



# Restructuring Proposal

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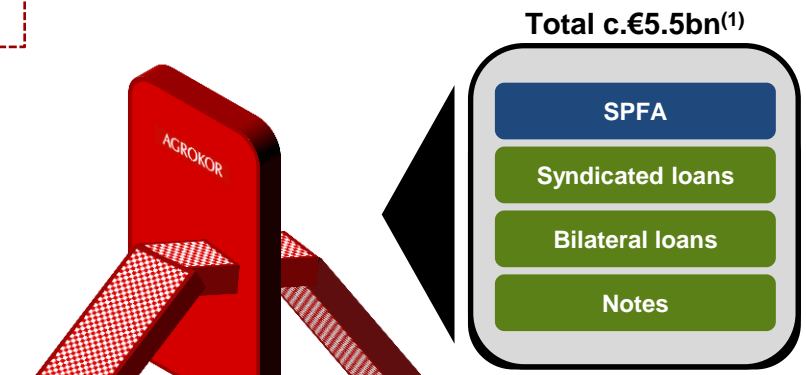
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# Agrokor Sequence of Events

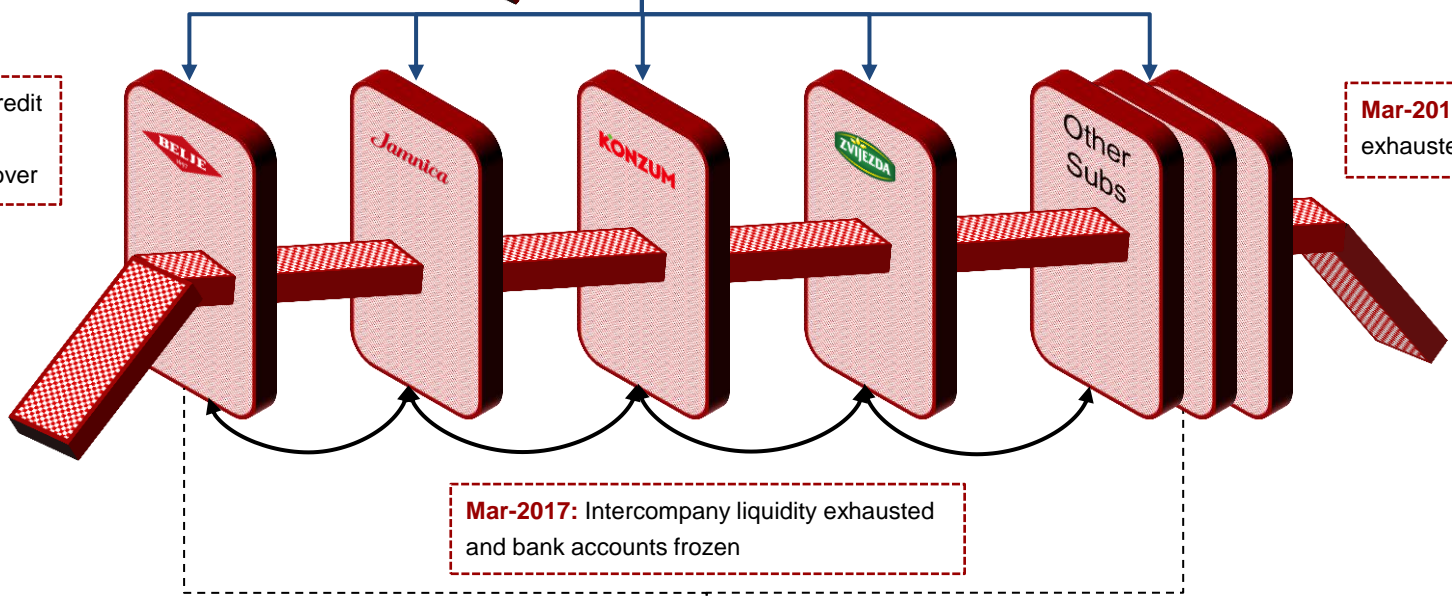
Bankruptcies across the Group would have followed...

- However:**
- Law on EA:** 
- ❖ 10-Apr-2017: EA
  - ❖ Apr-2017: €80m
  - ❖ Jun-2017: €320m
  - ❖ Oct-2017: €80m



- 2016:** Persistent investor community questions about 2015 Cash Flow Statement items
- Jan-2017:** Failed syndication on €100m to refinance debt
- Jan/Feb-2017:** Substantial drop in price of PIK and Bonds

