

**MONTHLY REPORT ON ECONOMIC AND FINANCIAL  
STATE AND THE IMPLEMENTATION OF THE MEASURES  
OF EXTRAORDINARY ADMINISTRATION OF AGROKOR  
D.D.**

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**FOR THE PERIOD BETWEEN 11 MAY 2018 AND 10 JUNE 2018**

*Prepared pursuant to Article 12 paragraph 9 of the Act on the procedure of Extraordinary Administration in commercial companies of systemic importance for the Republic of Croatia (Official Gazette 32/2017)*

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## 1. Executive summary

This monthly report of the Extraordinary Administration relates to the period from 11 May to 10 June, 2018. Over the course of this period the report follows the development of the economic and financial situation within the Agrokor Group and outlines the realization of operating activities of the Extraordinary Administration as well as the overall operations of both the parent company Agrokor d.d. and some of its major subsidiaries (the **Group**).

Over the course of the first four months of 2018 the Group generated EBITDA in the amount of HRK 274.6m, exceeding budget by HRK 24.1m or 9.6%. Such a positive result reflects in the best possible way the Extraordinary Administration's business policy which focuses on profitability and an improving operating trend. Retail operations have recorded an encouraging decrease in operating costs, resulting in EBITDA being above budget. The Food sector has continued to generate positive results, with the frozen food and ice cream sector realizing significantly higher-than-planned sales revenues and operating profits due to increased operating efficiency and sales growth in all ice cream categories. Operations of the Agriculture sector are still strongly affected by the record low in prices of pork, which is only partly offset by sales of other goods.

The most significant news of this period is that on Thursday 31 May 2018 the creditors' settlement plan negotiations were finally completed. Members of the Temporary Creditors' Council (**TCC**) and major creditors had together discussed all of the issues that were still pending, and the discussions ended in an agreement on the settlement plan. The next step is to turn the agreements reached into legally binding and practicable solutions. The Extraordinary Administration and its advisers are working intensively on the final language of the draft settlement plan, to be submitted for approval to the TCC as soon as possible.

Creditor representatives who have expressed their support for this agreement are all the members of the TCC, which means that the agreement currently enjoys the support of creditors exceeding the statutory two-thirds majority required to vote in favor of the settlement plan.

The wording of the draft settlement plan together with certain other relevant documents was published on 25 May 2018 on the website [www.nagodba.agrokor.hr](http://www.nagodba.agrokor.hr). The document expands the contents of the Term Sheet containing the key structural elements of the settlement plan signed on 10 April 2018 by all members of the TCC, representatives of the Suppliers' Association and a VTB representative and includes indications of the in-principle-agreement achieved in the discussions which have continued since that date. The draft settlement plan consists of two parts: the preparation basis, which sets out the goals and mechanics of the settlement plan; and the implementation basis, which regulates the creditors' recoveries and

the legal position of the debtors, as well as the actions required for the implementation of the settlement plan.

The document as a whole constitutes a detailed overview of the positions of the companies subject to the Extraordinary Administration procedure, the reasons for introducing the procedure and all steps taken over the course of the procedure in order to prepare and adopt a settlement plan among the creditors. The document also contains a breakdown of the new Agrokor Group's corporate structure, the treatment and form of recovery of pre-petition creditors' claims, the breakdown of the new debt of the new Agrokor Group and its capital structure as well as other details relating to the implementation of the settlement plan.

The creditors, with the participation of the Extraordinary Administration and the advisers, continue to work on the draft settlement plan in direct mutual discussions. Moreover, the Extraordinary Administration is in daily contact with a number of creditors, addressing all of the issues that are still pending and is actively looking for ways to deal with their problems and reach agreements to be built into the settlement plan, intended to secure the widest possible support for the settlement plan. In all new arrangements that will need to be made in order to gain the widest creditor support, the Extraordinary Administration has undertaken to comply with the principle that any new arrangement would not affect previously reached in principle agreements nor challenge them in any way.

In pursuance of all the above, also in this reporting period the focus of the Extraordinary Administration was again on establishing a direct dialogue and negotiations between the representatives of the various creditor groups with a view to achieving the settlement within the statutory deadline with as wide as possible a support of all of the Group's creditors.

## 2. State of companies under the Extraordinary Administration during the reporting period

The financial information in the table below relates to cumulative revenue and EBITDA for the first four months of 2018, for certain key companies of the Group. This monthly report contains financial reporting for the 16 key Group companies. The financial results for individual Group companies included in this section of the report are preliminary and unaudited. Please note that all comparisons to budgets in this section are with reference to the viability plans.

| January - April 2018 performance* |                      |        |             |
|-----------------------------------|----------------------|--------|-------------|
| HRK m                             | Retail and Wholesale | Food   | Agriculture |
| Revenue                           | 3,822m               | 2,141m | 642m        |
| EBITDA                            | -13.2m               | 234.1m | 53.8m       |
| EBITDA %                          | -0.3%                | 10.9%  | 8.4%        |

- **Retail and Wholesale** includes four companies' summarized results:
  - *Retail*: Konzum Croatia, Konzum BiH, Tisak
  - *Wholesale*: Velpro - Centar
- **Food** includes nine companies' summarized results:
  - *Beverages*: Jamnica, Sarajevski kiseljak and Roto dinamic
  - *Ice Cream and Frozen Food*: Ledo, Frikom and Ledo Čitluk
  - *Oil*: Zvijezda and Dijamant
  - *Meat*: PIK Vrbovec
- **Agriculture** includes three companies' summarized results:
  - Belje, PIK Vinkovci and Vupik

**\*Notes:**

- Summarized results for the period (without elimination of intercompany transactions and consolidation adjustments).
- Revenues include sales of goods and services on domestic and foreign markets, and excludes revenues from services not related to regular operating activities.
- EBITDA = EBIT + amortization/depreciation + value adjustments and impairments + provisions + management and restructuring fees.
- Source of information – management accounts
- Preliminary YTD results; FY17 closing has not been fully finalized – possible changes in balance sheet amounts used for calculation of KPIs
- 2017 information presented has not been restated
- The presented budget data is related to the latest approved budgets for food companies in 2018, and approved viability plans for retail, wholesale and agriculture companies in 2018.
- Monthly allocation of FY18 budget has been prepared and is the basis for comparison.

Within the scope of this report, the Agrokor Group includes 16 companies in three business segments: Retail and Wholesale, Food and Agriculture. Revenues generated at Group level were lower than planned, but in spite of that there was an increase in EBITDA as against budget. Thus in April the Agrokor Group generated HRK 274.6m EBITDA, exceeding budget by 9.6%.

