



Podravka Group

Always with a heart!

LSEG 2nd Annual CIS & CEE Conference, 11 March 2016, London.





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Podravka Group at a glance



BUSINESS:

- primarily branded food,
- generic pharmaceuticals.



2015 FIGURES:

- HRK 3,777.2 million of sales,
- HRK 4,945.6 million of total assets,
- 6,657 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 2,253.4 million*.

*MCap on 29 February 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



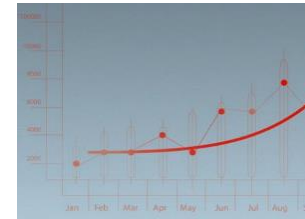
1970

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

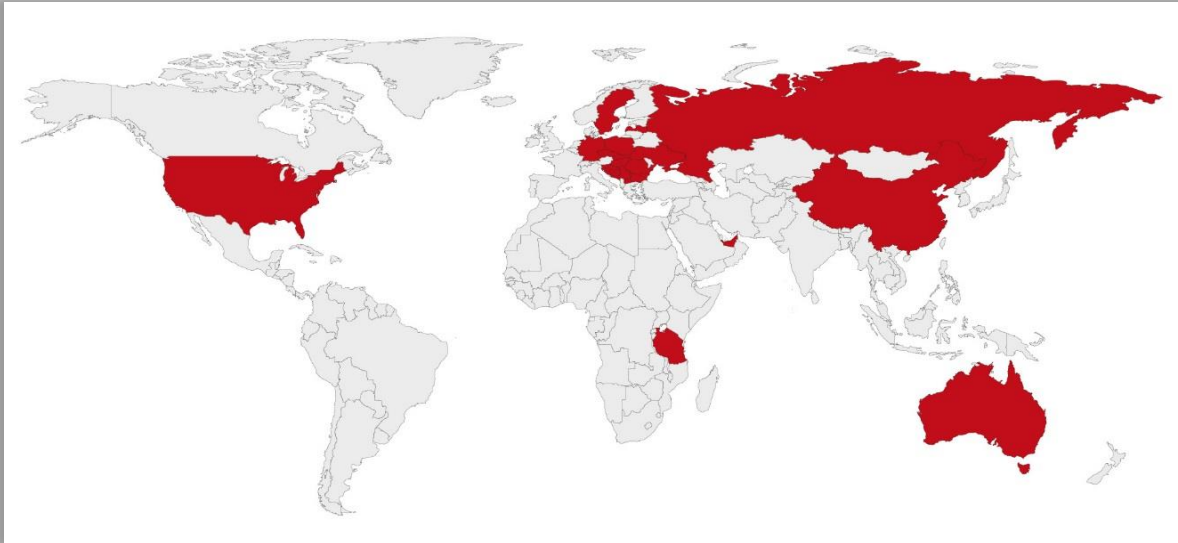
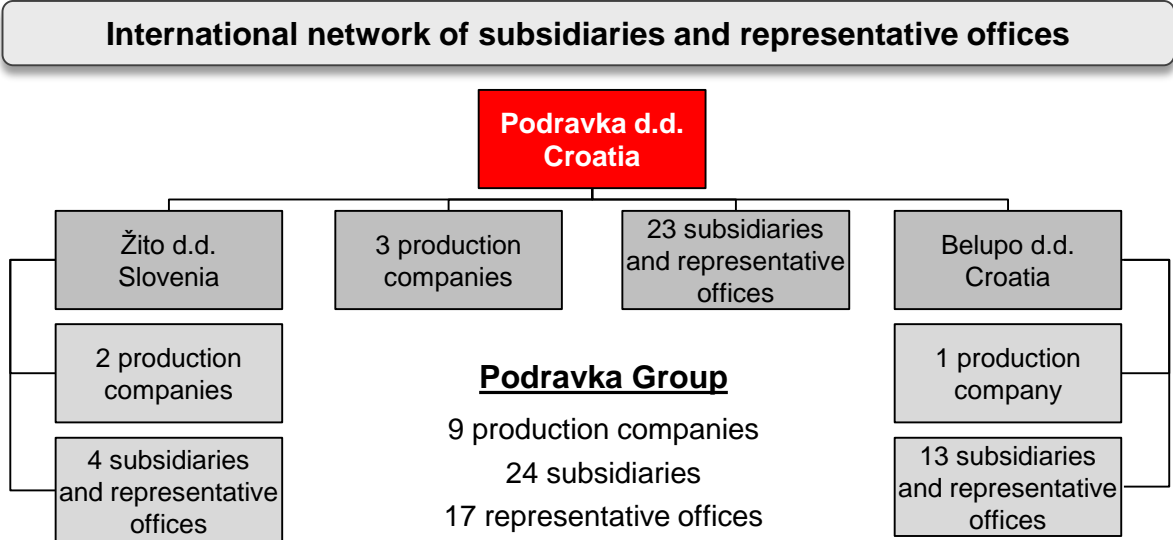
Commencement of full-scale restructuring process



2015

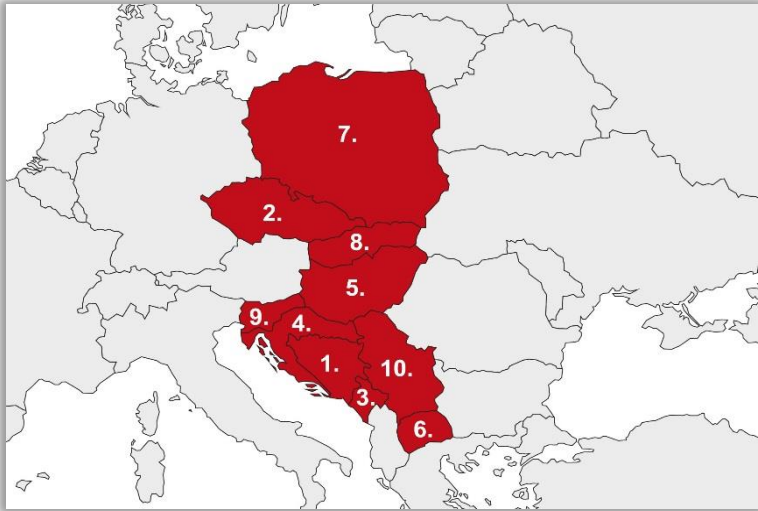
Žito, Slovenian food producer, acquisition

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

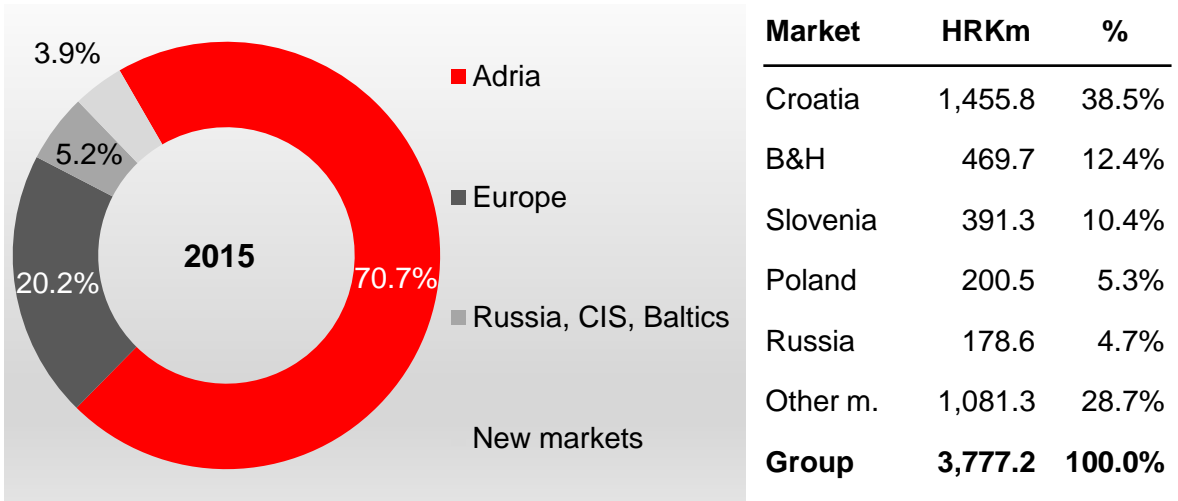


Own distribution network from Adriatic to the Baltic sea

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 2015



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 Nexxe 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

