

ATLANTIC GRUPA

Acquisition of Droga Kolinska

Cross-Border Corporate Acquisition

Zoran Stanković, CFO of Atlantic Grupa



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ATLANTIC GRUPA: prior to the acquisition of Droga Kolinska

Vertically Integrated Company in the **CONSUMER HEALTHCARE** industry

- Among the leading European companies in the **sports nutrition**
- Leader in the **vitamin instant drinks** in the SEE region
- Producer of the No1 Croatian brand in **the VMS and the OTC**
- The largest private **pharmacy chain** in Croatia
- The leading **FMCG distributor** in the SEE region

Key brands:

MULTIPOWER

CEDEVITA

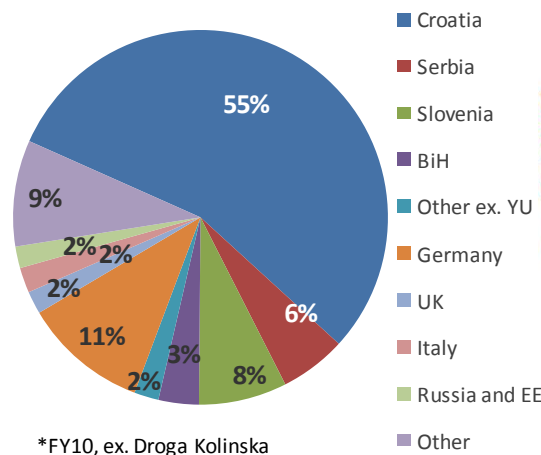
DIETPHARM

FARMACIA

International Brands (Ferrero, Wrigley, Duracell, Johnson & Johnson etc.)

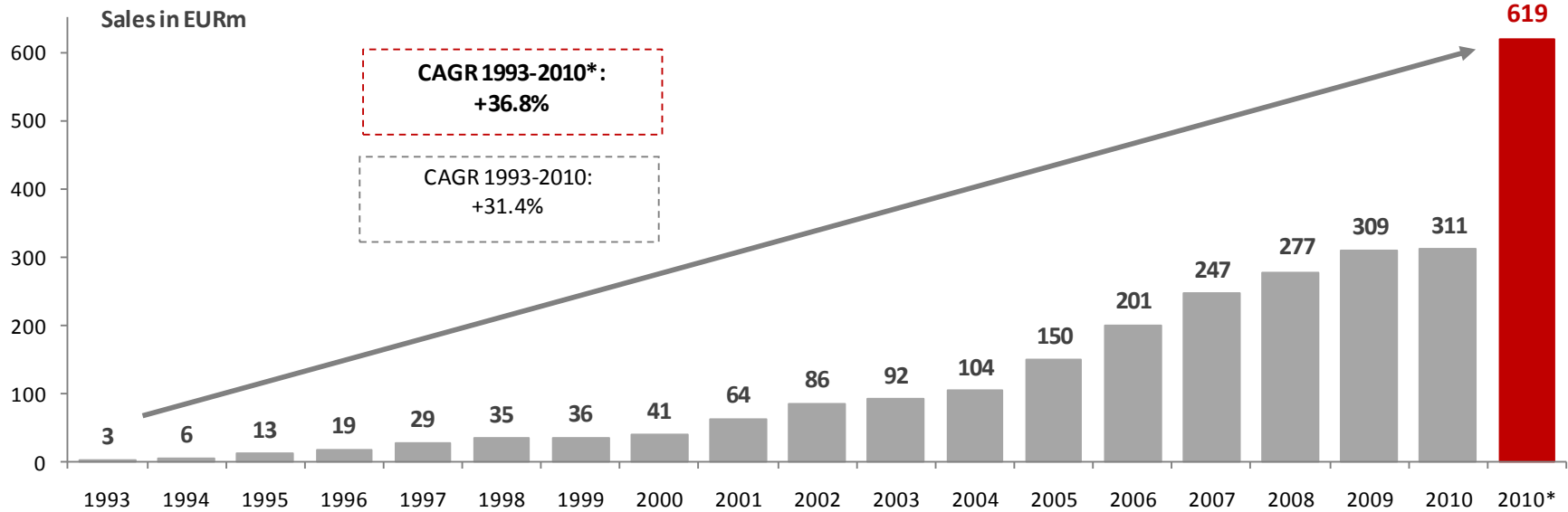
Business Card of Atlantic Grupa

Headquarter	Zagreb, Croatia
Employees at 31 December 2010	1,787
Markets	30
FY10 sales	EUR 311m



farmacia[®]+

DEVELOPMENT CYCLE: Extensive M&A track record



2010*: Pro-forma consolidated with Droga Kolinska; Figures translated at average EUR/HRK FX rate for each year

DROGA KOLINSKA: prior to the acquisition by Atlantic Grupa

FOOD AND BEVERAGE PRODUCER with leading brands in the ex-YU region

- Among the leading **soft drinks** producer in the ex-YU area
- One of the leading **coffee** producers in the ex-YU region
- Among the leading **savoury spreads** producers in the ex-YU
- Among the leading **confectionary & snacks** producers in the ex-YU
- Producer of **baby food** with presence on CIS markets

Key brands:

