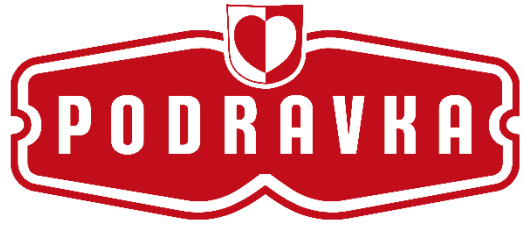


# Podravka Group

*Always with a heart!*

26th May 2015, ZSE & LJSE Investors Conference, Zagreb





# **The Company**

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# Podravka Group at a glance



## BUSINESS:

- food and pharmaceuticals.



## 2014 FIGURES:

- HRK 3,502.6 millions of sales,
- HRK 3,508.6 millions of total assets,
- 5,341 employees.

## YEAR OF ESTABLISHMENT: 1947

- 68 years in food production,
- 43 years in pharma production,
- culinary institution in SEE.



## HEADQUARTERS:

- Koprivnica, Croatia.



## MAIN MARKETS:

- South East Europe,
- Central Europe,
- Eastern Europe.



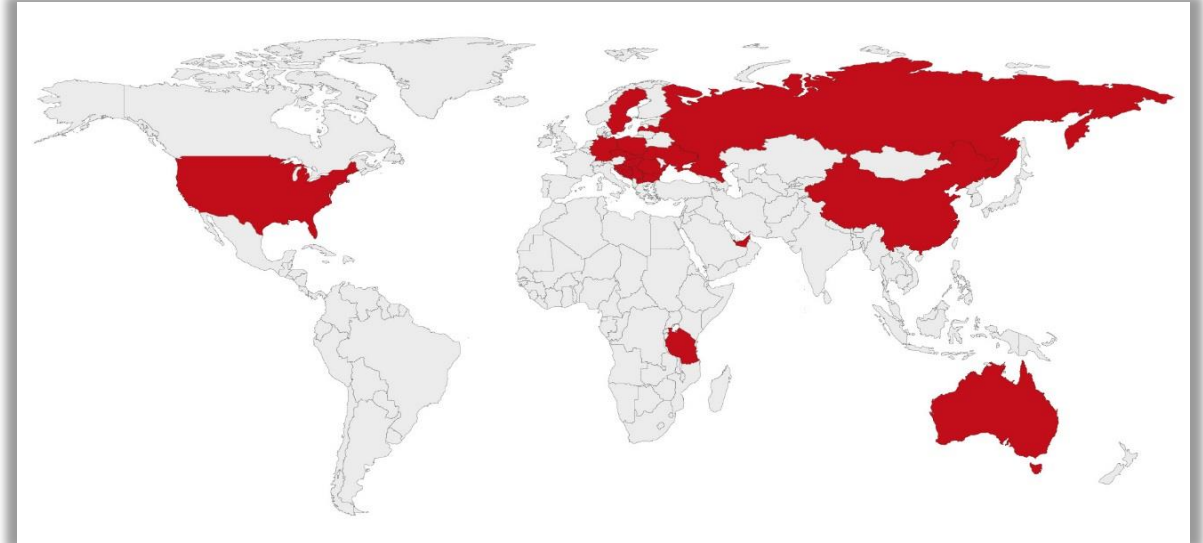
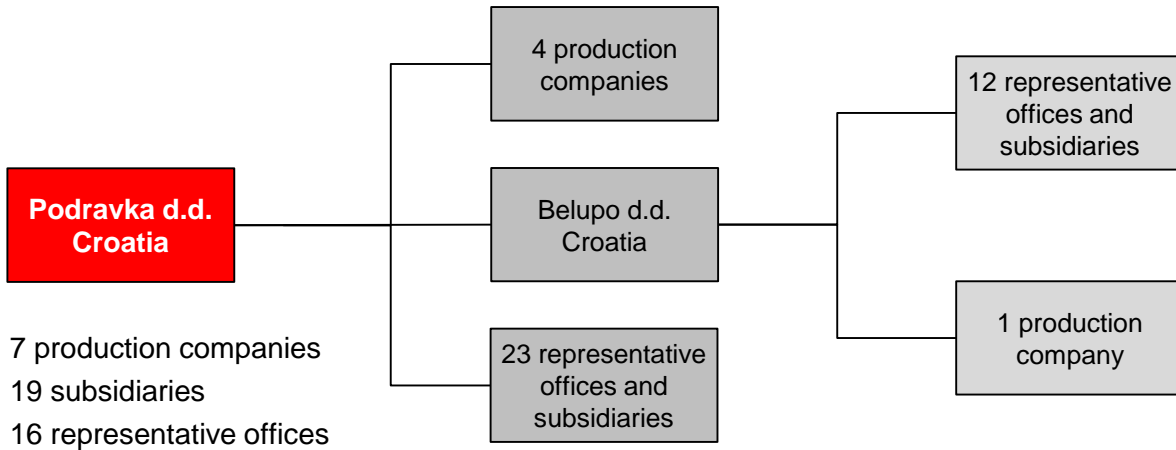
## SHARE LISTING:

- Zagreb Stock Exchange, Croatia,
- MCap of HRK 1,656.4 millions\*.

\*MCap on 22/05/2015.

# Podravka Group is present in 23 countries with subsidiaries and representative offices

## International network of subsidiaries and representative offices



## Own distribution network from Adriatic to the Baltic sea

1. Bosnia and Herzegovina
2. Czech
3. Montenegro
4. Croatia
5. Hungary
6. Macedonia
7. Poland
8. Slovakia
9. Slovenia
10. Serbia



## Locally based production facilities

- Croatia → 11 facilities
  - Koprivnica (6 food facilities, 1 pharmaceutical)
  - Lipik (non-alcoholic beverages)
  - Umag (vegetables)
  - Varaždin (vegetables)
  - Rovinj (fish products)
- Bosnia and Herzegovina → 1 facility (pharmaceutical)
- Czech Republic → 1 facility (rice, pulses)



# Long tradition of food and pharmaceutical production



**1934**

Fruit processing and marmalade workshop by brothers Wolf established



**1947**

Wolf brothers workshop became publicly owned under Podravka name



**1952**

Condiments, dried and sterilized vegetables, etc. production established



**1957**

Famous Podravka soups production established



**1958**

Production of meat products established



**1959**

Vegeta, universal seasoning, production established



**1970**

Baby food production established



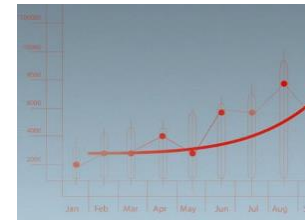
**1970**

Bottling facility for spring water enters Podravka, non-alcoholic beverages production established



**1972**

Belupo pharmaceutical company established, pharmaceutical production established



**1993**

Podravka became a joint-stock company, free share trading from 1994



**2006**

Eva, fish products brand, acquisition



**2015**

SPA for Žito Inc. signed; Mirna, fish products producer, enters Podravka

# Highly developed corporate governance

## Management board



**Zvonimir Mršić**

### President of MB

- Group strategy,
- mayor of Koprivnica in 3 terms,
- FBA,
- vice-president of Croatian Exporters Association.



**Olivija Jakupec**

### Member of MB

- sales & marketing,
- work experience on the Russian market,
- director of Nexxe B&H.



**Miroslav Klepač**

### Member of MB

- finance & IT,
- board member of Allianz Zagreb, Iskon, HT B&H,
- MBA.



**Hrvoje Kolarić**

### Member of MB

- pharmaceuticals,
- director of Bristol Myers Squibb and PharmaSwiss,
- MBA.

## Supervisory board

### President:

- Dubravko Štimac → president of MB of PBZ CO OPF

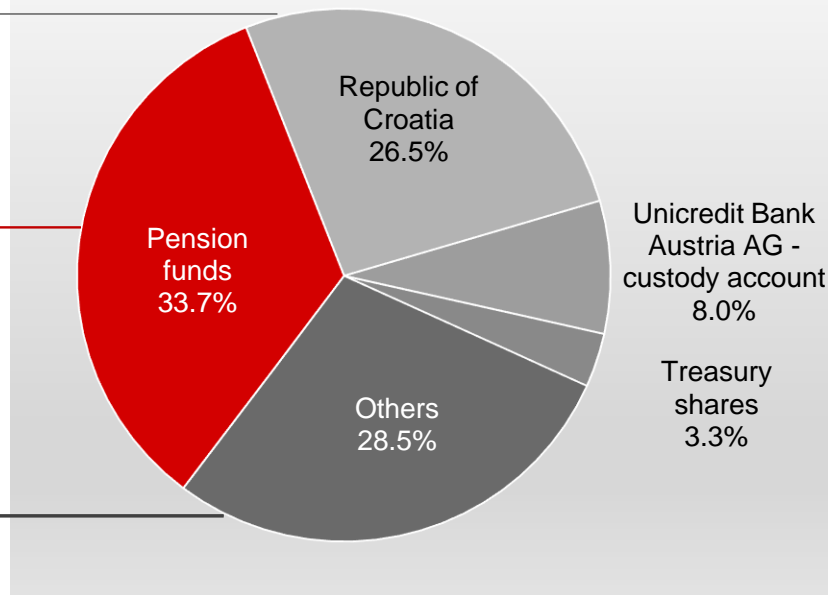
### Vice President:

- Mato Crkvenac → ex finance minister

### Members:

- Ivana Matovina → ex audit director at KPMG
- Martinka Marđetko Vuković → workers representative
- Ivo Družić → academy professor of economy
- Milan Sojanović → professional manager
- Petar Vlaić → president of MB of Erste Plavi OPF
- Dinko Novoselec → president of MB of Allianz ZB OPF
- Petar Miladin → academy professor of law