**Summer 2016:** Credit insurers suspend trade insurance cover



**Mar-2017:** External financing options exhausted after last €100m loan

**Mar-2017:** Intercompany liquidity exhausted and bank accounts frozen

**Jan/Mar-2017:** Suppliers increasing payment on delivery pressure

Notes:  
(1) Third-party debt only

# Restructuring Proposal Objectives

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- ❖ To deliver a transparent, fast, fair and equitable deal to creditors that preserves maximum value
- ❖ To achieve a complete separation of assets from legacy liabilities
- ❖ To disentangle old shareholders of Agrokor d.d. from the new group
- ❖ To restructure the old debt into a combination of reinstated debt and equity – creditors to become the new 100% owners of the business and will have full operational control
- ❖ To achieve a fast, simple and efficient ownership transfer to place a sustainable business into the hands of the creditors and to exit the Extraordinary Administration procedure (“EA”) as quickly as possible - envisaged timeframe of 12 months is extraordinarily fast and efficient

# Restructuring Proposal Considerations

# Restructuring Proposal Considerations

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- ❖ The development of Agrokor's restructuring proposal (the "Restructuring Proposal") must take into account key considerations / constraints of the current situation of Agrokor and its subsidiaries (the "Group")
  - ◆ Large group with 160 total legal entities
    - 81 in Croatia, of which 77 under EA
    - 79 domiciled internationally
  - ◆ Very complex claims structure
    - c.12,000 submitted claims with varying legal rights/ranking/characteristics
    - c.5,700 Croatian and international creditors including banks, investment funds and suppliers
    - Number of claims under dispute
  - ◆ Existing €1,060m<sup>(1)</sup> Super Priority Term Facility Agreement ("SPFA"), which provided funding to the Group during the EA period, must be extended by agreement or refinanced upon a Settlement Agreement (or expiration of EA)
  - ◆ Tight timeframe to agree and implement restructuring given that a settlement plan (the "Settlement Plan") must be submitted to the Court on 10 April 2018 at the latest<sup>(2)</sup> as well subsequently be approved by the creditors and confirmed by the court

**Notes:**

(1) After, and including, the Incremental Facility

(2) Potential 3 month extension to 10 July 2018 subject to court approval



## Restructuring Proposal Considerations (cont.)

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- ❖ The Restructuring Proposal ultimately to be submitted in due course for creditors' approval as the Settlement Plan envisages the following architecture:
  - ◆ New corporate structure that addresses post-restructuring:
    - Organisation of the Group's businesses/assets
    - Ownership structure
    - Governance and management structure
    - Mitigate interdependency and risks identified within the Law on Extraordinary Administration
  - ◆ Post-restructuring capital structure with an amount of debt that is sustainable given the Group's cash generating characteristics
  - ◆ Allocation of post-restructuring financial instruments to the Group's stakeholders
  - ◆ Implementation plan detailing the steps to execute the Group's restructuring
  
- ❖ Agrokor has developed preliminary proposals for the new corporate structure reflected in this presentation and, in constructive discussions with the Creditors Council, these will be developed into a comprehensive Restructuring Plan
  
- ❖ The aim is ultimately to arrive at a fair and equitable Settlement Plan that will gain as wide as possible support from creditors, both in terms of value and number

## Restructuring Proposal Considerations (cont.)

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- ❖ The Group anticipates c.€5.5bn<sup>(1)</sup> in third party debt and most creditors are expected to take a write down on their claims based on financial outlook of the Group's businesses/assets<sup>(2)</sup>
  - ◆ Cash flows of the borrowers and guarantors are collectively insufficient to service all debts they may owe in any reasonable period and therefore those entities are insolvent
  - ◆ While views on the value of the Group are to be confirmed, the borrowers and guarantors are likely collectively worth substantially less than the total debt they may owe
  
- ❖ Consistent with internationally recognized insolvency standards/practices, the Restructuring Proposal is guided by the following principles:
  - ◆ Where viable, preserving the Group's businesses as going concern maximizes value to all stakeholders (including employees, trading partners and customers) by maintaining profitable business operations and avoiding the liquidation of businesses/assets at distressed prices
  - ◆ Fair and equitable treatment of stakeholders

