Corporate Governance

The Role of the Supervisory Board

Podravka Case Study

Regional Finance and Investment Conference for SouthEast Europe, Cavtat, Croatia, 2007































History of Corporate Governance in Podravka

1997:

Majority of shares privatized

1998:

- Listing on the ZSE
- Articles of Association amended in order to improve CG
- EBRD acquired 10% of shares

2004:

2003

- Corporate Governance Code adopted
- IR incorporated
- Employee representative joined the Supervisory Board

1992 1993

1992:

 State owned company
 Podravka went through privatisation process ___

1993:

1998

1997

- Podravka becomes the joint stock company
- Podravka adopted new Articles of Association providing certain CG principles

2003:

- EBRD divested its shareholding
- Development of CG encouraged by law in Croatia

2004

Internal auditor

appointed

2005:

2005

5

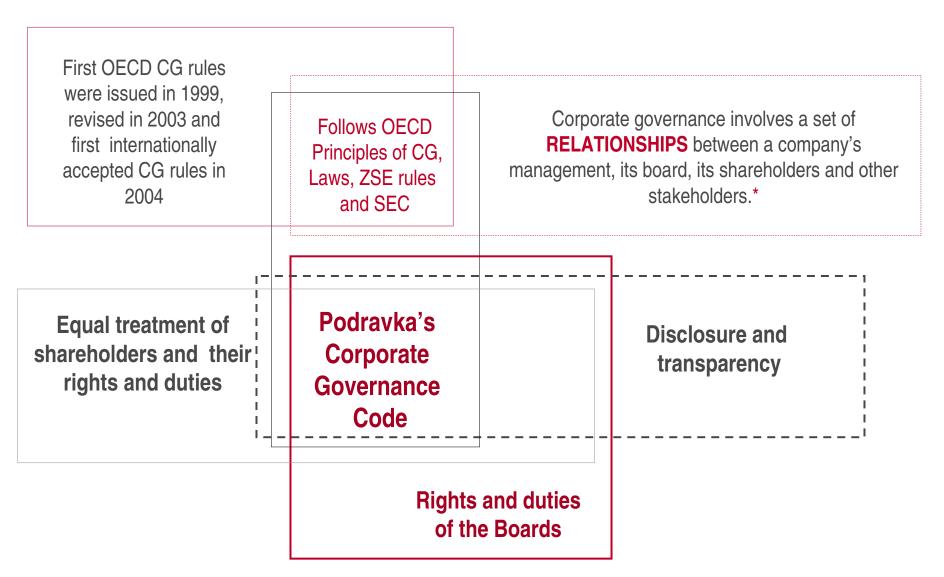
2006:

2006

Supervisory Board Committees appointed



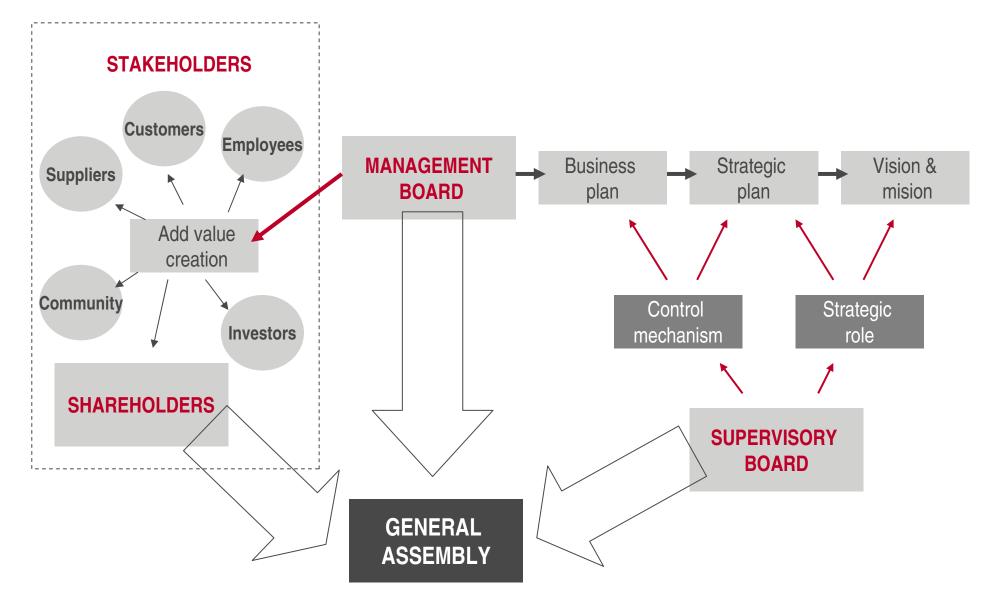
Podravka's Corporate Governance Code



^{*} Source: (OECD Principles of CG, Preamble)



