

**Agrokor draft Settlement  
Step Paper - Extract**

***Preliminary draft, subject to  
further amendments***

***Work in progress***



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## Glossary of terms (1)

<b>Agent</b>	Madison Pacific Trust Limited, Hong Kong	<b>CoC</b>	Change of Control
<b>Agrokor Group</b>	Agrokor d.d. and all of its Croatian and non-Croatian subsidiaries	<b>Contingent Payment Consideration</b>	Amount payable by Aisle Dutch TopCo under the Supplier Loan Note Instrument
<b>Aisle Dutch HoldCo</b>	Dutch BV that will own 100% of the share capital of Aisle HoldCo	<b>Court</b>	Commercial Court in Zagreb
<b>Aisle Dutch TopCo</b>	Dutch BV that will own 100% of the share capital of Aisle Dutch HoldCo	<b>Corporate Service Provider</b>	TMF Netherlands B.V.
<b>Aisle HoldCo</b>	Croatian joint stock company that will own 100% of the share capital of New Croatian Subsidiaries	<b>CPR</b>	Contingent Payment Right
<b>Aisle STAK</b>	STAK that will hold the shares in Aisle Dutch TopCo for administrative purposes and issue DRs	<b>CPT</b>	Croatian Corporate Profit Tax
<b>Annual Hurdle Amount</b>	Initial Hurdle Amount plus cumulative amount of any Carried Over Adjustment Amounts determined in respect of any earlier Reference Period.	<b>CTA</b>	Croatian Tax Authorities
<b>ATAD</b>	EU Anti Tax Avoidance Directive	<b>d.d.</b>	Croatian joint stock company
<b>Base EBITDA Amount</b>	Determined New Konzum EBITDA minus EUR 38.8 million	<b>d.o.o.</b>	Croatian limited liability company
<b>bn</b>	Billion	<b>DCITA</b>	Dutch Corporate Income Tax Act
<b>Border Claims</b>	Claims relating to the delivery of goods and provision of services to entities under EA and which have not become due for payment before the opening of the EA proceeding	<b>Determined New Konzum EBITDA</b>	With respect to a Reference Period and its related Payment Date, the New Konzum EBITDA determined with respect to that Reference Period, on the basis of the annual audited financial statements New Konzum prepared in respect of that Reference Period, and as specifically defined in the draft Settlement Plan
<b>BV</b>	Dutch private limited liability company ( <i>besloten vennootschap</i> )	<b>DR</b>	Depository Receipts issued by Aisle STAK in respect of the shares issued by Aisle Dutch TopCo held by Aisle STAK
<b>Carried Over Adjustment Amount</b>	The amount, if any, by which the Base EBITDA Amount in respect of a reference Period is less than Initial Hurdle Amount in respect of that Reference Period	<b>DR Holder</b>	Holder of DRs
<b>CB</b>	Convertible Bonds to be issued by Aisle Dutch TopCo	<b>DTT</b>	Double Tax Treaty
<b>CB Holder</b>	Holder of CBs	<b>EA</b>	Extraordinary Administration
<b>CIT</b>	Dutch Corporate Income Tax	<b>EA Act</b>	Law on Extraordinary Administration Proceeding in Companies of Systemic Importance for the Republic of Croatia
		<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortization

## Glossary of terms (2)

<b>Eligible Incumbent Supplier Association</b>	Association of Suppliers of Agrokor, Personal Identification Number: 27930124777, Ravnice 48, Zagreb	<b>Initial Hurdle Amount</b>	Amount in EUR equal to 25% of the Supplier In-Kind-Amount
<b>Eligible Incumbent Suppliers</b>	Impaired Creditors which hold Border Claims towards the Agrokor Group	<b>Insolvent EA Croatian Subsidiaries</b>	Insolvent operating companies from the Agrokor Group
<b>EPC</b>	Entity Priority Concept	<b>Intragroup Financing Agreement</b>	Agreement that defines the contractual relations between Aisle Dutch TopCo, Aisle Dutch HoldCo and Aisle HoldCo in respect of acknowledgement, partial contribution and assignment of compensation claims
<b>EU</b>	European Union	<b>Jamnica</b>	Jamnica d.d.
<b>EUR</b>	Euro	<b>Konzum</b>	Konzum d.d.
<b>EV</b>	Enterprise Value	<b>Majority Lenders</b>	Lenders whose commitments aggregate 60% or more of the total commitments under the SPFA
<b>Exit Facility</b>	The single facility under which the current borrower's rights and obligations under the SPFA are refinanced at the level of Aisle HoldCo	<b>NBV</b>	Net Book Value
<b>EURIBOR</b>	Euro Interbank Offered Rate	<b>New Croatian Subsidiary</b>	Croatian limited liability (mirror) company (intended to be fully owned by Aisle HoldCo) that will assume the business unit of its Agrokor Group counterpart
<b>Extension Option</b>	Option to extend SPFA by 24 months under certain conditions	<b>New Debt / New Equity</b>	Equity issued by way of shares by Aisle Dutch TopCo to Aisle STAK which will issue DRs to Impaired Creditors and debt issued by Aisle Dutch TopCo to the Impaired Creditors by way of CB on the basis of restructured pre-petition claims of the Agrokor Group as part of the Settlement
<b>Foreign Subsidiary</b>	Foreign operating company of Agrokor Group	<b>New Group</b>	Aisle STAK, Aisle Dutch TopCo, Aisle Dutch HoldCo, Aisle HoldCo, New Croatian Subsidiaries, Solvent EA Croatian Subsidiaries and Foreign Subsidiaries
<b>FV</b>	Fair value	<b>New Group Dutch entities</b>	Aisle STAK, Aisle Dutch TopCo and Aisle Dutch HoldCo
<b>GAAP</b>	Generally Accepted Accounting Principles	<b>New Konzum</b>	New Group Subsidiary that will assume the business unit of Konzum
<b>HRK</b>	Croatian kuna	<b>OCI</b>	Other comprehensive income
<b>IAS</b>	International Accounting Standards	<b>PCC</b>	Permanent Creditors' Committee
<b>IFRS</b>	International Financial Reporting Standards		
<b>Impaired Creditors</b>	Legal and natural persons with a claim against Agrokor d.d. and Insolvent EA Croatian Subsidiaries		
<b>Implementation commencement date</b>	Date determined by the Extraordinary Administrator on which implementation of the restructuring measures will commence		
<b>Implementation effective date</b>	Date of completion of the restructuring measures		

## Glossary of terms (3)

<b>PIK</b>	Payment in Kind	<b>SPPI test</b>	Solely Payments of Principal and Interest test
<b>PPL</b>	Profit Participating Loan	<b>SSR</b>	Separate Satisfaction Right
<b>Reference Period</b>	Calendar years 2018, 2019, 2020 and 2021	<b>STA</b>	Share Transfer Agreement
<b>RETT</b>	Croatian Real Estate Transfer Tax	<b>STAK</b>	Stichting Administratiekantoor, Dutch foundation (stichting)
<b>Secured Claims</b>	Claims with a SSR which are collateralized with a pledge or a fiduciary transfer of title (for security) over physical assets (land, equipment, etc.), shares and rights (receivables, etc.)	<b>Stichting</b>	Dutch foundation that will act as the Supplier Payment Agent and will be used to implement the CPR for the Eligible Incumbent Suppliers
<b>Security Agent</b>	Madison Pacific Trust Limited, Hong Kong	<b>Super Majority Lenders</b>	Lenders whose commitments aggregate more than 90% of the total commitments under the SPFA
<b>Secured Debt</b>	Secured pre-petition claims to the extent covered by the value of collateral to be reinstated in the relevant New Croatian Subsidiary	<b>Supplier In-Kind Amount</b>	Total nominal value of CBs and DRs distributed to Eligible Incumbent Suppliers in relation to Border Claims
<b>Settlement</b>	Settlement of registered pre-petition claims and the restructuring of the Agrokor Group	<b>Supplier Loan Note Instrument</b>	Contingent conditional loan note provided by Aisle Dutch TopCo to Stichting for the purpose of effecting Contingent Payment Consideration payments
<b>Settlement Agreement</b>	Agreement between Agrokor d.d. as debtor, its affiliated and controlled companies and the Creditors pursuant to the Article 43 of EA Act	<b>Supplier Payment Agent</b>	A Dutch Stichting which will act as payment agent and hold the CPR on behalf of the Eligible Incumbent Suppliers
<b>Settlement Allocation</b>	Allocation in relation to a Creditor's unsecured pre-petition claims	<b>Supplier Yearly Payment Amount</b>	The amount in excess of Base EBITDA Amount over the Annual Hurdle Amount (to the extent it is positive).
<b>Settlement Confirmation Date</b>	Date that the Settlement Plan is confirmed effective by the court	<b>Threshold New Konzern EBITDA</b>	HRK equivalent of EUR 38.8 million
<b>Settlement Plan</b>	Agrokor d.d.'s restructuring plan submitted to the court pursuant to the EA Act	<b>TR</b>	Tax Ruling
<b>Solvent EA Croatian Subsidiaries</b>	Solvent operating companies from the Agrokor Group	<b>VAT</b>	Value Added Tax
<b>SPA</b>	Share Purchase Agreement	<b>WHT</b>	Withholding Tax
<b>SPFA</b>	Super Priority Facility Agreement		

# Introduction



## Introduction

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### General overview of Agrokor draft Settlement Plan

For the purpose of continuing the business of the Agrokor Group, the draft Settlement Plan is based on the following key objectives:

- i. Fair and equitable treatment of the stakeholders in the restructuring process;
- ii. Establishment of a new corporate structure to hold the assets of the Agrokor Group, owned by the Impaired Creditors; and
- iii. Achieving a sustainable level of debt in the New Group by settling Impaired Creditors' claims with CBs and DRs.

