



Agrokor

Contents of the Settlement Term Sheet

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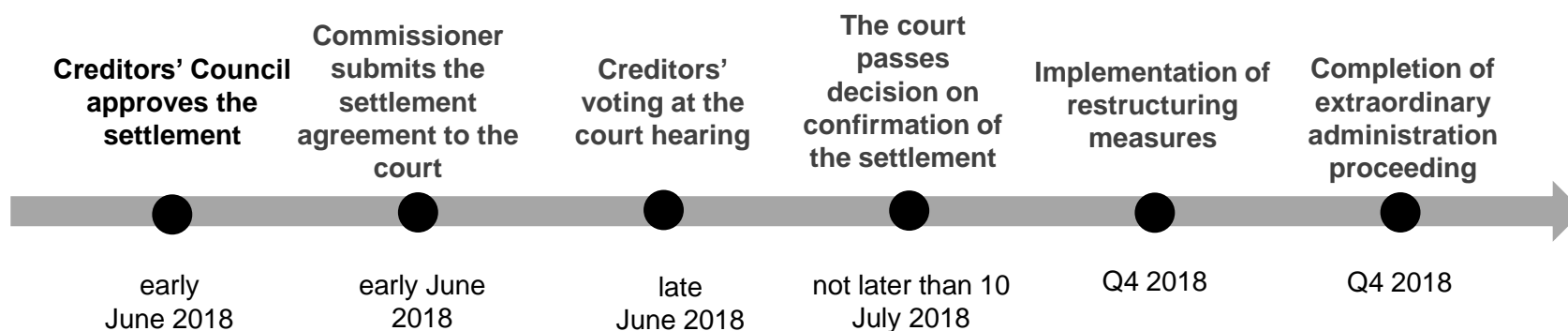
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Introduction

- ❖ In the Extraordinary Administration Proceeding over Agrokor d.d. and its affiliated and controlled companies, the **members of the Interim Creditors' Council and creditors** have been negotiating with the goal of achieving a settlement pursuant to which the current Agrokor Group and its liabilities will be restructured..
- ❖ All members of the Interim Creditors' Council, representatives of the Suppliers' Association and the representative of VTB have in this stage of negotiations **agreed on and signed a term sheet** which represents the framework upon which actual text of the settlement based on filed claims and their legal status will be drafted.
- ❖ The agreed term sheet includes the corporate structure of the new Agrokor Group, treatment and form of settlement of pre-petition claims, new debt of the new Agrokor Group and its capital structure, special arrangement with suppliers on settlement of the so-called border debt and settlement implementation.
- ❖ It has particularly been established that the main criteria for determining individual claim recoveries is the **EPM methodology** which has been developed by international institutions and used in the largest international corporate restructurings.
- ❖ Given that the creditors have agreed on a term sheet, and that they require additional time to agree and finalize the text of the settlement, the Extraordinary Commissioner has proposed to the Commercial Court of Zagreb **that the period of the Extraordinary Administration Proceeding be extended by additional three months**, which was approved by the court .
- ❖ Next steps and projected periods in the settlement process are:

