AGROKOR

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS IN 2011

April 16, 2012

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations are not historical facts and are "forward-looking" within the meaning of Section 27A of the U.S. Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). This document contains certain forward-looking statements, which include statements about our intentions, beliefs or current expectations regarding our future financial results, plans, liquidity, prospects, growth, strategy and profitability, as well as the general economic conditions of the industry in which we operate. We may from time to time make written or oral forward-looking statements in other communications. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future sales or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries and the political and legal environment in which we operate and other information that is not historical information.

Words such as "believe," "anticipate," "estimate," "expect," "intend," "predict," "project," "could," "may," "will," "plan" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- changes in, or failure to implement, political or economic reforms and agendas in the markets in which we operate;
- legal uncertainties related to the developing legal systems in the markets in which we operate;
- our ability to obtain or comply with necessary regulatory approvals and licenses for our business;
- risks related to conducting operations in several different countries;
- risks related to general global and regional economic conditions;
- the effects of competition and pricing pressure;
- inflation, interest rate and exchange rate fluctuations;
- our ability to manage our working capital;
- disruptions of our business operations due to supply shortages, work stoppages or interruptions in our supply chain or at our production or distribution facilities;
- the impact of fluctuations in commodity and raw material prices;
- the interests of our controlling shareholders;
- our ability to recruit and retain senior management and personnel;
- risks related to our ability to maintain the reputation of, control over and value associated with, our trademarks and our brand names;
- our reliance on our information technology systems;
- risks related to national competition policy in the markets in which we operate, as well as litigation and other legal proceedings we face in the normal course of our business and otherwise;
- our ability to identify suitable sites for our future retail stores and enter into leases on acceptable terms;
- risks related to products liability claims or other consumer claims;
- the effects of the seasonality or extreme weather events on our business;
- risks related to compliance with extensive regulation of our business in the markets in which we operate;

- the impact of diseases among or attributed to livestock or other nutritional or health-related concerns related to our products;
- our level of indebtedness and ability to service our indebtedness;
- the effect of restrictions in our debt agreements impacting our ability to operate our business;
- our ability to refinance our short-term indebtedness;
- risks related to our group structure; and
- our success in identifying other risks to our businesses and managing the risks of the aforementioned factors.

This list of important factors is not exhaustive. You should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2010 and 2011 and the related notes. Our consolidated financial statements have been prepared in accordance with IFRS. This discussion includes forward-looking statements based on assumptions about our future business that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on our current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from those contained in the forward-looking statements.

Overview

We are one of the leading food retailers and wholesalers and food and beverages producers in Central and Eastern Europe (the "CEE"). The primary markets in which we currently operate are Croatia, Serbia and Bosnia and Herzegovina (our "Primary Markets"). In addition, we also sell our food and beverage products in Hungary, Macedonia, Montenegro and Slovenia. In total, our business operations cover a region having a population of more than 30 million people.

Our activities are organized into two principal divisions:

- Retailing and Wholesale; and
- Food Manufacturing and Distribution.

We are also engaged in commodity brokerage and other non-core activities (our "Other Businesses"). These divisions correspond to our business segments in the notes to our financial statements.

Our two main business divisions are complementary and together provide us with an integrated business model that covers the entire supply chain from sourcing raw materials, production and distribution, to direct contact with customers through our wholesale and retail sales outlets. In addition, the broad coverage of our retail network and the flexibility provided by our multi-format retail stores (which allows us to tailor store size and format to local demographics) enhances our access to consumers in our Primary Markets.

In 2011, we had consolidated sales of HRK 29,053.4 million (€3,908.1 million) and EBITDA of HRK 2,671.5 million (€359.4 million). In addition, we had approximately 35,650 employees as of December 31, 2011. Our sales outside of Croatia represented 29.1% of consolidated total sales in 2011 and 27.8% in 2010.

Recent Developments

During 2011, we continued our focus on:

- increasing operational profitability;
- maintaining and improving our market positions;
- reducing capital expenditures;
- extending the maturity profile of our indebtedness;
- significantly reducing the number of our acquisitions; and
- disposing of non-core businesses.

The continuous implementation of our cost optimization programs during previous periods and development of internal synergies among our portfolio companies, combined with the positive effects from previous years' investments have contributed to an increase in EBITDA margin to 9.2% during 2011 compared to 9.1% in 2010, notwithstanding the still challenging economic environment in all of our Primary Markets.

We managed to increase market shares in our Primary Markets in most of our businesses despite an overall decline in consumption and resulting changes in consumer behavior. In our Retailing and Wholesale division we continued to adjust our pricing strategy through our customer-centric approach to retailing and continued our focus on customer care and service quality.

Although our Food Manufacturing and Distribution division came under pressure from customer price sensitivity and a stronger orientation towards less expensive and lower quality products, we managed to increase our market shares through effective marketing strategies, promotions and innovations in our leading brands portfolio, as well as through adjusting our product assortment by introducing lower-priced brands in some of our businesses.

In 2011, our capital expenditures were significantly lower compared to 2010 levels. Our capital expenditures related to the maintenance of continuing operations have remained relatively stable, in the range of HRK 550 million to HRK 650 million per year between 2009 and 2011. Our reduction in capital expenditures compared to prior periods is mainly the result of the completion of the capital investment cycle in our Food Manufacturing and Distribution division, as well as from reducing the rate of expansion of our retail network in Croatia. We expect capital expenditures levels for 2012 to be substantially consistent with 2011 levels.

Following our strategic decision to reduce our reliance on short-term financing, we successfully issued €400 million 10% Senior Notes due 2016 in December 2009 and signed a €352 million Senior Facilities Agreement (the "Senior Facilities Agreement") in June 2010. In January 2011, we successfully issued a further €150 million of our 10% Senior Notes at a yield-to-maturity of 8.04%. Furthermore, we refinanced the €40 million Frikom IFC loan and extended the maturity to 2015. Through these transactions, we significantly improved our debt maturity profile, bringing our long-term debt (including the short-term portion of such debt) to around 75% of our total indebtedness as of December 31, 2011. In continuation of our focus on extending the maturity profile of our indebtedness, in March 2012 we signed the Term Loan Agreement in the amount of €75 million, with a three year tenor. The Term Loan was fully drawn on March 23, 2012 to refinance certain short-term debt facilities. On April 16, 2012, we amended, with lender consent, the terms of the Senior Facilities Agreement and the Term Loan Agreement to provide, among other things, additional headroom for the financial covenants contained therein. See "—Description of Financing Arrangements."

Financial policy

At the beginning of 2012, our Board established financial policy guidelines that we believe will strengthen our credit profile. A primary component of our financial policy is a target balance sheet net leverage ratio of between 3.50 and 3.75 times. Our Board expects that our net leverage ratio will gradually decrease from its current level to its targeted level as we continue to seek to generate cash by improving our profitability, disposing of non-core assets and businesses and maintaining a prudent capital expenditure policy. Our financial policy is subject to exceptions, including in the case of sizeable acquisitions, though we currently believe such exceptions would be of a temporary nature. Our net leverage ratio at a given point in time depends on a number of factors, and there can be no assurance that we will be able to achieve or maintain our target net leverage ratio or other financial policy objectives. For a discussion of some of these risks and uncertainties, refer to the section titled "Information Regarding Forward-Looking Statements."

Proposed acquisitions and disposals

On October 17, 2011, we submitted a non-binding bid in the public invitation to tender for the purchase of 52.1% of the shares of Poslovni sistem Mercator d.d. ("Mercator"). According to its public filings, Mercator is the largest fast-moving consumer goods retailer in Slovenia and one of the largest in the region. Based on our non-binding bid, on November 7, 2011, we were selected as the preferred bidder and provided with exclusivity in negotiating the terms of the acquisition. While we tried to agree satisfactory terms and conditions during the exclusivity period, we were unable to do so. Accordingly, on February 6, 2012, we terminated the exclusivity agreement and withdrew our non-binding bid and have thus formally withdrawn from the sale process. This acquisition would have represented our largest acquisition to date and under Slovenian law we would have been required to launch a tender offer for the remaining outstanding shares. By way of illustration, in 2011, Mercator had total revenues of €2.9 billion. Under the current circumstances we do not have plans to bid for any shares in Mercator. We maintain rigorous standards that we apply to any potential acquisition and will not proceed with a potential transaction where those standards are not met. While we remain open to acquisition possibilities that meet our strategic goals, including Mercator, to the extent circumstances change, or other significant or bolt-on acquisitions, we would only do so on terms acceptable to us.

We also routinely evaluate small, opportunistic acquisitions that we consider to offer significant potential. For example, we are currently pursuing the acquisition of Roto Dinamic d.o.o., one of the largest beverage distributors focused on the HoReCa channel in Croatia, with revenues and EBITDA for 2010 of around HRK 490 million and HRK 22 million, respectively. We recently received regulatory clearance from the Croatian Competition Agency and anticipate closing the transaction, subject to certain conditions, later in 2012.

We have signed the share purchase agreement to dispose of our stake in media buying company Unex and are also considering divesting certain other non-core companies. None of these companies are part of our core group of businesses and their revenues are not material to the Group.

Acquisitions and Disposals

In light of the challenging economic environment, we significantly reduced our acquisition program in 2011 and had no material acquisitions in 2011. However, during 2010 and 2011, we completed a number of smaller targeted acquisitions through which we increased the size of our operations. These acquisitions also impacted the comparability of our results of operations over such periods. In addition to the principal acquisitions described below, we made a series of smaller bolt-on acquisitions. Following an acquisition, we typically make significant investments in the acquired company, integrating its accounting and management information systems into ours and generally introducing best management and operational practices throughout its business. For acquisitions in the Food Manufacturing and Distribution division, the most significant post-acquisition capital expenditures are typically in modernizing the acquired company's production facilities, whereas in the Retailing and Wholesale division, the most significant capital expenditures are typically in opening new and refurbishing existing stores.

Acquisitions

Our principal acquisitions during the periods under review were as follows:

Acro

During 2011, we acquired management control of Acro d.o.o., to facilitate the development of retail stores in Serbia, through the purchase of 100% ownership of Acro d.o.o. for HRK 171.4 million. The main business activity of Acro d.o.o. is the development of real estate projects.

Slobodna Dalmacija

In October 2010, our Croatian kiosk retail company Tisak acquired the remaining 50% of Slobodna Dalmacija Trgovina that it did not already own for HRK 76.2 million. Slobodna Dalmacija Trgovina operates the same type of business as Tisak and is predominantly focused on Dalmatia. The Croatian Competition Agency approved the acquisition in April 2011.

Vupik

In 2010, we acquired management control of the Croatian agricultural conglomerate Vupik d.d. through the purchase of a 55.8% ownership interest for HRK 117.6 million. Vupik d.d.'s activities include the production of wine, fruit, vegetables, cereals, pigs and cattle. We have fulfilled our contractual obligation to invest HRK 430 million in Vupik d.d.

Jadrankomerc

In 2010, we acquired a 96.3% interest in the Croatian retail chain Jadrankomerc d.d. through Konzum, our food retailer and wholesaler, for HRK 45.9 million. Jadrankomerc d.d. operates a network of 18 grocery stores, primarily in Dalmatia.

Dijamant agrar

In 2010, we acquired management control over Dijamant agrar a.d., through the purchase of a 61.9% interest for HRK 114.3 million. Dijamant agrar a.d.'s activities include crop husbandry, fruit seedling production and livestock farming.

Disposals

We disposed of our stake in book publishing company Znanje d.d. for HRK 71.8 million at the end of 2011, representing a loss of HRK 46.3 million.

Certain Factors Affecting Financial Condition and Results of Operations

Our results of operations for the period under review have been primarily affected by:

Macroeconomic factors

Macroeconomic conditions in the countries in which we operate may have a significant effect on our results of operations. The food industry is generally impacted less by economic downturns than other industries that rely on a greater amount of discretionary spending. However, in periods of recession, when the gross domestic product declines in any or all of the markets in which we operate, customers may reduce their consumption of certain products, reducing our sales volumes, or switch from premium brands to lower cost brands and private-label products, which may reduce the average prices we can achieve. In such an economic environment, we may also need to reduce our prices (including through price-based promotions) in response to increased competition. These trends have been evident in the current downturn and we have responded by adjusting our product offering, pricing and marketing strategies accordingly.

The following is a short overview of the macroeconomic environment in our Primary Markets in 2011, based on publicly available information:

Croatia

According to Raiffeisenbank Croatia Research, Croatia's economy remained stagnant with 0% GDP growth from 2010 to 2011, meaning no recovery for the third consecutive year and reflecting significant structural internal weaknesses due to the global economic slowdown. Personal consumption is estimated to have increased by 0.2% year-on-year, and this slight increase had a positive influence on Croatian GDP. GDP was also affected by stronger exports of goods and services, up 2.2%, compared to imports, up 1%. However, GDP was adversely affected by the 7.2% year-on-year decrease in investments, which have been impaired for three consecutive years, and by government consumption, which shrank by 0.2% from 2010 to 2011.

In 2011, the number of tourist arrivals in Croatia increased by 8.0% as compared to 2010, and the number of tourist nights increased by 7.0% over the same period. The tourist season had a favorable impact on certain areas of the economy, contributing to growth in retail trade and increased employment. Unemployment rose again after the end of the peak tourist season, reaching 13.9% in the fourth quarter of 2011, as compared with 13.3% for the full year 2011.

