

# FY2019 audited consolidated results

1 July 2020



# Executive summary (1/2)

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## Settlement implementation



- Creditors' Settlement Plan for Agrokor implemented on 1 April 2019
- Transfer of business units conducted efficiently
- The Extraordinary Administration procedure recognized in several countries<sup>1</sup>
- EUR 7.8 bn of debt restructured
- Debt/EBITDA ratio reduced to 5.5x as of 31.12.2019

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## New corporate structure and organization



- New company with one-tier organization with executive and non-executive members
- New corporate governance structure
- Management team strengthened with experts with international experience

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## Successful refinancing



- SPFA successfully refinanced in September 2019
- New financing structured as a 4-year bond of €1,157 million
- 7.3% interest rate plus EURIBOR with a 1.0% floor
- Originally led by HPS Investment Partners and VTB Bank
- Simplified capital structure (70+ creditors replaced with 3)

# Executive summary (2/2)

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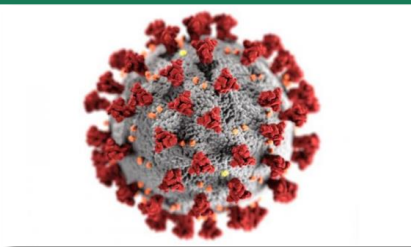
## Consolidated shareholder structure



- Top 10 shareholders own more than 70%
- Top 3 own more than 55%

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## Legal and business risks



- Settlement implementation risks related to:
  - Asset transfer of Mercator and Dijamant
  - Competition agencies approval
  - Shares enforcement
- Other risks consider:
  - COVID-19
  - Amendments to the Land Act in Croatia
  - Decrease in population

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## Improvements in performance<sup>1</sup>



- Consolidated<sup>2</sup> pro forma revenues: HRK 23,946m
- Adjusted consolidated EBITDA: HRK 1,662m
- Core segments<sup>3</sup> unconsolidated net sales revenues 3.6% higher than in 2018
- Core segments unconsolidated EBITDA 13% higher than 2018
- HRK 1,635m of cash and equivalents at the end of FY2019

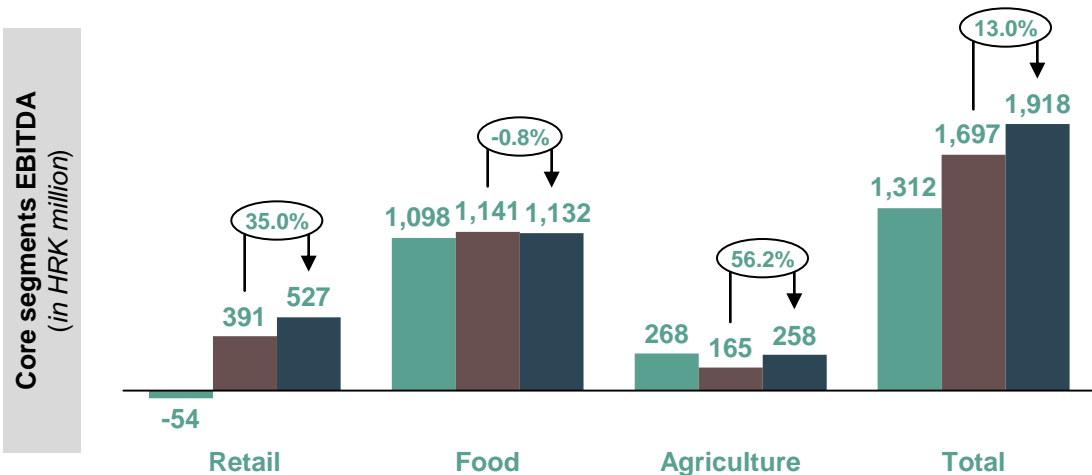
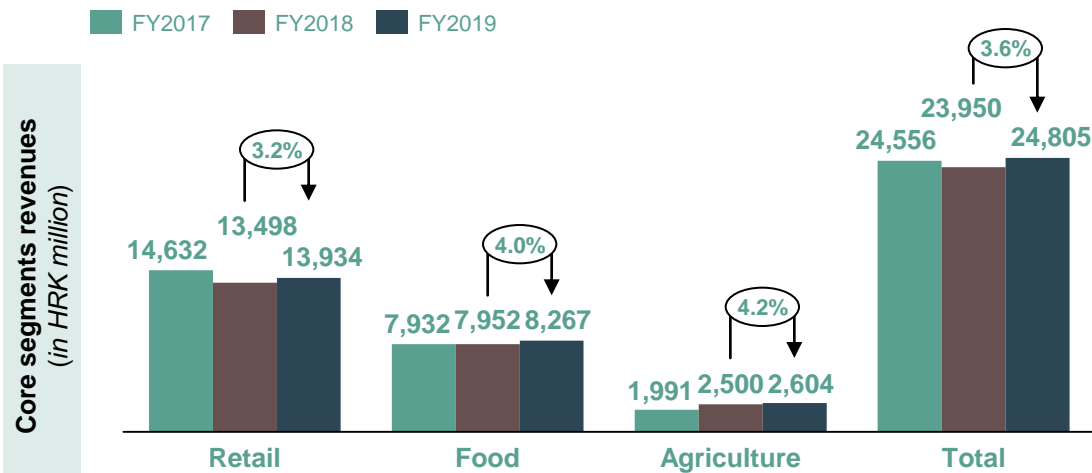
<sup>1</sup>All financials presented in this document **exclude Mercator**