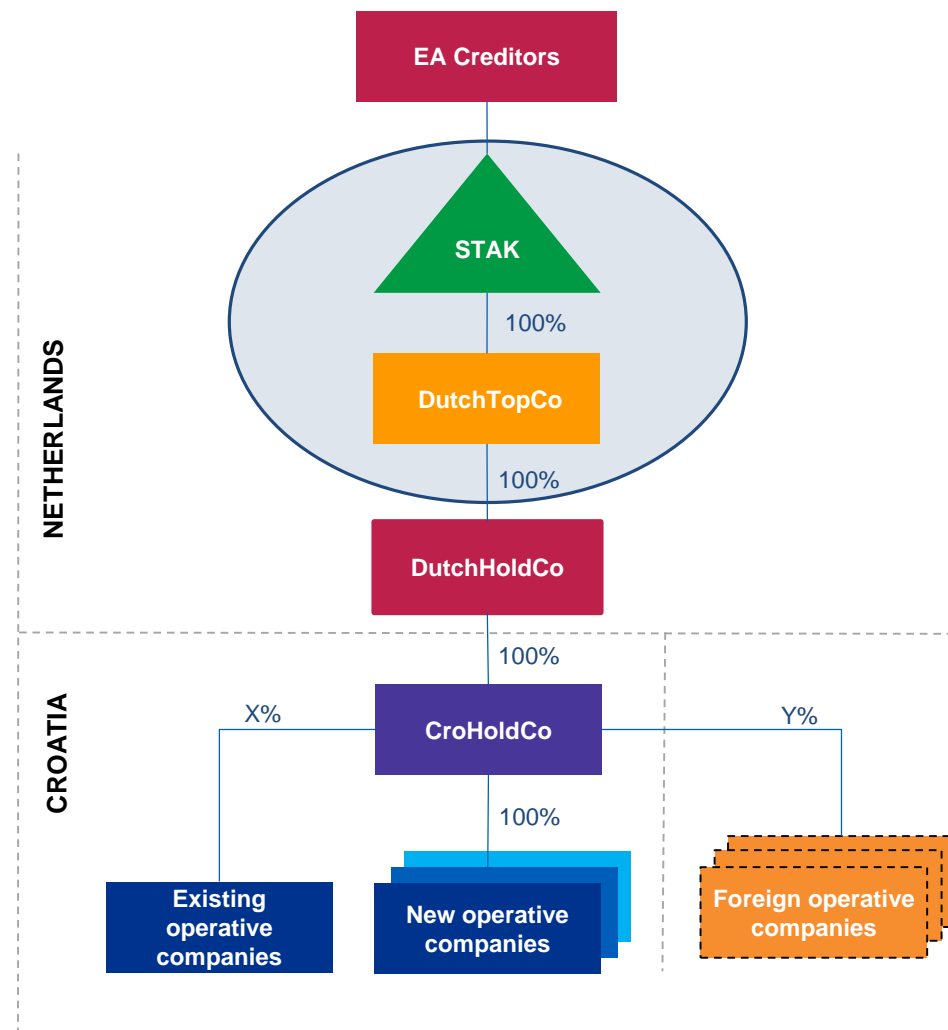


Corporate structure – governance holding structure

New companies forming the governance holding structure - STAK, DutchTopCo, DutchHoldCo and CroHoldCo

- ❖ **STAK** – a company through which the existing creditors will assume control of the new Agrokor Group (“**New Group**”)
 - ◆ A special form of a legal entity in the form of an administrative foundation in Netherlands which will be a formal owner of the whole New Group;
 - ◆ 100% owned by creditors through subscription of depository receipts of ownership issued by STAK;
- ❖ **DutchTopCo** – future parent company
 - ◆ Dutch limited liability company (B.V.);
 - ◆ STAK will issue depository receipts of ownership to creditors for shares held in DutchTopCo;
 - ◆ Governance rights in DutchTopCo (and the entire New Group) will be exercised by the creditors by providing instructions to STAK;
 - ◆ DutchTopCo will own DutchHoldCo

