



Acquisition of Žito Group

4th Podravka Group Investors Day, 17 February 2016, Koprivnica.





Overview of Žito Group

Acquisition and integration process

Transaction reasoning

New company

Historical development of Žito Group reveals long tradition in food segment



1947

Established as milling company



late 40ties

Bakery and pasta production established



1969-70

Entered into confectionery by acquiring:

- 1969 Šumi company, prior merged with Gorenjka,
- 1970 Imperial Krško company



1976

Frozen food production established



late 70ies

First company in Slovenia that offered bio bran



90ties

Significant CAPEX into modernization and upgrade of existing technologies



2000

Žito's shares listed on the Ljubljana Stock Exchange



2009

Acquisition of new production programs from Droga Kolinska – tea, rice, milling products and spices



2015

Žito Group became part of Podravka Group



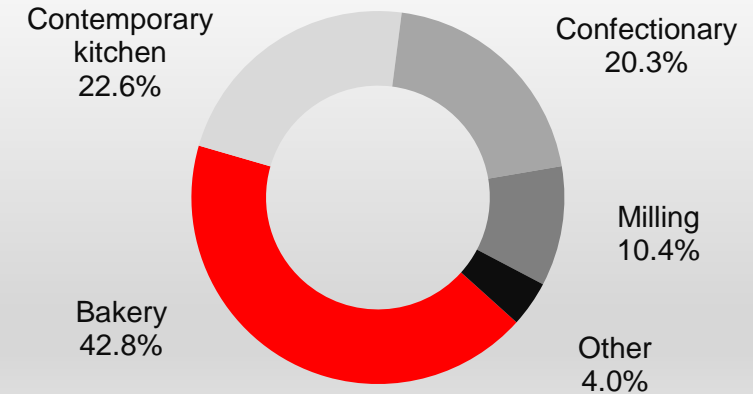
Žito Group today

Key highlights of Žito Group¹

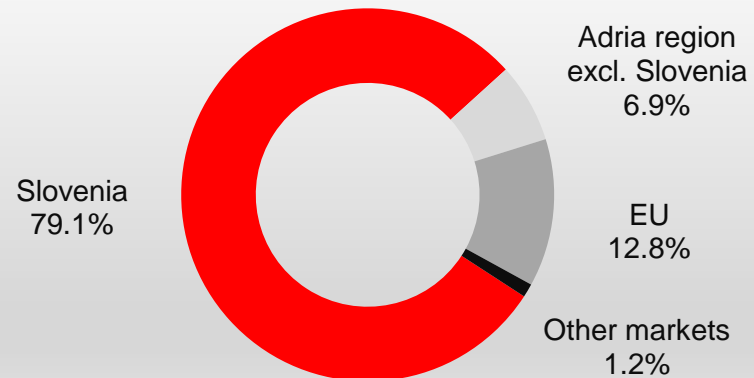
- branded food company with 35 retail bakery shops,
- headquartered in Ljubljana, Slovenia,
- 69 years of **experience** in food production,
- over HRK 849.7 mil. of **sales revenues**,
- over HRK 980.3 mil. of **total assets**,
- 1.147 **employees** as at 31 December 2015.



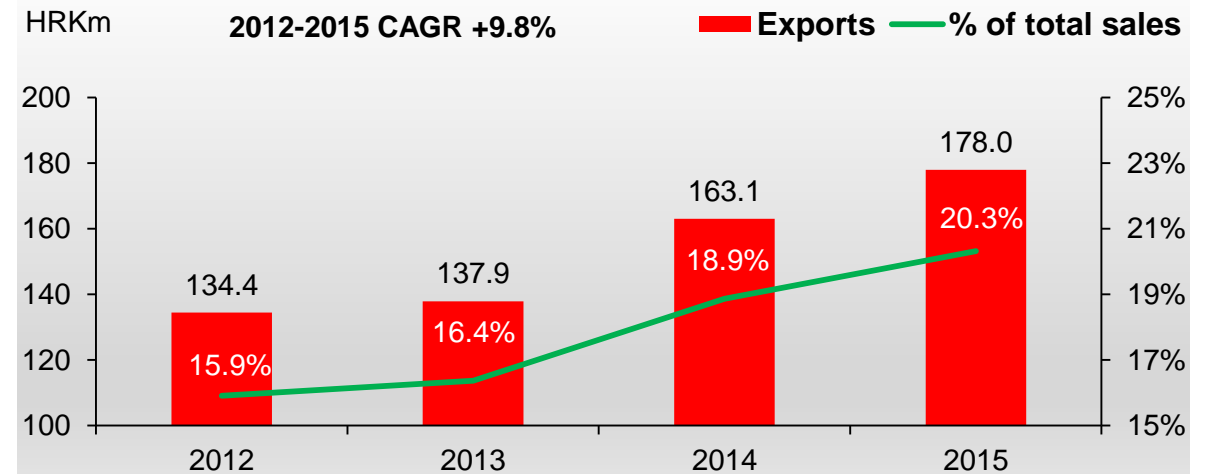
Sales revenues of Žito Group by categories in 2015



Sales revenues of Žito Group by markets in 2015



Export growth in recent years



¹Note: All figures are transferred to HRK by EUR/HRK FX rate of 7.6 to avoid FX differences.
