## Shareholder structure on 31/03/2015



## Audit committee

### President:

- Dinko Novoselec

### Members:

- Petar Vlaić
- Ivana Matovina
- Mato Crkvenac

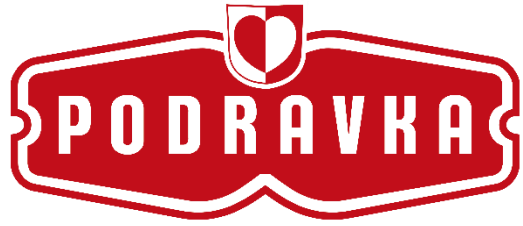
## Remuneration committee

### President:

- Petar Vlaić

### Members:

- Dubravko Štimac
- Milan Stojanović



The Company

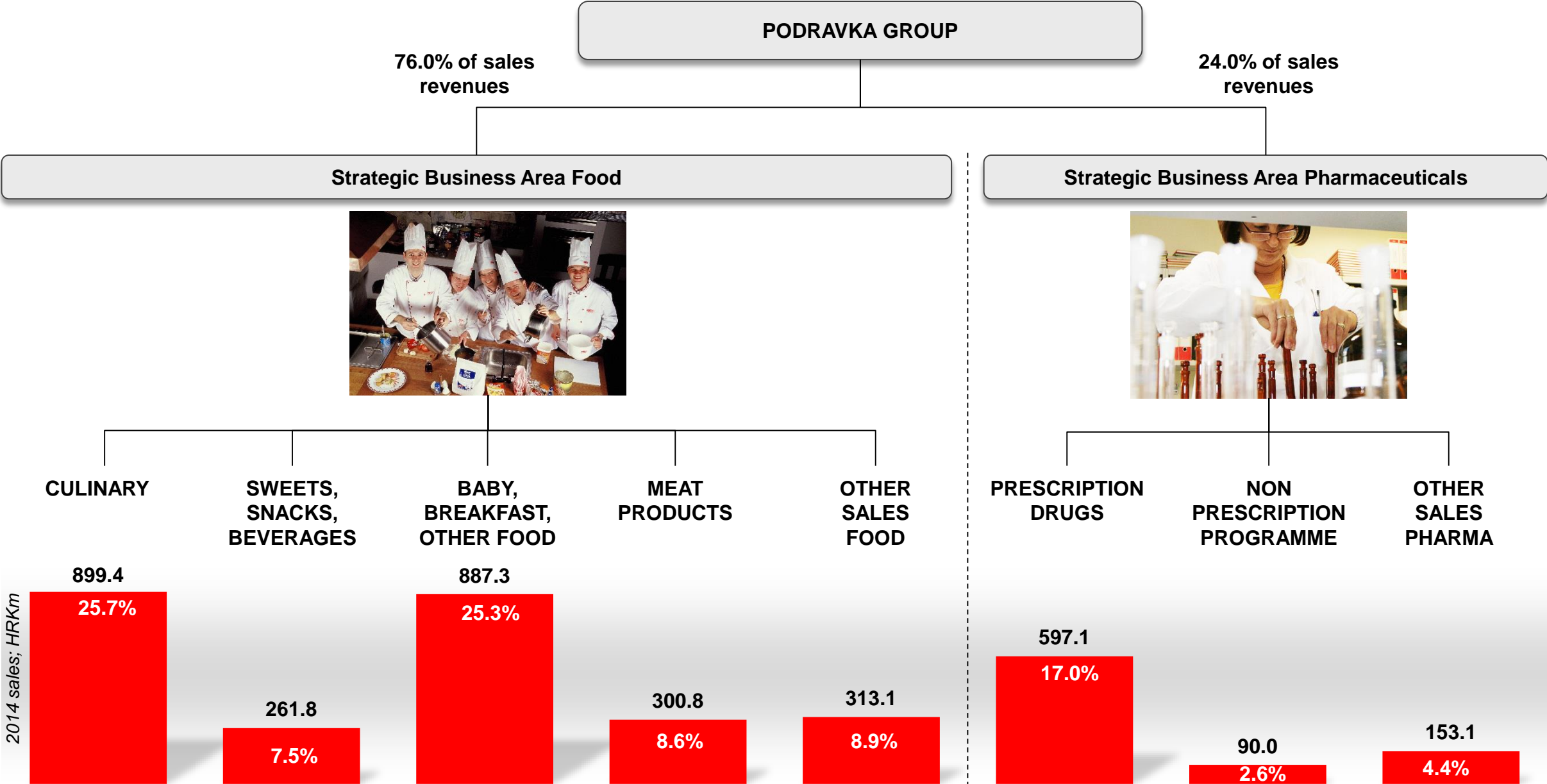
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# A well diversified product portfolio divided in two business areas



# Culinary category is a cornerstone of food business

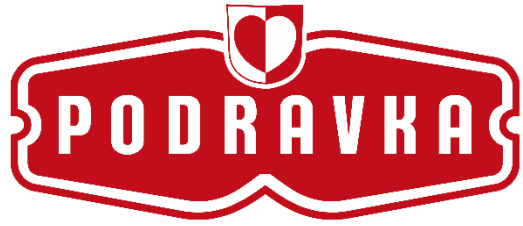
Food category products overview					2014 sales; % of total	
<b>CULINARY</b> <ul style="list-style-type: none"> <li>seasonings*, bouillons,</li> <li>soups*, semi-finished meals,</li> <li>mixes for meals, sauces.</li> </ul>	     				HRK 899.4m	25.7%
<b>SWEETS, SNACKS AND BEVERAGES</b> <ul style="list-style-type: none"> <li>powdered sweets*,</li> <li>salted snack,</li> <li>non-alcoholic beverages.</li> </ul>	    				HRK 261.8m	7.5%
<b>BABY, BREAKFAST AND OTHER FOOD</b> <ul style="list-style-type: none"> <li>dehydrated baby food*, cereals, spreads,</li> <li>condiments, vegetables,</li> <li>fish products*, tomato based products.</li> </ul>	    				HRK 887.3m	25.3%
<b>MEAT PRODUCTS</b> <ul style="list-style-type: none"> <li>ready to eat meals and meat sauces,</li> <li>sausages, pâtés, frozen meat.</li> </ul>	   				HRK 300.8m	8.6%
<b>OTHER SALES</b> <ul style="list-style-type: none"> <li>private labels, service production,</li> <li>trade goods, other.</li> </ul>	   				HRK 313.1m	8.9%

\*Strategic products with international potential.

# Prescription drugs category is a cornerstone of pharmaceutical business

Pharmaceutical category products overview				2014 sales; % of total	
<b>PRESCRIPTION DRUGS</b> <ul style="list-style-type: none"> <li>for skin disorders*</li> <li>for hearth and blood vessels,</li> <li>for central nervous system,</li> <li>for 8 more areas.</li> </ul>		  		HRK 597.1m	17.0%
<b>NON-PRESCRIPTION PROGRAMME</b> <ul style="list-style-type: none"> <li>OTC medicine,</li> <li>dietary products,</li> <li>natural products.</li> </ul>		  		HRK 90.0m	2.6%
<b>OTHER SALES</b> <ul style="list-style-type: none"> <li>trade goods,</li> <li>services.</li> </ul>	   			HRK 153.1m	4.4%

\*Strategic products with international potential.



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# High-quality brands with exceptional recognisability and strong international potential

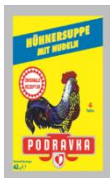


## VEGETA

- universal seasoning, category synonym in SEE,
- for years No. 1 FMCG brand in CRO and in the top 3 in the region,
- number 1 brand in Europe in seasoning category,

- Superbrand award in more than 15 European countries,
- Laur consumenta award in Poland for 2004-2014 period.

Vol. MS	CRO	SLO	B&H	POL	CZE	RUS
Vegeta	1	1	1	3	2	2



## PODRAVKA SOUPS

- dehydrated instant soups,
- sold in 20 countries around the world,
- most sold SKU on regional markets,

- Quadal (Quality Medal) award in Croatia,
- Best Buy award in Croatia and B&H.

Vol. MS	CRO	SLO	B&H	RUS
Soups	1	2	1	5



## LINO

- dehydrated baby food; umbrella brand,
- category synonym in SEE countries,
- sold in more than 20 countries around the world,

- Trusted brand award and Best Buy award winner in Croatia,
- Superbrand awards winner in Croatia, Slovenia and B&H.

Vol. MS	CRO	SLO	B&H
Lino	1	1	1



## DOLCELA

- powdered product for preparation of sweets,
- No. 1 or strong No. 2 brand in SEE,

- Quadal (Quality Medal) award in Croatia,
- Best Buy award in Croatia and B&H.

Vol. MS	CRO	SLO	B&H
Dolcela	1	2	1



## EVA (MEDITERRANEAN ASSORTMENT)

- one of the most recognisable brands in canned fish category
- flagship of Mediterranean cuisine,

- Quadal (Quality Medal) award and Superior taste award in Croatia,
- Best Buy award in Croatia and B&H.

