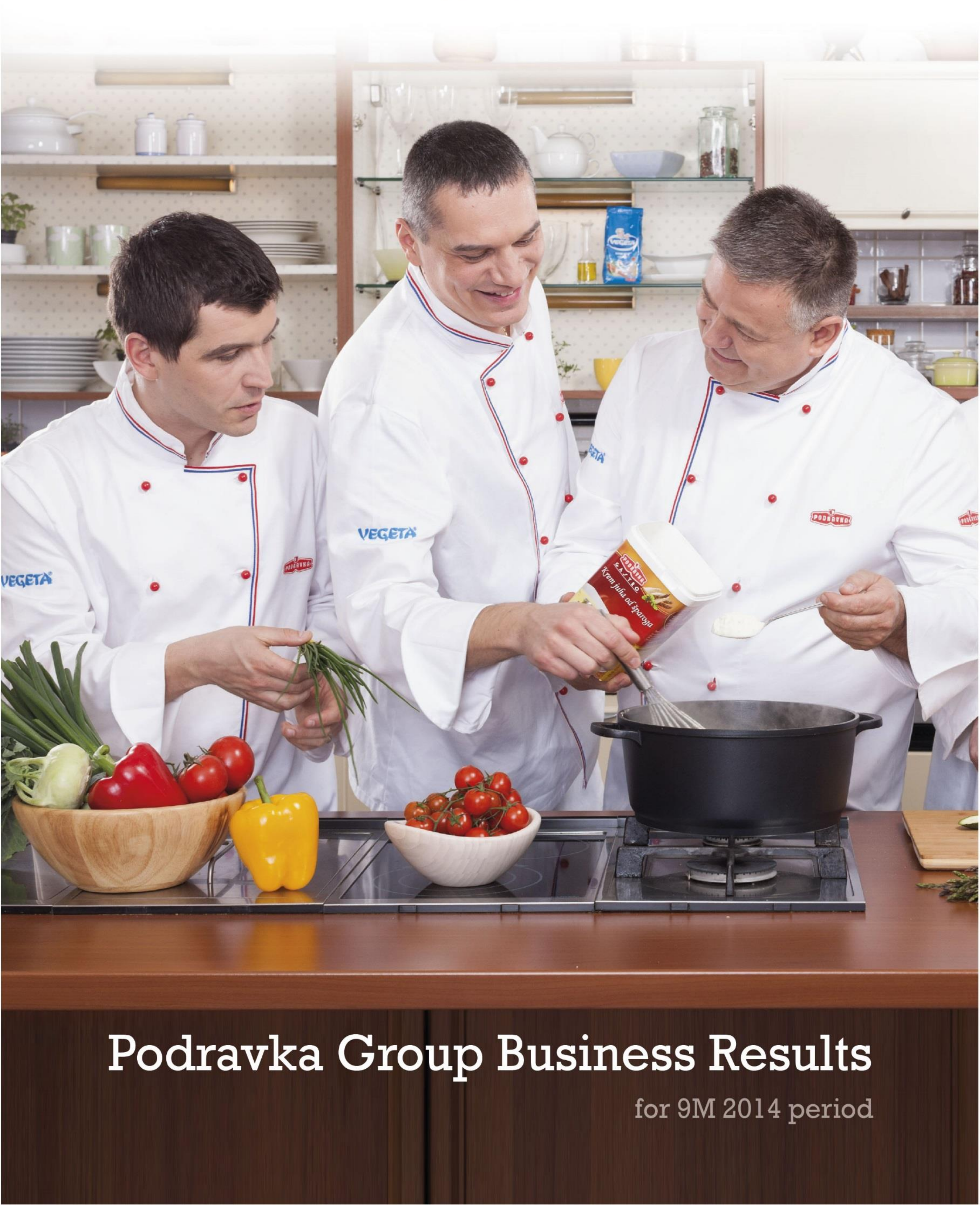


Podravka Group Business Results

for 9M 2014 period

CONTENT

Key indicators in 9M 2014 3

Significant events in 9M 2014 4

Significant events after the balance sheet date 9

Sales revenue per Strategic Business Unit in 9M 2014 10

Sales revenue per Category in 9M 2014 12

Sales revenue per Market in 9M 2014 16

Profitability in 9M 2014 20

Key features of the Profit and Loss Statement in 9M 2014 24

Key features of the Balance Sheet on 30.09.2014 25

Key features of the Cash Flow Statement in 9M 2014 27

Share in 9M 2014 29

Tables 32

Statement of liability 38

Contact 39

Key indicators in 9M 2014

(in HRK millions)	**9M 2014**	**9M 2013**[1]	**% change**
Sales revenue	2,535.6	2,618.9	(3.2%)
Corrected Gross profit	1,047.3	1,080.1	(3.0%)
Corrected Gross profit margin	41.3%	41.2%	+6 bp
Corrected EBITDA	297.9	315.0	(5.4%)
Corrected EBITDA margin	11.7%	12.0%	-28 bp
Corrected Net profit after MI	124.5	136.6	(8.9%)
Corrected Net profit margin after MI	4.9%	5.2%	-31 bp
Cash flow from operating activities	60.2	233.5	(74.2%)
Capital expenditures	127.2	62.0	105.2%

(in HRK; market capitalization in HRK millions)	**30.09.2014**	**31.12.2013**	**% change**
Net debt[2] / Corrected TTM EBITDA	2.4	2.1	12.9%
TTM Earnings per share	34.7	36.9	(6.1%)
Last price at the end of period	340.1	254.6	33.6%
Market capitalization	1,843.3	1,379.7	33.6%

TERMINOLOGY

9M – refers to the nine-month period (January – September).

H1 – refers to the half-year period (January – June).

3Q – refers to the third quarter (July – September).

Corrected – indicates that the figure is without one-off items, unless stated otherwise.

TTT – Trailing twelve months, the figure is calculated for the period of last 12 months.

[1] A reclassification has been made for 9M 2013 within particular functional parts of the Profit and Loss Account, whereby the most significant part refers to banking fees that have been, due to their nature, reallocated from General expenses to Financial expenses.

[2] Net debt calculated as: non-current borrowings + current borrowings + financial liabilities at fair value through profit and loss - cash and cash equivalents.

Significant events in 9M 2014

Refinancing of loan liabilities

In early July Podravka signed a syndicated loan contract with the European Bank for Reconstruction and Development and three other commercial banks (Erste Group Bank AG, Raiffeisen Bank International AG and Unicredit Bank Austria AG) in the mount of EUR 73.4 million. With this contract Podravka has refinanced its existing loans with significantly lower interest rates and prolonged due dates.

The European Bank for Reconstruction and Development, as the arranger of this syndication participated with EUR 30.0 million of own funds, whilst EUR 43.4 million was provided from other banks in the syndication - Erste Group Bank AG, Raiffeisen Bank International AG and Unicredit Bank Austria AG. In the previous years Podravka has achieved significant improvements at both operating and financial levels, which the European Bank for Reconstruction and Development and the syndicated banks have recognised and signed this contract confirming their trust in the stability and business operations of our company. With this facility Podravka continues its restructuring process, with the aim of further regional and international growth and development.

The stated amount will be used to restructure the company balance sheet, and savings in the amount of HRK 7.5 million are expected on interest expenses by the end of 2015. The loan term is five years, where 75% of the loan is amortizing with equal quarterly payments of the principal, starting as of 16 November 2014. The remaining EUR 17.6 million is due in the final instalment. Significantly reduced costs of financing will make investment opportunities even more attractive and thus contribute to Podravka' future growth.

Continuation of the restructuring process

Podravka continued restructuring its business operations in 2014 by closing the low-profit segment of the bakery in early April, whilst at the end of last year the company discontinued the segments of fresh meat and frozen food which we believe will have an impact on the further increase of profitability. In the beverages segment, which is classified as a programme Podravka needs to divest, the optimizing of operations has continued, thus resulting in better cost structure, better gross margins and positive EBITDA level. In June Podravka together with JM Fundus d.o.o. and Questus Private Equity d.o.o. submitted a joint non-binding offer to the public tender for strategic alliance and capital increase of the company BADEL 1862 d.d.. Upon the completion of the due diligence process, the company could not provide a sufficient amount of data required for the adoption of strategic decisions therefore a binding bid was not submitted, whilst the process of collecting bids for strategic alliance and capital increase finished in September with the refusal of the only binding offer.

In accordance with the process of restructuring the company, Podravka at the beginning of the year started the redundant labour programme, which ended as of 31 March 2014. This year the programme provided for 218 employees, whilst a total of 392 employees left the company with severance payments, with HRK 53.5 million paid out as severance payments. Savings in the amount of HRK 30.7 million are planned to be achieved in 2014 on the basis of 392 employees less. Active implementation of the redundant labour programme started in 2012 and so far this programme has been implemented four times. A total of 727 employees have been provided for since the beginning of its active implementation, whilst a total of 1,045 employees had left the company with severance payments in the same period. There were also 147 new employments of which 116 are trainees. Podravka has therefore in a socially responsible way solved the issue of redundant labour, and at the same time provided basis for the greening of its expert staff thus creating the conditions for future growth and development of the company.

Acquisition of PIK Vrbovec d.d. canned meat programme and brands

On 7 April 2014 contracts were signed on the transfer of trademarks, recipes and equipment and on acquiring the business of production and sales of canned meat pates and canned meat products between the companies Podravka Inc. and PIK Vrbovec d.d. These contracts have enabled Podravka Inc. to take over the canned meat programme and brands of PIK Vrbovec d.d. for further production and sales in all markets. This acquisition has significantly increased Podravka's market share, thus taking a solid second place in the segment of meat pate, and with a good position for expansion into regional markets. This strategic acquisition has strengthened one of the most profitable categories in the segment of meat and meat products, all in accordance with the present focus, strategic portfolio optimization and recent capital investments in this category. Increasing the production by controlling the supply chain has opened the potential for achieving cost synergies. The potential for synergy also exists through the increased use of the existing operational potentials of Podravka.

Euromoney award for business leadership

Podravka has been acknowledged as "Best Managed Company in CEE" in the opinion poll of the prominent magazine Euromoney. Podravka's leadership has been rated with very high marks out of 50 companies whose business was analyzed on the grounds of extensive data by a special expert team under Euromoney sponsorship. This year Podravka has made the greatest progress among all companies in Central and Eastern Europe and was ranked in the very top of the best-managed companies in Croatia. The survey involved analysts from leading international banks and institutions who nominated best-run companies taking into account the business strategy, corporate governance system, the availability of senior management, transparency, value for shareholders, informativeness and efficiency of web pages, etc.

Strong innovation cycle in food

Podravka had a strong innovation cycle in the first 9 months of 2014. In the markets of Croatia and Slovenia the product portfolio of the **Culinary Category** was expanded with Podravka broth, a

completely new generation of modern products. Additionally, in the Croatian market Podravka has entered into a new category of mono-spices, where it had not been present before. Vegeta bouillons and Vegeta marinades were launched in the market of Poland, thus also entering a new category in this market. Vegeta bouillons were also launched in the market of Hungary, all together making a prominent step forward for the Vegeta brand in the markets of Central Europe. In the segment of soups a new line of cream soups under the name *The Richness of Vegetables* has been introduced in the Croatian market, with unique combination of ingredients and rich taste of vegetables. In the segment of food mixes new lines of products under the Fant brand have enriched the markets of the region[3] and the USA.

The **Baby Food, Breakfast Foods and Other Foods Category**, expanded the existing portfolio in regional markets with extensions of existing products, but also new product categories, particularly in the segment of baby food and breakfast foods, such as baby biscuits, semolina and impulse products with the greatest attention given to Lino "vafelades".

The **Sweets, Snack and Beverages Category** expanded the range of powdered desserts in the cake mix line (innovations of cake mixes that need no baking like Dolcela Cheesecake and Choco-cake), the Želin line of fruit preserves, baking aids and ice-cream desserts in regional markets under the Dolcela brand as well as three new flavours of Kviki crackers in the snack segment.