Corporate Structure

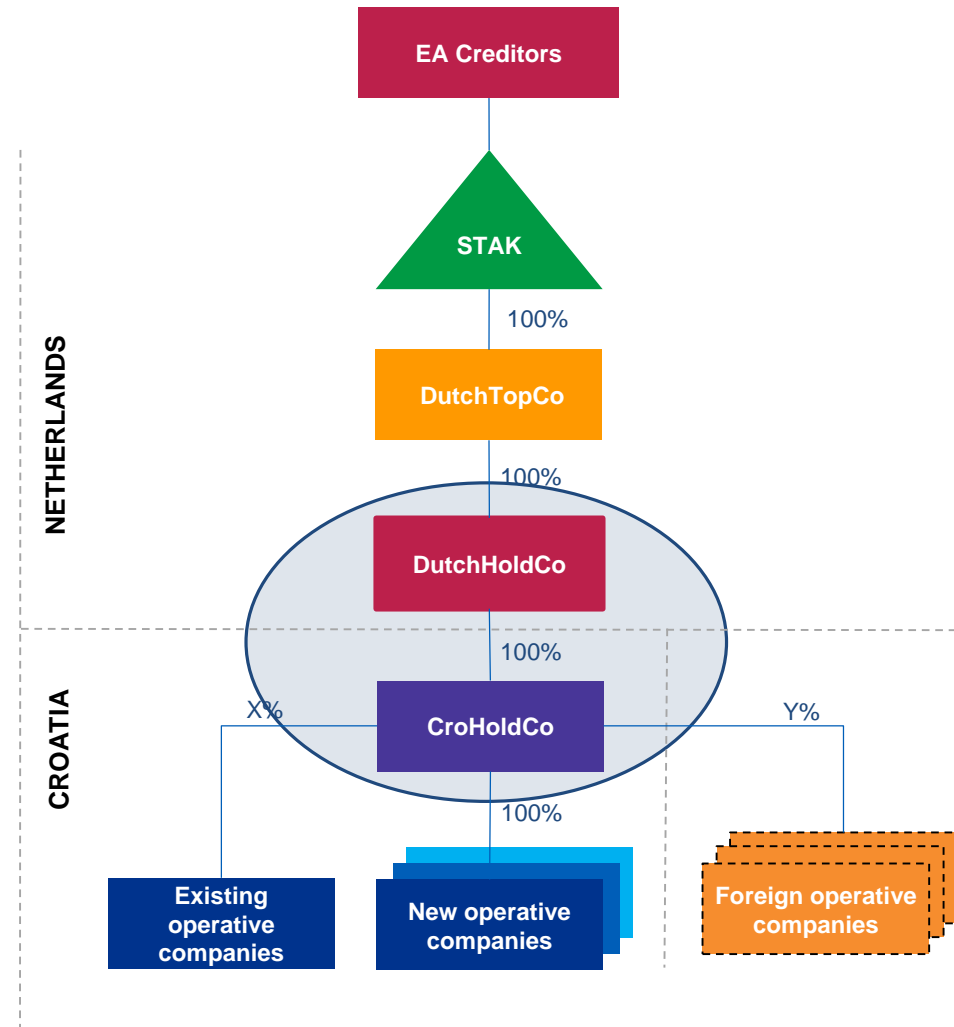


Corporate structure – governance holding structure

New companies forming governance holding structure -
STAK, DutchTopCo, DutchHoldCo and CroHoldCo

- ❖ **DutchHoldCo** – Dutch holding company
 - ◆ Dutch limited liability company (B.V.);
 - ◆ Wholly-owned subsidiary of DutchTopCo and direct parent company of the Croatian HoldCo;
- ❖ **CroHoldCo** – new Croatian holding company
 - ◆ Joint stock company;
 - ◆ Wholly-owned subsidiary of DutchHoldCo and the parent and holding company of all operative companies;