Vol. MS	CRO	SLO	B&H
Eva	2	4	1



## BELUPO

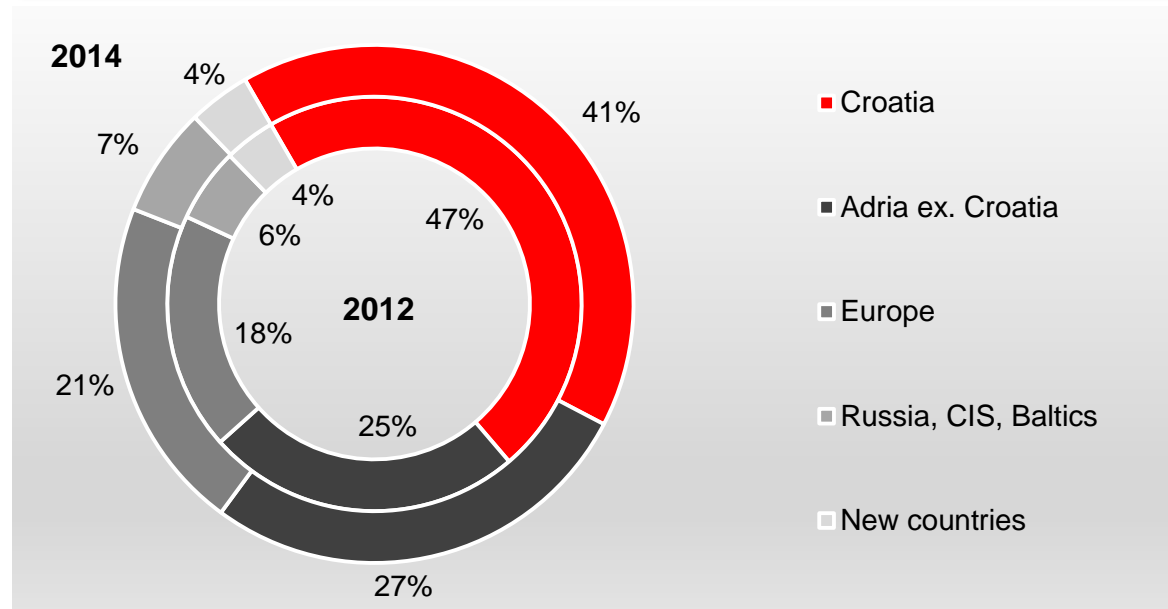
- pharmaceutical brand,
- strong position in niche markets, especially in dermatology segment.

Vol. MS	CRO	RUS	CZE	SLO	B&H	SER	MAC	SLR
D07*	1	5	2	2	1	2	1	1

D07\* - Corticosteroids for the treatment of skin disorder

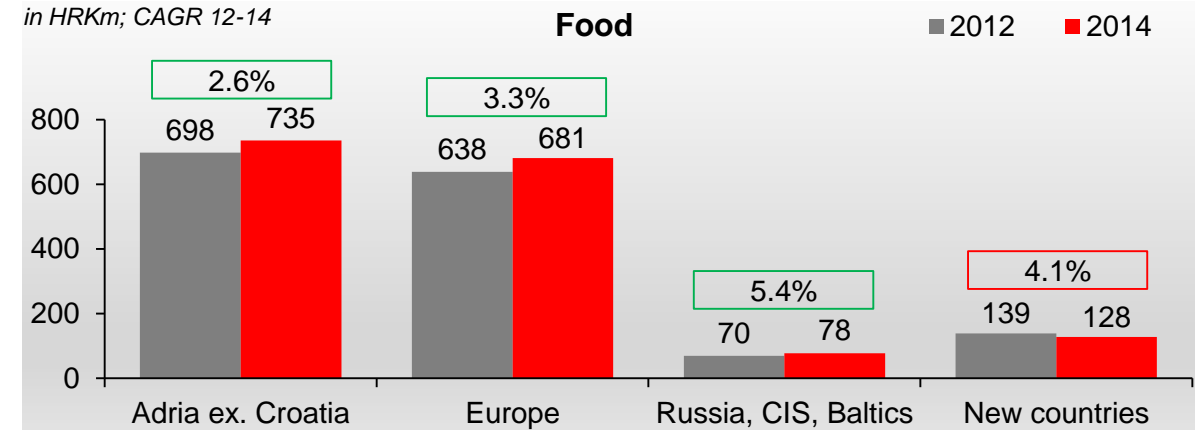
# Strong orientation towards internationalization

## Sales revenues becoming less dependent on a single domestic market

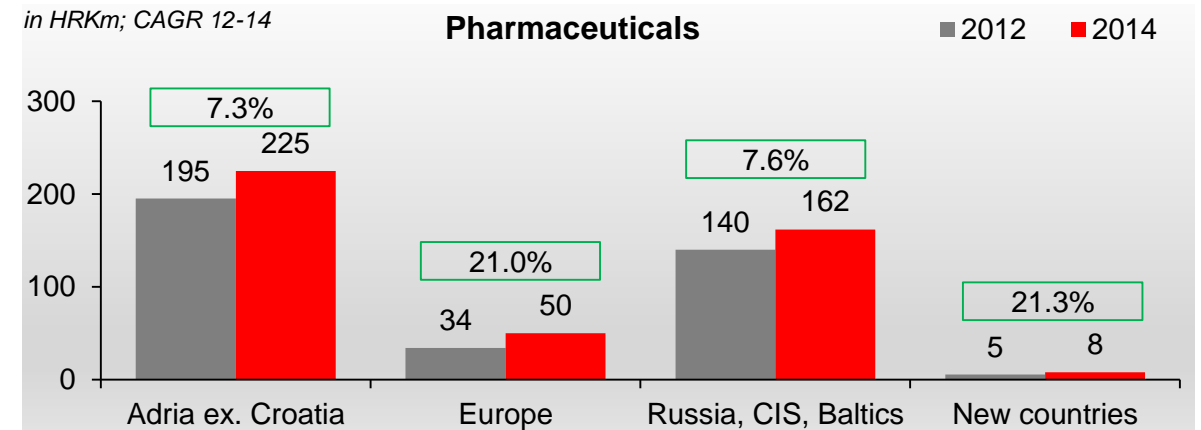


- further internationalization is one of the Company's key strategic objectives,
- key reasoning behind internationalization:
  - reduced dependence on a domestic market,
  - stronger brand recognisability outside Adria region,
  - diversification of risk related to a single market/region,
- second phase of internationalization started in 2015 → companies in Tanzania and Dubai, representative office in China.

## Sales revenues growth of international markets in both SBA



- New countries under the influence of distribution model change and negative FX.



- excluding FX differences Russia, CIS, Baltics 2012-2014 CAGR is 16.9%.

# Clearly defined growth strategy for every region

## Adria region strategy → defend and maintain market position

- consolidation of food production and retail sector,
- high market shares of Podravka Group's products,
- slow economic recovery and no population growth,
- key strategic objectives:
  - consolidate food business,
  - maintain market position,
  - provide „value for money” products as answer to private labels,
- M&A opportunities → to further consolidate business.



## Europe region strategy → sustainable growth

- aging population with very limited growth potential,
- fierce competition of big global and local players,
- key strategic objectives for Central Europe:
  - grow existing assortment with specific products,
- key strategic objectives for Western Europe:
  - 50% of sales revenues comes from general market → move more into general market and educate consumers about Podravka Group's products,
- M&A opportunities → to acquire strong local brand(s) and gain access to retail.



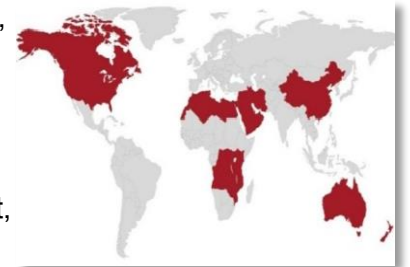
## Russia, CIS, Baltics strategy → local production & distribution growth

- Podravka Group's brands have high market recognition,
- full potential of distribution is far from being achieved,
- key strategic objectives:
  - change distribution model in Food,
  - grow distribution in retail chains and new cities,
  - become a local producer → different consumer perception, possibility of natural FX hedge,
- M&A opportunities → to become local producer.

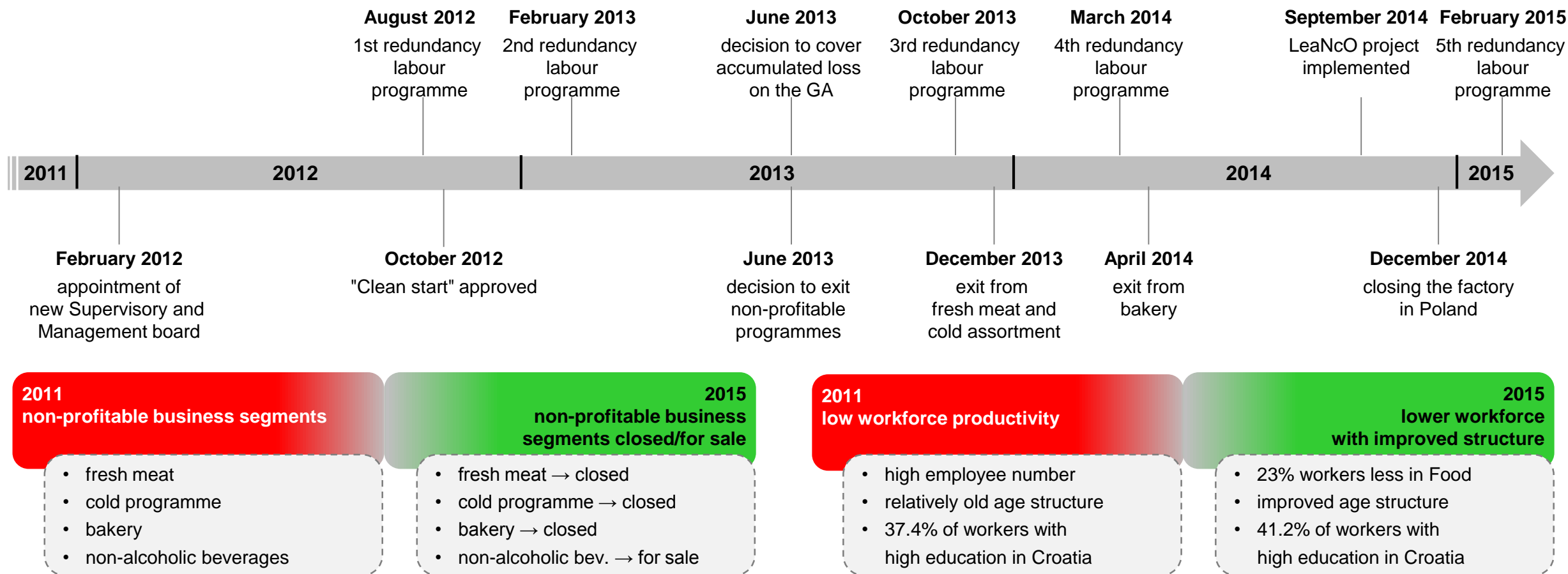


## New countries strategy → distribution growth & opening new markets

- Podravka Group's traditional presence in ethno channels,
- opening new markets → Africa, MENA, China,
- key strategic objectives:
  - Australia → further expansion into general market,
  - USA, Canada → entry into general market,
  - Tanzania, Dubai, China → set up operations, local production in Tanzania,
- currently not scanning for M&A opportunities.



