
| +receivable impairment reversal - Russia            | (0.18)                       | -                            |
| +liabilities write-off                              | -                            | (0.08)                       |
| +investments in subsidiaries                        | 1.18                         | 0.36                         |
| +value adjustment of tangible assets                | -                            | 0.08                         |
| +value adjustment of intangible assets              | 0.12                         | 0.16                         |
| <b>Normalized EBIT</b>                              | <b>21.23</b>                 | <b>20.48</b>                 |
| <b>Reported Net Profit</b>                          | <b>26.29</b>                 | <b>47.40</b>                 |
| +normalizations above EBIT level                    | 2.53                         | 0.02                         |
| +tax benefits according to Investment Promotion Act | -                            | (19.72)                      |
| +estimated impact of normalization on taxes         | (0.456)                      | (0.004)                      |
| <b>Normalized Net Profit</b>                        | <b>28.37</b>                 | <b>27.70</b>                 |



# Shares

## SHARE IN 2023

### List of major shareholders as at 31 December 2023

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

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

Podravka Inc. has a stable ownership structure where the most significant stake is held by the Republic of Croatia and domestic pension funds. A total of 7,120,003 shares have been issued at nominal price of EUR 30.0 per share. As at 31 December 2023, the Republic of Croatia holds 25.5% stake, and domestic pension funds (mandatory and voluntary) hold a total of 50.1% stake. Podravka Inc. has 1.2% of treasury shares. Podravka Inc.'s shares have been

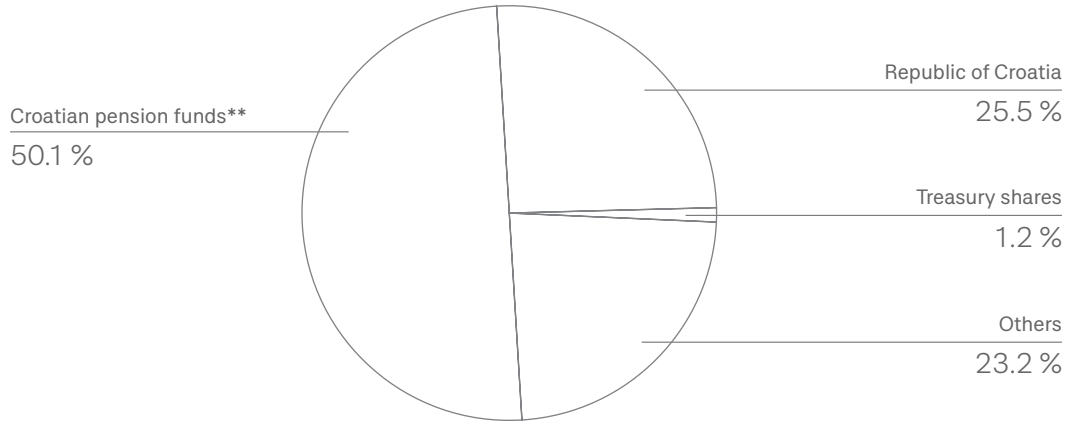
listed on the Prime Market of the Zagreb Stock Exchange and in eight Zagreb Stock Exchange indices (CROBEX, CROBEX10, CROBEXtr, CROBEX10tr, CROBEXprime, CROBEXplus, CROBEXnutris and ADRIAprime).

During 2023, the company purchased 47,659 of its own shares (compared to 44,290 own shares in 2022).



Shares

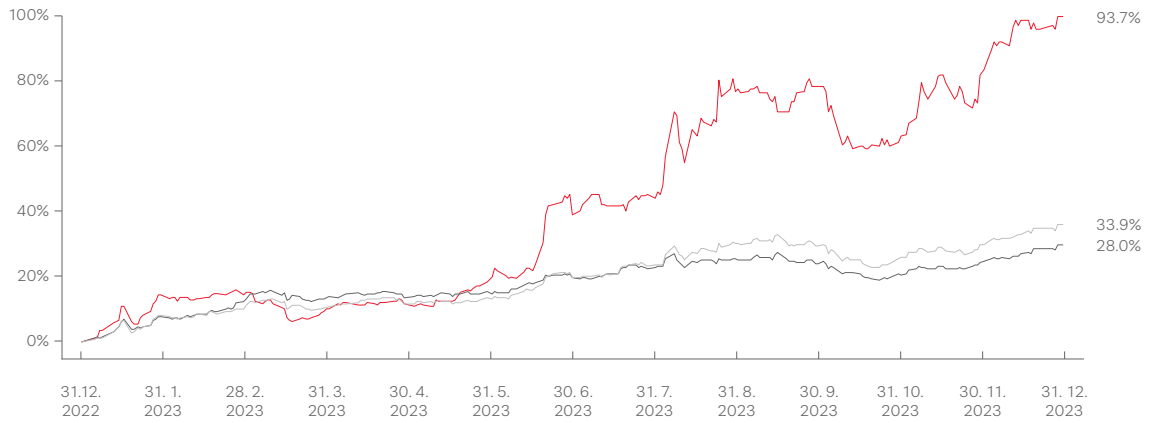
Ownership structure as at 31 December 2023



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

Share price movement in 2023

PODR CROBEX CROBEX10



## Shares

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

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

## Result on the Croatian capital market in 2023.

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The weighted average daily price in the reporting period is calculated as the sum of the weighted average daily prices in the reporting period, multiplied by the daily volume weight. The daily volume weight is calculated as a ratio of daily volume and total volume in the reporting period. The formula, *Weighted average daily price in the reporting period* =  $\frac{\sum \text{average daily price} \cdot (\text{daily volume} / \text{total volume in the reporting period})}{\sum \text{average daily price} \cdot (\text{daily volume} / \text{total volume in the reporting period})}$ .

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

Block trades are excluded from the calculation.

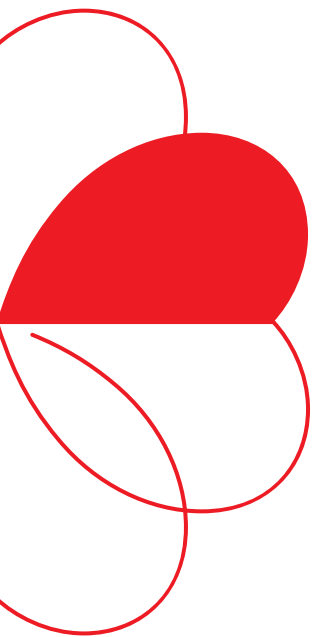
| (in EUR; in units) <sup>3</sup>     | 1 - 12 2022 | 1 - 12 2023 | %      |
|-------------------------------------|-------------|-------------|--------|
| Prosječna ponderirana dnevna cijena | 81.4        | 129.9       | 59.5%  |
| Prosječan dnevni broj transakcija   | 14          | 14          | (0.2%) |
| Prosječna dnevna količina           | 1.214       | 1.366       | 12.6%  |
| Prosječan dnevni promet             | 95,633.4    | 176,797.9   | 84.9%  |

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



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# Expected Development



In June 2021, the Supervisory Board of Podravka Inc. approved the Strategic Plan of the Podravka Group for the period from 2021 to 2025 (hereinafter: Strategy). It is an integral part of the strategic document and an integrated implementation plan with clearly defined activities and corresponding deadlines for implementation.

Despite all global challenges, the activities and projects envisaged by the Strategy are being successfully implemented according to plan, and Podravka will continue their implementation in the coming period. That is, all activities being implemented, detailed information about which is available, among other things, in this Annual Report, are based precisely on the Strategy.

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

- Focus on selected markets and product categories, usmjerenost na odabrana tržišta i proizvodne kategorije,
- Increased business efficiency through technological modernization and digital transformation of production and logistics processes, and
- Acquisitions.

The Strategy defines areas for business breakthroughs that will further strengthen the Podravka Group's ability to continuously recognize consumer needs and adapt even more quickly to changes in consumption habits, while maintaining the high quality and highest health standards of its products. The aim of the

Podravka Group is to be even closer to its consumers, remaining their reliable partner in facing the challenges of modern lifestyle with a wide range of high-quality products.

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

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

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



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

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

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

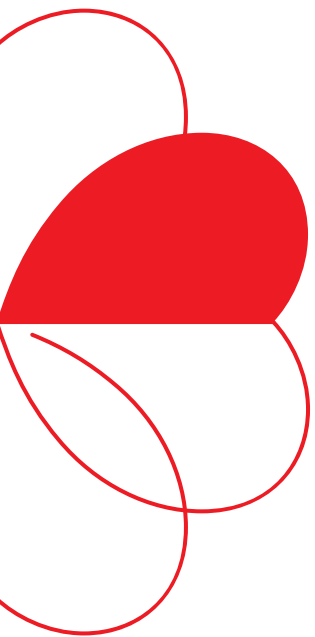
The strategic decisions and investments made in 2023 are a solid foundation for further growth and success. With a clear focus on expanding market presence, improving product offerings, and adopting sustainable practices, we are well positioned to seize new opportunities and overcome potential challenges.





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Brands  
of the  
Podravka Inc.



## FOOD

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



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



MAESTRO is a brand with a rich tradition in the Slovenian market that provides consumers with security,



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

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

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

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

ČOKOLINO has always been associated with carefree childhood, joy, happiness, and moments of relaxation. Today, the Čokolino brand represents a tasty and practical, perfectly balanced cereal meal for all generations. In addition to the gluten-free variant,

*Talianetta*

Podravka

*Fini-Mini*

Čokolino



extensions in the assortment combine the irresistible taste of Čokolino with functional benefits relevant to adult consumers. Since 2023, another star has been added to the Čokolino assortment - Čokolino Dark. In the new Čokolino strategy, which encourages all ages to engage in physical activity and sports, the best Croatian football goalkeeper and new Čokolino ambassador - Dominik Livaković - fits in perfectly.

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

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



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



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



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



Podravka is the dominant market leader in the CATEGORY OF READY MEALS AND SAUCES. Excellent homemade flavors and top quality, as well as quick preparation, are the main features of the wide range of ready meals. In 2023, a new line of products intended for HoReCa customers was launched - Gastro pouch ready meals. These products, due to the new type of packaging, represent an innovation



in this product segment, while retaining all the main characteristics that distinguish the Podravka range of ready meals - excellent taste, high quality, quick, simple preparation, storage, and distribution in ambient conditions. In a time when the entire HoReCa channel is facing a shortage of skilled kitchen staff, ready meals in pouches represent the ideal solution.



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

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

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

O'PLANT is the youngest brand in Podravka's portfolio. O'Plant has the very demanding task of bringing together various plant-based products into a compact, recognizable concept, thus creating prerequisites for further development of the plant-based platform and



Podravka in new market segments. O'Plant originated from the category of plant-based drinks, but it is precisely in 2023 that it experiences its full breadth through the market launch of numerous novelties, such as O'Plant nuggets, patties, vegetable spreads, as well as plant-based burgers and cevapcici. O'Plant products are not only an excellent plant alternative to meat dishes but also function as a nutritious and natural vegetable side dish that perfectly complements classic meat dishes.



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



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



For 75 years, PODRAVKA FRUIT has been processed from top-quality fruit. The recipes of leading products, such as rosehip jam, mixed fruit, or plum jam, are



identical to the original recipes today, guaranteeing the familiar full fruit taste and the most natural delicious pleasure. Trends suggest that the future of food lies in vegetable and legume-based products.

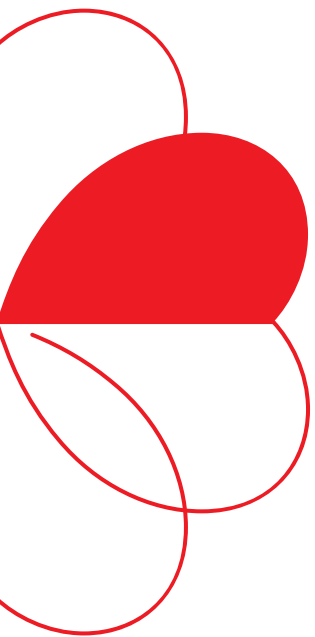
PODRAVKA VEGETABLES in sterilized or pickled assortment preserve the highest nutritional values. The products are very practical and ready for consumption throughout the year for various versions of salads, side dishes, sauces, stews, and sandwiches.

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





# Innovations, Awards and Recognitions



# Research and *Development*

## ACTIVITIES RELATED TO THE NUTRITIONAL STRATEGY

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

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

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

- actively managing the nutritional quality of products within all categories

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

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

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



Research and  
Development

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

In 2023, significant progress was made in improving the nutritional quality of existing products, with the salt content reduced by an average of 17% in some products, while the sugar content was reduced by an average of 10%. New products were developed with reduced or no added salt, reduced or no added sugar, and reduced fat content.

At least one positive ingredient and an ingredient associated with sustainable nutrition, such as proteins, fibers, whole grain raw materials, various vegetables, legumes, vitamins, minerals, and microalgae, were incorporated into new and innovated products.

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

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

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

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



# New Products

## FOOD

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

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



New Products

food additives and mono-seasonings, a new product, Maestro Smoked Paprika 40g, was launched in the Slovenian market.

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

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

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

Tuna salads represent a category of fish products that have seen significant value growth in the Croatian market in recent years, as well as in the markets of the region. Based on these positive indicators, Morž Šime, along with the well-known flavors of Eva tuna salad (Mexicana, Dalmatina, Mediterana, Red



New Products

quinoa, and Couscous), prepared innovations in their assortment. For consumers looking for added value in products, two new flavors have been introduced, and the entire line of salads has been refreshed. Eva tuna salads Protein and Balance are new functional salads that contain juicy pieces of tuna in an enticing combination with legumes, vegetables, and grains. These new salads are a tasty and healthy meal ready to be enjoyed at any time of the day and wherever you are.



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



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



The Dolcela premium pudding line is now richer with another creamy treat, Dolcela premium chocolate-banana pudding. It's an excellent duo that you can



New Products

prepare as a standalone dessert or as a cream for tasty and simple cakes and pastries.

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

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

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



New Products

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



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



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



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





New Products

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

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



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



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



New Products

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



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



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



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



New Products

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



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



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



New Products

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

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

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



# Digital *innovations*

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

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

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

A redesigned Vegeta website with a fresh, modern look adapted to a younger target population has also been launched. Users can now create personal profiles, log in with usernames, and save favorite recipes

for quick access. The success is evident from the increased retention time, which has gone from forty seconds to two and a half minutes.

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

In the Slovenian market, another innovative "product" was used in the campaign for Ajvar Squeeze - AI. ChatGPT was implemented on the landing page, generating automatic responses to user inputs as part of the competition to present Ajvar Squeeze in a fun way as the best innovation in history. The campaign reached over 250,000 users, received 5,200 competition entries, and achieved a 40% better CTR compared to similar campaigns.

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



Digital innovations

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

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

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



# Awards and *recognitions*

## PODRAVKA WON TWO AWARDS FROM THE ZAGREB STOCK EXCHANGE

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

## THE AWARD FROM POSLOVNI DNEVNIK FOR THE BEST INVESTOR RELATIONS

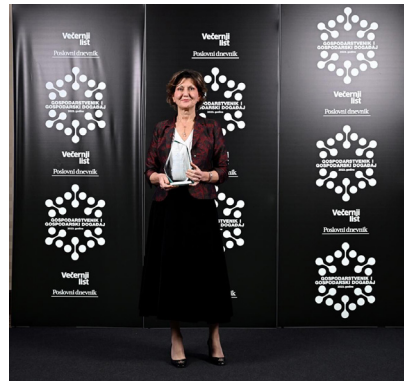
At the conference of the Zagreb Stock Exchange and the fund industry in Rovinj, the 14th edition of the Poslovni dnevnik Awards for the best investor relations was presented. On this occasion, Podravka was awarded the second prize for the best investor relations. This marks the third time in the last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



Awards and recognitions

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

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



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

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



PODRAVKA HAS BEEN AWARDED THE POSLODAVAC PARTNER AND MAMFORCE CERTIFICATES

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





Awards and recognitions

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

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

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

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

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

Thanks to numerous activities and positive business practices, HRPSOR recognized Podravka as a



Awards and recognitions

company that has made the most significant progress in successfully implementing sustainable practices.

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

VEGETA WINS PRESTIGIOUS AWARD IN BERLIN

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

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



Awards and recognitions

PODRAVKA WINS EIGHT SUPERIOR TASTE AWARDS - THE MOST PRESTIGIOUS GLOBAL AWARDS IN THE FOOD SEGMENT

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



VEGETA IS NUMBER 1 IN EUROPE

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



Awards and recognitions

WOMEN CHOOSE VEGETA AS THE BEST FOOD SEASONING

The Woman's Choice Awards is a prestigious selection traditionally organized by the popular Croatian portal miss7. The greatest value of this award comes from the hands of end-users, without intermediaries, from the women who decide daily which product to buy or whose service to use. For the fourth year in a row, Vegeta has won the title of the legendary food seasoning.



LINO NJUPALICE AND DOLCELA MUFFINS VOTED BEST BY MOMS

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



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

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



Awards and recognitions

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

Vegeta BIO universal food additive offers a natural taste and ingredients grown according to organic farming rules, suitable for vegetarians and vegans. In 120 grams of the product, there are 375 grams of fresh vegetables. With more than ten types of vegetables and spices and sea salt, Vegeta BIO is ideal for seasoning dishes without the need for additional salt. Vegeta BIO was developed in accordance with Podravka's Nutritional Strategy and was declared the best product in its category and the bearer of the "Selected Product of the Year" seal for 2023. This is an award for marketing innovation voted on by consumers themselves.

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

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

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

Lino children's cereals have been named the coolest cereals according to youth preferences and have rightfully won the Coolest Brand award for the third



Awards and recognitions

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

PODRAVKA DEFENDS THE SUPERBRAND TITLE IN SLOVAKIA

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

Superbrands<sup>2022</sup>

BRONZE AWARD FOR VEGETA IN SLOVAKIA

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



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recognitions

way, organically achieving over 4.4 million views and hundreds of thousands of interactions.

TWO GOLD AWARDS FOR VEGETA IN POLAND

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

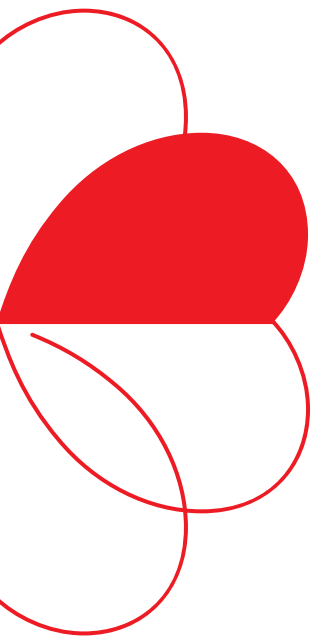
PODRAVKA WINS THE MOST IMPORTANT  
AWARD FOR DIGITAL COMMUNICATIONS IN  
THE REGION

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



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# Non-financial Report





# Strategic Approach to Sustainable Business

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

- 100% of electrical energy from renewable sources in production in the European Union
- 50% of thermal energy from renewable sources in production in the European Union
- 60% reduction in CO<sub>2</sub> emissions at the level of Podravka Inc.
- 40% reduction in CO<sub>2</sub> emissions at the level of Podravka Group
- 100% recyclable, returnable, or compostable packaging for all food products
- 5% reduction in food waste per ton of products produced
- 20% reduction in salt and sugar in 75% of new and innovated products
- Improvement of corporate culture and climate in all organizational units
- Continuous improvement of workers' material rights
- Joining the UN Global Compact

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

The success in achieving the strategic objectives in 2023 is explained in the ESG report, within the framework of the individual KPIs.

Monitoring corporate sustainability reporting in accordance with applicable regulations, including reporting on the implementation of goals from the Sustainable Business Strategy, will be the responsibility of the Audit Committee.

The coordination of activities related to the implementation of the Sustainable Business Strategy and non-financial reporting at the level of the Podravka Group falls under the responsibility of the Business Sustainability and Green Transformation sector.



# Risks

## RISK MANAGEMENT AND RISK FACTORS

Podravka Inc. is exposed to risks typical for economic entities operating in both domestic and international markets, particularly those in the food industry. External factors relate to influences from the environment such as economic, political, technological, and social risks, risks associated with changes in legislative regulations, and in recent years, the increasingly pronounced risk of climate change affecting various parts of the business system. Podravka Inc. ensures compliance with standards regulating specific areas, thereby reducing exposure to external risk factors. Furthermore, Podravka Inc. is exposed to various internal risk factors that the company can influence through its regular business policies, procedures, and decisions.

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

The most significant risks for Podravka Inc. related to the labor force include timely recruitment and retention of qualified workforce and unfavorable age structure of employees, as well as retirement in the coming years. Risk mitigation measures include hiring younger workers from new pools, intensifying cooperation with educational institutions, employer branding, development of programs fostering intergenerational and multicultural cooperation and understanding, trainee and newcomer programs, and improvement in the system of advancement and rewards.

Podravka Inc. implements Enterprise Risk Management (ERM). An integral part of ERM is active reporting to the Management Board on critical events that may jeopardize profitability or cause significant loss of company funds while they are still in the early stages of manifestation. This enables timely and appropriate decision-making on certain business activities for the purpose of managing corporate risks.

Enterprise Risk Management involves the implementation of integrated analyses and reporting on key strategic, operational, and financial risks to which Podravka Inc. is exposed, identifying potential events that could negatively impact Podravka Inc.'s results, and managing identified risks. All organizational units and subsidiary companies of Podravka Inc. participate in ERM reporting, with each organizational unit or subsidiary being responsible for actively managing risks arising from their business activities. A comprehensive ERM report is submitted to the Management Board and the Supervisory Board.



Risks

FINANCIAL RISKS

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

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

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

CURRENCY RISK

With the transition to the euro in 2023, a larger portion of Podravka Inc.'s currency risk has been eliminated. However, Podravka Inc. conducts certain transactions in other foreign currencies and is therefore exposed to the risk of exchange rate fluctuations. The greatest

exposure to euro exchange rate fluctuations during 2023 occurred concerning the AUD, USD, PLN, and HUF.

Throughout 2023, the principles of managing transactional currency risk continued to be applied within the framework of the Risk Management Policy. Through this policy, the model for protection against currency risk has been enhanced with additional activities such as monitoring market movements, conducting regular analyses of all currencies with exposure, and defining the possibilities and scope of contracting permitted derivative financial instruments aimed at protecting against currency risk. This approach applies to a basket of currencies in which Podravka Inc. is exposed and cannot mitigate naturally through balance sheet protection. Key components of the approach include identifying and measuring exposure, the process of contracting permitted derivative financial instruments to achieve the determined level of protection, and a system of control and reporting. Additionally, exposure limit parameters have been set as triggers for contracting the prescribed level of protection. Bloomberg terminals are regularly used to monitor macroeconomic projections and to contract derivative financial instruments to manage currency risk. Inflows from affiliated companies are sought to be directed to Podravka Inc., wherever possible, in the domestic currency of the country where the affiliated company operates. In this way, currency risk is to a greater extent transferred from affiliated companies to Podravka Inc., which actively manages it.

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

INTEREST RATE RISK

Podravka Inc.'s interest rate risk arises from unfavorable movements in variable interest rates or from entering into new credit arrangements at higher interest rates,



Risks

reflecting unfavorable market trends and conditions.

Podravka Inc. has credit arrangements contracted with banks at both fixed and variable interest rates. The contracted variable interest rates are predominantly tied to EURIBOR. The predominant use of these credit arrangements at fixed interest rates results in Podravka Inc. having low exposure to the risk of interest rate changes from a debt perspective. Additionally, Podravka Inc. is not exposed to interest rate risk that would affect fluctuations in the value of financial assets.

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

#### CREDIT RISK AND COLLECTION RISK

Podravka Inc. conducts business with creditworthy customers, ensuring, as needed, receivables to reduce the potential risk of financial loss resulting from failure to meet contractual obligations. Podravka Inc.'s exposure based on accrued receivables, as well as the credit position of other contracting parties, is continuously monitored.

Podravka Inc. collaborates with companies within the Fortenova Group, regularly monitoring the status of receivables and exposure.

Existing and new external customers are considered in terms of approved credit limits and customer risk categories. In case of exceeding the specified parameters, actions are taken in accordance with the adopted Customer Credit Risk Management and Collection Policy within the Podravka Group, systematically monitored

through the relevant module in SAP. Receivables are analyzed on a weekly basis, and necessary measures are taken for their collection, all in accordance with the parameters of the adopted policy.

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

During 2023, Podravka Inc. did not have any significant reports of damage related to receivables insurance.

#### LIQUIDITY RISK

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

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



Risks

PRICE RISK

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

To mitigate these impacts, Podravka Inc. works towards developing partnership relationships with long-standing suppliers while simultaneously developing relationships with new suppliers in targeted EU and third-country markets. Timely contracting, consolidating procurement volumes to strengthen market positions, sharing risks partly with suppliers, optimizing processes and material specifications, introducing alternative raw materials, introducing alternative suppliers, and continuously monitoring the movements of raw materials and supplies are some of the activities successfully carried out by Podravka Inc. to better assess price movements and reduce the risk of price volatility in the market.

Furthermore, as part of the Risk Management Policy and within the framework of the adopted Accounting Methodology for Hedging, and in the context of market price risk, Podravka Inc. may, as needed, use, according to established principles and defined permissible

derivative financial instruments to protect against market price risk changes in relevant goods. In this regard, principles for analyzing exposure, monitoring effectiveness, and reporting on commodity risks that would be subject to protection through derivative financial instruments have been defined.

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



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

Podravka Inc.'s strong cycle of capital investments is focused on increasing the energy efficiency of properties and facilities, leading to reduced energy consumption and consequently lower CO<sub>2</sub> emissions, thereby reducing the negative impact on the climate. Investments in the fleet and the subsequent operation of new commercial vehicles reduce CO<sub>2</sub> emissions per kilometer traveled, and the use of routing applications optimizes the distribution of goods, directly contributing to the environmental goal of mitigating negative trends in climate change.



Risks

In 2023, Podravka Inc. reduced consumption of energy from wood chips while simultaneously producing 3,564.9 MWh of electricity from renewable sources from its own solar power plants, which is 228.6% more than in 2022. This led to a decrease in electricity consumption from the grid and a reduction in CO<sub>2</sub> emissions by 7.5% from Scope 2. Podravka Inc. emitted 22.9 tons of CO<sub>2</sub> in 2023, which is 39.4% more compared to 2022, primarily due to changes in the regulatory treatment of CO<sub>2</sub> emissions from wood chips.



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

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

Lack of rainfall during the growing season, insufficient and/or poorly distributed rainfall, rising air temperatures, an increase in the number and duration of

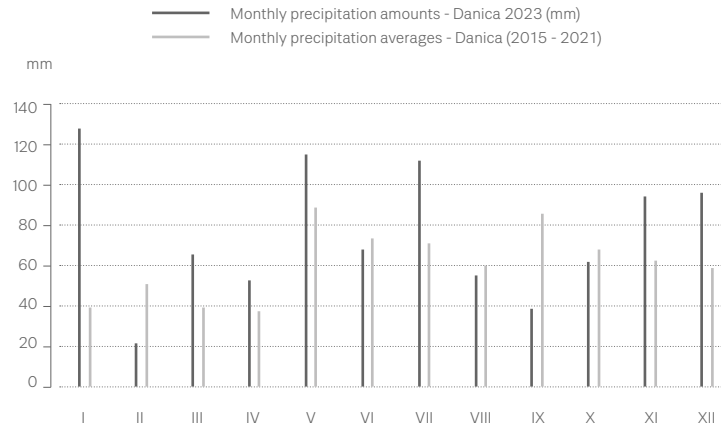
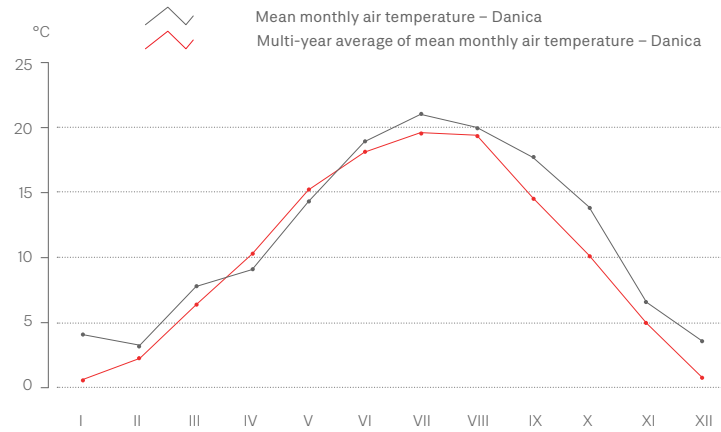
heatwaves, and an increase in the number of extreme weather events (stormy winds, heavy rainfall in short periods, flooding of agricultural areas, hailstorms, spring frosts, prolonged droughts, temperature extremes) cause significant damage to agricultural production.

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

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



Risks



In 2023, there wasn't a significant negative impact of drought; however, abundant and prolonged rainy periods during winter, spring, and summer had a negative effect. The rainfall during the vegetation period was not evenly distributed but arrived in heavy storm episodes. The continuous rains for twenty days made it difficult to assist young, newly planted crops, which were submerged for several days in May and June

because machinery couldn't access the fields. Hailstorms affected part of the crops in June 2023. Excessive rainfall throughout the summer months adversely affected tomato yields by preventing machinery access to the fields and increasing the incidence of tomato blight. The total damage to tomatoes and seed peppers amounted to EUR 91.8 thousand.



Risks

As temperature is the most important environmental factor affecting the dynamics of pest populations, the expansion of their geographic range has been observed in the last two decades, driven by global warming. Additionally, due to warm winter months, the proportion of overwintering individuals increases, while the number of pest generations on vegetables and other crops increases due to above-average warm summer months.

In 2023, corn borer caused damage to seed peppers because they weren't treated on time due to the inability of machinery to access the flooded field. Two more automatic weather stations were installed at Podravka's agricultural areas. Their use allows access to meteorological data and climate conditions on desired agricultural areas. By continuously monitoring microclimates in vegetable crops and other crops, occurrences of certain diseases and pests can be

calculated very precisely.

In 2023, there wasn't a negative impact of climate change on assets due to storm damage. However, the procurement of raw materials and primary agricultural raw materials was influenced by climate change in terms of availability, quality, and price of certain raw materials. In the two most significant procurement categories of primary agricultural raw materials - cereals and fresh vegetables - problems related to quality (wheat) and availability (fresh vegetables) were observed. Climate change also affected the availability and price of other raw materials, especially tomato-based and olive-based products due to extreme drought and fires in Portugal and Spain.





# ESG *Report*

4

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

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

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

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

ESG indicators for Podravka Inc. are prepared using selected GRI Standards or parts of their content for sustainability reporting.

The scope of Podravka Inc.'s Non-Financial Report is equal to the scope of Podravka Inc.'s Financial Report, meaning that Podravka Inc. and its subsidiary companies are included in the calculation of ESG criteria. No subsidiary company is excluded from the scope of this report.



# The impact of business on the environment

## *(criterion E)*

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

| Environmental Criteria  | Unit               | 2022    | 2023    |
|---|--------------------|---------|---------|
| Total GHG emissions (scope 1)*                                | 000 t              | 16.5    | 22.9    |
| Total GHG emissions (scope 2)*                                | 000 t              | 3.7     | 3.4     |
| Total CO <sub>2</sub> emissions (scope 1)                     | 000 t              | 16.5    | 22.9    |
| Total CO <sub>2</sub> emissions (scope 2)                     | 000 t              | 3.7     | 3.4     |
| Total CO <sub>2</sub> emissions from sustainable wood chips** | 000 t              | 9.4     | 2.7     |
| Fines related to environmental impact                         | mil. EUR           | 0.0     | 0.0     |
| Total energy consumption                                      | 000 MWh            | 128.7   | 127.6   |
| Renewable energy utilized                                     | 000 MWh            | 26.2    | 10.4    |
| Electricity consumption                                       | 000 MWh            | 28.7    | 29.5    |
| Coal consumed   | 000 t              | 0.0     | 0.0     |
| Natural gas consumed  | 000 m <sup>3</sup> | 4,939.8 | 5,057.7 |
| Crude oil/diesel consumed                                     | 000 m <sup>3</sup> | 1.6     | 1.7     |
| Electricity produced from renewable sources                   | 000 MWh            | 1.1     | 3.6     |
| Energy produced from renewable sources                        | 000 MWh            | 26.2    | 10.5    |
| Total waste generated   | 000 t              | 5.6     | 5.8     |
| Hazardous waste generated                                     | 000 t              | 0.0     | 0.0     |
| Recycled waste  | 000 t              | 1.2     | 1.6     |
| Total water consumption                                       | 000 m <sup>3</sup> | 541.6   | 573.8   |
| % of recycled water in production                             | Percent            | 18.3%   | 48.9%   |
| Total recycled water in production                            | 000m <sup>3</sup>  | 99.2    | 280.6   |
| Emissions into water  | 000m <sup>3</sup>  | 0.0     | 0.0     |
| Activities negatively impacting biodiversity                  | Yes/No             | No      | No      |
| Environmental protection policy***                            | Yes/No             | Yes     | Yes     |

\* Total greenhouse gas emissions and total CO<sub>2</sub> emissions are identical because relevant emission factors are available only for CO<sub>2</sub>. Scope 2 emissions calculation includes consumed electrical energy from the grid.