### General purpose of the Agrokor Step paper

- The Step paper contains an overview of key steps and activities required for Settlement implementation (excluding operational implementation, which will be discussed in a separate document).

### Important note

- The Step paper is still in progress and is subject to change based on detailed analysis and discussions of the terms and conditions of the proposed draft Settlement Plan, the New Group structure, etc. (including but not limited to mechanics of the assignment of claims and transfer of business units to the New Group, the New Group's capital structure, etc.)
- The Step paper has been prepared taking into account the draft Settlement Plan of 24 May 2018, the most recently available financial information for the Agrokor Group and the latest interpretations of Croatian and foreign accounting, legal and taxation legislation, where some interpretations are subject to confirmation by the relevant authorities .
- The Step paper does not constitute accounting, financial, legal, restructuring or taxation advice.
- As elaborated in the Disclaimer, no reliance may be placed for any purposes whatsoever on the Step paper and any reader should engage Croatian and foreign accounting, financial, legal, restructuring and taxation advisors prior to making any decisions or taking any actions based thereon.

# Agrokor draft Settlement Step Paper - Extract



## Overview of key implementation steps (1)

Overview of Settlement implementation steps	
Key steps	Short description of key steps
<b>Setting up of the New Group and Stichting (Steps 1 - 6)</b>	<ul style="list-style-type: none"> <li>— A new corporate structure is to be set up before the Settlement.</li> <li>— The restructuring process and implementation of the draft Settlement Plan will be facilitated by having an “orphan structure” at the outset, i.e. a set of corporate vehicles to be taken over by the Impaired Creditors as part of the Settlement. From a legal perspective, the Netherlands would be the jurisdiction of choice because of its EU location and overall legal certainty as a tested and reliable jurisdiction in complex international restructurings and financings.</li> <li>— A new Dutch limited liability company (“<b>Aisle Dutch TopCo</b>”) will be incorporated as a top holding company. Aisle Dutch TopCo will be set up by a Dutch stichting administratiekantoor (“<b>Aisle STAK</b>”) which will be incorporated for that purpose.</li> <li>— Aisle Dutch TopCo will wholly own another Dutch limited liability company (“<b>Aisle Dutch HoldCo</b>”). Aisle Dutch HoldCo will wholly own a Croatian joint stock company (“<b>Aisle HoldCo</b>”). Aisle HoldCo will wholly own a number of Croatian resident limited liability companies that will eventually contain the operating assets and liabilities of the New Group (“<b>New Croatian Subsidiaries</b>”).</li> <li>— A Dutch foundation, <b>Stichting</b>, will be incorporated for the purposes of implementing the Contingent Payment Right (“<b>CPR</b>”).</li> </ul>
<b>Assignment of Impaired Creditors’ claims and issuance of CBs and DRs (Steps 7-8)</b>	<ul style="list-style-type: none"> <li>— Impaired Creditors’ claims which are within the scope of the draft Settlement Plan will be assigned by the Impaired Creditors to Aisle Dutch TopCo and in exchange, Impaired Creditors will receive Convertible Bonds (“<b>CBs</b>”) issued by Aisle Dutch TopCo and Depository Receipts (“<b>DRs</b>”) issued by Aisle STAK in respect of the shares issued by Aisle Dutch TopCo held by Aisle STAK. Consequently, the New Group will be owned by the Impaired Creditors.</li> <li>— Entity Priority Concept (“<b>EPC</b>”) has been developed to determine the distributable value based on the priority of Impaired Creditor claims. The recovery rate of each claim and corresponding share of CBs and DRs each Impaired Creditor will receive will be based on the estimated value available in each Agrokor Group company (FV of distributable assets).</li> <li>— On assignment of the claims from the Impaired Creditors, Aisle Dutch TopCo will recognize in the first instance a receivable from the Agrokor Group companies (which will be recognized at FV, i.e. recoverable value representing EV of the Agrokor Group).</li> </ul>

## Overview of key implementation steps (2)

Overview of Settlement implementation steps	
Key steps	Short description of key steps
<b>Establishing intra-group receivables (Step 9) and conversion of intra-group receivables into PPL and equity (Step 10)</b>	<ul style="list-style-type: none"> <li>— Following the assignment of claims to Aisle Dutch TopCo (Step 7), Aisle Dutch TopCo will hold receivables from Agrokor d.d. and each Insolvent EA Croatian Subsidiary in an amount equal to the face amount of assigned claims.</li> <li>— Further to the above, Aisle Dutch TopCo will instruct Agrokor d.d. and Insolvent EA Croatian Subsidiaries to transfer assets to Aisle HoldCo and New Croatian Subsidiaries, as a result of which: <ul style="list-style-type: none"> <li>— <b>Aisle HoldCo</b> will have compensation debt to Aisle Dutch TopCo equal to the FV of shares in Solvent EA Croatian Subsidiaries and Foreign Subsidiaries and the FV of business units and any potential non-core assets of Agrokor d.d. and Insolvent EA Croatian Subsidiaries; and</li> <li>— <b>Each New Croatian Subsidiary</b> will have compensation debt to Aisle HoldCo equal to the FV of the business unit and any potential non-core assets of the corresponding Insolvent EA Croatian Subsidiary, where Aisle HoldCo will have a corresponding compensation debt to Aisle Dutch TopCo.</li> </ul> </li> <li>— Consequently, the above will facilitate establishing intra-group receivables amongst various entities in the New Group which would form the basis for achieving the desired capital structure of the New Group.</li> <li>— The compensation debt between Aisle Dutch TopCo and Aisle HoldCo will be converted into a Profit Participating Loan (“<b>PPL</b>”) and equity with the ultimate goal of achieving the targeted capital structure of the New Group via the following sub-steps: <ul style="list-style-type: none"> <li>— <b>Sub-step 10.1:</b> 80% of the compensation debt between Aisle Dutch TopCo and Aisle HoldCo will be converted into a PPL by way of an Intragroup Financing Agreement;</li> <li>— <b>Sub-step 10.2:</b> 20% of the compensation debt between Aisle Dutch TopCo and Aisle HoldCo will be contributed by Aisle Dutch TopCo to Aisle Dutch HoldCo in return for shares issued by Aisle Dutch HoldCo to Aisle Dutch TopCo;</li> <li>— <b>Sub-step 10.3:</b> the compensation debt between Aisle Dutch HoldCo and Aisle HoldCo as a result of Sub-step 10.2 will be converted into equity of Aisle HoldCo in return for shares issued by Aisle HoldCo to Aisle Dutch HoldCo; and</li> <li>— <b>Sub-step 10.4:</b> the compensation debt between Aisle HoldCo and New Croatian Subsidiaries will be converted partially into equity via a debt-to-equity swap and partially into an interest bearing loan with the ultimate goal of achieving the targeted capital structure between Aisle HoldCo and New Croatian Subsidiaries based on the specific position of each individual New Croatian Subsidiary.</li> </ul> </li> </ul>