# Successful implementation of the restructuring process



- **October 2012** – approved ordered assessment of the Company's position made by KPMG as base for further steps,
- **June 2013** – the decision has been made on the General Assembly to reduce nominal value of shares from HRK 300.00 to HRK 200.00 to cover accumulated losses and to make prerequisites for future dividend payment,
- **September 2014** – LeaNcO programme aimed to improve efficiency of finance, administration and reporting successfully implemented.

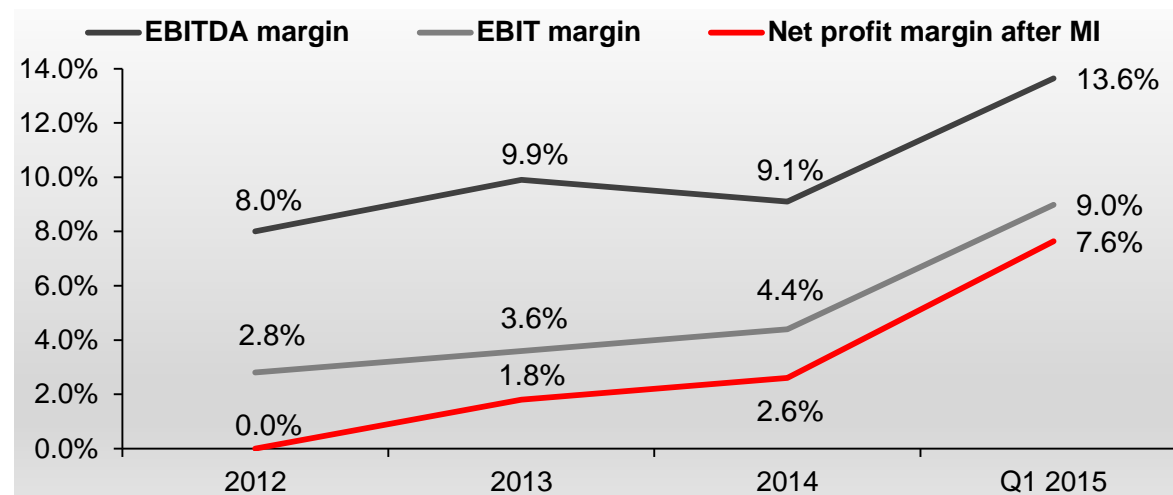
# Significantly improved financial position

## One-off items burdened profitability in the past

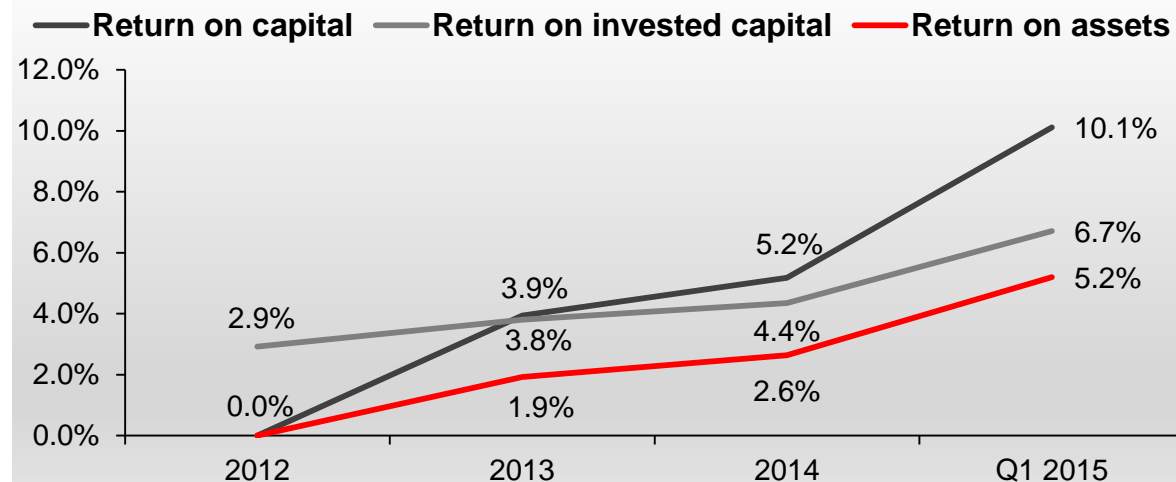
(HRK <sub>m</sub> )	2012	2013	2014	Q1 2015
Value adjustments	(37.4)	(80.8)	(29.2)	0.0
Severance payments	(49.9)	(57.2)	(71.1)	0.0
Other	(44.5)	4.6	10.2	24.8
Total net one-off items	(131.8)	(133.4)	(90.1)	24.8

- restructuring efforts took its toll on profitability,
- 2015 is expected to be without negative one-off items.

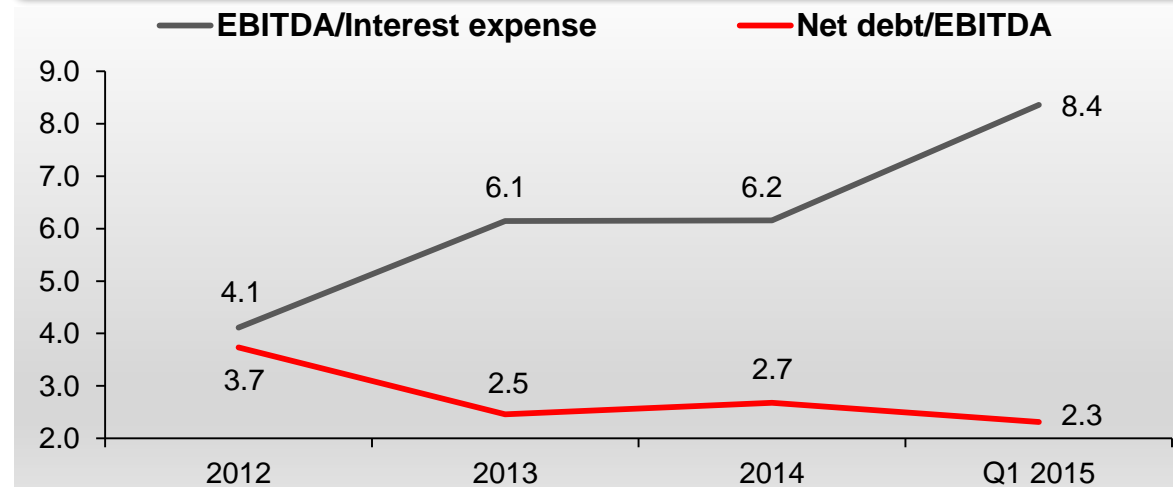
## Improvement in profitability margins



## Return rates on a higher level\*








## Debt level lowered\*









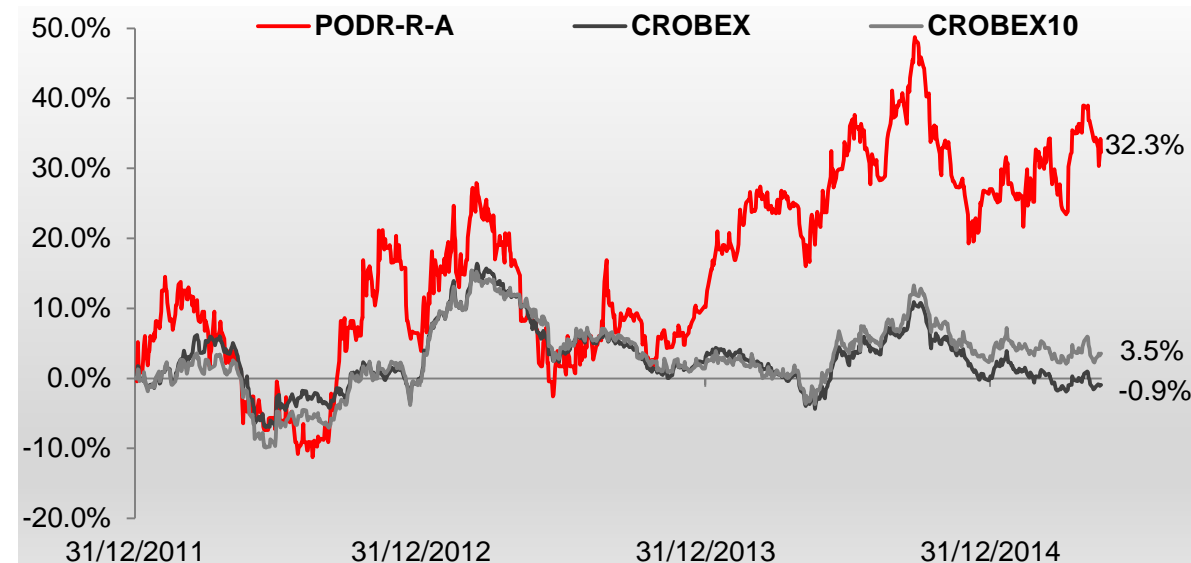
Note: Figures for 2012 – Q1 2015 period on the reported level; Interest expense includes banking fees; \*Q1 2015 indicators calculated on the trailing twelve months basis.

## Podravka's share is being traded below peer group level

(HRK; units)	1-5 2015		% change
Average daily price	300.5		6.6%
Average daily number of transactions	11		(28.7%)
Average daily volume	1,024		(40.8%)
Average daily turnover	307,797.8		(36.8%)
Earnings per share*	34.8		103.9%

\*Earnings per share for Q1 2015 calculated on the TTM basis, compared to the 2014, 6th most liquid share among Crobex10 components on ZSE in 2014 and Q1 2015.

