



MD SOLUTION

ZK Pelagonija Group

Agricultural Conglomerate in North Macedonia



Presentation to Perspective Investors

May 2020

Executive Summary

- ZK Pelagonija Group is the leading agro business and one of the largest conglomerate in North Macedonia
 - The Group consists of 7 related entities with parent company ZK Pelagonija jsc Bitola
 - The Group is vertically integrated system having a full control on the processes from the production of raw materials to the production of final products
 - The main income drivers of the Group are ZK Pelagonija, Dairy Zdravje, Pelagonija Energy
- Total agricultural land of the ZK Pelagonija Group amounts to 18,680 ha
- Main business activities are agriculture, production of dairy products and production of a biogas renewable energy
 - ZK Pelagonija is one of the largest agricultural companies in Southeast Europe, operating 17,296 ha of fertile land on a single location, of which 8,000 ha is covered by irrigation systems; in addition, the company is engaged in a production of animal feed and operates a cattle farm
 - Skopsko Pole used to be a large agricultural combine near capital city Skopje (~20 km) with total area of 1,384 ha of arable land; one part of the land is located immediately next to the international highway Corridor 10 linking Europe and the Middle East; suitable for real estate development
 - Dairy Zdravje is the leading producer of dairy products in North Macedonia with installed daily production capacities of up to 160 t
 - Pelagonija Energi is one of the largest biogas company in Southeast Europe, operating two biogas plants with total electricity output power of 6 MW with fixed feed-in tariff in the amount of 18 €/kWh, valid until 2030
- The Group has a significant brand awareness on the domestic market with high demand for its products

Part I	North Macedonia as Investment Destination	4
	ZK Pelagonija jsc	8
	Shareholder Structure of ZK Pelagonija jsc	14
	Business Activities of Pelagonija Group	17
	Agricultural Land and Crop Cultivating	20
	Animal Feed	29
	Livestock	34
	Dairy Zdravje Radovo	40
	Renewable Energy	50
	Consolidated Financials	55
	Proposed Transaction	59
	About MD Solution	61

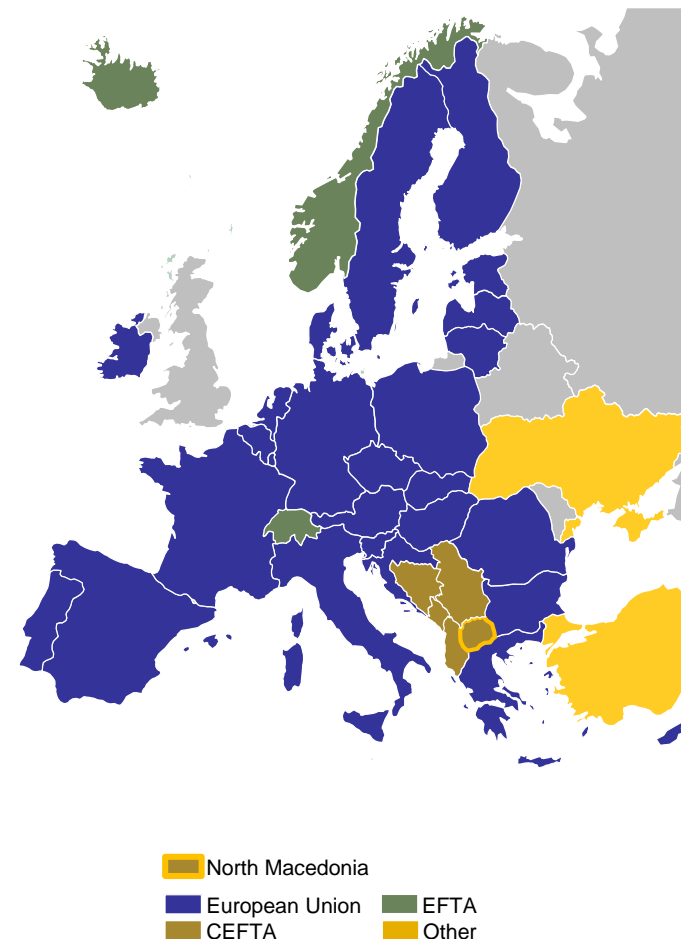
Focus on North Macedonia

Overview

- Area: 25,713 km²
- Population: 2,077,132
- Currency: Macedonian denar (MKD)
- GDP in 2019 (est.): 12.67 bn USD
- GDP growth in 2019 (est.): 3.2%
- Inflation in Q3 2019: 0.3%

- North Macedonia is located in the Southeast Europe, within the Balkan region
 - North Macedonia borders 4 countries – Serbia, Bulgaria, Greece and Albania
- Numerous Free Trade Agreements allows companies from North Macedonia the most favorable access to a 650 million people market
 - Beside European Union, CEFTA and EFTA, free trade reach extends to Turkey and Ukraine
- Member of the World Trade Organization since 2003
- The World Bank's Doing business reports 2019 ranked North Macedonia as 10th based on ease of doing business
- Skilled workforce is available, with low labor costs
 - Average gross monthly salary amounts to 580 EUR
- The most attractive tax package in Europe
 - Corporate income tax – 10%
 - Personal income tax – 10%
 - Value Added Tax – 18%
- Stable currency for the last 20 years

Location and Free Trade Agreement Reach



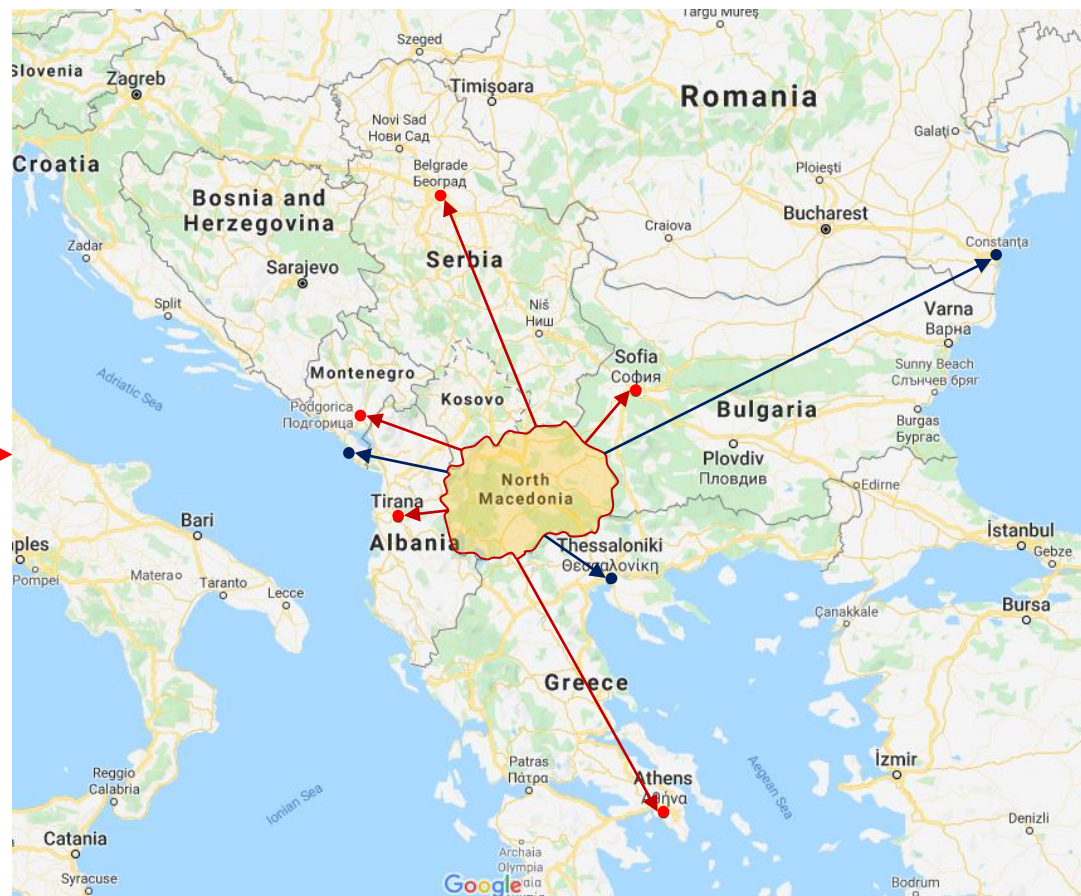
Macro Location

Overview

Geographical Position on the World map



- Developed road network through corridor 10
 - Connects North Macedonia with Serbia and Greece
- Railway links to:
 - Serbia
 - Greece
- Close proximity to Thessaloniki port in Greece



- Major container and sea ports
- Capital of the bordering countries

Pelagonija Area Potential

Agricultural Potential

- Area: 25,713 km²
- Water area: 276.4 km²
- Agricultural land: 276,777 ha
- Arable agricultural land: 117,770 ha
- Population: 232,367

- Pelagonija region is located in the southwest of North Macedonia
 - The region borders with Greece
- Pelagonija region is mostly agricultural area
 - Approx. 23% of the whole agricultural land of North Macedonia is located in Pelagonija
- Major part of the region occupies the Pelagonian basin
 - One part of the basin extends to the Greece region
 - Land of the Pelagonija basin consist mostly of humus and alluvial soil
- Pelagonija mountain area is located between Pelagonija and Prespan basin
- Favorable climate and major hydrological potential of the river Crna
- The main administrative center of the region is town Bitola

Map



Pelagonia Relief Map

	North Macedonia as Investment Destination	4
Part II	ZK Pelagonija jsc	8
	Shareholder Structure of ZK Pelagonija jsc	14
	Business Activities of Pelagonija Group	17
	Agricultural Land and Crop Cultivating	20
	Animal Feed	29
	Livestock	34
	Dairy Zdravje Radovo	40
	Renewable Energy	50
	Consolidated Financials	55
	Proposed Transaction	59
	About MD Solution	61

ZK Pelagonija jsc

Introduction

- ZK Pelagonija jsc Bitola is the leading agriculture company in North Macedonia, and the parent company of the Pelagonija Group
- The company is the largest food producer in the Republic of North Macedonia
- The main activity of the company is primarily agricultural production, farming, livestock production, fishing, gardening and fodder
- Today the holding company comprises 11 related companies, making it a vertically integrated agricultural system where each step in the whole production process is closely monitored



Location

Overview

- The Company is located in the southwest part of the North Macedonia, in Pelagonija region, town Bitola
- Good connection with the region by road
 - Distance from border with Greece approx. 15 km
 - Distance from border with Bulgaria approx. 246 km
 - Distance from border with Serbia approx. 186 km
 - Distance from border with Albania approx. 96 km
- Distance from the capital Skopje is approx. 170 km
- Bitola is connected with Thessaloniki through railway line
 - Distance is approx. 219 km