## Overview of key implementation steps (3)

Overview of Settlement implementation steps	
Key steps	Short description of key steps
<b>Setting up the CPR (Step 11)</b>	<ul style="list-style-type: none"> <li>— The CPR is required in order to facilitate payment of consideration by Stichting to Impaired Creditors which hold Border Claims towards the Agrokor Group (Eligible Incumbent Suppliers).</li> <li>— Funding of Stichting's CPR payment obligations will be via Aisle Dutch TopCo under a Supplier Loan Note Instrument between Aisle Dutch TopCo and Stichting. Payments under the Supplier Loan Note Instrument will be senior to Aisle Dutch TopCo servicing payment obligations pursuant to the DRs or CBs. By way of the CPR, Eligible Incumbent Suppliers will have a right which entitles them to a Supplier Yearly Payment Amount over a period of 4 years with a cumulative maximum value of EUR 80 million, minus the value of the CBs and DRs that Eligible Incumbent Suppliers will hold in their role as Creditors (assumed at EUR X million) such that the Eligible Incumbent Suppliers will be eligible to receive a maximum of EUR 80-X million.</li> <li>— Supplier Yearly Payment Amount is the excess of Base EBITDA Amount over the Annual Hurdle Amount (to the extent it is positive).</li> </ul>
<b>Transfers of business units of Insolvent EA Croatian Subsidiaries and shares in Solvent EA Croatian Subsidiaries and Foreign Subsidiaries and non-core assets to the New Group (Step 12)</b>	<ul style="list-style-type: none"> <li>— As the Settlement comprises more than 70 EA companies, a significant number of which are insolvent, the implementation of the Settlement, i.e. transfer of the Agrokor Group assets, is based on two separate categories: <ul style="list-style-type: none"> <li>a) For Insolvent EA Croatian Subsidiaries, transfers of assets and operations (business units) as well as non-core assets from Insolvent EA Croatian Subsidiaries to Aisle HoldCo and New Croatian Subsidiaries - operating companies in the New Group which will mirror existing operating companies; and</li> <li>b) For Solvent EA Croatian Subsidiaries and Foreign Subsidiaries, transfers of shares from Agrokor Group to Aisle HoldCo.</li> </ul> </li> </ul>
<b>SPFA transfer / Set-up of Exit Facility (Step 13)</b>	<ul style="list-style-type: none"> <li>— Subject to obtaining of approval from SPFA lenders, SPFA will be transferred from Agrokor Group to the New Group by means of the transfer of the business unit of Agrokor d.d. to Aisle HoldCo and transfers of business units of Insolvent EA Croatian Subsidiaries into mirror New Croatian Subsidiaries.</li> <li>— After the transfer, the SPFA will be refinanced by the Exit Facility which will be put in place at the level of Aisle HoldCo and New Croatian Subsidiaries. The exact mechanics will depend on the outcome of the market testing process.</li> </ul>

## Overview of key implementation steps (4)

Overview of Settlement implementation steps	
Key steps	Short description of key steps
<b>Reinstatement of Secured Debt in the New Group (Step 14)</b>	<ul style="list-style-type: none"> <li>— Secured Claims are claims with a separate satisfaction right (“SSR”) which are collateralized with a pledge or a fiduciary transfer of title (for security) over physical assets (land, equipment, etc.), shares and rights (receivables, etc.) (each a “Secured Claim”).</li> <li>— Security granting an SSR will stay in place and remain unaffected by the draft Settlement Plan. Secured Claims against Insolvent EA Croatian Subsidiaries will be reinstated at a principal value equal to the lower of the SSR and the value of the related secured collateral. Settlement of the part of the claim secured by SSR will be part of the business unit transfer from EA Insolvent Subsidiaries to New Croatian Subsidiaries</li> <li>— Any deficiency claims (the amount by which the value of the Secured Claim exceeds the lower of the SSR and the value of the related secured collateral) will be treated in the same way as all other pre-petition unsecured claims against Insolvent EA Croatian Subsidiaries. Settlement of the deficiency claims will be part of Step 7 - issuance of CBs and DRs.</li> </ul>
<b>Wind-down of Agrokor Group (Step 15)</b>	<ul style="list-style-type: none"> <li>— After the Settlement, Agrokor Group will be effectively left without any recoverable assets and will need to be wound down / deleted from the Court register.</li> </ul>

## High-level overview of tax implications (1)

High-level overview of tax implications	
Item	Short description of main tax implications
<b>Important note</b>	<ul style="list-style-type: none"> <li>– This Extract provides a high level overview of the envisaged tax aspects of the New Group and Agrokor Group and key Settlement steps, including preliminary comments regarding the post-Settlement position of the New Group.</li> </ul>
<b>New Group preliminary tax position</b>	<ul style="list-style-type: none"> <li>– Envisaged tax position of New Group entities can be summarized as follows (provided all relevant conditions included in Dutch and Croatian tax law are met): <ul style="list-style-type: none"> <li>– <b>Aisle STAK and Stichting</b> – will not be subject to tax;</li> <li>– <b>Aisle Dutch TopCo</b> – taxable in respect of all income such as interest income it would generate (if any) whilst capital gains and dividend income will not be taxable under Dutch participation exemption;</li> <li>– <b>Aisle Dutch HoldCo</b> – taxable in respect of all income such as interest income it would generate (if any) whilst capital gains and dividend income will not be taxable under Dutch participation exemption; and</li> <li>– <b>Aisle HoldCo and New Croatian Subsidiaries</b> – taxable in respect of any income that they would generate (e.g. income from ordinary operations, interest income and any capital gains) whilst dividend income will not be taxable.</li> </ul> </li> <li>– Transfers of non-core real estate / land by the Insolvent EA Croatian Subsidiaries which will not be subject to VAT and where conditions to opt for such transfers to be subject to cashless reverse charge of VAT will not be met, will be subject to 4% RETT calculated on FV of real estate / land payable by the New Group (irrecoverable cost).</li> <li>– In relation to transfers of non-core assets which will be subject to VAT, company(ies) from the New Group will need to be VAT registered before the transfers and meet other conditions to be entitled to reclaim input VAT (including payment of the relevant VAT by the Agrokor Group).</li> </ul>
<b>Agrokor Group preliminary tax position</b>	<ul style="list-style-type: none"> <li>– Potential adverse tax implications may arise in the Agrokor Group upon Settlement execution and subsequent deletion of the Agrokor Group (as a result of capital gains on transfers of business units / shares in Solvent EA Croatian Subsidiaries / shares in Foreign Subsidiaries / non-core real estate / land and other non-core assets to the New Group, etc.). Any resulting tax liabilities should remain in the Agrokor Group and should not transfer to the New Group. Details are being discussed with the Croatian Tax Authorities.</li> <li>– Transfers of non-core assets may result in a VAT liability that the Agrokor Group will need to finance – this includes transfers of non-core real estate / land which are subject to VAT, as well as transfers of any other non-core assets (other than personal cars). In normal circumstances, the seller (i.e. company from the Agrokor Group) would report and settle the VAT liability and would collect this from the purchaser (i.e. New Group), where the purchaser (i.e. New Group) would reclaim input VAT from the state budget.</li> </ul>

## High-level overview of tax implications (2)

High-level overview of tax implications	
Item	Short description of main tax implications
<b>Post-Settlement flows (preliminary)</b>	<ul style="list-style-type: none"> <li>– In terms of the potential post-Settlement operations and anticipated flows (i.e. payments of dividends, PPL interest, PPL principal repayments and share capital reductions), we set out below a high level overview of some key implications.</li> <li>– A TR will be requested from the Dutch Tax Authorities, the aim of which is to provide certainty in advance on the main Dutch tax aspect of the New Group such as the tax position of Aisle STAK, and Stichting and the qualification of debt and equity instruments issued and held by Aisle Dutch TopCo.</li> <li>– Aisle STAK, Stichting, Aisle Dutch TopCo and Aisle Dutch HoldCo must be effectively managed and controlled from the Netherlands. Directors or employees of any Croatian company should not act as directors in Aisle STAK, Stichting, Aisle Dutch TopCo or Aisle Dutch HoldCo to avoid Aisle STAK, Stichting, Aisle Dutch TopCo or Aisle Dutch HoldCo being seen as having been effectively managed and controlled from Croatia. However, to the extent there would be any Croatian resident directors of Aisle STAK, Stichting, Aisle Dutch TopCo or Aisle Dutch HoldCo, this should not by itself result in these entities being seen as effectively managed and controlled from Croatia, as long as the majority of directors remain Dutch residents and it can be clearly demonstrated that the Dutch entities are effectively managed and controlled from the Netherlands. Further, Aisle Dutch TopCo and Aisle Dutch HoldCo must meet the minimum substance requirements in the Netherlands (at the outset via a corporate services provider, thereafter via office space and own employees in light of developments in the Netherlands) which is also important for requesting the TR. It is recommendable that Aisle STAK and Stichting also meet the minimum substance requirement.</li> <li>– In terms of post-Settlement flows within the New Group, the following are the main tax implications: <ul style="list-style-type: none"> <li>– <b>payments of CB interest</b> can be made by Aisle Dutch TopCo to the Impaired Creditors free of any Dutch WHT, provided that the CBs qualify as debt for Dutch tax purposes (conditional WHT on interest is expected to be introduced in the Netherlands as from 2021);</li> <li>– <b>repayments of CB principal</b> can be made by Aisle Dutch TopCo to the Impaired Creditors without incurring any taxes;</li> <li>– <b>payments of PPL interest (if any)</b> can be made by Aisle HoldCo to Aisle Dutch TopCo free of any Croatian WHT;</li> <li>– <b>repayments of PPL principal</b> can be made by Aisle HoldCo to Aisle Dutch TopCo without incurring any taxes;</li> <li>– <b>dividend payments up to</b> Aisle Dutch TopCo can be made free of Croatian and Dutch dividend WHT, whilst: <ul style="list-style-type: none"> <li>– dividend payments by Aisle Dutch TopCo to Impaired Creditors (via the DRs held by the Impaired Creditors in Aisle STAK) holding less than 5% of the DRs will be subject to 15% Dutch dividend WHT (expected that Dutch dividend WHT is partly abolished as of 2020);</li> <li>– dividend payments by Aisle Dutch TopCo to Impaired Creditors (via the DRs held by the Impaired Creditors in Aisle STAK) holding 5% or more of the DRs will in principle also be subject to 15% Dutch dividend WHT unless the Dutch domestic exemption applies or a DTT reduces WHT (expected that Dutch dividend WHT is partly abolished as of 2020); and</li> </ul> </li> <li>– <b>reductions of registered share capital</b> (of any of the Croatian and / or Dutch entities) can be made without incurring any taxes provided all relevant conditions are met.</li> </ul> </li> </ul>

