

Podravka Group

Always with a heart!

Austria, CEE & Turkey Investor Conference 2016, 28 January 2016, London.





The Company

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Podravka Group at a glance



BUSINESS:

- food and pharmaceuticals.



2014 FIGURES:

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

YEAR OF ESTABLISHMENT: 1947

- 69 years in food production,
- 44 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,
- 7,120,003 ordinary shares,
- MCap of HRK 2,378.2 million*.

*MCap on 30 December 2015.

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



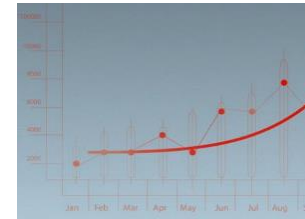
1970

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



2012

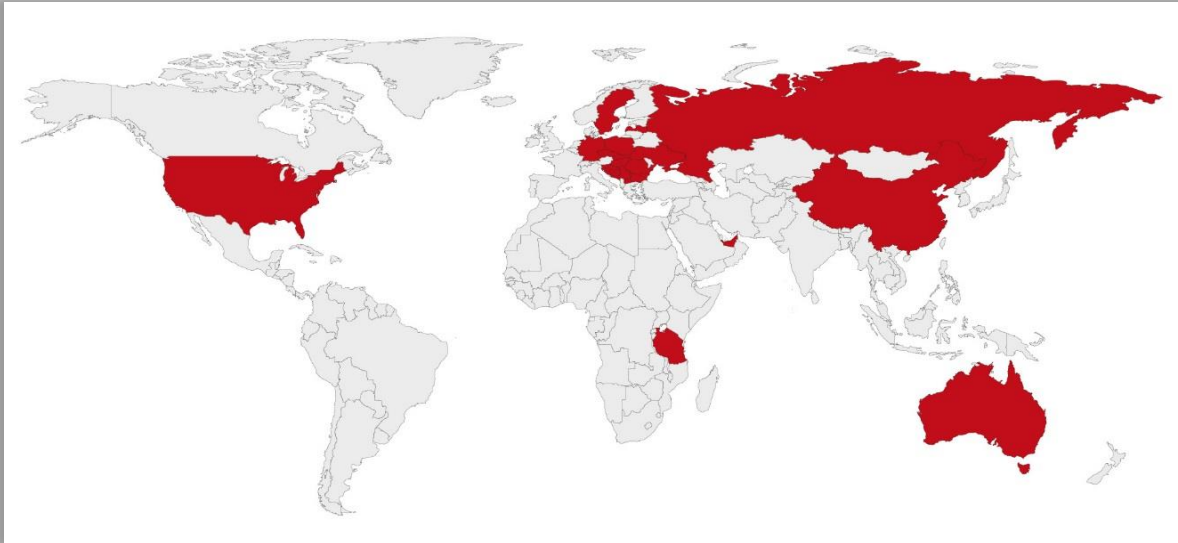
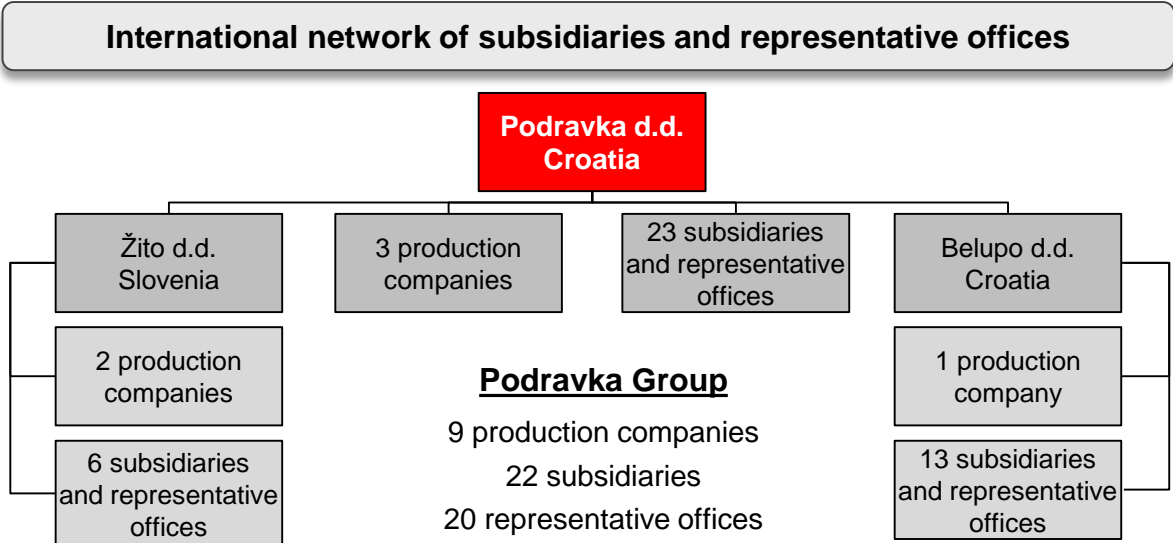
Commencement of full-scale restructuring process



2015

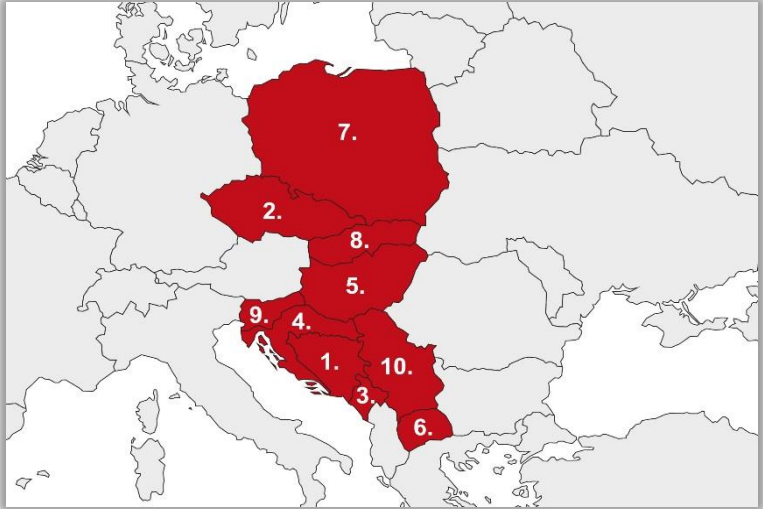
Žito, Slovenian food producer, acquisition

Podravka Group is present in 24 countries with subsidiaries and representative offices

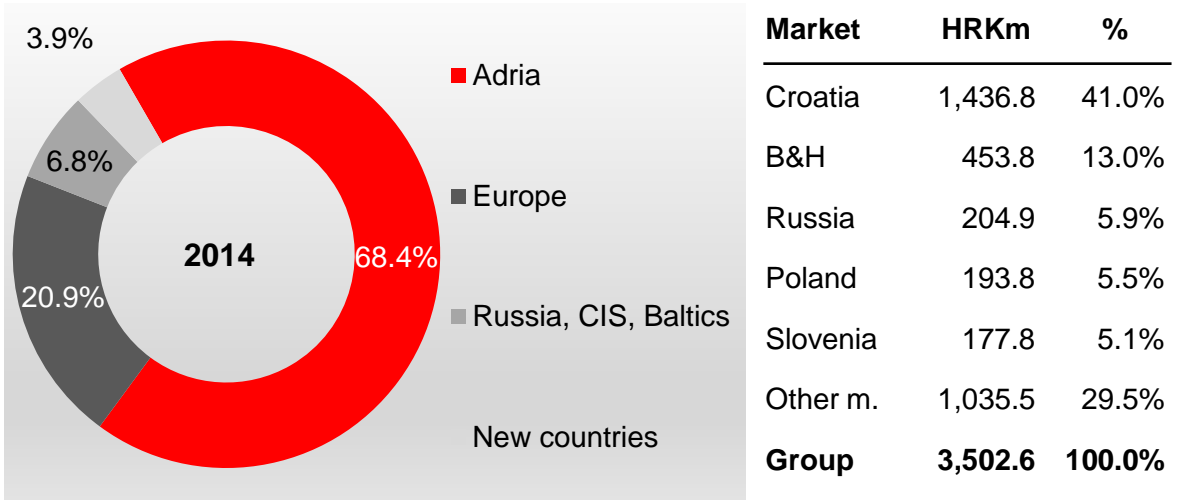


Own distribution network from Adriatic to the Baltic sea

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



Podravka Group sales split by regions in 2014



Highly developed corporate governance

Management board



Zvonimir Mršić

President of MB

- Group strategy,
- former 3 times mayor of Koprivnica,
- FBA,
- vice-president of Croatian Exporters Association.