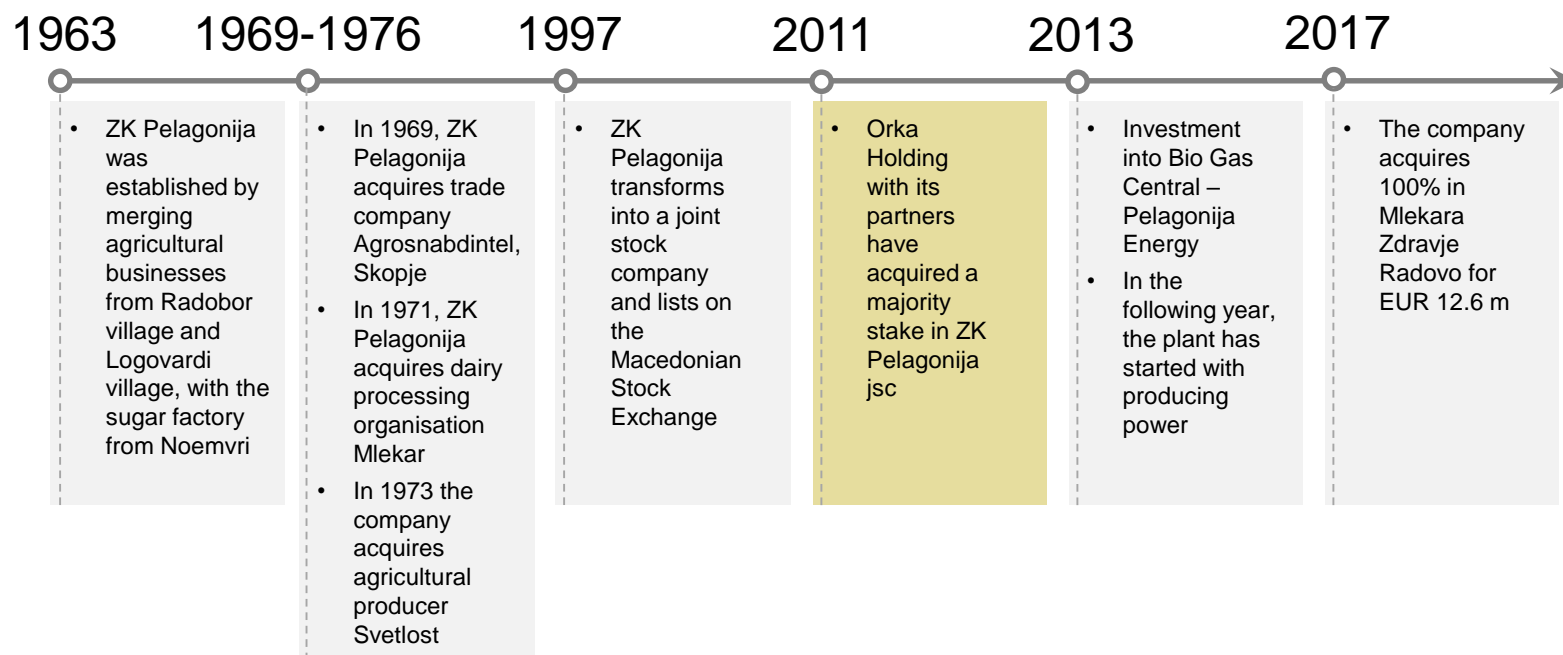
Macro Location - Map



History

History of ZK Pelagonija Since Establishment

- ZK Pelagonija AD Bitola originates from the former Agricultural Industrial Combine Pelagonija Bitola which was established in July 1963
- In 1997 ZK Pelagonija registered as joint stock company
- In 2011, Orka Holding with its partners have acquired a majority stake in ZK Pelagonija jsc
- During more than 57 years of history, the company has followed global trends in agriculture and farming, constantly investing in cultivated areas, livestock, mechanization and personnel



Employees of ZK Pelagonija jsc

Overview

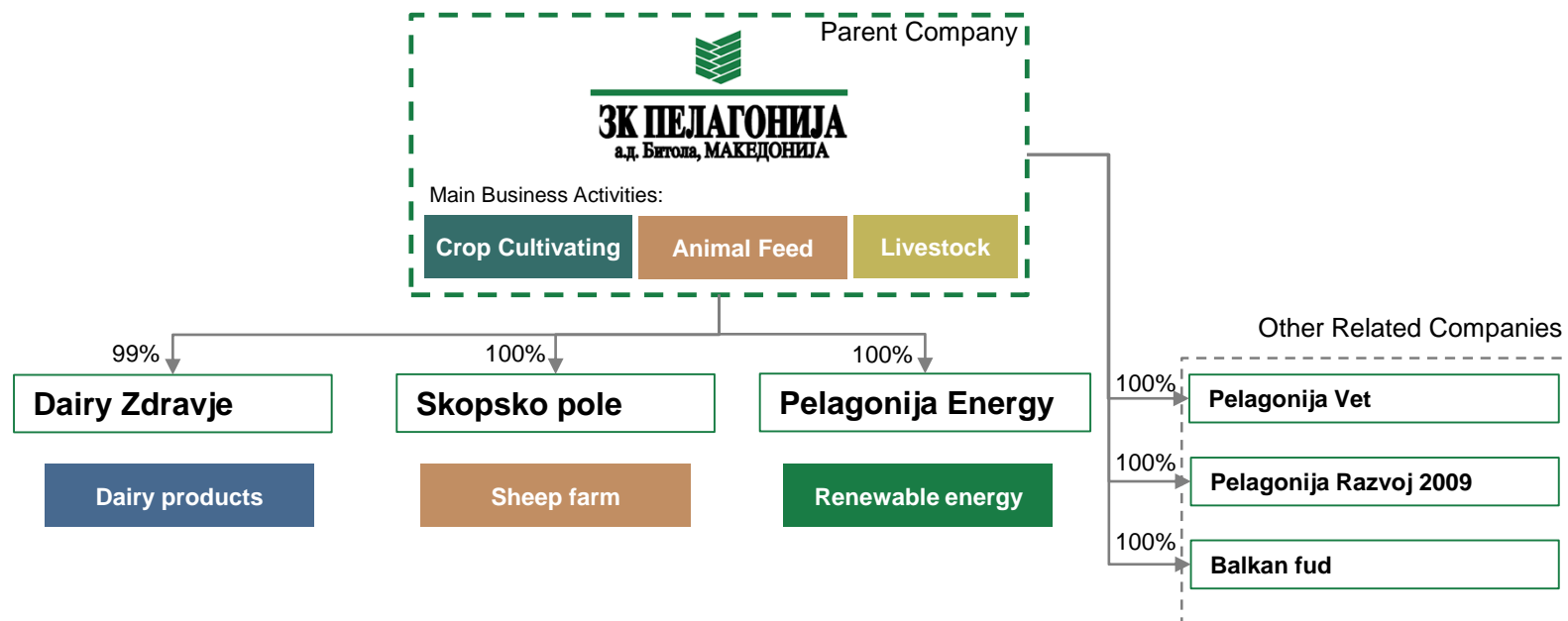
- The Company currently have total 445 employees

Organizational Unit	No of employees
Agriculture Center Organizational Unit	55
Agriculture North Organizational Unit	66
Agriculture South Organizational Unit	44
Cattle Farm Novaci	59
Cattle Farm Porodin	30
Fish Farm	7
Factory for Animal Food and Seed Processing Center	14
The Administrative and Professional Service for Common Affairs	170
General and Legal Affairs	12
Commercial Department	4
Department for Financial and Operation Sector	9
IT Department	2
Occupational Safety and Health	2
Property Law Department	1
Department for Planning and Analysis	4
Kitchen	2
Central Mechanical Workshop	65
Security Service	36
Department for Auxiliary Works	33
Total	445

It is expected that during the following 18 months the number of employees will be reduced by 150 due to the natural retirement

ZK Pelagonija Group

Parent Company, Related Companies and Main Business Activities





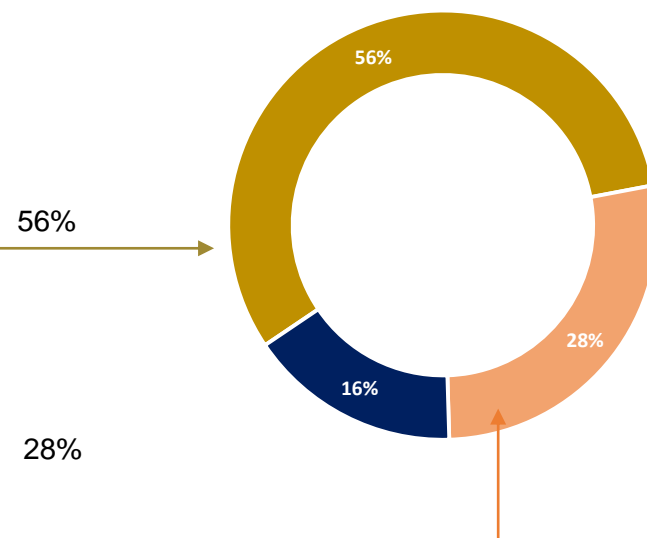
	North Macedonia as Investment Destination	4
	ZK Pelagonija Group	8
Part III	Shareholder Structure of ZK Pelagonija jsc	14
	Business Activities of Pelagonija Group	17
	Agricultural Land and Crop Cultivating	20
	Animal Feed	29
	Livestock	34
	Dairy Zdravje Radovo	40
	Renewable Energy	50
	Consolidated Financials	55
	Proposed Transaction	59
	About MD Solution	61

Shareholder Structure

Overview

- Orka Holding together with its partners holds approx. 56% of shares
- The second largest shareholders group is the one led by Mr. Cvetan Pandeleski with 28% of shares
 - Mr. Cvetan Pandeleski is the majority owner of Pelisterka, the famous mineral water and soft drinks producer
 - Involved also in real estate development

Shareholder	No. of Stocks	Share (%)
Sofija Gradba dooel	46,046	22.69%
Orka Holding ad Skopje	40,557	19.99%
Nenad Josifovik	15,002	7.39%
Londiva	3,667	1.81%
NLB Banka ad Skopje	3,370	1.66%
ZK Pelagonija own shares	2,273	1.12%
Stopanska Banka ad Skopje	1,935	0.95%
Gorgi Jovanov	1,697	0.84%
Cvetan Pandeleski	40,550	19.99%
Karači	5,922	2.92%
Hristina Funa	5,351	2.64%
Kiril Dudeski	4,000	1.97%
Others	32,521	16%
Total	202,891	100%



- Possibility to purchase up to 84% from Orka Holding and its partners, as well as from Mr. Pandeleski and its related persons
- There is also possibility to purchase additional shares from small shareholders (up to 16%)

Major Shareholder / Orka Holding

Overview

- Orka Holding is the leading investment company in Macedonia and the region, with a diversified portfolio of investments extending across different sectors
- Over years the group has establish a strong market position in several strategic sectors such as healthcare, agriculture, livestock breeding, food production, retailing and textile production, banking, construction and real estate, energy, tourism and hospitality
- Group with annual revenue of approx.120 m EUR and more than 2,500 employees

Selected Investment Industries beside Agriculture (ZK Pelagonija)

Healthcare

Majority shareholder of the largest hospital in Macedonia and the region –
Acibadem Sistina,
and the largest dialysis center which covers half of the dialysis market in the country –
Sistina Nefroplus

ACIBADEM
SISTINA



SISTINA
NEFROPLUS

Banking Sector

Shareholder of the medium Macedonian bank –
Stopanska Banka ad Bitola



СТОПАНСКА БАНКА
а.д. Битола

Hotels

Majority shareholder of the modern hotels in the center of the capitol Skopje –
Hotel Ibis
(part of the Accor Live Limitless hotel chain)



Asset Management

Shareholder of the company engaged in renting business and residential space, and current portfolio consist of 100 m EUR of assets –
KARA ad Skopje