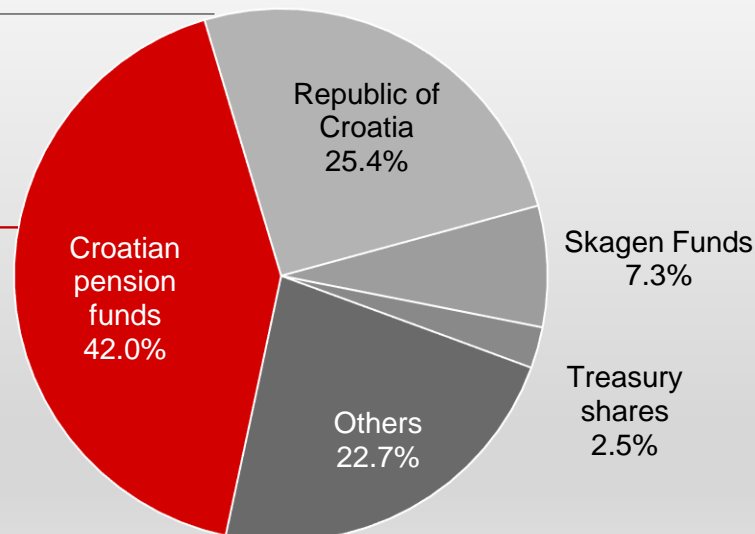
Vice President:

- 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

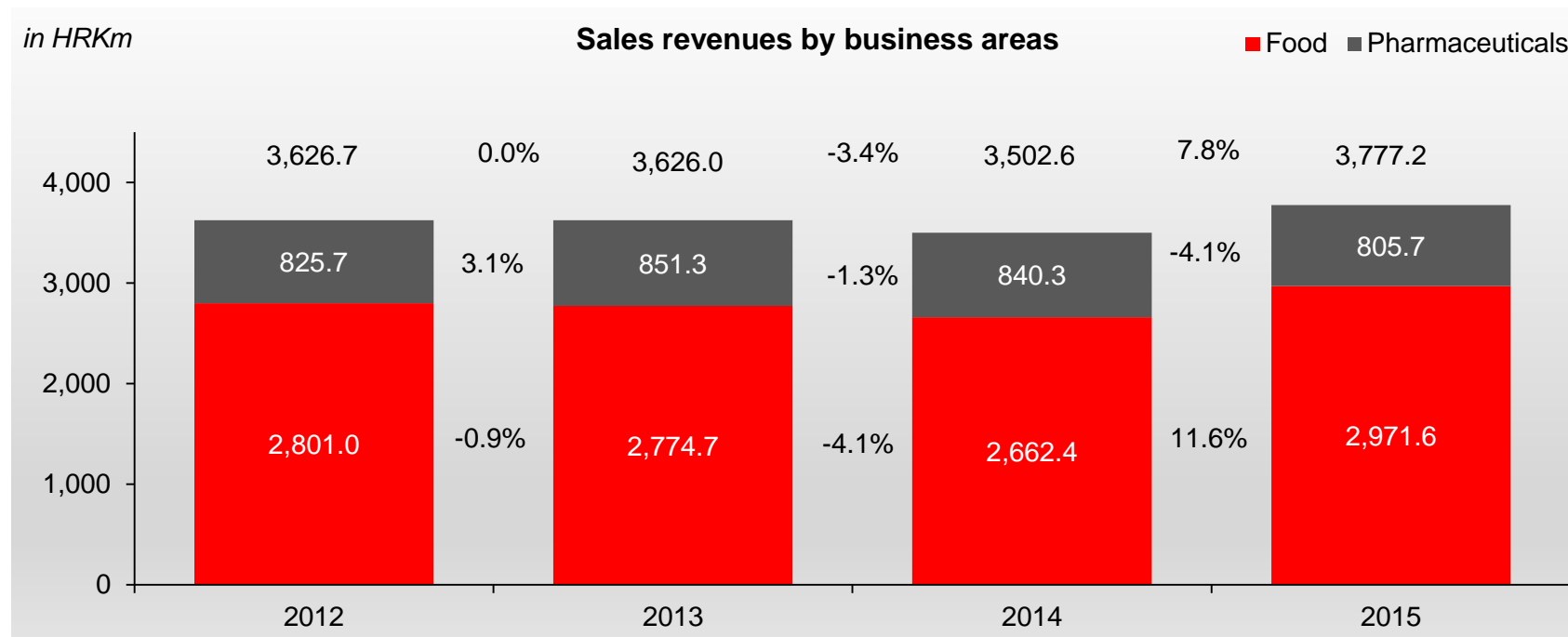
President:

- Petar Vlaić

Members:

- Dubravko Štimac
- Milan Stojanović

Snapshot of key financial figures



2015 reported figures*	HRK m	EUR m
Sales revenues	3,777.2	497.0
Adjusted EBITDA	362.8	47.7
Adjusted EBIT	170.5	22.4
Adjusted net profit	123.9	16.3
Total assets	4,945.6	650.7
Net debt	922.4	121.4
CFO	273.6	36.0
CAPEX	271.2	35.7

Key highlights of sales revenues:

- **Food:**
 - restructuring process resulted in exiting from several non-profitable business segments in 2013 and 2014;
 - acquisition of Slovenian food company Žito in 2015, consolidation started from Q4 2015,
- **Pharmaceuticals:**
 - strong Russian ruble depreciation and constant price decrease from Croatian Health Insurance Fund pressures top-line.

*Note:

- Consolidation of acquired Žito Group started from Q4 2015;
- 2015 P&L items adjusted for HRK 115.7m gain on a bargain purchase from Žito acquisition and HRK 163.7m of deferred tax income from incentives for the construction of new pharmaceutical factories;
- EUR/HRK FX rate of 7.6.



The Company

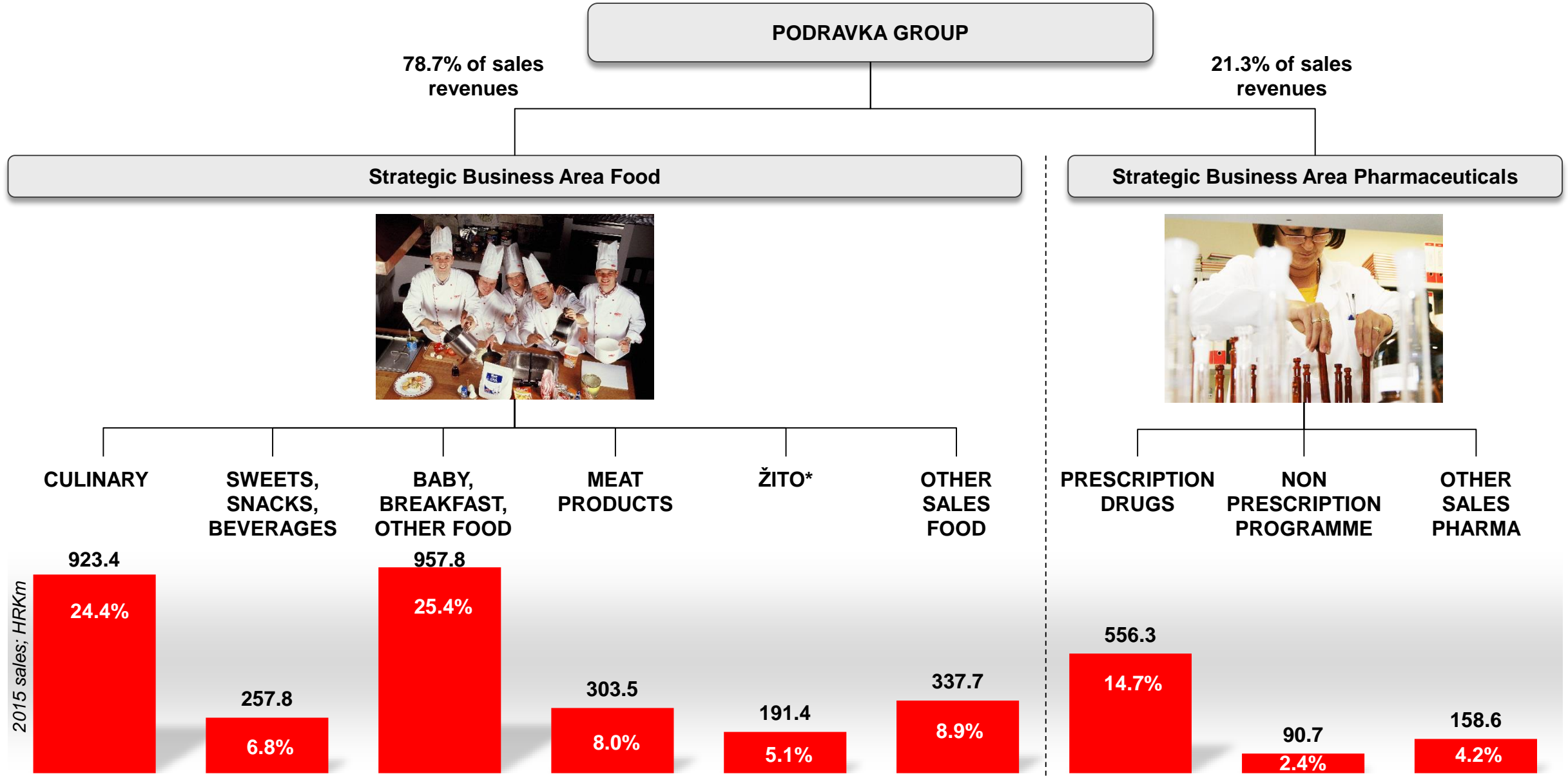
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A well diversified product portfolio divided in two business areas



*Includes only consolidated Q4 2015 sales revenues.