Corporate Structure

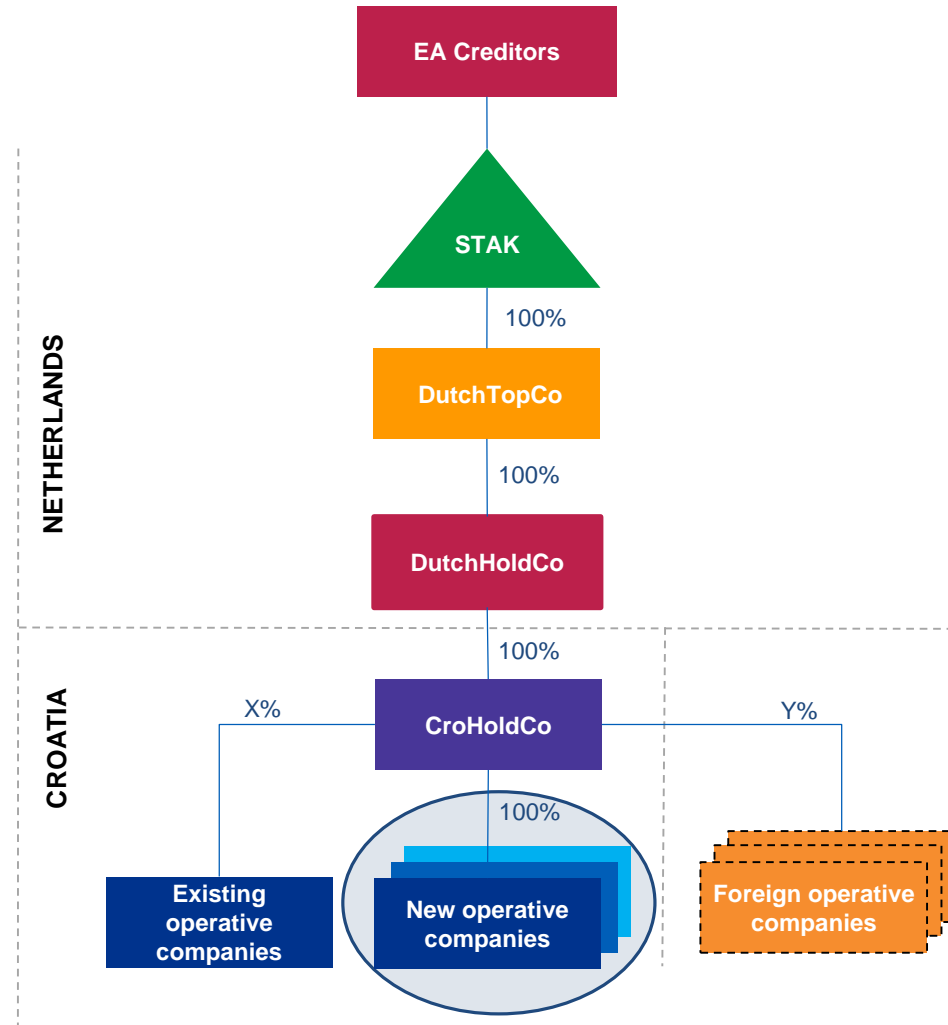


Corporate structure – operative structure

New and existing companies forming operative structure

- ❖ New companies
 - ◆ Limited liability companies (d.o.o.);
 - ◆ In **direct ownership** of the **CroHoldCo**;
 - ◆ As **mirror companies will assume entire assets (business units) of existing companies** which are insolvent (for which it has been determined that their liabilities exceed their assets), without simultaneous assumption of pre-petition liabilities;
 - ◆ Goal:
 - Ensuring of continuation of business operations post-settlement without legacy liabilities;
 - The existing outside shareholders of the Agrokor Group, share pledges and repo claims are removed;
 - The old structure is separated from the new structure and there are no cross-guarantees.