\*\*Certified wood chips is a CO<sub>2</sub>-neutral fuel and is not included in the calculation of total CO<sub>2</sub> emissions (scope 1) and is therefore shown separately.

\*\*\*<https://www.podravka.hr/kompanija/odrzivost/okolis/>



## GREENHOUSE GAS EMISSIONS

In 2023, Podravka Inc. emitted 22.9 tons of CO<sub>2</sub>, which is 39.4% higher compared to the corresponding period. This movement is a result of the treatment of CO<sub>2</sub> emissions from wood chips in 2023 compared to 2022, as further explained in the Energy chapter. In Podravka Inc.'s Annual Report for 2022, only energy and fuel emissions were considered in the calculation of greenhouse gas emissions, while the scope of emissions in Podravka Inc.'s Annual Report for 2023 has been expanded to include emissions from refrigerants (freons). Greenhouse gas emissions from refrigeration units were calculated based on the quantities of refrigerants added to the refrigeration units within the reporting period, as evident from the service cards of the device servicemen. Greenhouse gas emissions for 2022 were also adjusted to include emissions from freons.

For the calculation of CO<sub>2</sub> emissions in scope 1, the GHG Protocol methodology and the EU ETS system scope were applied. The increase in CO<sub>2</sub> emissions in scope 1 in 2023 compared to 2022 is a result of the manifestation of transition risk based on regulatory changes, associated with the use of wood chips as a fuel.

The availability of updated emission factors for the reporting period is limited, considering the different reporting deadlines of individual economic entities in different countries. In this year's report, relevant emission factors published for 2023 were applied to calculate greenhouse gas emissions (NIR, reports of individual electricity producers/suppliers). For the calculation of emissions from refrigeration units

(freons), the GWP base from the GHG Protocol was used, while emission factors from NIR were used for the calculation of greenhouse gas emissions from fuels (vehicle fleet).

## ENERGY SOURCES

Podravka Inc., as a major energy consumer, aims to reduce its consumption and costs while contributing to business sustainability. In 2023, energy supply security increased, losses decreased, energy efficiency improved, and the production of own electricity and heat from renewable sources increased, reducing dependence on fossil fuels. Education programs were conducted, providing users with instructions for efficient energy use in direct consumption.

During the reporting period, Podravka Inc. reduced its consumption of wood chips energy by 17.2%. The share of electricity from renewable sources in production was 12% compared to 3% in 2022, entirely derived from electricity produced from the company's own solar power plants. In 2023, solar power plants generated 3,564.9 MWh, a 228.6% increase compared to 1,084.9 MWh in 2022. Podravka Inc. consumed 3,530.7 MWh in 2023, representing a 325.9% increase in the consumption of self-generated electricity from renewable sources compared to the previous period. The share of thermal energy from renewable sources in production decreased from 32% in 2022 to 9% in 2023 due to regulatory changes in the treatment of emissions from wood chips.

Regarding Podravka Inc.'s energy mix, the proportion of wood chips increased compared to gas in the central steam boiler plant in Koprivnica. The plant



The impact of business on the environment (criterion E)

achieved a reduction in energy consumption per unit of final energy produced, and greater attention was given to energy efficiency and the selection of higher energy efficiency classes when choosing and purchasing new technological and energy equipment. Wood chips (forest biomass) is used as fuel in the energy plant for heat production, i.e., the steam boiler plant for producing technical steam in the industrial zone Danica, supplying factories with the necessary thermal energy for technological needs. The biomass-fired boiler has a capacity of 3.3 MW and has been operational since 2017, replacing the use of gas by approximately 2,000,000 m<sup>3</sup>/year.

Since 2013, Podravka Inc., as a major energy consumer with its two energy plants, has been part of the international carbon emissions trading system (EU ETS). Participation in the EU ETS is open to operators of installations in the industrial and energy sectors with stationary installations of installed capacity  $\geq 20$  MW of thermal energy using fossil fuels (gas, coal, fuel oil - non-renewable energy sources). Podravka Inc. fulfills all obligations within the European Union Emissions Trading System (EU ETS). The plants at Ante Starčevića 32 and the Industrial Zone Danica in Koprivnica possess a valid greenhouse gas emissions permit and comply with the rules of the 4th trading period of greenhouse gas emissions, valid from 2021 to 2030. Part of the ETS system is also the biomass-fired boiler.

In the previous fuel categorization, until December 31, 2022, all wood chips was classified as biomass and considered a renewable energy source. Therefore, CO<sub>2</sub> emissions from this energy source were not included in the scope 1 emissions calculation but were separately accounted for in the ESG report. The body

responsible for the ETS in Croatia decided that from January 1, 2023, procedures for monitoring biomass should be established, i.e., for each batch of biomass, compliance with sustainability criteria should be demonstrated. If the biomass used for incineration does not comply with regulations, the carbon content in that biomass is considered fossil carbon. Biomass suppliers, whether supplying, storing, chipping, and/or trading, must possess a certificate confirming that the biomass complies with the sustainability certification scheme.

As the regulation came into force at the end of 2022, and a National Biomass Sustainability Monitoring System was not established in Croatia, suppliers did not have sufficient time for certification. For this reason, sustainable wood chips biomass meeting the required criteria could not be procured in Croatia at the beginning of 2023. Suppliers certified under one of the approved European Union schemes (SURE) capable of supplying sustainable wood biomass began appearing in the market only in July 2023. Hence, since July 2023, Podravka Inc. has commenced the procurement and use of wood chips from sustainable cultivation systems, in accordance with the SURE scheme.

For quantities of wood chips with proof of sustainability (2,070 tons, or 6,897 MWh), CO<sub>2</sub> emissions are not included in scope 1 emissions and are considered climate-neutral, separately presented in emission analytics (ESG report, table with "E" indicators).

The remaining quantity of wood chips procured until July 2023 is treated as fossil fuel (5,048 tons, or 14,069 MWh), and CO<sub>2</sub> emissions of 5,525.96 tons from unsustainable logging are included in scope 1 emissions.



The impact of business on the environment (criterion E)

Podravka Inc.'s major capital investments in 2023, aimed at achieving energy efficiency and self-sufficiency goals, relate to the construction of solar power plants. Preparations for the installation of solar power plants in Koprivnica, Varaždin, and Dugopolje were completed in 2023. The investment in solar power plants will increase the capacity of self-generated electricity from renewable sources by 8,772.1 kW to a total of 12,836 kW, with an expected annual production of 13,668,095 kWh of electricity. Almost all projects were eligible for co-financing from the Modernization Fund.

Additionally, by installing a new, more energy-efficient compressor for producing compressed air in Podravka Inc., the security of supply for all technological air consumers was ensured in an energy-efficient manner. Furthermore, high-efficiency equipment was installed in the substation, providing energy savings as well as ensuring the security and reliability of electricity supply to all consumers of the Cocktail Pastries Factory.

#### TRANSPORT

The impact of road transport on the climate is significant, necessitating continuous investment in new technologies to reduce its negative effects. Diesel fuel has the highest representation among the fuels used in Podravka Inc.'s vehicle fleet, with its consumption increasing by 7.3% in 2023 compared to 2022.

In 2023, investments in the vehicle fleet continued, including the procurement and operation of new EURO VI standard trucks, along with route optimization. Podravka Inc. acquired six new trucks in 2023, increasing the payload capacity of the vehicle fleet. Consequently, there was no reduction in fuel consumption and consequently lower emissions from the vehicle fleet.

The construction of a new logistics-distribution center (LDC) proceeded according to plan in 2023. With the construction of the LDC, the need for some existing warehousing spaces will cease. Eight main warehouses for finished goods will be closed, and approximately 45,000 pallets will be relocated to the new LDC with a total capacity of 56,000 pallets. This will result in a reduction in the number of kilometers traveled in inter-warehousing, leading to a decrease in CO<sub>2</sub> emissions due to lower fuel consumption (estimated reduction of 5,777 liters annually).

The optimization of logistic operations and the increase in energy efficiency are also evident in the procurement of electric forklifts for the new LDC, equipped with Li-ION batteries without sulfuric acid. This reduces electricity consumption for battery charging and makes them more environmentally friendly, with effects expected by the end of 2024.

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



The impact of business on the environment (criterion E)

AGRICULTURAL PRODUCTION

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

| Category        | Scope   | Total, t CO <sub>2</sub> |
|-----------------|---------|--------------------------|
| Land management | Scope 1 | 672.67                   |
|                 | Scope 2 | -                        |
|                 | Scope 3 | 293.22                   |
| Carbon removal  | Scope 1 | 471.67                   |

Podravka Inc.'s agricultural production emitted 672.7 tons of CO<sub>2</sub> through applied agronomic operations in scope 1 and 293.2 tons of CO<sub>2</sub> in scope 3, relating to CO<sub>2</sub> emissions from the production of fertilizers and pesticides used in 2023.

Simultaneously, there was a carbon removal effect of 471.2 tons of CO<sub>2</sub> in 2023 achieved through reduced tillage methods.

In 2023, agricultural production achieved a carbon intensity of 0.14 tons of CO<sub>2</sub> per ton of primary raw material produced.

POLLUTION

Podravka Inc. utilizes small and medium-sized combustion appliances (stationary sources) for its production and storage processes, hot water preparation, and heating across all organizational units. The

primary source of emissions in the production processes is the combustion of fossil fuels. Renewable fuel, biomass, has been used in 2023 as well, representing a significant measure in reducing the use of fossil fuels and emissions. Biomass has been utilized in Podravka Inc. for five years, thereby meeting the steam requirements in several factories.

The most significant air pollutants from all facilities are NOx and CO, and they are regulated through authorized companies. Measurement results for all facilities are below the emission limit values prescribed by law and regulations. Regular servicing of combustion devices by authorized service providers and preventive maintenance of equipment are conducted to protect the air quality.

For cooling purposes in industrial processes, air conditioning in office and storage spaces, as well as in hospitality and retail facilities, Podravka Inc. employs refrigeration units using refrigerants (freons). To mitigate the negative impact of fluorinated greenhouse gases on the environment and the ozone layer, refrigeration units undergo regular servicing and leakage testing by authorized service providers. Greenhouse gas emissions based on the replenishment of refrigeration equipment are included in scope 1 CO<sub>2</sub> emissions. All devices are registered in the PNOS application (Notification of stationary devices and equipment) in accordance with legal obligations. In the Danica factory, ammonia is used in refrigeration systems for technological processes, transitioning to glycol. The entire preparation and distribution system is under constant supervision, with regular maintenance and compliance with legal testing.

Podravka Inc. applies the principle of storing raw materials in chambers with a modified atmosphere using



The impact of business on the environment (criterion E)

nitrogen to destroy pests in all stages of development without affecting the quality, color, and taste of the raw materials. This method represents a non-toxic treatment of raw materials without residual chemicals, ensuring human safety and having no harmful impact on the environment.

#### WASTE MANAGEMENT

Podravka Inc. handles waste in accordance with the waste management hierarchy and follows global trends in waste management. In 2023, a total of 5,758.2 tons of non-hazardous waste were generated, including 440.4 tons of municipal waste. Compared to 2022, the amount of waste sent to landfills decreased by 15% in 2023, while the proportion of recycled waste increased by 34.8%. Hazardous waste amounted to 16.23 tons, representing a 36.3% decrease compared to the previous year. Continuous waste reduction is an important goal for Podravka Inc., which aims to find optimal solutions for reducing waste sent to landfills while increasing recycling, recovery, and composting whenever possible.

#### WASTE REDUCTION IN PRODUCTION PROCESSES

Podravka Inc.'s activities are also focused on reducing waste in production processes, with significant attention directed towards reducing food waste in the manufacturing process. In March 2023, Podravka Inc. signed a "Voluntary Agreement on Prevention and Reduction of Food Waste" with the Ministry of Agriculture, committing to implement activities aimed at reducing food waste over a five-year period. These activities include food donation, optimization of production processes to minimize food waste, raising

consumer awareness about ways they can contribute to preventing and reducing food waste, as well as educating Podravka Inc. employees on these matters.

#### REDUCTION OF PACKAGING WASTE

Podravka Inc. is actively working towards achieving the Sustainable Business Strategy of the Podravka Group by 2030. One of the main goals is related to food products, which are expected to be packaged in 100% recyclable, returnable, or compostable packaging by 2030.

In 2023, the share of recyclable packaging used by Podravka Inc. in the total quantity of packaging materials procured was 88%. Throughout 2023, testing was conducted at production sites in the segment of products currently packaged in composite flexible packaging materials. These materials cannot be recycled due to their composite, or mixed composition. Therefore, the goal is to replace them with mono-flexible packaging materials that are recyclable.

A portion of Podravka Inc.'s product range is undergoing shelf life testing in new composition flexible packaging materials. These materials are mono-materials based on polypropylene (PP) or polyethylene (PE), which are recyclable. The entire range of transport cardboard packaging is being introduced with the FSC label. Shelf ready package (SRP) packaging has been optimized to reduce ink consumption in packaging design, aiming for better recyclability.

New packaging for transport boxes is transitioning to brown cardboard, reducing the amount of ink used, and also applying the FSC (Forest Stewardship Council) label, indicating responsible procurement of forest



The impact of business on the environment (criterion E)

materials and informing consumers that Podravka Inc. cares about forests.

Podravka Inc. has also reduced the amount of packaging for Podravka cream soups, while maintaining the content of the pouch, or the product weight, the same. Specifically, the new pouch for the soups is 11% smaller, resulting in 11% less waste. More specifically, 2.19 tons less plastic film will be used annually.

Regarding the proportion of recycled packaging materials in Podravka's plastic packaging, successful tests of shrink sleeve films with a recycled content (30%) in polyethylene terephthalate (PET) were conducted in 2023. Therefore, rPET will be introduced into the assortment of these packaging materials in the future. Additionally, tests are ongoing for shrink-wrap films with recycled content in polyethylene (PE), as well as for polypropylene squeeze bottles with recycled content, along with monitoring product shelf life.

Active efforts are being made to research and test recyclable materials for other products as well. In the future, Podravka Inc. plans to reduce the use of printing inks and varnishes on all packaging materials, adapt packaging design to the circular economy, transition from plastic to paper wherever possible, reduce the weight of all packaging materials, introduce plastic materials with recycled content, and switch

from composite to mono materials that can be fully recycled.

#### PROTECTION OF WATER AND WATER RESOURCES

In 2023, Podravka Inc. increased its water consumption by 5.9%, while simultaneously increasing the amount of recycled water by 182.7%. The share of recycled water in the total water consumption was 48.9% compared to 18.3% in 2022.

The purification and pretreatment of wastewater at Podravka Inc. facilities, along with analytical testing by authorized laboratories of wastewater samples (taken from control manholes), are conducted according to applicable legal regulations and water permits for wastewater discharge for each location.

In 2021, a project was initiated for the rehabilitation of wastewater treatment plants in the Danica industrial zone. The wastewater treatment plant purifies wastewater from all factories and organizational units at the location (Baby Food and Spreads Factory, Soup and Vegeta Factory, Danica Factory, Transport, and Belupo Inc.). The project included the construction rehabilitation of concrete parts of the plant to renovate deteriorated surfaces, extend the lifespan of the facility, and reduce the risk of water leakage into the environment due to cracks. The rehabilitation project was divided into several phases to ensure





The impact of business on the environment (criterion E)

uninterrupted production during the rehabilitation process. The construction rehabilitation of the wastewater treatment plant continued in 2023.

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

#### IMPACT ON BIODIVERSITY

Podravka Inc. in the Koprivnica-Križevci County area owns 565.83 hectares of agricultural land, of which 66.49 hectares are owned directly, and 499.34 hectares are leased for a period of fifty years. On these agricultural surfaces, between 4,000 to 5,200 tons of various crops such as wheat, corn, rapeseed, soybeans, sunflower, peas, beets, peppers, cucumbers, tomatoes, chili peppers, and seed peppers are cultivated. In 2023, the largest share of cultivated area was dedicated to wheat, rapeseed, corn, and sunflower among cereal crops, while peas, tomatoes, peppers, and beets were predominant among vegetable crops. From the total vegetables used as primary raw materials in Podravka Inc.'s production in 2023, only 13.3% of the demand was met by its own production.

In 2023, irrigation was applied to 155 hectares of agricultural land under vegetable crops (using sprinklers and drip irrigation), utilizing groundwater from wells. The total irrigation capacity reached 251 hectares. Investment in irrigation systems leads to water consumption savings, increased yields, and improved raw material quality.

To preserve agricultural land, crop rotation is strictly followed, green manure is applied, investments are made in soil quality improvement by introducing calcium and humus, crop growth is monitored using drones to detect changes (pests or diseases), and timely treatment is applied only to small infected areas to reduce pesticide use.

In 2023, liming, humification, and drainage pipe installation were conducted on some agricultural parcels to address increased soil acidity. About 93 tons of calcium were introduced into the soil through liming, and 2,900 tons of green manure seeds were sown as part of humification efforts. Additionally, 20% more mineral fertilizers and 197% more protective agents were used per ton of primary raw material produced compared to 2022, attributed to increased vegetable production and weather-related challenges, resulting in higher fertilizer and pesticide requirements.



The impact of  
business on the  
environment  
(criterion E)

Conservation tillage was applied to 33% of the cultivated areas in 2023 to maintain continuous plant cover or plant residues, preventing soil erosion and degradation, improving soil biodiversity, reducing weed prevalence, enhancing water permeability, and minimizing water evaporation from the soil.

Investments were made in mechanization to better manage fuel, pesticide, and fertilizer consumption, as well as timely response to diseases and pests. Meteorological stations were installed for monitoring moisture levels, rainfall, and other parameters crucial for optimal use of plant protection products.

No significant irregularities related to environmental laws and regulations were recorded in 2023, and consequently, no fines or penalties were imposed. As part of the Sustainable Business Strategy goals until 2030, Podravka Inc., in collaboration with Croatian Forests, planted a total of 14,000 tree seedlings, including 4,000 pedunculate oak seedlings in the Koprivnica area and 10,000 European beech seedlings in the Delnice area.



# Corporate Social Responsibility (Criterion S)

Note: Deviations in relation to the data published in the Annual Report of Podravka Inc. for 2022 are the result of harmonization of the scope of the data and calculation methodology at the system level.

| Social Criteria  | Unit       | 2022   | 2023   |
|--|------------|--------|--------|
| Employee Protection / Whistleblower Policy*  | Yes/No     | Yes    | Yes    |
| Community Giving and Financing   | mil. EUR   | 1.3    | 1.4    |
| Political Donations  | mil. EUR   | 0.0    | 0.0    |
| Human Rights Policy*   | Yes/No     | Yes    | Da     |
| Policy Against Child Labor*  | Yes/No     | Yes    | Da     |
| Product Quality Guarantee and Recall Policy**  | Yes/No     | Yes    | Da     |
| Equal Opportunity Policy*  | Yes/No     | Yes    | Da     |
| Fair Compensation Policy*  | Yes/No     | Yes    | Da     |
| Business Ethics Policy*  | Yes/No     | Yes    | Da     |
| Anti-Corruption and Ethical Policy*  | Yes/No     | Yes    | Da     |
| Occupational Health and Safety Management Policy***                                    | Yes/No     | Yes    | Da     |
| Gifts Policy****   | Yes/No     | Yes    | Da     |
| UN Global Compact for Corporate Social Responsibility and Sustainable Development***** | Yes/No     | No     | No     |
| Total Number of Employees on December 31   | Number     | 2,231  | 3,243  |
| Number of Women in Total Employees on December 31                                      | Number     | 1,513  | 1,526  |
| Average Age of Employees on December 31  | Number     | 48     | 49     |
| % of Disabled in Workforce on December 31  | Percentage | 2.4%   | 2.6%   |
| Gender Pay Ratio*****  | Percentage | 3,1%   | 2.6%   |
| Lost Working Hours Due to Workplace Injuries   | Hours      | 10,720 | 17,488 |
| Number of Workplace Injuries   | Number     | 59     | 55     |
| Rate of Fatal Workplace Injuries   | Number     | 0      | 0      |
| Rate of Workplace Injuries Resulting in Lost Working Hours                             | Number     | 9,2    | 9,9    |
| Rate of Recordable Workplace Injuries  | Number     | 13,4   | 11,6   |
| Rate of Serious Workplace Injuries   | Number     | 1,2    | 0,6    |
| % Employee Turnover  | Percentage | 5.5%   | 6.8%   |
| % of Employees Who Are Union Members   | Percentage | 54.2%  | 52.3%  |
| Number of Part-Time Employees  | Number     | 1      | 1      |



Corporate Social  
Responsibility  
(Criterion S)

|   |          |        |        |
|---|----------|--------|--------|
| Number of Seasonal Employees                            | Number   | 116    | 40     |
| Number of Contractual Employees (Revision, Consultants) | Number   | 25     | 14     |
| Employee Education and Training Policy*                 | Yes/No   | Yes    | Yes    |
| Total Cost of Employee Education and Training           | mil. EUR | 0,6    | 0,7    |
| Total Number of Hours Spent on Education and Training   | Hours    | 45,476 | 60,961 |
| Total Number of Suppliers on December 31                | Number   | 3,044  | 2,740  |
| Total Number of Domestic Suppliers                      | Number   | 2,504  | 2,214  |
| Quarterly Conference Calls with Investors               | Yes/No   | No     | Yes    |

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

\*\*Available at the Food Safety and Quality System Policy  Podravka

\*\*\*Available at <https://www.podravka.hr/kompanija/odrzivost/sustav-upravljanja/politika-sustava-zastite-zdravlja-i-sigurnosti-na-radu>

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

\*\*\*\*\*Podravka Inc. is not an official signatory of the initiative, but supports the initiative by integrating all ten principles of the Global Compact into its business operations, codes, and regulations.

\*\*\*\*\*Calculated based on actual working hours, by determining the average hourly wage of female employees and male employees (including total taxable and non-taxable employee earnings, excluding severance costs), and dividing it by the total hours worked paid by the employer.

## CONTRIBUTION TO CONSUMER HEALTH

Taking into account the current guidelines for healthy and sustainable nutrition, Podravka Inc. adopted a revised Nutritional Strategy for the period until 2027 in 2023, confirming its commitment to promoting healthy, balanced, and sustainable diets through greater availability of nutritionally higher quality products. The Nutritional Strategy represents a significant upgrade to the Sustainability Strategy.

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

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

Significant progress was made in improving the nutritional quality of existing products in 2023, with the salt content reduced by an average of 17% in some products, while the sugar content was reduced by an average of 10%. New products with reduced or no added salt, reduced or no added sugar, and lower fat content were developed. Furthermore, at least



Corporate Social  
Responsibility  
(Criterion S)

one positive ingredient and an ingredient related to sustainable nutrition, such as proteins, fibers, whole grain cereals, various vegetables, legumes, vitamins, minerals, and microalgae, were incorporated into some new and innovative products. In 2023, 46% of products from Podravka Inc.'s total portfolio met internal criteria for nutritional profiles regarding salt, added sugars, and saturated fats, while 27% of products were developed based on ingredients associated with sustainable nutrition, with an average content of 65.5%.

### EMPLOYEE RELATIONS

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

In the context of challenges in the global labor market that employers in the Republic of Croatia have faced in recent years, one of the primary goals of human resource management is to ensure a quality workforce. Given that some of the necessary occupations have been identified as deficient in the labor market, in 2023, employees and workers from distant countries were employed. The employment of foreign workers involved activities to integrate them into the company and the local community. Additionally, internal training and requalification programs were initiated to

make existing employees more internally mobile and multifunctional.

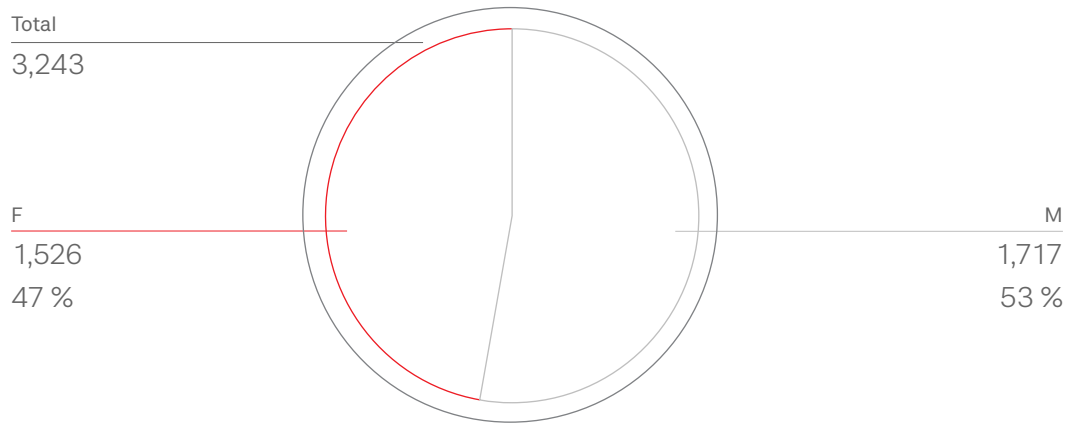
To retain its employees, whether in seasonal or permanent positions, Podravka Inc. in 2023, as in the previous two years, paid great attention to continuously improving both material and non-material rights of workers and improving working conditions. By introducing a new salary system and increasing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

In line with the goal of the Sustainability Strategy, Podravka Inc. received two prestigious certificates in the first quarter of 2023 in the field of human resource management – Employer Partner and Mamforce. The Mamforce certificate is awarded to companies that implement family-responsible and gender-sensitive human resource management policies. The Employer Partner certificate is awarded by SELECTIO Group to companies that meet high-quality standards in all areas of human resource management. Podravka Inc. achieved excellent results in attracting and hiring talents, stood out with initiatives for proactive change management, and educational programs and competency development programs.

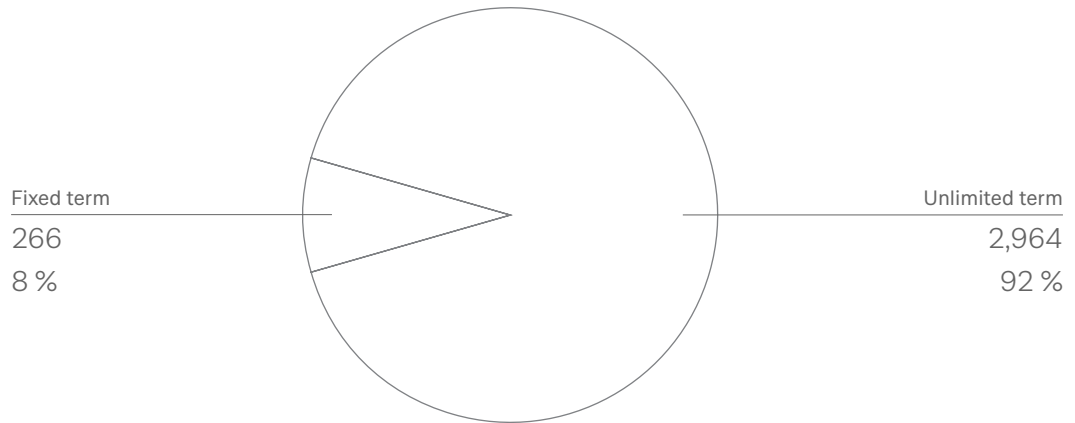


Overview of basic human resources indicators of  
Podravka Inc. as of December 31, 2023

Gender structure

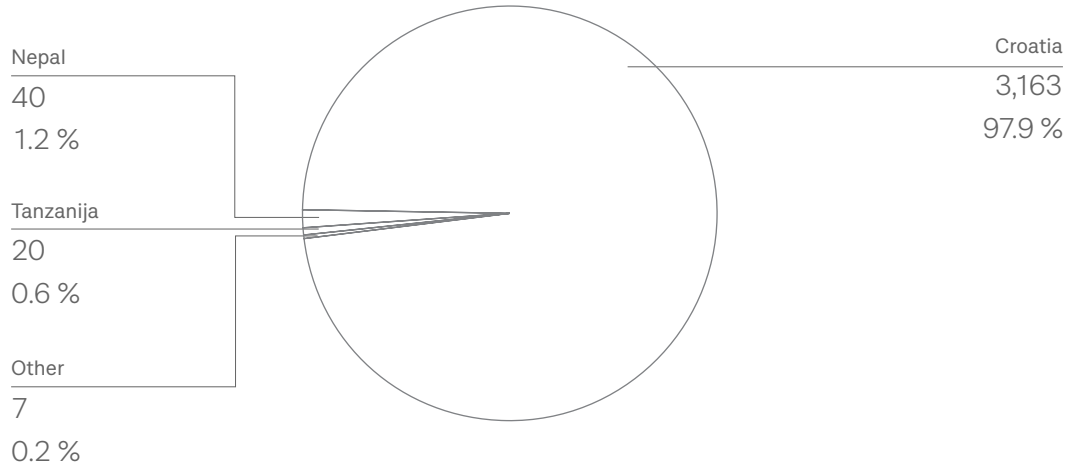


Group workers

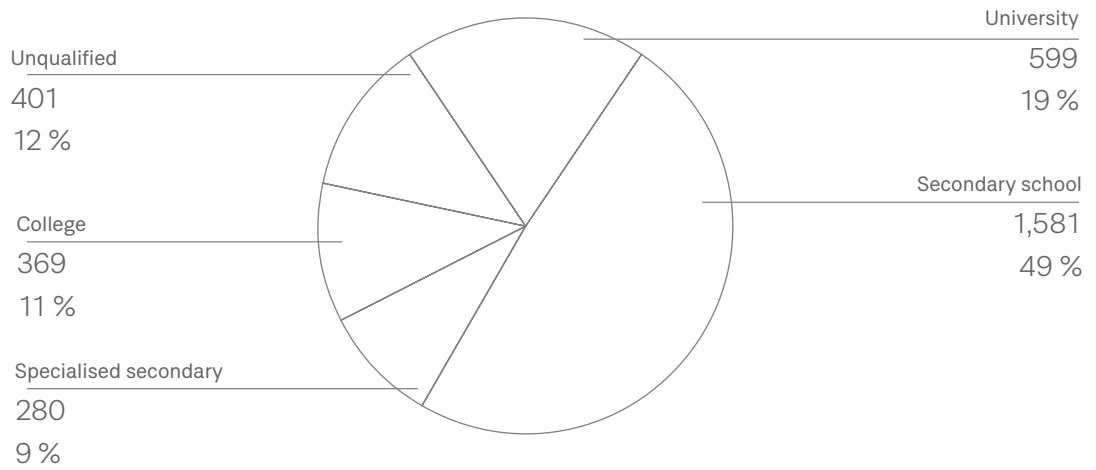


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Employee nationality

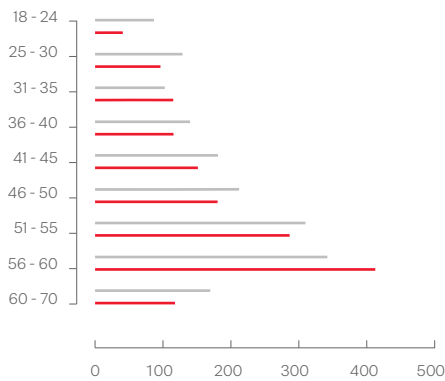


Employee qualifications

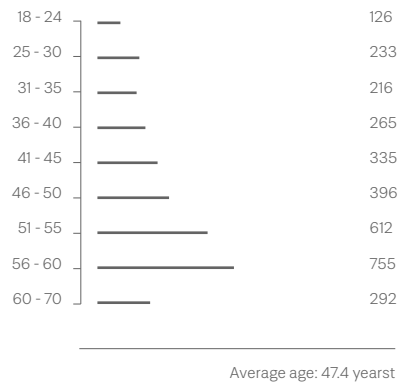


Corporate Social Responsibility (Criterion S)

Gender by age



Age structure



EMPLOYMENT RELATIONSHIPS

COLLECTIVE BARGAINING AND IMPROVEMENT OF WORKERS' MATERIAL RIGHTS

The initiative to increase workers' salaries began in 2021 and continued throughout 2022 and 2023. During 2023, the management of Podravka engaged in three negotiation cycles with social partners, agreeing on a series of measures to improve workers' positions and enhance their material rights and working conditions. The primary objectives of the three negotiation cycles were to increase wages and earnings, retain qualified labor, attract young workers from the local talent pool, and position Podravka Inc. as a desirable employer.

In 2023, wages and earnings were increased twice, and a new wage system was introduced, thereby

achieving the goal outlined in the Sustainable Business Strategy. Through the supplements to Collective Agreements III, IV, and V concluded during 2023, wages were increased, a new wage system was introduced, and a total of 11.2 million EUR was invested in Podravka Inc.

