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MEDIA RELEASE

PODRAVKA GROUP BUSINESS RESULTS FOR 1 – 9 2014

In the first nine months 2014 Podravka Group increased its export by 3.6 percent

Main feature of Podravka Group business results for the first nine months 2014, as adopted by the Podravka Supervisory Board at its today's session, is sales profit increase on foreign markets by 3.6 percent. Despite extremely complex market situation, gross margin was maintained at the same level.

In the first nine months 2014 Podravka group sales profit was HRK 2,535.6 million, where SBA Food was HRK 1,961.4 million, and Pharmaceuticals was HRK 574.2 million. **SBA Food sales profit, corrected** by the negative influence of net exchange differences and restructuring programs (which are increasing last year's base period), amounts to 1.4 percent compared to the same period a year before. **SBA Pharmaceuticals sales profit, corrected** by the negative influence of exchange differences, are slightly below last year's. But if we include estimated influence of obligatory reduction of prescription medications in the market of Croatia, which the management could not influence in any way, the Pharmaceuticals would have marked 7 percent increase. So if the **Podravka Group sales profit without the restructuring programs and exchange differences are analysed, they have increased by 1.1 percent**, comparing to the same period last year.

Company's strategic focus on internationalization resulted in continuous growth of international markets by 3.6 percent, which led to maintaining of the gross profit at 41.3 percent.



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EBIT is HRK 147.1 million, and realized net profit for the first nine months of the current year is HRK 81.9 million. The decision made by the Croatian Health Insurance Institute on reducing the prescription medications also had a significant negative influence of HRK 41 million on the net profit, while the negative exchange rate differences reduced the net profit by additional HRK 21.5 million.

"Considering the complex situation on domestic market and the deflations, poor purchasing power and consumption, we have decided to focus more on foreign markets, which resulted in 3.6 percent profit increase. Disruptions on certain markets, such as instable exchange rate of the Russian ruble, or the resolution made by the Croatian Health Insurance Institute to reduce the prices of the prescription medication, which we could not influence, have significantly reduced our net result. Exchange rate stabilization will surely express all of our efforts we are investing in foreign markets and will show the real status of our activities. Besides, we are seriously working on opening of some new markets, and very soon we will start doing business on some of them. We are convinced that the long-term growth and company development depends on our success and more powerful step onto the international market, while preserving the position on the domestic market", Podravka Management Board President Zvonimir Mršić said.

Early July Podravka signed in London with the European Bank for Reconstruction and Development and three other commercial banks (Erste Group Bank AG, Raiffeisen Bank International AG Unicredit Bank Austria AG) a contract on syndicated loan amounting to EUR 73.4 million. With the stated contract Podravka refinanced the existing credit obligations with significantly reduced interest rate and prolonged due dates, and expected savings on interests in the period till end 2015 amount to HRK 7.5 million. In the previous years Podravka has achieved significant improvements on operating and financial level, which was recognized by the European Bank for Reconstruction



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and Development and the syndicated banks, which have confirmed their trust in stability and business operations of our company by signing this contract.