COCKTA, DONAT Mg

GRAND KAFA, BARCAFFE

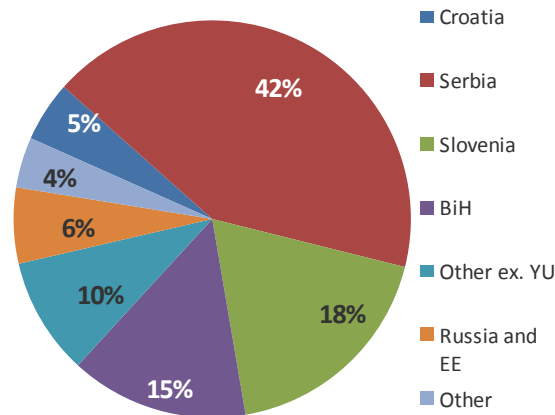
ARGETA

SMOKI, NAJLEPŠE ŽELJE

BEBI

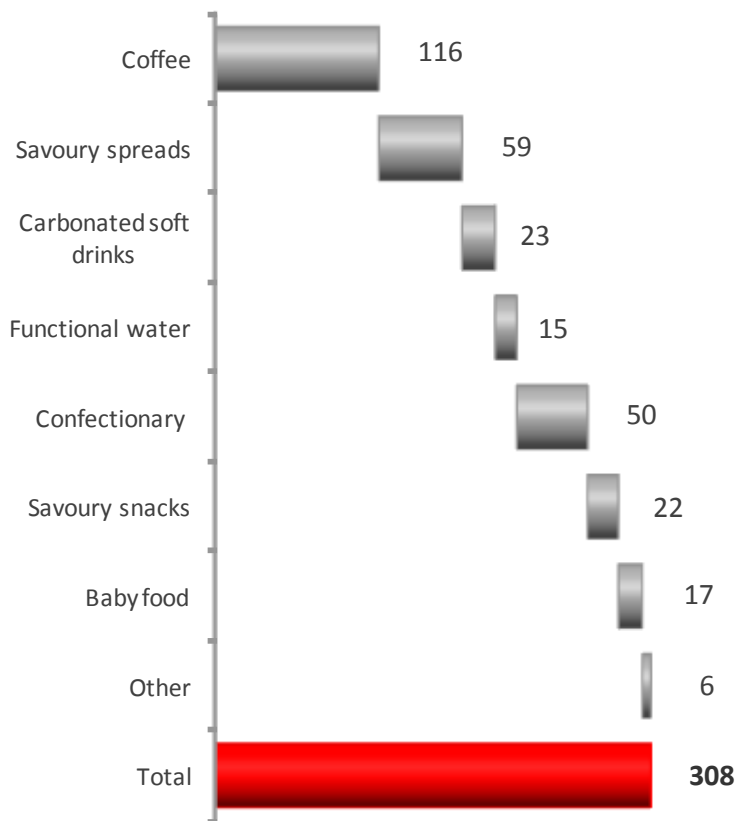
Business Card of Droga Kolinska

Markets	ex.-YU region, CIS
Employees at 31 December 2010	2,483
Production locations (own)	9
FY10 sales	EUR 308m