The steady demand for foreign currency, especially by the corporate sector, due to maturing foreign obligations, amid high Kuna liquidity and modest inflow of foreign capital, continued to create depreciation pressures on the Kuna.

The new Croatian government faces the task of boosting economic recovery amid unfavorable developments in the macroeconomic environment. Fiscal consolidation and implementation of structural reforms initially require costs and can have unfavorable effects on economic growth.

After a long negotiation process which commenced in October 2005 regarding Croatia's accession to the EU, Croatia finally signed the EU Accession Treaty in Brussels on December 9, 2011. It is scheduled to become the 28th European Union Member State on July 1, 2013. Croatia's progress regarding reforms of the judiciary, the fight against corruption and the protection of human rights, among other tasks, will be monitored until Croatia becomes a full Member State of the European Union.

Serbia

According to Raiffeisenbank Croatia Research, Serbian GDP decreased by 0.5% from the third quarter of 2010 to the third quarter of 2011. The weak economic sentiment may relate to the completion of a government-sponsored lending program in July (*i.e.*, allocated funds were spent). Inflation was 7.0% year-on-year in December 2011, compared to 10.3% for 2010. Despite the single-digit inflation in December 2011, average annual inflation was 11% year-on-year and ranged from 7.0% in December

2011 to 14.7% in April 2011, indicating substantial volatility in price levels in 2011. On December 8, 2011, the National Bank of Serbia lowered its key interest rate by 25 basis points to 9.75%, following improved inflation dynamics driven by weak domestic demand, delays in increasing administered prices and favorable agricultural price trends.

In early March 2012, the European Council granted Serbia "candidate status" at a summit in Brussels.

Bosnia and Herzegovina

According to Raiffeisenbank Croatia Research, economic indicators for the fourth quarter of 2011 confirmed the slowdown of the main drivers of Bosnia and Herzegovina's economy. The industrial production and exports eased to their weakest performance since 2009, suggesting weak economic developments expected in 2012. The renewed economic crisis in euro-zone countries has had a negative impact on Bosnia and Herzegovina's trade performance, primarily through a slump in exports to Germany and Croatia, which are traditionally Bosnia and Herzegovina's two largest trade partners. Nevertheless, real GDP is expected to be 1.9% year-on-year in 2011, mostly driven by the strong economic rebound in the first half of 2011.

The unemployment rate hit a new record in November 2011 of 43.6%, which is the highest rate since the end of 2007. Retail trade for the year 2011 confirmed an upward trend, growing by 11.3% year-on-year. In 2011, inflation remained unchanged from 2010 at 3.7%.

At the end of 2011, Bosnia and Herzegovina reached an agreement on the formation of a central government, thereby ending the political crisis which had blocked the country's progress in the EU integration process.

Economies of scale

As our business has grown, we have achieved certain economies of scale as a result of our increased size. Our greater purchasing power allows us to negotiate more favorable prices with suppliers. In particular, as we have expanded throughout the region, we have been able to enter into agreements with certain suppliers to purchase goods for the entire region, achieving greater economies of scale. Even with local suppliers, our greater size and financial resources compared to many of our competitors make us a preferred customer, giving us better pricing and purchasing terms. In addition, as we have expanded our geographic footprint in new countries, we have achieved economies of scale in terms of transportation, distribution and sales and marketing. Accordingly, our margins tend to be lower when we enter a new market and invest in essential infrastructure and brand awareness. However, our margins in new markets have historically improved over time as our coverage broadened and we realized a return on our investments.

Raw material prices

Our key raw materials include wheat and corn (for animal feed), beef, pork and other meats (for our fresh and processed meat industry), milk and butter (for the production of ice cream and cheese), sunflower and other oil seeds (for the production of margarine and vegetable oils), as well as plastic bottle pre-forms and other packaging materials. The Food Manufacturing and Distribution division is affected by the prices of the raw materials used. The Retailing and Wholesale division is also affected by the prices of raw materials as it affects the costs of goods sold. In general, we try to pass on price increases to our customers, although competitive and other factors may make it difficult for us to pass on the full amount of price increases. In addition, our ability to pass on price increases can be more limited for commodity-based products, such as edible oils, than for higher value-added products, such as ice cream.

Wheat, corn and other cereal crops

Wheat, corn and other cereal crops are key raw materials for animal feed, edible oils and flour production, and are brokerage commodities for Agrokor trgovina. Prices for these crops are heavily dependent on movements in commodities markets, although the prices in our Primary Markets are insulated to a degree by state subsidies. Our strategy is to source the majority of our requirements internally through production and contract farming and to obtain the rest through the commodity markets.

In general, prices for wheat, barley and soybeans in Croatia significantly declined in 2009 as a result of the global economic crisis and then increased in 2010 due to the rise in global demand, backed by signs of economic recovery and poor weather conditions. However, these prices steadily decreased throughout 2011. Sunflower seed prices declined in 2009 and then increased in 2010. In 2011, sunflower seed prices declined in the first three quarters of 2011 followed by an increase in the fourth quarter. Similarly, corn prices slowly increased in 2009 and more significantly improved in 2010. In the first three quarters of 2011, corn prices were more or less steady followed by a decline in the fourth quarter.

Meat

The key raw material in our meat segment is livestock, principally for the production of pork, beef and veal. The market price of livestock depends on supply and demand, as well as on the price of animal feed. Market prices for pigs decreased in 2009, but grew in 2010. Cattle prices have been more stable, with slight increases in 2009 and slight decreases in 2010. In 2011, livestock prices increased reaching the highest level in the last five years. Our strategy is to source approximately half of our livestock needs internally in order to reduce the impact of fluctuations in market prices.

Milk and butter

Fresh milk, skimmed milk powder and butter are key raw materials for ice cream and cheeses. We source these products both internally and through suppliers. Fresh milk prices tend to follow market trends, but are also insulated to a degree by state subsidies. The primary factors influencing prices include supply (which in turn is influenced by the weather) and demand and subsidies in the European Union. In general, pasteurized milk and butter prices in Croatia have been quite volatile. After a decline in 2009, prices rose in 2010 and 2011. The average price of pasteurized milk at the end of 2011 was the highest in the last five years.

Oil seeds and crude vegetable oil

The principal raw materials used in the production of edible oils, margarine and mayonnaise are oil seeds (including sunflower, soybeans and rapeseed), as well as crude and refined vegetable oils (including sunflower, soybeans, rapeseed and, to a lesser extent, palm oil). In addition, soy meal is an important ingredient in animal feed. Oil seeds and crude vegetable oils are exchange-traded commodities with significant volatility reflecting global supply and demand. Oil seed prices decreased significantly in 2009 during the global economic crisis and then recovered in 2010. In the first three quarters of 2011, prices declined and then started to increase in the last quarter.

We source the majority of our requirements through our own production and long-term contracts with local farmers in order to ensure supply stability and to reduce price volatility.

Pre-forms

Pre-forms are plastic tubes with the bottle neck and threads on one end that are used in the manufacture of polyethylene terephtalate (“PET”) plastic bottles. Being a petroleum derivative, the price of pre-forms tends to fluctuate with world oil prices, although with generally lower volatility. Pre-form prices declined during 2009 compared to 2008, while in 2010 they recovered. Through 2011, prices of PET increased approximately 14%. We have a strategic supplier from whom we source the majority of our requirements and obtain the remainder principally from one alternate supplier.

Expansion strategy

We expanded significantly up until the beginning of 2009 as a result of a combination of organic growth and acquisitions, which resulted in increases in substantially all of the line items in our financial statements over the past several years through 2009. In response to the more unfavorable environment, starting in 2009 we significantly slowed the pace and number of acquisitions and reduced our capital investments. However, we believe that our expansion strategy will continue to be an important driver of profitability given the importance of economies of scale in our industry and the potential synergies available to us. See “—Acquisitions and Disposals.”

International expansion

We have expanded our business internationally since 2000 and now have operations in Croatia, Serbia, Bosnia and Herzegovina, Hungary, Montenegro, Macedonia and Slovenia, and export to countries around the world. Following our entry into a new market, it generally will take some time in order for us to develop a critical mass in terms of new stores or customers, to build out our distribution network and to achieve efficiencies in sales and marketing. As a result, our margins tend to be lower following our entry into a new market and have historically improved as we develop economies of scale. See "—Economies of scale." In addition, when we enter countries with lower GDP per capita, such as Serbia and Bosnia and Herzegovina, we need to adjust our pricing in order to remain competitive. However, as we have acquired or built production facilities in these countries, we have been able to generally offset lower sales prices by lower costs.

Product range expansion

We have also sought to expand the range of products that we offer. For example, in Retailing and Wholesale, we have introduced private labels in categories that do not directly compete with our Food Production and Distribution. In Food Manufacturing and Distribution, we have introduced new products, such as frozen foods and fruit juices. In order to reduce the seasonality of our ice cream and mineral water businesses (see "—Seasonality" below), we introduced "B" brands (lines of mainstream products other than our main or "A" branded products, for example, Jamnica's "To" "B" brand vs. "Juicy" "A" brand) in certain categories to better respond to consumer demands in the current economic environment and also broadened our product portfolio in order to capture sales in products that are complementary to our existing products. The margins on these new products are often lower than those on certain of our core products, such as ice cream and mineral water, due to, among other things, higher production costs. However, by broadening our product range we believe that we can achieve synergies in terms of the purchase of raw materials and distribution costs and capture a larger percentage of the total market. Notably, we have expanded PIK Vrbovec's product portfolio by not only expanding the existing product assortment, but also by initiating production of packed fresh meat, which has generated growth in both revenues and operating margins due to consumer preference for both quality and safety.

New store openings

In the Retailing and Wholesale division, we have expanded our market coverage by opening new stores in the countries in which we operate. While new store openings increase our sales, we incur high fixed costs during the construction and/or refurbishment period at a time when the store is generating no sales. In addition, following a store opening, there is a period of one to four years, depending on store format, during which sales at the store typically do not meet our projected sales targets.

At December 31, 2011, we had a total of 999 stores (including 28 Velpro wholesale stores) which we own or operate under operating leases and rental arrangements. When we lease or rent a store property, we are generally responsible for the refurbishment and fit-out of the store. Our store leases and rentals are typically long-term (10 to 15 year) agreements that are terminable at our option prior to their maturity without material penalty. We normally would be obliged to pay about 3 months' rent or lease payments, or, in a small number of cases, 3 to 12 months. Our leases and rents do not permit the landlord to terminate during the term of the agreement as long as we continue to make lease or rental payments and otherwise comply with the provisions of the agreement. Lease or rental payments are generally set at a fixed base amount, although a small number of agreements have payments that increase by reference to the retail price or another reference index. Lease and rental payments typically represent between 2% and 4% of total store sales.

The table below shows new retail (excluding wholesale) store openings and closings by country in 2010 and 2011.

	Start of Period		Store Openings		Store Closings		Format Change	Period End	
	Number	Sales Area	Number	Sales Area	Number	Sales Area	Sales Area	Number	Sales Area
		(sqm)		(sqm)		(sqm)	(sqm)		(sqm)
Year Ended December 31, 2011									
Konzum (Croatia)	654	235,970	58	25,458	(50)	(10,276)	2,276	662	253,428
Konzum Sarajevo (Bosnia and Herzegovina)	136	64,958	14	4,084	(2)	(1,186)	(788)	148	67,068
IDEA (Serbia)	132	56,167	32	20,542	(3)	(714)	(17)	161	75,978
Group Total	**922**	**357,095**	**104**	**50,084**	**(55)**	**(12,176)**	**1,471**	**971**	**396,474**
Year Ended December 31, 2010									
Konzum (Croatia)	628	220,281	46	18,111	(20)	(3,402)	980	654	235,970
Konzum Sarajevo (Bosnia and Herzegovina)	115	56,068	24	9,828	(3)	(813)	(125)	136	64,958
IDEA (Serbia)	97	40,851	35	15,195	—	—	121	132	56,167
Group Total	**840**	**317,200**	**105**	**43,134**	**(23)**	**(4,215)**	**976**	**922**	**357,095**

Exchange rate fluctuations

We are subject to currency transaction risks when our revenues and costs are denominated in different currencies. For example, our revenues have principally been denominated in Kuna, our currency of accounts, whereas our debt and operating expenses have been denominated both in Kuna and in a number of foreign currencies, principally euro, in which a greater proportion of our indebtedness is denominated. Accordingly, we are exposed to the risk of changes in foreign exchange rates. We attempt to manage this currency transaction risk principally by matching revenues and costs in the same currency. However, our ability to match our euro denominated costs, particularly financing costs, in this manner is limited. We do not currently hedge our currency exposure, but we may do so in the future.

In addition, we are subject to currency translation risk in that the results of each of our subsidiaries are reported in the operating currency of the jurisdiction in which it primarily operates. These amounts, if not reported in Croatian Kuna, are then translated into Kuna for inclusion in our consolidated financial statements. Accordingly, changes in foreign exchange rates may impact the contribution of our non-Croatian subsidiaries to our financial results in a manner different to the changes in the results of those subsidiaries in their local currencies. The principal currencies of account of our subsidiaries include Kuna, Convertible Marks (which are pegged to the euro), Serbian Dinars and Forint. The Serbian Dinar was under pressure in 2009 during which it depreciated against the Kuna by 11.9% followed by a further depreciation of 9.4% during 2010. This movement impacted our revenues and operating profit primarily because of adverse translation impacts on sales. However, Dinar fluctuations stabilized in 2011 and the Dinar appreciated 3.0% against the Kuna compared to 2010. Such adverse changes in exchange rates might impact our financial covenant compliance through decreased EBITDA and our payment capacity.