Olivija Jakupec

Member of MB

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



Miroslav Klepač

Member of MB

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



Hrvoje Kolarić

Member of MB

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

Supervisory board

President:

- Dubravko Štimac → president of MB of PBZ CO OPF

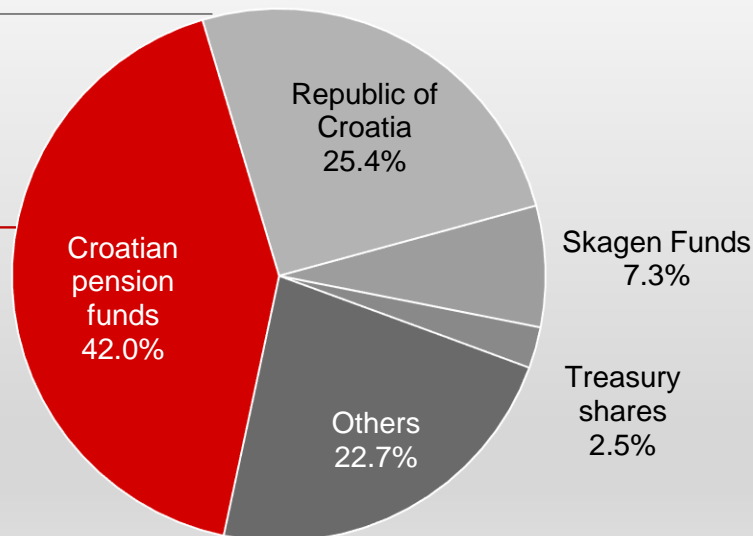
Vice President:

- Mato Crkvenac → ex finance minister

Members:

- Ivana Matovina → ex audit director at KPMG
- Ksenija Horvat → workers representative
- Ivo Družić → academy professor of economy
- Milan Stojanović → 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 as at 31 December 2015



Audit committee

President:

- Dinko Novoselec

Members:

- Petar Vlaić
- Ivana Matovina
- Mato Crkvenac

Remuneration committee

President:

- Petar Vlaić

Members:

- Dubravko Štimac
- Milan Stojanović



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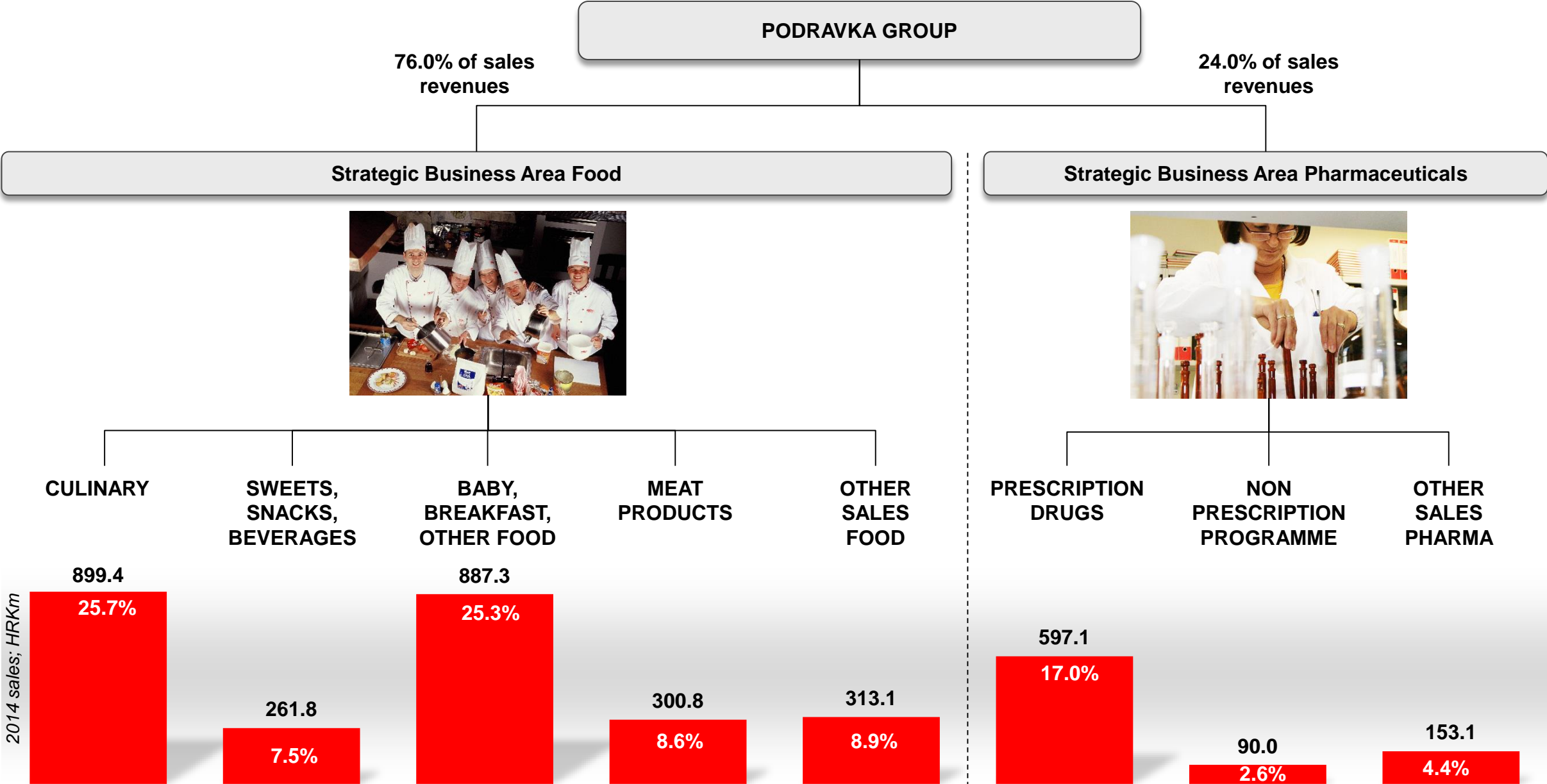
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A well diversified product portfolio divided in two business areas



Culinary category is a cornerstone of food business

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

*Strategic products with international potential.

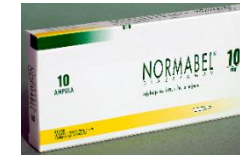
Prescription drugs category is a cornerstone of pharmaceutical business

Pharmaceutical category products overview

2014 sales; % of total

PRESCRIPTION DRUGS

- for skin disorders*
- for heart and blood vessels,
- for central nervous system,
- for 8 more areas.



HRK 597.1m 17.0%

NON-PRESCRIPTION PROGRAMME

- OTC medicine,
- dietary products,
- natural products.



HRK 90.0m 2.6%

OTHER SALES

- trade goods,
- services.



HRK 153.1m 4.4%

*Strategic products with international potential.

High-quality brands with exceptional recognisability and strong international potential

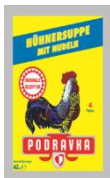


VEGETA

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

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

Vol. MP ¹	CRO	SLO	B&H	POL	CZE	RUS
Vegeta	1	1	1	2	3	4



PODRAVKA SOUPS

- dehydrated instant soups,
- sold in 25 countries around the world,
- market leader or among top 3 in the Adria region,

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

Vol. MP ¹	CRO	SLO	B&H	RUS
Soups	1	4	1	7



LINO

- dehydrated baby food; umbrella brand,
- category synonym in Adria region,
- 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. MP ¹	CRO	SLO	B&H
Lino	1	1	1



DOLCELA

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

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

Vol. MP ¹	CRO	SLO	B&H
Dolcela	1	2	1



EVA (MEDITERRANEAN ASSORTMENT)

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

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

Vol. MP ¹	CRO	SLO	B&H
Eva	2	6	1



BELUPO DERMATICS

- strong international position in niche dermatology segment.

Vol. MP ²	CRO	RUS	CZE	SLO	B&H	SER	MAC	SLR
D07 ³	1	5	2	2	1	2	1	1

¹Source: Nielsen, last available data; ²Source: IMS; ³Corticosteroids for the treatment of skin disorder.



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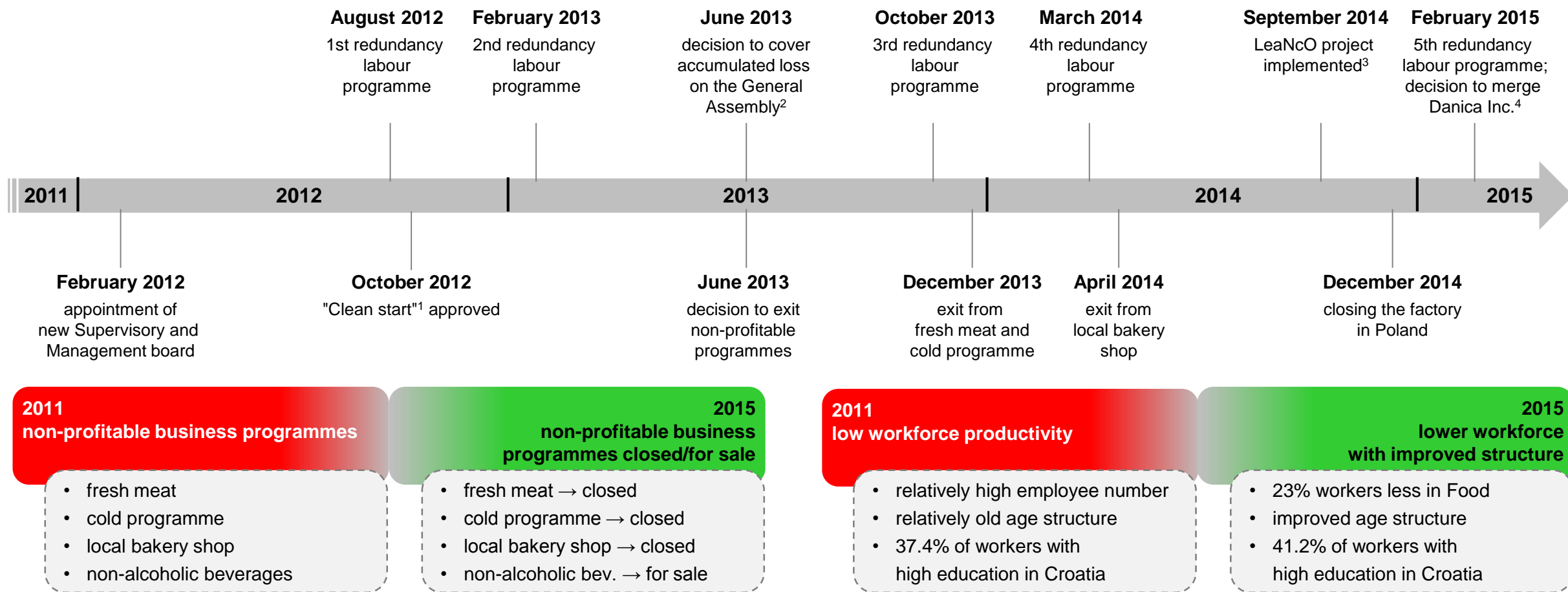
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Successful implementation of restructuring process