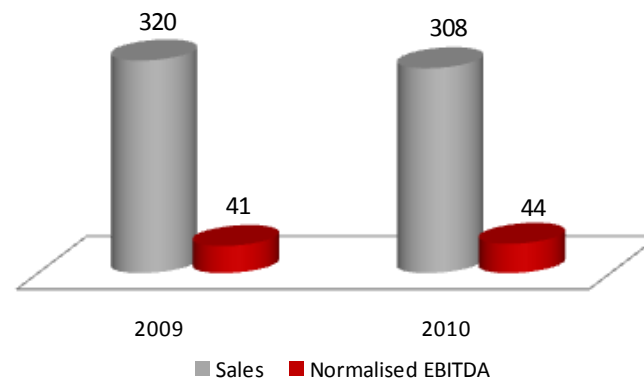


DROGA KOLINSKA: prior to the acquisition by Atlantic Grupa

Sales by categories in FY10, EURm



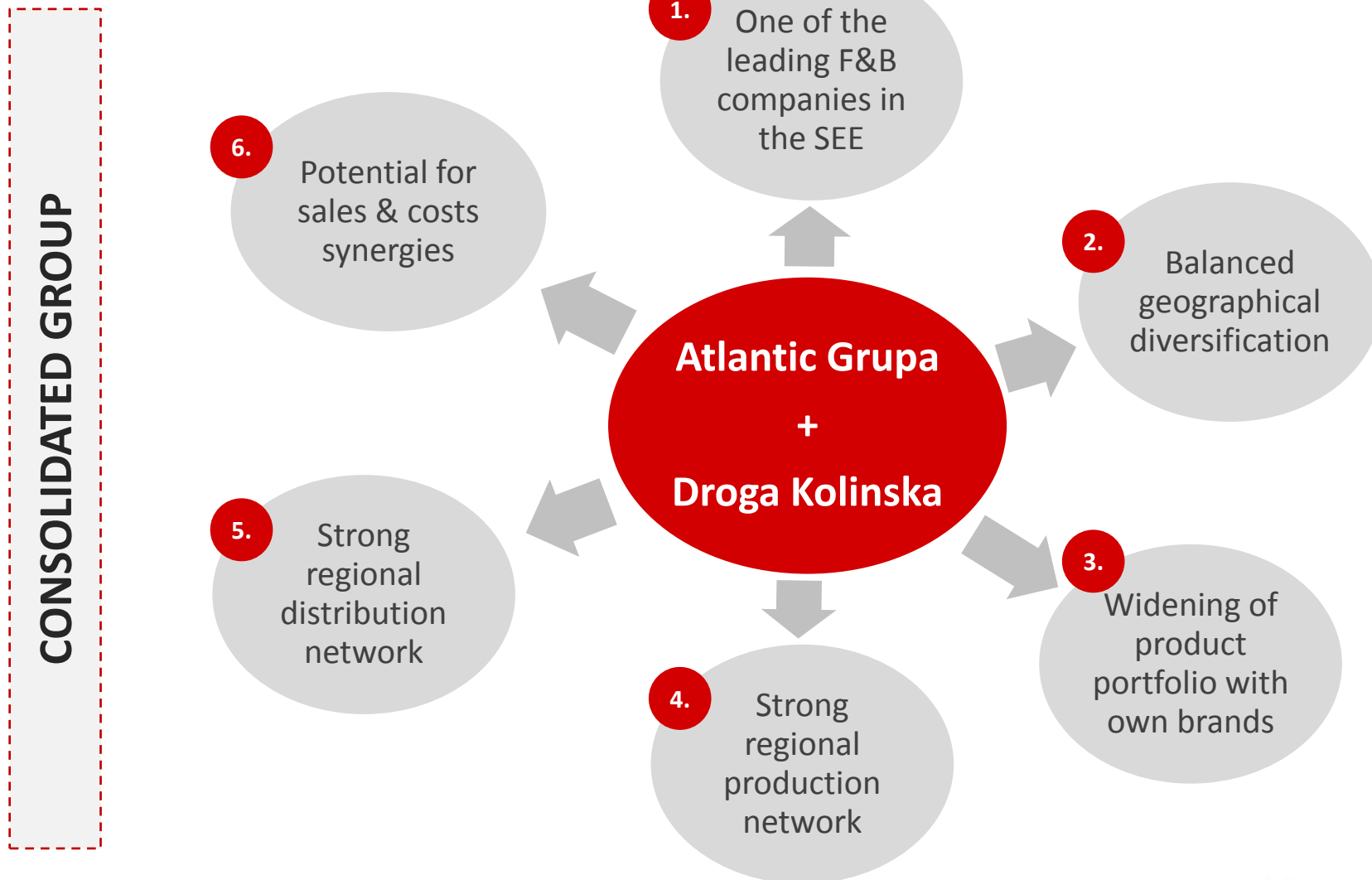
Key financials, EURm



Overview of production facilities

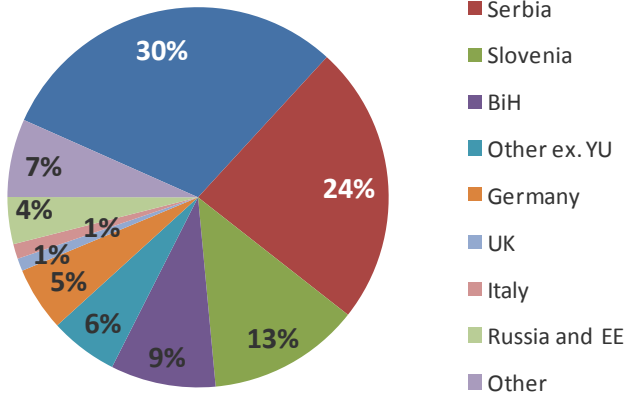


VERTICALLY INTEGRATED COMPANY IN *NUTRITION HEALTHCARE PERFORMANCE*

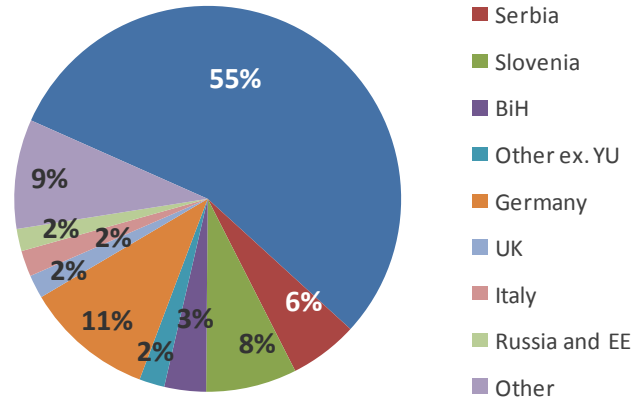