As we continue to expand internationally, currency transaction and currency translation risks may more significantly impact our financial results. During the period under review, approximately 70% of foreign exchange differences represented unrealized losses.

Seasonality

Sales from certain of our products and brokerage activities, including ice cream, mineral water and agricultural products, are seasonal, resulting in uneven cash flow and working capital requirements, as well as the need to adjust production in anticipation of fluctuating demand. In addition, certain products and brokerage activities, such as ice cream, mineral water and agricultural products, are also dependent on weather conditions. As a result, our revenues do not occur evenly throughout the year.

In addition, to a certain extent, our businesses are dependent on the success of the tourist season, which has a seasonal character and whose success directly impacts our profitability. At the Group level during 2011, our third-quarter sales and EBITDA represented 29.2% and 30.5%, respectively. In particular, our ice cream and mineral water sales are particularly affected by the tourist season, and a poor tourist season would adversely affect our sales in these products in the second and third quarters.

Croatia had approximately 56.4 million and 60.4 million tourist nights in 2010 and 2011 respectively, according to the Croatian Bureau of Statistics. Our fourth-quarter results are also impacted by volume purchase rebates, which are typically received from suppliers by companies in our Retailing and Wholesale division (and granted to customers by companies in our Food Manufacturing and Distribution division) at the end of the year. Our Retailing and Wholesale division is also positively affected by the year-end holiday season.

The table below shows our sales by quarter (by amount and as a percentage of annual sales for that entity) in 2010 and 2011 for three of our subsidiaries, Ledo, Jamnica, Konzum and the consolidated Group to illustrate the seasonality of those businesses.

	Ledo		Jamnica		Konzum		Consolidated Group	
	HRK millions	% of Year	HRK millions	% of Year	HRK millions	% of Year	HRK millions	% of Year
First quarter 2010	171.1	16.0	178.9	16.4	2,592.5	20.7	5,478.5	20.7
Second quarter 2010	342.6	32.1	309.9	28.4	3,053.9	24.4	6,721.7	25.4
Third quarter 2010	369.2	34.6	392.6	36.0	3,778.2	30.2	7,512.3	28.3
Fourth quarter 2010	184.0	17.2	210.2	19.3	3,071.0	24.6	6,793.8	25.6
First quarter 2011	168.1	14.0	180.5	15.1	2,706.8	21.7	5,714.8	19.7
Second quarter 2011	385.8	32.1	344.9	28.8	3,384.4	27.1	7,497.0	25.8
Third quarter 2011	428.3	35.7	425.0	35.4	4,004.9	32.1	8,485.8	29.2
Fourth quarter 2011	219.0	18.2	248.6	20.7	2,399.5	19.2	7,355.8	25.3

We seek to minimize the effects of seasonality in a number of ways. For example, in our ice cream business, we have introduced lines of frozen pastry, fruit and vegetables and fish to reduce the seasonality of our ice cream sales, which peak during the summer months. In addition, we had a marketing campaign aimed at promoting ice cream consumption throughout the year.

Organizational structure

Agrokor d.d. is a holding company and conducts its operations principally through, and derives its sales principally from, its subsidiaries. A significant number of these subsidiaries are not wholly owned by Agrokor d.d. or one of its subsidiaries. See Note 2.3 (Investments in Subsidiaries) to our 2011 financial statements. Our statement of income presents net profit for the year attributable to the equity holders of the parent company as well as net profit for the year attributable to non-controlling interests. Net profit attributable to equity holders of the parent as a percentage of total net profit was 20.6% and 10.8% in 2010 and 2011, respectively, with such amounts primarily attributable to losses in certain of our wholly-owned subsidiaries and the allocation of certain expenses, including financing costs, to the parent. In addition, our balance sheet presents, among other items, our attributable share of the gain or loss of entities that we account for as associates (over which we have significant influence but not control, generally which are 20% 50% owned). Investments in associates declined from HRK 120.7 million in 2010 to HRK 9.7 million in 2011, principally due to the full consolidation of Slobodna Dalmacija Trgovina d.o.o. following the purchase by Tisak d.d. of the remaining interest in Slobodna Dalmacija Trgovina d.o.o.

Principal Income Statement Items

The following is a description of the principal line items in our income statement.

Sales

Sales principally consist of revenues from the sale of products and services and other sales revenue. Changes in sales are driven by changes in sales volumes and changes in prices, the main drivers of which are discussed in "—Certain Factors Affecting Financial Condition and Results of Operations" above.

Cost of materials

Cost of materials includes the cost of goods sold (including raw material costs) and change in inventory during the period. It is also driven by changes in volumes and prices. Higher volume purchases can also

result in lower prices, to the extent that our increased purchasing power enables us to negotiate more favorable terms with suppliers.

Cost of services

Cost of services includes other external costs, such as utilities costs, external distribution costs, operating lease expense, rent and maintenance. Cost of services has a high percentage of fixed costs and, accordingly, increases as a percentage of sales when sales decrease, and decreases as a percentage of sales when sales increase.

Other income

Other income consists of gain on sale of subsidiaries and investments classified as available-for-sale but excluding gain from (i) government grants (primarily granted to our agricultural companies; the amount depends on the level of the activities), (ii) reversal of value adjustments, (iii) reversal of provisions for litigation, (iv) collected receivables that had been written off, (v) other revenues and (vi) adjustments to the value of receivables.

Other expenses

Other expenses consists of (i) wages and salaries, (ii) taxes, social insurance and pension costs, (iii) depreciation and amortization, (iv) research and development costs, (v) net write-offs of bad debts and other short-term assets and (vi) other expenses. Changes in wages and salaries and in taxes, social insurance and pension costs are driven principally by headcount and, to a lesser extent, by inflation and the relative employment costs in the countries in which we operate. Depreciation and amortization is driven principally by the size of our depreciable assets (which in turn is affected by investments and acquisitions) and by our depreciation policies.

Operating profit

Operating profit represents sales plus other income, less cost of materials, cost of services and other expenses.

Excess of fair value of net assets over the cost of acquisition, net of written-off goodwill

Excess of fair value of net assets over the cost of acquisition, net of written-off goodwill consists of (i) the amount by which the fair value of net assets acquired during the period exceeds the cost of acquisition of those assets, less (ii) the amount of goodwill written off during the period. Goodwill is subject to impairment testing on each reporting date. The excess of the fair value of the acquired assets over the acquisition cost is shown as gain in the income statement in the year of acquisition. See "—Critical Accounting Policies—Business Combinations and Goodwill" and "—Key sources of estimation."

Share of gain/loss of associates

Share of gain/loss of associates represents our attributable share of the gain or loss of entities that we account for as associates (over which we have significant influence but not control, generally which are 20%–50%-owned) and is carried in the balance sheet at the lower of the equity-accounted amount and the recoverable amount, and the attributable share of the income/(loss) of associates is included in income. See Note 1.4 (Investments in Associates) to our 2011 financial statements.

Impairment of financial assets

Impairment of financial assets represents (i) the decline in the fair value of financial assets classified as financial assets at fair value through the profit and loss, (ii) impairment of available-for-sale investments and (iii) impairment of other financial assets that are intended to be held until maturity.

Dividend income

Dividend income represents dividends declared by entities accounted for as investments.

Gain/(loss) from sale of subsidiaries

Gain/(loss) from sale of subsidiaries represents the gain or loss from the sale of a consolidated subsidiary, which represents an extraordinary gain or loss.

Interest income

Interest income consists principally of income on deposits with banks, as well as interest received on trade finance loans granted by the Group and interest income from customers.

Interest expense

Interest expense consists of interest on our outstanding bank loans and bonds, as well as interest paid to suppliers.

Net foreign exchange (loss)/profit

Net foreign exchange (loss)/profit represents the difference between positive (revenues) and negative (expenses) exchange differences. They principally are incurred due to the fact that on the date of the balance sheet, all items denominated in a foreign currency are translated into Kuna, our reporting currency. Foreign exchange differences in the income statement are principally non-realized foreign exchange differences calculated on the principal amount of our indebtedness. During the period under review, approximately 70% of foreign exchange differences each year are unrealized.

Taxation

Taxation in each year represents the tax charge payable by us in respect of our taxable income for the year. For interim financial periods, taxation is calculated and paid on a monthly basis, based on the tax paid for the preceding year and the final calculation of income tax is done at the end of the financial year. As a result, our effective rate of taxation for any interim period will not necessarily be indicative of our final tax rate for the entire year. Taxation consists of Croatian corporate taxes, foreign corporate taxes and deferred taxation. The Croatian corporate tax rate is 20%. However, our effective tax rate can be significantly different as a result of disallowable items, tax loss carry forwards and tax relief. See Note 26 (Taxation) to our 2011 financial statements.

Results of Operations

The following table presents our results of operations for the years ended December 31, 2010 and 2011:

	For the Year Ended December 31,			
	2010	**% of Sales**	**2011**	**% of Sales**
	(HRK millions, except percentages)			
Sales	26,506.2	100.0	29,053.4	100.0
Cost of materials	(18,536.9)	(69.9)	(20,403.8)	(70.2)
Cost of services	(2,305.9)	(8.7)	(2,445.8)	(8.4)
	5,941.4	**21.4**	**6,203.7**	**21.4**
Other income	491.6	1.9	334.6	1.2
Other expenses	(4,520.2)	(17.1)	(4,733.0)	(16.3)
Operating profit	**1,634.8**	**6.2**	**1,805.3**	**6.2**
Excess of fair value of net assets over the cost of acquisition, net of written-off goodwill	(69.7)	—	(84.5)	—
Share of gain/loss of associates	(2.6)	—	—	—
Impairment of financial assets	(13.3)	(0.1)	(3.9)	(0.0)
Dividend income	0.3	0.0	0.1	0.0
Sale of subsidiaries	—	—	(46.3)	(0.2)
Sale of properties, net	21.7	0.1	(23.0)	0.1
Interest income	86.3	0.3	128.1	0.4
Interest expense	(952.0)	(3.6)	(1,090.1)	(3.8)
Net foreign exchange (loss)/profit	(340.3)	(1.3)	(267.4)	(0.9)
Profit before taxation	**365.2**	**1.4**	**418.1**	**1.4**
Taxation	(205.1)	(0.8)	(222.9)	(0.8)
Net profit for the period	**160.1**	**0.6**	**195.1**	**0.7**
Attributable to:				
Equity holders of the parent	32.9	0.1	21.1	0.1
Non-controlling interest	127.2	0.5	174.0	0.6

Segmental Analysis

We have two principal business operating segments:

- *Retailing and Wholesale*, which includes our Konzum, Konzum Sarajevo and IDEA retail chains and our Tisak and Slobodna Dalmacija Trgovina kiosks; and
- *Food Manufacturing and Distribution*, which includes Ledo and Frikom ice cream and frozen food, Jamnica, Sarajevski kiseljak and Fonyódi water and beverages, Zvijezda and Dijamant margarine and vegetable oil, PIK Vrbovec meat production and Agroprerada, Belje, Vupik and PIK Vinkovci agricultural production.

For purposes of the segmental analysis in our financial statements, we also analyze our business operations by Other Businesses, which includes Agrokor trgovina (which sources agricultural raw materials and conducts our agricultural brokerage business), other food-related businesses and Agrokor Holding (which includes the management fees paid by subsidiaries for treasury, accounting, audit and other centralized services, as well as certain sales from the rental of certain assets to third parties).

Geographically, we divide our operations into Croatia, which includes all sales within Croatia, and Other Countries, which predominantly includes Bosnia and Herzegovina, Serbia and Hungary, but also includes sales elsewhere in the world, including North America and Asia.

Our intersegment sales include the following:

- Companies in our Food Manufacturing and Distribution division sell products to our Retailing and Wholesale division. For example, Ledo and Jamnica supply ice cream, frozen foods, mineral water and other beverages to our Konzum supermarkets for resale.
- Companies within the Food Manufacturing and Distribution division sell products to each other. For example, PIK Vinkovci sells animal feed to Belje, which sells livestock to PIK Vrbovec to produce fresh and processed meat for sale.
- Agrokor trgovina sells agricultural and other commodities that it has acquired in market transactions to companies in the Food Manufacturing and Distribution division.
- Agrokor Holding provides treasury, accounting, audit, centralized purchasing and centralized marketing services to other companies within the Group.

Transfer pricing between segments is based on cost plus an appropriate margin, as specified by Group accounting policies.

