



Ledo Group

Company presentation

Zagreb and Ljubljana Stock Exchanges Investor Day

International Investment Conference

May 26, 2015

Disclaimer



This presentation contains certain statements concerning future events connected to financial conditions and outcomes of the activities and businesses of Ledo Group. Those statements represent expectations or opinions of the Group on future events and include known and unknown risks and insecurities, which could mean that obtained results, effects or events are significantly different from those stated or assumed in our statements.

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2. Financial performance and market shares in Q1 2015



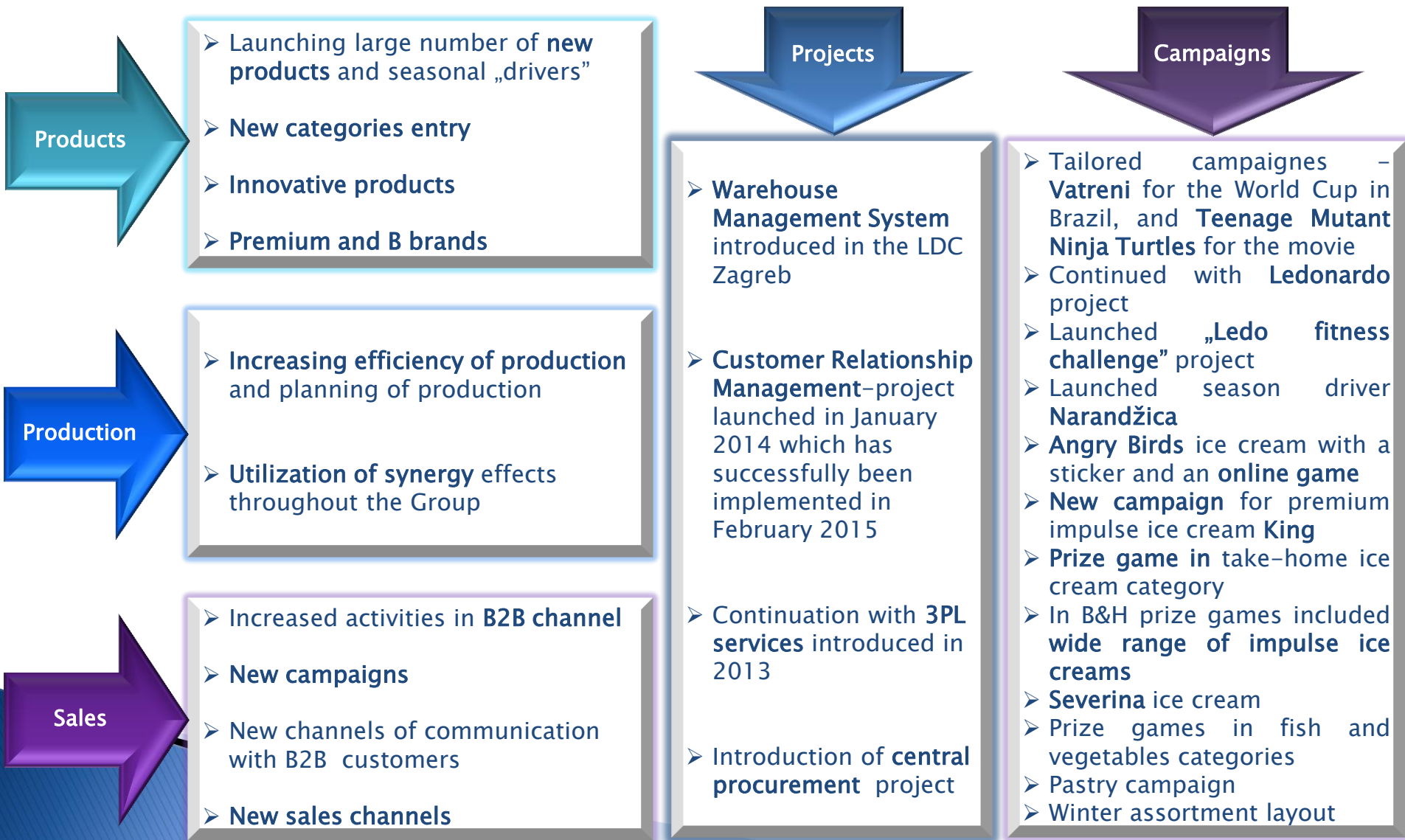
3. Strategic and Financial guidance



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Ledo Group in 2014



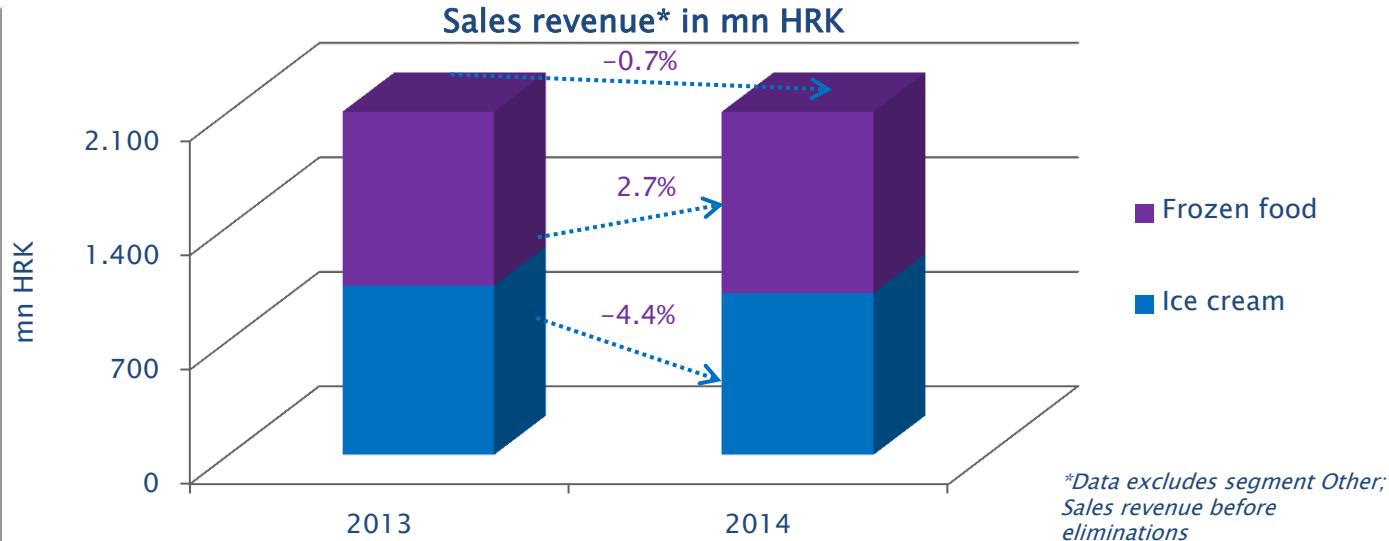
Sales evolution



Source: Company data, Ledo Group Annual Report for 2014

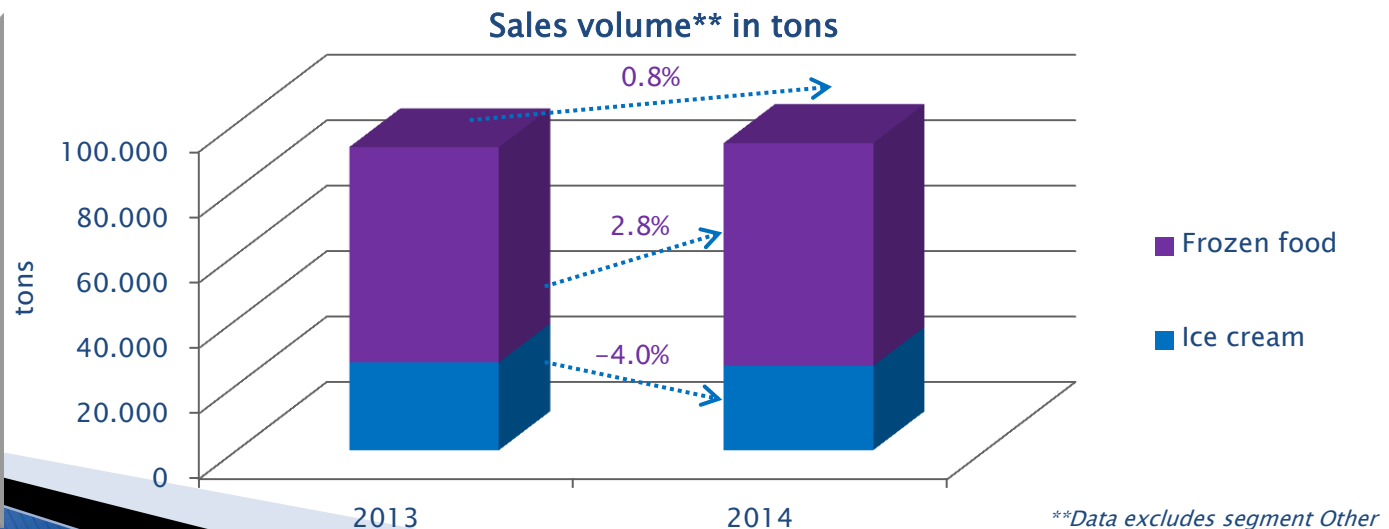
Frozen food group:

- ✓ Sustainable and constant growth
- ✓ Reduces seasonality of the business
- ✓ Increased activities in B2B sales channel



Ice cream group:

- ✓ High precipitation amounts and floods in the region
- ✓ Unfavourable macroeconomic trends



Product mix



*Data excludes Other

2014 consolidated sales:

Ice cream

44.5% of sales



Frozen fruits and vegetables

22.6% of sales



Pastry, Meat and ready meals

12.2% of sales



Fish

20.7% of sales



Source: Company data

2013 consolidated sales:

Ice cream

47.3% of sales



Frozen fruits and vegetables

22.4% of sales



Pastry, Meat and ready meals

10.5% of sales



Fish

19.8% of sales



Financial performance (1)



in mn HRK	2013	Share in Operating Revenues	2014	Share in Operating Revenues
Operating Revenues	2.079,4		1.980,8	
% YoY change			-4.7%	