The retail and wholesale sectors continue to show improving results. The positive effects of the restructuring process and the efforts exerted to increase profitability are particularly visible, and all companies in the business group have lower operational expenses than budgeted to date in 2018. Revenues in April were lower-than-planned particularly in the first weeks of the month as a result of higher expenditure in the previous weeks during Easter holidays. The retail and wholesale sectors have compensated slightly lower-than-planned cumulative revenues with intensive activities on cost reduction that have resulted in cumulative EBITDA above the budget.

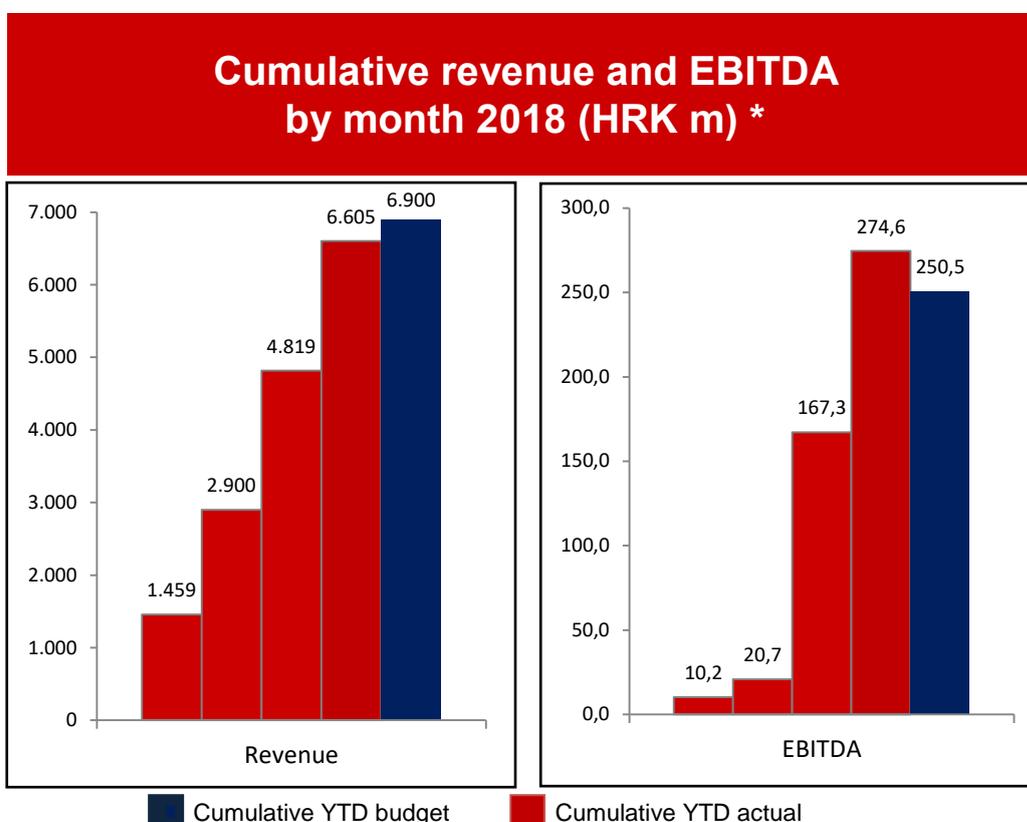
In April the food sector continued to generate better EBITDA than budgeted, despite a slight drop in sales revenues, which is a result of the measures taken in improving efficiency over the previous period. Over the course of this period each segments has launched new, innovative products, strengthening their respective market positions. The most positive effect on the result came from the frozen food and ice cream segments, which generated significantly better sales revenues and operating profits than planned thanks to improved operating efficiency and the increase in sales of all ice cream categories, the most profitable product group. The pricing pressure on sunflower oil on some markets continues to negatively impact the result in the oils segment. The operating result of the drinks segment also exceeded budget, despite the slightly lower-than-planned sales revenues. The result of the meat segment is slightly lower than budgeted.

Agriculture sector revenues for the month of April were 3.7% lower than budgeted, with the continued low finisher and pork prices having been partially compensated by other activities such as sales of animal feed, wine, oil crops and cereal crops and other products. These activities have contributed to achieving EBITDA in April which is only slightly lower than budgeted. Despite the hoped for increase in pork prices, it remained stagnant over the course of April. The budgeted price of pork was based on the 2017 average, however it has reached a record low this year.

## 2.1. Agrokor Group

Within the scope of this report, the Agrokor Group includes 16 companies in three business segments: Retail and Wholesale (Konzum Croatia, Tisak, Konzum B&H and Velpro centar); Food (Drinks - Jamnica, Roto dinamic, Sarajevski kiseljak; Ice cream and frozen food - Ledo, Frikom, Ledo Čitluk; Oil - Zvijezda, Dijamant and Meat - PIK Vrbovec) and Agriculture (Belje, PIK Vinkovci and Vupik).

The table shows summarized results of cumulative revenues and EBITDA by month for all companies of the Group comprised in this report, while the results for individual business segments and companies are set out in the the subsections to follow.



**\*NOTE: All results are preliminary.**

**Agrokor Group reporting includes 16 companies:**

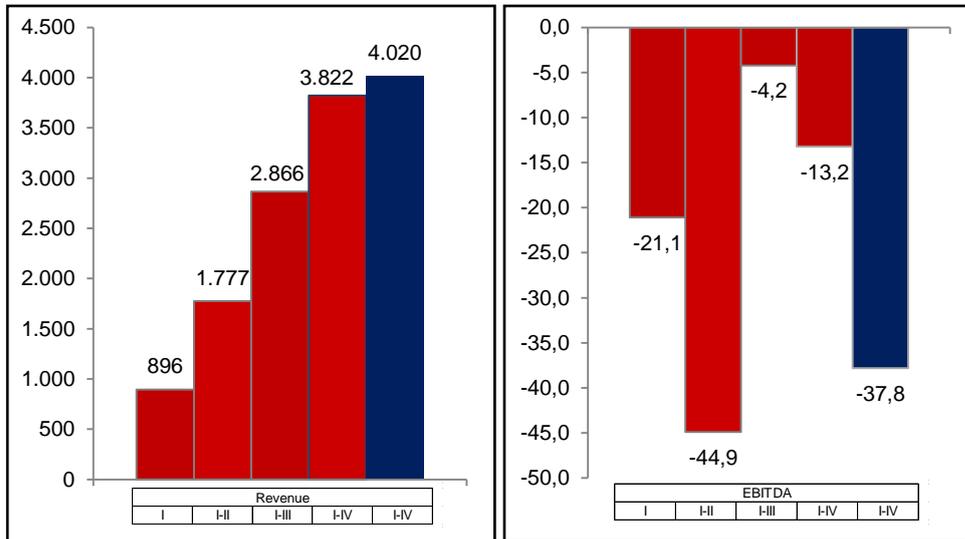
- **Retail and Wholesale** includes four companies' summarized results:
  - *Retail:* Konzum Croatia, Konzum BiH, Tisak
  - *Wholesale:* Velpro - Centar
- **Food** includes nine companies' summarized results:
  - *Beverages:* Jamnica, Sarajevski kiseljak and Roto dinamic
  - *Ice Cream and Frozen Food:* Ledo, Frikom and Ledo Čitluk
  - *Oil:* Zvijezda and Dijamant
  - *Meat:* PIK Vrbovec
- **Agriculture** includes three companies' summarized results:

## 2.2. Companies in the retail and wholesale sector

Companies in the retail and wholesale sector are Konzum, Konzum BiH, Tisak and Velpro - Centar. The table below shows the cumulative revenue and EBITDA by month for the sector, with results of individual companies portrayed in detail in subsections which follow.

