



CORPORATE COMMUNICATIONS

MEDIA RELEASE

Business in the second trimester as planned for Podravka Group

Profit in the first half-year HRK 25.2 million

Zagreb, 28th July 2014 – **The highlight of the announced Podravka Group business results, also accepted by the Supervisory Board, is the fact that the business results in the second quarter this year are as planned. Total sales is HRK 1,623 million, where Food and beverages program takes up HRK 1.249 million, and Pharmaceuticals take up HRK 374 million. EBIT for the first half-year is HRK 53.5 million, and realized profit is HRK 25.2 million.**

Comparing to the same period last year, the revenues are 4.3% reduced due to negative exchange rate on the foreign market, pharmaceuticals prices reduction on domestic market and disinvestment of the business programs with long-year negative influence on company profitability. Expenses also had a significant impact on business results, primarily the severance payments amounting to HRK 51.5 million for 377 employees who have left the company, and savings amounting to HRK 30.2 are expected by the end of this year. Total operating costs in the first half 2014 are HRK 52 million reduced comparing to the same period last year, which is a result of further optimization of the company business.

"Despite reduced buying power on the one hand, and reduced prices of the pharmaceuticals on the other in Croatian market, as well as negative influence of the exchange rate in the foreign markets, especially Russian, we are pleased that we manage to keep up with the rhythm of plans set and business results in the first half this year. We continue to strengthen our market position and to improve company competitiveness, because our decisions so far confirm we are headed in the right direction", Zvonimir Mršić, Podravka Management Board president said.

In the first half this year Podravka continued the restructuring process by disinvesting low-profit segment of bakery, while late last year it disinvested the fresh meat and frozen food program, which will definitely influence additional improvement of company profitability in the upcoming period. Worth emphasizing is the recognition for the "Best Managed Company in CEE" by the distinguished magazine Euromoney. Business management of Podravka was evaluated by a specially formed jury

sponsored by the Euromoney magazine, and as it was highly rated, it was concluded that Podravka realized the highest improvement among all the companies in Central and Eastern Europe. Analysts of the leading international banks and institutions participated in this survey, and the nominations for the best managed companies were performed considering business strategies, corporate management system, availability of the higher management, business transparency, shareholder value, communication effectiveness and staying informed, and many other standards.

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