Operating Expenses	1.846,2	88.8%	1.849,4	93.4%
% YoY change			0.2%	
EBITDA / margin	325,9	15.7%	221,0	11.2%
% YoY change			-32.2%	
EBT / margin	225,4	10.8%	173,9	8.8%
% YoY change			-22.9%	

Source: Company data

The year-over-year comparisons of financial results are affected by:

- ✓ Retreat from the milk distribution business in 2H 2013
- ✓ Frikom penalty in Q1 2014
- ✓ Nova Sloga disposal in 1H 2014
- Poor weather conditions and unfavourable macroeconomic trends
- Shift in the product mix

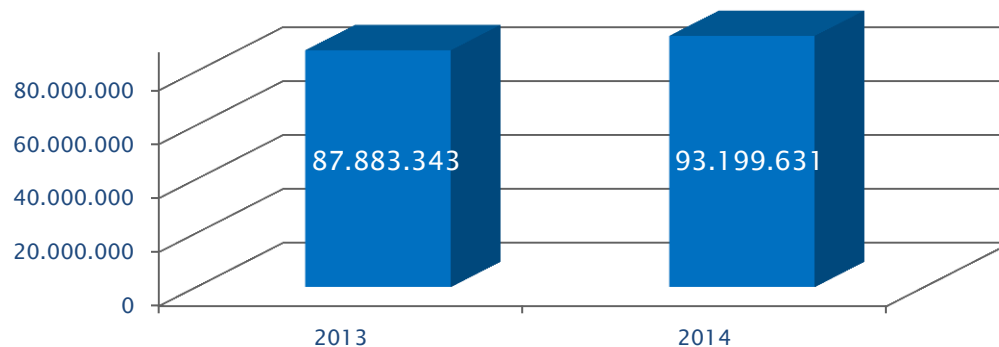
Financial performance (2)



- In 2014 operating revenues recorded decline of 4.7% compared to 2013.
- By 2014, investment of Frikom Belgrade in Frikom Macedonia had been guided on investments in equity instruments available for sale and since 2014 on investments in associated companies. Sale of Frikom Macedonia was suspended with a view to further developing of the company and strengthening of the Group's market share. Frikom Macedonia entered into the consolidation of Ledo Group as of Q4 2014.
- Extremely bad weather conditions notably throughout spring and summer, exacerbated by severe floods in May, as well as challenging macroeconomic environment resulted in sales decline.
- Frozen food group recorded sales growth, while Ice cream group sales suffered decline and therefor reduced its stake in the sales mix.
- The bottom line was impacted by shift in the product mix and the penalty imposed to Frikom in the amount of EUR 3mn.
- In 2014 the emphasis was placed on increasing business efficiency through central procurement project, introduction of new software solutions for warehouse management and for developing relationships with customers.

Source: Company data

Capital expenditures in HRK

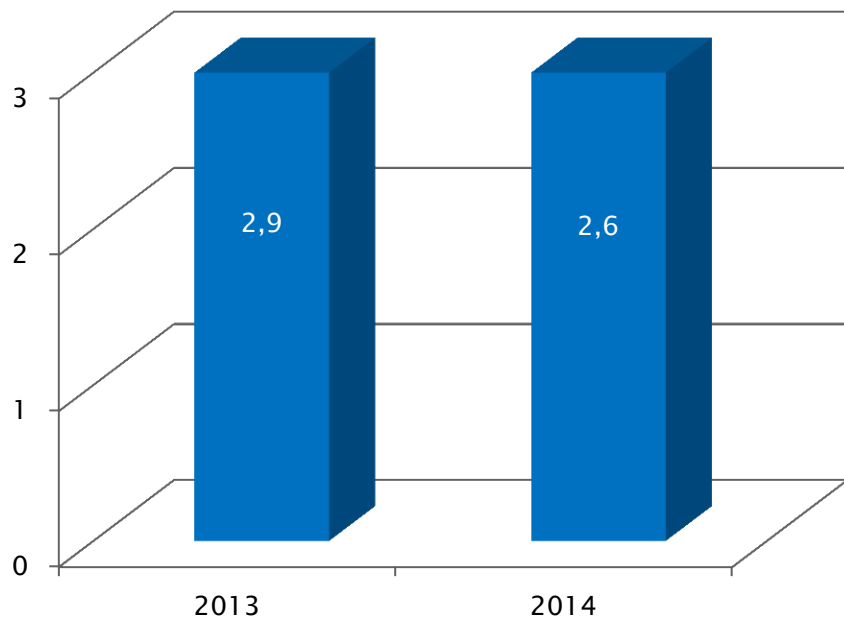


- Historical capital investment resulted in low ongoing maintenance capex requirements