## High-level overview of tax implications (3)

High-level overview of tax implications	
Item	Short description of main tax implications
<b>Capital structure of the New Group – interaction of CB and PPL</b>	<ul style="list-style-type: none"> <li>– It is intended that the PPL qualifies as equity for Dutch tax purposes.</li> <li>– Repayment of the PPL principal loan amount by Aisle HoldCo to Aisle Dutch TopCo will not give rise to adverse tax effects in either Croatia or the Netherlands.</li> <li>– If (interest) income would be due on the PPL: <ul style="list-style-type: none"> <li>– during 2018 and 2019 the PPL income will be subject to CIT in the Netherlands at 25% given that the corresponding interest expense on the PPL would be tax deductible for Aisle HoldCo in Croatia.</li> <li>– as of 2020, following the implementation of ATAD 2 in Croatia and the Netherlands, the PPL income might be exempted from Dutch CIT under the participation exemption on the premise that the corresponding PPL interest expense will not be tax deductible in Croatia under the anti-hybrid rules to be introduced as a result of the implementation of ATAD 2. It should be noted that the aforementioned position is dependent on the actual implementation of ATAD 2 by the Dutch and Croatian governments so until then, uncertainty remains and a different outcome is possible.</li> </ul> </li> <li>– During 2018 and 2019, PPL income, if any, will effectively not be taxed at the level of Aisle Dutch TopCo if Aisle Dutch TopCo will have sufficient tax deductible expenses . Besides operational expenses Aisle Dutch TopCo will have CB interest expenses.</li> <li>– For 2018 there are good arguments for the position that the CB interest expenses are tax deductible for Aisle Dutch TopCo provided that the CB will have an interest rate that is considered at arm's length. However, as from 2019 it is expected that CB interest will only be tax deductible up to 30% of the fiscal EBITDA of Aisle Dutch TopCo with a minimum threshold of EUR 1 million ('earnings stripping' rule), assuming that the PPL income can not be netted against interest expenses for the application of the earning stripping rule.</li> <li>– In the event that the PPL income is taxable, it is expected that the EBITDA for tax purposes of Aisle Dutch TopCo will consist of the PPL income (if any) less operating expenses. Only 30% of this amount (if positive) would then be allowed as tax deductible interest expenses with a safe harbor of EUR 1 million, the balance up to CB interest expenses would then be non-deductible on the basis of the earnings stripping rule.</li> <li>– In the event that PPL interest would be exempt from CIT, it is expected that the PPL income would not be part of the fiscal EBITDA of Aisle Dutch TopCo so the fiscal EBITDA would then probably be negative. In this scenario, probably only EUR 1 million of the interest expenses on the CB would be tax deductible as a maximum but there would not be any PPL income that needs to be offset.</li> </ul>



## High-level overview of tax implications (4)

## High-level overview of tax implications

## Item

## Short description of main tax implications

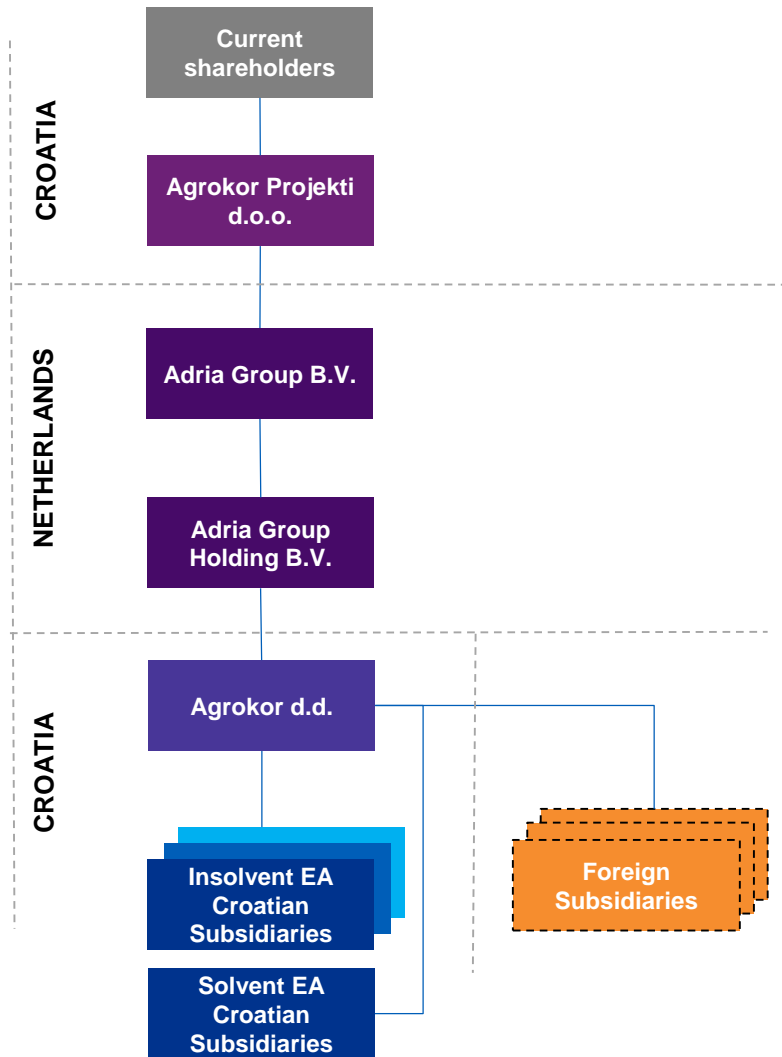
## Capital structure of the New Group – interaction of CB and PPL

- A simplified summary of the envisaged Croatian and Dutch tax implications stemming from CB and PPL interaction in the period before implementation of ATAD 2 and the period after implementation of ATAD 2 is set out in the table below:

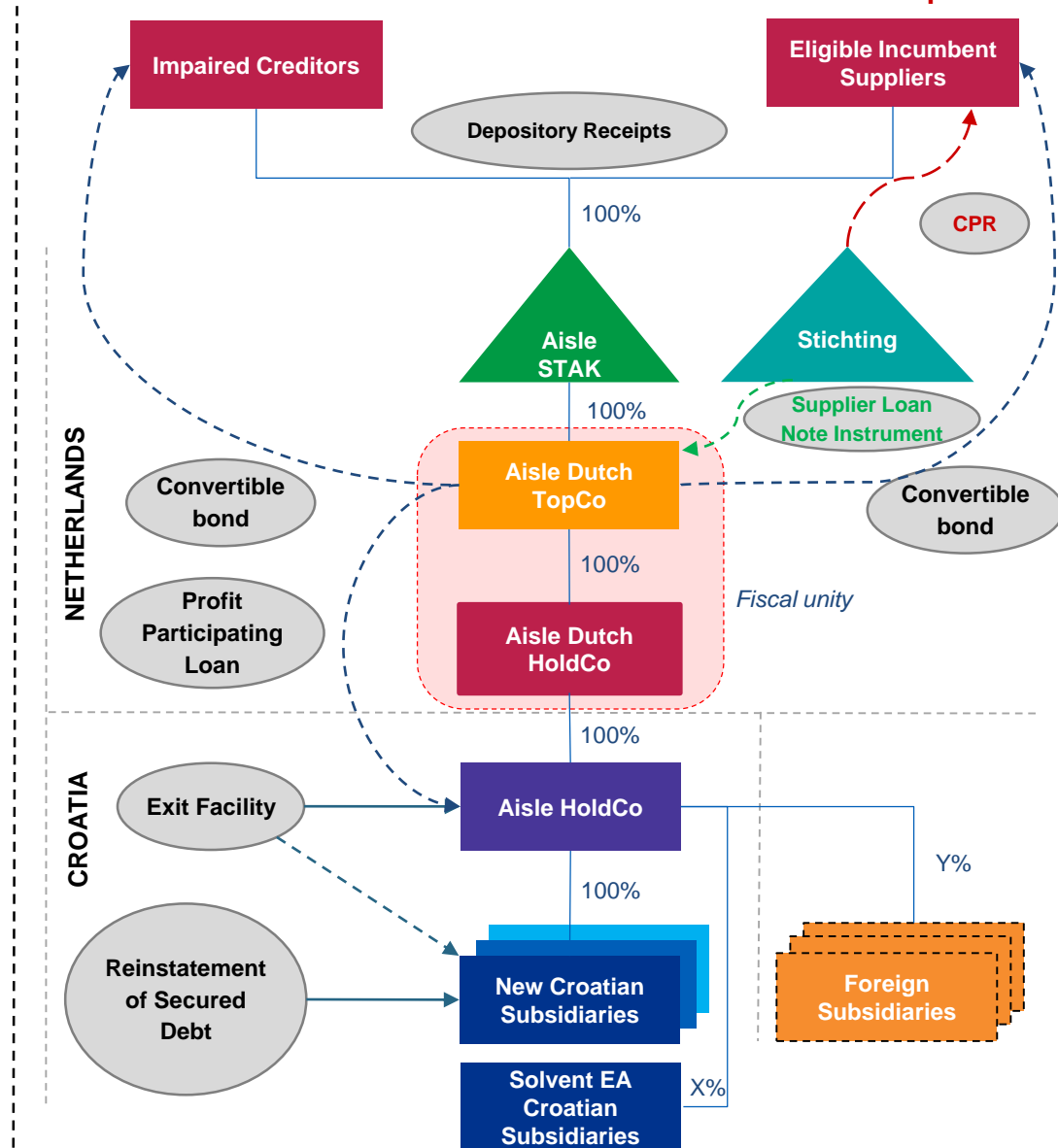
Capital structure of the New Group – interaction of CB and PPL			
	Pre-ATAD 2		Post-ATAD 2
	2018	2019	2020
<b>CB interest</b>	- Deductible interest expense for Aisle Dutch TopCo	- Deductible interest expense for Aisle Dutch TopCo limited to the higher of 30% of fiscal EBITDA of Aisle Dutch TopCo or EUR 1 million	- Deductible interest expense for Aisle Dutch TopCo limited to the higher of 30% of fiscal EBITDA of Aisle Dutch TopCo or EUR 1 million
<b>PPL interest</b>	- Taxable dividend income for Aisle Dutch TopCo (participation exemption does not apply)	- Taxable dividend income for Aisle Dutch TopCo (participation exemption does not apply)	- Exempt dividend income for Aisle Dutch TopCo (participation exemption applies)
	- Deductible interest expense for Aisle HoldCo	- Deductible interest expense for Aisle HoldCo	- Non-deductible interest expense for Aisle HoldCo
<b>WHT</b>	- No Dutch interest WHT on CB interest payments by Aisle Dutch TopCo to Impaired Creditors		
	- No Croatian interest WHT on PPL interest payments by Cro HoldCo to Aisle Dutch TopCo		