- **¹Clean start** – approved ordered assessment of the Company's position made by KPMG as base for further steps,
- **²Cover of accumulated loss** – 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,
- **³LeaNcO project** – a project aimed to improve efficiency of finance, administration and reporting successfully implemented,
- **⁴Merger of Danica Inc.** – meat company of Podravka Group, merger with an aim to improve efficiency of meat programme. Merger finished on 01 October 2015.

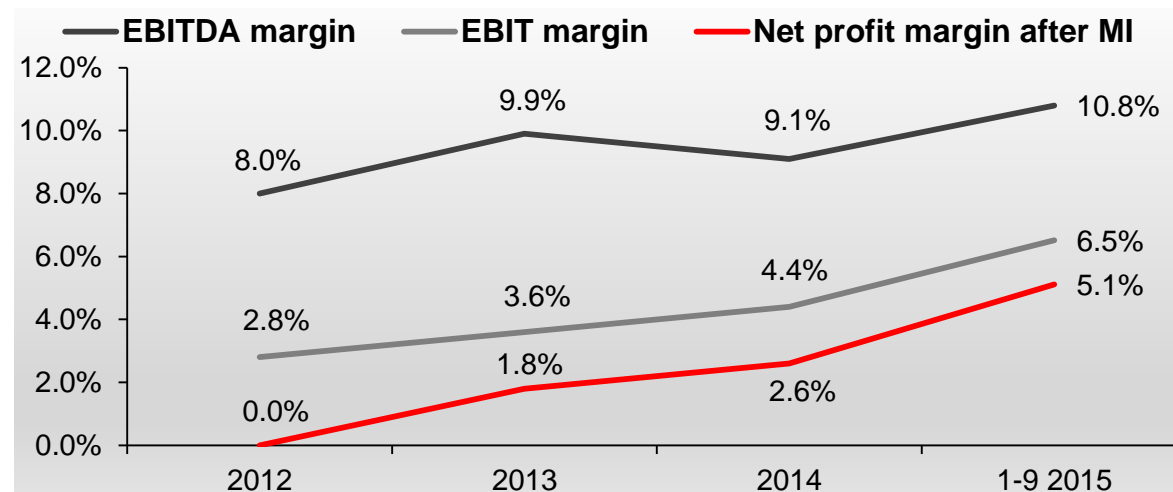
Significantly improved financial position

One-off items burdened profitability in the past

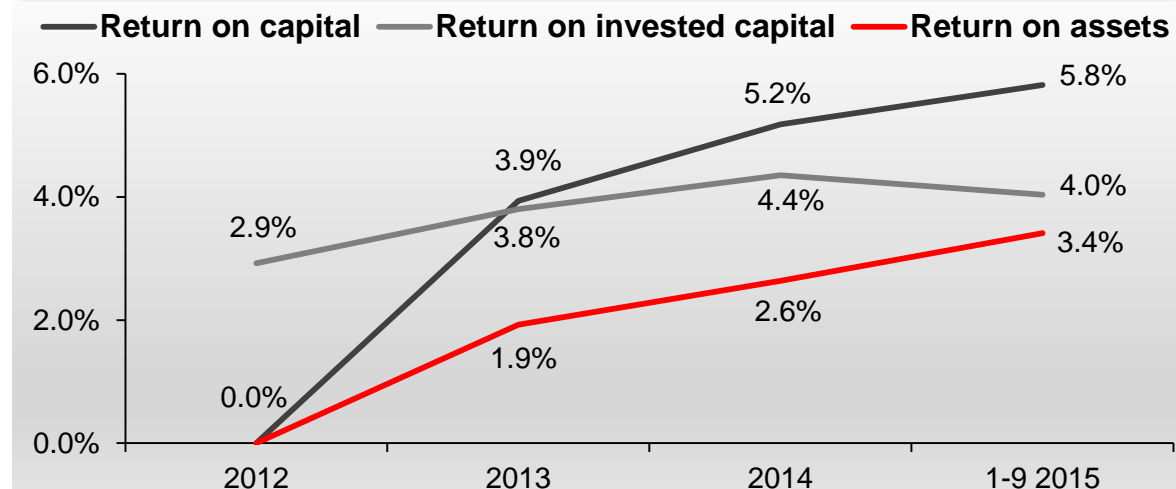
(HRK _m)	2012	2013	2014	1-9 2015
Value adjustments	(37.4)	(80.8)	(29.2)	0.0
Severance payments	(49.9)	(57.2)	(71.1)	0.0
Other	(44.5)	4.6	10.2	24.8
Total net one-off items	(131.8)	(133.4)	(90.1)	24.8

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

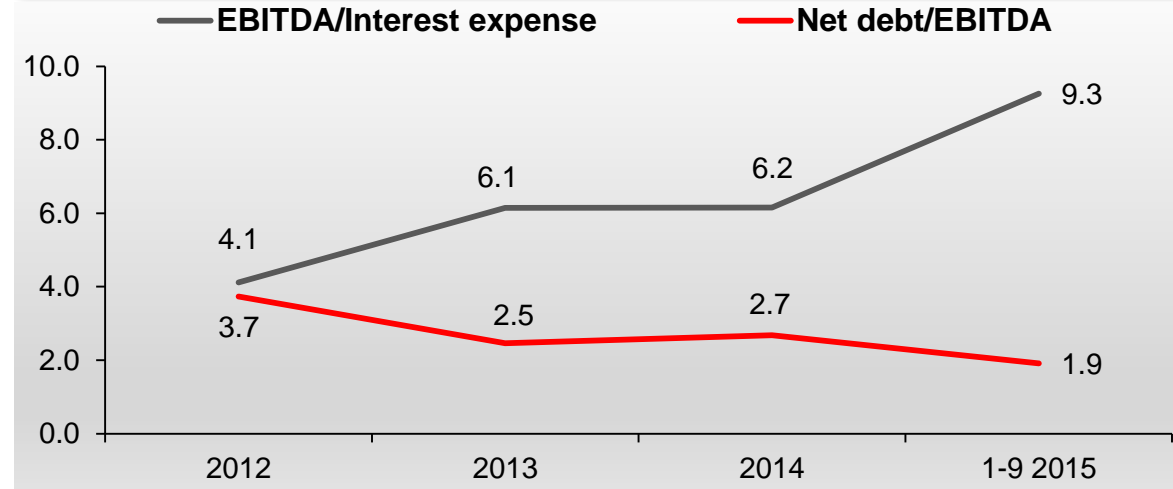
Improvement in profitability margins



Return rates on a higher level¹



Debt level lowered¹

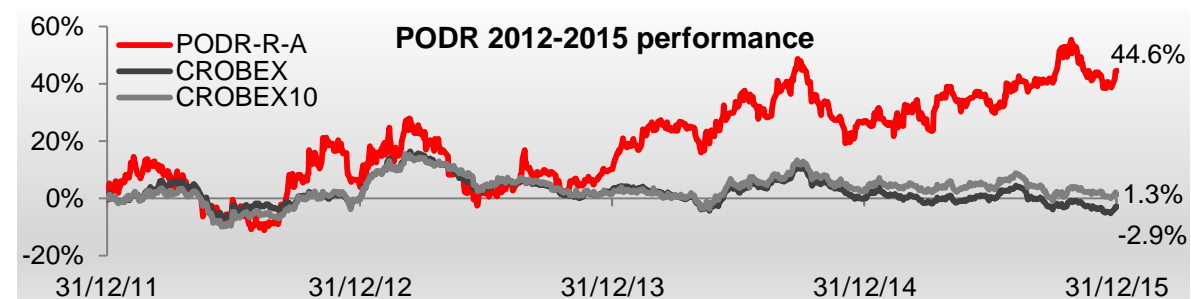
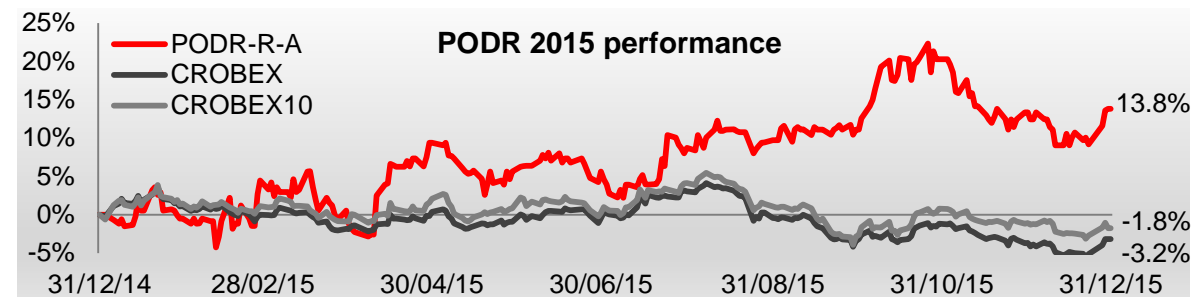


¹1-9 2015 indicators calculated on the trailing twelve months basis; Return on invested capital = $EBIT \times 0.8 / (\text{total shareholders' equity} + \text{financial debt})$.

