

Overview of advisors' scope and fees related to the restructuring of Agrokor through the Extraordinary Administration Procedure



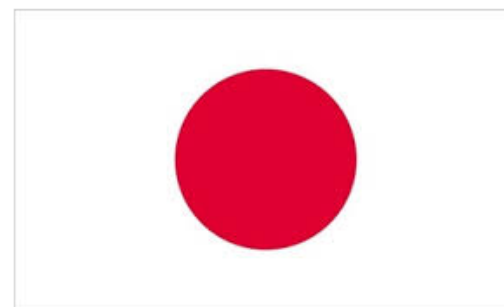
Overview of the magnitude of the problem the Extraordinary Administration at Agrokor was faced with at opening the procedure



- ❖ Total claims filed amounted to **HRK ~57 bn**
- ❖ Total claims filed by third parties amounted to **HRK ~45bn** which equals:
 - ◆ **13 per cent of the gross domestic product** of the Republic of Croatia for 2016
 - ◆ **34 per cent of the state budget** of the Republic of Croatia for 2018



- ❖ By way of comparison, a company of equal systemic importance for Germany would have **900,000 employees**
 - ❖ Its suppliers would employ **5 million people**
 - ❖ and its debt would amount to **EUR 650 bn**
- (Agrokor's bankruptcy is one of the largest in Europe in the last 100 years and the largest restructuring worldwide last year)

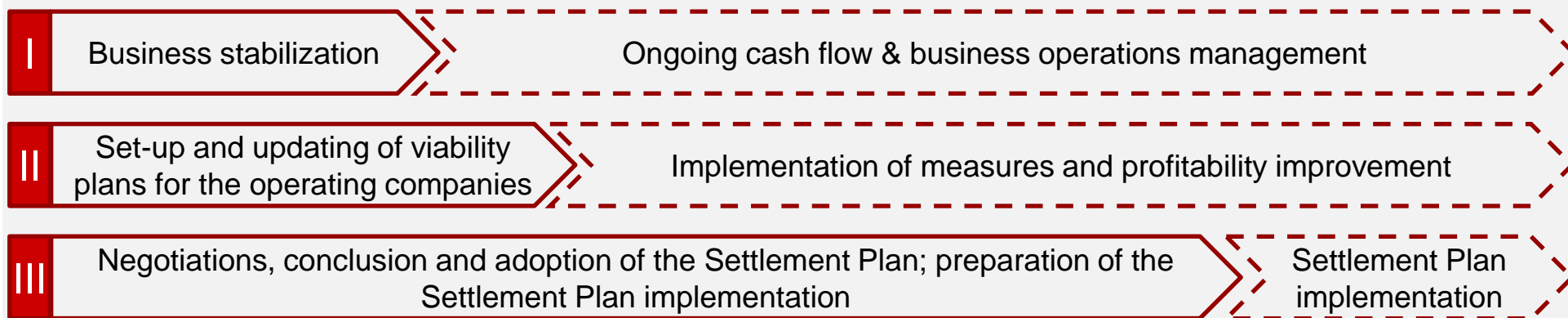


- ❖ The damage caused by the **earthquake and tsunami in Japan in 2011** amounted to **5.5 per cent of Japan's GDP**