### Cumulative revenue and EBITDA by month 2018 (HRK m) \*

#### Retail & Wholesale



Includes four companies' summarized results:

- *Retail:* Konzum Croatia, Konzum BiH, Tisak
- *Wholesale:* Velpro - Centar

**\*NOTE: All results are preliminary.**

Cumulative YTD budget
  Cumulative YTD actual

## 2.1.1. Companies in the retail and wholesale sector: Konzum d.d.

### 2.1.1.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 2.579                | 2.603               |
| EBITDA             | 26.0                 | -13.7               |
| EBITDA %           | 1.0%                 | -0.5%               |

*\*NOTE: All results are preliminary.*

### 2.1.1.2. Commentary on recent trading

- Revenue at this time of year is largely driven by performance over the Easter holidays and those positive results are visible in March and April. Konzum's retail revenue across these two months exceeded the plan by 3.7% with the same year-on-year footfall and 9.7% year-on-year basket growth.
- Total sales revenue for the year-to-date is 0.9% lower than the plan as a result of the weaker performance of the non-core wholesale, transit and fuel businesses with smaller relative margins.
- The cumulative gross margin is in line with budget in 2018 and Konzum's primary categories of fresh meat, fruit and vegetables continue to perform well.
- As a result of a number of measures implemented to reduce expenses and maximise profitability, operating costs are lower than the monthly plan and lower for the year-to-date.
- Revenues, which are in line with the budget for the cumulative period, along with a significant cost reduction have resulted in better than planned realization of EBITDA.
- Efforts to increase efficiency in all business operations, with particular focus on cost control and margin optimization, have resulted in EBITDA margin exceeding the plan by 0.9 p.p. for April and 1.5 p.p. for the year-to-date.

## 2.1.2. Companies in the retail and wholesale sector: Konzum BiH

### 2.1.2.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 418                  | 417                 |
| EBITDA             | -9.3                 | -10.2               |
| EBITDA %           | -2.2%                | -2.5%               |

*\*NOTE: All results are preliminary.*

### 2.1.2.2. Commentary on recent trading

- Cumulative revenue from January to April exceeded the plan by 0.5%, although revenue in April was 8% lower than planned, as a consequence of the timing of Easter and only a partial revenue benefit in this key period.
- Revenue growth on a year-on-year basis occurred as a result of repositioning Konzum BiH in the national market, investing in competitiveness and price reduction, as well as in attractive marketing activities.
- The company is actively working on further improving relationships with suppliers.
- In April, margin was 0.2% higher than the plan, while the cumulative absolute margin sits 2% below the plan.
- Promotional marketing activities such as the catalogue of activities during the Easter holidays and the Spring BBQ and nature campaign have resulted in promotional turnover growth of 21% in a year-on-year comparison.
- Costs on both a monthly basis for April 2018 and cumulatively between January and April 2018 are 0.5% lower than the plan.
- Both higher revenues and cost reductions contributed to a positive EBITDA for April and result of 9% better than the plan on a cumulative basis.

### 2.1.3. Companies in the retail and wholesale sector: Tisak d.d.

#### 2.1.3.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 549                  | 624                 |
| EBITDA             | -8.9                 | -0.6                |
| EBITDA %           | -1.6%                | -0.1%               |

*\*NOTE: All results are preliminary.*

#### 2.1.3.2. Commentary on recent trading

- The gross margin of 23.2% in April 2018 was lower than in March, however, it was higher than the budgeted 22.6%. The company continues to feel the positive effects of sales of albums and stickers (ahead of the World Cup), the introduction of new, broader assortments, new pricing policies and a reduction in wholesale operations, which operate on a significantly lower margin.
- EBITDA development continues to improve, starting in the second half of 2017 and following the implementation of various restructuring measures. The EBITDA result for April 2018 of -1.0m HRK was below the plan, although it shows a continuation of the significant positive trends in the off-peak tourist season.
- April is the first month of 2018 in which the planned gross margin was realized in the retail segment. Sales of tobacco and commodity goods were above expectations. Newspaper sales were below expectations as well as sales of ZET (Zagreb Electric Tram) travel tickets as a result of the restriction imposed by the City of Zagreb, although this was lifted by the end of the month. Revenue and gross margin in the wholesale segment were again weaker than expected in commercial commodities and telecom vouchers due to delays in extending a new assortment. Furthermore, revenues from courier services were lower than expected in the package distribution category and for the time no recovery trend can be demonstrated. However, negotiating of contracts with new suppliers is underway and positive results are expected in the coming months.
- In line with the restructuring measures implemented the fixed monthly operating costs of 34.8m HRK was 1.4m HRK below the plan for April 2018 and reduced by HRK 5.7m on a year-on-year basis.
- The main focus in the coming period will be to finalize complex logistics improvements, and realize higher revenues and gross margin.

## 2.1.4. Companies in the retail and wholesale sector: Velpro - Centar d.o.o.

### 2.1.4.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 274                  | 376                 |
| EBITDA             | -21.0                | -13.3               |
| EBITDA %           | -7.7%                | -3.5%               |