Culinary category is a cornerstone of food business

Food segment products overview						2015 sales;	% of total
CULINARY <ul style="list-style-type: none"> seasonings*, bouillons, soups*, semi-finished meals, mixes for meals, sauces. 	     	    	    	   	     	HRK 923.4m	24.4%
						HRK 257.8m	6.8%
						HRK 957.8m	25.4%
						HRK 303.5m	8.0%
						HRK 191.4m**	5.1%
OTHER SALES <ul style="list-style-type: none"> private labels, service production, trade goods, other. 	   					HRK 337.7m	8.9%

*Strategic products with international potential; **Includes only consolidated Q4 2015 sales revenues.

Prescription drugs category is a cornerstone of pharmaceutical business

Pharmaceutical category products overview

2015 sales; % of total

PRESCRIPTION DRUGS

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



HRK 556.3m 14.7%

NON-PRESCRIPTION PROGRAMME

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



HRK 90.7m 2.4%

OTHER SALES

- trade goods,
- services.



HRK 158.6m 4.2%

*Strategic products with international potential.

High-quality brands with exceptional recognisability and strong international potential

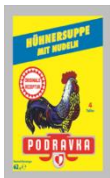


VEGETA

- 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.



The Company

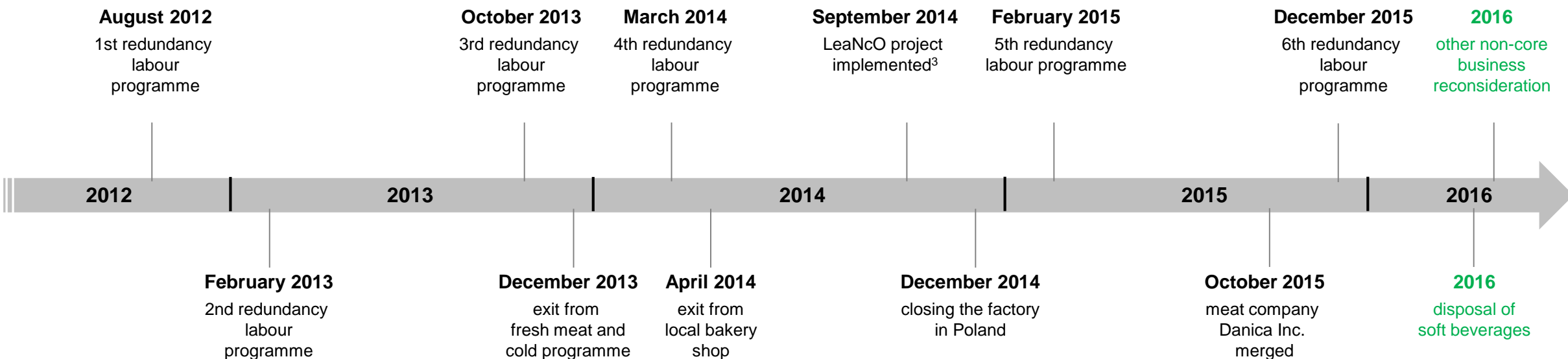
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Successful implementation of restructuring and reorganization process



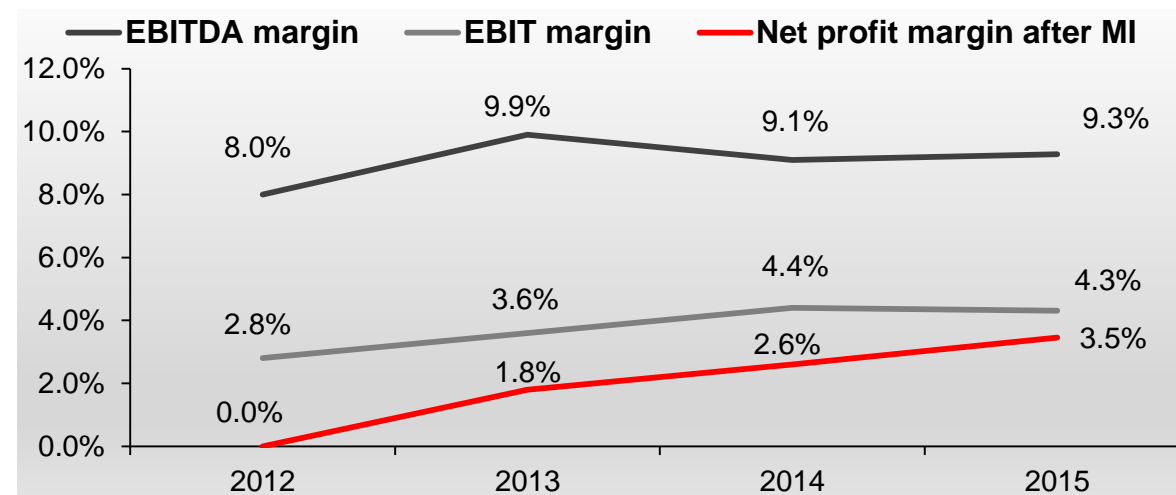
Significantly improved financial position

Restructuring related one-off items burdened past profitability

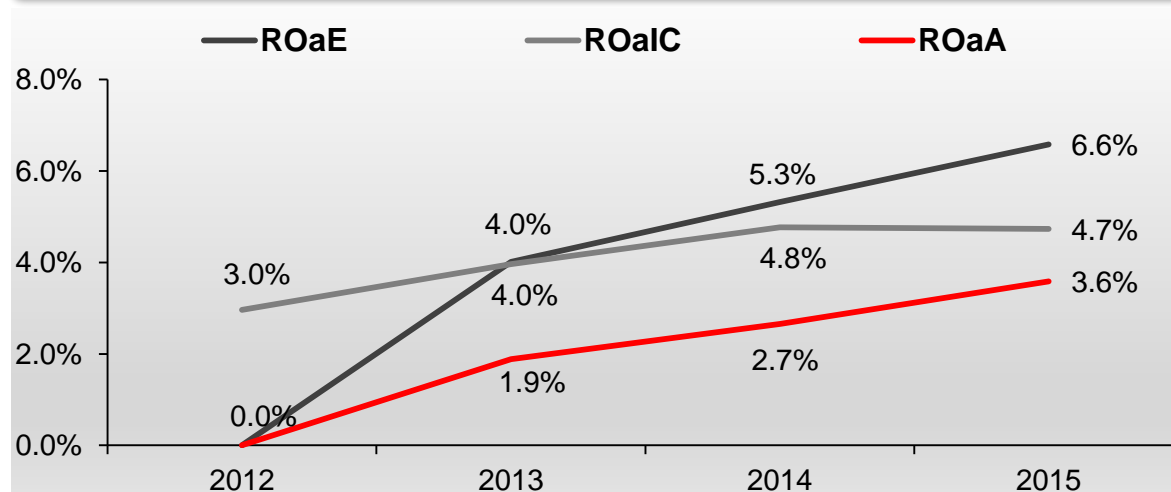
(in HRKm)	2012	2013	2014	2015
Value adjustments	(37.4)	(80.8)	(29.2)	(34.5)
Severance payments	(49.9)	(57.2)	(71.1)	(30.5)
Other	(44.5)	4.6	10.2	299.3*
Total net one-off items	(131.8)	(133.4)	(90.1)	234.2

*HRK 115.7m of gain on a bargain purchase from Žito acquisition, HRK 163.7m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories, HRK 19.9m refers to other items.