The table below provides information on our business segments as defined in the notes to our financial statements:

Business segments

	Agrokor Holding	Food Manufacturing and Distribution	Retailing and Wholesale	Other Businesses	Intersegment Sales	Consolidated
	(HRK millions, except percentages)					
2011						
Sales to external customers	106.6	5,866.4	21,930.3	1,150.0	—	—
Intersegment sales	391.5	5,483.9	925.5	1,078.5	(7,879.4)	—
Total sales	**498.2**	**11,350.3**	**22,855.8**	**2,228.5**	**(7,879.4)**	**29,053.4**
Operating profit	**(243.2)**	**1,064.3**	**899.9**	**84.2**	**—**	**1,805.3**
Operating profit margin (%)	—	9.4%	3.9%	3.8%	—	6.2%
Depreciation and amortization[1]	7.1	434.7	398.4	26.1	—	866.2
EBITDA[2]	(236.1)	1,499.0	1,298.3	110.3	—	2,671.5
2010						
Sales to external customers	25.6	5,135.6	20,019.5	1,325.6	—	—
Intersegment sales	387.9	4,669.7	825.4	789.2	(6,672.2)	—
Total sales	**413.5**	**9,805.2**	**20,844.8**	**2,114.9**	**(6,672.2)**	**26,506.2**
Operating profit	**(249.0)**	**885.6**	**935.0**	**63.2**	**—**	**1,634.8**
Operating profit margin (%)	—	9.0%	4.5%	3.0%	—	6.2%
Depreciation and amortization[1]	20.9	409.3	333.1	16.2	—	779.6
EBITDA[2]	(228.1)	1,294.9	1,268.1	79.4	—	2,414.3

(1) Depreciation and amortization is reported under "Other expenses" in our consolidated income statement. It is shown separately here solely for purposes of calculating EBITDA.

(2) EBITDA represents operating profit plus depreciation and amortization. We use EBITDA-based measures as internal measures of performance to benchmark and compare performance, both between our own operations and as against other companies. EBITDA-based measures are measures used by the Group, together with measures of performance under IFRS, to compare the relative performance of operations in planning, budgeting and reviewing the performances of various businesses. We believe that by eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortization methods, historic cost and age of assets, financing and capital structures and taxation positions or regimes, EBITDA-based measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe EBITDA-based measures and similar measures are regularly used by the investment community as a means of comparison of companies in our industry. Different companies and analysts may calculate EBITDA-based measures differently. EBITDA-based measures are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or net profit as an indicator of our operations in accordance with IFRS. EBITDA as presented herein also differs from how it is defined in certain financing documents of the Group.

Comparison of the Years Ended December 31, 2010 and December 31, 2011

Sales

Sales increased by HRK 2,547.2 million, or 9.6%, from HRK 26,506.2 million in the year ended December 31, 2010 to HRK 29,053.4 million in the year ended December 31, 2011. Sales in Croatia in 2011 represented 70.9% of total sales while sales outside Croatia represented 29.1% of total sales, compared to 2010 when they amounted to 72.2% and 27.8%, respectively.

Our strong sales increase is a result of our focus on both growth and profitability, timely adjustments to a challenging macroeconomic environment, an exceptional tourist season in Croatia, with 8.0% growth in tourist arrivals and 7.0% growth in overnights according to the Croatia Bureau of Statistics, and the stabilization of the Serbian Dinar against the Kuna over the period which had a positive impact on profitability.

Excluding intersegment sales, Retailing and Wholesale increased by HRK 1,910.8 million, or 9.5%, from HRK 20,019.5 million in the year ended December 31, 2010 to HRK 21,930.3 million in the year ended December 31, 2011. Retail and Wholesale sales contributed 75.5% of total consolidated sales revenue. The increase in sales was the result of the combination of new store openings, an increase in consumer spending due to an exceptional tourist season, as well as aggressive promotional and marketing activities followed by continuous price investments, such as discounts and rebates.

The largest geographic increase, in absolute terms, came from Croatia and Serbia. In relative terms, our sales in Serbia grew the most, by 24.3%, while Retail and Wholesale sales in Bosnia and Herzegovina increased by 8.0%. The reason behind strong growth in Serbia and Bosnia and Herzegovina was the expansion of our retail network and customer accounts. Our kiosk retailer Tisak also contributed to total growth with a sales increase of 9.3%.

Excluding intersegment sales, Food Manufacturing and Distribution sales increased by HRK 730.9 million, or 14.2%, from HRK 5,135.6 million in the year ended December 31, 2010 to HRK 5,866.4 million in the year ended December 31, 2011. Food Manufacturing and Distribution generated 20.2% of total consolidated sales. The increase of sales is mostly driven by significant sales growth in Meat and Agriculture segment due primarily to previous years' investments, higher livestock and animal feed prices, significant growth in production and sales of animal feed, increased production of fruits and vegetables, a rise of diary product sales and widening of the dairy products portfolio. The Edible Oils and Margarines and Ice Cream and Frozen Food segments also contributed to increased sales, the former as a result of higher edible oil prices due to an increase in commodity prices and the latter as a result of adequate changes in pricing policy and an exceptional tourist season in 2011.

Cost of materials

The table below illustrates the components of cost of materials during the periods shown:

Cost of materials	For the Year Ended December 31, 2010	2011
	(HRK millions)	
Cost of goods sold	18,834.1	20,834.9
Change in inventory	(297.1)	(431.1)
Total	**18,536.9**	**20,403.8**

Cost of materials increased by HRK 1,866.9 million, or 10.1% from HRK 18,536.9 million in the year ended December 31, 2010 to HRK 20,403.8 million in the year ended December 31, 2011. As a percentage of sales, cost of materials increased from 69.9% in 2010 to 70.2% in 2011. These increases were primarily driven by inflation and discounts and rebates more than offsetting price increases in the Retailing and Wholesale division, and increased contribution by the Edible Oils and Margarines and Meat and Agriculture segments due to the increase in raw material prices.

Cost of services

Cost of services increased by HRK 139.9 million, or 6.1%, from HRK 2,305.9 million in the year ended December 31, 2010 to HRK 2,445.8 million in year ended December 31, 2011. The increase is predominantly the result of higher sales, which can be seen from the percentage of total sales data that decreased compared to the previous year, from 8.7% to 8.4%, as a result of our cost optimization efforts.

Other income

The table below illustrates the components of other income during the periods shown:

Other income	Year Ended December 31, 2010	2011
	(HRK millions)	
Gain on sale of securities	263.5	55.1
Government grants	173.1	146.7
Reversal of provision for litigation	0.1	115.0
Collected receivables written off	27.8	19.0
Other revenues	54.9	17.8
Value adjustment of receivables	(27.8)	(19.0)
Total	**491.6**	**334.6**

Other income decreased by HRK 157.0 million, or 31.9%, from HRK 491.6 million in the year ended December 31, 2010 to HRK 334.6 million in the year ended December 31, 2011. The decrease was principally driven by a reduction in gain on sales of securities, which decreased by HRK 208.4 million,

as we sold fewer securities in 2011. In addition, a decrease in other income was affected by the changes in government legislation resulting in a decrease in the amount of government grants provided in connection with pig and dairy cattle breeding. The reversal of provisions for litigation in the table above reflects settlements or other positive developments concerning litigation matters involving certain of our subsidiaries. As a percentage of total sales, other income decreased from 1.9% to 1.2%.

Other expenses

The table below illustrates the components of other expenses during the periods shown:

Other expenses	Year Ended December 31, 2010	2011
	(HRK millions)	
Wages and salaries	1,663.8	1,741.4
Taxes, social insurance and pension costs	1,147.7	1,236.0
Depreciation and amortization	779.5	866.2
Research and development costs	9.1	10.4
Write-off of bad debts and other short-term assets, net	56.8	49.8
Other expenses	863.3	829.3
Total	**4,520.2**	**4,733.0**

Other expenses increased by HRK 212.8 million, or 4.7%, from HRK 4,520.2 million in the year ended December 31, 2010 to HRK 4,733.0 million in the year ended December 31, 2011, primarily due to the expansion of our business. However as a percentage of total sales, other expenses decreased from 17.1% in 2010 to 16.3% in 2011 driven by our continuous focus on cost optimization, operating processes enhancement and other efficiency improvements.

Operating profit

Operating profit increased by HRK 170.5 million, or 10.4%, from HRK 1,634.8 million in the year ended December 31, 2010 to HRK 1,805.3 million in the year ended December 31, 2011. Operating profit margin remained at 6.2%. This stable level of operating profit margin is predominantly the result of improved efficiency, focus on cost optimization and operating processes enhancement as well as other efforts to improve efficiency in addition to the increased operating profitability of our Food Manufacturing and Distribution division that offset decreased profitability in our Retailing and Wholesale division.

Operating profit generated from the Food Manufacturing and Distribution segment increased by HRK 178.8 million, or 20.2%, from HRK 885.6 million in the year ended 2010 to HRK 1,064.3 million in the year ended 31, 2011, with the Edible oils and Agriculture segments as the primary profitability drivers.

Operating profit from the Retailing and Wholesale decreased by HRK 35.1 million, or 3.8%, from HRK 935.0 million in the year ended December 31, 2010 to HRK 899.9 million in the year ended December 31, 2011. The decrease in both absolute as well as relative terms was driven by our Serbian and Croatian operations where inflation and discounts and rebates more than offset price increases.

Impairment of financial assets

Impairment of financial assets decreased by HRK 9.3 million, or 70.3%, from HRK 13.3 million in the year ended December 31, 2010 to HRK 3.9 million in the year ended December 31, 2011 due to lower declines in the fair values of financial assets.

Dividend income

Dividend income decreased by HRK 0.2 million, from HRK 0.3 million in the year ended December 31, 2010 to HRK 0.1 million in the year ended December 31, 2011, because a number of companies in which we have non-controlling shareholdings reduced their dividend payouts.

Sale of subsidiaries

In 2011, we experienced a loss of HRK 46.3 million from the sale of our subsidiary Znanje d.o.o.

Sale of properties, net

Net sale of properties decreased by HRK 44.8 million, from a gain of HRK 21.7 million in the year ended December 31, 2010 to a loss of HRK 23.0 million in the year ended December 31, 2011.

Interest income

Interest income increased by HRK 41.8 million, or 48.4%, from HRK 86.3 million in the year ended December 31, 2010 to HRK 128.1 million in the year ended December 31, 2011 principally due to an increase in loans and deposits as well as higher applicable interest rates.

Interest expense

Interest expense increased by HRK 138.1 million, or 14.5%, from HRK 952.0 million in the year ended December 31, 2010 to HRK 1,090.1 million in the year ended December 31, 2011. The increase was principally due to an increase in the overall debt outstanding as a result of funding larger operations and working capital needs as well as a result of the refinancing of our existing indebtedness by lengthening maturities at higher interest rates. As a percentage of sales, interest expense increased from 3.6% in 2010 to 3.8% in 2011.

Net foreign exchange (loss)/profit

We had a net foreign exchange loss of HRK 340.3 million in 2010, compared to a loss of HRK 267.4 million in 2011. The decrease in loss is predominantly a result of less negative foreign currency movement in countries in which the Group operates.

Profit before taxation

As a result of the foregoing items, profit before taxation increased by HRK 52.8 million, or 14.5%, from HRK 365.2 million in the year ended December 31, 2010 to HRK 418.1 million in the year ended December 31, 2011.

Taxation

Taxation increased by HRK 17.8 million, or 8.7%, from HRK 205.1 million in the year ended December 31, 2010 to HRK 222.9 million in the year ended December 31, 2011. Our effective tax rate was 53.3% for the year ended December 31, 2011 compared to 56.2% in the corresponding period of 2010.

Corporate taxation is based on the accounting profit for the year adjusted for permanent and temporary differences between taxable and accounting income.

Net profit

Due to the factors discussed above, net profit increased by HRK 35.1 million, or 21.9% from HRK 160.1 million in the year ended December 31, 2010 to HRK 195.1 million in the year ended December 31, 2011. Net profit attributable to our equity holders decreased by HRK 11.8 million from HRK 32.9 million to HRK 21.1 million and the non-controlling interest increased by HRK 46.9 million, or 36.9%, from HRK 127.2 million to HRK 174.0 million, primarily due to losses in certain of our wholly-owned subsidiaries and the allocation of certain expenses, including financing costs, to the parent.

Liquidity and Capital Resources

Our principal sources of liquidity have traditionally consisted of net cash flows provided by our operating activities and financing from credit institutions. We believe that our operating cash flows and borrowing capacity, taken together, provide adequate resources to fund our ongoing operating requirements and future investments related to the expansion of our business, and that our cash flow from operations, financing activities and other sources of liquidity described below will be sufficient for us to meet our working capital and debt service requirements for the next 12 months.

Our working capital requirements are seasonal as we are required to build up inventories prior to the agricultural season and also in respect of other seasonal businesses such as ice cream and mineral water. We have sought to minimize our working capital needs through improved inventory and raw material management, terms from suppliers and customer collections.

We have in the past derived, and we expect to continue to derive, substantially all of our revenues from funds generated by our operating subsidiaries, mainly in the form of management fees, intercompany loans and dividends, and therefore rely on the ability of these companies to transfer funds to us.

The table below presents our cash flows for the years ended December 31, 2010 and 2011.

Cash flows	Year Ended December 31, 2010	Year Ended December 31, 2011
	(HRK millions)	
Net cash flows from operating activities before changes in working capital	**1,894.7**	**2,412.1**
Interest paid[(1)]	(900.4)	(1,064.0)
Changes in working capital	123.2	109.2
Net cash provided by/(used in) operating activities	**829.4**	**820.5**
Capex	(1,985.3)	(1,332.9)
Acquisitions of subsidiaries, net of cash acquired	(507.2)	(354.0)
Net cash used in investing activities	**(1,901.4)**	**(1,860.3)**
Net cash from financing activities	**1,052.2**	**1,073.4**
Net increase/(decrease) in cash and cash equivalents	**(19.8)**	**33.6**

(1) "Interest paid" represents cash outflows during the period and therefore may not be equal to the "interest expense" line item on our statement of income, which is an accrued amount.