	North Macedonia as Investment Destination	4
	ZK Pelagonija jsc	8
	Shareholder Structure of ZK Pelagonija jsc	14
Part IV	Business Activities of Pelagonija Group	17
	Agricultural Land and Crop Cultivating	20
	Animal Feed	29
	Livestock	34
	Dairy Zdravje Radovo	40
	Renewable Energy	50
	Consolidated Financials	55
	Proposed Transaction	59
	About MD Solution	61

Business Activities of the Pelagonija Group

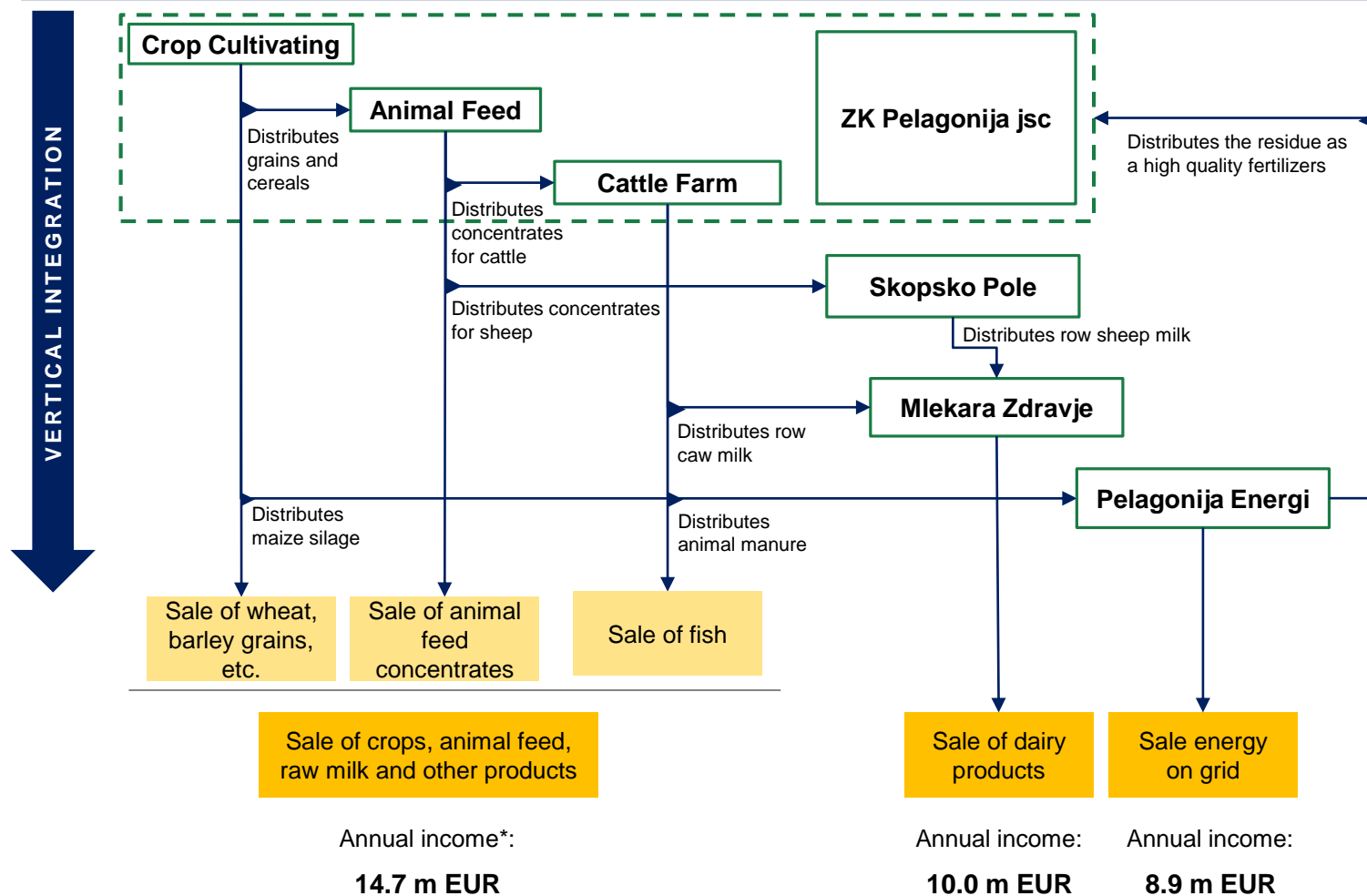
Pelagonija Group

Crop Cultivating	Animal Feed	Livestock			Dairy products	Renewable energy
ZK Pelagonija is engaged in operating of arable land for cultivation of grains, fodder, industrial and horticultural crops and perennial plants	ZK Pelagonija has a feed factory for production of concentrates primary intended for own needs, but also for external sale	<u>Cattle Farm</u> ZK Pelagonija currently operates 2 cattle farms	<u>Sheep Farm</u> Skopsko Pole has a sheep farm located in Petrovec	<u>Fishery</u> ZK Pelagonija has two fish pond and reproductive center	Dairy Zdravje is one of the leading producers of milk and dairy products in North Macedonia; Dairy is in the ownership (99%) of ZK Pelagonija jsc	Pelagonija Eregy operates bio gas plants with total capacity of 6 MW/h: <ul style="list-style-type: none"> Station Porodin Station Logovardi
Land area: 17,296 ha	Land area: 210,789 m² Buildings area: 7,470 m²	Land: 18.9 ha Facilities: 4.2 ha	Land: 12.1 ha	Fish pond: 234 ha	Land area: 32,373 m² Facility area: 3,547 m²	Land area: Porodin – 54,403 m² Logovardi – 32,558 m²
Planted area: 16,275 ha	Capacity: XXX	Capacity: 5,000 cows	Capacity: 7,000 sheeps	Capacity: 190 t	Capacity: 125 t/day	Capacity: <ul style="list-style-type: none"> Porodin – 3 MW Logovardi – 3 MW
Current production: wheat – 14,500 t , barley – 3,000 t , maize grain – 45,000 t	Current production: 7,776 t	Current: 3,099 cows Produced milk: (2019) 10,173 t	Current: 666 sheeps Produced milk: (2019) 92.6 t	Current: 50 t	Current production: 30 t/day	Current production: 49,200 MWh Fixed price: 0.18 EUR per KWh
	Silos 10,000t					
	Silos 4,400t					

Vertically Integrated System

System Process Flow

- Ability to control the quality of raw material
- Cost optimization



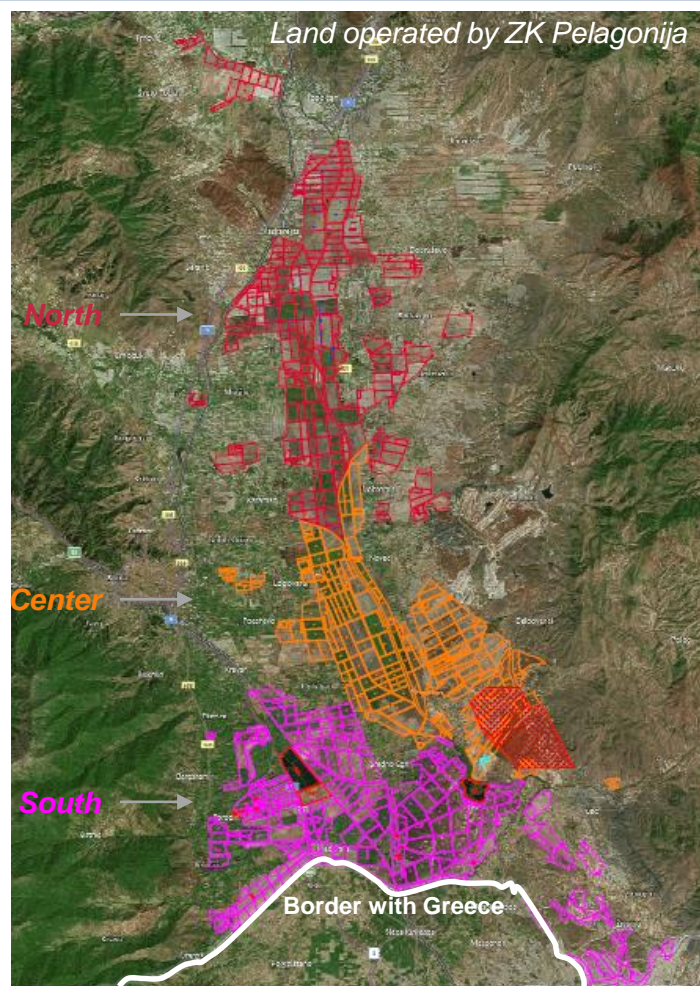
*Non-consolidated ZK Pelagija jsc's annual Income from sale achieved in 2019; including intercompany revenue



	North Macedonia as Investment Destination	4
	ZK Pelagonija jsc	8
	Shareholder Structure of ZK Pelagonija jsc	14
	Business Activities of Pelagonija Group	17
Part V	Agricultural Land and Crop Cultivating	20
	Animal Feed	29
	Livestock	34
	Dairy Zdravje Radovo	40
	Renewable Energy	50
	Consolidated Financials	55
	Proposed Transaction	59
	About MD Solution	61

Micro Location

Agricultural Land in Long-term Lease



Map of the North Macedonia



- Located in the municipality Bitola in Pelagonija region
 - Lies next to the border with Greece
- Total area of the land amounts to 17,296 ha
- The land is organized in three organizational units: North, Center and South

Crop Cultivating

Overview

- ZK Pelagonija jsc main activity is crop cultivating
- Arable land is located in Pelagonija region in a fertile agriculture area with favorable climate conditions for corps and various cultures
- The high quality crop production and high yields are enabled by modern machinery, high expertise of the employees and the favorable working climate



Overview of Mechanization

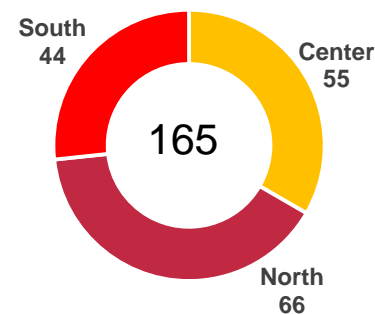
- The company is constantly investing in modern equipment

Mechanization	Total
Tractors	115
Combine harvester	62
Self propelled sprayer	4
Additions (cultivators, trailers, plug-ins)	358
Tifon Bauer Irrigation equipment	38
Linear irrigation machines	50
Transportation Vehicles	45

Arable Land Area

- Total area of the land amounts to 17,296 ha, of which 16,789 ha is in long term lease
- Organized in three organizational units:
 - North
 - Center
 - South

Employees / No. of employees



* Organizational Units

Agricultural Products

Products



Maize

With modern production technology, ZK Pelagonija deliver significant yield of the high quality maize.



Wheat

ZK Pelagonija produces numerous variety of high quality wheat with the help of various scientific institutions



Barley

High quality varieties are used in cultivation of barley which leads to high yield of barley, produced for the needs of ZK Pelagonija as well as for the external sale.



Lucerne

Lucerne culture as the leading production in ZK Pelagonija, mainly because this culture is used for healthy and well balanced animal food which will enable sustainable farming.