CONSOLIDATED GROUP

Consolidated geographical profile

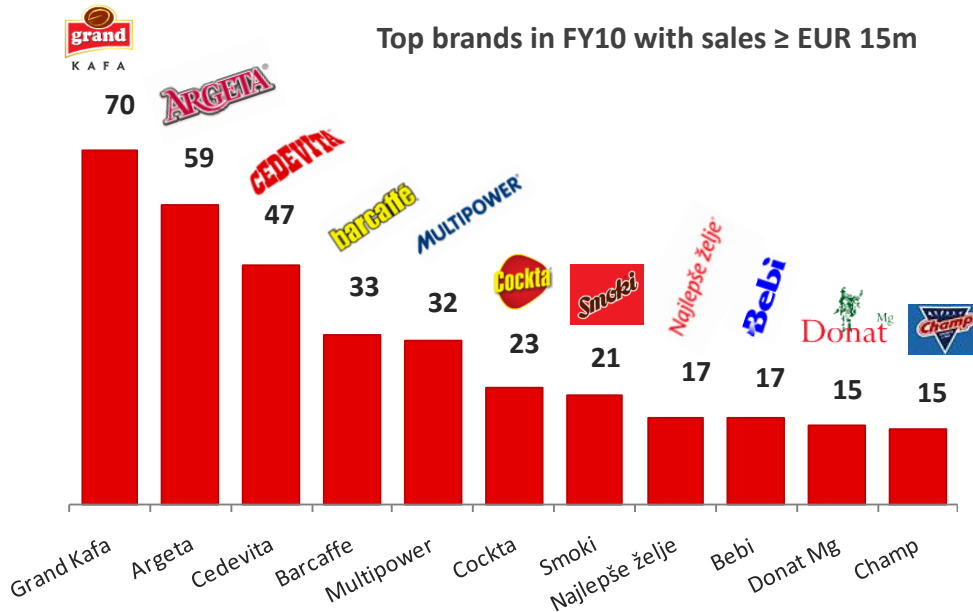


AG stand-alone

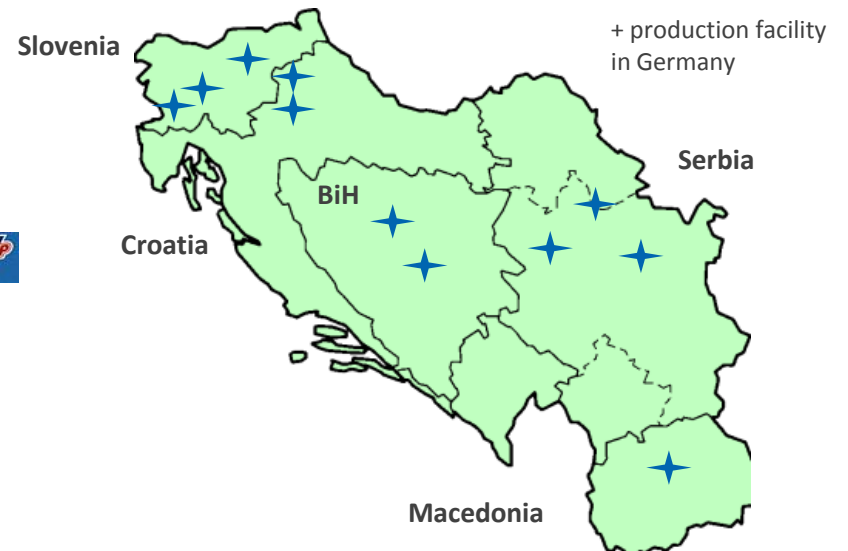


- ❖ More balanced geographic portfolio
- ❖ Coffee becomes the largest product category followed by Sports and Functional Food and Sweet and salted snacks product categories
- ❖ Own brands comprise 70% of Group's sales