Continuous improvement in Podravka's share performance

(HRK; units)	2015		2015 / 2014		2014 / 2013
Average daily price	318.8	➔	7.4%	➔	16.3%
Average daily number of transactions	12	➔	(9.1%)	➔	39.6%
Average daily volume	1,739	➔	11.3%	➔	105.4%
Average daily turnover	554,258.8	➔	19.6%	➔	134.2%
Earnings per share ¹	25.4	➔	44.2%	➔	38.8%

¹Earnings per share for 2015 calculated on 1-9 2015 TTM basis, comparison to FY2014.



Analysts	Recommendation	Target price	Potential ²
InterCapital	Buy	HRK 364.78	9.2%
Raiffeisen BANK	Hold	HRK 353.00	5.7%
ERSTE Group	Accumulate	HRK 355.00	6.3%
UniCredit	Buy	HRK 398.96	19.4%
WOOD & COMPANY	Hold	HRK 371.00	11.1%

Peer group multiples ³	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.3	13.4	18.9	3.5	21.7
Normalized weight. av. peer group ⁴	2.4	13.7	19.3	3.2	21.1
Podravka Group reported	0.9	9.0	17.5	1.0	16.8
Podravka Group normalized ⁵	0.9	9.5	16.4	1.0	15.5

²Compared to the last price on 31 December 2015,

³Obtained from Bloomberg on 01 December 2015,

⁴Calculated excluding maximal and minimal values,

⁵Calculated excluding one-off items.

Peer group food: Atlantic Grupa d.d., Greencore Group plc, Nestle S.A., Orkla S.A., Otmuchow S.A., Unilever plc,

Peer group pharma: Hikma Pharmaceuticals plc, Recordati S.p.A, Richter Gedeon Nyrt., Stada Arzneimittel AG.



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Two key strategic objectives will shape the future layout of Podravka Group



Adria Region

- Strategic objectives:
 - defend and maintain market position,
 - consolidate food business,
 - provide „value for money” products.



Europe Region

- Strategic objectives:
 - achieve sustainable organic growth,
 - extend the existing assortment in Central Europe,
 - stronger move into the general market in Western Europe.



Russia, CIS and Baltics Region

- Strategic objectives:
 - distribution model change in food,
 - distribution expansion,
 - becoming a local producer.



New Markets Region

- Strategic objectives:
 - opening new markets,
 - further expansion into the general market on the existing markets.

TWO KEY STRATEGIC OBJECTIVES



The first key objective is to additionally strengthen our position in the domestic market/region



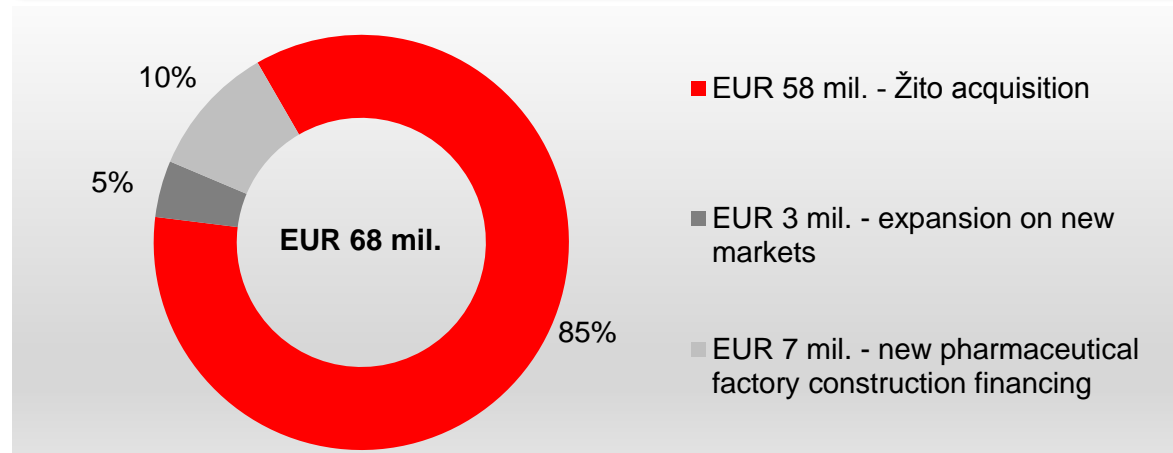
The second key objective is further internationalization as it is the key growth driver for the future

Capital increase in July 2015 was the first step in achieving key strategic objectives

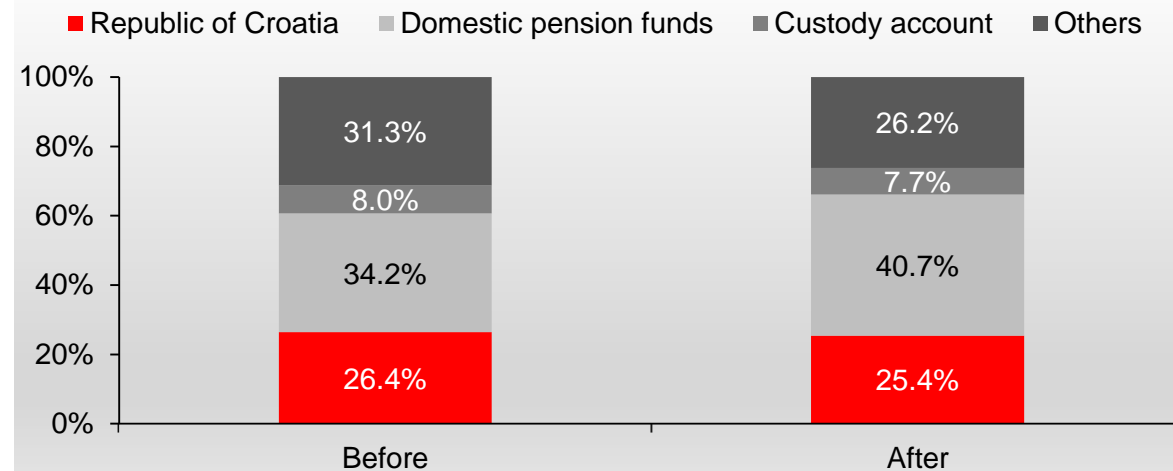
Capital increase details

- **capital increase process:** started on 07 July 2015 and finished on 20 July 2015,
- **new shares issued:** 1.7 million,
- **price of issue:** HRK 300.00 per share (3.9% discount¹),
- **amount raised:** HRK 510 million (EUR 68 million),
- **investors interest:** 33% higher than the available number of shares,
- **subscription of issue:** 60.7% domestic pension funds, 22.2% Republic of Croatia, 5.2% employees, 11.9% others,
- **capital increase adoption:** on 24 July 2015 by commercial court.

Utilization of funds from capital increase



Shareholder structure following the capital increase



Acquisition of Žito is the main reason for capital increase

- on 21 April 2015 Podravka signed the Share Purchase Agreement for 51.55% of Slovenian food producer Žito Inc. for EUR 33.0 million,
- transaction was closed at the beginning of October 2015 after which Podravka through MTO came to 86.8% of total Žito's shares,
- at the beginning of 2016 Podravka squeezed out minority shareholders of Žito and thereby acquired 100% of Žito. Total transaction value amounted to EUR 57.7 million.



¹Calculated as price of issue compared to the last market price on 02 June 2015 – a day prior to the General Assembly on which the decision on capital increase was voted.

Acquisition of Slovenian food producer Žito to strengthen market position in the Adria region

What's in it for Podravka

- stronger position on the Slovenian and regional market,
- potential to develop or expand 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...,
- similar value chain from procurement and production to sale → leads to synergies.

<i>Multiples¹</i>	Žito	Podravka rep.	Podravka norm.	Peer Group
EV/Sales	0.7	0.7	0.7	2.1
EV/EBITDA	8.6	7.9	6.6	11.8

¹Multiples valid at the date of the acquisition.