Analysts	Recommendation	Target price	Potential
 InterCapital	Under review	n/a	n/a
 FIMA	Under review	n/a	n/a
 HYPO ALPE ADRIA	Buy	HRK 364.0	19.1%
 Raiffeisen BANK	Buy	HRK 374.0	22.4%
 ERSTE Group	Buy	HRK 366.0	19.8%
 UniCredit	Buy	HRK 399.0	30.5%

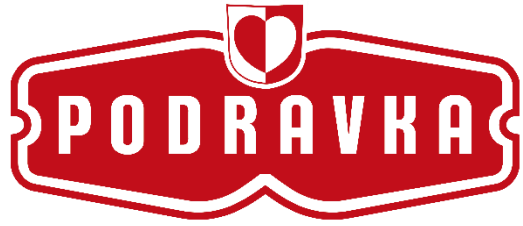


Peer group multiples*	EV/Sales	EV/EBITDA	EV/EBIT	P/E
Weighted average peer group	2.1	11.8	17.1	20.7
Weighted adj. average peer group**	2.0	11.9	17.8	20.6
Podravka Group reported	0.8	6.5	10.8	8.8
Podravka Group normalized***	0.8	6.6	10.1	8.0

\*Multiples obtained from Bloomberg on 25.05.2015; \*\*Calculated excluding maximal and minimal values; \*\*\*Calculated excluding one-off items.

Food peer group: Atlantic Grupa d.d., Greencore Group plc, Nestle S.A., Orkla ASA, Otmuchow S.A., Premier Foods plc, Unilever plc.

Pharmaceuticals peer group: Hikma Pharmaceuticals plc, Krka d.d., Recordati S.p.A, Richter Gedeon Nyrt., Stada Arzneimittel AG.



The Company

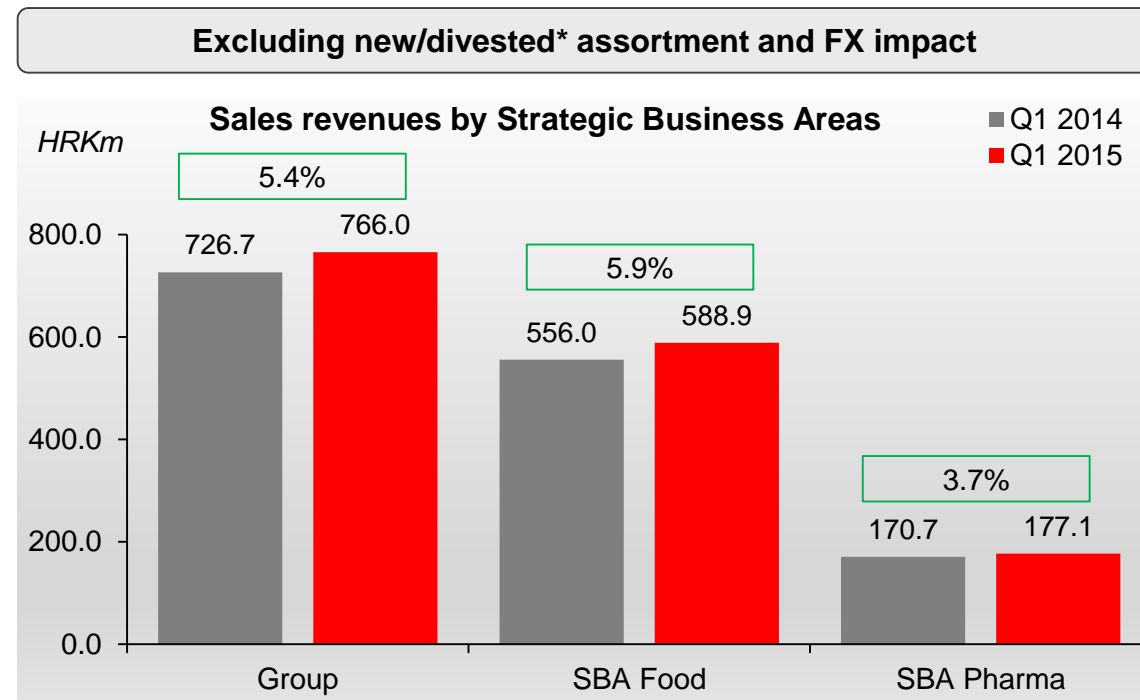
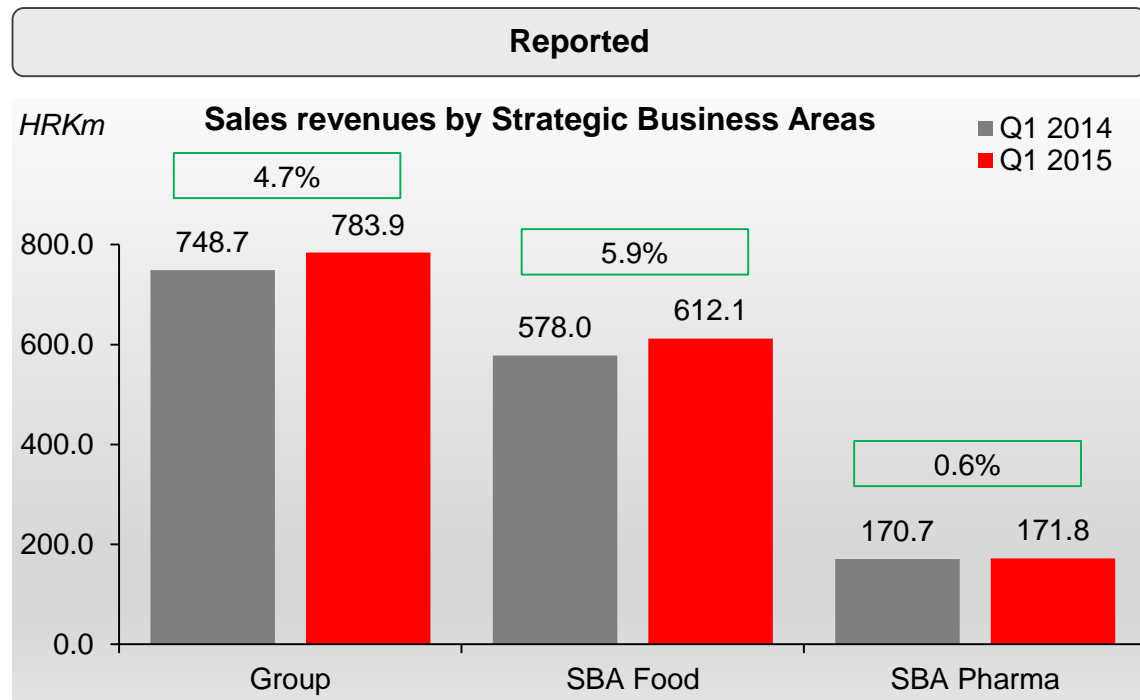
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## Sales revenues growth recorded in both strategic business areas

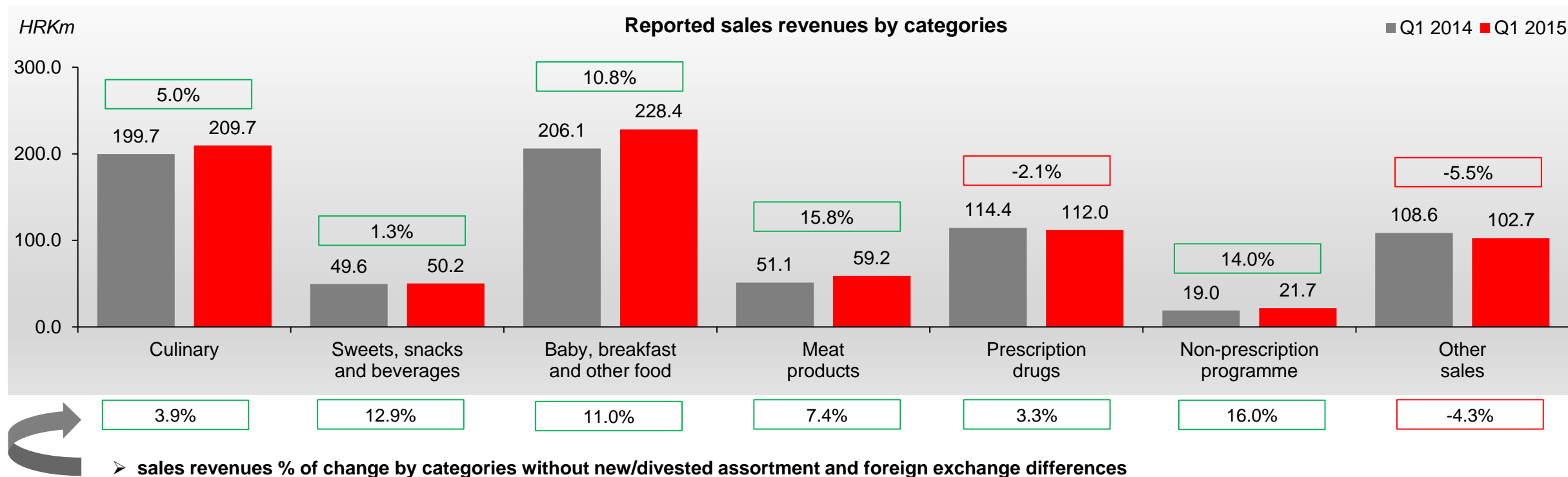


### Key highlights:

- sales revenues growth of both strategic business areas in Q1 2015 yoy,
- SBA Food grew 2.0% yoy in volume terms, while organic growth of SBA Food (growth of own brands, excluding private label, trade goods, service production) was 3.2% yoy,
- SBA Pharma grew 3.1% yoy in volume terms, while organic growth of SBA Pharma (growth of own brands, excluding trade goods and services) was 5.3% yoy.

