Agrokor Viability Plan Summary (Updated)

6 March 2018

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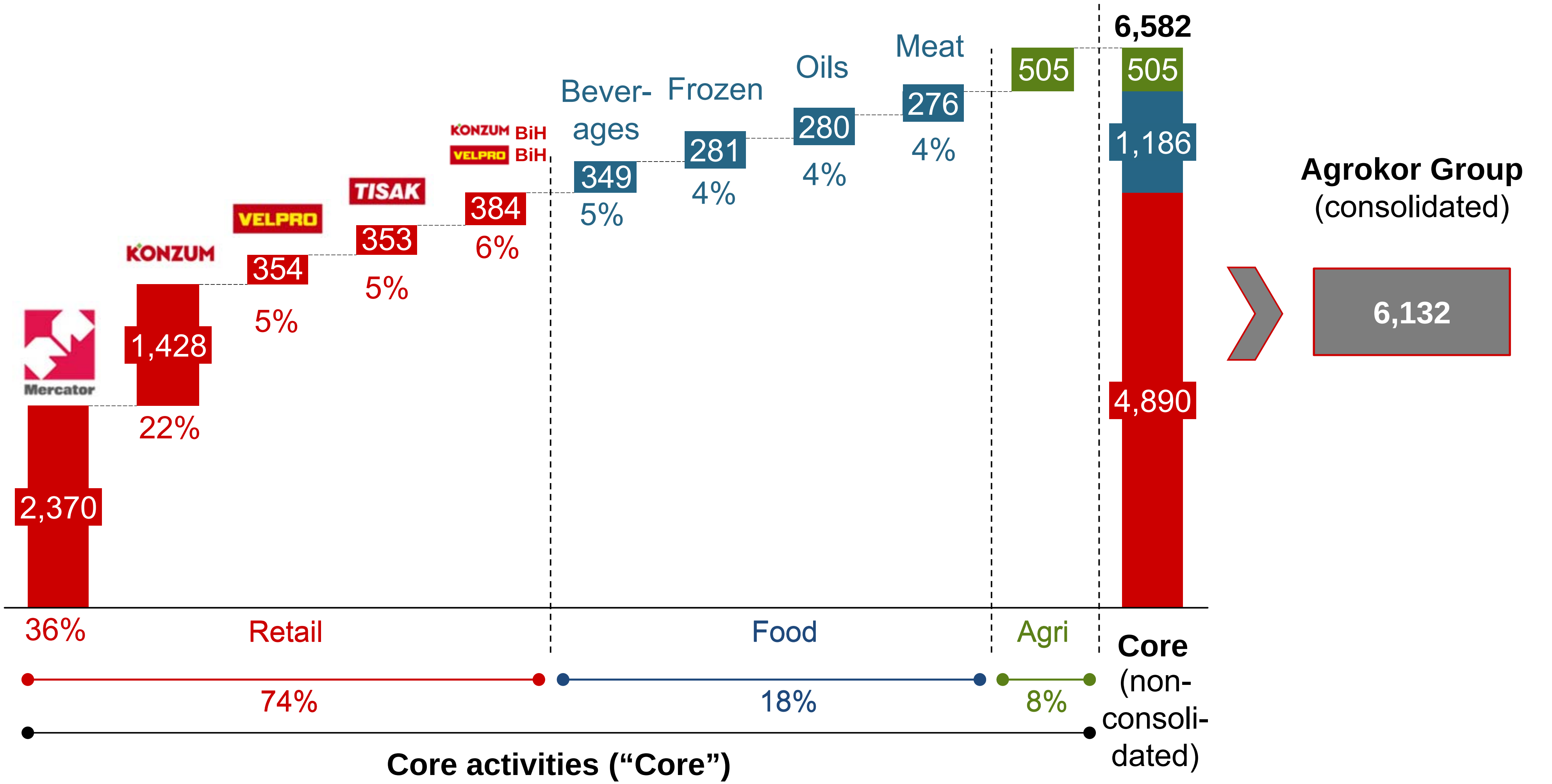
In 2016, the Group generated revenues of more than EUR 6bn …

Group: Revenue 2016; non-consolidated and consolidated [in EUR m]



Note: Shown percentages in relation to Core
Source: Agrokor Finance department, PwC audit report Oct 2017

… with significant consolidation effects across the Agrokor Group ("Group") …

Group: Intercompany revenue shares 2016 [in % of revenues]

	Retail	Beverages	Frozen	Oils	Meat	**Food**	**Agri**
Retail	3%	**<1%**	**<1%**	**<1%**	**<1%**	**1%**	**<1%**
Beverages	~15%		-	-	-		<1%
Frozen	15-20%	-		<1%	<1%		<1%
Oils	~20%	-	<1%		<1%		3%
Meat	~40-45%	-	<1%	1%			2%
Food	**24%**					13%	**1%**
Agri	**8%**	**2%**	**<1%**	**3%**	**15%**	**20%**	23%

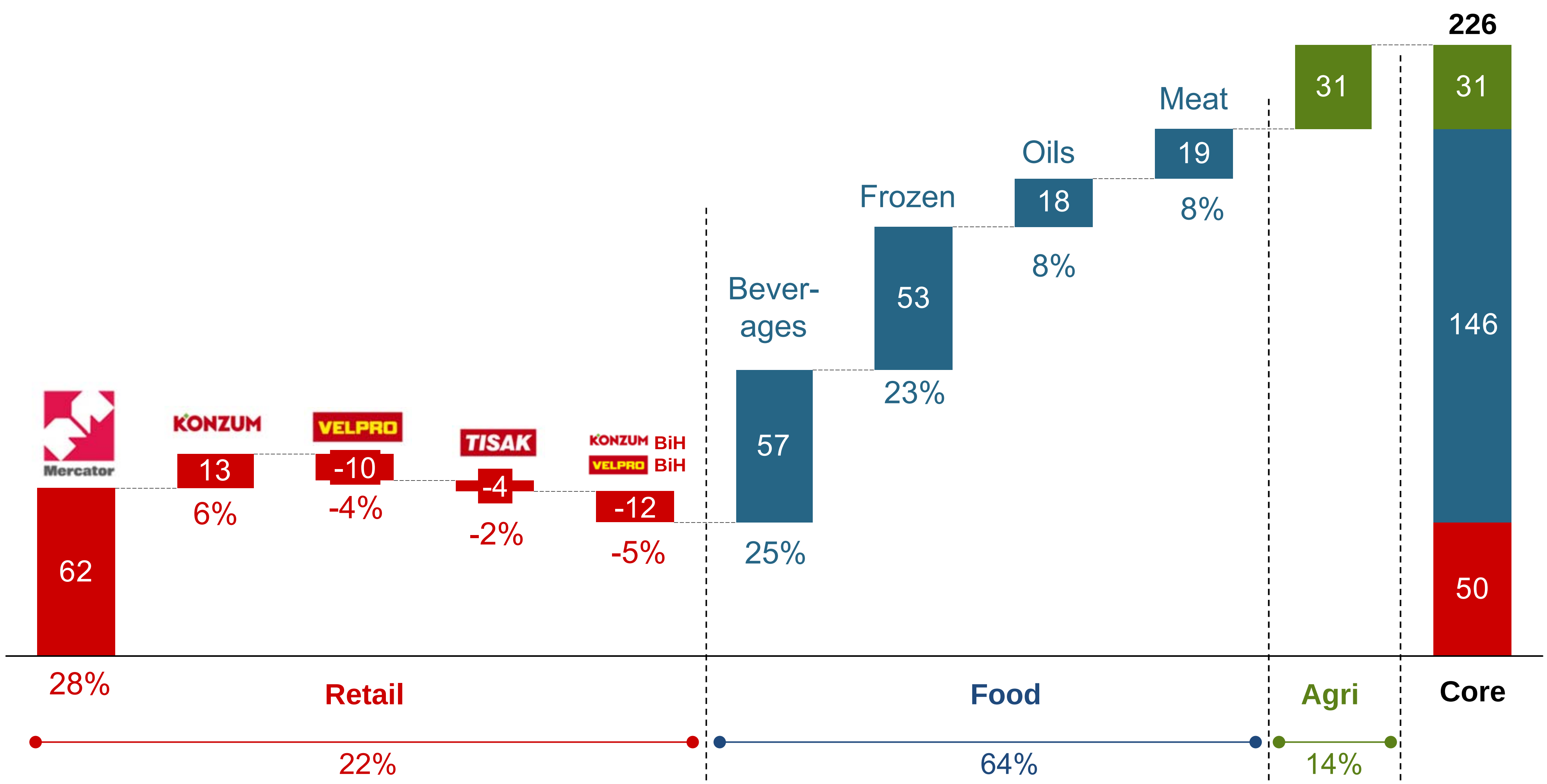
How to read this table (examples):

- Beverages generates ~15% of its revenues from Retail division
- Retail division generates 1% of its revenues from Food division (mainly rents)