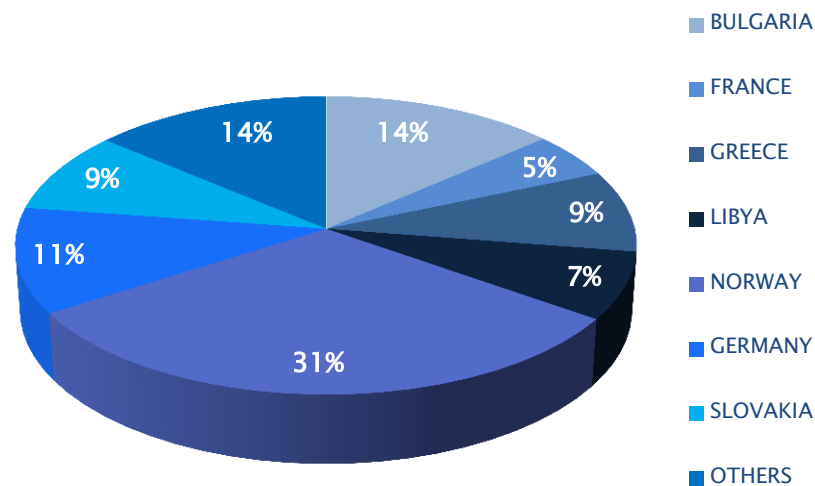
Sales outside the Adriatic region



Sales in mn EUR



Sales structure outside the region



Other countries include Israel, Italy, Romania, Sweden, Netherlands and Cyprus

➤ Utilization of excess production capacities – growth outside CEE region

☐ *Sales outside the Adriatic region represents 1.0% of consolidated Operating Income*

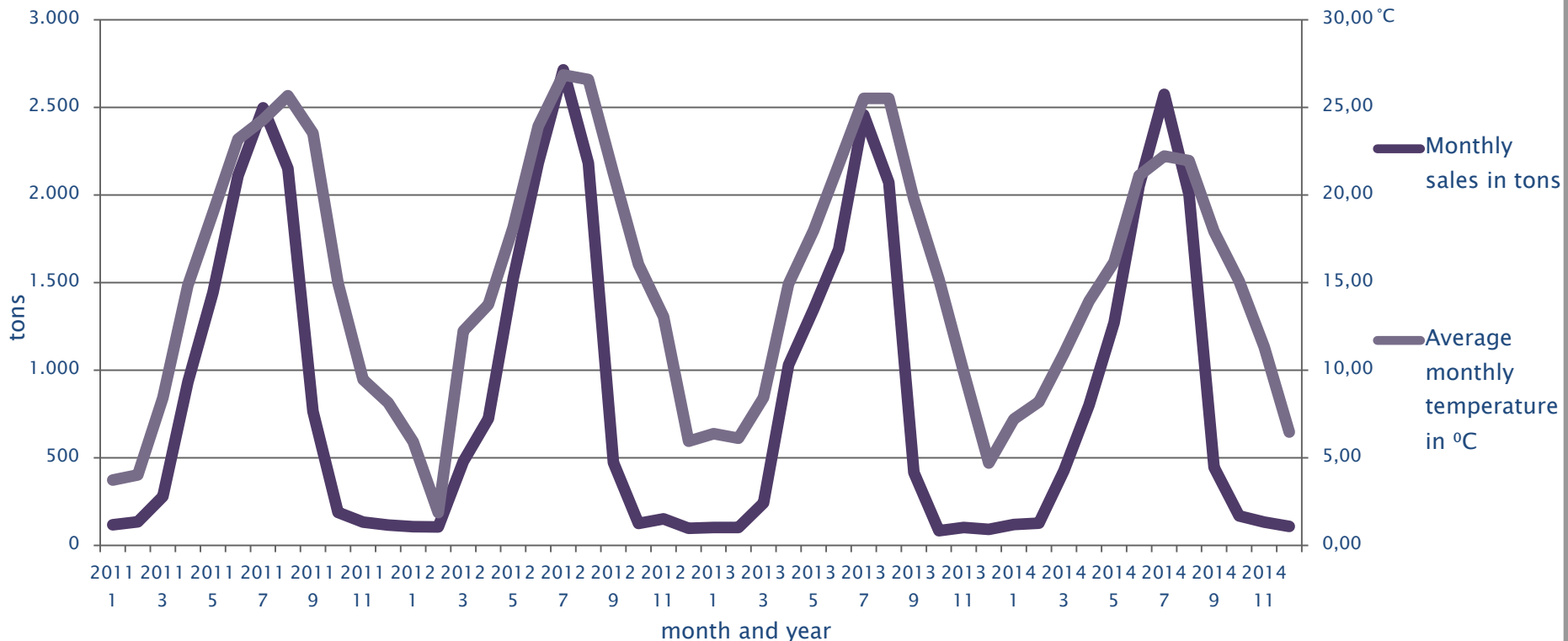
Source: Company data

Weather impact on ice cream business (1)



Correlation between monthly ice cream sales in kg and average monthly temperatures across Croatia from January 2011 till December 2014