\*New assortment relates to PIK and Mirna brands which were not present in Q1 2014 and which positively impact sales in Q1 2015. Divested assortment relates to programmes under restructuring (abandoned and being abandoned by the company) that were present in Q1 2014, but are not fully present in Q1 2015 and thereby have a negative impact on sales in Q1 2015.

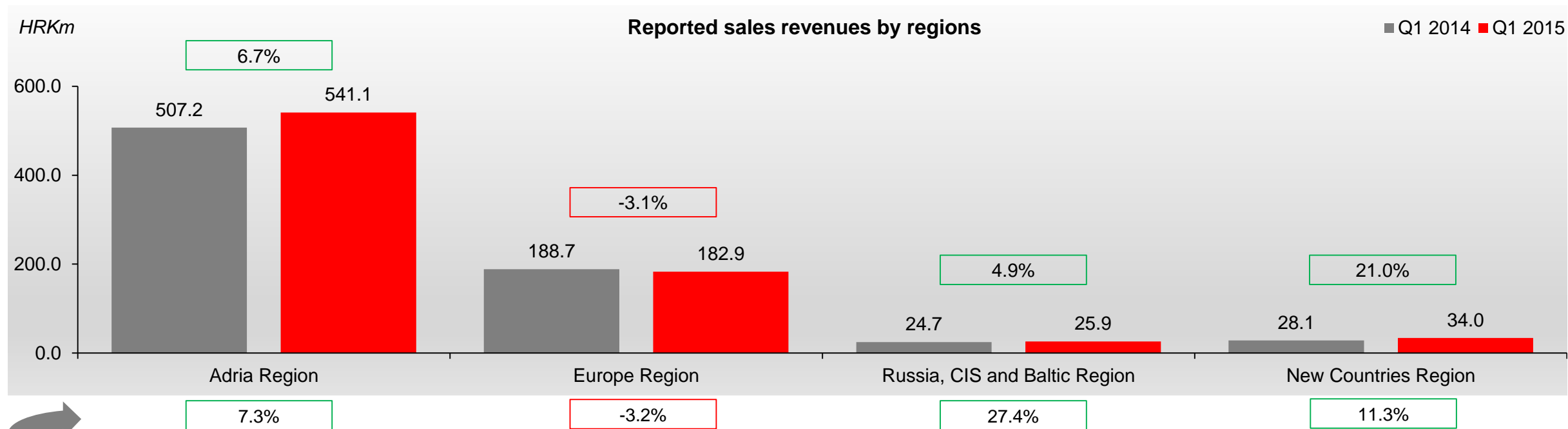
## Increase in sales recorded in most categories, prescription drugs category negatively impacted by FX



### Key highlights:

- culinary → sales growth triggered by the growth in subcategories of universal food seasonings and soups, primarily in the markets of Croatia and the USA,
- sweets, snacks and beverages → sales grow due to the increase in sales of the powdered sweets subcategory, realised mainly in the Croatian market,
- baby, breakfast and other food → increase in sales of subcategories of Mediterranean food and frozen vegetables, realised in the Adria region and in the market of Russia,
- meat products → significant growth in sales of the subcategories of sausage products and pâtés in the Croatian market,
- prescription drugs → negative FX impact of HRK 5.0 million, without the FX effect sales growth of 3.3%; volume growth in the markets of Croatia (4.6%) and Russia (12.8%),
- non-prescription programme → OTC medicines recorded a 28.9% increase in sales, primarily in the Croatian market,
- other sales → negative effect of lower sales revenue from trade goods sold (poppy seed), primarily in the markets of the Czech Republic and Austria.




























## International markets recorded 3.8% higher sales in Q1 2015 yoy, continuing the growth trend



### Key highlights:

- Adria Region → sales growth in all markets of the region, primarily in the Croatian market (+6.1% yoy),
- Europe Region → lower sales of trade goods (poppy seed), while the overall organic sales grew by 3.0% yoy,
- Russia, CIS and Baltic Region → the increase in sales was recorded in food, while the pharmaceuticals segment was negatively affected by FX; excluding the effect of foreign exchange differences, the growth was 27.4% yoy,
- New Countries Region → significant growth in sales impacted by a double-digit growth rate of the culinary category in the markets of the USA and Australia.

## Improved profitability of Food and Pharmaceutical segment increased Group's profitability

Q1 2015 (HRKm)	Food			Pharmaceuticals			Group		
Sales revenue	612.1		5.9%	171.8		0.6%	783.9		4.7%
Gross profit	233.7		9.0%	87.9		3.0%	321.6		7.3%
EBITDA	91.4		2,168.3%	15.6		58.8%	107.0		673.2%
EBIT	65.0		n/a	5.5		n/a	70.5		n/a
Net profit after MI	58.0		n/a	1.8		n/a	59.8		n/a
Q1 2015 (% of sales)	Food			Pharmaceuticals			Group		
Gross margin	38.2%		+109 bp	51.1%		+117 bp	41.0%		+99 bp
EBITDA margin	14.9%		+1,423 bp	9.1%		+332 bp	13.6%		+1,180 bp
EBIT margin	10.6%		+1,417 bp	3.2%		+352 bp	9.0%		+1,181 bp
Net profit margin	9.5%		+1,508 bp	1.0%		+332 bp	7.6%		+1,247 bp

### Key highlights:

#### Food:

- HRK +24.8 million impact of Mirna consolidation in Q1 2015, HRK -45.7 million impact of severance payments in Q1 2014,
- excluding Mirna impact and severance payments, EBIT grew 51.3% to HRK 38.0 million and EBIT margin improved by 186 bp to 6.2%.













#### Pharmaceuticals:

- profitability improvements on all levels,
- HRK -9.7 million of net realized FX differences → sole culprit for current level of profitability.

#### Podravka Group:

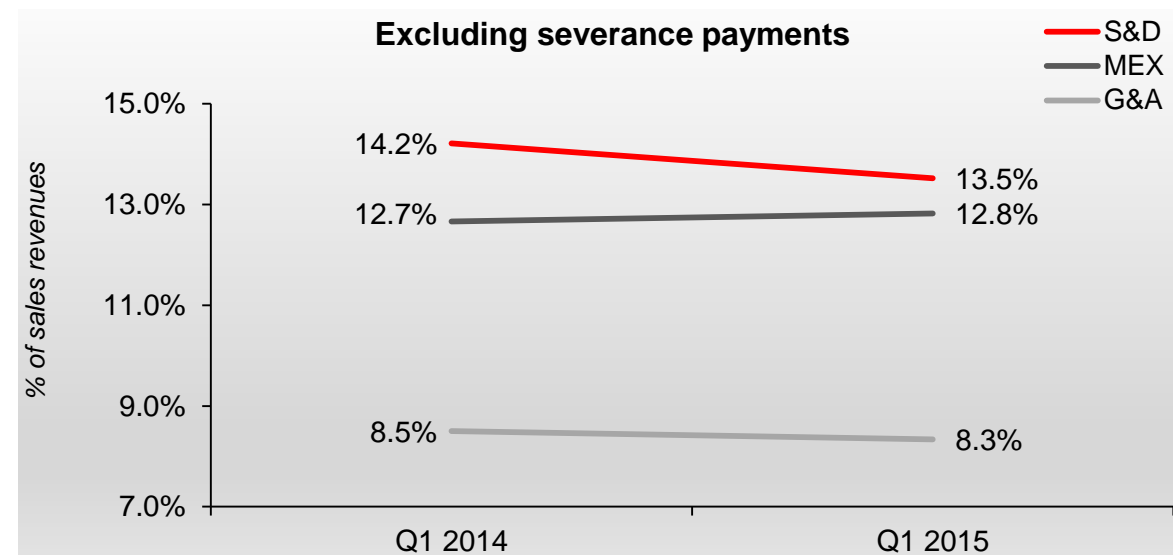
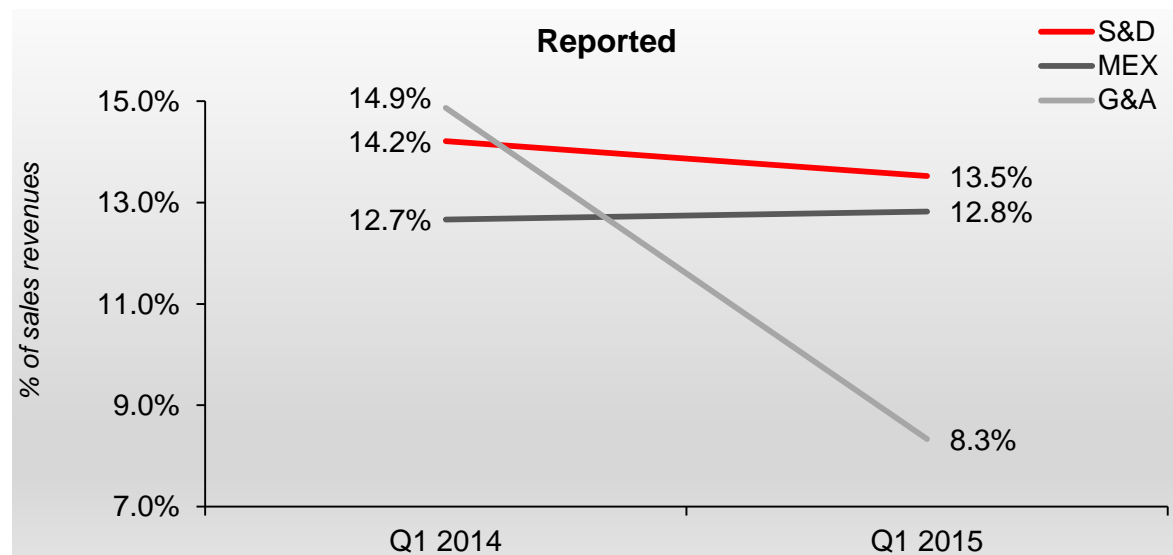
- excluding Mirna impact and severance payments, EBIT grew 71.9% to HRK 45.7 million and EBIT margin improved by 228 bp to 5.8%.