**Notes:**

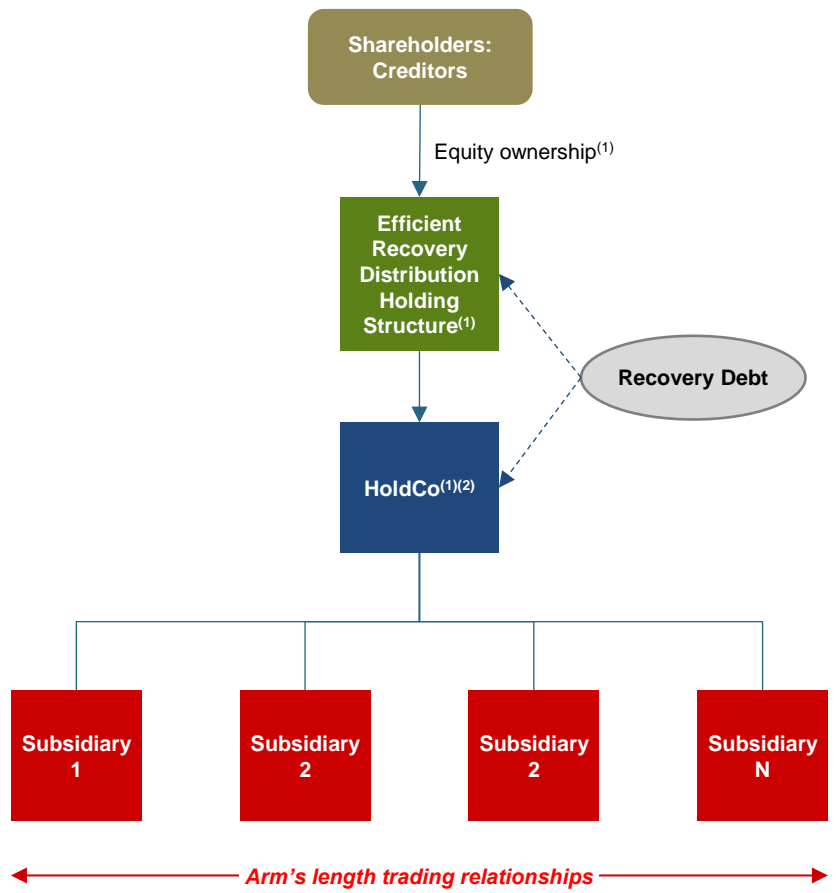
(1) Registered claims (ignoring recognition and challenges to be concluded) approximately €4.5bn in pre-petition claims, €1,060m SPFA claims (including the incremental facility), anticipated Estate Claims and excluding intercompany claims

(2) As reflected in the viability plans

# Restructuring Proposal Architecture

# Proposed Settlement Plan Corporate Structure

## New Corporate Structure



## Considerations

- ❖ The Settlement Plan would be able to achieve a release of existing claims (including guarantees) required to complete any subsidiary/asset disposals
- ❖ A simple centralised holding company structure has the least execution and timing risks in getting to a confirmed Settlement Plan as soon as possible and is most in line with international practice
- ❖ Recovery debt would include a refinancing of the SPFA (“Exit Facility”) and, potentially, additional recovery debt supported by the Group’s true economical ability to pay future interest and repayments (to be determined). There may be the potential to incorporate some structurally subordinated debt at the holding structure. To provide stability (and avoid risk of cheap control purchases), ideally recovery instruments would be stapled for a limited period
- ❖ Decentralisation (separating the Group into more complex sub-divisions) whether of recovery debt or ownership, raises complexity and challenges related to the allocation of claim recoveries, corporate governance, loss of trading liquidity of post-restructuring debt/equity securities and incremental cost from multiple debt/equity documentation