*\*NOTE: All results are preliminary.*

### 2.1.4.2. Commentary on recent trading

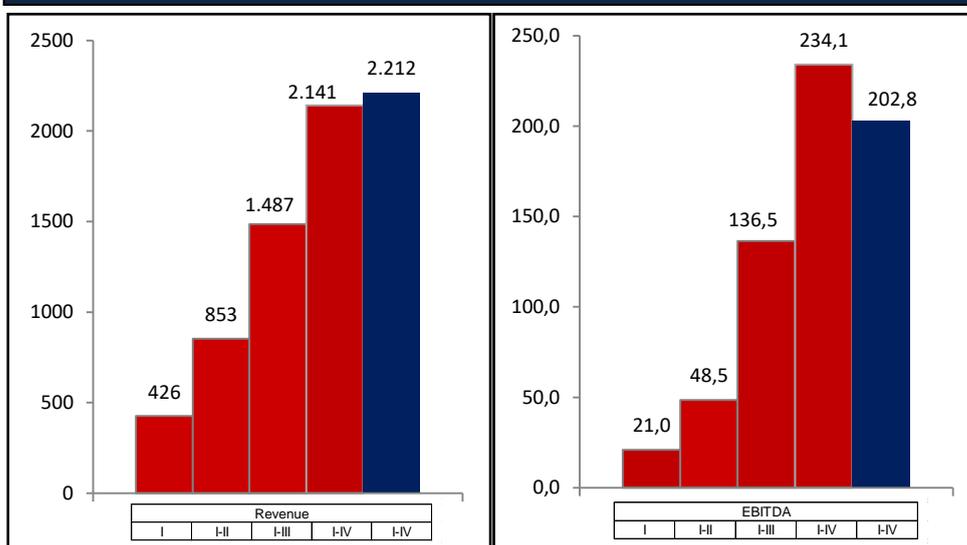
- Cumulative revenue remains significantly below plan as a consequence of historic market uncertainty, delays in negotiations with some customers and suppliers, implementation of the Unfair Trading Practices Act, and a delay in the start of the season for the HoReCa segment.
- Quarterly rebates that have not yet been paid impacted profitability..
- Although expenses in April were higher than planned for the period, cumulative expenditure remains below the plan.
- EBITDA for the period reflects lower-than-planned revenues. Current expectations are that this should be recovered during the profitable summer season.
- Relative gross margin is in line with the plan for the period. In view of the fact that not all the negotiations with suppliers were finalised during the period there is scope for further improvement.
- Most significant business activities during the period included:
  - New procedures were implemented and new contracts signed with most of our buyers and suppliers in line with the new Unfair Trading Practices Act.
  - The implementation of the new sales policy started in April, with the aim of improving cash flow, cash collection from customers and overall profitability. Full implementation is expected in May.

## 2.2. Companies in the food sector

Companies in the food sector are Jamnica, Sarajevski kiseljak, Roto dinamic, Ledo, Frikom, Ledo Čitluk, Zvijezda, Dijamant, and PIK Vrbovec. The table below shows cumulative revenue and EBITDA by month for the sector, with results of individual companies within the sector portrayed in detail in the subsections which follow.

### Cumulative revenue and EBITDA by month 2018 (HRK m) \*

#### Food



Includes nine companies' summarized results:

- *Beverage:* Jamnica, Sarajevski kiseljak and Roto dinamic
- *Ice Cream and Frozen Food:* Ledo, Frikom and Ledo Čitluk
- *Oil:* Zvijezda and Dijamant
- *Meat:* PIK Vrbovec

**\*NOTE: All results are preliminary.**

■ Cumulative YTD actual

■ Cumulative YTD budget

## 2.2.1. Companies in the Food sector: Jamnica d.d.

### 2.2.1.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 302                  | 318                 |
| EBITDA             | 49.9                 | 47.1                |
| EBITDA %           | 16.5%                | 14.8%               |

*\*NOTE: All results are preliminary*

### 2.2.1.2. Commentary on recent trading

- The EBITDA generated in April exceeded budget thanks to improved efficiency and operating cost savings.
- Sales revenues generated in April were below budget. Revenues on the domestic market were below budget, as a result of the implementation of the Unfair Trading Practices Act which came into force on 1 April, with ongoing negotiations to conclude agreements affecting the reduced realization. Revenues generated in foreign markets exceeded plan, particularly in the BiH market as a result of intensified activities in the HoReCa channel and promotional activities in the retail channel.
- Over the course of April several new products were launched on the market. The Jana Vitamin line was extended with a new flavour (Happy – orange) in 0.5 l and 1.5 l formats for the retail channel, while in the HoReCa channel two new products were introduced: Jana Vitamin Immuno 0.33 l and Jana Vitamin Happy 0.33 l. In the iced tea category, the new mint-lime flavour was introduced and in the flavoured carbonated mineral waters category the new lemongrass flavour was launched under the Sensation brand in the HoReCa channel.
- After 15 years on the market and 5 years since the introduction of the “Water with a message” concept, Jana now has a new platform with a shift in communication. Late April saw the introduction of Jana with a redesigned label in all formats, from glass to PET, as well as a national outdoor advertising campaign celebrating Jamnica's 190th anniversary.

## 2.2.2. Companies in the Food sector: Roto dinamic d.o.o.

### 2.2.2.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 206                  | 220                 |
| EBITDA             | 11.3                 | -2.1                |
| EBITDA %           | 5.5%                 | -0.9%               |

*\*NOTE: All results are preliminary*

### 2.2.2.2. Commentary on recent trading

- The EBITDA realized in April exceeded expectations as a result of extraordinary revenues generated.
- Sales exceeded budget in the regions of Dalmatia, Istria and Kvarner due to timely pre-season preparations, market positioning and the stocking up of seasonal facilities, which had an increased footfall thanks to more tourist arrivals than expected and overnight stays at the coastal destinations. Good weather conditions resulted in the region of Slavonia also exceeding budgeted revenues. However, overall sales revenues in April were below budget.
- In the region of Zagreb City and Greater Zagreb the generated sales revenues were below budget as a result of new competitors entering the market and the resulting efforts to keep the market share.

## 2.2.3. Companies in the food sector: Sarajevski kiseljak d.d.

### 2.2.3.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 96                   | 99                  |
| EBITDA             | 20.2                 | 19.9                |
| EBITDA %           | 21.2%                | 20.2%               |

*\*NOTE: All results are preliminary.*

### 2.2.3.2. Commentary on recent trading

- EBITDA generated in April was at the budgeted level thanks to efficiency improvements and the implementation of cost management measures.
- Generated sales revenues were slightly below budget.
- Intensive efforts have been exerted in launching new products, with accompanying marketing campaigns for all key products expected in May.

## 2.2.4. Companies in the Food sector: Ledo d.d.

### 2.2.4.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 277                  | 257                 |
| EBITDA             | 32.8                 | 31.6                |
| EBITDA %           | 11.8%                | 12.3%               |

*\*NOTE: All results are preliminary.*

### 2.2.4.2. Commentary on recent trading

- EBITDA generated in April exceeded budget.
- All planned sales results in the domestic market have been achieved, with particularly good results in ice cream. As a result, cumulative revenue in ice cream and frozen food are in line with budget.
- April saw an increase in exports to markets beyond the region, particularly to the USA and France.
- All the planned seasonal points of sale for the part of the year were activated in April, including Tisak newsstands in the City of Zagreb, since the risk of losing the Tisak sales points is avoided.

## 2.2.5. Companies in the Food sector: Ledo Čitluk d.o.o.

### 2.2.5.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 87                   | 77                  |
| EBITDA             | 10.7                 | 8.6                 |
| EBITDA %           | 12.4%                | 11.2%               |

*\*NOTE: All results are preliminary.*

### 2.2.5.2. Commentary on recent trading

- The EBITDA generated in April exceeded expectations.
- The growth in sales revenues in April was above budget, the majority of this thanks to the favourable weather and the intensive pre-season preparations resulting in higher-than-expected ice cream sales.