Sunflower

ZK Pelagonija has introduced high quality hybrids into the production and achieved significantly high yields of more than over 3.000 kg per hectare



Soya

Large investments are made for this culture: enlarging the arable area under soya and sowing several seed sorts, in order to make the proper seed choice, adequate for the agro-environmental conditions of this region



Grass mix

Weeds are great source for animal food. They protect the soil from erosion, and threatened with relevant care, the farm will benefit a lot from this culture



Oil seed rape

The excellent climatic conditions as well as the high level of technical-technological knowledge are the reason for the high yield of oilseed rape



Sorghum

Even though small area is occupied with this culture, it is enough for ZK Pelagonija to receive high quality feed and it is useful for production of concentrates



Cherries

The altitude of more than 600 meters is excellent place for the development of this culture, combining the proper technology ZK Pelagonija aim for better productivity and quality



Tomatoes

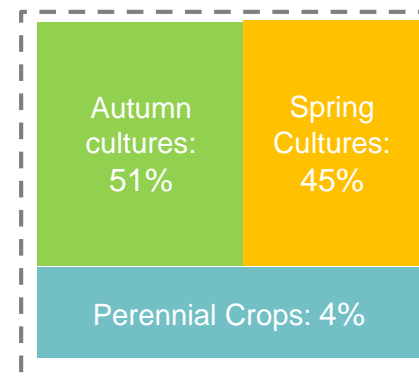
After years of stagnation, the tomatoes are again a lucrative crop. ZK Pelagonija invest a lot of resources in processing this crop from modern machinery and technology to cutting edge techniques and high quality seed material.

Production

Annual Yield per Hectare

Type	Yield (kg/ha)
Wheat grain	7,500-8,000
Mercantile wheat	5,000-5,500
Barley	4,500-5,000
Soybean	2,000-2,300
Oil beet	2,000-2,300
Lucerne	10,000

Planted Area year 2016/2017



Forecasted Annual Yield for a 5 years period

	2019/2020			2020/2021			2021/2022			2022/2023			2023/2024		
	Area (ha)	Yield (kg/ha)	Total yield (t)	Area (ha)	Yield (kg/ha)	Total yield (t)	Area (ha)	Yield (kg/ha)	Total yield (t)	Area (ha)	Yield (kg/ha)	Total yield (t)	Area (ha)	Yield (kg/ha)	Total yield (t)
<i>Mercantile wheat</i>	4,585	4,500	20,633	5,800	4,500	26,100	5,650	4,500	25,425	5,900	4,500	26,550	5,630	4,500	25,335
<i>Wheat grain</i>	572	4,500	2,572	0	0	0	0	0	0	0	0	0	0	0	0
<i>Mercantile barley</i>	1,267	4,000	5,068	1,660	4,000	6,640	1,720	4,000	6,880	1,600	4,000	6,400	1,650	4,000	6,600
<i>Barley grain</i>	93	4,000	373	0	0	0	0	0	0	0	0	0	0	0	0
<i>Corn silage</i>	3,897	35,000	136,395	3,850	35,000	134,750	3,870	35,000	135,450	3,760	35,000	131,600	3,900	35,000	136,500
<i>Corn grain</i>	2,604	6,500	16,928	2,730	6,500	17,745	2,800	6,500	18,200	2,650	6,500	17,225	2,940	6,500	19,110
<i>Common sunflower</i>	2,082	2,000	4,165	2,100	2,000	4,200	2,070	2,000	4,140	2,250	2,000	4,500	2,050	2,000	4,100

Irrigation Systems

Overview

- Approx. 46.3% of the arable land is covered with modern irrigation infrastructure
 - Total 8,000 ha of the land is covered irrigation infrastructure
- The entire system is being dug up with pipelines where the water pressure is above 5 bar
- Part of area is irrigated through arterial wells that have the capacity to supply water to any irrigation machine
- Linear irrigation machines covers 2,080 ha
- Irrigation with Bauer typhoons covers 2,000 ha



Irrigation Map of ZK Pelagonija

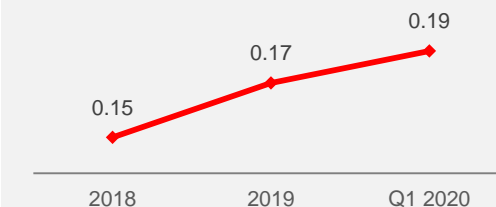


Land in Long Term Lease and Possibility for Conversion to Ownership

- Total area of the land in long term lease amounts to 16,789 ha
- In 1998 ZK Pelagonija has concluded long term lease of agricultural land on a 30 years period →
- Rent amount is equivalent to the price of wheat in the following proportion: →
 - Annual rent for 1 ha of plains area is equivalent to 300 kg of wheat price
 - Annual rent for 1 ha of mountain area is equivalent to 100 kg of wheat price
- Possibility to gain ownership of the land at the price 2,000-2,500 EUR/ha (subject of negotiation with the Government) which can be preformed before the closing of potential transaction

Possibility to extend the lease period

Wheat Average Price per kg in EUR:



Skopsko Pole Additional Agriculture Capacity / Suitable for Real Estate Development

Overview

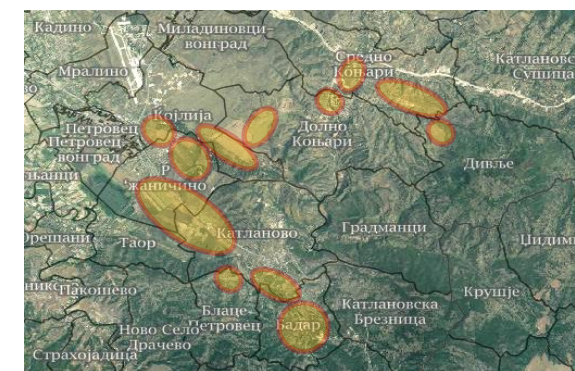
- Additional agricultural capacities are located in Skopsko pole
 - Located next to the river Vardar
- Skopsko pole used to be the largest agricultural combine near capital Skopje in municipality Petrovec
- Combine owns arable land, vineyards and sheep farm
 - Total area of the arable land: 1,384 ha
 - Total area of the vineyards: 78 ha
 - Total number of sheep farms: 12
- Possibility to developed approx 250 ha of fruit growing or viticulture on the parcelc located on higer altitude
- The lower plots have the possibility of irrigation through a pumping station
 - Location preferable for gardening of pepper and tomato
- Additionally, possibility to develop up to 60 ha of bony fruits or hazelnuts
 - Location with the higher altitude



Macro Location - Map



Location of Arable Land (not to scale)



- State owned land in long term lease

Real Estate Development Possibilities

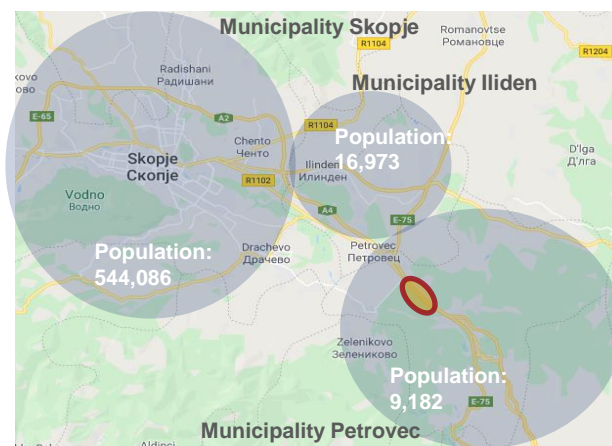
Skopsko pole

- Option for conversion of agricultural to construction land
 - Strategic position for establishing a processing facilities, warehouses or distribution centers
 - Having in mind that the location is on the main road and the proximity to the capital city of Skopje, the Airport and the railway, the location has good connectons for distribution of products throught entire Macedonia
 - Favorable for the development of processing facilities for horticultural or orchard production which can be situated on other parcels of the Skopsko Pole
 - Possibility for development of residential housing

Map of the Strategic Location



Catchment Area / Population per Municipality*



Railway Infrastructure





	North Macedonia as Investment Destination	4
	ZK Pelagonija jsc	8
	Shareholder Structure of ZK Pelagonija jsc	14
	Business Activities of Pelagonija Group	17
	Agricultural Land and Crop Cultivating	20
Part VI	Animal Feed	29
	Livestock	34
	Dairy Zdravje Radovo	40
	Renewable Energy	50
	Consolidated Financials	55
	Proposed Transaction	59
	About MD Solution	61

Animal Feed Production Complex

Production of Animal Feed

- ZK Pelagonija owns a manufacturing facility for production of animal feed as well as the seed treatment center located in municipality Mogila, close to Bitola
- ZK Pelagonija produced animal feed concentrates largely for own purposes, but also a part of the produced concentrates is for sale
- Under the guidance of highly qualified technologists and cutting-edge production line, concentrates are produced for all categories of cattle
- Products are largely made from own agricultural products following prescribed recipes that meet all the standards of concentrate production
- In 2019 total produced concentrates amount to 7,776 t

Facilities

- Production facility with Center for seed treatment and Laboratory
- Large Concrete Silos – 10,000 t capacity
- Small Concrete Silos – 4,400 t capacity

Employees / No. of employees

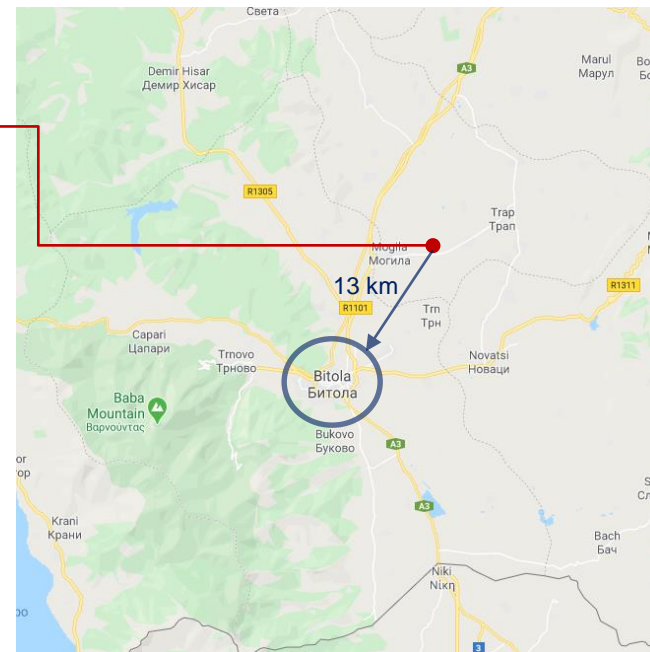
- Total number of employees operating in this organizational unit amounts to 14



Micro Location

Cadastral Parcel

Map of Bitola and Mogila Municipality



- Total area of cadastral parcel amounts to 210,789 m²
- Total area of the facilities amounts to 7,470 m²
- Land is in the state ownership, while facilities are fully owned by ZK Pelagonija

- Located near the magistral road
- In close proximity to the town Bitola approx. 13 km

Facilities

Production Complex

The production complex consists of the following facilities:

- **Large Concrete Silos – 10,000 t capacity**
 - The silos has a cereal drier with capacity 26 t/h on extra wood fuel, and a drier on methane with the capacity of 60 t/h
 - Used for storing grain materials (wheat, wheat, barley, etc.)
- **Small Concrete Silos – 4,400 t capacity**
 - Used for storage of grains and flours
- **Production Facility**
 - Consist of the new and the old part directly connected with the large and small concrete silos
 - Owns a Center for seeds treatment
 - Also owns a Laboratory for control of the raw material as well as for the final product in order to obtain high quality goods; Additionally the moisture control and the control of the quality of cereal are conducted prior to the harvest