<sup>2</sup>Consolidated financial statements comprise the financial statements of Fortenova grupa d.d. and its 102 subsidiaries

<sup>3</sup>Core segments include Retail and Wholesale (Konzum, Konzum Sarajevo, Tisak, Velpro), Food manufacturing (Jamnica, Sarajevski kiseljak, Roto dinamic, Ledo, Ledo Čitluk, Frikom, Zvijezda, Dijamant, PIK Vrbovec) and Agriculture division (Agrolaguna, Belje, PIK Vinkovci, Vupik).

The results are aggregated and include intercompany trading.


# Improvements have been reached in overall performance




- **Consolidated pro forma revenues** for FY 2019 amounted to **23,946 HRK million**, while **adjusted consolidated EBITDA** amounted to **1,662 HRK million**.
- Core segments<sup>1</sup> realized **higher net sales revenues (NSR) by 3.6%**, while **EBITDA was higher by 13.0%** compared to last year **due to improved results of Konzum** as well as **the Oil group and Agri division** and recovery of Konzum BiH.
- Overall **Retail & Wholesale segment** achieved **significant EBITDA growth of 35.0%** compared to 2018 with **gross margin as main driver**. **Konzum had highest contribution** to results in Retail. Velpro was merged with Konzum in January 2020.
- **Food segment** had **higher NSR by 4.0%** compared the same period last year **mostly coming from Edible Oil and Meat divisions**, while EBITDA was in line with the last year due to lower performance of Frozen, Beverages and Meat sub-divisions.
- Within **Agriculture segment** most companies had significantly better operational results, **exceeding the last year by 56.2%** mostly as a result of pig price recovery.

<sup>1</sup>Core segments include Retail and Wholesale (Konzum, Konzum Sarajevo, Tisak, Velpro), Food manufacturing (Jamnica, Sarajevski kiseljak, Roto dinamic, Ledo, Ledo Čitluk, Frikom, Zvijezda, Dijamant, PIK Vrbovec) and Agriculture division (Agrolaguna, Belje, PIK Vinkovci, Vupik). The results are aggregated and include intercompany trading.


# Consolidated Financial Statements – Basis of Preparation



The presented consolidated pro forma financial statements comprise the financial statements of Fortenova grupa d.d. and its 102 subsidiaries (excluding Mercator)



The accounting policies adopted in the preparation of the presented consolidated pro forma financial statements are consistent with all the International Financial Reporting Standards effective from 1 January 2019, including IFRS 16 Leases effective from 1 January 2019



Agrokor and Fortenova Group opted for the modified retrospective approach to application of the IFRS 16 as of 1 January 2019 (comparable information for 2018 is not adjusted; all changes reported as adjustments to the opening balance in the balance sheet).