➤ Correlation index 84.9%



Source: Meteorological and hydrological institute of Croatia

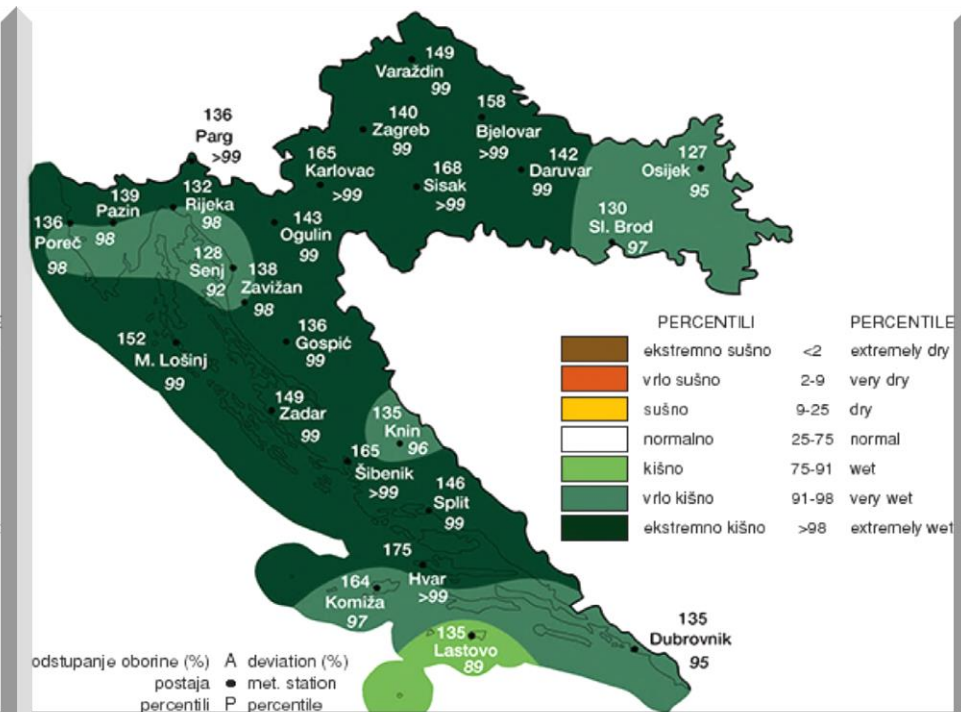
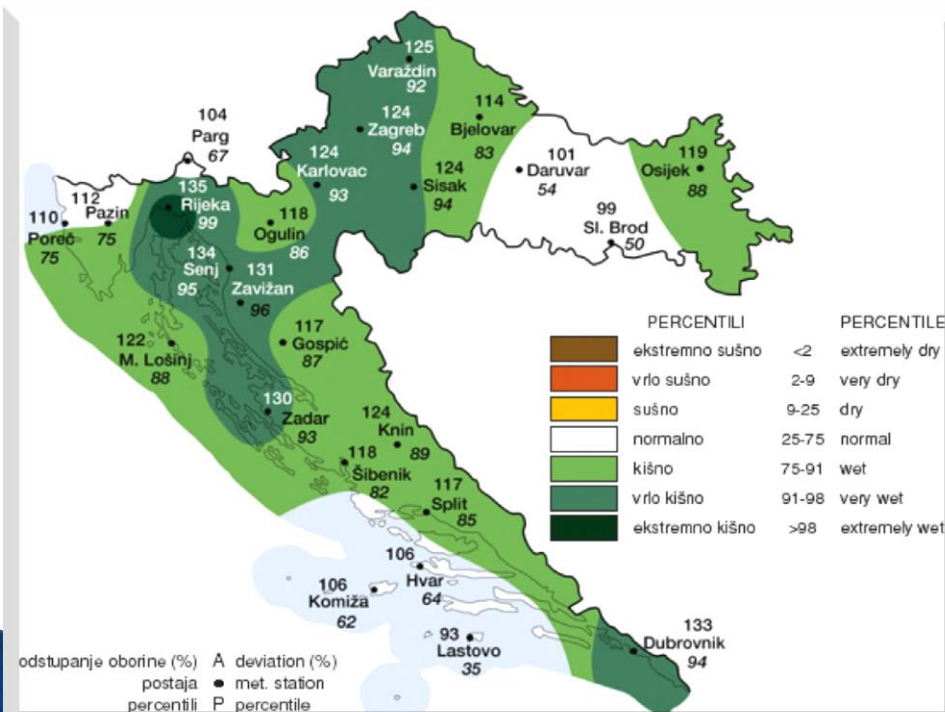
Weather impact on ice cream business (2)



- Comparison of the annual precipitation amounts for 2013 and 2014 with 30 years average reveals that these precipitation amounts in Croatia were above the mentioned average

Precipitation amounts for Croatia in 2013

Precipitation amounts for Croatia in 2014



Source: Meteorological and hydrological institute of Croatia

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Q1 2015 at a glance



Projects

- CRM launched in the parent company
- Call centres in Frikom Belgrade and Ledo Citluk
- Centralized procurement contracted lower prices of raw materials
- Continuous efforts to improve the efficiency of all business processes
- Focus on production and procurement, utilisation of synergies within the Group and systematic cost management

Preparations for the ice cream season

- ✓ New sales channels openings for the impulse category and strategic positioning of cooling equipment
- ✓ Increased activities in gastro departments and bakeries of key customers
- ✓ Further development of the HORECA sales channel, expanding the number of customers and the associated range of products
- ✓ Additional training of sales staff

Financial performance



in mn HRK	Q1 2014	Q1 2015
Operating Income	307,3	330,0
% YoY change		7.4%
Operating Expenses	316,6	336,5
% YoY change		6.3%
EBITDA	13,0	16,4
% YoY change		26.3%
EBT	- 32,5	4,8
% YoY change		114.8%

Source: Company data

Year-over-year comparisons of financial results are affected by:

- ✓ One-offs: Sale of Nova Sloga in 1H 2014 and Frikom penalty in Q1 2014
- ✓ Frikom Macedonia attained status of affiliated companies as of Q4 2014
- Sales revenue increased by 7.4% compared to Q1 2014, while total income increased by 11.3% in the same period
- Revenue growth is the result of intensive marketing and sales activities combined with an earlier preparation for the Easter holidays and for the period of Catholic and Orthodox fasting
- Frozen food sales revenue posted strong growth with highest growth recorded in categories: Pastry, Meat and Fish
- Costs of raw materials and costs of goods sold recorded an increase due to the growth of production volumes and Frozen food sales
- Total expenses decreased by 0.4% compared to Q1 2014 as a result of continuous cost optimization processes

Sales evolution



Source: Company data

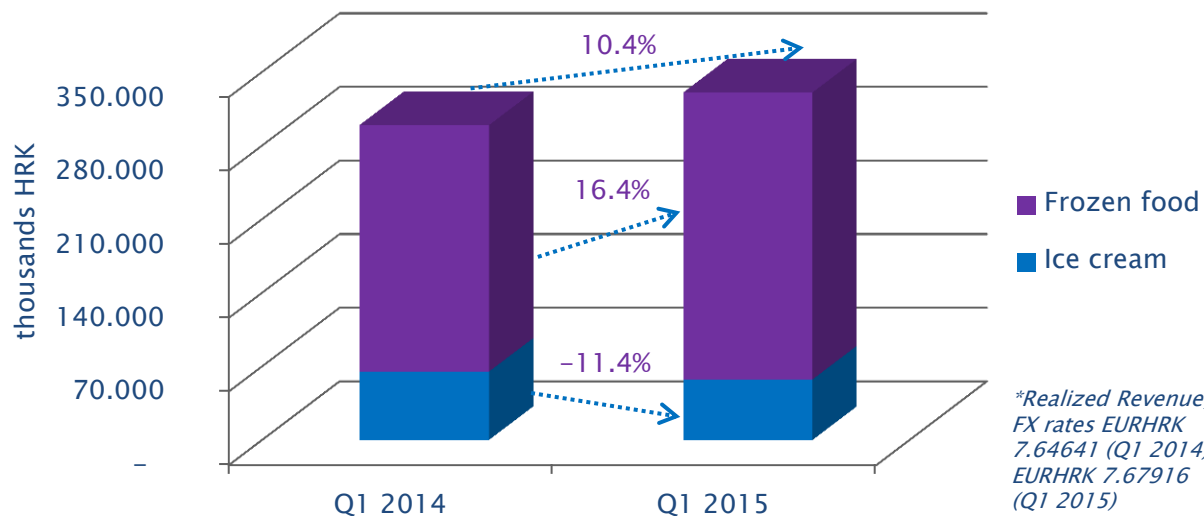
Frozen food group:

- Strong growth in Q1 2015
- Outperformed plan
- Preparations for Easter holidays
- Activities in HORECA sales channel
- Gastro departments and bakeries of KA
- New campaigns – frozen fish and frozen vegetables and fruits