## Further decrease of S&D costs and G&A expenses as % of sales revenues

Operating expenses		Reported		Excluding severance payments
Cost of goods sold		2.8%		2.8%
General and administrative expenses		(41.3%)		2.7%
Selling and distribution costs		(0.4%)		(0.4%)
Marketing expenses		6.0%		6.0%
Other expenses		(23.3%)		(23.3%)
Total		(4.0%)		2.3%

### Key highlights:

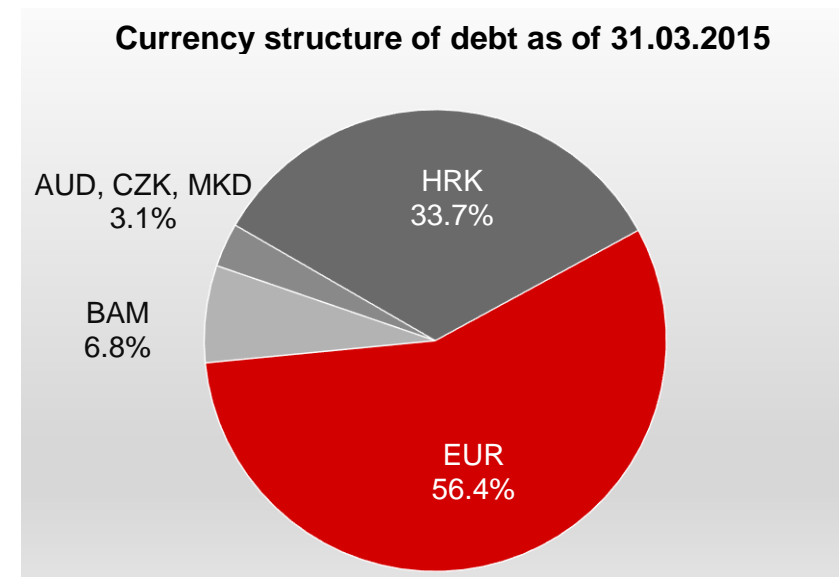
- COGS had lower increase than food (+3.2%) and pharma (+3.1%) volume growth,
- normalized G&A expenses 1.8% lower when excluding consulting expenses,
- lower staff costs, warehousing costs and more efficient collection of trade receivables led to lower S&D costs,
- MEX grew due to stronger marketing activities related to Easter holidays.



## Improved debt indicators

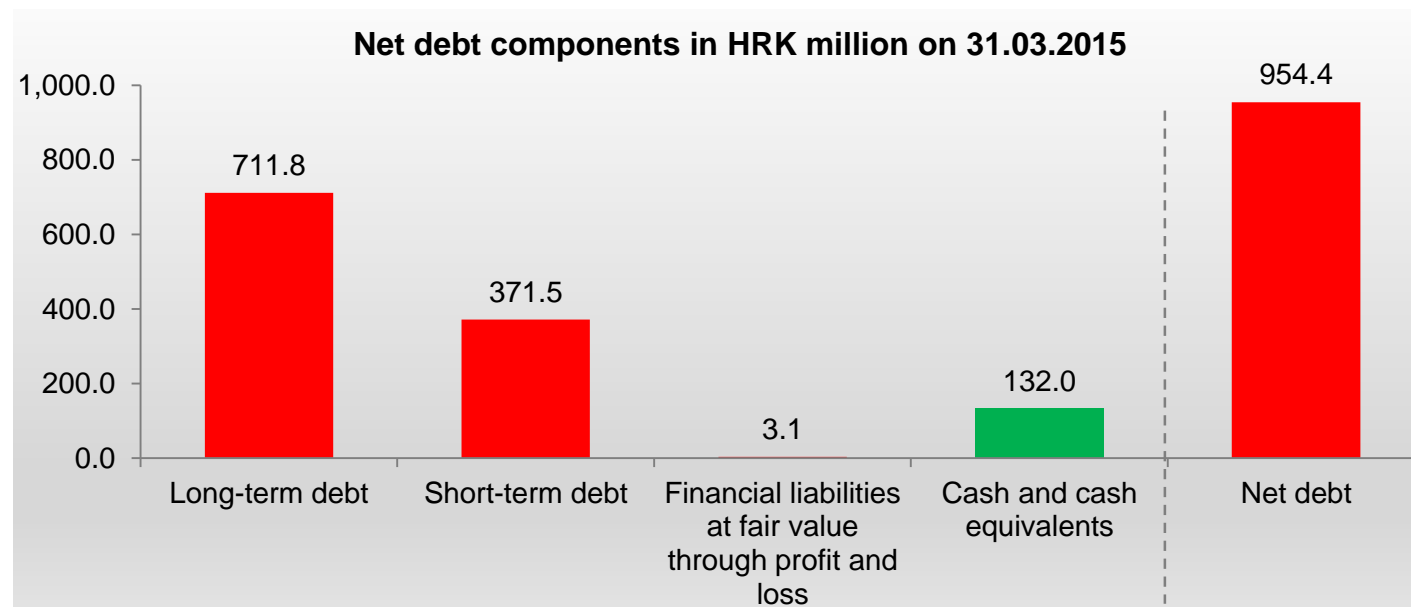
(HRK 000)*	Q1 2015	2014	% change
Net debt	954,393	856,828	11.4%
Interest expense	41,058	43,543	(5.7%)
Net debt / EBITDA	2.3	2.7	(13.7%)
EBITDA / Interest expense	10.1	7.3	37.0%
Equity to total assets ratio	51.4%	50.9%	+47 bp

\*Note: all indicators calculated on the trailing twelve months basis; Interest expense without banking fees.






### Key highlights:

- increase of net debt → new short-term loans in Q1 2015 related to the settlement of Mirna liabilities and lower cash,
- decrease of interest expense → refinancing under more favourable terms and repayment of a portion of borrowings,
- **weighted average cost of debt:**
  - on 31.03.2015 → 3.4%,
  - on 31.12.2013 → 4.3%,
  - improvement by 94 bp.

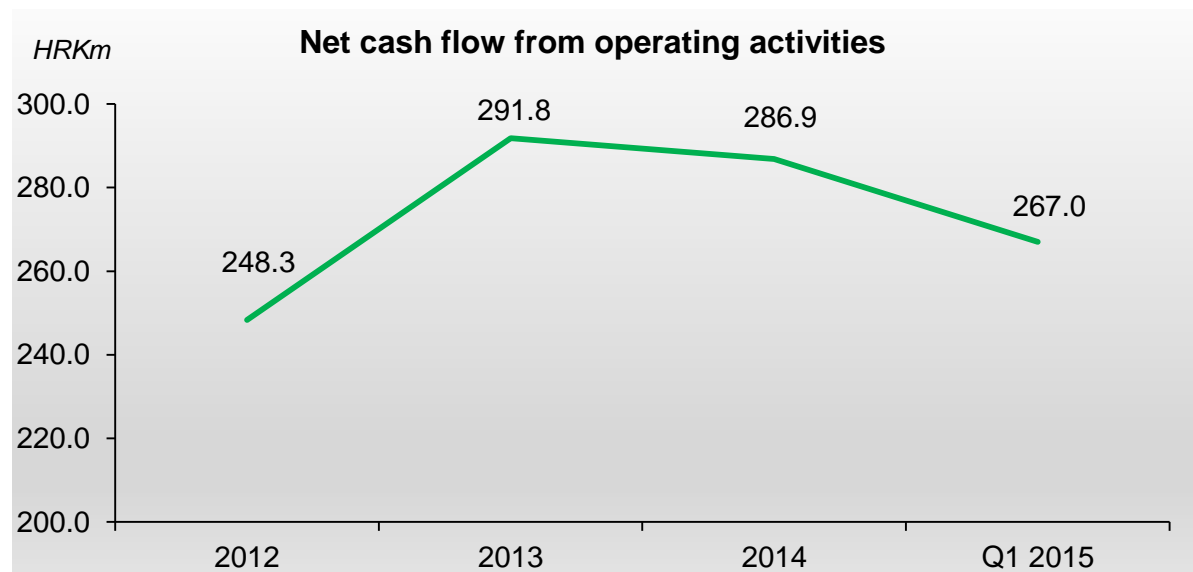


## Stabile net cash flow from operating activities

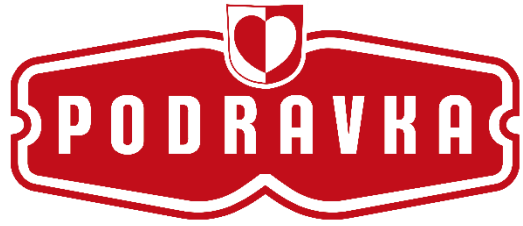
Working capital movement	Q1 2015	Influence
Inventories	 HRK +37.3 millions	<ul style="list-style-type: none"> <li>▪ increase in inventories of finished goods in the subsidiary in Poland,</li> <li>▪ increase in inventories of raw materials and supplies in Belupo,</li> <li>▪ increase in inventories of finished goods in Danica.</li> </ul>
Trade receivables	 HRK +36.9 millions	<ul style="list-style-type: none"> <li>▪ Easter holidays at the beginning of April resulted in increased orders at the end of March.</li> </ul>
Trade payables	 HRK -18.3 millions	<ul style="list-style-type: none"> <li>▪ lower trade and other payables related to the settlement of Mirna's liabilities in order to avoid bankruptcy procedure and create preconditions for further normal operations.</li> </ul>

### Key highlights:

- net cash flow from operating activities → HRK -40.6 million related to the working capital movement,
- net cash flow from investing activities → HRK -33.3 million spurred by HRK 25.1 million of CAPEX related mostly to investment in new Belupo factory and modernization,
- net cash flow from financing activities → HRK -14.6 million on the account of higher amount of repayments of borrowings than proceeds from borrowings.
- in 2015 CAPEX is expected to be at a level of HRK 480-520 million, in 2016 at a level of HRK 200-300 million, from 2017 onward at a level of HRK 130-150 million.