Products

Concentrates for Cattle

Type	Description
KMK 18-High	concentrates for dairy cows
KMK 18-Low	concentrates for dairy cows
KGJ 15-12	concentrates for fertile heifers
KGJ 15-9	concentrates for the heifers
KMK 13-8	concentrates for cows during the drying period
ST 2-6	calf starter
ST 2 - Disposed	starter for rejected calves

Concentrates for Sheep

Type	Description
KSO 1	conc. for sheep in growth
KSO 2	conc. for sheep during the drying period
KSO 3	conc. for milking sheep
SJ 2	starter for lambs
KSJ 2	conc. for lambs

Concentrates for Fish

Type	Description
KSR 1	conc. for small fish
KSR 2	conc. for carp fish

Annual Production (in kg):

Year	Cattle breeding	Sheep breeding	Fish	Total
2014	6,406,000	205,200	23,500	6,634,700
2015	7,713,000	285,500	13,000	8,011,500
2016	8,421,462	292,243	16,054	8,729,759
2017	8,547,625	220,160	18,000	8,785,785
2018	8,009,731	177,000	10,000	8,196,731
2019	7,592,363	174,000	10,000	7,776,363



	North Macedonia as Investment Destination	4
	ZK Pelagonija jsc	8
	Shareholder Structure of ZK Pelagonija jsc	14
	Business Activities of Pelagonija Group	17
	Agricultural Land and Crop Cultivating	20
	Animal Feed	29
Part VII	Livestock	34
	Dairy Zdravje Radovo	40
	Renewable Energy	50
	Consolidated Financials	55
	Proposed Transaction	59
	About MD Solution	61

Livestock

Introduction

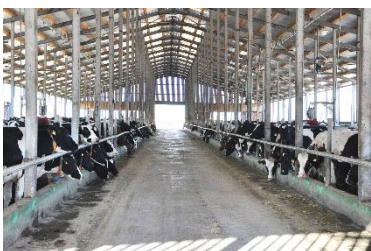
- ZK Pelagonija owns a cattle farm and fishery, while sheep farm was operated by company Skopsko pole
- Cattle farms are strategically positioned near the biogas plants in Porodin and Logovardi and animal feed factory in Mogila
- Farms owns necessary mechanization and are fully equipped in accordance to the European standards
- Raw cow and sheep milk obtained from farms is being distributed to the dairy Zdravje Radovo
 - Milk is produced according to European standards with special attention to hygiene and high quality nutrition combination
- Annual production of cow milk in 2019 amounts to 12,745 t
- Annual production of sheep milk amounts to 92.6 t
- Annual production of consumer fish in 2019 amounts to 50,111 kg

Capacities

- Cattle Farms – 5,000 cattle
- Sheep Farm – 7,000 sheep
- Fishery installed capacity – 190,000 kg of consumer fish:
 - Fish pond Zabeni – 140,000 kg
 - Fish pond Bukri – 50,000 kg

Employess / No. of employees

- Cattle Farms :
 - Farm Novaci – 50
 - Farm Porodin – 30
- Sheep Farm – 6
- Fishery – 7

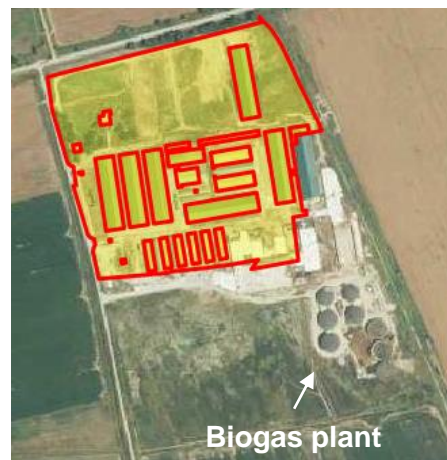


Micro Location of the Cattle Breeding Facilities

Overview

Farm Logovardi

- KP 42/1 KO Logovardi
- Land area: 139,801 m²
- Building area: 34,626 m²
- Land is in the state ownership

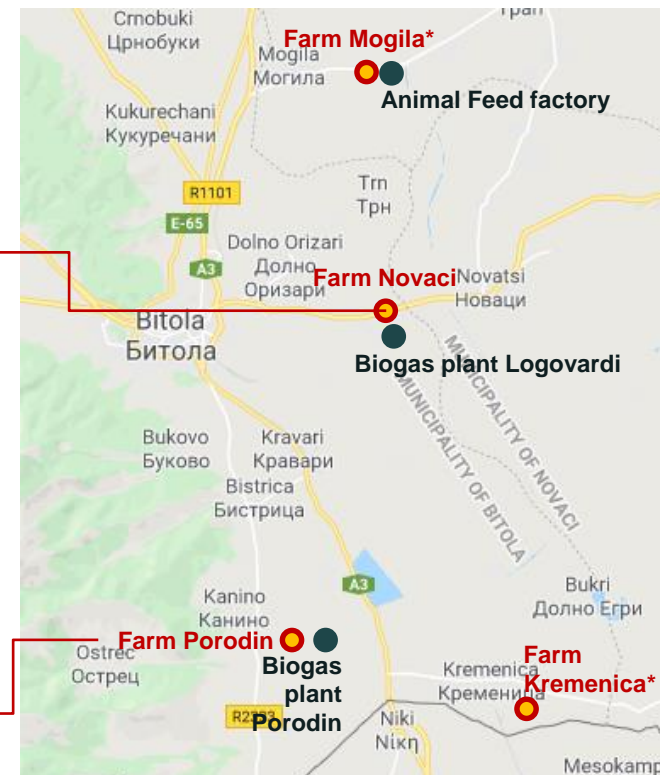


Farm Porodin

- KP 633/1 KO Porodin
- Land Area: 48,810 m²
- Building area: 7,239 m²
- ZK Pelagonija owns majority of the land (253/278)



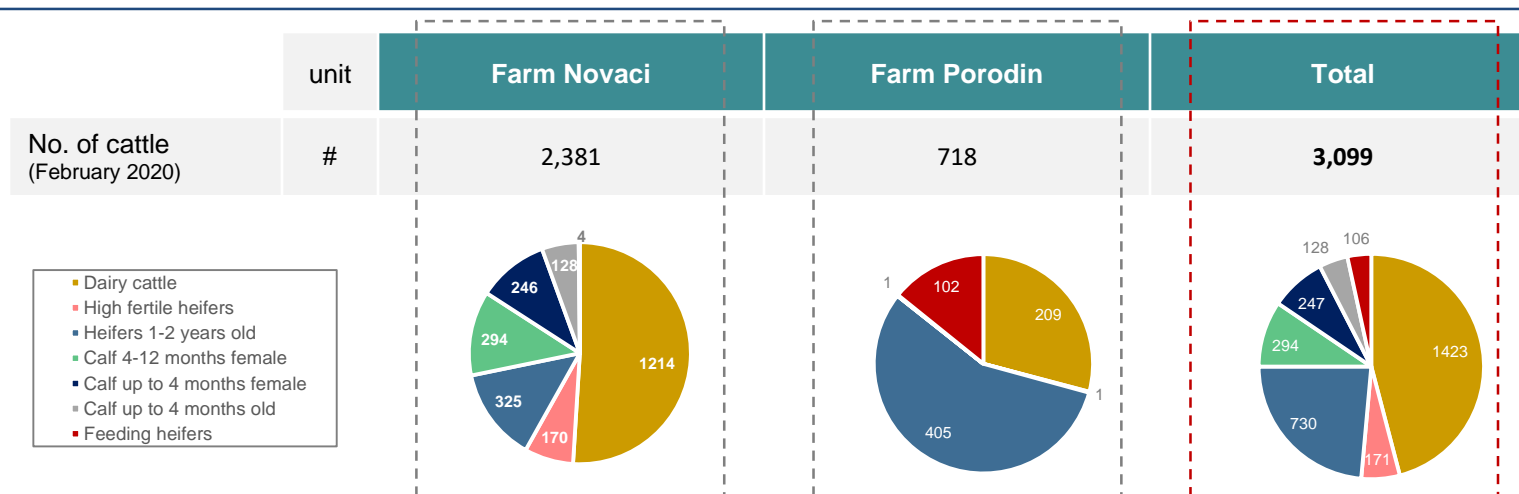
Map



Production and Capacities

Cattle Farm Capacities / Cattle Structure

- Type: Holstein Friesian dairy cattle



Cattle Farm Produced Milk

	unit	Farm Novaci	Farm Porodin	Total
2019	litters	7,660,451	2,512,296	10,172,747
2018	litters	9,814,696	2,930,806	12,745,534

Sheep Breeding

Skopsko Pole

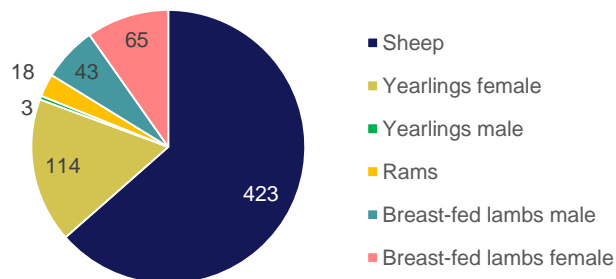
- Skopsko pole owns two farms with total installed capacity for 7,000 sheep
 - Farm Razanichno and Farm Konjare
- Current number of sheep amounts to 666
- Annual production of sheep milk in 2019 amounted to 92,614 liters
 - Milk is further distributed to the Dairy Zdravje
- Monthly produced amount of milk:
 - January 2020: 3,297 liters
 - February 2020: 3,487 liters



Macro Location - Map



Sheep type structure on March 2020



Farm Skopsko Pole

- KP 675/1 KO Ržanično
- Land area: 121,209 m²
- Land is in the state ownership

Fishery

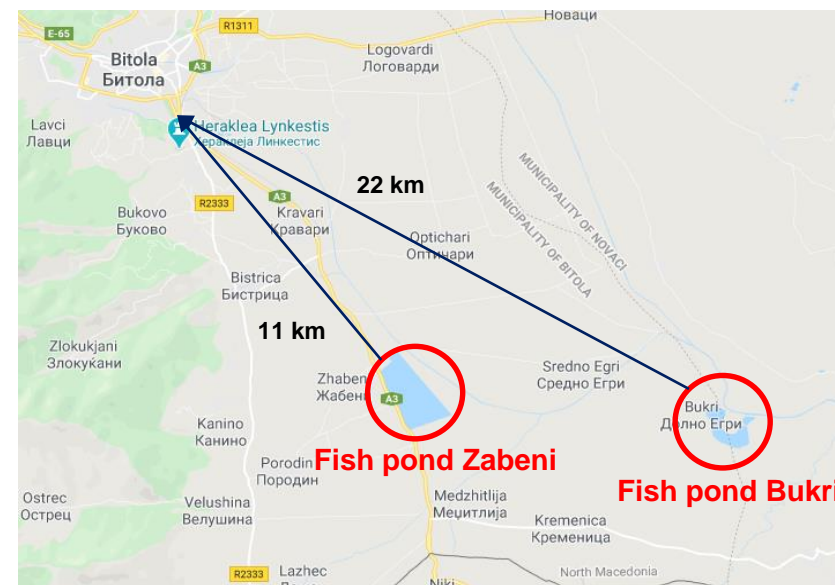
Overview

- ZK Pelagonija operates two fish pond located in Bitola municipality
 - Ponds are in close proximity to the town Bitola
- Total area of ponds amounts to 234 ha
 - Fish pond Zabeni: 172 ha
 - Fish pond Bukri: 62 ha
- The company has its own reproductive center for the production of juvenile fish – carp
- Additionally, fishponds are stocked with imported offspring of carp, amur, white carp and catfish
 - Offspring are procured from renowned breeding farms from Bulgaria and Serbia