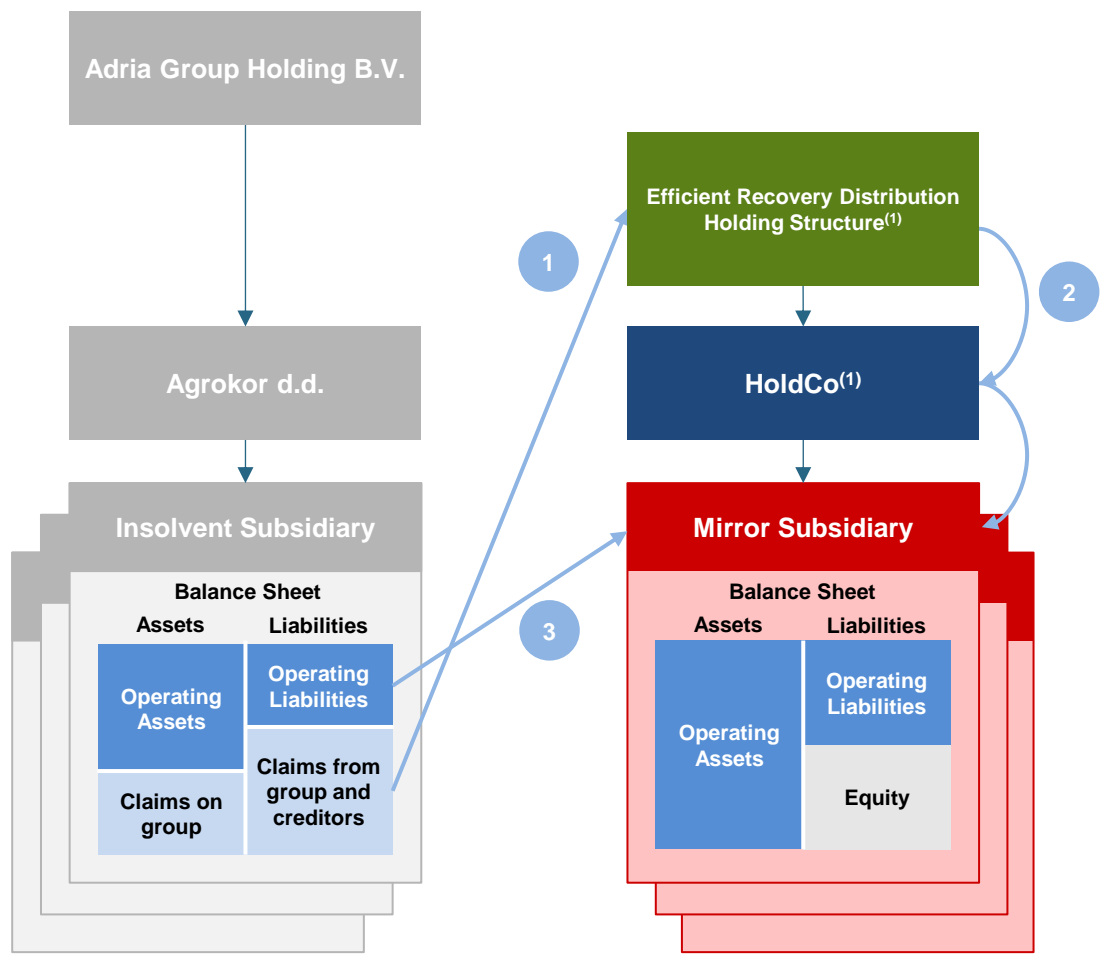
**Notes:**

(1) Details to be determined based on further structuring analysis; final structure, including domicile of entities, to be concluded

(2) It is currently envisaged that certain assets and/or litigation claims will be allocated to a separate vehicle (the “Trust”) for the benefit of certain smaller creditors who have a preference not to participate in the holding structure for administrative reasons. The Trust would issue a note with similar nominal value to the creditor consideration and any surplus realizations from the Trust would flow directly to the HoldCos and be distributed under the waterfall

# Practical Considerations: Asset Transfers and Novation Of Claims

- ❖ All registered claims to be restructured with recoveries distributed in the form of new instruments issued by an Efficient Recovery Distribution Holding Structure's TopCo. Operating assets of insolvent subsidiaries to be transferred to mirror subsidiaries resulting in sustainable shareholders' equity

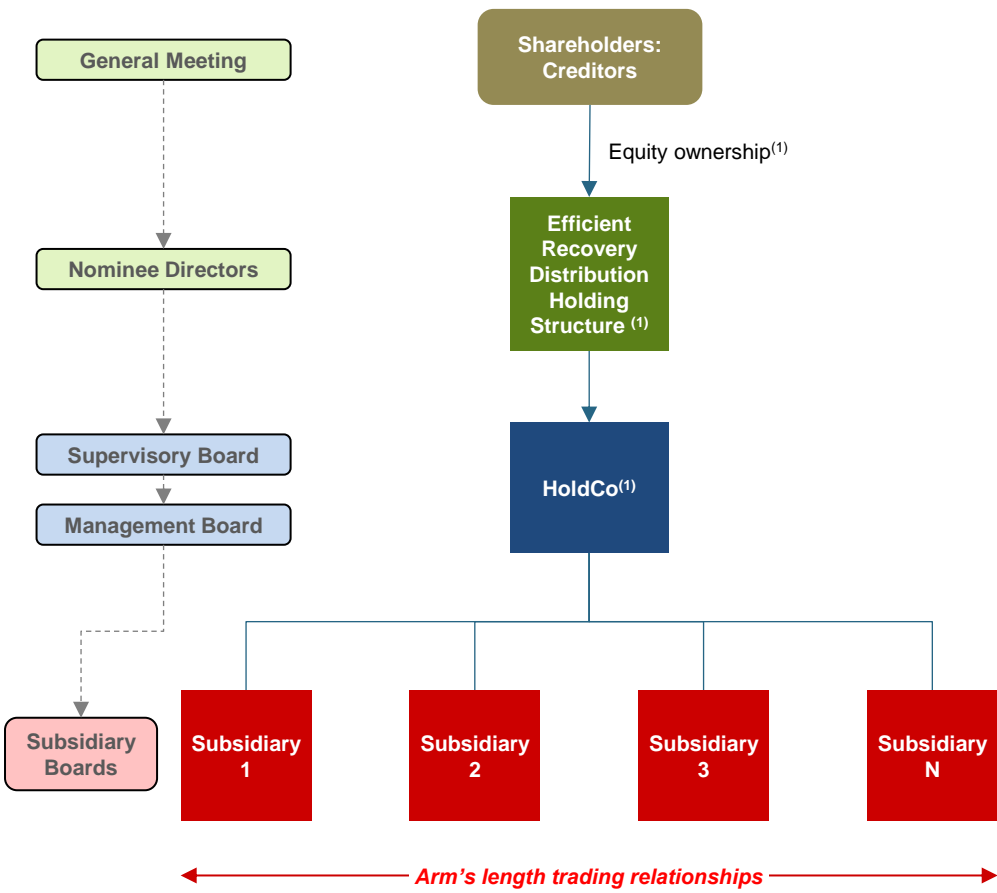


### Summary Steps

- 1 All registered claims from creditors to be transferred to the new structure in exchange for new instruments or an entitlement to these
- 2 Holding structure to transfer claims downwards to HoldCo(1) and on to Mirror subsidiaries
- 3 Mirror subsidiaries to use claims to purchase operating assets and liabilities from insolvent subsidiaries (and, separately, shares of solvent subsidiaries and novated unimpaired claims)