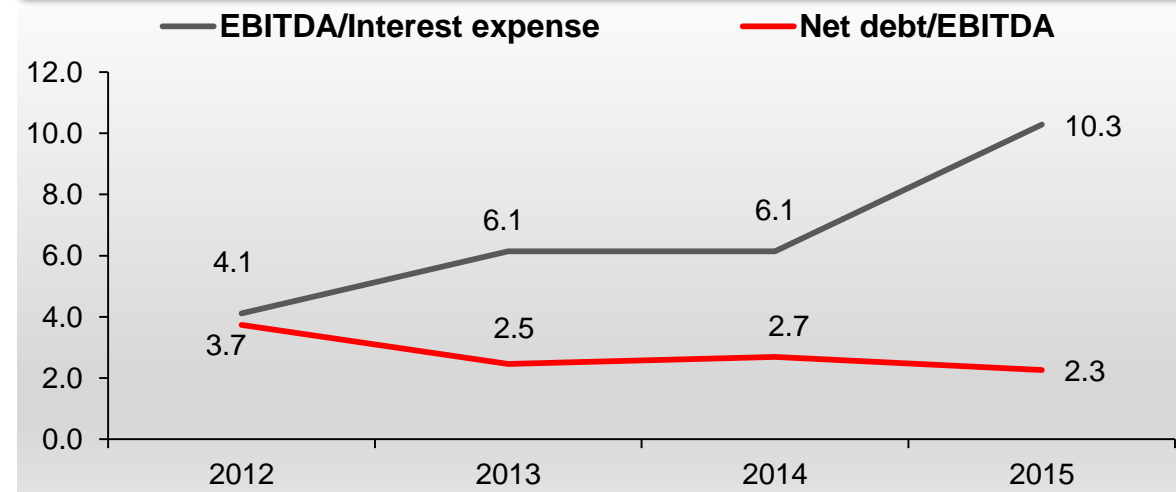
Improvement in profitability margins¹



Return rates on a higher level¹



Debt level lowered¹

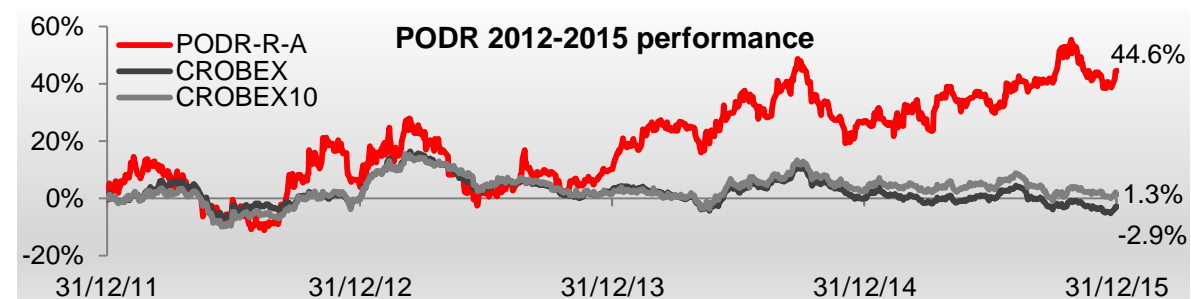
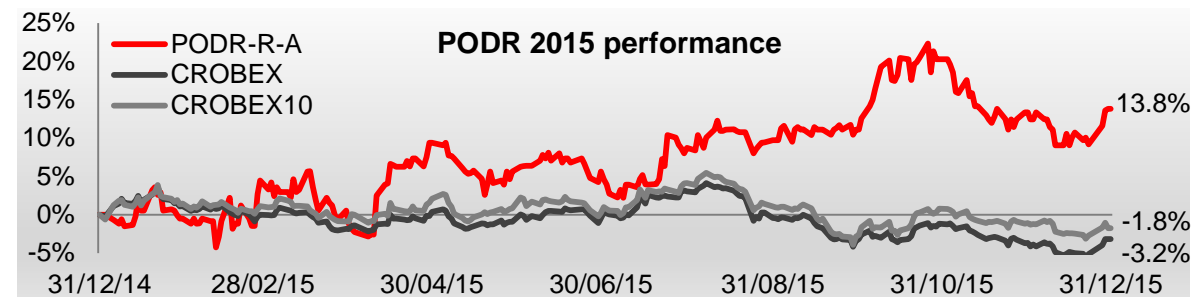


¹2015 figures include Podravka and Žito Group full year figures, adjusted for Žito badwill and tax incentives impacts.

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	20.7	➔	17.3%	➔	38.8%

¹2015 reported figures, adjusted for Žito badwill and tax incentives impacts.



Analysts	Recommendation	Target price	Potential ²
InterCapital	Buy	HRK 364.78	15.3%
Raiffeisen BANK	Hold	HRK 353.00	11.5%
ERSTE Group	Accumulate	HRK 370.00	16.9%
UniCredit	Buy	HRK 398.96	26.1%
WOOD & COMPANY	Hold	HRK 371.00	17.2%

Peer group multiples ³	EV/Sales	EV/EBITDA	EV/EBIT	P/B	P/E
Weighted average peer group	2.1	12.8	18.1	3.3	19.2
Normalized weight. av. peer group ⁴	2.1	12.9	18.3	3.0	19.9
Podravka Group reported	0.9	6.8	11.3	0.8	5.7
Podravka Group adjusted ⁵	0.7	8.0	17.2	0.8	14.9

²Compared to the last price on 29 February 2015,

³Obtained from Bloomberg on 7 March 2015,

⁴Calculated excluding maximal and minimal values,

⁵Podravka and Žito Group full year figures, adjusted for Žito badwill and tax incentives impacts.

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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Podravka Group has two long-term key strategic objectives

TWO KEY STRATEGIC OBJECTIVES



Consolidation and strengthening of our position in the domestic market/region



Further internationalization outside of Adria Region



Consolidation and strengthening of our domestic position

▪ Reasoning for consolidation:

- Adria region is our core market that accounts for 70.7% of sales revenues,
- for several years domestic retailers and producers are consolidating,
- foreign discounters are putting pressure on domestic retailers and producers.

▪ Strategy:

- participation in potential further regional consolidation,
- focus on core business and most profitable products,
- product innovations.



Further internationalization

▪ Reasoning for further internationalization:

- high market positions of Podravka's brands in the Adria region provide limited organic growth potential,
- macroeconomic trends provide little support for significant organic growth.

▪ Strategy:

- opening of new markets → Tanzania, Dubai, China,
- distribution model change in Russia,
- M&A opportunities in Europe, including Russia,
- further shift from ethno channels to mainstream markets in Western Europe, Australia and USA.

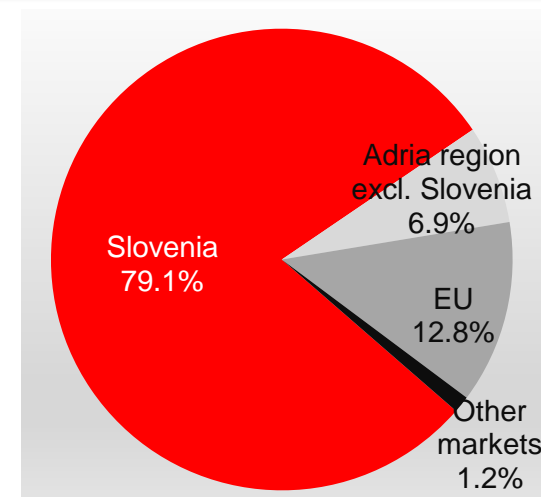
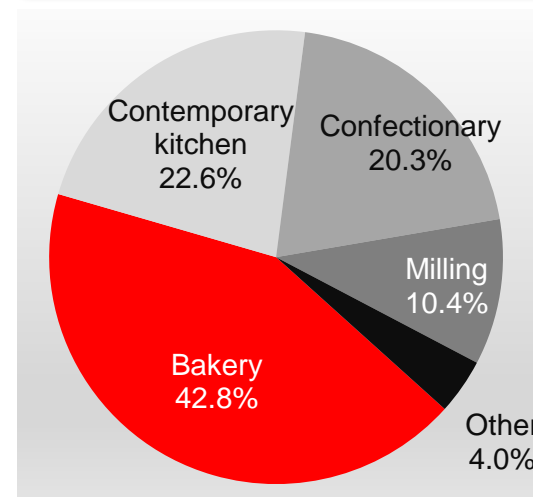
Acquisition of Slovenian food producer Žito to strengthen market position in the Adria region

Key highlights of Žito Group

- branded Slovenian food company with 35 retail bakery shops,
- portfolio of leading brands that hold top 2 market positions in Slovenia,
- 69 years of **experience** in food production,
- over HRK 849.7 mil. of **sales revenues**,
- over HRK 980.3 mil. of **total assets**,
- 1.147 **employees** as at 31 December 2015.