Changes in working capital

Working capital represents accounts receivable plus inventories minus accounts payable as shown on the balance sheet.

Cash flows	Year Ended December 31, 2010	Year Ended December 31, 2011
	(HRK millions)	
Change in receivables	(5.9)	(277.2)
Change in inventories	(532.1)	(807.3)
Changes in liabilities towards creditors	661.2	1,193.8
Changes in working capital	**123.2**	**109.2**

Changes in working capital were HRK 123.2 million in 2010 compared to HRK 109.2 million in 2011. The movement in changes in working capital was negatively impacted by an increase in receivables as we increased our operations in the HoReCa channel where we allowed for longer payment terms in order to support our partners in their preparation for the tourist season and by an increase in inventory due to the enhanced scope of the overall operations, predominantly within our Meat and Agriculture segment.

Capital expenditures

Capital expenditures decreased by HRK 652.4 million, or 32.9%, from HRK 1,985.3 million in 2010 to HRK 1,332.9 million in 2011.

In the year ended December 31, 2011, the investments in our Retailing and Wholesale division included investments in the further development of our store network in Croatia, Serbia and Bosnia and Herzegovina, continued implementation of a new ERP (Enterprise Resource Planning) system in our Croatian retail operation and other IT investments throughout the Group. In the year ended December 31, 2011, in the Food Manufacturing and Distribution division we invested in new machines and equipment in all of our segments, the most significant investments being in expansion of our meat processing company PIK Vrbovec and dairy and pig farms.

In the year ended December 31, 2010, investments in our Retailing and Wholesale division included investments in the further development on our store network in Croatia, Serbia and Bosnia and Herzegovina, in the construction of additional distribution and logistics centers in Croatia and Serbia and in the implementation of a new ERP system in our Croatian retail operations. In the year ended

December 31, 2010, in the Food Manufacturing and Distribution division we invested in new machines and equipment in all of our segments, the most significant investments being in dairy and pig farms, reconstruction of silos, new agricultural land and certain investments in the meat factory in our Meat and Agriculture segment.

In the Food Manufacturing and Distribution division, we invested in our Meat and Agriculture segment (including a new factory for PIK and new farms and machinery in Belje).

Indebtedness

We have historically financed a significant portion of our expansion through bank borrowings and bond issuances. In general, our financing agreements contain a number of covenants and restrictions, including financial covenants, limitations on incurring further indebtedness and granting liens on our properties and prohibitions on sales of assets. They also typically include cross defaults to other of our indebtedness. These covenants and restrictions impose limitations on the way in which we conduct our business, and may prevent us from raising debt financing should we need to do so. See "—Description of Financing Arrangements."

The following table summarizes our indebtedness at December 31, 2010 and 2011:

Borrowings	As of December 31, 2010	As of December 31, 2011
	(HRK millions)	
Long-term Borrowings		
Bank loans	4,858.9	4,385.5
Bonds	2,878.1	4,071.3
Non-bank loans	40.3	16.0
Finance leases	14.0	17.0
Total long-term borrowings	**7,791.3**	**8,489.9**
Current portion of long-term borrowings	(796.9)	(935.2)
Short-term borrowings		
Bank loans	2,316.4	2,619.5
Non-bank loans	26.1	156.3
Total short-term borrowings	**2,342.5**	**2,775.8**
Total borrowings	**10,133.8**	**11,265.7**

In 2011 the increase in indebtedness was primarily driven by working capital requirements and capital expenditures.

The average borrowing cost on our indebtedness was 9.4% and 9.7% as of December 31, 2010 and 2011, respectively. See "—Description of Financing Arrangements."

As of December 31, 2011, 46.0% of our debt had a fixed interest rate and 54.0% of our debt had a floating interest rate. As of December 31, 2011, we have not hedged our interest rate exposure.

The table below summarizes the maturity profile of our indebtedness as at December 31, 2011, including the interest thereof:

Maturity	Total
	(HRK thousands)
2012	4,391,454
2013	1,441,026
2014	1,437,666
2015	2,086,227
2016	4,443,359
2017	9,352
2018 and thereafter	20,117
Total	**13,829,201**

On March 20, 2012, we entered into the €75 million Term Loan. The Term Loan was fully drawn on March 23, 2012 to refinance certain short-term debt facilities and is repayable in full in March 2015. See "—Description of Financing Arrangements."

Off-balance sheet items

We have certain operating leases relating principally to buildings (including leased retail shops), equipment and motor vehicles. The average cancellation period for our operating leases is between six and nine months. Leasing is a regulated business in Croatia, with only authorized entities permitted to be lessors under operating and finance leases. However, individuals and non-authorized entities may enter into rental arrangements for real property and other assets that do not constitute operating or finance leases. We record both operating lease expense and rental expense under cost of services.

Details of our operating lease commitments are set out in the table below:

Operating Lease Commitments	As of December 31, 2010	As of December 31, 2011
	(HRK thousands)	
Payable over 5 years	609,795	850,887
Payable in 2 to 5 years	638,125	790,923
Payable in 1 to 2 years	365,118	412,270
Payable within 1 year	443,239	503,786
Total operating lease commitments	**2,056,277**	**2,557,866**

Quantitative and Qualitative Disclosures about Market Risk

Currency Risk

Most of our assets and cash flows are denominated in Kuna. As we have expanded internationally, however, an increasing proportion of our assets and cash flows are denominated in other currencies, in particular Serbia Dinars and Convertible Marks. A significant portion of our loan liabilities are linked to foreign currencies, predominantly euro. Accordingly, we are exposed to the risk of changes in foreign exchange rates. However, considering the long-term policy of the Croatian National Bank to manage the exchange rate of the Kuna to the euro, we do not consider this risk to be significant. We do not currently hedge our currency exposure, but we may do so in the future.

The table below illustrates the impact of a five percent increase or decrease in the exchange rate of the currencies listed on our profit before tax due to changes in the fair value of monetary assets and liabilities in each of the years shown:

	Effect on profit before tax
	(HRK thousands)
2011	
Euro	519,709
U.S. dollars	(1,004)
Swiss francs	301
Pound sterling	22
Danish krona	1
2010	
Euro	393,645
U.S. dollars	(9,320)
Swiss francs	271
Pound sterling	(2)
Danish krona	1
Canadian dollar	(1)

Interest Rate Risk

The majority of our interest bearing assets and liabilities represent loans received.

The table below illustrates the impact of a 50 basis point increase or decrease in interest rates by currency listed on our profit before tax due to the impact on floating rate borrowings in each of the years shown:

	Effect on profit before tax
	(HRK thousands)
2011	
Euro	28,865
Hungarian forint (100)	—
Swiss francs	35
Croatian kuna	3,076
2010	
Euro	29,648
Hungarian forint (100)	1,028
Swiss francs	48
Croatian kuna	3,047

Liquidity Risk

Exposure to adverse situations in the debt or capital markets can hinder or prevent us from obtaining the financing required to carry on our business activities and implement our business plan. However, we seek to mitigate this risk by maintaining our long standing relationships with banks both within and outside of Croatia. At December 31, 2011, we had total borrowings of HRK 11,265.7 million, of which HRK 3,711.0 million, or 32.9%, consisted of short-term debt and the current portion of long-term debt.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with IFRS. The consolidated financial statements have been prepared on a historical cost basis, except for certain property, plant and equipment and long-term investments which are included at valuation, as described in the following accounting policy notes. The accounting policies have been consistently applied by us and are consistent with those of the previous year, except as described in Note 1.28 to our 2011 financial statements. Our consolidated financial statements are presented in Croatian Kuna (HRK), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. The effective exchange rate of the Croatian Kuna (expressed in HRK) at December 31, 2011 was HRK 5.82 per United States Dollar (USD) (2010: HRK 5.57) and HRK 7.53 per euro (2010: HRK 7.39). All amounts disclosed in the financial statements are stated in thousands of HRK, except when otherwise indicated.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes. We assess our revenue arrangements against specific criteria in order to determine whether we are acting as a principal or as an agent. We have concluded that we are acting as a principal in all of our revenue arrangements. The following recognition criteria must also be met before the revenue is recognized: In relation to the sale of goods, revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer and no significant uncertainties remain regarding the derivation of consideration, associated costs or the possible return of goods. In relation to the rendering of services, revenue is recognized by reference to the stage of completion of the transaction, when no significant uncertainties remain concerning the derivation of consideration or associated costs. Interest income and dividends arising from the use by others of our resources are recognized when it is probable that the economic benefits associated with the transaction will flow to us and the revenue can be measured reliably. Interest income is recognized as it accrues (taking into account the effective yield on the asset) unless collection is in doubt. Dividend income is recognized when the right to receive the payment is established.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date, fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs incurred are expensed. When we acquire a business, we assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognized in profit or loss.

Goodwill and Excess of fair value of net assets over the cost of acquisition represent the difference between the cost of acquisition and the acquirer's interest in the fair value of the identifiable net assets at the date of acquisition.

Goodwill is subject to impairment testing at each reporting date, as described in accounting policy 1.8.—Impairment of assets. Excess of fair value of net assets over the cost of acquisition is reported as a gain through the income statement in the year of acquisition.

Impairment of assets

We assess at each financial year-end date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, we make an estimate of the asset's recoverable amount. The recoverable amount is estimated as the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs. Cash-generating units are primarily identified at entity level. Where carrying values exceed this estimated recoverable amount the assets are written down to their recoverable value. The following criteria are also applied in assessing impairment of specific assets:

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, as appropriate and when the circumstances indicate that the carrying value may be impaired.

Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date; whether fulfillment of the arrangement is dependent on use of a specific asset or the arrangement conveys a right to use the asset.

We use the following policies when we act as a lessee: Finance leases, which effectively transfer to us substantially all the risk and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value of the leased property or present value of the minimum lease payments at the inception of the lease term and disclosed as leased property, plant and equipment. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement. Capitalized leased assets are depreciated over the shorter of the leased

term and its useful life. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, and the transaction is established at fair value, any profit or loss is recognized immediately.

We use the following policies when we act as a lessor: Leases where we do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign currencies

The individual financial statements of each our entities are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For purposes of the consolidated financial statements, the results and financial position of each our entity are expressed in Croatian Kuna (HRK), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances: Transactions in foreign currencies are initially recorded by our entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into the reporting currency using the reporting period closing exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Exchange differences arising on foreign currency transactions and the translation of monetary and non-monetary assets and liabilities are recognized in the consolidated income statement in the period in which they arise.

Our companies: The assets and liabilities of foreign subsidiaries are translated into the reporting currency using the Croatian National Bank middle exchange rate at the balance sheet date. Revenues and expenses are translated at the average exchange rate for the year. The effects of translating these items are included in other comprehensive income. Any goodwill and fair value adjustments arising on the acquisition of a foreign subsidiary are treated as assets and liabilities of that foreign subsidiary and are translated at the closing rate.

Pensions and employee benefits

We, in the normal course of business, make fixed contributions into the State mandatory pension funds on behalf of our employees. We do not operate any other pension scheme or post retirement benefit plan, and consequently, have no legal or constructive obligation to make further contributions if the funds do not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. We make payments to employees that include one-off retirement and jubilee benefits. The obligation and costs of these benefits are determined using a projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs are recognized on a straight-line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

Agriculture

We recognize a biological asset or agricultural produce, such as livestock and crops, when there is control over the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to us and the fair value or cost of the asset can be measured reliably. A

biological asset is measured on initial recognition and at each balance sheet date at its fair value less costs to sell, except when the fair value cannot be measured reliably. Agricultural produce harvested from our biological assets is measured at its fair value less cost to sell at the point of harvest. For biological assets valued at cost, depreciation is recorded by a charge to income computed on a straight-line basis over the estimated useful life of the asset, as follows:

- Vineyards . . . . 10–20 years
- Apple orchards . . . . 10 years
- Olive groves . . . . 20 years

The useful life, depreciation method and residual values are reviewed at each financial year-end and if expectations differ from previous estimates, any changes are accounted for as a change in accounting estimate.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset it is recognized as deferred income and is released to the income statement in equal amounts over the expected useful life or the relevant asset.

Key sources of estimation

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amounts reported in our financial statements and notes thereto. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill:

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For additional information see Note 7 to our financial statements for the year ended December 31, 2011.

Purchase price allocation:

Significant estimates are used in the purchase price allocation process and mainly relate to assessments of fair value of land, impairment of plant and equipment, valuation of allowances and doubtful debts, provisions for employee benefits and legal claims, as well as value of any separable intangible assets existing at the acquisition date.

Other estimates:

Furthermore, in our normal course of business, estimates are used for, but not limited to: assessments of value of land, depreciable lives and residual values of property, plant and equipment and intangible assets, allowances for inventories and doubtful debts and provisions for employee benefits, legal claims and taxes. Future events and their effects cannot be perceived with certainty. Details of estimates and related amounts are disclosed in the respective accounting policies and notes to the financial statements.