With Annex III amending the Collective Agreement of the Podravka Group, concluded on June 14, 2023, the basic salary was increased from 253.50 EUR to 260 EUR, and the fixed allowance was raised from 67.69 EUR to 100 EUR. Additionally, a one-time payment of 82.76 EUR net was agreed upon in June 2023. Furthermore, Annex III stipulated the right of employees to additional health insurance.

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

Annex V amending the Collective Agreement of the Podravka Group, concluded on November 2, 2023,





further improved the material rights of workers at Podravka Inc. and Belupo Inc. by granting a gross supplement of 150 EUR to the basic salary for each worker whose job falls within pay grades 1 to 8 due to the introduction of the new wage system.

The new wage system, besides the general increase of 150 EUR gross for all workers, rectified inconsistencies and inappropriate evaluation of certain job positions for a significant number of Podravka Inc. workers. As a result, for approximately 30% of Podravka Inc. workers, salaries increased by more than 150 EUR gross. Consequently, the average net earnings of workers (excluding management) for December 2023 amounted to 1,217 euros net, which is 18.4% higher than in December 2022.

#### DIALOGUE WITH SOCIAL PARTNERS

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

In accordance with the Collective Agreement, the employer quarterly reports to the Workers' Council on overtime work, the number and type of employees, employee structure, and more. They inform the Workers' Council about business results, organizational work, expected developments in business activities and their impact on the economic and social position of workers, salary trends, workforce structure, labor costs, introduction of overtime work, employee health and safety, and measures to improve working

conditions, among other important issues.

At Podravka Inc., workers participate in decision-making through their representatives in the Workers' Council, who advocate for their rights and interests towards the employer. They also participate through workers' assemblies and worker representatives in the Supervisory Board of Podravka Inc.

Consultation on decisions important for workers' positions is conducted. In 2023, the employer referred 65 decisions to the Podravka Inc. Workers' Council, which positively commented on all relevant sessions attended by employer representatives.

The topics addressed are of common interest to the employer and workers. Therefore, worker representatives are involved in decision-making processes regarding changes to the Organization Regulations, Job Classification Regulations, decisions on work schedules and reallocation of working hours, consultations before terminating employment contracts, decisions on work schedule calendars and annual leave usage, development plans, organizational changes, and employment plans.

In addition to dialogue with the Workers' Council, Podravka Inc. fosters social dialogue with representative trade unions operating within the company, such as the PPDIV Union, Independent Podravka Union, and the Podravka Concern Workers' Union (SINPOD). Besides these representative unions, Podravka Inc. also interacts with the New Union and the Union of Istria, Kvarner, and Dalmatia. As of December 31, 2023, 52.29% of Podravka Inc. employees are members of unions.



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DIRECT COMMUNICATION WITH WORKERS

Communication with employees occurs with regular intensity. One of the direct communication methods is through employee gatherings held several times a year at all locations where Podravka Inc. operates, which record excellent attendance from workers.

This allows employees to directly familiarize themselves with the company's strategy, important projects of individual organizational units, investments, and other significant initiatives. During these gatherings, employees can directly address the President and members of the Management Board. In 2023, employee gatherings were held three times, and the President of the Management Board visited all factories. On this occasion, she directly communicated the decisions of the Management Board related to organizational changes, salary increases and material rights, the introduction of a new salary system, investments and technological advancements, and improvements in working conditions, and she also responded to all questions from the employees.

In 2023, a monthly company newsletter titled "Podravka Info" was introduced, prepared by the Corporate Communication and Stakeholder Relations sector, providing employees with essential information about Podravka Inc.'s business operations, numerous investments, new products, news related to work locations, as well as everything else Podravka Inc. does in the context of production and business. Additionally, each issue provides an opportunity for colleagues to get to know each other better.

Podravka Inc. organizes annual holiday gatherings for all employees at all locations every year, as well

as traditional meetings for workers, retirees, and long-serving employees with several decades of work experience, to express gratitude for their long-standing work. In spring 2023, a picnic was organized for all employees and their families, which was also attended by workers from other companies within the Podravka Group.

Furthermore, during Workers' Council meetings and employee gatherings, the Podravka Inc. Management Board regularly presented business results, enabling all employees to receive relevant information about the company's operations.

**TRAINING AND COMPETENCY  
DEVELOPMENT**

Podravka Inc. ensures necessary competencies through systematic investment in the development of employees and management aimed at maintaining existing skills and acquiring new knowledge and competencies.

In order to increase professional expertise as well as technical and professional skills, Podravka Inc. provided 60,961 hours of off-the-job training in 2023.

In addition to the opportunity to attend one-day and multi-day seminars and various courses, employees have the opportunity to participate in professional conferences and gatherings. There is also the possibility of attending formal education programs and internships, learning foreign languages, in line with business needs and employee potential. Podravka Inc. continues to implement all legally required training programs while further investing in specialist



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(Criterion S)

business knowledge for employees from various business areas. The focus is on additional qualifications or retraining to acquire expertise in skills for in-demand professions. In 2023, six employees were also sent for MBA studies.

"COMPASS" PROJECT

In line with the objectives of the Podravka Group's Sustainable Business Strategy by 2030, Podravka Inc. continuously monitors the performance of its employees to ensure the best work results and enable career development in line with their potential. Based on the assessment of work quality and potential, employees are provided with education and guided in their further work, depending on their abilities, knowledge, and interests through the KOMPAS project, which was designed and launched in 2023 for employees with higher education levels at Podravka Inc.

The main objectives of KOMPAS are the identification of the best employees, successors, and potentials, through a clear system of criteria. Through the method of so-called roundtables, discussions were structured regarding the work performance and potential of all employees to calibrate assessments and objectify them to the greatest extent possible.

In 2023, 43 roundtables were held in all business areas, and 894 employees were included in the assessment. An educational and developmental path was defined for them, which will be implemented in the next 12 months.

MANAGEMENT DEVELOPMENT PROGRAM

The management development programs that began in 2022 were continued in 2023 and structured to address the individual developmental needs of all management levels, from senior managers to first-level supervisors directly managing a large number of employees. In addition to acquiring business knowledge and skills, the emphasis was placed on collaboration, leadership, and change management topics. Through this program, participants gain strategic, leadership, technological, and business competencies at all levels, as well as competencies for building, motivating, inspiring, and engaging teams..

PROGRAM "KNOWLEDGE FOR EXCELLENCE"

The development of first-level supervisors is extremely important as they are in daily contact with a large number of employees. In addition to business knowledge, they all must be able to motivate and engage their employees, as well as communicate openly and delegate tasks effectively.

In accordance with the Sustainable Business Strategy, the Human Resources Management sector designed a comprehensive program for all first-level supervisors aimed at raising the standards of their role, better understanding key processes within the company, improving their understanding of their own role and its impact on business results, and adopting new knowledge and management practices and communication with employees.



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

1. Internal Podravka Academy for acquiring professional knowledge, better understanding of the company and its processes through lectures and presentations by 34 internal experts from all Podravka organizational units.
2. Workshops and training sessions with external educational partners through which supervisors learned and improved their communication skills, gained a better understanding of the role of a leader, delegation, providing feedback, and conflict management.
3. Learning through the LPC for Business platform with rich online content available to participants 24/7.

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

#### ORGANIZATIONAL CLIMATE, CULTURE, AND ENGAGEMENT SURVEY

In 2023, a comprehensive survey of organizational climate, culture, and employee engagement was conducted in Croatia and affiliated companies abroad under the slogan "Your Opinion Matters."

This survey aimed to answer questions about how employees feel about working in the company, what is important to them at work, and what changes they would like to see. Additionally, the survey provided insights into the organization's strengths and areas for improvement in terms of climate, culture, business processes, and working conditions. The areas of interpersonal relationships with colleagues, relationships with superiors, and organizational structure and

communication were particularly well-rated, serving as additional confirmation of the unity and team cohesion among Podravka Inc. employees. Based on the results, an action plan was developed to further enhance employee satisfaction.

#### EMPLOYMENT AND EMPLOYEE ATTRACTION

During 2023, Podravka Inc. employed seasonal workers for the Agriculture and Production sectors, high-level trainees, technical workers, and workers in specialized positions. The main recruitment tools included external job postings on specialized employment portals and internal job postings enabling internal job rotation for employees. To streamline the selection process and minimize resource expenditure for candidates and HR departments, online psychological testing was introduced.

Due to the retirement of 79 employees (due to age, early retirement, or disability) during 2023, there was a need to hire technical workers in Podravka's factories. Since the required number of workers from local labor pools was not available for these technical positions, 156 foreign workers were employed. These workers mainly come from Nepal and Tanzania, with smaller numbers from the Philippines, Brazil, Bangladesh, India, Bosnia and Herzegovina, Albania, and Kosovo. They were employed in multiple factories across several locations, ensuring continuous operation in production units. To assist them in integration and adaptation to their jobs, the workers were assigned mentor colleagues, and they underwent Croatian language courses and cultural integration programs.



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These workers from distant countries are involved in all company social events, such as employee gatherings, celebrations, sports events, etc.

The Agriculture sector in 2023 had increased needs for hiring seasonal workers due to the expansion of vegetable cultivation areas. The required number of workers was sourced locally, resulting in the achievement of planned production targets. Some of these workers were successfully trained for more complex tasks in the production processes.

Newly hired employees with high and higher education levels in Podravka Inc. participate in the onboarding program "Welcome to our table" to quickly integrate into the work environment and meet the job requirements. Similar onboarding programs for new hires exist in other companies within the Podravka Group, all aimed at efficiently introducing new employees to the job and the organization.

#### SHAPE 2.2 PROGRAM

With the aim of attracting and hiring young workers, Podravka Inc. launched the Shape 2.2 competition in September 2022, through which 25 young colleagues were employed. Throughout 2023, they had the opportunity to gain their first or early work experience, skills, and competencies, familiarize themselves with leading business practices from various areas in the food industry, as well as participate in interesting and innovative projects with the support of experienced mentors and colleagues. These employees were assigned to various specialized positions.

#### COLLABORATION WITH EDUCATIONAL AND ACADEMIC INSTITUTIONS

Dugogodišnja uspješna suradnja Podravke d.d. s obrazovnim institucijama nastavljena je i u 2023. godini.

Podravka Inc.'s longstanding successful collaboration with educational institutions continued in 2023.

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

Podravka's experts contributed to the working group responsible for developing and promoting the national Biobased Economy Strategy until 2035. They were also involved in the delivery of university study programs at the Faculty of Food Technology and Biotechnology of the University of Zagreb and the University of Applied Sciences in Koprivnica. Furthermore, a Cooperation Agreement was signed between Podravka Inc. and the University of Applied Sciences in Koprivnica, designating Podravka as a teaching base for the university. Through this agreement, Podravka facilitates practical training in its facilities, organizes guest lectures, and collaborates on project preparation with the university. In 2023, a Podravka expert participated in the reaccreditation process of the University of Applied Sciences in Koprivnica conducted by the Agency for Science and Higher Education.

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



## GENDER EQUALITY

Podravka Inc. consciously incorporates professional equality and equal opportunities into all human resources management processes. For instance, job applications are not gender-defined, and women and men are equally hired. Similarly, based on qualifications, they have equal opportunities for development and advancement. When opening managerial and specialist positions or considering promotions, efforts are actively made to seek additional competent female candidates. In the selection process for the MBA program, equal representation of candidates was ensured, resulting in three female and three male participants in the MBA program.

In the Podravka Inc. Management Board, the proportion of women is 40%, which already aligns with the EU Strategy for Gender Equality by 2025. Among Podravka Inc. employees, women constitute 47%. The proportion of women in executive positions in Podravka Inc. during the reporting period is 36%, representing an increase compared to 33% in 2022. At the same time, the proportion of women in positions requiring a high level of education is 59%, compared to 56% in 2022.

With the introduction of a new pay system, a fairer system compared to the tariff system, a new base salary has been defined for certain positions regardless of the gender of the employee. This has led to a reduction in the gender pay gap at Podravka Inc., from 3,1% in 2022 to 2.6% in 2023.

## EMPLOYEE CARE

Podravka Inc. continues to prioritize the health and well-being of its employees in 2023, much like during the pandemic when it was a top priority. Work-from-home arrangements are enabled for all employees whose job tasks permit remote work.

In addition to regular health check-ups enriched with additional specialist examinations, in line with the goal of improving healthcare outlined in the Sustainable Business Strategy, all employees have the opportunity to participate in the Future Resilience program.

The program encompasses ten topics designed to develop and build resilience in dealing with stressful and unpredictable situations, both in professional and personal life. Furthermore, employees have access to telephone support from psychologists throughout the entire resilience-building process. This telephonic psychological support is not limited to workshop participants but is available to all employees of the company.

## OCCUPATIONAL HEALTH AND SAFETY

### POLICY AND MANAGEMENT SYSTEM FOR OCCUPATIONAL HEALTH AND SAFETY

During 2023, Podravka Inc. adopted a new Occupational Health and Safety Policy in line with the requirements arising from the HRN ISO 45001:2018 standard.

The commitment to reducing potential health and safety risks in the workplace is an integral part of the company's business activities aimed at creating a safe and healthy environment for employees and other stakeholders. By actively assessing effectiveness and continuously investing in measures to improve the health and safety system, the company ensures the prerequisites for achieving the goals defined in the Policy.

The company records and investigates every case of health and safety incidents and accidents to



minimize or eliminate such occurrences. The principle that health and safety measures in the workplace should not involve financial costs for employees is respected. Necessary safety equipment, including personal protective equipment, is provided to prevent work-related injuries, illnesses, and accidents, as well as to handle emergency situations. The company continuously analyzes and monitors health and safety risks caused by its activities and applies principles of health and safety management, including the hierarchy of controls - elimination, substitution, engineering controls, administrative controls, work practices, and personal protective equipment.

In 2023, Podravka Inc. confirmed full compliance with the requirements of the ISO 45001:2018 standard and recertified its Occupational Health and Safety Management System. The correct and consistent implementation of rules and measures in the field of occupational health and safety was also confirmed during the SMETA audit.

#### ACTIVITIES IN THE FIELD OF OCCUPATIONAL HEALTH AND SAFETY

During 2023, unlike in the past, the COVID-19 disease did not create difficulties and limitations in business operations for Podravka Inc. However, given that the COVID-19 disease has not disappeared, Podravka Inc.'s Crisis Management Team continued to monitor the epidemiological situation, with readiness to react promptly, if necessary, by applying adequate implementation measures to protect the health of all stakeholders in the company's business.

The significant changes in the company's business organization during 2023 and changes in mandatory

regulations in the field of occupational health and safety necessitated a review, revision, and risk assessment for the life and health of workers and other stakeholders in occupational safety to prevent or reduce risks in all jobs and workplaces within the company.

Given the ongoing legal obligation for training and professional development, in line with risk assessment, training was conducted for 1,238 employees to work safely. Continuous training for conducting occupational health and safety was also provided to employer's authorized representatives. To enhance the competence of all employer's authorized representatives for occupational health and safety, additional multiple trainings were organized by external educators in the field of occupational health and safety. During 2023, 53 foreign workers were trained to work safely, 21 foreign workers were trained for forklift operation and management, and 37 foreign workers were trained for manual forklift and platform operation, with the documentation for organizing and conducting occupational health and safety adapted to the language and script the foreign worker understands.

In addition to traditional educational methods used in training for work, such as self-education, workshops, and lectures, educational materials and e-courses in Croatian and English were developed for certain areas of occupational health and safety. E-courses in the field of occupational health and safety have proven to be very practical, intuitive, and accepted by users in practice, allowing users to save time as they access them when it suits them. During 2023, 538 e-courses in the field of occupational health and safety were held.



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In line with personnel and organizational changes and the results of elections, new Occupational Health and Safety Committees were appointed as worker representatives for certain organizational units. They act as advisory bodies for continuous improvement of occupational health and safety, planning and monitoring the application of rules, organization of occupational health and safety tasks, informing and training, and prevention of occupational hazards and work-related risks, as well as their effects on workers' health and safety.

In accordance with legal provisions and the Agreement on the Regulation of Conditions for the Work of the Workers' Council, the Workers' Council was informed quarterly about important issues regarding the position of workers from the perspective of occupational health and safety.

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

Furthermore, employees have access to healthcare through occupational health services in specialist medical practices, to be under healthcare surveillance analogous to hazards, harmful effects, and efforts during their work, and to preserve their work ability and health.

Employees were referred for health check-ups to determine fitness for certain jobs with specific work

conditions. Additional healthcare protection for employees was ensured through specific systematic examinations in healthcare polyclinics, all aimed at preserving work ability. The employer pays for additional health insurance premiums for employees at selected insurance companies.

#### IMPROVING WORKING CONDITIONS AT WORKPLACES

During 2023, efforts continued to improve working conditions for employees in administrative units, or corporate functions, whose workplace is not at Podravka Inc.'s headquarters. Additionally, working conditions were enhanced for union representatives operating within Podravka Inc., the Fund for Support of Seriously Ill Employees, and members of Podravka Inc.'s Workers' Council.

Employees were provided with modernly designed, ergonomically adapted, and equipped spaces. Assessments and measurements of the working environment, particularly physical factors at workplaces aimed at protecting workers' health and safety, have shown significant improvements in all aspects of the work environment, from efficient heating, cooling, ventilation, air conditioning systems, electrical power networks, new sanitary infrastructure, to the enhancement of fire alarm systems and technical protection.

#### CORPORATE SOCIAL RESPONSIBILITY

During 2023, Podravka Inc. carried out a series of socially responsible initiatives and projects, in line with its longstanding practice and strong commitment to corporate social responsibility. Through sponsorships





and donations, Podravka Inc. supported numerous humanitarian, economic, cultural, sports, and scientific projects throughout Croatia.

In terms of supporting cultural events, Podravka Inc. continued to sponsor numerous cultural projects in the past year, particularly those focused on preserving local customs and traditions, such as the Podravina Motifs, Renaissance Festival, or Picokijade. Additionally, sponsorship support was provided at the national level. For example, Podravka sponsored the 70th edition of the Pula Film Festival and Greencajt, a sustainability festival held in Zagreb.

Continuing its tradition, Podravka consistently promotes an active lifestyle, emphasizing the importance of sports in child development and fostering community spirit. In 2023, Podravka continued its largest sports sponsorship - the Podravka Vegeta handball club. Through sponsorships, Podravka also supported numerous other sports clubs and associations, including table tennis, chess, wrestling, and basketball clubs. Furthermore, Podravka became a gold sponsor of the Croatian Athletics Federation in 2023, contributing to the promotion and development of Croatian athletics, Olympic spirit, active lifestyles, and healthy eating habits. The Highlander, a unique mountaineering experience, also received support from Podravka, allowing numerous hikers to enjoy Podravka's products both in Velebit, Croatia, and in the United States.

In 2023, Podravka organized two donation competitions, supporting a total of 67 associations and institutions. The supported projects ranged from humanitarian, cultural, artistic, educational, health-care, environmental, to sports initiatives, focusing on

the well-being of children and youth.

The aim of the Vegeta campaign "We Donate and Renovate School Kitchens" was to raise funds for the renovation of school kitchens and dining rooms in Croatian elementary schools. During the campaign, EURO.10 per sold blue-packaged Vegeta product was allocated for school donations. Over 150 applications were received, ten finalists were selected, and citizens voted for three schools to receive donations on the campaign's website. To assist more schools than initially planned, Podravka doubled the funds and decided to donate to all remaining finalist schools, totaling ten schools receiving renovated kitchens and dining rooms. The total donation amount was EUR74,000, with the three winning schools sharing EUR37,000, and the remaining seven finalists sharing the same amount.

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

In line with the Sustainable Business Strategy, Podravka launched the marketing campaign "Food that Cares for You" in 2023, aiming to communicate the results of Podravka's Nutritional Strategy implementation, focusing on reducing salt and sugar content in Podravka's products and other nutritional improvements. Podravka aims to provide consumers with food that represents a healthier choice, is convenient and quick to prepare, while retaining the familiar taste consumers love. The campaign was conducted in March and April, with targeted activities lasting throughout the year. Products featured in the marketing campaign on Podravka's website were labeled with the "Food that Cares for You" stamp. A post-test of the marketing campaign showed an increased awareness among consumers regarding



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critical product ingredients (sugar and salt), as well as a significantly higher perception of Podravka as a company committed to principles of healthy and balanced nutrition among those who noticed the campaign.

The AI Superfoodchefbot Coolinarika was launched in 2023, focusing on the topic of "superfoods." Through the use of the latest technology, Coolinarika users are further informed about foods rich in vitamins, minerals, fiber, proteins, fatty acids, and antioxidants in a fun and interactive manner. The Chefbot offers tips and recipes from Coolinarika's rich database, focusing on superfood ingredients, supporting, inspiring, and motivating users to adopt healthier eating habits and a nutritionally balanced diet.

Coolinarika's website also featured targeted recipes, tips, and articles related to the "zero waste" theme, aimed at raising awareness about reducing or completely eliminating waste generated during production processes, consumption, and daily activities. The zero waste movement aims to maximize resource utilization, minimize energy and raw material use, and reduce waste disposal space, all to mitigate the negative impact on the environment.

During 2023, the "Food to Health" project was implemented, officially named "Development of a personalized concept for reducing excess weight and maintaining healthy body weight in the treatment of chronic diseases in children and adults," conducted by the Srebrnjak Children's Hospital in collaboration with Belupo Inc. and Podravka Inc.

## SUPPLIER CHAIN MANAGEMENT

Managing procurement categories and supplier relationships are fundamental principles of Podravka Inc.'s supply chain. The entire procurement assortment is segmented into procurement categories for which targeted procurement strategies, initiatives, and tasks for implementation are defined.

Depending on the specificities of individual procurement categories, annual, semi-annual, or monthly tenders are conducted, and/or bids are actively sought from potential suppliers on the global market through market research and competitive monitoring.

In 2023, the Procurement sector continued to find alternative raw materials and suppliers. Sophisticated eProcurement tools are used to ensure transparency in procurement processes and increase the efficiency of the procurement function. The digitization of the procurement function is one of the key levers in the continuous development of Podravka Inc.'s procurement. In 2023, a new tool (SAP Ariba) is introduced to further standardize procurement processes at the Podravka Group level, increasing transparency and efficiency, and mirroring the good business practice applied in the central procurement of Podravka Inc.

With a strong focus on expanding the supplier base and introducing alternative suppliers, especially for strategic materials, significant positive financial effects were achieved by using the eProcurement platform. In 2023, cost avoidance savings of EUR 15 million were realized in procurement processes, with a 7% lower procurement price, part of which was achieved through intensified use of eProcurement tools (eAuctions), shortened procurement cycle times, increased transparency, and efficiency in procurement.



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Supplier relationship management is of strategic importance to Podravka Inc. Segmentation and differentiated approaches to suppliers, based on their contribution to creating additional value for the company, significantly contribute to business success. Establishing partnerships with key suppliers is one of the main goals of the supply chain, as it ensures supply security, better resource utilization, and reduced operating costs, ultimately leading to increased competitiveness. In 2023, the focus was on local suppliers and suppliers with whom the company maintains partnership relationships, offering supply security in the face of significant disruptions in the agricultural-food product market and especially in conditions of global supply chain disruptions and geopolitical uncertainty, ensuring product supply in the required quantity, agreed quality, and on time.

In 2023, Podravka Inc. conducted business with 2,740 suppliers, of which 2,214 were domestic suppliers. Adhering to high standards of quality for input raw materials and materials, as well as the necessary level of technical and technological equipment of approved suppliers, Podravka Inc. works with direct producers, primary producers, small businesses, family farms, veterans' associations, subcontractors, distributors, wholesalers, and large multinational companies.

Podravka Inc. operates in accordance with the OECD Guidelines for Corporate Governance and supports the UN Universal Declaration of Human Rights, as well as the world's largest initiative for sustainable development and corporate sustainability, the UN Global Compact. The company has implemented the guidelines of the international standard ISO 26000 Social Responsibility. Accordingly, it expects its suppliers to share the same value system and behave in

accordance with the principles defined in the "Code of Conduct for Suppliers" of the Podravka Group.

#### VALUE CHAIN MANAGEMENT IN RELATION TO CUSTOMERS AND CONSUMERS

The year 2023 in the Croatian market was marked by the introduction of the euro, amidst significant inflation and rising prices of inputs for food production. Podravka Inc. responded to these challenges primarily through internal restructuring, business process optimization, and cost-saving measures in procurement procedures. In cases where the increase in production costs could not be absorbed through these means, prices of food products were increased in the first half of 2023. Furthermore, Podravka Inc. participated in implementing the government decision to administratively set the prices of thirty products in the Croatian market.

The "Picoq" project was implemented as an innovative way of product display at sales points aimed at enhancing the visual presence of Podravka's brands. The modernization of operations was carried out in both markets, involving a new organization of sales teams and management practices. In the first half of 2023, thorough preparations were made for the tourist season with key customers, resulting in its successful realization.

There was a halt in cooperation with the major customer Kaufland due to the inability to reach agreements on commercial terms.

In the segment of corporate and institutional customers, Podravka Inc. experienced dynamic movements in 2023. The sales segment to corporate and institutional customers (B2B) continued to grow despite negative trends in the prices of most basic



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raw materials. Through careful attention and activities directed towards key corporate and institutional customers, significant growth in the volume and value of sales of own products and trade goods in the HoReCa and industrial customer segments was achieved, making them the drivers of sales growth in 2023.

A detailed analysis of the sales organization to corporate and institutional customers was conducted in 2023 with the aim of increasing efficiency. Through the reorganization of the Sales sector, emphasis was placed on further strengthening development in the corporate and institutional (industrial and HoReCa) customer segments. Several development projects were initiated in product categories essential for consolidating Podravka Inc.'s position as a significant

supplier of products and value-added raw materials to business partners who incorporate them into their own final products and services.

The direct impact on Podravka Inc.'s operations comes from the Croatian market, as well as from exports to customers and distributors in countries where there are no affiliated companies of the Podravka Group. Indirect impacts on Podravka Inc.'s operations come from markets where Podravka Group's affiliated companies operate, as explained in the Podravka Group's Annual Report for 2023 (Non-Financial Report/Socially Responsible Business/Value Chain Management in Relation to Customers and Consumers).



# Corporate Governance (Criterion G)

| Governance Criteria  | Unit                    | 2022              | 2023.             |
|--|-------------------------|-------------------|-------------------|
| Number of members of the audit committee                                     | Number                  | 3                 | 3                 |
| Number of audit committee meetings   | Number                  | 8                 | 10                |
| Independence of the audit committee  | Percentage              | 100.0%            | 100.0%            |
| Auditor's employment period*   | Number of years         | 1                 | 1                 |
| Big 4 auditor  | Yes/No                  | Da                | Da                |
| Internal audit   | Yes/No                  | Da                | Da                |
| Number of Management Board members as of December 31                         | Number                  | 5                 | 5                 |
| Age range of Management Board as of December 31                              | Number                  | 48-61             | 49-62             |
| Average age of Management Board as of December 31                            | Number                  | 54                | 55                |
| % of women in the Management Board   | Percentage              | 40.0%             | 40.0%             |
| Former CEO or equivalent in the Supervisory Board                            | Yes/No                  | Ne                | Ne                |
| CEO's term of office duration as of December 31                              | Number of years         | 2                 | 3                 |
| CFO's term of office duration as of December 31                              | Number of years         | 6                 | 7                 |
| Start date of CEO's term   | Date                    | 24.02.2022        | 24.02.2022        |
| Start date of CFO's term**   | Date                    | 24.02.2022        | 24.02.2022        |
| Number of Management Board meetings  | Number                  | 60                | 55                |
| Attendance of Management Board members at meetings                           | Percentage              | 99.3%             | 98.6%             |
| Average tenure of current members of the Supervisory Board as of December 31 | Number of years         | 5                 | 5                 |
| Gender structure of the Supervisory Board as of December 31                  | Number of women and men | 2 women and 6 men | 1 woman and 8 men |
| Independence of the Supervisory Board***                                     | Percentage              | 87.5%             | 88.9%             |
| Number of Supervisory Board meetings   | Number                  | 13                | 11                |
| Attendance of Supervisory Board members at meetings                          | Percentage              | 92.2%             | 89.5%             |
| Number of executive functions on December 31                                 | Number                  | 99                | 97                |
| Number of women in executive functions on December 31                        | Number                  | 48                | 52                |
| Average age of persons in executive functions on December 31                 | Number                  | 48                | 49                |
| Age range of persons in executive functions on December 31                   | Number                  | 33-61             | 34-62             |
| Multiple classes of ordinary shares with unequal voting rights               | Yes/No                  | Ne                | Ne                |
| Shares with unequal voting rights issued - including preferred               | Yes/No                  | Ne                | Ne                |
| Number of CEO-held management positions                                      | Number                  | 0                 | 0                 |

\*In accordance with the recommendation of the Audit Committee, the Supervisory Board submits a proposal for the appointment of an auditor for the ongoing business year to the General Assembly for adoption.

\*\*The Management Board of Podravka Inc. receives a mandate for five years.

\*\*\*A member of the Supervisory Board also serves as a workers' representative and is not considered an independent member.



## EXTERNAL INITIATIVES OF PODRAVKA GROUP

Podravka Inc. has committed to the following external initiatives:

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

Additionally, Podravka Inc. supports the following voluntary external initiatives:

- ECD Principles of Corporate Governance,
- The United Nations Global Compact as the world's largest initiative for socially responsible business and sustainable development, by integrating all ten principles of the agreement into business operations through internal codes and regulations,
- Global Food Safety Initiative (GFSI) which issues guidelines and criteria for GFSI recognized certification schemes IFS, BRC, SQF, GLOBAL G.A.P., FSSC 2000, etc. Podravka supports GFSI guidelines and criteria by being certified according to GFSI recognized food safety standards IFS and BRC, and by adopting Supply Chain Security Policy and Food Safety and Quality System Policy,
- RSPO (Roundtable on Sustainable Palm Oil) certification of certain company's assortment, which represents an independent assessment in the palm oil supply chain,

- BIO certification of organic products and their distribution, which oversees organic food production that supports sustainability and biological diversity,
- Non-Genetically Modified Organisms (GMO) food.

## STATEMENT ON THE APPLICATION OF THE CORPORATE GOVERNANCE CODE

The Management Board of Podravka Inc. submits a Statement on the Application of the Corporate Governance Code in accordance with the Accounting Act.

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

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

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

- transparency of operations,
- well-defined procedures for the work of the Management Board, Supervisory Board and its committees, and the General Meeting,
- conflict of interest avoidance,
- effective internal control, and
- an effective system of accountability.



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

To better regulate the corporate governance system, Podravka Inc. has adopted a Conflict of Interest Management Policy, which establishes mechanisms for early recognition of potential conflicts of interest, prevention of their occurrence, and measures to be taken in case of a detected conflict of interest.

Aware of the importance of responsible and ethically grounded behavior in business, Podravka Inc. has adopted the Code of Ethics in the Business of the Podravka Group, committing to respect ethical principles in all its business relationships, accepting the obligation to act in accordance with the principles of responsibility, truthfulness, efficiency, transparency, quality, acting in good faith, and respecting good business practices towards business partners, the social environment, and its own employees. The Code of Ethics defines business principles covering legality and transparency of operations, professionalism and objectivity in work, public relations, product quality, work in a safe environment, environmental responsibility, and community involvement. In addition to business principles, the Code of Ethics defines behavioral principles covering confidentiality, communication,

treatment of company property, management style, conflict of interest, criteria for business gifts, meals, and representation, and strict prohibition of corruption, bribery, extortion, and any similar behavior. The Code of Ethics also strictly prohibits the exploitation of child labor.

Every employee has the right to report in writing to the Human Resources Management department and/or the Legal Affairs department about possible or committed violations, or non-compliance with the Code of Ethics, which provides protection for the employee who files a report, prohibiting sanctions or discrimination in future work.

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

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

Also, in accordance with the Whistleblower Protection Act, Podravka Inc. has adopted a Regulation governing the internal reporting procedure of irregularities and the procedure for appointing a confidential person for internal reporting of irregularities. Irregularity reports can be submitted in written or oral form, with the written form including any form of communication that ensures a written record. Oral reporting is possible by phone and, upon the whistleblower's request, through a physical meeting within a reasonable time frame.

The Regulation on the internal reporting procedure of irregularities and the appointment of a confidential person can be found at the link <https://www.podravka.hr/kompanija/investitori/korporativno-upravljanje/dokumenti/>.

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

In line with the goal of the Sustainable Business Strategy, in April 2023, following the announcement of the revised Annual Report of the Podravka Group for 2022, an online conference call was held with investors and analysts, where the President of the

Management Board, Ph.D. Martina Dalić, presented significant activities and key impacts on the business of the Podravka Group in 2022, while the Member of the Management Board for Finance, Davor Doko, presented the financial result and answered questions.

## GENERAL ASSEMBLY

At the General Meeting, shareholders exercise their voting rights in person, through a legal representative, or by proxy. The right to participate and exercise voting rights at the General Meeting is granted to shareholders registered in the computer system of the Central Depository & Clearing Company Inc., who register to attend the General Meeting no later than seven days before the meeting.