2014 figures reveal Žito's potential for margin improvement

2014 figures (in HRKm)²	Podravka Group	Žito	Podravka + Žito
Sales revenues	3,502.6	867.9	4,370.5
EBITDA	379.9	69.4	449.3
EBITDA margin	10.8%	8.0%	10.3%
Net profit	182.5	23.0	205.5
Net profit margin	5.2%	2.7%	4.7%

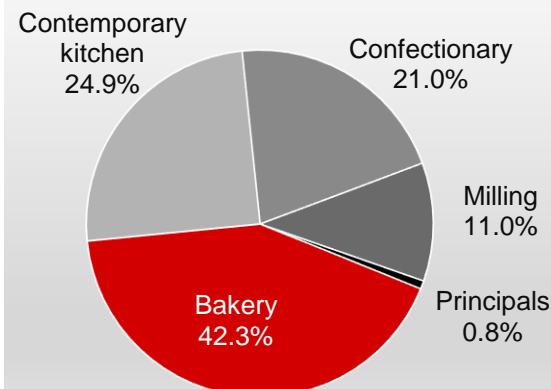
²Podravka Group figures on the normalized level; Žito figures calculated at a EUR/HRK FX rate of 7.630210.

Short overview of Žito Inc.

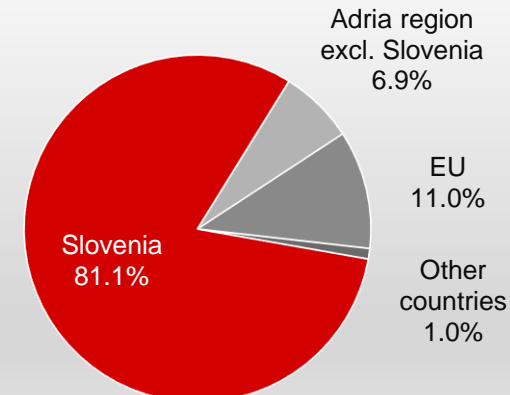
- Žito is one of the largest food producers in Slovenia and the Adria region,
- Žito has a portfolio of leading brands that hold top 2 market positions in Slovenia and have strong brand recognition in the Adria region.



Sales revenues by categories in 2014



Sales revenues by countries in 2014

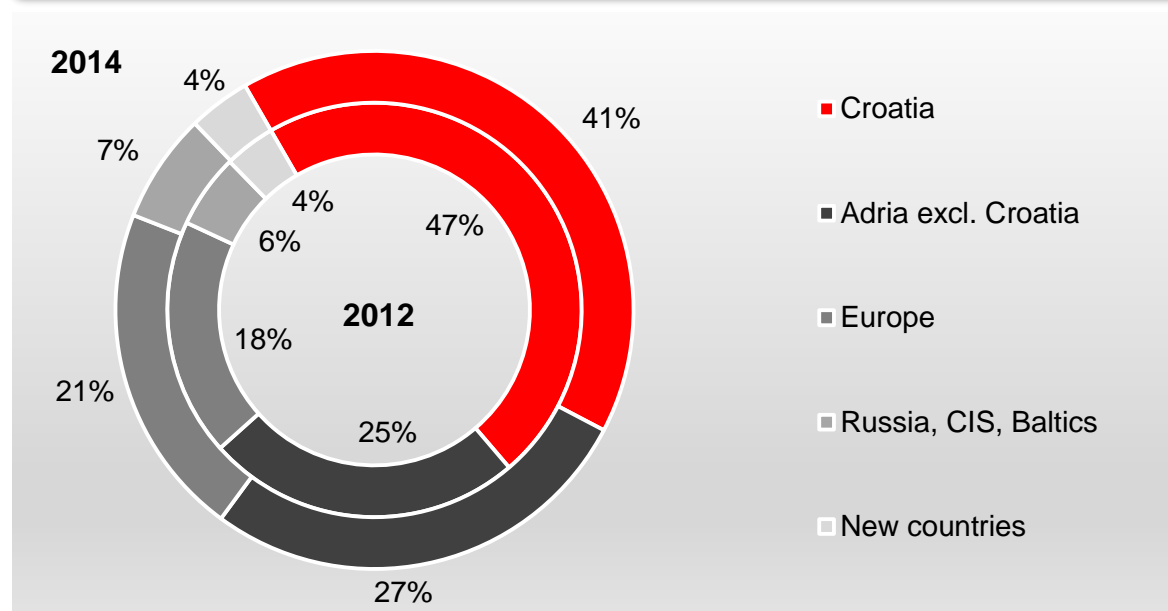


Potential:

- Žito has lower margins than the Podravka Group and lower margins than the Podravka Group's food segment,
- we consider this as a potential having in mind potential synergies arising from the acquisition and successful track record of Group's management in restructuring.

For several years the company has been strongly orientated towards internationalization

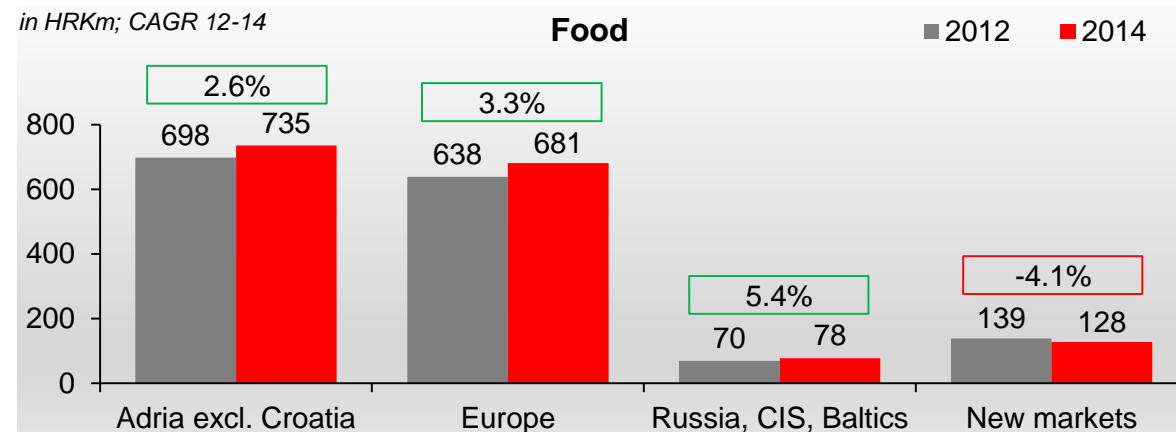
Sales revenues becoming less dependent on a single domestic market



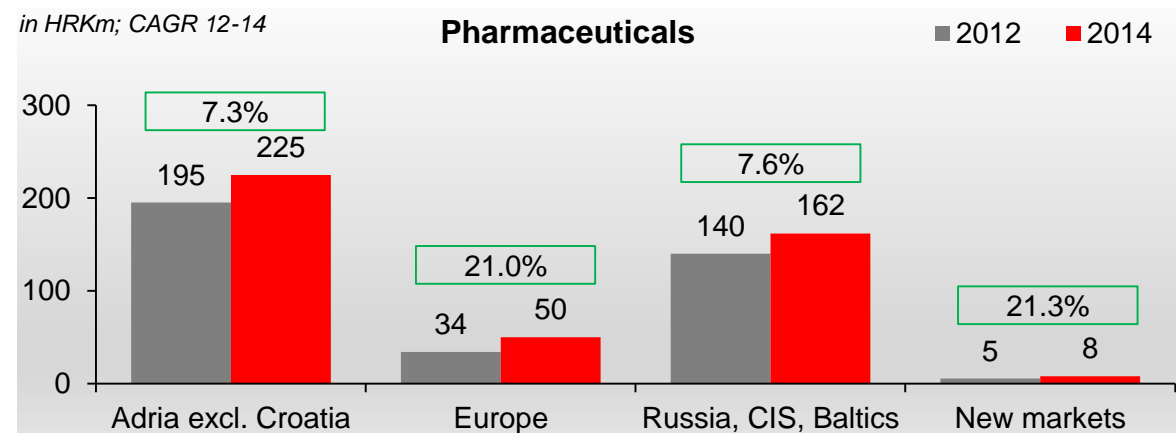
Key reasoning behind internationalization:

- domestic market has stagnating population and purchasing power growth,
- company's top brands have high market shares on domestic market → additional increase in market share is expensive,
- domestic market accounts for 41% of sales revenues → internationalization reduces dependence on domestic market,
- stronger brand recognisability outside Croatia and Adria region.

Sales revenues growth of international markets in both SBA



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



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

Further internationalization to be achieved via entering new markets

Dubai – HUB for MENA region



▪ MENA region key macro data:

- population¹ → 436 million,
- BDP per capita¹ → USD 2,927 - 132,038,
- real BDP yoy growth¹ → 1.9% - 11.6%,

▪ business model:

- subsidiary, outsourced distribution & own sales force,

▪ planned product range:

- culinary,
- sweets, snacks and beverages,
- baby, breakfast and other food,

▪ manager Nermin Salman:

- former Gorenje Regional director for MENA region,
- former Supervisory Board president of Konzum Sarajevo and director of Droga Sarajevo.

Tanzania – HUB for SE Africa region



▪ Southeast Africa region key macro data:

- population¹ → 342 million,
- BDP per capita¹ → USD 816 - 7,502,
- real GDP yoy growth¹ → 2.3% - 8.2%,

▪ business model:

- subsidiary, local production, outsourced distribution,

▪ planned product range:

- culinary,

▪ manager Davor Švarc:

- 11 years of working experience in Tanzania,
- director of Central Europe in Podravka Group,
- director of Western Europe and Overseas Countries and New Markets in Podravka Group.

