ATLANTIC GRUPAAcquisition 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 distributer** in the SEE region

Key brands:

MULTIPOWER

CEDEVITA

DIETPHARM

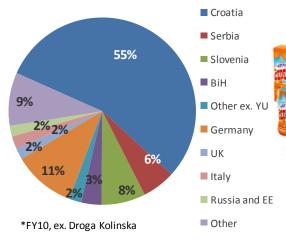
FARMACIA

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

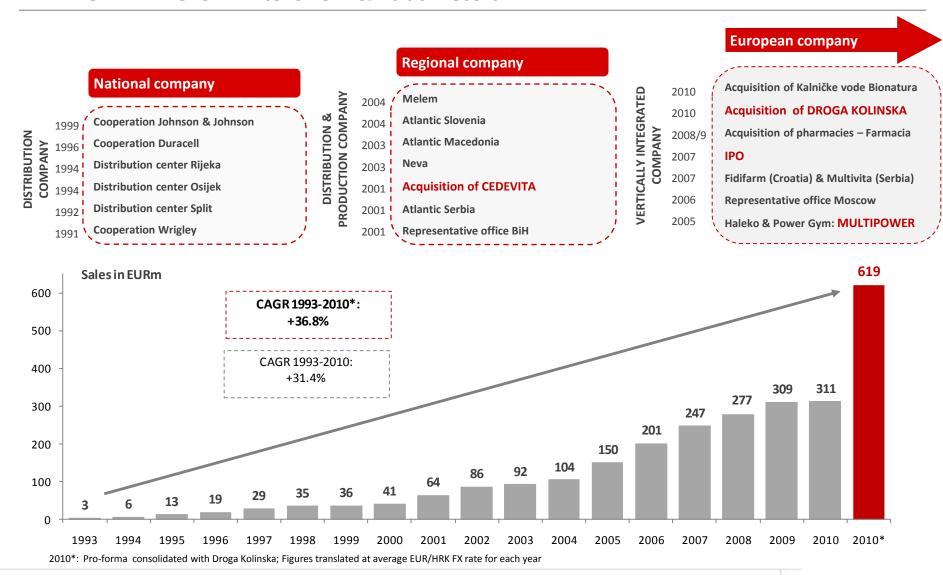








DEVELOPMENT CYCLE: Extensive M&A track record





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

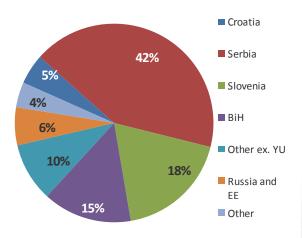
ARGETA

SMOKI, NAJLEPŠE ŽELJE

BEBI

Business Card of Droga Kolinska

Markets	exYU region, CIS
Employees at 31 December 2010	2,483
Production locations (own)	9