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

At the General Meeting, shareholders, representatives, and proxies of shareholders vote using ballots indicating the number of votes attributed to each participant of the General Meeting.

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





## CERTIFICATION OF MANAGEMENT SYSTEMS

| No. | Standard  | Scope of Certification   | Authorized Body                             |
|-----|---|--|---|
| 1   | ISO 9001:2015<br>Quality Management System                                      | 1. Podravka Inc.   | Certification body SGS                      |
| 2   | HACCP according to Codex<br>Alimentarius  | 1. Podravka Inc.   | Certification body SGS                      |
| 3   | IFS Food, Version 7.<br>International Featured<br>Standards - Food              | 1. Podravka Inc., Soups and Vegeta Factory<br>2. Podravka Inc., Baby Food and Cream Spre-<br>ads Factory<br>3. Podravka Inc., Semi-Prepared and Ready<br>Meals Production<br>4. Podravka Inc., Kalnik Factory<br>5. Podravka Inc., Danica Production | Certification body SGS                      |
| 4   | BRC, Issue 9<br>British Retail Consortium<br>Global Standard for Food<br>Safety | 1. Podravka Inc., Soups and Vegeta Factory<br>2. Podravka Inc., Baby Food and Cream Spre-<br>ads Factory   | Certification body SGS                      |
| 5   | HALAL   | 1. Podravka Inc., Danica Factory<br>2. Podravka Inc., Soups and Vegeta Factory<br>3. Podravka Inc., Baby Food and Cream Spre-<br>ads Factory<br>4. Podravka Inc., Kalnik Factory<br>5. Podravka Inc., Cocktail Pastries Factory                      | Centar za certificiranje<br>Halal kvalitete |
| 6   | KOSHER  | 1. Podravka Inc., Kalnik Factory<br>2. Podravka Inc., Soups and Vegeta Factory<br>3. Podravka Inc., Cocktail Pastries Factory<br>4. Podravka Inc., Mill  | Rabin Kotel Da-Don                          |
| 7   | BIO   | 1. Podravka Inc.   | Bio Garantie                                |
| 8   | AOECS<br>The AOECS Standard for<br>Gluten-Free Foods                            | 1. Podravka Inc., Cocktail Pastries Factory  | Certification body SGS                      |
| 9   | VEGAN<br>European Vegetarian label  | 1. Podravka Inc., Kalnik Factory<br>2. Podravka Inc., Cocktail Pastry Factory<br>3. Podravka Inc., Soups and Vegeta Factory<br>4. Podravka Inc., Danica Production   | Udruga Prijatelji<br>životinja              |
| 10  | RSPO<br>Supply Chain Certification<br>Standard                                  | 1. Podravka Inc., Soups and Vegeta Factory<br>2. Podravka Inc., Baby Food and Cream Spre-<br>ads Factory   | Certification body SGS                      |
| 11  | ISO 26000:2010<br>Guidance on social<br>responsibility                          | Podravka Inc.<br>Certificate of Compliance HR23/3192   | Certification body SGS                      |
| 12  | ISO 27001:2022<br>Information security<br>management system                     | Podravka Inc.  | Certification body SGS                      |
| 13  | ISO 45001:2018<br>Occupational health and<br>safety management system           | 1. Podravka Inc., Koprivnica<br>2. Soups and Vegeta Factory  | Certification body SGS                      |

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

Podravka Inc., as one of the leading food companies in Southeastern, Central, and Eastern Europe, has been



certified according to the leading food safety standards IFS Food (International Featured Standard-Food) and BRCGS Food Safety for two decades, confirming the safety of the company's products. The company operates based on leading industry standards built upon a fundamental management system in accordance with the ISO 9001 Quality Management Systems, regulations of the European Union and the Republic of Croatia, as well as other countries where the company operates.

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

Podravka Inc. demonstrates the implementation of sustainability principles by certifying a portion of its range according to the RSPO (Roundtable on Sustainable Palm Oil) standard, which relates to the sustainable development of the palm oil industry, and by certifying a portion of its products through BIO certification of organic products. In 2023, the company achieved the goal set out in the Sustainable

Business Strategy by introducing 100% RSPO MB certified palm oil in the production of creamy spreads.

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

The company's management system is undergoing a corporate transformation focusing on optimizing business processes and integrating management systems in line with the Podravka Group's Sustainable Business Strategy by 2030. In early September 2023, after an audit according to the international standard ISO 26000 Social Responsibility, the compliance of Podravka Inc.'s management system with social responsibility guidelines was confirmed. With ISO 26000, Podravka Inc. demonstrates compliance with the following seven principles of socially responsible business:

1. Responsibility
2. Transparency
3. Ethical behavior
4. Stakeholder interest respect
5. Rule of law respect
6. Respect for international behavior standards
7. Respect for human rights

In addition to implementing ISO 26000, in 2023 Podravka became a member of SEDEX (Supplier



Ethical Data Exchange), a non-profit organization with over 75,000 companies worldwide. SEDEX aims to improve ethical and responsible business practices in global supply chains, facilitating management, assessment, and reporting on sustainability in the supply chain. By joining SEDEX, Podravka improves management within its supply chain because the platform allows members to exchange information about the ethical actions of suppliers (including labor rights, health and safety, environmental practices, and business ethics).

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

#### INFORMATION SECURITY SYSTEM

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

Despite all the challenges mentioned above, and thanks to the intensified efforts of Podravka's Corporate and Information Security and Information Technology sectors, no significant security incidents that would cause unavailability of the information system

and subsequently impact the company's business continuity have been recorded.

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

#### TRANSITION TO SAP S/4HANA SYSTEM

Taking into account the technological advancement of the SAP S/4HANA system platform, Podravka Group has recognized that potential migration to the new SAP solutions could enhance business processes and their efficiency. Consequently, Podravka Group conducted an analysis of possibilities related to migrating to the SAP S/4HANA solution and concluded that the transformation of the ERP system is the optimal next step for the company.

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



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# Financial Report



## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

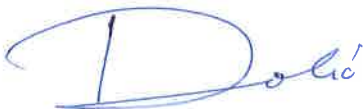
The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the separate financial statements on a going concern basis unless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

The Management Board is also responsible for the preparation of the Annual report and the Statement on implementation of the corporate governance code in accordance with the Croatian Accounting Act. The Annual report and the Statement on implementation of corporate governance code are authorised and signed by the Management Board. The Management Board is responsible for the submission to the Supervisory Board of annual financial statements for the Company and the Group, following which the Supervisory Board is required to approve the annual financial statements for submission to the General Assembly of Shareholders for adoption.

The annual financial statements for the Group (the Company and its subsidiaries) are published separately and issued simultaneously with the separate financial statements.

**Martina Dalić**

*President of the Management Board*



**Davor Doko**

*Member of the Management Board*




**Ljiljana Šapina**

*Member of the Management Board*



**Milan Tadić**

*Member of the Management Board*



**Ivan Ostojić**

*Member of the Management Board*



**Podravka**   
PREHRAMBENA INDUSTRIJA D.D.  
KOPRIVNICA 173

Podravka d.d.  
Ante Starčevića 32  
48 000 Koprivnica  
Republic of Croatia

Koprivnica, 4 April 2024

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Podravka d.d.

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Podravka d.d. (the Company), which comprise the statement of financial position as at 31 December 2023, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

| Key Audit Matter  | How we addressed Key Audit Matter   |
|---|---|
| <p><b>Impairment of brands</b></p> <p>A description of the key judgements and estimates regarding impairment of the Company's brands are included in Note 3 Material accounting policy information and Note 6 Key accounting judgements and estimates. The assets are presented in Note 16 Intangible assets.</p> <p>The determination of recoverable amount, being the higher of value-in-use and fair value less costs to dispose, requires management judgement in both identifying and valuing the relevant cash generating units. Recoverable amounts are generally measured by using appropriate valuation techniques, such as present value techniques based on management's view of variables and market conditions, including future price and volume growth rates, the timing of future operating expenditure, and the most appropriate discount, long term growth rates and royalty rate.</p> <p>Considering the above mentioned, we believe that the assessment of recoverable amounts of brands is a key audit matter.</p> | <p>Audit procedures included understanding of the assets impairment process and walk through of controls implemented within. We examined the methodology used by management to assess the carrying value of respective intangible assets to determine its compliance with IFRS as adopted by the EU and consistency of application.</p> <p>We evaluated the future cash flow forecasts and the process by which they were prepared. We compared the budget inputs in the model to the approved budgets and forecast inputs in the model to management plans.</p> <p>We compared current year actual results with the figures included in the prior year forecast to evaluate assumptions used. We also evaluated management's key assumption for long-term growth rate by comparing it to historical growth results.</p> <p>We performed audit procedures on the mathematical integrity of the impairment models and sensitivity analysis and tested the appropriateness of discount rates and royalty rates used in the calculation with the assistance of the specialists.</p> <p>We also assessed on the adequacy of the relevant disclosures in the financial statements and if these are in line with the requirements of the IFRS as adopted by the EU.</p> |



| Key Audit Matter  | How we addressed Key Audit Matter  |
|---|--|
| <p><b>Recognition of revenue: valuation of customer discounts, incentives and rebates</b></p> <p>As indicated in Note 3 Material accounting policy information and Note 8 Sales revenue to the financial statements, the Company recognizes revenue net of volume rebates, trade discounts, returns, listing fees and various promotional and marketing activities that are integral part of contracts with customers. Revenue measurement and presentation therefore involves estimates related to such agreements or actions.</p> <p>At the reporting date, amounts for discounts, incentives and rebates that have been incurred and not yet paid by the customers are estimated and accrued. Due to the variety of contractual terms across the markets, management is required to monitor a large number of individual customer arrangements in order to estimate the discounts, incentives and rebates amounts at the reporting date. This is considered complex and includes risk of incorrect inclusion or non-inclusion of discounts, incentives and rebates in the current period and year-end accruals, or incorrect calculation of these amounts recorded as at the reporting date.</p> <p>Due to the above mentioned, measurement and presentation of these costs is considered a key audit matter due to the judgements required and the number of unique customer arrangements they relate to.</p> | <p>Our audit procedures included understanding of the revenue recognition process including discounts, incentives and rebates recognition and assessing compliance with the policies in terms of applicable accounting standards. We walked through and tested the operation effectiveness of the controls over revenue recognition process.</p> <p>Based on a sample, we assessed revenue transactions, taking place at either side of the balance sheet date as well as credit notes issued after the reporting date to evaluate whether that revenue was recognised in the correct period.</p> <p>We also developed an expectation of the current year sales revenue balance considering historical revenue and discounts, incentives and rebates information, compared it to the actual sales revenues and examined unexpected differences.</p> <p>On a sample of key customers, we inspected respective contractual terms and recalculated the amount of discounts, incentives and rebates. Where our recalculation based on contractual terms differed from management records, we obtained support for the differences to vouch their validity.</p> <p>We obtained customer confirmations of amounts outstanding at the reporting date for a sample of customers and gained understanding of any significant differences between customer confirmations received and the Company's accounting records.</p> <p>We also assessed on the adequacy of the relevant disclosures in the financial statements and if these are in line with the requirements of the IFRS as adopted by the EU.</p> |

## Other information

Management is responsible for the other information. Other information comprises the Management Report, Non-financial Report and Corporate Governance Statement included in the Annual Report, but does not include financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Management Report, Non-financial Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 of the Accounting Act, whether the Non-financial Report is prepared in accordance with the requirements of Article 21a of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management Report and Corporate Governance Statement is consistent, in all material respects, with the enclosed financial statements;
2. the enclosed Management Report is prepared in accordance with requirements of Article 21 of the Accounting Act;
3. the enclosed Non-financial Report is prepared in accordance with requirements of Article 21a of the Accounting Act; and
4. the enclosed Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit of financial statements, we are also required to report if we have identified material misstatements in the Management Report, Non-financial Report and Corporate Governance Statement. We have nothing to report in this respect.

## Responsibilities of management and Audit Committee for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

### *Appointment of Auditor and Period of Engagement*

Ernst & Young d.o.o. was initially appointed as auditors of the Company on 18 June 2019. Our appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 17 May 2023, representing a total period of uninterrupted engagement appointment of 5 years.

Grant Thornton revizija d.o.o. was initially appointed as auditors of the Company on 17 May 2023, representing a total period of uninterrupted engagement appointment of 1 year.

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

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 4 April 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

### *Provision of Non-audit Services*

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

### **Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting**

*Independent report on the compliance of financial statements prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20,83/21 and 151/22) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (the ESEF Regulation).*

We have conducted a reasonable assurance engagement on whether the financial statements, as contained in the attached electronic file *PodravkaInc-2023-12-31.zip*, are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

### *Responsibilities of the management and Audit Committee*

Management is responsible for the preparation of the financial statements in accordance with ESEF Regulation.

Furthermore, management is responsible for maintaining an internal control system that reasonably ensures the preparation of financial statements without material non-compliances with ESEF Regulation requirements, whether due to fraud or error.

Management is also responsible for:

- the public disclosure of financial statements included in the annual report, in XHTML format and
- selecting and using XBRL codes in accordance with ESEF regulation

Audit Committee is responsible for overseeing the preparation of the financial statements in ESEF format as part of the financial reporting process.

#### *Auditor's responsibilities*

Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard for Assurance Engagements ISAE 3000 (revised)- Assurance engagements other than audits or reviews of historical financial information.

#### *Work performed*

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with ESEF regulation.

In respect of the subject matter, we have performed the following procedures:

- we read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, devise and implement procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
  - the XBRL markup language was used,
  - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
  - the labeled elements comply with the common labeling rules under the ESEF Regulation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

#### *Conclusion*

Based on the procedures performed and evidence gathered, the financial statements presented in ESEF format for the year ended on 31 December 2023, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion, as well as the opinion contained in this independent auditor's report related to accompanying financial statements and annual report for the year ended 31 December 2023, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.



The partners in charge of the audit resulting in this independent auditor's report are Berislav Horvat for Ernst & Young d.o.o. and Vedran Miloš for Grant Thornton revizija d.o.o.

Berislav Horvat  
President of the Management Board and Certified auditor

4 April 2024

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

Vedran Miloš  
Director and Certified auditor

4 April 2024

Grant Thornton revizija d.o.o.  
Ulica Grada Vukovara 284  
10000 Zagreb  
Republic of Croatia

## SEPARATE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

| <i>(in thousands of EUR)</i>                          | <i>Note</i> | 2023          | 2022          |
|---|-------------|---------------|---------------|
| Revenue from sales                                    | 8           | 345,746       | 318,421       |
| Cost of goods sold                                    | 11          | (254,300)     | (228,252)     |
| Gross profit  |             | <u>91,446</u> | <u>90,169</u> |
| Other income  | 9           | 1,632         | 1,082         |
| General and administrative expenses                   | 11          | (25,390)      | (22,818)      |
| Selling and distribution costs                        | 11          | (29,346)      | (30,685)      |
| Marketing expenses                                    | 11          | (17,286)      | (17,662)      |
| Other expenses  | 10          | (596)         | (1,390)       |
| Operating profit                                      |             | <u>20,460</u> | <u>18,696</u> |
| Finance income  | 13          | 12,017        | 11,622        |
| Finance expenses                                      | 14          | (708)         | (319)         |
| Profit before tax                                     |             | <u>31,769</u> | <u>29,999</u> |
| Income tax  | 15          | 15,631        | (3,709)       |
| Net profit for the year                               |             | <u>47,400</u> | <u>26,290</u> |
| Other comprehensive income:                           |             |               |               |
| Items that will not be reclassified to profit or loss |             |               |               |
| Actuarial (loss)/profit - (net of deferred tax)       |             | (14)          | 240           |
| Total other comprehensive income/(loss)               |             | <u>(14)</u>   | <u>240</u>    |
| Total comprehensive income                            |             | <u>47,386</u> | <u>26,530</u> |

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

## SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

| <i>(in thousands of EUR)</i>                               | <i>Note</i> | 31 Dec 2023    | 31 Dec 2022    |
|--|-------------|----------------|----------------|
| <b>ASSETS</b>  |             |                |                |
| Non-current assets   |             |                |                |
| Intangible assets  | 16          | 13,109         | 11,555         |
| Property, plant and equipment                              | 17          | 175,305        | 137,678        |
| Right-of-use assets  | 18          | 3,756          | 4,594          |
| Investment property  | 19          | 13,819         | 14,016         |
| Investments in subsidiaries                                | 20          | 129,816        | 129,724        |
| Non-current financial assets                               | 21          | 4,915          | 4,956          |
| Deferred tax assets  | 15          | 21,876         | 10,333         |
| Total non-current assets                                   |             | <u>362,596</u> | <u>312,856</u> |
| Current assets   |             |                |                |
| Inventories  | 22          | 67,673         | 82,044         |
| Trade and other receivables                                | 23          | 75,106         | 66,782         |
| Financial assets at fair value through profit and loss     | 24          | 59             | 12             |
| Debt instruments at amortized cost                         | 25          | -              | 14,999         |
| Income tax receivables                                     |             | 1,239          | 316            |
| Cash and cash equivalents                                  | 26          | 16,698         | 3,837          |
| Non-current assets held for sale                           | 27          | 3,633          | 143            |
| Total current assets                                       |             | <u>164,408</u> | <u>168,133</u> |
| Total assets   |             | <u>527,004</u> | <u>480,989</u> |
| <b>EQUITY AND LIABILITIES</b>                              |             |                |                |
| Shareholders' equity                                       |             |                |                |
| Issued capital   | 28          | 213,600        | 207,897        |
| Share premium  | 28          | 17,179         | 24,360         |
| Treasury shares  | 28          | (6,929)        | (5,634)        |
| Reserves   | 29          | 109,621        | 102,214        |
| Retained earnings  | 30          | 53,365         | 31,309         |
| Total equity   |             | <u>386,836</u> | <u>360,146</u> |
| Non-current liabilities                                    |             |                |                |
| Borrowings   | 32          | -              | 133            |
| Lease liabilities  | 18          | 2,322          | 3,158          |
| Non-current provisions for employee benefits               | 33          | 4,114          | 4,269          |
| Other non-current provisions                               | 33          | 1,624          | 1,516          |
| Total non-current liabilities                              |             | <u>8,060</u>   | <u>9,076</u>   |
| Current liabilities  |             |                |                |
| Trade and other payables                                   | 34          | 67,896         | 47,860         |
| Financial liabilities at fair value through profit or loss | 31          | 9              | -              |
| Borrowings   | 32          | 58,677         | 59,530         |
| Lease liabilities  | 18          | 1,577          | 1,585          |
| Current provisions for employee benefits                   | 33          | 3,932          | 2,771          |
| Other current provisions                                   | 33          | 17             | 21             |
| Total current liabilities                                  |             | <u>132,108</u> | <u>111,767</u> |
| Total liabilities  |             | <u>140,168</u> | <u>120,843</u> |
| Total liabilities and shareholders' equity                 |             | <u>527,004</u> | <u>480,989</u> |

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



## SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

| <i>(in thousands of EUR)</i>                                  | Issued capital | Share premium | Treasury shares | Other reserves | Retained earnings | Total    |
|---|----------------|---------------|-----------------|----------------|-------------------|----------|
| As at 1 January 2022  | 207,897        | 24,690        | (5,228)         | 84,895         | 33,612            | 345,866  |
| <i>Comprehensive income</i>                                   |                |               |                 |                |                   |          |
| Profit for the year   | -              | -             | -               | -              | 26,290            | 26,290   |
| Actuarial gains (net of deferred tax)                         | -              | -             | -               | 240            | -                 | 240      |
| Other comprehensive income                                    | -              | -             | -               | 240            | -                 | 240      |
| Total comprehensive income                                    | -              | -             | -               | 240            | 26,290            | 26,530   |
| <i>Transactions with owners recognised directly in equity</i> |                |               |                 |                |                   |          |
| Allocation from retained earnings (note 29)                   | -              | -             | -               | 17,079         | (17,079)          | -        |
| Share-based payment   | -              | (1,096)       | 3,136           | -              | 594               | 2,634    |
| Fair value of share-based payment transactions (note 36)      | -              | 766           | -               | -              | -                 | 766      |
| Purchase of treasury shares                                   | -              | -             | (3,542)         | -              | -                 | (3,542)  |
| Dividend declared   | -              | -             | -               | -              | (12,108)          | (12,108) |
| Total transactions with owners recognised directly in equity  | -              | (330)         | (406)           | 17,079         | (28,593)          | (12,250) |
| As at 31 December 2022  | 207,897        | 24,360        | (5,634)         | 102,214        | 31,309            | 360,146  |
| <i>Comprehensive income</i>                                   |                |               |                 |                |                   |          |
| Profit for the year   | -              | -             | -               | -              | 47,400            | 47,400   |
| Actuarial losses (net of deferred tax)                        | -              | -             | -               | (14)           | -                 | (14)     |
| Other comprehensive income/(loss)                             | -              | -             | -               | (14)           | -                 | (14)     |
| Total comprehensive income                                    | -              | -             | -               | (14)           | 47,400            | 47,386   |
| <i>Transactions with owners recognised directly in equity</i> |                |               |                 |                |                   |          |
| Allocation from retained earnings (note 29 (i))               | -              | -             | -               | 7,421          | (7,421)           | -        |
| Share-based payment   | -              | (2,159)       | 3,955           | -              | 656               | 2,452    |
| Fair value of share-based payment transactions (note 36)      | -              | 681           | -               | -              | -                 | 681      |
| Purchase of treasury shares                                   | -              | -             | (5,250)         | -              | -                 | (5,250)  |
| Dividend declared   | -              | -             | -               | -              | (18,579)          | (18,579) |
| Increase in share capital - HRK to EUR conversion             | 5,703          | (5,703)       | -               | -              | -                 | -        |
| Total transactions with owners recognised directly in equity  | 5,703          | (7,181)       | (1,295)         | 7,421          | (25,344)          | (20,696) |
| As at 31 December 2023  | 213,600        | 17,179        | (6,929)         | 109,621        | 53,365            | 386,836  |

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

## SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

| <i>(in thousands of EUR)</i>                                       | <i>Note</i> | 2023     | 2022     |
|--|-------------|----------|----------|
| Profit before tax  |             | 31,769   | 29,999   |
| Depreciation and amortization                                      | 11          | 15,578   | 14,136   |
| Impairment of long-term intangible assets                          | 16          | 157      | 123      |
| Impairment of long-term tangible assets                            | 17          | 77       | -        |
| Impairment of investment   | 10          | 359      | 1,184    |
| (Reversal of impairment)/impairment of loans given and interest    | 9, 10       | (439)    | 78       |
| Reversal of impairment of assets held for sale                     | 27          | (2)      | -        |
| Remeasurement of financial assets and liabilities at FVTPL         | 13          | (38)     | (17)     |
| Dividend income etc.   | 13          | (11,116) | (11,235) |
| Share-based payment transactions                                   | 36          | 681      | 766      |
| Gain on disposal of non-current assets                             | 9           | (534)    | (183)    |
| Loss on sale of assets held for sale                               | 27          | 2        | -        |
| (Reversal of impairment)/impairment of trade and other receivables |             | (1,174)  | 564      |
| Increase in provisions   |             | 1,093    | 1,350    |
| Gain on write-off of liabilities                                   |             | (75)     | -        |
| Interest income  | 13          | (863)    | (370)    |
| Interest expense   | 14          | 688      | 307      |
| Foreign exchange differences                                       |             | 7        | (21)     |
| Total adjustments  |             | 4,401    | 6,682    |
| Changes in working capital:  |             |          |          |
| Decrease/(increase) in inventories                                 |             | 14,371   | (23,983) |
| (Increase)/decrease in receivables                                 |             | (8,172)  | 407      |
| Increase in payables   |             | 25,066   | 9,166    |
| Cash generated from operations                                     |             | 67,435   | 22,271   |
| Income tax refund/(paid)   |             | 2,996    | (4,545)  |
| Interest paid  |             | (675)    | (295)    |
| Net cash from operating activities                                 |             | 69,756   | 17,431   |
| Cash flows from investing activities                               |             |          |          |
| Increase of investments in subsidiaries                            |             | (451)    | (284)    |
| Investment in debt instruments at amortised cost                   |             | -        | (14,985) |
| Proceeds from investment in debt instruments at amortised cost     |             | 15,173   | -        |
| Purchase of property, plant, equipment and intangibles             |             | (56,924) | (40,788) |
| Proceeds from sale of property, plant, equipment and intangibles   |             | 627      | 296      |
| Loans given  |             | (10,000) | (8,979)  |
| Proceeds from loans given  |             | 6,820    | 9,153    |
| Interest received  |             | 427      | 76       |
| Dividends received   |             | 3,451    | 7,974    |
| Net cash from investing activities                                 |             | (40,877) | (47,537) |
| Cash flows from financing activities                               |             |          |          |
| Proceeds from borrowings   |             | 94,085   | 95,904   |
| Repayment of borrowings  |             | (87,199) | (47,641) |
| Purchase of treasury shares  |             | (5,250)  | (3,542)  |
| Sale of treasury shares  |             | 2,625    | 2,764    |
| Repayment of lease liabilities                                     |             | (1,812)  | (1,761)  |
| Dividend paid  |             | (18,467) | (12,113) |
| Net cash from financing activities                                 |             | (16,018) | 33,611   |
| Net increase in cash and cash equivalents                          |             | 12,861   | 3,505    |
| Cash and cash equivalents at beginning of year                     |             | 3,837    | 332      |
| Cash and cash equivalents at the end of year                       | 26          | 16,698   | 3,837    |

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

NOTE 1 – GENERAL INFORMATION

History and incorporation

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

The Company is headquartered in Koprivnica, Croatia, Ante Starčevića 32. The main location of the Company's operations is Koprivnica, the Republic of Croatia.

The Company's shares were listed on the official market of the Zagreb Stock Exchange until 27 December 2018, since when they have been listed on the Prime Market of the Zagreb Stock Exchange. The shareholder structure is shown in note 28.

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

During 2023, there were no changes in the Company's name or other identification of the reported entity.

*General Assembly*

The General Assembly of the Company consists of the shareholders of Podravka d.d.

Members of the Supervisory Board in 2023:

|                  |                  |                                  |
|------------------|------------------|----------------------------------|
| President        | Damir Grbavac    | (01 July 2022 to 30 June 2026)   |
| Deputy President | Luka Burilović   | (21 Feb. 2017 to 07 Sept. 2026)  |
| Member           | Marina Dabić     | (01 July 2019 to 30 June 2023)   |
| Member           | Tomislav Kitonić | (01 July 2019 to 30 June 2023)   |
| Member           | Ante Jelčić      | (17 May 2023 to 16 May 2027)     |
| Member           | Ksenija Horvat   | (01 July 2015 to 30 June 2027)   |
| Member           | Damir Felak      | (08 Sept. 2022 to 07 Sept. 2026) |
| Member           | Petar Miladin    | (08 Sept. 2010 to 07 Sept. 2026) |
| Member           | Damir Čukman     | (01 July 2023 to 30 June 2027)   |
| Member           | Krunoslav Vitelj | (08 Sept. 2018 to 07 Sept. 2026) |
| Member           | Darko Prpić      | (01 July 2023 to 30 June 2027)   |

*Management Board:*

|           |                 |                                |
|-----------|-----------------|--------------------------------|
| President | Martina Dalić   | (04 Feb. 2021 to 23 Feb. 2027) |
| Member    | Davor Doko      | (01 May 2017 to 23 Feb 2027)   |
| Member    | Ljiljana Šapina | (24 Feb. 2017 to 23 Feb. 2027) |
| Member    | Milan Tadić     | (24 Feb. 2022 to 23 Feb 2027)  |
| Member    | Ivan Ostojić    | (01 July 2022 to 23 Feb. 2027) |

NOTE 2 – BASIS OF PREPARATION

(i) *Statement of compliance*

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

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

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

These financial statements were authorised for issue by the Management Board on 4 April 2024.

(ii) *Basis of measurement*

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

(iii) *Functional and presentation currency*

The items included in the Company's financial statements are expressed in the currency of the primary economic environment in which the Company operates (functional currency) are rounded to the nearest thousand.

Given that the Republic of Croatia introduced the euro as the official currency on 1 January 2023, in accordance with the Law on the Introduction of the Euro as the official currency in the Republic of Croatia, the Company changed the presentation currency for the purposes of preparing financial statements for the year ended 31 December 2023 from kuna to euros, and the financial statements for the year ended 31 December 2023 were first time prepared in euros. From 1 January 2023, the euro is also the functional currency of the Company (until 1 January 2023, it was kuna).

Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, the Company did not publish the third balance sheet in the financial statements for the year ended 31 December 2023 in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, given that it has determined that the change in the presentation currency has no significant impact on the Company's financial statements, due to the stable HRK/EUR exchange rate over the past few years.

(iv) *Gross profit*

Gross profit is the difference between the total revenues generated from the sale of products and services and the costs contained in the products sold.

(v) *Operating profit*

Operating profit is gross profit increased by other income and reduced by sales, distribution, marketing, general, administrative, research and development expenses and other expenses.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION

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

3.1 Investments in subsidiaries

Investments in subsidiaries are accounted for initially at cost and subsequently at cost less impairment losses. Investments in subsidiaries are tested annually for impairment (note 6) for investments in subsidiaries for which indicators of impairment have been identified.

3.2 Revenue recognition

Revenue is recognised, net of value-added tax, volume rebates, trade discounts, returns, listing fees and various promotional and marketing activities that are an integral part of contracts with customers.

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

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

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

The Company manufactures and sells its own products and goods of third parties (for which the Company is a distributor) in the wholesale market. Revenue is recognised when the Company transfers the promised goods or services to the wholesaler.

Products are sold with volume discounts and customers have a right to return products in the wholesale market in case of defects. Sales are recorded based on the price specific in the sales contracts, net of estimated volume rebates and trade discounts and returns. The volume discounts are assessed based on contracts with customers. No element of financing is deemed present in the sales.

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

Sales of products and goods sold in retail stores are recognised when the Company sells a product to the customer. Retail sales are usually in cash or by credit card. The Company does not operate any customer loyalty programmes.

*(iii) Revenue from services*

Sales of services, such as private label production, are recognised in the accounting period in which the services are rendered.

*(iv) Finance income*

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised when the right to receive payment is established.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.3 Leases

The Company leases certain property (including long-term lease of agricultural land), plant and equipment.

The Company elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value in the amount up to EUR 5 thousand (low-value assets). Assessment of asset of a low value starts from the assessment of new assets, regardless of the age of that asset at the time of assessment. If a lessee subleases an asset the head lease does not qualify as a lease of a low value asset. In short-term leases and leases of a low value asset, lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

The Company at the commencement date also recognizes lease liabilities at the present value of the minimum future lease payments (discounted value). Interest rate implicit in the lease contract is used for discounting or if that rate cannot be readily determined, the incremental borrowing rate at the commencement date is used.

Lease liabilities are measured at the effective interest rate method and re-measured to include changes due to reassessments (changes in fixed payments, lease terms, discount rates and other similar changes).

In the statement of financial position, right-of-use assets is reported as a separate line under long-term assets, lease liabilities are disclosed as a separate item within long-term and short-term liabilities.

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

3.4 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions associated with them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the separate statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.5 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the General Assembly of the Company's shareholders.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.6 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

At the separate level, the following segments are internally monitored and reported:

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

The Company identifies business segments on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker (the Management Board of the Company) in order to allocate resources to the segments and to assess their performance. During 2023, the Company reconsidered internal monitoring and reporting by segments reorganizing individual product groups within existing segments.

Territorial analysis of operations by segment is presented in note 8.

3.7 Taxation

(i) *Income tax*

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

(ii) *Deferred tax assets and liabilities*

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax asset recognised on the basis of tax losses carried forward is recognised in accordance with tax legislation of the country where the Company operates for the period envisaged by the law and is discharged at the expiry of this period if it is not used until then.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.7 Taxation (continued)

(iii) *Investment tax credits*

Investment tax credits are incentives arising from government incentive schemes which enable the Group to reduce its income tax liability or liabilities arising from other specified taxes in future periods, and are linked to the construction or acquisition of certain assets and/or performance of certain activities and/or fulfilment of certain specific conditions prescribed in the relevant regulation for investment incentives by the relevant authorities. Tax investment credits are initially recognized as a deferred tax asset and an income tax benefit in the amount equal to the lower of the maximum authorized credit and the estimated amount of credit that the Group expected it will be able to utilize until the incentive expires. Deferred tax assets recognized as a result of investment tax credits is utilized during the period of the incentive, i.e. until the expiration of the credits (if so specified) in accordance with and subject to the availability of tax obligations in future years against which the credits can be offset.

3.8 Property, plant and equipment

Land and assets under construction are not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

|           |                |
|-----------|----------------|
| Buildings | 10 to 50 years |
| Equipment | 3 to 30 years  |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined as the difference between the income from the disposal and the asset's carrying amount and are recognised in profit or loss within other income/expenses.

3.9 Investment property

Investment property is carried at historical cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation of buildings is calculated using the straight-line method over their useful lives generally ranging from 10 to 50 years.