In the **Meat Products Category** new durable and semi-durable products under the brand Danica have been launched in the market of Croatia at reasonable prices. These new, lower priced products, intend to meet the needs of price-sensitive consumers. The expansion of the product range of semi-durable sausages has continued in the 3Q 2014 with safalada, bacon salami and XXL gourmet sausages under the brand Podravka.

[3] Markets of the region include: Bosnia and Herzegovina, Slovenia, Serbia, Montenegro, Macedonia and Kosovo.

In the first nine months of 2014 the **Ethical Drugs Category** expanded its portfolio in the Croatian market with Moksonidin tablets for the treatment of hypertension, the antibiotic Amoxicillin, a drug for treating erectile dysfunction Viner mint and an antiparkinsonian, Eminens SR. As far as regional markets are concerned, in Slovenia the portfolio expanded with dermatics Beloderm in the form of cream and ointment, the antiasthmatic Monlast and Viner for erectile dysfunction, in Bosnia and Herzegovina the dermatic Belosalic spray was introduced, in Macedonia the anesthetic Lidokain spray Belupo and a new drug within the CNS group Ariprizol, in Montenegro the portfolio expanded with new dermatics for acne treatment, Sona cream, while in Kosovo the portfolio expanded with three drugs within the CNS groups - Citra, Misar and Q-Pin, dermo-antibiotic ointment Mirobact, dermatics for acne treatment, Sona gel and Sona cream and the analgesic Aracena. In markets outside the region, the product portfolio in Russia expanded with the antiepileptic Catena, and in Slovakia with the antiasthmatic Belokast.

The **Non-prescription Drugs Category** increased its range of products in the Croatian market with the products Silymarin and Lordiar and the range of analgesics and antipyretics with two new forms under the brand Lupocet. The cream Belobaza was introduced to the markets in Slovakia, Czech Republic and Russia, Neofen suppositories for lowering temperature and pain relief in children were introduced to the market of Bosnia and Herzegovina, and the cream Alfokrem to the Russian market. Aflokrem is the first Belupo product that is packed in an airless pump plastic tube. In Kazakhstan Belobaza cream, Aflokrem, Afilipt drops and Floceta spray were introduced and in the Kosovo market a new herbal remedy Silymarin, which is used for liver function disorder.

Strength and quality of Podravka products

According to research from Best Buy Award (award for the best price-quality ratio) conducted in Bosnia and Herzegovina, Serbia, Slovenia and Croatia for the period 2013/2014 and 2014/2015 Podravka is the food brand which has won the most first places among all tested countries in the region, even in 11 categories (Vegeta universal food seasonings, Podravka soups in bags, Dolcela vanilla sugar and baking powder, Kviki salty sticks, Lino cream spread, Podravka flour, Podravka ready-made sauces, Podravka canned vegetables, Podravka jam, Podravka mustard and Eva canned fish.

In the markets of both Slovakia and the Czech Republic Podravka won the award Superbrands 2014 for Vegeta that is sold in this market under the name Podravka, thereby confirming its strength and brand awareness. Podravka had already received this award, given by the leading experts in Slovakia, in 2006 and in 2013.

Vegeta as the strongest brand in universal food seasonings in the Polish market was awarded with the Laur consumenta of the decade for the period 2004 – 2014. It is the most prestigious award a product can be given in Poland that has placed Vegeta alongside global brands.

Seven of Podravka's products received recognition for superior quality and taste from the International Taste and Quality Institute – Superior Taste Award 2014 in Brussels. The winners are decided by a jury of 120 top chefs, sommeliers and experts coming from 12 most famous European culinary associations. The award went to Podravka lemon and lime tea, plum flavoured tea, Vegeta marinade with garlic, Podravka beef goulash, and three types of stock – chicken, beef and vegetable broth. These results allow the awarded Podravka products to communicate the internationally recognized quality label «Superior Taste Award» on their packaging over the next three years, thus establishing them among high quality food products. Podravka has so far won 34 Superior Taste Awards as a result of continual investments in production, food safety and customer satisfaction.

Podravka has for the first time won the award for best packaging on the Croatian market, CROPAK OF THE YEAR 2014 for *creamy, rich soups*. Packaging is the basic and most durable means of communication, which at the point of sale has a major role in attracting consumers to purchase. The award-winning design is the result of the work of a large team of Podravka’s top experts.

Halal certificates

Four Podravka factories have received Halal certificates from the Centre for Halal Quality Certification – Vegeta and Soups Factory, Baby Food Factory, Fruit Factory and Kalnik Factory. The certificates certify that the products in these factories are produced according to Halal requirements and standards and are suitable for consumption to people of Muslim faith. The company has moved forward to the markets where Halal certification is a prerequisite for products to be sold. The fact that 70 percent of the Muslim community around the world live and feed in accordance with Halal standards so that the global Halal market is a population of 1.6 billion Muslims in the world indicates the very scope of underlying potential.

Significant events after the balance sheet date

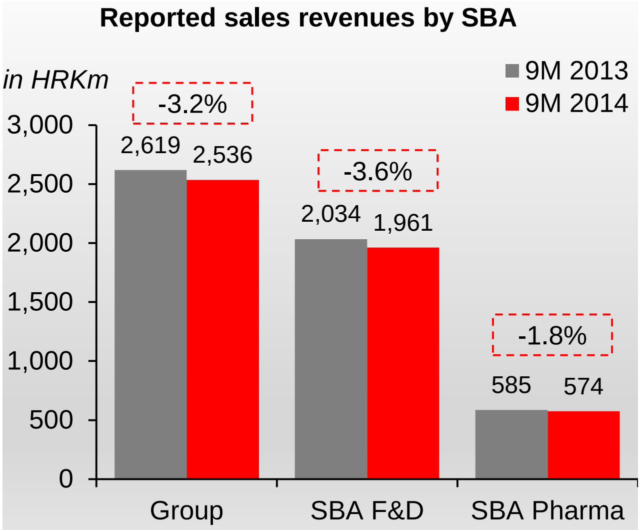
Acquisition of shares of Mirna Inc. from Rovinj

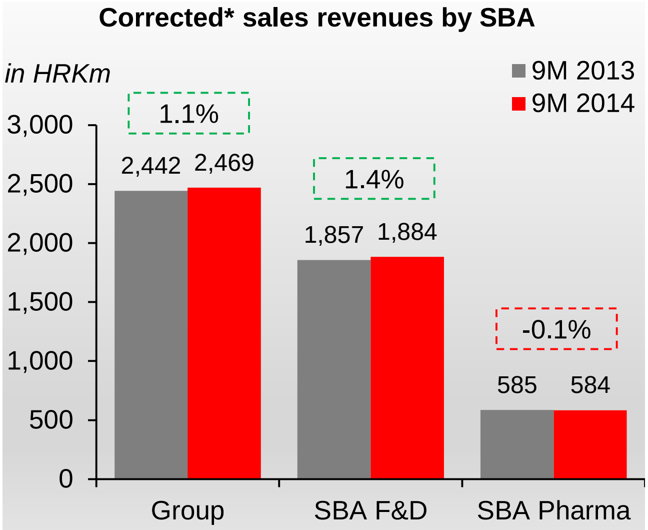
On 25 August 2014, Podravka Inc. acquired 198,209 shares of Mirna Inc. at public auctions for selling the shares of Mirna Inc. through the trading system of the Zagreb Stock Exchange Inc. in the procedure of extrajudicial settlement. This represents 53.9% of the total issued shares of the company. Voluntary pledge in favour of Podravka Inc. as collateral for loans that Podravka approved during 2009 had been placed over the shares of the company.

Podravka Inc. acquired shares of Mirna Inc. in the amount of HRK 38.02 per share, or a total of HRK 7.5 million. The acquisition of these shares enabled Podravka, pursuant to the Takeover Act, to announce a takeover bid for the remaining shares of Mirna Inc. at a price of HRK 38.02 per share, other than those that have been pledged. The results of the announced bid shall be known at the end of October.

After the General Assembly of Mirna Inc. called for 21 November 2014, Podravka Inc. plans to take operative control over the company and perform due diligence of all business operations, pursuant to which decisions on further development of the company shall be made.

Sales revenue per Strategic Business Unit in 9M 2014





*Sales revenues excluding programmes under restructuring and FX differences.

Significant influence of external and restructuring factors on reported sales revenues in 9M 2014:

- The estimated influence of HRK -41,2 million results from the decision of the Croatian Health Insurance Fund to reduce purchase prices of prescription drugs in May 2013 and February 2014,
- HRK -21.5 million net effect of foreign exchange rate (FX) differences,
- HRK -88.1 million effect of programmes under restructuring,
- reduction of exposure to distributors (through a decrease in inventories) in the market of Russia in H1 2014 as a protection measure from the depreciation of the Russian ruble,
- exceptionally unfavourable weather conditions in the 3Q 2014 had negative impact on the sales of the product range that is seasonally connected to good weather conditions in summer months (beverages).

Sales revenues of the Strategic Business Unit Pharmaceuticals corrected for the negative influence of net foreign exchange rate differences is slightly below last year's. If the estimated influence of the prescribed reduction of prescription drug prices in the market of Croatia is taken into consideration, the SBA Pharmaceuticals would have recorded a 7.0% growth. **Sales revenues of the Strategic Business Area Food and Drinks corrected** for the negative effect of foreign exchange rate differences and programmes under restructuring (that have increased the base period of the year before) have achieved a 1.4% growth with reference to the comparative period. Conclusively, the **sales revenues of the Podravka Group if observed without programmes**

under restructuring and foreign exchange rate differences are 1.1% higher in the 9M 2014 compared to the same period of the year before.

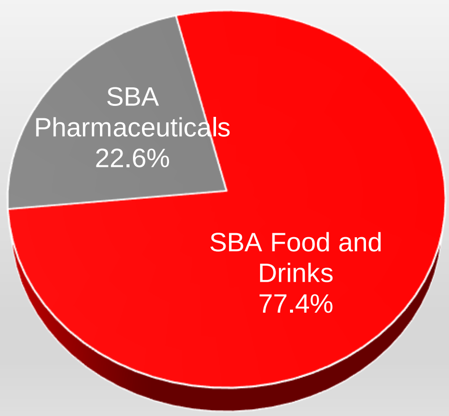
In May 2013 and February 2014, CHIF[4] decided to reduce the prices of prescription drugs on the CHIF list which had direct negative impact on the sales revenue of this category realised in Croatia amounting to an estimated HRK 41.2 million in 9M 2014. The negative effect of the prescribed reduction of prescription drug prices was partly compensated by a 12% increase in the sales volume in the market of Croatia.

The most significant influence of foreign exchange rate differences results from the depreciation of the Russian ruble, Czech crown and Australian dollar, which ultimately together with the positive effect of other currency reduced sales revenue by HRK 21.5 million.

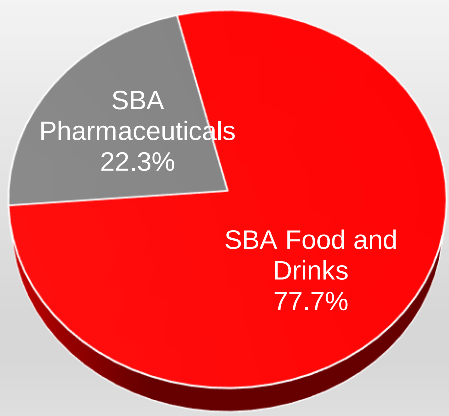
The company divested of the unprofitable segments of fresh meat and frozen food at the end of 2013 as a part of the restructuring process and in April 2014 divested of the unprofitable bakery segment, whilst the segment of beverages has been classified for sales and thus its business volume has been reduced accordingly. Divestment and restructuring of the above stated segments respectively, has resulted in sales revenue in 9M 2014 that is HRK 88.1 million less compared to the same period of the previous year.

The Management of Belupo decided to reduce its expose in the market of Russia in H1 2014 as a measure of protection from the depreciation of the Russian ruble. This resulted in reduced deliveries to distributers in Russia in the respective period, whilst in the 3Q 2014 the deliveries increased. It is necessary to highlight that reduced deliveries to distributers in the Russian market had no effect on the sales of our goods in the market and sales in the very market of Russia (sales in pharmacies) in 9M 2014 grew even 11% in volume and 10% in value, expressed in the ruble.