Top brands in FY10 with sales ≥ EUR 15m



Strong production and distribution network in the region



CONSOLIDATED GROUP

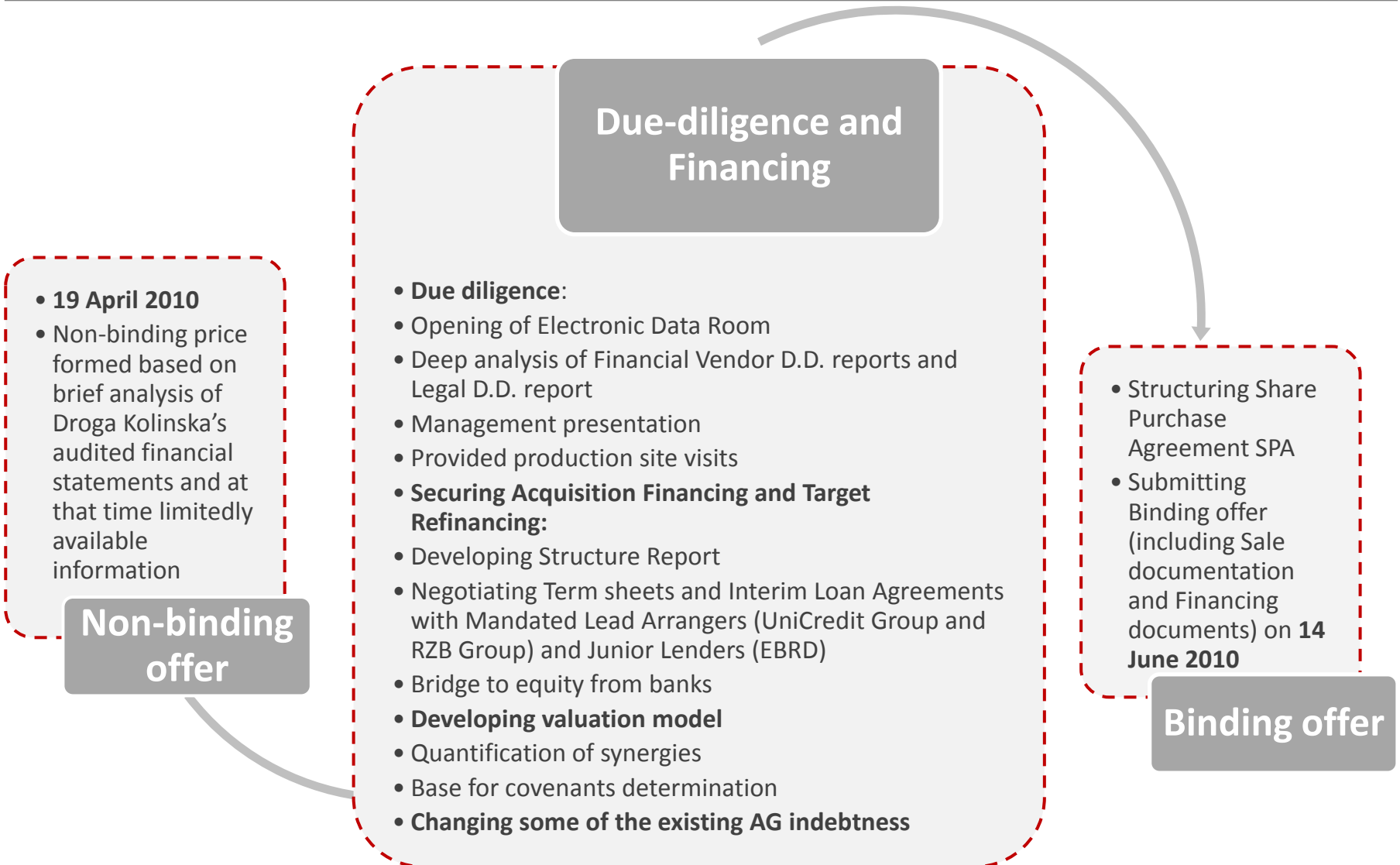
Key figures (EURm)	Atlantic Grupa	Droga Kolinska	Pro-forma 2010
Revenues	316	313	629
Sales	311	308	619
Normalised EBITDA	28	44	72
Normalised EBIT*	20	23	43
Normalised Net profit*	13	10	24
Normalised EBITDA margin	8.9%	14.3%	11.6%