Corporate Structure

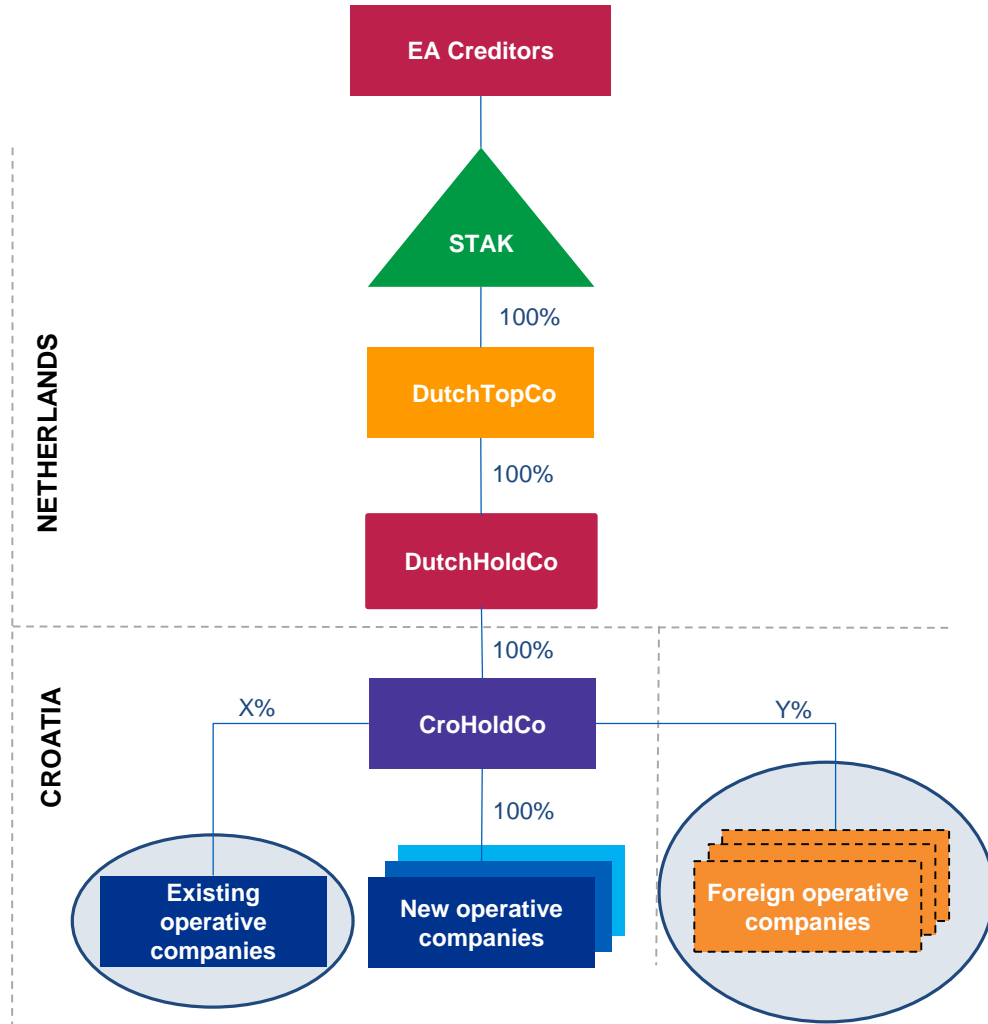


Corporate structure – operative structure

New and existing companies forming operative structure

- ❖ Existing companies
 - ◆ Solvent companies (for which it is established that their assets exceed their liabilities) and companies domiciled outside Croatia
 - ◆ **Shares of the Agrokor Group in these companies will be transferred to the CroHoldCo;**
 - ◆ Such transfer **will have no effect** on minority and majority shareholders and creditors of each such subsidiary

Corporate Structure



Treatment of pre-petition creditors

❖ Unsecured claims

- ◆ Recovery through receipt:
 - **of ownership shares in the New Group** (depository receipts of ownership issued by STAK) and
 - **new claims against the New Group** (convertible bonds issued by DutchTopCo),which will be stapled together in the manner that they cannot be disposed of separately.
- ◆ The amount of recovery in the form of depository receipts and bonds shall be determined based on the **EPM methodology** (which calculates a rate of recovery separately for each individual company under Extraordinary Administration);
- ◆ Each creditor shall receive an equal proportion of depository receipts and convertible bonds;
- ◆ An exception to the above recovery model: For creditors with small amount of claims a **cash payment option** of the determined recovery with a certain discount is being considered.

❖ Secured claims (which are secured by a separate satisfaction right on individual assets – pledges; they are not claims which are secured with third party guarantees)

- ◆ their recovery depends on whether the claim is covered by the value of the collateral;
- ◆ Recovery through:
 - in the portion of the claim which is covered by the value of the collateral – **through assuming new claims against the New Group** which will have the same par value as their pre-petition claims (and which will all have a uniform maturity date and an interest rate not higher than the market rate); the existing collateral is not cancelled and is transferred as security of the new claim
 - in the portion of the claim which is not covered by the value of the collateral – **like other unsecured claims** (and in that part are subject to the same write-off)

Debt structure of the New Group

❖ New loan (Exit Facility)

- ◆ CroHoldCo will enter into a new loan arrangement whereby it will entirely refinance the existing super senior loan facility in the amount up to 1,060 million EUR entered into by Agrokor d.d. in June 2017 (“*SPFA*”);
- ◆ The terms of this facility are to be determined.

❖ Newly-determined debt

- ◆ Secured claims;
- ◆ The debt of the existing and foreign operative companies which is not subject to write-off.

❖ Financing of operative companies

- ◆ Possible financing of operative costs of the companies through revolving facilities whereby liquidity needs due to seasonality of the business would be met;
- ◆ Mutual financing of the operative companies in the New Group:
 - Only direct financing between the CroHoldCo and individual operative companies;
 - Mutual financing of operative companies like in the old Agrokor Group is not envisaged.