Installed Capacity

Fishpond	Quantity (kg)
Zabeni	140,000
Bukri	50,000
Total	190,000

Micro Location - Map



Produced fish

Type	Quantity (kg)
Carp	44,362
Silver carp	4,903
Catfish	846
Total	50,111



North Macedonia as Investment Destination	4
ZK Pelagonija jsc	8
Shareholder Structure of ZK Pelagonija jsc	14
Business Activities of Pelagonija Group	17
Agricultural Land and Crop Cultivating	20
Animal Feed	29
Livestock	34
Part VIII Dairy Zdravje Radovo	40
Renewable Energy	50
Consolidated Financials	55
Proposed Transaction	59
About MD Solution	61



Dairy Zdravje Radovo

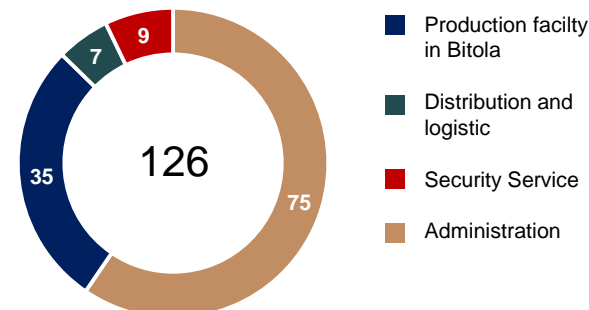
Introduction

- Dairy Zdravje is one of the leading producers of the milk and dairy products in North Macedonia
- Dairy Zdravje operates within the ZK Pelagonija system, where the main supplier of the raw material is the cattle farm in ZK Pelagonija jsc
 - ZK Pelagonija has 99% of the share in the capital and Pelagonija Energy owns 1% share
- The company operates in a newly built facility in Bitola, organized in accordance with the highest standards
 - The factory was built in a 2016 and became the main operational facility for production of dairy products
- Dairy capacity:
 - production capacity up to 160 t daily
 - to receive raw milk 125 t with possibility of extension
 - to store pasteurized milk 180 t
- The production portfolio comprised of over 25 dairy and cultured dairy products
- Company has implemented the following standards: ISO 9001, ISO 22000, FSSC, Halal and has a license to export in EU and Russia

History

- The company commenced its operations in the village Radovo in early 2002
- In 2004 the production was expanded with a new manufacturing facility in Kumanovo
 - Former ZIK Kumanovo has a tradition of fifty years of existence and manufacturing process
- Since 2016, production has been transferred on the single site in newly built factory in Bitola

Employess / No. of employees



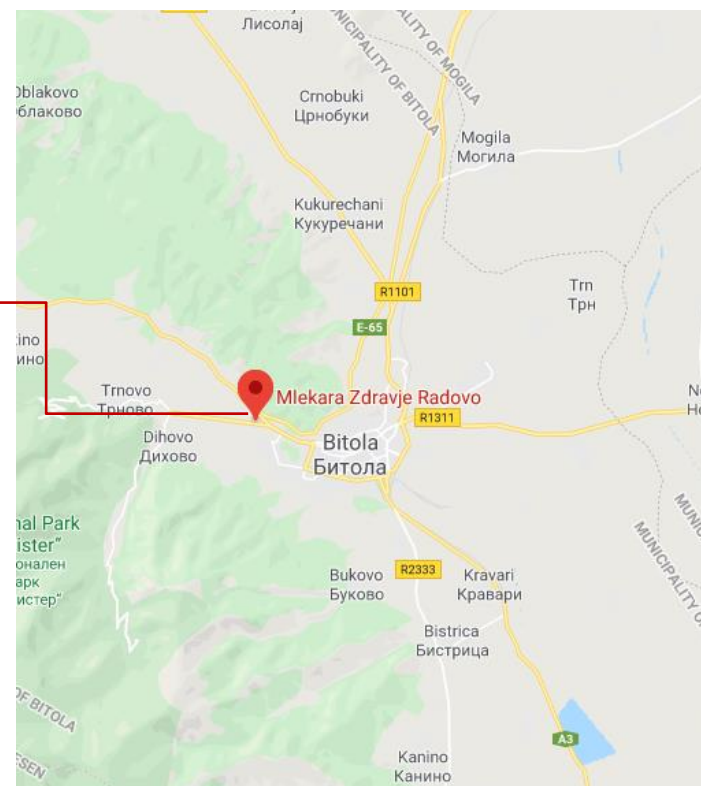
Micro Location

Cadastral Parcel



- Total area of the land amounts to 32,373 m²
- Total area of the production facility amounts to 5,917 m²
 - Build and equipped in period 2015-2019
- The land is state owned, while facilities are in the ownership of Mlekara Zdravje Radovo

Bitola Municipality



- Located on the magistral road
- Good connection with the entire municipality of Bitola

Pictures

Exterior



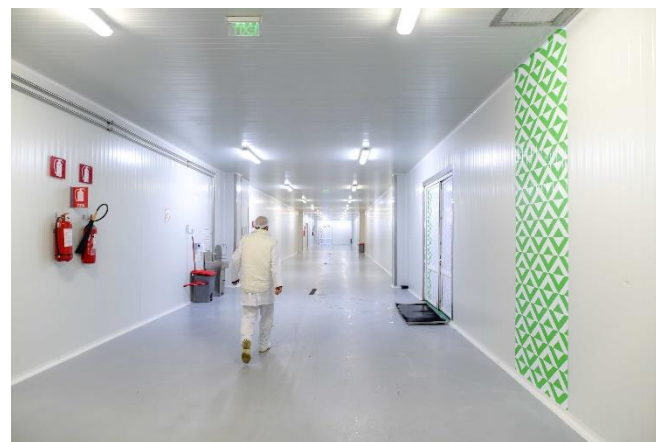
Pictures

Interior



Pictures

Interior





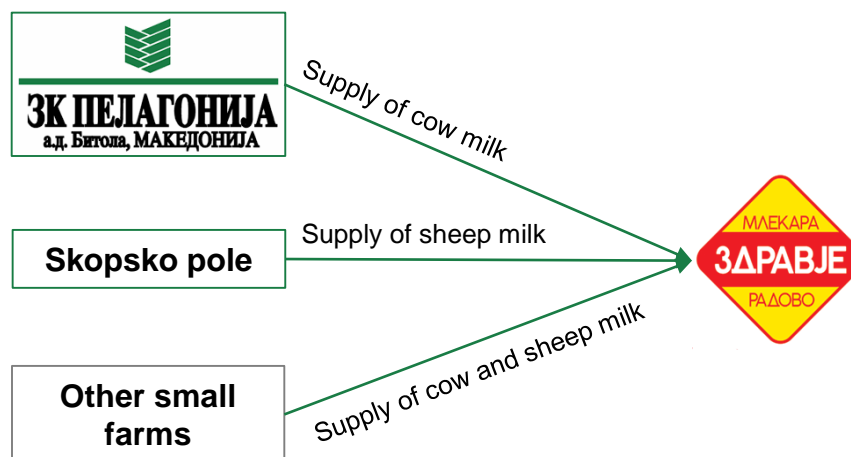
Production of Dairy Products

Introduction

- The main supplier of the fresh milk is a cattle farm in ZK Pelagonija jsc – approx. 90% of all milk
 - The company by supplying from its owners, has secure continuous flow of the raw material of proven quality
- The Company current daily process approx. 30 t of milk
 - Average capacity utilization is approx. 20%
- The core product is a mixed white cheese made out of a combination of cow and sheep milk
 - The company is the leading producer of the mixed white cheese on the domestic market with the market share of 48%



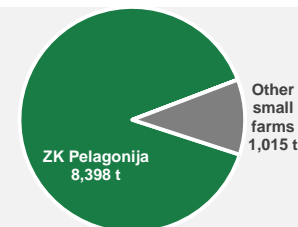
Supply of Fresh Milk



Cow milk supply:

YTD 30.09.2019

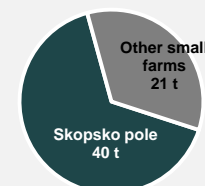
Total 9,413 t



Sheep milk supply:

YTD 30.09.2019

Total 61 t





- The Company product portfolio consists of 5 product categories and over 60 product variations
- Core business is cheese with over 65% of all sales
- The Company is a leading player on the domestic market

Production Portfolio

Products / Brands

Yellow Cheese:

- Cow
- Mixed
- Sheep



Market Position:

1

on the domestic market

Market Share*: Mixed cheese 52%

White Chees:

- Cow
- Mixed
- Sheep
- Curd



1

on the domestic market

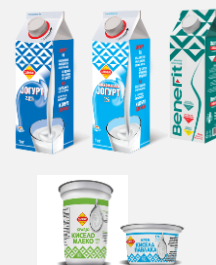
Mixed cheese 48%

Cow cheese 22%

Curd 36%

Fermented products:

- Yoghurt
- Sour milk
- Sour cream



3

on the domestic market

UHT:

- UHT milk



-

Vegetable Fat Cheese:

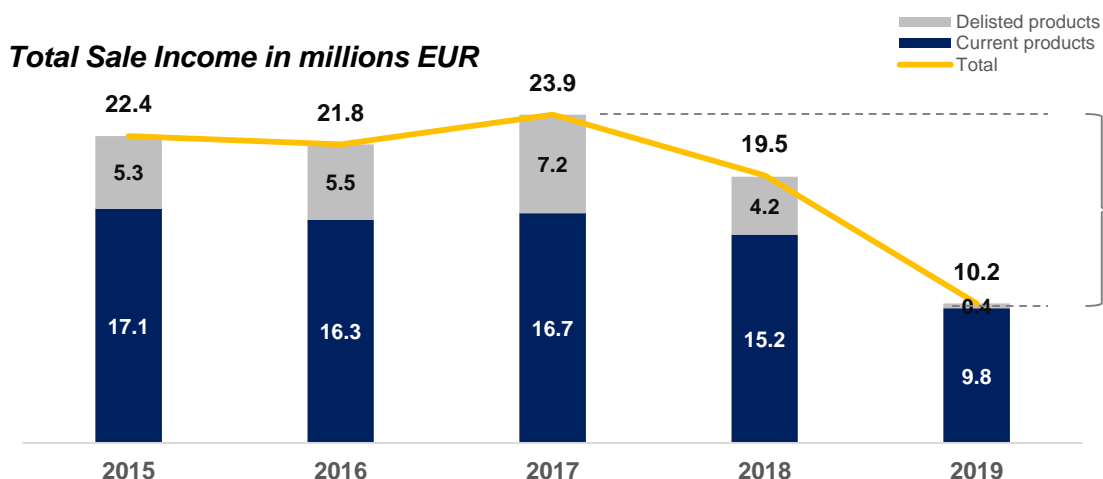


1

on the domestic market

Sale of Products

Historical Sale in the period of 2015-2019



- Drop in income driven by a lack of working capital and negative cash flow due to long term investments being financed by short term funds
- With small intervention in working capital, sales figures can be easily restored to the level close to 2017/2018