Source: Agrokor Finance department, PwC audit report Oct 2017

… and a normalized EBITDA of ~EUR 230m in the Core business

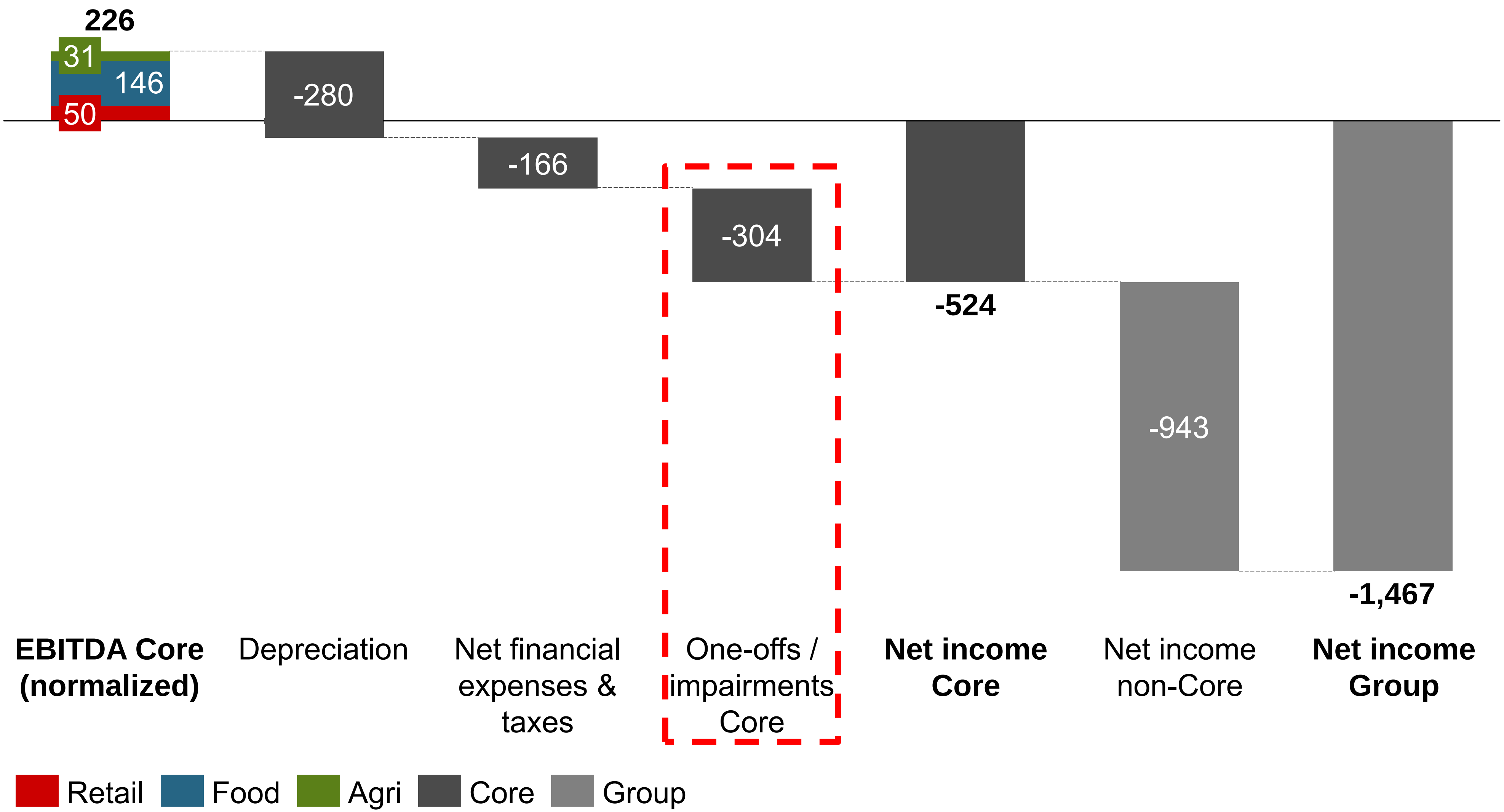
Core: EBITDA 2016; excludes one-offs; non-consolidated [in EUR m]



Note: Non-consolidated; main reporting entities audited by PwC; shown percentages in relation to Core
Source: Agrokor Finance department, PwC audit report Oct 2017

Audit 2016 quantified the issues resulting in EUR 1.5bn net loss, with Core contributing significant one-offs of ~EUR 300m

Group: EBITDA / net profit bridge; non-consolidated [in EUR m]



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Source: Agrokor Finance department, PwC audit report Oct 2017

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A comprehensive viability plan ("plan") has been developed for Agrokor's divisions

- The **plan** captures the outcome of the **significant operational improvement** efforts over the past months and provides a **stable platform** for the future business and the settlement
  - Focused on **stabilizing** the businesses and ensuring liquidity as well as on the **critically important summer season**
  - Realizing **quick wins** and beginning to **regain market confidence**
  - **EBITDA improvements** have been at the center of all discussions
  - Driven by the businesses management through comprehensive **workshops; extensive working sessions** and detailed **improvement measure development**
- Developing Agrokor's **plan** has presented **significant challenges**
  - Working with **unreliable and inconsistent data** as PwC audit conducted in parallel with plans development **that were finalized on 4th October**
  - Balance sheets and cash flows can **only partially be developed** as **certain assumptions** (i.e. debt, payables / receivables, recapitalization of entities, tax implications etc.) **can only be incorporated** into the plan **once a settlement** has been **agreed**
  - At the time this plan has been developed, the claims process had not yet been finalized
  - Given these facts and the view that the **group will significantly change**, **plans** are **focused** on the **divisional / business level** versus a consolidated group view

Plans were developed around sound business principles, however numerous assumptions were required (1/2)

- Plans were developed on a **granular "bottom-up" basis** for each of the main planning entities (4 + 1 divisions and 9 businesses as well as select legal entities)
  - **Leveraged existing** entities detailed **planning models**
  - **Centralized assumptions** around GDP growth, inflation, wage increases were planned centrally and are **based on 3rd party information** (e.g. FocusEconomics, Viewswire, European Commission)
  - Extensively "**challenged and tested**" to ensure they **provide a realistic** and **achievable basis** for the businesses **go-forward Plan**
- **PwC** has made **certain assumptions** for the 2016 audit (e.g. 50% write-off of relevant 2016 internal receivables, no provisions for 2017, no write-off of payables) which have been **incorporated into the Plan**
- The **Plan does not**
  - Consider any **additional impact** from any **pre-10 April adjustments**;
  - Try to **anticipate any settlement structure, terms or magnitude**;
  - Thus, **detailed tax planning has limited value** at this stage and will be **carried out** at the **appropriate point in time**

Plans were developed around sound business principles, however numerous assumptions were required (2/2)

- All subsidiaries are assumed to operate at **arm's length ability to sell** businesses with clear **accountability** likely to create more value
  - **Super senior facility** requires **arms length** business relations going forward
  - Businesses with on-going **commercial relationships** (e.g. Retail and Food businesses) have **negotiated and** implemented market based commercial terms (e.g. rebates) while **some items** (e.g. shelf space, promotions) will **continue to be resolved** over the next few months
- Especially on **APH, broad assumptions** had to be made due to **limited information** and **complex ownership** structures
- The **Plan assumes** that the ultimate **settlement** agreement will **provide sufficient liquidity** to operate in a **"business as normal" mode** (e.g. investments, restructuring expenses, working capital, etc.)
- The **untested territory of the EA Act**[1] made it necessary to **make certain assumptions** (e.g. Group stays as it is, ability to leave behind certain contracts, payment of old debt claims, inability to initiate non-core sales processes)
- Projections are shown before any effects from minority shareholdings

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1) Refers to the Law on Extraordinary Administration Proceeding in Companies of Systemic Importance for the Republic of Croatia

The plan has been developed along divisions and businesses covering both core and non-core activities

Overview of Group entities

Agrokor Group incl. Agrokor d.d. ("Group")

	Retail	Food	Agri	APH: Agr. Portfolio Holdings	
Divisions (4+1)	**Retail**	**Food**	**Agri**	**APH**: Agr. Portfolio Holdings	
Businesses (∑ 9)	• Mercator • Konzum • Velpro • Tisak • BiH business	• Beverages • Frozen • Oils • Meat			
Legal entities (∑ 158)	31	28	18	80	1
Restr. group[1] (∑ 19)	5	9	4	0	1
	Core activities			Non-core activities	

1) Restricted group used for cash planning to forecast and manage direct cash flows: Retail: Konzum, Velpro, TISAK, Konzum BH, Velpro BH; Food: Jamnica, Sarajevski Kiseljak, Roto, Ledo, Ledo Citluk, Frikom, Zvijezda, Dijamant, Pik Vrbovec; Agri: Pik Vinkovci, Vupik, Belje, Agrokor Trgovina; Agrokor Group: Agrokor d.d.

Source: Project team

Profitability varies by division

Industry benchmarks 2016 EBITDA margin comparison (% of revenue)

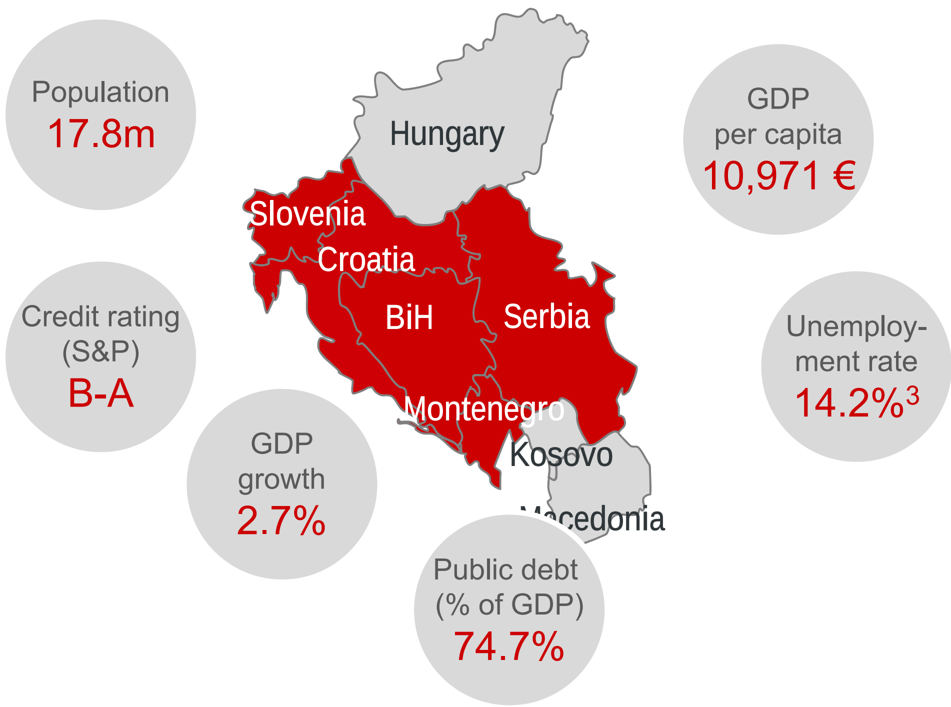
- Retail:
  - Benchmarks for food retail suggest a 5.5% EBITDA margin target, compared to ~2% for Agrokor's food retail in 2016
  - Food and beverage wholesalers EBITDA benchmark ranges between 3.5% and 4.5% compared to negative EBITDA margin for Velpro in 2016
  - Benchmarks for newsstands suggest a 4% EBITDA target compared to negative EBITDA for Tisak in 2016
- Food outperforms the combined industry benchmark of 10% EBITDA margin by ~2 percentage points, driven by high market shares, brand equity and strong distribution platforms
- Agri division, excluding Agrokor Trgovina[1], is in line with the industry benchmarks at 10% EBITDA margin