Description of Financing Arrangements

Senior Facilities Agreement

In June 2010 Agrokor entered into a senior facilities agreement (as amended by an amendment dated April 16, 2012, the "Senior Facilities Agreement") with a group of lenders which provides, among other things, for up to €352,000,000 of borrowing availability, consisting of a €212,000,000 term loan facility and a €140,000,000 revolving credit facility. The commitments under the Senior Facilities Agreement mature on June 17, 2015. The Senior Facilities Agreement is governed by English law. At December 31, 2011, €338.4 million was outstanding under the Senior Facilities Agreement.

Borrowers

The original borrower under the Senior Facilities Agreement is Agrokor.

Guarantees

The Senior Facilities Agreement is guaranteed on a senior basis by Jamnica, Ledo, Zvijezda, Konzum, Agrokor trgovina, PIK Vinkovci, Sarajevski kiseljak and Ledo Čitluk. Agrokor may be required to add additional guarantors under the Senior Facilities Agreement and may be entitled to release guarantors depending on the ratio of guarantor net debt to adjusted guarantor EBITDA from time to time, as tested under the Senior Facilities Agreement.

Security

The obligations under the Senior Facilities Agreement are secured by share pledges over all shares owned directly or indirectly by Agrokor of the guarantors of the facilities. If any future guarantees of the Senior Facilities Agreement are required to be granted by subsidiaries of Agrokor, Agrokor will grant a share pledge in respect of such additional guarantor's shares in favor of the lenders under the Senior Facilities Agreement.

Amount and Repayment of Borrowings

The €201.4 million outstanding under the term loan facility as of December 31, 2011 is repayable as follows through to maturity on June 17, 2015:

Date	Amount
June 17, 2012:	€ 18,020,000
December 17, 2012:	€ 18,020,000
June 17, 2013:	€ 18,020,000
December 17, 2013:	€ 37,100,000
June 17, 2014:	€ 37,100,000
December 17, 2014:	€ 37,100,000
June 17, 2015:	€ 36,040,000

Once amounts under the term loan facility have been repaid, they may not be reborrowed.

The full €140,000,000 revolving credit facility was drawn at December 31, 2011. The minimum amount of borrowing under the revolving credit facility is €10,000,000 and multiples of €5,000,000 above that amount. Borrowing under the revolving credit facility is repayable on the last day of its interest period, which can be a period of one, three or six months as selected by the borrower in the utilization request for that loan or any other period agreed by Agrokor and the agent.

Each loan under the revolving credit facility must be repaid on the last day of its interest period, and all loans outstanding under the revolving credit facility must be repaid in full on June 17, 2015.

Interest Rates and Fees

The annual interest rate on borrowings is calculated based on EURIBOR, plus a margin and certain mandatory costs, if any. The margin generally varies between 3.80% and 5.05% depending on the leverage ratio of the borrower. Interest on borrowings is payable on the last day of the borrowings' respective interest periods (and, if the interest period is longer than six months, on the dates falling at six monthly intervals after the first day of that interest period or, if sooner, the last day of that interest period).

The borrower is also obliged to pay a commitment fee on available commitments during the availability period of the revolving credit facility. Other fees are also payable, including an arrangement fee, an agency fee and a security trustee fee.

Covenants

Availability of amounts under the Senior Facilities Agreement is subject to compliance with financial covenants. Such covenants generally require that in respect of any relevant period:

- consolidated leverage may not exceed (i) 4.50:1 until September 30, 2012, (ii) 4.375:1 from October 1, 2012 to March 31, 2013 and (iii) 4.25:1 from April 1, 2013 onwards (previously 4.00:1 without any periodic step-downs);
- consolidated interest cover may not be less than 2.40:1 (previously 2.75:1); and
- consolidated fixed cost cover may not be less than 1.50:1.

Additionally, guarantor leverage may not exceed 4.25:1 (previously 3.75:1).

Change of Control

Upon the occurrence of a change of control (if the Todorić family or any funds controlled by the Todorić family cease to control directly or indirectly at least 50.1% of the maximum number of votes that might be cast at a general meeting of Agrokor) or the sale of all or substantially all the assets of Agrokor, each lender has the right to elect to have its share in each facility cancelled and all outstanding utilizations of such lender, together with accrued interest, and all other amounts accrued to it under the finance documents, become immediately due and payable.

Undertakings

Subject in each case to certain exceptions, the Senior Facilities Agreement contains negative covenants and restrictions, including among others: restrictions on mergers, change of business, acquisitions and joint ventures, restrictions on dealing with assets and security (including in respect of preservation of assets, pari passu ranking, liens and disposals, restrictions on loans, guarantees, indemnities, dividends and share redemption, restrictions on financial indebtedness, issues of share capital, and other miscellaneous restrictions). The restrictions on financial indebtedness include an exception for the incurrence of such indebtedness by Agrokor and any guarantor if such incurrence is not prohibited by the debt incurrence covenant included in the Indenture (except that for purposes of the Senior Facilities Agreement the fixed charge coverage ratio is set at 2.4 to 1).

The Senior Facilities Agreement also contains affirmative covenants such as for the periodic reporting of financial and other information and for notification upon the occurrence of any default.

Events of Default

The Senior Facilities Agreement contains events of default, such as failure to pay principal or interest, breach of financial covenants and other obligations, misrepresentation, cross default, insolvency, unlawfulness and invalidity, cessation of business, audit qualification, expropriation, repudiation and rescission of agreements and material adverse change. The occurrence of an event of default could result in the acceleration of payment obligations under the Senior Facilities Agreement.

Term Loan Agreement

On March 20, 2012 Agrokor entered into a facilities agreement (as amended by an amendment dated April 16, 2012, the "Term Loan Agreement") with a group of lenders which provides for a €75 million term loan facility. The Term Loan Agreement is governed by English law. The Term Loan was fully drawn on March 23, 2012 to refinance certain short-term debt facilities, including a short-term portion of the IFC facilities and the Credit Agricole facility, and is repayable in full in March 2015.

Borrowers

The original borrower under the Term Loan Agreement is Agrokor.

Guarantees

The Term Loan Agreement is guaranteed on a senior basis by Jamnica, Ledo, Zvijezda, Konzum, Agrokor trgovina, PIK Vinkovci, Sarajevski kiseljak and Ledo Čitluk. Agrokor may be required to add additional guarantors under the Term Loan Agreement and may be entitled to release guarantors depending on the ratio of guarantor net debt to adjusted guarantor EBITDA from time to time, as tested under the Term Loan Agreement.

Interest Rates and Fees

The annual interest rate on borrowings is calculated based on EURIBOR, plus a margin of 5.50% and certain mandatory costs, if any. Interest on borrowings is payable on the last day of the borrowings' respective interest periods (and, if the interest period is longer than six months, on the dates falling at six monthly intervals after the first day of that interest period or, if sooner, the last day of that interest period).

The borrower was also obliged to pay a commitment fee on available commitments during the initial 30-day availability period. Other fees are also payable, including an arrangement fee and an agency fee.

Covenants

Availability of amounts under the Term Loan Agreement is subject to compliance with financial covenants. Such covenants generally require that in respect of any relevant period:

- consolidated leverage may not exceed (i) 4.50:1 until September 30, 2012, (ii) 4.375:1 from October 1, 2012 until March 31, 2013 and (iii) 4.25:1 from April 1, 2013 (previously 4.00:1 without any periodic step-downs);
- consolidated interest cover may not be less than 2.40:1 (previously 2.75:1); and
- consolidated fixed cost cover may not be less than 1.50:1.

Additionally, guarantor leverage may not exceed 4.25:1 (previously 3.75:1 to and including June 16, 2013 and 3.50:1 from June 17, 2013).

Change of Control

Upon the occurrence of a change of control (if the Todorić family or any funds controlled by the Todorić family cease to control directly or indirectly at least 50.1% of the maximum number of votes that might be cast at a general meeting of the parent) or the sale of all or substantially all the assets of the parent, each lender has the right to elect to have its share in each facility cancelled and all outstanding utilizations of such lender, together with accrued interest, and all other amounts accrued to it under the finance documents, become immediately due and payable.

Undertakings

Subject in each case to certain exceptions, the Term Loan Agreement contains negative covenants and restrictions, including among others: restrictions on mergers, change of business, acquisitions and joint ventures, restrictions on dealing with assets and security (including in respect of preservation of assets, pari passu ranking, liens and disposals, restrictions on loans, guarantees, indemnities, dividends and share redemption, restrictions on financial indebtedness, issues of share capital, and other miscellaneous restrictions). The restrictions on financial indebtedness include an exception for the incurrence of such indebtedness by Agrokor and any guarantor if such incurrence is not prohibited by the debt incurrence covenant included in the Indenture (except that for purposes of the Term Loan Agreement the fixed charge coverage ratio is set at 2.4 to 1).

The Term Loan Agreement also contains affirmative covenants such as for the periodic reporting of financial and other information and for notification upon the occurrence of any default.

Events of Default

The Term Loan Agreement contains events of default, such as failure to pay principal or interest, breach of financial covenants and other obligations, misrepresentation, cross default, insolvency, unlawfulness and invalidity, cessation of business, audit qualification, expropriation, repudiation and

rescission of agreements and material adverse change. The occurrence of an event of default could result in the acceleration of payment obligations under the Term Loan Agreement.

2010 IFC Loan Agreement and 2011 Credit Agricole Loan Agreement

In December 2010 Frikom amended and restated the terms of its existing €40,000,000 loan agreement (as so amended and restated, the "2010 IFC Loan Agreement") with the International Finance Corporation (the "IFC") to finance certain projects to increase production at Frikom and Nova Sloga. On January 10, 2011 Frikom entered into a parallel loan agreement with Credit Agricole Srbija Ad Novi Sad ("Credit Agricole") to refinance a portion of the original IFC loan (the "2011 Credit Agricole Loan Agreement"; together with the 2010 IFC Loan Agreement, the "Refinancing Agreements"). Under the Refinancing Agreements, the IFC has provided Frikom with a loan in an initial principal amount of €25 million and Credit Agricole has provided Frikom with a loan in an initial principal amount of €15 million. The Refinancing Agreements have substantially the same terms (including cross-defaults to the other agreement). The Refinancing Agreements also require Frikom to maintain a ratio of current assets (less prepaid expenses) to current liabilities of at least 1.2:1 and a ratio of consolidated financial debt to EBITDA initially of not more than 8.0:1, declining to 4.0:1 by September 30, 2013. The 2010 IFC Loan Agreement is governed by English law. The 2011 Credit Agricole Loan Agreement is governed by Serbian law.

At December 31, 2011, €21.9 million was outstanding under the 2010 IFC Loan Agreement and €13.1 million was outstanding under the 2011 Credit Agricole Loan Agreement.

Borrower

The borrower under the 2010 IFC Loan Agreement and the 2011 Credit Agricole Loan Agreement is Frikom.

Guarantee

In July 2009, Agrokor and the IFC entered into a guarantee agreement, as amended on December 30, 2010, pursuant to which Agrokor irrevocably and unconditionally guarantees all debts and monetary liabilities of Frikom to the IFC under the 2010 IFC Loan Agreement and any related transaction agreement, including the 2011 Credit Agricole Loan Agreement and indemnifies the IFC from and against any loss incurred by the IFC as a result of any of such debts and monetary liabilities becoming void, voidable, unenforceable or ineffective for any reason whatsoever.

Under the terms of the guarantee agreement, Agrokor is required to maintain at all times (i) a consolidated net financial indebtedness to EBITDA ratio of less than 4.00:1 and (ii) tangible net worth less the aggregate of any consolidated off-balance sheet liabilities of at least the equivalent of €300,000,000.

Security

The obligations under the 2010 IFC Loan Agreement and the 2011 Credit Agricole Loan Agreement are secured by liens on certain assets of Frikom and the shares held by Agrokor in Frikom, Belje and PIK Vrbovec.

Amount and Repayment of Borrowings

The Refinancing Agreements each amortize in eight semi-annual installments over four years, with a final maturity date of January 15, 2015. Any principal amount repaid may not be re-borrowed.

Interest Rates and Fees

The annual interest rate on borrowings under the Refinancing Agreements is calculated based on EURIBOR plus a margin. The margin varies between 3.80% and 6.25% depending on the leverage ratio of the borrower. Interest is payable on the interest payment date immediately following the end of the relevant interest period. Frikom is also required to pay certain fees, including, but not limited to, a commitment fee, payable quarterly, on the undisbursed or uncancelled part of the loan, as well as certain costs, expenses and losses.

Covenants

Availability of amounts under the Refinancing Agreements is subject to compliance by the borrower with covenants, including, but not limited to:

- maintain a ratio of current assets (less prepaid expenses) to current liabilities of at least 1.2:1 and a ratio of consolidated financial debt to EBITDA initially of not more than 8.0:1, declining to 4.0:1 by September 30, 2013; and
- except in certain circumstances, declaring dividend, making payment on subordinated financial debt, paying management fees to Agrokor or its subsidiaries, not incurring, assuming or permitting to exist additional indebtedness, not creating or permitting to exist any liens on their respective properties, selling assets or capital stock or provide guarantee.