Category	Quantity in 000 kg/l					Value in 000 eur				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Total	4,040	11,543	17,234	14,487	13,588	10,175	19,492	23,935	21,765	22,376
Fresh milk (paster)		102	243	196	137		65	154	124	87
Sour milk program	1,453	3,079	3,906	4,281	4,369	1,240	2,502	3,060	3,435	3,470
UHT milk	151	2,951	4,769	3,896	3,615	98	1,868	2,858	2,498	2,437
Yellow cheese (kashkava)	540	791	952	846	853	3,028	4,300	4,945	4,233	4,204
Vegetable fat products	110	466	578	655	756	149	751	933	1,082	1,276
White cheese	1,182	1,892	1,876	1,795	2,049	4,631	7,108	6,835	6,727	7,653
P&L	62	1,211	3,340	1,506	528	91	924	2,112	1,145	713
Curd	527	723	1,144	1,137	1,065	916	1,283	1,908	1,866	1,750
Export products	14	196	272			22	305	428		
Melted cheese (speads)	1	25	48	60	59	4	97	185	244	252
Butter		1	3				2	5		
Desert (Sutlijash)		19	37	36	56		31	63	62	96
Dairy program		0	0				68	108		
Edam (improved)		21	66	79	101		103	337	349	438

Delisted products

Current Developments

Overview

- Shareholders and some of related companies have entered into period of low liquidity and reduced support from banks, while the investment into new capacity in Bitola was finalizing
 - In last 2 years around 3.6 mil EUR was invested in Bitola factory
- Unfortunately, due to non matching financing structure (long term investments with short term funds) which was not adjusted as planned, the company entered into negative cash flow cycle
 - Total loans on 30th of September 2019 amounted to 4.65 mil EUR, 3-6 years maturity, interest rate 4-5.5%
- Although the production significantly descent there is still excellent strong brand awareness, stable and increasing domestic demand for Dairy Zdravje products
- The company has a license to export in EU and Russia
 - The company is currently exporting parmesan to Russia
- With small intervention in working capital, sales figures can be very easily restored to the level close to 2017/2018 figures (on domestic market and export)



	North Macedonia as Investment Destination	4
	ZK Pelagonija jsc	8
	Shareholder Structure of ZK Pelagonija jsc	14
	Business Activities of Pelagonija Group	17
	Agricultural Land and Crop Cultivating	20
	Animal Feed	29
	Livestock	34
	Dairy Zdravje Radovo	40
Part IX	Renewable Energy	50
	Consolidated Financials	55
	Proposed Transaction	59
	About MD Solution	61

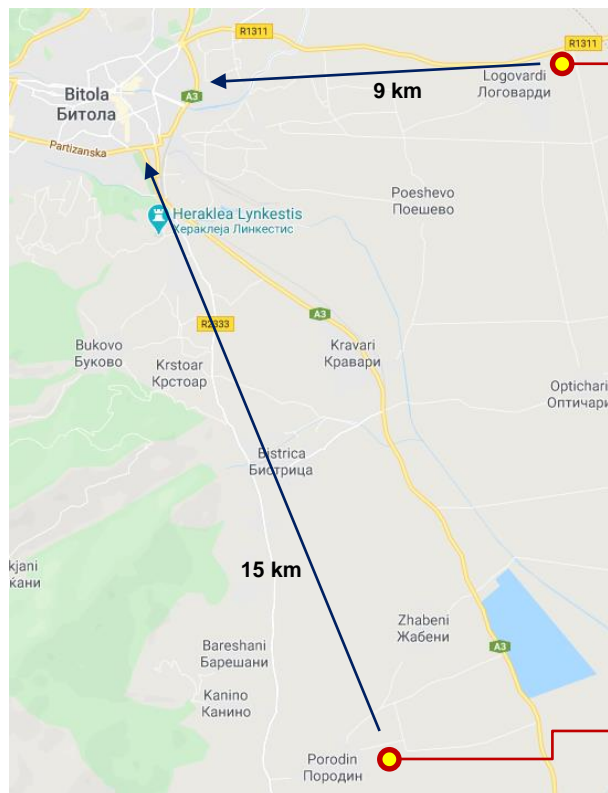
Biogas Plant and Cattle Farm

Picture



Micro Location

Cadastral Parcels



Plant Logovardi

- Biogas plant located in cadastral municipality Logovardi, village Novaci
- Total area of the land: 54,403 m²
- Total area of the facilities: 44,140 m²
- The land and the facilities are in the ownership of Pelagonija Energi d.o.e.l. Bitola



Plant Porodin

- Biogas plant located in cadastral municipality Porodin
- Total area of the land: 32,558 m²
- Total area of the facilities: 44,575 m²
- The land and the facilities are in the ownership of Pelagonija Energi d.o.e.l. Bitola

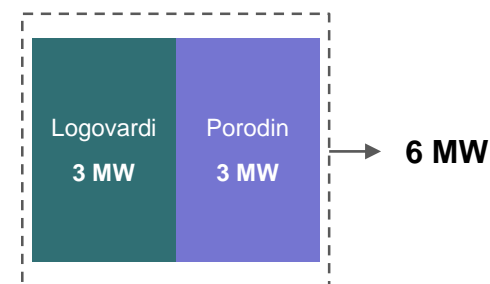
Pelagonija Energy

Overview

- Pelagonija Energy is a large producer of renewable energy operating in a two biogas plants with the capacity of 6 MWh
 - The first biogas plants has opened in 2014
- Pelagonija Energy is a 100% subsidiary of ZK Pelagonija jsc
- Both biogas plants has the license for production of energy from renewable sources up to year 2030
 - The company has 10 more years of collecting income as a privileged producer
 - Possibility for extension of feed in tariff period
- The company uses as a fuel, silage maize and animal manure distributed from ZK Pelagonija
- The electricity is sold to grid operator at fixed price of 0.18 EUR per KW/h
 - In 2018 produced more than 46 GWh of renewable energy
- Total income for distribution of energy to the grid operating with maximum operational capacity could amount to 8.9 m EUR
- Possibility to use released and unused heat from the existing 6 MW biogas plant
 - Investments plan for establishing a greenhouse



Capacities



- With maximum of 8,200h, total production amounts to 49,200 MWh

Employess / No. of employees

- Total number of employees: 7

Title	No. of employees
General Manager	1
Warehouse clerk	1
Operators of the biogas plant	5
Total	7

Production Process

Relationship with the ZK Pelagonija jsc

Input

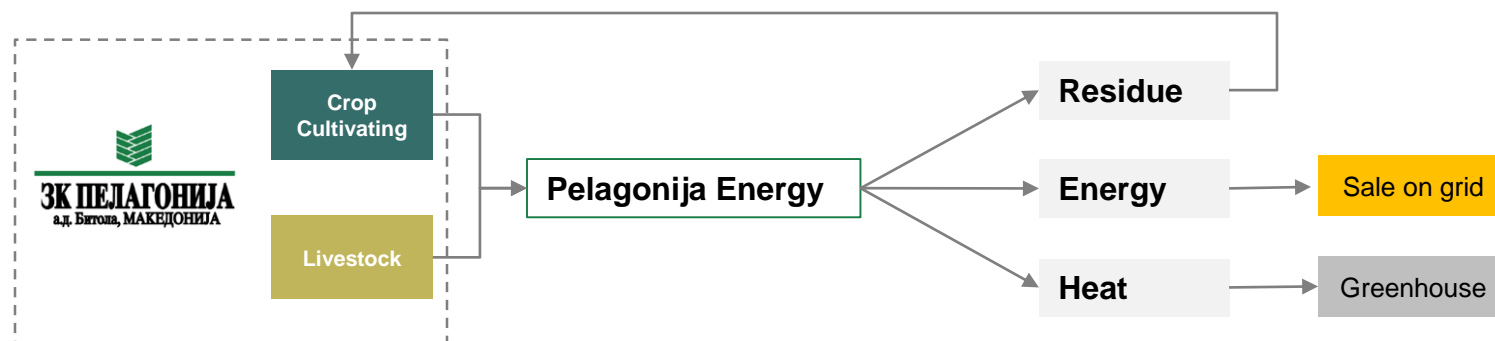
- Biogas plants are using silage from crop cultivation and animal manure from cattle farm supplied by ZK Pelagonija
- Animal manure: 1m³ of animal manure is producing 4kW/h of energy
- Silage: with 1t of silage is producing 15-20kW/h of energy

Production

- For achieving 3,000 kW both plants are using 250 m³ of animal manure and 130 t of silage
- Fermentation is conducted in two primal digester with a volume of 3,184 m³, secondary digesters with a volume of 4,239 m³, and a tertiary digester with a volume of 5,652 m³
- Both plants are using engine Ge Jenbacher J 320 GS

Output

- Produced energy is distributed on grid at the price 180 MW/h
- The biogas plants are fully equipped to produce biofertilizer which is later distributed to the ZK Pelagonija
- In addition, unused produced energy could be used to heat the greenhouse of area up to 6 ha





North Macedonia as Investment Destination	4
ZK Pelagonija jsc	8
Shareholder Structure of ZK Pelagonija jsc	14
Business Activities of Pelagonija Group	17
Agricultural Land and Crop Cultivating	20
Animal Feed	29
Livestock	34
Dairy Zdravje Radovo	40
Renewable Energy	50
Part X Consolidated Financials	55
Proposed Transaction	59
About MD Solution	61

Income Statement

Consolidated Income Statement for Period 2013 – 2019 and Forecast for 2020

in '000 EUR	2013	2014	2015	2016	2017	2018	2019	2020f
Sales	17,602	18,625	17,677	20,514	45,790	36,402	27,266	32,875
Other Business Revenues	1,724	2,065	5,309	4,858	4,550	1,342	3,268	2,305
Change in value of inventories	-590	896	3,152	4,036	-7,576	3,170	-863	1,154
Income from the own use of products	2,668	3,270	2,293	1,697	1,611	1,305	1,182	1,243
Cost of Goods Sold	-346	-173	-1,424	-330	-712	-1,069	-854	-962
Other Operating Revenues	-7,053	-6,435	-6,665	-10,849	-12,541	-14,022	-7,561	-10,792
Gross Profit	14,005	18,248	20,342	19,926	31,121	27,127	22,438	25,823
Raw Material	-8,481	-12,488	-12,404	-9,906	-17,251	-13,892	-12,955	-13,423
Salaries	-4,235	-4,561	-3,910	-3,900	-6,141	-6,435	-5,592	-6,014
EBITDA	1,289	1,199	4,029	6,120	7,729	6,799	3,891	6,386
Depreciation	-1,352	-1,642	-2,281	-2,982	-4,336	-4,375	-4,158	-4,267
EBIT	-63	-443	1,748	3,138	3,394	2,424	-267	2,119
Financial Income	404	369	108	62	37	38	2,248	1,143
Financial Expenses	-225	-650	-1,038	-1,558	-1,960	-1,970	-1,815	-1,892
Profit for the Year	116	-724	818	1,642	1,471	492	167	1,370
Taxes	-44	-92	-105	-275	-46	-587	147	-137
Net Profit	72	-816	713	1,368	1,425	-94	20	1,507

- The Company intends to settle approx. EUR 15 m of debt during 2020 via disposal of non-core assets
- Such balance sheet restructuring will enable the company to engage into extensive irrigation system rehabilitation and expansion with the goal of increasing the yield for certain crops up to two times