Business model of Žito Group is organized in four key food categories



Category	Bakery	Contemporary kitchen	Confectionary	Milling
Products	<ul style="list-style-type: none"> ▪ fresh bakery products, ▪ fresh pastry, ▪ toast, rusk, ▪ sandwiches, ▪ fresh cakes... 	<ul style="list-style-type: none"> ▪ teas, ▪ pasta, rice, milling products, ▪ spices, ▪ frozen food, ▪ BIO products... 	<ul style="list-style-type: none"> ▪ chocolate, ▪ candy, ▪ biscuits, ▪ chewing gum, ▪ cookies. 	<ul style="list-style-type: none"> ▪ flour, ▪ additives, ▪ mixes for bakery.
Market position ¹	<ul style="list-style-type: none"> ▪ bread #1, ▪ rusk #1, ▪ toast #2. 	<ul style="list-style-type: none"> ▪ tea, milling products, rice #1, ▪ pasta, frozen foods, spices #2, ▪ breakfast cereals #5. 	<ul style="list-style-type: none"> ▪ candy #2, ▪ chocolate #3, ▪ soft cakes #2. 	<ul style="list-style-type: none"> ▪ flour #1.
Brands				

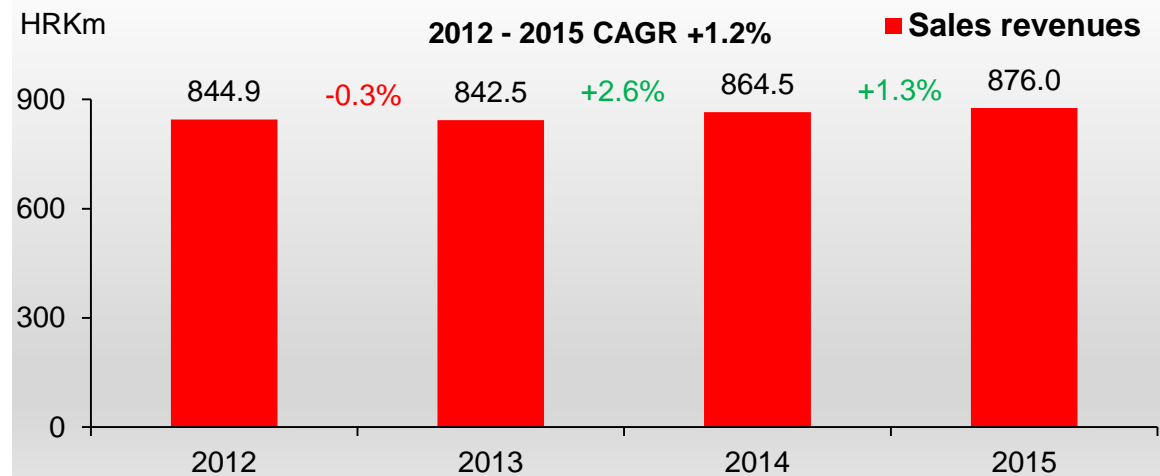
¹On the Slovenian market; Source: AC Nielsen.

Key brands for further development

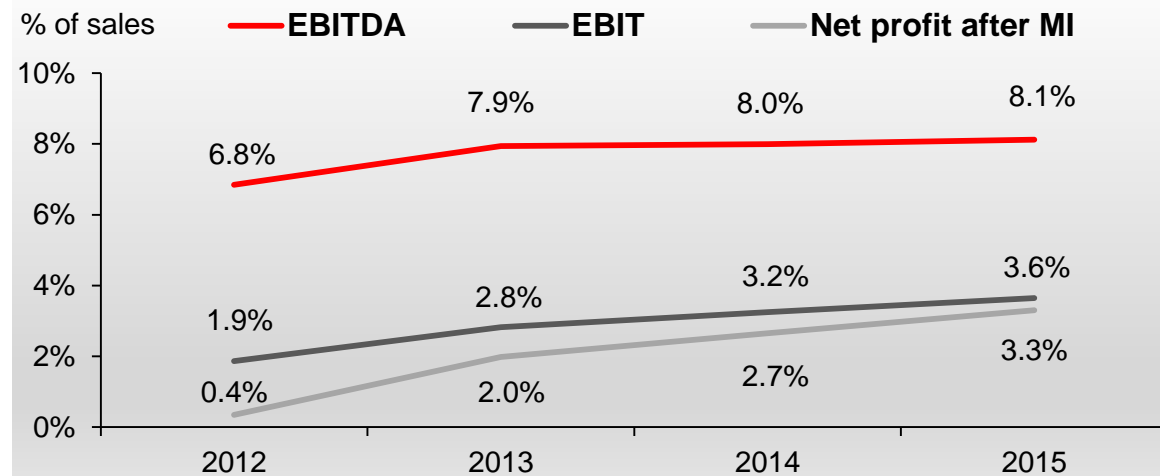
Brand	Category/ Subcategory	Description	Products
	Bakery	<ul style="list-style-type: none"> Žito brand comprises all products from bakery category – bread, sweets, sandwiches, snacks, toast, biscuits... 	   
	Rice and pasta	<ul style="list-style-type: none"> Zlato Polje brand comprises – rice, pasta, milling products, breakfast cereals. 	   
	BIO products	<ul style="list-style-type: none"> Natura brand comprises – cereals & groats, flours & flakes, soybean products, seeds and legumes. 	   
	Spices	<ul style="list-style-type: none"> Maestro brand comprises – monospices, spice mixes, food fixes. 	   
	Frozen products	<ul style="list-style-type: none"> Žito brand comprises frozen – vegetarian patties and steaks, dumplings, side dishes, dough and salty & sweet snacks. 	    
	Teas	<ul style="list-style-type: none"> 1001 cvet brand comprises – herbal teas, fruit teas, baby teas... 	   