Sales revenues by SBA in 9M 2014

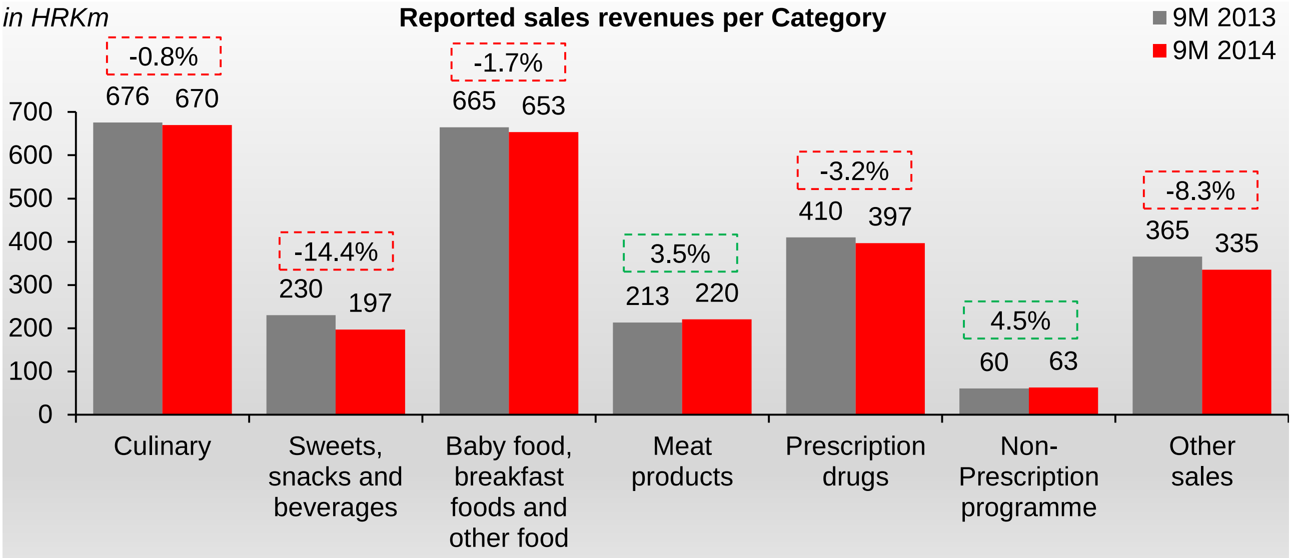


Sales revenues by SBA in 9M 2013



[4] The Croatian Health Insurance Fund.

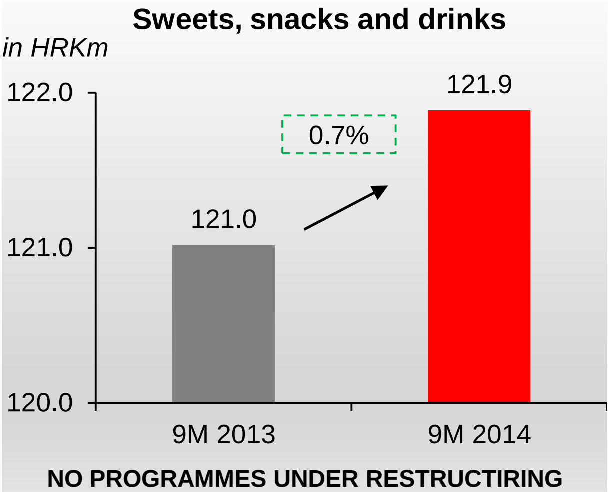
Sales revenue per Category in 9M 2014



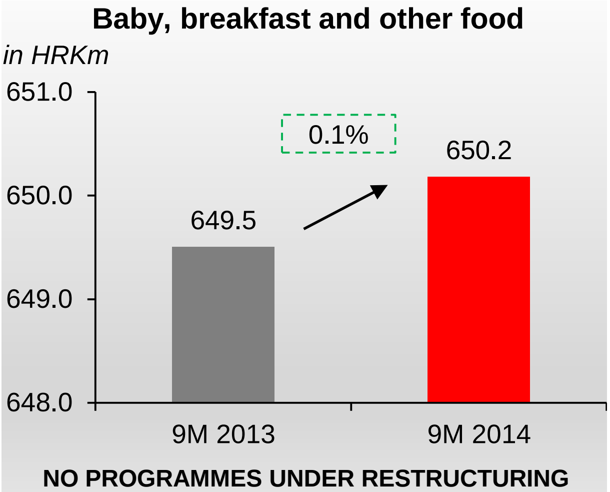
Sales revenue growth of the majority of categories in 9M 2014 compared to the same period of last year if observed without significant influence of external and restructuring factors:

- The reported sales revenue of the **Culinary Category** is under the negative influence of the markets of Croatia and Australia, which has been mitigated with the growth of the category in the markets of both Western and Eastern Europe,
- Sales revenue of the **Sweets, Snack and Beverages Category** without programmes under restructuring achieved growth of 0.7% compared to 9M 2013,
- Sales revenue of the **Baby Food, Breakfast Foods and Other Food Category** without programmes under restructuring is slightly above the results of last year,
- The **Meat Products Category** including programmes under restructuring achieved a growth of reported sales revenue of 3.5%, whilst without them the growth is more prominent and amounts to 5.5%,
- Without the influence of the Russian ruble exchange rate, sales revenue of the **Prescription Drugs Category** would suffer a 0.4% drop, whilst without the estimated influence of the reduction of prescription drug prices the achieved growth in 9M 2014 would be 9.7%,
- The **Non-Prescription Programme Category** achieved stable growth in all markets where present with a 4.5% higher reported sales revenue,
- The **Other Sales Category** without programmes under restructuring achieved sales revenue growth of 2.5% compared to the first nine months of 2013.

The **Culinary Category** in 9M 2014 was marked by the negative impact of the Croatian market with the unfavourable economic situation which is, among other things, reflected in a 2.4%[5] deflation. Additional negative impact came from the market of Australia due to changes in the distribution model with a temporary negative impact on delivery dynamics. Positive influence came from Western Europe, where the Culinary Category recorded a higher single-digit sales revenue growth in the market of Germany and from the market of Eastern Europe where a double-digit sales revenue growth was achieved in the market of Romania. It is also necessary to highlight the start of distribution of bouillons in the markets of both Poland and Hungary, as well as double-digit growth of the subcategory of soups in the market of Russia as a result of distribution expansion.

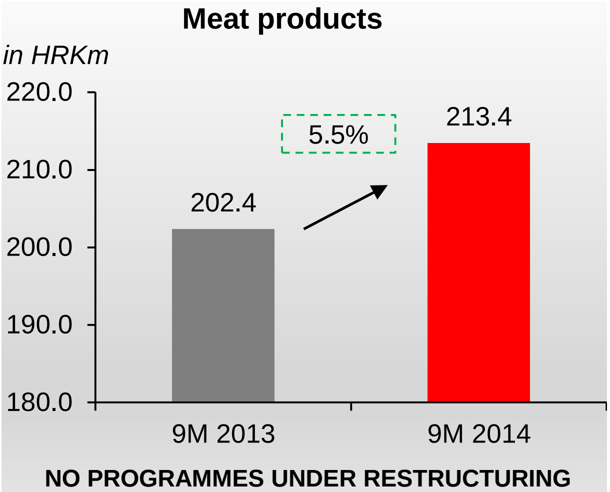


The reported sales revenues **Sweets, Snack and Beverages Category** had negative impact from the subcategory of beverages, which has been classified as a programme under restructuring the Company plans to divest from and which is mainly present in the market of Croatia. Apart from a reduction of the business volume due to the decision to divest from the subcategory, the subcategory of beverages also was negatively affected by unfavourable weather conditions in the third quarter of 2014 with the sales of beverages HRK 19.4 million lower than in the third quarter of 2013. The subcategory of sweets and snacks **if the effect of beverages is excluded** achieved sales revenue slightly above the results of last year.

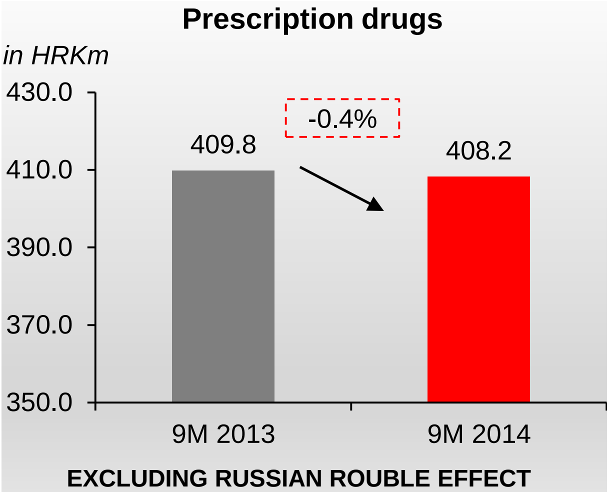


The reported sales revenue of the **Baby Food, Breakfast Foods and Other Foods Category** in 9M 2014 were under the influence of programmes under restructuring (bakery and frozen programme) in 9M 2014 which were present last year and therefore increase the disclosed basic period of last year. If observed **without the programmes under restructuring**, this Category achieved sales revenue slightly above last year's. The highest growth was recorded with the Eva brand in the market of South-East Europe and with cereal for children in the market of Croatia.

[5] Prices of food and non-alcoholic drinks in 9M 2014 compared to 9M 2013; Central Bureau of Statistics.



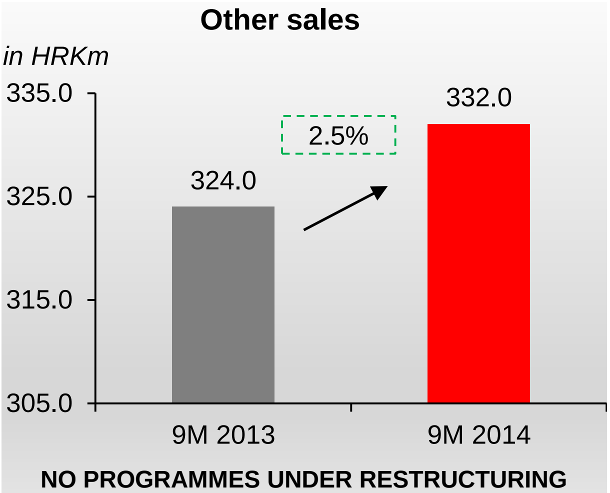
The **Meat Products Category** achieved 3.5% higher sales revenue in 9M 2014. Negative impact was recorded from the programmes under restructuring (fresh meat) which the Company divested from at the end of 2013, and which has increased the reported basic period of last year. If observed **without the programmes under restructuring**, the Category achieved 5.5% higher sales revenue, primarily as a result of double-digit growth of the sausage products subcategory in the market of Croatia and a double-digit growth of the subcategories of pate and luncheon meat in the market of Western Europe.