1) Agrokor Trgovina was excluded as it represents a lower-margin commodity trading business, i.e. not a core Agri business, and is also to be downsized in the future

Source: Capital IQ, S&P, APR, ZSE, FINA, Amadeus, national companies registries

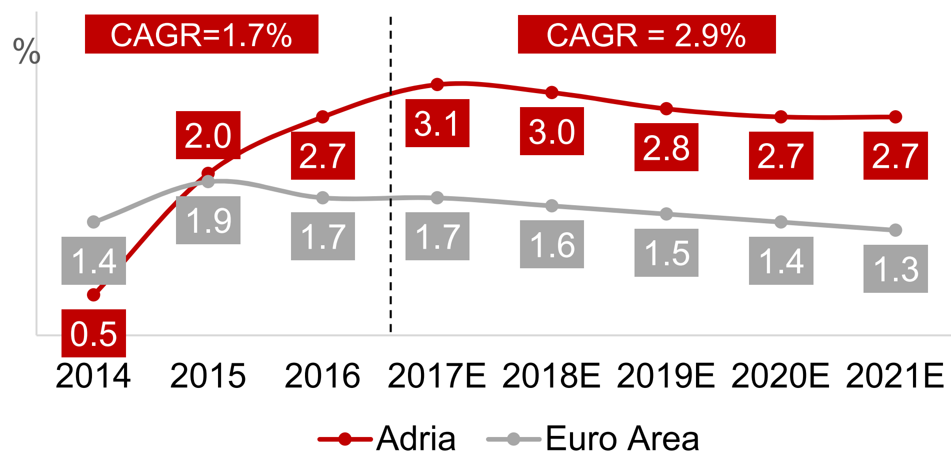
Overall, the markets served have strong growth projections, and generally positive supply side economics

Adria region 2016 Snapshot[1, 2]

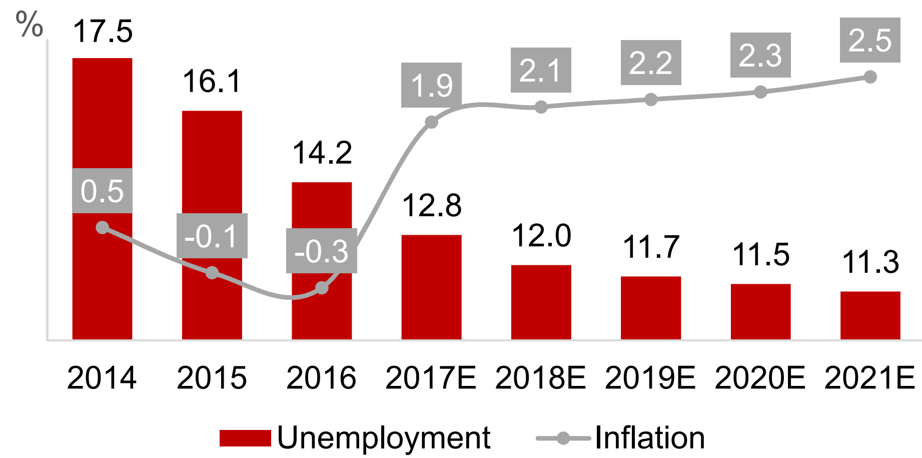


- Adria region experiences trade liberalization and economic convergence towards EU countries
- Slovenia (2004) and Croatia (2013) have already joined the EU while Serbia and Montenegro are in accession negotiations

Real GDP growth



Adria region supply-side dynamics



1) Red colored are countries of critical importance for Agrokor's operations
2) Presented figures are weighted averages
3) Unemployment rates are not fully comparable to Western European economies on an absolute scale, positive trend is clear

Source: FocusEconomics, Croatian National Bank

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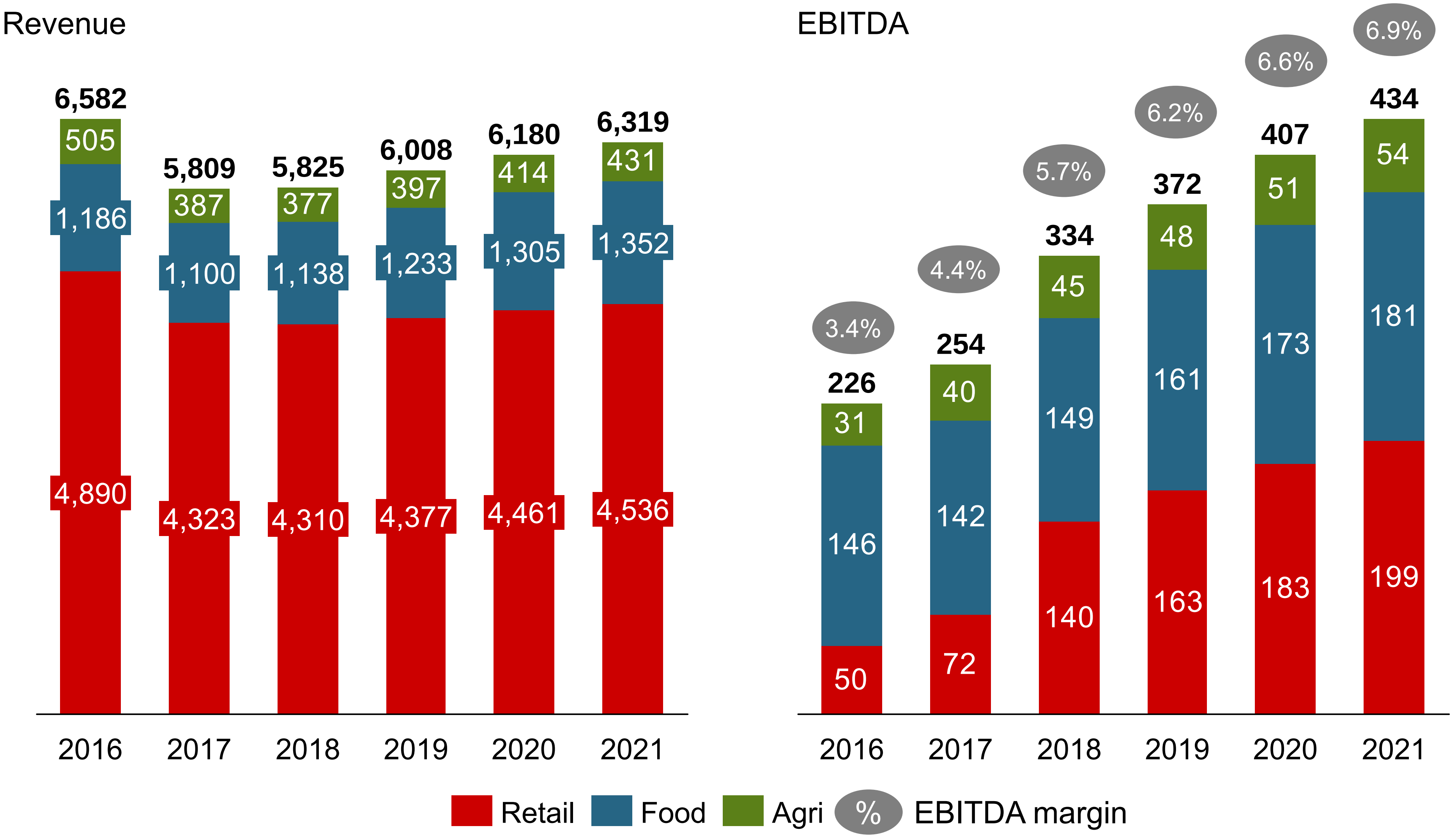
Core revenue is expected to decline by 4% while EBITDA is planned to almost double between 2016 and 2021

Updated for refreshed Konzum projections

Core: Revenue and EBITDA 2016 to 2021; excludes APH and Agrokor d.d.; non-consolidated [in EUR m]