## 2.2.6. Companies in the Food sector: Frikom d.o.o.

### 2.2.6.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 219                  | 212                 |
| EBITDA             | 35.8                 | 29.0                |
| EBITDA %           | 16.4%                | 13.7%               |

*\*NOTE: All results are preliminary.*

### 2.2.6.2. Commentary on recent trading

- The EBITDA generated in April was higher than budgeted, as a result of increased operating efficiency, focus on profitable product groups and a lower-than-expected COGS.
- Sales revenues in April were significantly higher than budget, due to the increase in sales of all ice cream categories due to the favourable weather conditions, better market positioning and significantly better sales of new products launched in 2018.
- Sales growth was achieved in both the domestic and the export markets.

## 2.2.7. Companies in the Food sector: Zvijezda d.d.

### 2.2.7.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 216                  | 205                 |
| EBITDA             | 21.0                 | 17.1                |
| EBITDA %           | 9.7%                 | 8.3%                |

*\*NOTE: All results are preliminary.*

### 2.2.7.2. Commentary on recent trading

- April saw Zvijezda generating EBITDA and sales revenues below budget.
- A drop in sales was recorded in April in the hard margarine and mayonnaise categories, which are particularly seasonal in character, although the same categories in the aggregated sum for March and April generated good results.
- A completely new campaign was launched for mayonnaise under the slogan “a sandwich is incomplete without Zvijezda mayonnaise“, with the aim of increasing the frequency of consumption among occasional consumers. Another focus of marketing activities is the preparations for the summer season.
- Zvijezda's rich assortment of premium olive oils has been expanded with the launch of OL Maslina extra virgin olive oil, a result of cooperation between Zvijezda and local olive growers.

## 2.2.8. Companies in the Food sector: Dijamant a.d.

### 2.2.8.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 236                  | 294                 |
| EBITDA             | 11.5                 | 13.6                |
| EBITDA %           | 4.9%                 | 4.6%                |

*\*NOTE: All results are preliminary.*

### 2.2.8.2. Commentary on recent trading

- Due to the extreme pricing pressure on sunflower oil, the sales revenues generated in April were lower than budget.
- The price of sunflower pellets on the market was lower than expected, resulting in weaker sales and lower sales revenues. In the forthcoming period the sunflower pellet price is expected to grow, with a positive impact on revenues and profitability anticipated.
- In the other key categories – margarine, mayonnaise, dressings and merchandise - the revenues generated were within budget and at the expected level.
- All the above resulted in EBITDA generation being below budget overall.

## 2.2.9. Companies in the Food sector: PIK Vrbovec d.d.

### 2.2.9.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 503                  | 530                 |
| EBITDA             | 40.9                 | 38.0                |
| EBITDA %           | 8.1%                 | 7.2%                |

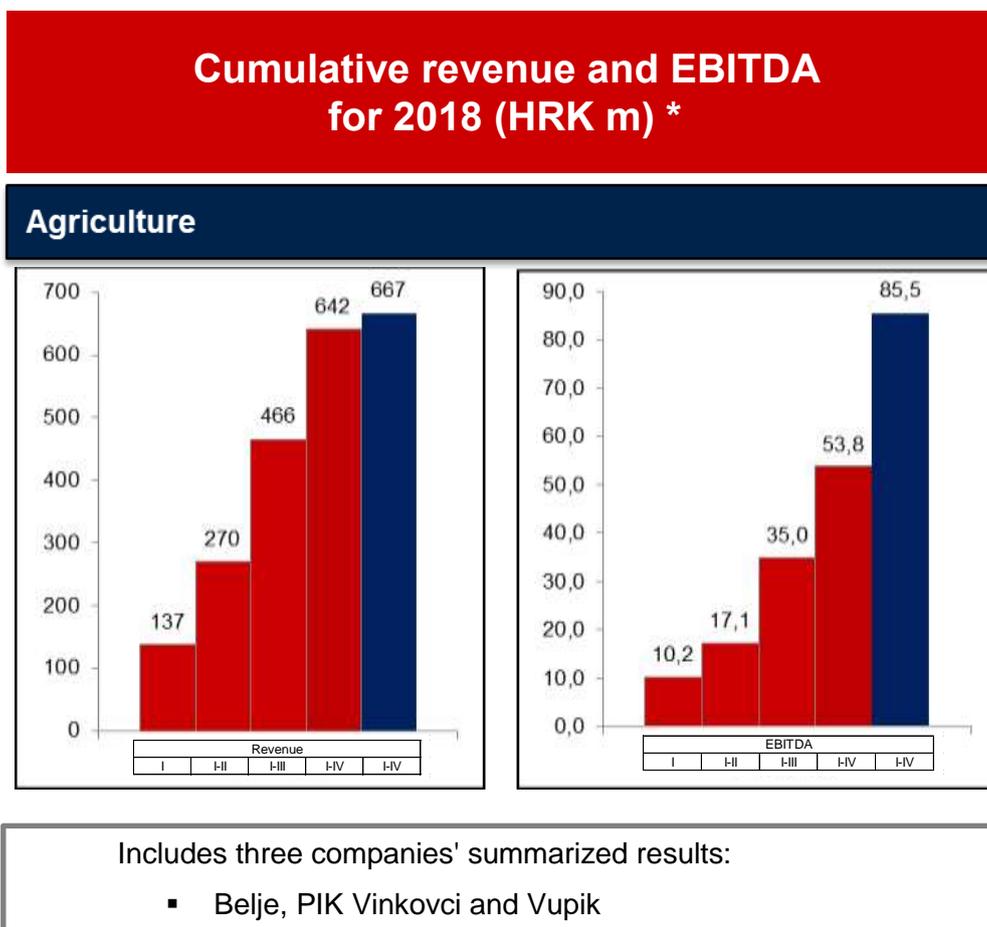
*\*NOTE: All results are preliminary.*

### 2.2.9.2. Commentary on recent trading

- EBITDA is in line with the budget.
- Revenues generated in April were lower than budgeted due to a lower price of raw materials than expected, with a direct and major impact on the sales price and thus on revenue generation.
- A new grill assortment was launched for the barbeque season, positioning the company as a category captain.
- April saw the launching of a new marketing communication under the slogan „Imamo PIK na prave stvari“ (“We are keen on the right stuff“ - a pun in Croatian, based on the company name).
- April also saw the company entering new retail chains and extending the cooperation with existing ones, particularly in the grill assortment.

### 2.3. Companies in the agriculture sector

Companies in the agriculture sector are Belje, PIK Vinkovci and Vupik. The table below shows the cumulative revenue and EBITDA for the sector, with results of individual companies portrayed in detail in subsections which follow.