## Structure: before and after Settlement

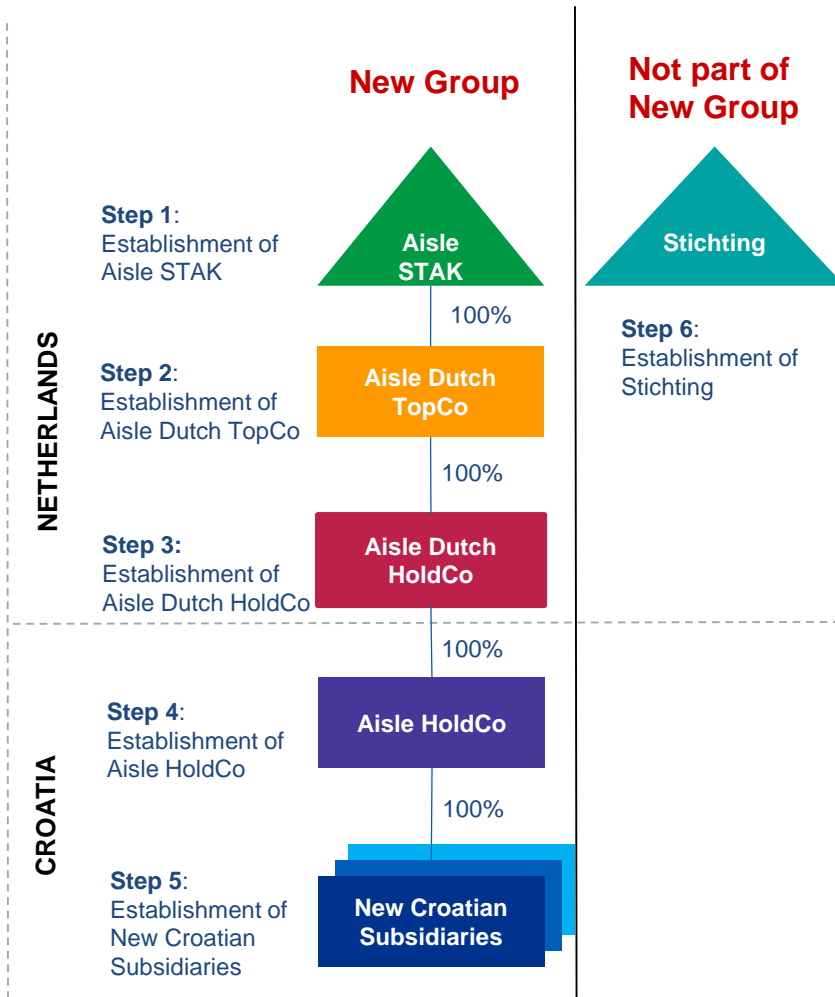
### Current structure – Agrokor Group



### Structure after Settlement – New Group



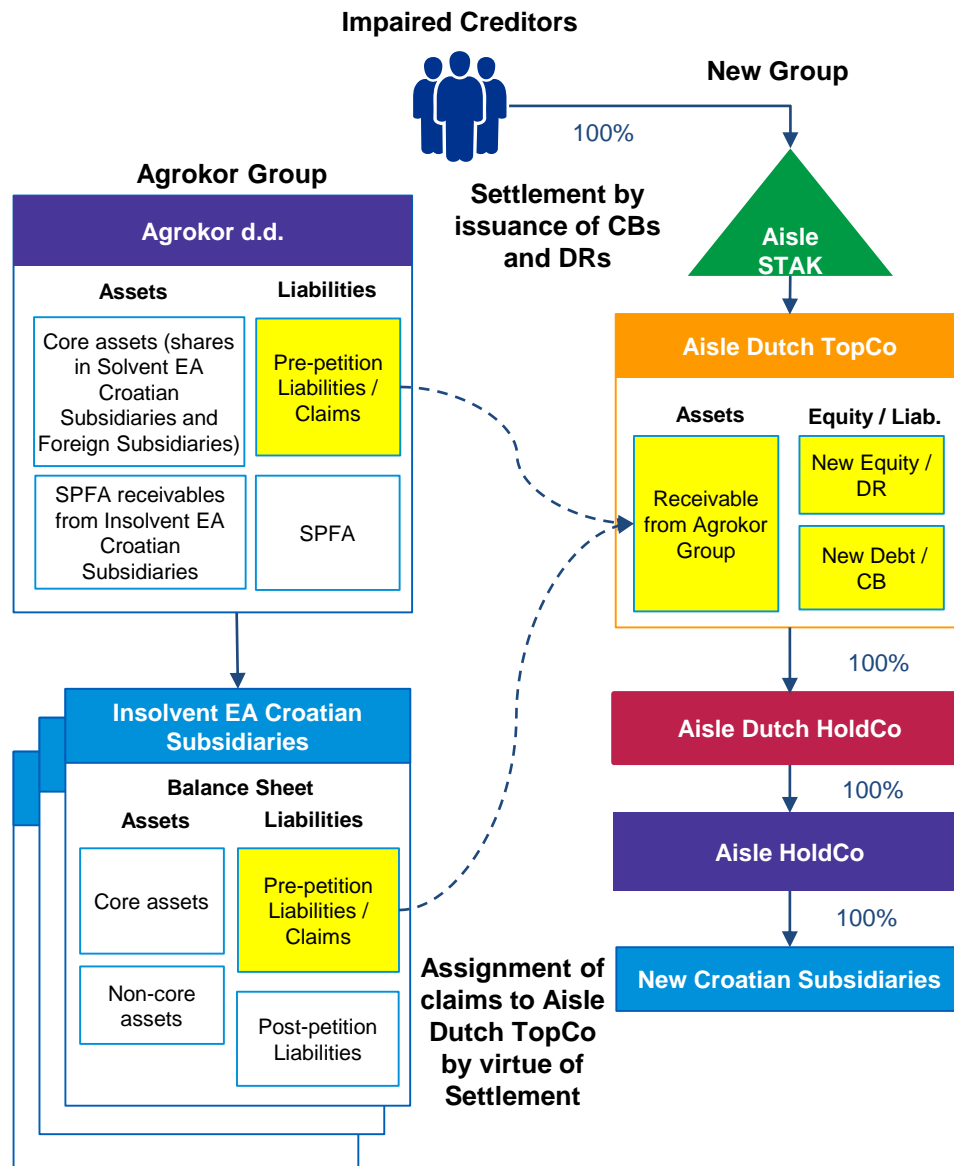
## Setting up of the New Group and Stichting