China



▪ China region key macro data:

- population¹ → 1.38 billion,
- BDP per capita¹ → USD 15,184,
- real GDP yoy growth¹ → 6.3%,

▪ business model:

- representative office, outsourced distribution,

▪ planned product range:

- culinary,
- sweets, snacks and beverages,
- baby, breakfast and other food,

▪ manager Goran Kapičić:

- Managing director for Actavis China,
- Head of China Operations for TEVA, Barr Laboratories and Pliva.

¹Source: IMF, estimation for 2016, World Economic Outlook Database, October 2015; range refers to the lowest amount/growth and highest amount/growth for countries in a group of countries.

Expansion of pharmaceutical capacities to satisfy international demand

Construction of new pharmaceutical facilities started in 2015

Project:

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

Project reasoning:

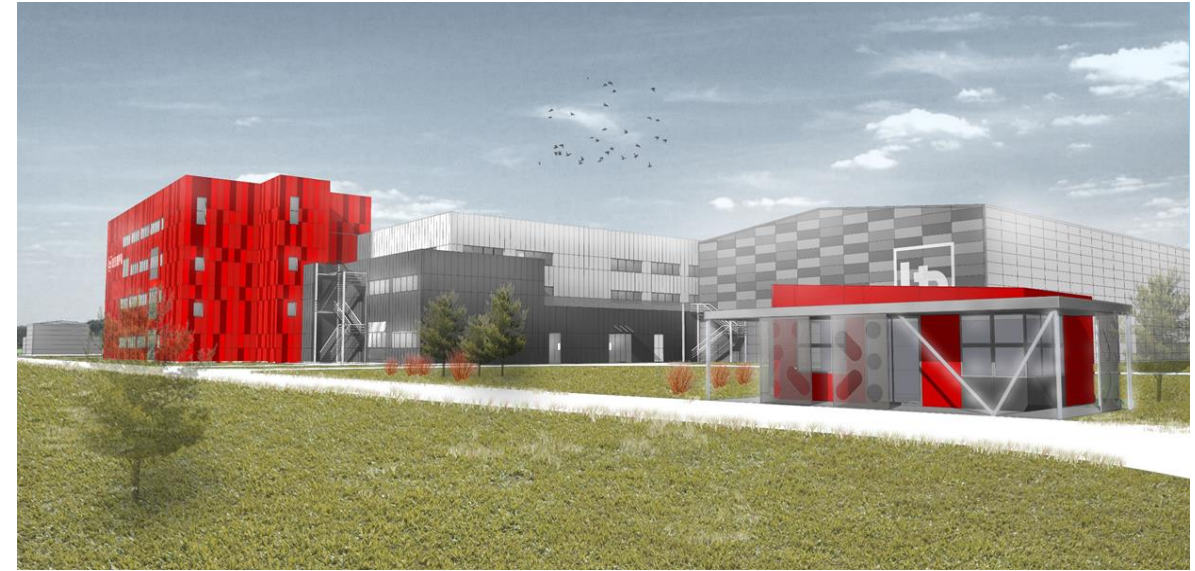
- insufficient production capacities due to perennial volume growth,
- acquiring of new technologies for product differentiation.

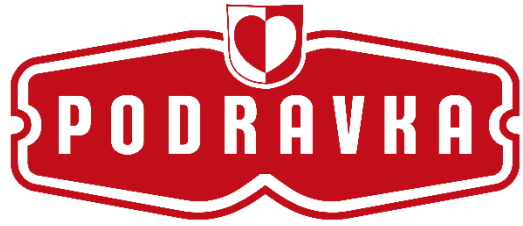
Project financing:

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

Business reasons for choosing Croatia as facilities location:

- high speed in obtaining all permits,
- tax incentives for strategic investments,
- availability of highly-educated workforce at acceptable cost level,
- incentives for hiring young workforce,
- proximity to other Belupo locations.





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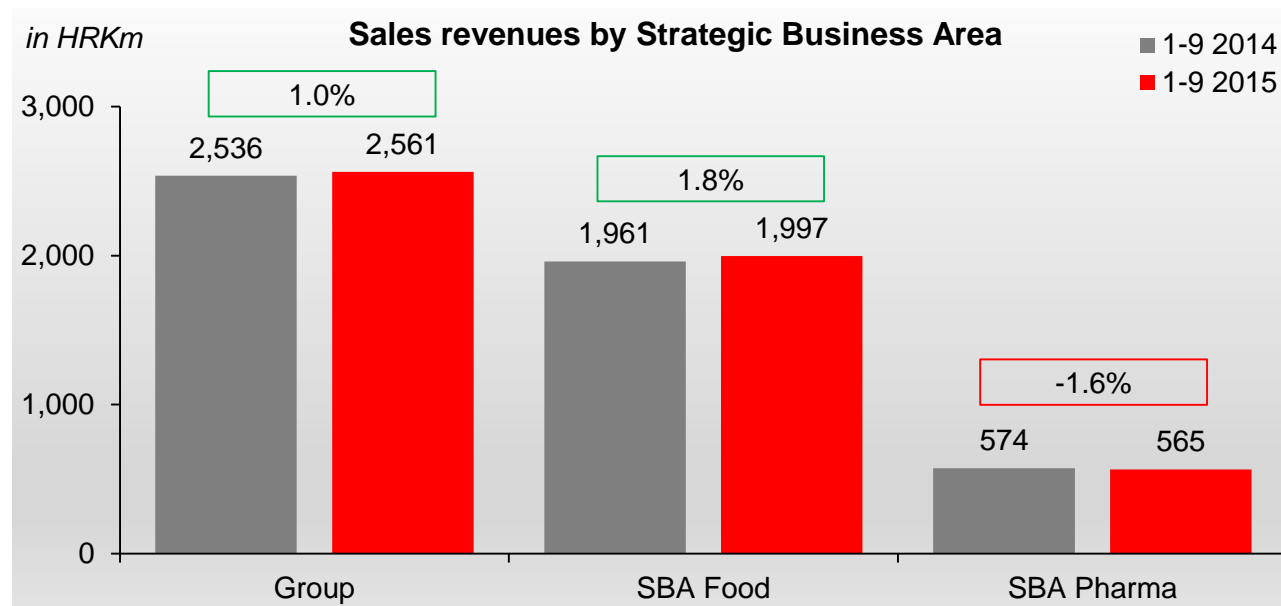
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Increase in sales of own brands in the first nine months of 2015 is 1.7%



Estimated foreign exchange (FX) impact on sales revenues:

- HRK -8.3 million of estimated negative impact on food segment,
- HRK -20.6 million of estimated negative impact on pharmaceutical segment,
- HRK -28.9 million of total estimated negative impact on sales revenues.

Estimated impact of Croatian Health Insurance Fund (CHIF) on sales revenues:

- HRK -8.8 million of estimated negative impact on pharmaceutical segment.

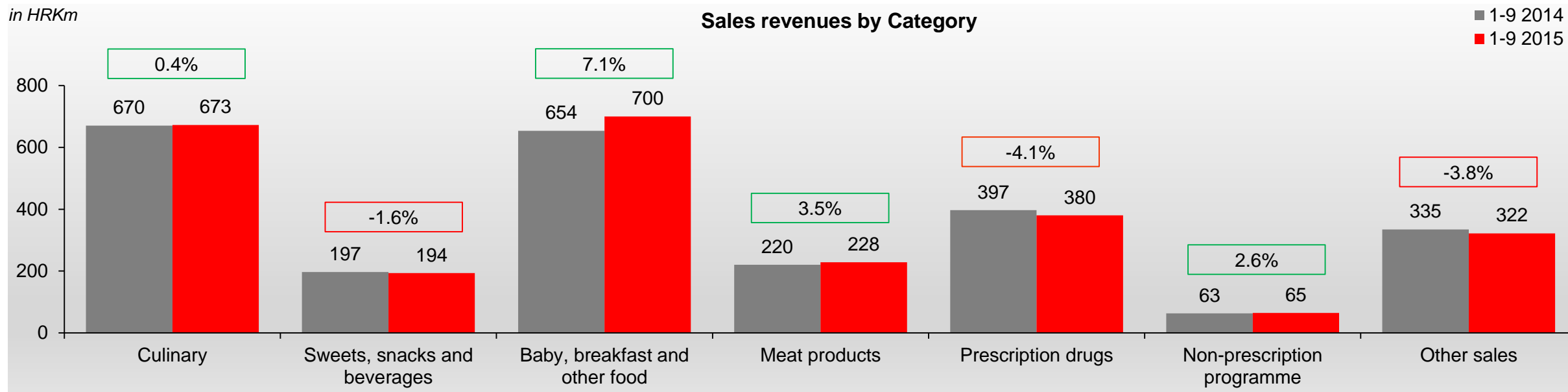
Strategic business area Food:

- own brands → 3.0% sales growth mostly as a result of soups, condiments and frozen vegetables subcategories sales growth as well as recorded sales from PIK and Mirna assortment,
- other sales → 8.1% sales drop primarily as a result of lower sales of poppy seeds, whose market price significantly decreased in the 1-9 2015 period,
- accordingly, food segment recorded 1.8% sales growth, while excluding FX effect increase in sales would be 2.2%.

Strategic business area Pharmaceuticals:

- own brands → 3.2% sales drop as a result of Russian ruble depreciation and the decrease in prices of prescription drugs prescribed by the CHIF in the market of Croatia,
- other sales → 4.5% sales growth primarily due to the increase in sales of trade goods in the Farmavita company,
- accordingly, pharmaceutical segment recorded 1.6% sales drop, while excluding FX effect increase in sales would be 1.9%.