Capital structure of the New Group

- ❖ Claims of creditors in the Extraordinary Administration Proceeding will be settled through a combination:
 - ◆ Equity instruments (STAK – depositary receipts) and
 - ◆ Debt instruments (DutchTopCo - convertible bonds).
- ❖ The allocation of equity and debt instruments will be determined on the basis of the EPM methodology which calculates the rate of recovery of creditors by each company under extraordinary administration;
- ❖ Each creditor will at the same time receive a portion of equity and debt instruments (in the same proportion) which will be stapled together in the manner that they cannot be disposed of separately.
- ❖ The sale of equity and debt instruments will be possible only in private trades and under the requirement that stapling is observed.

Special arrangement with suppliers

An agreement has been reached with suppliers regarding payment of the so-called border debt on certain conditions

- ❖ **Border debt** represents pre-petition debt on which Article 40 par. 3 of the EA Act may be applied.
- ❖ **Border debt subject to payment** pursuant to the arrangement: border debt owed by any Agrokor member to a creditor whose claims have been determined in the proceeding (eligible creditors), and which is divided into claims A, B and C.
- ❖ The highest total amount of border debt which can be paid (Claims A, B and C): **EUR 80 million**.
- ❖ **Claims A** represent border debt to eligible suppliers which entered at the latest on 5 April 2018 into the agreement on continuation of business cooperation under the essentially same terms with any member of the Agrokor Group
- ❖ **Claims B** represent border debt indirectly to eligible suppliers which entered at the latest on 5 April 2018 into the agreement on continuation of business cooperation under the essentially same terms with the respective member of the Agrokor Group and which border debt is by 30 April 2018 re-acquired by eligible suppliers.
- ❖ **Claims C** are all border debt claims which do not qualify as claims A or B.

Special arrangement with suppliers – cont.

Conditions for payment of border debt pursuant to the arrangement

- ❖ Eligible suppliers shall have an annual contingent border debt payment right **for the period of 2018, 2019, 2020 and 2021** provided Konzum's performance achieves a certain performance in the relevant calendar year (the performance being the agreed EBITDA threshold of Konzum):
 - ◆ **The border debt amount to be paid for each calendar year:** the amount by which the EBITDA realized in each relevant calendar year exceeds the threshold EBITDA in that calendar year
 - ◆ The threshold EBITDA is **EUR 38.8 million**.
 - ◆ The total amount of all yearly payment amounts **cannot exceed EUR 80 million**.
 - ◆ The definition of EBITDA used when determining Konzum's performance has been specifically agreed.
- ❖ The amount of border debt to be paid shall be paid to eligible creditors in the following manner:
 - ◆ First, to eligible creditors of Claims A, in the manner that eligible creditors whose percentage of recovery of border claims until that moment is the lowest are paid first, until such eligible suppliers are equalized with the rest of the eligible suppliers holding claims A, and until the recovery of Claims A of all eligible suppliers is 100% (Levelling Principle);
 - ◆ Second, to eligible creditors of Claims B applying the same Levelling Principle; and
 - ◆ Finally, if any funds remain, to eligible creditors of Claims C applying the same Levelling Principle.
- ❖ The obligation to pay border debt pursuant to the arrangement shall be determined on DutchTopCo, in favour of the Payment Agent appointed by the eligible supplier;
- ❖ The obligation to pay border debt terminates on expiration of four years regardless of the amount of the border debt finally paid.

Special arrangement with suppliers – cont.

❖ Reallocation of consideration under the Settlement

- ◆ The consideration allocated to eligible suppliers (in the form of depositary receipts and convertible bonds) under the Settlement with respect to border debt subject to this special arrangement will be reallocated in the following two ways:
 - by way of a cash payment under the above prescribed mechanism pursuant to the arrangement; and
 - for the portion of border debt not settled in cash after the four year period, the eligible creditor will be settled as any other creditor of an unsecured claim under the Settlement (in the form of depositary receipts and convertible bonds).