3.10 Intangible assets

(i) *Brands and distribution rights*

Product distribution rights and some brands have a definite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost of distribution rights over their useful lives estimated at 3-15 years.

Rights to acquired trademarks and know-how are carried at cost and have an indefinite useful life, since based on an analysis of all of the relevant factors at the reporting date, there is no foreseeable limit to the period of time over which identified rights are expected to generate net cash inflows. Intangible assets with indefinite useful lives are tested annually for impairment and are stated at cost less accumulated impairment loss (note 3.11).



NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.10 Intangible assets (continued)

*(ii) Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives estimated at 5 years.

3.11 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (except for inventories and deferred taxes) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Intangible assets with indefinite useful lives and other intangible assets are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is expensed immediately.

3.12 Inventories

Inventories of raw materials and spare parts are stated at the lower of cost, determined using the weighted average cost method, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

Merchandise is carried at the lower of purchase cost and selling price (less applicable taxes and rebates).

3.13 Trade receivables

Trade receivables are recognised initially at cost which is equal to the fair value at the moment of recognition and subsequently measured at amortised cost using the effective interest method, if significant; if not, at nominal amount less an allowance for impairment.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less. Bank overdrafts are included within current liabilities on the separate statement of financial position.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.15 Share capital

Share capital consists of ordinary shares. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds of those transactions. Any excess of the fair value of the consideration received over the par value of the shares issued is presented in the notes as a share premium.

If the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

3.16 Employee benefits

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

In the normal course of business through salary payment, the Company makes payments to mandatory pension funds managed by third parties on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Company is not obliged to provide any other post-employment benefits with respect to these pension schemes.

(ii) *Termination benefits*

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

The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(iii) *Regular retirement benefits*

Benefits falling due more than 12 months after the reporting date are discounted to their present value based on the calculation performed at each reporting date by an independent actuary, using assumptions regarding the number of staff likely to earn regular retirement benefits, estimated benefit cost and the discount rate which is determined as average expected rate of return on investment in government and corporate bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

(iv) *Long-term employee benefits*

The Company recognises a liability for long-term employee benefits (jubilee awards) evenly over the period the benefit is earned based on actual years of service. The long-term employee benefit liability is determined annually by an independent actuary, using assumptions regarding the likely number of staff to whom the benefits will be payable, estimated benefit cost and the discount rate which is determined as the average expected rate of return on investment in corporate bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.16 Employee benefits (continued)

(v) *Short-term employee benefits*

The Company recognises a provision for employee bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) *Share-based payments*

The Company operates a remuneration plan in the form of stock options and shares. Certain members of management receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for equity instruments.

Share-based payments to employees for services rendered that were settled by equity instruments are measured at fair value of the equity instruments at the grant date. The fair value of share-based payments settled by equity is recognized as expenditure over the period of acquiring the conditions, based on estimates relating to equity instruments for which conditions will eventually be vested.

3.17 Financial instruments

A. Financial assets

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

The structure of the Company's financial assets is simple and primarily relates to trade receivables without a significant financial component, loans given and short-term deposits in banks, while forward contracts are of insignificant amount. This significantly reduces the complexity of the assessment whether the financial assets meet the criterion of 'solely payments of principal and interest'.

B. Financial liabilities

Financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

C. Derivative financial instruments and hedging activities

The Company holds derivative financial instruments to hedge its foreign currency. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

During 2023 and 2022, the Company had no transactions related to hedge accounting.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.17 Financial instruments (continued)

D. Impairment of non-derivative financial assets

*Recognition of impairment losses*

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

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

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and;
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss (ECLs).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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

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

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

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

*Measurement of ECLs*

ECLs are estimate of credit losses. Credit losses are measured as the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. Regular external trade receivables that are not past due and uncollected receivables past due up to 360 days from the maturity date are impaired using the percentage that reflects the expectations of the non-collection of trade receivables (ECL). The percentage of impairment is determined on the basis of the average of the previous three-year period (historical rate) adjusted for the macroeconomic impact. The calculation of the historical rate is adjusted for extraordinary and specific circumstances, if required.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.17 Financial instruments (continued)

D. Impairment of non-derivative financial assets (continued)

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a significant delay of payment by the borrower;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Write-off of financial assets*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company has a policy of writing off the gross carrying amount of a financial asset upon the legal statute of limitation and it generally expects no recovery of the amount written off.

NOTE 4 – NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of issue of these financial statements, the following standards, amendments and interpretations issued by the International Accounting Standards Board are not yet effective.

- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*, issued on 23 January 2020 and 15 July 2020 respectively (effective date for annual periods beginning on or after 1 January 2024).
- Amendments to IFRS 16 *Leases: Lease Liability in a Sale and Leaseback*, issued on 22 September 2022 (effective date for annual periods beginning on or after 1 January 2024).

At the date of issue of these financial statements the following standards, revisions and interpretations issued by the International Accounting Standards Board were not yet adopted by the EU:

- Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability* (issued on 15 August 2023).
- Amendments to IAS 7 *Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements* (issued on 25 May 2023).

The Company does not expect the adoption of these standards and interpretations to have a material impact on the Company's financial statements.

NOTE 5 – IMPACT OF NEW ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2023:

- Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 12 *Income taxes: International Tax Reform – Pillar Two Model Rules*, issued on 23 May 2023 (effective date for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting policies*, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).

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

## NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with Financial Reporting Standards as adopted by the European Union (EU IFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of EU IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in more detail below.

(i) *Deferred tax assets recognition*

The deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgments and applies estimation based on previous years taxable profits and expectations of future income that are believed to be reasonable under the existing circumstances (see note 15).

(ii) *Actuarial estimates used in determining obligations for employee benefits*

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Due to the long-term nature of those plans, these estimates contain an element of uncertainty (see note 33).

(iii) *Consequence of certain legal actions*

The Company is involved in a number of legal actions which have arisen from the regular course of operations. Management makes estimates of probable outcomes of the legal actions, and the provisions for the Company's obligations arising from these legal actions are recognised on a consistent basis.

The Company recognises a provision in the total expected amount of outflows of economic benefits as a result of the court case, which is generally the claim amount plus penalty interest (if applicable), if it is more likely than not, based on the opinion of management after consultation with legal advisers, that the outcome of the court case will be unfavourable for the Company. The Company does not recognise provisions for court cases or the expected related legal costs and penalty interest (if applicable) in cases where management estimates that an unfavourable outcome of the court case is less likely than a favourable outcome for the Company.

Where indications exist of a possible settlement in relation to a particular court case, a provision is recognised, based on the best estimate of management made in consultation with its legal advisers, in the amount of the expected settlement less any existing amounts already provided for in relation to that particular court case.

Where the Company is a plaintiff in a particular court case, any economic benefits expected to flow to the Company as a result are recognised only when virtually certain which is generally as at the date of inflow of these economic benefits. Provisions for the Company's obligations arising from legal actions are recognised on a consistent basis and estimated on a case by case principle.

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

*(iv) Recoverability of trade and other receivables*

The recoverable amount of trade and other receivables is estimated at present value of future cash flows discounted at the market interest rate at the measurement date. Short-term receivables with no stated interest rate are measured by the amount of original invoice if the effect of discounting is not significant. The Company regularly reviews the ageing structure of trade receivables and monitors the average collection period. In cases where debtors with extended payment periods are identified, the Company reduces the related credit limits and payment days for future transactions and, in cases where it deems it necessary, imposes restrictions on future transactions until the outstanding balance is repaid either entirely or in part.

In cases where the Company identifies receivables toward debtors which have entered into pre-bankruptcy or bankruptcy proceedings, an impairment loss is immediately recognised in full.

By applying the percentage that reflects expectations on the non-collection of trade receivables (expected credit loss), the Company impairs undue regular external trade receivables and past due uncollected receivables up to 360 days from the maturity date.

In the process of regulating the collection of overdue debts, the Company actively negotiates with the respective debtors taking into account expectations of future business relations, significance of exposure to an individual debtor, possibilities of compensation, exercise of instruments of security (if any) or seizure of assets.

*(v) Impairment testing for brands*

The Company tests brands for impairment on an annual basis in accordance with accounting policy 3.10. For the purposes of impairment testing, brands with indefinite useful lives and brands with finite useful lives have been allocated to cash generating units within reportable segments.

The recoverable amount of cash generating units is determined based on value-in-use calculations or fair value. These calculations use cash flow projections from financial budgets approved by management and cover a period of five years.

*Brands*

Brands relate to acquired rights of use of logos, trademarks and brand names which the Company allocates to business segments in accordance with internal categorisation of products to which the specific brand relates, whereby the brand value is either allocated entirely to a specific segment or where applicable and where a brand relates to products and categories which relate to several segments, it is allocated based on the share of gross margin of the brand in each of the segments.

The Company annually performs impairment tests in order to assess whether the recoverable amount of brands indicates potential impairment of their carrying amount whereby the primary focus is on brands where the difference between the recoverable amount and the carrying amount indicates a significant sensitivity to changes in key variables used in impairment testing. The calculation of the recoverable amount of brands is based on five-year plans for sales of products and categories which comprise a certain brand and which the Company developed bearing in mind its corporate selling and marketing strategy, trends on relevant markets where the brands are sold (such as estimated movements in gross domestic product, market share of relevant products and categories) and the analysis of its competitors.

Cash flows created from such plans are discounted using the post-tax discount rate which reflects the risk of the underlying asset, and which has been defined for the purposes of the impairment test for brands as the weighted average cost of capital after tax (WACC) for the primary market the brand is sold on and the food industry.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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

*Brands (continued)*

For the purpose of recoverable amount of brands whose dominant market is the Adria region as at 31 December 2023 the Company applied an income approach – the method of non-payment of royalties.

The basis of the method of non-payment of royalties is that the value of intangible assets equals the amount that the owner would pay for the licence over the assets if it had not been owned, i.e. the value equals post-tax discounted expenses saved if royalties, i.e. the compensation for the use of trademarks, are not paid.

When calculating the recoverable amount of brands whose dominant market is the Adria region (a total of 4 brands), rates equal to the weighted average cost of capital after tax (WACC) per individual market and the food industry were used, ranging from 5.58% to 8.86% (2022: ranging from 6.97% to 10.71%), while the applied terminal growth rate ranges from 2.80% to 3.18% (2022: a rate from 2.93% to 3.01%).

The recoverable amount of most significant brands resulting from the discounted cash flow method is as follows:

|         | Book value                   |       | Recoverable amount |        |
|---------|------------------------------|-------|--------------------|--------|
|         | 2023                         | 2022  | 2023               | 2022   |
| Brands  | <i>(in thousands of EUR)</i> |       |                    |        |
| Brand 1 | 979                          | 979   | 1,517              | 1,122  |
| Brand 2 | 2,057                        | 2,057 | 17,946             | 15,108 |
| Brand 3 | 2,806                        | 2,806 | 4,071              | 3,104  |
| Brand 4 | 58                           | 58    | 246                | 189    |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(v) Impairment testing for brands (continued)

Brands (continued)

| Valuation technique                | Brand   | Significant inputs               | Value                       | Sensitivity of the input to fair value  |
|------------------------------------|---------|----------------------------------|-----------------------------|---|
| Method of non-payment of royalties | Brand 1 | Weighted average cost of capital | 2023: 6.64%<br>2022: 8.01%  | Increase in weighted average cost of capital by 216 basis points (2022: 76) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 4 thousand (2022: EUR 929)        |
|                                    |         | Terminal growth rate             | 2023: 2.85%<br>2022: 3.01%  | Decrease in terminal growth rate with unchanged weighted average cost of capital by 265 basis points (2022: 93) would result in a decrease in fair value in the amount of EUR 3 thousand (2022: EUR 2 thousand) |
| Method of non-payment of royalties | Brand 2 | Weighted average cost of capital | 2023: 8.86%<br>2022: 10.71% | Increase in weighted average cost of capital by 5,664 basis points (2022: 6,449) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 4 thousand (2022: EUR 664)   |
|                                    |         | Terminal growth rate             | 2023: 3.18%<br>2022: 3.00%  | Even in case of a significant decrease in the terminal growth rate with unchanged weighted average cost of capital, there will be no decrease in fair value of the brand  |
| Method of non-payment of royalties | Brand 3 | Weighted average cost of capital | 2023: 6.10%<br>2022: 7.47%  | Increase in weighted average cost of capital by 151 basis points (2022: 50) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 233 (2022: EUR 3 thousand)        |
|                                    |         | Terminal growth rate             | 2023: 2.82%<br>2022: 2.93%  | Decrease in terminal growth rate with unchanged weighted average cost of capital by 179 basis points (2022: 59) would result in a decrease in fair value in the amount of EUR 2 thousand (2022: EUR 2 thousand) |
| Method of non-payment of royalties | Brand 4 | Weighted average cost of capital | 2023: 5.58%<br>2022: 6.97%  | Increase in weighted average cost of capital by 972 basis points (2022: 983) with unchanged terminal growth rate would result in a decrease in fair value in the amount of EUR 374 (2022: EUR 796)              |
|                                    |         | Terminal growth rate             | 2023: 2.80%<br>2022: 3.00%  | Decrease in terminal growth rate with unchanged weighted average cost of capital by 1,620 basis points (2022: 1,700) would result in a decrease in fair value in the amount of EUR 111 (2022: EUR 133)          |

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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

*Brands (continued)*

During 2023 and 2022, the Company had no impairment losses with respect to brands.

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

The Company annually performs analysis of impairment indicators for property, plant and equipment in order to assess whether their recoverable amount indicates potential impairment of their carrying amount.

For property, plant and equipment held for sale, the Company estimates their recoverable amount upon classification of such assets as held for sale based on an independent expert valuer's estimate of the fair value of these assets less costs to sell and records these assets at the lower of their carrying amount and the recoverable amount. Generally, the Company considers with significant confidence that the recoverable amount of such assets will be realized through sale or disposal in the short term and in cases where there has been a delay in disposal due to circumstances which do not require reclassification of such assets into property, plant and equipment, the Company considers whether there have been significant changes in the circumstances and expectations related to the disposal process which would require re-assessment of their fair value. If a significant change in circumstances has not occurred, but the asset relates to property which is intended to be used until disposal, the Company approximates the possible impairment that could arise from the date of classification of such assets as held for sale up to the reporting date at the level of depreciation that would have been recognised had those assets not been classified as held for sale.

In 2023, the Company impaired intangible assets in the amount of EUR 157 thousand (2022: EUR 123 thousand) and equipment in the amount of EUR 77 thousand (2022: EUR 0).

In 2023 and 2022, the Company had no impairment costs related investment property and assets held for sale.

(vii) *Impairment test for investments in subsidiaries*

The Company annually performs analysis of impairment indicators for investments in subsidiaries where indications of impairment exist, based on the results of a static analysis of the Company's exposure compared to the net assets of the subsidiary. For investments identified as such, the Company estimates the recoverable amount and compares it with the carrying amount. The calculation of the recoverable amount is generally based on five-year business plans for the respective subsidiaries which the Company developed bearing in mind its corporate selling and marketing strategy, relevant markets trends (such as estimated movements in gross domestic product, market share of relevant products and categories) with respect to the applicable business segment and the analysis of its competitors.

The calculation of the recoverable amount implies a terminal growth rate for cash flows after the projected period of 2.50% for the subsidiary in the Czech Republic (2022: 2.00%), 3.10% for the subsidiary in Poland (2022: 2.00%), for the subsidiary in Germany 0.90%, for the subsidiary in Australia 2.30%, for the subsidiary in Bulgaria 2.80%, for the subsidiary in Montenegro 3.00% and for the subsidiary in Romania 3.70%.

Cash flows created from such plans are discounted using the post-tax discount rate which reflects the risk of the underlying asset, and which has been defined for the purposes of the impairment test as the weighted average cost of capital after tax for the respective market and the food industry (in case of the subsidiary in the Czech Republic the post-tax discount rate amounts to 6.75% (2022: 8.04%), for the subsidiary in Poland 6.98% (2022: 9.38%), for the subsidiary in Germany 3.91%, for the subsidiary in Australia 5.37%, for the subsidiary in Bulgaria 7.87%, for the subsidiary in Montenegro 11.22% and for the subsidiary in Romania 9.86%.

The expected rate of average annual revenue growth in the projected five-year period was 4.27% for the company in the Czech Republic (2022: 2.12%), 2.62% for the subsidiary in Poland (2022: 9.18%), for the subsidiary in Germany 6.0%, for the subsidiary in Australia 3.77%, for the subsidiary in Bulgaria 7.47%, for the subsidiary in Montenegro 5.97%, and for the subsidiary in Romania 5.54%.

NOTE 6 – KEY ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(vii) *Impairment test for investments in subsidiaries (continued)*

During 2023, the Company had impairment costs related to a share in the subsidiary Podravka d.o.o. Moscow in the amount of EUR 359 thousand since the value of the investment in the company was not recoverable.

NOTE 7 – DETERMINATION OF FAIR VALUES

The Company has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and finance department in relation to the monitoring of all significant fair value measurements, consultation with external experts and the responsibility to report, with respect the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties in which case the Management Board and the finance department assess whether the evidence collected from third parties support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

All significant issues related to fair values estimates are reported to the Supervisory Board and the Audit Committee.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1* - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2* - inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3* - input variables for assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3. In preparing these financial statements, the Company has made the following significant fair value estimates, as further explained in detail in the following notes:

- note 21: Non-current financial assets
- note 24: Financial assets at fair value through profit or loss
- note 27: Non-current assets held for sale
- note 31: Financial liabilities at fair value through profit or loss
- note 36: Share-based payments

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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NOTE 8 – SALES REVENUE

Sales revenue

|   | 2023                         | 2022           |
|---|------------------------------|----------------|
|   | <i>(in thousands of EUR)</i> |                |
| Revenue from sale of products and merchandise | 341,322                      | 314,141        |
| Revenue from services                         | 4,424                        | 4,280          |
|   | <u>345,746</u>               | <u>318,421</u> |

*Key customers*

Sales to major customers owned or controlled by the same third-party Group represent approximately 11% of the Company's total revenue in 2023 (2022: approximately 10% of the total revenue).

Third-party sales in Croatia account for 51.5% (2022: 50%) of the total revenue from external customers, whereas the remaining 48.5% (2022: 50%) represent foreign sales.

For management purposes, the Company is organised in business units based on the similarity in the nature of individual product groups and has identified reportable segments in accordance with quantitative thresholds for segment reporting. The reportable segments of the Company are as follows:

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

The reportable segments are part of the internal financial reporting to the Management Board which was identified as the chief operating decision maker. The Management Board reviews the internal reports regularly and assesses the segment performance and uses those reports in making operating decisions.

Segment revenues and results

Set out below is an analysis of the Company's revenue and results by its reportable segments, presented in accordance with IFRS 8 *Operating segments* and a reconciliation of segment profits to profit or loss before tax as presented in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 8 – SALES REVENUE (CONTINUED)

Segment revenues and results (continued)

|                                  | Segment<br>revenues | Segment<br>expenses | Segment<br>depreciation | Segment<br>profits/<br>(loss) |
|----------------------------------|---------------------|---------------------|-------------------------|-------------------------------|
| <i>(in thousands of EUR)</i>     | 2023                | 2023                | 2023                    | 2023                          |
| BU Culinary                      | 82,436              | 55,177              | 1,354                   | 25,905                        |
| BU Basic food                    | 72,651              | 71,306              | 4,012                   | (2,667)                       |
| BU Meat products                 | 39,157              | 35,653              | 1,428                   | 2,076                         |
| BU Soups                         | 38,380              | 28,352              | 739                     | 9,289                         |
| BU Cereals, Snacks and Beverages | 35,736              | 26,893              | 1,838                   | 7,005                         |
| BU Creamy, Spreads and Desserts  | 32,998              | 27,123              | 1,841                   | 4,034                         |
| BU Fish                          | 17,138              | 15,366              | 107                     | 1,665                         |
| BU Bakery                        | 2,608               | 2,333               | 75                      | 200                           |
| Other sales                      | 24,642              | 19,799              | 467                     | 4,376                         |
|                                  | <u>345,746</u>      | <u>282,002</u>      | <u>11,861</u>           | <u>51,883</u>                 |
| Financial income (note 13)       |                     |                     |                         | 12,017                        |
| Other income (note 9)            |                     |                     |                         | 1,632                         |
| Central administration costs     |                     |                     |                         | (32,459)                      |
| Other expenses (note 10)         |                     |                     |                         | (596)                         |
| Financial expenses (note 14)     |                     |                     |                         | (708)                         |
| Profit before tax                |                     |                     |                         | <u>31,769</u>                 |

|                                  | Segment<br>revenues | Segment<br>expenses | Segment<br>depreciation | Segment<br>profits/<br>(loss) |
|----------------------------------|---------------------|---------------------|-------------------------|-------------------------------|
| <i>(in thousands of EUR)</i>     | 2022                | 2022                | 2022                    | 2022                          |
| BU Culinary                      | 78,283              | 52,889              | 1,340                   | 24,054                        |
| BU Basic food                    | 64,114              | 58,494              | 3,639                   | 1,981                         |
| BU Meat products                 | 38,736              | 37,737              | 1,384                   | (385)                         |
| BU Soups                         | 34,683              | 25,023              | 800                     | 8,860                         |
| BU Cereals, Snacks and Beverages | 31,415              | 24,384              | 1,792                   | 5,239                         |
| BU Creamy, Spreads and Desserts  | 28,883              | 23,879              | 1,757                   | 3,247                         |
| BU Fish                          | 15,772              | 15,645              | 129                     | (2)                           |
| BU Bakery                        | 2,735               | 2,505               | 71                      | 159                           |
| Other sales                      | 23,800              | 18,323              | 418                     | 5,059                         |
|                                  | <u>318,421</u>      | <u>258,879</u>      | <u>11,330</u>           | <u>48,212</u>                 |
| Financial income (note 13)       |                     |                     |                         | 11,622                        |
| Other income (note 9)            |                     |                     |                         | 1,082                         |
| Central administration costs     |                     |                     |                         | (29,208)                      |
| Other expenses (note 10)         |                     |                     |                         | (1,390)                       |
| Financial expenses (note 14)     |                     |                     |                         | (319)                         |
| Profit before tax                |                     |                     |                         | <u>29,999</u>                 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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### NOTE 8 – SALES REVENUE (CONTINUED)

Segment revenues and results (continued)

BU Culinary comprises the following product groups: Universal seasonings, Special seasonings, Monospices and salts, Bouillons, and Food mixes.

BU Basic Food comprises the following product groups: Condiments, Tomato products, Processed fruit, Vegetables, Podravka flour, Side dishes, and Wellness food.

BU Meat products comprises the following product groups: Ready meals, Pates, Dried Meat and Sausage Products, Chilled ready meals, and Other products.

BU Soups comprises the following product groups: Soups, and Instant meals.

BU Cereals, Snack and Beverages comprises the following product groups: Cereals, Baby food, Snack, Tea, and Beverages.

BU Creamy spreads and desserts comprises the following product groups: Creamy spreads, and Desserts.

BU Fish comprises the following product groups: Fish products, Fish salads, and Fish others.

BU Bakery comprises the following product groups: Bread, Rolls and salt bakery products, Sweet bakery products, Žito flour, and Confectionery.

Other sales comprise the following product groups: merchandise and food services.

Business unit (BU) comprise own brands, business to business (B2B), private labels and service production.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, other income, other expenses, finance income, finance expenses, and income tax expense.

The Company does not follow detailed breakdown of balance sheet by segment but only by the two main segments on consolidated level.

### Geographical information

The Company operates in five principal geographical areas by which it reports the following sales:

| <i>(in thousands of EUR)</i>    | 2023           | 2022           |
|---------------------------------|----------------|----------------|
| Markets of Croatia and Slovenia | 201,445        | 182,810        |
| Southeastern Europe             | 70,265         | 61,174         |
| WE and Overseas                 | 44,682         | 42,257         |
| Central Europe                  | 24,575         | 26,834         |
| Eastern Europe                  | 4,779          | 5,346          |
|                                 | <u>345,746</u> | <u>318,421</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 8 – SALES REVENUE (CONTINUED)

Geographical information (continued)

Below is a more detailed overview of countries by geographical area:

| Markets of Croatia and Slovenia | Southeastern Europe  | International markets   |   |   |  |  |
|---------------------------------|--|---|---|---|--|--|
|                                 |  | WE and Overseas   |   |   | Central Europe   | Eastern Europe   |
|                                 |  | Western Europe  | Overseas  |   |  |  |
| Croatia<br>Slovenia             | Bosnia and Herzegovina<br>North Macedonia<br>Serbia<br>Montenegro<br>Kosovo<br>Bulgaria<br>Albania<br>Greece | Germany<br>Austria<br>Switzerland<br>France<br>Great Britain<br>Italy<br>Sweden<br>Ireland<br>Spain | USA<br>Canada<br>Australia<br>New Zealand<br>Iraq<br>United Arab Emir.<br>Kuwait<br>Qatar<br>Saudi Arabia<br>Turkey<br>Jordan<br>Cyprus<br>Egypt<br>Ghana<br>Levant | Libya<br>Burkina Faso<br>China<br>Japan<br>Israel<br>Mongolia<br>Bolivia<br>South Korea<br>Lebanon<br>Senegal | Poland<br>Czech Rep.<br>Slovakia<br>Hungary<br>Romania | Ukraine<br>Kazakhstan<br>Estonia<br>Lithuania<br>Latvia<br>Belarus<br>Armenia<br>Kyrgyzstan<br>Georgia<br>Uzbekistan |

NOTE 9 – OTHER INCOME

|   | 2023                         | 2022  |
|---|------------------------------|-------|
|   | <i>(in thousands of EUR)</i> |       |
| Gain on sale and disposal of property, plant, equipment and intangibles | 529                          | 136   |
| Grant income  | 505                          | 446   |
| Reversal of impairment of loans given and interest                      | 439                          | -     |
| Interest on trade receivables   | 58                           | 41    |
| Write-off of liabilities  | 75                           | -     |
| Foreign exchange gains on trade receivables and payables                | 21                           | 411   |
| Gain on sale and disposal of right-of-use assets                        | 5                            | 2     |
| Gain on sale and disposal of investment property                        | -                            | 46    |
|   | 1,632                        | 1,082 |

Grant income relates to non-refundable government grants in agriculture and energy, and research and development projects. Interest income relating to trade receivables relates to statutory penalty interests collected by the Company.

In 2023, the Company generated net income from sale and disposal of property, plant, equipment and intangible assets in the amount of EUR 529 thousand (2022: EUR 136 thousand).



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 10 – OTHER EXPENSES

|   | 2023                         | 2022         |
|---|------------------------------|--------------|
|   | <i>(in thousands of EUR)</i> |              |
| Impairment of investments (note 20)           | 359                          | 1,184        |
| Impairment of tangible and intangible assets  | 234                          | 123          |
| Interest on trade payables and other interest | 3                            | 5            |
| Impairment of loans and interest              | -                            | 78           |
|   | <u>596</u>                   | <u>1,390</u> |

During 2023, the Company had an impairment loss on investments in a subsidiary in the amount of EUR 359 thousand (2022: EUR 1,184 thousand).

NOTE 11 – EXPENSES BY NATURE

|  | 2023                         | 2022           |
|--|------------------------------|----------------|
|  | <i>(in thousands of EUR)</i> |                |
| Raw material, supplies and energy  | 158,658                      | 150,601        |
| Staff costs (note 12)  | 71,721                       | 65,613         |
| Cost of goods sold   | 48,604                       | 44,290         |
| Depreciation and amortisation  | 15,578                       | 14,136         |
| Advertising and promotion  | 10,454                       | 11,194         |
| Services   | 9,875                        | 9,478          |
| Transport  | 4,274                        | 4,691          |
| Rental costs   | 1,747                        | 1,657          |
| Taxes and contributions independent of operating results   | 1,681                        | 1,596          |
| Entertainment  | 848                          | 679            |
| Daily allowances and other business travel expenses  | 804                          | 629            |
| Professional education   | 555                          | 351            |
| Telecommunications   | 492                          | 448            |
| Changes in value of inventory  | 464                          | (7,869)        |
| Packaging waste disposal fee   | 348                          | 366            |
| Bank charges   | 232                          | 235            |
| Legal expenses   | 112                          | 89             |
| Other expenses   | 1,049                        | 669            |
| (Reversal of impairment)/impairment of trade and other receivables, net  | (1,174)                      | 564            |
| Total cost of goods sold, selling and distribution expenses, marketing expenses and general and administrative costs | <u>326,322</u>               | <u>299,417</u> |

Costs of services include audit fees. Fees for the dual-audit of the Company's financial statements amounted to EUR 268 thousand (2022: EUR 140 thousand for the statutory auditor's fee). Fees for the additional auditing services performed to the Company amounted to EUR 3 thousand (2022: EUR 3 thousand). During 2023, the Company contracted auditor for sustainability consulting services in the amount of EUR 83 thousand (2022: EUR 0).

Depreciation and amortisation include EUR 350 thousand of government grants for co-financing of assets (2022: EUR 240 thousand).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 11 – EXPENSES BY NATURE (CONTINUED)

The following tables present expenses by nature contained in cost of goods sold:

|  | 2023                         | 2022           |
|--|------------------------------|----------------|
|  | <i>(in thousands of EUR)</i> |                |
| Raw material and changes in inventory                    | 156,074                      | 139,348        |
| Cost of goods sold                                       | 48,604                       | 44,289         |
| Staff costs  | 33,874                       | 30,924         |
| Depreciation and amortisation                            | 8,577                        | 8,108          |
| Production services                                      | 3,209                        | 3,063          |
| Taxes and contributions independent of operating results | 867                          | 816            |
| Other expenses (transport, rent, education etc.)         | 3,095                        | 1,704          |
|  | <u>254,300</u>               | <u>228,252</u> |

The Company reports gross profit as revenue from the sale of products less cost of goods sold as shown in the specification above.

Depreciation and amortisation costs allocated to each function are as follows:

|   | 2023                         | 2022          |
|---|------------------------------|---------------|
|   | <i>(in thousands of EUR)</i> |               |
| Cost of goods sold                        | 8,577                        | 8,108         |
| General and administrative expenses       | 3,744                        | 2,852         |
| Selling, logistics and distribution costs | 2,929                        | 2,873         |
| Marketing expenses                        | 328                          | 303           |
|   | <u>15,578</u>                | <u>14,136</u> |

Staff costs allocated to each function are as follows:

|   | 2023                         | 2022          |
|---|------------------------------|---------------|
|   | <i>(in thousands of EUR)</i> |               |
| Cost of goods sold                        | 33,874                       | 30,924        |
| Selling, logistics and distribution costs | 17,344                       | 15,553        |
| General and administrative expenses       | 15,801                       | 14,898        |
| Marketing expenses                        | 4,702                        | 4,238         |
|   | <u>71,721</u>                | <u>65,613</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 12 – STAFF COSTS

|   | 2023                         | 2022          |
|---|------------------------------|---------------|
|   | <i>(in thousands of EUR)</i> |               |
| Net salaries                                    | 35,857                       | 32,985        |
| Taxes and contributions from salaries           | 13,727                       | 12,172        |
| Contributions on salaries                       | 7,964                        | 7,218         |
| Christmas and Easter bonuses, holiday allowance | 2,401                        | 2,239         |
| Cash awards                                     | 3,880                        | 3,458         |
| Transportation                                  | 1,753                        | 1,525         |
| Meals   | 1,728                        | 1,241         |
| Share-based payments (note 36)                  | 681                          | 766           |
| Termination and retirement benefits             | 196                          | 106           |
| Other costs of employees                        | 3,534                        | 3,903         |
|   | <u>71,721</u>                | <u>65,613</u> |

As at 31 December 2023, the number of staff employed by the Company was 3,243 (2022: 3,231 employees).

The average number of employees during 2023 is 3,254 employees (2022: 3,258 employees).

Of the total share-based payment cost of EUR 681 thousand, the amount of EUR 314 thousand relates to stock options, while the amount of EUR 367 thousand relates to shares (2022: stock options EUR 510 thousand, shares EUR 256 thousand).

In 2023, termination and retirement benefits of EUR 196 thousand were paid to 108 employees (2022: termination and retirement benefits of EUR 106 thousand were paid to 49 employees).