Significant growth of baby, breakfast and other food category in the first nine months of 2015

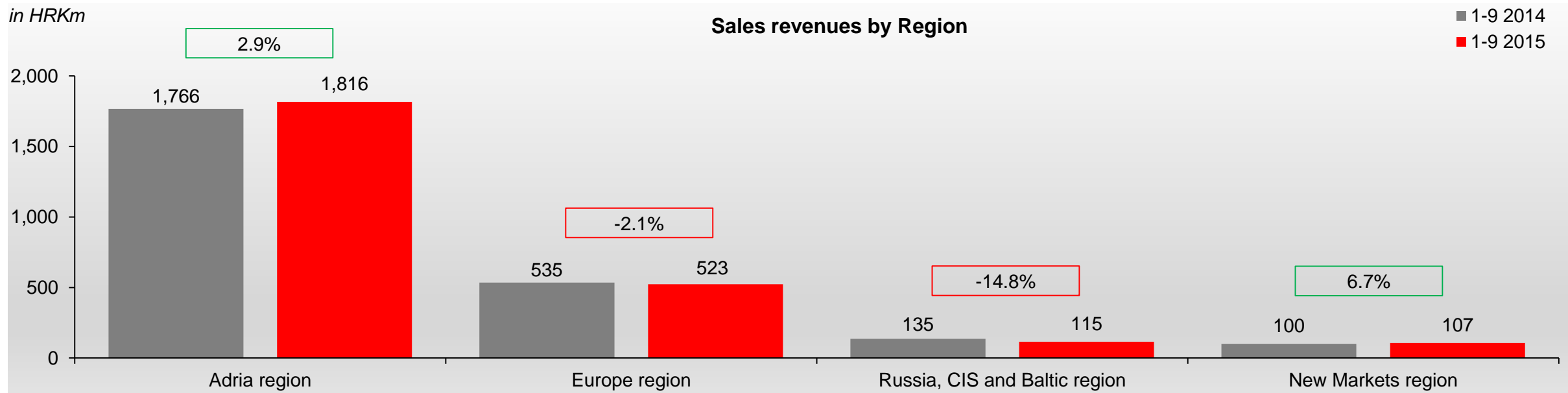


Key highlights:

- culinary → sales increase of the soups subcategory in the Adria region as a result of better representation in chain stores, entering the new category and increased marketing activities,
- sweets, snacks and beverages → w/o beverages product range that is for sale, sales dropped 5.1% due to the growth in private labels and enhanced competitors' price activities,
- baby, breakfast and other food → increase in sales of condiments, frozen vegetables and Mediterranean food; w/o Mirna assortment¹ category recorded sales growth of 5.0%,
- meat products → sales growth as a result of PIK assortment² sales; w/o PIK assortment 2.5% lower category sales as a result of enhanced competitors' price activities,
- prescription drugs → HRK 18.7 million of negative FX impact and HRK 8.8 million of estimated negative CHIF impact; excluding FX impact sales grew 0.6%,
- non-prescription programme → sales grew due to the increase in OTC subcategory sales of 7.6% in the Croatian market spurred by a heavy common cold and flu season in Q1 2015,
- other sales → negative impact of the decrease in the price of poppy seeds in 1-9 2015 period, partially mitigated by the increase in sales of trade goods in the Farmavita company.

¹Consolidated in P&L from Q2 2015; ²Acquired in April 2014.




























Adria Region is the main driver of the sales growth in the first nine months of 2015



Key highlights:

- Adria region → organic sales growth recorded in the soups, condiments and OTC subcategories, while inorganic sales growth was recorded by the PIK and Mirna assortment; w/o the PIK and Mirna assortment, Adria region sales grew 1.2%,
- Europe region → lower sales of trade goods (poppy seeds), while sales of own brands grew 3.3% due to higher sales of condiments, rice and dermo products,
- Russia, CIS & Baltic region → HRK 31.4 million negative impact of FX differences; excluding FX differences, sales would grow 8.4%, primarily due to the frozen vegetables subcategory,
- New Markets region → sales growth of the culinary category in the markets of the USA and Australia compensated for the lower sales of service production and trade goods; excluding FX differences, the sales would be at the comparative period's level.

Profitability improvement in food and pharma segment increased Group's profitability

1-9 2015 (in HRKm) ¹	Food			Pharmaceuticals			Group		
Sales revenues	1,996.6		1.8%	564.8		(1.6%)	2,561.4		1.0%
Gross profit	759.5		1.6%	288.6		(4.5%)	1,048.0		(0.2%)
EBITDA	209.8		24.5%	66.7		(22.3%)	276.5		8.7%
EBIT	130.1		40.5%	36.7		(32.6%)	166.8		13.4%
Net profit after MI	110.5		139.3%	20.5		(42.6%)	131.0		59.9%
1-9 2015 (% of sales revenues) ²	Food			Pharmaceuticals			Group		
Gross margin	38.0%		-8 bp	51.1%		-155 bp	40.9%		-49 bp
EBITDA margin	10.5%		+192 bp	11.8%		-314 bp	10.8%		+76 bp
EBIT margin	6.5%		+179 bp	6.5%		-299 bp	6.5%		+71 bp
Net margin after MI	5.5%		+318 bp	3.6%		-260 bp	5.1%		+188 bp

Key highlights:

Food:







- HRK +24.8 million impact of Mirna consolidation in 1-9 2015, HRK -50.6 million impact of severance payments in 1-9 2014,
- additional impact came from initial expenses of entering new markets, expenses related to the Žito and Mirna acquisitions, higher marketing expenses and 4x higher net negative FX differences on trade receivables and payables,
- net finance costs are 44.0% lower compared to the same period of previous year as a result of favourable condition of refinancing borrowings, while at the same time tax liability is 76.1% lower due to utilizing tax losses of the merged company Danica.

Pharmaceuticals:

- 57.3% higher net negative FX differences on trade receivables and payables compared to the 1-9 2014 period.

¹Performance in the 1-9 2015 period; % change when compared to the 1-9 2014 period; ²% of sales revenues in 1-9 2015 period; basis points change when compared to the 1-9 2014 period.

1.4% growth of total operating expenses in the first nine months of 2015 due to numerous factors

Operating expenses	1-9 2015 / 1-9 2014	
Cost of goods sold (COGS)		1.9%
General and administrative expenses (G&A)		(15.5%)
Selling and distribution costs (S&D)		2.8%
Marketing expenses (MEX)		7.9%
Other costs		69.6%
Total		1.4%

Key highlights:

▪ COGS:

- the increase in COGS is primarily a result of the volume growth in sales of the food segment. In this, the increase in COGS of the food segment is lower than the volume growth of the food segment sales due to favourable movements in the prices of raw materials,

▪ G&A:

- 1-9 2014 was burdened by HRK 53.5 million of severance payments; excluding severance payments, general and administrative expenses grew 8.5% impacted by costs related to the acquisitions of Žito and Mirna and regular G&A expenses of Mirna that were not included in 1-9 2014,

▪ S&D:

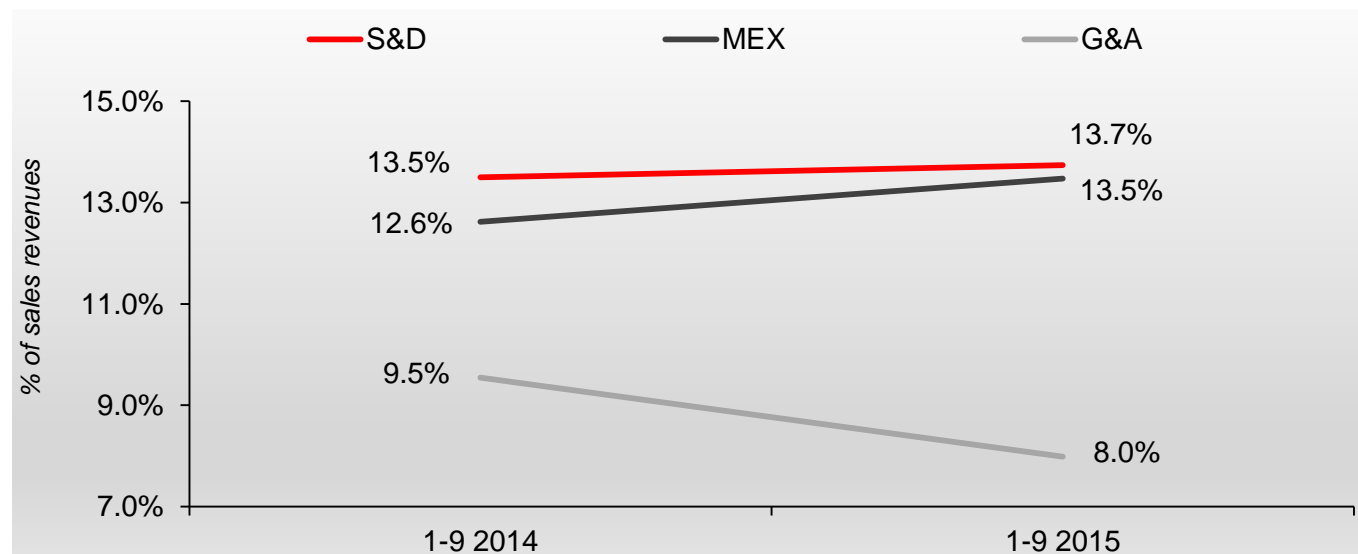
- increase in S&D costs was primarily impacted by initial costs related to the decision to enter new markets and by S&D costs of food company in Russia and Mirna that were not charged in 1-9 2014 period,

▪ MEX:

- growth due to stronger marketing activities related to the culinary category in the Adria region, Mediterranean food subcategory in the Adria and Europe regions and to the baby food and pâtés subcategories in the Adria region,

▪ Other costs:

- 80% higher net negative FX differences on trade receivables and payables.