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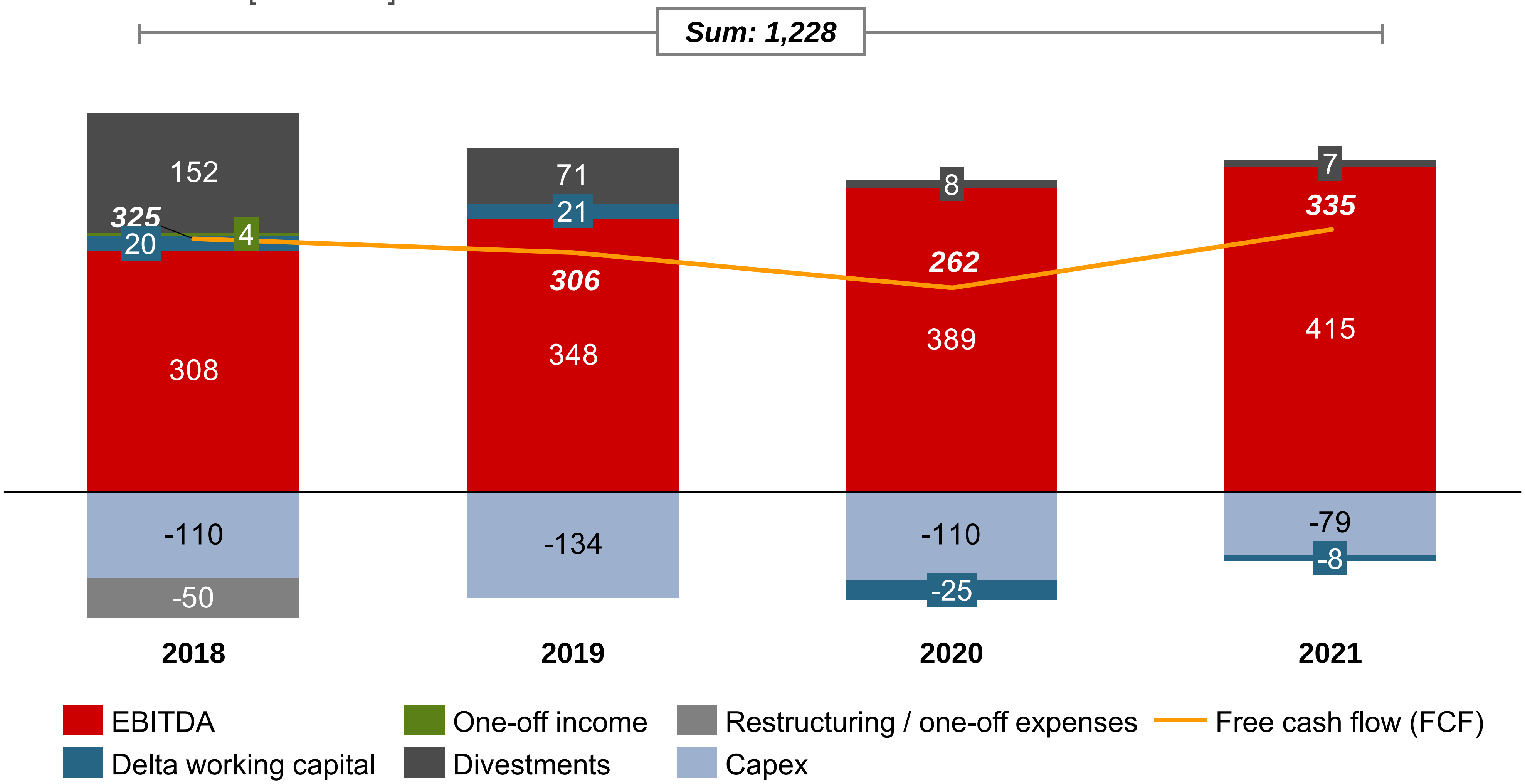
Note: EBITDA for Konzum does not take into account annual cash rent payments for finance leases (included in finance charges)
Source: Companies' business plans

Core is expected to generate EUR 1.2bn in free cash flow through 2021

Updated for refreshed Konzum projections

Core: Free cash flow before tax and finance charges; excludes APH and Agrokor d.d.; non-consolidated [in EUR m]

Does NOT account for any balance sheet restructuring / haircut



Note: Free cash flow includes EBITDA, change in working capital, divestments, CapEx, one-off income and restructuring / one-off expenses; "pro forma" EBITDA used for Konzum, which is calculated as EBITDA less annual cash rent payments on finance leases (otherwise included in finance charges)

Source: Companies' business plans

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Going forward, the focus will be on implementation

Restructuring implementation for Agrokor Group – Timeline (2017 and 2018)

Q4 2017

- Delivered 2017 plan and focused on Christmas
- Implemented all (structural) measures to realize 2018+ plan
- Reviewed plan with key stakeholders
- Early and detailed prep for 2018 peak seasons

Q1 2018

- Refreshed Konzum plan
- Ensure tight cost and working capital control in typically slow period
- Agree on settlement
- Design new group legal structure
- Initiate divestments within Mercator

Q2 2018 onwards

- Implement actions to deliver peak summer season
- Continued focus on measures implementation
- Implement new group legal structure
- Initiate divestment plan (APH)

In parallel: Regular stakeholder communication

Contents

More than 3/4 of Agrokor's Retail Division ("Retail") revenue comes from businesses with around 25% market share, or more (Slovenia & Croatia)

Slovenia (SL)
Pop 2.1m | 85% "Modern" Retail

Mercator 484 Stores | 230,000 sqm

Croatia (HR)
Pop 4.2m

KONZUM 701 Stores | 350,000 sqm

VELPRO 24 Centars | 96,000 sqm

TISAK ~1000 Kiosks

Bosnia and Herzegovina (BiH)
Pop 3.5m | 52% "Modern" Retail

KONZUM 176 Stores | 80,000 sqm

Mercator 83 Stores | 66,000 sqm

Serbia (RS)
Pop 7.1m | 28% "Modern" Retail

Mercator 348 Stores | 220,000 sqm

Montenegro (ME)
Pop 0.6m | 72% "Modern" Retail

Mercator 110 Stores | 30,000 sqm

Macedonia (MK)
Mercator Real Estate business

Over 2,800 locations
~1.1m sqm space
17.5m population served

Note: Portfolio data estimated at 1st Jan 2017 – except BiH which reflects split to Konzum and Mercator September 2017

A strong focus on costs can drive significant additional EBITDA – and is critical to compete with low-cost competitors

A number of themes are evident across multiple Agrokor Retail Division companies

- Historically, the focus was on revenue growth, combined with significant (over-)investment
  - Businesses focused on revenue growth vs. profit / cashflow
  - Large, high fixed-cost infrastructure implemented (e.g. logistics, supply chain, head office)
  - Historically high levels of CapEx
- A number of unfavourable commercial arrangements diluted earnings
  - Unfavourable "sale and leaseback" arrangements provided working capital for the group, but resulted in high rental expenses which heavily diluted operating performance. Significant efforts are underway to renegotiate rental agreements to market levels
  - Tisak and Velpro both historically engaged in unprofitable adjacent operations (mostly transport and distribution) – which have now been eliminated
- During the restructuring, initial cost reductions have been relatively straightforward
  - Initial indirect cost and headcount reductions in Croatian and BiH businesses were relatively straightforward, essentially confirming that historically these have not been a priority

Competition, particularly in Croatia (Lidl), Slovenia (Aldi, Lidl) and BiH (Bingo) includes "hard discounters" – evidence from other markets suggests best approach is not to compete "head-to-head", but nevertheless there is a need to reduce traditional grocery retail costs significantly

Note: Simplified summary of individual plans and observations – including general / overarching statements

Strategies of the Retail business vary, but common themes include right-sizing, elimination of waste, and ruthless focus on execution

Business	Strategy	Rationale
Mercator	Value creation / stabilization (incl. non-core disposals and Serbia refinancing) Pricing / suppliers / costs / BiH Expansion / acquisitions / DC	• A viable business with stable revenues – create the platform • Develop operating performance to provide superior returns • Use the platform developed, selected investments, and appropriate refinancing, to begin building additional revenue
Konzum Croatia	"Right Size" the business Ruthless execution of a 2/3 format full range, mid-market grocery offer	• Stripped of unjustified expenditure, the great majority of Konzum's store estate are expected to be profitable • With additional focus on positioning, assortment, prices and operating models / costs – and with absolute focus in execution – benchmark level performance are projected to be achieved
Velpro Croatia	"Right Size" the business to focus on profitable customers and segments – and ensure the value of service is realized	• Clear understanding of location, channel, segment and customer profitability indicates a viable core • Operating a re-sized business focused on profitability appears to have the potential to generate benchmark level performance and retain market dominance in Croatia
Tisak	Stabilize the kiosk and high value density logistics businesses as a platform for evolution of the offer from 2019	• Eliminating non-profitable activities and right-sizing the remaining business has potential to produce a profitable business short to medium term. • Market dynamics are unfavourable – and any medium / long term future will require re-invention of the model
Konzum BiH	Split the business, creating two profitable entities – then focus on profitable execution	• Splitting legacy Konzum and legacy Mercator stores, along with appropriate restructuring measures on the remaining businesses appears to have potential to deliver two profitable businesses. • Next step will be to establish stronger market position

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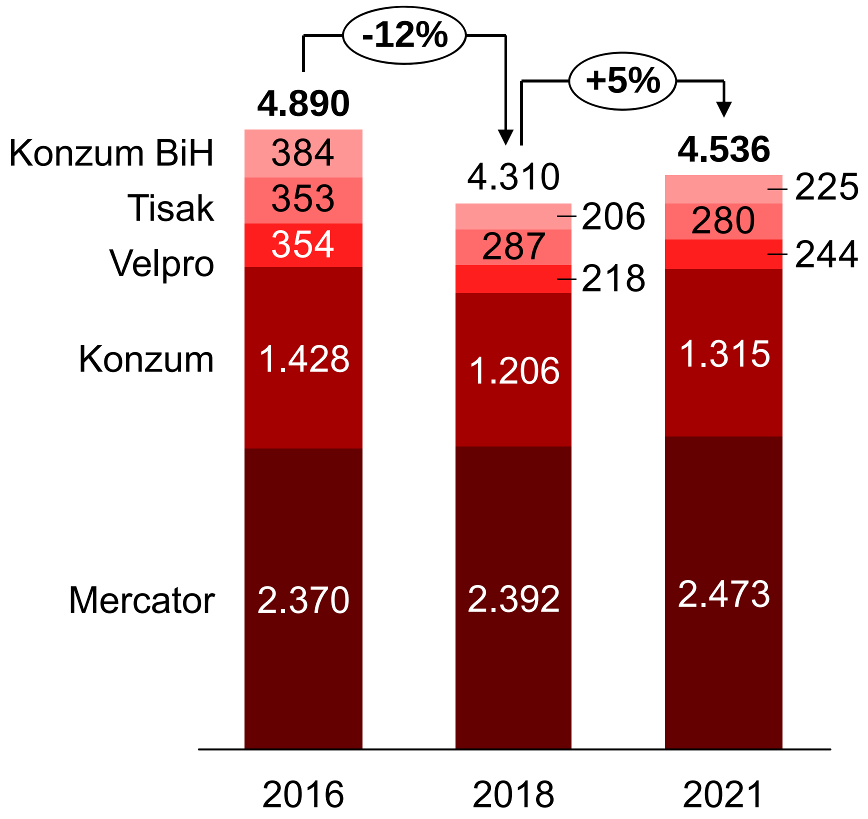
Source: Agrokor Retail companies' business plans – synthesis by project team