### New Group and Stichting set-up for the purpose of Settlement execution

- **Pre-Settlement steps** related to the New Group set-up include the following:
  - Establishment of **Aisle STAK**, a Dutch STAK that would hold the shares of Aisle Dutch TopCo (**Step 1**).
  - Aisle STAK is a Dutch resident administrative foundation.
  - The purpose of Aisle STAK would be to serve as the only shareholder of Aisle Dutch TopCo (to be set up in Step 2), i.e. it will directly hold shares in Aisle Dutch TopCo for the benefit of the Impaired Creditors.
  - Establishment of two separate Dutch entities (**Aisle Dutch TopCo** and **Aisle Dutch HoldCo**), where Aisle Dutch TopCo would be 100% owned by Aisle STAK. Aisle Dutch HoldCo would be 100% owned by Aisle Dutch TopCo (**Steps 2 and 3**);
  - Establishment of a Croatian company (**Aisle HoldCo**), where Aisle HoldCo would be 100% owned by Aisle Dutch HoldCo (**Step 4**); and
  - Establishment of **New Croatian Subsidiaries**, where New Croatian Subsidiaries would be 100% owned by Aisle HoldCo (**Step 5**).
- **Pre-Settlement steps** related to the Stichting set-up include the following:
  - Establishment of a Dutch Stichting (**Step 6**) that would act as a payment agent for Eligible Incumbent Suppliers (i.e. to facilitate payments to such suppliers if set criteria is met within the predetermined 4 year period). Stichting would not be a part of the New Group.

# Assignment of claims and issuance of Convertible Bonds and Depository Receipts



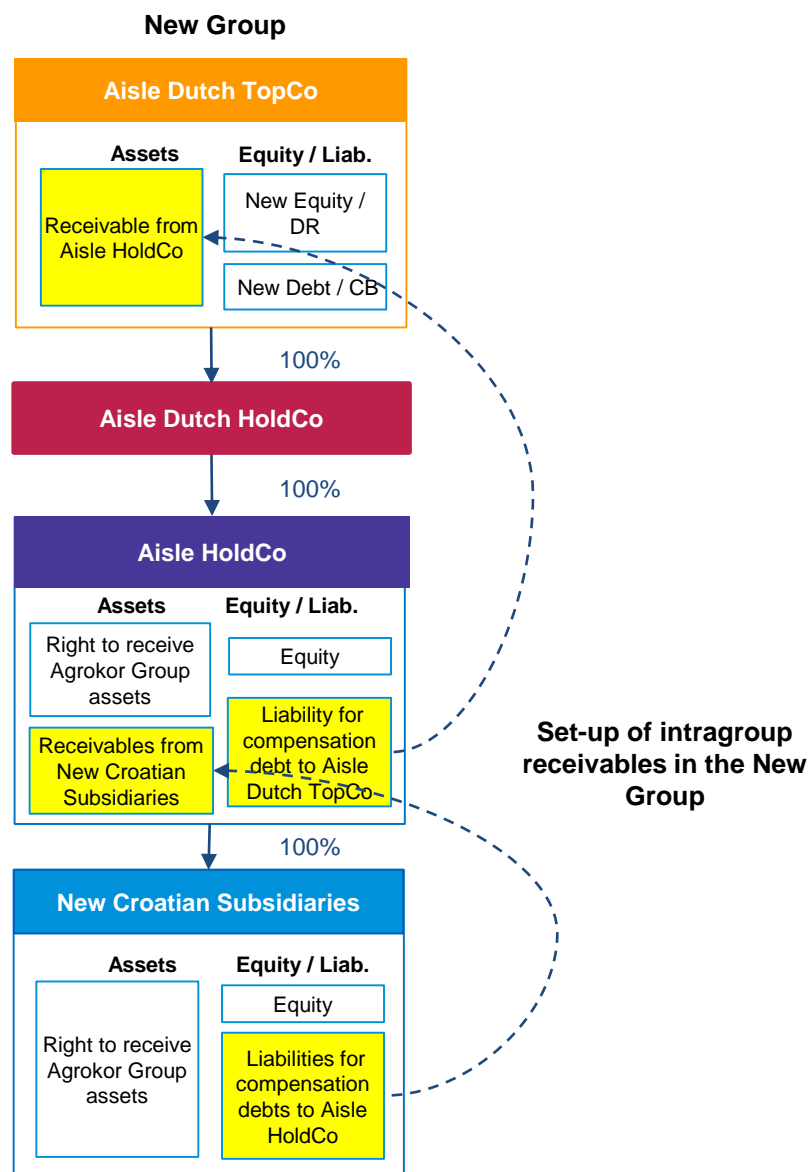
## Assignment of Impaired Creditors' pre-petition claims to the New Group (Step 7)

- Upon confirmation of the draft Settlement Plan by the Court, Impaired Creditors assign their pre-petition claims to Aisle Dutch TopCo.
- By way of the draft Settlement Plan, the Impaired Creditors' pre-petition claims that have been assigned to Aisle Dutch TopCo are at the level of Aisle Dutch TopCo automatically converted into individualized claims against:
  - Agrokor d.d. for a right to receive its assets / business unit and its shares in Solvent EA Croatian Subsidiaries and Foreign Subsidiaries which will be recognized in Aisle Dutch TopCo's financial statements at FV; and
  - Insolvent EA Croatian Subsidiaries for a right to receive their assets / business units which will be recognized in Aisle Dutch TopCo's financial statements at FV.

## Issuing Convertible Bonds and Depository Receipts (Step 8)

- In exchange for the assignment of the pre-petition claims (Step 7):
  - Aisle STAK undertakes to issue DRs to Impaired Creditors; and
  - Aisle Dutch TopCo undertakes to issue CBs to Impaired Creditors.
- The cumulative amount of DRs and CBs of each individual Impaired Creditor will be at the value of each Impaired Creditor's individual Settlement Allocation.

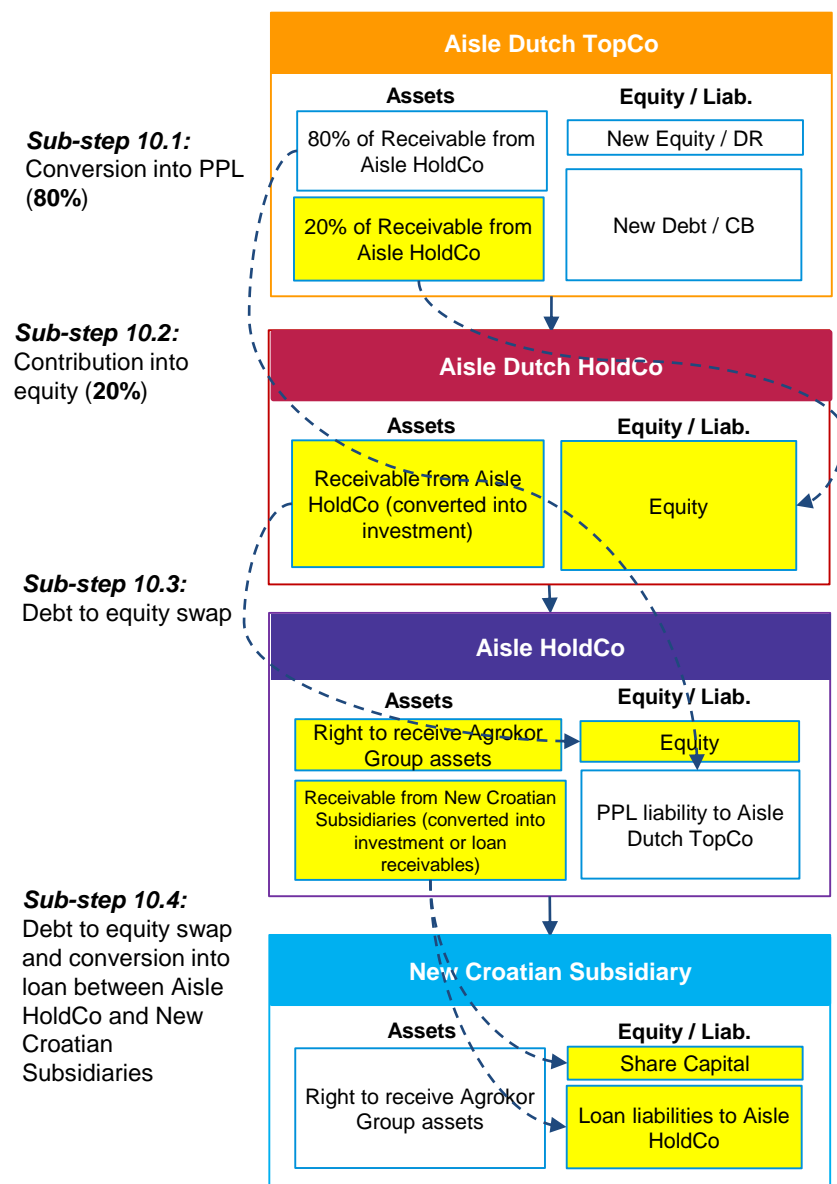
## Establishing intra-group receivables under the draft Settlement Plan



### Establishing intra-group receivables under the draft Settlement Plan (Step 9)

- Following the assignment of claims to Aisle Dutch TopCo (Step 7), Aisle Dutch TopCo will hold receivables from Agrokor d.d. and each Insolvent EA Croatian Subsidiary in an amount equal to the face amount of assigned claims.
- Further to the above, Aisle Dutch TopCo will instruct Agrokor d.d. and Insolvent EA Croatian Subsidiaries to transfer assets to Aisle HoldCo and New Croatian Subsidiaries, as a result of which:
  - **Aisle HoldCo** will have compensation debt (liability) to Aisle Dutch TopCo equal to the FV of shares in Solvent EA Croatian Subsidiaries and Foreign Subsidiaries and the FV of the business units and any potential non-core assets received from Agrokor d.d. and Insolvent EA Croatian Subsidiaries; and
  - **Each New Croatian Subsidiary** will have compensation debt to Aisle HoldCo equal to the FV of the business unit and any potential non-core assets of the corresponding Insolvent EA Croatian Subsidiary, where Aisle HoldCo will have a corresponding compensation debt to Aisle Dutch TopCo.
- Consequently, the above will facilitate establishing intra-group receivables amongst various entities in the New Group which would form the basis for achieving the desired capital structure of the New Group.