Positive impact of executed capital increase on debt indicators at the end of 1-9 2015 period

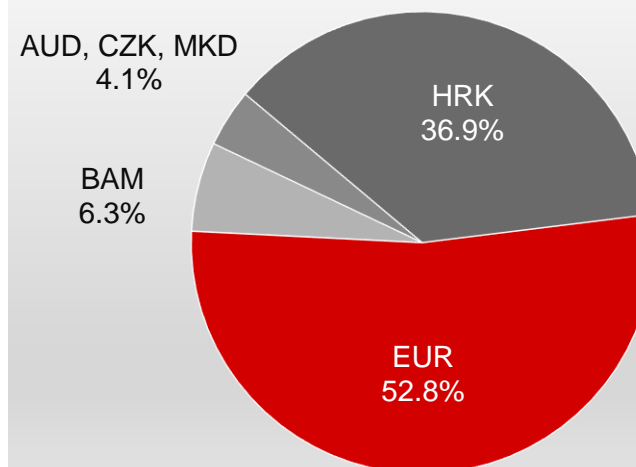
(in HRK 000) ¹	1-9 2015	2014	% change
Net debt	652,708	856,829	(23.8%)
Interest expense	36,906	43,543	(15.2%)
Net debt / EBITDA	1.9	2.7	(28.8%)
EBITDA / Interest expense	9.3	7.3	26.2%
Equity to total assets ratio	58.7%	50.9%	+777 bp

¹Note: all indicators calculated on the trailing twelve months basis; Interest expense excluding banking fees.

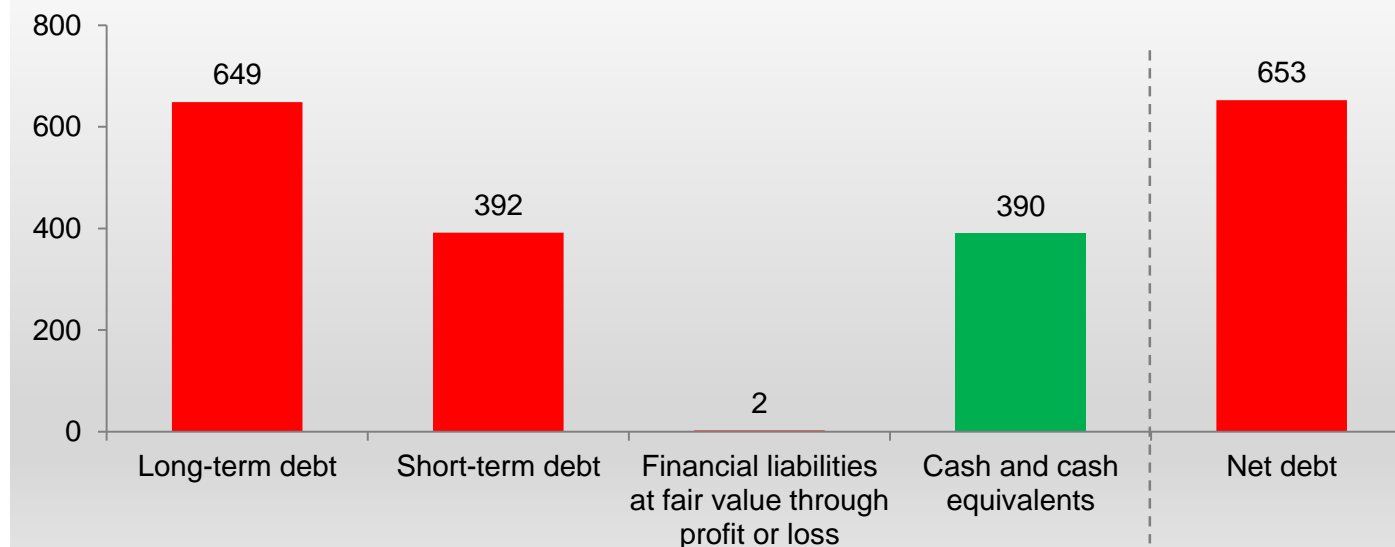
Key highlights:

- net debt increase → due to higher cash and cash equivalents level as a result of executed capital increase,
- lower interest expense → consequence of refinancing liabilities under more favourable commercial conditions and repayment of a part of borrowings,
- **weighted average cost of debt:**
 - on 30 September 2015 → 3.4%,
 - on 31 December 2013 → 4.3%,
 - improvement by 94 bp.




Currency structure of debt as at 30 September 2015



Net debt components in HRK millions as at 30 September 2015



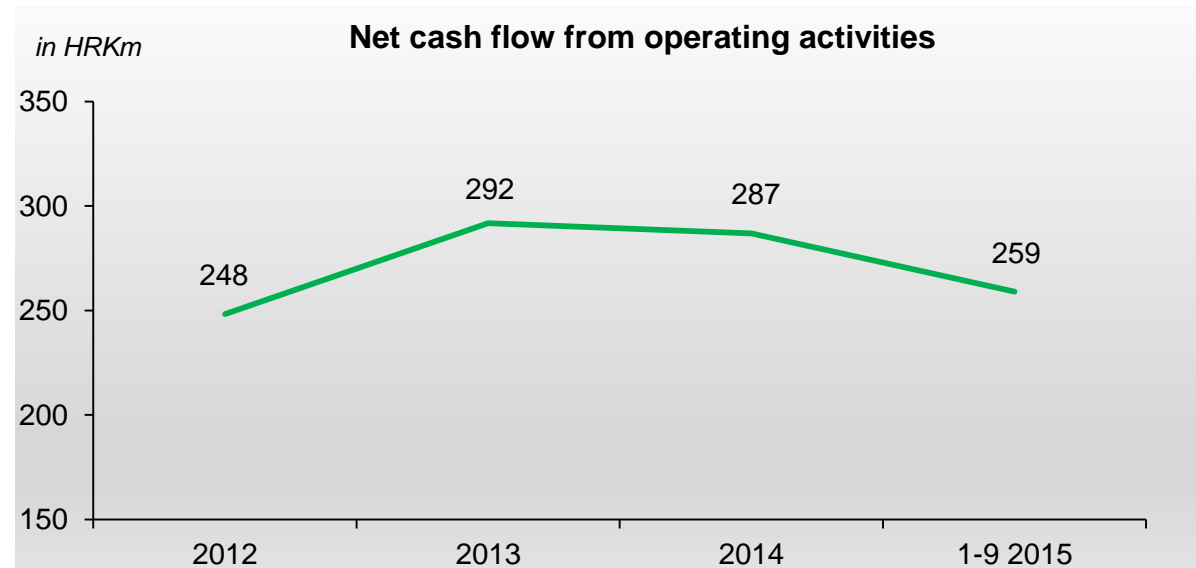
Lower level of net cash flow from operating activities due to an increase in the level of working capital

Working capital movement	1-9 2015 ¹	Influence
Inventories	 HRK +78.0 million	<ul style="list-style-type: none"> inventories of Mirna d.d. that had not been consolidated as at 31 December 2014, general increase in inventories of food products characteristic for the summer season, increased purchase of certain raw materials to avoid more expensive purchase in periods outside the season, increase in Belupo's raw materials inventory related to the production process cyclical.
Trade receivables and other receivables	 HRK +83.6 million	<ul style="list-style-type: none"> seasonal nature where larger orders of products are recorded in the summer season than at the end of the year.
Trade payables and other payables	 HRK +1.7 million	<ul style="list-style-type: none"> significant settlement of a portion of pharmaceuticals segment payables following the settlement of CHIF in the Croatian market and further harmonization of payment terms to suppliers.

¹Cash flow item, changes on 30 September 2015 from 31 December 2014.

Key highlights:

- net cash flow from operating activities → HRK 32.3 million due to working capital movement,
- net cash flow from investing activities → HRK -283.4 million as a result of HRK 144.7 million of capital expenditures and depositing unused cash from capital increase in cash funds,
- net cash flow from financing activities → HRK 420.4 million primarily due to cash collected by issuing new 1,700,000 ordinary shares,
- capital expenditure in 2015 is expected to be at a level of HRK 250-300 million, in 2016 at a level of 350-400 million and after that at a level of 200-250 million.



Note: net cash flow from operating activities on the trailing twelve months basis in 1-9 2015.

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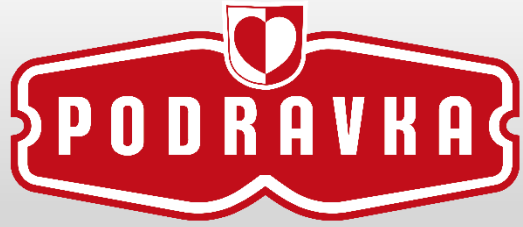
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