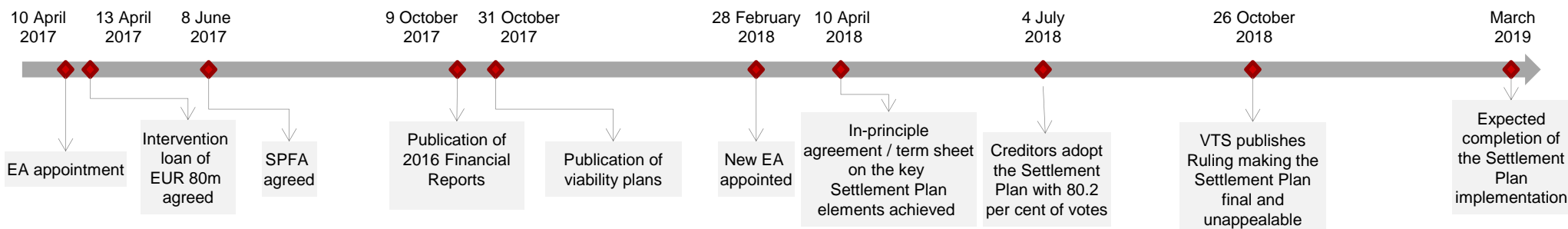
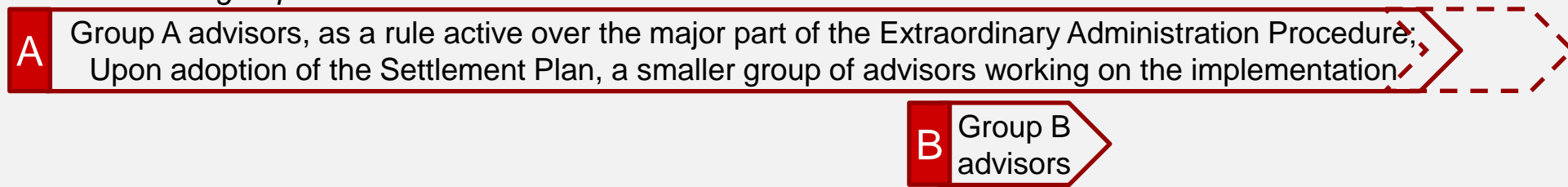
To overcome the problems, work has over the entire course of the procedure been organized in three parallel work streams:

Process timeline and key work groups

Process



Advisors' work groups



Huge debt, disorderly business records and exceptional complexity of the procedure dictated for the Settlement Plan to be double-checked based on the „four-eye principle”

The restructuring of Agrokor was conducted according to the world’s best practice, with the support of highly renowned international and local advisory firms



- The restructuring of Agrokor, with its total debt having reached the amount of EUR 7.7bn, is **one of the most complex undertakings of its kind globally.**
- **The business records disorder** was one of the key reasons to run all possible additional checks for the creditors to have full comfort as to the soundness of the agreement reached by way of the Settlement Plan



- Group A are advisors retained as a rule since the beginning of the Extraordinary Administration Procedure to work on the financial and operational restructuring and Settlement Plan preparation, as well as on managing numerous legal procedures.
- Group B are advisors hired upon request of the Interim Creditors’ Council to double-check all calculations and the Settlement Plan wording.

- Pursuant to the provision of Article 43, paragraph 7 of the Extraordinary Administration Act, the Extraordinary Commissioner has to agree the Settlement Plan proposal with the Creditors’ Council and to this end it was required to **establish a double-checking system based on the "four-eye principle”**; Hence finally **two independent groups of advisors were engaged** with specific professional experience and references.

Group A advisors' fees amount to around EUR 69.4m, while Group B advisors' fees amount to around EUR 15.9m

A and B Advisor Groups were engaged in different periods over the course of the procedure

Group A: Advisors to the Agrokor Group

- Group of advisors **retained** to prepare the settlement proposal, draw up the viability plan, manage cash flow and provide legal, communication and forensic support
- **Provided that a settlement was reached** by July 10 2018, total fees for the Group A advisors were in fall 2017 **estimated at around EUR 69m, while the final amount including success fees is around EUR 69.4m and includes the work done so far by some of these advisors on the Settlement Plan implementation**
- **20 advisory and law firms, ie. their teams with a total of more than 200 people**, have over the course of 15 months been engaged on the restructuring of Agrokor and the Settlement Plan preparation; about a dozen firms and law offices have continued to work on the implementation of the Settlement Plan upon its adoption