Žito Group's financial overview

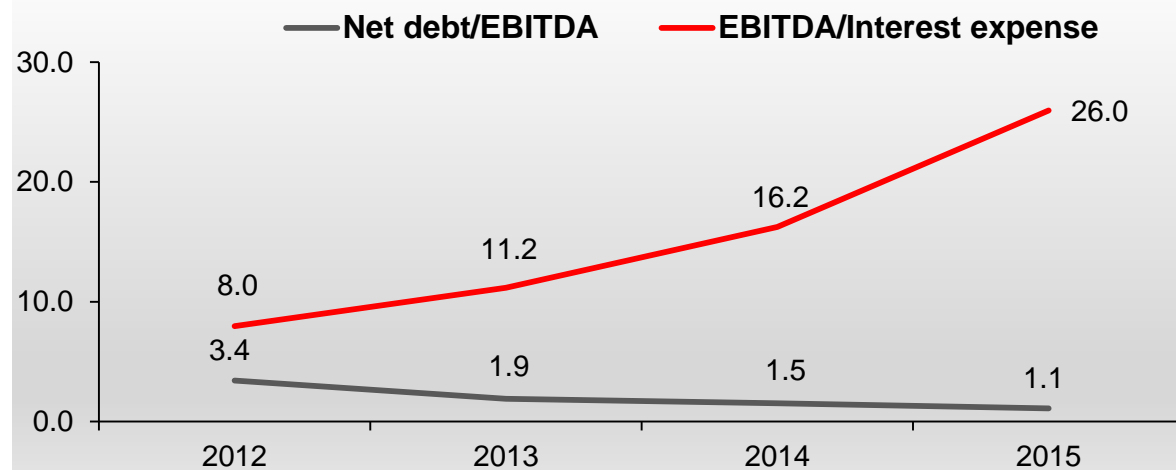
Žito Group sales revenues



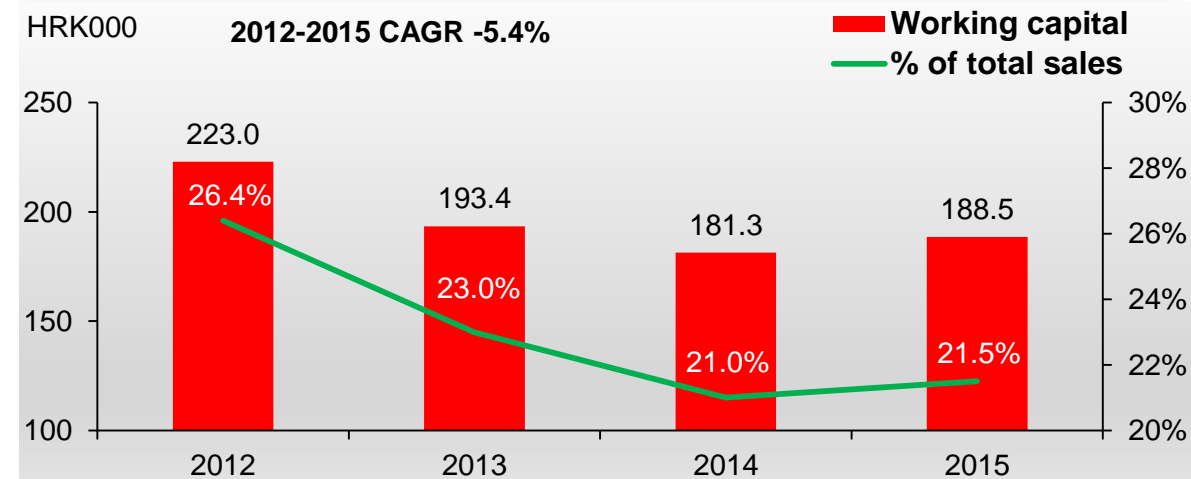
Žito Group profitability margins*



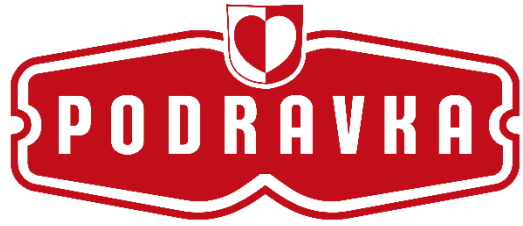
Žito Group indebtedness



Working capital movement



Note: *Revaluation of property is excluded from 2012 and 2015 profitability calculations; All figures are transferred to HRK by EUR/HRK FX rate of 7.6 to avoid FX differences.