# Consolidated Profit and Loss Statement

Full year, pro forma

In HRK thousand, IFRS	1.1.-31.3.2019 (Agrokor Group)	1.4.-31.12.2019 (Fortenova Group)	1.1.-31.12.2019 (Pro forma)	1.1.-31.12.2018 (Agrokor Group)
Revenue	4,484,972	19,085,893	23,570,865	21,840,321
Other income	112,611	262,936	375,547	726,822
<b>Total income</b>	<b>4,597,583</b>	<b>19,348,829</b>	<b>23,946,412</b>	<b>22,567,143</b>
Changes in inventories	(49,472)	93,622	44,150	(186,066)
Cost of materials and goods sold	(3,012,220)	(11,658,883)	(14,671,103)	(14,003,854)
Cost of services	(606,716)	(2,796,685)	(3,403,401)	(3,990,635)
Staff costs	(647,776)	(2,160,940)	(2,808,716)	(2,674,024)
Depreciation, amortisation and impairment	(185,151)	(677,545)	(862,696)	(904,709)
Depreciation of right of use assets	(140,290)	(391,629)	(531,919)	-
Other costs	(281,170)	(994,742)	(1,275,912)	(1,261,686)
Gains/ (losses) on sale of properties	1,460	(1,073)	387	-
<b>Total expenses</b>	<b>(4,921,335)</b>	<b>(18,587,874)</b>	<b>(23,509,209)</b>	<b>(23,020,974)</b>
Finance income	13,679	94,750	108,429	343,027
Finance expenses	(664,411)	(1,251,540)	(1,915,951)	(1,252,363)
<b>Net financial result</b>	<b>(650,732)</b>	<b>(1,156,789)</b>	<b>(1,807,521)</b>	<b>(909,336)</b>
Share of profit of associates	-	4,646	4,646	7,946
<b>LOSS BEFORE TAX</b>	<b>(974,484)</b>	<b>(391,189)</b>	<b>(1,365,673)</b>	<b>(1,355,221)</b>
Income tax	(25,037)	(99,959)	(124,996)	(123,347)
<b>LOSS FOR THE YEAR</b>	<b>(999,521)</b>	<b>(491,148)</b>	<b>(1,490,669)</b>	<b>(1,478,568)</b>

## Comments

- The presented **consolidated pro forma P&L** for the period ended 31 December 2019 **consists of**:
  - Q1 2019 consolidated P&L of the Agrokor Group** (excluding Mercator Group) **and**;
  - Q2-Q4 2019 consolidated P&L of the Fortenova Group.**
- Cost of materials and goods sold in the period 1 April through 31 December 2019 was decreased for HRK 241,653 thousand for the effect of inventory fair value uplift as of 1 April 2019.
- These inventories were sold during the period and for the purpose of this presentation and the assessment of EBITDA this effect was excluded from the profit and loss account.
- Equity in the balance sheet and profit before tax in the cash flow statement are not modified for this effect in this presentation.

# Consolidated Balance Sheet

31 December 2019

In HRK thousand, IFRS	
<b>ASSETS</b>	
NON-CURRENT ASSETS	
Property, plant and equipment	7,178,046
Right of use assets	3,106,216
Investment property	1,057,655
Intangible assets	8,171,571
Biological assets	261,174
Investments in associates	160,611
Loans, deposits and other non-current financial assets	582,683
Deferred tax assets	125,186
Other non-current assets	22,112
<b>TOTAL NON-CURRENT ASSETS</b>	<b>20,665,254</b>
CURRENT ASSETS	
Inventories	2,601,896
Biological assets	353,146
Assets classified as held for sale	164,290
Loans and deposits	86,952
Trade receivables	1,774,982
Other current assets	1,595,702
Cash and cash equivalents	1,635,267
<b>TOTAL CURRENT ASSETS</b>	<b>8,212,235</b>
<b>TOTAL ASSETS</b>	<b>28,877,489</b>
<b>EQUITY AND LIABILITIES</b>	
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	
Share capital	200
Reserves	2,261,221
Loss for the year <sup>1</sup>	(771,933)
	<b>1,489,488</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>138,324</b>
<b>TOTAL EQUITY</b>	<b>1,627,812</b>
NON-CURRENT LIABILITIES	
Borrowings	10,306,541
Profit participating loan	8,840,543
Lease liabilities	3,196,253
Provisions	448,295
Deferred tax liabilities	273,190
Other non-current liabilities	4,667
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>23,069,489</b>
CURRENT LIABILITIES	
Trade payables	2,448,176
Income tax payable	64,819
Borrowings	327,414
Lease liabilities	455,199
Other current liabilities	884,58
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,180,188</b>
<b>TOTAL LIABILITIES</b>	<b>27,249,677</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>28,877,489</b>

Comments
<ul style="list-style-type: none"> <li>Balance sheet values are based on purchase price allocation process</li> <li><b>Cash balance</b> as of 31 December amounted to <b>HRK 1,635 million</b> indicating strong liquidity position</li> <li>20% of profit participating loan was converted into reserves as of 31 December 2019</li> <li>Intangible assets include HRK 3.4 billion of goodwill, HRK 2.3 billion of brands and HRK 2.1 billion of customer lists</li> <li>Loss for the year, as presented in equity, in the amount of HRK 771,933 thousand represent Fortenova Group consolidated loss for the year, not the pro forma loss for the year</li> </ul>