During 2023, the Company introduced a new salary system. Below is an overview of the salaries of employees of Podravka d.d. in Croatia for December 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 12 – STAFF COSTS (CONTINUED)

|   | Cost *                |                   | Number of employees *** |             | Average monthly cost per employee |                   |                                       |
|---|-----------------------|-------------------|-------------------------|-------------|-----------------------------------|-------------------|---------------------------------------|
|   | For December 2023     | For December 2022 | 31 Dec 2023             | 31 Dec 2022 | For December 2023                 | For December 2022 | For December 2023 / For December 2022 |
|   | (in thousands of EUR) |                   |                         |             | (in EUR)                          | (in EUR)          | (%)                                   |
| Total Gross II + Non-taxable material earnings *  | 5,929                 | 5,050             | 3,115                   | 3,087       | 1,903                             | 1,636             | +16.4%                                |
| <i>Employees with coefficient contracts *****</i> | 4,718                 | 3,909             | 2,792                   | 2,763       | 1,690                             | 1,415             | +19.4%                                |
| <i>Employees with gross contracts *****</i>       | 675                   | 565               | 226                     | 217         | 2,987                             | 2,604             | +14.7%                                |
| <i>Management</i>                                 | 536                   | 576               | 97                      | 107         | 5,526                             | 5,383             | +2.6%                                 |
| Consists of:                                      |                       |                   |                         |             |                                   |                   |                                       |
| Contributions on salaries                         | 718                   | 613               |                         |             | 230                               | 199               |                                       |
| <i>Employees with coefficient contracts *****</i> | 556                   | 460               |                         |             | 199                               | 166               |                                       |
| <i>Employees with gross contracts *****</i>       | 87                    | 72                |                         |             | 385                               | 332               |                                       |
| <i>Management</i>                                 | 75                    | 81                |                         |             | 773                               | 757               |                                       |
| Taxes and contributions from salaries             | 1,222                 | 1,040             |                         |             | 392                               | 337               |                                       |
| <i>Employees with coefficient contracts *****</i> | 913                   | 743               |                         |             | 327                               | 269               |                                       |
| <i>Employees with gross contracts *****</i>       | 163                   | 135               |                         |             | 721                               | 622               |                                       |
| <i>Management</i>                                 | 146                   | 162               |                         |             | 1,505                             | 1,514             |                                       |
| Net salaries                                      | 3,383                 | 2,882             |                         |             | 1,086                             | 934               | +16.3%                                |
| <i>Employees with coefficient contracts *****</i> | 2,689                 | 2,235             |                         |             | 963                               | 809               | +19.1%                                |
| <i>Employees with gross contracts *****</i>       | 387                   | 322               |                         |             | 1,712                             | 1,484             | +15.4%                                |
| <i>Management</i>                                 | 307                   | 325               |                         |             | 3,165                             | 3,037             | +4.2%                                 |
| Non-taxable material earnings ****                | 606                   | 515               |                         |             | 195                               | 167               | +16.6%                                |
| <i>Employees with coefficient contracts *****</i> | 560                   | 471               |                         |             | 201                               | 170               | +17.7%                                |
| <i>Employees with gross contracts *****</i>       | 38                    | 36                |                         |             | 166                               | 166               | +1.4%                                 |
| <i>Management</i>                                 | 8                     | 8                 |                         |             | 82                                | 75                | +10.3%                                |
| Net earnings **                                   | 3,989                 | 3,397             | 3,115                   | 3,087       | 1,281                             | 1,100             | +16.4%                                |
| <i>Employees with coefficient contracts *****</i> | 3,249                 | 2,706             | 2,792                   | 2,763       | 1,164                             | 979               | +18.8%                                |
| <i>Employees with gross contracts *****</i>       | 425                   | 358               | 226                     | 217         | 1,881                             | 1,650             | +14.0%                                |
| <i>Management</i>                                 | 315                   | 333               | 97                      | 107         | 3,247                             | 3,112             | +4.3%                                 |
| Net earnings **                                   | 3,989                 | 3,397             | 3,115                   | 3,087       | 1,281                             | 1,100             | +16.4%                                |
| <i>Employees without management *****</i>         | 3,674                 | 3,064             | 3,018                   | 2,980       | 1,217                             | 1,028             | +18.4%                                |
| <i>Management</i>                                 | 315                   | 333               | 97                      | 107         | 3,247                             | 3,112             | +4.3%                                 |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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### NOTE 12 – STAFF COSTS (CONTINUED)

Note:

\* Gross II + non-taxable material earnings represent the total cost for the employer. It consists of gross salary (consisting of contributions on salaries, taxes and contributions from salaries, and net salary) and non-taxable material earnings.

\*\* Net earnings represent net employee income and consist of net salaries and non-taxable material earnings.

\*\*\* The number of employees of Podravka d.d. in Croatia whose salary for December 2023 or December 2022 was paid by Podravka d.d. The total number of employees of Podravka d.d. as at 31 December 2023 was 3,243 (31 December 2022: 3,231) and the difference compared to the data shown in this table relates to employees on sick leave who did not receive income at the expense of the employer for December 2022 or 2023, and to employees in representative offices.

\*\*\*\* Non-taxable material rights in Podravka d.d. include: allowance, bonus for business results, holiday allowance, Christmas bonus, Christmas gift for children, Easter bonus in kind, compensation for transportation costs to and from work (local and intercity), meal allowance for employees, supplementary health insurance premiums, voluntary pension insurance premiums, severance pay and other non-taxable labour rights.

\*\*\*\*\* Until 30 November 2023, part of employees who did not perform managerial but professional tasks had a salary determined through gross contracts and not through coefficients. With the introduction of the new salary system from 1 December 2023, the employees with coefficient contracts switched to gross contracts. For the purpose of comparability, the data are presented separately, although after 1 December 2023 this difference between employees no longer exists. Therefore, an overview is also presented in accordance with the application from 1 December 2023.

### NOTE 13 – FINANCE INCOME

|  | 2023                         | 2022          |
|--|------------------------------|---------------|
|  | <i>(in thousands of EUR)</i> |               |
| Dividend income etc.                                       | 11,116                       | 11,235        |
| Interest and fees on related party loans                   | 373                          | 327           |
| Interest on term deposits                                  | 317                          | 43            |
| Other interest   | 173                          | -             |
| Remeasurement of financial assets and liabilities at FVTPL | 38                           | 17            |
|  | <u>12,017</u>                | <u>11,622</u> |

Dividend received refers to income on the basis of declared dividends in subsidiaries Belupo, d.d., Koprivnica in the amount of EUR 7,433 thousand, Podravka d.o.o., Sarajevo in the amount of EUR 2,147 thousand, Podravka d.o.o.el., Skopje in the amount of EUR 1,301 thousand, and Podravka-International s.r.o., Zvolen in the amount of EUR 232 thousand (2022: in subsidiaries Belupo, d.d. Koprivnica in the amount of EUR 3,716 thousand, Žito d.o.o., Ljubljana in the amount of EUR 2,997 thousand, Podravka d.o.o.el., Skopje in the amount of EUR 1,181 thousand, Podravka-International Kft., Budapest in the amount of EUR 775 thousand, Podravka-International s.r.o., Zvolen in the amount of EUR 311 thousand, and Podravka d.o.o. Sarajevo in the amount of EUR 2,252 thousand).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 14 – FINANCE EXPENSES

|   | 2023                         | 2022       |
|---|------------------------------|------------|
|   | <i>(in thousands of EUR)</i> |            |
| Interest and fee expense                | 688                          | 307        |
| Net foreign exchange loss on borrowings | 20                           | 12         |
|   | <u>708</u>                   | <u>319</u> |

NOTE 15 – INCOME TAX

Tax (income)/expense consists of:

|   | 2023                         | 2022         |
|---|------------------------------|--------------|
|   | <i>(in thousands of EUR)</i> |              |
| Impact of the incentive obtained on the 2022 income tax liability reduction | (3,966)                      | -            |
| Current income tax for 2023   | 3,989                        | 4,386        |
| Impact of the incentive obtained on the 2023 income tax liability reduction | (3,989)                      | -            |
| Tax paid abroad and Tax for the previous year                               | 47                           | -            |
| Deferred tax (income)/expense   | (11,712)                     | (677)        |
|   | <u>(15,631)</u>              | <u>3,709</u> |

*Reconciliation of the effective tax rate*

A reconciliation of tax expense per the statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

|  | 2023                         | 2022          |
|--|------------------------------|---------------|
|  | <i>(in thousands of EUR)</i> |               |
| Profit before taxation   | <u>31,769</u>                | <u>29,999</u> |
| Tax calculated at 18%  | 5,718                        | 5,400         |
| Non-taxable income   | (2,001)                      | (2,022)       |
| Non-deductible expenses  | 237                          | 198           |
| Tax incentives (research and development, education and other) | (19,775)                     | (39)          |
| Tax paid abroad  | 190                          | 172           |
| Income tax   | <u>(15,631)</u>              | <u>3,709</u>  |
| Effective tax rate   | <u>-49%</u>                  | <u>12%</u>    |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 15 – INCOME TAX (CONTINUED)

*Deferred tax assets*

Deferred tax assets arose from the following:

| 2023  | Opening<br>balance           | Recognised in<br>profit or loss | Recognised<br>directly in<br>equity | Closing<br>balance |
|---|------------------------------|---------------------------------|-------------------------------------|--------------------|
|   | <i>(in thousands of EUR)</i> |                                 |                                     |                    |
| Financial assets  | 6,844                        | 46                              | -                                   | 6,890              |
| Provisions  | 1,135                        | (122)                           | 3                                   | 1,017              |
| Inventory   | 942                          | 8                               | -                                   | 950                |
| Property, plant and equipment and assets held<br>for sale | 889                          | (17)                            | -                                   | 872                |
| Share-based payments                                      | 326                          | 168                             | (173)                               | 321                |
| Receivables   | 107                          | (102)                           | -                                   | 5                  |
| Intangible assets   | 90                           | (33)                            | -                                   | 57                 |
| Tax benefit for investment                                | -                            | 11,764                          | -                                   | 11,764             |
|   | <u>10,333</u>                | <u>11,713</u>                   | <u>(170)</u>                        | <u>21,876</u>      |

| 2022  | Opening<br>balance           | Recognised<br>in profit or<br>loss | Recognised<br>directly in<br>equity | Closing<br>balance |
|---|------------------------------|------------------------------------|-------------------------------------|--------------------|
|   | <i>(in thousands of EUR)</i> |                                    |                                     |                    |
| Financial assets  | 6,688                        | 156                                | -                                   | 6,844              |
| Provisions  | 1,132                        | 56                                 | (53)                                | 1,135              |
| Property, plant and equipment and assets held for<br>sale | 895                          | (6)                                | -                                   | 889                |
| Inventory   | 537                          | 405                                | -                                   | 942                |
| Share-based payments                                      | 364                          | 92                                 | (130)                               | 326                |
| Receivables   | 126                          | (19)                               | -                                   | 107                |
| Intangible assets   | 97                           | (7)                                | -                                   | 90                 |
|   | <u>9,839</u>                 | <u>677</u>                         | <u>(183)</u>                        | <u>10,333</u>      |

NOTE 15 – INCOME TAX (CONTINUED)

*Deferred tax assets (continued)*

The most significant effect on the increase in deferred tax assets in 2023 is on the basis of tax benefits for investments.

Deferred tax assets recognised with respect to impairment losses on tangible and intangible assets do not expire as they are utilised in the moment of realisation of the respective assets. Deferred tax assets on long-term provisions for employee benefits (jubilee awards and termination benefits) will be realised in a period longer than one year.

On 10 November 2022, the Company Podravka d.d. applied for approval of the status of holder of incentive measures based on the Investment Promotion Act. The Act allows for tax incentives in the amount of 50% of the investment amount up to the amount of the investment in the equivalent value of EUR 50 million, and 25% of the incentive for the value of the investment that exceeds the equivalent value of EUR 50 million. Incentives are not approved for the part of the investment that potentially exceeds the equivalent value of EUR 100 million. The theoretical holder of incentive measures can achieve a maximum of EUR 37.5 million tax incentives that can be used for a maximum of 10 years.

On 02 May 2023 The Ministry of Economy and Sustainable Development awarded Podravka the status of beneficiary of investment support, based on the project of investing in expanding capacities and increasing competitiveness through construction and equipping in area of Koprivnica and Varaždin. The approved tax advantage can be used from 2023, from payment of the corporate income tax payment for 2022, with the realization of the conditions of maintaining the investment during the period of using the tax advantage and employing at least 15 new jobs related to the investment and keeping them during the period of use.

The approved incentive measures have a maximum intensity of EUR 34,300 thousand. Based on the assessment of the possible use of the tax benefit by the Management of the Company, Podravka d.d. initially recognized EUR 19,718 thousand of tax benefits as deferred tax asset and tax income, and taking into account the anticipated level of investment as well as the anticipated availability of taxable profits. In the coming years, deferred tax assets will be used in accordance with the use of the tax benefit, i.e. the availability of tax liability, which the Company will be able to reduce based on the incentive measure. During December 2022, the Company started with the investment and in 2022 used part of the total incentives and reduced the income tax liability by the amount of EUR 3,966 thousand. In 2023, EUR 3,989 thousand of deferred tax assets were also used on this basis. The remaining amount of deferred tax assets amounts to EUR 11,764 million.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 16 – INTANGIBLE ASSETS

| <i>(in thousands of EUR)</i>   | Software | Distribution<br>rights | Brands  | Investments<br>in progress | Total    |
|--------------------------------|----------|------------------------|---------|----------------------------|----------|
| Cost                           |          |                        |         |                            |          |
| At 1 January 2022              | 33,969   | 3,903                  | 7,708   | 1,025                      | 46,605   |
| Additions                      | -        | -                      | -       | 2,395                      | 2,395    |
| Transfer to tangible assets    | -        | -                      | -       | (32)                       | (32)     |
| Transfers                      | 3,046    | -                      | -       | (3,046)                    | -        |
| Disposals                      | (112)    | -                      | -       | -                          | (112)    |
| Transfers from tangible assets | -        | -                      | -       | 417                        | 417      |
| Impairment (i)                 | -        | -                      | -       | (123)                      | (123)    |
| At 31 December 2022            | 36,903   | 3,903                  | 7,708   | 636                        | 49,150   |
| Accumulated amortisation       |          |                        |         |                            |          |
| At 1 January 2022              | (29,517) | (3,903)                | (1,801) | -                          | (35,221) |
| Amortisation                   | (2,486)  | -                      | -       | -                          | (2,486)  |
| Disposals                      | 112      | -                      | -       | -                          | 112      |
| At 31 December 2022            | (31,891) | (3,903)                | (1,801) | -                          | (37,595) |
| Carrying amount                |          |                        |         |                            |          |
| As at 31 December 2022         | 5,012    | -                      | 5,907   | 636                        | 11,555   |
| Cost                           |          |                        |         |                            |          |
| At 1 January 2023              | 36,903   | 3,903                  | 7,708   | 636                        | 49,150   |
| Additions                      | -        | -                      | -       | 4,440                      | 4,440    |
| Transfer to tangible assets    | -        | -                      | -       | (10)                       | (10)     |
| Transfers                      | 2,568    | -                      | -       | (2,568)                    | -        |
| Disposals                      | (94)     | -                      | -       | -                          | (94)     |
| Transfers from tangible assets | -        | -                      | -       | 21                         | 21       |
| Impairment (i)                 | -        | -                      | -       | (157)                      | (157)    |
| At 31 December 2023            | 39,377   | 3,903                  | 7,708   | 2,362                      | 53,350   |
| Accumulated amortisation       |          |                        |         |                            |          |
| At 1 January 2023              | (31,891) | (3,903)                | (1,801) | -                          | (37,595) |
| Amortisation                   | (2,738)  | -                      | -       | -                          | (2,738)  |
| Disposals                      | 92       | -                      | -       | -                          | 92       |
| As at 31 December 2023         | (34,537) | (3,903)                | (1,801) | -                          | (40,241) |
| Carrying amount                |          |                        |         |                            |          |
| As at 31 December 2023         | 4,840    | -                      | 5,907   | 2,362                      | 13,109   |

Accumulated amortization and impairment losses include a total of EUR 480 thousand relating to accumulated impairment losses (2022: EUR 323 thousand of accumulated impairment losses).

(i) In 2023, the Company impaired software under construction in the amount of EUR 157 thousand (2022: EUR 123 thousand).

The total intangible assets with indefinite useful lives as at 31 December 2023 relate to brands and amount to EUR 5,907 thousand (31 December 2022: EUR 5,907 thousand).

Investments in progress mostly relate to licence agreements and IT modernisation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT

| <i>(in thousands of EUR)</i>         | Land and<br>buildings | Equipment | Assets under<br>construction | Total     |
|--------------------------------------|-----------------------|-----------|------------------------------|-----------|
| Cost                                 |                       |           |                              |           |
| At 1 January 2022                    | 244,508               | 171,778   | 11,593                       | 427,879   |
| Additions                            | -                     | -         | 38,377                       | 38,377    |
| Transfer                             | 19,087                | 14,211    | (33,298)                     | -         |
| Purchase of used assets              | -                     | 7         | -                            | 7         |
| Transfer from related companies      | -                     | 8         | 8                            | 16        |
| Transfer to related companies        | -                     | (29)      | -                            | (29)      |
| Transfer to intangible assets        | -                     | -         | (418)                        | (418)     |
| Transfer to investment property      | -                     | -         | (15)                         | (15)      |
| Transfer from intangible assets      | -                     | -         | 32                           | 32        |
| Disposals                            | (269)                 | (3,761)   | -                            | (4,030)   |
| At 31 December 2022                  | 263,326               | 182,214   | 16,279                       | 461,819   |
| Accumulated depreciation             |                       |           |                              |           |
| At 1 January 2022                    | (187,159)             | (131,065) | -                            | (318,224) |
| Depreciation charge for the year     | (4,195)               | (5,740)   | -                            | (9,935)   |
| Impairment of used assets            | -                     | (7)       | -                            | (7)       |
| Transfer to related companies        | -                     | 27        | -                            | 27        |
| Disposals                            | 268                   | 3,730     | -                            | 3,998     |
| At 31 December 2022                  | (191,086)             | (133,055) | -                            | (324,141) |
| Carrying amount                      |                       |           |                              |           |
| As at 31 December 2022               | 72,240                | 49,159    | 16,279                       | 137,678   |
| Cost                                 |                       |           |                              |           |
| At 1 January 2023                    | 263,326               | 182,214   | 16,279                       | 461,819   |
| Additions                            | (2)                   | 2         | 52,304                       | 52,304    |
| Transfer                             | 4,862                 | 12,417    | (17,279)                     | -         |
| Transfer from related companies      | -                     | 1         | 178                          | 179       |
| Transfer to intangible assets        | -                     | -         | (21)                         | (21)      |
| Transfer to assets held for sale (i) | (10,610)              | -         | -                            | (10,610)  |
| Transfer from intangible assets      | -                     | -         | 10                           | 10        |
| Disposals                            | (2,034)               | (2,952)   | -                            | (4,986)   |
| At 31 December 2023                  | 255,542               | 191,682   | 51,471                       | 498,695   |
| Accumulated depreciation             |                       |           |                              |           |
| At 1 January 2023                    | (191,086)             | (133,055) | -                            | (324,141) |
| Depreciation charge for the year     | (4,666)               | (6,516)   | -                            | (11,182)  |
| Impairment of used assets (ii)       | -                     | (77)      | -                            | (77)      |
| Transfer to assets held for sale (i) | 7,120                 | -         | -                            | 7,120     |
| Disposals                            | 1,958                 | 2,932     | -                            | 4,890     |
| At 31 December 2023                  | (186,674)             | (136,716) | -                            | (323,390) |
| Carrying amount                      |                       |           |                              |           |
| As at 31 December 2023               | 68,868                | 54,966    | 51,471                       | 175,305   |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(i) During 2023, the Company transferred land and buildings to assets held for sale in the net book amount of EUR 3,490 thousand (2022: EUR 0)

(ii) In 2023, the Company impaired equipment in the amount of EUR 77 thousand (2022: EUR 0).

Investments in progress relate mainly to investments in modernisation of buildings, production capacities and extension of the product range.

*Mortgaged assets*

As at 31 December 2023, the Company has no land and buildings pledged as collateral against the Company's borrowings (2022: EUR 0).

NOTE 18 – LEASES

Right-of-use assets and the movements during the period

(in thousands of EUR)

Cost

|                             | Land  | Buildings | Plant and equipment | Total |
|-----------------------------|-------|-----------|---------------------|-------|
| As at 1 January 2022        | 1,540 | 1,326     | 4,556               | 7,422 |
| Additions/decrease          | -     | 273       | 890                 | 1,163 |
| Disposals and write-off's   | -     | (321)     | (489)               | (810) |
| Balance at 31 December 2022 | 1,540 | 1,278     | 4,957               | 7,775 |

Accumulated depreciation

|                                   |       |       |       |       |
|-----------------------------------|-------|-------|-------|-------|
| As at 1 January 2022              | 112   | 584   | 1,492 | 2,188 |
| Depreciation charge for the year  | 37    | 497   | 1,224 | 1,758 |
| Disposals and write-off's         | -     | (321) | (444) | (765) |
| Balance at 31 December 2022       | 149   | 760   | 2,272 | 3,181 |
| Present value at 31 December 2022 | 1,391 | 518   | 2,685 | 4,594 |

Cost

|                             |       |       |       |         |
|-----------------------------|-------|-------|-------|---------|
| As at 1 January 2023        | 1,540 | 1,278 | 4,957 | 7,775   |
| Additions/decrease          | 268   | 677   | 88    | 1,033   |
| Disposals and write-off's   | (64)  | (719) | (272) | (1,055) |
| Balance at 31 December 2023 | 1,744 | 1,236 | 4,773 | 7,753   |

Accumulated depreciation

|                                   |       |       |       |       |
|-----------------------------------|-------|-------|-------|-------|
| As at 1 January 2023              | 149   | 760   | 2,272 | 3,181 |
| Depreciation charge for the year  | 45    | 579   | 1,186 | 1,810 |
| Disposals and write-off's         | (8)   | (719) | (267) | (994) |
| Balance at 31 December 2023       | 186   | 620   | 3,191 | 3,997 |
| Present value at 31 December 2023 | 1,558 | 616   | 1,582 | 3,756 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 18 – LEASES (CONTINUED)

Lease liabilities and the movements during period

|  | 2023                         | 2022         |
|--|------------------------------|--------------|
|  | <i>(in thousands of EUR)</i> |              |
| As at 1 January  | 4,743                        | 5,379        |
| Increase of lease liabilities during the year (net)            | 968                          | 1,117        |
| Interest expense   | 66                           | 65           |
| Exchange rate difference                                       | -                            | 8            |
| Lease liabilities payments                                     | (1,878)                      | (1,826)      |
| As at 31 December  | <u>3,899</u>                 | <u>4,743</u> |
| <br>   |                              |              |
| Current portion of long-term liability for right-of-use assets | 1,577                        | 1,585        |
| Long term liability for right-of-use assets                    | 2,322                        | 3,158        |

Amounts recognised in the statement of comprehensive income

|   | 2023                         | 2022         |
|---|------------------------------|--------------|
|   | <i>(in thousands of EUR)</i> |              |
| Expenses related to short-term leases and leases of low-value assets etc. | 2,086                        | 1,967        |
| Depreciation expense  | 1,810                        | 1,758        |
| Interest expense  | 66                           | 65           |
| Total amount recognised in the statement of comprehensive income          | <u>3,962</u>                 | <u>3,790</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 19 – INVESTMENT PROPERTY

| <i>(in thousands of EUR)</i>                | <u>Land</u>    | <u>Buildings</u> | <u>Total</u>   |
|---|----------------|------------------|----------------|
| Cost  |                |                  |                |
| At 1 January 2022                           | 11,845         | 7,863            | 19,708         |
| Transfer from property, plant and equipment | -              | 15               | 15             |
| Disposals                                   | (80)           | -                | (80)           |
| At 31 December 2022                         | <u>11,765</u>  | <u>7,878</u>     | <u>19,643</u>  |
| Accumulated depreciation                    |                |                  |                |
| At 1 January 2022                           | (1,875)        | (3,555)          | (5,430)        |
| Depreciation charge for the year            | -              | (197)            | (197)          |
| At 31 December 2022                         | <u>(1,875)</u> | <u>(3,752)</u>   | <u>(5,627)</u> |
| Carrying amount                             |                |                  |                |
| At 31 December 2022                         | <u>9,890</u>   | <u>4,126</u>     | <u>14,016</u>  |
| Cost  |                |                  |                |
| At 1 January 2023                           | <u>11,765</u>  | <u>7,878</u>     | <u>19,643</u>  |
| At 31 December 2023                         | <u>11,765</u>  | <u>7,878</u>     | <u>19,643</u>  |
| Accumulated depreciation                    |                |                  |                |
| At 1 January 2023                           | (1,875)        | (3,752)          | (5,627)        |
| Depreciation charge for the year            | -              | (197)            | (197)          |
| At 31 December 2023                         | <u>(1,875)</u> | <u>(3,949)</u>   | <u>(5,824)</u> |
| Carrying amount                             |                |                  |                |
| At 31 December 2023                         | <u>9,890</u>   | <u>3,929</u>     | <u>13,819</u>  |

Operating expenses for investment property amount to EUR 226 thousand (2022: EUR 205 thousand), while rental income from a smaller part of the property amounts to EUR 108 thousand (2022: EUR 94 thousand).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 20 – INVESTMENTS IN SUBSIDIARIES

Subsidiaries in which the Company has an ownership interest and control:

| Name of subsidiary                       | Country            | Ownership interest in % |             | Equity share<br>(in thousands of EUR) |                | Principal activity                             |
|--|--------------------|-------------------------|-------------|---------------------------------------|----------------|--|
|  |                    | 31 Dec 2023             | 31 Dec 2022 | 31 Dec 2023                           | 31 Dec 2022    |  |
| Žito d.o.o.                              | Slovenia           | 100.00                  | 100.00      | 58,413                                | 58,413         | Production and sale of food and beverages      |
| Belupo d.d.                              | Croatia            | 100.00                  | 100.00      | 52,180                                | 52,180         | Production and distribution of pharmaceuticals |
| Podravka Lagris a.s.                     | Czech Rep.         | 100.00                  | 100.00      | 9,125                                 | 9,125          | Rice production and sale                       |
| Podravka-Polska Sp.z o.o.                | Poland             | 100.00                  | 100.00      | 2,502                                 | 2,502          | Sale and distribution                          |
| FOODPRO LIMITED*                         | Tanzania           | 100.00                  | 100.00      | -                                     | -              | Production and sale of food and beverages      |
| Podravka-International Kft.              | Hungary            | 100.00                  | 100.00      | 709                                   | 709            | Sale and distribution                          |
| Mirna d.d.                               | Croatia            | 100.00                  | 99.44       | 6,027                                 | 6,027          | Fish processing and production                 |
| Podravka Gulf Fze                        | UAE                | 100.00                  | 100.00      | -                                     | -              | Sale and distribution                          |
| Podravka-Int. Deutschland – “Konar” GmbH | Germany            | 100.00                  | 100.00      | 142                                   | 142            | Sale and distribution                          |
| Podravka-International s.r.o.            | Slovakia           | 75.00                   | 75.00       | 137                                   | 137            | Sale and distribution                          |
| Podravka d.o.o. Podgorica                | Montenegro         | 100.00                  | 100.00      | 137                                   | 137            | Sale and distribution                          |
| Podravka-International s.r.l.            | Bulgaria           | 100.00                  | 100.00      | 134                                   | 134            | Sale and distribution                          |
| Podravka-International Pty. Ltd          | Australia          | 100.00                  | 100.00      | 106                                   | 106            | Sale and distribution                          |
| Podravka-International s.r.l.            | Romania            | 100.00                  | 100.00      | 17                                    | 17             | Sale and distribution                          |
| Podravka d.o.o.el Petrovec               | North<br>Macedonia | 100.00                  | 100.00      | 6                                     | 6              | Sale and distribution                          |
| Podravka d.o.o. Sarajevo                 | Bosnia & Herz.     | 100.00                  | 100.00      | 5                                     | 5              | Sale and distribution                          |
| Podravka USA Inc.                        | USA                | 100.00                  | 100.00      | 84                                    | 84             | Sale and distribution                          |
| Podravka d.o.o.                          | Russia             | 100.00                  | 100.00      | 92                                    | -              | Sale and distribution                          |
| Podravka d.o.o. Belgrade                 | Serbia             | 100.00                  | 100.00      | -                                     | -              | Sale and distribution                          |
|  |                    |                         |             | <u>129,816</u>                        | <u>129,724</u> |  |

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

During 2023 the Company increased share capital of the subsidiary Podravka d.o.o., Russia by the amount of EUR 451 thousand and impaired the value of the investment in that subsidiary in the amount of EUR 359 thousand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 20 – INVESTMENTS IN SUBSIDIARIES (CONTINUED)

During 2022 the Company increased share capital of the subsidiary Podravka d.o.o., Russia by the amount of EUR 257 thousand and fully impaired the value of the investment in that subsidiary in the amount of EUR 1,184 thousand.

NOTE 21 – NON-CURRENT FINANCIAL ASSETS

|   | 2023                         | 2022         |
|---|------------------------------|--------------|
|   | <i>(in thousands of EUR)</i> |              |
| Financial instruments                   | 7,185                        | 7,185        |
| Investments in other equity instruments | 79                           | 79           |
| Loans to related companies              | 3                            | 44           |
| Deposits and other                      | 2                            | 2            |
| Impairment of financial instruments     | (2,354)                      | (2,354)      |
|   | <u>4,915</u>                 | <u>4,956</u> |

Loans to related parties are described in note 37.

In 2023 and 2022 there were no changes with respect to the financial instruments.

NOTE 22 – INVENTORIES

|                            | 2023                         | 2022          |
|----------------------------|------------------------------|---------------|
|                            | <i>(in thousands of EUR)</i> |               |
| Finished goods             | 28,063                       | 28,825        |
| Raw materials and supplies | 27,663                       | 40,909        |
| Merchandise                | 7,318                        | 7,963         |
| Work in progress           | 4,629                        | 4,347         |
|                            | <u>67,673</u>                | <u>82,044</u> |

During 2023, the Company recognized net impairment gain with respect to certain inventories in the amount of EUR 50 thousand (2022: EUR 2,249 thousand of net impairment loss). The movement in inventory impairment provision is included in the statement of comprehensive income in line item 'Cost of goods sold'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 23 – TRADE AND OTHER RECEIVABLES

|  | 2023                         | 2022          |
|--|------------------------------|---------------|
|  | <i>(in thousands of EUR)</i> |               |
| Trade receivables                                    | 42,202                       | 39,920        |
| Accumulated impairment losses on receivables         | (12,216)                     | (12,483)      |
| Impairment of receivables for expected credit losses | (3)                          | (58)          |
| Net trade receivables                                | <u>29,983</u>                | <u>27,379</u> |
| Related party trade receivables                      | 30,722                       | 29,001        |
| Provision for related party trade receivables        | (836)                        | (2,044)       |
| Loans and interest receivable from related parties   | 14,236                       | 11,128        |
| Net VAT receivable                                   | 550                          | 593           |
| Prepaid expenses                                     | 192                          | 303           |
| Receivables from employees                           | 67                           | 114           |
| Advances to suppliers                                | 23                           | 44            |
| Other receivables                                    | 169                          | 264           |
|  | <u>75,106</u>                | <u>66,782</u> |

Loans given to and interest receivable from related parties include short-term loans and current portion of long-term loans given to related parties and interest receivable from related parties (see note 37).

Movements in the impairment allowance for trade receivables are as follows:

|                              | 2023                         | 2022          |
|------------------------------|------------------------------|---------------|
|                              | <i>(in thousands of EUR)</i> |               |
| At 1 January                 | 14,585                       | 14,046        |
| (Decrease)/increase          | (1,247)                      | 636           |
| Amounts collected            | (83)                         | (21)          |
| Written off as uncollectible | (200)                        | (76)          |
| At 31 December               | <u>13,055</u>                | <u>14,585</u> |

Impairment losses on trade receivables and income from subsequent collection of impaired receivables are included within 'Selling and distribution costs'.

Ageing analysis of trade receivables that are not impaired:

|               | 2023                         | 2022          |
|---------------|------------------------------|---------------|
|               | <i>(in thousands of EUR)</i> |               |
| Undue         | 45,181                       | 40,475        |
| Up to 90 days | 9,205                        | 7,807         |
| 91-180 days   | 2,547                        | 2,499         |
| 181-360 days  | 2,936                        | 3,555         |
|               | <u>59,869</u>                | <u>54,336</u> |



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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NOTE 23 – TRADE AND OTHER RECEIVABLES (CONTINUED)

*Major customers*

Trade receivables from major customers owned or controlled by the same third party group as at 31 December 2023 amount to EUR 10,865 thousand (2022: EUR 9,135 thousand).

NOTE 24 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                   | 2023                         | 2022      |
|-------------------|------------------------------|-----------|
|                   | <i>(in thousands of EUR)</i> |           |
| Forward contracts | 59                           | 12        |
|                   | <u>59</u>                    | <u>12</u> |

In 2023, the Company used forward contracts with commercial banks with the primary intention of managing the fluctuation of the exchange rates of foreign currencies. As at 31 December 2023, the forward contracts had a fair value of EUR 59 thousand (31 December 2022: EUR 12 thousand).

The nominal value of forward exchange contracts translated at the HNB exchange rate at 31 December 2023 amounted to EUR 4,633 thousand with maturities between 8 January 2024 and 9 December 2024 (2022: EUR 211 thousand with maturities between 20 January 2023 and 20 March 2023).