Note: Q1 2015 net cash flow from operating activities on the trailing twelve months basis.



The Company

Business

Investment highlights

Q1 2015 results

**2015 developments**

## II phase of internationalization started in 2015 – new markets as key growth generator

### Africa

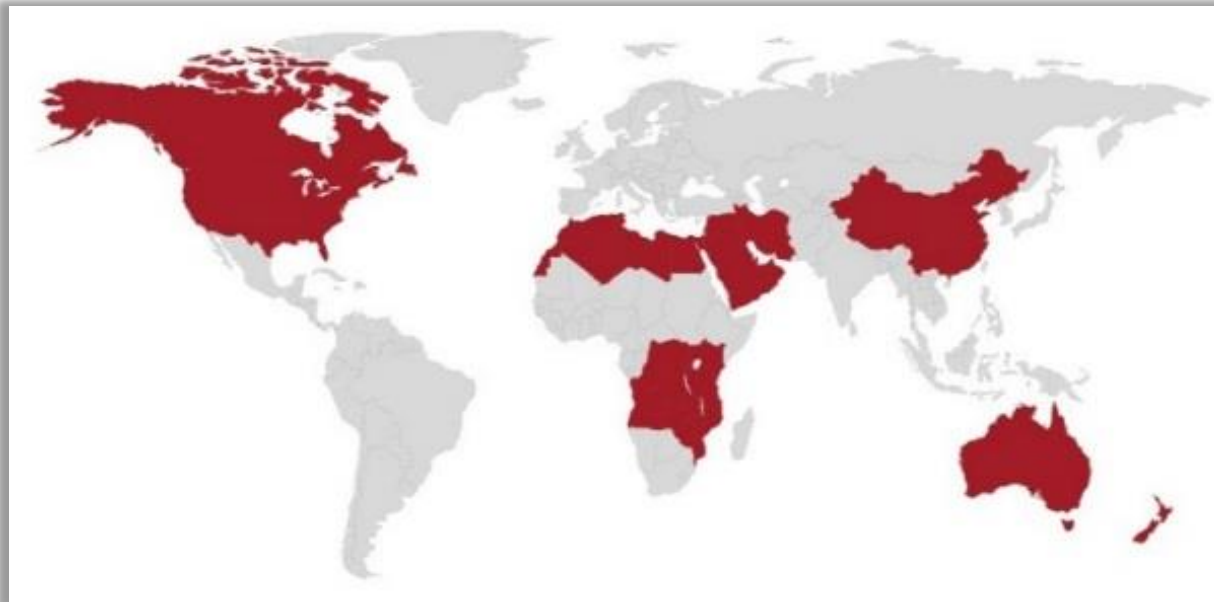
- population → 239 millions,
- BDP per capita → USD 223 – 7,244,
- subsidiary VEGETA PODRAVKA LIMITED established,
- planned assortment:
  - culinary.

### MENA

- population → 303 millions,
- BDP per capita → USD 3,200 – 97,900,
- subsidiary PODRAVKA GULF FZE established,
- planned assortment:
  - culinary,
  - sweets, snacks and beverages,
  - baby, breakfast and other food.

### China

- population → 1.36 billions,
- BDP per capita → USD 4,000,
- representative office Croatia PODRAVKA Inc established,
- planned assortment:
  - culinary,
  - sweets, snacks and beverages,
  - baby, breakfast and other food.



### New countries region:

- Australia,
- USA,
- Canada,
- MENA,
- Southeast Africa
- China,
- other countries.

# 2015 capital expenditures

## New pharmaceutical production facilities

### Project

- production facility for solid oral forms,
- production facility for semi solid and liquid forms,
- end of project → April 2017.

### Reasoning

- insufficient capacities, Pharma volume growth 10.6% in 2014.

### Financials

- total value of investment EUR 51.3 million,
- EUR 40.0 million loan, EUR 11.3 million own funds,
- EUR 20.0 million incentive from government through income tax benefits.



## Upgrade of automated warehouse

### Project

- upgrade of automated warehouse in Koprivnica,
- end of project → end of 2015.

### Reasoning

- central warehouse department has storage capacities on 7 locations:
  - locations weren't built for that purpose and lack energy standards,
  - operating inefficiency, more employees needed, higher rental expenses.

### Financials

- total value of investment EUR 6.7 million,
- 67% loan from Croatian Bank for Reconstruction and Development, 33% own funds.



# Acquisition of Slovenian food producer Žito Inc.

## Share Sale and Purchase Agreement

- Podravka signed an SPA for 51.55% of Žito Inc. for EUR 30.0 million,
- the agreed price was EUR 180.1 per share, which was 5.9% higher than market price,
- the closing date is expected to be at the beginning of Q3 2015, after which Podravka will submit the bid for the remaining shares for EUR 180.1 per share.

<i><b>Multiples</b></i>	<b>Žito</b>	<b>Podravka Rep.</b>	<b>Podravka Norm.</b>	<b>Peer Group</b>
EV/Sales	0.7	0.8	0.8	2.1
EV/EBITDA	8.6	6.6	6.8	11.7

## Reasoning in line with Adria Region strategy

- Adria Region strategy → to strengthen and defend market position.

### What's it in for Podravka?

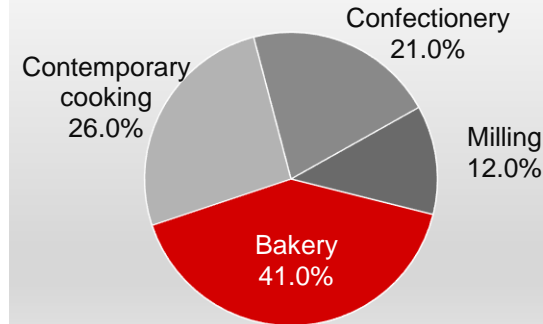
- stronger position on the Slovenian market,
- potential to develop or grow certain categories in the Adria Region,
  - categories where Podravka has no or limited presence – e.g. monospices, bakery,
  - categories where Podravka is present – milling, teas, rice and pasta...,
- complementary assortment → leads to synergies.

\*Figures transferred at the EUR/HRK level of 7.6 to avoid FX differences.

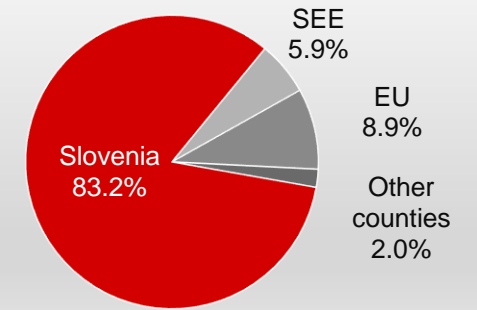
## Short overview of Žito

- one of the largest food producers in Slovenia and Adria region,
- Žito has a portfolio of leading brands that hold Top 2 market positions in Slovenia and have strong brand recognition in Adria region.

**Sales revenues by categories in 2013**



**Sales revenues by countries in 2013**



<i><b>(in HRKm)*</b></i>	<b>2014</b>	<b>2013</b>	<b>2014/2013</b>
Sales revenues	864.5	842.5	2.6%
Gross profit	446.2	435.7	2.4%
Gross margin	51.6%	51.7%	-10 bp
EBITDA	69.2	66.9	3.5%
EBITDA margin	8.0%	7.9%	+7 bp
Net profit	22.8	16.7	36.7%
Net profit margin	2.6%	2.0%	+66 bp

# Podravka and Žito figures

## 2014 figures reveal Žito's potential for margin improvement

(in HRKm)*	Podravka Group	Žito	Podravka & Žito
Sales revenues	3,502.9	864.5	4,367.1
EBITDA	380.5	69.2	449.7
EBITDA margin	10.9%	8.0%	10.3%
Net profit	184.3	22.8	207.2
Net profit margin	5.3%	2.6%	4.7%

(in HRKm)*	Podravka Food	Žito	Podravka & Žito
Sales revenues	2,662.4	864.5	3,526.8
EBITDA	251.6	69.2	320.8
EBITDA margin	9.5%	8.0%	9.1%
Net profit	112.0	22.8	134.9
Net profit margin	4.2%	2.6%	3.8%

## Complementary assortment leaves a lot of room for synergies

- procurement → joint procurement of higher quantities will led to lower raw material expenses,
- production → higher utilization of production capacities, production process improvement and optimization, in-house production of certain products,
- logistics → joint sales force, improved utilization and optimization of warehouses,
- financing → better financing terms for joint company.

### Potential:

- Žito has lower EBITDA and net profit margins than Podravka,
- we see this as a potential for improvement taking into account Podravka's track record in restructuring and potential synergies arising from this deal.

## Low level of indebtedness regardless of the financing structure

2014 figures	Podravka Group	Žito	Pro-forma
Net debt / Repo. EBITDA	2.7	1.5	2.5
Net debt / Norm. EBITDA	2.3	1.5	2.1

- depending on the financing structure, Net debt / Normalized EBITDA could go from 2.1 (in case of capital increase) to 3.1 (in case of a new loan).

Note: Figures for Podravka on the normalized level, for Žito on the reported level;\*Figures transferred at the EUR/HRK level of 7.6 to avoid FX differences.

## Contact

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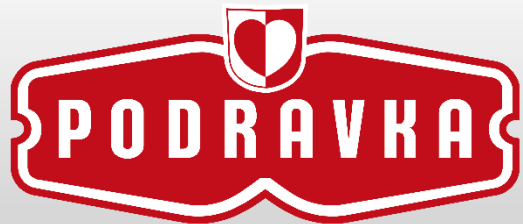
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# Podravka Group

*Always with a heart!*

26th May 2015, ZSE & LJSE Investors Conference, Zagreb