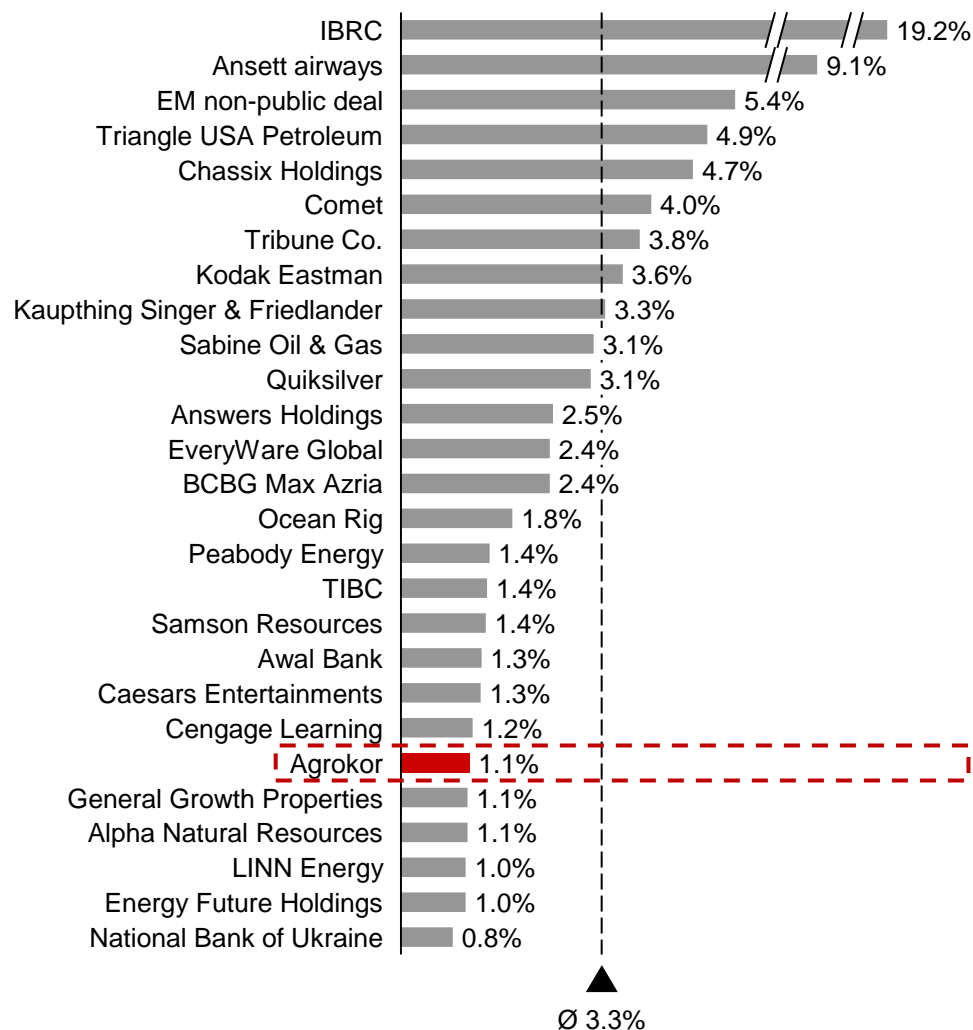
Group B: Advisors to the Interim Creditors' Council

- Group of advisors hired upon request of the Interim Creditors Council and contracted by Agrokor **to analyze, revise and provide support to the negotiations of the Settlement document** proposed by the EA and to advise and report to the Interim Creditors' Council
- **Total fees of Group B advisors with success fees amount to around EUR 15.9m**
- **Advisory and law firms** in this group were mostly engaged from May to July 2018.

A comparison with similar restructuring cases in the world shows that Agrokor's advisory fees are among the lowest when compared to its debt

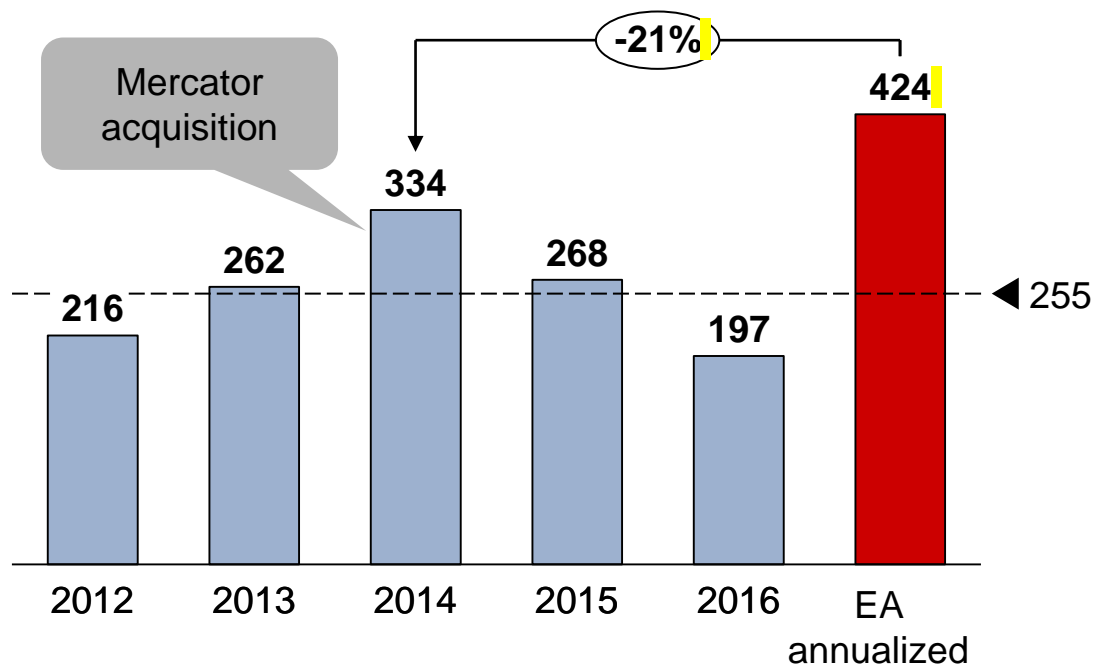
- ❖ With a view to putting the advisory fees in context it is important to benchmark / compare them to restructuring costs in similar situations across the globe
- ❖ **Agrokor's total restructuring cost as at the end of October 2018 amounts to 1.1% of its total debt**
- ❖ In the comparable set of 26 global restructuring situations, the total advisory fees ranged from 0.8% to 19.2% of total debt, **with the average being at 3.3%.**
- ❖ It is also important to note that most of these global restructuring examples cannot be directly compared to Agrokor in terms of complexity, as the majority of them only entailed a single company with a simple capital structure.