Normalised EBIT margin*	6.5%	7.5%	7.0%
Normalised Net profit margin*	4.3%	3.4%	3.8%

❖ Enhanced profit margins once Droga Kolinska consolidated, with the most pronounced improvement at EBITDA margin largely thanks to Droga Kolinska's higher gross profit margin amidst own brands-oriented product mix

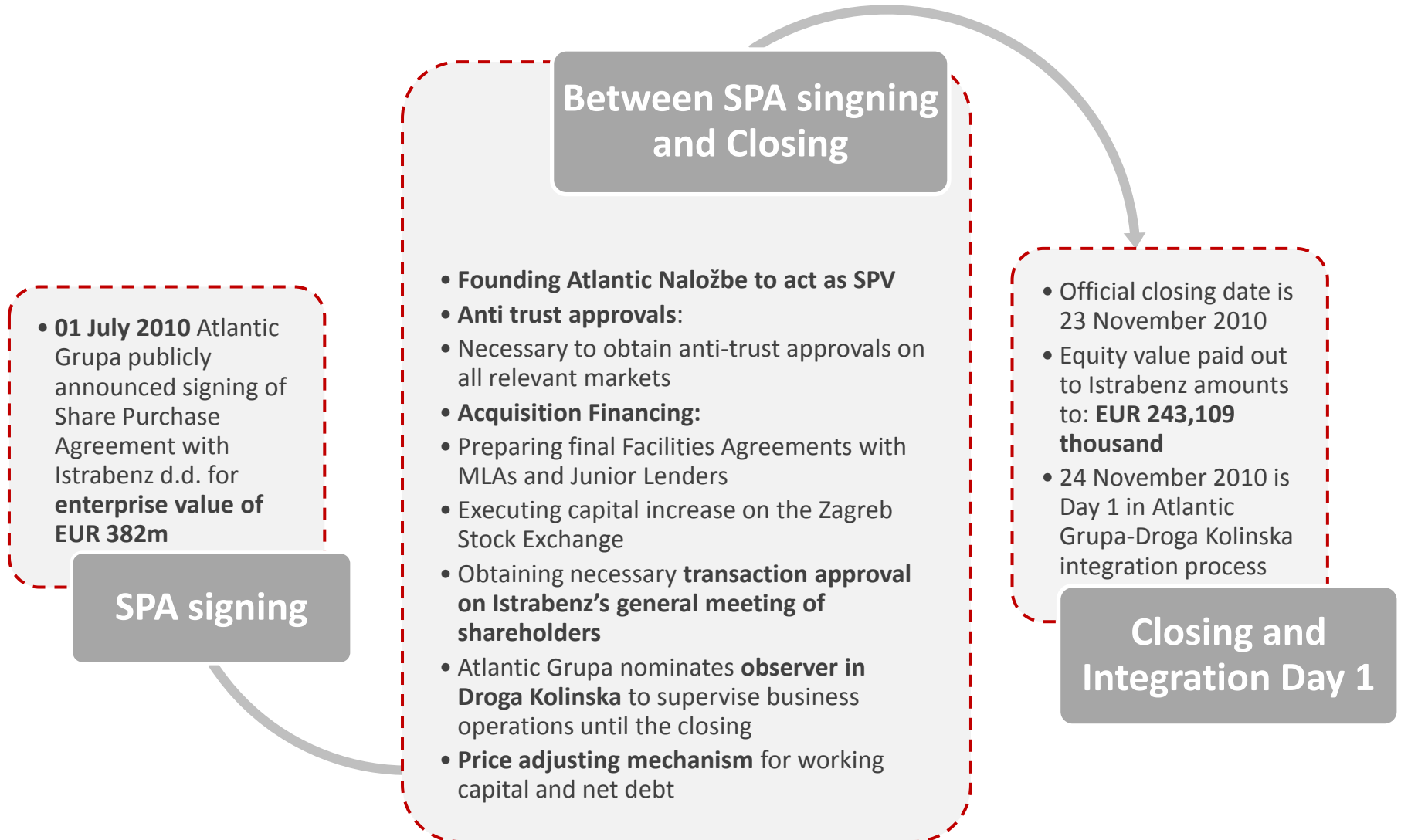
* Droga Kolinska's EBIT and Net profit do not reflect goodwill impairment of EUR4.9m