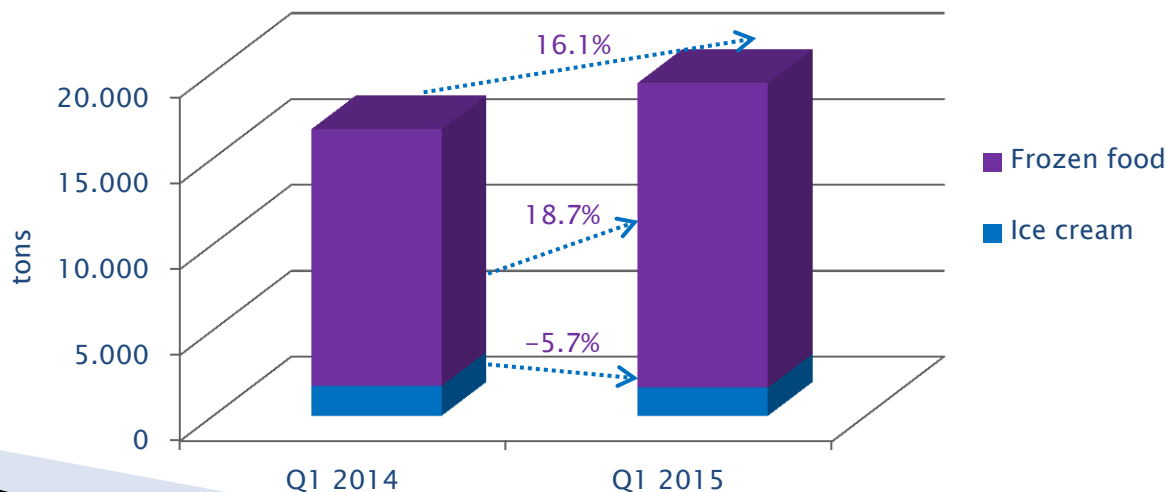
Ice cream group:

- In line with the regular trends in first quarter of the year
- Unfavourable macroeconomic environment