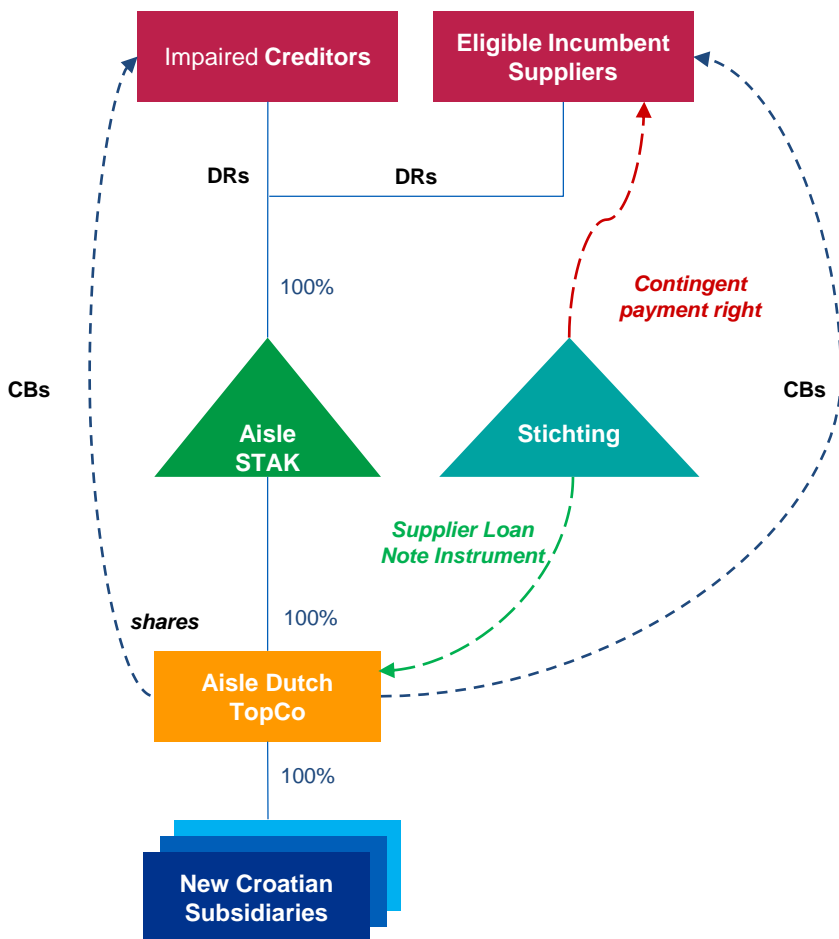
## Conversion of intra-group receivables into PPL and equity



### Conversion of intra-group receivables into PPL and equity (Step 10)

- The intra-group receivables between Aisle Dutch TopCo and Aisle HoldCo created in Step 9 will be converted into a PPL issued by Aisle Dutch TopCo to Aisle HoldCo (80%) and equity of Aisle Dutch HoldCo and Aisle HoldCo (20%).
- We note that the above intragroup capital structure is indicative only and may change depending on the actual facts and circumstances of the New Group.
- The intra-group receivables between Aisle HoldCo and New Croatian Subsidiaries will be converted into equity via a debt-to-equity swap or into an interest bearing loan by way of a conversion agreement. The actual amount of conversion (i.e. debt-to-equity ratio of individual New Croatian Subsidiaries) will be based on the specific position and corresponding debt capacity of individual New Croatian Subsidiaries.

## Setting up the Contingent Payment Right

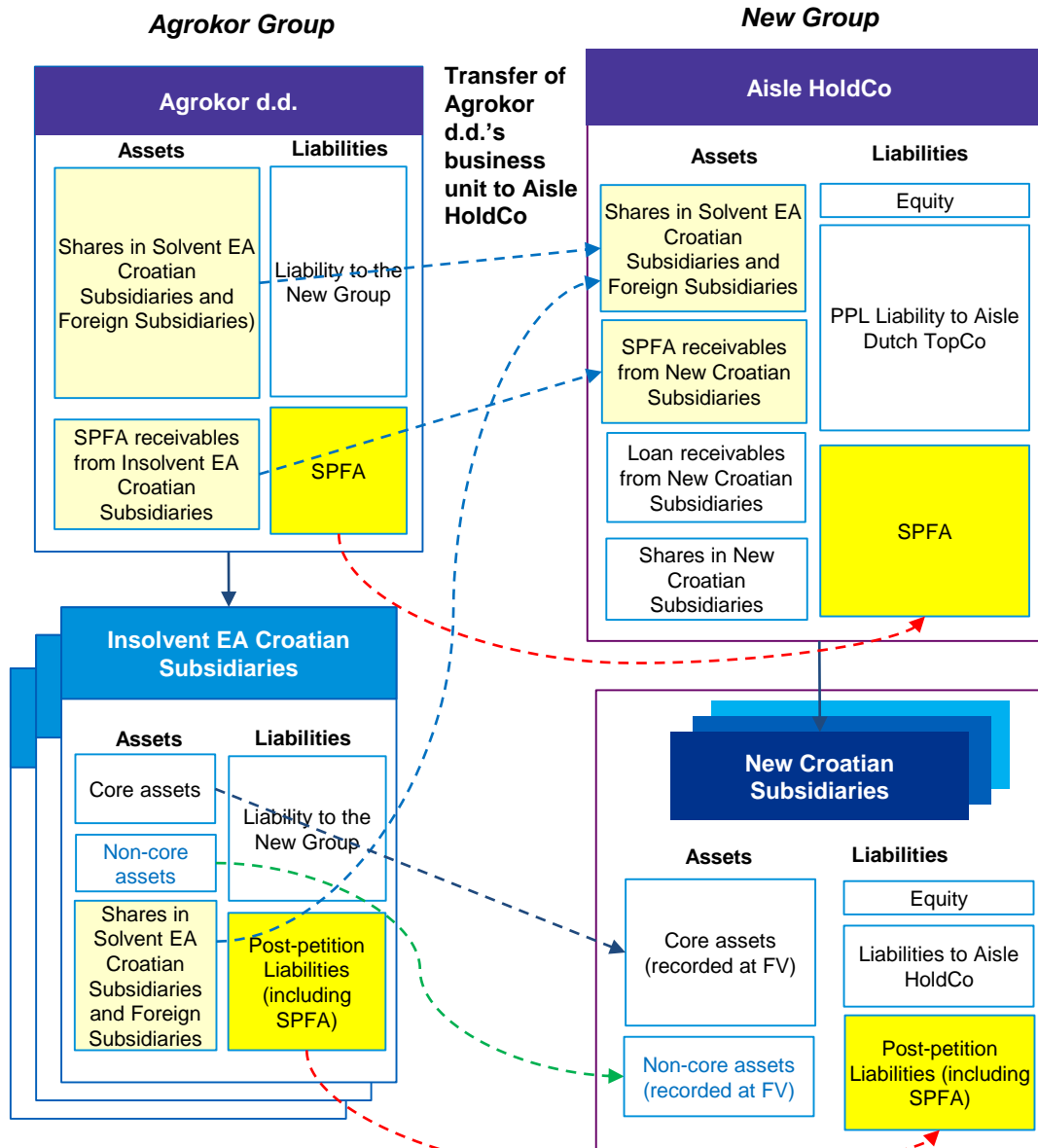


### Setting up the Contingent Payment Right (Step 11)

- The CPR is required in order to facilitate payment of consideration by Stichting to Creditors which hold Border Claims towards the Agrokor Group (Eligible Incumbent Suppliers) and which are divided into three separate categories. Payment is effected if the conditions set out in the draft Settlement Plan are met, by applying the distribution mechanism set out therein.
- Depending on the amount of the Determined New Konzum EBITDA, Eligible Incumbent Suppliers will be entitled to the annual payment over a four-year period commencing in 2018, with a cumulative maximum of EUR 80 million, minus the Supplier In-Kind Amount, depending on the amount of Determined New Konzum EBITDA.
- By the end of the Reference Period, if all realized and due Supplier Yearly Payment Amounts and any default interest are paid, Eligible Incumbent Suppliers will not have further rights under the CPR.