Total share of advisory costs in the total debt of the company (%)



In spite of the extraordinary situation, advisory fees do not differ significantly from the regular advisory fees paid by Agrokor in previous years

Agrokor Group advisory costs¹⁾ (2012-2018, HRK m)



- In the year of **Mercator acquisition** (extraordinary event) advisory fees were only **21 % lower than the annualized Extraordinary Administration advisory fees**
- In **2016** when **Agrokor was already facing severe business challenges** and struggling with declining business and lack of liquidity, the advisory fees **were close to HRK 200m.**
- **The average annual costs** over the course of five years prior to the EA were **HRK 255m.**

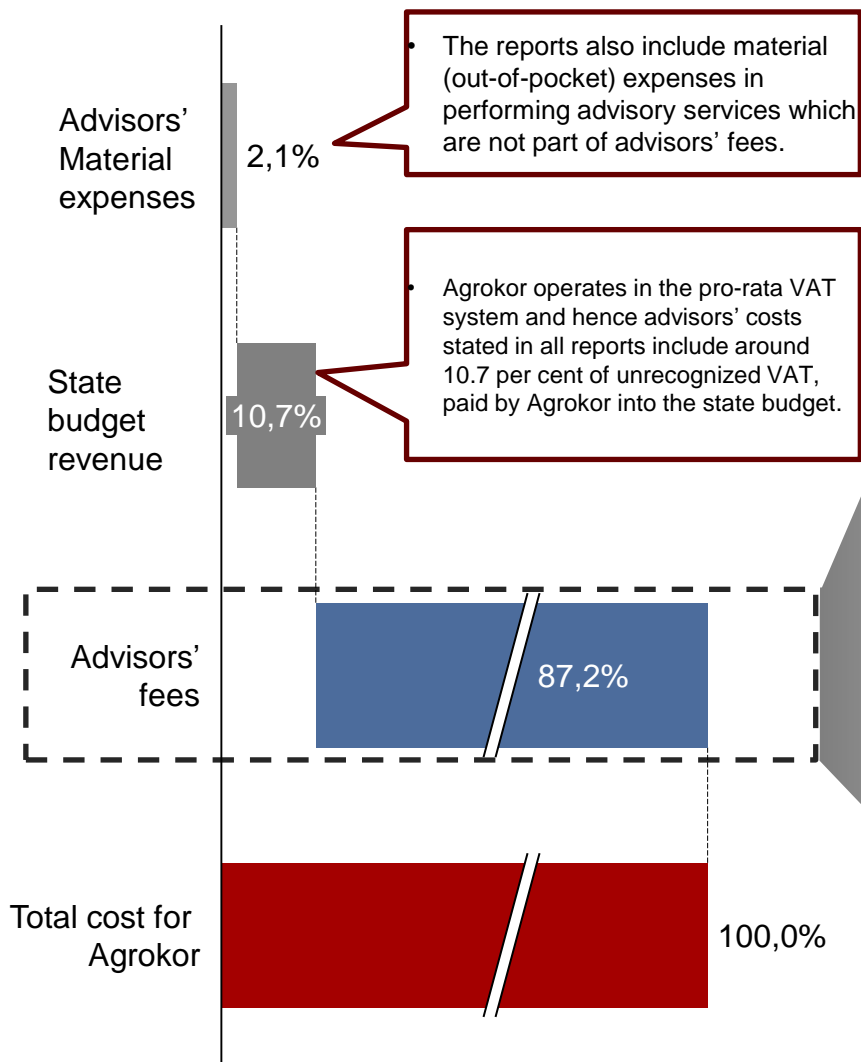
List of 25 key advisors with total cost²⁾ (2012-2016, HRK m)