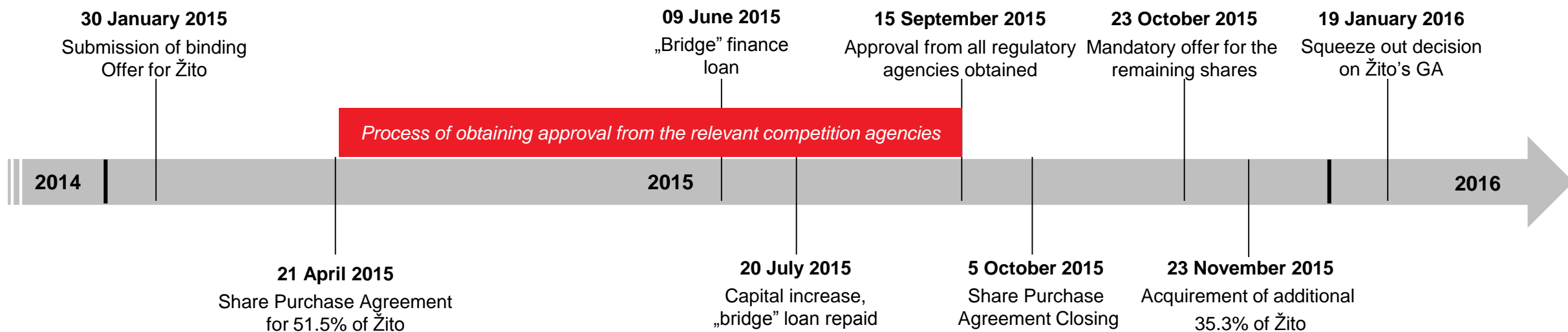
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Žito acquisition process



Purchase price for Žito

- signed SPA price for Žito was EUR 180.1 euro 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,
- Total paid amount for 90% of Žito shares totals EUR 57.7 million; Žito has 10% treasury shares.

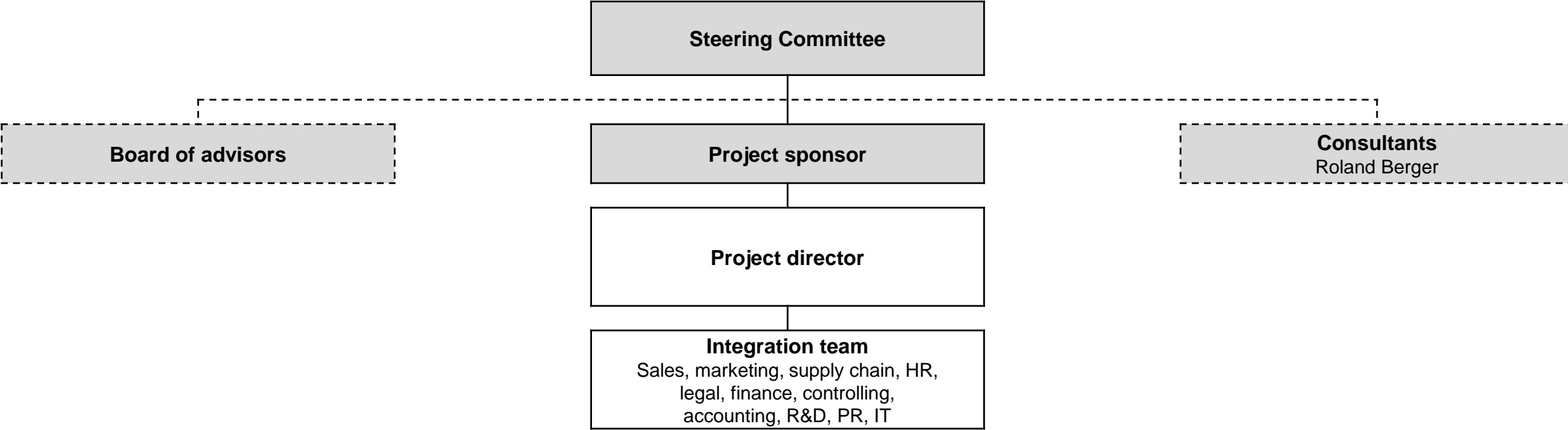
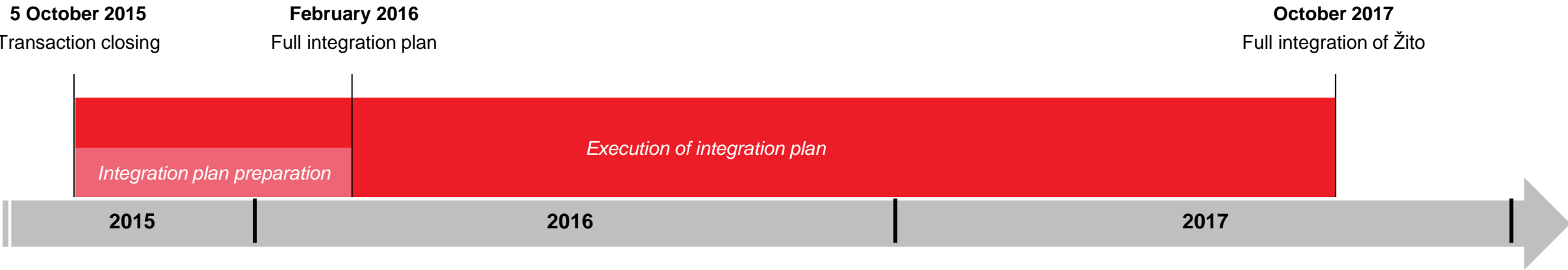
<i>Multiples</i>	Žito¹	Podravka rep.	Podravka norm.	Peer Group
EV/Sales	0.6	0.7	0.7	2.1
EV/EBITDA	7.9	7.9	6.6	11.8