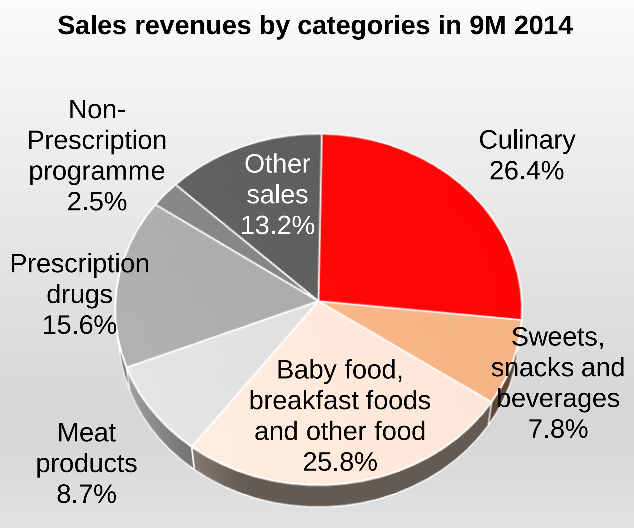


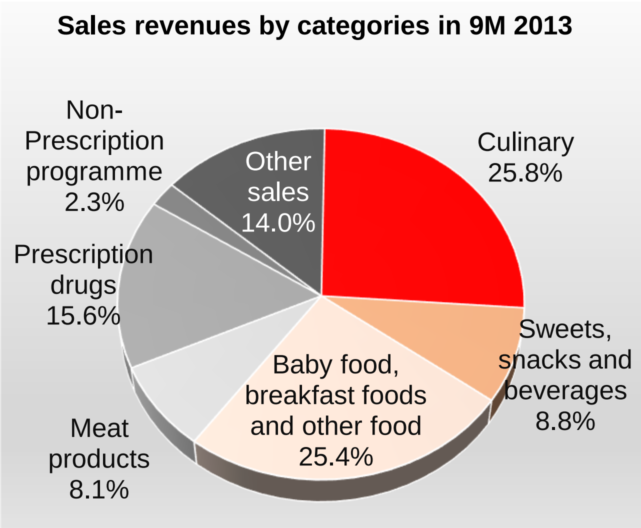
Negative impact on reported sales revenue of the **Prescription Drugs Category** in 9M 2014 resulted from the decision of the Croatian Health Insurance Fund to reduce the prices of prescription drugs in the market of Croatia in May 2013 and February 2014, the decision of Belupo's Management to reduce its exposure to distributers in the market of Russia in H1 2014 as a protection measure from the depreciation of the Russian ruble and the very depreciation itself. Sales revenue of the Prescription Drugs Category **without the influence of depreciation of the Russian ruble**, is slightly above last year's. The sales volume of the Croatian market in 9M 2014 is 12% higher compared to the same period of last year, which partly compensates the negative impact of the decision to reduce prices of prescription drugs on the CIHF list. The estimated effect of the prescription drug price reduction is HRK 41.2 million and without it sales revenue of the Prescription Drugs Category would reach a growth of 9.7%. However, despite reduced deliveries to distributers in Russia in H1 2014, the very sales volume in that market (sales in pharmacies) is 11% higher, and the value in ruble is 10% higher in 9M 2014. Additionally, the Prescription Drugs Category in the market of Bosnia and Hercegovina achieved double-digit sales revenue growth, whilst the market of Poland and other countries of Eastern Europe achieved significant growth in the subcategory of prescription drugs for treating skin problems.

The **Non-Prescription Programme Category** achieved a 4.5% sales revenue growth, primarily as a result of growth of the sales revenue from the subcategory of OTC drugs in the markets of Russia and Croatia.

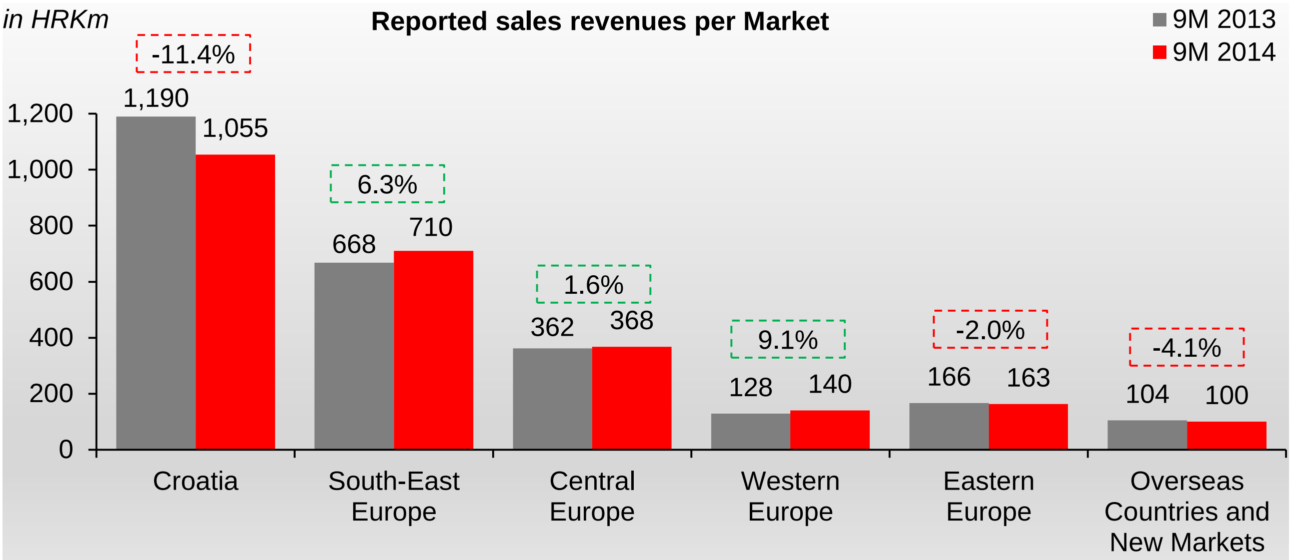
The distribution of the cold product range divested at the end of 2013 had negative impact on the reported sales revenue of the **Other Sales Category**. If observed **without programmes under restructuring** a 2.5% growth of sales revenue was recorded mostly contributed by the distribution of the Zvečevo product range in the market of Bosnia and Herzegovina and the growth of revenue from the sales of poppy seed which Podravka's company Podravka Lagris from the Czech Republic has realised in European markets and which is classified under commercial goods.







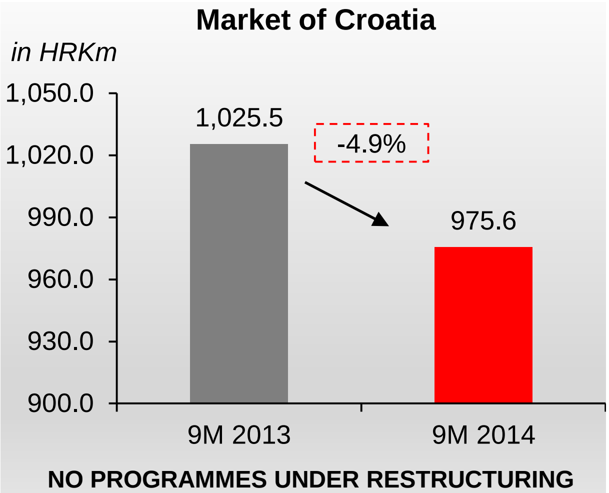
Sales revenue per Market in 9M 2014



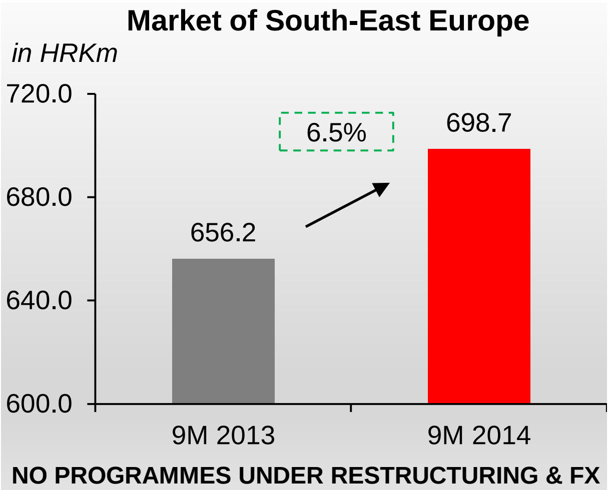
Growth of reported sales revenue in foreign markets of 3.6% in 9M 2014 compared to the same period of last year:

- Sales revenue of the **Market of Croatia** observed without the negative impact of programmes under restructuring (HRK 85.4 million lower sales revenue) is 4.9% lower, whilst additionally without the estimated effect of the prescribed reduction of prescription drug prices (estimated negative impact on sales revenue in the amount of HRK 41.2 million) it would be 0.8% lower,
- Sales revenue of the **Market of South-East Europe** are without the influence of programmes under restructuring and FX differences 6.5% higher due to the sales of products under the Eva and Dolcela brands, baby food and breakfast foods product range, prescription drugs and commercial goods,
- Sales revenue of the **Market of Central Europe** without the influence of programmes under restructuring and FX differences show growth of 3.8% due to higher revenue from the sales of bouillons, tomato based products and prescription drugs for the treatment of skin diseases,
- The **Market of Western Europe** without the influence of programmes under restructuring and FX differences show growth of 8.8% primarily as a result of sales revenue from the sales of universal food seasoning, especially in the market of Germany,
- Sales revenue of the **Market of Eastern Europe** without the influence of programmes under restructuring and foreign exchange rate differences achieved a growth of 5.6%,
- **Overseas Countries and New Markets** without the influence of programmes under restructuring and FX differences achieved sales revenue slightly below the level of last year,
- Conclusively, the **Podravka Group** continues its strategic focus on international markets that have achieved a 3.6% sales revenue growth thus reducing exposure to the domestic market.

The reported revenue from sales in the **Market of Croatia** suffered negative impact from programmes under restructuring (from the beginning of the year there has been no revenue from the sales of fresh meat and the frozen programme, from April there has been no sales revenue from the bakery, whilst the segment of beverages, classified for sale, has reduced its business volume) and the decision to reduce prescription drug prices by the Croatian Health Insurance Fund in May 2013 and February 2014. **Without the programmes under restructuring** revenue from sales in Croatia is 4.9% lower influenced by lower sales revenue of the Culinary Category, Baby Food, Breakfast Foods and Other Foods Category which was mitigated by the growth of sales revenue from the subcategory of sausage products and the non-prescription programme. And additionally without the estimated effect of the prescribed reduction of prescription drug prices (estimated negative impact on sales revenue in the amount of HRK 41.2 million) sales revenues would be 0.8% lower. The pressure on business activities in the market of Croatia continues as a result of the unfavourable economic situation characterized by the continued drop of gross domestic product in the second quarter of 2014 of 0,8%[6], high unemployment rate of 20.2%[7] and a drop of prices of food and non-alcoholic drinks of 2.4%[8].

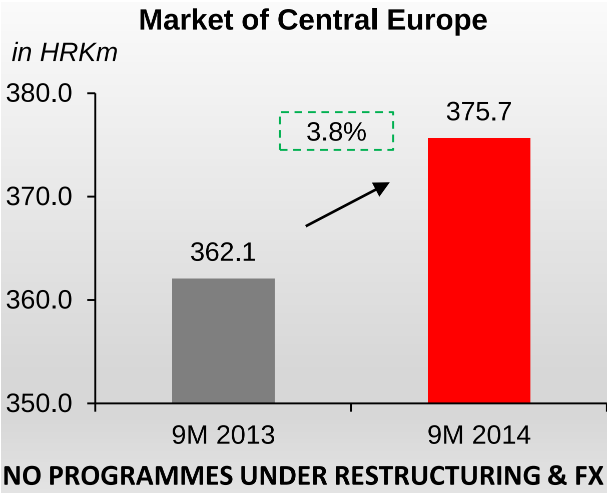


The **market of South-East Europe** achieved a growth of reported sales revenue of 6.3%, whilst the **corrected sales revenue** that exclude the sales revenue of programmes under restructuring and foreign exchange rate differences, is 6.5% higher. This primarily results from higher sales revenue from the following: (i) products under the Eva brand in the markets of Bosnia and Herzegovina, Slovenia, Serbia and Montenegro, (ii) products under the brand Dolcela in the markets of Bosnia and Herzegovina and Slovenia, (iii) product range of baby food and breakfast foods in the market of Bosnia and Herzegovina, (iv) prescription drugs category in the market of Bosnia and Herzegovina and (v) growth of distribution of commercial goods in the market of Bosnia and Herzegovina.