#	Tvrtka	Total (HRK m)
1	Baker Tilly	181.1
2	Weigandt	96.9
3	McKinsey & Company	85.2
4	Slaughter and May	47.9
5	J.P. Morgan	41.6
6	Blackstone Group Int	33.6
7	Cravath, Swaine & Moore	33.4
8	Publikum	30.8
9	Mondo Tera D.O.O.	27.0
10	Investco D.O.O.	24.6
11	Latham & Watkins	22.5
12	T.F. Lovše D.O.O.	20.2
13	BDO	15.0
14	Auctor D.O.O.	9.6
15	Siggman Invest AG	9.5
16	Rojs, Peljhan, Prelesnik & partnerji	8.6
17	Deloitte	8.0
18	BNP Paribas	7.6
19	Ernst & Young	7.4
20	PricewaterhouseCoopers	6.8
21	Moody's Investors Service	6.0
22	Integralni marketing i komunikacije	5.7
23	Standard & Poor's	5.6
24	Roland Berger	5.3
25	ILIRIKA borzno posredniška hiša	5.2

Note: 1) Data on costs were obtained on the basis of costs recorded on specific accounts.. 2) Costs for some companies include the costs across several countries and business entities

Total contracted and success fees for the two advisor groups amount to around EUR 85.3m at the end of October 2018 (1/2)

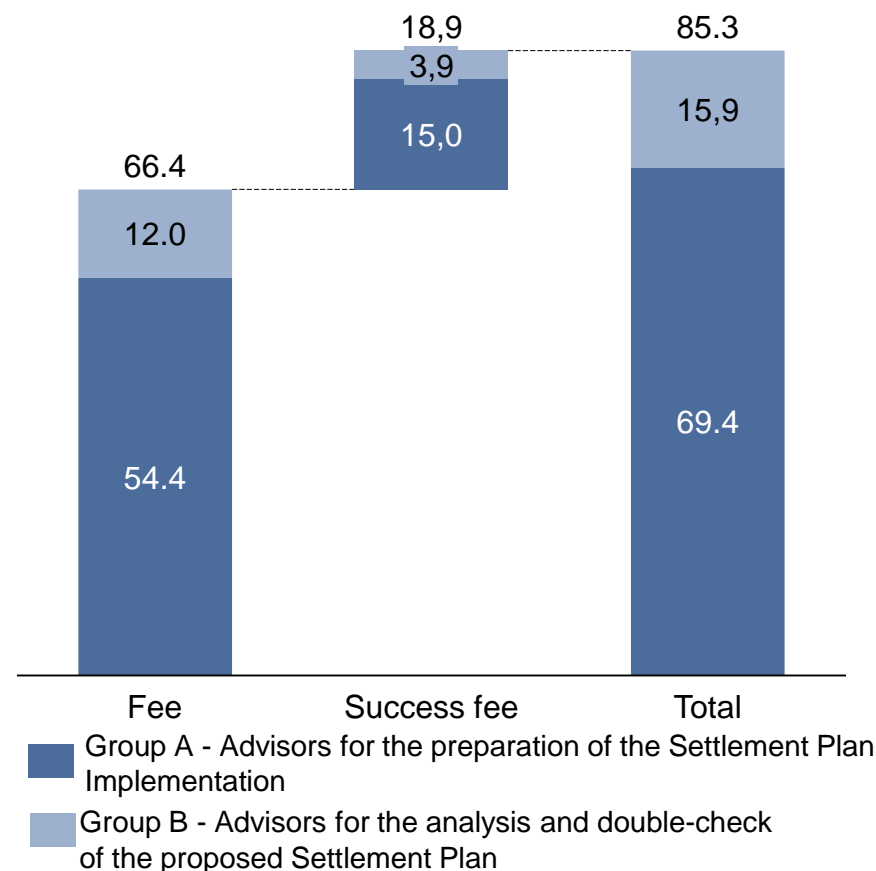
Breakdown of typical advisory costs stated in the monthly reports