**\*NOTE: All results are preliminary.**

■ Cumulative YTD actual      ■ Cumulative YTD budget

### 2.3.3. Companies in the agriculture sector: Belje d.d.

#### 2.3.3.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 373                  | 409                 |
| EBITDA             | 38.4                 | 54.0                |
| EBITDA %           | 10.3%                | 13.2%               |

*\*NOTE: All results are preliminary.*

#### 2.3.3.2. Commentary on recent trading

- Revenues generated from the sales of products and services in April were below budget, mainly due to the finisher and semi-hard cheese prices, which were significantly below budgeted sales prices.
- Specifically as a result of the low sales prices of finisher and semi-hard, the generated EBITDA in April was below plan.
- The budgeted finisher price amounted to HRK 9.38/kg, while the price realized in April was HRK 8.08/kg, resulting in a negative impact on EBITDA of HRK 13.0m.
- Similarly, the budgeted price of semi-hard cheese amounted to HRK 27.64/kg, while the realized price in April was HRK 19.04/kg, having a negative impact on EBITDA by HRK 10.8m.
- Despite the negative impact of lower-than-planned finisher and semi-hard cheese prices on EBITDA totaling HRK 23.8m, the generated EBITDA was only HRK 15.6m lower than planned due to cost optimization activities, such as a reduced cost per product unit. Significant savings were made on raw material and material costs, mainly due to lower input prices of animal feed raw materials, agricultural crop seeds, plant protection chemicals and meat for processed meat production. The establishment of a new direct relationship with suppliers also resulted in lower input prices of animal feed components and packaging.
- Inventory levels were higher at the end of the current period in a year-on-year comparison, mainly due to stocks of raw materials and materials for animal feed production, which were purchased during the season at prices lower than current market prices.

## 2.3.4. Companies in the agriculture sector: PIK Vinkovci d.d.

### 2.3.4.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 200                  | 185                 |
| EBITDA             | 9.8                  | 18.6                |
| EBITDA %           | 4.9%                 | 10.1%               |

*\*NOTE: All results are preliminary.*

### 2.3.4.2. Commentary on recent trading

- Over the course of the first four months of 2018 the majority of revenues were accounted for by sales of cereal and oil crops, sales of production materials such as mineral fertilizers to contract farmers, sales of soya meals, piglets, fresh fruit and vegetables. Sales revenues exceeded budget by approximately 8%, with the exception of piglets, where due to the drop in prices as against budget and lower quantities sold, sales revenues were lower and EBITDA amounted to HRK 5.7m; the budgeted price was HRK 18/kg, and the average actual price amounted to HRK 13.04/kg. The overall difference in EBITDA compared to the plan is also due to slightly lower sales prices and the quantity of fresh vegetables sold, mainly onions.
- The trend of intensified trading activities has continued in April; in the cereal and oil crop segments, there was a change in customer structure, with the positive effect of reducing DSO. The increase in DPO in April as compared to March resulted from the incomplete process of closing advance payments to suppliers and realizing the supplier tranche of the SPFA facility, which has continued in May.
- With the continued increase in sales of goods over the course of April and the faster rotation of merchandise, the decrease in DIO compared to March has continued.

### 2.3.5. Companies in the agriculture sector: Vupik d.d.

#### 2.3.5.1. Financial results YTD and KPIs

| Financial results* | Jan-Apr 2018 (HRK m) | Budget 2018 (HRK m) |
|--------------------|----------------------|---------------------|
| Revenue            | 69                   | 73                  |
| EBITDA             | 5.5                  | 12.9                |
| EBITDA %           | 8.0%                 | 17.5%               |

*\*NOTE: All results are preliminary.*

#### 2.3.5.2. Commentary on recent trading

- Cumulative sales revenues in the first four months of 2018 have fallen short of budget, mainly due to the drop in finisher prices. The sales price of finishers is still low, having a direct impact on the company's profits.
- Due to the continuing low market price of finishers, cumulative EBITDA over the first four months was lower than budgeted.
- The level of raw-material, material and finished product inventories at the end of April is slightly higher than March due to new quantities of animal feed received from the crop husbandry production.

### 3. Short-term cash position

#### 3.1. Cash management

The Group continues to actively manage its liquidity with cash flow forecasts being updated on a fortnightly basis, and weekly/fortnightly payment budgets being derived on that basis. Payment requests of the Croatian Group companies are reviewed/approved in order to execute payments. In the period since the new financing was raised in June 2017 to the mid-May 2018, net funds of HRK 1.4 billion have been deployed into the businesses to assist with liquidity.

As discussed in the previous monthly report, this cash was used primarily to unwind trade payables in relation to the period post 10 April 2017, and to restock the businesses. It continues to enable the operating companies of the Group to fully prepare for the seasonal summer business in 2018, as it did in 2017. This is seen as one of the major achievements of the overall restructuring process during the Extraordinary Administration.

The table below provides a summary of the current and previous cash flow forecast:

#### CW21 Forecast - 19 Core Subsidiaries 13 Week STCF vs prior week (HRK m)

|                            | Current STCF<br>(CW 21) | Prior week<br>STCF<br>(CW 19) |
|----------------------------|-------------------------|-------------------------------|
| Minimum cash balance (13w) | 854                     | 767                           |
| Maximum cash balance (13w) | 1,191                   | 1,201                         |
| Minimum Liquidity covenant | 296                     | 296                           |
| <b>Available liquidity</b> | <b>558 – 895</b>        | <b>471 – 905</b>              |

#### 3.2. Supplier claims settlement

It was communicated publicly in the week ending 28 July 2017 that a tranche of EUR 150 million would be made available for the settlement of trade claims which occurred prior to the commencement of the Extraordinary Administration. This EUR 150 million tranche was split into three pools A, B and C as detailed in the last few monthly reports.

### **3.2.3. Status update**

In early June, the ICC approved corrective pre-petition debt payments in the amount of EUR 0.07m for Pool A suppliers, EUR 0.73m for Pool B suppliers of Tranche 1 and EUR 2.81m of Pool B suppliers of Tranche 2.

On the basis that certain corrections to the tables of recognized claims were delivered to Zagreb Commercial Court on 13 December 2017, some additional requests for payment approval are expected from the creditors in question from Groups A and B. Any residual unused funds from this EUR 150 million will become available for operational use within the Group. In the reporting period, Tisak has paid EUR 12.5m out of Pool B.

### **3.2.4. Border claims**

The Extraordinary Administration paid a second round of border claims in order to reach a minimum of 47% of the supplier's border claim to those suppliers who had signed agreements with the Group to return to historic supplier terms. In addition to the Pool B suppliers who had already signed agreements a small number of key suppliers who did not have a significant amount of old debt (and have thus not participated in the Pool/Group B agreements) were offered a payment of up to 47% of border debt, subject to a benefit accruing to the company through improved trading terms.