Sales revenues* in thousands HRK



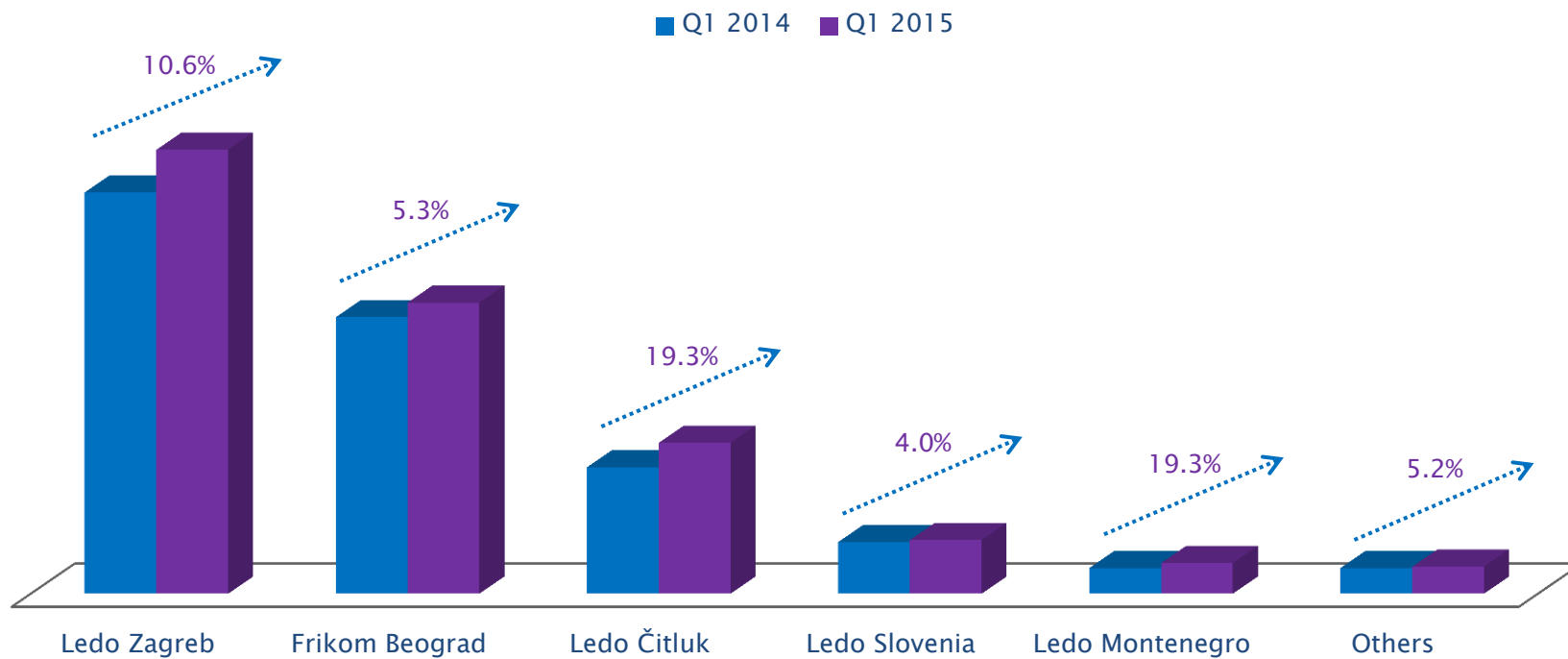
Sales volume in tons



Sales breakdown



Sales per company



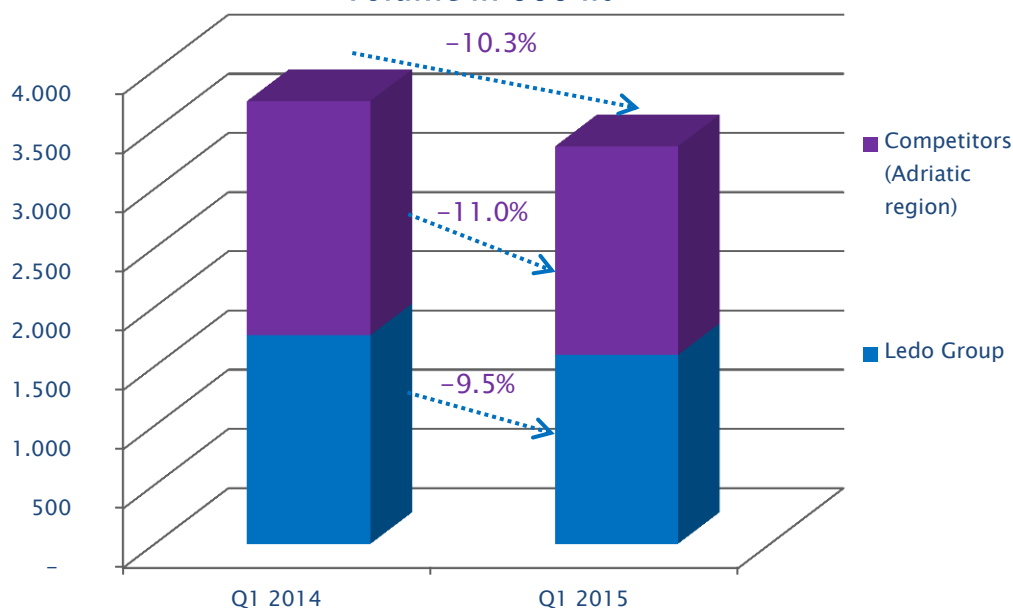
Source: Company data

* Others include Frikom Macedonia, Ledo Hungary and Ledo Kosovo

Ice cream market shares



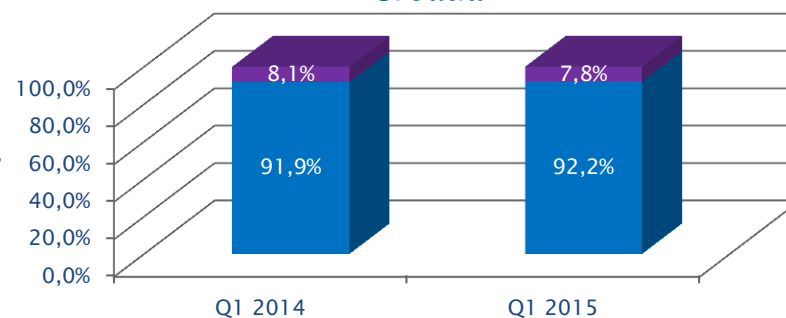
Volume in 000 lit



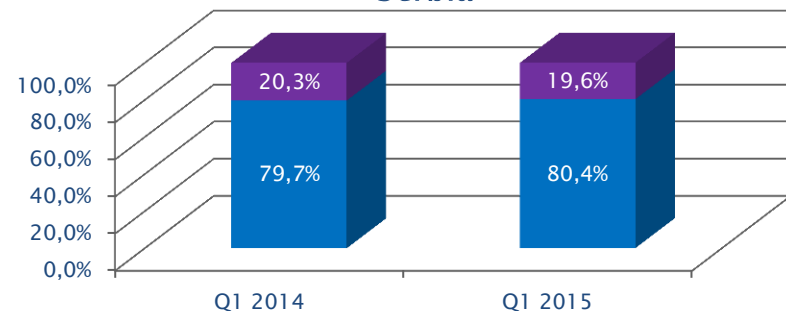
Source: Nielsen Retail Panel Dec 2014 – March 2015, Company data

- Ice cream market in the Adriatic region in terms of volumes decreased by 10.3% in Q1 2015 compared to Q1 2014

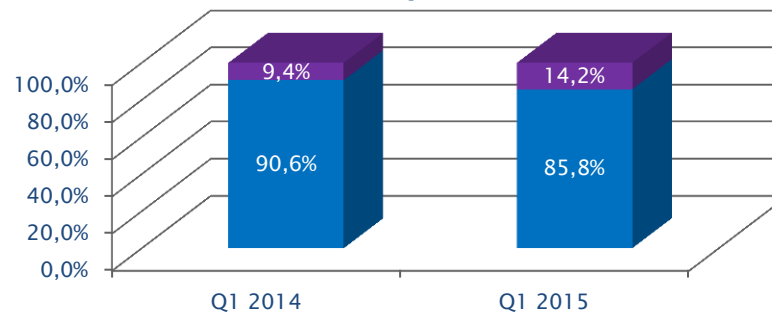
Croatia



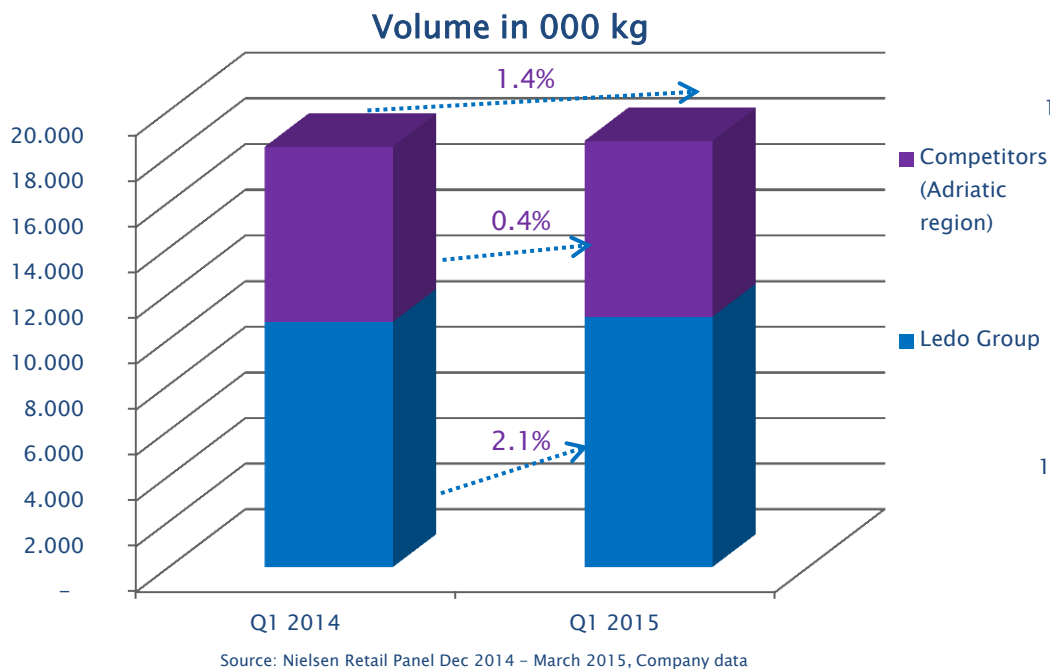
Serbia



B&H

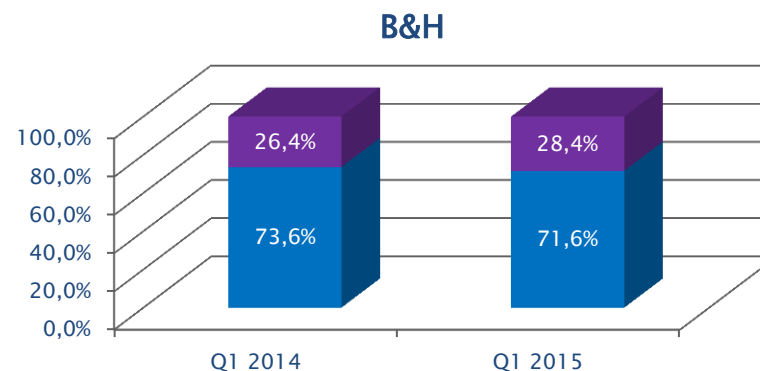
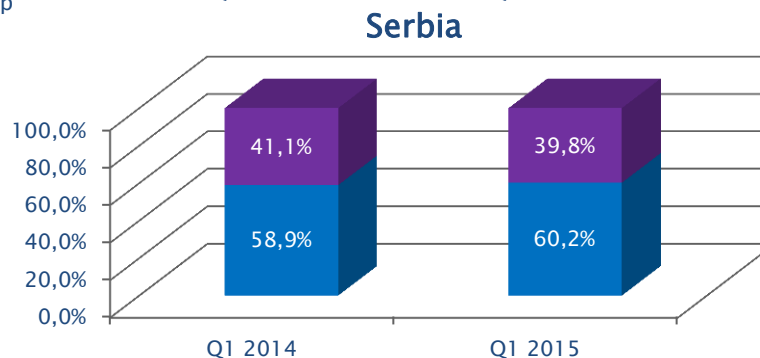
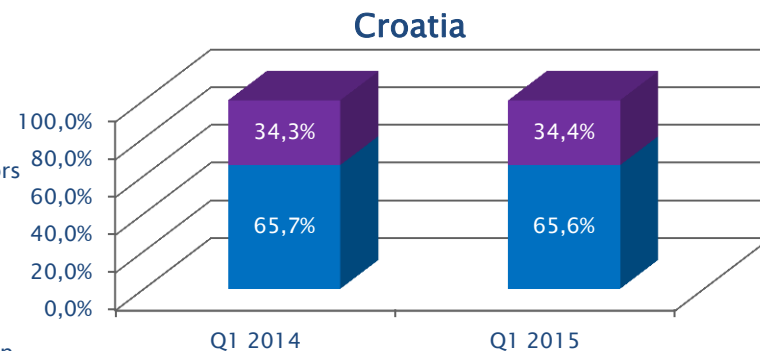