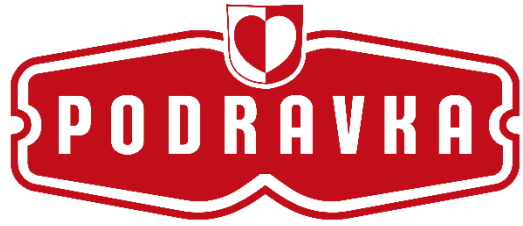
Capital increase as a way of Žito financing

- Reason for capital increase as a way of Žito financing was to **maintain low indebtedness** in case of future cash needs,
- 1.7 million of new ordinary shares were issued at HRK 300.00 per share (**3.9% discount²⁾**,
- EUR 68 million was raised**, 85% was used for Žito financing,
- Interest was **33% higher than the available number of shares**,
- subscription:** 60.7% domestic pension funds, 22.2% Republic of Croatia, 6.8% Skagen Funds, 5.2% workers, 5.1% other existing shareholders.

¹Acquisition multiples; ²Compared to the last market price on 2 June 2015, day prior to the General Assembly on which capital increase decision has been voted for.

Post-acquisition process





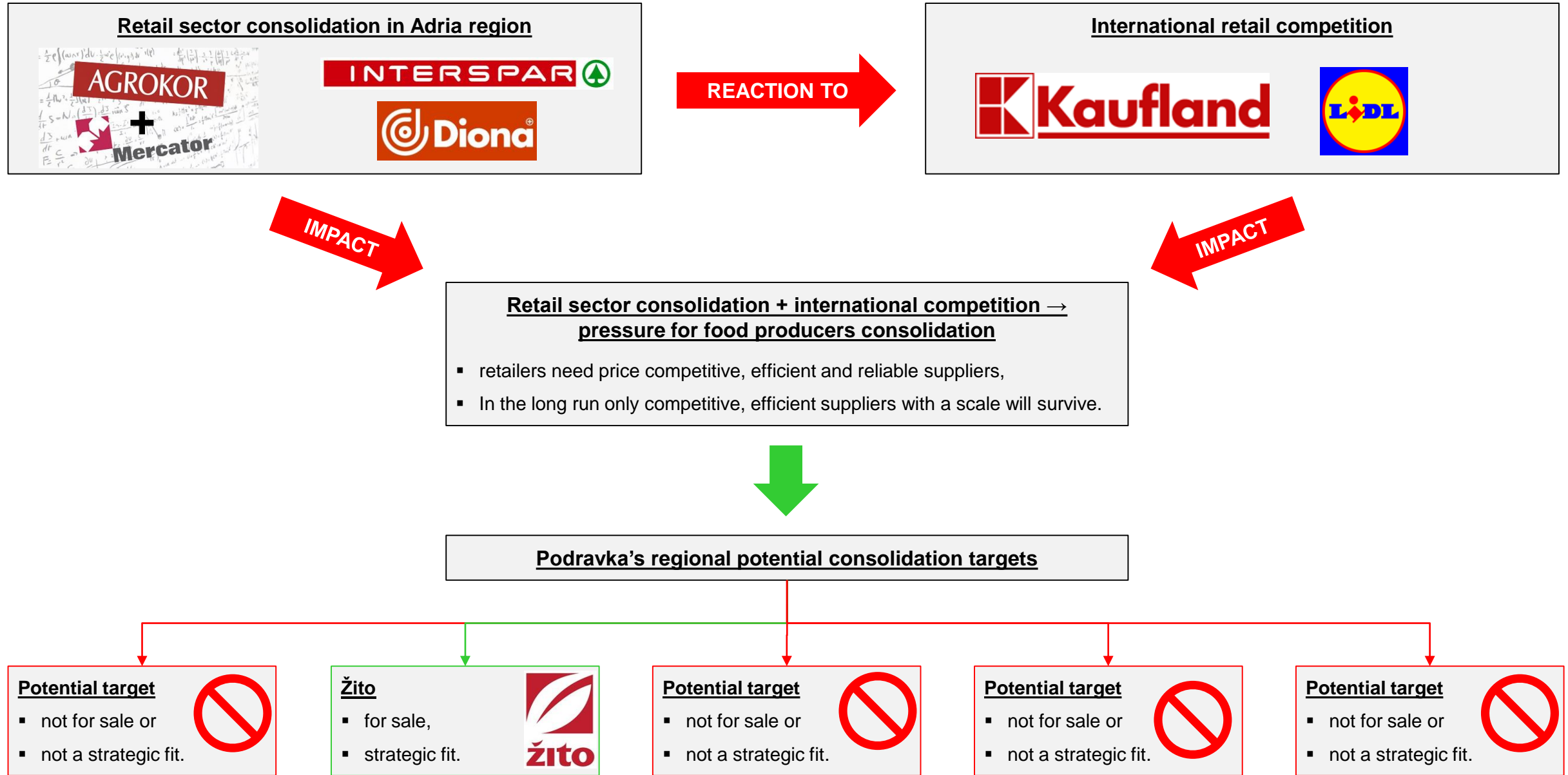
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Acquisition and integration process