# Proposed Settlement Plan Corporate Governance

## New Corporate Governance Structure



## Governance

**Shareholders Level** – Based on public company model given c.5,700 creditors

- Annual general meeting of shareholders similar to public company type structure
- Delegated powers through holding structure nominee directors to appoint HoldCo<sup>(1)</sup> Supervisory Board
- Approval requirement for certain substantial transactions to be agreed

**Holdco Level** – Business/asset portfolio management responsibilities delegated by and on behalf of shareholders, focused on value maximisation of overall portfolio

- Management HoldCo team manages group audit, capital market or financing and M&A transactions
- Two-tier board structure: Supervisory Board, appointed by holding structure and consisting of non-executive directors with transactional track record; and Management Board, appointed by Supervisory Board (together, “HoldCo<sup>(1)</sup> Boards”)
- Key matters at subsidiary level reserved for Management Board of HoldCo<sup>(1)</sup>. Certain decisions of such Management Board to require approval of Supervisory Board
- Creditors Council to be involved in selection of initial boards as part of restructuring

**Operational Level** – Operational performance management responsibilities, focused on value maximisation of individual businesses

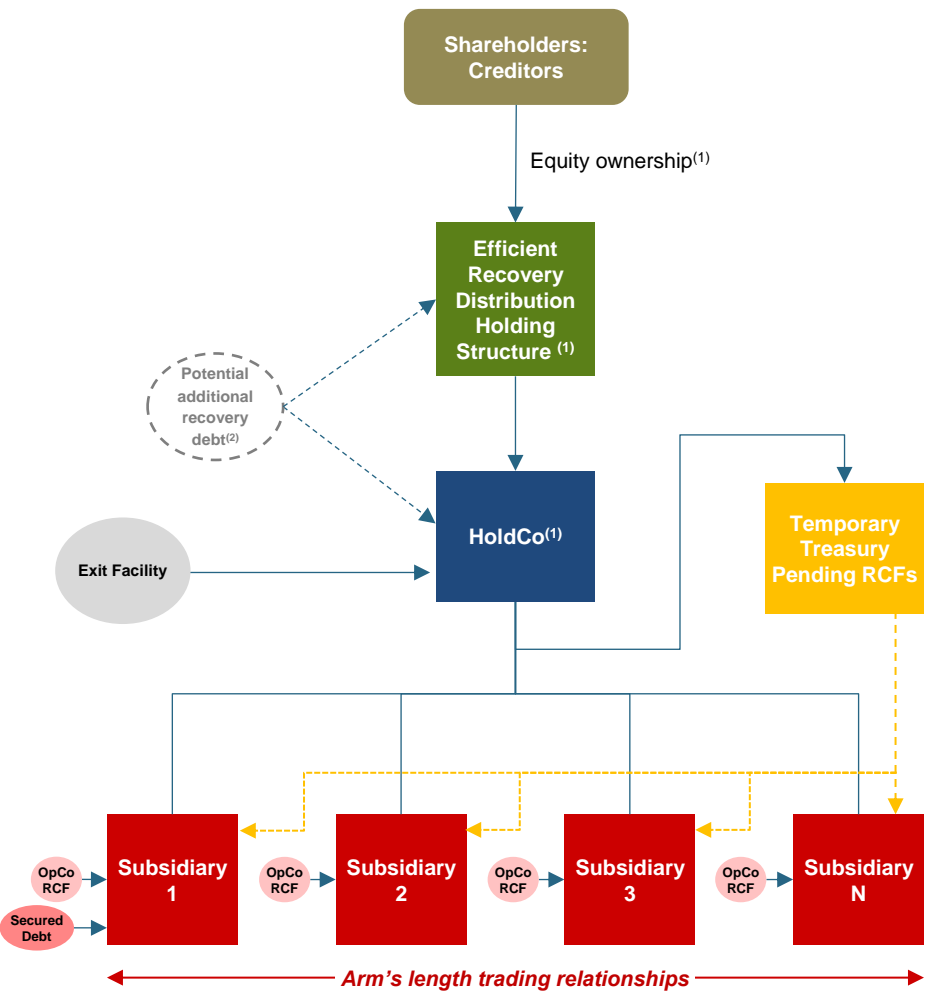
- Each subsidiary to have a single management board (“Subsidiary Board”) with operational track record under supervision of HoldCo<sup>(1)</sup> Boards
- Business performance management, potentially including incentive scheme encouraging operational outperformance and value maximisation
- Independent corporate services (HR, IT, treasury, legal) in-house or an arm’s length services agreement