* Pro-forma consolidation reflects added results of two companies, but does not reflect actual and potential positive and negative effects of consolidation of two companies

ACQUISITION TIMELINE I

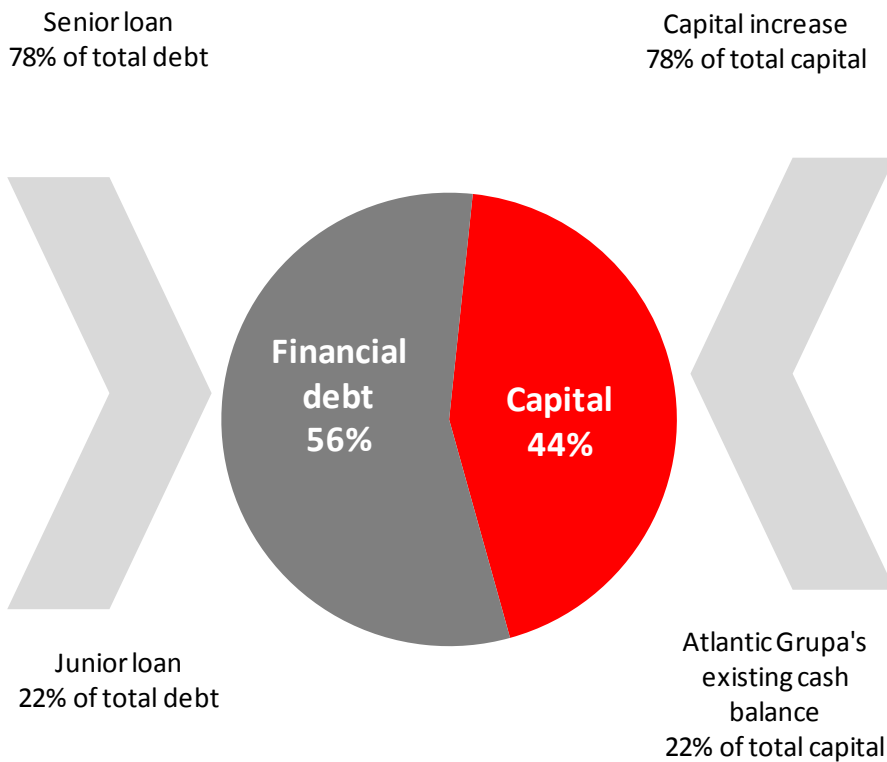


ACQUISITION TIMELINE II

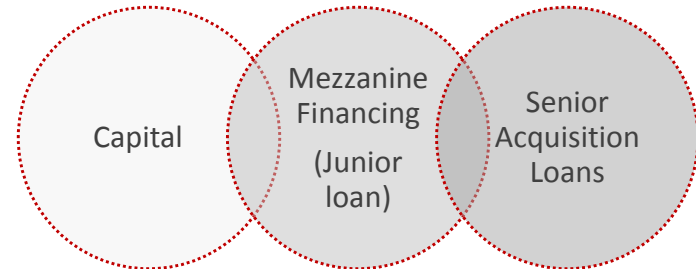


ACQUISITION FINANCING STRUCTURE

Financing structure of Equity value of EUR 243,109 ths



Three level financing → complex InterCreditor relationship

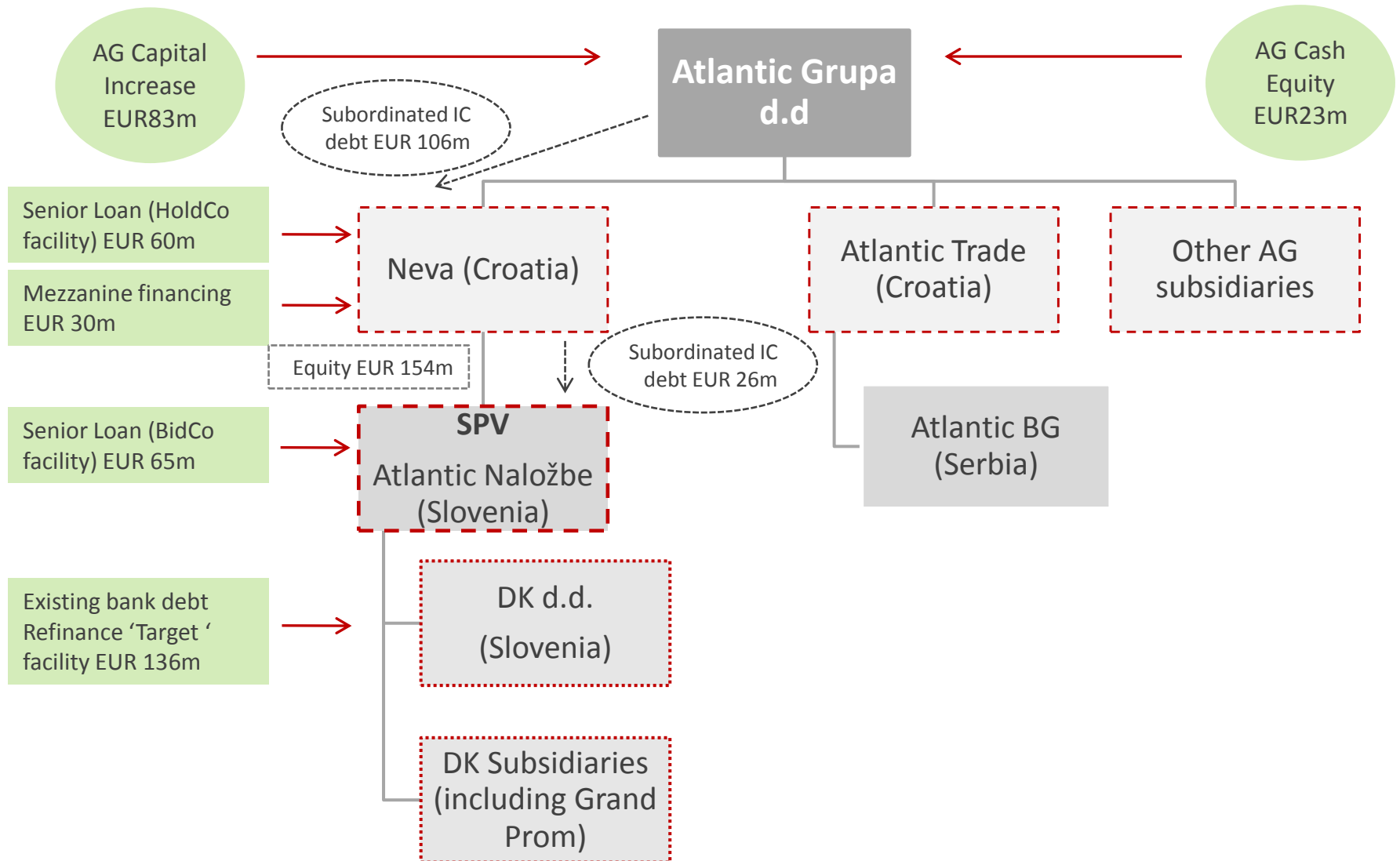


- ❖ Repayment schedule for debt financing:
 - Increasing repayment schedule
 - Partly Bullet repayment
- ❖ Financial covenants tighten in time forcing Borrower to reduce the leverage
- ❖ Covenants: Total Debt Cover, Senior Debt Cover, Interest Cover, Cashflow Cover, Equity ratio, Capex
- ❖ Interest margin is based on Debt Coverage grid, i.e. Interest Margin improves as Debt Coverage improves, thus rewording Borrower to reduce the leverage
- ❖ Disposal proceeds and excess cashflow is used to reduce the leverage
- ❖ Mezzanine: Interest paid in Cash + Interest paid in-kind (capitalised interest)

