



SUPERVISORY BOARD

No. NO-150-1-2017
Koprivnica, 17th May 2017

Pursuant to Article 263, item 3, Article 280, item 3 and Article 300c and 300d of the Companies Law ("Official Gazette" no. 152/11, - clear version, 111/12, 68/13 and 110/15), the Supervisory Board of Podravka Inc., at its 150th session held on 17th May 2017 accepted the

**PODRAVKA Inc. SUPERVISORY BOARD'S REPORT
ON PERFORMED SUPERVISION OF PODRAVKA Inc.
MANAGING BUSINESS OPERATIONS IN 2016**

In the period from 1st January to 31st December 2016, members of the Supervisory Board of Podravka Inc. (hereinafter: the "Supervisory Board") were: Dubravko Štimac – president, Mato Crkvenac – deputy president, Ivo Družić, Ksenija Horvat, Ivana Matovina (up to 6th July 2016), Petar Miladin, Dinko Novoselec, Milan Stojanović (up to 6th July 2016) and Petar Vlaić – Supervisory Board members.

While the General Assembly of Podravka Inc. held on 22nd July 2016 did not accept the Resolution on electing two Supervisory Board members, in the period from 6th July to 31st December 2016 the Supervisory Board was composed of seven members.

The Supervisory Board, according to its powers defined under the provisions of the Companies Law, the Articles of Association of Podravka Inc. and the Rules of Procedure of the Supervisory Board, has continuously supervised the business operations of Podravka Inc. in 2016 by making decisions and conclusions over thirteen sessions that have been held in 2016.

By supervising the business operations of Podravka Inc., the Supervisory Board discussed numerous issues regarding business operations of Podravka Inc. and its related companies in 2016 and has been regularly receiving the written reports by the Management Board. Supervisory Board was reported by the Management Board on all important business events, course of business, revenues and expenses, and generally on business operations of Podravka Inc. and Podravka Group. Management Board regularly submitted to the Supervisory Board quarterly, semi-annual and annual business reports.

The Supervisory Board has due to more efficient performance of its functions established the Audit Committee and the Remuneration Committee.

The Audit Committee held seven sessions and the Remuneration Committee held two sessions in 2016.

Having examined the management of business operations of Podravka Inc., the Supervisory Board established that Podravka Inc. acted in 2016 in accordance with laws, Articles of Association, acts of Podravka Inc. and resolutions of the General Assembly.

The Supervisory Board has examined, within legally proscribed term pursuant to Article 300 c of the Companies Act, the Annual Financial Statements of Podravka Inc. and its related companies for the year ended 31st December 2016, together with the opinion of the independent auditor KPMG Croatia Ltd., Zagreb, Eurotower, Ivana Lučića 2a/17, which have been submitted by Podravka Inc. Management Board. The Supervisory Board determined that the Annual Financial Statements of Podravka Inc. and its related companies (Podravka Group Consolidated Statements) and of Podravka Inc. (Company



SUPERVISORY BOARD

Non-consolidated Statements), for the year ended 31st December 2016 were constituted in accordance with positions in business records of Podravka Inc. and its related companies, presenting correctly the assets and business positions of Podravka Inc. and its related companies.

Pursuant to such findings, the Supervisory Board is compliant to the Annual Financial Statements for 2016 and Auditor's opinion, by which, pursuant to Article 300d of the Companies Act, the Management and the Supervisory Boards determine the Company's Annual Financial Statements and will present them to the General Assembly of Podravka Inc.

Constituent parts of the Annual Financial Statements of Podravka Inc. and its related companies for the business year ended 31st December 2016 are as follows:

1. Statement on the Company's Financial Position (Balance)
2. Profit and Loss Account
3. Statement on Total Income
4. Statement on Changes in Equity
5. Statement on Cash Flow
6. Notes to Financial Statements
7. Annual Report on the Status of the Company and its related companies
8. Opinion of authorised auditors KPMG Croatia Ltd.

The Supervisory Board has also examined the Management Board's Annual Report on business operations of Podravka Inc. and its related companies and on the Status of the Company and its related companies for 2016, and determined that it presents correctly and objectively the current business situation and the status of the Company and its related companies. According to such findings, the Supervisory Board accepted the Management Board's Report on the Status of the Company and its related companies for the business year 2016.

The Management Board presented to the Supervisory Board a Decision Proposal on the profit distribution of Podravka Inc. for the business year 2016, establishing that Company net profit in 2016 amounts HRK 179,321,686.91 and suggesting that this amount shall be allocated to legal reserves in the amount of HRK 8.966.084,35, dividend payment to shareholders of PODRAVKA Inc. in the gross amount of 7.00 (seven) HRK per share and the last part of net profit shall be carried to other reserves.

The Supervisory Board complied with the suggested Decision Proposal on the profit distribution of Podravka Inc. for the business year 2016 and proposed General Assembly of Podravka Inc. to pass such Decision.

President of the
Supervisory Board:

Dubravko Štimac, v.r.