### **3.2.5. Trade finance facility**

As previously reported, allocation of the EUR 100 million pool is currently ongoing with a focus on eligible suppliers that have a high goods turnover.

A total of 44 suppliers signed up to access the trade facility in the total amount of EUR 96.5 million, which represents a total of EUR 48.25 million for goods and services. Of this amount, EUR 45.6 million of goods and services have already been provided.

#### **4. Settlement negotiations**

Over the past month, the Extraordinary Administration, TCC and advisors have been working together extensively, which included numerous meetings in Zagreb, to develop the Settlement Plan. A draft version of the Settlement Plan document was published on 25 May 2018 (<http://nagodba.agrokor.hr/en/draft-settlement-plan/>). The parties are continuing the work to finalize the Settlement Plan and the Extraordinary Administration expects the Settlement Plan will soon be ready for submission to the TCC.

## **5. Cost of Extraordinary Administration and operational business of Agrokor d.d.**

As in previous months, the Extraordinary Administration continues to manage accrued operational business expenses. These expenses relate wholly and directly to the various centralized services provided across the Group.

An overview of the Group's operating costs paid to the end of April 2018, grouped by cost type, can be found in the table overleaf. These figures are reported net of VAT to enhance the transparency of the true costs to the Group. The cost categories detailed include all advisors whether instructed before or after the Extraordinary Administration commenced.

Invoices continue to be booked and paid on an *ad hoc* basis, in line with services delivered. In recent weeks, the Group has negotiated variations to the fee arrangements of a number of advisors due to the change in the type and amount of work, team structure and their assignments which has resulted in certain reductions of fees.

Total employee headcount at the end of April 2018 was 90 and no severance payments have been made in the reporting period.

As the audit of the Group's 2017 financial year has now been completed, audit and tax fees are lower in April 2018.

January and February monthly amortization costs were both booked in February 2018, therefore the costs in March 2018 and April 2018 are in line with expectations.

The largest contributor to the overall increase in operational costs for March 2018 of HRK 14.8 million was the HRK 11.6 million legal and other professional costs of utilizing the new finance facility. The operational costs for April 2018 have returned to a level consistent with previous months.

| OPERATING COSTS of AGROKOR D.D. (HRK)                            | Apr-Dec 2017       | January 2018      | February 2018     | March 2018        | April 2018        | Total              |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| <b>Total cost of salaries and fees</b>                           |                    |                   |                   |                   |                   |                    |
| Commissioner's fee   | 1,040,991          | 118,970           | 118,970           | 118,970           | 118,970           | 1,516,873          |
| Employees and service contracts (Bruto II included) <sup>3</sup> | 53,190,186         | 4,068,203         | 4,082,330         | 4,620,014         | 4,576,878         | 70,537,612         |
| Severance payments   | 24,960,182         | -                 | -                 | -                 | -                 | 24,960,182         |
|  | <b>79,191,359</b>  | <b>4,187,174</b>  | <b>4,201,301</b>  | <b>4,738,985</b>  | <b>4,695,848</b>  | <b>97,014,667</b>  |
| <b>Consultant fees <sup>4</sup></b>                              |                    |                   |                   |                   |                   |                    |
| Legal  | 81,513,524         | 10,221,146        | 7,838,672         | 11,097,443        | 8,184,446         | 118,855,231        |
| Financial  | 31,579,403         | 3,685,064         | 1,911,455         | 386,072           | 2,058,234         | 39,620,227         |
| Restructuring  | 116,997,520        | 12,758,536        | 14,873,768        | 14,507,483        | 12,239,724        | 171,377,032        |
| Other (forensics, HR)  | 9,847,447          | 1,902,977         | 989,393           | 1,272,985         | -                 | 14,012,802         |
|  | <b>239,937,894</b> | <b>28,567,723</b> | <b>25,613,288</b> | <b>27,263,983</b> | <b>22,482,404</b> | <b>343,865,292</b> |
| <b>Audit and tax services</b>                                    | <b>10,026,887</b>  | <b>738,751</b>    | <b>3,717,381</b>  | <b>3,058,887</b>  | <b>1,246,049</b>  | <b>18,787,955</b>  |
| <b>Utilities costs</b>   | <b>2,281,818</b>   | <b>195,547</b>    | <b>143,328</b>    | <b>270,254</b>    | <b>146,675</b>    | <b>3,037,622</b>   |
| <b>Material costs</b>  |                    |                   |                   |                   |                   |                    |
| Transportation costs (insurance, maintenance, fuel, etc.)        | 5,261,724          | 218,024           | 359,076           | 385,199           | 364,957           | 6,588,980          |
| Ongoing maintenance  | 3,126,412          | 417,521           | 561,198           | 408,148           | 306,668           | 4,819,948          |
| Other  | 4,732,845          | 54,537            | 39,846            | 996,524           | 1,445,142         | 7,268,894          |
|  | <b>13,120,981</b>  | <b>690,082</b>    | <b>960,120</b>    | <b>1,789,871</b>  | <b>2,116,767</b>  | <b>18,677,821</b>  |
| <b>Insurance costs - management liability insurance</b>          | <b>14,971,419</b>  | -                 | -                 | -                 | -                 | <b>14,971,419</b>  |
| <b>Cost of new financing</b>                                     | <b>47,018,273</b>  | -                 | -                 | <b>11,596,358</b> | <b>1,794,011</b>  | <b>60,408,643</b>  |
| <b>Travel costs / education</b>                                  | <b>402,597</b>     | <b>38,735</b>     | <b>27,017</b>     | <b>52,219</b>     | <b>55,794</b>     | <b>576,362</b>     |
| <b>Other costs <sup>5</sup></b>                                  | <b>46,605,780</b>  | <b>1,451,243</b>  | <b>218,782</b>    | <b>1,371,182</b>  | <b>2,549,091</b>  | <b>52,196,078</b>  |
| <b>Amortization / Depreciation</b>                               | <b>4,758,083</b>   | -                 | <b>905,559</b>    | <b>452,779</b>    | <b>452,917</b>    | <b>6,569,339</b>   |
| <b>Total <sup>1,2</sup></b>                                      | <b>458,315,093</b> | <b>35,869,254</b> | <b>35,786,776</b> | <b>50,594,518</b> | <b>35,539,557</b> | <b>616,105,199</b> |
| (April 2017 adjusted for operating costs after 10 April 2017)    |                    |                   |                   |                   |                   |                    |