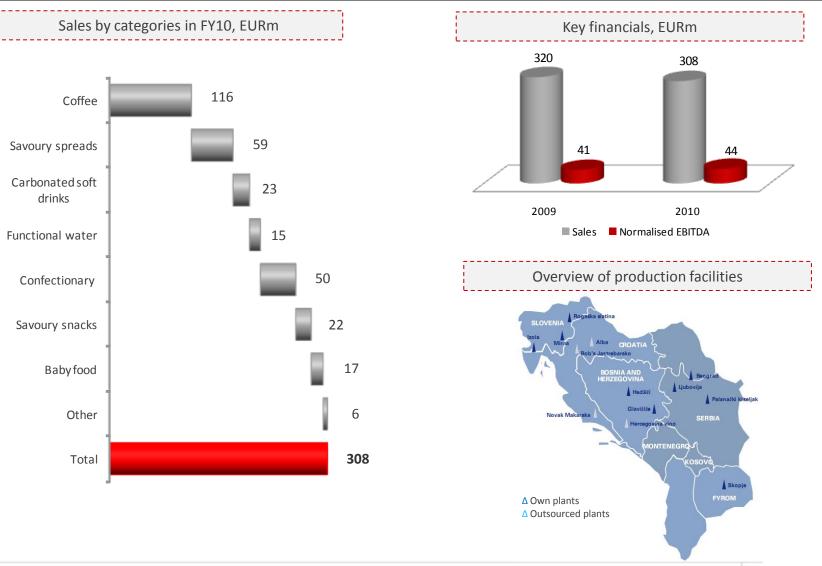








DROGA KOLINSKA: prior to the acquisition by Atlantic Grupa





VERTICALLY INTEGRATED COMPANY IN NUTRITION HEALTHCARE PERFORMANCE

Potential for sales & costs CONSOLIDATED GROUP synergies

Strong regional distribution network

One of the leading F&B companies in the SEE

Atlantic Grupa

Droga Kolinska

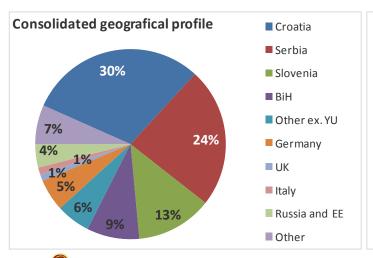
Strong regional production network

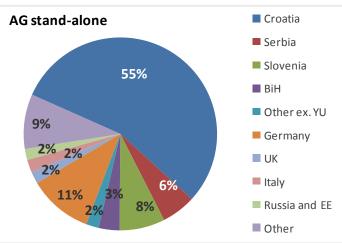
Balanced geographical diversification

Widening of product portfolio with own brands



CONSOLIDATED GROUP

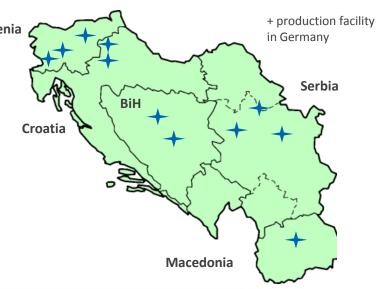




- More balanced geographic portfolio
- ❖ Coffee becomes the largest product category followed by Sports and Functional Food and Sweet and salted snacks product categories
- Own brands comprise70% of Group's sales



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

• 19 April 2010

 Non-binding price formed based on brief analysis of Droga Kolinska's audited financial statements and at that time limitedly available information

Non-binding offer

Due-diligence and Financing

- Due diligence:
- Opening of Electronic Data Room
- Deep analysis of Financial Vendor D.D. reports and Legal D.D. report
- Management presentation
- Provided production site visits
- Securing Acquisition Financing and Target Refinancing:
- Developing Structure Report
- Negotiating Term sheets and Interim Loan Agreements with Mandated Lead Arrangers (UniCredit Group and RZB Group) and Junior Lenders (EBRD)
- Bridge to equity from banks
- Developing valuation model
- Quantification of synergies
- Base for covenants determination
- Changing some of the existing AG indebtness

- Structuring Share Purchase Agreement SPA
- Submitting
 Binding offer
 (including Sale
 documentation
 and Financing
 documents) on 14
 June 2010

Binding offer



ACQUISITION TIMELINE II

• 01 July 2010 Atlantic Grupa publicly announced signing of Share Purchase Agreement with Istrabenz d.d. for enterprise value of EUR 382m

SPA signing

Between SPA singning and Closing

- Founding Atlantic Naložbe to act as SPV
- Anti trust approvals:
- Necessary to obtain anti-trust approvals on all relevant markets
- Acquisition Financing:
- Preparing final Facilities Agreements with MLAs and Junior Lenders
- Executing capital increase on the Zagreb Stock Exchange
- Obtaining necessary transaction approval on Istrabenz's general meeting of shareholders
- Atlantic Grupa nominates observer in Droga Kolinska to supervise business operations until the closing
- Price adjusting mechanism for working capital and net debt

- Official closing date is 23 November 2010
- Equity value paid out to Istrabenz amounts to: EUR 243,109 thousand
- 24 November 2010 is Day 1 in Atlantic Grupa-Droga Kolinska integration process

Closing and Integration Day 1

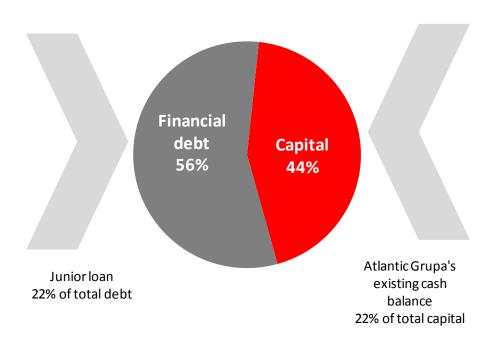


ACQUISITION FINANCING STRUCTURE

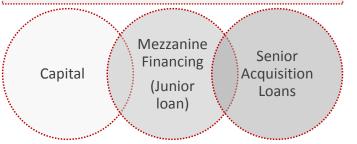
Financing structure of Equity value of EUR 243,109 ths