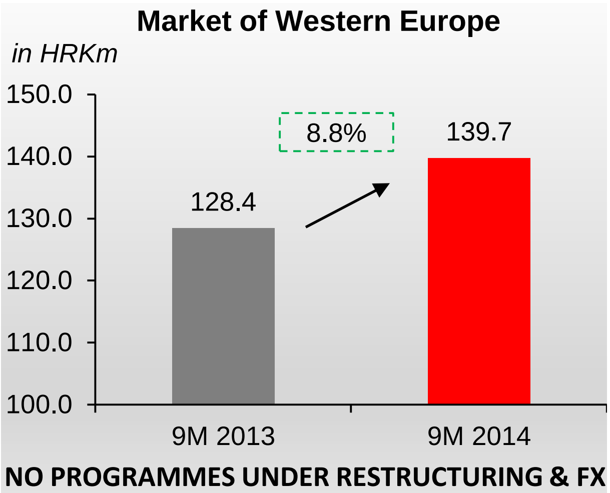


[6] Gross domestic product in Q2 2014 compared to Q2 2013; Central Bureau of Statistics.
[7] The average unemployment rate in the first nine months of 2014; Central Bureau of Statistics.
[8] Prices of food and non-alcoholic beverages in 9M 2014 compared to 9M 2013; Central Bureau of Statistics.

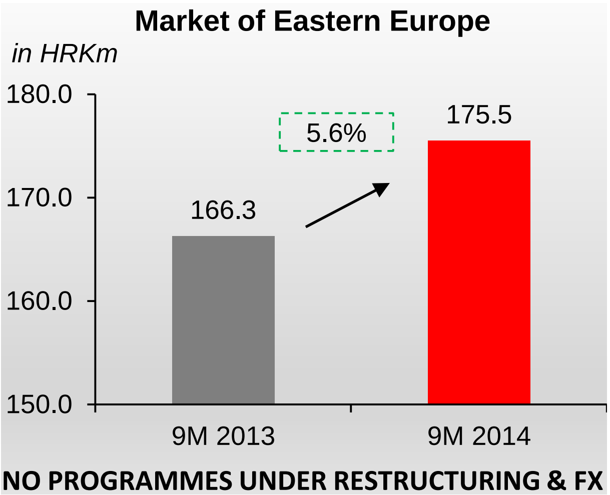
The **Market of Central Europe** achieved growth of reported sales revenue of 1.6% in 9M 2014 compared to the same period of last year, while **without the influence of programmes under restructuring and foreign exchange rate differences** the Market of Central Europe achieved a 3.8% growth of sales revenue. The disclosed result was contributed by the following: (i) beginning of distribution of bouillons in the markets of Hungary and Poland, (ii) double-digit sales growth of sales revenue from sales of tomato based products in the market of Poland, and (iii) three times higher sales revenue from the sales of prescription drugs for treating skin diseases in the market of Poland.



The **Market of Western Europe** recorded a 9.1% growth of reported sales revenue in the first nine months of 2014 compared to the first nine months of 2013. This result was most significantly supported by the growth of the following sales revenues: (i) universal food seasonings, especially in the market of Germany, (ii) condiments, (iii) pate and luncheon meat and (iv) commercial goods. **Without the influence of programmes under restructuring and foreign exchange rate differences** the Market of Western Europe achieved an 8.8% growth of sales revenue.

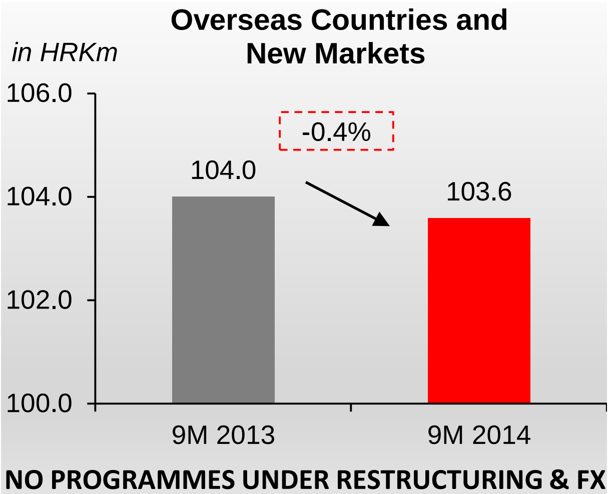


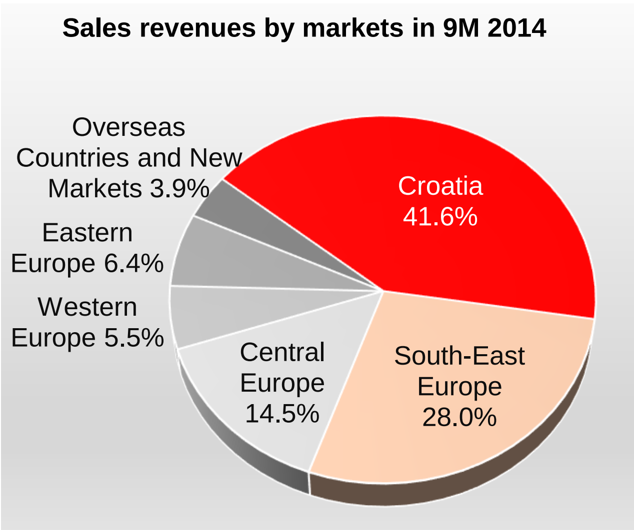
Negative impact on the reported sales revenue in the **Market of Eastern Europe** came from the depreciation of the Russian ruble and the decision of the Belupo Management to reduce exposure to distributers in the market of Russia in H1 2014 as a protection measure against the depreciation of the Russian ruble. If observed **without the influence of programmes under restructuring and foreign exchange rate differences**, sales revenue is 5.6% higher compared to the same period of last year. Positive influence on sales revenue comes from the following: (i) growth of sales revenue from the sales of universal food seasonings due to a double-digit growth in the market of

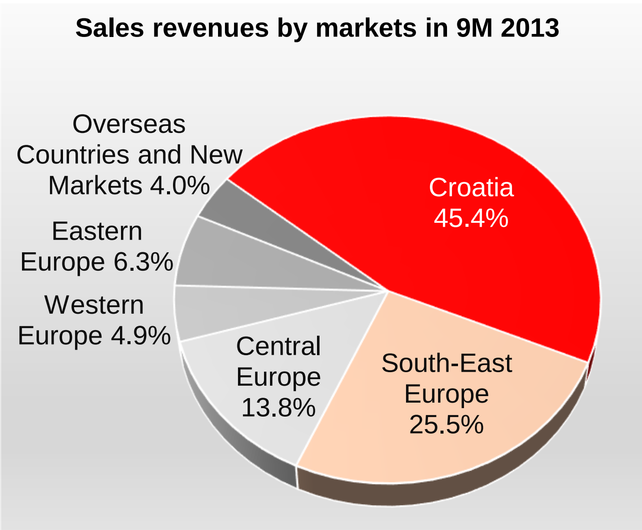


Romania, (ii) higher sales revenue from soups that achieved a double-digit growth rate in the market of Russia as a result of distribution expansion and (iii) beginning of distribution of products under the Eva brand in the market of Romania.

Overseas Countries and New Markets had negative impact from the depreciation of the Australian and American dollar, whilst if observed **without programmes under restructuring and foreign exchange rate differences**, sales revenue is slightly lower by 0.4% compared to the same period of last year. An additional negative impact on sales revenue came from the change in the model of distribution in the markets of both Australia and the USA, which resulted in a temporary change in delivery dynamics.







Profitability in 9M 2014

Profitability of the Strategic Business Area Food and Drinks in 9M 2014

SBA F&D	REPORTED RESULT			EXCLUDING ONE-OFF ITEMS		
(in HRK millions)	**9M 2014**	**9M 2013**	**% change**	**9M 2014**	**9M 2013**	**% change**
Sales revenue	1,961.4	2,034.0	(3.6%)	1,961.4	2,034.0	(3.6%)
Gross profit	744.9	759.7	(1.9%)	745.1	759.7	(1.9%)
EBITDA	168.4	171.5	(1.8%)	209.1	204.5	2.3%
EBIT	92.7	91.7	1.1%	133.3	124.7	6.9%
Net profit after MI	46.2	54.7	(15.6%)	85.8	87.7	(2.2%)
Gross margin	38.0%	37.4%	+63 bp	38.0%	37.4%	+64 bp
EBITDA margin	8.6%	8.4%	+16 bp	10.7%	10.1%	+61 bp
EBIT margin	4.7%	4.5%	+22 bp	6.8%	6.1%	+67 bp
Net profit margin after MI	2.4%	2.7%	-34 bp	4.4%	4.3%	+6 bp

Growth of corrected profit margins in 9M 2014:

- The growth of the **reported gross margin** results from the reduction of Cost of goods sold of HRK 57.8 million that compensated the effect of lower sales revenue,
- The growth of the **reported operating margin** was positively affected by the reduction of Other operating expenses (General and administrative expenses, Selling and distribution costs, Marketing expenses and Other expenses) in the amount of HRK 8.9 million,
- The **reported net profit margin after minority interest** is lower as a result of higher tax liabilities compared to the same period of the year before,
- Lower sales revenue that has earlier been analysed in detail had negative impact on **absolute realizations** at all reported levels of profitability except on the operating profit that recorded growth,
- One-off items had negative net effect in both periods, however, as one-off items were higher in 9M 2014, thus the **corrected result** is better than the reported result at all levels,
- All **corrected profit margins** have achieved growth, whilst at the **corrected absolute level** the EBITDA and operating profit have grown.

One-off items of the Strategic Business Area Food and Drinks

The net effect of one-off items in 9M 2014 amounted to HRK -39.6 million HRK:

- HRK -1.8 million refers to the cost of inventory write-offs in Bosnia and Herzegovina as a result of floods. The item is included in the Cost of goods sold, it is a non-cash item and reduces the reported result,
- HRK -50.6 million refers to severance payments related to the redundant labour programme. The item is included in General and administrative expenses, it is a cash item and reduces the reported result,
- HRK 1.7 million refers to income from the release of reserves related to programmes under restructuring. The item is included in the Cost of goods sold, it is a non-cash item and increases the reported result,
- HRK 6.6 million refers to income from leasing returns. The item is included in Other income, it is a non-cash item and increases the reported result,
- HRK 1.1 million refers to the income from cancelled reserves for asset value adjustments related to programmes under restructuring. The item is included in Other expenses, it is a non-cash item and increases the reported result,
- HRK 1.4 million refers to the income released from reserves related to programmes under restructuring. The item is included in Selling costs, it is a non-cash item and increases the reported result,
- HRK 2.0 million refers to income from the release of reserves. The item is included in General and administrative expenses, it is a non-cash item and increases the reported result.

The net effect of one-off items in 9M 2013 amounted to HRK -33.1 million:

- HRK -35.5 refers to severance payments related to the redundant labour programme. The item is included in General and administrative expenses, it is a cash item and reduces the reported result,
- HRK 2.2 million refers to income from leasing returns. The item is included in Other income, it is a non-cash item and increases the reported result,
- HRK -0.2 million refers to the expenses related to value adjustments of assets for sale. The item is included in Other expenses, it is a non-cash item and reduces the reported result,
- HRK 0.4 million refers to income from the release of reserves. The item is included in General and administrative expenses, it is a non-cash item and increases the reported result.

Profitability of the Strategic Business Area Pharmaceuticals in 9M 2014

SBA Pharmaceuticals	REPORTED RESULT			EXCLUDING ONE-OFF ITEMS		
(in HRK millions)	**9M 2014**	**9M 2013**	**% change**	**9M 2014**	**9M 2013**	**% change**
Sales revenue	574.2	585.0	(1.8%)	574.2	585.0	(1.8%)
Gross profit	302.3	320.5	(5.7%)	302.3	320.5	(5.7%)
EBITDA	85.9	104.2	(17.6%)	88.8	110.5	(19.6%)
EBIT	54.5	71.5	(23.8%)	57.4	77.7	(26.1%)
Net profit after MI	35.8	42.6	(16.1%)	38.7	48.8	(20.7%)
Gross margin	52.6%	54.8%	-214 bp	52.6%	54.8%	-214 bp
EBITDA margin	15.0%	17.8%	-287 bp	15.5%	18.9%	-343 bp
EBIT margin	9.5%	12.2%	-273 bp	10.0%	13.3%	-329 bp
Net profit margin after MI	6.2%	7.3%	-106 bp	6.7%	8.3%	-160 bp

The prescribed reduction of prescription drugs prices is the major underlying factor of the 9M 2014 results:

- Due to larger production volumes Cost of goods sold increased in 9M 2014 which together with lower sales revenue reduced the **reported gross margin**,
- Other operating expenses (General and administrative expenses, Selling and distribution costs, Marketing expenses and Other expenses) are HRK 2.5 million lower, thus mitigating the reduction of the **reported operative margin**,
- Lower interest expenses on loans of HRK 4.1 million due to the repayment of particular loan liabilities and lower tax liabilities, respectively, also mitigated the reduction of **reported net profit margin after minority interest**,
- The realized lower sales revenue, earlier explained in detail, had negative impact on the **absolute realization** of all levels of profitability,
- One-off items had negative net effect in both periods, however, as one-off items were lower in 9M 2014, thus the **corrected result** is lower than the reported result at all levels.