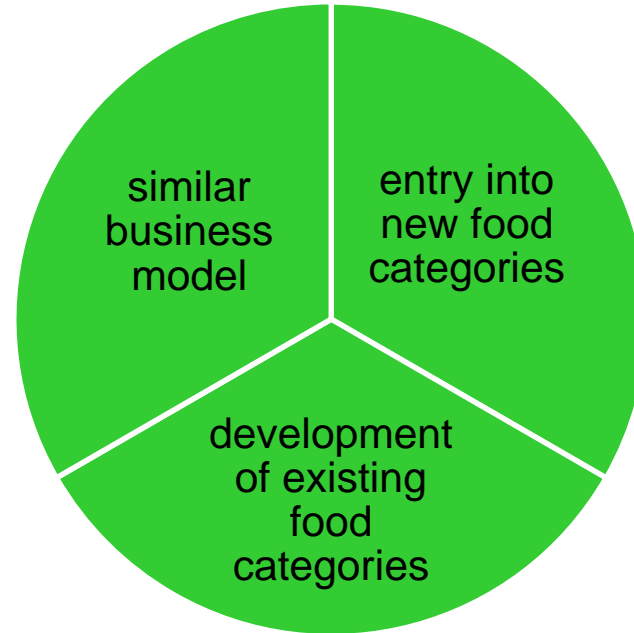
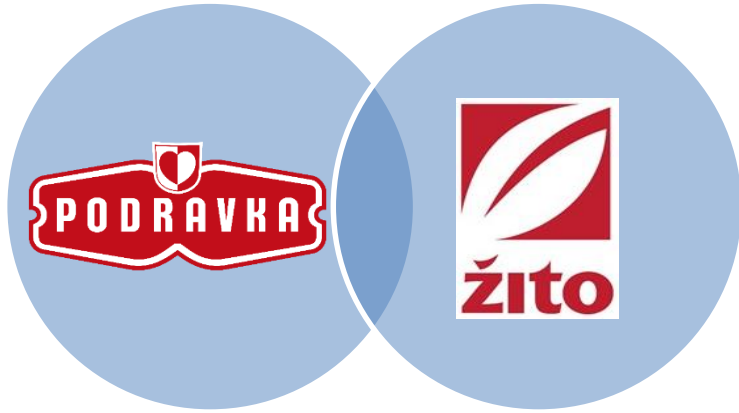
Transaction reasoning

New company

Trends in Adria region lead to food industry consolidation



Key highlights that make Žito Group a good strategic fit for Podravka Group?



Žito Group and Podravka food share similar business model throughout whole value chain



Procurement:

- Žito Group and Podravka food largely purchase similar raw materials,
- higher volumes in wheat, sugar, cocoa, packaging material procurement will lead to more favorable purchase price per purchased unit.



Production:

- higher production volumes will led to higher production capacity utilization,
- outsourced production will be transferred in-house (tees, noodles, monospices),
- production facility optimization.



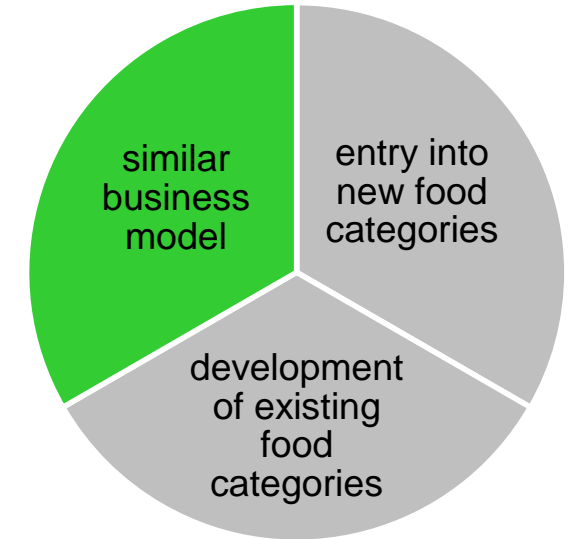
Distribution and logistics:

- share of best practices should positively impact inventory levels, efficient distribution...,
- storage facilities and logistics optimization.



Promotion and sales:

- lower promotion costs per unit, better shelf positioning...
- higher distribution index, sales force consolidation...



Acquisition of Žito Group enables entry into new stable food categories



Bakery and milling:

- Podravka is currently present with milling in Croatia and Bosnia & Herzegovina, while local bakery shop was closed in March 2014,
- with Žito acquisition, Podravka enters into industry scale bakery and milling production with own 35 retail shops in Slovenia,
- bakery is enabling new products that have a potential for export in Europe and that have a high potential to grow through Food Solution segment.