Retail plans to grow EBITDA on the back of a right-sized business and through cost optimization

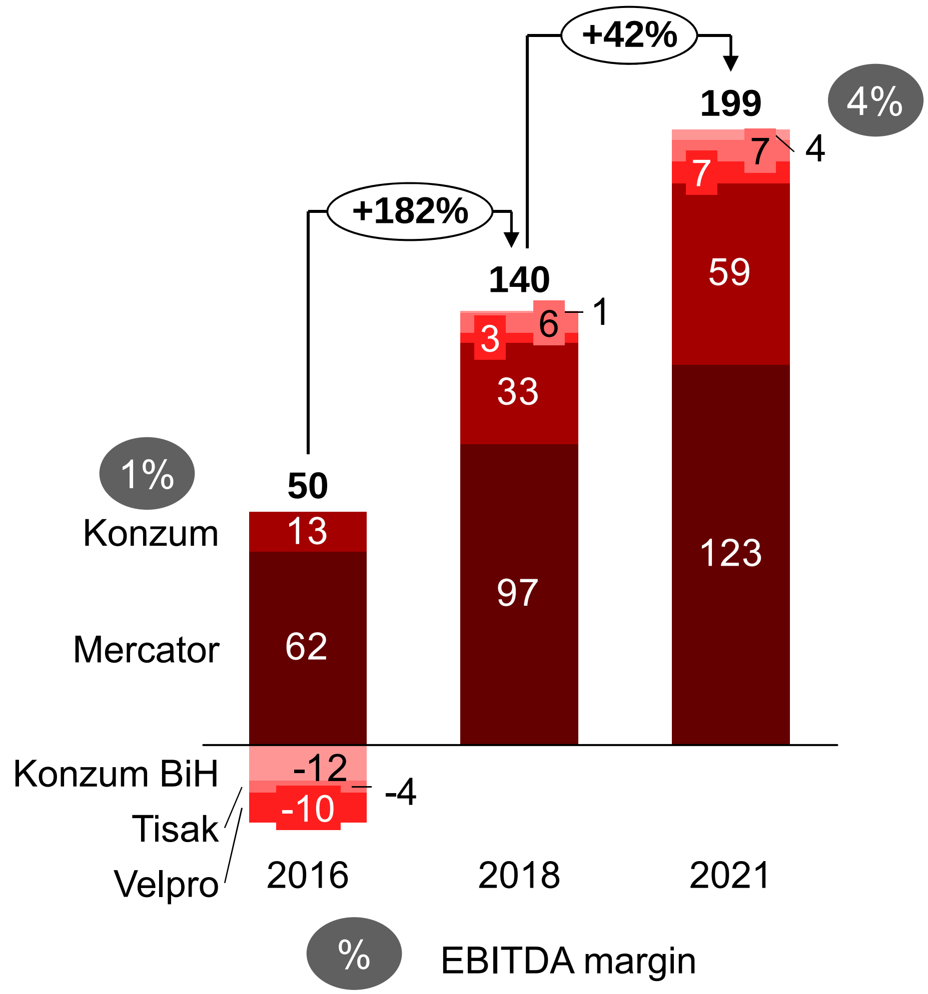
Updated for refreshed Konzum projections

Retail: Revenues and EBITDA 2016, 2018 and 2021; non-consolidated [in EUR m]

Revenue



EBITDA



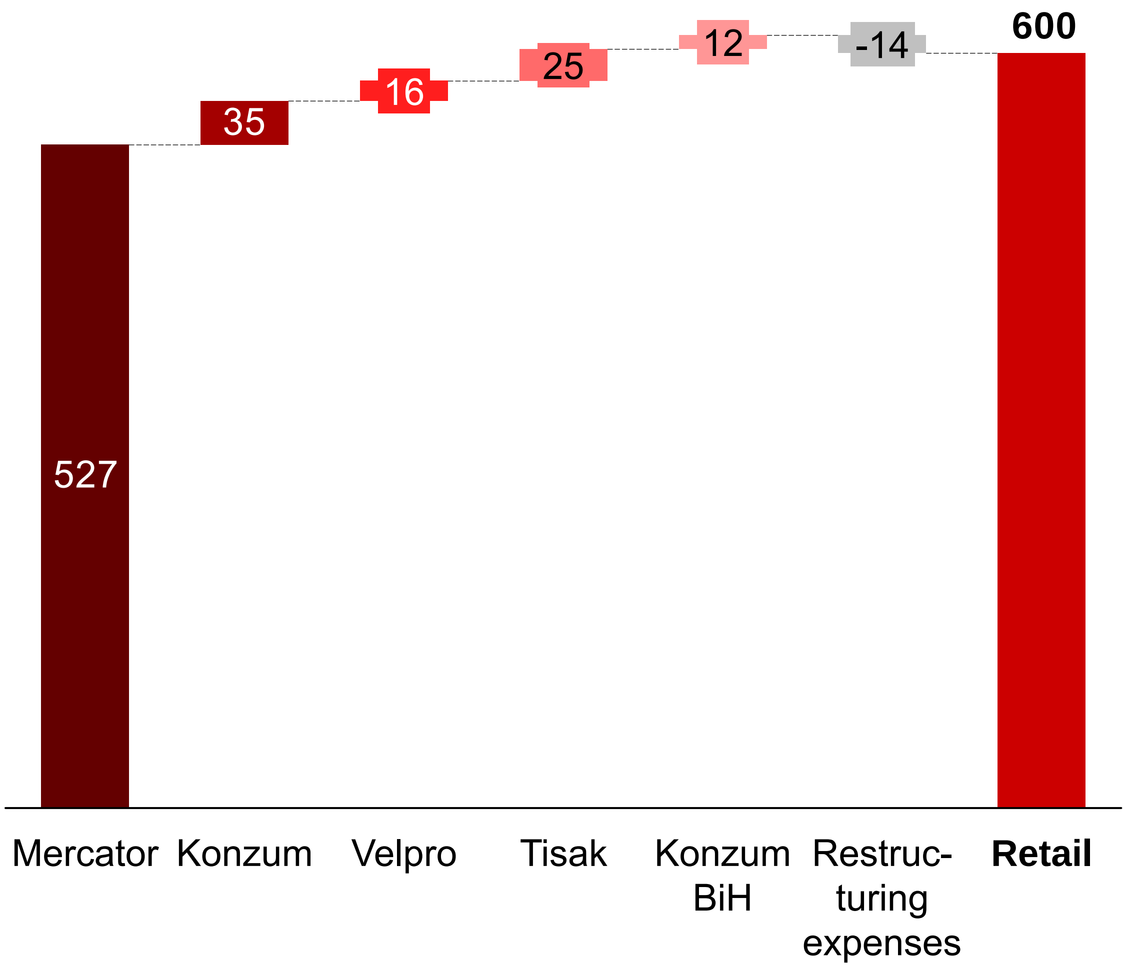
Note: EBITDA for Konzum does not take into account annual cash rent payments for finance leases (included in finance charges)
Source: Companies' business plans

Retail is expected to generate EUR 0.6bn in free cash flow between 2018 and 2021

Updated for refreshed Konzum projections

Does NOT account for any balance sheet restructuring / haircut

Retail: Cumulative 2018-2021 free cash flow before tax and finance charges; non-consolidated [in EUR m]



Commentary

- Free cash flow includes:
  - EBITDA
  - For Konzum: “pro forma” EBITDA which is calculated as EBITDA less annual cash rent payments on finance leases (otherwise included in finance charges)
  - Change in working capital
  - Divestments / CapEx
  - Restructuring / one-off expenses
- Free cash flow does not include:
  - Taxes
  - Finance charges
- Mercator free cash flow includes EUR 238m expected disposal of assets in sale / lease back transactions and mainly used for de-leveraging
- Restructuring expenses relate to expenses expected to be incurred by Agrokor d.d. in 2018 and allocated to Retail division

Note: Free cash flow includes EBITDA, change in working capital, divestments, CapEx, one-off income and restructuring / one-off expenses; “pro forma” EBITDA used for Konzum, which is calculated as EBITDA less annual cash rent payments on finance leases (otherwise included in finance charges)

Source: Companies’ business plans

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The Food Division ("Food") is the biggest group of food companies in the Adria region with strong brands and leading market positions

Overview

- High-to-dominant market shares in main product categories with proven track-record of outperforming the competition and maintaining top line growth and high profitability despite increasing buyer pressures and, until recently, challenging macroeconomic conditions
- Robust, highly efficient, integrated logistics and distribution platforms able to meet customer needs which are marked by high seasonality
- Innovative product development and placement and ability to introduce markets for adjacent and completely new categories
- Close ties with Agrokor Retail, which contributed to Food's past development by providing it with shelf space visibility and ability to place premium brands; reduced dependency expected going forward

Groups and key companies

- Food has 4 groups and 21 companies, 4 of which are considered to be non-core and are part of APH, 6 are distribution-only companies and the following 11 are production / distribution companies;
  1. Beverages: Jamnica (Croatia), Roto Dinamic (Croatia), Sarajevski Kiseljak (BiH), Fonyodi (Hungary), Nova sloga (Serbia), Mg Mivela (Serbia), Jamnica Maribor (Slovenia)
  2. Frozen: Ledo (Croatia), Ledo Čitluk (BiH), Frikom (Serbia)
  3. Oils: Zvijezda (Croatia), Dijamant (Serbia)
  4. Meat: PIK Vrbovec (Croatia)

Food with strong market positions, infrastructure, improvement potential and support from key stakeholders

Examples of key food strengths

Food

- #1 mineral & flavoured water / ice cream / edible oils, margarine & mayonnaise businesses in the Adria region

- #1 fresh and processed meat business in Croatia with significant investments in production facilities