One-off items of the Strategic Business Area Pharmaceuticals

The net effect of one-off items in 9M 2014 amounted to HRK -2.9 million:

- HRK -2.9 million refers to severance payments related to the redundant labour programme. The item is included in General and administrative expenses, it is a cash item and reduces the reported result.

The net effect of one-off items in 9M 2013 amounted to HRK -6.2 million:

- HRK -6.2 million refers to severance payments related to the redundant labour programme. The item is included in General and administrative expenses, it is a cash item and reduces the reported result.

Profitability of the Podravka Group in 9M 2014

Podravka Group	**REPORTED RESULT**			**EXCLUDING ONE-OFF ITEMS**		
(in HRK millions)	**9M 2014**	**9M 2013**	**% change**	**9M 2014**	**9M 2013**	**% change**
Sales revenue	2,535.6	2,618.9	(3.2%)	2,535.6	2,618.9	(3.2%)
Gross profit	1,047.2	1,080.1	(3.0%)	1,047.3	1,080.1	(3.0%)
EBITDA	254.3	275.7	(7.8%)	297.9	315.0	(5.4%)
EBIT	147.1	163.2	(9.8%)	190.7	202.5	(5.8%)
Net profit after MI	81.9	97.3	(15.8%)	124.5	136.6	(8.9%)
Gross margin	41.3%	41.2%	+6 bp	41.3%	41.2%	+6 bp
EBITDA margin	10.0%	10.5%	-50 bp	11.7%	12.0%	-28 bp
EBIT margin	5.8%	6.2%	-43 bp	7.5%	7.7%	-21 bp
Net profit margin after MI	3.2%	3.7%	-48 bp	4.9%	5.2%	-31 bp

The effects of the restructuring process are not yet fully noticeable in 9M 2014:

- Cost of goods sold at Group level are lower by HRK 50.4 million, significantly as a result of lower Labour and maintenance costs, which managed to keep the **reported gross margin** at a higher level than last year,
- Other operating expenses (General and administrative expenses, Selling and distribution costs, Marketing expenses and Other expenses) are HRK 11.4 million lower thus mitigating the reduction of the **reported operating margin**,
- Interest expenses that are HRK 6.6 million lower had positive effect on the **reported net profit margin after minority interest**, whilst a strong negative impact came from the increase of tax liabilities,
- The effects of the successful restructuring process mitigated the lower **absolute realization** of all reported levels of profitability due to lower sales revenue,
- One-off items had negative net effect in both periods, however, as one-off items were higher in 9M 2014, thus the **corrected result** is better than the reported result at all levels.

Key features of the Profit and Loss Statement in 9M 2014

Other income

Growth mainly as a result of HRK 6.6 million of income on the grounds of leasing returns.

Cost of goods sold

Cost of goods sold has been reduced by 3.3% due to favourable trends of key raw material prices and reduction of labour costs.

General and administrative expenses

General and administrative expenses have in the observed period increased by HRK 8.0 million, primarily due to higher severance payments in 9M 2014 and consulting services related to business development.

Selling and distribution costs

Selling and distribution costs have dropped significantly by HRK 29.9 million, primarily due to lower reservations for trade account receivables and rental costs.

Marketing expenses

Marketing expenses have recorded growth due to strong marketing activities accompanying the segments of Baby food and Breakfast foods in the markets of Croatia and South-East Europe.

Other expenses

Other expenses mainly comprise of net realized foreign exchange rate differences of both trade receivables and payables. The net realized foreign exchange rate differences in 9M 2014 are slightly above those of 9M 2013.

Net financial expenses

Net financial expenses increased in 9M 2014 primarily due to higher banking fees. Banking fees are deferred to the period of the loan at the time of concluding the loan facility. As the company refinanced the existing loan in 3Q 2014, the remaining deferred banking fees were charged to the relevant period. Financial expenses relating to interest on loan liabilities in the reporting period decreased by HRK 6.6 million as a result of the refinancing of loan liabilities under more favourable terms and repayment of a substantial part of loan liabilities.

Profit tax

Profit tax was higher in the observed period as profit tax had been significantly reduced in the previous period due to the utilization of tax loss from previous years.

Key features of the Balance Sheet on 30.09.2014

Intangible assets

Intangible assets as of 30 September 2014 increased by 14.8% compared to the year-end of 2013, mainly due to the acquisition of the canned meat programme and brands of PIK Vrbovec d.d. for further production and sales in all markets where certain intangible assets such as trademarks, recipes, etc. had been acquired.

Inventories

Inventories as of 30 September 2014 were higher by 13.6% compared to the year-end of 2013 due to the seasonal character of primary raw material purchase (wheat and vegetables) but also unfavourable weather conditions which resulted in the reservation of higher quantities necessary for smooth running of the production process. Inventories of commercial goods and finished products respectively, increased as a result of the taking over of inventories of meat pates and the canned meat programme of PIK Vrbovec and the taking over of finished products of canned fish as a result of cancelled cooperation with one of the contracted manufacturers.

Trade account receivables and other receivables

Increased trade account receivables compared to the year-end of 2013 result from not only difficulties that some customers have in settling their debts within agreed deadlines but also increased sales at the end of 3Q 2014, especially in the Russian market. In order to improve the collection of receivables, Podravka in the first half-year of 2014 signed an agreement on the insurance of receivables.

Assets available for disposal

Assets available for disposal are classified fixed assets of the merged companies Ital-Ice d.o.o. and Lero d.o.o. and fixed assets of the company Studenac Lipik (Beverages segment under restructuring).

Reserves and retained earnings

Reserves and retained earnings have increased 23.2% and 6.8% individually due to the decision of the General Assembly on the allocation of profit from 2013 into reserves and retained earnings.

Long-term loans and borrowings

Loans and borrowings included in long-term liabilities rose by 37.5% due to long-term indebtedness of HRK 95 million in the first half-year of 2014 for the purpose of covering severance payments as part of the redundancy programme and acquiring the canned meat programme and brands from PIK Vrbovec d.o.o. for further production and sales in all markets. In addition, at the year-end of 2013 Podravka concluded a long-term loan in the amount of HRK 200 million, in order to refinance existing liabilities. Funds from this facility were used in the first half-year of 2014 thereby influencing the increase of long-term indebtedness as of 30 September 2013. The refinancing of loan liabilities in the third quarter of 2014 had no significant effect on the structure of long-term and short-term loans compared to the period before the refinancing, taken that the refinanced loan liabilities are all long-term.

Short-term loans and borrowings

Loans and borrowings included in current liabilities decreased by 33.4% due to the refinancing of loan liabilities in the first half of 2014 by which a part of the short-term loan liabilities were transferred into long-term loan liabilities and due to regular loan repayments. The refinancing of loan liabilities in the third quarter of 2014 had no significant effect on the structure of long-term and short-term loans compared to the period before the refinancing, taken that the refinanced loan liabilities are all long-term.

Trade accounts payable

Trade accounts payable have been reduced compared to the year-end of 2013 as a result of continued harmonization of payment terms to suppliers, and positive effect of shorter payment terms on reduced prices of particular purchase prices of raw material and material.

Indebtedness

As of 30 September 2014 the total indebtedness of the Group's loans and other interest-bearing financial liabilities is HRK 1,117,052 thousand, of which HRK 787,896 thousand relates to long-term borrowings and loans, HRK 326,609 thousand to short-term borrowings and loans, and HRK 2,547 thousand to liabilities from swap contracts. The **weighted average cost of debt** by all the liabilities as of 30 September 2014 amounts to 3.4%. The currency composition of debt shows that 52.8% of the debt is in EUR, 37.4% of the debt in HRK, 7.2% in convertible marks, and the remaining 2.6% in the Czech crown, Macedonian denar and the Australian dollar, respectively.

(in HRK thousands)	**9M 2014**	**2013**	**% change**
Net debt	960,625	886,533	8.4%
TTM Interest expense	46,343	52,926	(12.4%)
Net debt / Corrected TTM EBITDA	2.4	2.1	12.9%
Corrected TTM EBITDA / TTM Interest expense	8.8	8.0	9.6%
Equity to total assets ratio	49.9%	48.9%	+98 bp

Net debt as of 30 September 2014 was 8.4% higher compared to the year-end of 2013 due to an increase in financial debt of HRK 51.2 million, whilst the amount of money and cash equivalents increased by HRK 23.0 million. Interest expenses on the basis of the last 12 months decreased by

12.4% as a result of refinancing under more favourable commercial terms. The ratio of net debt to the corrected EBITDA based on the past 12 months is 2.4, which is an increase compared to the year-end due to the increase in net debt and lower corrected EBITDA for the period of the last 12 months.

Key features of the Cash Flow Statement in 9M 2014

Cash flow from operating activities

In the nine months of 2014 the net cash flow from operating activities amounted to HRK 60.2 million, which is 74.2% less than in the first nine months of 2013.

The working capital recorded an increase in inventories due to the seasonal character of growth of primary raw material and increase of commercial goods, which has been explained under “Key features of the Balance Sheet as of 30 September 2014”. Increased trade account receivables result from not only difficulties that some customers have in settling their debts within agreed deadlines but also increased sales at the end of 3Q 2014, especially in the Russian market. In 9M 2013 receivables decreased significantly by HRK 76.0 million, which is primarily in connection with the government's decision to rehabilitate the hospital system and reduce obligations of the Croatian Health Insurance Fund to 60 days. At the same time there was a significant reduction in liabilities in 9M 2013 due to adjustments with the terms of payment to suppliers, which continued in 9M 2014, accordingly.

Cash flow from investing activities

The net cash flow from investing activities at the end of 9M 2014 totalled a negative HRK 119.5 million primarily due to capital expenditures in the amount of HRK 127.2 million. The most significant capital expenditures in 9M 2014 relate to the following:

- the purchase of the brand, know-how and equipment of the company PIK Vrbovec d.o.o. which will enable the production and sale of pate under the brand Piket and Classic,
- replacement of the existing production line with a new line of larger capacity and the purchase of machinery for the process of packing cans at the company Danica d.o.o. thereby increasing production capacity and further automation of production and thus creating preconditions for the growth of production, sales and profitability,
- increase of storage capacity of the company Farmavita d.o.o.,
- expansion of existing production lines for baby food and purchasing a machine to automate the process of filling cream spreads,
- purchase of machines to increase production capacity and automatize the process of soup packing thus creating conditions for the growth of sales and profitability, and

- replacement of the existing line for small packing of mill products with a new line of larger capacity and packing options for new products, which enables the automatizing of the packing process, production of new products and growth of sales and profitability.

The average capital expenditure in the period from the year 2010 to 2013 amounted to about HRK 95 million per year, which is the level of capital expenditure of the Group when there are no major projects. In the coming period, it is expected that capital expenditures are higher, primarily due to the construction of the factory for solid and semi-solid drugs. Accordingly, capital expenditures in the year 2014 should range at the level of HRK 150-200 million, in the year 2015 at HRK 500-550 million, and in the year 2016 at HRK 200-300 million after which they should be stabilized at a level of about HRK 130 million.

Cash flow from financing activities

In the 9M 2014 obtained loans were used for operating activities and refinancing of existing loan liabilities, which generated HRK 36.3 million of net cash flow from financing activities. The most significant loans relate to the following: (i) HRK 495 million syndicated loan for refinancing the existing loan liabilities, (ii) HRK 95 million loan for the purpose of severance payments as part of the redundancy programme and to acquire the canned meat programme and brands of PIK Vrbovec d.d. for further production and sales in all markets, (iii) HRK 200 million loan based on a credit facility concluded at the year-end of 2013, and (iv) HRK 95 million loan as part of a short-term "bridge" loan.