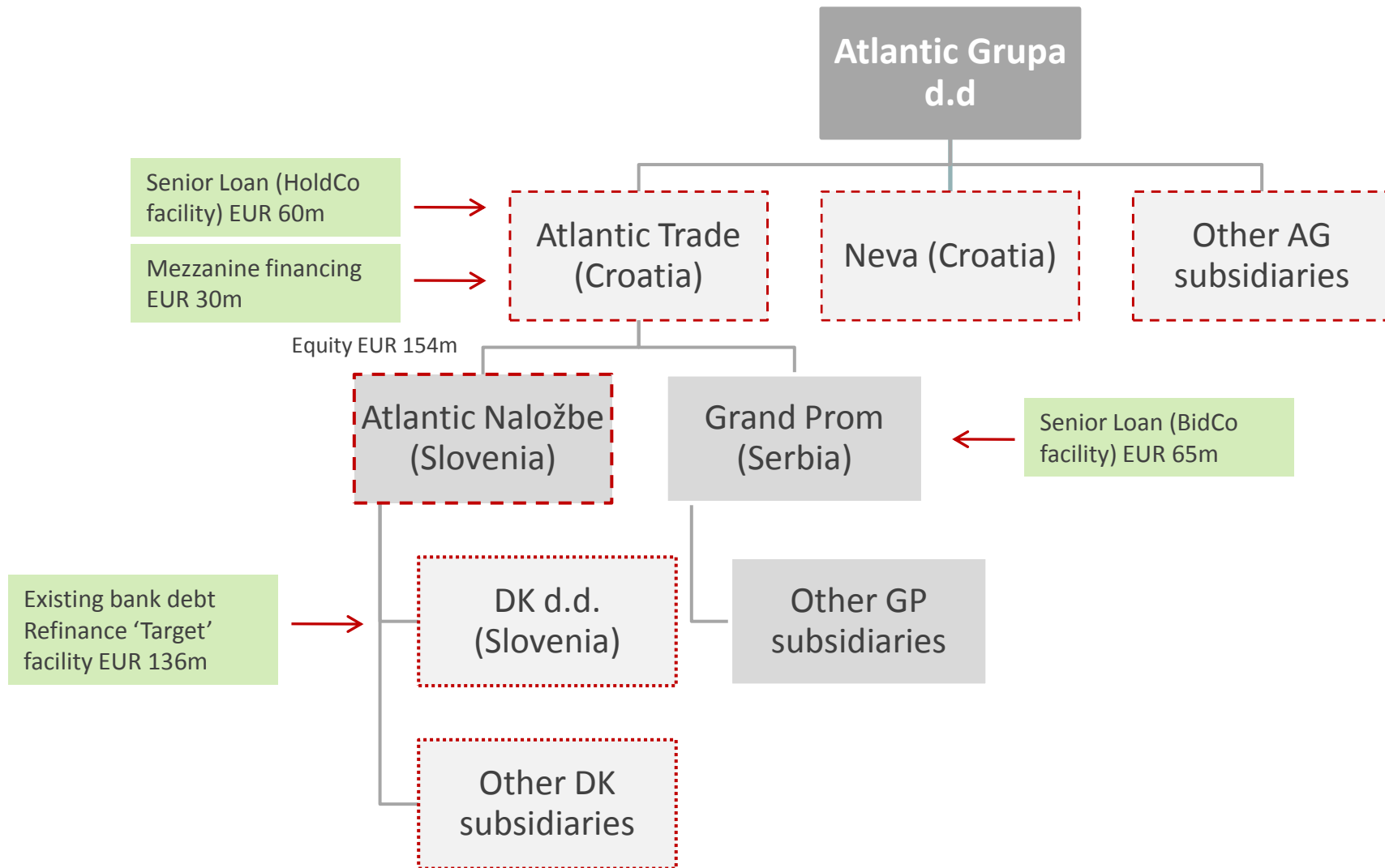
OVERVIEW OF LOAN FACILITIES

Facility	Amount	Maturity	Repayment	Purpose
HoldCo Facilities (Neva Croatia)	EUR 60m Senior Term Loan Facility	6 years	Amortizing	Payment of purchase price and acquisition costs for the Transaction
	EUR 5m Senior Revolving Credit Facility	5 years	Bullet	General corporate and working capital purposes
BidCo Facilities (Atlantic Naložbe Slovenia)	EUR 30m Senior Term Loan Facility	6 years	Amortizing	Payment of purchase price for the Transaction
	EUR 35m Senior Term Loan Facility	7 years	Bullet	
Target Facilities (DK d.d.)	EUR 136m DK Refinancing Term Loan Facility	5 years	Amortizing	Refinancing of existing indebtedness of Droga Kolinska Group
	EUR 20m Senior Revolving Credit Facility	5 years	Bullet	Working capital purposes
Mezzanine Facility	EUR 30m Mezzanine Facility	8 years	Bullet	Payment of purchase price and acquisition costs for the Transaction

ACQUISITION FINANCING STRUCTURE I



ACQUISITION FINANCING STRUCTURE II - FINAL



CONSIDERATIONS IN STRUCTURING

Aligning debt to cash flows

No possibility for debt pushdown in Slovenia

Withholding tax on interest payments

Tax deductibility of the acquisition debt and transaction costs
Utilisation of existing tax losses

FX considerations

Interest rate hedging

Involving various relationship banks

Inter-creditors agreements

Minority interests – public offer required

INTEGRATION CHALLENGES

Sales and distribution

- Setting up joined distribution on all regional markets: establishing independent distribution companies on each regional market that are consolidated in the Distribution division
- Implemented new commercial terms on all regional markets
- Sales force optimized

Logistics and investments

- Setting up joined logistics operations and processes (the most complex one in Serbia with 11 distribution centres initially, reallocated to 4 new locations finally)
- Logistics reorganisation in Croatia (in-house logistics as opposed to formerly outsourced logistics)
- Consolidation of office space on all regional markets

Procurement/ Production/ Marketing

- Implemented centralised procurement system
- Developed purchasing category management concept with lead buyers for key raw materials
- Feasibility studies for consolidation of particular production activities (e.g. transfer of currently outsourced production to in-house production)
- Implemented centralised marketing

HR challenges

- Creating new and efficient business organisation
- Retaining and motivating the most qualitative workforce
- Co-life of different corporate cultures
- Developing fair rewarding schemes
- Tiredness from intensive integration

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