Frozen food market shares



➤ Frozen food market in the Adriatic region* in terms of volumes increased by 1.4% in Q1 2015 compared to Q1 2014

*Adriatic region excludes Hungary and Macedonia; Available data for Meat – Croatia, Available data for Ready Meals – Croatia, Serbia and B&H



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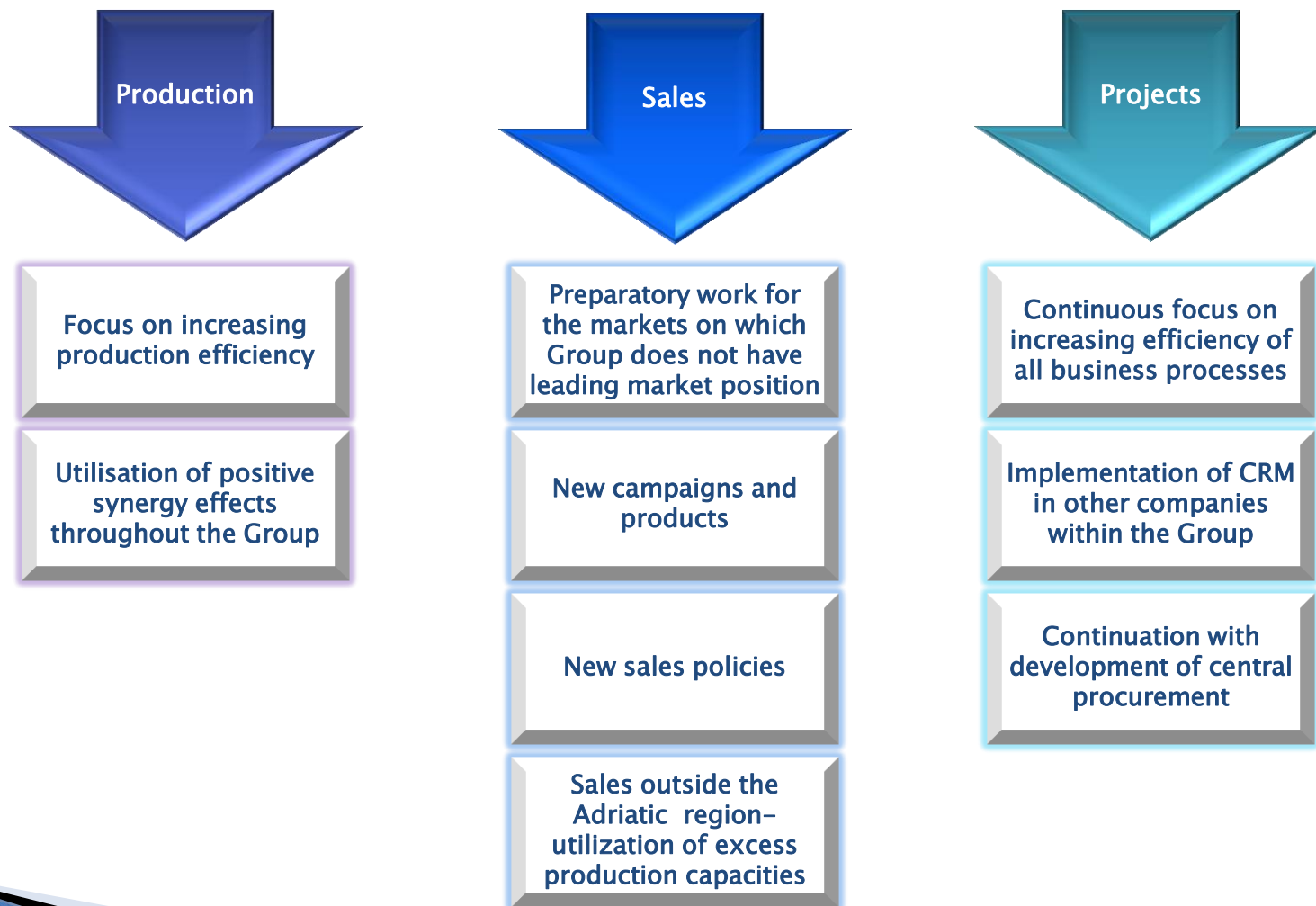
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Strategic guidance for 2015



Financial guidance for 2015



in mn HRK	Guidance 2015	Share in Operating Revenues
Operating Revenues	2.277,7	
EBITDA / margin	390,2	17.1%
EBT / margin	304,2	13.4%

- ✓ Intensive marketing and sales activities
- ✓ Centralized procurement
- ✓ Efficiency improvement of all business processes with focus on the production and planning of production
- ✓ Managing margins on commercial agreements