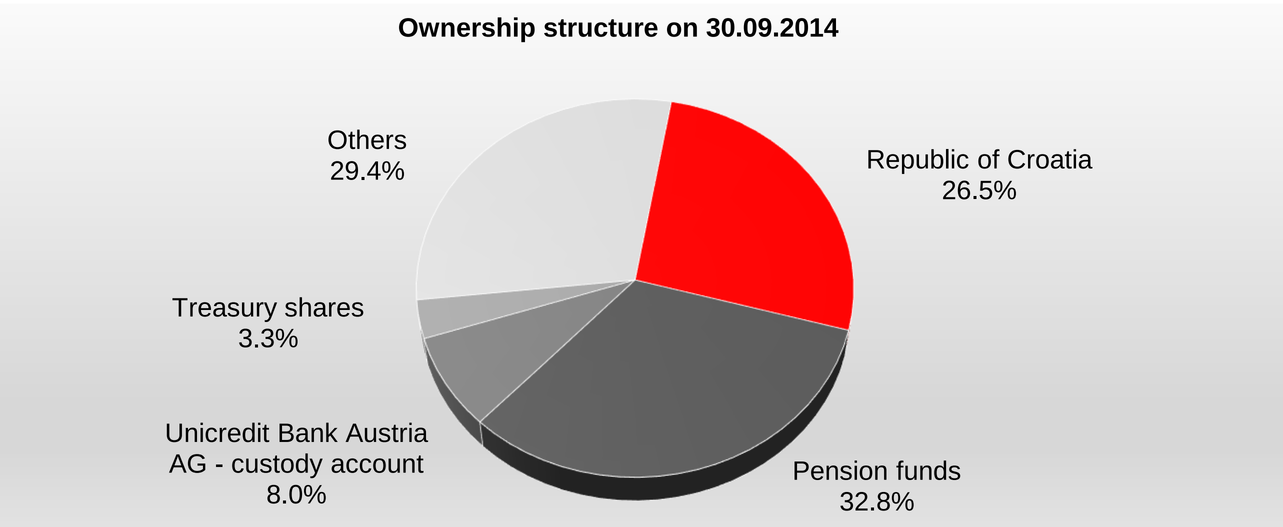
At the same time the most significant repayments are HRK 620 million for refinancing the existing loan liabilities and HRK 95 million for returning a short-term "bridge" loan. The remaining amount of the payments relate to regular repayments of loan liabilities of companies within the Group.

Share in 9M 2014

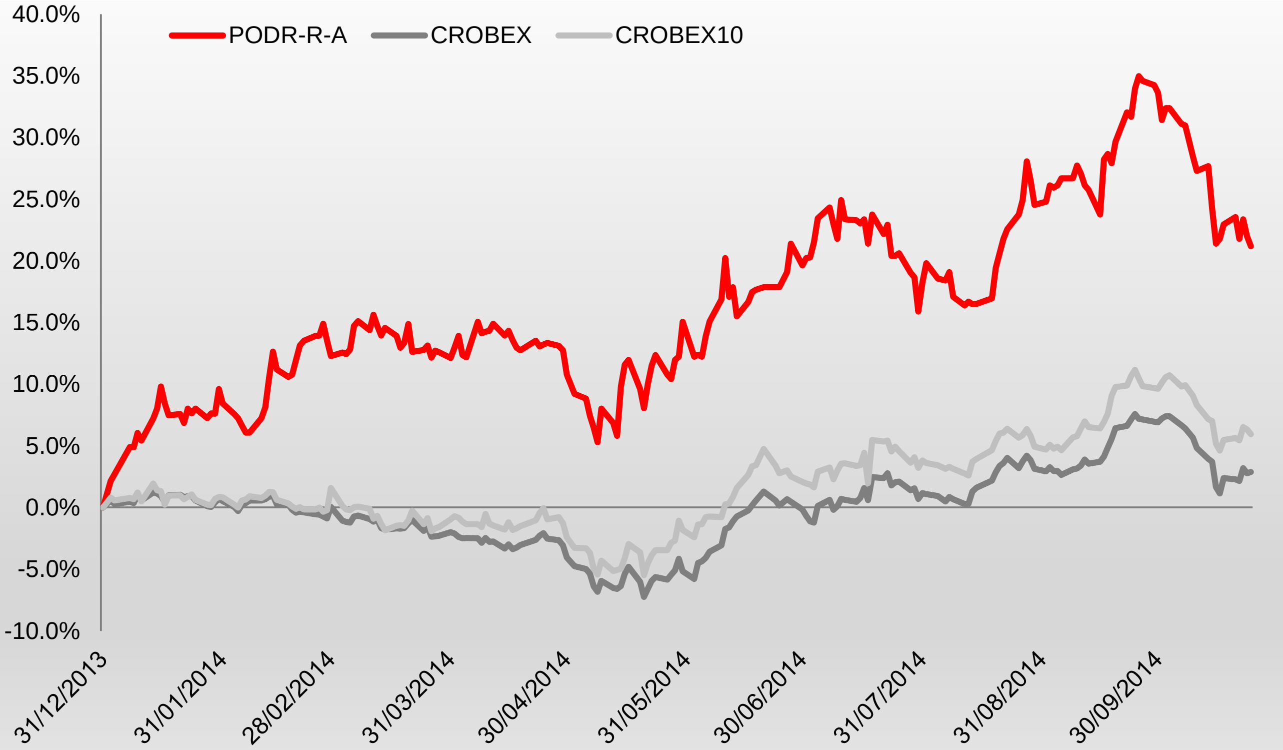
List of top ten shareholders as of 30.09.2014

No.	Shareholder	Number of shares	% of ownership
1	DUUDI - Croatian Health insurance association	575,598	10.6%
2	DUUDI - Republic of Croatia	536,315	9.9%
3	Erste Plavi mandatory pension fund, category B	514,863	9.5%
4	AZ mandatory pension fund, category B	488,106	9.0%
5	PBZ Croatia Osiguranje mandatory pension fund, category B	471,152	8.7%
6	Unicredit Bank Austria AG - custody account	435,030	8.0%
7	Kapitalni fond d.d.	321,804	5.9%
8	Raiffeisen mandatory pension fund, category B	197,766	3.6%
9	Podravka d.d. - treasury account	177,511	3.3%
10	Zagrebačka banka d.d. - custody account	99,085	1.8%
	Other shareholders	1,602,773	29.6%
	Total	**5,420,003**	**100.0%**

The company has a stable ownership structure with the most significant share in the ownership of the Republic of Croatia and institutional investors. The Republic of Croatia through the State Office for State property Management has 20.5% ownership and through the Capital Fund Inc. an additional 5.9%. There are four Croatian mandatory pension funds in the ownership structure that together own 31.1% of the company. The company owns 3.3% of its own shares. The company's shares have been listed on the Official Market of the Zagreb Stock Exchange since 7 December 1998 and are marked with the ticker PODR-R-A.



Share price movement in 2014



(closing price in HRK; closing points)	**30.09.2014**	**31.12.2013**	**% change**
PODR-R-A	340.1	254.6	33.6%
CROBEX	1,918.1	1,794.3	6.9%
CROBEX10	1,090.6	994.9	9.6%

In the first nine months of 2014 the Podravka share grew 33.6% and thus outperforming equity indices CROBEX and CROBEX10, which in the same period had an individual increase of 6.9% and 9.6%, respectively.

Performance on the Croatian capital market in 9M 2014

(in HRK; in units) [9]	**9M 2014**	**9M 2013**	**% change**
Average daily price	295.0	257.7	14.4%
Average daily number of transactions	14	10	44.5%
Average daily volume	1,720	697	146.8%
Average daily turnover	510,675.5	185,163.7	175.8%

In the first nine months of 2014 the average daily number of transactions in shares of the company increased by 44.5% compared to the same period of last year, whilst at the same time the average number of shares traded in these transactions more than doubled. As there has also been a rise in the average daily price of 14.4%, the average stock turnover of the company has more than doubled in the observed period and recorded a growth of 175.8%.

Valuation

(in HRK millions; earnings per share in HRK)	**9M 2014**	**2013**	**% change**
Last price	340.1	254.6	33.6%
Market capitalization	1,843.3	1,379.7	33.6%
EV[10]	2,839.6	2,300.2	23.4%
TTM corrected Earnings per share	34.7	36.9	(6.1%)
EV / TTM corrected Sales revenue	0.8	0.6	26.4%
EV / TTM corrected EBITDA	7.0	5.4	28.6%
EV / TTM corrected EBIT	10.8	8.4	28.9%
Last price / TTM corrected Earnings per share ratio	9.8	6.9	42.2%

Consequently, the growth of the Podravka share price also increased the market capitalization that as of 30 September 2014 amounted to HRK 1.8 billion. The EV due to the growth of the market capitalization and net debt increased by 23.4% compared to the year-end of 2013, which has reflected on the growth of multipliers. Earnings per share were 6.0% less at the end of the first nine months of 2014 compared to the year-end of 2013 due to lower net profit after minority interest. The increase of price per share and decrease of earning per share increased the multiplier, which is the ratio of price per share and earnings per share.

[9] Calculated as average of average daily prices/transactions/volumes/turnover.
[10] Enterprise Value: market capitalization + net debt + minority interest.

Tables

Sales revenues per Category in 9M 2014

(in HRK millions)	9M 2014	% of sales revenues	9M 2013	% of sales revenues	9M 2014/ 9M 2013
SBA Food and Drinks	**1,961.4**	**77.4%**	**2,034.0**	**77.7%**	**(3.6%)**
Culinary	**670.1**	**26.4%**	**675.6**	**25.8%**	**(0.8%)**
Food seasonings and bouillons	466.7	18.4%	471.5	18.0%	(1.0%)
Podravka dishes and food mixes	203.5	8.0%	204.1	7.8%	(0.3%)
Sweets, snacks and beverages	**197.0**	**7.8%**	**230.1**	**8.8%**	**(14.4%)**
Beverages	93.0	3.7%	128.0	4.9%	(27.3%)
Sweets and snacks	104.0	4.1%	102.1	3.9%	1.9%
Baby food, breakfast foods and other food	**653.5**	**25.8%**	**665.1**	**25.4%**	**(1.7%)**
Baby food and breakfast foods	236.0	9.3%	235.8	9.0%	0.1%
Other food	417.5	16.5%	429.3	16.4%	(2.8%)
Meat products	**220.2**	**8.7%**	**212.8**	**8.1%**	**3.5%**
Other sales	**220.6**	**8.7%**	**250.4**	**9.6%**	**(11.9%)**
SBA Pharmaceuticals	**574.2**	**22.6%**	**585.0**	**22.3%**	**(1.8%)**
Prescription drugs	396.7	15.6%	409.8	15.6%	(3.2%)
Non-prescription programme	62.9	2.5%	60.2	2.3%	4.5%
Other sales	114.6	4.5%	115.0	4.4%	(0.4%)
Podravka Group	**2,535.6**	**100.0%**	**2,618.9**	**100.0%**	**(3.2%)**