# Proposed Shareholder Agreement & Governance Key Terms

Item	Proposed Terms
<b>Shareholders' voting and consent rights</b>	<ul style="list-style-type: none"> <li>– Each share will have one vote per shareholder on a show of hands and one vote per share on a poll of shareholders.</li> <li>– In addition to applicable law rights, to include consent rights over: material change to nature or scope of business purpose; acquisitions of businesses or assets with a value over €[●]m; changes to share capital (other than pre-emptive issues, solvent re-organisations, issuance of capped management equity).</li> </ul>
<b>Board composition and voting</b>	<ul style="list-style-type: none"> <li>– Two tier board structure (“Management Board” and “Supervisory Board”) at the level of Holdco<sup>(1)</sup> to be comprised of circa [●] directors in total, with the executive directors on the Management Board to include the CEO and CFO (from time to time) of the group and up to [●] non-executive directors (which shall include a non-executive chairman) in the Supervisory Board.</li> <li>– Following completion of the Settlement, the Supervisory Board is to be appointed by holding structure as instructed by shareholders.</li> <li>– Management Board to be appointed by the Supervisory Board</li> <li>– For reasons of operational efficiency, the composition of the Boards will not be replicated for each subsidiary board which boards shall remain as currently constituted</li> </ul>
<b>Board consent matters</b>	Each subsidiary board shall be compelled to refer to the main operating Board (in its capacity as the representative of the shareholder) for approval of certain matters which are material to the business of the group as a whole as well as matters which would result in the occurrence of a material deviation by such subsidiary from its annual operating budget (or equivalent)].
<b>Dividends</b>	Dividends (both interim and final) to be declared and made payable at the discretion of the main operating board
<b>Anti-dilution protection</b>	Each shareholder will have pre-emption rights in the event of further issues of equity for cash subject to customary exceptions (e.g. on an emergency issue of shares (in relation to which there will be catch-up rights))
<b>Drag/Tag</b>	Customary drag-along rights and tag-along rights (or equivalent mandatory offer) to be included
<b>Information rights</b>	Shareholders will have the information rights afforded to them pursuant to applicable law

# Proposed Settlement Plan Capital Structure

## New Capital Structure



## Considerations

- ❖ New capital structure to maximise the independence and transactional flexibility of the subsidiaries and (eventually) there should be no intercompany financing arrangements other than distributions for dividends and efficient funding of debt interest and repayments
- ❖ The Exit Facility to have priority ranking over any additional recovery debt<sup>(2)</sup> at HoldCo<sup>(1)</sup>
- ❖ Secured claims also to be reinstated up to the value of related collateral. Any deficiency claims (i.e., claim value in excess of collateral value) to be treated similarly to all other pre-petition unsecured claims of insolvent entities
- ❖ Due to business seasonality, subsidiaries will require revolving credit facilities (subject to limitations to ensure seasonal use only) (“OpCo RCFs”) to fund working capital needs and, importantly, to enable distribution of excess cash to repay recovery debts without compromising working capital. To facilitate OpCo RCFs, which will require (priority) security, other encumbrances will be limited and provide allowances

**Notes:**  
 (1) Details to be determined based on further structuring analysis; final structure, including domicile of entities, to be concluded  
 (2) Size, if any, to be determined based on the Group's true economical ability to pay future interest and debt repayments



## Capital Structure Considerations

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- ❖ Debt capacity for the new structure is being assessed and will be based on precedent issuances, trading comparables, and, for the Exit Facility, third party market testing to determine appropriate leverage and pricing
- ❖ Terms of the Exit Facility needs to be determined before an assessment can be made of what additional recovery debt can be feasibly supported by the Group
- ❖ Considerations that will limit the size of any additional recovery debt, if any, and/or impact the terms of the Exit Facility include:
  - ◆ Opco RCFs to support working capital requirements of subsidiaries
  - ◆ Reinstated unimpaired (physically secured or other) claims at subsidiaries
- ❖ Currency of facilities other than Exit Facility to be determined

# Assessment Of Creditor Recoveries

## Methodology Overview

❖ Agrokor and its advisors to develop an entity priority model (“EPM”) to support discussions on creditor recoveries. Value in the Group (i.e., its businesses/assets) to be distributed to stakeholders on the basis of their legal rights/ranking<sup>(1)</sup>

**1** EPM to estimate total value available to distribute to satisfy claims in a particular entity

**2** Legal position/priority of each claim in the entity (the “waterfall”) determines how much value it recovers

- ◆ Secured and senior ranking claims are likely to have higher recovery than unsecured and junior ranking claims
- ◆ Claims on more valuable and/or less encumbered entities are also likely to have higher recovery