Transfers of business units of Insolvent EA Croatian Subsidiaries / shares in Solvent EA Croatian Subsidiaries and Foreign Subsidiaries / non-core assets to the New Group



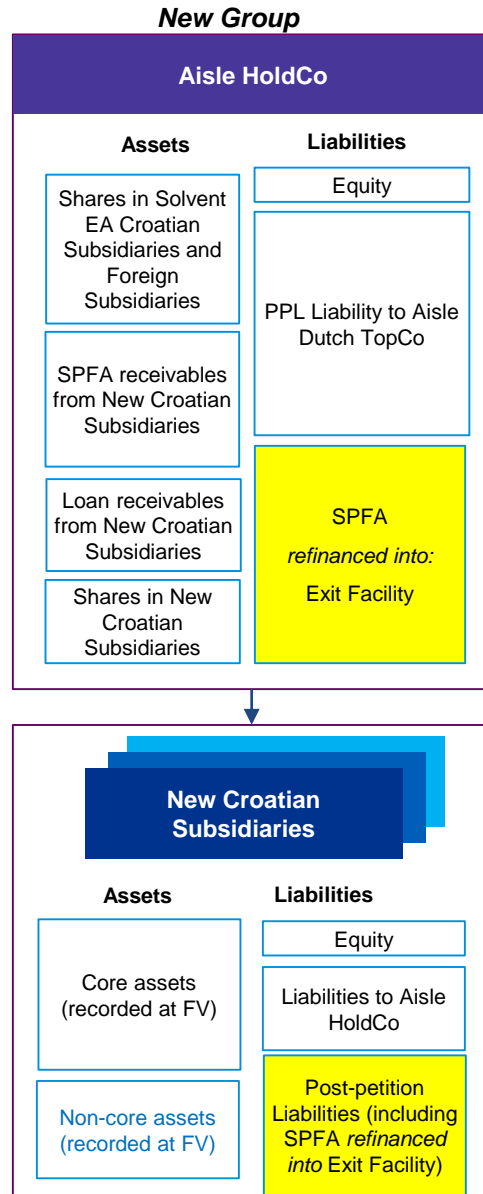
**1) Transfer of business units of Insolvent EA Croatian Subsidiaries from Agrokor Group (Step 12 (a))**

- The rights to receive assets from Insolvent EA Croatian Subsidiaries held by New Croatian Subsidiaries are set-off by transfer of business operations (i.e. business units) and non-core assets at FV from Insolvent EA Croatian Subsidiaries to New Croatian Subsidiaries.
- After the transfer, New Croatian Subsidiaries will continue with the business operations of the respective transferred business units.

**2) Transfers of shares in Solvent EA Croatian Subsidiaries and Foreign Subsidiaries from Agrokor Group (Step 12 (b))**

- The shares in Solvent EA Croatian Subsidiaries (subject to solvency test) and Foreign Subsidiaries (outside of EA Act) of Agrokor Group are transferred to Aisle HoldCo in settlement of the rights to receive assets that Aisle HoldCo will hold against the current owner of the shares in the Agrokor Group.
- Any minority shareholders of Solvent EA Croatian Subsidiaries and Foreign Subsidiaries remain unchanged.

## SPFA transfer / Set-up of Exit Facility



### Set-up of Exit Facility (Step 13)

- The existing SPFA will be transferred to the New Group and will then be refinanced at the level of Aisle HoldCo and New Croatian Subsidiaries into the Exit facility.
- It is envisaged that the presented Step 13 will be executed in parallel with Step 12 (transfers of business units of Insolvent EA Croatian Subsidiaries and transfers of shares in Solvent EA Croatian Subsidiaries and Foreign Subsidiaries), but due to SPFA specifics and for clarity purposes, Step 13 is presented separately.

### Description of the key activities

#### SPFA extension

- Extension of the SPFA for two years under current Extension Option.

#### Transfer of the SPFA to New Group via transfer of Agrokor d.d. business unit

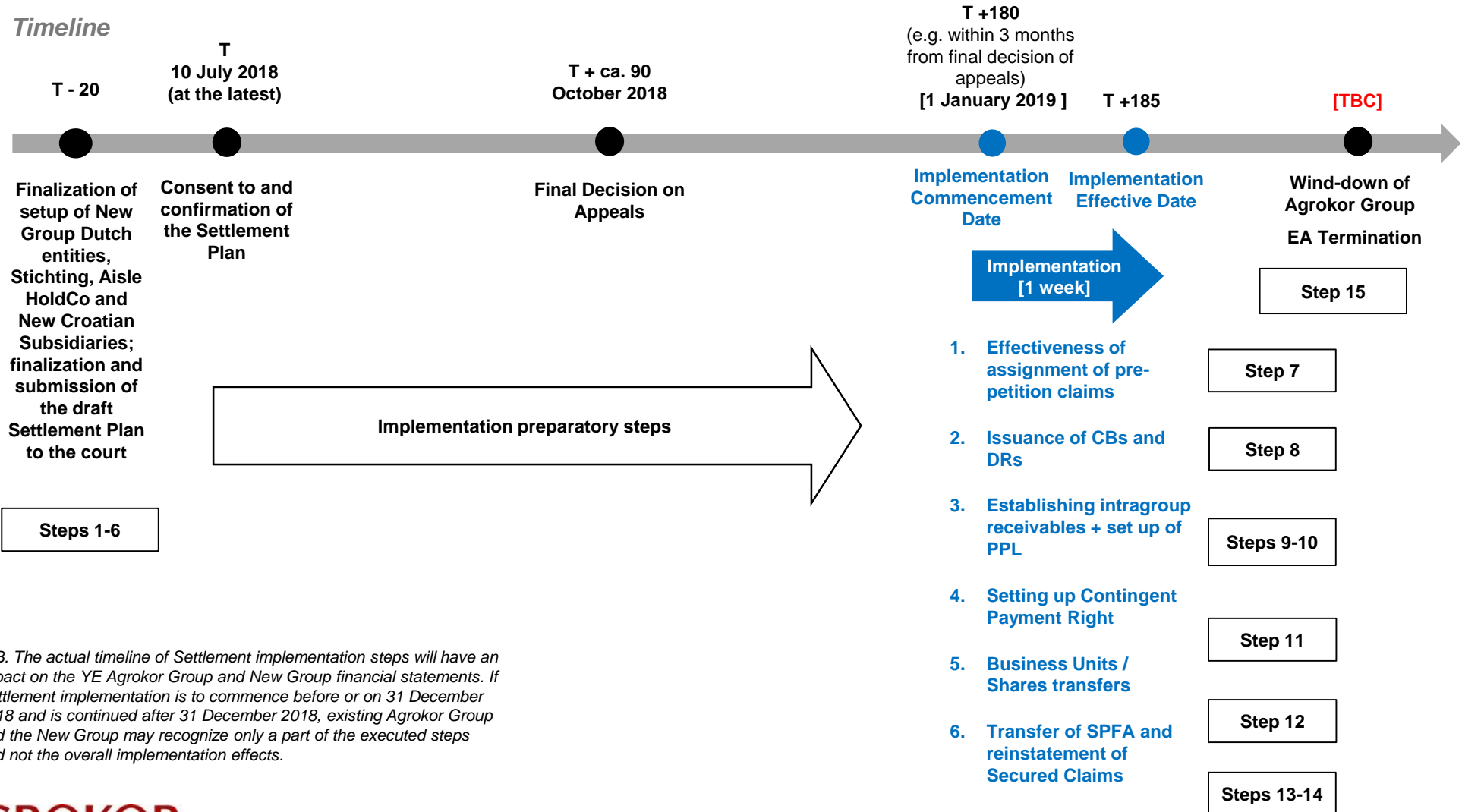
- Transfer of the SPFA (mainly included in Agrokor d.d. but also within several of the Insolvent EA Croatian Subsidiaries) as part of the business unit transfer of Agrokor d.d. to Aisle HoldCo.

#### Refinancing of the SPFA with Exit Facility

- Participants under the SPFA will be refinanced into the Exit Facility at Aisle HoldCo and New Croatian Subsidiaries' level.

# Timeline

We provide below an indicative timeline of the Settlement, which is subject to detailed operational planning and is dependent on the approval of the draft Settlement Plan by the Creditor's Committee, and confirmation of the draft Settlement Plan by the Court.



*N.B. The actual timeline of Settlement implementation steps will have an impact on the YE Agrokor Group and New Group financial statements. If Settlement implementation is to commence before or on 31 December 2018 and is continued after 31 December 2018, existing Agrokor Group and the New Group may recognize only a part of the executed steps and not the overall implementation effects.*