Gains and losses recognised as changes in the market value of forward exchange contracts are recognized in the statement of comprehensive income, under 'financial income/financial expenses'.

*Fair value measurement*

The fair value of forward exchange contracts is based on the quotation of the exchange rate. In accordance with the input variables used, the assessment is categorized in the fair value hierarchy as level 2 (see note 7).

NOTE 25 – DEBT INSTRUMENTS AT AMORTIZED COST

|                           | 2023                         | 2022          |
|---------------------------|------------------------------|---------------|
|                           | <i>(in thousands of EUR)</i> |               |
| Government treasury bills | -                            | 14,999        |
|                           | <u>-</u>                     | <u>14,999</u> |

As at 31 December 2023, the company had no investments in debt instruments at amortised cost, while as at 31 December 2022 it had a short-term investment in zero coupon treasury bills issued by the Federal Republic of Germany with maturity in June 2023. They were held until maturity with the purpose of realizing the nominal amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 26 – CASH AND CASH EQUIVALENTS

|               | 2023                         | 2022         |
|---------------|------------------------------|--------------|
|               | <i>(in thousands of EUR)</i> |              |
| Deposits      | 15,366                       | 990          |
| Cash in banks | 1,332                        | 2,846        |
| Cash in hand  | -                            | 1            |
|               | <u>16,698</u>                | <u>3,837</u> |

Cash in banks refers to transaction accounts at commercial banks bearing an average interest rate ranging from 0.00% to 0.16%.

Deposits refer to currency funds placed with commercial banks for a period of one month.

The Company has certain transactions in foreign currencies and cash on bank accounts mainly in USD (EUR 697 thousand), PLN (EUR 182 thousand), UAH (EUR 3 thousand), AUD (EUR 1 thousand) and EUR (EUR 15,815 thousand) at 31 December 2023.

NOTE 27 – NON-CURRENT ASSETS HELD FOR SALE

|                    | 2023                         | 2022       |
|--------------------|------------------------------|------------|
|                    | <i>(in thousands of EUR)</i> |            |
| Land and buildings | 3,633                        | 143        |
|                    | <u>3,633</u>                 | <u>143</u> |

*(i) Land and buildings*

The total amount of assets held for sale relates to properties in Koprivnica, Rijeka and Umag and land in Žminj for which the Company is still seeking a buyer and expects to sell.

*(ii) Fair value measurement*

Fair value measurement is classified, according to inputs used in fair value measurement, as level 3 (see note 7). The following table summarizes the valuation methods and techniques as well as significant inputs used in measuring the fair value:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 27 – NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

| Valuation methods and techniques                                | Significant unobservable inputs   |
|---|---|
| <i>Property</i>   |   |
| For buildings and land, the comparative and cost method is used | After the research on the actually conducted transactions, information was obtained on the realized transactions of similar comparisons. When applying the cost method, normal construction costs, depreciation due to age, defects and damage to the building, as well as other circumstances that affect the value, are taken into account. |

NOTE 28 – SHARE CAPITAL

|  | Number of shares | Ordinary shares              | Share premium | Treasury shares | Total   |
|--|------------------|------------------------------|---------------|-----------------|---------|
|  |                  | <i>(in thousands of EUR)</i> |               |                 |         |
| At 1 January 2022                                    | 7,014,087        | 207,897                      | 24,690        | (5,228)         | 227,359 |
| Purchase of treasury shares                          | (44,290)         | -                            | -             | (3,542)         | (3,542) |
| Share-based payment                                  | 56,728           | -                            | (1,096)       | 3,136           | 2,040   |
| Fair value of share-based payments                   | -                | -                            | 766           | -               | 766     |
| At 31 December 2022                                  | 7,026,525        | 207,897                      | 24,360        | (5,634)         | 226,623 |
| At 1 January 2023                                    | 7,026,525        | 207,897                      | 24,360        | (5,634)         | 226,623 |
| Purchase of treasury shares                          | (47,659)         | -                            | -             | (5,250)         | (5,250) |
| Share-based payment                                  | 54,353           | -                            | (2,159)       | 3,955           | 1,796   |
| Fair value of share-based payments                   | -                | -                            | 681           | -               | 681     |
| Increase in share capital - conversion of HRK to EUR | -                | 5,703                        | (5,703)       | -               | -       |
| 31 December 2023                                     | 7,033,219        | 213,600                      | 17,179        | (6,929)         | 223,850 |

As at 31 December 2023, the Company's share capital amounted to EUR 213,600 thousand, distributed among 7,120,003 shares out of which 86,784 relates to treasury shares (2022: EUR 207,897 thousand, distributed among 7,120,003 shares out of which 93,478 relates to treasury shares).

In 2023, the General Assembly made a decision to increase the nominal value of the share from EUR 29.20 to EUR 30.00 in order to align the share capital with the Companies Act due to the introduction of the euro as the official currency in the Republic of Croatia, which resulted in an increase in the share capital in the amount of EUR 5,703 thousand. All issued shares are fully paid.

During 2023, the Company purchased 47,659 treasury shares (2022: 44,290 treasury shares).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 28 – SHARE CAPITAL (CONTINUED)

The shareholder structure as at the reporting date was as follows:

|  | 2023             |                | 2022             |                |
|--|------------------|----------------|------------------|----------------|
|  | Number of shares | % of ownership | Number of shares | % of ownership |
| PBZ CO OMF - Category B                    | 1,097,644        | 15.42%         | 1,097,644        | 15.42%         |
| AZ OMF category B                          | 932,563          | 13.10%         | 932,563          | 13.10%         |
| CERP -Croatian Pension Insurance Institute | 727,703          | 10.22%         | 727,703          | 10.22%         |
| Erste Plavi OMF category B                 | 638,248          | 8.96%          | 638,248          | 8.96%          |
| Raiffeisen OMF category B                  | 625,298          | 8.78%          | 625,298          | 8.78%          |
| CERP - Republic of Croatia                 | 452,792          | 6.36%          | 452,792          | 6.36%          |
| Kapitalni fond Inc.                        | 406,842          | 5.71%          | 406,842          | 5.71%          |
| MESNA INDUSTRIJA BRAĆA PIVAC Ltd           | 370,977          | 5.21%          | 234,697          | 3.30%          |
| HPB - Republic of Croatia                  | 167,281          | 2.35%          | 167,281          | 2.35%          |
| OTP Banka d.d./aggregrate custody account  | 97,035           | 1.36%          | 119,999          | 1.69%          |
| Other shareholders                         | 1,603,620        | 22.52%         | 1,716,936        | 24.11%         |
| <b>Total</b>                               | <b>7,120,003</b> | <b>100.00%</b> | <b>7,120,003</b> | <b>100.00%</b> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 29 – RESERVES

(in thousands of EUR)

|                                      | Reserves for<br>treasury<br>shares | Legal<br>reserves | Other<br>reserves | Total   |
|--------------------------------------|------------------------------------|-------------------|-------------------|---------|
| At 1 January 2022                    | 19,590                             | 7,108             | 58,197            | 84,895  |
| Allocation of profits                | -                                  | 1,627             | 15,452            | 17,079  |
| Actuarial gain (net of deferred tax) | -                                  | -                 | 240               | 240     |
| At 31 December 2022                  | 19,590                             | 8,735             | 73,889            | 102,214 |
| At 1 January 2023                    | 19,590                             | 8,735             | 73,889            | 102,214 |
| Allocation of profits (i)            | -                                  | 1,314             | 6,107             | 7,421   |
| Actuarial loss (net of deferred tax) | -                                  | -                 | (14)              | (14)    |
| At 31 December 2023                  | 19,590                             | 10,049            | 79,982            | 109,621 |

The legal reserve is required under Croatian law according to which the Company is committed to build up legal reserves to a minimum of 5% of the profit for the year until the total reserve reaches 5% of the share capital. Both legal reserves and reserves for treasury shares are non-distributable. Other reserves mainly relate to (non-distributable) reserves required by the Company's Articles of Association and actuarial gains and losses related to the assessment of long-term provisions for employee benefits.

(i) Allocation of profits

In 2023, the General Assembly reached a decision to allocate the Company's profit from 2022 in the amount of EUR 26,290 thousand as follows: the amount of EUR 1,314 thousand to legal reserves, the amount of 6,107 thousand to other reserves, the amount of EUR 18,579 thousand for the declared dividend (EUR 2.65 per share), while the remainder of EUR 290 thousand is retained in unallocated profit.

NOTE 30 – RETAINED EARNINGS

The movement in retained earnings is as follows:

|                                   | 2023                  | 2022     |
|-----------------------------------|-----------------------|----------|
|                                   | (in thousands of EUR) |          |
| At 1 January                      | 31,309                | 33,612   |
| - profit for the year (after tax) | 47,400                | 26,290   |
| - share-based payment             | 656                   | 594      |
| - dividend declared               | (18,579)              | (12,108) |
| - transfer to reserves            | (7,421)               | (17,079) |
| At 31 December                    | 53,365                | 31,309   |

At 17 May 2023, the General Assembly reached a decision on dividend distribution in amount of EUR 18,579 thousand, EUR 2.65 per share (2022: EUR 12,108 thousand, EUR 1.19 per share).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 31 – FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

|          | 2023                         | 2022     |
|----------|------------------------------|----------|
|          | <i>(in thousands of EUR)</i> |          |
| Forwards | 9                            | -        |
|          | <u>9</u>                     | <u>-</u> |

As at 31 December 2023, financial liabilities at the fair value of currency forward contracts amount to EUR 9 thousand (2022: EUR 0).

NOTE 32 – BORROWINGS

|                          | 2023                         | 2022          |
|--------------------------|------------------------------|---------------|
|                          | <i>(in thousands of EUR)</i> |               |
| Non-current borrowings   |                              |               |
| Related party borrowings | -                            | 133           |
|                          | <u>-</u>                     | <u>133</u>    |
| Current borrowings       |                              |               |
| Banks in Croatia         | 40,272                       | 50,463        |
| Related party borrowings | 18,405                       | 9,067         |
|                          | <u>58,677</u>                | <u>59,530</u> |
| Total borrowings         | <u>58,677</u>                | <u>59,663</u> |

During 2022, the company concluded agreements on revolving facilities with commercial banks that can be used for financing through short-term loans, issuing guarantees and letters of intent, and opening letters of credit.

During 2023, the company concluded an annex to the agreement on revolving facilities with a commercial bank that can be used for financing through short-term loans, issuing guarantees and letters of intent, and opening letters of credit.

Short-term borrowings from banks in Croatia mostly refer to loans from the previously mentioned revolving facilities.

According to the currently valid loan agreements and revolving facilities with banks, the Company is obliged to maintain the financial indicator of net debt coverage with EBITDA, which is calculated as the ratio of net financial debt to EBITDA on a consolidated basis.

The maturity of long-term borrowings is as follows:

|                   | 2023                         | 2023       |
|-------------------|------------------------------|------------|
|                   | <i>(in thousands of EUR)</i> |            |
| From 1 to 2 years | -                            | 133        |
|                   | <u>-</u>                     | <u>133</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 32 – BORROWINGS (CONTINUED)

The average interest rates at the reporting date were as follows:

|                                   | 2023  | 2022  |       |       |
|-----------------------------------|-------|-------|-------|-------|
|                                   | EUR   | HRK   | EUR   | HUF   |
| Non-current borrowings            |       |       |       |       |
| <i>Banks in Croatia</i>           |       |       |       |       |
| Fixed interest rate               | -     | -     | 0.35% | -     |
| <i>Loans from related parties</i> |       |       |       |       |
| Fixed interest rate               | 1.78% | -     | 1.78% | -     |
| Current borrowings                |       |       |       |       |
| Banks in Croatia                  | 0.75% | 0.38% | 0.28% | -     |
| Loans from related parties        | 2.40% | 2.68% | 2.64% | 2.68% |

An overview of borrowings by fixed and variable interest rates is as follows:

|                        | 2023                         |          | 2022   |          |
|------------------------|------------------------------|----------|--------|----------|
|                        | fixed                        | variable | fixed  | variable |
|                        | <i>(in thousands of EUR)</i> |          |        |          |
| Non-current borrowings | -                            | -        | 133    | -        |
| Current borrowings     | 58,677                       | -        | 59,530 | -        |
|                        | 58,677                       | -        | 59,663 | -        |

In accordance with the decision of the Ministry of Finance on the publication of the interest rate on borrowings between related parties, the Company classifies the interest rate on borrowings from related companies as a fixed interest rate.

The fair value of the Company's long-term borrowings is as follows:

| <i>(in thousands of EUR)</i> | Carrying value | Fair value | Carrying value | Fair value |
|------------------------------|----------------|------------|----------------|------------|
|                              | 2023           | 2023       | 2022           | 2022       |
| Non-current borrowings       |                |            |                |            |
| Related parties              | -              | -          | 133            | 133        |
|                              | -              | -          | 133            | 133        |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 32 – BORROWINGS (CONTINUED)

The carrying amounts of the Company's borrowings are denominated in the following currencies:

|     | 2023                         | 2022          |
|-----|------------------------------|---------------|
|     | <i>(in thousands of EUR)</i> |               |
| EUR | 58,677                       | 33,402        |
| HRK | -                            | 26,121        |
| HUF | -                            | 140           |
|     | <u>58,677</u>                | <u>59,663</u> |

The Company has the following undrawn bank borrowings:

|                   | 2023                         | 2022          |
|-------------------|------------------------------|---------------|
|                   | <i>(in thousands of EUR)</i> |               |
| Up to 1 year      | 41,806                       | 21,145        |
| From 1 to 3 years | 24,500                       | 64,500        |
|                   | <u>66,306</u>                | <u>85,645</u> |

These comprise unused short-term revolving facilities, guarantees and letters of credit which the Company uses with several commercial banks.

Reconciliation of movements in liabilities with cash flows from financing activities:

|  | Liabilities<br>for right-of-<br>Loans | use assets     | Share<br>capital | Retained<br>earnings | Total           |
|--|---------------------------------------|----------------|------------------|----------------------|-----------------|
| <i>(in thousands of EUR)</i>           |                                       |                |                  |                      |                 |
| At 1 January 2023                      | 59,663                                | 4,743          | 226,623          | 31,309               | 322,338         |
| <i>Cash transactions:</i>              |                                       |                |                  |                      |                 |
| Loans received                         | 94,085                                | -              | -                | -                    | 94,085          |
| Loans repayment                        | (87,199)                              | (1,812)        | -                | -                    | (89,011)        |
| Purchase of treasury shares            | -                                     | -              | (5,250)          | -                    | (5,250)         |
| Dividend paid                          | -                                     | -              | -                | (18,467)             | (18,467)        |
| Total cash transactions                | <u>6,886</u>                          | <u>(1,812)</u> | <u>(5,250)</u>   | <u>(18,467)</u>      | <u>(18,643)</u> |
| <i>Non-cash transactions:</i>          |                                       |                |                  |                      |                 |
| Impact of changes in exchange rates    | 4                                     | -              | -                | -                    | 4               |
| Other non-cash transactions            | (7,876)                               | 968            | -                | -                    | (6,908)         |
| Total other changes related to capital | -                                     | -              | 2,477            | 40,523               | 43,000          |
| At 31 December 2023                    | <u>58,677</u>                         | <u>3,899</u>   | <u>223,850</u>   | <u>53,365</u>        | <u>339,791</u>  |

Other non-cash transactions on borrowings mainly relate to refinancing of a borrowing.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 33 – PROVISIONS

| <i>(in thousands of EUR)</i> | Jubilee awards | Unused holiday | Retirement benefits | Bonuses | Legal cases | Total   |
|------------------------------|----------------|----------------|---------------------|---------|-------------|---------|
| As at 31 December 2022:      |                |                |                     |         |             |         |
| Non-current                  | 968            | -              | 3,301               | -       | 1,516       | 5,785   |
| Current                      | 204            | 1,131          | -                   | 1,436   | 21          | 2,792   |
| At 1 January 2023            | 1,172          | 1,131          | 3,301               | 1,436   | 1,537       | 8,577   |
| Increase in provisions       | 161            | 1,626          | 156                 | 2,092   | 112         | 4,147   |
| Utilised during the year     | (203)          | (1,131)        | (259)               | (1,436) | (8)         | (3,037) |
| At 31 December 2023          | 1,130          | 1,626          | 3,198               | 2,092   | 1,641       | 9,687   |
| As at 31 December 2023:      |                |                |                     |         |             |         |
| Non-current                  | 916            | -              | 3,198               | -       | 1,624       | 5,738   |
| Current                      | 214            | 1,626          | -                   | 2,092   | 17          | 3,949   |
|                              | 1,130          | 1,626          | 3,198               | 2,092   | 1,641       | 9,687   |

(i) *Legal cases*

Legal provisions relate to a number of legal proceedings initiated against the Company which stem from regular commercial activities and court cases including former employees. The expenses relating to the provisions are included in the separate statement of comprehensive income within Other income or Administrative expenses. Based on the expert opinion of legal advisers, management believes that the outcome of these legal proceedings will not give rise to any significant losses beyond the amounts provided as at 31 December 2023.

(ii) *Bonuses*

In 2023, the Company recognised EUR 2,092 thousand of provisions for bonuses to management (2022: EUR 1,436 thousand).

(iii) *Jubilee awards and regular retirement benefits*

According to the Collective Labour Agreement signed by companies in Croatia, the Company has an obligation to pay jubilee awards, retirement and other benefits to its employees. In accordance with the respective agreement, the employees are entitled to a regular retirement benefit (without stimulating retirement benefit) in the net amount of EUR 2 thousand, of which EUR 1 thousand are taxable. No other post-retirement benefits are provided. The present values of these liabilities, the related current service cost and past service cost were measured using the projected credit unit method. Management considers the Croatian corporate bond market to be a deep market.

The actuarial estimates have been derived on the basis of the following key assumptions:

|   | 2023  | 2022  |
|---|-------|-------|
| Discount rate                                       | 3.30% | 3.20% |
| Fluctuation rate                                    | 7.60% | 7.70% |
| Average expected remaining working lives (in years) | 14    | 13    |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 33 – PROVISIONS (CONTINUED)

Changes in the present value of the defined benefit obligation during the period:

| <i>(in thousands of EUR)</i> | Jubilee<br>awards | Retirement<br>benefits | Jubilee<br>awards | Retirement<br>benefits |
|------------------------------|-------------------|------------------------|-------------------|------------------------|
| At 1 January                 | 1,172             | 3,301                  | 1,365             | 2,140                  |
| Past service cost            | 5                 | (71)                   | 9                 | 1,317                  |
| Current service cost         | 59                | 114                    | 59                | 114                    |
| Interest expense             | 33                | 96                     | 35                | 99                     |
| Actuarial (gains)/losses     | 64                | 17                     | (77)              | (292)                  |
| Benefits paid                | (203)             | (259)                  | (219)             | (77)                   |
| At 31 December               | 1,130             | 3,198                  | 1,172             | 3,301                  |

NOTE 34 – TRADE AND OTHER PAYABLES

|                        | 2023                         | 2022   |
|------------------------|------------------------------|--------|
|                        | <i>(in thousands of EUR)</i> |        |
| Trade payables         | 40,779                       | 29,900 |
| Related party payables | 3,483                        | 2,811  |
| Other liabilities      | 23,634                       | 15,149 |
|                        | 67,896                       | 47,860 |

As at 31 December 2023 and 31 December 2022, the carrying amounts of payables approximate their fair values due to the short-term nature of those liabilities.

Other payables include the following:

|  | 2023                         | 2022   |
|--|------------------------------|--------|
|  | <i>(in thousands of EUR)</i> |        |
| Other accrued expenses                   | 10,495                       | 6,014  |
| Salaries and other benefits to employees | 5,827                        | 4,908  |
| Deferred income                          | 5,337                        | 3,169  |
| Dividends payable                        | 584                          | 472    |
| Package waste disposal fee payable       | 87                           | 87     |
| Accrued interest                         | 52                           | 39     |
| Other payables                           | 1,252                        | 460    |
|  | 23,634                       | 15,149 |

More information on employee expenses is provided in note 11.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 35 – RISK MANAGEMENT

Categories of financial instruments are as follows:

|   | 2023                         | 2022          |
|---|------------------------------|---------------|
|   | <i>(in thousands of EUR)</i> |               |
| Financial assets at amortised cost                                    |                              |               |
| Trade receivables (including bills of exchange received and interest) | 60,158                       | 54,656        |
| Debt instruments at amortised cost                                    | -                            | 14,999        |
| Short-term loans  | 13,947                       | 10,808        |
| Cash and cash equivalents   | 16,698                       | 3,837         |
| Long-term loans   | 3                            | 44            |
| Long-term deposits  | 2                            | 2             |
|   | <u>90,808</u>                | <u>84,346</u> |
| Financial assets at fair value through other comprehensive income     |                              |               |
| Equity instruments  | 79                           | 79            |
|   | <u>79</u>                    | <u>79</u>     |
| Financial assets at fair value through profit and loss                |                              |               |
| Financial instruments   | 4,831                        | 4,831         |
| Forward contracts   | 59                           | 12            |
|   | <u>4,890</u>                 | <u>4,843</u>  |
| Total financial assets  | <u>95,777</u>                | <u>89,268</u> |
| Financial liabilities at amortised cost                               |                              |               |
| Lease liabilities   | 3,899                        | 4,743         |
| Borrowings  | 58,677                       | 59,663        |
| Trade and interest payables   | 44,314                       | 32,750        |
|   | <u>106,890</u>               | <u>97,156</u> |
| Financial liabilities at fair value through profit and loss           |                              |               |
| Forward contracts   | 9                            | -             |
|   | <u>9</u>                     | <u>-</u>      |
| Total financial liabilities   | <u>106,899</u>               | <u>97,156</u> |

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Financial instruments held to maturity in the normal course of operations are carried at the lower of cost and the net amount less the portion repaid. Fair value is determined as the amount at which a financial instrument can be exchanged between willing and knowledgeable parties in an arm's-length transaction, except in the event of forced sale or liquidation.

At the reporting date, the carrying amounts of cash and cash equivalents, short-term deposits and short-term borrowings approximate their market value due to the short-term nature of those assets and liabilities and due to the fact that a majority of these assets and liabilities are at variable interest rates approximating market interest rates.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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### NOTE 35 – RISK MANAGEMENT (CONTINUED)

#### Fair value of financial instruments (continued)

Financial assets arising from currency forward contracts are measured at fair value as explained in note 24.

The Company considers that the carrying amount of investments in unquoted and quoted equity instruments with no active market approximates their fair value due to the fact that the respective instruments were acquired at a price willingly agreed by knowledgeable and unrelated parties.

The carrying amounts of borrowings and leases approximates their fair values as these liabilities bear variable interest rates or fixed interest rate approximating market interest rates.

#### Risk factors

In its operations, the company is exposed to risks typical for economic entities operating on the domestic and foreign markets, especially those from the food industry.

External risk factors refer to influences from the environment such as economic, political, technological, social, risk related to changes in legislation and in recent years the increasingly pronounced impact of climate change on certain parts of the business system. The company ensures compliance with the standards governing individual areas and thereby reduces exposure to external risk factors. The Company can influence the impact of internal risk factors through regular business policies, procedures and decisions.

The Company continues with the continuous implementation of the Enterprise Risk Management (ERM) process.

Enterprise Risk Management refers to the process of integrated analysis and reporting of key strategic, operational and financial risks to which the company is exposed, identification of potential events that may negatively affect the company's results, and management of identified risks.

#### Financial risks

In its operations, the Company is exposed to various financial risks, especially the currency risk, interest rate risk, price risk, credit risk, and liquidity risk. The company actively manages these risks through adopted policies and sets guidelines related to financial risk management.

#### Capital risk management

The gearing ratio at the reporting date was as follows:

|   | 2023                         | 2022          |
|---|------------------------------|---------------|
|   | <i>(in thousands of EUR)</i> |               |
| Debt (long- and short-term borrowings including forward contract) | 58,686                       | 59,663        |
| Cash and cash equivalents   | (16,698)                     | (3,837)       |
| Net debt  | <u>41,988</u>                | <u>55,826</u> |
| Equity  | 386,836                      | 360,146       |
| Net debt to equity ratio  | 11%                          | 16%           |

Debt is defined as long-term and short-term borrowings. Equity includes all capital and reserves.

NOTE 35 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

*Credit risk management*

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in a possible financial loss for the Company. The Company adopted “Policy of customer credit risk management and collection of receivables in the Podravka Group” and applies it in operations with customers, based on which it takes security instruments, wherever possible, for the purpose of hedging possible financial risks and loss as a consequence of default.

The Company enters into business only with counterparties with good credit ratings, securing, when needed, receivables for the purpose of decreasing the risk of financial loss as a consequence of default. The Company’s exposure and the credit ratings of its counterparties are continuously monitored.

*The Company’s exposure to major customers*

The control of the Company’s exposure to major customers is carried out through regular monitoring of receivables and certain measures to control the collection and delivery of goods, as well as the acquisition of adequate collection security instruments. The Policy considers existing and new external customers of the Company through the prism of the approved amount of credit limits and customer risk categories. In case of exceeding the given parameters, it is acted in accordance with the Policy, and everything is systematically monitored through the relevant module in SAP. Receivables are analysed on a weekly basis and the necessary measures are taken for their collection, all in accordance with the parameters of the adopted Policy.

Risk mitigation measures are defined based on the financial performance indicators for individual category of customers, using services where the required information is available (financial statements, credit ratings). The Company’s exposure and credit exposure are continuously monitored through credit limits set by the Company and insurer, which are continuously revised and adjusted in accordance with the needs and situation on the market.

During 2023, the Company did not have significant damage claims related to the insurance of receivable collection.

*Liquidity risk management*

The Company manages liquidity risk by maintaining optimum amounts of cash on accounts, continuously forecasting future cash flows and monitoring realised ones and contracting adequate sources of financing from which it can in short-term and at familiar conditions ensure liquidity requirements.

The Company continuously monitors and plans all its receivables and all trade payables, liabilities to employees, banks and other financial institutions, taxes payable and other payables with the aim of timely ensuring required liquidity level.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 35 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

*Liquidity risk analysis*

The following tables detail the Company's remaining contractual maturity for its financial liabilities and its financial assets presented in the statement of financial position at each reporting period end. The tables have been drawn up based on the undiscounted cash flows based on contracted terms at reporting date and include cash flows from both interest and principal.

The liquidity risk analysis below shows no potential deficit of short-term liquidity for the Company.

| <i>as at 31 December 2023</i>            | Net book<br>value            | Contracted<br>cash flow | Up to one<br>year | 1 - 5 years  | over 5 years   |
|--|------------------------------|-------------------------|-------------------|--------------|----------------|
|  | <i>(in thousands of EUR)</i> |                         |                   |              |                |
| <i>Non-interest bearing liabilities:</i> |                              |                         |                   |              |                |
| Trade and interest payables              | 44,314                       | 44,313                  | 44,313            | -            | -              |
| Forward contracts                        | 9                            | 9                       | 9                 | -            | -              |
|  | <u>44,323</u>                | <u>44,322</u>           | <u>44,322</u>     | <u>-</u>     | <u>-</u>       |
| <i>Interest bearing liabilities:</i>     |                              |                         |                   |              |                |
| Loans and borrowings                     | 58,677                       | 58,993                  | 58,983            | 10           | -              |
| Lease liabilities                        | 3,899                        | 4,680                   | 1,635             | 975          | 2,070          |
|  | <u>62,576</u>                | <u>63,673</u>           | <u>60,618</u>     | <u>985</u>   | <u>2,070</u>   |
|  | <u>106,899</u>               | <u>107,995</u>          | <u>104,940</u>    | <u>985</u>   | <u>2,070</u>   |
| <i>Non-interest bearing assets:</i>      |                              |                         |                   |              |                |
| Trade receivables (including interests)  | 60,158                       | 60,158                  | 60,158            | -            | -              |
| Financial instruments                    | 4,910                        | 4,910                   | 4,910             | -            | -              |
| Cash and cash equivalents                | 16,698                       | 16,697                  | 16,697            | -            | -              |
| Forward contracts                        | 59                           | 59                      | 59                | -            | -              |
|  | <u>81,825</u>                | <u>81,824</u>           | <u>81,824</u>     | <u>-</u>     | <u>-</u>       |
| <i>Interest bearing assets:</i>          |                              |                         |                   |              |                |
| Short-term loans                         | 13,950                       | 14,230                  | 14,227            | 3            | -              |
| Long-term deposits                       | 2                            | 2                       | -                 | 2            | -              |
|  | <u>13,952</u>                | <u>14,232</u>           | <u>14,227</u>     | <u>5</u>     | <u>-</u>       |
|  | <u>95,777</u>                | <u>96,056</u>           | <u>96,051</u>     | <u>5</u>     | <u>-</u>       |
| Net liquidity position                   | <u>(11,122)</u>              | <u>(11,939)</u>         | <u>(8,889)</u>    | <u>(980)</u> | <u>(2,070)</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 35 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

*Liquidity risk management (continued)*

*Liquidity risk analysis (continued)*

| <i>as at 31 December 2022</i>            | Net book<br>value            | Contracted<br>cash flow | Up to one<br>year | 1 - 5 years  | over 5<br>years |
|--|------------------------------|-------------------------|-------------------|--------------|-----------------|
|  | <i>(in thousands of EUR)</i> |                         |                   |              |                 |
| <i>Non-interest bearing liabilities:</i> |                              |                         |                   |              |                 |
| Trade and interest payables              | 32,750                       | 32,750                  | 32,750            | -            | -               |
|  | <u>32,750</u>                | <u>32,750</u>           | <u>32,750</u>     | <u>-</u>     | <u>-</u>        |
| <i>Interest bearing liabilities:</i>     |                              |                         |                   |              |                 |
| Loans and borrowings                     | 59,663                       | 59,844                  | 59,709            | 134          | -               |
| Lease liabilities                        | 4,743                        | 5,490                   | 1,635             | 1,909        | 1,946           |
|  | <u>64,406</u>                | <u>65,334</u>           | <u>61,344</u>     | <u>2,043</u> | <u>1,946</u>    |
|  | <u>97,156</u>                | <u>98,084</u>           | <u>94,094</u>     | <u>2,043</u> | <u>1,946</u>    |
| <i>Non-interest bearing assets:</i>      |                              |                         |                   |              |                 |
| Trade receivables (including interests)  | 54,656                       | 54,656                  | 54,656            | -            | -               |
| Financial instruments                    | 4,910                        | 4,910                   | -                 | 4,910        | -               |
| Cash and cash equivalents                | 3,837                        | 3,837                   | 3,837             | -            | -               |
| Forward contracts                        | 12                           | 12                      | 12                | -            | -               |
|  | <u>63,415</u>                | <u>63,415</u>           | <u>58,505</u>     | <u>4,910</u> | <u>-</u>        |
| <i>Interest bearing assets:</i>          |                              |                         |                   |              |                 |
| Short-term loans                         | 10,852                       | 11,151                  | 11,106            | 45           | -               |
| Debt instruments at amortised cost       | 14,999                       | 15,173                  | 15,173            | -            | -               |
| Long-term deposits                       | 2                            | 2                       | -                 | 2            | -               |
|  | <u>25,853</u>                | <u>26,326</u>           | <u>26,279</u>     | <u>47</u>    | <u>-</u>        |
|  | <u>89,268</u>                | <u>89,741</u>           | <u>84,784</u>     | <u>4,957</u> | <u>-</u>        |
| Net liquidity position                   | <u>(7,888)</u>               | <u>(8,343)</u>          | <u>(9,310)</u>    | <u>2,914</u> | <u>(1,946)</u>  |

*Market risks*

*(i) Interest rate risk management*

The company has contracted revolving facilities with banks that carry fixed and variable interest rates. At the reporting date, the Company used revolving facilities and loans at fixed interest rates, therefore it was not exposed to the interest rate risk. However, the company continuously monitors changes and projections of interest rates.

NOTE 35 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

*Market risks (continued)*

*Interest rate sensitivity analysis*

On 31 December 2023 and 31 December 2022, the Company was not exposed to the risk of interest rate changes, considering that there were no debts with variable interest rates on the reporting dates.

(ii) *Price risk*

The Company's success depends on adequate sources of raw materials, as well as their prices on the market, the efficiency of the production process and product distribution to its customers.

The cost of raw materials could have a significant role in the cost of finished products that the Company manufactures, therefore, it is subject to fluctuations of market prices of agricultural and food raw materials, whose impact cannot always be mitigated through the sale price for the buyer.

Protective customs and trade mechanisms in the EU protecting EU producers represent a risk in terms of increased customs duties (antidumping) for certain raw materials from third countries.

Also, frequent disruptions on the global market caused by environmental and geopolitical factors and a consolidation in the sector of primary production of raw materials, as well as global disruptions in the supply chain caused by uncertainty and fluctuations in container transport prices, energy crisis and the current wars in Ukraine and Israel and terrorist attacks in the Red Sea, have higher purchase prices as a consequence.

*Risks of raw material procurement and product delivery*

The Company realises most of the procurement on the domestic market, while the majority of turnover with foreign suppliers relates to suppliers from EU member states.