Sales revenues of Žito Group by categories and markets in 2015



- Žito acquisition provides scale and positive synergy/consolidation effects



(in HRKm)	FY 2017	FY 2018	FY 2019
Expected EBITDA impact	+18.9	+18.8	+36.8

Disclaimer*	Podravka Group		Žito Group		Podravka & Žito Group without synergy / consolidation effects		Podravka & Žito Group with 100% synergy / consolidation effects	
(in HRKm)	2015	% of sales	2015	% of sales	2015	% of sales	% of sales	
EBITDA	336.7	9.5%	70.6	8.3%	407.3	9.3%	444.1	10.1%
EBIT	155.2	4.4%	33.8	4.0%	189.0	4.3%	225.8	5.1%
Net profit after MI	110.7	3.4%	40.8	4.8%	151.5	3.5%	180.9	4.1%

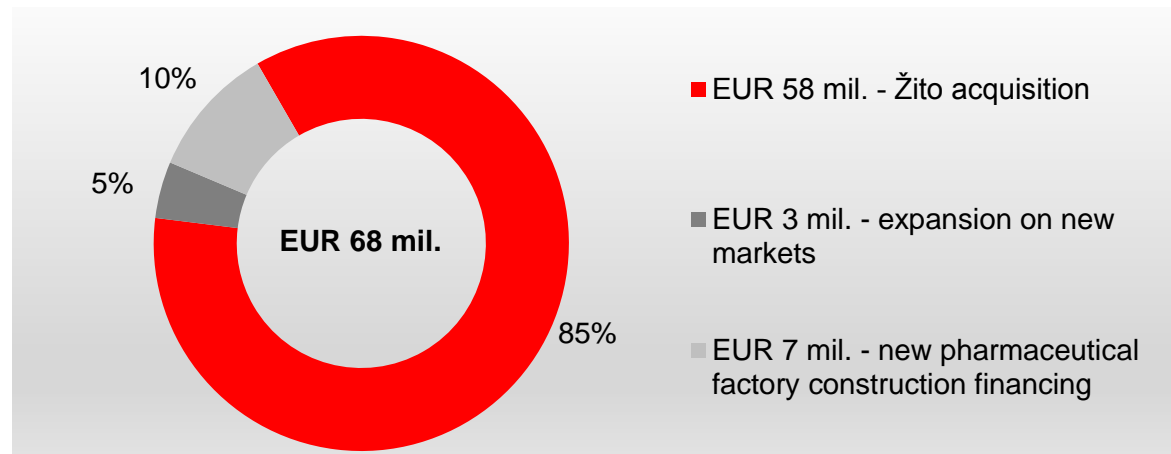
*Stated overview **does not represent future guidance**, it only shows 2015 profitability and expected synergy effects; Podravka Group **figures are adjusted** for HRK 115.7m of gain on a bargain purchase from Žito acquisition and HRK 163.7m of deferred tax income from Croatian government's incentives for the construction of new Belupo pharmaceutical factories.

Žito Group acquisition was financed via capital increase

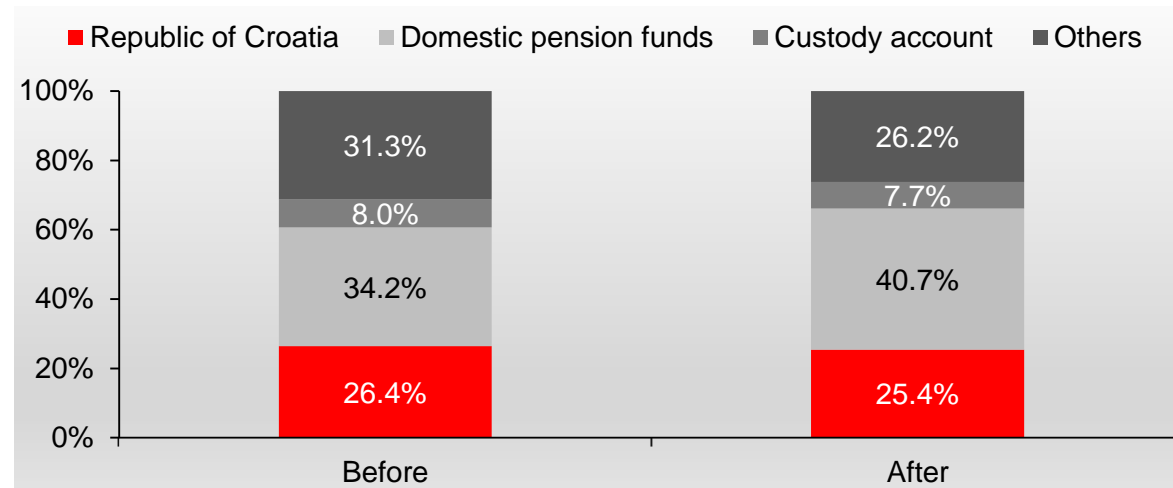
Capital increase details

- **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



Purchase price for Žito

- signed SPA price for Žito was EUR 180.1 per share,
- stated price was 5.9% higher than market price, as a result of competitive process,
- additional shares were also purchased for EUR 180.1 per share,
- acquisition price for 90% of Žito shares was EUR 57.7m; Žito had 10% treasury shares.

<i>Multiples</i>	Žito²	Podravka rep.	Podravka norm.	Peer Group
EV/Sales	0.6	0.7	0.7	2.1
EV/EBITDA	7.9	7.9	6.6	11.8

¹Calculated as price of issue compared to the last market price on 02 June 2015, day prior to the General Assembly on which capital increase decision has been voted for; ²Acquisition multiples.

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:

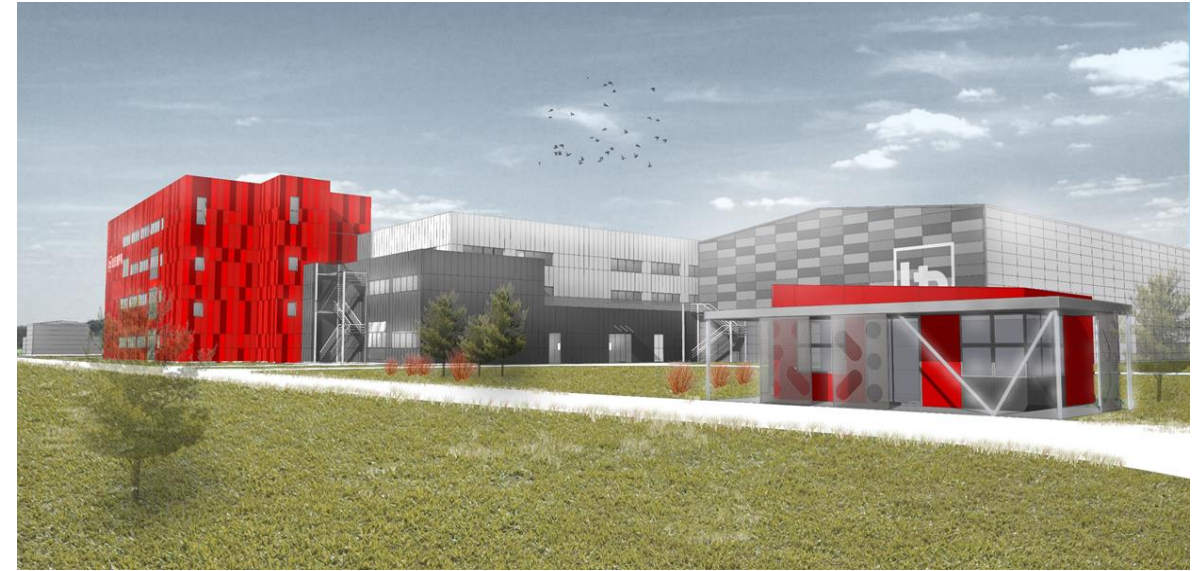
- insufficient production capacities due to perennial volume growth,
- acquiring of new technologies for product differentiation.

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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2015 financial results impacts that are not fully related to usual business activities



Food sales revenues impacts:

- **acquisition of Slovenian food company Žito** → consolidation of Žito's sales revenues from Q4 2015,
- **consolidation of Mirna's sales revenues** from April 2015 and acquired **PIK** product range sales revenues from June 2014,
- **unfavourable political and economical developments in Eastern Europe** → impact on market conditions and local currencies.

Food profitability impacts:

- aforementioned sales revenues impacts,
- consolidation of Žito and Mirna expenses that didn't burden 2014.
- **subsidiary established in Russia** in Q4 2014 → new expenses in 2015 that didn't fully burden 2014,
- **establishment of subsidiaries in Tanzania and Dubai, representative office in China** → new expenses in 2015 that didn't burden 2014.