TOTAL ADVISORY FEES

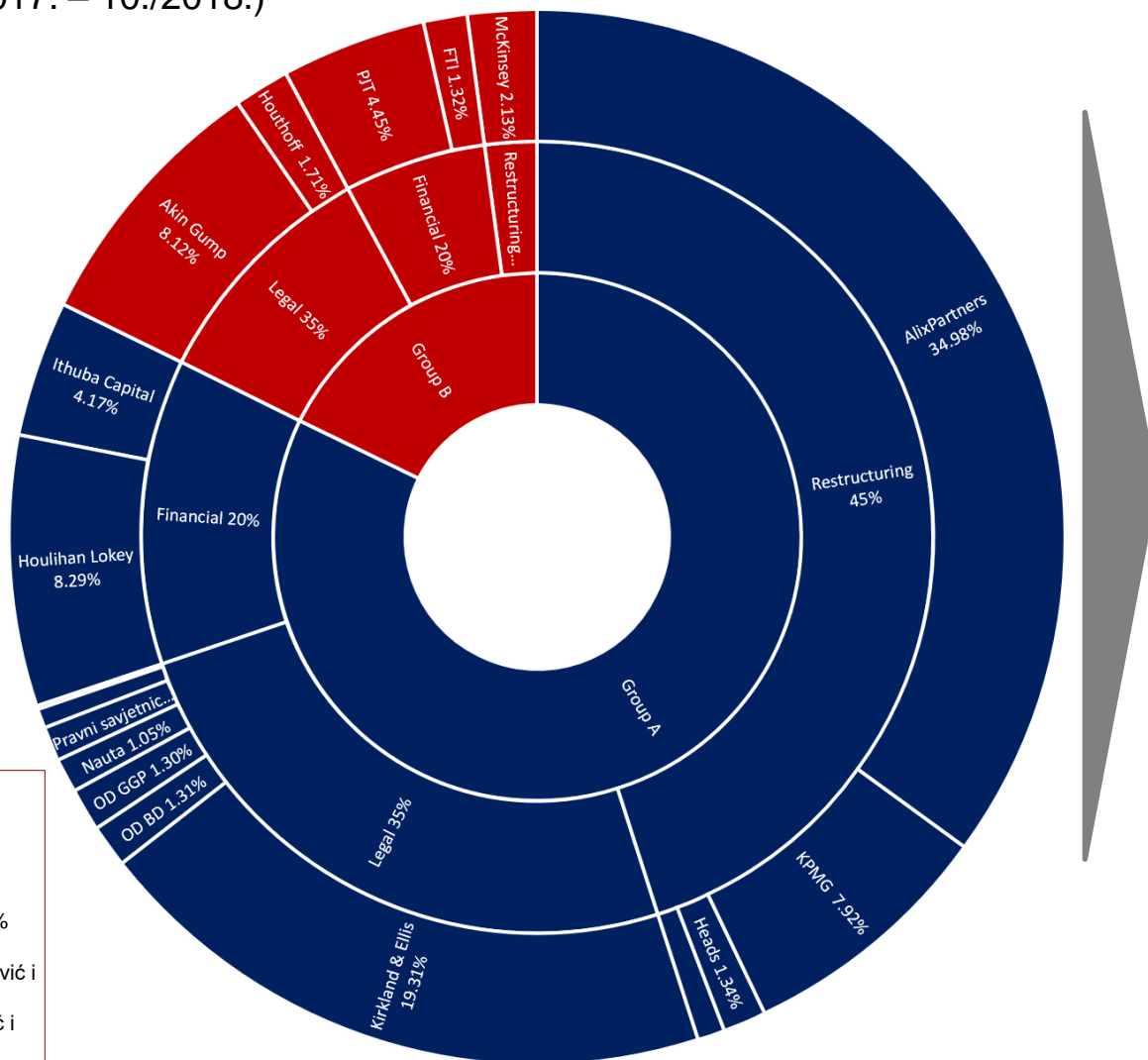
April 2017 – October 2018. (mil. EUR)

- EUR 85.3m amounts to ≈1.1% of Agrokor's total debt
- Around 1/3 of comparable international fees (benchmark) on similar projects (3.3%)



Total contracted and success fees for the two advisor groups amount to around EUR 85.3m at the end of October 2018 (2/2)

Contracted and success fee by advisory company (04./2017. – 10./2018.)