Among procurement function risks, the risk of availability of goods on market is one of the most significant, due to its possible impact on the Company's operations.

Over the last years, this risk is more prominent due to more frequent adverse weather conditions caused by climate change on the global level (long droughts, floods, etc.). The consequence are lower yields of some agricultural plants often coupled with their lower quality, which leads to the deficit of these raw materials in the free market (fresh and dried vegetables), even for several consecutive seasons. More frequent livestock diseases cause global disruptions on the meat market, while political or social unrest in certain countries (war in Ukraine and Israel and terrorist attacks in the Red Sea), state interventions on market (hazelnut, cocoa) or speculation with key agricultural and food products (wheat, sugar) are a constant threat in the global business environment.

The increasing instability of maritime transport contributes to further price volatility that is reflected in all types of raw materials as it has a global impact on the functioning of the entire supply chain from Canada, African countries to Eastern markets. The instability of maritime transport and extended maritime routes cause supply problems and the rise in prices of raw materials used for the production of certain packaging materials, which affects the rise in prices and the extension of delivery terms of packaging materials.

Operating in such conditions, the procurement function of the Company minimizes these impacts through managing the strategic procurement categories and key suppliers, consolidation of purchasing volumes with the aim to strengthen market positions and ensure availability of raw materials for the production in required volumes, of satisfying quality and on time. Also, by continuously monitoring new technological solutions and introducing replacement raw materials where possible, the Company actively works on the mitigation and/or elimination of the risk of procurement of raw materials and availability of products.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 35 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

Market risks (continued)

(ii) Price risk (continued)

*Risks of price fluctuations of basic raw materials*

The market of agricultural and food products, as the most significant source of raw materials for the Company, is among the most sensitive markets of the modern world. Therefore, the volatility of prices of agricultural and food raw materials is a significant element in the Company's business environment, especially in conditions of prominent disruptions on the global and local markets. One of the reasons lies in the already mentioned risks of availability of goods due to environmental, geopolitical and social factors and speculations with key agricultural and food products, especially those in the wheat and sugar sectors.

Exceptional price volatility is particularly relevant in the commodity market segment (hazelnut, sugar, spices, cocoa, powdered milk, wheat, semolina) due to disruptions in the supply chain and climate change on the one hand, and on the other hand due to increased demand in the Chinese market. Furthermore, producers in the EU increasingly have to comply with various production conditions that producers in other parts of the world are not obliged to comply with, regarding the strictest environmental standards, CO<sub>2</sub> emissions and the use of permitted plant protection products, regulations on animal welfare, etc.

Protective customs and trade mechanisms in the EU that, on one hand, protect EU producers and customers, on the other hand pose a risk in terms of increased customs duties (antidumping) for certain raw materials from third countries, as well as the impossibility of supplying certain materials that in those countries have not been observed as a health risk (use of certain types of pesticides) and as such are allowed for use in those countries.

To minimise these impacts, the Company's procurement function continuously monitors movements in prices and market trends, conducts joint tenders for certain strategic procurement categories, uses new procurement techniques (Ariba, e- procurement, internet auctions) to increase the efficiency of the sourcing process and reduce the cost of procurement. Timely contracting, allocating a portion of risk to our suppliers, optimisation of material specifications and introduction of replacement raw materials, as well as active implementation of the Commodity Risk Management with strengthening of causality analyses in the movements of procurement costs, are only some of the measures taken by the Company for the purpose of best estimates of price movements and the minimisation of market price volatility risk.

(iii) Currency risk

The carrying amounts of the Company's foreign currency denominated financial assets and financial liabilities at the reporting date are as follows.

|                      | Liabilities                  |              | Assets                       |               |
|----------------------|------------------------------|--------------|------------------------------|---------------|
|                      | 2023                         | 2022         | 2023                         | 2022          |
|                      | <i>(in thousands of EUR)</i> |              | <i>(in thousands of EUR)</i> |               |
| SAD (USD)            | 1,478                        | 511          | 2,543                        | 2,835         |
| Poland (PLN)         | -                            | 472          | 2,534                        | 3,650         |
| Australia (AUD)      | 2                            | 1            | 2,510                        | 2,237         |
| Romania (RON)        | -                            | -            | 1,811                        | 1,349         |
| Czech Republic (CZK) | -                            | 198          | 532                          | 554           |
| Other currencies     | 19                           | 239          | 596                          | 1,415         |
|                      | <u>1,499</u>                 | <u>1,421</u> | <u>10,526</u>                | <u>12,040</u> |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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### NOTE 35 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

*Market risks (continued)*

*(iii) Currency risk (continued)*

*Foreign currency sensitivity analysis*

After the transition to the euro currency in 2023, the Company eliminated a good part of the currency risk, which was present since the Company operates on foreign markets and procures raw materials on the international market. However, the Company performs certain transactions in other foreign currencies so the highest exposure during 2023 was to changes in the exchange rate of the Euro against USD, PLN, AUD, RON and CZK.

During 2023, the application of the principles of transactional currency risk management within the framework of the Risk Management Policy continued. Through this Policy, the currency risk protection model has been improved by additional activities of monitoring market trends, regular analysis of all currencies in which there is exposure, and defining the possibility and scope of contracting permitted derivative financial instruments aimed at currency risk protection. This approach is applied to the group of currencies to which Podravka d.d. has exposure that cannot be reduced by natural, balance sheet protection. Through the Bloomberg terminal, macroeconomic projections are regularly monitored and derivative financial instruments are contracted with the aim of managing currency risk.

During 2023, the Company concluded fx forward contracts for managing currency risk of the following foreign currencies USD, PLN and HUF.

The currency risk analysis is based on the official exchange rates for the currencies analysed above as per the European Central Bank which were as follows:

|     | 31 December<br>2023 | 31 December<br>2022 |
|-----|---------------------|---------------------|
| USD | 1.105               | 1.0666              |
| PLN | 4.3395              | 4.6808              |
| AUD | 1.6263              | 1.5693              |
| RON | 4.9756              | 4.9495              |
| CZK | 24.724              | 24.1158             |

The following table details the Company's sensitivity to a 10% increase and decrease in euro against the relevant foreign currencies where the Company has significant exposure (USD, PLN, AUD, RON and CZK). With the transition of the Republic of Croatia to the euro as the local currency from 1 January 2023, the currency risk of that position was eliminated. The sensitivity analysis includes only outstanding cash items in foreign currency and their translation at the end of the period based on the percentage change in currency exchange rates. The sensitivity analysis includes monetary assets and monetary liabilities in foreign currencies. A negative number below indicates a decrease in profit where the Euro changes against the relevant currency for the percentage specified above. For an inversely proportional change of the Euro against the relevant currency, there would be an equal and opposite impact on the profit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 35 – RISK MANAGEMENT (CONTINUED)

Financial risks (continued)

*Market risks (continued)*

*(iii) Currency risk (continued)*

*Foreign currency sensitivity analysis (continued)*

|  | USD exposure                 |       | PLN exposure                 |       |
|--|------------------------------|-------|------------------------------|-------|
|  | 2023                         | 2022  | 2023                         | 2022  |
|  | <i>(in thousands of EUR)</i> |       | <i>(in thousands of EUR)</i> |       |
| Increase/(decrease) of net result +10% | 107                          | 232   | 253                          | 318   |
| Increase/(decrease) of net result -10% | (107)                        | (232) | (253)                        | (318) |

|  | AUD exposure                 |       | RON exposure                 |       |
|--|------------------------------|-------|------------------------------|-------|
|  | 2023                         | 2022  | 2023                         | 2022  |
|  | <i>(in thousands of EUR)</i> |       | <i>(in thousands of EUR)</i> |       |
| Increase/(decrease) of net result +10% | 251                          | 224   | 181                          | 135   |
| Increase/(decrease) of net result -10% | (251)                        | (224) | (181)                        | (135) |

|  | CZK exposure                 |      |
|--|------------------------------|------|
|  | 2023                         | 2022 |
|  | <i>(in thousands of EUR)</i> |      |
| Increase/(decrease) of net result +10% | 53                           | 36   |
| Increase/(decrease) of net result -10% | (53)                         | (36) |

*(iv) Sales function based risks*

The Company generates 52% (2022: 50%) of its revenue on the domestic market, whereas 48% (2022: 50%) of the sales are generated on international markets. The Company determines the selling prices and rebates in accordance with the macroeconomic conditions prevailing in each of the markets, which is at the same time the maximum sales function based risk.

As for domestic operations, the Company expects increased risks related to the consolidation of the market and the strengthening of the bargaining power of customers, as well as maintaining the market position. In order to reduce this impact, the Company strives to diversify its customer base, further strengthen its own competitiveness by increasing efficiency, modernizing technology and strengthening product brands, as well as visibility through investments in marketing activities in order to respond to the price elasticity of end consumers.

The Company is making efforts through optimization of existing pricing policies and price levels in markets where it operates to secure a basis for the continuing successful long-term growth and avoid decrease in profit margins.

NOTE 35 – RISK MANAGEMENT (CONTINUED)

Business risks management

The company is also exposed to risks that result from regular business activities and are typical of the food industry. Significant risks include the risk of industry and competition, the risk of IT system disorders, the risks related to human capital and the climate impact risk.

Industry risks

In the food industry, market trends as well as consumer habits change in a very short period of time. Due to this risk, the Company seeks to constantly improve the processes and meet market conditions. In the food industry, where the focus is on products and brands, the Company complies with legislative, health and manufacturing regulations. However, the legal regulations according to which the production and sales processes within the Company are harmonized are subject to change, depending on the bodies that adopt them. By improving internal processes, the Company strives to eliminate most potential threats.

The continuing risks in global supply chains pose a challenge for food manufacturers. Volatility of prices on the market of agricultural and food raw materials, as well as the risk of unavailability of goods on the market due to increasingly frequent weather disasters caused by climate change (perennial droughts, floods, etc.), outbreaks of livestock diseases, volatility of energy sources, disruptions in supply chains, and political or social unrest in certain countries affects the rise in prices and the availability of raw materials. The risk of external shocks and unpreparedness for extraordinary demands is reduced by further developing competition among suppliers, process optimization, timely contracting of procurement, consolidating procurement volumes, as well as timely production planning and taking into account unpredictable circumstances.

Competition risk

The Company sells products both on the Croatian and international markets, and is exposed to numerous competitors in all product categories. Innovations, adjustments of the product price, quality and packaging are key changes that the Company is paying attention to in order to be different from competition.

In addition, the reputation of the brand, or the Company, is intangible value that differentiates it from the competition and creates the advantage. Monitoring of consumer habits and preferences that are subject to constant changes, and adjustments to them, are one of a series of activities that the Company undertakes to maintain and increase the existing market positions and margins.

NOTE 35 – RISK MANAGEMENT (CONTINUED)

Business risks management (continued)

Risks of IT system disruptions

The Company intensely uses IT systems that enable it to efficiently manage the Company, communicate with customers and suppliers, and collect all the information that management can rely on in making decisions.

Given the high degree of automation of business processes through the use of IT systems, the Company takes the necessary measures to minimise IT system disruptions due to problems with IT equipment, the space in which it is located, viruses and unauthorised external breaches into the systems.

As each IT system disruption causes significant problems in operating systems and financial losses, the Company has implemented IT system recovery procedures through the construction of an auxiliary IT room that assumes the function of the main IT system room in case of a problem. In the normal operating mode, both IT system rooms work in the active-active mode.

The Company regularly implements proactive actions to improve the IT system security by applying the best recommended security practices.

The Company regularly implements automated PEN tests using a specialized software solution and performs remedy activities to minimize the risk of using the vulnerability of the system for spreading the malicious code and the risk of unauthorized external breaches into the IT systems.

Also, following the implementation of advance security monitoring systems, monitored on a daily basis, the risk of external breaches into the Company's IT systems is additionally reduced.

The Company has implemented and certified the IT security management system based on the ISO/IEC 27001:2013 standard in December 2020, and at the end of 2023, the IT security management system was recertified in line with the ISO/IEC 27001:2022 standard.

Human resource risk management

Considering the challenges on the labour market and the general lack of labour force and the increasing number of shortage occupations in the Republic of Croatia, the Company observes the two greatest risks from the aspect of timely recruitment and retention of skilled labour and unfavourable age structure of employees and retirement in the coming years.

Accordingly, in 2022 the Company initiated and in 2023 continued a number of activities to mitigate these risks such as employment of young workers from new pools, intensifying cooperation with educational institutions, employer image management, developing programs that encourage intergenerational and multicultural cooperation and understanding, programs for trainees and new employees, and improvements in the promotion and reward system.

NOTE 35 – RISK MANAGEMENT (CONTINUED)

Business risks management (continued)

Climate related risk

The Company's activities are not listed in the Delegated Regulation on the EU taxonomy of climate-sustainable activities, which means that these are activities that do not have a significant negative impact on the climate because large amounts of greenhouse gases are not released in the production process.

Through a strong investment cycle, investments were continued in increasing the energy efficiency of property and plant and, consequently, lower consumption of energy sources, which further reduces CO<sub>2</sub> emissions and thus the negative impact on the climate.

Investments in the vehicle fleet and the consequent exploitation of new freight vehicles reduce CO<sub>2</sub> emissions per kilometre driven, and the use of a routing application optimizes the distribution of goods, which directly contributes to the environmental goal of mitigating the negative trends of climate change.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 36 – SHARE-BASED PAYMENTS

Employee share options

Options for the purchase of Podravka d.d. shares were granted to key management of the Company. The exercise price of the granted option equals the weighted average share price of Podravka d.d. shares as per the Zagreb Stock Exchange in the year the option is granted. The vesting period normally starts at the date of option contract signed. Options are acquired separately for each business year.

All the mentioned deadlines are valid unless any of the circumstances foreseen by each of the contracts from the mentioned period have occurred, which refers to the early termination of the mandate, violation of the contract provisions, leaving the company, transfer to a new position within the company, in which case the options should generally be exercised within 6 months from the occurrence of any of the above-mentioned circumstances.

The following share-based payment options were effective as at 31 December 2023:

| Date of issue                            | Number of options | Vesting terms                              | Contracted vesting period |
|--|-------------------|--|---------------------------|
| <i>Options granted to key management</i> |                   |  |                           |
| As at 10 December 2019                   | 15,000            | Employment until contracted vesting period | 31 Dec 2024               |
| As at 29 September 2020                  | 22,500            | Employment until contracted vesting period | 31 Dec 2025               |
| As at 2 December 2020                    | 3,300             | Employment until contracted vesting period | 31 Dec 2025               |
| As at 30 April 2021                      | 32,500            | Employment until contracted vesting period | 31 Dec 2026               |
| <b>Total</b>                             | <b>73,300</b>     |  |                           |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 36 – SHARE-BASED PAYMENTS (CONTINUED)

Employee share options (continued)

*Fair value measurement*

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the historical volatility of the share price, particularly over the historical period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). In accordance with the input variables used, the fair value estimate of the option is categorised in the fair value hierarchy as level 1 (note 7). Service and non-market performance conditions are not taken into account in determining fair value.

Input variables for calculation of fair value:

| Share option programme for key management           | 2023  | 2022  |
|---|-------|-------|
| Fair value at grant date (weighted average)         | 20    | 18    |
| Share price at grant date (weighted average)        | 73    | 66    |
| Exercise price (weighted average)                   | 66    | 59    |
| Expected volatility (weighted average)              | 21%   | 20%   |
| Expected life (weighted average in years)           | 2.2   | 2.3   |
| Risk-free interest rate (based on government bonds) | 2.88% | 3.29% |

| Expense recognised in profit or loss | 2023 | 2022 |
|--------------------------------------|------|------|
|--------------------------------------|------|------|

*(in thousands of EUR)*

|   |     |     |
|---|-----|-----|
| Equity-settled share-based payment transactions | 314 | 510 |
|---|-----|-----|

The exercise price of share options for key management falls within the range EUR 42 to EUR 57.

Movement in the number of share options and respective exercise prices in EUR is as follows:

|                          | 2023              |                                 | 2022              |                                 |
|--------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                          | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding at 1 January | 126,272           | 59                              | 183,000           | 56                              |
| Exercised                | (52,972)          | 50                              | (56,728)          | 42                              |
| At 31 December           | 73,300            | 66                              | 126,272           | 59                              |
| Unused as at 31 December | 40,800            | 419                             | 39,672            | 47                              |

As at 31 December 2023 there are 73,300 of outstanding options (2022: 126,272 options). During 2023, 52,972 options were exercised (2022: 56,728 options).

The weighted average exercise price of outstanding options at the end of 2023 is EUR 66 (2022: EUR 59). The price of all unexercised share options is lower than the share market price as at 31 December 2023. The weighted average remaining validity of options is 2.2 years at year end (2022: 2.3 years).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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### NOTE 36 – SHARE-BASED PAYMENTS (CONTINUED)

Shares for the Company's management

At the level of the Company, there are long-term plans for the allocation of shares to the Company's key management for the period from 2022 to 2024.

The share allocation program applies to the Company's Management Board, and the right is acquired in the event that a member of the Management Board has exercised the right to the payment of an annual bonus. The total number of shares to which a member of the Management Board is entitled for a particular business year is determined by multiplying a certain number of monthly salaries by the amount of monthly salary expressed in gross amount and subsequently divided by the share price of the Company, which is calculated as the average price realized on the Zagreb Stock Exchange during the six months preceding the date of the decision of the Supervisory Board. The Supervisory Board shall determine the number of shares to be awarded to a member of the Management Board in such a way that the total number of shares is reduced by the number of shares whose market value on the date of award corresponds to the value of the legally required duties.

The schedule of allocation of the total number of shares will be determined in such a way that 50% of the total number of shares for the year in question are allocated to the Member of the Management Board within 30 days of the decision of the Supervisory Board, while the right of the Member of the Management Board to allocate the remaining 50% of shares will depend on the fulfilment of long-term business plans and discretionary decisions of the Supervisory Board in 2025.

In accordance with the plan for the allocation of shares to key management for 2023, the Company's Management Board has acquired the right to allocate shares, with 50% of the total number of shares for 2023 being allocated within 30 days of the Supervisory Board's decision in 2024. With the last share price of 163 euros on 31 December 2023, the estimate for 50% of the number of shares without reduction for prescribed duties is 1,634 shares (5 members of the Management Board).

For 2022, the Company's Management Board acquired the right to allocate shares. With the last share price of 84.15 euros on 31 December 2022, the estimate of 50% of the number of shares available for allocation without impairment for prescribed duties was 2,601 shares.

During 2023, 1,381 shares (minus prescribed benefits) were allocated to the members of the Management Board in accordance with the right from 2022 for 3 members of the Management Board, while for the remaining 2 members of the Management Board, 50% of the total number of shares for which they exercised the right for the year 2022 will be allocated according the expiration of the two-year term of office of an individual member of the Management Board.

The allocation of the remaining 50% of total shares for 2023 and 2022 is dependent on the implementation of long-term plans, on which the Supervisory Board will make a decision in 2025.

#### *Fair value measurement*

Variables in measuring the cost of share-based payment transactions are the gross salary, the number of gross salaries and the share price on the measurement date.

|   |                              |      |
|---|------------------------------|------|
| Recognized in profit or loss                    | 2023                         | 2022 |
|   | <u>(in thousands of EUR)</u> |      |
| Equity-settled share-based payment transactions | 367                          | 256  |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 37 – RELATED PARTY TRANSACTIONS

*Transactions with subsidiaries*

REVENUE

*Sales revenue*

|   | Revenue from sale of<br>products and<br>merchandise |         | Revenue from services        |       |
|---|---|---------|------------------------------|-------|
|   | 2023  | 2022    | 2023                         | 2022  |
|   | <i>(in thousands of EUR)</i>                        |         | <i>(in thousands of EUR)</i> |       |
| Company:  |   |         |                              |       |
| Podravka d.o.o. Sarajevo, Sarajevo              | 26,774  | 22,895  | 88                           | 80    |
| Podravka d.o.o. Ljubljana, Ljubljana            | 22,393  | 18,867  | 310                          | 293   |
| Podravka d.o.o. Beograd, Belgrade               | 12,368  | 10,446  | 57                           | 53    |
| Podravka-Polska Sp.z o.o., Warsaw               | 12,155  | 14,212  | 101                          | 97    |
| Podravka d.o.o.el Petrovec. Petrovec            | 11,694  | 10,841  | 52                           | 57    |
| Podravka-Int.Deutschland-"Konar" GmbH, Munchen  | 8,312   | 10,442  | 25                           | 21    |
| Podravka USA Inc., New York                     | 7,013   | 6,742   | 342                          | 196   |
| Podravka d.o.o. Podgorica, Podgorica            | 5,723   | 4,750   | 21                           | 19    |
| Podravka-International Pty. Ltd., Silverwater   | 5,586   | 5,219   | 15                           | 9     |
| Mirna d.d., Rovinj                              | 4,616   | 3,542   | 376                          | 379   |
| Podravka International s. r. l., Bucharest      | 3,834   | 3,913   | 27                           | 42    |
| Podravka-International s r.o., Zvolen           | 2,865   | 3,345   | 35                           | 33    |
| Podravka – Lagris a.s., Dolni Lhota u Luhačovic | 2,749   | 2,909   | 78                           | 69    |
| Podravka-International Kft., Budapest           | 2,689   | 2,169   | 23                           | 24    |
| Podravka d.o.o., Moscow                         | -   | 822     | -                            | 3     |
| Podravka EOOD, Sofia                            | 902   | 533     | 5                            | 5     |
| Žito d.o.o., Ljubljana                          | 91  | 79      | 450                          | 513   |
| Belupo d.d., Koprivnica                         | 15  | 53      | 1,590                        | 1,449 |
| Ljekarne Deltis Pharm, Koprivnica               | 1   | 1       | -                            | -     |
| Farmavita d.o.o. Sarajevo, Vogošće              | -   | -       | 69                           | 59    |
| Belupo d.o.o. Ljubljana, Ljubljana              | -   | -       | 5                            | 5     |
| Belupo d.o.o.el Skopje, Skopje                  | -   | -       | -                            | 3     |
| Total related party sales                       | 129,780   | 121,780 | 3,669                        | 3,409 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 37 – RELATED PARTY TRANSACTIONS (CONTINUED)

*Transactions with subsidiaries (continued)*

REVENUE (continued)

Investment revenue

|                             | 2023                         | 2022          |
|-----------------------------|------------------------------|---------------|
|                             | <i>(in thousands of EUR)</i> |               |
| Dividends from subsidiaries | 11,113                       | 11,232        |
| Interest and fee income     | 373                          | 327           |
|                             | <u>11,486</u>                | <u>11,559</u> |

EXPENSES

*Payments to Supervisory Board and members of the Management Board*

During the year, the Company paid the following fees to the members of the Management Board:

|   | 2023                         | 2022         |
|---|------------------------------|--------------|
|   | <i>(in thousands of EUR)</i> |              |
| Salaries, bonuses and other benefits paid | 1,311                        | 1,048        |
| Share-based payments reimbursement        | 2,151                        | 804          |
|   | <u>3,462</u>                 | <u>1,852</u> |

During 2023, the Management Board of the Company consisted of 5 members (2022: 5 members).

During 2023, share-based payments were realized from active members of the Management Board in the amount of EUR 2,151 thousand (2022: EUR 804 thousand).

During 2023, a total of EUR 293 thousand was paid as compensation to members of the Supervisory Board and the Audit Committee (2022: EUR 326 thousand).

LOANS RECEIVABLE

*Loans receivable*

|                              | 2023                         | 2022            |
|------------------------------|------------------------------|-----------------|
|                              | <i>(in thousands of EUR)</i> |                 |
| At beginning of year         | 10,852                       | 10,586          |
| Increase during the year     | 10,000                       | 9,414           |
| Repayments received          | (7,016)                      | (9,372)         |
| Other changes                | 116                          | 211             |
| Foreign exchange difference  | (2)                          | 13              |
| At end of year               | <u>13,950</u>                | <u>10,852</u>   |
| Maturity: within one year    | <u>(13,947)</u>              | <u>(10,808)</u> |
| Non-current loans receivable | <u>3</u>                     | <u>44</u>       |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 37 – RELATED PARTY TRANSACTIONS (CONTINUED)

*Transactions with subsidiaries (continued)*

LOANS RECEIVABLE (CONTINUED)

*Loans receivable (continued)*

The reported net receivables from related parties include loans to subsidiaries as follows:

|   | Interest rate | 2023                         | 2022          |
|---|---------------|------------------------------|---------------|
|   |               | <i>(in thousands of EUR)</i> |               |
| Mirna d.d., Rovinj                              | 2.40 % p.a.   | 10,600                       | 10,800        |
| Podravka Gulf FZE, Dubai                        | 2.40 % p.a.   | 50                           | 52            |
| Podravka – Lagris a.s., Dolni Lhota u Luhačovic | 2.40 % p.a.   | 3,300                        | -             |
|   |               | <u>13,950</u>                | <u>10,852</u> |

The average interest rate is 2.40% p.a. The maturity of long-term loans is as follows:

|                   | 2023                         | 2022      |
|-------------------|------------------------------|-----------|
|                   | <i>(in thousands of EUR)</i> |           |
| From 1 to 2 years | 3                            | 41        |
| From 2 to 5 years | -                            | 3         |
|                   | <u>3</u>                     | <u>44</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 37 – RELATED PARTY TRANSACTIONS (CONTINUED)

*Transactions with subsidiaries (continued)*

TRADE RECEIVABLES AND PAYABLES

|  | Current trade receivables    |        | Current trade payables       |       |
|--|------------------------------|--------|------------------------------|-------|
|  | 2023                         | 2022   | 2023                         | 2022  |
|  | <i>(in thousands of EUR)</i> |        | <i>(in thousands of EUR)</i> |       |
| Company:   |                              |        |                              |       |
| Mirna d.d., Rovinj                                   | 6,891                        | 6,218  | 1,431                        | 888   |
| Podravka d.o.o. Beograd, Belgrade                    | 5,668                        | 4,409  | 1                            | -     |
| Podravka d.o.o. Ljubljana, Ljubljana                 | 3,878                        | 3,438  | -                            | -     |
| Podravka-International Pty. Ltd., Silverwater        | 2,509                        | 1,752  | 2                            | -     |
| Podravka-Polska Sp.z o.o., Warsaw                    | 1,572                        | 3,009  | -                            | -     |
| Podravka d.o.o. Sarajevo, Sarajevo                   | 1,510                        | 540    | -                            | 9     |
| Podravka USA Inc., New York                          | 1,463                        | 1,952  | -                            | -     |
| Podravka International S. R. L., Bucharest           | 1,422                        | 1,348  | -                            | -     |
| Podravka d.o.o.el Petrovec, Petrovec                 | 1,083                        | 684    | -                            | -     |
| Podravka d.o.o. Podgorica, Podgorica                 | 1,018                        | 607    | -                            | -     |
| Belupo d.d., Koprivnica                              | 845                          | 846    | 114                          | 79    |
| Podravka – Lagris a.s., Dolni Lhota u Luhačovic      | 533                          | 554    | 132                          | 197   |
| Podravka-International s r.o., Zvolen                | 479                          | 616    | -                            | -     |
| Podravka-Int.Deutschland-„Konar“ GmbH, Munchen       | 378                          | 119    | -                            | -     |
| Podravka-International Kft., Budapest                | 314                          | 375    | -                            | 65    |
| Žito d.o.o., Ljubljana                               | 180                          | 185    | 1,599                        | 1,452 |
| Podravka EOOD, Sofia                                 | 119                          | 276    | -                            | -     |
| Žito maloprodaja d.o.o., Ljubljana                   | -                            | -      | -                            | -     |
| Farmavita d.o.o. Sarajevo, Vogošća                   | 23                           | 20     | -                            | -     |
| Belupo d.o.o. Ljubljana, Ljubljana                   | 1                            | 1      | -                            | -     |
| Šumi bomboni d.o.o. Ljubljana                        | -                            | 8      | -                            | -     |
| Podravka Gulf Fze, Dubai                             | -                            | -      | 192                          | 121   |
| Belupo d.o.o.el Skopje, Skopje                       | -                            | -      | 11                           | -     |
| Ljekarne Deltis Pharm, Koprivnica                    | -                            | -      | 1                            | -     |
| Total current related party receivables and payables | 29,886                       | 26,957 | 3,483                        | 2,811 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 37 – RELATED PARTY TRANSACTIONS (CONTINUED)

*Transactions with subsidiaries (continued)*

OTHER RECEIVABLES

Other interest receivables from related parties

|   | 2023                         | 2022       |
|---|------------------------------|------------|
|   | <i>(in thousands of EUR)</i> |            |
| Mirna d.d., Rovinj                              | 279                          | 637        |
| FOODPRO Limited, Dar es Salaam                  | 92                           | 95         |
| Podravka – Lagris a.s., Dolni Lhota u Luhačovic | 8                            | -          |
| Podravka Gulf FZE, Dubai                        | 1                            | 1          |
| Write-offs                                      | (91)                         | (413)      |
|   | <u>289</u>                   | <u>320</u> |

Guarantees and warranties to subsidiaries

|   | 2023                         | 2022          |
|---|------------------------------|---------------|
|   | <i>(in thousands of EUR)</i> |               |
| Belupo d.d., Koprivnica                         | 2,679                        | 12,782        |
| Podravka – Lagris a.s., Dolni Lhota u Luhačovic | 1,456                        | 4,976         |
| Podravka International USA Inc., New York       | 300                          | -             |
| Mirna d.d., Rovinj                              | 9                            | -             |
| Žito d.o.o., Ljubljana                          | -                            | 1,800         |
| Podravka d.o.o. Beograd, Belgrade               | -                            | 45            |
|   | <u>4,444</u>                 | <u>19,603</u> |

BORROWINGS

|  | 2023                         | 2022         |
|--|------------------------------|--------------|
|  | <i>(in thousands of EUR)</i> |              |
| Belupo d.d., Koprivnica                        | 18,272                       | 8,627        |
| Podravka-Int.Deutschland-„Konar“ GmbH, Munchen | 133                          | 133          |
| Podravka-International s r.o., Zvolen          | -                            | 300          |
| Podravka - International Kft, Budapest         | -                            | 140          |
|  | <u>18,405</u>                | <u>9,200</u> |

In 2023, the Company used borrowings from subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTE 37 – RELATED PARTY TRANSACTIONS (CONTINUED)

*Transactions with subsidiaries (continued)*

INTEREST PAYABLE

|                         | 2023                         | 2022      |
|-------------------------|------------------------------|-----------|
|                         | <i>(in thousands of EUR)</i> |           |
| Belupo d.d., Koprivnica | 37                           | 20        |
|                         | <u>37</u>                    | <u>20</u> |

NOTE 38 – CONTINGENT LIABILITIES

|                              | 2023                         | 2022          |
|------------------------------|------------------------------|---------------|
|                              | <i>(in thousands of EUR)</i> |               |
| Guarantees – related parties | 4,444                        | 19,603        |
| Guarantees – third parties   | 452                          | 764           |
|                              | <u>4,896</u>                 | <u>20,367</u> |

Guarantees and warranties given relate to the potential liability of the Company on the basis of borrowings of related parties toward banks. In addition, they relate to Company's contingent liabilities on the basis of customs guarantees and performance guarantees given to customers.

With respect to guarantees and warranties granted, contingent liabilities have not been recognised in the separate statement of financial position as at 31 December, as management estimated that as at 31 December 2023 and 2022 it is not probable that they will result in liabilities for the Company.

NOTE 39 – COMMITMENTS

In 2023, the purchase costs of tangible fixed assets contracted with suppliers amounted to EUR 33,885 thousand (2022: EUR 29,283 thousand), which are not yet realised or recognised in the statement of financial position.

As at 31 December 2023, there were no contracted payments of liabilities under the contract on mutual guarantees concluded with Žito d.o.o. (2022: EUR 1 thousand).

The future payments under operating leases in 2023 relate to the usage of IT equipment and other operating leases as follows:

|                   | 2023                         | 2022         |
|-------------------|------------------------------|--------------|
|                   | <i>(in thousands of EUR)</i> |              |
| Up to 1 year      | 789                          | 730          |
| From 1 to 5 years | 149                          | 497          |
|                   | <u>938</u>                   | <u>1,227</u> |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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### NOTE 40 – EVENTS AFTER THE REPORTING DATE

There were no significant events after the balance sheet date that would require reconciliation or disclosure in the financial statements.

### NOTE 41 – APPROVAL OF FINANCIAL STATEMENTS

The financial statements were adopted by the Management Board and approved for issue on 4 April 2024.

Signed on behalf of the Company on 4 April 2024:

**Martina Dalić**

*President of the Management Board*

**Davor Doko**

*Member of the Management Board*

**Ljiljana Šapina**

*Member of the Management Board*

**Milan Tadić**

*Member of the Management Board*

**Ivan Ostojić**

*Member of the Management Board*

Podravka d.d.

Ante Starčevića 32  
48 000 Koprivnica  
Republic of Croatia

**Podravka**   
PREHRAMBENA INDUSTRIJA D.D.  
KOPRIVNICA 173





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