- Robust, integrated and efficient logistics and distribution platforms
  - **72** distribution centres
  - **+200,000 sqm** of warehouse surface
  - **+1,000** distribution vehicles[1]
- Significant improvement potential particularly in streamlining production processes between production entities in different countries
- Support for restructuring from strong new money providers

1) Including 3rd party logistics
Source: Agrokor Food companies

Food has developed strategies and improvement initiatives aimed at defending market positions and increasing profitability

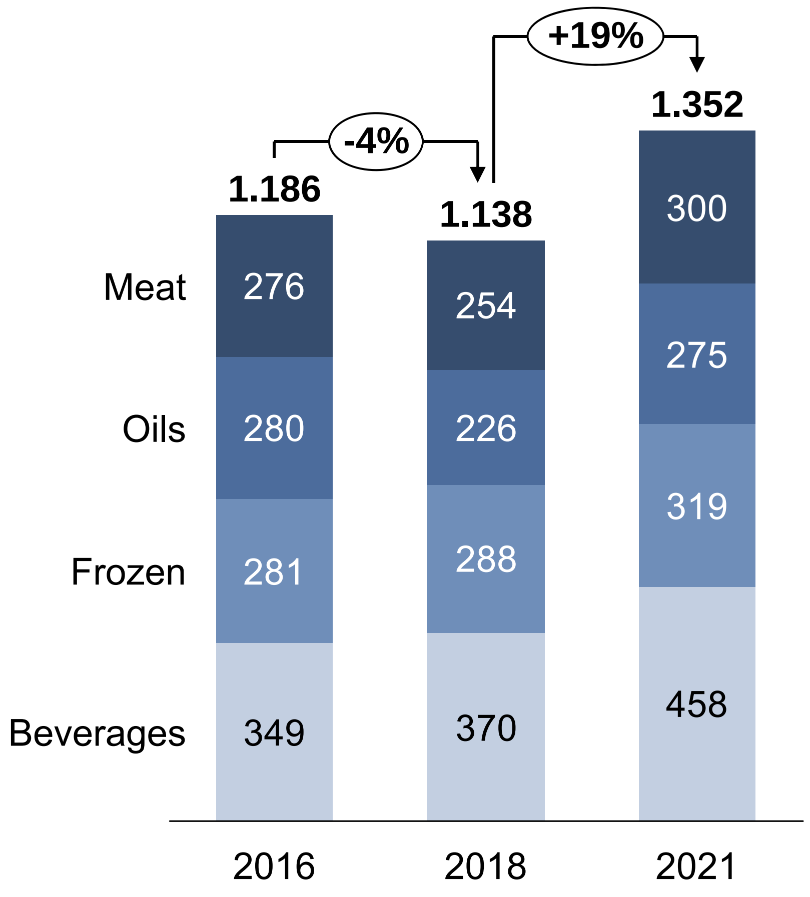
Business	Strategy	Rationale
Beverages	Defend market share and EBITDA margins	• 2017 looking like a record year • Increasing pressure from competition, especially B-brand and PL • Position defendable due to brand equity and strong distribution platform • Next growth wave will require significant CapEx expenditure
Frozen	Defend market share and exploit operational efficiencies to improve EBITDA margins	• 2017 looking like a record year for ice cream • Increasing pressure to move more strongly into B-brand and PL • Position defendable due to brand equity and strong distribution platform • Significant opportunities to streamline and specialise production
Oils	Exploit new revenue sources, exploit operational efficiencies to improve EBITDA margins and add new capacity	• Commodization of the main product category (edible oils) • Opportunities to leverage on Dijamant's strategic location and Zvijezda and Dijamant brands to reduce unit costs and expand into export markets and adjacent categories • Significant cost opportunities in streamlining production and procurement between the two production companies
Meat	Defend market share and leverage significant CapEx to drive EBITDA growth by growing other Adria positions	• Significant historical CapEx investment, low unit costs and capacity utilization • High historical dependence on Agrokor retail • Low level of market concentration outside of Croatia

Source: Agrokor Food companies' business plans – synthesis by project team

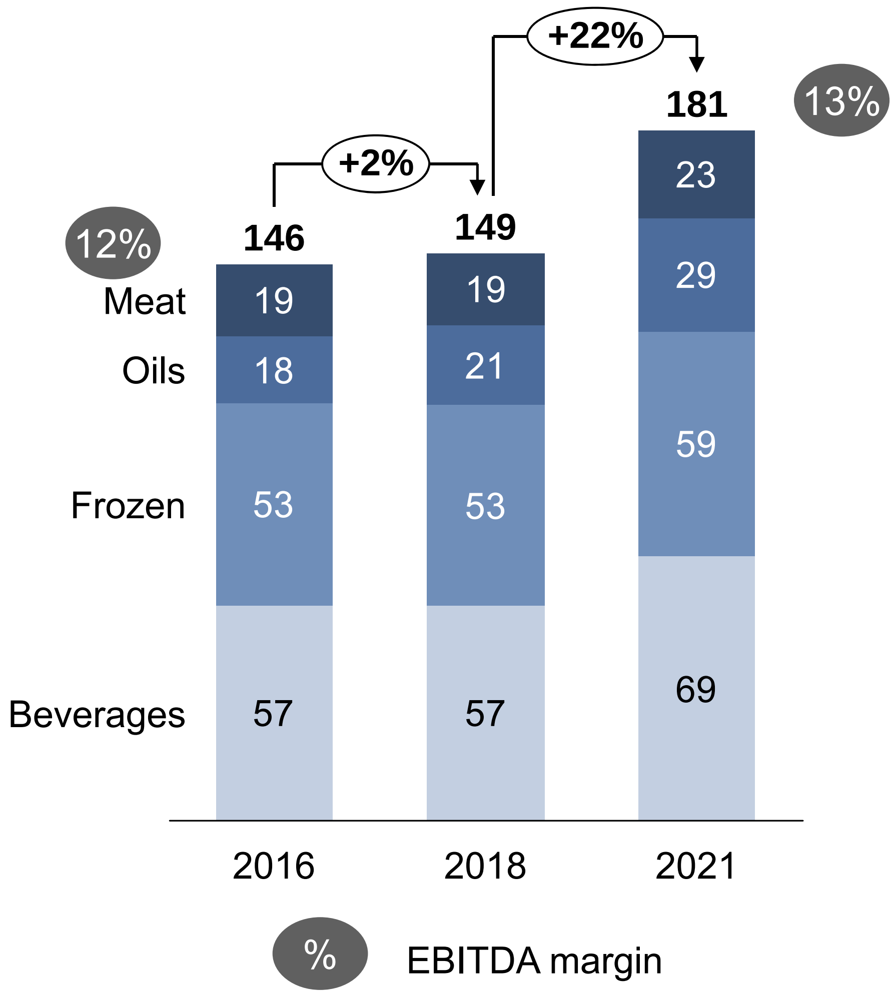
Food plans to grow EBITDA on the back of continuous underlying growth of its markets and through cost optimizations

Food: Revenues and EBITDA 2016, 2018 and 2021; non-consolidated [in EUR m]

Revenue



EBITDA

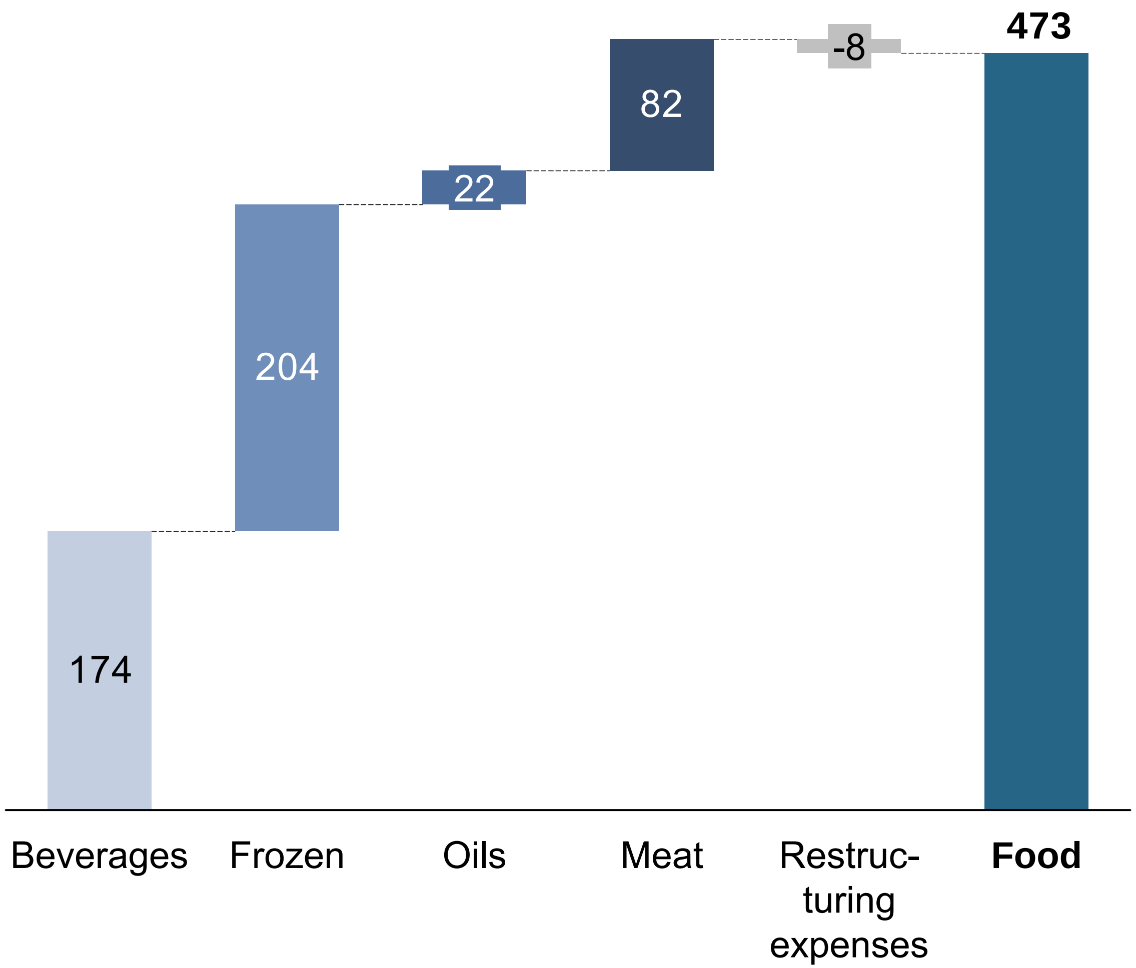


Source: Companies' business plans

Food is expected to generate ~EUR 470m in free cash flow between 2018 and 2021

Food: Cumulative 2018-2021 free cash flow before tax and finance charges; non-consolidated [in EUR m]