Events of Default

The 2010 IFC Loan Agreement and the 2011 Credit Agricole Loan Agreement contain events of default, such as failure to pay principal or interest, failure to pay other IFC loans or Credit Agricole, failure to perfect the security interest granted to IFC or Credit Agricole, failure to comply with obligations, misrepresentations, expropriation or nationalization, certain bankruptcy or analogous events, cross default and certain other events. Expropriation or nationalization, certain bankruptcy or analogous events and cross default occurring in relation to Agrokor are also deemed events of default under the Refinancing Agreements. The occurrence of an event of default could result in the acceleration of payment obligations under the Refinancing Agreements.

2009 EBRD Loan Agreement

In May 2009, Konzum Sarajevo entered into a loan agreement (the "2009 EBRD Loan Agreement") with the EBRD, pursuant to which the EBRD agreed to lend to Konzum Sarajevo an amount not to exceed €50,000,000, half on a firm commitment basis and the other half on a best-efforts syndicated basis. The 2009 EBRD Loan Agreement was amended in June 2009. Konzum Sarajevo may use the disbursements under the 2009 EBRD Loan Agreement to expand its retail network in Bosnia and Herzegovina and refinance its existing debt. Payments to Agrokor and Konzum by Konzum Sarajevo under related-party transaction agreements are to be postponed and subordinated to payments to the EBRD under the 2009 EBRD Loan Agreement. In addition, the EBRD may require Agrokor to advance funds to Konzum Sarajevo if in the EBRD's reasonable opinion Konzum Sarajevo has insufficient funds to finance the growth of its retail network in Bosnia and Herzegovina or to refinance its debt. The 2009 EBRD Loan Agreement is governed by English law. At December 31, 2011, €42.9 million was outstanding under the 2009 EBRD Loan Agreement. Pursuant to the terms of the 2009 EBRD Loan Agreement, Agrokor was required to invest €7,000,000 in Konzum Sarajevo's share capital.

Borrowers

The original borrower under the 2009 EBRD Loan Agreement is Konzum Sarajevo.

Guarantee

In June 2009, Agrokor and the EBRD entered into a guarantee agreement pursuant to which Agrokor irrevocably and unconditionally guarantees (i) to pay to EBRD on demand all monies and liabilities which have been advanced to, become due, owing or incurred by Konzum Sarajevo to or in favor of the EBRD under or in connection with the 2009 EBRD Loan Agreement or any related agreement when and as the same becomes due, and (ii) the due and punctual performance and discharge by Konzum Sarajevo of all its obligations and liabilities under the 2009 EBRD Loan Agreement and any related agreement.

Under the terms of the guarantee agreement, as amended on January 5, 2011, Agrokor is required to maintain (i) a consolidated net financial debt to EBITDA ratio of not more than 4.00:1 and (ii) an interest cover ratio of not less than 2.75:1.

Security

The obligations under the 2009 EBRD Loan Agreement are secured by liens on certain assets of Konzum Sarajevo and a pledge over the entire participatory interest of Konzum Sarajevo held by Konzum d.d. which represents the registered share capital of BAM 24.9 million (€12.7 million).

Amount and Repayment of Borrowings

All funds borrowed under the 2009 EBRD Loan Agreement are to be repaid no later than May 2016. The principal amount of the funds borrowed is to be repaid during the course of the 2009 EBRD Loan Agreement. Any principal amount repaid may not be re-borrowed.

Interest Rates and Fees

The annual interest rate on the funds borrowed under the 2009 EBRD Loan Agreement is calculated based on EURIBOR plus a margin of 4.5%. In case of Konzum Sarajevo's default in payments, the annual interest rate resets to the interest rate per annum offered in the Euro-zone interbank market for a deposit amount comparable to the overdue amount under the 2009 EBRD Loan Agreement plus a margin and a default interest rate of 2%. Konzum Sarajevo is also required to pay to the EBRD certain expenses and fees, including, but not limited to, a commitment fee, an administration fee and a syndication fee.

Covenants

Under the 2009 EBRD Loan Agreement, Konzum Sarajevo is subject to certain covenants including, but not limited to (a) maintaining a ratio of EBITDA to interest expenses of not less than (i) 3.0:1 from June 1, 2011 to May 31, 2012, (ii) 3.5:1 from June 1, 2012 to May 31, 2013, (iii) 4.0:1 from June 1, 2013 onwards, (b) maintaining a ratio of consolidated net financial debt to EBITDA of not more than (i) 4.5:1 from June 1, 2011 to May 31, 2012 and (ii) 4.0:1 from June 1, 2012 onwards and (c) except in certain circumstances, not incurring, assuming or permitting to exists any financial debt, selling assets or capital stock, and not creating or permitting to exist any lien on its property.

Events of Default

The 2009 EBRD Loan Agreement contains events of default, such as failure to pay principal or interest, failure to perform covenants, breach of any of the representations and warranties, nationalization, certain bankruptcy events in respect of Konzum Sarajevo, Agrokor or a subsidiary, Konzum Sarajevo's and Agrokor's failure to pay financial debt when due, change of control and certain other events. The occurrence of an event of default could result in the acceleration of payment obligations under the 2009 EBRD Loan Agreement.

Subsequent loan to Agrokor

In 2011, the EBRD extended a loan to Agrokor, which was fully drawn with approximately €2.5 million outstanding at December 31, 2011. The terms of the loan are substantially the same as those contained in the 2009 EBRD Loan Agreement, except that the loan is unsecured.

2009 Subordination and Share Retention Deed

In June 2009, Konzum Sarajevo, Agrokor and Konzum d.d. Zagreb entered into a subordination and share retention agreement with the EBRD pursuant to which the payments to Agrokor and Konzum d.d. Zagreb are subordinated and postponed to the payments in full to the EBRD under the 2009 EBRD Loan Agreement. In the event of any liquidation proceeding, Agrokor and Konzum d.d. Zagreb will implement certain procedures so that payments to the EBRD will be paid in full before either receives distributions.

2008 EBRD Loan Agreement

In October 2008, Idea d.o.o. entered into a loan agreement (as amended by an amendment dated January 26, 2012, the "2008 EBRD Loan Agreement") with the EBRD, pursuant to which the EBRD agreed to lend to IDEA an amount not to exceed €70,000,000 half of it on a firm commitment and the other half on a best-efforts syndicated basis. IDEA may use the disbursements under the 2008 EBRD Loan Agreement to expand its retail network in Serbia and restructure its existing debt.

Payments to Agrokor, Dijamant, Frikom, Kikindski mlin a.d. and Konzum by IDEA under related party transaction agreements are to be postponed and subordinated to payments to the EBRD under the 2008 EBRD Loan Agreement. In addition, the EBRD may require Agrokor to advance funds to IDEA if in the EBRD's reasonable opinion IDEA has insufficient funds to finance the growth of its retail network in Serbia or to restructure its debt. The 2008 EBRD Loan Agreement is governed by English law. At December 31, 2011, €59.5 million was outstanding under the 2008 EBRD Loan Agreement. Pursuant to the terms of the 2008 EBRD Loan Agreement, Agrokor subscribed €50,000,000 of equity interests in IDEA pursuant to a capital increase.

Borrowers

The original borrower under the 2008 EBRD Loan Agreement is IDEA.

Guarantee

In October 2008, Agrokor and the EBRD entered into a guarantee agreement pursuant to which Agrokor irrevocably and unconditionally guarantees (i) to pay to EBRD on demand all monies and liabilities which have been advanced to, become due, owing or incurred by IDEA to or in favor of the EBRD under or in connection with the 2008 EBRD Loan Agreement or any related agreement when and as the same becomes due, and (ii) the due and punctual performance and discharge by IDEA of all its obligations and liabilities under the 2008 EBRD Loan Agreement and any related agreement.

Under the terms of the guarantee agreement, as amended on January 5, 2011, Agrokor is required to maintain at all times a ratio of consolidated net financial indebtedness to EBITDA of not more than 4.00:1.

Security

The obligations under the 2008 EBRD Loan Agreement are secured by liens on the assets of SL Gross, a subsidiary that was merged into IDEA in 2010.

Amount and Repayment of Borrowings

All funds borrowed under the 2008 EBRD Loan Agreement are to be repaid no later than October 2015. The principal amount of the funds borrowed is to be repaid during the course of the 2008 EBRD Loan Agreement. Any principal amount repaid may not be re-borrowed.

Interest Rates and Fees

The annual interest rate on the funds borrowed under the 2008 EBRD Loan Agreement is calculated based on EURIBOR plus a margin of 4.25%. In case of IDEA's default in payments, the annual interest rate resets to the interest rate per annum offered in the Euro-zone interbank market for a deposit amount comparable to the overdue amount under the 2008 EBRD Loan Agreement plus a margin and a default interest rate of 2%. IDEA is also required to pay to the EBRD certain expenses and fees, including, but not limited to, a commitment fee on the undisbursed or uncancelled part of the loan, a loan administration fee and a syndication fee.

Covenants

Under the 2008 EBRD Loan Agreement, IDEA is subject to certain covenants including, but not limited to (a) maintaining a ratio of EBITDA to interest expense of not less than (i) 2:1 from January 1, 2013 to December 31, 2013, (ii) 3.25:1 from January 1, 2014 to December 31, 2014, (iii) 4.0:1 from January 1, 2015 onwards (b) maintaining a ratio of consolidated net financial debt to EBITDA, of not more than (i) 6.0:1 from January 1, 2013 to December 31, 2013, (ii) 4.5:1 from January 1, 2014 to December 31, 2014 and (iii) 4.0:1 from January 1, 2015 onwards, and (c) except in certain circumstances, not incurring, assuming or permitting to exist any financial debt, selling assets or capital stock, and not creating or permitting to exist any lien on its property.

Events of Default

The 2008 EBRD Loan Agreement contains events of default, such as failure to pay principal or interest, failure to perform covenants, breach of any of the representations and warranties, nationalization, certain bankruptcy events in respect of IDEA, Agrokor or SL Gross, IDEA's and

Agrokor's failure to pay financial debt when due and certain other events. The occurrence of an event of default could result in the acceleration of payment obligations under the 2008 EBRD Loan Agreement.

2008 Project Funds, Subordination and Share Retention Deed

In October 2008, IDEA, Agrokor, Dijamant, Frikom, Kikindski mlin and Konzum entered into a subordination and share retention agreement with the EBRD pursuant to which indebtedness of IDEA owing to Agrokor and the aforementioned group companies will be subordinated and postponed to the payments in full to the EBRD under the 2008 EBRD Loan Agreement. In the event of any liquidation proceeding, Agrokor, Dijamant, Frikom, Kikindski mlin and Konzum agreed to implement certain procedures so that payments to the EBRD will be paid in full before any subordinated party receives distributions.

2008 IFC Loan Agreement

In June 2008, PIK Vrbovec and Belje entered into a Second Loan Agreement (the "2008 IFC Loan Agreement") with the IFC pursuant to which the IFC agreed to lend, and PIK Vrbovec and Belje, on a joint and several basis, agreed to borrow up to €40,000,000. PIK Vrbovec and Belje may use the borrowings under the 2008 IFC Loan Agreement for modernization and expansion in Croatia. Payments to Agrokor by PIK Vrbovec and Belje under certain related-party agreements are subordinated to payments to the IFC under the 2008 IFC Loan Agreement. The 2008 IFC Loan Agreement is secured by liens on certain fixed assets of PIK Vrbovec and Belje. In addition, if Agrokor, PIK Vrbovec or Belje determines at any time that either PIK Vrbovec or Belje has insufficient funds to finance its modernization and expansion in Croatia, it shall so advise IFC, and Agrokor, PIK Vrbovec and Belje will make whatever arrangements they deem fit to ensure that PIK Vrbovec or Belje is provided with an amount equal to the deficiency, upon terms and conditions applicable to IFC. The 2008 IFC Loan Agreement is governed by English law. At December 31, 2011, €35.0 million was outstanding under the 2008 IFC Loan Agreement.

Borrowers

The original borrowers under the 2008 IFC Loan Agreement are PIK Vrbovec and Belje.

Guarantee

In June 2008, Agrokor and the IFC entered into a guarantee agreement pursuant to which Agrokor irrevocably, absolutely and unconditionally guarantees all debts and monetary liabilities of PIK Vrbovec and Belje to the IFC under the 2008 IFC Loan Agreement and any related transaction agreement and indemnifies the IFC from and against any loss incurred by the IFC as a result of any of such debts and monetary liabilities becoming void, voidable, unenforceable or ineffective for any reason whatsoever.

Under the terms of the guarantee agreement, as amended on December 15, 2010, Agrokor is required to maintain (i) a consolidated net financial indebtedness to EBITDA ratio of less than 4.00:1 and (ii) tangible net worth less the aggregate of any consolidated off-balance sheet liabilities of at least the equivalent of €300,000,000.

Security

The obligations under the 2008 IFC Loan Agreement are secured by liens on certain assets of PIK Vrbovec and Belje.

Amount and Repayment of Borrowings

Each disbursement (other than the last one) under the 2008 IFC Loan Agreement is to be made in an amount not less than €5,000,000. All amounts borrowed are to be repaid by March 2015. The principal amount of the funds borrowed is to be repaid during the course of the 2008 IFC Loan Agreement. Any principal amount repaid may not be re-borrowed.