Sales revenues per Market in 9M 2014

(in HRK millions)	9M 2014	% of sales revenues	9M 2013	% of sales revenues	9M 2014/ 9M 2013
Croatia	**1,054.6**	**41.6%**	**1,189.9**	**45.4%**	**(11.4%)**
South-East Europe	**710.0**	**28.0%**	**667.9**	**25.5%**	**6.3%**
Bosnia and Herzegovina	335.5	13.2%	302.3	11.5%	11.0%
Macedonia	63.4	2.5%	61.1	2.3%	3.6%
Slovenia	133.9	5.3%	132.2	5.0%	1.3%
Serbia	96.6	3.8%	93.3	3.6%	3.6%
Other countries	80.6	3.2%	79.0	3.0%	2.0%
Central Europe	**367.8**	**14.5%**	**362.1**	**13.8%**	**1.6%**
Czech Republic	119.4	4.7%	126.6	4.8%	(5.7%)
Hungary	38.4	1.5%	36.9	1.4%	4.0%
Poland	146.9	5.8%	132.6	5.1%	10.8%
Slovakia	63.1	2.5%	66.0	2.5%	(4.3%)
Western Europe	**140.2**	**5.5%**	**128.4**	**4.9%**	**9.1%**
Austria	36.6	1.4%	33.2	1.3%	10.2%
Germany	57.1	2.3%	50.9	1.9%	12.2%
Other countries	46.5	1.8%	44.4	1.7%	4.8%
Eastern Europe	**163.0**	**6.4%**	**166.3**	**6.3%**	**(2.0%)**
Russia	116.8	4.6%	129.0	4.9%	(9.5%)
Other countries	46.2	1.8%	37.2	1.4%	24.0%
Overseas Countries and New Markets	**100.1**	**3.9%**	**104.4**	**4.0%**	**(4.1%)**
Australia	46.1	1.8%	49.9	1.9%	(7.5%)
USA	29.6	1.2%	31.9	1.2%	(7.3%)
Other countries	24.3	1.0%	22.6	0.9%	7.8%
Podravka Group	**2,535.6**	**100.0%**	**2,618.9**	**100.0%**	**(3.2%)**

Consolidated Profit and Loss Statement in 9M 2014

(in HRK thousands)	**9M 2014**	**% of sales revenues**	**9M 2013**	**% of sales revenues**	**9M 2014/ 9M 2013**
Sales revenue	2,535,604	100.0%	2,618,924	100.0%	(3.2%)
Cost of goods sold	(1,488,394)	(58.7%)	(1,538,776)	(58.8%)	(3.3%)
Gross profit	**1,047,209**	**41.3%**	**1,080,148**	**41.2%**	**(3.0%)**
Other income	13,794	0.5%	7,314	0.3%	88.6%
General and administrative expenses	(242,041)	(9.5%)	(233,998)	(8.9%)	3.4%
Selling and distribution costs	(339,416)	(13.4%)	(369,298)	(14.1%)	(8.1%)
Marketing expenses	(319,971)	(12.6%)	(309,734)	(11.8%)	3.3%
Other expenses	(12,431)	(0.5%)	(11,255)	(0.4%)	10.4%
Operating profit	**147,144**	**5.8%**	**163,177**	**6.2%**	**(9.8%)**
Financial income	1,620	0.1%	4,802	0.2%	(66.3%)
Other financial expenses	(7,925)	(0.3%)	(4,089)	(0.2%)	93.8%
Interest expenses	(34,106)	(1.3%)	(40,689)	(1.6%)	(16.2%)
Net foreign exchange differences on borrowings	1,110	0.0%	(5,864)	(0.2%)	(118.9%)
Net finance costs	**(39,302)**	**(1.5%)**	**(45,840)**	**(1.8%)**	**(14.3%)**
Profit before tax	**107,843**	**4.3%**	**117,337**	**4.5%**	**(8.1%)**
Current income tax	(29,315)	(1.2%)	(19,073)	(0.7%)	53.7%
Deferred tax	5,004	0.2%	422	0.0%	1085.8%
Income tax	**(24,310)**	**(1.0%)**	**(18,651)**	**(0.7%)**	**30.3%**
Net profit for the year	**83,532**	**3.3%**	**98,687**	**3.8%**	**(15.4%)**
Net profit / (loss) attributable to:					
Equity holders of the parent	**81,924**	**3.2%**	**97,293**	**3.7%**	**(15.8%)**
Non-controlling interests	1,608	0.1%	1,394	0.1%	15.4%

Consolidated Profit and Loss Statement in 3Q 2014

(in HRK thousands)	3Q 2014	% of sales revenues	3Q 2013	% of sales revenues	3Q 2014/ 3Q 2013
Sales revenue	912,574	100.0%	923,678	100.0%	(1.2%)
Cost of goods sold	(527,112)	(57.8%)	(534,823)	(57.9%)	(1.4%)
Gross profit	**385,461**	**42.2%**	**388,855**	**42.1%**	**(0.9%)**
Other income	5,018	0.5%	3,646	0.4%	37.6%
General and administrative expenses	(68,313)	(7.5%)	(63,437)	(6.9%)	7.7%
Selling and distribution costs	(119,086)	(13.0%)	(130,008)	(14.1%)	(8.4%)
Marketing expenses	(108,631)	(11.9%)	(102,953)	(11.1%)	5.5%
Other expenses	(848)	(0.1%)	(1,610)	(0.2%)	(47.3%)
Operating profit	**93,601**	**10.3%**	**94,493**	**10.2%**	**(0.9%)**
Financial income	630	0.1%	11	0.0%	5622.7%
Other financial expenses	(5,395)	(0.6%)	(1,625)	(0.2%)	232.0%
Interest expenses	(10,613)	(1.2%)	(12,818)	(1.4%)	(17.2%)
Net foreign exchange differences on borrowings	(3,857)	(0.4%)	(15,170)	(1.6%)	(74.6%)
Net finance costs	**(19,236)**	**(2.1%)**	**(29,602)**	**(3.2%)**	**(35.0%)**
Profit before tax	**74,366**	**8.1%**	**64,891**	**7.0%**	**14.6%**
Current income tax	(15,813)	(1.7%)	(5,678)	(0.6%)	178.5%
Deferred tax	(239)	(0.0%)	106	0.0%	(325.3%)
Income tax	**(16,051)**	**(1.8%)**	**(5,572)**	**(0.6%)**	**188.1%**
Net profit for the year	**58,314**	**6.4%**	**59,320**	**6.4%**	**(1.7%)**
Net profit / (loss) attributable to:					
Equity holders of the parent	**58,011**	**6.4%**	**58,397**	**6.3%**	**(0.7%)**
Non-controlling interests	303	0.0%	923	0.1%	(67.1%)

Consolidated Balance Sheet on 30.09.2014

(in HRK thousands)	30.09.2014	% of assets	31.12.2013	% of assets	% of change
ASSETS					
Non-current assets					
Goodwill	25,881	0.7%	25,881	0.7%	0.0%
Intangible assets	250,755	7.1%	218,438	6.3%	14.8%
Property, plant and equipment	1,211,474	34.1%	1,218,264	35.2%	(0.6%)
Deferred tax assets	54,156	1.5%	49,573	1.4%	9.2%
Non-current financial assets	6,279	0.2%	5,607	0.2%	12.0%
Total non-current assets	**1,548,545**	**43.5%**	**1,517,763**	**43.9%**	**2.0%**
Current assets					
Inventories	650,675	18.3%	572,616	16.6%	13.6%
Trade and other receivables	1,048,487	29.5%	1,026,635	29.7%	2.1%
Income tax receivable	8,295	0.2%	6,329	0.2%	31.1%
Cash and cash equivalents	156,427	4.4%	179,461	5.2%	(12.8%)
Non-current assets held for sale	143,548	4.0%	155,354	4.5%	(7.6%)
Total current assets	**2,007,432**	**56.5%**	**1,940,395**	**56.1%**	**3.5%**
Total assets	**3,555,977**	**100.0%**	**3,458,158**	**100.0%**	**2.8%**
	30.09.2014	**% of liabilities**	**31.12.2013**	**% of liabilities**	**% of change**
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	1,062,328	29.9%	1,062,328	30.7%	0.0%
Reserves	307,191	8.6%	249,321	7.2%	23.2%
Retained earnings / (accumulated losses)	369,097	10.4%	345,701	10.0%	6.8%
Attributable to equity holders of the parent	**1,738,616**	**48.9%**	**1,657,350**	**47.9%**	**4.9%**
Non-controlling interests	35,621	1.0%	34,040	1.0%	4.6%
Total shareholders' equity	**1,774,237**	**49.9%**	**1,691,390**	**48.9%**	**4.9%**
Non-current liabilities					
Borrowings	787,896	22.2%	572,872	16.6%	37.5%
Provisions	41,285	1.2%	49,279	1.4%	(16.2%)
Deferred tax liability	5,254	0.1%	5,577	0.2%	(5.8%)
Total non-current liabilities	**834,435**	**23.5%**	**627,728**	**18.2%**	**32.9%**
Current liabilities					
Trade and other payables	590,078	16.6%	620,781	18.0%	(4.9%)
Income tax payable	18,514	0.5%	2,849	0.1%	549.8%
Financial liabilities at fair value through profit and loss	2,547	0.1%	2,709	0.1%	(6.0%)
Borrowings	326,609	9.2%	490,413	14.2%	(33.4%)
Provisions	9,557	0.3%	22,288	0.6%	(57.1%)
Total current liabilities	**947,305**	**26.6%**	**1,139,040**	**32.9%**	**(16.8%)**
Total liabilities	**1,781,740**	**50.1%**	**1,766,768**	**51.1%**	**0.8%**
Total equity and liabilities	**3,555,977**	**100.0%**	**3,458,158**	**100.0%**	**2.8%**

Consolidated Cash Flow Statement in 9M 2014

(in HRK thousands)	**9M 2014**	**9M 2013**	**9M 2014/ 9M 2013**
Profit / (loss) for the year	83,533	98,687	(15.4%)
Income tax	24,310	18,651	30.3%
Depreciation and amortization	99,557	112,530	(11.5%)
Impairment loss on assets held for sale	7,572	203	3630.0%
Impairment of investments	483	0	100.0%
Remeasurement of financial instruments at fair value	(162)	(4,136)	(96.1%)
Gains on disposal of property, plant, equipment and intangibles - net	(2,122)	(188)	1028.7%
Impairment of trade receivables	11,182	19,858	(43.7%)
Decrease in provisions	(20,725)	(3,844)	439.2%
Interest income	(1,458)	(3,367)	(56.7%)
Value adjustment (write-down) of loans and interest	1,500	0	100.0%
Interest expense	42,031	44,777	(6.1%)
Effect of changes in foreign exchange rates	(1,573)	4,770	n/a
Changes in working capital:			
(Increase) / decrease in inventories	(78,037)	(6,006)	1199.3%
Decrease / (increase) in trade receivables	(34,251)	76,019	n/a
(Decrease) / increase in trade payables	(12,644)	(70,424)	(82.0%)
Cash generated from operations	**119,196**	**287,530**	**(58.5%)**
Income tax paid	(15,042)	(8,611)	74.7%
Interest paid	(43,936)	(45,442)	(3.3%)
Net cash from operating activities	**60,218**	**233,476**	**(74.2%)**
Cash flow from investing activities			
Acquisition of subsidiaries and shares, net of cash	(16)	0	(100.0%)
Purchase of property, plant, equipment and intangibles	(127,184)	(61,975)	105.2%
Proceeds from sale of property, plant, equipment and intangibles	7,622	372	1951.7%
Net repayment of loans and investments	(1,425)	143	n/a
Collected interest	1,458	3,367	(56.7%)
Net cash from investing activities	**(119,545)**	**(58,094)**	**105.8%**
Cash flow from financing activities			
Proceeds from borrowings	986,414	215,110	358.6%
Repayment of borrowings	(950,121)	(324,603)	192.7%
Net cash from financing activities	**36,293**	**(109,493)**	**n/a**
Net increase / (decrease) of cash and cash equivalents	**(23,035)**	**65,890**	**n/a**
Cash and cash equivalents at beginning of the year	179,461	118,208	51.8%
Cash and cash equivalents at the end of year	156,427	184,097	(15.0%)

Statement of liability

Koprivnica, 30th October 2014

STATEMENT FROM EXECUTIVES RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Consolidated financial statements of the Podravka Group for the period January – September 2014 have been prepared in compliance with the Accounting Act of the Republic of Croatia and International Financial Reporting Standards (IFRS) and provide an overall and true presentation of assets, liabilities, profit and loss, financial position and business operations of the Group and all related companies involved in the consolidation.

Corporate accounting and Taxes:
Iva Brajević

Board Member:
Miroslav Klepač

The Business Results of Podravka Group for period 1 – 9 2014 were authorised by the Management Board on 30th October 2014.

President of the Management Board:
Zvonimir Mršić

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