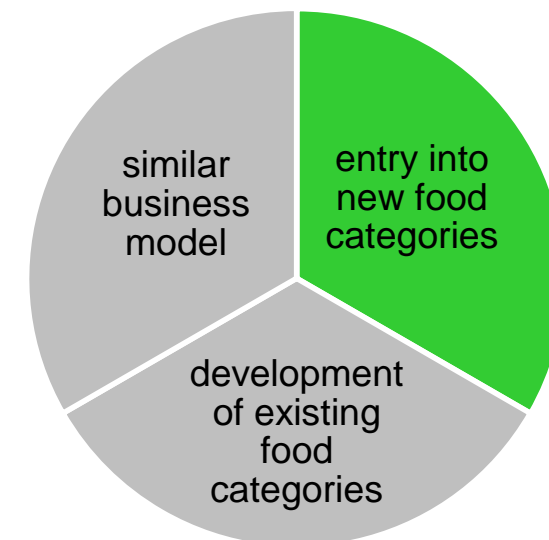
Semi-prepared frozen products:

- dumplings, vegetarian patties, side dishes, dough, salty & sweet snacks will be additional assortment in frozen products segment in Croatia,
- Frozen products assortment has a high potential to grow through Food Solution segment.



Bio assortment:

- cereals & groats, flours & flakes, soybean products, seeds and legumes is assortment for developing a special retail segment in which we are currently not present in Adria and Europe regions.
- In Central Europe where we have strong market position with Lagris¹ brand this will bring additional premium assortment.



¹Leading position on Czech market in rice and beans, leading position on Slovak market in beans and second position in rice.

Acquisition of Žito Group enables development of existing categories

Monospices:

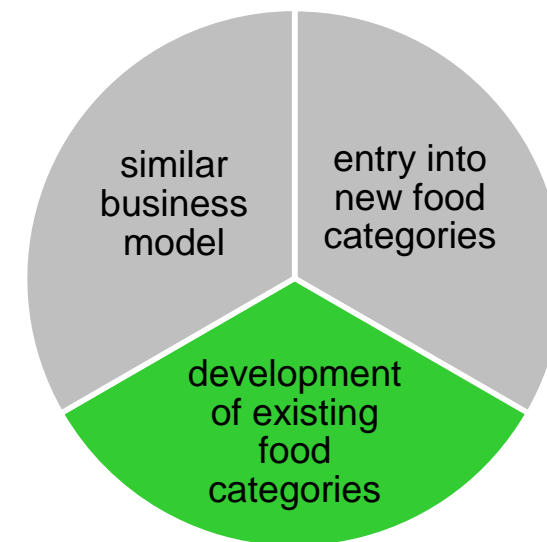
- Žito's brand Maestro has a leading market position in Slovenia → it would be extremely difficult to become a leading player in this category on the organic level,
- Žito has equipment and know-how to produce monospices → without Žito, Podravka would have to invest in equipment and know-how to achieve its own monospices production,
- 2 production locations and outsourced production will be organized in one location with higher volumes of spice procurement.

Teas:

- Žito's brand 1001 Cvet has a leading market position in Slovenia,
- Podravka currently has teas in outsourcing, with Žito acquisition tea production is transferred in-house.

Rice:

- Podravka has a strong market position with rice on Czech and Slovak markets¹,
- Žito's assortment increases volumes of rice procurement.



¹Leading position on Czech market, second position on Slovak market.

Expected synergy and consolidation effects from Podravka food - Žito Group integration



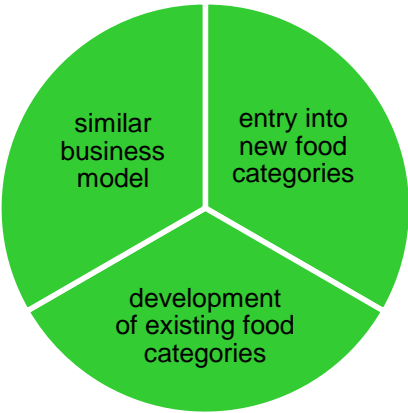
Podravka and Žito production facilities:

- Žito → 13 food production facilities, 10 locations, 20%-50% of additional capacity,
- Podravka → 11 food production facilities, 20%-80% of additional capacity.



Žito and Podravka warehouses in Slovenia:

- Žito → 6 warehouses in Slovenia,
- Podravka → 1 warehouse in Ljubljana.



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



Note:

- expected synergy and consolidation effects reflect **additional impact** on profitability on the top of consolidated figures,
- taking into account time needed to initiate and implement needed initiatives, **2017 and 2018 will see only partial synergy effects** while full synergy effects are expected to be realized in 2019.