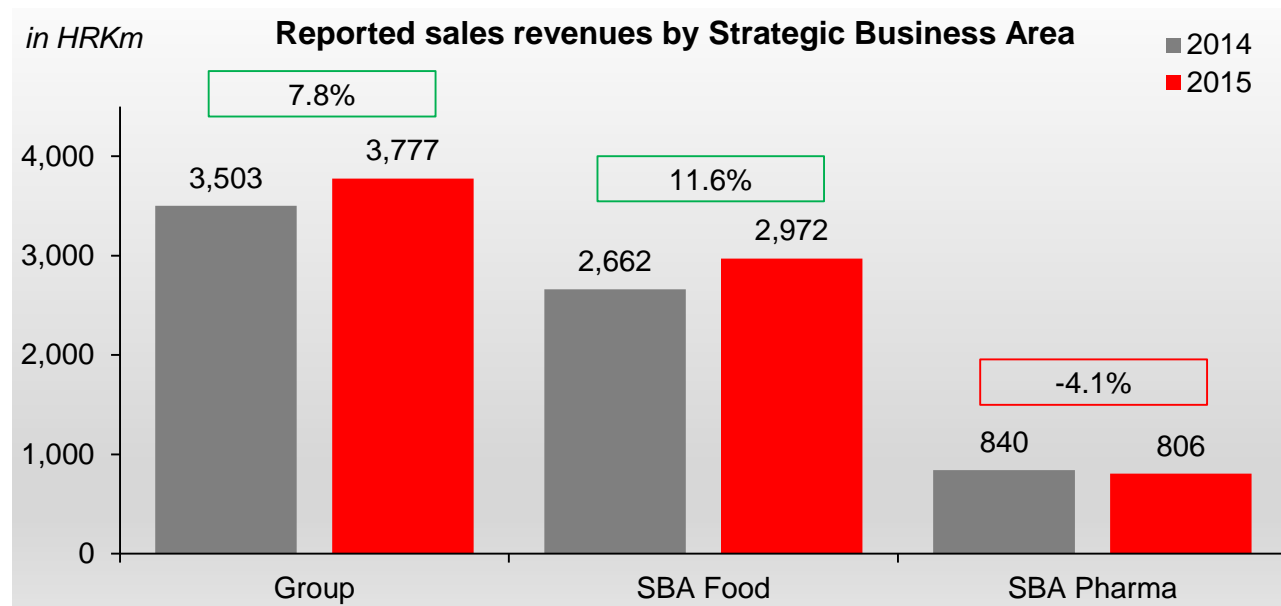
Pharmaceutical sales revenues impact:

- **unfavourable political and economical developments in Eastern Europe** → led to temporary suspension of operations in Ukraine and Kazakhstan, estimated impact of HRK -11.2m,
- significant **Russian ruble FX impact** of HRK -35.4m on sales revenues,
- Prescribed **price reduction on RX drugs by Croatian Health Insurance Fund (CHIF)** → estimated impact of HRK -10.0m.

Pharmaceutical profitability impacts:

- aforementioned sales revenues impacts,
- HRK -23.2m of **net foreign exchange losses on trade payables and receivables**,
- received **incentives from Croatian Ministry of Economy** for the construction of the new Belupo factory → HRK 163.7m of positive tax effect.

Own brands in Food segment recorded 2.7% organic sales revenues growth in 2015



Net FX impact on sales revenues:

HRKm	Own brands	Other sales	Total	Currency	HRKm
Food	(21.4)	(0.5)	(21.9)	RUB	(57.8)
Pharmaceuticals	(35.9)	(0.3)	(36.2)	RSD	(4.3)
Group	(57.3)	(0.8)	(58.1)	EUR	(2.6)
				BAM	(1.3)
				USD	7.9
				Other	(0.0)
				Total	(58.1)

- FX impact on sales revenues shows by for how many HRK would sales revenues have been higher or lower if FX rates had remained as in 2014.

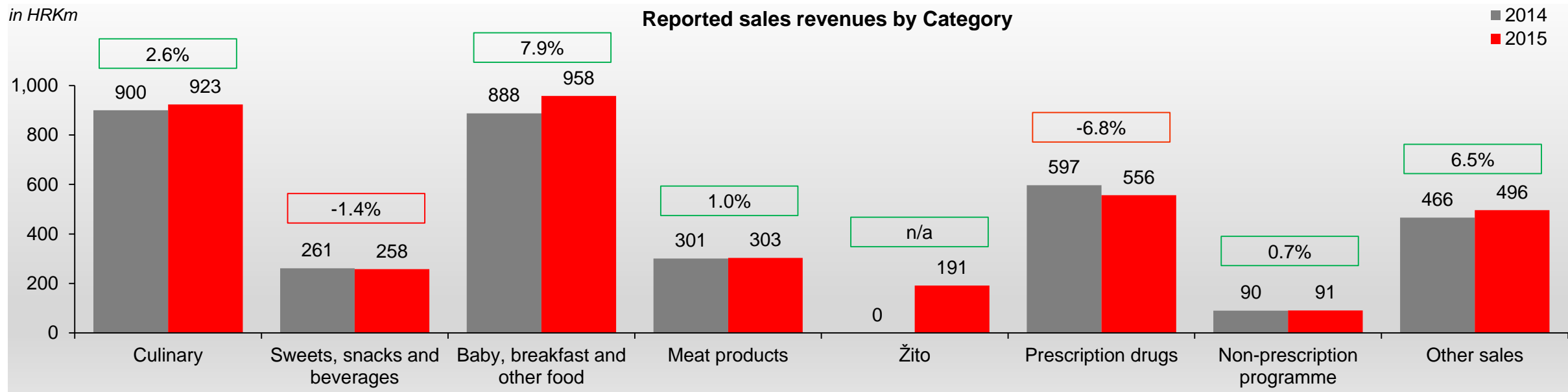
SBA Food excluding acquired product range and beverages:

- own brands** → 2.7% higher sales due to higher sales in culinary category (+2.6%) and baby, breakfast and other food category (+5.4%),
- other sales** → 8.5% lower sales mostly due to lower poppy seed market price in Europe Region,
- total SBA Food** → 1.3% higher sales.

SBA Pharmaceuticals:

- own brands** → 5.8% lower sales due to significant FX impact (HRK -35.9m), suspension of operations in Ukraine and Kazakhstan (est. HRK -11.2m) and CHIF impact (est. HRK -10.0m),
- other sales** → 3.6% higher sales due to trade goods sales growth in Farmavita,
- total SBA Pharmaceuticals** → 4.1% lower sales.

Significant organic sales growth of baby, breakfast and other food category in 2015

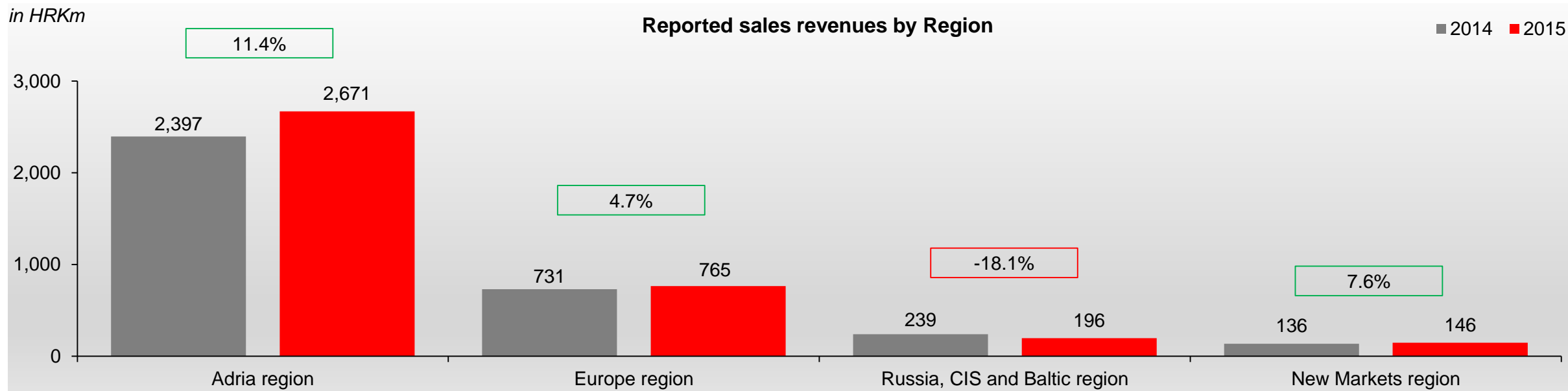


Key highlights:

- **culinary** → sales increase of universal seasonings subcategory and soups subcategory,
- **sweets, snacks and beverages** → **excluding beverages product range** which is for sale, sales dropped 2.4% due to product range rationalization, competitor activities and shrinkage of overall snacks category,
- **baby, breakfast and other food** → **excluding Mirna assortment**, sales grew 5.4% thanks to sales growth of baby food, condiments and frozen vegetables subcategories,
- **meat products** → **excluding PIK assortment**, sales dropped 2.7% due to stronger marketing activities of competitors,
- **Žito** → consolidated Q4 2015 of Žito's sales; in whole 2015 Žito posted 3.7% sales growth of own brands,
- **prescription drugs** → HRK -32.3m of Russian ruble impact, estimated HRK -11.2m impact of Ukraine and Kazakhstan operation suspension, HRK -10.0m of estimated CHIF impact,
- **non-prescription programme** → 5.1% sales growth of OTC subcategory on the market of Croatia,
- **other sales** → **excluding Žito's sales**, 3.7% lower sales due to lower market price of poppy seeds, partially compensated by higher sales of trade goods in Farmavita.