Does NOT account for any balance sheet restructuring / haircut



Commentary

- Free cash flow includes:
  - EBITDA
  - Change in working capital
  - Divestments
  - CapEx
  - Restructuring expenses
- Free cash flow does <u>not</u> include:
  - Taxes
  - Finance charges
- Restructuring expenses relate to expenses expected to be incurred by Agrokor d.d. in 2018 and allocated to Food division

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Note: Free cash flow includes EBITDA, change in working capital, divestments, CapEx and restructuring expenses
Source: Companies' business plans

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The Group's agricultural activities ("Agri") are a leading agricultural business in Croatia and one of the largest in the Adria region

Overview

- The main Agri activities are contained in three companies which collectively control over 32,000 ha of arable land in Eastern Croatia, of which 95% is leased from the Government …
  - Belje (Osijek / Sisak): 12 different businesses; core - agriculture and food production; biggest producer of pigs, cattle and cows milk in Croatia
  - PIK Vinkovci (Vinkovci): agriculture production; livestock breeding; commodity trading
  - Vupik (Vukovar): agriculture production; livestock breeding; commodity trading
- … plus other related businesses not owned / operated directly from the core Agri division
  - Trading: Agrokor Trgovina (mainly commodity trading activities)
  - Wine: Agrolaguna (owned by Agrokor) and Mladina (owned by Jamnica)
  - Biofuel: business owned by Agrokor Trgovina, currently represented within APH but strongly linked to and planned to stay with Agri in the future
- These businesses provide much needed employment in the depressed Eastern Croatian area and indirectly play a significant part in the Government's agricultural food security strategy

Source: Project team

Agri is a leading farming and animal production company in Croatia

33.5k ha of land
2.8k ha under irrigation system
780 ha of vineyards

400k annual production of pigs
18k annual production of cattle
10 dairy farms producing 53+ million liters of milk per year

State of the art production facilities in Croatia - EUR 380m invested with own funds since 2005 (Belje EUR 273m, PIK Vinkovci EUR 52m and Vupik EUR 57m)

8 silos with storage capacity of 450k tonnes, largest in Croatia

Revenue: EUR 507m (2016)
EBITDA: EUR 31m (2016)
2,889 employees

Agricultural subsidies from Croatian Government of EUR 20m (2016), expected to continue in the future

Several vineyards producing various branded wines. Average production of 10 million litres per year

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Source: Agrokor Finance department

Agri possesses operating leverage, tradition and know-how that go beyond just financial metrics

Examples of key Agri strengths; annual production; productivity yields in tons per hectare [2016]

Agri

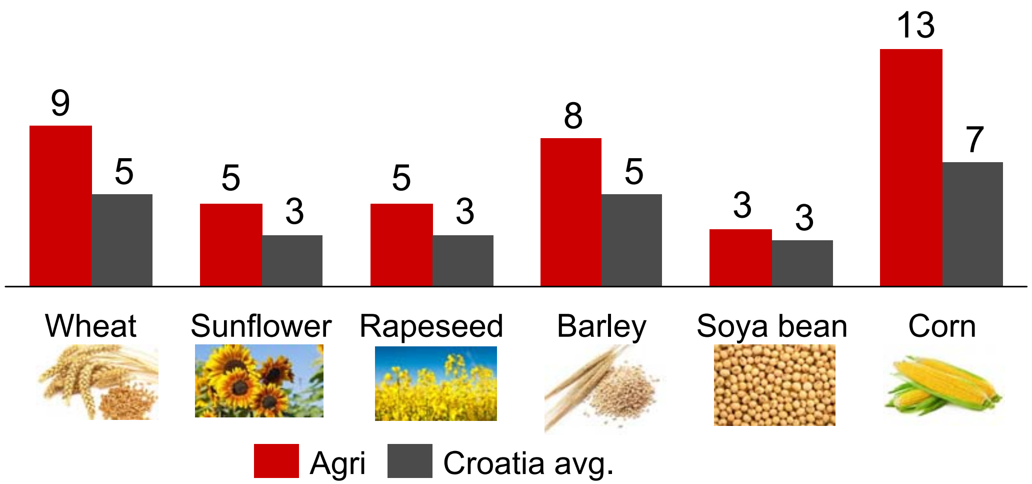
A business with strong operating leverage and fully integrated ‘from field to plate’ production

1 vine cane = **2.3 L** wine

1 cow = **1.7 t** cheese

1 sow = **2.8 t** pork meat

Productivity yields well above national average, owing to modern technologies

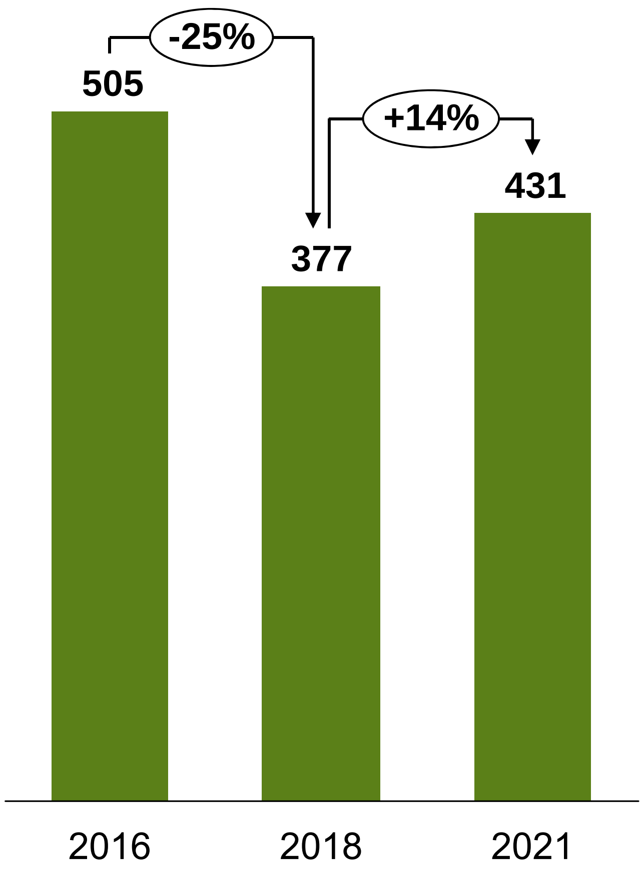


Source: Agri companies marketing departments; Zitozajednica marketing information 2016

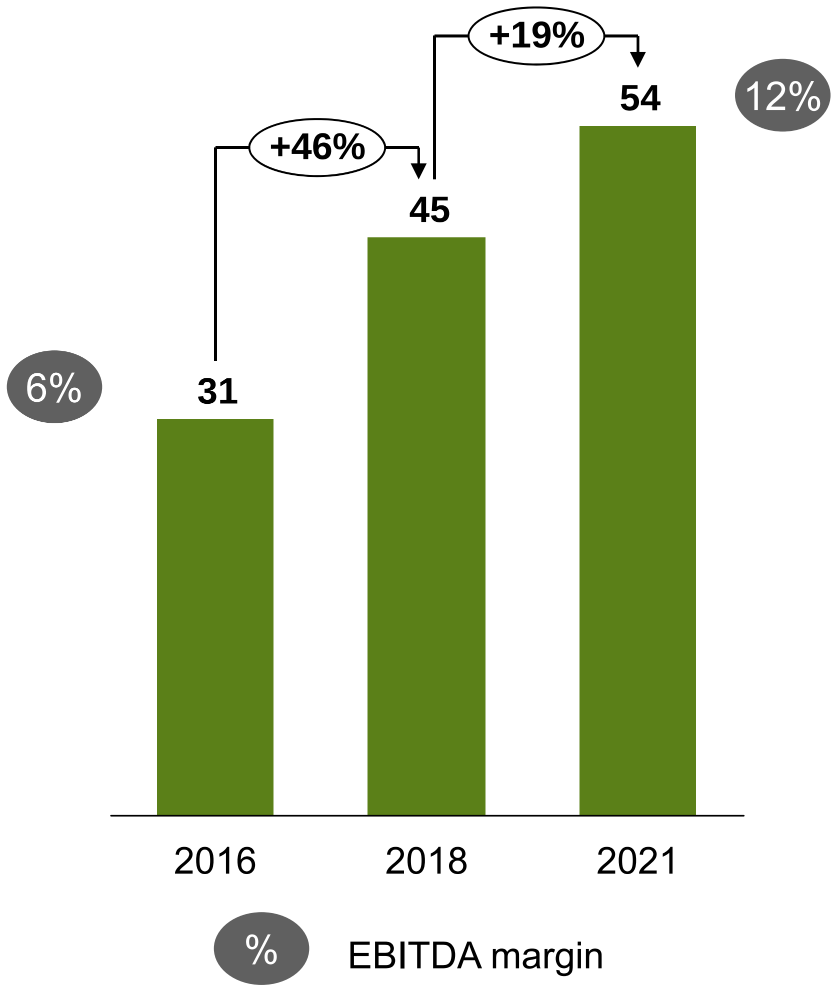
Agri will focus on building EBITDA through business activity consolidation and improvement of production efficiency

Agri: Revenues and EBITDA 2016, 2018 and 2021; non-consolidated [in EUR m]

Revenue[1]