Set of relationships - boards, shareholders, stakeholders





Role of the Supervisory Board in Podravka

COMPANIES ACT

ARTICLES OF ASSOCIATION

CORPORATE GOVERNANCE
CODE

SCOPE OF THE SUPERVISORY BOARD

CONTROL MECHANISM

STRATEGIC ROLE

- Select MB
- Monitor corporate performance against plans
- Evaluate MB
- Compensate MB
- Appoint external audit
- Appoint internal auditor
- Protect shareholders interest
- Interrupt conflict of interests
- Approve business results

- Evaluate previous strategies
- Advice and support MB
- Participate in strategic decisions
- Common vision and mission
- Active participation in forming and implementing strategy of company
- Review and approve strategic and long-term plans



Structure of the Supervisory Board

11 members

8 MEMBERS APPOINTED BY GENERAL ASSEMBLY

> 2 MEMBERS APPOINTED BY CROATIAN PRIVATISATION FUND

1 MEMBER APPOINTED BY WORKERS COUNCIL **SUPERVISORY BOARD**

Mladen Vedriš – President

Marko Ećimović – Vice-President

Damir Felak

Dražen Sačer
Dubravko Štimac
Josip Pavlović
Boris Hmelina
Goran Gazivoda
Milan Artuković

Ksenija Horvat

Franjo Maletić

Supervisory Board Committees

- -Audit Committee
- -Remuneration Committee
- -Strategic Committee
- -Human Resources Committee



Supervisory Board - link in the chain of improving the CG

Customer preference in doing business with you

Shareholder support for your company at times of controversy

Your company's value in the financial market

Better corporate reputation

Positive impact on the share price



Podravka's share performance

listed in the Official Shares Market of the Zagreb Stock Exchange since 1998

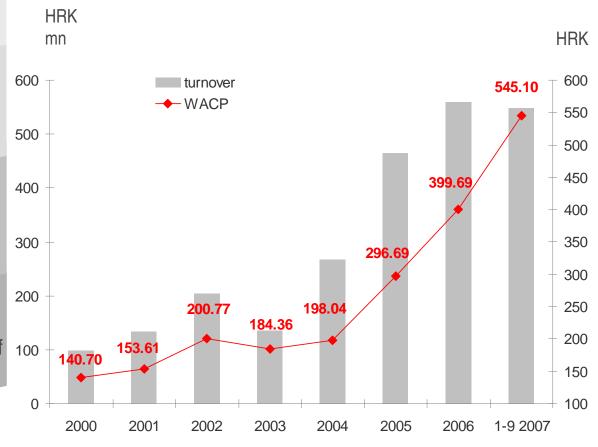
the most liquid share at the Zagreb Stock Exchange

included in Croatian indices
CROBEX and CROEMI

included in SETX* and CROX** indices of the Vienna Stock Exchange

one of the best share performance on the Croatian equity market

PODR-R-A share price and turnover





^{*}South-East Europe Traded Index, **Croatian Traded Index

Podravka's awards

June 2006 The Golden Share
2005: Podravka
awarded the best
industrial share

The Zlatna Dionica (Golden Share) awards have been presented for the ninth year in a row to the companies whose shares, in the opinion of the jury, had the best results on the Zagreb and Varaždin Stock Exchanges in 2005. The industrial share of the year in food and pharmaceuticals category went to Podravka.

February 2007 Podravka
awarded for
excellence in
corporate
reputation in
Croatia

REPUTATION INSTITUTE

Reputation Institute awarded Podravka, Pliva and Vindija for excellence in corporate reputation among Croatian companies in 2006. According to the Reputation Institute Score, Podravka holds 21st position on the global scale of companies with the best corporate reputation.

March 2007- Podravka realized higher improvement in IR online according ZSEM survey of web sites disclosures in 2006

Zagreb School of Economics and Management (ZSEM) and PFS Program released results of the IR Online survey. According to the results, Podravka realized higher improvement in IR Online 2006.





Partners for Financial Stability (PFS) Program www.pfsprogram.org





Zagreb School of Economics and Management



Always with a heart PODRAVERS