# Consolidated Cash Flow

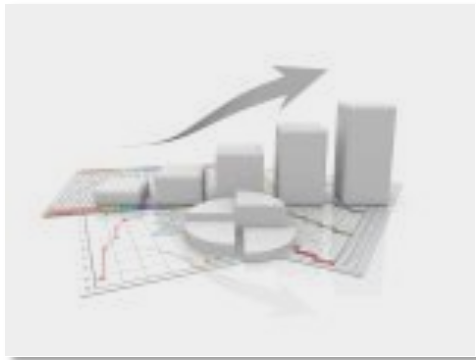
Full year, pro forma

In HRK thousand, IFRS	1.1.-31.3.2019 (Agrokor Group)	1.4.-31.12.2019 (Fortenova Group)	1.1.-31.12.2019 (Pro forma)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax	(974,484)	(391,189)	(1,365,673)
<b>Adjustments to reconcile net earnings to net cash provided by operating activities</b>			
Depreciation, amortisation and impairment of non-current asset (excl.goodwill)	185,151	677,545	862,696
Depreciation charged for right of use assets (IFRS 16)	140,290	391,629	531,919
Financial income	(13,679)	(94,750)	(108,429)
Financial expenses	664,411	1,251,540	1,915,951
Impairment of financial assets and other assets, net	1,167	65,565	66,732
Gain on sale of properties, net	(1,460)	1,073	(387)
Impairment loss on trade receivables, net	(700)	92,744	92,044
Group share of net profit of associates	-	(4,646)	(4,646)
Provisions, net	(20,202)	191,491	171,289
Inventory shortages, net	-	17,481	17,481
Other non-cash transactions	-	(280,785)	(280,785)
<b>Net cash flows from operating activities before changes in working capital</b>	<b>(19,506)</b>	<b>1,917,698</b>	<b>1,898,192</b>
Increase in receivables	(31,144)	(453,133)	(484,277)
(Increase)/ Decrease in inventories	(43,914)	141,862	97,948
Increase in liabilities towards creditors	274,174	321,271	595,445
Net change in other working capital	(105,337)	172,758	67,421
<b>Net cash inflow from operating activities before interest and taxes</b>	<b>74,273</b>	<b>2,100,456</b>	<b>2,174,729</b>
Income taxes paid	(28,765)	(113,774)	(142,539)
Interest paid	(247,173)	(738,353)	(985,526)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(201,665)</b>	<b>1,248,329</b>	<b>1,046,664</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and intangible assets	(81,872)	(359,140)	(441,012)
Outflow from non-current financial investments, net	(670,362)	1,449	(668,913)
Proceeds from other investing activities	871,203	41,327	912,530
Interest received	444	2,848	3,292
<b>Net cash (outflow)/ inflow from investing activities</b>	<b>119,412</b>	<b>(313,516)</b>	<b>(194,104)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Outflow from repayment of borrowings, net	(354,190)	(248,736)	(602,926)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(354,190)</b>	<b>(248,736)</b>	<b>(602,926)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(436,443)</b>	<b>686,077</b>	<b>249,634</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<b>1,385,633</b>	<b>949,190</b>	<b>1,385,633</b>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<b>949,190</b>	<b>1,635,267</b>	<b>1,635,267</b>



# Strong focus on business, optimization of capital and legal structure and Mercator's integration

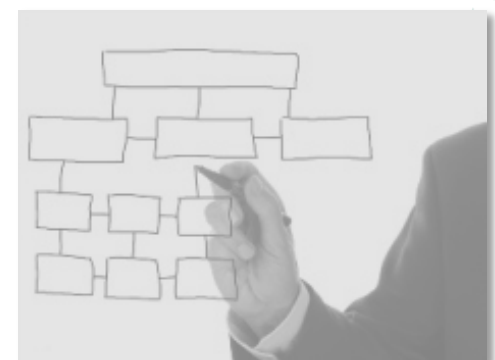
**1** Strong focus on business



**2** Maintain strong liquidity



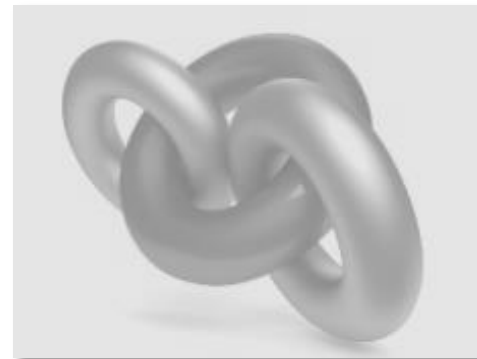
**3** Optimization of legal structure



**4** Redefinition of covenants as a result of COVID-19



**5** Mercator transfer and refinancing



# THANK YOU



FORTENOVA  
GRUPA