## Notes:

- Total operating costs of Agrokor d.d. (without adjustments or deduction of costs for the period from 1 April 2017 to 10 April 2017) plus all subsequent month's amount to the total operating costs of Agrokor d.d. (this is the number in SAP; HRK 643,970,476).
- Total operating costs in the sum of HRK 616,105,198 is the best representation of the operating costs of Agrokor d.d. since the start of the Extraordinary Administration (being total costs excluding the period 1 April 2017 to 10 April 2017).
- The Deputy Extraordinary Administrator's fee is categorized as an employee cost as opposed to a Commissioner fee.
- Consultant fees are adjusted for the proportion of their costs related to VAT and the pro-rata system Agrokor is in, for the Extraordinary Administration.
- Adjustments totaling HRK 27,856,276 have been made for operating costs that relate to the period 1 April 2017 to 10 April 2017. Other costs include all other SAP accounts which are not separately listed in the above table. Hence, this can result in negative amounts in certain categories for a given period. Furthermore, it includes suppliers after 10 April 2017 which are not captured within consultant fees.
- The above table remains subject to change; however, operating costs shown are the best representation as at the date of this report and includes an estimate for amortization which is yet to be actualized.
- As invoice bookings and payments do not necessarily correspond with the period for which services were provided, operating costs in the above table may be reallocated between months once payments are complete to best reflect when services were provided. The monthly categorization in the above table is therefore the best representation as at the date of this report.

## 6. Litigation

The present reporting period saw some developments in the various litigation and enforcement proceedings formally issued against the Group.

There were no updates in Croatia, Bosnia and Herzegovina or Montenegro during this period.

In England and Wales, the Extraordinary Administration has filed a skeleton argument in the appeal proceedings concerning the order of HHJ Matthews recognising the Extraordinary Administration in England and Wales, and against the decision of the same Judge to stay Sberbank's application to lift the stay pending resolution of the appeal of the recognition order (case nos. A2/2018/0103 and A2/2018/0513 respectively). As reported previously, a hearing will take place before three Lord Justices of Appeal in the Court of Appeal in London on 19 and 20 June 2018.

In Serbia, the second instance court has confirmed the decisions of the Commercial Court in Zrenjanin to dismiss the litigation proceedings brought by each of Sberbank d.d. Zagreb and Sberbank banka d.d. Ljubljana against Agrokor d.d. (case nos. P 297/2017 and P 298/2017).

In Slovenia, the extraordinary commissioner has filed a constitutional appeal to the Constitutional Court of the Republic of Slovenia against the decision of the Supreme Court to reject the application for recognition of the Extraordinary Administration proceedings in Slovenia. The District Court of Ljubljana has also rejected the Extraordinary Administration's objection in the proceedings brought by Sberbank of Russia for a temporary injunction over the shares in Mercator d.d. (case no. is Zg 32/2017). The Extraordinary Administrations has the right to file an appeal and is consulting with his legal advisers.

## **7. Temporary Creditors' Council**

The TCC held a session on 4 June 2018 by way of correspondence, having approved the corrections of pre-petition claim payments from Pool A and Pool B. The TCC adopted the said resolutions with a majority vote.

On 15 May 2018, the TCC representatives and other creditors: Andrew Shannahan – Knighthead, Diana Nikolova – VTB, Sergei Volk – Sberbank, Pavo Mišković – Zagrebačka banka and Marica Vidaković, large suppliers - jointly communicated the following support for the settlement process:

“Creditors of Agrokor have invested substantial funds in Agrokor and together with the Extraordinary Administrator and the advisors of Agrokor are now focused solely on reaching a fair settlement for all stakeholders within the short period of time left within the statutory deadline.

We would like to state clearly that the TCC represents the creditors who are soon to be owners of Agrokor and who are the only ones bearing all the costs of Agrokor's restructuring and the process of extraordinary administration. These costs, although very high, are in line with international standards of complex restructuring cases such as this one and we see them as a necessity that we are paying for.

Given the magnitude of Agrokor's problems and debt, without an experienced international team combined with local experts it would have been impossible to get where we are today.

We appreciate the work of Extraordinary Administration and all local and international advisors engaged by the EA. Their results so far include stabilizing business and achieving Agrokor's sustainability as well as significantly improving the liquidity of the system with positive effects on the entire market and maximizing job preservation in Croatia and the countries of the region.

Despite many obstacles, we have gone a long way and have put a lot of efforts together with the EA and advisors to come close to finalizing the settlement agreement. We ask the parties who are not part of this process but are interfering with it to restrain from interference and let us finish the work, for the benefit of all stakeholders.“

## **8. Registration of claims**

The Commercial Court of Zagreb published on 27 April 2018 a decision of the High Commercial Court of the Republic of Croatia which annulled the order of the Commercial Court of Zagreb of 26 January 2018. The decision determined that the Permanent Creditors' Committee will have five members and determined the classification of creditors in the classes.

The Commercial Court of Zagreb published on 21 April 2018 a decision of the High Commercial Court of the Republic of Croatia whereby 89 creditors' appeals against the Order determining and contesting claims of 15 January 2018 were rejected as unfounded, while 26 appeals were dismissed as inadmissible. In three cases, the High Commercial Court of the Republic of Croatia adopted the creditors' appeals and amended the first-instance order in its disputed part.

The creditors continuously inform the Extraordinary Administration about changes of creditors, as well as of the withdrawal of filed claims and the removal of contestations, therefore the updated amount of recognized claims on 25 May 2018 is HRK 46.2 billion. The updated amount of claims contested by the Extraordinary Administration is HRK 10.3 billion, the updated amount of claims contested by other creditors is HRK 8.2 billion, while the total amount of the determined claims is HRK 38.0 billion.

## **9. Stakeholder relations and communications**

The Extraordinary Administration continues to pursue intensive and transparent communication with key stakeholders in Croatia and the other countries of the Group's operations.

The most important news during this reporting period was that the creditors settlement plan negotiations were finally completed. The other important news was the disclosure of the draft settlement plan in the Extraordinary Administration and the pertaining documentation, published by the Extraordinary Administration on 25 May 2018 on the web site [nagodba.agrokor.hr](http://nagodba.agrokor.hr). The document in question elaborates in detail the Term Sheet containing the key structural elements of the settlement plan, signed on 10 April 2018 by all Members of the TCC, representatives of the Suppliers' Association and a VTB representative, and also includes indications of the in-principle agreement achieved in the discussions which continued after that date.

In the media communications segment, there was an intensive communication with the media involving more than 60 various media activities, such as media queries, releases, media statements and others.

Members of the TCC made a common statement on 15 May 2018 expressing their support for the settlement achievement process and indicating that the Group's creditors would continue their intensive activities on drawing up the settlement plan in direct mutual discussions, with the participation of the Extraordinary Administration and advisers.

The Extraordinary Administration maintains a daily contact with a number of creditors as well as other stakeholders in the process, dealing with questions still pending, all with a view to achieving a settlement plan which would gain support as widely as possible among the Group's creditors.

All communication as well as activities relating to the cooperation with key stakeholders are intended to support the achievement of the settlement plan and its successful completion.

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