Adria region is the main driver of sales growth in 2015

in HRK m



Key highlights:



















- **Adria region** → 1.4% sales growth **excluding acquired product range and beverages**, mostly as a result of soups, baby food and prescription drugs subcategories sales growth,
- **Europe region** → 0.4% sales growth **excluding acquired product range and beverages**; 5.3% sales growth of own brands compensated for lower sales of poppy seeds,
- **Russia, CIS & Baltic region** → Russian ruble had HRK -22.4m impact in food and HRK -35.4m impact in pharma segment; **excl. FX impact**, region saw 5.6% sales growth, mostly as a result of frozen vegetables subcategory,
- **New Markets region** → 6.2% sales growth **excluding acquired product range and beverages** due to culinary category growth in Australia and USA.

Net FX impact on region's sales revenues:

Region	HRK m
Adria	(7.9)
Europe	(0.1)
Russia, CIS, Baltics	(57.8)
New Markets	7.7

- FX impact on sales revenues shows by how many HRK would sales revenues have been higher or lower if FX rates had remained as in 2014.

Positive impact of Q4 2015 Žito consolidation on food segment profitability

2015 (in HRK ¹)	Food stand-alone		Q4 2015 Žito impact		Food reported	
Sales revenues	2,732.3	 2.6%	239.3	n/a	2,971.6	 11.6%
Gross profit	1,030.3	 1.4%	69.1	n/a	1,099.4	 8.2%
EBITDA	237.9	 20.4%	141.8	n/a	379.6	 92.1%
EBIT	107.5	 42.6%	131.0	n/a	238.5	 216.2%
Net profit after MI	87.1	 202.1%	123.6	n/a	210.8	 630.7%
2015 (% of sales revenues) ²	Food stand-alone		Q4 2015 Žito impact		Food reported	
Gross margin	37.7%	 -46 bp	28.9%	n/a	37.0%	 -117 bp
EBITDA margin	8.7%	 +128 bp	59.2%	n/a	12.8%	 +535 bp
EBIT margin	3.9%	 +110 bp	54.7%	n/a	8.0%	 +519 bp
Net margin after MI	3.2%	 +211 bp	51.7%	n/a	7.1%	 +601 bp

Key highlights:

▪ Stand-alone food segment:




























- lower **gross profit margin** as a result of changed sales structure, with the increase in sales of the range that has lower gross margin than the food segment average,
- **operating profit** in 2015 impacted by: (i) HRK 24.8m positive effect of Mirna consolidation, (ii) HRK 22.3m severance payments and (iii) HRK 9.4m Žito related acquisition and integration expenses; in 2014 impacted by HRK 64.2m of severance payments,
- **net profit after minorities** in 2015 impacted by HRK 6.7m finance costs related to the ESOP and HRK 12.5m deferred tax revenue.

▪ Žito impact:

- gain on a bargain purchase impact of HRK 115.7m on EBITDA and EBIT and impact of HRK 110.4m on net profit after minorities.

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

Food segment profitability compensated for lower pharma segment profitability in 2015

2015 (in HRKm) ¹	Food reported		Pharmaceuticals		Group reported	
Sales revenues	2,971.6	 11.6%	805.7	 (4.1%)	3,777.2	 7.8%
Gross profit	1,099.4	 8.2%	424.6	 (8.4%)	1,524.0	 3.0%
EBITDA	379.6	 92.1%	98.9	 (19.0%)	478.5	 49.7%
EBIT	238.5	 216.2%	47.7	 (40.6%)	286.2	 83.8%
Net profit after MI	210.8	 630.7%	187.3	 194.4%	398.0	 330.5%
2015 (% of sales revenues) ²	Food reported		Pharmaceuticals		Group reported	
Gross margin	37.0%	 -117 bp	52.7%	 -245 bp	40.3%	 -190 bp
EBITDA margin	12.8%	 +535 bp	12.3%	 -225 bp	12.7%	 +354 bp
EBIT margin	8.0%	 +519 bp	5.9%	 -363 bp	7.6%	 +313 bp
Net margin after MI	7.1%	 +601 bp	23.1%	 1.567 bp	10.5%	 +790 bp

Key highlights:

Pharmaceuticals:













- top line negative impacts weighted down on the whole profitability,
- lower **gross margin** as a result of changed sales structure with a decrease in sales of own brands and unchanged sales of trade goods,
- FX differences on trade payables and receivables (in other operating expenses) in 2015 HRK -23.3m and in 2014 HRK -43.7m,
- **net profit after MI** was additionally impacted in 2015 by HRK 1.3m of ESOP financial expenses and by HRK 163.7m of deferred tax revenues.

Tax incentive for Belupo factory:

- Belupo received incentive for the construction of new factory in the allowed maximum amount of HRK 163.7m. In 2015 Belupo initially recognized the maximum approved amount of incentives as deferred tax asset and tax revenue.

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

Operating expenses movement in line with business developments

Operating expenses	2015/2014 without Žito	2015/2014 reported
Cost of goods sold (COGS)	3.0% 	11.4% 
General and administrative expenses (G&A)	(8.7%) 	(5.0%) 
Selling and distribution costs (S&D)	1.8% 	10.3% 
Marketing expenses (MEX)	8.2% 	11.5% 
Other costs	(17.6%) 	(32.0%) 
Total	1.9% 	8.6% 

Key highlights:

COGS without Žito:

- 3.0% higher COGS due to both organic growth of food segment and inorganic growth of food segment (Mirna and PIK assortment),

G&A expenses without Žito:

- HRK 30.5m of severance payments and HRK 9.4m of Žito acquisition and integration expenses in 2015, HRK 71.1m of severance payments in 2014; excluding aforementioned impacts, G&A expenses grew 0.7%, partially due to Mirna's G&A expenses that were not included in 2014; excluding Mirna impact, G&A expenses would be 3.6% lower,

S&D costs without Žito:

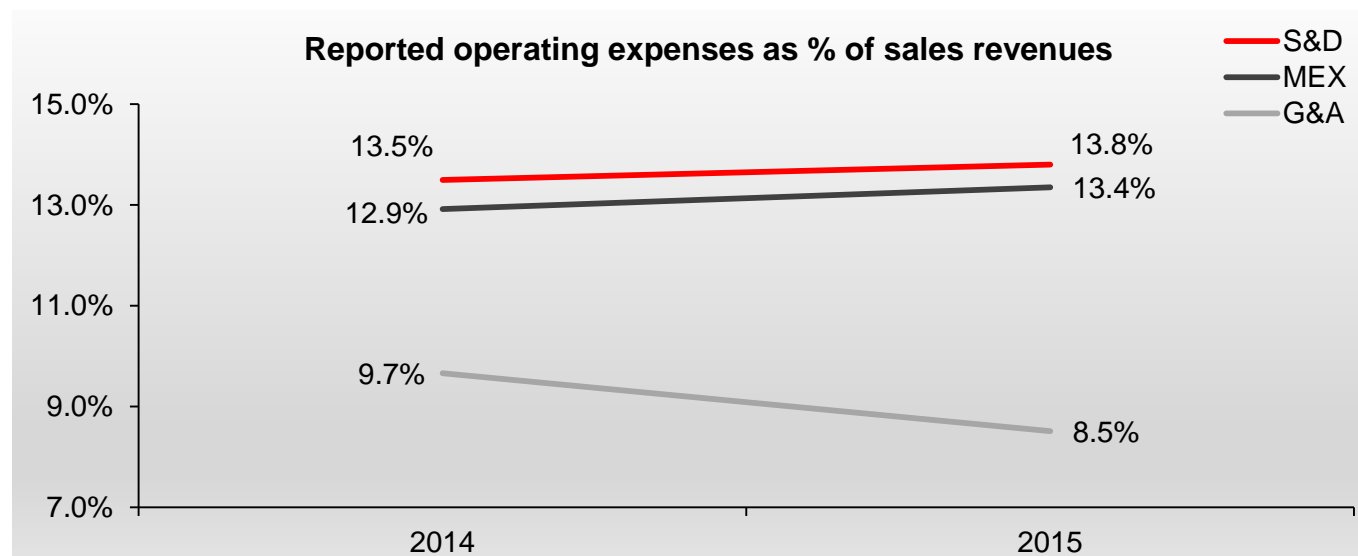
- impact of initial costs related to the decision to enter new markets and by S&D costs of food company in Russia and Mirna that were not charged in 2014; excluding aforementioned impacts, S&D costs fell 2.0%,