Balance Sheet – Assets

Consolidated Assets for Period 2013 – 2019

in '000 EUR	2013	2014	2015	2016	2017	2018	2019
Property, Plant and Equipment	16,147	36,288	45,986	53,741	60,129	62,144	52,655
Intangible Assets	4	18	15	12	37	59	41
Goodwill	28	73	73	1,379	13,815	13,814	13,807
Noncurrent Natural Assets	3,140	4,340	4,695	5,265	6,098	4,572	4,041
Investments Available for Sale	3,253	3,443	1,130	1,437	866	415	413
Long Term Financial Placements	0	0	0	0	0	95	315
Deposits	0	0	58	58	544	0	0
Advances for Investments	843	15	15	4	4	4	4
Total Non-Current Assets	23,415	44,177	51,972	61,897	81,492	81,103	71,276
Inventories	6,798	9,273	8,906	13,030	15,359	17,539	15,513
Current Natural Assets	6,339	4,881	5,133	5,854	2,863	4,491	3,093
Trade Receivables	3,871	3,271	1,138	1,740	5,959	3,697	2,941
Other Receivables	1,049	3,050	7,099	1,272	9,095	2,825	7,217
Short-term Financial Investments	2,983	186	139	501	428	643	564
Cash and Equivalents	1,290	1,831	768	702	319	138	253
Total Current Assets	22,330	22,493	23,183	23,100	34,023	29,333	29,580
Total Assets	45,745	66,670	75,155	84,997	115,516	110,436	100,856

Balance Sheet – Equity and Liabilities

Consolidated Equity and Liabilities for Period 2013 – 2019

in '000 EUR	2013	2014	2015	2016	2017	2018	2019
Share Capital	12,001	12,007	11,985	12,007	12,005	12,004	12,006
Own Shares	0	-6	-6	-33	-33	-86	-86
Legal Reserves	2,072	2,073	2,069	2,073	2,073	2,032	10,138
Reserves for Fair Valuation	-567	-381	-489	-609	-271	-96	430
Reinvested Profit	1,957	1,958	2,289	2,678	3,063	3,270	0
Effect of Restatement of Capital	0	0	0	0	101	101	62
Retained Profit	18,551	23,572	23,905	22,163	31,912	30,992	23,382
Total Equity	34,013	39,221	39,752	38,279	48,849	48,218	45,932
Minority Interests	3	2	1	313	499	353	238
Long-term Loans	5,920	11,196	17,527	17,861	32,394	29,526	16,601
Other Long-term Liabilities	75	25	0	0	0	0	7,771
Total Long-term Liabilities	5,995	11,221	17,527	17,861	32,394	29,526	24,372
Trade Payables	3,674	4,911	8,285	14,638	17,400	15,829	13,716
Received Advances	556	504	1,468	2,374	4,084	6,984	5,531
Short-term Loans	998	9,797	6,071	10,422	10,801	6,638	6,157
Other Short-term Liabilities	506	1,015	2,051	1,109	1,488	2,888	4,909
Total Current Liabilities	5,734	16,226	17,874	28,544	33,774	32,339	30,313
Total Equity and Liabilities	45,745	66,670	75,155	84,997	115,516	110,436	100,856



North Macedonia as Investment Destination	4
ZK Pelagonija jsc	8
Shareholder Structure of ZK Pelagonija jsc	14
Business Activities of Pelagonija Group	17
Agricultural Land and Crop Cultivating	20
Animal Feed	29
Livestock	34
Dairy Zdravje Radovo	40
Renewable Energy	50
Consolidated Financials	55
Part XI	
Proposed Transaction	59
About MD Solution	61

Proposed Transaction Structure

Overview

Percentage of shares available for purchase

- Orka Holding with its partners, owners of 84% of shares, are willing to offer their shares for sale
- Also, there is possibility to acquire up to 16% of remaining shares via take over-bid or in direct negotiations with small shareholders

Acquisition vs Joint Venture

- Prospective buyer is free to choose either purchase of shares from the shareholders, or joint venture with Orka Holding
- Orka Holding is a flexible seller and it is willing to sell all of its shares, or to remain in Pelagonija ownership as a minority shareholder with 20% to 30% of the total ownership, if such option is preferred by the buyer
- Orka Holding is willing to support future joint venture with it's local market knowledge and management
- Joint venture structure would preferably have an appropriate Put/Call option for Orka Holding

Legal Status of Leased Agricultural Land

- It is possible to have extension of the long-term lease for the land as condition precedent for the closing of the transaction
- Alternatively, it is possible to gain ownership of the land at the price 2,000-2,500 EUR/ha (subject to negotiations with the Government) which can be preformed before the closing of potential transaction
- The same applies for potential conversion of adequate proportion of agricultural land at Skopsko polje to construction land for future real estate development projects



North Macedonia as Investment Destination	4
ZK Pelagonija jsc	8
Shareholder Structure of ZK Pelagonija jsc	14
Business Activities of Pelagonija Group	17
Agricultural Land and Crop Cultivating	20
Animal Feed	29
Livestock	34
Dairy Zdravje Radovo	40
Renewable Energy	50
Consolidated Financials	55
Proposed Transaction	59
Part XII	
About MD Solution	61

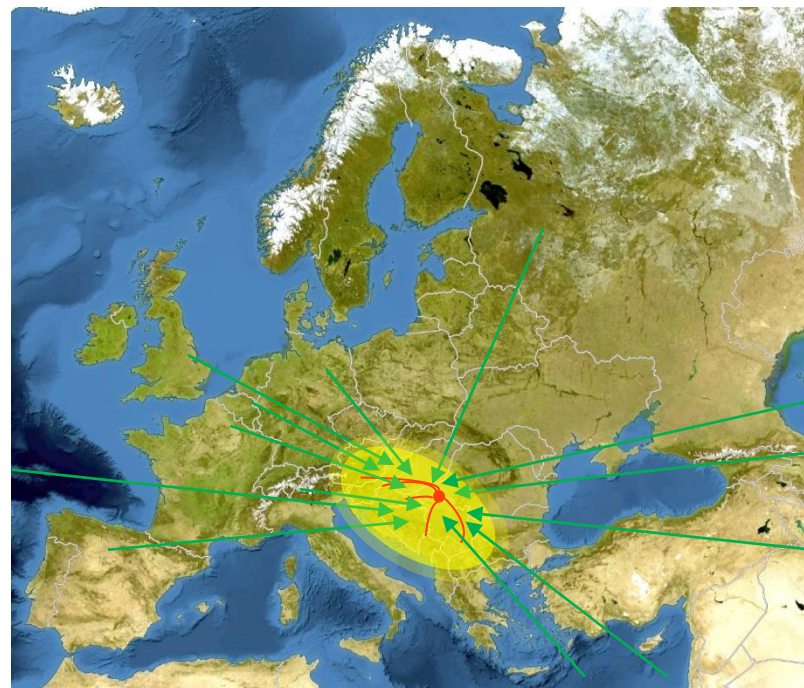


MD Solution

Overview

- **MD Solution** is a consulting company that offers a wide range of advisory services regarding mergers and acquisitions and other strategic projects, restructurings, capital structure, capital raising and corporate finance
- With partners that have strong local and regional expertise, MD Solution can provide creative solution to its clients with their unique needs
- MD Solution and it's partners organized, structured and successfully executed some of the most significant transactions in region, with important contribution to the development of financial and capital markets
- During many years of experience, they provided the best solutions to clients from many industries, including consumer goods, energy, financial services, real estate, and telecommunications.
- They have a large global network of business partners and can provide all the necessary support that the client needs in different areas
 - It has unique access to the largest institutional and private investors, banks and other international financial institutions

Focal Markets



- Headquartered in Belgrade – Serbia, MD Solution is focused on the Western Balkans markets
 - MD Solution has unparalleled regional market knowledge and network enabling first access to prospective investment opportunities

MD Solution – The Lead Team

Partners

- **Contact:**
MD Solution d.o.o. Belgrade
Business Center
Blvd Zorana Djindjica 144b
Belgrade, Serbia

Tel.: + 381 11 3121 000
E-mail: office@mdsolution.rs



- **Mlađan Dinkić, MBA**
Senior Partner and CEO
30 years of experience
Key expertise:
 - Financing and banking
 - Transaction structuring
 - Mergers & Acquisitions
 - NPL restructuring & settlement
 - Investment advisory
 - Corporate bonds advisory
 - Restructuring
 - Strategy development and implementation
 - Policy making

During his career Mr. Dinkić served as the governor of the National Bank of Serbia (2000-2003), Minister of Finance (2004-2006), Deputy Prime Minister and Minister of Economy and Regional Development (2007-2011) and Minister of Finance and Economy (2012-2013) and Special Advisor to the Government and Deputy Chairman of Committee for Cooperation with UAE (2013-2014); Mr. Dinkić was the co-chairman of the Joint Intergovernmental Committee for Trade and Economic Cooperation between PR China and Serbia for almost 6 years, among other positions.



- **Dragijana Radonjic Petrovic, BAE**
Founder and Senior Partner
25 years of experience
Key expertise:
 - Asset management
 - M A and strategic advisory
 - Capital markets advisory
 - Private fund advisory

Mrs. Radonjic Petrovic previously founded and led M V Investments, the largest and most successful brokerage company in Serbia (General Manager 1998-2006, Chairperson of the Board 2006-2010, 2013-); She held the office of the State Secretary in the Ministry of Economy and Regional Development in charge for Regional Development and Entrepreneurship Promotion (2010-2012); Also, she was Special Advisor to the Minister of Finance and Economy (2012-2013)

MD Solution

Executive team

- **Contact:**
MD Solution d.o.o. Belgrade
Business Centre
Zorana Djindjica Blvd 144B
Belgrade, Serbia

Tel.: + 381 11 3121 000
E-mail: office@mdsolution.rs



- **Lazar Jovičić**
Managing Director
15 years of experience
Key expertise:
 - Investment banking,
 - Financial and strategic advisory services in M&A,
 - Joint ventures and restructurings,
 - Corporate finance

Mr. Jovičić has unparalleled experience in investment banking, M&A and privatizations and restructurings in the region; In the period 2006 to 2014 he was executive and director at Citadel Financial Advisory; Mr. Jovičić has advised on M&A and JV transactions with more than € 4 bn in cumulative transaction value; Since 2014, he is Managing Director in MD Solution



- **Tamara Milojković**
Associate
Key expertise:
 - Financial and data analysis,
 - Preparation of sales pitch presentation, business plans, industries
 - Sectors research and analysis

Mrs. Milojković has many years of experience in corporate finance and financial analysis; Prepared and conducted a number of financial analysis for companies in various sectors, including the financial sector; Since 2015, she is an Associate in MD Solution



DISCLAIMER

This presentation is prepared by MD Solution d.o.o. Beograd with the intention to present potential investment and/or development and/or commercial opportunities to potential investors / developers / buyers. It does not constitute investment or development offer, neither purchase offer. In preparation of this presentation MD Solution has relied on information which it believes to be true at the date of the presentation but do not guaranties the accuracy or completeness of the information presented. MD Solution has not performed independent verification of the data presented herein. MD Solution does not have an obligation to deliver further documents or details on the opportunities presented herein or to update the document in case that data have been changed. This document is intended for the recipient only and can not be presented to the third parties. MD Solution shall not be responsible for any investment decision or any action or the consequence of it whatsoever which may be influenced by this document. By receiving this document, the receiving party waives any responsibility of MD Solution for the receiving party's investment decisions or any other actions and the consequences thereof.

In case the receiving party is interested in more detailed description of potential investment and/or development and/or commercial opportunities presented herein it can contact MD Solution d.o.o. at the office@mdsolution.rs or at +381 11 3121 000