❖ Eligible suppliers' position on the shelves of new operative companies

- ◆ Retail operative companies of the New Group shall retain eligible creditors as suppliers for 5 years after the settlement with the agreed upon presence of products of eligible creditors on shelves of operative companies;
- ◆ Retail operative companies shall apply the arm's length principle in relationships with all suppliers, regardless of whether they are members of the New Group or third parties.

❖ Support of eligible supplier creditors to the Extraordinary Administration Proceeding and the Settlement

- ◆ Large and small suppliers' representatives in the creditors' council shall support the settlement, associated resolution and transactions related to the realization of the settlement.
- ◆ The management board of the Suppliers' Association shall support the process and the Settlement.
- ◆ Suppliers shall not have further commercial demands.

Miscellaneous

❖ Temporary holding vehicle for recovery instruments for contested claims

- ◆ If claims of certain creditors are contested and at the time of the settlement the court has not yet reached a decision on their existence, a temporary holding vehicle shall hold recovery instruments for creditors of those contested claims;
- ◆ In case of a final court decision that these claims do not exist, the recovery instruments shall be redeemed by the STAK and DutchTopCo.

❖ Employees

- ◆ All contracts for employment shall be transferred to the New Group.

❖ Settlement implementation

- ◆ It is envisaged that in order to achieve greater certainty of reaching a settlement, lock-up agreements on settlement support shall be executed prior to the conclusion of the settlement.

APPENDIX

- Capital Structure of the New Group**
- Corporate Governance**

Capital Structure of the New Group

Equity instrument - Depositary receipt of ownership issued by STAK for the shares STAK holds in DutchTopCo

- ❖ Creditors shall exercise their ownership rights by voting in the STAK (one depositary receipt = one vote)
- ❖ STAK will exercise its voting rights with respect to the shares it holds in DutchTopCo in the same proportion to the instructions STAK receives from creditors (i.e. there will be no aggregation of creditors' votes on the level of STAK)
- ❖ Elements to be included in the equity instruments
 - ◆ anti-dilution right
 - ◆ tag-along right
 - ◆ drag-along right
- ❖ Creditors will influence the governance of the New Group through the appointment of management boards and limitations in their actions.
- ❖ Depositary receipts shall entitle creditors to the following rights :
 - Information rights
 - Consent rights (material disposals of assets, debt incurrence, loan provision, appointment of directors, changes of constitutional documents, etc.)
 - Profit participation

Capital Structure of the New Group – cont.

Debt instrument – Convertible bonds issued by DutchTopCo

- ❖ Convertible bonds are bonds which may be converted into depositary receipts under certain circumstances;
- ❖ Example of circumstance in which bonds may be converted into depositary receipts:
 - ◆ at maturity if not redeemed in full until then
 - ◆ in events of default
 - ◆ IPO
- ❖ Convertible bonds will not benefit from guarantees nor will they be secured;
- ❖ English law will be applicable with respect to the bonds, while the conversion will be performed under the laws of the Netherlands.

Corporate Governance

Rights of creditors as owners of the New Group

- ❖ The rights of creditors as owners will be included in the articles of association of each holding an operative company to ensure creditors can exercise these rights down the whole equity structure.
- ❖ The creditor rights will include standard information rights, rights equivalent to the rights shareholders have and certain consent rights (reserved matters).
- ❖ Creditors who hold depositary receipts that jointly represent at least 5% of depositary receipts in the STAK shall have the right to request a proposal for a creditor instruction in respect of a Dutch TopCo vote.

Board composition and Voting

- ❖ Following completion of the Settlement, the appointment of the board of Croatian HoldCo will need to be approved by each shareholder holding company above Croatian HoldCo, to enable creditors to control the composition of the board.
- ❖ The appointment and removal of the board of the subsidiaries will need to be approved by a simple majority of the board of Croatian HoldCo.
- ❖ For reasons of operational efficiency, the composition of the boards need not be replicated for each subsidiary which shall have a management board only (and not the supervisory board) to the extent permissible by Croatian law.
- ❖ Each OpCo board shall be compelled to refer to the Board (in its capacity as the representative of the shareholder) for approval of:
 - ◆ certain matters which are material to the business of the whole New Group, and
 - ◆ matters which would result in the occurrence of a material deviation by such operative company from its annual operating budget (or equivalent)).