MEX without Žito:

- stronger marketing activities related to the opening of new markets, culinary category in Western Europe and baby food and meat products assortment in Adria region,

Other costs without Žito:

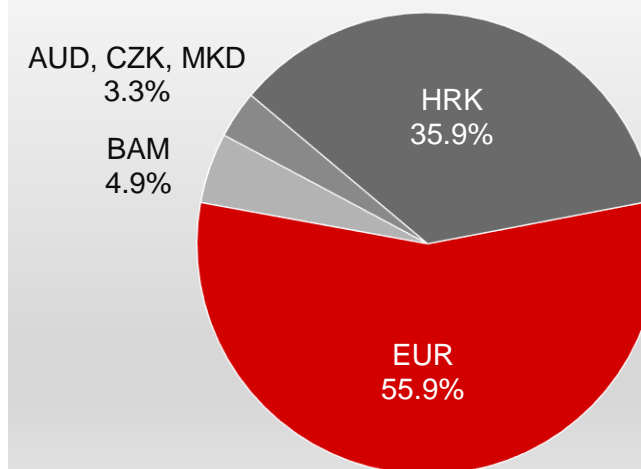
- 37% lower net foreign exchange losses on trade receivables and payables.



Sound level of indebtedness following Žito consolidation

(in HRK 000)	2015	2014	% change
Net debt	922,376	856,829	7.6%
Interest expense	36,918	43,542	(15.2%)
Net debt / EBITDA	1.9	2.7	(28.1%)
EBITDA / Interest expense	13.0	7.3	76.6%
Equity to total assets ratio	57.0%	50.9%	+611 bp

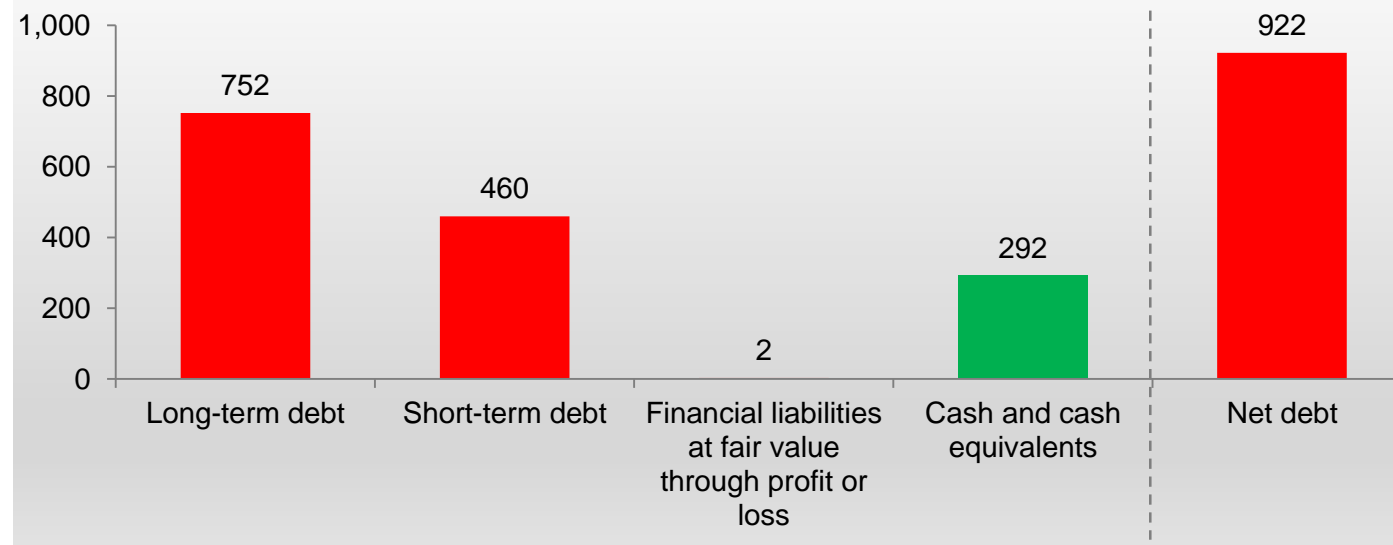
Debt currency structure as at 31 December 2015






Key highlights:

- net debt increase → due to the consolidation of Žito Group,
- lower interest expense → liabilities refinanced under more favourable commercial conditions and repayment of a part of borrowings,
- gearing ratio calculated on Podravka and Žito Group full 2015 EBITDA, excluding favourable purchase gain from Žito, equals 2.3, while interest coverage ratio equals 10.3.
- **weighted average cost of debt:**
 - on 31 December 2015 → 3.0%,
 - on 31 December 2013 → 4.3%.

Net debt components in HRK million as at 31 December 2015

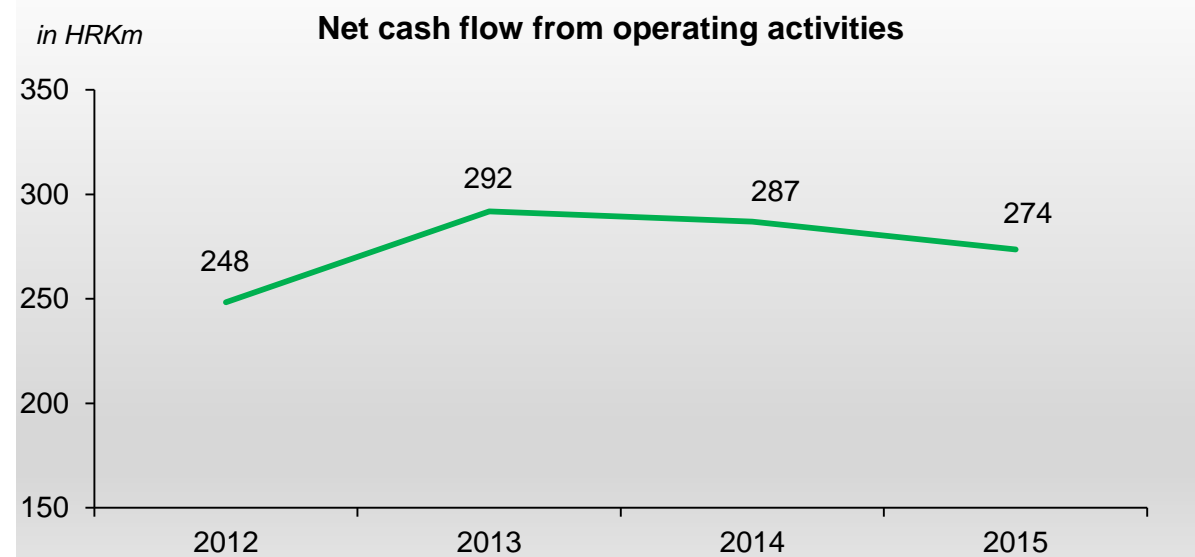


Stable level of net cash flow from operating activities

Working capital movement excl. Žito	31 December 2015 / 31 December 2014		Impact
Inventories		HRK +59.9 million	<ul style="list-style-type: none"> inventories of Mirna that were not consolidated as at 31 December 2014, increase in inventories of raw materials scheduled for shipment in Q1 2016, increase in Belupo's raw materials inventory to secure the production continuity, introduction of new products.
Trade receivables		HRK -10.3 million	<ul style="list-style-type: none"> primarily due to CHIF's settlement of portion of its liabilities.
Trade payables		HRK +34.8 million	<ul style="list-style-type: none"> partial impact of Mirna's trade payables that were not consolidated as at 31 December 2014.

Key highlights:

- net cash flow from operating activities → HRK 373.6m due to working capital movement,
- net cash flow from investing activities → HRK -675.2m as a result of Žito acquisition and HRK 271.2m of capital expenditures,
- net cash flow from financing activities → HRK 473.0m primarily due to cash collected by issuing new 1,700,000 ordinary shares,
- capital expenditure in 2016 is expected to be at a level of HRK 300-400m, in 2017 at a level of HRK 280-300m and after that at a level of around HRK 250m.



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