Interest Rates and Fees

The annual interest rate on borrowings under the 2008 IFC Loan Agreement is calculated based on EURIBOR plus a margin of 2.4%, or, in case the PIK Vrbovec and Belje agrees to guarantee or

assumes any obligation of Agrokor, a different margin of 2.5%. In case of PIK Vrbovec's and Belje's default in payments, the annual interest rate resets to the applicable interest rate plus 2% (or a higher rate being charged by other lenders but not exceeding 5%). PIK Vrbovec and Belje are also required to pay to the IFC certain fees, including, but not limited to, a commitment fee, payable semi-annually, on the undisbursed or uncancelled part of the loan, as well as certain costs, expenses and losses.

Covenants

Availability of amounts under the 2008 IFC Loan Agreement is subject to compliance by PIK Vrbovec and Belje with covenants, including, but not limited to:

- maintaining a consolidated financial debt to EBITDA ratio of 3.6:1 with respect to each of PIK Vrbovec and Belje and a ratio of 40:60 when dividing the financial debt by tangible net worth, where EBITDA is defined as the aggregate, for the four financial quarters most recently ended prior to the relevant date of calculation for which financial statements are available, of (A) net income for those financial quarters, (B) non-cash items for those financial quarters, (C) the amount of all payments that were due during those financial quarters on account of interest and other charges on financial debt (to the extent deducted from net income) and (D) taxes paid during those financial quarters, less (E) any financial income (other than financial income generated by idle cash in the normal course of business if it is not a non-cash item) for those financial quarters, and less (F) any exceptional or extraordinary items (including any net income resulting from the sale of any fixed assets or investments or financial assets) and tangible net worth is defined as under "—Guarantee" above; and
- except in certain circumstances, declaring dividend, making payment on subordinated financial debt, paying management fees to Agrokor or its subsidiaries, not incurring, assuming or permitting to exist additional indebtedness, not creating or permitting to exist any liens on their respective properties, selling assets or provide guarantee.

Events of Default

The 2008 IFC Loan Agreement contains events of default, such as failure to pay principal or interest, failure to pay other IFC loans, failure to perfect the security interest granted to IFC, failure to comply with obligations, misrepresentations, expropriation or nationalization, certain bankruptcy or analogous events, cross default and certain other events. Expropriation or nationalization, certain bankruptcy or analogous events and cross default occurring in relation to Agrokor are also deemed events of default under the 2008 IFC Loan Agreement. The occurrence of an event of default could result in the acceleration of payment obligations under the 2008 IFC Loan Agreement.

2008 IFC Subordination Agreement

In June 2008, Agrokor, PIK Vrbovec, Belje and the IFC entered into a subordination agreement pursuant to which payments for loans from Agrokor or any of its affiliates to PIK Vrbovec or Belje and fees under any management contract paid to Agrokor by PIK Vrbovec or Belje are subordinated to the payments to the IFC under the 2008 IFC Loan Agreement. Interest, principal and any other payments due under the shareholder loans to Agrokor or its affiliate will only be made if specified coverage ratios are maintained. In any event, PIK Vrbovec and Belje will pay fees due under a management agreement to Agrokor only if those payments do not exceed an aggregate amount of €3,000,000 for either borrower in any financial year or €4,000,000 after December 31, 2011, provided that specified coverage ratios have been maintained and the IFC has received a certificate certifying compliance.

2006 IFC Loan Agreement

In June 2006, PIK Vrbovec and Belje entered into a Loan Agreement, which was amended in 2008 to coordinate certain of its provisions with the 2008 IFC Loan Agreement, (the "2006 IFC Loan Agreement") with the IFC pursuant to which the IFC agreed to lend, and PIK Vrbovec and Belje, on a joint and several basis, agreed to borrow up to €40,000,000. PIK Vrbovec and Belje may use the borrowings under the 2006 IFC Loan Agreement for the reconstruction, modernization and expansion of their respective operations and refinancing their existing financial debt. Pursuant to the 2008 IFC Subordination Agreement, payments to Agrokor by PIK Vrbovec and Belje under certain related-party agreements are subordinated to payments to the IFC under the 2006 IFC Loan Agreement. In addition, if Agrokor, PIK Vrbovec or Belje determines at any time that either PIK Vrbovec or Belje

has insufficient funds to finance their modernization and expansion in Croatia, it shall so advise IFC, and Agrokor, PIK Vrbovec and Belje will make whatever arrangements they deem fit to ensure that PIK Vrbovec or Belje is provided with an amount equal to the deficiency, upon terms and conditions applicable to IFC. At December 31, 2011, €12.0 million was outstanding under the 2006 IFC Loan Agreement.

Borrowers

The original borrowers under the 2006 IFC Loan Agreement are PIK Vrbovec and Belje.

Guarantee

In June 2006, Agrokor and the IFC entered into a guarantee agreement pursuant to which Agrokor irrevocably, absolutely and unconditionally guarantees all debts and monetary liabilities of PIK Vrbovec and Belje to the IFC under the 2006 IFC Loan Agreement and any related transaction agreement and indemnifies the IFC from and against any loss incurred by the IFC as a result of any of such debts and monetary liabilities becoming void, voidable, unenforceable or ineffective for any reason whatsoever.

Under the terms of the guarantee agreement, as amended on December 15, 2010, Agrokor is required to maintain (i) a consolidated net financial indebtedness to EBITDA ratio of less than 4.00:1 and (ii) an aggregate of the tangible net worth plus minority interest less the aggregate of any consolidated off-balance sheet liabilities of at least the equivalent of €200,000,000.

Security

The obligations under the 2006 IFC Loan Agreement are secured by liens on certain fixed assets of PIK Vrbovec and Belje.

Amount and Repayment of Borrowings

Each disbursement (other than the last one) under the 2006 IFC Loan Agreement is to be made in an amount not less than €5,000,000. All amounts borrowed are to be repaid by June 2013. The principal amount of the funds borrowed is to be repaid during the course of the 2006 IFC Loan Agreement. Any principal amount repaid may not be re-borrowed.

Interest Rate and Fees

The annual interest rate on borrowings under the 2006 IFC Loan Agreement is calculated based on EURIBOR plus a margin of (i) 2.25% on €17,000,000 of the principal amount available under the 2006 IFC Facility and (ii) 2.25% on the remaining €23,000,000. In case of PIK Vrbovec's and Belje's default in payments, the annual interest rate resets to the applicable interest rate plus 2% (or a higher rate being charged by other lenders but not exceeding 5%). PIK Vrbovec and Belje are also required to pay to the IFC certain fees, including, but not limited to, a commitment fee, payable semi-annually, on the undisbursed or uncancelled part of the loan, as well as certain costs, expenses and losses.

Covenants

Availability of amounts under the 2006 IFC Loan Agreement is subject to compliance by PIK Vrbovec and Belje with covenants, including, but not limited to:

- maintaining a ratio of 40:60 when dividing the financial debt by tangible net worth, where tangible net worth is defined as under "2008 IFC Loan Agreement—Guarantee" above; and
- except in certain circumstances, declaring dividend, making payment on subordinated financial debt, not incurring, assuming or permitting to exist additional indebtedness, not creating or permitting to exist any liens on their respective properties, selling assets or provide guarantee.

Events of Default

The 2006 IFC Loan Agreement contains events of default, such as failure to pay principal or interest, failure to pay other IFC loans, failure to perfect the security interest granted to IFC, failure to comply with obligations, misrepresentations, expropriation or nationalization, certain bankruptcy or analogous events, cross default and certain other events. Expropriation or nationalization, certain bankruptcy or analogous events and cross default occurring in relation to Agrokor are also deemed events of default

under the 2006 IFC Loan Agreement. The occurrence of an event of default could result in the acceleration of payment obligations under the 2006 IFC Loan Agreement.

Bilateral Facilities

Agrokor and certain of its subsidiaries are currently borrowers under various bilateral credit facility arrangements with local lenders (both bank and non-bank financial institutions, such as insurance companies) in Croatia, Serbia and Bosnia and Herzegovina. In the past we have relied to a significant degree on short term indebtedness to finance our operations and liquidity needs. Although the bilateral credit facilities have short maturities—usually less than a year—as is customary in Croatia, Serbia and Bosnia and Herzegovina, in the past we have routinely been able to extend our bilateral credit facilities. We believe that we continue to have strong banking relationships with our bilateral banks and expect to continue to utilize bilateral credit facilities to finance a portion of our operations and liquidity needs.

As of December 31, 2011, approximately HRK 3,257.5 million (€432.6 million) of indebtedness (including approximately HRK 17.0 million (€2.3 million) of finance leases) was outstanding under such bilateral credit facilities (each of which was fully drawn), of which approximately HRK 2,775.8 million (€368.6 million) is short-term borrowing, approximately HRK 481.6 million (€64.0 million) is long-term debt.

At December 31, 2011, we had 116 bilateral credit facilities outstanding.

Certain of our non-bank loans are denominated in U.S. dollars, HRK and RSD. In general, these agreements are governed by local law and do not contain representations, warranties or cross default provisions, although certain of them contain covenants that track the covenants in our Senior Facilities Agreement.

Senior Notes due 2016

Overview

On December 7, 2009, Agrokor issued €400,000,000 aggregate principal amount of 10% Senior Notes due 2016 (the "Notes") under an indenture dated December 7, 2009 (the "Indenture"), among Agrokor, BNY Mellon Corporate Trustee Services Limited, as trustee, The Bank of New York Mellon, as transfer agent and principal paying agent, The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg listing agent, paying agent, transfer agent and registrar and the guarantors named therein, as supplemented. On January 20, 2011, Agrokor issued an additional €150,000,000 aggregate principal amount of the Notes pursuant to the Indenture. As of December 31, 2011, there was €550,000,000 aggregate principal amount of the Notes issued and outstanding.

Ranking

The Notes are the general unsecured senior obligations of Agrokor and rank equally with Agrokor's existing and future senior indebtedness, rank senior to all the Agrokor's existing and future subordinated indebtedness and are effectively subordinated to all its existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. In addition, the Notes are effectively subordinated to all existing and future indebtedness and other liabilities of Agrokor's non-guarantor subsidiaries.

Interest Rates, Payment Dates and Maturity

The Notes bear interest at a rate of 10% per annum. Interest on the Notes is payable semi-annually in arrears on June 7 and December 7, beginning June 7, 2010. The Notes will mature on December 7, 2016.

Guarantees

The Notes are jointly and severally guaranteed (the "Note Guarantees") on a senior unsecured basis by certain guarantors (collectively, the "Note Guarantors").

The Note Guarantees are the unsecured senior obligations of each Note Guarantor and rank equally with such Note Guarantor's existing and future senior indebtedness (including its Note Guarantee under the Indenture), rank senior to all the Note Guarantor's existing and future subordinated

indebtedness and are effectively subordinated to all its existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

Optional Redemption and Change of Control

At any time prior to December 7, 2013, Agrokor may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the greater of (1) 1.0% of the principal amount of such note; or (2) the excess of (a) the present value at such redemption date of (i) the redemption price of such note at December 7, 2013 (such redemption price being 105.000%), plus (ii) all required interest payments that would otherwise be due to be paid on such note during the period between the redemption date and December 7, 2013 (excluding accrued but unpaid interest), computed using a discount rate equal to the applicable Bund rate plus 50 basis points; over (b) the principal amount of such note.

The Notes will be subject to redemption at any time on or after December 7, 2013, at the option of Agrokor, in whole or in part, at the following redemption prices (expressed as percentages of the aggregate principal amount), if redeemed during the 12-month period beginning on December 7 of the year indicated below:

Year	Redemption Price
2013	105.000%
2014	102.500%
2015 and thereafter	100.000%

Upon the occurrence of certain change of control events, each holder of Notes may require Agrokor to repurchase all or a portion of its Notes at a purchase price equal to 101% of the principal amount of the Notes, plus accrued interest to, but not including, the date of purchase.

If Agrokor sells assets under certain circumstances, Agrokor is required to make an offer to purchase the Notes at 100% of the principal amount of the Notes, plus accrued interest to, but not including, the date of purchase, with the excess proceeds from the sale of the assets.

In addition, in the event that Agrokor becomes obligated to pay additional amounts (as defined in the Indenture) to holders of the Notes as a result of changes affecting withholding taxes applicable to payments on the Notes, Agrokor may redeem the Notes in whole but not in part at any time at 100% of the principal amount of the Notes plus accrued interest to the redemption date.

Covenants

The Indenture contains covenants that, among other things, limit our ability and the ability of our subsidiaries to:

- incur or guarantee additional indebtedness or issue certain preferred stock;
- make restricted payments, including dividends or other distributions;
- create or incur certain liens;
- sell, lease or transfer certain assets;
- in the case of our restricted subsidiaries, enter into arrangements that restrict dividends or other payments to us;
- consolidate, merge or transfer all or substantially all our assets and the assets of our subsidiaries on a consolidated basis;
- in the case of our restricted subsidiaries, guarantee debt;
- engage in certain transactions with affiliates; and
- designate a restricted subsidiary as an unrestricted subsidiary.

These covenants are subject to important exceptions and qualifications. Currently, all Agrokor's subsidiaries are restricted subsidiaries, as defined in the Indenture.

Events of Default

The Indenture contains customary events of default, including, among others, the non-payment of principal or interest on the Notes, certain failures to perform or observe any other obligation under the Indenture, the failure to pay certain indebtedness or judgments, the failure, unenforceability or invalidity of any Note Guarantee and the bankruptcy or insolvency of Agrokor or any Significant Subsidiary (as defined in the Indenture). The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the Notes.