**3** Recovered value of each claim determines the share of total distributable value it should receive. The allocation could then serve as a basis for how much of the post-restructuring debt<sup>(2)</sup> and equity each claim (and therefore claimant) receives in the Settlement Plan

❖ Agrokor Group EPM analysis to be performed, available information permitting, by individual legal entity (no substantive consolidation)

❖ EPM, including inputs/assumptions, to be subject to diligence by Creditors Council’s advisors

## Simplified EPM Value Allocation Example

Illustrative Distributable Value		1,000			
EPM Output	Claims	Claim Value	Recovered Value	Recovery (%)	% of Total Recovery
	Claim 1 on Entity 1	250	250	100.0%	25%
	Claim 2 on Entity 2	400	200	50.0%	20%
	Claim 3 on Entity 3	1,250	400	32.0%	40%
	Claim 4 on Entity 4	1,500	106	7.0%	11%
	Claim 5 on Entity 5	800	24	3.0%	2%
	Claim 6 on Entity 6	800	20	2.5%	2%
<b>Total</b>		<b>5,000</b>	<b>1,000</b>	<b>20.0%</b>	<b>100%</b>

Illustrative Debt Capacity	1,000
Implied Equity Value	900

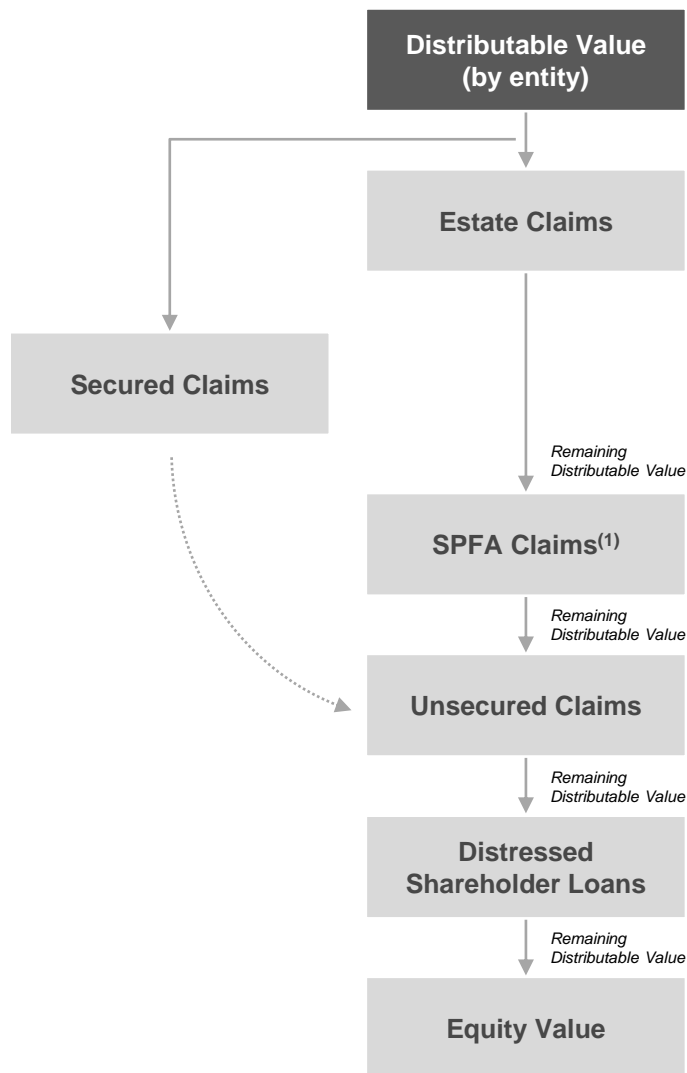
Implied Instruments to Creditors	Claims	% of Total Recovery	Total New Instruments	Illustrative New Debt	Illustrative New Equity
	Claim 1	25%	250	25	225
	Claim 2	20%	200	20	180
	Claim 3	40%	400	40	360
	Claim 4	11%	106	11	95
	Claim 5	2%	24	2	22
	Claim 6	2%	20	2	18
<b>Total</b>		<b>100%</b>	<b>1,000</b>	<b>100</b>	<b>900</b>

**Notes:**

- (1) For example: (i) firstly, to secured and senior ranking debt claims, (ii) if any distributable value left, then to unsecured and junior ranking debt claims, and (iii) if any distributable value left, then any residual value to equity interests
- (2) Size to be determined based on the Group’s true economical ability to pay future interest and debt repayments

# Waterfall Structure

## Overview



## Commentary

### Distributable Value

- Enterprise value of EA entities and equity value of non-EA entities
- Includes excess cash (if any) and the value of non-core assets