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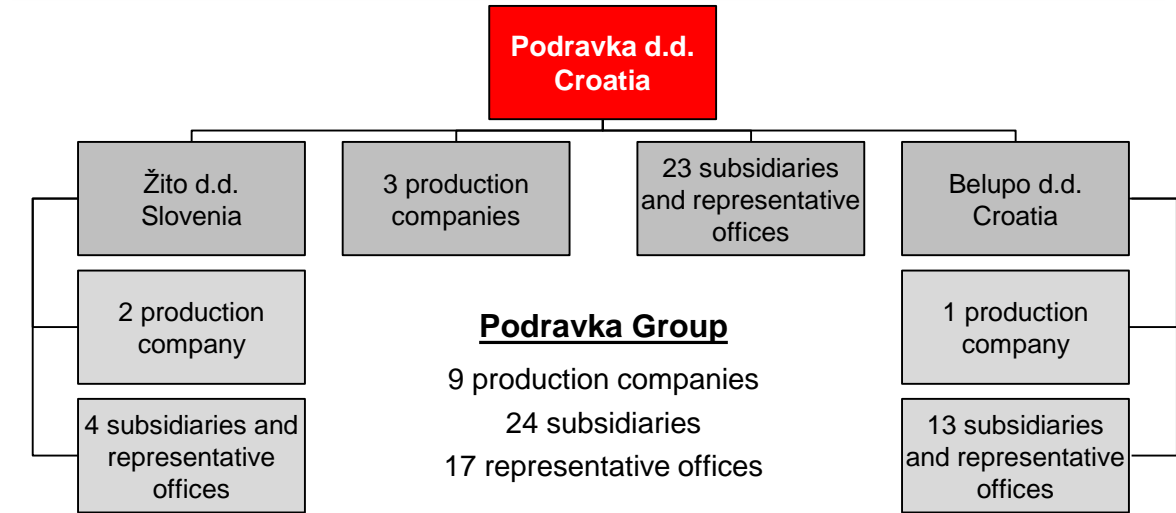
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With Žito acquisition Podravka Group strengthens food segment and Slovenian market position

International network of subsidiaries and rep. offices in 24 countries

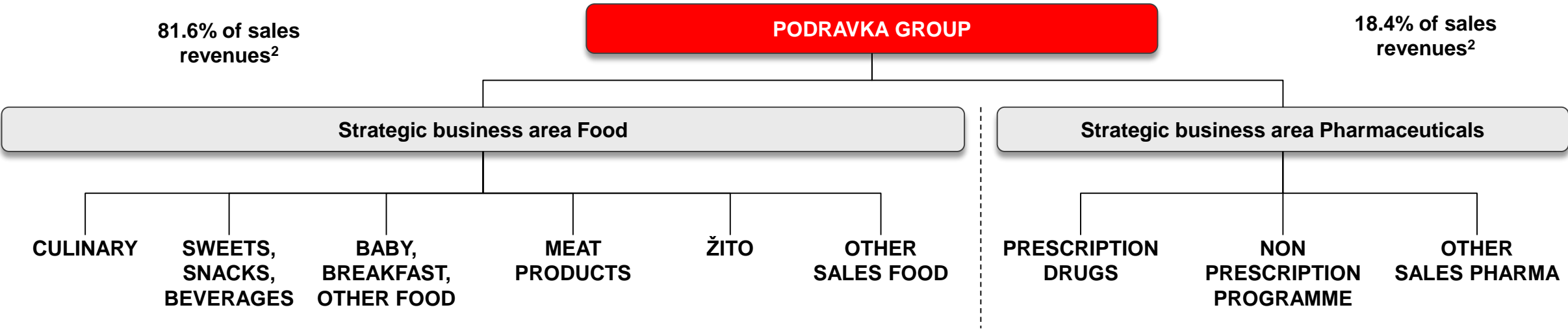


Slovenian market becomes second largest market for Podravka Group

2015; HRKm	Podravka Group	%	Žito Group	%	Podravka & Žito Group	%
Total sales rev.	3,538.0	100%	849.7	100%	4,387.7	100%
Slovenia sales	197.7	6%	677.4	80%	875.1	20%
Slovenia ranking ¹	#4		#1		#2	

- with Žito, Podravka Group becomes one of the top food producers in Slovenia,
- dependence on Croatian market reduced from 41.0% to 34.4%¹.

¹Based on share in total sales revenues on pro-forma sales revenues for full 2015.



²Calculation based on pro-forma sales revenues for full 2015.

Pro-forma normalized consolidated P&L account of Podravka Group and Žito Group

	Podravka Group		Žito Group		Podravka & Žito Group without synergy / consolidation effects		Podravka & Žito Group with 100% synergy / consolidation effects	
(HRKm)	2015	% of sales	2015	% of sales	2015	% of sales	% of sales	
EBITDA	351.9	9.9%	70.6	8.3%	422.5	9.6%	459.3	10.5%
EBIT	170.4	4.8%	33.8	4.0%	204.1	4.7%	241.0	5.5%
Net profit after MI	121.3	3.3%	40.8	4.8%	162.1	3.7%	191.6	4.4%

	Podravka Food		Žito Group		Food & Žito Group without synergy / consolidation effects		Food & Žito Group with 100% synergy / consolidation effects	
(HRKm)	2015	% of sales	2015	% of sales	2015	% of sales	% of sales	
EBITDA	244.9	9.0%	70.6	8.3%	315.4	8.8%	352.3	9.8%
EBIT	114.5	4.2%	33.8	4.0%	148.3	4.1%	185.1	5.2%
Net profit after MI	88.3	3.2%	40.8	4.8%	129.1	3.6%	158.5	4.4%

Note:

- stated overviews **does not represent future guidance**, they only show 2015 level of profitability and expected synergy effects,
- **figures normalized** for one-off items stated in the publication „Podravka Group business results for 1 - 12 2015 period”,
- 100% realization of synergy and consolidation effects is taken into account for the purpose of this **indicative overview**.



Questions?



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