Senior loan 78% of total debt

Capital increase 78% of total capital



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 inkind (capitalised interest)

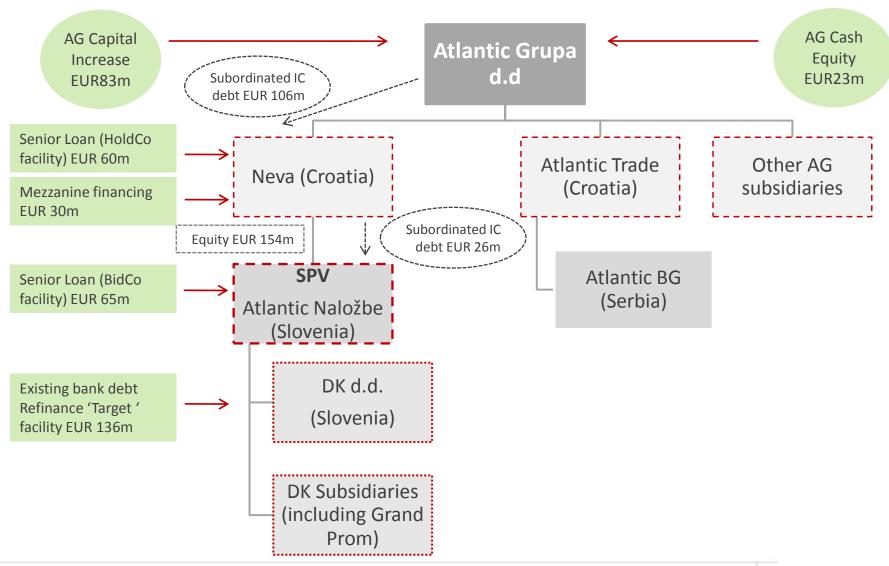


OVERVIEW OF LOAN FACILITIES

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	

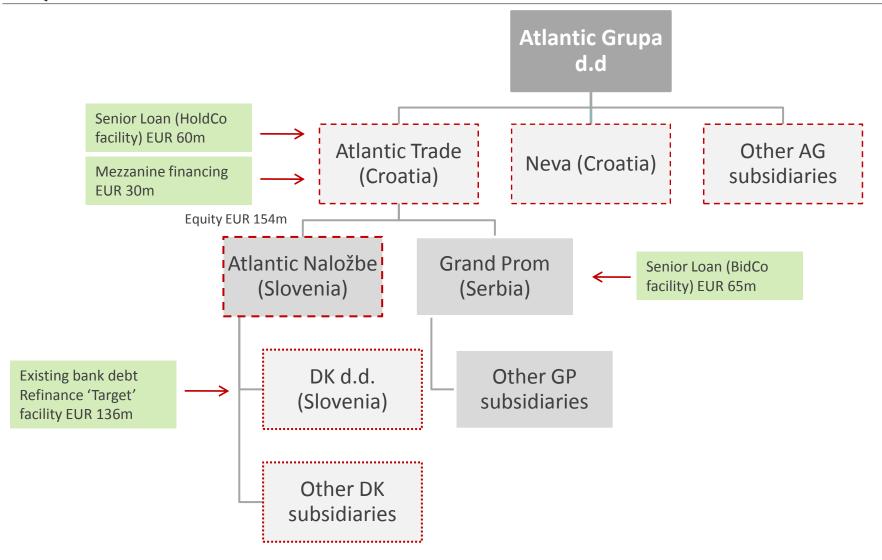


ACQUISITION FINANCING STRUCTURE I





ACQUISITION FINANCING STRUCTURE II - FINAL







CONSIDERATIONS IN STRUCTURING

;[Aligning debt to cash flows	·
; [No possibility for debt pushdown in Slovenia	
	Witholding 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 <u>new</u> <u>commercial terms</u> 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 <u>centralised</u> procurement system
- Developed purchasing category management concept with lead buyers for key raw materials
- <u>Feasibility studies</u> for consolidation of particular production activities (e.g. transfer of currently outsourced production to in-house production)
- Implemented <u>centralised</u> <u>marketing</u>

HR challenges

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

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