Source: Company data

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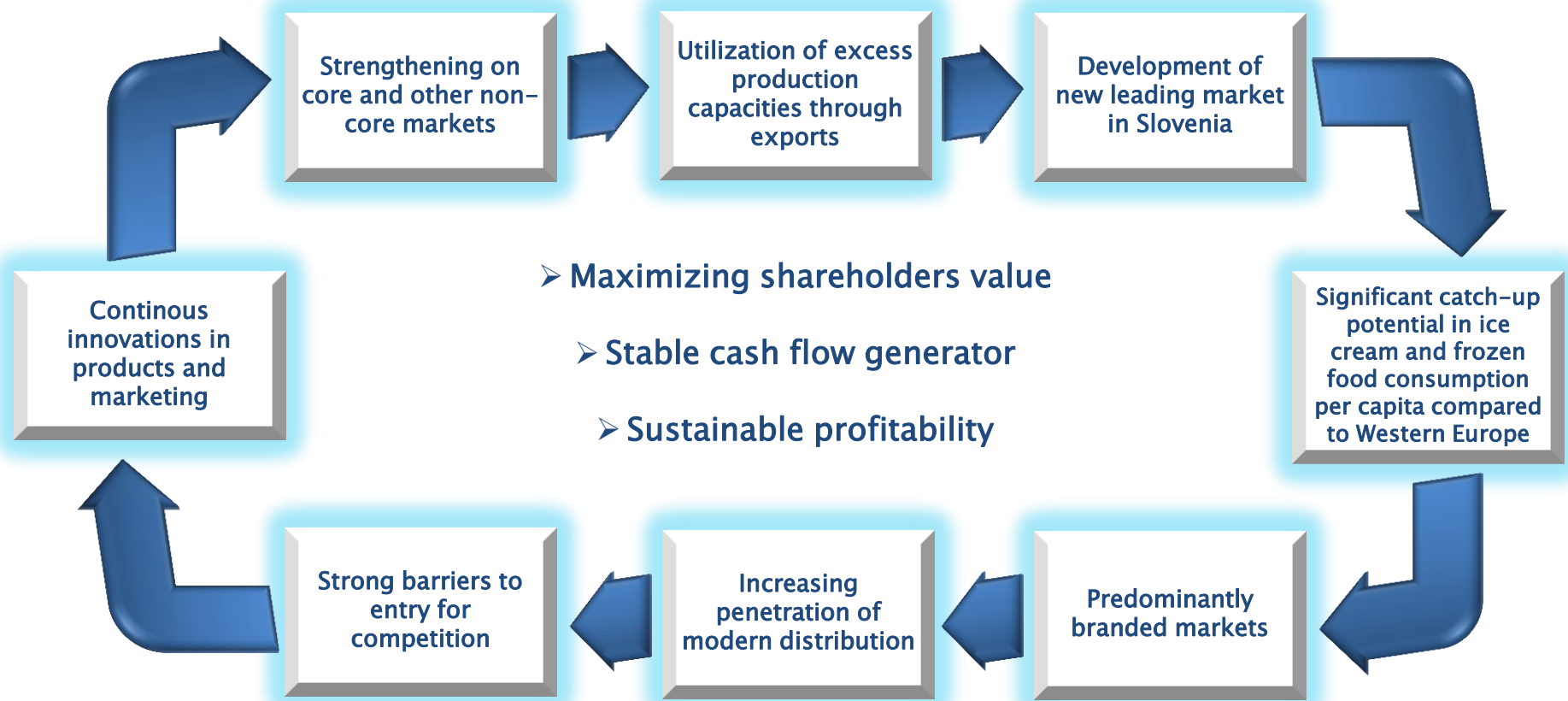
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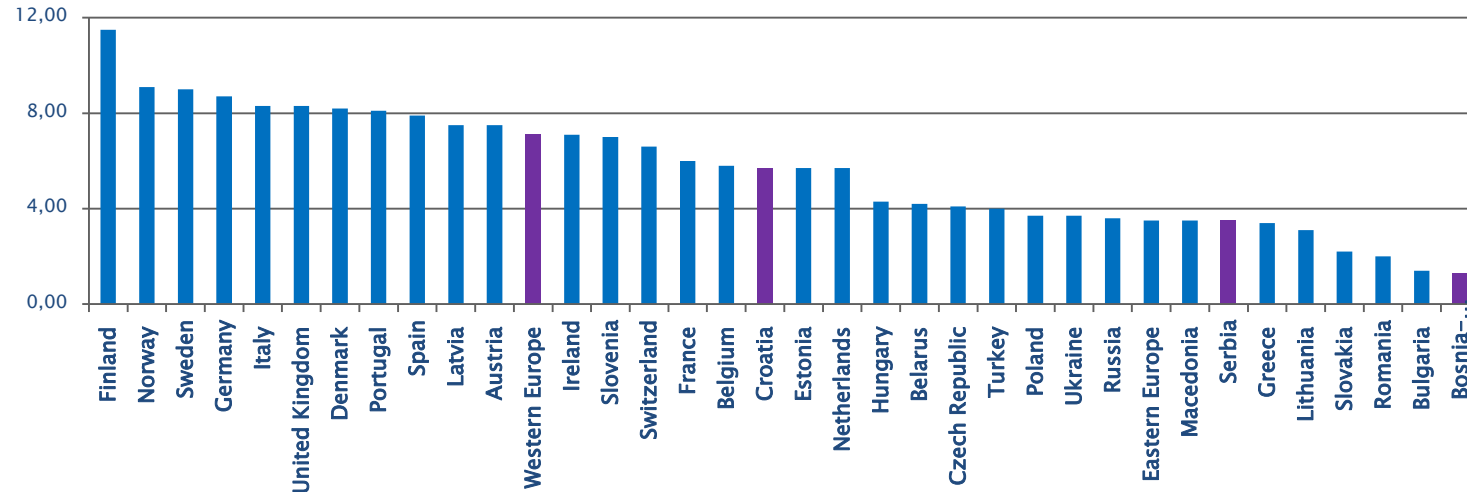
Growth drivers



Attractive ice cream and frozen food markets

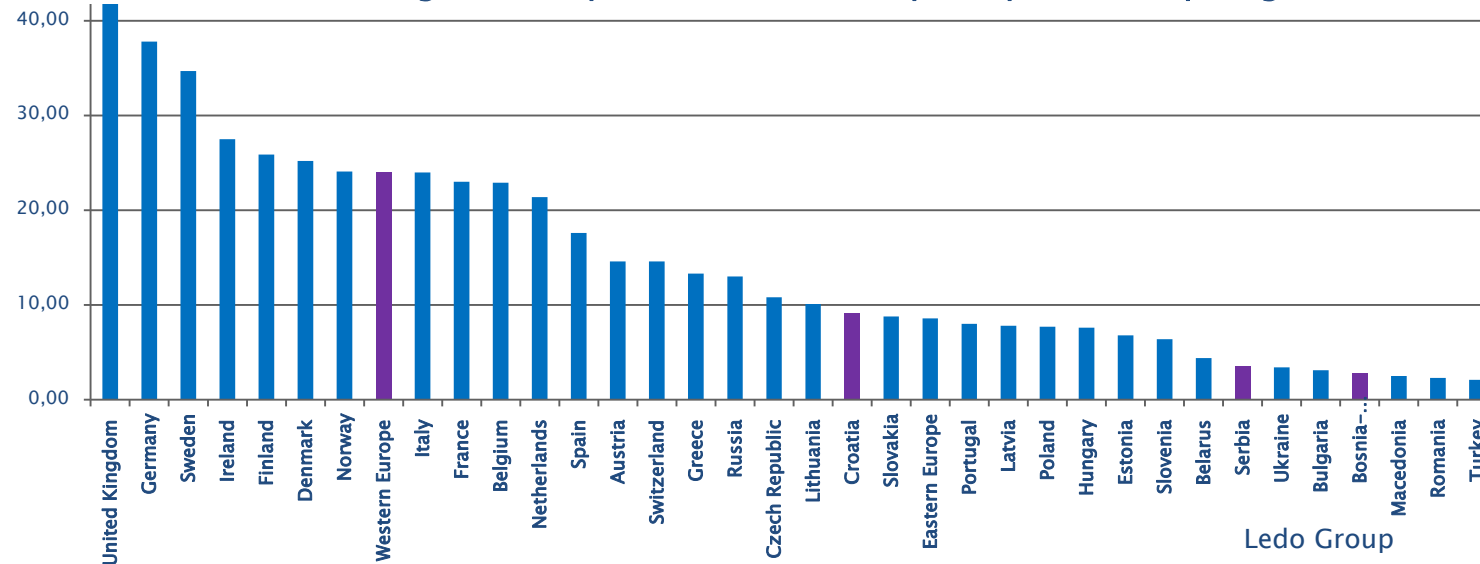


Average consumption of ice cream per capita in Europe (l)



➤ Company's leading markets still have significantly lower ice cream and frozen food consumption per capita compared to Western Europe average

Average consumption of frozen food per capita in Europe (kg)



➤ Changes in consumer habits supported by positive movements in macroeconomic trends as well as penetration of modern distribution will drive future growth of ice cream and frozen food markets

Source: Euromonitor report 2014

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