#	Firm	% of total fees	EUR m
1	AlixPartners	35,0%	29,8
2	Kirkland & Ellis International LLP	19,3%	16,5
3	Houlihan Lokey EMEA LLP	8,3%	7,1
4	Akin Gump LLP	8,1%	6,9
5	KPMG Croatia and other KPMG offices	7,9%	6,8
6	PJT Partners (UK) Limited	4,5%	3,8
7	Ithuba Capital AG	4,2%	3,6
8	McKinsey&Company	2,1%	1,8
9	Houthoff Coöperatief U.A. and Austrian legal advisors	1,7%	1,5
10	Heads ¹	1,3%	1,1
11	FTI Consulting LLP	1,3%	1,1
12	Law Firm Bogdanović, Dolički & partneri	1,3%	1,1
13	Law Firm Gajski, Grlić, Prka i partneri	1,3%	1,1
14	Nauta Dutilh N.V.	1,1%	0,9
15	Legal advisors in Slovenia, Serbia, B&H and Montenegro ²	1,1%	0,9
16	Kroll ³	0,8%	0,7
17	Law Firm Krajinović i partneri	0,6%	0,5
18	Law Firm Šavorić i partneri ⁴	0,1%	0,1
Ukupno		100%	85,3

8

Other:
 • Legal advisors in Slovenia, Serbia, B&H and Montenegro 1.1%
 • Kroll 0,8%
 • Law Firm Krajinović i partneri 0,6%
 • Law Firm Šavorić i partneri 0,1%

Note: 1) One-off engagement on the HR development project; 2) occasional engagement of legal advisors in the region on litigation, at need - Odvetniška družba Rojs, Peljhan, Prelesnik & partnerji o.p., d.o.o., Harrison Solicitors, Advokatska Kancelarija Veselinović, Marić & Co; 3) Specialized forensic firm, engaged in part of the Extraordinary Administration's term; 4) engaged from April to December 2017; 5) engagement in April and May 2017.

All restructuring costs have been borne by the company, ie. the creditors, the cost is comparable to similar cases and the process could not have been run without advisors

The cost is comparable to similar processes

- The entire cost of restructuring and saving Agrokor from likely bankruptcy was borne by the creditors/new owners.
- Advisory fees amount to slightly more than 1 per cent of Agrokor's total debt, ie. only one third of average costs in comparable restructuring cases in the world (3.3 per cent)

The procedure is under supervision

- The procedure is under supervision of the Commercial Court of Zagreb, according to an internationally recognized law, as well as of the Interim Creditors' Council which has been aware of all costs and upon the request of which a group of advisors was engaged to double-check the Settlement Plan.

The restructuring was conducted efficiently

- The processes of saving, financial restructuring and commencement of operational restructuring were carried out within an exceptionally short period of time;
- Within only 15 months the settlement was achieved and adopted by as many as 80.2 per cent of the creditors and within two years as of the opening of the procedure the Settlement Plan implementation will be completed as well.

It required the knowledge and experience of advisors

- Without the support of reputable international and local advisors with experience it would not have been possible to pursue the procedure of operational recovery and financial restructuring and the likely collapse of Agrokor would have happened at the expense of the Croatian tax payers.

The final Settlement Plan is soon to be implemented

- The Settlement Plan is final and non-appealable, its implementation has started and thanks, amongst others, to the advisors the Extraordinary Administration Procedure will soon come to an end without any cost for the tax payers, only at the expense of the company itself and its new owners.

Recognition of the procedure in other countries

- The Extraordinary Administration Procedure was recognized as insolvency procedure in England and Wales in November 2017, in Switzerland in February 2018 and in the US according to Chapter 15 in November 2018. By Directive of the European Parliament and the European Council the Extraordinary Administration Act has in July 2018 been listed among legislations recognized as insolvency proceedings on the entire EU territory.