EBITDA



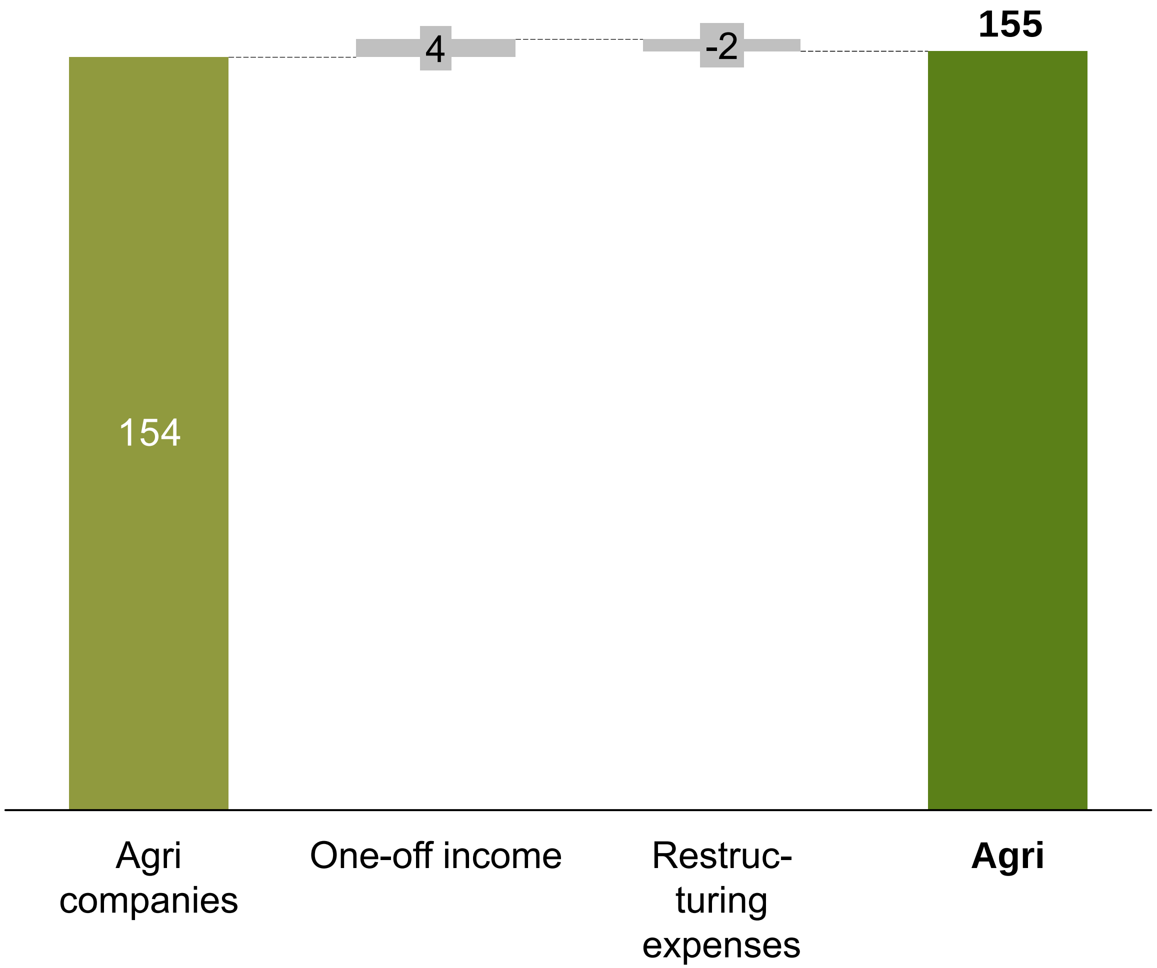
1) Incl. EUR 192m from Agrokor Trgovina in 2016 which is expected to reduce to <EUR 90m by 2021 as Agrokor Trgovina will exit from 3rd party trading activities

Source: Companies' business plans

Agri is expected to generate EUR 155m in free cash flow between 2018 and 2021

Agri: Cumulative 2018-2021 free cash flow before tax and finance charges; non-consolidated [in EUR m]

Does NOT account for any balance sheet restructuring / haircut



Commentary

- Free cash flow includes:
  - EBITDA
  - Change in working capital
  - Divestments
  - CapEx
  - One-off income
  - Restructuring expenses
- Free cash flow does <u>not</u> include:
  - Taxes
  - Finance charges
- One-off income relates to EU subsidies expected in 2018
- Restructuring expenses relate to expenses expected to be incurred by Agrokor d.d. in 2018 and allocated to Agri division

AGROKOR

Note: Free cash flow includes EBITDA, change in working capital, divestments, CapEx, one-off income and restructuring expenses
Source: Companies' business plans

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APH comprises companies outside Agrokor Group's core businesses and real estate across the whole group

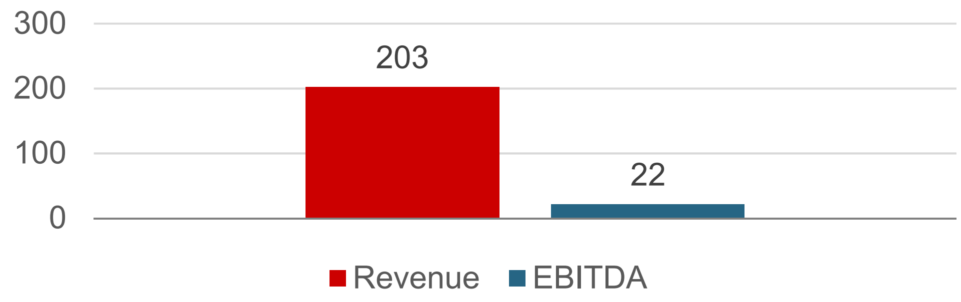
Key facts

# of companies:	80
Dominant sectors:	Travel, Hospitality, Energy, Food (63% of APH revenues)
2016 revenue:	EUR 203m[1]
Key markets:	Croatia, Slovenia, Serbia
Real estate portfolio:	203 assets (movables, land, commercial, residential)

Major APH companies

Key APH financials

Key aggregated financial data, 2016 [in EUR m]



APH initiatives

- APH is run centrally with cooperation from the relevant subsidiaries, with a focus on minimizing cash drainage and generating value
- Key initiatives include the sale of subsidiaries and real estate, expected to generate EUR 40m of free cash flow over four years based on a conservative scenario, as well as rent reduction and the exit of onerous leases
- APH includes 80 legal entities, of which:
  - 41 entities (16 businesses) are operating in various industries in the Adria region. They include market-leading businesses in advertising, travel and salt production
  - 23 entities containing a mix of physical assets (predominantly real estate) and financial assets (predominantly deferred consideration for company sales)
  - 16 are shell companies
- APH also contains a portfolio of 201 real estate assets (and two movables), including:
  - 21,609 sqm of office space
  - 3,376 sqm of commercial properties
  - 5,077 sqm of residential properties
  - 30,341 sqm of Industrial properties
  - 160 ha of land

1) EUR 203m relates to operating companies (EUR 187m), asset companies (EUR 12m) and shell companies (EUR 4m)
Source: Consolidation packages, financial statements

APH have modelled realization scenarios but the outcome is caveated

Valuation

- The value is spread across many diverse companies, sectors, assets, and countries
- The size and potential realizations from selling these assets means a full valuation exercise of each company is not justified
- Some companies have a current cash requirement, and some assets are fast depreciating
- Many of the real estate assets have been for sale for a number of years, suggesting it will be difficult to realize value for them. Some are in a state of disrepair

Information

- In the case of mortgaged assets, the attached liability often applies not only to the APH asset but to numerous “core” assets, making it difficult to estimate net recoveries
- Details on properties (such as area) are taken from the land registry which may not correlate with the actual plots
- Whilst efforts have been made to align the assumptions of the APH viability plan with other divisions, some discrepancies may exist
- Real estate values have been based on unaudited book values and discounts by asset category; formal appraisals could differ significantly
- Generally only 2016 unaudited figures were available; audited figures first became available on 4 October and many APH companies that are not legally required to be audited were not audited

Legal

- Some historical transactions in respect of the companies and assets have an unusual level of complexity
- In many cases ownership is disputed and there are legal proceedings
- Some assets are financial assets where recoveries will require negotiation and / or legal action; the outcome of such actions is difficult to predict
- Restrictions prevent sale prior to the settlement in most cases
- The use of the proceeds from the sales will also be influenced by the settlement; in this context secured lenders may be reluctant to release their security

As a result of these amongst other restrictions, there is a high level of uncertainty around the outcome of APH’s activities

Agrokor d.d. will focus on central functions, restructuring and disposal of non-core assets in the future

Operational function before extraordinary administration

- Agrokor d.d. was the central management and decision-making entity of the Group fulfilling a variety of functions:
  - Preparation and execution of M&A transactions
  - Financial reporting, planning and driving operational improvements across the Group (post-merger integration, identification and realization of synergies, strategic guidance etc.)
  - Capital markets financing via bond issuance and bank loans
- The separate subsidiary businesses were charged a management fee in order to cover the costs of the central management functions

Operational function since 10 April 2017 and in the future

- To simplify the Group's structure and enable a settlement, the holding company operations have become more focused
- Planning and management functions will for the time being continue to be performed by Agrokor d.d.
- Post settlement, it is planned that these services will be provided by a combination of a small centralized service group and the transfer or build up of these activities in the individual businesses
- The level of personnel and associated costs of these activities will be reduced over time from ~EUR 8m in 2018 to ~EUR 4m in 2021; aggregated operating cost between 2018 and 2021 are expected to amount to ~EUR 23m
- Operating companies in the consolidated financials have been charged an annual management fee for these services aggregating to EUR 115m between 2018 and 2021 (~0.5% revenue by segment)
- Since the actual operating costs for these services between 2018 and 2021 are only expected to aggregate to EUR 23mm, there is additional EBITDA headroom of EUR 92m to cover building up the relevant capabilities within the businesses, Group restructuring charges and provisions for unforeseen events