### Estate Claims

- Employee claims (if any)
- Any unpaid Court, process and committee costs

### Secured Claims

- Secured claims collateralized by physical assets and other less usual forms of collateral
- Deficiency claims (i.e. secured claims in excess of the value of its collateral) to be treated as unsecured claims of the owing entity

### SPFA Claims

- Based on amount outstanding under the SPFA, including any accrued PIK interest

### Unsecured Claims

- All unsecured claims, including deficiency claims, certain intercompany claims and unsecured guarantees of other entities' claims

### Distressed Shareholder Loans

- Loans made from a parent company to a subsidiary when that subsidiary was a state of financial distress

### Equity Value

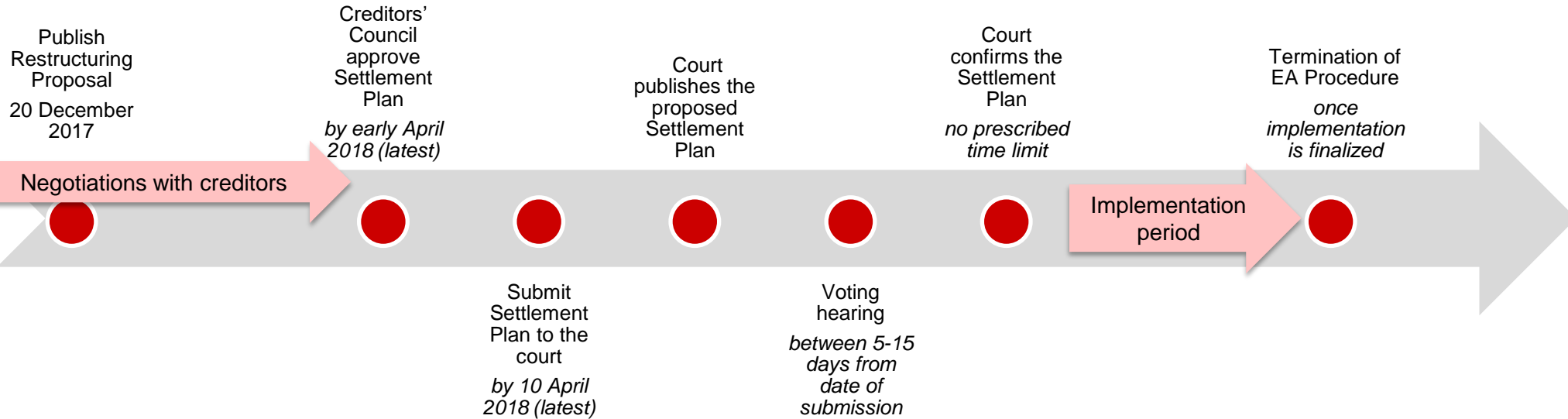
- Residual value from the waterfall constitutes equity value accruing to shareholders or share pledge beneficiaries

**Notes:**

(1) In circumstances where the SPFA would not be fully covered by the value of its collateral or the senior ranking granted by the Law on EA, the SPFA may rank second only to Estate Claims

# Implementation Considerations

# Legal & Practical Mechanics Under EA Act



- ❖ One single Settlement Plan covering all entities under Extraordinary Administration will be adopted
- ❖ Key approvals for the settlement :
  - ◆ Creditors Council to approve the final text of the Settlement Plan
  - ◆ Majority by number of creditors and the majority by value in each class of creditors approves the Settlement Plan or exceptionally, two thirds by value of the total creditors approve the Settlement Plan
  - ◆ The court must confirm the Settlement Plan
  - ◆ The Majority Lenders and the Majority Non-Bank Lenders under the SPFA need to approve the Settlement Plan under the terms of the SPFA under certain conditions

## Legal & Practical Mechanics Under EA Act

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- ❖ One single Settlement Plan covering all entities under Extraordinary Administration will be adopted
- ❖ The EA Act allows for (*inter alia*):
  - ◆ Transfer of assets free of liabilities
  - ◆ Sale of assets
  - ◆ Reduction and postponement of obligations
  - ◆ Debt to equity swap
- ❖ Settlement Plan will be deemed to contain statements of will required for creation, transfer and abolishment of rights and replace third party decisions (such as shareholder resolutions)

# Next Steps To Reach Finalised Restructuring Proposal

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- ❖ Work streams to be completed in discussions with Creditors Council and its advisors
  - ◆ Administrative and Legal
    - Court-based claims challenge and appeal process
    - Board directors selection process
    - PCC appointments
  - ◆ Entity Priority Model
    - Share preliminary version with Creditors Council advisors
    - Formal review process once finalised
  - ◆ Settlement Plan
    - Negotiations with Creditors Council
    - Submission to court
  - ◆ Implementation
    - Exit Facility market testing / fundraising
    - Intercreditor negotiations
    - Business/asset transfer mechanics and granting of security
    - Merger clearance and regulatory requirements
    - Internal accounting, tax and legal requirements
    - Documentation, including sequencing steps plan